[Event Name]

Financial result meeting for the fiscal year ended March 31,2022

[Fiscal Period]

FY2021 Q4

[Date]

May 27, 2022

[Time]

10:30 - 11:32

(Total: 62 minutes, Presentation: 46 minutes, Q&A: 16 minutes)

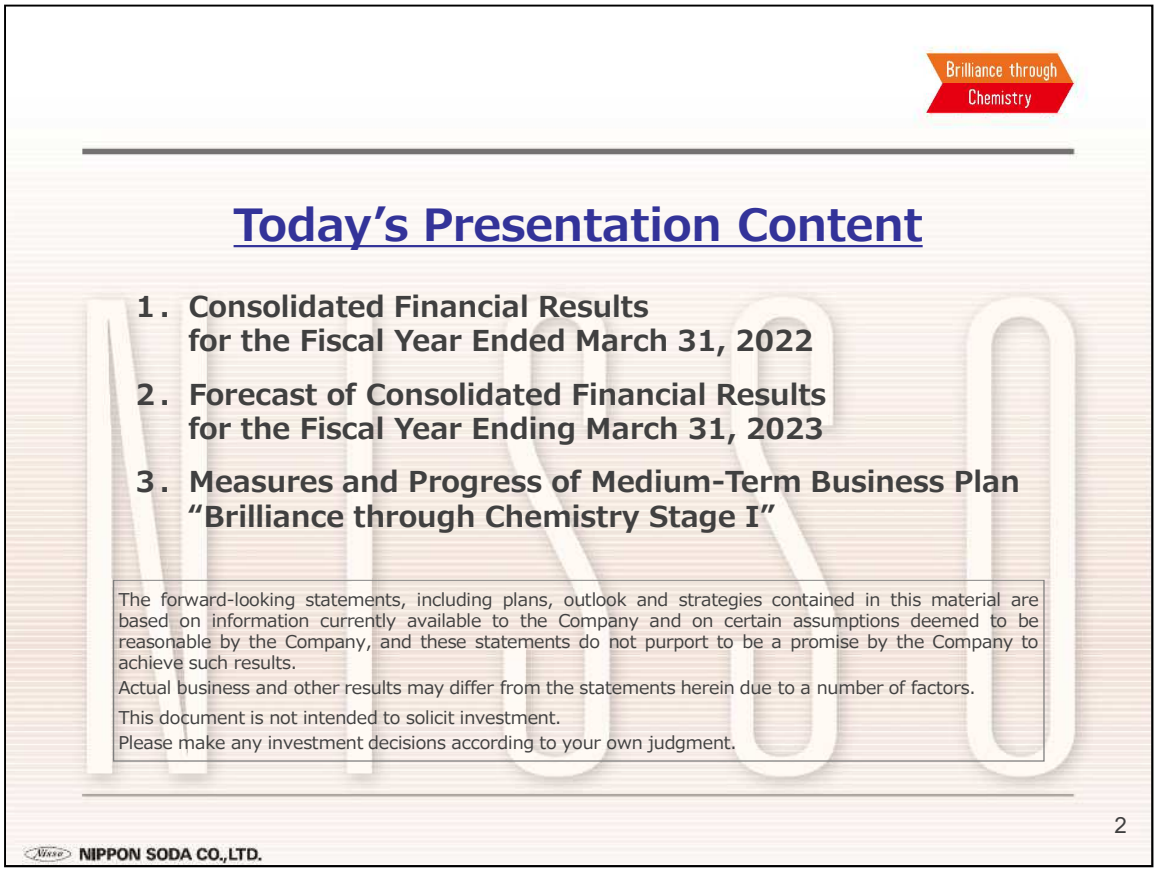
[Venue]

Webcast

[Number of Speakers]

3

Eiji Aga	Representative Director, President
Kiyotaka Machii	Director, Executive Managing Officer, In charge of Administration, CSR Promotion, Internal Control & Audit Department
Masahiro Arichika	Senior Manager, Corporate Communication Section, General Affairs Department



Arichika: Now it is time to start Nippon Soda Co., Ltd.'s Financial Results Briefing for the Fiscal Year Ended March 2022. Thank you very much for taking time to join us today.

My name is Masahiro Arichika from the Public Relations and IR Section of the General Affairs Department, and I will be your moderator today. Thank you.

First, we would like to explain the business results for the fiscal year ended March 2022. Next, we will explain our financial results forecast for the fiscal year ending March 2023.

We will also explain the measures and progress of our three-year Medium-Term Business Plan, Brilliance through Chemistry Stage I, which started two years ago and will end in the fiscal year ending March 2023.

We will then answer your questions. We are always accepting your questions via chat. If you have any questions, please enter them in the chat box.

Today's speakers are Eiji Aga, President, and Representative Director and Kiyotaka Machii, Director, Executive Managing Officer, in charge of administration, CSR promotion, and Internal Control & Audit Department.

The briefing is scheduled to end at 11:30 AM.

Machii: This is Kiyotaka Machii. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing today.

We would also like to thank you for your continued support and understanding of our business operations.

We would like to take this opportunity to express our gratitude.

I will now provide an overview of our financial results for the fiscal year ended March 2022.

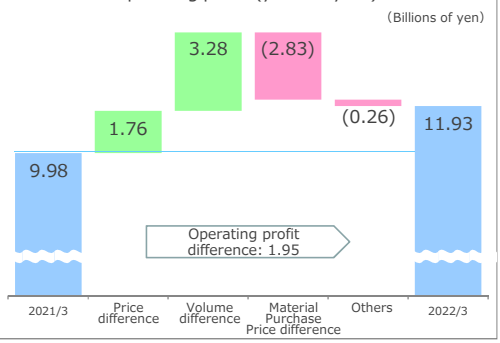
Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Overview)

Brilliance through Chemistry

(Billions of yen)	2021/3	2022/3	Change (amount)	Change (%)
Net sales	139.36	152.54	13.17	9.5%
Operating profit	9.98	11.93	1.95	19.5%
Share of profit of entities accounted for using equity method	1.86	3.06	1.21	
Ordinary profit	12.74	16.51	3.77	29.6%
Profit attributable to owners of parent	7.36	12.68	5.32	72.3%
Exchange rate (JPY/USD)	106.1	112.5	6.4	
Exchange rate (JPY/EUR)	123.4	130.4	7.0	

- Increased sales of the Chemicals, Trading and Agro Products Businesses
- Rose raw materials and fuel costs
- Increased share of profit of entities accounted for using equity method
- Exchange rate changed for the weak yen
- Recorded gain on exchange of subsidiaries and affiliates' stock as extraordinary income, due to business integration of "Certis Europe" that was equity-method affiliate
- Recorded extraordinary losses due to impairment loss related to structural reforms in the previous fiscal year
- Operating profit difference : 1.95 breakdown
  Price difference : 1.76 (of which, rate difference : 1.80)
  Volume difference : 3.28
  Material purchase price difference : (2.83) (of which, rate difference : (0.66)
  Others : (0.26)

【Operating profit (year on year)】



NIPPON SODA CO.,LTD.

Please look at slide number three.

In the fiscal year under review, sales, and operating profit increased YoY to JPY152.54 billion and JPY11.93 billion, respectively, due to an increase in sales in the chemicals segment, agro products segment, and trading business, reflecting a recovery in economic activities that had been stagnant following the global outbreak of the new coronavirus infection, despite the significant impact of soaring raw material and fuel prices.

Of the YoY increase in operating profit of JPY1.95 billion, there was a positive impact of JPY1.76 billion from the price difference, which included a positive JPY1.8 billion due to the impact of foreign exchange rates.

There was a volume difference effect of JPY3.28 billion. In addition to a sharp increase in the chemicals segment, volumes also increased positively in the agro products segment and the trading business.

Meanwhile, there was a negative impact of JPY2.83 billion from the material purchase price difference. The price of yellow phosphorus rose sharply, and the prices of petroleum-related raw materials rose across the board, resulting in the significant negative effect compared with the previous fiscal year.

As for non-operating income and expenses, we enjoyed YoY rises in the share of profit of entities accounted for using the equity method and foreign exchange gains. Regarding extraordinary income and losses, we reported a one-time gain on exchange of subsidiaries and affiliates' stock as extraordinary income.

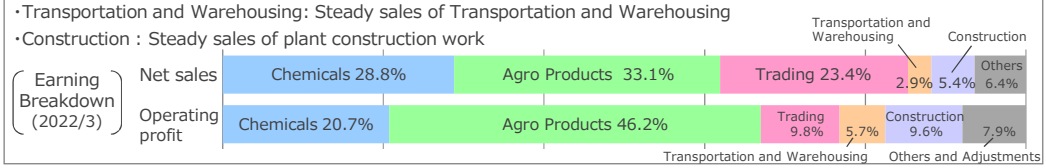
We also posted an impairment loss associated with the implementation of structural reforms in the preceding fiscal year. As a result, profit attributable to owners of the parent was JPY12.68 billion, a YoY increase of JPY5.32 billion.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Performance by segment)

Brilliance through Chemistry

(Billions of yen)	2021/3		2022/3		Change (amount)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	37.57	1.72	43.89	2.47	6.32	0.75
Agro Products	48.20	4.84	50.56	5.51	2.36	0.68
Trading	32.32	0.73	35.68	1.17	3.37	0.44
Transportation and Warehousing	4.22	0.60	4.46	0.69	0.24	0.09
Construction	8.51	1.10	8.22	1.14	(0.29)	0.04
Others	8.54	0.78	9.72	1.06	1.18	0.28
Adjustments	–	0.21	–	(0.12)	–	(0.33)
Total	139.36	9.98	152.54	11.93	13.17	1.95

・Chemicals : Increased Fine Chemicals, Industrial Chemicals and Specialty Chemicals due to the recovery of economic activity that had been stagnant by COVID pandemic
Started the operation of expanded production facility of pharmaceutical additive “NISSO HPC”, which provided sales growth
・Agro products : Increased sales for export of insecticide and acaricide, sales of new internally developed agrochemicals contributed to earnings, and decreased sales for export of herbicide and fungicide
・Trading : Increased sales of various organic and inorganic chemicals, nonferrous metals and urethane materials
・Transportation and Warehousing: Steady sales of Transportation and Warehousing
・Construction : Steady sales of plant construction work



NIPPON SODA CO.,LTD.

Please look at slide four.

In the chemicals business, sales increased by JPY6.32 billion YoY and operating profit increased by JPY750 million.

As for the breakdown of the rise in operating profit. First, the price difference had a positive effect of JPY580 million. Of this amount, the exchange rate difference had a positive impact of JPY540 million.

Price revisions in response to the rising raw material prices made progress, particularly for industrial chemicals, but their contribution to the price difference in the fiscal year under review was limited.

Next, the volume difference increased significantly to a positive JPY2.64 billion. Sales of our growth driver products expanded, namely NISSO HPC, a pharmaceutical additive, and VP POLYMER, a material for semiconductor photoresists.

Moreover, sales of industrial chemicals and fine chemicals increased due to the recovery of economic activities that had been stagnant due to the effects of COVID-19.

Meanwhile, there was a material purchase price difference of a negative JPY2.09 billion. The price of yellow phosphorus rose sharply, and the prices of petroleum-related raw materials rose across the board, resulting in the significant negative effect compared with the previous year.

In Others, there was a negative effect of JPY380 million, which came mainly due to an increase in payment of product freight charges in line with the higher sales volume.

Next, I would like to explain the sub-segments of the chemicals segment.

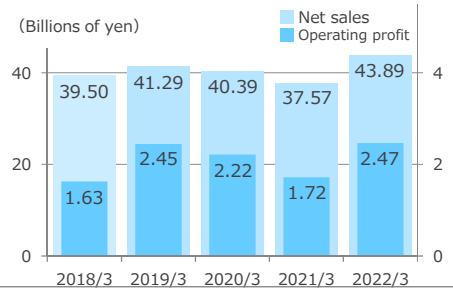
Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Net sales by sub-segments of Chemicals)

Brilliance through Chemistry

	(Billions of yen)	2021/3	2022/3	Change (amount)	Main factors of change
Non-consolidated	Industrial chemicals	12.98	13.55	0.57	Phosphorus chloride↑, Caustic soda↑, Caustic potash↓
	Fine chemicals	7.44	9.63	2.19	Color developers for thermal paper↑, Specialty isocyanates↑
	Specialty chemicals	6.23	6.62	0.40	VP-POLYMER↑, NISSO-PB↑
	Eco-business	5.77	5.74	(0.03)	
	Pharmaceuticals & industrial fungicides	8.16	9.51	1.35	NISSO HPC↑, Active pharmaceutical ingredients↑
	Subtotal	40.58	45.05	4.47	
Subsidiaries sales, elimination of transactions, etc.		(3.01)	(1.16)	1.85	
Net sales of Chemicals		37.57	43.89	6.32	

・Industrial chemicals : Rose sales price of phosphorus chloride due to the soaring raw material price
Increased Caustic soda, and decreased Caustic potash
・Fine chemicals : Growth in Color developers for thermal paper and Specialty isocyanates
・Specialty chemicals : Increased KrF photo resist material "VP-POLYMER" and resin additive "NISSO-PB"
・Pharmaceuticals : Growth in pharmaceutical additive "NISSO HPC", and active pharmaceutical ingredients

【Chemicals : Net sales and operating profit】



Please see slide number five.

In industrial chemicals, sales of caustic soda and phosphorus chloride increased due to the recovery in economic activities. On the other hand, sales of caustic potash decreased due to the decision to discontinue its production as a result of the implementation of the structural reforms.

In fine chemicals, the recovery in economic activities boosted sales of color developers for thermal paper, specialty isocyanates, which are used for automobiles and construction machinery, and materials for rechargeable batteries.

In specialty chemicals, sales of VP POLYMER, a KrF photoresist material, increased and hit a record high, while sales of NISSO-PB, a resin additive, also increased due to recovery in demand for flexographic printing.

As for eco-business products, sales of chlorine disinfectant NISSO Hi-CHLON for swimming pools remained sluggish, holding level YoY.

In pharmaceuticals, sales of the pharmaceutical additive NISSO HPC increased substantially, exceeding our initial forecast.

Sales for both pharmaceutical applications and health food industries increased, and the product steadily expanded its market share. In addition, active pharmaceutical ingredients also increased YoY.

As for subsidiaries, Alkaline SAS, France, reported an increase in both sales and profits due to the recovery in economic activities.

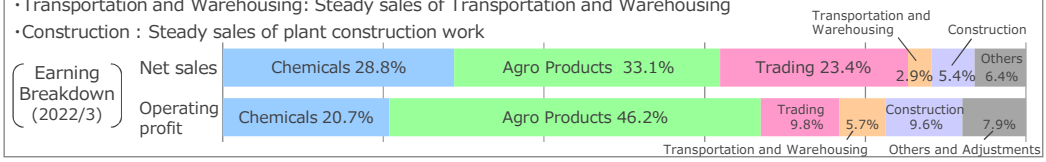
Next, I will explain the agro products segment.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Performance by segment)

Brilliance through Chemistry

(Billions of yen)	2021/3		2022/3		Change (amount)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	37.57	1.72	43.89	2.47	6.32	0.75
Agro Products	48.20	4.84	50.56	5.51	2.36	0.68
Trading	32.32	0.73	35.68	1.17	3.37	0.44
Transportation and Warehousing	4.22	0.60	4.46	0.69	0.24	0.09
Construction	8.51	1.10	8.22	1.14	(0.29)	0.04
Others	8.54	0.78	9.72	1.06	1.18	0.28
Adjustments	–	0.21	–	(0.12)	–	(0.33)
Total	139.36	9.98	152.54	11.93	13.17	1.95

・Chemicals : Increased Fine Chemicals, Industrial Chemicals and Specialty Chemicals due to the recovery of economic activity that had been stagnant by COVID pandemic
Started the operation of expanded production facility of pharmaceutical additive "NISSO HPC", which provided sales growth
・Agro products : Increased sales for export of insecticide and acaricide, sales of new internally developed agrochemicals contributed to earnings, and decreased sales for export of herbicide and fungicide
・Trading : Increased sales of various organic and inorganic chemicals, nonferrous metals and urethane materials
・Transportation and Warehousing: Steady sales of Transportation and Warehousing
・Construction : Steady sales of plant construction work



NIPPON SODA CO.,LTD.

Please look at slide four. In the agro products business, sales increased by JPY2.36 billion and operating profit increased by JPY680 million.

Please see the screen for the breakdown of the rise in operating profit. First, the price difference had a positive impact of JPY890 million. Of this amount, the exchange rate difference had a positive effect of JPY1.26 billion. Next, the volume difference had a positive effect of JPY510 million.

Although sales of herbicides decreased, there was an increase in sales of our mainstay product, the insecticide MOSPILAN, to Europe, and a rise in sales of new internally-developed agrochemicals. The material purchase price difference had a negative impact of JPY740 million.

Next, I would like to explain the agro products segment by sub-segments.

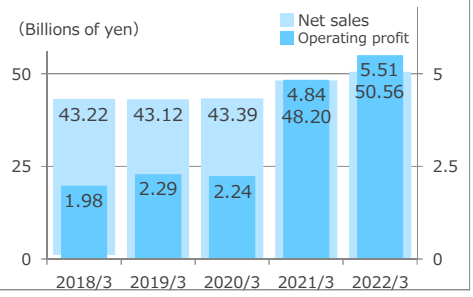
Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Net sales by sub-segments of Agro Products)

Brilliance through Chemistry

(Billions of yen)		2021/3	2022/3	Change (amount)	Main factors of change
Non-consolidated	Fungicides	19.62	19.11	(0.50)	PYTHILOCK↑, PANCHO↓, TOPSIN-M↓
	Insecticides/acaricides	18.34	19.83	1.49	DANYOTE↑, MOSPILAN↑, NISSORUN↑
	Herbicides	4.26	3.11	(1.15)	NABU↓, Intermediates↓
	Others	(0.24)	(0.39)	(0.15)	
	Subtotal	41.97	41.66	(0.31)	
Subsidiaries sales, elimination of transactions, etc.		6.24	8.91	2.67	
Net sales of Agro Products		48.20	50.56	2.36	
Overseas sales ratio		61.4%	62.3%		

・Fungicides : Increased sales for export of “PYTHILOCK”, and decreased sales for export of “PANCHO” and ”TOPSIN-M”
・Insecticides / acaricides : Launched new acaricide ”DANYOTE”, increased sales for export of insecticide “MOSPILAN” and acaricide “NISSORUN”
・Herbicides : Decreased sales for export of “NABU”, in Intermediates

【Agro products : Net sales and operating profit】



NIPPON SODA CO.,LTD.

Please look at slide number six.

Sales of fungicides decreased due to lower export sales of PANCHO and TOPSIN-M, despite an increase in export sales of PYTHILOCK, which was launched for seed treatment applications in North America in the fiscal year under review.

In insecticides and acaricides, sales of a new acaricide, DANYOTE, contributed to overall sales. Sales of our mainstay insecticide, MOSPILAN, to Europe continued to increase due to replacement demand following the regulatory restrictions on the use of competing products in Europe.

In addition, export sales of the acaricide NISSORUN increased. We believe that this may be due to a decrease in the supply of generic products and an increase in the use of agrochemicals as a result of the rise in grain prices.

As for herbicides, export sales of NABU decreased.

In addition, due to the dissolution of Nisso BASF Agro Co., Ltd., an equity-method affiliate, sales of herbicide intermediates to the affiliate were terminated.

As for domestic and overseas sales, domestic sales increased due to the contribution of new products.

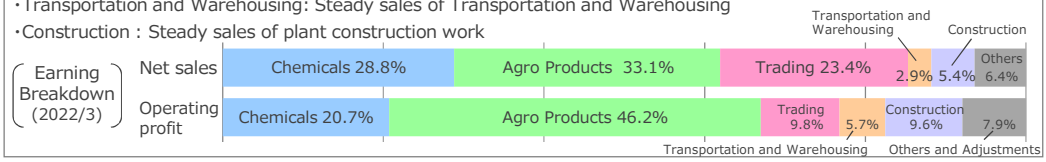
In addition, overseas sales increased in Europe, North America, and Asia, partly due to the impact of foreign exchange rates. As a result, the overseas sales ratio in the agro products segment was 62.3%, up from 61.4% in the preceding year.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Performance by segment)

Brilliance through Chemistry

(Billions of yen)	2021/3		2022/3		Change (amount)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	37.57	1.72	43.89	2.47	6.32	0.75
Agro Products	48.20	4.84	50.56	5.51	2.36	0.68
Trading	32.32	0.73	35.68	1.17	3.37	0.44
Transportation and Warehousing	4.22	0.60	4.46	0.69	0.24	0.09
Construction	8.51	1.10	8.22	1.14	(0.29)	0.04
Others	8.54	0.78	9.72	1.06	1.18	0.28
Adjustments	–	0.21	–	(0.12)	–	(0.33)
Total	139.36	9.98	152.54	11.93	13.17	1.95

・Chemicals : Increased Fine Chemicals, Industrial Chemicals and Specialty Chemicals due to the recovery of economic activity that had been stagnant by COVID pandemic
Started the operation of expanded production facility of pharmaceutical additive "NISSO HPC", which provided sales growth
・Agro products : Increased sales for export of insecticide and acaricide, sales of new internally developed agrochemicals contributed to earnings, and decreased sales for export of herbicide and fungicide
・Trading : Increased sales of various organic and inorganic chemicals, nonferrous metals and urethane materials
・Transportation and Warehousing: Steady sales of Transportation and Warehousing
・Construction : Steady sales of plant construction work



Next, please see slide four for the Other businesses segment.

In the trading business, operating profit reached a record high due to an increase in sales volume resulting from the recovery in economic activities and continued restraint of business travel and other expenses.

In the transportation and warehousing business, both transportation and warehousing performed well as the economic activities recovered.

In the construction business, construction work for external customers continued to decline YoY as we conducted capacity expansion construction work for our pharmaceutical additive NISSO HPC. However, the completion of highly profitable plant construction work resulted in a high profit margin, which was almost flat YoY.

I have explained the financial results by segment.

Next, I would like to explain the status of non-operating income/expenses and extraordinary income/losses.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Non-operating income/expenses and Extraordinary income/losses)

Brilliance through Chemistry

(Billions of yen)	2021/3	2022/3	Change (amount)	Remarks
Share of profit of entities accounted for using equity method	1.86	3.06	1.21	
Novus International	(0.77)	0.09	0.86	Fiscal year-end: March 31 Percentage of shares held: 20.0%
IHARABRAS	2.52	2.83	0.31	Fiscal year-end: December 31 Percentage of shares held: 29.1%
Others	0.10	0.14	0.04	
Other non-operating income/expenses	0.91	1.52	0.61	
Foreign exchange gain/losses	0.14	0.84	0.70	
Others	0.77	0.67	(0.09)	
Non-operating income/expenses (loss)	2.76	4.58	1.82	
Extraordinary income	0.14	1.80	1.66	
Gain on exchange of subsidiaries and affiliates' stock	0.00	1.76	1.76	Business integration of Certis Europe B.V.
Others	0.14	0.04	(0.10)	
Extraordinary losses	3.53	0.85	(2.67)	
Impairment loss	1.74	0.15	(1.59)	Recorded impairment loss related to structural reforms in the previous fiscal year
Others	1.79	0.70	(1.08)	Provision for environmental measure: recorded 0.63 in the previous fiscal year
Extraordinary income/losses	(3.39)	0.94	4.34	

・Exchange rate changed for weak yen
・Recorded gain on exchange of subsidiaries and affiliates' stock as extraordinary income, due to business integration of "Certis Europe" that was equity-method affiliate
・Recorded extraordinary losses due to impairment loss in relation to structural reforms in the previous fiscal year

Please look at slide number seven.

As for the share of profit of entities accounted for using the equity method, Novus International Inc., a manufacturer and seller of the feed additive methionine, achieved a significant recovery in earnings due to a rise in the sales price of methionine, and cost reductions resulting from the progress of business structure reform.

In the case of methionine, although the prices of main raw materials increased significantly, the increase in selling price slightly exceeded those price increases. Together with the effect of restructuring, the profit margin improved.

In addition, IHARABRAS, a Brazilian agrochemical manufacturing and sales company, continued to enjoy strong sales of agrochemicals and recorded the highest net income in its history.

As for extraordinary income, one-time non-cash gain of JPY1.76 billion was recorded due to the business integration of Certis Europe B.V., a European agrochemical sales company that had been an equity-method affiliate of the Company, and another company through an exchange of shares..

The business integration resulted in a decrease in our shareholdings of the new company, Certis Belchim B.V., to 10% from 20.3% we had held in Certis Europe, eliminating the Company from our equity-method affiliates. However, we continue to dispatch the same number of board members to Certis Belchim as before and continue to be actively involved in its management.

As for extraordinary losses, in the preceding fiscal year, the Company recorded impairment loss related to the implementation of structural reforms in the caustic potash and peripheral businesses, as well as impairment loss on some facilities related to fine chemicals.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Balance Sheet)

Brilliance through Chemistry

(Billions of yen)	2021/3	2022/3	Change	Main factors of change
Current assets	100.35	109.01	8.66	¥5.61 billion of notes and accounts receivable–trade ¥2.75 billion of inventories
Non-current assets	127.62	136.57	8.95	¥5.97 billion of investment securities, ¥3.44 billion of property, plant and equipment
Total assets	227.98	245.59	17.61	
Current liabilities	44.56	57.28	12.72	¥6.40 billion of short-term borrowings, ¥4.33 billon of notes and accounts payable - trade
Non-current liabilities	34.21	30.00	(4.21)	¥(5.12) billion of long-term borrowings
Total liabilities	78.77	82.79	8.52	
Shareholders' equity	140.33	148.41	8.07	¥7.04 billion of retained earnings
Accumulated other comprehensive income	5.43	7.54	2.10	¥1.43 billion of valuation difference on available-for-sale securities
Non-controlling interests	3.43	2.35	(1.08)	
Total net assets	149.20	158.30	9.09	
Total liabilities and net assets	227.98	245.59	17.61	

・Equity ratio : 63.5% (equity ratio at previous fiscal year-end : 63.9%)

(Billion of yen)	2018/3	2019/3	2020/3	2021/3	2022/3
Amount of capital investment	8.59	8.03	8.82	7.72	※1 13.11
Depreciation	6.53	6.97	7.58	7.66	※2 8.58
R&D expenses	7.25	6.24	6.13	5.79	5.84

※1 Expanded production facility of pharmaceutical additive "NISSO HPC"
※2 Expanded production facility of pharmaceutical additive "NISSO HPC"
IT related investment (updated software)

8

NIPPON SODA CO.,LTD.

Next, I will explain the financial status.

Please look at slide number eight. Total assets at the end of the fiscal year under review were JPY245.59 billion, up JPY17.61 billion YoY, due to an increase in notes and accounts receivable, as well as contract assets, a rise in investment securities, and an increase in inventories to prepare for the procurement risk of raw materials.

Liabilities amounted to JPY87.29 billion, up JPY8.52 billion YoY, mainly due to an increase in notes and accounts payable-trade. Net assets increased JPY9.09 billion YoY to JPY158.3 billion.

In the fiscal year under review, the Company repurchased its own shares worth JPY1.23 billion. In addition, it retired treasury shares worth JPY1.74 billion.

Next, I will explain the financial indicators for the current fiscal year.

Please see the table in the bottom part of slide eight.

As for capital investments in the fiscal year under review, we invested approximately JPY4.7 billion in the expansion of the production facility of the pharmaceutical additive NISSO HPC as major investment in our growth business.

Depreciation expenses included amortization in line with updating PC operating systems, in addition to the start of depreciation of the expanded production facility for NISSO HPC.

Research and development expenses remained almost unchanged YoY.

Next, I would like to explain the status of cash flows.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Statement of Cash Flows)

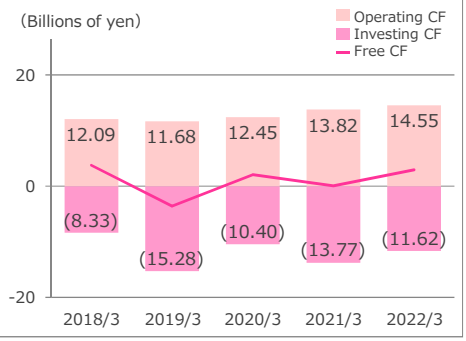
Brilliance through Chemistry

(Billions of yen)	2021/3	2022/3	Change (amount)
Cash flows from operating activities	13.82	14.55	0.72
Cash flows from investing activities	(13.77)	(11.62)	2.15
Cash flows from financing activities	1.72	(4.80)	(6.53)
Effect of exchange rate change on cash and cash equivalents	0.28	0.52	0.24
Net increase (decrease) in cash and cash equivalents	2.05	(1.36)	(3.41)
Cash and cash equivalents at beginning of period	17.20	19.25	2.05
Cash and cash equivalents at end of period	19.25	17.90	(1.36)

・Operating CF : ¥17.46 billion of profit before income taxes
¥(6.80) billion of decrease in trade receivables
¥4.15 billion of increase in trade payables
・Investing CF : ¥(11.36) billion of purchase of property, plant and equipment
・Financing CF : ¥1.22 billion of increase in borrowings
¥(3.50) billion of dividends paid
¥(1.24) billion of purchase of treasury shares

【Main factors of change】
・Investing CF : ¥1.01 billion of decrease in purchase of property, plant and equipment and intangible assets
・Financing CF : ¥(8.49) billion of decrease in borrowings and increase in repayment

【Changes in cash flows】



NIPPON SODA CO.,LTD.

Please look at slide number nine.

Net cash provided by operating activities increased by JPY720 million YoY, mainly due to an increase in profit before income taxes.

Net cash used in investing activities decreased by JPY2.15 billion YoY, mainly due to a decrease in the acquisition of property, plant and equipment and intangible fixed assets, and the investment in Bharat Certis Agriscience Ltd., an Indian agrochemical manufacturing and sales company, in the preceding fiscal year.

Net cash provided by financing activities decreased by JPY6.53 billion YoY due to a decrease in loans payable and an increase in repayments. Cash and cash equivalents at the end of the fiscal year under review amounted to JPY17.9 billion, a decrease of JPY1.36 billion from the beginning of the year.

This concludes my explanation of our financial results for the fiscal year ended March 2022.

Next, I would like to explain our forecast of financial results for the fiscal year ending March 2023.

Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (Overview)

Brilliance through Chemistry

(Billions of yen)	2022/3 Results	2023/3 Forecast	Change (amount)	Change (%)
Net sales	152.54	162.00	9.46	6.2%
Operating profit	11.93	12.30	0.37	3.1%
Share of profit of entities accounted for using equity method	3.06	4.00	0.94	
Ordinary profit	16.51	16.50	(0.01)	(0.1)%
Profit attributable to owners of parent	12.68	11.00	(1.68)	(13.3)%
Exchange rate (JPY/USD)	112.5	120.0	7.5	
Exchange rate (JPY/EUR)	130.4	130.0	(0.4)	

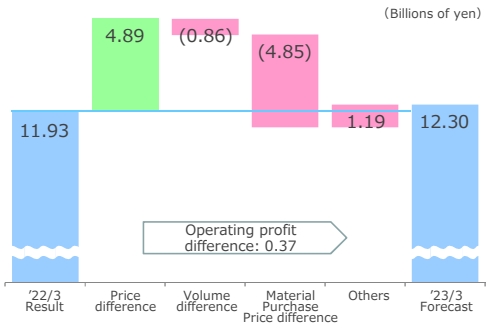
・Work on revising sales price appropriately for further increases in the high raw materials prices and energy costs

・Recorded ¥17.6 billion in gain on exchange of subsidiaries and affiliates' stock in the previous fiscal year as one-time extraordinary income

・Operating profit difference : 0.37 breakdown
Price difference : 4.89 (of which, rate difference : (1.29))
Volume difference : (0.86)
Material purchase price difference : (4.85) (of which, rate difference (0.88))
Others : 1.19

(Billion of yen)	2022/3 Results	2023/3 Forecast	Change
Amount of capital investment	13.11	14.00	0.89
Depreciation	8.58	9.50	0.92
R&D expenses	5.84	6.93	1.09

【Operating profit (year on year)】



NIPPON SODA CO.,LTD.

Please look at slide 11.

We forecast net sales of JPY162 billion and operating profit of JPY12.3 billion for the current fiscal year. Although the plan shows YoY increases in both sales and operating profit, it incorporates price adjustments due to the rises in raw material and fuel prices, and also an impact of exchange rate fluctuations.

The breakdown of the increase in operating profit of JPY370 million includes a positive price difference effect of JPY4.89 billion and a negative material purchase price difference of JPY4.85 billion, incorporating the significant increases in raw material and fuel prices and the resulting revisions of selling prices.

We have almost completed the selling price increase of caustic soda since April this year, and price revisions for other industrial chemicals are also in progress.

The negative volume difference of JPY860 million is based on the assumption of negative figures in the construction, transportation and warehousing, and Other businesses.

As for the other difference of a positive JPY1.19 billion, while we assume that R&D and depreciation expenses will increase, we incorporate a decrease in product freight costs due to the discontinuation of the sale of bulky products, such as caustic potash, as a result of the structural reforms.

In addition, due to the increase in manufacturing costs resulting from the significant rises in raw material and fuel prices, we recognized deemed valuation gain for accounting purposes, called the replacement difference, for inventories at the beginning of the year.

Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (Overview)

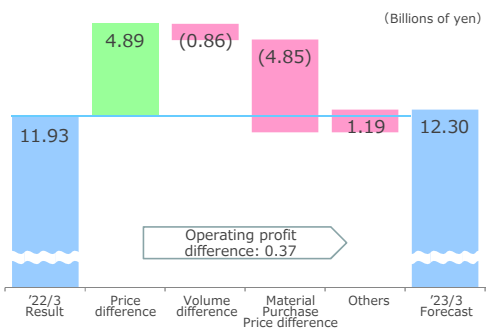
Brilliance through Chemistry

(Billions of yen)	2022/3 Results	2023/3 Forecast	Change (amount)	Change (%)
Net sales	152.54	162.00	9.46	6.2%
Operating profit	11.93	12.30	0.37	3.1%
Share of profit of entities accounted for using equity method	3.06	4.00	0.94	
Ordinary profit	16.51	16.50	(0.01)	(0.1)%
Profit attributable to owners of parent	12.68	11.00	(1.68)	(13.3)%
Exchange rate (JPY/USD)	112.5	120.0	7.5	
Exchange rate (JPY/EUR)	130.4	130.0	(0.4)	

・Work on revising sales price appropriately for further increases in the high raw materials prices and energy costs
・Recorded ¥17.6 billion in gain on exchange of subsidiaries and affiliates' stock in the previous fiscal year as one-time extraordinary income
・Operating profit difference : 0.37 breakdown
Price difference : 4.89 (of which, rate difference : (1.29))
Volume difference : (0.86)
Material purchase price difference : (4.85) (of which, rate difference (0.88))
Others : 1.19

(Billion of yen)	2022/3 Results	2023/3 Forecast	Change
Amount of capital investment	13.11	14.00	0.89
Depreciation	8.58	9.50	0.92
R&D expenses	5.84	6.93	1.09

【Operating profit (year on year)】



11

NIPPON SODA CO.,LTD.

We forecast JPY4 billion in the share of profit of entities accounted for using the equity method. We have incorporated effects at Novus International, where sales and profits are expected to increase due to the higher methionine prices and cost reduction effects from the structural reforms, and IHARABRAS is also expected to increase profits.

We expect that profit attributable to owners of parent will decrease JPY1.68 billion from the previous year, but this is due to the absence of the JPY1.76 billion in extraordinary income on the exchange of shares in an affiliate that was recorded in the previous fiscal year.

As for the sensitivity to exchange rate fluctuations, on a non-consolidated operating profit basis, a depreciation of JPY1 against the US dollar and the euro results in an annual increase of approximately JPY80 million, respectively.

Finally, I will explain our financial indicators for the current fiscal year.

Please look at the table at the bottom of slide 11.

As for capital investments in the current fiscal year, we will spend around JPY6 billion in the construction of a mass production facility for the new fungicide, MIGIWA, as major investment in our growth business.

Although this is a high level of investment following the previous fiscal year, growth investments in the Medium-Term Business Plan are progressing as planned, and this fiscal year will mark the end of a string of large-scale growth investments.

In addition, since investments for maintenance and renewal will pause, the amount of capital investments is expected to decrease significantly from the next fiscal year onward.

Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (Overview)

Brilliance through Chemistry

(Billions of yen)	2022/3 Results	2023/3 Forecast	Change (amount)	Change (%)
Net sales	152.54	162.00	9.46	6.2%
Operating profit	11.93	12.30	0.37	3.1%
Share of profit of entities accounted for using equity method	3.06	4.00	0.94	
Ordinary profit	16.51	16.50	(0.01)	(0.1)%
Profit attributable to owners of parent	12.68	11.00	(1.68)	(13.3)%
Exchange rate (JPY/USD)	112.5	120.0	7.5	
Exchange rate (JPY/EUR)	130.4	130.0	(0.4)	

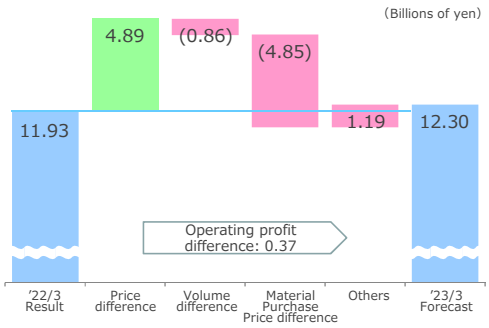
・Work on revising sales price appropriately for further increases in the high raw materials prices and energy costs

・Recorded ¥17.6 billion in gain on exchange of subsidiaries and affiliates' stock in the previous fiscal year as one-time extraordinary income

・Operating profit difference : 0.37 breakdown
Price difference : 4.89 (of which, rate difference : (1.29))
Volume difference : (0.86)
Material purchase price difference : (4.85) (of which, rate difference (0.88))
Others : 1.19

(Billion of yen)	2022/3 Results	2023/3 Forecast	Change
Amount of capital investment	13.11	14.00	0.89
Depreciation	8.58	9.50	0.92
R&D expenses	5.84	6.93	1.09

【Operating profit (year on year)】



NIPPON SODA CO.,LTD.

As for depreciation, depreciation expenses related to the growth investments will increase around JPY600 million.

R&D expenses will increase YoY, as we estimate the cost of hundreds of millions of yen related to the mass production facility for the new fungicide MIGIWA, which is scheduled for completion at the end of the current fiscal year, and other several hundred million yen in contract testing expenses for the full-scale development of new agrochemicals, which are part of the R&D pipeline ingredients at our research institute.

Next, I would like to explain our business forecast by segment.

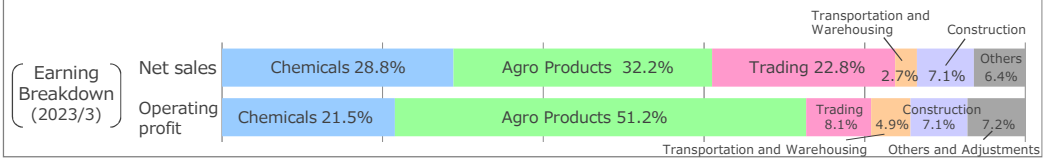
Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (Forecast of performance by segment)

Brilliance through Chemistry

(Billions of yen)	2022/3 Results		2023/3 Forecast		Change (amount)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	43.89	2.47	46.60	2.64	2.71	0.17
Agro Products	50.56	5.51	52.10	6.30	1.54	0.79
Trading	35.68	1.17	37.00	1.00	1.32	(0.17)
Transportation and Warehousing	4.46	0.69	4.40	0.60	(0.06)	(0.09)
Construction	8.22	1.14	11.50	0.87	3.28	(0.27)
Others	9.72	1.06	10.40	0.91	0.68	(0.15)
Adjustments	–	(0.12)	–	(0.02)	–	0.10
Total	152.54	11.93	162.00	12.30	9.46	0.37

・Chemicals : Expected sales expansion of pharmaceutical additive “NISSO HPC”, KrF photo resist material “VP-POLYMER” and new specialty polymer “Liquid 1,2-SBS”
Expected decease in caustic potash, potassium carbonate due to implementation of structural reforms in the caustic potash and peripheral businesses

・Agro Products : Expected increase in sales for export fungicide ”TOPSIN-M”, insecticide “MOSPILAN” and acaricide “NISSORUN”
Expected sales expansion of new acaricide “DANYOTE” and new fungicide “MIGIWA”



NIPPON SODA CO.,LTD.

Please look at slide number 12.

In the chemicals segment, sales of caustic potash and potassium carbonate are expected to decrease due to the implementation of the structural reforms in the caustic potash and peripheral businesses, but we expect that sales of the pharmaceutical additive NISSO HPC, the KrF photoresist material VP POLYMER, and rechargeable battery materials will increase.

In addition, we will promote sales of the new functional polymer liquid 1,2-SBS, which was launched in January this year, to the electronic material industry.

In the agro products segment, we will expand sales of the three new agrochemicals. We also expect steady sales of the insecticide MOSPILAN and the acaricide NISSORUN.

In addition, sales volume of the fungicide TOPSIN-M, which declined in the previous fiscal year, is expected to increase in the current fiscal year due to higher prices for generic products and reduced supply.

In the construction business, we forecast a reactionary decrease in operating profit in the current fiscal year after the completion of the highly profitable construction project in the previous fiscal year.

In each business segment, we expect an increase in various expenses, such as travel expenses, which decreased in the previous fiscal year due to the impact of COVID-19.

Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (Forecast of performance by segment)

Brilliance through Chemistry

(Billions of yen)	2023/3 1H forecast		2023/3 2H forecast		2023/3 Full-year forecast	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	23.20	1.68	23.40	0.96	46.60	2.64
Agro Products	22.60	3.50	29.50	2.80	52.10	6.30
Trading	18.30	0.51	18.70	0.49	37.00	1.00
Transportation and Warehousing	2.20	0.30	2.20	0.30	4.40	0.60
Construction	4.00	0.07	7.50	0.80	11.50	0.87
Others	5.20	0.55	5.20	0.36	10.40	0.91
Adjustments	–	0.29	–	(0.31)	–	(0.02)
Total	75.50	6.90	86.50	5.40	162.00	12.30

Please look at slide number 13.

This is a table of sales and operating profit by segment for H1 and H2 of the year.

Sales and operating profit in the agro products segment normally tend to be higher in H2 of a year due to the seasonality of sales.

However, in the current fiscal year, due to the increase in production costs caused by the significant rises in raw material and fuel prices, we recognized deemed valuation gain for accounting purposes, called the replacement difference, especially for inventories of agrochemicals at the beginning of the year.

Therefore, the operating profit forecast for agrochemicals differs significantly from the usual forecast in that the deemed gain is generated in advance in H1 of the fiscal year.

This concludes my explanation of the earnings forecast for the fiscal year ending March 2023.

Although the situation continues to be unpredictable, due to the rising geopolitical risks and concerns about further increases in raw material and fuel prices, the entire group will work together to increase sales and profits to the greatest extent possible.

Next, President and Representative Director Eiji Aga will explain the measures and progress of the Medium-Term Business Plan, Brilliance through Chemistry Stage I.

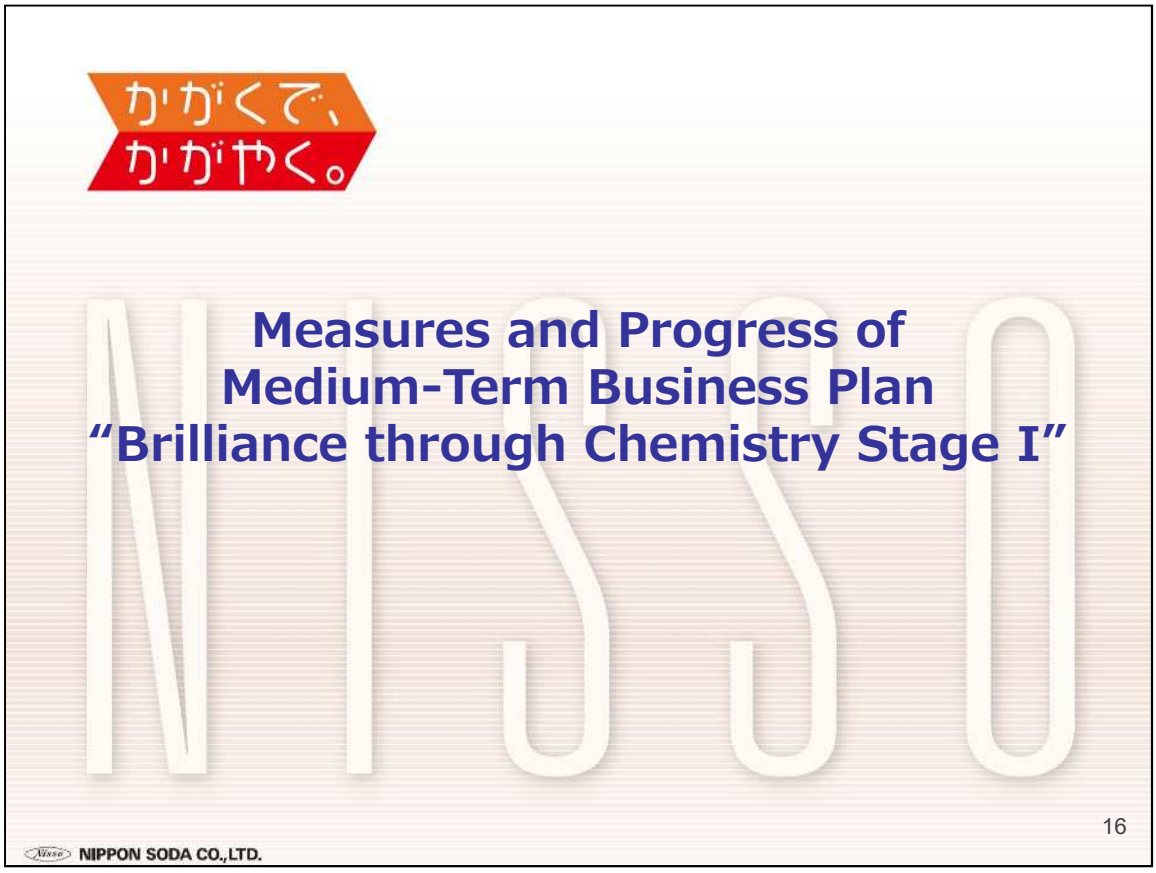
[Reference Materials] Business Details

(Billions of yen)			2021/3 results		2022/3 results		Main Products, etc.
			Net sales	Operating profit	Net sales	Operating profit	
Non-consolidated		Industrial chemicals	12.98		13.55		Caustic soda, Liquid chlorine, Hydrochloric acid, Sodium cyanide, Potassium cyanide, Phosphorus oxychloride and Phosphorus trichloride
Non-consolidated		Fine chemicals	7.44		9.63		Metallic sodium, Specialty isocyanates, Alcoholate, Organic titanate, Color developers for thermal paper and Secondary battery materials
Non-consolidated		Specialty chemicals	6.23		6.62		NISSO-PB, VP-POLYMER, TITABOND and BISTRATOR
Non-consolidated		Eco-business	5.77		5.74		NISSO HI-CHLON, NISSO MELSAN, TAKE-ONE, HIDION and Slime removing agents
Non-consolidated		Pharmaceuticals & industrial fungicides	8.16		9.51		NISSO HPC, NISSO DAMN, Faropenem-sodium antibiotic, NISSO SSF, BESTCIDE, BIOCUT and MILLCUT
Non-consolidated		Subtotal	40.58		45.05		
	Subsidiaries sales, elimination of transactions, etc.		(3.01)		(1.16)		
1. Chemicals			37.57	1.72	43.89	2.47	
Non-consolidated		Fungicides	19.62		19.11		TOPSIN-M, BEFRAN, BELLKUTE, PYTHILOCK, TRIFMINE, PANCHO, MIGIWA, AGRI-MYCIN AGROCARE (biological pesticide), MASTERPIECE (biological pesticide), FANTASISTA MONSIEUR BORDEAUX and LABILITE
Non-consolidated		Insecticides/acaricides	18.34		19.83		MOSPILAN, NISSORUN, DANYOTE, ROMDAN, GREENGUARD, KOTETSU and PHOENIX
Non-consolidated		Herbicides	4.26		3.11		NABU, HOENEST, CONCLUDE, EIGEN and ALPHARD
Non-consolidated		Others	(0.24)		(0.39)		Smoking agents
Non-consolidated		Subtotal	41.97		41.66		
	Subsidiaries sales, elimination of transactions, etc.		6.24		8.91		
2. Agro Products			48.20	4.84	50.56	5.51	
3. Trading			32.32	0.73	35.68	1.17	Chemicals, functional products, synthetic resins, industrial devices and construction-related products
4. Transportation and Warehousing			4.22	0.60	4.46	0.69	Warehousing and transportation services
5. Construction			8.51	1.10	8.22	1.14	Plant construction, and civil engineering and construction
6. Others and adjustments			8.54	0.99	97.2	0.94	
Total			139.36	9.98	152.54	11.93	

[Reference Materials] Overview of the Business Group (as of April 1, 2022)

◎ Number of consolidated subsidiaries: 17 ○ Number of equity-method affiliates: 2

Company name	Business activities	Chemicals	Agro Products	Trading	Transportation and Warehousing	Construction	Others
Nippon Soda Co., Ltd.	Manufacturing, processing and marketing of industrial chemicals, synthetic resin and other plastic materials, dyes, pharmaceuticals, agrochemicals, veterinary pharmaceuticals, and various other kinds of chemical industrial products	◎	◎				
Nisso Shoji Co., Ltd.	Sales in Japan and export/import of chemical products, functional products, synthetic resins, industrial devices, construction-related products, etc.			◎			
Sanwa Soko Co, Ltd.	Warehousing, transportation, packaging, customs brokerage, insurance agency services and leasing				◎		
Sanso Unyu Co., Ltd.	Truck transportation and freight forwarding				◎		
Nisso Metallochemical Co., Ltd.	Manufacturing and sales of non-ferrous metals and industrial chemicals, and environmental development business						◎
NISSO Engineering Co., Ltd.	Comprehensive planning, design, management, construction, sales and consulting for industrial and other types of facilities and equipment, machinery, piping, civil engineering, construction, etc.					◎	
Nisso Kensetsu Co., Ltd.	Planning and execution of civil engineering and construction projects, earthworks projects, soil and rock mining, and manufacturing and sales of concrete products					◎	
Shinfuji Kaseiyaku Co., Ltd.	Manufacturing and sales of smoking agents for agrochemicals, pharmaceuticals and veterinary pharmaceuticals, and manufacturing, processing, sales, repackaging into smaller containers and packaging of other agrochemicals, pharmaceuticals and general industrial chemicals		◎				
Nisso Fine Co., Ltd.	Manufacturing, sales and trial production of development products of industrial chemicals, chemical products, functional dyes, pharmaceuticals, agrochemicals and their intermediates, synthetic resin molded products, deoxygenating agents, dehumidifying agents and household general goods	◎	◎				◎
Nisso Green Co., Ltd.	Sales of agrochemicals, agricultural materials and other products		◎				
NISSO AMERICA INC.	Export/import and wholesale sales of various products, manufacturing and sales of various products, and provision of consigned information research services related to technology	◎	◎				
NISSO CHEMICAL EUROPE GmbH	Export/import and wholesale sales of various products, manufacturing and sales of various products, and provision of consigned information research services related to technology	◎	◎				
Nisso Namhae Agro Co., Ltd.	Manufacturing of active agrochemical ingredients		◎				
Alkaline SAS and other 4 companies	Manufacturing and sales of metallic sodium, chlorine and other products	◎					
Novus International, Inc.	Manufacturing and sales of feed additives	○					
IHARABRAS S/A. INDÚSTRIAS QUÍMICAS	Export/import and wholesale sales of insecticides, fungicides, herbicides and other agrochemical products, and manufacturing and formulation of agrochemicals		○				



Aga: This is Aga. I would like to thank you for your continued support and understanding of our business operations. I would like to take this opportunity to express my sincere gratitude.

I will explain the progress of the Medium-Term Business Plan Brilliance through Chemistry Stage I.

Progress of "Brilliance through Chemistry Stage I" (Basic objectives)

Brilliance through Chemistry

	2020/3 Results	2021/3 Results	2022/3 Results	Medium-Term Business Plan (2023/3 Target)	Long-Term Vision KPI (2030/3)
Net profit	¥6.76 billion	¥7.36 billion	¥12.68 billion	¥7.00 billion	
ROE	4.8%	5.1%	※ 8.4%	5%	8% or more
Capital investment	¥8.82 billion	¥7.72 billion	¥13.11 billion	30.0 in 3 years	
Dividend (payout ratio)	35.7%	43.1%	39.6%	40%	
(per share)	¥80	¥110	¥180	Minimum of ¥80	
ROS	5.6%	7.2%	7.8%		10% or more
ROA	3.8%	4.6%	5.0%		7% or more

※ ROE excluding on-time extraordinary income (¥1.76 billion in gain on exchange of subsidiaries and affiliates' stock) : 7.2%

◆Expansion of high value-added products

・Expansion of growth business is progressing as planned (Pharmaceutical additive "NISSO HPC", functional polymers, new internally developed agrochemicals)

・Growing sales of insecticide "MOSPILAN" in Europe and exchange rate remain favorable more than expected

◆Increasing of asset efficiency

・Implemented liquidation of unprofitable businesses (Structural reforms in the caustic potash and peripheral business. Recorded an impairment loss for some facilities related to fine chemicals, etc.)

・Continuously implementing Liquidation of cross-shareholdings

◆Growth investment and shareholder return policy

・Growth investment for increasing our cash flow generation ability are progressing as planned (Expanded production facility of "NISSO HPC" and mass production facility of new fungicide "MIGIWA")

・Maintain dividend payout ratio of 40% and implemented flexible purchases and cancellation the treasury shares

17

NIPPON SODA CO.,LTD.

Please look at slide number 17.

We positioned the Medium-Term Business Plan, Stage I as the first step to achieve the 10-year Long-Term Vision, Brilliance through Chemistry 2030, and we are working to solidify the foundation to enhance corporate value.

Our basic goals include expansion of high value-added businesses, improvement of asset efficiency, and promotion of an aggressive capital policy that emphasizes a balance between investments in growth and shareholder returns.

With respect to the expansion of high-value-added businesses, all of our growth driver products have been performing solidly. In addition, as positive factors not incorporated in the plan, sales of the insecticide MOSPILAN expanded in Europe, and the Japanese yen kept weakening against the other major currencies.

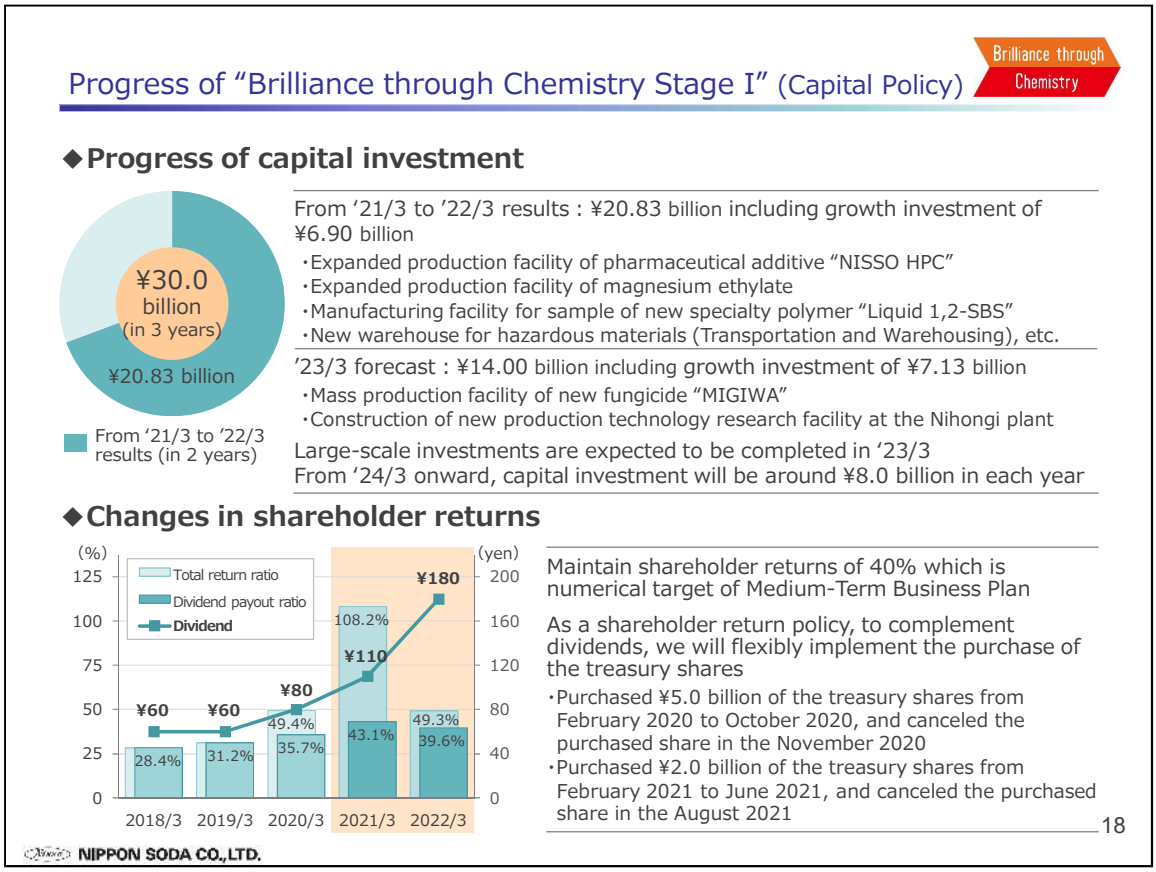
As a result, profit attributable to owners of parent and ROE have already exceeded the targets for the fiscal year ending March 2023, the final year of the Medium-Term Business Plan.

To improve asset efficiency, we have liquidated unprofitable businesses in the chemicals segment.

In addition, the Company is continuing to dispose of its strategic shareholdings.

With regard to growth investments and shareholder returns, we have decided to execute capital investments of JPY30 billion over the three years, and investments in growth businesses that will enhance our ability to generate cash flows are progressing according to the plan.

In addition, the Company pays dividends in line with its dividend payout ratio target of 40%, and flexibly implements share buybacks.



Please look at slide number 18.

In terms of capital investments, the Medium-Term Business Plan calls for two major growth investments plans: the expansion of the production facility for the pharmaceutical additive NISSO HPC, and the construction of the mass production facility for the new disinfectant MIGIWA.

The expansion of the production facility for the pharmaceutical additive NISSO HPC was completed in July last year, contributing significantly to the sales expansion of this product.

We plan to complete the mass production facility for the fungicide MIGIWA by the end of the current fiscal year. The fungicide MIGIWA is currently sold only in Japan, but we have already registered it in the US and will start overseas sales as soon as the mass production facility is up and running.

Due to the two large-scale capital investment plans, the amount of capital investments has increased in the Medium-Term Business Plan.

However, the amount is expected to decrease significantly from the next fiscal year onward as investments in maintenance and renewal will take a pause in line with the standstill of the large-scale capital investments.

With respect to shareholder returns, the Company has targeted a dividend payout ratio of 40% during the period of the Medium-Term Business Plan and has continued to increase dividends in line with earnings growth.

The Company also bought back its own shares worth JPY5 billion in 2020 and JPY2 billion in 2021, and in both cases, canceled all acquired shares.

Progress of "Brilliance through Chemistry Stage I" (ROIC and ROE)

Brilliance through Chemistry

(Billions of yen)	2018/3	2019/3	2020/3	2021/3	2022/3	
Net Sales	141.23	145.66	144.74	139.36	152.54	
Cost of sales	104.76 74.2%	108.65 74.6%	106.82 73.8%	100.59 72.2%	110.43 72.4%	Increased raw materials and fuel costs was offset by increasing sales volume and revising sales price
Selling, general and administrative expenses	30.08 21.3%	29.11 20.0%	29.79 20.6%	28.79 20.7%	30.17 19.8%	
Operating Profit	**6.39 4.5%**	**7.91 5.4%**	**8.14 5.6%**	**9.98 7.2%**	**11.93 7.8%**	
Notes and accounts receivable-trade	46.48 3.3 times	50.66 3.0 times	43.58 3.1 times	45.26 3.1 times	52.51 3.1 times	
Inventories	27.62 3.7 times	27.37 4.0 times	30.64 3.7 times	32.12 3.2 times	34.86 3.3 times	Increased inventories to prepare for raw material procurement risk
Notes and accounts payable-trade	21.82 5.3 times	23.65 4.8 times	17.51 5.2 times	16.71 5.9 times	21.32 5.8 times	
Working capital	52.29 2.7 times	54.38 2.7 times	56.71 2.6 times	60.67 2.4 times	66.05 2.4 times	
Non-current assets	114.87 1.3 times	117.32 1.3 times	114.44 1.2 times	127.62 1.2 times	136.57 1.2 times	
Invested capital	167.15 0.9 times	171.69 0.9 times	171.15 0.8 times	188.29 0.8 times	202.62 0.8 times	
Pre-tax ROIC	**3.8%**	**4.6%**	**4.8%**	**5.3%**	**5.9%**	
Share of profit of entities accounted for using equity method	2.24	0.00	1.84	1.86	3.06	
Net Profit	6.38	5.80	6.76	7.36	12.68	
ROE	**4.6%**	**4.1%**	**4.8%**	**5.1%**	**8.4%**	ROE excluding on-time extraordinary income of ¥1.76 billion : 7.2%

NIPPON SODA CO.,LTD.

Please look at slide 19.

Here is a table summarizing investment efficiency.

In terms of profits, although raw material and fuel prices rose significantly in the previous fiscal year, we were able to maintain the cost ratio and improve the operating profit margin by increasing the sales volume of high value-added products and implementing price revisions.

Regarding invested capital, the turnover ratio of invested capital remained at the same level as in the preceding year due to an increase in inventories to prepare for the procurement risk of raw materials, an increase in property, plant, and equipment due to the large upfront investment, and an increase in investment securities and assets related to the employees' retirement benefits, due to a rise in stock prices.

Meanwhile, ROIC improved for the fifth consecutive year due to the increase in operating profit. ROE was 8.4%, meeting the 8% target set as a KPI in the Long-Term Vision. However, excluding the one-time extraordinary gain from the IPO of an affiliate, ROE would have been 7.2%.

We will keep working on continuous improvement of profitability and efficiency and solidify the foundation to increase our corporate value.

Next, I would like to explain the progress of our priority measures.

Progress of "Brilliance through Chemistry Stage I" (Key Strategies)

Brilliance through Chemistry

Chemicals

◆Further expansion of growth business areas

Cellulose derivatives (Pharmaceutical additive "NISSO HPC")

▶ Increased 30% of production capacity (July 2021) : Started consideration of increasing production capacity for next period due to robust demand

Expansion in peripheral business fields : Acquisition of lubricant "sodium stearyl fumarate" business (May 2020)

Launch of new products : Expect launch of new product "HPC SL60" for coating agents (Target of FY2023)

Promotion of joint research : Adoption of latest pharmaceutical formulation technologies, including 3D printing and continuous production

Functional polymers (resin additive "NISSO-PB" and KrF photoresist material "VP-POLYMER")

▶ Sales of KrF photoresist material "VP-POLYMER" is increasing due to robust demand for semiconductor

Sales expansion in the ICT field : Sales expansion for resin additive "NISSO-PB" for 5G telecommunications device materials

Launch of new product : Launched new specialty polymer "Liquid 1,2-SBS" (for 5G telecommunications device materials)

◆Liquidation of unprofitable business

Structural reforms in the caustic potash and peripheral business

▶ Withdrew caustic potash related to electrolysis businesses at Nihongi plant located in Niigata-prefecture which is one of our main plants

→ Progressed the reforms to a plant that produces the value-added products with the drastic replacement of products portfolio (Pharmaceutical additive "NISSO HPC", insecticide "MOSPILAN", new acaricide "DANYOTE" and new fungicide "MIGIWA")

Recorded an impairment loss for some facilities related to fine chemicals

Please look at slide number 20.

In the chemicals segment, we are working to expand the cellulose derivatives business, which is a growth driver. The pharmaceutical additive NISSO HPC is mainly used as a binding agent for forming pharmaceutical tablets. It has high binding power, which makes it possible to reduce the amount added and make tablets smaller.

It also has excellent sustained release properties, which reduce the number of times the drug is taken and keep the blood concentration of active ingredients constant.

The construction work to increase production at the Nihongi Plant in Niigata Prefecture was completed in July last year and has contributed to the increase in sales. Since demand continues to grow, we have started to consider a next round of capacity expansion.

In addition, as a measure to expand peripheral businesses, we have acquired the sodium stearyl fumarate, or SSF, business from MARUZEN CHEMICAL TRADING CO., LTD.

SSF is used as a lubricant in the production of pharmaceutical tablets, and when used in combination with NISSO HPC, it is able to produce tablets from materials that are difficult to form.

Moreover, SSF has been found to improve tablet hardness and generate excellent tablet disintegration properties, so the synergy between NISSO HPC and SSF is expected to enjoy applications for various pharmaceutical tablets.

In addition, as a new product of NISSO HPC, we have developed and started to provide samples of a coating agent with characteristics not found in conventional products. We are also aiming to standardize NISSO HPC through joint development in cutting-edge fields, such as 3D printing tablet formulation technology, where the adoption of NISSO HPC is expected in the future.

Progress of "Brilliance through Chemistry Stage I" (Key Strategies)

Brilliance through Chemistry

Chemicals

◆Further expansion of growth business areas

Cellulose derivatives (Pharmaceutical additive "NISSO HPC")

▶ Increased 30% of production capacity (July 2021) : Started consideration of increasing production capacity for next period due to robust demand

Expansion in peripheral business fields : Acquisition of lubricant "sodium stearyl fumarate" business (May 2020)

Launch of new products : Expect launch of new product "HPC SL60" for coating agents (Target of FY2023)

Promotion of joint research : Adoption of latest pharmaceutical formulation technologies, including 3D printing and continuous production

Functional polymers (resin additive "NISSO-PB" and KrF photoresist material "VP-POLYMER")

▶ Sales of KrF photoresist material "VP-POLYMER" is increasing due to robust demand for semiconductor

Sales expansion in the ICT field : Sales expansion for resin additive "NISSO-PB" for 5G telecommunications device materials

Launch of new product : Launched new specialty polymer "Liquid 1,2-SBS" (for 5G telecommunications device materials)

◆Liquidation of unprofitable business

Structural reforms in the caustic potash and peripheral business

▶ Withdrew caustic potash related to electrolysis businesses at Nihongi plant located in Niigata-prefecture which is one of our main plants

→ Progressed the reforms to a plant that produces the value-added products with the drastic replacement of products portfolio (Pharmaceutical additive "NISSO HPC", insecticide "MOSPILAN", new acaricide "DANYOTE" and new fungicide "MIGIWA")

Recorded an impairment loss for some facilities related to fine chemicals

The core products of the Functional Polymers business, another growth driver of the chemicals segment, are VP POLYMER, a KrF photoresist material produced by our proprietary polymerization technology, and NISSO-PB, a resin additive.

Sales of VP POLYMER posted a record high in the preceding fiscal year due to strong demand for semiconductors.

Regarding NISSO-PB, demand for the product as an additive for resins and synthetic rubber used as materials for flexographic printing plates has been strong. In recent years, the product has been adopted for 5G communication equipment materials due to its superior heat resistance and low dielectric properties in the high frequency range.

In addition, we have commenced sales of Liquid 1,2-SBS, a new functional polymer that utilizes our proprietary polymerization technology. The product has excellent low dielectric properties and high levels of heat resistance, water resistance, and oil resistance, and we will continue to capture market shares for 5G communication equipment materials and increasingly sophisticated electronic materials.

Progress of "Brilliance through Chemistry Stage I" (Key Strategies)

Brilliance through Chemistry

Chemicals

◆Further expansion of growth business areas

Cellulose derivatives (Pharmaceutical additive "NISSO HPC")

▶ Increased 30% of production capacity (July 2021) : Started consideration of increasing production capacity for next period due to robust demand

Expansion in peripheral business fields : Acquisition of lubricant "sodium stearyl fumarate" business (May 2020)

Launch of new products : Expect launch of new product "HPC SL60" for coating agents (Target of FY2023)

Promotion of joint research : Adoption of latest pharmaceutical formulation technologies, including 3D printing and continuous production

Functional polymers (resin additive "NISSO-PB" and KrF photoresist material "VP-POLYMER")

▶ Sales of KrF photoresist material "VP-POLYMER" is increasing due to robust demand for semiconductor

Sales expansion in the ICT field : Sales expansion for resin additive "NISSO-PB" for 5G telecommunications device materials

Launch of new product : Launched new specialty polymer "Liquid 1,2-SBS" (for 5G telecommunications device materials)

◆Liquidation of unprofitable business

Structural reforms in the caustic potash and peripheral business

▶ Withdrew caustic potash related to electrolysis businesses at Nihongi plant located in Niigata-prefecture which is one of our main plants

→ Progressed the reforms to a plant that produces the value-added products with the drastic replacement of products portfolio (Pharmaceutical additive "NISSO HPC", insecticide "MOSPILAN", new acaricide "DANYOTE" and new fungicide "MIGIWA")

Recorded an impairment loss for some facilities related to fine chemicals

With respect to the liquidation of unprofitable businesses, the Company discontinued the caustic potash electrolysis-related business at the Nihongi Plant in March this year in line with the implementation of the structural reforms at the caustic potash and its peripheral businesses.

At the Nihongi Plant, our main plant, while we suspended the electrolysis-related operations, we will increase production of the pharmaceutical additive NISSO HPC, manufacture MOSPILAN, which is the main insecticide in our agro products segment, and the new acaricide DANYOTE.

We will also start mass production of the fungicide MIGIWA at the end of the current fiscal year.

We will steadily transform our business portfolio to generate high profits through a major reshuffling of manufacturing items.

Next, I would like to explain the agro products segment.

Progress of "Brilliance through Chemistry Stage I" (Key Strategies)

Brilliance through Chemistry

Agro Products

◆Launches and sales expansion of new agrochemicals

Fungicide "PYTHILOCK"
(Launched in Japan and South Korea in 2017 and in USA in 2021)

▶ New mode of action, and steadily expanding sales in Japan for vegetables and paddy rice
As new seed treatment agent, registered in USA and Canada (July 2021)

Acaricide "DANYOTE" (Launched in Japan in 2020, and in South Korea in 2021)

▶ New mode of action, and effective against spider mites that are resistant to existing acaricides
Immediate effect, and less impact on beneficial insects
Developing for the USA

Fungicide "MIGIWA"
(Launched in Japan in 2021, and planning launch in USA in 2023)

▶ New mode of action, and is expected to be a major fungicide given its effectiveness against a broad spectrum of disease
1ST adoption for Priority review of new active ingredient (Acquired the registration in one year and three months)
Registered in the USA and applied registration for the Europe. Under development for other regions
Constructing the mass production facility (Completion in March 2023)
→ Expect to start sales for export

Sales of new three products is expected ¥3 billion in FY2023
→ aiming to achieve the sales of ¥10 billion

Investment in BHARAT CERTIS AGRISCIENCE, an Indian agrochemical manufacturing and sales company

▶ Sell our products using our trademarks
Planning to launch three new agrochemicals in several year

Please look at slide number 21.

In the agro products business, the most important theme is to expand sales of the three new agrochemicals.

The fungicide PYTHILOCK was launched in Japan and South Korea in 2017, and we have been expanding sales for vegetables, paddy rice, and turf. We have also signed a global licensing agreement with Syngenta, one of the world's leading agrochemical manufacturers, and started selling the product in the US for seed treatment for corn, soybeans, wheat, rape, and other crops.

In addition, we are developing products for vegetables in Europe, the US, India, and the Middle East.

The acaricide DANYOTE has a new mechanism of action and shows an immediate and excellent effect. Its sales are expanding at a faster pace than expected. In addition, as overseas major companies have not developed acaricides, we are also developing the product in the US and other countries.

The third product, the fungicide MIGIWA, is expected to become a large-scale agent because it is effective against bacteria that are resistant to existing agents and has a wide coverage of target diseases.

In Japan, the pesticide was recognized as being particularly necessary for the control of pests, and was subject to priority review, enabling us to obtain registration as early as one year and three months after application.

In addition, in the US, the product has been certified as a low-risk pesticide and has been registered at an early date. Currently, sales are limited to Japan, but overseas sales will commence as soon as the mass production facility is up and running.

Progress of "Brilliance through Chemistry Stage I" (Key Strategies)

Brilliance through Chemistry

Agro Products

◆Launches and sales expansion of new agrochemicals

Fungicide "PYTHILOCK"
(Launched in Japan and South Korea in 2017 and in USA in 2021)

▶ New mode of action, and steadily expanding sales in Japan for vegetables and paddy rice
As new seed treatment agent, registered in USA and Canada (July 2021)

Acaricide "DANYOTE" (Launched in Japan in 2020, and in South Korea in 2021)

▶ New mode of action, and effective against spider mites that are resistant to existing acaricides
Immediate effect, and less impact on beneficial insects
Developing for the USA

Fungicide "MIGIWA"
(Launched in Japan in 2021, and planning launch in USA in 2023)

▶ New mode of action, and is expected to be a major fungicide given its effectiveness against a broad spectrum of disease
1ST adoption for Priority review of new active ingredient (Acquired the registration in one year and three months)
Registered in the USA and applied registration for the Europe. Under development for other regions
Constructing the mass production facility (Completion in March 2023)
→ Expect to start sales for export

Sales of new three products is expected ¥3 billion in FY2023
→ aiming to achieve the sales of ¥10 billion

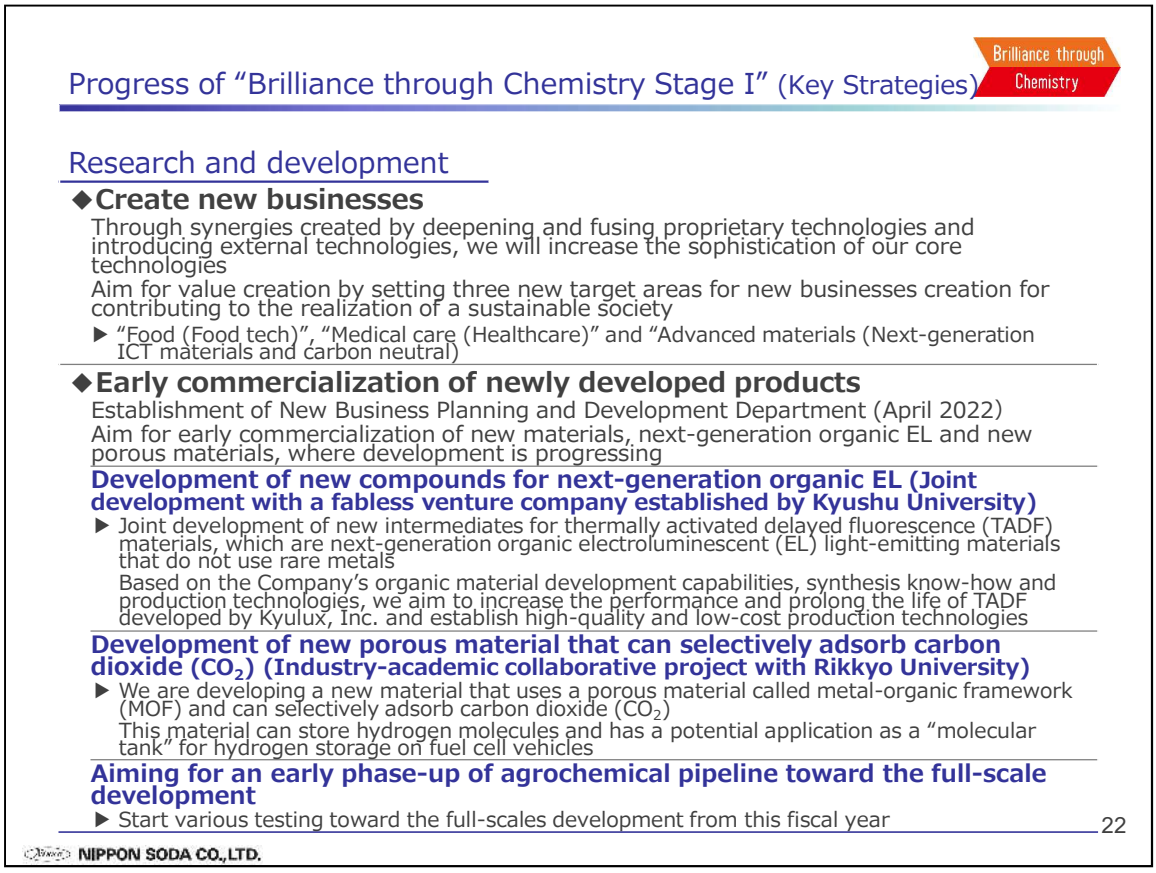
Investment in BHARAT CERTIS AGRISCIENCE, an Indian agrochemical manufacturing and sales company

▶ Sell our products using our trademarks
Planning to launch three new agrochemicals in several year

We expect that total sales of the three new agrochemicals at JPY3 billion for the current fiscal year, and sales expansion is progressing as expected. We will continue to expand sales to reach our immediate sales target of JPY10 billion.

With the aim of further expanding our overseas business, we have acquired shares of Bharat Certis Agriscience Ltd., an Indian agrochemical manufacturing and sales company. In addition to promoting sales of existing agrochemicals, we plan to launch sales of new agrochemicals in the next few years.

Next, I will explain the status of research and development aimed at creating new businesses.



Please look at slide 22.

Our Long-Term Vision calls for the advancement of our core technologies through the deepening and integration of our proprietary technologies, and the synergy of introducing external technologies, and we are promoting R&D not only using internal resources, but also in cooperation with external organizations, including other companies and academia.

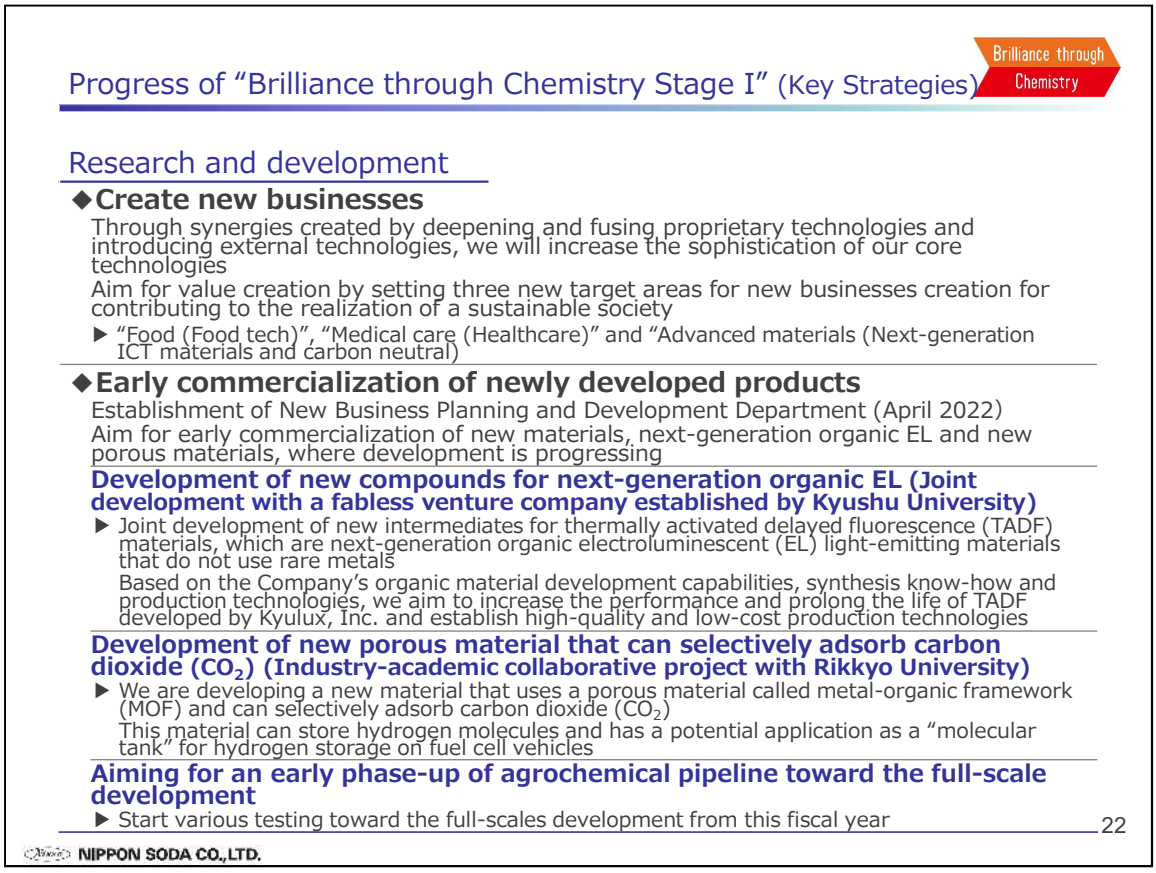
In addition, we have set three new areas as targets for new business creation: food, food tech, medical, healthcare, and advanced materials, next-generation ICT materials and carbon neutral, with the aim of creating value to realize a sustainable society.

In April this year, we established the New Business Development and Promotion Department for the early commercialization of new materials that are under development. Here, we introduce three new materials that are expected to be commercialized in the near future.

The first is the joint development for next-generation OLED compounds. We are working on the joint development of thermally activated delayed fluorescence, TADF, which is a next-generation OLED material developed by Kyulux, a fabless venture company originating from Kyushu University.

Nippon Soda and Kyulux are engaged in the joint development with the goal of producing a high-performance, high-quality, and low-cost product by utilizing our organic material development ability and expertise in synthesis.

For us, this joint development will be a stepping stone to entering the OLED display business, a new business field.



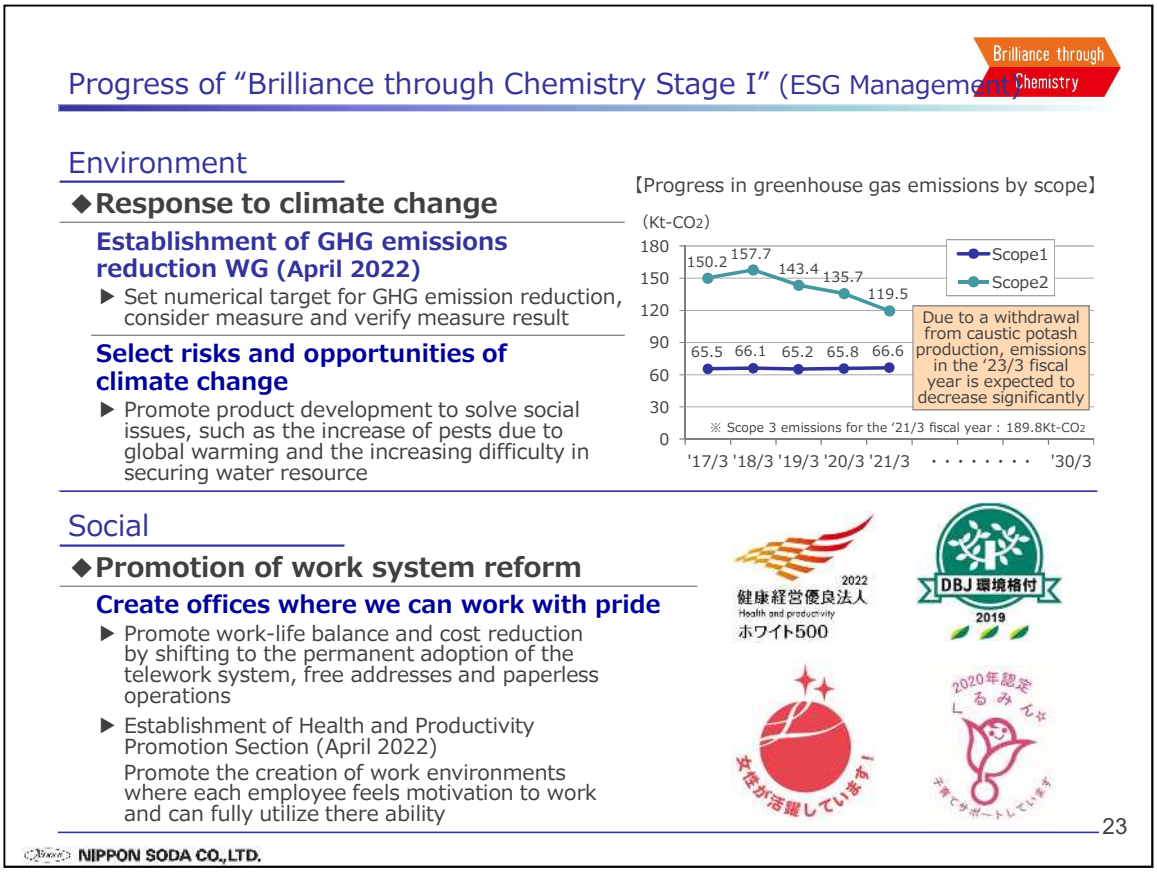
Second, in the course of our research to create environmentally friendly molecules, we have succeeded in developing a material that selectively adsorbs carbon dioxide, a well-known greenhouse gas.

Since this material can adsorb and store even difficult-to-handle molecular hydrogen, we expect that it can be applied as a molecular cylinder for hydrogen storage that can be installed in fuel cell vehicles. Our knowledge of agrochemical development was utilized in the synthesis of this substance.

The third one is the development of a new agrochemical. We are not able to go into detail at present, but our institute has found very effective compounds and we will start various tests for full-scale development in the current fiscal year. We expect it will become a new product following the three new agrochemicals, for which sales promotion measures are underway.

These new materials in progress are of high originality and novelty as we use our proprietary technologies. We hope to put them to practical use as part of our initiatives for the Long-Term Vision, as the technologies that contribute to the realization of a low-carbon and hydrogen-based society and food security.

Finally, I would like to explain ESG initiatives.



Please look at slide 23.

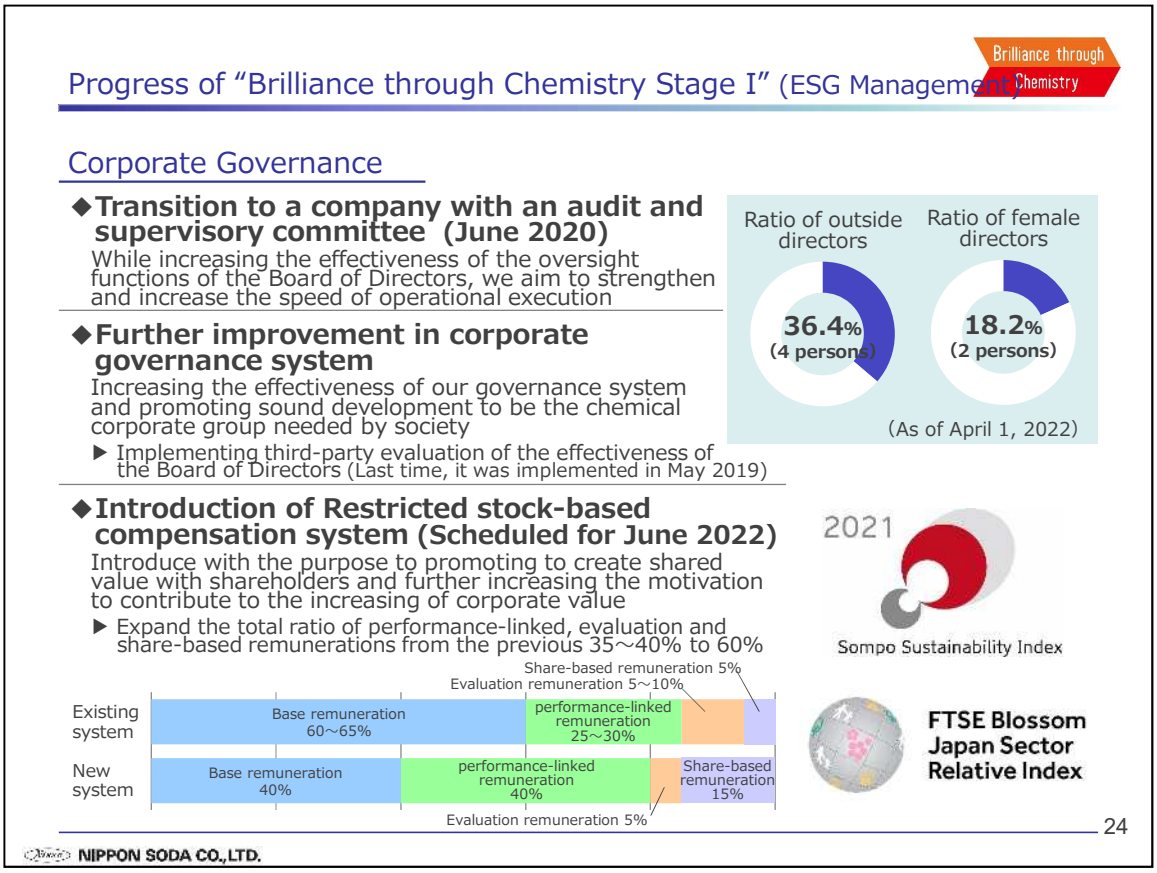
First of all, as for environment as part of ESG, we established a working group in April this year as an organization to consider measures to reduce GHG emissions and verify the outcomes of the measures.

At our company, the carbon intensity, or the GHG emission level per sales, is not high. In addition, by discontinuing the caustic potash electrolysis-related business, the amount of GHG emissions is expected to decrease substantially. We would like to continue our initiatives for reducing GHG emissions.

In addition, we will promote the development of products that contribute to solving social issues and realizing a sustainable society as we study climate change risks and promote the selection of opportunities.

As for social of ESG, we have introduced the telecommuting system, which began in the head office area due to the COVID-19 pandemic, as a permanent system. At the same time, implementing a free address system and paperless office, we have succeeded in realizing a good work-life balance and reducing the rent at the head office.

In April of this year, we established the section to promote health management. We will promote the creation of a workplace environment where employees feel fulfilled in their work and can maximize their abilities.



Please look at slide number 24.

With regard to our corporate governance system, we shifted to a company with an Audit & Supervisory Committee in June 2020. We also conduct a third-party evaluation of the effectiveness of the Board of Directors for further enhancement of the governance structure.

Furthermore, we have decided to introduce a restricted stock-based compensation plan, subject to approval at the General Meeting of Shareholders in June this year. At the same time, we have decided to change the percentage of each type of compensation and raise the ratios of performance-linked compensation and stock-based compensation.

This concludes my explanation of the progress of the Medium-Term Business Plan, Brilliance through Chemistry Stage I.

Though we are exceeding the numerical targets, we won’t be satisfied with them, and we will continue dynamic evolution and reforms with a sense of speed for further enhancement of our enterprise value.

That’s all from me.

Thank you very much for listening.

Brilliance through Chemistry

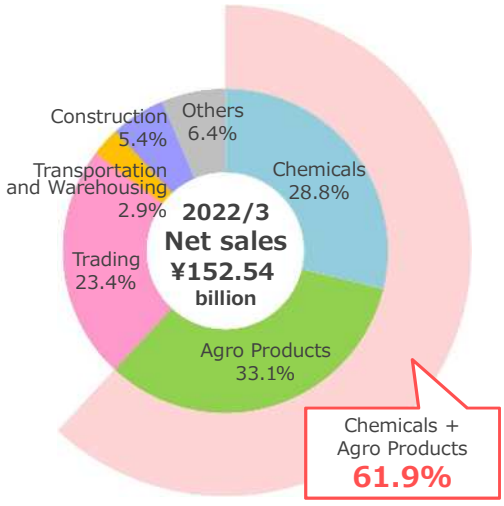
[Supplementary Materials]

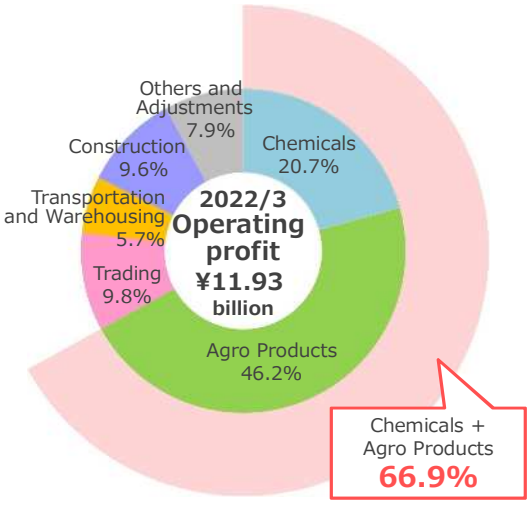
Businesses Overview of the Nippon Soda Group

Businesses of the Nippon Soda Group

Brilliance through Chemistry

Profit structure centered on Chemicals and Agro Products Businesses





Net sales	Operating profit
Mainly Chemicals, Agro Products, and Trading Businesses	Mainly Chemicals, Agro Products, and Construction Businesses

Overview of Chemicals Business

Brilliance through Chemistry

Chemicals Business consists of a wide variety of products Pharmaceuticals (pharmaceutical additives) and Specialty chemicals are the focused areas

(Billions of yen)	2022/3 Net sales	Features	Main Products
1. Industrial chemicals	13.55	・Used in various industries ・Mainly domestic sales (sales reflect domestic economic trends) ・Used as raw materials for our chemical products and agrochemicals	・Caustic soda ・Sodium cyanide ・Phosphorus chloride
2. Fine chemicals	9.63	・Used for a niche market (specialty chemicals used for specific applications)	・Color developer for thermal paper ・Specialty isocyanates
3. Specialty chemicals	6.62	・Various products based on our proprietary technology ・Majority of chemicals for electronic Materials	・**Resin additive "NISSO-PB"** ・**Krf photo resist material "VP-POLYMER"**
4. Eco-business	5.74	・Disinfectant which is made from chlorine (for swimming pools, water supply and drainage) ・Chelating agent for heavy metal	・"NISSO HI-CHLON" ・"HIDION"
5. Pharmaceuticals & intermediates, Biocides	9.51	・Cellulose derivatives (pharmaceutical additive) ・Pharmaceutical ingredients and intermediates ・Bactericide, fungicide, and insecticide	・**Pharmaceutical additive "NISSO HPC"**
Total	43.89	* "Total" includes ¥(1.16) billion of subsidiaries sales, elimination of transactions, etc.	

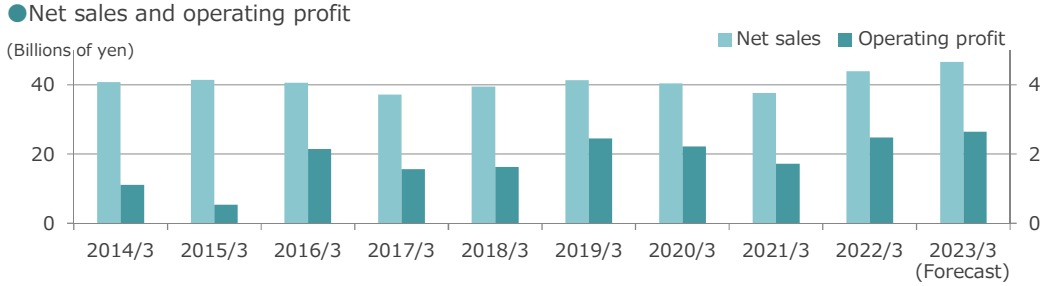
Chemicals Business: Operating results

Brilliance through Chemistry

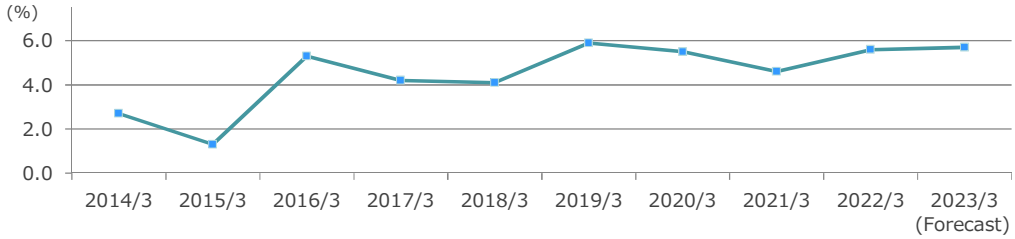
Current: Profitability improving steadily with expansion of high value-added products

Future: Promote liquidation of unprofitable businesses and further expansion of growth business areas

●Net sales and operating profit



●Operating profit margin



Chemicals Business: Growth drivers (Cellulose derivatives)

Brilliance through Chemistry

Promoting sales expansion of pharmaceutical additive “NISSO HPC” in the global market

Pharmaceutical additive “NISSO HPC” (hydroxypropyl cellulose)	
Features/ Properties	・**High functionality** (binding strength, moisture resistance, sustained release, etc.) ・One of the few additives soluble in both water and alcohol, and it offers customers a wide choice of options for pharmaceutical manufacturing method
Application	・Molding of pharmaceuticals and supplements ・Thickener in food and personal care products ▸ Expansion of use by major health food manufacturers in Japan
Market Trends	・High level of quality management is required ▸ Barriers to entry ・**Demand is increasing with the expansion of pharmaceutical and supplement market**
Outlook	・Continuous growth of global pharmaceutical market (4% per year) ・Demand in emerging markets such as India is expected to grow (8-9% per year) ・Use of NISSO HPC in generic drugs is likely to increase ・In food applications, greater use of NISSO HPC in **health food** is expected

Chemicals Business: Growth drivers (Cellulose derivatives)

Brilliance through Chemistry

Promoting sales expansion of pharmaceutical additive “NISSO HPC” in the global market

Measures for sales expansion		
Expand grades and launch proprietary grades	Sales activities shaped to market environment	Research and development
・Expand market share by launching competitor equivalent grades ・Differentiate by launching proprietary grades and by non-GMO certification ▸ **Expand sales of Super Fine Powder (patented product)** ▸ “NISSO HPC” is a non-GMO product using wood pulp	・Boost technical services with local staff ▸ USA, EU, IND ・Differentiate from competitors through advanced quality management systems ・Entry to peripheral businesses (including M&As and alliances)	・Develop new grades tailored to customer needs ▸ **Utilization of CTAC** ・Aim for making “NISSO HPC” a standard substance in frontier fields ▸ 3D printing pharmaceutical formulation technology (3D-Inkjet Powder Printing)

Utilization of Cellulose Technical Application Center (CTAC)

Hands-on facility for creating new value for NISSO HPC alongside customers
・Based on ideas and discussions during meetings with customers, CTAC can make prototypes and perform all of the processes from analysis to evaluation. ・State-of-the-art equipment (pharmaceutical formulation equipment, equipment for evaluating physical properties of powder and material analyzers) ▸ Strengthen the pharmaceutical formulation evaluation function ・By providing solutions to meet customer needs, increase sales of “NISSO HPC” over the medium-to-long term.

Chemicals Business: Growth drivers (Functional polymers)

Brilliance through Chemistry

Sales expansion of resin additive “NISSO-PB”

Flexographic printing plate

Resin additive “NISSO-PB” (Liquid polybutadiene)	
Features/ Properties	・Nippon Soda’s proprietary high-performance liquid polymer, derived by means of living anionic polymerization ・Low time degradation and various distinctive properties such as water-resistance, good chemical-resistance and electrical properties
Application	・Used in a wide variety of products, such as resin modifiers, electronic materials and adhesives ・Steady demand for use as modifier for flexographic printing plates
Market Trends	・Several suppliers produce products with their own properties ・Steady sales for all suppliers due to growth in global demand
Related Products	・Following R&D work in polymer related businesses, we launched new products ▸ **VP-POLYMER (KrF photo resist material)** ▸ Specialty polymer “Liquid 1,2-SBS”
Outlook	・Expansion of new demand in the electronic materials field **(For 5G telecommunications device materials)** ・Further growth in demand is expected amid worldwide prevalence of flexographic printing

Chemicals Business: Growth drivers (Functional polymers)

Brilliance through Chemistry

Steady increase in demand for resin additive “NISSO-PB” in flexography
Promoting sales expansion in the electronic materials field

Flexography	
Features/ Properties	・A printing process which utilizes a flexible relief plate / The relief plate is a photosensitive resin plate made from synthetic rubber or synthetic resin ・Mainly using water-based inks and **more eco-friendly** than solvent-based inks ・**Low energy consumption** due to low printing pressure
Outlook	・**Adoption of flexography is in progress** especially in Europe, where companies show a lot of interest in environmental issues ・A shift from gravure printing to flexography is expected due to improvements in print quality

Right: Flexographic printing plate
Left: Printed matter

Various measures to expand sales in the electronic materials field	
Properties in touchscreen components	**Growth in new demand**
・“NISSO-PB” is used as a material that meets various touchscreen characteristic requirements ▸ High optical reliability (high transmissivity, no discoloration over time) ▸ Thinner touchscreens (light weight) ▸ Adhesiveness (high strength)	・Use for additives for copper-clad laminates used in wireless communication base stations **(Highly suited for 5G)** ▸ They have excellent heat resistance and low dielectric properties, support high speed transmission ・Launched new specialty polymer “Liquid 1,2-SBS” for 5G devices

Chemicals Business: Growth drivers (Functional polymers)

Brilliance through Chemistry

Further expansion of semiconductor photo resist material "VP-POLYMER"

Semiconductor photo resist material "VP-POLYMER"	
Features/ Properties	・Nippon Soda's proprietary polymer product, derived by means of living anionic polymerization
Application	・**KrF photo resist material** for semiconductor
Market Trends	・Growing demand due to rising needs for increased storage capacity and speed for semiconductors
Outlook	・Growing demand due to the trend of moving from i-Line resist to KrF ・Growing demand for **3D NAND memory**

Measures for sales expansion	
Enhanced production capacity by 50% (2018)	**Research and development**
・Support growing demand for "VP-POLYMER" ・Ensure a stable supply	・Promote R&D of new polymer materials tailored to customer needs using living anionic polymerization

Overview of Agro Products Business

Brilliance through Chemistry

Promoting sales in niche markets worldwide, centered on fungicides and insecticides/acaricides for fruits and vegetables

(Billions of yen)	2022/3 Net sales	Features	Main Products
1. Fungicides	19.11	・**Product development specialized in fruits and vegetables** ・**More applications of existing agrochemicals to grains** ・Supplying active ingredients to major overseas manufacturers ・Development and sales of biological pesticides (fungicide)	・**TOPSIN-M** ・**PANCHO**
2. Insecticides/ acaricides	19.83		・**MOSPILAN** (insecticide) ・NISSORUN (acaricide)
3. Herbicides	3.11	・Promoting development for turf grass and nonagricultural land in addition to agricultural crops	・NABU ・CONCLUDE (for turf grass)
4. Others	(0.39)		
Total	50.56	* "Total" includes ¥8.91 billion of subsidiaries sales, elimination of transactions, etc.	

Fungicide "TOPSIN-M"
- Long-selling product launched in 1971
- Listed crops: More than 90
- Sales area: About 90 countries
- Finding more applications for grains

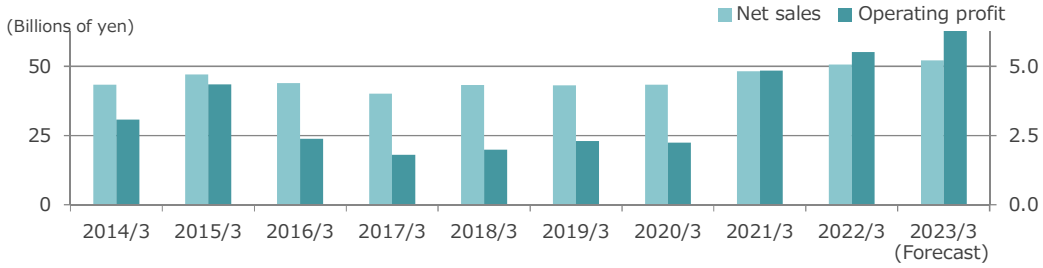
Insecticide "MOSPILAN"
- In-house product launched in 1995
- Listed crops: More than 130
- Sales area: About 100 countries
- Increase in sales because of usage restrictions for competitive products

Agro Products Business: Operating results

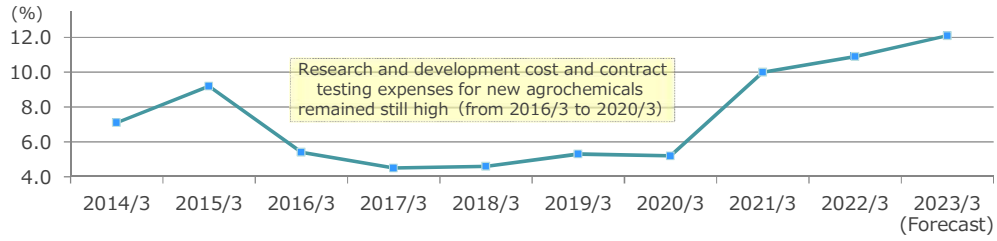
Current: Steady sales of the main insecticide “MOSPILAN” for Europe, and three new agrochemicals have been launched

Future: Aim to improve profitability by expanding sales of new agrochemicals

●Net sales and operating profit



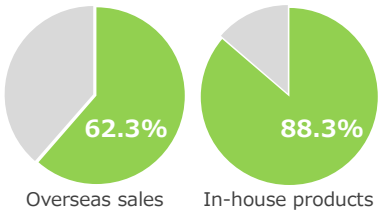
●Operating profit margin



Agro Products Business: Key strategies

Promoting sales in niche markets worldwide, centered on fungicides and insecticides/acaricides for fruits and vegetables

Development and marketing strategies		
Product development specialized in fruits and vegetables (fungicide, insecticide/acaricide)	**Expanding applications of existing agrochemicals to grains**	**Promoting global expansion of business**
・Less intense competition with major overseas companies and generic products compared to the grain market ・No competition with genetically modified seeds (GM crops)	・Lower costs due to economies of scale ・Leveraging the global sales expansion framework to expand market share	・Supplying active ingredients to major overseas manufacturers ・Development of mixed formulation products ▸ Differentiation from generic products



Overseas sales ratio (2022/3)

In-house products ratio (2022/3)

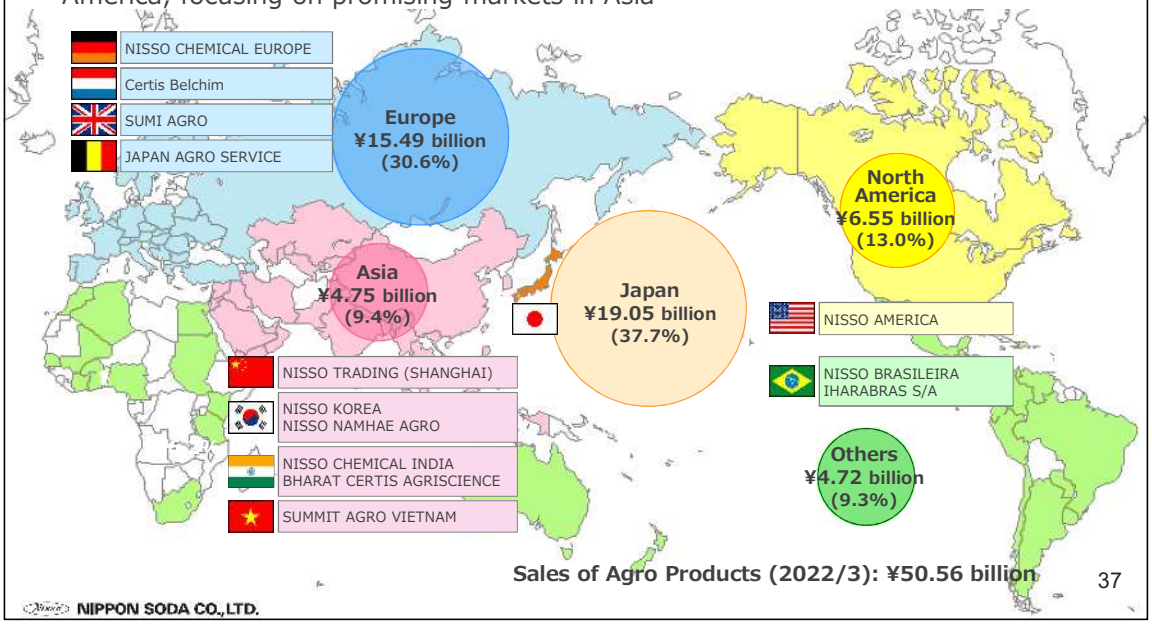
Outlook for agrochemical market	
Outlook	**Influence factors**
・Food demand increases with population growth, but the increase in crop area is limited ▸ Crop protection is essential to increase food production ▸ The agrochemical market is expected to expand in the medium-to-long term	・Climate (little rain, drought, floods) ・Manifestation of resistant fungi, insects and weeds ・Prices of agricultural products (grain market price) ・Increase in acreage for growing GM crops

Agro Products Business: Net sales by region

Brilliance through Chemistry

Product development specialized in fruits and vegetables: High sales ratio in Japan and Europe

More applications for grains: Increasing sales in North America and South America, focusing on promising markets in Asia



Sales of Agro Products (2022/3): ¥50.56 billion

New in-house developed agrochemicals

Brilliance through Chemistry

Started overseas sales of fungicide “PYTHILOCK,” and launched in Japan of acaricide “DANYOTE” and fungicide “MIGIWA”

Product	Category	Features	Launch
PYTHILOCK (vegetables) NAEFINE (paddy rice) QUINTECT (turf grass)	Fungicide	・New modes of action, and effective against existing fungicide-resistant fungi ・Being sold in Japan and South Korea; developing for vegetables in Europe and North America ・Concluded a global licensing agreement with Syngenta; started sales in the USA as a new seed treatment agent ▸ Registered in the Canada in 2021	2017
DANYOTE	Acaricide	・New modes of action, and effective against spider mites that are resistant to existing acaricides ・Fast efficacy, and less impact on beneficial insects ・Being sold in Japan and South Korea; developing for the USA	2020
MIGIWA	Fungicide	・New modes of action, and effective against existing fungicide-resistant fungi ・Expected to be a major fungicide given its effectiveness against a broad spectrum of diseases ・Launched in Japan in 2021 (Priority review examination No.1) ・Registered in the USA in 2022, and registration applications submitted in Europe ・Developing globally in Brazil, Asia and other areas	2021

Firstly, aiming to achieve sales of ¥10.0 billion from three agents

More applications for existing agents

Aiming for further sales expansion by extending application to grains especially in main products

Product	Category	Sales and marketing status	Launch
TOPSIN-M	Fungicide	・Widely spread for soybeans in North and South America ・Aiming to expand sales in emerging markets, mainly for paddy rice in Asia ・**Enhancing differentiation from generic products by developing mixed formulation products**	1971
MOSPILAN	Insecticide	・Sales expansion of mixed formulation products for soybeans and maize in Brazil ・**Aiming to expand sales by replacing competitive products in Europe** ▸ Increase in sales opportunities because of usage restrictions for competitive products ▸ Getting over the EU re-registration evaluation for active ingredient, extended the registration until 2033	1995
PANCHO	Fungicide	・Strong sales for European fruits, vegetables and wheat ・Expanding application to fruits and vegetables in the USA	2003
NISSORUN	Acaricide	・Firm sales for maize and nuts in the USA ・Widely spread for paddy rice in Asia and expanding application to vegetables	1985

Aiming for long-term sales and further sales expansion by providing diversity in registration, e.g., product usage, applicable pests, and countries.

Status of distinctive areas and businesses

Strategic expansion to agriculture-related fields

Area	Product	Category	Features	Launch
Biopesticide	AGROCARE	Fungicide	・Our first biopesticide developed in-house	2010
	MASTERPIECE	Fungicide	・Biopesticide for bacteria developed in-house, promoting efforts to expand into overseas markets	2014
M & A in-licensed	GREENGUARD	Insecticide	・An agent for preventing pine wilt, contributing to the preservation of natural environment and landscape ・Aiming for synergies with our developed product "MATSUGREEN"	2018 (Acquisition)
	AGRIMYCIN	Fungicide	・Bacterial fungicide for fruits and vegetables	

Response to smart agriculture and integrated pest management (IPM)

Smart agriculture	・Development and sales of seed treatment which contributes to low environmental burden and labor-saving farmwork ・Actively promoting registration of drone agrochemical for crops, fruits and vegetables
Biostimulant	・Sales of products that strengthen resistance of plant, promote growth and improve quality ・Promote the development of new control technologies including agrochemicals

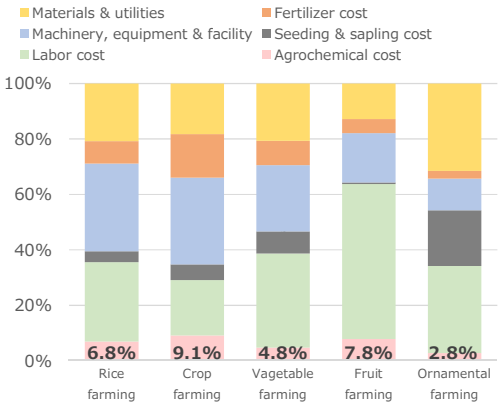
Synergies with existing products through development and marketing by Nippon Soda Group resources

Environment surrounding the Agrochemical Market

Brilliance through Chemistry

Increasing needs for agrochemicals that contribute to sustainable agriculture with low environmental burden and high productivity (Stable food supply through development of low risk agrochemicals and establishment of integrated pest management)

● Ratio of agrochemical cost to production cost of agriculture products



[Source : Ministry of Agriculture, Forestry and Fisheries Agricultural Management Statistics Survey(2018)]

・Agrochemical costs account for 3 to 9% of agricultural production costs
・Agrochemical contributes to labor saving and reduction of agricultural production costs

● Crops protection and SDGs

Ensuring crop yield and quality
→ Meet global food demand with limited farming area and water resources

Protect greenery
→ Prevent in excessive expansion of farming area and protect the greenery of forests and non-agricultural land

Improvement in agricultural efficiency and stabilization
→ Contribute to improvement in agricultural efficiency and promote the growth of agricultural industry

Reduced risk of mycotoxins
→ Preventing food contamination caused by mycotoxin in agricultural products and providing health to all people

・Creating new products and technologies, contributing to the stable food supply
・Regarding the role of agrochemicals, promote and share the correct understanding

Environment surrounding the Agrochemical Market

Brilliance through Chemistry

Increasing needs for agrochemicals that contribute to sustainable agriculture with low environmental burden and high productivity (Stable food supply through development of low risk agrochemicals and establishment of integrated pest management)

● Ministry of Agriculture, Forestry and Fisheries “Measures for achievement of Decarbonization and Resilience with Innovation (MeaDRI)”

・Achieving both “improving productivity and sustainability of food and agriculture, forestry and fishers” through innovation

Background: stable food supply, decrease in farmers, increase in a large-scale natural disaster due to global warming and spread of pests

Purpose: Improving labor productivity and lowering environmental burden

Aim: Conversion to a sustainable production system with high productivity

・Specific effort (Aiming for social implementation by 2050)

Conversion to low risk agrochemicals (aiming for 50% reduction in risk conversion) → Development of low environmental burden agrochemicals, development and promotion of biopesticides

New application method and smart agriculture → pinpoint spraying of agrochemicals by drone, seed treatment

Establishment and promotion of integrated pest management → breeding, biostimulant and organic agriculture

・**Promote initiatives for unique growth opportunities as a research and development based company that meets the needs of farmers and society**

Development of highly safety, low dosage and highly efficacy agrochemicals

Development of formulation and dosage form responding to smart agriculture

Development and promotion of biopesticides and biostimulant

Responding to Integrated Pest Management (IPM)

In-house biopesticides

Biostimulant products

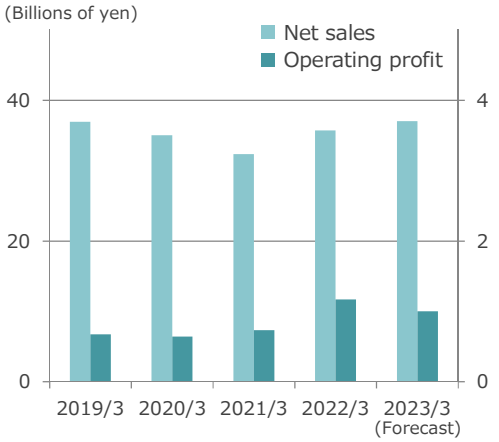
Trading / Transportation and Warehousing Businesses

Brilliance through Chemistry

Strengthening collaboration with Group companies and making effective use of Group management resources

Trading

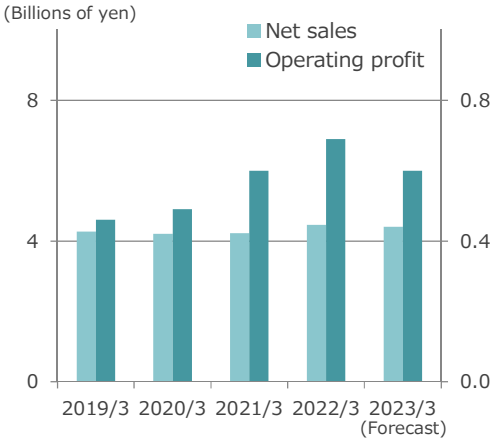
●Net sales and operating profit



・Trading Business sells Nippon Soda Group's products and engages in procurement of materials used by the Group

Transportation and Warehousing

●Net sales and operating profit



・Transportation and Warehousing Business provides comprehensive logistics services specialized in the fields of hazardous items, toxic materials and pharmaceuticals, and maintains a high profitability

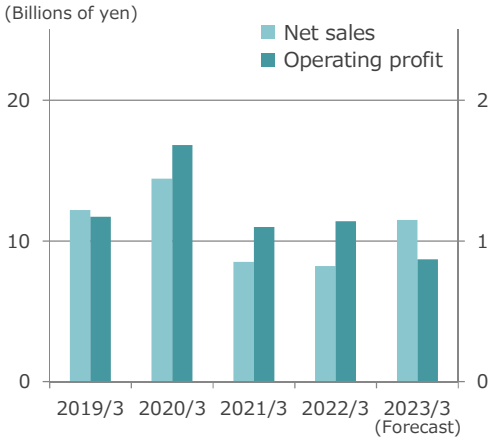
Construction Business / Others

Brilliance through Chemistry

Strengthening collaboration with Group companies and making effective use of Group management resources

Construction

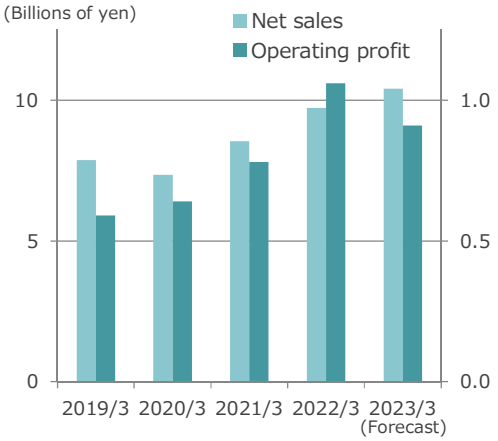
●Net sales and operating profit



・Strong expertise in building plants that manufacture powders and pharmaceuticals
・Profitability fluctuates depending on the timing of receiving orders and completing construction

Others

●Net sales and operating profit



NIPPON SODA CO.,LTD.

Brilliance through Chemistry

[Supplementary Materials]

Nippon soda Group Long-term Vision

“Brilliance through Chemistry 2030”

(Fiscal 2021 to Fiscal 2030)

The 21st century is called the “environmental century,” and we are directly facing issues worldwide including global warming, population growth, and resource depletion. On the other hand, there is concern in Japan over the large effects on the social system of problems including the aging population with declining birthrate and rising social welfare costs.
In response to these conditions, the Nippon Soda Group is contributing through our chemistry and related services to the creation of a sustainable society in which individuals can live comfortably.

Social Issues and Mission of Nippon Soda
(Value Creation Process)

Brilliance through Chemistry

Vision of Nippon Soda

Since its establishment in 1920, Nippon Soda has provided new value to society through our chemistry and contributed to the development of society.
The Group supports people’s everyday lives by delivering a range of chemical products and services to the agricultural, healthcare, environmental, and ICT fields.

Megatrends

Population growth
Increase in food and feed production and improvement of efficiency of production

Global warming
Increase of pests

Improvement in living standard
Increased demand for pharmaceuticals and improved QOL

Social security cost issues
Increasing health consciousness and awareness of preventive medicine

Achievement of a sustainable society
Reduction of environmental burdens
Building the resource recycling-based society

Progress in information and communication technologies
Popularization of smart devices
Rising needs for technological innovation

The value provided by Nippon Soda

Agriculture
Securing food and sustainable agriculture

Healthcare
Healthy life to all people

Environment
Toward resource recycling society

ICT
Chemical functions to IT devices

Social Issues and Mission of Nippon Soda
(Value Creation Process)

Brilliance through Chemistry

Mission of Nippon Soda

Creating new value through the power of chemicals and realizing increased corporate value through our contributions to society.

Material Issues for Increasing Corporate Value (Value Creation of the Nippon Soda Group)

Agriculture Securing food and sustainable agriculture	・We are contributing to global food supply by creating new agrochemicals in response to more sophisticated safety requirements and by providing highly effective fungicides, insecticides, and herbicides. ・Anticipating the streamlining of agricultural production, we are supporting labor-saving in crop protection and the production of high-quality agricultural products using ICT.
Healthcare Healthy life to all people	・The cellulose derivatives provided by the Group are widely used in Japan and overseas as a binder in pharmaceutical tablets to make them easier to take. ・We provide technology in the form of food processing methods that makes supplements easier to take. ・We contribute to human health through the creation of high-performance products and support services for pharmaceutical formulation technologies.
Environment Toward resource recycling society	・We are developing various environmental solutions using water treatment technologies, resource recycling technologies, and technologies to absorb and remove toxic substances. ・We contribute to the realization of a safe, ecological society using the knowledge and experience that we have accumulated.
ICT Chemical functions to IT devices	・Using the precise polymerization and organic synthesis technologies that we have developed thus far, we are providing high-performance resins both for materials for telecommunications devices used in 5G base stations and for semiconductor photo resist materials. ・To respond to technological innovation needs, we are supporting the development of the information society and focusing on developing new, environmentally friendly materials.

"Brilliance through Chemistry 2030" : Our Vision 10 Years in the Future

Brilliance through Chemistry

・While accelerating the expansion of our high-value-added businesses and the liquidation of unprofitable businesses, we will promote thorough management streamlining and reform our business portfolio to be resilient toward changes in the business environment and to produce stable earnings.
・While balancing growth investment and shareholder returns, we aim to increase capital efficiency.

Mission

◆**Creating new value through the power of chemicals and realizing increased corporate value through our contributions to society.**

Basic strategies

◆**Through growth investments focused on ROI and thorough structural reforms, we will "Implement reforms toward an efficient business structure. –More than doubling our profit margin–"**

Capital policy

◆**While valuing financial soundness, we will proactively implement policies focused on the balance between growth investment and shareholder returns.**

ESG management

◆**We are contributing to society through the products and services demanded by the customers and social environment of the 2020s.**

"Brilliance through Chemistry 2030" : Our Vision 10 Years in the Future

Brilliance through Chemistry

Key performance indicators (KPI)

◆**We aim to implement management focused on investment efficiency aimed at increasing corporate value.**

ROS (operating margin)	**10% or more** ('20/3: 5.6%)
ROA (operating profit / total assets)	**7% or more** ('20/3: 3.8%) **→ Improve profitability and total asset turnover**
ROE (profit / equity)	**8% or more** ('20/3: 4.8%) **→ Appropriate balance sheet control**

To realize its mission and sustainable growth, the Nippon Soda Group is implementing management that aims to balance increased corporate value and social value.

Increasing the corporate value

Reforms to build a business portfolio that produces stable earnings resilient to changes in the business environment

Capital policy that values financial soundness and focuses on balancing growth investment with shareholder returns

Achievements of key performance indicators (KPI)

Increasing the social value

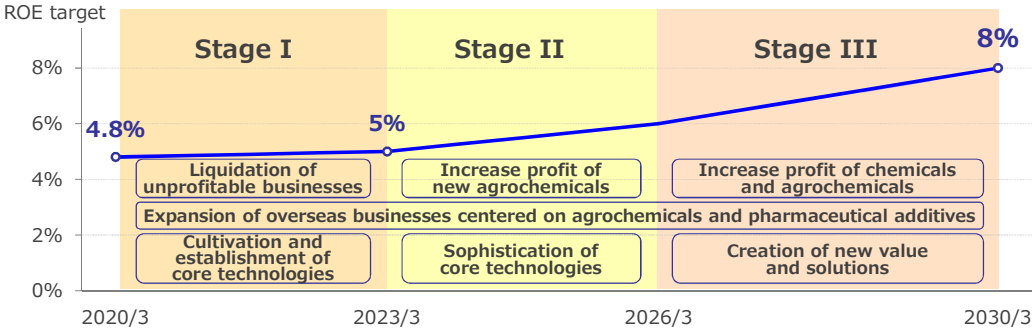
CSR activities to protect the corporate value
- Responses to climate change issues and preservation of biodiversity
- Providing even greater value to stakeholders throughout society

CSR activities to improve the corporate value
- Four material issues to realize a sustainable society (new value creation)

"Brilliance through Chemistry 2030" : Road Map

Brilliance through Chemistry

Through growth investments focused on ROI and thorough structural reforms, we will "Implement reforms toward an efficient business structure. –More than doubling our profit margin–"



Cash generation : securing stable profit
- **Enhancement of cost competitiveness and cost efficiency**
- **Expansion of overseas businesses**

Growth investment : creating new value
- **Promotion of new product development and entry to new businesses**

Generating stable cashflow through existing businesses and new value through growth investment.

"Brilliance through Chemistry 2030" : Basic Strategies

Through growth investments focused on ROI and thorough structural reforms, we will "Implement reforms toward an efficient business structure. –More than doubling our profit margin–"

Key Issues	Actions to Implement
Enhancement of cost competitiveness and cost efficiency	・Promote expansion of high-value-added businesses and liquidation of unprofitable businesses ・Pursue thorough streamlining in each department (management, research, production, sales and supply chain)
Expansion of overseas businesses	・Promote expansion of existing businesses and the market development of new products and new businesses ・Consider collaboration with other companies ・Target of overseas sales ratio for 2030/3: 40% (2020/3 result : 33%)
Promotion of new product development and entry to new businesses	・By deepening and fusing proprietary technologies and through synergies created by introducing external technologies, we will improve our core technologies and proactively invest resources. ・We will create new businesses that envision the customers of the 2020s and beyond.

The Nippon Soda Group has created multiple businesses in niche chemical fields backed by its proprietary technological strengths and maintained an earnings base that is resilient to various risks.
We will continue to use these strengths as we work to provide new value creation and solutions.

"Brilliance through Chemistry 2030" : ESG Management

We are contributing to society through the products and services demanded by the customers and social environment of the 2020s.

CSR activities to protect the corporate value

Key Issues	Actions to Implement
Initiatives for environment	・Address climate change issues (participation to the Commitment to a Low Carbon Society of the Ministry of Economy, Trade and Industry) ・Address preservation of biodiversity (promotion of preservation activities of forests and water resources)
Social activities	・Respond appropriately by promoting dialogue with consumers, business partners and local communities ・Promote diversity, work-life balance and career program ・Hold constructive dialogues with shareholders and investors and implement the timely and appropriate disclosure of information
Governance	・Enhance corporate governance (transition to a company with audit and supervisory committee) ・Promote compliance-oriented management (system improvement, appropriate operations, education)

CSR activities to improve the corporate value

◆Pursuing four material issues to realize a sustainable society.

Agriculture	Healthcare	Environment	ICT
Securing food and sustainable agriculture	Healthy life to all people	Toward resource recycling society	Chemical functions to IT devices

"Brilliance through Chemistry 2030" : Business Strategies

Chemicals

◆Generating cashflow in the healthcare field, investing in the rapidly growing ICT field, and expanding our business.

◆Aiming to expand the special chemicals field using the strength of our technological capabilities.

Actions to Implement	Main Details
Healthcare field	・Accelerate sales expansion of the pharmaceutical additive "NISSO HPC" by targeting the expanding global pharmaceuticals market ・Expand our lineup by bringing new pharmaceutical additives to market
ICT field	・Expand sales of resin additive "NISSO-PB" for 5G materials ・Aim to commercialize new products using the Company's strong technology
Reform of business portfolio	・Consider expansion into peripheral fields through M&As and alliances ・Promote expansion of high-value-added businesses and liquidation of unprofitable businesses

"Brilliance through Chemistry 2030" : Business Strategies

Agro Products

◆Working to maintain and expand sales of existing products and new agrochemicals and focusing on the development of new agents for the next period.

◆Improving profitability by streamlining business systems.

Actions to Implement	Main Details
Maintenance and expansion of sales of existing products	・Maintain sales through generic competition and by accurately responding to re-registration ・Expand sales through expansion of range of application
Expand sales of new agrochemicals **Develop new agents**	・Expand sales of fungicide "PYTHILOCK" ・Launch and expand sales of acaricide "DANYOTE" and fungicide "NF-180" ・Aim for an early phase-up toward the full-scale development of pipeline agents under development
Streamline business systems **Consider alliances**	・Improve profitability by enhancing the management of our production and sales systems ・Consider alliances in Japan and overseas

"Brilliance through Chemistry 2030" : Business Strategies

Research, production and management

◆**Pursuing structural reforms aimed at improving investment efficiency through workstyle reforms and the use of broad-based human resources.**

Implementing Departments	Actions to Implement
Research departments	・Build an efficient research system (reorganization / enhancement of functions) ・Promote peripheral development and creation of new businesses in focused areas (enhancing technologies that we own, introducing external technologies through M&As, partnerships, and cooperation) ・Promote digital transformation (AI, IoT, MI, etc.)
Production departments	・Improve profitability through business structure reforms ・Promote digital transformation (AI, IoT, etc.)
Management departments	・Group sharing of our IT platform, and promote digitalization ・Develop human resources and next-generation leaders to support sustainable growth ・Promote streamlining by centralizing management operations

"Brilliance through Chemistry 2030" : Business Strategies

Others

◆**Enhancing group-wide corporate value by promoting business activities using our strengths.**

Operating Departments	Actions to Implement
Trading	・Focus on growth strategy fields and evolve into a trading company with the strengths to grow sustainably ・Enhance our overseas business based on our proprietary network with premium suppliers ・Develop the solutions business using our expertise and high-level information and proposal capabilities
Transportation and Warehousing	・Develop a business specialized in high-value-added goods based on our expertise in storage and transportation of hazardous items, poisonous materials and pharmaceuticals ・Work toward further efficient use of the assets that we own
Construction	・Increase sophistication of core technologies including powdered chemical handling technology and pharmaceutical GMP validation ・Promote developments of proprietary technologies and new technologies such as Milli Device ・Improve our engineering capabilities and operational productivity using AI and IoT technology
Others	・Strengthen our recycling business based on disposal technology for highly difficult waste and contribute to the formation of a recycling-based society

Brilliance through Chemistry

The forward-looking statements, including plans, outlook and strategies contained in this material are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company, and these statements do not purport to be a promise by the Company to achieve such results.
Actual business and other results may differ from the statements herein due to a number of factors.

This document is not intended to solicit investment.
Please make any investment decisions according to your own judgment.

[Inquiries] Corporate Communications Section
Masahiro Arichika m.arichika@nissogr.com
Kaname Okada ka.okada@nissogr.com