



AICA Group  
**CSR Report**  
**2020**

AICA Group CSR Report

## 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.

### 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”.

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## Company Overview (as of March 31, 2020)

Company Name	AICA Kogyo Co., Ltd.
Headquarters Location	JP Tower Nagoya, 26F, 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 million yen
Employees	Consolidated: 4,781 Non-consolidated: 1,239

## 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 other means.

## Reference Guidelines

- ISO26000
- Environmental Reporting Guidelines (2018 Edition),  
Ministry of Environment
- GRI Standards

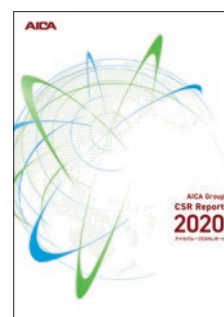
## Target Period/Scope

This report is a summary of the activities of the AICA Group in FY2019. It also includes information about some activities from FY2020. 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>

Supplementary  
information and PDF  
data of the CSR Report

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

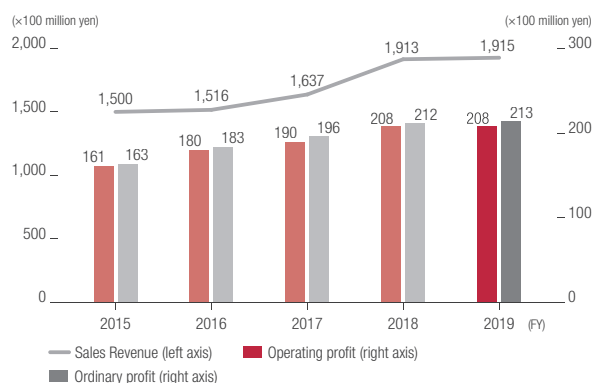


## Contact for inquiries about this report

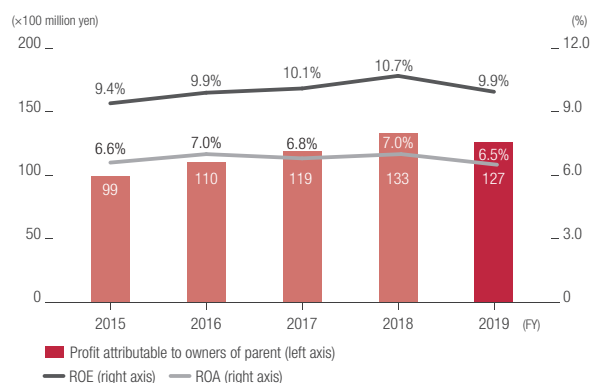
- Corporate Planning Department Tel: 052-533-3136
- Safety and Environment Department Tel: 052-443-5941

# Financial and Non-Financial Highlights

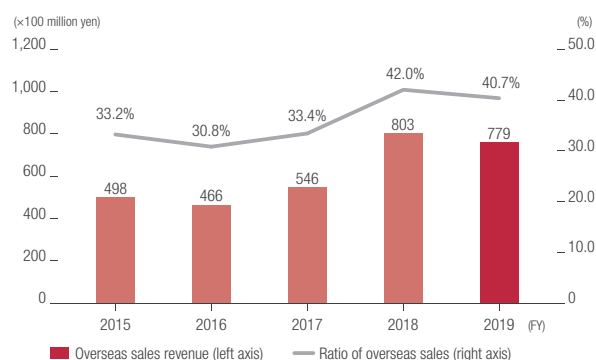
## Net sales / Operating profit / Ordinary profit



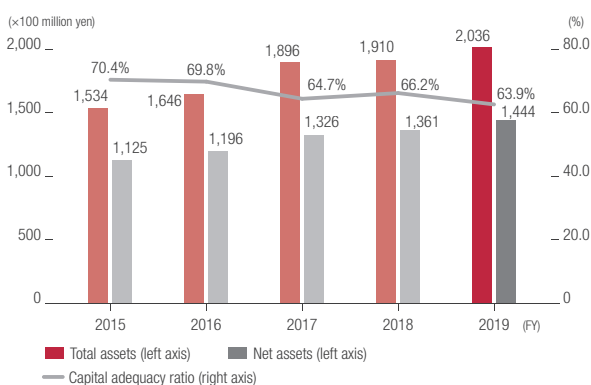
## Profit attributable to owners of parent / ROE / ROA



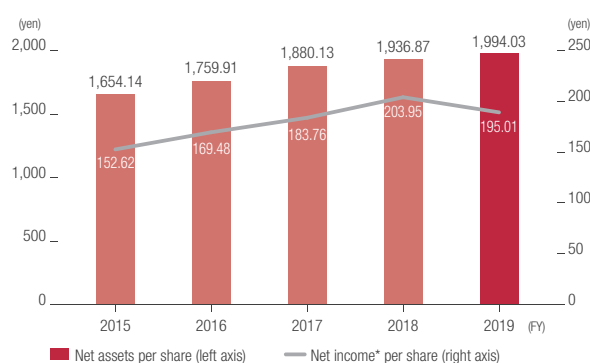
## Overseas sales / Overseas sales ratio



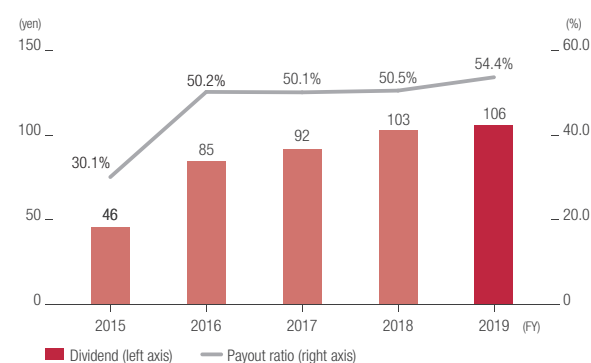
## Total assets / Net assets / Equity rate



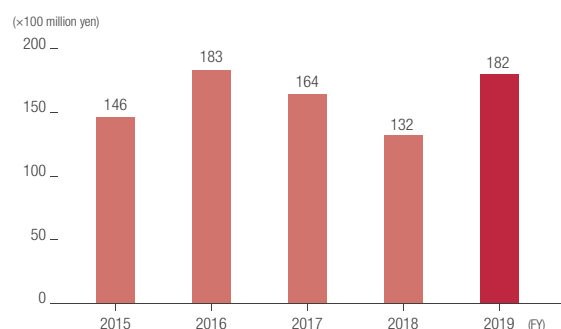
## Net assets per share / Net income per share



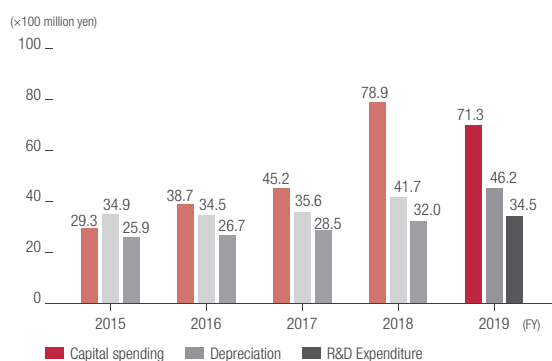
## Dividend / Payout ratio



## Cash flow from operating activities



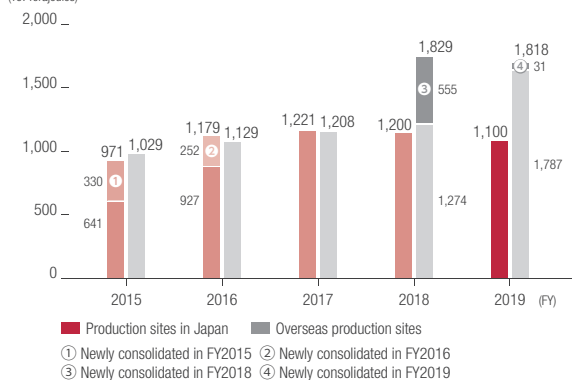
## Capital investments / Depreciation / R&D expenditure



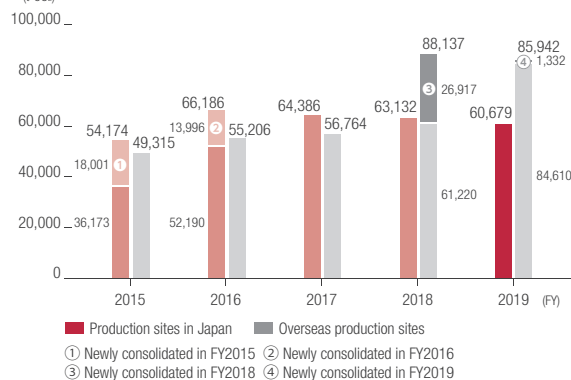


## Energy input

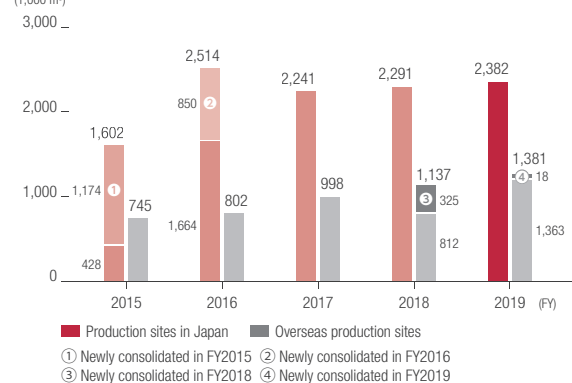
(TJ: Terajoules)



## Greenhouse gas emissions

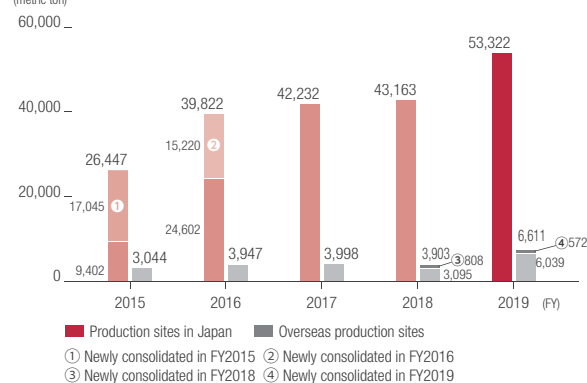
(t-CO<sub>2</sub>)

## Water consumption

(1,000 m<sup>3</sup>)

## Industrial waste emission volumes

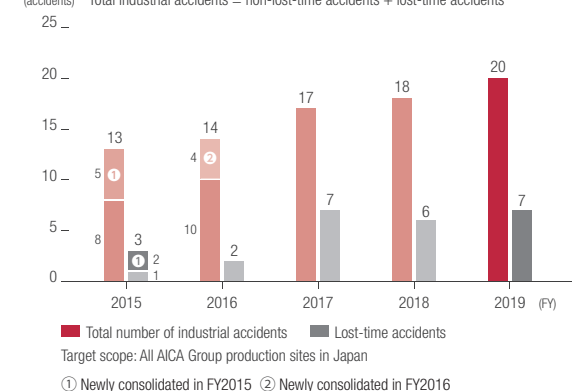
(metric ton)



## Number of industrial accidents

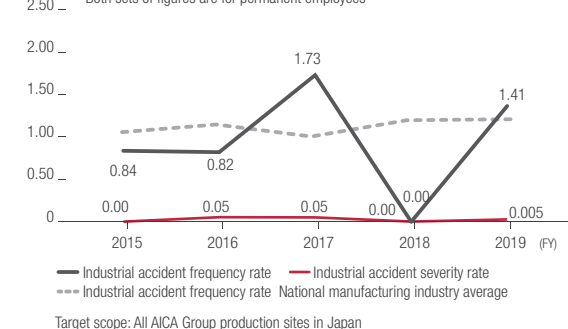
(accidents)

\*Total industrial accidents = non-lost-time accidents + lost-time accidents



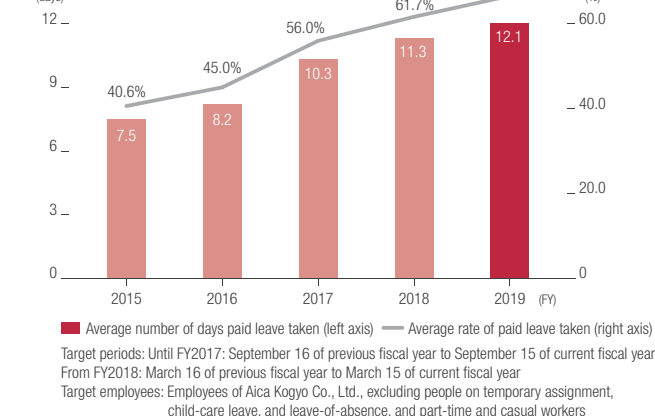
## Industrial accident frequency rate/Severity rate

\*Frequency rate = Number of fatalities and injuries caused by industrial accidents (excluding non-lost time accidents) × 1,000,000 ÷ Total work hours  
 \*Severity rate = Work-days lost × 1,000 ÷ Total work hours  
 Both sets of figures are for permanent employees



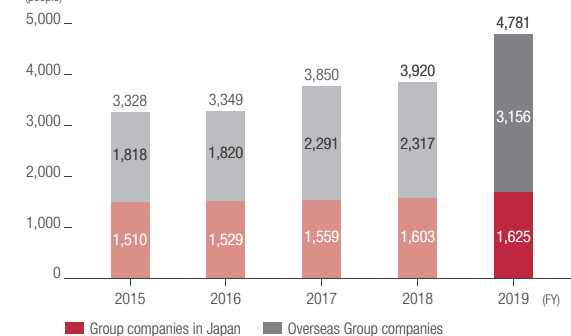
## Average days paid leave taken / Average rate of paid leave taken

(days)



## Headcount (Japan / Overseas)

(people)



# Message from the President



## 1 Looking Back on the Year Ended March 2020

Consolidated business results for the year ended March 2020 were net sales of 191,501 million yen (+ 0.1% year-on-year), operating profit of 20,850 million yen (+ 0.1 %), ordinary profit of 21,333 million yen (+ 0.4%), and profit attributable to owners of parent of 12,732 million yen (- 4.4%). Net sales, operating profit, and ordinary profit were the highest on record for the eighth consecutive year.

The domestic construction market environment, which is one of our major fields was sluggish in both the residential and non-residential segments. However, our AS (Aica Solution) product range, designed to contribute to solve social problems, performed well than expected despite the market environment.

Due to low raw material prices in our existing overseas businesses, there was decrease in net sales while there was increase in profits. We also fulfilled five M&A projects and enhanced our business foundations.

## 2 The Impact of the COVID-19 pandemic and Our measurements<sup>\*1</sup>

<sup>\*1</sup>. Based on the situation as of the end of June, 2020

### Impact on Plants and Raw Materials Procurement

Due to the spread of the COVID-19, some of our overseas locations temporarily suspended its operations. All plants have now resumed its operation. In raw materials procurement, BCP measures proved effective and there was no major impact. We fulfilled our supply responsibilities to our customers.

### Strengthening of BCP and Promotion of Work Style Reform

Experiencing the global pandemic of the COVID-19 has brought a number of issues in our raw materials procurement and operation systems. We take measures to ensure that we are able to secure raw materials under any circumstances by having multiple suppliers, we will decentralize in different

CSR is our management axis:  
we strive to be a corporate entity  
the society needs. We continue to  
develop sustainably.

**Yuji Ono**

Representative Director and President

countries and regions. We will also decentralize and multiply our production sites to optimize our structure for fulfilling our responsibilities as a supplier.

Furthermore, answering to the government call, we quickly introduced remote work for some sites in Japan and overseas. In Japan, we discontinued remote work after the government lifted the state of emergency. We have set up structures to respond flexibly, depending on the circumstances. At our production sites where the remote work is not possible, we have enforced even more stringent measures.

#### ■ Product proposals for new lifestyles

This year, the world underwent a complete transformation and social norms have changed toward the co-existence with the virus. Under these circumstances, our antiviral construction material range, Virutect (Visus Protect) Series, launched last year, is being incorporated into this new lifestyle. As explained in the AICA Virtuous Circle Model (→P9), we have listened to all our stakeholders and developed products that contribute

to business solution. We shall continue to identify new needs promptly and expand our product range that could contribute to society.

### 3 To Achieve AICA's 10 Years Vision (→P19)

Our Medium-Term Business Plan "C&C 2000" (→P20) is in its final year this fiscal year. Unfortunately, due to the COVID-19 pandemic, some of our financial targets would most likely to be unachieved. However, we shall continue to implement the various measures described below, in line with the policy set in C&C 2000 towards the sustainable growth. We identify what we need to do now for the AICA's 10 Years Vision and shall invest appropriately to R&D and equipment.

#### ■ AS Product, Virutect Series antiviral construction materials

We have designated products that help to solve a variety of social problems as AS (Aica Solution) products and focusing

# Message from the President

our efforts on their development and sales expansion. Inquiries about the range of antiviral construction materials, Virutect Series, which we launched last year, have increased sharply. It has begun with the launch of the high pressure laminates (HPL), AICA Virutect. It then expanded to CERARL for walls and Postform Counter, the U.D. COMFORT door for medical and nursing homes and toilet booth. It has now been introduced to various settings, including medical and nursing homes, childcare centres, educational institutions, shops and restaurants, offices, factories, and housing.

We are striving to grow Virutect Series sales to 5 billion yen in three years' time. To achieve this goal, we would need to capture all the possible needs by applying the antiviral properties to various products, for floorings, walls, furnitures and building material applications both in the residential and non-residential markets.

## Strengthening Specialty & Performance Materials being responsible for the Next Generation

The focus of our efforts to build a stronger corporate constitution through business diversification is the Specialty & Performance Materials business. We are pursuing the expansion of product and sales increase of products for the non-construction sector, such as automobiles, electronic devices, hygiene products and clothing. Evermore Chemical Industry Co., Ltd. (EMC) joined the AICA Group in January 2018. They acquired a urethane manufacturer in Vietnam in July 2020 and has expanded further. EMC holds a large share in the global market for polyurethane systems (PUS) for trainers' soles. They also have advantages in the fields where AICA has never explored, such as textiles for clothing and cross-linking agents for food packaging. We shall continue to leverage EMC's advanced resin design technologies and gain shares in new markets and fields.

## Strengthening of overseas business

In December 2019, four Wilsonart companies in the Asia/Oceania region joined AICA Group. Wilsonart is an US-based global manufacturer of high pressure laminates (HPL). In March 2020, AICA HPL Trading joint stock company that took over the CHI Group, a Vietnam-based HPL sales company's business joined AICA Group. With such acquisitions, AICA Group's construction materials business platform in the Asia/Oceania region was streamlined enormously.

Through aggressive M&A activities, our overseas business obtained production sites, sales networks and bench strength. Our business has become even more resilient with the enhancement of various skills and knowledge. We will strive to optimize our sales strategies by making the most of our Chemical Products and Construction Materials Businesses.



## CSR-oriented Management, Balancing Economic and Social Values

AICA is a company that operates business globally. And, we strongly believe that it is our duty to address the social problems in the world sincerely and conduct corporate activities to solve those problems. We are dedicating to deepening our activities and strengthening our corporate structures. As such, we enable to be united as a group to confront towards social agendas, including the Sustainable Development Goals (SDGs).

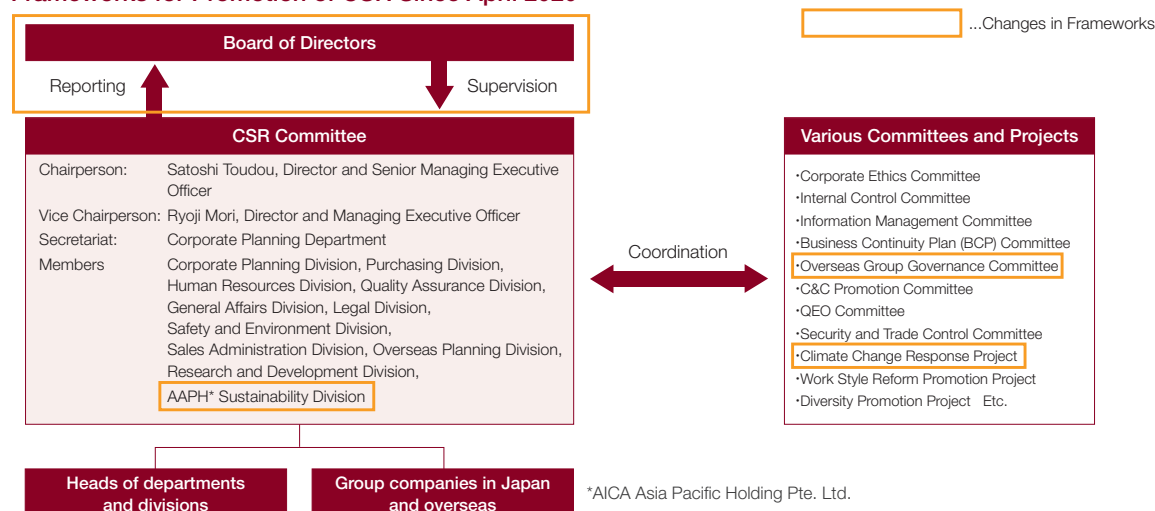
## Strengthening of Frameworks for Promotion of CSR

From the perspective of strengthening the supervisory function of the Board of Directors over the CSR Committee, which leads AICA's CSR initiatives, CSR Committee would now report to the Board Meeting instead of the Management Meeting. To strengthen CSR collaboration with our overseas Group companies, AICA Asia Pacific Holding Pte. Ltd. welcomed a Senior Manager, Sustainability & Operation Excellence. We launched the Climate Change Response Project in April 2020 in order to strengthen support to climate change issues. Working together with the development and production divisions as well as the administrative divisions, this project will consider and

implement measures aimed at drastic improvements in our environmental indicators. In May 2020, we expressed our

countenance to the TCFD. We intend to pursue the appropriate information disclosure related to climate change.

### Frameworks for Promotion of CSR Since April 2020



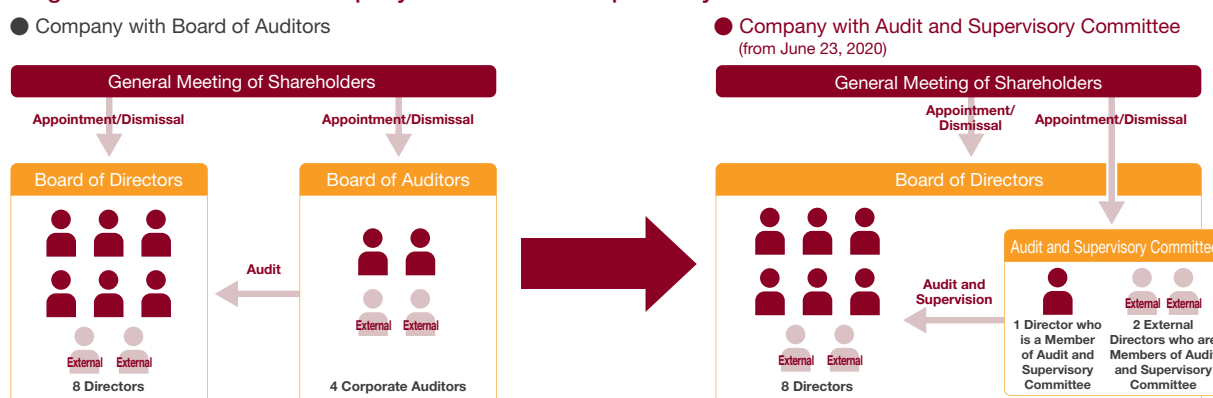
### Strengthening of Corporate Governance

In June 2020, we transitioned to a Company with Audit and Supervisory Committee with the objective of improving the transparency of our management. The Audit and Supervisory Committee consists of more than half of external directors, is responsible for auditing and supervising the legality and appropriateness of the execution of business. As such, we are able to enforce our corporate governance further and also to

build a framework that would meet our stakeholders' expectations in Japan and overseas.

We also launched an Overseas Planning Department and an Overseas Group Governance Committee with the objective of strengthening governance in our overseas Group companies. Given the current situation, with the sharp rise in overseas Group companies through M&As in recent years, we have set these divisions up to strengthen structures.

### Diagram of Transition to a Company with Audit and Supervisory Committee



### To realize a corporation that develops sustainably

Our corporate philosophy includes the word, "Symbiosis". We are responsible to all our stakeholders. In fact, we have been ensuring for business activities and product development that are environment and human beings-conscious. Recognizing that AICA's ideology has much in common with

the one that the United Nations Global Compact (UNGC) has, we announced our participation in UNGC in 2019. We aim to realize a corporation that is needed by society and that grows sustainably, holding CSR at the core of its management.



# Virtuous Circle Model and Core Competences

## Virtuous Circle Model Concept

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

## Virtuous Circle Model to Balance Financial and Non-financial Matters



## The AICA Group and the SDGs

As a company that operates business on a global scale, by signing the UN Global Compact, the AICA group has committed to working toward the Sustainable Development Goals (SDGs) and has commenced various activities to achieve them. We reviewed our materialities in FY2018, and sorted out the relevance between the issues in the materialities and the SDGs, clarifying anew the important business activities that the AICA Group should undertake to tackle global social issues.

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



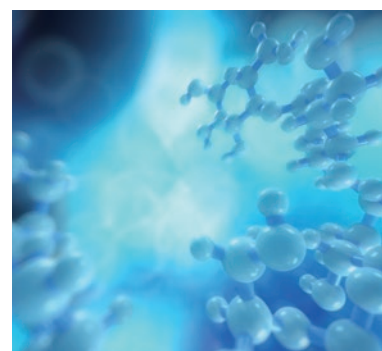
### 3 Core Competences to Accelerate the Virtuous Circle Model

The AICA Group has attained the top market share in specific sectors. We continue to provide products that are essential to the world. We have three unique strengths. We are a chemical company but operates in the design domain, proposing finely detailed solutions with its global network.

#### Chemical technologies

We provide highly original products with our proprietary technologies.

The chemical technologies we have cultivated since company's establishment, have been the foundation of our business. Having resin synthesis technology as our core technology for various adhesive products, we enable to develop innovative products by applying such technologies to the construction materials and Specialty & Performance Materials. We strive to solve social issues with the power of chemistry and enrich our lives.



#### Design

We create new value with the power of 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 building 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 comfortably.



#### Sales Network

We have developed frameworks that enable meticulous response.

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.

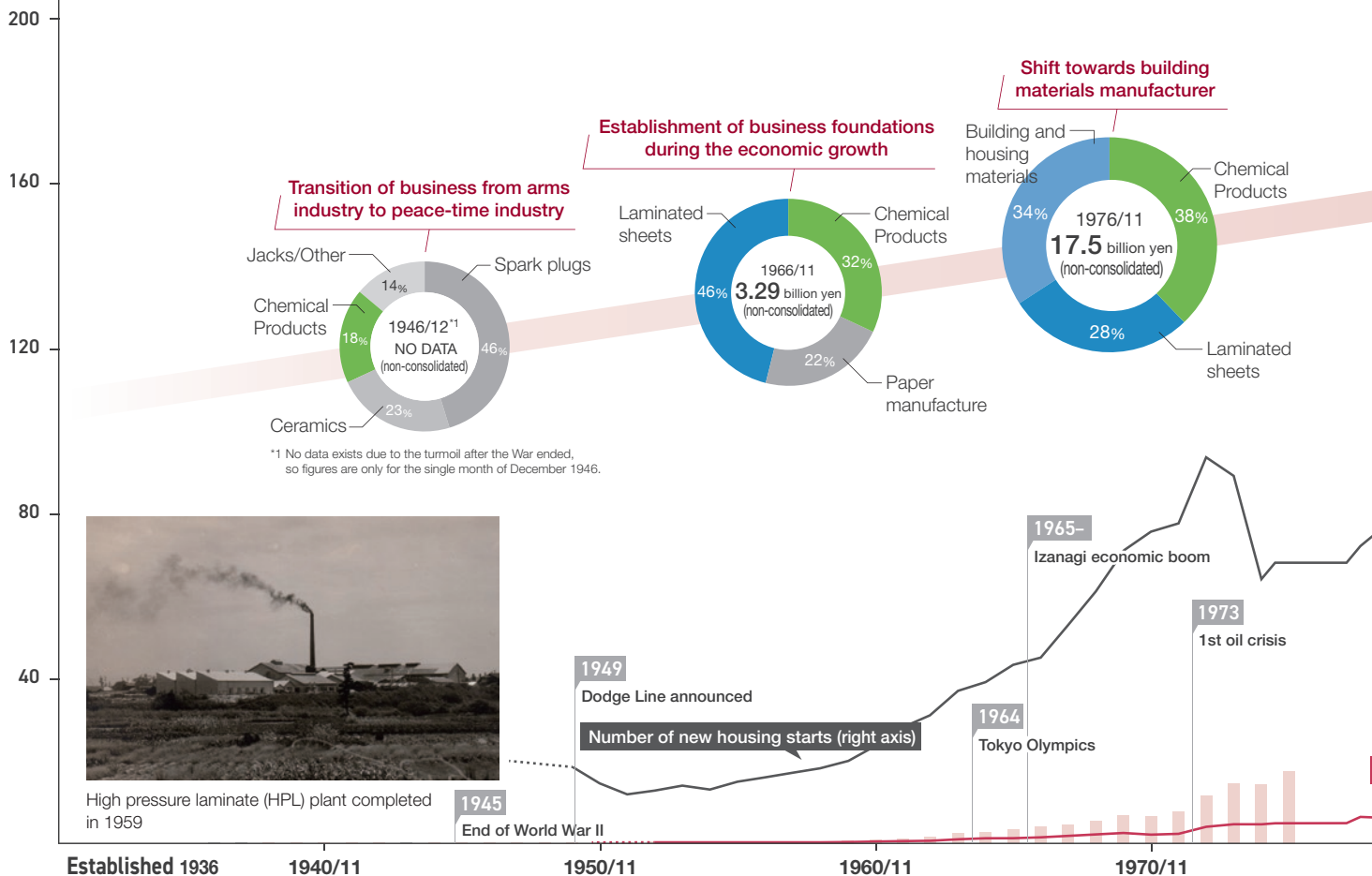
Overseas, predominantly in the Asian region, we are using M&As to expand our overseas sales network. We have established separate holding companies overseas for the Chemical Products and Construction Materials Businesses. Through this, we are identifying local needs that are rooted in the local regions and pursuing the localization of our businesses overseas.



# Transformation of Value Creation

With the resin synthesis technologies that we have cultivated since our foundation at the core, we have re-organized our portfolio of businesses flexibly in line with the times. Our spirit of challenge and creation, including challenges in new businesses and the use of synergies, has been passed down from the past to the present.

Net sales (billion yen)



## 1936~1945

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

## 1946~1954

- ▶ Launched melamine resin-baked paint (1951)

## 1955~1966

- ▶ Launched "AICA" high pressure laminate (HPL) (1960)

## 1967~1976

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

### 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.



Patent for urea-based resin adhesive

#### 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.

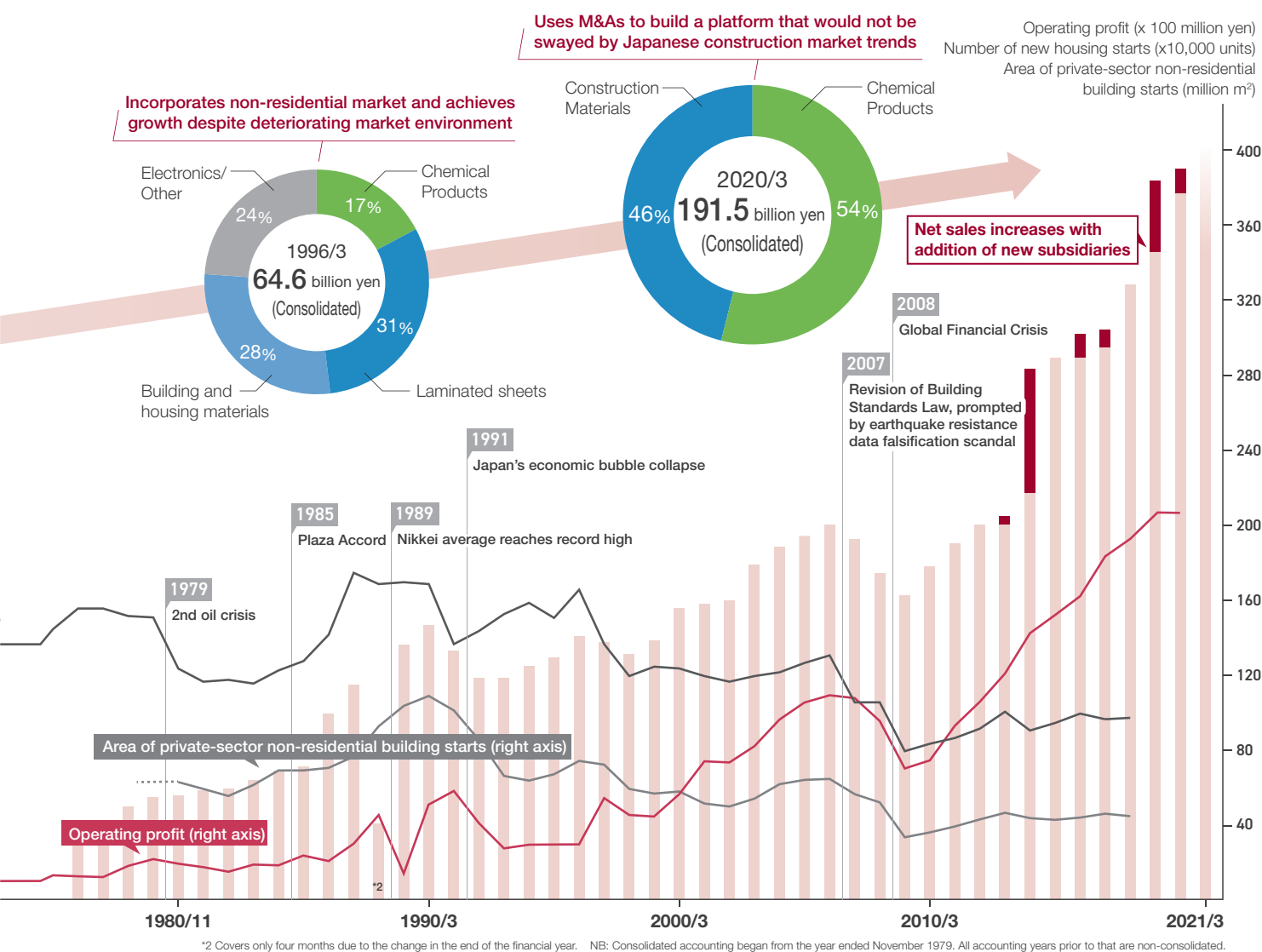
#### Late 1980s

##### 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.



## 1977~1986

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

## 1987~1994

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

## 1995~2009

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

## 2010~

- ▶ Acquired shares in subsidiary of Dynea's Asia-Pacific division (2012)
- ▶ Acquired shares in Evermore Chemical Industries (2018)
- ▶ Acquired shares in Wilsonart subsidiary in Asia-Pacific region (2019)

## 1990s~2000s

## Compliant to 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

## Support forest resources protection

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.



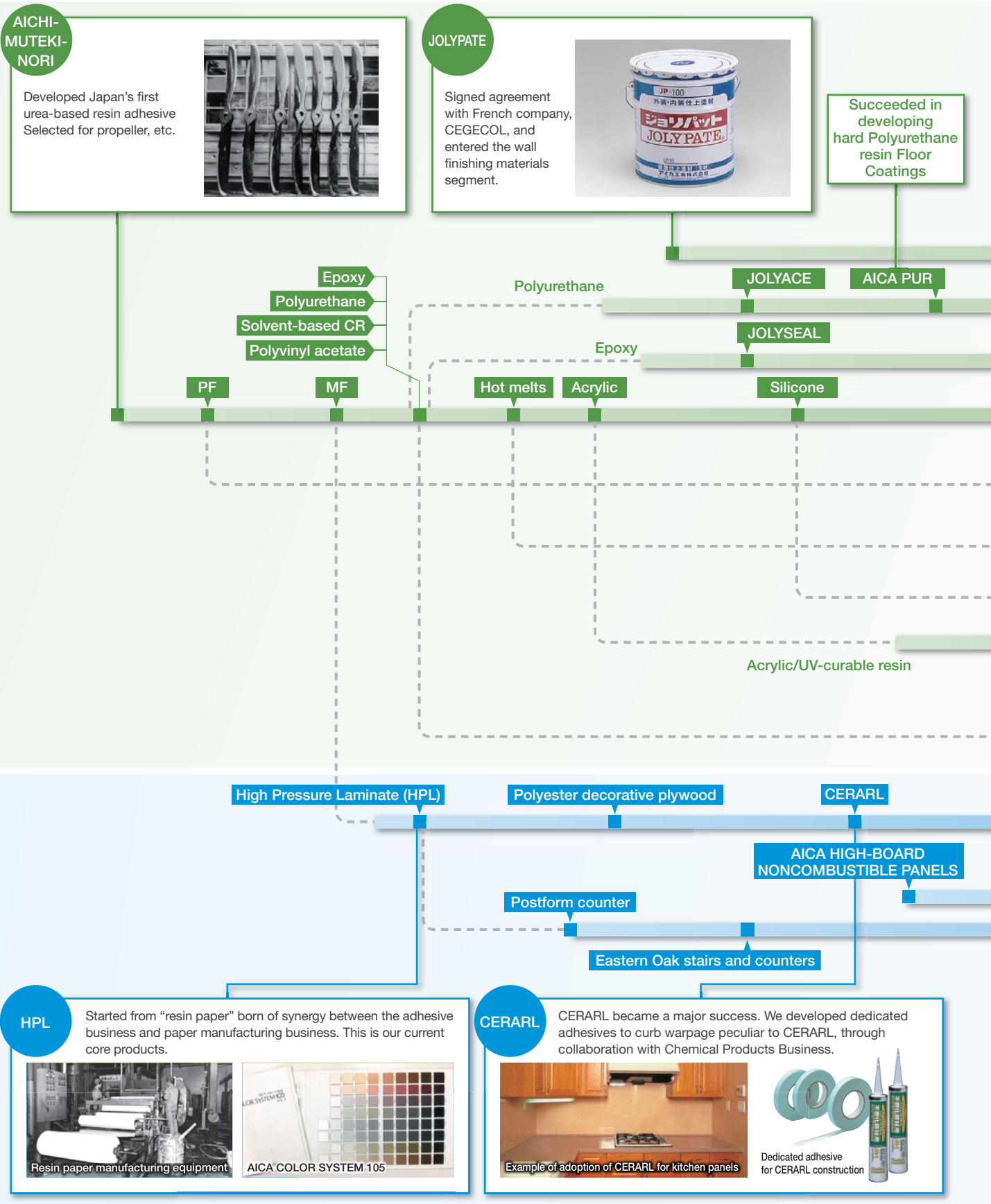
## 2017~

## Development and expansion 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.

# Genealogy of the Power of Chemistry

The chemical technologies we have attained since the company's foundation are AICA's core technologies and an important pillar in creating highly original products. Our history began with the development of adhesives. Then, it has been passed onto the respective businesses that have branched out from those beginnings, and continues to evolve today.





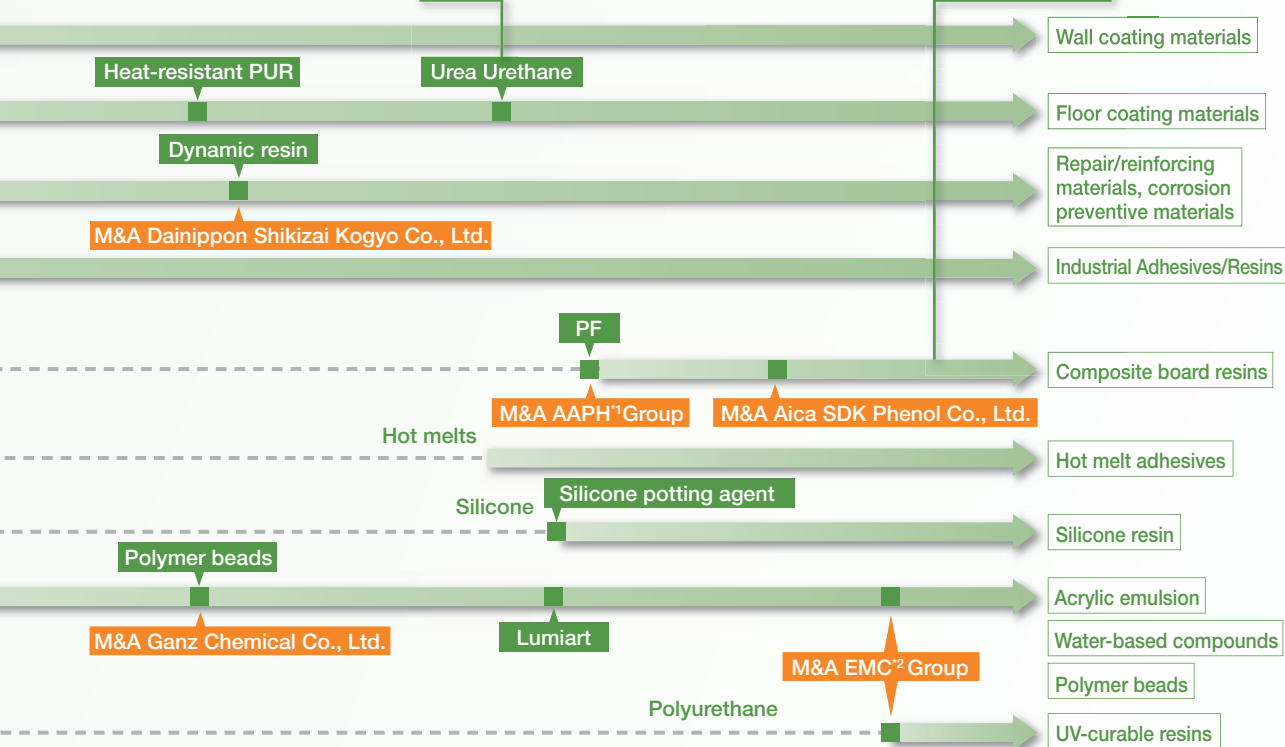
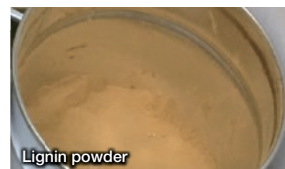
## Urea Urethane

Succeeded in making urea-based urethane transparent with proprietary technology

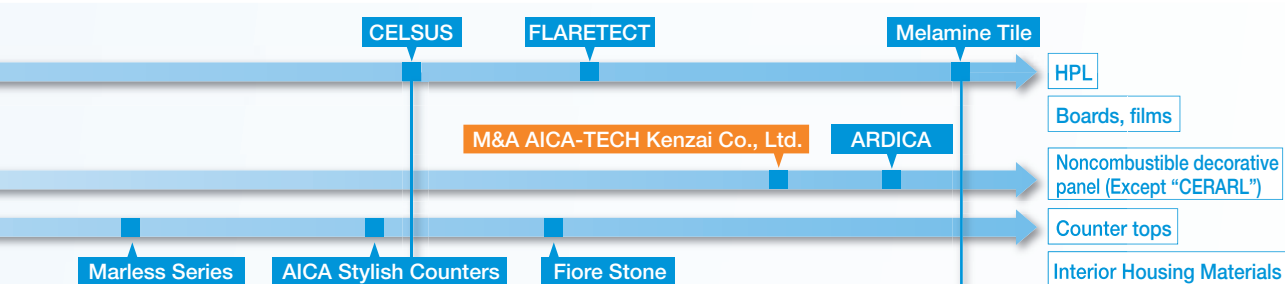


## PFresin

AAPH<sup>1</sup> succeeded in developing lignin-phenol formaldehyde (LPF) resin using plant-derived lignin.



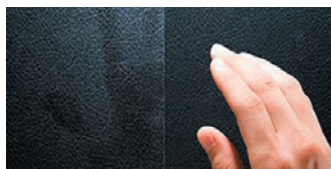
## Chemical Products Business



## Construction Materials Business

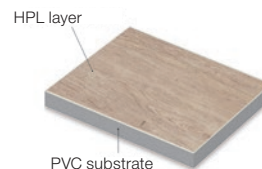
## CELSUS

Developed CELSUS, an HPL with advanced resistance to fingerprints. Received Good Design Award and IF Design Award.



## Melamine Tile

Developed floor material with highly durable melamine resin layer, applying technologies from the Specialty & Performance Materials Business.



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

# Our Businesses

## Chemical Products Business

### Infrastructure business fostering core technologies

Since having developed the very first urea resin adhesive in Japan in 1936, we have been developing products that lead its generation with our chemical synthetic technology.

Since 2000, we have been focusing on expanding functional material products as our new business field and being versatile.

Net Sales

**103.9**  
billion yen

Japan net sales

**32.3%**

Overseas sales revenue

**67.7%**

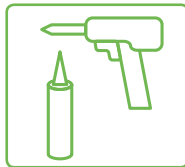
Operating profit

**8.1**  
billion yen

### Business domains



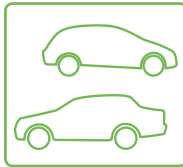
Wood processing



Architectural



Civil works



Automobiles



Electronic materials



Industrial products



Household goods

### Two businesses that realize

#### Chemical Products Business

Synthetic chemistry technologies

Adhesive and bonding technologies

Inorganic material forming and processing technologies

### Main Products

#### Adhesives



##### Industrial and Architectural 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.

Residential Non-residential



##### Floor coating materials (JOLYACE)

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

Residential Non-residential



##### Repair/reinforcing materials, corrosion preventive materials (Dynamic Resin)

Resin products including repair materials for concrete structures, materials to prevent falling tiles.

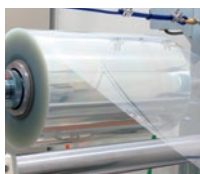
Residential Non-residential

#### Specialty & Performance Materials



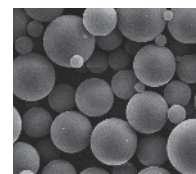
##### Hot melts

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



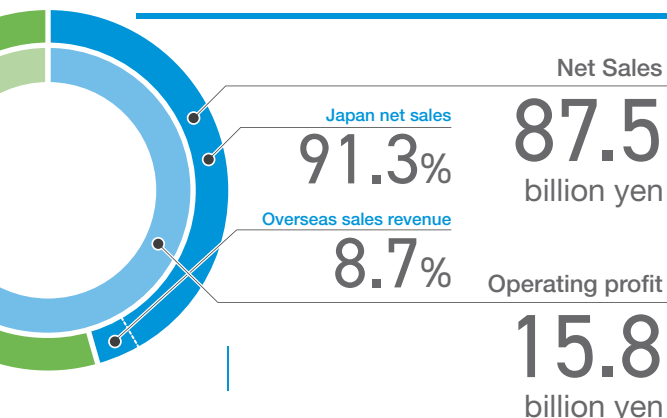
##### UV-curable resins

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.



## Construction Materials Business

### Provide innovative products by applying chemical technology

We develop innovative products making use of our chemical technology fostered in the chemical products business. We enable to offer myriad products including high pressured laminates (HPL) as a key product which has the largest share in Japan. We add beauty to the architectural spaces with wide variations.

### Business domains

## AICA SOLUTION

Resin design  
and compound  
technologies

Laminate forming  
and processing  
technologies

### Construction Materials Business



### Main Products

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



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

Residential Non-residential

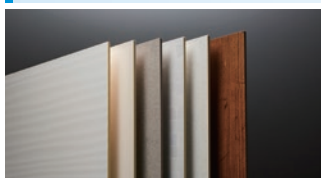
#### Boards, films, etc. (AICA POLY, Altyno)



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.

Residential Non-residential

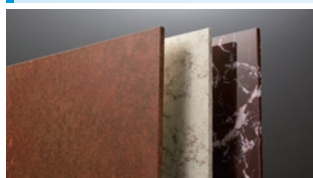
#### Melamine noncombustible decorative panels (CERARL)



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

Residential Non-residential

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



Noncombustible panels for walls. 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.

Residential Non-residential

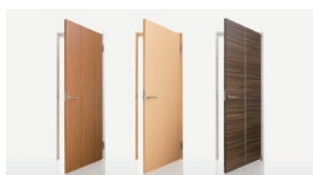
#### Counter tops (Postform, Artificial marble, Engineered stone)



From counters made with HPL to acrylic-resin artificial marble and engineered stone made with natural crystals, we have an extensive line-up of the major counter materials.

Residential Non-residential

#### Fittings & Interior Housing Materials



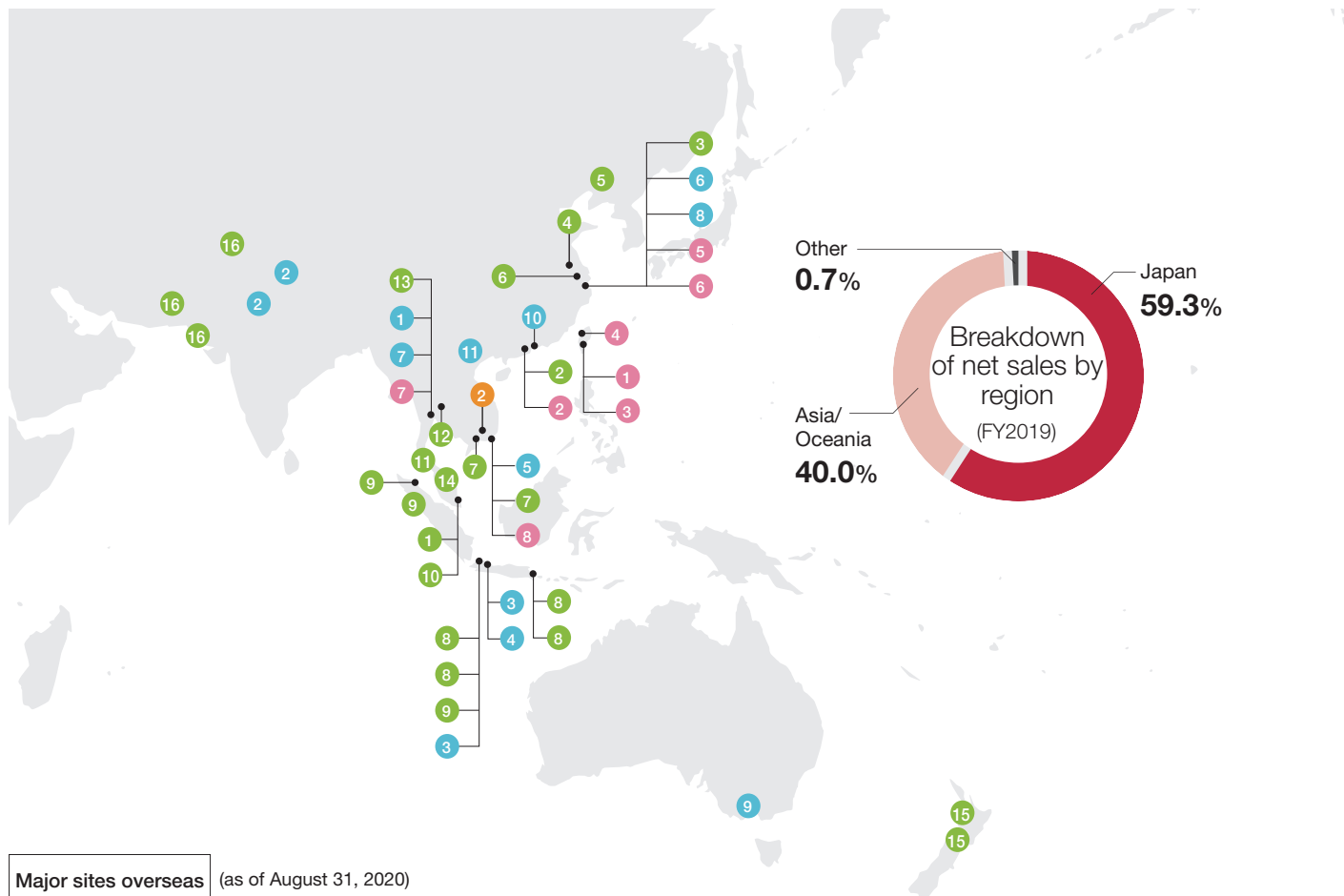
Finished products such as doors, sliding doors, storage, and toilet booths made with materials such as HPL and decorative boards. Our strengths lie in the abundant range of colors and patterns as well as our universal design.

Residential Non-residential

# Group Network

In AICA's 10 Years Vision, we have set ourselves a goal of earning at least 45% of our net sales from our overseas business by the year ending March 2027.

We are striving to further develop our overseas business through the establishment of new overseas sites and the proactive use of M&As.



**Major sites overseas** (as of August 31, 2020)

Location	Major products handled
<b>Construction Materials Business</b>	
① AICA Asia Laminates Holding Co., Ltd.	Overseas holding company for Construction Materials Business
② Aica Laminates India Pvt. Ltd.	Manufacture and sale of high pressure laminates (HPL)
③ PT. AICA Indonesia	Manufacture and sale of high pressure laminates (HPL), melamine noncombustible decorative panels, and industrial adhesives
④ PT. Techno Wood Indonesia	Manufacture and sale of boards
⑤ Aica Laminates Vietnam Co., Ltd.	Manufacture and sale of high pressure laminates (HPL) and melamine noncombustible decorative panels
⑥ Sois Mendinni Industrial Technology (Shanghai) Co., Ltd.	Sale of construction materials
⑦ Wilsonart (Thailand) Company Limited	Manufacture and sale of high pressure laminates (HPL)
⑧ Wilsonart (Shanghai) Co., Ltd.	Manufacture and sale of high pressure laminates (HPL) and noncombustible decorative panels.
⑨ Wilsonart Australia Pty Ltd.	Manufacture and sale of low pressure laminates
⑩ Wilsonart Asia Limited	Sale of high pressure laminates (HPL) and noncombustible building materials
⑪ AICA HPL Trading Joint Stock Company	Sale of high pressure laminates (HPL)

Location	Major products handled
<b>Chemical Products Business</b>	
<b>AICA Asia Pacific Holdings Group</b>	
① AICA Asia Pacific Holding Pte. Ltd.	Overseas holding company for Chemical Products Business
② Dynea (Guangdong) Co., Ltd.	Manufacture and sale of industrial adhesives and resins, plywood adhesives, composite board resins, and specialty & performance materials
③ Dynea (Shanghai) Co., Ltd.	Sale of chemical products
④ Dynea (Nanjing) Co., Ltd.	Manufacture and sale of industrial adhesives and resins, plywood adhesives, composite board resins, and specialty & performance materials
⑤ SHENYANG AICA-HOPE KOGYO Co., Ltd.	Manufacture and sale of industrial resins
⑥ KUNSHAN AICA KOGYO CO., LTD.	Manufacture and sale of installation adhesives, construction resins, and specialty & performance materials
⑦ AICA Dong Nai Co., Ltd.	Manufacture and sale of industrial adhesives and resins, plywood adhesives, composite board resins, and construction resins
⑧ PT. AICA INDRIA	Manufacture and sale of industrial adhesives and resins, construction adhesives, and specialty & performance materials
⑨ PT Aica Mugi Indonesia	Manufacture and sale of industrial resins, plywood adhesives, composite board resins, and overlays
⑩ AICA Singapore Pte. Ltd.	Manufacture and sale of industrial adhesives and resins, plywood adhesives, composite board resins, and specialty & performance materials
⑪ AICA HATYAI Co., Ltd.	Manufacture and sale of plywood adhesives and composite board resins
⑫ Aica Bangkok Co., Ltd.	Manufacture and sale of industrial adhesives and resin and specialty & performance materials
⑬ Thai Chemical Corporation Ltd.	Manufacture and sale of industrial adhesives and resins, composite board resins, and plasticizers
⑭ AICA Malaysia Sdn. Bhd.	Manufacture and sale of industrial adhesives and resins, plywood adhesives, and composite board resins
⑮ AICA NZ Limited	Manufacture and sale of industrial adhesives and resins, plywood adhesives, and composite board resins
⑯ DYNEA PAKISTAN LIMITED	Manufacture and sale of industrial adhesives, plywood adhesives, and composite board resins



Location	Major products handled
<b>Chemical Products Business</b>	
<b>Evermore Chemical Industry Group</b>	
① EVERMORE CHEMICAL INDUSTRY CO., LTD.	Manufacture and sale of specialty & performance materials
② POU CHIEN CHEMICAL CO., LTD.	Manufacture and sale of specialty & performance materials
③ CHEM-MAT TECHNOLOGIES CO., LTD.	Manufacture and sale of specialty & performance materials
④ GIANT STAR TRADING CO., LTD.	Sale of specialty & performance materials
⑤ TOPCO (SHANGHAI) CO., LTD.	Sale of specialty & performance materials
⑥ LEADERSHIP (SHANGHAI) CO., LTD.	Sale of specialty & performance materials
⑦ Top Well Elastic Technology CO., LTD.	Sale of specialty & performance materials
⑧ U-BEST VIET NAM POLYMER INDUSTRY CO., LTD.	Manufacture and sale of specialty & performance materials
<b>Other</b>	
① AICA America, Inc.	Sale of specialty & performance materials
② NISHI TOKYO CHEMIX VIETNAM COMPANY LIMITED	Sale of chemical products



Major sites in Japan (as of August 31, 2020)

Location	Major products handled
<b>Aica Kogyo Co., Ltd. Production sites</b>	
<b>Construction Materials Business</b>	
① Nagoya Plant	Manufacture of high pressure laminates (HPL) and noncombustible decorative panels
<b>Chemical Products Business</b>	
② Jimokuji Plant	Manufacture of industrial adhesives and resins, Plywood adhesives, construction adhesives, construction resins, and specialty & performance materials
③ Fukushima Plant	Manufacture of construction resins
④ Isesaki Plant	Manufacture of industrial adhesives and resins
⑤ Ibaraki Plant	Manufacture of specialty & performance materials
⑥ Tanba Plant	Manufacture of specialty & performance materials
⑦ Hiroshima Plant	Manufacture of Plywood adhesives, construction adhesives, and construction resins
<b>Group companies in Japan</b>	
<b>Construction Materials Business</b>	
① AICA Interior Kogyo Co., Ltd.	Manufacture and sale of counters, fittings, and interior housing materials
② AICA Harima Kogyo Co., Ltd.	Manufacture and sale of noncombustible decorative panels
③ AICA-TECH Kenzai Co., Ltd.	Manufacture and sale of noncombustible decorative panels
④ AICA-TECH Engineering Co., Ltd.	Installation of noncombustible decorative panels
<b>Chemical Products Business</b>	
① NISHI TOKYO CHEMIX Corporation	Sale of chemical products
② SOKO Service Co., Ltd.	Replenishment and transport of specialty & performance materials



# Progress in AICA's 10 Years Vision and Medium-Term Business Plan

## Background to establishment of AICA's 10 years Vision

AICA has established AICA's 10 years Vision with the goal of the year ending March 2027, 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 sectors such as 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

	2017/3	2027/3
Consolidated net 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

#### Chemical Products Business Sales: 170 billion yen

Aica Group will aim to be **Asia No.1 resin manufacturer** in the construction sector to support people's life and social infrastructure. We will also grow our business in non-construction sectors, including automotive/daily goods/ electronic materials.

#### Construction Materials Business Sales: 130 billion yen

Aica Group will stretch the strength in the interior wall materials into the exterior wall as well. We will continue to grow as a **"Solution Provider for Space Design"** that offers comfortability & safety in residential & non-residential buildings.

#### Business collaboration

We will continue to enhance the collaboration between Chemical products business and Construction Materials business to develop unique products that contribute to the society.

#### Utilizing capital tie-up and M&A

We will actively and efficiently utilize our own funds for our future growth, including capital tie-up or M&A.

### 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.

#### Optimize production & logistic systems

#### Technology and material cooperation

#### R&D investment

#### Compliance

#### QEO management

#### Healthy financial base

#### IT infrastructure investment

### Human resources 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.

#### Globally competent human resources

#### Diversity

#### Professional human resources

### Responsibility to stakeholders

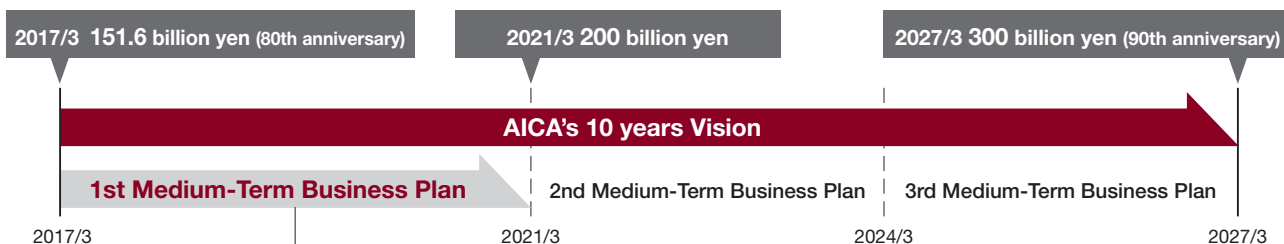
We will put an emphasis towards engagement with stakeholders, and promote management which contributes to local communities and enhances CS and ES.

#### Increase corporate value

#### Corporate governance enhancement

#### Harmony with local communities

#### Improvement of CS & ES



## Medium-Term Business Plan "C&C 2000"



### Financial targets (Consolidated)

Item	2017/3 (Achievement)	2021/3 (Target)
Net sales (billion yen)	151.6	200
Ordinary profit (billion yen)	18.3	22
ROE	9.9%	10% or more
Overseas sales ratio	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 (P21 - )

- ① Sustainable growth of key domestic business by enhancing AS products<sup>\*1</sup>
- ② Development and investment in focus fields for the next generation (Non-construction fields, untapped markets in construction fields)
- ③ Overseas deployment of Japanese technologies

\*1 AS Products: P21 \*2 C&C activities: P29 \*3 QEO Management: P30

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

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

### Investment Strategy

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

## Progress in Medium-Term Business Plan

Proactive leveraging of M&As, operation of newly established plants, and opening up of new markets enabled us to achieve dramatic growth in the first two years of the Plan, but our forecast for the year ending March 2021, the fourth year of the Plan, are that some of our initial targets will, unfortunately, not be met due to the impact of COVID-19.

### Progress towards financial goals (Consolidated)

Item	1st year 2018/3 (Achievement)	2nd year 2019/3 (Achievement)	3rd year 2020/3 (Achievement)	4th year 2021/3 (projected)
Net sales (billion yen)	163.7	191.3	191.5	174.5
Ordinary profit (billion yen)	19.6	21.2	21.3	14.7
ROE	10.1%	10.7%	9.9%	6.9%
Overseas sales ratio	33.4%	42.0%	40.7%	40% or more

### Progress of investment strategy (billion yen)

Item	1st year achievement	2nd year achievement	3rd year achievement	4th year Plan
Capital investment	4.52	7.89	7.13	7.0
Business investment	5.46	-	14.45	In planning
+				
R&D Expenditure	2.85	3.2	3.45	3.6

Mid-Term Business Plan Three growth drivers for the creation of new value 1

# Expansion of AS productions to contribute to the solution of social issues

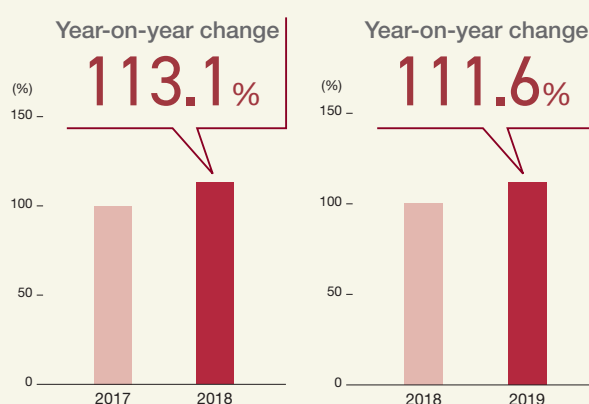
## What are AS products?

We offer products that help to solve a variety of social issues, not only environmental ones, promoting them as AS (AICA Solution) products. We identify social issues through engagement with our various stakeholders and conduct product development that explores ways of solving those issues. We will aim for the sustainability of both society and the company by expanding sales of high added-value products that leverage our strengths in chemistry and design in our primary business field of the Japanese construction market.

## Status and future outlook for AS Products






In FY2019, although the Japanese construction market, our primary field of business, was sluggish in both residential and non-residential sectors, the Construction Materials Business increased its sales, particularly of AS products, contributing to growth in net sales. AS products now account for about 10% of Aica Kogyo's (parent company only) net sales on a non-consolidated basis and have become a growth driver for the company.

### Year-on-year growth \*Applicable products are reviewed every year, so the comparisons are for each fiscal year.



**FY2020  
AS Products  
Sales Target**  
 Year-on-year change  
**112%**

## Examples of social issues in which 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, 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.	[Noncombustible building materials] ● ARDICA (UV-curable noncombustible decorative panel) [Boards, films, etc.] ● ALTYNO (Architectural films)
Shortage of skilled workers on building sites		<b>Easy-to-install products</b> Develop products that are easy to construct, to augment the shortage of skilled workers 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.	[Countertops] ● 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.	[Fittings, Interior Housing Materials] ● MANA BOOTH (melamine toilet booth for children) [high pressure laminate(HPL)] [CERARL] [countertops] [fittings, interior housing materials] ● Virutect Series (antiviral construction materials)

## Virutect Series

Antiviral construction materials that reduce the number of specific viruses on the product's surface

Due to the impact of globalization, viruses and bacteria are spreading more easily in all seasons, making measures to combat them increasingly important. AICA Virutect is a high pressure laminate (HPL) with embedded antiviral agent that was launched in January 2019 to offer a solution to this kind of social issue. Antiviral construction materials are being actively adopted in medical and welfare facilities, childcare and educational facilities, and similar places to eliminate causes of users' concern as much as possible.

To assistance in society's transition to a "new normal," we have expanded the range of these products to include CERARL Virutect, a melamine noncombustible decorative panel with embedded antiviral agent, and toilet booths, doors, counters, and other products that have AICA Virutect as the surface material. By expanding the range of applicable products, we plan to capture all manner of needs in the residential and non-residential markets and in floor, wall, furniture and fixture applications and grow Virutect Series sales to 5 billion yen in three years' time.



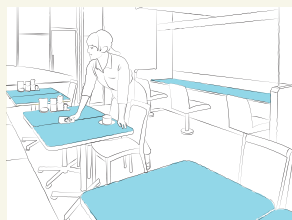
China-Japan Union Hospital of Jilin University (Changchun, China), which has decided to install AICA Virutect and CERARL Virutect in the corridors of its ICU and emergency department



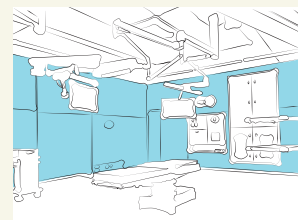
Kitano Hospital, which has adopted AICA Virutect for the surfaces of fittings in its operating theaters

### Suggested applications for Virutect Series

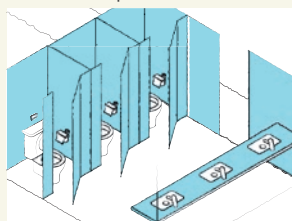
Tables in dining halls and foodservice establishments



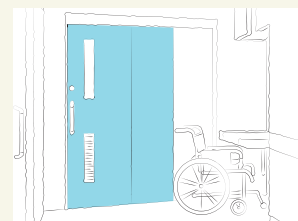
Walls of hospitals, etc.



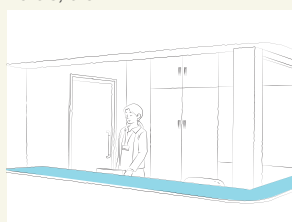
Toilet booths, walls, and counters in restroom spaces



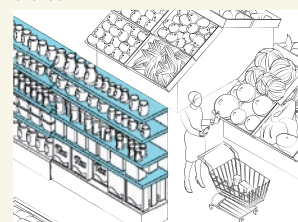
Doors in aged care and childcare facilities



Reception counters at clinics, hotels, etc.



Product display shelves in retail stores



## AICA PUR

Water-based rigid Polyurethane resin coated flooring that curbs discoloring due to UV rays and that does not require cut joints

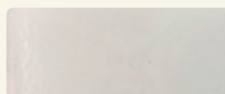
The conventional AICA PUR HARD construction method has been praised for its superior durability and has been adopted in places such as factories where unmanned forklifts (AGV) bearing heavy loads move around. The AH construction method retains the durability of the conventional method, and with the use of AICA's proprietary resin design technology, decoloring due to UV rays has been curbed, so it can now be used in auto repair shops that are half outdoors. Further, shrinkage stress resulting from cure shrinkage has been significantly reduced, eliminating the need to deal with cut joints for the prevention of peeling, thus reducing construction period.

Results of weather resistance testing [irradiation for 300 hours with germicidal lamp]

New method

PUR HARD AH Construction Method

Before irradiation

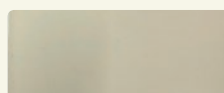
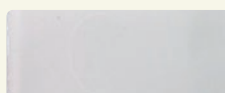


After irradiation

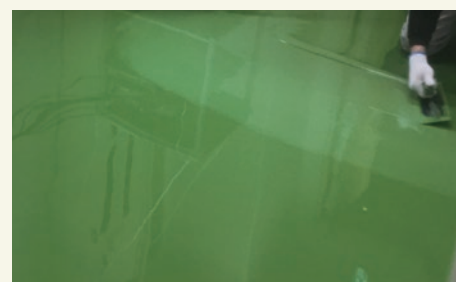
Conventional method

General epoxy pour and spread method

Before irradiation



After irradiation



No need for cut joints, for quicker construction



Heat-resistant type can be used in food processing plants, etc.



# Development and investment in focus fields for the next generation

**Strengthening the non-construction sector in the Specialty & Performance Materials Business and promoting business diversification**

**Opening up markets for expanding new applications through the roll-out of Evermore Chemical Industry products**

The Evermore Chemical Industry Group (EMC Group), which became part of the AICA Group in January 2018, is pursuing new initiatives, such as rolling out its textile adhesives for adhering different types of fabric in Japan, as well as its mainstay cross-linking agents. EMC Group produces everything from upstream materials to finished resin products, so combining this with our design technologies has made it possible to create products that better suit the preferences of customers.

In July 2020, the EMC Group further reinforced its production facilities by making two Vietnamese companies that own polyurethane manufacturing equipment into its subsidiaries. Its aim is to expand its share in the booming Vietnamese market.

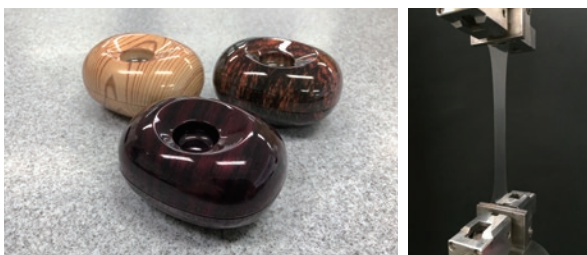


New production site in Vietnam with polyurethane manufacturing facilities

**Lumiart HC Series of hard-coat 3D decorative film, which boasts high stretchability**

The hard-coat 3D decorative film we have developed boasts a stretch rate of 250% and it also has excellent chemical and wear resistance. This product, made with UV coating that we have spent more than ten years researching, succeeds in achieving both extensibility and wear resistance, two attributes that would ordinarily be traded off against each other.

The Lumiart HC Series targets automotive interior decorative components such as instrument panels. We have also succeeded in the development of an "S Grade" product that is suitable for exteriors and, a "Texture Grade" product that offers a surface texture. We are currently proposing these products to automotive manufacturers. We are promoting this business in anticipation of full-scale mass production in several years' time.



Hard coat film after 3D decorative forming

Film being stretched

**Attaining total proposals for interior spaces with the launch of a completely new kind of floor material**

**Leveraging the strength of Melamine Tile to distinguish our products from our competitors**

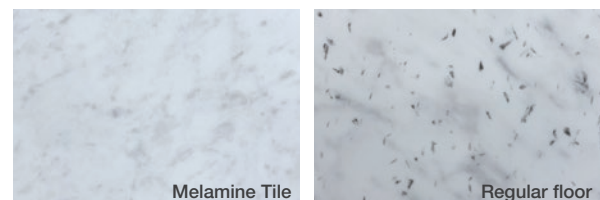
In July 2019, we began selling Melamine Tile, a completely new kind of floor material that has opened up a new product area. After about a year of marketing of this product, it has been praised for its dirt and scratch resistance and has achieved a certain level of success, including being adopted as the floor material for a major apparel store. Under social circumstances of a chronic shortage of skilled workers, Melamine Tile have also been recognized for their relative ease of construction. By further expanding sales of Melamine Tiles which endeavor to provide a difference from products in the conventional floor market, we will offer our own original suggestions, including for furniture, fixtures, and wall surfaces.



## Competitive advantage of Melamine Tile

In addition to their resistance to scratches and dirt and excellent ease of construction, another strength of Melamine Tile is its ease of maintenance. Because it does not mark easily, any dirt can be wiped off with a damp cloth, and no waxing is needed. This will alleviate the burden of cleaning and also contribute to cost savings.

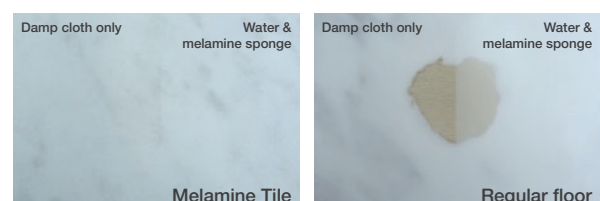
### External appearance after heel mark resistance test



Melamine Tile

Regular floor

### External appearance after hairdye resistance test



Damp cloth only

Water & melamine sponge

Damp cloth only

Water & melamine sponge

Melamine Tile

Regular floor



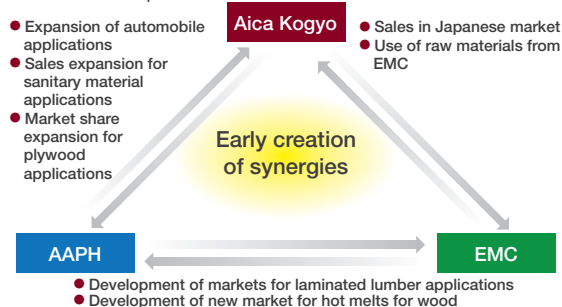
# Overseas roll-out of Japanese technology

## Creating further synergy, centering on the good-performing PF resins business

### Overseas Planning Department established with aim of strengthening cooperation with overseas Group companies

In April 2020, we established a new Overseas Planning Department. The Business Promotion Office in the Overseas Planning Department shares information that transcends the boundaries of Group companies and organizations with the aim of pursuing business with greater speed while making the most of each group's strengths. For example, we developed and designed PUR Hot Melts for wood, which are produced by the EMC Group and distributed using sales channels of the AICA Asia Pacific Holding Group (AAPH Group). Each group will continue to make the most of their development strengths, production strengths, and sales networks to propose products to meet customers' needs.

#### ■ Synergies between Aica Kogyo, AAPH Group, and EMC Group



### Increase in demand in China for environmentally friendly PF resins for bamboo applications

With the increase in environmental awareness in China, demand for PF resins for bamboo applications has risen sharply. Because bamboo grows quickly in about four to five years, it is more environmentally friendly than slower growing trees. Artificial wood made from bamboo using PF resin manufactured by the AAPH Group offers excellent dimensional stability and durability, so is sold as a high-grade product. It boasts a high share of the high-grade market in China, and with sales routes to the United States and Europe as well, further growth is expected for this product going forward.

While taking advantage of the technologies of our PF Resin Division in Japan, which is strong in industrial markets such as the automobile industry, we will meet the broader needs for PF resins in the Asia/Oceania region.

#### ■ Effective use of bamboo



## Building a foundation in the growing Asia market through active leveraging of M&As

### Wilsonart's Asia-Pacific region companies become part of AICA Group

In December 2019, four Asian operating companies owned by Wilsonart, a major manufacturer of high pressure laminates (HPL), became part of AICA Group. Wilsonart was established in Texas, U.S.A., in 1956 and currently operates all over the globe. This acquisition not only of Wilsonart's brand power but also its production sites and sales networks is a major step toward the expansion of our market share in the Asia/Oceania region. We will leverage the respective strengths of Wilsonart and AICA and demonstrate synergy through the expansion of sales opportunities by rolling out Wilsonart's original products that we do not have and, where both companies have similar products, differentiating between them with design to optimize our product offerings.



Wilsonart (Shanghai) employees with AICA Group executives

### Strengthening the Vietnamese market which continues to show economic growth

In March 2020, through Aica Asia Laminates Holding Co., Ltd., we established AICA HPL Trading joint stock company. This company took over the operations of the companies of the CHI Group, our HPL distributor in Vietnam. Vietnam has a population of just over 100 million and a market that is expected to show massive growth as the "next China". We began manufacture of HPL at Aica Laminates Vietnam Co., Ltd. in May 2019, so we now have both manufacturing and distribution arms in Vietnam. Aica Laminates Vietnam is the first company to manufacture HPL in Vietnam. Leveraging our strengths in manufacturing and distribution, we will aim to expand sales of HPL not only in Vietnam itself, but throughout Asia through exports to other neighboring countries.



Signing ceremony

# Business Overview: Chemical Products Business



**Kenji Ebihara**

Director and Managing  
Executive Officer  
Head of the Chemical  
Products Company

## To become No. 1 in Asia

We will use our core technologies to expand our high added-value products and contribute to society, while pursuing a transformation into a more profitable business. Taking maximum advantage of our overseas Group companies, we will engage in the expansion of synergies and the strengthening of BCP and governance, in our aim to become No. 1 in Asia.



**Nobuyuki Omura**

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

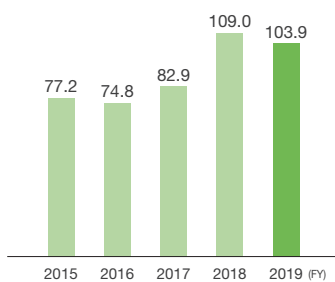
## As a pillar in the non-construction sector

Merging the resin design technologies and quality control methods we have cultivated in Japan with the technologies and sales networks of our overseas Group companies, we will build a pillar of profitability in the non-construction sector. We will swiftly capture the needs of the new normal era, such as antiviral performance, automation, and digitalization, and expand the arena in which AICA can flourish and succeed.

## Trends in Business Performance

### Net Sales

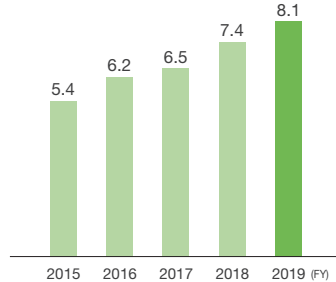
(billion yen)



Average annual growth **7.7%**

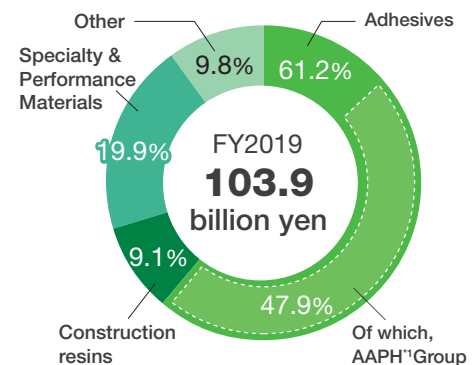
### Operating profit

(billion yen)



Average annual growth **10.7%**

### Sales performance by product category



## FY2020 Targets

**Net Sales 89.4 billion yen**

**Operating profit 5.7 billion yen**

## FY2019 Results

In adhesive products, in Japan, sales of adhesives for laminated lumber and industrial phenol resins were sluggish, but our adhesives for construction and plywood adhesives performed well, allowing us to increase overall sales of adhesives. Meanwhile, overseas, sales volumes increased in China, prompted by the tightening of environmental regulations, and in Thailand, but lower raw material prices led to a drop in sales prices and net sales revenue was down.

In construction resin products, the exterior and interior finishing coat, JOLYPATE, improved over last year, but floor coating materials for factories and warehouses and repair/reinforcing materials for civil works were sluggish, resulting in an overall decline in sales over the previous year.

In the Specialty & Performance Materials Business, in which we are focusing our efforts to make inroads into the non-construction sector, UV-curable resins for electronic materials and silicone products performed well in Japan, but Acrylic emulsion and water-based compounds products for coating and textile applications and polymer beads for industrial applications were sluggish, resulting in a decline over the previous year. Overseas, on the other hand, due to the review of low-profit trades by Evermore Chemical Industry, which has been included in consolidated results since the previous year, and falling sales prices due to lower raw material prices, net sales were down over the previous year, but a focus on business with higher profit margins led to a major increase in profit.

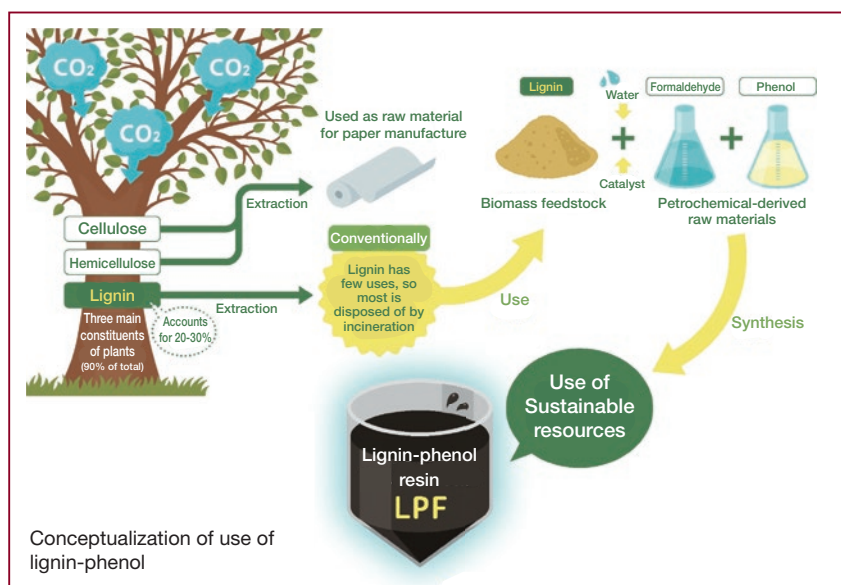
These results brought about net sales of 103,945 million yen (-4.7% year-on-year). Operating profit (before deduction of unallocated operating expenses) was 8,123 million yen (+9.1% year-on-year).

## Adhesives Expanding overseas business and creating investment effectiveness

The AAPH<sup>\*1</sup> Group accounts for about half of the Chemical Products Business's net sales. While falling raw material prices have caused a fall in net sales, profit margins have increased, and we will push forward on our expansionary path.

### Development of lignin-phenol resin made with plant-derived raw materials

AAPH, the overseas holding company for our Chemical Products Business, has succeeded in the development of a lignin-phenol resin, made by combining lignin, a plant-derived unutilized resource (biomass) with PF resin. With the growing seriousness of environmental issues, there are several R&D projects underway around the world on combining lignin and PF resin. AAPH was one of the first companies in the Asia/Oceania region to start this kind of research and it has succeeded in developing a lignin-phenol resin. Going forward, it will pursue the commercialization of the product as a plywood adhesive. The AICA Group will continue to engage in the development of products that make use of recyclable materials.



### Expansion of sale of PF resin for bamboo materials

In China, demand is growing for man-made wood made with bamboo, due to a growing awareness of environmental issues. The AAPH Group sells a binder resin that is indispensable in the manufacture of man-made wood.

#### Effective use of bamboo



\*A related article appears on P24.

## Construction resins Emphasising on expanding sales of differentiated commodities

In recent years, a shortage of skilled workers on construction sites has become a social issue. We are playing our part to solve this problem by providing products that require less construction effort. We are also concentrating our efforts on repair/reinforcement products to contribute to the extension of life of buildings and to ensure their safety.



Clear membrane makes it possible to check changes in the crack after application



Gun-type applicator enables quick and easy repairs of cracks in concrete

## Specialty & Performance Materials Synergy expansion between Aica Kogyo, AAPH Group, and EMC<sup>\*2</sup> Group

EMC has captured the top share of the market for polyurethane systems (PUS) for athletic shoe soles in Vietnam. With the aim of the localization of this business, EMC has acquired a urethane manufacturer in Vietnam, to secure sufficient land and manufacturing equipment. EMC is now aiming to grow its share of the polyurethane market in Vietnam, which is expected to expand further.



EMC has captured the top share of the market for polyurethane systems (PUS) for athletic shoe soles in Vietnam.

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

# Business Overview: Construction Materials Business



## Expansion of overseas business and pursuit of added value

Last fiscal year, we established and expanded our bases for the Construction Materials Business in the Asia/Oceania region. We are optimizing our portfolio and forging ahead with the goal of achieving 30 billion yen in overseas sales in the Construction Materials Business in the year ending March 2027.

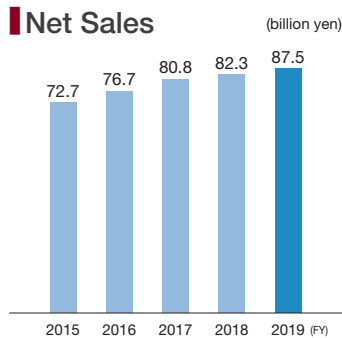
We will also expand our range of functional, high value-added products and address a variety of challenges for adapting to a drastically changing society, climate, and environment. One example of this is the Virutect Series of antiviral construction materials that offer “new lifestyle spaces for the new normal.”

### Yukihiro Iwase

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

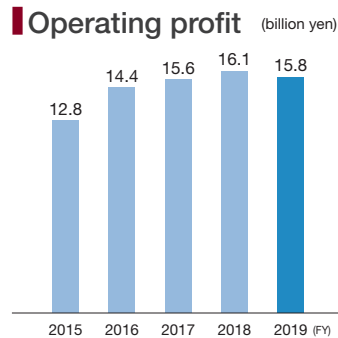
## Trends in Business Performance

### Net Sales



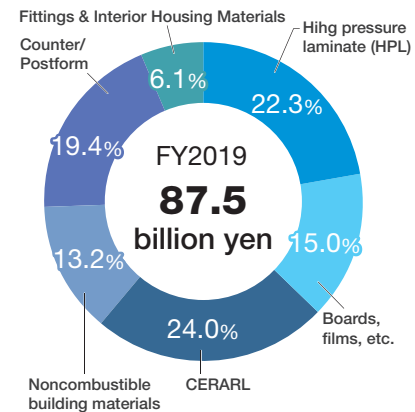
Average annual growth **4.7%**

### Operating profit



Average annual growth **5.4%**

### Sales performance by product category



### FY2020 Targets

Net Sales **85.1 billion yen**

Operating profit **12.3 billion yen**

## FY2019 Results

Sales of high pressure laminate (HPL) in Japan were down year-on-year due to the decline in the area of new building starts in the non-residential sector, but overseas sales were up due to an increase in sales volumes in India and Indonesia. Further, thanks to the contribution of Sois Mendinni Industrial Technology (Shanghai) Co., Ltd., the Chinese company whose results have been included in our consolidated results from the second quarter of the consolidated accounting period, which enabled us to increase overall sales for the year.

In boards and films, our general-purpose decorative polyester plywood boards struggled, resulting in a year-on-year decline.

Our melamine noncombustible decorative panel CERARL has steadily captured demand for residential kitchen panel applications, educational facilities, medical and welfare facilities, shops, offices, public facilities, and the like. There has also been increased adoption of CERARL Deodorization Type and CERARL Virutect, a melamine noncombustible decorative panel with embedded antiviral agent, resulting in an increase in sales over the previous year.

In noncombustible building materials, thanks to the synergy with AICA-TECH Kenzai Co., Ltd., LUNALIGHT, our decorative acrylic calcium silicate panels, and MACE, our extruded cement panels, are capturing demand in sports facilities, educational facilities, factories and warehouses, hotels, and retail facilities, enabling us to increase sales in this category.

In the counter/postform product category, handwashing basin countertops for small children made with our artificial marble, CORIAN, has captured thriving demand in the new construction and renovation of childcare facilities, and our premium engineered stone, Fiore Stone, has also captured demand in kitchens and vanity countertops, resulting in an increase in sales.

In fittings and interior housing materials, our U.D. (Universal Design) Comfort Series of functional fittings for medical and welfare facilities performed well, but our range of residential fittings slumped due to a harsh market environment, resulting in a year-on-year decline.

These results brought about net sales of 87,555 million yen (+6.4% year-on-year). Operating profit (before deduction of unallocated operating expenses) was 15,874 million yen (-1.8% year-on-year).



## Domestic market Focus on on-site construction products, centered on AS\* products

### Antivirus construction materials

New viruses are being discovered all the time. With the aim of forming a society that co-exists with these viruses, we offer products that ease such concerns.



For table tops used by multiple people

### Easier construction products

The Japanese construction market is facing a chronic shortage of skilled workers. We will contribute to solving this social issue by expanding our range of products that are easier and quicker to construction and apply.



HPL with an adhesive backing can be used to repair just the top of table.

### Break into new markets

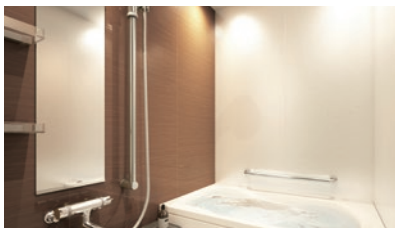
We will concentrate our efforts on expanding sales of Fiore Stone, demand for which continues to grow, and of Melamine Tile, which we launched last year, while also working on opening up new markets.



Demand for the engineered stone, Fiore Stone, for kitchen countertops is increasing.



For doors and walls at medical and welfare facilities and educational facilities



Advanced-design panels that can be adhered directly to modular bath units



Sales of Melamine Tile are increasing, primarily in commercial facilities.

\*Abbreviation for "AICA Solution". Products that help solve social issues.

## Overseas Markets Aim to expand share in growing Asia/Oceania region

Through the active M&As and the establishment of new sites, we have made major progress in the development of the AICA Group's construction materials business platform in the Asia/Oceania region.

### Wilsonart's Asia-Pacific region companies become part of AICA Group

Four Asian operating companies owned by Wilsonart, a US-based, global manufacturer of HPL, become part of AICA Group. We will merge the production technologies and product development capabilities of our two groups and market high value-added products in a bid to expand our overseas construction materials business.

### Establishment of AICA HPL Trading Joint Stock Company (AHT)

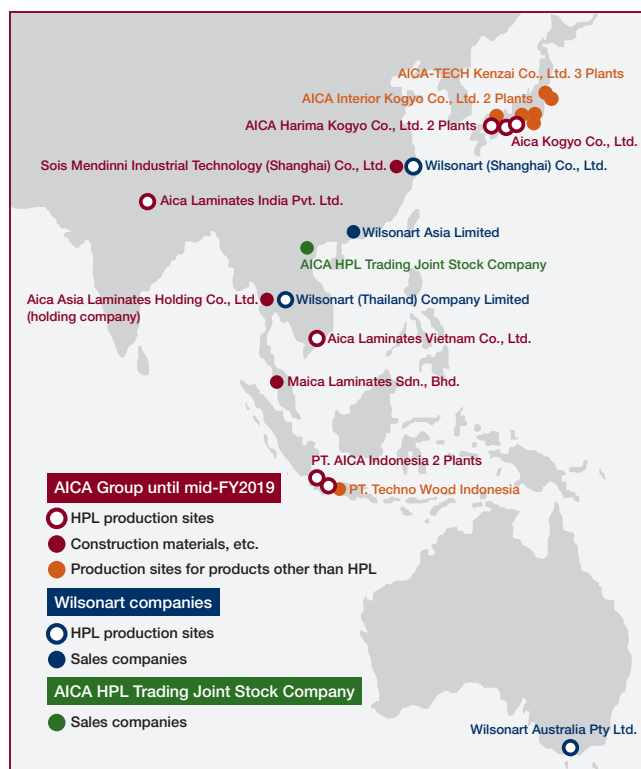
We took over the business of the CHI Group, a Vietnamese distributor of HPL and established AHT. It will coordinate with the Aica Laminates Vietnam Co., Ltd. to strive for the further development of our business in Vietnam.

\*A related article appears on P24.

#### [Overseas Construction Materials Business Net Sales]

**Target of 30 billion yen\***  
by the 2027/3, the final year of  
AICA's 10 years Vision

\*Actual net sales for year ended Mar. 2020: 7.5 billion yen



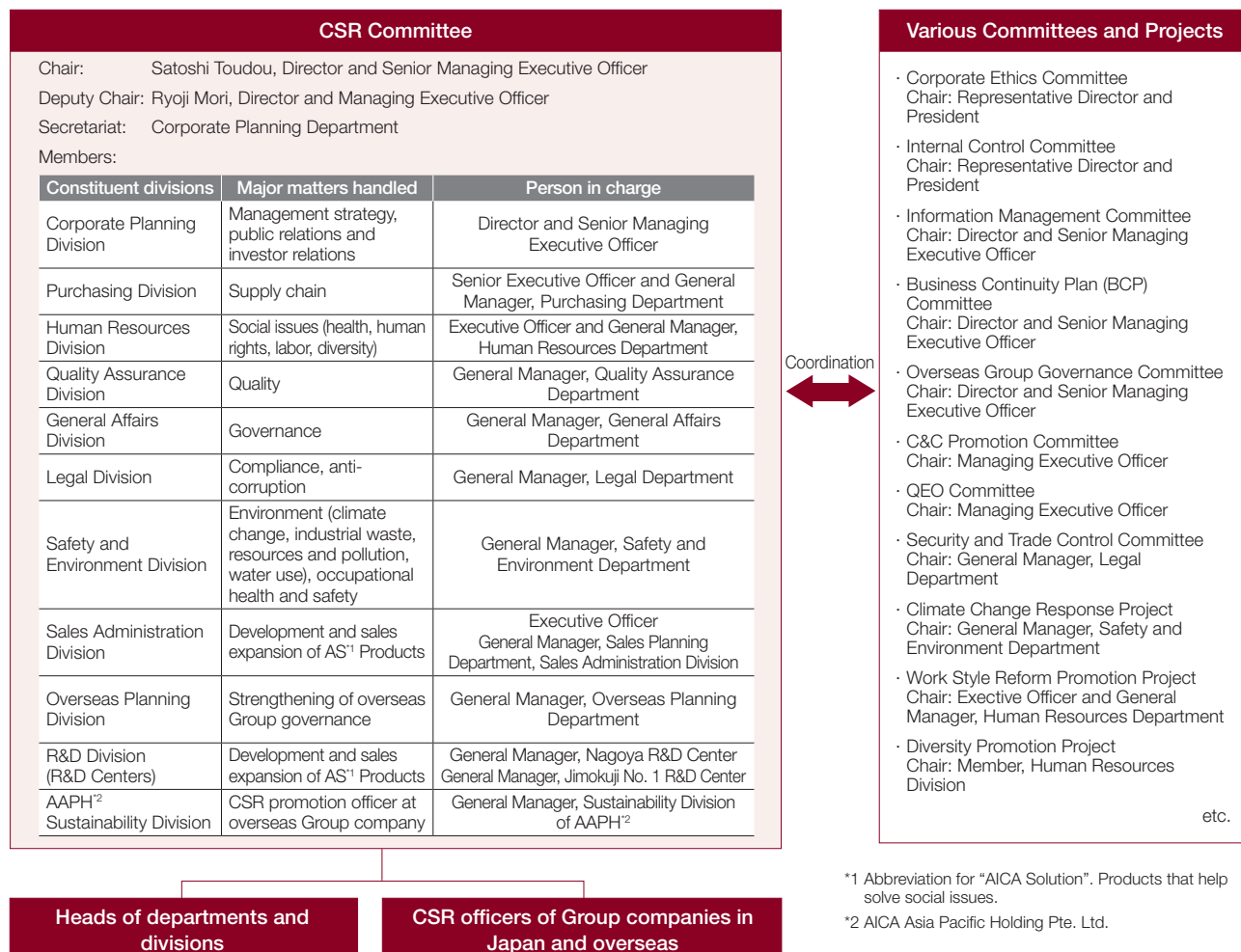


# AICA's CSR Activities

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.

## CSR Promotion Framework

The promotion of CSR activities is led by the CSR Committee, a cross-divisional organization. Its constituent divisions strive to deepen their activities in their respective areas of responsibility, working to achieve the materiality targets.



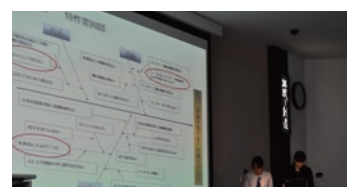
\*1 Abbreviation for "AICA Solution". Products that help solve social issues.

\*2 AICA Asia Pacific Holding Pte., Ltd.

## C&C Activities

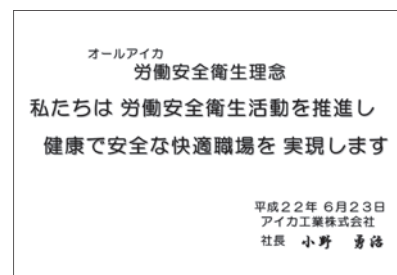
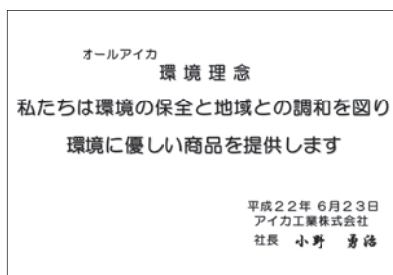
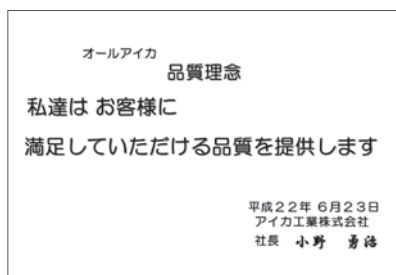
C&C activities are small-group activities in which all employees in all divisions participate. These groups discuss and implement specific action plans, using QC methods and other scientific approaches, to consider ways of achieving operational improvements and implement division policies.

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.



## 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: ISO 45001). 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 business infrastructure from the perspectives of both risk and opportunity.



### ● QEO Committee

This committee promotes QEO Management System implementation. It is managed by the Quality Assurance Department and Safety and Environment Department, this committee works toward the achievement of QEO policies.

### ● QEO Group Representatives Meeting

The QEO Committee acts as the secretariat and holds semi-annual meetings that are attended by AICA's senior executives 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.



## 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.

## 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

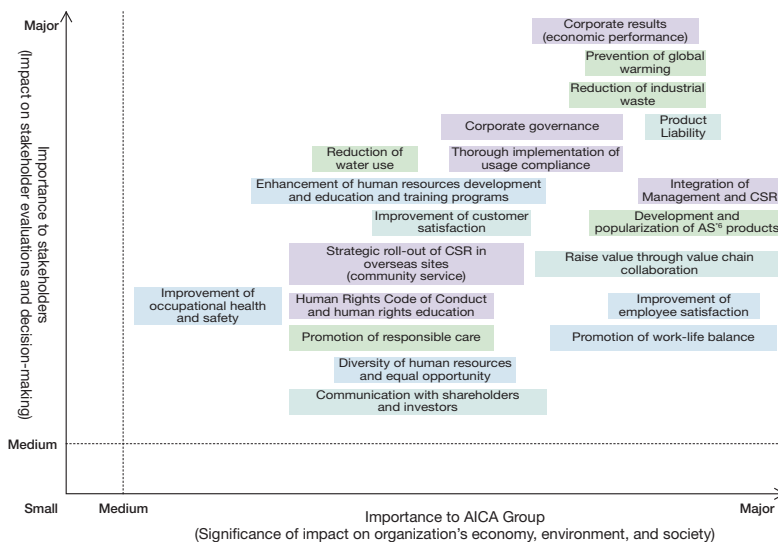
- The potential materialities are assessed from the dual angles of the perspectives of stakeholders (customers, shareholders, suppliers, employees, local communities) and our corporate philosophy and corporate policy. They are then plotted onto a matrix and the issues are organized.

### 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	Business Infrastructure	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	Human resources	Thorough implementation of usage compliance
S		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 <sup>®</sup> products
E		Prevention of global warming
E		Reduction of industrial waste
E		Reduction of water use
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

	FY2019			FY2020		Page	SDG Response
	Target <sup>*1</sup>	Achievement	Evaluation	Target <sup>*1</sup>			
	Sales: 200 billion yen Ordinary profit: 22 billion yen	Sales: 191.5 billion yen Ordinary profit: 21.3 billion yen	×	Sales: 174.5 billion yen Ordinary profit: 14.7 billion yen		P. 5 -	
	Incompletion of improvement of matter for internal control correction: 0	0	○	Incompletion of improvement of matter for internal control correction: 0		P. 34	
	Incorporation of materialities and management of their progress in individual departments' actions plans <sup>*2</sup>	Implemented	○	Formulation of CSR policies and non-financial goals in line with the next Mid-Term Business Plan		P. 29	  
	Appointment of CSR promotion officer at main Group companies	Implemented	○				
	Translation of Code of Conduct into multiple languages (Thai and Vietnamese versions produced and published on website)	Implemented	○	Review of Codes of Conduct based on CSR Policy		P. 39	 
	Compliance training At least 18 sites a year, for at least 400 people	Implemented	○	Compliance training At least one at all sites of AICA Kogyo and Group companies in Japan			
				Confirmation of applicable laws and ordinance and conformity with them at overseas 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 satisfaction survey <sup>*2</sup>	Implemented	○	Revision of systems based on outcomes of Employee satisfaction survey <sup>*2</sup>		P. 43 -	
	Establishment of new educational system <sup>*2</sup> Creation of skills lists by division and by employment grade	Not implemented	×	Enhancement of education and training programs using e-learning <sup>*2</sup>			
	Percentage of paid leave taken of 60% or more <sup>*2 *3</sup>	66.7%	○	Percentage of annual paid leave taken <sup>*2 *3</sup> Keep at 60% or more			
	Reduction of overtime worked due to roll-out of productivity improvement measures <sup>*2</sup>	9.6% reduction in overtime worked per person	○	Promotion of company-wide operational improvements <sup>*2</sup>			
	Percentage of women among new-graduate career track recruits joining in April 2020 <sup>*2</sup> : At least 30%	30.0%	○	Percentage of women among new-graduate career track recruits joining in April 2021 <sup>*2</sup> At least 30%			
	Percentage of people with disabilities <sup>*2 *7</sup> : At least 2.2%	2.35%	○	Percentage of people with disabilities <sup>*2 *7</sup> : At least 2.2%			
	Industrial accident frequency rate <sup>*4</sup> Less than national manufacturing industry average (Last FY: 1.20)	0.83	○	Industrial accident frequency rate <sup>*4</sup> Less than national manufacturing industry average (Last FY: 1.20)		P. 46	
	Value of sales of AS products <sup>*2</sup> : At least 15.5 billion yen (Year-on-year: 116%)	15.0 billion yen (Year-on-year: 111.6%)	×	Value of sales of AS products <sup>*2</sup> : At least 17.8 billion yen (Year-on-year: 112%)		P. 21	     
				Review and further invigoration of product range in lead-up to next Mid-Term Business Plan			
	Greenhouse gas emissions revenue intensity <sup>*4</sup> 3% year-on-year decrease	5.6% year-on-year decrease	○	Greenhouse gas emissions revenue intensity <sup>*4</sup> 3% year-on-year decrease		P. 49 -	 
	Industrial waste emission revenue intensity <sup>*4</sup> 2% year-on-year decrease	22% year-on-year increase	×	Industrial waste emission revenue intensity <sup>*4</sup> 5% year-on-year decrease			  
	Water intake: 1% year-on-year decrease <sup>*5</sup>	Decrease	○	Water intake production intensity: 2% year-on-year decrease <sup>*5</sup>			 
	Environment-related litigation or administrative penalties: 0	No material complaints	○	Environment-related litigation or administrative penalties: 0			
	Conduct and analyze customer satisfaction survey and pose issues <sup>*2</sup>	Implemented	○	Conduct and analyze customer satisfaction survey and pose issues <sup>*2</sup>		P. 56	
	Survey based on new CSR assessment rating system <sup>*2</sup> : At least 80 companies Audit and CSR improvement assistance based on assessment results <sup>*2</sup> : At least 15 companies	Surveys: 102 companies Audits: 12 companies	×	Mandatory submission of written agreement to CSR purchasing guidelines when signing new transaction contracts, request existing suppliers to submit written agreement <sup>*2</sup>		P. 57	
	Formulate BCP for three overseas sites, formulate BCP based on flood damage scenario at four Japanese sites with a high flood risk, identify water risks at overseas sites	Implemented	○	Assess risk at overseas sites, establish BCP, and conduct training		P. 41	 
	Conduct training at sites with completed BCPs	Implemented	○				
	Conduct education aimed at raising standard of quality control <sup>*2</sup>	Plan new education plans and commence operation of skills assessment	○	Establishment of new education plans and skills assessment <sup>*2</sup>		-	
	Collaborations with local activist organizations <sup>*2</sup> : 13 or more	14 collaborations	○	Formulation of guidelines for community service activities		P. 59	
	Hold IR events for individual investors: 3 or more events	1 event	×	Hold IR events for individual investors: 3 or more events		P. 58	
	Hold small ESG meetings: At least 1 meeting	1 event	○	Hold small ESG meetings: At least 1 meeting			

<sup>\*1</sup> Except for corporate business results, excludes portions newly included in consolidated figures in fiscal year in question <sup>\*2</sup> Target scope is AICA Kogyo (parent company only)

<sup>\*3</sup> Paid leave is granted on September 16; leave taken is calculated for period from September 16 of previous year to September 15 of year in question

<sup>\*4</sup> Target scope is domestic production sites of AICA Group <sup>\*5</sup> Target scope is domestic production sites excluding AICA-TECH Kenzai Co., Ltd.

<sup>\*6</sup> Abbreviation for "Aica Solution." Products that help solve social issues. <sup>\*7</sup> Calculated according to statutory calculation methods

# Business Infrastructure



## Corporate governance

## Basic Policy on Corporate Governance

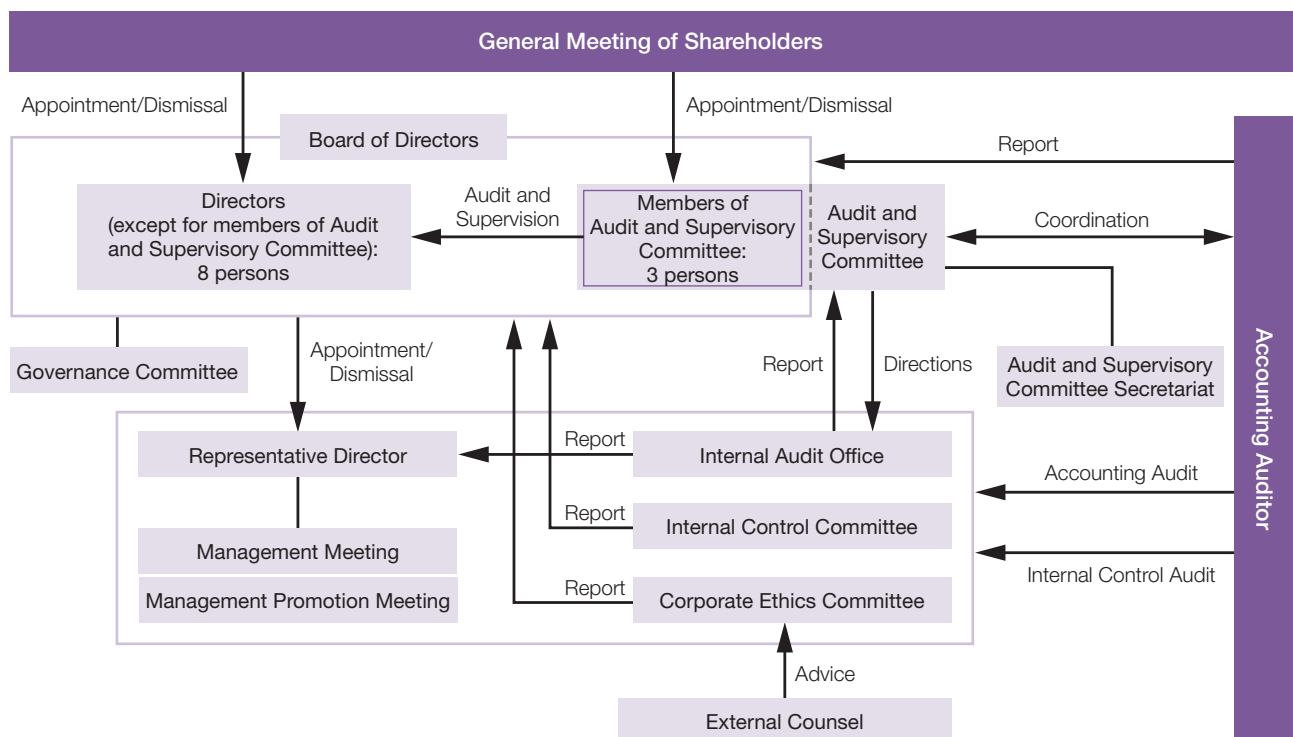
The AICA Group seeks to ensure and improve the value of the company and the common interests of its shareholders through the enhancement of corporate governance at each of its Group companies, including its subsidiaries in Japan and overseas.

In June 2020, we transitioned from a Company with a Board of Auditors to a Company with Audit and Supervisory Committee. The Audit and Supervisory Committee, more than half of whose the Audit and Surpervisory Committee members are external directors, is responsible for auditing and supervising the legality and appropriateness of the execution of business for the realization of more transparent management. In this way, we aim to strengthen our corporate governance further and also to build a

framework that will more appropriately meet the expectations of our stakeholders in Japan and overseas.

We have also established a Governance Committee as an advisory committee to the Board of Directors. This committee is chaired by an external director and its members are also primarily external directors. The Governance Committee deliberates on key matters concerning governance, including the appointment and remuneration of management executives, with the aims of sustainable growth, medium to long-term improvement of corporate value, and further enhancement of governance functions.

● Corporate Governance Structure and Internal Control Systems (as of June 23, 2020)





## Effectiveness of the Board of Directors

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 February 2020, responses of "appropriate or reasonably appropriate" were obtained for all except three of the matters surveyed. 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, matters raised as issues were the enhancement of diversity in the membership of the Board of Directors, enhancement of the establishment and operation of internal control and risk management frameworks, and enhancement of deliberation of risks that impact business. Regarding the diversity of the Board membership, a female external director was appointed in June 2020. Going forward, we will work on making improvements to further raise the effectiveness of the Board of Directors.

## Internal Control Activities

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

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 consists solely of basic remuneration.

# List of Directors (As of June 26, 2020)

## Directors (excluding directors who are members of the Audit and Supervisory Committee) (7 male, 1 female)



### Yuji Ono

Representative Director and President  
Born August 24, 1956

Apr. 1979 Joined AICA Kogyo  
Apr. 2000 No. 1 General Manager,  
Chemical Development Dept.  
Oct. 2002 General Manager, Sales Dept.,  
Chemical Products Company  
Jun. 2004 Executive Officer  
Oct. 2004 Director, No. 2 R&D Center  
Apr. 2008 Head of the Chemical Products  
Company  
Jun. 2008 Director  
Jun. 2009 Managing Director  
Jun. 2010 Representative Director (present)  
and President  
Jun. 2018 President and Executive Officer  
(present)



### Satoshi Toudou

Director and Senior Managing  
Executive Officer  
Born August 16, 1957

Apr. 1980 Joined The Tokai Bank, Ltd.  
Apr. 2009 Joined AICA, General Manager, Financial Planning Dept.  
Jun. 2009 Executive Officer  
Jan. 2010 General Manager, General Planning Dept.  
Jun. 2010 Director  
Apr. 2013 General Manager, Overseas Business Dept.  
Jun. 2014 Managing Director  
Apr. 2017 Responsible for Financial Administration Dept.  
(present), Responsible for Logistics Dept. (present)  
Apr. 2018 Responsible for Operations  
Administration Dept. (present)  
Jun. 2018 Director (present) and Senior  
Managing Executive Officer (present)  
Apr. 2019 Responsible for Information Systems  
Dept. (present)  
Mar. 2020 General Manager, Corporate Planning  
Dept. (present)



### Yukihiro Iwase

Director and Senior Managing  
Executive Officer  
Born November 20, 1955

Apr. 1979 Joined AICA Kogyo  
Apr. 2002 Oversight of Tokyo Metropolitan  
Area No. 2 Sales  
Apr. 2003 Executive Officer  
Apr. 2006 Oversight of Tokai-Hokuriku Sales  
Feb. 2009 Oversight of Kyushu Sales  
Jun. 2010 Senior Executive Officer  
Apr. 2011 Head of the Construction  
Materials Company  
Jun. 2011 Director  
Apr. 2015 Head of the Building & Housing  
Materials Company (present)  
Jun. 2016 Managing Director  
Apr. 2018 General Manager, Sales  
Administration Division (present)  
Jun. 2018 Director (present) and Senior  
Managing Executive Officer (present)



### Nobuyuki Omura

Director and Managing Executive Officer  
Born April 7, 1964

Apr. 1988 Joined MITSUI & CO., LTD.  
Jan. 2009 Joined AICA Kogyo  
Apr. 2009 General Manager, Overseas  
Business Dept.  
Jun. 2009 Director  
Apr. 2011 General Manager, New Business  
Office  
Apr. 2015 Director and Chairman, AICA  
Asia Pacific Holding Pte. Ltd.  
Jun. 2017 Managing Director  
Apr. 2018 Head of the Chemical Products  
Company  
Jun. 2018 Director (present) and Managing  
Executive Officer (present)  
Apr. 2020 Head of the Specialty &  
Performance Materials Company  
(present)



### Ryoji Mori

Director and Managing Executive Officer  
Born September 29, 1959

Apr. 1982 Joined AICA Kogyo  
May 2000 General Manager, Laminates Production Dept.  
Apr. 2006 General Manager, Production Administration  
Dept., Construction Materials Company  
Oct. 2009 General Manager, Production Administration  
Dept., Chemical Products Company  
Jun. 2011 Executive Officer  
Jun. 2013 Senior Executive Officer  
Jun. 2015 Director (present)  
Jun. 2018 Managing Executive Officer (present)  
Apr. 2019 Responsible for Safety and Environment Dept.  
(present), Responsible for Purchasing Dept.  
Apr. 2020 Deputy Head of Construction and Housing  
Materials Company (present), Responsible  
for Technology, Construction and Housing  
Materials Company (present), General Manager,  
Production Administration Dept., Construction  
and Housing Materials Company (present)



### Kenji Ebihara

Director and Managing Executive Officer  
Born April 15, 1967

Apr. 1991 Joined AICA Kogyo  
Apr. 2009 General Manager, Chemical  
Development Dept., R&D Center  
Oct. 2010 Manager, Jimokui Laboratory,  
R&D Center  
Apr. 2013 Director, R&D Center  
Apr. 2015 Head of Specialty & Performance  
Materials Company  
Jun. 2017 Executive Officer  
Jun. 2018 Senior Executive Officer  
Apr. 2019 Managing Executive Officer (present)  
Jun. 2019 Director (present)  
Apr. 2020 Head of the Chemical Products  
Company (present), Deputy  
General Manager, Sales  
Administration Division (present)



### Kenji Ogura

External Director  
Born October 1, 1947

Apr. 1970 Joined Sony Corporation  
Oct. 1988 Director and General Manager,  
Administration Dept., Sony  
Nagasaki Co., Ltd.  
Jun. 1995 Director and General Manager,  
Administration Dept., Sony  
Kokubu Co., Ltd.  
Oct. 1997 Director and General Manager,  
Administration Dept., ST Liquid  
Crystal Display Corporation  
Jun. 2005 Representative Director and  
President, C-CUBE Corporation  
Jun. 2012 External Auditor, Cool. revo Inc.  
Jun. 2014 External Director, AICA Kogyo  
(present)  
Jun. 2015 External Director, Cool. revo Inc.  
(present)



### Ayako Shimizu

External Director  
Born June 6, 1972

Apr. 1999 Registered as attorney, Ishihara Law  
Office (present)  
Jun. 2014 External Auditor, SYNCLAYER, Inc. (present)  
Apr. 2015 Deputy Chair, Aichi Bar Association  
Director, CHUBU Federation of Bar  
Associations  
Apr. 2016 Member, Aichi Dispute Coordinating  
Committee (present)  
Apr. 2017 Member, Nagoya City Information  
Disclosure Screening Commission (present)  
Jul. 2017 Member, Aichi Prefecture Committee  
for Adjustment of Construction Work  
Disputes (present)  
Jan. 2018 Judicial Commissioner (present)  
Apr. 2019 Mediator/Arbitrator, Dispute Resolution  
Center, Aichi Prefecture Bar Association  
(present)  
Dec. 2019 External Director, MTG Co., Ltd. (Member  
of Audit and Supervisory Committee)  
(present)  
Jun. 2020 External Director, AICA Kogyo (present)

## Directors who are members of the Audit and Supervisory Committee (3 male, 0 female)



### Terutoku Iwata

Director (full-time member of Audit and Supervisory Committee)  
Born June 10, 1954

Mar. 1977 Joined AICA Kogyo  
Apr. 2002 Head of Electronic Materials Company, Executive Officer  
Jun. 2004 Director  
Oct. 2004 Responsible for Logistics Dept.  
Apr. 2005 Head of the Construction Materials Company  
Oct. 2006 Director, No. 1 R&D Center  
Jun. 2008 Managing Director  
Apr. 2013 Head of the Building & Housing Materials Company  
Jun. 2015 Full-time Auditor  
Jun. 2020 Director (full-time member of Audit and Supervisory Committee) (present)



### Kiyoshi Katagiri

External Director (member of Audit and Supervisory Committee)  
Born September 20, 1946

Apr. 1969 Joined Nippon Telegraph and Telephone Public Corporation (today's Nippon Telegraph and Telephone Corporation)  
Apr. 1994 Vice President Tokai Branch Nippon Telegraph and Telephone Corporation  
Jul. 1997 Advisor and General Manager, Corporate Planning Office, C-CUBE Corporation  
Jun. 1998 Senior Managing Director, C-CUBE Corporation  
Jun. 1999 Representative Director and President, C-CUBE Corporation  
Jun. 2011 Director and Counsellor, C-CUBE Corporation  
Jun. 2017 Representative Director and President, MYPLANET Co., Ltd.  
Jun. 2018 External Auditor, AICA Kogyo  
Jun. 2020 External Director, AICA Kogyo (Member of Audit and Supervisory Committee) (present)



### Masashi Miyamoto

External Director (member of Audit and Supervisory Committee)  
Born February 8, 1956

Apr. 1978 Joined Konishiroku Photo Industry Co., Ltd. (today's KONICA MINOLTA, INC.)  
Oct. 1985 Joined Ito Accountants Audit Firm  
Mar. 1989 Registered as Certified Public Accountant (CPA)  
Jul. 2005 Senior Partner, Chuo Aoyama PwC  
Aug. 2007 Managing Partner, Azusa Audit Firm (today's KPMG AZSA Ilc)  
Sep. 2010 Director, KPMG AZSA Ilc  
Sep. 2014 Auditor, KPMG AZSA Ilc  
Jul. 2018 Director, Miyamoto Masashi CPA Office (present)  
Jun. 2019 External Auditor, AICA Kogyo  
Jun. 2020 External Director, AICA Kogyo (Member of Audit and Supervisory Committee) (present)  
External Director, Meito Sangyo Co., Ltd. (Member of Audit and Supervisory Committee) (present)

The reasons for the appointment of external directors 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	Ayako Shimizu (Independent Director)	Ayako Shimizu will be able to leverage her extensive expert knowledge and experience as an attorney in the supervision of AICA's management. We also believe that, as an external director, she will be able to offer advice based on diversity perspectives.	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/ Member of Audit and Supervisory Committee	Kiyoshi Katagiri (Independent Director)	Kiyoshi Katagiri has been involved in corporate management and has extensive experience and knowledge as a business owner. We believe that he will be able to offer advice and oversight to the company's management overall as an external director and member of the Audit and Supervisory Committee.	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/ Member of Audit and Supervisory Committee	Masashi Miyamoto (Independent Director)	Masashi Miyamoto has extensive expert knowledge and experience as a certified public accountant. We believe that he will be able to offer advice and oversight to the company's management overall as an external director and member of the Audit and Supervisory Committee.	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.

# Interview with External Directors

I want to make proposals that will lead to AICA's sustainable development and growth

While maintaining the minimum functions of the previous Board of Auditors, we will further strengthen the relationship between the Board of Directors and the Audit and Supervisory Committee



**Kenji Ogura**  
External Director  
(Chair, Governance Committee)

**Kiyoshi Katagiri**  
External Director  
(Member of Audit and Supervisory Committee)

## Q What do you see as AICA's strengths?

**Ogura:** I believe that it is its technological strengths, evidenced by the high regard with which the company is held within the industry. Its mainstay product, high pressure laminate (HPL), which has captured a large market share, came about because of the core technologies it had cultivated in its many years of developing adhesives. Those technological strengths have since given rise to second and third hit products. Another of AICA's major strengths is the robustness of its financial position in maintaining a high capital adequacy rate and self-financing its M&As.

**Katagiri:** I think its speedy technological development capabilities are a major strength. R&D is carried out in a position close to the users, and its product development takes careful account of the needs of society. Launching a product on the market is not the end, and its ability to keep improving its products is another strength. It also provides a stable supply of high-quality products, which has allowed it to build relationships of trust with end users. When I became an Auditor two years ago, I was struck by how my impression of the company from the outside differed very little from what it was really like.

## Q What is your view of the Board of Directors?

**Ogura:** The Representative Director, who serves as Chair, does not give his own opinion at first, but instead listens carefully to the opinions of the other Directors before final decisions are made, which I think is an excellent, honorable way of running the Board. However, I do find that, with many of the motions on the agenda, while they are very detailed and easy to understand, it is difficult to discern the proponents' intentions. If the proponents approach the Board of Directors with a determination to

obtain approval, and the individual Directors giving that approval actively express their opinions, the Board has the potential to become a place for human resources development that will foster the next generation of executives. The internal directors also serve concurrently as executive officers and are each responsible for their respective business divisions, but I would like to see them express their opinions more on motions proposed by divisions other than their own. If the directors could increase



their own awareness that they are in a position of approving and overseeing all motions and that they have the responsibility and authority to express their opinions, I believe it will help to strengthen the company's governance. From my own position as an external director, I personally want to make proposals that will lead to AICA's sustainable development and growth.

**Katagiri:** Agenda items are submitted in an appropriate and timely manner and there is no sense that important matters are being progressed without us knowing about them, so I believe that the Board is functioning adequately. The meetings do not

become mere formalities and there is lively discussion of each of the items on the agenda. However, as Mr. Ogura just mentioned, the Board of Directors should be used as a place for human resources development. First, I would like the proponents to approach their presentations with inspiring materials that clearly outline the background and objectives of their motions. If they do that, their arguments will become much clearer, and it will enrich the discussion among the Board. It would be better if, when the directors with responsibility for the proponents have them prepare their presentation materials, they do so with the sense that they are nurturing their own successors.

## Q What do you think is the role of the Governance Committee?

**Ogura:** I do not see any problems with the current structure when viewed against the five principles of the Governance Code. However, to improve the supervisory functions of the Board of Directors, I do believe there is a need to pursue reforms aimed at the separation of business execution and supervision. I think that the structure could be improved by reforming the operations of the Management Meeting and the Board of Directors a little more,

such as entrusting the authority for business execution to the President and Executive Officers, strengthening the examination and approval authority for business execution of the Management Meeting, and having the Board of Directors dedicated to the examination and approval of more important matters. From the position of the Governance Committee, I hope that we can give advice that will lead to the development of that kind of structure.

## Q What do you think is the role of the Audit and Supervisory Committee?

**Katagiri:** From the position of Auditors, we are required to check legality and crisis management. Assessments of future impact tend to be somewhat generous when performed from the inside, so I have stated my opinion that measures should be put in place promptly from the assumption of worst-case scenarios.

On June 23, 2020, we will transition to an Audit and Supervisory Committee. While maintaining the minimum functions that the Board of Auditors has had until now, I want to strengthen the

Committee's relationship with the Board of Directors and speak up in ways that will raise corporate value, thus helping to benefit shareholders. I also believe that it is the role of the Audit and Supervisory Committee to supervise and guide the company to maintain highly transparent management that discloses information accurately in both good times and bad times. We will coordinate closely with the Overseas Planning Department launched in April and strengthen governance at our overseas sites as well.

## Q What are your expectations of AICA going forward?

**Ogura:** The Japanese construction market, which is AICA's major field of business, is clearly shrinking, so to ensure profitability, the company will absolutely need to increase the percentage of its sales in overseas markets. In recent years, the Chemical Products Business has been leveraging M&As to make steady inroads into overseas markets, but the Chemical Products Business has a lower earning capacity than the Construction Materials Business. The key going forward will be how well AICA can pursue overseas expansion in its more profitable Construction Materials Business. It is gradually developing a platform through the commissioning of new plants and the active use of M&As, so the challenge will be how well it can get the business on track. This is where my expectations lie. AICA's core technologies are in the Chemical Products Business. In

recent years, however, growth of that business in Japan has been sluggish. Losing those foundations would be a major loss for the company, so I hope that it will concentrate its efforts on rebuilding them.

**Katagiri:** I have great expectations for the future development of its overseas business, and I believe that AICA also has a role to play in the development of the Asian region. I look forward greatly to its development of products that take advantage of the infinite potential of the power of chemistry. I also have hopes for the further evolution of AS Products that solve social issues, such as AICA Virutect, the high pressure laminate (HPL) with embedded antiviral agents that was launched last year. I hope AICA will place further efforts into activities aimed at the SDGs and that it will pursue them with more concrete targets.

This article is based on an interview conducted on June 5, 2020.



## Compliance



Additional information about compliance is available on the AICA Kogyo website.  
(Only Japanese)  
<http://www.aica.co.jp/company/environ/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 Action 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 Action Guidelines and the significance and necessity of compliance. We confirm employees' understanding through training reports, 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, Group companies, 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 FY2019

Compliance training at individual sites	Training for sales offices	8 times/year
	Training for factories	21 times/year
	Training for administrative divisions	Once a 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 labor-management relations |
| [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 executives and the members of the Audit and Supervisory Committee on a regular basis.

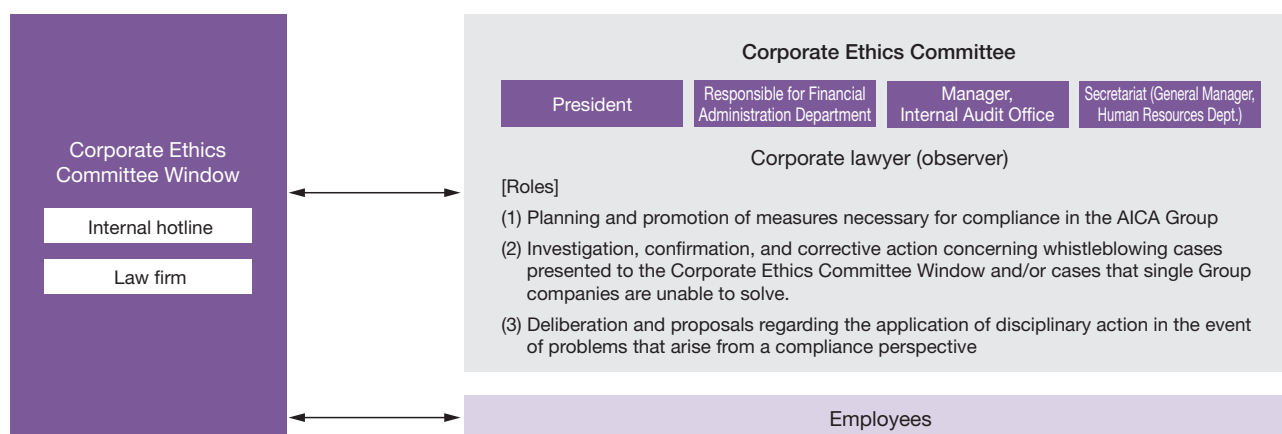
## Internal Whistleblowing System

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 Corporate Ethics Committee Window in FY2019: 6

## Anti-corruption Policy

AICA Kogyo endorses the ten 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.

## 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 Audit and Supervisory Committee.

#### ● 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 could cause a major accident, which could 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 FY2019

AICA Kogyo Co., Ltd. Nagoya Plant	In October 2019, joint training was conducted with the Nishikasugai Fire Department on the premise of a major earthquake striking the area. In addition to evacuation training and fire extinguishing training, participants were given an experience of smoke from a fire and demonstrations and instructions for CPR and lifesaving procedures.
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### Business Continuity Plan (BCP)

The AICA Group has formulated a Business Continuity Plan (BCP) with the objective 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. Those sites that have completed their plans conduct regular BCP training.

Taking lessons from the flood damage at AICA's Hiroshima

Plant during the torrential rain of July 2018, BCP training was conducted on the scenario of a flood disaster at four sites in Japan (AICA Kogyo's Nagoya, Jimokujii, and Hiroshima Plants and AICA-TECH Kenzai Co., Ltd.'s Nagoya Plant) assumed to have a high risk of flood damage according to a hazard map. We are also expanding the scope of the roll-out of BCP training with the cooperation of our overseas Group companies and major production subcontractors.

Going forward, by making the contents of the disaster scenarios on which the training is based more detailed, we will conduct further training that delves deeper into what actions should be taken when and by whom. We will also clarify the competencies required at times of disaster and place efforts into human resources development with the aim of prompter restoration of operations and alternative production at such times.

## Major initiatives regarding BCP in FY2019

Name of site	Location	Matters regarding holding of training
Nagoya Plant, AICA Kogyo Co., Ltd.	Kiyosu, Aichi Prefecture	BCP training assuming flood disaster Confirmation of roles in Phase 0 (before and immediately after disaster) (Formation of flood prevention team, securing of supplies in an appropriate location, production of equipment (parts) lists, etc.)
Jimokuji Plant, AICA Kogyo Co., Ltd.	Ama, Aichi Prefecture	
Hiroshima Plant, AICA Kogyo Co., Ltd.	Mihara, Hiroshima Prefecture	
Nagoya Plant, AICA-TECH Kenzai Co., Ltd.	Ama-gun, Aichi Prefecture	
Tanba Plant, AICA Kogyo Co., Ltd.	Tanba, Hyogo Prefecture	Training assuming earthquake
Isesaki Plant, AICA Kogyo Co., Ltd.	Isesaki, Gunma Prefecture	
Fukushima Plant, AICA Kogyo Co., Ltd.	Iwase-gun, Fukushima Prefecture	
Headquarters Plant, AICA Interior Kogyo Co., Ltd.	Komaki, Aichi Prefecture	
AICA Harima Kogyo Co., Ltd.	Kasai, Hyogo Prefecture	
Akeno Plant, AICA-TECH Kenzai Co., Ltd.	Chikusei, Ibaraki Prefecture	
Ichikawa Plant, AICA-TECH Kenzai Co., Ltd.	Kanzaki-gun, Hyogo Prefecture	
AAPH* Group Sites	Singapore, etc.	Prepared initial response list in event of fire at all sites except AICA Hatyai. Conducted first training sessions at AICA Malaysia and AICA Singapore.

\*AICA Asia Pacific Holding Pte. Ltd.

## 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.



Photo taken July 7, 2018  
Scene of the flooding



Photo taken July 12, 2018  
Warehouse after floodwaters receded

## 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 we strive to strengthen our 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.

# Human resources



Additional information about human resources is available on the AICA website.

(Only Japanese)

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

## Labor-management relations

### Basic Thinking on Labor-Management Relations

The AICA Kogyo Labor Union was formed in May 1947 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 the senior executives several times a year, including

at labor-management negotiations, to discuss corporate policy, the progress of the Mid-Term Business 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 their 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 their work 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 is available. They range from 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 Group companies via video teleconferencing systems. We have also established an overseas trainee scheme, which provides opportunities to work overseas, such as being dispatched to overseas Group companies.

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		Online English conversation Correspondence education		
Assistance to obtain qualifications		Hazardous materials engineer / Health and safety manager / Adhesives management engineer / Forklift operator / Construction project management engineer / TOEIC, etc.		

## 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.

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)

This 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 (Feb. 2016)

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, 2020)
[1] Increase percentage of female employees	Percentage of women recruited to new-graduate career-track positions: <b>30% or more</b> New proposals/revision of work-family balance assistance scheme: <b>3 or more</b>	30.0% (new-graduate recruits joining in April 2020)
[2] Increase percentage of female managers	5.8% (average for other manufacturing industries) <b>or more</b>	3.1% (7 female managers of a total of 223 managers)
[3] Improve rate of recruitment of people with disabilities*	2.3% <b>or more</b>	2.35%
[4] Cultural reform	Percentage of paid leave taken: <b>70% or more</b>	Percentage of paid leave taken: <b>66.7%</b> (FY2019 actual result)

\*According to statutory calculation methods

## 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 whom 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.

FY2017	FY2018	FY2019
18	27	14

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

FY2017	FY2018	FY2019
21	22	24

## 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. In March 2020, we urgently introduced work-from-home due to the impact of the spread of the novel coronavirus, COVID-19. Taking this opportunity, we launched a Work Improvement Sub-Committee in April 2020 with the objective of promoting further diversification of work styles. Through C&C activities (See ➡ page 29), 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.

	FY2017	FY2018	FY2019
Average days taken	10.3 days	11.3 days	12.1 days
Average rate of leave taken	56.0%	61.7%	66.7%

\*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.

## 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 Jimokuji 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.

On the factory floor level, KYT (kiken yochi kunren or risk prediction training) activities, hiyari-hatto (near-miss) activities, and

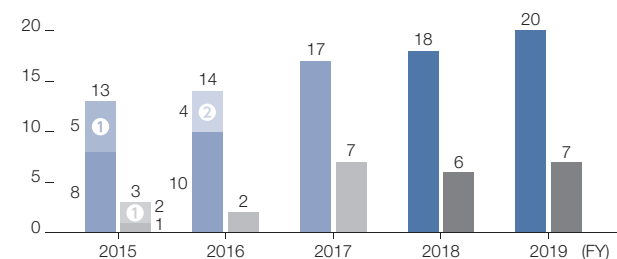
risk-source improvement activities are conducted in the small-group activities (C&C activities → P. 29). To enhance these low-key, steady efforts, from FY2018, the KYT activities being undertaken by the individual small groups are now being assessed under a point rating system. Pursuing improvements 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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Number of industrial accidents (accidents)

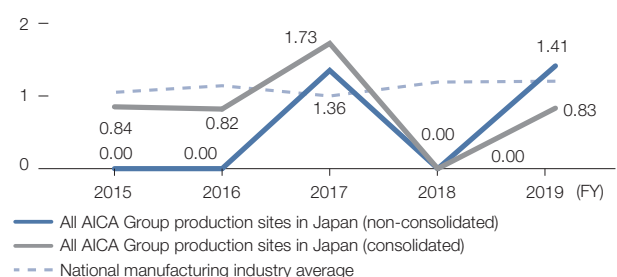
\*Total industrial accidents = non-lost-time accidents + lost-time accidents



Legend: ■ Total number of industrial accidents ■ Lost-time accidents  
Target scope: All AICA Group production sites in Japan  
① Newly consolidated in FY2015 ② Newly consolidated in FY2016

#### Frequency rate\* Trend

\*Frequency rate = Number of fatalities and injuries caused by industrial accidents (excluding non-lost time accidents) x 1,000,000 ÷ Total work hours  
Figures are for permanent employees

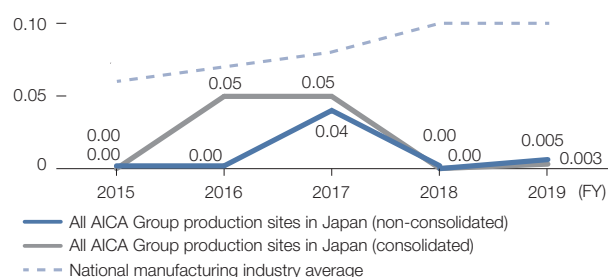


Breakdown of number of industrial accidents (accidents)

	FY2015	FY2016	FY2017	FY2018	FY2019
Fatal accidents	0	0	0	0	0
Lost-time accidents	3	2	7	6	7
Of which, those involving people other than full-time employees	1	0	3	6	4
Non-lost-time accidents	10	12	10	12	13
Of which, those involving people other than full-time employees	4	4	4	7	6

#### Severity rate\* Trend

\*Severity rate = Work-days lost x 1,000 ÷ Total work hours  
Figures are for permanent employees



## ● Major initiatives in FY2019

Occupational Health and Safety Convention (January 2020)	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 (January 2020)	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 and thoroughly instill compliance.
Global QEO Officer Training (November 2019)	Attended by responsible officers at plants, including overseas Group companies. Discussed thorough confirmation of safety when installing new equipment, innovations (signs, multiple languages, etc.) for drawing attention to safety among foreign-national workers, and raising safety awareness through dialogue with end workers.

### AICA Group Occupational Health and Safety Convention



## Risk assessment

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 at

major AICA Group production sites in Japan. In the plants, we conduct risk assessment of chemical substances and pursue activities to eliminate and mitigate risk.

## Prevention of traffic accidents

We have a fleet of just under 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.

Accidents that occurred last fiscal year involved not only young employees in their 20s, but also veteran drivers. 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

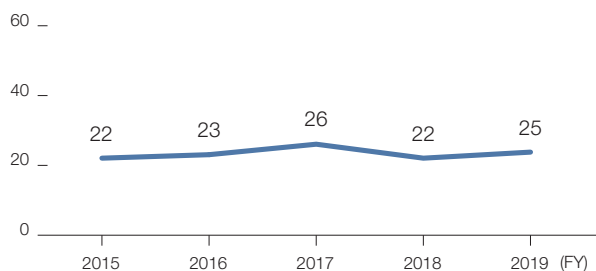
[1] Improvement of driving skills	We conduct skills classes for young employees and employees who have been involved in accidents to elevate their driving skills. In addition, their supervisors accompany them on a drive to check their driving proficiency.
[2] Mindset reform	Employees who have been involved 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 accident 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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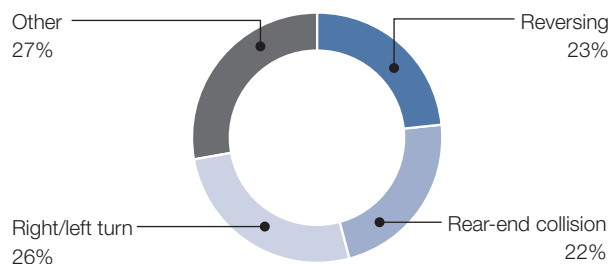
Trend in number of vehicle accidents

(accidents)



Number of accidents by type in FY2019

(%)



## 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 physical 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 the environment is available on the AICA website.

(Only Japanese)

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

## Basic Thinking on the Environment

The AICA Group has developed an environmental management system based on ISO 14001, which we have incorporated into our original QEO Management System (⇒ P30) and put into practice.

To realize a sustainable society, we are actively engaged in the prevention of global warming (action on climate change issues) and the reduction of environmental impact (action on resources and pollution issues).

### Environmental Philosophy

We will strive to protect the environment and achieve harmony with local communities and deliver environmentally friendly products.

### Environmental Policy

1. Creating products that are kind on both the environment and humans
2. Reduction of CO<sub>2</sub> emissions
3. Reduction of industrial waste and effective use of water resources
4. Harmony with local communities
5. Compliance with laws and regulations

## 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 envisaged in the BCP and that 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.

- 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.
- All AICA Group production sites overseas: PT. AICA Indonesia, PT. Techno Wood Indonesia, KUNSHAN AICA KOGYO Co., Ltd., Shenyang AICA-HOPE Kogyo Co., Ltd., AICA Laminates India Pvt. Ltd., Aica Laminates Vietnam Co., Ltd., AICA Asia Pacific Holding Group, Evermore Chemical Industry Group

## 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. 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.

Recognizing that taking more appropriate action is a matter of urgency, we are actively pursuing reductions of greenhouse gases, and we have declared a target of reducing emissions revenue intensity by 3% year on year every fiscal year until FY2030.

As an organization to promote the deliberation and implementation of more concrete action, we launched the Climate Change Response Project in April 2020.

This project includes not only the environmental, production, facilities, and logistics divisions but also the development, sales, purchasing, and corporate planning divisions. They will work to propose drastic reduction measures.

The Project will coordinate with the CSR Committee to report on its activities regularly to the Board of Directors and strengthen the governance framework in our response to climate change issues.

### Endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



In May 2020, we declared our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)\*. Going forward, based on the TCFD recommendations, we will assess and analyze the risks and opportunities from climate change for the AICA Group, reflect them in our business strategies, and pursue information disclosure.

\*The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) to promote the disclosure of climate-related financial information. In 2017, it announced its recommendations to encourage the disclosure of information regarding the financial impact of climate-related risks and opportunities, to assist investors to make appropriate investment decisions.

## ● Targets and Achievements

Target Scope	All AICA Group production sites in Japan
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FY2019 Targets	FY2019 Achievements	Causes of increase/decrease	FY2020 Targets
Greenhouse gas emissions revenue intensity 3% year-on-year reduction 49.7 t-CO <sub>2</sub> /100 million yen revenue or less	5.6% year-on-year decrease 48.4 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 46.9 t-CO <sub>2</sub> /100 million yen revenue or less

## ● Major initiatives in FY2019

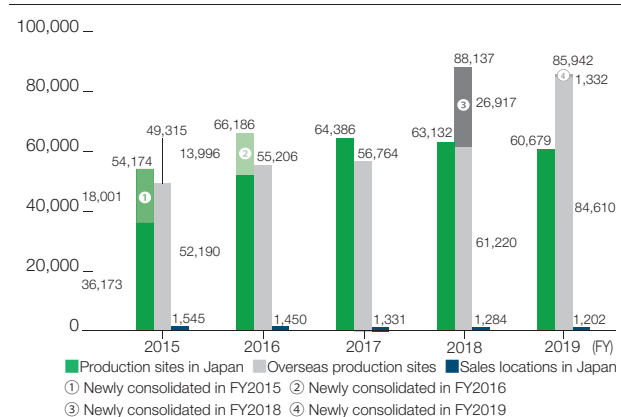
Company/Site Name	Location	Details
Nagoya Plant	Kiyosu, Aichi Prefecture	<ul style="list-style-type: none"> <li>Improvement of product defect rate</li> <li>Improvement of high-pressure steam feed efficiency</li> <li>Improvement of temperature control of overcoat drying kiln</li> </ul>
Jimokuji Plant	Ama, Aichi Prefecture	<ul style="list-style-type: none"> <li>Switch to LED lighting</li> <li>Productivity improvements through restructuring of production equipment</li> </ul>
Tanba Plant	Tanba, Hyogo Prefecture	<ul style="list-style-type: none"> <li>Review of boiler/compressor operations</li> </ul>
Isezaki Plant	Isezaki, Gunma Prefecture	<ul style="list-style-type: none"> <li>Replacement of crusher</li> <li>Replacement of boiler</li> <li>Replacement of compressor</li> </ul>
AICA Harima Kogyo Co., Ltd.	Kasai, Hyogo Prefecture	<ul style="list-style-type: none"> <li>Replacement of boiler and steam trap</li> <li>Efficiency improvements through shorter heating times in deodorization equipment and more chillers in drying equipment</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>Replacement of autoclave</li> <li>Switch to LED lighting</li> <li>Reinforcement of heat insulation for steam pipes and boiler periphery</li> <li>Reduction in frequency of burner ignition in low-pressure boiler</li> </ul>
Individual plants and sites		<ul style="list-style-type: none"> <li>Promotion of switch to LED lighting</li> <li>Improvement of productivity through reduction of defect rate</li> <li>Promotion of power saving in processes</li> </ul>

## ● Achievement Trends

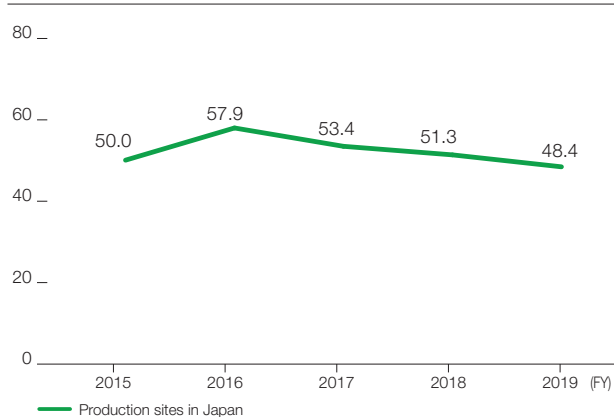
Disclaimer: From the FY2019 Report, the conversion coefficient used to calculate CO<sub>2</sub> emissions at sales locations in Japan has been changed.

Target Scope	All AICA Group production sites in Japan / All AICA Group production sites overseas / AICA Group sales locations in Japan: 22 sales offices
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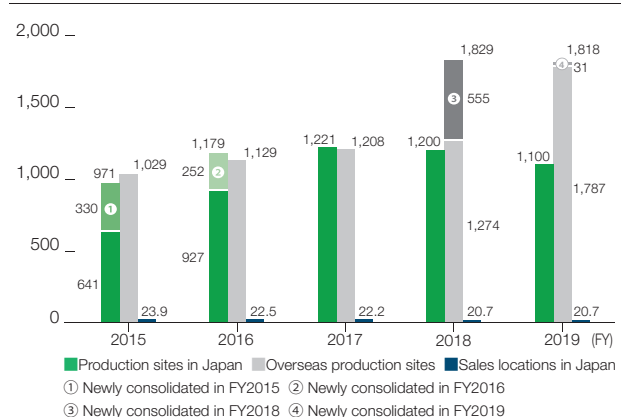
Trend in greenhouse gas emissions (t-CO<sub>2</sub>)



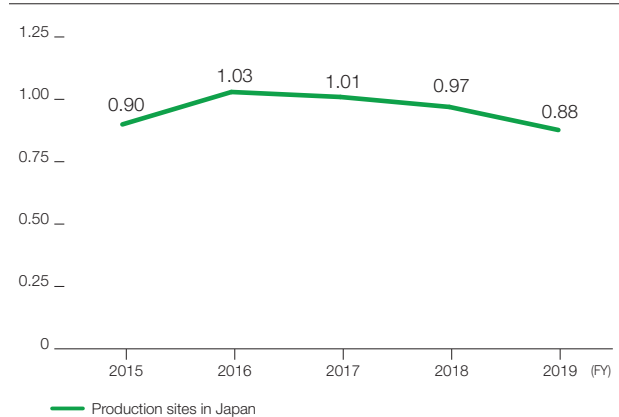
Trend in greenhouse gas emissions revenue intensity (t-CO<sub>2</sub>/100 million yen)



Trend in energy input (TJ: Terajoules)



Trend in energy input revenue intensity (TJ/100 million yen)

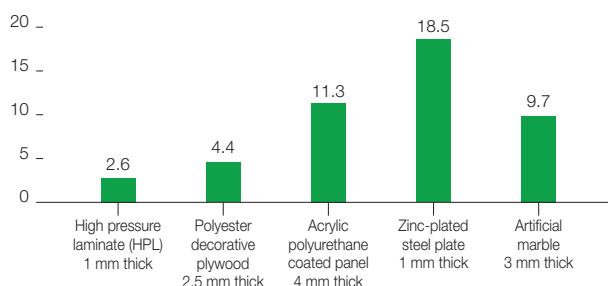


## Use of LCA

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

Our mainstay 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 construction

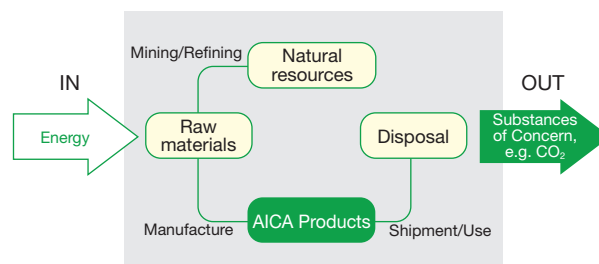
CO<sub>2</sub> emissions from mining of raw materials to manufacturing stage (Kg-CO<sub>2</sub>/m<sup>2</sup>)



materials are also highly durable and have a long life cycle. In this respect, they would be described as environmentally friendly products.

Going forward, we will update the data used in calculations and raise the precision of those calculations.

## Life Cycle Assessment (LCA) Approach



## 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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\*Logistics in which AICA Kogyo Co., Ltd. is the shipper

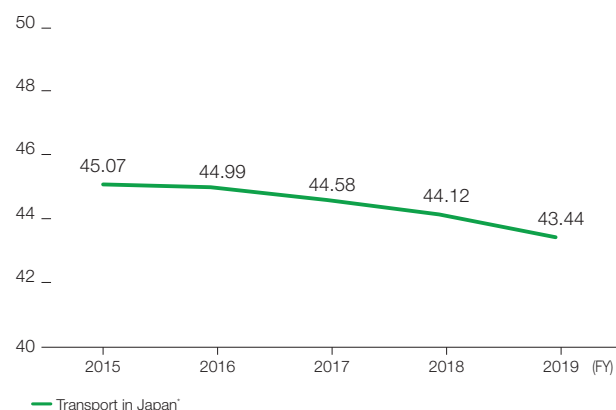
FY2019 Targets	FY2019 Achievements	Causes of increase/decrease	FY2020 Targets
Usage intensity: 1% year-on-year decrease 43.67 kl/1 million t-km or less	1.5% year-on-year decrease 43.44 kl/1 million t-km or less	Improvements to load efficiency through mixed load services on Tohoku Area trunk routes, establishment of new delivery sites for regular services (Fukushima, Higashihiroshima), reduction of secondary deliveries through expansion of main delivery areas (Osaka, wider Kanto area, Hokkaido, Gunma, etc.)	1% year-on-year decrease 43.00 kl/1 million t-km or less

### Achievement Trends

Target Scope	Transport in Japan*
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#### Trends in energy use intensity in transport

(kl/1 million t-km)



## 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 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 the replacement of Substances of Concern with alternative substances.

### Management of chemical substances

#### ● Basic Thinking

We recognize that, as a manufacturer of chemicals, reducing the volumes of volatile organic compounds (VOCs) and other hazardous chemical substances that we release and transfer is an important responsibility of the company, and we are working on the reduction of substances subject to the PRTR Act\*.

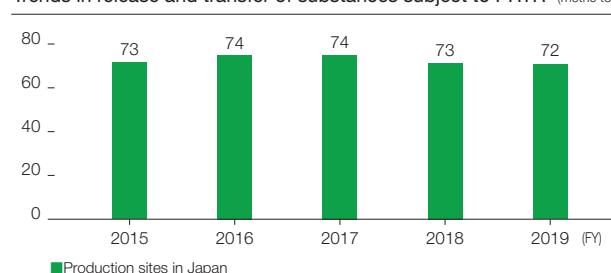
\*A system whereby, under the Act on Confirmation, etc. of Amounts of Release of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof, businesses identify, collate, and make public their data on the release into the environment of diverse hazardous chemical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

#### ● Achievement Trends

\*From FY2019, we have added one target substance and reassessed the results from previous fiscal years.

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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FY2019 Targets	FY2019 Achievements	Causes of increase/decrease	FY2020 Targets
Industrial waste emission revenue intensity 2% year-on-year decrease 34.9 metric ton/100 million yen or less	22% year-on-year increase 42.6 metric ton/100 million yen	In the aftermath of China's restrictions on imports of plastic waste, the impact of plastics that had previously been handled as valuable materials now being discarded as industrial waste continues to be felt. The deterioration of market conditions for paper waste also had an impact.	2% year-on-year decrease 41.7 metric ton/100 million yen or less
Landfill rate at production sites in Japan 1.0% or less	21.2%	Landfill rate increased due to changes in the methods of handling calcium silicate panels, which are a waste product generated by AICA-TECH Kenzai Co., Ltd.	1.0% or less

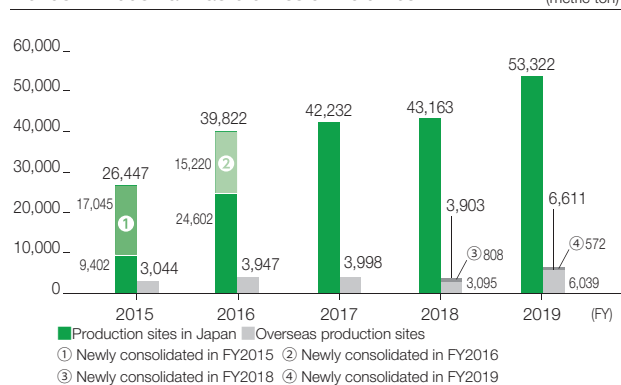
## Major initiatives in FY2019

Name of site	Location	Details
Nagoya Plant	Kiyosu, Aichi Prefecture	· Improvement of product defect rate, reduction of waste resin from resin impregnation process
Jimokuji Plant	Ama, Aichi Prefecture	· Introduction of sludge drying system
Ibaraki Plant	Koga, Ibaraki Prefecture	· Conversion of waste toluene solution to valuable material
AICA Interior Kogyo Co., Ltd.	Komaki, Aichi Prefecture	· Effective use of offcuts
AICA Harima Kogyo Co., Ltd.	Kasai, Hyogo Prefecture	· Reduction of offcuts, reduction of waste resin from resin impregnation process, improvement of product defect rate
AICA-TECH Kenzai Co., Ltd.	Oharu, Aichi Prefecture Chikusei, Ibaraki Prefecture Ichikawa, Hyogo Prefecture	· Reduction of sandpaper waste products · Improvement of yield due to strengthening of maintenance of manufacturing supplies

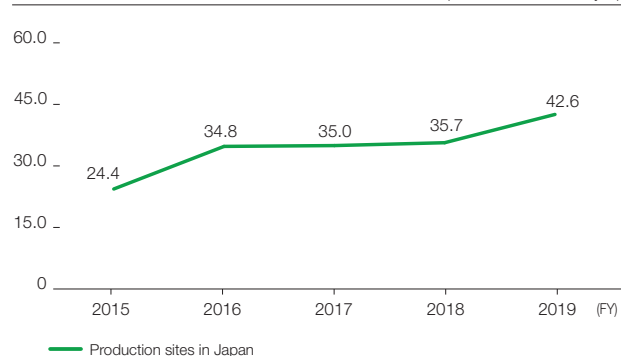
## Achievement Trends

Target Scope	All AICA Group production sites in Japan, all AICA Group production sites overseas
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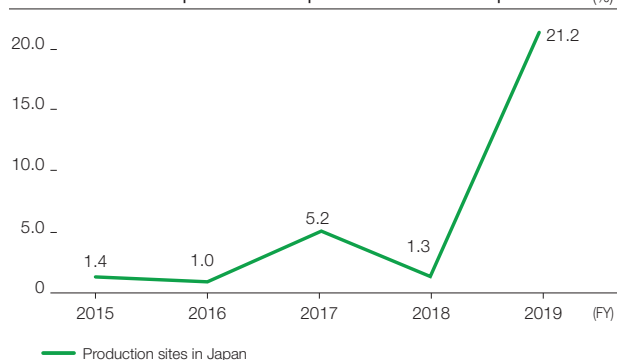
Trends in industrial waste emission volumes (metric ton)



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



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





## Reduction of water consumption

### ● Basic Thinking

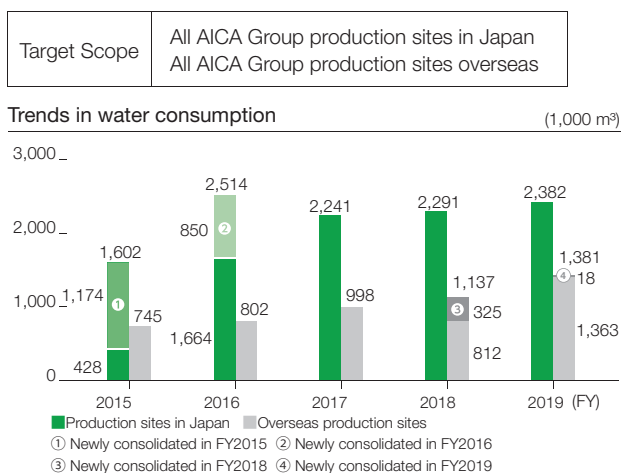
Our production sites in Japan use industrial water and underground water, and we are pursuing the cyclic usage of water at our Nagoya and Jimokuji Plants. The Isezaki Plant, which has the highest water usage, is located near the rich Tone River system. It uses water resources in abundance, but will now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



### ● Actual water consumption volumes in FY2019 in high-risk areas<sup>\*1</sup>

Name of site	Location	Usage
Aica Laminates India Pvt. Ltd.	Northwest India	36,000 m <sup>3</sup>
PT. AICA Indonesia PT. Techno Wood Indonesia	Cikampek (Indonesia)	36,600 m <sup>3</sup>
PT. AICA Indria (AAPH <sup>*2</sup> Group)	Pasuruan (Indonesia)	4,900 m <sup>3</sup>
SHENYANG AICA-HOPE KOGYO Co., Ltd.	Northeast China	7,400 m <sup>3</sup>

<sup>\*1</sup> Sites assessed as at "extremely high" risk in WRI Aqueduct's Overall Water Risk.  
<sup>\*2</sup> AICA Asia Pacific Holding Pte. Ltd.

## Environmental Risk Management

### State of compliance with environmental laws

In FY2019, no Japanese site in the AICA Group was subject to correction directives from the competent authorities or to environment-related litigation.

### Complaints from neighbors and responses

In FY2019, there were no complaints from neighbors at any of the AICA Group's Japanese sites.

### Environmental accidents

In FY2019, there were no environmental accidents that would have an impact outside the site of AICA Group sites in Japan, but there was a leakage emergency. 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
Jimokuji Plant (Premises for reloading by logistics subcontractors) (August 2019)	A product container tipped over while being moved by forklift, resulting in just under half a metric ton of adhesive resin spilling out into the gutter next to the yard. Oil fences and sandbags were used to prevent the spill from spreading and some of the resin was recovered.	<ul style="list-style-type: none"> <li>Thorough instruction and education on safe operation of forklifts.</li> <li>Repairs of concrete surface of yard.</li> <li>Repair of gutter lid on footpath.</li> </ul>

# Engagement with Stakeholders



Additional information about engagement with stakeholders is available on the AICA website.  
(Only Japanese)  
<http://www.aica.co.jp/company/envirom/principle/>

## Basic Thinking on Engagement with Stakeholders

As a company that is widely trusted by society, we have instilled in our corporate 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 corporate 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, handling instructions, warning labels, and construction 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 competent authorities 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

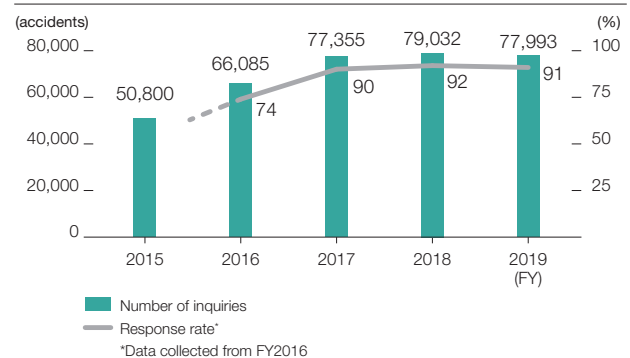
We have established the AICA Inquiry Center as a direct point of contact with customers who have adopted our products. So we can be of even more assistance, we carry out a variety of measures with the aim of improving call quality and enhancing our proposal-making capabilities.

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.

Trends 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 with 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 about product improvement and development.

### AICA Distributors' Organization National Convention



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 the senior executives have checked them, and put responses into place.

In the FY2019 survey, the evaluation was high overall, and evaluation of sales activities also improved. Going forward, we will continue to conduct sales education and place efforts into the further improvement of satisfaction.

## AI chatbot introduced on website

In December 2019, we introduced an AI-equipped chatbot<sup>\*1</sup>, AI Assistant AICA, to the AICA website. This has improved the convenience of the website, enabling users to access the information they need in a smarter way from our vast product catalogue.

With the introduction of this system, the AI chatbot can handle simple inquiries, which has cut down on the number of

inquiries made to our Inquiry Center. This has given Inquiry Center staff more time to improve the quality of their handling of the inquiries they do receive.

<sup>\*1</sup>A combination of the word "chat" (talk) and "bot" (robot). Automatic chat program that uses artificial intelligence. The system gives automated responses to text entered by the user to replace the work of handling inquiries, etc.

## 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.



## 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 Guidelines. 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 70% 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) measures in procurement activities

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.

These initiatives have proved successful and the impact of the COVID-19 pandemic did not extend to our procurement of raw materials. We will continue to consider measures to ensure that we can fulfill our supply responsibilities even in the event of a disaster or accident, and implement various measures as required.

### Provision of Product Safety Information

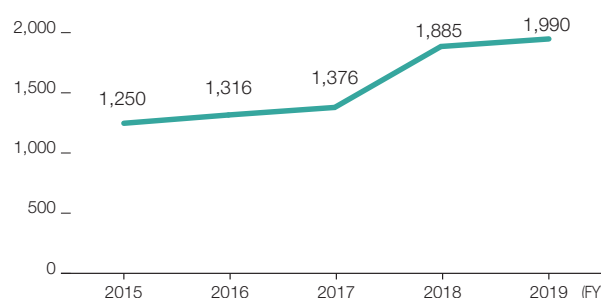
Amid ever-increasing concerns about chemicals, including the enforcement of the Revised Buildings Standards Act, the revision of the standards for school environmental hygiene, and restrictions on chemical substances overseas, our business overall is widely involved in these issues.

In FY2019, we provided safety information in response to 1,990 requests from customers. These kinds of requests are increasing in number every year.

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)



## 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/>

### Communication 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 FY2019

**162** accidents

### Shareholder returns

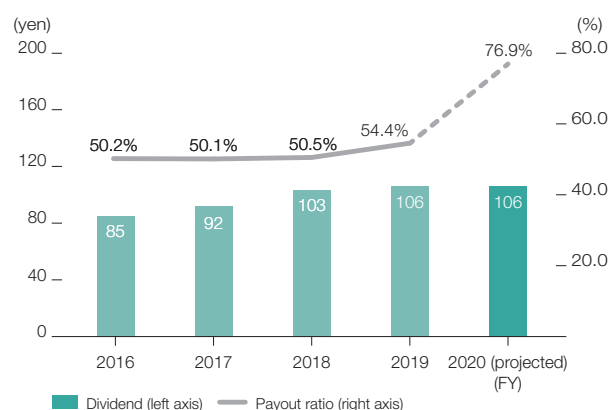
To realize the return of profits to our shareholders and the sustainable growth of the company, we issue dividends that consider the consolidated performance of each period, payout ratios, and internal reserves. Under our current Mid-Term Business Plan, C&C 2000, we are issuing shareholder returns that are linked to performance, with a target consolidated payout ratio of 50%. In FY2020, we view the forecasts for diminished profits as being the result of the extraordinary circumstances of the temporary downturn in domestic and overseas economic activity due to the COVID-19 pandemic, and we intend to issue dividends at the same level as the previous fiscal year.

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 Evaluation

In 2019, we were added for the first time to the FTSE4 Good Index Series and FTSE Blossom Japan Index, leading SRI indices developed by FTSE Russell. The decision has been made to include us in these indices in 2020 as well.

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 eight consecutive terms.





## 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.

### Aica Laminates Vietnam Co., Ltd.

#### Cooperated with Vietnam training trip by Aichi Prefectural Nakamura Senior High School.

Nakamura Senior High School places efforts into learning guidance, club activities, and international understanding education. In FY2019, the school established a new International Understanding Course. As part of the curriculum of this course, a training trip to Vietnam was conducted with the objective of deepening understanding about Vietnam's culture, history, economy, and language, through experiential and explorative learning, in addition to acquiring general knowledge about international understanding.

The students on the trip visited companies from Aichi Prefecture that have set up operations in Vietnam to deepen their understanding of how people and goods are linked across national borders in a global society. Thirty students and their two teachers visited Aica Laminates Vietnam Co., Ltd. on July 24.

Comments received from the visiting students about their visit to the company included: "My dream is to set up my own company in the future, and hearing about things like business plans and establishment plans gave me a more concrete image." "This was the first time I had heard about a company's overseas strategy. It made me realize that they are the result of accumulated efforts in areas such as careful customer service and employee recruitment in the course of setting up the company." "I realized that there is still a great deal of potential for development in overseas business."



### EVERMORE CHEMICAL INDUSTRY CO., LTD.

#### Forest plantation clean-up activity

Since 2010, EVERMORE CHEMICAL INDUSTRY CO., LTD. has owned one hectare of forest plantation in the ninth forest zone of National Taiwan University's experimental forest. Every year, the company visits the plantation for a clean-up activity, positioning it as a "Family Day" that gives employees and their families the chance to interact with each other, as well as check out the planted trees.

Through this activity, the company shares with employees the importance of environmental conservation activities and consideration of health, with the aim of becoming a "Green Company."



### Sponsorship and exhibition in Youngsters' Science Festival 2019

We sponsor and exhibit at the Youngsters' Science Festival, which is held annually at the Nagoya City Science Museum and Electricity Museum. At this event, at which everyone from children to adults can engage with science in fun and casual ways, we co-operated by providing a space for hands-on experiences of adhesives.

## Third-Party Opinion

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



QUICK Corp.  
Managing Executive Officer  
Head of ESG Research Center  
**Etsuya Hirose**

At the global level, there is renewed emphasis on stakeholder capitalism based on corporate objectives. This concept, which was proposed last year by the Business Roundtable, a group of executives of major U.S. companies, refers to the recognition that companies have come to identify the resolution of social issues, such as contributions to local communities and dealing with environmental issues, as a corporate objective. The World Economic Forum has revised its own guidelines, the Davos Manifesto, to give renewed emphasis to stakeholder capitalism. Amongst this trend, at AICA, you have placed "symbiosis" at the core of your corporate philosophy, focusing on dialogue with all stakeholders and promoting sustainable management that balances economic growth and social responsibility, centered on a "virtuous circle model." In this regard, you could be described as a front-runner in CSR.

This fiscal year, you have focused on strengthening corporate governance in the following ways:

- Transition to a Company with Audit and Supervisory Committee in June 2020
- Establishment of an Overseas Planning Department and Overseas Governance Committee, with the aim of reinforcing governance of the Overseas Group companies

These measures have formed the foundations for improving the transparency of your governance functions and business management, which I expect will prove effective going forward. Also, in the course of strengthening your overseas business with a focus on Asia, your governance will need to function in an integrated manner as the AICA Group.

In terms of strengthening your frameworks for the promotion of CSR, the CSR Committee, which plays the leading role in your CSR activities, will now report to the Board of Directors instead of the Management Meeting, which will give the Board a stronger monitoring function. I believe that your reputation among stakeholders in Japan and overseas will be enhanced by the Board of Directors taking responsibility for the supervision of CSR activities.

Regarding environmental issues, you clarified your approach for the AICA Group as a whole by launching the Climate Change Response Project in April 2020 and endorsing The Task Force on Climate-Related Financial Disclosures (TCFD) in May. As the world moves toward becoming a carbon-free society, for you to become a company that society will choose, I hope you will further raise your targets for greenhouse gas reductions, declare a policy for net-zero emissions by 2050, establish an action plan based on that policy, and implement it to achieve those targets.

There are several points I would like to request for the future.

### ① Building long-term strategy

You have formulated your AICA 10-Year Vision, which sets out your financial targets and ideal vision for the next 10 years, based on group collaboration & enhancement of business foundations, human resources development, and responsibility to stakeholders, linking it to the Medium-Term Business Plan. I hope that you will develop this vision into an even longer-term, 30-year vision, draw up scenarios for the future of a carbon-free and recycling-oriented society, and develop long-term strategies.

### ② Strengthening response to business and human rights

Your response to labor-related and human rights risks seems to have fallen behind compared with your response to environmental issues. Looking at the financial and non-financial highlights (P3, P4), the labor-related data (number of industrial accidents, industrial accident frequency rate/severity rate) are only for production sites in Japan. In addition, I have not been able to confirm the supervision and management frameworks for labor-related and human rights risks. With overseas sales accounting for more than 40% of your sales and given your strategy of strengthening your overseas business even further with a focus on Asia, I believe that you will need to identify and assess labor-related and human rights risks, prevent and mitigate adverse impact, and conduct monitoring and disclosure of information throughout the Group, including your supply chains.

### ③ Promotion of Diversity

You have designated "human resources" as one of the Group's materialities and are making efforts to promote women's active participation and to improve the percentage of female employees, so I believe that the percentage of female managers will also increase in the future. Going forward, I hope you will promote diversity, including promotion of non-Japanese employees, as a company doing business on a global scale. In this fiscal year, you appointed one female external director. In the future, I hope you will reorganize the skill matrix of Directors and further promote diversity on the Board.

Finally, I recommend that you undertake a review of your materialities on an annual basis. As new ESGs issues arise and the seriousness of each issue changes year by year, it is important to keep working to meet the demands of your global stakeholders. I also look forward to an explanation of your management frameworks in terms of how your materialities are being integrated into your business models and risk management.



Giving Back to the Earth through Technology

## AICA KOGYO CO., LTD.

Head Office: 26F JP Tower Nagoya, 1-1-1 Meieki, Nakamura-ku, Nagoya, Aichi, 450-6326, Japan Tel: (052) 533-3136  
URL/<http://www.aica.co.jp/>



This booklet uses  
universal-design fonts that  
are easy for anyone to read.



This is our **Communication on Progress**  
in implementing the principles of the  
United Nations Global Compact and  
supporting broader UN goals.

We welcome feedback on its contents.