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Representative Director,
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Aim to expand our business and strengthen profitability by continuing to invest a large amount of capital in research and development that will lead to the development of new products

The environment surrounding us is changing dramatically, with climate change and abnormal weather caused by global warming, the multipolarization of the international order and fragmentation of the economy due to heightened geopolitical risks, and soaring energy prices and food crises against the backdrop of these changes. As uncertainty grows ever greater, I feel that our role in providing value to society is becoming increasingly important. From the perspective of science and technology, generative AI (artificial intelligence) as typified by ChatGPT is rapidly spreading and being put to practical use in familiar situations. I believe that the advances in AI technology will have a significant impact on our research.

In these significant changes, based on our corporate philosophy of "Contribute to the protection of the global environment and the existence/development of humanity, offering the value sought by society," we aim to solve social issues and enhance our corporate value while maintaining a strong awareness of sustainable development and harmony with the environment to realize prosperous lives and happiness for people.

In our long-term business plan "Atelier2050," which we set goals for in 2050, drew up our ideal state in 2050 "a future-creating company that grows through seeking to en-

rich people and nature." We are also working on various initiatives to realize our mid-term business plan "Vista2027" which shows our state of things in 2027, a stepping-stone to 2050.

We will review strategies for each business to expand market shares and profits of existing businesses

As for our results for FY2023, sales were 226.7 billion yen, down 1.4 billion yen from the previous year, operating profit was 48.2 billion yen, down 4.1 billion yen from the previous year, and net income was 38.0 billion yen, down 3.1 billion yen from the previous year. The nine-year record of the highest operating profit came to an end, and both sales and profits declined YoY in the last fiscal year since 2011, when the Great East Japan Earthquake struck. On the other hand, in terms of financial indicator targets for the mid-term business plan, I believe that we were able to maintain a high level of financial indicators as a whole, achieving the targets for the operating margin, dividend payout ratio, and total payout ratio, although the ROE did not meet the target due to decline profits.

Looking at the business overview by segment, the Agricultural Chemicals business performed well. On the other hand,

sales in the Chemicals business, especially in Fine Chemicals, declined, and sales in the Performance Materials business also declined due to the impact of the semiconductor market.

The Chemicals business in FY2023 was a particularly severe result. In addition to the declining profits of some products due to the competing low-priced Chinese products, we were also affected by the Noto Peninsula Earthquake that occurred on New Year's Day in 2024. I believe that improving the profitability of the Chemicals business is an urgent task, and we will accelerate and thoroughly implement selection and concentration more than ever. However, despite the business result was tough, we were able to achieve certain results as part of our mid-term business plan measures in the Chemicals business. For example, capacity expansion of high purity sulfuric acid production facilities progressed steadily to meet the increasing demand for semiconductor. In addition, Venus® Oilclean, a microorganism formulation, which used in food factory wastewater treatment (oil and fat decomposition), was adopted in several companies. Furthermore, we discovered that it can also decompose insoluble substances such as oil balls, which are solidified fats and oils, and dead microorganisms, and began to propose it for applications other than fat and oil decomposition.

The business result of the Performance Materials business in FY2023 was also tough, with both sales and profits down from the previous year due to the delayed recovery of the semiconductor market and other factors. However, we expect the semiconductor market to recover from the second half of FY2024, and despite the current situation is tough, we have been aggressively investing in Capex to capture the increased demand. Specifically, a new plant (Dangjin Plant) of NCK, our South Korean affiliate, was completed in FY2023. The start-up is well underway and production has already started to achieve customer's approval. In display materials, we were able to maintain a high share of the photo IPS market in FY2023. We will continue to take measures to expand our market share and profits for semiconductor materials and display materials, which have high profit margins. Meanwhile, in inorganic materials, we have participated in a consortium of CCS materials for efficient CO₂ fixation in the ground and launched a new initiative.

In the Agricultural Chemicals business, the plant of Nissan Bharat Rasayan, our Indian affiliate, was completed and began shipping APIs of the fungicide LAIMEI® and the insecticide GRACIA®. In Japan, a plant for the production of active ingredient of VELDER®, a new herbicide, was completed at the Onoda Plant,

Message from the President

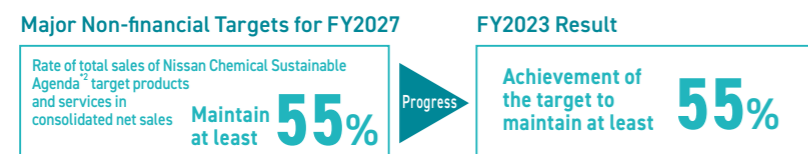
● Progress of the "Vista2027" mid-term business plan



Major Financial Targets for FY2027	FY2023 Result
Sales: 285.0 billion yen	Sales: 226.7 billion yen (-1.4 billion yen)
Operating profit: 67.0 billion yen	Operating profit: 48.2 billion yen (-4.1 billion yen)
ROE ¹⁾ : above 18.0%	ROE: 17.1%
Total payout ratio ¹⁾ : Maintain 75%	Total payout ratio: 86.2%

¹⁾ Targets for each year from FY2022 to FY2027

() shows comparison to FY2022



²⁾ 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**
 - Promote programs for cultivating data scientists in laboratories
 - Continue to verify MI (Materials Informatics) on actual themes and narrow down target themes
- 2 Promote sustainable management**
 - Deepened scenario analysis for climate change and disclosed
 - Conduct scenario analysis of natural capital and identify risks and opportunities
 - Conducted effectiveness evaluation of board directors by an external organization
- 3 Strengthen the creation and co-creation process of values**
 - Set strategy, indicator and objective on human capitals and disclosed
 - Start of human resource development meetings
- 4 Expand market shares and profits of existing businesses**
 - Completion of new plant and manufacturing plant and start of production



We believe that unwavering investment in R&D will lead to our corporate philosophy, "Contribute to the protection of the global environment and the existence/development of humanity, offering the value sought by society."

Value Creation & Growth Strategy

and pilot production has started. We are making steady progress in building a supply system that can firmly meet domestic and overseas demand.

In the Healthcare business, in oligonucleotide therapeutics, we entered into a strategic alliance agreement for the creation of new candidate compounds. In the Custom Chemicals, we have signed a technical cooperation agreement with a collaborator for the production of generic active pharmaceutical ingredients (APIs) at our company.

As for the creation of new products, in the area of semiconductor materials, we have made steady progress in the development of EUV lithography materials for high NA, and in the area of display materials, we have developed materials for next-generation displays such as QD-EL displays and micro-LED displays. In addition, in the area of secondary battery materials, our products have been used as a component material for secondary batteries for electric vehicles, and we plan to expand these products in Japan and the United States. As such, in FY2023, we made some progress in our efforts to create new products.

However, in terms of sales of new products in FY2023, both four business division and the Planning and Development Division have failed to meet their mid-term targets, we are lagging behind in fostering the development of new products that will serve as growth engine. We also recognize that the business result in FY2023, although a combination of unfavorable conditions, show a YoY decline in sales and profits, which is an indication that the businesses that drive our performance are unevenly distributed. Taking these results seriously, we have been working since FY2023 to revise "Vista2027 Stage II," which will start in 2025, by analyzing the factors of deviation, identifying issues, and reworking our strategies.

Continuously maintain high sales-to-research and development (R&D) expenses ratio to develop new products that meet customer needs

Compared to other chemical manufacturers, we have spent more on R&D expenses relative to our sales. Nissan Chemical's DNA, the idea that we can create new value by unwaveringly investing in and focusing on R&D, has been passed down from generation to generation, and we have achieved sustainable growth through this. Our products are often referred to as niche products, but in order to capture customer needs of "what problems do customers want to solve through our products?" in a dramatically changing business environment, we believe it is necessary to improve our marketing capabilities and the efficiency of our R&D investments.

Atelier 2050 envisions the creation of technologies, products, and services related to the three growing businesses of "Information & Communication," "Life Sciences," and "Environment & Energy" by acquiring new core technologies in "Microbial Control" and "Information Science" in addition to the five existing core technologies of "Fine Organic Synthesis," "Functional Polymer Design," "Ultrafine Particle Control," "Biological Evaluation," and "Optical Control." We will focus on working closely with our customers to determine where their needs lie, and realizing a figure that contribute to them with our seven core technologies.

In recent years, we have been developing microbial control technology, which will be our new core technology, including evaluation technologies, in the Biological Group, which was newly established in the Biological Research Laboratories at the start of Vista2027. In Japan, under the Ministry of Agriculture, Forestry and Fisheries' "MIDORI Strategy for Sustainable Food Systems," a target has been set to reduce chemical pesti-

cide use (risk equivalent) by 50% by 2050 in order to reduce environmental impact and ensure sustainable agricultural production. Considering that biological agrochemicals differ from agrochemicals in that cultivation and formulation are also important, in FY2023, we focused on cultivation and formulation as well as activity evaluation, and proceeded with identifying and evaluating technical issues.

In addition, with regard to information science, another new core technology, we have been verifying materials informatics (MI) in actual themes, and in FY2023, we narrowed down the target themes and accelerated the verification process. Furthermore, we consider the training of data scientists at the laboratories as an important issue, and implemented a training program.

Our goal is to produce "co-creators" who transcend domains of their fields under our identity of "integrity"

Human resources can create new value and are an invaluable asset to a company. In our human resource strategy, we promote the creation of a foundation and environment that encourages the creation and co-creation of new value. In FY2023, we disclosed our human capital strategy both inside and outside the company, and set the goal of producing human resources who can collaborate across borders rather than closing in solely on their own areas.

Specific initiatives related to human capital strategy are as follows. We respect diverse values and career aspirations so that each and every employee can experience a sense of fulfillment through their work, and we place importance on making the most of them in our operations. Based on this concept, we launched career dialogue and human resource development meetings in FY2023 as a measure for employees to design their careers. For example, in career dialogues, we conduct dialogues between supervisors and subordinates with a focus on "people" rather than "work," viewing "career" not as "work experience at a company and transfer," but as "life experience based on one's own values and way of being."

In addition, Nissan Chemical's strength lies in "integrity," which is our identity. We intend to create an environment

where employees can take on challenges together toward goals while leveraging these strengths and continue to grow. As a specific measure, we launched the "10%Challenge" in FY2023 to produce human resources for "co-creation" who transcend domains of their fields. This system is designed to encourage employees to think freely and take on challenges by allowing them to devote 10% of their annual working hours to themes they want to work on independently, in areas outside of their normal duties or areas not specified in division policies. Although there are still only a few examples of implementation, we would like to continue our efforts to promote the use of the system.

In addition, we have been promoting initiatives for empowering women, and in FY2023, we implemented a "Women's Leadership Program" with the target participants limited to women. The aim of this program is to encourage female employees who are expected to become leaders in the future to discover their own image of leadership based on the roles expected of them by their organizations as they build their future careers, and to develop into change leaders who proactively work on their own. I recognize that we are lagging behind other companies in the promotion of women's empowerment. We will continue to actively promote related measures.

In terms of human resource development, in addition to the training of data scientists at our laboratories mentioned earlier, we also promoted the development of DX human resources from a company-wide perspective. Moreover, we implemented various measures, including the resumption of overseas language study programs and the dispatch of personnel to overseas research institutions.

Message from the President

Instill sustainable management Products that contribute to solving social issues will be at least 55%

As our basic strategy, Atelier 2050 calls for "pursue sustainable management further" and Vista2027 calls for "promote sustainable management," and I believe that instilling of sustainable management among our employees will lead to the instillation of our corporate philosophy.

So far, I have been promoting the instillation of our corporate philosophy by conducting lectures to entire sites in Japan and abroad. In FY2022, when Vista2027 was started, I instructed the Sustainability & IR Department to hold an in-house presentation that includes "sustainability" as a topic. Since then, each business site has also held briefings dedicated to the implementation status of specific plans and measures related to ESG and environmental management, as well as the status of Nissan Chemical from an investor's perspective.

As for numerical targets related to sustainability, we have set KPIs in Vista2027 as non-financial indicators for the three materialities that we reviewed in April 2022. The Sustainability & IR Department confirms the status of achievement of each KPI in order to realize the vision of 2027 as envisioned in Vista2027 and, by extension, the ideal state of 2050 as envisioned in Atelier2050. The status of materiality responses, including the achievement of KPIs, is deliberated by the Sustainability Promotion Committee and then submitted to the Board of Directors via the Management Meeting. In addition, under Atelier2050 and Vista2027, we established the "Nissan Chemical Sustainable Agenda" 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. And in each year of the mid-term business management plan under Vista2027, we have set a target of "ratio of total sales of products and services that contribute to solving social issues in consolidated net sales maintain at least 55%," which we have achieved in FY2023.

In addition, the Climate Change Committee, which I chair, has deepened discussions on scenario analysis related to climate change and disclosed a new scenario analysis externally in July 2023. 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 "Progress2030." This time, the 1.5°C and 4°C scenarios were used, and the period covered by the analysis was extended to 2050. We also disclosed the financial impact of the risks and opportunities identified. Currently, we are currently formulating a transition plan to achieve our greenhouse gas (GHG) reduction target (2027: reducing by at least 30% from FY2018, 2050: carbon neutrality). As part of our efforts to reduce other GHG emissions, we have introduced management accounting using Internal Carbon Pricing (ICP) and have established a new category for Capex, "GHG reductions." In addition, we have revised the rules so that the recovery calculations for profit-increasing construction projects also take ICP into account.

Furthermore, with regard to the disclosure of information on natural capital, we implemented the LEAP approach focused on agrochemicals in our core business of Agricultural Chemicals business from the perspective of "impact on nature" and "impact on our company's business." We dis-



President Yagi talking to employees in the office area

cussed and deliberated the results of the analysis and the risks and opportunities identified by the Climate Change Committee, and disclosed the results in July 2024.

I believe that climate change action is not a formality, but a responsibility that companies must fulfill in order to achieve sustainable growth. In addition, responding to and preparing for risks related to climate change will lead to trust both internally and externally. We will continue to promote measures to combat climate change.

Promoting diversity on the Board of Directors and conducted effectiveness evaluation of the Board of Directors by an external organization

Ms. TAKEOKA Yuko was newly appointed as an outside director in June 2023. This has brought the number of female directors to two, and I believe it has increased the diversity of the Board of Directors. We will continuously discuss the composition of the Board of Directors in the future.

In FY2023, we held "free discussions" at the Board of Directors. In the discussion on new businesses and products, we received input from outside directors Mr. OBAYASHI, Mr. KATAOKA, and Ms. TAKEOKA, who have backgrounds in R&D and technology. Ms. TAKEOKA, who was newly appointed to this position, has long been involved in research focusing on the synthesis and characterization of functional polymers, and we were able to obtain her opinions on our performance materials business and materials for solar cells from an outside perspective. In general, I felt that we were able to have a deep discussion. In order to stimulate discussions at the Board of Directors, free discussions are scheduled to be held again in FY2024.

In FY2023, an effectiveness evaluation of the Board of Directors was conducted by an external organization. We were able to hear objective opinions as well as numerous issues regarding the Board of Directors, and the results of questionnaires and interviews with internal and external directors and Audit & Supervisory Board Members reaffirmed the significance of the Board of Directors. Based on the results of the Board of Directors' effectiveness evaluation, we first selected "deepening discussions on important issues for

each business, the mid- to long-term business portfolio, and management resource allocation" as a priority issue, and confirmed that we will continue to take improvement measures to enhance the effectiveness of the Board of Directors.

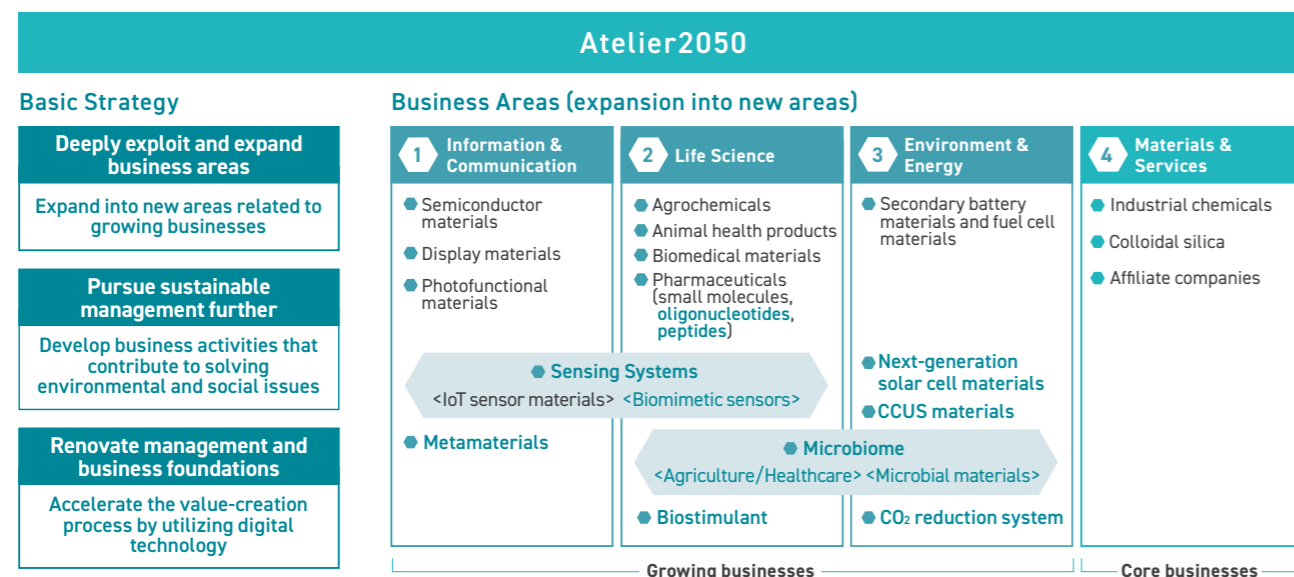
Looking ahead to "Vista2027 Stage II," which will start in FY2025

In FY2023, both sales and operating profit fell short of the mid-term targets. Also, in FY2024, the final year of "Vista2027 Stage I," the first three years of "Vista2027," both sales and operating profit are again expected to fall short of the mid-term targets. Although there have been changes in the business environment since the mid-term business plan was formulated, I take seriously the fact that we have had challenges in terms of achieving our sales and profit targets, and have begun a review of the latter three years of "Vista2027 Stage II."

In Vista2027 Stage II, we will envision our ideal state of 2030, and backcast from it to formulate a plan through FY2027. Therefore, we believe it is necessary to expedite "selection and concentration" based on the current market and business environment in order to return to the Group's growth path and achieve sustainable growth beyond that. Since FY2023, we have been deepening discussions from various perspectives by launching projects with two main items for consideration, "accelerate new business and products" and "expand existing businesses and enhance profitability." In the area of accelerate new business and products, we are considering "select and concentrate research theme along with the establishment of its framework" and "enhance M&A activities, introduce new technologies and promote cooperation with partner companies." With regard to M&A, we are looking at material and technology acquisitions not limited to agrochemicals, but other businesses. In the area of Expand existing businesses and enhance profitability, we are considering "structurally reform the business model of Chemicals" and "enhance core growing business by deepening our presence in business area."

In order to remain our group that is chosen and sought after by society, we must offer the value sought by society and grow sustainably while maintaining harmony with the environment. Based on the corporate culture of integrity that we have cultivated over the years, all employees will work together to strengthen our ability to respond to increasingly diverse and sophisticated social demands, and we will continue to strive for sustainable growth as a corporate group that contribute to the protection of the global environment and the existence and development of humanity. We would appreciate your further understanding and support.

Basic strategies and business domains of the long-term business plan "Atelier2050"



Seven core technologies

