

# Message from the President

Become “a group of co-creators that face challenges for change with a strong passion” to continue creating irreplaceable “Must-Have” products



**YAGI Shinsuke**  
Representative Director,  
President & COO

## Sharing the Direction for the Future and the Corporate Philosophy with Employees Building the Ideal State of Nissan Chemical Together with Employees

Our company was founded in 1887 as Japan’s first chemical fertilizer manufacturer. We have now set up our corporate slogan “WHERE IT ALL BEGINS” and are moving forward with our business with our vision to create innovation.

Since our founding, we have transformed to respond to the occasional changes in the business environment. In an effort to determine our direction for the future and clarify the raison d’être of the Group, we have redefined our corporate philosophy to “Contribute to the protection of the global environment and the existence/development of humanity, offering the value sought by society” in April 2022. As a new growth strategy based on the business environment and social issues, we have formulated and launched two plans, “Atelier2050” and “Vista2027”. Atelier2050 is a long-term business plan with a broad perspective for 2050, and Vista2027 is a mid-term business plan that serves as a stepping-stone for Atelier2050.

I believe that our corporate philosophy and mid- to long-term direction of the Company have meaning only if they are thoroughly understood by each and every employee. For this reason, since April of last year, when we redefined our corporate philosophy and started a new business plan, I have personally visited our business sites in Japan and abroad, and given lectures to entire sites or conducted informal discussions with smaller level-specific groups. During my visits, I provide explanations while looking at the faces of the on-site employees and answer their questions on the spot. By com-

municating directly to employees in that way, I foster a culture where we join forces and keep challenging ourselves together. This fiscal year, as the COVID-19 pandemic gradually winds up, I plan to actively visit overseas business sites as well.

## Operating Profit and Net Income at Record Highs for 9th and 10th Consecutive Year Steady Push of Vista2027

Regarding our results for FY2022, operating profit and net income reached record highs for the 9th and 10th consecutive year, respectively. However, due to the sharp rise in price of raw materials and the deterioration of market conditions, the operating profit came short of its Vista2027 target for FY2022 by 1.2 billion yen.

I would like to explain the progress of the four basic strategies announced in Vista2027. With regard to our first strategy, “deeply exploit business areas and increase marketing ability,” we established the Biological Group within our Biological Research Laboratories in April 2022, in order to accelerate the development of microbial control technology, a new core technology. In information science, another new core technology, we are also conducting verifications in materials informatics (MI). In addition, in April 2023, we newly established the Animal Care Planning Group within the Planning and Development Division, to consider developing veterinary pharmaceuticals and building a sales system.

Regarding our second basic strategy, “promote sustainable management”, we newly established the Sustainability Promotion & IR Department in April 2022 and the department has since shown strong leadership in sustainability initiatives and measures. It holds business briefings and ESG briefings

### Progress of the “Vista2027” mid-term business plan



### Major Financial Targets for FY2027 FY2022 Result

Sales: 285.0 billion yen Operating profit: 67.0 billion yen ROE: above 18.0% Total payout ratio: Maintain 75%	Sales: 228.1 billion yen (+20.1 billion yen) Operating profit: 52.3 billion yen (+1.3 billion yen) ROE: 19.4% Total payout ratio: 78%
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( ) shows comparison to FY2021

### Major Non-financial Targets for FY2027 FY2022 Result



\*A plan to pursue “what we can do for the future of the globe and human”



### Progress of the four basic strategies

- 1 Deeply exploit business areas and increase marketing ability**
  - Newly establishment of the Biological Group
  - Newly establishment of the Animal Care Planning Group
  - Verifications of materials informatics (MI)
- 2 Promote sustainable management**
  - Newly establishment of Sustainability Promotion & IR Department
  - Hold of business briefings and ESG briefing
  - Launch of the Nissan Chemical Sustainable Agenda
- 3 Strengthen the creation and co-creation process of values**
  - Newly establishment of the Digital Transformation Department
  - Provision of a company-wide digital transformation (DX) platform
  - Adoption of a role grading system in the personnel system
- 4 Expand market shares and profits of existing businesses**
  - Construction of new plant and manufacturing plants
  - Expanding the response ability of overseas business sites

both inside and outside of the Company, and actively sends out related information.

In addition, we launched the “Nissan Chemical Sustainable Agenda” in April 2022. This plan aims to pursue “what we can do for the future of the globe and human” by providing products and services that contribute to solving social issues. We define the rate of total sales of products and services covered by the Nissan Chemical Sustainable Agenda as a key performance indicator (KPI). In Vista2027, we have set a target of “maintaining at least 55%” in each fiscal year. In FY2022, the first fiscal year of the plan, we achieved this target.

As part of our third strategy, “strengthen the creation and co-creation process of values”, we revised the personnel system in November 2022. We have replaced the conventional function-based personnel system with a role grading system that more efficient allocation of human resources based on potentiality and engagement of every workforce rather than seniority. Furthermore, we newly established the Digital Transformation Department in April 2022 and are making progress in developing a company-wide platform for digital transformation (DX). In preparation for the full-fledged launch of the data-driven system for Vista2027 Stage II which start from FY2025, we are currently steadily developing a platform for data utilization. We aim to utilize data to visualize greenhouse gas (GHG) emissions in real time and optimize the logistics systems.

As part of our fourth strategy, “expand market shares and profits of existing businesses”, we promote measures to improve profitability of ammonia-related products as a struc-

tural reform after shutting down melamine business, in the Chemicals business. Regarding Venus® Oilclean, a microorganism formulation that decomposes oils and fats, we joined a project to develop biofuels in order to reduce CO<sub>2</sub> emissions and have started exploring new applications outside of the treatment of wastewater’s oils and fats.

When it comes to display materials in the Performance Materials business, we set out to deepen photo-alignment material for IPS liquid crystal as well as advanced the development of materials for next-generation displays such as micro LED displays. In semiconductor materials, we strengthened our development abilities of EUV materials in anticipation of future growth, while expanding development and sales operations in a bid to increase our market share in multi-layer materials and packaging materials. In addition, NCK, our South Korean affiliate, built a new plant in Dangjin to strengthen its product supply abilities. The start of operations is scheduled for FY2024. NCK also newly established a semiconductor group in its R&D center located in Pyeongtaek, so as to respond even more rapidly to customers in South Korea and China. In inorganic materials, in addition to carrying forward sales promotion of oil and gas materials, we performed evaluations of CCS materials aimed at efficiently storage CO<sub>2</sub> in the ground, in collaboration with Australian national research institutes and university.

In Agricultural Chemicals business, we promoted global expansion of the insecticide GRACIA®. In addition, our Indian joint venture Nissan Bharat Rasayan (NBR), whose goal is to strengthen product supply abilities, started its commercial operation in March 2023. The construction of manufacturing



plants in Japan is also progressing smoothly, with operations scheduled to start in 2024.

In drug discovery in the Healthcare business, we are prioritizing human and capital investment in oligonucleotide therapeutics. In biomedical materials, a bio-venture company engaged in the realization of heart regenerative therapies through iPS cells, used our company’s prevelex® when producing cell clumps to perform clinical trials.

### Enhancing our Discernment Abilities to Create Irreplaceable, “Must-Have” Products

As a big theme across the Company, I tell our employees the necessity to create unique products and technologies that cannot be substituted in the market, and without which the product cannot be manufactured or functioned, in order for our Group to keep growing in the future. I explain that, for society, such products and technologies are indispensable “Must-Have” products. Whether in the semiconductor business or other businesses, the level of technology asked of us is becoming quite advanced. In this context, if we create irreplaceable products and technologies inimitable by other companies, we will greatly contribute to the growth of our businesses and to the world.

For example, when conducting research and development (R&D) on new performance materials, which are growth drivers, if we pursue products and technologies that only we can provide and other companies cannot imitate, such as the alignment materials needed for LCD production and the anti-reflective coating materials essential to semiconductor production, these will become “Must-Have” products on the markets and we have an overwhelming competitive advantage.

“Must-Have” products and technologies are not easy to create. We allocate 8% of our sales to R&D, and we pride ourselves on the fact that this level exceeds that of other companies in our industry. However, large R&D expenses are mean-

ingless if we cannot assess whether there is demand for a particular product or technology in the market, what the potential scale of the business is, or when it is most effective to commercialize and launch the product in the market.

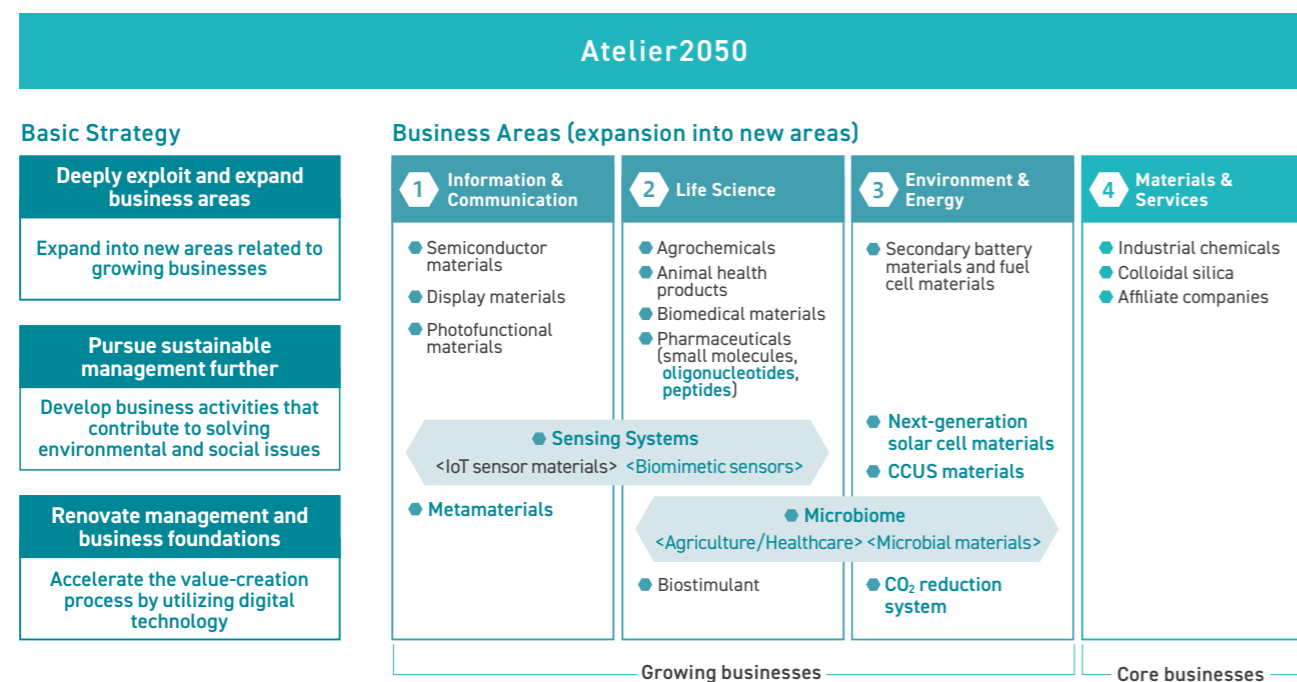
I think there is little value in coming up with outstanding technologies if the market will not use it. Furthermore, there are also methods to suggest and popularize a product or technology not on the market yet but which might become a “Must-Have” in the future. I regard business portfolio management as very important, in that it consists in investing limited capital such as people and money in promising businesses and maximizing corporate value.

Then, in order to develop “Must-Have” products and technologies that lead to sales and profit growth, it becomes important to have the marketing ability to judge the state of the market, ability that results from the recognition and resolution of customers’ issues. I call this process “connoisseur”, and we put effort into developing discerning personnel. I repeatedly mention the terms “Must-Have” and “connoisseur” and, as a result, these terms seems to have absorbed to the employees as keywords. Developing discerning personnel is not an easy endeavor. The source of our corporate value is research and approximately 70% of our annual hires in regular positions are researchers, but an exclusive devotion to research does not develop discerning abilities. We offer opportunities for researchers to transfer to marketing positions so they can understand market trends. As a company, we support employees in the enhancement of their discernment abilities.

### Creating Products that Contribute to Decarbonization for the Protection of the Global Environment and the Existence/Development of Humanity

As suggested by the expression “the era of VUCA,” Volatility, Uncertainty, Complexity and Ambiguity have been increasing recently and, as society undergoes drastic changes, the fu-

### ● Basic strategies and business domains of the long-term business plan “Atelier2050”



ture is anybody's guess. Nissan Chemical is no exception in that regard.

Despite the circumstances, our basic approach for the management of the Group is to discover all sorts of risks, apply them to situations within our assumptions and take the lead by adopting the relevant measures. Delayed countermeasures against risk are due to a lack of imagination and may prove fatal when it comes to corporate management.

One of them is climate change countermeasures. Regarding climate change countermeasures as well, "unexpected situations" are no excuse for us to continue our business. In June 2022, we established the Climate Change Committee of which I am the Chairman. In 2020, we announced our 2°C and 4°C scenario analyses for the analysis period up to 2030 in the previous long-term business plan, but in the Climate Change Committee, we have also carried out new analyses on the 1.5°C and 4°C scenarios, and we announced them in July 2023. In these new analyses, we determined the impact on our business and the possible countermeasures, including the financial risks and opportunities, based on the 1.5°C and 4°C scenarios. We also extended the analysis period until 2050.

We have a target of net zero GHG emissions by 2050, and have set the target of reducing by at least 30% from FY2018 level. We are also having discussions from a technological perspective, and are getting an understanding of which facilities we should improve. Moreover, we are conducting discussions on the best use of internal carbon pricing (ICP), as a way to build a structure for GHG reduction. For example, the Chemicals business generates a large amount of CO<sub>2</sub> emissions but, by incorporating ICP in our managerial accounting as a corporation, we can actively implement initiatives that lead to increased profits for each business, while promoting decarbonization of business activities to achieve both social and economic value. We view our progress toward our ESG target indicators, such as those related to climate change countermeasures, and the following results not as formalities but as urgent issues to ensure our business continuance. Last year, in order to signify our stance, we put in place a mechanism which reflects the progress toward our ESG targets in officers' remuneration.

In order to realize our corporate philosophy "Contribute to the protection of the global environment and the existence/development of humanity, offering the value sought by society," our company must continue to be chosen by stakeholders, and our products must continue to be chosen by the market. For us, overcoming various issues such as the reduction of GHG emissions and being the perpetually chosen company is our social value, and is closely connected to our social contribution.

By FY2027, the final year of Vista2027, we want to create products that contribute to decarbonization and the technologies that support them, such as environment & energy materials or CCS materials, as well as develop products that fit the slogan "where it all begins." I believe it is important to plant the seeds of technologies by the end of Stage I in FY2024. Then, after one or two sprout, I want us to work for the 20 next following years so that flowers blossom by 2050.



**Securing Outstanding Personnel and Tackling the Future through Value Co-creation**

In Atelier2050, we drew up our ideal state in 2050 "a future-creating company that grows through seeking to enrich people and nature" for the corporate state and "a group of co-creators that face challenges for change with a strong passion" for the organizational state. However, labor shortages and the securing of outstanding personnel are management issues in both the short term and the mid- to long-term. As initiatives in regard to these issues, we raised the salary of young employees and, in November 2022, revised our personnel system and adopted a role grading system. The aim of this system is to treat human resources appropriately according to their responsibilities and roles rather than seniority.

In FY2023, we have begun conducting career dialogue between superiors and subordinates, separately from the performance evaluation interviews conducted so far. We have created an environment where the right person can be at the right post, so that employees work in a pleasant atmosphere and the Company's businesses continue to grow. We have also launched the "10% challenge" system to encourage employees' appetite for challenge and free thinking. With this system, employees can dedicate 10% of their working hours to themes they want to work on independently, in areas outside of their day-to-day affairs or not explicitly stated in divi-

sion policies. They can work as an individual unit, but also collaborate with like-minded people inside or outside of the Company to discover even newer ideas.

We started extending the retirement age in April 2023. We are gradually raising the retirement age from 60 years of age to 65 in 2032. The experience and knowledge cultivated by our veteran employees are one of our important assets. We have created an environment in which they can make full use of themselves, renew their motivation and play an active role on the front line. I have great hopes regarding the participation of professional veterans.

Human resources, often called human assets, are represent priceless capita for a company. As suggested by our ideal organizational state for 2050, "a group of co-creators that face challenges for change with a strong passion," we remain committed to building an organization that supports co-creation and taking on challenges.

**Further Strengthening of the Group's Corporate Governance through Reforms toward a Board of Directors Rich in Knowledge, Skill and Diversity**

Revision to the Corporate Governance Code called for the further functional enhancement of the Board of Directors and animated discussions in their meetings, outside directors included. Therefore, the Group is continuously working to strengthen governance. I think the Board of Directors must be composed of members selected from various perspectives to make decisions in an appropriate and agile manner and supervise the execution of business activities in our company's diverse fields. Those perspectives include the balance of knowledge, experience, skills, and other characteristics, and diversity, including gender, internationality, and practical experience in the totality of the board.

In June 2023, Ms. TAKEOKA Yuko became the second woman in the Company's history to be appointed outside director. Ms. TAKEOKA has many years of experience as a researcher centered on the synthesis and characterization of functional polymers, which is deeply related to our business. In addition to her expertise as a Doctor of Engineering, she has a rich experience and an extensive knowledge of the field. With the appointment of Ms. TAKEOKA, half of the four outside directors are now women. I also hope that Ms. TAKEOKA will contribute her female perspective on how to build a company where women can work easily and actively participate.

Our company has identified the expertness and skills requirements required for its directors: "corporate management," "research and development/technologies," "finance and accounting," "legal/risk management/internal control," "personnel affairs/personnel strategies," and "global experience." In the future, we will work to form a Board of Directors comprised of talent with outstanding personalities and reputations, with a high level of knowledge and a strong sense of ethics, and suitable for our board. We will emphasize this balance, as well as diversity in the formation of our board, and will continue to implement reforms to that end.

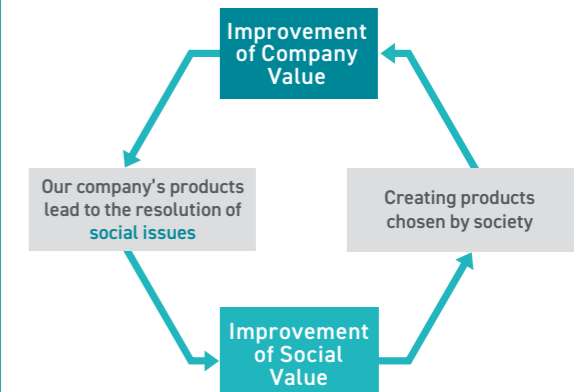
Moreover, the Nomination and Remuneration Advisory Committee, which is comprised of the Chairman, the President

and outside directors, is making progress in its discussions surrounding the President CEO's succession. We plan to define the ideal image of my successor and those coming afterwards, discuss what dispositions are required, what level of human resources we must choose when it comes to talent development, and resolve these themes and others at the Board of Directors.

Our company was founded in 1887 under the spirit "to dedicate ourselves to prosperity of the nation by agricultural fertility," by the pioneers of the Meiji period Mr. TAKAMINE Jokichi, Mr. SHIBUSAWA Eiichi and Mr. MASUDA Takashi, and 136 years have since passed. When comparing the time of our founding with our current era, the handled products themselves have changed but, from the time of our founding when there was no concept of sustainability, there is no change in our fierce passion for contributing to social development by solving social issues through the power of chemistry.

We challenge ourselves to effect change not simply for our Group but for the entire value chain, and engage in initiatives toward sustainability. In this way, we continue to be chosen as a corporation by all our stakeholders.

**The lasting belief of Nissan Chemical, unbroken since our founding**



Our founder Mr. TAKAMINE Jokichi wished to contribute to the improvement of Japan's national power through agriculture, our company's strength, and he expressed that hope in our founding spirit, "to dedicate ourselves to prosperity of the nation by agricultural fertility."

