

# The Medium-term Business Plan "INNOVATION25"



(TSE Prime Market: 4463)

February 10, 2023

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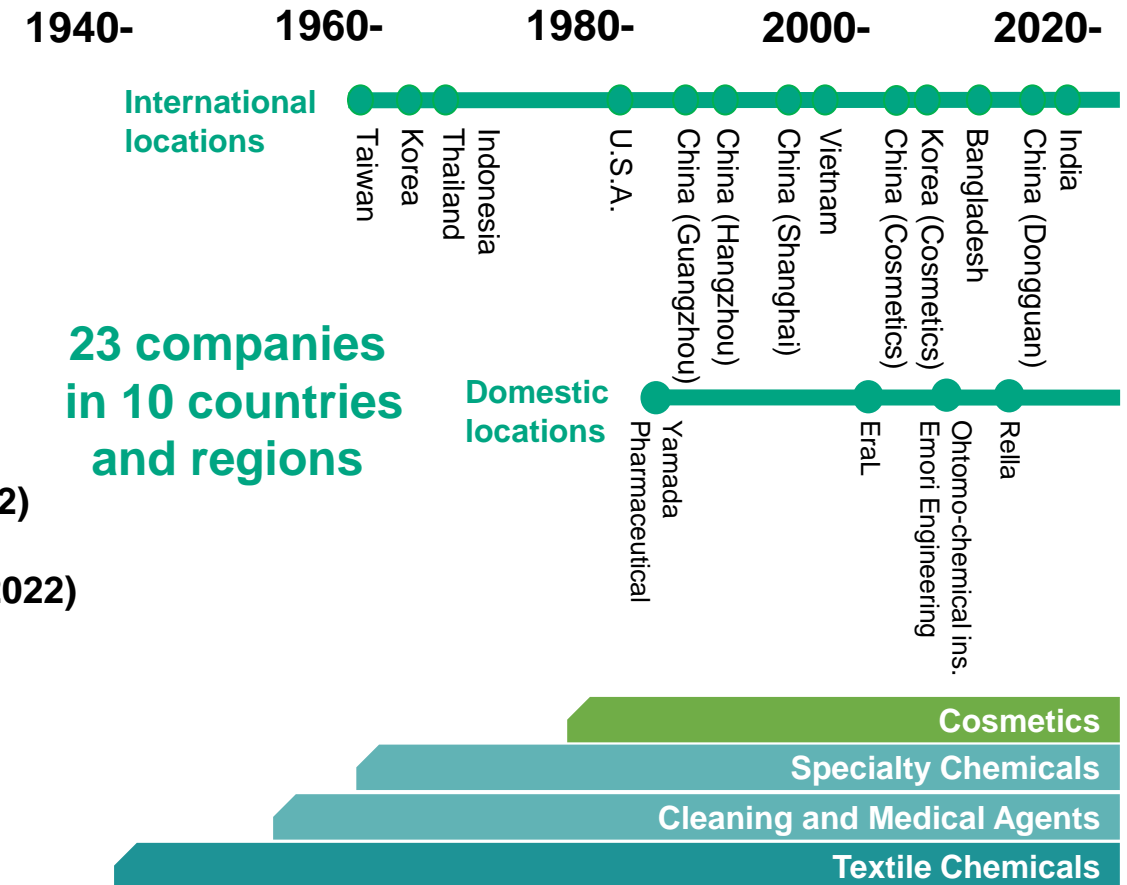
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# Overview

## Corporate data

# Headquartered in Fukui City, a surface science manufacturer with 81 years of history

Head Office	Fukui City, Fukui Prefecture
Established	1941
Capital	JPY 2,898 million
Net sales	Consolidated : ¥50,627 million (As of FY2022)
Operating profit	Consolidated : ¥2,628 million (As of FY2022)
Employees	Consolidated : 1,472 (As of December 31st, 2022) Non-consolidated : 593 (As of December 31st, 2022)
Listed	TSE Prime Market / NSE Premier Market



# Our Business

## Two major business areas: "Chemicals" and "Cosmetics"

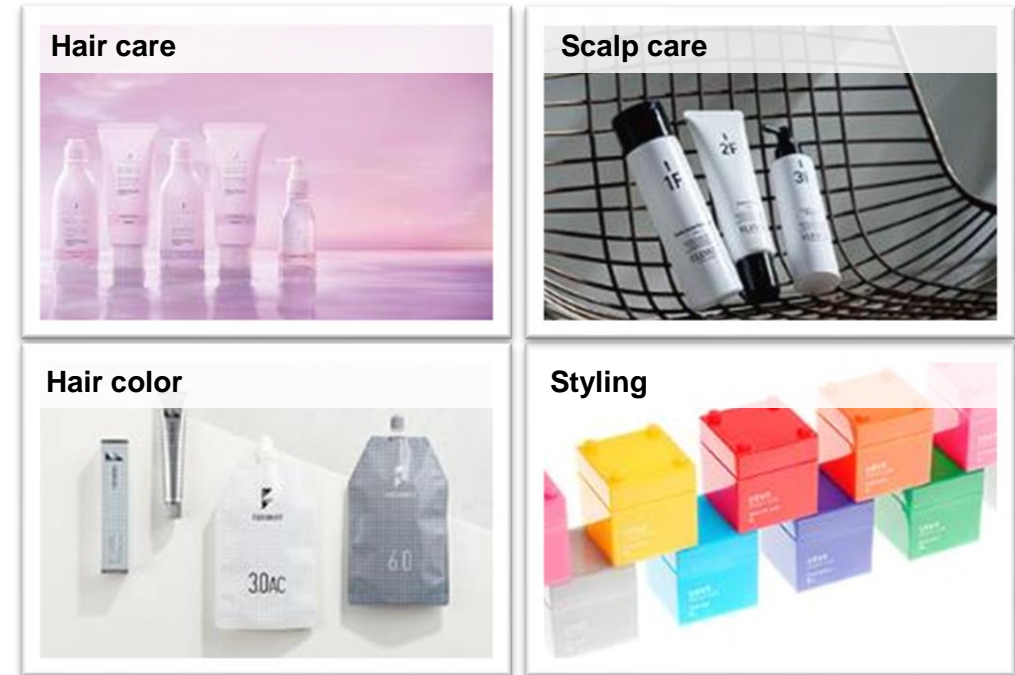
### Chemicals



#### Major Affiliates

- Ohtomo-chemical ins., corp (for semiconductor industry)
- NICCA CHEMICAL (CHINA) CO., LTD.
- NICCA KOREA CO., LTD.
- & 13 others

### Cosmetics

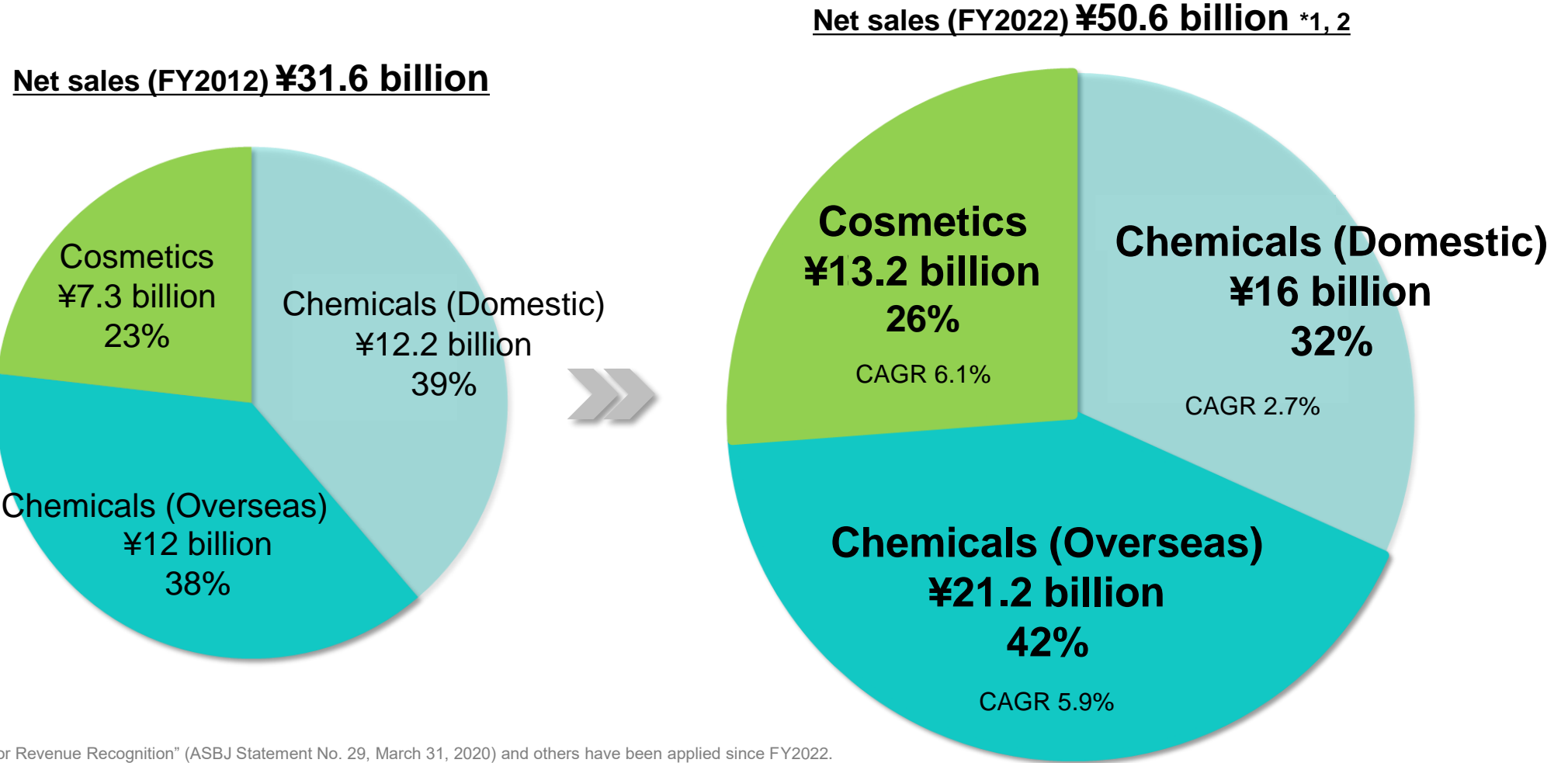


#### Major Affiliates

- Yamada Pharmaceutical Co., Ltd. (Cosmetics OEM/ODM)
- EraL Co., Ltd.
- DEMI KOREA CO., LTD.
- & 4 others

# Sales Composition by Business Segment (FY2022)

Sales of cosmetics and chemicals increased significantly due to overseas growth



\*1 "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied since FY2022.

\*2 "Chemicals segment" includes other segments.

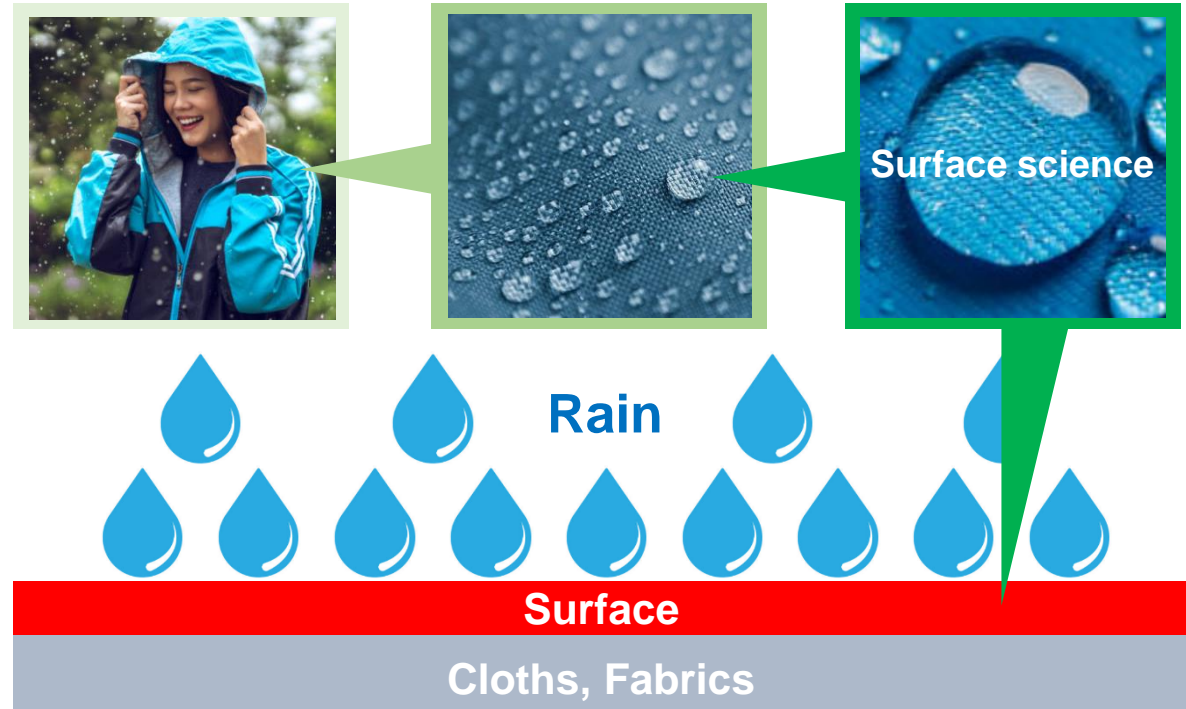
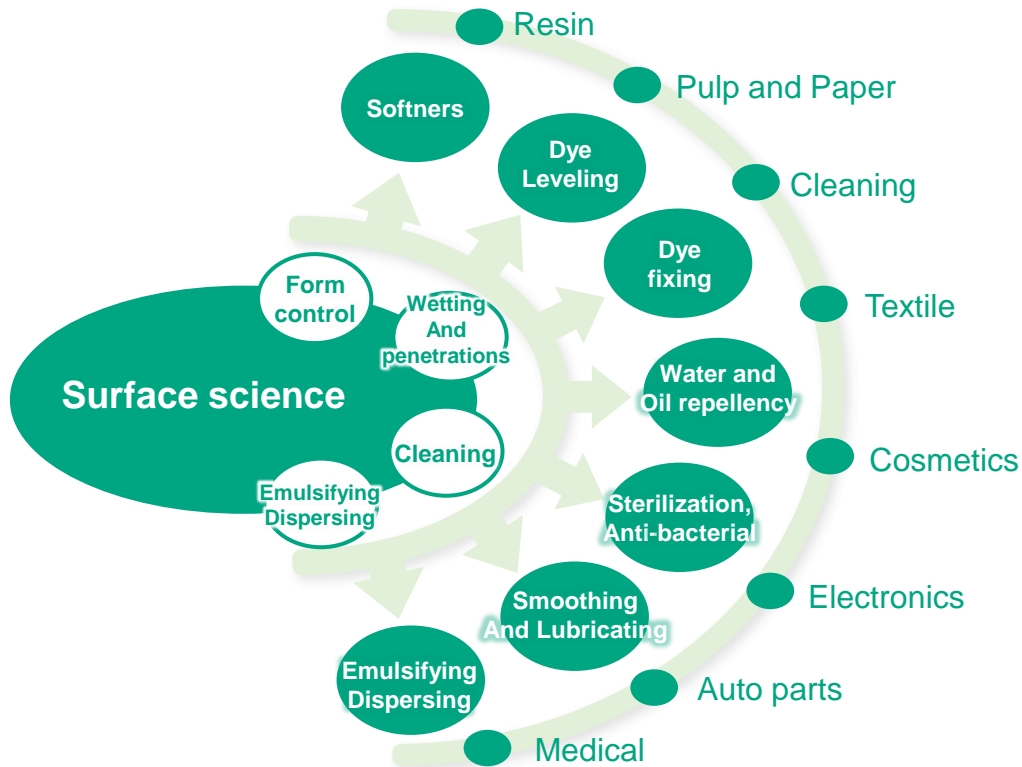
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## **Business Features and Our Strengths**

# Surface science are essential to our daily lives

“Surface science” refers to technologies that control the boundaries and surfaces of various materials through the use of both scientific and chemical approaches.

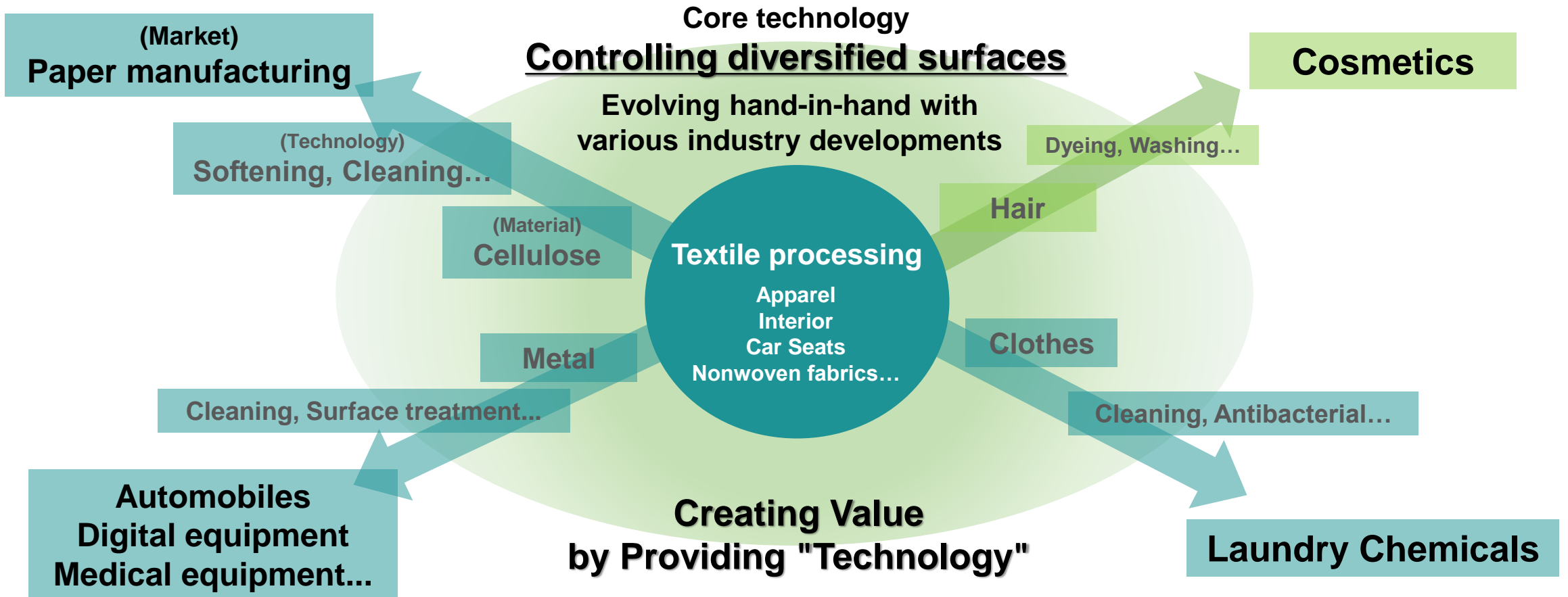
Example: Surface science technology is indispensable when making water-repellent clothing.


















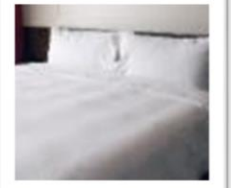
# Core Technology

Our core technology has been cultivated in the textile industry for more than 80 years and has evolved while expanding into other industry domains.



# Technology that supports people's lives

Our technology is used in various areas of daily life and is deployed in many niche areas that are difficult to solve with general-purpose products.

 <p><b>Sports Apparel</b> Water-repellent, water-absorbing, and quick-drying</p>	 <p><b>Styling</b> Movement, Texture</p>	 <p><b>Hair color</b> Coloring, Glossing</p>	 <p><b>Silicon wafer</b> Cutting, Machining</p>
<p><b>Fashion underwear</b> Antibacterial, Antiviral</p>	 <p><b>Hair care</b> Professional use</p>	 <p><b>Skin care</b> Moisturizing, Gentleness</p>	 <p><b>Newspapers, Magazines</b> De-inking, De-foaming</p>
 <p><b>Interior</b> Stain and flame retardant</p>	 <p><b>Head cure</b> Moisture, Fragrance</p>	 <p><b>Laundry Chemicals</b> Cleaning, Antibacterial</p>	 <p><b>Digital device</b> Lubrication, Heat resistance</p>
<p><b>Automobiles Car Seats</b> Flame retardant, Durable</p>	 <p><b>Perm</b> Damage reduction</p>	 <p><b>Hotels Hospitals</b> Cleanliness, Hygiene</p>	 <p><b>Medical equipment</b> Cleaning, Disinfection</p>

## Business mechanism (Example: Textile Chemicals)

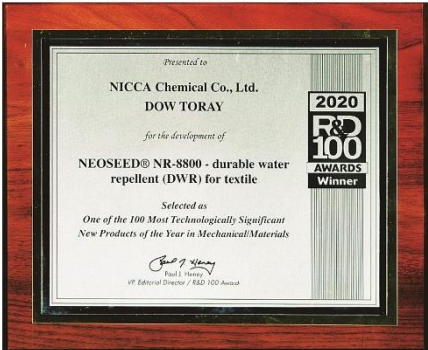
Innovations based on our technology and experience have created epoch-making products that are highly supported by customers.

### NR-8800 : Innovative silicone-based PFC-free durable water repellent

Winner of the 2020 R&D 100 Award\*1

#### Difficult new challenges

- Leading global apparel companies **restricting use of hazardous chemicals**
- Growing need for **PFC-free water repellents**
- **Major challenges** achieving right comfort balance (fabric texture, etc.)



## Solution through Innovation

NICCA Chemical discovered a silicone component capable of solving conventional challenges

Joint development with world-class silicone manufacturer, Dow Inc. (U.S.A.)

### Technology × Partner × People

Hundreds of samples were tested at **leading domestic textile processing manufacturers.** Feedback and adoption by **global apparel, sports and outdoor product manufacturers.**



\*1 R&D 100 Award: Sponsored by "R&D World Magazine" in the U.S., this award is presented to the 100 most revolutionary products and technologies developed by world-class research institutes and companies, and applied to practical use, over the past year. There were four award winners from Japan in 2020: NICCA Chemical, Toyota Motor Corporation, Toyota Central R&D Labs, and Hitachi, Ltd.

## Business mechanism (Example: Cosmetics)

Generation of more than 3,000 science-based formulas and feedback from hairdressers who are hair specialists support our Cosmetics business

Planning & development of innovative products from more than 3,000 formulas created by the company's "hair science"

- **Scientific analysis and research** of not only hair and scalp, but also chemicals and ingredients
- **Providing products to and capturing feedback** from hairdressers on product development for 40 years
- Commercialization of products selected **from over 3,000 formulas** (hair care, perms, coloring, styling, hair growth, skin care, etc.)



Our human talent are information leaders with a wealth of industry knowledge

- **Providing content cooperation for learning materials, etc.** of the Japan Hair Care Meister Association
- **Significant media exposure**, including lectures on hair & skin science
- **Active communication on SNS**, such as "DEMI Color Channel" on Instagram



Formulas for Professional Use also expanded to ODM

- **The best formulas for Professional Use are selected and proposed** to customers with ODM needs
- Flexible in-house plant can handle **small-quantity, high-mix orders**




# The growing possibilities of surface science


Given the major changes occurring in the world, the need for innovation through surface science is becoming increasingly important.

## Changes in the world


## Major changes in manufacturing



**Climate change**



**Interest in health**



**Super-smart Society**

**Material evolution & diversification**

- Bio-materials, recycled materials
- Diversified composite materials

×

**Changes in chemical raw materials**

- Restrictions & regulations on the use of harmful chemicals
- Compliance with new substance regulations around the world

×

**Sophisticated functional needs**

- Enhanced energy-saving and decarbonization, and water conservation during processing
- Low dielectric materials for high-frequency applications required in post-5G era, etc.



**New surface challenges**

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**NICCA Chemical's technology & experience**  
Learn about various materials and raw materials

**A trustworthy partner**  
New wisdom & technology created through collaboration

**Employees that never give up**  
Driven & tenacious



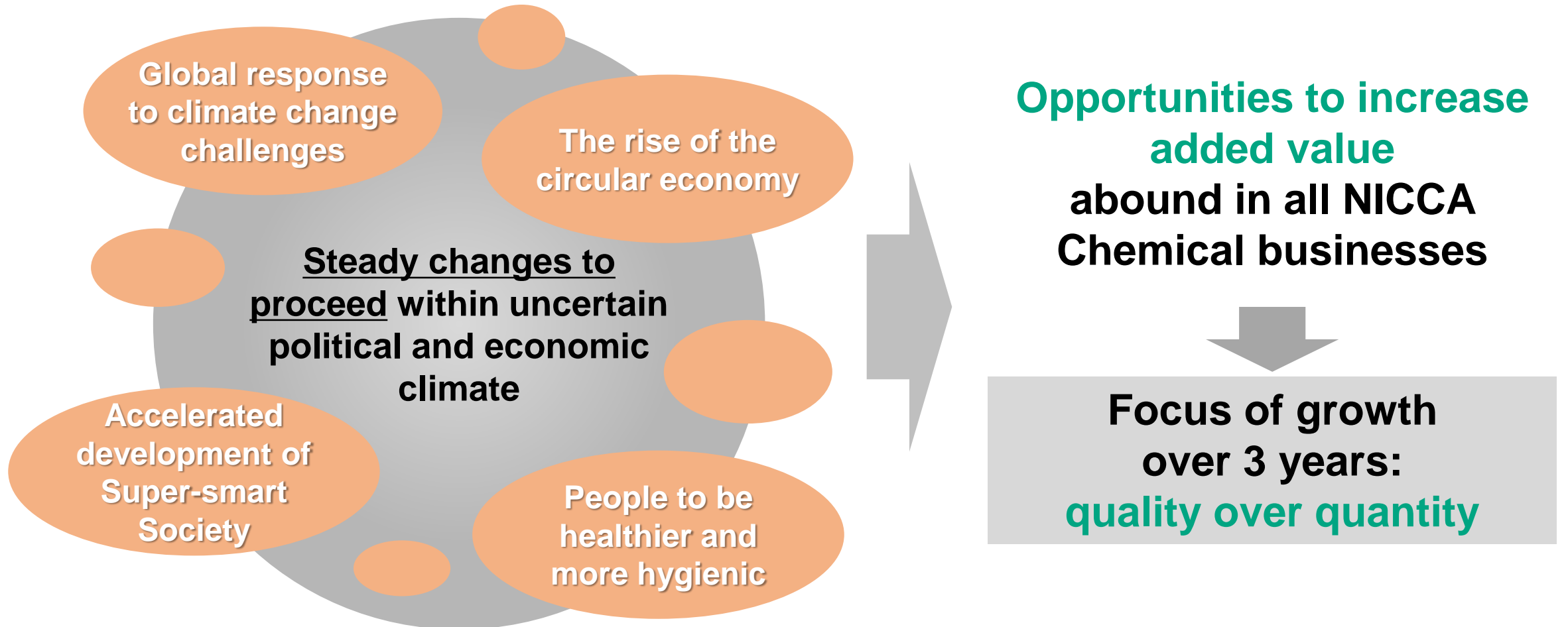
**Innovation chance**

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## **The Medium-term Business Plan (Target figures)**

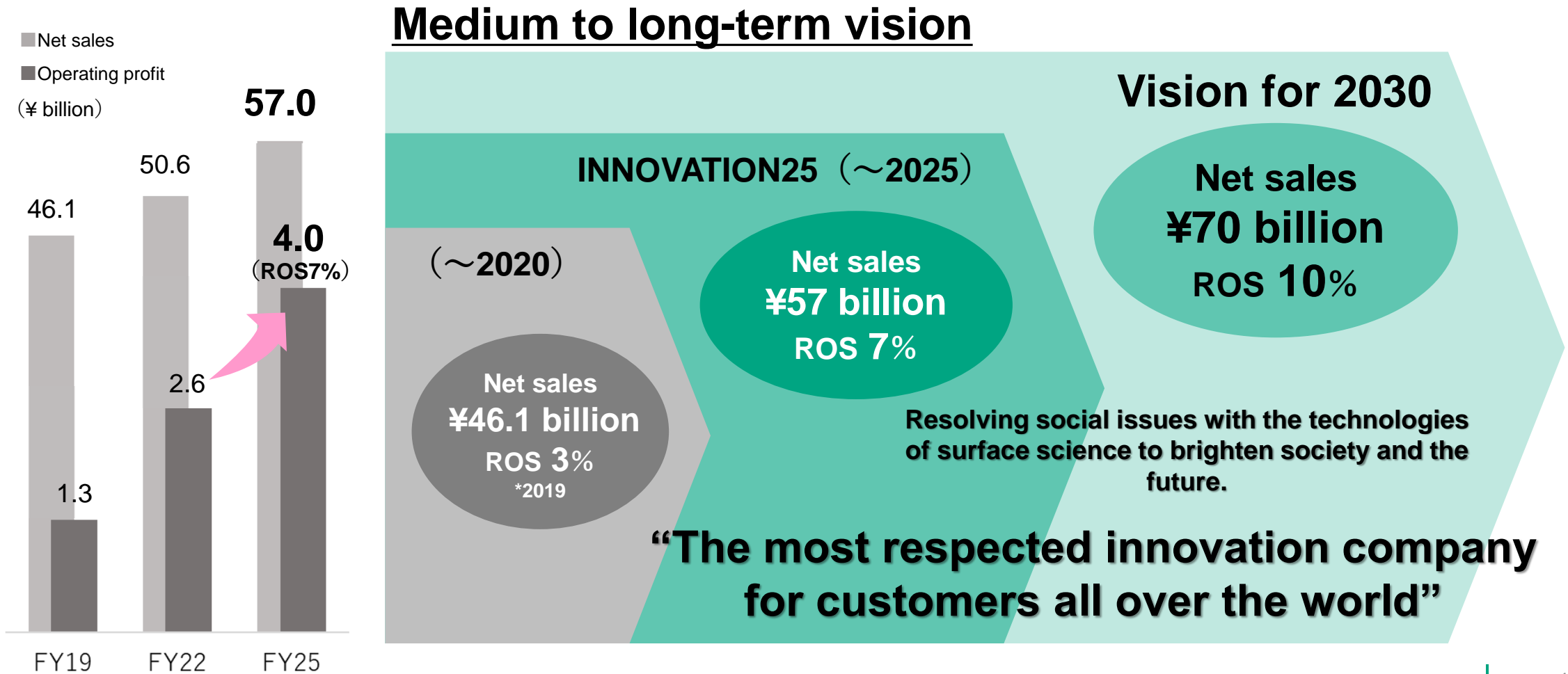
## Perceived business environment

In the uncertain business environment expected in 2023 - 2025, our major management challenge will be growth in "quality" rather than "quantity"



# Medium to Long-term Growth Vision

To be the most respected innovation company for customers all over the world.





## Growth Image for the next three years (2023~2025)

This next three years will be used to drive business structure transformation, improved profitability, and aggressive investment in growth areas, all aimed at firmly establishing a new growth spiral.



## Management target figures (2025)

**Strike a good balance between improving profitability and aggressively investing in growth markets**

(¥ billion)

	FY2022 Actual results*1,2,3			FY2025 plan			
	Company-wide	Chemicals	Cosmetics	Company-wide	Chemicals	Cosmetics	
① Net sales (¥ billion)	50.6	37.3	13.2	57.0	40.0	17.0	<ul style="list-style-type: none"> <li>Aim for company-wide growth that exceeds global GDP growth forecasts</li> <li>For Chemicals, focus on growth in profits (quality) rather than sales (quantity)</li> </ul>
CAGR*4	3.1%	2.4%	5.2%	4.0%	2.3%	8.6%	
② Operating Profit (¥ billion)	2.6	0.9	1.7	4.0	2.0	2.0	<ul style="list-style-type: none"> <li>Aim for 10% or more company-wide ROS in 2030 as a medium- to long-term target</li> <li>Improved profitability for Chemicals with shift to high value-added business</li> <li>Temporarily lower ROS for Cosmetics due to aggressive investment aimed at growth</li> </ul>
ROS	5.2%	2.4%	12.9%	7.0%	5.0%	11.8%	
③ ROE*5	6.4% (8.0%)	—	—	8.0%	—	—	<ul style="list-style-type: none"> <li>Aim for 10% ROE in 2030 as medium- to long-term target</li> </ul>
④ ROIC*6	4.6%	2.0%	15.3%	7.0%	5.0%	12.0%	<ul style="list-style-type: none"> <li>Target a level that is stable and significantly above WACC</li> </ul>
Assumptions Exch. Rate/ Naphtha price	¥132/USD (end of Dec. 2022) ¥72,500/KL (Avg. 4Q 2022)			¥132/USD ¥72,500/KL			<ul style="list-style-type: none"> <li>Plan assumptions based on exchange rate as of end of December 2022 and average naphtha price in 4Q 2022</li> </ul>

\*1 "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and others have been applied since FY2022.

\*2 "Chemicals segment" includes other segments.

\*3 "Eliminations and Corporate" are allocated to Chemicals and Cosmetics segments.

\*4 CAGR represents three-year average growth rate of net sales

\*5 ROE is an estimate and excludes extraordinary gains/losses and other extraordinary factors.

\*6 ROIC is an estimate based on working capital, fixed assets and other information.

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## **The Medium-term Business Plan (Company-wide basic strategies)**

## **Company-wide basic strategies**

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**No major changes to the five major strategies, but the key to achieving numerical targets will be the acceleration of 1, 2, and 3 below.**

### **■ INNOVATION25 「Five Major strategies」**

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- 1. Major transformation of business structure**
- 2. Well-balanced investment**
- 3. Productivity reform**
- 4. Promotion of sustainable management**
- 5. Evolution of the extended family policy**

# Strategy 1. Major transformation of business structure

Drive the shift to EHD domains where focus is on social issues of **E: Environment, H: Health and D: Digital (advanced materials)**.

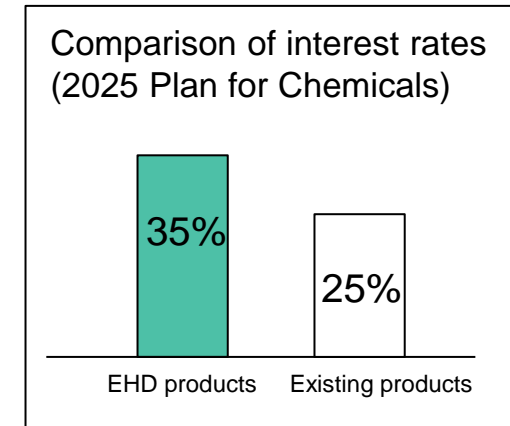
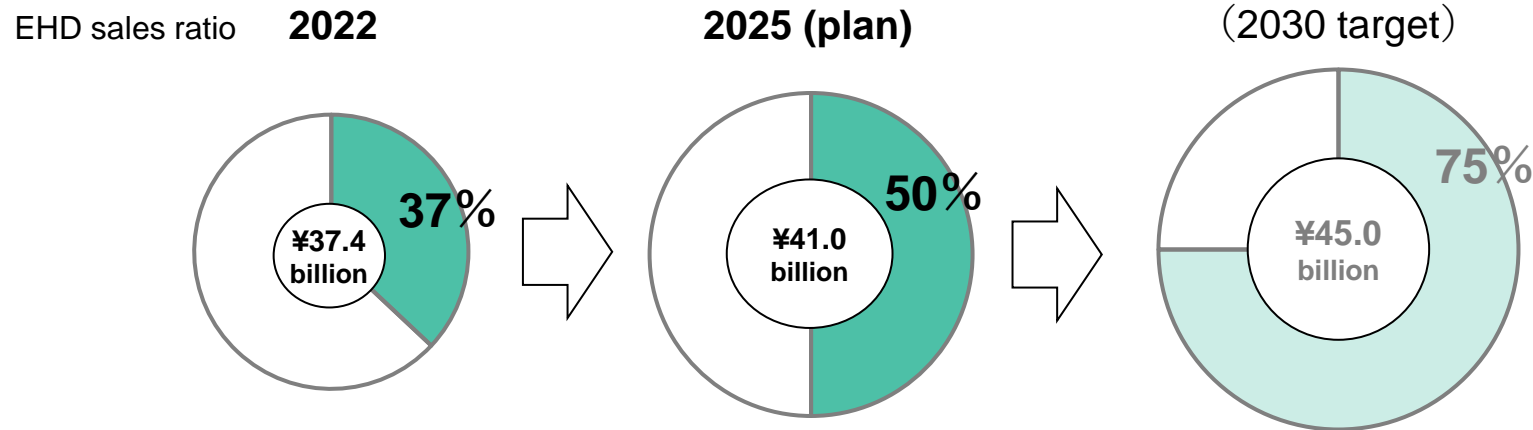
◎/ Special focus in future  
○/ Focus on

EHD domains to focus on		Cosmetics	Chemicals		
			Textile Chemicals	Cleaning and medical agents	Specialty Chemicals
Environment	Improve customer production process environment (energy and water conservation, decarbonization, environmental improvement, waste reduction, etc.)	_____	◎ Chemicals to reduce processing time, save water, etc.	○ Chemicals to reduce processing time, save water, etc.	◎ Recovery & recycling of cooling agent used in semiconductor wafer processing
	Switch to raw materials and containers with less environmental impact	◎ Plant-derived raw materials and eco-friendly containers	◎ Bio-derived raw materials and recycled raw materials	○ Bio-derived raw materials and recycled raw materials	◎ Solvent-based → Water-based
Health	Help people stay healthy and clean	◎ Healthier and cleaner hair & scalp products	○ Evolution for use in sportswear and other functions	○ A healthier and cleaner life	_____
	Hygiene management, antibacterial, antiviral, etc.	○ Hand cleaning products	◎ Antibacterial and antiviral for apparel, interior design, etc.	◎ Chemicals to control infection	_____
Digital	Address new surface challenges to support next-generation communications and nanotechnology	_____	_____	_____	◎ Low-dielectric materials for high-frequency applications, etc.
	Promote digitalization of customer workplaces	_____	_____	◎ Propose chemicals management and supply system	_____

# Strategy 1. Major transformation of business structure

In particular, there is significant room to improve the EHD ratio in the Chemicals business. Increasing this ratio will increase the profitability of the overall Chemicals business.

## Chemicals



## Cosmetics

- **Many of the company's products** using the opinions of hair and scalp professionals and "hair science" as a starting point are created based on **research aimed at producing a healthy scalp and hair.**
- Further deepening of E/H domains through **new product development with a greater awareness of health and packaging sustainability.**

# Strategy 1. Major transformation of business structure

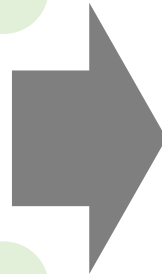
Raise the Group's profitability through the two pillars of the expansion of the Cosmetics business and the EHD shift in the Chemicals business.

## Basic policy for major transformation of business structure

**Aggressive investment in Cosmetics business to accelerate business expansion**



**Chemicals business to focus on EHD domains, prioritizing profitability improvement over sales volume**



## Medium- to long-term (2030) business structure

- ◆ Increased sales composition for Cosmetics to support company-wide operating profit growth
- ◆ Significantly improved profitability in Chemicals to boost company-wide profitability

		company-wide	Chemicals	Cosmetics
Net sales (composition ratio)	2022	¥50.6 billion	¥37.4 billion (74%)	¥13.3 billion (26%)
	2030	¥70.0 billion	¥45.0 billion (64%)	¥25.0 billion (36%)
Operating profit [ROS] (composition ratio)	2022	¥2.7 billion	¥0.9 billion [2%] (33%)	¥1.7 billion [13%] (67%)
	2030	¥7.0 billion	¥3.5 bln. [8%] (50%)	¥3.5 billion [14%] (50%)

# Strategy 1. Major transformation of business structure (Cosmetics)

Commercial opportunities exist within major market changes. In addition to leveraging the company's strengths of product planning and development, expand the market through full-scale marketing and promotions, which are activities the company has not previously done.

## Summary of 3-year growth plan for Cosmetics business

### Business environment

- ◆ **Commercial opportunities within major changes in market structure**
  - Growing consumer awareness of **self hair care**  
→Growth of **high-priced hair care market**
  - Rise of **emerging brands with strong product planning and marketing capabilities**; taking market share from major players

### NICCA Chemical's strengths

- ◆ **Innovative product planning and development capabilities based on hair science and feedback from hairdressers**

### Business strategy overview for 2023-2025

- ◆ **Launch of new large brand & product renewals**
  - New ground-breaking scalp care brand
  - Full renewal of hair color brand
- ◆ **Full-scale marketing & promotion**
  - Media advertising and digital communication
  - Reinforce brand recognition and attract customers to salons
- ◆ **Expand ODM business**
  - Aggressively capture ODM needs of emerging brands
- ◆ **Start full-scale study for new plant operations**
  - New concept plant capable of dramatically improving productivity and accommodating business expansion (full-scale operation planned in 2026 or later)



# Strategy 1. Major transformation of business structure (Cosmetics)

## DEMI DO Launch scheduled in April 2023.

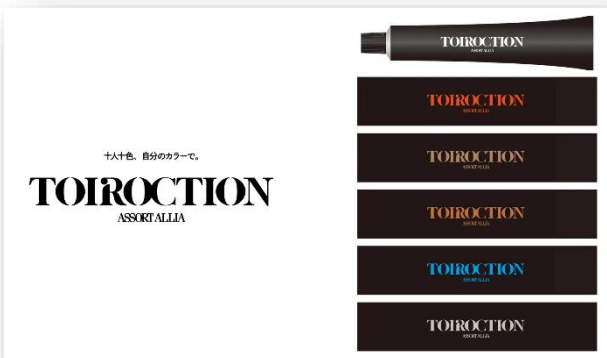
# DEMI



一生、  
この髪とあそぼう。  
SMART SCALP CARE  
DEMI DO

- A scalp care brand that maximizes the performance of an individual's scalp and hair
- Backed by its confidence in hair science technology, this first-ever DEMI-branded series will dispel conventional scalp care ideas

## TOIROCTION Launch scheduled in June 2023.



- Full renewal, including a new brand name, of comprehensive hair color band "ASSORT ALLIA C"
- Newly shaped small cap uses around 55% less plastic

## Strategy 1. Major transformation of business structure (Cosmetics)

Commenced review of a new cosmetics plant, predominantly aimed at expanding production capacity and improving productivity. Aim for operations to start in 2026 or later.

### Production capacity

- ◆ Approx. 4 times current capacity  
(Production capacity: 2,674 t ⇒ 10,800 t)

### Increased productivity

- ◆ Manufacturing productivity per employee ⇒ Approx. 3 times
- ◆ Inventory turnover months ⇒ 1/2 or less

Planned construction site: Fukui

### Smart Factory Concept

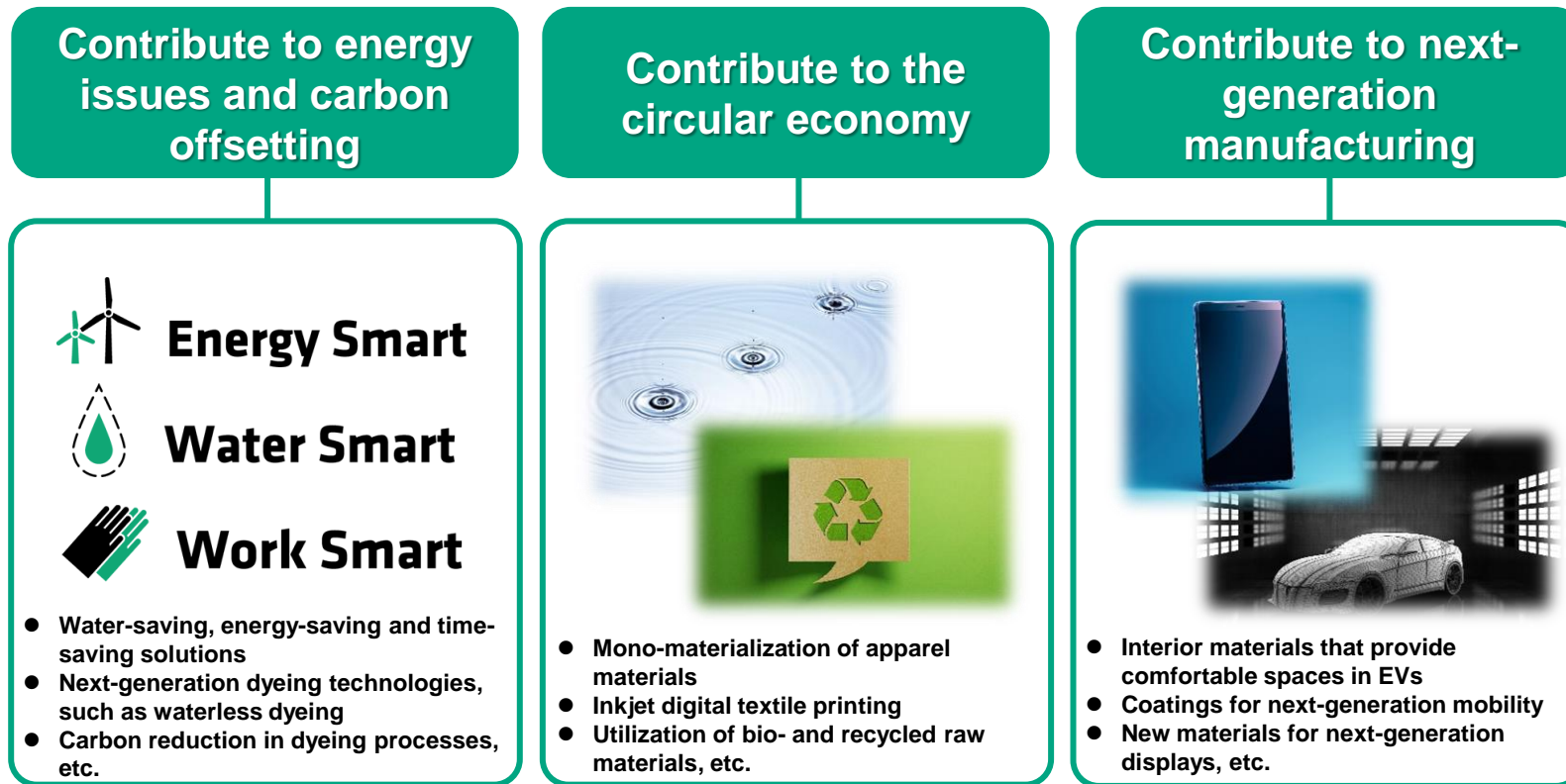
- Mechanization, automation, labor-saving, energy-saving
- Environmental measures (cut CO2 emissions & wastewater)
- Automated filling & packaging
- Automated delivery of raw materials, materials, etc.



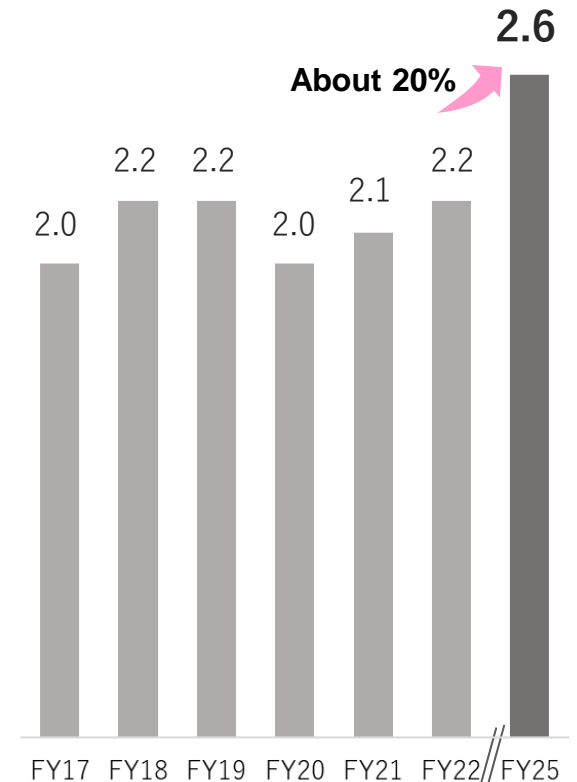
# Strategy 1. Major transformation of business structure (Chemicals)

In addition to concentrating on EHD-related themes, R&D will focus on areas that will contribute to the circular economy and next-generation manufacturing.

## Examples of Innovation themes to focus on in 3-year period (2023-2025)



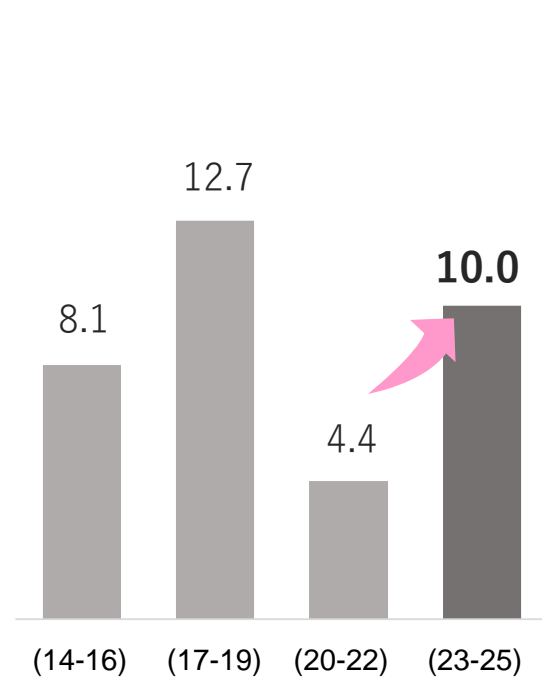
R&D expenses (¥ billion)



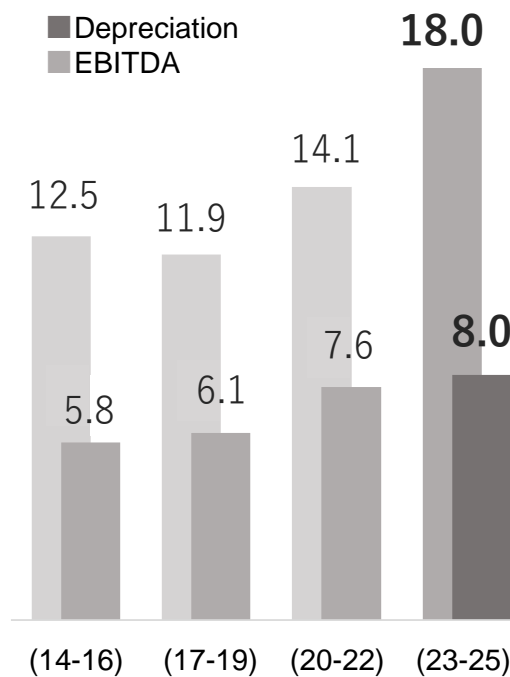
## Strategy 2. Well-balanced investment

### Careful selection of investments with high investment efficiency and well-balanced investments

**Capital expenditure, etc.\*1** (¥ billion)



**Depreciation and EBITDA** (¥ billion)



\*1 The 2023-2025 plan includes major expenditure items, such as marketing, that were not previously included.

### 3-year (2023-2025) investment policy

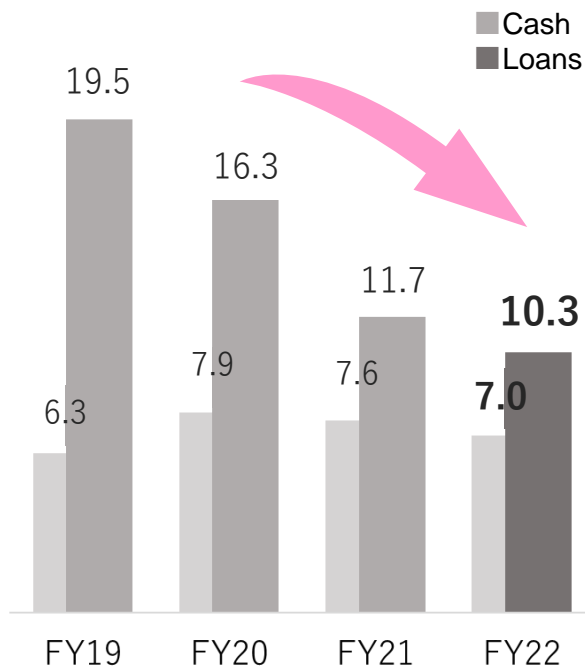
- ◆ Focus on shift to EHD and efficiency investments
- ◆ Manage investment efficiency using ROIC for each business

	Major investment plans for 3-year period	ROIC target (2025)
<b>Cosmetics</b>	<ul style="list-style-type: none"> <li>Expansion of manufacturing functions for long-term growth</li> <li>Aggressive marketing, etc.</li> </ul>	12.0% Decrease in short term due to active investment, etc.
<b>Chemicals</b>	<ul style="list-style-type: none"> <li>Investment to ramp-up production and R&amp;D aimed at EHD-related business growth</li> <li>DX and other productivity improvement investments, etc.</li> </ul>	5.0% Increase due to careful selection of investments and improved profit margins
<b>Company-wide</b>	<ul style="list-style-type: none"> <li>Introduction of new HR system, etc.</li> </ul>	7.0% or more More than WACC

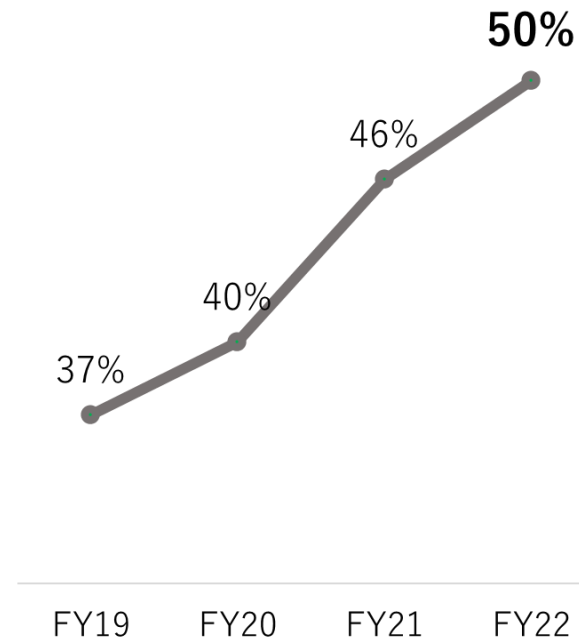
## Strategy 2. Well-balanced investment

**While our current financial position has improved dramatically, the aim is for a well-balanced financial structure with an awareness of the DE ratio and investments being made within operating CF during the current medium-term business plan period.**

**Changes in Cash and Loans payable (¥ billion)**



**Changes Equity ratio**



### Borrowings for strategic investment period (2017-2019) reduced by around half

- Completed a series of major investments, including the NICCA INNOVATION CENTER, Kashima Plant expansion, and a chemicals plant in South Korea.
- In addition to achieving business growth during Covid-19, cost reductions and investment restraints were also successful.
- While future investments will basically be funded by operating CF, the aim is for a well-balanced financial structure with an awareness of the DE ratio.

## Strategy 3. Productivity reform

**Aggressively promote DX to improve efficiency and PH\*, and analyze and utilize various data to create new value.**

### DX examples

#### Workplace reform/Remote-work utilization

- Use of Teams, Zoom, etc.
- Microsoft Surface for all employees and expansion of Office365 functions
- Preparing to introduce new HR system

#### Production efficiency/Automation

- Digitalization of manufacturing sites, including weighing systems, electronic SOPs, and MES
- Introduction of automation equipment such as robot arms, semi-automatic packaging equipment, etc.

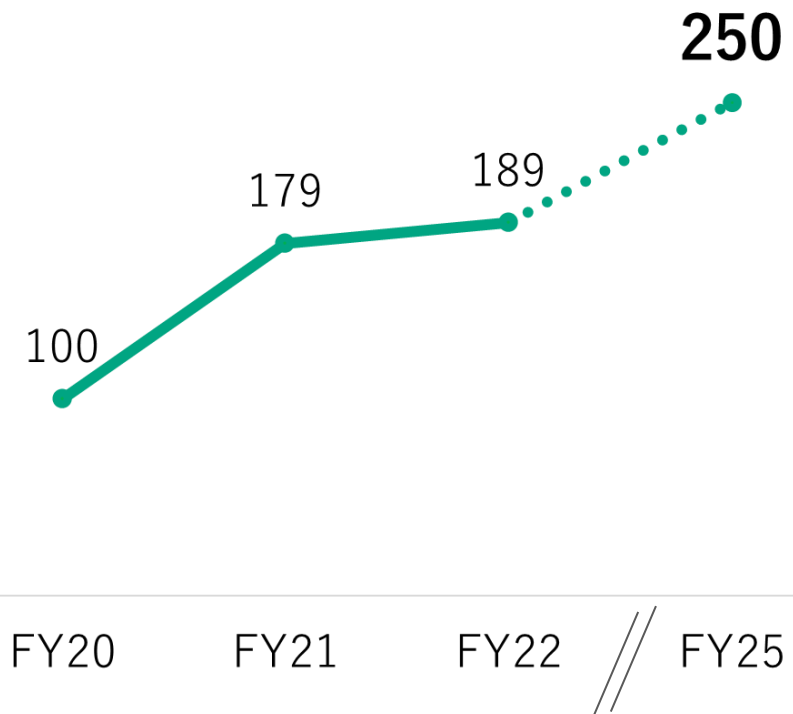
#### Visualization of R&D activities/HR development

- Revamp and upgrade core research system
- Introduction of electronic lab notebooks and talent management system

#### Data utilization/Analysis sophistication

- Company-wide deployment of BI tools
- Rollout of sales management system

### PH operating profit (when 2020 is set as 100)



\* PH : per head

# Strategy 4. Promotion of sustainable management

Reduce net CO2 emissions for the entire Group by 30% by 2030 compared to 2018 levels

## Materiality (Key issues)

### Environment

Work toward a cleaner global environment

- Cut net CO2 emissions for entire Group
- Business activities to solve social issues through EHD businesses
- Promotion of social contribution activities through work, etc.

### Life

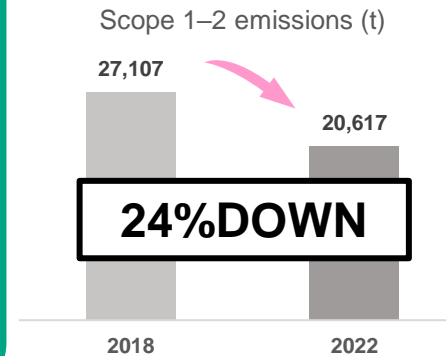
Make people's lives more comfortable

### Society

Enrich society

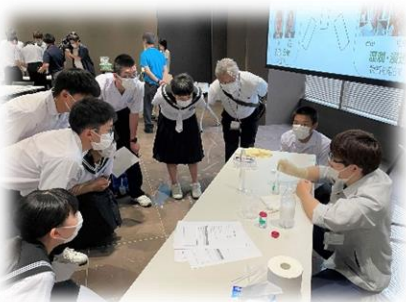


## Contribute to CO2 emissions reduction



- In July 2021, all business sites in Fukui Prefecture switched to **100% hydroelectric power usage**
- Shift from petroleum-based to **plant-derived raw materials**

## School excursion groups during Covid-19



- Junior high school students in Fukui Prefecture visited NICCA INNOVATION CENTER as part of their **school excursions**
- Students experienced the fun of communicating with employees and making an original shampoo

## Scholarship program provided by EraL Co., Ltd.



- Establishment of a **unique scholarship program** for beauty school students aspiring to become hairdressers
- Back up students aiming for solving issues in the beauty industry caused by the declining birth rate and changing work styles

# Strategy 5. Evolution of the extended family policy

Evolve the large-family approach so that the shift to EHD brings together people who are willing to take on social challenges and can maximize their own potential

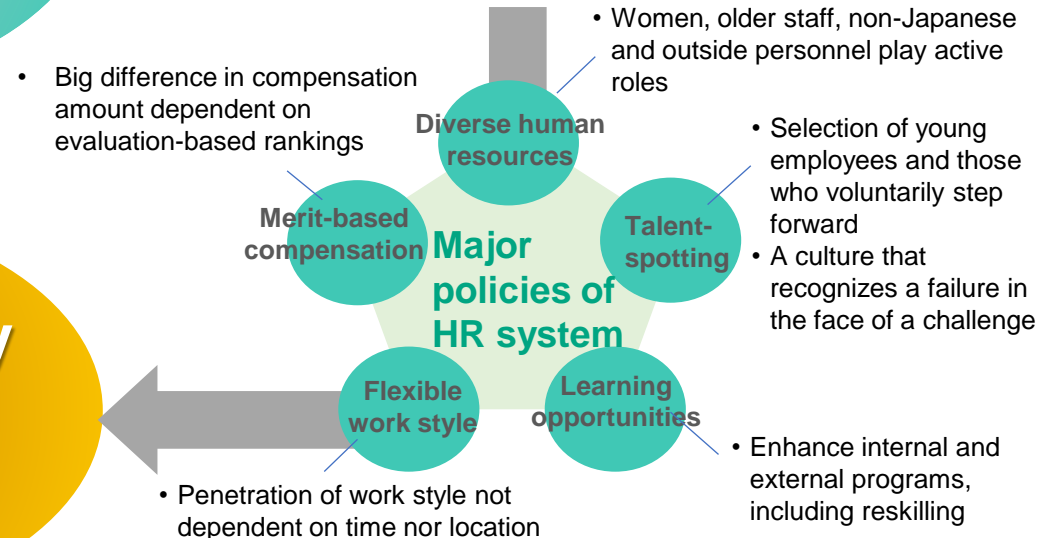
## Shift to EHD

Both the company and the individual face the challenge of solving social issues  
Increased job satisfaction and enjoyment



## Challenges

Taking on difficult tasks on one's own  
Sparing no effort to grow



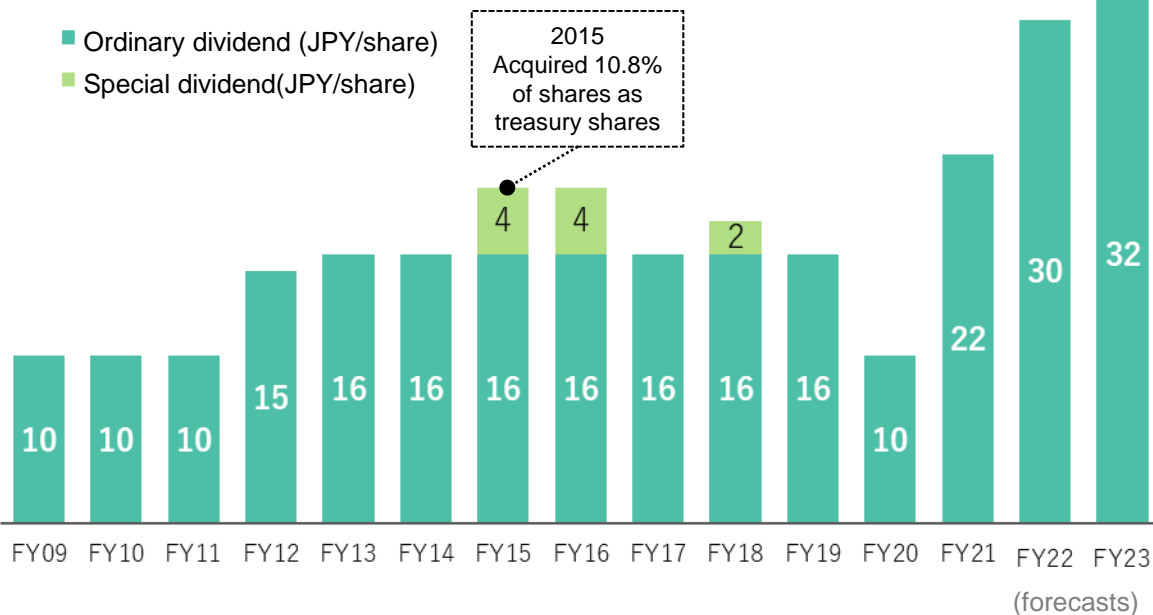
Fair evaluation of results



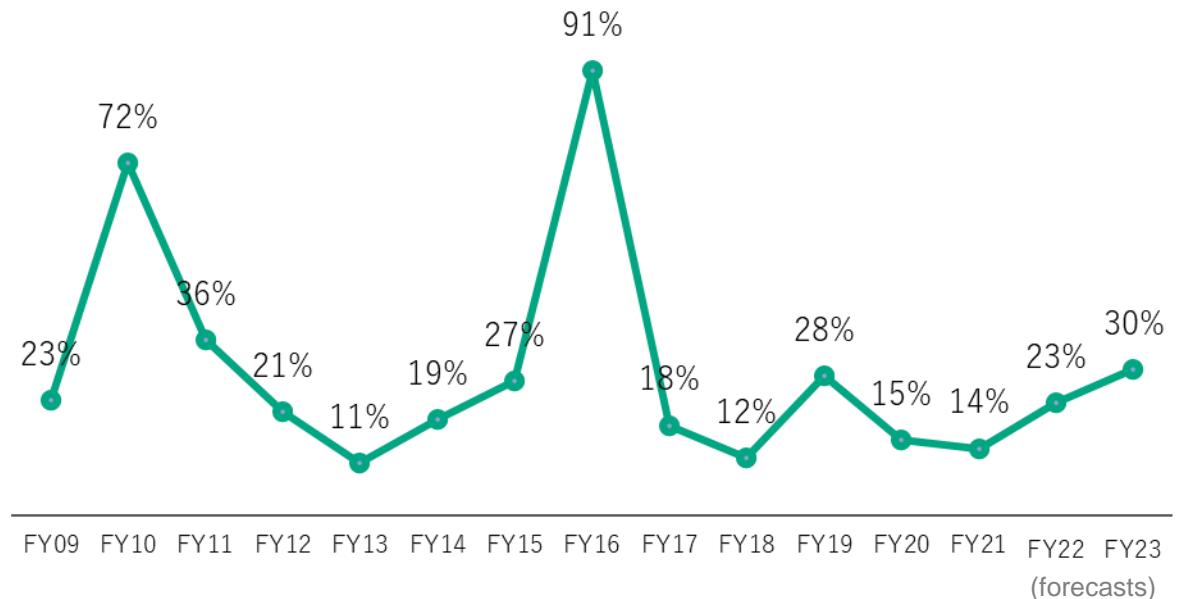
# Dividends policy

- We continue to pay **stable dividends** to our shareholders, and we decide to pay dividends to retained earnings in comprehensive consideration of the results of each fiscal year, investments required for future growth, and business development in the future. We also plan to expand our **dividend payout ratio to 30%** in the future.
- Going forward, we will continue to strive to enhance measures for returning profits to shareholders, strengthen our financial position and effectively and strategically utilize capital to improve profitability in a well-balanced manner.

## Changes in dividends per share



## Changes in Consolidated Dividend Payout Ratio



## Corporate purpose

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Shine brightly through science and chemistry.

# Activate Your Life

### Corporate Purpose

We defined "NICCA Chemical's corporate purpose" as what it is that NICCA Chemical aims to achieve over the next 20 to 30 years, when we launched the medium-term business plan. "Activate Your Life" entails us working together with our stakeholders to solve various social issues by leveraging the infinite power of surface science and contributing to a more affluent life and brighter future.

Specifically, we will provide value by safeguarding people from environmental risks that society faces, creating a future society overflowing with health and smiles, and contributing to society through new technologies in response to the rapid progress of nano-sizing and digitalization. With our corporate purpose at the core of our management, we aim to achieve sustainable growth by nurturing the ability of every employee to brighten society and the future.

5

## Appendix

## Description of Business (Chemicals)

Applying total solution technology for textile processing, cultivated since the company's founding, to a wide range of markets.

Acquired Ohtomo-chemical in 2015. Also expanding into the fast-growing digital sector.

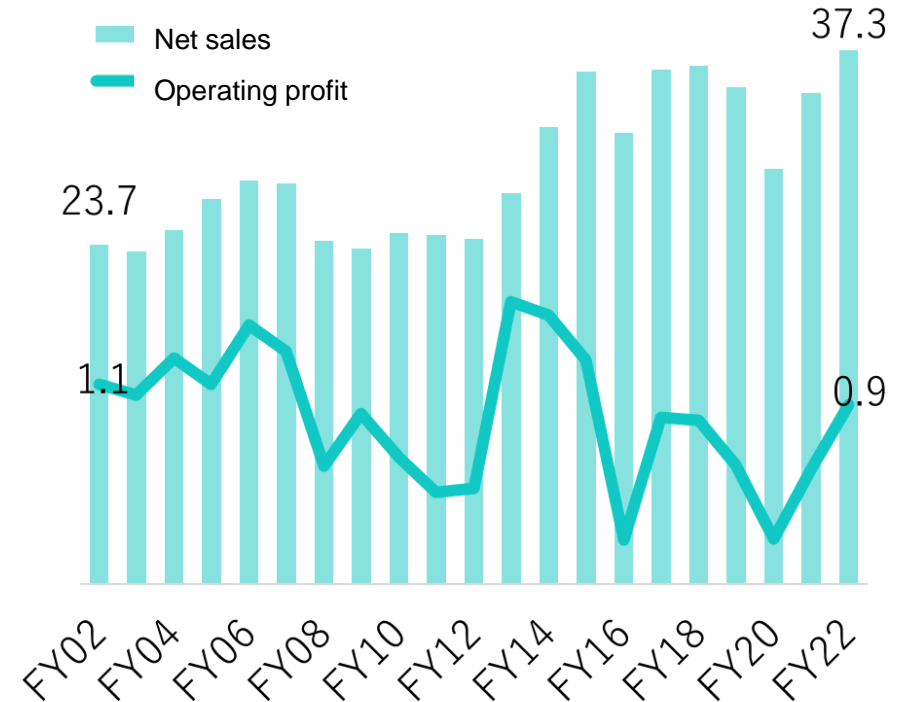
### Chemicals



#### Major Affiliates

- Ohtomo-chemical ins., corp (for semiconductor industry)
- NICCA CHEMICAL (CHINA) CO., LTD.
- NICCA KOREA CO., LTD.
- & 13 others

### Changes in net sales/operating profit \*1,2,3 (¥ billion)



\*1 "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied since FY2022.

\*2 "Chemicals segment" includes other segments.

\*3 "Eliminations and Corporate" are allocated to the Chemicals and Cosmetics segments.

## Description of Business (Chemicals)

### Three divisions of the Chemicals Sector

#### Textile Chemicals



**Textile processing chemicals**  
(Scouring agent, dyeing aids, etc.)

**Functional processing agents**  
(Water repellent, flame retardant, antibacterial, etc.)

**Chemicals for synthetic and human skins**  
(Polyurethane coatings)

#### Specialty Chemicals



**Paper and pulp chemicals**  
(De-inking agent, Softening agent, Thermal paper developer, etc.)

**Metal and rubber processing agents**  
(Detergents, Mold release agents, etc.)

**Functional Intermediates, Monomers**  
(Alkylene oxide adducts, etc.)

**Functional polymers**  
(Water-based urethane resin, Fluoropolymers, etc.)

**Agents for semiconductor production processes**  
(Coolant and other Ohtomo-chemical products)

#### Cleaning and medical agents



**Laundry Chemicals**  
(Detergents, fabric softeners, etc.)

**Agents for medical equipment**  
(Detergents, disinfectants, etc.)

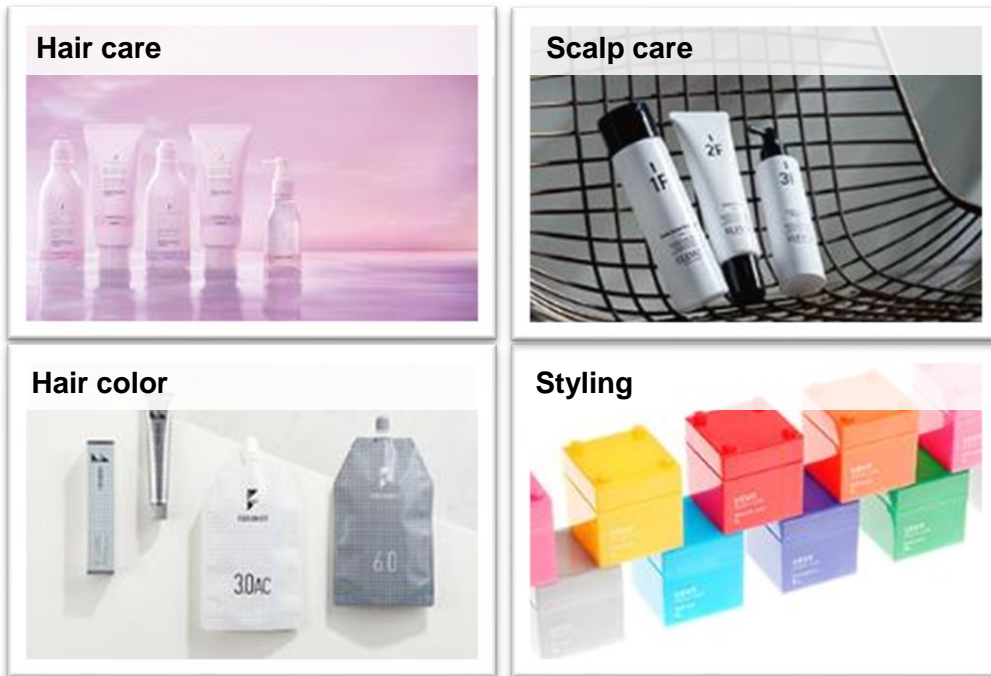
**Environmental hygiene agents**  
(Hand sanitizers, Antibacterial/Antiviral agents, etc.)

**In vitro testing and diagnostic agents**  
(In vitro genetic testing, Artificial nucleic acids, etc.)

# Business (Cosmetics)

**Professional hair salon products centered around flagship "DEMI" brand**  
**Based on customer voices, R&D has focused on the theme of healthy and beautiful hair**

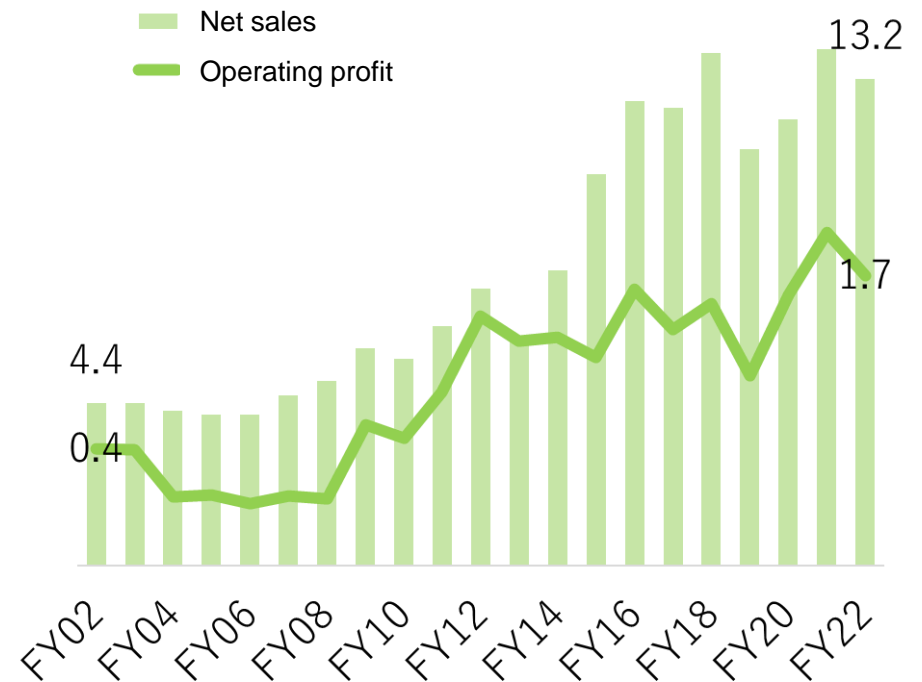
## Cosmetics



### Major Affiliates

- Yamada Pharmaceutical Co., Ltd. (Cosmetics OEM / ODM)
- EraL Co., Ltd.
- DEMI KOREA CO., LTD.
- & 4 others

## Changes in net sales/operating profit\*1,2,3 (¥ billion)



\*1 "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied since FY2022.

\*2 "Chemicals segment" includes other segments.

\*3 "Eliminations and Corporate" are allocated to the Chemicals and Cosmetics segments.

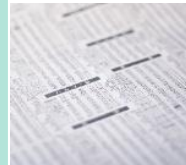
# NICCA Chemical technology supporting everyday lives



**Environmentally friendly water-repellent finish** sought by apparel manufacturers around the world



**Sweat-absorbing, quick-drying finish** for sportswear



**De-inking process** to remove ink essential for magazine and newsprint recycling



**Hygienic living essentials, hand soap and other hand sanitizing products**



**Various processing agents** used in semiconductor silicon wafer processing



**Environmentally friendly artificial leather finish**



**Antiviral & antibacterial deodorizing treatment** of odors and underwear to inhibit growth of sweat bacteria



**Thermal paper for various tickets**, such as airline and train tickets



**Cleaning of medical instruments and other equipment** used in surgery



**Advanced materials** used in digital devices and semiconductors



**Flame retardant finish and treatment to prevent sun damage and fading** for car seats



**Detergents, water repellents, etc.** for dry cleaners



**Environmentally friendly low-temperature cleaning agent** for vehicles



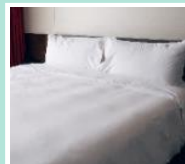
**Professional hair care products** for hair salons



**Professional hair color products** for hair salons



**Stain resistant & flame-retardant finish** for curtains and carpet



**Linen cleaning, etc.** for hotels and hospitals



**Easy-to-remove stains and environmentally friendly maintenance cleaner** for Shinkansen trains



**Cube-shaped styling products** popular in hair salons

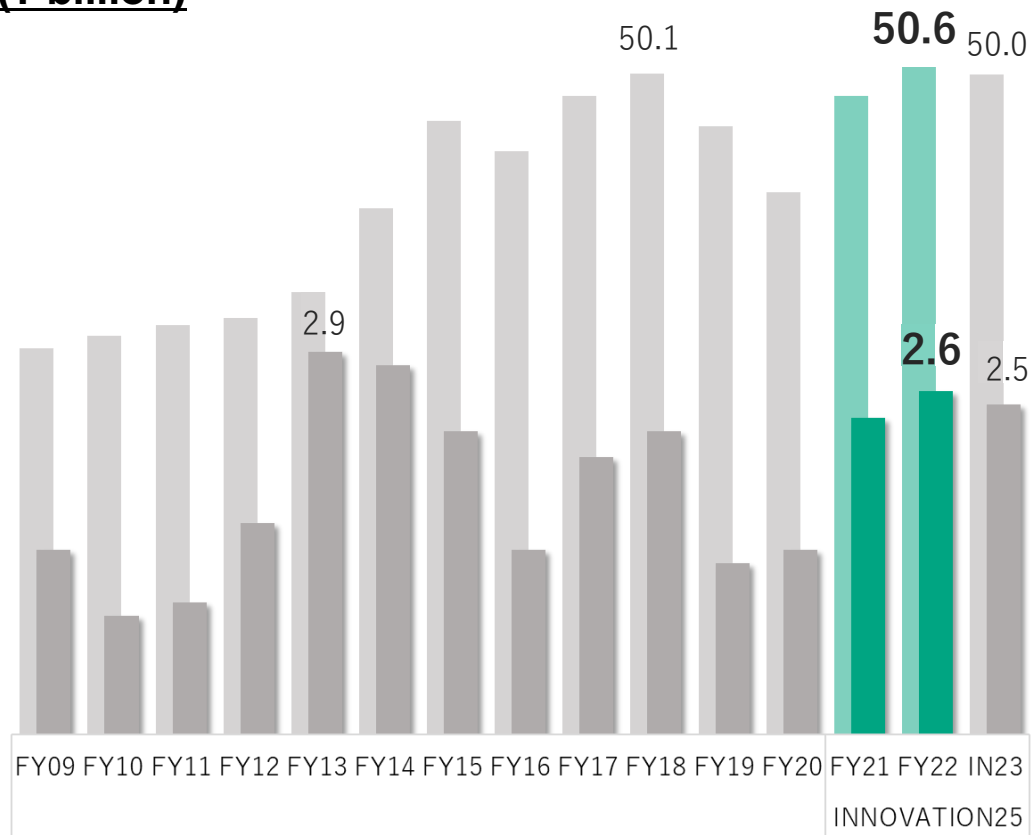


**Shampoos and oils, etc. for head spas** at beauty salons and hair salons

## Review of past two years (2021-2022)

Reached management targets for FY2023 set in previous medium-term plan ahead of schedule

### Changes in net sales/operating profit\*1 (¥ billion)



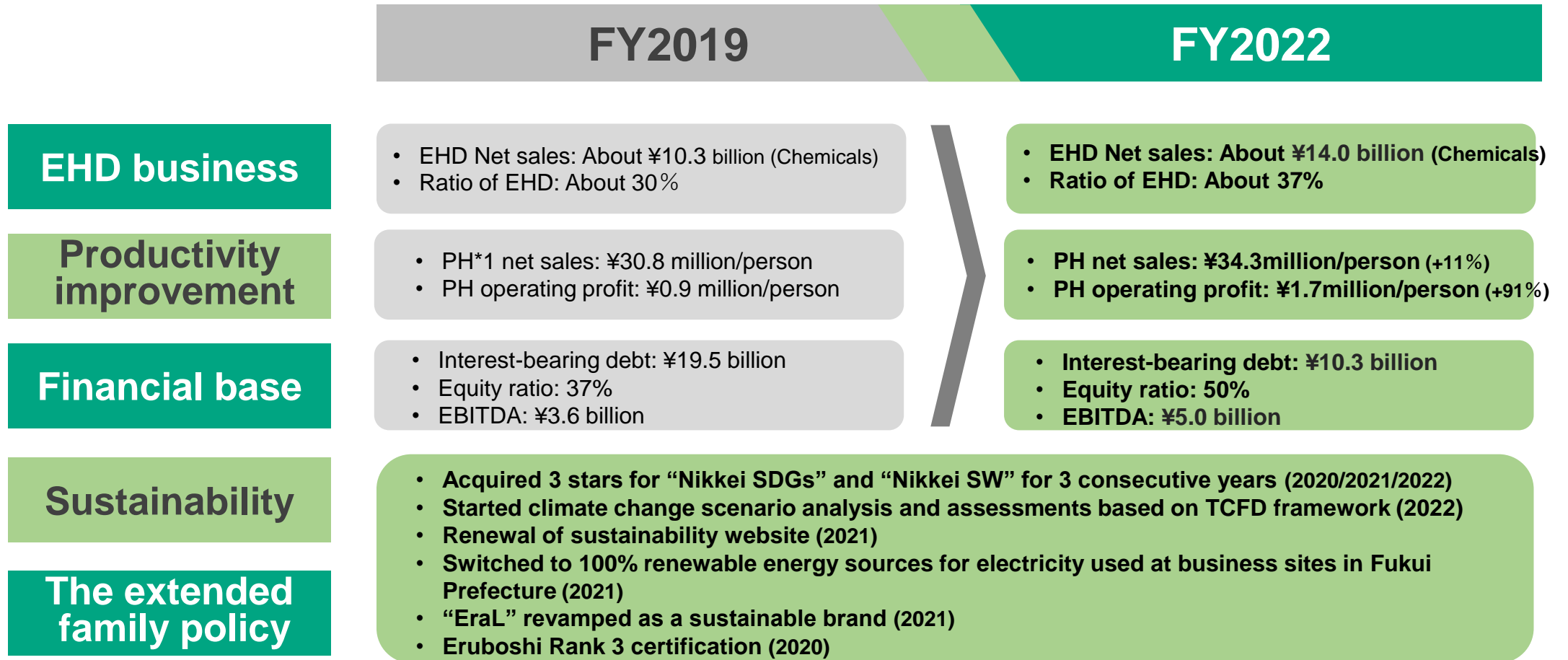
- Lockdowns occurred as **Covid-19 worsened** around the world. Given the unpredictable business environment, a 5-year medium-term business plan for 2021 to 2025 was developed.
- Achieved steady improvement in business performance with **increased revenue and profit** in both 2021 and 2022.
- It has been a patient two years of thorough cost reductions and reduced capital investment, but streamlined activities and remote work have also contributed to **work style reforms**.
- In addition, implemented activities to increase business value through price revisions and the development of new markets amid **continued high raw material and logistics costs**.

\*1 "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied since FY2022.



## Review of past two years (Comparison with Before Corona)

Initiatives and KPIs tied to the five major strategies have significantly improved, with our financial condition improving dramatically.



\*1 PH : per head

## Major business environment assumptions in Medium-term Business Plan

**Market trends over the next three years also indicate a shift to management that pursues quality over quantity.**

Exchange rate		¥132/USD	Around 2022 year-end rate
Naphtha price		¥72,500/KL	Around 4Q 2022 price
Main business environment	Chemicals	<ul style="list-style-type: none"> <li>The global economy will not fully recover until mid-2024 or later (prolonged invasion of Ukraine, higher-than-expected inflation, sharply rising interest rates, risk of a Taiwan contingency due to strained U.S.-China relations, uncertain outlook for end of coronavirus infection in China, etc.).</li> <li>Textile processing for global apparel manufacturers will not recover until mid-2024 or later due to the economic slowdown in Europe and the U.S. In addition, the shift to leaner production and recycling-oriented consumption will lead to a change in the content of products to more environmentally and health-conscious products, rather than quantitative expansion.</li> <li>Global automobile production will recover to pre-Covid levels, partly due to improved semiconductor supply conditions, but full recovery will be delayed by the global economic slowdown. Full-scale recovery expected from mid-2024 onward, but growth by volume will gradually slow down.</li> <li>The domestic laundry market will gradually recover from 2023 onward when Covid-19 is downgraded to Class 5, but the market for home use will not return to normal, partly due to the entrenchment of working from home and other factors. On the other hand, the market for linen will return to a stable growth trend along with a recovery in inbound travel.</li> <li>Aggressive investment to resolve supply capacity shortages will proceed globally for semiconductors. Although there are forecasts of a temporary slowdown in the growth rate, this is a growth market in the medium- to long-term, and accompanied by economic recovery, the market as a whole will grow strongly in 2024 and beyond.</li> </ul>	
	Cosmetics	<ul style="list-style-type: none"> <li>The domestic hair salon market is expected to continue its slightly upward trend in 2023 and beyond as the market recovers from Covid-19. (It will take some time after 2023 to recover to pre-Covid levels as consumers continue to refrain from attending salons or attend less frequently, etc.) In addition, due to the structural decline in population, even though there will be an initial recovery, the market will turn to a slight downward trend in the medium- to long-term.</li> <li>On the other hand, consumer behavior is changing markedly due to growing environmental concerns and health consciousness, and demand for high-value-added hair care products for professionals will continue to increase in the future.</li> </ul>	

## Strategy 1. Major transformation of business structure (Chemicals)

There are "major EHD commercial opportunities" in Chemicals where the company can leverage its strengths in each business and concentrate resources.

	Key EHD opportunities (business environment changes)	NICCA Chemicals strengths	Key EHD examples focused on
Textile Chemicals	<ul style="list-style-type: none"> <li>Dyeing and processing plants to proactively respond to sustainability demands</li> <li>PFC-free textile processing</li> <li>Higher brightness, higher quality, and non-solvent use of colors in automobile interiors</li> </ul>	<ul style="list-style-type: none"> <li>Ability to propose technologies and formulations that address new surface issues</li> <li>Relationship of trust with leading apparel manufacturers, dyeing and processing plants, and automobile seat material manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Focus on three "E" areas                             <ul style="list-style-type: none"> <li>PFC-free durable water repellent</li> <li>Program proposing formulations to reduce environmental impact of dyeing plants (SMART DYEING PROCESS)</li> <li>Water-based polyurethane resins</li> </ul> </li> <li>Plans to account for majority of increase in textile chemicals sales and profits (2022→2025)</li> </ul>
Cleaning and Medical Agents	<ul style="list-style-type: none"> <li>Continued difficult market conditions forecast and laundry companies to strengthen sustainability management</li> <li>Aggressive cost reduction</li> </ul>	<ul style="list-style-type: none"> <li>Reliability evidenced by top share of domestic laundry chemical market. Good knowledge of inside of a factory</li> <li>Ability to propose systems through collaboration with Emori Engineering (subsidiary)</li> </ul>	<ul style="list-style-type: none"> <li><b>Proposal and sales of automated systems for laundry factories</b> <ul style="list-style-type: none"> <li>Improvement of added value and profitability from selling chemicals as a service rather than a product (automatic feeding, remote monitoring/operation)</li> <li>Contribute to customers' sustainability management (energy/material/labor-saving)</li> </ul> </li> </ul>
Specialty Chemicals	<ul style="list-style-type: none"> <li>Semiconductor processing companies to strengthen sustainability management</li> <li>Demand for high functionality in optical materials and growing need for 5G low-dielectric materials</li> </ul>	<ul style="list-style-type: none"> <li>Long-standing relationship of trust with a major silicon wafer processor for semiconductors</li> <li>Manufacturing and sales bases in South Korea and other Asian countries</li> </ul>	<ul style="list-style-type: none"> <li>Proposal and provision of <b>business model for collecting and recycling silicon wafer cutting coolant</b> <ul style="list-style-type: none"> <li>Improvement of value-added by shifting from product sales to service sales</li> <li>Contribute to customers' sustainability management</li> </ul> </li> <li>Become one of the pillars of earnings for Chemicals</li> </ul>

# Strategy 1. Major transformation of business structure (Ex/Textile chemicals)

**Focus heavily on products in the three "E: Environment" areas which have high profitability and large potential for market share expansion**

**Reduced environmental load within dyeing process**



**SMART DYEING PROCESS**

**Program to propose complex formulations aimed at reducing the environmental impact of dyeing and processing plants**

**Water-saving dyeing & process rationalization formulation**

- ✓ Proposal to improve customer productivity, cut CO2 emissions, and improve product quality through process rationalization

**Products incorporating bio/recycled raw materials**

- ✓ Proposal to cut customer CO2 emissions. In addition, registered as an environmentally certified product by bluesign®, etc.

**Proposal of chemicals & formulations compatible with next-generation dye formulations**


- ✓ Contributing to society through the development of cutting-edge technology such as developing dyes, dyeing facilities, and agents that match the evolution of textiles.

**Development of chemicals that do not contain restricted substances**

- ✓ Delivering safe, reliable, and sustainable chemicals to customers and society

**Increasing needs and proposal opportunities at leading dyeing and processing plants around the world, which are under pressure to address environmental issues such as energy and water conservation and decarbonization.**

**PFC-free Durable Water Repellent**



**NEOSEED**  
PFC-free Durable Water Repellent



**Program to comply with fluorinated chemical regulations in textiles**

**Proposal of chemicals & formulations for next-generation water-repellent processing**

- ✓ Contributes to customers' CO2 reduction; Registered as an environmentally certified product by bluesign®, etc.

**Proposal of products incorporating bio/recycled raw materials**

- ✓ Contributes to customers' decarbonization; Proposal for bio/recycling of final products

**The textile industry is becoming increasingly PFC-free, and policies surrounding apparel, mainly in Europe and the U.S., have increased opportunities for proposals. Expansion to global apparel over several years**

**Water-based polyurethane resins**



**High value-added proposal program for automotive synthetic leather, with a switch from solvent-based to water-based resins**

**Surface treatment agent for high brightness synthetic leather**

- ✓ Proposal of technology that can solve issues such as stain resistance for bright synthetic leather and yellowing over time (patented technology)

**Surface treatment agent for high wear resistance**

- ✓ Delivers high wear resistance, an eternal challenge in automobile interiors. Expand to urethane and PVC synthetic leather with good getting in/out durability.

**Global supply**

- ✓ Proposal with local production and local supply system in Japan, South Korea, China, Mexico, Indonesia, and Thailand

**Proposal for products incorporating bio/recycled raw materials**

- ✓ Helping customers increase their bio/recycling ratios

**Increased need for higher brightness and higher quality for automobile interiors have increased opportunities for proposals**

## Strategy 1. Major transformation of business structure (Ex/ Cleaning agents)

For the laundry business, propose chemical management systems, mainly for large linen factories. Contribute to solving management issues through production DX, such as labor-savings through full automation of chemical loading, delivery by lorry, and delivery in large reusable tanks to significantly reduce waste, etc.



Zero chemical container waste achieved by filling directly from lorries



Accurate chemical management incorporating liquid level sensors and flow meters

Able to adjust chemical dosage by remote control (Centralized management at headquarters is possible even for companies with many factories throughout Japan.)

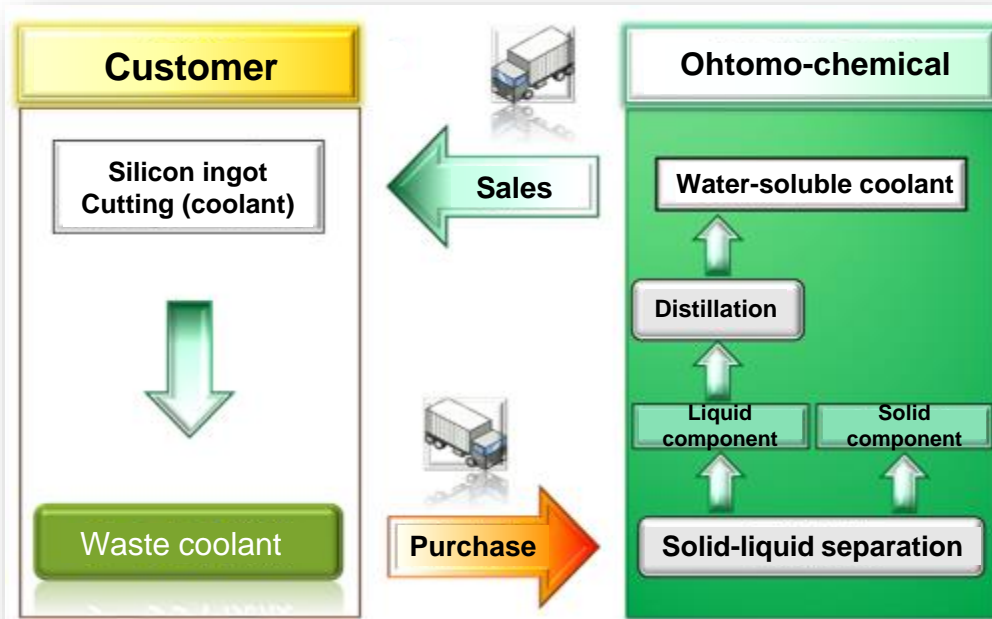


# Strategy 1. Major transformation of business structure (Ex/specialty chemicals)

## Ohtomo-chemical growing through expansion of resource-recycling business for semiconductor silicon wafer processing coolant agent

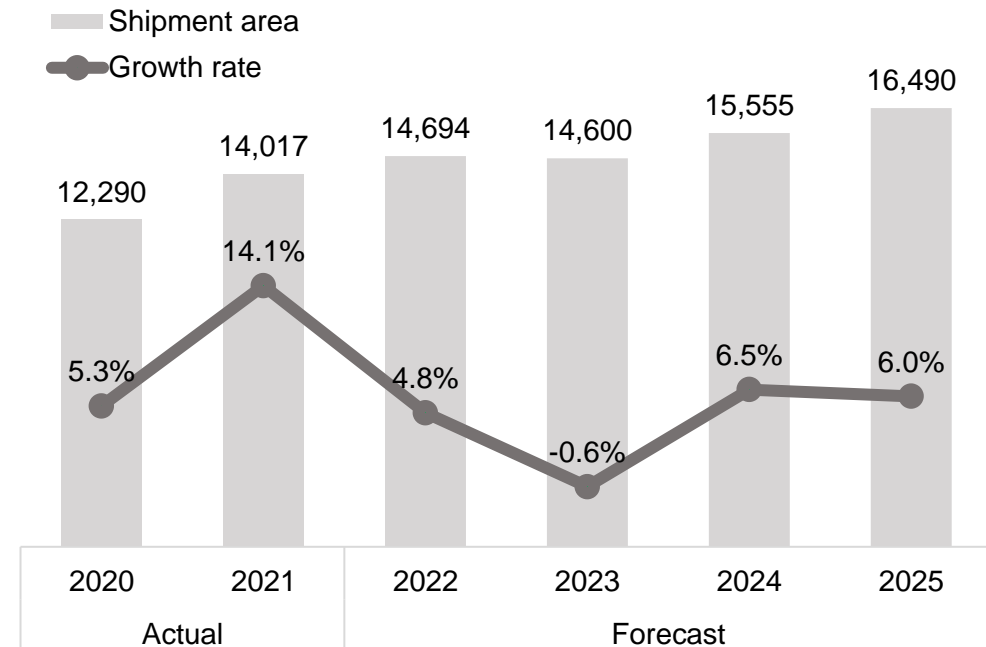
### Ohtomo-chemical's resource-recycling business model

After coolant sold to a customer is used, the waste liquid is purchased as a valuable material, recycled at Ohtomo facilities, and re-produced and resold.



### Changes in semiconductor silicon wafer shipment area (million square inches)

Negative forecast for 2023 due to inventory adjustment, but overall market is firm



Source: SEMI

# Strategy 4. Promotion of sustainable management (Efforts to reduce CO2 emissions)

Accelerate corporate efforts to realize a decarbonized society by establishing a new Sustainability Committee and conducting business impact assessments in accordance with the TCFD framework.

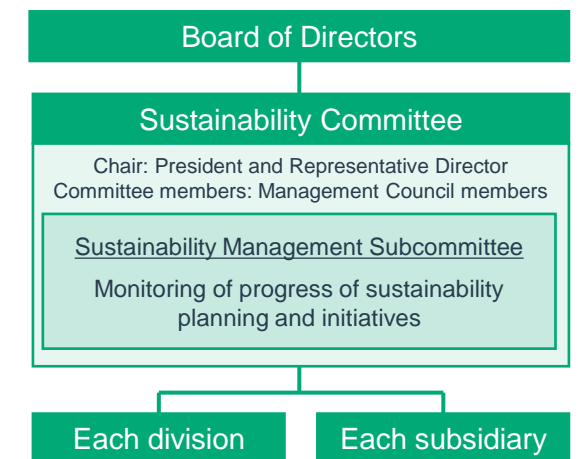
## Business impact assessment (TCFD)

Category	Factors and events		Impact type	Assessment		Status of current engagement
				4 °C scenario	1.5 °C scenario	
Impacts of transition to a decarbonized society	Carbon pricing	Increased operating costs, including introduction of a carbon tax	Risk	Small	Large	<ul style="list-style-type: none"> <li>Setting CO2 emission reduction targets</li> <li>Switching to electricity derived from renewable energy sources</li> <li>Reduction of environmental impact through boiler renewal</li> </ul>
	Energy cost changes	Price of purchased electricity to soar due to switch to power generation from renewable energy sources, etc.	Risk	Small	Medium	<ul style="list-style-type: none"> <li>Installation of solar power generation equipment</li> </ul>
	Advances in low-carbon technologies	Expanding demand for related products in line with the development of low-carbon technologies and the promotion of DX with a view to decarbonization (fluorinated chemicals, water-based polyurethane resins, etc.)	Opportunity	Medium	Large	<ul style="list-style-type: none"> <li>Technology application and business promotion in the field of advanced information technology</li> </ul>
	Changes in customer behavior	Growing need to reduce environmental impact due to expanding decarbonization needs throughout the supply chain	Opportunity	Small	Large	<ul style="list-style-type: none"> <li>Acquiring third-party environmental qualifications</li> <li>Investing in technology to develop environmentally friendly products</li> <li>Proposal of Smart Dyeing Process</li> </ul>
Physical impacts of global warming	Occurrence of extreme weather conditions	Increased scale of damage to the company's bases and logistics network caused by a disaster	Risk	Large	Large	<ul style="list-style-type: none"> <li>Periodically reviewing BCP</li> <li>Conducting site-specific disaster drills and education</li> </ul>
	Impact on raw material prices	Change in demand for petroleum-based raw materials due to soaring crude oil prices and price hikes associated with poor harvests of palm oil and other crop-based raw materials	Risk	Large	Medium	<ul style="list-style-type: none"> <li>Promoting use of RSPO-compliant palm oil</li> <li>Development of products using natural ingredients, natural materials, and bio-based raw materials</li> </ul>
	Increase in average temperature	Increasing adaptation needs, including rising temperatures throughout the year (shrinking demand for synthetic fibers due to lower demand for winter clothing)	Risk/ Opportunity	Medium	Medium	<ul style="list-style-type: none"> <li>Addressing need for high functionality through use of surface science and resin technology</li> </ul>

## Total CO2 emissions










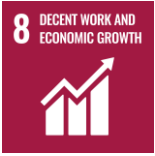



	CO2 emission results	
	2022	2018 (Base year)
Total CO2 emissions	20,617 t-CO2	27,107 t-CO2
Breakdown	SCOPE 1	9,166 t-CO2
	SCOPE 2	11,451 t-CO2

## Governance



# Strategy 4. Promotion of sustainable management (SDGs Initiatives)

## SDGs Initiatives

Materiality × SDGs	SDGs Initiatives	External evaluations (2022)
<p><b>【Environment】</b> Work toward a cleaner global environment</p>    	<ul style="list-style-type: none"> <li>● Joined ZDHC (first in Japan)</li> <li>● Certified bluesign® system partner (first textile processing chemical manufacturer in Japan)</li> <li>● NICCA Innovation Center certified as a project leading sustainable architecture, etc. (project leading CO2 reduction) in a Ministry of Land, Infrastructure, Transport and Tourism subsidy program</li> <li>● Promoted acquisition of ISO 14001 certification</li> </ul>	<ul style="list-style-type: none"> <li>● Acquired 3star at "Nikkei SDGs Management Survey".)</li> <li>● Acquired 3star at "Nikkei Smart Work Management Survey". (for three consecutive year)</li> <li>● Recognition in Eruboshi Rank 3 (Certified in December 2020)</li> </ul>
<p><b>【Life】</b> Make people's lives more comfortable</p>   	<ul style="list-style-type: none"> <li>● Contributed to infection control using antibacterial and antiviral products</li> <li>● Provided products that contribute to healthy, clean living, such as the processing of sports apparel products to add functionality and laundry agents</li> <li>● Developed an innovative cosmetic product in pursuit of the health and beauty of hair</li> <li>● Promoted acquisition of ISO 9001 and ISO 22716 certifications</li> </ul>	 
<p><b>【Society】</b> Enrich society</p>   	<ul style="list-style-type: none"> <li>● Donated to aid the development of the textile industry in Bangladesh</li> <li>● Held a seminar on drainage measures in Indonesia</li> <li>● Carried out activities to make towns more comfortable to live in, including neighborhood cleaning and a private fire brigade</li> <li>● Supported international students from emerging countries and helped people with physical disabilities receive education</li> <li>● Acquired ISO 45001 certification (occupational health and safety)</li> </ul>	



Shine brightly through science and chemistry.

# Activate Your Life

## Contact



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This document contains forward-looking statements and forecasts based on management's current expectations and plans as of February 10, 2023.

Actual results may differ from these forecasts due to risks and uncertainties associated with changes in economic conditions and other factors.