

[Title]

NIPPON SHOKUBAI to restructure business with focus on Solutions Business; medium-term plan calls for doubling investment compared to previous plan; new plant planned in Indonesia

[Lead]

This is a transcription of NIPPON SHOKUBAI CO., LTD.’s financial results for the fiscal year ended March 31, 2025, held on May 14, 2025.

[Speakers]

Kazuhiro Noda, Representative Director, President

Shinichi Ito, Executive Officer, Director of Finance & Accounting Div.

## Agenda

### Agenda



#### I . FY2024 Results

#### II . FY2025 Forecasts

#### III . Business Strategies and Topics


#### IV . Shareholder Returns

Abbreviations	
AA	Acrylic acid
AES	Acrylates
SAP	Superabsorbent polymers
EO	Ethylene oxide
IONEL <sup>TM</sup>	Electrolyte in lithium-ion batteries
Zr Sheets	Electrolyte sheets

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**Kazuhiro Noda (hereafter, Noda):** I am Kazuhiro Noda, Representative Director and President of the Company. Today, I will explain the contents presented in the slides.

## Summary

Summary			NIPPON SHOKUBAI 	
FY2024 Results [Increase in both Revenue and OP by YoY]			<ul style="list-style-type: none"> <li>■ Solutions products such as specialty chemicals and electronics materials, and AA/AES volumes increased</li> <li>■ Improvement in Equity-method investment profit*<sup>2</sup></li> </ul>	
		JPY Billion		
Revenue	409.3	(+17.3)		
Operating Profit	19.1	(+2.5)		
Profit before tax	23.2	(+7.5)		
Profit* <sup>1</sup>	17.4	(+6.4)		
FY2025 Forecasts [Decrease in both Revenue and OP by YoY]			<ul style="list-style-type: none"> <li>■ Expected increase in sales volume in both segments</li> <li>■ Increase in SG&amp;A expenses due to price hikes and narrowing of spreads due to yen appreciation</li> <li>■ Partially accounted for the impact of reduced demand due to U.S. reciprocal tariffs</li> <li>■ Despite the above factors, the Solutions business is expanding steadily</li> </ul>	
		JPY Billion		
Revenue	405.0	(-4.3)		
Operating Profit	17.0	(-2.1)		
Profit before tax	20.0	(-3.2)		
Profit* <sup>1</sup>	15.0	(-2.4)		
* 1: Profit = Profit Attributable to Owners of Parent				
* 2: Equity-method investment profit = Share of profit of investments accounted for using equity method				

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This is a summary of our financial results. In fiscal 2024, we achieved revenue of 409.3 billion yen and operating profit of 19.1 billion yen, representing YoY increases in both revenue and operating profit.

The main factors contributing to the increase in operating profit were an increase in volumes of solutions products such as specialty chemicals and electronics materials, and AA (acrylic acid) and AES (acrylates). In addition, equity-method investment profit improved, resulting in an increase in profit before tax and profit.

For fiscal 2025, revenue is projected to be 405.0 billion yen and operating profit 17.0 billion yen, representing YoY decline in both revenue and operating profit. While we expect an increase in sales volumes in all segments, we anticipate an increase in SG&A expenses due to higher prices and a narrowing of the spread due to the appreciation of the yen. In addition, we have partially factored in the impact of a decline in demand due to U.S. tariffs.

Despite these negative factors, the Solutions Business is expected to expand steadily.

## FY2024 Consolidated Financial Summary

FY2024 Results

### FY2024 Consolidated Financial Summary

NIPPON  
SHOKUBAI 

(JPY billion)	FY2023	FY2024	Difference	Difference (%)
	Full Actual	Full Actual		
<b>Revenue</b>	<b>392.0</b>	<b>409.3</b>	<b>+17.3</b>	<b>+4.4%</b>
<b>Operating Profit</b>	<b>16.6</b>	<b>19.1</b>	<b>+2.5</b>	<b>+15.1%</b>
(Operating Profit to Revenue)	4.2%	4.7%	0.4p	-
Equity-method investment profit* <sup>1</sup>	-1.0	4.0	+5.0	-
<b>Profit Before Tax</b>	<b>15.7</b>	<b>23.2</b>	<b>+7.5</b>	<b>+47.4%</b>
<b>Profit*<sup>2</sup></b>	<b>11.0</b>	<b>17.4</b>	<b>+6.4</b>	<b>+58.0%</b>
<b>ROE</b>	<b>3.0%</b>	<b>4.5%</b>	<b>1.5p</b>	<b>-</b>
<b>ROA</b>	<b>2.9%</b>	<b>4.3%</b>	<b>1.4p</b>	<b>-</b>
Domestic Naphtha Price (JPY/kL)	69,100	75,600	+6,500	+9.4%
FX Rate (1 USD)	145 JPY	153 JPY	+8 JPY	+5.5%
FX Rate (1 EUR)	157 JPY	164 JPY	+7 JPY	+4.5%

\*1: Equity-method investment profit= Share of profit of investments accounted for using equity method

\*2: Profit = Profit Attributable to Owners of Parent

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This is a summary of our results for fiscal 2024. Revenue increased by 17.3 billion yen YoY to 409.3 billion yen, and operating profit increased by 2.5 billion yen YoY to 19.1 billion yen. In addition, profit before tax and profit for the year also increased due to an increase in equity-method investment profit of group companies engaged in the MMA (methyl methacrylate) business.

Both ROE and ROA were in the 4% range, up from the previous year.

## Segment Revenue and Operating Profit

FY2024 Results

### Segment Revenue and Operating Profit

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Business Domain (JPY billion)	FY2023	FY2024	Difference	Difference (%)
	Full Actual	Full Actual		
AA・SAP	216.0	222.1	+6.1	+2.8%
Basic materials, others	67.8	72.0	+4.2	+6.2%
<b>Materials Business</b>	<b>283.8</b>	<b>294.1</b>	<b>+10.3</b>	<b>+3.6%</b>
Industrial & Household	80.6	86.1	+5.4	+6.8%
Energy & Electronics	26.4	28.2	+1.8	+6.7%
Others	1.1	1.0	- 0.2	-13.3%
<b>Solutions Business</b>	<b>108.2</b>	<b>115.3</b>	<b>+7.1</b>	<b>+6.5%</b>
<b>Total Revenue</b>	<b>392.0</b>	<b>409.3</b>	<b>+17.3</b>	<b>+4.4%</b>
Materials Business	12.7	12.9	+0.2	+1.3%
Solutions Business	2.7	5.1	+2.4	+87.2%
Eliminations and corporate profit (loss)	1.1	1.0	- 0.1	-4.6%
<b>Total Operating Profit</b>	<b>16.6</b>	<b>19.1</b>	<b>+2.5</b>	<b>+15.1%</b>

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This slide shows revenue and operating profit by segment. Revenue in the Materials Business was 294.1 billion yen, an increase of 10.3 billion yen YoY. This was due to higher sales volumes of AA and SAP (superabsorbent polymers) and higher unit prices for Basic Materials.

Revenue in the Solutions Business was 115.3 billion yen, an increase of 7.1 billion yen YoY. This was due to increased revenue in all business divisions as a result of factors such as growing demand and higher sales prices.

Operating profit in the Materials Business increased by 0.2 billion yen YoY to 12.9 billion yen, and operating profit in the Solutions Business increased by 2.4 billion yen YoY to 5.1 billion yen.

## Analysis of Changes in Operating Profit (Total)

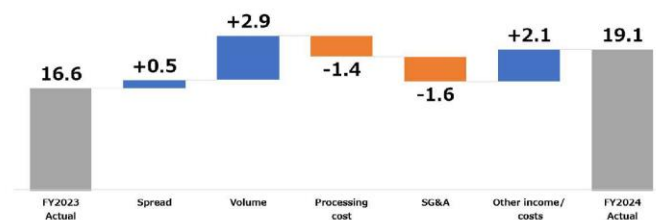
FY2024 Results

NIPPON  
SHOKUBAI

### Analysis of Changes in Operating Profit (Total)

- Sales volume increased for both Materials Products and Solutions Products
- Profit increased due to yen depreciation and decrease in impairment loss of Chinese subsidiary

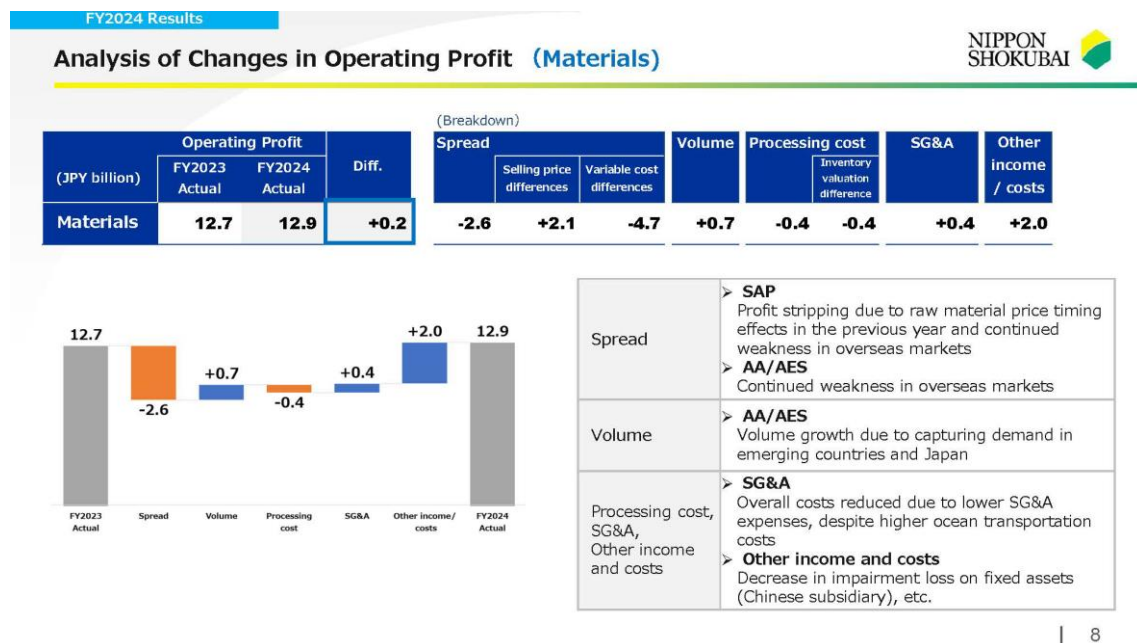
		(Breakdown)									
(JPY billion)	Operating Profit		Diff.	Spread			Volume	Processing cost		SG&A	Other income / costs
	FY2023 Actual	FY2024 Actual		Selling price differences	Variable cost differences	Inventory valuation difference					
Total	16.6	19.1	+2.5	+0.5	+7.8	-7.3	+2.9	-1.4	-0.9	-1.6	+2.1



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This is a breakdown of operating profit. The main factors contributing to the 2.5 billion yen increase in operating profit for the full year were an increase in volumes in both the Materials Business and the Solutions Business. In addition, the weaker yen and a decrease in impairment losses also contributed to the increase in operating profit.

## Analysis of Changes in Operating Profit (Materials)

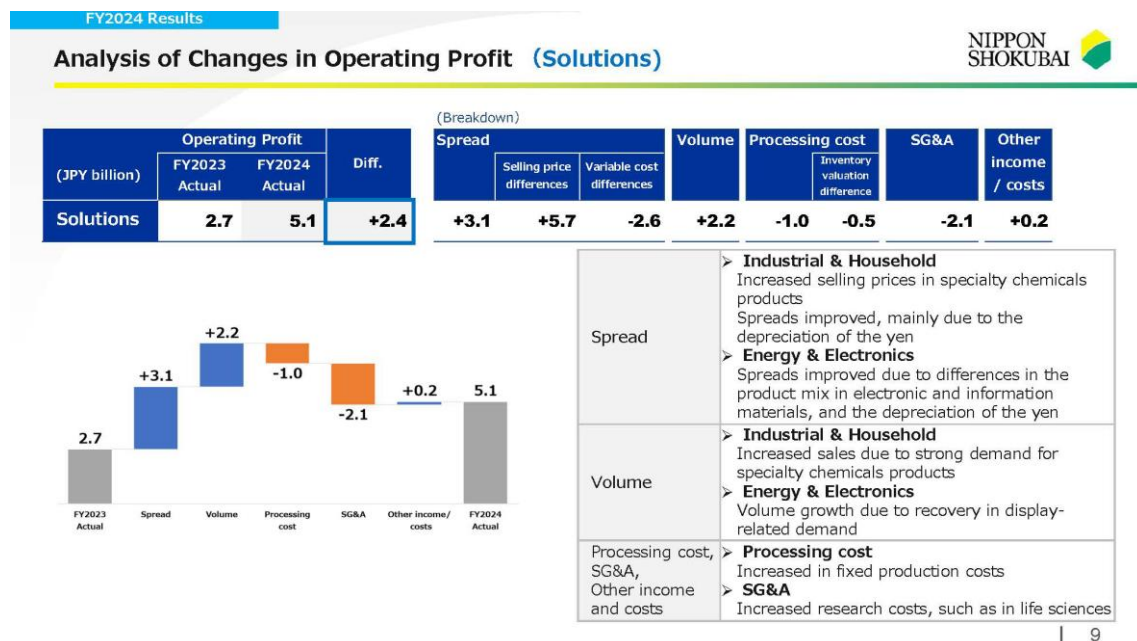


Let's look at the factors contributing to the increase in operating profit by segment. The Materials Business saw a YoY increase in profit of 0.2 billion yen.

One of the main factors was an increase in volume, due to the capture of demand in emerging countries and in Japan for AA and AES. SAP volume also increased. Another factor contributing to the increase in profit was a positive contribution from other income and costs. This was due to a decrease in impairment loss at Chinese subsidiary compared to the previous year.

On the other hand, spreads were a factor in the decline in profit. This was due to the absence in fiscal 2024 of the positive impact on profit from timing differences in raw material prices in the previous fiscal year.

## Analysis of Changes in Operating Profit (Solutions)



The Solutions Business saw a YoY increase in operating profit of 2.4 billion yen.

The main factors were positive volume and spreads. As for spreads, unit prices increased in each business domain, mainly due to increased selling prices in specialty chemicals products and the depreciation of the yen.

Volume increased due to strong demand for specialty chemicals products, particularly strong sales of polyethyleneimine, and a recovery in display-related demand.

The increase in SG&A expenses was due to increased research costs, such as in life sciences.



## FY2025 Consolidated Financial Summary

FY2025 Forecasts				
FY2025 Consolidated Financial Summary				
(JPY billion)	FY2024	FY2025	Difference	Difference (%)
	Full Actual	Full Forecast		
<b>Revenue</b>	<b>409.3</b>	<b>405.0</b>	<b>- 4.3</b>	<b>-1.1%</b>
<b>Operating Profit</b>	<b>19.1</b>	<b>17.0</b>	<b>-2.1</b>	<b>-10.8%</b>
(Operating Profit to Revenue)	4.7%	4.2%	-0.5p	-
Equity-method investment <sup>*1</sup>	4.0	2.3	-1.7	-42.7%
<b>Operating Profit + Equity-method investment profit</b>	<b>23.1</b>	<b>19.3</b>	<b>-3.8</b>	<b>-16.4%</b>
<b>Profit Before Tax</b>	<b>23.2</b>	<b>20.0</b>	<b>-3.2</b>	<b>-13.8%</b>
<b>Profit<sup>*2</sup></b>	<b>17.4</b>	<b>15.0</b>	<b>-2.4</b>	<b>-13.8%</b>
<b>ROE</b>	<b>4.5%</b>	<b>4.0%</b>	<b>▲0.5p</b>	<b>-</b>
<b>ROA</b>	<b>4.3%</b>	<b>3.6%</b>	<b>▲0.7p</b>	<b>-</b>
<b>ROIC<sup>*3</sup></b>	<b>4.3%</b>	<b>3.5%</b>	<b>▲0.8p</b>	<b>-</b>
Domestic Naphtha Price (JPY/kL)	75,600	60,000	-15,600	-20.6%
FX Rate (1 USD)	153 JPY	140 JPY	-13 JPY	-8.3%
FX Rate (1 EUR)	164 JPY	160 JPY	-4 JPY	-2.3%

<sup>\*1</sup>: Equity-method investment profit= Share of profit of investments accounted for using equity method  
<sup>\*2</sup>: Profit = Profit Attributable to Owners of Parent  
<sup>\*3</sup>: ROIC = (After-Tax Operating Profit + Share of profit of investments accounted for using equity method) / (Interest-Bearing Debt + Shareholders' Equity)

"Operating Profit+ Equity-method investment profit" is the KPI for the profit target in the new Medium-Term Management Plan

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Now, I will explain our earnings forecast for fiscal 2025. We expect revenue to decrease by 4.3 billion yen YoY to 405.0 billion yen, and operating profit to decrease by 2.1 billion yen YoY to 17.0 billion yen.

As mentioned at the beginning of this presentation, we expect an increase in volumes in both the Materials Business and Solutions Business, but we forecast a decrease in profit due to the impact of increased SG&A expenses caused by inflation, as well as the impact of lower demand due to the appreciation of the yen and US tariffs.

In addition, we added operating profit + equity-method investment profit as a new KPI. For fiscal 2025, we forecast operating profit + equity-method investment profit of 19.3 billion yen, a decrease of 3.8 billion yen YoY, and equity in earnings is also expected to decrease from the previous year.

ROE is expected to be 4%, while ROA and ROIC are both expected to be in the 3% range.

## Segment Revenue & OP+ Equity-Method Investment Profit

FY2025 Forecasts					NIPPON SHOKUBAI	
Segment Revenue & OP+ Equity-Method Investment Profit						
Business Domain (JPY billion)	FY2024	FY2025	Difference	Difference (%)		
	Full Actual	Full Forecast				
AA・SAP	222.1	212.4	- 9.7	-4.3%		
EO and others	72.0	66.6	- 5.4	-7.6%		
<b>Materials Business</b>	<b>294.1</b>	<b>279.0</b>	<b>- 15.1</b>	<b>-5.1%</b>	Placed the change in the business domain from FY2025, following the new Medium-Term Management Plan	
Specialty Chemicals	51.6	51.4	- 0.1	-0.3%		
Electronics	20.9	23.7	+2.8	+13.4%		
Others*	42.8	50.9	+8.1	+18.9%		
<b>Solutions Business</b>	<b>115.3</b>	<b>126.0</b>	<b>+10.7</b>	<b>+9.3%</b>		
<b>Total Revenue</b>	<b>409.3</b>	<b>405.0</b>	<b>- 4.3</b>	<b>-1.1%</b>		
Materials Business	15.9	12.4	- 3.5	-21.9%		
Solutions Business	6.1	6.2	+0.1	+0.9%		
Eliminations and corporate profit (loss)	1.0	0.7	- 0.3	-33.2%		
<b>Total OP + Equity-method investment profit</b>	<b>23.1</b>	<b>19.3</b>	<b>- 3.8</b>	<b>-16.4%</b>		

\*Includes: Construction, Energy (Batteries, Hydrogen), Environmental catalysts, Household, Health & Medical etc.

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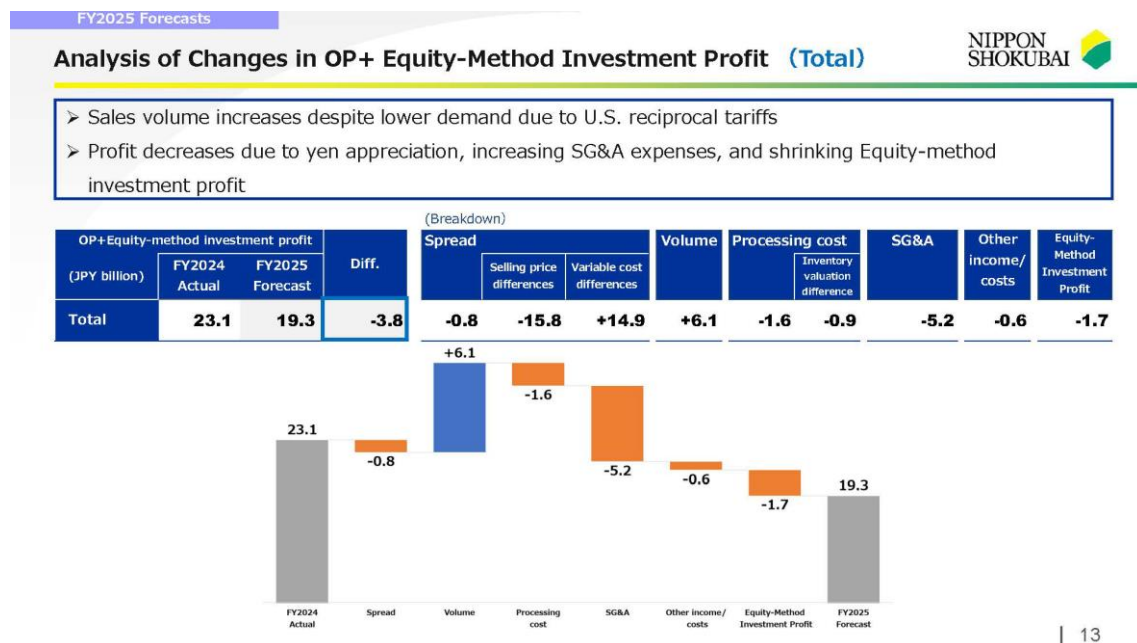
This slide shows forecasts for revenue and operating profit+ equity-method investment profit by segment for fiscal 2025.

We have changed our business domain classification. As will be explained in detail later, the conventional Solutions Business has been changed to three categories: Specialty Chemicals, Electronics, and Others.

Revenue in the Materials Business is expected to be 279.0 billion yen in fiscal 2025. Although volume is expected to increase, revenue is expected to decrease by 15.1 billion yen YoY due to the appreciation of the yen and a decline in the Domestic Naphtha Price. Revenue in the Solutions Business is expected to be 126.0 billion yen, an increase of 10.7 billion yen YoY. This is due to the consolidation of E-TEC as a subsidiary and expanded sales of display-related materials.

Operating profit + equity-method investment profit is expected to decrease by 3.5 billion yen YoY to 12.4 billion yen in the Materials Business and to increase slightly to 6.2 billion yen in the Solutions Business.

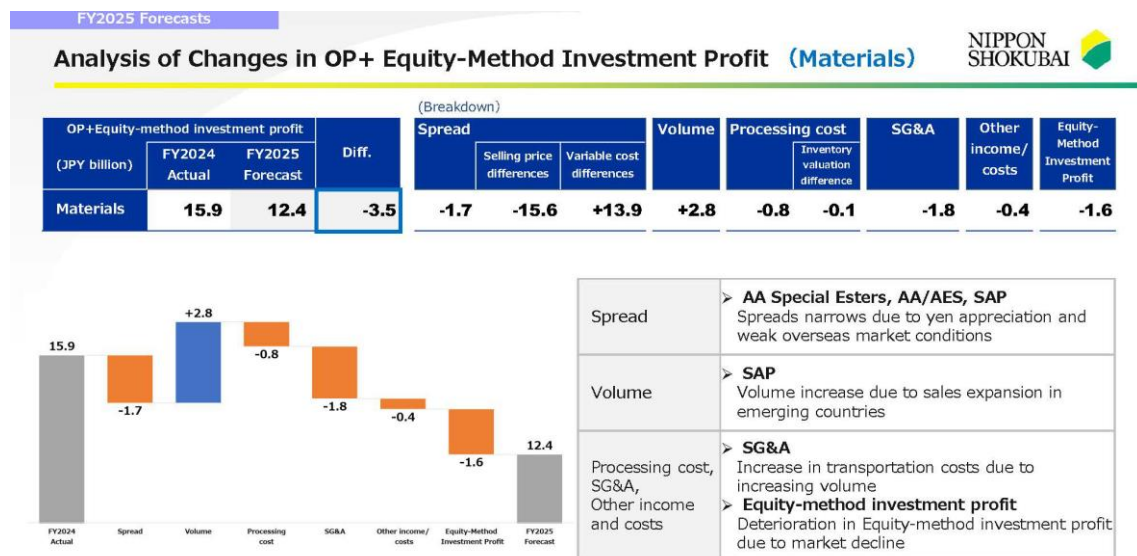
## Analysis of Changes in OP+ Equity-Method Investment Profit (Total)



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I will explain the factors behind the 3.8 billion yen YoY decrease in operating profits + equity-method investment profit for the entire company in the fiscal 2025 earnings forecast. Although we have factored in a decline in demand due to US tariffs, overall sales volume will increase. On the other hand, we expect overall profits to decline due to the appreciation of the yen, an increase in SG&A expenses, and a decrease in equity-method investment profits.

## Analysis of Changes in OP+ Equity-Method Investment Profit (Materials)

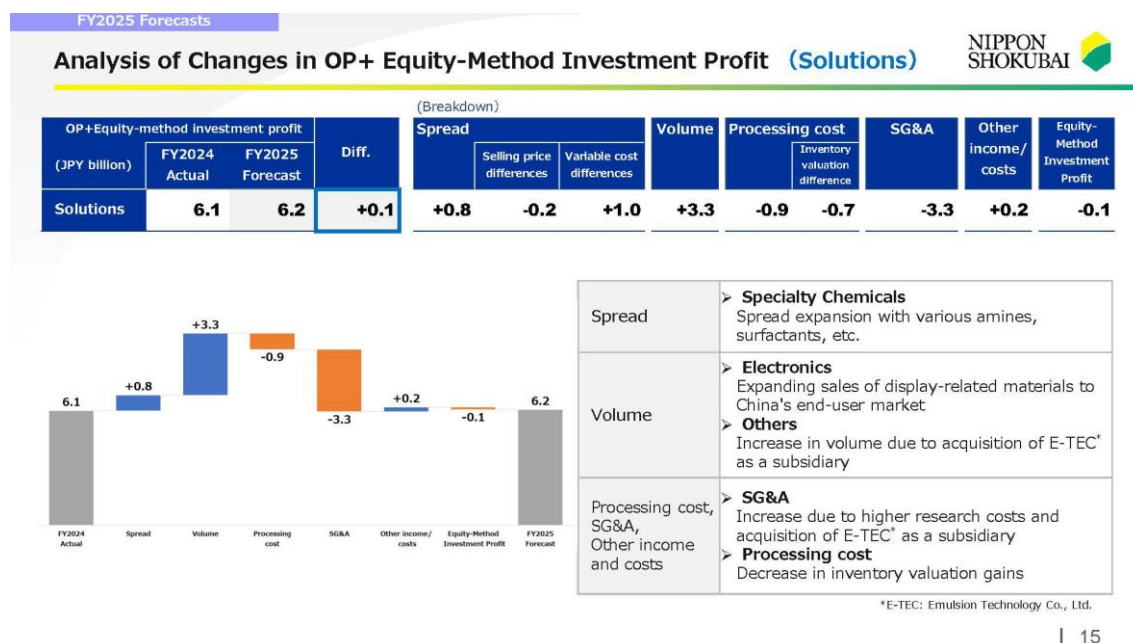


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Let's look at the changes in operating profit + equity-method investment profit by segment in the full-year forecast for fiscal 2025. The Materials Business is expected to see a YoY decrease of 3.5 billion yen. This includes some positive factors such as an increase in volume. This is due to an increase in SAP sales volume in emerging countries.

On the other hand, we expect the spread to narrow due to yen appreciation and weak overseas market conditions for AA special esters, AA/AES, and SAP. The increase in SG&A expenses is attributable to an increase in transportation costs due to increasing volume and higher expenses due to rising prices. Equity-method investment profit is also expected to decline.

## Analysis of Changes in OP+ Equity-Method Investment Profit (Solutions)

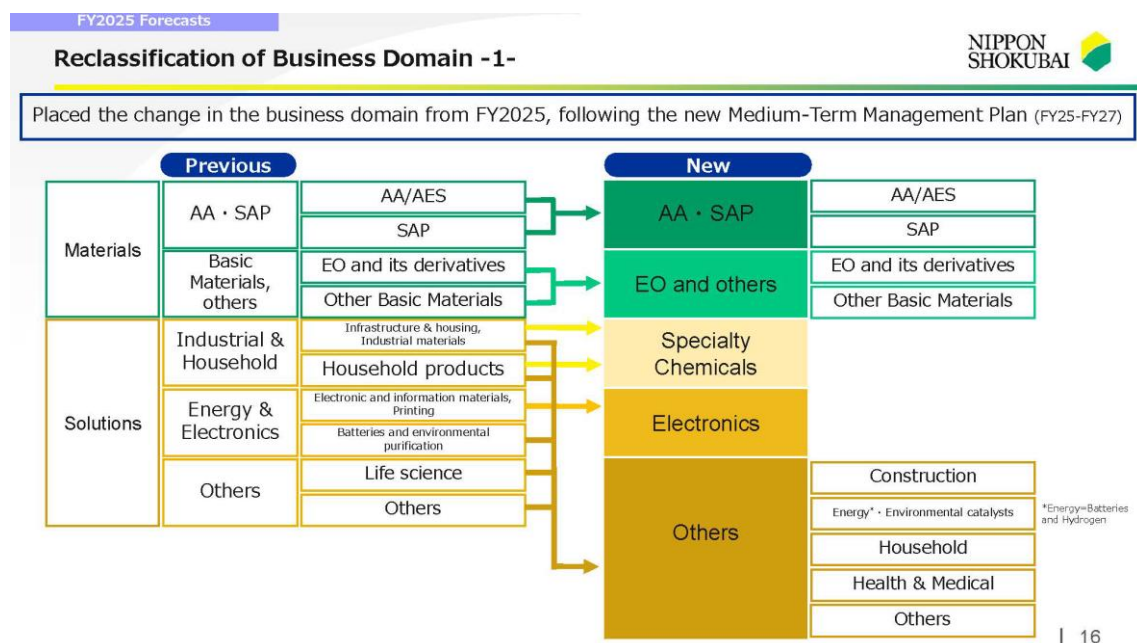


The Solutions Business is expected to remain almost flat YoY, with an increase of 0.1 billion yen. Breaking this down, while volumes and spreads are expected to increase, SG&A expenses and processing cost are also expected to increase.

In terms of volume, we expect an increase due to expanded sales of display-related materials and acquisition of E-TEC as a subsidiary. In specialty chemicals, sales of water treatment-related products will increase, and spread will expand with various amines, surfactants, etc.

SG&A expenses are expected to increase mainly due to higher research costs and acquisition of E-TEC as a subsidiary. Processing cost is expected to increase mainly due to a decrease in inventory valuation gains.

## Reclassification of Business Domain -1-




This slide shows an outline of the changes to our business domains. In line with the formulation of our new Medium-Term Management Plan, we have decided to change our business domain classifications from the current fiscal year.

Materials will remain unchanged as “AA・SAP” and “EO and others,” but Solutions will be changed to three categories: “Specialty Chemicals,” “Electronics,” and “Others.”

We plan to upgrade construction and energy, which are included in “Others,” from “Others” and make them independent if their business expands. We have formulated strategies for each business domain in this plan and changed the categories accordingly.

## Reclassification of Business Domain -2-

FY2025 Forecasts

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Reclassification of Business Domain -2-

New Business Domain			Main Products
Materials	AA・SAP		<ul style="list-style-type: none"> <li>● Acrylic acid, Acrylates</li> <li>● Superabsorbent polymer</li> </ul>
	EO and others		<ul style="list-style-type: none"> <li>● Ethylene oxide ● Ethylene glycol</li> <li>● Organic acids ● Acrylic acid special esters ● Process catalysts etc.</li> </ul>
Solutions	Specialty Chemicals		<ul style="list-style-type: none"> <li>● Various types of amines ● Cross-linking agent for water-based resins</li> <li>● Surfactants (Main subsidiaries: Nippon Nyukazai Co., Ltd. and SINO-JAPAN CHEMICAL CO., LTD.)</li> </ul>
	Electronics		<ul style="list-style-type: none"> <li>● Resins for optical films ● Resist materials</li> <li>● Fine particles ● Dye ● Iodine</li> <li>(Main subsidiaries: NIPPOH CHEMICALS CO., LTD.)</li> </ul>
	Others	Construction	<ul style="list-style-type: none"> <li>● Cement admixture polymers ● Emulsions</li> </ul>
		Energy (Batteries and Hydrogen)・Environmental catalysts	<ul style="list-style-type: none"> <li>● Electrolytes for LIB*<sup>1</sup> ● Electrolyte sheets</li> <li>● Ammonia decomposition catalysts</li> <li>● Waste gas treatment catalysts and Wastewater treatment catalysts</li> </ul>
		Others	<ul style="list-style-type: none"> <li>● Raw materials for detergents ● Oligonucleotide &amp; peptides CDMO*<sup>2</sup></li> </ul>
		Household Health & Medical Others	

\*1: LIB: lithium-ion batteries

\*2: Abbreviation of Contract Development and Manufacturing Organization

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This slide shows the main products in each business domain. Specialty Chemicals include amines, cross-linking agents for water-based resins, and NIPPON NYUKAZAI CO., LTD., a subsidiary of our group. Electronics include resins for optical films such as ACRYVIEWA, resist materials, and fine particles. Others include construction and energy-related products such as lithium-ion batteries.

Going forward, we plan to disclose not only revenue but also operating profit in accordance with these five business domains.



## By Business Domain: Revenue, OP, OP+ Equity-Method Investment Profit

FY2025 Forecasts												
By Business Domain: Revenue, OP, OP+ Equity-Method Investment Profit												
Business Domain (JPY billion)	Revenue				Operating Profit				OP + Equity-Method Investment Profit <sup>*1</sup>			
	FY2024 Full Actual	FY2025 Full Forecast	Difference	Difference (%)	FY2024 Full Actual	FY2025 Full Forecast	Difference	Difference (%)	FY2024 Full Actual	FY2025 Full Forecast	Difference	Difference (%)
AA・SAP	222.1	212.4	-9.7	-4.3%	9.5	8.1	-1.4	-15.1%	9.5	8.1	-1.4	-15.1%
EO and others	72.0	66.6	-5.4	-7.6%	3.4	2.9	-0.5	-13.7%	6.4	4.3	-2.1	-32.1%
Materials	294.1	279.0	-15.1	-5.1%	12.9	11.0	-1.9	-14.7%	15.9	12.4	-3.5	-21.9%
Specialty Chemicals	51.6	51.4	-0.1	-0.3%	5.3	5.1	-0.2	-3.8%	5.3	5.1	-0.2	-3.8%
Electronics	20.9	23.7	2.8	+13.4%	3.6	3.8	0.1	+3.5%	3.6	3.8	0.1	+3.5%
Others <sup>*2</sup>	42.8	50.9	8.1	+18.9%	-3.8	-3.6	0.3	+6.7%	-2.8	-2.7	0.1	+4.5%
Solutions	115.3	126.0	10.7	+9.3%	5.1	5.3	0.2	+3.6%	6.1	6.2	0.1	+0.9%
Eliminations and corporate profit (loss)					1.0	0.7	-0.3	-33.2%	1.0	0.7	-0.3	-33.2%
<b>Total</b>	<b>409.3</b>	<b>405.0</b>	<b>-4.3</b>	<b>-1.1%</b>	<b>19.1</b>	<b>17.0</b>	<b>-2.1</b>	<b>-10.8%</b>	<b>23.1</b>	<b>19.3</b>	<b>-3.8</b>	<b>-16.4%</b>

\*1: Equity-Method Investment Profit = Share of profit of investments accounted for using equity method

\*2: Includes Construction, Energy (Batteries, Hydrogen), Environmental catalysts, Household, Health & Medical etc.

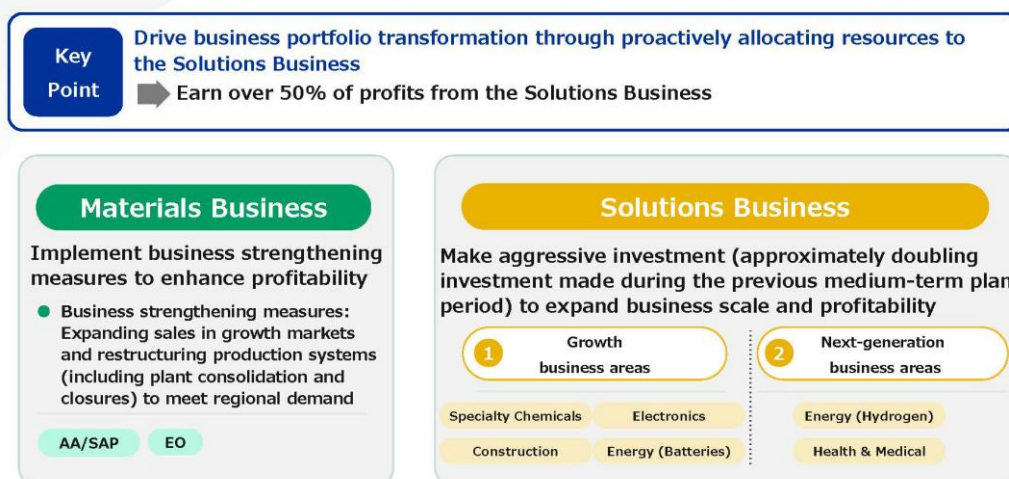
The table on the slide shows revenue, operating profit, and operating profit + equity-method investment profit for fiscal 2024 and fiscal 2025 for each of the five business domains. AA・SAP, and EO (ethylene oxide) are expected to decline YoY for the reasons mentioned earlier.

In Specialty Chemicals, we expect sales of water treatment-related products to increase, but we anticipate a slight decline in profit due to the impact of the appreciation of the yen. On the other hand, we expect profit to increase in Electronics due to growth in display materials, and in Construction and Energy within Others, but profit in the Environmental Catalysts is expected to decline due to a temporary drop in demand. As a result, overall profit are expected to increase slightly or remain largely unchanged.



## Key Points of the New Medium-Term Management Plan (FY2025–FY2027)

### Key Points of the New Medium-Term Management Plan (FY2025–FY2027)



I will explain our business strategy and business topics. This slide was also shown at the briefing session on our Mid-Term Management Plan 2027 held last month.

The key point of the new Mid-Term Management Plan for fiscal 2025 to fiscal 2027 is to drive business portfolio transformation through proactively allocating resources to the Solutions Business.

In particular, in the Solutions Business, we will approximately double the investment made during the previous medium term plan period to expand business scale and profitability. In the Materials Business, we will expand sales in growth markets and restructure production systems to meet regional demand, thereby enhancing profitability.

## Profit Target of OP+ Equity-Method Investment Profit

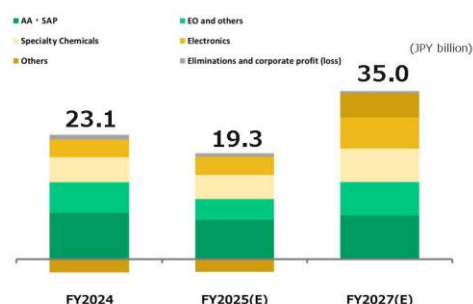
### Business Strategies and Topics

### Profit Target of OP+ Equity-Method Investment Profit



Business Domain (JPY billion)	FY2024	FY2025(E)	FY2027(E)
AA・SAP	9.5	8.1	9.0
EO and others	6.4	4.3	7.0
<b>Materials</b>	<b>15.9</b>	<b>12.4</b>	<b>16.0</b>
Specialty Chemicals	5.3	5.1	7.0
Electronics	3.6	3.8	6.5
Others*	▲ 2.8	▲ 2.7	5.0
<b>Solutions</b>	<b>6.1</b>	<b>6.2</b>	<b>18.5</b>
% of Solutions / Total	27%	32%	53%
Eliminations and corporate profit (loss)	1.0	0.7	0.5
<b>Total</b>	<b>23.1</b>	<b>19.3</b>	<b>35.0</b>

\*Includes Construction, Energy (Batteries, Hydrogen), Environmental catalysts, Household, Health & Medical etc.



Profit targets in the new Mid-Term Management Plan are expressed as operating profit + equity-method investment profit. The target for the entire company for fiscal 2027 is 35.0 billion yen.

The target for the Materials Business in fiscal 2027 is 16.0 billion yen, which is almost the same level as fiscal 2024. We expect this to return to the same level as fiscal 2024, which was affected by the depreciation of the yen. The target for the Solutions Business in fiscal 2027 is 18.5 billion yen, which is approximately three times the actual profit of FY2024.

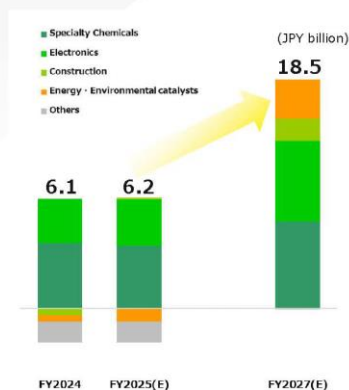
This will result in a business portfolio in which more than half of profits are generated by the Solutions Business, thereby changing our profit structure.

## Profit Growth Strategy for the Solutions Business

Business Strategies and Topics

### Profit Growth Strategy for the Solutions Business

NIPPON  
SHOKUBAI



◆Significantly higher profits towards FY2027 due to increase capacity and product adoption.

#### Specialty Chemicals

- Expand business by providing timely products and technologies that will lead to solutions to social issues
  - Water treatment agents - Expanding sales of amines for CO2 absorbent
  - Expanding sales of VOC-free water-based cross-linking agents
  - Reinforcement of production systems for key product groups

#### Electronics

- Expand leading products in a niche market based on optical control technology and particle materials
  - Expand adoption of display materials (Resins for optical films and Fine particles) for large, high-definition LCDs and increase market share in China
  - Capacity expansion of fine particle production facilities

#### Others

- Construction
  - Expand product lineup (e.g., E-TEC) and develop business in growth regions
- Energy - Environmental catalysts
  - Batteries: Building a production system in line with the strategy of local production for local consumption
- Health & Medical (Oligonucleotide & peptides CDMO)
  - Strengthen supply system by expanding production capacity and increase the number of contracted projects

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I will explain our strategy for expanding profits in the Solutions Business. The bar graph on the left side of the slide is divided into five colors, representing our plans for growth from fiscal 2024 and fiscal 2025 to fiscal 2027. We expect profits to increase significantly in all divisions as we expand facilities and adopt new products toward our fiscal 2027 target.

The right side of the slide shows each strategy. In Specialty Chemicals, we will expand sales of amines for water treatment agents and CO2 absorbents, and reinforce our production system for key product groups.

In Electronics, we will aim to expand sales of products for high-definition LCDs, such as ACRYVIEWA, a resin for optical films used in displays, and fine particles. At the same time, we will work to increase our market share in the Chinese market and expand our capacity for fine particles production facilities.

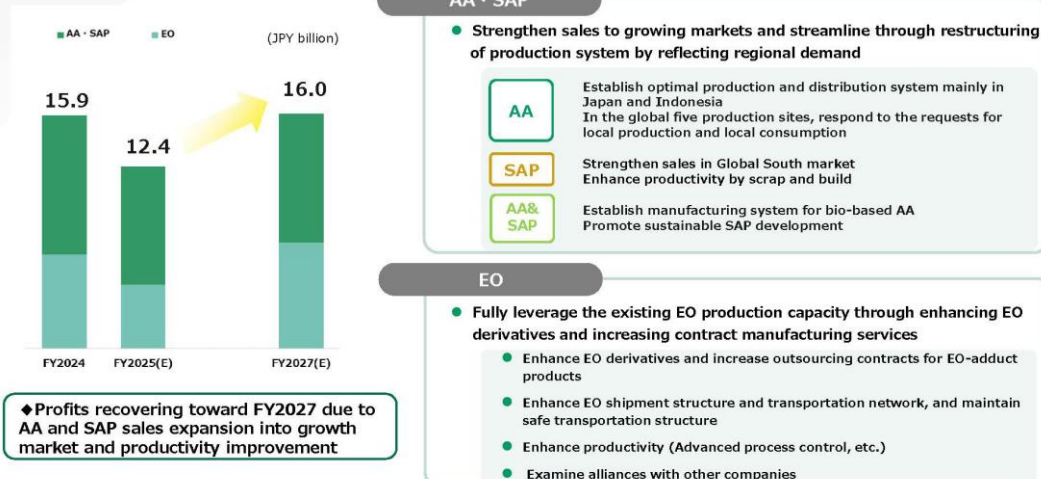
In Construction within Others, we will expand our product lineup by making E-TEC a subsidiary and develop business in growth regions. In Energy, we expect to see an increase in equity-method investment profit from IONEL, an electrolyte for lithium-ion batteries, in China. In Health & Medical, we aim to achieve profitability in fiscal 2027 by strengthening our supply system and increasing the number of contracted projects.

## Strategies to Strengthen the Materials Business

Business Strategies and Topics

### Strategies to Strengthen the Materials Business

NIPPON  
SHOKUBAI



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This slide shows the strategies to strengthen the Materials Business. We will restore profits by expanding sales of AA and SAP in growth markets and improving productivity, with the aim of achieving our targets for fiscal 2027.

We will establish an optimal production and shipping system in the global five production sites for AA and SAP. We will also enhance productivity by scrap and build and strengthen sales in growing markets such as the Global South. In Indonesia, we are expanding our SAP plant with an annual production capacity of 50,000 tons, and commercial operations are scheduled to start in July 2027. At the same time, we will shut down old plants in Japan with low production efficiency as necessary.

In EO, we will increase profitability by enhancing derivatives and increasing contract manufacturing services, while enhancing our shipment structure, and enhancing productivity through advanced process control.

## AA/SAP Global supply and demand trends

Business Strategies and Topics



### AA/SAP Global supply and demand trends

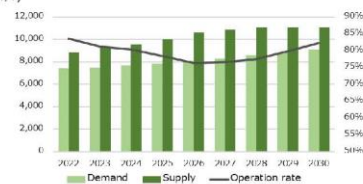
#### [AA] Supply-demand balance bottoms out in 2027

##### ■ Supply and Demand trends

**Demand** Global demand approx. 7.8 million tons (estimated 2025)  
3% annual growth expected in the medium term  
(growth of more than 5% assumed in emerging countries)

**Supply** ➤ **Planned expansion/shutdown in total worldwide**  
(annual production capacity)  
2024: approx. -100,000 tons  
2025: approx. 800,000 to 1,000,000 tons  
2026 onward: approx. 200,000 to 500,000 tons

(KT/Y) AA Global Supply and Demand



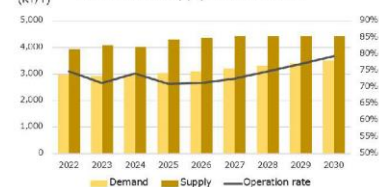
#### [SAP] Supply-demand balance bottoms out in 2025

##### ■ Supply and Demand trends

**Demand** Global demand approx. 3.0 million tons (estimated 2025)  
3% annual growth expected in the medium term  
(growth of more than 5% assumed in emerging countries)

**Supply** ➤ **Planned expansion/shutdown in total worldwide**  
(annual production capacity)  
2024: approx. -100,000 tons  
2025: approx. 300,000 tons  
2026 onward: approx. 100,000 tons

(KT/Y) SAP Global Supply and Demand



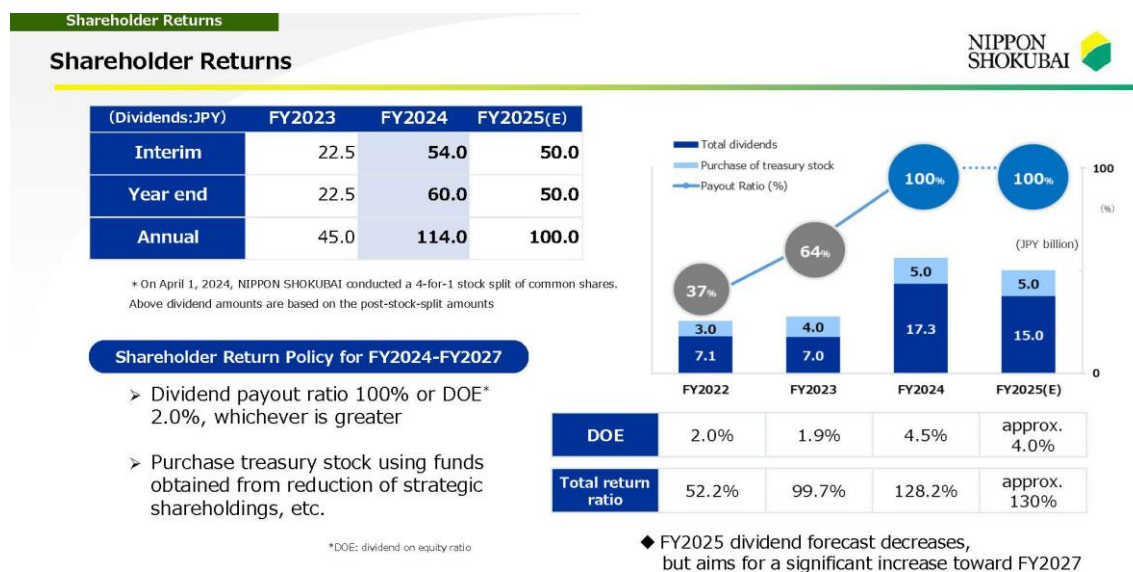
| 24

This slide shows AA/SAP global supply and demand trends.

Global demand for AA is estimated to be approx. 7.8 million tons in fiscal 2025, with an annual growth rate of 3% expected in the medium term. We expect the supply-demand balance for AA to bottom out around fiscal 2027, with capacity utilization rates rising. However, with expansion plans still in place for 2025 and 2026, we believe the balance will remain slightly weak.

We expect global demand for SAP to reach approx. 3 million tons, with an annual growth rate of 3%. We expect this to bottom out in fiscal 2025, with utilization rates gradually increasing in 2026 and 2027. Since there are fewer expansion plans for SAP than for AA, we expect the balance to improve sooner for SAP than for AA.

## Shareholder Returns



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Now I would like to explain our policy on shareholder returns. As we have already announced, we aim to maintain a shareholders' equity ratio of around 60%, and for the four years to fiscal 2027, we will pay dividends at either a dividend payout ratio of 100% or 2% of DOE, whichever is greater. We will also actively pursue share buybacks, with a target of 20.0 billion yen over four years.

Based on this policy, we plan to pay a year-end dividend of 60 yen per share for fiscal 2024. The annual dividend is expected to be 114 yen per share, representing a significant increase from the previous year. This represents an increase of 6 yen per share from the dividend forecast of 108 yen per share announced in November.

We plan to maintain a dividend payout ratio of 100% in fiscal 2025, and the annual dividend per share is currently expected to be 100 yen. Although no decision has been made regarding share buybacks, if we purchase 5.0 billion yen worth of shares, the total return ratio, including share buybacks, is expected to be 130%.

Although dividends for fiscal 2025 are expected to decrease compared to fiscal 2024, we aim to significantly increase dividends by expanding profits toward fiscal 2027, so we hope you will look forward to this. That concludes my presentation. Thank you very much for your attention.



**Q&A: Factors contributing to increased profits in the Solutions Business and forecasts for the current fiscal year**

**By Business Domain: OP+ Equity-Method Investment Profit (Trend in 1H-2H)**

Business Domain (JPY billion)	FY2024			FY2025 (E)		
	1H	2H	FULL	1H	2H	FULL
AA・SAP	6.1	3.4	9.5	3.9	4.2	8.1
EO and others	3.0	3.4	6.4	2.8	1.5	4.3
Materials	9.1	6.8	15.9	6.7	5.7	12.4
Specialty Chemicals	2.5	2.7	5.3	2.6	2.5	5.1
Electronics	1.5	2.2	3.6	1.7	2.1	3.8
Others*1	-1.2	-1.5	-2.8	-1.5	-1.2	-2.7
Solutions	2.7	3.4	6.1	2.8	3.4	6.2
Eliminations and corporate profit (loss)	0.3	0.7	1.0	0.4	0.3	0.7
<b>Total</b>	<b>12.2</b>	<b>10.9</b>	<b>23.1</b>	<b>9.9</b>	<b>9.4</b>	<b>19.3</b>

\*1: Includes Construction, Energy (Batteries, Hydrogen), Environmental catalysts, Household, Health & Medical etc.

**Questioner:** It appears that profits in the Solutions Business grew in the fourth quarter of fiscal 2024. Were there any special factors that contributed to this?

In addition, although operating profit for the Solutions Business in fiscal 2025 is expected to be roughly the same as the previous fiscal year when including equity-method investment profit, overall momentum appears to be slowing compared to that of the first and second halves. Is this due to upfront expenses? Please provide more details on the status of the Solutions Business.

**Noda:** The slide shows figures for the first and second half of the current fiscal year. Electronics is growing significantly. As I mentioned briefly last time, fine particles are also growing considerably, mainly in ACRYVIEWA, and we expect this growth to continue.

**Questioner:** I think it is seasonal by nature. Is it doing quite well even now, with an increase in authentication?

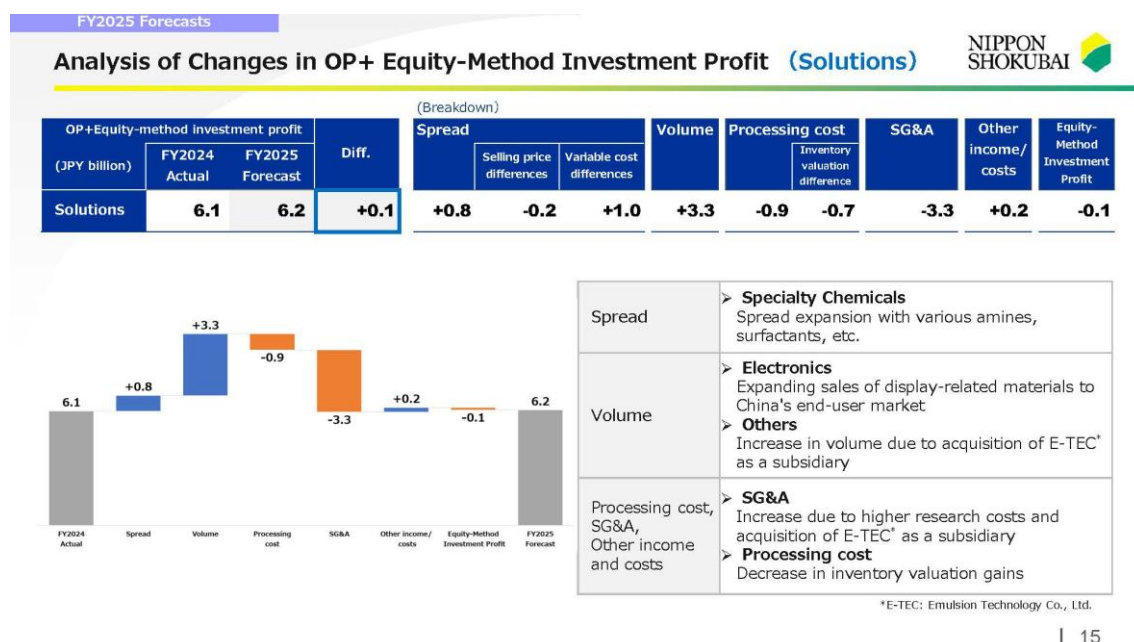
**Noda:** It is currently increasing. It may appear to be decreasing slightly due to the impact of foreign exchange rates, but we expect steady growth. The same applies to Specialty Chemicals,

which we expect to continue growing at a steady pace.

**Questioner:** Even though Specialty Chemicals will grow in volume, will there be an impact from foreign exchange rates in fiscal 2025?

**Noda:** You're right, the exchange rate is having a significant impact. A considerable portion of our sales are overseas, in Europe, the US, and Asia, so that's having an effect.

**Shinichi Ito (hereinafter, Ito):** Increased research costs and higher SG&A expenses due to rising prices are putting slight pressure on profits. Looking at the figures alone, it may seem negative, but I hope you understand that sales are progressing steadily.



**Questioner:** As shown on slide 15, with SG&A expenses of negative 3.3 billion yen, we would normally expect to see a difference of at least 3.3 billion yen in sales volume. Is this because of upfront increases in R&D and personnel expenses?

**Noda:** We are rapidly investing in research costs for new businesses such as health & medical and battery-related businesses, so that portion has increased slightly.



## **Q&A: EO for the Materials Business**

**Questioner:** Regarding EO in the Materials Business, is the slight weakness in fiscal 2024 due to weak MEG or overall weakness in EO? Please let us know, along with the outlook for fiscal 2025.

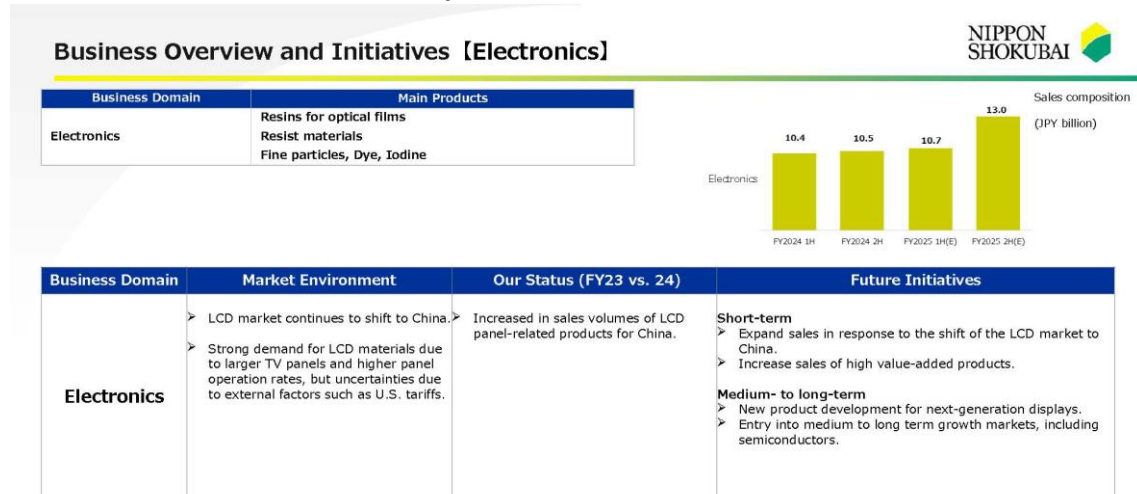
**Noda:** EO itself is progressing relatively smoothly, but as you say, we expect EG (ethylene glycol) and other derivatives to struggle a little in fiscal 2024 and 2025. Overall, there is a slight downward trend in profits in total, but we believe that EO itself will continue to move in a positive direction.

**Q&A: Regarding the consolidation of Kawasaki Oil Refinery into a single facility**

**Questioner:** There is talk of ENEOS consolidating its Kawasaki Refinery into a single facility. Could you comment on this, even if only in general terms?

**Noda:** Regarding ENEOS's consolidation into a single facility, propylene is involved as well as ethylene, but we believe there will be no problems as we have secured a stable supply of raw materials. Furthermore, ENEOS has also indicated that there are no concerns, so we are not worried.

## Q&A: Outlook for the current fiscal year in the electronics business



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**Questioner:** Please tell us your outlook for the Electronics Business in fiscal 2025. Looking at the graph on the upper right, you plan to increase sales in the second half of fiscal 2025 by about 2.3 billion yen compared to the first half. On the other hand, profits in the Solutions Business in the second half are only expected to improve by 0.5 billion yen compared to the first half. How should we interpret this?

Also, is the improvement in Electronics in the second half based on the assumption that demand for panels will increase? Or is it based on your company's plans to expand product adoption?

**Noda:** The graph on the slide includes displays, resist materials, fine particles, dyes, and iodine, all of which we expect to continue growing. As you mentioned, we expect to see the adoption of high-performance products starting in the second half of 2025, and we anticipate that this will grow. In particular, we expect revenue to rise significantly from the second half of this fiscal year.

We expect growth in display-related materials, mainly ACRYVIEWA, and fine particles-related products from the middle of this year, and this trend is expected to accelerate in the next two years.

**Questioner:** Based on what you have said, it seems that high margin products will grow in the second half , but I have the impression that displays have relatively high margins and the product mix is expected to improve. On the other hand, how should we view the fact that profits in the Solutions Business are not expected to improve significantly in the second half?

**Noda:** The growth factor is as you mentioned. Overall volume will increase, but more high-performance products will grow, which will also have an impact on profits.

On the other hand, as I explained earlier, total SG&A expenses, including research costs, were added, so overall growth appears to be flat, but looking at the details individually, I think it is fair to say that there has been growth.

## Q&A: Tariff Impact on AA and SAP and Demand Outlook

Business Strategies and Topics



### AA/SAP Global supply and demand trends

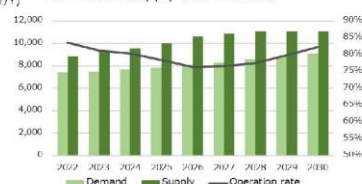
#### [AA] Supply-demand balance bottoms out in 2027

##### ■ Supply and Demand trends

**Demand** Global demand approx. 7.8 million tons (estimated 2025)  
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(KT/Y) AA Global Supply and Demand



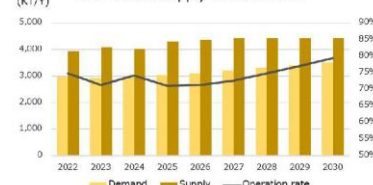
#### [SAP] Supply-demand balance bottoms out in 2025

##### ■ Supply and Demand trends

**Demand** Global demand approx. 3.0 million tons (estimated 2025)  
3% annual growth expected in the medium term  
(growth of more than 5% assumed in emerging countries)

**Supply** ➤ **Planned expansion/shutdown in total worldwide**  
(annual production capacity)  
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2025: approx. 300,000 tons  
2026 onward: approx. 100,000 tons

(KT/Y) SAP Global Supply and Demand



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**Questioner:** The slide shows market conditions for AA and SAP, including demand, but how are tariff impacts factored in? Since AA is also used in automotive coatings, we expect demand to be somewhat challenging in 2025. I assume your company has incorporated this, but how is it done?

I would also like to ask how much SAP's demand is expected to grow by 2025. The slide states that "annual growth of 3% is expected in the medium term," but looking at the current shipment volumes of Kimberly-Clark and P&G, the situation does not seem very promising. Could you please provide any comments on the overall market and related issues?

**Noda:** No, we have not factored the impact of reciprocal tariffs into our global demand forecast for AA. We are sticking with the 3% growth forecast we made at the end of last year and beginning of this year. However, we have factored the negative impact of tariffs into our profit and loss forecast.

We estimate SAP demand to grow at an annual rate of approximately 3%, but it remained at around 1% in fiscal 2024. We expect it to reach the mid- to late 2% range in fiscal 2025.

Even so, our sales growth has outpaced global demand, and we have continued to increase sales steadily every year since 2022. As a result, we have decided to expand facility by 50,000

tons in Indonesia.

## **Q&A: Background to the improved SAP revenue forecast**

**Questioner:** AA and SAP's profits have been declining from the first half to the second half of last year. Although there seems to be some improvement in both the first and second halves of this fiscal year, the supply-demand balance is expected to result in a corresponding decline in utilization rates in 2025, and I believe price pressures will also intensify. Please explain the background behind your expectation that SAP's earnings will improve this fiscal year, including an overview of the business environment.

**Noda:** I think the second half of fiscal 2024 was a very challenging half-year. As you mentioned, we increased volume in fiscal 2024, but we expect to increase volume further in fiscal 2025, and on a half-year basis, we expect profits to grow compared to the second half of fiscal 2024.

Not only will the volume increase, but the portfolio within SAP will shift from low-cost commodity products to higher-performance products, including diapers, sanitary products, and industrial SAP, which will gradually have a positive effect. We expect a gradual recovery from fiscal 2025 onwards.

**Questioner:** Emerging countries are showing strong growth in diaper sales, and although the product mix looks challenging, is recovery possible even taking this into account? Also, please let me know the details of the annual contract agreement, to the extent possible.

**Noda:** As you say, competition is fierce among diaper manufacturers in emerging countries, many of which use general-purpose SAP. However, rather than chasing after them, our strategy is to increase the number of customers in Asia who make relatively high-performance diapers, in other words, customers who need high-performance SAP. We intend to avoid getting caught up in price competition as much as possible.

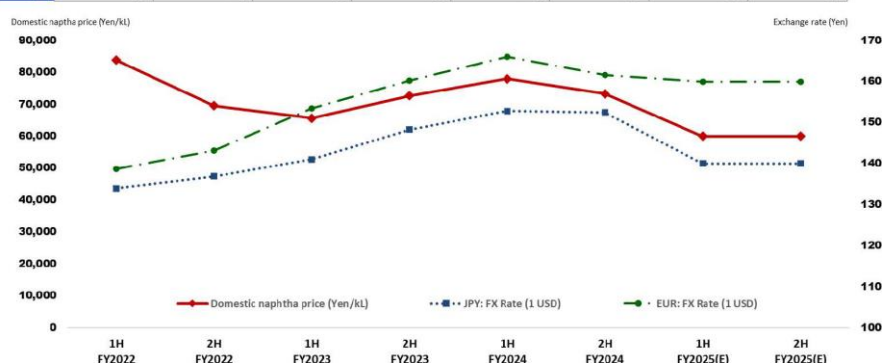
We cannot disclose the details of our annual contracts, but in any case, most of them are based on raw material formulas, so I don't think they will have much impact. Also, although I can't say for sure, but I believe that the price negotiation for next year will be a negotiation to add a portion of other costs to the price formula, because naturally those other costs are rising.

## Q&A: Shareholder returns and exchange rate sensitivity

### Naphtha Price and Foreign Exchange



	1H FY2022	2H FY2022	1H FY2023	2H FY2023	1H FY2024	2H FY2024	1H FY2025(E)	2H FY2025(E)
Domestic naphtha price (Yen/kl)	83,800	69,500	65,600	72,700	78,000	73,300	60,000	60,000
JPY: FX Rate (1 USD)	134	137	141	148	153	152	140	140
EUR: FX Rate (1 USD)	139	143	153	160	166	162	160	160



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**Questioner:** Regarding shareholder returns, I believe that dividends were reduced in fiscal 2025 in accordance with the policy of distributing 100% of profits. I feel that it would have been possible to avoid reducing dividends. Could you please share your thoughts on this matter?

Are you also relatively conservative in your foreign exchange assumptions? If so, I thought it might be better to expect upward revisions during the period. I believe foreign exchange sensitivity has been neutral in the past, but do you expect upward revisions due to the impact of tariffs and foreign exchange?

**Noda:** The outlook for FY2025 is uncertain, including the exchange rate and the impact of Trump's tariffs. However, at this point, I feel that our projections are a bit conservative. That said, we are currently assuming an exchange rate of 140 yen, but if it were to rise to 147 yen as it is now, this figure would obviously change significantly.

**Ito:** Regarding exchange rate sensitivity, after I took office in April, I reanalyzed and investigated whether the sensitivity was consistent with previous levels. It is not perfect, but I believe that the dollar, which we had previously described as “nearly neutral,” is now having a slight impact.

Specifically, the euro continues to have an impact of 0.1 billion yen per yen, as before. The



dollar fluctuates by 1 yen, resulting in an impact of slightly over 0.1 billion yen, and the recent situation is showing signs of this impact.

**Q&A: Impact on the business results of MMA's equity-method affiliates**

**Questioner:** The performance of an equity-method affiliate that manufactures MMA has become quite severe, and naturally, I think that this will affect EPS. Since this will affect shareholder returns, including those that are highly sensitive to market conditions, will any downward or upward swings in earnings be directly reflected in returns in the future?

**Noda:** As you say, MMA performed very well in the first half of last year, but has since settled down a little and is returning to normal. The forecasts from our group companies are slightly higher, but we are taking a somewhat conservative view and expect equity-method investment profits to be affected to this extent.

As dividends are paid out of 100% of profit, equity-method investment profit will naturally be affected.