

Company Report

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Strategy Advisors Co., Ltd.
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FY12/25 Results: Operating Profit Hit a Record High with the New Mid-Term Plan Aiming for Significant Growth

NICCA CHEMICAL reported increased net sales and operating profit for its FY12/25 results, with net sales rising to ¥55.7 billion (+3.0% YoY) and operating profit increasing to ¥3.84 billion (+9.3% YoY). Both net sales and operating profit reached all-time highs. Compared to Company forecasts, net sales slightly missed the projected ¥57 billion, but operating profit exceeded the forecast of ¥3.6 billion. Despite facing a challenging external environment, including stagnation in the overseas textile industry due to U.S. tariff policies, the overall results can be summarized as solid. For Q4, net sales increased to ¥14.48 billion (+3.2% QoQ), while operating profit decreased to ¥940 million (-2.0% QoQ).

In Chemicals, Textile chemicals faced negative impacts from reduced operations at overseas textile processing plants due to U.S. reciprocal tariffs starting in early spring, but a gradual recovery has continued since August. The EHD Products sales ratio (E=Environment, H=Health, D=Digital (advanced materials)) for FY12/25 rose to 45.1% (+0.8% YoY), indicating gradual progress in improving the product mix. The "Cosmetics" segment saw improved performance driven by strong domestic ODM operations.

The Company forecast for FY12/26 is net sales of ¥58.5 billion, operating profit of ¥4.2 billion, ordinary profit of ¥4.05 billion and net profit of ¥2.8 billion. The exchange rate assumption is ¥150 per dollar. For "Chemicals," while anticipating continued weakness in the textile industry recovery, the Company aims to grow its focus areas, including a target to increase the EHD products sales ratio to 48%. For "Cosmetics" the Company seeks to expand performance through strengthening its core domestic brands.

Concurrent with the earnings announcement, the Company disclosed KPIs for its New Medium-Term Business Plan, "INNOVATION30" (FY12/30 targets: ¥70 billion in net sales, ¥5.6 billion in operating profit, ¥9 billion in EBITDA, 8% ROE and 6% ROIC, etc.). At a briefing held on February 20, the Company provided detailed explanations of the mid-term plan. Key points for achieving these targets include increasing the EHD products sales ratio in the Chemicals segment (target: 55% by FY12/30) and expanding market share in the "Cosmetics" segment, supported by increased production capacity following the launch of a new factory.

Stock Price and Trading Volume (Past 1 Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (03/11/26)	1,757
52-Week High (02/24/26)	1,840
52-Week Low (04/7/25)	1,188
All-Time High (02/24/26)	1,840
All-Time Low (03/13/20)	586
Number of Shares Issued (mn)	17.7
Market Capitalization (¥bn)	31.1
EV (¥bn)	41.0
Equity Ratio (FY12/25, %)	47.5
ROE (FY12/25 Actual, %)	6.9
PER (FY12/26 CoE, x)	10.0
PBR (FY12/25 Actual, x)	0.8
Yield (FY12/26 CoE, %)	4.0

Source: Strategy Advisors.

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The PER based on the Company's FY12/26 forecast stands at 10x and the PBR based on FY12/24 results is 0.8x, showing a slight increase but remaining at a low level. If our equity story, namely, "Major Transformation of Business Structure and Fundamental Overhaul of Financial and Capital Policies" (see our initial report on July 16, 2025, "[Leveraging "Surface Science" Technology and Expertise Cultivated in Fukui's Textile Industry, the Company is Expanding Globally & Transforming into a Growing Enterprise](#)") is realized, we believe the Chemicals segment will gain recognition as a specialty chemical Company with EHD Products, while the Cosmetics segment will enhance its standing as a cosmetics stock through increased market share. Consequently, the stock price should have room to rise.

Japanese GAAP (Consolidated)

FY	Net Sales	YoY	Operating Profit	YoY	Ordinary Profit	YoY	Net Profit	YoY	EPS	DPS
	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥)	(¥)
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	55,705	3.0	3,847	9.3	3,849	-3.2	2,384	-13.4	150.3	60.0
12/26 CoE	58,500	5.0	4,200	9.2	4,050	5.2	2,800	17.4	176.5	70.0

Source: Company Data. Compiled by Strategy Advisors.

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1. FY12/25 Financial Results Overview

**FY12/25 Results:
Revenue +3% YoY with
Profit +9.3% YoY**

The Company announced its FY12/25 results on February 13, reporting net sales of ¥55.7 billion (+3.0% YoY) and operating profit of ¥3.84 billion (+9.3% YoY), achieving both revenue and profit growth. By segment, Chemicals showed steady growth with YoY net sales +1.3% and operating profit +6.0%, driven by factors such as an increase in the EHD products sales ratio. The "Cosmetics" segment also saw robust growth, driven by strong ODM business performance, with sales +6.9% YoY and operating profit up 7.9% YoY. However, ordinary profit decreased by ¥120 million YoY. Negative factors included the impact of exchange rate fluctuations (¥340 million) and a one-time syndicated loan arrangement fee (¥140 million, non-operating expenses).

**Q4: Revenue Increased QoQ
but Profit Decreased Slightly
QoQ**

In Q4, net sales decreased to ¥14.48 billion (-0.9% YoY), while operating profit decreased to ¥940 million (-6.4% YoY). Compared to Q3, net sales increased 3.2% while operating profit decreased 2.1%, resulting in a slight profit decline amid modest sales growth. By segment, Chemicals saw both revenue and profit growth QoQ, while Cosmetics experienced lower revenue and profit as demand failed to pick up heading into year-end.

**FY12/26 Forecast:
Net Sales of ¥58.5 Billion
& Operating Profit at ¥4.2
Billion**

The Company announced its full-year forecast for FY12/26. It projects net sales of ¥58.5 billion, operating profit of ¥4.2 billion, ordinary profit of ¥4.05 billion and net profit of ¥2.8 billion. Both net sales and operating profit are projected to reach record highs. The exchange rate assumption is ¥150 per USD. The dividend per share forecast for FY12/26 is ¥70 (DOE 3%), a ¥10 increase from FY12/25's ¥60 (DOE 2.8%). Although the macroeconomic environment remains uncertain, the likelihood of achieving these forecasts is quite high. This is because the Chemicals segment does not factor in a rebound from the 2025 stagnation caused by U.S. tariffs on the textile industry as an upside factor for performance. Furthermore, the "Cosmetics" segment is cautiously assessing the sales expansion effects accompanying the strengthening of sales resources.

**Chemicals Segment
Assumes Uncertainty in
Textile Market Demand**

The FY12/26 forecast for Chemicals assumes continued uncertainty in demand within the core textile market, specifically for apparel and automotive seats/interior materials. Within the cleaning market, it anticipates a decline in home cleaning services and flat demand from domestic lodgers and inbound tourists in the linen supply segment. Meanwhile, for the electronic materials market, while semiconductor demand related to AI is expected to increase, silicon wafer shipment area is projected to remain flat.

**Key Initiatives for
Chemicals: EHD Products
Sales Ratio at 48%**

Key initiatives for the Chemicals segment focus on strengthening efforts in growth businesses and high-margin operations. The policy focuses on increasing the EHD products sales ratio (target: 48%), strengthening global sales expansion in the textile sector (Southwest Asia = India and Bangladesh) and pursuing global expansion in the D domain (East Asia) alongside new business creation. Additionally, as profitability improvement measures, the Company aims to reduce costs through strategic procurement (including oleochemicals) and enhance pricing negotiation power.

**Cosmetics: Beauty Salon
Consolidation Continues,
While ODM Market Remains
Robust**

The FY12/26 forecast for "Cosmetics" assumes a continued competitive environment in the domestic beauty salon sector, while the domestic ODM business is expected to remain robust. In Korea (DEMI Korea), a similar environment to Japan is anticipated. However, hair care products are projected to continue growing.

**Key Initiatives for
Cosmetics: Strengthening
Sales Activities**

The key strategy for "Cosmetics" is to strengthen the core brands within the domestic salon business while simultaneously enhancing sales to key salon customers. In South Korea (DEMI Korea), the focus will be on hair care products, with a policy to strengthen sales not only for professional use but also to expand demand through salon retail channels. Furthermore, with the completion of the new factory approaching, efforts are being made to secure inventory in preparation for the factory function transfer in FY12/27. With an eye on increased production capacity following the new factory's operation, sales resources are currently being strengthened. FY12/26 is positioned as a crucial year for generating results in the future market share expansion strategy.

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

FY	12/24	12/25	YoY Change	12/26 CoE	YoY Change
Net Sales	54,099	55,705	3.0%	58,500	5.0%
Cost of Sales	34,807	35,507	2.0%	-	-
Gross Profit	19,291	20,197	4.7%	-	-
Gross Profit Margin	35.7%	36.3%	-	-	-
SG&A Expenses	15,772	16,350	3.7%	-	-
Operating Profit	3,519	3,847	9.3%	4,200	9.2%
OP Margin	6.5%	6.9%	-	7.2%	-
Non-Operating Income	602	438	-27.2%	-	-
Non-Operating Expenses	145	436	200.7%	-	-
Ordinary Profit	3,976	3,849	-3.2%	4,050	5.2%
Ordinary Profit Margin	7.3%	6.9%	-	6.9%	-
Extraordinary Income	4	158	3850.0%	-	-
Extraordinary Losses	76	7	-90.8%	-	-
Profit before Income Taxes	3,904	4,000	2.5%	-	-
Income Taxes	875	1,303	48.9%	-	-
Tax Rate	22.4%	32.6%	-	-	-
Profit	3,029	2,697	-11.0%	-	-
Profit Attributable to Non-Controlling Interests	274	312	13.9%	-	-
Profit Attributable to Owners of Parent	2,754	2,384	-13.4%	2,800	17.4%
Net Profit Margin	5.1%	4.3%	-	4.8%	-

Source: Company Data. Compiled by Strategy Advisors.

Figure 2. Summary of FY12/25 Financial Results by Segment (¥mn)

FY	12/24	12/25	YoY Change	12/26 CoE	YoY Change
Net Sales	54,099	55,705	3.0%	58,500	5.0%
Chemicals Business	39,378	39,894	1.3%	41,800	4.8%
Cosmetics Business	14,271	15,259	6.9%	15,800	3.5%
Other	449	550	22.5%	900	63.3%
Operating Profit	3,519	3,847	9.3%	4,200	9.2%
Chemicals Business	3,724	3,948	6.0%	4,150	5.1%
Cosmetics Business	1,822	1,966	7.9%	2,050	4.2%
Other	58	90	53.9%	100	10.9%
Eliminations, etc.	-2,085	-2,158	-	-2,100	-
(OP Margin)	6.5%	6.9%	-	7.2%	-
Chemicals Business	9.5%	9.9%	-	9.9%	-
Cosmetics Business	12.8%	12.9%	-	13.0%	-

Source: Company Data. Compiled by Strategy Advisors.

Figure 3. Summary of FY12/25 Financial Results (Qtly, ¥mn)

FY	12/24				12/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Sales	12,228	13,816	13,432	14,623	13,195	13,985	14,037	14,488
Cost of Sales	7,959	8,788	8,610	9,450	8,413	8,887	9,047	9,160
Gross Profit	4,268	5,028	4,823	5,172	4,782	5,097	4,991	5,327
Gross Profit Margin	34.9%	36.4%	35.9%	35.4%	36.2%	36.4%	35.6%	36.8%
SG&A Expenses	3,680	3,989	3,941	4,162	3,926	4,017	4,026	4,381
Operating Profit	588	1,038	882	1,011	856	1,079	966	946
OP Margin	4.8%	7.5%	6.6%	6.9%	6.5%	7.7%	6.9%	6.5%
Non-Operating Income	192	220	-30	220	70	85	104	179
Non-Operating Expenses	14	17	20	94	122	217	62	35
Ordinary Profit	766	1,241	832	1,137	804	948	1,007	1,090
Ordinary Profit Margin	6.3%	9.0%	6.2%	7.8%	6.1%	6.8%	7.2%	7.5%
Extraordinary Income	0	1	1	2	0	135	0	23
Extraordinary Losses	0	1	3	72	1	2	0	4
Profit before Income Taxes	766	1,241	830	1,067	803	1,081	1,006	1,110
Income Taxes	376	268	125	106	425	301	298	279
Tax Rate	49.1%	21.6%	15.1%	9.9%	52.9%	27.8%	29.6%	25.1%
Profit	390	972	705	962	378	780	708	831
Profit (Loss) Attributable to Non-Controlling Interests	71	74	74	55	85	76	92	59
Profit (Loss) Attributable to Owners of Parent	318	899	631	906	292	705	616	771
Net Profit Margin	2.6%	6.5%	4.7%	6.2%	2.2%	5.0%	4.4%	5.3%

Source: Company Data. Compiled by Strategy Advisors.

2. Trends by Business

1) Chemicals

Segment Operating Profit Increased 6.0% YoY to ¥3.94 Billion

In FY12/25, the Chemicals segment recorded net sales of ¥39.89 billion (+1.3% YoY) and segment operating profit of ¥3.94 billion (+6.0% YoY). EHD Products accounted for 45.1% of net sales (+0.8 ppt YoY), contributing to improved operating profit margin. Excluding the negative impact of foreign exchange fluctuations (¥0.4 billion YoY decrease), net sales increased by ¥0.92 billion YoY. Breaking down this ¥0.92 billion increase by region: positive contributions came from Japan (¥0.19 billion), China (¥0.82 billion) and South Korea (¥0.41 billion), with negative contributions coming from other regions (¥0.5 billion). The decline in other regions was primarily due to decreases in Indonesia, Vietnam and others. Segment operating profit increased YoY, offsetting the negative impact of exchange rate fluctuations due to the revenue growth effect and other factors.

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Status of the Textile Chemicals Field - Current Recovery Trend

The textile chemicals segment saw overseas major textile customers' factories maintain high operating rates through April, but the entire textile industry slowed down from May onward due to the impact of U.S. tariff policies. The slump in demand persisted through July, but began a gradual reversal from August onward and a recovery trend is now visible. Amidst this environment, sales of EHD Products remained solid, particularly for PFC-free durable water repellents and environmentally conscious process agents (including Smart Dyeing Process-related agents). Furthermore, the India business continues to experience high growth.

Electronic Materials Segment

In the electronic materials segment (including specialty chemicals), Coolant chemicals for semiconductor processing (Ohtomo-Chemical), one of the EHD Products, showed a YoY recovery in FY12/25 compared to the sluggish FY12/24 Q1. Furthermore, new business is showing an increasing trend globally.

Functional Chemicals Segment

In the functional chemicals segment, metalworking cleaning agents are growing. We estimate this is an area expected to spread across a wide range of industries, starting with the automotive sector.

EHD Products Accounted for 45.1% of Net Sales

For the segment as a whole, while the global textile industry is sluggish due to the impact of U.S. tariff policies, new business is thriving and sufficiently compensating for this. Although the net sales ratio for EHD Products increased slightly to 45.1%, existing products overseas also grew, preventing us from reaching the somewhat aggressive FY12/25 target of 50%. Growth varied by product; while water-based urethanes faced some challenges, PFC-free durable water repellents and metalworking cleaning agents showed steady growth.

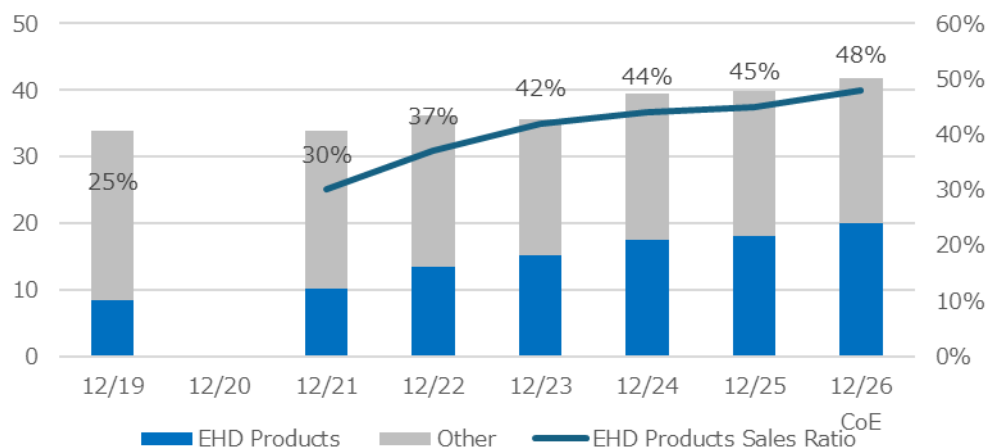
Initiatives to Improve Profitability

To enhance profitability, the Company is actively pursuing cost reductions through selective price adjustments and strategic procurement (such as raw material substitutions). However, labor costs are trending upward due to business expansion. Furthermore, the profit margin for EHD Products in FY12/25 increased by +11.9% compared to conventional products, showing an expanding trend from the previous level of approximately +10%. This reaffirms that increasing the net sales ratio for EHD Products directly contributes to improved profitability through enhanced product mix.

New Lab Established in India, Operational Since January

NID (NICCA INDIA Private Ltd.) commenced operations at its newly established laboratory (research facility) in January 2026. This aims to accelerate the development of products tailored to customer needs, specifically designed for the use of environments and conditions at customer sites. This initiative targets further growth in the high-potential Indian market.

Figure 4. Sales Ratio of EHD-Related Products (¥bn)



Source: Company Data. Compiled by Strategy Advisors.

Segment Operating Profit Increased to ¥1.96 Billion (+7.9% YoY)

Regional Performance - Strong Domestic ODM

2) Cosmetics

For FY12/25, the "Cosmetics" segment recorded net sales of ¥15.25 billion (+6.9% YoY), and segment operating profit of ¥1.96 billion (+7.9% YoY). The negative impact of exchange rate fluctuations on net sales was ¥110 million YoY. Net sales declined due to reduced sales of DEMI Korea amid the slowdown in the Korean economy. However, strong growth in the domestic ODM business (Yamada Pharmaceutical) led to overall robust performance. Meanwhile, segment operating profit significantly increased YoY, as the positive effect from higher sales revenue outweighed the negative impact from increased personnel expenses.

The domestic salon business faced challenges from the prolonged beauty salon visit cycle due to the intense summer heat and rising prices. However, it performed well overall despite a decrease in the number of salon visitors. Sales of the key product "FLOWDIA MORE" were strong. Furthermore, the new brand "SUMMER BAR" also grew, achieving a YoY increase of 28% compared to the previous product.

Yamada Pharmaceutical, which handles the domestic ODM business, saw a decrease in some large-volume products. However, new ODM customers (such as e-commerce-exclusive hair care products) grew, leading to a continued significant increase in overall orders.

South Korea (DEMI Korea) was impacted by the domestic economic slowdown. However, hair care product sales performed well, achieving a 14% YoY increase in revenue.

Progress of Initiatives

The Company is currently expanding its sales force to intensify efforts in acquiring new salons and increasing its share within existing ones. While this involves strategic cost increases, it aims to scale up operations in preparation for future production growth. Additionally, user awareness originating from its owned media platform "DEMI LABO" is steadily improving.

New Factory Construction is Progressing Smoothly; ¥3 Billion Borrowed Under Syndicated Loan Agreement

Construction of the new "Fukui Smart Factory," which began in April 2025, is progressing smoothly as planned. The roof-raising ceremony was completed in December. Work on the steel frame and roof has been finished and construction on the exterior walls and interior fittings is underway, targeting full-scale operation in 2027. Furthermore, in December 2025, the Company borrowed ¥3 billion based on a syndicated loan agreement (total amount: ¥14 billion).

Figure 5. Earnings Trends by Segment (Qtly, ¥mn)

FY	12/24				12/25				12/26
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	CoE Full Year
Net Sales	12,228	13,816	13,432	14,623	13,195	13,985	14,037	14,488	58,500
Chemicals Business	9,043	10,143	9,897	10,295	9,730	9,872	9,873	10,419	41,800
Cosmetics Business	3,130	3,577	3,450	4,114	3,300	4,037	4,007	3,915	15,800
Others	53	97	85	214	163	77	157	153	900
Ordinary Profit	588	1,038	882	1,011	856	1,079	966	946	4,200
Chemicals Business	821	1,035	957	911	1,078	1,028	873	969	4,150
Cosmetics Business	239	436	478	669	262	556	612	536	2,050
Others	-4	-5	4	63	8	31	11	40	100
Cancellation, etc.	-467	-428	-557	-633	-493	-535	-530	-600	-2,100
OP Margin (%)	4.8%	7.5%	6.6%	6.9%	6.5%	7.7%	6.9%	6.5%	7.2%
Chemicals Business	9.1%	10.2%	9.7%	8.8%	11.1%	10.4%	8.8%	9.3%	9.9%
Cosmetics Business	7.6%	12.2%	13.9%	16.3%	7.9%	13.8%	15.3%	13.7%	13.0%

Source: Company Data. Compiled by Strategy Advisors.

3. New Medium-Term Business Plan, "INNOVATION30"

Positioning as the First Phase of the Mid to Long-Term Group Growth Scenario

KPI:
Net Sales of ¥70 billion & EBITDA of ¥9 billion

1) Business Expansion & Growth Investment Portfolio Transformation

The New Medium-Term Business Plan, "INNOVATION30" is positioned as the first phase of the "Mid to Long-Term Group Growth Scenario" announced in July 2024, which outlines the vision to be achieved by 2035. The net sales target within the "Mid to Long-Term Group Growth Scenario" has been revised upward from ¥75 billion to ¥88 billion.

The FY12/30 KPIs are: Net sales of ¥70 billion, operating profit of ¥5.6 billion, EBITDA of ¥9 billion, ROE of 8%, ROIC of 6%, PBR of 1x or higher and DOE of 3% or higher. The basic strategy consists of 3 pillars: 1) Business expansion and growth investment, 2) Strengthening financial and capital strategies and 3) Sustainability management. The Company aims for unprecedented, dramatic growth centered on existing businesses while simultaneously increasing EBITDA through growth investments.

From a business portfolio perspective, the plan is to increase the ratio of Cosmetics and Chemicals EHD products. To achieve the 2035 target (¥88 billion in net sales, with ¥28 billion from Cosmetics and ¥39 billion from Chemicals EHD), the FY12/30 target is ¥70 billion in net sales, with ¥20 billion from Cosmetics and ¥27.5 billion from Chemicals EHD (Figure 6).

Figure 6. Changes in Business Portfolio (Net Sales: ¥bn)

Segment		FY12/25	FY12/30	FY12/35
Cosmetics		15.2	20	28
Chemicals	EHD	17.9	27.5	39
	Non-EHD	21.9	22.5	21
	<i>EHD Sales ratio</i>	45%	55%	65%
Other		0.7	0.0	0.0
Total		55.7	70.0	88.0

Source: Strategy Advisors.

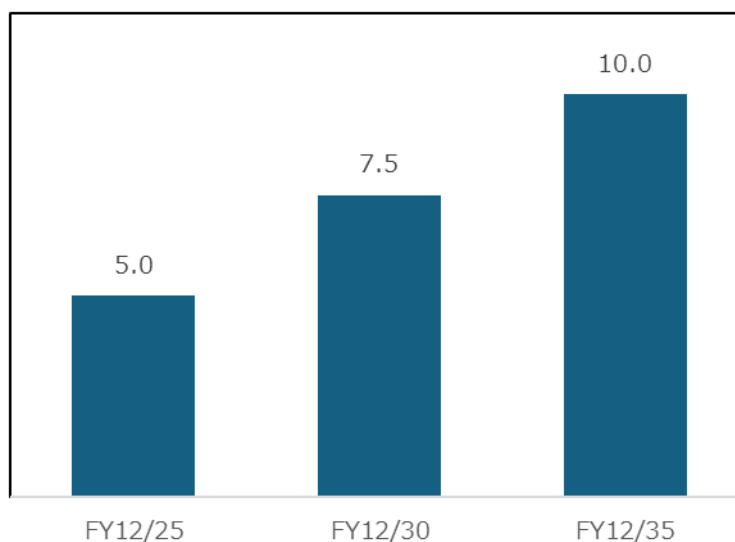
Cosmetics: Aiming for Market Share Growth in Domestic Salons

In Cosmetics, the Company first aims to expand its share in the domestic salon business by increasing sales staff, utilizing digital promotions and adding customer-centric development to its technical capabilities. Simultaneously, it will respond to market changes by offering hair care products across various price points and further strengthen its OEM business to enhance its multi-brand strategy. For overseas operations, the Company will accelerate expansion into key Southeast Asian countries. The new "Fukui Smart Factory", scheduled to begin operations in FY12/27, is expected to triple manufacturing capacity and increase productivity by 1.5x through automation. Optimizing outsourcing balances will enable cost reductions, leading to improved cost competitiveness.

Chemicals: Focus on EHD Products

The Chemicals segment will execute a strategy focused on EHD Products. In the textiles field, it will advance the development of environmentally conscious products and recycling-related products, primarily in the E domain. It also plans to expand operations in Southwest Asia. In the non-textiles field, it aims to enhance its position as a specialty chemicals Company by leveraging its technological capabilities and customer base to expand mid-to-long-term development themes. It will particularly focus on the D domain, centered on semiconductor peripherals. Furthermore, since EHD Products have a profit margin approximately 11% higher than conventional products, increasing their net sales ratio (targeted at 55% for FY12/30) will improve the segment's overall profit margin through product mix optimization. Notably, net sales in the D area are planned to grow significantly (Figure 7). In addition to our market-leading silicon wafer coolant, the Company will expand sales of high-value-added products for mid-process steps (grinding and cleaning) in semiconductor manufacturing.

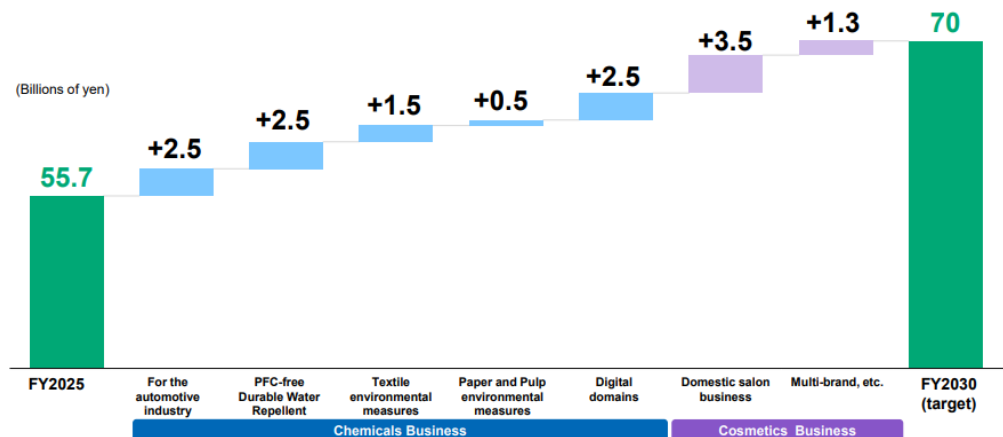
Figure 7. The "D Domain" Sales Target (¥bn)



Source: Company Data. Compiled by Strategy Advisors.

Figure 8 shows the breakdown of the additional revenue needed to achieve net sales of ¥70 billion over 5-years. For "Chemicals," the Company expects growth from its EHD focus strategy, while for "Cosmetics", it anticipates increased market share in its domestic salon business.

Figure 8. Breakdown of Net Sales Increases Toward ¥70 bn



Source: Company Data.

2) Strengthening Financial and Capital Strategies, Implementing Aggressive Growth Investments

Aiming for early achievement of a PBR of 1x as an indicator of enhanced corporate value, efforts will be intensified. First, to maximize cash generation capacity, proactive growth investments will be implemented. Major investment projects over the 5-year period include approximately ¥19.5 billion for a new Cosmetics factory (excluding subsidies), approximately ¥1 billion for a bonded warehouse in Bangladesh, approximately ¥1 billion for a new ERP system and approximately ¥7 billion for routine investments. While the growth rate of operating profit will slow due to increased depreciation expenses, the Company will aim for EBITDA growth. Furthermore, the Company will continue to explore new growth investments throughout the medium-term business plan period.

Cash Allocation

Regarding cash allocation, the Company plans to utilize the cumulative operating cash flow of approximately ¥25-¥30 billion over 5-years in a balanced manner for shareholder returns (DOE 3% + progressive dividends) and debt repayment, with cash outflows primarily for growth investments (the new Cosmetics factory will be financed through borrowing).

3) Sustainability Management

The themes are strengthening the management foundation, enhancing employee engagement, and contributing to the environment. Strengthening of the management foundation aims to enhance competitiveness through the introduction of a new ERP system and the proactive use of AI. To improve employee engagement, the company will further enhance the workplace environment to create a setting where all employees globally can work with excitement and vitality, fostering a corporate culture that sparks innovation. Regarding environmental contributions, the Company will continue their efforts toward realizing a carbon-neutral society while actively promoting initiatives through the business activities, such as the "Smart Dyeing Process" and the Neochromato process® the Company possess.

4. Valuation and Stock Price Outlook

Current Stock Price Level

NICCA CHEMICAL's stock price declined due to uncertainty surrounding the Trump administration's mutual tariff imposition in April 2025, temporarily falling below ¥1,200. It subsequently recovered on the back of solid earnings results and reversed course starting in July. Since then, it has generally followed the overall upward trend of the stock market, continuing a consistent upward trend. Entering 2026, it has been trading in a range around ¥1,600. Following the February 13 earnings announcement and the detailed explanation of the new mid-term plan at the briefing held on the 20th, the stock price rose further. It is currently trading around ¥1,800. While the valuation has gradually increased, the situation of remaining at a low level has not improved. However, given these strong earnings, expectations for future corporate value enhancement are likely to steadily rise.

Steady Execution of Mid-Term Plan Measures Increases Certainty of Realizing Equity Story

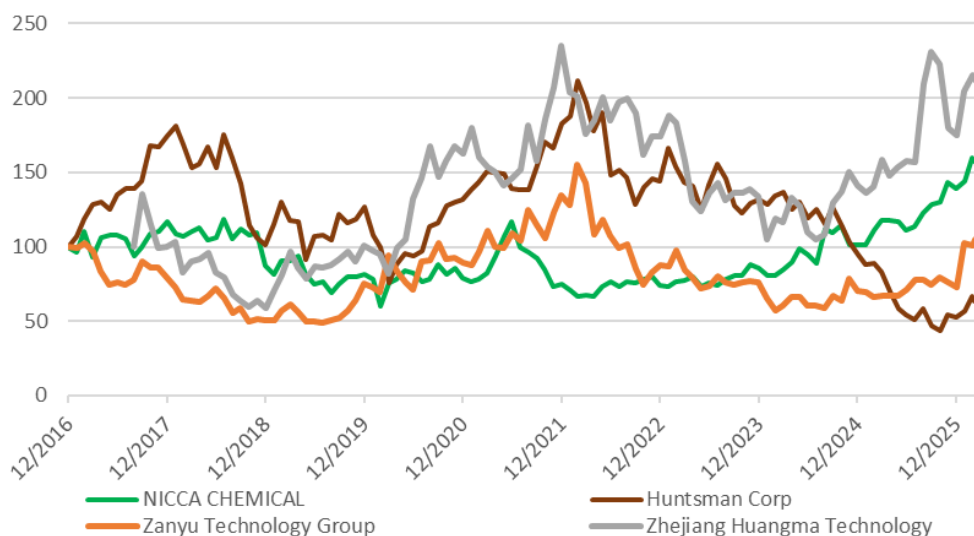
Our firm defines NICCA CHEMICAL's equity story as "a major transformation of business structure and a fundamental overhaul of financial and capital policies" (refer to [the Initial Report issued on July 16, 2025](#)). The fundamental strategies outlined in the New Medium-Term Business Plan "INNOVATION30" are broadly consistent with our equity story. Therefore, if the steady execution of the new Medium-Term Business Plan's measures increases the likelihood of realizing this equity story, valuation growth should create upside potential for the stock price.

Comparison Among Global Surfactant Companies

The Company's stock price trend is compared with global surfactant companies. Competitor Huntsman Corporation of the U.S. performed well from 2017 to 2018 due to strong earnings, but its performance has deteriorated rapidly recently, including a shift to an operating loss in FY12/24, reflecting its recent poor performance. The performance of the two Chinese companies (Zanyu Technology Group and Zhejiang Huangma Technology) has been highly volatile, but Zhejiang has shown superior performance recently.

While the Company faces limited domestic competitors for direct comparison, making relative valuation difficult, expectations for earnings growth driven by an increased ratio of EHD Products net sales and the expansion of its Cosmetics business scale appear to be insufficiently priced in. On the other hand, earnings growth since FY12/24 has shown stability, and it can be said that the Company has recently begun to demonstrate relatively solid performance.

Figure 9. NICCA CHEMICAL and Global Surfactant Companies' Stock (End of December 2016 = 100)



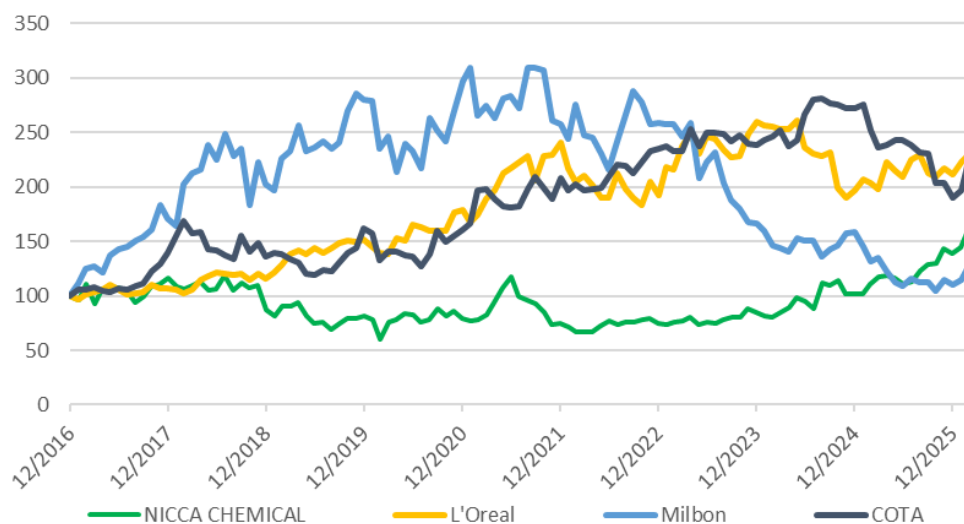
Source: Company Data. Compiled by Strategy Advisors.

Comparison within Professional Cosmetics Companies

Next, we compare the Company's stock price trend with that of professional cosmetics companies. France's L'Oreal is a major player handling not only professional but also comprehensive Cosmetics, demonstrating strong performance backed by stable growth in its business results. Milbon, the domestic market leader, maintained a performance advantage until 2018 when the overall domestic market was robust, owing to its high market share and stable corporate structure. However, its earnings growth has recently stalled.

While its stock price had been in a downtrend, it has shown some recovery since 2026. COTA's stock price has shown strong performance in recent years, backed by high profit growth rates. However, it weakened in 2025 due to sluggish earnings and has recovered somewhat since 2026. On the other hand, the Company has yet to overcome its low recognition as a Cosmetics Company. Nevertheless, its earnings growth since FY12/24 has shown stability and its relative performance has been favorable in recent years, demonstrating solid results despite challenging market conditions.

Figure 10. NICCA CHEMICAL and Professional Cosmetics Companies' Stock Price Comparison (End of December 2016 = 100)



Source: Company Data. Compiled by Strategy Advisors.

NICCA CHEMICAL's PER

The Company's PER has generally fluctuated within a range of 7x to 12x, excluding FY12/20 when the Company's forecast EPS was low due to the spread of COVID-19. While it remained within the 8x to 9x range from 2025 onwards, the level has recently risen to around 10x.

NICCA CHEMICAL's PBR

Meanwhile, the PBR has remained below 1x since 2019. However, signs of improvement are now visible in the PBR, which currently stands at around 0.8x. Incidentally, ROE showed improvement from 5.8% in FY12/23 to 8.6% in FY12/24, but temporarily declined to 6.9% in FY12/25 due to a decrease in net profit caused by non-operating foreign exchange losses, among other factors.

Profitability Comparison

Next, we compare the Company's profitability and valuation with competitors. The Company's ROE (based on FY12/24 actuals) of 6.9% lags behind Zhejiang Huangma Technology among global surfactant competitors but outperforms Huntsman and Zanyu Technology Group. However, when compared to competitors in the professional cosmetics sector, it trails behind L'Oreal, Milbon, and COTA. Nevertheless, since the Company's ROE for its Chemicals segment is relatively low, it is assumed that, when focusing solely on the "Cosmetics" segment, it is not significantly underperforming compared to domestic competitors.

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Stock Valuation Comparison In stock valuation, the Company's PBR of 0.8x is comparable to Huntsman's, but it trails the two Chinese competitors, both of which exceed 1x. In PER comparison with professional Cosmetics competitors, Milbon at 19.9x and COTA at 27.4x significantly outperform the Company. In PBR comparisons, the Company also lags significantly behind, with L'Oreal leading at 5.5x, followed by COTA at 3.3x and Milbon at 1.7x. Moving forward, improving ROE and executing growth strategies aligned with the new medium-term plan will be critical factors for escaping its low valuation status.

Figure 11. Profitability Comparison with Competitors

Company Name	Code	FY	OP Margin	ROE	ROIC (Invested Capital)	EBITDA Margin	Equity Ratio	Net D/E Ratio
			(%)	(%)	(%)	(%)	(%)	(x)
NICCA CHEMICAL	4463	12/25	6.9%	6.9	5.1	10.7	47.5	0.19
Huntsman Corp	HUN	12/25	-0.4%	-9.9	-2.7	3.1	39.2	0.54
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	12/25	20.2%	18.0	16.8	23.9	56.5	0.06
Milbon	4919	12/25	10.7%	7.0	10.3	15.1	84.9	-0.24
COTA	4923	3/25	19.5%	11.7	11.7	23.5	75.3	-0.46
Average			11.1%	7.3	8.0	15.1	61.6	0.08

Source: Company Data. Compiled by Strategy Advisors.

Figure 12 . Valuation Comparison with Competitors

Company Name	Code	FY	Stock Price	Mkt Cap.	PER	PBR	EV/ EBITDA	Dividend Yield	Payout Ratio	ROE
			(Mar 11)		CoE	Actual		CoE	CoE	CoE
			(¥)	(¥bn)	(x)	(x)	(x)	(%)	(%)	(%)
NICCA CHEMICAL	4463	12/25	1,757	31.1	10.0	0.8	6.5	4.0	39.7	6.9
Huntsman Corp	HUN	12/25	1,905	328.0	-	0.8	12.2	-	-	-2.8
Zanyu Technology Group	002637	12/24	337	149.0	16.9	1.9	-	-	-	11.8
Zhejiang Huangma Technology	603181	12/24	396	232.9	-	3.5	-	-	-	-
L'Oreal	OR	12/25	66,558	35,527.5	26.7	5.5	17.6	-	-	20.6
Milbon	4919	12/25	2,687	86.8	19.9	1.7	8.7	3.3	65.0	8.8
COTA	4923	3/25	1,353	44.6	27.4	3.3	17.5	1.5	40.6	11.5
Average					20.2	2.5	12.5	2.9	48.4	9.4

Note: Stock prices of overseas companies are closing prices on March 10.

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 13. Consolidated Income Statement (¥mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26 CoE
Net Sales	50,188	46,191	41,179	48,474	50,627	50,169	54,099	55,705	58,500
Cost of Sales	33,856	30,990	27,410	32,431	34,456	33,652	34,807	35,507	
Gross Profit	16,332	15,201	13,768	16,043	16,171	16,516	19,291	20,197	
Gross Profit Margin	32.5%	32.9%	33.4%	33.1%	31.9%	32.9%	35.7%	36.3%	
SG&A Expenses	14,030	13,805	12,352	13,589	13,543	14,476	15,772	16,350	
Operating Profit	2,301	1,395	1,416	2,453	2,628	2,039	3,519	3,847	4,200
OP Margin	4.6%	3.0%	3.4%	5.1%	5.2%	4.1%	6.5%	6.9%	7.2%
Non-Operating Income	376	381	535	485	614	635	602	438	
Non-Operating Expenses	248	442	305	232	110	146	145	436	
Ordinary Profit	2,430	1,334	1,645	2,706	3,132	2,528	3,976	3,849	4,050
Ordinary Profit Margin	4.8%	2.9%	4.0%	5.6%	6.2%	5.0%	7.3%	6.9%	6.9%
Extraordinary Income	3,904	357	150	816	147	5	4	158	
Extraordinary Losses	183	89	25	61	11	9	76	7	
Profit Before Income Taxes	6,151	1,602	1,770	3,461	3,269	2,525	3,904	4,000	
Income Taxes	2,377	502	600	738	1,007	648	875	1,303	
(Tax Rate)	38.6%	31.3%	33.9%	21.3%	30.8%	25.7%	22.4%	32.6%	
Profit	3,774	1,099	1,170	2,723	2,262	1,876	3,029	2,697	
Profit Attributable to Non-Controlling Interests	1,315	199	125	127	147	184	274	312	
Profit Attributable to Owners of Parent	2,458	900	1,044	2,595	2,114	1,691	2,754	2,384	2,800
Net Profit Margin	4.9%	1.9%	2.5%	5.4%	4.2%	3.4%	5.1%	4.3%	4.8%
EPS (¥)	156.7	57.3	66.4	164.8	134.1	107.1	174.2	150.3	176.5

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. Consolidated Balance Sheet (¥mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25
Current Assets	29,947	26,258	25,977	27,562	29,855	31,077	34,221	35,715
Cash & Deposits	9,234	6,311	7,962	7,659	7,052	8,344	10,726	11,848
Notes & accounts Receivable	10,363	9,831	9,026	9,618	10,435	11,029	11,996	11,955
Inventories	8,827	8,975	8,025	9,330	11,405	10,875	10,504	11,003
Allowance for Doubtful Accounts	-6	-4	-2	0	-1	-10	-13	-13
Others	1,529	1,145	966	955	964	839	1,008	922
Non-Current Assets	26,649	28,795	27,197	26,970	26,266	25,841	28,144	38,336
Tangible Assets	23,762	25,208	23,726	23,277	22,411	21,889	24,002	33,635
Intangible Assets	468	351	304	298	399	498	510	933
Investment & Other Assets	2,418	3,234	3,166	3,394	3,455	3,452	3,631	3,767
Investment Securities	1,521	1,499	1,457	1,706	1,716	1,771	1,966	2,125
Deferred Tax Assets	262	1,022	951	980	1,022	957	936	791
Others	635	713	758	708	717	724	729	851
Total Assets	56,597	55,053	53,175	54,533	56,122	56,918	62,366	74,052
Current Liabilities	20,986	19,184	17,361	16,702	15,987	15,776	17,143	22,983
Notes & Accounts Payable	6,548	4,996	5,325	6,619	6,544	5,895	6,181	6,335
Interest-Bearing Debt	9,826	10,315	8,033	5,662	5,168	5,618	5,668	10,670
Other	4,612	3,873	4,003	4,421	4,275	4,263	5,294	5,978
Non-Current liabilities	12,046	13,455	12,647	10,506	9,742	8,320	8,668	12,713
Interest-Bearing Debt	8,055	9,215	8,267	6,038	5,170	3,652	4,234	7,866
Deferred Tax Liabilities	0	0	0	0	0	0	15	19
Others	3,991	4,240	4,380	4,468	4,572	4,668	4,419	4,828
Net Assets	23,565	22,414	23,166	27,323	30,392	32,822	36,553	38,354
Total Shareholders' Equity	19,921	20,404	21,271	23,667	25,407	26,566	28,703	30,271
Share Capital	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898
Capital Surplus	3,054	2,928	2,928	2,928	2,951	2,951	2,960	3,061
Retained Earnings	15,445	16,058	16,909	19,284	21,006	22,145	24,251	25,712
Total Accumulated Other Comprehensive Income	213	-223	-251	1,383	2,553	3,567	4,946	4,931
Non-Controlling Interests	3,429	2,233	2,146	2,272	2,432	2,689	2,903	3,152
Total Liabilities and Net Assets	56,597	55,053	53,175	54,533	56,122	56,918	62,366	74,052
Interest-Bearing Debt	17,882	19,530	16,301	11,700	10,338	9,270	9,902	18,536
Equity Ratio	35.6%	36.7%	39.5%	45.9%	49.8%	52.9%	54.0%	47.5%
D/E Ratio	0.9	1.0	0.8	0.5	0.4	0.3	0.3	0.6

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Consolidated Cash Flow Statement (¥mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25
Cash Flows from Operating Activities								
Income Before Income Taxes	6,151	1,602	1,770	3,461	3,269	2,525	3,904	4,000
Depreciation	1,982	2,234	2,768	2,500	2,417	2,269	2,224	2,128
Decrease (Increase) in Trade Receivables	130	570	759	-115	-494	-308	-603	144
Decrease (Increase) in Inventories	-1,790	-175	905	-977	-1,732	827	637	-440
Increase (Decrease) in Trade Payables	564	-1,549	357	998	-279	-808	68	142
Others	-4,311	-1,578	-80	-1,145	-864	-419	-197	-432
Total	2,726	1,104	6,479	4,722	2,317	4,086	6,033	5,542
Cash Flows from Investing Activities								
Purchase of Property, Plant & Equipment	-3,948	-3,801	-1,334	-1,443	-1,347	-1,148	-3,626	-11,907
Proceeds from Sale of Property, Plant & Equipment	4,330	64	81	818	69	37	31	143
Purchase of Investment Securities	-20	-19	-21	-17	-115	-15	-17	-20
Proceeds from Sale of Investment Securities	18	13	21	212	2	4	0	35
Others	-1,692	1,604	-296	-564	506	246	-1,525	210
Total	-1,312	-2,139	-1,549	-994	-885	-876	-5,137	-11,539
Cash Flows from Financing Activities								
Net Increase/Decrease in Short-Term Interest-Bearing Debt	-9,785	490	-2,169	-2,118	770	-200	200	5,002
Net Increase/Decrease in Long-Term Interest-Bearing Debt	8,560	1,135	-1,053	-2,458	-2,168	-868	432	3,484
Proceeds from the Issuance of Shares	3	151	16	21	201	20	0	0
Payments for Purchase of Treasury Shares	0	-131	0	0	-183	0	0	0
Dividends Paid	-690	-1,031	-325	-418	-534	-646	-849	-1,013
Others	-16	-843	-95	-51	-48	-46	-111	-89
Total	-1,928	-229	-3,626	-5,024	-1,962	-1,740	-328	7,384
Effect of Exchange Rate Change on Cash and Cash Equivalents	-267	-9	-45	479	419	245	335	133
Net Increase (Decrease) in Cash & Cash Equivalents	-781	-1,274	1,258	-816	-110	1,714	903	1,520
Cash and Cash Equivalents at Beginning of Period	7,987	7,206	5,931	7,190	6,373	6,263	7,977	8,881
Cash and Cash Equivalents at End of Period	7,206	5,931	7,190	6,373	6,263	7,977	8,881	10,402
Free Cash Flow	1,414	-1,035	4,930	3,728	1,432	3,210	896	-5,997

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Key Indicators

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25
EPS (¥)	156.7	57.3	66.4	164.8	134.1	107.1	174.2	150.3
BPS (¥)	1,283	1,283.9	1,335.6	1,589.4	1,771.7	1,906.6	2,125.6	2,211.8
DPS (¥)	18	16.0	10.0	22.0	30.0	32.0	52.0	60.0
Dividend Payout Ratio	11.5%	27.9%	15.1%	13.3%	22.4%	29.9%	29.9%	39.9%
# 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)	2,016.1	1,991.3	1,972.3	1,948.4	1,928.4	1,905.0	1,879.1	1,794.4
# of Shares of Treasury Stock ('000)	15,693.9	15,718.7	15,737.7	15,761.6	15,781.6	15,805.0	15,830.9	15,915.6
Average #of Shares Outstanding During the Period ('000)	15,691.1	15,709.8	15,729.2	15,749.9	15,772.8	15,795.2	15,817.6	15,866.6
Equity Ratio	35.6%	36.7%	39.5%	45.9%	49.8%	52.9%	54.0%	47.5%
Interest-Bearing Debt (¥mn)	17,882	19,530	16,301	11,700	10,338	9,270	9,902	18,536
Net Interest-Bearing Debt (¥mn)	8,648	13,219	8,339	4,041	3,286	926	-824	6,688
D/E Ratio	0.90	0.96	0.77	0.49	0.41	0.35	0.34	0.61
Net D/E Ratio	0.43	0.66	0.40	0.16	0.12	0.03	-0.02	0.19
OP Margin	4.6%	3.0%	3.4%	5.1%	5.2%	4.1%	6.5%	6.9%
EBITDA (¥mn)	4,292	3,635	4,187	4,953	5,045	4,308	5,743	5,975
EBITDA Margin	8.6%	7.9%	10.2%	10.2%	10.0%	8.6%	10.6%	10.7%
ROE	12.6%	4.5%	5.1%	11.3%	8.0%	5.8%	8.6%	6.9%
ROIC (Invested Capital)	-0.2%	2.1%	2.0%	4.4%	4.1%	3.4%	6.0%	4.9%
# of Employees (People)	1,479	1,496	1,500	1,454	1,472	1,500	1,531	1,576

Source: Company Data. Compiled by Strategy Advisors.

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