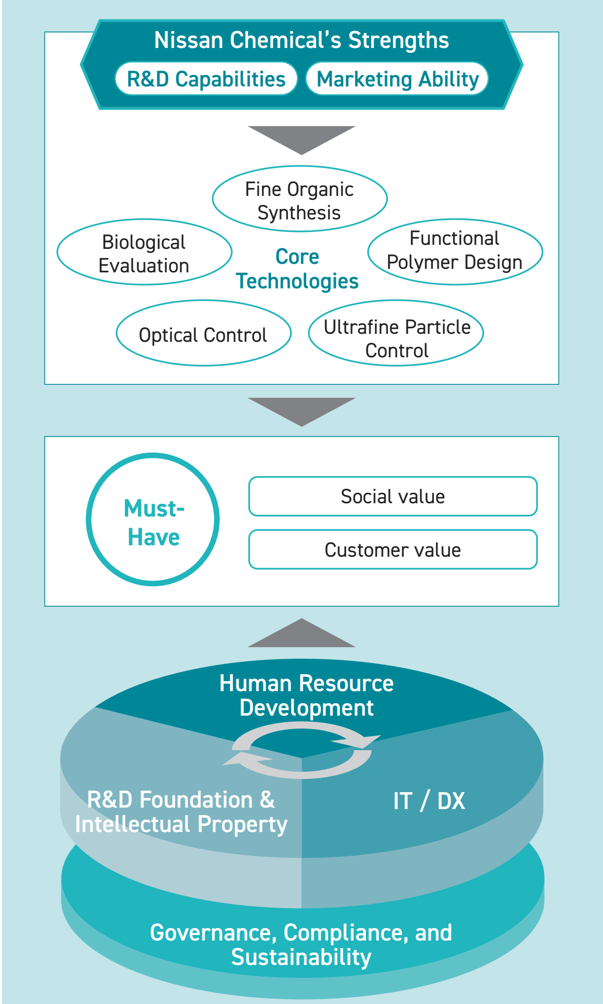
Business Model and Competitive Advantage

Our Group positions the Corporate Philosophy—"Contribute to the protection of the global environment and the existence/development of humanity, offering the value sought by society"—as the foundation of our business activities. Leveraging the technologies we have cultivated over the years, we aim to be a Future-Creating Company that responds to social needs through the provision of indispensable "Must-Have" products and services.

Our Business Model

Our business model is built on our strengths in R&D capabilities and marketing ability, utilizing our unique core technologies to deliver value sought by both society and customers. For society, we focus on contributing to a sustainable future by addressing issues such as reducing GHG emissions and waste, alleviating food shortages, and promoting health. For customers, we emphasize solutions to their challenges and the delivery of high-performance, high-quality products that directly enhance customer satisfaction. These efforts are underpinned by our five core technologies. By combining them, we provide highly differentiated products and services in diverse fields such as information & communication, life sciences, and environment & energy—thereby creating indispensable "Must-Have" value that meets social issues and customer needs.

Furthermore, by establishing a business foundation that emphasizes governance, compliance, and sustainability as prerequisites for human resource development, the strengthening of R&D foundation, and the promotion of IT/DX, we aim to achieve sustainable enhancement of corporate value.



Business Foundation for the Continuous Growth

The source of Nissan Chemical's Strengths

Strengths (1) R&D capabilities

Proactive R&D Investment

Our Company has consistently maintained a high sales-to-R&D expenses ratio of 7–9% over the years, which far exceeds the average of 3–4% among major domestic chemical manufacturers. This demonstrates our proactive stance in allocating resources to research and development.

Integration of Technologies and Expertise across Disciplines

At the core of our R&D are Nissan Chemical's proprietary core technologies. By integrating them, we achieve cross-disciplinary innovations and create highly distinctive products.

Our agrochemicals and veterinary pharmaceuticals, for example, are the result of collaboration between the Chemical Research Laboratories (specializing in Fine Organic Synthesis) and the Biological Research Laboratories (specializing in Biological Evaluation).

In addition, we regularly hold presentation sessions where researchers from different fields present their results and engage in active discussions. These sessions are also attended by our management, including external directors, who actively engage with the researchers to exchange views.

Well-Resourced Research Personnel

Our R&D activities are supported by a robust team of researchers, who account for about 40% of our regular position employees. From the recruitment stage, we place strong emphasis on candidates' attitudes toward research. One distinctive feature of our hiring process is the focus on technical interviews, which applicants have described as "almost like an academic conference."

In addition, rather than conducting unified recruitment for research positions, we recruit them by specific research domains. This approach deepens expertise in each area and enables new hires to contribute as immediate assets. Through such talent strategies, we have built a foundation of both speed and quality in our R&D operations, securing a sustainable source of competitiveness.

By transforming customer needs into materials and compounds with robust technological expertise, we earn customer trust — this is "WHERE IT ALL BEGINS."

Strengths (2) Marketing Ability

Customer-Oriented Approach

Our strength lies in our customer-oriented approach, which involves deeply engaging with customers' latent challenges to identify solutions. At our Company, even researchers visit customers directly to hold discussions, enabling them to capture latent challenges and needs from a technical perspective and translate them into products and technologies aligned with market demands. In fields such as semiconductor and display materials, we work closely with customers from the early stages, fine-tuning product specifications to deliver solutions optimized for their needs.

This customer-oriented, problem-solving approach not only differentiates our products but also builds strong trust and long-term relationships with customers. As a result, our products have become "Must-Have" and indispensable solutions that resist commoditization, supporting a high-value-added, high-profitability business model.

Furthermore, our close collaboration between marketing and R&D allows customer feedback to be swiftly incorporated into development, enhancing our agility in responding to market changes. This is also one of our strengths.

Development of Discerning Talent Producing Discerning Human Resources

Developing "Must-Have" products and technologies requires the ability to identify market opportunities by addressing customer challenges and accurately discerning both needs and trends. We refer to such individuals as "discerning talents" and place strong emphasis on cultivating them.

We believe that a purely research-focused career makes it difficult to foster the discernment needed to identify market trends and customer needs. As part of our talent strategy, we strategically implement the transfer of researchers to marketing roles, as well as the reassignment of marketing professionals to research positions, with the aim of incorporating the perspectives and experiences gained through marketing activities into our R&D efforts. In addition, we conduct training programs aimed at developing entrepreneurial skills and fostering in-house entrepreneurs. Through these efforts, we actively support the enhancement of discernment abilities.

Business Foundations Supporting Sustainable Growth

Governance, Compliance, and Sustainability

We are committed to strengthening governance, compliance, and sustainability in order to help realize a sustainable society. We promote continuous, cross-functional initiatives to address social and environmental challenges, and through our responsible care activities, we ensure responsible business operations that prioritize safety, environment and health. In addition, by reinforcing our quality assurance systems, we enhance the reliability of our products and services. At the same time, we strive to improve group-wide governance and foster a strong culture of compliance, thereby contributing to the sustainable enhancement of corporate value.

Related Information
Responsible Care P.73–75, Improvement of Products Quality P.76, Corporate Governance P.77–83, Compliance P.87–88

Human Resource Development

We recognize that strengthening our human capital—the foundation of our business—is one of the most important challenges in growing as a future-creating company and advancing together with society. Our goal is to foster an organizational culture where diverse talents co-create, embrace innovation, and enjoy taking on challenges. To this end, we have identified three key factors of human resource development: "producing leading human resources who will continue to challenge to improve value," "producing co-creators who transcend domains," and "producing discerning human resources who can judge business potential and commercialize it." We are implementing a wide range of initiatives to nurture such talent.

Related Information Human Capital P.27-30

R&D foundation and Intellectual Property

To further strengthen "R&D," the source of our growth, we are enhancing our R&D foundation and functions. This includes expanding our semiconductor research capabilities, reorganizing our research structure, and strengthening our analytical infrastructure by utilization of cutting-edge technologies. On the intellectual property front, we are leveraging IP landscape analysis not only to reinforce existing businesses but also to support the creation of next-generation themes and new growth businesses.

Related Information
Research and Development P.31–34, Intellectual Property P.35–36

IT/DX

To enhance operational efficiency and sophistication through digital technologies, and to expand the infrastructure for production, sales, and research, we established the Digital Transformation Department in April 2022. This department is responsible for both formulating and executing digital strategies, as well as overseeing our information systems. To date, we have implemented various initiatives including promoting the utilization of data through hands-on internal training programs with data visualization tools, and enhancing operational efficiency and sophistication in the SCM area. In addition, we have set up the Digital Transformation Offices at five domestic plants to further strengthen operational reforms in manufacturing and facility management, as well as support business operations through data utilization.

Looking ahead, we will focus on further leveraging our DX foundation while enhancing information security across the Group, including overseas affiliates, thereby promoting both operational efficiency and value co-creation.