



Maximize the equity, enhance maintain high in areas that

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use of shareholders' discernment abilities to ROE, and invest capital generate added value

## Summary of FY2023 financial results Aiming to continue to secure high profitability and improve ROE and strengthen shareholder returns while overcoming challenges

In FY2023, sales were 226.7 billion yen (down 1% from the previous fiscal year), operating profit was 48.2 billion yen (down 8%), and net income was 38.0 billion yen (down 7%), all lower than in FY2022. However, in terms of operating profit for example, which indicates the strength of the core business, our company's 8% decrease from the previous fiscal year is well above the industry average, considering that the overall chemical industry was approximately 20% decrease. Most of the decline in operating profit was attributable to the semiconductor business, which was affected by the global market adjustment, and now that the temporary adjustment factors in this market are coming to an end, we are confident that the profit level will recover in the future.

Looking at the current situation of chemical industry in Japan, the performance of the petrochemical business in particular has been deteriorating rapidly due to soaring raw material prices and the continued slump in market conditions caused by China's shift to domestic production of petrochemical products. Efforts to reduce environmental impact, led by decarbonization initiatives, are only just beginning to take off, and industry restructuring and structural reforms are a long-standing issue. On the other hand, in 1988, the Nissan Chemical Group decided to withdraw from the petrochemical business and shift to a value-creating company that produces high value-added products from our own research and development

(R&D) activities. Rather than making large Capex and aiming for low profits and high turnover, we will continue to secure a high market share with high-margin products based on R&D, and remain in demand by society as a niche-top company.

In addition to our core businesses of performance materials and agricultural chemicals, the Nissan Chemical Group also owns chemicals and healthcare-related business, enabling us to build a well-balanced business portfolio that is capable of generating stable profits. Looking at the Company's overall operating margin, even during FY2023, when profits declined, it remained at 21.3%, more than 2.5 times the industry average, and there has been no change in our view of ourselves as a highly profitable company, which is our most important characteristic.

However, as shown in the current financial results, the issues in existing businesses have also been highlighted. For example, in the Chemicals business, some of the inherently profitable product groups have seen a decline in price competitiveness compared to Chinese products, and profitability has deteriorated. Accordingly, we have begun to examine ways to revamp our business structure to ensure a certain level of profitability even when exposed to changes in the external environment.

As a financial strategy, we aim to maximize the use of shareholders' equity, with ROE (return on equity), which expresses capital efficiency, as the most important financial indicator. In the previous mid-term business plan (FY2019-2021), we set a target of maintaining above 16%, and in the current mid-term business plan (FY2022-2027), we are working toward a target of above 18%. The FY2023 result was

17.1%, but we will continue to aim for further improvement.

We will also continue to focus on shareholder returns. In Japan, many listed companies have just begun to strengthen shareholder returns in response to PBR (Price Book-value Ratio) falling below 1. Since the mid-2000s, we have continued to aggressively return profits to shareholders in order to control the volume of our shareholders' equity, based on the ROE target we have set. In addition to a steady increase in the dividend level, we have been repurchasing of the Company's own shares almost every year, and have currently achieved a total payout ratio of more than 75%, the target of the current mid-term business plan.

In the future, we will not only strengthen our R&D to launch high value-added products, but also continue to consider acquiring attractive technologies and products from outside that can create synergies with our existing businesses by executing M&A with financial leverage, even if this means a temporary increase in debt.

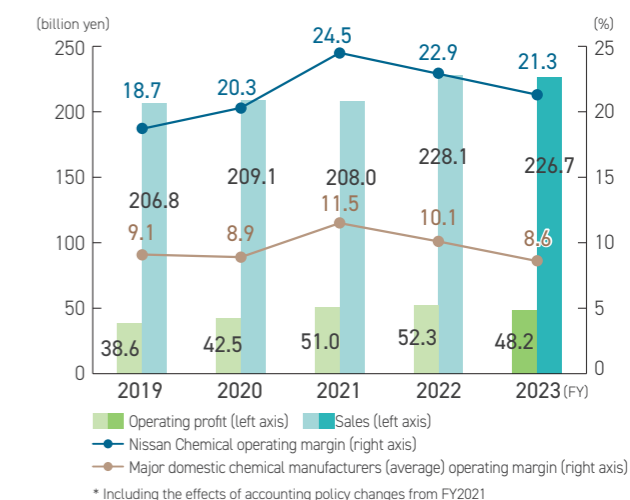
## Ensuring sufficient investment in R&D with "selection and concentration" as the key phrase

It is no exaggeration to say that our company's DNA is to make R&D the source of our growth. Our human resources and R&D capabilities that create high value-added products are our assets, and this management policy will not waver in the future.

However, in our mid-term business plan "Vista2027" announced in May 2022, we had planned sales of 17.0 billion yen for new products in FY2024, but a downward swing is ex-

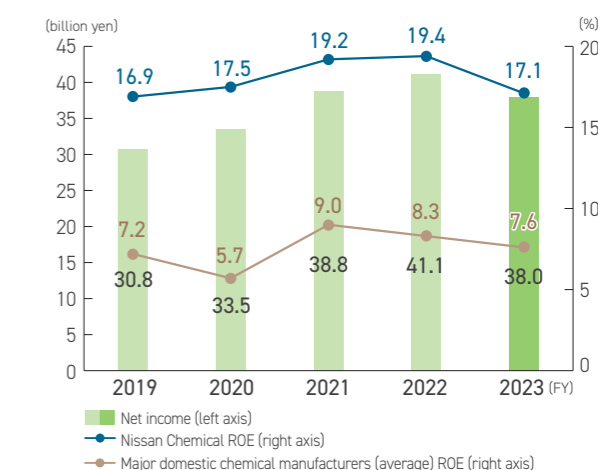
## Sales / Operating profit / Operating margin

Although sales and profits declined in FY2023 due to a temporary adjustment in the semiconductor market, a high operating margin was maintained



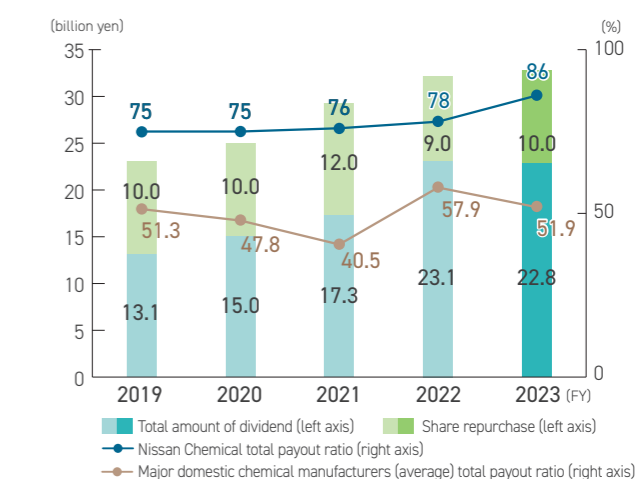
## Net income attributable to owners of parent / ROE

Maintain high ROE by focusing on creating high value-added products



## Total amount of dividend / Share repurchase / Total payout ratio

Total payout ratio achieved the Mid-term Business Plan (FY2022-2027) target of maintaining 75%



## Message from the CFO

pected. With all four business divisions and the Planning and Development Division are expected to fail to meet their mid-term projections, and the development of new products that will serve as growth engines lagging behind, we recognize that how to allocate management resources to strengthen our R&D capabilities is an issue that needs to be examined thoroughly.

In the area of new product development, we need to promote "selection and concentration" and sharpen our discernment abilities of what will be required of the Nissan Chemical Group in five to ten years' time. In FY2023, we have completed a round of major investments, including the construction of a semiconductor plant at NCK in South Korea and a plant for agrochemical active ingredient at NBR in India. Going forward, we will ensure that sufficient resources are allocated to R&D based on the selection of themes with a sense of urgency. In FY2024, we plan to invest 18.2 billion yen, which is 7.8% of sales, in R&D, and we will invest with a sense of urgency, once again determining which markets we should target and which themes we should explore in depth in the three fields we are currently focusing on: Information & Communication, Environment & Energy, and Life Sciences.

### Further enhancement of sustainability initiatives Reflecting stakeholder views and meeting their expectations

I recognize that while financial growth in profits is of course important for corporate growth, it is also very important to continue to be a company that is sought after by society. Amidst the drastic changes in the environment, our group is pursuing sustainability as a company by basing our business activities 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 have established the Sustainability Promotion & IR Department to accelerate the formulation of sustainability strategies that match social trends and the dissemination of



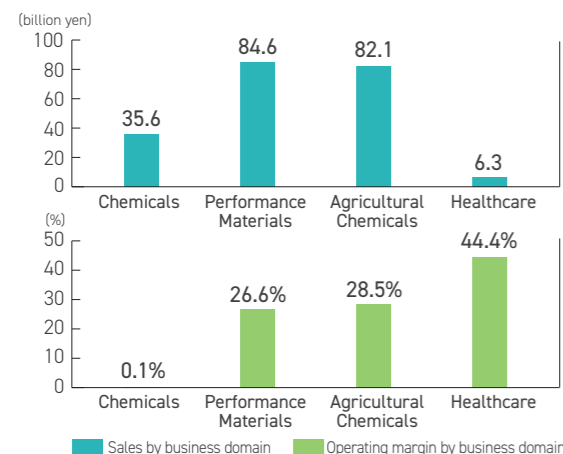
information internally and externally. In order to achieve both economic value and social value, we value the process of gathering the opinions from various stakeholders as an organization and applying them to our business, as well as, providing a wide range of information to investors and receiving their opinions. We aim to continuously reflect this in steering our company's sustainability pursuits.

I also serve as the chair of the Sustainability Promotion Committee, which strategically addresses global social issues, including climate change, and considers and deliberates on important matters. In particular, with regard to climate change issues, the Climate Change Committee headed by the president was separately established, and its deliberations were incorporated into the governance of the entire company through discussion and resolution at the Board of Directors to serve as a command post for centralized issue resolution and disclosure.

Notably, one of the major challenges we face as a chemical manufacturer is the reduction of greenhouse gas (GHG) emissions. We have positioned "mitigation of climate change" as one of the materiality factors, and we are promoting information disclosure in line with the recommendations of the Climate-related Financial Disclosure Task Force (TCFD), which we announced our endorsement of in August 2020, and reduc-

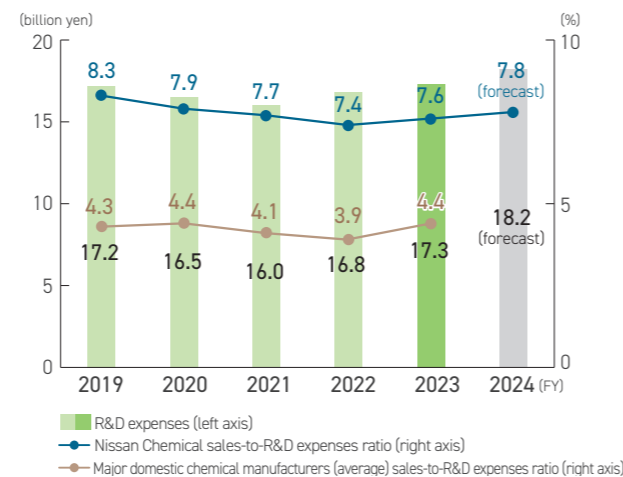
### ● Sales and operating margin in FY2023 by business area

Further strengthen the current business portfolio although considering it to be in good balance



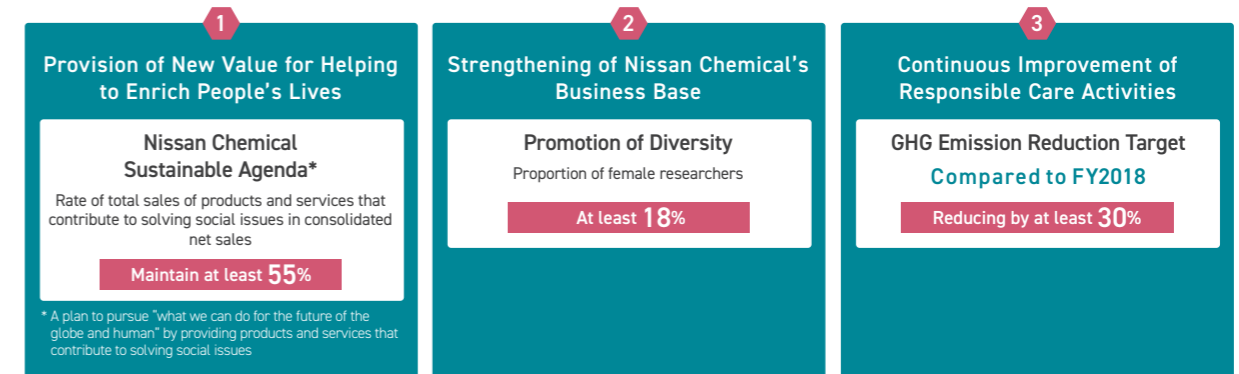
### ● R&D expenses / Sales-to-R&D expenses ratio

Sales-to-R&D expenses ratio is maintained at around 7-9%, with a target of 7-9% annually in the future as well



### ● Nissan Chemical Group's top priority issue

Identified materiality (priority issues) to be addressed in order to realize the ideal state of the Company in 2027  
Aiming for sustainable growth together with society by promoting initiatives



### Nissan Chemical Group's top priority issue

Strengthening of Corporate Governance, Risk Management and Compliance

ing GHG emissions. We have set long-term target of "achieving carbon neutrality by 2050" and mid-term target of "reducing carbon neutrality by 2050" and mid-term target of "reducing GHG emissions by at least 30% from FY2018 level by FY2027," as target of reducing Nissan Chemical Corporation's GHG emissions (Scope1+2). We are on track to achieve a 30% reduction of our Scope1+2 emissions by FY2027, and are making the necessary investments to achieve this goal.

On the other hand, the challenge is to reduce Scope3 emissions, which are emissions from other companies in our supply chain. In addition to making requests to our upstream suppliers, we realize the importance of promoting and disclosing our initiatives as we hear from our downstream customers about the products and raw materials we provide.

We also recognize the importance of addressing biodiversity issues in addition to responding to climate change. Last year, in parallel with the TCFD, we prepared for the disclosure of information in accordance with the recommendations of the Task Force on Nature-related Financial Disclosure (TNFD), and disclosed it in July 2024.

The chemical industry as a whole is also facing the issue of "PFAS (organofluorine compounds)," more than 4,700 kinds of organofluorine compounds that are difficult to decompose in nature, accumulate in water, etc., and are toxic to humans. Although our group does not handle commercial products with high risk of PFAS, we are aware that international treat-

ties are beginning to abolish or restrict the use of PFAS, and that we need to consider how to respond in the event that regulations are tightened. On the other hand, we see this trend of regulation as an opportunity to discover new demand, and will work to develop PFAS-free materials in response to demand. In any case, we intend to work with our suppliers and the industry as a whole to address mid- and long-term issues, including those that are difficult for us to address on our own.

### We hope you will look forward to our sustained growth in both economic and social value

In our discussions with investors at ESG dialogues and sustainability briefings, I strongly feel that they have high expectations for the mid- to long-term growth of our group. In response to these expectations, we will continue to pursue our mission to permanently meet the expectations of the market and society by regarding economic value and social value as the two wheels of value enhancement over the mid- to long-term. Additionally, our management policy of promoting business with a focus on R&D and our business portfolio with a focus on capital efficiency and profitability will remain unchanged, and we are confident that we will be able to continue to achieve profitable growth.

In addition to regular financial results briefings for institutional investors and analysts and briefings for individual investors, we will take various opportunities to proactively disclose and disseminate information. We hope that all of our stakeholders will look forward to the mid- to long-term growth of the Nissan Chemical Group.

### ● Number of dialogue with investors in FY2023

Dialogue with institutional investors:	353
Dialogue with individual investors:	2
Dialogue with analysts:	56
ESG related dialogues:	4
Plant and laboratory tours for investors:	1