



For the year ended March 31, 2024

# Summary of Financial Results

- 1 Summary of Consolidated Financial Results  
for the Year Ended March 31, 2024**
- 2 Forecast of Consolidated Financial Results  
for the Year Ending March 31, 2025**
- 3 Medium-Term Business Plan  
(FY 2024 to FY 2026)**
- 4 Initiatives for an Increase in Sustainable  
Corporate Value**
- 5 Efforts for Research and Development**

May 24, 2024

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# 1

## **Summary of Consolidated Financial Results for the Year Ended March 31, 2024**

# Points of the Full-Year Financial Results for the Year Ended March 31, 2024

**Outlook remains uncertain because of continued high raw material and fuel prices and yen weakness as well as the deteriorated global situation.**

## ◆ Net sales increased 1.2% YoY while operating profit increased 75.2%.

- Net sales increased because of price revisions, which were continuously made from the previous fiscal year, and contribution of new products despite weak sales volume for LCDs, semiconductors and communication, as well as general industries.
- Profits largely increased due to review of supply chain and procurement cost of raw materials and penetration of measures for improving revenues such as cost reductions.
- Capital investment was continued in growth fields.
  - Tokuyama Factory: Dielectric materials for MLCC (barium titanate)
    - \* Expected to be completed in FY 2024
- Promotion of globalization: Strengthening of sales system mainly in the Asian region
  - \* Establishment of a local subsidiary in Taiwan (scheduled to be established in June 2024)
- Promotion of Sustainable Management
  - Setting of KPIs for materiality
  - Certification of environmental contribution products and others

# Consolidated Financial Results for the Year Ended March 31, 2024

(Millions of yen)	Year ended March 31, 2023	Year ended March 31, 2024	Change	Change rate
<b>Net sales</b>	38,075	38,538	462	1.2%
<b>Operating profit</b>	1,292	2,264	971	75.2%
Operating profit percentage	3.4%	5.9%	2.5pt	
<b>Ordinary profit</b>	1,412	2,383	971	68.8%
<b>Profit</b>	855	1,590	734	85.9%
<b>EBITDA<sup>※</sup></b>	4,623	5,947	1,324	28.6%
<b>ROE</b>	2.0%	3.6%	1.6pt	
Earnings per share (Yen)	97.13	180.35		
Capital expenditures	4,288	4,115	(173)	(4.0%)
Depreciation	3,331	3,683	352	10.6%
R & D expenses	1,518	1,452	(66)	(4.3%)

※ Brief version of EBITDA (operating profit + depreciation) is used

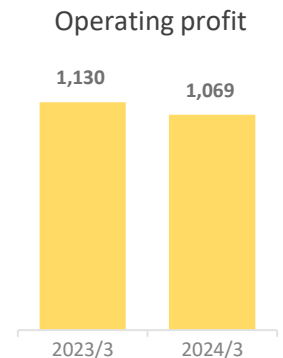
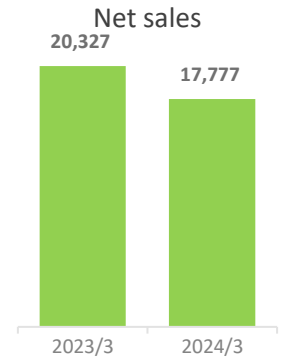
# Earnings for the Year Ended March 31, 2024, by Business

(Millions of yen)		Year ended March 31, 2023	Year ended March 31, 2024	Change	Change rate
Inorganic Chemicals	Net sales	20,327	17,777	(2,550)	(12.5%)
	Operating profit	1,130	1,069	(61)	(5.4%)
Specialty Chemicals	Net sales	15,983	19,061	3,077	19.3%
	Operating profit	(437)	589	1,026	-
Leasing Business	Net sales	915	915	0	0.0%
	Operating profit	541	528	(13)	(2.4%)
Other	Net sales	849	784	(64)	(7.7%)
	Operating profit	81	49	(32)	(39.5%)
Total	Net sales	38,075	38,538	462	1.2%
	Operating profit	1,292	2,264	971	75.2%

# Net Sales in Inorganic Chemicals for the Year Ended March 31, 2024

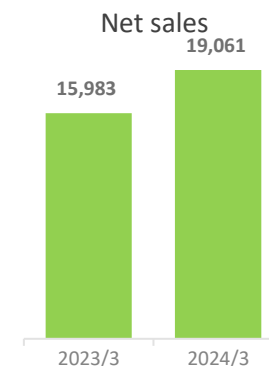
(Millions of yen)	2023/3	2024/3	Change	Change rate
Chromium Compounds	5,326	5,217	(109)	(2.0%)
Silicates and Silica	2,467	2,487	20	0.8%
Inorganic Phosphorus Compounds	8,765	6,635	(2,130)	(24.3%)
Other	3,768	3,437	(331)	(8.8%)
<b>Total</b>	<b>20,327</b>	<b>17,777</b>	<b>(2,550)</b>	<b>(12.5%)</b>

- ◆ **Chromium Compounds:** Weakness for plating, surface treatment, and refractory
- ◆ **Silicates and Silica:** Solidness
- ◆ **Inorganic Phosphorus Compounds:** Sharp decline for LCDs, semiconductors and industry

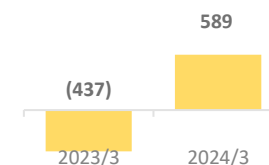


# Net Sales in Specialty Chemicals for the Year Ended March 31, 2024

(Millions of yen)	2023/3	2024/3	Change	Change rate
Electronic Ceramic Materials	7,617	8,462	845	11.1%
Organic Functional Materials	2,655	3,973	1,318	49.6%
Battery and Electronic Device Materials	4,022	5,044	1,022	25.4%
Other	1,687	1,580	(107)	(6.3%)
<b>Total</b>	<b>15,983</b>	<b>19,061</b>	<b>3,077</b>	<b>19.3%</b>



Operating profit



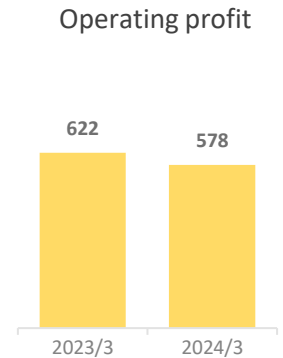
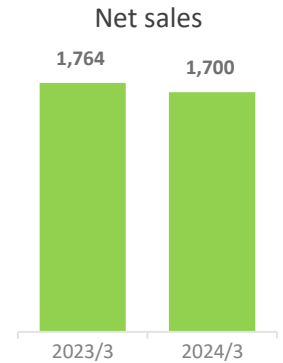
- ◆ **Electronic Ceramic Materials:** Sharp decline for communication and strong growth for automobiles
- ◆ **Organic Functional Materials**
  - **Phosphine Derivatives:** Sharp decline for Quantum Dot and strong growth in new products and other overseas catalysts
  - **Active Agrochemical Ingredients:** Strong growth for major customers
- ◆ **Battery and Electronic Device Materials**
  - **Battery Materials:** Execution of price revisions
  - **Circuit Materials:** Demand recovery for anisotropic conductive materials, and strongness for paste
  - **High-Purity Electronic Materials:** Demand recovery for some grades for semiconductors

# Net Sales in Leasing Business and Others for the Year Ended March 31, 2024

(Millions of yen)	2023/3	2024/3	Change	Change rate
Leasing Business	915	915	0	0.0%
Book Store Operation	549	508	(41)	(7.5%)
Other	299	275	(24)	(8.0%)
<b>Total</b>	<b>1,764</b>	<b>1,700</b>	<b>(64)</b>	<b>(3.6%)</b>

◆ **Leasing Business:** Solidness

◆ **Book Store Operation:** Weakness





# Balance Sheet

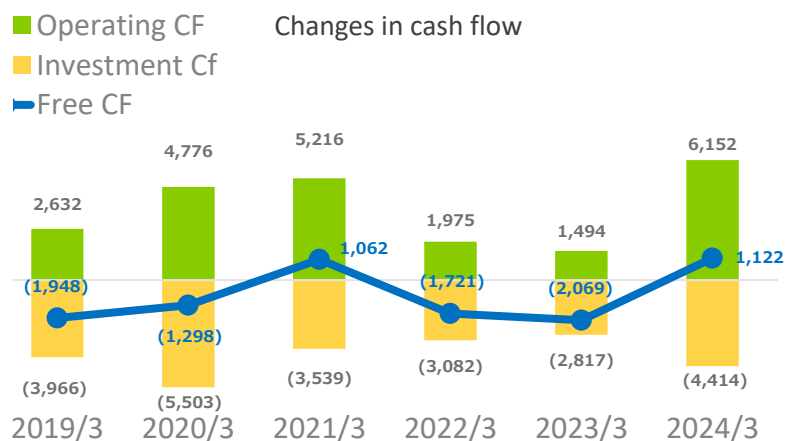
(Millions of yen)	March End, 2023	March End, 2024	Change	Major factors of change
<b>Current assets</b>	<b>32,228</b>	<b>33,975</b>	1,747	Accounts receivable-trade: 2,189 Inventory: (1,290)
<b>Non-current assets</b>	<b>40,669</b>	<b>42,527</b>	1,858	Property, plant and equipment: 269, Retirement benefit asset: 1,927
<b>Total assets</b>	<b>72,897</b>	<b>76,503</b>	<b>3,605</b>	
<b>Current liabilities</b>	<b>17,492</b>	<b>20,102</b>	2,610	Notes and accounts payable-trade: 536, Short-term borrowings: 1,669
<b>Non-current liabilities</b>	<b>13,163</b>	<b>11,352</b>	(1,811)	Long-term borrowings: (1,914)
<b>Total liabilities</b>	<b>30,656</b>	<b>31,455</b>	<b>799</b>	
<b>Shareholders' equity</b>	<b>38,627</b>	<b>39,618</b>	991	Retained earnings: 964
<b>Accumulated other comprehensive income</b>	<b>3,614</b>	<b>5,429</b>	1,815	Remeasurements of defined benefit plans: 1,670
<b>Total net assets</b>	<b>42,241</b>	<b>45,047</b>	<b>2,805</b>	
<b>Total liabilities and net assets</b>	<b>72,897</b>	<b>76,503</b>	<b>3,605</b>	

◆Equity ratio: 58.9%

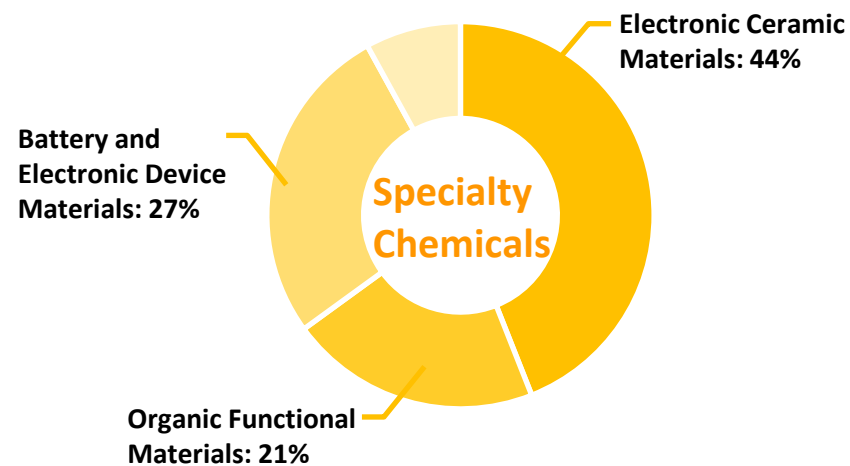
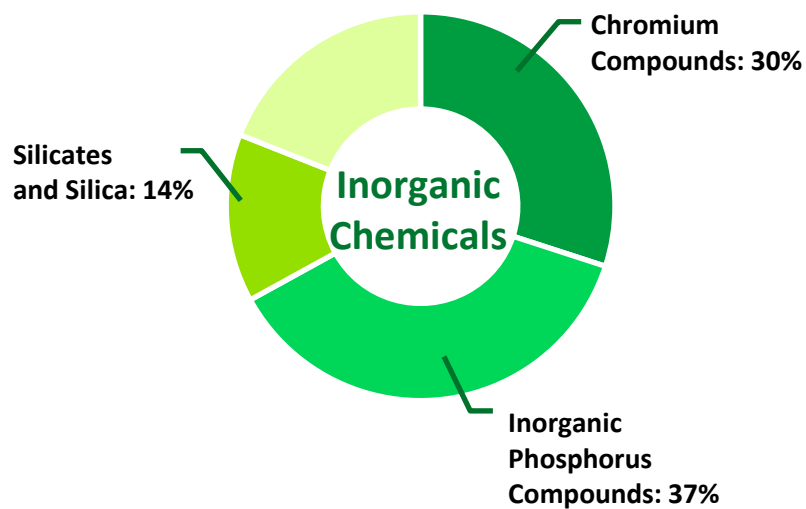
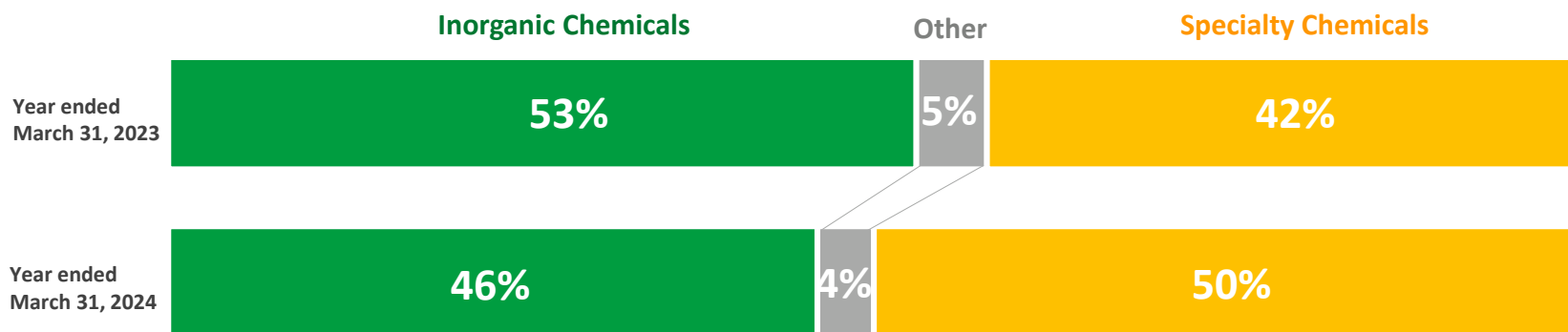
# Cash Flows

(Millions of yen)	2023/3	2024/3	Change	Major changing factors
Operating CF	1,494	6,152	4,658	Profit before income taxes: 939 Decrease in inventories: 4,688
Investment CF	(2,817)	(4,414)	(1,597)	Purchase of property, plant and equipment: (1,457)
Financial CF	102	(870)	(972)	Proceeds from long-term borrowings: (2,500)
Free CF *	(2,069)	1,122	3,191	
Cash and cash equivalents at end of period	7,831	8,731	900	
Dividends paid	747	615	▲ 132	
Depreciation	3,331	3,683	352	

\* It was calculated by subtracting investment CF and dividend from operating CF.



# Composition of Net Sales



# 2

## **Forecast of Consolidated Financial Results for the Year Ending March 31, 2025**

# Points of the Full-Year Forecasts for the Year Ending March 31, 2025

**Forecast that uncertain situations will be kept including geopolitical risks and fluctuations in exchange rates**

**◆ Net sales will increase 3.8% YoY while operating profits will increase 28.1%.**

- Estimate that demand for LCDs and semiconductors will show a recovery to the second half
- Estimate a recovery for communication to the second half and continuing demand increase for automobiles in electronic ceramic materials (for MLCC)
- Continue growth investment (barium titanium, high-purity phosphine gas, etc.)
- Liquidate the subsidiary Toho Ganryo Kogyo Co., Ltd., and transfer its main business to us (Scheduled to be liquidated: in FY2025)
- Strengthen overseas expansion: establishment of a local subsidiary in Taiwan (Scheduled to be established: June 2024)
- Seek to achieve ROE of 5% or more

# Forecast of Consolidated Financial Results for the Year Ending March 31, 2025

	Year ended March 31, 2024 Actual results	Year ending March 31, 2025 Forecast	Change	Change rate
(Millions of yen)				
<b>Net sales</b>	<b>38,538</b>	<b>40,000</b>	<b>1,462</b>	<b>3.8%</b>
<b>Operating profit</b>	<b>2,264</b>	<b>2,900</b>	<b>636</b>	<b>28.1%</b>
Operating profit percentage	5.9%	7.3%	1.4pt	
<b>Ordinary profit</b>	<b>2,383</b>	<b>2,900</b>	<b>517</b>	<b>21.7%</b>
<b>Profit</b>	<b>1,590</b>	<b>2,000</b>	<b>410</b>	<b>25.7%</b>
<b>EBITDA<sup>※</sup></b>	<b>5,947</b>	<b>6,700</b>	<b>753</b>	<b>12.7%</b>
<b>ROE</b>	<b>3.6%</b>	<b>5.0%</b>	<b>1.4pt</b>	
<b>Earnings per share (Yen)</b>	<b>180.35</b>	<b>226.70</b>	-	-
<b>Annual dividends per share (Yen)</b>	Interim : 35 Year-end : 35 Annual : 70	Interim : 35 Year-end : 35 Annual : 70	-	-
<b>Capital expenditures</b>	<b>4,115</b>	<b>8,600</b>	<b>4,485</b>	<b>109.0%</b>
<b>Depreciation</b>	<b>3,683</b>	<b>3,800</b>	<b>117</b>	<b>3.2%</b>
<b>R &amp; D expenses</b>	<b>1,452</b>	<b>1,600</b>	<b>148</b>	<b>10.2%</b>

※ Brief version of EBITDA (operating profit + depreciation) is used

# Forecast of Earnings for the Year Ending March 31, 2025, by Business

(Millions of yen)		Year ended March 31, 2024 Actual results	Year ending March 31, 2025 Forecast	Change	Change rate
Inorganic Chemicals	Net sales	17,777	18,300	523	2.9%
	Operating profit	1,069	1,550	481	45.0%
Specialty Chemicals	Net sales	19,061	20,000	939	4.9%
	Operating profit	589	850	261	44.3%
Leasing Business	Net sales	915	915	0	0.0%
	Operating profit	528	545	17	3.2%
Other	Net sales	784	785	1	0.1%
	Operating profit	49	(45)	(94)	-
Total	Net sales	38,538	40,000	1,462	3.8%
	Operating profit	2,264	2,900	636	28.1%

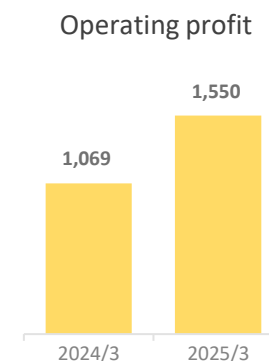
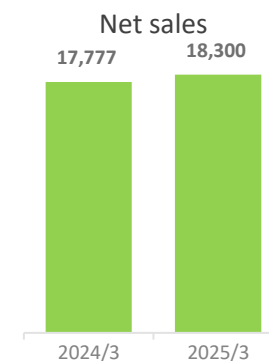
# Forecast of Net Sales in Inorganic Chemicals for the Year Ending March 31, 2025

(Millions of yen)	2024/3 Actual results	2025/3 Forecast	Change	Change rate
Chromium Compounds	5,217	5,500	283	5.4%
Silicates and Silica	2,487	2,450	(37)	(1.5%)
Inorganic Phosphorus Compounds	6,635	6,650	15	0.2%
Other	3,437	3,700	263	7.7%
<b>Total</b>	<b>17,777</b>	<b>18,300</b>	<b>523</b>	<b>2.9%</b>

◆ **Chromium Compounds:** Demand recovery for plating and surface treatment

◆ **Silicates and Silica:** Solidness

◆ **Inorganic Phosphorus Compounds:** Solidness

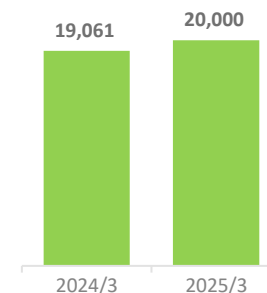




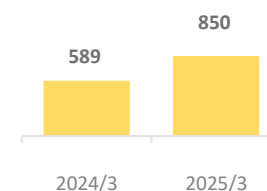
# Forecast of Net Sales in Specialty Chemicals for the Year Ending March 31, 2025

(Millions of yen)	2024/3 Actual results	2025/3 Forecast	Change	Change rate
Electronic Ceramic Materials	8,462	9,600	1,138	13.4%
Organic Functional Materials	3,973	3,400	(573)	(14.4%)
Battery and Electronic Device Materials	5,044	5,550	506	10.0%
Other	1,580	1,450	(130)	(8.2%)
<b>Total</b>	<b>19,061</b>	<b>20,000</b>	<b>939</b>	<b>4.9%</b>

Net sales



Operating profit



◆ **Electronic Ceramic Materials:** Strongness for automobiles, and demand recovery for communication

◆ **Organic Functional Materials**

- **Phosphine Derivatives:** Demand recovery for Quantum Dot, and decline in special demand in overseas catalysts

- **Active Agrochemical Ingredients:** Net sales responding to contracted production and customer demand

◆ **Battery and Electronic Device Materials**

- **Battery Materials :** Execution of price revisions according to an increase in market prices

- **Circuit materials:** Decrease for paste reacting to new adoption of the previous period

- **High-Purity Electronic Materials:** Demand recovery for semiconductors

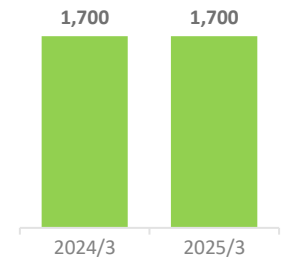
# Forecast of Net Sales in Leasing Business and Others for the Year Ending March 31, 2025

(Millions of yen)	2024/3 Actual results	2025/3 Forecast	Change	Change rate
Leasing Business	915	915	0	0.0%
Book Store Operation	508	475	(33)	(6.5%)
Other	275	310	35	12.7%
<b>Total</b>	<b>1,700</b>	<b>1,700</b>	<b>0</b>	<b>0.0%</b>

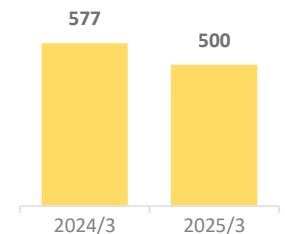
◆ **Leasing Business:** Solidness for major tenants

◆ **Book Store Operation:** Weakness

Net sales

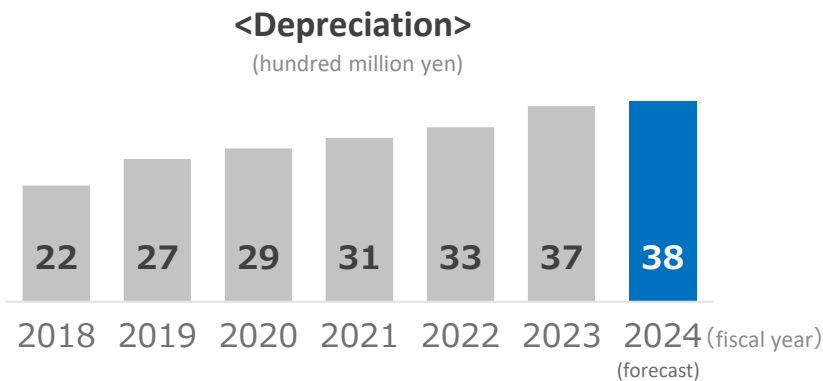
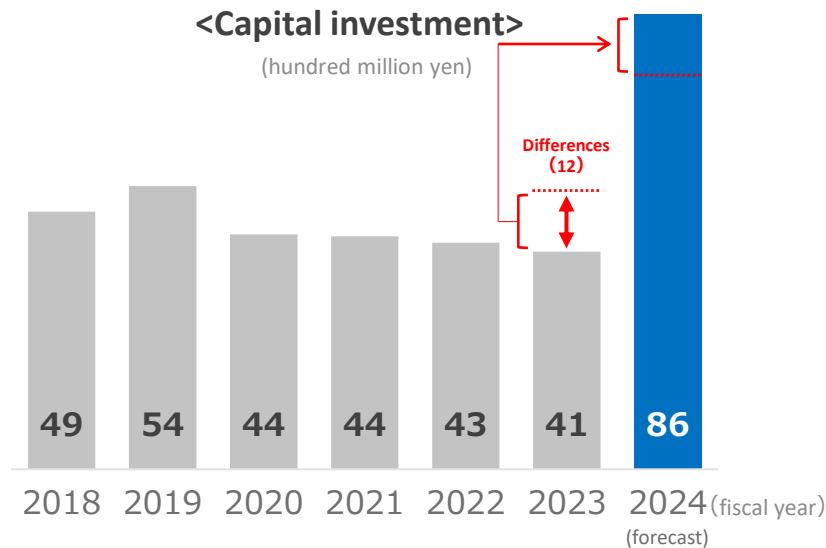


Operating profit

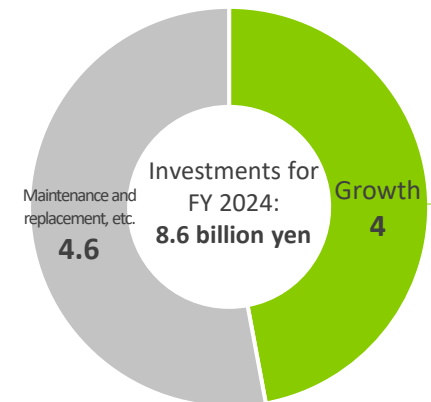


# Capital Investment

For FY 2024, capital investment will be two times as many as that for the previous period because of an amount postponed in FY 2023 of about 1.2 billion yen and continuing investment in growth fields.



## <Breakdown of capital investment>



### Growth investment

Investment in a medium-to long-term perspective leading to an increase in enterprise value

<Plan for FY 2024>

- Electronic ceramic materials for MLCC: Tokuyama Factory
- High-purity phosphine gas for semiconductors: Fukushima No. 2 Factory

Electronic ceramic materials (for MLCC)

**1.8times \***

Completion of investment:  
Scheduled in FY 2024

High-purity phosphine gas (Dopant for silicon wafer)

**3times \***

Completion of investment:  
Scheduled in FY 2026

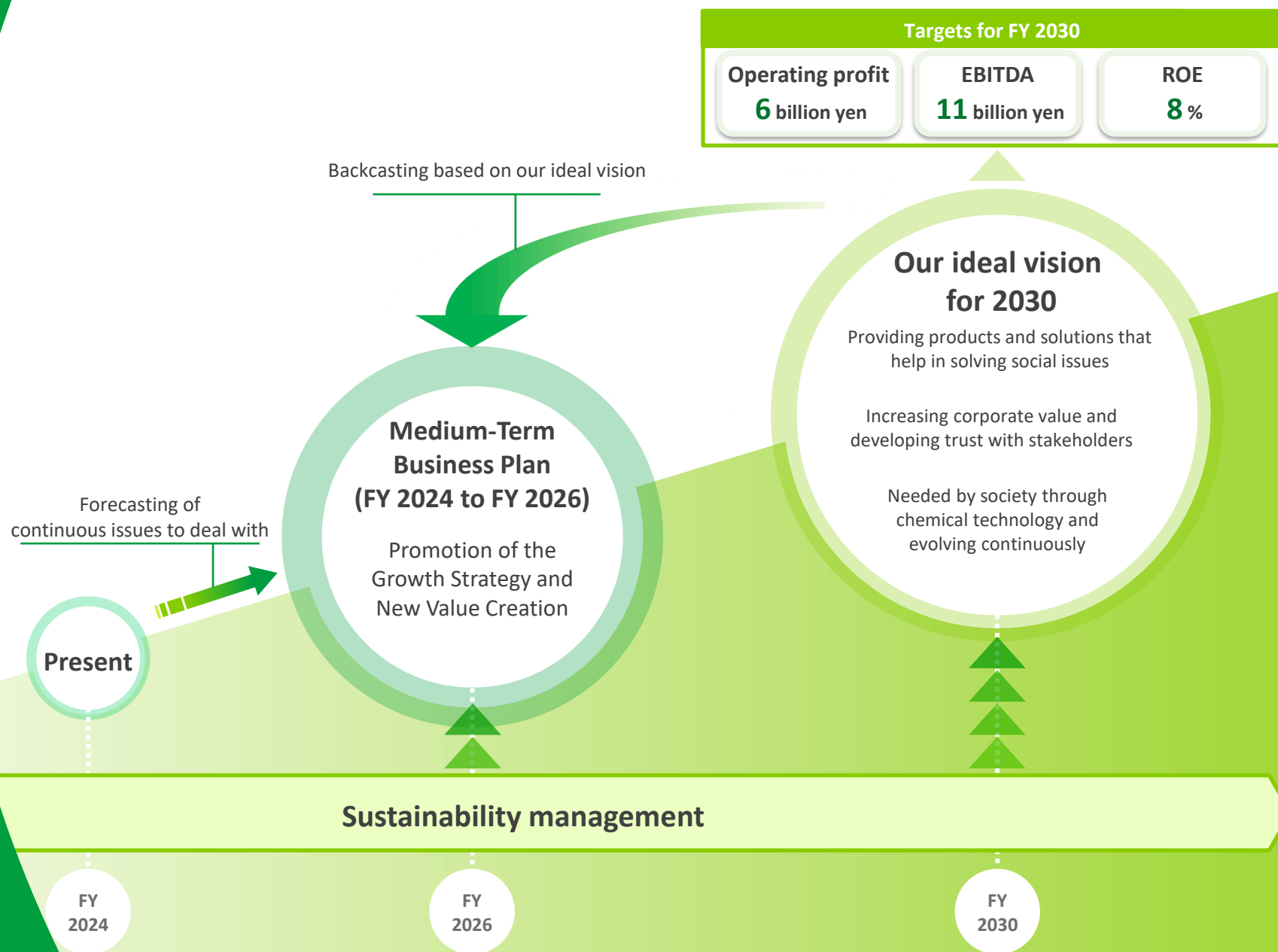
\* Medium- to Long-term goals, compared with pre-investment

# 3

## **Medium-Term Business Plan (FY 2024 to FY 2026)**

### **Promotion of the Growth Strategy and New Value Creation**

# Positioning of Medium-Term Business Plan



# Policies and Priority Measures in Medium-Term Business Plan

Policy for medium-term business plan

## Promotion of the Growth Strategy and New Value Creation

Three measures based on the sustainability management

**Measure (i) Business expansion and  
strengthening the business  
structure**

**Measure (ii) Promotion of globalization**

**Measure (iii) New value creation**

**Promotion of the  
Sustainability Management**

- Expand the business in growth fields
- Strengthen the business structure of basic fields
- Pursue deepening and succession of production technology

- Increase overseas net sales
- Strengthen overseas organizations
- Pursue new opportunities

- Promote development of products with competitive advantage
- Achieve early research results

- Effectively allocate managerial resources
- Strengthen supply-chain management
- Improve employee satisfaction
- Strengthen and complete corporate governance and compliance
- Facilitate environmental responses
- Promote contribution to local communities and society

**FY  
2030**

**FY  
2026**

**FY  
2024**

## Managerial Targets

- Regarding outlook for FY 2024, net sales will decrease from the first year of the medium-term management plan while operating profit will be above that for the second year in the plan.
- For FY 2024, we focus on the direction of changes in business environment, considering the year as one for assessing these changes.
- We will make examination that includes a review of numerical plan after the second year.

### Final fiscal year in Medium-term business plan

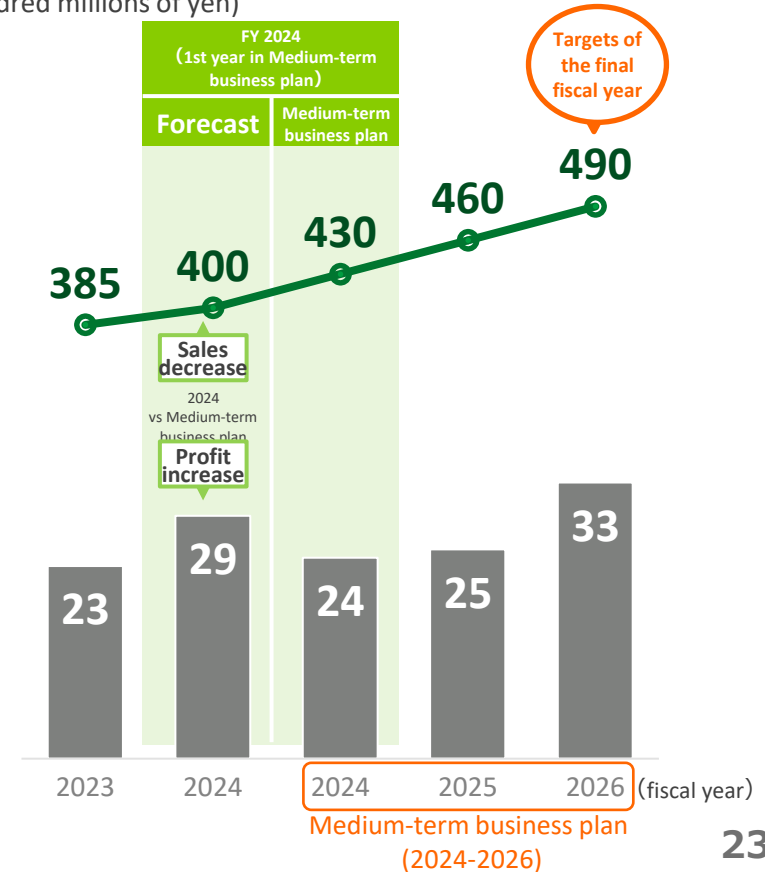
#### Targets for FY 2026

Net sales	<b>49</b> billion yen
Operating profit	<b>3.3</b> billion yen
EBITDA <sup>*1</sup>	<b>8</b> billion yen
ROE <sup>*2</sup>	<b>6</b> %
Net sales in growth fields	<b>20</b> billion yen
Overseas net sales	<b>7</b> billion yen
Capital investment (cumulative total for three years)	<b>20</b> billion yen
Payout ratio	Around <b>30</b> %
Ratio of cross-shareholdings to net assets	<b>15</b> % or less

<sup>\*1</sup> Brief version of EBITDA (operating profit + depreciation) is used

<sup>\*2</sup> ROE = Net income / Average shareholders' equity

■ Net sales  
■ Operating profit  
(hundred millions of yen)



# Measure (i) Business Expansion and Strengthening Business Structure

## Focus on strengthening and expansion of earning capacity

### Expand the Business in Growth Fields

- Obtain business opportunities by continuously making strategic investments in electronic ceramic materials
- Realize business expansion by pursuing efficient and stable production of organic electronic materials


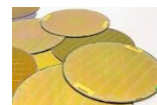


### Strengthen the Business Structure of Basic Fields

- Expand the lineup of differentiated products satisfying the diversifying customer needs
- Implement measures to increase profitability of low profitable products and businesses




### Pursue Deepening and Succession of Production Technology

- Clarify core technologies and implement succession of production technologies and expertise
- Increase profitability and safety by making production efficient and stable

#### <Products in growth fields and their major uses>

<b>Electronic Ceramic Materials</b>	Dielectrics for MLCC and dielectric materials (Barium titanate / High-purity barium carbonate)	
<b>High-Purity Electronic Materials</b>	Semiconductor materials and organic electronic materials (High-purity phosphine gas / High-purity red Phosphorus, etc.)	
<b>Phosphoric Acid for LCDs and Semiconductors</b>	Etching agents (Phosphoric acid)	
<b>Phosphorus Materials for Quantum Dot</b>	Materials for Quantum Dot display (Phosphine derivatives including TMSP)	

#### <Products in basic fields and their major uses>

<b>Chromium Compounds</b>	Hard chromium plating (automobiles) Refractory bricks (metallurgical furnace) Electromagnetic steel sheet plating (electronic vehicles)	
<b>Silicates and Silica</b>	Deinking of used papers (paper manufacturing) Soil hardening agent (construction)	
<b>Inorganic Phosphorus Compounds</b>	Food additives Optical glass materials	

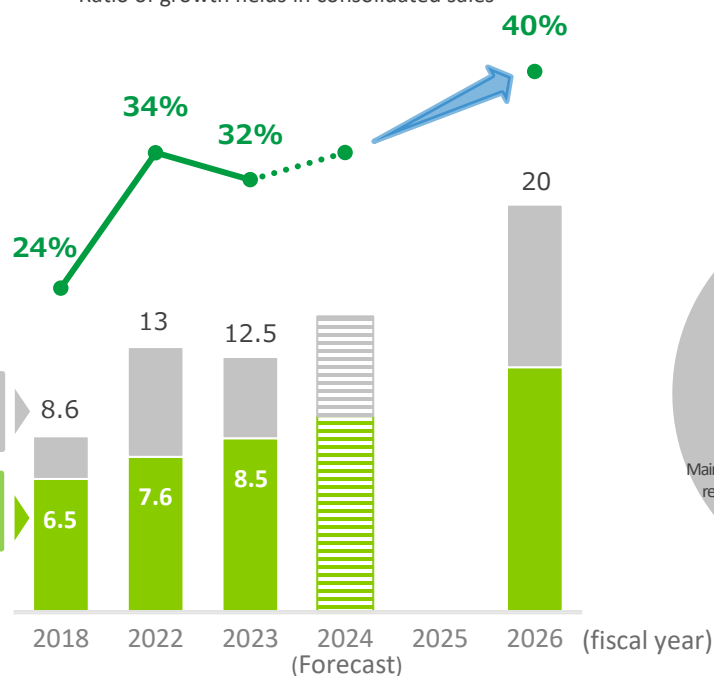


# Growth Fields

**Increase net sales in growth fields to more than 20 billion yen**

## <Ratio of growth fields in net sales>

- Total (billion yen)
- Growth fields (billion yen)
- Ratio of growth fields in consolidated sales

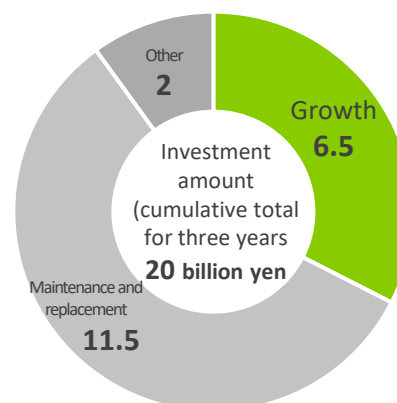


## Targets of products in growth fields for FY 2026

Growth fields  
net sales  
**20 billion yen**

Growth fields  
sales ratio  
**40%**

## <Capital investments, etc.>



### Growth investment

Investment in a medium- to long-term perspective leading to an increase in corporate value

- For electronic ceramic materials
- Phosphine derivatives
- For semiconductors, and others

## Measure (ii) Promotion of globalization

### Expand the business leveraging strength

#### Increase overseas net sales

- Expand overseas with products satisfying local needs

#### Strengthen overseas organizations

- Increase the organizational strength to improve overseas presence
  - ※Establishment of overseas subsidiary in R.O.C (Taiwan) (scheduled)

#### Overview of Overseas Subsidiary

◆ Company name	Taiwan Nippon Chemical Industrial Co., Ltd.
◆ Location	Taichung City
◆ Date of establishment	June 2024 (scheduled)
◆ Business	Sales of industrial and specialty chemicals
◆ Amount of capital	NTD 27,000,000

#### Pursue new opportunities

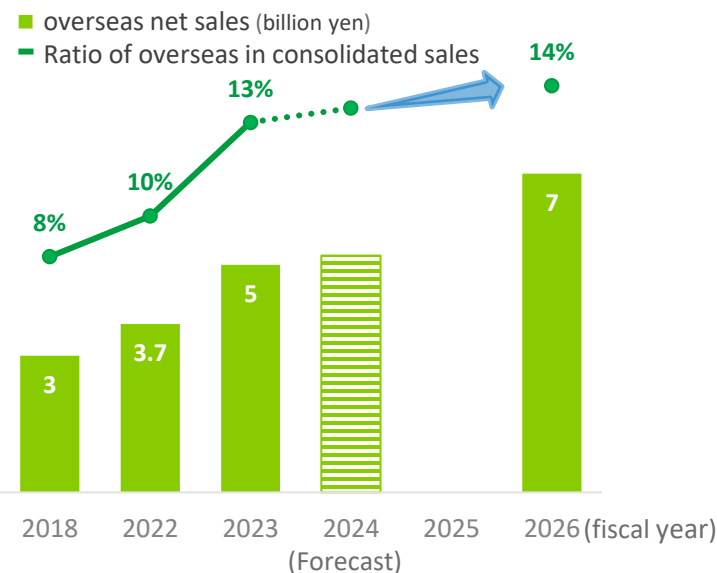
- Pursue and develop new business model through deepened cooperation between overseas bases

#### Targets of overseas net sales for FY 2026

Overseas  
net sales  
**7 billion yen**

Overseas  
sales ratio  
**14%**

#### < Ratio of overseas in net sales >



## Measure (iii) New value creation

### Create new value through highly efficient R&D

#### Promote development of products with competitive advantage

- Promote commercialization of high value-added products using core technology

#### Achieve early research results

- Response to increasingly diverse and sophisticated social issues through the effective use of external resources
- Promote the development of new products and process responding to carbon neutral and growth fields

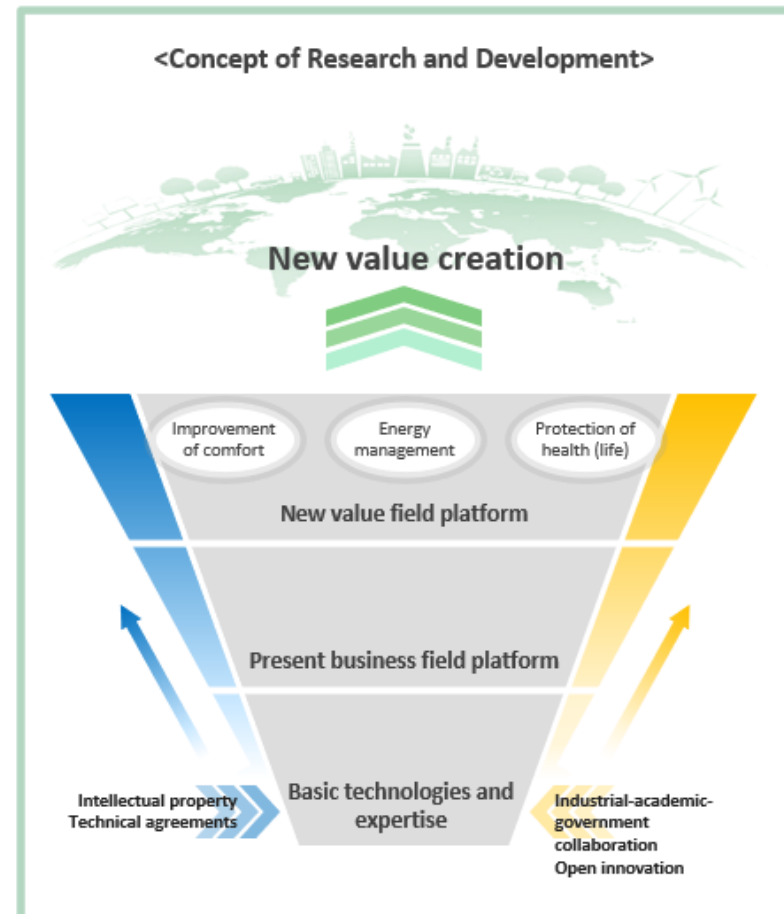
#### Targets of R&D expenses for FY 2026

R&D expenses

**1.8 billion yen**

Ratio of R&D expenses to net sales

**4%**

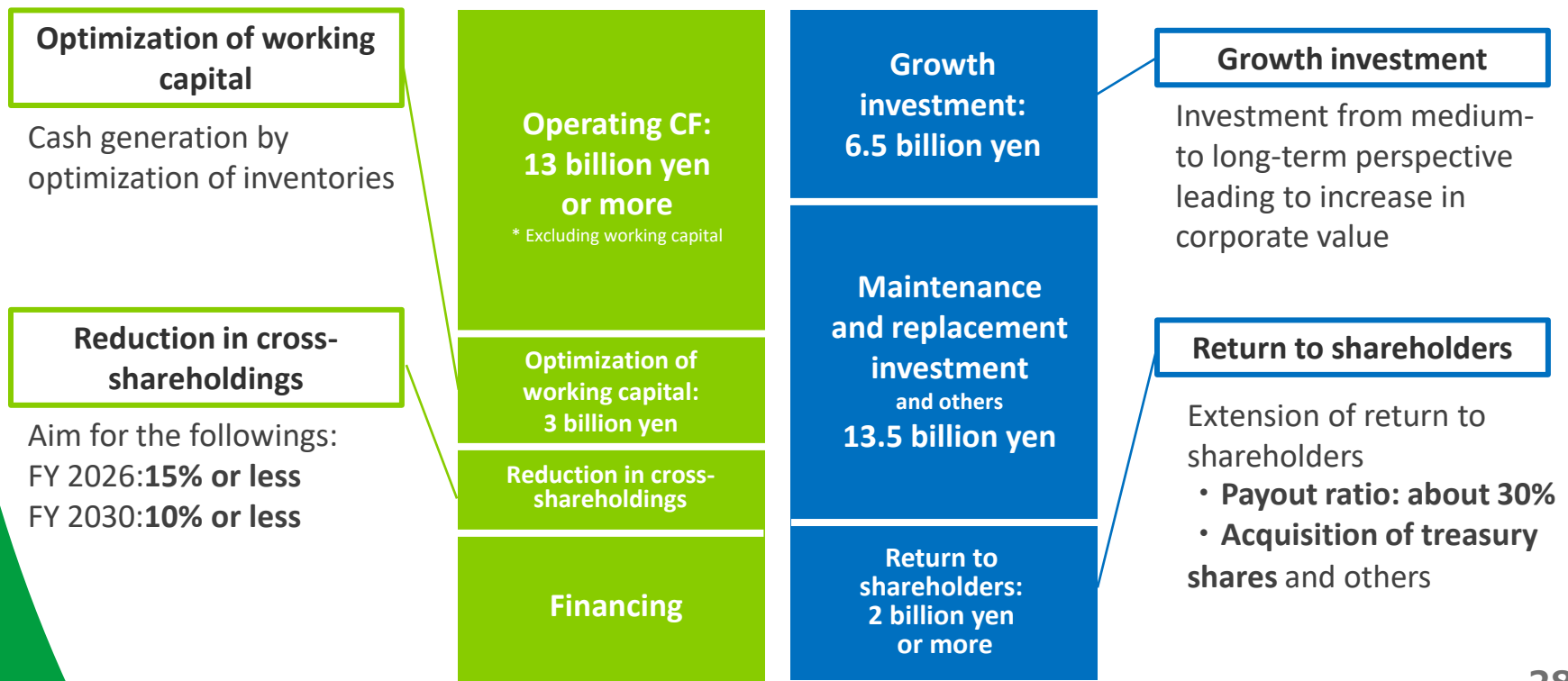


# Cash Allocation

## Effectively allocate of managerial resources

The company will allocate cash generated by expansion of growth fields, optimization of inventories, and reduction in shares held for strategic purposes to growth fields, management foundation, and return to shareholders

<Cash allocation for three years of Medium-term business plan (diagram)>

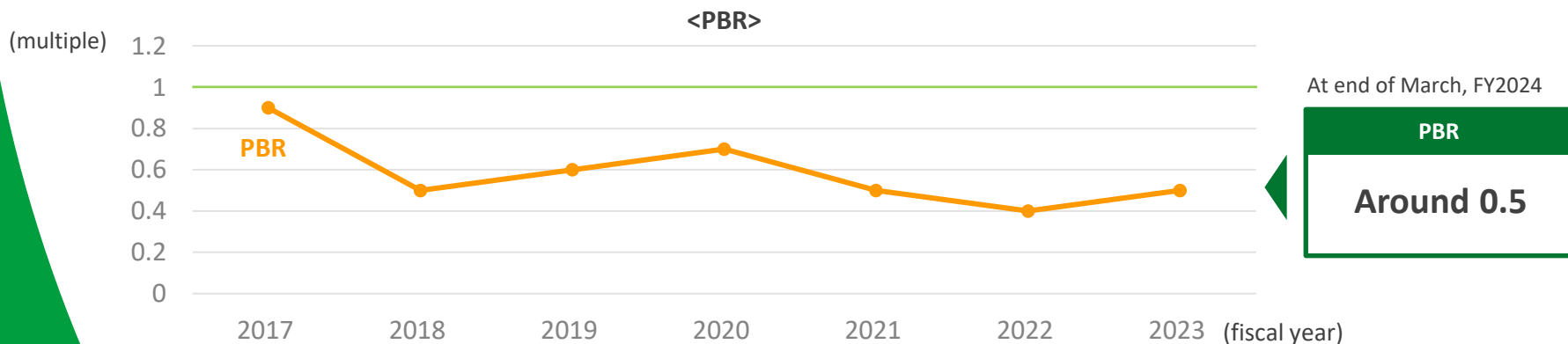
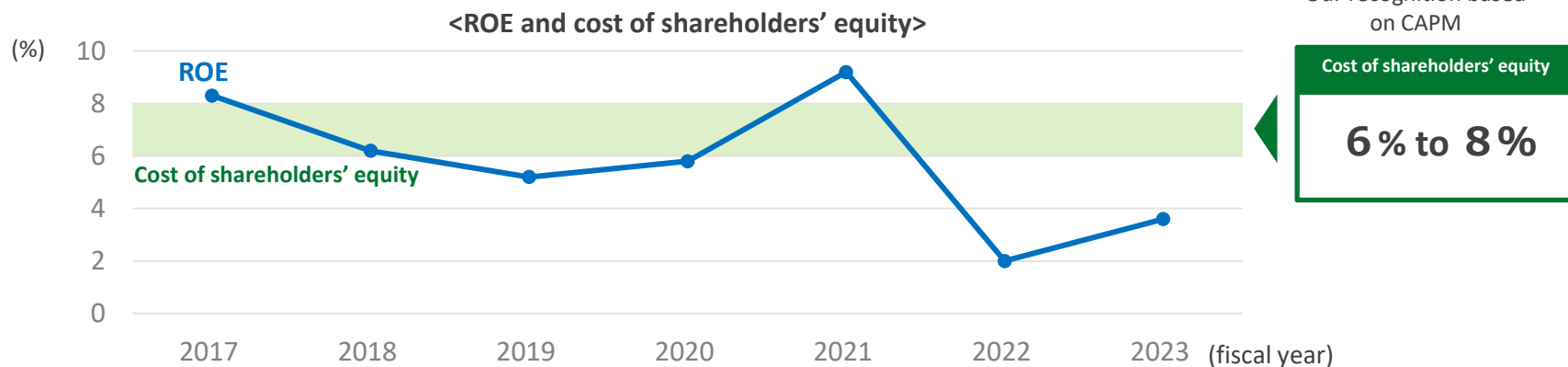


# 4

## **Initiatives for an Increase in Sustainable Corporate Value**

# Recognition of Current Status and Issues

- The company recognizes that cost of shareholders equity represents 6-8%.
- ROE has remained low since FY 2022. The challenge is to improve equity spread.
- PBR remains low at around 0.5.



# Initiatives for an Increase in Sustainable Corporate Value

**Improvement in equity spread through increase in ROE and reduction in the cost of shareholders' equity**

**Increase in corporate value and PBR**

Improvement in equity spread

**Increase in ROE**



**Increase in return**

**Control of equity**

**Execution of Medium-Term Business Plan (three measures)**

- Business expansion and strengthening the business structure
- Promotion of globalization
- New value creation

**Implementation of capital policy**

- Efficiency of funds flow
- Securing of financial health
- Improvement in return to shareholders

**Reduction in cost of shareholders' equity**



**Promotion of nonfinancial measures**

**Promotion of the sustainability management**

- facilitate environmental responses (TCFD, CDP, etc.)
- Development of human resources

**Strengthening corporate governance**

- Strengthening of Nomination and Remuneration Committee
- Securing of diversity of the Board of Directors
- Introduction of stock-based remuneration
- Evaluation of the effectiveness of the Board of Directors

**Strengthening IR and SR activities**

- Extension of information disclosure
- Issuance of integrated report
- Extension of English disclosure

# Capital Policy

## Effectively allocate of managerial resources and improvement in return to shareholders

### Reduction in cross-shareholdings

- Targets for the ratio of cross-shareholdings to net assets
  - FY 2026:15% or less
  - FY 2030:10% or less

### Efficiency of funds flow

- Efficiency of funds flow through maintenance of inventory turnover period of 3.0 to 3.5 months

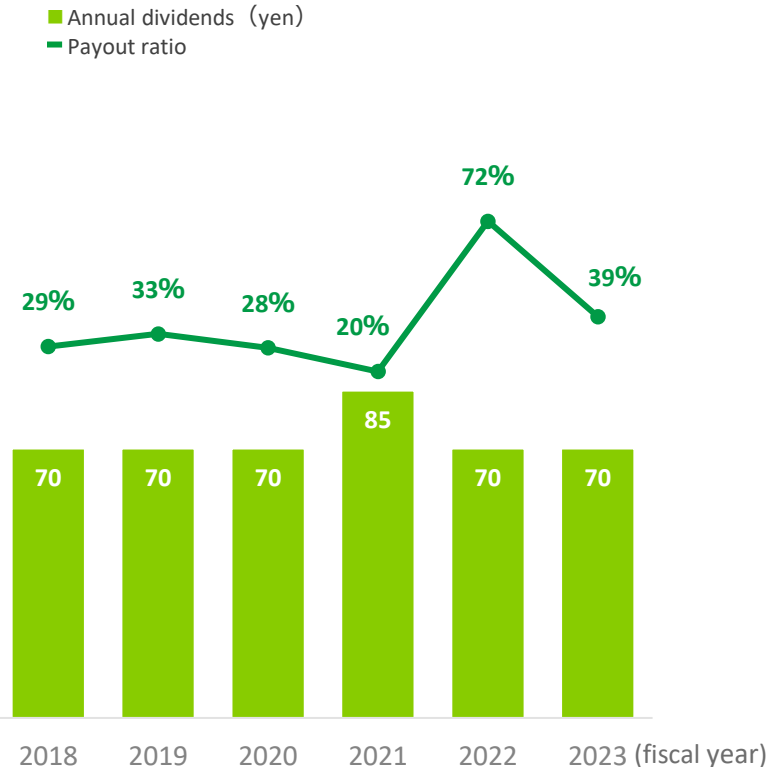
### Securing of financial health

- Securing of financial health through maintenance of D/E ratio of 0.4 times

### Improvement in return to shareholders

- Extension of sustainable shareholder return measures in the medium- to long-term
  - Payout ratio Around 30 %
  - Acquisition of treasury shares and others

### <Changes in dividends per share>





# Promotion of the Sustainability Management

## Aim for realization of sustainable society

### Facilitate environmental responses

#### ■ TCFD (October 2022 -)

The company strengthened initiatives for Climate Change and set long-term targets of Scopes 1 and 2.

#### ■ CDP

The company responded to CDP 2023 Climate Change Questionnaire as external evaluation of ESG and received “B” score for Climate Change, and aims for higher score.

#### ■ Environmental contribution products

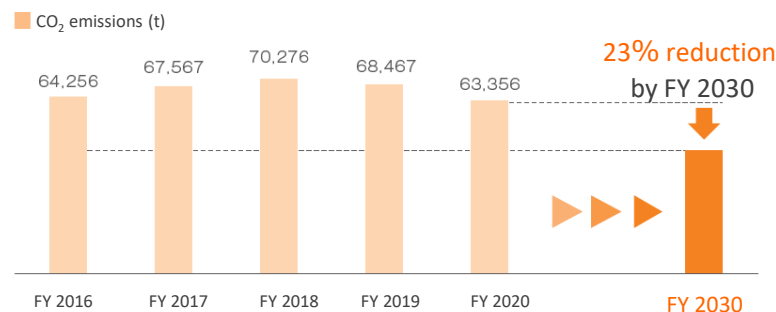
The company established a system for certifying products contributing to solution of environmental issues as *environmental contribution products* and aims for increasing the ratio of environmental contribution products in net sales.

### Development of human resources

- Development of human resources using coaching
- Extension of the system for encouraging the growth
- Promotion of success of female employees



### <CO<sub>2</sub> emissions (t)>



Scope of data collection: Nippon Chemical Industrial Group

# Strengthening Corporate Governance and Strengthening IR and SR activities

## Extension of disclosure of nonfinancial information for reduction in cost of shareholders' equity

### Strengthening corporate governance

- Strengthening of the effectiveness of Nomination and Remuneration Committee
- Securing of diversity of the Board of Directors
- Introduction of transfer-restricted shares remuneration
- Execution of effectiveness evaluation of the Board of Directors

### Strengthening IR and SR activities

- Extension of information disclosure
- Issuance of integrated report (scheduled to be issued in 2024)
- Extension of English disclosure

#### <Transition to integrated report>



To 2022  
CSR report



2023  
Sustainability  
report



2024  
Integrated report  
(scheduled)

### Initiatives for strengthening corporate governance

#### Strengthening of the effectiveness of Nomination and Remuneration Committee

- Chairperson: Selected from among members who are independent Outside Directors
- Activities (examples)
  - Selection of Directors and Executive Officers
  - Selection of Representative Directors
  - Policy and procedure for determining the remuneration of Directors and Executive Officers

#### Securing of diversity of the Board of Directors

- Selection of female Directors
- Three Outside Directors  
(Ratio of Outside Directors to all Directors: 50%)

#### Introduction of transfer-restricted shares remuneration

- Applicable persons: 2 Directors, 16 Executive Officers and administration officers
- Transfer period: until resigns

#### Execution of effectiveness evaluation of the Board of Directors

- Deepening of issues and measures based on results of the evaluation
- Recognition of the necessity to prepare and execute systematic training programs for Directors and executive officers  
→Preparation and execution of the training program plan

# Action to Implement Management that is Conscious of Cost of Capital and Stock Price

## Recognition of current status and issues

- The company recognizes **that the cost of shareholders' equity** represents **6% to 8%**.
- **ROE** was above the cost of shareholders' equity at 9.2% for FY 2021 while being significantly below the cost of shareholders' equity at 2.0% for FY 2022 and **3.6% for FY 2023**.
- PBR now remains low at around 0.5.
- The company recognizes that the challenge is to do the speedy recovery in ROE, to realize a stable level above the cost of shareholders' equity, and to do the improvement in equity spread through a reduction in the cost of shareholders' equity.

## Policy

**The company will realize the ideal for 2030 and increase in sustainable corporate value.**

- Targets for FY 2030: operating profit 6 billion yen, ROE 8%
- Targets in Medium-term business plan : operating profit 3.3 billion yen, ROE 6%

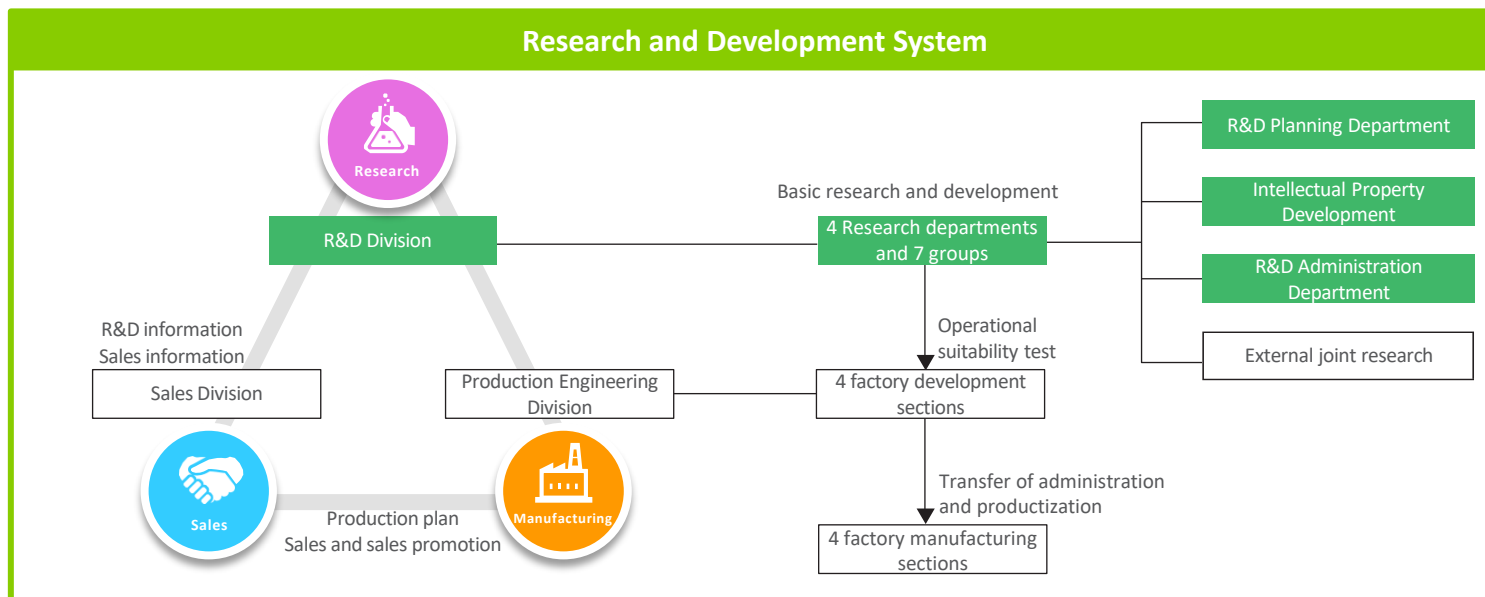
## Initiatives

- Increase in ROE: Execution of Medium-term business plan (three measures) and implementation of capital policy  
→ ROE Targets: **5% for FY 2024, 6% for FY 2026, 8% for FY 2030**
- Reduction in cost of shareholders' equity: Promotion of nonfinancial measures

# 5

## Efforts for Research and Development

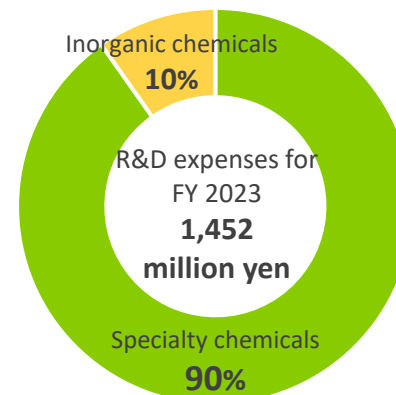
# Research and Development System



<Research building (at site of the headquarters of Nippon Chemical Industrial Co., Ltd.)>



<R&D expenses>



# New Value Creation

## <Environmental contribution products>

### ■ BESPA

(Dielectric materials for MLCCs)

### ■ High-purity barium carbonate

(Raw materials for dielectric materials for MLCCs)

### ■ SMERF

(Anisotropic conductive adhesive for mounting IC chips for RFID tags)

### ■ Cuprous oxide

(Antifouling agents for ship-bottom paints)

### ■ EXPERT

(Rust preventive agents in JIS K 5674)



## Environmental contribution products Net sales

FY 2023  
Net sales  
**4 billion yen**

FY 2023  
Sales ratio  
**10%**

## <New value field platform>

Improvement  
of comfort

Energy  
management

Protection of  
health (life)

## <Examples of research themes>

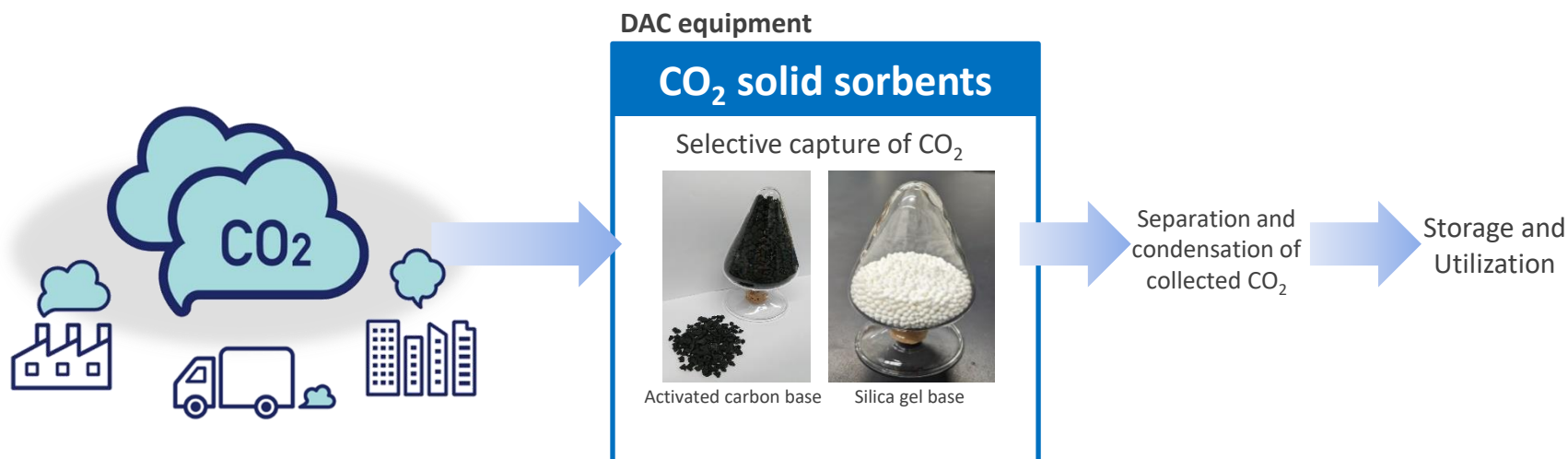


# Solid Sorbent Technology for CO<sub>2</sub> Capture (DAC)

DAC (Direct Air Capture) is . . .

The technology to collect CO<sub>2</sub> in the air, using amine and materials of separation membrane.

It attracts attention as negative emissions technologies because it makes it possible to capture and reduce CO<sub>2</sub> in the air.



## Our strengths

- Phosphorus compounds: No odor, no volatility, and high thermostability compared to amine compounds
- Selective capture of CO<sub>2</sub>
- Existing manufacturing facilities available for mass-production

## Future outlook

- Search for needs of customers and markets
- Progress performance improvement and building of mass-production system for profitability in future



# 日本化学

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