

Brilliance through  
Chemistry

**Nippon Soda Group Long-Term Vision**  
**“Brilliance through Chemistry 2030”**  
**Medium-Term Business Plan**  
**“Brilliance through Chemistry Stage I”**

**Nippon Soda Co., Ltd.**  
**May 19, 2020**

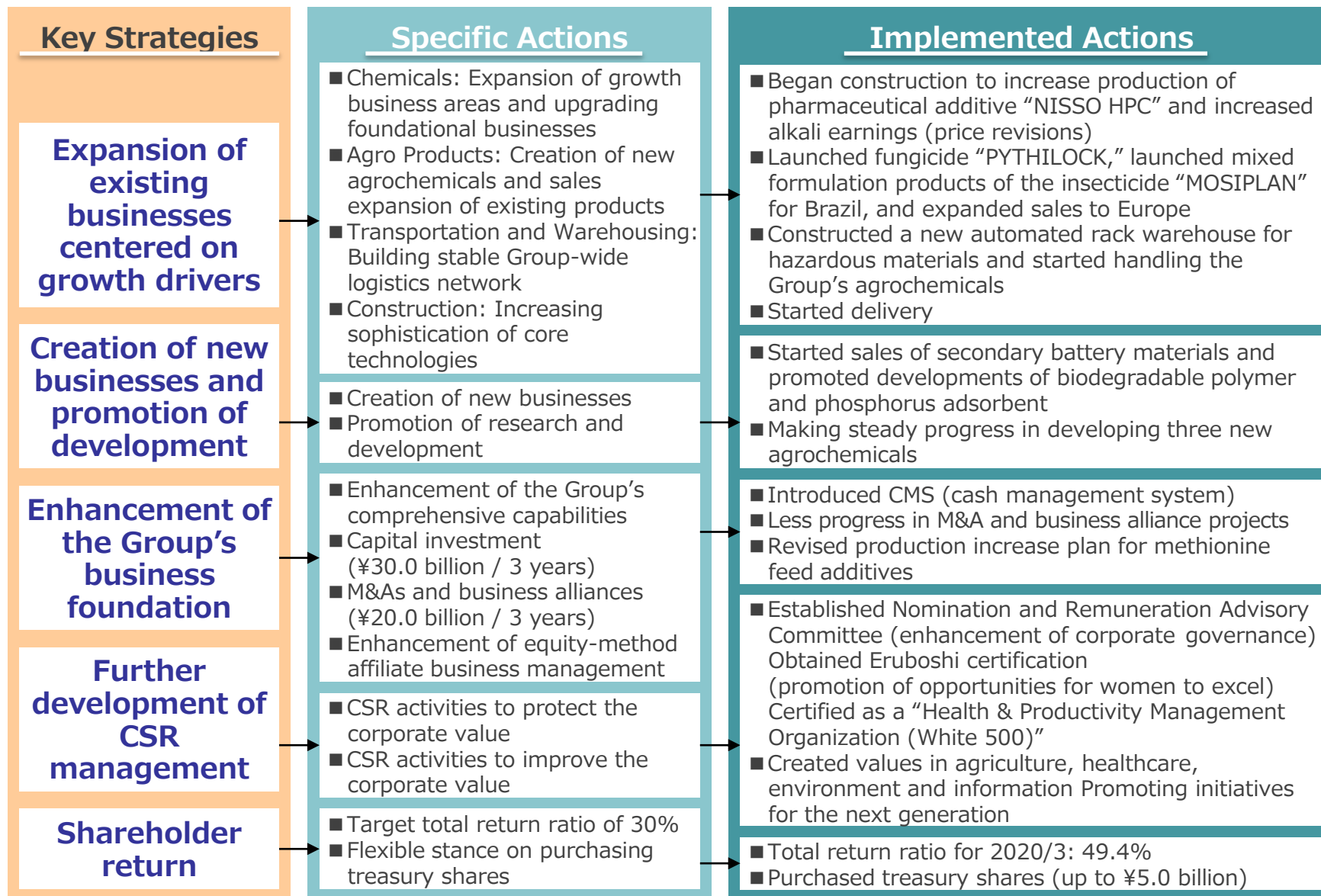
## Presentation Content

1. **Review of the Previous Medium-Term Business Plan (Fiscal 2018 to Fiscal 2020)**
2. **Nippon Soda Group Long-Term Vision  
“Brilliance through Chemistry 2030”  
(Fiscal 2021 to Fiscal 2030)**
3. **Medium-Term Business Plan  
“Brilliance through Chemistry Stage I”  
(Fiscal 2021 to Fiscal 2023)**

# **Review of the Previous Medium-Term Business Plan**

**(Fiscal 2018 to Fiscal 2020)**

# Review of the Previous Medium-Term Business Plan (Overview)

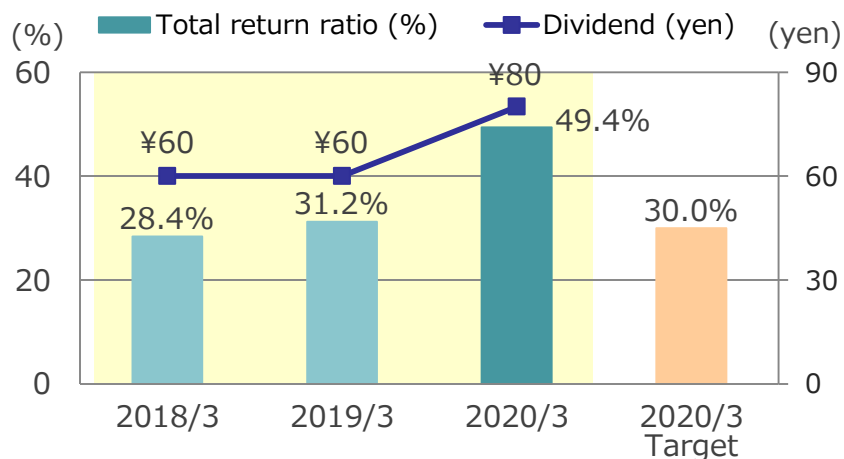


# Review of the Previous Medium-Term Business Plan (Basic Objectives)

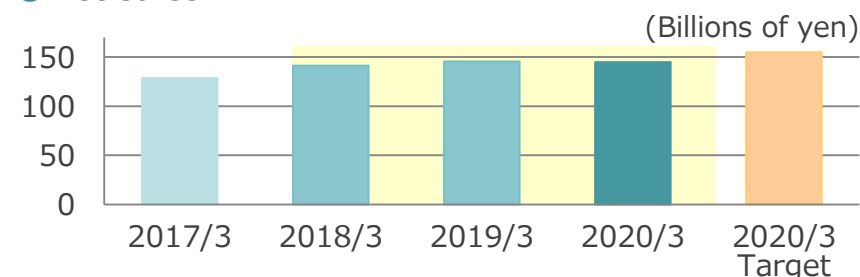
Strong sales, higher raw fuel prices than expected, high R&D and contract testing expenses, less progress in M&A projects and a decrease in share of profit of entities accounted for using equity method

(Billions of yen)	2020/3 Results	2020/3 Numerical target
Net sales	144.74	155.00
Operating profit (Operating margin)	8.14 (5.6%)	10.00 (6.5%)
Ordinary profit	10.31	13.00

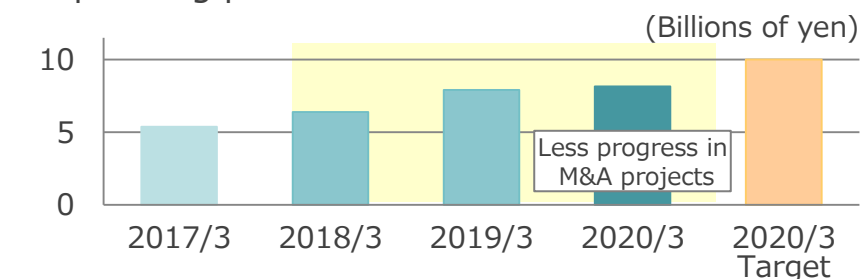
## Changes in shareholder returns



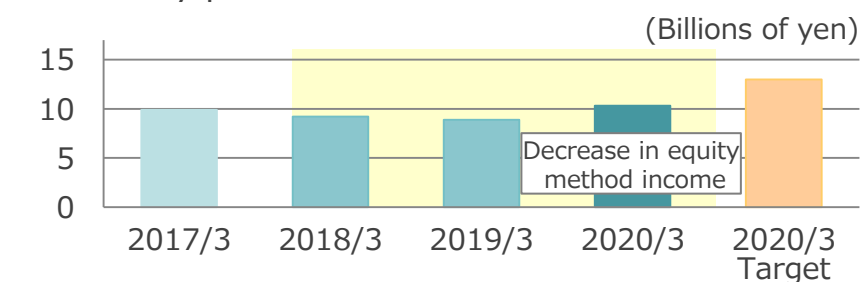
## Net sales



## Operating profit



## Ordinary profit



# Review of the Previous Medium-Term Business Plan

## (Net sales and operating profit by segment)

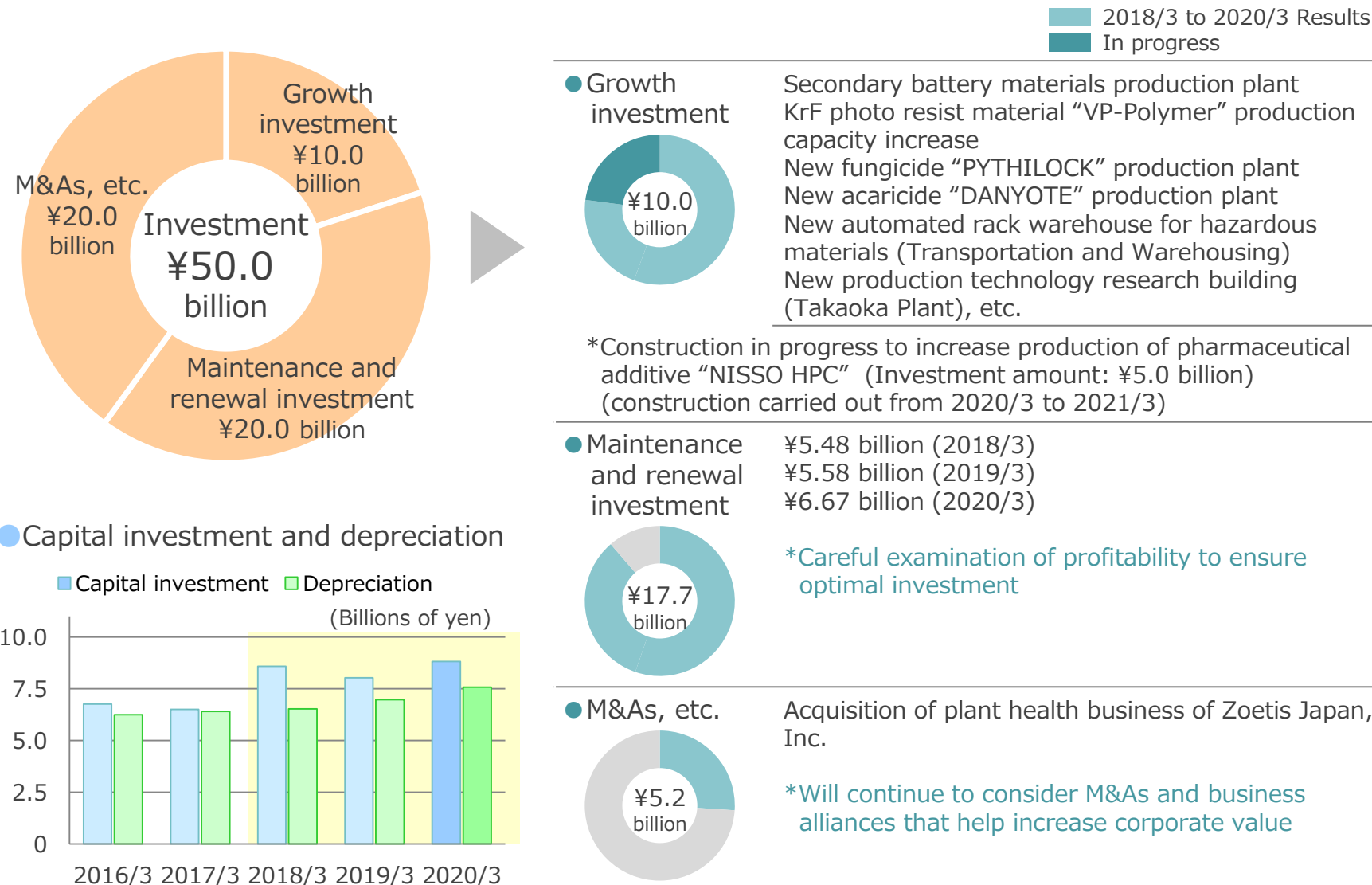
Strong sales, higher raw fuel prices than expected, high R&D and contract testing expenses, less progress in M&A projects and a decrease in share of profit of entities accounted for using equity method

(Billions of yen)	2017/3 Results		2020/3 Results		2020/3 Targets	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	37.15	1.56	40.39	2.22	42.00	2.90
Agro Products	40.07	1.80	43.39	2.24	43.00	2.10
Trading	33.04	0.50	35.00	0.64	36.50	0.50
Transportation and Warehousing	4.00	0.41	4.20	0.49	4.50	0.50
Construction	7.95	0.58	14.42	1.68	14.00	1.00
Others and adjustments	6.43	0.52	7.35	0.87	7.00	0.50
Existing businesses total	128.65	5.37	144.74	8.14	147.00	7.50
M&As and new businesses	—	—	*	*	8.00	2.50
Total	128.65	5.37	144.74	8.14	155.00	10.00
Share of profit of entities accounted for using equity method		4.90		1.84		3.00
Ordinary profit		9.91		10.31		13.00

\*Sales and operating profit of Zoetis's plant health business are included in Agro Products Business

# Review of the Previous Medium-Term Business Plan (Investments)

Plan to invest ¥50.0 billion over 3 years to contribute to future growth





# Review of the Previous Medium-Term Business Plan (ROIC and ROE)

(Billions of yen)	2017/3	2018/3	2019/3	2020/3	2020/3 numerical targets and results
Net sales	128.65	141.23	145.66	144.74	Sales expansion of existing products and launch of new products
Cost of sales	94.76 73.7%	104.76 74.2%	108.65 74.6%	106.82 73.8%	Suffered from a rise in raw fuel prices
Selling, general and administrative expenses	28.53 22.2%	30.08 21.3%	29.11 20.0%	29.79 20.6%	Contract testing expenses for new agrochemicals increased
<b>Operating profit</b>	<b>5.37</b> <b>4.2%</b>	<b>6.39</b> <b>4.5%</b>	<b>7.91</b> <b>5.4%</b>	<b>8.14</b> <b>5.6%</b>	Target: Operating margin of 6.5% or more
Notes and accounts receivable-trade	40.17 3.1 times	46.48 3.3 times	50.66 3.0 times	43.58 3.1 times	
Inventories	28.48 3.4 times	27.62 3.7 times	27.37 4.0 times	30.64 3.7 times	Product inventory increased (for risk management)
Notes and accounts payable-trade	17.36 5.4 times	21.82 5.3 times	23.65 4.8 times	17.51 5.2 times	
Working capital	51.29 2.5 times	52.29 2.7 times	54.38 2.7 times	56.71 2.6 times	
Non-current assets	110.17 1.1 times	114.87 1.3 times	117.32 1.3 times	114.44 1.2 times	Acquisition of plant health business of Zoetis Japan, Inc.
<b>Invested capital</b>	<b>161.46</b> <b>0.7 times</b>	<b>167.15</b> <b>0.9 times</b>	<b>171.69</b> <b>0.9 times</b>	<b>171.15</b> <b>0.8 times</b>	
<b>Pre-tax ROIC</b>	<b>3.3%</b>	<b>3.8%</b>	<b>4.6%</b>	<b>4.8%</b>	Target: Continual improvement of profitability and efficiency
<b>Profit</b>	<b>8.79</b>	<b>6.38</b>	<b>5.80</b>	<b>6.76</b>	Decrease in share of profit of entities accounted for using equity method
<b>ROE</b>	<b>6.6</b>	<b>4.6</b>	<b>4.1</b>	<b>4.8</b>	Target: 7.0% or more



# 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

## 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

- 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

## Key performance indicators (KPI)

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

<b>ROS (operating margin)</b>	<b>10% or more</b> ('20/3: 5.6%)
<b>ROA (operating profit / total assets)</b>	<b>7% or more</b> ('20/3: 3.8%) → Improve profitability and total asset turnover
<b>ROE (profit / equity)</b>	<b>8% or more</b> ('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

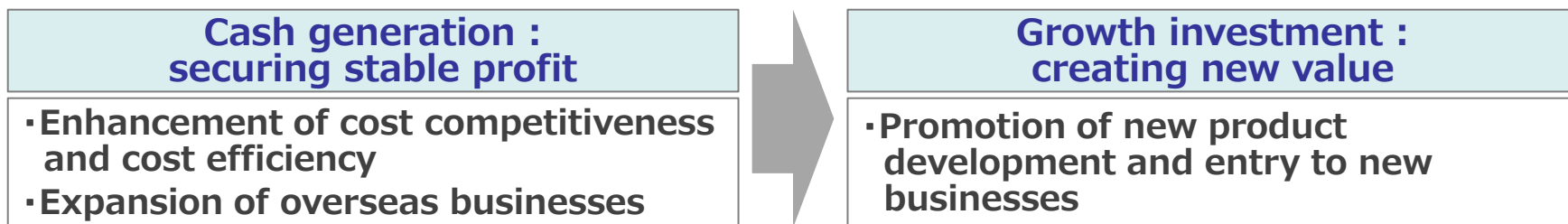
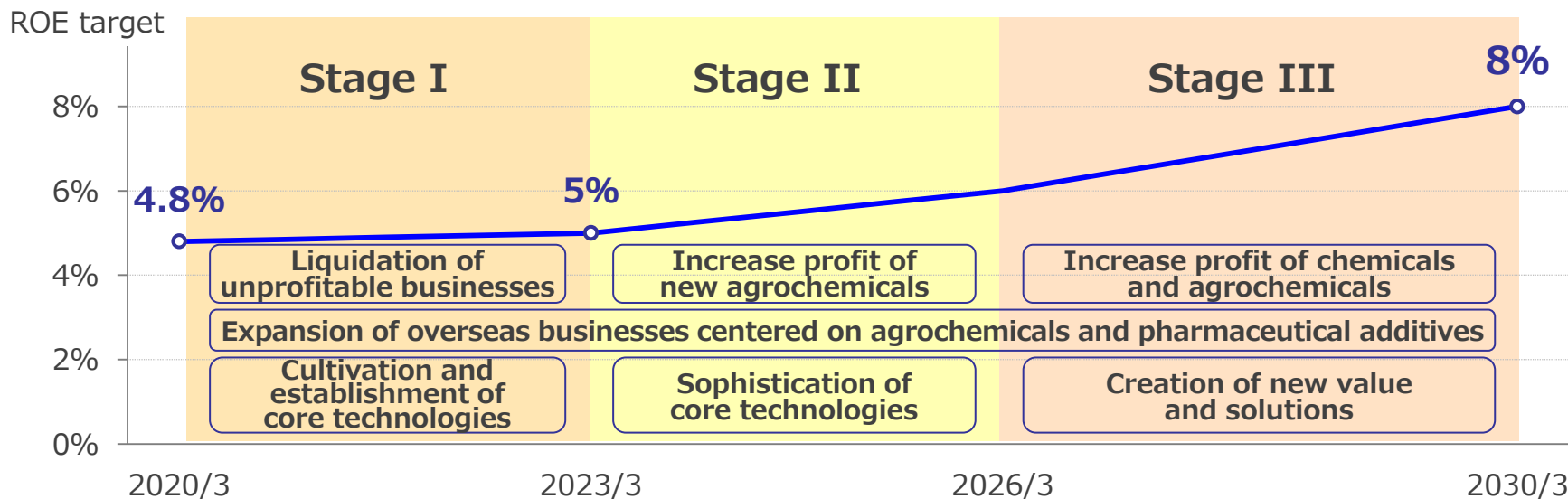
- Responses to climate change issues and preservation of biodiversity
- Providing even greater value to stakeholders throughout society

CSR activities to improve the corporate value

- Four material issues to realize a sustainable society (new value creation)

# “Brilliance through Chemistry 2030” : Road Map

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–”



**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
<b>Enhancement of cost competitiveness and cost efficiency</b>	<ul style="list-style-type: none"> <li>• Promote expansion of high-value-added businesses and liquidation of unprofitable businesses</li> <li>• Pursue thorough streamlining in each department (management, research, production, sales and supply chain)</li> </ul>
<b>Expansion of overseas businesses</b>	<ul style="list-style-type: none"> <li>• Promote expansion of existing businesses and the market development of new products and new businesses</li> <li>• Consider collaboration with other companies</li> <li>• Target of overseas sales ratio for 2030/3: 40% (2020/3 result : 33%)</li> </ul>
<b>Promotion of new product development and entry to new businesses</b>	<ul style="list-style-type: none"> <li>• By deepening and fusing proprietary technologies and through synergies created by introducing external technologies, we will improve our core technologies and proactively invest resources.</li> <li>• We will create new businesses that envision the customers of the 2020s and beyond.</li> </ul>

**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
<b>Initiatives for environment</b>	<ul style="list-style-type: none"> <li>▪ Address climate change issues (participation to the Commitment to a Low Carbon Society of the Ministry of Economy, Trade and Industry)</li> <li>▪ Address preservation of biodiversity (promotion of preservation activities of forests and water resources)</li> </ul>
<b>Social activities</b>	<ul style="list-style-type: none"> <li>▪ Respond appropriately by promoting dialogue with consumers, business partners and local communities</li> <li>▪ Promote diversity, work-life balance and career program</li> <li>▪ Hold constructive dialogues with shareholders and investors and implement the timely and appropriate disclosure of information</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>▪ Enhance corporate governance (transition to a company with audit and supervisory committee)</li> <li>▪ Promote compliance-oriented management (system improvement, appropriate operations, education)</li> </ul>

### 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
<b>Healthcare field</b>	<ul style="list-style-type: none"><li>• Accelerate sales expansion of the pharmaceutical additive “NISSO HPC” by targeting the expanding global pharmaceuticals market</li><li>• Expand our lineup by bringing new pharmaceutical additives to market</li></ul>
<b>ICT field</b>	<ul style="list-style-type: none"><li>• Expand sales of resin additive “NISSO-PB” for 5G materials</li><li>• Aim to commercialize new products using the Company’s strong technology</li></ul>
<b>Reform of business portfolio</b>	<ul style="list-style-type: none"><li>• Consider expansion into peripheral fields through M&amp;As and alliances</li><li>• Promote expansion of high-value-added businesses and liquidation of unprofitable businesses</li></ul>

# “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
<b>Maintenance and expansion of sales of existing products</b>	<ul style="list-style-type: none"> <li>▪ Maintain sales through generic competition and by accurately responding to re-registration</li> <li>▪ Expand sales through expansion of range of application</li> </ul>
<b>Expand sales of new agrochemicals Develop new agents</b>	<ul style="list-style-type: none"> <li>▪ Expand sales of fungicide “PYTHILOCK”</li> <li>▪ Launch and expand sales of acaricide “DANYOTE” and fungicide “NF-180”</li> <li>▪ Aim for an early phase-up toward the full-scale development of pipeline agents under development</li> </ul>
<b>Streamline business systems Consider alliances</b>	<ul style="list-style-type: none"> <li>▪ Improve profitability by enhancing the management of our production and sales systems</li> <li>▪ Consider alliances in Japan and overseas</li> </ul>

# “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
<b>Research departments</b>	<ul style="list-style-type: none"> <li>• Build an efficient research system (reorganization / enhancement of functions)</li> <li>• Promote peripheral development and creation of new businesses in focused areas (enhancing technologies that we own, introducing external technologies through M&amp;As, partnerships, and cooperation)</li> <li>• Promote digital transformation (AI, IoT, MI, etc.)</li> </ul>
<b>Production departments</b>	<ul style="list-style-type: none"> <li>• Improve profitability through business structure reforms</li> <li>• Promote digital transformation (AI, IoT, etc.)</li> </ul>
<b>Management departments</b>	<ul style="list-style-type: none"> <li>• Group sharing of our IT platform, and promote digitalization</li> <li>• Develop human resources and next-generation leaders to support sustainable growth</li> <li>• Promote streamlining by centralizing management operations</li> </ul>

# “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	<ul style="list-style-type: none"> <li>• Focus on growth strategy fields and evolve into a trading company with the strengths to grow sustainably</li> <li>• Enhance our overseas business based on our proprietary network with premium suppliers</li> <li>• Develop the solutions business using our expertise and high-level information and proposal capabilities</li> </ul>
Transportation and Warehousing	<ul style="list-style-type: none"> <li>• Develop a business specialized in high-value-added goods based on our expertise in storage and transportation of hazardous items, poisonous materials and pharmaceuticals</li> <li>• Work toward further efficient use of the assets that we own</li> </ul>
Construction	<ul style="list-style-type: none"> <li>• Increase sophistication of core technologies including powdered chemical handling technology and pharmaceutical GMP validation</li> <li>• Promote developments of proprietary technologies and new technologies such as Milli Device</li> <li>• Improve our engineering capabilities and operational productivity using AI and IoT technology</li> </ul>
Others	<ul style="list-style-type: none"> <li>• Strengthen our recycling business based on disposal technology for highly difficult waste and contribute to the formation of a recycling-based society</li> </ul>

# **Medium-Term Business Plan**

## **“Brilliance through Chemistry Stage I”**

### **(Fiscal 2021 to Fiscal 2023)**

## “Brilliance through Chemistry Stage I” : Basic Objectives

We are implementing various measures to enhance corporate value positioned as the first step in achieving our “Long-Term Vision.” (Stage I)

### Basic objectives

- ◆ **Achieve ROE of 5% by increasing our asset efficiency and promoting aggressive capital policy**
- ◆ **Promote expansion of high-value-added businesses and liquidation of unprofitable businesses**

### Numerical targets

Indices	Numerical targets (FY2023)	
Profit	¥7.0 billion	(2020/3 : ¥6.76 billion)
ROE	5%	(2020/3 : 4.8%)
Capital investment	Investing ¥30.0 billion in capital investment in new businesses and to increase production.	
Shareholder return	Dividend payout ratio of 40% (However, the annual dividend must be a minimum of ¥80 per share.)	

- Improving ROIC (return on invested capital) and increasing ROE by continuously improving profitability and efficiency in each department.



## “Brilliance through Chemistry Stage I” : Capital Policy

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

### Growth investment

#### ◆ **Implement proactive investments in products and businesses which increase our cashflow generation capability**

Investing ¥30.0 billion in capital investment in new businesses and to increase production. Considering M&As and business alliances to enhance and expand existing businesses and peripheral business fields.

### Enhancement of asset efficiency

#### ◆ **Focus on investment efficiency and appropriately control the balance sheet**

Liquidating products and businesses with decreased investment efficiency and thoroughly promoting appropriate investment risk evaluation.

Implementing asset reevaluation from the standpoint of investment returns.  
(Including cross-shareholdings)

### Shareholder return policy

#### ◆ **Dividend payout ratio of 40% (However, the annual dividend must be a minimum of ¥80 per share.)**

#### ◆ **As a shareholder return policy to complement dividends, we will flexibly implement the purchase of treasury shares.**

Starting in February 2020, we have been implementing the purchasing of treasury shares with an upper limit of a total of two million shares acquired and a total acquisition value of ¥5.0 billion (6.63% of total issued shares [excluding treasury shares]).

## “Brilliance through Chemistry Stage I” : Key Strategies

We are implementing various measures to enhance corporate value positioned as the first step in achieving our “Long-Term Vision.” (Stage I)

Implementing Departments	Actions to Implement
<b>Chemicals</b>	<ul style="list-style-type: none"> <li>•Promote further expansion of growth business areas Sales expansion of pharmaceutical additive “NISSO HPC” (30% increase of production capacity) Sales expansion of resin additive “NISSO-PB” for 5G materials</li> <li>•Promote liquidation of unprofitable businesses</li> </ul>
<b>Agro Products</b>	<ul style="list-style-type: none"> <li>•Promote launches and sales expansion of new agrochemicals Sales expansion of fungicide “PYTHILOCK” (start overseas sales) Launch and sales expansion of new acaricide “DANYOTE” and new fungicide “NF-180”</li> </ul>
<b>Research and development</b>	<ul style="list-style-type: none"> <li>•Create new businesses Commercialization of new polymer for the ICT field Early phase-up toward the full-scale development of agrochemical pipeline agents under development</li> <li>•Establish core technologies and create a clear technology strategy and growth story</li> </ul>

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

# “Brilliance through Chemistry Stage I” : Corporate Governance

Sound and transparent business management to contribute to the development of society

Transition to a company with audit and supervisory committee

- ◆ **While increasing the effectiveness of the oversight functions of the Board of Directors, we aim to strengthen and increase the speed of operational execution.**

Further improvement of corporate governance system

- ◆ **Increasing the effectiveness of our governance system and promoting sound development to be the chemical corporate group needed by society.**

## Third-party evaluation of the effectiveness of the Board of Directors (implemented in May 2019)

- ◆ Regarding our “Vision and Goals” 10–20 years in the future, we need to discuss what kind of strategies should be made into policies considering domestic and overseas trends in the chemical industry as well as future predictions.
- ◆ We need to consider increasing the number of Outside Directors to “select Outside Directors with varying skills and experiences and increase the oversight functions of the Board of Directors” and to “increase the ratio of Outside Directors to one third or more.”
- ◆ While the current composition of the Board of Directors includes a balanced selection from different organizations and departments, in terms of gender and internationality, we currently rely on only one Outside Director (female), and we need to focus on development in that area.

**To further strengthen corporate governance, we are developing these initiatives in our Long-Term Vision and Medium-Term Business Plan.**

# "Brilliance through Chemistry Stage I" : Responses on Coronavirus Disease (COVID-19)

## Measures against COVID-19

- ◆ **We are quickly determining and implementing response policies prioritizing preventing the spread of COVID-19 and ensuring employee safety.**
- ◆ **We are building a flexible work system and maintaining financial strength to maintain stable management and business continuity.**

## Envisioning effects on the business

Department	Envisioned effects
<b>Chemicals</b>	<ul style="list-style-type: none"><li>▪ Concern over the possibility of reduced demand for industrial chemicals, fine chemicals, functional materials, the eco business, and intermediates and biocides due to the slowdown in economic activities.</li><li>▪ We envision a strong trend for pharmaceutical additives.</li><li>▪ We envision stable communications infrastructure and telework related demand in our functional materials.</li></ul>
<b>Agro Products</b>	<ul style="list-style-type: none"><li>▪ We envision minimal effects on the overall agrochemical business.</li><li>▪ We need to be aware of demand trend for agricultural products for the restaurant industry.</li></ul>
<b>Production and purchasing of raw materials</b>	<ul style="list-style-type: none"><li>▪ As of May 2020, stable operations are continuing, and there have been no significant effects on raw materials procurement.</li><li>▪ Concern over the possibility of future difficulties in raw materials procurement and product shipping due to the logistics slowdown.</li></ul>

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.

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