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# Initiatives for a Sustainable Increase in Corporate Value (FY 2025 Update)

May 13, 2026  
Nippon Chemical Industrial Co., Ltd.

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Actual results may differ materially from the forecast depending on a range of factors.

# Action to Implement Management That Is Conscious of Cost of Capital and Stock Price



## Current Situation and Issues

**ROE has been recovering in recent years but still remains below the cost of equity.**

- Cost of equity calculated based on the CAPM: **8–11%**
- Expected return recognized through dialogue with investors: approximately **8%**
- ROE recovered to **6.0%** in FY2025, driven by earnings improvement initiatives
- PBR remains at a low level of around **0.5**, and improving capital efficiency continues to be a key management challenge

## Policies

**The Company will promote management with a strong focus on capital efficiency, aiming for the sustainable enhancement of corporate value and PBR.**

- Target under Medium-Term Business Plan: operating profit of 3.3 billion yen, ROE of 6%
- Medium- to long-term milestones: operating profit of 6.0 billion yen, ROE of 8% (FY2030)

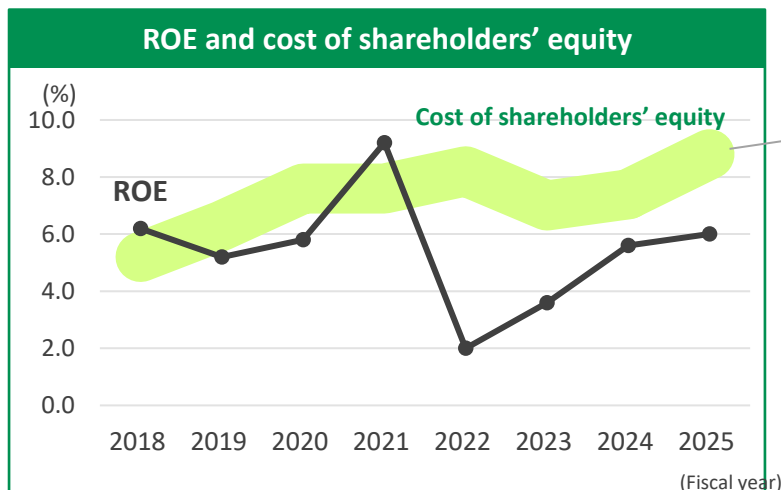
## Initiatives

**Improvement of the equity spread through enhancement of ROE and reduction of the cost of equity**

- ROE improvement: Execution of the Medium-Term Management Plan (three key initiatives) and implementation of capital policies
  - ROE targets: **6% for FY 2026, 8% for FY 2030**
- Flexible investments that balance market growth and financial health
- Further improvement of capital efficiency through the review of unprofitable businesses and held assets, as well as the reduction of cross-shareholdings
- Enhance shareholder returns
- Reduction of the cost of equity through the promotion of sustainability management and non-financial initiatives

# Recognition of Current Status and Issues

ROE has been on a recovery trend; however, it continues to remain below the cost of equity based on theoretical models and investors' expected returns. Improving capital efficiency remains an ongoing management challenge.



### Cost of shareholders' equity

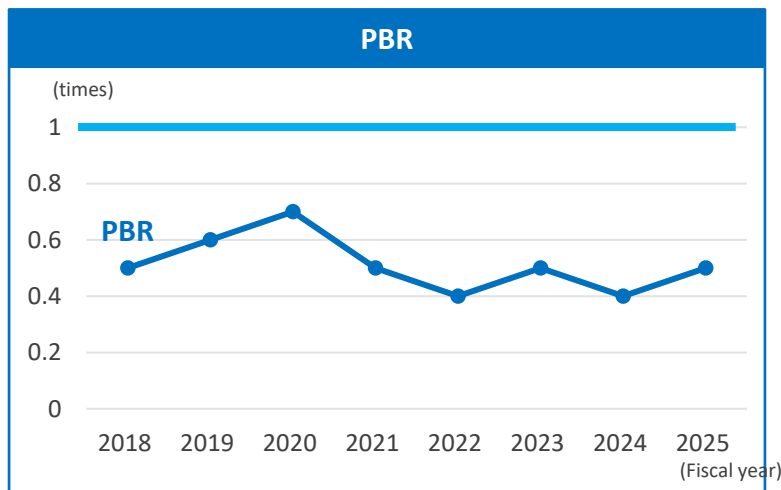
Note: Based on the Company's assessment using the CAPM and investor dialogue

- Cost of equity calculated based on the CAPM: **8–11%**
- Expected return recognized through dialogue with investors: approximately **8%**



### Future challenges

- Sustained improvement in ROE through enhanced capital efficiency
- Reduction of the cost of equity
- Enhancement of corporate value and improvement in PBR



As of March 31, 2026

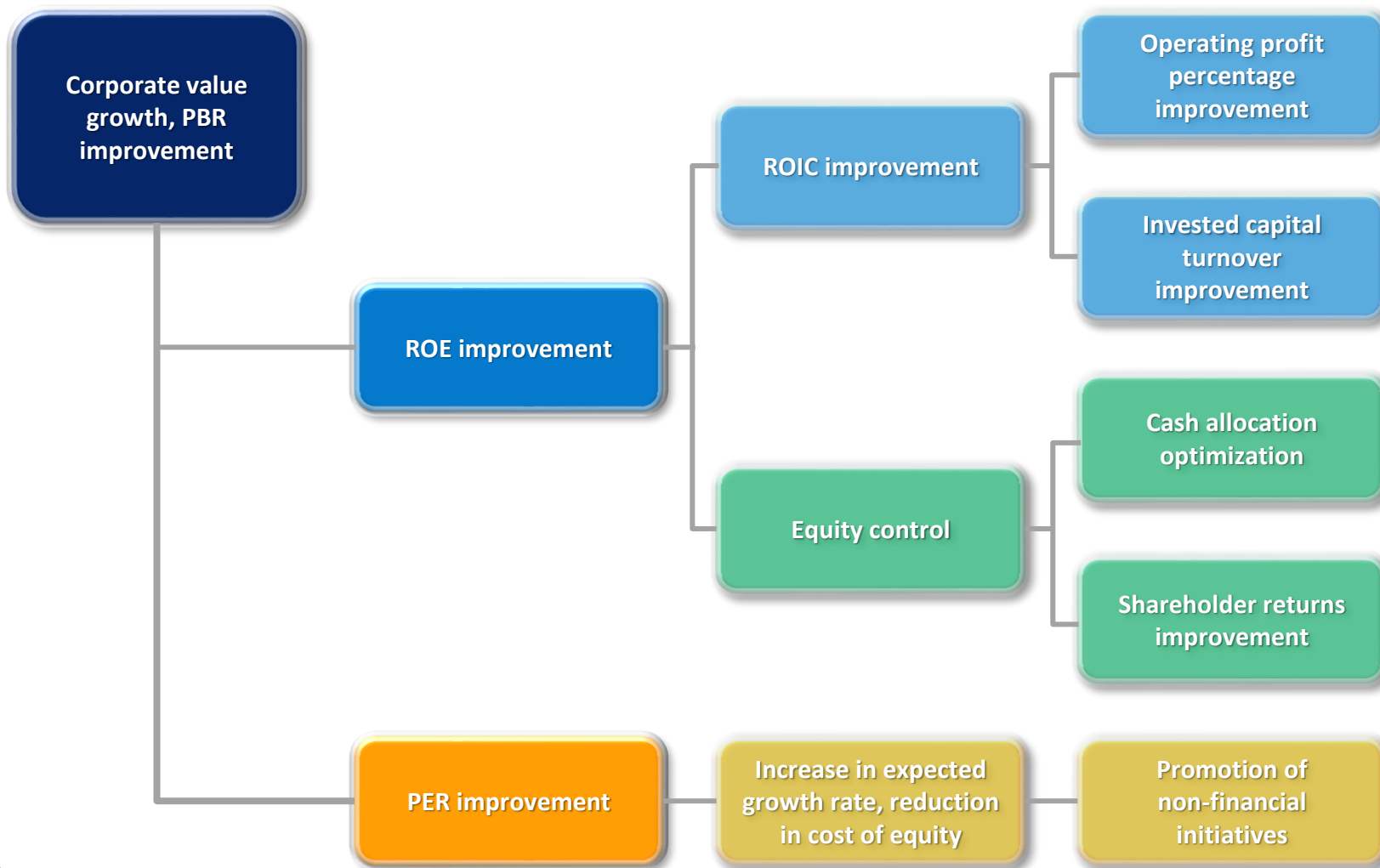
### PBR

**Around 0.5**



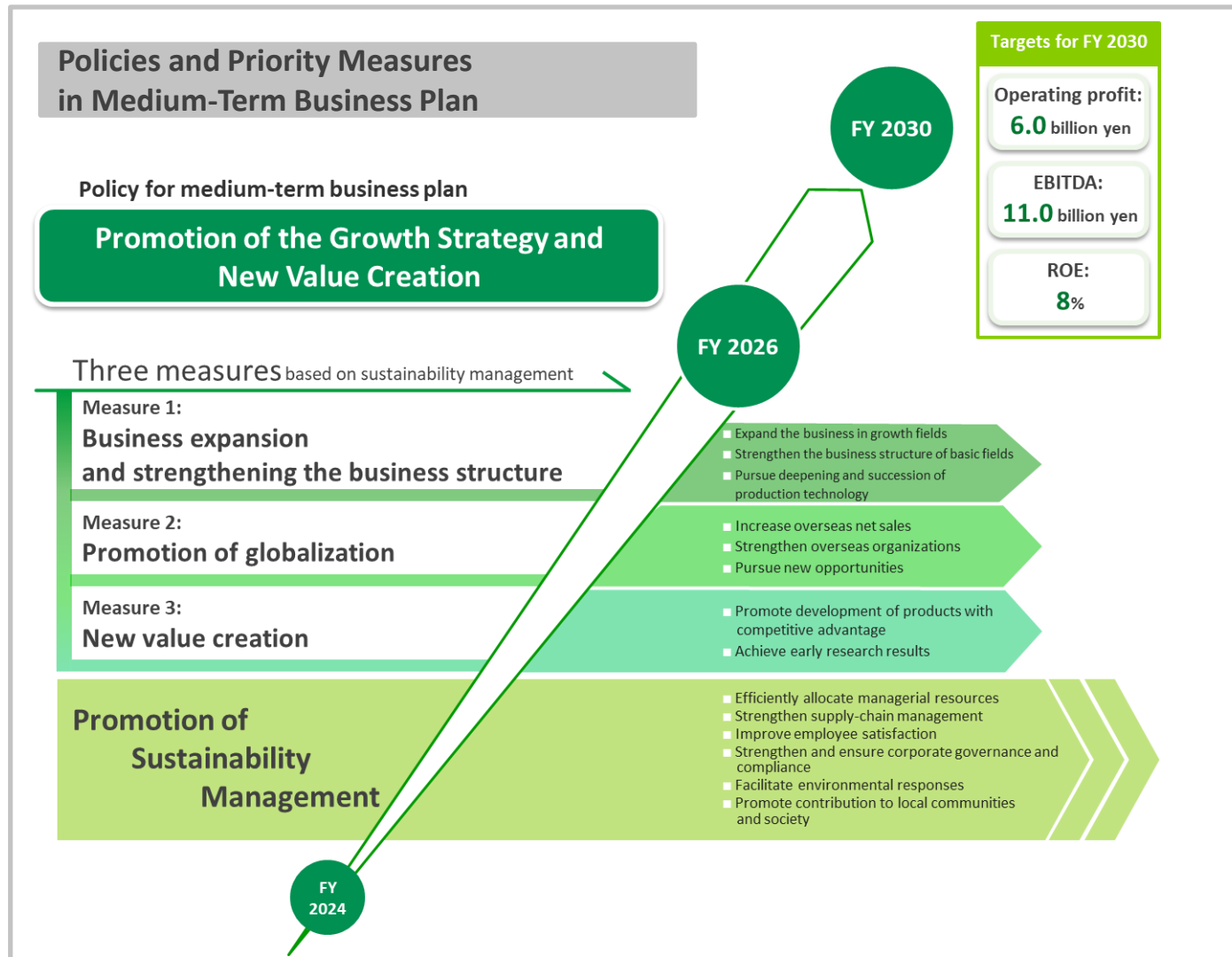
# Basic approach to raising corporate value

Improve equity spread through ROE improvement and reduction of cost of equity, aiming for sustained improvement in corporate value and PBR.



# Policies and Priority Measures in Medium-Term Business Plan

The Medium-Term Business Plan (FY2024–2026) outlines and implements specific initiatives aimed at enhancing corporate value.



# Progress and Key Takeaways of the Medium-Term Management Plan



Due to delays in the expansion of demand in related markets and the investment-related costs, the targets under the Medium-Term Management Plan are expected to fall short. Meanwhile, initiatives aimed at improving profitability are progressing.

## Background of Underperformance

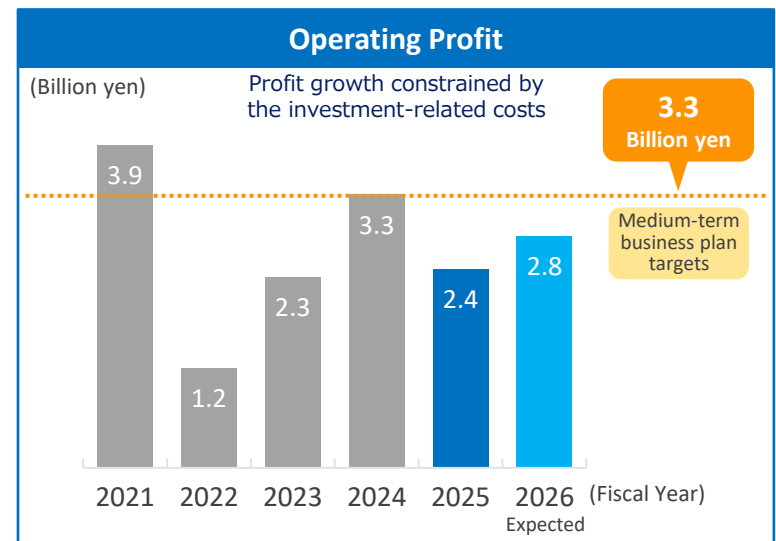
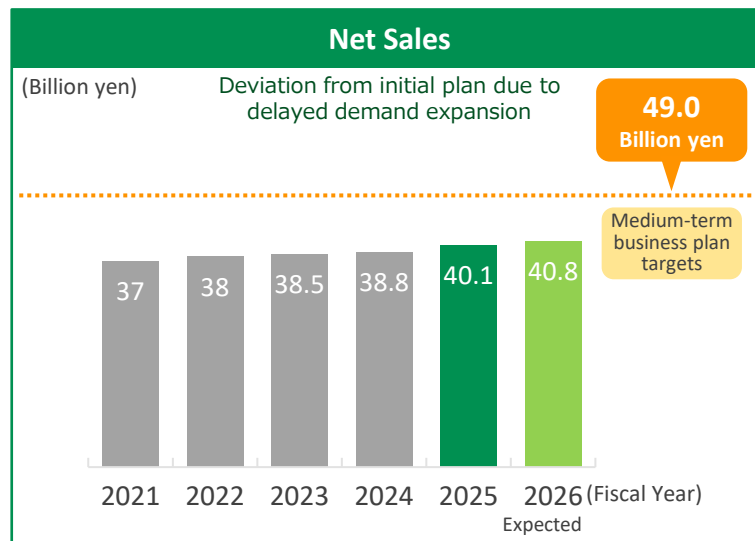
- The growth of demand in MLCC and semiconductor-related markets has been slower than initially expected.
- Upfront investments made in anticipation of demand growth have led to a rise in costs

## Current Assessment

- Revenue growth remains moderate due to delayed demand expansion
- Profit growth is constrained by the burden of upfront investments

## Key Initiatives

- Continued efforts to improve efficiency and profitability
- Steady progress in improving the earnings structure in the chemicals business



# Measure 1: Business Expansion and Strengthening the Business Structure - Basic Fields



By enhancing competitiveness through product supply capacity and quality tailored to specific uses and customer needs, we are transitioning toward a business structure capable of delivering stable profits.

## Business Environment

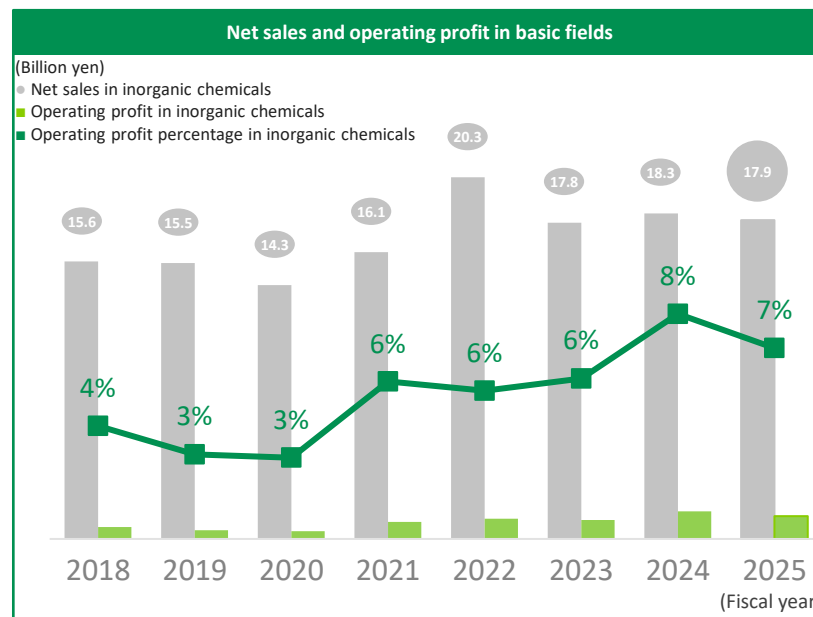
- Amid rising geopolitical risks, efforts to prioritize domestic manufacturing in pursuit of stable supply continue
- In the commodity market, differentiating through quality and supply capacity is becoming increasingly important

## Status of Medium-Term Business Plan Initiatives

- Appropriate price revisions based on market trends
- Optimizing product design and quality standards tailored to specific uses and customer needs
- Delivering stable profits through improvements to our revenue structure

## Key Measures for Medium- to Long-Term Growth

- Boosting competitiveness through product supply capacity and quality tailored to specific uses and customer needs
- Improving customer satisfaction through high-quality products and a stable supply that leverage domestic production strengths
- Establishing a stable revenue structure through the continuous enhancement of QDS (Quality, Delivery, Service)



# Measure 1: Business Expansion and Strengthening the Business Structure - Growth Fields



As fields expected to achieve medium- to long-term growth, we continue our sustainable growth strategy with an eye toward the demand expansion phase

## Business Environment

- Backed by advancing digitalization, the electronic components and semiconductor sectors are currently showing signs of increasing demand following a period of consolidation
- We must rapidly adapt to changes in the business environment, such as fluctuations in customer demand and rising material costs

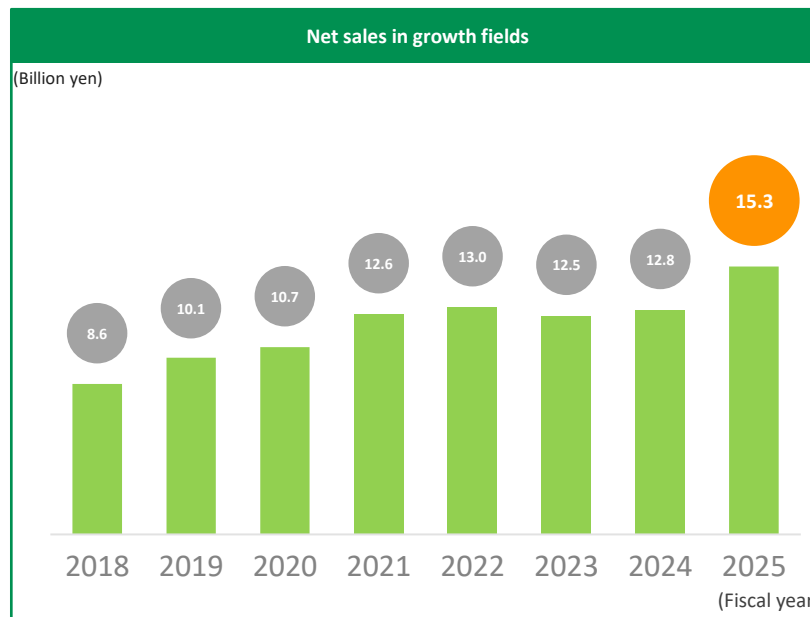
## Status of Medium-Term Business Plan Initiatives

- We are focusing efforts on building a structure capable of adapting flexibly to future increases in demand within the electronic components industry
- We will persist in our efforts to achieve medium- to long-term growth in other growth fields, such as the semiconductor industry, while factoring in changes in the external environment

## Key Measures for Medium- to Long-Term Growth

- Establishing a business foundation in anticipation of growing demand
- Strengthening development capacity and market responsiveness through collaboration with strategic partners

Main applications in growth fields	
<b>Electronic ceramic materials</b>	Dielectrics and dielectric materials for MLCCs (barium titanate, high-purity barium carbonate)
<b>High-purity electronic materials</b>	Compound semiconductor materials and photoresist materials for semiconductors (high-purity phosphine gas, high-purity red phosphorus, etc.)
<b>Phosphoric acid for LCDs/semiconductors</b>	Etching agents (phosphoric acid)
<b>Phosphorus materials for QD</b>	Quantum dot display materials (phosphine derivatives including TMSP)



# Strengthening the Growth Foundation of the Electronic Ceramic Materials Business

Establishing a business foundation for further growth by completing a major investment and collaborating with external partners

## Strengthening Production Systems

- Major investment in the Tokuyama Factory (Shunan City, Yamaguchi Prefecture) has been completed
- Strengthening production capacity and ensuring a stable supply through a two-site operation comprising the Fukushima No. 1 Factory and the Tokuyama Factory
- Building a system capable of flexibly adapting to future increases in demand within the electronic components industry

## Collaboration with Strategic Partners

- Collaboration with TDK Corporation, a major customer
- Promoting collaboration in the development of electronic component materials and manufacturing processes
- Striving to improve market responsiveness and development speed from the perspectives of both materials and processes

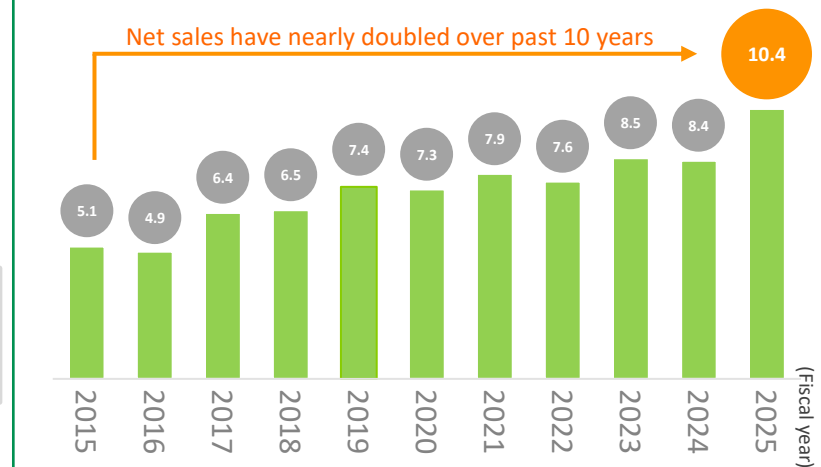
By strengthening both production and development capabilities, the electronic ceramics materials business will move into a new stage of growth.

## Electronic ceramic materials production sites



## Net sales for electronic ceramic materials

(Billion yen)



# Measure 2: Promotion of Globalization

**Geopolitical changes have increased the need for risk diversification and exploration of new markets. We are focused on building sustainable supply chains and securing new business opportunities.**

## Business Environment

- Against a backdrop of geopolitical changes and international developments, the importance of responding to supply chain disruption risks and developing new markets is growing
- Against a backdrop of stricter environmental regulations and decarbonization efforts, there is a growing global demand for products that contribute to environmental impact reduction

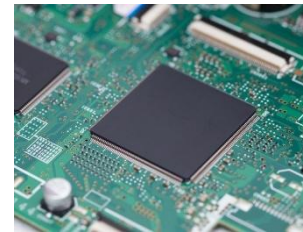
## Status of Medium-Term Business Plan Initiatives

- Promoting collaboration to enhance customer response capacity
- For overseas markets, we are focusing on expanding sales of environmental contribution products in addition to semiconductor and electronic component-related products

## Key Measures for Medium- to Long-Term Growth

- Expansion of a differentiated product portfolio
- Diversification of raw material and fuel suppliers and dispersion of procurement regions
- Creating new business opportunities centered around sustainability
- Strengthening human resource development and organizational structures to support global expansion

### Examples of products prioritized for sales expansion and promotion (demand expansion fields)



For electronic components and semiconductors



Products that contribute to environmental impact reduction

### Overseas sales offices

We have established four overseas sales offices



# Measure 3: New Value Creation

We place sustainability at the core of our business strategy and strive to create new value that helps to solve societal issues

## Business Environment

- As societal issues become increasingly diverse and complex, hopes are rising that technology will provide solutions to these issues
- There is a growing need to create products and solutions that offer new value in areas such as reducing environmental impact and promoting better health and safety.

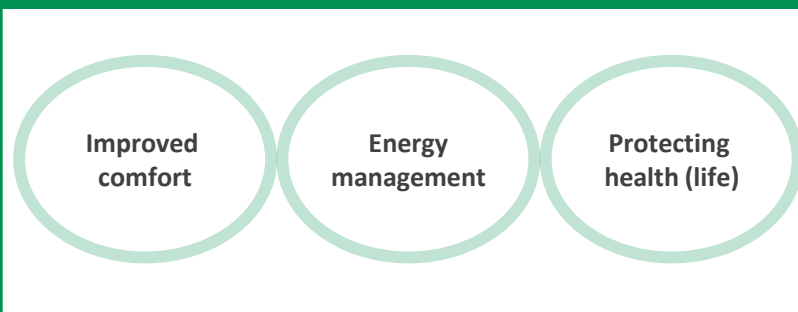
## Status of Medium-Term Business Plan Initiatives

- Actively promoting open innovation to streamline and accelerate R&D
- With an eye toward mass production and business development, we are developing collaborative systems between our R&D and business departments


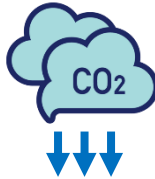


## Key Measures for Medium- to Long-Term Growth

- Creating new products and solutions that help solve societal issues
- Creating high-value-added products and achieving early profitability by treating R&D and business development as an integrated process
- Optimal allocation of management resources with an emphasis on growth potential

### R&D: Direction of our developing technologies



### Examples of recent development themes

 <p>PFAS-free antistatic agents</p>	 <p>CO2 capture technology</p>
 <p>Phosphine ligands for pharmaceuticals</p>	 <p>Adhesives for RFID</p>

Focusing on improving ROE and combining it with improved capital efficiency and equity control, we are aiming to enhance sustainable corporate value and shareholder value

## Business Environment

- Although demand is showing an upward trend in growth fields, the expansion of sales and profits continues to take time due to the impact of investments made in anticipation of the demand expansion and the resulting cost burdens
- ROE is currently below the cost of shareholders' equity, making the improvement of capital efficiency a key management challenge

## Status of Medium-Term Business Plan Initiatives

- Business streamlining
  - Dissolution and liquidation of Toho Ganryo Kogyo Co., Ltd.  
Transfer of core business operations to the Company (completed in FY2025)
  - Withdrawal from the bookstore business
- Implementation of a dividend increase and acquisition of treasury shares
- Optimizing capital through reduction of cross-shareholdings

## Key Measures for Medium- to Long-Term Growth

- Optimizing the cost of capital and maximizing shareholder value
- Improving ROE
- Effective utilization of held assets

### Capital policy: three directions

#### Inventory turnover period

3.0 to 3.5 months

#### Invested capital efficiency

- We aim to improve cash flow and enhance capital efficiency by optimizing invested capital

#### D/E ratio

0.4 to 0.5

#### Securing of financial health

- We aim to balance growth investments with financial soundness, while maintaining and strengthening a capital structure that allows us to adapt flexibly to changes in the business environment

#### Ratio of cross-shareholdings to net assets

10% or less

#### Reduction of cross-shareholdings

- We will review our capital allocation through the reduction of cross-shareholdings and utilize the proceeds for growth investments and financial foundation strengthening

# Return to Shareholders

Even in an uncertain business environment, the Company positions stable shareholder returns as one of its key management priorities.

## Dividend Policy

■ While following the dividend policy for FY2025–2026, the Company aims to provide stable and sustainable dividends, taking into account the business environment and performance trends.

## Status of Medium-Term Business Plan Initiatives

- DOE has been introduced as a new indicator to clarify the shareholder return policy and improve predictability.
- The Company will utilize share buybacks in a flexible manner to enhance shareholder value.

## Medium- to long-term shareholder return policy

■ Even during periods of earnings volatility, the Company will comprehensively consider shareholder returns while ensuring financial soundness and securing funds for growth investments.

### Dividend Policy (FY2025-2026)

Pay stable and continuous dividends with a target of **a total payout ratio of 40% or DOE of 2%, whichever is higher.**

### dividend history



# Promotion of Sustainability Management: Facilitating Environmental Responses



Viewing responses to environmental and societal issues as key management priorities, we are promoting sustainability management through external evaluations, environmental contribution products, and the strengthening of our promotion systems

## Environmental Contribution Products

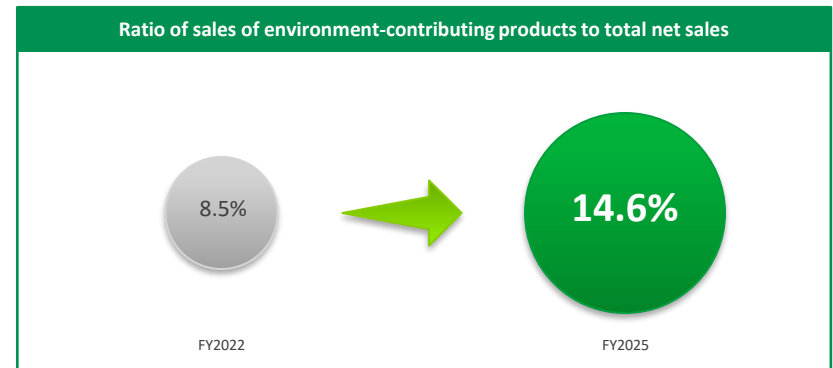
- We are promoting a certification system that recognizes products contributing to the resolution of environmental issues as “environmental contribution products”
- We are aiming to continuously increase the proportion of environmental contribution products in net sales

## External Evaluation and Initiatives

- EcoVadis
  - Won the Gold Medal
- CDP (Climate Change, Water Security)
  - We received a “B” score from CDP in 2025
- Endorsement of major international and domestic initiatives, including the United Nations Global Compact, the TCFD/TNFD, and the Keidanren Initiative for Biodiversity Conservation

## Promotion of Sustainability

- Establishment of a new Sustainability Promotion Department
- Plan and promote sustainability management in alignment with the Medium-Term Business Plan and corporate strategy



External Assessments and Initiatives

<p>WE SUPPORT UN GLOBAL COMPACT</p> <p>UN Global Compact</p>	<p>CDP Discloser 2025</p> <p>CDP (Climate Change, Water Security)</p>
<p>TCFD   TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</p> <p>TCFD</p>	<p>TNFD   Taskforce on Nature-related Financial Disclosures</p> <p>TNFD</p>
<p>GOLD   Top 5% ecovadis Sustainability Rating DEC 2025</p> <p>EcoVadis</p>	<p>Keidanren Initiative for Biodiversity Conservation</p> <p>Keidanren Initiative for Biodiversity Conservation</p>

# Promotion of Sustainability Management: Human Resource Development



Viewing human capital as a critical foundation for our business, we aim to create sustainable corporate value through the growth of human resources and the enhancement of our organizational capabilities.

## Business Environment

- Changes in the business environment and the increasing sophistication and complexity of management challenges
- Intensifying competition for human resource acquisition and development
- Growing importance of creating an environment where diverse human resources can thrive

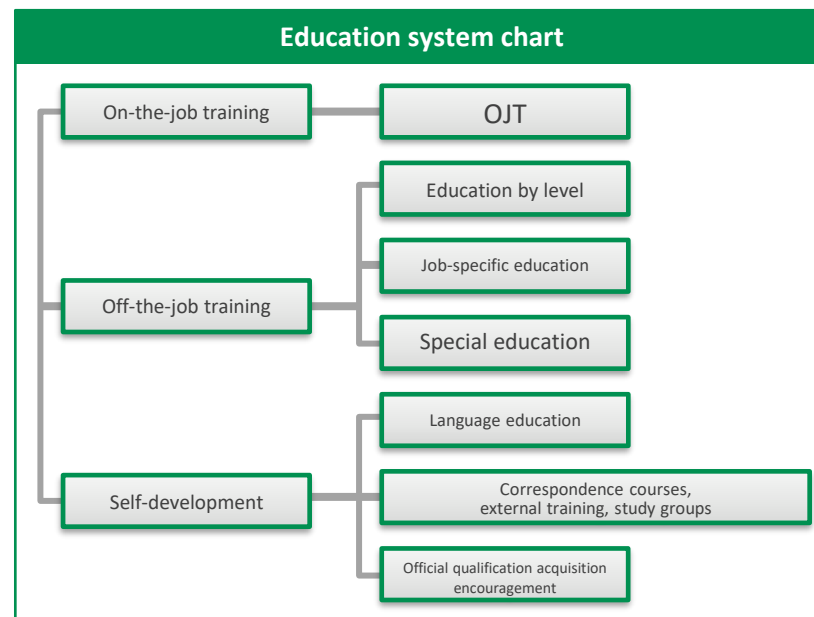
## Status of Medium-Term Business Plan Initiatives

- Promoting systematic development of talent based on our human resources strategy
- Continued implementation of a coaching program focused on management
- Supporting employees' self-initiated growth and learning

## Key Measures for Medium- to Long-Term Growth

- Improving the measurement and visualization of the effectiveness of human resource initiatives
- Regular monitoring of employee sentiment through engagement surveys
- Improving organizational strength through the advancement of human resource development, placement, and evaluation

Human resource strategies		
Securing diverse human resources		<ol style="list-style-type: none"> <li>1. Promotion of women's empowerment</li> <li>2. Promotion of mid-career recruitment</li> <li>3. Promotion of foreign national recruitment</li> </ol>
Human resources development		<ol style="list-style-type: none"> <li>1. Systematic education system</li> <li>2. Coaching program</li> </ol>
Improvement of the work environment		<ol style="list-style-type: none"> <li>1. Enhancement of work-life balance</li> <li>2. Promotion of health management</li> <li>3. Promotion of occupational safety and health</li> </ol>



# Strengthening Corporate Governance

By promoting the establishment of a corporate governance system and achieving transparent management and sound decision-making, we are building a foundation for sustainable growth.

## Improving the Transparency and Effectiveness of Decision-Making

- Continuous discussion and review of priority measures in the Medium-Term Business Plan at board meetings
- Deepening discussions on key themes, including the environment and global expansion

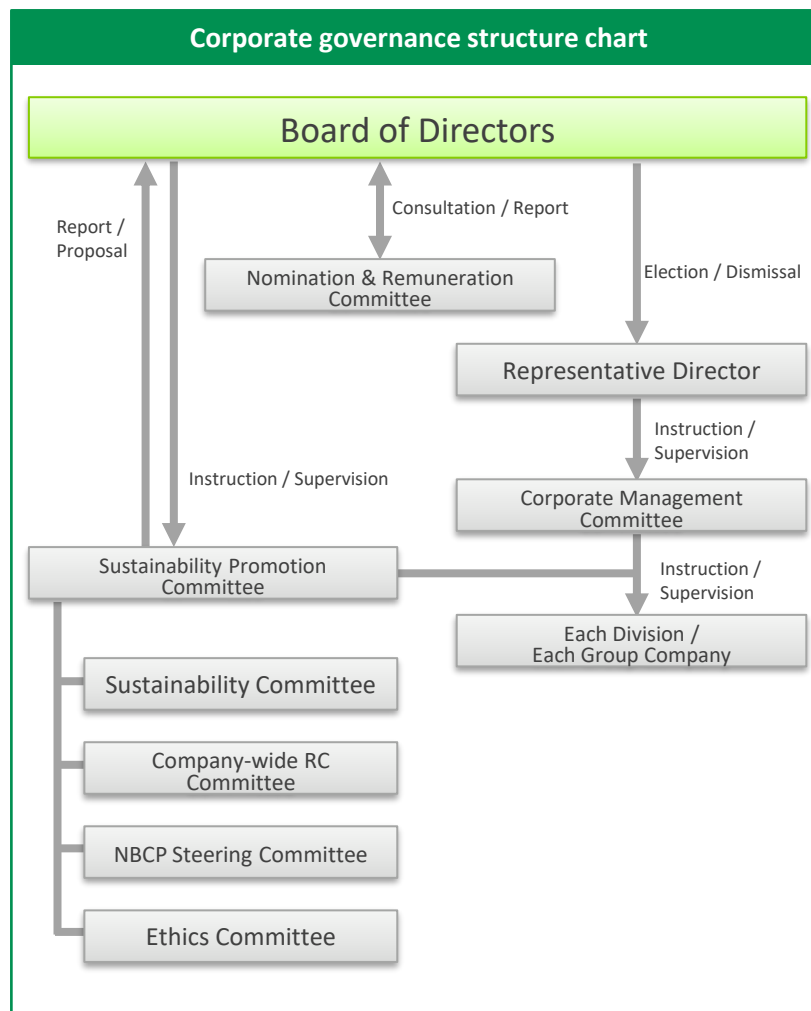
## Ensuring Diversity and Expertise of the Board of Directors

- Introducing an objective perspective by making use of outside directors
- Incorporating business strategy and international expertise into supervision of management

## Evaluation and Governance Aligned with Growth Strategies

- Ensuring effectiveness through the Nomination & Remuneration Committee
- Strengthening the performance-based officer remuneration system
- Strengthening supervision of management, including non-financial issues

Through these initiatives, we aim to enhance management transparency and predictability, thereby strengthening market confidence and reducing the cost of shareholders' equity.



# Strengthening IR and SR Activities

Through dialogue with shareholders and investors and the disclosure of information, we aim to continuously enhance corporate value and build trust in the capital markets.

## Continuous Issuance of Integrated Report

- Systematic disclosure of our value creation process, human capital, and sustainability management approaches

## Extension of Information Disclosure

- Simultaneous disclosure of financial results and timely disclosure of information in Japanese and English
- Enhancing the dissemination of sustainability-related information
- Improving access to information through the redesign of the corporate website

## Actively Conducting IR and SR Activities

- Exchanging views on management issues and growth strategies through dialogue with shareholders and investors

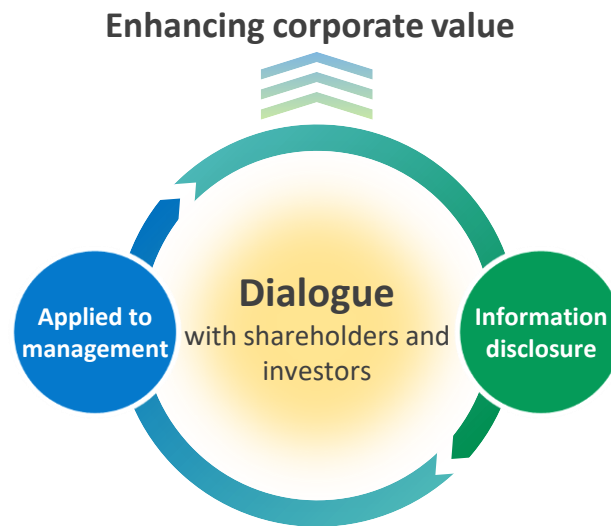
## Strengthening Internal Feedback on IR and SR Activities

- We share the feedback received from shareholders and investors through IR and SR activities with management and the relevant departments to ensure it is promptly reflected in management decisions and policy planning

## Disclosure of value creation and sustainability information in Integrated Reports



## Our basic approach to investor relations



# Introduction of Our New Slogan

To further strengthen our brand value, the Company has established a new slogan :  
“Pioneering Tomorrow through Chemistry,” marking a new step in our brand development.  
The phrase “pioneering through chemistry” conveys our commitment to understanding  
phenomena through the power of chemistry and contributing to the resolution of social  
issues.

Nippon Chemical Industrial will continue to leverage the power of chemistry to address  
social challenges and create new value.



The advertisement features a photograph of two young children, a boy and a girl, looking through a magnifying glass. The girl is holding the handle of the magnifying glass, and both children have expressions of curiosity and joy. The background is a soft, light blue. On the right side of the image, the slogan '明日をカガクる。' (Pioneering Tomorrow through Chemistry) is written vertically in large, bold, green Japanese characters. Below the photograph, there is a white box containing Japanese text. At the bottom right of the white box is the Nippon Chemical logo and the text '日本化学'.

**見えるかな？カガクがつくるみんなの未来。**

昨日と今日を積み重ねた先にある未来。  
そこは可能性にあふれ、どんな世界も描けます。  
人々と社会が今以上に良く、もっと素敵になるように、  
カガクの力を使って明日を生み出していきます。  
見えないけれど、きっとある。だから進む、だからつくる。  
私たち日本化学工業は創業以来130余年、そう願っています。  
さまざまな化学製品とともに、明日を生きるみんなのために。  
日本化学工業の描くこれからの、ぜひご期待ください。

日本化学



**日本化学**