

Harima Chemicals Group

# Integrated Report

# 2024





# Leading the Way with Pine Chemicals

Harima Chemicals Group is a chemical manufacturer built on products developed using pine chemical resources like rosin, fatty acids, turpentine and other materials all obtained from pine trees. We transform these key active ingredients into daily essentials.

Our products are used in a variety of fields, as resins for printing inks, paints and adhesives, emulsifiers for synthetic rubber, paper chemicals, solders used in electronic devices, and flavor and fragrance ingredients.

Indispensable everyday products derived in some way from pine trees are all around us:  
Printed items such as newspapers, books and catalogues  
Paints used to coat buildings and cars  
Adhesives used for glues and packing tapes  
Synthetic rubber used in car tires  
Paper goods including notebooks, books and cardboard  
Electronic devices such as computers and mobile phones  
Cosmetics and perfumes, etc.

And now with an international network of manufacturing bases in 10 countries, we meet the needs of our customers all over the world.

## Corporate Philosophy | HARIMA PHILOSOPHY

Harima is a company which strives to cooperate with nature in the utilization of its blessings to enhance the quality of life.

Our mission is to help build a productive and humanistic society, with our goal being the creation of a truly global company which places a premium on its people and technology.

Our policy is to provide a cooperative atmosphere in which we seek mutual understanding and trust, and to intelligently and responsibly meet all challenges.

In the depth of our sincerity, we're number one.

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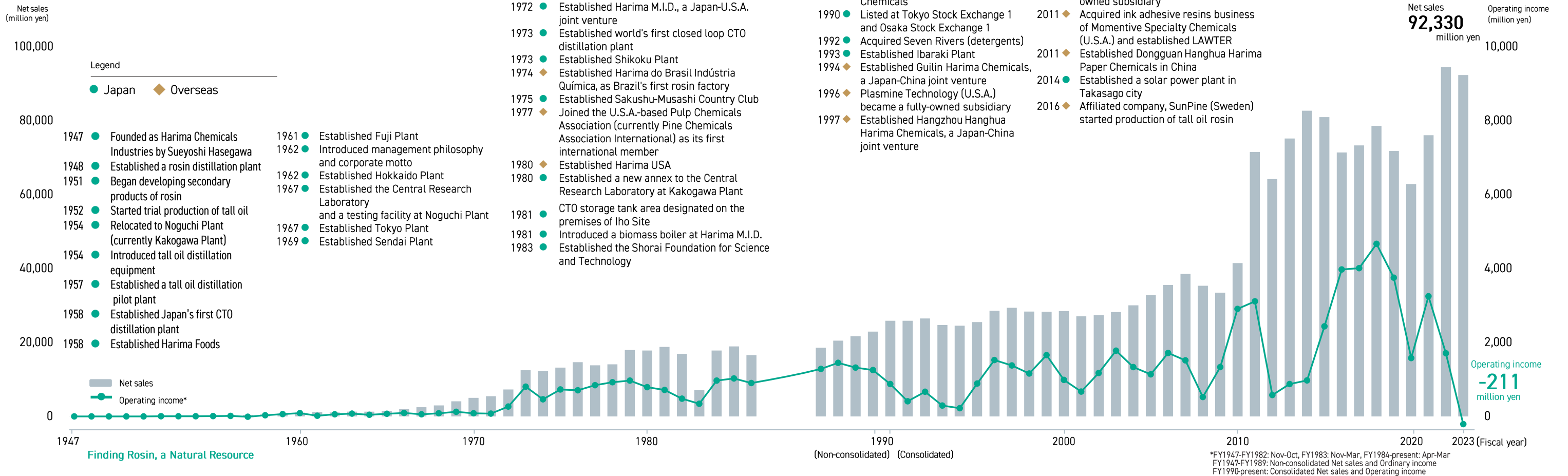
This report aims to provide our shareholders, investors and various other stakeholders with an overview of the Company's latest activities and initiatives. The report covers the activities and performance of Harima Chemicals Group and its consolidated subsidiaries and affiliates, during the fiscal year 2023 (April 1, 2023~ March 31, 2024) with some matters pertaining to FY2024 also included.

Descriptions pertaining to the future are based on assumptions, expectations, and views derived from the information available at the time of preparing this report. These descriptions encompass known and unknown risks, uncertainties and other factors, and the actual financial condition, operating performance and cash flow of our company may potentially differ from such future-oriented statements.



# Value Creation Over the Years

Founded in 1947 in the city of Kakogawa, Japan, we have grown as a chemical manufacturer built on products developed using pine chemical resources like rosin, fatty acids, turpentine and other materials all obtained from pine trees. With the opening of Japan's first distillation plant that utilizes crude tall oil (CTO), a raw material derived from the kraft-pulping process of pine trees, at Kakogawa Plant in 1958, we expanded our business into the fields of resins and tall oil products, paper chemicals and electronic materials. To increase global presence, we acquired the rosin business of U.S.A.-based Momentive Specialty Chemicals in 2011, which enabled us to grow into a company that operates manufacturing bases in 10 countries. In October 2012, the company name was changed to Harima Chemicals Group, Inc. and we adopted a holding company structure.



**1947-1950s** **1960s** **1970s** **1980s** **1990s** **2000s** **2010s-2020s**

### Finding Rosin, a Natural Resource

The Company was founded under the name Harima Chemicals Industry in 1947 by Sueyoshi Hasegawa, who was inspired by the potential of rosin—a material that had long been used for adhesives, paints, flavors and fragrances, clothes and more—as a valuable resource in post-WWII Japan. A rosin distillation plant was established in 1948, and with the technology and experience accumulated during that time, we began production of fatty acids. It was this technology that eventually laid the foundation for our tall oil business. In time, extensive research of pine chemicals led to the development of secondary rosin products with a key role in further business expansion.



### Japan's First Tall Oil Business

Harima's tall oil business was launched in 1952, inspired by the black liquor derived as a byproduct of the kraft-pulping process. We went on to establish the technology of fractional distillation, and with the assistance of government incentives and programs, completed the construction of Japan's first tall oil distillation plant in 1958. Its construction cost 120 million yen, a staggering amount for a company with a capital stock of only 8 million yen.

### Opening New Business Frontiers

Along with tall oil products, we developed paint resins, sizing agents, synthetic rubber emulsifiers, etc. In 1961, we expanded into the city of Fuji, an area dubbed as "Asia's paper-making hub". Following the Fuji Plant, we opened factories in Hokkaido, Tokyo, and Sendai. In Kakogawa, we established our very first R&D center, the Central Research Laboratory. In 1962, we introduced our management philosophy and corporate motto, the concepts of which have remained the Company's staple to this day.

**[Management Philosophy]**  
 Management that is prudent and stable  
 Management that values people  
 Management that actively promotes technological advancement

**[Corporate Motto]**  
 Understanding, Cooperation and Trust



### Seeking New Opportunities Abroad

Economic growth and expanding demand in new fields presented the challenge of securing stable supplies of CTO, but we managed to contract several suppliers after minute evaluation. In 1972, we established Harima M.I.D., a joint venture with then-Mead Corporation, a U.S.A.-based forestry and paper manufacturing company. In 1974, we set up our first subsidiary in Brazil, a country rich in pine resources. We have since been contributing to Brazil's industry, employment, and foreign currency acquisition.

### The World's First Closed-loop System

In 1973, we established the world's first non-polluting closed-loop tall oil distillation plant at Kakogawa Plant. The plant's annual capacity of 70,000 tons placed it among the world's largest at the time. A logistics base was also built at Iho Port in the nearby city of Takasago, to store CTO imported from the U.S.A. This marked the beginning of stable supplies of CTO and tall oil-derived products in Japan.



### Shifting Away from Petroleum Energy

Due to the oil crisis and soaring prices, energy-saving initiatives became a requirement of the time. We began joint development of boilers fueled by tall oil pitch, a byproduct of CTO distillation, and started operation of a large-scale, non-polluting steam boiler in 1981. The use of byproducts as fuel led to a drastic cut in energy costs and enabled the shift to alternative energy sources, paving the way for the Company's biomass power generation business.



### "Utilize the Blessings of Nature to Enhance the Quality of Life"

In 1988, we introduced the Harima Philosophy. Building on the principles of the management philosophy and the corporate motto, we set out on a challenge to become a global company under the slogan of "Utilize Nature's Blessings to Enhance the Quality of Life."



### New Beginnings

In 1990, our scope of business expanded to cover nine fields: oil chemical products, paper chemicals, synthetic resins, biotechnology, electronic materials, recording materials, foods, and everyday items. We entered the electronic materials field with the launch of electronic materials developed through the 1980s in collaboration with manufacturers of electrical and automotive components. Also, we continued expansion overseas, by establishing paper chemical companies in the U.S.A. and China, and resins and tall oil product companies in China.



### For the Advancement of Science and Technology

The Shorai Foundation for Science and Technology was founded in 1983 to promote advancement of science and technology through encouraging and subsidizing research, study and international exchange.



### Mitigating CO<sub>2</sub> Emissions

In 2005, we opened a biomass power plant at Kakogawa Plant. This marked the acceleration of our efforts to reduce CO<sub>2</sub> emissions by generating power using the byproducts of tall oil distillation as a biomass-derived fuel.



### New Business Areas

Our electronic materials business, which started off with solder materials, expanded its scope with organic synthesis technology-based brazing materials for automotive heat exchangers and resist resins for semiconductors. Meanwhile, we increased businesses in China, the U.S.A., Asia and Europe in an effort to accelerate global expansion.

### Becoming a Global Company

In 2011, we acquired the rosin business of U.S.A.-based Momentive Specialty Chemicals Inc. and established LAWTER. With pine chemical operations covering Japan, China, Asia, Europe, North America, South America and Oceania, and expansion of paper chemicals and electronic materials outside Japan, overseas-derived Net sales now topped approx. 60%.



### Expansion of Electronic Materials Business

In 2022, we acquired the solder materials business of German manufacturer Henkel. With an expanded customer base and product lineup, we aim to further build our global network. We will accelerate growth of solder materials, functional resins for semiconductors, brazing materials, and other electronic materials that support such applications as automotive electrification/self-driving systems, 5G, digital transformation (DX), etc.





# Core Competencies for Sustainable Growth

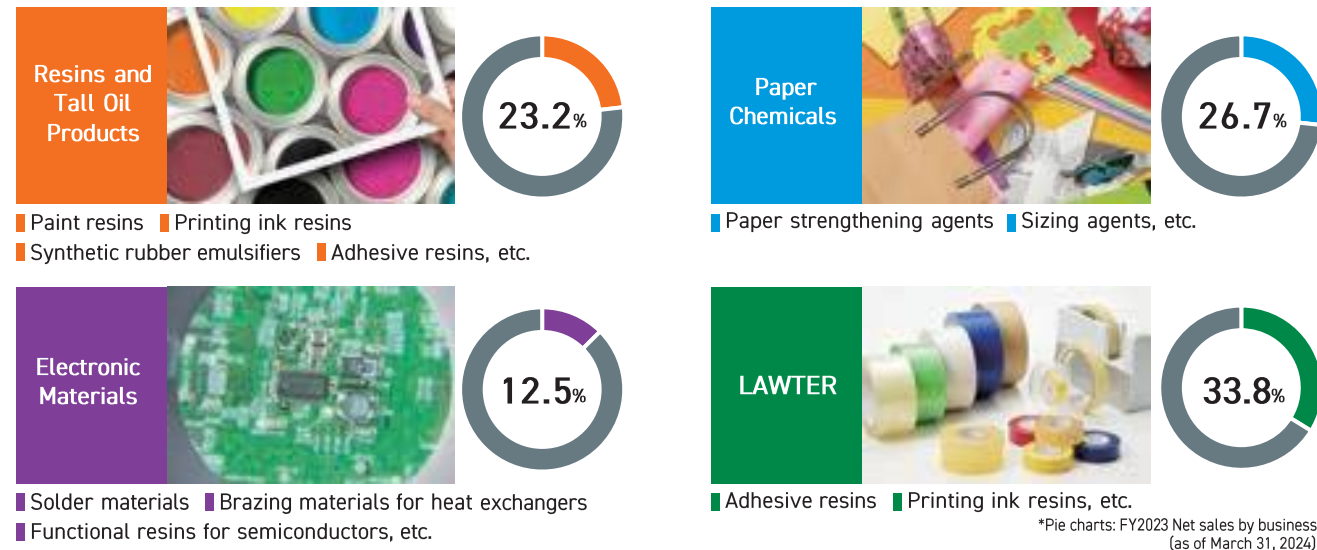
Harima is a pine chemical manufacturer that utilizes natural and renewable resources to their full potential, creating a diverse portfolio of items used in daily essentials since its founding in 1947. Our innovative lineup, a result of extensive R&D, has been the driving force behind our reputation as a leading company in the industry. We will continue to strengthen and expand our global network in a broad range of businesses with a focus on future trends.

## Diverse Product Applications

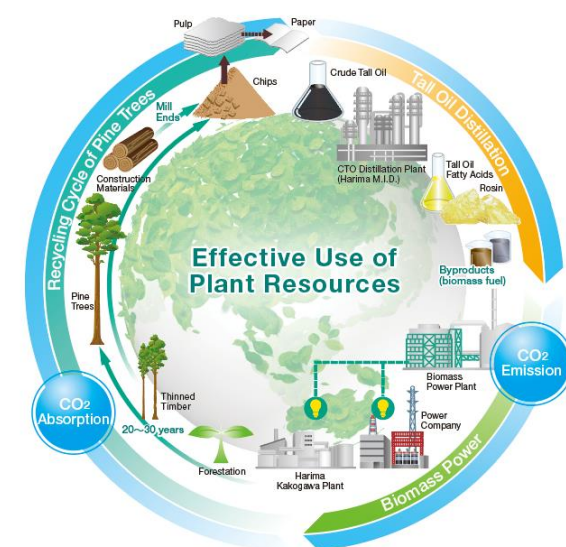
Our products are used in a variety of fields, as resins for printing inks, paints and adhesives, emulsifiers for synthetic rubber, paper chemicals, solders used in electronic devices, and flavor and fragrance ingredients.

Indispensable everyday products, derived in some way from pine trees, are all around us: printed items such as newspapers, books and catalogues, paints used to coat buildings and cars, adhesives used for glues and packing tapes, synthetic rubber used in car tires, various paper goods including notebooks, books and cardboard, electronic devices such as computers and mobile phones, cosmetics and perfumes, etc.

## Core Businesses and Products



## Circular Business Model – Harmony Among People, Nature and Technology



Our chemical technologies reduce the impact on the environment and living organisms and contribute to the achievement of a sustainable society. Harima was founded as a chemical manufacturer that utilizes materials obtained from pine trees, a renewable resource that is nurtured by sunlight and water. Our business has grown while contributing to the solution of social and environmental issues through our nature-friendly production systems and manufacturing operations.

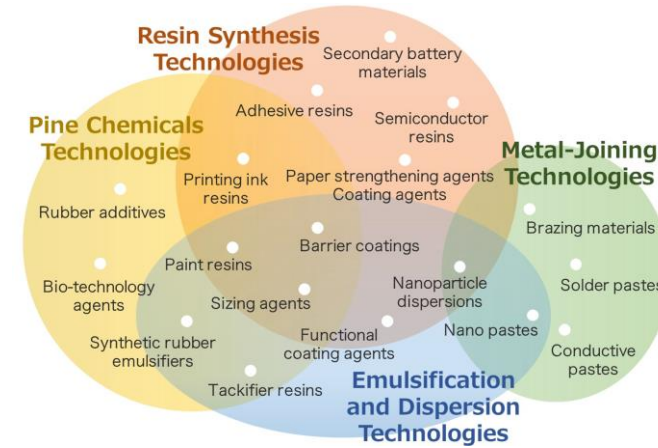


Our legacy dates back to 1958 when we began operations as the first company in Japan to specialize in crude tall oil (CTO) refinery, further extending our value in 1973 by establishing the world's first closed-loop tall oil distillation plant. We will continue our mission to further improve our circular business model and contribute to the realization of a sustainable society.

Byproducts of the distillation process are effectively used as biomass fuel for power generation, letting us utilize every bit of the raw material's value. Water and heat discharged during production are also reused.

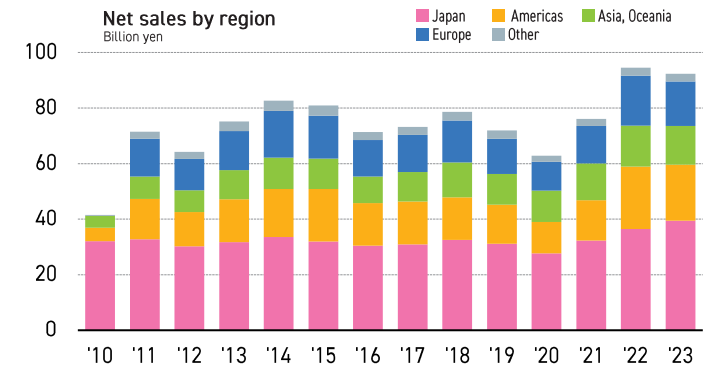
## Diverse Portfolio

To meet ever-changing market needs, we strive to develop new materials and technologies around our core technologies: pine chemical technologies that utilize the natural qualities found in pines, resin synthesis technologies, emulsification and dispersion technologies and metal-joining technologies.



## Customer Base

Harima's overseas network enables creation of strong connections with the global market. In FY2022, we expanded our customer base by acquiring the solder materials business of German manufacturer Henkel, whose long list of customers spans across automotive, industrial machinery, and telecommunications equipment industries in Europe and the world.



## Global Expansion

Harima's rosin consumption accounts for 10% of the total amount produced worldwide. We have factories in 10 countries, and about 60% of the rosin we use is procured within the Group. Two-thirds of our employees work outside of Japan, which enhances diversity and expertise.

Harima's share in the world consumption of rosin	10%	Employees (consolidated)	1,734
In-house procurement of raw materials	60%	Employees outside Japan	2/3
Production sites in	10 countries		

## Brand Value

To increase positive recognition from customers in and outside Japan, we are committed to improving R&D capability, manufacturing technologies and quality management, while delivering products that help solve social and environmental issues. Our initiatives are evaluated by various rating organizations, whose feedback is incorporated into management to improve corporate value.

Rating organization	Description	Rating
EcoVadis	Sustainability ratings for global supply chains	LAWTER Gold 2024 (Top 5%)
		Plasmine Bronze 2024 (Top 35%)
Nikkei Management Survey 2024	Rating of SDGs contribution and how they affect corporate value	SDGs management : ★★★ (T-score of 50-54) Smart Work : ★★★ (T-score of 50-54)
Digital Transformation Certification	Rating of digitalization in business activities	
Kurumin Certification	Rating of childcare support initiatives	

## Stable Financial Foundation

We consider having a good balance between assets and liabilities crucial for financial stability. With funding sourced from around the world through diverse means and efficient administration of Company-wide funds, using an international cash management system, we strive to maintain and improve our financial foundation. In FY2022, free cash flow was mainly used for strategic investments aimed at business growth, which we will seek to recoup and further improve financial stability.

### Consolidated Balance Sheet for FY2023 (ended 24/3)

Billion yen	
Current assets	53.5
Current liabilities	47.6
Fixed assets	44.9
Net assets	40.8
Long-term liabilities	10.0
Current ratio	112%
Cash ratio	60%
Fixed assets ratio	95%
Shareholder equity ratio	37.8%

(Unit: Million yen)

	FY2021 (ended 22/3)	FY2022 (ended 23/3)	FY2023 (ended 24/3)
Cash flow from operating activities	2,833	(466)	353
Cash flow from investing activities	(3,438)	(6,649)	(3,197)
Cash flow from financing activities	2,106	7,657	2,895

## Quality Management and Environmental Conservation

With a view to improving customer satisfaction, many of our sites in Japan and overseas have acquired ISO 9001 (international standard for quality management systems) certification to demonstrate competence with client requirements and compliance with international regulations, as well as increase communication with customers.

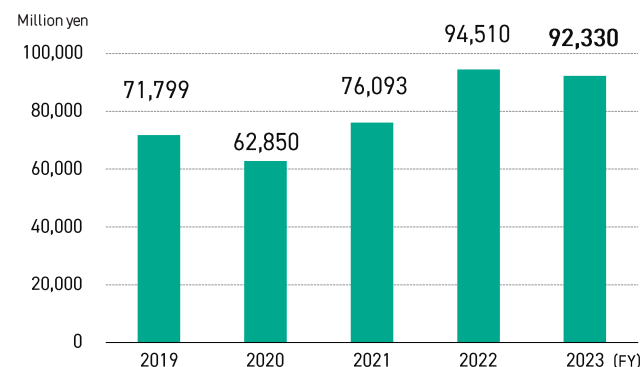
We are also committed to ISO 14001 (international standard for environmental management systems) as part of our continuous efforts for environmental conservation.

No. of sites certified	Japan	Overseas
ISO 9001 quality management system	12	15
ISO 14001 environmental management system	8	12



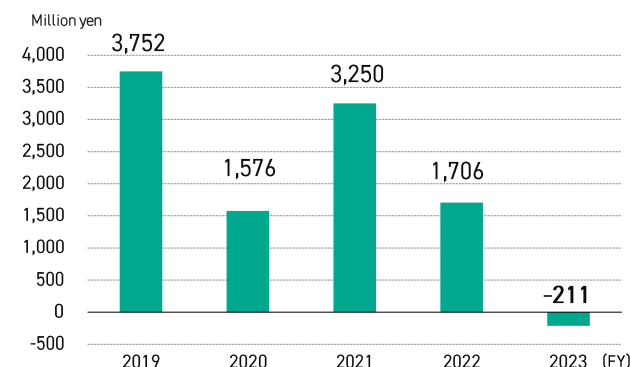
# Financial and Non-financial Highlights

## Net Sales



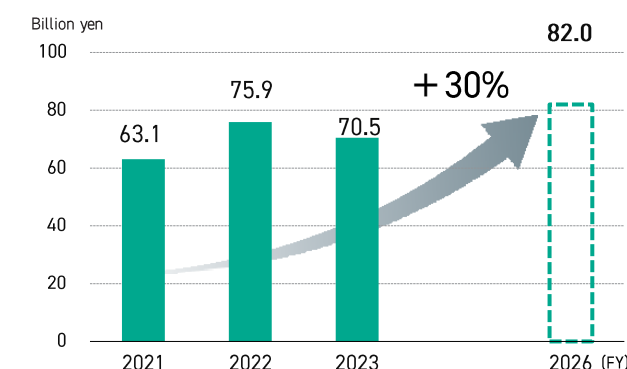
Overseas-derived Net sales decreased compared to the previous fiscal year, mainly due to lower demand of resins for adhesives and printing inks in Europe. Net sales in Japan increased compared to the previous fiscal year, also owing to higher market prices.

## Operating Income



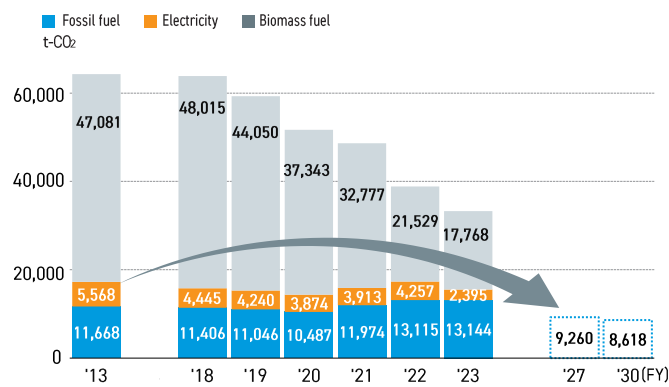
Overseas Operating income declined compared to the previous fiscal year mainly due to soaring raw material and energy prices triggering increases in manufacturing costs. Operating income in Japan increased compared to the previous fiscal year owing to operation efficiency initiatives with positive results on cost reduction.

## Sales of Sustainable Products



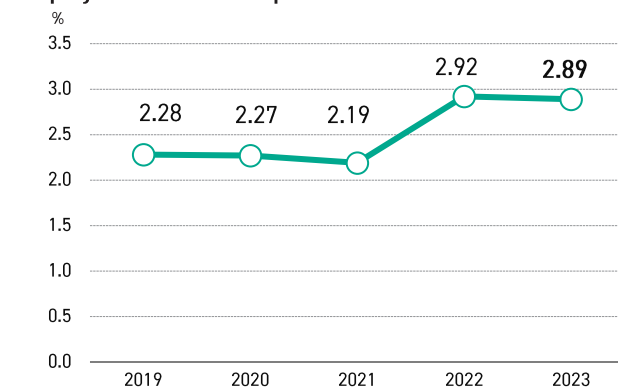
Under our definition, a sustainable product is a product that reduces environmental load and serves to solve social issues such as SDGs, while taking advantage of our technological strengths. Our FY2026 sales expansion plan stipulates an increase by 30% relative to FY2021 results.

## Greenhouse Gas Emissions



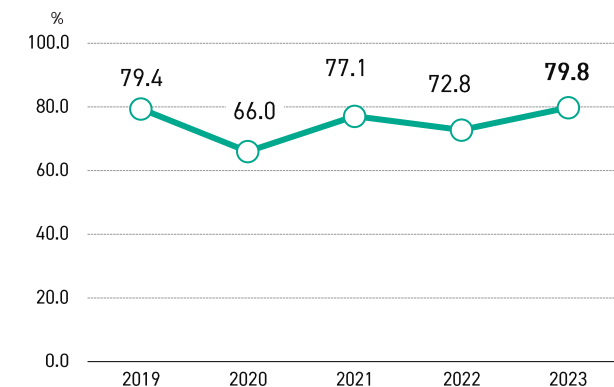
Harima is committed to reducing greenhouse gas emissions and, in this regard, opened a biomass power plant in 2005 that utilizes byproducts of crude tall oil distillation, and in 2023, established a floating solar power generation business and introduced carbon-neutral LNG and renewable energy promotion programs at some of our production sites in Japan. Scope: Harima Chemicals, Harima M.I.D., Seven Rivers, Harima Trading and Nippon Filler Metals

## Employment Rate of People with Disabilities



Harima has been long involved in the employment of individuals with disabilities and will continue initiatives that actively promote the creation of a more diverse and inclusive workplace and society. Scope: Harima Chemicals Group and Harima Chemicals

## Rate of Paid Leave Taken



We encourage employees to take their designated paid time off and reduce overtime work for a better work-life balance. We will continue efforts to create a positive work environment that meets the diverse needs of our employees. Scope: Harima Chemicals Group and Harima Chemicals

# Risks and Opportunities, Materiality

We analyzed our future business environment and identified core risks and opportunities, taking into consideration changes in environment, society and economy. These risks and opportunities are expected to have a significant impact on the continuous growth of the Company and therefore need to be managed and dealt with appropriately.

Having examined the financial impacts of society and the environment, we determined "Materiality". Based on the Company's long-term vision and mid-term plan and taking into consideration assessment indicators and guidelines related to SDGs and ESG, we identified more than 200 keywords associated with social issues and changes, and organized them as follows: grouped them in 9 materiality themes, examined and analyzed the details of those social issues and changes expected to arise between now and around 2030, assessed their impact on the Company, and their significance from two perspectives: significance for the Company and significance for our stakeholders. The results were reported and accepted at a Board of Directors' meeting of the Company.

Focus areas	Materiality	Identified risks and opportunities	Company undertakings
Environment	Response to global warming	<b>Risks</b> Transition risks (policy and legal risks, technology risks, market risks) Physical risks (increased severity of extreme weather events, impact on the habitats of pine trees, our principal raw material, etc.) <b>Opportunities</b> Expand sales of products that help solve environmental issues such as decarbonization	<ul style="list-style-type: none"> <li>Reduce emissions, diversify procurement methods, control risks with non-life insurance, promote operation of the environmental management system/rigorous internal control</li> <li>Expansion of sustainable product sales; entry into markets for high value-added products</li> </ul>
	Mitigation of environmental impact	<b>Risks</b> Breach of laws and regulations; impact on the regions and the global environment that affect our operations <b>Opportunities</b> Expansion of sustainable product sales	<ul style="list-style-type: none"> <li>Promote business activities and initiatives that harmonize with the environment (accurately understand and lower environmental impact, promote energy savings, reduce discharge of chemical substances into the environment, reduce waste, conduct R&amp;D, etc.)</li> </ul>
	GHG emissions reduction	<b>Risks</b> Being a large emitter of GHG affects the sales of our products; levy of carbon tax and other possible future taxes <b>Opportunities</b> Differentiate our products as low-emission products once carbon footprint gains more recognition	<ul style="list-style-type: none"> <li>Develop and publish a GHG reduction roadmap</li> <li>Promote floating solar-power generation business, transition to sustainable energy, etc.</li> <li>Calculate Scope 1, 2 and 3 emissions and use the data for product carbon footprints</li> </ul>
Society	Supply chain management	<b>Risks</b> Delays in raw materials procurement, fluctuation in raw material prices, accidental purchasing of illegal resources/resources that violate human rights <b>Opportunities</b> Administration of purchasing costs, improvement in productivity, fulfillment of social responsibility/supplier responsibility	<ul style="list-style-type: none"> <li>Promote diversification and strengthening of procurement methods, develop alternative products</li> <li>Avoid use of "conflict minerals" that provide funds to armed groups, publish purchasing policy/guidelines, conduct supply chain due diligence</li> </ul>
	Human capital management	<b>Risks</b> Insufficient preparation of the organizational structure and human resources that suit the business growth plan affecting business growth, work environment preventing employees from performing at the best of their abilities <b>Opportunities</b> Enhancement of corporate value resulting from the development and publishing of a human resource strategy that drives our medium- to long-term corporate growth	<ul style="list-style-type: none"> <li>Develop and promote human resource strategies linked to our long-term vision and mid-term plan</li> <li>Upgrade the level of employee engagement and talent management</li> </ul>
	Technological innovation	<b>Risks</b> Loss of profits due to delays in new product development, increase in investment and R&D expenses on eco-friendly products <b>Opportunities</b> Opportunities to enter new markets and expanded demand brought on by eco-friendly products and other newly developed products	<ul style="list-style-type: none"> <li>Conduct R&amp;D based on our unique technologies and industry-academia-government collaborative research projects</li> <li>Develop research talent through training, overseas assignments and study, exchange programs with various organizations in Japan and overseas, etc.</li> <li>Allocate resources on strategic R&amp;D investments</li> <li>Subsidize and encourage activities including research, study and international exchanges in science and technology with the aim of promoting science and technology as well as world culture (Shorai Foundation for Science and Technology)</li> </ul>
Governance	Labor safety	<b>Risks</b> Injury or sickness of employees at manufacturing sites, accidents due to lack of professional knowledge/skill, damage to corporate image <b>Opportunities</b> Maintenance of employees' good health, enhancement of productivity, fulfillment of social responsibility, maintenance and improvement of corporate credibility	<ul style="list-style-type: none"> <li>Introduce chemical substance management system to ensure appropriate management</li> <li>Conduct hazard prediction (KY) activities, preventive maintenance and improvement activities based on risk assessment</li> <li>Raise safety awareness through disaster drills and hands-on safety training programs</li> </ul>
	Risk management	<b>Risks</b> Occurrence of compliance risks and business risks triggered by non-observance of corporate philosophy, code of conduct, or internal regulations <b>Opportunities</b> Evaluation and promotion of business achieved with appropriate risk analysis, assessment and resilience	<ul style="list-style-type: none"> <li>Maintain and enhance readiness within the Company to keep misconducts in check; internal training (ongoing)</li> <li>Apply PDCA to make improvements and prevent recurrence, analyze, quantify and control potential risks</li> </ul>
	Improvement of corporate governance	<b>Risks</b> Occurrence of misconduct, deterioration of corporate value, legal risks, criticism from society <b>Opportunities</b> Establish credibility as a Prime Market-listed company, and maintain and strengthen the foundation for sound and continuous business growth	<ul style="list-style-type: none"> <li>We strive to improve our corporate governance to achieve speedy decision-making, better transparency and rationality, which will enable us to carry out activities that enhance corporate value for all stakeholders</li> </ul>



# Value Creation Process

Harima operates four main businesses: Resins and Tall Oil Products Business, Paper Chemicals Business, Electronic Materials Business, and LAWTER Business. The Company generates value by providing products that meet customer needs, while contributing to the realization of a sustainable society.

Through this process, we aim to realize our long-term vision, Harima Vision 2030: "Deliver a sustainable future through advanced technologies and passion for excellence - Pine Chemicals & Beyond".





## CEO Message A New Age for Pine Chemicals



President

Yoshihiro Hasegawa

### From a Start-up 77 Years Ago to a 100-billion-yen Company

In November 2024, we celebrated our 77th anniversary. When my father, Sueyoshi Hasegawa, founded the Company back in 1947, it was what would today be called a start-up, with only four employees and the production facilities set up in his own home. At the time, it was a simple business, consisting of distilling crude gum, which is the sap of the pine tree, to produce materials such as rosin and turpentine. Later, with ongoing research and development and repeated trial and error in devising production technologies, the Company created a variety of pine-based products, increasing its business domains and actively pursuing overseas expansion. Today, we have bases in 13 countries, and consolidated net sales have grown to a level that is approaching the long-held target of 100 billion yen. Towards the years leading to our 100th anniversary in 2047, the aspiration that I want to pass on to the next generation is for Harima to be the world's leading company in the pine chemicals sector promptly.

### The Sustainable Nature of Our Business

Ever since the Company's founding, our growth has centered on the pine chemicals business, utilizing the active components of pine trees to create products that benefit people's lives. Pine trees grow all over the world and are a renewable natural resource. By using pine-derived materials, we are contributing to the achievement of a sustainable society. Globally, the current trend is for a shift away from mass produced and consumed products derived from petrochemicals, to a circular economy, which aims to maximize added value and lessen environmental impact through the effective utilization of resources. Although we are a manufacturer of

intermediate materials, with which general consumers are not as familiar, our environmentally friendly business model has been attracting more attention in recent years. We will continue to make best use of natural resources and manufacture products that protect the environment and truly contribute to people's lives.

### The Potential of Pine Chemicals

Rosin, the main raw material of pine chemicals, has been used since ancient times for purposes such as lighting and preventing leaks in wooden boats. Our core rosin-based products are printing ink resins, adhesive resins, emulsifiers for synthetic rubber, paper sizes and solder materials. We are now pursuing development of items for such applications as transport infrastructure and various paper materials. In doing so, we are accelerating development in light of our unwavering commitment to nature-based, high-quality products.

### Long-term Vision and Strategic Investments

Announced in 2022, our long-term vision, "Harima Vision 2030" i.e. "Pine Chemicals & Beyond", outlines our intention to continue to explore the potential of the pine chemicals business, expand into adjacent domains, and pursue new opportunities outside Japan. We will leverage the technologies and expertise that we have cultivated over the years to develop new applications and products, and enter new markets. In the past two to three years, we have focused on a variety of strategic investments aimed at the future expansion of our business domains and enhancement of business performance. They include the construction of a production plant for myrcene (a key ingredient in aroma oils and fragrances), the increase of production capacity of functional resins for semiconductors, the expansion of production capacity in the United States, the conversion of one of our Chinese bases into a fully-owned subsidiary, and the acquisition of German manufacturer Henkel's solder materials business. In strategic areas, we will pursue growth undeterred by momentary setbacks, based on a long-term approach of 10-year increments.

### Diversity and Active Participation of Female Employees

We conduct our business activities while engaging with a variety of stakeholders, including business partners, employees, shareholders, and local communities. In particular, we consider our employees to be an indispensable presence for the achievement of management goals. We will continue to foster a growth-oriented work environment and provide employment terms and conditions that will help them feel proud to work for Harima. With approximately 60% of net sales coming from outside of Japan, the Company's workforce is multinational and diverse. In Japan, in addition to expanding opportunities for women's active participation, we will continue reforms that allow for more flexible work styles that accommodate various life stages and circumstances, in order to create a workplace where both male and female employees can do their jobs with a high sense of motivation and engagement.

### Community Ties

Founded in the city of Kakogawa in Japan's Hyogo Prefecture, the Company still has here its core domestic production facilities, Central Research Laboratory, and several affiliated companies. In terms of plant safety and impact on the surrounding environment, while we comply with laws and regulations as a matter of course, we also strive to ensure that we do not inconvenience our neighbors. At the same time, so that the local community can get to know the Company better, we organize plant tours that anyone can join. We also hold seasonal events at our marigold garden opened in 2019, to deepen our interactions with people in the community. The number of visitors is growing every year, and the events are often featured in the local media and social media. We will continue such events to build even stronger community ties.



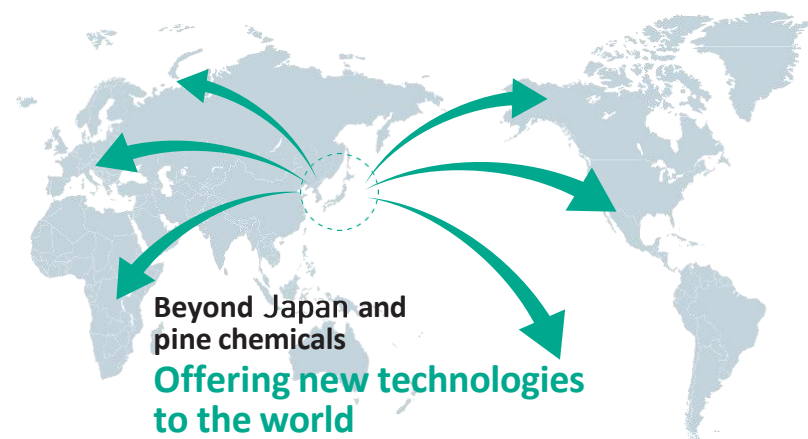
# Long-term Vision: Harima Vision 2030

Deliver a sustainable future through advanced technologies and passion for excellence

## Pine Chemicals & Beyond

### Objectives of Harima Vision 2030

As a company that utilizes the blessings of nature to enhance the quality of life, Harima has grown through its pine chemicals business, which uses pine chemical resources like rosin, fatty acids, turpentine and other materials all obtained from pine trees to develop products. Our pine chemicals business employs a circular business model that makes effective use of natural resources. This ensures that the business is highly compatible with the target of achieving a sustainable society. We will continue to explore the potential of the pine chemicals business, striving to develop new applications and strengthen business fundamentals, as we aim to establish a leading position at global level.



FY2030 Targets

Net sales	120.0 billion yen or more
Operating income	8.5 billion yen or more
ROE	10 % or more
Overseas sales ratio	65 % or more
Greenhouse gas emissions	50 % reduction*

\* Compared with FY2013; in the Japanese operations of Harima Chemicals, Inc.

### Sales Expansion Plan for Sustainable Products

We aim to contribute to the realization of a circular society through the development of environment-friendly pine chemical-based materials and expansion of sustainable products.

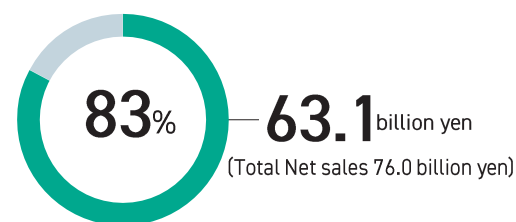
Under our definition, a sustainable product is a product that reduces environmental load and serves to solve social issues such as SDGs, while taking advantage of our technological strengths.

Environmental value	Products
Renewable raw materials	Pine chemical products
Reduction of hazardous substances	Paint resins
Reduction of volatile organic compounds (VOCs)	Water-based resins and solvent-free resins
Promotion of recycling	Paper strengthening agents
Reduction of plastics	Barrier coatings

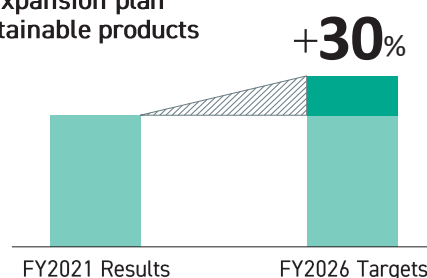


In our sales expansion plan for sustainable products, we are aiming for a 30% increase in sales by 2026.

### Sustainable products sales ratio in FY2021

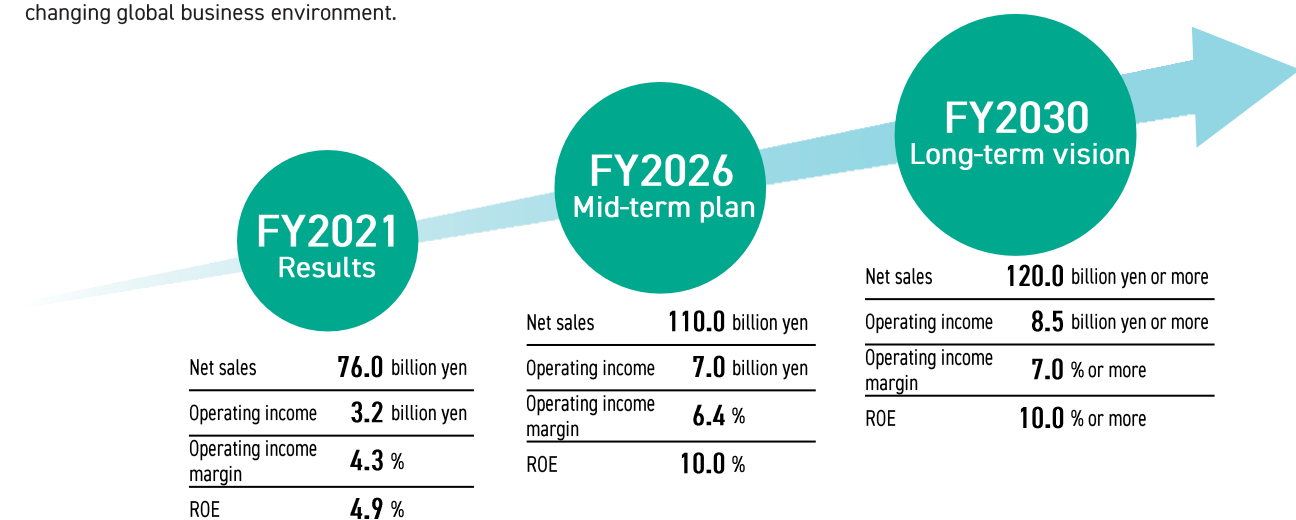


### Sales expansion plan for sustainable products

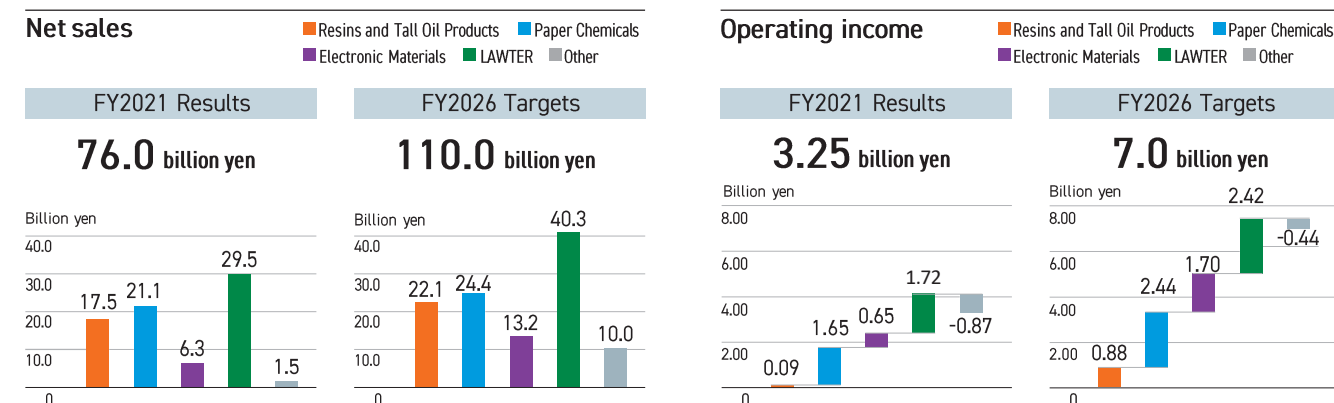


# Mid-term Plan: NEW HARIMA 2026

As a milestone to be achieved on the way to realizing Harima Vision 2030, we will aim for sustained growth under our mid-term plan, NEW HARIMA 2026, in light of the following three core strategies: (1) Strengthen business fundamentals and expand business scope, (2) Conduct R&D that propels the company into new businesses and growth fields, and (3) Refine business management to better address ever-changing global business environment.



### Financial Targets



### Basic Policies

Strengthen business fundamentals and expand business scope	Improve competitiveness of the pine chemicals business	Strengthen supply chain operations, develop new applications, pursue new businesses (alternatives to petrochemicals, infrastructure, flavors and fragrances)
	Expand overseas operations	Solder materials, paper chemicals, adhesive resins Strengthen supply chain operations, develop new applications, pursue new businesses (alternatives to petrochemicals, infrastructure, flavors and fragrances)
Conduct R&D that propels the company into new businesses and growth fields	Reconfigure product portfolio and business scope	Focus investments on growth areas and eliminate unprofitable products and businesses
	Rubber additives	Polymerization emulsifiers for functional rubber, additives for rubber used in shock-absorbing dampers, additives to improve rubber functionality
	Semiconductor, 5G, and the internet of Things (IoT)	Functional resins for semiconductors (photoresist resins), electronic component processing materials, high-durability solder, materials for LIB batteries.
Refine business management to better address ever-changing global business environment	Environment and life sciences	Barrier coatings, surface coatings using fluorine alternatives, bioprocessing, CCS/CCU* (CO <sub>2</sub> capture and use)
	Digital technologies	Upgrade production activities, speed up research, manage information, reorganize work processes
	ESG-oriented management	Strengthen governance, disclose climate change-related risks, disclose non-financial information, enhance IR activities
	Working practices	Human resource (HR) management, diversity, remote working, HR system
	Reducing greenhouse gas emissions	Reduce by 46% by 2027, use renewable energy, increase use of biomass fuels, save energy



## Financial Capital Strategy

### Focusing Efforts on Raising Profitability to Improve ROE

Much more needs to be done if we are to achieve the target of 10% for return on equity (ROE) in FY2026, as indicated in our mid-term plan. In addition to improving the profitability of existing businesses and reviewing unprofitable businesses, we will also focus on earning profits at an early stage, from our strategic investments of recent years.



**Shunichiro Taoka**

Executive Managing Director  
Managing Executive Officer  
Corporate Planning Director  
Chairman, LAWTER B.V.



## Research and Development

### Building the Future, Creating New Value

Harima's R&D puts a focus on creating new product value that contributes to building the future, and on speedily transforming research results and technologies into marketable products.

We will continue to meet ever-changing market needs, always ready to challenge new and unexplored realms with an eye on the future.



**Ichiro Taninaka**

Senior Executive Managing Director  
Senior Managing Executive Officer  
R&D Company President

### Mid-term Plan "NEW HARIMA 2026"

In our five-year mid-term plan that began in 2022, we set a target of 10% for return on equity (ROE) in FY2026, in light of the following three core growth strategies: (1) Strengthen business fundamentals and expand business scope, (2) Conduct R&D that propels the company into new businesses and growth fields, and (3) Refine business management to better address ever-changing global business environment.

### ROE and Cost of Equity

We estimate our cost of equity at around 8–9% based on the Capital Asset Pricing Model (CAPM). Over the past years, our ROE has trended below the cost of equity, and achieving the ROE target of the mid-term plan and raising it to above the cost of equity has become a challenge. Our price-to-book ratio (PBR) also remains below 1, which means that we are not being rated highly by the stock market. PBR is generally known to improve as ROE increases, so we will work to raise ROE so as to also enhance PBR.

### Assertive Investments Even in a Harsh Business Environment

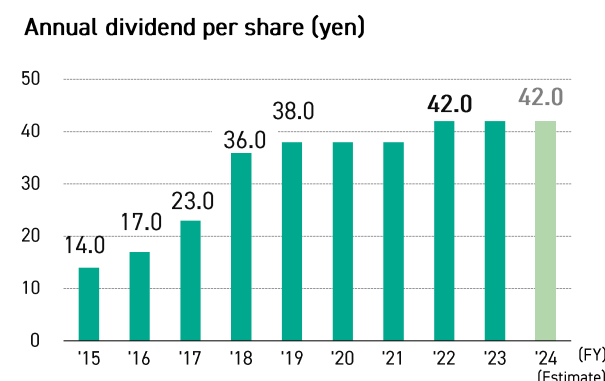
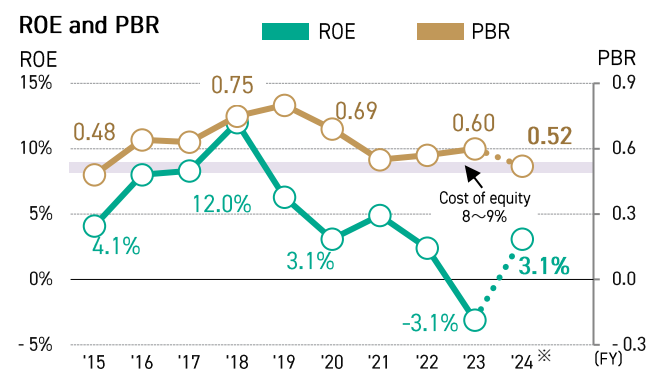
Costs have continued to rise over the past years due to soaring prices of raw materials and fuel, as well as high inflation and interest rates overseas, against the background of the end of the COVID-19 pandemic and the war in Ukraine. The price of crude oil (CTO), the main raw material of our pine chemicals business, has also continued to skyrocket. A decline in demand in Europe in FY2023 caused LAWTER's business performance to deteriorate, resulting in a deficit for the Group's consolidated financial results. In FY2024, however, LAWTER's performance recovered thanks to major streamlining of back-office divisions, downsizing or withdrawal from unprofitable businesses, and the recovery of demand in Europe, etc. The impact of high raw materials prices is now lessening, including a fall in the price of CTO, so we expect a return to the black for the Group's FY2024 consolidated results. Under such circumstances, we have continued to make strategic investments, engaging in projects such as the acquisition of Henkel's solder materials business, the establishment of a new production plant for myrcene (a key ingredient in aroma oils and fragrances), the conversion of one of our Chinese bases into a fully-owned subsidiary, capital investments in our paper chemicals subsidiary in the U.S., and the expansion of production of functional resins for semiconductors. Meanwhile, we downsized or closed some of our locations in the Americas, China and Japan, towards enhancing business efficiency.

### ROE Improvement Initiatives

Initiatives for the improvement of ROE include early contribution to the business performance of these strategic investments, the improvement of profitability of existing businesses by reducing expenses and increasing selling prices to offset the impact of higher raw material prices, and the enhancement of our business portfolio through the review and discontinuation of unprofitable businesses and products. We will also work to raise profitability by strengthening investments in the paper chemicals business, which earns stable profits, and in the electronic materials business, which has a high potential for growth. In the pine chemicals business, we will continue to launch high-quality products and review the business with a focus on improving profitability.

### Shareholder Returns

The Company has worked to maximize shareholder returns, primarily by increasing dividends. Going forward, we will strive to improve shareholder returns over the long term by increasing ROE and pursuing the achievement of the mid-term plan.



\*Calculations based on results for the 1st semester of FY2024 (April 1 to September 30, 2024). Profit figures are double the 1st semester figures.

### Creation of New Technologies through Human Resource Development and Vitalization

We foster a research environment that encourages originality through talent development and corporate vitalization. A number of educational training opportunities, international exchanges and overseas dispatch programs are in place to strengthen collaboration with prominent research institutes around the world. We also have an award system that recognizes particularly remarkable company projects, as a way to stimulate innovation and motivation. In addition, we promote cross-industry and industry-academia-government interaction in an effort to develop talent who lead the way to the next generation of technologies.

### R&D with an Eye on the Future

Harima actively incorporates leading-edge technology into the development of new, eco-friendly products with energy and resource-saving properties. Tireless research efforts bear fruit in the form of patents and a diverse product lineup for which we receive widespread global recognition.

Our Central Research Laboratory at Kakogawa, and Tsukuba Research Laboratory in the heart of Tsukuba Science City form the backbone of domestic R&D activities. Using the latest equipment and analytical tools, we conduct research that pushes the boundaries of our knowledge and our business. We have also launched a specialized team to integrate use of material informatics (MI) to boost productivity and speed in R&D. With the significant boost of R&D capability in 2011 with the addition of LAWTER and its research facilities located worldwide, the Company is fully utilizing its diverse network to meet the ever-changing needs of the global market. The passion and dedication we put into our unique technologies are the driving force behind what enhances the quality of life for all.

#### R&D in Core Business Fields

Core Business Field	Sub-field	Product/Technology
Functional Resins	Paint resins	UV-curable resins
	Printing ink resins	Adhesive resins
Paper Chemicals	Sizing agents	Paper strengthening agents
	Coating agents, barrier coatings	Process improvement agents, pitch control agents
Electronic Materials	Lead-free solder pastes	Brazing materials
	Functional resins for semiconductors	-

#### R&D in New Business Fields

Surface/Interface Control Materials	Functional coating agents (optical, scratch-protective, mold releasing, antistatic), functional nanoparticle dispersions, material recycling technology, metal nanoparticle synthesis
New-age Water-based Materials	Additives/coating agents for food packaging materials, secondary battery materials
New-age Electronic Materials	Conductive pastes, nano pastes
Pine Chemical Materials	Rubber additives (for tires, anti-vibration and shock absorbing rubber), rubber softeners, biotechnology-related products

#### Research Planning

Intellectual property strategy, new business exploration, R&D support



## Resins and Tall Oil Products

The Resins and Tall Oil Products business operates production sites around the world for rosin, fatty acids and turpentine, base ingredients in pine chemicals and foundation of our circular business model. Core products include printing ink resins, adhesive resins, synthetic rubber emulsifiers and flavor and fragrance ingredients. We also target new fields that use resin synthesis technologies and emulsification and dispersion technologies, which we have cultivated through the R&D of pine chemical products, in addition to various eco-friendly paint resins, nanoparticle dispersions-derived functional resins, coating agents for LCDs and films, and more. Our strengths include eco-friendly manufacturing operations, high-level technologies and broad product portfolio that reflect our R&D capabilities.



**Yoshifumi Kajitani**

Senior Operating Officer  
Resins and Tall Oil Products  
Company President

## Paper Chemicals

The Paper Chemicals business operates in Japan, China and the U.S.A., and its main products include paper strengthening agents that add strength to paper such as corrugated cardboard, sizing agents that improve water resistance and printability while preventing ink bleed, and other chemicals used in paper manufacturing processes such as surface coating agents.

Paper strengthening agents play a vital role in environmental protection by enhancing the strength and quality of recycled paper and a multitude of paper options employed in lieu of single-use plastics and therefore demand is expected to grow. Harima developed the world's first high molecular weight, amphoteric polyacrylamide (PAM)-based paper strengthening agent to be certified by all 3 of the world's leading regulations as an indirect food additive. Core strengths of the Paper Chemicals business include a host of technologies developed in Japan over the years, the R&D we conduct overseas, as well as our agility to respond to the needs of customers worldwide.

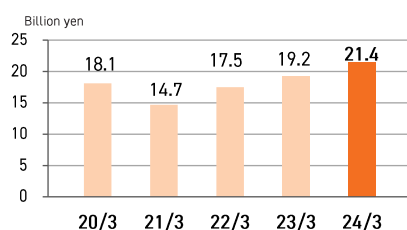


**Eiketsu Ro**

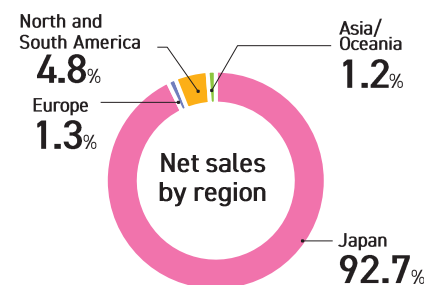
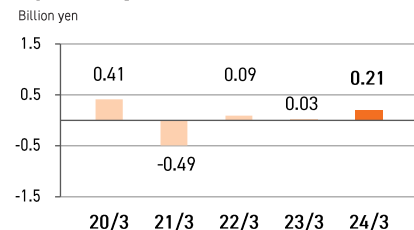
Executive Managing Director  
Managing Executive Officer  
Paper Chemicals Company President

### Performance

#### Net sales



#### Operating income



#### Review of FY2023

Net sales increased by 2,184 million yen (11.3%) compared to fiscal 2022, to 21,436 million yen owing to higher market prices. Operating income increased accordingly by 176 million yen (502.6%) to 211 million yen.

#### Forecast of FY2024

Despite decrease in sales volume, Net sales are expected to remain on par with the previous fiscal year due to higher market prices. Operating income is expected to decrease due to soaring raw material prices.

#### Tapping Into Growth Opportunities

As a manufacturer that utilizes natural and renewable resources, we contribute to the realization of carbon neutrality and economic circularity by developing pine chemical products sourced from biomass materials. In addition to our existing lineup, we aim to develop new markets, products and services that truly contribute to the creation of a sustainable society.

#### Responding to Risks

We consider drastic fluctuations in the supply and prices of raw materials as risks for our business. In an effort to stabilize supply chain operations, we are promoting diversification of procurement methods. For such mature businesses as the lithographic ink resins business and paint resins business, we will reform and streamline operations and production systems.

#### Social Issues to Be Addressed

- Contributing to achieving a decarbonized society as an extension of our circular business model
- Environmental value creation  
Reducing hazardous substances and VOCs, expanding sales of solvent-free resins, providing alternatives to plastics and petrochemicals
- Creating a DX society through development of ultrafine-particle based high-refractive index coating agents

#### NEW HARIMA 2026 Targets

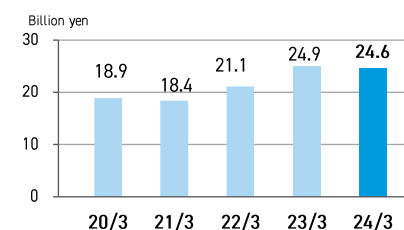
- Refine basic research on pine chemicals and crude tall oil\*1 distillation technology\*2. Develop technologies and create markets for additives to improve rubber functionality. Enter new markets for alternatives to petrochemicals
- Develop technologies for eco-friendly water-based and solvent-free resins. Eliminate unprofitable products and businesses

#### Performance During NEW HARIMA 2026 Period (FY2023 Results)

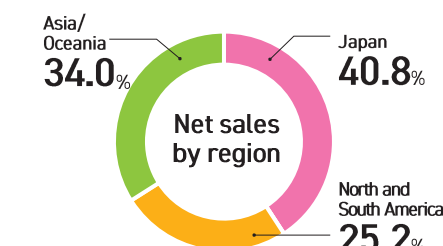
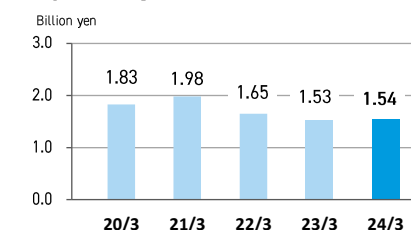
INPUT		OUTPUT		OUTCOME
Capital expenditure	774 million yen	Production output	18.9 billion yen (+ 9.3%YOY)	Promote pine-derived products with high environmental value
R&D expenses	Resins and Tall Oil Products: 311 million yen	Net sales	21.4 billion yen (+ 11.3%YOY)	Mitigate earthquake damage through development of additives for rubber used in shock-absorbing dampers
	Pine Chemicals: 427 million yen	Operating income	211 million yen (+ 502.6%YOY)	Enhance traceability by performing supply chain due diligence
Employees	227	Began commercialization of myrcene (flavor and fragrance ingredient)		
Manufacturing sites	Japan: 5	Launched additives for rubber used in shock-absorbing dampers and conducted user evaluation surveys		
		Launched a new line of lithographic ink resins with high-printability		
		Developed and started sales expansion of eco-friendly, weak solvent-based and water-based paint resins for building facades		
		Reinforced production capacity of paint resins		
		Promoted acquisition of traceability-related certification to improve value of tall oil products		

### Performance

#### Net sales



#### Operating income



#### Review of FY2023

Despite higher sales volume in China, Net sales decreased by 306 million yen (1.2%) compared to fiscal 2022, to 24,627 million yen due to reductions in product prices. Operating income increased by 14 million yen (0.9%) to 1,548 million yen owing to initiatives to improve profitability and despite higher manufacturing costs triggered by high raw material prices, etc.

#### Forecast of FY2024

Net sales are expected to increase owing to good results in U.S.A. and China. Operating income is expected to increase accordingly.

#### Tapping Into Growth Opportunities

We aim to expand business and strengthen supply chain operations in North America, China and Southeast Asia, in addition to meeting the growing demand in Japan for paper packaging materials, deriving from the ease of pandemic restrictions, and new regulations that promote better ways for plastic resource circulation. We will also expand lineup of products for food packaging applications, with a view to accommodating market shifts from plastic to paper products and contributing to the realization of a sustainable society.

#### Responding to Risks

We consider the market's maturity and subsequent long-term shrinkage a risk for our domestic business, to which we are reconfiguring operations and streamlining production systems. Meanwhile, we plan to expand overseas business by capturing growth markets for such products as corrugated cardboard and coating agents used in a multitude of paper applications employed in lieu of single-use plastics.

#### Social Issues to Be Addressed

- Environmental value creation
  - Reduction of petrochemicals and plastics
  - Higher percentage of recycled waste paper
  - Paper production fluctuation by region

#### NEW HARIMA 2026 Targets

- Allocate resources to growth areas and expand into new markets with newly developed products
- Expand market for agents certified as indirect food additives through development of and market creation for functional coating agents that help reduce plastics
- Accelerate business expansion in North America, China and South Asia
- Strengthen supply chain operations and support flexible distribution

#### Performance During NEW HARIMA 2026 Period (FY2023 Results)

INPUT		OUTPUT		OUTCOME	
Capital expenditure	530 million yen	Production output	22.6 billion yen (+ 4.2%YOY)	Expand lineup of products that contribute to the reduction of petrochemicals and plastics	
R&D expenses	683 million yen	Net sales	24.6 billion yen (- 1.2%YOY)		
Employees	262	Operating income	1,548 million yen (+ 0.9%YOY)	Environmental value creation Promote products that contribute to increasing the percentage of recycled waste paper	
	Japan	4	Responded to growing market competition by expanding product lineup, increasing sales and improving profitability through supply chain reconfiguration		
	North America	1	Expanded lineup of products compliant with regulations for indirect food additives in U.S.A., Germany, and China		
Manufacturing sites	America	1	Acquired all shares of China-based subsidiary, Hangzhou Hanghua Harima Chemicals Co., Ltd.		
	China	3	Reinforced production capacity of sizing agents in North America		



## Electronic Materials

The core products of the Electronic Materials business are solder materials that use metal-joining technologies to bond electronic parts. With a rich lineup of products including high durability solder for cars and environmentally friendly lead-free solder, our main customers have long been automotive component manufacturers in Japan, however, the acquisition of the solder materials business of German manufacturer Henkel in June 2022 has accelerated expansion into the global market. Our strengths also include fields of mobility and electronic products in the form of aluminum brazing materials, which employ a combination of metal-joining and resin synthesis technologies for devices with heat exchangers such as air conditioners and radiators for cars, as well as functional resins for semiconductors which apply technologies of metal-joining, resin synthesis and interface control to serve a variety of growing applications.



**Seishi Kumamoto**

Senior Operating Officer  
Electronic Materials Company President



## LAWTER

LAWTER primarily engages in the pine chemicals business with operations in seven countries around the world. Core products include adhesive resins, printing ink resins, paint resins for road marking, synthetic rubber emulsifiers and flavor and fragrance ingredients. The water-based tackifier resin series Snowtack™ in particular, holds top share in the global market, and is used for labels and stickers, and more recently for industrial tapes. In response to the growing demand for alternatives to petrochemicals, we offer a large number of sustainable products made from plant resources such as rosin-derived water-based flexographic ink resin series Snowpack™. With rosin production bases located in South America, Oceania and Europe, a high rate of our raw materials are procured in-house.

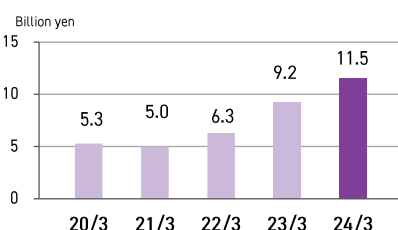


**Mikio Katayama**

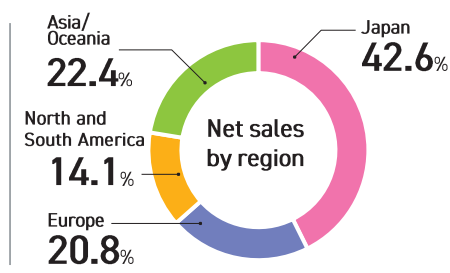
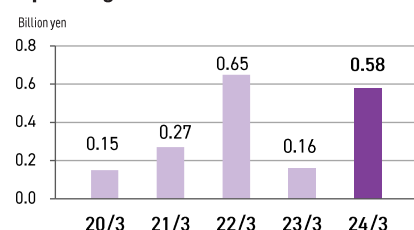
Senior Operating Officer  
LAWTER President and CEO

### Performance

#### Net sales



#### Operating income



#### Review of FY2023

Net sales increased by 2,343 million yen (25.4%) compared to fiscal 2022, to 11,585 million yen, owing to expansion of the solder materials business acquired in 2022. Operating income increased by 418 million yen (255.3%) to 582 million yen owing to higher Net sales and increases in selling prices set to offset the impact of high raw material prices.

#### Forecast of FY2024

Net sales are expected to increase owing to strong sales of functional resins for semiconductors, as well as positive effects from the acquisition of the solder materials business. Operating income is expected to remain on par with the previous fiscal year due to higher raw material prices and overall expenses.

#### Tapping Into Growth Opportunities

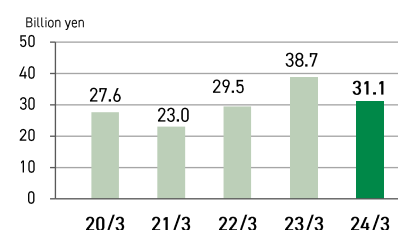
We are pursuing synergies resulting from the acquisition of solder materials business and its customer base, technology, manufacturing sites and workforce to further expand business. We are also reinforcing production system to meet the growing demand of functional resins for semiconductors.

#### Responding to Risks

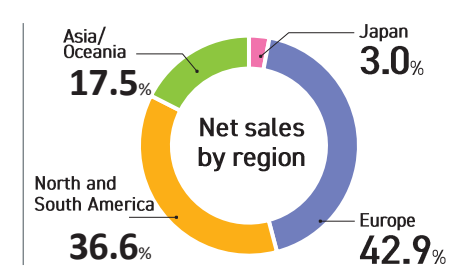
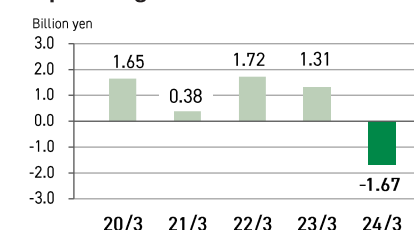
We consider the decline in automobile production and high raw material prices as risks for our business. We are steadily expanding portfolio and sales in the growing market of functional resins for semiconductors as well as high-profit products, and strengthening production capacity to ensure stable supply.

### Performance

#### Net sales



#### Operating income



#### Review of FY2023

Net sales decreased by 7,616 million yen (19.6%) compared to fiscal 2022, to 31,181 million yen also due to lower demand in Europe. Operating loss was 1,675 million yen, a 2,990 million yen decrease, due to higher manufacturing costs caused by soaring energy prices and global inflation.

#### Forecast of FY2024

Net sales are expected to increase owing to higher sales volume and favorable exchange rates, and despite lower selling prices set to reflect lower raw material prices. Operating income is expected to increase accordingly, along with such factors as optimization of administrative operations (including HQ relocation), review and improvement of production process efficiency, and lower raw material prices.

#### Tapping Into Growth Opportunities

We are expanding share in the growing market of adhesive resins, as well as conducting R&D for the innovation of sustainable products.

#### Responding to Risks

We consider high raw material prices and the global shrinkage of demand as risks for our business. We are promoting diversification of procurement methods by utilizing various supply chains, as well as conducting R&D for alternative products.

#### Social Issues to Be Addressed

- Contributing to the realization of a mobility society through such technologies as CASE
- Contributing to the realization of a decarbonized society  
Developing technologies and expanding markets for products that promote carbon neutrality

#### NEW HARIMA 2026 Targets

- Consolidate the solder materials business acquired from Henkel and create synergies with existing businesses
- Reinforce production system and develop new products to meet growing demand of functional resins for semiconductors
- Expand markets of eco-friendly brazing materials for heat exchangers

#### Performance During NEW HARIMA 2026 Period (FY2023 Results)

INPUT		OUTPUT		OUTCOME
Capital expenditure	110 million yen	Production output	7.6 billion yen (+ 2.9%YOY)	Improve product performance by creating synergistic technologies obtained through business acquisition
R&D expenses	418 million yen	Net sales	11.5 billion yen (+ 25.4%YOY)	
Employees	235	Operating income	582 million yen (+ 255.3%YOY)	Expand lineup of products with high environmental value (products that help reduce the weight of heat exchangers, improve heat efficiency, or reduce energy consumption in the customers' production processes)
Manufacturing sites	Japan 2, North America 1, Europe 1, Asia 1, China 1	Promoted post-merger integration (established a site for technical sales in the UK, integrated plants in Malaysia, increased share in growth markets, promoted acquisition of IATF 16949*, integrated/developed technologies for new products and enhanced product value)		
		Reinforced production capacity of functional resins for semiconductors to meet growing demand		Promote products with high environmental value that contribute to decarbonization, energy saving, etc.
		Promoted overseas expansion of aluminum brazing materials for automobiles and developed stainless steel brazing materials for water heaters		

#### Social Issues to Be Addressed

- Co-creation of environmental and social values towards the realization of a sustainable society

#### NEW HARIMA 2026 Targets

- Further expand share in the growing market of adhesive resins
- Enter new markets for alternatives to petrochemicals
- Conduct R&D of sustainable products and manufacturing methods

#### Performance During NEW HARIMA 2026 Period (FY2023 Results)

INPUT		OUTPUT		OUTCOME
Capital expenditure	1,431 million yen	Production output	46.4 billion yen (- 17.4%YOY)	Promote products with high environmental value that contribute to decarbonization, energy saving, etc.
R&D expenses	690 million yen	Net sales	31.1 billion yen (- 19.6%YOY)	
Employees	592	Operating income	-1,675 million yen (-YOY)	Maintained large market share of water-based tackifier resins Expanded application of tackifier resins to the industrial tapes market
Manufacturing sites	North America 1, South America 1, Europe 2, Asia 3, China 1, Oceania 1	Promoted energy saving	Developed high-concentration water-based tackifier resins, developed and prepared for mass production of tackifier resins for no-heat UV adhesives	
		Our UV-curable printing ink resins adopted by leading printing ink manufacturers to meet growing demand for related inks triggered by digitalization and small-batch printing		Introduced and commercialized plant-based inks, coating agents and water-based flexographic ink resins that contribute to reducing GHG emissions Optimization of administrative operations (including HQ relocation), review and improvement of production process efficiency



# Corporate Governance

## Managing Directors (as of July 10, 2024)



**Yoshihiro Hasegawa**  
President

Apr 1977 Joined the Company  
Dec 1977 Managing Director  
Aug 1983 Executive Managing Director  
Jun 1985 Vice President  
Jun 1987 Representative Managing Director and Vice President  
May 1988 President, Harima Shoji, Inc. (currently Harima Trading, Inc.) (current position)  
Jun 1988 President, the Company (current position)  
Nov 1994 President, Harima M.I.D., Inc. (current position)  
Apr 2004 Chairman, Shorai Foundation for Science and Technology (current position)  
Oct 2012 President, Harima Chemicals, Inc. (current position)  
Jun 2014 Chairman, LAWTER B.V.



**Teruo Kaneshiro**  
Senior Executive Managing Director  
Senior Managing Executive Officer

Apr 1973 Joined Kobe Bank (currently Sumitomo Mitsui Banking Corporation)  
Feb 2004 Accounting Director, the Company  
Jun 2004 Managing Director  
Jun 2009 Management Senior Division Manager  
Jun 2010 Executive Managing Director  
Oct 2012 Executive of Accounting, General Affairs, Legal Affairs, Human Resources, Public Relations, Legal Affairs, Human Resources, Public Relations  
Oct 2012 Managing Director, Harima Chemicals, Inc.  
Jun 2014 Head Office Group Management Control, the Company  
Jun 2016 Senior Executive Managing Director (current position)  
Jun 2016 Senior Managing Executive Officer (current position)  
Apr 2020 Nomination and Remuneration Committee Member (current position)



**Ichiro Taninaka**  
Senior Executive Managing Director  
Senior Managing Executive Officer  
R&D Company President

Apr 1993 Joined the Company  
Apr 2005 Development Director, Central Research Laboratory  
Jun 2008 Operating Officer  
Jun 2010 Managing Director  
Jan 2011 Corporate Planning Director  
Oct 2012 Information System Director  
Oct 2012 Auditing Director, Operation Director  
Jun 2014 Executive Managing Director  
Jun 2014 Managing Executive Officer  
Jun 2014 President and CEO, LAWTER B.V.  
Jun 2020 Senior Executive Managing Director, the Company (current position)  
Jun 2020 Senior Managing Executive Officer (current position)  
Jun 2021 Resins & Tall Oil Products Business Exercise Controller  
Jun 2021 Managing Director, Harima Chemicals, Inc. (current position)  
Mar 2023 R&D Exercise Controller, the Company  
Mar 2023 R&D Company President (current position)  
Jun 2023 Chairman, LAWTER B.V.



**Shunichiro Taoka**  
Executive Managing Director  
Managing Executive Officer  
Corporate Planning Director  
Chairman, LAWTER B.V.

Apr 1982 Joined Taiyo Kobe Bank (currently Sumitomo Mitsui Banking Corporation)  
Aug 2008 General Manager attached to Business Audit Department (New York)  
Oct 2012 Auditing Director, the Company  
Oct 2013 Operating Officer  
Jun 2015 Global Business Director  
Jun 2017 Managing Director  
Jun 2017 Senior Operating Officer  
Jun 2017 Global Business Executive  
Jun 2017 Corporate Planning Director (current position)  
Jun 2021 Executive Managing Director (current position)  
Jun 2021 Managing Executive Officer (current position)  
Jul 2023 Chairman, LAWTER B.V. (current position)



**Eiketsu Ro**  
Executive Managing Director  
Managing Executive Officer  
Paper Chemicals Company President

Apr 1998 Joined the Company  
Sep 2012 Vice President, Hangzhou Hanghua HarimaChemicals Co., Ltd.  
Jun 2017 Operating Officer  
Apr 2018 Vice President, Paper Chemicals Company  
Jun 2018 Senior Operating Officer  
Jun 2018 President, Paper Chemicals Company (current position)  
Jun 2019 Managing Director  
Jun 2022 Resigned as Managing Director  
Jun 2022 Managing Executive Officer (current position)  
Jun 2022 Executive Managing Director (current position)

## Managing Directors Serving as Audit & Supervisory Committee Members (as of the end of November 2024)



**Hideo Yamada**  
Managing Director Serving as Audit & Supervisory Committee Member

Apr 1978 Joined Taiyo Kobe Bank (currently Sumitomo Mitsui Banking Corporation)  
Oct 2003 General Manager, Keihankyobashi Branch  
Apr 2010 Executive Officer, Manager of Financial Group, Corporate Planning Division, ARRK Corporation  
Jun 2011 Joined the Company, Global Business Director  
Jun 2012 Operating Officer  
Oct 2012 Corporate Planning Director  
Jun 2014 Corporate Planning Director  
Jun 2014 Information System Director  
Jun 2017 Managing Director Serving as Audit & Supervisory Committee Member (current position)  
Jun 2017 Corporate Auditor, Harima Chemicals, Inc. (current position)



**Tatsuya Michigami**  
Managing Director Serving as Audit & Supervisory Committee Member (Outside)

Apr 1984 Registered as an attorney  
Apr 1987 Opened Kitamon General Law Office (to present)  
Jun 1987 Outside Corporate Auditor, the Company  
Jun 2015 Managing Director Serving as Audit & Supervisory Committee Member (current position)  
Apr 2020 Nomination and Remuneration Committee Chair (current position)



**Tsuneo Takahashi**  
Managing Director Serving as Audit & Supervisory Committee Member (Outside)

Apr 1976 Joined Mitsubishi Corporation  
May 1986 Mitsubishi Corporation Finance PLC  
Oct 2003 President, Mitsubishi Corporation Securities Ltd.  
Mar 2006 Director, Natsource Japan Co., Ltd.  
Jun 2012 Full-time Auditor, Mitsubishi Corporation Plastics Ltd.  
Feb 2016 Director, Institute of Corporate Governance, Japan (current position)  
Jun 2017 Managing Director Serving as Audit & Supervisory Committee Member (current position)  
Jun 2020 Nomination and Remuneration Committee Member (current position)



**Yuka Hayashi**  
Managing Director Serving as Audit & Supervisory Committee Member (Outside)

Sep 1985 Joined Minato Audit Corporation (currently Ernst & Young ShinNihon LLC)  
Apr 1991 Registered as a certified public accountant (to present)  
Aug 1998 Member (currently Partner), Century Audit Corporation (currently Ernst & Young ShinNihon LLC)  
Sep 2015 Governance Council member, Ernst & Young ShinNihon LLC  
Sep 2019 Vice-Chairperson, Governance Council, Member, Audit Committee  
Jul 2022 Managing Director Serving as Audit & Supervisory Committee Member (current position)  
Jul 2022 Representative, Hayashi Certified Public Accountant Office (current position)  
Jul 2022 Managing Director and Vice President, Hayashi Management Consultant (current position)  
Jun 2023 Outside Audit & Supervisory Board Member, Kansai Mirai Bank (current position)  
Jun 2023 Outside Audit & Supervisory Board Member, Shimadzu Corporation (current position)

## Basic Approach to Corporate Governance

The Company's basic approach to corporate governance is to continuously increase its corporate value for its stakeholders, including shareholders, customers, employees, business partners, and local communities, through sound corporate activities. Based on this basic policy and in order to make swift and decisive judgments and increase the transparency and rationality of management, we strive to enhance the activities of the Board of Directors, the Audit & Supervisory Committee, and the Auditing department, and develop internal control systems. We also work to strengthen information disclosure, compliance and risk management systems. In accordance with the provisions of the Articles of Incorporation, the Company has concluded an agreement with three Outside Managing Directors serving as Audit & Supervisory Committee members that limits their liability for damages pursuant to Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability for damages based on the agreement is the amount stipulated by law. The Company is actively developing its business overseas, with the overseas sales ratio at approximately 60%. As part of our IR initiatives for overseas investors, we constantly update our corporate website in Japanese, English, and Chinese and enhance its content. We work to improve information disclosure in line with globalization trends in an effort to increase communication with our investors and various others stakeholders.

## Effectiveness of the Board of Directors

The Board of Directors is chaired by President Yoshihiro Hasegawa. The Board consists of nine Managing Directors (four of whom serve as Audit & Supervisory Committee Members), three of whom are Outside Managing Directors.

In addition to the regular monthly Board meeting, the Company holds irregular Board meetings as needed, and all important management matters stipulated in laws and regulations, the Articles of Incorporation, and the Rules of the Board of Directors are brought up for discussion.

The Company has introduced an Operating Officer system. Under a management structure comprised of nine Managing Directors and 18 Operating Officers (four of whom concurrently serve as Managing Directors), we have segregated the functions of the Board of Directors, namely, creating management strategies, making decisions, and supervising the execution of business, from the function of Operating Officers, that is, execution of business, to establish a system that allows us to respond to changes in the business environment efficiently and swiftly.

Furthermore, pursuant to Article 399-13, Paragraph 6 of the Companies Act of Japan, we are now able to delegate all or part of the decisions on the execution of important business to Managing Directors by a resolution of the Board of Directors, so that we can execute our business more flexibly than before.

The Articles of Incorporation of the Company stipulate that the number of Managing Directors of the Company (excluding Managing Directors serving as Audit & Supervisory Committee Members) shall be nine or less, and in addition to that, the number of Managing Directors serving as Audit & Supervisory Committee Members shall be five or less.

## Internal Control Activities

The Internal Control department, headed by a Managing Director, collects and inspects monthly internal control reports submitted by divisions and companies, administrative departments of the holding company, and domestic and overseas subsidiaries, and holds internal control meetings regularly (bimonthly) to monitor the Company's enforcement of compliance, status of risk avoidance and management, and status of compliance with the Harima Global Business Code of Conduct.

## Policy on Executive Remuneration

The Company's basic policy is to determine remuneration for individual Managing Directors within the limit of the total remuneration amount approved at a General Meeting of Shareholders, taking into account their position, degree of contribution to the operating results of the Company, and generally accepted standards.

When determining the details of remuneration for individual Managing Directors, the Nomination and Remuneration Committee, a voluntary advisory body, performs a multifaceted examination of the draft proposal for the fiscal year, including consistency with the Determination Policy, and the Board of Directors respects its report in principle.

## Process for Electing Managing Directors and Operating Officers, CEO Succession Planning and Its Determination

The Articles of Incorporation of the Company stipulate that a resolution to elect Managing Directors shall be made by a majority of the voting rights of shareholders present at a General Meeting of Shareholders where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present, and that such resolution shall not be by cumulative voting.

In electing Outside Managing Directors, we have appointed those who are unlikely to have conflicts of interest with general shareholders, with reference to the Independent Directors/Auditors systems stipulated by the Tokyo Stock Exchange.

At present, we have not formulated a specific succession plan for the CEO, etc. in consultation with the Board of Directors. Although we have several Representative Managing Directors, we recognize that succession planning is an issue. We will consider it as appropriate, taking into account the future situation of the Company and the environment, also by utilizing the Nomination and Remuneration Committee, which was established as a voluntary advisory body to the Board of Directors in April 2020.

## Approach to Independence of Outside Officers

In electing Outside Managing Directors, we have appointed those who are unlikely to have conflicts of interest with general shareholders, with reference to the Independent Directors/Auditors systems stipulated by the Tokyo Stock Exchange.

The Company has three Outside Managing Directors. After examining the attributes of the independent Officers, etc., we have determined that there is no risk of conflicts of interest with general shareholders and thus have appointed them as independent Officers. They do not hold any shares of the Company. We have registered them as independent Officers with the Tokyo Stock Exchange.



# Compliance

## Basic Approach to Compliance

We have established the Harima Global Business Code of Conduct as a standard of behavior to be observed by all Group companies and their executives and employees in implementing business activities under our corporate philosophy. All Group companies and their executives and employees (including non-fulltime employees) understand the spirit of this Code of Conduct, and will fulfill their social responsibilities with high ethical standards toward the creation of a sustainable society while respecting human rights and complying with relevant laws and regulations of each country and international rules.

This Code of Conduct does not cover all situations of our corporate activities or all laws and regulations in each country. Therefore, it can be complemented by establishing additional codes of conduct, policies, etc. in each country or region, based on and not conflicting with this Code of Conduct.

Executives of all Group companies recognize that thorough compliance with this Code of Conduct is essential, and will strive to lead by example to ensure that all concerned parties are fully aware of compliance, and develop an internal system to ensure compliance. Furthermore, in the event of a violation of this Code of Conduct, executives themselves will take responsibility for resolving the problems, as well as investigate the causes, strive to make improvements, and prevent recurrence.

## Business Ethics Committee and Risk Management Committee

We have established the Harima Global Business Code of Conduct, which serves as the Company's common code of behavior, in implementing business activities that put into practice our corporate philosophy of "Utilizing the blessings of nature to enhance the quality of life".

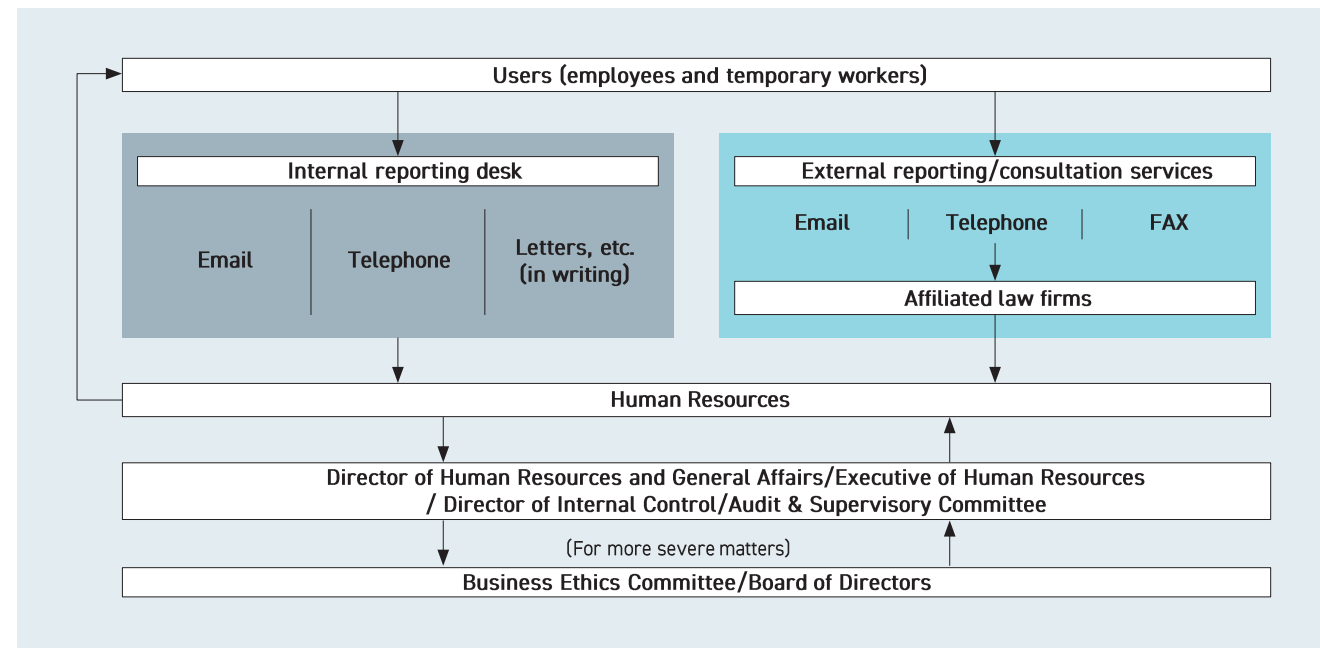
Observing the Harima Global Business Code of Conduct and ensuring thorough compliance are promoted by the Business Ethics Committee, which consists mainly of Managing Directors. Risks surrounding Harima Chemicals Group are reviewed and verified by the Risk Management Committee.

## Internal and External Compliance Reporting System

For the improvement of corporate ethics, we have distributed the Harima Global Business Code of Conduct and Business Code of Conduct Handbook to all employees and established internal reporting and consultation services. In addition to that, and in order to further strengthen the prevention of illegal acts in our corporate activities and ensure swift and appropriate responses in the event of the occurrence of such acts, we have established compliance reporting and consultation services outside the Company so that employees can directly report to or consult with external lawyers.

This internal and external reporting system is operated with the utmost consideration given to the privacy of those who consult with, in accordance with the Whistleblower Protection Act, and it is clearly stated in the Company's internal regulations that no disadvantages will be inflicted on them.

### Internal and External Compliance Reporting System



# Meet Our Outside Managing Directors

## Re-examining management issues from an external perspective

Our three Outside Managing Directors shared their views, from angles that could be difficult to perceive from inside the Company, on the progress of the mid-term plan, "NEW HARIMA 2026," and the accompanying issues.



**Tsuneo Takahashi**  
Outside Managing Director

**Yuka Hayashi**  
Outside Managing Director

**Tatsuya Michigami**  
Outside Managing Director

### What roles do you think are expected of you as Outside Managing Directors in light of your individual fields of expertise? And what aspects do you focus on when contributing to meetings of the Board or other bodies?

Takahashi

I gained experience in financial services and finance-related work in a trading company, and my last position was as a full-time auditor for another company. In meetings of the Board, I examine whether the matters presented could shake the foundations of the company and consider them with the utmost caution and deliberation. Of particular importance is the evaluation of risk. We need to understand fully whether the matter would pose significant risks to the Company and, in the worst-case scenario, how much risk the Company would need to bear. On that basis, it is crucial to consider the balance between risk and return and not be quick to proceed if a return cannot be expected. I also believe it is essential to check that all the necessary considerations have been included in the matter.

Michigami

As an attorney, my focus is on observation of laws and regulations, and compliance matters. In addition to risk analysis and examining contract documents, I check whether the matters that are presented to the Board have gone through the necessary legal procedures. Because legal concepts share many common areas worldwide, I make sure to ask that matters be examined in light of general legal principles.

Hayashi

As a certified public accountant, I believe that my role is to offer advice that leverages my knowledge. Based on my experiences observing listed companies through audits, I believe that a global governance approach that includes subsidiaries is important. I pay close attention to matters that are discussed in Internal Control meetings.

Hayashi

I also make a point of feeding back the results of audits by the Accounting Auditor and internal control reports to the Board. In Group Management meetings, I believe it is important that, while analyzing the numerical aspects of the business divisions, to also identify the issues behind the numbers and raise them in discussions.

### How do you assess the state of progress of the mid-term plan?

The targets set out in the mid-term plan are 110 billion yen in consolidated net sales, 7 billion yen in consolidated operating income, a consolidated operating income margin of 6.4%, a shareholders' equity ratio of 50%, and return on equity (ROE) of 10% in FY2026. In the last fiscal year, LAWTER's business was significantly affected by the economic downturn in Europe and soaring prices of raw materials. For this reason, it appeared that achieving the plan for both consolidated net sales and consolidated operating income would be difficult, however, during FY2024 business recovered, and LAWTER's operating income is expected to return to positive figures. I believe that consolidated net sales in FY2024 are almost on schedule to meet the plan's target. On the other hand, I do feel that further management improvement will be required during the remaining period if the plan targets for consolidated operating income, consolidated operating income margin, and ROE are to be achieved. In particular, approaching the selection and concentration of businesses with a sense of urgency is of utmost importance.

Michigami

Although a consolidated operating loss was recorded in FY2023, we expect positive figures in consolidated operating income in FY2024, given the recovery of LAWTER's business. Even when some of the Company's businesses perform



## Meet Our Outside Managing Directors

poorly, the recovery of other businesses offsets those losses. As such, the benefits of diversification have yielded certain results. While this is an advantage, it does seem as though the pattern of poor performance and recovery is being constantly repeated.

Although many challenges still remain for the achievement of the mid-term plan targets, my impression is that the individual operating companies are making serious efforts to improve their operations and cut costs. However, these alone will not be enough to grow the business. They will need to undertake even bolder business reviews and operational reforms. We must ask them to be more conscious of the gaze of third parties, including shareholders, should the Company fail to achieve the plan.

With the contraction of the Japanese market, the exploration of new fields and the optimization of businesses will be essential. This will require not just serious effort, but also more ambitious challenges. I feel that the addition of a kind of ruthlessness, in a positive sense, company-wide is essential for growth.

Takahashi

I understand that the possibility of entering new businesses through M&As was included in the mid-term plan. While the successful acquisition of Henkel's solder materials business in FY2022 was a significant step forward, no other such project has yet emerged. I believe that the Company needs to search for new M&A projects and get them on track as soon as possible. I hope we can find M&A opportunities in the peripheral areas of the businesses that the Company is currently engaged in. In the mid-term plan, the direction of what to focus on for growth based on the management policy is a little ambiguous, so I think that this needs to be explained with more clarity.

**At last year's roundtable, you discussed issues such as achieving the target of 10% for ROE, securing and developing personnel for the further expansion of the overseas business, and reviewing of the business portfolio. What is your assessment of these issues now?**

Takahashi

Regarding the 10% ROE target, as business in FY2024 is recovering from the previous fiscal year's operating loss, I believe that, while monitoring the degree of that recovery, the Company will introduce new, concrete measures for achieving the target. Some progress is being made in securing and developing personnel for the overseas business, but I would certainly like to see more specific measures taken to bring greater depth to the pool of overseas personnel. M&A is a conceivable means of transforming the business portfolio, but before considering individual projects, I feel that we need to have a proper discussion in an appropriate setting about how to structure the business portfolio as a whole.

Michigami

Although the number of women in managerial positions in Japan is still small, the workforce is

becoming increasingly diverse with the expansion of the overseas business. While the Company originated in the city of Kakogawa in Japan's Hyogo Prefecture, the ratio of overseas sales has increased with the expansion of the business. In particular, the Company's internationalization has accelerated since the LAWTER acquisition. However, there appears to be a shortage of personnel who are able to address business issues in regions such as Europe and China. If the Company is to expand and grow its business overseas, securing talent, including through headhunting, will be crucial. While the Company's initiatives toward greater diversity are to be commended, I am concerned that, unless it picks up the pace, it will not be able to keep up with market developments. Regarding the solder materials business acquired from Henkel, the Company has gotten the business up and running, and we are now seeing promising prospects. Once a direction has been decided on, the Company's employees work diligently and with sincerity. In addition to the Henkel solder materials business, other areas are also being given attention, such as functional resins for semiconductors. I hope that the Company will take on projects that will change the course of the business even more.

Hayashi

While the mid-term plan indicates a target of 10% for ROE, in Group Management meetings our discussions focus on labor productivity and efficiency metrics, such as per-person operating income and net profit per hour. I do believe that the Managing Directors are involved in the achievement of the ROE target, but I feel that, in order to move closer to achieving the 10% ROE target on a company-wide level, we need to firmly instill capital cost-conscious metrics, such as ROE and ROIC, in the other executive employees as well. In terms of the review of the business portfolio, those products for which demand has declined on a structural level and that have a high level of sales but low profitability, need to be replaced with more profitable items. Having said that, while the Company is working to develop new businesses through R&D, it will be some time before those businesses can truly contribute, making the optimization of the business portfolio difficult in the immediate future. Under such circumstances, to achieve the mid-term plan, in addition to replacement with new products, we will need to consider M&As. I believe that we need to proceed with both of these.

**Have there been any changes in the way Board of Directors meetings are run over the past year? Also, if you have sensed any issues regarding approaches to the improvement of the Board's effectiveness and transparency, could you talk about those issues, along with your expectations?**

Hayashi

I have not sensed any major issues regarding the effectiveness or transparency of Board meetings, however, I would like to have more concrete discussions about business issues at these

Takahashi

meetings as a way of increasing their effectiveness. This fiscal year, an opportunity was created for the presidents of the individual operating companies to present business reports in meetings of the Audit & Supervisory Committee. By holding more in-depth Q&A sessions in these meetings, we are now better equipped to identify the issues of each company in a timelier manner, which deepens our understanding of the business as a whole.

Michigami

An expansion in the decision-making authority meant that more proposals can be reviewed by other bodies, which increased the efficiency of such procedures and decreased the number of proposals that require the deliberation of the Board. However attention needs to be paid so that issues with company-wide relevance be more minutely monitored and brought to the attention of the Board. I should note that detailed briefings of proposals to be presented to the Board are explained in advance in Audit & Supervisory Committee meetings and so we are also able to better understand and monitor company issues. I feel that, if we make a request, the Company responds properly, as the example of the operating company presidents presenting business reports to the Audit & Supervisory Committee meetings shows.

Takahashi

**What do you think Harima should place efforts into for the sustainable enhancement of corporate value?**

Harima is a pine chemicals company that relies on rosin obtained from pine trees as one of its core raw materials. As a non-fossil agent, rosin contributes to the prevention of global warming and curbing climate change. The Company has also cited this as a key issue, and I also feel that more needs to be done to grow the net sales of products made with rosin and to continue to develop such products.

Michigami

The Company is working hard on pine chemicals, its founding business, in a variety of ways. There have been concerns about the stable procurement of materials derived from the pine tree, but thanks to strategic initiatives, the Company has managed to secure a stable supply. Harima addresses its immediate challenges diligently, but I believe that it needs to delve deeper into what needs to be done to go to the next stage. What I can do is to ensure that,

Hayashi

when the Company is embarking on something new, in what sometimes could be considered over-eagerness, it is not stepping outside the rules or guidelines that society demands; in other words, to check that there are no compliance violations. I look forward to situations in which, when new and difficult matters emerge, I will need to consider the contents of the related contracts with careful deliberation.

To grow sustainably, I feel that the Company needs to strengthen its portfolio management to maximize capital efficiency with an awareness of the cost of capital. To that end, as an Outside Managing Director, I intend to monitor the Board with an objective perspective, unconstrained by the Company's past growth and history, and to keep advocating for the necessity of such an approach. The introduction of balance sheets and ROIC for individual businesses is currently being considered, and I will do what I can to support that. In addition, the Annual Securities Report contains references to human capital, which indicates a target of 15% across the entire Harima Chemicals Group for the ratio of women in managerial positions in FY2030. In FY2023, that ratio was 7.5%. Although there is no target indicated in the mid-term plan for the ratio of women in managerial positions, it does mention the development and recruitment of highly diverse personnel in the context of human capital management initiatives. In the promotion of diversity, the presence of LAWTER means we are on the way to making the workforce more multinational, but in terms of women's active participation, I would like to see stronger recruitment and development. There is one female director at one of the Japanese subsidiaries, and while there are women in managerial positions at the holding company and overseas subsidiaries, the Company has no female internal Managing Directors. Rather than simply increasing the number of female managers, I would like to see the pool of talent that can be appointed to Managing Director and Executive Officer positions expanded, and by raising the overall level, make it possible to appoint female Managing Directors from within the Company.



# Environmental Protection

In light of our corporate philosophy, "Utilizing nature's blessings to enhance the quality of life", we are committed to actively contributing to the realization of a circular society, through provision of indispensable pine chemical products developed using natural and renewable resources.

## Initiatives for Environmental Conservation

### Basic Approach to the Environment

We are actively working to prevent environmental pollution and reduce environmental impact, and are promoting environmental management throughout the Company.

#### Harima Chemicals Group Environmental Policy (Revised on September 4, 2017)

In light of our corporate philosophy "Utilizing the blessings of nature to enhance the quality of life", we urge our employees to actively and continuously promote environmental conservation according to the Environmental Policy.

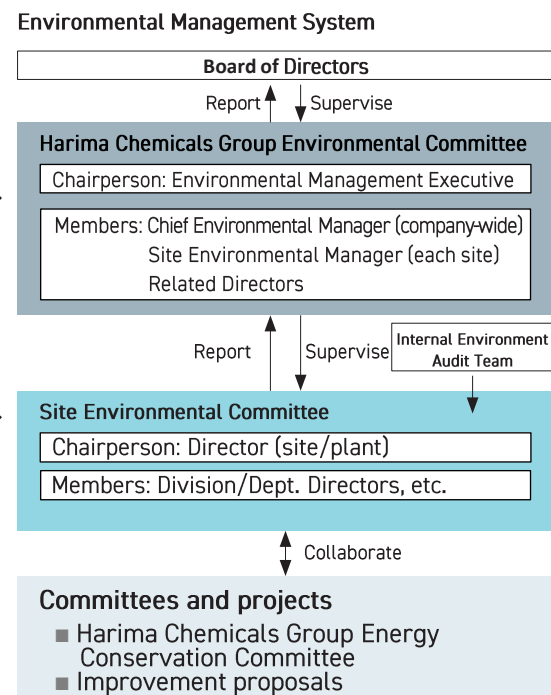
- 1** With an awareness that the pine chemical business makes effective use of renewable natural resources, we strive to develop environmentally friendly products that take into account their life cycle from production to use and disposal.
- 2** We comply with related laws and regulations, agreements, and other requirements agreed by each Group company, relating to our business activities, products, and services and work to prevent environmental pollution and accidents.
- 3** We established environmental targets and aim to continuously improve our environmental performance and environmental management system.
  - (1) Reduction of environmental impact (energy, waste, environmental pollution/air and water quality)
  - (2) Appropriate management of hazardous chemicals
  - (3) Conservation and management of greenery
- 4** Through environmental education and awareness-raising activities, we ensure that environmental management is thoroughly disseminated, and all of those who work at Harima Chemicals Group will act in an environmentally conscious manner both internally and externally.
- 5** Recognizing that biodiversity is an important foundation for a sustainable circular society, we conduct business activities in harmony with society and nature, taking into consideration natural ecosystems.
- 6** This environmental policy is disclosed to stakeholders including related companies and local residents, as well as to the general public.

## Environmental Management System

In order to promote environmental management and to thoroughly conduct environmental management activities, we established the Harima Chemicals Group Environmental Committee that oversees the entire Company and environmental committees at each site.

**Harima Chemicals Group Environmental Committee**  
 Deliberates on and determines the Company's environmental policy, targets and plans, and manages their progress.

**Environmental Committee at Each Site**  
 Based on the matters determined by the Harima Chemicals Group Environmental Committee, develops activities suited to the environment at each location.

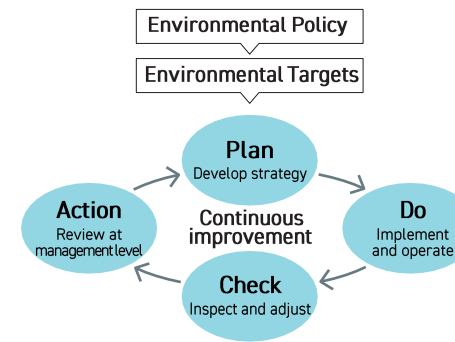


## Environmental Management System

In accordance with our Environmental Policy and ISO 14001, the international standard for environmental management systems, each division and department sets targets for the fiscal year and conducts activities that reduce environmental impact and preserve the environment.

### Operations

We strive to continuously improve the environmental management system and reduce environmental impact by implementing the PDCA cycle based on our Environmental Policy and Targets.



### Internal Environment Audit

Inspection is conducted with a focus on whether the measures to achieve targets and plans are clearly defined and verified, whether risk identification and compliance assessments/procedures of relevant laws and regulations are appropriate, and whether action has been taken to improve issues pointed out at previous internal and external audits, if any.

## Zero-Emissions

Landfill use is a less-visible aspect of emission that only occurs at the very end of a product's life cycle. In the past, landfill disposal rates were over 2%, mostly composed of residue from biomass combustion that contain high levels of Na and K. In FY2005, we started recycling the residue by using it for cement, gradually shifting landfill use to less than 1% in FY2006.

The rate was further reduced to zero in FY2011 when we established means to recycle waste glass, accomplishing the zero-emission level we maintain to this day.

\* Zero-emissions: The idea of creating integrated industrial systems in which waste products of one industry/sector become value-added inputs for another, coined by the United Nations University. We aim to maintain the "ratio of landfill disposal to the total volume of waste generated at our sites" at 1% or less.

### Environmental Targets and Results

Committees set FY2030 environmental targets and annual targets for each theme to track progress and promote implementation.

### Environmental Education

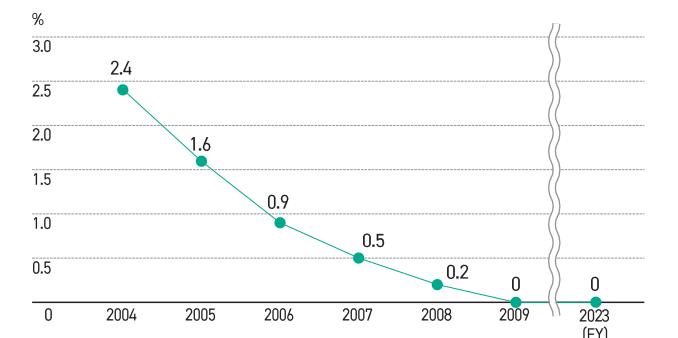
In order to improve environmental awareness in the workplace, we conduct workshops and lectures.

In FY2024, we invited outside speakers to present such issues as tackling climate change as a company, with a focus on global trends in energy policies and information disclosure. We also hold periodic meetings to report environmental impact at each site, as well as workshops and study sessions for energy conservation and recycling.

### ISO 14001 Certification

We encourage all our sites to commit to ISO 14001 as part of our continuous effort for environmental conservation.

### Final Landfill Use



Scope: Harima Chemicals and Harima M.I.D.



# Environmental Protection

## Initiatives for Climate Action

### Basic Approach to Climate Action

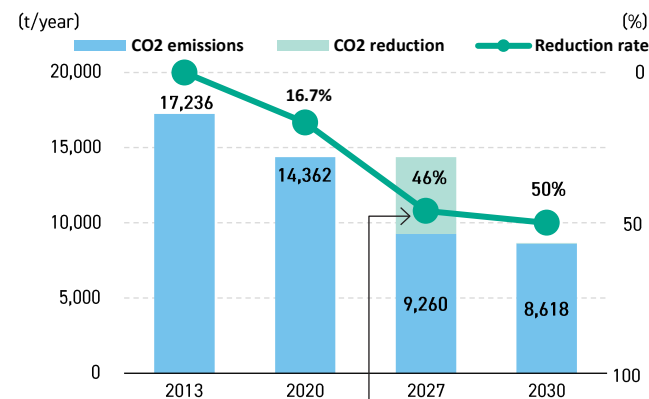
While energy use is now an indispensable part of everyday life, we continue to explore energy sources that can successfully replace fossil fuels such as oil, coal and natural gas. Renewable energy is instrumental in achieving this goal, as it derives from natural sources that are constantly replenished and can be used stably and sustainably. Having worked closely with nature for over 75 years, we are committed to making efficient use of renewable resources and reducing environmental impact.

\* Renewable energy: energy derived from natural sources that are replenished at a higher rate than they are consumed, such as sunlight and wind; fossil fuels such as oil or coal are finite and not as sustainable.

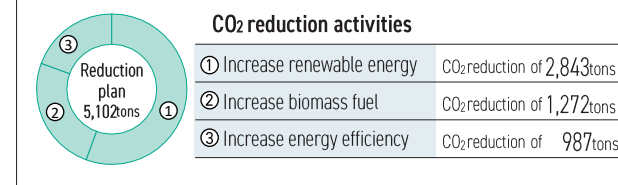
### Greenhouse Gas (GHG) Emission Reduction Policy

In June 2021, we announced our GHG Emission Reduction Policy, which stipulates curbing GHG emissions by 46%, relative to FY2013 levels, by 2027, 3 years ahead of Japan's national target, and further aiming for carbon-neutral operations by 2050.

National target: 46% reduction in GHG emissions relative to FY2013 by 2030



### Harima target: Reduction rate of 46% by 2027



### Initiatives for Reducing GHG Emissions

In 2003 we introduced a plan for more assertive GHG emissions reduction.

#### Biomass Power Generation

Our biomass power plant at Kakogawa Site was approved by the Japanese Ministry of Economy, Trade and Industry in FY2003 as a green initiative for the future of energy production and was established in March 2005. The facility uses byproducts of CTO distillation, letting us utilize every bit of the raw material's value.

#### Solar Power Generation

We established solar power generation facilities at Iho Site in Takasago city, Japan (2014) and LAWTER - Concordia, Argentina (2018). We also started our first floating solar power generation business on a reservoir located in the vicinity of Kakogawa Plant (2023).

#### Introduction of Carbon-Neutral Liquid Natural Gas (LNG), and Emission Mitigation Programs

We started use of carbon-neutral LNG at Kakogawa Plant, Harima M.I.D. and Iho Site in FY2022. We also introduced programs that pair utilization of electricity with non-fossil fuel energy certificates, to eliminate carbon dioxide emissions from electricity use.

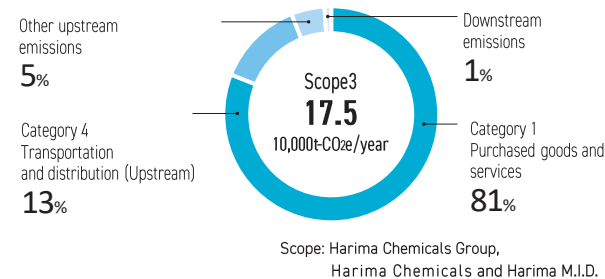
### GHG Emissions in the Supply Chain

In FY2024, we assessed CO<sub>2</sub> emissions from Harima Chemicals Group, Harima Chemicals and Harima M.I.D, and received limited warranty from a third-party certification body. Detailed review of data showed that from among the three scopes defined below, Scope 3 was responsible for more than 90% of emissions, of which Category 1 (Purchased goods and services) took up the most percentage.

We will continue refining calculation methods to further improve accuracy, and continue to reduce GHG emissions throughout the supply chain.

#### CO<sub>2</sub> emissions (FY2023) \*

Scope	Description	Emissions (t)	Percentage (%)
Scope1	Direct emissions from fuel combustion	12,932	6.8
Scope2	Indirect emissions from purchased power	2,155	1.1
Scope3	Indirect emissions not included in Scope1 and 2	175,236	92.1
<b>Total</b>		<b>190,323</b>	<b>100.0</b>



\* FY2023 GHG Emissions data received limited warranty by a Japan-based third-party certification body, based on ISO14064:2019

## Information Disclosure Based on the TCFD Recommendations

### Climate Change Response

Global initiatives for decarbonization may cause medium to long-term effects on laws and regulations, as well as raw fuel supply chains. Increased severity of climate change may also pose threats to business operations.

We analyze risks and opportunities to prepare for such climate change scenarios, and are promoting disclosure of governance, strategy and risk management based on TCFD recommendations.

# Human Capital Management

## Working with Employees and Their Families

With the recognition that employees are important stakeholders as well as the greatest asset for the Company, and their growth will lead to the development of the Company as a whole, we are working to create an environment where each and every employee can thrive and achieve self-fulfillment through work.

### Employment Opportunities

The Harima Global Business Code of Conduct sets forth the Company's basic policy of not discriminating on the grounds of race, religion, nationality, age, gender, and other factors. We provide a wide range of opportunities to apply for jobs through our corporate website and various public relations media.

### Human Resources Development

We conduct employee development, training and rigorous follow-up, aiming to create an environment in which employees can grow and work with a high sense of job satisfaction.

#### Achieving the Mid-term Plan Targets Towards Realizing Long-term Vision

Purpose	Develop competitive new products, improve technical capabilities			Increase engagement
	strengthen development capabilities	Create new market	Safe manufacturing	
Human resources development	Reskilling/recurrent education	Business concept	Safe manufacturing technology	Organizational development
	Basic training	DX (MI, AI, IoT, BPR, etc.) Base skills (philosophy, norms, language, business/operational knowledge, etc.) Training by level, selective training, support for self-development, e-learning		
Personnel system	Personnel evaluation system (degree of theme achievement × degree of value practice)			
	Career development program			
Recruitment	Internal environment (benefits, safety net, consulting services, reporting system)			
	Recruitment in a wide range of fields			

### Promotion of Work Style Reforms

To promote Women's Participation and Advancement in the Workplace, we provide career development training and female manager development. In addition, we have adopted a two-way conversion system for staff and career-track positions, and implemented such measures as remote work, flexible work arrangements as well as shorter work hours for employees with caregiving responsibilities, to expand opportunities for women in the workplace and promote more flexible systems tailored to diverse life stages and circumstances.

### Health and Productivity Management

To create a vibrant organization, we have introduced a health management system to centrally manage data including health checkups and stress checks, visualize issues, and work to maintain and promote employees' health, thereby revitalizing the organization and improving productivity.

### Re-Employment System After the Age of 60

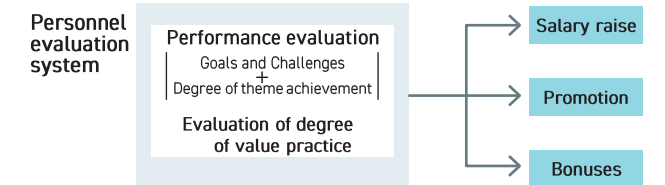
For the purpose of securing competent human resources and stabilizing the lives of retirees, we have adopted a continued employment system. Employees can fully utilize their knowledge and experience, and work with a sense of job satisfaction up to the age of 70. This system also helps to alleviate concerns about income shortfalls.

### Wage System for a Diversified Workforce

To promote diversity in the workplace, we abolished archaic benefits and allowance systems unique to Japan, and instead adopted a global standard wage system based on performance.

### Personnel System for Human Resources Development

Our personnel evaluation system is based on a planned human resources development system with career development program sheets (CDP sheets) and performance and value evaluations linked to such a system. Under this personnel evaluation system, employees can demonstrate their abilities to achieve organizational goals in the context of diversifying values, enhancing the driving force of corporate value creation.



### Harima Growth Program System (H-GPS)

**CDP (Career Development Program)**

CDP sheet 1 (self-evaluation)	CDP sheet 2 (360° evaluation)
<b>(1) Review of past career</b> • Recognize what you can do <b>(2) You at present</b> • Your present situation Experience, abilities, skills, strengths/weaknesses • Recognize "strengths/weakness" and "expectations" as perceived by people surrounding you <b>(3) You after 10 years</b> • If you are in the same situation as now, O or X • Be aware of what you want to be	<b>(1) Recognize "strengths/weaknesses and expectations"</b> • Value (competency) items are evaluated by supervisors, peers and junior staff <b>(1) Image of what you want to be</b> • A vision of yourself in 10 years, 5 years, 3 years • Backcasting based on your 10 year vision <b>(2) Challenge you tackle to realize what you want to be</b> • Specific action plan, schedule

**CDP sheet 3 (self-growth sheet) (junior staff development sheet)**

**GPS (Growth Plan Sheet)**

(1) Theme achievement target (single year)	(1) Performance evaluation (Degree of theme achievement)
(2) Value achievement target (single year)	(2) Value evaluation (Degree of value implementation)

### Employment of People with Disabilities

Considering that establishing a workplace where all employees, regardless of whether with disabilities or not, can work generates positive effects on management, we continue to employ people with disabilities. They are active in various fields such as office work, assistance for manufacturing, and farm business, depending on their individual characteristics.

### Employee Benefits

We have developed an employee benefit system that fosters an environment where employees can make best use of their unique skills, and a system that serves as a safety net in the event of an emergency such as when employees become ill or need to care for their families.

### Safety Net/Compensation System for Long-term Absence from Work

A system to cover the loss of income to support the family in the event that an employee becomes unable to work due to illness or injury. This system covers employee's income up to the age of 65.

### Health, Medical and Mental Health Consultation Services

We have consultation services in place for issues of health, medical and mental health, to maintain and promote the physical and mental health of employees and their families as well as support each individual's wellbeing.

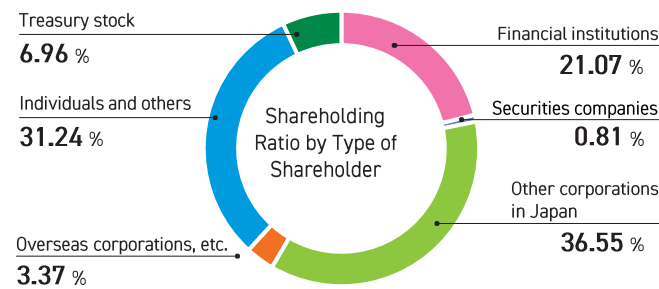


# Company Overview and Stock Information (as of September 30, 2024)

## Company Overview

Company name	Harima Chemicals Group, Inc.
Founded	November 18, 1947
Representative	Yoshihiro Hasegawa, President
Tokyo Head Office	3-8-4 Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan TEL +81-3-5205-3080
Osaka Head Office	4-4-7 Imabashi, Chuo-ku, Osaka 541-0042, Japan TEL +81-6-6201-2461
Capital stock	10,000 million yen
Listing	Tokyo Stock Exchange (Securities code: 4410)
Number of employees	(consolidated) 1,672
Business description	Manufacture and sale of products developed using pine chemical resources such as rosin, fatty acids and turpentine

## Composition of Shareholders



## Global Network

### Japan

#### Harima Chemicals, Inc.

**Tokyo Head Office**  
3-8-4 Nihonbashi, Chuo-ku, Tokyo 103-0027  
Head Office TEL +81-3-5205-3080  
Office FAX +81-3-3241-3035  
Sales TEL +81-3-5205-3033  
FAX +81-3-5205-3049

**Osaka Head Office**  
4-4-7 Imabashi, Chuo-ku, Osaka 541-0042  
Head Office TEL +81-6-6201-2461  
Office FAX +81-6-6227-1030  
Sales TEL +81-6-6201-2464  
FAX +81-6-6201-0391

**Kakogawa Plant/  
Central Research Laboratory**  
Resins and tall oil products  
Paper chemicals  
Electronic materials  
671-4 Mizuashi, Noguichi-cho, Kakogawa,  
Hyogo 675-0019

**Kakogawa Plant**  
TEL +81-79-422-3301  
FAX +81-79-426-6008

**Central Research Laboratory**  
TEL +81-79-422-3301  
FAX +81-79-426-2650

**Tsukuba Research Laboratory**  
Electronic materials  
5-9-3 Tokodai, Tsukuba, Ibaraki  
300-2635  
TEL +81-29-847-5080  
FAX +81-29-847-5081

**Sendai Plant/Sales Office**  
Paper chemicals  
1-2-1 Suehiro, Iwanuma, Miyagi  
989-2426  
TEL +81-223-22-1201  
FAX +81-223-24-2790

**Ibaraki Plant**  
Resins and tall oil products  
13-1 Kasuminosato, Ami-machi,  
Inashiki-gun, Ibaraki 300-0315  
TEL +81-29-889-2911  
FAX +81-29-889-2880

**Tokyo Plant**  
Resins and tall oil products  
6-18-1 Inari, Soka, Saitama 340-0003  
TEL +81-48-931-4311  
FAX +81-48-935-0664

#### Fuji Plant/Sales Office

Paper chemicals  
Resins and tall oil products  
311-9 Hina, Fuji, Shizuoka 417-0847  
TEL +81-545-38-2254  
FAX +81-545-38-2151

#### Shikoku Plant

Paper chemicals  
365-1 Muramatsu-cho, Shikokuchuo,  
Ehime 799-0401  
TEL +81-896-24-1001  
FAX +81-896-24-1003

#### Harima M.I.D., Inc.

Resins and tall oil products  
**Head Office**  
4-4-7 Imabashi, Chuo-ku,  
Osaka 541-0042

TEL +81-6-6201-2461  
FAX +81-6-6227-1030

#### Kakogawa Plant

671-4 Mizuashi, Noguichi-cho,  
Kakogawa, Hyogo 675-0019  
TEL +81-79-424-2312  
FAX +81-79-424-2118

#### Harima Trading, Inc.

Warehouse, hotel, golf course and  
real estate management

#### Head Office

4-4-7 Imabashi, Chuo-ku,  
Osaka 541-0042  
TEL +81-6-6201-2461  
FAX +81-6-6227-1030

#### Kakogawa Sales Office

827-6 Mizuashi, Noguichi-cho,  
Kakogawa, Hyogo 675-0019  
TEL +81-79-425-0300  
FAX +81-79-425-0100

#### Hotel Sakushu-Musashi/Sakushu-

**Musashi Country Club**  
878 Omachi, Mimasaka,  
Okayama 707-0124

#### Hotel Sakushu-Musashi

TEL +81-868-77-1380  
FAX +81-868-77-0939

#### Sakushu-Musashi Country Club

TEL +81-868-77-0153  
FAX +81-868-77-1381

#### Nippon Filler Metals, Ltd.

Electronic materials  
Head Office/Sekiyado Plant  
487 Sekiyadomotomachi, Noda,  
Chiba 270-0203  
TEL +81-4-7196-2551  
FAX +81-4-7196-2553

#### Seven Rivers, Inc.

Manufacture and sale of industria  
detergents and cleaning equipment

#### Head Office/Plant

3-5-1 Tomonishi, Asaminami-ku,  
Hiroshima 731-3169  
TEL +81-82-848-9111  
FAX +81-82-848-2218

#### Tokyo Branch

6-17-8 Inari, Soka, Saitama 340-0003  
TEL +81-48-931-6468  
FAX +81-48-935-1830

#### Harima Foods, Inc.

Manufacture and sale of business-use foods,  
and sale of health foods and functional  
ingredients

#### Osaka Head Office

1-4-22 Kyomachibori, Nishi-ku,  
Osaka 550-0003  
TEL +81-6-6447-7711  
FAX +81-6-6447-7811

#### Kakogawa Plant

179-12 Mizuashi, Noguichi-cho, Kakogawa,  
Hyogo 675-0019  
TEL +81-79-426-6462  
FAX +81-79-426-8827

#### Tokyo Sales Office

3-8-4 Nihonbashi, Chuo-ku, Tokyo  
103-0027  
TEL +81-3-3243-2555  
FAX +81-3-3243-2556

## Europe

### <Czech Rep.>

#### Harimatec Czech, s.r.o.

Head Office  
Office/Plant Electronic materials

### <UK>

#### HARIMA UK LTD.

Head Office/R&D Electronic materials

## Stock Information

Total number of authorized shares	59,500,000 shares
Total number of issued shares	26,080,396 shares
Total number of shareholders	10,845

## Top 10 Shareholders

Shareholder	Number of shares held (Thousand shares)	Shareholding ratio (%)
Hasegawa Kosan, Inc.	2,913	12.00
Matsukawa, Inc.	2,913	12.00
The Master Trust Bank of Japan, Ltd. (Trust account)	1,893	7.80
Harima Chemicals Mutual Prosperity Association	1,411	5.81
Hyogo Prefectural Credit Federation of Agricultural Cooperatives	1,028	4.23
Shorai Foundation for Science and Technology	965	3.97
Shorai Ltd.	934	3.85
Sumitomo Mitsui Banking Corporation	894	3.68
Custody Bank of Japan, Ltd. (Trust account)	479	1.97
Harima Chemicals Employee Stock Ownership Association	460	1.89

### (Notes)

- In "Number of shares held," figures less than one thousand are rounded down.
- The shareholding ratio is determined based on the total number of issued shares minus the number of treasury stocks (1,815,014 shares), which amounts to 24,265,382 shares. The numbers shown are rounded down to two decimal places.

Business description

### <Belgium>

**LAWTER - Kallo**  
R&D/Plant Resins and tall oil products

### <The Netherlands>

**LAWTER - Maastricht**  
R&D/Plant Resins and tall oil products

## Asia and Oceania

### <China>

**Harima Chemicals (Shanghai) Co., Ltd.**  
Head Office  
Management and support of Group companies in China

#### Harimatec Hangzhou Co., Ltd.

Head Office/Plant Electronic materials

**Hangzhou Hanghua Harima Chemicals Co., Ltd.**

Head Office/Plant Paper chemicals

**Dongguan Hanghua Harima Paper Chemicals Co., Ltd.**

Head Office/Plant Paper chemicals

**Shandong Hanghua Harima Chemicals Co., Ltd.**

Head Office/Plant Paper chemicals

#### LAWTER - Shanghai

Asia Headquarters/Sales Office  
LAWTER Asia Headquarters and sales

#### LAWTER - Nanping

Plant Resins and tall oil products

#### LAWTER - Fengkai

Plant Resins and tall oil products

#### LAWTER - Nanning

Plant Resins and tall oil products

### <Korea>

#### LAWTER - Gunsan

Plant Resins and tall oil products

### <Malaysia>

**Harimatec Malaysia Sdn. Bhd.**  
Head Office/Plant Electronic materials

### <Taiwan>

**Harima Chemicals, Inc. Taipei Office**  
Liaison Office

### <India>

**LAWTER - India**  
Liaison Office

### <New Zealand>

**LAWTER - Mt. Maunganui**  
Plant Resins and tall oil products

## North and South Americas

### <U.S.A.>

**Harima USA, Inc.**  
Head Office  
Holding company of Plasmine Technology, Inc. and Harimatec Inc.

**Harimatec Inc.**

Head Office/Plant Electronic materials

**Plasmine Technology, Inc.**

Head Office/Bay Minette Plant Paper chemicals

**LAWTER - Elgin, IL**

Head Office/R&D

**LAWTER - Baxley, GA**

Plant Resins and tall oil products

### <Argentina>

**LAWTER - Concordia**

R&D/Plant Resins and tall oil products

**LAWTER - Buenos Aires**

South America

Headquarters/Sales Office

LAWTER South America

Headquarters and sales