ISHIHARA SANGYO KAISHA, LTD.

# Integrated Report 2025

# Accelerating transformation to meet the demands of the times.

**Final Year of Stage II (FY2026)**

- **Operating income: Greater than ¥19 billion (Estimated net sales: Greater than ¥160 billion)**
- **ROE: 10% or more**
- **Consolidated dividend payout ratio: 40%**

Toward achieving Vision 2030, we are implementing numerous initiatives in fiscal 2025, the second year of the medium-term business plan Stage II.
These focus on strengthening R&D capabilities and improving efficiency for greater originality, accelerating globalization, pursuing ROIC management, and continuing stable returns for shareholders.
We continue to grow with people at our core and accelerate transformation.

## Vision 2030

- **Operating income: Greater than ¥24 billion (Estimated net sales: Greater than ¥180 billion)**
- **ROE: Maintaining 10% or more steadily**

加速

Acceleration

# Purpose

To continue contributing to better living environments through chemical technologies

**StageI** FY2021-2023 → **StageII** FY2024-2026 → **StageIII** FY2027-2029 → **Vision 2030**

**Originality. Acceleration. Global Reach.**
**Transforming Lives Through the Power of Chemistry.**

## Corporate Philosophy

### Basic Philosophy

- Contribute to social development, protection of life and environmental preservation
- Respect shareholders, customers, suppliers, Local communities and employees
- Abide by laws and regulations; maintain transparency in business activities

### Code of Conduct

- At Ishihara Group, we will strictly observe laws, regulations, social norms and Company rules, while steadfastly adhering to high ethical standards, so as to gain social trust in our business.
- In manufacturing activities, we will place the utmost priority on global environmental protection, as well as on worker safety, and will work to prevent any workplace accident or disaster.
- On the basis of respect for human rights, we will promote mutual understanding and cooperation among employees, in order to create an open and friendly workplace.
- To maintain transparency in our business activities, we will promote communication with local communities and society, and will disclose corporate information in a timely and appropriate manner.

## Our Vision Towards 2050

A global company that is cherished by people and society,
achieving healthy and fulfilling lives

**Three initiatives to realize our vision**

- Challenges and innovation
- Create society
- Organizational and human evolution

# Vision 2030

Originality. Acceleration. Global Reach. Transforming Lives Through the Power of Chemistry.

## Vision 2030 Management targets

Operating income:
Greater than ¥24 billion

Estimated net sales:
Greater than ¥180 billion

ROE:
10% or more

Contining stable return for shareholders

**Contributing to realization of a sustainable society together with improving our corporate value through such business activities.**

| | |
|---|---|
| Megatrends | ● Escalating climate change issues, transition to a carbon-neutral society<br>● Aging populations as a result of greater longevity<br>● Growth of the global population and food problems<br>● Growth of emerging economies ● Unstable political situations around the world<br>● Development of digital technologies ● Improvement in the standard of living |
| Stakeholders | ● Shareholders and investors ● Local communities<br>● Customers and business partners ● Employees |

## Value Provided by ISK and Our Initiatives

### Organic chemicals business

**Supply unique products that directly enhance customer value across the world, and support people's nutrition, health and life to contribute to realizing a sustainable society.**

| | |
|---|---|
| Agrochemicals | Improving agricultural production stability and quality |
| Animal health products | Attain a comfortable life with companion animals |
| Pharmaceuticals | Contributing to medical care |

- Pursuing development and commercialization in a way that's aware of the value chain
- Accelerating the creation of value and restoring our growth trajectory by improving and evolving in-house technologies
- Manufacturing flagship products at the lowest cost in the world and supplying them in a stable manner to customers

### Inorganic chemicals business

**Create new value based on the technologies developed for titanium dioxide products, to support the environment and digital society, and contribute to realizing a sustainable society.**

| | |
|---|---|
| Functional materials | Creating a range of comfort |
| Titanium dioxide | Providing a variety of colors and hues |
| Environmental products | Achieving both innovation and environmental protection |

- Contributing to the resolution of social issues such as the adoption of information and communications technologies and the electrification of automobiles through functional materials
- Diversifying the optical properties of titanium dioxide to realize new value creation
- Reducing environmental impacts while streamlining production through a revolution in production structures

### New businesses, others

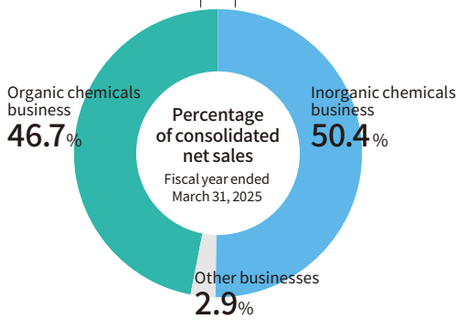
- Building a new business portfolio
- Strengthening development of environmentally friendly products by investing resources (people and money) with an awareness of environmental, social, and corporate governance (ESG) considerations
- Establishing structures to pursue carbon neutrality by 2050

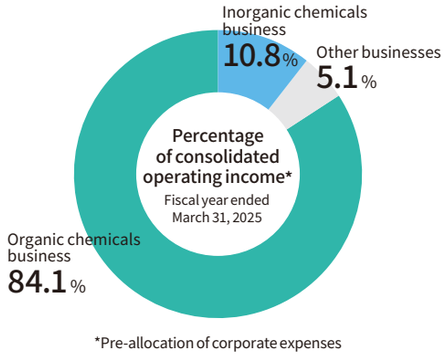
# Business in Brief

## Organic chemicals business

### Underpinning food production worldwide and saving animal lives

Our organic chemicals business, whose flagship agrochemical products include herbicides, fungicides, and insecticides, is building a broad network that encompasses the Americas, Europe, and Asia. The value of its exports places it among the leading domestic businesses in its sector. Furthermore, we've identified animal health products created through the application of agrochemical development technologies as a new growth sector, and we're working to start sales in major countries worldwide.




*Pre-allocation of corporate expenses

#### ● Agrochemicals

Since introducing the first agrochemical technologies to Japan about 70 years ago, we've supplied environmentally friendly agrochemicals to the global market by drawing on world-class development capability as a pioneer in the segment. In December 2025, we will open our Technology Research Center, Hyogo-Ono, a new research facility (located in the city of Ono in Hyogo Prefecture) dedicated to further improving our production technologies.

#### ● Animal health products

PANOQUELL™, the world's first canine anti-pancreatitis drug, is a flagship product in this segment. We're already manufacturing and selling it in Japan, and we expect to obtain full regulatory approval and transition to full-scale sales in the U.S. in the near future. We're also working to broaden the applications of the major ingredient fuzapladib sodium hydrate to include other conditions, including other inflammation diseases, in ways that take advantage of its unique action mechanism.

## Inorganic chemicals business

### Supplying products that help realize a comfortable, sustainable society

The flagship products of our inorganic chemicals business include functional materials like electronic component materials and thermal barrier materials. We're also the only domestic manufacturer to produce titanium dioxide in chloride process*, which has a lower environmental impact, and we supply the material as a white pigment to a broad range of fields, including for use in industrial products like paints, plastics, and inks as well as cosmetics and synthetic fibers.

*A manufacturing method that requires advanced technologies and that is characterized by low industrial waste emissions.

### Functional materials, titanium dioxide, and other chemical products

#### ● Electronic materials

We offer newly developed materials needed to fuel progress in digital technologies, including high-purity titanium dioxide, a raw material used in laminated ceramic capacitors.

#### ● Functional color materials

We contribute to a comfortable living environment by using proprietary material design technologies to develop functional materials. These include high jet-black pigments, conductive materials, layered titanate, cosmetic-use pigments, and micro-granular titanium dioxide.

#### ● Fine chemicals

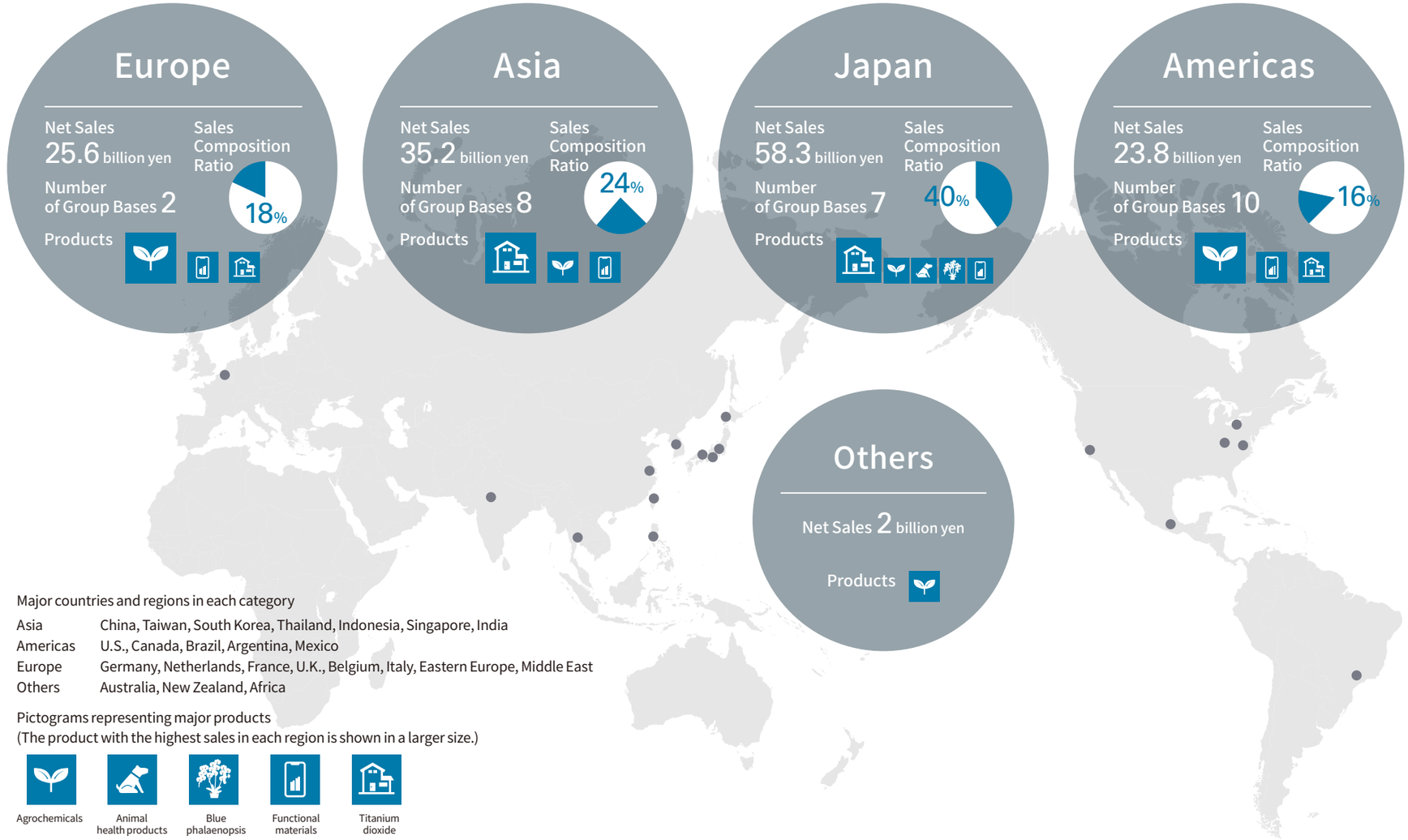
We supply fine chemicals including titanium dioxide for use in pigments, which is our core business, as well as high-weather-resistant titanium dioxide, chemical products, and HASClay™.

# Business in Brief

## Key Figures

Fiscal year ended March 31, 2025

| | | |
|---|---|---|
| Net Sales | 145.1 | billion yen |
| Operating Income | 10.4 | billion yen |
| Operating Margin | 7.2 | % |
| ROE | 7.6 | % |
| Capital Adequacy Ratio | 50.8 | % |
| R&D Expenses | 10.7 | billion yen |
| Group employees | 1,807 | |




Major countries and regions in each category

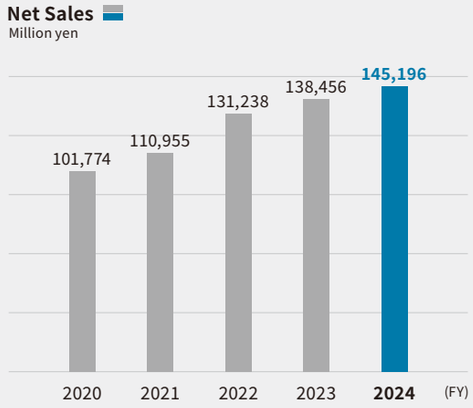
| | |
|---|---|
| Asia | China, Taiwan, South Korea, Thailand, Indonesia, Singapore, India |
| Americas | U.S., Canada, Brazil, Argentina, Mexico |
| Europe | Germany, Netherlands, France, U.K., Belgium, Italy, Eastern Europe, Middle East |
| Others | Australia, New Zealand, Africa |

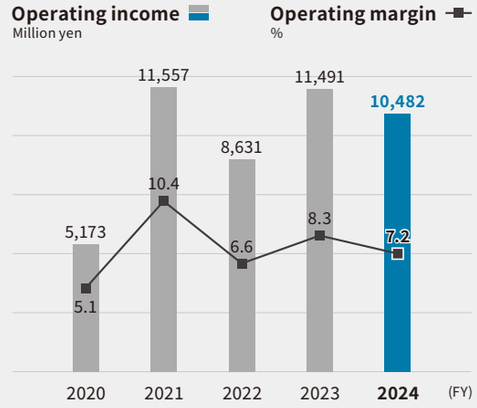
Pictograms representing major products
(The product with the highest sales in each region is shown in a larger size.)

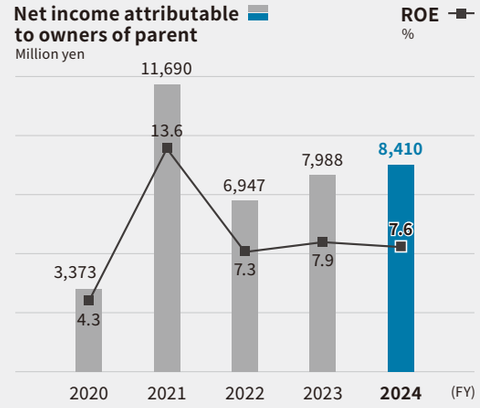
Agrochemicals | Animal health products | Blue phalaenopsis | Functional materials | Titanium dioxide

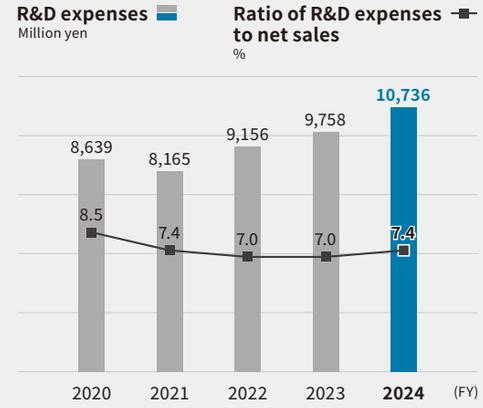
# Financial and Non-Financial Highlights

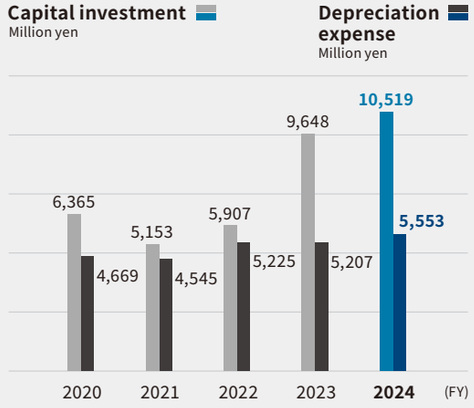
## Financial Highlights (Consolidated)

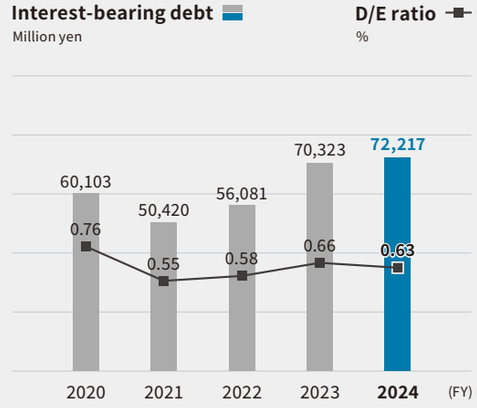


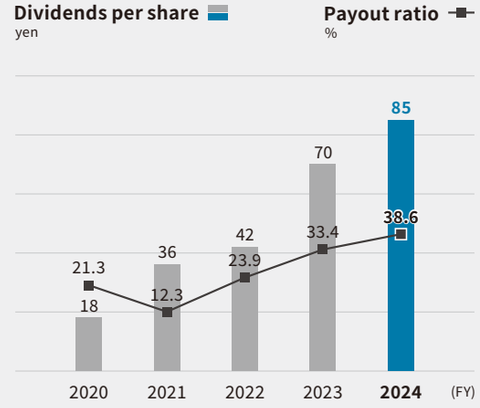



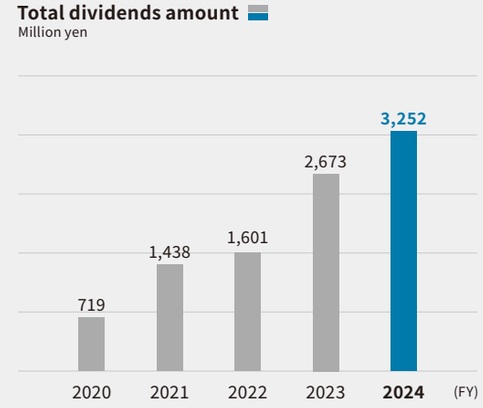



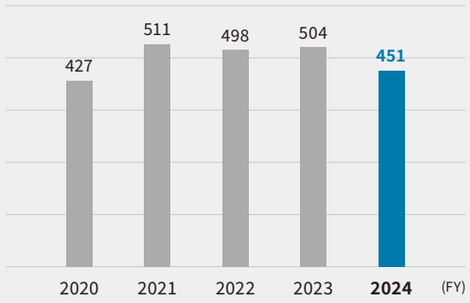



# Non-Financial Highlights

## Environmental

### Greenhouse Gas (GHG) emissions (ISK Group*1)

Thousand tons $CO_2e$




### Industrial waste (sludge) (Japan, consolidated*2)

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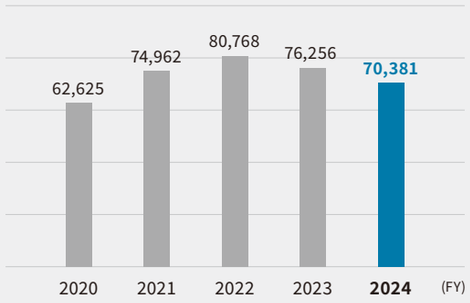


### Energy intensity (Japan, consolidated*2)

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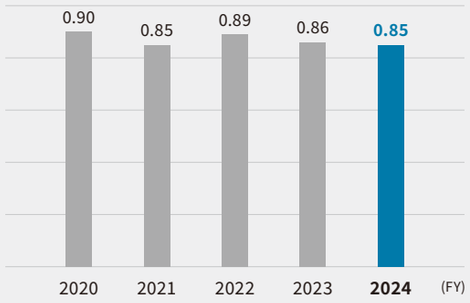
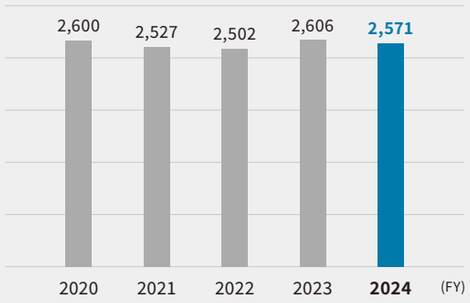



## Others

### Number of patents held (non-consolidated)

Cases

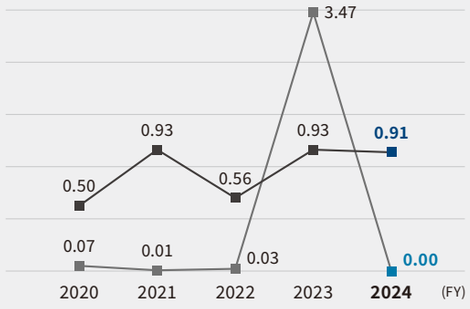



## Social

### Workplace accidents (Japan, consolidated*2)

Frequency rate of lost-worktime injuries — %

Severity rate — %

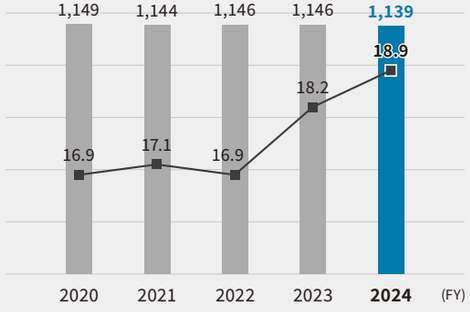



### Number of employees (non-consolidated)

Persons

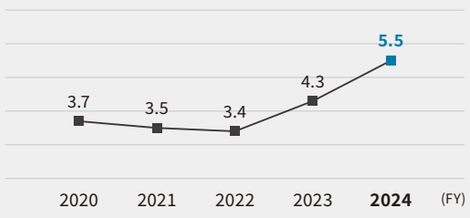
### Female employee ratio (non-consolidated)

%




### Female manager ratio (non-consolidated)

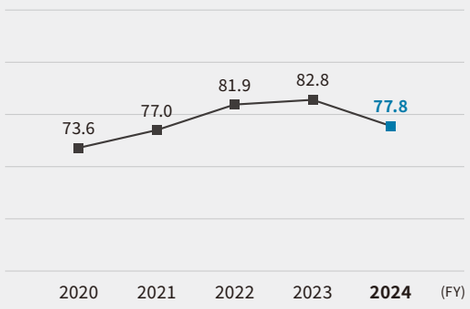
%




(Based on the definition of "managers" under the Act on the Promotion of Female Participation and Career Advancement in the Workplace, the scope of aggregation for female managers has been changed to include managerial positions at the section manager level and above.)

### Paid leave acquisition rate (non-consolidated)

%




*1 Entire ISK Group *2 Operated by ISK and Fuji Titanium Industry Co., Ltd. Production facilities only.

# Purpose and Contents



## Purpose

### To continue contributing to better living environments through chemical technologies

Our purpose captures the significance of our existence,
the spirit of challenge that the ISK Group has cultivated over its long history.
We supply society with products
that play an essential role in consumer lifestyles.
Agrochemicals make a significant contribution
to our ability to feed the Earth's population,
which will continue to increase going forward.
Titanium dioxide is essential for rich and satisfying lifestyles
characterized by vivid color.
And barium titanate is an essential material in capacitors,
which will be used in an ever-broader range of fields in the future,
including computers, smartphones, self-driving systems, and electric vehicles.

Our strengths lie in proprietary chemical technology
and technological development.
We're proud to offer unique technologies that sparkle with potential.
Our mission is to use them to deliver value and products
sought by all in society and to create anew that which is lacking.

We will help resolve the world's problems
and realize better living environments through chemical technologies.
The Company's purpose lies in this mission,
and this purpose comprises the foundation of all our business activities.

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Message from the President

**Tasking the Current Management Team with Taking Action Focused on the Next 10 Years**

Executive Director and President
**Hiroshi Okubo**


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Special Feature

**A Small Team Tackling the Rapidly Changing Needs of Cosmetic Raw Materials**

The introduction of a divisional system is changing the business style of the Inorganic Chemicals Business Headquarters. Operations have become faster and more agile, and a system is now in place that enables rapid responsiveness to new needs. We sat down with three members of the Cosmetics Team, which is part of the newly established Functional Color Materials Business Division, to talk with them about their work on commercializing new cosmetic raw materials (positions are as of June 2025).

# Message from the President



## Tasking the Current Management Team with Taking Action Focused on the Next 10 Years

Executive Director and President **Hiroshi Okubo**

**Our Aims**

- **“60-point principle” and “subordinated priorities”**
- **Achievement of our Stage II operating income target**
- **Organizational improvements aimed at making all businesses profitable**
- **Returning profits to stakeholders**

### Our Priority

### Pursuing “Acceleration” via the “60-point Principle” and “Subordinated Priorities”

I get up early in the morning to have some extra time before work. As I live away from my family, my daily routine involves cooking and doing the laundry, and, while I do these tasks, I like to watch economic news videos online at double speed. I'm naturally an impatient person, so this sort of time-saving lifestyle suits me. However, I watch movies and dramas at standard speed. In our Vision 2030, we emphasize “Originality, Acceleration, Global Reach,” and, of those, the one that we are most conscious of is “acceleration” which is in line with the changing times.

This is why I remind everyone in the company about the importance of the "60-point principle" and "subordinated priorities." 60 points is the bare minimum score required to pass a qualification exam. Whether you get 100 points or 60 points, passing is passing. Rather than allocating all resources towards achieving a perfect result, determine what your priorities are and redirect resources as needed.

I am also particularly focused on time usage and communication methods. Even in meetings, I tell people to be concise and to use visually engaging materials. My career began out in the field, so I am a straight-talker. The world is rapidly changing, and our management team needs to fully understand it and then instill a greater sense of

urgency in our employees. I want to think and act at twice the speed not only when it comes to watching the news but with various other tasks as well.

### Looking Back

## Outperforming Initial Forecasts and Delivering Substantial Shareholder Returns

In the past year and a half since becoming president, I have focused simply on working hard together with our employees, affiliates, customers, and other stakeholders. We are steadily seeing the results of these efforts. Consolidated results for fiscal 2024 exceeded initial forecasts in both sales and profits, and we also achieved wage increases and increased bonuses for employees. In February 2025, the company changed its shareholder return policy, announcing a new policy of setting a minimum DOE (Dividend on Equity) of 3%. Since then, the stock price has remained strong, recovering to the 2,000 yen range at the end of June for the first time since December 2017, and market capitalization is approaching 100 billion yen.

The atmosphere across the entire ISK group is also improving. In May, we held a two-day event, the “ISK 70-50 Festa in Yokkaichi,” at the Yokkaichi Plant to commemorate the 70th anniversary of the sulfate process titanium dioxide plant's operation and the 50th anniversary of the chloride process plant's operation. On both days, attendance by employees, their families, and local residents’ association members greatly exceeded our initial expectations. My passion and enthusiasm for what we do is as boundless as the Sun, and I intend to keep taking the lead and working to spread my energy to those around me.

### Stage II Progress and Outlook

## Flexibly Adapting to Changing Market Conditions to Get Off to a Good Start

The past year and a half has also been a time of significant progress toward achieving our Vision 2030 Stage II medium-term business plan (FY2024 - FY2026).

In our bioscience business, which aims to achieve the world's lowest cost manufacturing, we have been focused on organizing our base in India. We have established a new “India Base Promotion Division” in order to facilitate our entrance into the expanding Indian market and, thereby, reduce the manufacturing costs of active ingredients and intermediates and respond flexibly to fluctuations in demand. Securing a registered active ingredient manufacturing site from the early stages of development will help speed up the launch of new products.

On a related note, the Technology Research Center, Hyogo-Ono (Ono City, Hyogo Prefecture), a production technology research facility currently under construction, will begin full-scale operation in December 2025. In collaboration with the Central Research Institute (Kusatsu City, Shiga Prefecture) and the Yokkaichi Plant, we plan to utilize Ono's bench and pilot plant to establish production technologies that will achieve higher efficiency and lower costs and, then, expand to commercial production in India and around the world.

Additionally, sales of the herbicide Tolpyralate, one of our growth strategy agents, are booming in the Americas due to its expanded application to wheat. Its launch in India is also progressing as planned, and Tolpyralate has become the key source of income in Stage II.

Furthermore, we would like to focus on expanding sales in Asian countries such as Taiwan, Thailand, and the Philippines, as well as Australia.

In our healthcare business, we are working to obtain approval in various countries for the animal health product PANOQUELL™, with the aim of achieving operating profitability during Stage II. We are currently applying for approval in Europe, Australia, and Latin America, with plans to progressively obtain approval thereafter from 2026. In the United States, where commercialization is further along, sales partners are becoming more active, and future developments are expected. By the end of fiscal 2025, we plan to establish a business foundation that will begin making a solid contribution to profits from the final year of Stage II. Further, we aim to make this one of our profitable business pillars by around 2030.

The restructuring of our inorganic chemicals business has also progressed steadily. Since introducing a divisional system in June 2024, we have been accelerating our business development by dividing our business into three domains. Among these, electronic component materials are our key source of income, with ISK securing a high market share for products such as barium titanate for MLCCs (multilayer ceramic capacitors). Electronic component materials are a stronghold for Japanese companies; so, in order to fulfill our supply responsibilities, we are considering increasing production of high-purity titanium dioxide, which provides high added value.

At the same time, however, the field of fine chemicals (titanium dioxide), such as those used in paints, is facing a tough situation due to a low-price offensive from China, but we will continue to produce titanium dioxide in sulfate process over the next year and a half before switching to titanium dioxide in chloride process, which has a lower environmental impact.

In addition, we are also working on a planned renewal of the Central Research Institute in preparation for Stage III. My dream of creating a foundation that encourages the success of young researchers by providing an excellent research environment is steadily becoming a reality. It is incumbent upon the current management team to take action that is focused on the next 10 to 20 years as an important investment for the future.

Overall, we have been able to more flexibly adapt to changes in market conditions than we initially feared, and I think we have gotten off to a good start. The second year operating income target set at the time that the Stage II medium-term business plan was formulated was 16.7 billion yen, but the budget for fiscal 2025 is only 15 billion yen. Nevertheless, we have been able to achieve steady results overall, including increased dividends, a rise in the stock price, and a 6% wage increase. I would say this puts us in 60-point territory, although just barely.

Although the US tariff policy has been much talked about recently, we believe that it has not had a major impact on our group so far. The United States essentially relies on imports for large volumes of agrochemicals, and tariffs are imposed regardless of where these agrochemicals are exported from. There is a risk that this will have an indirect impact on automotive-related products, such as raw materials for paints, but, conversely, it may become more difficult for American titanium dioxide manufacturers to export to China, which could result in that demand being passed on to

our group. An overall bad outcome is not guaranteed; it will depend on the impact of exchange rates. For now, we are expecting the dollar to trade at 140 yen and the euro to trade at 160 yen, so things are moving in a positive direction.

### Measures Implemented Since Taking Office
## Putting People First, and Taking Time to Cultivate a Corporate Culture

Since becoming president, I have made people a particular focus as one of the three things that managers need to control: people, goods, and money. Because there has been little contact with research laboratories, last year I made information sharing with management at the Central Research Institute, in the form of roundtable meetings, a priority. At the Yokkaichi Plant, a session was also held with the relief employees. We place particular importance on listening to the voices of our employees as a foundation for improving engagement.
We have also been focusing on mid-career hires. We have had some very talented people join us, and it is my hope that they will bring a breath of fresh air to our 105-year history. I want them to keep trying new things. Blending corporate cultures is not easy, but we need new strength to achieve our vision. I want to increase the number of people who are willing to take bold risks, launch new projects, and take initiative. I believe we need to change our personnel system so that such people will be rewarded. Linking bonus payments to operating income should help convey this sentiment to employees. Ultimately, it is people who create new products, operate equipment in factories, and make money by selling products. Although changing the mindset of the entire group is a daunting task, we will continue to pursue this goal with unwavering determination and persistence.

### Expectations for Executives
## Still Lacking a Sense of Speed; Need a Greater Sense of Urgency

Just as I expect our employees to work hard, I also expect more from our directors, executive officers, and advisors. My refrain is, “Prove your value within one year.” Our executives are trusted colleagues who share ISK’s vision and work every day to improve our corporate value. In order to achieve the goals of this vision, our executives must be serious communicators who ensure that it gets disseminated to all managers and then to every employee and workplace.
To reflect these expectations, we changed our compensation system in June 2025 and introduced a new performance-linked stock compensation system utilizing a trust (RS Trust). The link between directors' remuneration and corporate performance and stock value has been made clearer, with the stock portion of the remuneration being subject to transfer restrictions until immediately after retirement, as well as being rewarded once directors have completed their duties as executives and become shareholders. It is also linked to ESG-related evaluations, such as the degree of improvement in employee engagement and the degree to which materiality has been achieved. This applies not only to directors but also executive officers and advisors.
The other day, I received an email from a former outside director who served for many years. His message was that although there had been a lot of progress during his tenure, the sense of speed had been lacking, and as time change, executives need to feel a greater sense of urgency. He is quite right. Simply prioritizing work will not allow limited resources to be allocated for truly effective measures. What is required of managers is “subordinated priorities.” They need to be able to determine what not to do. In order to speed up our transformation, this is the mindset being shared among all executives.

### Organizational Transformation
## A Digital Strategy Group Functioning as a Full-fledged Organization

We have also transformed our organization to serve as a foundation for making the most of our human resources. As I mentioned earlier, we have introduced a divisional system into our inorganic chemicals business, and we have also moved the sales organization for our healthcare business to Tokyo. Even in the administrative department, we have recently consolidated accounting and human resources functions that were previously scattered across various locations, at the Head Office. We are also working to strengthen collaboration between our research and development and intellectual property departments.
With regard to digital transformation (DX), the Digital Strategy Group, which was previously under the Office of Sustainability Promotion, has been transferred to the Corporate Planning Division. The number of promotion members selected from each department has increased to about 60, and the promotion system is steadily being put in place. I was in charge of revamping our core business systems five years ago, and I have been a driving force behind DX ever since. By capitalizing on the in-house generative AI already in place, my hope is that employees can shift to more creative work.

### ROIC and Shareholder Returns
## Linking Improved Capital Efficiency to Stock Price and Shareholder Returns

We are currently introducing Return on Invested Capital (ROIC) to manage our organizational efficiency and profitability.  The ROIC tree (visual representations of ROIC components) has already been created, and training for line managers has also begun. When we begin full-scale, segment-specific implementation, we will expand it to all employees and have them set their own personal goals in line with the items in the tree. Going forward, we will use ROIC as a management indicator to appropriately manage and improve capital efficiency, aiming for sustainable growth in corporate value.

The results will lead to increased returns for shareholders. Since announcing a new return policy in February 2025 that sets a minimum DOE of 3%, the stock price has remained strong. If we can achieve sustainable growth, I believe we can expect further improvements in Price-to-Book Ratio (PBR).
We will also enhance dialogue with shareholders and investors. In addition to the IR briefings held twice a year, with the director of the Finance & Accounting Headquarters taking a leading role, we have recently been speaking with investors and analysts from around 30 companies each quarter to explain the current situation and outlook for the Group and also to ask them how they view us. Going forward, under the leadership of the new director of the Finance & Accounting Headquarters, we will strive for even better Investor Relations (IR).

## Environment, Society and Governance
## Making People the Most Important Part of ESG Initiatives

Our ESG initiatives are also being implemented in line with the policies set out in Stage II and Vision 2030.
With regard to the environment, once production of titanium dioxide in sulfate process ends in 2027, $CO_2$ emissions and waste are expected to decrease as a result. However, in order to aim for carbon neutrality by 2050, fuel conversion and improvements to the production process for titanium dioxide in chloride process will be necessary, primarily at the Yokkaichi Plant; thus, we will continue to consider what measures to implement while also keeping an eye on additional costs.
Even when it comes to ESG promotion, people are what matters. Improving human capital, especially developing the next generation of employees, is important. Therefore, by introducing a talent management system that will facilitate visualization of skills and experience, we will be able to systematically develop and allocate future leaders and specialists. We also respect work-life balance by encouraging employees to take childcare leave and paid vacation, and we are working to create a workplace where everyone feels accepted, regardless of lifestyle or thinking. Through such efforts, we aim to maintain a high level of engagement. We have also begun to place more emphasis on mid-career hires and seeking out external specialist talent. We are now able to recruit the best talent. It is my hope that this talent we bring in will help catalyze mutual inspiration and growth together with our regular employees.
The aforementioned revision of executive compensation was discussed by the Compensation Committee, which is comprised of independent outside directors and independent outside Audit & Supervisory Board members, and it was ultimately approved at the ordinary General Shareholders' Meeting. We are proud to have created a system in which directors share the benefits and risks of stock price fluctuations with shareholders in a way which is acceptable to shareholders.

## In Conclusion
## Improving Openness and Gaining More Trusted Colleagues

Within ISK, we gave each employee two tickets to Expo 2025 Osaka, Kansai, Japan. These were included as part of our employee benefits. I, myself, used one of these tickets to go to the Expo in May. While I was there, I was approached by someone who worked under me over 20 years ago when I was in charge of the titanium dioxide in chloride process production line at the Yokkaichi Plant. He was there with several family members, and he expressed his gratitude to me for the tickets. I replied, "I'm sorry that we only gave you two," but I was happy that he felt so comfortable chatting with me.
I feel that there has been somewhat of an improvement in the atmosphere within ISK. Over the course of many conversations with ISK executives, they started to speak more frankly with me as a trusted colleague, and, through the in-depth, small-group discussions I have had with researchers at the Central Research Institute, I am able to see their enthusiasm for research and development and learning. This may just be my own perception, but it seems to me that the number of people who are trying as trusted colleagues, not just as co-workers, to make our group better is steadily increasing.
I want to speak with everyone daily and improve openness for the sake of fostering an atmosphere where managers and subordinates can talk in a close and caring manner.
We are now more than halfway through the second year of Stage II. As mentioned earlier, our initial forecast for operating income is lower than the initial target set when Stage II was formulated, but we have not yet given up on our initial target. Furthermore, we will pursue even greater "acceleration" in 2026 to ensure we definitely achieve the final target for Stage II. At the same time, I want to begin developing a new vision for 2040 and 2050. It is my hope that our shareholders and all other stakeholders will continue to support us over the long term.

# Change is imperative
# Driving Progress through Originality, Acceleration, and Global Reach

Under Vision 2030 Stage II, the Group has set the principal objective of pursuing the initiatives to combine business activities with sustainability, along with the four goals of strengthening R&D capabilities and improving efficiency for greater originality, accelerating globalization, pursuing ROIC management, and continuing stable returns for shareholders. Specifically, in our organic chemicals business, we will seek to develop and commercialize new agrochemical products and to roll out animal health products overseas while launching a new research center. In our inorganic chemicals business, we will pursue a program of selection and consolidation as we aim to dramatically transition our product portfolio from general-purpose titanium dioxide to the functional material domain.

## Principal KPIs

| | Stage I – Final year | Stage II – Target for the final year |
|---|---|---|
| Operating income | 11.4 billion yen | **Over 19.0 billion yen** |
| Operating margin | 8% | **12% or more** |
| Net income | 7.9 billion yen | **Over 13.0 billion yen** |
| ROE | 8% | **10% or more** |

| | 2021–2023 Results | 2024–2026 Targets |
|---|---|---|
| Capital investment | 20.7 billion yen | **32.7 billion yen** |
| R&D expenses | 27.0 billion yen | **30.3 billion yen** |

| | Target |
|---|---|
| Dividend policy | Aiming for a consolidated dividend payout ratio of 40% toward FY2026 |

## Medium-term Business Plan FY2024-2026: Vision 2030 Stage II

**Strengthening R&D capabilities and improving efficiency for greater originality** | **Accelerating globalization** | **Pursuing ROIC management** | **Continuing stable returns for shareholders**

### Organic chemicals business

- Accelerating R&D and commercialization of new agrochemicals and animal health products
- Increasing our share of the global market by manufacturing agrochemicals at the lowest cost in the world and supplying them in a stable manner
- Acquiring and maintaining agrochemical registrations in various countries worldwide
- Expanding sales for the animal health product PANOQUELL™ in the U.S. and deploying the drug in other major countries as well
- Expanding the scale of our businesses by pursuing M&As and partnerships with other companies, and introducing agents from other companies
- Developing and commercializing biological products

### Inorganic chemicals business

- Expanding sales and increasing production capacity of electronic component materials
- Expanding business by marketing newly developed products and creating new businesses
- Improving the capability of technical sales overseas
- Expanding business through collaboration with other companies
- Procuring main raw materials and fuels stably and on favorable terms
- Reforming our inorganic chemicals business structure

### Overall management

**Pursuing the initiatives to combine business activities with sustainability**

- Contributing to the environment and society
- Promoting human capital management
- Promoting DX
- Continuing and improving corporate governance

# Progress on Major Initiatives

**Strengthening R&D capabilities and improving efficiency for greater originality**

We are propelling greater efficiency by managing progress across departments and allocating resources according to current progress.
We are also strengthening development capabilities and competitiveness in line with DX implementation and intellectual property strategies.

**Accelerating globalization**

To reduce manufacturing costs for ingredients and intermediate materials and ensure stable supply, we are looking into strengthening the production system in India.

**Pursuing ROIC management**

We have calculated ROIC for each business. We will link this indicator to on-site execution by deploying KPIs and reviewing measures in each business.
This will further strengthen our ROIC management.

**Continuing stable returns for shareholders**

Revised shareholder return policy
- During the period of the Medium-Term Management Plan "Vision 2030 Stage II," dividends will be paid with a minimum DOE of 3%.
- Starting in fiscal 2025, interim dividends will be paid.

## Progress of Key KPIs

| | FY2023 results | FY2024 plan | FY2024 results | FY2024 differences | FY2025 plan | FY2025 forecast | FY2026 plan |
|---|---|---|---|---|---|---|---|
| Operating income | 11.4 billion yen | 10.0 billion yen | 10.4 billion yen | 0.4 billion yen | 16.7 billion yen | 15.0 billion yen | 19.8 billion yen |
| Operating margin | 8.3% | 6.9% | 7.2% | 0.3% | 11.1% | 10.2% | 12% or more |
| Net income | 7.9 billion yen | 6.0 billion yen | 8.4 billion yen | 2.4 billion yen | 10.3 billion yen | 9.2 billion yen | 13.6 billion yen |
| ROE | 7.9% | 5.6% | 7.6% | 2.0% | 9.1% | 7.9% | 10% or more |

| | FY2023 results | FY2024 plan | FY2024 results | FY2024 differences | FY2025 plan | FY2025 forecast | FY2026 plan |
|---|---|---|---|---|---|---|---|
| Capital investment | 9.6 billion yen | 13.0 billion yen | 10.5 billion yen | -2.5 billion yen | 15.7 billion yen | 15.0 billion yen | 4.0 billion yen |
| R&D expenses | 9.7 billion yen | 10.4 billion yen | 10.7 billion yen | 0.3 billion yen | 9.8 billion yen | 11.4 billion yen | 10.1 billion yen |

| | FY2023 results | FY2024 plan | FY2024 results | FY2024 differences | FY2025 plan | FY2025 forecast | FY2026 plan |
|---|---|---|---|---|---|---|---|
| Dividends per share | 70 yen | 70 yen | 85 yen | 15yen | 100 to 105 yen | 100 yen | 143 yen |

## FY2024 Progress

### Organic chemicals business

- In Europe, sales of fungicides and insecticides are performing well compared with the medium-term business plan.
- In growth strategy products, revenue was lower than the medium-term business plan for the herbicide Tiafenacil. However, revenue was higher than the medium-term business plan for the herbicide Tolpyralate in the Americas and the insecticide Cyclaniliprole in Asia.
- Sales of the anti-inflammatory drug PANOQUELL™ for the acute phase of pancreatitis in dogs are growing both in Japan and overseas.

### Inorganic chemicals business

- Although profitability fell short of medium-term business plan expectations, it improved significantly compared with the previous year.
- Electronic component materials remain solid both in Japan and overseas.
- In fine chemicals (titanium oxide), while sales declined due to progress in optimizing product inventories and a shift to profit-focused sales, profits improved thanks to lower raw material and fuel prices.

# Message from the Director of Finance & Accounting Headquarters

## Entering a Phase of Improved Profitability Following Structural Reform of ISK's Inorganic Chemicals Business

Director of Finance & Accounting Headquarters

**Toichiro Shiomi**

### Basic Policy

#### Balancing Investment with Shareholder Returns

The former director of the Finance & Accounting Headquarters worked hard to increase corporate value through improvements in ISK's financial position and shareholder dialogue-driven efforts to increase shareholder returns. The company was previously forced to carry a large amount of debt but has gradually reduced it, raising its rating to "BBB+ Outlook Positive." The capital adequacy ratio was 50.8% at the end of fiscal 2024, which puts us in a position to potentially achieve an A rating. In addition to dialogue with shareholders, measures were implemented that sought, among other things, increased dividends and the setting of a minimum dividend on equity (DOE) to enhance shareholder returns.

I intend to carry on the policies of the former director of my predecessor. The immediate goal is achievement of our Stage II medium-term business plan.

In the Stage II medium-term business plan, we will enter a phase of improving profitability from this fiscal year in order to achieve Vision 2030. Appropriate investments are essential to improving profitability. Our financial condition has improved, and, going forward, rather than further improving our capital adequacy ratio, I believe it is necessary to allocate funds to investments to strengthen profitability, assuming that we maintain an appropriate capital adequacy ratio.

I will continue to place importance on dialogue with shareholders. I will focus on communicating the sentiments of shareholders to management in an appropriate manner, taking into consideration the balance with investment, and translating this into the best possible shareholder return policy.

### Fiscal 2024 Performance

#### Steadily Reviewing ISK's Portfolio

We decided to end the production of titanium dioxide using the sulfate process in fiscal 2023, for which we recorded an impairment loss, and, in fiscal 2024, we disposed of excess inventory of titanium dioxide produced using the sulfate process. As a result, operating income for fiscal 2024 declined 8.8% year-on-year to 10.4 billion yen. However, given that we have decided to dispose of underutilized assets, I believe that fiscal 2023 and 2024 will be a major turning point for improving profitability. Our goal has also shifted from prioritizing sales to focusing on operating income, and the mindset within the group has also changed.

The titanium dioxide in sulfate process business has been a major factor in the unstable performance of ISK to date; so, I believe that once production ends in fiscal 2026, the volatility of our performance will improve and we will become more stable. If this happens, the β*1 of our stock will also decrease, which should have a positive impact on our stock price.

In fiscal 2024, ISK's bioscience business performed strongly, while the inorganic chemicals business incurred a loss due to inventory management measures for titanium dioxide in sulfate process. However, we were still able to secure operating income of over 10 billion yen, just like in fiscal 2023. Now that inventory management has been completed, I expect to see significant improvements and increased profits in fiscal 2025.

Furthermore, the capital adequacy ratio has improved to an appropriate level, and the remaining challenges to achieve an A rating are stabilizing business performance and strengthening profitability. I believe that the portfolio review of the inorganic chemicals business will have a positive impact on both ISK's stock price and credit rating by stabilizing our business performance.

*1 β: A measure of a stock's volatility in relation to the overall market.

### Future Outlook

#### Towards Achievement of the Medium-term Business Plan, Stage II

Currently, our revenue driver is the biosciences business. This growth is supported by our research and development departments, which represent one of ISK's strengths. The environment surrounding agrochemicals is by no means smooth sailing. There are a variety of challenges, including price competition with generic agrochemicals from China and other countries, and stricter registration*2 requirements in Europe. Our R&D departments face these challenges and are the foundation that supports the growth of the biosciences business. I believe that investment in research and development is necessary to strengthen profitability in the future.

In addition to the organic growth*3 of the biosciences business, it is expected that animal health products in ISK's healthcare business will become a new source of revenue. After many years of investment, despite incurring a deficit of approximately 2 billion yen in fiscal 2024, we are expected to break even in fiscal 2025 and then see an upward trend in fiscal 2026. This will be essential to achieving Stage II's ultimate goal of operating income of over 19 billion yen.

In the inorganic chemicals business, we are changing our organizational structure to a divisional system from fiscal 2025, which will enable us to better clarify what we should sell and how much profit we should make. We will continue to secure stable revenue in the future.

With Stage II already underway, we are entering the profitability improvement phase in fiscal 2025. And with the growth of the biosciences business as a base, we would like to achieve our Stage II revenue target by moving the inorganic chemicals business into the black in fiscal 2025 and by having animal health products contribute to profits in fiscal 2026.

*2 Registration: The process by which agrochemicals are legally approved for production, import, sale, and use in each country.
*3 Growth achieved through internal operations and resources, as opposed to mergers and acquisitions.

# Message from the Director of Finance & Accounting Headquarters



## Capital Allocation

### Pursuing Investment in Research and Production Capabilities

Regarding capital allocation, we have not changed the plan initially made in Stage II, which is to invest approximately 30 billion yen in capital expenditures, approximately 10 billion yen in other growth investments (M&A and the introduction of other companies' agents, etc.), and approximately 12 billion yen in dividends over three years.

In the bioscience business, which is a revenue driver, we will invest 4.4 billion yen in the Technology Research Center, Hyogo-Ono (Ono City, Hyogo Prefecture) in fiscal 2025. This is a base for research that will lead to reduced production costs, including production technologies that allow our products to compete on cost with low-priced generics.

As for the introduction of other companies' agents, no agreements have yet been concluded at this time. However, there are always a number of projects available; so, our hope is to find a way to implement them.

As agrochemical registrations in Europe become stricter, new test items are being added, resulting in increased research and development costs. However, this research is being conducted to maintain existing agrochemical registrations, and maintaining registrations is a source of competitiveness, so this cannot be cut.

Furthermore, for Stage III, which will begin in fiscal 2027, we are also considering investing in facilities at our Central Research Institute (Kusatsu City, Shiga Prefecture). This investment will strengthen our research capabilities. In the case of agrochemicals, India is attractive not only as a new sales market but also as a manufacturing base. From Stage III onward, we may also consider investing in India.

In the healthcare business, we have been investing in animal health products, but we anticipate a plateau in fiscal 2025 after which we will move into the recovery stage.

In the inorganic chemicals business, we have been investing in high-value-added products for some time. We began investing in MLCC (multilayer ceramic capacitors) manufacturing facilities at MF Material Co., Ltd., a joint venture with Murata Manufacturing Co., Ltd., in fiscal 2024.

## ROIC and ROE

### Fostering Balance Sheet Awareness

Regarding the introduction of ROIC, which began in fiscal 2024, we have completed the creation of balance sheets and ROIC trees by business segment. The preparations are complete, but how this will be utilized remains to be seen. We are currently working, through training and other means, to ensure that everyone in the Group understands the meaning of the trees, and we hope to empower each site in deciding how to go about increasing profitability.

As we move forward with the introduction of ROIC, I feel that awareness of inventory management has recently begun to take hold. By being conscious of inventory levels, we were able to turn our free cash flow from negative to positive in fiscal 2024, leading to improved capital efficiency.

As ROIC becomes more established in the future, I expect that methods for assessing risk and return when considering investment projects, and for monitoring after implementation, will also become more refined.

There is no change to our policy of using ROIC as an internal indicator, and we are not currently considering disclosing it to external parties. For external parties, we will continue to use ROE, which is easy to understand. One of the final goals of Stage II remains an ROE of 10% or more, and we are maintaining our previous approach of a shareholders' equity cost of 7% to 10%.

## Shareholder Returns and IR

### Thorough Discussion with Investors, Including Individuals

Our basic direction is to fully engage in dialogue with investors in order to increase our stock price and achieve a PBR of 1. Encouragingly, the stock price has been performing strongly since the company changed its shareholder return policy in February 2025. I feel the dividend forecast for fiscal 2025 (100 yen) and the lower limit of the DOE (Dividend on Equity) of 3% are reasonable levels from a market perspective as of the end of fiscal 2024. This was set based on dialogue with investors.

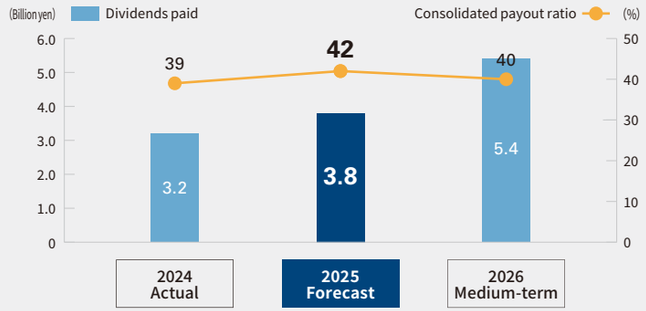
Going forward, we will, of course, aim to achieve the target of a consolidated dividend payout ratio of 40% or more set out in our Stage II medium-term business plan, but we also want to consider shareholder returns after thorough discussion with investors.

With the aim of expanding our dialogue, we will enhance our outreach to individual investors in addition to analysts and institutional investors, which have traditionally been our main focus. In addition to a planned IR briefing for individual investors in the fall of 2025, we will also make use of sponsored research.

**Shareholder Return Policy**

**Fiscal 2026 Consolidated Dividend Payout Ratio 40%**
・Dividend minimum of 3% DOE

- Our basic policy regarding dividends is to continue to pay stable dividends in line with business performance, taking into consideration factors such as business performance trends, financial situation, and the need to maintain internal reserves for future business development.
- We will also remain flexible about share buybacks.
- As part of the Vision 2030 Stage II medium-term business plan, we will aim for a consolidated dividend payout ratio of 40% by the final year (FY2026).
- During the period of the plan (FY2024-FY2026), dividends will be paid with a minimum DOE (Dividend on Equity) of 3%.



# Value Creation Process



## Purpose

**To continue contributing to better living environments through chemical technologies**

## Our Vision Towards 2050

**A global company that is cherished by people and society, achieving healthy and fulfilling lives**

## Vision 2030

**Originality. Acceleration. Global Reach. Transforming Lives Through the Power of Chemistry.**

## Chemical technologies

- Organic Synthesis technologies
- Formulation Manufacturing technologies
- Environmental analysis technologies
- Genetic Modification technologies
- Crystal control
- Electronic Conductivity control
- Manufacturing technologies

Ability to develop proprietary technologies × Ability to accommodate quality and environmental requirements × Ability to collaborate globally

Management capability

## Materiality P21-22

- Technological development capabilities
- Dealing with climate change, reducing environmental impacts
- Supply chain management
- Reforming workstyles by pursuing digital transformation (DX) and streamlining operations
- Diversity and inclusion
- BCP, risk management
- Occupational safety and health, operation safety and disaster prevention
- Corporate governance

## Input

P18-19

- Financial Capital
- Human Capital
- Natural Capital
- Manufacturing Capital
- Intellectual Capital
- Social and Relationship Capital

## Basic Philosophy

P02

- **Contribute to social development, protection of life and environmental preservation**
- **Respect shareholders, customers, suppliers, local communities and employees**
- **Abide by laws and regulations; maintain transparency in business activities**

## Output

P18-19

## Outcome

| | | |
|---|---|---|
| **Agrochemicals**<br>Improving agricultural production stability and quality | **Animal health products**<br>Attain a comfortable life with companion animals | **Pharmaceuticals**<br>Contributing to medical care |
| **Functional materials**<br>Creating a range of comfort | **Titanium dioxide**<br>Providing a variety of colors and hues | **Environmental products**<br>Achieving both innovation and environmental protection |

# Input and Output

## Promote Value Creation through Continuous Input

ISK Group's definitions of the inputs and outputs of the six capitals of value creation are given below. We will realize Vision 2030 through ongoing enhancement of inputs.

| | Input | Role in Value Creation | Output |
|---|---|---|---|
| **Financial Capital** | ● Total assets (FY2024 consolidated) **225.0** billion yen<br>● Interest-bearing debt (FY2024 consolidated) **72.2** billion yen<br>● Shareholders' equity (FY2024 consolidated) **107.6** billion yen | The Group considers taking maximum advantage of the resources it owns to generate profit efficiently to be an important priority. Under Vision 2030 Stage II, we will introduce ROIC management and work to further improve capital efficiency. In addition, we will control the balance between equity and interest-bearing debt, both of which are sources of assets, as we work to lower capital costs. | ● Forecast performance for FY2025<br>・Consolidated net sales **147.0** billion yen<br>・Consolidated operating income **15.0** billion yen<br>・ROE **7.9** % |
| **Manufacturing Capital** | ● Capital investment (FY2024 consolidated) **10.5** billion yen<br>● Contract manufacturers of agrochemicals **39** facilities<br>(Japan) **19** facilities<br>(Overseas) **20** facilities | Most products in our organic chemicals business are produced at contractors' facilities, rather than at our own plants. In this way, we've linked manufacturing directly to product sales and implemented supply structures that are resistant to geopolitical and ESG risk. In addition, we're working to lower the cost of manufacturing aggressively so that we can compete with generic products.<br>Although products in our inorganic chemicals business are produced at our Yokkaichi Plant, we will halt production of titanium dioxide in sulfate process at the end of FY2026. We are aiming to transform our business into a sustainable profit-generating model, centered on our strength of being Japan's only producer of titanium dioxide using the chloride process. | ● Organic chemicals business production volume(FY2024 consolidated) **48.2** billion yen<br>● Inorganic chemicals business production volume (FY2024 consolidated) **62.9** billion yen |
| **Human Capital** | ● Employees (FY2024 consolidated) **1,807** people<br>● New graduate hires (FY2024 non-consolidated) **41**, including **6** women<br>● Mid-career hires (FY2024 non-consolidated) **33**, including **12** women<br>● Training cost per employee (FY2024 non-consolidated) **54,000** per employee per year | Securing and making the most of a diverse group of human resources are key priorities of the ISK Group. We strive to secure human resources with a challenging spirit and a global perspective, regardless of their gender or nationality, as newly hired graduates or mid-career hires. We also help newly hired employees develop their careers in order to strengthen their basic skills as working members of society, raise the awareness of employees at all levels of their roles, and offer a career development program designed to prepare promising candidates for executive roles. In this way, we're working to put in place an environment in which all employees can embrace the challenge of doing high-quality work and to enhance our training programs. Through these initiatives, we will maximize the value of our human resources. | ● Female manager ratio (FY2024 non-consolidated) **5.5** %<br>● Employees who took childcare leave (FY2024 non-consolidated) **22** people<br>● Paid leave acquisition rate (FY2024 non-consolidated) **77.8** %<br>● Number of participants in the global human resource development program (FY2024 non-consolidated) **56** people |
| **Intellectual Capital** | R&D expenses (FY2024 consolidated) **10.7** billion yen<br>Organic chemicals **9.8** billion yen<br>Inorganic chemicals **0.7** billion yen<br>● Percentage of R&D employees (FY2024 non-consolidated) **21.0** % | Research and development have long been a priority for ISK Group. We ensure that a certain threshold for R&D expenses is met regardless of fluctuations in business performance. R&D activities at the Central Research Institute and Yokkaichi Plant account for the majority of R&D expenses, while some are used for the registration of agrochemicals in various countries. Through these efforts, we will support our business by applying for and obtaining patents both domestically and internationally for new agrochemicals and inorganic materials. | ● Number of patents held (end of FY2024 non-consolidated) **2,571**<br>(Japan) **219**<br>(Overseas) **2,352**<br>● Products developed in-house as a percentage of organic chemicals business sales(FY2024 consolidated) **88.0** % |

# Input and Output



| | Input | Role in Value Creation | Output |
|---|---|---|---|
| **Natural Capital** | Yokkaichi Plant FY2024<br>● Energy (heavy fuel oil equivalent) **130,000** kiloliters<br>● Industrial water **14** million m³<br>● Seawater **10** million m³<br>● Titanium ore **120,000** tons | We treat energy, water, and titanium ore consumption at Yokkaichi Plant and our subsidiary, Fuji Titanium Industry, as key indicators so that we work to reduce the volume of our $CO_2$ emissions, water usage, and industrial waste disposal. By reducing coal-fired boiler $CO_2$ emissions as part of our efforts to address global warming, we aim to preserve a comfortable living environment. Through more thorough chemical substances management, we are reducing the amount of emissions and transfers, with the goal of reducing the impact on humans and the ecosystem to as close to zero as possible. | Yokkaichi Plant FY2024<br>● $CO_2$ emissions **460,000** tons<br>● Wastewater emissions into public water areas **24** million m³<br>● Industrial waste **83,000** tons<br>PRTR-listed substances **1,400** tons |
| **Social and Relationship Capital** | Transparency in business activities abiding by laws and regulations<br>● Number of countries where we sell our products **75** countries | In keeping with the Group's corporate philosophy, we strive for the sustained growth of our business and growth in our corporate value through a commitment to compliance and management that is transparent, trustworthy, and sound. We promote two-way communication to earn the trust of local residents, for example through efforts to ensure safety and disaster prevention, environmental activities, and active communication of information. In addition to undertaking human rights initiatives, we observe the laws and regulations in every country and region in which we operate, and we ensure our purchasing activities are characterized by decency and adherence to social ethics. | ● Coexistence with local communities<br>● Number of interviews with institutional investors (FY2024) **115**<br>● External honors:<br>• Saitama Governor's Award Grand Prize for the Blue Phalaenopsis (Blue Gene)<br>• 4th Nikkei Integrated Report Awards, Excellence Award for ISK Group's Integrated Report 2024<br>● 30th Symposium on Soil and Groundwater Contamination and Remediation, Outstanding Presentation Award to ISK |

## Topics —— Outstanding Presentation Award for soil/groundwater contamination countermeasures using heavy metal adsorber sheet

ISK won an Outstanding Presentation Award at the 30th Symposium on Soil and Groundwater Contamination and Remediation, held June 25 to 26, 2025. The event was organized by the Japanese Geotechnical Society, the Japanese Association of Groundwater Hydrology, the Japan Society on Water Environment, the Geo-Environmental Protection Center, and the Japan Society of Material Cycles and Waste Management. Keita Yuasa of ISK's Technical Group, Production Division of Diversified Chemical Products gave a presentation titled "Study on embankment wastewater treatment with adsorption of heavy metals by iron oxide sheets." He was selected from the 33 young researchers for his outstanding content, presentation skills, and question responses. Mr. Yuasa proposed using ISK's Fix-All™ FB sheet, a heavy metal adsorber sheet, to solve the social issue of groundwater contamination in embankment material generated at construction sites.

Yokkaichi Plant
Production Division of
Diversified Chemical Products
Technical Group

**Keita Yuasa**

# Message from the Executive Director of the Office of Sustainability Promotion

## Making Sustainability the “Compass” of the ISK Group

Sustainability is not some special new initiative but, rather, a natural extension of our existing business activities. Protecting the environment. Contributing to society. Only when these are at the foundation of our business can we create corporate value. This belief is reflected in our group's purpose “To continue contributing to better living environments through chemical technologies,” as well as in our group vision for 2050 to be “A global company that is cherished by people and society, achieving healthy and fulfilling lives.”

Both the environment and society around us are changing at an ever-accelerating pace. Understanding these changes both in terms of “risks” and “opportunities,” and then carrying out sustainability activities in light of these, will directly lead to improvements in our business activities. Only by adopting a broad, sustainability-focused perspective to determine whether our business is in line with the changing trends, and by then disclosing this information, can we build relationships of trust with our various stakeholders. Corporate value is also improved through improved employee engagement. Sustainability can be thought of as a sort of compass that shows whether a company is heading in the right direction.

Our main business for many years has been inorganic chemicals, which is a process industry, so it places a significant burden on the environment. There have been times when we have negatively impacted the environment, and this realization is deeply ingrained within our company culture. With regard to agro-chemicals, as well, which are part of our biosciences business, the regulatory standards for product registration are becoming stricter in many countries around the world, particularly in Europe, meaning that only products with high safety standards and greater environmental compatibility will remain on the market. Furthermore, when it comes to maintaining global manufacturing operations, which includes our healthcare business, it is essential to consider human rights issues throughout the supply chain.

It is in this context that our group, as a longstanding member of the chemical industry, has been actively engaged in initiatives, such as Responsible Care activities. We began implementing ESG-focused activities in 2021, starting with identifying key materialities and creating an integrated report. Since then, we have worked on various initiatives, such as developing a Group Policy on Human Rights and providing disclosures based on the TCFD recommendations, while gradually strengthening our internal systems over a period of four years. We have put the Sustainability Promotion Committee under the direct supervision of the Board of Directors to enhance its oversight function and strengthen corporate governance, and we have also established a new Office of Sustainability Promotion to serve as an operational unit. Furthermore, the results of the survey we conducted after the group Purpose-related awareness-raising training provided to all employees within our domestic group show that awareness of environmental and social issues has been steadily increasing.

Through such activities, our goal is to maintain and improve the overall corporate value of our group in a stable and consistent manner. In this era of uncertainty, we seek to strengthen our resilience, maintain our core focus, adapt flexibly to changing circumstances, and enhance our two-way engagement with all stakeholders.

To that end, we are currently working on revising our key materialities. To ensure that these are reflected into our next medium-term business plan, "Vision 2030 Stage III," which will begin in 2027, we began discussions in May with a review team comprised of key personnel from across the company who are expected to play key roles in ISK’s future. We are working towards the adoption of a “double materiality” approach that considers both the impact society has on us and the impact our activities have on society, which will likely result in a different evaluation paradigm, including KPIs, compared to what we have done in the past. We hope that by ensuring our business operations are in alignment with key materialities, this can become the driving force behind the implementation of Stage III.

Going forward, we also plan to focus our efforts on biodiversity conservation. We will engage in community collaboration projects, starting with a corporate-sponsored forest development project in conjunction with Ono City that will be undertaken at the Technology Research Center, Hyogo-Ono (Ono City, Hyogo Prefecture), which is scheduled to open in December 2025. Irrespective of the scale or impact of our initiatives, we want our employees to be involved in various ways in making visible contributions to the community.

Sustainability cannot be achieved through unilateral effort. By utilizing both top-down and bottom-up approaches to implement a variety of different initiatives and activities, and by strengthening relationships with all stakeholders, the ISK Group will continue to make choices that build a future for everyone.

Executive Director of the Office of Sustainability Promotion

**Makiko Sano**

# Accelerating Efforts to Connect Our Vision Towards 2050 with Materiality

Our group connects materiality factors with three initiatives—"Challenge and innovation," "Create society," and "Organizational and human evolution"—to realize our Vision for 2050 of becoming "A global company that is cherished by people and society, achieving healthy and fulfilling lives." Through efforts aligned with our "Vision 2030 Stage II," we strive to integrate business activities with sustainability and drive the realization of this vision.

## Materiality Identification

The Group identified 16 materiality factors by resolution of the Board of Directors by compiling a list of themes (issues) by means of an employee questionnaire and workshops, ranking them on the basis of their importance for the Company and their importance for stakeholders, and having them reviewed by outside experts.

## Initiatives to Achieve KPIs

We established KPIs for eight of the 16 identified materialities characterized by a particularly high level of importance, and we're managing progress by setting single- and multi-year targets and assigning a department with oversight responsibility for each.
Progress towards achieving KPIs is monitored by the Office of Sustainability Promotion, and results for each fiscal year are reported to the Sustainability Promotion Committee. KPIs are reviewed as appropriate based on progress in related initiatives, deliberated by the Sustainability Promotion Committee, and disclosed in the Integrated Report and on the website.
In addition, we plan to review the materiality factors during Vision 2030 Stage II to accommodate changes in the business environment and society. We're working to develop mechanisms for bringing information about business risks and opportunities to bear on our management from an ESG and SDGs perspective.

**STEP 1 Issue identification**

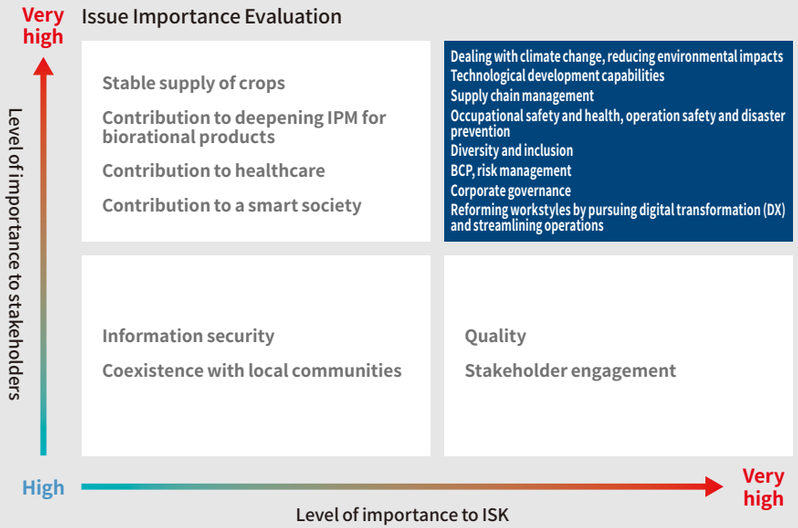
- In accordance with GRI, SASB, and other guidelines, as well as the ISK group's long-term vision and other resources, we identified issues that deserve to be emphasized.

**STEP 2 Prioritization**

- We carefully reviewed the importance of issues for ISK based on their alignment with our corporate purpose and other policies, and the importance of issues for stakeholders based on industry issues, key ESG themes, and other resources.

**STEP 3 Materiality identification**

- Outside experts reviewed the process and verified its suitability.
- Finalized following deliberation by the Executive Management Committee and approval by the Board of Directors.




**STEP 4 Establishment of KPIs**

- We reviewed materiality-related indicators highlighted by ESG evaluation organizations.
- We then established KPIs after conducting interviews with business departments and other entities as necessary.

**STEP 5 Regular monitoring**

- Progress is monitored by the Office of Sustainability Promotion.
- Results are reported to the Sustainability Promotion Committee.

**STEP 6 Disclosure of results and review of KPIs**

- KPIs are deliberated by the Sustainability Promotion Committee.
- KPIs are disclosed each year in the Integrated Report and on the website.

## Eight Most Important Issues and KPIs

| Materiality | KPI | Achievements | | Target/FY | Scope |
|---|---|---|---|---|---|
| | | 2023 | 2024 | | |
| Dealing with climate change, reducing environmental impacts | $CO_2$ emission reduction rate (Scope 1+2, vs. FY2019) | 2.7% increase (FY2019 levels) | 8.1% decrease (FY2019 levels) | 30% or more/2030 | ISK Group |
| | Reduction in energy intensity | 1.0% decrease (Year-on-year) | 1.7% decrease (Year-on-year) | 1% decrease (Year-on-year) | Japan, consolidated |
| | Industrial waste emission reduction rate (vs. FY2019) | 20.2% reduction (FY2019 levels) | 32.0% reduction (FY2019 levels) | 50% or more/2030 | ISK |
| | Adherence to voluntary control standard values that are stricter than environmental laws (wastewater, waste gas) | Achieved | Achieved | Continue/2025 | Japan, consolidated |
| Technological development capabilities | Creation of new products and technologies in each business segment | 4 new products launched (FY2022 to FY2023) | Average of most recent 3 years decreased by 3.3 | Increase in number of new products created/Every year (average of most recent 3 years) | ISK Group |
| | R&D expenses | 9.7 billion yen | 10.7 billion yen (FY2024) | 30.3 billion yen/Cumulative total, FY2024 to FY2026 | ISK Group |
| | Percentage of employees in R&D positions | 22.4% | 21.0% | 20% or more continuing/2030 | ISK |
| Supply chain management | Establishment of ISK Group Policy on Procurement and guidelines governing procurement | ISK Group Policy on Procurement has announced and guidelines under review. | Completion of guidelines/2024 | — | ISK Group |
| | Supplier CSR survey rate | 56% (transaction value) | Selection of companies' subject of investigation completed (scheduled for implementation on FY2025) | 70% or greater (transaction value)/2025 | ISK |
| Occupational safety and health, operation safety and disaster prevention | Frequency rate of worktime injuries, severity rate* | Frequency rate: 0.93 Severity rate: 3.47 | Frequency rate: 0.91 Severity rate: 0.00 | 0 accidents/2025 | ISK, Fuji Titanium Industry, MF Material |
| | Percentage of employees undergoing health checkups and stress checks | 100% | 100% | 100%, continuing/2030 | ISK |
| | Paid leave acquisition rate | 82.8% | 77.8% | 80% or more continuing/2030 | ISK |
| Diversity and inclusion | Female manager ratio | 4.3% | 5.5% | 10% or more/2026 | ISK |
| | Mid-career hires as percentage of managers (average for last three years) | 21.4% | 23.8% | 30% or more/2025 | ISK |
| | Time spent in training and/or classes per employee | 31 hours | 35 hours | — | ISK |
| | Cost of training session and/or classes per employee | 62,000 yen | 54,000 yen | — | ISK |
| | Female ratio occupied by number hired | 36.8% | 24.3% | 30% or more/2030 | ISK |
| | Mid-career hires occupied by number hired | 57.4% | 44.6% | Stably 50% or more/continuing | ISK |
| BCP, risk management | Implementation of training envisioning a large-scale disaster and review of documented procedures in light of environmental changes | — | Held | 1 per year/every year | ISK |
| | Revisions to the risk map and review of priority risks targeted by measures | — | Held | Held/every year | ISK Group |
| Corporate governance | Participation in at least 1 compliance training session | 100% | 100% | 100%, continuing/2025 | Japan, consolidated |
| Reforming workstyles by pursuing digital transformation (DX) and streamlining operations | Effective contribution to operational streamlining | 3 | 2 | 3/2025 | ISK |
| | DX certification | Acquired | Continuing (by the end of March 2026) | — | ISK |

*Frequency rate of worktime injuries: Number of employees injured or killed in occupational accidents per 1 million total working hours; indicates the frequency of occupational accidents. Severity rate: Number of working days lost per 1 thousand total working hours; indicates the severity of occupational accidents.

# Organic Chemicals Business (Biosciences)



## Business Overview

In our biosciences business, we manufacture and distribute agrochemicals such as herbicides, fungicides, and insecticides. We sell our products not only domestically but also export a significant amount overseas, in fact we are one of the leading exporters by value in Japan. We relentlessly pursue research and development that will improve people's daily life in terms of their food, health, and lifestyle.

### Stage II Goals and Progress

#### Priority measures

- Expanding sales of growth strategy agents
- Strengthening R&D capabilities and improving efficiency
- Accelerating R&D and commercialization of new chemical pesticides
- Expanding business operations in the Americas and India
- Expanding the scale of our business by pursuing M&As and partnerships with other companies, and introducing agents from other companies

#### Progress and issues

Global network-driven Initiatives

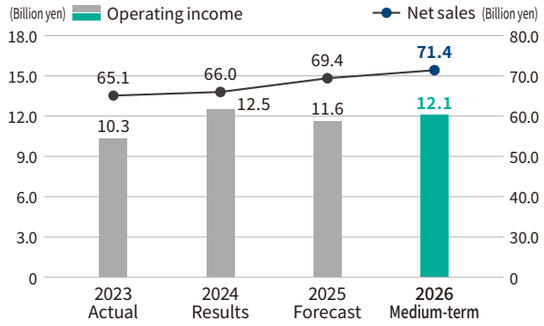
- Continuing efforts to ensure stable production and to improve production efficiency for existing products and growth strategy agents (including optimal production site selection, ingredients supplier selection, and manufacturing process improvement)
- Maintaining agrochemical registrations and acquiring new ones in various countries while strengthening local systems (increasing staff members)
- Promoting mixed formulations of growth strategy agents and expanding sales networks

### ■ Revenue Base and Future Development

We are currently constructing Technology Research Center, Hyogo-Ono as a new research and development base for agrochemical production technology, with the aim of ensuring our ability to stably supply agrochemicals while reducing manufacturing costs. In addition, we will strengthen our agrochemical distribution network and expand sales of both our existing products as well as growth strategy agents*. Through these efforts, we aim to expand our global market share and achieve growth in our sales and revenues.

*Tolpyralate (herbicide), Cyclaniliprole (insecticide), Tiafenacil (herbicide), Isofetamid (fungicide), Pyriofenone (fungicide)

Trends for Net Sales and Operating Income




## Social Issues

The current world population is approximately 8.1 billion people. According to the United Nations, the population is expected to increase to 9.7 billion people by 2050, raising concerns about food shortages. Agrochemicals are needed to produce the crops that support the world's population. Such pesticides must not only be safe for humans but also have a low environmental impact in order to respond to environmental changes in crop production caused by climate change, to protect biodiversity, and to contribute to sustainable agriculture.

## Empowering Indian Agriculture Through Innovation and Collaboration

ISK Biosciences India Pvt. Ltd.
Product Development & Marketing
General Manager

**Rajul Edoliya**

India's agrochemical market has been undergoing rapid transformation, driven by the twin forces of rising food demand and the need for sustainable farming practices. With agriculture continuing to play a central role in the country's economy, the demand for innovative and effective crop protection solutions is expected to increase significantly in the coming years. ISK's technologies not only support higher yields and improved crop quality but also promote more efficient and sustainable farming practices. By offering products that are both reliable and performance driven, ISK is strengthening its position as a trusted partner for farmers and the broader agricultural value chain in India.
Looking ahead, ISK is well positioned to leverage its global expertise, strong partnerships, and innovative pipeline to capture these opportunities. ISK is poised to play an increasingly important role in advancing Indian agriculture and supporting long-term food security and sustainability.
Personally, it is rewarding to be part of ISK's journey in India, working with committed colleagues and partners to introduce world class solutions tailored for local needs.

# Market Environment

## Global Agrochemical Market

**The 2024 agrochemical market was negatively impacted by the continued effects of such factors as declining agrochemical prices, deteriorating agricultural economics due to lower crop prices and rising input costs, a decrease in the cultivated area of key crops in certain markets, and adverse weather conditions in some major regions. The agrochemical market in 2025 is expected to be characterized by stable pesticide prices, improved weather conditions, and normalized inventory levels. Against this backdrop, the global agrochemical market is expected to continue expanding, with an average annual growth rate of 2.1% between 2024 and 2029.**

(Source: AgbioCrop 2024)


### Europe

It is expected that weather conditions in major grain-growing regions will return to more normal and favorable levels for plants. In recent years, stricter agrochemical registration regulations and the development of disease resistance in crops have limited the available options for agrochemicals. We anticipate maintained sales of effective agrochemicals along with the introduction of new products.

**Existing products**

- Maintaining agrochemical registration in the highly regulated EU
- Developing mixed formulations for the fungicide Cyazofamid

### India

Although the weather in 2024 was not at all favorable, there is expectation of some improvement. The agrochemical market in India is expected to continue growing.

**Growth Strategy Agents/India**

- Tolpyralate (herbicide) launched
- Expanding sales of Cyclaniliprole (insecticide)



### North America

It is expected that the corn cultivation areas in the US and wheat cultivation areas in Canada will recover and increase.

**Growth Strategy Agents**

- Developing mixed formulations for Tolpyralate (herbicide)
- Developing mixed formulations for Tiafenacil (herbicide)
- Expanding distribution networks

### South America

It is expected that the weather conditions will improve. Cultivated areas for major crops are increasing in Brazil and Argentina; Brazil's total crop cultivation area projected to rise by 2.2% in 2024 (Soybeans: +3.0%, Corn: +1.2%, Cotton: +6.9%).

**Growth Strategy Agents**

- Developing new preparations and mixed formulations for Tolpyralate (herbicide)
- Expanding Isofetamid (fungicide) into new fields

**Existing products**

- New preparation of the insecticide Flonicamid launched

## Risks and Opportunities

| Risks | Opportunities |
|---|---|
| Delay in, or failure to achieve, product approval or registration | Take proper approach to countries' registration agencies and authorities; assess other companies' agrochemicals registration and survey their registration status; secure personnel with expertise in highly specialized fields, ensure handover of registration know-how |
| Revised and stricter laws and regulations | Appropriately gather information relating to laws and regulations and registration requirements |
| New entries and intensifying competition | Lower production costs to strengthen competitiveness; develop new molecule and mixed formulations that will enable ISK to stand out in the agrochemicals market |
| Crop injury by agrochemical products | Strengthen safety confirmation by performing growing tests in fields.<br>Promote and disseminate appropriate methods for using agrochemical products |

## Helping Resolve Societal Problems

In order to sell agrochemicals, they must be registered in accordance with the laws and regulations of each country. And in order to register an agrochemical, it must be proven, based on scientific data, that it is safe for people and the environment. Thus, agrochemicals must be highly selective in order to control targeted pests while avoiding causing adverse effects on non-target organisms such as honeybees.
In recent years, there has been a heightening of safety standards required for registration worldwide, especially in Europe, and it can be said that the agrochemical registration system is one that takes biodiversity into consideration.
We are committed to developing agrochemicals that are not only safe but also highly effective in controlling pests. Agrochemicals that are highly effective at controlling pests will help ensure abundant harvests of high-quality crops.
Through the development of agrochemicals, we will contribute to the creation of a society free from hunger while at the same time protecting biodiversity.

### Specific Examples in Social Issues

Potato blight, a major disease affecting potato crops that caused the Great Famine in Ireland in the 1840s, remains a difficult disease to control even today. Our fungicide, Cyazofamid, has shown high efficacy against this disease even at low concentrations. Its high selectivity means it has minimal impact on crops and beneficial organisms, making it suitable for integrated pest management (IPM). Furthermore, our insecticide, Flonicamid, exhibits high insecticidal activity against sucking pests, such as aphids, while having minimal impact on beneficial insects and other natural predators, making it a suitable insecticide for IPM that can be used in combination with biopesticides.

### Message from the Director

# Towards Stable Growth Through Manufacturing Cost Improvements Aiming for Expansion in Untapped Markets, Particularly India

Director of Biosciences Business Headquarters

**Mikiya Horie**

Despite headwinds such as declining prices of agrochemicals and crops and rising fuel costs, the biosciences business achieved its target profit for the first fiscal year of Stage II. This positive performance was driven by cost reductions in manufacturing that exceeded our targets, as well as strong growth in herbicides in new markets in the Americas and increased demand for fungicides due to wet weather conditions in Europe.
In the global agrochemical market, the current situation, which is characterized by intense competition and regulatory challenges, including the aggressive price-cutting tactics of Chinese generic manufacturers and stricter registration requirements in the EU, is expected to continue for some time. Furthermore, the agrochemical market naturally fluctuates depending on weather conditions. Therefore, we are aiming for stable and consistent growth with minimal annual fluctuations by, among other things, ensuring and expanding sales and profits in the Japanese market, expanding into untapped markets (both in terms of countries and crops), developing new mixed formulations for broader application, and further improving manufacturing costs. Specifically, our focus is on exploring new markets in the Americas, developing herbicide mixed formulations, expanding our distribution network, maintaining product registrations in Europe, and developing new mixed formulations. We have high expectations for India, given its large arable land area, and we will focus on achieving our Stage II sales and profit targets for the insecticides and herbicides we recently launched in that country, ideally even ahead of schedule.
ISK will continue to maintain and expand its research-and-development-focused business model for agrochemicals and will make necessary investments towards that end. The Technology Research Center, Hyogo-Ono (TREC), which will begin operations in December of this year, will not only have the primary goal of reducing manufacturing costs but will also play a role in accelerating the evaluation of new drug candidates, thus improving the efficiency of new drug development. One of our strengths is that we have registration and development staff located in Europe and the Americas, enabling us to obtain and maintain product registrations ourselves in these regions. We will increase the number of employees assigned to overseas locations and leverage our network of both internal and external partners to further accelerate our globalization efforts.

# Organic Chemicals Business (Healthcare)



## Business Overview

Our healthcare business manufactures and sells animal health products and active pharmaceutical ingredients for human use, with the aim of protecting the health of people and animals and contributing to the realization of a fulfilling life both physically and mentally. We are currently pursuing global expansion, primarily in the United States and Europe.

### Stage II Goals and Progress

| Priority measures | Progress and issues |
|---|---|
| ● Canine acute pancreatitis anti-inflammatory drug Acquiring a full approval for PANOQUELL™ in the U.S. and starting sales in other major countries<br>● Expanding the applications of Fuzapladib sodium, the active ingredient in PANOQUELL™, and expanding the business and disease-treatment areas | ● Advancing with the aim of full U.S. approval and European approval within Stage II<br>● Building the supply chain infrastructure required for this<br>● Advancing market research and R&D towards expanding indications into new disease areas and introducing new agents |

### Review of FY2024

**Overseas Sales**

- Sales of "PANOQUELL™-CA1" in the United States steadily increased.
- Due to expansion of the US clinical trial program, development costs for fiscal 2024 went over budget; however, development costs are expected to decrease starting in fiscal 2025.
- Continued to pursue regulatory approval applications for "PANOQUELL™" in European countries and other major countries around the world.

**Domestic Sales**

- In addition to the canine acute pancreatitis anti-inflammatory drug “BRENDA™,” ISK launched its globally marketed product "PANOQUELL™" in the domestic market starting November 2024; however, sales fell short of projections due to delays in domestic regulatory approval.
- In fiscal 2025, the focus will be on strengthening efforts to promote "PANOQUELL™" as a product designed with ease of use for veterinarians in mind.

### Market Environment

Companion animals (CAs) are increasingly seen as cherished members of the family and lifelong companions.
Due to the growing diversity of illnesses affecting them, and rising awareness of pet health, the global market for animal health products is projected to grow at an average annual rate of over 7% until 2030, particularly in Europe and North America.
We will leverage our accumulated expertise in developing new agrochemical products to help ensure we can continue to provide high-quality products that meet the needs of pet owners and veterinary professionals.

**Overseas**

Animal health products markets worldwide (2023)
**About US$42 billion*1**

Health products for CA markets worldwide (2023)
**About US$20 billion*1**

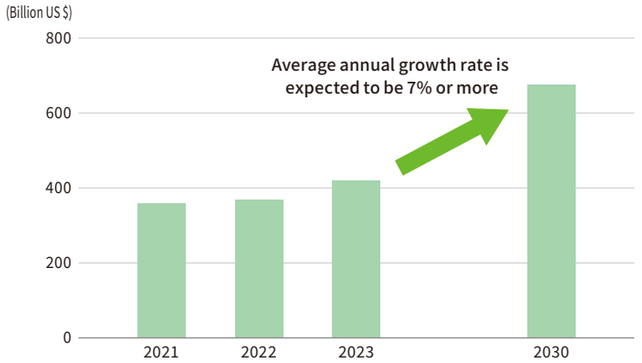
**Japan**

Animal health products markets in Japan (2023)
**133.7 billion yen*2**
[including production animals (PA) and CA]

Health products for CA markets in Japan (2023)
**About 53 billion yen*1**

*1 In-house research and forecasts based on publicly available materials
*2 The National Veterinary Assay Laboratory in Ministry of Agriculture, Forestry and Fisheries “Annual Report of Sales Amount and Sales Volume of Veterinary drugs, Quasi-drugs, Medical Devices and Regenerative Medicine Products”

Animal health products markets worldwide



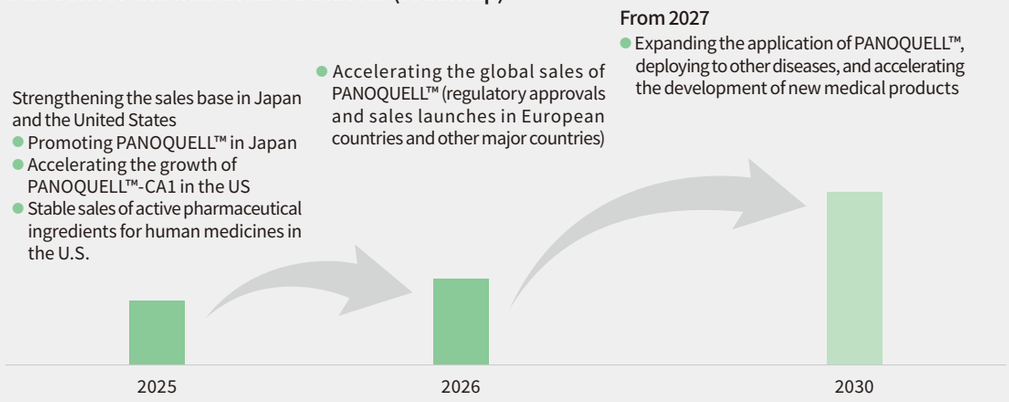

## Risks and Opportunities

| Risks | Opportunities |
|---|---|
| Delay in, or failure to achieve, product approval or registration | • Competing products are prevented from entering the market during the data protection period after approval<br>• Efficacy and safety are confirmed and communicated through the data<br>• The data from major countries can be used for applications in other countries |
| Delay in, or cancellation of product or technological development | While we strive to conduct thorough preliminary investigations, changes or cancellations of plans may occur in order to optimize the development portfolio. Even in such cases, we continue to accumulate knowledge, such as about markets and data, that can be applied to future initiatives. |

## Social Issues

With regard to animal health products, as the lifespans of companion animals (CAs) increase they experience a greater variety of diseases and have a wider range of medical needs; however, addressing these is complicated by the fact that there is a shortage of therapeutic drugs in the veterinary medical field. By helping companion animals lead healthier and happier lives, and thereby contributing to improving the quality of life of the people and families to whom they belong, we will further enhance our business value and drive our corporate growth strategy.

### Outlook for the healthcare business (roadmap)




## Message from the Director

# Accelerating PANOQUELL™-focused Growth in Japanese and U.S. Markets

Director of Healthcare Business Headquarters

**Hiroyuki Watanabe**

In fiscal 2024, development costs for overseas expansion were higher than anticipated, and the approval process for the manufacturing and sales of our animal health product "PANOQUELL™" in Japan also fell behind schedule. As a result, performance in the first year of Stage II fell short of the projected target, but we anticipate that it will recover to the projected trajectory outlined in the medium-term business plan for fiscal 2025 and 2026.
We have positioned the second year of Stage II, fiscal 2025, as the phase for strengthening our sales infrastructure in both Japan and the United States.
In Japan, we will promote the efficacy and ease of use of "PANOQUELL™" to gain wider market acceptance, and, in the US, we will further accelerate the already steady sales growth of "PANOQUELL™-CA1." While our business thus far has been in a startup phase with initial investments focused on development, our aim is to achieve operating profitability in fiscal 2025. However, while keeping expenditures in mind, we will prioritize obtaining regulatory approvals for "PANOQUELL™" in key countries and scaling up its production. Furthermore, we will also work on developing new formulations for active pharmaceutical ingredients for human use, in collaboration with our sales partners, as a means of differentiating our products from generic drugs in the US market.
In the final year of Stage II, fiscal 2026, our healthcare business will finally embark on its full-fledged growth trajectory. With our top priorities being strengthening and improving the efficiency of our innovative technological development capabilities and enhancing our ability to respond to the global market, we will work to further enhance our business infrastructure, thus ensuring a smooth transition to Stage III and Vision 2030. In particular, in the animal health products sector, which is expected to grow significantly in the future, we will focus on developing products that address unmet medical needs for which there are no similar or competing products, thus laying the foundation for growth in Stage III and beyond.
To address unmet medical needs, we are actively pursuing the development and expansion of products that can be used for inflammatory diseases other than pancreatitis, leveraging the fact that fuzapladib sodium, the active ingredient in "PANOQUELL™," is a unique compound with a distinct mechanism of action. Furthermore, we also have ongoing research projects in our pipeline focused on developing novel compounds that exhibit new efficacy and mechanisms of action in animals and humans.
We will ascertain emerging needs, deliver value enabled by technological differentiation, generate growth opportunities ourselves, and expand into major regions around the world. This is our growth model.

# Inorganic Chemicals Business



## Business Overview

We provide environmentally friendly titanium dioxide produced by the chloride process for a wide range of applications, such as paints, plastics, inks, cosmetics, and synthetic fibers, thereby offering a “beautiful white” that enhances the quality of life. With the business philosophy of contributing to a sustainable society by supporting both the environment and an information-driven society, we manufacture and sell functional material products, including electronic component materials, conductive materials, and heat shield materials.

### Stage II Goals and Progress

**Priority measures**

- Reforming the structure of the inorganic chemicals business
- Strengthening R&D capabilities and improving efficiency
- Accelerating globalization

**Progress and issues**

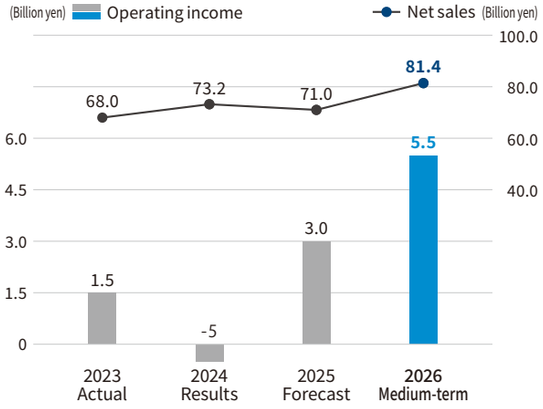
- Completion of structural reform: promotion of changes in mindset and sharing of information
- Research/technological development capabilities: adoption of technology platform
- Accelerating globalization: strengthening of functions at overseas bases and in Web marketing

### ■ Revenue Base and Future Development

Both electronic component materials and conductive materials showed strong growth, primarily driven by robust sales in overseas markets, which resulted in increased revenue. Meanwhile, although domestic demand for titanium dioxide remained sluggish, particularly for applications in the construction industry, revenue increased due to expanded sales to Asian markets. However, earnings declined due to the negative impact of increased competition from cheaper Chinese products in the Asian market, as well as the burden of fixed costs resulting from production adjustments.

- Transition to a sustainable, profit-generating business centered on titanium dioxide in chloride process.
- Aim to expand profitability by leveraging electronic materials and functional color materials as growth drivers, as well as by developing and supplying high-value-added products.

Trends for Net Sales and Operating Income

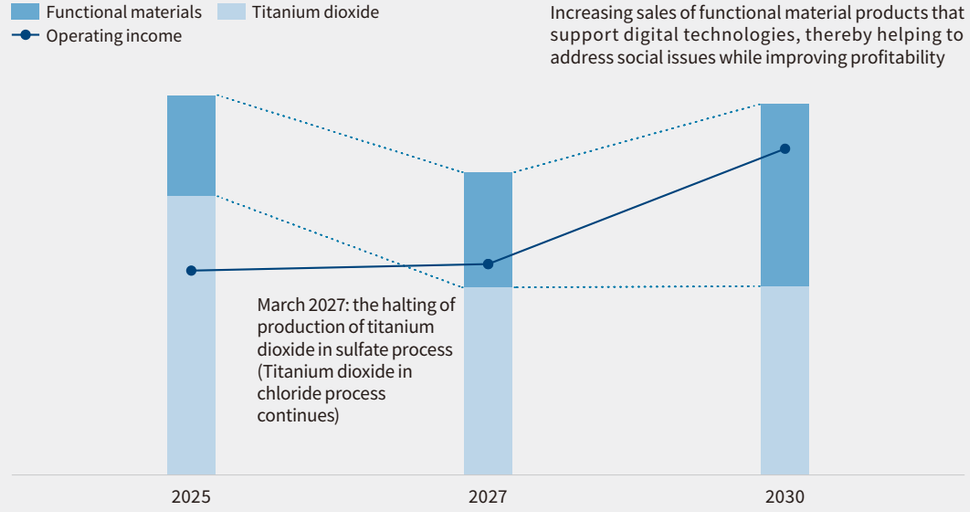



## Social Issues

Digital technology is advancing rapidly, and its applications are not limited to the development of next-generation devices; it is also expected to serve as a key technology in supporting an aging society.
At ISK, we are helping to address social issues by providing electronic component materials, conductive materials, and other materials in rapidly growing fields such as digital technology and healthcare, while simultaneously aligning these activities with our own growth strategy.
Furthermore, we are committed to sustainable business practices which prioritize environmental considerations and focus on developing and improving manufacturing processes with minimal environmental impact.

### Changes in the Sales Composition Ratio of the Inorganic Chemicals Business and Outlook for Operating Income

- We will strengthen our profitability by increasing the share of sales from high-margin functional materials. Also, with regard to titanium dioxide, we will reduce costs by utilizing lower-grade ores, thereby improving competitiveness and profitability.

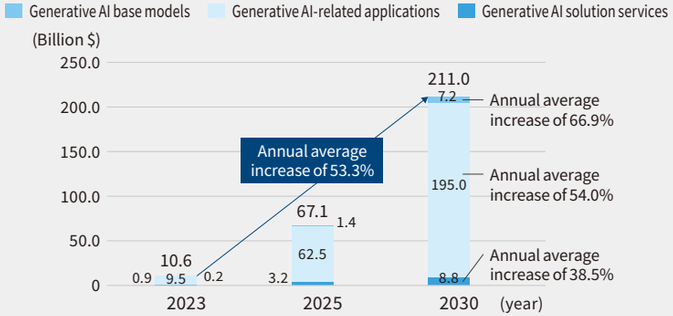


## Market environment

### Digital Technology

#### Outlook for Demand for Generative AI (global)

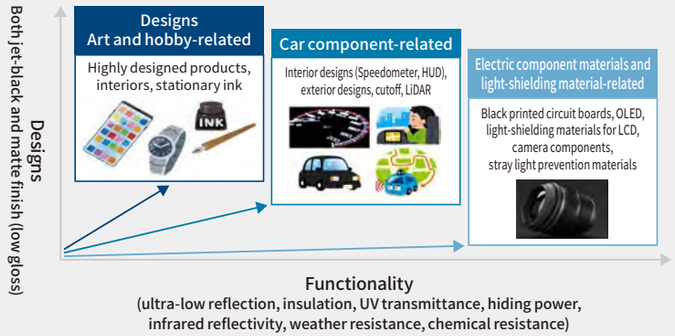
Opportunities for using generative AI are increasing year by year, and it is projected that demand will continue to grow at a rate of 50% annually until 2030.




*Japan Electronics and Information Technology Industries Association (JEITA), Survey and Statistics Guidebook 2024–2025

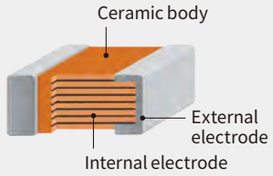
#### High Performance and Miniaturization of Electric Components

These components are used in self-driving systems and mobile phones, and there is demand for higher performance and smaller size.




#### ■ High-purity Titanium Dioxide, CR-EL, PT Series

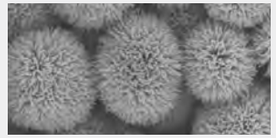
Multilayer ceramic capacitors (MLCCs) are electronic components that are widely used in data centers and automobiles.
Our Group offers a wide range of high-purity titanium dioxide materials for use as components in ceramic electronic devices, such as capacitors and filters.




- A wide range of purity levels and particle sizes to meet diverse needs
  Primary particle size: a few nm – 300 nm
- Sharp particle size distribution achieved through pigment synthesis technology

#### ■ Super-low-reflectivity Structural Jet-black Pigments (LUSHADE™ BLACK) (Currently in Trial Sale)

This bismuth sulfide black pigment, synthesized using our proprietary technology, features a unique urchin-spine-like structure and exhibits an extremely low reflectance of less than 1%. In the future, its use in optical devices, such as LiDAR technology used in self-driving systems, is expected to increase.

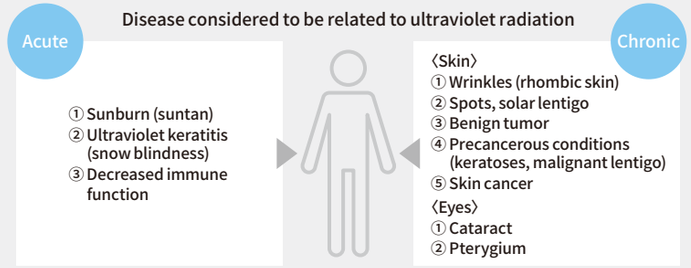


- Bismuth sulfide particles with sea urchin spine-like structure
- Primary particle size: 1.0–1.5 µm
- Uniform particle size
- Supplied as a pigment dispersion (easy to incorporate into coatings)

### Health

#### Prevention of Health Hazards from Ultraviolet Radiation

Ultraviolet radiation levels are increasing. This is causing more attention to be paid to the importance of sun protection measures.




*Ultraviolet Radiation and Health Manual 2020, Ministry of the Environment

#### ■ Ultrafine Titanium Dioxide TTO Series

We achieve superior ultraviolet protection and high transparency through the synthesis of titanium dioxide particles at the nanoscale.

## Risks and Opportunities

| Risks | Opportunities |
|---|---|
| Reduced earnings due to rising costs for energy and raw materials, such as titanium ore | While continuing to monitor market trends, pass costs on to product prices and increase the sales percentage for functional materials products. Also, including technological improvement, diversify raw materials used to expand the range of options |
| Accidents and other problems due to aging production facilities and equipment | Carry out preventative maintenance and study the appropriate timing for replacing equipment and facilities |
| Drop in market price and ISK market share as a result of growth among Chinese titanium dioxide manufacturers | Work towards increased and stable revenue by continuing to provide the market with functional materials products based on ISK's unique technology |

## Helping resolve societal problems

### ■ Reducing environmental impact through titanium dioxide in chloride process

Titanium dioxide in chloride process, which is the production focus of the inorganic chemicals business going forward, has the advantage of higher product purity, compared to conventional titanium dioxide in sulfate process, as well as lower heavy metal content and less waste generated during production. As a result, the environmental impact of the manufacturing process can be comparatively reduced.

### ■ Providing materials which improve the performance of IT devices

The ISK group, in a joint venture with Murata Manufacturing Co., Ltd., operates MF Material Co., Ltd. (based in Nobeoka City, Miyazaki Prefecture), which contributes to the development and widespread use of IT devices by producing and supplying barium titanate, a key raw material for multilayer ceramic capacitors, which are widely used in smartphones, PCs, electric vehicles, and other electronic devices.

## Message from the Director

# Pursuing Titanium Dioxide Business Reforms to Reduce Volatility: Shifting Focus to High-Value-Added Products and a Profit-Oriented Business Strategy

Director of Inorganic Chemicals Business Headquarters

**Yoshiyuki Shimmyo**

With the launch of "Vision 2030 Stage II" last April, we began structural reforms of our inorganic business operations with the aim of establishing a stable business revenue base.
In the previous fiscal year, we implemented various measures, including establishing a product portfolio-based divisional system, launching a development sales-based organization, reviewing our overseas operations, taking measures to mitigate rising raw material costs, and optimizing titanium dioxide inventory to improve profitability.
In particular, the decision to halt the production of titanium dioxide in sulfate process (scheduled for March 2027) is expected to significantly contribute to reducing the high volatility of titanium dioxide prices, which tend to fluctuate greatly depending on economic conditions. Going forward, we will shift our focus from emphasizing sales to emphasizing operating income. While ensuring continued supply to our customers until we cease production of titanium dioxide in sulfate process, we will work on transitioning to titanium dioxide in chloride process, strengthening collaboration with our subsidiary Fuji Titanium Industry Co., Ltd., which owns the sulfate process facilities, and forming alliances with other companies, all in order to protect our core markets in Japan and Asia.
Meanwhile, we are working to strengthen our competitiveness in titanium dioxide in chloride process production, which generates less waste and has a lower environmental impact.
During the "Stage II" period, we will work to reduce costs by optimizing the use of lower-grade ores, while simultaneously accelerating the development of high-value-added products using titanium dioxide in chloride process, such as the production of titanium dioxide for electronic component materials, titanium dioxide for cosmetics, and super-weather-resistant titanium dioxide.
Also, with a view to the medium- to long-term market, we will review our overseas marketing strategies for functional colorant materials, including our "LUSHADE™ BLACK" ultra-low reflectivity black pigment, in addition to the product groups mentioned above. Furthermore, based on the particle design technology we have cultivated in the course of manufacturing titanium dioxide, we aim to develop a new range of products that optimize optical and electronic properties to meet market needs, with the goal of achieving significant growth in "Stage III" starting from fiscal 2027.

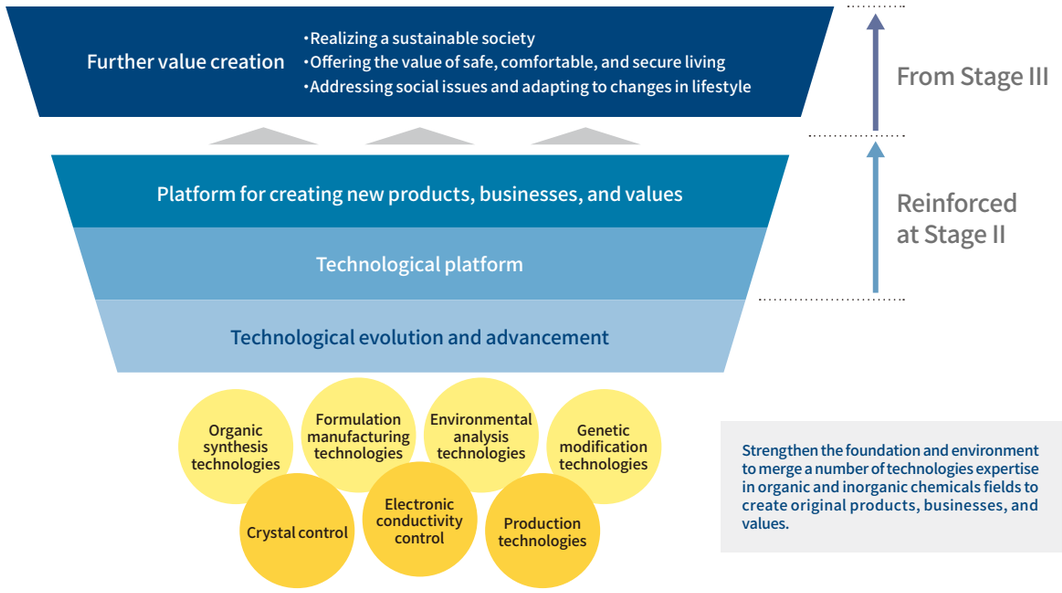
# Research and Development Activities



## Basic Policy

### Identify products and services that meet global needs, and continue to provide new value

Since the opening of our research institute in 1958, we have expanded our business into a wide range of fields as a research and development-oriented manufacturer. Each of our businesses conducts competitive research and development in its own field and shapes the market with its strong chemical technology and product appeal.
We are currently building a research and development data infrastructure using internal and external information and our own technological assets that will satisfy market needs, create value, and generate sustainable competitiveness, thereby promoting the development of new products in existing fields, the creation of new businesses, and the creation of new value.
Also, with regard to intellectual property activities that support research, we will always be mindful of the link with research and development and will work to update our intellectual property activities to contribute to our business, without being bound by conventional methods.




Strengthen the foundation and environment to merge a number of technologies expertise in organic and inorganic chemicals fields to create original products, businesses, and values.

## Research and Development Policy

Based on this policy, we aim to contribute to the realization of a comfortable and sustainable society through innovative products and services and to enhance sustainable corporate value.

### 1 Needs-driven innovation

- Accurately identifying market and clinical needs and selecting research and development themes that will contribute to addressing social issues
- Using close dialogue with customers to understand their essential needs and reflect these in product development

### 2 Differentiation through the combination of technologies

- Combining various in-house technologies, including organic chemistry, inorganic chemistry, and biotechnology
- Actively promoting collaboration utilizing outside expertise and technologies and leveraging open innovation

### 3 Consistent R&D structure

- Pursuing efficient research and development through a consistent system in which all departments work together, from planning to sales
- Accelerating development and improving quality through a consistent system, from drug discovery to commercialization

### 4 Contributing to sustainability

- Developing the products and processes that reduce environmental impact and contribute to a sustainable society
- Fulfilling our social responsibility through product development that considers people and the environment

### 5 Global expansion and intellectual property strategy

- Deploying R&D results to global markets
- Achieving enhanced competitiveness and sustainable growth through collaboration with business strategy, R&D strategy, and intellectual property strategy

### 6 Developing new fields

- Building new business pillars by applying existing technologies and introducing new technologies
- Expanding R&D areas flexibly according to changes in social needs

### Completion of the Technology Research Center, Hyogo-Ono (TREC)

The Technology Research Center, Hyogo-Ono (TREC), which began construction in May of last year, was finally completed on August 29, 2025. Following this, indoor experiment and testing equipment and office appliances and fixtures are being installed, and equipment operation tests will be conducted. Full operation will begin after the opening ceremony on December 15, 2025.
In addition to laboratory testing facilities, TREC has pilot facilities for the production of active compound for agrochemicals, and, by reviewing production routes and reaction conditions and conducting verification for actual production, we will work to develop more economically advantageous manufacturing processes.

# Business-specific Research and Development Policies

## 【Biosciences】 Capitalize on Our Technological Strengths and Research System to Accelerate Development

■ We will capitalize on our unique technological strengths and integrated research system to accelerate development that will contribute to sustainable food production.

We aim to develop new agrochemicals that are both people and environmentally friendly, and to promote and expand their sales in a sustainable manner. We will also work to commercialize non-chemical pesticides, such as biological pesticides. By making the most of our knowledge and strengths, we will revitalize our research system, which handles everything from drug discovery to commercialization, and accelerate the development of new products. We are also actively introducing new drug discovery technologies with the aim of further improving efficiency. The results of this, when combined with our intellectual property strategy, will strengthen our competitiveness. In terms of new areas of research, one example we are exploring is the field of floriculture using biotechnology, and we will continue to challenge ourselves to build new businesses in various technological fields without limiting ourselves to specific fields.

Agrochemical Pipeline

| Development pipeline | R&D stage | Phase 1 | Phase 2 | Phase 3 | Registration stage |
|---|---|---|---|---|---|
| Insecticide A | | | | | |
| Fungicide B | | | | | |
| Insecticide C | | | | | |

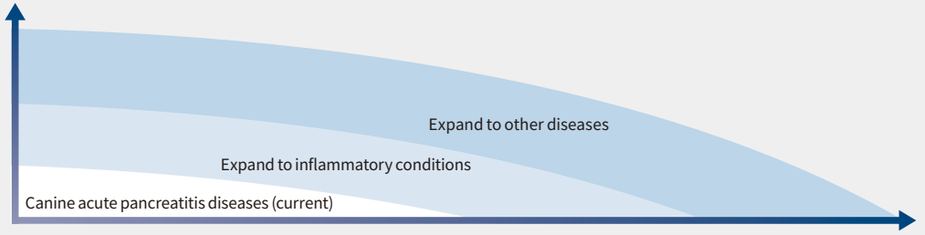
→ Planned for consideration during FY2025-FY2027

## 【Healthcare】 Combine Market Needs with ISK Technology to Create Value

■ By combining the needs of clinical practice with our elemental technologies, we create value in the field of healthcare, focusing in particular on animal health products.

We precisely ascertain the needs of clinical practice and other contexts and select research and development themes with high growth potential, but which can contribute broadly to society. We then choose themes that can be combined with our own technology and know-how, or outside expertise and thereby differentiate ourselves from our competitors. Those performing research and development ascertain the essence of what is needed at the field, as well as receive feedback from them during the development process, to improve the thoroughness of the results. Through these research and development efforts, we aim to create new value that we provide to our global customers in the form of medical products and services, including animal health products.

Animal Health Product Cases




## 【Inorganic Chemicals】 Attain Value Creation that Supports the Environment and a Digital Society

■ We pursue the development of products and processes that support both the environment and a digital society in ways which contribute to the realization of a society which is comfortable and sustainable.

We work to propose new solutions based on market needs that utilize not only titanium dioxide but also a variety of other materials and functional materials, thereby contributing to improving quality of life and addressing social issues.
In addition, the planning, sales, and research and development departments of each business division will work together to fundamentally ascertain customer needs. In addition to utilizing our internal technologies, which go beyond the inorganic division, we will also accelerate speedy technological development by incorporating external collaborations and open innovation.

Inorganic Pipeline (New Product Development)

Pre-sale Full-scale sales

| Classification | Developed materials | Sales period (Unit: Fiscal year) | | | |
|---|---|---|---|---|---|
| | | 2024 | 2025 | 2026 | 2027 |
| Continued expansion market | New high-purity titanium dioxide | | | | |
| New expansion market | High refractive index material | | | | |
| | High jet-black pigment (LUSHADE™ BLACK) | | | | |
| | Heat storage material (HASClay™*) | | | | |
| | Copper microparticles | | | | |

*This product was developed based on findings from our collaborative research with the National Institute of Advanced Industrial Science and Technology.

## Special Feature

# A Small Team Tackling the Rapidly Changing Needs of Cosmetic Raw Materials

The introduction of a divisional system is changing the business style of the Inorganic Chemicals Business Headquarters. Operations have become faster and more agile, and a system is now in place that enables rapid responsiveness to new needs. We sat down with three members of the Cosmetics Team, which is part of the newly established Functional Color Materials Business Division, to talk with them about their work on commercializing new cosmetic raw materials (positions are as of June 2025).

## New Color Pigment Development in Response to Customer Needs

### ■ What is “PFC415” that is currently under development?

Nishii This is a color pigment for cosmetics, such as foundation, and it is made using titanium dioxide in chloride process. Our main product in this field, “CR-50”, also uses titanium dioxide, but the particle size is different. The particle size of CR-50 is 250 nanometers in diameter, but we made the particle size slightly smaller for PFC415. While smaller particle size does reduce coverage, it results in a softer and natural look.

Yoshioka Depending on your skin tone, using a foundation with strong coverage can cause a white cast or give it an unnatural-looking finish.

Left: PFC415
Right: Prototype powder foundation containing PFC415

### ■ Please tell us what prompted you to develop this product.

Yoshioka Probably the change to a divisional system? Previously, because sales representatives were assigned based on region and customer type, they handled a wide variety of products, and cosmetic raw materials tended to be given lower priority compared to other major products. The change in system has allowed us to focus more on cosmetics, and we also have more time to listen to customer feedback.

For example, when we hear that a customer is looking for an alternative to a competitor's product (made using the sulfate process), in the past we would simply recommend the closest product from our existing range. Now, however, we can consider various possibilities, such as why the competitor's product has that particular color and whether we can produce a similar product using our own process (chloride process). I also appreciated the fact that it is easy to consult with the development group.

Nishii After hearing from the sales group, we immediately conducted some preliminary experiments. As a result, we found that the coverage and the color of the product seems to correlate more with the particle size than with the manufacturing process, giving us a clearer vision of the quality we are aiming for.

Nakatani In parallel with our sales and product development-related discussions, we also conducted research on market size and manufacturing costs. We thought that, if we could sell it at the anticipated scale and price, it would become an attractive product.

**Ryosuke Nakatani** (left)
Inorganic Chemicals Business Headquarters
Functional Color Materials Business Division
Business Planning Group
Responsible for managing the development plan outlining the entire process from market analysis to product development and production, as well as for coordinating with various internal departments, such as the manufacturing plant, and managing the project schedule.

**Shinya Yoshioka** (center)
Inorganic Chemicals Business Headquarters
Functional Color Materials Business Division
Sales & Marketing Group
Serves as a customer service contact point. In addition to sales management, responsibilities include gathering customer needs, explaining products using technical data, and arranging sample shipments.

**Izuka Nishii** (right)
Inorganic Chemicals Business Headquarters
Functional Color Materials Business Division
R&D Group
Responsible for all aspects of product development, from researching and determining target quality standards to creating prototype samples, as well as preparing technical documentation.

## From Titanium Dioxide Manufacturer to Cosmetic Raw Materials Manufacturer

### ■ How has the introduction of a divisional system affected new product development?

Nakatani Previously, since the Sales Division and Development Division were separate organizations, we had to clearly demonstrate the background, rationale, and future prospects to each before any development project could proceed. Because each organization had its own priorities, it was difficult to gain the understanding of superiors, and it placed a heavy burden on the people in charge.

With the implementation of the divisional system, sales, planning, and development have all been consolidated into the same Functional Color Materials Business Division, making it easy to simply pick up the phone and ask, “Could we try something like this?” Having separate business divisions for each domain, with a unified direction and focus, has had a positive impact on development.

Yoshioka Our work style has become more flexible and dynamic. I feel that we've moved towards a culture where we're more inclined to just try things out. Previously, there were too many hurdles to overcome before we could even conduct preliminary discussions or gather information from customers. Trends in the cosmetics industry change so rapidly that it's important to act quickly.

Nishii I definitely feel that the footwork involved has been lightened. Information sharing within the division has also been strengthened, allowing us to focus on cosmetics while simultaneously improving our knowledge level and staying up-to-date with the latest industry information.

### ■ What are the most difficult challenges you face during the development process? How do you solve them?

Yoshioka The most difficult challenge is ascertaining the true needs of our customers. For example, titanium dioxide has two crystal structures, A (anatase) and R (rutile), and the chloride process can only produce the R type. Many cosmetic manufacturers, however, still use type A out of habit, and they often ask us, “Don't you have type A?” However, their real need lies somewhere else entirely. After asking if type A is what they really need and then listening to their explanation in detail, we discover that they didn’t actually need type A itself but only the same color as their current product. So, we create a sample that reproduces the desired color using type R material and ask them to evaluate it, explaining that, even if we don't use type A material, we can still achieve the color they want. They were then satisfied with the result.

Nishii Regarding samples, a challenge is determining what kind of data we should provide to capture the customer's interest. Initially, we struggled because we didn't know what data we needed, but after much trial and error, we were able to systematize the differences between particle size and color. Now, Mr. Yoshioka uses this information in his sales activities.

Nakatani Minimizing the time gap between when a customer requests a sample for evaluation and when we can actually deliver the sample. It’s quite a difficult task. Since we use mass production equipment for titanium dioxide during the prototyping stage, the timing for production is limited.

We therefore keep a six-month production plan in mind at all times, while also closely coordinating with the sales representatives to stay informed about sample submission deadlines. We communicate our plans to the production team well in advance, letting them know that we want to conduct prototype testing during this period, and we coordinate things to minimize any impact on regular production.

Sometimes the production team has refused to incorporate a prototype into the production process, but they've relented after the tireless persistence of Mr. Yoshioka. His strong determination inspires us to remain undaunted in asking the production team to go above and beyond their usual duties to support the development and prototyping of new products.

### ■ How do you envision the future direction of this project?

Yoshioka We are in test production in preparation for a full-scale launch in two years. Considering the need to reduce production costs, investment in new equipment will also be necessary. It will take time, but this has the potential to become a large-scale business, so we definitely want to make it happen.

Nishii We also want to improve quality. Regulations vary slightly from country to country, and, when expanding sales globally, we cannot overlook the issue of impurities. During the test production phase, our priority will be to ensure that the product meets all regulatory requirements, in addition to focusing on its functionality, so that we can develop safe and reliable materials.

Nakatani PFC415 is the first product developed after ISK implemented a divisional system. To ensure a timely product launch, we intend to strengthen our collaboration with the sales and development teams for better project scheduling.

Yoshioka Also, although our company specializes in titanium dioxide, now that we have established a team focused on cosmetics, we would like to explore the possibility of handling other materials besides titanium dioxide. We can apply our technology to exploring other materials as well.

Nakatani I agree. With this team, we can definitely do it.

# Intellectual Property Management



## Basic Policy

Our Group treats business strategy, research and development strategy and intellectual property strategy to be one and the same, and we are mindful of intellectual property in all aspects of our activities, from research to commercialization.
We seek to increase our corporate value by steadily acquiring the rights to the results of our research and development and using these to secure a business advantage over other companies. We also actively invest in intellectual property and endeavor to protect and leverage it.

Aims of ISK Intellectual Property-related Activities

| | | |
|---|---|---|
| Ensure the safety of our business | ● Reduce intellectual property risks<br>● Countermeasure against others' patents | Confirmation that implementation does not infringe on the patents of others |
| Secure an advantage for our business | ● Strengthen competitiveness | Early and reliable patent filing for research and development results |
| Shape the market for our business | ● Market influence<br>● Create and respond to the market entry barriers | Build our brand, build our patent portfolio |

**Increased corporate value**

### Intellectual Property Strategy

Through collaboration with research and development and sales/marketing departments, intellectual property departments will examine business from various angles and provide intellectual property strategies to connect inventions to business.

■ Construction and utilization of an IP portfolio

We build up our intellectual property portfolio (bundle of rights) through the timely and appropriate filing of patent and trademark applications in line with our business activities or business plans and strategies.

■ Improvement of the IP utilization rate

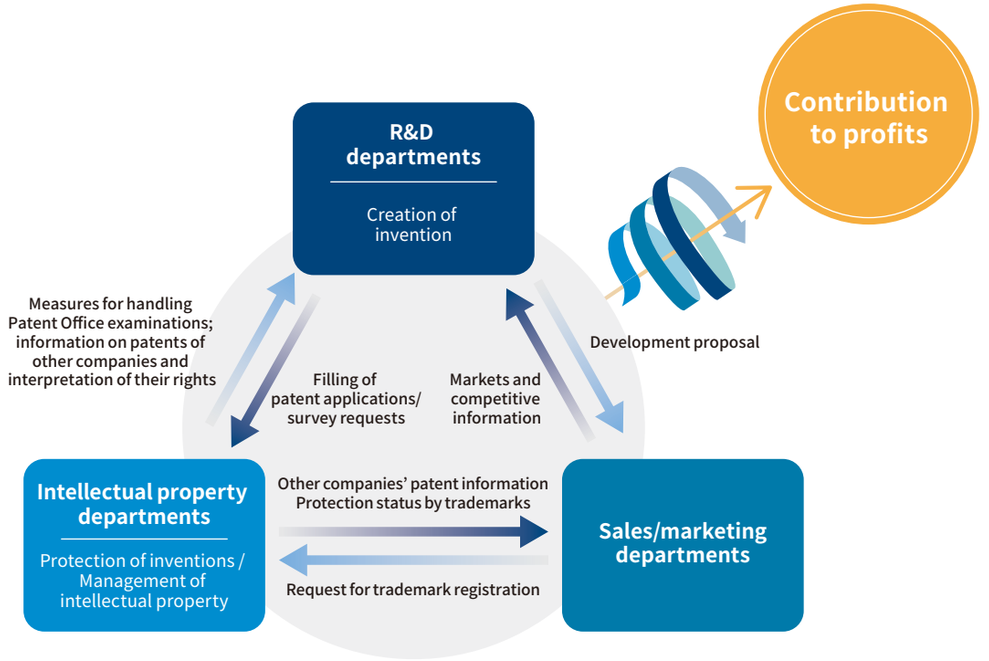
We will adopt an application strategy suited to market conditions, aiming to increase the number of applications filed according to the stage of business and to improve patent utilization rates.

■ Intellectual property and markets

We will research and analyze patents of other companies in the target market to determine whether they are at the "basic development stage/mass production development stage/additional function development stage/commoditization stage."
We will hold meetings to discuss and share the possible intellectual property directions (intellectual property strategies) that are appropriate for each stage with the R&D/sales/marketing departments, creating a clear focus and contributing to business growth.

### Integration of Business Strategy, Research and Development Strategy, and Intellectual Property Strategy

Obtaining a strong patent is necessary for advancing one's business into an advantageous position.
This requires a deep understanding of inventions, and smooth communication between the research and development and intellectual property departments is essential.
At ISK, our intellectual property and research and development departments work cooperatively at each business location to ensure that no opportunity is missed to obtain the rights to inventions. In addition, we conduct intellectual property awareness-related activities, such as intellectual property-related training sessions, to raise awareness among our members about intellectual property protection.



# Promoting DX



## Basic Policy

Through digital technology-driven, company-wide digital transformation (DX) initiatives, we aim to further expand our existing business in response to changes in customer and societal needs and the business environment, create new business, and strengthen our management drive. Our DX initiatives, which began in fiscal 2022, are being undertaken through a process of phased development. In the initial phase, we focused on building the foundation for DX, focusing on improving business efficiency and employee DX literacy. In Stage II, which began in fiscal 2024, we are building on the successes we have achieved thus far and are beginning full-scale efforts toward more fundamental transformation and value creation.

### DX Strategy Roadmap and Promotion Systems

In our activities to date, we have promoted measures centered on digitalization, such as going paperless, electronic applications, and introducing RPA, and have created a DX-Ready state. Going forward, we will further promote business process reform and accelerate digital innovation by strengthening our digital infrastructure to enable more advanced use of AI and data in order to create value.
We place great importance on each employee being a driving force for change. As part of our company-wide DX promotion system, we have placed DX promotion leaders in each department to promote on-site-led business reforms. In addition, under the Corporate Planning Division, we have established a Digital Strategy Group which is responsible for implementing company-wide priority projects, developing DX human resource development measures, and supporting on-site activities. In this way, we combine bottom-up activities with company-wide optimization activities to enhance our overall execution capabilities.

| 2022 | 2024 | 2027 | 2030 |
|---|---|---|---|
| Stage I<br>DX-Prep | Stage II<br>DX-Ready | Stage III<br>DX-Emerging | Goal<br>DX-Excellent |
| **Building a foundation for DX**<br>● Developing company-wide DX promotion systems<br>● Workstyle reforming and operational streamlining<br>● Strengthening production capacities at the Yokkaichi Plant | **Innovation in business processes**<br>● Accelerating business innovation and digitalization<br>● Promoting interdepartmental collaboration | **Strengthening management capabilities**<br>● Realizing data-driven management<br>● Improving technology platforms<br>● Creating a new business model | **Creation of new value**<br>● Creating an innovation-focused organization<br>● Establishing a new business pillar |

### Initiatives Toward AI and Data Utilization

We are currently working on building a foundation for utilizing AI and data, including a dashboard for centralized control of management information and a platform for effectively utilizing technical information across departments. Regarding generative AI, we plan to first expand its use in everyday work and, in the future, develop it into an assistant-type AI that is deeply integrated into the actual work of each department. We aim to capitalize on the expertise of each employee as knowledge for the entire organization and to accelerate the creation of new value through knowledge sharing and collaboration.

#### ■ Expanding In-house Generative AI Service

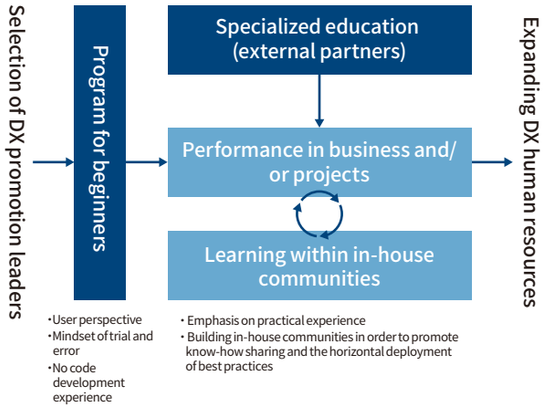
We have developed and deployed a secure AI generation environment and guidelines so that all employees can use it in their daily work.
To ensure its widespread and proper use, we are promoting mutual learning within the company, such as by holding workshops to impart know-how that can be used in ISK business.


Screen for in-house generative AI service

### DX Human Resources Development

We are focusing on developing core personnel who can take the lead in fostering digital-driven business improvement and planning and who will support on-site transformation. In particular, we are focused on “business architects,” as per the DX promotion skill standards defined by the IPA*, and are developing training programs that emphasize practical experience. In addition, in order to accelerate the promotion of DX throughout the organization, it is also essential to create a culture of embracing challenge. As part of this, we also provide training for executives and managers to foster the mindset necessary to promote digital transformation.

*IPA: Information-technology Promotion Agency, Japan



# Message from the Outside Directors

## Transcending Conventional Corporate Thinking to Bring Diverse Perspectives and Values to the Board of Directors

Outside Director **Yumi Sano**

### Corporate DNA Characterized by Strong Research and Development Capabilities, a Pioneering Spirit, and Dynamism

I am honored to have been appointed as an outside director of this venerable company with a history that spans more than a century. Going forward, I intend to work together with President Hiroshi Okubo and the other board members to contribute to ISK's sustainable growth.

After serving for many years at a textile manufacturing company and then at the Kansai Economic Federation (Kankeiren), I am currently the head of the Kansai office of the Japan Institute for Women's Empowerment & Diversity Management (JIWE), where I work to promote diversity and support the creation of a more comfortable work environment. During my time with the Kankeiren, I was appointed as an outside director for a company whose president was aiming to diversify its core workforce, and I have since served as an outside director for three different companies. In my current role as an outside director at ISK, I experience a profound sense of connection and enthusiasm, given my own background in manufacturing and my passion for product development. I am still learning about ISK's business, but I will do my best to contribute by leveraging my experience and network of contacts.

The first thing I picked up after taking on this role was a book titled "My Personal History," written by the ISK's founder, Hiroichiro Ishihara. It was serialized in the Nihon Keizai Shimbun newspaper in 1964. To truly understand a company, it's best to learn about its history and the vision of its founders. Through this account, I came to understand that ISK's DNA – its strong new product research and development capabilities, pioneering spirit, and dynamism - are all closely linked to its current purpose.
Meanwhile, some long-established manufacturers are now facing the end of their core business that was their main focus when they first started. ISK has also decided to cease titanium dioxide in sulfate process production, which had been its mainstay for many years. What is needed next is a new value creation-focused story and to find ways to ensure that story is visible. I want to leverage my past experience to offer a perspective that can contribute to new insights.

### Seeking Frank and Face-to-Face Conversations with Employees

I think it is safe to say that the most important quality an outside director should possess is the ability to view things from a different perspective that is not constrained by the conventional wisdom within the company. Many Japanese companies, including ISK, tend to have a high percentage of male directors who have been appointed internally, and this homogeneity can sometimes make it difficult for them to recognize emerging risks. That's why I believe it is necessary to have diverse perspectives and values represented, and that is why I actively share my opinions at ISK's management meetings and other forums.
As part of my work with JIWE, I once visited the factory of a certain company. They had just hired two female employees who had graduated from a technical college, but the facilities remained the same as when there had only been male employees. So, I toured the entire factory together with the two women and, from a female perspective, identified issues to be addressed, such as safety concerns, like slippery stairs, or deficiencies, like insufficient temperature control. We then developed an improvement plan based on these findings, and as a result, within three years, the workplace became much more comfortable for both men and women, and the overall employee turnover rate decreased. The "E" in Diversity, Equity, and Inclusion (DEI) stands for "Equity," which means ensuring that everyone benefits.

Furthermore, I intend not only to express my opinions in the boardroom but also to engage in frank, face-to-face discussions with employees. By visiting all of ISK's facilities, including the Yokkaichi Plant and the Central Research Institute, and hearing from employees, I hope to not only learn about ISK but also, have opportunities to help employees gain new insights along with ideas for positive change through the sharing of various real life examples and discussing current social trends. Perhaps we could create a discussion forum where female employees can gather and freely share their experiences with each other.
Human capital is the key to improving ISK's performance and raising its stock price. Greater people power will improve ISK's manufacturing strength and help it keep pace with societal advancements. I am committed to working together with all members of the ISK Group to achieve this.

# Message from the Outside Directors

Chairperson of the Personnel Committee:
Risk Management and Outside Directors

## Appropriately Managed Risk Is Not Bad Risk

Outside Director **Satoshi Ando**

In order to achieve further growth, ISK must take risks in various situations. Therefore, drawing on the knowledge and experience I have gained through my work in corporate legal affairs, I review whether appropriate business risk assessments have been conducted from a legal perspective and endeavor to provide advice that will enable sound business decisions to be made. From a sustainability perspective, I emphasize the importance of having an “outside perspective” in company discussions to ensure that the Board is not overlooking any potential risks.

Due in part to ISK’s past history, Board members can sometimes be overly conservative when it comes to business risks. However, President Hiroshi Okubo has declared his intention to take the lead in embracing calculated risks, and, under his leadership, ISK is gradually seeing a shift in mindset, where there is an evolving understanding that risk itself is not inherently bad, if properly assessed and managed. I believe ISK needs to work harder to foster this mindset among its executives and employees.

As society becomes more complex, the risks that companies face also become increasingly diverse, making the management and assessment of these risks more difficult. As ISK continues making management decisions in this context, I believe the importance of objective risk assessment by outside directors will only increase, and, thus, I will make every effort to keep enhancing my own skills and knowledge. Furthermore, I believe that providing advice grounded in legal expertise remains important to ensure that terms like “duty of care” are not used inappropriately or misunderstood, which could lead to inadequate evaluation and management.

Chairperson of the Compensation Committee:
Directors’ Remuneration and Outside Directors

## Importance of Expanding Long-term Incentive Systems

Outside Director **Akemi Uchida**

A sound remuneration system is not only essential for supporting a company's sustainable growth but also plays a role in enhancing the effectiveness of corporate governance. To adapt to the rapidly changing business environment, ISK is continuously reviewing its governance and remuneration systems, including through the Compensation Committee, which I chair.

While the current remuneration system is evolving towards a focus on enhancing corporate value sustainably, when we look ahead to future plans for accelerated global expansion, we see that it will become even more critical to strengthen long-term incentive systems. With regard to the governance structure, there needs to be greater promotion of diversity. Although progress is being made in terms of appointing female executives, there is still room for improvement in terms of other areas, such as gender, age, nationality and expertise. By promoting diversity within its Board of Directors, ISK can foster an organizational culture where diverse perspectives are naturally respected, which, in turn, should lead to improved decision-making quality.

With regard to making improvements going forward, it is important to take into consideration “why the design is the way it is.” Clearly communicating how the management strategy relates to the remuneration system, and explaining the underlying approach, will be essential to gain understanding and acceptance from both internal and external stakeholders.

As the chairperson of the Compensation Committee, my aim is to design a remuneration system that is more closely aligned with ISK’s purpose and mid- to long-term vision and to contribute to maximizing ISK’s value by enhancing the motivation of the next generation of management, as well as by strengthening the independence and integrity of the Board of Directors.

# Human Capital



## Message from the Director of General Affairs & Human Resources Headquarters

### Aiming to Further Enhance Corporate Value by Cultivating Human Resources that Encompass Both Diversity and Innovative Thinking

Director of General Affairs & Human Resources Headquarters

**Yoshio Nishiyama**

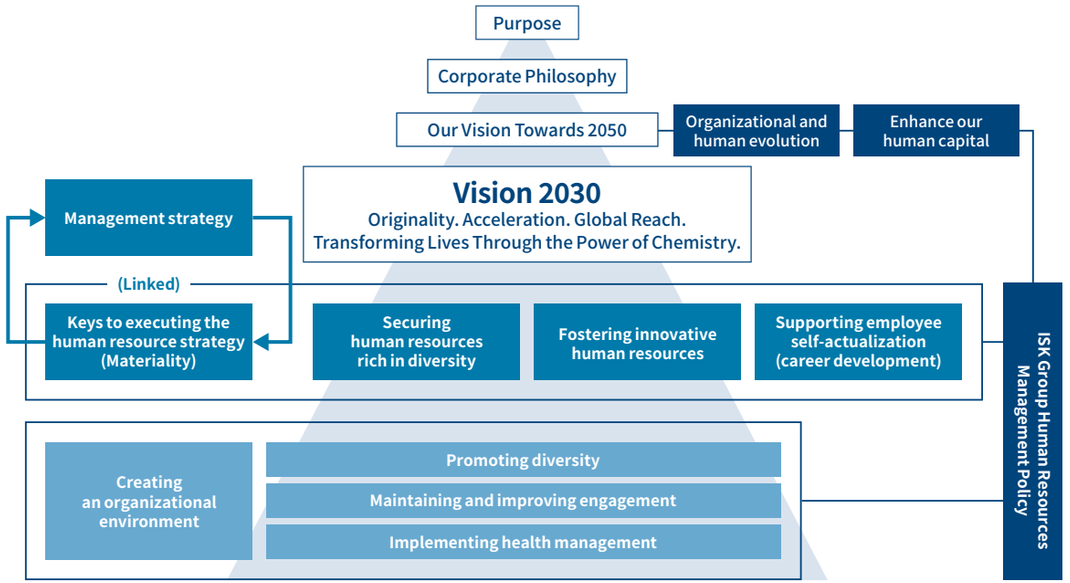
In the ISK Group, we consider human resources to be the source of our competitive strength, and we have formulated the ISK Group Human Resources Management Policy to serve as a comprehensive explanatory resource for all employees to help ensure alignment in the implementation of our human resource strategy. Three key materialities that we focus on as part of our human resources strategy are "securing human resources rich in diversity," "fostering innovative human resources," and "supporting employee self-actualization (career development )."

Regarding "securing human resources rich in diversity," we are committed to building a diverse talent pool and promoting diversity, equity, and inclusion (DE&I) initiatives. To this end, we actively recruit both new graduates and experienced professionals regardless of gender or nationality, and we utilize various channels, such as referral programs and re-employment programs, to ensure a diverse workforce. To ensure we keep fulfilling our corporate purpose "To continue contributing to better living environments through chemical technologies," it is essential that we foster innovation and address risks by leveraging diverse values, knowledge, and expertise. With this in mind, we will further amplify our efforts to recruit a more diverse workforce (including women, international employees, and people with disabilities).

Regarding "fostering innovative human resources," it is crucial, in order to maintain and enhance competitiveness and achieve sustainable growth, that each employee maximizes his or her own potential and that diverse talents work together to maximize the organization's overall capabilities. Specifically, we will leverage assessment data and a talent management system to enhance our talent portfolio, identifying, based on three considerations of job duties, job scope, and personal attributes, those human resources that are required and those skills that need to be strengthened , and we will analyze the gap between the current talent profile and the talent profile needed to support our business strategy, thus ensuring that the right people are in the right positions. Then, we will undertake strategic human resource investments, talent development programs, succession planning, and career development initiatives that are aligned with our talent portfolio.

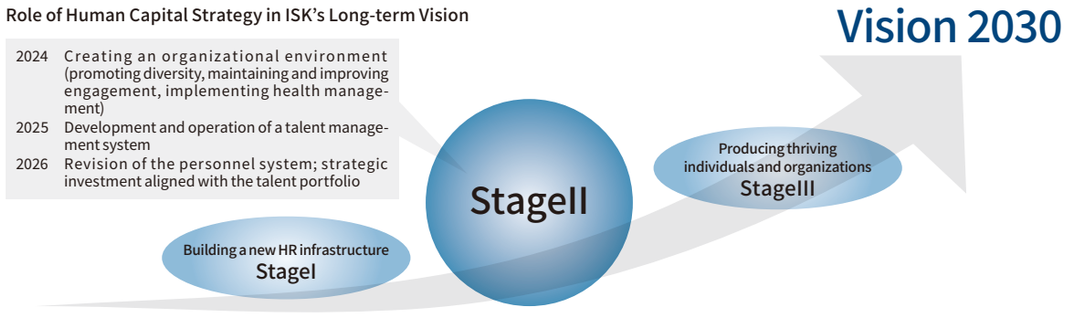
With regard to "supporting employee self-actualization (career development)," we have conducted an employee engagement survey every year for three years since fiscal 2021 as part of efforts to assess employee ambition and drive. Previous surveys focused solely on gathering subjective opinions, which were insufficient for comprehensive organizational analysis. Therefore, starting from fiscal 2024, we have changed our survey methodology to analyze the gap between expectations and actual experiences. We will now disclose evaluation criteria and detailed data for each business headquarters and work on implementing countermeasures and improvements accordingly. Furthermore, starting this fiscal year, we are incorporating "employee engagement" as a KPI for remuneration of directors, and we are making improvement of work-life balance, enhancement of the workplace environment, reformation of corporate culture, strengthening of human resource development, and improvement of compensation and performance evaluation systems a key mission for our executives, with the aim of boosting employee engagement.

The qualitative findings from the fiscal 2024 employee engagement survey highlight strengths such as a strong, shared sense of ownership of ISK's corporate philosophy and purpose within the organization, a well-functioning system facilitating smooth operations, and opportunities for skill development. However, gaps were identified in areas such as career development and the remuneration system, which are important issues that need to be addressed in the future.



As for underlying causes of these issues, based on our analysis, we have determined that the abolition of the job classification system for general and regular staff positions as part of the personnel system reform undertaken in 2020 has had an impact. Since general staff positions were predominantly held by women, we initially believed that the system reform would allow motivated employees to perform even better and promote diversity. However, we have observed that individuals are struggling to adapt to the rapid changes, particularly in terms of career plan restructuring and behavioral change. Therefore, we believe it is essential to provide ongoing support to employees, conduct mindset training programs over time, and encourage them to discuss their career paths with their supervisors to foster self-actualization.
Furthermore, given the increasing fluidity of the job market and the diversification of values, a one-size-fits-all approach to human resource management may undermine employee motivation and job satisfaction. Therefore, we will revise our personnel system to align compensation and benefits with job roles and responsibilities, while also reviewing role requirements and definitions based on job functions and types.
By steadily implementing such initiatives and fostering an environment which produces thriving individuals and organizations, we will realize a human resource strategy that is aligned with our management strategy. Addressing numerous challenges and reforming the organizational culture requires time and energy, by fostering a positive environment where all employees work proactively and with enthusiasm, we can maximize the group's value creation and enhance overall corporate value.

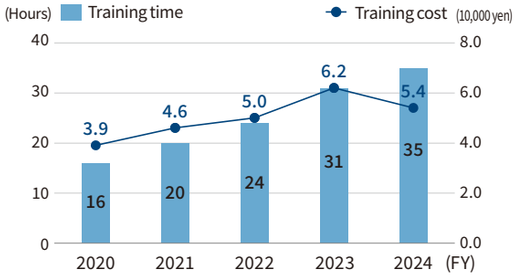
Role of Human Capital Strategy in ISK's Long-term Vision



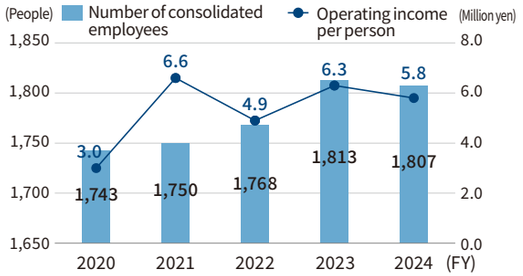

## Payment of Monetary Claims Under a Restricted Stock Incentive Plan

Starting in fiscal 2022, ISK implemented a restricted stock incentive plan for employee shareholding association, targeting management-level employees. In accordance with this system, we have decided to make the fourth payment installment of monetary claims to eligible employees. This initiative aims to enhance employee engagement, strengthen managerial awareness of the mid-level managers upon whom our corporate operations depend, and improve the correlation between employee performance and overall business results. Going forward, we will continue to work together as a group to achieve the goals of "Vision 2030" and further enhance our corporate value.

Training Time and Cost per Person (Non-consolidated)




Consolidated Operating Income per Person




■ **Human resources investment (non-consolidated) 150.2 million yen**

Education and training expenses (job grade-specific training, compliance training, top leader management training, ISK business training, global human resource development program, other self-development support, etc.), recruitment-related expenses

■ **Organizational infrastructure investment (non-consolidated) 165.6 million yen**

Mental health survey and consultation expenses, healthy activity promotion expenses, engagement survey expenses, talent management system introduction and operation expenses, etc.

## Recognition as Health & Productivity Management Outstanding Organization (largescale corporate sector) in 2025 – Third Year in a Row

Since announcing our Health Declaration in October 2021, we at ISK have implemented a variety of health promotion initiatives to ensure that our employees can thrive, both physically and mentally, and this has contributed to our being recognized as a Health & Productivity Management Outstanding Organization for three consecutive years, from 2023 to 2025.
To promote healthier exercise habits, in addition to distributing wearable devices and apps, which we started last year, we have also introduced a new employee benefit program that allows employees to easily access local gyms.
Furthermore, to address the issue of smoking rates, we are collaborating with the health insurance union to provide subsidies for smoking cessation clinics and free distribution of nicotine patches and chewing gum. Following the implementation of a no-smoking policy during working hours in 2019, we are now gradually introducing a comprehensive, company-wide no-smoking policy.

2025
健康経営優良法人
KENKO Investment for Health
大規模法人部門

Web Sustainability: ISK's Health Management
https://www.iskweb.co.jp/eng/environment/health_management.html

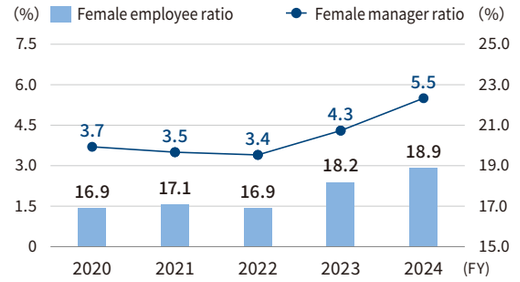
# Promoting Diversity

We believe that the source of our competitive strength lies in our people, and we, thus, value an environment that fosters mutual respect and encourages each individual to utilize their unique strengths and abilities. We promote innovation to create an organization generating new value through the incorporation of diverse perspectives.

## Gender Equality and Work-Life Balance Support Initiatives

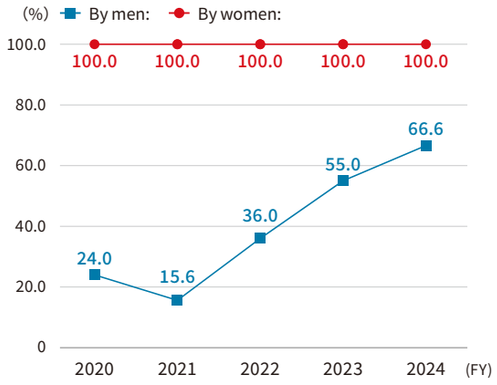
Due to the nature of our industry, the percentage of female employees in our company tends to be relatively low. While the percentage of female managers has increased for three consecutive years, it still stands at only 5.5% as of the end of March 2025. Gender equality is a key element of our diversity promotion strategy, and we will continue to work towards creating an organization where all employees, regardless of gender, can experience a sense of fulfillment in their work.
The results of a survey conducted among female employees revealed that many respondents expressed concerns about balancing work with life events such as childbirth, childcare, and elder care. As part of our efforts to foster a culture that respects employees' life events, we are actively promoting the use of parental leave, particularly for male employees, and both the utilization rate and average number of leave days taken are steadily increasing.

Female Manager Ratio (Non-consolidated)




*Based on the definition of "managers" under the Act on the Promotion of Female Participation and Career Advancement in the Workplace, the scope of aggregation for female managers has been changed to include managerial positions at the section manager level and above.

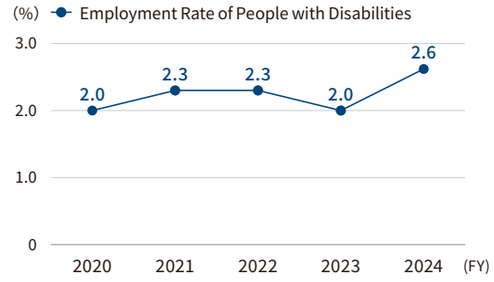
Utilization of Childcare Leave (Non-consolidated)




## Promotion of Employment of People with Disabilities

With the aim of promoting both the development of the agricultural industry, one of our core business sectors, and the employment of people with disabilities, we took part in the Agricultural-Welfare Collaboration promoted by the Ministry of Agriculture, Forestry and Fisheries. By connecting people with disabilities with farmers who are struggling with labor shortages, this initiative aims to achieve both job creation for people with disabilities in areas where there are limited employment opportunities and to help revitalize local agriculture. Currently, four employees are involved in sorting and packaging agricultural products, and these products are then shipped to the market, thereby contributing to consumers and the agricultural industry. Going forward, we will continue to accumulate expertise in support systems and operational methods to ensure stable employment on-site, while also developing new job opportunities and expanding existing ones within our various business locations, with the aim of utilizing diverse talent and creating more employment opportunities.

Employment Rate of People with Disabilities (Non-consolidated)




## LGBTQ-related Initiatives

We are committed to creating an environment where all employees, regardless of their sexual orientation or identity, can thrive and succeed. We conducted an in-house training workshop for HR personnel led by an outside instructor. We are also focused on reviewing and strengthening our internal systems and procedures, such as with regard to information handling and the handling of employee inquiries. In April 2025, we revised the definition of "spouse" in our company policies and procedures, extending eligibility for benefits, such as leave for special occasions, caregiving leave, company housing, and various other allowances and benefits, to include same-sex partners.

# Maintaining and Improving Engagement

## Engagement Survey Implementation

Based on the results of the employee engagement survey conducted in 2024, we identified “career development support” and “review of the compensation system” as priority issues that need to be addressed.
First, with regard to career development support, we conducted training sessions with executives to ensure that our initiatives are being implemented swiftly and effectively, while aligning them with ISK’s overall management strategy and direction. Going forward, we will focus on providing learning opportunities, creating spaces for employees to discuss their career paths, and strengthening the support system provided by supervisors. We will also review our personnel system to make it more flexible and enable employees to pursue diverse career paths.
Furthermore, our survey also included separate analyses for male and female employees, revealing that female employees generally experience a larger gap between their expectations and actual experiences, particularly in areas related to career development. In response to this, we conducted an assessment on career development and work styles for female employees. The results showed that factors such as concerns about balancing work and personal life, lack of self-confidence (also known as imposter syndrome), and preconceived notions or biases negatively impact career advancement aspirations. Going forward, to address these challenges, we will focus on strengthening our talent pipeline for future management positions by supporting mindset transformation and enhancing practical skills.
On the other hand, regarding the remuneration system, with the aim of more clearly linking company performance with employee contributions, as well as improving the fairness of the bonus determination process, we have introduced a performance-based bonus system starting from fiscal 2025. We will continue to invest actively in our human resources and create a virtuous cycle where employees receive rewards based on the company's performance.

Engagement Score (Total for Men and Women)

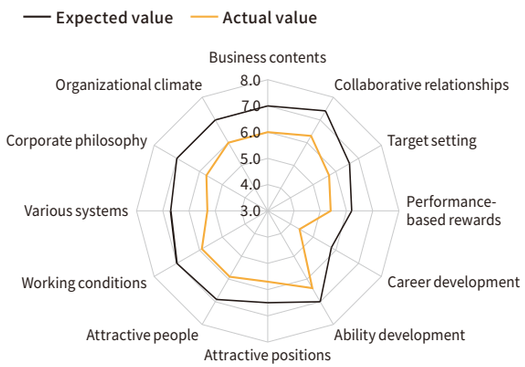
| | |
|---|---|
| 2024 results | 65.0 |
| 2030 targets | 70.0 ↑ |

Gender ratio

| | Male | Female |
|---|---|---|
| Engagement score | 65.3 | 63.2 |
| Career-related expectation vs. reality gap* | -1.3 | -2.4 |

*Actual value – Expected value

Expectation vs. Actual Experience (Total for Men and Women)




## Workshops for Building On-site Skills Held for Manufacturing Employees

At the Yokkaichi Plant, we conducted three workshops to redefine the “ideal roles and responsibilities” for each manufacturing-related position and job function. Based on the findings of an external survey, which highlighted issues such as “lack of clarity in roles and responsibilities,” “communication problems between field and office staff,” and “over-reliance on individual expertise,” the on-site team members, led by team leaders and foremen, took the initiative to address these issues, shared their ideas on how to move forward, and engaged in active discussions on revising the role allocation and evaluation systems. The aim of this initiative was to foster a sense of ownership and responsibility among all employees, ultimately leading to a better work environment and improved overall workplace performance. Going forward, we will refine the role definitions developed during the workshop based on the actual conditions in each workplace, pursue ongoing improvement and implement these changes from a practical, on-site perspective to, ultimately, enhance employee engagement within the factory.

## Commemorative Event Held at the Yokkaichi Plant to Celebrate a Milestone in the Titanium Dioxide Production Process

To commemorate the 70th anniversary of the sulfate process titanium dioxide plant's operation and the 50th anniversary of the chloride process plant's operation, we held the "ISK 70-50 Festa '25 in Yokkaichi" event at our Yokkaichi Plant over two days. With over 1,900 attendees, including employees from various company locations, their family members, and members of the local community, the event was filled with a lively atmosphere throughout, featuring interactive booths, a raffle, traditional festival games, food trucks, live comedy performances, dance performances by high school students and more. The factory tour was fully booked for each session and provided a valuable opportunity to deepen participants’ understanding and foster interaction.


# Employee Voices – Fostering Talent and Utilizing Human Resources

In the ISK Group, there are three key materialities that we focus on in our human resources strategy: “securing human resources rich in diversity,” “fostering innovative human resources,” and “supporting employee self-actualization (career development).” Here, we present three employees who were able to take a new step forward with regard to these different materialities.

## Diversity

Using a relief employee to enable taking parental leave – Enjoying three months with my family

Yokkaichi Plant
Functional Materials Production Division
Production Group

### Daichi Ishihara

I took approximately three months of parental leave following the birth of my second child. I took a brief parental leave when I had my first child, but, since this next child came so soon after the first, I knew things would be even busier; so, I decided to take a longer leave.
From the start, my wife and I found that taking care of two children together made our daily routine much busier and more hectic than we had imagined. Our daily routine revolves entirely around our children’s needs, from meal times and naps to handling nighttime crying. However, being able to witness my children's growth firsthand has been invaluable, and seeing my older child gently comforting the younger one always warms my heart.
At work, I received support from my colleagues, which made the handover process smooth. Because we work as a team on a daily basis, I felt confident that I could take parental leave without any need to worry. My immediate supervisor had also taken parental leave before, so his understanding and supportive words were a great source of encouragement.
After these three months, what I've come to realize most is that “someone may be able to substitute for you at work, but there is no substitute when it comes to family.” If you are hesitant about taking parental leave, I would encourage you to consider it positively.

## Fostering Innovation

Obtaining a doctoral degree through a program for working professionals

Central Research Institute
Formulation Research Laboratory
Product Development Group

### Takahiro Maruyama

Through my involvement in collaborative research projects, I had the opportunity to pursue my doctoral studies to obtain a Doctor of Engineering degree. My doctoral research topic was "Developing new dosage forms that provide added value." In it, I delved into the work being done in the Formulation Research Laboratory, which is part of the pesticide development process. Some of the data obtained during my research could not yet be released publicly, so I had to proceed with doctoral research while obtaining confirmation and cooperation from my superiors and other departments. Furthermore, I found that there were subtle differences in how data is collected between academia and industry, which presented some challenges. However, learning from various professors with diverse backgrounds was a valuable and enriching experience, broadening my perspective.
In my current role, I primarily focus on evaluating production conditions for manufacturing in the factory, which means I handle the part of formulation research that is closest to the actual production process. Going forward, I plan to thoroughly elucidate the differences between laboratory-scale production and large-scale manufacturing, and, eventually, I want to combine all my accumulated experience to challenge myself with developing new products that are grounded in formulation technology.

## Career Development

Complementing language study abroad with experience in the agrochemicals sales industry

Biosciences Business Headquarters
Product Development & Marketing Division
Asia Pacific Group

### Nanako Nishide

Because my job requires strong English skills, I had always wanted to study abroad ever since learning about the global human resource development program. Fortunately, in my second year after joining the company as a new graduate, my wish came true, and I was able to participate in a 13-week training program in the Philippines and Malaysia. Initially, my plan was to focus solely on the language program, but, after receiving advice from my supervisor to also learn practical English skills through work experience, I spent the last month accompanying employees of a related company to observe firsthand the current situation of agrochemical sales in the Philippines. In an environment where everyone except me was local staff, I gained confidence and improved my communication skills by not being afraid to ask questions and clarify things, even if it meant making mistakes.
My current job also involves handling matters related to Southeast Asia. To understand the local market situation, it's crucial to gather information directly from farmers and those involved in farming operations. This role requires the ability to communicate confidently in English, as well as having an understanding of different cultures and lifestyles, and these are skills that can be greatly enhanced through study abroad experiences. I will continue to improve my English skills, work daily to gain more experience, and keep striving to grow further.

## Basic Philosophy

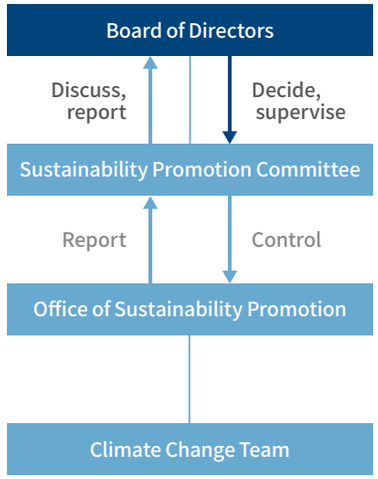
Within the ISK Group, we recognize climate change action is an urgent issue, and we are making efforts focused on “Dealing with climate change, reducing environmental impacts” as a materiality.
ISK Group strives to analyze, examine, and disclose the information related to the climate change issues under the TCFD recommendations, and in carrying out business activities, ISK Group will contribute to address environmental and social issues to realize a sustainable society and improve its corporate value.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Web Sustainability: Dealing with climate change
https://www.iskweb.co.jp/eng/environment/climate.html

### Governance

Our climate change-related efforts are overseen by the Sustainability Promotion Committee, which is established under the Board of Directors. The Office of Sustainability Promotion, headed up by an executive officer, plans measures which will then be implemented by the Climate Change Team underneath it.
The team comprises people from factory management, manufacturing divisions, administrative department, and ISK affiliates. The efforts and measures the team comes up with are deliberated on at Sustainability Promotion Committee meetings held at least twice a year, and those approved are consulted on and passed by the Board of Directors. The progress of activities by the Sustainability Promotion Committee, including the Climate Change Team, is reported every three months to the Board of Directors, which supervises these activities.




### Strategy

#### ■ Chosen Climate Change Scenarios

Referencing climate change scenarios published by the IEA (International Energy Agency) and IPCC (Intergovernmental Panel on Climate Change), we selected scenarios of a rise of 1.5–2°C and 4.0°C. Recognizing that climate change’s impact on business becomes more evident in the medium- and long-term, we analyzed the impact of climate change until 2050, as the time horizon.

*Referenced climate change scenarios
- 1.5–2°C scenario: Scenario with sustainable development and climate policy to keep temperature rise under 2°C compared to pre-industrial levels but to also aim to keep it to 1.5°C or less (IEA NZE 2050, IEA SDS, SSP1-2.6, RCP2.6)
- 4°C scenario: Maximum emissions scenario with no climate policy and development dependent on fossil fuels (IEA STEPS, SSP1-2.6, RCP2.6)

Scenario Analysis Process

| | |
|---|---|
| Identify major risks and opportunities | ●Gather information on risks and opportunities in the chemical industry.<br>●Identify climate change risks and opportunities for ISK, and narrow down the major potential risks and opportunities that could have a large impact on our business. |
| Gather future forecast data | ●Gather highly reliable, external future forecast data related to major risks and opportunities.<br>●Organize the future forecast data for each scenario and, along with relevant personnel at ISK, examine possible future world outlooks. |
| Calculate impact on business | ●Using the collected future forecast data and in-house data, quantitatively assess what possible impacts the highly important risks and opportunities will have on business for each scenario. |
| Consider responses | ●Consider ways to deal with climate change risks and opportunities that have a particularly large impact on business.<br>●Consider other efforts and ways to implement them when necessary. |

## ■ Scenario Analysis Results

The ISK Group used external information to analyze the main climate change risks and opportunities in our business, and gathered future forecast data related to each risk and opportunity.
Based on this, we considered the risks and opportunities that arise from the transition to the carbon neutral society, and the physical risks and opportunities caused by climate change, under each of the 1.5–2°C and 4°C scenario. We then analyzed the major risks and opportunities that could impact our business up until 2050.
As a result, for the 1.5–2°C scenario, we identified risks such as greatly increased operating costs due to the imposition of a carbon tax on $CO_2$ emissions.
Therefore, recognizing the importance of reducing $CO_2$ emissions across the entire ISK Group, we will proceed with various planned measures towards achieving carbon neutrality by 2050.

# Risk Management

One of the eight priority issues (materiality) that the ISK Group has identified is “dealing with climate change and reducing environmental impacts.”
In recognition of the urgency of climate change, the ISK Group has established the Climate Change Team under the Office of Sustainability Promotion.
This team identified climate change risks, the results of which are assessed and controlled by the Sustainability Promotion Committee. When necessary, matters are reported to the Corporate Risk Management Committee.

Business Risks and Opportunities Identified through Risk Level Assessment and Scenario Analysis

Time horizon: Short term: 2025, medium term: 2030, long term: 2050

On major opportunities | Financial impact more than one billion yen: ↗ | Financial impact less than one billion yen: ↗

On major risks | Financial impact more than minus one billion yen: ↘ | Financial impact less than minus one billion yen: ↘

| Major Risks and Opportunities | | | Covered business | Explanation of risks and opportunities | | | Responses aimed at reducing risks and seizing opportunities |
|---|---|---|---|---|---|---|---|
| | | | | Explanation | Time horizon | Financial impact (2050) | |
| Transition risks | Policies/ regulations | Introduction of carbon tax, stricter $CO_2$ emission regulations | Organic chemicals/ Inorganic chemicals | Increased operating costs due to the imposition of a carbon tax on $CO_2$ emissions (For 1.5°C: Cost increase of approx. 17.2 billion yen in 2050*) | Medium–long | ↘ | • **Shift boiler fuel away from coal**<br>• **Rebuild manufacturing systems**<br>• **Implement carbon capture and use renewable energy** |
| | Technologies | Shift to meeting consumer needs for low-carbon products | Organic chemicals/ Inorganic chemicals | Developing low-environmental impact products and strengthening manufacturing systems (Calculation of evaluation of financial impact includes rise in semiconductor demand) | Medium | ↗ | • Expand sales of electronic components (semiconductors etc.), materials (IPM products), and others that reduce environmental impact<br>• Create new technologies and products (Organic: Develop IPM products with a view to smart agriculture using AI and IoT, etc.)<br>• Utilize subsidies and subsidy systems for capital investment and product development |
| | Markets | Rising raw material prices (titanium ore, coke, others) | Inorganic chemicals | Increased procurement costs, rising material prices due to limited availability | Medium | ↘ | • Increase yields and reduce waste<br>• Reduce $CO_2$ in procurement through cooperation with suppliers and the industry |
| | | Energy cost fluctuations | Organic chemicals/ Inorganic chemicals | Sharp price fluctuations in coal, fuel oil, gas, and electricity | Short–medium | ↘ | • Diversify the energy sources<br>• Pursue thorough energy savings |
| | Reputation | Greater awareness of environmental consciousness among customers | Organic chemicals/ Inorganic chemicals | Fewer product orders and lower investor ratings due to delay in decarbonization | Medium | – | • Proactively strive to reduce environmental impact<br>• Pursue thorough information disclosure |
| Physical risks | Acute | Rise in severity of extreme weather events such as typhoons and floods | Organic chemicals/ Inorganic chemicals | Property damage and lost profits due to disasters | Short | ↘ | • Expand and improve BCPs, conduct drills<br>• Increase the number of suppliers<br>• Consider a backup manufacturing system |
| | | | Organic chemicals/ Inorganic chemicals | Rise in insurance costs due to higher risks of disaster striking bases | Short | ↘ | • Revise terms of insurance contracts |
| | | | Organic chemicals | Decrease in sales of agricultural materials due to farmers’ damage from floods | Short | ↘ | • Develop materials that solve new issues arising from extreme weather (rain-resistant materials, biostimulants that counter heat stress, and others)<br>• Select certain countries for priority development and marketing based on predictions of changes in uncertain ecosystems (pests, weeds, etc.) |
| | Chronic | Rise in average temperature, extreme change of weather patterns | Organic chemicals | Increasing sales opportunities provided by selling of materials that respond to ecosystem changes | Medium–long | ↗ | |

*Financial impact evaluation uses carbon pricing in each country under the 1.5°C scenario (IEA NZE 2050) for the calculation of cost impact (Scope 1, 2). Note that the organic business includes subcontractors (Scope 3).

## Indexes and Targets

Our group's greenhouse gas (GHG) emissions (Scope 1 and 2) fluctuated in line with our annual production volume, but, overall, remained at the same level as the previous year. Additionally, our Scope 3 emissions, which are emissions from the supply chain, decreased due to reductions in raw material procurement costs and outsourcing costs. At the Yokkaichi Plant, which has the highest $CO_2$ emissions, the company is not only promoting energy-saving activities but enabling the use of renewable energy derived from biomass, introducing low-energy-load equipment, and putting in place an internal carbon pricing system to further promote these initiatives. We are working to reduce emissions from various perspectives, including verifying technologies to improve thermal efficiency and developing mass-production methods for heat storage materials.

GHG (Greenhouse Gas) Emissions of ISK Group (1,000 t-$CO_2e$)

| GHG emissions | FY2019 (base year) | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | |
|---|---|---|---|---|---|---|---|
| Scope1 | 471 | 408 | 488 | 476 | 479 | 427 | ☑ |
| Scope2 (market standard) | 20 | 19 | 23 | 22 | 24 | 23 | ☑ |
| Total | 490 | 427 | 511 | 498 | 504 | 451 | |

GHG emissions are calculated based on GHG Protocol
☑ : Emissions subjected to third-party assurance
Note: For the current year and all previous years, Scope 1 emissions data has been adjusted,
in line with the Act on Promotion of Global Warming Countermeasures, by deducting 110,000 t-$CO_2e$ (for fiscal 2024) from energy generation for other companies.

- **Calculation target:** For Scope 1 and 2 emissions, the calculation includes Ishihara Sangyo Kaisha, Ltd. and the following domestic and international consolidated subsidiaries.
  **Domestic:** Ishihara Sangyo Kaisha, Ltd.: Encompasses the Head Office, Tokyo Branch, Yokkaichi Plant, and Central Research Institute /
  Fuji Titanium Industry Co., Ltd.: Encompasses the Main Office, Kobe Plant, and Hiratsuka Plant /
  MF Material Co., Ltd.: Encompasses the Nobeoka Plant and Hyuga Plant / ISK Engineering Partners Corporation, Ishihara Techno Corporation
  **International:** IBC Manufacturing Company
- **Calculation method:** GHG emissions = $CO_2$ emissions + non-$CO_2$ GHG emissions
  - $CO_2$ emissions (energy-related) = Σ(fuel consumption or purchased electricity x $CO_2$ emission factor)
  - $CO_2$ emissions from non-energy sources = Σ(Activity level of non-energy GHG sources x $CO_2$ emission factor)
  - $CO_2$ Non-$CO_2$ GHG emissions = Σ(Non-$CO_2$ GHG emissions x global warming potential factor)

  【Emission factor】 Fuel and steam: Latest emission factors based on the Act on Promotion of Global Warming Countermeasures
  **Purchased electricity:** For domestic electricity, the latest basic emission factor based on the official notification under the Act on Promotion of Global Warming Countermeasures is used.
  For international locations, IEA Emissions Factors 2024 location-based emissions factors are used.
  **Global warming potential factor:** The emission factor specified in Japanese government's system for calculating, reporting, and publicly disclosing greenhouse gas emissions is used.

### About acquisition of third-party assurance

For our GHG emissions data (Scope 1 and 2), we have obtained a third-party assurance report (limited assurance) from Asuene Veritas Inc., a provider of third-party assurance services in accordance with ISAE 3000 and ISAE (International Standard on Assurance Engagements) 3410 international assurance standards.

ASUENE VERITAS

Web Sustainability: Dealing with climate change
https://www.iskweb.co.jp/eng/environment/climate.html

GHG Emissions of Scope3 (1,000 t-$CO_2e$)

| Scope3 | Category | Calculated Scope | Calculation Basis | FY2024 |
|---|---|---|---|---|
| Category 1 | Purchased goods and services | Non-consolidated | Calculated from raw material procurement costs and outsourcing costs | 406.10 |
| Category 2 | Capital goods | Consolidated | Calculated from capital investment amount and emissions intensity | 27.81 |
| Category 3 | Fuel and energy-related activities not included in Scope 1 or Scope 2 | Consolidated | Calculated from Scope 1 and 2 energy consumption | 44.90 |
| Category 4 | Upstream transportation and distribution | Non-consolidated | Calculated based on specified shipper periodic reports | 3.59 |
| Category 5 | Waste generated in operations | Consolidated (in Japan) | Calculated from the amount of disposed general and industrial waste | 2.70 |
| Category 6 | Business travel | Consolidated | Calculated from number of employees and emission intensity | 0.24 |
| Category 7 | Employee commuting | Non-consolidated | Calculated from employee commuting expenses | 0.49 |
| Category 8 | Upstream Leased assets | Not included in Scope 3 because all leased properties are subject to Scope 1 and 2 calculations | | — |
| Category 9 | Transportation/distribution or delivery (downstream) | Not applicable due to the wide range of product usage, making it difficult to ascertain | | — |
| Category 10 | Processing of sold products | Not applicable based on WBCSD Chemical Sector Guidance | | — |
| Category 11 | Usage of sold products | Not applicable based on WBCSD Chemical Sector Guidance | | — |
| Category 12 | End-of-life treatment of sold products | Not applicable due to the wide range of product usage, making it difficult to ascertain | | — |
| Category 13 | Downstream leased assets | Not applicable as there are no leased assets held for rental purposes | | — |
| Category 14 | Franchises | Not applicable as there is no franchise business | | — |
| Category 15 | Investments | Not applicable as there are no profit-making investment activities | | — |
| Total of GHG Emissions of Scope3 | | | | 485.81 |

### ISK Group Aiming for Carbon Neutrality by 2050

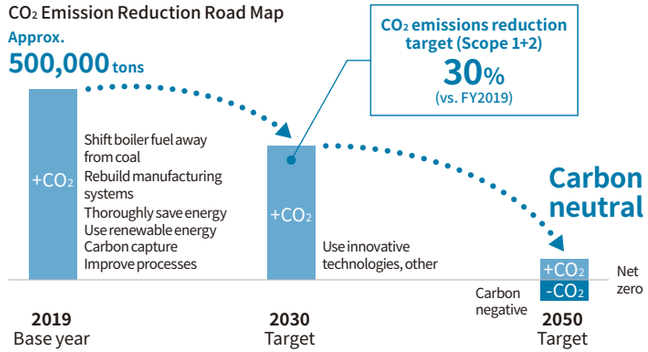
With climate change becoming a major worldwide issue, the ISK Group has identified dealing with climate change and reducing environmental impacts as priority issues (identified materiality) and aims to become carbon neutral by 2050.

**Reduction Targets**

- 2030: Target $CO_2$ emissions reduction by 30% (against FY2019)
- 2050: Challenge carbon neutrality (net zero emissions)

The ISK Group has set the reduction targets for $CO_2$ emissions (Scope 1 and 2). We will continue to strive for reduced emissions and carbon neutrality in order to promote Climate Change Mitigation and Adaptation.

$CO_2$ Emission Reduction Road Map

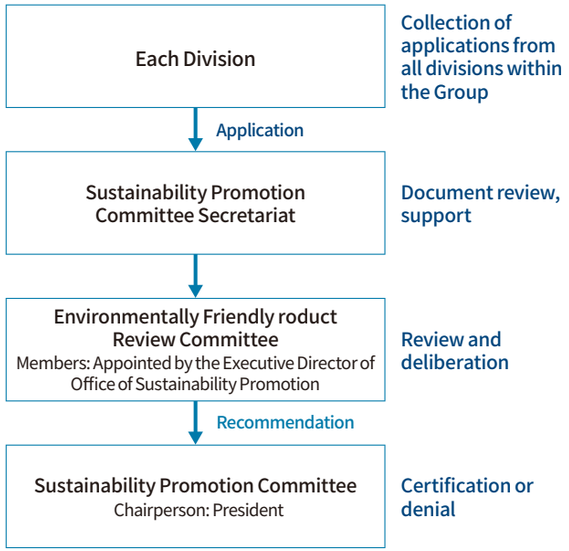


# Helping to Realize Better Living Environments by Creating Environmentally Friendly Products

The mission of the ISK Group is “to continue contributing to better living environments through chemical technologies,” and we have endeavored over the course of many years to provide products that benefit people's lives and society. In recent years, in response to global challenges such as climate change and the sustainable use of limited resources, we have placed even greater emphasis on reducing environmental impact throughout all stages of the product manufacturing, logistics, use, and disposal processes.
Starting this fiscal year, we have introduced a system within our company to certify products that meet given standards for environmental contribution as “environmentally friendly products.” This system aims to make the environmental value of our products more visible and to communicate it more clearly to both internal and external stakeholders. We will continue our efforts to develop environmentally friendly products that contribute to creating better living environments for everyone.

## Certification System for Environmentally Friendly Products

We define environmentally friendly products as those that possess characteristics that reduce environmental impact, taking into account aspects such as addressing climate change, efficient resource utilization, reducing environmental impact, and other ESG contributions. We conduct both qualitative and quantitative assessments to determine the extent to which our products contribute to reducing GHG emissions and other environmental impacts throughout the value chain (product manufacturing, logistics, use, and disposal). Based on data related to the carbon footprint (CFP), usage, and distribution of the target product, the “Environmentally Friendly Product Review Committee” will evaluate its advantages compared to conventional products, and the Sustainability Promotion Committee will then certify it.




## Environmentally Friendly Products and Reasons for Certification

### Tiafenacil (herbicide)

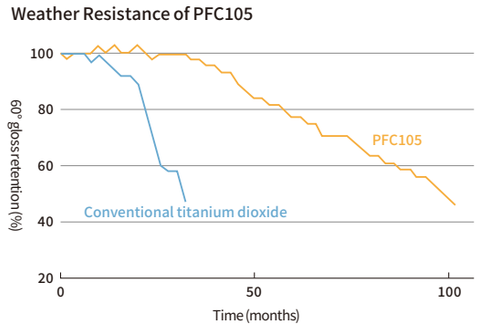
- Tiafenacil is a non-selective herbicide, jointly developed by FarmHannong of South Korea and ISK, which is widely used in no-till farming*1 for major crops in North and South America.
- By being suitable for no-till farming, this product contributes to reducing $CO_2$ emissions, and, because it requires only about one-thirtieth the amount of active ingredient compared to conventional products, it also helps to reduce environmental impact.
  A smaller dosage also leads to improved logistical efficiency and helps to reduce the environmental impact of transportation.

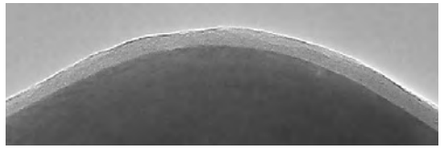
*1 A cultivation method that involves sowing seeds and applying fertilizer to the land immediately after harvesting the previous crop, without tilling the soil.


REVITON™ is an example of a herbicide containing Tiafenacil, and it is marketed by HELM AG.

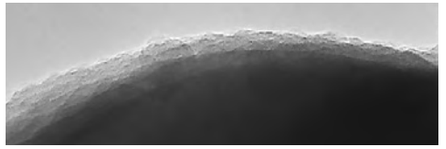
### PFC105 Highly Weather-resistant Titanium Dioxide Pigment

- PFC105 is a highly weather-resistant titanium dioxide pigment which is mainly used in exterior coatings for buildings and bridges.
- Paints that use PFC105 have longer-lasting coating performance, which reduces the frequency of repainting and, thus, decreases the overall amount of paint used. Therefore, reduces $CO_2$ emissions generated by the paint manufacturing and painting processes.



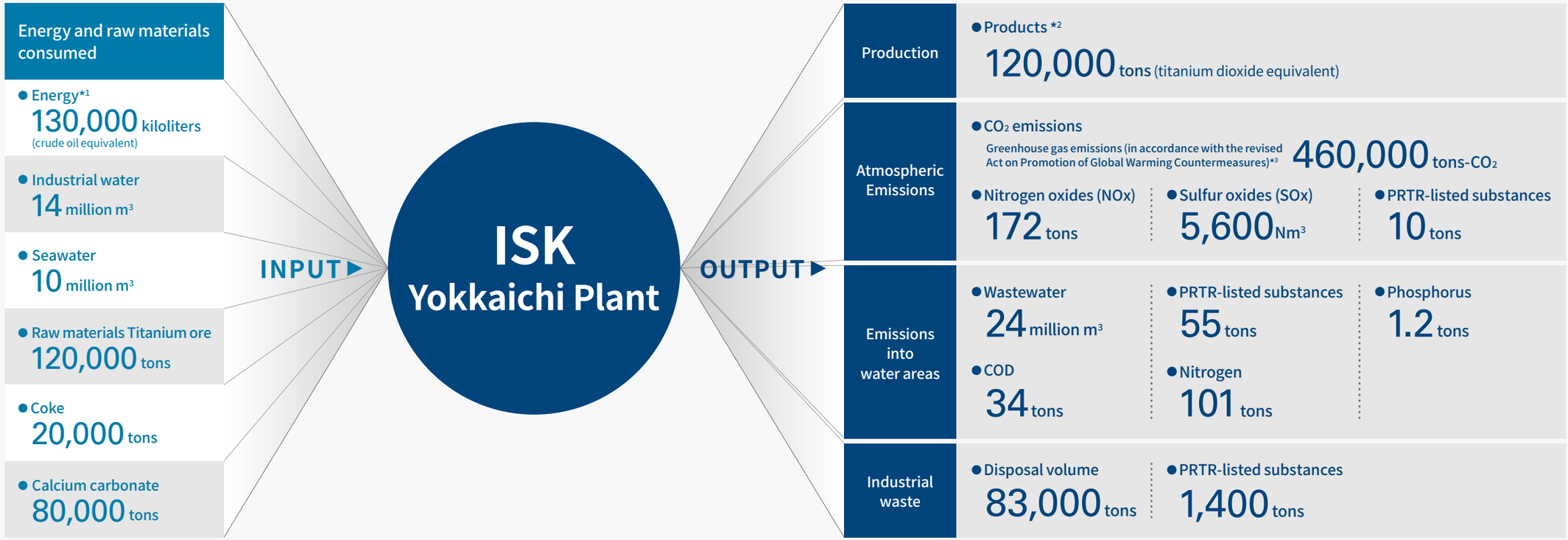
The more dense silica treatment layer of PFC105



Silica treatment layer of conventional titanium dioxide

## Environmental Protection

### Yokkaichi Plant's Material Balance in FY2024

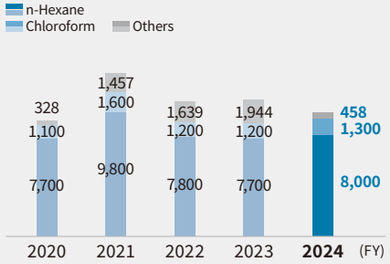



*1 Heavy oil, LNG, steam, and electricity are used as energy sources. The combined usage volume is expressed as a crude oil equivalent figure under Act on the Rational Use of Energy.
*2 Beside titanium dioxide, we produce functional materials, chemical, organic, and other products. These have all been converted to titanium dioxide production figures using energy consumption intensity under Act on the Rational Use of Energy.
*3 The amount of carbon dioxide equivalent calculated from product production volume based on the revised Act on Promotion of Global Warming Countermeasures has been added to the amount of carbon dioxide emissions from energy sources based on the Act on the Rational Use of Energy.

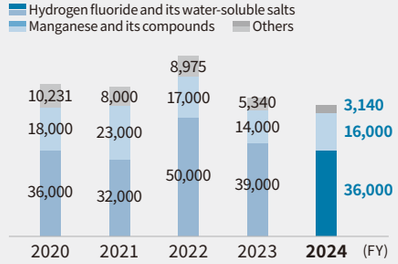
## Release and Transfer of PRTR-Listed Chemical Substances to Environment

The PRTR (Pollutant Release and Transfer Register) is a system under which the government announces, from where, to where and how much chemical substances are released and transferred that may be harmful to human health and ecosystems. It also aims to encourage companies to exercise self-restraint through disclosure. The Yokkaichi Plant and the Central Research Institute handle 24 substances and 1 substances covered by the PRTR, respectively. These have been reported to the government.
The graphs show the change in the amounts released and transferred at the Yokkaichi Plant in the past five years.

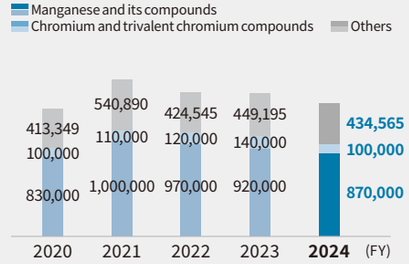
### Atmospheric Emissions (kg)




### Discharge into Public Water Areas (kg)



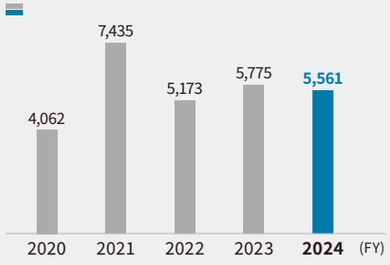

### Amount Transferred Off-Site (kg)



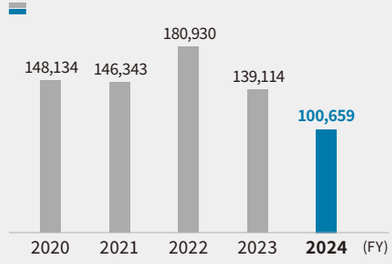

## Reducing Environmental Impact on Atmosphere and Water Areas

The graphs show the amounts of substances, covered by total mass emission control, discharged into the atmosphere and public waters at the Yokkaichi Plant.
The plant has voluntary emission standards that are stricter than the total mass emission control values set under Japan's Air Pollution Control Act and Water Pollution Control Act.

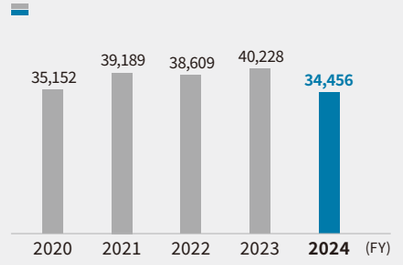
### SOx Emissions (Nm³)




### Nitrogen Pollutant Load into Public Water Areas (kg)




### COD in Public Water Areas (kg)



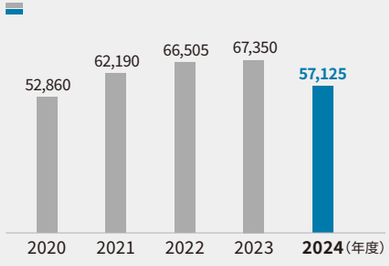

## Reduction of By-product Inorganic Sludge

Unnecessary by-product solids (inorganic sludge), generated by each production activity such as titanium dioxide, are properly transported to an industrial waste disposal site.

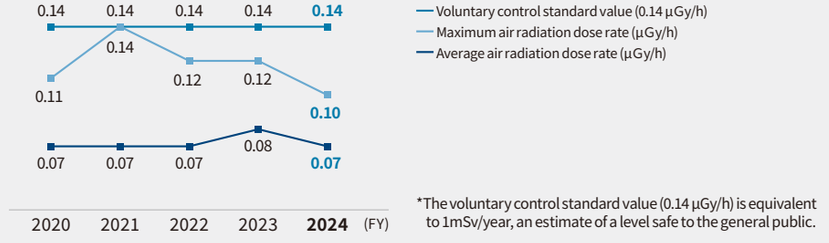
## Controlling Air Radiation Dose Rate of Inorganic Sludge

Ore, used as a raw material for titanium dioxide, contains trace amounts of radioactive impurities such as uranium and thorium, and these are treated and disposed of as waste. Prior to being transferred as industrial waste, radiation levels are measured in accordance with a voluntary control standard to ensure that they are safe.

### Disposed Volumes of Inorganic Sludge (tons)




### Air Radiation Dose Rate Originating from Radionuclides Contained in Industrial Waste (Inorganic Sludge)



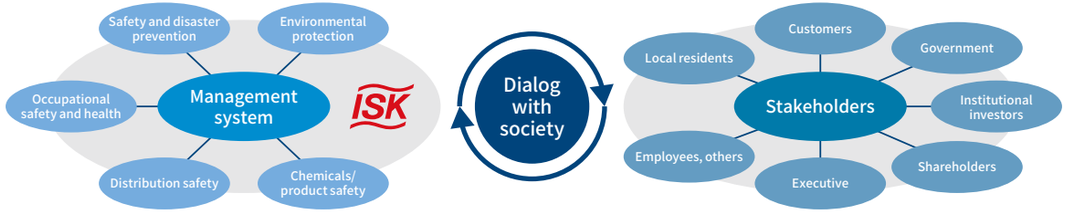

*The voluntary control standard value (0.14 μGy/h) is equivalent to 1mSv/year, an estimate of a level safe to the general public.

# Responsible Care Activities



## ISK's Responsible Care

ISK undertakes Responsible Care (RC) activities aimed at environmental, health, and safety assurance. In particular, our activities encompass chemical product and distribution safety specific to the chemical industry, as well as environmental protection, process safety and disaster prevention, and occupational safety and health, along with dialog with society, common to many different industries.




### Ninth Responsible Care Yokkaichi Regional Dialogue Forum

### "Striving to Ensure a Safe and Secure Plant – Occupational Safety and Health and Disaster Prevention"

As part of its Responsible Care (RC) activities, the Japan Chemical Industry Association, to which ISK belongs, holds dialogue events with residents in the areas surrounding its member companies' plants, on a regional basis. In October 2024, our Yokkaichi Plant served as the lead organizer and, with the cooperation of other member companies in the region, successfully hosted the "Ninth Responsible Care Yokkaichi Regional Dialogue Forum."

The Eighth Regional Dialogue Forum, held two years prior to that, was a small-scale event with only 100 participants due to the impact of COVID-19. However, this time, approximately 150 local residents, government officials and business representatives participated. In addition to the main forum featuring presentations by government officials and businesses, an open forum for discussion was also held to foster greater interaction and communication with the local community.

During the government's presentation period, the Yokkaichi City Fire Department provided information on regional cooperation efforts among local government agencies which transcend municipal and prefectural boundaries. Two member companies also gave presentations on the topics of disaster prevention and occupational safety and health. As in the previous forum, Professor Yoshihito Takeda from Hokkaido University facilitated an interactive discussion and exchange of ideas between the participants and local residents, with ample time for questions and comments.

Q&A session at the regional dialogue forum

## What is Responsible Care?

Companies that handle chemicals voluntarily undertake Responsible Care activities to provide environmental, health, and safety assurance covering everything from chemical substance development to production, distribution, usage, final consumption, disposal, and recycling. The results of these activities are shared and discussed with stakeholders. Responsible Care originated in Canada in 1985 and has subsequently spread to companies around the world.

レスポンシブル・ケア

## Responsible Care Achievements in Fiscal 2024

| RC Code | Fiscal 2024 | | |
|---|---|---|---|
| | Objectives | Achievements | Evaluation |
| Environmental protection | Planned emission reduction of PRTR-listed materials | The amount getting into public water areas was reduced. | ● |
| | Reduce energy intensity or electricity demand leveling performance by 1% year-on-year and to reduce carbon dioxide emissions by 1% year-on-year. | Energy intensity decreased by 97.4% year-on-year, thus achieving the 1% reduction target. | ● |
| | Reduce, reuse, and recycle waste | We promoted measures to reduce industrial waste and encouraged resource recovery (conversion into valuable materials) and recycling. | ● |
| Process safety and disaster prevention | Eliminate plant accidents (fire, explosion, leakage) | There was one plant accident. | × |
| Occupational safety and health | Work to achieve "zero lost time accidents" at each ISK site. | There were two lost-time accidents: one at the Yokkaichi Plant (due to a fall) and another at the Central Research Institute (during business travel). | × |
| Distribution safety | Ensure compliance with domestic and international chemical substance regulations and implement the use of emergency response cards (so-called Yellow Cards), GHS labels, and SDS management. | Yellow Cards, GHS labelling, and SDSs were appropriately implemented. | ● |
| Product safety | Ensure that the authorities are properly notified on the use of chemical substances, and provide customers with appropriate SDSs and labels. | We ensured that the authorities are properly notified on the use of chemical substances, and we provided SDSs. | ● |
| Dialog with community | More two-way communication was carried out with local citizens. | We hosted the Responsible Care Yokkaichi Area Regional Dialogue Forum to promote communication. | ● |

# Occupational Safety and Health

## Basic Policy

ISK's safety and health policy is to ensure the safety, security, and health of employees and local residents by complying with safety and health-related laws, preventing accidents and disasters, building a pleasant work environment, and constantly raising the level of safety and health. Additionally, we have established "occupational safety and health, operation safety, and disaster prevention" as one of our Group's key issues (materiality) and are promoting initiatives aimed at achieving a lost injury frequency rate and severity rate of zero.

## Safety and Health Management Structures

In line with our "Basic Policies on Environmental Protection and Safety & Health Promotion," we have established the Environment, Safety & Health Management Committee under the purview of the Office of President to deliberate on the highest level policy proposals relating to safety and health, the environment and chemical substance management. Below this is the Environmental, Safety & Health Council which, in addition to the organizations that promote environmental conservation and undertake chemical substance management, promotes occupational safety and health promotion awareness.


## Safety and Health Management System

At ISK, we have established "environmental, safety and health goals" which reflect the characteristics of operation at each business location, and, in order to achieve these goals, key initiatives are set at the beginning of each fiscal year. Here, we will look at the initiatives of our sole plant, the Yokkaichi Plant.

Fiscal 2025 Environmental, Safety and Health Goals for the Yokkaichi Plant (safety and health-related only)

1. Eliminate plant accidents (fire, explosion, leakage, etc.)
2. Achieve zero workplace accidents (zero lost-time accidents)
3. Improve health awareness and prevent health disorders
4. Promote safety and health and health measures for older workers
5. Achieve zero lost-time accidents involving commuting employees' vehicles

### ■ Technological Advancement-driven Efforts to Enhance Safety

We are utilizing drones (unmanned aerial vehicles) equipped with high-magnification zoom cameras to improve the efficiency and accuracy of inspections in high-altitude locations. This results in a reduction in the need for scaffolding and work at heights, leading to lower costs and a reduced risk of workplace accidents. Furthermore, by incorporating a 3D scanner, we can now create highly accurate 3D models of structures, including piping systems, and this data can be managed on the cloud. This allows us to obtain information about facilities and equipment without having to rely on blueprints or on-site inspections.
In addition, we have implemented digital X-ray (DR) technology for non-destructive testing in some areas, which has led to improved inspection accuracy and reduced inspection time. Through these advanced technological initiatives, we aim to enhance maintenance and safety management via predictive maintenance.

### ■ Heatstroke Prevention

As the heatwaves become more intense each year, we are taking basic steps to prevent heatstroke, such as by improving the working environment, managing the physical condition of workers, and managing working hours. This year, in particular, we are emphasizing the importance of staying hydrated by drinking ice slurry (a fine, slushy beverage that can effectively cool the body from the inside) as a measure to prevent heatstroke.
To strengthen measures against heatstroke in the workplace, the revised Occupational Safety and Health Regulations came into effect on June 1st of this year, mandating that employers establish systems, create procedures, and inform all relevant personnel to prevent serious cases of heatstroke. Regarding these, while we are already implementing them, we will further strengthen our collaboration with all relevant personnel on-site to prevent serious cases of heatstroke. This will involve early detection of any employees showing unusual symptoms, prompt decisions on transporting them to medical facilities, and providing immediate first aid until they reach medical care, all in order to prevent heatstroke from developing into a serious condition.

# Respect for Human Rights

We have formulated the ISK Group Policy on Human Rights to further our efforts in respecting individuals. Based on international human rights standards such as the International Bill of Human Rights, the policy proclaims ISK's dedication to preventing discrimination and harassment and respecting individual privacy. It also details how we implement education and training to effectively achieve these goals and conduct due diligence, as well as disclose pertinent information.
In line with this policy, we pursue efforts to further respect human rights at all our worldwide bases.

Web Sustainability: Respect for Human Rights
https://www.iskweb.co.jp/eng/environment/human_rights.html

## Implementation of Human Rights Due Diligence

As part of our commitment to respecting human rights, as outlined in the "ISK Group Policy on Human Rights," we conducts human rights due diligence to identify potential negative impacts on human rights within our operations, and take measures to prevent and mitigate such impacts.

Steps in Human Rights Due Diligence


### Implementation of Human Rights Education and Training

In fiscal 2024, we conducted "Business and Human Rights Training" for all employees, with the aim of enhancing their understanding of basic human rights knowledge and deepening their understanding of the ISK Group's initiatives. In each workplace, employees watch an original video and participate in a workshop to raise awareness about respect for human rights. Furthermore, we conduct external expert-led training sessions for senior management (including those at our Group companies in Japan), with the aim of enhancing their understanding of real-world examples of human rights issues in business and best practices for conducting human rights due diligence.

Cover of the FY2024 Training Report

## Designation of Human Rights Risks to Be Prioritized

Placing the highest priority on human life, the ISK Group has identified initiatives to address as priority human rights risks. These include responding to the fact that our major manufacturing sites are located in areas expected to be damaged by a Nankai Trough earthquake, enhancing our response to geopolitical risks, responding to workplace-specific risks like long working hours and harassment, and responding to increasingly sophisticated information security risks.
We also believe that it is necessary to understand the current state of human rights at suppliers and business partners and communicate with them in order to further increase transparency.

| Human Rights Risks to Be Prioritized | Affected Group | Major Human Rights Risks |
|---|---|---|
| Health and safety | Workers at ISK's group companies | ● Large-scale earthquakes, pandemics, etc.<br>● Protest activities, terrorism, and kidnappings in regions with geopolitical risks and at our overseas sites |
| Long working hours | Workers at ISK's group companies | ● Normalization of long working hours due to personnel shortages, diversification of work styles, etc. |
| Harassment / abuse / corporal punishment | Workers at ISK's group companies | ● Occurrence of harassment accompanying the diversification of work and human relationships |
| Leakage of personal information or invasion of privacy | Workers at ISK's group companies and Customers | ● Diversification of risk factors, such as unauthorized access and cyberattacks, accompanying the development of information technology |
| Human rights issues at suppliers and business partners | Workers at suppliers and business partners | ● Insufficient understanding of the actual state of human rights |

## Development of Supplier Guidelines

As part of our efforts to address human rights issues related to our suppliers and business partners, we have developed and published the "Supplier Guidelines on the Basis of ISK Group Policy on Procurement" and are working to promote mutual understanding with our suppliers and business partners. We will continue to strengthen our efforts to respect human rights throughout our entire value chain.

| Supplier Guidelines on the Basis of ISK Group Policy on Procurement | | |
|---|---|---|
| 1. Compliance with laws and international norms; and reinforcement of corporate governance | 4. Response to environmental and climate change issues | 7. Information security |
| 2. Respect for human rights and labor practices | 5. Fair business activities | 8. Supply chain |
| 3. Safety, health, security and disaster prevention | 6. Quality and safety | 9. Business continuity plan (BCP) |

Web Sustainability: Sustainable Procurement
https://www.iskweb.co.jp/eng/environment/procurement.html

# Stakeholder Engagement



## Ensuring We Continue to Earn Society's Trust

It is important that the ISK Group continues to earn society's trust so that we can grow in a sustained manner, both in terms of contributing to the realization of a sustainable society and in terms of its business activities.
We are engaged in a variety of activities to increase relationships with business partners, shareholders and investors, local communities, and employees.


## Collaboration with Business Partners

Our Group strives to foster mutual understanding with suppliers and business partners, aiming to build better partnerships based on trust.
We take proactive and appropriate measures to ensure that our suppliers and business partners understand, share and implement our Group values throughout their operations.

## Communication with Shareholders and Investors

We consider increasing corporate value and returning profits to shareholders to be our most important management policies.
We have put in place a system to promote dialogue with shareholders and investors.

### ■ System

- We have a Public Relations Committee, which reports directly to the president, as an entity charged with formulating the policies and strategies that guide our IR activities, studying how information should be disclosed, and implementing associated measures.
- We've appointed a director in charge of public relations to oversee issues related to constructive dialog with shareholders and investors.

### ■ Initiatives

#### Financial Results Report Meeting

We hold financial results briefings following the announcement of our full-year and second-quarter financial results, providing an opportunity for communication between top management and institutional investors.

No. of Participants in Financial Results Briefings (including Online Participants)

| | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|
| May | call off | 35 | 35 | 39 | 54 |
| November | 22 | 38 | 34 | 41 | 42 |
| Total | 22 | 73 | 69 | 80 | 96 |

#### Institutional Investor IR Coverage

The director in charge of public relations handles individual interviews with institutional investors, either face-to-face or online, and engages in lively discussion on topics such as business growth strategies and shareholder returns.

Trends in institutional investor IR coverage

| | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|
| Domestic investors | 39 | 71 | 51 | 61 | 72 |
| Overseas investors | 9 | 19 | 21 | 39 | 43 |
| Total | 48 | 90 | 72 | 100 | 115 |

#### Shareholders' Meeting

For our General Shareholders' Meeting, we comply with the revised Companies Act which requires that materials for General Shareholders' Meeting be provided electronically, and we send out meeting documents physically and electronically earlier than is required by law. In addition, to improve convenience for shareholders and investors who do not speak Japanese, we translate the entire convocation notice, including the business report, into English.

102nd ordinary General Shareholders' Meeting (convened in June 2025)

#### SR Interview

We host an annual roundtable with major shareholders with voting rights about topics such as our business performance and Corporate Governance initiatives. The views and information from those events are reported to the Board of Directors for the purposes of information sharing and for improving governance.

# Communication with the Local Community

## Yokkaichi Plant

### ■ Plant Tour

On June 23, 2025, we held our annual plant tour for first-year students from the local Shiohama Junior High School.
First, the students were given an overview of the Yokkaichi Plant and an explanation of our environmental initiatives, after which they boarded a minibus to tour the entire plant and then visit the Technology Research Institute building to observe experiments using our products (photocatalytic titanium dioxide, HASClay™, and temperature rise suppression using black heat-reflective material).
The students enthusiastically asked many questions, and the experiments they observed clearly seemed to stimulate their interest in chemistry.
We will continue to offer opportunities such as these plant tours as a way of contributing to the local community.

A demonstration experiment using ISK products

### ■ Cleanup Activities

At the Yokkaichi Plant, we conduct cleanup activities twice a year along Ishihara Kaido, a municipal road that leads to the plant. These activities attract around 50 participants each time who want to contribute to the local community, such as by picking up trash.
In addition, the Yokkaichi Plant is a member of the Mie Prefecture Industrial Waste Management Promotion Council and takes part in annual beach cleanup activities organized by the council at Nasa Beach on Toshi Island, which is part of Toba City, Mie Prefecture.
We will continue to contribute to local communities through beautification efforts and other activities.

Clean-up activity at Nasa Beach on Toshi Island

## Central Research Institute

### ■ Comprehensive Disaster Drills

We conduct comprehensive disaster drills each year that involve all employees in order to foster better individual disaster prevention awareness.
In October 2024, under the supervision of fire department personnel, a series of drills simulating a fire outbreak in the Formulation Research Laboratory was conducted involving all departments (from the outbreak of a fire to getting people in the vicinity involved, alerting others, initial firefighting, calling emergency services, reporting to superiors, evacuation, and safety confirmation).
After all staff gathered, firefighting training was conducted using water extinguishers under the guidance of firefighters.
From July to September, we also conducted individual training tailored to the work duties of each department.

Initial fire extinguishing training in the laboratory

### ■ Cleanup Activities

Twice a year, employees volunteer to clean up the surrounding area.
During these cleanup activities, participants wear bibs with the Ishihara Sangyo logo to highlight their participation in social contribution activities.
Recently, members of the community have expressed kind words of encouragement, such as thanking the participants for their efforts and hard work, which makes these activities feel that much more rewarding. All of the members of the Institute will continue to take part in these activities which are rooted in the local community.

Clean-up activity in the local area

# Corporate Governance



## Basic Policy

In addition to making contributions to social development, protection of life and environmental preservation, ISK strives constantly to respect our shareholders, customers, suppliers, local communities, and employees while maintaining transparency in business activities abiding by laws and regulations.
In order to enhance corporate value by maintaining steady business growth and securing profitability, efforts to improve business transparency, reliability and corporate health are among management's most important concerns, and we have worked hard to strengthen Corporate Governance through business management and enhanced internal controls founded on compliance.

## Corporate Governance Structure

Structurally, we operate as a company with an Audit & Supervisory Board. In addition, we set Executive Management Committee under the Board of Directors in order to speed up decision-making by the Board of Directors and efficiently monitor and assess progress in important activities and projects. We have also introduced Executive Officer system with the aim of speeding up decision-making related to business activities.
Furthermore, we have the committees listed on the following page in order to strengthen our Corporate Governance.
The Sustainability Promotion Committee, which is under the Board of Directors, is responsible for deliberations, decision-making and control over important management issues related to the sustainability of our Group.

## Board of Directors

Pursuant to the Board of Directors Regulations and other rules, our Board of Directors clearly defines the scope of matters to be resolved by the Board of Directors and sets the scope of authority delegated to management. Based on this, the Board of Directors discusses, and makes decisions on, basic management policies and other important matters, including business plans, sustainability management, corporate governance, and risk and compliance-related issues. In addition, as part of ISK Group management, the Board also makes resolutions regarding the basic management policies of our Group subsidiaries. We strictly supervise the execution of business matters decided by the Board of Directors and conduct appropriate evaluations. Through these efforts we promote transparent and reliable management with the aim of achieving sustainable growth and increased corporate value.

Major Matters Discussed and Reported at Board of Directors Meetings (June 26, 2024 to June 25, 2025)

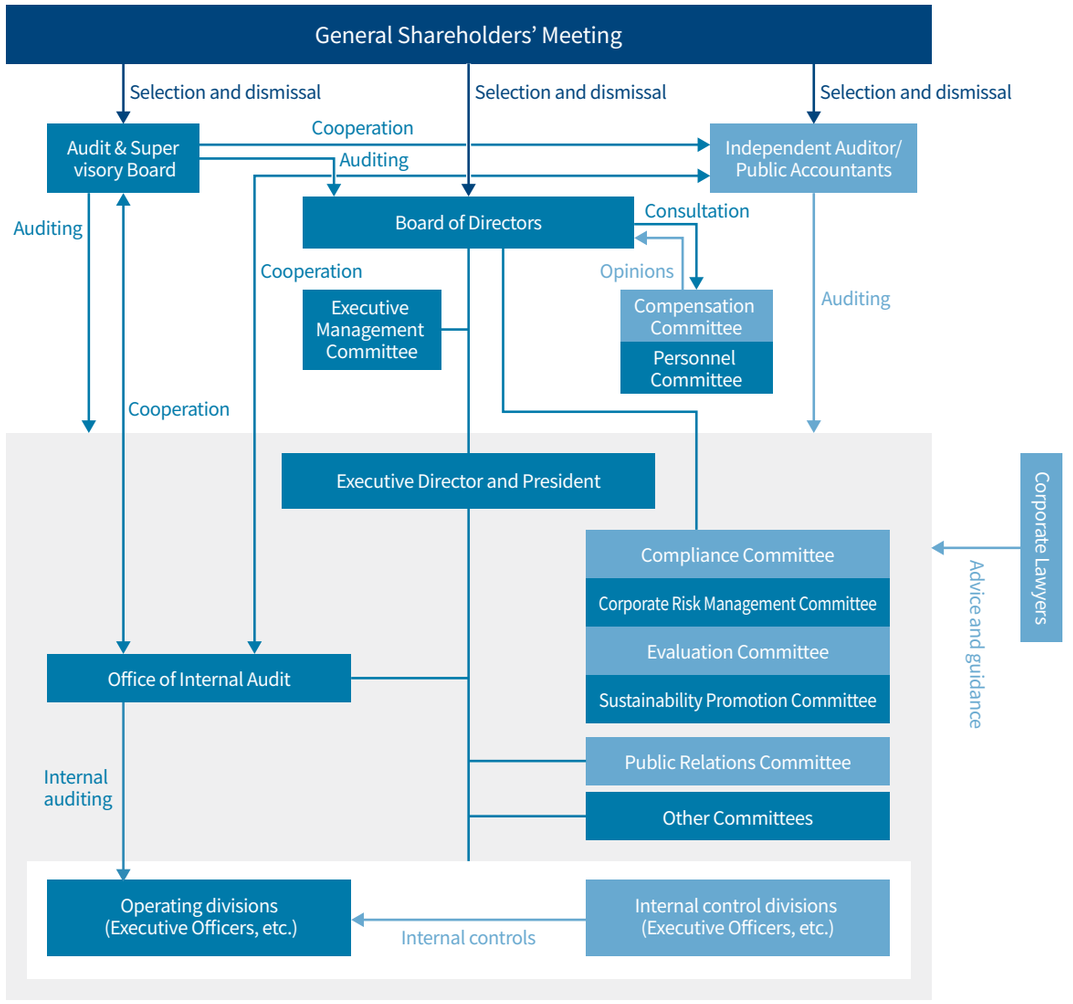
**Business Plan**
- Capital cost-focused management policies
- Shareholder return policy
- Restructuring of the inorganic chemicals business
- Research system strengthening pla
- Corporate brand strengthening

**Sustainability Management-related Matters**
- Updating of KPIs for sustainability-related materialities
- Handling of TCFD
- Human resources management policy
- Participation in various initiatives
- Employee engagement
- Investor dialog-related activities

**Corporate Governance-related Matters**
- Effectiveness evaluation of the Board of Directors
- Evaluation of the internal control system
- Cross-shareholdings policy
- Officer compensation system design

**Risk and Compliance-related Matters**
- Risk management activities
- Compliance program
- Internal auditing

Corporate Governance Structure



## Major Organizational Entities Related to Corporate Governance

| | | | |
|---|---|---|---|
| Board of Directors | Functions | The Board of Directors meets at least once a month to make decisions concerning important matters, report on the progress of operational execution and action plan implementation, review performance, and discuss and make decisions about how to deal with related issues. | |
| | Times convened | 17 times | |
| | Composition | Chairperson | Executive Director and President |
| | | Members | Directors |
| Executive Management Committee | Functions | The Executive Management Committee under the Board of Directors in order to speed up decision-making by the Board of Directors and efficiently monitor and assess progress in important activities and projects. | |
| | Times convened | 14 times | |
| | Composition | Chairperson | Executive Director and President |
| | | Members | The chairperson may require the attendance of such personnel as deemed necessary. |
| Audit & Supervisory Board | Functions | Audits the Board of Directors' execution of its responsibilities, for example by attending Board of Directors and other important bodies and visiting departments regularly to exchange views in accordance with an audit plan adopted by the Audit & Supervisory Board, at least half of whose membership consists of independent Outside Audit & Supervisory Board members. | |
| | Times convened | 13 times | |
| | Composition | Chairperson | Inside Audit & Supervisory Board member |
| | | Members | Inside Audit & Supervisory Board members, independent Outside Audit &Supervisory Board members |
| Compliance Committee | Functions | Develops compliance structures based on the corporate philosophy and promotes corporate management predicated on compliance, for example by conducting compliance education and responding to the issues that come from its whistleblowing system. | |
| | Times convened | 2 times | |
| | Composition | Chairperson (CCO) | Executive Director and President |
| | | Members | Directors, Audit & Supervisory Board Members, Headquarters Directors, Outside lawyer, ISK Labor Union chairperson |
| | | | Directors of major subsidiaries |
| Corporate Risk Management Committee | Functions | Assesses and manages corporate risk incurred in the course of operations, formulates countermeasures, and deals with risks that have manifested themselves. | |
| | Times convened | 2 times | |
| | Composition | Chairperson | Executive Director and President |
| | | Members | Inside Directors, Headquarters Directors |

| | | | |
|---|---|---|---|
| Evaluation Committee | Functions | Analyzes and evaluates the overall effectiveness of the Board of Directors | |
| | Times convened | 2 times | |
| | Composition | Chairperson | Independent Outside Audit & Supervisory Board member |
| | | Members | Independent Outside Directors, Inside Audit & Supervisory Board members, Independent Outside Audit & Supervisory Board members |
| | | Note: Five of seven positions on the committee (71%) are filled by independent Directors and Audit & Supervisory Board members. | |
| Compensation Committee | Functions | Offers views in response to requests for advice from the executive director and president, who is delegated by the Board of Directors about concerning the remuneration of directors and executive officers. | |
| | Times convened | 3 times | |
| | Composition | Chairperson | Independent Outside Audit & Supervisory Board member |
| | | Members | Independent Outside Directors, Independent Outside Audit & Supervisory Board members |
| | | Note: All five positions on the committee (100%) are filled by independent Directors and Audit & Supervisory Board members. | |
| Personnel Committee | Functions | Responds to inquiries from the executive director and president, who is delegated by the Board of Directors about the appointment of CEO's successor and candidates for new Director or Audit & Supervisory Board member positions, as advising the Board of Directors | |
| | Times convened | 4 times | |
| | Composition | Chairperson | Independent Outside Audit & Supervisory Board member |
| | | Members | Independent Outside Directors, Independent Outside Audit & Supervisory Board members |
| | | Note: All five positions on the committee (100%) are filled by independent Directors and Audit & Supervisory Board members. | |
| Sustainability Promotion Committee | Functions | Undertakes initiatives to address climate change, human rights, diversity and inclusion, health and productivity management, and DX | |
| | Times convened | 2 times | |
| | Composition | Chairperson | Executive Director and President |
| | | Members | Inside Directors, Headquarters Directors, and others |
| Public Relations Committee | Functions | Ensures transparency by disclosing information to investors in a timely manner, ensures the timely disclosure of information from Yokkaichi Plant to the local community, and promotes communication between our stakeholders and the company | |
| | Composition | Chairperson | Executive Director and President |
| | | Members | Directors, Representatives of Branches, Headquarters Directors, and others |

# Board of Directors Effectiveness Analysis, Evaluation, and Results

In view of the responsibilities for Boards of Directors stipulated in the Corporate Governance Code, and in order to improve the functioning of the Board of Directors, an Evaluation Committee comprised of Outside Directors and Audit & Supervisory Board members has been established under ISK Board of Directors and in line with Board of Director evaluation-related rules. Every year since fiscal 2016, this committee has analyzed and evaluated the overall effectiveness of the Board of Directors and provided the Board with its results for deliberation and approval, after which an outline of those results is released publicly. In fiscal 2024, as well, an evaluation of the Board of Directors' overall effectiveness was carried out in accordance with this policy.

## Method of Evaluation

### ■ About the Questionnaire

In fiscal 2024, in addition to a change in the Chairman of the Board of Directors, new directors were appointed, resulting in a change in the composition of the Board of Directors. Furthermore, it was thought that it would be easier to see the changes by comparing the results for fiscal 2024 with those for fiscal 2023. Therefore, the questions for fiscal 2024 essentially follow those for fiscal 2023.

### ■ Use of Anonymity in Implementation

The Board of Directors evaluation-related rules stipulate that responses should be completed anonymously on the questionnaire, and each director and Audit & Supervisory Board member was asked to respond anonymously.

## Analysis and Evaluation Results of Overall Board of Directors Effectiveness

Evaluation Results of the Effectiveness of the Board of Directors (fiscal 2024)

| | FY2023 | FY2024 | Increase/ Decrease |
|---|---|---|---|
| I. Composition of Board of Directors | 96.2% | 93.6% | -2.6P |
| II. Management by Board of Directors | 96.7% | 92.3% | -4.4P |
| III. Agenda of Board of Directors | 94.8% | 93.6% | -1.2P |
| IV. System supporting Board of Directors | 87.8% | 88.5% | +0.6P |
| V. Self-evaluation of each director | 94.9% | 89.9% | -5.1P |
| VI. Minutes of Board of Directors' meetings | 99.1% | 99.1% | +0.0P |
| VII. Progress made on issues from previous year that required improvement | 74.4% | 77.2% | +2.9P |

## Awareness of Issues

Amidst the significant environmental change that surrounds our Group, we recognize the necessity of not only promoting sustainability management but also transitioning to management that is fully aware of capital costs and return on capital. To further increase the corporate value of the Group, it is essential to draw up specific growth strategies for each business. We recognize that improving the effectiveness of the Board of Directors as a whole, which is necessary to lay the foundation for this, and improving risk management, which is an essential responsibility of the Board of Directors, will both be ongoing challenges. It is also necessary to advance discussions, including on institutional design, to strengthen governance, such as increasing the ratio of female and outside directors, as required by the CG Code, and shifting from a management board to a monitoring board.
Speedy action will be taken with regard to the operation of the Board of Directors to ensure these issues are addressed earnestly and that the evaluation of effectiveness helps lead to sustainable growth and improvement of corporate value over the medium- to long-term for ISK.

## Future Initiatives

In fiscal 2025, we will take an even more proactive approach to the following six issues that must be addressed.

① Strengthening R&D capabilities to realize our purpose
In order to realize our Group's purpose, we will expand our business around our core competence of chemical technologies by leveraging our three strengths, which are the ability to develop proprietary technologies, the ability to accommodate quality and environmental requirements, and the ability to collaborate globally, along with leveraging our management capability which underpins those strengths.
In our organic chemicals business, we will, starting from the Central Research Institute and the newly established Technology Research Center, Hyogo-Ono, further strengthen our technological development capabilities and reduce product costs. In our inorganic chemicals business, we will pursue profit-focused business development, including identifying product needs and strengthening development speed by integrating sales, development, and production for each product, and making a full-scale shift from general-purpose titanium dioxide to the functional materials domain.

② Expanding into new businesses
We will hold free and open discussions that incorporate various perspectives, such as market-in/product-out and design thinking, to come up with and release new products.

③ Business portfolios
In Vision 2030 Stage II, we will make progress with a fundamental review, focusing on structural reform of our inorganic business. Going forward, we will deepen our discussions on the specific shape of our business portfolios, including collaboration across the Group and with other companies.

④ Substantive strengthening of internal audit division functions and ensuring collaboration with directors and Audit & Supervisory Board members
We will utilize meetings between directors and the internal audit division to make improvements, such as reviewing audit items.
In order to actively supervise the management of Group companies, we will require them to report on risks and issues on a regular basis and will also conduct audits of overseas subsidiaries, thereby strengthening our involvement in the supervision of business execution and overall management.

⑤ Acquisition and cultivation of essential knowledge by directors and sufficient oversight of fellow directors' performance of duties

⑥ Sustainability
Working in conjunction with outside directors and Audit & Supervisory Board members, the Sustainability Promotion Committee will thoroughly discuss the state of progress and deliberate on items requiring discussion. Information will be disseminated externally through the Integrated Report.

# Remuneration of Directors

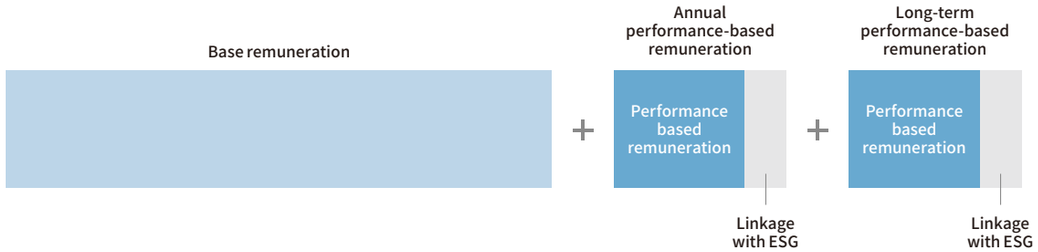
## Basic Policy

Compensation for the Directors of the Company shall be determined with consideration for the factors listed below, taking into account the content of each Director's duties and the Company's condition.

ⓐ Compensation shall be fair and highly reasonable, enabling Directors to fulfill their accountability to stakeholders;
ⓑ Compensation shall be structured to raise the incentive for Directors to increase corporate value;
ⓒ Compensation shall be structured to enable the Company to secure and retain outstanding human resources as Directors;

## Compensation

Compensation shall be composed of "basic compensation," "annual performance-linked compensation" and "long-term performance-linked compensation." Compensation for Outside Directors shall be composed only of basic compensation due to their independence from business execution.




## Basic Compensation

Basic compensation is paid as fixed monetary compensation based on the Officers Compensation Regulations, in amounts corresponding to the roles and responsibilities of each Director. Basic compensation is paid per calendar month, with a monthly amount paid on the same day as employees' salaries.

## Annual Performance-based Remuneration

Annual performance-linked compensation, paid as monetary compensation, is aimed at ensuring that compensation is linked to corporate performance and securing its objectivity. Whether annual performance-linked compensation is paid, and the amount of such payment, is calculated upon comprehensive consideration of the Company's performance, including operating income and net income attributable to owners of parent, which represent the ultimate results of corporate activities, and corporate ESG performance, as well as individual performance evaluation.
After the results for each fiscal year are finalized, they are discussed by the Compensation Committee, and the amount to be paid is decided at the first meeting of the Board of Directors held after the General Meeting of Shareholders. Annual performance-linked compensation is paid on the same day as employees' summer bonuses.

## Long-term Performance-based Remuneration

Long-term performance-linked compensation is paid through a share delivery trust, composed of restricted stock units and performance share units.
The restricted stock units are aimed at promoting the enhancement of corporate value by encouraging each Director to continuously hold the Company's stock while in office, thereby participating in shareholder value. The number of shares to be delivered is calculated for each rank. The performance share units are aimed at promoting the enhancement of corporate value. The number of shares to be delivered is calculated with regard to ROE, which represents the ultimate results of corporate activities, and corporate ESG performance.
Long-term performance-linked compensation is paid at a certain time based on the share delivery guidelines established by the resolution of the Board of Directors.

## Proportions of Each Type of Compensation for Individual Directors

The proportions of basic compensation, annual performance-linked compensation, and long-term performance-linked compensation are proposed, taking into account each year's financial results, etc., by an Executive Director, who is delegated authority by resolution of the Board of Directors. It is then referred to the Compensation Committee for deliberation, and determined by the Board of Directors, after discussion among the Executive Directors, based on the report by the Compensation Committee.
If the standard amounts of annual performance-linked compensation and long-term performance-linked compensation are paid, then the relative proportions of each type of compensation will be roughly as shown below.

| | Base remuneration | Annual performance-based remuneration | Long-term performance-based remuneration |
|---|---|---|---|
| Executive Director and President | 60% | 20% | 20% |
| Other Directors | 65% | 20% | 15% |

## Delegation of Authority Concerning the Determination of Compensation, etc. for Individual Directors

The details of compensation for individual Directors will be determined after deliberation by the Compensation Committee, which is composed of independent Outside Directors and independent Outside Audit & Supervisory Board Members. The Compensation Committee will provide advice and recommendations, based on the information from officers' compensation surveys carried out by third party firms, and each member's insight, before the decision is made. Compensation, etc. for individual Directors of the Company will be decided by the Executive Director, President, who is delegated authority by resolution of the Board of Directors.
The Executive Director, President will evaluate the individual performance of each Director and determine compensation within the range approved by the Board of Directors, after deliberations by the Compensation Committee.

## Overview of the RS Trust

| | | |
|---|---|---|
| 1 | Persons eligible for the RS Trust | Directors of the Company (excluding Outside Directors) |
| 2 | Period of eligibility | From the day following the day on which this Ordinary General Meeting of Shareholders concludes to the day on which the Ordinary General Meeting of Shareholders to be held in June 2030 concludes |
| 3 | Maximum amount to be contributed by the Company to fund the acquisition of the Company's shares necessary for delivery to the persons eligible in 1) during five (5) years of the Period of Eligibility in 2) | 500 million yen in total |
| 4 | Method used to acquire the Company's shares | Receipt of disposal of treasury stock or acquisition via stock markets (including off-floor trading) |
| 5 | Maximum total number of points to be awarded to the persons eligible in 1) | 106,800 points each fiscal year |
| 6 | Criteria for the award of points | Points will be awarded based on factors such as rank and the degree of achievement of business performance targets |
| 7 | Timing of the delivery of the Company's shares to the eligible persons in 1) | A predesignated time each fiscal year during the trust period |
| 8 | Duration of transfer restrictions under the transfer restriction agreement with the Directors. | From the day of the delivery of the Company's shares until immediately after retirement |

## Policy on Cross-Shareholdings

ISK maintains an amount of cross-shareholdings deemed to build a smooth, stable, and ongoing relationship with business partners, in line with our business strategy. The status of cross-shareholdings is disclosed in our securities report. Other shareholdings have been appropriately reduced.

## Independence Criteria for Outside Directors

Independence criteria have been established for Outside Directors and Audit & Supervisory Board members. These appear on the ISK website.

Web Company: Corporate Governance
https://www.iskweb.co.jp/eng/company/governance.html

## Basic Policy for the Internal Control System

We are continually working to expand and improve our Group internal control systems in order to ensure the appropriateness of subsidiary governance as well as the maintenance of compliance systems. For details, please refer to ISK Corporate Governance Report.

Web Corporate Governance Report (in Japanese)
https://www.iskweb.co.jp/company/pdf/corporate_governance.pdf?t=250626

# Risk Management

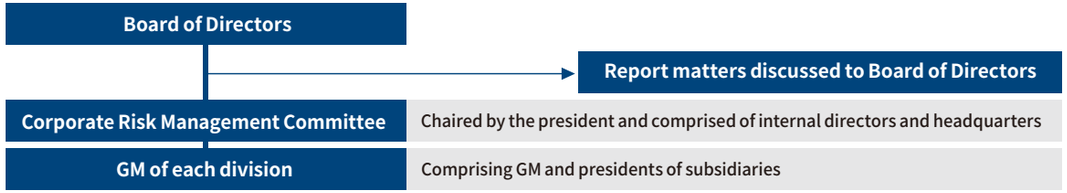


## Basic Policy

The ISK Group pursues risk management with the aim of preparing for various risks that could seriously impact the smooth operation of our business, and in the event of an emergency, appropriately and swiftly addressing it in order not to harm the health, safety, or interests of stakeholders, restoring our business operations as soon as possible, protecting our corporate resources, and minimizing the damage to our business.

### Risk Management System

We have “risk management regulations” governing our basic policy on risk management and risk management system. We have also established the Corporate Risk Management Committee, aimed at appropriately managing and preparing for various risks surrounding our business. The Corporate Risk Management Committee is held twice a year, or whenever necessary, summarizing risk assessments, selecting major risks with high priority, discussing plans for risk countermeasures, and confirming progress on those countermeasures.
The Sustainability Promotion Committee’s jurisdiction includes priority issues (Materiality), climate change risk, and human rights risk, for which it advances their measures in coordination with the Corporate Risk Management Committee.




### Risk Management Process

**Plan**
- Implement risk assessment
  Identify risks from a company-wide perspective Assess risk impact and probability Select major risks to address
- Formulate countermeasure plans against risk
  Allocate risks to each person/division in charge
  Decide on risk countermeasure policies
  Decide on action plan for countermeasures

**Do**
- Implement risk countermeasures

**Check**
- Monitor progress on implementation of countermeasures
  Review progress on implementation

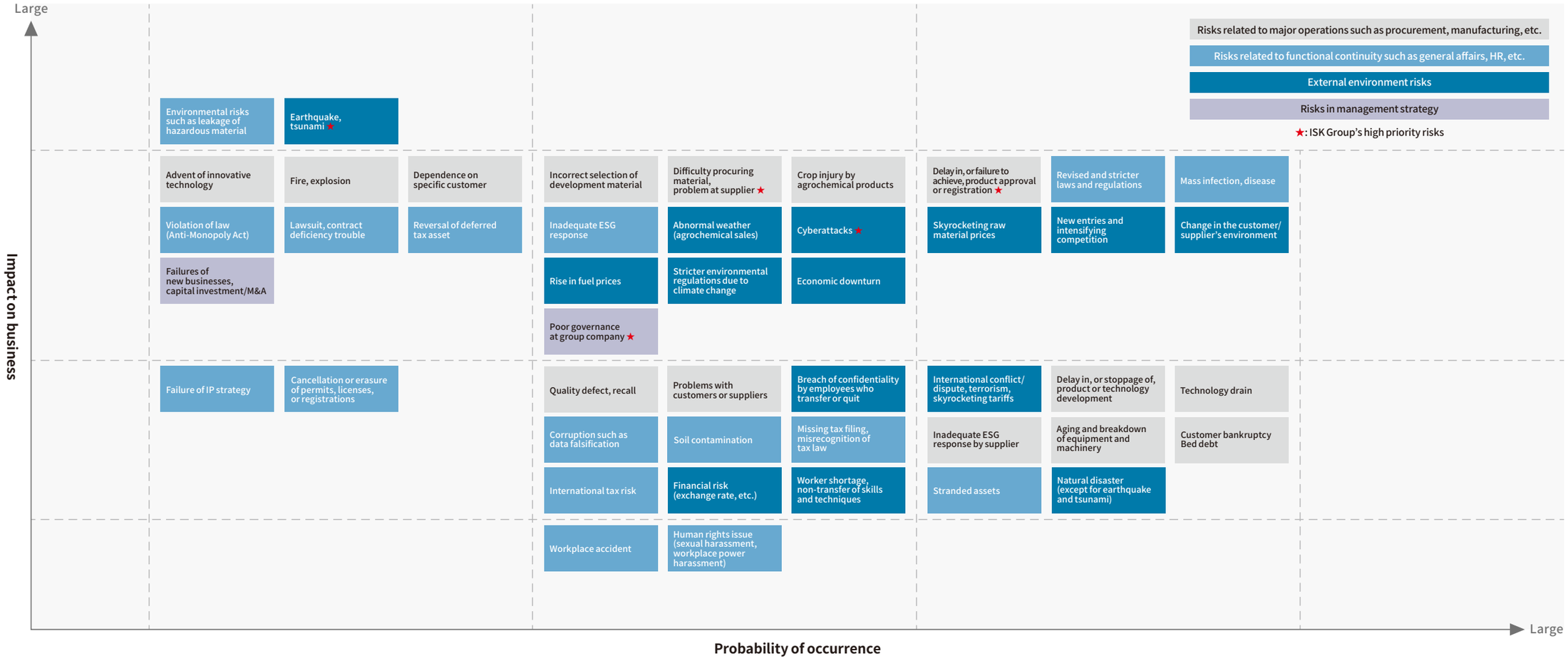
**Act**
- Summary and improvement plan
  Report to management
  Consideration on countermeasure plans

## High Priority Risk

| Major Risk | Explanation of Risk | Major Measures |
|---|---|---|
| Delay in, or failure to achieve, product approval or registration (Agrochemicals) | As legal regulations regarding agrochemicals become stronger around the world, we may be unable to bring new agrochemical products under development to market as scheduled, and sales may be postponed or we may be forced to abandon their launch, which could have an adverse effect on our business performance. | ● Take proper approach to countries’ registration agencies and authorities<br>● Assess other companies’ agrochemicals registration and survey their registration status<br>● Secure personnel with expertise in highly specialized fields, ensure handover of registration know-how |
| Delay in, or failure to achieve, product approval or registration (Animal health products) | If full regulatory approval in the United States or approval by regulatory authorities in Europe is rejected or delayed, sales may fall far short of expectations, which could have an adverse effect on our business performance. | ● Use consultants and other means to gather information on trends related to the rules and approval of the regulatory authorities<br>● Team up with contract manufacturers or sales partners |
| Earthquake, tsunami | The Yokkaichi Plant, which is a manufacturing base for titanium dioxide, is located in an area expected to be affected by a Nankai Trough earthquake. In the event of a major earthquake and serious damage caused by a tsunami, liquefaction, etc., this could result in damage to the Yokkaichi Plant's facilities and products, a suspension of production and business operations at the plant, and/or human casualties, which could have an adverse effect on the business performance of the Group. | ● Provide aging facilities at our Yokkaichi Plant with seismic reinforcement<br>● Step up product storage at multiple bases (at elevated locations, etc.) in Yokkaichi City<br>● Update business continuity plans<br>● Get business interruption insurance to cover business continuity expenses as a response after earthquake (Yokkaichi Plant)<br>● Sign committed line of credit with financial institutions, which is applied to earthquake disasters |
| Difficulty procuring material, problem at supplier | We source many of our raw materials from overseas. The Group's business performance may be adversely affected if we are unable to procure specific raw materials due to factors such as suspension of production in producing regions or countries as a result of operational accidents, political instability or stricter environmental regulations. Also, with regard to overseas subcontractors, factors such as stricter legal regulations in the country of the subcontractor or operational accidents at a business partner may hinder procurement. As a result, this could mean increased procurement costs and production delays, which could have an adverse effect on our business performance. | ● Purchase from various suppliers in multiple countries<br>● Closely coordinate with subcontractors and suppliers<br>● Perform rapid planning adjustment and proper inventory control<br>● Expand the range of usable raw material |
| Poor governance at group company | We strive to ensure proper Group management through affiliate company management regulations, internal audits, and other means; however, if accounting fraud, bribery, quality fraud, etc., are discovered due to insufficient control over overseas Group companies, it may have an adverse effect on the business performance of our group. | We are proceeding with efforts to strengthen group governance.<br>● Organize and clearly stipulate the functions and roles of Three Lines model (business divisions, back-office divisions, internal audit division)<br>● Refine and publicize rules for group companies<br>● Strengthen internal auditing |
| Cyberattacks | If an employee opens a sophisticated, targeted-attack email, their computer becomes infected with malware that spreads to other devices and servers via the company network. This malware can tamper with and send files without authorization, and can externally leak confidential data such as customer information and contract documents. This could cause financial losses to our company and harm our reputation. | ● Take measures to prevent leakage of confidential information due to cyberattacks<br>● Protect the system against cyberattacks and strengthen security measures<br>● Enhance the coverage of cyber risk insurance |

# Risk Management

## Risk Map




Notes: 1: Regarding level of effect on business and probability of occurrence, we set risk scenarios and assess each risk impact or damage in order for assessors to have a common understanding. The risk scenario used here is a worst-case scenario, i.e. the biggest threat among the possibilities.
2: ISK defines risk as any possibility of physical or economic damage to ISK, loss of trust, or others causing disadvantages.

# Compliance



## Basic Philosophy

ISK Group places the utmost importance on compliance. We have formulated a code of conduct in order to carry out business rooted in our corporate philosophy, with the aim of thoroughly complying with laws and regulations, conducting fair and equitable business practices, and maintaining a high level of corporate ethics. Because a company cannot exist without society's trust, we have launched a Compliance Committee towards fulfilling our corporate responsibility and contributing to society. The committee puts compliance front and center and ensures that we promptly report any compliance violations.

Web ISK Group Code of Conduct

https://www.iskweb.co.jp/eng/compliance/observance.html

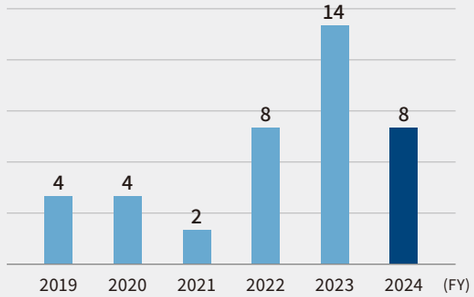
## Compliance Promotion System (Overview)

Based on our reflection on the Ferosilt problem, in November 2005 we appointed a Chief Compliance Officer (CCO) and established the Compliance Committee. This committee operates under the Board of Directors and is chaired by the executive director and president (as CCO), and directors (excluding outside directors), directors of each headquarters, audit and, president of affiliated subsidiaries, labor union representative, an outside lawyer, and the secretariat. In addition, each division has a compliance promotion manager and a compliance leader. The Compliance Committee has met about twice a year. It currently meets every March and September, with March 2025 marking the 38th session.

### ■ The following are activities which have been undertaken in recent years.

- Discussion and revision of the ISK Group Code of Conduct
- Discussion of and response to whistleb lowing and requests for consultation in relation to compliance violations
- Preparation and monitoring of compliance training plans
- Report on and discussion of compliance activities in each division
- Training for board members, held every second year, led by outside instructors
- Establishment of Whistleblowing Rules and related awareness-raising activities
- Measures against harassment

Numbers of Compliance-related Whistleblowing Reports and Consultations




## Fiscal 2024 Compliance-Related Training and Awareness-Raising at ISK

ISK Group carries out compliance-related training in accordance with an annual plan, which is discussed and approved by the Compliance Committee. Besides job grade-specific training, training on specific topics is planned and carried out according to social conditions. In fiscal 2024, many ISK Group members participated in training (refer to the chart below).

| Classification | Target/Theme | Implementation | Total number of participants |
|---|---|---|---|
| Job grade-specific | New employees and mid-career hires | Online learning and e-learning | 107 |
| | Newly appointed chiefs | Text-based self-study and review tests | 65 |
| | Newly appointed managers | Group training led by a lawyer | 13 |
| | Mid-career managers | Group training led by in-house staff members | 7 |
| Topic- specific | Quality control / quality fraud | Group training led by a lawyer | 328 |
| | Anti-monopoly Act / Subcontract Act | Group training led by an outside expert | 361 |
| | Harassment training* | Group training led by in-house staff members | 88 |
| By workplace | All group members | Specialized law seminars / compliance workshops | 7,370 |

*Implemented for ISK Biosciences

Image for group training for executives
Planned training in fiscal 2025 on the theme of "qualities and responsibilities of executive management"

## Implementation of Training and Initiatives Corresponding to Social Conditions

In recent years, the media has reported on a variety of corporate scandals, including quality fraud perpetrated by manufacturers, collusion among competitors, unfair dealings with small and medium-sized contractors, power harassment cases, and information leaks. Given this societal context, it is unacceptable for any member of the Group to commit violations, whether knowingly or unknowingly. Therefore, we invite experts in various fields to come and conduct in-house training.
Specifically, in fiscal 2023, we conducted training aimed at preventing harassment, and in fiscal 2024, we conducted training on the theme of quality control as well as group training on the themes of the Antimonopoly Act and the Subcontract Act. We invited lawyers and other experts in the field to serve as training instructors, and the training was conducted at our four main business locations, including our Head Office, plants, and research institutes. Additionally, with regard to harassment, we also conduct a questionnaire survey every year to consider measures that will lead to an improvement in the workplace environment.
We will continue to provide such training and other initiatives which correspond to social conditions, taking into consideration amendments to laws, regulations, etc., with the aim of preventing the occurrence of social scandals.

# Board of Directors and Executive Officers

## Board of Directors (As of June 30, 2025)

**Hiroshi Okubo**
Executive Director
President & Chief Executive Officer
Chief Compliance Officer (CCO)

■3 years
■18,401
■17/17 (100%)

**Mikiya Horie**
Executive Director
Senior Managing Executive Officer
Director of Biosciences Business Headquarters

■1 years
■10,760
■17/17 (100%)

**Yoshio Nishiyama**
Director
Managing Executive Officer
Director of General Affairs & Human Resources Headquarters

■1 years
■9,525
■17/17 (100%)

**Yoshiyuki Shimmyo**
Director
Managing Executive Officer
Director of Inorganic Chemicals Business Headquarters

■1 years
■9,481
■17/17 (100%)

**Kenji Tanaka**
Director
Managing Executive Officer
Director of Corporate Administration & Planning Headquarters

■—
■7,125
■—

**Ikuo Yamashita**
Director
Managing Executive Officer
Director of Yokkaichi Plant

■—
■10,687
■—

**Satoshi Ando**
Outside Director

■5 years
■2,000
■17/17 (100%)

**Akemi Uchida**
Outside Director

■2 years
■600
■17/17 (100%)

**Yumi Sano**
Outside Director

■—
■—
■—

■ Term of office as Director
■ Number of shares held (as of March 31, 2025)
■ Attendance at Board of Directors meetings (from June 26, 2024 to June 25, 2025)
■ Attendance at Audit & Supervisory Board meetings (from June 26, 2024 to June 25, 2025)

## Audit & Supervisory Board Members (As of June 30, 2025)

**Hirotsugu Sakai**
Audit & Supervisory Board Member

■—
■4,659
■—
■—

**Yoichi Kobayashi**
Audit & Supervisory Board Member

■2 years
■10,700
■17/17 (100%)
■13/13 (100%)

**Norihisa Kusumi**
Outside Audit & Supervisory Board Member

■2 years
■300
■17/17 (100%)
■13/13 (100%)

**Yasuhiro Koike**
Outside Audit & Supervisory Board Member

■2 years
■1,300
■17/17 (100%)
■13/13 (100%)

## Skills Matrix, Reasons for Appointment (As of June 30, 2025)

| | Name Position | Skills matrix | | | | | | | | Reasons for appointment |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Vision | | Business foundation | | Management foundation | | | | |
| | | Corporate management, management strategy | Environment, society | R&D, production | Global business | Legal, risk management | Human resource strategy | Financial accounting | DX | |
| Director | **Hiroshi Okubo**<br>Executive Director<br>President & Chief Executive Officer<br>Chief Compliance Officer (CCO) | ● | ● | ● | | ● | | ● | ● | Mr. Okubo has led the promotion of the Medium-Term Management Plan "Vision 2030 Stage II," as Executive Director and President. In addition to aggressively pursuing reforms aimed at enhancing the corporate value of Group companies, he has contributed significantly to strengthening the management base and enhancing the governance structure. He has been appointed with the expectation that he will demonstrate his leadership in continuing and developing existing initiatives while also implementing strategies for further growth and resolving business challenges. |
| Director | **Mikiya Horie**<br>Executive Director<br>Senior Managing Executive Officer<br>Director of Biosciences Business Headquarters | ● | ● | ● | ● | | | | | Mr. Horie has led sales expansion in the global market as Director of Bioscience Business Headquarters. He has contributed to enhancing corporate value, including achieving a year-on-year increase in sales and profit, to reach to targets for the first fiscal year under the medium-term business plan. He has been appointed with the expectation that he will continue to take the lead in pioneering markets for corporate growth, balancing his senior management vision as Executive Director with his executive ability on the business front line. |
| Director | **Yoshio Nishiyama**<br>Director Managing Executive Officer<br>Director of General Affairs &<br>Human Resources Headquarters | | ● | ● | | | ● | | | Mr. Nishiyama has gained broad operational experience at plants, in the environmental, general affairs and labor departments, then as the head of the human resources department at the head office. In 2021, he was appointed Executive Officer, while simultaneously managing the Affairs & Human Resources Headquarters as its Director. Since his appointment as Director of the Company in 2024, he has continued to strongly pursue links between the Company's human resources strategy and its corporate strategy. |
| Director | **Yoshiyuki Shimmyo**<br>Director Managing Executive Officer<br>Director of Inorganic Chemicals<br>Business Headquarters | ● | ● | ● | ● | | | | | Mr. Shimmyo has extensive operational experience in sales in Japan and overseas in the inorganic chemicals department and has engaged in managing plant operations as head of the Yokkaichi Plant after his appointment as Executive Officer in 2024. Since being appointed Director in 2024, he has leveraged the extensive front-line experience he has gained as Director of Inorganic Chemicals Business Headquarters to strive to reform the business structure and promote greater business earning power. |
| Director | **Kenji Tanaka**<br>Director Managing Executive Officer<br>Director of Corporate Administration &<br>Planning Headquarters | ● | ● | ● | | | | ● | ● | Mr. Tanaka has been engaged in production, environment, safety and health, and other divisions at plants. He was appointed as an Executive Officer in 2023, and is currently engaged in managing operations as Director of Corporate Administration & Planning Headquarters.<br>He has been appointed with the expectation that he will appropriately fulfill his duties based on this abundant operational knowledge and experience, and will contribute to the sustained improvement of the corporate value of the Group. |
| Director | **Ikuo Yamashita**<br>Director<br>Managing Executive Officer<br>Director of Yokkaichi Plant | ● | ● | ● | | | | | | Mr. Yamashita has mainly been engaged in logistics at plants. He was appointed as Executive Director, President & Chief Executive Officer of ISK ENGINEERING PARTNERS CORPORATION in 2021. As the leader of the Group's construction company, he has been responsible for constructing and repairing the Group's manufacturing plants, and has made substantial contributions to the Group's stable business operations and growth. He has been appointed with the expectation that he will appropriately fulfill his duties based on this abundant operational knowledge and experience, and will contribute to the sustained improvement of the corporate value of the Group. |
| Director | **Satoshi Ando**<br>Outside Director | | | | | ● | ● | | | Mr. Ando has advanced professional expertise as an attorney-at-law, as well as extensive experience and broad insight in corporate legal affairs. He provides appropriate advice and supervision of the management of the Company, in the fields of law, risk management, finance, and accounting, from an independent and legal standpoint. In addition, he serves as a member of the Compensation Committee, Personnel Committee and Evaluation Committee, actively expressing his opinions. He has been appointed with the expectation that he will perform his duties as an Outside Director adequately from an independent standpoint. |
| Director | **Akemi Uchida**<br>Outside Director | ● | ● | | | ● | ● | ● | ● | Ms. Uchida has extensive experience related to corporate planning, human resources, risk management, and financial and management accounting, as well as experience as Director of a company engaged in the global development, manufacture and sale of automotive press components, refrigeration equipment, etc. She provides appropriate advice and supervision of the management of the Company from an external perspective and an objective and neutral standpoint. In addition, she serves as a member of the Compensation Committee, Personnel Committee and Evaluation Committee, actively expressing her opinions. She also provides valuable advice regarding matters such as diversity and inclusion, and she has been appointed with the expectation that she will perform her duties as an Outside Director adequately from an independent standpoint. |
| Director | **Yumi Sano**<br>Outside Director | | ● | | | ● | ● | | | Ms. Sano has held an important post for many years in public-service corporations and has extensive experience related to organizational management and human resources development. She has outstanding achievements, especially in areas such as promoting diversity, supporting the advancement of women in the workplace, and work-style reforms. She has been appointed with the expectation that she will make effective use of her extensive insight and practical experience to contribute to the Company's management from an external perspective and an objective and neutral standpoint. |
| Audit & Supervisory Board Members | **Hirotsugu Sakai**<br>Audit & Supervisory Board Member | ● | | | | | | ● | ● | Mr. Sakai has acquired abundant practical experience in the Corporate Administration & Planning Headquarters and Finance & Accounting Headquarters, and possesses a high level of expertise in corporate strategy formulation and financial administration. In addition, he currently supports management decision-making in the secretarial division and has developed an overarching perspective encompassing all aspects of management and high risk-perceptiveness, including coordination between internal and external parties and the appropriate management of business information. Using his experience and knowledge, he has been appointed with the expectation that he will carry out auditing and supervision of ISK's business in an appropriate, objective manner. |
| Audit & Supervisory Board Members | **Yoichi Kobayashi**<br>Audit & Supervisory Board Member | | | | ● | ● | | | | Mr. Kobayashi's experience includes working in organic chemicals and legal at ISK and acting as a director at an overseas affiliate. He has been appointed with the expectation that he will use his experience and expertise to carry out appropriate audits and supervision of ISK's business in an objective manner. |
| Audit & Supervisory Board Members | **Norihisa Kusumi**<br>Outside Audit &<br>Supervisory Board Member | ● | | | | ● | ● | ● | | Mr. Kusumi is well versed in corporate management, having amassed a wealth of knowledge in his many years, including as a director, at financial institutions. He has been appointed with the expectation that he will audit ISK's business operations from an independent, fair standpoint. |
| Audit & Supervisory Board Members | **Yasuhiro Koike**<br>Outside Audit &<br>Supervisory Board Member | | | | | ● | | | | Mr. Koike has amassed expertise and experience through his work as a lawyer, as well as significant knowledge about managing companies. He has been appointed with the expectation that he will audit ISK's business operations from an independent, fair standpoint. |

# Financial and Non-Financial Summaries

## Financial Summary (Consolidated)

(FY)

| Fiscal year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profit and loss** | | | | | | | | | | | (Million yen) |
| Net sales | 103,330 | 102,903 | 101,601 | 108,001 | 106,441 | 101,066 | 101,774 | 110,955 | 131,238 | 138,456 | **145,196** |
| Operating income | 11,104 | 8,314 | 8,415 | 10,022 | 11,372 | 6,188 | 5,173 | 11,557 | 8,631 | 11,491 | **10,482** |
| Net income attributable to owners of parent | 6,661 | 9,151 | 3,804 | 3,442 | 8,683 | 2,359 | 3,373 | 11,690 | 6,947 | 7,988 | **8,410** |
| | | | | | | | | | | | |
| **Financial status** | | | | | | | | | | | (Million yen) |
| Current assets | 105,204 | 109,386 | 102,565 | 103,387 | 107,080 | 110,324 | 117,003 | 121,389 | 137,499 | 161,173 | **154,830** |
| Property, plant and equipment | 44,525 | 38,733 | 39,183 | 40,843 | 43,167 | 46,271 | 47,107 | 46,535 | 46,728 | 41,560 | **46,579** |
| Intangible assets, investments and other assets | 17,932 | 14,935 | 15,121 | 15,536 | 18,442 | 15,841 | 15,909 | 17,834 | 17,685 | 21,590 | **23,687** |
| Total assets | 167,662 | 163,056 | 156,871 | 159,767 | 168,689 | 172,437 | 180,021 | 185,758 | 201,913 | 224,324 | **225,097** |
| Current liabilities | 56,892 | 49,725 | 47,310 | 47,990 | 44,712 | 43,737 | 42,203 | 46,731 | 59,192 | 53,056 | **46,667** |
| Long-term liabilities | 59,990 | 54,396 | 46,579 | 44,638 | 48,642 | 52,029 | 58,302 | 47,157 | 45,289 | 65,150 | **63,981** |
| Total net assets | 50,779 | 58,933 | 62,981 | 67,137 | 75,335 | 76,669 | 79,515 | 91,869 | 97,431 | 106,068 | **114,272** |
| Interest-bearing debt | 78,738 | 67,686 | 58,781 | 51,328 | 49,528 | 52,531 | 60,103 | 50,420 | 56,081 | 70,323 | **72,217** |
| | | | | | | | | | | | |
| **Other** | | | | | | | | | | | (Million yen) |
| Cash flows from operating activities | 6,351 | 10,268 | 14,631 | 16,607 | 4,907 | 3,317 | 4,749 | 16,501 | -6,022 | -2,811 | **18,332** |
| Cash flows from investing activities | -3,214 | 9,656 | -5,950 | -6,030 | -8,590 | -6,922 | -6,162 | -4,319 | -5,021 | -7,044 | **-11,412** |
| Free cash flow | 3,136 | 19,925 | 8,681 | 10,577 | -3,682 | -3,605 | -1,413 | 12,182 | -11,043 | -9,855 | **6,920** |
| Depreciation and amortization | 4,757 | 4,458 | 4,215 | 4,214 | 4,266 | 4,445 | 4,669 | 4,545 | 5,225 | 5,207 | **5,553** |
| Capital investment | 3,090 | 4,654 | 5,442 | 6,439 | 7,239 | 8,298 | 6,365 | 5,153 | 5,907 | 9,648 | **10,519** |
| R&D expenses | 9,330 | 8,988 | 8,173 | 8,706 | 8,070 | 9,150 | 8,639 | 8,165 | 9,156 | 9,758 | **10,736** |
| | | | | | | | | | | | |
| **Per share status** | | | | | | | | | | | (Yen) |
| Current net income per share | 166.58 | 228.88 | 95.15 | 86.12 | 217.25 | 59.03 | 84.41 | 292.58 | 175.75 | 209.27 | **219.98** |
| Dividends per share | — | — | — | — | 12.00 | 20.00 | 18.00 | 36.00 | 42.00 | 70.00 | **85.00** |
| | | | | | | | | | | | |
| **Financial indicators** | | | | | | | | | | | |
| Operating margin (ROS, %) | 10.75 | 8.08 | 8.28 | 9.28 | 10.68 | 6.12 | 5.08 | 10.42 | 6.58 | 8.30 | **7.22** |
| Return on equity (ROE, %) | 13.95 | 16.68 | 6.24 | 5.29 | 12.19 | 3.10 | 4.32 | 13.64 | 7.34 | 7.85 | **7.63** |
| Return on assets (ROA, %) | 6.69 | 5.03 | 5.26 | 6.33 | 6.92 | 3.63 | 2.94 | 6.32 | 4.45 | 5.39 | **4.66** |
| D/E ratio (double) | 1.55 | 1.15 | 0.93 | 0.76 | 0.66 | 0.69 | 0.76 | 0.55 | 0.58 | 0.66 | **0.63** |

## Non-Financial Summary

(FY)

| Fiscal year | 2022 | 2023 | 2024 |
|---|---|---|---|
| **GHG (greenhouse gas) emissions (ISK group companies*1)** | | | |
| Year-on-year comparison of GHG emissions (%) | 97.5 | 101.1 | **89.5** |
| GHG emissions (thousand tons-$CO_2$e) | 498 | 504 | **451** |
| | | | |
| **Waste (Japan, consolidated*2)** | | | |
| Industrial waste (sludge) (tons) | 80,768 | 76,256 | **70,381** |
| | | | |
| **Atmosphere SOx (Japan, consolidated*2)** | | | |
| SOx emissions ($Nm^3$) | 7,044 | 7,241 | **6,944** |
| | | | |
| **Atmosphere NOx (Japan, consolidated*2)** | | | |
| NOx emissions (kg) | 201,412 | 195,514 | **189,641** |
| | | | |
| **PRTR-listed substances (Japan, consolidated*3)** | | | |
| Atmospheric emissions (tons) | 10.7 | 10.9 | **9.8** |
| Amount transferred (tons) | 76.3 | 58.8 | **55.7** |
| Emissions into bodies of water (tons) | 1,617 | 1,592 | **1,518** |
| | | | |
| **Water usage (Japan, consolidated*3)** | | | |
| Water intake (thousand $m^3$) | 28,716 | 29,403 | **26,864** |
| Wastewater discharges (thousand $m^3$) | 28,726 | 29,492 | **26,554** |
| | | | |
| **Water quality COD (Japan, consolidated*3)** | | | |
| COD (kg) | 62,246 | 59,431 | **61,074** |
| | | | |
| **Water quality Total Nitrogen (Japan, consolidated*3)** | | | |
| Nitrogen pollutant load (kg) | 198,509 | 150,963 | **116,451** |
| | | | |
| **Energy-related (Japan, consolidated*2)** | | | |
| Total energy consumption (crude oil equivalent, kl) | (158,145) | 159,297 | **149,893** |
| Year-on-year comparison of energy intensity (%) | 104.4 | 97.6 | **98.3** |
| Energy intensity (kl/t) | 0.89 | 0.86 | **0.85** |

Note: Figures in parentheses are calculated according to the former Act on the Rational Use of Energy

(FY)

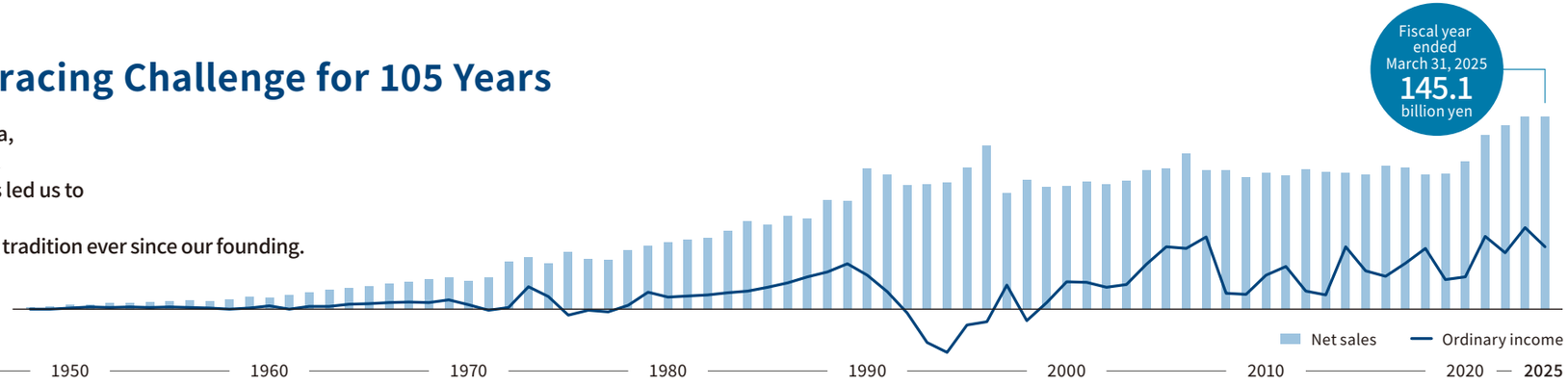
| Fiscal year | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Workplace accidents (Japan, consolidated*2)** | | | |
| Frequency rate of lost-worktime injuries | 0.56 | 0.93 | **0.91** |
| Severity rate | 0.03 | 3.47 | **0.00** |
| | | | |
| **Number of employees (non-consolidated)** | | | |
| Number of male employees | 952 | 937 | **924** |
| Number of female employees | 194 | 209 | **215** |
| Male employee ratio (%) | 83.1 | 81.8 | **81.1** |
| Female employee ratio (%) | 16.9 | 18.2 | **18.9** |
| | | | |
| **Diversity and inclusion (non-consolidated)** | | | |
| Female hired ratio (%) | 11.8 | 36.8 | **24.3** |
| Number of female managers | 4 | 5 | **7** |
| Female manager ratio (%) | 3.4 | 4.3 | **5.5** |
| Number of employees taking childcare leave | 13 | 18 | **22** |
| Paid leave acquisition rate (%) | 81.9 | 82.8 | **77.8** |
| Employees over 60 rehired after retirement (%) | 97.6 | 93.3 | **80.9** |
| | | | |
| **Other (non-consolidated)** | | | |
| R&D employee ratio (%) | 22.2 | 22.4 | **21.0** |
| Number of patents held | 2,502 | 2,606 | **2,571** |

*1 Entire ISK Group
*2 Operated by ISK and Fuji Titanium Industry Co., Ltd. Production facilities only
*3 ISK and Fuji Titanium Industry Co., Ltd.

# History of ISK

## An Enduring Tradition of Embracing Challenge for 105 Years

It has been 105 years since ISK's founder, Hiroichiro Ishihara,
embarked on iron ore development in the Malay Peninsula.
Our Group's constant willingness to embrace challenge has led us to
become a pioneer into unexplored frontiers.
This willingness to embrace challenge has been an enduring tradition ever since our founding.
We have embarked on our next challenge.




### 1920 ▸ 1945

#### Willingness to Embrace Challenges

ISK begins handling its own ore shipping. Ships flying the company flag ply the oceans.

In Japan, the Kishu Mine is opened and the Yokkaichi Plant begins operations.

### 1945 ▸ 1960

#### Entering New Fields

In the field of organic chemicals, ISK enters the agrochemicals business. Becomes a pioneer in selective herbicides.


In the field of inorganic chemicals, ISK begins producing titanium dioxide and becomes a top domestic producer.
ISK establishes a research institute in Yokkaichi; technological development capabilities are enhanced; and management focus shifts from mining to chemicals.

### 1960 ▸ 1990

#### Growth and Overseas Expansion

As an environmental protection measure, ISK becomes one of the first in its industry worldwide to build a comprehensive water treatment facility.

ISK grows into a global manufacturer by increasing demand both domestically and internationally for both the agrochemical and titanium dioxide businesses.

### 1990 ▸ 2010

#### Social Responsibility

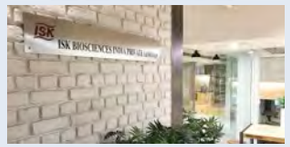
Venturing into the field of health products. ISK takes on challenges in life sciences, including the gene therapy business.

ISK embarks on 100% Ferosilt recovery and processing, achieving the goal in 10 years. Fostering a stronger, compliance-oriented mindset and making a unified effort to rebuild trust.

### 2010 ▸ 2020

#### Strength and Trust

ISK launches full-scale sales of super-weather-resistant titanium dioxide, marking a shift from general products to highly functional and high value-added products.



ISK develops its presence in the agrochemical market in Brazil, India and elsewhere. Strengthening of ISK's global competitiveness.
ISK receives approval for domestic manufacture and sale of the world's first anti-pancreatitis agent for dogs.

### 2020 ▸

#### Transformation with Chemistry

ISK celebrates the 100th anniversary of its founding. By contributing to society through technological development, the company aims to help achieve a sustainable world and raise corporate value.



ISK formulates Vision 2030. Centered on its core strengths of developing proprietary technologies, accommodating quality and environmental requirements, and collaborating globally, and grounded in its corporate philosophy and DNA, ISK moves forward in realizing Vision 2030.

# Company Profile/Group Bases



## ■ Company Profile

| | |
|---|---|
| Company Name | ISHIHARA SANGYO KAISHA, LTD. |
| Head Office Location | 3-15 Edobori 1-chome, Nishi-ku, Osaka<br>550-0002, Japan<br>+91-6-6444-1451 |
| Founded | September 10, 1920 |
| Incorporated | June 1, 1949 |
| Representative | Hiroshi Okubo, Executive Director & President |
| Capital Stock | 43.4 billion yen |
| Net Sales | (Fiscal year ended March 31, 2025)<br>Consolidated: 145,196 million yen<br>Non-consolidated: 117,924 million yen |
| Number of Employees | Consolidated: 1,807<br>Non-consolidated: 1,139 |

## ■ Network/Group Companies

### Network

Head Office, Central Research Institute, Yokkaichi Plant, Tokyo Branch, Chubu Branch, Sapporo Sales Office, Fukuoka Sales Office, Argentina Branch

### Group Companies

**Japan**

- **ISK BIOSCIENCES K.K.**
  Sales of agrochemicals
- **ISHIHARA TECHNO CORPORATION**
  Trade in organic and inorganic chemical products, others
- **FUJI TITANIUM INDUSTRY CO., LTD.**
  Manufacture and sales of titanium dioxide, functional materials, others
- **MF MATERIAL CO., LTD.**
  Manufacture and sale of functional materials
- **ISK ENGINEERING PARTNERS CORPORATION**
  Construction business
- **ISHIHARA SANSO KAISHA, LTD.**
  Manufacture and sales of industrial gases
- **ISHIHARA KOSAN CO., LTD.**
  Asset management
- **HOKUSAN CO., LTD.**
  Manufacture and sales of agrochemicals

**Taiwan**

- **ISK TAIWAN CO., LTD.**
  Sales of inorganic chemical products

**Korea**

- **ISK KOREA CORPORATION**
  Sales of inorganic chemical products
- **ISK BIOSCIENCES KOREA LTD.**
  Administration of agrochemicals business in South Korea; manufacture and sales of agrochemicals

**Thailand**

- **ISK BIOSCIENCES (THAILAND) LTD.**
  Agrochemical registration and market development in Thailand

**India**

- **ISK BIOSCIENCES INDIA PVT. LTD.**
  Registration, manufacture and sale of agrochemicals

**China**

- **ZHEJIANG ISK & TAURUS CHEMICAL CO., LTD.**
  Sales of agrochemicals
- **ISK (SHANGHAI) CHEMICAL CO., LTD.**
  Registration and sale of agrochemicals

**Philippines**

- **AVC CHEMICAL CORP.**
  Sales of agrochemicals

**Belgium**

- **ISK BIOSCIENCES EUROPE N.V.**
  Administration of agrochemicals business in Europe; manufacture and sales of agrochemicals

**The Netherlands**

- **CERTIS BELCHIM B.V.**
  Sales of agricultural materials

**United States**

- **ISK AMERICAS INCORPORATED**
  Administration of U.S. subsidiaries
- **ISK BIOSCIENCES CORPORATION**
  Administration of agrochemicals business in the Americas; manufacture and sales of agrochemicals
- **ISK BIOCIDES, INC.**
  Sales of wood preservatives
- **IBC MANUFACTURING COMPANY**
  Manufacture of wood preservative and agrochemicals
- **ISK ANIMAL HEALTH, LLC (Ohio)**
  Manufacture and sales support of animal health products
- **ISHIHARA CORPORATION (U.S.A.)**
  Sales of inorganic chemical products
- **ISK MAGNETICS, INC.**
  Asset management
- **SUMMIT AGRO USA, LLC**
  Sales of agricultural materials and manufacture of agrochemicals

**Mexico**

- **ISK BIOSCIENCES, S.A. DE C.V**
  Registration and sales of agrochemicals

**Brazil**

- **ISK BIOSCIENCES DO BRASIL DEFENSIVOS AGRICOLAS LTDA.**
  Agrochemical registration and market development in Brazil

Consolidated subsidiary company
Non-consolidated subsidiary company
Equity method affiliated company
Non-equity method affiliated company

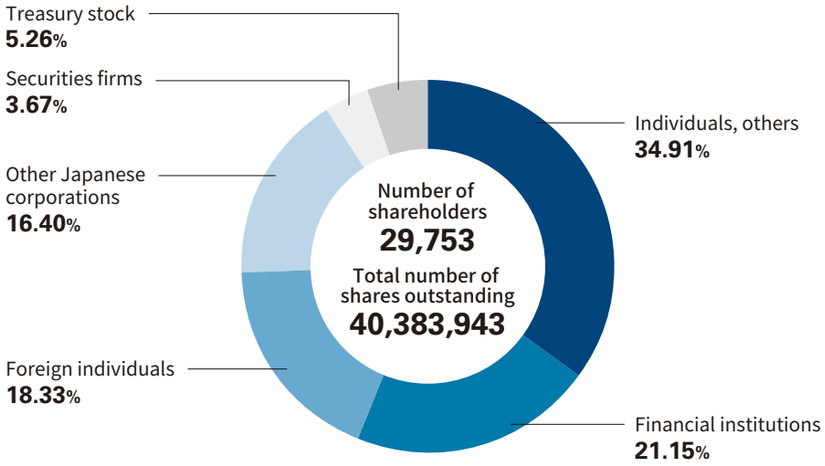
# Stock Information



## Stock Information (As of March 31, 2025)

| | |
|---|---|
| Total Number of Shares Authorized | 100,000,000 shares |
| Total Number of Shares Outstanding | 40,383,943 shares |
| Number of Shareholders | 29,753 |
| Stock Exchange Listing | Tokyo Stock Exchange, Prime Market |
| Stock Code | 4028 |

## Shareholder Composition




## Total Shareholder Return

(Unit: %)

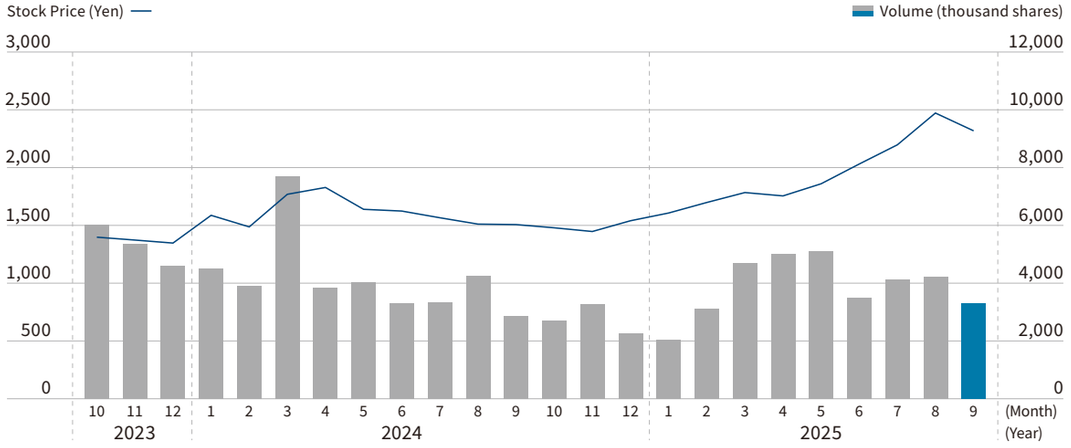
| | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|
| ISK | 168.3 | 204.9 | 219.4 | 350.5 | 368.7 |
| TOPIX | 142.1 | 145.0 | 153.4 | 216.8 | 213.4 |
| TOPIX Chemical | 135.2 | 124.5 | 130.4 | 162.7 | 140.8 |

## Major Shareholders (As of March 31, 2025)

| Shareholder | Investment in ISK | |
|---|---|---|
| | Number of shares held (thousands) | Shareholding ratio (%) |
| The Master Trust Bank of Japan, Ltd. (trust account) | 5,357 | 14.00 |
| Mitsui & Co., Ltd. | 2,019 | 5.28 |
| Toagosei Co., Ltd. | 1,722 | 4.50 |
| Murakami Takateru | 1,540 | 4.03 |
| Custody Bank of Japan, Ltd. (trust account) | 1,427 | 3.73 |
| UPL Japan GK | 1,170 | 3.06 |
| Ishihara Sangyo Kaisha Client Stock Ownership Association | 1,156 | 3.02 |
| Ishihara Sangyo Kaisha Employee Stock Ownership Association | 836 | 2.19 |
| DFA INTL SMALL CAP VALUE PORTFOLIO | 771 | 2.02 |
| Morgan Stanley MUFG Securities Co., Ltd. | 531 | 1.39 |

Note:
1: The shareholding ratio is calculated after deducting treasury stock.
2: The shares owned by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are shares used for trust operations.
3: In addition to the above, the Company owns 2,125 thousand shares of treasury stock

## Stock Price and Trading Volume



# Editorial Policy



## ■ Editorial Policy

This integrated report is intended to provide stakeholders with integrated financial and non-financial information on the ISK Group (on a consolidated basis), which operates in and outside Japan. The report includes business results, as well as management policies and business strategies for creating value in the medium- and long-term. Some past figures have been revised due to improvements in precision.

### Coverage

**Organizations:** Ishihara Sangyo Kaisha, Ltd. (ISK) and its consolidated subsidiaries and affiliates

**Period:** Fiscal 2024
(April 1, 2024 to March 31, 2025)

### Referenced Guidelines

Integrated Reporting, International Integrated Reporting Council (IIRC)
Guidance for Collaborative Value Creation; Ministry of Economy, Trade and Industry, Japan
Environmental Reporting Guidelines (2018 version), Ministry of the Environment, Japan
GRI Standards, Global Reporting Initiative (GRI)

## ■ Website

### Ishihara Sangyo Kaisha, Ltd. Official Website

https://www.iskweb.co.jp/eng/


#### ► Investor Relations

https://www.iskweb.co.jp/eng/ir/


- Latest stock price
- Topics
- Latest IR materials
- Management policies and organization
- IR library
- Stock information

#### ► Sustainability

https://www.iskweb.co.jp/eng/environment/


- Top commitment
- Sustainability structures
- Environmental initiatives
- Social initiatives
- Governance initiatives