

Message from the President



**Kojiro
Kinoshita**

President & CEO

Looking Back at FY2018

Despite difficult business conditions, we achieved the goals established for the first three years of the mid-term business plan.

In FY2018, although Japan's domestic economy continued to show a moderate recovery trend, including some signs of improvement in personal consumption against a background of improving income and employment conditions, exports decreased due to factors such as the strong appearance of economic slowdowns in regions such as China and Europe during the second half of the period.

Under these circumstances, the results for the current fiscal year are as follows: Sales exceeded 200 billion yen for the first time reaching 204.9 billion yen, Operating income: 37.1 billion yen, Ordinary income: 39.1 billion yen, Net income: 29.4 billion yen. Sales

reached record highs for four consecutive years with operating income and ordinary income reaching record highs for five consecutive years and net income reaching record highs for six consecutive years.

Except for sales, we achieved the numerical targets for the first three years of the "Vista2021" mid-term business plan one year ahead of schedule with an operating margin of 18.1%. We have maintained an operating margin of above 10% for 16 consecutive years.

The Company has always regarded return on equity (ROE) as the most important performance indicator. ROE reached 16.6% in FY2018. In addition, shareholders experienced substantial profit returns due

A start of new stage for realizing our corporate vision in 2030.

to factors such as the Company achieving a total payout ratio of 72.0% and dividend payout ratio of 41.5%.

Looking back each segment in FY2018:

As for the Chemicals Division pertaining to sales of Melamine (adhesive agent for particle board) in Japan, although the amount of sales in the form of shipments of construction materials for hotels and offices was favorable, conditions continue to be difficult with no bottom in sight due to sluggish exports, etc. caused by US-China trade friction and other factors.

As for sales of display materials from the Performance Materials Division, although the number of smartphone shipments for the entire smartphone market fell below the previous year, we achieved higher sales than in the previous year by acquiring new customers and proceeding with product development closely associated with customer needs. In particular, sales of liquid crystal alignment material for IPS (In Plane Switching) devices contributed significantly to profits. In the semiconductor market, sales of our

semiconductor materials increased, such as sales of BARC, (anti-reflective coating material) corresponding growth of memory and logic devices market.

As for the Agricultural Chemicals Division, sales of Fluralaner (active ingredient for veterinary pharmaceuticals) and agrochemicals for the overseas market increased. In addition, we launched GRACIA[®], our first standard insecticide, in South Korea in 2018 and in Japan in 2019. GRACIA[®] is effective against a wide range of important pests as well as being very effective against pest that have developed a resistance to existing pesticides, and this insecticide has the advantage of having little impact on honeybees. I expect that it will be a product that brings in 10 billion yen in sales and becomes the Company's next growth engine.

In the Pharmaceuticals Division, although domestic and overseas sales of LIVALO[®] (anti-cholesterol agent) were impacted due to sales of generics, Finetech (contracting business of technological development of pharmaceuticals) sales proceeded as planned.

About Our Long-term and Mid-term Business Plans

In order to achieve our long-term business plan “Progress2030”, we started Stage II of our mid-term business plan “Vista2021” in 2019.

In 2016, we launched “Progress2030”, a long-term business plan, and “Vista2021”, a six-year mid-term business plan.

When formulating “Progress 2030”, we held many discussions about what we can do, what we can contribute to, and what the type of corporate group we want to become in 15 years, to decide the direction our Group should head in consideration of social and economic changes leading up to 2030. The plan aims to make Nissan Chemical “A corporate group that creates better future for human and environment by helping to solve social issue” taking into account social issues such as the SDGs (Sustainable Development Goals) established by the United Nations.

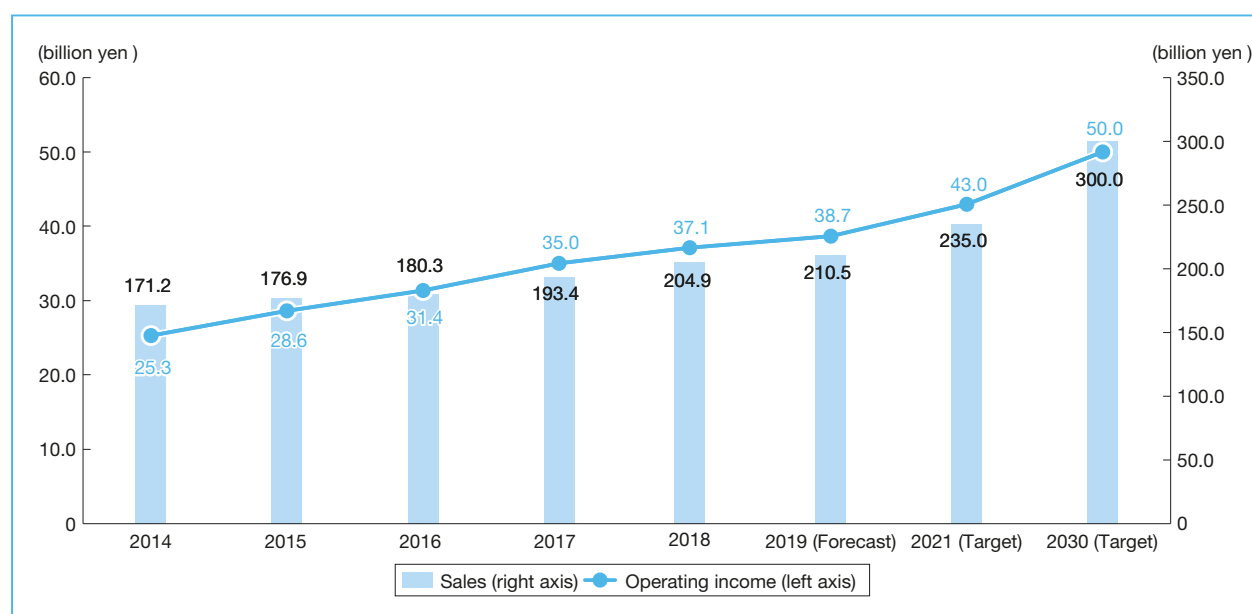
Based on that, we set the business model for the Company as “A future-creating enterprise that responds to social needs with unique, innovative technologies”, and defined corporate vision for 2030 as “A corporate group which provides new values for helping to enrich people’s lives by integrating internal and external knowledge with facing globally-changing society” as well as “A group of first-class

pioneers who blaze a way to the future with enthusiasm by trusts they have built and skills they have cultivated”.

For 2030, we set numerical targets of 300 billion yen in sales and 50 billion yen in operating income. Based on our five core technologies we have cultivated, “Fine Organic Synthesis”, “Functional Polymer Design”, “Ultrafine Particle Control”, “Biological Evaluation”, and “Optical Control”, we will contribute to resolving global issues in the four fields of “Information & Communication”, “Life Sciences”, “Environment & Energy”, and “Chemicals & Affiliates”, and will strive to improve company value along with the development of society.

“Vista2021” has been formulated as a six-year mid-term business plan to serve as a waypoint to 2030 to indicate how the Company should be in 2021 by using the back casting method (establishment of current policies by calculating backward based on the company’s future status). Stage I, the first three years are based on the following three basic strategies.

With regard to the first basic strategy “Maximizing the profit from existing products”, we have achieved results including



an increase in demand for products such as Fluralaner, an active ingredient for veterinary pharmaceuticals invented by Nissan Chemical, Roundup® (nonselective herbicide), and so on. We also acquired new customers in China and Taiwan for our liquid crystal alignment material for IPS devices.

As for the second basic strategy “Improving marketing power”, we steadily proceeded with the collection and evaluation of cutting-edge technology information, sales, popularization, development support for agrochemicals, enhancement of research and development functions, and customer service improvement at newly established overseas bases in the United States, Brazil, India, and China.

In regards to the third basic strategy “Enhancing R&D capability”, we developed 3D packaging process materials, EUV under layer materials, etc. as performance materials, and created agrochemical development candidate agents. In the field of pharmaceuticals, we worked to establish our own technologies for drug discovery and contract based manufacture of active ingredients of pharmaceuticals such as constrained peptides and nucleic acids.

When formulating Stage II of the “Vista2021” mid-term business plan, we used the following three phrases to describe corporate expectations for 2021: “Performance Materials and Agricultural Chemicals are driving business results while the next growth engines are being created”, “Organizations that enjoy challenges have been realized and diverse human resources demonstrate their abilities to achieve goals”, and “We contribute to the sustainable development of society through our business activities”.

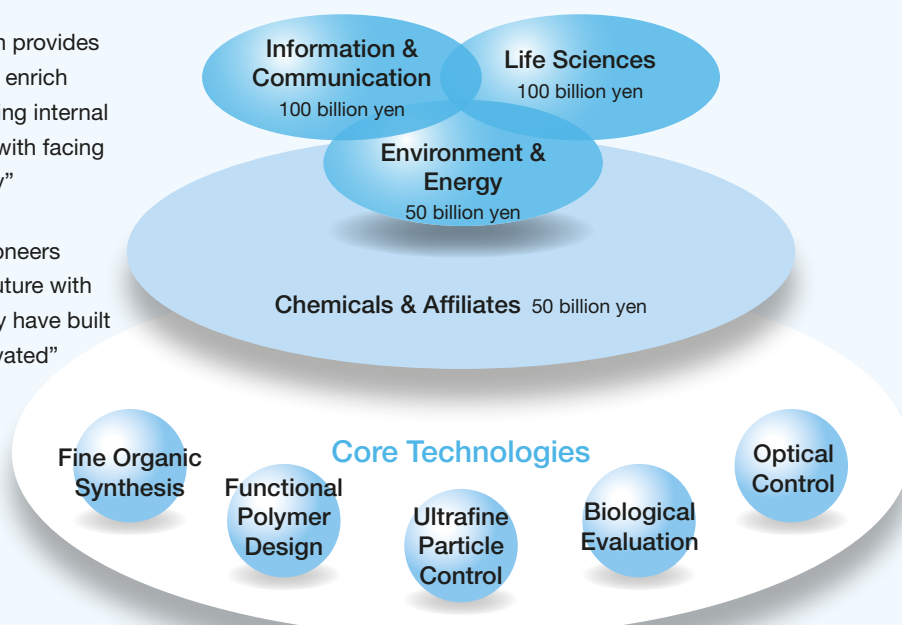
To realize these, we established the following three strategies as basic strategies: “Increase profitability of products that are the sources of growth”, “Strengthen the ability to create new products”, and “Improve ability to adapt to social/market changes”.

The numerical targets set for FY2021, the final year of Stage II, are sales of 235.0 billion yen, operating income of 43.0 billion yen, ordinary income of 44.0 billion yen, net income of 33.0 billion yen, and an operating margin of 18.3%. Through the mid-term business plan, we will strengthen our efforts using the full power of the Group to realize our corporate vision in 2030.

Corporate Vision in 2030

“A corporate group which provides new values for helping to enrich people’s lives by integrating internal and external knowledge with facing globally-changing society”

“A group of first-class pioneers who blaze a way to the future with enthusiasm by trusts they have built and skills they have cultivated”



Ideal Situation of 2021

“Performance Materials” and “Agricultural Chemicals” are driving business results while the next growth engines are being created

Organizations that enjoy challenges have been realized and diverse human resources demonstrate their abilities to achieve goals

We contribute to the sustainable development of society through our business activities

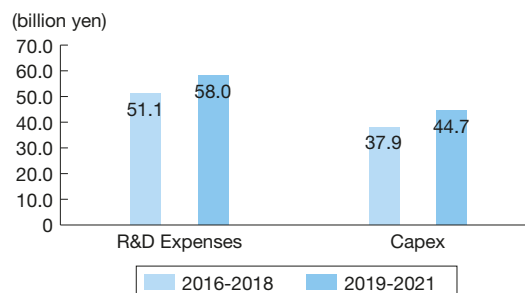
Financial Indicators

	FY2018 Results	FY2019 Forecast	FY2021 Targets
Operating margin	18.1%	18.4%	Above 18%
ROE	16.6%	16.3%	Above 16%
Dividend payout ratio	41.5%	42.5%	Maintain 45%
Total payout ratio	72.0%	72.5%	Maintain 75%

Sales, Operating Income, Ordinary Income, Net Income Target (billion yen)

	FY2018 Results	FY2019 Forecast	FY2021 Targets
Sales	204.9	210.5	235.0
Operating income	37.1	38.7	43.0
Ordinary income	39.1	40.2	44.0
Net income	29.4	30.2	33.0

R&D Expenses, Capex



Toward Realizing Our Corporate Vision in 2030

Although there are challenges present, we will steadily evolve and deepen our efforts.

While implementing Stage I, we identified three challenges we face in realizing our corporate vision in 2030.

The basic strategies of the final three years as Stage II are based on our awareness of issues such as inclination toward certain products that drive profits, delays in the creation of new products, and insufficient response to risks that will hamper growth.

In the first basic strategy “Increase profitability of products that are the sources of growth”, we identify opportunities and risks for each business and establish accurate and timely countermeasures to deal with rapid changes in the environment, and intensively allocate management resources to products that are expected to grow.

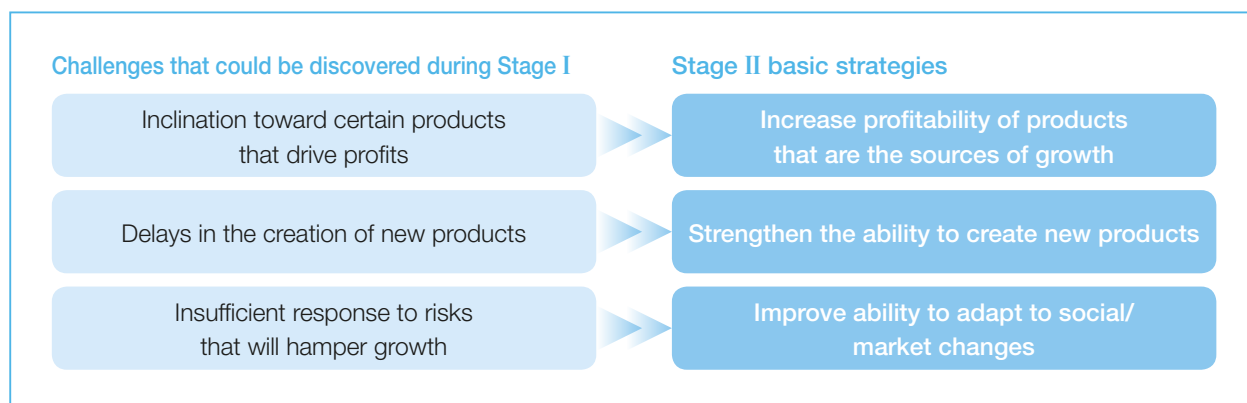
In the Chemicals Division, we will promote sales of cyanuric acid, HI-LITE® (bactericidal disinfectant), and TEPIC® (epoxy compound for LED sealants, solder resist, painting) based on a strong global market for cyanuric acid, increasing societal demand for water sanitation, and growing demand for products for information & communication field. Besides, we will strive to enhance plants maintenance technology and ensure safe and stable operations by preparing risks such as issues at plants.

In the Performance Materials Division, we will develop and launch new products, improve existing products and expand their application, toward the things such as increased demand for products due to the development

of the information & communication field, changes in the needs for oil and gas materials due to fluctuations in crude oil prices, and emergence of innovative competitive technologies from other companies those are assumed as either opportunities or risks.

As for the Agricultural Chemicals Division, the overseas agrochemicals market is expected to expand continuously due to global population growth. On the other hands, there is a shortage of farmers related to the population decline in Japan. The demands for agrochemicals which make it possible to improve yield is expected to increase. Based on such circumstances, we will speed up initiatives aimed at large-scale farmers, corporations and general consumers as we aim to popularize and promote domestic and overseas sales of products including GRACIA®.

In the Pharmaceuticals Division, business competition in the field is expected to intensify as a result of activation in the development of drug discovery research of medium molecule drugs and increase of generic drugs. We plan to accelerate the creation and advancement of candidate drugs, expand our contracted manufacturing business, and improve profitability. In addition to promoting sales of eldelcalcitol, an active drug substance used in medications for osteoporosis, the division is focusing its efforts on obtaining contracted manufacturing business orders for the manufacture of generic drugs and constrained peptides.



Message from the President

By strengthening our research capabilities, we are striving to develop new products and technologies, and to create new businesses.

In order to “Strengthen the ability to create new products”, the second basic strategy, we aim to advance development, analysis, and evaluation capability by expanding our overseas research infrastructure related to overseas agrochemicals, display materials, and semiconductor materials, all of which are expected to see future growth.

We opened the Santa Clara Office of NCA (our local subsidiary in the United States) in Silicon Valley (California) in 2016 to pursue the search and evaluation of technologies, including AI, IoT, and etc., owned

by startups, and the possibility to collaborate with such companies. Furthermore, we established a new R&D center in Suzhou, China in 2018 in addition to launching R&D centers in Korea and Taiwan in previous years, to improve contact with customers and quickly grasp market needs.

Furthermore, we focus on establishing new technology and creating actual demand for material to generate new businesses, by participating in national projects and so on.

We identified materiality that we need to address as a company.

Through the third basic strategy, “Improve ability to adapt to social/market changes”, we identified materiality that are indispensable for realizing our corporate vision in 2030 while responding to various assumed social changes and issues that we have recognized. In the process to identify materiality, we exchanged opinions with stakeholders based on ESG



(environment, social, and governance) evaluation indicators, including SDGs, and various guidelines.

We identified 19 key issues that are divided into three parts: “provision of new value for helping to enrich people’s lives”, “strengthening of Nissan Group’s business base”, and “continuous improvement of responsible care activities” with underlying the crucial issues for corporate survival that are “strengthening of corporate governance, risk management and compliance”, and established targets for each issue.

In regard to the first part, “provision of new value for helping to enrich people’s lives”, we aim to provide new value while utilizing our unique technologies by identifying social issues such as global environmental conservation, food issues, energy issues as well as changes in society, including longevity and aging, and development of advanced medical care.

The targets are sales promotion of disinfectants for drinking water, launching of new medical materials, new environmentally friendly products, and optical interconnect material.

Steadily implementing the various measures of the long and mid-term business plan will lead to the provision of new “value” that will help enrich people’s lives.

The “value” that we provide must be in the form of products and services that can give unprecedented level of “joy” and “inspiration” to the end user.

Through our daily business activities, we will create new products and, by doing so, provide new “value.” There will always be newness present in this “value” which makes it necessary to have a group and corporate culture that always thinks about what kind of “joy” can be created by this newness or whether it can provide “inspiration.”

The second part, “strengthening of Nissan Group’s business base”, includes strengthening our research and development capabilities, products’ quality improvement, maintaining and improving employee health, promoting diversity, executing fair-trading, and BCP (Business Continuity Plan) formulation.

For the third part, “continuous improvement of responsible care activities”, we have set targets related to climate change mitigation, occupational safety and health promotion, biodiversity initiatives, chemical substances management, and industrial waste/pollutant emission reduction.

Closing

The Nissan Chemical Group has earned a high reputation from the market for its stable business performance with ROE over 16%, active shareholder returns maintaining total payout ratio over 70%, business plan achievement rate, etc. In order to become a more reliable company without compromising to current situation, we will focus our management resources on the full-scale entry into fields such as the automotive and regenerative medicine fields where demand is expected to grow. We will grow under any business conditions and continue to strive to create value for leaping forward into the future.

With this idea, the slogan for Stage II is “Strive for perpetual growth and become a company that carves out the future.”

In order to rise from “sustained” growth to “perpetual” growth, we will share with the entire Group the idea that the development of new businesses with a futuristic perspective while continuing to introduce new products and new product grades to the market is the most important issue. We will strive to meet the expectations of our stakeholders by working together throughout the Group to realize our Corporate Vision of becoming “A corporate group that contributes to human survival and development.”

I hope we can rely on your understanding and support in the future.

In regard to climate change countermeasures, we have been working on improving energy intensity and reducing greenhouse gas emissions by implementing construction required to convert fuel from naphtha to LNG (liquefied natural gas) in ammonia production at the Toyama Plant. Since Vista2021 original targets that was set in 2016 were reached during Stage I, Stage II targets have been set even higher.

Recognizing that occupational safety and health is the lifeline of our corporate activities, not only plants but the Group as a whole will continue to increase the number of daily safety actions aimed at achieving zero accidents requiring staff time off from work.

We will contribute to the sustainable development of society by achieving the targets corresponding to each key issue for FY2021.

