

The 14th Medium-term Management Plan (FY2023 to FY2026) Revised Explanation Materials



**May 16, 2025
NIPPON FINE CHEMICAL CO., LTD.**

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Management Philosophy, Purpose, and Vision



Mission

Nippon Fine Chemical fulfills its social responsibility through chemistry.

Nippon Fine Chemical strives to enhance the lives of all our stakeholders.

Nippon Fine Chemical encourages the self-fulfillment of our employees.

Purpose

Contributing to
the creation of a sustainable society
filled with Smiles
through the Power of **Chemistry** and **KIREI**.



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Overview of Medium-term Management Plan Revisions

	Announced on May 12, 2023	Announced on April 30, 2025
Basic policy	Stage to strengthen growth foundation through aggressive investment	No change
Review business portfolio	Restructuring of segments	No change
Designate strategic products	<ul style="list-style-type: none"> Phospholipids Materials for perovskite solar cells 	No change
Numerical managerial goals	Net sales / operating profit / EBITDA / ROIC	Net sales / operating profit / EBITDA / ROIC revised
Capital investment	¥12.0 billion in 4 years	Revised to ¥16.0 billion in 4 years
Investment in R&D	<ul style="list-style-type: none"> Implementation of the materialities Creation of future core technologies Ratio of R&D expenses to net sales 	No change
Capital policies / shareholder returns	DOE / dividends per share / total return ratio / ratio of cross-shareholdings	DOE / dividends per share revised

*EBITDA: Operating profit before depreciation and amortization

*ROIC: Return on invested capital

*DOE: Dividend on equity (Total amount of annual dividends / consolidated net assets, or payout ratio x ROE)

Revision of the Management Indicators of the Medium-term Management Plan

[Revision until the final year of the mid-term Management plan]

[Reference information]

	The 14th Medium-term Management Plan						Vision of the Company's future self	
	FY2022	FY2023	FY2024	FY2025	FY2026		FY2030	
	Results	Results	Results	Forecasts	Initial target	After revision	Initial target	After revision
Net sales (Unit: Billions of yen)	36.84	33.53	35.66	34.20	41.00	38.00	50.00	48.00
Operating profit (Unit: Billions of yen)	5.06	4.20	4.90	5.00	5.70	5.80	7.70	8.20
EBITDA (Unit: Billions of yen)	6.01	5.50	6.25	6.49	7.79	7.51	11.18	11.10
ROIC	7.9%	6.3%	7.1%	7.2%	8.0%	8.0%	9.0%	10.0%
Profit attributable to owners of parent (Unit: Billions of yen)	4.08	3.33	3.87	4.00	—	4.90	—	—
Capital investment	(*1)	From ¥12.0 billion to ¥16.0 billion in 4 years						—
Ratio of R&D expenses to net sales	2.4%	2.7%	2.7%	2.9%	2.7%	2.7%	—	—

(*1): 13th Medium-term Management Plan (FY2018 to FY2022) ¥10.9 billion over 5 years

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Revision of Investment Plan (Beauty Care Field)

[Initial plan (announced on May 12, 2023)]

- Expand facilities for the phospholipids for cosmetics
 - Expansion site: Takasago Plant
 - Investment amount: ¥2.3 billion
 - Completion target: FY2026



[Revised plan]

- Phospholipids for cosmetics
 - Increase production capacity through effective use of existing facilities
- **Construction of new plant for functional esters for cosmetics (CIP)**
 - Location of new facility: Takasago Plant
 - Investment amount: approx. ¥8.6 billion
 - Start of operations: 2029

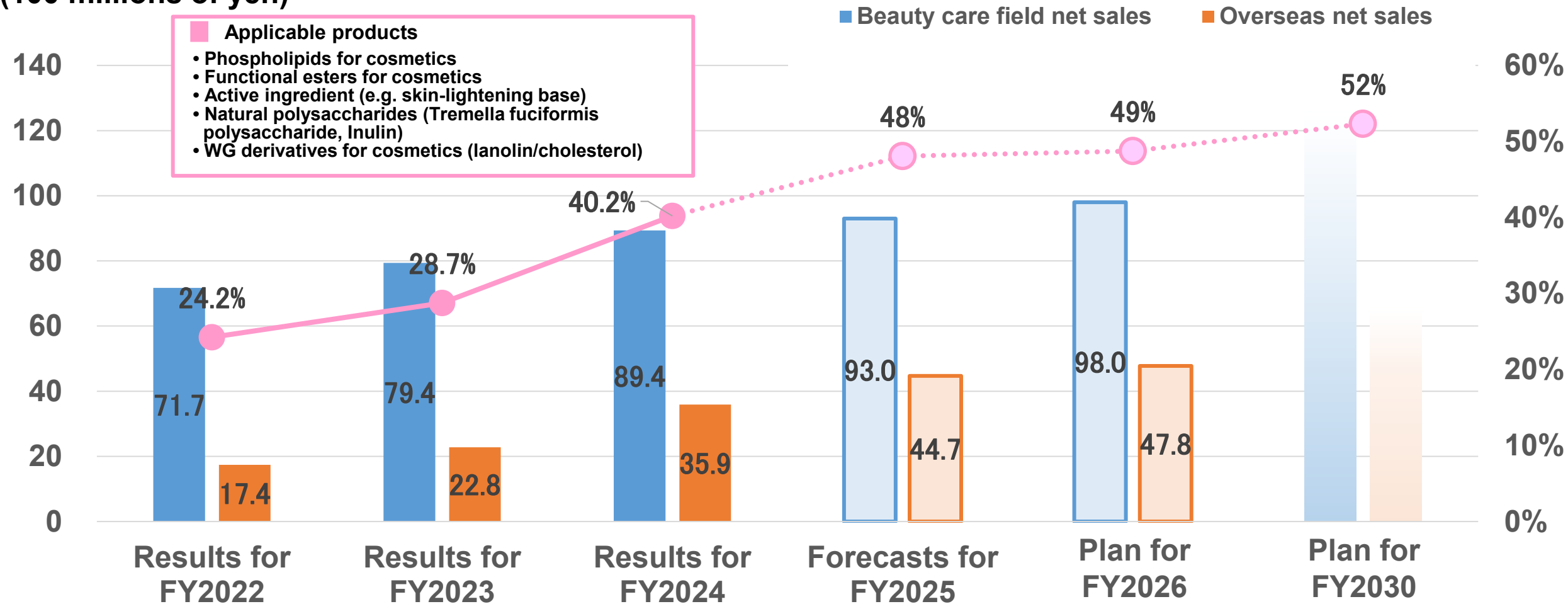
[Background of the revision]

- Background 1: Phospholipids for cosmetics
 - Sales fell short of plan due to economic slowdown in China.
 - Strategic products will remain unchanged, and focus on R&D and sales expansion will continue.

- Background 2: Functional esters for cosmetics
 - Overseas sales are progressing due to sustainability initiatives, surpassing initial targets, and the expansion of further demand is expected.
 - **Prioritize investment.**

Trends in Overseas Net Sales Ratio in the Beauty Care Field

(100 millions of yen)

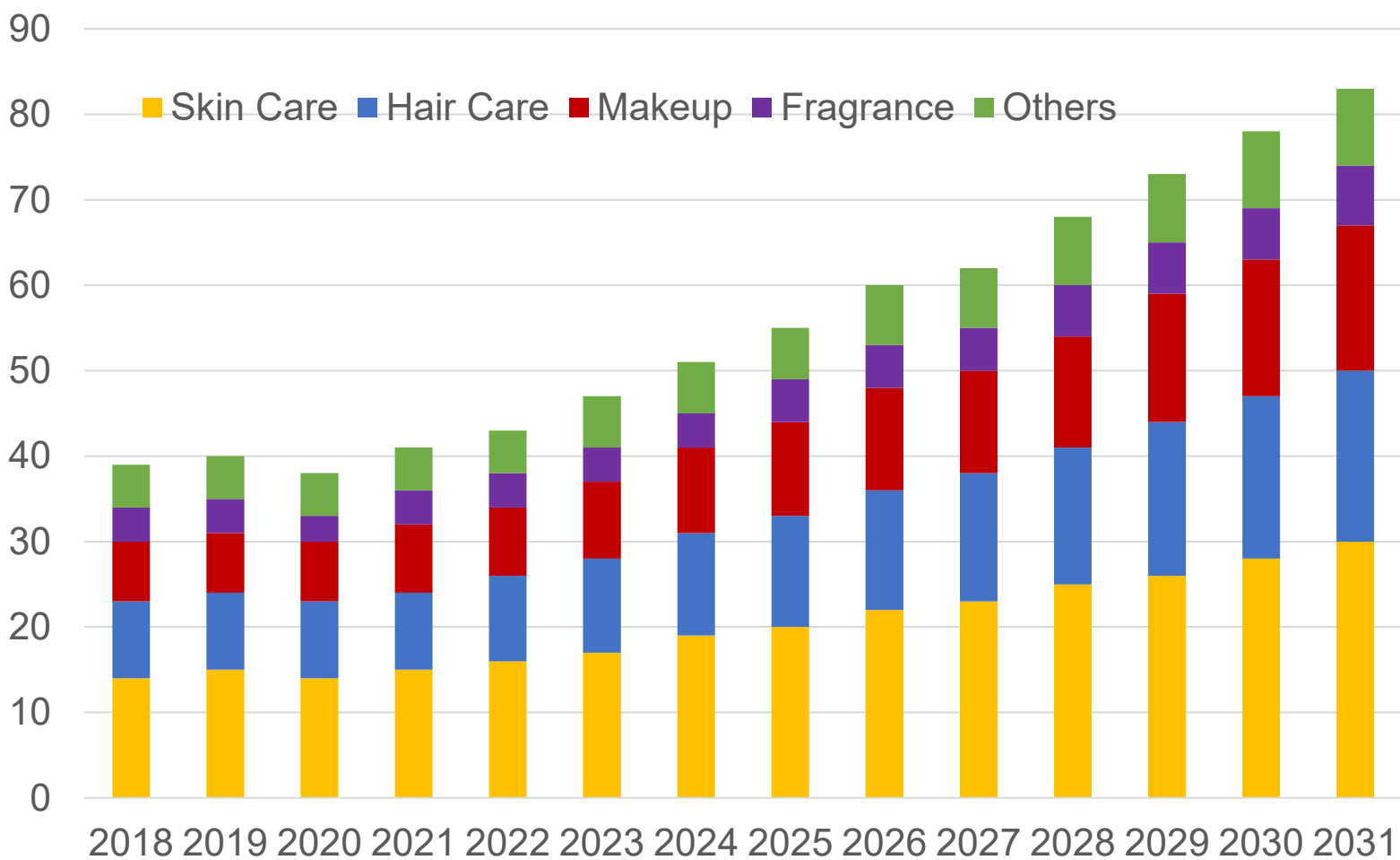


The overseas net sales ratio of functional esters for cosmetics increased sharply in FY2023–FY2024, driving the overall business

In the beauty care field as a whole, there are plans for an overseas net sales ratio exceeding 50% during the next medium-term period.

Market growth Rate in the Global Cosmetics Market

(Trillions of yen)



Global cosmetics and personal care market CAGR* (2022–2031): approximately 7.2%
2024: approximately USD 340.2 billion (approximately ¥51 trillion)
2031: approximately USD 551.1 billion (approximately ¥82.7 trillion)

- [Expected CAGR by region]**
- **US: approximately 7.3%**
 - **Europe: approximately 6.9%**
 - **Asia-Pacific region: approximately 8.8%**
 - **China: approximately 7.6%**
 - **South Korea: approximately 6.0%**
- *CAGR: compound annual growth rate

Data source:
Cosmetics Market Analysis and Segment Forecasts to 2031 (2022)
Calculated at ¥150/USD

The global market is a growth market with a compound annual growth rate of 7.2%.

Overview of Plant for Functional Esters for Cosmetics (CIP)

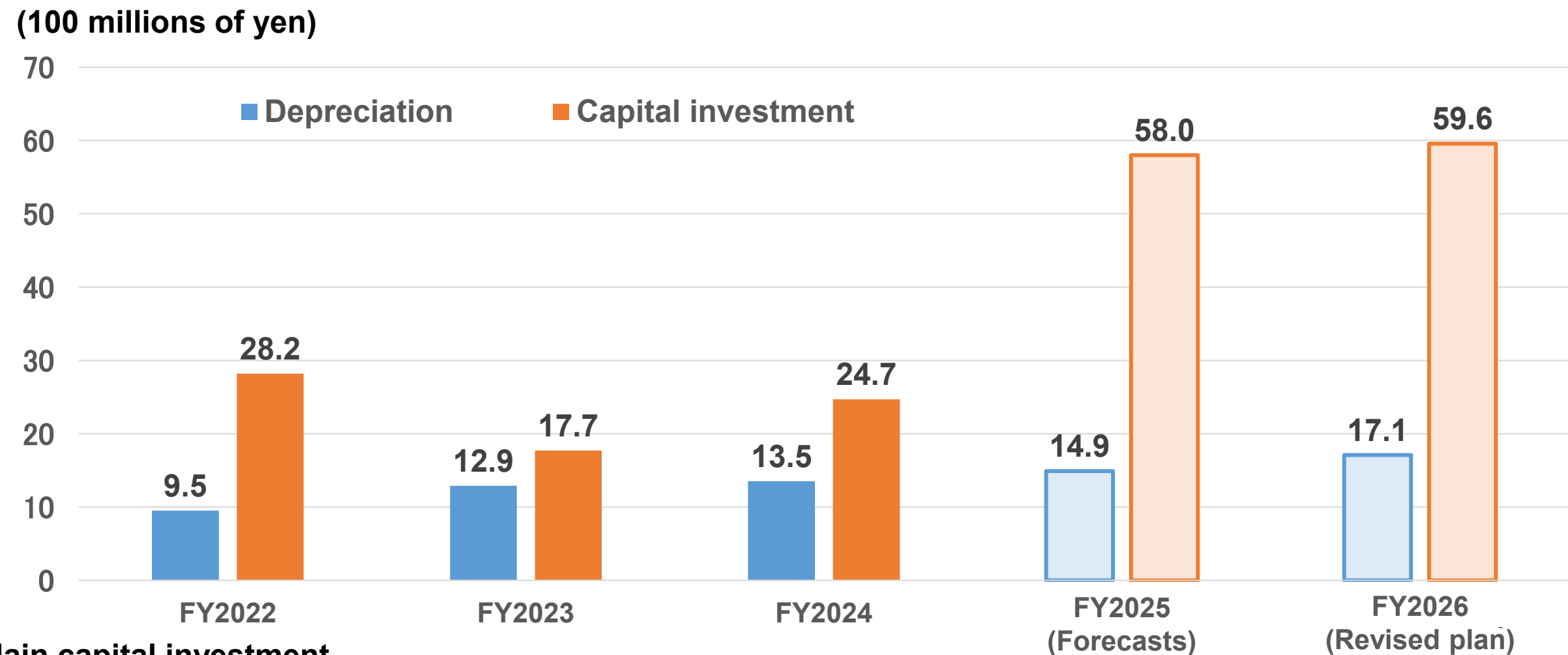
[Purpose of investment]

Responding to future demand	Ensure supply stability and continuous profit on core business.
Measures against aging	Improve employee engagement by improving the work environment. Achieve sustainable production through reduction of environmental burdens.
Improvement of quality assurance system	Improve the environment to strengthen supply chain management.
Promotion of automation and labor saving	Improve production efficiency in face of a declining workforce.

[Overview of newly constructed facilities]

Construction area	Takasago Plant
Investment amount	Approximately ¥8.6 billion
Production capacity	Before capital investment: approximately 1,150 MT/year After capital investment: approximately 2,400–2,650 MT/year Production capacity 2.1 to 2.3 times
Construction period (planned)	2025 to 2029
Start of operations (planned)	2029

Capital Investment



Main capital investment

- FY2023 to FY2026 (4 years) Total capital investment: approximately ¥16 billion
- FY2024 Construction of the new administration and welfare building (in Kakogawa-higashi)
- FY2025 to FY2026 Construction of the new cosmetics ingredients plant (scheduled to start operation in 2029)

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Revision of Earnings Plan by Sub-segment in the Medium-term Management Plan

	FY2023 results			FY2024 results			FY2025 forecasts			FY2026 revised plan			FY2026 initial plan		
	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA
Functional Products	262.0	36.0	48.1	284.4	43.1	55.8	259.6	42.4	56.4	277.8	48.1	64.2	288.6	44.6	64.4
Beauty care	79.4	21.9	24.4	89.4	24.2	27.3	93.0	22.0	25.7	98.0	24.7	29.6	94.0	18.5	Not announced
Health care	58.3	4.5	11.9	60.5	10.2	17.9	66.0	12.4	20.6	69.0	14.2	22.7	75.0	12.6	
Fine chemical	52.0	6.4	8.4	56.1	5.1	7.0	56.0	6.0	8.1	61.8	7.2	9.9	61.6	11.5	
Trading	72.3	3.2	3.3	78.4	3.6	3.7	44.6	2.0	2.1	49.0	2.0	2.1	58.0	2.0	
Environmental Hygiene Products (Hygiene)	70.8	4.9	5.4	69.9	5.2	5.8	80.0	7.0	7.6	99.0	8.3	8.9	119.0	11.5	12.3
Other	2.5	1.1	1.4	2.3	0.6	0.9	2.4	0.6	0.9	3.2	1.6	1.9	2.4	0.9	1.2
Consolidated Total	335.3	42.0 (12.5%)	55.0 (16.4%)	356.6	49.0 (13.7%)	62.5 (17.5%)	342.0	50.0 (14.6%)	64.9 (19.0%)	380.0	58.0 (15.3%)	75.1 (19.8%)	410.0	57.0 (13.9%)	77.9 (19.0%)

Net sales down ¥3.0 billion compared to initial plan, but ratio of operating profit/EBITDA margin improving

Business Strategy and Earnings Plan for Beauty Care Field

FY2023 to FY2024 (progress in the first half)

[Business strategy]

- Increase in overseas sales of functional esters for cosmetics
- New application development of phospholipids for cosmetics
- Promotion of investment plans for new plants

[Earnings progress]

- (FY2024 vs FY2022)
- Net sales: +¥1,770 million
(FY2022: ¥7,170 million)
 - Operating profit: +¥470 million
(FY2022: ¥1,950 million)

FY2025 to FY2026 (second half plan)

[Business strategy (no change)]

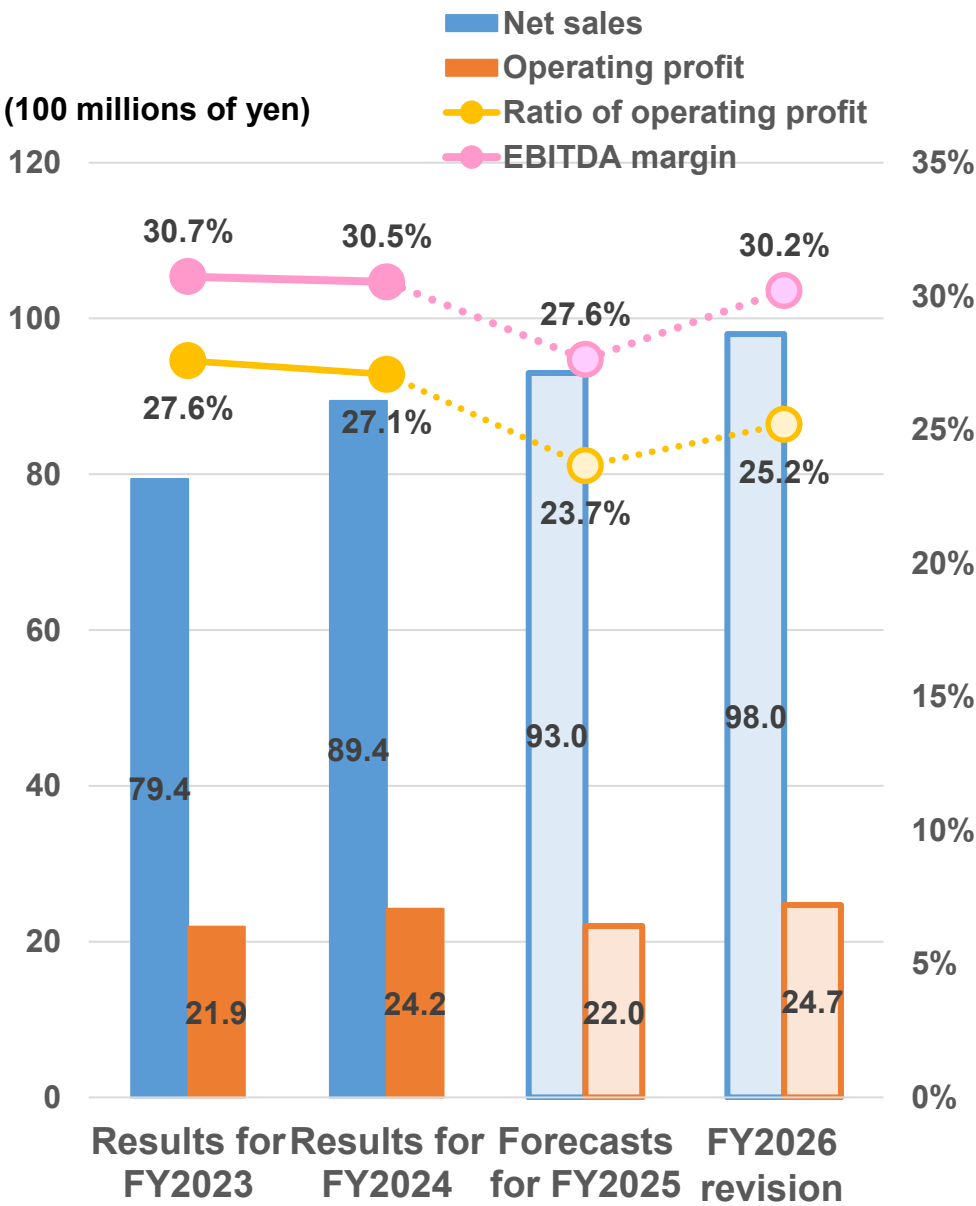
- Continuation of measures for sustainability issues
- Phospholipids for cosmetics will continue to be strategic products
- Start of construction of new plant

[Earnings plan] (revised versus initial)

- Net sales: +¥400 million
- Operating profit: +¥620 million

FY2027 to FY2030 outlook

- New plant completed and contributing to earnings (to be operational in 2029)
- Maximization of EBITDA (temporary decrease in operating profit due to depreciation burden)



Business Strategy and Earnings Plan for Health Care Field

FY2023 to FY2024 (progress in the first half)

[Business strategy]

- Start of commercial production at new plant
- Increase in overseas sales of phospholipids for pharmaceuticals
- Acquisition of theme of open innovation (Shonan Laboratory)
- Establishment of manufacturing methods using continuous synthesis process for proprietary materials

[Earnings progress]

(FY2024 vs FY2022)

▪ **Net sales: +¥390 million**

(FY2022: ¥5,660 million)

▪ **Operating profit: +¥320 million**

(FY2022: ¥700 million)

FY2025 to FY2026 (second half plan)

[Business strategy (no change)]

- Business efficiency improvements to strengthen competitiveness
- Differentiation through formulations using proprietary materials
- Acceleration of open innovation
- Commercialization of the continuous synthesis process

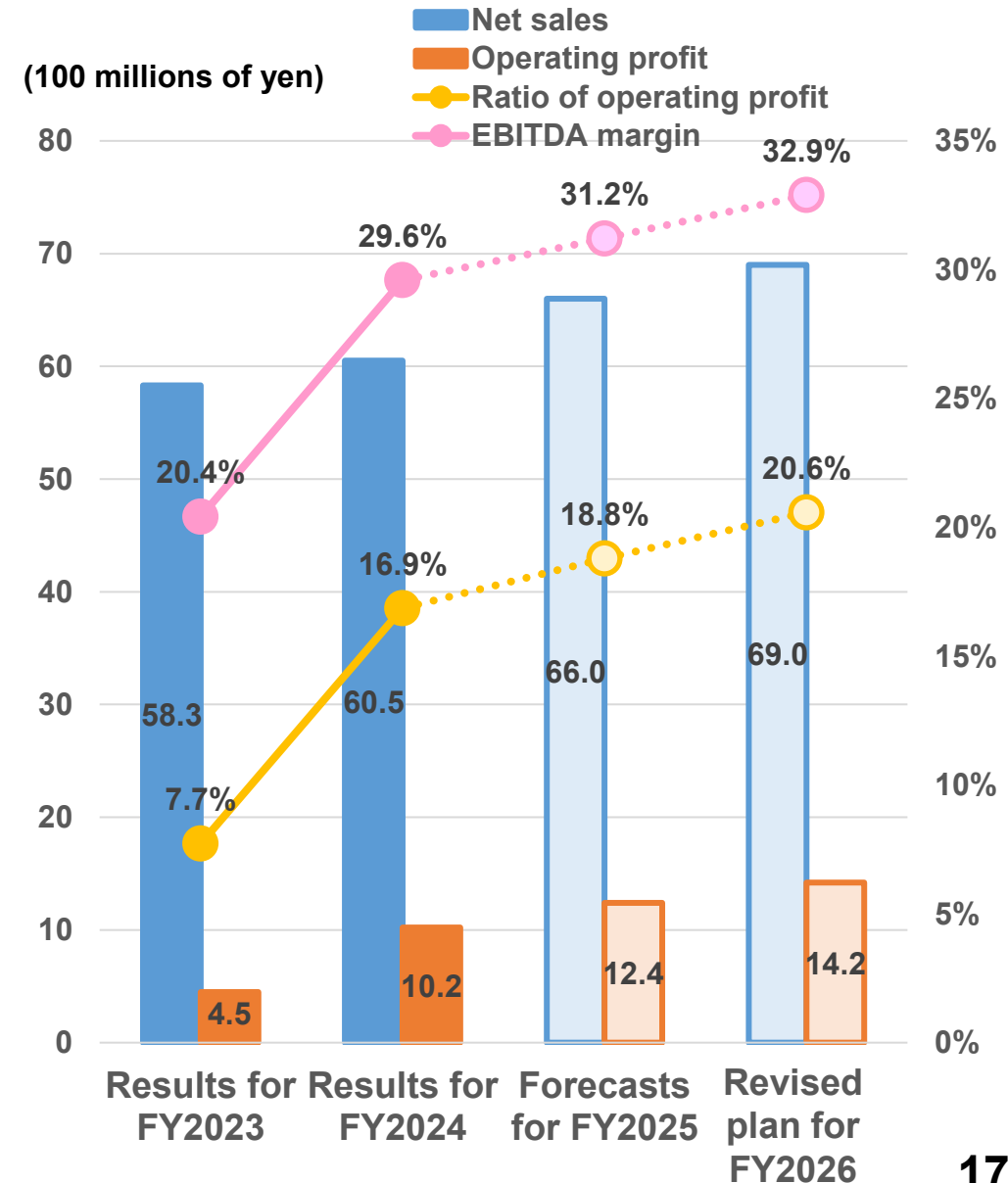
[Earnings plan] (revised versus initial)

▪ **Net sales: -¥600 million**

▪ **Operating profit: +¥160 million**

FY2027 to FY2030 outlook

- Commercialization of various development themes by FY2026
- Commercialization of the continuous synthesis process



Business Strategy and Earnings Plan for Fine Chemical Field

FY2023 to FY2024 (progress in the first half)

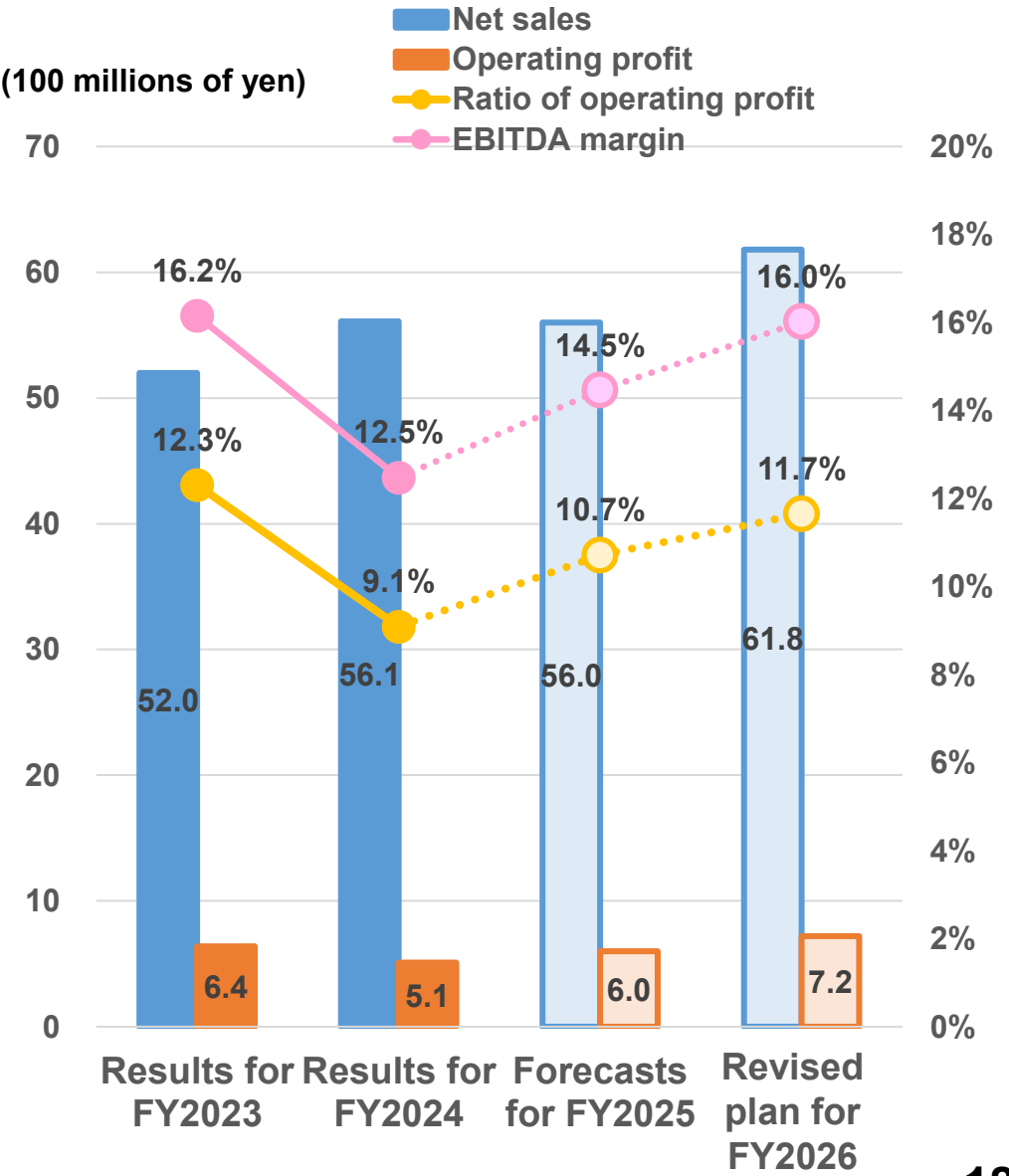
- [Business strategy]**
 - Focus on selection and concentration
 - Advancement of the social implementation of perovskite solar cells
 - Revision of the sales strategy for WG derivatives
- [Earnings progress]**
(FY2024 vs FY2022)
 - **Net sales: -¥1,440 million**
(FY2022: ¥7,050 million)
 - **Operating profit: -¥730 million**
(FY2022: ¥1,240 million)

FY2025 to FY2026 (second half plan)

- [Business strategy]**
 - Focus primarily on the development of materials for perovskite solar cells
 - Pursuit of new core businesses
(Revenue generation expected from the next medium-term period onward)
 - Promotion of sales of WG derivatives at fair prices and building an efficient production system
- [Earnings plan]**
(revised versus initial)
 - **Net sales: +¥20 million**
 - **Operating profit: -¥430 million**

FY2027 to FY2030 outlook

- Commercialization through the practical use of materials for perovskite solar cells
- Contribution to revenue from new core businesses



Business Strategy and Earnings Plan for Hygiene Field

FY2023 to FY2024 (progress in the first half)

[Business strategy]

- Decline in sales due to the impact of distribution inventory and a drop in infection awareness
- Selection of the food business field as a target
- Focus on medical hygiene products through collaboration with SPD businesses

[Earnings progress]

(FY2024 vs FY2022)

- **Net sales: -¥1,080 million**
(FY2022: ¥8,070 million)
- **Operating profit: -¥220 million**
(FY2022: ¥740 million)

FY2025 to FY2026 (second half plan)

[Business strategy]

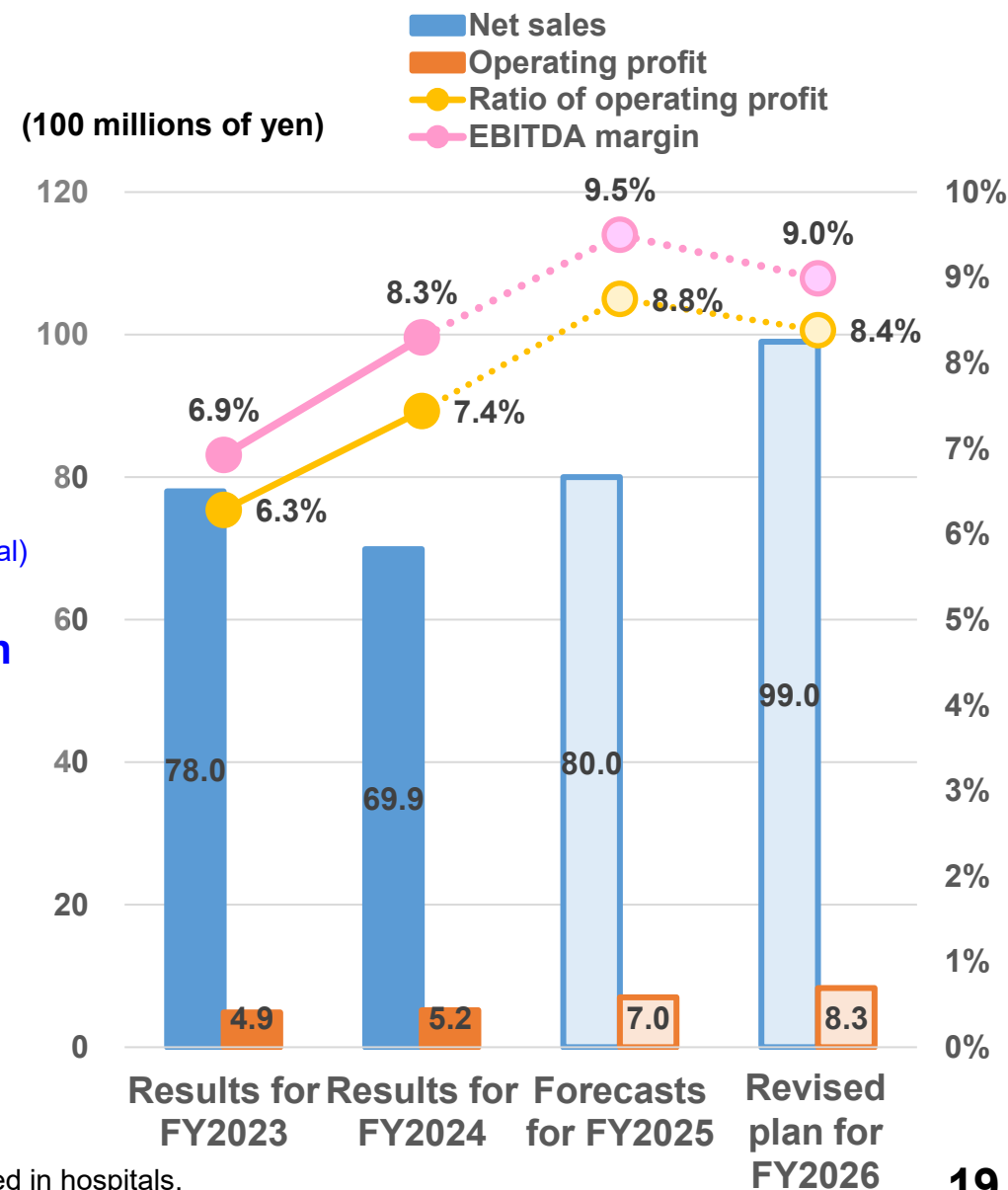
- Expansion in sales through development and promotion of sustainable products
- Increase in sales of hygiene products for foods
- Acquisition of customers through products for hospitals and care facilities
- Reinforcement of Group synergy through mutual use of resources

[Earnings plan] (revised versus initial)

- **Net sales: -¥2,000 million**
- **Operating profit: -¥320 million**

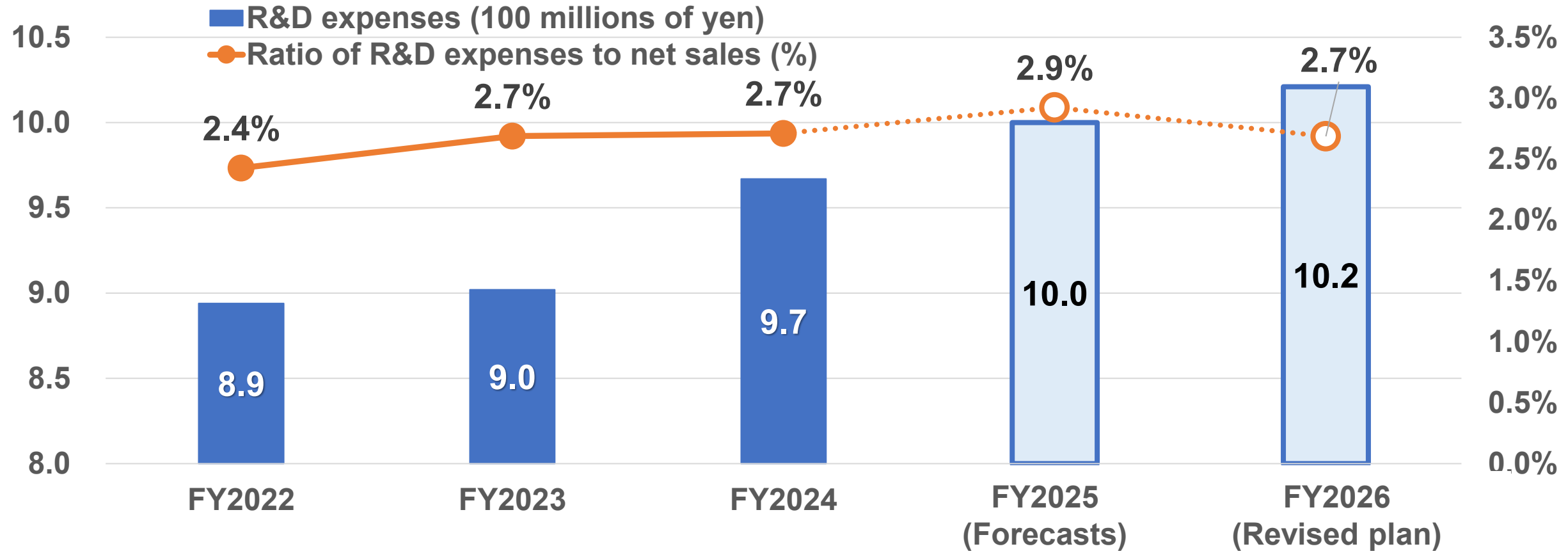
FY2027 to FY2030 outlook

- Increase in revenue through food business and medical hygiene products
- Increase in revenue through expanded sales of sustainable products, including concentration technology



* SPD: Supply, processing, and distribution, a system for the management of in-hospital logistics.
The system enables integrated management of the supply, inventory, and processing of medical consumables used in hospitals.

Investment in R&D



- Realize sustainable production activities through implementation of the materialities
- Study the practical application of flow reactors
- Maximize production efficiency using process simulators

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Capital Policies and Shareholder Returns

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	FY2022	FY2023	FY2024	FY2025	FY2026		FY2030	
	Results	Results	Results	Forecasts	Initial target	After revision	Initial target	After revision
DOE (%)	3.0	3.5	3.5	4.3 (Approx.)	3.5 (Approx.)	4.3 (Approx.)	—	5.0 (Approx.)
Dividends per share (Yen)	57	70	74	94	80	100	100	135
Total return ratio (%)	79	77	43	—	50% or more on average (*)		—	—
Ratio of cross-shareholdings (%)	25	24	21	—	17 or less		10 or less	10 or less

(*) 50% or more on average during the period covered by the 14th Medium-term Management Plan

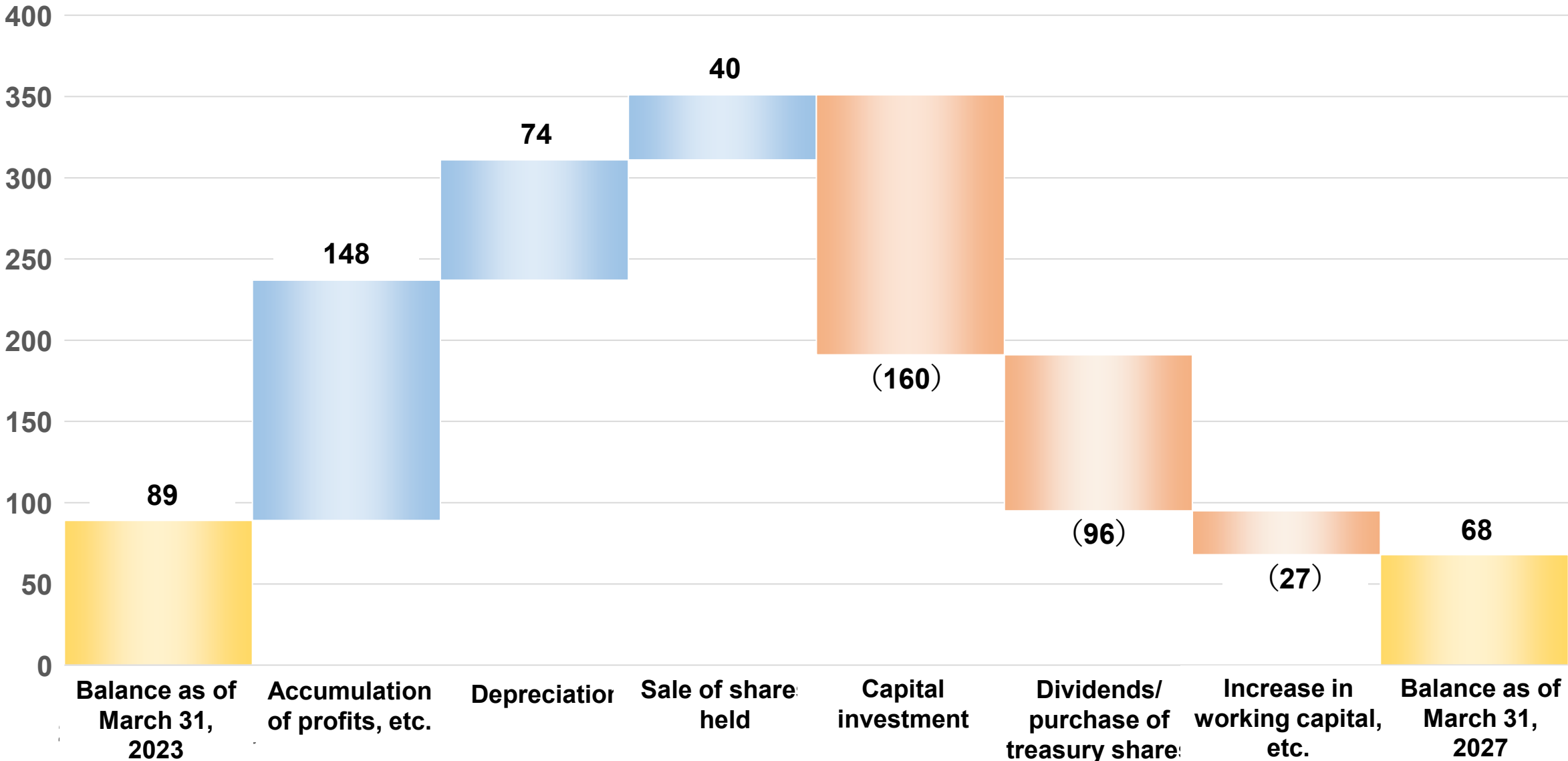
* DOE: Dividend on equity (Total amount of annual dividends / consolidated net assets, or payout ratio x ROE)

Total return ratio: (total amount of dividends + amount of treasury share purchased) / profit attributable to owners of parent

Ratio of cross-shareholdings: percentage of the “carrying amount” of the “investment shares held for purposes other than pure investment” against consolidated net assets

Cash and Deposits Balance Plan

(100 millions of yen)



- Statements regarding earnings forecasts, etc. described in this document are based on the information obtained by the Company at the time of preparation of each document and certain assumptions that it deems reasonable, and are not intended to promise that they will be realized.
- Please be aware that, due to various factors, actual business results may vary from these forecasts.