KH NeoChem

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Corporate Communications and Investor Relations

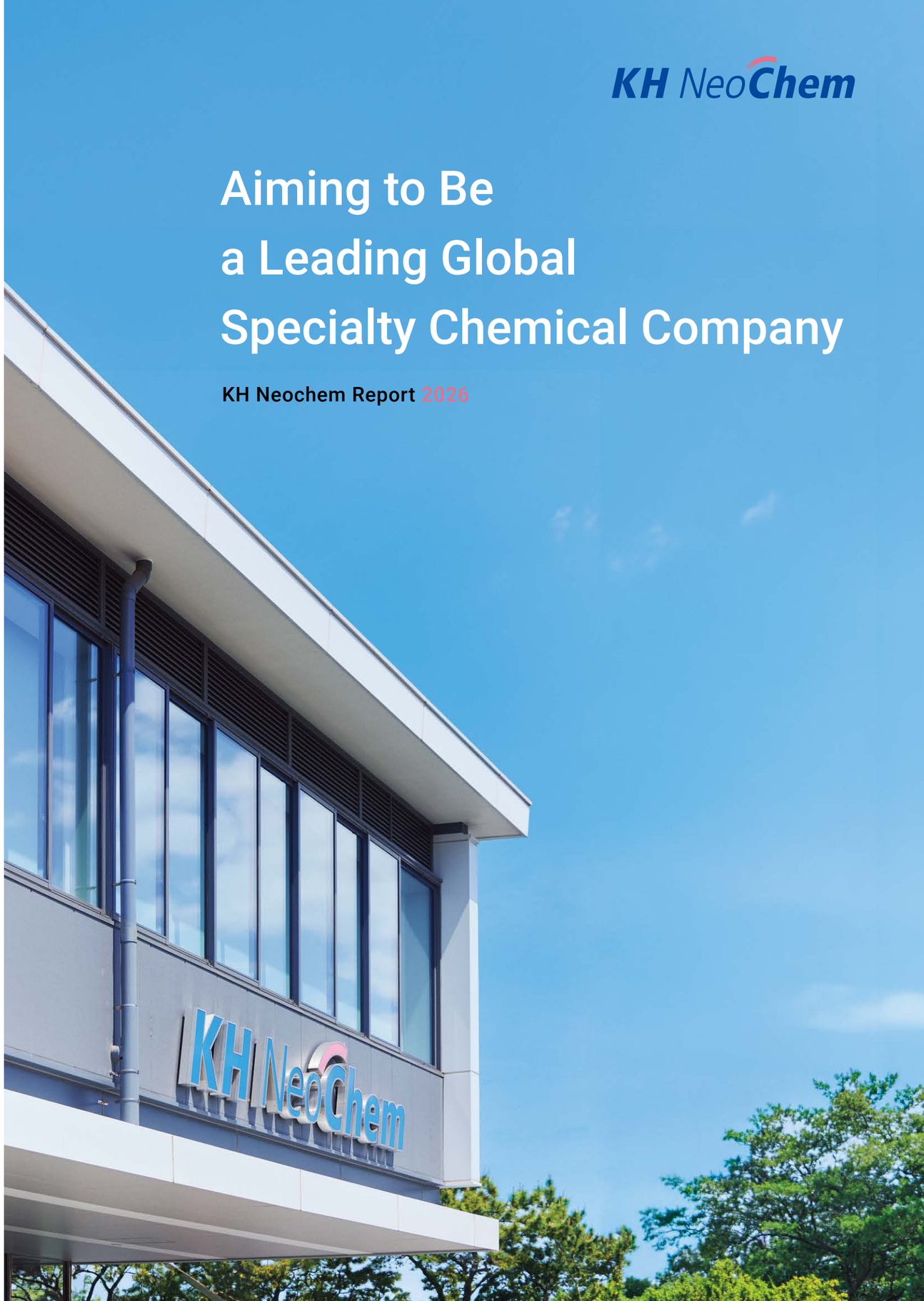
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KH NeoChem

Aiming to Be a Leading Global Specialty Chemical Company

KH Neochem Report 2026





Corporate Policy

Corporate Mission	**Realizing a brighter tomorrow for society through the power of chemistry.**
Management Approach	**Making our dream a reality through reliable technology and new inventions.**
Basic Behavior	**Taking the first step to overcoming barriers and issues we face.**
Safety Guidelines	**Protecting ourselves and our colleagues.**



Realizing Sustainable Growth and Further Enhancement of Corporate Value

The KH Neochem Group has adopted “Realizing a brighter tomorrow for society through the power of chemistry” as its corporate mission. We are a chemical manufacturer that leverages proprietary technologies to provide distinctive materials across a wide range of industries.

Our products include refrigeration lubricant raw materials used in environmentally friendly air conditioners, cosmetic ingredients that contribute to improving quality of life, electronic materials essential for semiconductor manufacturing, and basic chemicals that support a broad range of industries including automobiles. These products support people’s daily lives and a wide range of industries through the materials we provide.

In 2026, we marked the 10th anniversary of our listing. Over the past decade, we have pushed forward with the transformation of our business portfolio through active investment in growth businesses. At the same time, we have taken steps to reinforce our corporate infrastructure underpinning sustainable growth, including in terms of finance, governance, and human resources.

Amid the dramatic change in the social and market environment, an important theme for us to consider is how we should leverage our long-cultivated business strengths and management foundation to pave the way for the next stage of growth.

In KH Neochem Report 2026, we look back on the 10 years since our listing while communicating what we aim to achieve and how we will pursue further growth into the future. By introducing not only the strategy that management has laid out but also the thinking and actions of the people in charge of ensuring its success, we hope this report will deepen your understanding of the Group’s efforts to achieve sustainable enhancement of corporate value.

We also hope that it will serve as an opportunity to further deepen dialogue with our stakeholders. We will incorporate the insights and feedback gained through this dialogue into our management approach as we move toward the next stage of growth, thereby further enhancing our corporate value.

Michio Takahashi Representative Director, President & CEO

Highlights of KH Neochem Report 2026

1. Aiming to Be a Leading Global Specialty Chemical Company

This section presents the management strategy underpinning the Group's sustainable growth, based on our long-term vision and medium-term business plan. It also describes our current position and our vision for the future, along with our strengths, awareness of key challenges, and initiatives to realize that vision.

Long-Term Vision and Medium-Term Business Plan → P.30

Message from the CEO → P.20

2. After 10 Years Since Listing, Toward Sustainable Growth over the Next Decade and Beyond

KH Neochem marks 10 years since its 2016 listing on the First Section of the Tokyo Stock Exchange. This section looks back on our journey, together with the values and technologies we have cultivated, and shares messages from employees taking on the challenge of sustainable growth over the next decade and beyond.

History of KH Neochem and Evolution of Products and Technologies → P.18

Employee Roundtable for the 10th Anniversary of Our Listing: Reflecting on the Past Decade and Looking Toward the Next Decade → P.63

3. Realizing a Brighter Tomorrow Through the Power of Chemistry

We believe that continuing to address social issues through our business activities will enable us to achieve both a sustainable society and the sustainable growth of the Group. This section highlights the kind of value we can create for society by combining "the power of chemistry" with "the power of people," through specific examples and insights from employees on the front lines.

TOPICS: Evolving Our Business and Pursuing New Challenges to Create New Value → P.46

Special Feature: Changing Society Through "The Power of Chemistry" → P.50

CONTENTS

1. Introduction **3**
Value Provided by KH Neochem 3
Strengths of KH Neochem 7
Efforts to Achieve VISION 2030 14

2. Value Creation **16**
Value Creation Story 16
History of KH Neochem and Evolution of Products and Technologies 18
Message from the CEO 20
Seven Promises (Materialities) and KPIs 26
Financial and Non-Financial Highlights 28

3. Growth Strategy **30**
Achievements to Date and the Positioning of the 5th Medium-Term Business Plan 30
Overview of the 5th Medium-Term Business Plan 32
Message from the CSO 34
Message from the CFO 36
Message from the CMO 40
Business Segment Overview 43
TOPICS: Evolving Our Business and Pursuing New Challenges to Create New Value 46
Special Feature: Changing Society Through "The Power of Chemistry" 50

4. Strengthening the Business Foundation **58**
Message from the CTO 58
Safe and Stable Operations and the Evolution of Our Plants 60
Employee Roundtable for the 10th Anniversary of Our Listing 63
Message from the CHRO 67
Human Resources Strategy 69

5. Governance **72**
Corporate Governance 72
Members of the Board 80
Risk Management 82
Compliance 83
Security, Safety, and Environmental Activities 85
Climate-Related Disclosures Based on TCFD Recommendations 88
Environmental Conservation 89
Stakeholder Relations 90

6. Data Section **93**
Consolidated Financial Statements 93
Financial and Non-Financial Time Series Data 97
Corporate Overview 98

Editorial Policy
The KH Neochem Report integrates both financial and non-financial information to convey the Group's performance, growth story, efforts to resolve social issues, and the values held dear by employees. Through communicating this information, we seek to deepen the understanding of the Group among shareholders, investors, and other stakeholders, while promoting constructive dialogue. In producing this report, we referred to guidelines such as the International Financial Reporting Standards (IFRS) Foundation's "Integrated Reporting Framework" and the Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation."

Scope of Report

Coverage Period
January 1 to December 31, 2025
However, legally required environmental reporting data covers April 1, 2025 to March 31, 2026. Some activities in 2026 are also included.

Coverage Organization
KH Neochem Co., Ltd. (non-consolidated)
(including some consolidated information)

Date of Publication
November 2026

Caution Regarding Forward-Looking Statements
Information contained in this report, other than historical facts, consists of forward-looking statements based on certain assumptions and reflects judgments made using currently available information. Therefore, actual business performance and other such outcomes may differ materially due to various factors.

Value Provided by KH Neochem

QUESTION

What kind of value does KH Neochem create through the power of chemistry?

Corporate Mission

Realizing a brighter tomorrow
for society through the power of chemistry.



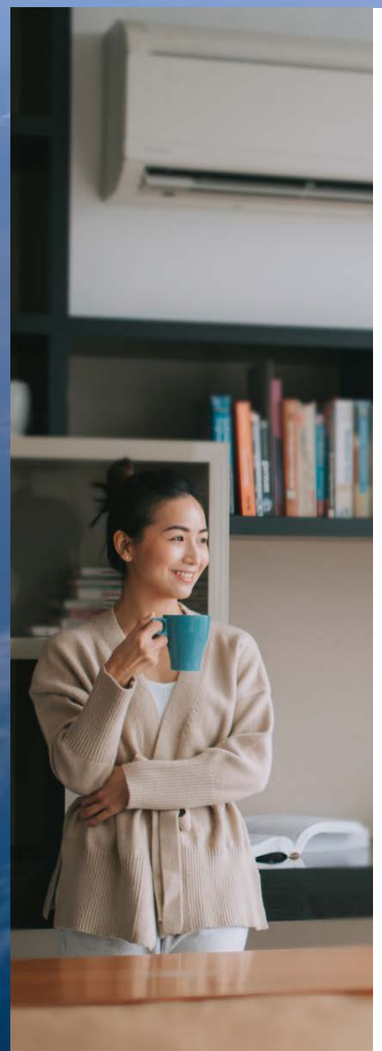
Value Provided by KH Neochem

KH Neochem's Distinctive Materials Chosen Around the World

We provide high-value-added products that deliver functionality to end products.

The KH Neochem Group provides not only the materials themselves but also the functionality and performance that these materials bring to the products in which they are used. Our materials enhance the functionality and performance of various products, including air conditioners, semiconductors, and cosmetics, helping to support a broad range of industries.

Performance Materials



Refrigeration Lubricant Raw Materials

Contributing to the Widespread Adoption of Environmentally Friendly Air Conditioners

Global
No. 1 share

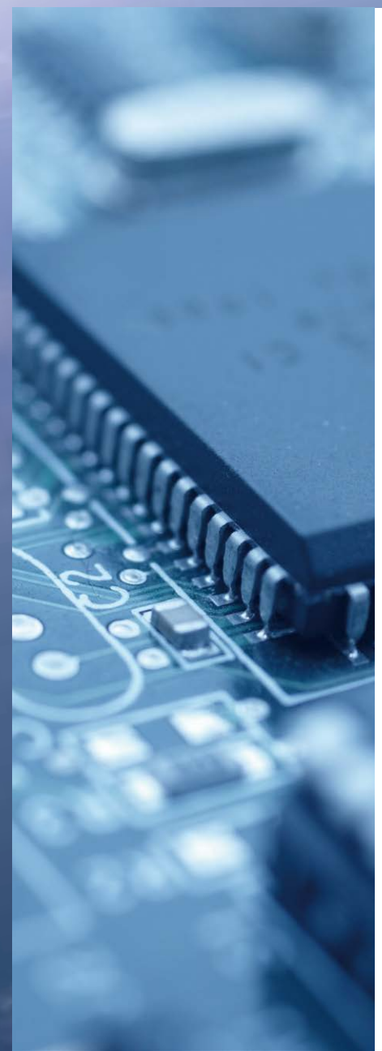


Global market share
(Company estimate)

The heating, cooling, and energy-saving performance of air conditioners depends not only on the refrigerant but also, to a significant extent, on the performance of the refrigeration lubricant used inside the compressor. We supply raw materials that provide specialized functions to refrigeration lubricants to customers around the world, supporting the widespread adoption of environmentally friendly air conditioners through our materials.

As their use continues to expand, reducing greenhouse gas (GHG) emissions associated with refrigerants and electricity consumption has become an important issue. Around the world, efforts are being made to improve energy efficiency and transition to refrigerants with lower global warming potential (GWP). With a focus on the air conditioning market, the Company has long been a global leader in the development and supply of refrigeration lubricant raw materials. In addition, we have been working to decarbonize our manufacturing processes through the introduction of CO_2-capture systems, thereby reducing environmental impact from both our production activities and products.

Electronic Materials



High-Purity Solvents

Supporting the Manufacturing Process of Advanced Semiconductors

Global
No. 1 share



Share of Company products used as raw materials for photoresists (Company estimates)

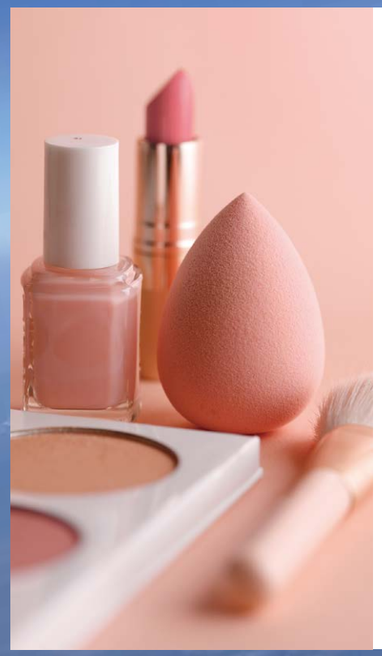
With the proliferation of generative AI, the semiconductor market is expected to continue growing. To achieve higher-performance semiconductors, manufacturing processes are becoming increasingly miniaturized and more densely integrated, and the materials used are required to meet extremely high standards of quality and functionality.

The Group manufactures high-purity solvents used as raw materials for photoresists, cleaning agents, developers, and strippers, supporting the semiconductor industry through its materials. In addition to high-purification technologies cultivated over many years, we leverage quality control technologies capable of managing impurities at the parts-per-trillion (ppt) level to provide a stable supply of high-purity solvents that meet the world's most stringent quality requirements.

We also develop and manufacture functional monomers and polymers for electronic materials, providing support to customers from the development stage through to commercialization and mass production.

Value Provided by KH Neochem

Performance Materials



Cosmetic Ingredients

Underpinning Cosmetic Products with High Quality and Functionality

Global

No. 3 share



Global production capacity
(Company estimate)

Cosmetics need to provide a variety of functions and added value, such as moisturizing effects and enhanced texture. KH Neochem offers various high-performance cosmetic ingredients, including 1,3-butylene glycol, which is highly regarded particularly in the premium cosmetics market, tailored to the product concept and applications of customers.

Looking ahead, we will continue to leverage the strengths of our high-performance, high-quality materials to enhance people's quality of life.

Basic Chemicals



Basic Chemicals

Supporting Every Aspect of Daily Life

Domestic

No. 1 share



Domestic production capacity
(Company estimate)

KH Neochem's basic chemicals are used as solvents that serve as raw materials for paints and inks, and as raw materials for plasticizers used in resin products. They are ultimately used in a wide range of products that support people's daily lives, including automobiles and housing. Supported by the manufacturing technologies we have built up over the years, many of our products boast a domestic No. 1 share, supporting manufacturing activities in Japan through our materials.

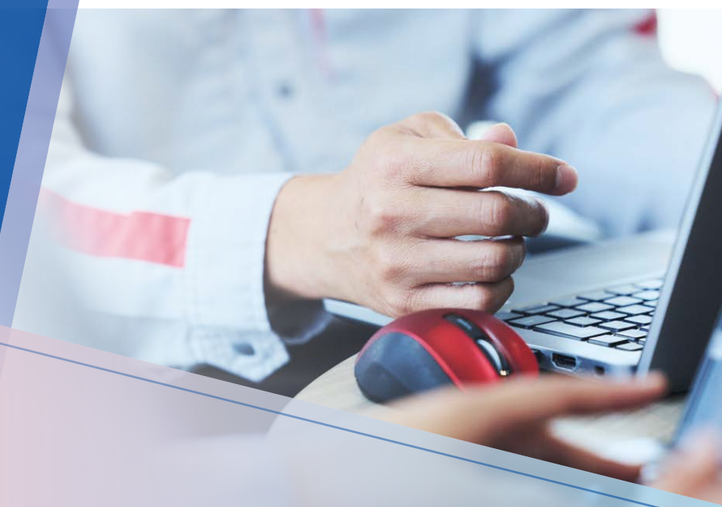
Strengths of KH Neochem

QUESTION

What are the strengths of KH Neochem that enable the Company to create products boasting leading market shares?







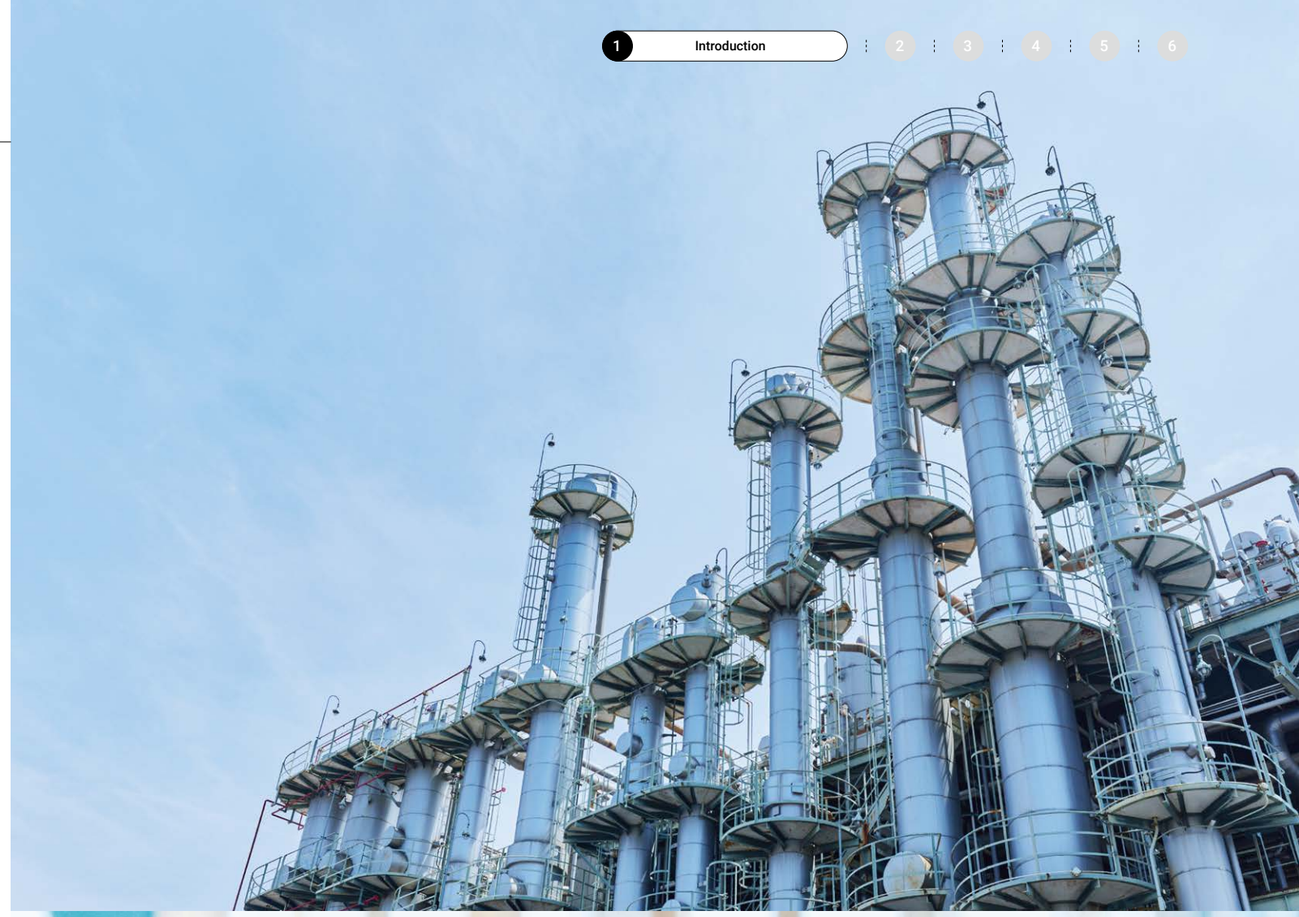
Strength 1 | Strength 2 | Strength 3

Outstanding Manufacturing Facilities

Our manufacturing base is the only one in Japan and one of only a few in the world equipped with both high-pressure and low-pressure oxo reaction facilities. This unique production platform enables us to manufacture a wide range of products.

One-of-a-Kind Manufacturing Facilities in Japan

KH Neochem is one of only a few manufacturers in the world that operates both high-pressure and low-pressure oxo reaction facilities. With the ability to select the best possible process according to the type of raw material, we are able to manufacture a wide range of products using diverse materials. In turn, this allows us to offer solutions that meet customer needs, providing us with a significant competitive advantage.





Strength 1 | Strength 2 | Strength 3

Rich and Unique Technologies

By integrating unique technologies ranging from synthesis technologies to high-purification and quality control technologies, we create high-value-added products.

Competitive Advantages Created from the Integration of Technologies

Technologies alone do not create value. To that end, the Group combines technologies including synthesis, high-purification, quality control, and analysis and evaluation technologies to achieve the performance and quality its customers require. The integration of technologies supports the creation of high-value-added products and the resolution of customer issues, thus serving as the source of the Group's competitiveness.





Strength 1 | Strength 2 | Strength 3

A Wide-Ranging Customer Network

Building on the trust-based relationships
we have cultivated with customers over many years,
we create new value together.
Our wide-ranging customer network helps us
accurately assess market needs, enhance product quality,
and expand the range of applications.



Co-Creating Value Based on Trust

The trust-based relationships with our customers give us a deep understanding of their needs and issues and enable us to work together to identify optimal solutions. Through close collaboration between sales, R&D, production, and quality assurance functions to tackle issues together, we are able to improve quality, expand the range of applications, and create new value. These ongoing co-creation activities are a major reason why we remain the company of choice among our customers.



QUESTION

What future do we aim to create by leveraging our strengths?



Ambitions for VISION 2030

A Leading Global Specialty Chemical Company

Leveraging the manufacturing base, technologies, and trust-based relationships with customers that we have built over the years, we will further promote initiatives in growth markets and high-value-added fields. To that end, we will strengthen our competitiveness in strategic domains such as the environment, healthcare, and electronics. We will also pursue new business opportunities to achieve sustainable growth and enhance corporate value by contributing to resolving social issues.

Financial targets for 2030

Net sales ..... 180.0 billion yen

Operating income ..... Over 25.0 billion yen

ROE ..... Over 12%

Equity ratio 50%

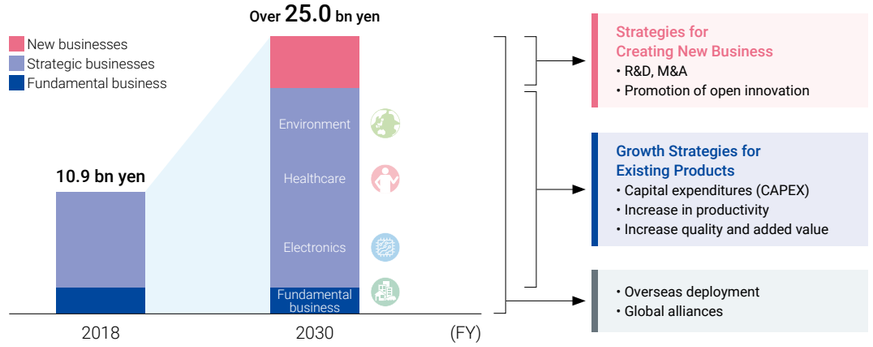
Provide specialty chemicals that contribute to the reduction of global warming and a better quality of life

Expand the lineup of products with the largest global share and new businesses in three strategic domains

Achieve top-class profitability in the chemical industry

Achieve high capital efficiency and establish a robust financial position resilient to impacts from the external operating environment

Operating income growth and strategy



Value Creation Story

We will drive sustainable management and realize a brighter tomorrow for society through the power of chemistry.

“Realizing a brighter tomorrow for society through the power of chemistry” is the corporate mission of the KH Neochem Group. We utilize the strengths we have cultivated over many years to provide products with leading global market shares in various industrial fields. Going forward, building on the capital and business model we have cultivated to date, we will strive to create new products and businesses through co-creation with external parties. In this way, we will contribute to a sustainable society through “the power of chemistry” and work to sustainably enhance our corporate value.

Corporate Mission

Realizing a brighter tomorrow for society through the power of chemistry.

INPUT*

Financial capital
- Equity capital ····· 69.7 billion yen
- Interest-bearing debt ····· 16.9 billion yen

Human capital
- Number of employees ····· 863

Intellectual capital
- Oxo technology and other synthetic technologies
- High-purity technologies and quality control technologies
- Equipment operation expertise

Manufacturing capital
- Five production bases
- Four R&D bases

Social capital
- Diverse customer network
- Global logistics system
- Open innovation hubs
- Number of investor engagement events ····· 192

Natural capital
- CO_2 used as a raw material ····· 5.4 kt
- Energy consumption (crude oil equivalent) ····· 186,900 kL
- Development of new products using biomass raw materials

* Energy consumption is non-consolidated; other figures are consolidated.

KH Neochem’s Strengths and Features P.7

- Outstanding Manufacturing Facilities
- Rich and Unique Technologies
- A Wide-Ranging Customer Network

KH Neochem’s Value Creation

Contributing to resolving social and environmental issues with our unique products

Technology P.18, 50, 58

Human Resources P.67

Performing safe and stable operations

Strengthening relationships of trust with clients

Rapidly expanding supply capacity in line with growth in global demand

Developing unique new products and technologies

P.50 Special Feature: Changing Society Through “The Power of Chemistry”

- Proposing new value through partnerships
- Open innovation

Creation of new products and businesses

OUTPUT

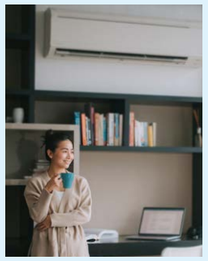
Product Lineup Boasting Top Global Market Shares

P.3 Value Provided by KH Neochem
P.46 TOPICS

Performance Materials

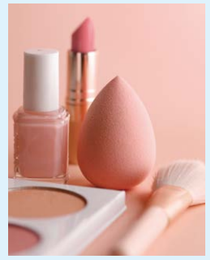
Refrigeration Lubricant Raw Materials

Contributing to the Widespread Adoption of Environmentally Friendly Air Conditioners



Cosmetic Ingredients

Underpinning Cosmetic Products with High Quality and Functionality



Electronic Materials

High-Purity Solvents

Supporting the Manufacturing Process of Advanced Semiconductors



Basic Chemicals

Basic Chemicals

Supporting Every Aspect of Daily Life



OUTCOME

Enhancement of KH Neochem’s Corporate Value

Achievement of VISION 2030

A Leading Global Specialty Chemical Company

Financial Targets of the 5th Medium-Term Business Plan

- Cumulative consolidated operating income ····· 44.9 billion yen
- Cumulative consolidated EBITDA ····· 65.3 billion yen
- ROE (2027) ····· 15%

FY2025 Financial Results

- Operating income ····· 11.2 billion yen
- EBITDA ····· 17.6 billion yen
- ROE ····· 11%
- Dividend payout ratio ····· 48%

Deliver Value to Society

- Richer lives for people
- An environmentally friendly society
- Safe, secure, and trustworthy

Implementation of Seven Promises P.26 Seven Promises (Materialities) and KPIs

History of KH Neochem and Evolution of Products and Technologies

Throughout the 78-year history since our foundation, we have responded flexibly to changes in the business environment, including shifts in manufacturing methods and our independence from the Kyowa Hakko Kirin Group. Above all, what has remained consistent is our commitment to listening to the market and incorporating and refining technology to meet its needs. These actions have become the source of our current value creation.

History of KH Neochem

Our Origins as a Chemical Manufacturer

1948 Became the first in Japan to successfully mass-produce acetone and butyl alcohol
We became the first in Japan to successfully mass-produce acetone and butyl alcohol from molasses through fermentation. Kyowa Hakko Kogyo was subsequently established in 1949.

1961 Converted to petrochemical manufacturing methods
In 1961, we transitioned from fermentation to petrochemical manufacturing methods. We subsequently established the Yokkaichi Plant, refined our synthesis technologies—including oxo technology—and further strengthened our competitiveness.

1988 Two oxos
In 1988, we took over the operations and business of the Chiba Plant, which possessed high-pressure oxo reaction technology, from the then Nissan Chemical Industries, Ltd. This plant, together with the Yokkaichi Plant and its low-pressure oxo reaction technology, positioned us as an oxo manufacturer possessing both technologies.

2004 Development of new applications by improving technical capabilities
In response to customer needs, we have further honed our oxo-based synthesis technologies, as well as our high-purity and quality control technologies, and have expanded our product offerings into new applications.

2008 Set a new industry record for the longest accident-free period of operation
In 2002, our Yokkaichi Plant set an industry record for the longest period of accident-free operations, and subsequently surpassed that record in 2008.

Further Evolution as an Independent Company

2011 Independence
With support from Japan Industrial Partners, KH Neochem became independent from the then Kyowa Hakko Kirin Group.

2016 Capital restructuring and listing
We took the first step in a new direction through our listing on the then First Section of the Tokyo Stock Exchange.

2018 Aiming to Be a Leading Global Specialty Chemical Company
We announced our long-term vision, VISION 2030. We are accelerating efforts to create new products and businesses through open innovation, while also making capital investments in areas where we have strengths.








KH Neochem Product and Technology Tree (Examples)



*1 Propylene glycol monomethyl ether
*2 Propylene glycol monomethyl ether acetate
*3 Methyl amyl ketone
*4 Polyhydroxybutyrate

"The Power of Chemistry" That Has Responded to Voices from the Market and Evolved

KH Neochem has contributed to the development of domestic industries since becoming the first company in Japan to mass-produce acetone and butyl alcohol through a fermentation process. In the 1960s, we transitioned to a petrochemical manufacturing method. Following this advancement, we have accumulated successes in providing unique materials that are essential for society, while flexibly integrating new technologies. Our chemical technologies, such as oxo technologies, support our current value creation.

A Product Lineup Born from Market Needs and Technological Advancements

In addition to oxo technologies, we have incorporated new technologies and combined them to respond to market needs. We have expanded our product lineup from industrial alcohols, such as butanol and octanol, to other products that include refrigeration lubricant raw materials, cosmetic ingredients, and high-purity solvents, capitalizing on growing demand.



Drawing on Our Foundation as Strength for Future Growth

Michio Takahashi
KH Neochem Co., Ltd.
Representative Director, President & CEO

Message from the CEO

Marking 10 Years Since Our Listing

A decade of building a cycle for corporate value enhancement

In 2016, the KH Neochem Group embarked on a new chapter when it was listed on the First Section of the Tokyo Stock Exchange after operating under the ownership of an investment fund. In the year prior, a major shift in corporate governance among Japanese companies commenced, including the introduction of Japan's Corporate Governance Code. At that time, we carried out a fundamental overhaul of our governance in order to establish a management structure that is appropriate for a listed company. We also faced the pressing issue of improving our equity ratio, which stood below 30%, and building a financial foundation resilient to changes in the external operating environment.

However, establishing a solid management foundation alone is not enough to realize future growth. Executing future-oriented investment and allocating the resulting profits into the next phase of growth investments and shareholder returns are also crucial responsibilities for management. To that end, we have sought to balance growth investments, financial soundness, and shareholder returns within a unified management framework and allocate resources in the most effective manner, rather than viewing them as separate priorities competing for limited resources. In making these decisions, I have always remained mindful of the management responsibility entrusted to us by our shareholders. In these ways, over the past 10 years, I have remained focused on how best to allocate our resources and further enhance corporate value.

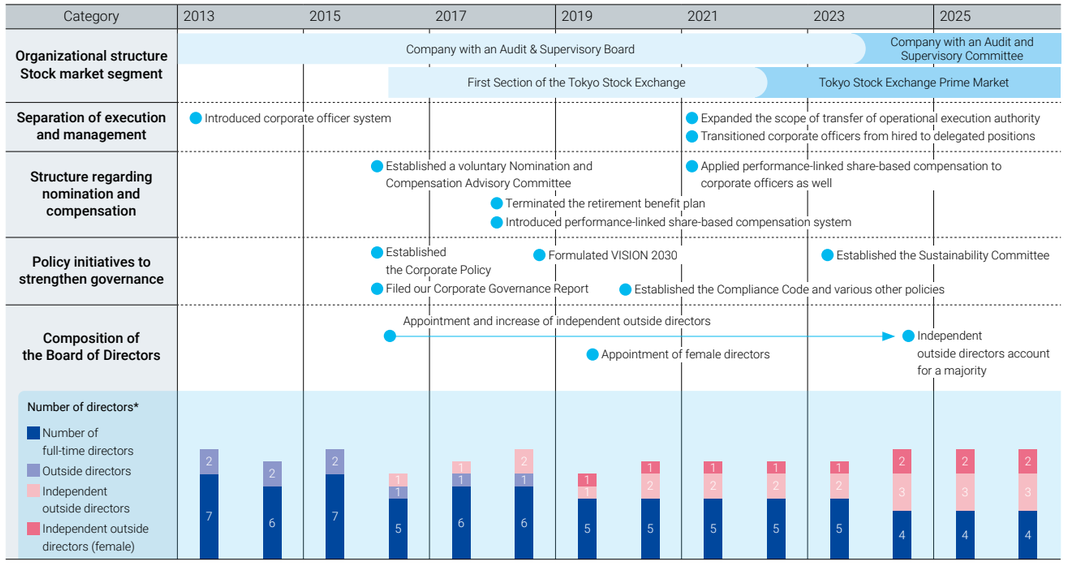
In pursuing such a management approach, we first needed to have a clear road map for the future. Accordingly, in 2018, guided by the Corporate Policy established prior to our listing, we formulated our long-term vision, VISION 2030, clearly defining our aspiration to be a leading global specialty chemical company.

To realize this vision, we established the Innovation Strategy Division in 2019, under which we began strengthening the technological capabilities that support medium- to long-term growth while working to create new businesses. In both 2020 and 2024, we made capital investments in our growth businesses of refrigeration lubricant raw materials and Electronic Materials, while also undertaking two rounds of production capacity expansion for cosmetic ingredients. Through these efforts, we have been transforming our business portfolio into one in which our distinctive products generate greater profits.

Message from the CEO

At the same time, we have significantly transformed the management foundation that underpins our business growth over the past decade. In addition to promoting digital transformation (DX) initiatives, such as introducing predictive diagnostic systems that support safe and stable operations, we have installed in-house power generation equipment and CO_2-capture systems at our Chiba Plant in order to strengthen our efforts toward carbon neutrality. We have also worked to strengthen governance through initiatives such as transitioning to a Company with an Audit and Supervisory Committee, establishing a Board of Directors composed of a majority of independent outside directors, and formulating a Compliance Code and various other policies. Furthermore, we have enhanced our workplace environments so that employees can perform to their full potential, including through the introduction of a job-based HR system, the relocation of our head office, and the reconstruction of plant office wings.

Progress in strengthening corporate governance

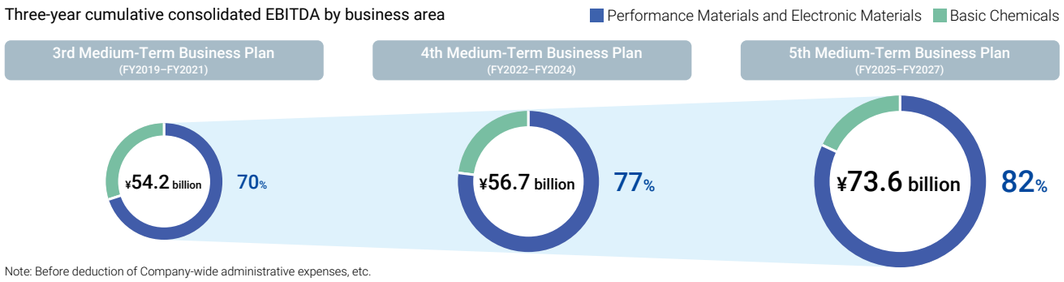


* The number of directors is as of the conclusion of the Ordinary General Meeting of Shareholders for each fiscal year.

Over the past decade, we have focused on two key management priorities: fulfilling our social responsibilities as a corporate citizen while enhancing the earning power of our businesses, and strengthening the management foundation needed to sustain that growth over the long term. Steadily moving forward with these priorities in tandem has, I believe, been a defining characteristic of the past decade.

The results of these efforts can be seen in the evolution of our business portfolio and changes in profitability. Today, we have steadily transitioned to a business model where our distinctive products, such as Performance Materials and Electronic Materials, account for over 80% of profits. In addition, EBITDA, one of the Group's key management indicators, has increased steadily across each three-year period of our medium-term business plans, reaching its second-highest level on record in FY2025. This solid momentum has continued during the first half of 2026, with profitability improving in such ways as achieving an EBITDA margin of roughly 20%. Based on these results, I feel that our efforts to transform our business portfolio have led to the steady enhancement of the Group's earning power.

Three-year cumulative consolidated EBITDA by business area



Note: Before deduction of Company-wide administrative expenses, etc.

For new businesses that will help us realize future growth, we are nearing the stage of commercialization for several products, including polyhydroxybutyrate (PHB) and biopharmaceutical raw materials (glycans).

From a financial perspective, our equity ratio has risen from below 30% at the time of listing to more than 50%, and we have also achieved an A– credit rating by Rating and Investment Information, Inc. (R&I). We have now evolved from a stage where ensuring financial soundness was the foremost priority to one where we can actively leverage our reinforced financial foundation to drive growth.

Supported by this robust financial foundation, we have also gradually enhanced shareholder returns.

In 2025, in addition to increasing the dividend, we carried out share buybacks totaling 5.0 billion yen, equivalent to 5.4% of shares outstanding, bringing the total payout ratio to 112%. In 2026, we plan to raise both our payout ratio and dividend on equity (DOE) targets, while increasing the dividend for the seventh time since our listing. We plan on increasing the annual dividend to 130 yen per share, representing a 2.6-fold increase from 50 yen at the time of our listing in 2016.

While continuing to focus on enhancing business profitability, we will allocate capital in an appropriate manner between growth investments and shareholder returns. At the same time, we will implement share buybacks in a flexible manner, when warranted. In these ways, we will continue to pursue management that is conscious of capital efficiency.

Looking back, I believe the past decade has been one in which we steadily built a self-reinforcing cycle that enhances corporate value, generating profits from investments, using those profits to strengthen our financial foundation, and leveraging that stronger foundation to enable further growth investments and shareholder returns.

A View Toward Sustainable Growth over the Next Decade and Beyond

Transition to a business portfolio for the next phase of growth

As we look toward the next decade, it will be crucial for us to connect the strengths we have cultivated over the past 10 years with the next phase of growth. We will further strengthen our earning power and realize the sustainable enhancement of corporate value.

To that end, we will continue to strategically allocate management resources to businesses with strong growth potential, while undertaking fundamental reforms in businesses facing structural challenges. At the same time, we do not believe that our current businesses alone will sustain our growth moving forward. Looking over the next decade and beyond, we must now start efforts to create new businesses that will underpin the Group's growth in the future. We will clearly define the role of each business and strategic priority and adjust our allocation of management resources accordingly.

Our direction is clear. For Performance Materials, we will capitalize on the market growth for refrigeration lubricant raw materials and cosmetic ingredients, in particular, working to grow these businesses as a crucial foundation for supporting the Group's profits. For Electronic Materials, we will draw on the growth in the semiconductor market to establish these materials as our second pillar of growth after refrigeration lubricant raw materials. Meanwhile, for Basic Chemicals, which is dealing with structural changes in the market, we will transition to a structure that generates profits in a stable manner, even amid a deteriorating business environment.

Also, looking toward the future, we will create businesses that generate new sources of earnings while contributing to the resolution of social issues. Leveraging the business and management foundations we have established over the past decade, we will continue to evolve our business portfolio and take the next step toward achieving our vision to be a leading global specialty chemical company.

Business investments (growth strategies, new businesses, production foundation)

Category	2019	2020	2021	2022	2023	2024	2025	2026	2027
	3rd MTBP			4th MTBP			5th MTBP		
Refrigeration lubricant raw materials		Yokkaichi Plant: Expansion of facilities					Chiba Plant: Expansion of facilities		
Cosmetic ingredients	Yokkaichi Plant: Expansion of facilities		Yokkaichi Plant: Expansion of facilities						
Electronic materials		Construction of new facilities for next-generation semiconductor materials		Yokkaichi Plant: Construction of quality control facility		Strengthening of high-purity solvent supply infrastructure	Expansion of facilities for next-generation semiconductor materials		
Open innovation strategy	Establishment of an open innovation hub (KH i-Lab)			Investment in Ac-Planta Inc.	Investment in GlyTech, Inc.		Investment in Veneno Technologies	Business alliance with Hokkaido System Science Co., Ltd.	
Improvement of production framework	Introduction and expansion of advanced plant control systems				Introduction of predictive diagnostic systems				
				Chiba Plant: Renewal of in-house power generation equipment			Chiba Plant: Construction of equipment to capture CO_2		
					Comprehensive Safety Check Initiative 2022				
						Yokkaichi Plant: Newly recognized as a Certified Advanced Safety Implementer			
							Chiba Plant: Newly recognized as a Certified Advanced Safety Implementer		

Efforts to realize further growth of performance materials

Performance Materials is a major driver of the Group's earnings today, and I believe it will remain a core element in realizing our growth strategies as we move forward.

While growth in the air conditioning market is currently slowing against the backdrop of a downturn in the real estate markets in China and the United States, there is still tremendous growth potential in this market from a medium- to long-term perspective.

One source of this growth is geographic expansion. Although China and North America currently account for a significant share of the global air conditioning market, demand continues to expand rapidly in emerging economies such as India and Southeast Asia as living standards improve. We expect this trend to extend further across the Global South, including the Middle East and Africa.

Another source of growth is the expansion in the range of applications. The rapid expansion of generative AI is accelerating the construction of data centers, leading to the increased adoption of both air-cooled HVAC systems and liquid-cooled chiller systems. At the same time, refrigeration and air-conditioning technologies are being adopted across a growing range of applications, including EVs and heat-pump heating systems, creating new sources of demand for refrigeration lubricant raw materials.

We entered the market for refrigeration lubricant raw materials ahead of our competitors and have grown it into a business that holds a majority share in the global market. The product lineup, technological capabilities, and global customer base that we cultivated throughout this process are major strengths that will enable us to maintain and expand our world-leading market share moving forward.

The performance requirements for refrigeration lubricants, including lubricity, refrigerant compatibility, and durability, vary significantly across applications, from residential air conditioners and large commercial systems to emerging new uses. We have the ability to understand these regional and application-specific requirements and propose the optimal refrigeration lubricant raw materials. We also possess market insight afforded by our position as the global market leader. Leveraging these strengths, we will steadily capture growing demand across both regions and applications.

With regard to cosmetic ingredients, we will continue to expand sales with a focus on our distinctive products, including in the market for premium cosmetics. As expectations for cosmetic functionality and quality become more diverse, we will utilize our core oxo synthesis technology to expand our product portfolio and capture new sources of demand, drawing on the foundation of reliable quality we have established with our 1,3-butylene glycol moisturizing ingredients.

Looking ahead, we will further reinforce our leading position in the global market for refrigeration lubricant raw materials and expand sales of distinctive products for cosmetic ingredients. By doing so, we will expand Performance Materials as a core business that drives profit growth for the Group.

Establishment of Electronic Materials as our second business pillar

Electronic Materials is another business that we expect to serve as a driver for the Group's growth moving forward.

As the semiconductor market expands following such factors as the widespread adoption of generative AI, we are seeing greater opportunities than ever before to leverage our high-purification technologies, quality control technologies, and synthesis technologies. By steadily capitalizing on these opportunities, we will develop Electronic Materials into a second business pillar following refrigeration lubricant raw materials.

We commenced the full-scale manufacture and sale of high-purity solvents, which are essential in the manufacturing process for semiconductors and displays, in the late 1990s. Over the past three decades, we have continuously met increasingly stringent quality requirements that have followed advances in semiconductor technology, steadily building our competitiveness through both investments in facilities and technologies. This journey has by no means been straightforward. We have had to move beyond conventional ways of thinking based on petrochemicals and adapt the Company itself to respond to a business environment with entirely different expectations regarding quality and speed. As part of this process, we evolved our facilities, enhanced our technologies, and changed our approach to quality itself. Looking back, this change in our corporate culture might have ultimately been the catalyst for changing our business portfolio itself.

Recently, semiconductor devices have become more miniaturized and higher-performing, and as a result, performance requirements for Electronic Materials are becoming increasingly demanding. At the same time, these trends present an excellent opportunity to leverage the technologies and products we have cultivated over many years and further expand our business. Our portfolio includes a broad range of high-purity solvents, including glycol ethers and esters such as PM-P (PGME) and PMA-P (PGMEA), as well as ketones and organic acids. In addition, the functional monomers and polymers produced by Group company Kurogane Kasei Co., Ltd. enable us to address a broad range of material-related needs throughout the lithography process. This provides us with a significant competitive advantage.

To turn this competitive advantage into growth, we have positioned cutting-edge semiconductors as a key domain for the Group and have been allocating an even greater amount of management resources to this field. In 2022, we completed a new quality control facility equipped with a state-of-the-art clean room, and in 2024, we invested in logistics infrastructure to support stable supply and expanded production capacity for next-generation semiconductor materials. We are already seeing the results of these efforts, and in 2026 we see the possibility of substantially exceeding our record high for profits.

Today, advanced packaging, which enables high-density interconnection and assembly of semiconductor chips, is becoming increasingly important. At the same time, the application of lithography

technology is expanding beyond front-end processes to back-end processes as well. As the shift toward miniaturization and the adoption of advanced packaging continues to advance in the cutting-edge semiconductor field, there will be even greater requirements for material quality and performance moving forward. These developments will help us further expand the domains in which we can leverage our long-cultivated high-purification technologies, quality control technologies, and extensive product lineup, and as such we view them as an opportunity for significant growth.

What began as a single initiative nearly 30 years ago has transformed our technologies, facilities, people, and corporate culture, and is now evolving into the Group's next major profit source. We will continue to accelerate this momentum to establish Electronic Materials as our second business pillar.

Improvement of profitability in Basic Chemicals

Basic Chemicals, on the other hand, stands at a major turning point. The glut we are seeing, primarily in China, is not a temporary issue, and it will be difficult to secure sufficient profitability if we simply continue operating as usual. In 2025, we withdrew from several solvent products with poor profitability, but this was merely the first step in our structural reform efforts. We will continue to advance these reforms with a strong conviction.

What is important in doing so is not simply choosing between whether to remain in a business or withdraw from it. Rather, we need to determine the optimal size and role of each business from a Group-wide perspective. Basic Chemicals shares production facilities with Performance Materials and Electronic Materials, helping to absorb a portion of the fixed manufacturing costs required to support these growth businesses while also generating profits in their own right. Given how these businesses are interconnected, we must build a more resilient business structure capable of generating stable earnings even during periods of deteriorating market conditions.



To that end, we will swiftly promote rationalization and measures to improve profitability to the extent we can control. At the same time, we will pursue collaborations with other companies without constraining ourselves to conventional frameworks.

Determining appropriate pricing is also a key issue. In Japan, there remains steady demand for domestically produced materials to ensure a stable supply of products. Amid heightened tensions in the Middle East, we received inquiries regarding supply not only from the automotive and housing-related sectors but also from a wide range of industries, including pharmaceuticals and food packaging. This reaffirmed that demand for our products extends well beyond these industries.

Meanwhile, we cannot sustain a business simply because it is needed. This is because we cannot maintain a stable supply if we are unable to secure an appropriate level of profits. For this reason, we must reassess the value of stable supply itself, a value we have not always fully recognized. By fulfilling our role in ensuring both the stable support of domestic industrial supply chains and the profitability needed to sustain it, we will transform Basic Chemicals into a business that maximizes profitability on a Group-wide basis.

Establishment of the next business pillar

We are striving to expand our existing businesses while promoting structural reforms. In tandem with these efforts, we must build a new foundation for future profits. The technologies and businesses that underpin the Group today were built through the continuous challenges undertaken by our predecessors. Now, it is our responsibility to create businesses that will drive growth in the next generation.

Accordingly, we began to genuinely pursue new business creation in 2019 in a manner that differed from conventional approaches. We established a new innovation hub in Kawasaki and began exploring new business opportunities centered on an open innovation strategy that combines internal and external resources. Under the 5th Medium-Term Business Plan, which commenced in 2025, we have stepped up these efforts, shifting our focus from the exploration stage to the creation stage.

Among these efforts, we have made major progress with marine biodegradable resin (PHB) and biopharmaceutical raw materials (glycans). For PHB, we have set in motion a continuous cycle in which we reflect market feedback in efforts to make further improvements, enabling development rooted in specific market needs. For glycans, we are broadening potential applications through investments in and joint research with several start-ups. At the same time, we are working to establish the mass production technology needed for commercialization.

Through continuous refinement driven by both market feedback and technological advancement, these initiatives have finally reached the stage where viable business opportunities are taking shape. The test for us moving forward will not be just to perfect such new technologies but rather to establish businesses. We will thus remain thoroughly focused on market needs and turn the value we create by contributing to solving social issues into a sustainable source of profits.

Message from the CEO

Efforts to Enhance Corporate Value

Management that demonstrates its resolve through results

As I have talked about in this message, the direction the Group should take going forward is clear. At the same time, knowing the direction we should take does not mean our approach will unfold exactly as planned. Looking back over the past decade, unforeseen changes occurred repeatedly, including the COVID-19 pandemic, the slowdown of the Chinese economy, and the situation in Russia and Ukraine. Even now, the business environment continues to change dramatically due to such factors as developments in the Middle East.

We cannot choose the business environment in which we operate. However, we can choose how we respond to change, what decisions we make, and how we act.

It is our people who deliver results

So, what exactly turns the resolve of management into results? Looking back on the past decade, I am reminded of something very important—it is each individual employee who moves the Company forward and ultimately delivers results.

Over the past 10 years, the Group has undergone various changes in pursuit of growth. We executed investments in facilities and R&D, promoted DX initiatives, and revamped our governance and HR systems. By actively incorporating what we believed was necessary, I believe we have steadily strengthened our management foundation.

Meanwhile, we also learned that establishing frameworks alone does not change a company. No matter how sound our strategy or how much we invest, corporate value does not increase through these efforts alone. For Electronic Materials, we established our competitiveness by changing not only our facilities and technologies but also how we approach quality. In a similar manner, I believe strategies and systems create value only when they lead to changes in the awareness and actions of each individual employee.

The Group has a robust and sincere corporate culture that has been passed down over many years. Our unwavering commitment to quality and sincere dedication to the task at hand have helped us build trust-based relationships with customers for nearly 80 years and continue to support our business to this day. This is a strength that we should take pride in and preserve even as the times change. With that said, this strength must not become a reason to hesitate in the face of new challenges.

Amid rapid social and market change, we must hone our ability to identify change at an early stage and accelerate the speed from decision-making to execution. To achieve this, it is essential to foster an organization where people can speak candidly about what they believe is necessary for the Company, regardless of position or seniority. When we trust each other, we are able to convey what needs to be said, even when it can be difficult to hear, and this ultimately leads to better outcomes. We therefore aspire to be an organization that combines mutual trust with constructive tension.

Ability to turn tradition and innovation into future strengths

In building such an organization, I believe one of our strengths will be the diversity of our employees that has emerged over the past decade.

As a new generation of employees has come to the forefront within the Group, and as a result of proactive mid-career hiring, employees with no direct experience of the former Kyowa Hakko Kogyo era now make up the majority of our workforce. While there has been an increase in the number of people with different values and experience, this does not mean that we have lost the technologies and culture that we have cultivated over many years. Rather, I believe it is precisely through the exchange of different perspectives and experiences that we can challenge long-held assumptions and continue to evolve as a company.

We cannot pave the way to the future simply by preserving tradition. At the same time, pursuing only what is new for its own sake will not allow us to fully demonstrate our strengths.

We must continue to embrace diverse perspectives and experiences, while preserving aspects of the Company that must not change, such as our technology, our commitment to quality, and our sincerity. We must also keep challenging our own assumptions. By continuing to embrace this approach, we will evolve what makes KH Neochem unique in step with the times and draw on that uniqueness as a source of future growth.

Turning management's commitment into organizational action

Our management team has also become significantly younger over the past several years. This current management team bears the responsibility of seeing business plans for FY2026 and the 5th Medium-Term Business Plan to completion. We also have the responsibility of formulating the vision for the Group for the next decade and beyond and laying the groundwork for making that vision a reality. From the perspective of our shareholders, I believe the key question is how we can assure our shareholders that our current management team is the right team for the job.

We need to decide now what should remain unchanged and what should change, and then act on those decisions. Upon doing so, we must ensure that the intentions of management are reflected in the actions of each individual employee. We can only achieve results with our strategies when both management and employees are moving in the same direction and each person fully fulfills their respective responsibilities. And it is management that bears responsibility for the results we achieve.

We will bring forward the strengths we have built over the past 10 years into our next phase of growth, transforming management's commitment into organizational action. By doing so, we will achieve sustainable growth and further enhance corporate value, while meeting the expectations entrusted to us by our shareholders and other stakeholders.

We sincerely ask for your continued support and encouragement as we pursue these efforts moving forward.

Seven Promises (Materialities) and KPIs

To achieve our corporate policy and VISION 2030, the KH Neochem Group has identified particularly critical management challenges as the Seven Promises (Materialities).

We have positioned the Seven Promises not only as a response to social issues and stakeholder expectations but also as key management themes aimed at achieving medium- to long-term growth and enhancing profitability. We have set both financial and non-financial KPIs for each promise and regularly monitor progress. Based on these Seven Promises and KPIs, we strive for constructive dialogue with all our stakeholders.

Identification Process for Seven Promises (Materialities) and KPIs

Materialities and KPIs are discussed by the Sustainability Committee and then deliberated and determined by the Board of Directors. Going forward, we will conduct periodic reviews in light of changes in the business environment and stakeholder expectations.

STEP 1 2021

Formulated value creation story

We held approximately 10 discussions among relevant executives, including all full-time directors, and visualized our strengths, business model, and the value we provide with the aim of achieving VISION 2030. As part of these efforts, we identified critical challenges that should be prioritized to realize both sustainability and enhancement of corporate value, defined our approach to implementing these as "sustainable management," and formulated the Seven Promises. Furthermore, this overall picture was compiled into a value creation narrative and approved by the Board of Directors.

STEP 2 2022

Identified materialities and KPIs

We identified the gap between our current situation and our vision under VISION 2030 through discussions with management and division heads and selected candidates for materialities based on the Sustainable Development Goals (SDGs), international standards, ratings by environmental, social, and governance (ESG) evaluation institutions, and stakeholder expectations. Directors and related executives evaluated the degree of impact on stakeholders and on the Company and identified critical issues with a particularly significant impact on both as materialities. While confirming their alignment with the Seven Promises, we formulated KPIs to quantitatively monitor progress, incorporated them into the 4th Medium-Term Business Plan, and obtained approval from the Board of Directors.

STEP 3 2025

Reviewed materialities in line with formulation of the 5th Medium-Term Business Plan

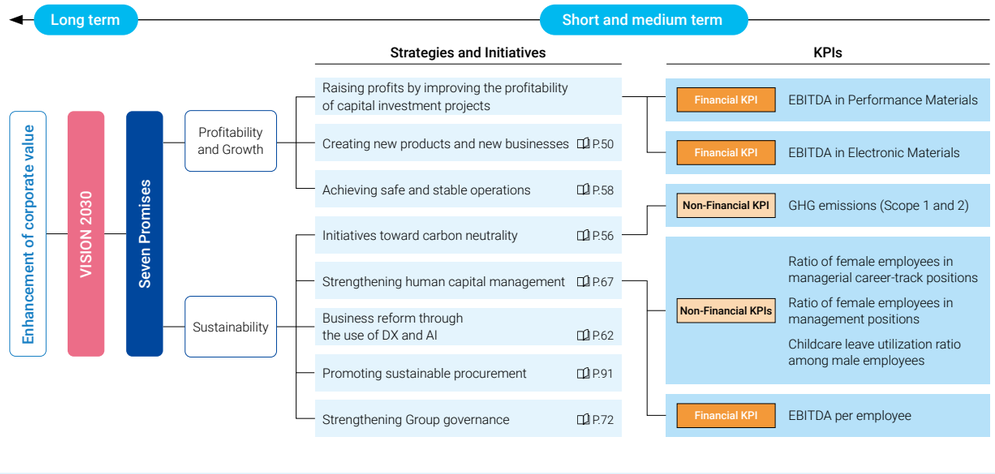
We conducted reviews of materialities and KPIs based on dialogue with investors and changes to the business environment during the period of our 4th Medium-Term Business Plan. After reexamining the critical management challenges involved in promoting sustainability, we confirmed that the Seven Promises comprehensively represent these critical challenges and positioned them as our materialities. Furthermore, we revised our financial and non-financial KPIs with the goal of clarifying their connection with enhancing corporate value and improving the effectiveness of progress management. We analyzed the relationship between our strategies, initiatives, and KPIs in terms of "profitability and growth" and "sustainability," incorporated this analysis into the 5th Medium-Term Business Plan, and obtained approval from the Board of Directors.

Seven Promises (Materialities)

1. We will develop businesses that help resolve social issues.
2. We will conduct business conscious of reducing our impact on the environment.
3. We will strive to secure trust through safe and stable operations.
4. We will practice management transparency with high ethical standards.
5. We will provide a lively work environment that motivates and rewards diverse human resources.
6. We will promote responsible supply chain management.
7. We will strengthen our earning power.

Logic Tree for Enhancing Sustainability Management and Corporate Value

We have positioned our Seven Promises (Materialities) as critical challenges for enhancing corporate value. Additionally, the Seven Promises are being examined from the two perspectives of "profitability and growth" and "sustainability" in terms of enhancing corporate value. This logic tree examines the relationship between the strategies and initiatives aimed at realizing each materiality and the financial and non-financial KPIs that measure their progress, and illustrates the connection between the KPIs and the enhancement of corporate value. Consistently achieving short-term KPI targets and steadily implementing strategies and initiatives will lead to the realization of our Seven Promises, achievement of VISION 2030, and sustainable enhancement of corporate value.



5th MTBP (FY2025–FY2027) KPIs

For more details on the progress of KPIs, please see P28.

	No.	KPI	5th MTBP (FY2025–FY2027) FY2025	FY2027 (Final Year)	3-Year Total
Financial KPIs	1	Operating income	11.2 billion yen	16.5 billion yen	44.9 billion yen
	2	EBITDA	17.6 billion yen	23.6 billion yen	65.3 billion yen
	3	ROE	11%	15%	–
	4	ROIC	10%	12%	–
	5	EBITDA margin	15%	18%	–
	6	EBITDA per capita	20.0 million yen	28.0 million yen	–
	7	EBITDA in Performance Materials*1	14.8 billion yen	–	48.9 billion yen
	8	EBITDA in Electronic Materials*1	3.2 billion yen	–	11.1 billion yen
	9	Dividend payout ratio	48.1%	Dividend payout ratio: Approx. 40% (During the period of the plan)	
	10	DOE	5.4%	4% or more (During the period of the plan)	

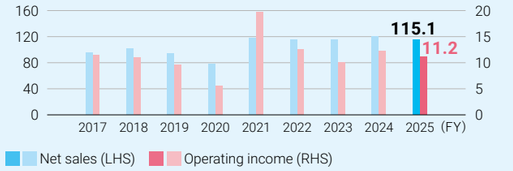
	No.	KPI	FY2025	FY2027 Targets
Non-Financial KPIs	11	GHG emissions (Scope 1 and 2)*2	30.1% reduction compared to FY2017	30% reduction compared to FY2017 (2030 target accelerated)
	12	Ratio of female employees in managerial career-track positions	13.7%	17% or more
	13	Ratio of female employees in management positions	6.2%	11% or more
	14	Childcare leave utilization ratio among male employees*3 (including leave utilization for childcare purposes)	95.2%	80% or more

*1 Does not include Company-wide administrative costs
*2 Shows results from April 2024 to March 2025
*3 Childcare leave includes childcare leave, childcare leave at birth, and paid leave for childcare purposes. The leave ratio exceeds 100% due to employees who had a child at the end of 2024 taking leave at the beginning of 2025.

Financial and Non-Financial Highlights

Net sales / Operating income

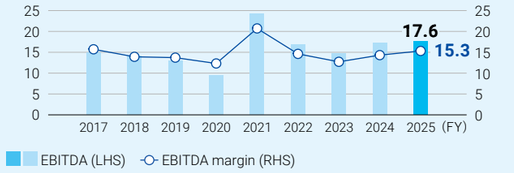
KPI 1 P.36



Net sales, operating income, and EBITDA have increased since the Company's listing. In FY2025, net sales were 115.1 billion yen, operating income was 11.2 billion yen, and EBITDA totaled 17.6 billion yen. Through continued investments in growth businesses and by increasing the share of high-profit businesses such as Performance Materials and Electronic Materials, EBITDA reached a record high, excluding FY2021, when results benefited from a temporary rebound in demand following the COVID-19 downturn. The EBITDA margin also remained at a high level of 15%.

EBITDA / EBITDA margin

KPI 2, 5 P.20, 36



Net income attributable to owners of the parent

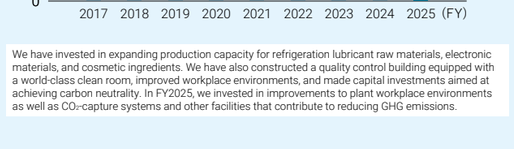
P.36



Net income attributable to owners of the parent was 7.8 billion yen in FY2025. Since our listing, we have generated earnings while continuing to invest in growth businesses, including Performance Materials and Electronic Materials. Going forward, we will continue to enhance earning power through resource allocation to growth businesses and transformation of our business portfolio, thereby achieving sustainable growth.

ROE / ROIC

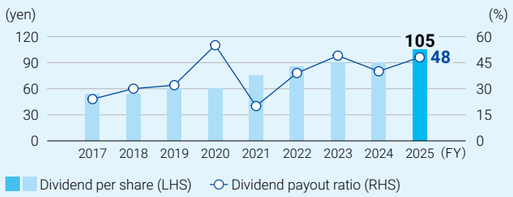
KPI 3, 4 P.36



ROE was 11.2% in FY2025, maintaining a double-digit level. ROIC was 9.6%, exceeding the cost of capital. We continue to pursue management with a strong focus on capital efficiency while maintaining growth investments. By converting past growth investments into earnings and optimizing capital allocation, including the effective use of debt, we aim to further enhance corporate value.

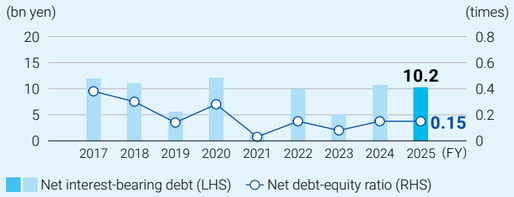
Dividend per share / Dividend payout ratio

KPI 9 P.20, 36



Since our listing in 2016, we have maintained stable and continuous shareholder returns as a basic policy and have gradually increased the level of returns while balancing growth investments and our financial base. In FY2025, in addition to increasing the dividend to 105 yen, we carried out share buybacks totaling 5.0 billion yen, bringing the total payout ratio to 112%. In FY2026, we plan to raise the target dividend payout ratio to approximately 50% and increase the DOE target to 5% or higher, while also increasing the annual dividend to 130 yen per share, marking the seventh dividend increase since listing.

Net interest-bearing debt / Net debt-equity ratio

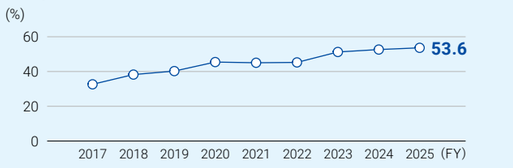


(Note) Except lease obligations

When we became independent from the then Kyowa Hakko Kirin Group in 2011, we carried a substantial amount of interest-bearing debt. Since listing, however, we have strengthened our financial base through earnings accumulation and other initiatives. Net interest-bearing debt at the end of FY2025 was 10.2 billion yen and the net debt-equity ratio was 0.15 times, reflecting a steady improvement in financial soundness.

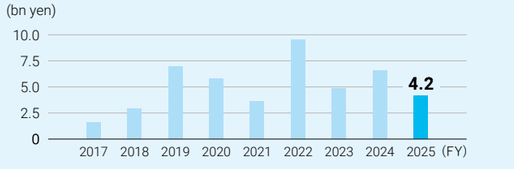
Equity ratio

P.36



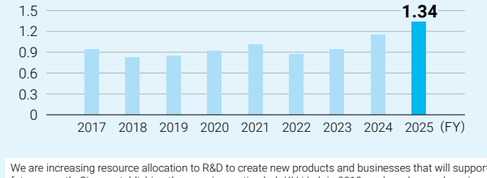
Through earnings accumulation and appropriate financial management, the equity ratio increased from below 30% at the time of listing in FY2016 to 53.6% in FY2025. These efforts to strengthen our financial base have also been recognized externally, resulting in the acquisition of an A- credit rating from R&I. In a business environment that is changing rapidly, we will continue to maintain financial soundness while allocating capital appropriately to growth investments and shareholder returns, thereby further enhancing corporate value.

CAPEX



We have invested in expanding production capacity for refrigeration lubricant raw materials, electronic materials, and cosmetic ingredients. We have also constructed a quality control building equipped with a world-class clean room, improved workplace environments, and made capital investments aimed at achieving carbon neutrality. In FY2025, we invested in improvements to plant workplace environments as well as CO_2-capture systems and other facilities that contribute to reducing GHG emissions.

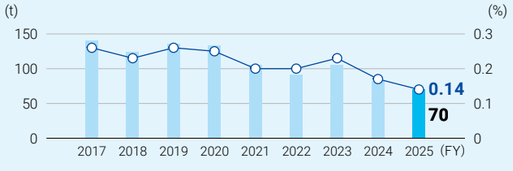
R&D expenses



We are increasing resource allocation to R&D to create new products and businesses that will support future growth. Since establishing the open innovation hub KH i-Lab in 2019, we have been advancing R&D aimed at the commercialization of polyhydroxybutyrate (PHB) and biopharmaceutical raw materials (glycans), among other initiatives. We further accelerated these activities in FY2025, and R&D expenses reached a record high of 1.34 billion yen.

Amount of final landfill disposal, ratio

P.89

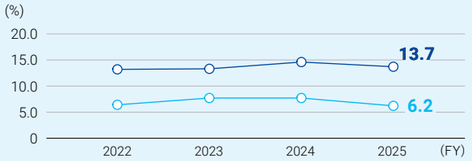


(Note) Scope of aggregation: Yokkaichi Plant and Chiba Plant

To reduce the amount of landfill disposal, our Yokkaichi Plant and Chiba Plant have both been working to reduce waste and promote recycling. In FY2025, the final landfill disposal was 70 tons, a ratio of 0.14%, a 0.17% decrease compared to the 82 tons in FY2024. Going forward, we will work to promote the effective use of resources and reduce the environmental impact of our business activities.

Ratio of female employees in managerial career-track positions / Ratio of female employees in management positions

KPI 12, 13 P.71



Gender wage gap

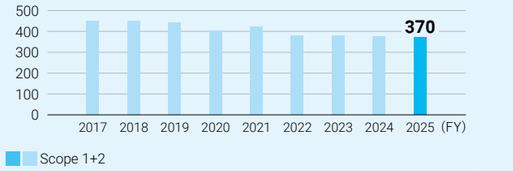
FY	2022	2023	2024	2025
All workers	83.4%	85.6%	86.2%	**80.0%**
Full-time workers	81.6%	83.2%	83.5%	**79.8%**
Part-time or fixed-term workers	67.6%	83.8%	68.4%	**65.0%**

(Note) Ratio of female employee wages to male employee wages

We are working to create a corporate culture in which diverse human resources can thrive independently, regardless of nationality, age, or gender. In addition to promoting the hiring of women, we are also focusing on the active training and hiring of female managers and female career-track employees who are candidates for management positions. In FY2025, there were six female employees in management positions, a ratio of 6.2% that decreased year on year. Furthermore, one of these employees was appointed as a corporate officer in FY2025.

Greenhouse gas (GHG) emissions

KPI 11 P.56, 88

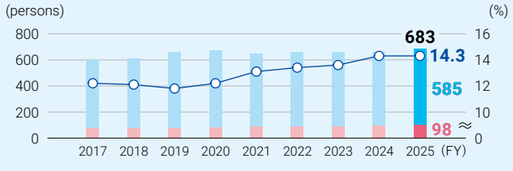


(Note 1) April 1 to March 31, each year. Figures reported based on the Act on the Rational Use of Energy.
(Note 2) Starting in FY2021, we have been deducting the amount of CO_2 that was generated in our production processes, captured, and used as raw materials from our GHG emissions. We have confirmed this with the government office for reporting GHG emissions.

To achieve carbon neutrality by 2050, we have set a target of reducing GHG emissions by 30% by 2030 compared with FY2017 levels. To achieve this target, we are implementing and expanding advanced plant control systems that improve energy efficiency, upgrading in-house power generation facilities, and introducing CO_2-capture systems. GHG emissions in FY2025 totaled 370 thousand t-CO_2, representing a 22% reduction compared with FY2017. Including the volume of CO_2 consumed as a raw material, GHG emissions were reduced by 30%, allowing us to achieve our target ahead of schedule.

Number of employees and ratio of female employees

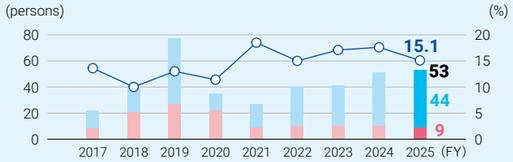
P.71



(Note) Full-time workers, contract employees, and seconded staff (all figures as of December 31)

To build a human resource foundation that supports our sustainable growth, we are advancing the creation of an environment that enables diverse human resources to thrive. The ratio of female employees has risen from approximately 12%, when we were initially listed on the Tokyo Stock Exchange, to 14.3% in FY2025. Furthermore, we are advancing the development of a work environment that enables a balance between work and childcare, and were granted "Kurumin" certification in October 2025. Going forward, we will develop an environment that enables diverse human resources to demonstrate their individual skills, leading to an increase in organizational capabilities.

Total number of new employees



(Note) Only workers who have signed a labor contract with no fixed term

Years of service and gender differences

FY		2019	2020	2021	2022	2023	2024	2025	2026
Years of service	**Male**	14.6	13.5	13.7	14.0	14.2	14.1	14.2	**14.3**
	Female	14.3	14.3	15.0	15.3	15.1	15.4	15.4	**15.4**
Difference (female − male)		−0.3	0.8	1.3	1.3	0.9	1.3	1.2	**1.1**

(Note 1) "Difference" is the difference in the number of years of service calculated as "female − male."
(Note 2) Full-time workers only. All figures as of April 1, each year

We have implemented a job-based HR system, and there is no difference in base pay between men and women at the same job or role level. Meanwhile, the gender wage gap is impacted by factors including the ratio of women in management positions and among managerial candidates and the fact that many female employees utilize shorter working hours. We will continue to advance the recruitment and development of female employees and their appointment to management positions, which will further narrow the gender wage gap. Additionally, the average years of service was 15.4 years for female employees, exceeding the 14.3 years for male employees. Going forward, we will advance the creation of a work environment that enables diverse human resources to be active for a long time and fully demonstrate their skills.

Achievements to Date and the Positioning of the 5th Medium-Term Business Plan

In 2018, the KH Neochem Group established its long-term vision, VISION 2030, and has since worked toward becoming a leading global specialty chemical company.

To achieve this vision, we have formulated medium-term business plans on a rolling three-year basis. Under the 3rd and 4th Medium-Term Business Plans, we actively pursued not only growth investments in Performance Materials and Electronic Materials but also investments in the business foundations that support sustainable growth, including decarbonization, governance, and human capital.

Under the 5th Medium-Term Business Plan, which commenced in 2025, we are focused on translating past investments into results and further strengthening the earning power of our Performance Materials and Electronic Materials businesses. At the same time, with an eye toward future growth beyond the current plan period, we are advancing initiatives that will lay the groundwork for the next stage of growth, including the creation of new products and new businesses.

KH Neochem's Strengths

- Outstanding Manufacturing Facilities
- Rich and Unique Technologies
- A Wide-Ranging Customer Network

3rd Medium-Term Business Plan

(FY2019–FY2021)

Taking on New Challenges

Basic Strategy	Key Accomplishments
Strategy I Profit Increase by New Facilities	• Completed new refrigeration lubricant raw materials facility at the Yokkaichi Plant (2020) • Built new equipment for next-generation semiconductor materials (2020)
Strategy II Active Investment for the Future Expansion of Performance Chemical Business	• Made the decision to expand production capacity for refrigeration lubricant raw materials at the Chiba Plant (2021) • Launched the search for new businesses by establishing our open innovation hub, KH i-Lab (2019)
Strategy III Improvement of Business Framework	• Introduced advanced plant control systems as planned • Introduced job-based HR system for managers • Formulated and implemented the business continuity plans (BCPs) and issued an integrated report

Cumulative operating income ····· 34.9 billion yen

Cumulative EBITDA ····· 46.6 billion yen

ROE ····· 10–28%

4th Medium-Term Business Plan

(FY2022–FY2024)

Driving Sustainable Management

Basic Strategy	Key Accomplishments
Strategy I Further Growth in the Strategic Domains	• Construction was completed to expand production facilities for refrigeration lubricant raw materials at our Chiba Plant, representing the largest investment to date (2024) • In the field of high-purity solvents for electronic materials, a new quality control facility with a state-of-the-art clean room has been established, and statistical process control was implemented • Completion of expansion project for equipment for next-generation semiconductor materials (2024)
Strategy II Medium- and Long-Term Initiatives to Resolve Social Issues	• A decision was made to invest in CO_2 recovery equipment at the Chiba Plant (2023) • Progress was made on the search for new products and businesses through investments in and collaboration with start-ups
Strategy III Improvement of Business Framework	• A predictive diagnostic system was introduced to detect signs of equipment failure • A job-based HR system was introduced for general employees

Cumulative operating income ····· 34.6 billion yen

Cumulative EBITDA ····· 48.5 billion yen

ROE ····· 11–14%

5th Medium-Term Business Plan

(FY2025–FY2027)

Toward a New Growth Stage

Basic Strategy	Key Initiatives
Strategy I Enhancement of Earning Power	• Expansion of sales of refrigeration lubricant raw materials and improvement in productivity • Strengthening of quality and sales of high-purity solvents for the semiconductor domain • Utilization of materials facilities for next-generation semiconductors and enhancement of added value
Strategy II Efforts Toward Future Growth	• Creation of new products and businesses • Reduction of GHG emissions aimed at carbon neutrality
Strategy III Reinforcing the Corporate Infrastructure	• Promotion of DX at plants • Strengthening of core personnel in line with our management strategy

Key Numerical Management Targets

Cumulative consolidated operating income ····· 44.9 billion yen

Cumulative consolidated EBITDA ····· 65.3 billion yen

ROE (2027) ····· 15%

VISION 2030

A Leading Global Specialty Chemical Company

We aim to achieve VISION 2030 by viewing environmental changes as opportunities and continuing to create new value.

2018 — 2019 — 2020 — 2021 — 2022 — 2023 — 2024 — 2025 — 2026 — 2027

Creation of business foundations and strengthening of profitability

Implementation of growth investments and establishment of an earnings base

Maximization of results, leading to the next stage of growth

Overview of the 5th Medium-Term Business Plan

While uncertainty in the global economy is increasing due to prolonged geopolitical risks, including tension in the Middle East, and the continued slowdown of the Chinese economy, stable growth is expected, particularly in emerging economies. In the chemical industry, market conditions for commodity products are expected to remain weak due to the deterioration of supply-demand balances resulting from capacity expansions in China. In Japan, further industry consolidation is also anticipated. We view these changes in the business environment as opportunities and will strive to further enhance corporate value.

Aiming for steady growth on a three-year basis

Because our business performance is affected by a variety of year-to-year factors, including changes in the external environment and the biennial execution of major scheduled maintenance turnarounds, we have adopted cumulative EBITDA over the three-year plan period as a key management target. Through this approach, we aim to achieve steady growth on a three-year basis.

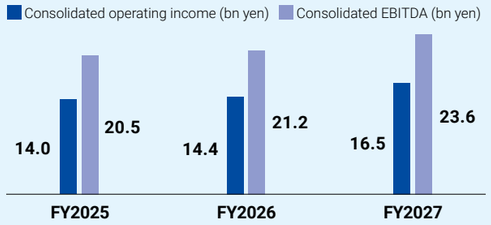
5th Medium-Term Business Plan
(FY2025–FY2027)

Basic Policy

Toward a New Growth Stage

Key numerical management targets

Cumulative consolidated operating income	Cumulative consolidated EBITDA	ROE
44.9 billion yen	65.3 billion yen	15%



Single-year numerical targets	FY2024	FY2027
Operating income	12.2 billion yen	16.5 billion yen
EBITDA	17.2 billion yen	23.6 billion yen
ROE	13%	15%
ROIC	10%	12%
EBITDA margin	14%	18%
EBITDA per capita	21.0 million yen	28.0 million yen

Strategy I Enhancement of Earning Power

By strengthening the profitability of performance chemicals, centered on refrigeration lubricant raw materials and Electronic Materials, we will accelerate the transformation of our business portfolio into one that is more resilient to changes in the external environment.

		Three-year cumulative consolidated EBITDA The 4th MTBP → The 5th MTBP
Performance Materials The air conditioner market, which represents the primary use for refrigeration lubricant raw materials, continues to expand globally.	• Capture growing demand for refrigeration lubricant raw materials by leveraging our world-leading production capacity and global logistics bases • Procure highly cost-competitive raw materials and incorporate new technologies	34.5 billion yen → 48.9 billion yen
Electronic Materials The semiconductor market continues to grow, primarily for cutting-edge applications such as AI.	• Expand sales of high-purity solvents, mainly for semiconductors in cutting-edge fields, and respond to growing quality needs by pursuing increased added value • Proactively capture demand for cutting-edge semiconductor materials by utilizing our equipment for next-generation semiconductor materials	9.3 billion yen → 11.1 billion yen
Basic Chemicals Domestic demand remains solid, but competition is intensifying for some products due to the influx of foreign products into Japan.	• As one of Japan's leading oxo manufacturers supporting key industries such as automobiles and housing, we will strengthen our stable supply framework • Will improve productivity, optimize logistics systems, strengthen collaboration with raw material manufacturers, and implement other streamlining measures, while securing profits through appropriate sales pricing policies	12.9 billion yen → 13.6 billion yen


Chiba Plant: Refrigeration lubricant raw material facilities


Yokkaichi Plant quality control facility
Photo: Ena Mitsui
(Kawasumi & Kobayashi Kenji Photography Studio)


Next-generation semiconductor materials facilities

(Note) Three-year cumulative EBITDA by business segment does not include Company-wide administrative expenses.

Strategy II Efforts Toward Future Growth

New products and businesses P.50

We aim to further enhance our corporate value by pursuing the creation of new products and businesses that contribute to solutions for social issues in the strategic domains of environment, healthcare, and electronics.

Carbon neutrality P.56

We have set for ourselves the goal of reducing GHG emissions by 30% compared to FY2017 levels by 2030, with the aim of achieving carbon neutrality by 2050, and seek to achieve this target ahead of schedule during the period of our 5th Medium-Term Business Plan. We will pursue this goal from all angles, including business, technology, and inter-company collaboration.

From the exploration stage to the business creation stage

	Environment	Healthcare	Electronics
Social issues	• Prevention of global warming • Marine plastic pollution	• Provision of high-value-added pharmaceuticals	• Enhanced optical functions through the utilization of IoT and AI
New businesses	• Marine biodegradable resin (PHB)	• Biopharmaceutical raw materials (Glycans)	• Next-generation optical lenses (Alicyclic compounds)

Promotion of business, technology, and inter-company collaboration from every angle

Business	• Consuming CO_2 as a raw material for products • Contributing to the spread of environmentally friendly air conditioners through refrigeration lubricant raw materials
Technology	• Utilizing advanced plant control systems, as well as in-house power generation equipment and a CO_2-capture system, at our Chiba Plant
Inter-company collaboration	• Collaboration with local governments and companies in nearby industrial complexes


PHB development

Strategy III Reinforcing the Corporate Infrastructure

In implementing sustainable management, we have identified three key issues: strengthening plant on-site capabilities to support safe and stable operations, improving productivity through our DX strategy, and advancing human capital management to maximize the value of our human resources. To that end, we will undertake a range of measures.

Critical issues and initiatives



1 Strengthen the on-site capabilities of plants to make them more competitive
- Further raise safety awareness
- Promote smart industrial safety
- Promote DX
- Strengthen core human resources who will be responsible for the operation of next-generation plants

2 Promote operational efficiency through the active use of AI technology
- Utilize a predictive diagnostic system and advanced plant control systems
- Accelerate the development of new products and businesses through digital marketing
- Streamline operations using generative AI

3 Promote the active participation of diverse human resources by strengthening core human resources and improving the workplace environment
- Strengthen core human resources in alignment with management strategies
- Develop a workplace environment that enables employees to choose a working style that suits their individual circumstances

Financial and capital strategy

While focusing on investing in future growth through cash generated by strengthening our earning power, we will also work to enhance shareholder returns. We will flexibly allocate our strategic investment budget of 13.5 billion yen to M&A, business restructuring investments, additional shareholder returns, and other measures in response to changes in the business environment.

Operating cash flow (48.0 billion yen)	Growth and infrastructure investment (18.0 billion yen)	R&D, DX investment, maintenance and renewal of existing facilities, etc.
	Strategic investment budget (13.5 billion yen)	M&A, business structure reform, additional shareholder returns, etc.
	Shareholder returns (16.5 billion yen)	Payout ratio: 50% as a guide / DOE: Over 5% / Flexible share buybacks



Building on Competitiveness Strengthened amid Headwinds to Drive Future Growth

Toshiaki Fujima
Board Director, Executive Corporate Officer, and Chief Strategic Officer (CSO)

Message from the CSO

Review of the First Year of the 5th Medium-Term Business Plan

FY2025, the first year of the 5th Medium-Term Business Plan, was a year in which we faced headwinds that were stronger than anticipated. In refrigeration lubricant raw materials, our core business, demand declined as the air conditioner market, the principal end market for these products, entered a significant adjustment phase from the second half of the year. The business environment for Basic Chemicals also remained challenging. As a result, operating income totaled 11.2 billion yen, falling short of both the previous fiscal year and our initial plan. We must acknowledge this outcome candidly.

That said, over the course of the year, I was once again able to reaffirm the resilience of our Company. EBITDA increased year on year to 17.6 billion yen, demonstrating that our ability to generate cash remains firmly intact. For example, in Electronic Materials, we successfully captured growing demand for high-purity solvents, which require high quality, against the backdrop of expansion in the semiconductor market driven by the widespread adoption of generative AI. This translated into growth. I believe this reflects the market's recognition of the quality and supply capabilities that we have continuously refined over many years. We also made steady progress in laying the groundwork for future growth and strengthening our management foundation through investments in DX and human capital. Leveraging these foundations, we are moving ahead in FY2026 toward a return to growth.

Initiatives to Strengthen Earning Power

Performance Materials

Preparing for the upcoming recovery phase

In Performance Materials, refrigeration lubricant raw materials, our main product category, face an uncertain outlook as naphtha prices have risen to unprecedented levels due to developments in the Middle East. Amid concerns over sharp cost fluctuations and raw material procurement, and with the refrigeration lubricant market currently in an adjustment phase, we believe it is more important in the near term to secure appropriate profitability than to pursue volume growth aggressively. That said, our long-term outlook remains unchanged. The air conditioner market, the principal end market for refrigeration lubricant raw materials, is expected to continue expanding, supported by factors such as global population growth and rising temperatures associated with global warming. In addition, new sources of demand are emerging, including cooling systems for data centers and automotive air conditioning systems for EVs. While we will continue to monitor near-term market conditions carefully, we are preparing to ensure that we can firmly seize opportunities when the market enters its next growth phase.

Within Performance Materials, our cosmetic ingredients business is also making steady progress. In addition to our core product, 1,3-butylene glycol, other products are steadily gaining traction. Rather than relying solely on refrigeration lubricant raw materials, we will grow these product lines as well, further strengthening the earnings base of the Performance Materials business as a whole.

Electronic Materials

Seizing growth opportunities while prioritizing earnings quality

In Electronic Materials, we will continue to steadily capture growth opportunities arising from the expansion of the semiconductor market while maintaining a strong focus on earnings quality. Profit growth in high-purity solvents continued in FY2025, providing a solid foundation for further expansion. In addition, technological development of next-generation semiconductor materials manufactured by our Group company, Kurogane Kasei Co., Ltd., has continued to advance through close collaboration with customers.

Electronic Materials is a business in which we expect substantial growth over the medium to long term. As semiconductors become increasingly high-performance and miniaturized, ever-higher levels of quality are required for the products used in their manufacturing processes. Meeting these needs accurately and consistently will be essential to future growth. We will translate the benefits of our prior investments, including enhancements to our quality management framework and supply infrastructure, into earnings growth. At the same time, we will continue refining the technological capabilities of the KH Neochem Group and delivering on customer expectations to achieve high-quality growth.

Basic Chemicals

Advancing structural reform through dual approaches: Production optimization and alliances

Meanwhile, we recognize that the business environment for Basic Chemicals will remain challenging, and have positioned structural reform as one of our key priorities for FY2026. However, given the characteristics of our operations, structural reform is not as simple as merely reducing or halting production. At our plants, Basic Chemicals and performance chemicals share facilities and processes up to a certain stage of production. Simply reducing or suspending Basic Chemicals production would shift fixed costs previously borne by that business to other businesses, potentially undermining overall profitability. Accordingly, we are pursuing two approaches simultaneously: optimizing production systems through our own efforts and promoting rationalization through external alliances. With respect to the former, we discontinued five unprofitable solvent products in FY2025. Going forward, we will continue to take prompt action wherever possible, based on the principle of overall optimization across the Company. As for alliances, progress inevitably depends on counterparties, and we cannot determine the timetable on our own. However, we have no intention of taking a leisurely approach. As the executive responsible for structural reform, I am committed to advancing these initiatives with a strong sense of urgency and demonstrating visible progress.

Strengthening the Management Resources That Support Business Growth

Ultimately, it is people and the front lines that turn strategy into action. Rather than advancing human capital management, strengthening plant on-site capabilities, and improving productivity through our DX strategy separately, we will strengthen our management foundation by linking these initiatives organically.

In the area of DX, the rapid evolution of generative AI has created a strong sense of urgency within the Company. We recognize that failing to act risks being left behind. Our voluntary business transformation project launched in FY2026 attracted far more applications than anticipated, particularly from younger and mid-career employees. However, introducing new tools alone is not enough to unlock the full value of generative AI. True impact can only be achieved when people are willing to rethink how work is performed and transform established ways of working. Through this initiative, I have gained tremendous confidence from seeing employees take the lead in driving change from the front lines.

We are also accelerating our strategic approach to intellectual property. By strengthening collaboration between intellectual property and business-related functions, we are utilizing the technologies and patents we have accumulated not only for protection but also for marketing purposes. At the same time, we are leveraging market changes and customer needs to drive innovation and create new intellectual property. By making effective use of intellectual property from both offensive and defensive perspectives, we aim to strengthen our competitive advantages and cultivate new markets.

Above all, safety remains the most important aspect of our business foundation. For a chemical manufacturer handling hazardous materials, safety is our highest priority and is never subject to compromise. Sustainable growth can only be achieved on the foundation of safety. To ensure safety on a continuous basis, each individual must translate safety awareness into daily actions. By once again sharing our safety guidelines of "protecting ourselves and our colleagues" across the entire Company, we will further strengthen a culture in which every employee takes responsibility for their own actions.

Steps to Achieving VISION 2030

Since March 2026, the scope of my responsibilities has expanded beyond strategy formulation to include DX, intellectual property, environmental safety, and quality assurance. My role today is to take a Company-wide perspective that goes beyond any single function, determine how these functions should be connected, and translate those connections into the enhancement of corporate value across the Group.

Steadily growing our existing businesses is, of course, a fundamental requirement. However, that alone will not enable us to achieve the leap forward we aspire to. We must further strengthen the competitiveness of our existing businesses while creating new businesses and products that deliver discrete growth. As a means of accelerating that progress, M&A remains one of our key strategic options.

At the same time, pursuing growth alone is not sufficient. We must confront our management challenges directly, including the difficult business environment surrounding the petrochemical industry. We will allocate management resources intensively to areas targeted for growth while steadily advancing structural reform in areas requiring rationalization. This is the management approach we intend to pursue rigorously.

Through these initiatives, we will move beyond an extension of the status quo and enter a new stage of growth, further enhancing corporate value and meeting the expectations of our stakeholders. In doing so, we will achieve VISION 2030 and realize our aspiration of becoming a leading global specialty chemical company through tangible results.



Strengthening Our Earning Power to Drive Growth and Shareholder Returns

Taro Hasuo
Board Director, Senior Corporate Officer, and Chief Financial Officer (CFO)

Message from the CFO

On Assuming the Position of CFO

In recent years, capital market reform has progressed rapidly in Japan, placing greater emphasis on management that is conscious of share prices and investor perspectives. The Company has long recognized the importance of this trend and has worked to improve capital efficiency, enhance shareholder returns, and engage proactively with investors. Throughout my career at a securities firm, I have been closely involved with capital markets and have observed firsthand how companies are viewed by the market and how they engage with the market. I intend to leverage that experience to help the Company become even more attentive to its share price, respond more effectively to investor expectations, and enhance corporate value.

I believe a CFO should serve as a bridge between a company's management and frontline business operations on the one hand, and the capital markets on the other. My role is both to communicate the Company's current situation and growth strategy accurately to investors and to engage in constructive dialogue, while also bringing market perspectives back into the organization and translating them into improvements. Facilitating this two-way exchange is one of the key responsibilities entrusted to me. By incorporating diverse viewpoints from both inside and outside the Company, I will work with a strong sense of urgency and responsiveness.

Review of FY2025

Operating income for FY2025, the first year of the 5th Medium-Term Business Plan, amounted to 11.2 billion yen, falling short of our initial target of 14.0 billion yen. We were unable to meet market expectations for the Company, and we take this result seriously. There were two primary reasons for the shortfall. The first was Basic Chemicals, where prices declined due to an influx of low-cost imports from China, while volumes also came under pressure. The second was a larger-than-expected decline in demand for refrigeration lubricant raw materials compared with our assumptions at the beginning of the fiscal year. In the air conditioner market, the principal end use for these products, several factors converged, including the fading effects of government subsidy programs in China, a decline following demand brought forward by refrigerant regulations in the United States, and unfavorable weather conditions in emerging markets such as India. As a result, sales of refrigeration lubricant raw materials grew more slowly than anticipated.

At the same time, our cash-generating capabilities continued to strengthen steadily. Although operating income declined year on year, EBITDA increased to 17.6 billion yen, representing the second-highest level in our history. Depreciation expenses have increased year after year as a result of past growth investments. In FY2025 in particular, depreciation rose significantly following the expansion of production capacity for refrigeration lubricant raw materials, placing downward pressure on operating income. We view the increase in EBITDA as clear evidence that the earning power of the KH Neochem Group continues to strengthen as a result of those growth investments. Underlying this strength are businesses that combine high market shares and strong profitability on a global scale, particularly refrigeration lubricant raw materials and Electronic Materials. Over the medium to long term, refrigeration lubricant raw materials are expected to benefit from expanding air conditioner demand in emerging markets, particularly India, as well as growing demand from new applications such as cooling systems and chillers for data centers and air conditioning systems for EVs. We also expect continued expansion in the semiconductor market, the primary end market for Electronic Materials, supported by growth in generative AI-related demand. By maintaining strong market positions in these areas of competitive strength, we intend to continue steadily expanding our cash-generating capabilities.

Financial Soundness and Capital Efficiency

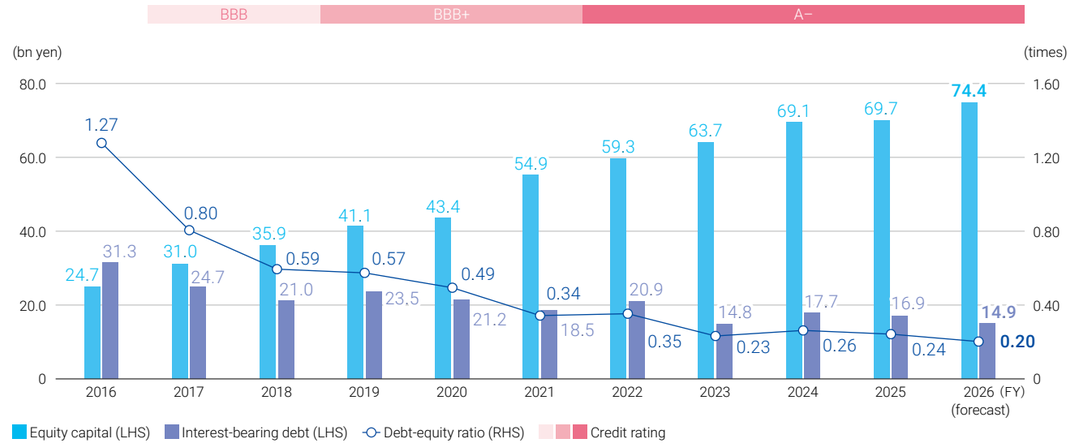
The chemical industry is highly susceptible to geopolitical risks such as recent developments in the Middle East and to fluctuations in the global economy. As a capital-intensive industry, it must also maintain financial capacity to support ongoing CAPEX. A certain level of financial strength is therefore indispensable. When the Company was first listed, our financial foundation could not be considered particularly robust. Over the past decade, however, we have steadily strengthened our financial position. Today, shareholders' equity stands at approximately 70 billion yen, our equity ratio has risen to the 50% range, and our credit rating has improved to the A category. As a result, we believe we have effectively reached an important milestone in strengthening our financial foundation and do not intend to continue significantly increasing equity capital from current levels. Rather, given the decline in financial leverage, we believe debt should be utilized more actively to support future growth investments.

Financial leverage is directly linked to capital efficiency. We regularly evaluate our cost of capital, and although the cost of equity is partly determined by market conditions, the overall cost of capital can be reduced through the appropriate use of financial leverage. Under the 5th Medium-Term Business Plan, we have established targets of 15% ROE and 12% ROIC for FY2027, the final year of the plan. In FY2025, we achieved ROE of 11% and ROIC of 10%, indicating that further improvements in profitability and capital efficiency will be required to meet these targets. We will pursue profit growth through continued investment in competitive businesses while maintaining financial soundness. At the same time, we will enhance capital efficiency through the optimization of our capital structure, including the use of debt and the enhancement of shareholder returns.

Numerical management targets: Results and forecasts

(bn yen)	FY2023 results	FY2024 results	FY2025		FY2026 forecasts
			forecasts	results	
Net sales	115.2	119.8	127.4	**115.1**	**114.0**
Operating income	9.9	12.2	14.0	**11.2**	**13.5**
Operating income ratio	8.6%	10.2%	11.0%	**9.8%**	**11.8%**
Ordinary income	9.7	12.1	13.9	**10.8**	**12.6**
Net income	6.8	8.4	10.0	**7.8**	**8.7**
EBITDA	14.6	17.2	20.5	**17.6**	**20.1**

Financial soundness indicators



Growth Investments and Shareholder Returns

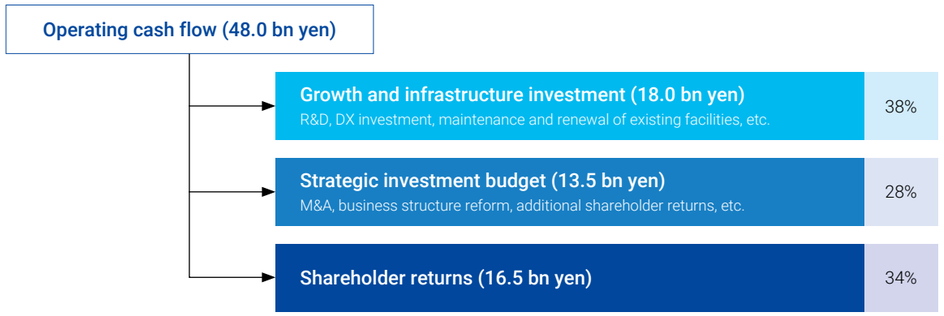
In the 5th Medium-Term Business Plan, which began in 2025, we announced our intention to allocate the 48.0 billion yen of operating cash flow expected to be generated over the three-year period not for strengthening the financial foundation, but rather for growth and infrastructure investment of 18.0 billion yen, a strategic investment budget of 13.5 billion yen, and shareholder returns of 16.5 billion yen. While the period of large-scale capital investments that characterized recent years has largely concluded, we will continue to allocate cash to initiatives included within growth and infrastructure investment, including R&D investment, DX investment to strengthen our management foundation, and maintenance and renewal investment that supports safe and stable operations. Regarding shareholder returns, in FY2025 we raised our target dividend payout ratio to approximately 40% and introduced a DOE benchmark of 4% or more. We also implemented the Company's first-ever share buyback, totaling 5.0 billion yen, equivalent to 5.4% of shares outstanding. Furthermore, to support achievement of our 2027 ROE target of 15%, we enhanced capital efficiency and shareholder returns further by raising our targets in August 2026 to a dividend payout ratio of approximately 50% and DOE of 5% or more.

Now that we have reached the midpoint of the 5th Medium-Term Business Plan, we are carefully reviewing future capital allocation. We continue to view the strategic investment budget as a source of funding for M&A, business structure reform, and potentially additional shareholder returns. The precise allocation will be determined based on future investment opportunities and business conditions.

The Company has built its business foundation and enhanced corporate value through continuous growth investment, and that fundamental approach remains unchanged. In Electronic Materials, for example, demand continues to increase for high-purity solvents and next-generation semiconductor materials. We will continue allocating capital to capture these growth opportunities while using the profits generated from those investments to further enhance shareholder returns.

Capital Allocation and Basic Shareholder Return Policy Under the 5th Medium-Term Business Plan

Capital allocation



Basic Policy for Shareholder Returns and Dividend Forecast

Basic policy revised upward and increased annual dividend forecast announced in August 2026

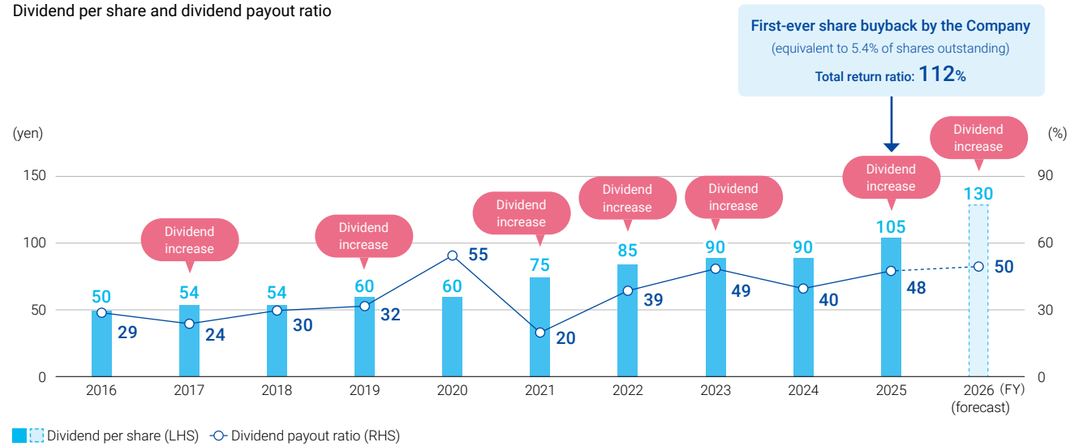
Shareholder Return Policy Revised Upward

- Dividend payout ratio: Approx. 40% → **Approx. 50%**
- Target DOE: Over 4% → **5% or more**
- Flexible share buybacks → **Ongoing**

Increased Annual Dividend Forecast

- Annual dividend per share: 105 yen → **130 yen**
  Annual dividend forecast increased by 20 yen from the initial forecast of 110 yen per share

Dividend per share and dividend payout ratio



Business Portfolio Transformation with the Cost of Capital Firmly in Mind

To sustainably enhance corporate value, it is not enough simply to increase profits. We must also continue generating returns that exceed our cost of capital. Accordingly, we approach capital allocation from the perspective of determining where limited management resources can be deployed to enhance corporate value.

To date, we have increased earnings through investments in high-growth, highly profitable businesses such as refrigeration lubricant raw materials and Electronic Materials. Through R&D, we are also working to create new businesses centered on glycans and polyhydroxybutyrate (PHB). On the other hand, management that is conscious of the cost of capital requires continuous evaluation of how effectively invested capital is generating returns. Businesses that fail to generate sufficient returns must also be reassessed. From this perspective, we will continue advancing business structure reform in Basic Chemicals, not only through our own efforts but also through collaboration with other companies.

By simultaneously pursuing capital allocation toward higher-growth, more profitable businesses and restructuring areas that require fundamental improvement, we will continue transforming our business portfolio to generate returns that consistently exceed our cost of capital.

IR Activities to Enhance Market Trust and Growth Expectations

At the beginning of this message, I referred to management that is conscious of share prices. I would also like to comment on how the market currently evaluates the Company. Using the price-earnings (P/E) ratio, which measures how many times earnings per share (EPS) a company's shares trade at, KH Neochem's P/E ratio stood at approximately 13 to 14 times as of the end of July 2026. Given that it is not uncommon for specialty chemical companies to trade at P/E ratios exceeding 20 times, our valuation cannot be considered particularly high. The P/E ratio can also be viewed as an indicator of the market's expectations for future growth. Put simply, the market's growth expectations for the KH Neochem Group as a specialty chemical company are not especially high at present, and we must take this observation seriously.

The most important way to increase investor and market expectations is to steadily grow earnings and demonstrate our growth potential through tangible results. We must translate prior investments in Performance Materials into earnings growth and accelerate the expansion of Electronic Materials to establish it as our second major business pillar. In doing so, we must deliver results that exceed market expectations. Beyond that, I believe a key responsibility of the CFO is to develop the next growth strategy within the Company, communicate it clearly and effectively to investors, and ensure that it is appropriately reflected in market valuation. We have long placed great emphasis on investor relations (IR) activities and maintained active dialogue with investors. Going forward, we will strengthen these efforts even further to enhance trust in the KH Neochem Group and raise expectations for our future growth.



Delivering Value to Remain the Company of Choice

Yukihiro Isogai
Senior Corporate Officer and Chief Marketing Officer (CMO)

Message from the CMO

Aiming for a Truly Market-Oriented Approach to Realize VISION 2030

Under VISION 2030, we are striving to become a leading global specialty chemical company. To that end, across the three strategic domains of environment, healthcare, and electronics, we are working to expand profits in existing businesses and create new businesses that will lay the foundation for future growth. Under the 5th Medium-Term Business Plan, we will realize returns on the repeated investments we have made in existing businesses, thereby steadily enhancing earning power. At the same time, for new businesses, we position the period of the plan as a stage for transitioning from exploration to creation and validating commercialization opportunities that generate value. We possess a business foundation in growth markets and have developed technologies to secure world-leading positions and competitive advantages in these markets. These represent major strengths of the Company. However, markets are constantly changing, and the value required for materials is becoming increasingly sophisticated and diverse. Therefore, the aim of our growth strategy is to stay ahead of change, create value that is unique to the Company, and ensure that we continue to be chosen by the market, rather than relying solely on the strengths we have built to date.

Our current mainstay products, such as refrigeration lubricant raw materials and high-purity solvents, were not guaranteed successes from the outset. Instead, we achieved success with these products by continuously listening to the market, identifying changes as they emerged, and constantly considering what customers need, all while evolving our technologies. Looking back, I believe the key to that success was not driven by a product or technology-based approach, but rather a market-oriented approach guided by market needs.

To me, a truly market-oriented approach does not entail simply meeting customer needs. It involves examining market changes, customer issues, our technologies and product lineup, and our market advantages as a whole to identify the value that only we can provide. It also involves reflecting that value in existing business and sales strategies in a concrete manner to realize continuous growth while responding to changes in the operating environment. Furthermore, this approach focuses on realizing discontinuous growth by steadily commercializing new products and businesses.

In FY2025, we were tested both in our ability to identify market changes and in our ability to capitalize on growth opportunities. For refrigeration lubricant raw materials, although the air conditioner market was impacted by temporary inventory adjustments, data center construction continued on the back of expansion in the generative AI market, leading to a broader adoption of cooling systems that make use of our products. In electronic materials, we steadily capitalized on growth opportunities by responding to increasingly stringent quality requirements accompanying advances in semiconductor technology. In new businesses such as glycans and PHB, product evaluations advanced at testing facilities, and paid deliveries continued, enabling us to make steady progress toward commercialization. Through these experiences, we reaffirmed the importance of identifying where demand is emerging and what customers need, and delivering our products and technologies accordingly.

Continuing to Be Chosen in Growth Markets

Our growth driver in the environmental domain is the refrigeration lubricant raw materials business. Against the backdrop of growing air conditioner demand across the globe and the transition to refrigerants that respond to environmental regulations, we recognize that there are significant opportunities for growth over the medium to long term. However, being the global leader is not the goal. Rather, it is essential that we leverage our position that gives us a broad view of the global market so that we can continue to anticipate what the market needs. Air conditioner applications span a wide range of uses, from residential and commercial facilities to EVs and data centers, and the performance and quality requirements for refrigeration lubricant raw materials are becoming increasingly diverse. In addition, the mix of air conditioner models, the pace of refrigerant transition, and the potential for growth vary from region to region. By thoroughly assessing the characteristics of each application and local market and continuing to propose the best possible materials, we will continue to be a company that is chosen in growth markets.

In the electronics domain, demand for cutting-edge semiconductors is expanding on the back of the widespread adoption of generative AI. Furthermore, as advanced packaging gains wider adoption in cutting-edge semiconductors, our electronic materials, which have conventionally been used primarily in front-end processes, are also expected to see greater use in back-end processes. Under these circumstances, we have actively invested management resources in building a stable supply system for semiconductor-related materials that are essential to semiconductor manufacturing, including high-purity solvents and functional monomers and polymers. High-purity solvents, one of our flagship products, are required to offer more than just high purity. In addition to minimizing quality variation to the greatest extent possible, we must ensure their quality throughout the supply chain, from raw material procurement to storage and transportation. Furthermore, the ability to propose high-performance materials that underpin advancements in semiconductors is becoming increasingly important. By combining the Group's high-purification technology, quality control technology, and capabilities in high-mix, low-volume production and high-performance materials, we will continue to help solve the technical challenges our customers face. Through these efforts, we will further strengthen our position as an indispensable partner in semiconductor manufacturing.

In the healthcare domain, there remains strong demand for high-performance products, as expectations for skin safety and user experience in the cosmetics market continue to rise. In addition to 1,3-butylene glycol, which delivers excellent moisturizing properties for skincare products, we will continue expanding our product lineup to provide value that enables us to remain the preferred choice of our customers. Furthermore, we will leverage the quality control technology we have cultivated in cosmetic ingredients to expand the scope of our business through high-performance materials currently under development, including glycans. By doing so, we will realize new growth in this domain.

Types of air conditioners that use refrigeration lubricants



Other uses for refrigeration lubricants



Responding to demand for cutting-edge semiconductors

Further growth in cutting-edge semiconductor demand driven by generative AI adoption

We combine high-purification technology with material design and synthesis technologies that support further miniaturization and advanced multilayering. In this way, we provide support for miniaturization and multilayering in the manufacturing process of cutting-edge semiconductors, from the perspectives of materials and technologies.

Supporting ultra-precise semiconductor processing

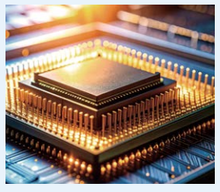
We meet the stringent requirements of increasingly precise semiconductor processes through our high-purification technology and advanced quality control capabilities with high levels of cleanliness, contributing to improved yields.



Supporting higher-performance back-end processes

Through our photoresist raw materials, we contribute to higher-performance back-end processes, including HBM,*1 TSV,*2 and RDL.*3

*1 High bandwidth memory
*2 Through-silicon via
*3 Redistribution layer



Strengthening our structure for stable supply

By strengthening the supply chain through such efforts as stable raw material procurement and investments in logistics infrastructure, we support the stable production activities of our customers.



Taking New Businesses Beyond Technology Initiatives

To ensure that our new product development goes beyond just technology initiatives, we established our KH i-Lab in 2019. At this lab, we have been drawing on open innovation to explore new business opportunities based on ways of thinking that differ from how we approach our existing businesses. Superior technology and the potential to resolve social issues are important starting points for a new business. However, these aspects are only the beginning. A business becomes viable only when its value is recognized by the market and when it has in place a framework for realizing a return on that value. By engaging in repeated trial and error while continuously exploring market opportunities across numerous themes, KH i-Lab has identified promising target markets for several initiatives. Under the 5th Medium-Term Business Plan, we have been repeatedly formulating hypotheses and conducting verification tests in the target markets, and are seeing an increase in customer engagement.

For example, in the case of marine biodegradable resin (PHB), biodegradability alone is not enough to gain traction in the market given the wide range of available resin materials. By thoroughly assessing the kinds of issues we can resolve and in what markets, we will pursue PHB applications offering value that the market will recognize. To do so, we need to propose PHB to the market in the form of concrete molded products. We are therefore advancing dialogue with the market based on a clear vision of the end product, offering PHB in forms tailored to customer needs, including films, sheets, powders, and pellets. Also, glycans hold significant potential in drug discovery for emerging modalities such as biopharmaceuticals due to their inherent drug delivery system functionality. Meanwhile, to practically apply glycans in life-related fields, it is essential to establish a large-scale and stable supply structure. To that end, we are working together with GlyTech, Inc., with whom we have a capital and business alliance, to provide a lineup of more than 100 glycans that can be mass-produced. At the same time, it is important to communicate to the market how glycans can be utilized and the specific value they offer. We are therefore working with external partners to verify applications that can deliver tangible efficacy and benefits across key modalities, including antibody drugs, peptide therapeutics, and nucleic acid therapeutics. In these ways, we will further enhance customer engagement through dialogue with the markets as we steadily pursue the social implementation and commercialization of new businesses.

Understanding the Importance of Supply Chain Management to Reliably Deliver Value to the Market

In practicing a truly market-oriented approach, it is also important to view procurement, production, sales, and logistics as an integrated supply chain. No matter how outstanding a product may be, its value cannot be fully delivered unless it reaches customers when needed and with the required level of quality. Both the value of the product itself and the ability to reliably deliver that value are essential in ensuring that customers continue to choose us.

For our refrigeration lubricant raw materials, in particular, which we sell across the globe, our competitiveness is directly linked to having a supply structure that caters to trends in local demand and supports regional sales strategies. For electronic materials, it is essential that we pursue quality assurance activities, including across logistics processes, in order to meet stringent quality requirements. For basic chemicals, our efforts to enhance supply value across the entire supply chain have played a key role in our being chosen by the market and have contributed to profitability. In these ways, we view a truly market-oriented approach as extending all the way through to the reliable delivery of product value, and we thus place great importance on supply chain management.

Developing Talent That Can Realize a Truly Market-Oriented Approach

At KH Neochem, we take pride in having world-class products and technologies. However, responsibility for market engagement resides with the business divisions, technology development with the R&D divisions, and supply with the production and logistics divisions. To drive our business forward, these functions must work together as one. For this reason, we need talented people who are well-versed in the market and have a deep understanding of technologies and can translate that into business value. As CMO, I believe one of my most important responsibilities is to cultivate as many employees as possible who form connections between the market and technology, existing and new businesses, and internal and external stakeholders. For growth markets as well, we cannot create and grow new businesses if there is no reason for customers to continue to choose them. By turning our technologies into value that enables us to remain the company of choice among our customers, we will further enhance our earning power and corporate value moving forward.



Business Segment Overview

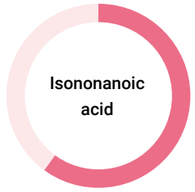
Performance Materials
—Refrigeration lubricant raw materials

Refrigeration lubricants are special lubricants used in air conditioners and freezers, and KH Neochem manufactures the key raw materials that significantly affect the performance of those lubricants. Our raw materials are widely used all over the world because they enable the production of refrigeration lubricants that are highly compatible with environmentally friendly refrigerants such as hydrofluorocarbons (HFCs) and hydrofluoroolefins (HFOs).

Main products
- Synthetic fatty acids
- Base oils etc.

End-use examples
- Air conditioners
- EVs
- Data centers

Products with top global market share

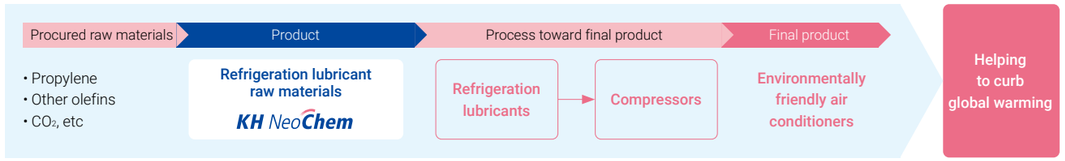


Global market share (Company estimate)

Contributing to the SDGs

(Note) In addition to refrigeration lubricant raw materials, Performance Materials also include materials for cosmetics used in high-end skincare cosmetics.

Value chain and value creation



Competitive advantages, growth opportunities and risks

Market environment: Global expansion of the environmentally friendly air conditioner market

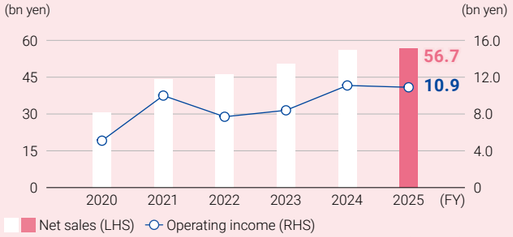
Competitive advantages
- Panoramic view of related industries backed by top global market share
- Production bases located in Asia, where most of the world's demand is concentrated
- Unique products utilizing both low- and high-pressure oxo processes
- R&D and marketing in collaboration with customers

Opportunities/ Risks
- Sustained growth in the global air conditioning market
- Medium- to long-term market expansion for EVs and data centers
- Refrigerant regulations related to ozone layer protection and GHG emissions reduction
- Increase in competition for refrigeration lubricant raw materials

Initiatives and accomplishments in 2025

The global air conditioner market is expected to grow at an annual rate of approximately 5% over the medium to long term. In 2025, however, although the market remained solid in the first half of the year, the effect of China's home appliance replacement subsidies began to dissipate. In the United States, there was a pullback in demand following changes in refrigerant regulations. In addition, growth markets such as India and Southeast Asia were affected by unfavorable weather conditions. As a result, market growth was limited to a modest 1–2% for the full year. Despite these unexpected conditions in the operating environment, in 2025 we further strengthened our position as the global market leader by increasing sales volume of refrigeration lubricant raw materials by approximately 10% year on year, leveraging the increase in production capacity we achieved after expanding equipment for refrigeration lubricant raw materials at the Chiba Plant in 2024. On the other hand, depreciation rose following this expansion of equipment, and as a result operating income decreased slightly year on year in Performance Materials.

Net sales and operating income



(Note) Operating income does not factor in administrative expenses common to the entire Company.

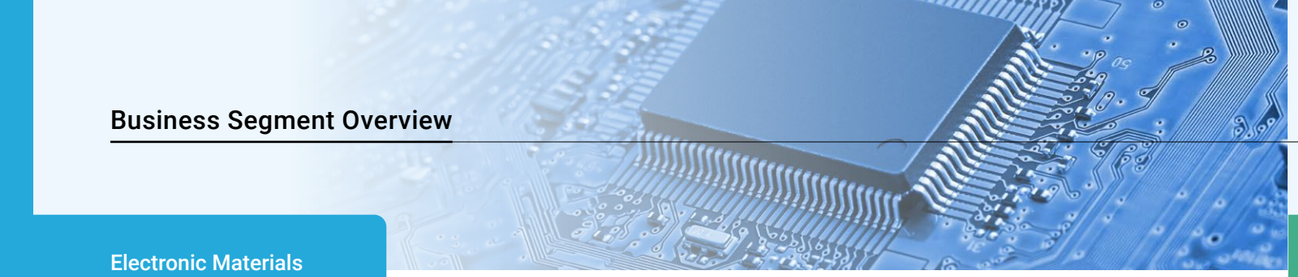
Strategies and key initiatives under the 5th Medium-Term Business Plan

We have built a supply structure for refrigeration lubricant raw materials that can meet growing demand over the medium to long term, including by expanding production capacity for these materials in 2020 and 2024. Although the air conditioner market is currently undergoing a period of adjustment, demand is expected to remain solid in developed countries and China, supported in part by replacement demand, while emerging markets such as India are expected to see further growth in demand. Furthermore, refrigeration lubricant raw materials are starting to be used in a greater range of applications, including for data centers and EVs. By accurately assessing these diversifying market trends and proposing optimal materials for each application, we will further strengthen our position as the holder of the world's No. 1 market share.





Business Segment Overview



Electronic Materials

KH Neochem manufactures high-purity solvents that are essential for the manufacture of semiconductors. These solvents are widely used as raw materials for photoresists, cleaning agents, strippers, and other applications, helping to support the semiconductor manufacturing process from front-end to back-end production. They also offer exceptionally high purity, with impurities controlled to levels as low as parts per trillion. The KH Neochem Group also boasts strengths in functional monomers, polymers, and other products provided by its Group company Kurogane Kasei Co., Ltd.

Contributing to the SDGs

Main products

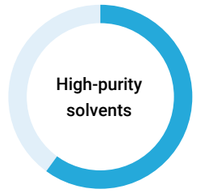
- Esters
- Glycol ethers
- Ketones
- Organic acids (electronic materials grade)

etc.

End-use examples

Consumer electronics
Semiconductors
Automotive

Products with top global market share



Share of Company products used as raw materials for photoresists (Company estimate)

Value chain and value creation

Procured raw materials	Product	Process toward final product		Final product	
• Glycol ethers, etc.	High-purity solvents KH NeoChem	Photoresists, etc.	Displays and semiconductors	Consumer electronics Semiconductors Automotive	Contributing to an advanced information society

Competitive advantages, growth opportunities and risks

Market environment: Expanding electronic materials market accompanying the evolution of the electronics industry

Competitive advantages

- Synthesis and high-purification technologies accumulated over many years
- Advanced quality control technology and expertise that meet market needs
- Facilities for next-generation semiconductors that meet cutting-edge needs
- Production bases located in Japan with particular acumen in the field of electronic materials

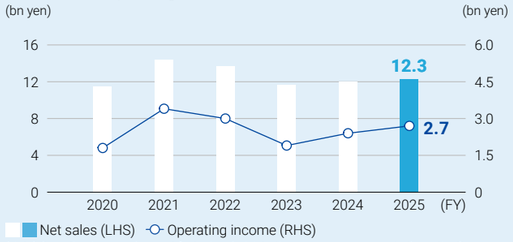
Opportunities/ Risks

- Sustainable growth following the expansion of the generative AI market, etc.
- Growing needs for high quality
- Increased use of photoresists in back-end processes
- The international advantages possessed by Japanese semiconductor component manufacturers
- The trend toward local production and consumption of electronic materials

Initiatives and accomplishments in 2025

In the semiconductor market, demand is expanding, centered on cutting-edge semiconductors, following the widespread adoption of generative AI. In consideration of this market expansion, we have enhanced the competitiveness of our high-purity solvents through initiatives such as the construction of a new quality control facility equipped with a world-class clean room and the reinforcement of our supply infrastructure. We have also expanded facilities for materials used in next-generation semiconductors. In 2025, as a result of such investments, sales volumes of high-purity solvents increased, and we made progress in establishing pricing that appropriately reflects the value of our products. We also achieved solid performance with advanced semiconductor materials.

Net sales and operating income

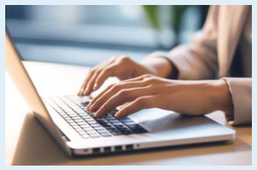


(Note) Operating income does not factor in administrative expenses common to the entire Company.

Strategies and key initiatives under the 5th Medium-Term Business Plan

In the cutting-edge semiconductor field, world-class quality control is required, while demand for new materials continues to grow. Furthermore, with the increased adoption of advanced packaging in back-end semiconductor production processes, the use of photolithography technology is also expanding in these processes. To respond to these market changes, the Group will draw on the results of its ongoing investments to further enhance its technological capabilities through collaboration with customers and business partners and accelerate quality improvement efforts and product development to meet diversifying market needs.





Basic Chemicals



KH Neochem's Basic Chemicals product lineup consists primarily of solvents and plasticizer raw materials. Our solvents are used in paints and inks, and plasticizer raw materials are used as additives to give plastics flexibility. Ultimately, they are used in a wide range of industrial fields, including automotive, housing, and everyday items, and help enrich people's lives. Many of our products are produced using our core technology, oxo synthesis, and a great number of our products hold a top domestic market share.

Contributing to the SDGs

Main products

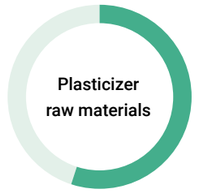
Oxo alcohols
Esters
Glycol ethers

etc.

End-use examples

Automotive
Housing
Industrial products

Products with top domestic market share



Domestic production capacity (Company estimate)

Value chain and value creation

Procured raw materials	Product	Process toward final product	Final product	
• Propylene • Other olefins • CO_2, etc.	Solvents, plasticizer raw materials KH NeoChem	Paints, inks, plastics, etc.	Automotive, housing, industrial products, etc.	Contributing to everyday living

Competitive advantages, growth opportunities and risks

Market environment: Domestic market with good prospects for solid demand

Competitive advantages

- Largest oxo alcohol production capacity in Japan
- Extensive product lineup produced using both low- and high-pressure oxo processes
- Optimized production system leveraging multiple derivatives
- Stable business relationships and trust with top-tier manufacturers

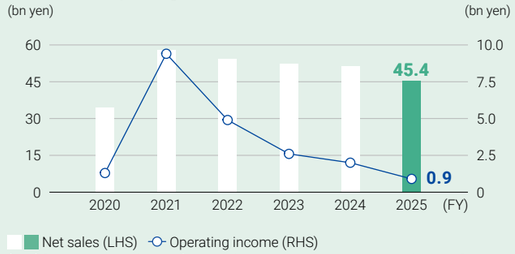
Opportunities/ Risks

- Solid demand for domestically produced products in the Japanese market
- Oversupply in China and other markets
- Changes in market supply-demand dynamics resulting from industrial reorganization
- Rising costs for maintaining and upgrading manufacturing facilities

Initiatives and accomplishments in 2025

Domestic automobile production remained firm overall in 2025. Meanwhile, housing construction in Japan was sluggish, due in part to the soaring costs of homes in certain regions driven by rising construction costs. In addition, we continued to face challenging conditions in the operating environment, with competing products entering the market from overseas affected by supply-demand imbalances. With these and other factors, such as issues that occurred at a raw materials supplier, placing downward pressure on performance, we pushed forward with structural reforms aimed at improving profitability, including withdrawing from the manufacture and sale of certain solvent products.

Net sales and operating income



(Note) Operating income does not factor in administrative expenses common to the entire Company.

Strategies and key initiatives under the 5th Medium-Term Business Plan

We will strive to bolster Basic Chemicals in anticipation of continued oversupply, particularly in China, rising and persistently high fixed manufacturing costs, and ongoing reorganization within the domestic petrochemical industry. Our products boast high market shares in Japan and play an important role in supporting the country's key industries, including the automotive sector, through our materials. To ensure sustainable profitability while continuing to fulfill this important social role, we will pursue thorough streamlining initiatives across manufacturing, raw material procurement, and logistics, and establish pricing levels necessary to sustain Basic Chemicals. We will also optimize our operations, including maintaining the option to collaborate with external partners, to strengthen profitability.





TOPICS: Evolving Our Business and Pursuing New Challenges to Create New Value



Performance Materials

Contributing to Climate Change Mitigation Through Our Refrigeration Lubricant Raw Materials

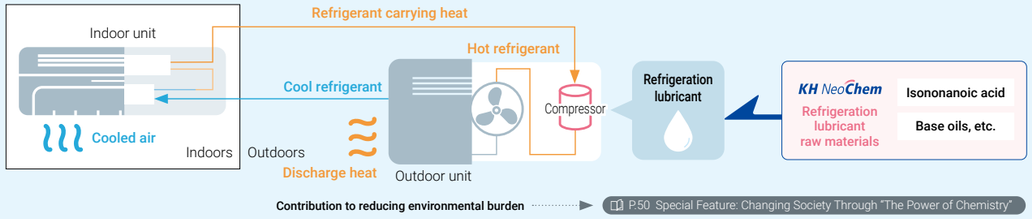
Refrigeration lubricant raw materials, a core product of Performance Materials, are expected to see growth over the medium to long term on the back of the widespread adoption of air conditioning, primarily in emerging countries, the expansion of the data center market, and the further electrification of automobiles, among other factors. Viewing these changes in the operating environment as an opportunity, we will strengthen our competitiveness by enhancing our marketing and supply capabilities. At the same time, by leveraging refrigeration lubricant raw materials as products that support the adoption of environmentally friendly air conditioners, we will contribute to the realization of a decarbonized society.

What are refrigeration lubricant raw materials? An indispensable material for air conditioners

Air conditioners regulate indoor temperature by taking in indoor air and moving only the heat outside. During this process, the refrigerant that carries the heat is compressed by the compressor inside the outdoor unit. Refrigeration lubricant is essential for keeping the compressor running smoothly and efficiently over the long term. These refrigeration lubricants require inherent lubrication capabilities, as well as additional properties.

Lubricity	Durability	Electrical insulation	Compatibility
Ability to maintain appropriate lubricity for smooth compressor operation	Capability to ensure a certain level of functionality over long-term air conditioner use	Resistance to electricity to help prevent short circuits in electrical components inside the air conditioner	Appropriate solubility in the refrigerant

In these ways, refrigeration lubricants require especially high performance compared to other lubricants. The key to achieving this performance lies in the raw materials. KH Neochem uses its unique technologies to manufacture raw materials for refrigeration lubricants and supplies them worldwide.



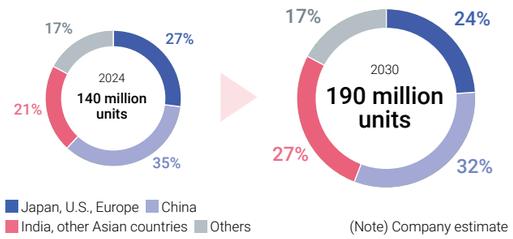
Market environments supporting growth

Today, it is extremely difficult to imagine life in the summer without air conditioning. The global air conditioner market is expected to expand over the medium to long term, driven by rising temperatures and increasingly frequent heat waves. In particular, further demand growth is expected across the Global South, including India, Southeast Asia, and the Middle East and Africa, where economic development continues to raise living standards.

In addition, demand for refrigeration lubricant raw materials is growing in markets other than air conditioning. With regard to data centers, demand for these materials is expected to emerge from the installation of large-scale cooling systems and from the need for unit replacement associated with regular maintenance. In EVs, which cannot reuse engine waste heat in the same manner as gasoline-powered vehicles, car air conditioners utilizing energy-efficient heat pump technology have been adopted, and this has steadily expanded the range of applications for our products.

To capitalize on these growth opportunities, we invested in facilities at our Chiba Plant in 2024, thereby increasing production capacity by 50% and strengthening our supply capabilities.

Air conditioner market share: Regional breakdown



(Note) Company estimate

Expanding applications for refrigeration lubricant raw materials



Air conditioning



Car air conditioning for EVs



Data centers

What makes KH Neochem's refrigeration lubricant raw materials the choice of customers?

Reason: We continue to meet the needs of our customers for stable supply through our diverse product lineup and high production capacity.

Our refrigeration lubricant raw materials are supported by our broad product lineup and our high production capacity. Leveraging distinctive technologies such as high-pressure oxo technologies, we offer a diverse range of products and are able to meet the varying requirements of our customers, including viscosity and refrigerant compatibility. As a leading global supplier, we have made steady capital investment in production capacity over many years, thereby establishing a structure that can offer stable supply.

Furthermore, our long track record of supplying products with consistent quality has helped us establish a global customer base that underpins our competitiveness. We are also further strengthening our logistics network to support stable supply. By establishing storage facilities across China, the United States, Europe, and Japan, we are shortening delivery lead times and enhancing our ability to supply products whenever and wherever they are needed. Strengths such as our supply capabilities, technological response capabilities, and customer base represent competitive advantages that cannot be easily replicated by our competitors.

MESSAGE

Ensuring a reliable supply of products that support society

Sales & Marketing **Takayuki Orimi**



As rising temperatures associated with global warming increasingly threaten people's well-being, air conditioning has become an indispensable part of a healthy life. Knowing that our products play a role in supporting the need for air conditioning makes my work incredibly rewarding. In the past, we experienced the difficulty of not being able to respond fully to a rapid surge in demand due to insufficient production capacity. That challenging experience reminded me of the extremely important role our products play in the supply chain and the critical importance of ensuring a stable supply.

Today, we have greater opportunities to collaborate on new product development with customers with whom we have built long-standing relationships. Drawing on the strength of these trust-based relationships, we will thoroughly capture growing demand and fulfill our mission of ensuring stable supply. By doing so, we will pursue further business growth and expand the value we offer.

COLUMN: Intellectual Property Strategy

The intellectual property and intangible asset strategy supporting our refrigeration lubricant raw materials

Our refrigeration lubricant raw materials are underpinned by our oxo technology, cultivated over many years, together with the people who continue to hone that technology on the front lines of manufacturing and the know-how we have accumulated along the way. In our recent efforts to expand production capacity, we put new manufacturing technologies into practical use, leading to improved productivity and greater stability of supply. Furthermore, in the operations management that supports the continuous operation of our plants, we repeatedly implement daily kaizen improvements based on operational data and frontline observations, working to stabilize quality and raise manufacturing efficiency. These improvement efforts that we carry out on a continuous basis represent an important and unique intangible asset for the Company.

To systematically accumulate and pass on this knowledge, we are digitizing paper-based materials, operational records, and past examples of improvement, and creating a knowledge base through the use of generative AI. By sharing the experience of our veteran personnel on a Group-wide basis, we are promoting both the sophistication of our operations management and the transfer of technology to the next generation.

In addition, at our Intellectual Property Strategy Meeting, we have formulated an intellectual property strategy to strengthen the competitiveness of our refrigeration lubricant raw materials and are working to protect and make use of our technologies and insights. To maintain and strengthen the competitiveness of our core products going forward, we are pursuing patent applications for inventions related to manufacturing technology and quality improvement, in an effort to establish our patent portfolio.

In addition, through application development and evaluation technologies, we have also been working on the development of refrigeration lubricants with a focus on the transition in refrigerants that has been driven by refrigerant regulations. We are taking steps to appropriately protect the results of this development and are applying them in our business activities through collaboration with our business partners.

Looking ahead, we will leverage oxo technologies and intangible assets in an effort to further enhance our ability to respond to customer issues and bolster the competitiveness of our refrigeration lubricant raw materials.

TOPICS: Evolving Our Business and Pursuing New Challenges to Create New Value



Electronic Materials

High-Purity Solvents Supporting the Manufacturing of Cutting-Edge Semiconductors

High-purity solvents are essential for semiconductor and display manufacturing. The semiconductor market, which has continued to expand in recent years, is expected to see further growth following the widespread adoption of generative AI. Leveraging the high-purification, quality control, and analytical technologies it has cultivated over many years, KH Neochem provides a stable supply of the high-quality products indispensable to semiconductor manufacturing. As a company that supports an advanced information society from behind the scenes, we are proactively pursuing business expansion while responding to the increasingly rigorous quality requirements that accompany the miniaturization and increased layering of semiconductors.

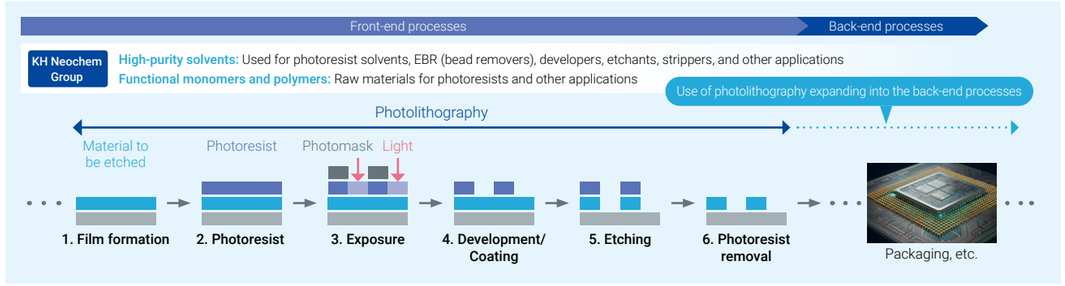
What are the "high-purity solvents" essential to semiconductor manufacturing?

As the name suggests, high-purity solvents are solvents whose purity has been raised to an extreme degree. These solvents are used primarily in the photolithography process in semiconductor and display manufacturing, where the required level of quality is extremely high.

Semiconductor circuit line widths have become increasingly miniaturized down to the nanometer scale, meaning even the smallest trace of impurities can cause defects. For this reason, high-purity solvents require advanced quality control capable of managing impurities down to the ppt level.

To meet these stringent requirements, KH Neochem has accumulated technologies and expertise in both high purification and quality control and analysis. In particular, the analytical technology used to detect and control trace impurities is a critical factor that impacts product quality. We built experience in the display field ahead of our peers and have applied the knowledge gained there to the semiconductor field. In recent years, we have made capital investments to strengthen our quality assurance framework and ensure a stable supply, including the construction of a new quality control facility in 2022 and the expansion of our supply infrastructure in 2024. Through these efforts, we have gained trust in our high quality and stable supply, and this trust underpins our competitiveness in the market for semiconductor materials. Furthermore, our Group company Kurogane Kasei Co., Ltd. handles functional monomers and polymers used as raw materials for photoresists and other applications, enabling us to support a wide range of processes in semiconductor manufacturing, both in terms of materials and technology. Although semiconductor manufacturing has become highly automated, the analysis and evaluation of quality are, in fact, still heavily influenced by human skill. The technologies and expertise accumulated and passed down by our people over many years support the Group's Electronic Materials and serve as the source of our competitiveness in realizing the stable supply of high-quality products.

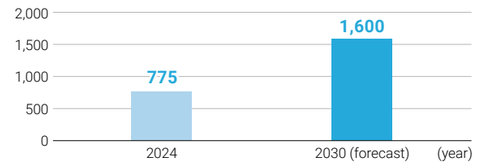
Semiconductor manufacturing process and KH Neochem's involvement therein



Market expansion

Following the widespread adoption of generative AI, the semiconductor market has continued to demonstrate robust growth, and further market expansion is expected going forward. With regard to cutting-edge semiconductors, in pursuit of even higher performance, photolithography technology, which has conventionally been used in the front-end process, is now also being increasingly applied in back-end formation processes such as through-silicon via (TSV), bump, and redistribution layer (RDL) formation. In our Electronic Materials, a greater number of our products are being adopted in cutting-edge semiconductor applications. This, in tandem with growing demand from both front-end and back-end processes, has been providing a favorable tailwind.

Global semiconductor market size



Source: Prepared by KH Neochem based on Omdia and McKinsey & Company, "Semiconductors: A Trillion-Dollar Industry" (April 2026)

What makes KH Neochem's high-purity solvents the choice of customers?

Reason: We have continued to meet customer expectations through our high level of quality and the speed with which we respond to technological innovation.

The first reason why customers choose our high-purity solvents is quality. Particularly for products used in cutting-edge semiconductor applications, even the slightest difference in quality can significantly affect semiconductor defect rates. By raising the quality of both our products and our logistics operations, we have earned high praise from our customers.

The second reason is our response capabilities. The semiconductor industry is known for its extremely fast pace of technological innovation. Through repeated dialogue with our customers, we have expanded our business activities by resolving, one by one, the challenges that underpin technological innovation, such as achieving greater quality. In addition to our swift and steadfast response capabilities, our commitment to prioritizing an uninterrupted supply, even during emergencies, has helped us establish long-term trust-based relationships with our customers.

The third reason is our technological capabilities and organizational structure, which support all the above. Our sales, manufacturing, and technical divisions work in an integrated manner, enabling customer requests to be swiftly reflected on the manufacturing front lines. In turn, this gives us the ability to respond flexibly and quickly to changes in the market.

In these ways, our quality, response capabilities, and technological and organizational strengths are the reason why our products are chosen in the field of cutting-edge semiconductors.

MESSAGE

Supporting the foundations of the digital society from behind the scenes

Sales & Marketing **Hiroki Takahashi**



The quality standards required of high-purity solvents used in cutting-edge applications are rising year by year. In response to such quality-related needs, we have continued to produce high-quality products in a stable manner. When we hear feedback such as, "KH Neochem's products are so impressively clean once you use them that we can't switch to anything else," it reaffirms just how outstanding our products are—and makes me proud.

In the past, there were times when I told young employees about the kinds of advanced applications our products were used in, and they would often be surprised. Today, however, every employee understands the importance of our products, and a culture of taking initiative has taken root across our organization, enabling us to respond swiftly to the demanding requirements of our customers.

Our products are indispensable materials that support the foundations of the digital society from behind the scenes. While continuing to engage in dialogue with our customers, we will pursue products with even higher quality as we continue to support the development of the digital society.

COLUMN: Intellectual Property Strategy

The intellectual property and intangible asset strategy supporting the growth of our electronic materials

The competitiveness of our Electronic Materials is underpinned not only by our high-purification technology but also by the technologies and know-how we have accumulated within every process, from raw material procurement and manufacturing to tank storage, filling and logistics, and analysis and quality control. Through the integrated use of these technologies, we are able to meet sophisticated customer needs, satisfy high standards for quality, and achieve stable supply.

To maintain and build on these strengths going forward, our Intellectual Property Strategy Meeting, which comprises members of Sales & Marketing, Production Technologies, the Technology Development Center, and Intellectual Property, discusses and determines our policy for protecting and utilizing our technologies and know-how in an integrated manner with our business strategy. Based on this policy, we secure rights through patents for cases where protection through disclosure is effective, helping us build our patent portfolio. Meanwhile, we appropriately manage know-how that should remain confidential as trade secrets.

In addition, through joint research with universities, we are accumulating knowledge on how solvents and coating conditions affect the formation process and properties of thin resist films. By deepening our understanding of the manufacturing processes of our customers and the mechanisms used for development from the customer's perspective, we will assess needs more accurately and enhance our ability to make proposals that solve issues.

Furthermore, we are also working to strengthen intellectual property across the Group as a whole. At Kurogane Kasei Co., Ltd., which manufactures electronic materials, roughly 20% of employees are R&D personnel, and the company leverages its rapid technical response capabilities to provide consistent support from the customer's R&D stage all the way through to commercialization. We have also begun visualizing the know-how held by employees engaged in research and development, accumulating it as an asset of the organization. By doing so, we will aim to provide technical proposals and product development support tailored to customer challenges in a swifter and more accurate manner.

Special Feature: Changing Society Through “The Power of Chemistry”

KH Neochem believes that continually taking on the challenge of resolving social issues through its business enables both the achievement of a sustainable society and the Company’s own sustainable growth.

In this special feature, we introduce the new solutions we seek to implement and the value we provide to society, along with the voices of employees who are on the front lines of value creation.



Glycans | Polyhydroxybutyrate (PHB) | Toward Achieving Carbon Neutrality

Deepening and creating business through the power of chemistry

Building on the chemical technologies and manufacturing expertise we have developed over many years, we aim to create new value through two complementary approaches: continuous growth by deepening our existing businesses and discrete growth through the creation of new business opportunities. At the core of this approach are our three strategic domains: environment, healthcare, and electronics. By deepening our existing businesses and creating new businesses in these fields, we will achieve VISION 2030.

In our existing businesses, we leverage our synthesis technologies, customer base, and manufacturing and quality control technologies to identify changes in markets adjacent to our current businesses. Through the enhancement and expansion of the value we provide, we are creating new earnings opportunities.

Meanwhile, in our new businesses, we are utilizing intangible assets such as our R&D capabilities, intellectual property, and talent to create new themes that contribute to resolving social issues. Driving these efforts is KH Neochem’s distinctive corporate culture. Our scale enables agile decision-making, while our open culture encourages the free exchange of ideas regardless of age or organizational affiliation. Combined with an environment in which people with diverse backgrounds and expertise can thrive, this culture fosters new ideas and encourages employees to take on challenges. As a result, projects such as polyhydroxybutyrate (PHB), a marine biodegradable resin, and glycans for biopharmaceutical applications have progressed toward commercialization and are moving from the “exploration” stage to the “creation” stage. In this way, we are harnessing the power of chemistry both to deepen our existing businesses and to create new ones, contributing to the resolution of social issues and the sustainable enhancement of corporate value.

KH Neochem’s value creation contributing to a sustainable society

KH Neochem’s products help to enrich people’s lives through a wide range of industries. Underpinning these products is “the power of chemistry,” which often remains unseen in everyday life. Creating value at KH Neochem means contributing to the realization of a sustainable society by supporting environmentally friendly and comfortable lifestyles through our unique technologies and high-quality products.

In the environment domain, international environmental regulations are accelerating the transition to air conditioners that use refrigerants contributing to the protection of the ozone layer and the reduction of greenhouse gas (GHG) emissions. Our refrigeration lubricant raw materials have contributed to society as indispensable materials supporting the adoption of these environmentally friendly air conditioners. In our new businesses, we are working to accelerate the implementation of PHB as one solution to marine plastic pollution. We are also advancing the development of agricultural businesses that contribute to addressing food-related challenges associated with climate change. In the electronics domain, our high-purity solvents, which are indispensable to semiconductor miniaturization, have supported the semiconductor industry since its early days and contributed to the development of the advanced information society. We are also developing high-performance optical materials for mobility and sensing applications, where growing market demand is expected. In the healthcare domain, we are contributing to improvements in quality of life by expanding our product lineup, including 1,3-butylene glycol, an effective moisturizing ingredient used in cosmetics. We are also pursuing new challenges through glycans, supporting the development of novel modalities such as nucleic acid therapeutics and aiming to address unmet medical needs. In this way, we conduct our business activities with a focus not only on the value of our products themselves but also on the social value they create.

Going forward, we will continue to leverage management resources such as technology and talent while collaborating with our customers and new partners to create new value in our strategic domains and contribute to the development of a sustainable society.

R&D strategies and key initiatives in our strategic domains

Domain		5th Medium-Term Business Plan	6th Medium-Term Business Plan	VISION 2030
Environment	Deploy materials that contribute to reducing environmental impact	Refrigeration lubricant raw materials: Contribute to the spread of environmentally friendly air conditioners		
		Marine biodegradable resin: Contribute to solutions to the marine plastic pollution problem		
		Biostimulants: Contribute to solutions to food problems caused by climate change		
Healthcare	Add functionality to healthcare products to boost their added value	1,3-butylene glycol: Add moisturizing and hypoallergenic properties to skincare cosmetics		
		Glycans: Add target delivery and in vivo stability to biopharmaceuticals		
Electronics	Support the evolution of cutting-edge semiconductors and electronic devices	High-purity solvents: Contribute to semiconductor miniaturization and higher-density packaging		
		Alicyclic compounds: Contribute to advances in mobility and sensing via high-performance optical materials		

KH Neochem’s Endeavor to Develop New Drug Discovery Solutions

Glycans, complex carbohydrate chains that are widely present in living organisms and involved in a variety of biological functions, are attracting increasing attention as novel materials that can enhance the functionality of biopharmaceuticals. Through open innovation, KH Neochem is accelerating the commercialization of glycans, delivering new value to the drug discovery field while strengthening the healthcare domain.

Glycans

COLUMN What are glycans and why are they attracting attention?

▶ The “third chain of life” following DNA and proteins

Glycans are biomolecules consisting of multiple sugar units linked together in chain-like structures and are often referred to as the “third chain of life,” following DNA and proteins. They are present on cell surfaces and are also attached to proteins and lipids, where they play a variety of essential roles in supporting biological activity, including cell recognition, signal transduction, and regulation of protein functions.

Recent advances in analytical technologies have significantly improved our understanding of glycan functions, further revealing their importance in living organisms. As this understanding has deepened, increasing attention has been focused on the use of glycans as functional biomaterials.

▶ Opening up new possibilities in drug discovery through glycans

By attaching glycans to drug candidate molecules, it is possible to optimize properties such as water solubility, circulation time in the bloodstream, and biocompatibility without altering the original molecular structure. Glycans are also attracting attention as components of drug delivery systems that enable the targeted delivery of therapeutics to specific tissues and cells.

Through such glycan modification, it is expected that drug stability can be improved, therapeutic efficacy enhanced, and side effects reduced. In this way, glycans can add new value while preserving the inherent characteristics of drug candidates, offering new design options for drug discovery.



OUR SOLUTIONS

KH Neochem’s proprietary technologies supporting the practical application of glycans

Glycans are increasingly recognized as important biological factors with tremendous potential. However, their structural complexity has made R&D challenging, while the difficulty of large-scale production has presented a major obstacle to widespread practical application in drug discovery.

Drawing on its glycan manufacturing technologies and promoting joint research with external partners, KH Neochem is helping to address these challenges while building a framework capable of supplying a diverse range of glycans in a stable and large-scale manner.

1. Stable supply of glycans required for drug discovery

KH Neochem employs a proprietary approach to glycan extraction, separation, and purification. Compared with conventional chemical synthesis methods, this technology offers superior scalability and is capable of supplying glycans in kilogram quantities required for pharmaceutical development.

2. Technologies and glycan libraries supporting applications across diverse modalities

By collaborating with GlyTech, Inc., KH Neochem now offers a glycan library containing more than 100 glycan structures, including its proprietary glycan product GlyMuch®. Leveraging this extensive glycan lineup together with glycan processing and modification technologies, KH Neochem provides glycan solution services tailored to a wide variety of modalities.

3. Partnerships expanding the potential of glycans

To unlock the potential of glycans for novel modalities, KH Neochem collaborates with a wide range of partners. These include GlyTech in glycan manufacturing and modification technologies, ProAbTech Co., Ltd. in the field of antibody drugs, Luxna Biotech Co., Ltd. and Hokkaido System Science Co., Ltd. in nucleic acid therapeutics, and Veneno Technologies in the field of peptide therapeutics. By combining the expertise of these partners with KH Neochem’s knowledge of glycans, we aim to contribute to addressing unmet medical needs at the earliest possible stage.

KH Neochem glycan solutions

Issues
- Glycan libraries that meet customer needs
- Stable quality and mass production

KH Neochem’s Glycan Manufacturing Technologies
- Diverse lineup
- Modification of reducing-end structures according to customer needs
- Stable quality and mass production technologies

Value Provided

Expanding the possibilities of glycan-based drug discovery
- Acceleration of R&D
- Enhancement of pharmaceutical functionality
- Support for the development of novel modalities

Please visit the link below to view our website dedicated to KH Neochem’s glycan solutions.
https://www.khneochem.co.jp/en/solution/glycan/

Story 1

Advancing the Practical Application of Glycans in Pharmaceutical Development Step by Step



Daisuke Kawasaki
Innovation Strategy (KH i-Lab)

KH Neochem’s work on glycans as a new business development theme began with one employee’s fascination with glycans. Starting with efforts to establish manufacturing technologies, followed by obtaining patents and forming partnerships with external organizations, the Company has built a platform capable of producing diverse glycans stably and at low cost.

However, as we moved toward commercialization, we encountered a new challenge. Because glycans have had limited application in drug discovery to date, simply emphasizing our ability to supply glycans consistently was often not enough. Potential customers frequently told us that it was difficult to envision the specific benefits that glycans could provide, which prevented adoption. In response, we changed our approach. Through joint research with start-ups and research institutions, we began collecting and validating proof-of-concept data demonstrating the potential applications of glycans in drug discovery. By using the data we collected to clearly demonstrate the benefits that glycans can provide, customer response changed significantly. Today, we receive increasingly specific needs and requests regarding potential applications in new areas and additional supporting data. These interactions have given us strong confidence in the path toward practical application.

Our goal is to transform the potential of glycans into practical solutions for pharmaceutical development. Guided by the conviction that we want to be the first to achieve what no one has accomplished before, we will continue working with our partners to create new applications and value, advancing the practical application of glycans one step at a time.

Intellectual property and intangible asset strategies supporting new business and product development

KH Neochem regards intellectual property and intangible assets as one of the sources of value creation that generate both discrete growth and continuous growth. In the glycan field, which is expected to drive discrete growth, the Company has filed patent applications covering proprietary glycans and their manufacturing technologies and has protected them as intellectual property. It has also secured the GlyMuch® trademark to enhance both technology protection and market recognition, laying the groundwork for future business development. In addition, through joint research with universities and start-ups, the Company continues to accumulate application know-how and proof-of-concept data. Building on the results of these efforts, it is further strengthening the patent portfolio required for business development and collaboration through joint patent applications and the acquisition of rights and ownership interests related to patents.

For the marine biodegradable resin PHB, KH Neochem identifies technical challenges associated with anticipated applications and works to develop technologies that address those challenges while protecting them through patent filings. Rather than using intellectual property solely to protect technologies, the Company actively utilizes it in technical discussions and collaborative development with customers, thereby facilitating the co-creation of new applications and supporting the creation of new markets and commercialization opportunities.

Meanwhile, in existing businesses that support continuous growth, KH Neochem utilizes the technical knowledge and development history accumulated through decades of R&D, including projects that did not ultimately reach commercialization, as valuable intellectual property and intangible assets. By digitizing these resources, including information stored in paper-based formats, and combining them with generative AI analysis and digital marketing, the Company is connecting its accumulated knowledge with current social issues and customer needs. Through these efforts, KH Neochem aims to promote the creation of new applications and products and contribute to the enhancement of corporate value over the medium to long term.

KH Neochem’s Endeavor to Develop Next-Generation Bioplastic Solutions

To help address the global challenge of marine plastic pollution, KH Neochem is developing polyhydroxybutyrate (PHB), a bio-based marine biodegradable resin. Through the provision of this next-generation material enabled by proprietary technologies, we aim to contribute to a circular economy while creating a new growth driver in our environment domain.

Marine Biodegradable Resin
(Polyhydroxybutyrate [PHB])

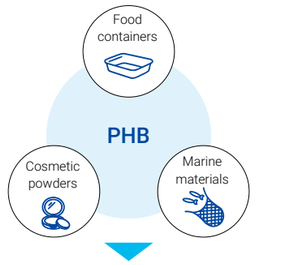
COLUMN What is PHB?

PHB is a biodegradable plastic derived from bacteria. Because it is biodegradable even in marine environments, it is attracting attention as a new material that can decompose and naturally return to nature. Marine plastic pollution, which has serious impacts on the environment and ecosystems, has become an increasingly significant global issue, partly because many conventional plastics do not naturally decompose. According to a survey conducted by Japan’s Ministry of the Environment, plastic fishing gear, including fishing nets and buoys, accounts for a significant portion of debris washed ashore.*

To help address this challenge, KH Neochem is developing a 100% bio-based marine biodegradable resin that naturally decomposes not only in soil but also in marine environments.

* Source: Ministry of the Environment, Japan, “Results of the Compilation of FY2024 Marine Debris Composition Survey Data”

Applying PHB to a wide range of plastic products



OUR SOLUTIONS

Three key characteristics of KH Neochem’s PHB

1. Marine biodegradability

KH Neochem has confirmed through simulated marine environment testing that PHB biodegrades more rapidly than cellulose, which is commonly used as a benchmark biodegradable material. Because PHB can decompose even in marine environments, where microbial populations are relatively limited, it is expected to contribute to addressing the marine plastic pollution problem.

2. High elasticity and heat resistance

PHB offers high elasticity and heat resistance and is less prone to deformation than polylactic acid (PLA), another biodegradable resin. PLA is already used in microwave-safe food containers, and the addition of PHB can further improve heat resistance by reducing deformation during heating.

3. Diverse solutions tailored to customer needs

KH Neochem goes beyond simply supplying PHB as a material. By combining PHB with the chemical technologies we have developed over many years, we can propose optimal production processes, including additive formulations and processing conditions, thereby supporting customers in bringing products to market more smoothly.

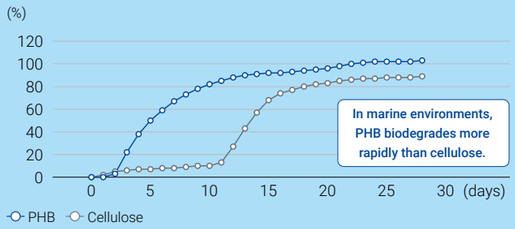
Further evolving KH Neochem’s root technologies for the modern era

Our origins date back to 1948, when we succeeded in mass-producing acetone and butanol through fermentation technology. Nearly 80 years later, we are once again leveraging fermentation and cultivation technologies to commercialize PHB. At our open innovation facility, KH i-Lab, we are advancing cutting-edge technology development through collaborations with universities, start-ups, and companies specializing in biotechnology.

Conventional biodegradable plastics have historically faced limitations in their range of applications due to constraints in elasticity and heat resistance. Because PHB offers both high elasticity and excellent heat resistance, it has the potential to expand the use of biodegradable plastics into applications that were previously difficult to address. However, PHB has also been regarded as a material that is difficult to process, which has limited its widespread adoption. At KH Neochem, we have been integrating the chemical technologies we have cultivated over many years to overcome these challenges. By controlling viscosity and elasticity and ensuring the uniform blending of different materials, we are working to expand the range of applications for PHB.

Through these efforts, PHB is steadily progressing from the “exploration” stage to the “creation” stage toward commercialization.

Degradation rate of PHB and cellulose in seawater



Measurement method:
Modified ASTM D6691 method (Hakata Bay seawater, 30°C)
Biodegradation rate calculated based on biochemical oxygen demand (BOD)

Please visit the link below to view our website dedicated to KH Neochem’s PHB solutions.
https://www.khneochem.co.jp/en/solution/phb/

Story 2

Creating a Future Where PHB Becomes a Familiar Part of Everyday Life



Nao Chihara
Innovation Strategy (Yokkaichi)

PHB is a highly promising material that combines environmental friendliness with functional performance. At the same time, it has certain unique characteristics as a material, and making effective use of it requires careful control of processing temperatures and operating conditions. In addition, to enable its use in a wide range of applications, it is essential to fully bring out the properties that PHB offers, including its high elasticity and heat resistance.

To establish the processing conditions needed to achieve these performance requirements, we have gone through a great deal of trial and error. We have also worked hard to help customers envision specific applications and end products when proposing the material. I still remember how rewarding it was when, after repeatedly refining prototypes and proposals together with evaluation partners, they felt we had advanced the technology far enough to move forward with joint development. Today, I find both fulfillment and a sense of progress in continuously improving PHB to address the different challenges associated with each application while building relationships of trust with our partners.

Our PHB has already progressed beyond the basic research stage, and efforts to develop commercial applications are steadily advancing. If PHB grows into a successful business and eventually becomes a pillar alongside our current core businesses, I believe KH Neochem can evolve to a new stage as a materials manufacturer that provides value from both environmental and functional perspectives. Looking ahead, I hope to help create a future in which PHB becomes a familiar part of everyday life.

Outside Director’s Perspective

On New Products and New Business Initiatives



Jun Tsuchiya
Independent Outside Director

Throughout my career, I have been involved in developing performance chemicals businesses in the chemical industry, particularly those related to electronic materials. At chemical manufacturers, products are fundamentally developed to meet customer needs. Since customers themselves develop products based on the requirements of downstream users, the demands placed on materials are constantly evolving. What is therefore important is to understand customer needs all the way through to the final application. In a sense, it is like seeing the whole forest before planting a tree. Drawing on my experience, I always assess a business from the perspective of where it sits within the broader supply chain and what value it can contribute. In the field of electronic materials, the applications driving demand have evolved over time, from personal computers and displays to smartphones and data centers. While material requirements differ depending on the application and market, every application demands stable quality and reliable supply capabilities. New materials also carry risks simply because they are new. As an outside director, I intentionally take a critical view from a variety of perspectives, including product value, product supply, and changes in the market environment, while considering how a given product or business will contribute to the enhancement of corporate value.

Toward Achieving Carbon Neutrality

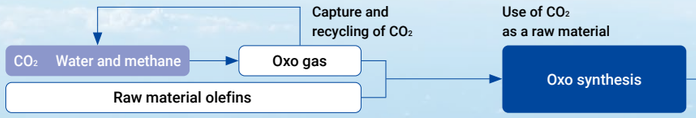
KH Neochem’s Value Creation Contributing to a Sustainable Society

We have declared our commitment to achieving carbon neutrality by 2050 and are advancing initiatives aimed at fulfilling our responsibilities as a corporate citizen.

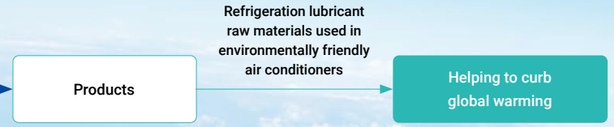
This goal is based not only on reducing our own GHG emissions but also on contributing to the decarbonization of society as a whole through our proprietary technologies and products.

KH Neochem’s own carbon neutrality

Aiming to achieve carbon neutrality using distinctive technology



Contributing to global carbon neutrality through our products



Using distinctive products to help achieve global carbon neutrality

Targets

To achieve carbon neutrality by 2050, we have established a target of reducing GHG emissions by 30% by 2030 compared with FY2017 levels. During the current 5th Medium-Term Business Plan, we have been working to achieve this 2030 target ahead of schedule.

Initiatives and progress

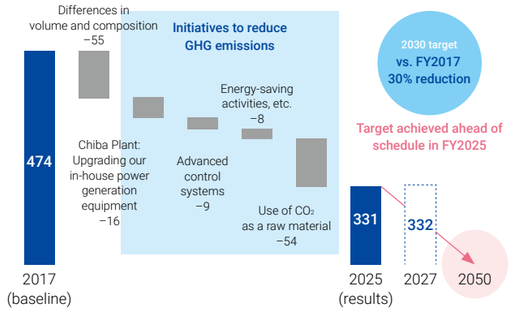
We are advancing the transformation of our business portfolio toward one that places greater emphasis on added value than on volume, including Performance Materials and Electronic Materials, while also implementing energy-saving measures such as upgrading our in-house power generation facilities and introducing advanced plant control systems. As a result, we achieved a 30% reduction in GHG emissions in FY2025 compared with FY2017 levels, thereby achieving our target ahead of schedule.

Future direction

We will continue pursuing further reductions in GHG emissions through greater utilization of the CO_2-capture system and advanced plant control systems at the Chiba Plant. For Scope 3 emissions, approximately 80% falls under Category 1, the majority of which is attributable to raw material procurement. We will therefore deepen collaboration with companies in the industrial complexes from which we procure raw materials and work to reduce environmental impact across the entire supply chain.

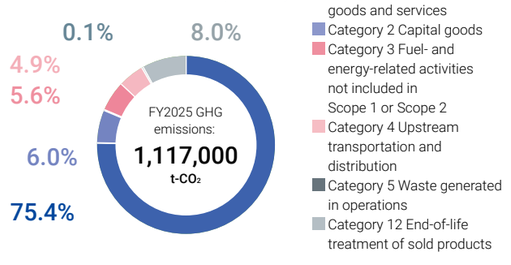
KH Neochem GHG emissions (Scope 1 and Scope 2)

(1,000 t-CO_2)



(Note) Please see P29 for 2025 GHG emissions based on the Act on the Rational Use of Energy.

KH Neochem GHG emissions (Scope 3)



Calculation period: January to December 2025 (April 2025 to March 2026 for Categories 3 and 5)

What are advanced plant control systems?
Chemical plants contain extensive piping networks and require continuous adjustment of operating conditions such as the flow rate, pressure, and temperature of raw materials and products. Advanced plant control systems use IoT technologies to automatically optimize these operating conditions, thereby minimizing production losses and enabling energy-efficient operations.

What is the CO_2-capture system?
In oxo synthesis, one of our core technologies, aldehydes are synthesized through reactions between carbon monoxide, hydrogen, and raw materials such as olefins. CO_2 is used as a raw material in this process. We recover a portion of the CO_2 generated internally and recycle it for use as a raw material.

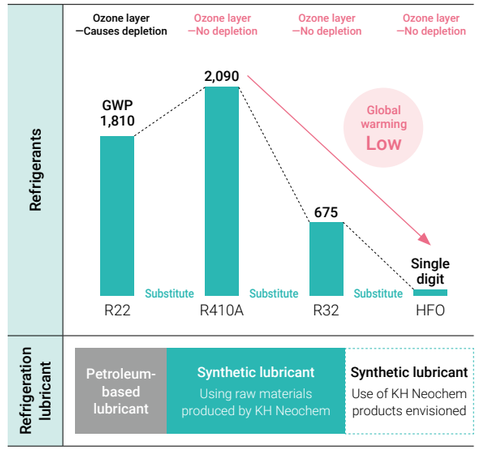
Refrigeration lubricant raw materials contributing to the mitigation of global warming

KH Neochem’s refrigeration lubricant raw materials not only add high performance to refrigeration lubricants used in air conditioners but also play an important role in curbing global warming. This is closely linked to changes in international environmental regulations governing refrigerants. The Montreal Protocol of 1989 targeted gradual reductions and eventual elimination of ozone-depleting substances such as R22, and promoted the shift to alternative refrigerants such as R410A, which do not affect the ozone layer. At that time, given the growing need for synthetic refrigeration lubricants to meet these needs, KH Neochem’s refrigeration lubricant raw materials began to be used as ingredients for those lubricants.

The Kigali Amendment

The 2019 Kigali Amendment to the Montreal Protocol led to an international agreement to gradually reduce the use of alternative refrigerants with high global warming potential (GWP). In response to this trend, there has been a shift to refrigerants with low GWP such as R32, but KH Neochem’s products are compatible with these refrigerants as well and continue to be widely used worldwide. Thus, we have responded to social demands by providing raw materials that adapt to changes in environmental regulations and the evolution of refrigerants, while at the same time expanding our business. Even as next-generation refrigerants such as hydrofluoroolefin (HFO) become more widespread going forward, our refrigeration lubricant raw materials continue to play a crucial role.

Combined refrigerants and refrigeration lubricants



Kigali Amendment HFC phase-down schedule (CO_2 equivalent)

	Baseline year	2036	2045	2047
Developed countries	2011–2013	−85%		
First group of emerging nations	2020–2022		−80%	
Second group of emerging nations	2024–2026			−85%

Notes:
1. First group of emerging nations: Countries that do not belong to Group; Second group of emerging nations: India, Pakistan, Iran, Iraq, and the Gulf Countries
2. The above are final deadlines and reduction amounts, and gradual reductions are planned toward these targets.

KH Neochem believes that continuing to tackle social issues through its business activities will lead to both the realization of a sustainable society and the Company’s sustainable growth. Going forward, we will continue to create value that helps resolve social issues through the power of chemistry and contribute to the realization of a sustainable society by spreading that value throughout society.



Pursuing Robust Manufacturing Plants That Create Value

Hideo Kurokawa
Senior Corporate Officer and Chief Technical Officer (CTO)

Message from the CTO

On Assuming the Role of CTO

I joined Kyowa Hakko Kogyo Co., Ltd., the predecessor of KH Neochem Co., Ltd. Since then, I have been involved in production process design and improvement, construction projects, and manufacturing site management at both the Yokkaichi Plant and Chiba Plant. Following management roles including Head of Production Planning and Engineering and General Manager of the Yokkaichi Plant, I have now assumed the position of CTO. While my career has been devoted entirely to production and technology, I believe my greatest strength lies in the broad range of experience I have gained in those fields, from hands-on operational work to management, and in the many opportunities I have had to engage in dialogue with employees at both plants. My responsibility is to lead the further growth of the KH Neochem Group from a technological perspective and contribute to the enhancement of corporate value. I also believe it is the responsibility of the CTO to create opportunities for employees to grow, strengthen the competitiveness of the plants that helped shape my own career, and ensure that our capabilities are passed on to the next generation.

The Inheritance and Evolution of Technology

Since our founding, we have grown as a chemical manufacturer with technology at the core of our business. Building on our core oxo technologies, we have enhanced the value of our products by combining derivative synthesis technologies, high-purification technologies, quality control, and analytical and evaluation technologies.

Over the approximately 60 years since transitioning to petrochemical-based production processes, we have inherited and continuously evolved our technologies. Through these efforts, we have cultivated products with leading global market shares, including refrigeration lubricant raw materials and electronic materials. Going forward, we will continue to strengthen our competitiveness by advancing our technologies and contribute to the enhancement of corporate value by providing a stable supply of materials that are indispensable to society.

Safety as a Prerequisite and the Pursuit of Competitive Manufacturing Plants

My goal is to ensure that our plants are trusted by society, local communities, and customers by treating safety as the foundation of all business activities while achieving both operational stability and efficiency at a high level.

"Safety first" and "safety is the top priority" are common phrases. Through my discussions with employees, however, I have come to believe that safety should not be viewed as something whose priority is weighed against other considerations. Rather, it is a condition that must be upheld through our daily actions. In addition to physical measures such as equipment safeguards and work safety measures, it is important to establish, thoroughly implement, and continuously improve systems that encompass rules, education, and dialogue.

Within the Company, I often say that "the opposite of safety is not danger, but a lack of awareness." Because familiarity naturally develops in facilities that operate around the clock, we must create an environment in which employees remain alert to risks rather than allowing work to proceed unconsciously. Through procedures, training, inspections, and dialogue, we will build an environment in which complacency is less likely to occur and put into practice our safety guideline of "protecting ourselves and our colleagues."

To remain competitive, however, we must take a further step forward in improving operational stability and production efficiency. The key is to reliably pass on the knowledge and lessons accumulated on the front lines in a form that can be reproduced and utilized consistently, while also incorporating new technologies in ways that can be effectively applied in actual operations.

At KH Neochem, we utilize predictive diagnostic systems that use AI and other digital technologies to analyze operating data and other information in real time to identify signs of equipment problems and minimize their impact. We have also expanded initiatives to improve productivity, including the introduction of advanced plant control systems at nearly 90% of our manufacturing facilities, enabling optimal operations while reducing energy consumption. In this way, we are enhancing the competitiveness of our plants by incorporating new technologies.

"Glass-Walled" Plants as a Mechanism for Value Creation

To advance these initiatives without increasing the burden on frontline employees, I believe our next step is clear. We must create "glass-walled" plants.

Over many years of operating our plants, we have accumulated a vast body of technical knowledge, experience, and lessons learned. Information about when events occurred, which equipment was involved, and how decisions and operational responses were made is a highly valuable intangible asset. At the same time, however, there are cases where information cannot be found when needed or requires significant time and effort to retrieve, creating a burden on employees and hindering higher-value-added work. I believe this can be addressed through better systems.

The "glass-walled" plant that I envision is a state in which equipment conditions, work progress, and the rationale behind decisions are shared in a timely manner with the appropriate stakeholders according to their authority.

By standardizing and visualizing daily operations, including equipment maintenance, operations management, quality control, environmental measures, and budget management through the use of digital technologies, operational records can be retained in a form that is readily usable and can be reliably applied to future decision-making and improvement activities. This will further enhance safety, stability, and efficiency while facilitating smoother knowledge transfer and collaboration across the Company, ultimately contributing to stronger governance.

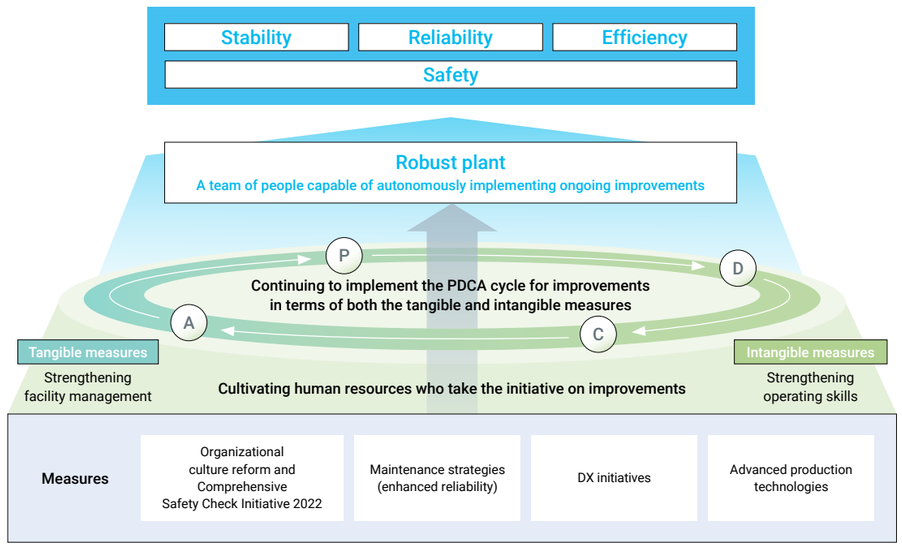
Many of the elements of this vision are already taking shape on the front lines. In addition to predictive diagnostic systems and advanced plant control systems, we are promoting smart industrial safety initiatives such as the digitalization of operating logs. Going forward, we will continue refining these initiatives based on the circumstances of each workplace and expanding them across the Company.

Translating Plant Competitiveness into Corporate Value

Ten years have passed since our listing, and our plants have changed significantly during that time. While continuing to value the fundamentals of manufacturing, including safety and stable operations, a mindset has steadily spread throughout our plant organizations in which employees identify issues for themselves, think of better ways to address them, and contribute to the Company's growth through their work at the plant. A plant is not simply a place where products are made. It is a source of value creation that generates fundamental competitiveness through technology and people.

With safety as a prerequisite, we will achieve stable operations and improve productivity by leveraging accumulated information and digital technologies. In turn, this will foster an environment in which every employee thinks independently, continuously implements improvements, and drives change. I believe that building such robust plants, where this cycle continues to turn, will help us live up to the trust of shareholders, customers, local communities, and society as a whole.

Plant competitiveness is not merely an issue for the manufacturing function. It is directly linked to the competitiveness of the KH Neochem Group's businesses. By continuing to evolve the tangible and intangible assets inherited from previous generations in line with the times and refining them as a source of value creation that supports our next stage of growth, we will continue to enhance the corporate value of the KH Neochem Group.



Safe and Stable Operations and the Evolution of Our Plants



Organizational culture reform

KH Neochem aims to realize competitive plants that enhance stability and efficiency on the basic premise of safety. Achieving this goal requires not only initiatives related to facilities and technology but also employees who think and act autonomously. The organizational culture reform project is designed to foster this sense of ownership throughout the plant's organization.

Based on one of our materialities, providing a lively work environment that motivates and rewards diverse human resources, the Yokkaichi Plant and Chiba Plant are each working to define their desired future direction from three perspectives: vision, mission, and values. To this end, they regularly engage in workshop-based discussions.

In FY2025, the Yokkaichi Plant held workshops for different organizational levels, including department managers, section managers, and non-management employees, to discuss challenges specific to each group and measures to address them. In addition, workshops conducted at the departmental level helped strengthen collaboration across organizational levels and functions. At the Chiba Plant, project members were recruited from among employees to discuss and share plant-wide challenges and the plant's vision, after which each function considered the specific themes it should address.

Through these activities, we are creating an environment in which employees think proactively about both their work and workplace, and can openly exchange opinions across organizational boundaries. By deepening mutual trust, identifying workplace issues and changes at an early stage, and addressing them as an organization, we will continue to strengthen the competitiveness of our plants.

Stable operations

We supply a wide range of materials that are indispensable to diverse industries, making stable plant operations crucial to ensuring an uninterrupted supply of such materials. KH Neochem's distinctive products are produced through chemical reactions under severe conditions, such as high temperature and pressure, and the manufacturing facilities used in these processes are continuously exposed to harsh operating environments day and night. To ensure the safe and stable operation of these manufacturing facilities, we conduct large-scale periodic maintenance (turnaround) every two years, during which we shut down the facilities and carry out the necessary inspections and repairs. In addition, as aging facilities increase the risk of equipment-related problems, we are strengthening our countermeasures involving both tangible and intangible measures.

Enhancing maintenance strategies to eliminate serious equipment failure

The biggest obstacle to stable operations is unplanned shutdowns due to sudden and serious process unit trouble. We have traditionally implemented time-based preventive maintenance, maintaining equipment that has been in operation for a certain number of years based on factors such as the equipment's service life. However, in recent years, we have shifted our strategy to risk-based preventive maintenance, which focuses on factors such as the failure probability of each equipment component and the impact of such failure, quantitatively assessing risks, and then addressing them according to priority.

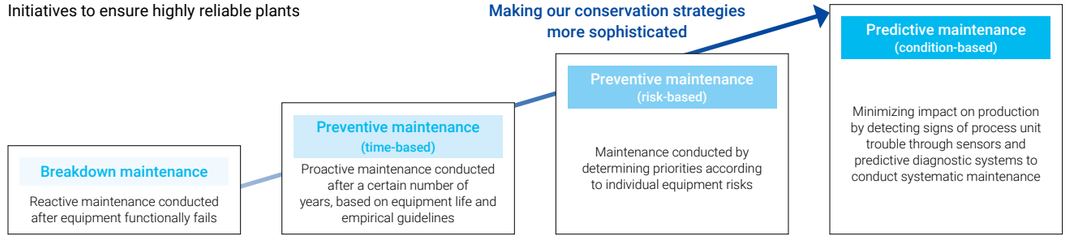
Recently, we have also begun to use big data based on the vast amount of historical equipment operation information to detect signs of equipment malfunction and take appropriate measures, combining this with condition-based predictive maintenance in an effort to eliminate serious equipment failure.

Initiatives to enhance reliability

The RAISE (ReliAbility Improvement by Smart Engineering) initiative that we have been implementing ensures consistent, high-level operation of our plants. This is a risk-based maintenance strategy under which we quantitatively evaluate the probability of failure and the impact of failure on each of the thousands of equipment components, and perform maintenance in accordance with priority.

Starting in FY2025, we have been expanding the application of the management system for facilities (tangible measures) that we have established through our RAISE activities to operational processes (intangible measures) as well, and have established the Reliability Improvement Committee. Through the committee's activities, we aim to establish a framework for continuously enhancing reliability throughout our plants. We will continue to steadily implement the plan-do-check-act (PDCA) cycle in both tangible and intangible measures, which, in conjunction with predictive diagnostics and other such condition-based maintenance strategies, will lead to improvements in overall plant reliability and support stable operations.

Initiatives to ensure highly reliable plants



Safety as the basic premise for all our business activities

The KH Neochem Group regards safety as the basic premise for all its business activities. To ensure that the major disaster that occurred in 2022 is never forgotten, we have continued to implement Comprehensive Safety Check Initiative 2022 with the full commitment of the entire organization.

▶ Comprehensive Safety Check Initiative 2022

In FY2022, we added the Safety Guidelines of "protecting ourselves and our colleagues" to our Corporate Policy and further established our Principles of Corporate Behavior for safety. Far from mere slogans, these are principles that all executives and employees are committed to implementing in their daily actions. To that end, as part of our ongoing efforts to further raise safety awareness, we set aside a Safety Day every year, during which management directly speaks to all officers and employees about the importance of safety, and the environmental safety officer, department heads, and superiors also hold dialogue sessions at their respective workplaces.

▶ Enhancing safety measures

To date, we have conducted comprehensive work safety inspections to identify and address not just areas with fall risks but all work-related risks that could lead to serious accidents, and have completed the necessary tangible measures for high-priority areas. Nevertheless, plant repair work, inspections, and other such tasks require working at height, which makes preventing falls a crucial issue. To address this issue, we are promoting tangible measures such as studying the incorporation of drones for high-altitude inspections, ensuring that employees wear full harnesses and other fall prevention gear, and installing fall prevention equipment. We are also implementing intangible measures such as strengthening education and training and reviewing and improving related regulations and procedures. For example, in training programs we are actively pursuing more practical education by utilizing virtual reality equipment that allows trainees to simulate the risks of a fall accident, as well as fall arrest device training equipment.

In FY2025, both the Yokkaichi Plant and Chiba Plant continued to expand the use of this training equipment, establishing a framework that enables all employees engaged in work at height to receive repeated training. We also reviewed workplace hazards through risk assessments conducted prior to work activities, further embedding and strengthening safety measures throughout our operations. In addition, we assigned safety instructors at our headquarters and both plants. These instructors identify, plan, and deliver the safety training needed by employees, thereby promoting further enhancement of safety awareness across the Company.

Outside Director's Perspective



Yuji Kikuchi
Independent Outside Director

Safe and stable plant operations are the highest priority for manufacturers such as KH Neochem, and are something expected of the Company not only by shareholders, but by all of its stakeholders. As outside directors, we therefore make every effort to remain actively involved. Whenever we receive an initial report of a plant-related incident, I am immediately reminded of the seriousness of our responsibility.

My first concern is whether all employees are safe. I then begin considering a range of questions: What was the technical cause of the incident? Were there any underlying human or organizational factors? What immediate actions are being taken? What more fundamental measures can be implemented to prevent recurrence? Could similar incidents occur elsewhere? When the Board of Directors and outside directors receive detailed explanations from the executive team, whether at Board meetings or in advance briefings, all of us continue asking questions until we are fully satisfied from both an independent third-party perspective and a shareholder perspective. Drawing on our respective professional backgrounds and experience, we offer diverse opinions, challenge assumptions, and call for fundamental improvements. From the perspective of those working at the Company's plants, we are probably seen as demanding and sometimes even troublesome. However, I am firmly convinced that the presence of such outside directors is absolutely essential to ensuring safe and stable operations.



Safe and Stable Operations and the Evolution of Our Plants

Transforming the frontline workplace with Plant DX

We are proactively pursuing DX to rapidly enhance our plants, which are the source of our value creation.

Predictive diagnostic systems

To minimize the impact of equipment-related problems, we have introduced predictive diagnostic systems that utilize AI to detect signs of anomalies in equipment by learning from vast amounts of operating data and continuously monitoring operating conditions. We are currently working to improve the accuracy of our diagnostic models by conducting trial runs of these systems on a portion of our critical equipment and checking and verifying the actual status of the detected signs during periodic maintenance. We will continue to add more sensors and other features to our facilities, aiming to further improve the accuracy of our predictions.

Advanced plant control systems

Our plants are composed of numerous pieces of equipment, and complex operating conditions such as temperature, pressure, and flow rates must be constantly optimized. This requires not only advanced specialized knowledge but also a wealth of experience and expertise. Therefore, we have introduced advanced plant control systems that capture the expertise of skilled operators using digital technology and make it reproducible.

This allows us to achieve optimal operating conditions, thus maximizing profits and reducing CO_2 emissions by improving energy efficiency. In FY2025, we completed the planned deployment of these systems at all target plants. As a result, approximately 90% of our plants are now equipped with advanced plant control systems. Going forward, we will maximize the benefits of these systems and leverage them to achieve further productivity improvements.

Digitalization of operations

We are also pursuing the digitalization of inspection records and operations management tasks. For instance, we are working to make operations smoother by using tablets so employees can quickly access operating records and inspection results in real time. In addition, we are also working on using drones to replace manual inspections conducted at height. Implementing operations and equipment management through this kind of proactive use of IT aligns with the "smart industrial safety" approach advocated by the Ministry of Economy, Trade and Industry and the High Pressure Gas Safety Institute of Japan. Our Yokkaichi and Chiba plants have been recognized for their smart industrial safety initiatives, earning them the title of Certified Advanced Safety Implementer from the Minister of Economy, Trade and Industry.

Enhancing plant competitiveness through simulation and experimentation

To ensure a stable product supply, it is essential not only to prevent equipment failures before they occur but also to have a stable materials procurement strategy. To this end, it is crucial to have the capabilities and technologies to quickly and accurately evaluate whether a variety of raw materials and catalysts are suitable for use.

We have established an evaluation technology that integrates simulation with laboratory-scale experimentation. By conducting repeated simulations and incorporating the knowledge gained from experiments into subsequent simulations, we are able to evaluate technologies and operating conditions with a high degree of accuracy. This evaluation technology is also applied to optimize the operating conditions of existing manufacturing processes and explore the introduction of new technologies, leading to stable plant operations and boosting our competitiveness.

Responding to market needs and creating value through manufacturing technology

We are one of the very few manufacturers in the world that possess oxo technologies and Wacker oxidation technologies. Utilizing these technologies, we have not only developed the synthesis capabilities to create targeted derivatives from the unique intermediates obtained but also acquired advanced separation technologies (distillation, extraction) and advanced trace metal control techniques. We also have the expertise to rapidly scale up processes and modify facilities while ensuring that safety and quality are maintained. We have developed and provided a wide variety of products by making maximum use of such wide-ranging technologies and expertise to respond quickly to the increasingly sophisticated needs of the market.

This technology base is also being applied to our new businesses. We are utilizing the technologies and know-how we have built up over the years to explore the scaling up and commercialization of products that have been developed through our open innovation strategy for R&D, such as the marine biodegradable resin PHB. Going forward, we will continue to connect our strengths in manufacturing technology with market needs, thereby enhancing product competitiveness and creating new value.

Employee Roundtable for the 10th Anniversary of Our Listing

Reflecting on the Past Decade and Looking Toward the Next Decade

—— KH Neochem's Uniqueness and the Value It Provides

Ten years have passed since our listing in 2016. To mark this milestone, four employees who support KH Neochem from different sections, including manufacturing, sales and marketing, new business development, and corporate administration, came together for a discussion.

Over our nearly 80-year history, we have experienced major changes, including the process of selectivity and concentration in our business portfolio and our relisting. Some things have been continuously passed on, even as the times and corporate name have changed, while others we have transformed on our own initiative. Looking back on the past decade and ahead to the next one, these employees discussed what it means for KH Neochem to be "an old yet new company," the qualities that make it unique, the value it delivers to society, and the efforts it will pursue to shape the future.

Participants

Tomoki Ohigata
Chiba Plant
(Manufacturing)
Joined the Company in 2013

Kota Banzai
Innovation Strategy
(New Business Development: Glycans)
Joined the Company in 2024

Misato Kanayama
Corporate Administration, Legal and Compliance (Legal, Compliance, and SR)
Joined the Company in 2020

Hiroki Takahashi
Sales & Marketing
(Electronic Materials)
Joined the Company in 2014

Facilitator

Natsuko Arihara
Corporate Communications and Investor Relations (IR)
Joined the Company in 2013



A Small, Elite Workforce and Frontline Autonomy —— The Enduring Uniqueness of KH Neochem

Arihara: To start our discussion, could you tell us your thoughts on what makes KH Neochem unique and what the Company's strengths are?
Takahashi: To put it simply, I think what makes us unique is our small, elite workforce. I had heard about KH Neochem's reputation for having such a workforce before joining the Company, but once I came on board, I quickly understood what it meant in practice. I believe it is one of the defining characteristics of KH Neochem.
Ohigata: I also feel it is our small, elite workforce. The number of employees who work at the Chiba Plant, where I work, is not that many. But we are able to maintain stable operations of the plant with this relatively small workforce thanks to everyone's ability to make decisions on the spot. The plant operates on a continuous basis, and our frontline operations are deeply rooted in a sense of autonomy and accountability, including the ability to make decisions in emergency situations.
Banzai: I am only in my second year at the Company, but I also feel the same way. When I first joined, I was very surprised at how lean the workforce was and how closely everyone communicated with each other. There is also very little distance between people in different positions in the organization, which facilitates open communication across the Company. Also, compared with other companies, one of our strengths is our portfolio of high-value-added niche products. We strike an excellent balance between businesses that leverage economies of scale and those that operate further downstream to enhance functionality and create added value. This in turn enables us to maintain consistently high profitability. Supporting this balance is our unique strength in oxo technologies. When people ask me what helps KH Neochem keep winning, I always mention these technologies. Listening to everyone's answers just now, I am reminded that these technologies are what make us unique and embody the essence of our manufacturing operations.
Arihara: So, it seems we have manufacturing sites with distinctive technologies through which everyone works together to create value. Ms. Kanayama, what are your thoughts?
Kanayama: I also joined the Company mid-career, so speaking from an outsider's perspective, what surprised me after joining was how genuinely sincere our employees are. They carefully analyze situations and see things through to completion. In the business world, there are certainly companies and industries where being adept at navigating situations is highly valued, but at KH Neochem, I feel that a culture of steadily seeing challenges through to completion has become deeply entrenched as part of our Corporate Policy of "Making our dream a reality."
Takahashi: The sincerity that Ms. Kanayama touched upon I feel is reflected directly in our relationship with customers. Our employees are truly earnest, and their first instinct is to consider how they can meet customer needs through their own efforts. We adhere rigorously to established procedures and standards, and if we determine that we cannot fully guarantee the required level of quality, we do not readily accept the work and may at times decline it. Rather than taking on work when we can meet only 90% of the requirements, we wait until we can deliver 100%. I believe this willingness to engage openly and honestly with customers without making exaggerated promises is one of our defining characteristics and the foundation of the trust we have earned.
Ohigata: There are many employees on the front lines who refuse to compromise. Whether it is quality assurance activities, facility maintenance, or handling an issue, there is not a single employee who would give up halfway by saying, "I guess this is good enough." We stringently follow the rules and set our sights on accomplishing high goals. This is the mindset that is steadily passed down from senior employees to the younger generation. An uncompromising commitment to excellence, underpinned by our unwavering focus on safety, is a key strength of our operations.
Kanayama: Listening to everyone's comments here, I am reminded that one of our strengths is our high problem-solving capabilities. Whether it is meeting customer needs or maintaining quality and efficiency on the front lines, the ability to address challenges thoroughly and see them through to resolution is a crucial part of our uniqueness, which I hope we always maintain moving forward.

The Value We Provide to Society by Supporting Everyday Life

Arihara: What value does KH Neochem's unique nature bring to society?
Banzai: We are a manufacturer, so there is no question that we create value through manufacturing. Even on a sweltering day like today, we can stay comfortable indoors thanks in part to refrigeration lubricant raw materials made from our products. In addition, these materials are crucial for the transition from chlorofluorocarbons to refrigerants with a lower environmental impact. I think our history of both pursuing business success and contributing to environmental conservation is extremely important. I hope that we can further expand the value we offer on a global scale.
Ohigata: When you're on the front lines of manufacturing, you're focused on producing high-quality products, and honestly, it can sometimes be difficult to consider how they ultimately benefit society. However, when I hear that the products we make are used in environmentally friendly air conditioners and advanced semiconductors, I am reminded that we help support the comforts and conveniences that are essential in the everyday lives of people.





Arihara: So, it sounds like the efforts of those on the front lines to uphold quality and safety in manufacturing are what support people's everyday lives.
Takahashi: The Company has a large number of long-selling products, but that doesn't necessarily mean that we have been creating the same thing over and over again. Rather, we have continuously refined our products and services behind the scenes, in response to customer needs, improving not only quality but also our supply capabilities and delivery systems. I believe our integrated manufacturing and sales structure, which enables us to incorporate customer feedback and continuously improve, is one of our unique strengths.
Kanayama: I think it's incredible that the products we sell extensively can actually help address climate change. Our shareholders and investors share this perspective. In meetings with institutional investors, they recognize our strong corporate value not only because of our high profitability but also because products such as our refrigeration lubricant raw materials, which contribute to addressing climate change, and our marine biodegradable resin (PHB), which helps address the issue of marine plastic pollution, contribute to resolving social issues. Even things that seem perfectly ordinary to us internally often prove to have genuine value from an outside perspective. We are reminded of this time and again, and I hope we can continue sharing these strengths both within and outside the Company, leveraging them to further enhance our corporate value.

Changes over the Past Decade and Each Participant's Contributions

Arihara: The Company will mark the 10th anniversary of its listing in October 2026. What changes have you seen over the past decade?
Kanayama: I think the Company has changed steadily over the years, and that is one of its strengths. Rather than completely reinventing the foundations of the business, such as our Corporate Policy or manufacturing technologies, we've made improvements while preserving what matters most. Over the six years I have been with the Company, awareness of compliance and governance has increased significantly. I can see that the mindset of adhering to rules and following appropriate procedures has been taking root in each employee as a personal responsibility. From a legal perspective, with the greater awareness of compliance across the Company, we are receiving consultations from business units at much earlier stages of decision-making. As a result, I have been able to contribute not only by reviewing contracts but also by providing more proactive recommendations on how to help business activities proceed smoothly. In turn, this has deepened my desire to contribute to the business even further.
Takahashi: Over the past decade, the distance between employees has narrowed considerably, both physically and mentally. We have hired more mid-career talent, welcoming people with a wide range of professional backgrounds. From a career development perspective, we have also increased the number of opportunities for employees to gain diverse experiences and develop broader perspectives. As a result, communication has become open across departments and among colleagues at all levels, both vertically and horizontally. We have also seen a generational shift, and the workforce on the front lines has become noticeably younger.
Ohigata: I've noticed that as well. When I joined the Company 13 years ago, many of the operators on the shift teams had 20 or 30 years of experience, while younger employees made up only a small portion of the workforce. Today, the age composition of our employees is almost the reverse. Younger employees take initiative on their own, make proposals to their supervisors, and play a central role in running the plant's day-to-day operations. While the expectations placed on these young employees are high, when I see them supporting one another and working together to get through periodic maintenance shutdowns and operational issues, it reminds me that this is a workplace where younger employees can truly thrive. As for myself, after spending time working rotating shifts, I moved to a daytime role. Since then, I have actively served as a bridge, responding to requests from people who are not directly familiar with plant operations while providing input from the perspective of those who actually operate the facilities. In the past, each department tended to rely on its established ways of doing things. More recently, however, we have been holding meetings with the Technology Development Center every morning. By sharing analytical data, we have worked together on initiatives such as adjusting operating temperatures to improve reaction efficiency. I think we have become much more flexible in terms of incorporating different perspectives and expertise from other departments and are working together more to pursue the best possible operating methods.
Takahashi: The fact that the Technology Development Center and manufacturing sites can now collaborate so closely is a great example of how the manufacturing division has evolved over the years.

The Next Decade —— Strengthening Our Foundations While Pursuing New Challenges

Arihara: Now, let's turn our discussion to the future. What kind of company do you want KH Neochem to be in the future, and what efforts will you pursue to make that happen?
Takahashi: Strengthening the earnings base of our existing products is important, but I don't think we can continue relying on that alone. Ten years from now, I hope the new products that are currently in

development will bear fruit, and that we will establish one or two business areas. I also hope the Company will be recognized for having built a diversified portfolio in areas where it excels. I would like the Company to be known not just as a supplier of air conditioning materials but also as a unique and highly competitive company with strengths across a broad range of chemical fields.

Banzai: Speaking as a person responsible for creating new businesses, the former Kyowa Hakko Kogyo got its start by manufacturing solvents such as acetone and butanol through fermentation processes, and then gradually expanded its business domains by incorporating new technologies. In a similar manner, we want to continue that journey over the next decade and beyond. To date, the Company has established the environment, healthcare, and electronics domains based on chemistry. At the same time, we are cultivating seeds for new products and new businesses by leveraging not only chemistry but also biotechnology. With a great sense of responsibility for getting new businesses successfully off the ground, I am working to establish second and third pillars of growth over the next decade.

Kanayama: I would like to support those efforts from the perspective of communicating information. Through our shareholder relations activities, I want to better communicate to shareholders and other investors how the Company addresses social issues, what kind of management we aim to pursue, including from the perspective of corporate governance, and the kinds of positive initiatives we are promoting. If those efforts lead to greater recognition from the market, I believe that will, in turn, foster greater pride and motivation among employees. That is the type of positive cycle I want to create moving forward.

Ohigata: In my workplace, the members who work in rotating shifts are predominantly young people. It is extremely important that these younger employees grow into capable mid-level employees and remain with the Company over the next 10 years. To that end, I believe my role is to improve the work environment by proactively addressing burdens on the front lines, equipment-related risks, and inefficiencies, as well as by making appropriate investment proposals within the Company. If we create the right environment, younger employees will stay with the Company, and 10 years from now they should have sufficient capacity to pursue even greater efficiency and more optimal operations. I will continue to make concerted efforts toward improvements without being constrained by conventional ways of thinking.

Arihara: Although each department is pursuing different initiatives, when you look at the Company as a whole, you can see a clear determination to build on our strengths while boldly pursuing new opportunities.





Banzai: In our existing businesses, it is extremely important to maintain customer trust through stable supply and high quality, and I believe one of the Company's greatest strengths is its sincerity in responding only when it is confident it can fully deliver on customer expectations. On the other hand, in new businesses, success depends on how many times you are willing to step up to the plate and take on a challenge. To successfully create new businesses in this rapidly changing era, I think it is also important at times to complement the Company's strengths of sincerity and discipline with a certain degree of flexibility and a willingness to try new things. I therefore hope we can become more confident in taking on new challenges without fear of failure.

Takahashi: That flexibility is definitely important. I believe another major part of what makes the Company attractive is its people. The reason we have been able to protect our unique technologies and production facilities while continuing to embrace change and evolve is the strength of the employees who work here.

Kanayama: In 10 years' time, I hope the Company has cultivated even more distinctive strengths, and that I will continue to be working here with a sense of pride. To that extent, from a legal and compliance perspective, I will continue to contribute to creating a work environment with high psychological safety, where everyone can work with peace of mind. To ensure that employees can take on challenges without fear of failure, I want them to feel comfortable with seeking advice when pursuing a new challenge. I would like to help make the Company a place where people feel comfortable seeking advice whenever they encounter a problem, and where shareholders and investors feel equally comfortable sharing their views with us.

Arihara: Today, you all shared with us the actual conditions on the front lines and your ambitions for the future. Listening to all that you have said, I believe what makes KH Neochem unique is its employees' ability —passed down over the years—to sincerely approach challenges without compromise and to act on their own initiative. It was also made clear that changes are occurring on the front lines, including collaboration across divisions, the active role of young employees, and the pursuit of new technologies and businesses. Looking back on the past decade, perhaps it is we ourselves who have changed the most. Over the next decade, I hope we will continue creating change ourselves and leverage that to create new value. Let's gather again in 2036 to look back on our journey. Thank you all for your time today.



Message from the CHRO

Developing Professionals Who Embrace Challenges and Building an Organization Capable of Executing Our Growth Strategy

Takatoshi Fujii
Corporate Officer, Chief Human Resource Officer (CHRO),
Head of Human Resources

Leveraging the Strength of Our Human Resources to Achieve VISION 2030

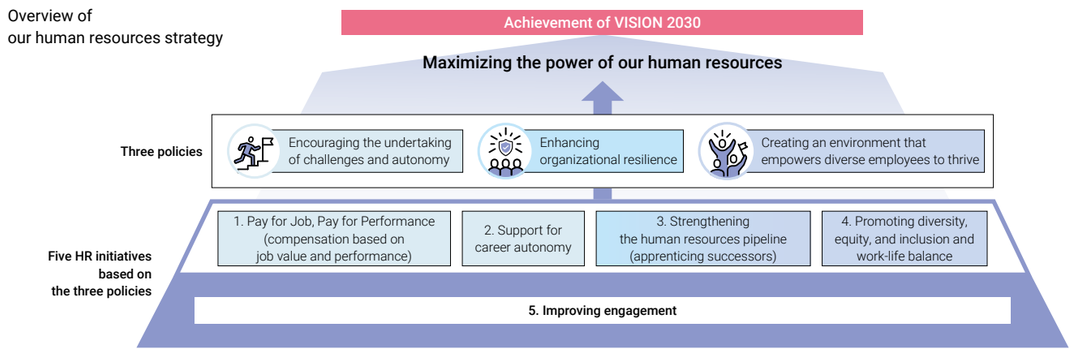
KH Neochem aims to be a leading global specialty chemical company under VISION 2030. Providing a stable supply of world-class products, including refrigeration lubricant raw materials and electronic materials, is both a source of pride and a significant responsibility to society and our customers. To fulfill that responsibility and achieve further growth, outstanding facilities and technologies alone are not enough. Equally essential are talented human resources who continuously refine these assets and link them to the next stage of value creation.

Implementing a Human Resources Strategy That Creates a Virtuous Cycle of Taking on Challenges and Achieving Employee Growth

We promote our human resources strategy under the motto "rewarding those who take on challenges and work to achieve them." This goes beyond simply rewarding results. It means creating a virtuous cycle in which each employee understands their role, enhances their expertise, and takes on difficult challenges; those efforts are then recognized and lead to further growth opportunities and greater responsibilities. Through this cycle, we seek to link employee growth with the enhancement of corporate value. To achieve this vision, we have advanced a variety of initiatives based on five pillars: (1) Pay for Job, Pay for Performance (compensation based on job value and performance), (2) Support for career autonomy, (3) Strengthening the human resources pipeline (apprenticing successors), (4) Promoting diversity, equity, and inclusion and work-life balance, and (5) Improving engagement.

We have introduced a job-based HR system for both management-level employees and general employees. We have also expanded our framework for supporting employee growth and encouraging them to take on challenges through programs such as the Meister system and the MS (Master of Specialist) System, which provide appropriate compensation for employees with advanced skills and specialized expertise. This has enabled us to establish a foundation for fair compensation based on job value and performance, regardless of age or years of service. In addition, we offer a wide range of internal and external training programs, including job-specific training courses that employees can select for themselves. Through these initiatives, we are creating an environment in which every employee can aspire to become a professional and take ownership of their own development.

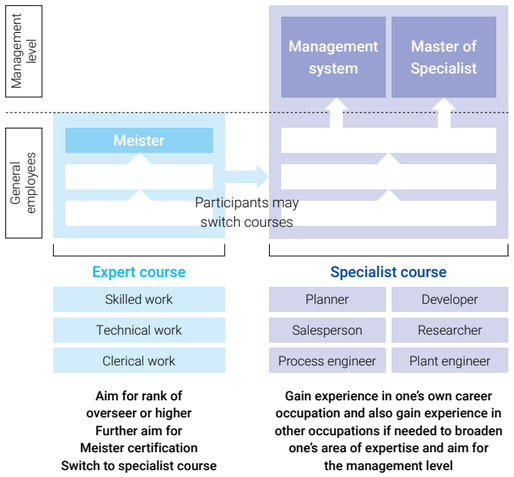
Overview of
our human resources strategy



In addition, to promote the ongoing development of future leaders and drivers of our business operations and to maintain and strengthen our human resources pipeline, we hold succession planning meetings while expanding the range of positions covered. Currently, we assess the succession readiness of candidates for key management positions, including division head roles, and take a Company-wide approach to strengthening our human resources pipeline for successors through initiatives such as considering developmental job rotations, selecting candidates for executive leadership development programs, and formulating recruitment plans to address future human resources needs.

So that every employee can continue to take on challenges proactively, it is essential not only to enhance engagement but also to promote diversity, equity, and inclusion and work-life balance while fostering a corporate culture in which everyone can thrive. We have implemented a variety of initiatives based on the results of engagement surveys and have worked to create an environment where diverse talent can work with confidence and perform to their full potential. These efforts include support for balancing work with childcare, caregiving, and medical treatment, as well as the development of more flexible work styles.

Career overview
Aiming to acquire advanced expertise through two courses



Enhancing the Execution of Our Human Resources Strategy to Improve Corporate Value

Over the years, we have developed a variety of systems and workplace initiatives to encourage employees to take on challenges and support their growth, and while these efforts have yielded steady progress, further enhancing execution is essential if we are to accelerate initiatives aimed at achieving VISION 2030, including maximizing earnings from existing businesses and launching new businesses and products. To achieve this, we must more closely align our human resources strategy with on-site objectives and day-to-day actions and raise execution to a level that delivers tangible results. In other words, we see it as a key challenge for our future growth to evolve from a stage in which employees simply understand systems and processes to one in which they are able to use them effectively to deliver results.

With this in mind, we are currently focusing our efforts on ensuring that our various systems, practices, and initiatives function effectively at the operational level. In FY2025, we established a new Human Resources Business Partner (HRBP) system dedicated to the Yokkaichi and Chiba plants, with a focus on working closely with each site to address and improve people- and organization-related challenges. HRBPs are not responsible for unilaterally deploying HR initiatives. Rather, they serve as partners who work alongside department heads and managers to drive improvement. As a manufacturer, developing the talent that supports our plants and frontline operations, as well as the managers responsible for leading those employees, is a critical management priority for achieving sustainable growth. Accordingly, we provide hands-on support tailored to the needs of each workplace, including sharing practical expertise related to employee development and one-on-one discussions, supporting goal setting using generative AI, and assisting with employee retention and recruitment initiatives.

In FY2026, we expanded this framework into a Company-wide HRBP structure by assigning HRBPs to the corporate and R&D functions. Through support tailored to the specific business and organizational challenges of each function, including goal setting, performance evaluation, talent development, personnel deployment, succession planning, and engagement enhancement, we will promote concrete behavioral change throughout the organization.

In addition, effectively executing our human resources strategy and translating it into results requires both mechanisms for accurately identifying organizational and talent-related issues and an environment that enables managers to focus on their core responsibilities. To that end, we are advancing HR-focused DX initiatives, including the visualization and analysis of HR data and the deployment of support tools for managers. At the same time, we are promoting management support measures and organizational reforms aimed at improving productivity across the Company. By reducing tasks that do not add value and enabling employees and managers to devote more time to activities that truly matter, we will contribute to building a more productive organization.

The purpose of a human resources strategy is not simply to establish systems and initiatives. Its true value is realized only when those measures are understood, embraced, and reflected in day-to-day behavior across the workplace, thereby strengthening the execution of management strategy. Going forward, we will continue to support the challenge and growth of every employee and enhance our organization's ability to generate results, contributing to the achievement of VISION 2030 and the sustainable enhancement of corporate value.

Human Resources Strategy



1 Strengthening human resources for the enhancement of corporate value

Strengthening our human resources pipeline to support growth

To achieve VISION 2030, we are strengthening our human resources pipeline in alignment with our management strategy. For management positions, including department heads, we visualize successor candidates and succession risks through succession planning meetings and use these insights to inform decisions regarding development policies, personnel assignments, and recruitment.

In FY2025, we continued our framework for reviewing succession plans and associated risks for each position and for discussing and determining development policies together with CxOs and department heads. As a result, we were able to fill a number of key positions by identifying positions requiring mid-career recruitment and conducting hiring activities, as well as by revising our post-retirement reemployment program to enable certain managers to continue serving in management roles after reaching retirement age.

At the same time, a key challenge going forward is to further specify the development plans for internal successor candidates and strengthen the execution and monitoring of those plans. By steadily developing the next generation of leadership candidates, we will further strengthen the human resources foundation that supports the execution of our management strategy.

An HR system that supports the growth of professional human resources

The Company has introduced a job-based HR system for both management positions and non-management employees as the foundation for ensuring fair treatment based on job value and performance, regardless of age or years of service. For non-management employees, we have established two career tracks based on individual career aspirations and work style preferences: the specialist course, which focuses on developing professional expertise, and the expert course, which emphasizes the enhancement of on-site capabilities and technical skills. Through these programs, we provide a framework that enables each employee to grow by leveraging their individual strengths. In addition, through the MS (Master of Specialist) system, which recognizes employees with advanced expertise, and the Meister system, which certifies employees with outstanding technical skills, we are expanding opportunities for employees to develop and excel as professional talent across a variety of career paths. In January 2026, the Company certified its first Meister, who is responsible for advancing safety education initiatives.

To encourage the proactive growth of each employee, it is important that both employees and their managers have a clear understanding of the expectations associated with their roles and job grades and share a common understanding regarding goal setting, performance evaluation, and future development and growth directions. In collaboration with our HRBPs, we have continued to improve the transparency of our system operations, including the development of guides that clearly explain evaluation criteria and expected roles. Going forward, we will continue to promote the development and success of professional talent through the operation of systems that help employees understand their roles and growth pathways and ensure that those who take on challenges are appropriately rewarded for their efforts.

Multifaceted support for autonomous career development

To empower each employee to take ownership of their career and grow proactively, we support autonomous career development through a wide range of training programs, including job-specific training and career development programs tailored to different career stages, as well as career development support, which enables supervisors and employees to share the skills and experience required to achieve desired career goals. In addition, we provide opportunities to consult with external career advisors, helping employees better understand their strengths and aspirations and encouraging them to take on new challenges while aligning their personal growth with the Company's growth.

We have steadily rolled out career development programs for younger and mid-career employees, and have now completed these programs for most employees in their 20s and 30s. We have also begun to see employees proactively shape their own careers through our internal job posting system, resulting in a number of successful internal transfers. On the other hand, scores related to career development in our organizational survey remain relatively low, indicating that awareness of career autonomy has not yet taken root throughout the Company. Going forward, in addition to supporting employees directly, we will strengthen training for managers so that they can better understand the values and strengths of their team members and facilitate meaningful career discussions.

We offer a wide range of job-specific programs, including training that employees can choose for themselves.

	Managers	Leaders	Practitioners	New employees
Rank-specific training	Executive training course (selected) Strengthening management skills New managers	Playing manager training course Next generation leader training course Ability development plan		New employee training Follow-up training
Specialized training		Common competency development training for all positions Position-specific training		
Career development support	Self-development support (e-learning) Age-specific and career-specific training	New employee trainer workshop		New employee trainer program

Human Resources Strategy



2 Cultivating a culture that respects diverse values

3 Maintenance and improvement of a comfortable workplace environment

Enhancing engagement

Enhancing engagement and organizational capabilities through the employee experience

We aim to foster a corporate culture in which employees with diverse values recognize and respect one another and proactively take on new challenges. To achieve this, it is important to understand the experiences employees have in their day-to-day work, workplace environment, and use of various programs and systems, and to use those insights to drive improvements. While we have conducted engagement surveys and implemented various initiatives in the past, it has been difficult to sufficiently identify issues specific to individual departments or to gain a deeper understanding of where employees perceive gaps between expectations and reality. As a result, our efforts tended to focus primarily on measurement. Accordingly, in FY2025 we revised our approach by introducing an organizational diagnostic survey based on employee experience (EX)* scores, enabling us to more clearly visualize the gaps between employee expectations and actual experiences.

* Refers to the sum of the experiences employees have throughout their journey with the Company, from joining to the present day

Visualizing Company-wide and department-specific issues

We conducted our new organizational diagnostic survey utilizing EX scores twice in FY2025, in May and October. In the second survey, the Company's overall EX score was 66.8 points, revealing common Company-wide challenges in areas such as career development, goal setting, and the internalization of the Company's Corporate Policy.

The survey also provided deeper insight into a challenge we had already recognized: stagnant scores among non-management employees in our plant functions and the middle managers responsible for supervising them. Among non-management employees, key issues included a lack of a sense of personal growth and insufficient satisfaction with evaluation and treatment. Among middle managers, who are responsible for safe and stable operations while also carrying out employee development, one-on-one discussions, goal setting and performance evaluation, and workplace improvement initiatives, a lack of time and practical know-how emerged as a significant challenge. The results suggested that these challenges in management execution may also be affecting employees' perceptions of growth opportunities and their satisfaction with evaluation and treatment.

The survey also identified issues specific to the corporate and R&D functions that reflect the characteristics of those organizations. The introduction of this new survey represents a significant step forward in organizational improvement, as it enables us to identify both Company-wide issues that require common action and challenges that differ by function and operating site.

Strengthening execution to enhance engagement

Going forward, securing time for managers to focus on their core responsibilities, including organizational management, talent development, and decision-making, will be essential to addressing the issues that have been identified and to improving the execution of our initiatives. The Human Resources Division will take the lead in reforming managerial work practices, including reducing non-value-added activities such as excessive meetings, documentation, and coordination tasks, and encouraging organizational practices that enable managers to devote more time to the responsibilities that matter most. In addition, under our Company-wide HRBP structure, HRBPs will work closely with heads of functions and managers to identify organizational issues, establish improvement priorities, implement initiatives, and monitor whether improvements are taking hold and driving meaningful change.

Rather than allowing the survey to serve merely as a measurement tool, we will utilize it as a mechanism for implementing and sustaining improvements tailored to the circumstances of each organization. Through these efforts, we aim to achieve an EX score of 70 points or higher by FY2027.

Outside Director's Perspective



Sayoko Miyairi
Independent Outside Director

To achieve sustainable growth as a manufacturing company and chemical manufacturer that can respond to changes in the business environment, customer needs, and shareholder expectations, I believe it is essential for the Company to secure the talent needed at the right time to support its medium-term business plan and, in particular, to enhance employee engagement at its manufacturing plants. We need to foster an autonomous organizational culture in which each employee broadens their perspective, raises their motivation, maintains a strong sense of compliance, voices insights gained through their daily work, and proactively resolves potential issues before they arise. This also requires management transformation to support a virtuous cycle of talent development by implementing a human resources strategy that encourages employees to take on challenges, effectively operating the related systems and initiatives, and ensuring that mechanisms such as the HRBP system function as intended. As a member of the Nomination and Compensation Advisory Committee, I personally conduct individual interviews with department heads and participate in the evaluation of corporate officers. Through plant visits and other opportunities, I closely monitor the development of our talent pool for the next generation, particularly candidates for management positions. At the same time, through ongoing dialogue with employees at the front lines, I hope to contribute to fostering the strong ethical awareness and values that underpin compliance throughout the organization.

Cultivating a corporate culture where everyone can flourish

The Company aims to create an environment in which every employee can fully demonstrate their abilities regardless of nationality, age, gender, or life events. In addition to programs that support employees in balancing work with childcare, caregiving, or medical treatment, we have established flexible work arrangements tailored to the nature of individual roles, including a flextime system and remote work options, thereby creating a workplace where diverse talent can continue to thrive. In our plant functions as well, we promote well-balanced work styles through initiatives such as designated no-overtime days and the planned use of annual paid leave. In FY2025, the Company's annual paid leave utilization rate remained at a high level of 87.6%.

Encouraging male childcare leave and promoting women's advancement

We actively encourage male employees to take childcare leave, and the childcare leave utilization rate among male employees remained high at 95.2% in FY2025. We are also advancing initiatives to promote women's advancement by creating an environment in which female employees can build sustainable careers and succeed in management positions. These efforts include career counseling provided by external career consultants and support for transfers to managerial career-track positions, as part of our broader initiatives to foster development and retention.

Number of management positions held by women

The number of management positions held by women was six in FY2025, representing 6.2% of all managers, a decrease from the previous fiscal year. To continuously expand the pool of female managers and managerial candidates, we will strengthen recruitment efforts, including mid-career hiring that is not limited to specific positions, while continuing to develop and promote internal talent and provide career support to younger and mid-career employees. In addition, one of our female managers was appointed as a corporate officer during FY2025.

Childcare leave utilization rate among male employees

	FY2023	FY2024	FY2025
Childcare leave utilization rate	105%	105%	95.2%
Number of employees	21	21	20

* Childcare leave includes childcare leave, childcare leave at birth, and paid leave for childcare purposes. The leave ratio exceeds 100% due to employees who had a child at the end of the previous fiscal year taking leave at the beginning of the following fiscal year.

Number and ratio of management positions held by women

* As of December 31

Obtaining "Kurumin" certification

Through these initiatives, the Company obtained "Kurumin" certification in October 2025. Established under Japan's Act on Advancement of Measures to Support Raising Next-Generation Children and granted by the Ministry of Health, Labour and Welfare, the certification recognizes companies that actively support employees in balancing work and childcare. We view this certification as recognition of our efforts to support the balance between work and childcare, establish flexible work arrangements, and encourage the use of leave programs.

At the same time, obtaining certification is not an end in itself. What is important is to create an environment in which employees experiencing major life events can continue their careers with confidence, while ensuring that workplaces and managers supporting employees who take leave are also able to carry out their responsibilities without undue burden.

Supporting the balance between work and childcare contributes not only to improving employees' quality of work life but also to talent retention, enhanced engagement, and stable workplace operations. Going forward, we will continue to provide an environment in which diverse talent can continue to thrive at various stages of life, thereby enhancing organizational productivity and building a foundation that supports sustainable growth.

MESSAGE



Erika Chiba
Human Resources Division

Through our efforts to obtain "Kurumin" certification, I was reminded of the importance of not only establishing systems and programs but also creating an environment in which employees can use them with confidence when they need them.

I was particularly pleased to see that these programs are being actively utilized, including the uptake of childcare leave by male employees.

At the same time, I believe that going forward, it will be increasingly important not only to support employees who use these programs but also to foster a workplace culture in which colleagues support one another.

Changes in life stage can affect anyone. We will therefore continue working to create a workplace where every employee can continue working with confidence by promoting awareness of available programs and fostering greater understanding throughout the workplace.

CORPORATE GOVERNANCE

Message from an Outside Director

Initiatives for Strengthening Corporate Governance and Status of Activities of the Nomination and Compensation Advisory Committee



Independent Outside Director,
Nomination and Compensation Advisory Committee Chairperson
Yuji Kikuchi

Effective governance through in-depth understanding of the Company and candid discussions

The first key point for strengthening corporate governance is ensuring that outside directors are knowledgeable about the Company. While it is common for outside directors who serve as Audit and Supervisory Committee members to meet with CxOs and heads of executive divisions as part of their audit duties, at KH Neochem, three outside directors who are not Audit and Supervisory Committee members also serve on the Nomination and Compensation Advisory Committee. As such, they conduct one-on-one meetings with each of the Company's 17 CxOs and division heads at least once a year to exchange views on business conditions and challenges. Through these discussions, they strive to gain not only a thorough understanding of the Company's operations but also insight into the achievements, character, resilience, and creativity of each CxO and division head, as well as the atmosphere of their respective divisions. In addition, every two to three years, they visit the Yokkaichi Plant, the Chiba Plant, and Kurogane Kasei Co., Ltd., a Group subsidiary, where they observe operations firsthand and engage in dialogue with managers and employees working on-site. In this way, the outside directors proactively gather information that may not become apparent during Board of Directors' meetings or pre-meeting briefings, thereby deepening their understanding of the Company. The second key point is the ability of management and directors to engage in candid and open discussions, both inside and outside the Board of Directors. One distinctive feature of our Board of Directors is the culture in which all participants feel free to voice their opinions, regardless of position, and members openly exchange their views. Discussions sometimes stray from the agenda or involve differing opinions, but this is not seen as a problem. Such exchanges often lead to valuable insights and new perspectives. The third key point is that outside directors do not act as mere commentators or critics. Even as outside directors, they must actively engage in discussions as members of the management team and contribute to proactive, growth-oriented management. All of our outside directors share this mindset and participate in discussions accordingly.

Nomination and Compensation Advisory Committee initiatives:
Optimizing executive appointments and remuneration, and developing of succession plans

KH Neochem's Nomination and Compensation Advisory Committee consists of four members: three outside directors who are not Audit and Supervisory Committee members and the President. As chairperson of the committee and an outside director myself, I help identify and organize key issues from an independent perspective and, when necessary, examine the views of top management to enhance the transparency and objectivity of decisions related to evaluation, nomination, and compensation. The committee meets approximately eight to 10 times a year and undertakes a range of responsibilities, including submitting recommendations to the Board of Directors regarding the appointment of director candidates and corporate officers, conducting annual evaluations of directors and corporate officers and deliberating on individual compensation based on those evaluations, reviewing the policy and methodology for determining director and corporate officer compensation approximately once every three years, and examining succession plans. The committee likewise fosters an environment in which participants are free to express their views openly. In selecting director candidates, vigorous discussions are held not only on each candidate's track record and performance but also on qualities recognized by the outside directors, such as character, resilience, and creativity. With respect to executive compensation, we engage in discussions that reflect differing perspectives. For example, we consider whether compensation linked to performance indicators that executives can directly influence would provide a more effective incentive, or whether, from a shareholder perspective, compensation linked to share price performance would be more appropriate. Succession planning is perhaps the most challenging area of all. Taking into account the Company's current circumstances, we first seek to identify, organize, and clearly articulate the qualities and capabilities that will be required of our management leaders over the next decade. We then discuss whether individuals possessing those qualities exist within the Company, what types of experience and development opportunities should be provided to cultivate such talent, and, if an external appointment becomes necessary, what type of individual should be sought and through which channels. Outside directors play a central role in these ongoing discussions. To be candid, though, the plan is not yet fully mature, and we will continue refining and enhancing it going forward.

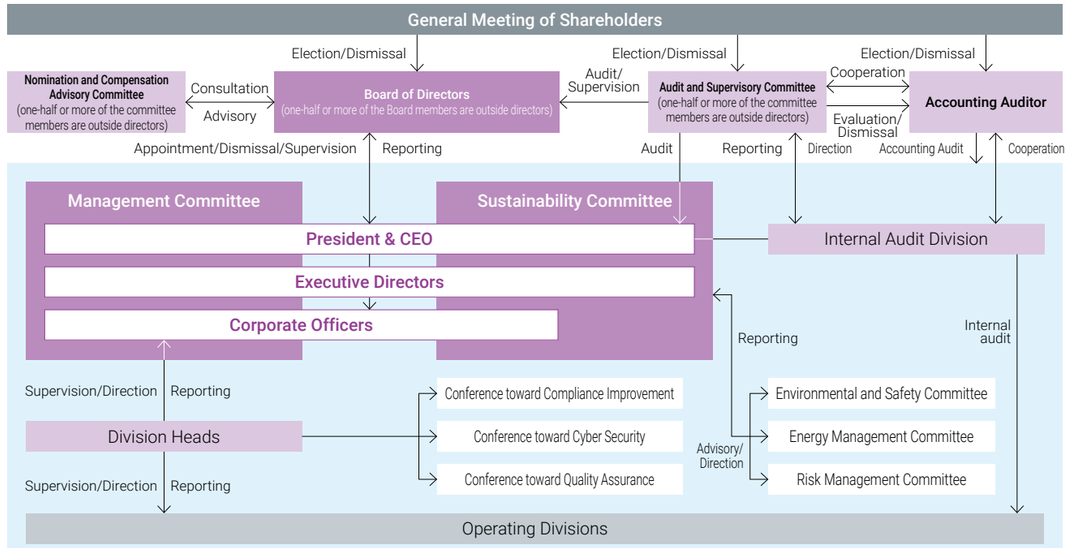
Basic stance on corporate governance

In line with KH Neochem's corporate mission of "Realizing a brighter tomorrow for society through the power of chemistry," we strive to achieve sustainable growth, improve our corporate value for the medium to long term and realize sound management while ensuring transparency and fairness. As such, we have established a corporate governance system to make ongoing efforts toward its enhancement.

For more information on our corporate governance initiatives, please visit our website.
https://www.khneochem.co.jp/en/sustainability/governance/corporate-governance/

Overview of corporate governance structure

KH Neochem transitioned to a Company with an Audit and Supervisory Committee pursuant to a resolution of the 14th Ordinary General Meeting of Shareholders held on March 26, 2024. While the separation of management oversight and execution has been promoted to date, we intend to accelerate management decision-making and further enhance the supervisory function of the Board of Directors by electing to become a Company with an Audit and Supervisory Committee, which will enable the delegation of a substantial portion of the Board of Directors' decision-making authority for business execution to the executive directors.

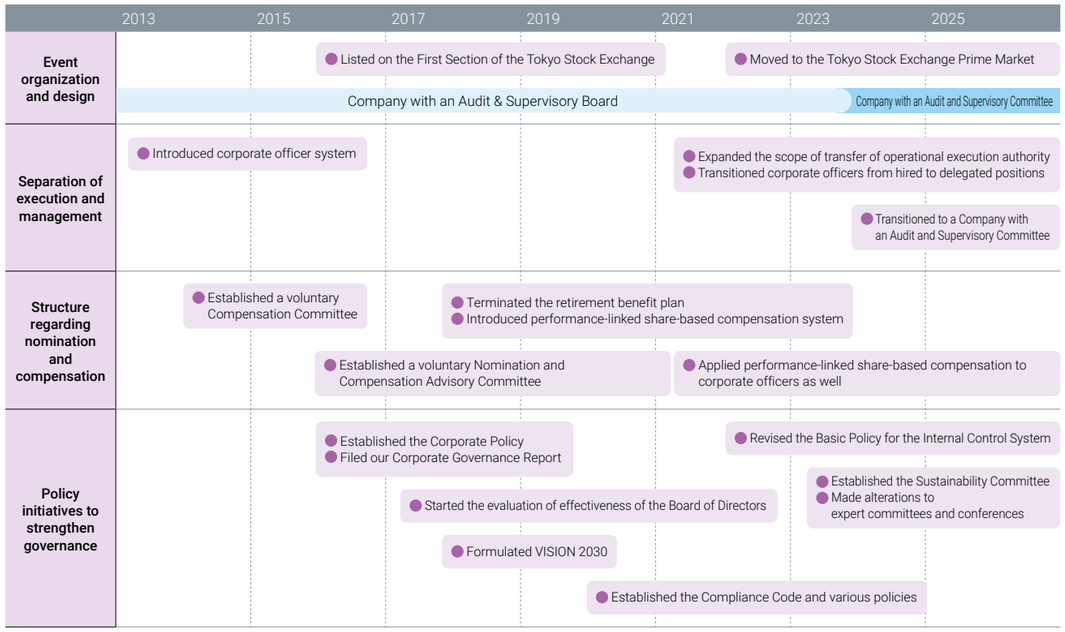


Descriptions of organizations

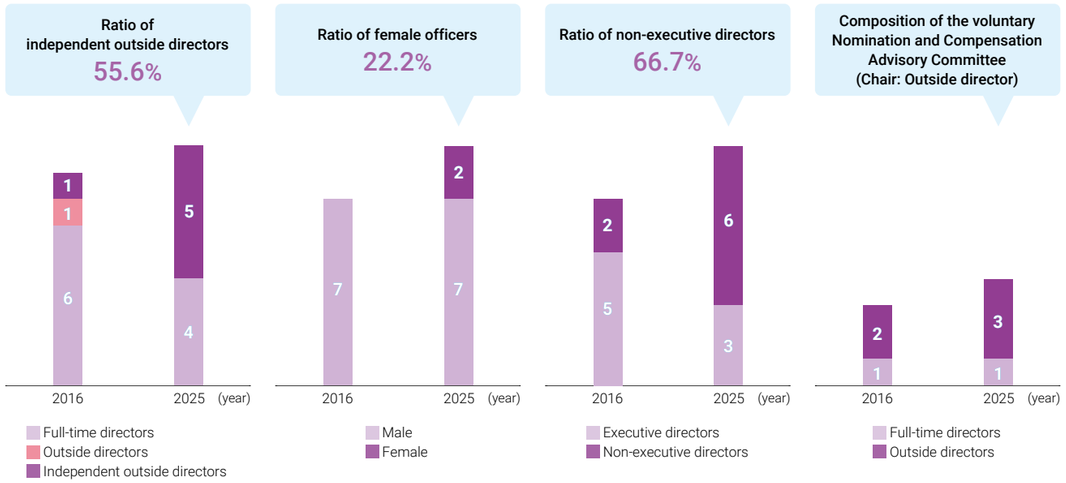
Board of Directors	The Board of Directors exists to promote sustainable growth of the Company and improvement of its corporate value over the medium and long term, and to strive for proper structuring and management of a corporate governance system. The Board of Directors makes decisions based on matters set out in laws, regulations, and the Company's Articles of Incorporation and other critical management matters as the Company's key executive decision-making body in addition to serving as a supervisory body over the directors' performance of duties.
Audit and Supervisory Committee	Based on the Company's audit plan, Audit and Supervisory Committee members attend important meetings and meet with CxOs and corporate officers, as well as work closely with the Internal Audit Division to conduct effective audits that utilize the expertise of independent outside directors and the knowledge of full-time directors. They also engage in exchanges of opinions with representative directors and accounting auditors.
Nomination and Compensation Advisory Committee	As an advisory body to the Board of Directors, the Nomination and Compensation Advisory Committee formulates annual plans for matters consulted by the Board of Directors, carries out activities, and reports to the Board of Directors. The committee strengthens the independence, objectivity, and accountability of the Board of Directors' functions regarding the nomination and compensation of directors and corporate officers.
Management Committee	The Management Committee decides on important matters regarding the execution of the Company's business as delegated by the Board of Directors, and also deliberates in advance on matters to be submitted to the Board of Directors.
Sustainability Committee	As an advisory body to the Board of Directors, the Sustainability Committee deliberates, reports, and monitors matters related to sustainability, including those to be resolved by the Board of Directors or the Management Committee, those to be approved by the President, as well as other important matters related to sustainability.
Expert committees and conferences	The Company has established expert committees (Environmental and Safety Committee, Energy Management Committee, and Risk Management Committee) and conferences (Conference toward Compliance Improvement, Conference toward Cyber Security, and Conference toward Quality Assurance) as important governance bodies that complement and reinforce Company-wide decision-making.

CORPORATE GOVERNANCE

Progress in strengthening corporate governance



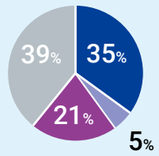
Comparison between time of listing (October 2016) and now (March 31, 2025)



Board of Directors

The Board of Directors exists to promote sustainable growth of the Company and improvement of its corporate value over the medium and long term, and to strive for proper structuring and management of a corporate governance system. The Board of Directors makes decisions based on matters set out in laws, regulations, and the Company's Articles of Incorporation and other critical management matters as the Company's key executive decision-making body in addition to serving as a supervisory body over the directors' performance of duties. The Board of Directors, in principle, holds ordinary Board of Directors' meetings on a monthly basis in addition to extraordinary Board of Directors' meetings as needed, forming the Company's system for swift decision-making in management.

Main agenda items for Board of Directors' meetings in 2025



Management strategy
- Annual management policy / Budget
- Monitoring of major investment projects and the 5th Medium-Term Business Plan

Sustainability
- Report of Sustainability Committee activities and discussion of issues
- Reports on progress with initiatives related to human capital disclosure

Corporate governance and risk management
- Board of Directors' effectiveness evaluation
- Confirmation of operational status of internal control system
- Discussions on management conscious of the cost of capital and stock price
- Progress in addressing material risks
- Report on the status of Group compliance
- Activity report of the Nomination and Compensation Advisory Committee
- Verification of cross-shareholdings

Others
- Resolutions based on laws and regulations
- Monthly business reports
- IR activity reports

Examples of remarks made at Board meetings

Independent Outside Director Miyairi

Human resource development and organizational revitalization are the foundations of the sustainable growth of a business. At the same time as strengthening the management capabilities of division heads, I would like KH Neochem to offer career paths by making strategic personnel assignments for the next generation, enhance the organization's teamwork, and work to improve support-based engagement through Human Resources Business Partner (HRBP) functions.

Independent Outside Director Tsuchiya

We should be sensitive to changes in the market environment and flexibly optimize the business portfolio. Strategic investments in growth markets and focusing management resources on highly profitable business domains should lead to enhancement of corporate value.

Independent Outside Director Kikuchi

Implementing governance rooted in transparency and sincerity helps build trust with stakeholders. Management's duty is to realize sustainable and sound business operations by continuously strengthening the risk management and internal control systems.

Toward evaluation of Board of Directors' effectiveness and fostering more active discussions at Board meetings

Once a year, the Board of Directors evaluates its effectiveness, discusses the results with all members, considers specific measures for improvement, and implements them as part of ongoing efforts to enhance the functionality of the Board. Through annual evaluations of effectiveness, we continuously implement initiatives to address issues identified during evaluation and incorporate the results into the following year's evaluation and priority issue identification process, thereby further enhancing the effectiveness of the Board of Directors through an ongoing PDCA cycle.

Furthermore, as part of our efforts to stimulate discussion at Board of Directors' meetings, we have established informal discussion forums outside of Board of Directors' meetings. In 2025, after setting various management themes that contribute to improving corporate value in light of changes in the external environment and social conditions, we held an off-site meeting that lasted about half a day, during which we engaged in frank and lively discussions on a variety of issues. In 2026, we will work to further enhance the effectiveness of the Board through measures that include strengthening oversight functions by formulating an annual schedule for reporting important issues, continuously deepening discussions aimed at the achievement of VISION 2030 and the 5th Medium-Term Business Plan, and holding Roundtable Meetings led by outside directors and conducting on-site dialogues with headquarters and plant executives.

Fiscal year	PLAN (issues identified during evaluation)	DO/ACT (initiative results and action plans)		
	Issues identified in FY2023	**DO Results of 2024 initiatives**		
PLAN 2024	1. Improve effectiveness of monitoring for critical investment projects 2. Set agendas in line with target of transitioning to a Company with an Audit and Supervisory Committee 3. Review process for formulating the next medium-term business plan and enhance discussions	1. Strengthened monitoring Compiled list of critical investment projects and other items to thoroughly assess the current situation. Continuously implemented appropriate adjustments to the reporting system as necessary.	2. Improved agenda setting Set agendas in line with target of transitioning to a Company with an Audit and Supervisory Committee.	3. Held discussions to formulate the 5th Medium-Term Business Plan Set discussions aimed at formulating the 5th Medium-Term Business Plan by phase and deepened discussions on key points.
	ACT Identify issues and formulate action plans	CHECK Evaluate effectiveness in 2024		
	Issues identified in FY2024	**DO Results of 2025 initiatives**		
PLAN 2025	1. Enhance discussions on medium- to long-term strategies 2. Enhance information exchanges between directors 3. Further improve operating format of the Board of Directors	1. Deepened strategic discussions Further enhanced oversight functions of the Board of Directors, while continuing to discuss items from a medium- to long-term perspective.	2. Enhanced Roundtable Meetings and off-site meetings Thoroughly expanded information sharing and dialogue between directors by holding more Roundtable Meetings and implementing off-site meetings.	3. Improved Board of Directors' operation Enhanced the quality and quantity of discussions on the day of Board meetings by improving pre-meeting briefings and providing information in a timely manner.
	ACT Identify issues and formulate action plans	CHECK Evaluate effectiveness in 2025		
	Issues identified in FY2025	**DO 2026 action plans**		
PLAN 2026	1. Further strengthen oversight functions for key management issues 2. Deepen discussions of management issues from a medium- to long-term perspective 3. Continuously improve Board operation	1. Further strengthen oversight functions Formulate annual reporting schedule for critical investment projects and other items. Ensure appropriate reporting to the Board in a timely manner.	2. Further deepen medium- to long-term discussions Promote ongoing discussions of topics including development of next-generation personnel and sustainability aimed at achieving VISION 2030 and the 5th Medium-Term Business Plan.	3. Continuously improve Board operation Continue Roundtable Meetings and on-site dialogues, share summaries of agenda items and management meetings, and review reporting templates, among other measures.
		New		

CORPORATE GOVERNANCE

Audit and Supervisory Committee

The Audit and Supervisory Committee comprises three directors (two of whom are independent outside directors), is chaired by a full-time Audit and Supervisory Committee member, and in principle, convenes once a month. To contribute to strengthening governance with the aim of sustainably enhancing corporate value, the committee leverages the various knowledge and expertise of each member, while operating from an independent, objective standpoint.

With key items in 2025 including improving earning power, enhancing plant on-site capabilities, addressing human resource issues, and strengthening control functions, the committee conducts efficient and effective audit activities through close collaboration with and instructions to the Internal Audit Division, as well as by actively participating in Board meetings, exchanging opinions with the Representative Director, President & Chief Executive Officer, and holding interviews with all corporate officers and division heads. Furthermore, the committee worked to share information and exchange opinions with outside directors who are not committee members.

In FY2026, the following have been set as key items, and the committee will continue to actively expand activities to strengthen governance.

Key Audit and Supervisory Committee items for 2026

- Status of progress with business strategies and growth strategies
- Status of initiatives aimed at strengthening management structure (enhance productivity, reform organizational culture, etc.)
- Status of initiatives aimed at strengthening Group governance
- Status of initiatives to address human resource issues
- Effectiveness of decision-making process and monitoring of critical issues
- Appropriate information disclosure, etc.

A Message from Directors Serving as Audit and Supervisory Committee Members: Aiming to Further Strengthen Supervisory Functions



Board Director
Audit and Supervisory Committee Member
Isao Takahashi

Since being appointed as a director serving as an Audit and Supervisory Committee member in March 2024, I have drawn on my experience in a wide range of areas, including human resources, shareholder relations, and corporate governance. From an objective standpoint, I have sought to determine, through discussions at meetings of the Board of Directors and other forums, whether management is meeting the expectations of shareholders and other stakeholders and operating in a manner that earns their trust. In doing so, I have at times posed rigorous questions from a deliberately skeptical perspective and at other times encouraged proactive initiatives. Amid a rapidly changing business environment, I believe that effective oversight and auditing of management will become increasingly important to achieving further growth. To fulfill this important responsibility, I am committed to pursuing and practicing oversight and audit activities that contribute to the sustainable enhancement of corporate value.



Independent Outside Director
Audit and Supervisory Committee Member
Keiko Tamura

I pay close attention to whether businesses with significant growth potential receive sufficient consideration and management resources, and whether the Company is providing a workplace environment in which officers and employees can work with enthusiasm, aiming to be a leading global specialty chemical company. In addition to attending meetings of the Board of Directors and other important meetings, I strive to maintain an accurate understanding of the Company's situation through the full-time Audit and Supervisory Committee members, the Internal Audit Division, and direct dialogues with executives and employees regarding business activities and issues they recognize. Drawing on my experience as an attorney, I also perform my duties as an Audit and Supervisory Committee member while paying close attention to the emergence of compliance-related issues and whether various risks are being appropriately controlled. In 2026, I have also been paying close attention to whether the Company is responding appropriately and flexibly to changes in the business environment, including developments in the Middle East.



Independent Outside Director
Audit and Supervisory Committee Member
Yoji Murohashi

Since being appointed as a director serving as an Audit and Supervisory Committee member in March 2026, I have utilized my experience gained at an audit firm and focused on verifying whether the Company's internal control systems, including those of its subsidiaries and forming the foundation of corporate governance, are appropriately designed and functioning effectively. As the business environment continues to change significantly, including developments in the Middle East, the Company must continuously strengthen and enhance its internal control systems rather than remain satisfied with the status quo in order to respond promptly to changes both inside and outside the Company and support its sustainable growth. I intend to contribute to the oversight activities of the Audit and Supervisory Committee by actively sharing insights gained through the "fresh eyes" that come with being newly appointed.

Nomination and Compensation Advisory Committee

With the aim of reinforcing the independence, objectivity, and accountability of the Board of Directors' functions related to the nomination and compensation of directors and corporate officers, the Company has established a voluntary Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors. The chair of the committee is an outside director, and outside directors constitute a majority of the members. The Nomination and Compensation Advisory Committee formulates an annual plan and works on matters consulted by the Board of Directors, and reports to the Board of Directors. The chair of the committee is selected by the Nomination and Compensation Advisory Committee from among the outside directors.

Main agenda items and activities of the Nomination and Compensation Advisory Committee in 2025

Executive staffing
Consideration of resignation, appointment, and reappointment of executives and revision of skills matrix

Compensation for executives
Revision of standards for executive compensation and evaluation of individual performance

Succession plans
Consideration of succession plans and interviews held by outside directors with employees including division heads

Director nomination policy and required skills

The Company nominates candidates for director from the perspective of putting the right person in the right place and selecting individuals who are competent and can contribute to precise and rapid decision-making based on the skills, etc., required of a director. After considering diversity factors such as gender, the voluntary Nomination and Compensation Advisory Committee responds to inquiries from the Board of Directors by conducting a comprehensive review, and the Board of Directors makes the final decision.

In addition, the Company has identified eight skills expected to contribute to its management and created a skills matrix to ensure that the Board of Directors as a whole covers each skill, maintaining a balanced composition and ensuring diversity of experience and expertise.

The Company has also created a skills matrix that includes not only Directors but also Corporate Officers, with the aim of developing and promoting the next generation of talent.

To view the overall skills matrix, including for corporate officers, please visit our website.
https://www.khneochem.co.jp/sustainability/governance/corporate-governance/
(in Japanese only)

Reasons for selecting individual skill areas

Skill areas	Reasons
Corporate management	Experience and achievements in corporate management are necessary in order to present growth strategies aimed at the sustained improvement of the Group's corporate value and appropriately supervise the Group's management.
Business strategy	As the business environment is rapidly changing, experience and achievements in formulating strategies to enhance corporate value and building alliances that create new social value are necessary in order to establish a solid revenue base and ensure the Group's sustained growth.
Finance/Accounting	Knowledge and experience in finance and accounting to formulate precise financial and capital strategies are necessary in order to achieve high capital efficiency while assessing business growth potential and profitability and maintaining financial soundness.
Governance/Compliance/ Risk management	As for the corporate infrastructure, building an appropriate governance framework, accurately identifying and controlling business risks, and ensuring transparent, fair, and decisive decision-making require knowledge and experience in corporate governance, compliance, and risk management.
Organization & Human resource development/Diversity	To strengthen human resources as part of our corporate infrastructure, it is necessary to secure diversity of human resources and create an environment in which each employee can fully utilize their strengths and contribute to the organization. This calls for knowledge and experience in diverse talent management and organizational culture enhancement.

Succession and development plans for the next generation of management executives

As part of our succession and development plans for the next generation of management executives, we provide opportunities for all division heads to have interviews with outside directors. We actively communicate with outside directors, leading to the development of succession and development plans for the next generation of management executives in the future.

CORPORATE GOVERNANCE

Outside directors

Criteria for independence of independent outside directors

In selecting candidates for independent outside directors, in addition to the independence standards of the Tokyo Stock Exchange, KH Neochem places importance on abundant business experience and a high level of expertise that enables candid and constructive advice and supervision of the Company's management.

Reasons for appointment of outside directors

	Reasons
Sayoko Miyairi Outside Director Nomination and Compensation Advisory Committee Member	She appropriately fulfills such roles as providing opinions and recommendations on human resource training and improving employee engagement, particularly from her expert perspective in organization and human resource development, in order to ensure that decision-making is suitable and appropriate. In addition, as a member of the Nomination and Compensation Advisory Committee, she attended all eight of its meetings held during the fiscal year under review, supervising the process for the selection of candidates and the determination of remuneration, etc., for officers of the Company from an objective and neutral viewpoint.
Jun Tsuchiya Outside Director Nomination and Compensation Advisory Committee Member	He appropriately fulfills such roles as providing opinions and recommendations concerning the Company's business, particularly in the areas of management and technology, in order to ensure that decision-making is suitable and appropriate. In addition, as a member of the Nomination and Compensation Advisory Committee, he attended all eight of its meetings held during the fiscal year under review, supervising the process for the selection of candidates and the determination of remuneration, etc., for officers of the Company from an objective and neutral viewpoint.
Yuji Kikuchi Outside Director Nomination and Compensation Advisory Committee Chairperson	He appropriately fulfills such roles as providing opinions and recommendations concerning risk management and strengthening corporate governance, particularly from his professional perspective as an attorney in order to ensure that decision-making is suitable and appropriate. In addition, as the chair of the Nomination and Compensation Advisory Committee, he attended all eight of its meetings held during the fiscal year under review, leading the supervision of the process for the selection of candidates and the determination of remuneration, etc., for officers of the Company from an objective and neutral viewpoint.
Keiko Tamura Independent Outside Director Audit and Supervisory Committee Member	She possesses broad expertise in the financial field and corporate legal affairs as an attorney at law. Although she has not been directly involved in a company's management by a method other than serving as Outside Director or Outside Auditor, she is expected to contribute to the Company by leveraging her experience serving as an Outside Auditor of the Company from March 2020 and her extensive experience as an attorney at law.
Yoji Murohashi Independent Outside Director Audit and Supervisory Committee Member	He possesses extensive experience as a partner and senior partner at an audit firm and specialist knowledge related to finance and accounting. Although he has not been directly involved in a company's management by a method other than serving as Outside Director or Outside Auditor, he is expected to contribute to the sustained improvement of the Company's corporate value by leveraging his experience as a certified public accountant through carrying out supervision and auditing of the Company's management.

Support system for outside directors

To enable outside directors to exercise appropriate supervision from an independent standpoint, materials are distributed in advance regarding proposals to be submitted to the Board of Directors, and explanations are provided in advance by the division making the proposal, and others. Furthermore, we have been improving the quality of discussions at Board of Directors' meetings; for example, prior to Board of Directors' meetings, by sharing the internal review process of important matters discussed at the Management Committee and the details of those matters. In addition, to prevent an information gap with full-time directors, important information related to management is shared in a timely manner, and we also arrange regular visits to our plants and subsidiaries as opportunities for interaction and dialogue with employees on the front lines. Furthermore, when new outside directors are appointed, we work to deepen their understanding of the Group by providing them with materials and information as well as holding explanatory meetings.

Efforts to demonstrate the skills of outside directors

To proactively incorporate the diversity and high level of expertise of our outside directors into our management, we hold training sessions for management, with outside directors as instructors. These sessions provide an opportunity for outside directors to demonstrate their skills and provide input to management, while also providing a forum for the frank exchange of opinions among directors, which helps to stimulate constructive discussions at Board of Directors' meetings.

Additionally, we provide ongoing training opportunities for management, including outside directors, by inviting external experts, lawyers, and other such lecturers. Through these training programs, each of our directors is able to further deepen their own expertise and strengthen their ability to respond to a rapidly changing business environment.

Cross-shareholdings

To improve corporate value, KH Neochem owns shares in companies considered important for maintaining medium- and long-term business connections and synergies that are based on an understanding of the importance of each other's management policies, business lines, and business dealings. Approximately 30% of investment shares on the balance sheet are unlisted shares, and of these approximately 90% are shares in affiliated companies acquired through joint investments in key materials manufacturers and in management companies for joint industrial complexes, as well as companies including start-ups that we have invested in with the aim of creating new businesses. Thus, these holdings truly are part of our business investments.

For shares in listed companies, the Board of Directors annually reviews the rationale for each shareholding, including appraisal losses and gains, compliance status, and business dealings with the Company. As a result, we do not hold any shares that have been deemed inappropriate to hold, either now or in the future. Furthermore, the number of shareholdings did not change in 2025.

Amount of remuneration, etc. for directors

To ensure that KH Neochem's remuneration for directors (hereinafter referring only to directors who are not Audit and Supervisory Committee members and outside directors) fully functions as an incentive aimed at the sustainable enhancement of corporate value, the Company has created a remuneration system that shares profit with shareholders and provides appropriate standards based on each director's responsibilities when determining remuneration. The basic policy regarding remuneration and other items is as follows.

- Director remuneration is to serve as a sufficient incentive for directors to improve business performance and increase corporate value over the medium to long term.
- Director remuneration is to give rise to competitive strengths that facilitate capacity to gain diverse and outstanding talent.
- Director remuneration is to cause directors to have common interests with shareholders and other stakeholders.

Remuneration system for directors

Director remuneration comprises fixed remuneration and performance-linked remuneration. To ensure performance-linked remuneration functions appropriately as an incentive for improving performance, the system is designed to increase the percentage of performance-linked remuneration as corporate officers increase in rank. At its maximum, this makes up approximately half of the total remuneration. Furthermore, remuneration for outside directors and directors who are Audit and Supervisory Committee members comprises fixed remuneration (cash) only.

Fixed remuneration (cash)	Performance-linked monetary remuneration	+	Performance-linked share-based remuneration
55.4–60%	22.3–25%		15–22.3%

Monetary remuneration

Around 30% of all monetary remuneration is performance linked, and it is calculated using the rate at which planned earnings are achieved and the average achievement rate over the past five years.

Total amount of remuneration by officer classification, total amount of remuneration by category, and number of officers subject to remuneration (2025)

Officer classification	Number of officers subject to remuneration	Total amount of remuneration (millions of yen)	Total amount of remuneration by category (millions of yen)		
			Monetary remuneration		Share-based remuneration
			Fixed	Performance-linked	Performance-linked
Directors (excluding Audit and Supervisory Committee members and outside directors)	4	142	76	31	34
Audit and Supervisory Committee members (excluding outside directors)	1	21	21	–	–
Outside officers	5	54	54	–	–

Note: The number of directors and remuneration amounts stated above includes one director who resigned following the 15th Ordinary General Meeting of Shareholders held on March 25, 2025.

Performance-linked share-based remuneration

Performance-linked share-based remuneration is calculated using the rate at which planned earnings are achieved, provided that consolidated operating income is in the black. While placing greater priority on performance, this remuneration system clarifies the link with the stock price, enabling directors to share both the benefit of increases in the stock price and the risk of decreases in the stock price with shareholders, thereby increasing awareness of contributing to the improvement of medium- to long-term performance and increasing corporate value.

Performance-linked remuneration indicators

The evaluation index used for performance-linked remuneration (both monetary remuneration and share-based remuneration) is consolidated EBITDA,* taking into account the characteristics of the Company's business and other factors. Because the Company owns a large number of facilities, it considers EBITDA, which adds back depreciation and amortization to operating income, to be a useful indicator.

* EBITDA is calculated using the following formula: EBITDA = Operating income + depreciation + amortization of goodwill (the amount from the consolidated statement of income is used for operating income, while the amounts from the consolidated statement of cash flows are used for depreciation and amortization and amortization of goodwill).

Revision of remuneration for executives

The Company implements revisions to remuneration as necessary on an annual basis by verifying the validity of remuneration standards and remuneration composition by comparing them with those of benchmark companies based on the result of a survey on remuneration for managers at domestic companies conducted by a third party.

Additionally, comprehensive revisions are implemented once every three years, taking into account changes to the management environment.

Process for determining remuneration for executives

Executive remuneration is determined within the scope of remuneration limits at the Ordinary General Meeting of Shareholders. When determining remuneration, the Board of Directors must seek the advice of the voluntary Nomination and Compensation Advisory Committee, which comprises a majority of independent outside directors to maintain objectivity and transparency. Upon verifying the validity and consistency of remuneration, including corporate performance and individual performance evaluations, the committee members deliberate on proposals for individual remuneration and report to the Board of Directors. The Board of Directors reaches a resolution based on the Committee's recommendations, effectively covering individual remuneration, and the Representative Director, President & Chief Executive Officer makes the final decisions in accordance with the Board's resolution. Performance-linked share-based remuneration is determined based on the "Rules for Delivery of Shares to Officers" set out by the Board of Directors in advance.

MEMBERS OF THE BOARD



1 Michio Takahashi
Representative Director
President & Chief Executive Officer

Apr. 1987	Joined Kyowa Hakko Kogyo Co., Ltd.
July 2011	Head of Basic Chemicals Division, Kyowa Hakko Chemical Co., Ltd. (now the Company)
Mar. 2013	Director & Corporate Officer of the Company
Mar. 2016	Managing Director & Corporate Officer of the Company
Mar. 2017	Executive Vice President & Corporate Officer of the Company
Mar. 2019	Representative Director, President & Chief Corporate Officer of the Company
Mar. 2020	Representative Director, President & Chief Executive Officer of the Company (to present)

2 Toshiaki Fujima
Board Director
Executive Corporate Officer

Apr. 1998	Joined Kyowa Hakko Kogyo Co., Ltd.
Aug. 2006	Seconded to Kyowa Hakko U.S.A., Inc. as Director
Mar. 2011	Seconded to Kyowa Hakko Chemical Americas, Inc. as Executive Vice President
Aug. 2013	Group Manager, Sales Group 2, Chemical Sales Department of the Company
Jan. 2023	Head of Corporate Planning of the Company
Mar. 2024	Corporate Officer, CSO & Head of Corporate Planning of the Company
Mar. 2025	Board Director, Corporate Officer, Head of Corporate Planning of the Company
Mar. 2026	Board Director, Executive Corporate Officer, Head of Corporate Planning of the Company (to present)

3 Taro Hasuo
Board Director
Senior Corporate Officer

Apr. 1992	Joined the Industrial Bank of Japan, Limited (now Mizuho Bank, Ltd.)
May 2015	Group Head, M&A Advisory Group, Managing Director, Mizuho Securities USA LLC
May 2021	Managing Director, Energy & Healthcare & Basic Materials Investment Banking, Global Investment Banking Division, Mizuho Securities Co., Ltd.
Apr. 2022	Operating Officer, Head of Resource & Material Industry Group, Global Investment Banking Division, Mizuho Securities Co., Ltd.
Apr. 2023	Executive Officer, Head of Resource & Material Industry Group, Global Investment Banking Division, Mizuho Securities Co., Ltd. (resigned in Dec. 2025)
Jan. 2026	Joined the Company
Mar. 2026	Board Director, Senior Corporate Officer of the Company (to present)

4 Sayoko Miyairi
Independent Outside Director

Apr. 1979	Joined Hitachi, Ltd.
July 1982	Joined Bank of America, N.A., Asia Headquarters
Mar. 1986	Joined Pasona Inc. and seconded and then transferred to Edu Consult Co., Ltd. (now Scholar Consult Co., Ltd.)
Apr. 2000	Partner of Scholar Consult Co., Ltd. (to present)
Apr. 2000	Assistant Professor of Nihonbashi Gakkan University (now Kaichi International University)
Jan. 2005	Director of Scholar Consult Co., Ltd.
Apr. 2008	Professor of Nihonbashi Gakkan University (now Kaichi International University)
Mar. 2019	Outside Director of the Company (to present)
Aug. 2020	Outside Director of Toyo Engineering Corporation (to present)
Apr. 2022	Emerita and Guest Professor of Kaichi International University (to present)
June 2022	Outside Director of NIHON SEIKAN K.K. (to present)

5 Jun Tsuchiya
Independent Outside Director

Apr. 1981	Joined Argonne National Laboratory, U.S.A.
May 1983	Joined Lawrence Berkeley National Laboratory, U.S.A.
Feb. 1984	Joined Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation)
Jan. 1999	Seconded as President to Verbatim Corporation, U.S.A., a subsidiary of Mitsubishi Chemical Limited
Apr. 2001	General Manager of Corporate Planning Office of Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation) (retired in January 2002)
Feb. 2002	Director of Rohm & Haas Japan K.K (now Dow Chemical Japan Limited)
Jan. 2007	Representative Director & President of Heraeus K.K.
Oct. 2018	CEO of Tsuchiya International Consulting Corp. (to present)
June 2019	Outside Director of Soken Chemical & Engineering Co., Ltd. (to present)
Mar. 2020	Outside Director of the Company (to present)

6 Yuji Kikuchi
Independent Outside Director

Apr. 1992	Registered as an attorney at law Entered Sakano, Seo & Hashimoto Law Office (now Tokyo Hatchobori Law Office)
Apr. 2002	Partner of Tokyo Hatchobori Law Office
Mar. 2003	Joined the Securities and Exchange Surveillance Commission (Coordination and Inspection Division, Executive Bureau)
Mar. 2005	Returned to partner at Tokyo Hatchobori Law Office (to present)
June 2010	Outside Audit & Supervisory Board Member of Inui Warehouse Co., Ltd. (now Inui Global Logistics Co., Ltd.)
June 2014	Outside Audit & Supervisory Board Member of NEC Networks & System Integration Corporation
Mar. 2020	Outside Director of the Company (to present)
Feb. 2026	Outside Director of Tachibana Securities Co., Ltd. (to present)

7 Isao Takahashi
Board Director
Audit and Supervisory Committee Member

Apr. 1988	Joined Fujisawa Pharmaceutical Co., Ltd. (now Astellas Pharma Inc.)
Oct. 2012	General Manager of Corporate Planning Department of Astellas Business Service Company Limited
Oct. 2014	General Manager of Operations Department of Astellas Business Service Company Limited
Oct. 2017	Joined the Company
Jan. 2019	General Manager of General Affairs Division of the Company
Jan. 2020	Corporate Officer, Officer in charge of Corporate Functions (HR, Legal, General Affairs, IT, and Compliance) & Head of Corporate Administration, Public Relations, Legal and Compliance of the Company
Apr. 2021	Corporate Officer & Head of Corporate Administration, Public Relations, Legal and Compliance of the Company
Apr. 2023	Senior Corporate Officer & Head of Corporate Administration, Public Relations, Legal and Compliance of the Company
Mar. 2024	Board Director & Audit and Supervisory Committee Member (to present)

8 Keiko Tamura
Independent Outside Director
Audit and Supervisory Committee Member

Apr. 1992	Registered as an attorney at law Joined Tokyo Yaesu Law Offices (now Asahi Law Offices)
Apr. 1998	Partner of Asahi Law Offices (to present)
June 2014	Outside Audit & Supervisory Board Member of The Norinchukin Trust & Banking Co., Ltd. (to present)
June 2016	Outside Director (Audit and Supervisory Committee Member) of ODELIC CO., LTD.
Mar. 2020	Outside Audit & Supervisory Board Member of the Company
Mar. 2024	Outside Director & Audit and Supervisory Committee Member of the Company (to present)
June 2025	Outside Director of AMANO Corporation (to present)

9 Yoji Murohashi
Independent Outside Director
Audit and Supervisory Committee Member

Oct. 1985	Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC)
Mar. 1989	Registered as a Certified Public Accountant
May 2000	Partner of Century Showa Ota & Co. (now Ernst & Young ShinNihon LLC)
July 2006	Senior Partner of Shin Nihon & Co. (now Ernst & Young ShinNihon LLC)
July 2023	Established Murohashi Certified Public Accountant Office
June 2024	Outside Auditor of SB Technology Corp. (now SoftBank Corp.)
Mar. 2026	Outside Director & Audit and Supervisory Committee Member of the Company (to present)

Corporate Officers

President & Chief Executive Officer	Michio Takahashi	Chief Executive Officer (CEO)
Executive Corporate Officer	Toshiaki Fujima	Chief Strategic Officer (CSO) Head of Corporate Planning
Senior Corporate Officer	Yukihiro Isogai	Chief Marketing Officer (CMO)
Senior Corporate Officer	Hideki Shimizu	Chief Procurement Officer (CPO) Head of Procurement
Senior Corporate Officer	Hideo Kurokawa	Chief Technical Officer (CTO) Head of Production Planning and Engineering
Senior Corporate Officer	Taro Hasuo	Chief Financial Officer (CFO)
Corporate Officer	Yoshiaki Kondo	Head of Environment, Safety and Quality Assurance
Corporate Officer	Atsushi Tokumitsu	President of Kurogane Kasei Co., Ltd.
Corporate Officer	Katsunori Sato	Head of Sales & Marketing
Corporate Officer	Takatoshi Fujii	Chief Human Resource Officer (CHRO); Head of Human Resources
Corporate Officer	Maki Sato	Chief Legal Officer (CLO), Head of Corporate Administration, Legal and Compliance
Corporate Officer	Takayuki Kobayashi	General Manager, Chiba Plant
Corporate Officer	Toshihiro Inayama	General Manager, Technology Development Center
Corporate Officer	Hiroshi Matsuoka	General Manager, Yokkaichi Plant
Corporate Officer	Satoshi Kozasa	Head of Corporate Communications and Investor Relations

To view the overall skills matrix, including for corporate officers, please visit our website.
https://www.khneochem.co.jp/sustainability/governance/corporate-governance/ (in Japanese only)

Board of Directors' members										Skills matrix				
	Titles	Number of years in office	Independence	Female	Board of Directors	Number of Board meetings attended	Audit and Supervisory Committee	Nomination and Compensation Advisory Committee	Sustainability Committee	Corporate management	Business strategy	Finance/Accounting	Governance/Compliance/ Risk management	Organization & Human resource development/Diversity
Michio Takahashi	Representative Director	13			○ Chair	15 of 16		○	○	●	●	●	●	●
Toshiaki Fujima	Board Director	1			○	13 of 13			○ Chair	●	●			
Taro Hasuo	Board Director	New			○	–			○			●		
Sayoko Miyairi	Outside Director	7	○	○	○	16 of 16		○						●
Jun Tsuchiya	Outside Director	6	○		○	16 of 16		○		●	●			
Yuji Kikuchi	Outside Director	6	○		○	16 of 16		○ Chair					●	
Isao Takahashi	Board Director	2			○	16 of 16	○ Chair						●	●
Keiko Tamura	Outside Director	6*	○	○	○	16 of 16	○						●	
Yoji Murohashi	Outside Director	New	○		○	–	○					●		

* Includes years of service as a corporate auditor

RISK MANAGEMENT

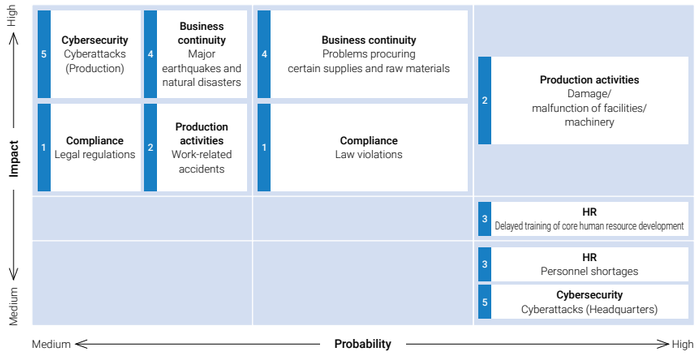
Risk management activities and system

To achieve sustainable growth, KH Neochem engages in risk management activities that identify and recognize risks to the greatest extent possible, prevent latent risks from materializing, and manage active risks with organizational, strategic, and continuous controls. To conduct effective risk management, we have established the Risk Management Committee, chaired by the Chief Legal Officer (CLO) and consisting of all division heads as members. This committee examines and deliberates the identification and assessment of critical management risks and the formulation of countermeasure plans, and monitors the progress of these efforts. In principle, the committee meets twice a year and reports the content of its discussions to the Sustainability Committee. After identifying overall management risks and formulating appropriate countermeasures, key matters are reported to the Board of Directors.

Risk evaluation process and material risk selection

We identify risks from both external and internal perspectives, taking into account social and environmental conditions, and create a risk map that evaluates their impact and probability of occurrence. From this risk map, we select risks that have an extremely high impact on the Group's management and business activities and that should be prioritized in terms of corporate value and social interest, and designate them as "material risks." A risk owner is appointed from among the CxOs and is responsible for each of these material risks, and these risk owners work closely with the supervising division and relevant divisions to implement risk countermeasures.

Positioning of material risks on the risk map



* Material risks are excerpted from the Company-wide risk map.

Material risks and their countermeasures

Category	Examples	Countermeasures
1 **Compliance**	Law violations, legal restraints	• Establishment of a compliance code and education of all executives and employees • Legal compliance status checks and other verifications of relevant regulations
2 **Production activities**	Damage/malfunction of facilities/machinery, work-related accidents	• Development of maintenance plans according to equipment importance • Implementation of Comprehensive Safety Check Initiative 2022 P.61
3 **HR**	Personnel shortages, delayed training of core human resources	• Reinforcement of hiring activities and systems, holding personnel meetings • Formulation of skill enhancement programs and training systems for core human resources
4 **Business continuity**	Major earthquakes and natural disasters Problems procuring certain supplies and raw materials	• Formulation of a BCP and conduct of regular exercises • Identification of supply risks for critical raw and auxiliary materials, facilities, and supplies; and formulation of risk countermeasures
5 **Cybersecurity**	Cyberattacks	• Strengthen residual risk reduction based on external security assessments • Technical and operational measures and updates, and education for all executives and employees
6 **Climate change**	Abnormal weather, imposition of carbon tax	• See P88 for TCFD recommendation-based climate-related information disclosure

Business continuity management

The Company manufactures and supplies essential products that are indispensable to production activities across a wide range of industries and to enriching people's lives. For that reason, we believe that we have an important responsibility to maintain and continue our business activities and achieve an early recovery in the event of a large-scale disaster, and have therefore formulated the Business Continuity Management (BCM) Basic Policy. Based on this, we have established business continuity plans (BCPs) for our Headquarters and plants, and by conducting regular training, we have built a system for minimizing damage in the event of a disaster and ensuring business continuity and early recovery. In 2025, we held cross-functional workshops to further examine and discuss the issues identified through the role-playing drills, which simulated a major earthquake, conducted in previous years and revised relevant documents accordingly. In 2026, we will once again reflect the results of these discussions in our role-playing drills as we work to ensure effective BCM.

TOPIC

Material Risk 4 Business Continuity: Responding to Changes in the Middle East Situation

In February 2026, tensions in the Middle East escalated, temporarily destabilizing the procurement of raw materials for the Company. The disruption coincided with a production shutdown in order to implement large-scale periodic maintenance, which is conducted every two years. With no clear outlook for the resumption of operations following the maintenance period, we strengthened collaboration between the procurement, production, and sales functions to avoid any interruption in supply. By responding swiftly to these challenging circumstances in the operating environment, we were able to minimize negative impacts.

COMPLIANCE

Compliance Code

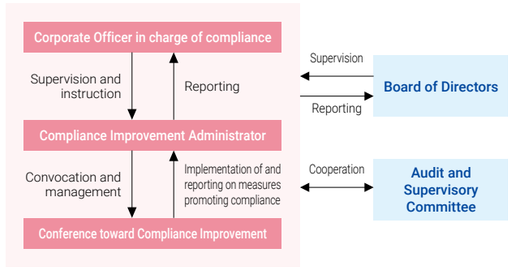
The KH Neochem Group believes that compliance not only involves complying with the law but also upholding high ethical standards as a member of society, and meeting the demands and expectations of all stakeholders. In order to clarify this stance, we have formulated our Compliance Code, the Principles of Corporate Behavior common across the KH Neochem Group. Each and every member of the Group is expected to faithfully put the Compliance Code into practice by continuously asking themselves, "Is my conduct correct?" and "Can I speak about this with pride to others?" as they act.

To view the Compliance Code, please visit our website.
https://www.khneochem.co.jp/en/company/philosophy/principles/compliance.html

Compliance system

The Board of Directors appoints a Corporate Officer in charge of compliance, and under that officer's supervision, a Compliance Improvement Administrator (Head of Legal and Compliance) is designated. The Compliance Improvement Administrator convenes the Conference toward Compliance Improvement, where progress and results of initiatives are reviewed, current challenges are discussed, and plans for further initiatives are decided. By structuring this flow as a continuous cycle, we strive to consistently strengthen our compliance system. Serious compliance-related issues and the status of activities are reported to the Board of Directors as needed and are also shared with the Audit and Supervisory Committee.

Compliance system chart

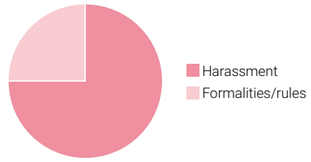


KH Neochem Group Hotline (Internal whistleblowing/Advice hotline)

We have established the KH Neochem Group Hotline as a whistleblowing and consulting channel for people to report corruption, bribery, legal violations, improper or illegal conduct, and other breaches or suspected breaches of compliance. Several hotlines operate under the name "KH Neochem Group Hotline." Internally, hotlines are managed by compliance staff, the Corporate Officer in charge of compliance, and members of the Audit and Supervisory Committee. Externally, a hotline is provided through an attorney to ensure independence. All hotlines operate with strict confidentiality, preserving the anonymity and privacy of whistleblowers and callers. We also ensure that no one who makes a report or consultation is subject to any form of disadvantageous treatment as a result of doing so. We have published contact details for the KH Neochem Group Hotline on the websites of our Company and each Group company to make them easily accessible to our customers, business partners, and other stakeholders.

In 2025, the KH Neochem Group Hotline received 12 calls, none of which concerned any matter serious enough to require public disclosure.

Number of compliance consultations and whistleblowing reports 2025



* Includes consultations other than on the KH Neochem Group Hotline. All calls were resolved appropriately.

Corruption/bribery prevention efforts

Our Bribery Prevention Policy mandates adherence to all laws relating to the prevention of corruption, bribery, and so forth. In addition to interactions with public officials, the Company has implemented a prior approval system covering the offering and receipt of business entertainment and gifts between companies. The system includes an approval process by the highest-ranking participant's superior and the Compliance Improvement Administrator. In 2025, there were no actions suspected of involving corruption, bribery, or similar violations.

COMPLIANCE

Compliance improvement activities

Activities of the Conference toward Compliance Improvement

The Conference toward Compliance Improvement, comprising all division heads and representatives from Group companies, is held twice a year. In 2025, we conducted role-playing exercises and held discussions focused on harassment, a priority measure. In addition, we held training on communicating effectively with others in light of the fact that biases and misunderstandings can lead to compliance violations. These efforts aim to enhance employee awareness of issues and improve problem-solving capabilities at both the Company-wide and division levels, while practical discussions lead to the development of effective measures.

Compliance awareness surveys

To assess the workplace environment and compliance awareness, we conduct an annual survey targeting all executives and employees. Key issues identified through the survey are reported to the Board of Directors and other relevant parties, and countermeasures are implemented by each division.

Compliance leader activities

We appoint compliance leaders in each workplace with the aim of increasing the number of members who have a deeper understanding of compliance, quickly notice potential issues before they become problems, act with a sense of ownership, and are able to prevent issues from arising. Approximately every two months, we hold a Compliance Leaders' Meeting, where training is provided to enhance awareness and knowledge. Opportunities are also provided to facilitate discussion among compliance leaders to foster inter-division communication and build bonds that enable reciprocal consultation. The knowledge gained is then translated into concrete initiatives, which are implemented in each workplace. In 2025, based on the concerns identified through discussions at the Compliance Leaders' Meeting, we produced an educational video in the form of a reenactment drama featuring the compliance leaders themselves. We then held workshops using this video, with compliance leaders serving as facilitators. In these ways, we actively promoted compliance within the workplace.



A Compliance Leaders' Meeting in progress

Main Compliance Improvement Activities

General compliance	Leadership Messages on Compliance Conference toward Compliance Improvement (twice a year) Legal Compliance Week (once a year) Compliance workshops at all workplaces (approximately once a year) Compliance awareness surveys (approximately once a year)
Education and training	Distribution of the Compliance Book Compliance education and training sessions at all sites (6 times a year) • Training on the Antimonopoly Act, occupational safety and health (measures to prevent heatstroke), the Revised Logistics Efficiency Act, prevention of insider trading, harassment, the SME Transactions Act, etc. • Other training programs for new employees, career hires, new managers, etc.
Other	Posting of information regarding the KH Neochem Group Hotline on the intranet and posters to ensure awareness





Compliance Book



A scene from Legal Compliance Week



Training on the prevention of insider trading hosted by Independent Outside Director Yuji Kikuchi

SECURITY, SAFETY, AND ENVIRONMENTAL ACTIVITIES

Environmental Safety Policy

KH Neochem believes that the thorough implementation of security, safety, and environmental conservation—in our business activities and based on our Compliance Code—is critical not only for the sustainable improvement of our corporate value but also for us to fulfill our social responsibilities. We have therefore established our Environmental Safety Policy to ensure security, safety, and environmental conservation.

Responsible Care (RC)

We engage in the following RC in good faith to comply with the Environmental Safety Policy.

1. Maintaining and improving a safe workplace
We will endeavor to maintain and improve a safe workplace by ensuring the attainment of behavior goals and compliance matters that we have established in order to put our Safety Guidelines of "protecting ourselves and our colleagues" into practice.

2. Maintaining and improving safe and stable operations
We constantly strive to identify sources of danger, eliminate risks, and maintain safe and stable operations, while also pursuing further improvement and aiming for zero accidents and zero incidents. Through these efforts, we work to ensure the safety, comfort, and health of the local communities and all executives and employees.

3. Contributing to society and environmental conservation
We strive to realize a sustainable society and environment through corporate activities, gather updated safety information regarding the chemical substances and products to be handled, and provide customers, distribution-related parties, and all executives and employees with appropriate information, thereby striving to reduce the security, safety, and environmental burdens in the entire process from product development through to disposal.

4. Contributing to the local communities
Through dialogue and communication activities with local communities regarding security, safety, environmental conservation, and health, we cooperate with these communities and thereby contribute to their development.

Management system

The Company designates the environmental safety officer appointed by the Board of Directors as the highest-ranking officer responsible for overseeing environmental safety operations. The environmental safety officer holds full responsibility and authority in this area and oversees the execution of security and environmental management operations across the Company, as well as inspections conducted by the Headquarters. Furthermore, as chair of the Environmental and Safety Committee and the Incident Investigation Committee (Headquarters), the officer is responsible for convening and managing these committees.

Among the matters deliberated by the Environmental and Safety Committee, those requiring approval are resolved by the Management Committee or the Board of Directors in accordance with the approval regulations. The fiscal year's priority measures that are approved are communicated to each division, and their progress is regularly monitored through environmental safety inspections conducted by Environment, Safety and Quality Assurance.

Status of certification acquisition

The Yokkaichi Plant and Chiba Plant have acquired certifications for quality management systems (ISO 9001) and environmental management systems (ISO 14001), and are promoting RC activities in line with those systems. The plants also conduct internal audits based on ISO 9001 and ISO 14001 to verify that these management systems are being operated appropriately. In addition, they undergo external surveillance and recertification audits to maintain their certifications.

Plant	Certification acquired	Current certification body
Yokkaichi Plant	ISO 9001 (Jan. 1999)	Japan Chemical Quality Assurance Ltd.
	ISO 14001 (July 2000)	
Chiba Plant	ISO 9001 (Dec. 1998)	
	ISO 14001 (Nov. 2000)	

Note: 100% of manufacturing sites have acquired certifications.

Environmental safety inspections and quality audits

To confirm the progress of the fiscal year's priority measures in RC activities and ensure the proper implementation of safety and environmental management activities, the Head of Environment, Safety and Quality Assurance, under the instructions of the environmental safety officer, organizes an inspection team to conduct environmental safety inspections at specific business sites.

Similarly, to verify the progress of the fiscal year's priority measures in quality management activities and ensure the proper execution of quality management activities, the Head of Environment, Safety and Quality Assurance, under the instructions of the quality assurance officer, organizes an audit team to conduct quality audits in the divisions responsible for quality management activities.

SECURITY, SAFETY, AND ENVIRONMENTAL ACTIVITIES

2025 priority measures (numerical targets) and results, together with 2026 priority measures (numerical targets)

: Achieved : Unachieved

RC code	2025					2026	
	Objective		Actual results		Evaluation	Objective	
Environmental Conservation	Environmental accidents	0	Environmental accidents	0		Environmental accidents	0
Safety and Disaster Prevention	Major safety-related accidents*1	0	Major safety-related accidents	0		Major safety-related accidents*1	0
	Safety-related accidents	6 or fewer*2	Safety-related accidents	8		Safety-related accidents	6 or fewer*2
Occupational Safety and Health	Major accidents resulting in lost workdays*3	0	Major accidents resulting in lost workdays	0		Major accidents resulting in lost workdays*3	0
	Work-related accidents	10 or fewer*2	Work-related accidents	12		Work-related accidents	10 or fewer*2

Scope of aggregation: Yokkaichi Plant, Chiba Plant
*1 Safety accidents with nine points or more in the "Intensity Criteria for Abnormal Phenomena (Accidents)" of the Japan Petrochemical Industry Association (JPCA)
*2 At or below the average of the latest five years
*3 Work-related accidents resulting in more than four lost workdays

For action plans related to industrial safety and data related to Responsible Care at our plants, please visit our website.
https://www.khneochem.co.jp/en/sustainability/environment/rc

Safety and disaster prevention

Safety and disaster prevention initiatives

In accordance with the Environmental Safety Regulations, the Yokkaichi Plant and Chiba Plant have formulated their safety management policies. They are actively engaged in efforts to ensure that all employees are aware of the policies and are carrying out safety and disaster prevention activities based on the policies.

Safety environmental assessment (SEA)

At KH Neochem, we conduct an SEA in advance to assess the impact on security, safety, environmental conservation, and health when introducing new technology, new processes, new facilities, new machinery, and new chemical substances, or when changing a manufacturing method. By using the SEA results for feedback, we make every effort to enhance the safety of processes and equipment.

Certified Advanced Safety Implementer / Voluntary Advanced Safety Implementer

KH Neochem has obtained certification as a Certified Advanced Safety Implementer from the Minister of Economy, Trade and Industry. This certification recognizes businesses that, under the commitment of top management, can autonomously ensure a high level of safety through the effective utilization of advanced information and communications technology while meeting rigorous certification standards, such as an advanced risk management system, utilization of technology, and cybersecurity measures. The Kasumigaura Plant of the Yokkaichi Plant obtained certification on November 28, 2024, and the Chiba Plant obtained certification on December 24, 2025. In addition, both plants conduct internal audits based on the safety management systems required of Certified Advanced Safety Implementers under the High Pressure Gas Safety Act, while the head office conducts environmental safety inspections to verify that these systems are operated appropriately. The Umaokoshi Plant of the Yokkaichi Plant is also working toward obtaining certification under the Voluntary Advanced Safety Implementer system in 2026. This separate certification system, which was established prior to the Certified Advanced Safety Implementer system, recognizes operators that continuously improve their safety management frameworks through the PDCA cycle, including the implementation of risk assessments. By obtaining this certification, we aim to further strengthen our safety capabilities, prevent accidents and operational problems, and enhance safety awareness through our safety activities.

Emergency training

KH Neochem conducts periodic comprehensive disaster prevention drills for emergency scenarios, as well as training in initial firefighting response and emergency reporting. We prepare so that we can respond promptly and appropriately in the event of an emergency.



Scene from the comprehensive disaster prevention drill at the Yokkaichi Plant's Umaokoshi Plant



Scene from the same comprehensive disaster prevention drill

Occupational safety and health

Occupational safety and health-related initiatives

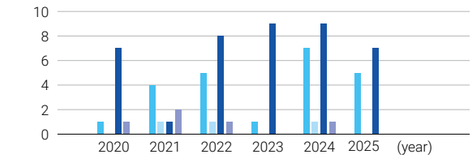
KH Neochem conducts education based on the Industrial Safety and Health Act in order to ensure the safety of employees and others working at our plants. We also take preventive actions against disasters, such as risk assessments,*1 risk prediction activities using *hiyari hatto* (close call recognition) and *kigakari memo* (notes on matters of concern), improvement suggestion programs, and other everyday health and safety activities. Furthermore, in accordance with the Industrial Safety and Health Act, we appoint trained chemical substance managers who have completed the chemical substance management training prescribed by the Minister of Health, Labour and Welfare. These managers conduct chemical risk assessments*2 on substances that KH Neochem handles. For projects defined as high risk, measures to manage the risk are decided through discussions between workers and management at Health and Safety Committee meetings.

*1 Risk assessment: This refers to a series of techniques for identifying the risks and hazards in the workplace, determining the seriousness and likelihood of work-related accidents arising from them, combining that information to estimate the risks, deciding on a priority for countermeasures based on the magnitude of those risks, studying measures to eliminate or reduce the risks, and keeping a record of the results.
*2 Chemical risk assessment: This refers to the identification of the risks and hazards of chemical substances and products, estimation of the likelihood of harm to workers or damage to their health, and studying measures to reduce the risks.

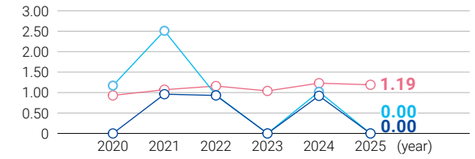
Status of work-related accidents

In 2025, there were 12 work-related accidents, falling short of our target of 10 or fewer. At KH Neochem, there were five accidents not resulting in lost workdays and at cooperating companies, there were seven accidents not resulting in lost workdays. For each work-related accident, we strive to promptly identify the root cause and implement measures to prevent recurrence. In addition, as workplace accidents are particularly common among young people aged 24 and under and older workers aged 65 and over, we have strengthened our guidance to both age groups, including employees of cooperating companies. Specifically, our main initiatives for 2026 under Comprehensive Safety Check Initiative 2022 P.61 include the enhancement of education and dialogue activities to further instill and solidify safety awareness, and we will steadily implement these initiatives.

Number of work-related accidents

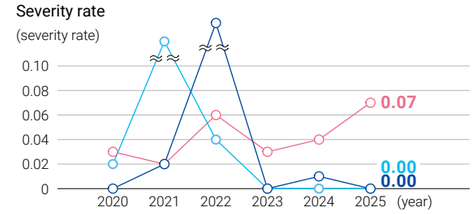


Frequency rate (accidents resulting in lost workdays)



Frequency rate: Indicator of the frequency of accident occurrence [(Number of fatalities and injuries) ÷ (Cumulative number of actual work hours)] × 1,000,000

Severity rate



Severity rate: Indicator of the seriousness of an accident [(Cumulative number of lost workdays) ÷ (Cumulative number of actual work hours)] × 1,000

*1 Scope of aggregation for the frequency rate (accidents resulting in lost workdays) and severity rate graphs: Yokkaichi Plant and Chiba Plant.
*2 As the employee of a cooperating company involved in an occupational accident in 2021 did not return to work before December 31, 2022, the lost workdays were included in the 2023 data, and the severity rate data (cooperating company) for 2021 has been updated to reflect this.

Promoting compliance using legal checklists

We prepare legal checklists for each relevant law to ensure there are no compliance violations concerning security, safety, and environmental conservation, and each operating facility uses these checklists to perform self-assessments. The results are used by the Head Office in environmental safety inspections to make our legal assessments more comprehensive.

Managing chemicals with safety data sheets

In an effort to ensure that all of our products are used safely, we prepare and update safety data sheets (SDSs) in accordance with JIS standards and relevant law amendments, and provide them to customers. We also prepare, update, and provide SDSs in customers' native languages in line with our business activities in order to accommodate the international Globally Harmonized System of Classification and Labelling of Chemicals (GHS) guidelines.

CLIMATE-RELATED DISCLOSURES BASED ON TCFD RECOMMENDATIONS

The business environment surrounding KH Neochem is growing increasingly uncertain as cases of heatstroke and natural disasters rise due to climate change, and voices calling for decarbonization and carbon neutrality grow louder and more numerous. In January 2022, we declared our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and have disclosed climate-related information ever since.

Governance and risk management

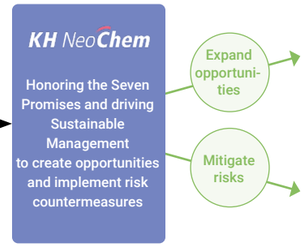
We identify material risks according to the risk evaluation process on P.82. The risks arising from climate change have been identified as material risks to our business due to the significant impact they are expected to have on KH Neochem. In addition, we are taking measures to prevent risks from materializing and reduce their impact by continuously conducting risk assessments based on our risk management system and monitoring them at Board meetings when necessary.

Strategy

We identify risks and opportunities related to climate change and analyze them based on warming scenarios of 4°C and 1.5°C, respectively, to assess the impact of future risks and opportunities heading toward 2030. By engaging in the Seven Promises and driving sustainable management, we seek to expand climate change-related opportunities while mitigating the risks, thereby increasing our corporate value.

4°C warming scenario (business as usual scenario)*1
- A society that prioritizes economic activity
- No major changes to environmental regulations
- Fossil fuels-based economy
- Increasingly abnormal weather due to the progression of climate change

1.5°C warming scenario (decarbonization scenario)*2
- A society that prioritizes carbon neutrality
- Improved environmental regulations, such as carbon pricing
- Renewable energies spread
- Increased use of CO_2 and biomaterials as raw materials in chemical manufacturing



*1 See the RCP8.5 scenario of the Intergovernmental Panel on Climate Change (IPCC).
*2 See the NZE2050 scenario of the International Energy Agency (IEA).

KH Neochem's climate change-related risks and opportunities

Category	Risks/Opportunities		Key countermeasures
Physical risks (4°C warming scenario)	Impact on operations due to abnormal weather	There is a risk of an increasing impact on operations from increasingly frequent abnormal weather events resulting from climate change, such as high tides, heavy rain, floods, and typhoons.	• Conducting drills to increase understanding and improve effectiveness of BCM/BCPs P.82
Transition risks (1.5°C warming scenario)	Introduction of carbon pricing	There is a risk of an increasing financial burden from the introduction of carbon taxes and other carbon pricing. Assuming CO_2 emissions on the same level as 2025 (approx. 370 kt) and a carbon tax of 130 USD/1 t-CO_2 in 2030 (1 USD = 150 yen), the financial burden could increase by 7.22 billion yen per year.	• Promoting energy-saving and the introduction of new technologies to achieve carbon neutrality by 2050 • Achieving the target of reducing GHG emissions by 30% by 2030 (compared to FY2017) P.29, 33, 56, and 89 • Using CO_2 as a raw material for products P.16, 29, and 56 • Introduction of internal carbon pricing (10,000 yen/t-CO_2) • Introduction of renewable energy electricity P.89
	Problems procuring certain raw materials	There is a risk to the procurement of raw materials from oil refineries as oil refiners reduce the number of refineries in response to decarbonization trends.	• Promoting purchasing from multiple suppliers
	Impact of switching to raw materials obtained from biomass	There is a risk of quality problems and increased procurement costs due to switching from oil-based to biomass-based raw materials.	• Maintaining and improving quality assurance
	Delayed response to ESG investment	There is a risk of divestments and falling share prices due to increasing criticism received for using large quantities of fossil fuels.	• Promoting energy-saving and the introduction of new technologies to achieve carbon neutrality by 2050 • Achieving the target of reducing GHG emissions by 30% by 2030 (compared to FY2017)
Opportunities (4°C warming scenario)	Increased need for adaptive products	There is a possibility that the increasingly negative effects of climate change will cause rising demand for products that can mitigate those effects (such as heatstroke) and help people adapt to climate change.	• Supplying more refrigeration lubricant raw materials, which are indispensable for heatstroke-preventing air conditioners P.46
Opportunities (1.5°C warming scenario)	Increased need for decarbonizing products	As people become increasingly environmentally conscious, there is a possibility of rising demand for products with a smaller carbon footprint.	• As the transition toward environmentally friendly air conditioners accelerates across the world, expanding the provision of refrigeration lubricant raw materials compatible with the refrigerants used in such air conditioners P.46, 57 • Using CO_2 as a raw material for products

* We have listed items that have a significant risk or opportunity impact on the Company.

ENVIRONMENTAL CONSERVATION

Flow of environmental impact results



Scope of data collection: Yokkaichi Plant, Chiba Plant Applicable period: April 1, 2025 to March 31, 2026

Global warming prevention

As a designated business operator under the Act on the Rational Use of Energy,*1 KH Neochem makes every effort to promote the rational use of energy. As a specified emitter under the Act on Promotion of Global Warming Countermeasures,*2 we are also working diligently to reduce GHG emissions. Additionally, to achieve carbon neutrality by 2050, we aim to reduce GHG emissions by 30% compared to FY2017 by 2030. To this end, KH i-Lab and our Headquarters are now powered by virtually 100% renewable energy, and we also made the decision to install a CO_2-capture system at our Chiba Plant to capture CO_2 emitted in the manufacturing process and reuse it as a raw material; the facility was completed in February 2025. As a result, GHG emissions in FY2025 were reduced by 30% compared with FY2017 levels, allowing us to achieve our target ahead of schedule. Going forward, we will continue to pursue further reductions in GHG emissions by promoting energy conservation, investing in facilities, and considering the adoption of new technologies. We are also working to reduce our environmental impact throughout our supply chain. In Scope 3, Category 1 accounts for approximately 80% of the total, most of which is derived from raw materials. We will therefore work with neighboring industrial complexes to explore efforts to achieve carbon neutrality P.56.

*1 Act on the Rational Use of Energy: A Japanese law pertaining to the rational use of energy and conversion to non-fossil energy.
*2 Act on Promotion of Global Warming Countermeasures: A Japanese law that promotes initiatives to take measures against global warming.

Initiatives to reduce environmental impact and implement appropriate environmental management

KH Neochem is committed to reducing the environmental impact of its business activities through measures to prevent air and water pollution and through the proper management and reduction of waste. Each plant strictly complies with applicable laws, regulations, and emission standards. In FY2025, there were no significant environmental incidents, violations of environmental laws and regulations, or administrative penalties.

Air pollution prevention

For the sulfur oxides (SOx), nitrogen oxides (NOx), and dust discharged from boilers, liquid waste incinerators, sludge incinerators, and other such equipment, KH Neochem of course complies with emissions standards based on the Air Pollution Control Act, and we additionally comply with levels that have been agreed upon with local communities.

Water pollution prevention

KH Neochem complies with emissions levels based on the Water Pollution Prevention Act as well as with levels agreed upon with local communities for chemical oxygen demand (COD), total nitrogen (T–N), and total phosphorus (T–P) in wastewater.

Waste reduction

KH Neochem implements thorough separation of waste materials and engages in the 3Rs of waste management: reduce, reuse, and recycle. We are moving forward to reuse acid waste and alkaline waste in our plants as well as to reduce their volume, to outsource the recycling of waste catalysts, and to reuse incinerator waste as aggregate. Both plants have set environmental targets for the amount of final landfill disposal, with the Chiba Plant working to maintain or reduce this amount to less than 1% of the total waste generated, and the Yokkaichi Plant working to maintain or reduce its landfill disposal to less than 1.0 t/year (excluding sludge and landfilled bricks generated when repairing or updating incinerator refractories). We also properly store and dispose of specially controlled industrial waste in accordance with applicable laws and regulations, and verify the suitability of our contractors in accordance with our internal regulations.

STAKEHOLDER RELATIONS

Stakeholder engagement

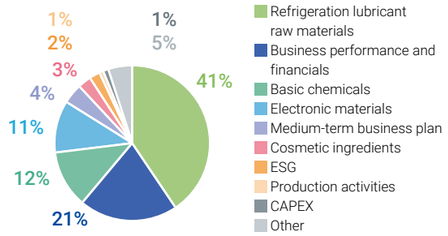
KH Neochem's business is built on relationships of trust with a wide range of stakeholders, including business partners, customers, shareholders, investors, local residents, and employees. We repeatedly engage in proactive dialogue with our stakeholders through our daily business activities and reflect the insights we gain from doing so in these activities. Through these efforts, we work to achieve sustainable growth and enhance corporate value.

For information on stakeholder engagement, please visit our website.
https://www.khneochem.co.jp/en/sustainability/se/

Cyclical IR that integrates feedback from capital markets into our management

We hold nearly 200 dialogue sessions with investors each year, and by reflecting the opinions and suggestions we receive in our management, we promote a cyclical IR approach that utilizes the outcomes of these discussions in future dialogue sessions and business activities. In 2025, in addition to holding financial results briefings quarterly, we provided a wide range of communication opportunities, including holding numerous individual meetings and engaging in communication with retail investors. The insights gained from these activities are reported and discussed at the Board of Directors and the Management Committee on a quarterly basis, and the results are then utilized in our daily business activities and future dialogue with investors.

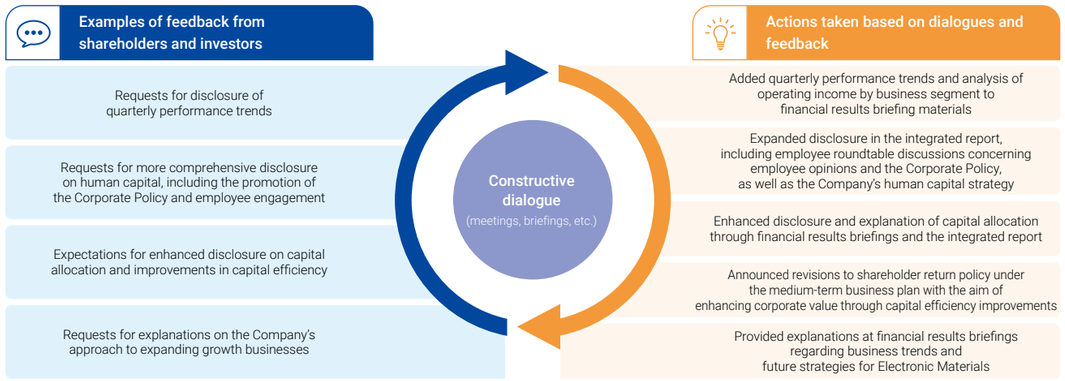
Details of dialogue with shareholders, investors, and analysts (2025)



Framework for incorporating shareholder and investor feedback into management



Actions taken based on feedback from and dialogue with shareholders, investors, and analysts



Creating opportunities to increase employee interest with financial results

We believe that when each employee takes an interest in the Company's financial results and understands how their work contributes to business performance, it leads to further growth for the Company. To communicate financial results, which contain a wealth of information including key figures and the business context behind them, in an easy-to-understand manner, we publish a special edition of our in-house newsletter, "News Letter," following each financial results announcement. In addition, we have our division heads explain the results to employees in their own words, making use of financial results briefing videos and presentation materials.



"News Letter" special PR brochure

Community-rooted social contribution activities

KH Neochem values its relationships of trust with the local communities where it operates, and its basic policy is to contribute to the development of those communities by continually engaging in social contribution activities. At each of our locations, we deepen our interactions with people through cleanup activities, collaboration with schools, and participation in various events.

Installing and painting benches at a park near the plant

As part of our social contribution activities utilizing paint related to our business, we alternate annually between Yokkaichi City, Mie Prefecture, and Ichihara City, Chiba Prefecture, to donate and paint wooden benches. In 2025, employees helped paint benches at Kasumigaura Ryokuchi Park in Yokkaichi City, Mie Prefecture. Participation was not limited to employees from our Yokkaichi Plant. Employees from other locations, including the Chiba Plant and the head office, were also invited to participate in this social contribution activity together with their families.





Bench painting in progress

Initiatives to support children

We carry out support activities such as youth sports tournaments to help ensure the sound growth of children, who represent the future of their communities. In addition, we continue to engage in a variety of activities deeply rooted in local communities, including local cleanup activities, offering facility tours to local residents and educational institutions, and collaborating with NPOs. Through these activities, we are deepening our engagement with local communities, thereby fostering an understanding of our business activities and building trust-based relationships.

Main activities

- Yokkaichi City U-10 Soccer Tournament (KH Neochem Cup)
- Ichihara City Friendly Baseball Tournament (KH Neochem Cup)
- Plant tour



Yokkaichi City U-10 Soccer Tournament (KH Neochem Cup)



Ichihara City Friendly Baseball Tournament (KH Neochem Cup)



Local junior high school students tour the Yokkaichi Plant and conduct experiments (while also wearing KH Neochem work clothes)

Dialogue and collaboration with business partners

Promoting sustainable procurement

We are committed to promoting responsible supply chain management as one of our materialities (key issues), and are pursuing sustainable procurement activities. The Sustainable Procurement Guidelines we formulated in 2023 set forth our basic policy for procurement and establish items that we would like to work on together with our business partners.

KH Neochem's Basic Procurement Policy ("Procurement Policy")



To assess the status of our key business partners' sustainable procurement efforts, we conduct surveys based on the CSR Procurement Self-Assessment Questionnaire (common SAQ) created by Global Compact Network Japan. In addition to suppliers of main raw materials, in 2025 we expanded the scope of the survey to include suppliers engaged in equipment construction at our Yokkaichi Plant and Chiba Plant, and received responses covering 89% of our purchases. Our analysis did not identify any major risks to sustainable procurement, but we will nevertheless continue to engage in dialogue with our suppliers and work together on efforts such as risk reduction to promote sustainable procurement.

To view the sustainable procurement guidelines, please visit our website.
https://www.khneochem.co.jp/en/sustainability/se/pdf/sustainable_procurement_guideline_en.pdf

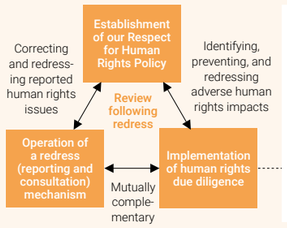
Respect for Human Rights

We recognize respect for human rights as a social responsibility and have established a Respect for Human Rights Policy, which we have made public both internally and externally. In the policy, we commit to respecting international human rights principles and recognize that addressing the Six Human Rights Priorities the Company has identified is crucial to fulfilling our responsibility to respect human rights, and we are actively implementing this. Additionally, we have appointed a Corporate Officer in charge of respect for human rights and established an overarching function responsible for promoting human rights initiatives across the Company and report the progress of these initiatives to the Board of Directors as appropriate and discuss their details.

For more on our Respect for Human Rights Policy (including the Six Human Rights Priorities), please visit our website.
https://www.khneochem.co.jp/en/company/philosophy/principles/human_rights_policy.html

To fulfill our responsibility to respect human rights

In accordance with the UN Guiding Principles on Business and Human Rights, we address human rights issues by assessing the impact on human rights through the operation of a redress (reporting and consultation) mechanism and the implementation of human rights due diligence, based on our Respect for Human Rights Policy.



1. Identify areas where adverse human rights impacts are considered significant.
2. Identify adverse impacts using awareness surveys and vendor questionnaires.
3. Examine the relevance of adverse impacts to our business.
4. Determine priorities.
5. Consider, implement, and evaluate measures to prevent and mitigate adverse impacts.
6. Disclose information.

Implementation of human rights due diligence—Identifying and assessing risks pertaining to business partners

To ascertain human rights-related risks in our business, including those of our business partners, we have included survey items to identify risks in the common SAQ. In the event that any risks are identified as a result of these efforts, we proceed with an assessment of their impact. In addition, we confirmed that no serious human rights violations occurred in 2025.

Implementation status (coverage rate of business partners)
89%

Redress (reporting and consultation) mechanism

The KH Neochem Group Hotline P83 also serves as a contact point for reporting human rights concerns. The hotline is widely available for Company executives and employees, former executives and employees who retired within the past year, customers, business partners, and others.

Education on respecting human rights

We hold workshops to deepen understanding of our Respect for Human Rights Policy and encourage not just knowledge but also practice. We have adopted a participatory program to ensure that attendees are not only given a superficial understanding but are fully convinced and able to apply it to their own actions. In 2025, we conducted a workshop on how to communicate effectively with others, through which we provided deeper education that can be applied to actual workplace responses. We will continue to fully respect the human rights of others and aim to foster a corporate culture that leads to sustainable growth and value creation.

Consolidated Financial Statements

Consolidated Balance Sheet

(millions of yen)

	As of December 31, 2024	As of December 31, 2025
Assets		
Current Assets		
Cash and deposits	7,158	**6,719**
Notes and accounts receivable–trade, and contract assets	37,338	**32,877**
Merchandise and finished products	16,950	**19,484**
Work in process	494	**614**
Raw materials and supplies	3,270	**4,173**
Other	4,163	**3,392**
Allowance for doubtful accounts	−5	**−6**
Total current assets	69,367	**67,253**
Non-Current Assets		
Property, plant and equipment		
Buildings and structures	35,468	**37,060**
Accumulated depreciation and impairment	−27,430	**−28,081**
Buildings and structures, net	8,038	**8,980**
Machinery, equipment and vehicles	102,826	**114,205**
Accumulated depreciation and impairment	−93,100	**−96,633**
Machinery, equipment and vehicles, net	9,726	**17,571**
Land	17,549	**17,549**
Leased assets	1,881	**1,958**
Accumulated depreciation	−648	**−843**
Leased assets, net	1,232	**1,116**
Construction in progress	10,867	**1,377**
Other	7,942	**8,366**
Accumulated depreciation and impairment	−5,374	**−6,027**
Other, net	2,567	**2,339**
Net property, plant and equipment	49,980	**48,933**
Intangible assets		
Goodwill	840	**706**
Other	506	**448**
Total intangible assets	1,346	**1,154**
Investments and other assets		
Investment securities	7,370	**8,640**
Assets for retirement benefits	2,857	**3,532**
Deferred tax assets	206	**248**
Other	337	**343**
Allowance for doubtful accounts	−2	**−2**
Total investments and other assets	10,770	**12,762**
Total non-current assets	62,096	**62,848**
Total Assets	131,462	**130,102**

(millions of yen)

	As of December 31, 2024	As of December 31, 2025
Liabilities		
Current Liabilities		
Notes and accounts payable–trade	24,409	**22,399**
Short-term bank loans	9,750	**9,950**
Commercial paper	2,997	**1,999**
Current portion of long-term lease obligations	124	**119**
Accounts payable–other	6,194	**5,590**
Income taxes payable	2,103	**1,860**
Provision for repairs	481	**2,767**
Other	592	**547**
Total current liabilities	46,649	**45,232**
Long-Term Liabilities		
Corporate bonds	5,000	**5,000**
Long-term lease obligations	1,334	**1,222**
Deferred tax liabilities	3,112	**3,325**
Liability for retirement benefits	2,362	**2,271**
Provision for stock-based remuneration plan for directors (and other officers)	216	**254**
Provision for repairs	707	**–**
Other	162	**169**
Total long-term liabilities	12,894	**12,240**
Total Liabilities	59,543	**57,472**
Net Assets		
Shareholders' Equity		
Common stock	8,855	**8,855**
Capital surplus	6,203	**6,203**
Retained earnings	52,257	**56,514**
Treasury stock	−337	**−5,364**
Total shareholders' equity	66,978	**66,209**
Accumulated Other Comprehensive Income		
Unrealized gain (loss) on available-for-sale securities	1,314	**2,195**
Deferred gain (loss) on hedges	8	**−0**
Foreign currency translation adjustments	153	**148**
Defined retirement benefit plans	635	**1,125**
Total accumulated other comprehensive income	2,110	**3,467**
Noncontrolling Interests	2,831	**2,954**
Total Net Assets	71,919	**72,630**
Total Liabilities and Net Assets	131,462	**130,102**

(Note) Yen amounts are rounded to the nearest millions.

Consolidated Financial Statements

Consolidated Statement of Income

(millions of yen)

	Fiscal year ended December 31, 2024	**Fiscal year ended December 31, 2025**
Net Sales	119,758	**115,098**
Cost of Sales	94,505	**90,232**
Gross Profit	25,253	**24,866**
Selling, General and Administrative Expenses		
Freight	4,174	**4,348**
Container packaging	1,194	**1,181**
Salary	1,346	**1,338**
Other	6,343	**6,751**
Total selling, general and administrative expenses	13,058	**13,618**
Operating Income	12,196	**11,248**
Non-Operating Income		
Interest and dividend income	187	**209**
Equity in earnings of associated companies	344	**279**
Other	159	**110**
Total non-operating income	690	**598**
Non-Operating Expenses		
Interest expenses	102	**197**
Contribution expenses	261	**327**
Loss on disposal of non-current assets	346	**361**
Other	121	**168**
Total non-operating expenses	830	**1,054**
Ordinary Income	12,056	**10,793**
Extraordinary Losses		
Disaster losses	137	**–**
Total extraordinary losses	137	**–**
Income before Income Taxes	11,918	**10,793**
Income taxes–current	3,047	**3,319**
Income taxes–deferred	400	**–480**
Total income taxes	3,447	**2,839**
Net Income	8,471	**7,954**
Net Income Attributable to Noncontrolling Interests	110	**154**
Net Income Attributable to Owners of the Parent	8,361	**7,800**

(Note) Yen amounts are rounded to the nearest millions.

Consolidated Statement of Comprehensive Income

(millions of yen)

	Fiscal year ended December 31, 2024	**Fiscal year ended December 31, 2025**
Net Income	8,471	**7,954**
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on available-for-sale securities	178	**881**
Deferred gain (loss) on hedges	13	**–8**
Foreign currency translation adjustments	45	**–5**
Defined retirement benefit plans	161	**489**
Total other comprehensive income (loss)	397	**1,357**
Comprehensive Income	8,868	**9,310**
Comprehensive Income Attributable to		
Owners of the parent	8,757	**9,157**
Noncontrolling interests	110	**154**

(Note) Yen amounts are rounded to the nearest millions.

Consolidated Statement of Changes in Equity

(millions of yen)

Fiscal year ended December 31, 2024	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, Jan. 1, 2024	8,855	6,203	47,240	–268	62,031
Changes during period					
Cash dividends of surplus			–3,343		–3,343
Net income attributable to owners of the parent			8,361		8,361
Purchase of treasury stock				–70	–70
Disposal of treasury stock					
Net changes in items other than shareholders' equity					
Total changes during period	–	–	5,017	–70	4,948
Balance, Dec. 31, 2024	8,855	6,203	52,257	–337	66,978

	Accumulated Other Comprehensive Income						
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Noncontrolling Interests	Total Net Assets
Balance, Jan. 1, 2024	1,136	–5	107	475	1,714	2,749	66,494
Changes during period							
Cash dividends of surplus							–3,343
Net income attributable to owners of the parent							8,361
Purchase of treasury stock							–70
Disposal of treasury stock							–
Net changes in items other than shareholders' equity	178	13	45	161	397	82	478
Total changes during period	178	13	45	161	397	82	5,426
Balance, Dec. 31, 2024	1,314	8	153	635	2,110	2,831	71,919

(millions of yen)

Fiscal year ended December 31, 2025	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, Jan. 1, 2025	**8,855**	**6,203**	**52,257**	**–337**	**66,978**
Changes during period					
Cash dividends of surplus			**–3,543**		**–3,543**
Net income attributable to owners of the parent			**7,800**		**7,800**
Purchase of treasury stock				**–5,055**	**–5,055**
Disposal of treasury stock				**28**	**28**
Net changes in items other than shareholders' equity					
Total changes during period	**–**	**–**	**4,257**	**–5,027**	**–769**
Balance, Dec. 31, 2025	**8,855**	**6,203**	**56,514**	**–5,364**	**66,209**

	Accumulated Other Comprehensive Income						
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Noncontrolling Interests	Total Net Assets
Balance, Jan. 1, 2025	**1,314**	**8**	**153**	**635**	**2,110**	**2,831**	**71,919**
Changes during period							
Cash dividends of surplus							**–3,543**
Net income attributable to owners of the parent							**7,800**
Purchase of treasury stock							**–5,055**
Disposal of treasury stock							**28**
Net changes in items other than shareholders' equity	**881**	**–8**	**–5**	**489**	**1,357**	**123**	**1,480**
Total changes during period	**881**	**–8**	**–5**	**489**	**1,357**	**123**	**710**
Balance, Dec. 31, 2025	**2,195**	**–0**	**148**	**1,125**	**3,467**	**2,954**	**72,630**

(Note) Yen amounts are rounded to the nearest millions.

Consolidated Financial Statements

Consolidated Statement of Cash Flows

(millions of yen)

	Fiscal year ended December 31, 2024	**Fiscal year ended December 31, 2025**
Operating Activities		
Income before income taxes	11,918	**10,793**
Depreciation	4,839	**6,199**
Amortization of goodwill	134	**134**
Increase (decrease) in liability for retirement benefits	16	**124**
Decrease (increase) in assets for retirement benefits	−153	**−169**
Increase (decrease) in provision for repairs	−1,288	**1,579**
Interest and dividend income	−187	**−209**
Interest expenses	102	**197**
Equity in earnings of associated companies	−344	**−279**
Decrease (increase) in notes and accounts receivable	−4,597	**4,456**
Decrease (increase) in inventories	−469	**−3,551**
Increase (decrease) in notes and accounts payable	−1,604	**−1,985**
Decrease (increase) in other current assets	−206	**572**
Increase (decrease) in other current liabilities	1,333	**−803**
Other	58	**−134**
Subtotal	9,553	**16,925**
Interest and dividends received	365	**591**
Interest paid	−94	**−172**
Income taxes paid	−2,842	**−3,561**
Net cash provided by (used in) operating activities	6,982	**13,783**
Investing Activities		
Purchase of property, plant and equipment	−8,432	**−4,654**
Purchase of intangible assets	−193	**−150**
Purchase of investment securities	−63	**−22**
Other	−209	**198**
Net cash provided by (used in) investing activities	−8,897	**−4,627**
Financing Activities		
Increase (decrease) in short-term bank loans and borrowings−net	−70	**198**
Increase (decrease) in commercial paper−net	2,994	**−1,021**
Proceeds from issuance of corporate bonds	4,973	**−**
Redemption of corporate bonds	−5,000	**−**
Purchase of treasury stock	−70	**−5,055**
Dividends paid	−3,343	**−3,540**
Dividends paid to noncontrolling interests	−28	**−31**
Other	−101	**−118**
Net cash provided by (used in) financing activities	−646	**−9,566**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	34	**−29**
Net Increase (Decrease) in Cash and Cash Equivalents	−2,526	**−439**
Cash and Cash Equivalents at Beginning of Year	9,685	**7,158**
Cash and Cash Equivalents at End of Year	7,158	**6,719**

(Note) Yen amounts are rounded to the nearest millions.

Financial and Non-Financial Time Series Data

Financial Data (Consolidated)

	(Unit)	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	**FY2025**
Operating Results								
Net sales	(millions of yen)	94,210	77,332	117,110	114,880	115,218	119,758	**115,098**
Operating income	(millions of yen)	9,560	5,643	19,685	12,456	9,947	12,196	**11,248**
Ordinary income	(millions of yen)	9,896	5,627	19,810	12,709	9,725	12,056	**10,793**
Net income attributable to owners of the parent	(millions of yen)	6,918	4,046	13,691	8,073	6,826	8,361	**7,800**
Financial Position								
Cash and deposits	(millions of yen)	17,868	9,066	16,935	10,926	9,685	7,158	**6,719**
Total assets	(millions of yen)	102,262	95,509	122,070	131,247	124,498	131,462	**130,102**
Interest-bearing debt (excluding lease obligations)	(millions of yen)	23,490	21,200	18,460	20,870	14,820	17,747	**16,950**
Equity capital	(millions of yen)	41,085	43,381	54,917	59,348	63,745	69,089	**69,676**
Net assets	(millions of yen)	43,523	45,885	57,505	62,067	66,494	71,919	**72,630**
Cash Flows								
Operating activities	(millions of yen)	10,963	6,931	17,403	5,131	13,202	6,982	**13,783**
Investing activities	(millions of yen)	−3,513	−11,183	−4,395	−10,082	−4,938	−8,897	**−4,627**
Financing activities	(millions of yen)	294	−4,531	−5,169	−1,077	−9,502	−646	**−9,566**
Others								
CAPEX	(millions of yen)	6,996	6,003	3,639	9,470	4,928	6,603	**4,231**
Depreciation (including amortization of goodwill)	(millions of yen)	3,331	3,872	4,504	4,294	4,652	4,974	**6,334**
R&D expenses	(millions of yen)	848	920	1,006	872	939	1,148	**1,338**
Per Share								
Basic net income	(yen)	187.10	109.13	368.95	217.73	184.23	225.81	**218.16**
Diluted net income	(yen)	186.44	109.03	−	−	−	−	**−**
Net assets	(yen)	1,109.88	1,168.63	1,480.28	1,601.26	1,720.81	1,866.63	**1,990.26**
Cash dividends	(yen)	60.00	60.00	75.00	85.00	90.00	90.00	**105.00**
Key Indicators								
EBITDA	(billions of yen)	12.9	9.5	24.2	16.8	14.6	17.2	**17.6**
ROE	(%)	18.0	9.6	27.9	14.1	11.1	12.6	**11.2**
Equity ratio	(%)	40.2	45.4	45.0	45.2	51.2	52.6	**53.6**
Net debt-equity ratio	(times)	0.14	0.28	0.03	0.17	0.08	0.15	**0.15**
Ratio of operating income to net sales	(%)	10.1	7.3	16.8	10.8	8.6	10.2	**9.8**
Dividend payout ratio	(%)	32.1	55.0	20.3	39.0	48.9	39.9	**48.1**

(Note) Yen amounts are rounded to the nearest millions.

Non-Financial Data (Non-Consolidated)

	(Unit)	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	**FY2025**
Energy consumption	(1,000 kL)	204.6	194.2	214.4	187.8	186.1	191.4	**186.9**
Energy intensity	(L/t)	207.2	222.3	204.9	230.4	226.7	232.9	**225.5**
Greenhouse gas (GHG) emissions (CO_2 equivalent, Scope 1+2)	(1,000 t-CO_2)	440.2	404.2	422.4	379.1	378.4	374.9	**370.3**
GHG emissions (CO_2 equivalent, Scope 3)	(1,000 t-CO_2)	−	−	1,332	1,055	1,084	1,074	**1,117**
Disposed of as landfill	(t)	136	133	106	92	106	82	**70**
Number of employees	(persons)	659	673	649	659	660	657	**683**
Total number of new employees	(persons)	77	35	27	40	41	51	**53**
Number of new female employees	(persons)	10	4	5	6	7	9	**8**
Ratio of new female employees	(%)	13.0	11.4	18.5	15.0	17.1	17.6	**15.1**
Difference in years of service between genders	(years)	−0.3	0.8	1.3	1.3	0.9	1.3	**1.2**
Number of accidents resulting in lost workdays	(cases)	0	0	1	1	0	1	**0**
Childcare leave utilization rate among male employees*	(%)	−	−	−	90	105	105	**95.2**

(Note) Childcare leave includes childcare leave, childcare leave at birth, and paid leave for childcare purposes.

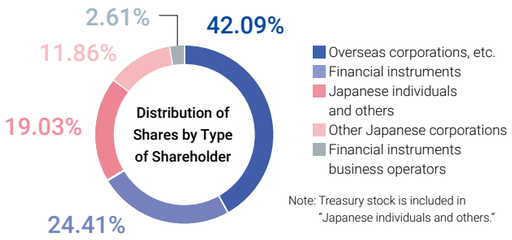
Corporate Overview

Corporate Overview (as of June 30, 2026)

Establishment	December 2010 (Our predecessor Kyowa Yuka was established in November 1966.)
Capital	8.8 billion yen
Corporate Headquarters Head Office	2-3-1 Nihonbashi-Muromachi, Chuo-ku, Tokyo 103-0022, Japan
Group companies and affiliated companies	Kurogane Kasei Co., Ltd. Kurogane Fines Inc. KH Neochem Americas, Inc. Shanghai Seika Trading Co., Ltd. J-Plus Co., Ltd.* * Joint venture with Mitsubishi Chemical Corporation

Stock Overview (as of June 30, 2026)

Total number of shares authorized to be issued	136,200,000
Total number of issued shares	37,149,400
Number of shareholders	14,886



Note: Treasury stock is included in "Japanese individuals and others."

Global Network*



* Only headquarter locations are provided for Group companies and affiliates.

Major Shareholder Information

(as of June 30, 2026)

Shareholder name	Number of shares held (thousands of shares)	Ratio of shares held (%)
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	6,376	18.14
The Master Trust Bank of Japan, Ltd. (Trust account)	4,429	12.60
Custody Bank of Japan, Ltd. (Trust account)	2,818	8.02
Tosoh Corporation	1,852	5.27
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	1,361	3.87
Mizuho Bank, Ltd.	733	2.09
STATE STREET BANK AND TRUST COMPANY 505019 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	587	1.67
THE BANK OF NEW YORK 133652 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	497	1.41
JP MORGAN CHASE BANK 385781	467	1.33
TOKYO OHKA KOGYO CO., LTD.	403	1.15

(Notes)
1. The number of shares held is rounded down to the nearest thousand shares.
2. The Company holds 1,993,000 shares of treasury stock, but these are not included in the above list of major shareholders.
3. The ratio of shares held is calculated based on the number of issued shares excluding treasury stock and rounded to the nearest displayed unit.

Adoption of External Evaluation and Indexes

JPX-NIKKEI Mid Small

FTSE JPX Blossom Japan Index

FTSE JPX Blossom Japan Sector Relative Index

FTSE Russell confirms that KH Neochem Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE JPX Blossom Japan Index and FTSE JPX Blossom Japan Sector Relative Index. Created by the global index and data provider FTSE Russell, the FTSE JPX Blossom Japan Index is designed to measure the performance of companies demonstrating specific Environmental, Social and Governance (ESG) practices. The FTSE JPX Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

2026 Sompo Sustainability Index

MSCI ESG RATINGS BBB
CCC B BB BBB A AA AAA

In 2026, KH Neochem Co., Ltd. received a rating of BBB in the MSCI ESG Ratings assessment.

SILVER | Top 15%
ecovadis
Sustainability Rating
OCT 2025

TOPICS Sponsorship of Speed Skaters

The Company has sponsored short track speed skater Moemi Kikuchi since 2018 and speed skater Rin Kosaka since 2022.

Since we aim to be a leading global specialty chemical company, we share an affinity with the mindset of athletes who take on the world, and we have a history of supporting their efforts. Both athletes are currently training hard, day by day, in hopes of competing in the world's highest-level races, including the Olympics. We will continue to fully support both athletes in their endeavors.



Rin Kosaka
Speed skater

2021: Beijing Olympics Japan National Team (Mass Start)
2024: Winner of the All Japan Speed Skating Championships (Mass Start)
2025: Winner of the All Japan Speed Skating Championships (Mass Start)

Moemi Kikuchi
Short track speed skater

2021: 500 m and 3000 m SF champion at the All Japan Short Track Speed Skating Championships
2023: Results include placing third in the 1000 m and 1500 m at the All Japan Speed Skating Single Distances Championships
2025: Results include placing fifth in the 1000 m at the All Japan Speed Skating Single Distances Championships

Rin Kosaka Support Page
https://www.khneochem.co.jp/kosakarin/
(in Japanese only)

Moemi Kikuchi Support Page
https://www.khneochem.co.jp/kikuchimoemi/
(in Japanese only)