

*This Notice is a translation of the original; “Shihon Kosuto ya Kabuka wo Ishiki Shita Keiei no Jitsugen ni Muketa Taio ni Tsuite” written in Japanese, for convenience purpose only, and in the event of any discrepancy, the original in Japanese shall prevail.*



June 17, 2025

For Immediate Release

Company:	NIPPON SHOKUBAI CO., LTD.
Representative:	Kazuhiro Noda, Representative Director, President (Code number: 4114, Prime Market, Tokyo Stock Exchange)
Contacts:	Takeharu Tatsumi, General Manager of Corporate Communications Dept. (Tel: +81-3-3506-7605)

Action to Implement Management that is Conscious of Cost of Capital and Stock Price  
(Updates on Progress)

NIPPON SHOKUBAI CO., LTD. has discussed at the Board of Directors the current situation on cost of capital and profitability, and the progress in actions to enhance corporate value.

Please refer to the attached document for details of action to implement management that is conscious of cost of capital and stock price.



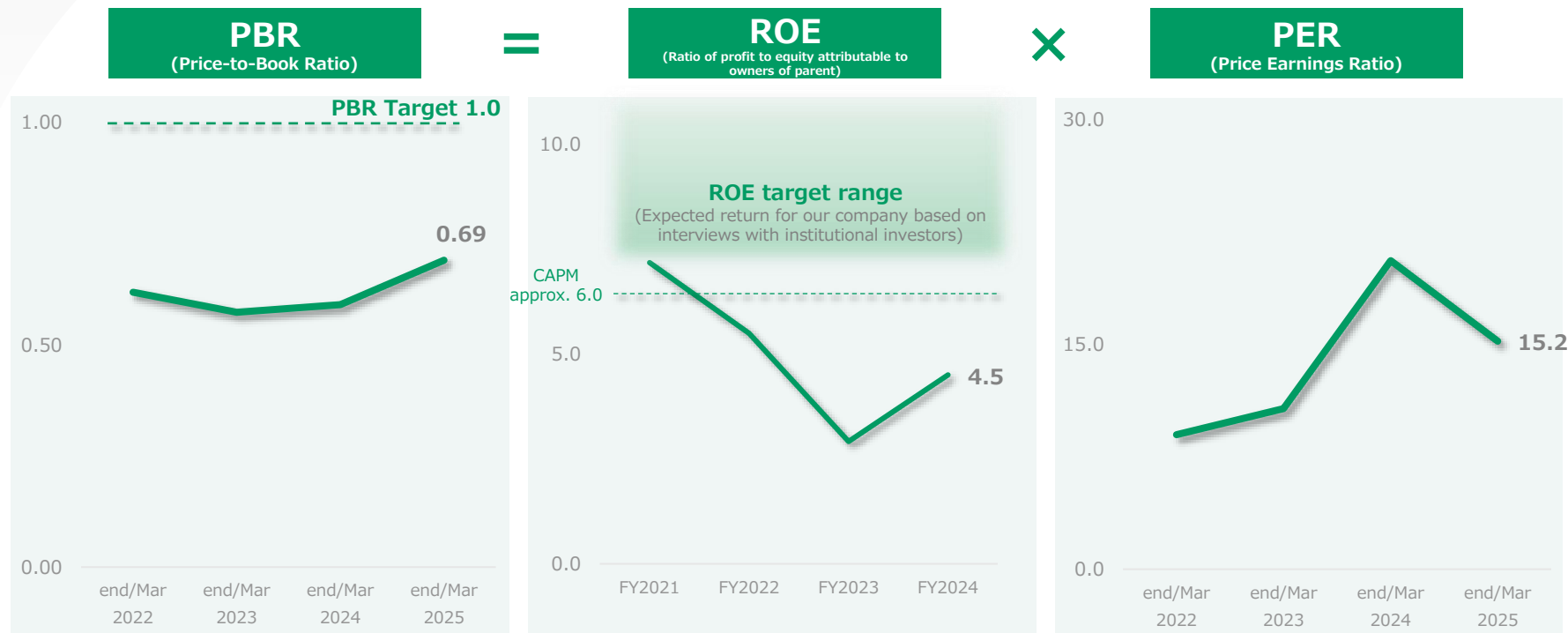
# **Action to Implement Management that is Conscious of Cost of Capital and Stock Price**

**– Updates on Progress –**

**June 17<sup>th</sup>, 2025**  
**NIPPON SHOKUBAI CO., LTD.**

# Analysis of current situation

- PBR has been below the target of 1.0x.
  - ROE has been lower than the cost of shareholders' equity.
  - The recent PER has improved compared to FY2022–2023. It is analyzed that the enhancement of shareholder returns announced in May 2024 has had a certain impact.
- We recognize that improving ROE and fundamentally enhancing PER remain ongoing issues toward achieving our targets.



\*CAPM: Capital Asset Pricing Model

# Update on targets and actions

- Break down PBR into components in a tree analysis and develop measures to improve it.
- Following the announcement of the Mid-Term Management Plan 2027, updates to targets and actions have been made (the updated parts are shown in red below).
- Details of actions and their progress are provided in the following slides.

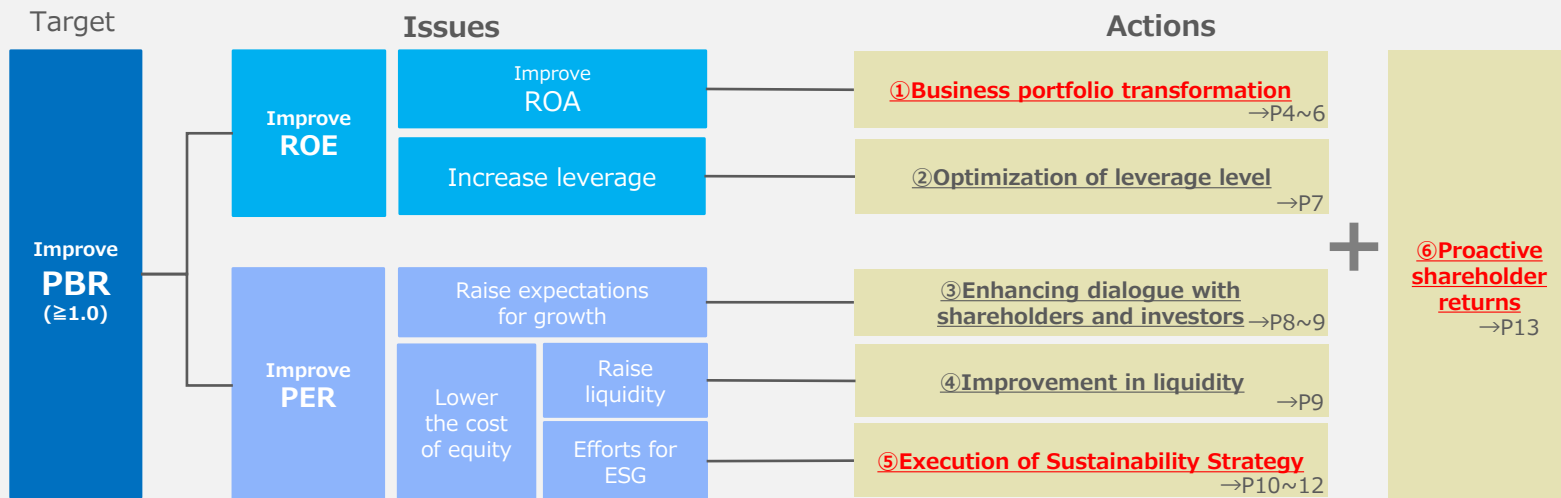
## Current situation

- ✓ ROE is lower than the cost of shareholders' equity
- ✓ PBR has been below the target of 1.0x

## Targets

- ✓ Achieve the ROE targets set out in the long-term vision and medium-term management plan of **7.0% in FY2027** and at least 9.0% in FY2030, and achieve PBR of at least 1.0x by taking additional actions.

## Issues and actions



## ① Business portfolio transformation

## Strategy for the transformation in the Mid-Term Management Plan 2027

- Towards the vision for FY2030, a strategy for business portfolio transformation has been developed in the Mid-Term Management Plan 2027.
- We will proactively allocate resources to the Solutions Business, which has high profitability and asset efficiency, aiming to improve ROE and ROA.

\*For details, please also refer to the “[Mid-Term Management Plan 2027](#)” announced on April 15, 2025.

### Mid-Term Management Plan 2027 Key Point

**Drive business portfolio transformation through proactively allocating resources to the Solutions Business**

➡ **Earn over 50% of profits from the Solutions Business**

### Progress and future initiatives toward business portfolio transformation

	FY2022-2024	FY2025-2027 (Mid-Term Management Plan 2027)	FY2028-2030	
	Laying the groundwork and implementing transformation	Accelerating transformation	Breakthrough and realization	Vision
Materials	<ul style="list-style-type: none"> <li>Reducing manufacturing costs</li> <li>Establishing a supply system for biomass-based products (ISCC PLUS certified)</li> </ul>	<ul style="list-style-type: none"> <li>Expanding sales in growth markets</li> <li>Restructuring production systems to match demand</li> <li>Forming alliances with other companies</li> </ul>	<ul style="list-style-type: none"> <li>Business expansion leveraging increased capacity</li> <li>Reducing costs through use of digital technologies</li> <li>Establishing a small-scale supply system for bio-based AA</li> </ul>	Achieving business resilience through enhanced profitability and sustainability initiatives
Solutions	<ul style="list-style-type: none"> <li>Building the foundation through resource allocation (Increasing staff by 100 over 3 years)</li> <li>Prioritizing resource allocation</li> <li>Executing investments (IONEL™, China JV, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Proactive investment (New domestic plant for IONEL™, E-TEC becoming a subsidiary, etc.)</li> <li>Business expansion and market entry in growth business areas (Introduction of low-cost processes for IONEL™, focus on the Chinese market for ACRYVIEWA™, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Investing in further business expansion</li> <li>Business growth in next-generation business areas</li> </ul>	Achieving business portfolio transformation, with a clear path toward further growth

## ① Business portfolio transformation

## Quantitative targets for FY2027 and FY2030

- **ROIC has been newly set as a target** with the new Mid-Term Management Plan 2027. **We will monitor the ROIC of each business** and implement improvements such as enhancing CCC <sup>(\*)</sup> and optimizing assets.
- **We set ROE and ROIC target levels that exceed the cost of capital, aiming for CAPM-based targets by FY2027 and even higher levels by FY2030, reflecting investors' expectations.**
- We are accordingly withdrawing from unprofitable products and businesses. **Additionally, we are currently developing quantitative criteria to discuss restructuring plans or withdrawal for businesses and products with continuously low profit margins or low ROIC.**

Target	FY2024 Actual results	FY2027 Targets	FY2030 Goals	
Operating profit + Equity-method investment profit (Billion yen)	23.1	35.0	60.0	
Solutions Business Operating profit + Equity-method investment profit (Billion yen)	6.1	18.5	40.0 or above	Assumed capital cost from FY2027 forward (CAPM)
ROE (%)	4.5	7 or above	9 or above	> [Cost of Equity] Approx. 6.0%
ROA (%)	4.3	6 or above	9 or above	
ROIC <sup>*2</sup> (%)	4.3	6 or above	8 or above	> [WACC] Approx. 5.0%

\*1 CCC: Cash Conversion Cycle

\*2 ROIC (Return on Invested Capital) = (NOPAT + Equity-method investment profit) ÷ (Interest-bearing debt + Shareholders' equity)

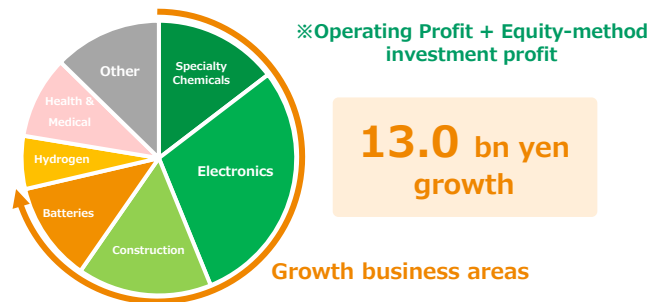
# Actions and progress

## ① Business portfolio transformation

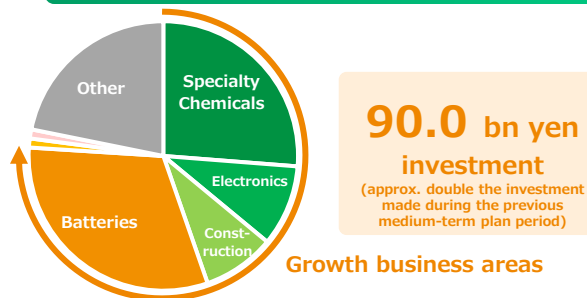
- **Prioritized resource allocation** and selected “Growth Business Areas” and “Next Generation Business Areas”.
- Over the three years up to FY2027, we will **actively allocate resources** to the “Growth Business Areas” and **significantly expand profits**.
- Aim to **expand business and contribute to profits** in the “Next Generation Business Areas” toward FY2030.

## Solutions Business

### Breakdown of Profit Growth (FY24⇒FY27)



### Breakdown of Investment Amounts (New Medium-Term Plan Period)



### Profit expansion strategies for each business area

#### Specialty Chemicals



- Expanding sales of products that contribute to solving social issues, such as raw materials for water treatment agents and CO<sub>2</sub> absorbents

#### Electronics



- Sales growth of acrylic resins for optical films used in large LCD displays and fine particles for semiconductors

#### Construction



- Launch of newly developed products that help reduce CO<sub>2</sub> emissions and expansion of the product lineup through synergies with E-TEC

#### Energy (Batteries)



- Expansion of production capacity at the China JV (Fluopont\*1) and cost reduction through the introduction of new processes

#### Energy (Hydrogen)



- Sales growth of electrolyte sheets for SOEC\*2/SOFC\*3 driven by the expansion of the hydrogen market

#### Health and Medical



- Increasing the number of contracted development projects and expanding sales of clinical trial drug contracts through strengthened production capabilities

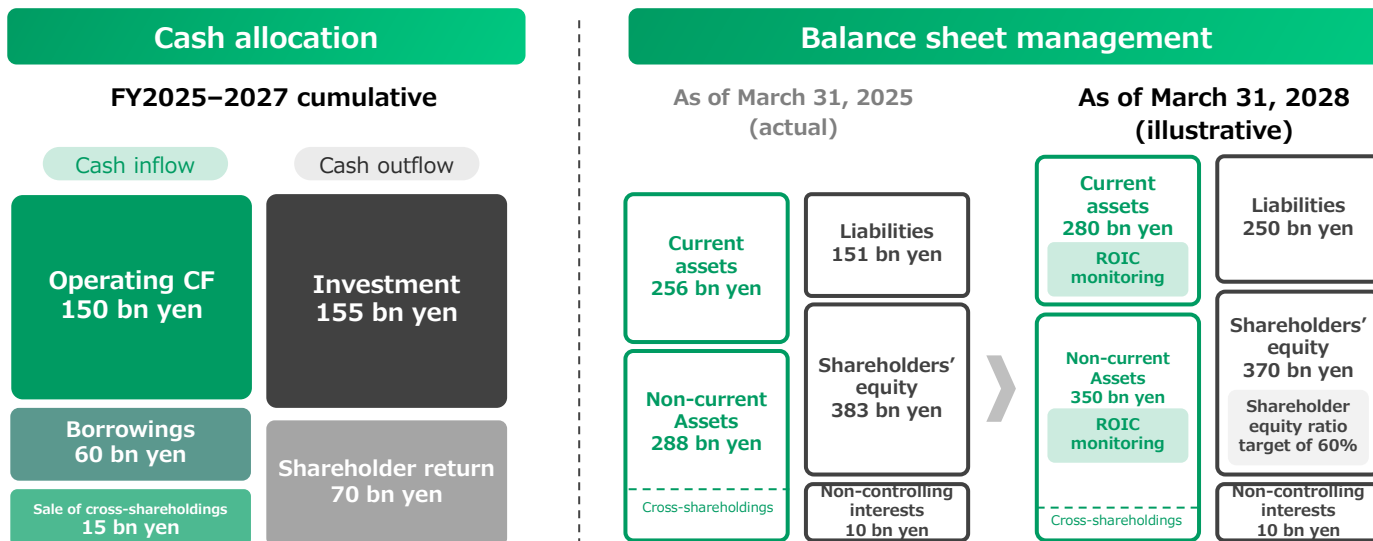
\*1 Fluopont: Hunan Fluopont New Materials Co., Ltd. \*2 SOEC: Solid oxide electrolytic cells \*3 SOFC: Solid oxide fuel cells

## ② Optimization of leverage level

### Lowering of the shareholders equity ratio

- In the Mid-Term Management Plan 2027, the policy to maintain the target equity ratio at 60% by the end of FY2027 will continue  
→ By utilizing interest-bearing debt and implementing proactive shareholder returns, we aim to lower the equity ratio from the current level, thereby improving capital efficiency and reducing the weighted average cost of capital (WACC)

### Cash allocation and target balance sheet (illustrative)





## ③ Enhancing dialogue with shareholders and investors

### Targeted engagement strategy for shareholders and investors

#### Enhancement of dialogue opportunities and dialogue tools

- **Strengthen approach to individual shareholders, individual investors, and overseas institutional investors**  
Continue to hold financial results briefings for institutional investors, small meetings, interviews, and briefings for individual investors

#### \* Approach strategy

##### For individual shareholders /investors

- Carried out renewal and content enhancement of shareholder meeting notices and shareholder communications
- Organized company presentations for individual investors featuring discussions with an economic analyst

##### For overseas institutional investors

- Attended the conferences organized by foreign securities companies
- Simultaneous disclosure of various documents in Japanese and English, along with content enhancement

- **Starting from FY2024, enhancements to the financial results presentation materials have been implemented as below**

- Disclosure of financial presentation materials for the first and third quarters  
(previously disclosed only for the second quarter and full-year)
- Disclosure of transcripts on the Q&A sessions from investor briefings from the second quarter
- Starting from the full-year financial results, the unit of operating profit disclosure in the presentation materials has been further subdivided

→ We will further enhance our communications with investors regarding our growth strategies and ESG initiatives.

## ③ Enhancing dialogue with shareholders and investors (continued)

### Reflecting the content of dialogue in management strategies

- **Continuously deliver feedback from dialogues** with shareholders and investors to the executives and Board of Directors.

#### Main Dialogue Topics

- Future growth strategies
- Cost of capital and financial strategies
- ESG (CO2 emission reduction, corporate governance, etc.)

- **Examples of implemented dialogue feedback**

- ROIC added as a company-wide target in the new medium-term management plan ... [see page 5](#)
- Revision of the remuneration system (increased proportion of performance-linked remuneration) ... [see page 14](#)

## ④ Improvement in liquidity

### Stock Split

- Executed a four-for-one stock split effective April 1, 2024 and reduced the amount per unit of investment.  
**The individual shareholders ratio increased from approx. 10%** (as of end/September 2023) **to approx. 11%** (as of end/March 2024), **and then to approx. 18%** (as of end/March 2025).

### Cross-shareholding dissolution

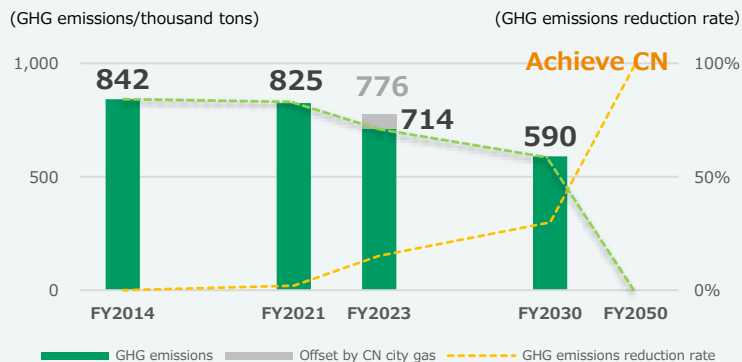
- **Continued discussions** with our shareholding partners regarding the dissolution of cross-shareholdings.  
In FY2024, approximately 6 million shares of the company's stock were sold by the company's holdings.  
→ **We will continue discussions with each holding entity and proceed with dissolution**

## ⑤ Execution of Sustainability Strategy

**GX Strategy : Contribute to the environment through GHG emissions reduction and enhanced environmental contribution products**

### GHG emission reductions

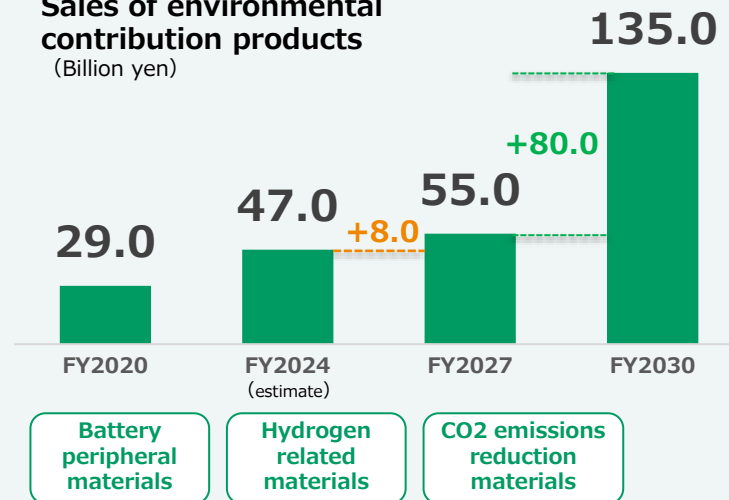
#### GHG emissions and emissions reduction rate



Steadily moving toward reducing GHG emissions by 30% in FY2030 by improving production process and accelerating the introduction of renewable energies

### Environmental contribution products

#### Sales of environmental contribution products (Billion yen)



Sales are expanding mainly in the above three materials

## ⑤ Execution of Sustainability Strategy

**HR Strategy: Measures for human resources that will expand our business and enable our company to continue to grow**

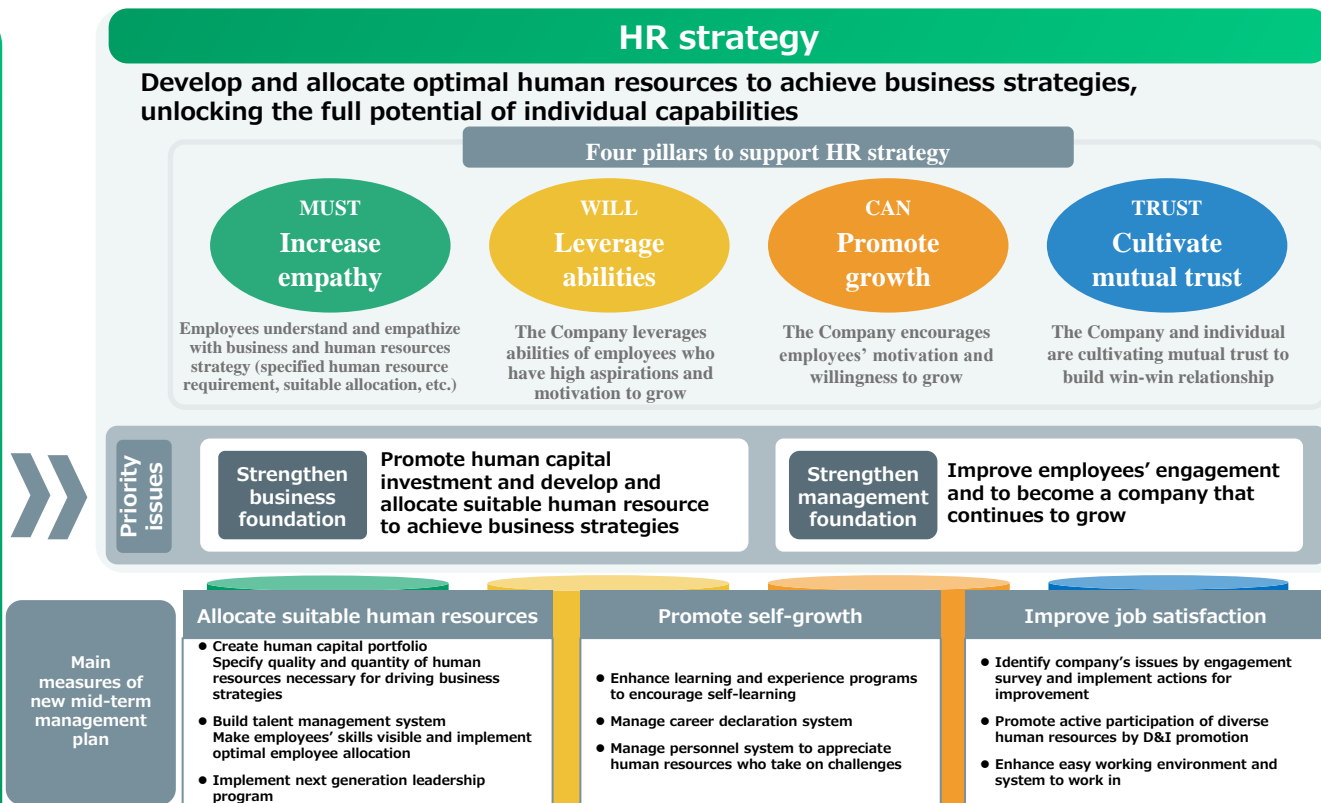
## Long-term Vision for FY2030

### Our Goals

- Provide materials and solutions required by people and society
- Become a chemical company that keeps evolving by identifying social trends
- Develop with various stakeholders inside and outside the company

### Management strategy

- Expand business scale and increase profits of Solutions Business  
⇒ Achieve portfolio transformation
- Improve profitability of Materials Business



## ⑤ Execution of Sustainability Strategy

### Non-financial Targets of Mid-term Management Plan 2027

Target	FY2024 Actual results	FY2027 Targets	FY2030 Goals
GHG emission reductions (Scope1&2) (%)	17 <sup>*1</sup>	-	30 <sup>*2</sup>
Revenue from environmental contribution products (bn yen)	47.0	55.0	135.0
Ratio of female hired in clerical and chemical position (%)	38.8	30 or above	-
Ratio of female managers (%)	6.3	8 or above	-
Ratio of male employees taking childcare leave (15 days or more) (%)	95.7	100	-

\*1 Compared with the FY2014 level in Japan Preliminary figures (including 6.8% carbon credits).  
Finalized emissions figures will be disclosed on the Company website in July 2025.

\*2 Compared with the reference year, Group total: 30% reduction from the FY2014 level in Japan;  
for overseas companies, based on each company's reference year and target

## ⑥ Proactive shareholder returns

Based on the financial strategy revised in May 2024, we plan to continue our proactive shareholder return policy.

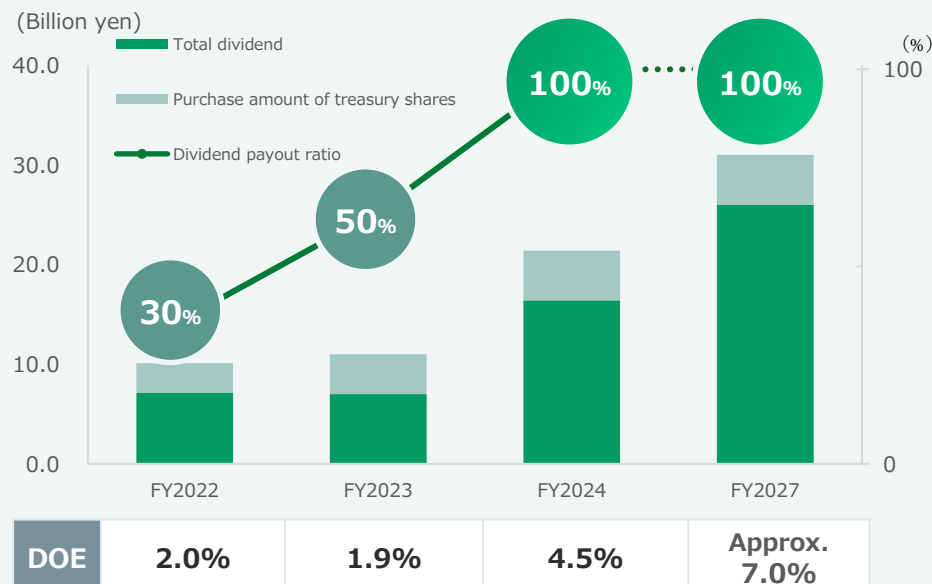
### Maintain a high dividend payout ratio

- Continue the policy of paying dividends with a dividend payout ratio of 100% or a Dividend on Equity (DOE) of 2%, whichever is greater up to FY2027.

### Acquisition of treasury stock

- Reduce cross-shareholdings by 50% compared to FY2023 by the end of FY2027, and use the funds from the sales to repurchase treasury stock.

#### Trend in shareholder returns



## Others

## Implementation of an incentive plan aimed at enhancing corporate value

### Enhancing the linkage between executive remuneration and corporate value

#### ● Revision of the stock compensation plan for Directors of the Board(\*) and executive officers

\* The revision of the compensation plan for Directors of the Board will be proposed as an agenda item at the 113th Annual General Meeting of Shareholders scheduled for June 19, 2025. Outside Directors of the Board are not included in the scope of this plan.

#### Key amendments

#### Revision to strengthen executives' commitment to enhancing corporate value beyond previous levels

	Before amendment [Share benefit trust]	After amendment [Share benefit trust (BBT-RS)]
<b>Calculation method of the shares to be delivered</b> (Performance-linked remuneration)	Variable based on the achievement level of the "Operating Profit" and "ROE" targets as stated in the Medium-Term Management Plan	Variable based on the achievement level of the "ROE", "profit" and "ROIC" targets as stated in the Medium-Term Management Plan
<b>Timing of delivery of the shares</b>	In principle, upon his/her resignation or retirement.	In principle, <b>after the finalization of business performance for each fiscal year upon execution of a transfer restriction agreement</b>
<b>Approximate ratio of fixed and performance-linked remuneration for Directors of the Board</b>	Fixed 60% : Performance-linked 40% *Performance-linked = Bonuses 30% + Stock compensation 10%	<b>Fixed 55% : Performance-linked 45%</b> *Performance-linked = Bonuses 30% + Stock compensation 15%

### Granting incentives to employees to encourage the enhancement of corporate value

#### ● Through the employee stockholding association, we granted the company's treasury stocks to our employees, including employees of our subsidiaries.

(Conducted on March 26, 2025: 56,000 shares, total amount 103 million yen)

#### Related release

- [Notice Regarding Partial Amendment and Continuation of Performance-linked Stock Compensation Plan](#) (May 13, 2025)
- [Notice Regarding Disposal of Treasury Stock as Granting of Shares Through Employee Stockholding Association](#) (Nov 28, 2024)
- [Notice Regarding Completion of Payment for Disposal of Treasury Stock as Granting of Shares Through Employee Stockholding Association and Partial Forfeiture](#) (Mar 26, 2025)

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IR Contacts: NIPPON SHOKUBAI CO., LTD.

Corporate Communications Dept.

E-mail: [ns\\_ir@shokubai.co.jp](mailto:ns_ir@shokubai.co.jp)