

**AICA**

**AICA Group  
CSR Report 2019**

Corporate principle

# 挑戦と創造

## Challenge and Creation

Corporate philosophy

**Through a philosophy of symbiosis, the AICA Group will create new value and contribute to society through endless innovation.**

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## Corporate policy

### 1 . Chemistry and design

We create unique products through the power of chemistry and design, and contribute to the realization of a prosperous society.

### 2 . Group synergy

We create group synergy with the continuous collaboration of the technologies / materials.

### 3 . No.1

We expand the top-share products we have in our business fields and regions.

### 4 . Global

We enhance our production/sales bases and human resources overseas, and aim for sustainable growth in the global market.

### 5 . Human resources and organizations

Human resources are the most valuable resource to the company. We build vibrant human resources as well as organizations through mutual understanding and growth.

### 6 . Compliance management

We promote fairness and transparency by complying with the laws and the regulations and the social order.

### 7 . Commitment to safety and security

We emphasize on engagement with stakeholders, and pursue “environmentally-friendly business activities” and “securing quality that can be trusted”.

#### Company Overview (as of March 31, 2019)

Company Name	AICA Kogyo Co., Ltd.
Headquarters Location	26F JP Tower Nagoya, 1-1-1 Meieki, Nakamura-ku, Nagoya, Aichi, 450-6326, Japan
Date Established	October 20, 1936
Representative	Yuji Ono, Representative Director and President
Capital	9,891.7 million yen
Employees	Consolidated: 3,920 Non-consolidated: 1,194
Affiliated Companies	6 in Japan, 37 overseas

#### Editorial Policy

This report has been prepared with the intention of communicating the AICA Group's CSR-related activities to our stakeholders (customers, shareholders, suppliers, local communities, and employees) in easily understood ways, using graphs, photographs, and the like.

#### Reference Guidelines

- Sustainable Development Goals (SDGs)
- ISO 26000
- Environmental Reporting Guidelines (2018 Edition), Ministry of Environment
- GRI Standards

#### Target Period/Scope

This report is a summary of the activities of the AICA Kogyo Co., Ltd. and the AICA Group in FY2018 (April 1, 2018 - March 31, 2019). It also includes information about some activities from FY2019. The target scopes can be found in the content of the report.

#### AICA's CSR Communication

##### AICA Group CSR Report (Booklet/PDF) (Japanese/English/Chinese)

Annual report of the CSR activities of the AICA Group.



##### AICA Website (CSR Activities)

Besides the content of the booklet, the website contains supplementary information. A PDF version of this report has also been published on the website.



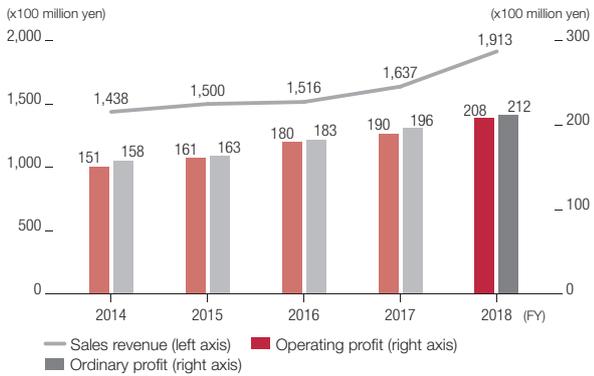
<http://www.aica.co.jp/company/environ/>

#### Contact for inquiries about this report

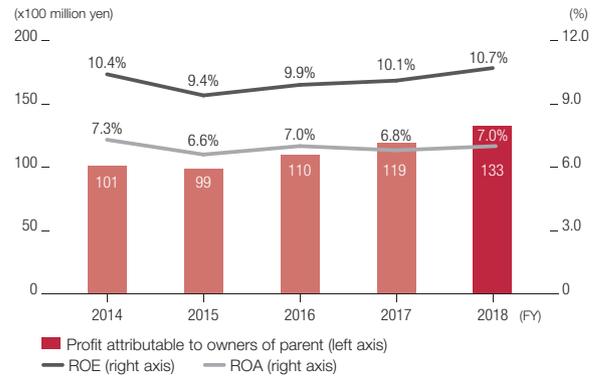
- Corporate Planning Department  
Tel: 052-533-3136
- Safety and Environment Department  
Tel: 052-433-5941

# Financial and Non-Financial Highlights

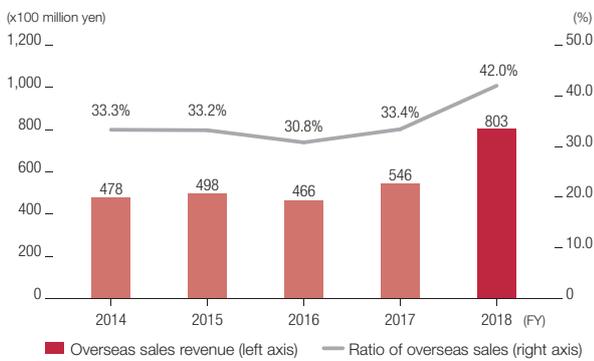
## Net sales / Operating profit / Ordinary profit



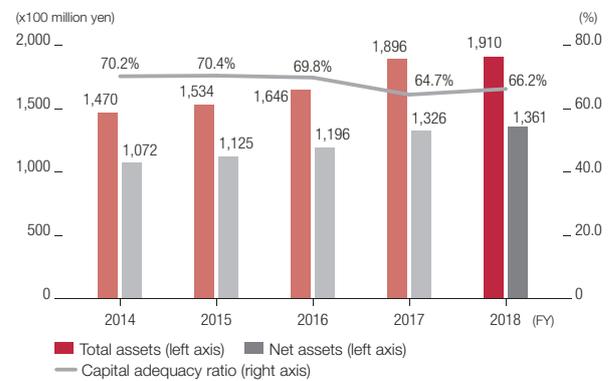
## Profit attributable to owners of parent / ROE / ROA



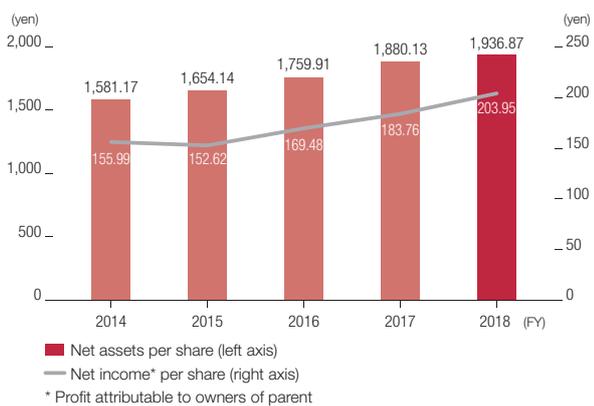
## Overseas sales / Overseas sales ratio



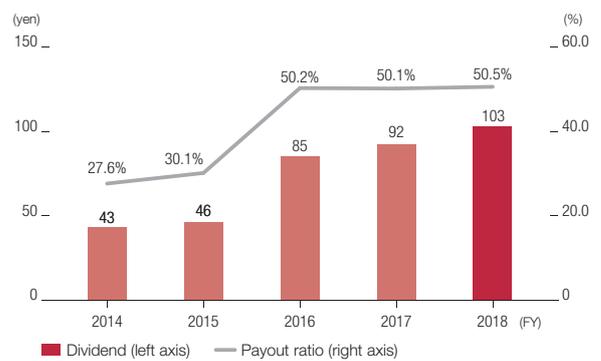
## Total assets / Net assets / Equity rate



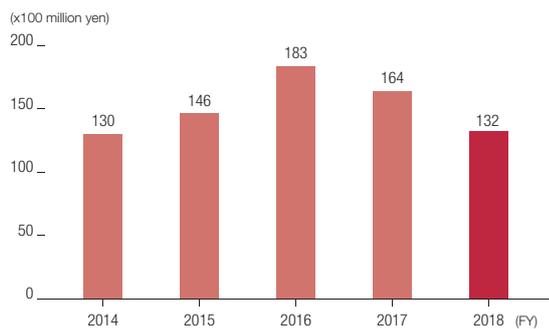
## Net assets per share / Net income\* per share



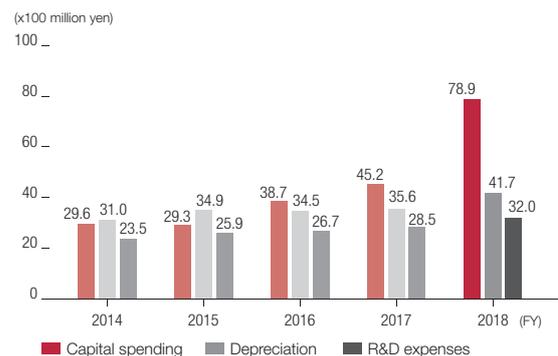
## Dividend / Payout ratio



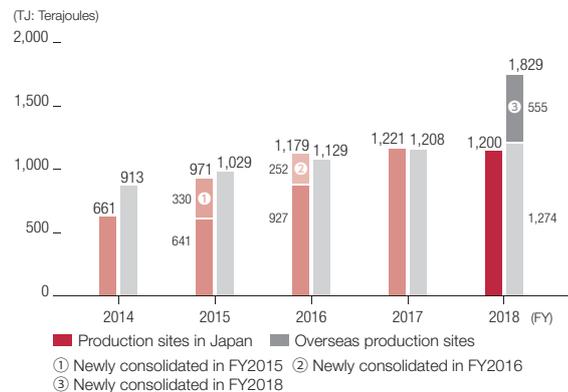
## Cash flow from operating activities



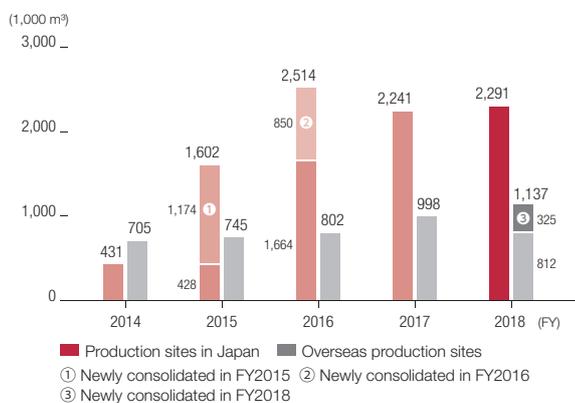
## Capital investments / Depreciation / R&D expenditure



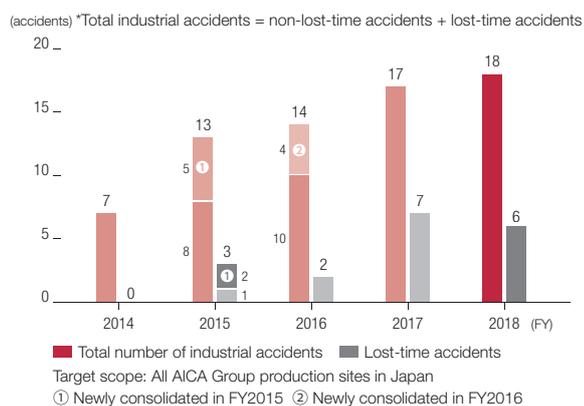
## Energy input



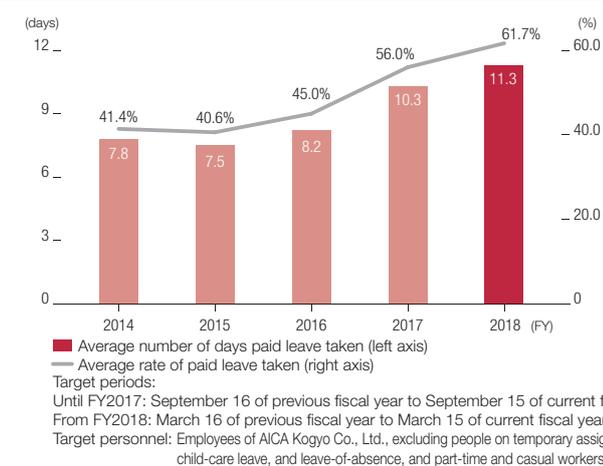
## Water usage



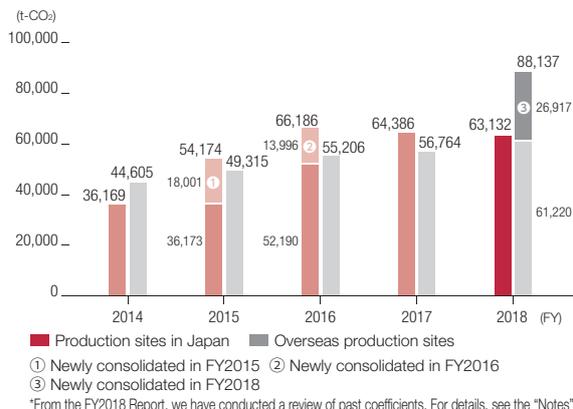
## Number of industrial accidents



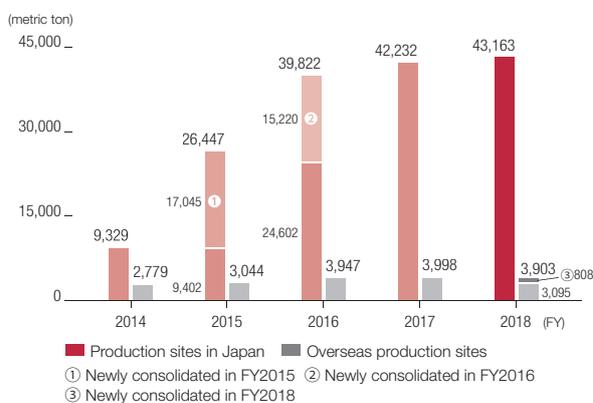
## Average days paid leave taken / Average rate of paid leave taken



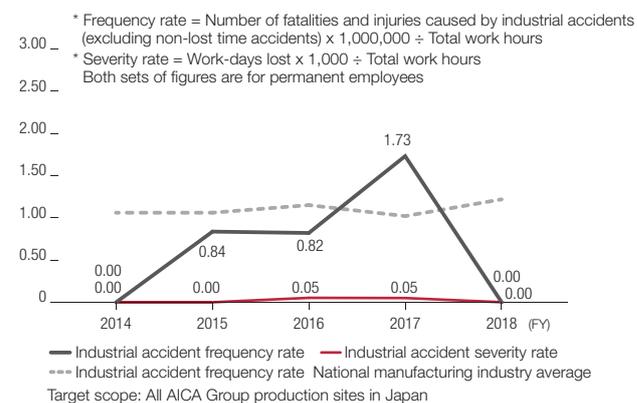
## Greenhouse gas emissions



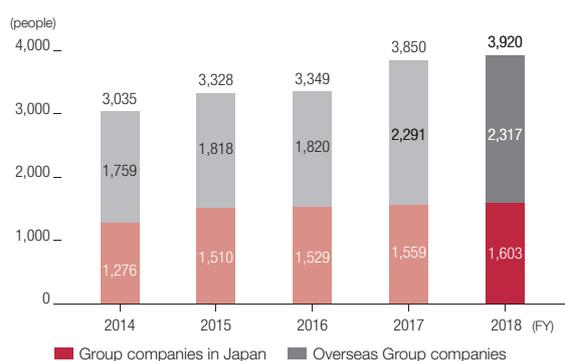
## Industrial waste emission volumes



## Industrial accident frequency rate/Severity rate



## Headcount (Japan / Overseas)



# Social Background and the Products it has Generated

## Transition of Value Creation

### Social Background and Products Created by the AICA Group

#### ► 1936

##### Development of Japan's first synthetic resin adhesive

We developed a urea-based resin adhesive with strong adhesive properties and water resistance. This drove the shift from natural adhesives to high-performance synthetic resin adhesives.



#### ► 1960s - 1970s

##### Contribution to development of odorless plywood

To increase productivity of plywood in response to expanding demand, we developed a no-clamp melamine urea formaldehyde resin adhesive. We encouraged increased use of this adhesive, which has low formaldehyde detection, and odorless plywoods were born.

#### ► Late 1980s

##### Use of rubber trees that had been discarded as scrap

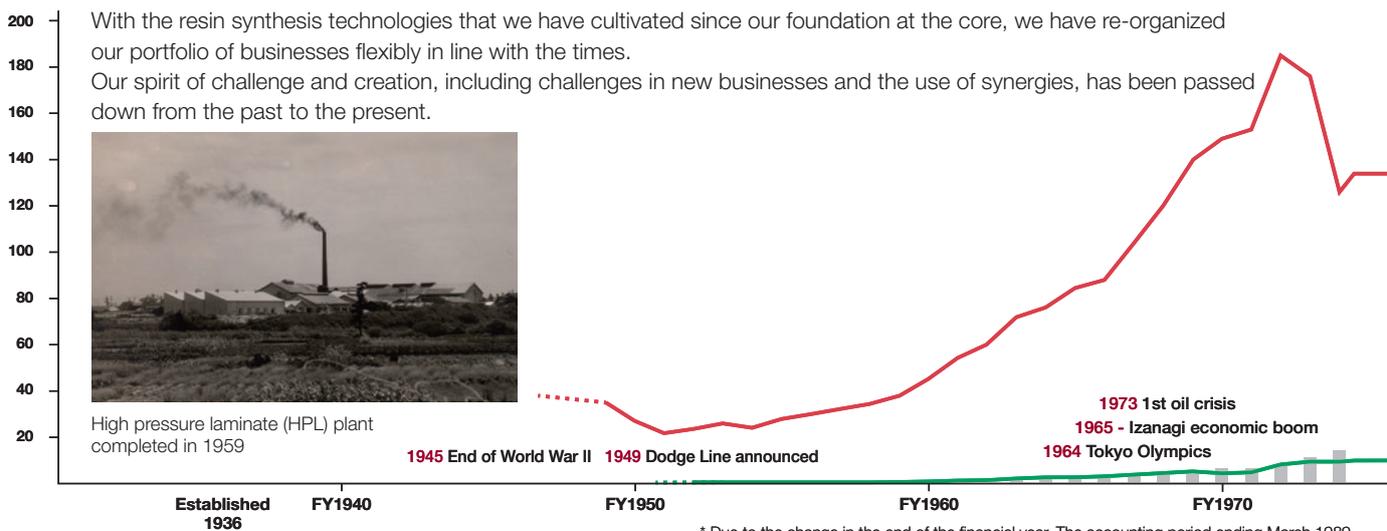
Rubber tree wood left over from the sap extraction process was recycled into laminated lumber and turned into stair components and counters. This attracted attention as a pioneering concept in the effective use of forest resources.



We were awarded an honor from the Sultan of the Malaysian state of Kedah.

### Trends in AICA Group's portfolio and business performance

Net sales (billion yen)



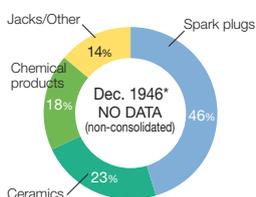
\* Due to the change in the end of the financial year. The accounting period ending March 1989



#### 1936 - 1945

In October 1936, the chemicals division of Aichi Tokei Denki was spun off to create Aichi Kagaku Kogyo. In the war years, the company aimed to mass produce chemical products.

- Launched Japan's first urea-based resin adhesive, "AICHI-MUTEKI-NORI" (1939)

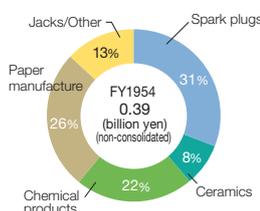


\* No data exists due to the turmoil after the War ended, so figures are only for the single month of December 1946.

#### 1946 - 1954

Moved from munitions demand to civilian demand for post-war construction. Entered the paper manufacturing and ceramics business.

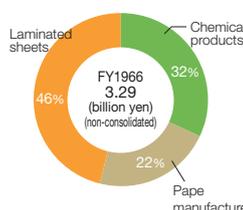
- Launched melamine resin-baked paint (1951)



#### 1955 - 1966

Business foundations are firmly established against a background of a strong economy. Entered the high pressure laminate (HPL) business and grew rapidly into a general adhesives manufacturer.

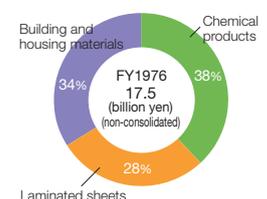
- Launched "AICA" high pressure laminate (HPL) (1960)
- Withdrew from ceramics and spark plug businesses (1956, 1958)



#### 1967 - 1976

Took on the AICA brand name and changed company name to AICA Kogyo Co., Ltd. Expanded operations with new products and technologies.

- Launched "AICA POSTFORM" (1968)
- Launched wall coating material "JOLYPATE" (1975)



► 1990s - 2000s

Addressed sick house syndrome

From the 1990s, hypersensitivity to chemical substances, as exemplified by sick house syndrome, became a serious social problem. In response to the Revised Building Standards Act of 2003 and the Ministry of Health, Labor and Welfare guidelines of 2002, we launched AICA Eco-Eco Bond, a healthy-housing adhesive that contained no restricted substances such as formaldehyde, toluene, and xylene.



AICA Eco-Eco Bond when it was first released

► 2010

Addressed protection of forest resources

We were the first Japanese manufacturer of high pressure laminates (HPL) to obtain Forest Sustainability Council (FSC/PEFC) certification for certain of our HPL products. Subsequently, we were awarded the Biomass mark for those same products and for some of our decorative board products.



High pressure laminates (HPL)



Polyester decorative panels



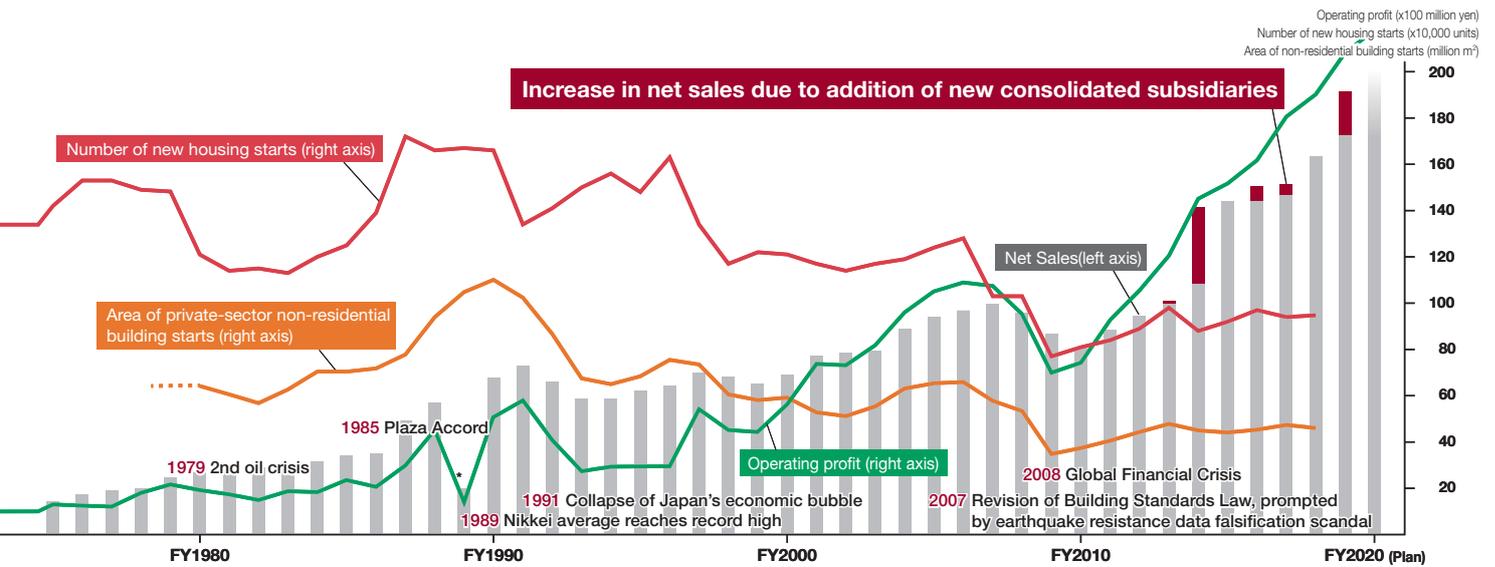
Marless Board

► 2017 -

Developed and expanded sales of AS products

We positioned product ranges that contribute to the solution of social issues as AS (Aica Solution) products and concentrated our efforts into developing and expanding sales of those product ranges. The objectives of those products are many and diverse, including alleviating labor shortages, reducing waste, and building safe cities.

Increase in net sales due to addition of new consolidated subsidiaries



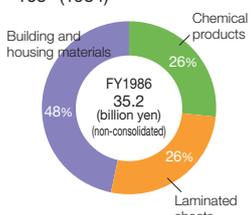
covers only the four-month period of December 1988 to March 1989. \*Consolidated accounting began from the year ended November 1979. All accounting years prior to that are non-consolidated.

Achieved growth with doors | Incorporates non-residential market | Achieved growth with CERARL | Used M&As to build a strong portfolio

1977 - 1986

In addition to a new business plan, declared the current Corporate principle, "Challenge and Creation," as our slogan and worked to strengthen the management structure.

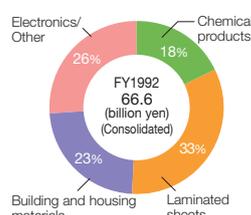
- Launched premium wooden door "EASTERN CHERRY DOOR" (1978)
- Launched high pressure laminate (HPL) "AICA COLOR SYSTEM 105" (1984)



1987 - 1994

Achieved listing on Section 1 of the Tokyo and Nagoya Stock Exchanges. Pursued business diversification, such as moving into multilayer printed circuit board business.

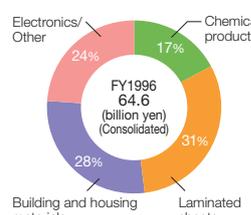
- Captured top share of Japanese HPL market
- Launched melamine noncombustible decorative panel "CERARL" (1989)



1995 - 2009

Rolled out QEO Management System as a "trinity activity." Pursued environment-oriented management by strengthening Group collaboration.

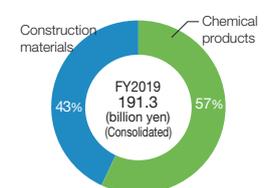
- "CERARL" becomes huge hit as kitchen panel (1996 -)
- Inaugural edition of "Environmental Report" (1999)



2010 -

Actively expanded overseas and strengthened approaches to new businesses. In addition to environment-oriented management, concentrated efforts on CSR activities.

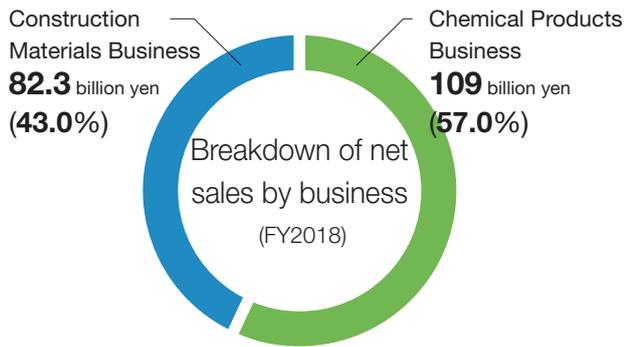
- Acquired shares in subsidiary of Dynea's Asia-Pacific division (2012)
- Acquired shares in Evermore Chemical Industries (2018)



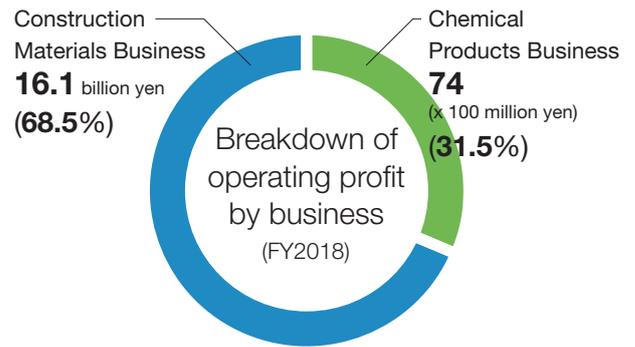
# AICA Group's Profit Structure/ Business Domains/Major Sites

## Business Composition

Net Sales **191.3** billion yen



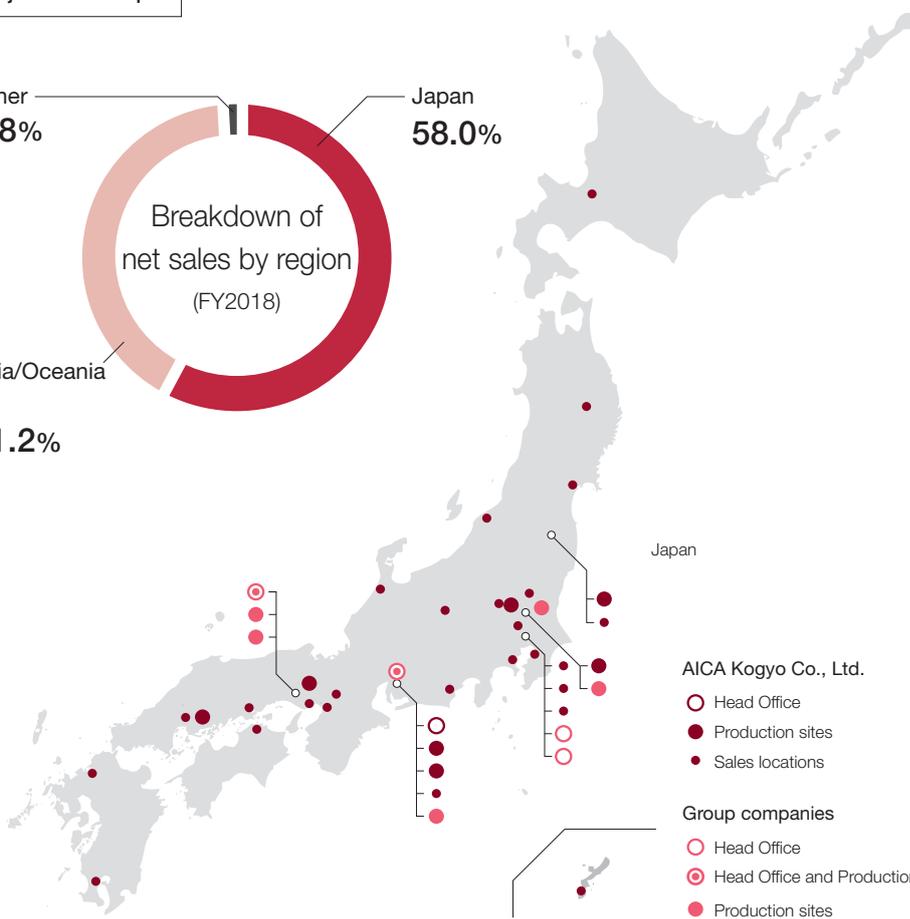
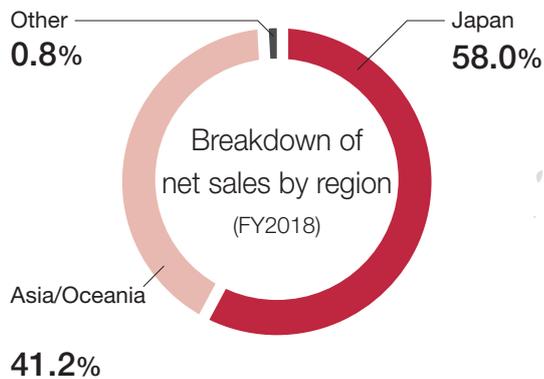
Operating profit **20.8** billion yen



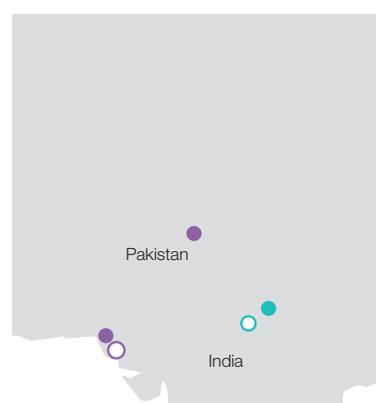
\*Operating profit includes unallocated operating expenses (2.7 billion yen), so is not equal to the total of the operating profit figures of the individual businesses.  
The composition figures do not include unallocated operating expenses.

## Major Sites

### Major sites in Japan



### Major sites overseas

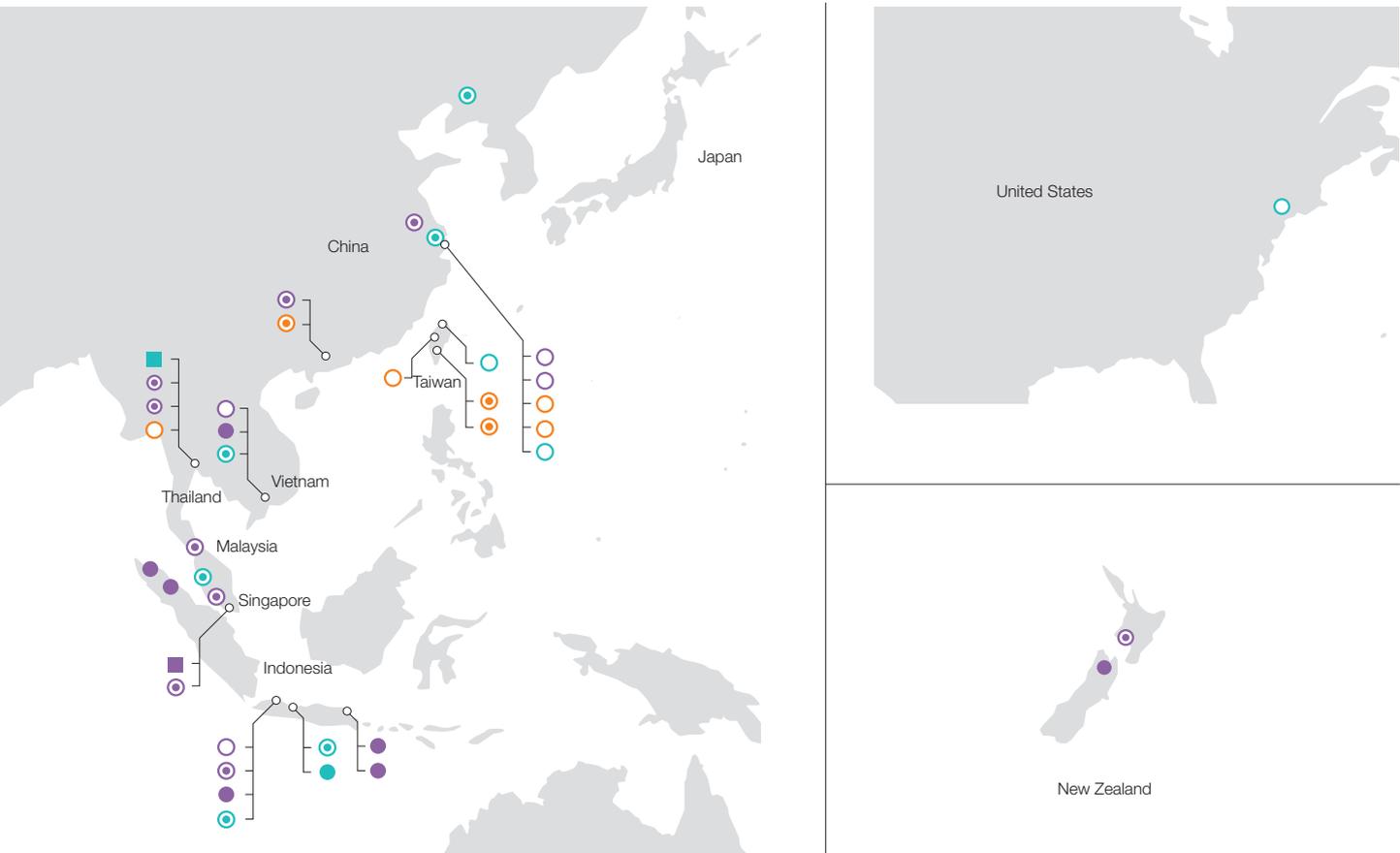
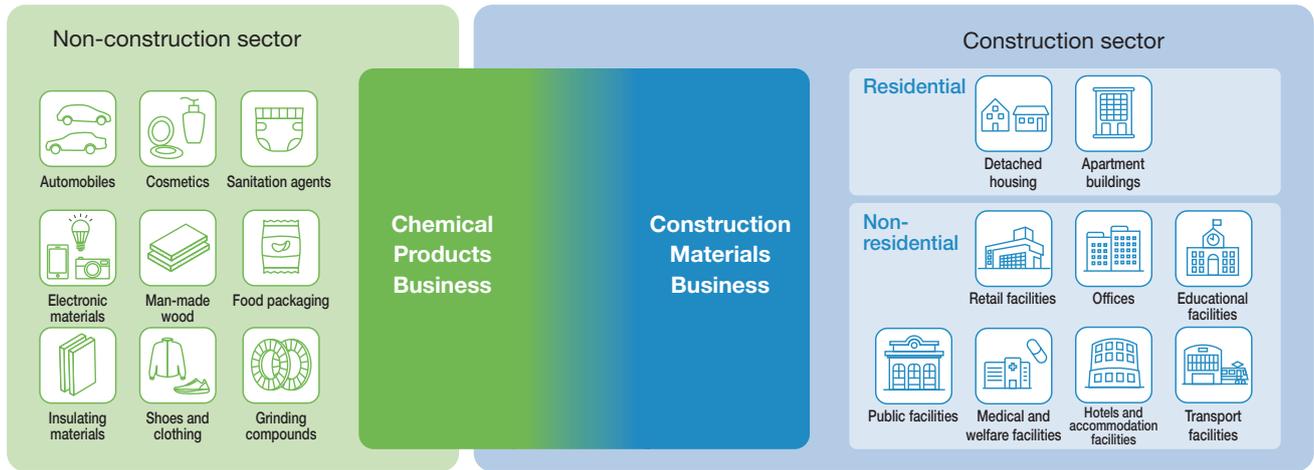


- AICA Asia Pacific Holdings Group companies**
- Holding company (AICA Asia Pacific Holding Pte. Ltd.)
  - Head Office
  - ⊗ Head Office and Production Site
  - Production sites
- Evermore Chemical Industry Group companies**
- Head Office
  - ⊗ Head Office and Production Site
- Other Group companies**
- Holding company (AICA Asia Laminates Holding Co., Ltd.)
  - Head Office
  - ⊗ Head Office and Production Site
  - Production sites

\*Sales locations are not included.

## Target Fields of Each Business

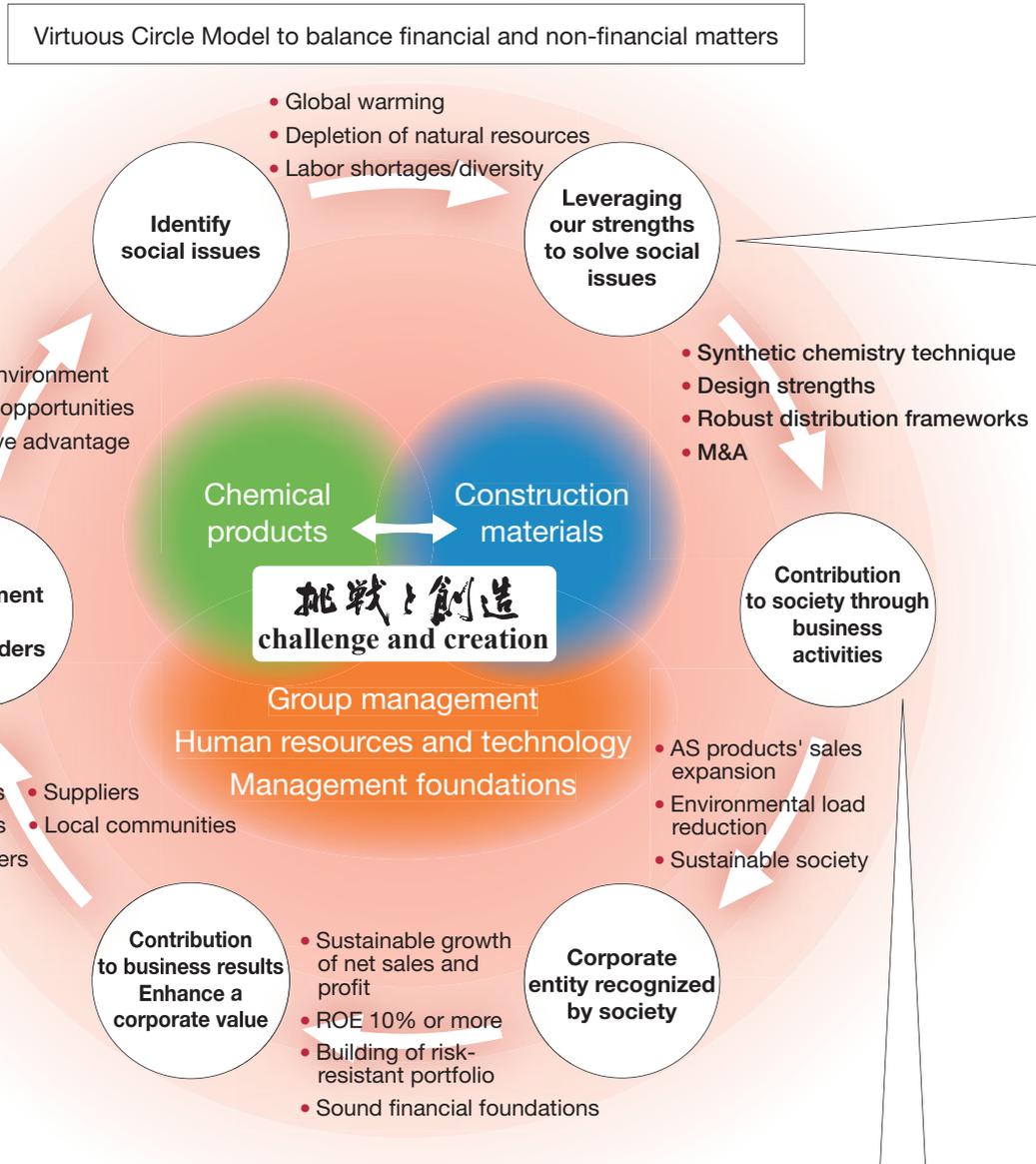
The main fields targeted by the Chemical Products Business are the construction and non-construction sectors, while the Construction Materials Business targets the construction sectors. The construction sector is further divided into the residential and non-residential segments, the latter of which includes a wide variety of buildings, including retail facilities and office buildings. AICA Group products are working hard in a wide range of fields.



# Virtuous Circle Model and Core Competences

## Virtuous Circle Model Concept

Through engagement with our stakeholders, the AICA Group identifies social issues, acknowledges them as risks, as well as turning them into business opportunities. We achieve social contribution and sustainable business growth by develops and expands sales of “AS (Aica Solution) products” that solve social issues.



### The AICA Group and the SDGs

The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 are international goals for 2030 that aim to solve problems like poverty, inequality, education, and the environment in all countries and regions so that we could have live in a better global community. SDGs consist of 17 goals and 169 targets to attain a sustainable society, with a pledge to leave nobody on Earth behind.

As a company that operates business on a global scale, the AICA Group has signed the Global Compact. AICA group is committed to achieve goals through various activities. We reviewed the Materialities in FY2018, and sorted out the relevance between the issues in the Materialities and the SDGs, and clarified anew the important business activities that the Group should tackle global social issues.

We shall tackle social issues through various corporate activities hand in hand with the stakeholders and contribute to the sustainable society.



### 3 core competences that accelerate the Virtuous Circle Model

The AICA Group, which has captured the top share of the market in specific sectors and continues to provide products that are essential to the world, has three unique strengths. We are a chemical company that also operates in the design domain, proposing finely detailed solutions with its global network.

#### Chemical technologies

The chemical technologies we have cultivated since the company was first established form the foundation all of our business activities. With our resin synthesis technology for adhesive products as our core technology, by applying those technologies to the construction materials and specialty and performance materials sectors, we are able to develop highly original products. We use the power of chemistry to solve social issues and enrich people's lives.



#### Design

Sending products out into the world that incorporate the latest trends, centering on our high pressure laminates (HPL) that have the top share in Japanese market, we have established a firm position as a construction materials manufacturer that adorns spaces.

As well as proposing the beauty of colors and patterns, we take social issues that we have identified through communication with our stakeholders and design easy-to-use shapes, safe structures, and innovations that lead to health and security. We create new value with the power of design and build a pleasant future in which anyone can live in comfort.



#### Sales Network

We have developed sales networks to deliver our products to our customers promptly. In Japan, as well as locating sales offices in various parts of the country, we have formed the "AICA Distributors' Organization", an association of distributors with a wealth of specialist knowledge about our products.

Overseas, predominantly in the Asian region, we are using M&As to expand our overseas sales network. We have established separate holding companies overseas for the chemical products and construction materials businesses. We are identifying local needs that are rooted in the local regions and pursuing the localization of our businesses overseas.



# Message from the President



We strive to be an entity that develops sustainably by enhancing our ESG initiatives.

**Yuji Ono**

Representative Director and President

## Summary of FY2019

Consolidated business results for FY 2019 were net sales of 191,363 million yen (up 16.9% year-on-year), operating profit of 20,834 million yen (up 9.1%), ordinary profit of 21,249 million yen (up 8.4%), and profit attributable to owners of parent of 13,316 million yen (up 11.0%). Net sales increased for the ninth consecutive year, operating and ordinary profit for the tenth consecutive year, and net income\* for the third consecutive year. These figures were the highest in the company's history for all indices - net sales, operating profit, ordinary profit, and net income\*. In the Japanese construction market, one of the company's major fields, both the residential and non-residential sector performed well. In particular, this favorable performance was maintained by expansion of the AS products, which contributes to the solution of social issues, mainly in the area of childcare center extensions, as well as in hotels and sports

facilities, where business is thriving in connection with the Olympics.

On the other hand, the chemical products business struggled on the profit front due to soaring prices of raw materials. However, we managed to achieve an increase both in the sales and profit with the Evermore Chemicals Industry Group (EMC Group, joined AICA group in January 2018) and Thai Chemical Corporation's (TCC, joined AICA group in March 2018) contributions as well as with the strong sales both in Japan and overseas.

\*Profit attributable to owners of parent

## Toward the early achievement of the medium-term business plan “C&C 2000” and the achievement of the “Aica’s 10 years vision” beyond

We have planned a “Aica’s 10 years vision” (⇒ P. 15), targeting 300 billion yen in net sales and ordinary profit of 30 billion yen by FY2027, the 90th anniversary of the company’s founding. At the same time, we established “C&C 2000” (⇒ P. 16) as our medium-term business plan, and we declared our targets and fundamental management strategies to be achieved within the first four years of the AICA’s 10 years vision. We aim to achieve the plan’s targets of 200 billion yen in net sales and 22 billion yen in ordinary profit a year ahead of in March 2020. We will push forward toward the achievement of our targets by implementing various measures grounded in the basic policy of pursuing and realizing the three growth drivers and strengthening our management foundations to support growth.

### ▶ Toward the sustainable growth in the Japanese construction market

One area cited as a growth driver in C&C 2000 is the AS products that contributes to tackle social issues. Focusing on the social issues of the times, we develop and expand sales of products that contribute to solving those problems. Such products include easy-to-construct products to combat the chronic shortage of skilled workmen on construction sites caused by the shrinking birth rate and aging population, and repair and reinforcement products that will extend the life of buildings and infrastructure.

In FY2018, we actively invested in the development and sales expansion of AS products. We established the Nagoya R&D Center to speed up product development, extending our technological development space by about 7.5 times bigger for the construction materials business. We also built a new plant in Ibaraki Prefecture to increase production capacity and transportation efficiency of the premium artificial marble, Fiore Stone, which is one of the AS products.

This fiscal year, in July 2019, we entered into a capital and business contract with the building company, SOUBU Co., Ltd., to build a framework for all-in-one proposals for materials and construction of external wall coating with JOLYPATE. In our product development, we have leveraged the opinions of skilled workmen to find ways to solve the increasingly serious shortage of skilled workmen. Further, as a growth sector for the next generation, in July 2019, we launched a new product, Melamine Tiles, entered into a new market of non-residential

floor coverings. Melamine Tile is a completely new type of flooring material that combines the strengths of polyvinyl flooring materials and melamine materials. They are easy to construct and clean, and resistant to scuff marks and dirt. We will continue to enhance our proposal capacity for entire spaces, from furniture and housing equipment to walls, fittings, and flooring materials. It is believed that the Japanese construction market will shrink, but even in that market environment, we will strive to achieve sustainable growth by selling multiple products for single building projects.

### ▶ Capturing demand in the growing Asian region

Overseas, with the sustained economic growth in the various Asian countries, demand for adhesives, industrial resins, and high-quality high pressure laminates (HPL) is expected to increase.

We are working to expand our business in the chemical products business with AICA Asia Pacific Holding Pte. Ltd. (AAPH) as they are responsible and playing a key role for the oversea chemical product business. At TCC, which was newly added as a consolidated subsidiary through AAPH in March 2018, we installed a new reactor, which will use Japanese phenol formaldehyde resin technology transferred to TCC. In March 2019, P.T. AICA Indria, an AAPH Group subsidiary that has a major share of the Solvent-based CR market in Indonesia, built a fourth plant. This move almost doubled the company’s production capacity for Solvent-based CR. We will continue our active expansion of production capacity and pursue the creation of technological synergies in our aim to become the leading manufacturer in Asia in the building sector that supports people’s lives.

In the specialty and performance materials business, in which we are focusing our efforts as a growth sector for the next generation, we have been pursuing the expansion of synergies with the EMC Group. In polyurethane resins and UV-curable resins, start-to-finish production, from upstream raw materials to finished resin products, is now possible, which has raised our competitive advantage. First, we would collaborate with the AAPH Group to expand sales in Southeast Asian countries of polyurethane resins for footwear and textiles, an area where the EMC Group excels. Then, we develop this area into a pillar of the business that targets non-construction sectors.

In the construction materials business, we will put a variety of measures into action to bring about rapid growth in overseas net sales. In April 2019, through AICA Asia Laminates Holdings, which oversees the construction materials business, we acquired shares in HPL distributor, Sois Mendinni Industrial Technology (Shanghai) Co., Ltd. As Sois Mendinni’s core market is China, this acquisition has given us a sales network

that covers China's main regions. The following May, we commenced operations at our first HPL plant in Vietnam, which completed our supply structure for the expansion of our market share not only in Vietnam but also in the whole of Asia. We will continue to expand our sales channels and increase our production capacity through the active pursuit of M&As, to accelerate the extension overseas of the brand and product strengths that we have established in Japan and to achieve significant growth.

## CSR concept

### ▶ Create a mechanism to integrate ESG initiatives with management and business activities

We are currently facing serious and miscellaneous issues, including climate change on a global scale, waste increase, destruction of the natural environment, pressure on resources due to the growing population, and widening income disparity. The United Nations adopted the Sustainable Development Goals (SDGs) in 2015 and we as a corporate entity are required to contribute to the goals set by the United Nations.

Under such circumstances, AICA Group as a company that conducts business on a global scale, it is our duty to fulfill a duty, corporate social responsibility (CSR), particularly in the areas of the environment, society, and governance (ESG) including value chain. To achieve this, we believe that the most important thing is that we pursue these responsibilities united as a Group.

AICA Group has always placed efforts into management that takes CSR into consideration. Since 1996, we have been working to obtain certification of our quality management systems (Q: ISO 9001), environmental management systems (E: ISO 14001), and occupational health and safety management systems (O:OHSAS 18001) at each of our sites. We succeeded in obtaining these certifications for all AICA Kogyo plants and sales locations in FY2003. With this trinity of management systems, we have built the QEO Management System and have worked to strengthen our management foundations with the production, R&D, sales, and administrative divisions all coming together as a united force. This framework is the main axis of our CSR activities and is a core part of our measures to strengthen our management foundations to support growth under our medium-term business plan "C&C 2000."

The key performance indicators (KPIs) for each of the AICA

Group Materialities, which were reviewed in FY2018, have been incorporated into the Action Plans (assessment axes) of each division from FY2019. It is in this and other ways that we are merging our business activities and CSR activities today. We have organized the correlations between the AICA Group Materialities and the SDGs, which are the international goals for realizing a sustainable world, and clarified anew the important business activities that the Group should conduct to solve global social issues.

We will continue to pursue the creation of frameworks to integrate ESG initiatives into our management and business activities, and contribute to the realization of a sustainable abundant society.

### ▶ Balancing economic value and social value

Through engagement with our stakeholders, we identify social issues, acknowledge them as risks, as well as turning them into business opportunities, and develop and expand sales of products that leverage our strengths for the solution of social issues. In this way, we have built up a virtuous circle model (▶ P. 9) that will achieve social contribution and sustainable business growth.

In response to social issues such as the increasingly severe environmental problems in various parts of the world, declining birth rates and aging populations, and the development of safe and sustainable communities, we will actively talk to the respective stakeholders in these issues and, leveraging the technologies and products we have accumulated to date, make proposals for problem-solving that are rooted in the regions and cultures.

Through the promotion of this virtuous circle model, we will conduct business activities that will contribute to the realization of a sustainable society. By integrating economic growth and corporate social responsibility, we aim to become a corporate group of sustainable growth and development that is trusted and needed by its stakeholders.

## Message from the CEO



Rein Meijer  
Chief Executive Officer  
(CEO)

### The path of CSR/sustainability as a member of the AICA Group

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Since AICA Asia Pacific Holding (AAPH) joined AICA Group in Dec 2012, there has been constant alignment with AICA Group's principle of Challenge and Creation and its management philosophy of creating new values and contributing to society through endless innovation. As AAPH represents about 30% of AICA Group's sales, we have a significant contribution to make towards its CSR. Our journey began with the adoption of AICA Group's materialities in 2017, as well as its related performance targets in areas relating to Environment, Social, and Governance (ESG). On top of focusing on business growth, we are more conscious of the impact of our operations on the surrounding environment and our stakeholders, including employees, local communities, customers, investors, and suppliers. Higher standards of governance are expected to remain compliant and develop a high level of trust and transparency toward stakeholders. Greater transparency, accountability, and responsibility are expected from management in today's business environment. We believe in that strong ESG performance can contribute to sustainable business performance by minimising our environmental impact, by improving employee satisfaction, and through strong governance.

In the past two years, AAPH has progressively built up the capability to measure our non-financial performance, especially relating to ESG. We also create a culture of performance measurement for continuous improvement under Operational Excellence. These measurements will be tracked and improved upon to contribute towards the middle-term business plan "C&C 2000" and the UN SDGs (United Nations Sustainable Development Goals). We have created the role of Sustainability Manager role to get bring us up to speed with industry best practices and to step up our efforts in delivering our CSR/sustainability performance. Creating awareness of CSR/sustainability among our employees, as well as of their responsibility as part of AICA Group, was our first step in achieving alignment within AAPH. Changing the mind-set and getting our staff on board were the initial challenges, as many organisations are moving from compliance to competitive advantage in the area of CSR/sustainability. Customers who once simply preferred to work with sustainable suppliers are now demanding CSR/sustainability as a basic requirement in their suppliers. This translates to our own expectations of our suppliers to have a certain level of CSR compliance, to support our efforts toward a sustainable supply chain.

### Involvement with our Employees, Our Most Important Capital

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Our employees are our most valuable assets and employee satisfaction and career development are vital to our long-term business growth. Our focus has been on the "three zeros" in injuries, process accidents, and non-compliance throughout AAPH. Management, together with the employees, is building and maintaining a high level of safety consciousness in the course of this "three-zeros" journey.

Furthermore, AAPH operates in a multi-national and multicultural environment that spans the Asia-Pacific region, from New Zealand to South-East Asia and on to China, across five different time zones. Diversity and gender equality have been our operating culture and will be strengthened to generate synergies within AAPH.

### The AAPH Group will unite in its aim for sustainable growth.

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In AAPH, CSR/sustainability is the responsibility of every employee. It is a journey of continuous improvement, employee engagement, and contributions to the good of society and environment. We need to exercise greater accountability and transparency in our operating environment and the society we live in. The bar has been raised and the focus is no longer merely on minimizing the impact of our operations; it is now more about making positive contributions to society and the environment. Greater leverage of our employees and technologies will help us to build a competitive advantage in our business environment. With greater CSR/sustainability in the form of strong ESG performance, we can then continue to deliver long-term sustainable and profitable business growth to the AICA Group and its stakeholders.

# Progress in Aica's 10 years vision and Medium-Term Business Plan

## Background to establishment of the Aica's 10 years vision

AICA has established an Aica's 10 years vision with the goal of FY2027, the 90th anniversary of the company. With the aim of transforming into a solid, robust management structure that will not be easily influenced by trends in the Japanese construction market, in the chemical products business, we will aim to become Asia's top manufacturer of resins for the construction sector, which supports people's lives and social infrastructure. We will also grow non-construction sector such as the automotive, daily commodities, and electronic materials. In the construction materials business, we are aiming for further business growth as a "space design manufacturer" that can provide comfort and safety to residential and non-residential living spaces.

### Aica's 10 years vision

#### Financial targets by 2027/3

	FY2017		FY2021
Consolidated sales	151.6 billion yen	▶	<b>300 billion yen</b>
Consolidated ordinary profit	18.3 billion yen	▶	<b>30 billion yen</b>
ROE	9.9%	▶	<b>10% or more</b>
Overseas sales ratio	30.8%	▶	<b>45% or more</b>

#### The future vision at 2027/3



#### ● Group Collaboration & Operation Base Enhancement

In order to establish a system which can respond to changes in market environment, we are strengthening group collaboration and business foundations.



#### ● Human resource development

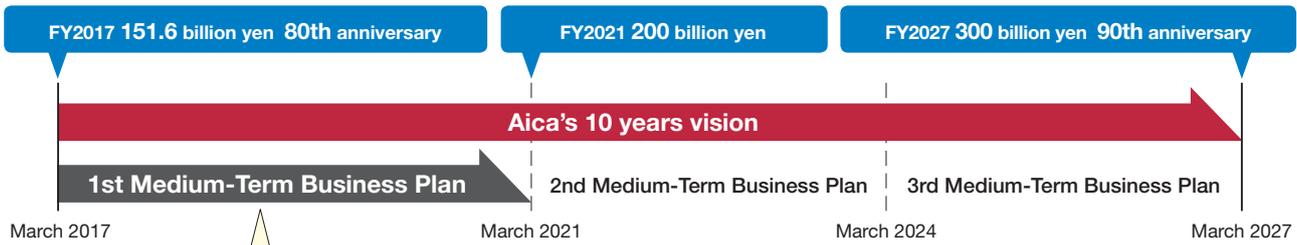
We promote diversity management. In order to develop globally competent human resources and professional human resources, we will establish a variety of development systems.



#### ● Responsibility to stakeholders

We will put an emphasis towards engagement with stakeholders, and promote management which contributes to local communities and enhances CS and ES.





## Medium-Term Business Plan “C&C 2000”



### Financial Targets (Consolidated)

Item	FY 2017 (Achievement)	FY 2021 (Plan)
Net Sales	151.6 billion yen	200 billion yen
Ordinary profit	18.3 billion yen	22 billion yen
ROE	9.9%	10% or more
Ratio of overseas sales	30.8%	35% or more

Amid a business environment that is going through major changes, such as changes in housing demand due to the shrinking population, declining birth rate and aging population, deterioration of infrastructure and buildings, a growing awareness of the environment, an increase in the consumption tax, and technological innovations such as IoT and AI, the Medium-Term Business Plan “C&C 2000” aims to achieve sustainable growth and increase our corporate value by leveraging the AICA Group’s strengths in chemistry and design to create original products that will contribute to the realization of an abundant society.

### Basic Policy

#### 1. To seek and realize 3 growth drivers

- 1 Sustainable growth of key domestic business by enhancing AS products\* (⇒ P. 17)
- 2 Development and investment in the focus fields for the next generation. (Non-Construction fields, Untapped markets in Construction fields) (⇒ P. 19)
- 3 Overseas deployment of Japanese technologies (⇒ P. 20)

#### 2. Operation Base Enhancement to support the growth

- 1 Growth of individuals through C&C activities \*
- 2 Improvement of CS and ES<sup>4</sup> by means of QEO management<sup>3</sup> and IT foundation renewal
- 3 Observing compliance

\*1 AS products: Abbreviation for AICA Solution products. Products that solve a variety of social issues

\*2 C&C activities: Small group activities for conducting management and improvement of quality with regard to products, services, work, etc. under the spirit of challenge and creation. They have been conducted since around 1970

\*3 QEO management: A management system based on a trinity of Quality, Environment and Occupation health and safety

\*4 CS and ES: CS refers to customer satisfaction and ES refers to employee satisfaction

### Investment strategy

Capital investment	22 billion yen	▶ Capacity expansion, line automation, IT reform	R&D expenditure	14 billion yen	▶ Introduction of new technology, industry-academia collaboration
M&A	18 billion yen	▶ Area expansion, expansion of business domains	Human resources investment		▶ Active recruitment and cultivation of global human resources, work style reform, development of professional human resources, promotion of diversity

### Progress

We are aiming to achieve our financial targets a year ahead of schedule. As well as pursuing the development of new markets, we will take maximum advantage of the synergies between new plants and companies that have been consolidated through M&As and press ahead toward the achievement of our targets.

	1st year	2nd year	3rd year	4th year		1st year achievements	2nd year achievements	3rd year plans	
	FY2018 (Achievement)	FY2019 (Achievement)	FY2020 (Plan)	FY2021 (Target at establishment of plan)					
Net Sales	163.7 billion yen	191.3 billion yen	200 billion yen	200 billion yen	+	Capital investment	4.52 billion yen	7.89 billion yen	6 billion yen
Ordinary profit	19.6 billion yen	21.2 billion yen	22 billion yen	22 billion yen		M&A	5.26 billion yen	-	In planning
ROE	10.1%	10.7%	10.6%	10% or more		R&D Expenditure	2.85 billion yen	3.2 billion yen	3.4 billion yen
Overseas sales ratio	33.4%	42.0%	42% or more	35% or more					

**Aim to achieve targets of Medium-Term Four-Year Plan a year ahead of schedule**

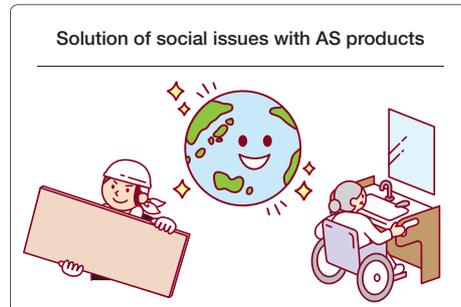
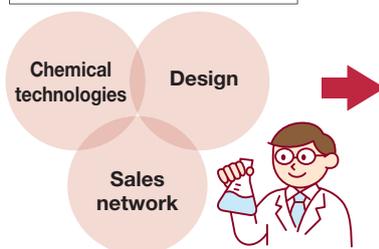
# Three growth drivers for the creation of new value

## 1. Sustain growth of Japanese core businesses by expanding the AS products

### What are AS products?

We offer products that help to solve a variety of social problems, not only environmental ones, promoting them as AS (AICA Solution) products. Leveraging our strengths of chemistry and design, we will expand sales of high added value in growth areas and aim for the sustainability of both society and the company.

Product development that leverages AICA Kogyo's core competencies.



### To Increase Development Capabilities

#### Completion of new technology building, Nagoya R&D Center, in October 2018

The Nagoya R&D Center, which will be the core R&D hub for the construction materials business was opened on October 1, 2018. In a technological development space that is about 7.5 times larger than previously, new equipment has been constructed and the major experimental equipment that had been dispersed around the various sites has been brought together into the one location. About 40 engineers and researchers are now gathered at this technology development hub. Taking advantage of the opening of the new Center, as well as accelerating the development of new products and bringing them to market, we will concentrate our efforts on entering new business domains that will support the next-generation AICA.



### Examples of Social issues that AS Products Can Help

Social issue	Value added to solution	Typical AS product that can provide value
Degradation of infrastructure and buildings	 <b>Extension of life of buildings</b> Provide products for the repair of degrading buildings and products for renovations.	[Repair/reinforcing materials] ● DYNAMIC RESIN (method to keep exterior tiles from falling off) ● JOLY SEAL (repair of cracks in concrete, etc.)
Climate change (Global warming, etc.)	 <b>Reduction of CO<sub>2</sub> during transport</b> Reduce greenhouse gas emissions by developing and expanding sales of products that have good load efficiency, e.g. reducing weight of products.	[Incombustible building materials] ● ARDICA (UV-curable noncombustible decorative panel) [Boards, films, etc.] ● ALTYNO (Architectural films)
Shortage of tradespeople on building sites	 <b>Easy-to-Construct products</b> Develop products that are easy to Construct, to augment the shortage of skilled workmen resulting from labor shortages accompanying the declining birth rate and aging population.	[High Pressure Laminate (HPL)] ● MELATAACK (HPL with adhesive backing) ● Magnet Melamine EV (HPL with magnetic backing)
Depletion of natural resources	 <b>Protection of the natural environment</b> Curb forest felling and quarrying of stone materials through the effective use of wood and stone materials and proposals for alternative materials.	[Counter/Postform] ● Postform Counter (High pressure laminate (HPL) counter) ● Fiore Stone (engineered stone)
Diversity	 <b>Universal design</b> Promote the development of products that people of all ages can use, from small children to the elderly.	[Toilet Booth] ● Manaboath (Melamine toilet booth for children) [High Pressure Laminate (HPL)] [CERARL] [Counter/Postform] ● Virutect (anti-bacterial/anti-viral function product range)

Contribution to extension of life of infrastructure and buildings



## Repair/reinforcing materials

Accidents in which tiles and concrete have fallen off walls due to degradation of infrastructure and buildings are causing a renewed recognition of the importance of maintenance. We are concentrating our efforts in the development of repair/reinforcement materials for infrastructure and buildings, positioning them as AS products.

The DYNAMIC RESIN Clear Guard Method, which keeps exterior tiles from falling off with a special clear film, has earned a good reputation for increasing safety without harming the appearance of the exterior, and sales of the product have increased in recent years.



Ease of construction and anti-viral properties



## High value-added HPL

We are focusing on the development of products that add value to our core product of high pressure laminates (HPL). We are expanding our product ranges, such as easy-to-install products in response to labor shortages due to the declining birth rate and aging population, and products with anti-viral properties that will contribute to anti-viral and anti-bacterial measures in medical and nursing care settings and at childminding and educational facilities.

In FY2018, we launched the anti-viral high pressure laminate (HPL), Virutect. We also expanded the range of related products, namely CERARL Virutect Type and Postform Counter Virutect Type.



- Anti-viral treatment is not meant to treat or prevent disease.
- Complies with SIAA safety standards.
- This product does not guarantee prevention of infection.
- This is not a medical product such as a pharmaceutical product or medical device.
- Anti-viral performance does not manifest against all viruses.

Lighter and more durable than natural stone



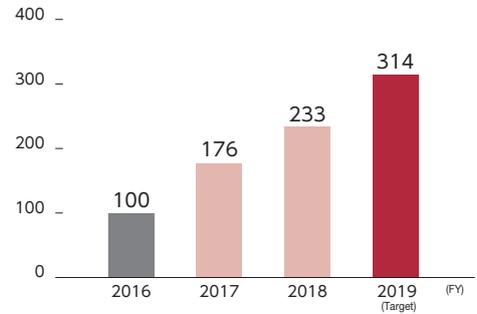
## Engineered stones

There is growing demand for an alternative to natural stone known as "engineered stone," which is formed from natural crystals bound together with resin. Due to its heavy weight, natural stone is burdensome in terms of transport and construction. It is also of variable quality in terms of dirt resistance and maintainability. As a product that solves these issues, in a first for Japan, we launched FioreStone, our original brand, in 2011. Today, FioreStone has captured the top share of the Japanese market for engineered stone.



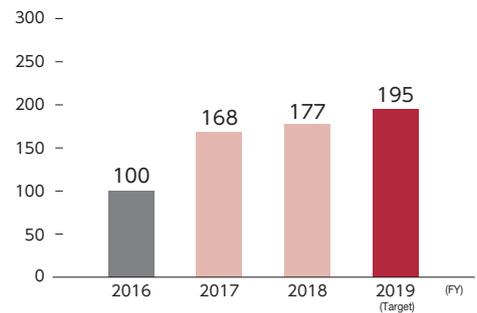
## Change (growth) in sales of DYNAMIC RESIN Clear Guard Method

\*Taking FY2016 net sales as 100



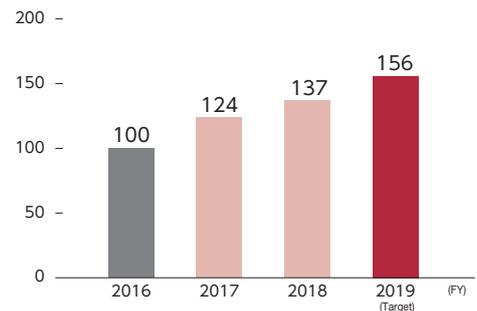
## Changes (growth) in sales of high value-added High Pressure Laminate (HPL)

\*Taking FY2016 net sales as 100



## Change (growth) in sales of FioreStone

\*Taking FY2016 net sales as 100



# Three growth drivers for the creation of new value

## 2. Development and investment in the focus fields for the next generation.

In addition to strengthening non-construction fields and building stronger frameworks, we will also focus our efforts on untapped markets in construction fields in the domestic construction market.

### Chemical Products Business

#### Manifestation of synergies with Evermore Chemical Industry Group

In January 2018, Evermore Chemical Industry Group (EMC Group) joined the AICA Group. The EMC Group excels in polyurethane(PU) resins and UV-curable formed resins, and its product ranges target daily commodities that the AICA Group has previously had few dealings in, such as shoes, synthetic leather, functional fibers, and food product packaging. The EMC Group provides integrated production from the upstream raw materials to the finished resin products. With the leveraging of its technologies and production sites, various synergies are already manifesting between AICA, EMC, and AAPH\*.

For example, after rolling out the EMC Group's PU resin raw material for adhesives in Japan, we are starting to see results. We are

also making progress in identifying the needs of the domestic textiles market for PU, which we expect to lead to concrete results from next fiscal year onward. VAVE benefits are also appearing on the procurement front.

We will continue to share information between AICA, EMC, and AAPH and complement each other to pursue joint product development, production in optimal locations, and local sales and marketing efforts. In this way, we will create even greater synergies and increase the presence of the AICA Group in the non-construction resin market in the East and Southeast Asian regions.

\*AAPH: AICA Asia Pacific Holdings Group

#### Markets in which EMC Group has strengths



Shoes



Synthetic leather



Cross-linking agent



Molded products

### Construction Materials Business

#### Launch of Melamine Tile marks entry into floor market

Our high-pressure laminate floor tiles, Melamine Tile, are easy to construct, easy to clean, and resistant to shoe scuff marks and dirt. This product was launched in July 2019, marking our entry into the non-residential floor coverings market. Melamine Tile is a new floor material that combines the advantages of polyvinyl chloride (PVC) floor and melamine. With this entry into the non-residential floor market, we will increase our capacity to make total proposals for space design, from floors to furniture and household equipment to walls.



#### Background to development

We have the top market share in the Japanese high pressure laminate (HPL) market, and we have sought to develop a floor material that takes advantage of the benefits of HPLs, namely its excellent scuff and dirt resistance and ease of maintenance. However, because HPLs expand and contract, the task of developing a melamine floor material was fraught with difficulties. Meanwhile, for the past several years, we had also been developing a variety of resin products in the specialty and performance materials business. In that process, using a special acrylic resin developed for textiles, we were able to curb the expansion and contraction of HPLs and succeeded in developing a new floor material that offers both the strength of HPLs and the ease of construction of PVC core layer.

#### Structure of Melamine Tile



# Three growth drivers for the creation of new value

## 3. Overseas roll-out of Japan technology

With a focus on Asian markets, we will build sales networks and strengthen our brand power, and pursue the roll-out overseas of high value-added products.

### Chemical Products Business

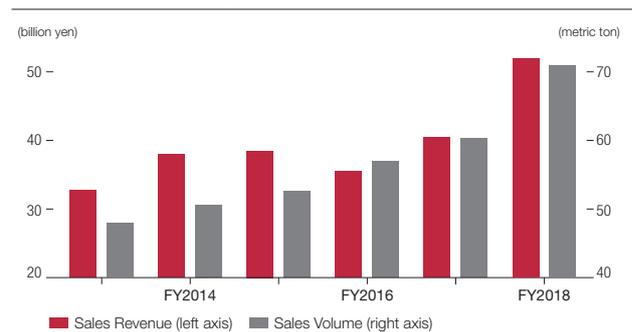
#### More sophisticated initiatives with AICA Asia Pacific Holdings Group

More than six years have passed since AICA Asia Pacific Holdings Group (AAPH Group) became a part of the AICA Group. In that time, the synergy benefits of leveraging each other's strengths have grown and we have pursued more sophisticated initiatives together.

We have rolled out butyl-rubber hot melts for headlamps and water-based compounds for the automotive market to sites in the AAPH Group and elsewhere, conducting local production and local sales. This is contributing to the growth in net sales. The AAPH Group and AICA Kogyo are also conducting joint development of hot melts for Japanese-made sanitary products (diapers and menstrual products) so they can provide products of higher quality.

The two parties are sharing each other's expertise in manufacturing processes and pursuing initiatives for raising quality and reducing costs, such as improving manufacturing skills, efficiency improvements, and reductions of defects.

Trend in AAPH Group Sales Revenue and Volume



### Construction Materials Business

#### Equity investment in HPL distributor, Sois Mendinni to expand sales channels in China

In April 2019, through AICA Asia Laminates Holdings (AALH), we made an equity investment in Sois Mendinni Industrial Technology (Shanghai) Ltd., a high pressure laminates (HPL) distributor whose core market is China, and made it a subsidiary. Sois Mendinni's sales network covers China's major regions and it particularly excels in making sales proposals to educational and research facilities. Taking advantage of this acquisition, we will collaborate with Sois Mendinni and AALH in an effort to expand sales of HPL and noncombustible decorative panels in China, where demand for high value-added decorative panels is predicted to grow.

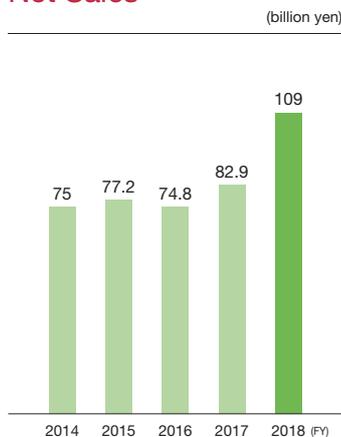
#### Completion of AICA Laminates Vietnam's new high pressure laminate (HPL) plant

AICA Laminates Vietnam, a subsidiary that manufactures and distributes HPL, has established a new HPL manufacturing plant in the Nhon Trach 3 Industrial Park in Vietnam's Dong Nai Province. The new plant began operating on May 22, 2019. The newly built plant is a strategic base for implementation of the medium-term business plan. With AALH playing a central role, we will take advantage of our overseas production sites in India, Indonesia, and Vietnam to pursue the localization of our business (expand local recruitment, strengthen local collaborations, strengthen designated supply for local project), with the aim of dramatic growth in the construction materials business in the Asian region.



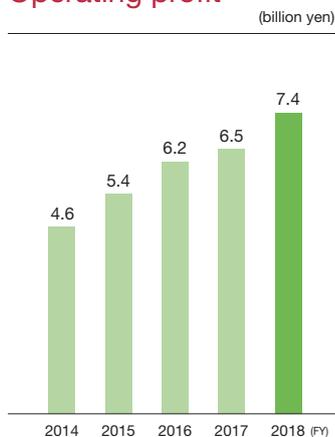
# Business overview: Chemical products business

## Net Sales



Average annual growth  
**9.8%**

## Operating profit

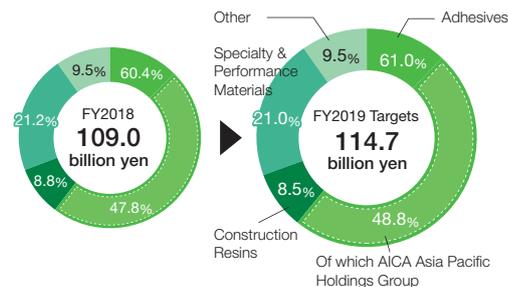


Average annual growth  
**12.3%**

## FY2019 Targets

Net Sales **114.7 billion yen**  
Operating profit **8.1 billion yen**

### Trend in Portfolio



## FY2018 Results

In adhesive products, sales of adhesives for laminated lumber were sluggish, but our adhesives for construction and industrial PF resins performed well, allowing us to increase overall sales of adhesives. Overseas, as well as being able to tap into demand for adhesives and industrial resins in the Asian and Oceania regions, Thai Chemical Corporation contributed to consolidated results from the second quarter of the consolidated accounting year, which also enabled us to increase sales revenue.

In construction resin products, JOLYPATE, the interior and exterior finishing coating material for new housing, balcony waterproofing materials, and repair/reinforcement materials for civil engineering projects were sluggish, but floor coating materials for factories and warehouses, particularly the heavy-duty material, AICA PUR, and Tough Resin Clear Guard Method, our method for preventing falling exterior tiles, performed well, allowing us to increase net sales in this segment.

Regarding specialty and performance materials, an area we are focusing on in our approach to non-construction sectors, UV-curable resins for electronic materials and hot melts for photovoltaic cells were sluggish. However, sales of hot melts for automotive and sanitary material applications and polymer beads for use in cosmetic products increased. Further, with Evermore Chemical Industry contributing to consolidated results from the first quarter of the consolidated accounting year, we were able to increase net sales of specialty and performance materials.

These results brought about net sales of 109,062 million yen (up 31.5% year-on-year). Due to the impact of soaring costs of raw materials and ingredients, operating profit (before deduction of unallocated operating expenses) was 7,444 million yen (up 13.9% year-on-year).

## TOPICS

### PT AICA Indria

#### New Pasuruan plant built

PT AICA Indria (Indonesia), one of the 16 companies in the AAPH Group, has built a new factory in Pasuruan, Indonesia, which began operations in March, 2019. With this new facility, we will be able to respond to the growing demand in Indonesia for solvent-based adhesives, which are used in shoes, woodwork and furniture, DIY, and other applications, and strive to expand our market share further in Indonesia.



### Medium to long-term vision



Director and Managing Executive Officer  
Head of the Chemical Products Company  
Nobuyuki Omura

#### To become No. 1 in Asia

The AICA Group's various products are derived from the chemical technologies of our segment and we will continue to drive the company forward with those technologies. We will also focus our efforts on increasing our manufacturing capacity and creating synergies with Group companies in our aim to become No. 1 in Asia.

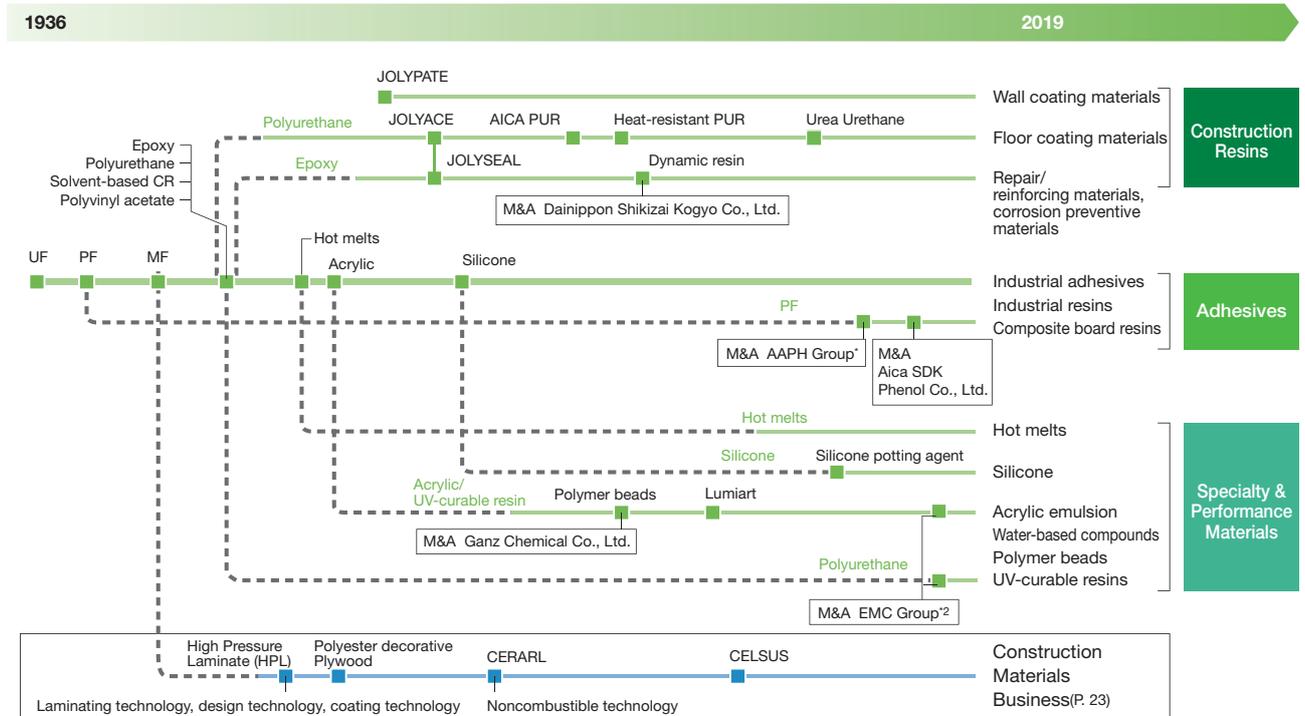


Director and Managing Executive Officer  
Head of the Specialty & Performance Materials Company  
Kenji Ebihara

#### To become AICA's 3rd profit pillar

Centering on growth markets in Japan and overseas, such as the automotive market, electronic materials, cosmetics, and functional fibers, we will create new products and businesses in non-construction sectors and grow the specialty and performance materials business into AICA's third largest segment after the chemicals and construction materials business.

## Business domains



\*1 AAPH Group: AICA Asia Pacific Holding Pte. Ltd.  
\*2 EMC Group: Evermore Chemical Industry Group

## Main Products

### Adhesives



**Industrial adhesives**  
Adhesives used in the manufacture of wooden furniture products and building materials and on construction sites.



**Industrial resins**  
Resins used as a raw material in plywood and laminated lumber, abrasives, casting molds, adhesives, and other industrial products.



**Composite board resins**  
Resins used to form boards made by binding together wooden materials that have been turned into chips or fibers.

### Construction resins



**Wall coating materials (JOLYPATE)**  
Acrylic-based architectural coating used on interior and exterior walls in housing, shops, public facilities, etc.



**Floor coating materials (JOLYACE)**  
Synthetic resin floor coating materials used on areas that require high durability and heat resistance, such as factories and warehouses.

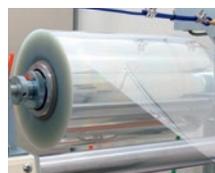


**Repair/reinforcing materials, corrosion preventive materials**  
Resin products including repair materials for concrete structures, materials to prevent falling tiles, and anti-corrosive lining materials.

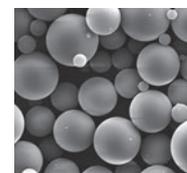
### Specialty & Performance Materials



**Hot melts**  
Adhesives and sealants used in automotive headlamps and photovoltaic panels due to their superior waterproof properties.



**UV-curable resins**  
Instant-curing resins used in electronic products such as smartphones and PCs, building materials, etc.

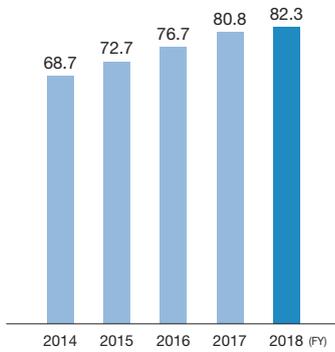


**Polymer beads**  
Highly refined bead-shaped resin products used as ingredients in cosmetic products, light diffusers, and modifying agents.

# Business Overview: Construction Materials Business

## Net Sales

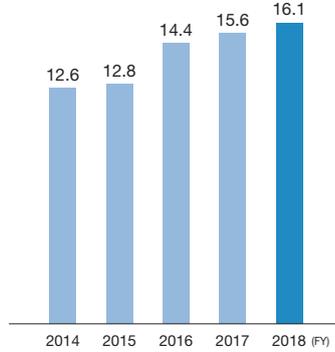
(billion yen)



Average annual growth  
**4.6%**

## Operating profit

(billion yen)

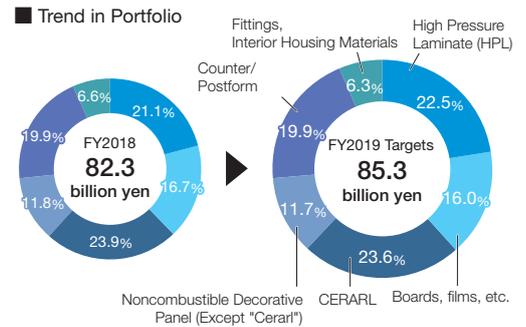


Average annual growth  
**6.4%**

## FY2019 Targets

Net Sales **85.3 billion yen**

Operating profit **16.6 billion yen**



## FY2018 Results

In high pressure laminates (HPL), domestically, general-purpose single-color decorative panels performed well. CELSUS, an HPL with advanced design and resistance to fingerprints and other dirt, and high value-added products that have been given functions such as non-combustibility and scratch resistance, have captured new-build and renovation demand in hotels and commercial facilities. All of these factors allowed us to increase sales in this segment. Sales also increased overseas, predominantly in Indonesia, Singapore, and Vietnam. In boards and films, the architectural films range, ALTYNO, which has seen an expansion of finished products, performed well, but general-purpose polyester decorative panels struggled, leading to a downturn in sales over the previous year.

Sales of the noncombustible decorative panel, CERARL, fell in the medical and welfare sector due to a downturn in the number of new project starts, but it was able to capture demand from childcare centers, which are expanding in response to the problem of long waiting lists for childcare places, as well as in the buoyant Olympics-related sector of new builds and renovations of sports facilities, hotels, and other related facilities. Adoption of the CERARL Deodorant Type also increased for restrooms in railway stations, schools, and other facilities. All of these factors allowed us to increase sales in this segment. In Noncombustible Decorative Panel (Except "Cerarl"), we saw growth in the use of the acrylic resin-coated calcium silicate boards, LUNALITE, for sports facility, hotel, factory/warehouse, and educational facility applications, and adoption of the multifunctional building materials, MOISS, has expanded from residential applications to childcare centers and public facilities. As a result, sales in this segment increased, with a focus on synergy products with AICA-Tech Kenzai Co.,Ltd.

In Counter/Postform products, handwashing benches and accompanying storage cabinets for small children, made with the artificial marble product, CORIAN, performed well in new and renovated childcare centers. Sales of FioreStone, our premium engineered stone, have grown for high-end kitchen counters, and we have also expanded our sales channels to include non-residential facilities such as hotels, allowing us to increase sales. In fittings, and interior housing materials, the MELAFUSION Series, which leverages the characteristics of HPL, performed well, but regular-grade ranges of fittings and the functional sliding door range, U.D. (Universal Design) Comfort Series, which targets medical and welfare facilities both underperformed, resulting in a year-on-year decline in sales for this segment.

These results brought about net sales of 82,300 million yen (up 1.8% year-on-year). Operating profit (before deduction of unallocated operating expenses) was 16,169 million yen (up 3.5% year-on-year).

## TOPICS

**Completion of AICA Laminates Vietnam's new HPL plant (⇒ p. 20)**

**New production base for engineered stone, FioreStone, established in Ibaraki Prefecture**

To expand our production capacity for FioreStone, the engineered stone product that is expected to grow as an AS product, we have established a new manufacturing plant in Ibaraki. The commissioning of this new plant has increased our production capacity of FioreStone finished products by about 80%. Locating the new plant in Ibaraki, which is close to the Tokyo urban region that is the main destination for this product, will lead to cost reductions on the logistics cost front.

## Medium to long-term vision



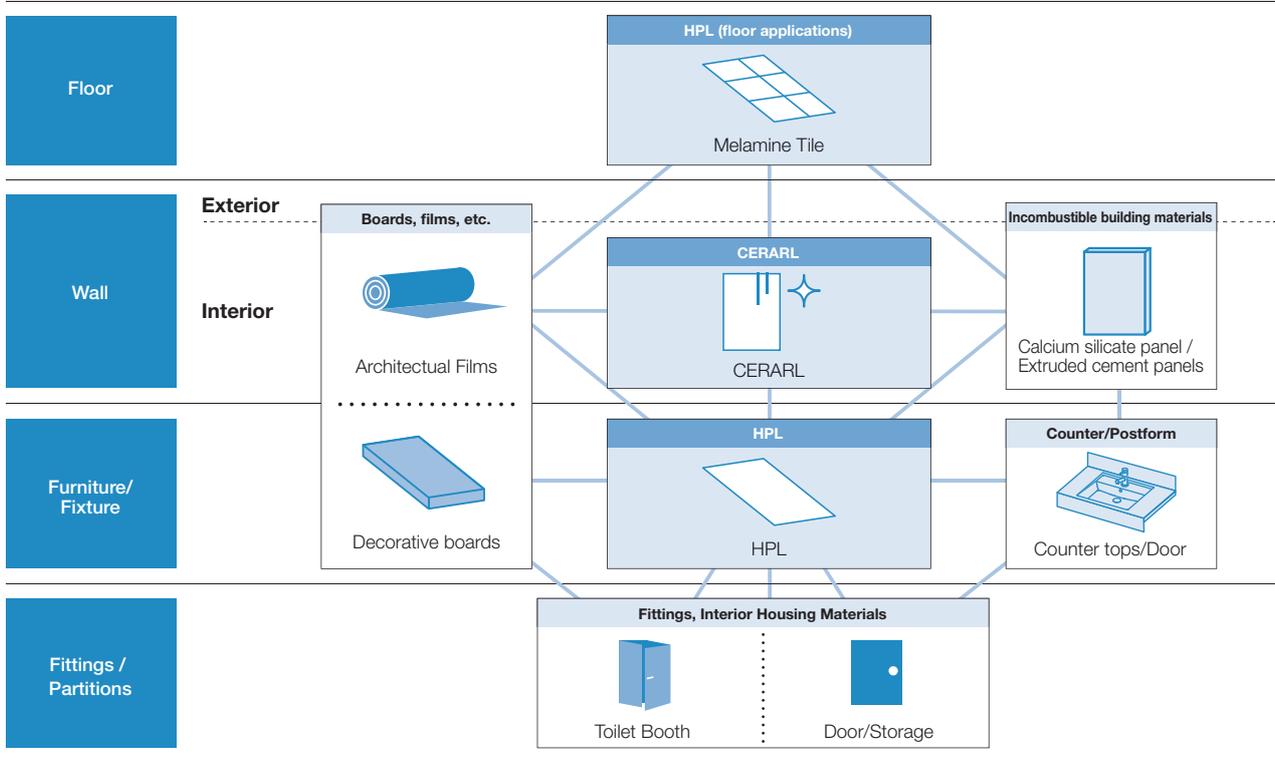
Director and Senior Managing Executive Officer  
Head of the Building & Housing Materials Company  
Yukihiro Iwase

### Accelerating domestic business and overseas business with hybrids

In the domestic market, we will create new markets for melamine floors through the development of differentiating products (function, design) and re-shape our portfolio in our aim for growth. In overseas markets, we will roll out technology and expertise cultivated in Japan and achieve net sales of 30 billion yen\* in the overseas construction materials business in FY2027.

\*Actual net sales for FY2019: 5.5 billion yen

## Business domains



## Main Products

### High pressure laminates (HPL) (CELSUS, FLARETECT)



With their abundant range of colors and patterns and superior durability, these products are used as surface materials for tables and furniture used in shops, hospitals, offices, and similar. We hold a more-than-70% share of the Japanese market for these products.

### Boards, films, etc. (AICAPOLY, ALTYNO)



Decorative boards, which are plywood with a decorative surface created with polyester resin, etc., are used predominantly for furniture and wall surfaces. Architectural films are used mainly on wall surfaces and for fittings.

### Noncombustible decorative panels (CERARL)



HPL for wall surfaces that are certified as noncombustible. These products became a major hit for residential kitchen panels from 1996 onward. They are also regularly used in hospitals, schools, transport facilities, and the like, due to their robustness, design, and ease of construction.

### Noncombustible decorative panels (ARDICA, LUNALITE, MACE, MOISS)



Noncombustible panel for wall whose main constituents are inorganic raw materials. They include wall finishing materials made by decorating calcium silicate boards with resin or sheets, extruded cement panels for exterior walls, and interior wall materials with humidity regulation and deodorant properties.

### Counter tops (Postform, Artificial marbles, Engineered stones)



From counters made with HPL to acrylic resin Artificial marbles and engineered stone made with natural crystals, we have an extensive line-up of the major counter materials sought in architectural settings.

### Fittings, Interior Housing Materials



Finished products such as doors, sliding doors, storage, and toilet booths made with materials such as HPL and decorative boards. Our strengths lie in the abundant range of colors and patterns that only a material manufacturer can offer, as well as our universal design.

# AICA's CSR Activities

We believe that fulfilling our corporate social responsibility (CSR) is an essential condition for our continued existence as a corporation and a mission that we must carry out toward broader society. We are striving to build frameworks for the promotion of CSR, to strengthen the foundations that will support our CSR activities and to make continuous improvements and enhancements to those foundations.

## Frameworks for Promotion of CSR

	Promotion Organization	Details	Objectives	Managing Division
Risk Management	Corporate Ethics Committee	P. 33	Promotion of compliance, investigation of inappropriate conduct and corrective action	President
	Internal Control Committee	P. 30	Establishment of internal controls, maintenance and improvement of their effectiveness	President
	Business Continuity Plan (BCP) Committee	P. 36	Development of Business Continuity Plan (BCP), improvement guidance, training	Corporate Planning Department
	Security and Trade Control Committee	-	Establishment and auditing of and education about export control frameworks	Legal Department
	Information Management Committee	P. 35	Management and protection of corporate confidential information	Corporate Planning Department
	Information Disclosure Committee	-	Management of timely, appropriate, and fair disclosure of corporate information	President
Improvement/reform promotion	CSR Promotion Committee	1	Promotion of CSR activities, penetration within company, strengthening of ESG measures	Corporate Planning Department
	C&C Promotion Committee	2	Small-group kaizen activities, consideration and implementation of measures aimed at the achievement of divisional targets	Quality Assurance Department
	QEO Committee	3	Promotion of quality (Q), environmental (E), and occupational health and safety (O) activities	Quality Assurance Department/ Safety and Environment Department
	Diversity Promotion Project	P. 38	Formation of foundations that will allow diverse personnel to participate actively	Human Resources Department
	Work Style Reform Promotion Project	P. 39	Reduction of excessive working hours, workplace culture reform	Human Resources Department
	Equipment Automation Project	-	Promotion of equipment automation, improvement of productivity	Production Innovation Group

### 1 CSR Promotion Committee

Cross-divisional committee managed by the Corporate Planning Department. Works to promote CSR activities and penetrate them within the company.

The individual divisions take charge of the materialities decided in this committee and undertake activities to achieve their KPI targets.

Constituent divisions	Major matters handled
Corporate Planning Department	Management strategy, public relations and investor relations
Safety and Environment Department	Environment and occupational health and safety
Purchasing Department	Supply chain
Human Resources Department	Sociality
General Affairs Department	Governance
Research and Development Division	Development and sales expansion of AS Products to solve social issues
Sales Administration Division	
Overseas Business Group	Extension of CSR to overseas Group companies

### 2 C&C Activities

C&C activities are small-group activities in which all employees in all divisions participate. These groups discuss and implement specific action plans, using QC methods and other scientific approaches, to consider ways of achieving operational improvements and implement division policies.

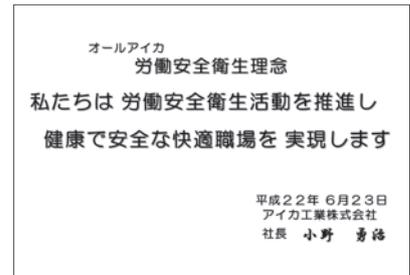
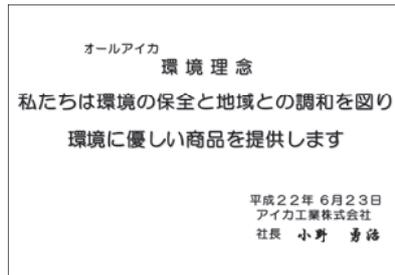
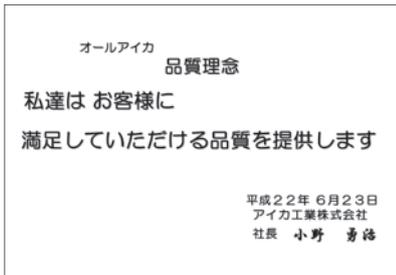
A C&C Convention is held every year, at which awards are presented to outstanding circles and case study presentations are given. In this way, effective ways of pursuing small-group activities and kaizen know-how are shared among the Group. At the FY2017 and FY2018 Conventions, some excellent case studies were presented by the sales and back-office divisions. Prior to that, neither of these divisions had been very advanced in their activities, but their performances at these two conventions gave people in a variety of positions the opportunity to make discoveries.

These activities have a long history, with their predecessor, the ZD Campaign, starting in 1965 with the objective of raising productivity. The initial aim of that campaign was to achieve “zero mistakes” in the work through careful attention and innovative efforts by individual employees. From 1979, the C&C Campaign was rolled out, taking the initials of the present Corporate principle, Challenge & Creation. The campaign took on a broader meaning to include “promoting initiatives for the achievement of management goals,” which has been passed down to today's C&C activities.



### 3 QEO Management System

This is a management system that operates with a trinity of quality (Q: ISO 9001), environment (E: ISO 14001) and occupational health and safety (O: OHSAS 18001). As well as complying with laws and regulations, under this system, we conduct risk hedging and kaizen activities, promote the enhancement of quality, improvement of environmental indicators (reduction of greenhouse gas emissions and industrial waste, reinforcement of water management, etc.), and the creation of safe and comfortable workplaces, and strive to strengthen our management foundations from the perspectives of both risk and opportunity.



#### ● QEO Committee

This is a committee that promotes the implementation of the QEO Management System. Managed by the Quality Assurance Department and Safety and Environment Department, this committee acts toward the achievement of QEO policies.

#### ● QEO Group Representatives Meeting

The QEO Committee acts as secretariat and holds semi-annual meetings that are attended by AICA's top management (President, Directors, and Auditors) and representatives of Group companies in Japan and overseas.

As well as confirming QEO achievements and the status of improvements at individual Group companies, the meeting's attendees exchange information by sharing case studies, and discuss and decide on countermeasures.



### Signing of United Nations Global Compact

To promote and implement high-quality CSR activities as a company that operates its businesses on a global scale, in September 2018, the AICA Group signed the United Nations Global Compact, which declares voluntary action principles concerning human rights, labor, the environment, and anti-corruption.



Network Japan  
WE SUPPORT

### Response to SDGs

The Sustainable Development Goals (SDGs) were adopted at the United Nations Sustainable Development Summit in September 2015. These international goals have a target year of 2030. They consist of 17 goals and 169 targets to realize a sustainable world, covering issues such as poverty, starvation, energy, climate change, and peaceful society. The AICA Group endorsed these goals and commenced initiatives to solve relevant issues.



# AICA Group's Materialities

## Materialities and KPI

The AICA Group began selecting materialities (key issues) in FY2016. In May 2018, we reviewed the materialities, with reference to various guidelines.

Progress is managed by the CSR Committee and QEO Committee, pursuing outcomes across the entire AICA Group.

## Process for selection of materialities

### STEP 1 : Extraction of issues

- Potential materialities were extracted from various guidelines related to CSR, including the GRI Standards, the SDGs, and ISO 26000.

### STEP 2 : Organization of issues

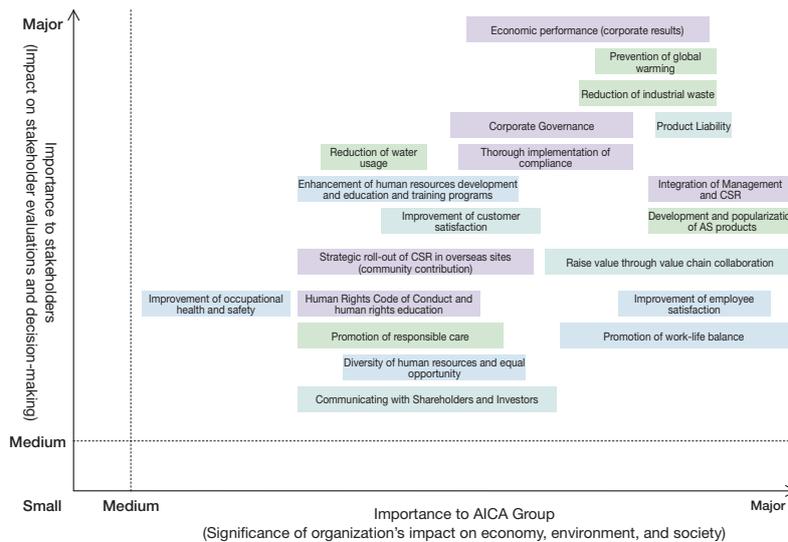
- The potential materialities are assessed from the dual angles of the perspectives of stakeholders (customers, shareholders, suppliers, employees, local communities) and our corporate philosophy and corporate policy. They are then plotted onto a matrix and the issues are organized.

### STEP 3 : Prioritization of materialities

- The top-ranking issues from both stakeholders' perspectives and company management perspectives are provisionally decided as key issues.

### STEP 4 : Finalization of materialities

- The suitability of the selected material issues is discussed and approved in the Management Meeting and the issues that are ultimately at the top of the list are finalized as the materialities.



### STEP 5 : Deliberate on report contents, measure indicators

### STEP 6 : Report

### STEP 7 : Review report outcomes and consider responses

ESG	Key Issues for AICA	
G	Management Foundations	Corporate Results (Economic Performance)
G		Corporate Governance
ESG		Integration of Management and CSR
ESG		Strategic roll-out of CSR in overseas sites
SG		Human Rights Code of Conduct and human rights education
ESG		Thorough implementation of compliance
S	Human resources	Improvement of employee satisfaction
S		Enhancement of human resources development and education and training programs
S		Promotion of work-life balance
S		Diversity of human resources and equal opportunity
S		Improvement of occupational health and safety
ES	Environment	Development and popularization of AS products
E		Prevention of global warming
E		Reduction of industrial waste
E		Reduction of water usage
E		Promotion of responsible care
S	Stakeholders	Improvement of customer satisfaction
ES		Raise value through value chain collaboration
SG		Product Liability
S		Engagement with Local Communities
S		Engagement with Shareholders and Investors

\*1 Excluding corporate results, excludes new consolidation April 1, 2015, as of April 1, 2018. \*5 For leave production sites in Japan. \*8 Target scope is AICA

		FY2018			FY2019		Page	SDG Response
		Target*1	Achievement	Evaluation	Target*1			
		Sales: 185 billion yen Ordinary profit: 21 billion yen	Sales: 191.3 billion yen Ordinary profit: 21.2 billion yen	○	Sales: 200 billion yen Ordinary profit: 22 billion yen		P. 11 -	
		Incompletion of Improvement of matter for internal control correction: 0	0	○	Incompletion of Improvement of matter for internal control correction: 0		P. 29 -	
		Clear statement of ESG Promotion in company's annual policies	Stated	○	Incorporation of materialities and management of their progress in individual departments' actions plans*2		-	  
	CSR Study Groups	All Japanese sites: Once a year	Implemented	○	Appointment of CSR promotion officer at main Group companies			
		All overseas sites: Once a year	Partially implemented	△				
		Disclosure of Code of Conduct and translation into multiple languages	Implemented English, Chinese, and Indonesian versions produced and published on website	○	Translation of Code of Conduct into multiple languages (Thai and Vietnamese versions produced and published on website)		P. 33 -	 
		Compliance training At least 15 sites a year (All production sites and Japanese sales sites)	Implemented	○	Compliance training At least 18 sites a year, for at least 400 people (All production sites and Japanese sales sites)			
		Read Code of Conduct and Action Guidelines together All sites: Once a year	Implemented	○	Read Code of Conduct and Action Guidelines together All sites: Once a year			
		Employee turnover rate within three years of joining company: 10% or less *2, *3	13%*4	×	Employee satisfaction survey conducted *2			
		Development of new educational system*2	Systematization and disclosure of current educational programs	×	Establishment of new educational system*2 Creation of skills lists by division and by employment grade			
		Improvement in percentage of paid leave taken: *2, *5	60% or more	○	Percentage of paid leave taken of 60% or more *2		P. 37 -	
		Reduction of overtime worked *2	20% year-on-year decrease	×	Reduction of overtime worked due to roll-out of productivity improvement measures *2			
		Rate of women employed *2	At least 30% of career track recruits by FY2019	×	Percentage of women among new-graduate career track recruits joining in April 2020 *2: At least 30%			
		Employment of people with disabilities*2	Percentage of people with disabilities: At least 2.2%	○	Percentage of people with disabilities *2: At least 2.2%			
		Lowering of industrial accident frequency rate *7	Half or less of national average for all industries	○	Lowering of industrial accident frequency rate *7 Less than national manufacturing industry average (Last FY: 1.20)		P. 40 -	
		Value of sales of AS products *2: At least 14 billion yen	13.3 billion yen (Target achievement rate: 94.2%) (Year-on-year: 113.1%)	×	Value of sales of AS products *2: At least 15.5 billion yen (Year-on-year: 116 %)		P. 17 -	     
		Greenhouse gas emissions *7 Develop medium-term reduction measures for each site	Developed	○	Greenhouse gas emissions *6, *7 3% year-on-year reduction		P. 43 -	 
		Greenhouse gas emissions *6, *7 3% year-on-year decrease	4% year-on-year decrease	○				
		Industrial waste emission volumes *7 Develop medium-term reduction measures for each site	Developed	○	Industrial waste emission volumes*6, *7 2% year-on-year decrease		P. 46	  
		Industrial waste emission volumes *6, *7 2% year-on-year decrease	2% year-on-year increase	×				
		Development of medium-term reduction plans *8	Developed reduction targets for FY2019. Separate reduction plan proposed for Isezaki Plant, which has excessive water usage	△	Water intake: 1% year-on-year decrease *8		P. 47	 
		Environment-related litigation or administrative penalties: 0	0	○	Environment-related litigation or administrative penalties: 0		P. 48	
		Customer satisfaction *2 2% year-on-year increase (At least 4.25/5)	4.22 (up 1%)	×	Conduct and analyze customer satisfaction survey and pose issues *2		P. 50	
		CSR surveys and site inspections conducted of supplier companies *2	CSR survey conducted of 82 companies (valid responses from 79 companies) On-site audits conducted of 15 of those companies.	○	Survey based on new CSR assessment rating system *2: At least 80 companies Audit and CSR improvement assistance based on assessment results *2: At least 15 companies		P. 51	
		Development of BCP at all Japanese sites and two overseas sites	Implemented	○	Formulate BCP for three overseas sites, formulate BCP based on flood damage scenario at four Japanese sites with a high flood risk, specify water risks at overseas sites		P. 36	 
		Conduct training at all sites with completed BCPs (all Japanese sites, 2 overseas sites)	Implemented	○	Conduct training at sites with completed BCPs			
		Quality-related litigation or administrative penalties: 0	0	○	Conduct education aimed at raising standard of quality control *2		-	
		Collaborations with local activist organizations: 13 or more	14 collaborations	○	Collaborations with local activist organizations: 13 or more		P. 53	
		Revamp of IR website	Implemented	○	Hold IR events for individual investors: 3 times or more		P. 52	
		Hold small ESG meetings: At least once	Implemented	○	Hold small ESG meetings: At least once			

idated results in the year under review. \*2 Target scope is AICA Kogyo Co., Ltd. only. \*3 Total of new graduate (undergraduate and post-graduate) recruits. \*4 Percentage of new recruits granted on September 16, calculated from leave taken between September 16 of previous year to September 15 of current year. \*6 Revenue intensity. \*7 Target scope is AICA Group production sites in Japan, excluding AICA Tech Kenzai Co., Ltd.

# Management Foundations



## Corporate Governance

### Basic Policy on Corporate Governance

The AICA Group seeks to ensure and improve the value of the company and the common interests of its shareholders through the enhancement of corporate governance at each of its Group companies, including its subsidiaries in Japan and overseas.

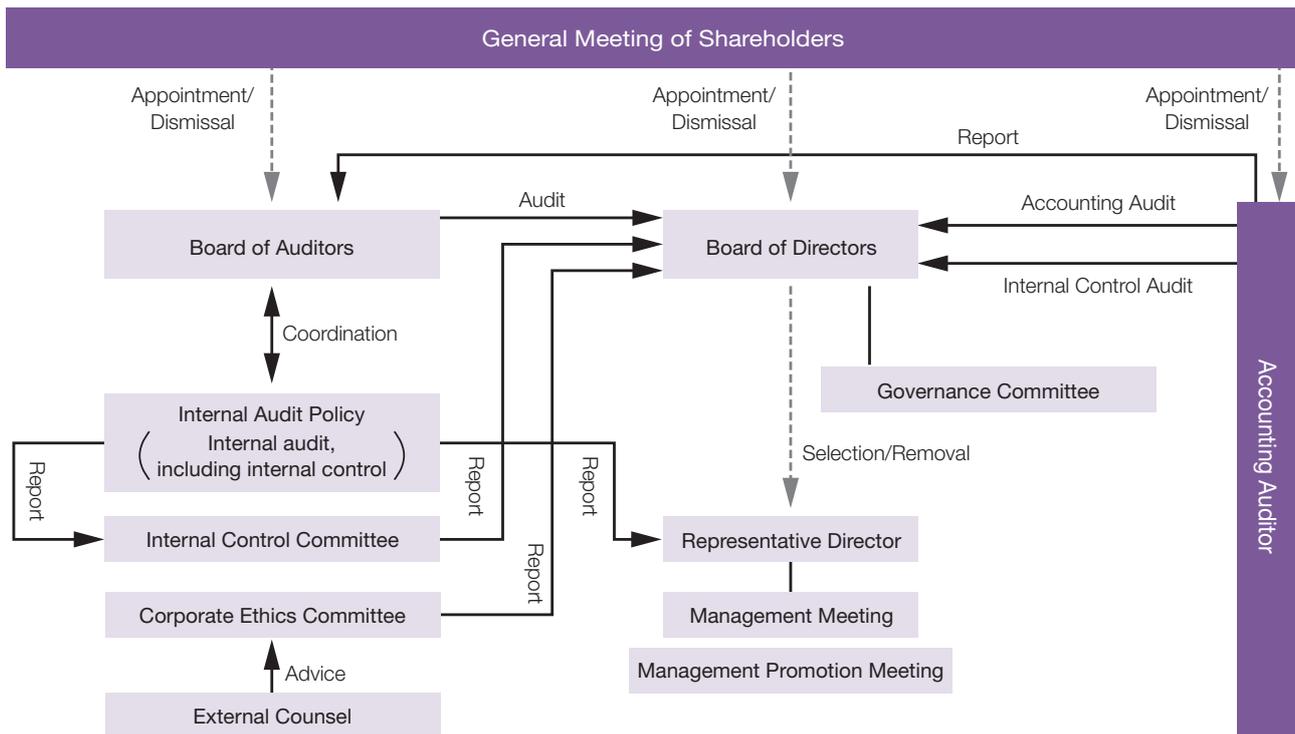
We have chosen to be a company with a Board of Auditors. The Board of Directors decides on management policies, matters required by law, and other important matters concerning the management of the Company, and strives to enhance corporate governance by supervising the execution of the company's operations. To stimulate debate and ensure the transparency and objectivity of management, the Board of Directors consists of six internal directors who have a thorough knowledge of the company's operations, as well as two external directors who bring their independence, objectivity, and expertise to the Board.

With the internal directors holding responsibility for key executive functions, from June 2018, it was decided that they would serve concurrently as executive officers. By clarifying the segregation of duties of the executive officers in their executive functions, we are striving to further speed up the execution of operations.

The Board of Auditors consists of four auditors, two of whom are from outside the company. This body conducts audits of the execution of duties by the directors and of the operations and financial situation of the Group as a whole.

Further, in April 2016, we established a Governance Committee as a voluntary advisory committee. The external directors are the main members of this committee, which aims for the sustainable development of the company and the further enhancement of governance functions.

### ● Corporate Governance Structure and Internal Control Systems (as of June 26, 2019)



## Effectiveness of the Board of Directors

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In order to verify the effectiveness of the Board of Directors, since January 2017, we have conducted an annual survey of all directors and auditors regarding the structure, operation, and agenda of the Board and the Board's support structure. The effectiveness of the Board is evaluated on the basis of the results of this survey. In the survey conducted in January 2019, responses of "appropriate or reasonably appropriate" were obtained for all matters surveyed. The Board's active deliberations were also highly commended. Based on this positive feedback, we confirmed that our Board of Directors is

generally functioning appropriately and that its effectiveness is being ensured.

On the other hand, the survey also confirmed that the Board of Directors faced challenges in the areas of deliberation of appointment and dismissal of management executives, further improvement in the quality of briefing materials for the Board meetings, and the diversity of the Board's composition. We will embark on improvements in these areas to further improve the effectiveness of the Board of Directors.

## Internal Control Activities

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In compliance with the Companies Act, the Board of Directors of the AICA Group has adopted a Basic Policy for Establishment of Internal Control Systems. Under this policy, the Group is working to reinforce the supervisory functions of the Board of Directors, risk management structures, and the creation of systems to improve the effectiveness of corporate compliance. The Internal Audit Office assesses the status of development and operations in these areas through auditing activities and interviews with the relevant departments, to confirm the effectiveness of the Company's internal control systems. We have also established an Internal Control Committee to respond

to the internal control evaluation reporting system for financial reporting under the Financial Instruments and Exchange Act. The main committee members in charge of four major control processes conduct maintenance management and self-inspection. Meanwhile, the Internal Audit Office conducts separate internal audit assessments to maintain and improve the reliability of our financial reporting.

Each year, the Office reports to the Internal Control Committee on the status of internal control in the previous year, based on the financial reporting under the Act and obtains approval for the current year's activity plans.

## Directors' Remuneration

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Remuneration of company directors consists of a fixed basic remuneration and variable performance-based remuneration. The criteria and methodology for evaluation of performance-based remuneration, its percentage of total remuneration, and other relevant matters are published in the Annual Securities Report. The appropriateness of evaluations and remuneration amounts for

individual directors is examined by the Governance Committee, whose main members are the external directors, to ensure objectivity and fairness. From the perspectives of their roles and independence, remuneration of external directors and auditors consists solely of basic remuneration.

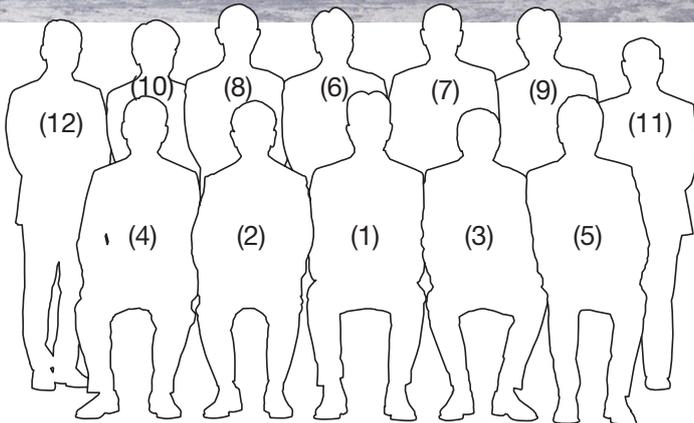
## Directors and Auditors



About AICA

AICA's Vision

Foundations Supporting AICA





● Board members (As of September 2019)

Directors (8 male, 0 female)

Name	Position
(1) Yuji Ono	Representative Director and President
(2) Satoshi Toudou	Director and Senior Managing Executive Officer Responsibilities: Financial Administration Department/Corporate Planning Dept./Logistics Dept./Business Management Dept./Information Systems Dept.
(3) Yukihiro Iwase	Director and Senior Managing Executive Officer Head of the Construction Materials Company/ Executive Manager, Sales Administration Division
(4) Nobuyuki Omura	Director and Managing Executive Officer Head of the Chemical Products Company/Deputy General Manager, Sales Administration Division
(5) Ryoji Mori	Director and Managing Executive Officer Responsibilities: Production/Purchasing Dept./ Safety and Environment Dept.
(6) Kenji Ebihara	Director and Managing Executive Officer Head of the Specialty & Performance Materials Company
(7) Kenji Ogura	External Director
(8) Toshiiku Hanamura	External Director

Auditors (4 male, 0 female)

Name	Position
(9) Terutoku Iwata	Full-time Auditor
(10) Hisashi Kosemura	Full-time Auditor
(11) Kiyoshi Katagiri	External Auditor
(12) Masashi Miyamoto	External Auditor

The reasons for the appointment of external directors and external auditors are as follows.

Duties	Name	Reason for Appointment	Reason for Designation as Independent Director
External Director	Kenji Ogura (Independent Director)	Kenji Ogura has extensive experience and knowledge as a corporate executive, which we believe he will be able to leverage in enhancing AICA's management structures.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director.
External Director	Toshiiku Hanamura (Independent Director)	Toshiiku Hanamura has extensive experience and knowledge as an attorney, which we believe he will be able to leverage in enhancing AICA's management structures.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director.
External Auditor	Kiyoshi Katagiri (Independent Director)	Kiyoshi Katagiri has many years of experience and knowledge as a corporate executive, which we believe he will be able to leverage in enhancing AICA's audit structures.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director. He owns 300 shares in AICA, but we do not believe this qualifies him as a major shareholder.
External Auditor	Masashi Miyamoto (Independent Director)	Masashi Miyamoto has expert knowledge and experience as a certified public accountant, which we believe he will be able to leverage in enhancing AICA's audit structures.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director.

# Compliance

## Basic Thinking on Compliance

The AICA Group is firmly committed to complying with local laws and regulations and conducting its business activities ethically at all of its sites in Japan and overseas. The AICA Group Code of Conduct forms the foundation of the Group's compliance program. It has been established with the objective of realizing our Corporate Philosophy and Business Plan in accordance with our Corporate principle of Challenge & Creation. We have also established Behavioral Guidelines, which set out specific standards for conduct in accordance with the Code of Conduct.

To raise awareness about compliance among employees, we use the AICA Group Code of Conduct and Action Guidelines to hold annual training in individual workplaces at all of our sites in Japan and overseas, including Group companies. In this training, we thoroughly instill in our employees a consciousness of the positioning of the

Code of Conduct and Behavioral Guidelines and the significance and necessity of compliance. We confirm employees' understanding through training reports that list the names of all attendees, and we also confirm any requests made by employees.

Further, the Corporate Ethics Committee, Legal Department, Internal Audit Office, Safety and Environment Department, and Quality Assurance Department play a central role in traveling around to all of the sales offices, plants, subsidiaries, and other sites to conduct harassment education, including for managers, and compliance training for operational staff, and to educate employees about the importance of compliance. Any issues discovered in the course of these visits are incorporated into improvement activities throughout the entire company.

### ● Training conducted in FY2018

Compliance training at individual sites	Training for sales offices	10 times/year
	Training for factories	21 times/year
	Training for subsidiaries	13 times/year
Compliance training by job grade	New manager training	Once a year
	New employee training	Once a year

### ● AICA Group Code of Conduct Basic Principles

[1] Compliance with laws and regulations	[6] Proper information disclosure
[2] Respect for human rights	[7] Employment, labor and employer - employee relationship
[3] Harmony with society	[8] Protection of company information and property
[4] Fair trade	[9] Environment and safety
[5] Reassurance and trust of customers	

## Respect for human rights

The AICA Group supports and respects international norms concerning human rights, such as the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. The AICA Group Code of Conduct clearly states our guidelines regarding respect for human rights to fulfill our corporate responsibilities.

We have established work rules that are compliant with the laws of the individual countries we operate in. We manage working hours and assign workers in an appropriate manner to ensure that there are no excessive working hours or forced labor. When we employ new workers, we ask them to present ID to confirm their age, to prevent child labor.

## Corporate Ethics Committee

The AICA Group has established a Corporate Ethics Committee whose objectives include the development and promotion of necessary policies for compliance, and the investigation, confirmation, and implementation of corrective action in the event of a whistleblowing report being made to the internal whistleblowing hotline, Corporate

Ethics Committee Window.

The Corporate Ethics Committee promptly investigates and addresses all whistleblowing reports and, where necessary, takes corrective action. The details of all such cases are reported to the senior executive and the auditors on a regular basis.

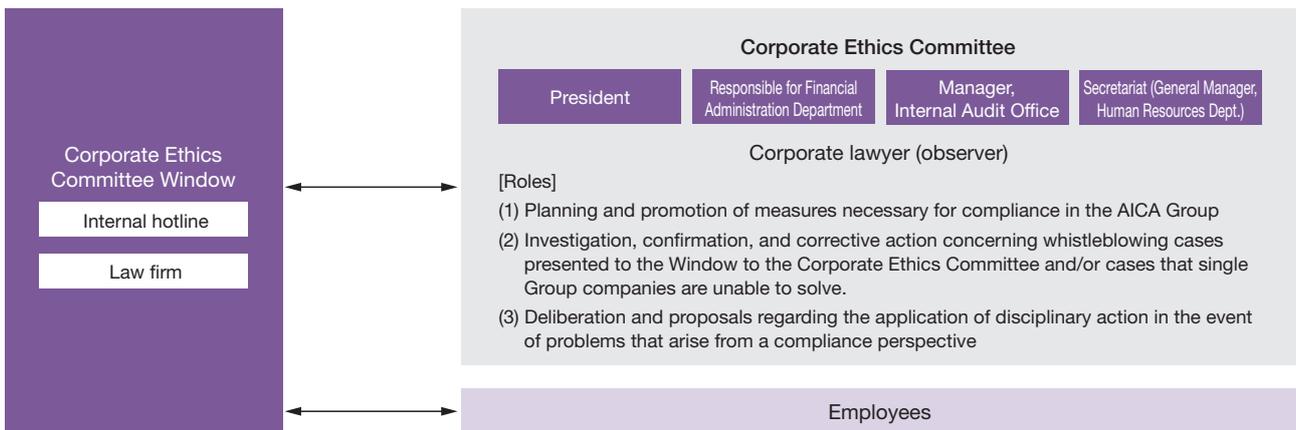
## Internal Whistleblowing System

To ensure that potential risks of breaches of workplace morals, such as infringements of laws and company regulations, bribery and corruption, and harassment, can be addressed promptly, the AICA Group has established an internal whistleblowing hotline, Corporate Ethics Committee Window, inside the company and at a law firm outside the company.

Employees of the AICA Group, both in Japan and overseas, are able

to report to or seek advice from the Corporate Ethics Committee Window about any problems or concerns they may have regarding corporate ethics and compliance. They can do so by telephone or e-mail at any time, without worrying that they themselves will be disadvantaged for having done so. Anonymity is assured in this system, so anonymous whistleblowing reports are accepted.

### ● Concept diagram: Corporate Ethics Committee and whistleblowing system



\*Number of cases brought to Window to the Corporate Ethics Committee in FY2018: 10

## Anti-corruption Policy

AICA Kogyo endorses the 10 principles of the United Nations Global Compact. Believing the use of power invested in oneself for one's own personal gain, either financial or non-financial, to be corruption, we are committed to the prevention of all forms of corruption, including bribery to or from government officials or suppliers, embezzlement, money laundering, and obstruction of justice, or forcing others to commit such acts.

We have put this policy into writing in the form of the document,

"Preventing Bribery and Corruption - For Fair Trading," which we have distributed to all employees under the signature of the President of AICA Kogyo. No. [4] Fair and Equitable Trading in the AICA Group Code of Conduct also states clearly that we will not be involved in corruption. Training is held every year for individual workplaces at all of our sites in Japan and overseas, including Group companies, using the Code of Conduct.



Additional information about compliance is available on the AICA Kogyo website.  
<http://www.aica.co.jp/company/enviro/compliance/>

# Risk Management

## Basic Thinking on Risk Management

To ensure the mitigation of losses due to unforeseen circumstances, certain departments have been assigned to address the various risks surrounding the management environment. The necessary rules and guidelines have been established and risk management is conducted through the procedures for approval via circulation of proposals. Reports on risk assessment are made regularly to the Board of Directors and Board of Auditors.

### Risk Management Rules and other related rules

Regulation	Details
Risk Management Rules	Response in the face of a management crisis
Earthquake and Disaster Prevention Rules	Response in the event of earthquake disaster
Wind and Flood Disaster Prevention Rules	Response in the event of storm or flood damage disaster
Product Safety Management Rules	Response to product claims in the event of an accident
MS Emergency Response Rules	Response in the event of a factory fire or environmental problem
Information Management Rules	Response in the event of a leak of confidential information
Action Plan for New-strain Influenza Countermeasures	Response in the event of an outbreak of a new strain of influenza

## Security and Disaster Preparation

The AICA Group uses many hazardous substances as raw materials or in supplementary ways to create useful products. Any mistakes in the handling of these hazardous substances would cause a major accident, which would have major impacts on the health of employees, the functions of production equipment, and the local community.

Individual production sites partner with local fire departments to conduct disaster preparation training.

### Major initiatives in FY2018

AICA Kogyo Co., Ltd. Jimokuji Plant	In December 2018, disaster preparation training was conducted based on a scenario of a fire breaking out on the first floor of the JOLYPATE plant. The training included rescue training and water-hose training, using the vehicles of the Ama East Fire Department of Ama City, Aichi Prefecture.
AICA Tech Kenzai Co., Ltd. Ichikawa Plant	In June 2019, evacuation training and water-hose training was conducted based on a scenario of a fire in a utility area. The training highlighted issues with evacuation speed and communication frameworks and improvements are planned.

## Information Security

Through the implementation of our Information Management Rules and Information Management Committee, we have established rules for the use and management of information, and strives to strengthen its information security frameworks.

Regarding personal information, which involves the privacy of our customers, we have reviewed our management categories and security rules and reflected that review in the Information Management

Regulations.

We have also developed a response manual that is put into practice in the unlikely event of an information leak.

We are also striving to instill in our employees a firm consciousness of information management through initiatives such as internal information security audits, which are designed to confirm the state of information management within the company, and ongoing training.

### Case study of implementation of security measures at AICA Kogyo Co., Ltd.

- Employee ID authentication is used for log-in authentication to prevent unauthorized access by third parties. The password for logging into the company system is also changed regularly.
- The security level of external networks has been diagnosed by second parties (interested parties, security management subcontractors) and assessed as being without problems.
- We conduct information security audits of our major systems development subcontractors to confirm the state of their information security implementation and management.
- Data on laptop computers that can be taken out of the company is encrypted and the laptops have also been connected to secure networks.
- Updates of anti-virus software and security patches are sent to PCs.
- We have installed and run core servers in our data center, including for BCP-based responses.
- We reinforce information management through a full-scale ban on the use of USB memory sticks on PCs connected to the company network.

## Business Continuity Plan (BCP)

The AICA Group has formulated a Business Continuity Plan (BCP) with the objectives of ensuring that important business operations are not disrupted in the event of a major disaster or accident, or, if business activities are disrupted, ensuring that important business operations are resumed by the target recovery time with the remaining capacity available. Under this plan, the Group implements a range of responses at times of emergency.

The Great East Japan Earthquake Disaster of March 2011 prompted the establishment of the BCP Committee, which has engaged in formulating BCPs, as well as playing a central role in strengthening disaster preparation measures. BCP development began with the key production sites in Japan and overseas, and those sites that have completed their plans conduct regular training.

### ● Major initiatives regarding BCP in FY2018

Name of site	Location	Details
Nagoya Plant	Kiyosu, Aichi Prefecture	Reconfirmation of matters for implementation in Phases 0 and 1 (stages from disaster striking to decision for BCP-based response), confirmation of important matters (key persons in supply chain, etc.) in Phase 2 (alternative production stage)
Jimokuji Plant	Ama, Aichi Prefecture	
Tanba Plant	Tanba, Hyogo Prefecture	Drill-down of previous training (Phase 2: Recovery stage), making use of lessons from Hiroshima flood damage
Isezaki Plant	Isezaki, Gunma Prefecture	
AICA Interior Kogyo Co., Ltd.	Komaki, Aichi Prefecture	
AICA Tech Kenzai Co., Ltd.	Chikusei, Ibaraki Prefecture Ama-gun, Aichi Prefecture Kanzaki-gun, Hyogo Prefecture	
AAPH Group	Singapore, etc.	Sites that have completed their BCPs have drawn up initial response lists (to-do lists containing the things that each individual department should do at each phase), and conducted confirmation training.
Kunshan AICA Kogyo Co., Ltd.	Kunshan, Jiangsu Province, China	

## Hiroshima floods

AICA Kogyo's Hiroshima Plant sustained severe flood damage due to torrential rainfall in the region in July 2018. After the disaster, the plant's response began with confirming the safety of its employees. Based on the BCP plan and initial response list that had been previously established, information was then collected about raw material suppliers and customers, and the entire staff put all of their efforts into restoration of operations, under the direction of the President of AICA Kogyo. As a result, on July 21, just two weeks after the flooding on July 6-7, production of some products was resumed, and from September 3, about two months after the disaster, production had been resumed for almost all models. The factory had been insured for the damage, so we were able to keep the impact on business performance to a minimum.

Taking lessons from this disaster, we will enhance and extend our BCP based on a scenario of flood damage, conduct training in line with that plan, and develop frameworks that will enable sites to put the plan into action with certainty in the event of a disaster or accident.



Photo taken July 7, 2018  
Flooding



Photo taken July 12, 2018  
Warehouse after floods receded

# Human resources

## Labor-management relations

### Basic Thinking on Labor-Management Relations

The AICA Kogyo Labor Union was formed in May 1946 and has remained active since then. The union is a partner and excellent supporter of the company that has shared in the joys and sorrows of AICA Kogyo for many years. The company cherishes the relationship of trust that it has built up with the union and has maintained favorable labor-management relations.

To deepen mutual understanding, the top three executives of the union and the Human Resources Department hold meetings once a month to exchange information. The union also meets with top management several times a year, including at labor-management

negotiations, to exchange views about management policies, the progress of the mid-term management plan, the general situation in individual businesses, and the various programs and schemes.

Based on the Code of Conduct, AICA sites in the various countries and regions also respect freedom of association, the right to organize, and the right to collective bargaining as the rights of employees, and strive to build favorable relations with employees through close communication.

### Employee survey

As social values have become more diverse, how employees who work at a company think about that company and their mindset toward working have changed and diversified.

Recognizing that employee awareness surveys are vital to the further growth and development of the company, we ask an external organization to hold such surveys on the company's behalf on a regular basis. Following on from the last survey in 2016, a survey was conducted in July 2019.

The survey company reported that "General Satisfaction," which

indicates the degree of employees' satisfaction with the company, was "slightly higher" than the average for common companies, both in the 2016 and 2019 surveys. Of course, there were variations in the results according to age group and occupation. We will analyze the details of these findings and incorporate them into our various policies, including our human resources programs. We will also hold regular surveys into the future and implement measures to raise employee satisfaction from a medium to long-term perspective.

## Human resources development

### Basic Thinking on Human Resources Development

AICA Kogyo nurtures people who have a strong awareness of personal growth and their futures, and who strive forcefully toward the Corporate principle of "Creation & Challenge." Recognizing that employees are an important presence who will transform the company

and raise our corporate value, we are placing efforts into human resources development that will allow every individual employee to demonstrate their strengths to the fullest.

### Training Schemes

A variety of human resources programs are available. They include follow-up programs for prospective employees to grade-based training and self-development assistance to encourage employees' steady career advancement.

For new recruits, a training program has been introduced to cultivate "independent personnel" who are able to think and act for themselves. This program is conducted over a period of three years from the commencement of their employment. A combination of OJT and mentor programs is also used, with the Human Resources Department and the divisions to which the new recruits are assigned working in tandem to cultivate the new employees.

We are also focusing efforts on the development of global human resources. This entails the incorporation of language training in the second and third years of the new recruit training, as well as opportunities to experience meetings with overseas subsidiaries via video teleconferencing systems. We have also established an overseas trainee scheme, which provides opportunities to work overseas, such as being dispatched to overseas subsidiaries.

We have also established correspondence education schemes and schemes for obtaining public qualifications, and we support employees' individual study endeavors by covering costs and granting bursaries.

● Training framework

	Prior to joining	General grade	Mid-level grade	Manager grade
Grade-based training	Correspondence education prior to joining the company	New employee training On-the-job training (OJT) 2nd-year training Mentor training 3rd-year training Global Human Resources Development	Mid-level grade training	Management training (Labor affairs, legal, human resources, finance and management strategy, etc.) New manager training
Occupation-based group training		Sales skills enhancement training Production division skills training		Plant manager training Next-generation executive training
Workplace training		Compliance education Labor management education Quality, safety, and environment education		
Self-development assistance		Skype English Correspondence education		
Assistance to obtain qualifications		Hazardous materials engineer/Health and safety manager/Adhesives management engineer/Forklift operator/Construction project management engineer/TOEIC, etc.		



Additional information about human resources development is available on the AICA website.  
<http://www.aica.co.jp/company/environ/resource/>

## Diversity / Work-life balance

### Basic Thinking on Diversity and Work-life Balance

We promote diversity in response to the globalization of business and the diverse needs of the market. In the area of women's participation in particular, we launched a Women's Participation Promotion Project in June 2013 and have focused efforts on initiatives and the development of an environment in which the power of women can be put to use in the management of the company. These efforts were recognized in January 2016 with the receipt of an Award for Excellence in the

Nagoya City Women's Participation Corporate Certification and Awards Scheme, which is hosted by the City of Nagoya.

The name of this initiative was changed to the Diversity Promotion Project in FY2018 and we are working to promote the establishment of foundations in which more diverse personnel can participate actively in the workplace.

● Certification Status

Certification as Company Promoting Women's Participation by City of Nagoya (January 2016)

The "Kurumin" certification is a program that certifies companies engaged in initiatives to allow women to shine in their organizations and that presents awards to companies with particularly outstanding initiatives in this area.



"Kurumin" certification from Ministry of Health, Labor and Welfare

Companies that meet certain criteria, including assisting employees with raising children, are certified by the Minister of Health, Labor and Welfare and are able to use the "Kurumin" logo on their advertising, products, and other media.



● Diversity Promotion Activity Goals (Act on Promotion of Women's Participation and Advancement in the Workplace)

Target Initiatives Period: April 1, 2019 - March 31, 2022

Target Categories	Target Figures	Current status (as of March 31, 2019)
[1] Increase percentage of female employees	Percentage of women recruited to new-graduate career-track positions: <b>30% or more</b>	29.0% (average of new recruits for April 2016 - April 2019)
	New proposals/revision of work-family balance assistance scheme: <b>3 or more</b>	
[2] Increase percentage of female managers	5.8% (average for other manufacturing industries) <b>or more</b>	3.2% (7 female managers of a total of 217 managers)
[3] Rate of recruitment of people with disabilities	2.3% <b>or more</b>	2.26%
[4] Cultural reform	Percentage of annual paid leave taken: <b>70% or more</b>	Percentage of annual paid leave taken: 61.7%

## Expansion of work-life balance assistance scheme

At a time when both spouses work in a growing number of households, and with nursing care for middle-aged and older households developing into a social problem, we are working to expand our programs to assist employees to balance their home lives and work without interrupting their careers as much as possible, by responding flexibly to diverse work styles.

### ● Work-life balance assistance scheme

Comeback Entry Scheme	We have established a Comeback Entry Scheme for employees who have been forced to resign for reasons such as caring for small children or elderly family members or their spouse's transfer. Once the reason for their resignation no longer exists and they are in a position to return to work, they are able to do so after a recruitment selection process. (Registration scheme/within five years after resignation)
Revision of scheme for shortened working hours for workers with small children	The period in which employees are able to take advantage of this scheme has been extended from up to the child reaching school age to the end of the child's third year of elementary school. This has made it easier for employees to use the scheme to suit their personal circumstances and enabled them to overcome the "1st-grade barrier."
Revision of time-shift working hours scheme	The period in which this scheme, which allows eligible employees to shift their start and finish times in 30-minute increments by up to one hour before and after the set time, has been extended from up to the child reaching school age to the child's graduation from elementary school, improving the working environment to make it easier for those employees to work full-time.

## Re-employment Scheme, Employment of People with Disabilities

The Revised Act on Stabilization of Employment of Elderly Persons mandates the provision of employment opportunities up to the age of 65 years. Parts of the Act were revised on April 1, 2013 against a background of the sharp progression of Japan's declining birthrate and population aging.

With the aims of responding to these legislative revisions, raising employee motivation, and guaranteeing their lifestyles, we have made major revisions to our Re-Employment Scheme. We will continue to

develop an environment in which our employees can work with peace of mind.

Further, with the aim of ongoing employment of people with disabilities, we have identified the types of work that people with disabilities are able to perform and are working to firmly establish them in the workplace. With a view to further increasing the number of people with disabilities we employ, we will continue to engage actively in measures such as recruitment interview sessions for people with disabilities.

### ● Trends in newly engaged employees under the re-employment scheme at AICA Kogyo Co., Ltd.

FY2016	FY2017	FY2018
16	18	27

### ● Trends in number of employees with disabilities at AICA Kogyo Co., Ltd.

March 31, 2017	March 31, 2018	March 31, 2019
17	21	22

## Work Style Reform

As the issue of excessively long working hours has become a social problem and the entire nation is pursuing work style reform, we launched our own Work Style Reform Promotion Project on April 1, 2017. We are working actively to create a culture and change mindsets to discourage employees from working excessively long hours. Initiatives include "No Overtime" days and the reduction of overtime. Through C&C activities (⇒ See page 25), we are making improvements to equipment and operations, pursuing a shift to multi-skilled workers, and striving across the entire company to reform operations to cut down on long working hours. We are also promoting scheduled taking of paid leave and the enhancement of our childcare and nursing care assistance schemes.

### ● State of paid leave consumption at AICA Kogyo Co., Ltd.

	FY2016	FY2017	FY2018
Average days taken	8.2 days	10.3 days	11.3 days
Average rate of leave taken	45.0%	56.0%	61.7%

\* Target period

Until FY2017: September 16 of previous fiscal year to September 15 of current fiscal year

From FY2018: March 16 of previous fiscal year to March 15 of current fiscal year

\* Target employees

Employees of AICA Kogyo Co., Ltd., excluding people on temporary assignment, child-care leave, and leave-of-absence, and part-time and casual workers.



Additional information about diversity is available on the AICA website.

<http://www.aica.co.jp/company/environ/resource/>

# Occupational Health and Safety

## Basic Thinking on Occupational Health and Safety

To maintain a sound foundation for the company and achieve sustainable growth, it is important that we strive to maintain the health of each individual employee and to improve workplace safety. We recognize that our business activities also have an impact on the health and safety of contractors who work on our sites and residents of the surrounding area, and we are striving to maintain the health of stakeholders and to improve the safety of our workplaces and surrounding environments.

Pursuant to the Industrial Safety and Health Act, we have

established Health and Safety Committees at each of our sites. Based on environmental measurements and the findings of environmental diagnoses, we investigate and deliberate on important matters that will form the foundation of measures for mitigating risks to workers and impediments to health.

Membership of the Health and Safety Committee is comprised of managers and labor union members in equal numbers. Contractors who work on site are also included in meetings, and efforts are being devoted to further invigoration of communication.

## Prevention of Industrial Accidents

To ensure that the serious accident that happened at the Jimokujii Plant on January 17, 2006 is not forgotten, we have declared January 17 as All AICA Safety Day.

Every year on All AICA Safety Day, a minute of silence is observed and morning assembly has a safety theme at all workplaces. The AICA Group Occupational Health and Safety Convention also takes place on this day. At the FY2018 Convention, in addition to reconfirming the facts of past industrial accidents, recent trends were analyzed and it was confirmed that prevention measures would be strengthened from the dual approaches of safety awareness education and machinery and equipment improvements, including automation. At the plant manager training conducted after the convention, discussions were held regarding the role of managers and measures for strengthening communication to raise safety awareness. There was also discussion

of the safety management frameworks for partner companies working on our premises, where there has been a tendency toward more frequent industrial accidents in recent years, and the various challenges and countermeasures were shared.

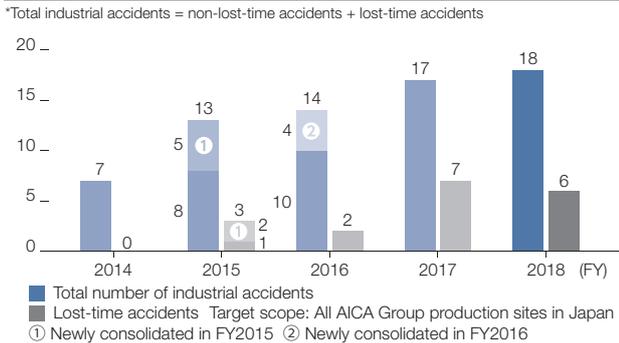
On the factory floor level, KYT (*kiken yochi kunren* or risk prediction training) activities, *hiyari-hatto* (near-miss) activities, and risk-source improvement activities are conducted in the small-group activities (C&C activities → P. 25). To enhance these low-key, steady efforts, from FY2018, the KYT activities being undertaken by the individual small groups are now being assessed under a point rating system. Pursuing improvements so that training is not just a formality, but will be something meaningful that leads to greater awareness of safety, we are striving to eliminate industrial accidents.

### Industrial Accidents Situation

Target Scope	All AICA Group production sites in Japan
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Note: Due to certain errors in the contents of the FY2017 Report, some figures have been amended.

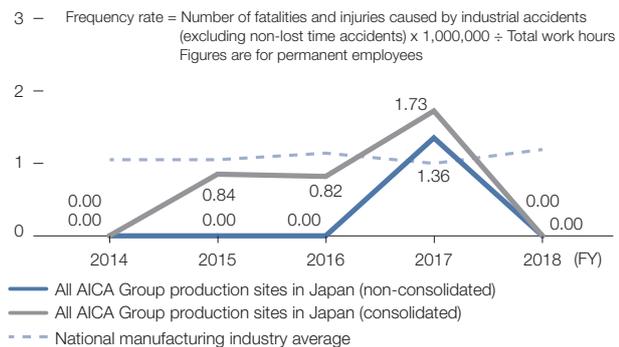
#### Number of industrial accidents (accidents)



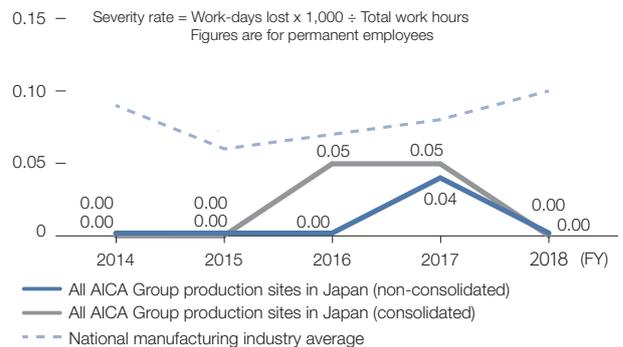
#### Breakdown of number of industrial accidents (accidents)

	FY2014	FY2015	FY2016	FY2017	FY2018
Fatal accidents	0	0	0	0	0
Lost-time accidents	0	3	2	7	6
Of which, those involving people other than full-time employees	0	1	0	3	6
Non-lost-time accidents	7	10	12	10	12
Of which, those involving people other than full-time employees	0	4	4	4	7

#### Frequency rate\* Trend



#### Severity rate\* Trend



● Major initiatives in FY2018

Occupational Health and Safety Convention	Attended by responsible officers of AICA Group production sites in Japan, and partner companies working on AICA premises. Presentations of case studies of industrial accident countermeasures, awards for sites with zero accidents, sharing of trends in industrial accidents and responses
Plant manager training	Attended by on-site managers of AICA Group production sites in Japan and partner companies working on AICA premises. Identification of challenges of on-site management and their solutions, discussion of invigoration of KYT activities as a means of raising safety awareness, and discussion of measures to strengthen safety management frameworks of partner companies working on AICA premises.
Global QEO Officer Training	Attended by responsible officers at plants, including overseas Group companies. Discusses improvement measures for areas at high risk of industrial accidents and measures to raise safety consciousness among end employees.

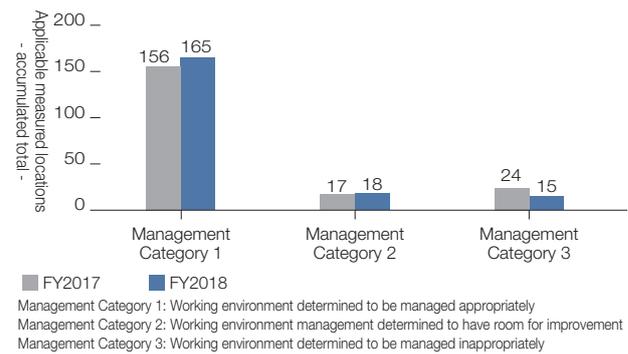
13th AICA Group Occupational Health and Safety Convention



Risk assessment / improvement of working environment

Risk assessment is a method for discovering potential risks and hazards in the workplace and eliminating or mitigating them. We conduct risk assessments under internal regulations based on our Occupational Health and Safety Management System. In the plants, we conduct risk assessment of chemical substances and pursue activities to eliminate and mitigate risk. Working environment measurements prescribed by law are also conducted regularly in our efforts to improve working environments.

Results of measurement of work environment in all AICA Group production sites in Japan (accidents)



Prevention of traffic accidents

We have a fleet of just over 300 company vehicles that are in use in our day-to-day operations. Only those employees who have been registered after their driving aptitude has been confirmed are permitted to drive the company vehicles. In addition to traffic laws, we have also established our own Rules for Use of Company Vehicles in our efforts to prevent traffic accidents.

Approximately half of traffic accidents last fiscal year involved young drivers in their twenties. Fortunately, none of those accidents were serious, but there were accidents that involved other people, so we will continue to devote efforts to eliminating serious accidents and elevating driving skills.

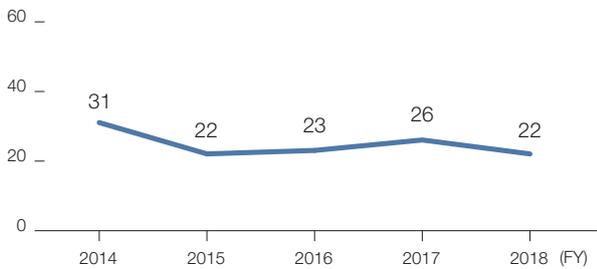
● Major vehicle accident responses

[1] Improvement of driving skills	We conduct skills classes for young employees and employees who have been involved in accidents to elevate their driving skills. In addition, their supervisors accompany them on a drive to check their driving proficiency.
[2] Mindset reform	Employees who have been involved in accidents are asked to submit a report that includes an analysis of the causes of the accident and improvement measures, in a bid to raise their awareness and prevent similar accidents from happening again.
[3] Sharing of examples	KYT (risk prediction training) sheets based on examples of actual accidents are distributed throughout the company to share examples and maintain a sense of tension.

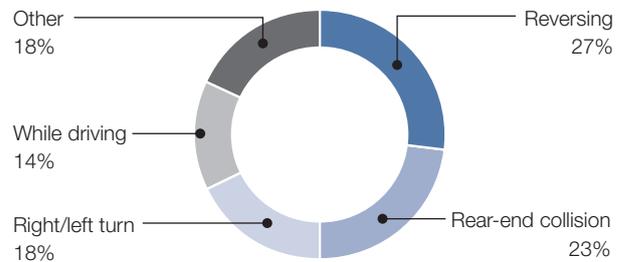
● Traffic Accidents Situation

Target Scope	Accidents caused by AICA Kogyo Co., Ltd. negligence and negligence by both parties
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Trend in number of vehicle accidents (accidents)



Number of accidents by type in FY2018 (%)



Mental Health

In an economic environment of intensifying market competition and rapid change, the stress felt by workers is only increasing, becoming a serious social issue.

We have put a variety of measures in place to maintain not only the physical health of our workers, but also their mental and emotional health.

● Major mental health initiatives

Stress checks	Held once a year since FY2016. The results are fed back to the individuals, and the findings from analysis of the results on a departmental level are fed back to the head of each department.
Establishment of advice hotline	We have set up a mental and emotional health advice hotline, which is run by an external organization. This service is widely advertised to employees on the company intranet.

Regular health check-ups

In addition to the health check-ups mandated by law, we also provide a combination of "Lifestyle Disease Check-ups" and "Gynecological Check-ups" tailored to employees' age, gender, and preferences. In this way, we are strengthening our employee health management

functions. Since FY2014, the company has covered part of the cost of influenza vaccinations, including for family members, to step up efforts to prevent our workers contracting the flu.



Additional information about occupational health and safety is available on the AICA website.  
<http://www.aica.co.jp/company/environ/resource/>

## Basic Thinking on the Environment

The World Economic Forum, an international organization engaged in improving world affairs, releases a Global Risk Report every year. In the FY2018 edition, it reported that “extreme weather events,” “natural disasters,” and “failure to mitigate and adapt to climate change” had risen in the rankings of the risks with the greatest potential to occur and the greatest potential impact.

The AICA Group recognizes the importance of these risks. In our determination to realize a sustainable society, we have built environmental management systems based on ISO 14001 and we are actively addressing the prevention of global warming (action on climate change) and reducing our environmental impact (action on resources and pollution issues).

## Recognitions of the risks to business

Amid growing concerns about global climate change, extreme weather events, and natural disasters, including rising temperatures and water shortages, we envisage that the following two phenomena could potentially have a particularly large impact on the business performance of the AICA Group.

**Environmental regulatory risk**...Impact of climate change measures and the tightening of regulations regarding the use of chemicals and environmental protection

**Large-scale disaster risk**...Impact of a disaster of a scale that exceeds that is envisaged in the BCP and goes beyond the prepared countermeasures and annual training

Target scope: The target scope of each category is clearly stated. The breakdown of sites and locations is as follows.
<ul style="list-style-type: none"> <li>● All AICA Group production sites in Japan: AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd., AICA Tech Kenzai Co., Ltd.</li> <li>● All AICA Group production sites overseas: P.T. AICA Indonesia, P.T. Techno Wood Indonesia, Kunshan AICA Kogyo Co., Ltd., Shenyang AICA-HOPE Kogyo Co., Ltd., AICA Laminates India Pvt.Ltd., AICA Asia Pacific Holdings Group, Evermore Chemical Industry Group</li> </ul>

Note: From the FY2018 Report, we reassessed actual carbon dioxide emissions figures and the revenue intensity figures for energy input, greenhouse gas emissions, and industrial waste volumes generated. Regarding the conversion factors used to calculate carbon dioxide emissions, previously, we used fixed figures and emphasized the trends in reductions due to the company's initiatives. We have since changed this to location-standard factors in light of the wider range of energy options available. Previously consolidated revenue, including overseas revenue, was used to calculate revenue intensity. However, in light of the current situation, in which the ratio of overseas revenue has increased, it was decided to use consolidated revenue for the Group in Japan.

## Prevention of global warming (action on climate change issues)

### Reduction of greenhouse gas emissions (energy saving)

#### ● Basic Thinking

The prevention of global warming is a key issue in the protection of the global environment. In December 2015, at the 21st session of the Conference of the Parties to the United Nations Climate Change Conference (COP 21), the Paris Agreement was adopted as a new, global-scale legal framework. Although the United States announced its withdrawal in June 2017, COP23 took place in Germany in November that year and negotiations on guidelines for the implementation of the Paris Agreement are ongoing. In Japan as well, the Long-Term Low Carbon Vision was formulated in March 2017, and initiatives to combat global warming are being pursued. Japan's reduction target is a 26% reduction from 2013 levels by 2030 and an 80% reduction by 2050. The AICA Group is also actively pursuing reductions of greenhouse gases and has declared a target of reducing emissions revenue intensity by 3% year on year every

fiscal year until FY2030.

Meanwhile, extreme weather events are also increasing on a global scale. AICA Kogyo has sustained damage several times in recent years from disasters caused by such events, and we feel keenly that climate change is a major business risk. We recognize that making more appropriate responses is an urgent challenge and we are actively pursuing reductions in greenhouse gas emissions.

All AICA Group production sites in Japan have produced a Medium to Long-term Plan for the Reduction of Greenhouse Gases and Industrial Waste. Under this plan, we are working to achieve our targets through (1) improvement activities through the visualization of energy consumption (reduction of defects, elimination of waste), (2) appropriate environmental investment, and (3) advances in management of energy use and emissions.

#### ● Targets and Achievements

Target Scope	All AICA Group production sites in Japan
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FY2018 Targets	FY2018 Achievements	Causes of increase/decrease	FY2019 Targets
Revenue intensity: 3% year-on-year decrease 51.8 t-CO <sub>2</sub> /100 million yen revenue or less	4% year-on-year decrease 51.3 t-CO <sub>2</sub> /100 million yen revenue	Reduction in defect rates, replacement of obsolete equipment for energy-saving effect	3% year-on-year decrease 49.7 t-CO <sub>2</sub> /100 million yen revenue or less

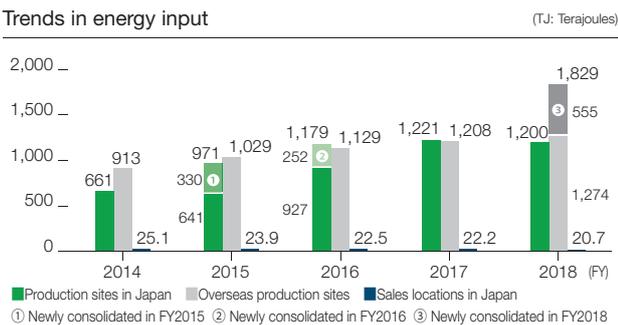
## Major initiatives in FY2018

Company/Site Name	Location	Details
Nagoya Plant	Kiyosu, Aichi Prefecture	<ul style="list-style-type: none"> <li>Improvement of heat exchange efficiency of resource recovery boilers (Regular removal of ash stuck to water pipes)</li> <li>Improvement of high-pressure air feed efficiency of through flow boilers</li> <li>Improvement of temperature control energy of overcoat furnaces</li> </ul>
Jimokuji Plant	Ama, Aichi Prefecture	<ul style="list-style-type: none"> <li>Improvement of cooling of intermediate Polyurethane products (added during filling process)</li> <li>Improvement of chiller cooling water</li> </ul>
Tanba Plant	Tanba, Hyogo Prefecture	<ul style="list-style-type: none"> <li>Improvement of steam pipes in Building D (shift to pipe loop)</li> <li>Reduction of low-pressure control drying time</li> </ul>
Isezaki Plant	Isezaki, Gunma Prefecture	<ul style="list-style-type: none"> <li>Product tank stirrer brine connection</li> <li>Replacement of boilers</li> <li>Replacement of compressors</li> </ul>
AICA Harima Kogyo Co., Ltd.	Kasai, Hyogo Prefecture	<ul style="list-style-type: none"> <li>Reduction of press interval times</li> </ul>
AICA Tech Kenzai Co., Ltd.	Chikusei, Ibaraki Prefecture Ama-gun, Aichi Prefecture Kanzaki-gun, Hyogo Prefecture	<ul style="list-style-type: none"> <li>Reduction of heat loss from naked pipes</li> <li>Roll-out of energy-saving measures after external energy conservation diagnosis (electricity, steam)</li> </ul>
Individual plants and sites		<ul style="list-style-type: none"> <li>Promotion of switch to LED lighting</li> <li>Improvement of productivity due to reduction of defect rate</li> <li>Promotion of power savings in processes</li> </ul>

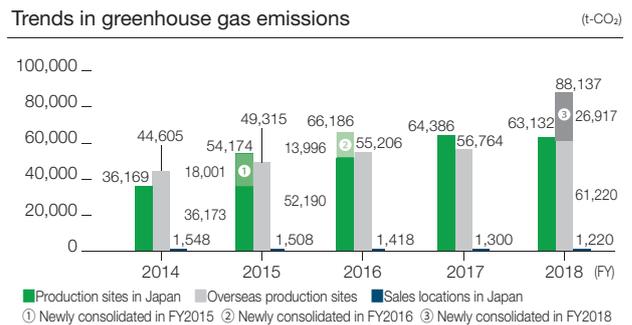
## Achievement Trends

Target Scope	All AICA Group production sites in Japan & All AICA Group production sites overseas & AICA Group sales sites in Japan: 22 sales offices
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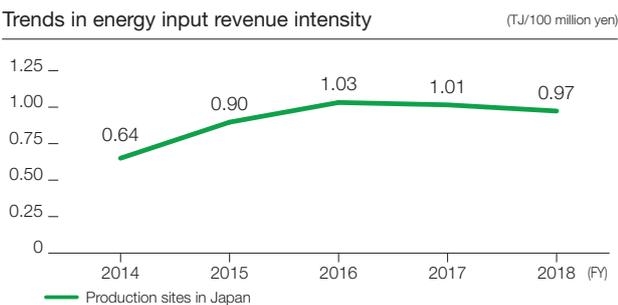
### Trends in energy input



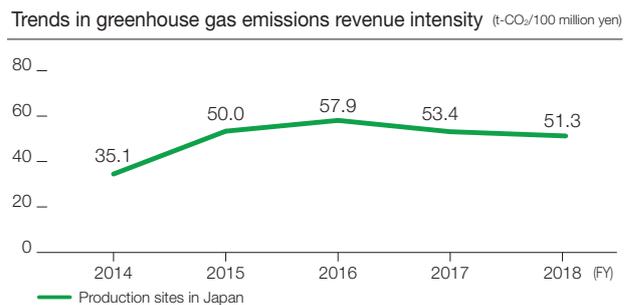
### Trends in greenhouse gas emissions



### Trends in energy input revenue intensity



### Trends in greenhouse gas emissions revenue intensity



## [Scope 3]

Under Japanese domestic legislation, including the Act on Rationalizing Energy Use, it is compulsory for companies to manage their Scope 1 emissions (fossil fuels, natural gas, etc.), which are the company's own greenhouse gas emissions, and Scope 2 emissions (electric power, etc.), which are greenhouse gas emissions caused indirectly by the company. In recent years, moves have also been growing to manage the greenhouse gas emissions of suppliers as Scope 3 emissions (manufacture, transport, business travel, commuting, etc.) and disclose them externally. One such move is the Carbon Disclosure Project (CDP).

We have been engaged in the identification and calculation of

CO<sub>2</sub> emissions from product manufacture since 2006, and we have calculated our Scope 3 emissions in line with the above-mentioned trend. As a result, we have learned that the processes with the greatest impact vary from product to product. We have broadly identified chemical blend products as the products with the highest rate of CO<sub>2</sub> emissions in raw material procurement processes, and HPL, which require a large number of processes, as having the largest CO<sub>2</sub> emissions in manufacturing processes.

However, because much of the data used in those calculations is old, calculations for the products of companies that have newly joined the Group need to be made, and we plan to update these figures in FY2019.

## Green Logistics

### ● Basic Thinking

Reducing greenhouse gas emissions from transport is another challenge that companies must address.

In the AICA Group, the logistics officers at major shipping sites throughout Japan are working together with the sales divisions on ongoing improvement efforts, including modal shift, improving the

efficiency of truck freight, and depot organization.

We will continue to put various measures in place to reduce energy consumption (heavy oil equivalent) per freight metric ton-kilometers (t-km), which is a management index for this area.

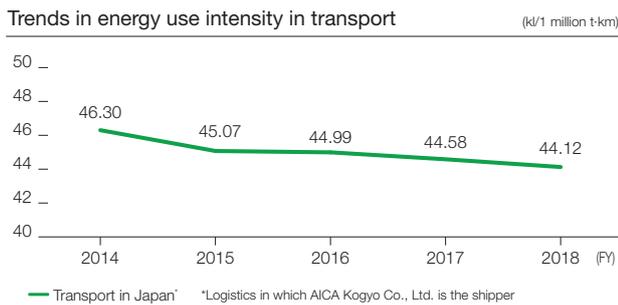
### ● Targets and Achievements

Target Scope	Transport in Japan*
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FY2018 Targets	FY2018 Achievements	Causes of increase/decrease	FY2019 Targets
Intensity 1% year-on-year decrease 44.13 kl/1 million t-km or less	1% year-on-year decrease 44.12 kl/1 million t-km or less	Improvement of efficiency of cargo collection from suppliers Expansion of regular freight runs (introduction of regular freight runs from North Kyoto area, Kumamoto area, and Kasai Logistics Center to Kanto region)	1% year-on-year decrease 43.67 kl/1 million t-km or less

### ● Achievement Trends

Target Scope	Transport in Japan*
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## Reduction of environmental impact (action on resources and pollution issues)

### Basic Thinking on Reduction of Environmental Impact

The AICA Group is engaged in the management of chemicals, reduction and recycling of industrial waste, and the effective use of water resources with the objective of reducing our environmental impact and using resources more effectively. We are considering

productivity improvements and product weight reductions, and pursuing changes to our product specifications for replacement of Substances of Concern with alternative substances.

### Management of chemical substances

#### ● Basic Thinking

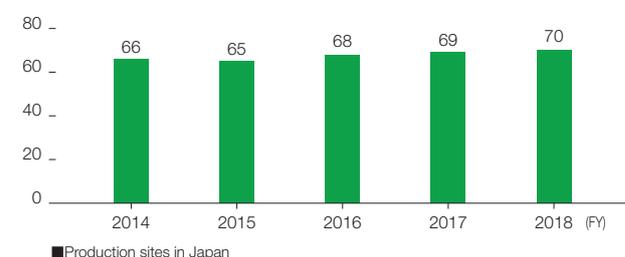
We recognize that reducing the volumes of hazardous chemical substances, including volatile organic compounds (VOCs), released and transferred is an important responsibility of the company as a manufacturer of chemicals. We have been working to reduce those substances that are subject to the PRTR Act\* since FY2002, reducing them to about one-fifth of the 2002 level by 2012, ten years later.

\* A system whereby, under the Act on Confirmation, etc. of Amounts of Release of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof, businesses identify, collate, and make public their data on the release into the environment of diverse hazardous chemical substances, including their sources and volumes, and on their transfer out of the business premises as waste.

#### ● Achievement Trends

Target Scope	All AICA Group production sites in Japan
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**Trends in release and transfer of substances subject to PRTR** (metric ton)



## Reduction of industrial waste/recycling

### Basic Thinking

We began concrete initiatives for the reduction of industrial waste in 1998. This is an important environmental indicator for the entire Group. Currently, we are looking into mechanisms for reducing the

volumes of industrial waste generated and the disposal of that waste, including the possibility of processing it into valuable materials.

### Targets and Achievements

Target Scope	All AICA Group production sites in Japan
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FY2018 Targets	FY2018 Achievements	Causes of increase/decrease	FY2019 Targets
Industrial waste emission revenue intensity 2% year-on-year decrease 34.3 metric ton/100 million yen or less	2% year-on-year increase 35.7 metric ton/100 million yen	In the aftermath of China's restrictions on imports of plastic waste, plastics that had been disposed of as valuable materials are now being handled as industrial waste, resulting in a worsening of the figures for waste emissions.	2% year-on-year decrease 34.9 metric ton/100 million yen or less
Landfill rate at production sites in Japan 1.0% or less	1.3%	Waste products that had been a factor in the increase in the landfill rate in FY2017 were accepted once more as recyclable material, resulting in an improvement in these figures.	1.0% or less

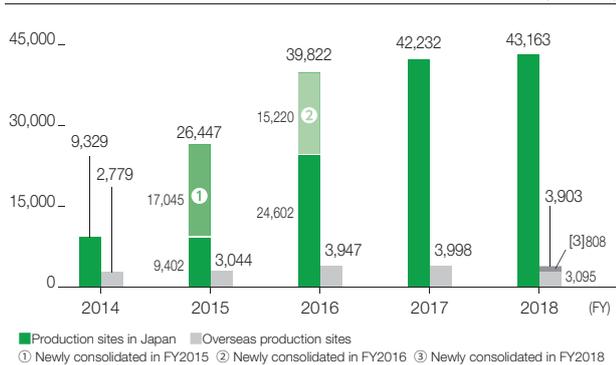
### Major initiatives in FY2018

Name of site	Location	Details
Nagoya Plant	Kiyosu, Aichi Prefecture	<ul style="list-style-type: none"> <li>Reduction of industrial waste emissions through reduction of defect rates</li> <li>Reduction of waste liquids through yield increases</li> </ul>
Jimokuji Plant	Ama, Aichi Prefecture	<ul style="list-style-type: none"> <li>Reduction of dry volume of drainage sludge</li> </ul>
AICA Tech Kenzai Co., Ltd.	Chikusei, Ibaraki Prefecture Ama-gun, Aichi Prefecture Kanzaki-gun, Hyogo Prefecture	<ul style="list-style-type: none"> <li>Size changes resulting in the reduction of offcuts</li> <li>Use of offcut grinder resulting in increased volume of offcuts recovered back into products</li> </ul>

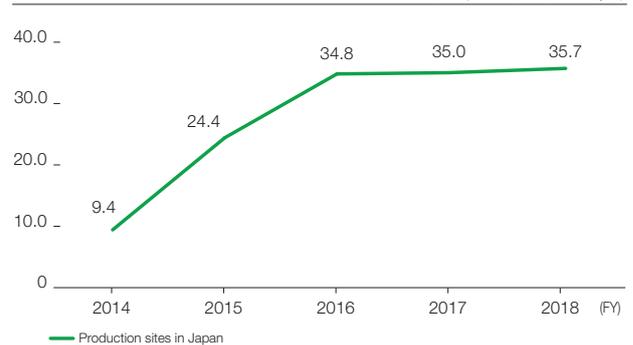
### Achievement Trends

Target Scope	All AICA Group production sites in Japan & All AICA Group production sites overseas
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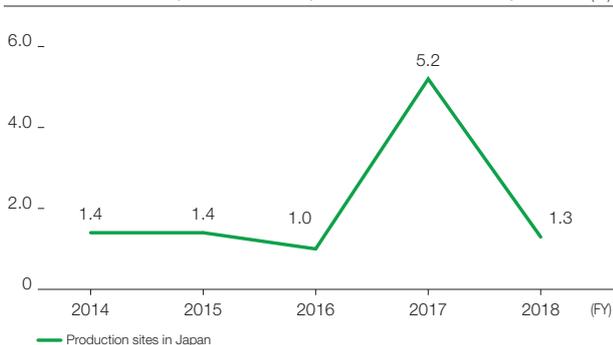
Trend in industrial waste emission volumes (metric ton)



Trend in industrial waste emission revenue intensity (metric ton/100 million yen)



Trend in landfill disposal rates at production sites in Japan (%)



## Reduction of water use

### ● Basic Thinking

Our production sites in Japan use industrial water and underground water, and we are pursuing the cyclic usage of water at our Nagoya and Jimokuji Plants. The Isezaki Plant, which has the highest water usage, is located near the rich Tone River system. It uses water resources in abundance, but will now strive to reduce the amount of water it consumes.

Some of our overseas production sites are located in countries with grave water situations. Each of our business sites is taking

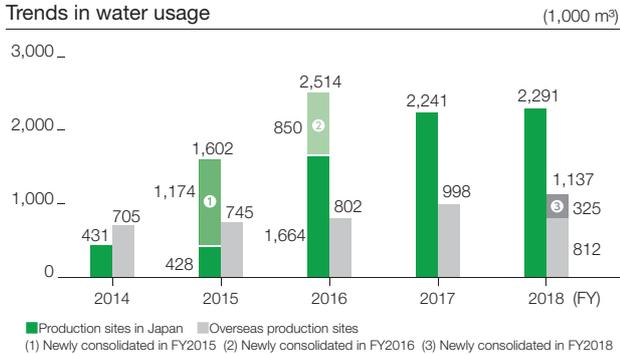
the necessary measures and managing its water usage with the recognition that water is a finite resource. With reference to AQUEDUCT, which is released by the World Resources Institute (WRI), we identify high-risk areas and promote effective use of water in those areas as a priority.

AICA Laminates India PTV. LTD., which is located in the northwest of India, recycles water for use in its manufacturing processes, and any waste water is treated and used for gardening purposes.

### ● Achievement Trends

Target Scope	All AICA Group production sites in Japan All AICA Group production sites overseas
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#### Trends in water usage



### ● Actual water use volumes in FY2018 in high-risk areas

Name of site	Target area	Usage
AICA Laminates India PTV. LTD.	Northwest India	37,000m <sup>3</sup>
PT AICA Indonesia	Jakarta (Indonesia)	129,000m <sup>3</sup>
PT AICA Indria (AAPH Group*)	Jakarta (Indonesia)	30,000m <sup>3</sup>
AICA Singapore Pte. Ltd. (AAPH Group*)	Singapore	90,000m <sup>3</sup>
Shenyang AICA-HOPE Kogyo Co., Ltd.	Northeast China	3,700m <sup>3</sup>

\*AAPH Group: AICA Asia Pacific Holding Pte. Ltd.

## Environmental Risk Management

### Soil and groundwater surveys

We began conducting voluntary surveys of the state of contamination of soil and groundwater at AICA Kogyo and Japanese Group company plants that have a history of using chlorinated organic solvents, harmful heavy metals, and the like in FY2001. These surveys were completed in 2003. The results of those surveys are as follows.

### ● Soil and groundwater surveys

Name of site	Outcome of voluntary survey	
AICA Kogyo Co., Ltd.	Nagoya Plant	Compliant with environmental standards
	Jimokuji Plant	Compliant with environmental standards
	Hiroshima Plant	Compliant with environmental standards
	Ibaraki Plant	Compliant with environmental standards
AICA Interior Kogyo Co., Ltd.	Compliant with environmental standards (Note)	
AICA Harima Kogyo Co., Ltd.	Headquarters Plant	Compliant with environmental standards
	Kasai Plant	Compliant with environmental standards

(Note) After a survey was conducted of the surface layer only of land acquired by AICA Interior Kogyo Co., Ltd. for a manufacturing plant, fluorine was detected in excess of the standard in one section (10 m x 10 m), so measures were taken to prevent storm water, etc. from penetrating that section.

\* The Fukushima and Tanba Plants have not in the past and do not now use substances for which soil environment standards have been set, so they have been exempted from the surveys.

## PCB storage and management status

Polychlorinated biphenyl (PCB) was previously used in stabilizers for fluorescent lamps and other purposes, but after the Kanemi rice oil disease incident of 1968, its toxicity was recognized as a social problem and its manufacture was ceased in 1972. After that, at the private sector's initiative, attempts were made to set up disposal facilities in 39 locations around Japan, but the consent from local residents could not be obtained for any of those facilities. As a consequence, these PCBs have remained undisposed of for more than thirty years.

In March 2016, in a bid to change the situation, the government made a Cabinet decision to implement the necessary institutional measures for the completion of proper disposal as soon as possible to meet the deadlines for completion of disposal at individual business premises (the earliest being the end of FY2018).

In accordance with the Standards for the Storage of Specially-controlled Industrial Waste Products, we store PCBs at the Nagoya Plant, Ibaraki Plant, and Isezaki Plant. We aim to negotiate with the disposal operators for the early disposal of these chemicals.

## State of compliance with environmental laws

The AICA Group was not subject to any environment-related litigation in FY2017, but there were shortcomings as listed at right, which have been corrected.

Exceeding of phosphorous concentration standards in wastewater at Tanba Plant:

There was a sudden increase in production of certain products that use phosphorous-based raw materials, and the regular wastewater treatment facility's chemical precipitation process was unable to remove it all. The pH at the time of chemical precipitation treatment was adjusted to reduce the phosphorous solubility of the treated wastewater, bringing it to within the criteria.

## Complaints from neighbors and responses

There were no complaints or requests from people or businesses in the vicinity of the plant in FY2018.

## Environmental accidents

There were no environmental accidents that would have an impact outside the site in FY2018, but there was a leakage emergency inside the premises. We share information and roll out responses horizontally

across the Group to ensure that no inconvenience is caused to our neighbors or to the government agencies with jurisdiction.

Name of site Date of incident	Details of incident	Response
Nagoya Plant May 2018	Because an attempt was made to fill a service tank with the cock on top of the tank still closed, the pump was operating for just under 30 minutes. This placed pressure on the pump and the resin leaked from the pump axis.	Work performed to ensure that the pump will not operate if the cock is closed. The instruction "Open the cock" was added to the procedural instructions and a sign was posted at the site.
Nagoya Plant May 2018	A worker was trying to move a drum containing waste resin onto a pallet, but was unable to fully support the drum's weight, causing the drum to fall over. The impact knocked the lid off the drum and the waste resin spilled out into the corridor and gutter.	Loading a drum with contents inside it onto and off pallets by human power was prohibited. This was reflected in the procedural manual and the workers were educated.
Jimokuji Plant July 2018	When loading phenol formaldehyde resin from the stock tank, the wrong hose was inserted, causing spillage.	Hoses classified and locked. A number tag was attached to each hose.
Jimokuji Plant October 2018	When washing the polyvinyl acetate resin polymerization vat, the pump that recycles the washing liquid malfunctioned and the liquid overflowed from the drum placed under the vat to collect the liquid, spilling into the storm water gutters in the premises.	An ON light was installed on the pump. A warning device was installed in the wastewater pit and improvements were made so a warning would sound before it overflowed.

## Use of LCA

We have introduced Life Cycle Assessment (LCA) in the development of our products.

Our core products, High Pressure Laminate (HPL), generate less CO<sub>2</sub> than artificial marble or PVC steel sheets, making them a more environmentally friendly product. Our housing products are also highly durable and have a long life cycle. In this respect, they would be described as environmentally friendly products.

We also use product LCA in the assessment of which of our business areas has the most CO<sub>2</sub> emissions (Scope 3 assessment → P. 44).

We will update the data used in calculations for higher precision going forward. We also plan to roll out LCA for the products of companies that have newly joined the AICA Group.



Additional information about the environment is available on the AICA website.  
<http://www.aica.co.jp/company/environ/plan/>

- FY2018 Material Balance (trends in actual figures for past 5 years)
- FY2018 Environmental Accounting
- Medium to Long-Term Environmental Targets

# Involvement with Stakeholders

## Basic Thinking on Involvement with Stakeholders

As a company that is widely trusted by society, we have instilled in our management policy our belief in the importance of fair and highly transparent compliance-based management in accordance with the law and social order and in engagement with stakeholders. Based

on this management policy, we have a basic policy of disclosing information about the company to all stakeholders in a fair and timely manner.

## Involvement with Customers

### Voluntary Action Guidelines Concerning Product Safety

We believe that the most important challenge in quality management is to deliver safe and reliable products to our customers. To put this into practice, we have established voluntary action guidelines

regarding product safety and strive to ensure product safety and information disclosure.

#### ● Product Safety Voluntary Action Guidelines - Basic Principles

[1] Compliance with laws and regulations	We will keep the entire company thoroughly informed about the Consumer Product Safety Act and other laws concerning product safety, other related legislation, and the latest information about product safety, and comply with the legislation.
[2] Initiatives for ensuring product safety	<p>We will develop and implement voluntary action plans regarding product safety that include the following, pursue continued improvements, and establish a corporate culture that focuses on the customer and ensures the safety of products.</p> <p>To ensure product safety, we will conduct proper quality control and educate all employees for thorough awareness of and compliance with legislation.</p> <p>Using feedback from our customers and market information, we will identify the risks accompanying our products, their construction, and their use (including misuse). We will reflect those risks in our design and development, construction manuals, warning labels, and installation manuals, and strive for the continued improvement of product safety.</p>
[3] Response to product-related incidents	<p>In the event of accidents involving our products, we will actively gather information about such accidents from the customers and provide appropriate responses and information to the customers.</p> <p>In the event of a serious product accident involving our products, a report will be made to top management, and prompt action will be taken to keep the damage from spreading. In accordance with the legislation, we will also promptly report to the government agencies with jurisdiction and relevant organizations.</p> <p>Regarding product accidents, where deemed necessary, we will undertake an immediate recall of the products and advise customers promptly using the most appropriate method.</p>

## AICA Inquiry Center

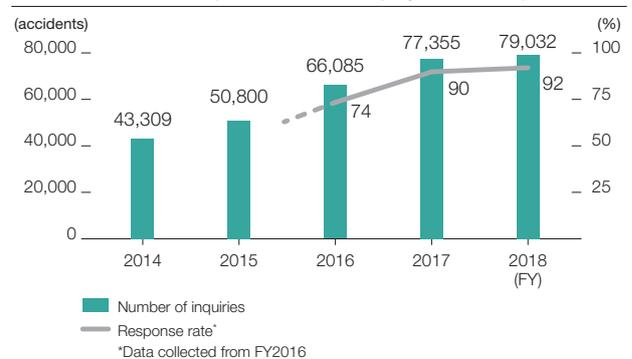
We have established the AICA Inquiry Center as a direct point of contact with customers who have adopted our products. So we can be of even more assistance, we carry out a variety of measures with the aim of improving call quality and enhancing our proposal-making capabilities.

With the introduction of a Call Center System in April 2018, the efficiency of the Inquiry Center staff's responses has improved and we have made major improvements to call response rates. It has become easier to put customers through to the most appropriate staff to handle inquiries about specific products, which has also helped to improve call quality.

In FY2018, we also began telemarketing. We follow up on inquiries at a later date and, if the customer requests it, make sales visits and provide other services to meet the customers' wishes.

In addition to daily training with the aim of even higher call quality, we will strive to provide services that will offer even greater satisfaction.

Trend in number of inquiries made to Inquiry Center/response rate



## Value chain collaboration

Distributors and construction businesses are stakeholders in our value chain. To build a stronger network of these stakeholders, on the sales front, we have established the AICA Distributors' Organization as a network of distributors with a wealth of expert knowledge. Through this organization, we share sales and product strategies and strive for healthy communication between distributors. On the construction front, we have established construction groups of various types, through which we share information about improving construction quality and product improvement and development.

### 32nd AICA Distributors' Organization National Convention (April 2019)



Company policy briefing

## Customer Satisfaction Survey

With the objective of asking our customers to evaluate our products and services, we have conducted a Customer Satisfaction Survey every year since FY2002.

To put the opinions received from our customers to good use in product development and improvement of services, we identify issues from the survey findings, communicate them to the relevant

departments after top management has checked them, and put responses into place.

In FY2018, scores increased by 1% from the previous year and we earned 4.22 points out of a top mark of 5 points. Now that we are achieving such high scores, in FY2019, we intend to focus on analysis of the results and on proposal of issues.

## Opened Otemachi Office in Tokyo

Our new Otemachi Office in Tokyo opened and began sales operations in April 2019. With the establishment of this new site in the highly convenient center of Tokyo, we aim to increase opportunities for communication with suppliers and deepen collaborations with

Group companies in Japan and overseas. We hope that this will provide the impetus of the further expansion of our business, greater operational efficiency, and improved customer satisfaction.

## AICA SEMINAR IN CONTEMPORARY ARCHITECTURE

Through the supply of trusted products, we have strived to contribute in some small way to the elevation and development of architectural culture.

One initiative we are pursuing to make a further contribution is by hosting the AICA SEMINAR IN CONTEMPORARY ARCHITECTURE. Since 1983, we have invited prominent architects from Japan and overseas to give lectures in various parts of the country in a wide range of areas such as housing, the environment, and urban issues. People from many walks of life, including architects, students, and members of the general public attend these free seminars.

For the 65th AICA SEMINAR IN CONTEMPORARY ARCHITECTURE, held in September 2019, we invited Chinese architect, Ma Yansong, as guest lecturer to talk about his recent works.



Additional information about involvement with our customers is available on the AICA website.  
<http://www.aica.co.jp/company/enviro/>

## Involvement with Supply Chain

### Basic Thinking on Involvement with Supply Chain

To fulfill the AICA Group's corporate social responsibility (CSR), we believe that it is essential that we obtain the understanding and cooperation of our stakeholders. In our procurement activities, in addition to taking responsibility as the AICA Group, we also pursue CSR activities with the cooperation of our suppliers.

Based on this belief, in June 2017, we undertook a major overhaul of our earlier procurement policies and established the AICA Group CSR Procurement Guideline. We have obtained the consent of our suppliers in Japan and overseas to these Guidelines, for the further mutual improvement of our CSR activities.

### Communicating with Suppliers

We held a Purchasing Policy Briefing in June 2019 as a forum for communication with our suppliers, at which we shared our company policies and purchasing policies.

Further, with the objective of sharing our CSR procurement philosophy and investigating the actual situation, we have conducted self-evaluation questionnaire surveys since FY2018. For the targets of this survey, we selected suppliers that cover approximately 60% of the total value of AICA Kogyo's (parent company only) materials procurement, with a particular focus on our main suppliers.

Based on the results of this survey, where necessary, AICA Kogyo employees then conduct an audit (on-site inspection). If any outstanding initiatives are confirmed, we will ask that company to teach us their methods, and if we encounter matters that require correction, we will provide guidance and instruction to those companies. By continuing with this two-way dialogue, we aim for the mutual improvement of our standards.



### Business Continuity Plan (BCP)

To ensure stable supplies even after a disaster or accident, we purchase our main raw materials from multiple suppliers and sites, and ensure that we have alternative options for purchasing.

Regarding our own products, we have built production structures at multiple sites and have taken measures to ensure that we maintain a certain level of inventory.

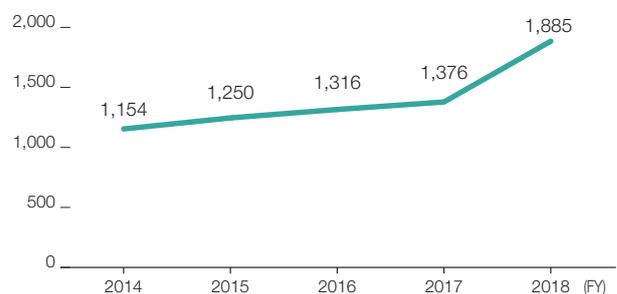
### Provision of Product Safety Information

Amid ever-increasing concerns about chemicals, including the enforcement of the Revised Buildings Standards Act, the revision of the standards for school environmental hygiene, and restrictions on chemical substances overseas, our business overall is widely involved in these issues.

In FY2018, we provided safety information in response to customer requests 1,885 times, which was a major increase on previous years.

The most frequent queries were about investigations of domestic chemical substance restrictions, investigations of the inclusion of chemicals that are restricted overseas, and the documentation related to export trade control orders. These trends reflect the expansion of global business. To fulfill our responsibilities as a member of the supply chain, such as inquiries about new legislation in various countries, and requests for investigation and provision of information about new chemicals, the relevant departments work together to provide prompt and more accurate responses.

Trend in numbers of cases of provision of product safety information (accidents)



Additional information about involvement with the supply chain is available on the AICA website.  
<http://www.aica.co.jp/company/enviro/>

## Involvement with Shareholders

### Ensuring appropriate information disclosure and transparency

As a company that is widely trusted by society, we have a basic policy of disclosing information about the company to all stakeholders at the right time and in the most fair and appropriate manner. We comply with the Companies Act, the Financial Instruments and Exchange Act, and the rules for timely disclosure prescribed by the stock exchanges on which our shares are listed, and conduct

information disclosure in accordance with our Disclosure Policy.

Even for information that is not subject to the Companies Act and the timely disclosure rules, if we believe the information to be important for shareholders and investors to make investment decisions, we will disclose that information, giving consideration to fairness and timeliness.

#### Information Disclosure Documents

- Summary of Accounts
- Securities Report / Quarterly Report
- Shareholders Meeting Convocation Notice
- Report (Shareholder Communication)
- Corporate Governance Report
- Explanation of Financial Results

AICA Website



<http://www.aica.co.jp/company/ir/>

### Communicating with Shareholders and Investors

We take proactive steps, within a reasonable extent, to achieve constructive dialogue with our shareholders. Any opinions and information obtained through such dialogue is reported to the Board of Directors and we strive to reflect it in future management and IR activities.

To obtain their understanding and appropriate evaluation, in addition to the General Meeting of Shareholders and the reception after that meeting, we hold Financial Results Briefings for analysts and institutional investors twice a year, at which our Representative Directors provide explanations. The Public Relations and IR Group responds to requests for individual interviews and telephone press inquiries. Any information to be disclosed in such cases is approved by a Representative Director and the Director responsible for the matter at hand.

Number of individual dialogues with institutional investors in FY2018

**157 cases**

### Shareholder returns

To realize the return of profits to our shareholders and the sustainable growth of the company, we issue dividends that take into account the consolidated performance of each period, payout ratios, and internal reserves. In our current mid-term management plan, C&C 2000, we will issue shareholder returns that are linked to performance, with a target consolidated payout ratio of 50%.

Our basic policy is to issue dividends twice a year, consisting of an interim dividend halfway through the fiscal year and a final dividend at the end of the fiscal year.

Regarding the use of internal reserve funds, priority is given to capital investments for the expansion of existing core businesses and to investments to increase future corporate value, including M&As. These investments are made in consideration of investment efficiency from long-term perspectives.

Dividend and payout ratio



### External Assessment

In 2019, we were added for the first time to the FTSE4Good Index Series and FTSE Blossom Japan Index, which are leading SRI indices developed by FTSE Russell.



FTSE Blossom Japan



FTSE4Good

We have been part of the JPX Nikkei Index 400, a stock index developed by the Japan Exchange Group, Inc., Tokyo Stock Exchange Group and Nikkei Inc., for seven years straight.



**JPX-NIKKEI 400**

## Involvement with Local Community

As a company with global operations, the AICA Group values its connections with local regions and communities not only in Japan but from a global perspective.

We continue to conduct activities based on a philosophy of mutual

harmony, such as participating in volunteer activities in collaboration with local community action groups, including clean-ups in the areas surrounding our production and sales sites.

### Support for regions and people affected by the torrential rain disaster of July 2018.

Many people were affected by the torrential rains that struck in July 2018, with our own Hiroshima Plant also sustaining flood damage. In light of the fact that we have been doing business in the city of Mihara, Hiroshima Prefecture for many years, we wanted to support the people in the affected areas and assist with reconstruction efforts. To this end, we donated 10 million yen to the City of Mihara.

We pray that the affected area will recover as quickly as possible.



### Dynea (Nanjing) Co., Ltd. (AAPH Group) holds event for local students

In June 2018, Dynea (Nanjing) Co., Ltd., a member of the AICA Asia Pacific Holdings Group, held a four-day event to which they invited the students and teachers of the Dynea Hope School. The students visited the historical city of Nanjing, encountered the modernized society, and experienced many firsts. We hope that this experience will broaden the students' horizons and knowledge and lead to their growth.

Dynea (Nanjing) has supported the Dynea Hope School for ten years and plans to continue with that support into the future.



### Volunteer desk repairs at Chikusei Municipal Omura Elementary School in Ibaraki Prefecture

We conducted a volunteer project to repair the desks at Chikusei Municipal Omura Elementary School in Ibaraki Prefecture, which is located near the Akeno Plant of AICA Tech Kenzai Co., Ltd., one of our Group companies.

To commemorate their graduation, the outgoing students wanted to pass on clean desks to the remaining students. We provided high pressure laminate (HPL), one of our core products, as the surface material, and our employees participated as instructors, showing the students how to re-cover the desks and working with them on the task.



## Third-Party Opinion

# Hopes for disclosure in line with integrated thinking in response to the transformation of capitalism



Managing Director, QUICK Corp.  
Head of ESG Research Center

### Etsuya Hirose

In its corporate philosophy (⇒ p. 1), the AICA Group declares as your goals “mutual harmony,” “the creation of new value through endless innovation,” and “contribution to society.” I can perceive from this report that raising both economic value and social value lies at the heart of your management strategy. I can see that the Group as a whole is pursuing the creation of frameworks to integrate ESG initiatives into its management and business activities, as stated in the Message from the President (⇒ P. 13).

In terms of conducting your business in a manner that takes the ESG into consideration, it is essential that you show clearly how your initiatives will lead not only to social contributions but to future corporate value from the dual angles of risk and opportunity, and that you indicate them to your stakeholders, including your investors. In that respect, I commend the way in which, together with your approaches to SDGs, you have indicated a model for improving corporate value in your “virtuous circle model for balancing both financial and non-financial matters” (⇒ P. 9). On the other hand, disclosure of risks and opportunities in line with scenarios for a low-carbon society will be needed as a way of indicating future corporate value.

As the President states in his message, with the introduction of your QEO Management System in 2003, over the years, you have addressed quality, environmental and occupational health and safety issues. And today, under the same system, I can see your attitude toward disclosure that complies with global standards. This is evident in your joining the United Nations Global Compact, and your clear indication of principles concerning respect for human rights based on the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights. I believe that the outcomes of these actions have led to your selection for the FTSE4Good Index Series and FTSE Blossom Japan Index.

Further, with the expansion of your global business

since 2012, the ESG issues you are addressing have also broadened and deepened. What particularly drew my attention was the message from the CEO of AICA Asia Pacific Holding Pte. Ltd. (⇒ P. 14). I can see that the concept of sustainability that you are aiming toward has penetrated your Group companies and their employees, as well as your supply chain. In terms of your supply chain, you have stated that 60% of your suppliers are subject to evaluation. I hope you will work to increase that percentage further.

You have also made progress with your approaches to environmental issues. In water issues in particular, in light of the serious damage from a natural disaster sustained by your Hiroshima Plant last year, the report mentions that you will develop BCPs for the four sites in Japan with the highest risk of flood damage as a goal for FY2019 (⇒ P. 28). I also commend the way you have identified high-risk areas among your overseas production sites and your efforts to reduce water usage (⇒ P. 47). I hope you will continue to identify the risks and opportunities related to environmental issues, including water issues, in each of the short-term, medium-term, and long-term time frames, and manage those risks and opportunities.

What progress has been made in the area of diversity? You launched your Women’s participation Promotion Project in 2013 (⇒ P. 38). The promotion of foreign nationals, women, and other diverse individuals is a source of competitiveness for global companies. In particular, I believe it will be increasingly essential for such companies to Increase diversity on their boards and at management level.

Finally, I would like to express my hopes for disclosure that is more in line with integrated thinking. How is your business using natural capital and social capital to produce results and profits? The key point will be to show the relationship between your various products and your goal of creating safe, sustainable communities.



Giving Back to the Earth through Technology

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