Company Report
November 11, 2025

Strategy Advisors Inc.
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Q3 Results: Earnings Continue to Exceed Forecasts & Are On-Course to Achieving FY12/25 Company Plan

NICCA CHEMICAL reported higher sales and profits in FY12/25 Q3 cumulative (January-September) results. Net sales increased to ¥41.22 billion (+4.4% YoY) and operating profit increased to ¥2.9 billion (+15.7% YoY). Both net sales and operating profit reached record highs for both the Q3 (3-months) and YTD 9-month periods. Progress toward the company's full-year forecast was 72.3% for net sales and 80.6% for operating profit. Net sales were generally in line with the company's expectations, while operating profit exceeded expectations. While the July-September period saw a significant impact from U.S. tariff policies, leading to expectations of a challenging financial performance, the Company's financial results were generally solid. For Q3 results, net sales increased to ¥14.04 billion (+4.5% YoY), and operating profit increased to ¥970 million (+9.5% YoY).

In Chemicals, textile chemicals had been performing well until April, but since May, overseas textile processing plants have shown signs of slowing down due to the impact of US tariffs, and the slump continued until July. However, signs of a gradual recovery have been seen since August. The net sales composition ratio of EHD Products for the environment, health, and digital and advanced materials rose to 45.0% in the 9-month cumulative total and the product mix has been improving gradually. In Cosmetics, as in April-June, sluggish performance at DEMI Cosmetics in Japan and DEMI Korea in South Korea was offset by strong performance in the domestic ODM business.

The company maintained its full-year forecast for FY12/25 as of July (net sales of ¥57 billion, operating profit of ¥3.6 billion, ordinary profit of ¥3.4 billion, net profit of ¥2.4 billion), based on an exchange rate of USD/JPY ¥147.

In Q4, the business environment is likely to improve QoQ as Fiber Chemicals in the Chemicals business is on a recovery trend and DEMI Cosmetics in Japan is entering a peak demand period. Therefore, the probability of achieving the company's forecast is quite high. With a view to raising expectations for FY12/26 results, Strategy Advisors is paying attention to further sales expansion of EHD products in the Chemicals business and the pace of recovery at DEMI Cosmetics in Japan and DEMI Korea in the Cosmetics business.

The PER based on the company's forecast for FY12/25 is 9.9x and the PBR based on the actual results for FY12/24 is 0.7x. Although both have risen slightly, they remain at low levels. If the story equity proposed by Strategy Advisors—namely, "Major transformation of business structure and fundamental overhaul of financial and capital policies" (see the July

Stock Price & Trading Volumes (Past 1-Year)

Source: Strategy Advisors

Key Indicators

Stock Price (11/10/25)	1,495
52-Week High (10/15/25)	1,512
52-Week Low (01/16/25)	1,093
All-Time High (12/28/15)	1,539
All-Time Low (03/13/20)	586
Number of Shares Issued	17.7
Market Capitalization	26.5
EV (¥bn)	28.6
Equity Ratio (FY12/24, %)	54.0
ROE (FY12/24 Actual, %)	8.6
PER (FY12/25 CoE, x)	9.9
PBR (FY12/24 Actual, x)	0.7
Yield (FY12/25 CoE, %)	4.0

Source: Strategy Advisors.

16, 2025, Initial report; NICCA CHEMICAL : Leveraging "Surface Science" Technology and Expertise Cultivated in Fukui's Textile Industry, the Company is Expanding Globally & Transforming into a Growing), is realized; the chemical business will enhance its recognition as a specialty chemical company with EHD products, while the cosmetics business will improve its status as a cosmetics stock through increased market share. As a result, upside potential is expected for the stock price.

Japanese GAAP (Consolidated)

FY	Net Sales (¥mn)	YoY (%)	Operating Profit (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
12/24 Q1-Q3	39,476	5.4	2,508	88.6	2,839	56.3	1,848	81.6	116.9	-
12/25 Q1-Q3	41,217	4.4	2,901	15.7	2,759	-2.8	1,613	-12.7	101.8	-
12/21	48,474	17.7	2,453	73.2	2,706	64.5	2,595	148.6	164.8	22.0
12/22	50,627	4.4	2,628	7.1	3,132	15.7	2,114	-18.5	134.1	30.0
12/23	50,169	-0.9	2,039	-22.4	2,528	-19.3	1,691	-20.0	107.1	32.0
12/24	54,099	7.8	3,519	72.6	3,976	57.3	2,754	62.9	174.2	52.0
12/25 CoE	57,000	5.4	3,600	2.3	3,400	-14.5	2,400	-12.9	151.5	60.0

Source: Company Data. Compiled by Strategy Advisors.

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1. FY12/25 Q3 Financial Results Overview

Q3 Cumulative Results: YoY Increase in Revenue & Profit

The company announced its cumulative Q3 results for FY12/25 on October 31, reporting increases in both sales and profits, with net sales increasing 4.4% to ¥41.22 billion and operating profit increasing 15.7% to ¥2.90 billion. Progress against the full-year forecast was 72.3% for net sales and 80.6% for operating profit. Net sales were generally in line with the company's expectations, however operating profit exceeded expectations. By segment, Chemicals performed well, with sales and profit increasing 1.3% and 5.9%, respectively, driven by an increase in the proportion of net sales from EHD Products. Cosmetics also saw sales and profit increase 11.7% and 24.0%, respectively, driven by the strength of its ODM business. Operating profit also exceeded the company's expectations, supported by the strong performance of Cosmetics. In addition, the company recorded a one-off syndicated loan arrangement fee of ¥140 million as a non-operating loss during the first half of the year.

Q3 Saw YoY Increase in Sales and Profits, QoQ Slight Increase in Sales and Decrease in Profits

In Q3 (3 months), net sales increased 4.5% YoY to ¥14.04 billion, and operating profit increased 9.5% YoY to ¥970 million. Compared to Q2 (QoQ), net sales increased 0.4% and operating profit decreased 10.5%, resulting in a slight decrease in profits despite flat sales. By segment, Chemicals saw flat sales and a decrease in profits, while Cosmetics saw flat sales and an increase in profits, but this was not enough to make up for the decrease in profits.

Full-Year Company Forecast Remains Unchanged

Based on these financial results, the company maintained its full-year forecast for FY12/25 of net sales of ¥57 billion, operating profit of ¥3.6 billion, ordinary profit of ¥3.4 billion and net income of ¥2.4 billion. It maintained its strict exchange rate assumption of USD$:¥147 to the dollar (1H actual result: ¥149, 2H assumption: ¥145). In addition to operating profit exceeding the company's expectations in Q3 cumulative, the company appears to have decided not to revise its forecasts upward, maintaining a conservative stance, as there are no signs of a major slowdown in the business environment for Q4.

Bonded Warehouse Construction Resumes in Bangladesh

On August 8, the company announced that it would resume a bonded warehouse construction project in Bangladesh, which had been postponed. This comes after it was confirmed that incentives for foreign capital entry, which had been unclear due to political instability, are now problem-free. The company sees this as an important step toward entering the local textile processing chemicals market.

Bangladesh's textile processing chemicals market is expected to continue to see an increase in demand for processing, particularly for synthetic fiber fabrics, in line with the development of the textile industry, which is at the core of the country's growth strategy.

By focusing on the development and sale of its strengths in high-value-added products, the company aims to differentiate itself from its competitors, particularly by shortening lead times by utilizing local inventory and providing alternatives to raw materials, which are currently 100% imported, thereby improving customer satisfaction and expanding its market share.

The groundbreaking ceremony was held on October 14, 2025, and construction has started. Completion is scheduled for July 2026, with operations scheduled to begin in January 2027.

New Lab to Be Established in India

NID (NICCA INDIA Private Ltd.), the company's Indian base, has decided to establish a new laboratory (research facility). It is scheduled to begin operations in January 2026. The aim is to accelerate product development that meets the needs of customers, considering their on-site usage environment and conditions. This will enable the company to aim for further growth in the Indian market, which has high growth potential. The company achieved profitability in India in FY12/24 and expects further growth in FY12/25.

Figure 1. Summary of FY12/25 Q3 Cumulative Financial Results (¥mn)

FY	12/24 Q1-Q3	12/25 Q1-Q3	YoY	Progress	12/25 CoE
Net Sales	**39,476**	**41,217**	**4.4%**	**72.3%**	**57,000**
Cost of Sales	25,357	26,347	3.9%	-	-
Gross Profit	14,119	14,870	5.3%	-	-
Gross Profit Margin	35.8%	36.1%	-	-	-
SG&A Expenses	11,610	11,969	3.1%	-	-
Operating Profit	**2,508**	**2,901**	**15.7%**	**80.6%**	**3,600**
OP Margin	6.4%	7.0%	-	-	6.3%
Non-Operating Income	382	259	-32.2%	-	-
Non-Operating Expenses	51	401	686.3%	-	-
Ordinary Profit	**2,839**	**2,759**	**-2.8%**	**81.1%**	**3,400**
Ordinary Profit Margin	7.2%	6.7%	-	-	6.0%
Extraordinary Income	2	135	6650.0%	-	-
Extraordinary Losses	4	3	-25.0%	-	-
Profit before Income Taxes	2,837	2,890	1.9%	-	-
Income Taxes	769	1,024	33.2%	-	-
Tax Rate	27.1%	35.4%	30.7%	-	-
Profit	2,067	1,866	-9.7%	-	-
Profit Attributable to Non-Controlling Interests	219	253	15.5%	-	-
Profit Attributable to Owners of Parent	**1,848**	**1,613**	**-12.7%**	**67.2%**	**2,400**
Net Profit Margin	4.7%	3.9%	-	-	4.2%

Source: Company Data. Compiled by Strategy Advisors.

Figure 2. Summary of FY12/25 Q3 Cumulative Financial Results (¥mn)

FY	12/23				12/24				12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	**11,520**	**12,786**	**13,147**	**12,716**	**12,228**	**13,816**	**13,432**	**14,623**	**13,195**	**13,985**	**14,037**
Cost of Sales	7,922	8,805	8,693	8,232	7,959	8,788	8,610	9,450	8,413	8,887	9,047
Gross Profit	3,598	3,981	4,454	4,483	4,268	5,028	4,823	5,172	4,782	5,097	4,991
Gross Profit Margin	31.2%	31.1%	33.9%	35.3%	34.9%	36.4%	35.9%	35.4%	36.2%	36.4%	35.6%
SG&A Expenses	3,418	3,728	3,557	3,773	3,680	3,989	3,941	4,162	3,926	4,017	4,026
Operating Profit	**179**	**253**	**897**	**710**	**588**	**1,038**	**882**	**1,011**	**856**	**1,079**	**966**
OP Margin	1.6%	2.0%	6.8%	5.6%	4.8%	7.5%	6.6%	6.9%	6.5%	7.7%	6.9%
Non-Operating Income	138	223	161	113	192	220	-30	220	70	85	104
Non-Operating Expenses	36	-9	8	111	14	17	20	94	122	217	62
Ordinary Profit	**281**	**485**	**1,050**	**712**	**766**	**1,241**	**832**	**1,137**	**804**	**948**	**1,007**
Ordinary Profit Margin	2.4%	3.8%	8.0%	5.6%	6.3%	9.0%	6.2%	7.8%	6.1%	6.8%	7.2%
Extraordinary Income	1	2	1	1	0	1	1	2	0	135	0
Extraordinary Losses	0	1	2	6	0	1	3	72	1	2	0
Profit before Income Taxes	**281**	**487**	**1,049**	**708**	**766**	**1,241**	**830**	**1,067**	**803**	**1,081**	**1,006**
Income Taxes	225	192	260	-29	376	268	125	106	425	301	298
Tax Rate	80.1%	39.4%	24.8%	-4.2%	49.1%	21.6%	15.1%	10.0%	52.9%	27.8 %	29.6%
Profit	56	294	789	737	390	972	705	962	378	780	708
Profit (Loss) Attributable to Non-Controlling Interests	29	36	56	63	71	74	74	55	85	76	92
Profit (Loss) Attributable to Owners of Parent	**27**	**258**	**733**	**673**	**318**	**899**	**631**	**906**	**292**	**705**	**616**
Net Profit Margin	0.2%	2.0%	5.6%	5.3%	2.6%	6.5%	4.7%	6.2%	2.2%	5.0 %	4.4%

Source: Company Data. Compiled by Strategy Advisors.

2. Trends by Business

1) Chemicals

Segment Operating Profit Increased 5.9% YoY to ¥2.98 billion

Chemicals' Q3 cumulative results (January-September) showed net sales of ¥29.48 billion (+1.3% YoY) and segment operating profit of ¥2.98 billion (+5.9% YoY). Sales ratio of EHD-related products was 45.0% (+0.9pp YoY), contributing to improved profit margins. Net sales increased by ¥880 million YoY, excluding foreign exchange fluctuations (-¥490 million YoY). Breaking down this ¥880 million increase by region, the positive contributions were ¥60 million in Japan, ¥580 million in China and ¥640 million in South Korea, while the negative contribution was ¥340 million in other regions. In other regions, decreases in Indonesia, Vietnam and the United States had an impact. Segment operating profit increased YoY, thanks to increased sales and other factors, overcoming the negative impact of foreign exchange fluctuations.

Situation in the Textile Chemicals Field

In the textile chemicals field, factories of major overseas textile customers, mainly in China, continued to operate at high capacity until April, but the entire textile industry slowed down from May onwards due to the impact of US tariff policies. Despite this, sales of EHD products, particularly PFC-free durable water repellents and environmentally conscious process agents (including Smart Dyeing Process-related agents) remained strong. Demand remained sluggish until July, but signs of a gradual recovery have been seen since August. Meanwhile, the business in India continues to grow rapidly.

Electronic Materials Field

In the electronic materials-related field (including specialty chemicals), the coolant agent for semiconductor wafer processing (Ohtomo Chemical), one of the EHD products, continues to recover YoY. In addition, new business is showing an increasing trend globally.

Status of Functional Chemicals Field

In the functional chemicals field, metalworking cleaning agents are growing and we believe this is an area that is expected to have an impact on a wide range of industries, including the automotive industry.

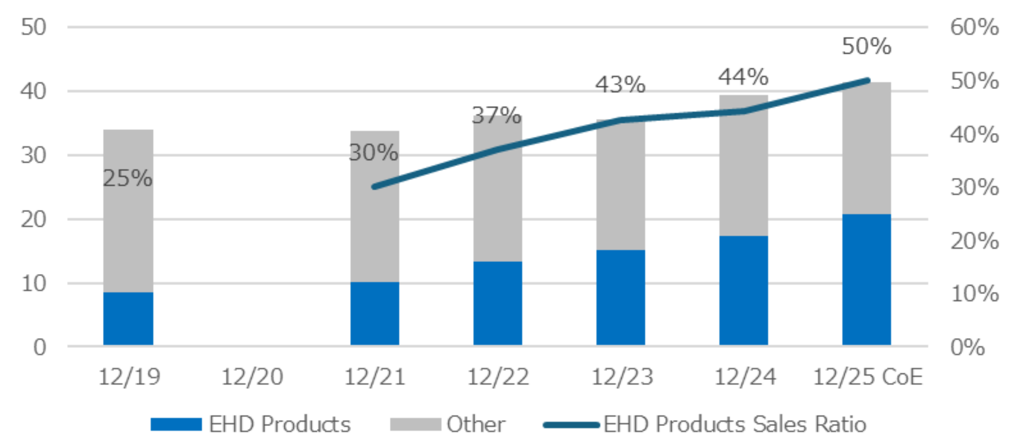
Sales Ratio of EHD-related Products Is 45.0%

For the segment, while the global textile industry is sluggish due to the impact of US tariff policies, new businesses outside of textiles are booming, more than compensating for this. Although sales ratio of EHD-related products is growing, it has not reached the company's expectations, and it will be difficult to achieve the target of 50% for FY12/25. Recent growth has been uneven, with PFC-free durable water repellents and environmentally conscious process agents (including smart dyeing process-related agents) growing steadily, while antibacterial agents and other products are struggling somewhat.

Initiatives to Improve Profitability

As part of its efforts to improve profitability, the company is actively promoting partial price revisions and raw material substitution, etc. However, labor costs have been on an upward trend as the business expands, which was a factor in the QoQ decline in OP margin in Q3.

Figure 3. Sales Ratio of EHD-Related Products (¥bn)



Source: Company Data. Compiled by Strategy Advisors.

2) Cosmetics

Segment Operating Profit +24.0% YoY to ¥1.43 billion

Cosmetics' Q3 cumulative results (January to September) showed net sales of ¥11.34 billion (+11.7% YoY) and segment operating profit of ¥1.43 billion (+24.0% YoY). The negative impact of exchange rate fluctuations on net sales was ¥110 million YoY. Net sales decreased at DEMI Korea due to the impact of the Korean economy, but the domestic ODM business (Yamada Pharmaceutical) grew significantly, resulting in strong overall performance. Meanwhile, segment operating profit significantly increased YoY, as the positive effects of increased sales outweighed the negative impact of increased labor costs.

Regional Situation

DEMI Cosmetics in Japan has not yet recovered overall, affected by the decline in customer numbers at beauty salons in Japan due to the extreme heat in Q3. However, sales of its core product "FLOWDIA MORE" are strong. In addition, sales of the new brand "SUMMER BAR" also grew by 30% YoY compared to the previous product. Sales of the new scalp care product "DEMI DO ASSET" are currently being promoted.

Yamada Pharmaceutical, which handles domestic ODM, saw a decrease in some large-scale products, but overall sales remained strong in Q3 due to an increase in new ODM customers (e-commerce specialized hair care products, etc.).

In South Korea (DEMI Korea), sluggish demand across the industry continued into Q3. However, sales of hair care products were strong, increasing by 10% YoY in Q3 on a cumulative basis.

Progress of Measures

The company is currently increasing its sales staff and strengthening its activities to acquire new salons and expand its share of existing salon customers. This strategic cost increase is proceeding as planned by the company. In addition, user awareness is steadily increasing, starting with its owned media, "DEMI LABO".

Construction of New Factory Progressing Smoothly

Construction of the new factory, which began in April this year, is progressing smoothly as scheduled. The roof-raising ceremony was held in December, and there are no changes to the plan to begin full-scale operation in 2027. The factory it has been determined will be called the "Fukui Smart Factory".

Figure 4. Earnings Trends by Segment (Quarterly, ¥mn)

FY	12/23				12/24				12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	**11,520**	**12,786**	**13,147**	**12,716**	**12,228**	**13,816**	**13,432**	**14,623**	**13,195**	**13,985**	**14,037**
Chemicals Business	8,310	8,850	9,195	9,250	9,043	10,143	9,897	10,295	9,730	9,872	9,873
Cosmetics Business	3,076	3,747	3,874	3,280	3,130	3,577	3,450	4,114	3,300	4,037	4,007
Others	133	189	78	186	53	97	85	214	163	77	157
Operating Profit	**179**	**253**	**897**	**710**	**588**	**1,038**	**882**	**1,011**	**856**	**1,079**	**966**
Chemicals Business	237	207	610	749	821	1,035	957	911	1,078	1,028	873
Cosmetics Business	386	464	723	471	239	436	478	669	262	556	612
Others	16	42	-8	14	-4	-5	4	63	8	31	11
Cancellation, etc.	-460	-460	-428	-523	-467	-428	-557	-633	-493	-535	-530
OP Margin (%)	**1.6%**	**2.0%**	**6.8%**	**5.6%**	**4.8%**	**7.5%**	**6.6%**	**6.9%**	**6.5%**	**7.7%**	**6.9**
Chemicals Business	2.9%	2.3%	6.6%	8.1%	9.1%	10.2%	9.7%	8.8%	11.1%	10.4%	8.8%
Cosmetics Business	12.5%	12.4%	18.7%	14.4%	7.6%	12.2%	13.9%	16.3%	7.9%	13.8%	15.3%

Source: Company Data. Compiled by Strategy Advisors.

3. Outlook and Key Points to Watch

We Believe There is a High Probability That the Company Will Achieve Its FY12/25 Forecast

The company maintained its full-year forecasts for FY12/25, forecasting net sales of ¥57 billion, operating profit of ¥3.6 billion, ordinary profit of ¥3.4 billion and net income of ¥2.4 billion. The company maintained its aggressive exchange rate assumption of ¥147 to the USD (¥149 in the first half, ¥145 in the second half). Operating profit exceeded the company's expectations in cumulative Q3 and the business environment for Q4 (3-months) shows no significant signs of slowing. Given this, the company appears to have adopted a conservative stance and refrained from revising its forecasts upward.

Regarding the Q4 business environment, the Chemicals segment is on a recovery trend for fiber chemicals, and the Cosmetics segment is likely to improve QoQ, as domestic DEMI Cosmetics enters its peak demand period. Therefore, the company's forecasts are highly likely to be achieved. Below are key points to consider for each segment when considering growth scenarios for FY12/26 and beyond.

Highlights of "Chemicals"

In the Chemicals business, attention will be focused on whether sales ratio of EHD-related products will begin to rise. The profit margins of EHD products are approximately 10% higher than those of conventional products and the improvement in product mix due to the increase in the composition ratio is thought to be the biggest driver of improved profitability.

Although EHD products is likely to continue growing steadily, many of its businesses are relatively small in scale, making them susceptible to short-term fluctuations in customer demand. In addition to the strong performance of PFC-free durable water repellents and environmentally conscious process agents (including smart dyeing process-related agents), attention will be focused on demand trends for coolants for semiconductor wafer processing and water-based polyurethane resins, which are expected to grow in the future.

Highlights of "Cosmetics"

In the Cosmetics business, attention will be focused on the expansion of DEMI Cosmetics in Japan and DEMI Korea in South Korea, as well as the continued strength of the domestic ODM (Yamada Pharmaceutical). With an eye toward expanding manufacturing capacity (tripling the current capacity) once the new Fukui Smart Factory begins operations, the company is currently increasing its sales staff and strengthening activities to acquire new salons and increase customer share within existing salons. The key will be whether these efforts bear fruit and whether a solid trend of increased sales by region and channel can be established. FY12/26 is likely to be an important year immediately before the new factory begins operations.

4. Valuation and Stock Price Outlook

Current Stock Price Level

NICCA CHEMICAL's stock price has been on an upward trend since the beginning of 2025. Since April, the stock price has fallen due to uncertainty over mutual tariff negotiations with the Trump administration, briefly dropping below ¥1,200. However, the announcement of the company's Q1 earnings on May 1st confirmed solid performance, and the stock price subsequently recovered to around ¥1,300. Furthermore, in line with the overall upward trend in the stock market, the stock price continued to rise after the announcement of the Q2 earnings, reaching a year-to-date high of ¥1,515 in intraday trading on October 16th. Currently, the stock price is trading in the ¥1,400-¥1,500 range. However, the company's low valuation remains unresolved. While the company's FY12/25 forecast is becoming more likely to be achieved, the realization of its equity story appears not to be fully reflected in the stock price rise.

2 Major Challenges Are Currently Underway in Order to Realize the Equity Story

Below is a reprint of Strategy Advisors' equity story for the company, as referenced in the initial report; NICCA CHEMICAL : Leveraging "Surface Science" Technology and Expertise Cultivated in Fukui's Textile Industry, the Company is Expanding Globally & Transforming into a Growing Enterprise , issued on July 16, 2025. We believe that an equity story is made up of a "realizable and precise business strategy" and an "exciting dream". Furthermore, an equity story must make the most of the difficulty of imitation cultivated based on the company's DNA.

Currently, NICCA CHEMICAL is taking on 2 major challenges, and is expected to meet both a) and b) simultaneously. We define NICCA CHEMICAL's equity story as:

A) Major Transformation of Business Structure &

B) Fundamental Overhaul of Financial and Capital Policies

A) "Major Transformation of Business Structure"

First, let we will explain the "major transformation of business structure."

In Chemicals, NICCA plans to focus on EHD Products and transition to a growth-oriented, high-value-added business. EHD Products is a collective term (as defined by NICCA CHEMICAL) for products for the environment, health and digital fields. Demand for high-value-added products, such as PFC-free durable water repellents, environmentally friendly process chemical, and water-based polyurethane resins, is particularly strong in the environment field. NICCA CHEMICAL, with its high technological potential in new fields, and enjoys favorable conditions in their space.

The company plans to increase the proportion of EHD Products in Chemicals sales from 44% on FY12/24 to 75% by FY12/30. If they can introduce high-value-added EHD Products and capture a large share in niche markets where it is expected to rapidly expand, they will be able to expand their recognition as a specialty chemicals company in a broader sense. In cosmetics (hair care products, colorants, etc.), they plan to increase its current market share, which remains low in Japan, its main battlefield, by expanding production capacity. It also aims to further develop overseas markets and expand its business.

For cosmetics (hair care products, coloring agents, etc.), the company plans to increase its current low market share in its main domestic market by expanding production capacity. It also aims to further develop overseas markets and expand its business scope. Since differentiation of professional beauty salon's products is already achieved, eliminating bottlenecks associated with capacity expansion will enable aggressive sales promotion activities, which is expected to naturally enhance growth potential.

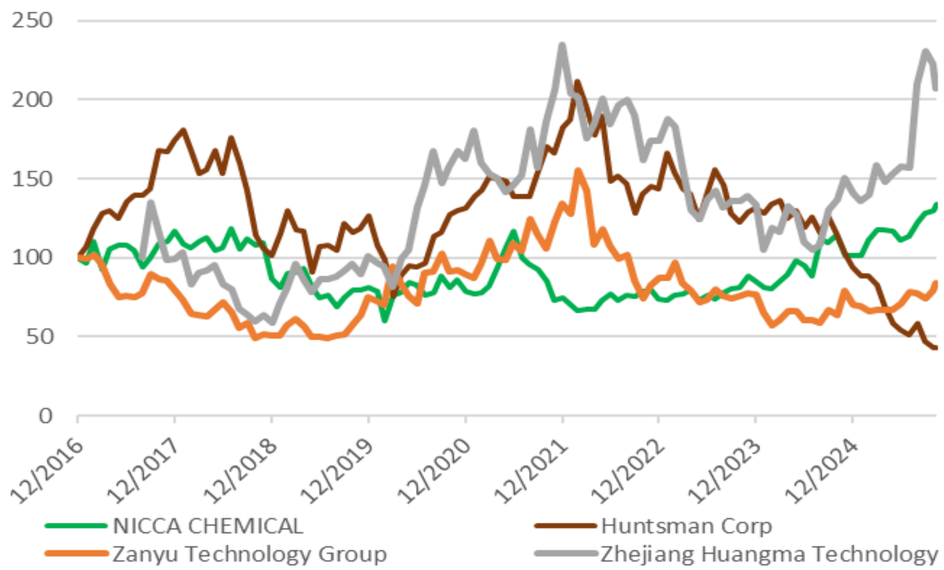
B) Fundamental Shift in Financial and Capital Policies

Second, there has been a fundamental shift in financial and capital policies. NICCA CHEMICAL's stock valuation is low, both in terms of PER and PBR. As mentioned in the previous chapter, the company's basic policies for improving its low PBR are (1) business profitability reform, (2) review of financial and capital policies and (3) strengthening SR&IR. Its financial and capital strategies target a ROE of 10% or higher. It also places emphasis on WACC (currently estimated at 6% by the company) and aims to utilize ROIC while financial leverage. The company's shareholder return policy has also undergone significant changes. Dividends per share increased from ¥10 in FY12/20 to ¥52 in FY12/24. The company forecasts an increase to ¥60 in FY12/25 (a dividend payout ratio of 39.6%).

Comparison Among Global Surfactant Companies

We compare the company's stock price trends with those of global surfactant companies. Competitor Huntsman, a US company, performed well from 2017 to 2018 due to favorable results, but its performance has rapidly deteriorated due to recent poor performance, including an operating loss in FY12/24. The performance of the two Chinese companies (Zanyu Technology Group and Zhejiang Huangma Technology) is highly volatile, but Zhejiang has been superior in recent performance. While it is difficult to evaluate the company's performance relative to its competitors in Japan due to the limited number of comparable companies, it appears that expectations for improved profitability due to the increase in the proportion of EHD products have not been fully factored in. Meanwhile, earnings growth has stabilized since FY12/24 and it can be said that the company has recently begun to show relatively solid performance.

Figure 5. NICCA CHEMICAL and Global Surfactant Companies' Stock Price Comparisons (December 2016 End = 100)



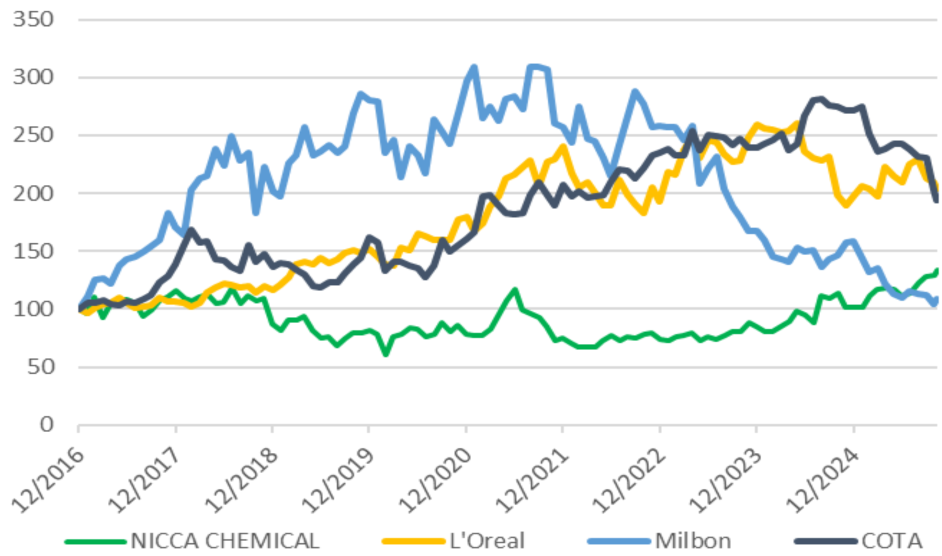
Source: Company Data. Compiled by Strategy Advisors.

Comparison Within Professional Cosmetics Companies

Next, we compare the company's stock price trends with those of other professional cosmetics companies. France's L'Oreal is a major company that handles cosmetics not only for professionals but also has a large range of other products. It has demonstrated strong performance thanks to stable growth in earnings. Milbon, the leading domestic cosmetics company, boasts a high market share and a stable corporate structure. Its performance was strong until 2018, when the domestic market was robust. However, its performance has recently stagnated. The company revised its earnings forecast downward when announcing its FY12/25 Q2 financial results and its stock price has continued to decline. COTA has demonstrated strong performance over the past 10 years, with a high profit growth rate.

However, its stock price has been weak following the poor performance of FY3/26 Q1. Meanwhile, the company's low recognition as a cosmetics company has not yet been resolved. Its earnings growth has stabilized since FY12/24, and its relative performance has been good in recent years, demonstrating solid performance amid a challenging market environment.

Figure 6. NICCA CHEMICAL and Professional Cosmetics Companies' Stock Price Comparisons (December 2016 End = 100)



Source: Company Data. Compiled by Strategy Advisors.

NICCA CHEMICAL's PER

The company's PER has generally remained in the range of 7-12x, except for FY12/20, when the company's forecast EPS was low due to the spread of COVID-19. From 2025 onwards, it remained in the range of 8.0-9.0x, but recently the level has risen and is gradually approaching 10x.

NICCA CHEMICAL's PBR

Meanwhile, the PBR has remained below 1.0x since 2019. However, there are signs of slight improvement in the current PBR, which is currently at around 0.7. Incidentally, ROE improved from 5.8% in FY12/23 to 8.6% in FY12/24 but fell to 6.4% in FY12/25 Q3 cumulative due to a decrease in net income caused by non-operating foreign exchange losses.

Profitability Comparison Based on FY12/24 Results

Next, we will compare the company's profitability and value with those of its competitors. Compared to global surfactant competitors, the company's ROE of 8.6% is lower than that of Zhejiang Huangma Technology, but higher than Huntsman and Zanyu Technology Group. Meanwhile, compared to competitors in professional cosmetics, the company lags behind L'Oreal, Milbon and COTA. However, because the company's ROE for "Chemicals" is relatively low, it is assumed that the company is not significantly lower than domestic competitors when it comes to "Cosmetics" alone.

Stock Valuation Comparison

In terms of stock price valuation, when comparing PBR with global surfactant competitors, the company's 0.7x is higher than Huntsman's, but the two Chinese companies are both above 1.0x, putting it at a disadvantage. In addition, when comparing PER with competitors in professional cosmetics, Milbon and COTA are significantly higher at 26.1x and 23.5x, respectively. In PBR comparisons, L'Oreal is in the lead at 6.2x, followed by COTA at 2.9x and Milbon at 1.6x, meaning the company is also significantly behind. To escape from its low valuation situation, improving ROE and a medium to long-term growth strategy will be important factors going forward.

Figure 7. Profitability Comparison with Competitors

Company	Code	FY	OP Margin	ROE	ROIC (Invested Capital)	EBITDA Margin	Equity Ratio	Net D/E Ratio
			(%)	(%)	(%)	(%)	(%)	
NICCA CHEMICAL	**4463**	**12/24**	**6.5%**	**8.6**	**6.0**	**10.6**	**54.0**	**-0.02**
Huntsman Corp	HUN	12/24	1.2%	-6.1	-0.4	5.5	41.6	0.64
Zanyu Technology Group	002637	12/24	3.1%	3.6	3.2	5.1	47.5	0.55
Zhejiang Huangma Technology	603181	12/24	17.7%	13.6	11.7	24.4	80.3	-0.04
L'Oreal	OR	12/24	20.0%	20.6	16.8	24.2	58.8	0.13
Milbon	4919	12/24	13.3%	10.6	10.3	17.8	82.9	-0.28
COTA	4923	3/25	19.5%	11.7	11.7	23.5	75.3	-0.46
Average			11.6%	9.0	8.5	15.9	62.9	0.07

Source: Company Data. Compiled by Strategy Advisors.

Figure 8. Valuation Comparison with Competitors

Company	Code	FY	Stock Price (Nov10)	Mkt Cap.	PER CoE	PBR Actual	EV/ EBITDA	Dividend Yield CoE	Payout Ratio CoE	ROE CoE
			(¥)	(¥bn)	(x)	(x)	(x)	(%)	(%)	(%)
NICCA CHEMICAL	**4463**	**12/24**	**1,495**	**26.5**	**9.9**	**0.7**	**4.9**	**4.0**	**39.6**	**7.2**
Huntsman Corp	HUN	12/24	1,259	216.8	-	0.5	13.3	-	-	-4.6
Zanyu Technology Group	002637	12/24	254	112.6	18.7	1.4	-	-	-	8.7
Zhejiang Huangma Technology	603181	12/24	365	215.1	-	3.2	-	-	-	-
L'Oreal	OR	12/24	63,039	33,682.5	27.8	6.2	18.3	-	-	22.5
Milbon	4919	12/24	2,408	79.7	26.1	1.6	8.7	3.7	95.6	6.3
COTA	4923	3/25	1,161	38.2	23.5	2.9	14.7	1.7	40.6	12.7
Average					21.2	2.3	12.0	3.1	58.6	8.8

Note: Stock prices of overseas companies are closing prices on November 7th. ROE (company forecast) is calculated by multiplying the company's forecast net profit for the current period by the equity capital at the end of the most recent quarterly fiscal year. EBITDA in EV/EBITDA is calculated by adding the company's forecast operating profit to the most recent actual depreciation expenses. Forecasts for overseas companies are FactSet consensus forecasts.
Source: Company Data. Compiled by Strategy Advisors.

Figure 9. Consolidated Income Statement (¥mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25 CoE
Net Sales	**48,493**	**50,188**	**46,191**	**41,179**	**48,474**	**50,627**	**50,169**	**54,099**	**57,000**
Cost of Sales	32,870	33,856	30,990	27,410	32,431	34,456	33,652	34,807	
Gross Profit	15,622	16,332	15,201	13,768	16,043	16,171	16,516	19,291	
Gross Profit Margin	32.2%	32.5%	32.9%	33.4%	33.1%	31.9%	32.9%	35.7%	
SG&A Expenses	13,506	14,030	13,805	12,352	13,589	13,543	14,476	15,772	
Operating Profit	**2,116**	**2,301**	**1,395**	**1,416**	**2,453**	**2,628**	**2,039**	**3,519**	**3,600**
OP Margin	4.4%	4.6%	3.0%	3.4%	5.1%	5.2%	4.1%	6.5%	6.3%
Non-Operating Income	394	376	381	535	485	614	635	602	
Non-Operating Expenses	338	248	442	305	232	110	146	145	
Ordinary Profit	**2,171**	**2,430**	**1,334**	**1,645**	**2,706**	**3,132**	**2,528**	**3,976**	**3,400**
Ordinary Profit Margin	4.5%	4.8%	2.9%	4.0%	5.6%	6.2%	5.0%	7.3%	6.0%
Extraordinary Income	184	3,904	357	150	816	147	5	4	
Extraordinary Losses	69	183	89	25	61	11	9	76	
Profit Before Income Taxes	**2,287**	**6,151**	**1,602**	**1,770**	**3,461**	**3,269**	**2,525**	**3,904**	
Income Taxes	695	2,377	502	600	738	1,007	648	875	
(Tax Rate)	30.4%	38.6%	31.3%	33.9%	21.3%	30.8%	25.7%	22.4%	
Profit	1,592	3,774	1,099	1,170	2,723	2,262	1,876	3,029	
Profit Attributable to Non-Controlling Interests	203	1,315	199	125	127	147	184	274	
Profit Attributable to Owners of Parent	**1,388**	**2,458**	**900**	**1,044**	**2,595**	**2,114**	**1,691**	**2,754**	**2,400**
Net Profit Margin	2.9%	4.9%	1.9%	2.5%	5.4%	4.2%	3.4%	5.1%	4.2%
EPS (¥)	**88.5**	**156.7**	**57.3**	**66.4**	**164.8**	**134.1**	**107.1**	**174.2**	**151.5**

Source: Company Data. Compiled by Strategy Advisors.

Figure 10. Consolidated Balance Sheet (¥mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Current Assets	**28,333**	**29,947**	**26,258**	**25,977**	**27,562**	**29,855**	**31,077**	**34,221**
Cash & Deposits	7,987	9,234	6,311	7,962	7,659	7,052	8,344	10,726
Notes & accounts Receivable	10,774	10,363	9,831	9,026	9,618	10,435	11,029	11,996
Inventories	7,235	8,827	8,975	8,025	9,330	11,405	10,875	10,504
Allowance for Doubtful Accounts	-13	-6	-4	-2	0	-1	-10	-13
Others	2,350	1,529	1,145	966	955	964	839	1,008
Non-Current Assets	**26,761**	**26,649**	**28,795**	**27,197**	**26,970**	**26,266**	**25,841**	**28,144**
Tangible Assets	22,758	23,762	25,208	23,726	23,277	22,411	21,889	24,002
Intangible Assets	546	468	351	304	298	399	498	510
Investment & Other Assets	3,456	2,418	3,234	3,166	3,394	3,455	3,452	3,631
Investment Securities	1,855	1,521	1,499	1,457	1,706	1,716	1,771	1,966
Deferred Tax Assets	976	262	1,022	951	980	1,022	957	936
Others	625	635	713	758	708	717	724	729
Total Assets	**55,094**	**56,597**	**55,053**	**53,175**	**54,533**	**56,122**	**56,918**	**62,366**
Current Liabilities	**28,102**	**20,986**	**19,184**	**17,361**	**16,702**	**15,987**	**15,776**	**17,143**
Notes & Accounts Payable	6,110	6,548	4,996	5,325	6,619	6,544	5,895	6,181
Interest-Bearing Debt	17,680	9,826	10,315	8,033	5,662	5,168	5,618	5,668
Other	4,312	4,612	3,873	4,003	4,421	4,275	4,263	5,294
Non-Current liabilities	**5,377**	**12,046**	**13,455**	**12,647**	**10,506**	**9,742**	**8,320**	**8,668**
Interest-Bearing Debt	1,495	8,055	9,215	8,267	6,038	5,170	3,652	4,234
Deferred Tax Liabilities	0	0	0	0	0	0	0	15
Others	3,882	3,991	4,240	4,380	4,468	4,572	4,668	4,419
Net Assets	**21,614**	**23,565**	**22,414**	**23,166**	**27,323**	**30,392**	**32,822**	**36,553**
Total Shareholders' Equity	17,711	19,921	20,404	21,271	23,667	25,407	26,566	28,703
Share Capital	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898
Capital Surplus	3,054	3,054	2,928	2,928	2,928	2,951	2,951	2,960
Retained Earnings	13,237	15,445	16,058	16,909	19,284	21,006	22,145	24,251
Total Accumulated Other Comprehensive Income	1,211	213	-223	-251	1,383	2,553	3,567	4,946
Non-Controlling Interests	2,691	3,429	2,233	2,146	2,272	2,432	2,689	2,903
Total Liabilities and Net Assets	**55,094**	**56,597**	**55,053**	**53,175**	**54,533**	**56,122**	**56,918**	**62,366**
Interest-Bearing Debt	**19,175**	**17,882**	**19,530**	**16,301**	**11,700**	**10,338**	**9,270**	**9,902**
Equity Ratio	**34.3%**	**35.6%**	**36.7%**	**39.5%**	**45.9%**	**49.8%**	**52.9%**	**54.0%**
D/E Ratio	**1.1**	**0.9**	**1.0**	**0.8**	**0.5**	**0.4**	**0.3**	**0.3**

Source: Company Data. Compiled by Strategy Advisors.

Figure 11. Consolidated Cash Flow Statement (¥mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Cash Flows from Operating Activities								
Income Before Income Taxes	2,287	6,151	1,602	1,770	3,461	3,269	2,525	3,904
Depreciation	1,860	1,982	2,234	2,768	2,500	2,417	2,269	2,224
Decrease (Increase) in Trade Receivables	411	130	570	759	-115	-494	-308	-603
Decrease (Increase) in Inventories	691	-1,790	-175	905	-977	-1,732	827	637
Increase (Decrease) in Trade Payables	758	564	-1549	357	998	-279	-808	68
Others	-1,028	-4,311	-1,578	-80	-1,145	-864	-419	-197
Total	**4,979**	**2,726**	**1,104**	**6,479**	**4,722**	**2,317**	**4,086**	**6,033**
Cash Flows from Investing Activities								
Purchase of Property, Plant & Equipment	-4,554	-3,948	-3,801	-1,334	-1,443	-1,347	-1,148	-3,626
Proceeds from Sale of Property, Plant & Equipment	287	4,330	64	81	818	69	37	31
Purchase of Investment Securities	-174	-20	-19	-21	-17	-115	-15	-17
Proceeds from Sale of Investment Securities	137	18	13	21	212	2	4	0
Others	119	-1,692	1,604	-296	-564	506	246	-1,525
Total	**-4,185**	**-1,312**	**-2,139**	**-1,549**	**-994**	**-885**	**-876**	**-5,137**
Cash Flows from Financing Activities								
Net Increase/Decrease in Short-Term Interest-Bearing Debt	2,198	-9,785	490	-2,169	-2,118	770	-200	200
Net Increase/Decrease in Long-Term Interest-Bearing Debt	-590	8,560	1,135	-1,053	-2,458	-2,168	-868	432
Proceeds from the Issuance of Shares	0	3	151	16	21	201	20	0
Payments for Purchase of Treasury Shares	-1	0	-131	0	0	-183	0	0
Dividends Paid	-484	-690	-1,031	-325	-418	-534	-646	-849
Others	-18	-16	-843	-95	-51	-48	-46	-111
Total	**1,105**	**-1,928**	**-229**	**-3,626**	**-5,024**	**-1,962**	**-1,740**	**-328**
Effect of Exchange Rate Change on Cash and Cash Equivalents	253	-267	-9	-45	479	419	245	335
Net Increase (Decrease) in Cash & Cash Equivalents	2,152	-781	-1,274	1,258	-816	-110	1,714	903
Cash and Cash Equivalents at Beginning of Period	5,834	7,987	7,206	5,931	7,190	6,373	6,263	7,977
Cash and Cash Equivalents at End of Period	7,987	7,206	5,931	7,190	6,373	6,263	7,977	8,881
Free Cash Flow	794	1,414	-1,035	4,930	3,728	1,432	3,210	896

Source: Company Data. Compiled by Strategy Advisors.

Figure 12. Key Indicators

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
EPS (¥)	88.5	156.7	57.3	66.4	164.8	134.1	107.1	174.2
BPS (¥)	1,206.1	1,283.0	1,283.9	1,335.6	1,589.4	1,771.7	1,906.6	2,125.6
DPS (¥)	16.0	18.0	16.0	10.0	22.0	30.0	32.0	52.0
Dividend Payout Ratio	18.1%	11.5%	27.9%	15.1%	13.3%	22.4%	29.9%	29.9%
# of Shares Outstanding at the End of the Period ('000)	17,710.0	17,710.0	17,710.0	17,710.0	17,710.0	17,710.0	17,710.0	17,710.0
# of Treasury Shares ('000)	2,020.1	2,016.1	1,991.3	1,972.3	1,948.4	1,928.4	1,905.0	1,879.1
# of Shares of Treasury Stock ('000)	15,689.9	15,693.9	15,718.7	15,737.7	15,761.6	15,781.6	15,805.0	15,830.9
Average #of Shares Outstanding During the Period ('000)	15,690.7	15,691.1	15,709.8	15,729.2	15,749.9	15,772.8	15,795.2	15,817.6
Equity Ratio	34.3%	35.6%	36.7%	39.5%	45.9%	49.8%	52.9%	54.0%
Interest-Bearing Debt (¥mn)	19,175	17,882	19,530	16,301	11,700	10,338	9,270	9,902
Net Interest-Bearing Debt (¥mn)	11,188	8,648	13,219	8,339	4,041	3,286	926	-824
D/E Ratio	1.08	0.90	0.96	0.77	0.49	0.41	0.35	0.34
Net D/E Ratio	0.59	0.43	0.66	0.40	0.16	0.12	0.03	-0.02
OP Margin	4.4%	4.6%	3.0%	3.4%	5.1%	5.2%	4.1%	6.5%
EBITDA (¥mn)	4,056	4,292	3,635	4,187	4,953	5,046	4,308	5,743
EBITDA Margin	8.2%	8.5%	7.9%	10.2%	10.2%	10.0%	8.6%	10.6%
ROE	7.8%	12.6%	4.5%	5.1%	11.3%	8.0%	5.8%	8.6%
ROIC (Invested Capital)	3.7%	-0.2%	2.1%	2.0%	4.4%	4.1%	3.4%	6.0%
# of Employees (People)	1,472	1,479	1,496	1,500	1,454	1,472	1,500	1,531

Source: Company Data. Compiled by Strategy Advisors.

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