



We will steadily implement the Vista2027 plan and actively deepen dialogue with our stakeholders

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## Execute Unwavering Financial and Non-financial Strategies to Improve Mid- to Long-term Value

With the mission to constantly meet the expectations of the market and society, it is our responsibility to increase the mid- to long-term value of the Company as a going concern, by viewing its economic and social value as two wheels. As CFO, I consider it an important mission to achieve our return on equity (ROE) target, which is our most important management indicator, to improve our economic value. At the same time, it is extremely important to increase our social value and levels of contribution by promoting sustainable management so that we can continue to achieve sustainable growth while contributing to solving social issues.

Investors are increasingly interested not only in financial aspects but also in non-financial aspects, such as ESG (Environment, Social, and Governance). Which is why, in the current mid-term plan "Vista2027", we have decided to specify and disclose equally both financial and non-financial aspects as the management indicators that Nissan Chemical should aim for. The Sustainability Promotion & IR Department, which was newly established in April 2022, is actively engaging in

dialogue with stakeholders from both a financial and non-financial perspective, and will continue to do so going forward.

Since the mid-2000s, Nissan Chemical has placed ROE as its most important financial indicator, and this will remain the case in the future. ROE, an indicator of capital efficiency, is the financial indicator that best matches our business strategy of efficiently investing limited management resources to continue producing essential products in highly profitable business fields, and is widely supported by investors as an easy-to-understand single indicator.

Since the early 2010s, our ROE has steadily increased. And although we aimed to maintain above 16% in our previous mid-term business plan "Vista2021 Stage II" (2019-2021), this target was further raised to maintain above 18% in Vista2027 (2022-2027), achieving an ROE of 19.4% in FY2022. This is approximately twice the average of chemical manufacturers in the same industry.

We have achieved proactive shareholder returns over the long term, and we will continue this policy. The total payout ratio, including share dividends and share repurchases, is targeted at 75% of net income after taxes in Vista2027. Our total payout ratio for FY2022 was 78%. Furthermore, while

taking into consideration feedback from our investors, we have increased the dividend payout ratio from 45% to 55%, increasing dividends for 11 consecutive years. In terms of shareholder returns, dividend on equity (DOE) is often discussed, but since  $DOE = ROE \times \text{dividend payout ratio}$ , there is no need to make it a direct target for us as we maintain a high ROE.

In addition, our capital policy is to actively invest in research and development (R&D) expenses that are necessary and sufficient for our business and still return ample cash to shareholders. Our target is to invest 7-9% of sales each year in R&D expenses to ensure continued growth in the future. Since the average in the chemical industry is 3-4% of sales, this shows how Nissan Chemical is continually investing its management resources in producing high value-added products. In terms of human resources, about 40% of employees in regular positions are assigned as R&D personnel (on non-consolidated basis).

I believe that a major factor in our operating margin of 23% in FY2022, which has remained above 10% for 20 consecutive years since FY2003, is our unwavering strategy based on such a long-term perspective.

## Achieved Record High Profits for 10 Consecutive Years and Received External Recognition in FY2022

In FY2022, we achieved increased sales and profits with operating profit and ordinary income reaching record highs for the 9 consecutive years, and net income reaching a record high for the 10 consecutive years. While more than half of other companies in the same industry reported drop in profit, we offset a decline in profits in Performance Materials which was affected by the market slowdown, with a significant increase in profits in Agricultural Chemicals, which continued to be strong. We believe that the strength of our resilient and well-balanced business portfolio was fully demonstrated.

Our ROE also peaked at 19.4%, exceeding the mid-term target of above 18%. In addition, we have been selected as a constituent stock of the JPX Prime 150 Index in June 2023, and we were rated as having an excellent equity spread, or difference between ROE and cost of equity.

While achieving these results, we are also steadily making much needed growth investments. In addition to the construction of an agrochemicals manufacturing facility in India, Nissan Bharat Rasayan, and the construction of a new semiconductor plant in South Korea, NCK, we have been actively investing in key areas, including DX-related investments and increased R&D expenses on plants and Company-wide bases, to ensure sustainable growth for the future.

High standards have also been maintained in terms of external evaluations. In April 2023, we were selected as a Most Honored Company in the Chemicals sector by Institutional Investor, a prominent U.S. financial magazine, for the 5 consecutive years. And the Company was ranked first in "Best IR Teams" and second in "ESG Rankings".

I would also like to add that the message issued by the Tokyo Stock Exchange to listed companies in March 2023 has become something of a talking point. More specifically, this concerns the situation in which approximately half of all com-

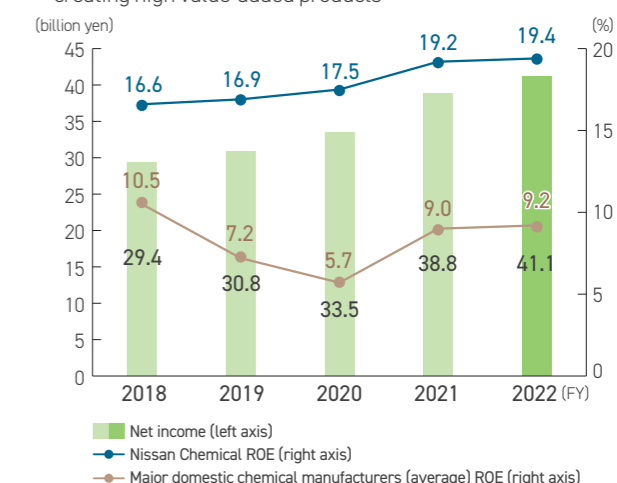
### Sales / Operating profit / Operating margin

Operating profit in FY2022 was 52.3 billion yen, marking a record high for the 9 consecutive years



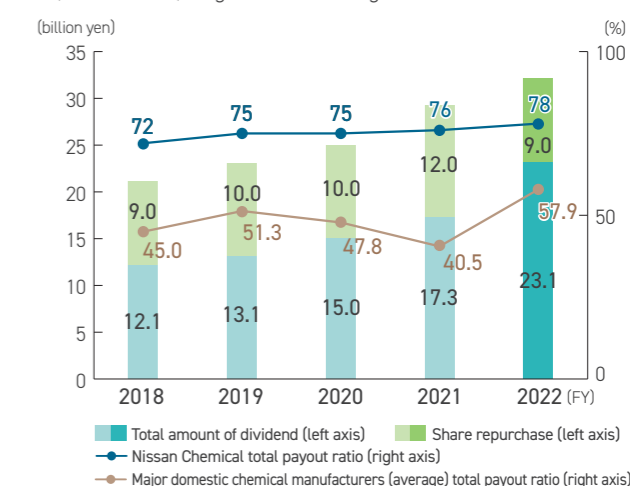
### Net income attributable to owners of parent / ROE

ROE in FY2022 was 19.4%. Maintained 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

panies listed on the Prime Market, where we are also listed, have an ROE of less than 8% and a price-to-book ratio (PBR) of less than 1.0. The Company has for many years consistently given returns to shareholders with the aim of increasing ROE. Our PBR is about four times as high, so we can say that we have clearly differentiated ourselves from other companies in terms of market evaluation of our corporate value.

## Promoting a Sustainable Management towards Carbon Neutrality

One of the basic strategies of our new long-term business plan “Atelier2050”, is to pursue sustainable management further, and as such, we aim to achieve carbon neutrality by 2050. To put this into practice, we established the Climate Change Committee in June 2022. The committee is chaired by the President, Mr. Yagi, and is comprised of the heads of divisions and departments related to climate change issues at Nissan Chemical. Focusing its efforts on the increasingly serious issue of climate change, the committee is responsible for analyzing and evaluating risks and opportunities, formulating strategies and mid- to long-term plans for addressing them, as well as annual activities and targets, and promptly reflecting its results in our business strategies.

Task Force on Climate-related Financial Disclosures (TCFD) recommendations which we have support, call for a scenario analysis to understand how the risks and opportunities caused by climate change give impact on a company's finances. We published a qualitative 2°C and 4°C scenario analysis up to 2030 in FY2020. Although, in FY2022, we have reviewed the risks and opportunities related to climate change, including the financial impact, using 1.5°C and 4°C scenarios by the Climate Change Committee over a period of more than half a year, resulting in an extended analysis up to 2050. Furthermore, we have revised our internal carbon pricing (ICP) and fully implementing it from this fiscal year. Going



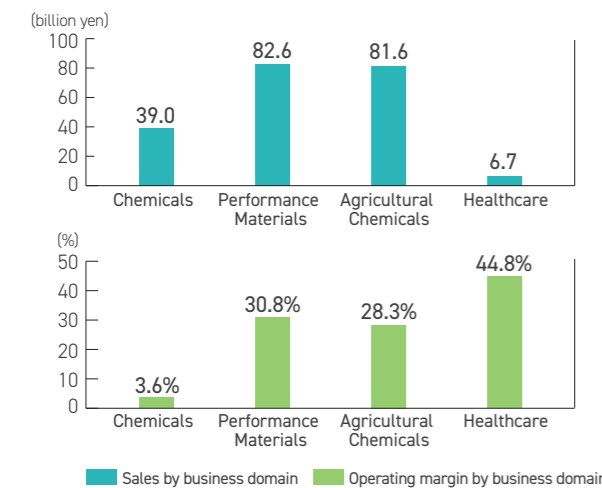
forward, we will continue to respond to changes in the external environment through the Climate Change Committee, such as updating disclosure in line with TCFD recommendations and reviewing our ICP.

Under Vista2027, the products and services identified in our materiality of “provision of new value for helping to enrich people's lives” are included in the Nissan Chemical Sustainable Agenda with a target of maintaining a ratio of at least 55% of all sales. Fortunately, we were able to achieve this goal in FY2022. Looking ahead to 2050, in addition to our existing core technologies, we will foster new core technologies such as microbial control and information science to further expand our target products and services in the four business areas of information & communication, life sciences, environment & energy, and materials & services.

Meanwhile, with the aim of clarifying on individual roles

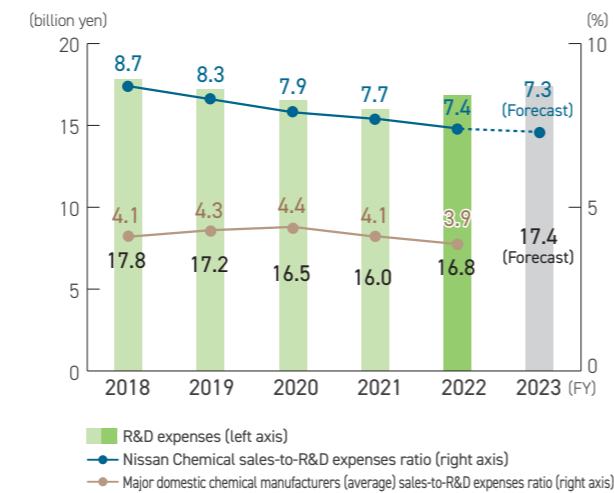
### ● Sales and operating margin in FY2022 by business domain

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

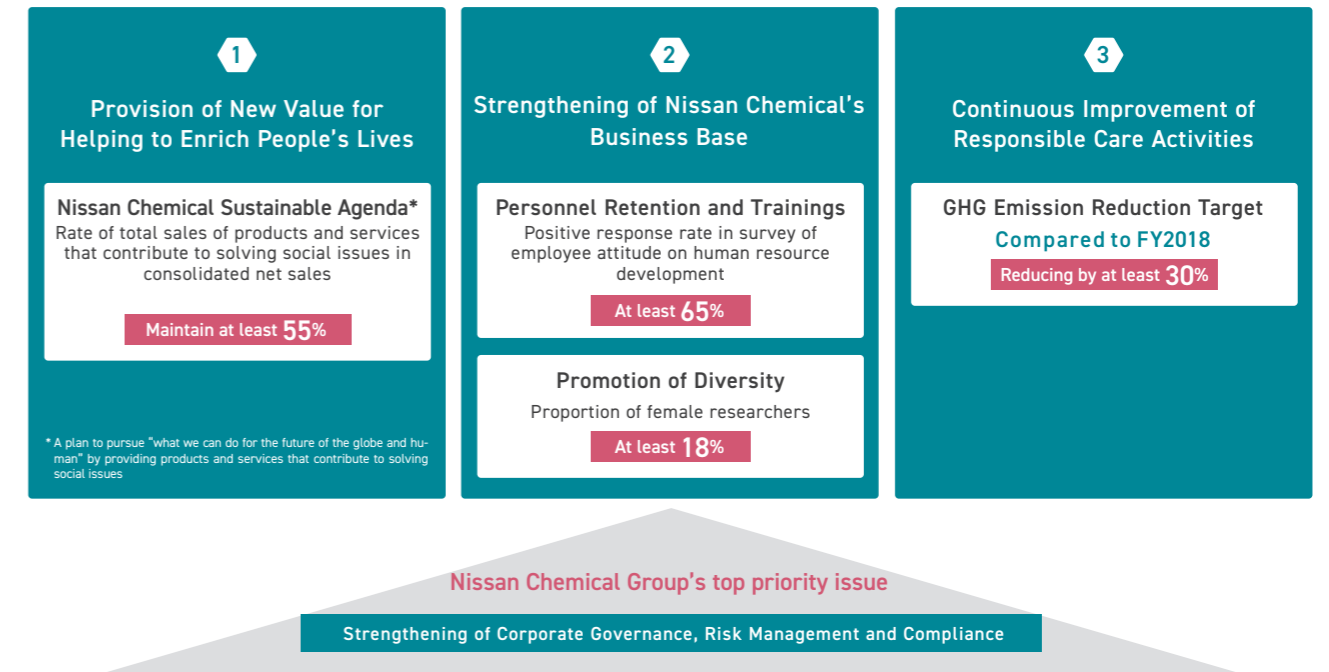


### ● R&D expenses / Sales-to-R&D expenses ratio

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



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



and the introduction of behavioral evaluation, and making the most of each employee's unique abilities, we revised our personnel system in November 2022. The system was changed from a membership-type system based on an employee's job-qualification system in the Company, to a job-type system where the right employee is placed in the right job. While respecting diverse values and career aspirations, we have also started a so-called career dialogue with employees and their superiors from FY2023 in order to support employees' career design. Besides, we started extending the retirement age in stages, and are considering training for older people so that they can play a more active role.

We have added a new section titled Approach and Initiatives on Sustainability to our annual securities report released in June 2023, where in addition to our sustainability promotion system and efforts for climate change, we have started to include information on human capital disclosure as a third topic. Further details are available in the report, but we have set indicators for major items related to our human resource development policy and internal environment improvement policy with targets set for FY2024.

### ● Number of dialogue with investors in FY2022

Dialogue with institutional investors	Dialogue with individual investors	Dialogue with analysts	ESG related dialogues	Business / ESG briefings
306	2	54	5	3

### Continuing to Deepen Dialogue with Investors

We regularly hold financial results briefings for institutional investors, analysts, and the media as well as for individual investors to provide an overview of our business, and also proactively share information on our mid- to long-term growth strategies and sustainability activities.

In FY2022, we held business briefings (June 2022: Performance Materials R&D Briefing, September 2022: Agricultural Chemicals Business Briefing, and March 2023: ESG Briefing) to help investors and others to better understand the content of our mid-term business plan announced in May. The business division briefing sessions were attended by the heads and other personnel of divisions and research laboratories, providing explanations of mid- to long-term R&D strategies. Since the ESG Briefing was held for the first time, a wide range of explanations was given, from corporate philosophy and long- and mid-term business plans, to materiality, Nissan Chemical Sustainable Agenda products, intellectual property strategy, and human capital, with all briefings generally well received.

We will continue to properly disclose information regarding our non-financial initiatives which are of great interest to investors, such as our mid- to long-term strategies and climate change issue.