

Company Report

September 24, 2026

Strategy Advisors Co., Ltd.

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Pursuing “Surface Science”: Global Expansion from Fukui, Driven by EHD Products and Cosmetics

NICCA CHEMICAL was founded in Fukui in 1941. Primarily engaged in surfactants, the Company has grown alongside the domestic textile industry. Backed by a strong of engineering spirit, the Company conducts proactive basic research (Science) and supplies a wide range of chemical (Chemistry) solutions that address challenges faced by customers on manufacturing floors. This sincere commitment to “Surface Science (Science and Chemistry)” is now bearing fruit, supporting the company's transition into a new growth phase. In the Chemicals segment, the sales ratio of the high-value-added EHD Products (E: Environment / H: Health & Hygiene /D: Digital (advanced materials)) has been rising. In the Cosmetics segment, a period of business expansion driven by aggressive investment is just around the corner.

For H1 FY12/26 (January–June), net sales increased to ¥31.01 billion (+14.1% YoY), and operating profit rose to ¥2.65 billion (+37.1% YoY). Both net sales and operating profit reached record highs for the first half. In the Chemicals segment, strong performance in EHD Products, combined with growing demand in China for the company's core textile chemicals, drove overall growth. The net sales share of EHD Products—a key focus area—rose by 2.9ppt YoY to 48.1%, and the segment's operating profit margin improved to 13.4%. In the Cosmetics segment, although net sales and operating profit declined YoY, sales from distributors to domestic salons remained steady.

The company's forecast for FY12/26 was revised upward to ¥64.0 billion in net sales (+¥5.5 billion) and ¥5.4 billion in operating profit (+¥1.2 billion). The exchange rate assumption is USD/JPY 158.0. For the Chemicals segment, the forecast reflects rising costs for raw materials and related price adjustments, as well as the positive impact of the acquisition of the “Zelan™” business.

In February of this year, the company announced the KPIs for its new medium-term business plan, “INNOVATION30” (including net sales of ¥70 billion, operating profit of ¥5.6 billion, EBITDA of ¥9 billion, ROE of 8%, and ROIC of 6% for FY12/30). In the Chemicals segment, the company aims to increase the sales ratio of EHD Products (target: 55%); in the Cosmetics segment, it aims to increase market share by leveraging the expanded production capacity resulting from the start of operations at a new plant. In FY12/26, while addressing the pressing issue of soaring costs, the company has steadily implemented various measures, leading to strong financial results.

Although the stock price has risen to around ¥2,000, the PER based on the company's forecast for FY12/26 stands at 8.4x, and the PBR based on

Stock Price and Trading Volume (Past 1 Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (09/24/26)	2,001
52-Week High (08/6/26)	2,106
52-Week Low (10/1/25)	1,417
All-Time High (08/6/26)	2,106
All-Time Low (03/13/20)	586
Number of Shares Issued (mn)	17.7
Market Capitalization (¥bn)	35.4
EV (¥bn)	45.3
Equity Ratio (FY12/25, %)	47.5
ROE (FY12/25 Actual, %)	6.9
PER (FY12/26 CoE, x)	8.4
PBR (FY12/25 Actual, x)	0.9
Yield (FY12/26 CoE, %)	3.5

Source: Strategy Advisors.

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actual results for FY12/25 remains at 0.9x—both of which are still at low levels. If our equity story—“A major transformation of business structure and a fundamental overhaul of financial and capital policies”—is realized, we believe the Chemicals segment will gain greater recognition as a specialty chemicals company with EHD Products, and the Cosmetics segment will enhance its status as a cosmetics stock through increased market share. This would create further upside potential for the stock price.

Japanese GAAP- Consolidated

FY	Net Sales (¥mn)	YoY (%)	Operating (¥mn)	YoY (%)	Ordinary (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
12/25 H1	27,180	4.4	1,935	19.0	1,752	-12.7	997	-18.1	62.9	30.0
12/26 H1	31,008	14.1	2,653	37.1	2,708	54.6	1,946	95.2	122.3	35.0
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 (Old)	58,500	5.0	4,200	9.2	4,050	5.2	2,800	17.4	176.5	70.0
12/26 CoE	64,000	14.9	5,400	40.4	5,400	40.3	3,800	59.4	238.7	70.0

Note: Net profit refers to profit attributable to owners of parent.

Source: Company Data. Compiled by Strategy Advisors.

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1. Overview of H1 FY12/26 and Q2 Results

**Results for H1 FY12/26;
Sales +14.1% YoY,
OP +37.1% YoY**

In the H1 FY12/26 financial results, announced on July 31, the company reported net sales of ¥31.01 billion (+14.1% YoY), and operating profit of ¥2.65 billion (+37.1% YoY)—both of which were record highs for H1. The average exchange rate for the six-month period was USD/JPY 158.31. By segment, the Chemicals segment led the overall performance with a 21.8% YoY increase in net sales and a 51.5% YoY increase in operating profit. This was driven in part by a rise in the sales ratio of EHD Products. The Cosmetics segment saw an 8.6% YoY decline in net sales and a 38.1% YoY decline in operating profit, primarily due to inventory adjustments at major domestic distributors. Ordinary profit rose 54.6% YoY, driven not only by the increase in operating profit but also by positive factors resulting from the yen's depreciation at the end of the period. Additionally, interim profit attributable to owners of parent saw a significant YoY increase of 95.2%, primarily due to a decrease in tax expenses.

**Q2 (3 months) – Sales &
Profit Up QoQ**

In Q2 (3 months), net sales increased to ¥15.99 billion (+14.3% YoY), and operating profit rose to ¥1.49 billion (+38.5% YoY). Compared to Q1 (QoQ), net sales rose 6.5% and operating profit increased 28.9%, resulting in both higher sales and a significant increase in profit. On a QoQ basis by segment, both the Chemicals and Cosmetics segments posted increases in both sales and profit. In the Chemicals segment, a major factor was the full contribution in Q2 from the non-fluorinated water repellent “Zelan™” business, which was acquired in March from The Chemours Company, a global U.S. chemical company.

**Revised Upward FY12/26
Forecast;
Sales ¥64.0 Billion,
OP ¥5.4 Billion**

Based on strong first-half results and the outlook for H2, the company has revised upward its full-year forecast for FY12/26. The new forecast calls for net sales of ¥64.0 billion (+¥5.5 billion), operating profit of ¥5.4 billion (+¥1.2 billion), ordinary profit of ¥5.4 billion (+¥1.35 billion), and profit attributable to owners of parent of ¥3.8 billion (+¥1.0 billion). The exchange rate assumption was revised from ¥150 to ¥158 per USD (H1 actual: ¥158.31 → H2 assumption: ¥157.69). The projected dividend per share for FY12/26 was maintained at ¥70 (DOE 3.0%), representing ¥10 increase from the previous fiscal year. The forecast incorporates the impact of soaring raw material prices due to the escalating tensions in the Middle East, as well as the resulting price adjustment effects that can be assessed at this time; it also takes into account the contribution from the “Zelan™” non-fluorinated water repellents business, which was acquired in March 2026 (see Chapter 10 for details).

**Cosmetics Segment Plans to
Rebound in H2**

In the Cosmetics segment, to achieve the full-year plan, the company must recover from the somewhat sluggish performance in H1 during H2. While sales and profit declined YoY in the first half, this was due to a reaction to the strong performance of ODM products in the same period of the previous year—driven by the contribution from newly acquired product orders—as well as inventory adjustments by major domestic distributors. In H2, these temporary factors are expected to be largely resolved; furthermore, the effects of new

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product launches and sales promotion efforts resulting from the strengthening of the sales department are expected to materialize, bringing the business back to a YoY growth trajectory in both sales and profit.

Construction of the Fukui Smart Factory Is Proceeding as Scheduled

Construction of the Fukui Smart Factory, which will serve as a new plant for Cosmetics, is proceeding as scheduled toward completion on May 21, 2027. Installation of the building's exterior walls and rooftop equipment has been completed, and as of August, work is underway on the entrance, interior finishes on each floor, and utility systems. In addition, a hazardous materials warehouse and a wastewater treatment facility are currently under construction. The total investment is projected to be approximately ¥19.5 billion. In December 2025, the company secured a ¥3 billion loan under a syndicated loan agreement (total amount: ¥14 billion). Furthermore, in preparation for the transition of factory operations, the company is proceeding with plans to secure six months' worth of product inventory by the end of August; as of the end of August, the progress rate reached 100% (six months' worth).

Figure 1. Summary of H1 FY12/26 Financial Results (¥mn)

FY	12/25			12/26				
	H1	H2	Full Year	H1	YoY	Progress Rate	CoE (Old)	CoE (New)
Net Sales	27,180	28,525	55,705	31,008	14.1%	48.5%	58,500	64,000
Cost of Sales	17,300	18,207	35,507	19,495	12.7%	-	-	-
Gross Profit	9,879	10,318	20,197	11,512	16.5%	-	-	-
Gross Profit Margin	36.3%	36.2%	36.3%	37.1%	-	-	-	-
SG&A Expenses	7,943	8,407	16,350	8,859	11.5%	-	-	-
Operating Profit	1,935	1,912	3,847	2,653	37.1%	49.1%	4,200	5,400
OP Margin	7.1%	6.7%	6.9%	8.6%	-	-	7.2%	8.4%
Non-Operating Income	155	283	438	201	29.7%	-	-	-
Non-Operating Expenses	339	97	436	146	-56.9%	-	-	-
Ordinary Profit	1,752	2,097	3,849	2,708	54.6%	50.1%	4,050	5,400
Ordinary Profit Margin	6.4%	7.4%	6.9%	8.7%	-	-	6.9%	8.4%
Extraordinary Income	135	23	158	18	-86.7%	-	-	-
Extraordinary Losses	3	4	7	58	1,833.3%	-	-	-
Profit before Income Taxes	1,884	2,116	4,000	2,668	41.6%	-	-	-
Income Taxes	726	576	1,303	534	-26.4%	-	-	-
Tax Rate	38.5%	27.2%	32.6%	20.0%	-	-	-	-
Profit	1,158	1,539	2,697	2,133	84.2%	-	-	-
Profit Attributable to Non-Controlling Interests	161	151	312	187	16.1%	-	-	-
Profit Attributable to Owners of Parent	997	1,387	2,384	1,946	95.2%	51.2%	2,800	3,800
Net Profit Margin	3.7%	4.9%	4.3%	6.3%	-	-	4.8%	5.9%

Note: Progress rates are calculated based on the new full-year forecast.

Source: Company Data. Compiled by Strategy Advisors.

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Figure 2. Summary of H1 FY12/26 Financial Results by Segment (¥mn)

FY	12/25			12/26				
	H1	H2	Full Year	H1	YoY	Progress Rate	CoE (Old)	CoE (New)
Net Sales	27,180	28,525	55,705	31,008	14.1%	48.5%	58,500	64,000
Chemicals Business	19,602	20,292	39,894	23,876	21.8%	49.5%	41,800	48,200
Cosmetics Business	7,337	7,922	15,259	6,706	-8.6%	45.3%	15,800	14,800
Other	240	310	550	425	77.1%	42.5%	900	1,000
Operating Profit	1,935	1,912	3,847	2,653	37.1%	49.1%	4,200	5,400
Chemicals Business	2,106	1,842	3,948	3,191	51.5%	55.0%	4,150	5,800
Cosmetics Business	818	1,148	1,966	506	-38.1%	29.8%	2,050	1,700
Other	39	51	90	3	-92.3%	6.0%	100	50
Eliminations, etc.	-1,027	-1,132	-2,158	-1,049	2.1%	48.8%	-2,100	-2,150
(OP Margin)	7.1%	6.7%	6.9%	8.6%	-	-	7.2%	8.4%
Chemicals Business	10.7%	9.1%	9.9%	13.4%	-	-	9.9%	12.0%
Cosmetics Business	11.1%	14.5%	12.9%	7.5%	-	-	13.0%	11.5%

Note: Progress rates are calculated against the new full-year forecast.

Source: Company Data. Compiled by Strategy Advisors.

Figure 3. Summary of H1 FY12/26 Financial Results (Quarterly, ¥mn)

FY	12/24				12/25				12/26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net Sales	12,228	13,816	13,432	14,623	13,195	13,985	14,037	14,488	15,017	15,991
Cost of Sales	7,959	8,788	8,610	9,450	8,413	8,887	9,047	9,160	9,626	9,869
Gross Profit	4,268	5,028	4,823	5,172	4,782	5,097	4,991	5,327	5,391	6,121
Gross Profit Margin	34.9%	36.4%	35.9%	35.4%	36.2%	36.4%	35.6%	36.8%	35.9%	38.3%
SG&A Expenses	3,680	3,989	3,941	4,162	3,926	4,017	4,026	4,381	4,231	4,628
Operating Profit	588	1,038	882	1,011	856	1,079	966	946	1,159	1,494
OP Margin	4.8%	7.5%	6.6%	6.9%	6.5%	7.7%	6.9%	6.5%	7.7%	9.3%
Non-Operating Income	192	220	-30	220	70	85	104	179	87	114
Non-Operating Expenses	14	17	20	94	122	217	62	35	70	76
Ordinary Profit	766	1,241	832	1,137	804	948	1,007	1,090	1,176	1,532
Ordinary Profit Margin	6.3%	9.0%	6.2%	7.8%	6.1%	6.8%	7.2%	7.5%	7.8%	9.6%
Extraordinary Income	0	1	1	2	0	135	0	23	16	2
Extraordinary Losses	0	1	3	72	1	2	0	4	1	57
Profit before Income Taxes	766	1,241	830	1,067	803	1,081	1,006	1,110	1,191	1,477
Income Taxes	376	268	125	106	425	301	298	279	162	372
Tax Rate	49.1%	21.6%	15.1%	9.9%	52.9%	27.8%	29.6%	25.1%	13.6%	25.2%
Profit	390	972	705	962	378	780	708	831	1,029	1,104
Profit (Loss) Attributable to Non-Controlling Interests	71	74	74	55	85	76	92	59	109	78
Profit (Loss) Attributable to Owners of Parent	318	899	631	906	292	705	616	771	919	1,027
Net Profit Margin	2.6%	6.5%	4.7%	6.2%	2.2%	5.0%	4.4%	5.3%	6.1%	6.4%

Source: Company Data. Compiled by Strategy Advisors.

2. Trends by Business

1) Chemicals

Segment OP:
¥3.19 billion, +51.5% YoY

In H1 FY12/26, the Chemicals segment reported net sales of ¥23.88 billion (+21.8% YoY), and segment operating profit of ¥3.19 billion (+51.5% YoY). Sales ratio of EHD Products accounted for 48.1% of net sales (+2.9 ppt YoY), contributing to improved operating profit margins. Excluding the impact of foreign exchange fluctuations (a positive impact of ¥1.30 billion YoY), net sales increased by ¥2.97 billion YoY. Breaking down this ¥2.97 billion increase by region, Japan accounted for ¥170 million, China for ¥1.62 billion, South Korea for ¥630 million, and other regions for ¥550 million (all positive contributions). Growth in China and South Korea drove the overall increase. In other regions, growth in India and Bangladesh contributed to the increase. Segment operating profit increased YoY because of higher sales, as well as positive factors resulting from exchange rate fluctuations.

Textile Chemicals Segment:
EHD Products Show Growth

In the Textile Chemicals segment, sales of EHD Products—including non-fluorinated water repellents (including those from the acquired business), environmentally conscious process agents, and water-based polyurethane resins—increased. Sales of PFC-free durable water repellents, excluding “Zelan™”, also grew significantly. Additionally, the processing plants of a major textile processing customer in China continued to operate at strong capacity. The contract manufacturing business in South Korea also performed well. Elsewhere in Asia, in addition to growth in the Indian business, a recovery trend is evident across the Asian region as a whole, including Bangladesh. Furthermore, during H1 FY12/26, customers did not place advance orders for the Company’s products in anticipation of a blockade of the Strait of Hormuz; consequently, it appears that no fluctuations in demand occurred due to supply chain disruptions.

Status of the Electronic
Materials Sector — Global
Growth in New Business

In the electronic materials sector (including specialty chemicals), demand is recovering for coolant chemicals for semiconductor processing (Ohtomo-Chemical), which are one of EHD Products. Additionally, new business opportunities (such as chemicals for mid-stream semiconductor processes) are on the rise globally, particularly in China.

Status of the Functional
Chemicals Sector — Growth
in Rubber Processing
Additives

In the chemicals sector, rubber processing aids—one of our EHD Products—are experiencing growth globally (particularly in China). We estimate that this sector is expected to have a ripple effect across a wide range of industries, starting with the automotive sector. Sales of cleaning detergents and medical device cleaning agents also increased.

EHD Products Focus on the
“D” Domain; India and
Bangladesh Show Strong
Performance by Region

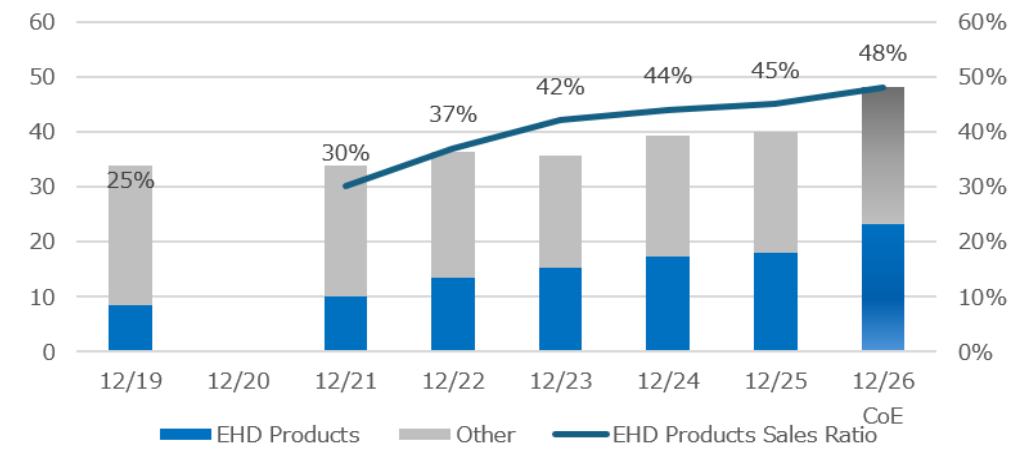
Across the segment, demand is showing signs of recovery from the slump in the global textile industry last fiscal year, which was caused by U.S. tariff policies. The sales growth rate for EHD Products rose 22% YoY, including the impact of the acquisition of the “Zelan™” business; net sales of EHD Products excluding “Zelan™” also increased steadily. In the “D” domain, which is a key focus area, the Company are promoting global expansion centered on China,

Taiwan, and South Korea. Regarding the acquisition of new business, progress is being made in the semiconductor midstream process segment of the electronic materials field, particularly in polishing and cleaning applications. Regarding expansion into new areas, textile processing chemicals have continued to perform well in India, while Bangladesh has also been showing signs of recovery, which is expecting for future growth prospects.

Initiatives to Improve Profitability

Profitability improvement efforts have focused on strategic sourcing initiatives, including raw material substitution, which have proven effective despite a challenging procurement environment marked by rising naphtha prices. Price revisions to offset higher costs have progressed largely as planned since Q2. In H1, EHD products generated a margin premium of 14% over conventional products, exceeding the 11.9% recorded in FY12/25, reaffirming that a higher EHD sales mix contributes directly to profitability through product mix improvement. Meanwhile, the impact of U.S. trade policies and raw material procurement risks stemming from heightened tensions in the Middle East remain key areas to monitor going forward.

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



Source: Company Data. Compiled by Strategy Advisors.

2) Cosmetics

For the Cosmetics segment, H1 results showed net sales of ¥6.71 billion (-8.6% YoY), and operating profit of ¥510 million (-38.1% YoY). Exchange rate fluctuations had a positive impact of ¥30 million on net sales YoY. Net sales were affected by the economic slowdown in South Korea. In the domestic ODM business (Yamada Pharmaceutical), repeat demand from clients with whom business began two years prior declined YoY. In the domestic salon business, although sales decreased due to inventory adjustments by major distributors, sales from distributors to salons remained steady. Segment operating profit declined YoY due to the impact of lower sales, as well as negative effects such as increased personnel expenses in anticipation of future business expansion. Sales in the Domestic Salon Business declined due to inventory adjustments at a major distributor. However, since sales from distributors to beauty salons themselves remain robust, the sales decline in H1 is viewed as a temporary

Segment OP:
¥510 million, -38.1% YoY

Domestic Salon Business:
Impact of Inventory

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Adjustments by Major Distributors

phenomenon. Meanwhile, the 32 products in the bleach-free line—a new addition to the “TOIROCTION” hair color series—got off to a strong start, with initial orders exceeding three times the planned volume. Three products from the new oil brand “FeTeE” were launched in September.

Domestic ODM Business: Decline in Repeat Demand for New Orders

Yamada Pharmaceutical, which operates a domestic ODM business, saw a decline in repeat demand for new orders compared to the previous year, but is currently securing new projects. Meanwhile, orders from existing major customers increased.

DEMI Korea: Impacted by South Korea’s Economic Stagnation

In South Korea (DEMI Korea), the impact of the domestic economic slowdown persisted. Sales of hair care products declined by 10% YoY. Additionally, three products from the “FeTeE” oil brand are scheduled to launch this fall, following their release in Japan.

Progress on Initiatives

The company’s Cosmetics segment is currently expanding its sales force—including new graduates—to strengthen sales promotion activities. Through strategic cost increases, the division aims to expand its business scale in preparation for future production increases. Furthermore, user awareness is steadily improving, driven by the company’s owned media platform, “DEMI LABO”. Demand is expected to grow for the “TOIROCTION” bleach-free line, a new concept in hair color that eliminates the need for bleaching and achieves high-brightness, high-saturation color in a single step. “FeTeE” is a new oil brand featuring formulations and fragrances tailored to the needs of customers in both Japan and South Korea, and sales are expected to expand in both countries. In H2 FY12/26, we will be watching to see if there are signs of success in acquiring new salons and expanding market share within existing salons.

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

FY	12/24				12/25				12/26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net Sales	12,228	13,816	13,432	14,623	13,195	13,985	14,037	14,488	15,017	15,991
Chemicals Business	9,043	10,143	9,897	10,295	9,730	9,872	9,873	10,419	11,530	12,346
Cosmetics Business	3,130	3,577	3,450	4,114	3,300	4,037	4,007	3,915	3,287	3,419
Others	53	97	85	214	163	77	157	153	199	226
Operating Profit	588	1,038	882	1,011	856	1,079	966	946	1,159	1,494
Chemicals Business	821	1,035	957	911	1,078	1,028	873	969	1,499	1,692
Cosmetics Business	239	436	478	669	262	556	612	536	187	319
Others	-4	-5	4	63	8	31	11	40	-20	23
Cancellation, etc.	-467	-428	-557	-633	-493	-535	-530	-600	-506	-543
OP Margin (%)	4.8%	7.5%	6.6%	6.9%	6.5%	7.7%	6.9%	6.5%	7.7%	9.3%
Chemicals Business	9.1%	10.2%	9.7%	8.8%	11.1%	10.4%	8.8%	9.3%	13.0%	13.7%
Cosmetics Business	7.6%	12.2%	13.9%	16.3%	7.9%	13.8%	15.3%	13.7%	5.7%	9.3%

Source: Company Data. Compiled by Strategy Advisors.

3. Earnings Outlook and Key Points to Watch

Company Forecasts Revised Upward

The new company's forecast for FY12/26 is ¥64.0 billion in net sales and ¥5.4 billion in operating profit. Compared to H1 results (net sales of ¥31.01 billion, operating profit of ¥2.65 billion), the forecast for the second half indicates net sales of ¥32.99 billion—an increase of ¥1.98 billion HoH—and operating profit of ¥2.75 billion, an increase of ¥90 million HoH. By segment, H2 forecast for Chemicals projects net sales of ¥24.32 billion, an increase of ¥450 million HoH, and segment operating profit of ¥2.61 billion, a decrease of ¥580 million HoH. Meanwhile, for Cosmetics, net sales are projected to rise by ¥1.39 billion HoH to ¥8.09 billion, and segment operating profit is projected to increase by 690 million HoH to ¥1.19 billion. In the Cosmetics segment, a certain degree of performance recovery on a month-over-month basis will be necessary in the second half to achieve the plan. Meanwhile, in the Chemicals segment, although there are risks of fluctuations in the business environment due to the escalating tensions in the Middle East, there are also significant positive factors, such as the rising sales ratio of EHD Products, including the acquisition of the “Zelan™” business. Taking these factors into account, we believe the full-year forecast for the company as a whole is fully achievable.

Three Key Points for Achieving the Forecast

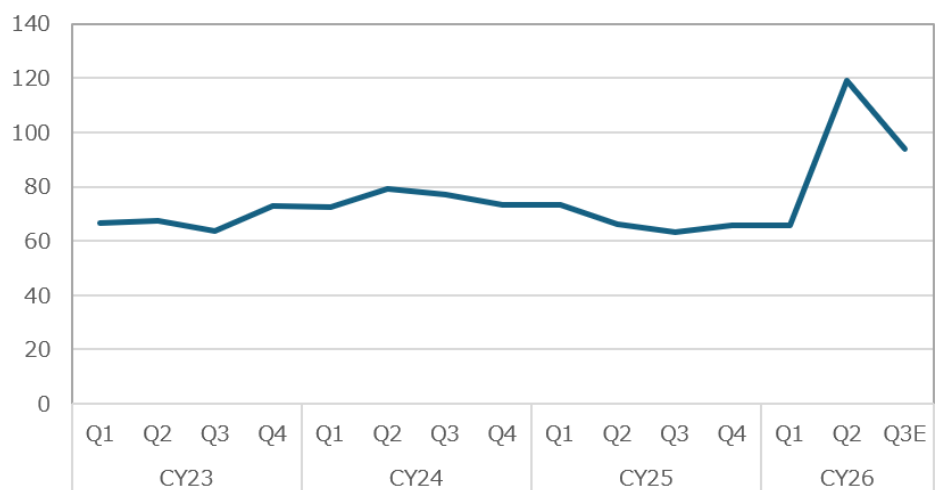
We identify three key factors for achieving the company's forecast for FY12/26: (1) raw material procurement and price adjustments, (2) the “Zelan™” business, and (3) demand trends in the Cosmetics segment.

(1) Raw Material Procurement and Price Adjustments

Domestic naphtha prices stood at 65,700 JPY/KL in Q1, 118,900 JPY/KL in Q2, and are forecast to be 93,700 JPY/KL in Q3 (data based on industry benchmarks in Japan). Prices are expected to peak in Q2 and then decline slightly in Q3, suggesting that the price surge is beginning to stabilize. The company procures various naphtha-derived raw materials and supplies, but the prices of these items do not necessarily correlate with domestic naphtha prices. Overall, the company's inventory levels of raw materials (including supplies) are not at a level that would seriously impact production. Furthermore, in its new medium-term business plan “INNOVATION30” announced in February, the company set forth cost reductions through “strategic procurement” of Chemicals. Strategic procurement refers to the diversification of procurement routes for raw materials and Chemicals by utilizing bases in China and elsewhere. The implementation of this strategy and the maintenance of stable operations have had a positive impact on H1 results, and this positive effect is expected to continue in the second half.

In response to soaring prices of raw materials (including supplies), the company implemented price revisions for its Chemicals customers starting in mid-May, and these revisions appear to have been generally accepted. It is reasonable to assume that customers did not engage in significant preemptive purchasing prior to the price revisions. Going forward, if prices of raw materials (including supplies) rise further, the company is expected to be able to generate an appropriate level of contribution margin provided it can pass on the cost increases to prices in a timely manner.

Figure 6. Trends in Domestic Naphtha Prices (¥1,000/KL)



Note: CY26Q3E represents the industry consensus forecast.
Source: Company Data. Compiled by Strategy Advisors.

(2) “Zelan™” Business

The company’s “Zelan™” business, acquired in March, posted net sales of just over ¥500 million (our estimate) based on Q2 (3-month) results, with an operating profit margin exceeding 10% (our estimate), even after including one-time costs related to the business transfer. In H2 FY12/26, with these one-time costs eliminated, the business is likely to achieve a high operating profit margin on par with that of existing EHD Products. While the sales ratio of EHD products accounted for 48.1% of net sales in H1, on a quarterly basis, the ratio was 45.2% in Q1 and 50.6% in Q2, meaning the ratio already exceeded 50% in Q2. Therefore, it is entirely reasonable to expect that the ratio will remain around 50% in H2 as well.

(3) Demand Trends for Cosmetics

In the Cosmetics segment, the company is strengthening its activities by increasing its sales force in conjunction with the expansion of production capacity following the completion of the new plant, Fukui Smart Factory in May 2027. The company is working to secure new projects in its domestic ODM business, as well as to acquire new salon customers and expand its market share among existing customers in its domestic salon business. H2 FY12/26 marks a period of expanding sales for new products (such as the bleach-free line of “TOIROCTION” and “FeTeE”), and the company aims to seize this opportunity to steadily increase its market share. Steadily advancing such growth strategies—which are less susceptible to macroeconomic fluctuations—will be the best approach to countering demand volatility.

4. Valuation and Stock Price Outlook

Current Stock Price Level

NICCA CHEMICAL’s stock price fell due to uncertainty surrounding the Trump administration’s imposition of reciprocal tariffs in April 2025, and at one point even dipped below ¥1,200. Subsequently, driven by solid earnings performance, the stock price continued to rise generally and consistently. The upward trend continued into 2026, and following a detailed explanation of the new medium-term business plan announced in February, the stock hit a year-

to-date high of ¥1,865 during regular trading on February 24. Although the stock subsequently entered a downward trend amid growing macroeconomic uncertainty stemming from the deteriorating situation in the Middle East, it rebounded following the announcement of strong first-quarter earnings on April 30. Following the announcement of strong first-half results on July 31, the stock price rose further, reaching ¥2,143 during regular trading that day—a record high since the company’s listing on the Tokyo Stock Exchange. It is currently trading around ¥2,000. However, the situation regarding the company’s low valuation has not improved.

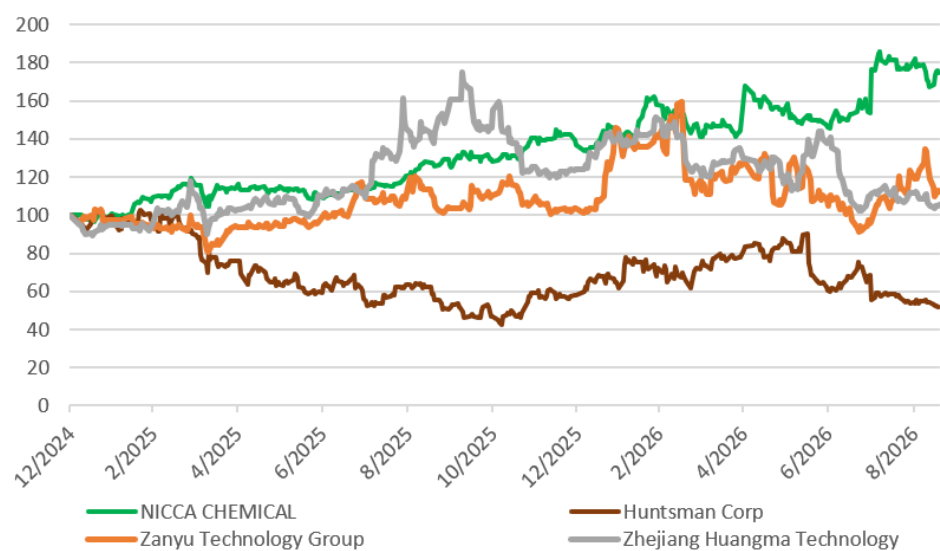
Steady Implementation of Mid-Term Plan Measures Increases the Probability of Realizing the Equity Story

We define NICCA CHEMICAL’s equity story as “a major transformation of business structure and a fundamental overhaul of financial and capital policies”. If the likelihood of realizing this equity story increases through the steady execution of the new medium-term business plan’s initiatives, the resulting rise in valuation will create further upside potential for the stock price.

Comparison Among Global Surfactant Companies

We compare the company’s stock price trends with those of global surfactant companies. Its U.S. competitor, Huntsman, has continued to struggle—including posting an operating loss for the FY12/24 period—and its recent performance has deteriorated. The performance of the two Chinese companies (Zanyu Technology Group and Zhejiang Huangma Technology) is highly volatile, but recently, both have shown similar trends. Although it is difficult to evaluate the company relative to its peers due to the lack of comparable domestic competitors, it appears that expectations for earnings growth driven by an increase in the sales ratio of EHD Products and the expansion of the Cosmetics business have not been fully factored into the stock price. On the other hand, its recent earnings growth has shown stability, and it can be said that the company has begun to demonstrate relatively robust performance.

Figure 7. NICCA CHEMICAL and Global Surfactant Companies' Stock Price Comparison (End of December 2024 = 100)

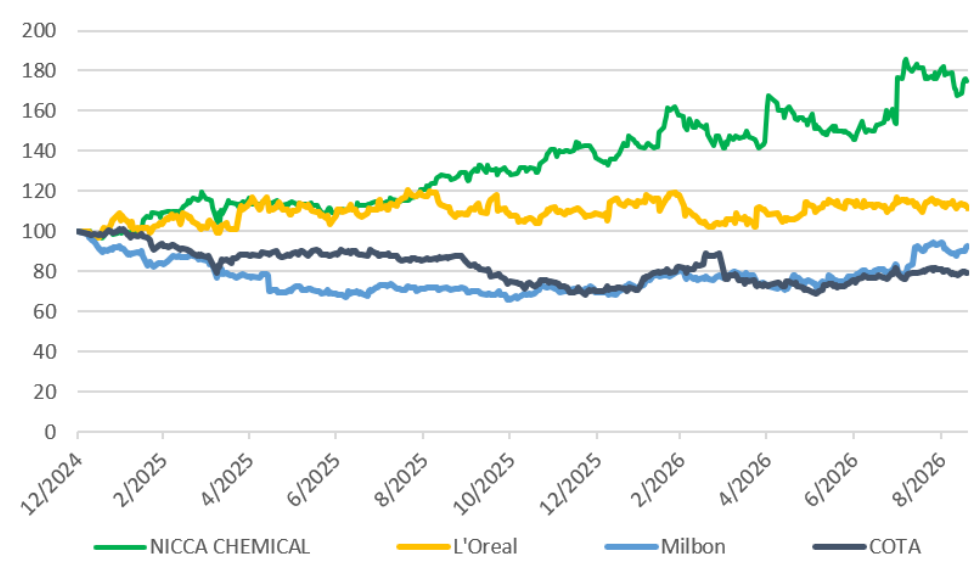


Source: Company Data. Compiled by Strategy Advisors.

Comparison Among Professional Cosmetics Companies

Next, we compare the company's stock price trend with that of other professional cosmetics companies. France's L'Oréal is a major player in the Cosmetics industry overall—not just in the professional sector—and has demonstrated stable performance. Milbon, the domestic market leader, possesses a stable corporate structure backed by a high market share, but its earnings growth has recently stagnated. Its stock price has also continued on a downward trend, with no signs of recovery even as entered in 2026. COTA's stock price had been performing well in recent years, backed by high profit growth rates, but turned weak in 2025 due to sluggish earnings, and this slump has continued into 2026. Meanwhile, the company has yet to overcome its low brand recognition as a Cosmetics firm. However, its earnings growth has shown stability since FY12/24, and given its solid performance amid a challenging market environment, the company's relative performance has been favorable in recent years. Following strong financial results for H1 FY12/26, this strong relative performance has become increasingly evident.

Figure 8. NICCA CHEMICAL and Professional Cosmetics Companies' Stock Price Comparison (End of December 2024 = 100)



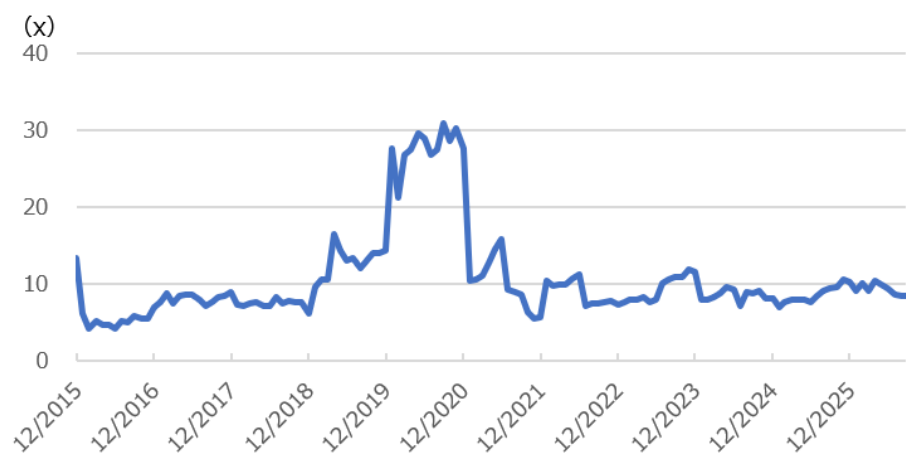
Source: Company Data. Compiled by Strategy Advisors.

<Valuation Trends>

Trends in the PER

The company's PER has generally fluctuated within a range of 7 to 12x, except for FY12/20, when the company's EPS forecast was low due to the spread of COVID-19. From 2025 onward, the PER has been in the 8–9x range, and even at present, there are no signs of a significant rise in this level. Strong earnings continued into 2026, and the PER temporarily exceeded 10x following a rise in the stock price after the Q1 earnings announcement. However, following the announcement of first-half results, the PER fell back below 10x due to an upward revision of the company's EPS forecast for FY12/26.

Figure 9. Trends in NICCA CHEMICAL's PER

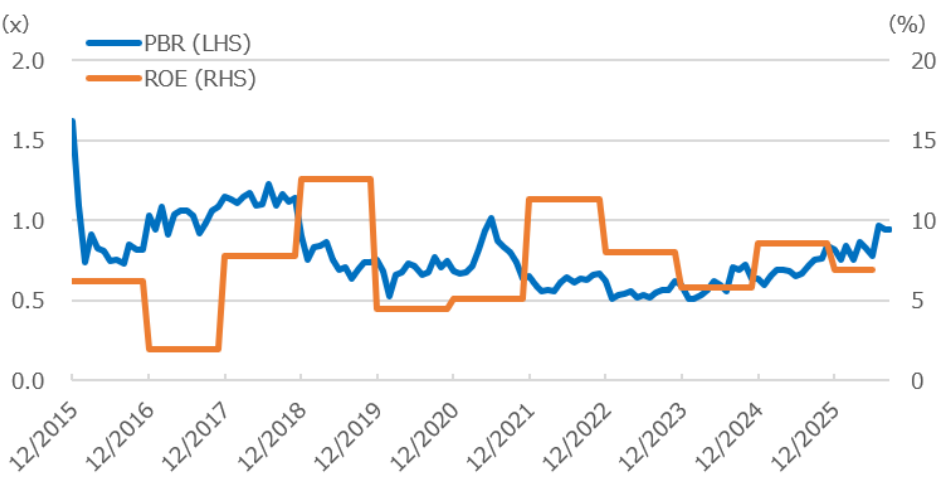


Note: PER = Stock price ÷ Company's projected EPS for the fiscal year
Source: Company Data. Compiled by Strategy Advisors.

PBR Trends

On the other hand, the PBR has remained below 1.0x since 2019. However, signs of gradual improvement have been evident in recent years, and it currently stands at around 0.9x. Incidentally, while ROE improved from 5.8% in FY12/23 to 8.6% in FY12/24, it temporarily fell to 6.9% in FY12/25 due to a decline in net income caused by non-operating foreign exchange losses and other factors. However, it rose to 10.7% in the H1 FY12/26, and is expected to exceed 10% for the full year. The PBR is likely to continue its upward trend going forward.

Figure 10. Trends in NICCA CHEMICAL's ROE and PBR



Source: Company Data. Compiled by Strategy Advisors.

<Comparison of Profitability and Valuation with Competitors>

Profitability Comparison

The company's ROE (based on FY12/25 results) of 6.9% lags behind Zhejiang Huangma Technology among global surfactant competitors but outperforms Huntsman and Zanyu Technology Group. On the other hand, when compared with competitors in the professional cosmetics sector, the company trails L'Oreal and COTA but is on par with Milbon. However, since the company's

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ROE for Chemicals is relatively low, it is assumed that, when limited to the Cosmetics segment, it does not significantly lag behind domestic competitors (based on FY12/25 results).

Valuation Comparison

In terms of stock valuation, when comparing the company's PBR of 0.9x to that of global surfactant competitors, while it is higher than Huntsman's, it is at a disadvantage because both Chinese companies exceed 1.0x. Furthermore, when comparing the company's PER to that of competitors in the professional Cosmetics sector, Milbon's 22.4x and COTA's 27.5x significantly outpace the company's figure. In the PBR comparison as well, L'Oréal leads at 5.7x, followed by COTA at 2.9x and Milbon at 2.1x, indicating that the company lags significantly behind. To break out of this low-valuation state, it will be crucial to further improve ROE and steadily execute growth strategies in line with the new medium-term business plan "INNOVATION30."

Figure 11. Profitability Comparison with Competitors

Company	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	-2.6	3.1	42.2	0.67
Zanyu Technology Group	002637	12/25	3.8	4.9	3.8	5.0	44.1	0.57
Zhejiang Huangma Technology	603181	12/25	17.8	13.3	11.6	26.0	79.8	-0.02
L'Oreal	OR	12/25	20.2	18.0	14.3	23.9	56.6	0.06
Milbon	4919	12/25	10.7	7.0	8.5	15.1	84.9	-0.24
COTA	4923	3/26	20.8	12.3	11.7	24.0	76.3	-0.50
Average			11.4	7.5	7.5	15.4	61.6	0.10

Source: Company Data. Compiled by Strategy Advisors.

Figure 12. Valuation Comparison with Competitors

Company	Code	FY	Stock Price	Mkt Cap.	PER	PBR	EV/ EBITDA	Dividend Yield	Payout Ratio	ROE
			(9/24)		CoE	Actual		CoE	CoE	CoE
			(¥)	(¥bn)	(x)	(x)	(x)	(%)	(%)	(%)
NICCA CHEMICAL	4463	12/25	2,001	35.4	8.4	0.9	6.0	3.5	29.3	10.2
Huntsman Corp	HUN	12/25	1,423	245.6	-	0.6	9.7	-	-	-1.5
Zanyu Technology Group	002637	12/25	255	111.1	12.0	1.3	-	-	-	11.4
Zhejiang Huangma Technology	603181	12/25	299	176.2	-	2.3	-	-	-	-
L'Oreal	OR	12/25	68,277	36,445.1	27.9	5.7	18.1	-	-	20.7
Milbon	4919	12/25	3,235	104.5	22.4	2.1	10.4	2.7	60.8	9.2
COTA	4923	3/26	1,221	39.5	27.5	2.9	15.6	1.6	45.1	11.2
Average					19.6	2.3	12.0	2.6	45.1	10.2

Note: Stock prices for overseas companies are closing prices as of September 23.

ROE (company forecast) is calculated by multiplying the company's forecast net income for the current fiscal year by shareholders' equity as of the end of the most recent quarter. The EBITDA used for EV/EBITDA is calculated by adding the most recent actual depreciation expense to the company's forecast operating profit. Forecasts for overseas companies are based on FactSet consensus estimates.

Source: Company Data. Compiled by Strategy Advisors.

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Comparison with KOMATSU MATERE, SEIREN, MATSUMOTO YUSHI-SEIYAKU, & TOHO CHEMICAL INDUSTRY

<Reference Comparison 1: Textile Industry Supply Chain>

NICCA CHEMICAL's original business was surfactants for the textile industry. Here, we compare the company with four domestic firms belonging to the same supply chain: KOMATSU MATERE (3580, TSE Prime), SEIREN (3569, TSE Prime), MATSUMOTO YUSHI-SEIYAKU (4365, TSE Standard), and TOHO CHEMICAL INDUSTRY (4409, TSE Standard). It should be noted that MATSUMOTO YUSHI-SEIYAKU and TOHO CHEMICAL INDUSTRY also handle surfactants and can be considered competitors in a broad sense. Among the five companies, Seiren has the highest ROE at 10.2%, while Komatsu Materiel has the lowest at 3.8%. NICCA CHEMICAL's 6.9% represents the median. Meanwhile, regarding PBR, among the four companies with a PBR below 1x—excluding Seiren, which has the highest at 1.2x—the company's PBR of 0.9x placed it at the top. This is due to a significant increase from the 0.6x recorded at the time of the initiation report's publication in July 2025. This is likely because expectations for medium- to long-term ROE improvement, driven by the rising proportion of EHD Products net sales, have gradually been factored into the stock price.

Figure 13. Comparison of Profitability with Companies in the Textile Industry Supply Chain

Company	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
KOMATSU MATERE	3580	3/26	6.0	3.8	3.8	10.0	76.5	-0.23
SEIREN	3569	3/26	12.1	10.2	8.7	15.8	71.8	-0.18
MATSUMOTO YUSHI-SEIYAKU	4365	3/26	19.9	9.5	5.6	22.3	84.2	-0.37
TOHO CHEMICAL INDUSTRY	4409	3/26	3.9	6.8	3.0	9.1	33.9	0.97
Average			9.8	7.5	5.2	13.6	62.8	0.07

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. Valuation Comparison with Companies in the Textile Industry Supply Chain

Company	Code	FY	Stock Price	Mkt Cap.	PER	PBR	EV/ EBITDA	Dividend Yield	Payout Ratio	ROE
			(9/24)		CoE	Actual		CoE	CoE	CoE
			(¥)	(¥bn)	(x)	(x)	(x)	(%)	(%)	(%)
NICCA CHEMICAL	4463	12/25	2,001	35.4	8.4	0.9	6.0	3.5	29.3	10.2
KOMATSU MATERE	3580	3/26	758	29.7	14.4	0.7	6.7	3.6	51.5	5.0
SEIREN	3569	3/26	3,290	212.6	12.3	1.2	6.3	2.3	28.4	9.5
MATSUMOTO YUSHI-SEIYAKU	4365	3/26	23,500	106.0	10.0	0.8	8.2	1.9	19.2	7.4
TOHO CHEMICAL INDUSTRY	4409	3/26	802	17.1	9.1	0.7	7.6	3.1	28.4	7.4
Average					10.9	0.9	7.0	2.9	31.4	7.9

Note: ROE (company forecast) is calculated by multiplying the company's forecast net income for the current fiscal year by shareholders' equity as of the end of the most recent fiscal quarter. The EBITDA used for EV/EBITDA is calculated by adding the most recent actual depreciation expense to the company's forecast operating profit.

Source: Company Data. Compiled by Strategy Advisors.

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Comparison with Shiseido, Kose, POLA ORBIS HD, & Kao

Potential for Valuation Re-Rating as the Company Gains Greater Recognition as a Cosmetics-Related Stock

<REFERENCE Comparison 2: Major Cosmetics Companies>

NICCA CHEMICAL, also operates as a cosmetics manufacturer. Therefore, we compare it with four major domestic cosmetics companies: Shiseido (4911, TSE Prime), Kose (4922, TSE Prime), POLA ORBIS HD (4927, TSE Prime), and Kao (4452, TSE Prime). Among the five companies, Kao has the highest ROE at 11.3%, but the others—NICCA CHEMICAL at 6.9%, Pola Orbis HD at 5.8%, and Kose at 5.4%—remain at low levels, while Shiseido posted a negative ROE of -6.6%. However, the PERs for all four companies exceed 20x, whereas NICCA CHEMICAL's ratio of 8.4x is significantly lower. Consequently, all four companies have PBRs exceeding 1.0x, significantly outpacing NICCA CHEMICAL's 0.9x. Furthermore, as mentioned earlier, the PBRs of Milbon and COTA—companies that compete with NICCA CHEMICAL in the professional Cosmetics sector—also far exceed 1.0x. This indicates that NICCA CHEMICAL's recognition as a Cosmetics company remains low.

The company plans to begin operations at the new plant, Fukui Smart Factory in 2027. If it can demonstrate its presence as a high-growth Cosmetics-related stock by expanding production capacity and leveraging the product development capabilities it has cultivated in the textile industry, there is ample potential for stock price upside as its current low valuation is corrected.

Figure 15. Profitability Comparison with Major Cosmetics Companies

Company	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
Shiseido	4911	12/25	-3.0	-6.6	-4.2	4.4	47.4	0.34
KOSE	4922	12/25	5.6	5.4	3.7	9.4	72.2	-0.29
POLA ORBIS HD	4927	12/25	9.2	5.8	7.2	14.0	82.3	-0.36
Kao	4452	12/25	9.7	11.3	8.5	14.8	56.7	-0.03
Average			5.7	4.6	4.0	10.7	61.2	-0.03

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Valuation Comparison with Major Cosmetics Companies

Company	Code	FY	Stock Price (9/24)	Mkt Cap.	PER CoE	PBR Actual	EV/ EBITDA	Dividend Yield CoE	Payout Ratio CoE	ROE CoE
			(¥)	(¥bn)	(x)	(x)	(x)	(%)	(%)	(%)
NICCA CHEMICAL	4463	12/25	2,001	35.4	8.4	0.9	6.0	3.5	29.3	10.2
Shiseido	4911	12/25	3,530	1,412.0	33.6	2.3	12.5	1.7	57.1	6.6
KOSE	4922	12/25	5,701	345.4	26.7	1.1	8.8	2.6	70.4	4.3
POLA ORBIS HD	4927	12/25	1,383	316.9	34.0	1.9	10.2	3.8	127.9	5.6
Kao	4452	12/25	3,485	1,580.8	23.4	3.0	5.7	0.0	0.0	12.1
Average					25.2	1.8	8.6	2.3	56.9	7.7

Note: ROE (company forecast) is calculated by multiplying the company's forecast net income for the current fiscal year by shareholders' equity as of the end of the most recent fiscal quarter. The EBITDA used for EV/EBITDA is calculated by adding the most recent actual depreciation expense to the company's forecast operating profit.

Source: Company Data. Compiled by Strategy Advisors.

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Comparison with Mitsubishi Chemical Group, ASAHI KASEI, Mitsui Chemicals, TOSOH, & SUMITOMO CHEMICAL

<Reference Comparison 3: Major Comprehensive Chemical Companies>

Surfactants are Chemicals and, broadly speaking, fall under the chemicals sector. Therefore, we compare them with the five major companies in the petrochemical industry: the Mitsubishi Chemical Group, ASAHI KASEI, Mitsui Chemicals, TOSOH, and SUMITOMO CHEMICAL. Among the five companies, Asahi Kasei has the highest ROE at 8.0%, while NICCA CHEMICAL ranks second at 6.9%. However, even among major diversified chemical companies—an industry generally recognized for its low ROE—it is undeniable that NICCA CHEMICAL tends to blend into the background. In terms of PER, NICCA CHEMICAL's 8.4x ranks last; all five major companies exceed 10x, led by Mitsui Chemicals at 17.3x. The PBR for this group falls within a range of 0.9 to 1.0x, close to 1.0x, while NICCA CHEMICAL's PBR stands at 0.9x, near the lower end of that range. Although the petrochemical industry is viewed as one with somewhat limited growth potential, the stock market may perceive NICCA CHEMICAL as a stock that tracks this sector.

Figure 17. Comparison of Profitability with Major Integrated Chemical Companies

Company	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
Mitsubishi Chemical Group	4188	3/26	0.8	0.7	0.3	8.1	30.0	0.99
ASAHI KASEI	3407	3/26	7.5	8.0	5.7	13.9	50.5	0.30
Mitsui Chemicals	4183	3/26	4.4	4.0	2.9	10.7	40.2	0.71
TOSOH	4042	3/26	9.4	5.0	5.7	14.1	59.0	0.07
SUMITOMO CHEMICAL	4005	3/26	6.5	6.4	6.1	11.7	29.6	1.03
Average			5.9	5.2	4.3	11.5	42.8	0.55

Source: Company Data. Compiled by Strategy Advisors.

Figure 18. Valuation Comparison with Major Integrated Chemical Companies

Company	Code	FY	Stock Price (9/24)	Mkt Cap.	PER CoE	PBR Actual	EV/ EBITDA	Dividend Yield CoE	Payout Ratio CoE	ROE CoE
			(¥)	(¥bn)	(x)	(x)	(x)	(%)	(%)	(%)
NICCA CHEMICAL	4463	12/25	2,001	35.4	8.4	0.9	6.0	3.5	29.3	10.2
Mitsubishi Chemical Group	4188	3/26	1,172	1,689.4	12.5	0.9	7.1	2.7	34.2	7.0
ASAHI KASEI	3407	3/26	1,607	2,194.1	13.4	1.0	6.5	2.7	36.8	7.6
Mitsui Chemicals	4183	3/26	2,150	863.6	17.3	0.9	8.4	3.5	60.3	5.2
TOSOH	4042	3/26	2,648	860.7	13.8	1.0	6.5	3.8	52.2	7.0
SUMITOMO CHEMICAL	4005	3/26	588	975.2	13.9	1.0	7.5	2.7	37.7	6.3
Average					13.2	1.0	7.0	3.2	41.8	7.2

Note: ROE (company forecast) is calculated by multiplying the company's forecast net income for the current fiscal year by shareholders' equity as of the end of the most recent fiscal quarter. The EBITDA used for EV/EBITDA is calculated by adding the most recent actual depreciation expense to the company's forecast operating profit.

Source: Company Data. Compiled by Strategy Advisors.

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EHD Products Are Considered a Broad-Based Specialty Chemical Product

Comparison with Resonac HD, Tokyo Ohka, Nissan Chemical, Sumitomo Bakelite, & Toyo Gosei

Creating Multiple Niche Markets with Strong Market Share in EHD Products

<Reference Comparison 4: Specialty Chemicals>

The surfactants produced by NICCA CHEMICAL are manufactured using a batch production method with small-scale equipment (reactors), enabling the flexible production of a wide variety of products. Furthermore, NICCA CHEMICAL's Chemicals segment is undergoing a major transformation in its business structure: the ratio of EHD Products sales to total net sales rose to 48.1% based on results for H1 FY12/25, and the company has set a target of 65% for FY12/35. The EHD Products line includes coolant chemicals for semiconductor processing, which the company classifies as specialty chemicals, as well as many high-value-added products in the Textile chemicals segment—such as fluorine-free water-repellent agents and environmentally conscious process agents—that contribute to solving societal challenges. Therefore, the EHD Products group could be considered specialty chemicals in the broad sense within the chemical industry.

Within the chemicals sector, we compare five companies that manufacture high-value-added products—Resonac HD (4004, TSE Prime), Tokyo Ohka Kogyo (4186, TSE Prime), Nissan Chemical (4021, TSE Prime), Sumitomo Bakelite (4203, TSE Prime), and Toyo Gosei (4970, TSE Prime)—as specialty chemical stocks. Among the six companies, Nissan Chemical has the highest ROE at 20.3%. NICCA CHEMICAL's ROE of 6.9% was the second-lowest, following Resonac's 4.3%. On the other hand, NICCA CHEMICAL has the lowest PER at 8.4x, while the other five companies all have high PERs of 20x or more. Based on the above, the PBRs—led by Tokyo Ohka Chemical at 4.4x—are all well above 1.0x for the five companies, showing a significant gap compared to NICCA CHEMICAL's 0.9x. This indicates that NICCA CHEMICAL is not currently recognized as a specialty chemicals stock.

If the company can leverage its surfactant technology development capabilities—cultivated in the textile industry—to create multiple niche markets with strong market share in EHD Products, its reputation as a highly profitable specialty chemicals stock will likely strengthen.

Figure 19. Profitability Comparison with Specialty Chemical Companies

Company	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
Resonac HD	4004	12/25	3.5	4.3	1.9	10.5	33.2	1.01
Tokyo Ohka Kogyo	4186	12/25	20.0	15.6	14.7	23.7	67.9	-0.20
Nissan Chemical	4021	3/26	22.7	20.3	16.8	28.3	71.9	0.00
Sumitomo Bakelite	4203	3/26	11.1	8.8	7.0	15.5	71.7	-0.26
Toyo Gosei	4970	3/26	8.7	10.3	5.2	20.9	41.0	0.85
Average			12.2	11.0	8.5	18.3	55.5	0.27

Source: Company Data. Compiled by Strategy Advisors.

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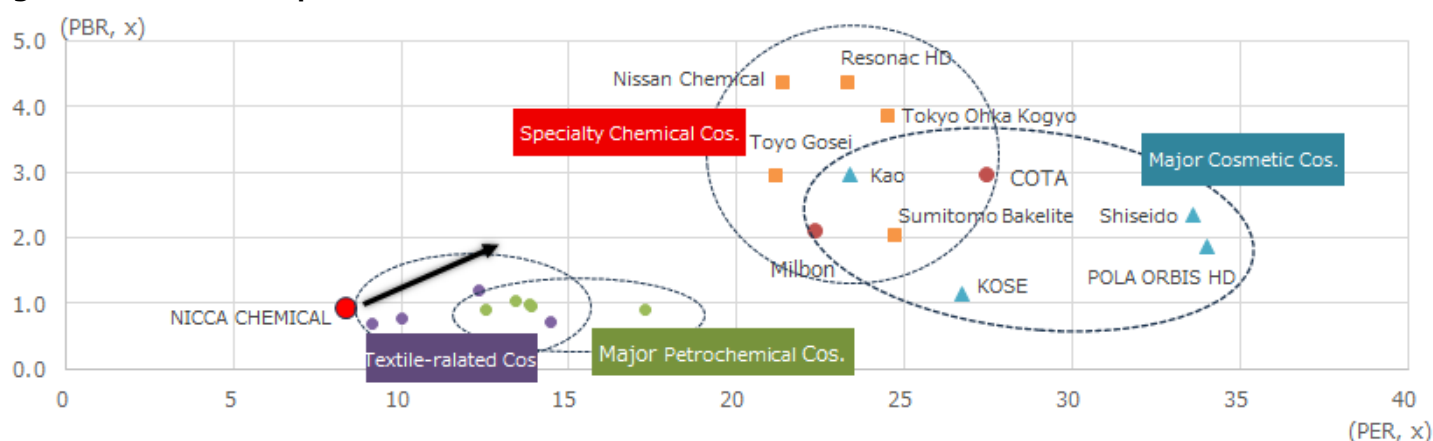
Figure 20. Valuation Comparison with Specialty Chemical Companies

Company	Code	FY	Stock Price (9/24)	Mkt Cap.	PER CoE	PBR Actual	EV/ EBITDA	Dividend Yield CoE	Payout Ratio CoE	ROE CoE
			(¥)	(¥bn)	(x)	(x)	(x)	(%)	(%)	(%)
NICCA CHEMICAL	4463	12/25	2,001	35.4	8.4	0.9	6.0	3.5	29.3	10.2
Resonac HD	4004	12/25	14,860	2,747.6	24.5	3.8	13.8	0.4	10.7	14.3
Tokyo Ohka Kogyo	4186	12/25	8,290	1,059.5	23.3	4.4	14.6	1.0	22.5	17.2
Nissan Chemical	4021	3/26	8,291	1,117.6	21.4	4.4	13.6	2.6	54.8	20.5
Sumitomo Bakelite	4203	3/26	8,030	708.6	24.7	2.0	11.9	1.5	36.9	7.9
Toyo Gosei	4970	3/26	10,150	82.7	21.2	2.9	9.8	0.5	10.4	13.2
Average					20.6	3.1	11.6	1.6	27.5	13.9

Note: ROE (company forecast) is calculated by multiplying the company's forecast net income for the current fiscal year by shareholders' equity as of the end of the most recent fiscal quarter. The EBITDA used for EV/EBITDA is calculated by adding the most recent actual depreciation expense to the company's forecast operating profit.

Source: Company Data. Compiled by Strategy Advisors.

Figure 21. Relationship between PER and PBR



Source: Company Data. Compiled by Strategy Advisors.

5. Equity Story

“Major Transformation of Business Structure & Fundamental Overhaul of Financial & Capital Policies”

We believe that an equity story is made up of a) realizable and precise business strategy and b) exciting dream. Furthermore, an equity story must fully leverage the company's inimitability, which has been cultivated based on its corporate DNA and is difficult to replicate. Currently, NICCA CHEMICAL is tackling two major challenges and is expected to satisfy both a) and b) simultaneously. We define NICCA CHEMICAL's equity story as “a major transformation of business structure and a fundamental overhaul of financial and capital policies”.

The Company Aims to Increase the Net Sales

First, we explain the “major transformation of our business structure”. In the Chemicals sector, the Company plan to focus on EHD Products and shift toward high-value-added businesses with strong growth potential. The term “EHD Products” refers to a collective term for products targeting the Environment,

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Proportion of EHD Products in the Chemicals Business

Health and Hygiene, and Digital (advanced materials) fields (as defined by NICCA CHEMICAL). Under its “INNOVATION30” initiative, the company has stated that it will focus particularly on the “D” domain. Furthermore, in the “E” domain, demand is growing for high-value-added products such as PFC-free durable water repellent agents, environmentally friendly process chemicals, and water-based polyurethane resins. It can be said that NICCA CHEMICAL, with its high technological potential, is riding a tailwind. The company plans to increase the ratio of EHD Products net sales to total chemicals net sales from 45.1% in FY12/25 to 65% in FY12/35. If the company can launch high-value-added EHD Products and capture a significant market share in the niche market, where demand is expected to expand rapidly, its recognition as a specialty chemicals-related stock in the broad sense will likely grow.

Cosmetics: Plans to Expand Production Capacity

In the cosmetics sector (hair care products, hair colorants, etc.), the company plans to expand production capacity to increase its current market share—which remains low in its primary domestic market. Additionally, the company aims to further develop overseas markets and expand its business scope. Since the company has already successfully differentiated its products for professional (hair salon) use, it is expected that growth will inevitably accelerate once bottlenecks are resolved through capacity expansion, enabling more aggressive sales promotion activities.

Target ROE of 10% or Higher / Strengthening Shareholder Return Policy

Second is a fundamental shift in financial and capital policy. NICCA CHEMICAL’s stock valuation is low in terms of both P/E and PBRs. The company has outlined the following basic policies to improve its low PBR: (1) reforming business profitability (as mentioned above), (2) reviewing financial and capital policies, and (3) strengthening SR/IR activities. As part of its financial and capital strategy, the company aims for ROE of 10% or higher. Furthermore, the company plans to prioritize WACC (currently 6%: company estimate) and aim to improve ROIC while utilizing financial leverage. The shareholder return policy has also undergone significant changes. Dividend per share increased from ¥10 in FY12/20 to ¥60 in FY12/25. The company forecasts that it will rise to ¥70 (DOE 3.0%) in FY12/26.

There Is Potential for the Company’s Currently Low Valuation to Be Revised Upward

NICCA CHEMICAL is a chemical manufacturer listed on the TSE Standard; as its headquarters are in Fukui Prefecture, it is not widely known to the public. However, the company’s fundamentals are sound, and its capital policy has shifted toward a shareholder-focused approach. As this equity story gradually gains recognition in the stock market, the current low valuation is expected to be revised upward. Going forward, the company’s profits are expected to expand steadily, so there is ample potential for the stock price to rise significantly, exceeding a PBR of 1x and a PER of 10x. If the company focuses even more on investor relations, a rise in both EPS (earnings per share) and valuation could lead to significant upside potential for the current stock price over the medium to long term.

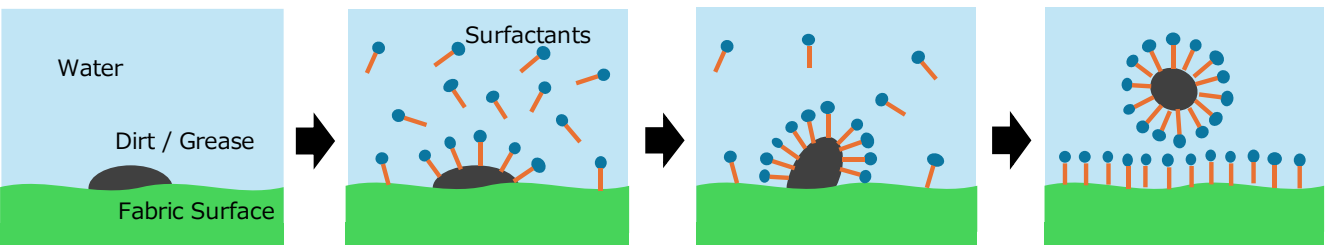
[Initiation Update]

6. Company Overview (Business Overview, History, and President’s Profile)

Engaged in the Manufacture & Sale of Surfactants

NICCA CHEMICAL specializes in the manufacture and sale of “surfactants” among its various chemicals. While surfactants are not widely familiar to the general public, “soap” is a widely recognized product that contains them. Soap works by having surfactants act at the interface between oil and water, making it easier for the two to mix, and helping to draw dirt (oil) adhering to the skin or clothing into the water so it can be easily washed away. In addition to being indispensable to the development of the textile industry, it has become clear that these surfactant functions are also effective in other industrial sectors (such as paper manufacturing, dry cleaning, Cosmetics, medical, and electronics). In response to demand from these diverse industries, the company has developed and marketed a wide variety of products tailored to each market.

Figure 22. Examples of Surfactant Functions: How Dirt Is Removed

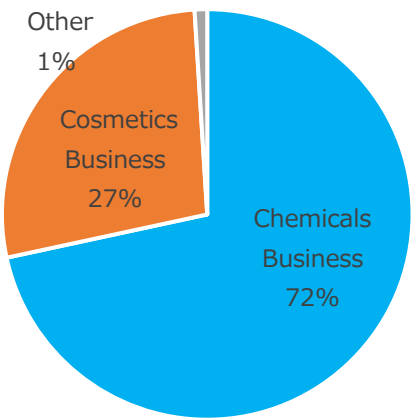


Source: Strategy Advisors. Based on various materials.

Composed of the Chemicals & Cosmetics Segments

Currently, the company’s business segments consist of Chemicals, Cosmetics, and Others. Based on actual net sales for FY12/25, the sales breakdown was 72% for Chemicals, 27% for Cosmetics, and 1% for Others. The Chemicals segment, the company’s original business—has consistently accounted for a larger share than the Cosmetics segment. Furthermore, when operating profit of ¥3.85 billion is adjusted to include company-wide eliminations, resulting in ¥6.01 billion, the breakdown for FY12/25 shows Chemicals accounting for 66% and Cosmetics 33%, with Chemicals again taking the lead. However, over the past eight years (FY12/16 through FY12/23), operating profit from the highly profitable Cosmetics segment consistently exceeded that of the Chemicals segment. Starting with FY12/24, the profitability of the Chemicals segment improved, resulting in a reversal of the composition ratio.

Figure 23. Sales Breakdown by Segment (FY12/25 Results)

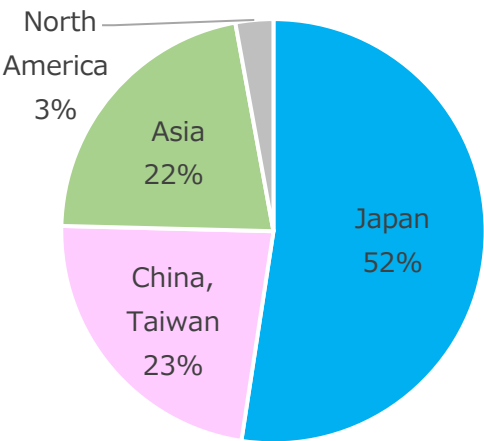


Source: Company Data. Compiled by Strategy Advisors.

The Domestic Sales Ratio Is Slightly Lower for Chemicals & Higher for Cosmetics

In terms of net sales composition by location, Japan accounts for 52%, slightly more than half. However, the domestic sales ratio tends to be slightly lower for Chemicals and higher for Cosmetics. For Chemicals, the flagship Textile chemicals segment has a high proportion of overseas sales (China, Taiwan, and ASEAN), while the cleaning and medical segments are primarily domestic. The company maintains an extensive network of overseas sales offices in China, South Korea, Taiwan, India, Bangladesh, ASEAN, and the United States.

Figure 24. Sales Composition by Location (FY12/25 Results)



Source: Company Data. Compiled by Strategy Advisors.

Contributing to the Development of Fukui’s Textile Industry

The company’s philosophy is “We sell technology, not products”. This stems from its role in contributing to the development of Fukui’s textile industry, during which it has worked closely with customers to resolve various challenges along the production supply chain. While valuing “technology” and prioritizing original research and development, the company also visits customers’ sites to verify product performance in real-world conditions, making continuous improvements that lead to the next phase of

technological development. This attitude of persistent, small-scale effort has accumulated over time, resulting in the company's rich product variety. By distinguishing itself from the business model of major chemical manufacturers that mass-produce generic products, the company has established itself as a prominent player in niche markets.

Figure 25. Business Overview (¥mn)

Segment		12/25 Actual	12/26 CoE	Business
Total	Net Sales	55,705	64,000	-
	Operating Profit	3,847	5,400	
Chemicals	Net Sales	39,894	48,200	Items: Textile chemicals 70% /Specialty chemicals & functional chemicals 23% /Laundry and medical chemicals 7% EHD Products (e.g.): PFC-free durable water repellent, environmentally conscious process agents, water-based polyurethane resins, coolants, etc.
	Operating Profit	3,948	5,800	
Cosmetics	Net Sales	15,259	14,800	Types: Hair care products (shampoos, treatment, etc.), perm products, color products, styling products, etc. Strategy: Primarily develop cosmetics for professionals (beauty salons) under the DEMI brand, etc.
	Operating Profit	1,966	1,700	
Other	Net Sales	550	1,000	Contract manufacturing services, etc.
	Operating Profit	90	50	
Eliminations	Operating Profit	-2,158	-2,150	-

Note: The figures for operating profit for each segment is shown before eliminations.

Source: Company Data. Compiled by Strategy Advisors.

1) History

Tracing the Footsteps of the Founder & the Reviver

Telling the story of NICCA CHEMICAL's history is nothing less than tracing the footsteps of its founder, Mr. Kiyoki Emori (1907–1986), and the man who revived the company, Mr. Mikio Emori (1929–2014). The following is a chronological overview of their achievements.

<Mr. Kiyoki Emori Begins Manufacturing Medicines>

Mr. Kiyoki Emori Was Born into the Emori Shoten, a Pharmaceutical Retailer

The founder, Mr. Kiyoki Emori, was born into the Emori family, which operated Emori Shoten (later Emori Shoji, then Kowa Emori), a business whose original trade was the sale of medicines. In the late 1930s, Emori Shoten expanded its operations to include the sale of dyes and industrial goods, beginning to supply the thriving textile industry in Fukui. After graduating from Osaka Pharmaceutical College (later Osaka University's Faculty of Pharmacy), Mr. Kiyoki joined the management of Miyashita Refining Agent Manufacturing in 1938 to help rebuild the company, which was facing a management crisis. Miyashita Refining Agent Manufacturing primarily manufactured and sold refining agents (chemicals used to remove impurities and dirt from textiles) and was the predecessor of the current NICCA CHEMICAL. At that time, Miyashita Refining Agent Manufacturing mainly supplied its products to Fukui Refining and Processing (currently Seiren: 3569 TSE Prime).

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Stepping In to Rescue Refining Agent Manufacturing

Following its restructuring in 1938, Miyashita Refining Agent Manufacturing developed specialized surfactants—primarily potassium soap and solvents—and gained a strong reputation in the Hokuriku region's dyeing and finishing industry. Furthermore, the company developed calcium nitrate (a salt shrinkage agent) as a textile additive, which led to large-scale orders. Thanks to Mr. Kiyoshi's enthusiasm and efforts, the company took its first steps toward reconstruction.

Founded NICCA CHEMICAL Industries to Manufacture Amino Acids for Supply to China

In the fall of that same year, 1938, a merchant from China visited Emori Shoten and purchased a large quantity of hydrochloric acid. At the time, China was using amino acids as a raw material for soy sauce; while the main ingredients—soybeans and soda ash—were available, there was an extreme shortage of hydrochloric acid, making it impossible to produce amino acids—which was the reason for the large order. Mr. Kiyoshi, having been advised that demand for amino acids would continue to grow on the Chinese mainland, proposed manufacturing and supplying amino acids at the Miyashita Refining Agent Manufacturing. He invited an authority on amino acid production from Tokyo to provide technical guidance, and mass production began. This business of exporting amino acids to China became a pillar of sales and contributed significantly to the company's reconstruction. Taking advantage of the fact that this business had become a "bridge" between Japan and China, Miyashita Refining Agent Manufacturing changed its name to "Nicca Chemical Industry & Co., Ltd." in 1939. Two years later, in 1941, following a reorganization, the company was established as Nikka Chemical Industries Co., Ltd.

During the War, Production Prioritized Military Needs

At that time, under government directives prioritizing military needs, the company was designated as a factory for producing military-use amino acids and textile oil agents. In 1941, the Pacific War broke out, and the company's main textile additives suffered from a shortage of raw materials. As the war situation worsened, the company was required to manufacture turpentine oil (used as aircraft fuel at the time) by refining pine oil. In 1944, Mr. Kiyoshi himself was drafted and, as a pharmacist, serving at the Sabae Army Hospital.

The Buildings Miraculously Survived the Great Fukui Air Raid

As the war worsened in 1945, the Great Fukui Air Raid by B-29s occurred on July 19. Over 95% of the city center was reduced to ashes (Source: "History of the Fukui Air Raids")—the NICCA CHEMICAL building remained intact. Looking back on those days later, Mr. Kiyoshi remarked, "Fukui Technical College (now Fukui University) was completely destroyed. Of course, I had simply assumed that NICCA CHEMICAL had also been completely destroyed. But there it was. It was still standing! The joy I felt at that moment was indescribable. Tears simply flowed down my face. I truly cried. I cried with joy. In that instant, I rejoiced, 'I am still here.'" He recounted this in the company's 30th anniversary commemorative magazine.

Shortly after the war ended on August 15, Mr. Kiyoshi was relieved of his military duties, and in December he returned as president to work toward

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rebuilding the company. However, without this miraculous event, the reconstruction of NICCA CHEMICAL might never have been achieved.

Post-War Restart

NICCA CHEMICAL's reconstruction got off to a difficult start amid disruptions in the supply of oil and fat raw materials, which had previously relied on imports. Nevertheless, the company began producing soap from domestically sourced plant-based raw materials. It also started producing calcium nitrate as a salt-shrinking agent necessary for the textile industry. However, the path to the company's reconstruction soon took a dark turn once again.

Headquarters & Factory Completely Destroyed in the Fukui Earthquake

On June 28, 1948, just 3 years after the end of World War II, a powerful earthquake measuring 7.3 on the Richter scale struck the entirety of Fukui Prefecture. The "Fukui Earthquake" was a tragic event that left an indelible mark on Japan's disaster history, reducing the city of Fukui—where post-war reconstruction efforts were underway at a rapid pace—to a pile of rubble in an instant. Both Emori Shoten was completely destroyed by fire and NICCA CHEMICAL's headquarters and factory were also completely destroyed. Additionally, the textile industry, which was a pillar of Fukui Prefecture's economy, suffered devastating damage. A total of 1,393 related factories in the prefecture were completely destroyed, resulting in the loss of 54% of the equipment, creating a dire situation.

Mr. Kiyoki Emori Also Suffered the Tragedy of Losing Some of His Family

On that tragic day, Mr. Kiyoki Emori, who was on a business trip to Osaka, rushed back to Fukui after the earthquake, only to find that his wife and third daughter had been crushed to death in the earthquake at his wife's parents' home in Sabae City and that the house had been completely destroyed. Mr. Kiyoki Emori was overcome with deep sorrow that could not be expressed, as well as remorse for not being there on that day. Upon returning to Fukui City, he found the entire town reduced to a pile of rubble. Additionally, both NICCA CHEMICAL and Emori Store had been completely destroyed, leaving Mr. Kiyoki Emori and his company with virtually nothing left.

Managing With the Well-Being of Employees & Their Families in Mind

However, Mr. Kiyoki Emori demonstrated an indomitable spirit, taking action to rebuild just two days after the earthquake. This reflected his sincere and unwavering commitment as a leader who prioritized the well-being of his employees and their families above all else. Additionally, Mr. Kiyoki Emori has been a devout follower of the Nichiren sect of Buddhism and his strong faith likely served as a source of emotional support. Later, in the company newsletter, he wrote, "I was overwhelmed by the shocking news, wondering if there were no Gods or Buddhas in this world.

However, I was left with the mission of a business leader to overcome this sorrow and continue my work. That mission was to confirm the safety of the stores and factories where numerous employees, whom I regarded as my own children, worked". From the factory, which was piled high with debris, the rubble was soon removed and temporary shelters were constructed as preparations for resuming operations progressed. However, yet another tragedy struck.

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One Month After the Earthquake, the Kuzuryu River Burst its Banks, Causing Flooding

Approximately 1 month after the earthquake, on July 25, 1948, heavy rain caused the Kuzuryu River, which flows through Fukui City, to burst its banks. The cause is believed to have been cracks in the embankment caused by the earthquake, which had not yet been repaired, combined with the torrential rains. The area around Makinoshima, where the headquarters of NICCA CHEMICAL was located, also suffered severe damage, including the destruction of drainage channels, disruption of power supply and materials and documents prepared for reconstruction being submerged in water. However, what was demonstrated here was the unity of the citizens of Fukui City as they faced this serious crisis together. NICCA CHEMICAL overcame the series of crises, air raids, earthquakes and floods and completed the reconstruction of its factory by December of the same year. This was the result of their efforts to achieve the goal of being “the first in Fukui to emit smoke from the chimney”.

Market Conditions Improved After a Recovery

Subsequently, the market environment surrounding the company improved. This marked the beginning of a “special demand boom” triggered by the outbreak of war on the Korean Peninsula in June 1950. NICCA CHEMICAL also benefited from this special demand and its factories operated at full capacity. However, Mr. Kiyoki Emori did not realize that this economic boom would lead to a management crisis shortly thereafter.

Business Conditions Deteriorated Due to a Sharp Decline in Oil Prices

The warning signs were in the rising prices of raw materials, namely oils and fats. NICCA CHEMICAL stockpiled oil and fat raw materials in preparation for a prolonged period of special demand. Meanwhile, changes in public opinion in the United States led to the dismissal of General MacArthur, Supreme Commander of the Allied Forces, in April 1951; and this marked a turning point as the war began to move toward its end (it actually ended in July). The price of oils and fats also began to plummet and NICCA CHEMICAL was forced to use the high-priced raw materials it had already procured for production, resulting in mounting losses the more it continued to operate.

A Difficult Decision: Laying Off Half of the Employees

Cash flow continued to deteriorate and negotiations with the main bank, Fukui Bank, continued. However, the situation did not improve, and the company was pushed to the brink of bankruptcy. In order to keep the company afloat, President Mr. Kiyoki Emori made the difficult decision to lay off 36 of the 71 employees, prioritizing those with close ties to the company, such as relatives. Subsequently, with the support of Fukui Bank and NAGASE & CO. (8012 TSE Prime), the company managed to achieve its reconstruction goals after 1951.

Notably, during the 6 years before and after the management crisis, Mr. Kiyoki Emori temporarily stepped down as president and appointed Mr. Yoshitaka Kubo, who had been on secondment from Fukui Bank, as the second president. Mr. Kiyoki Emori then returned as the 3rd president in 1957.

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Performance Recovers with Surfactants for the Textile Industry

After this latest challenge, NICCA CHEMICAL recovered and entered a period of expansion by focusing on supplying surfactants to the Fukui textile industry. The company and the textile industry are inextricably linked.

Below is a brief introduction to the textile industry in Fukui.

Fukui's Textile Industry Was a Firmly Established Local Industry

The textile industry, which had been thriving since the Meiji period, centered on the production of double-layered fabric for export, began full-scale production in Gunma, and subsequently spread to the Hokuriku and Tohoku regions. In particular, Fukui, with its moderate humidity suitable for the textile industry, established itself as a strong local industry. In the latter half of the Meiji era, industrial production of silk textiles began, which was later succeeded by the production of rayon textiles. Surfactants, which have functions such as making textiles easier to spin, dye and clean, were recognized as essential chemicals for the textile industry.

Supplying Products That Meet the Needs of the Times, Amid the Backdrop of Changing Textile Materials

The textile industry, which had been severely affected by the war, recovered after the war, when synthetic fibers (nylon) appeared as a substitute for rayon. Amidst these changes in materials, the company has developed a wide variety of surfactants through research and development, and has supplied a wide range of products that meet the needs of the times to the supply chain. This history has led to the accumulation of know-how for solving problems at customers' production site, which has become the foundation of the company's current business.

"Creating Value by Providing Technology"

The company's founder, Mr. Kiyoki Emori, often said, "Creating Value by Providing Technology" and he was a person with a strong focus on technology. He was also a sincere and serious person who was deeply committed to his business. Although the company still retains the concept of "family policy business", President Emori often said, "The company exists because of its employees". Furthermore, he converted the 3rd floor of his home into a dormitory for single employees, sharing meals, baths and living quarters with them, treating them like his own children. Even during a business crisis, when he reluctantly had to lay off half of the staff, he kept the employees entrusted to him by others within the company. He vowed never to reduce staff again. These anecdotes reveal how kind and compassionate he was toward his employees, akin to a benevolent figure.

<Mr. Mikio Emori, Who Succeeded the Founder>

Mr. Mikio Emori – The Reviver, Was Full of Vitality

Mr. Mikio Emori (formerly Nakao) joined the company in 1948 and married Ms. Sueko Emori, the daughter of Mr. Kiyoki Emori, in 1959, taking the Emori surname. He later succeeded Mr. Kiyoki Emori in 1977, becoming the fourth president as the son-in-law of the founder. Mr. Mikio Emori was recognized early on by Mr. Kiyoki Emori for his managerial talent and he made significant contributions, including expanding the use of surfactants beyond the textile industry and laying the groundwork for overseas operations. Here, we will trace the post-war business expansion of NICCA CHEMICAL through the dynamic career of Mr. Mikio Emori.

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Experienced Extreme Poverty Due to 2 Air Raids (WWII)

Mr. Mikio Nakao's father originally ran a textile business in Fukui Prefecture, but later moved to Tokyo and built a double-layered silk fabric wholesaler in Asakusa. However, in March 1945, the store was completely destroyed in the Great Tokyo Air Raid. Having lost everything, the family evacuated to the home of Mr. Nakao's mother's parents in Fukui; but in July, they were again affected by the Great Fukui Air Raid. Following this, his father fell ill, and the family faced extreme poverty, struggling to make ends meet in the years leading up to and following the end of the war. As the eldest son, Mr. Mikio Nakao was enrolled at Keio University during the Tokyo air raids but dropped out. To support his 5 younger siblings, he secretly sold Fukui-produced rayon textiles at the black market in Asakusa, barely managing to make ends meet.

Joined the Company After Meeting with Mr. Kiyoki Emori at Kangi-ji Temple

Mr. Mikio Nakao met with Mr. Kiyoki Emori, the founder of NICCA CHEMICAL, at the recommendation of his aunt in June 1948, immediately after the Fukui Earthquake and the July floods, at Myoken-san Kangi-ji Temple (now in Minamiechizen-cho, Nanjo-gun, Fukui Prefecture). Mr. Kiyoki Emori, a devout follower of Nichiren Buddhism (and later Mr. Mikio's father-in-law), was in the midst of a temple retreat after laying the groundwork for the company's recovery. He decided to hire Mr. Mikio, who had come to visit him in his time of hardship. At the time, Mr. Mikio was filled with determination to rebuild the Nakao family and his work ethic later caught Mr. Kiyoki Emori's attention.

Distinguished Himself as a Salesperson, Who Contributed to the Growth of the Business

Immediately after joining the company, Mr. Mikio was assigned to the accounting department, but due to his personality, it was decided that he would be better suited to sales than desk work and he was transferred to the sales department. After achieving success in sales of amino acid soy sauce and surfactants, Mr. Mikio was appointed at the young age of 23 as the head of the newly established Nagoya branch office in May 1953. Entrusted with the task of developing the Nagoya market at a young age, Mr. Mikio felt a sense of pride and conducted diligent sales activities on foot, making a significant contribution to the expansion of the business.

After the Failure of Sunrex Blue. NICCA Specialized in the B2B Business

One lesson learned from failures during the Nagoya era was that it is extremely difficult to succeed in the B to C businesses, targeting general consumers. At the time, NICCA CHEMICAL conducted research and development to expand its business opportunities into household detergents amid the rapid spread of washing machines and launched a product called "Sunrex Blue" in 1962. The company poured its expertise in surfactant technology, cultivated in the textile industry, into the product, confident that it could surpass major detergent manufacturers like Kao and Lion in terms of quality. However, in the B to C market where brand recognition takes precedence over quality, the product failed to capture consumers' hearts, resulting in a complete defeat. The company was forced to withdraw from the market after just over 5 years. Currently, NICCA CHEMICAL operates in the cosmetics industry and provides detergents for the laundry industry, but it has adopted a policy of focusing solely on B2B operations, keeping the lessons from that period in mind.

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Focus on Consulting Sales

Mr. Mikio always emphasized the importance of consulting sales in his sales activities. In the textile industry supply chain, there are companies that handle various processes such as spinning, weaving, dyeing, and washing, and each company produces products using different materials, manufacturing environments and machinery (equipment). Each factory faces unique challenges and NICCA CHEMICAL has addressed these challenges by verifying what is happening on-site, providing feedback to the R&D department, and developing optimal products for customers. This process has resulted in the accumulation of technical expertise and know-how. This is the core of the company's business model, which emphasizes "providing technology". The founder, Mr. Kiyoki Emori, taught that the "Creating Value by Providing Technology", and Mr. Mikio faithfully embodied this philosophy and played a pivotal role in putting the company on a growth trajectory.

Promotion of the Overseas Business Infrastructure

In 1958, Mr. Mikio became sales manager and in 1959, he married Kiyoki's daughter and took the family name Emori. In the mid-1960's, he began laying the groundwork for overseas operations. At the time, Japan's textile industry was thriving, but neighboring Asian countries such as South Korea, Taiwan and China were beginning to show signs of a booming textile industry, leveraging their low labor costs. While Mr. Mikio felt a sense of crisis over Japan's declining share in the textile industry, he also recognized the significant business opportunities abroad and actively established overseas bases. Although the initial venture in South Korea around 1965 encountered some difficulties, he went on to establish joint ventures in Taiwan in 1968, South Korea again in 1971, Thailand in 1974, Indonesia in 1975, the Philippines in 1977 and Hong Kong in 1988. Additionally, Mr. Mikio assumed the position of president in 1977, succeeding the founder.

Continuing the "Family Policy Business" Established by the Founder

The distinctive feature of NICCA CHEMICAL's overseas expansion is its commitment to the concept of "family policy business" and its patient approach to building trust with joint venture partners. The maintenance of good relations with joint venture partners has contributed to the expansion of overseas business and this can be attributed to the skill of Mr. Mikio, who applied the "family policy business" approach emphasized by founder Mr. Kiyoki Emori to overseas operations. In 1987, Mr. Mikio established the motto "Creativity and Aspiration". "Creativity" reflects the company's emphasis on independent research and development, while "Aspiration" signifies its commitment to growth, including overseas expansion. This motto accurately captures the direction of the company's management at the time.

Leading the Way in Corporate Growth

As described above, Mr. Mikio Emori, who succeeded the founder, faithfully embodied the founder's management methods and led the company's growth with his extraordinary vitality. He can truly be considered the founder of NICCA CHEMICAL's revival.

Listed on the Nagoya Stock Exchange in 1993. Currently Listed on the Tokyo Stock Exchange's Standard Market

NICCA CHEMICAL was listed on the Nagoya Stock Exchange in 1993. It was then listed on the Second Section of the Tokyo Stock Exchange in 2015. In 2016, it was designated for listing on the First Section of the Tokyo Stock Exchange. Although it moved to the Tokyo Stock Exchange Prime Market in

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2022, it was unclear whether it would be able to continue to meet the listing criteria, so in 2023, it moved to the Tokyo Stock Exchange Standard Market.

Figure 26. History of NICCA CHEMICAL

Date	Details
September 1941	Established NICCA CHEMICAL INDUSTRIES CO (NICCA CHEMICAL INDUSTRY CO., LTD. Is Reorganized as a Joint-Stock Company)
November 1958	Developed Powdered Soap for Laundry. Entered the Laundry Field
July 1963	Established NICCA CHEMICAL TRANSPORTATION DEPARTMENT CO (In June 1990, the Company Name was Changed to Nicca Enterprises Co)
April 1964	Developed a Cleaning Agent for Metals. Entered the Metal Industry Field
May 1965	Developed Defoaming Agent for Paper Manufacturing. Enters the Pulp and Paper Field
May 1968	Established a Joint Venture, TAIWAN NICCA CHEMICAL CO., LTD.
May 1971	Established a Joint Venture, Sankyong NICCA CHEMICAL Co (In January 1974, the Company Name was Changed to Korea Fine Chemicals Corporation; in January 2002, the Company Name was Changed to NICCA KOREA CO., LTD)
January 1974	Established a Joint Venture Company, SIAM TEXTILE CHEMICAL CO (The company name was changed to STC NICCA CO., LTD. In May 2009)
October 1974	PT.INDONESIA NICCA CHEMICALS, a Joint Venture Established in Indonesia
April 1980	Developed a Disinfectant. Entered the Pharmaceutical Field
August 1982	Completed DEMI Cosmetics Manufacturing Plant. Entered the Hair Cosmetics Field
December 1987	SunFiber Corporation Established to Strengthen the Pulp and Paper Related Business
April 1988	NICCA U.S.A., INC. Established as a Joint Venture in the United States
May 1988	HONG KONG NICCA CHEMICAL LTD Established in Hong Kong SAR
June 1988	Company Name Changed to NICCA CHEMICAL CO., LTD. UJT NICCA CHEMICALS CO., LTD. Established in Hong Kong SAR, as a Joint Venture with Investment from HONG KONG NICCA CHEMICALS
April 1989	Merger of Kanto factory (Est. November 1959) & Osaka factory (Est. May 1981) with NICCA CHEMICAL
October 1989	General Research Institute Established in Fukui City, Fukui Prefecture
March 1993	Established NICCA Bio Research Institute in Sakai-Cho, Sakai-Gun, Fukui Prefecture
April 1993	GUANGZHOU NICCA CHEMICAL CO., LTD. Established as a Joint Venture
September 1993	Listed on the Second Section of the Nagoya Stock Exchange (NSE)
July 1995	Hangzhou NICCA CHEMICAL CO., LTD Established in China
October 1995	Yamada Pharmaceutical Co., Ltd., a Pharmaceutical and Hair Care Cosmetics Manufacturer, Becomes a Subsidiary Through the Acquisition of All Shares
March 1996	Capital Participation in Elokimica Dyestuffs & Chemicals Ltd. (Brazil) The company was launched as a joint venture
November 1996	Rhone-Poulenc Nicca Co., Ltd. Established (In April 1998, the company name was changed to Rhodia & Nicca Co., Ltd.; in January 2014, the company name was changed to Solvay NICCA Co., Ltd.)
July 2002	Cosme Labs, Inc. is established in Fukui City, Fukui Prefecture
August 2002	Established NICCA CHEMICAL Technology Consulting (Shanghai) Co. (In May 2009, the company name was changed to NICCA CHEMICAL Research and Development (Shanghai) Co.)
September 2002	Established a Joint Venture Company, ZHEJIANG NICCA CHEMICAL CO., LTD (In May 2017, the company name was changed to NICCA CHEMICAL (CHINA) CO., LTD.)

Figure 26. History of NICCA CHEMICAL (Continued)

Date	Details
February 2003	DEMI HAIRCARE SYSTEMS, INC. Established (USA)
	Merged with Nicca Enterprise
	Sold All Shares of Elokimica Dye Chemicals Ltd (Brazil)
August 2003	UJT NICCA CHEMICALS CO., LTD Dissolved
May 2004	Dissolved SunFiber Corporation
June 2004	NICCA VIETNAM CO., LTD. Is Established as a Joint Venture
August 2005	DEMI HAIRCARE SYSTEMS, INC. Dissolved
June 2006	Dissolved Hangzhou NICCA CHEMICAL
February 2007	Transfer of NICCA Group Agri-Business
February 2010	Established Eral Co., Ltd. In Minato-Ku, Tokyo
November 2010	Kashima factory is opened in Kamisu City, Ibaraki Prefecture
August 2012	Established DEMI KOREA CO., LTD
June 2015	Acquired additional shares of affiliated company Emori Engineering Co., Ltd.
	Acquired all shares of petrochemical products manufacturer Ohtomo-chemical ins., corp
December 2015	Listed on the Second Section of the Tokyo Stock Exchange (TSE)
December 2016	Listed on the First Sections of the Tokyo Stock Exchange (TSE) & Nagoya Stock Exchange (NSE)
November 2017	NICCA INNOVATION CENTER opened in Fukui City, Fukui Prefecture
May 2019	Rera Cosmetic Co., a hair care cosmetics manufacturer, becomes a subsidiary by acquiring all shares
September 2020	NICCA INDIA PRIVATE LIMITED Established
April 2022	Revision of the market classifications of the Tokyo Stock Exchange (TSE) and the Nagoya Stock Exchange (NSE), the Company moved from the First Section to the Prime Market of the TSE and from the First Section to the Premier Market of the NSE, respectively
October 2023	NICCA BANGLADESH CO., LTD Established
October 2023	Moved from the Prime Market to the Standard Market of the Tokyo Stock Exchange (TSE)

Source: Company Data. Compiled by Strategy Advisors.

2) CEO's Profile

Mr. Yasumasa Emori is the Second Son of Mr. Mikio Emori

His second son, Mr. Yasumasa Emori (1962-Now), succeeded Mr. Mikio Emori as president in 2001. The following is a profile of Mr. Yasumasa and a review of NICCA CHEMICAL since 1990.

An Athlete in College, Favorite Subjects Were Math's & Science

Mr. Yasumasa Emori was born in Fukui, Japan, the second son of Mr. Mikio Emori (former surname Nakao) and Ms. Sueko Emori. Mr. Yasumasa was an active sportsman, playing on the baseball team in junior high school and the handball team in high school. His father, Mr. Mikio, was often away from the family due to his busy work schedule, but he grew up with his grandfather, Mr. Kiyoki, who took him to the 1970 World Exposition in Osaka, and he has many happy memories of the event. He was also told by his grandfather, Mr. Kiyoki, that he should take over NICCA CHEMICAL because he was good at science and mathematics.

Majored in Chemistry at University & Joined

After graduating from high school, Mr. Yasumasa moved to Tokyo and entered the Faculty of Science and Technology at Keio University, where he majored in chemistry in his junior year. There, he belonged to a laboratory

NICCA CHEMICAL | 4463 (TSE Standard)

Mitsubishi Chemical Upon Graduating in 1985

where he studied surfactants and oleo chemistry. After graduating in 1985, he joined Mitsubishi Kasei (now Mitsubishi Chemical Corporation; TSE Prime 4188).

Although a graduate of the Faculty of Science and Technology, he decided that sales was the place where he could best demonstrate his abilities. He then worked as a sales representative in charge of engineering plastics.

Responded to Customer Needs at Production Sites as a Sales Representative Involved in Engineering Plastics

Mitsubishi Kasei had many businesses that sold general-purpose petrochemical products in large volumes, but engineering plastics was a cutting-edge field at the time because it involved proposing materials that met customer needs. At the customer's manufacturing site, plastic products were mass-produced by molding process, and there were various customer requirements such as productivity (e.g., tact time during molding), good mold release and reduction of residual stress after molding.

The sales style of responding to such on-site demands was similar to the business model of surfactants for the textile industry at NICCA CHEMICAL, and it was a good experience for Mr. Yasumasa. In 1985-86, just after joining the company, the music industry was shifting from vinyl records to CD's as the medium for supplying music, and the amount of polycarbonate used in CD production exploded. Amidst this booming demand for engineering plastic, Mr. Yasumasa himself recalls that he enjoyed the early years of his working life in Tokyo.

Entered NICCA CHEMICAL in 1989

In 1989, he returned to Fukui and joined NICCA CHEMICAL. At the time, NICCA CHEMICAL was preparing to list on the Nagoya Stock Exchange and needed to consider succession of the company in conjunction with the listing, so his father, Mr. Mikio, requested him to return home. After joining the company, he actively promoted the streamlining of business operations, making use of his experience working in Tokyo.

US Project Did Not Go Smoothly, But Valuable Lessons Learnt

In 1990, the factory was completed at NICCA USA, and in 1995, Mr. Yasumasa was given a new project. However, as a result of his efforts to expand the scale of production, including the introduction of large equipment that had never been used in Japan before, production did not start up successfully and he was forced to withdraw from the project. This was a major lesson for Mr. Yasumasa that he should take the "small is good, grow is large" approach that NICCA CHEMICAL had always followed when establishing overseas production bases, i.e., to start with a minimum amount of equipment and gradually increase production volumes.

Appointed President in 2001. Worked Hard to Keep the Chemical Business Growing Steadily & Build Up the Cosmetics Brand

Mr. Yasumasa assumed the position of President in 2001. In addition to achieving stable earnings growth by increasing overseas sales of Chemicals, he has also firmly established the 'DEMI' brand for professionals (beauty salons) in Cosmetics, which he started in 1981.

Currently, the company is pursuing the three initiatives outlined in its medium-term plan: (1) Business expansion and growth investment, (2) Strengthening financial and capital strategies, and (3) Sustainability

management. Specifically, under (1), the company is focusing on concentrating its Chemicals business on EHD Products and expanding its Cosmetics business through increased production capacity.

Figure 27. List of NICCA CHEMICAL CEO

#		Years as CEO	Joined the Company
1	Kiyoki Emori	1941–1951	—
2	Yoshitaka Kubo	1951–1957	1951
3	Kiyoki Emori	1957–1977	—
4	Mikio Emori	1977–2001	1948
5	Yasumasa Emori	2001–present	1989

Source: Strategy Advisors. Based on securities reports

7. Corporate DNA and Inimitability

1) Positioning Theory

Michael E. Porter's basic competitive strategies consist of 3 elements: (1) cost leadership strategy, (2) differentiation strategy and (3) focus strategy. Of these, NICCA CHEMICAL has adopted (3) focus strategy and (2) differentiation strategy. Since its founding, the company has focused on supplying surfactants to the entire textile industry (3). Additionally, backed by a strong technical spirit, the company has actively pursued research and development, and has expanded its technical expertise and know-how gained from resolving various challenges at production sites across the textile industry supply chain to other industries such as laundry, medical, and cosmetics. This enables the company to supply differentiated, competitive products in niche markets that are out of reach for major chemical manufacturers (2).

Major Japanese comprehensive chemical manufacturers include Mitsubishi Chemical Group (4188: TSE Prime), ASAHI KASEI (3407: TSE Prime), Mitsui Chemicals (4183: TSE Prime), TOSOH (4042: TSE Prime) and SUMITOMO CHEMICAL (4005: TSE Prime). In the surfactants for the textile industry, competitors include Germany's RUDOLF (unlisted), the US's Huntsman (HUN: NYSE), China's Zhan Yu Technology Group (002637: Shenzhen SE), China's Zhejiang Huangma Technology (603181: Shanghai SE) and Meisei Chemical Industry (unlisted). In the professional cosmetics sector, competitors include France's L'Oreal (OR: Euronext Paris), Milbon (4919: TSE Prime), Napla, Takara Belmont, Arimino (all three unlisted), COTA (4923: TSE Prime) and Hoya (unlisted).

NICCA CHEMICAL holds a 7–8% global share in surfactants for the textile industry (Strategy Advisors Estimate) and a 30–40% domestic share in laundry agents (Strategy Advisors Estimate) In the professional cosmetics market, it holds approximately a 5% domestic share (Strategy Advisors

Adopted Both Concentration & Differentiation Strategies

Competitors include Huntsman, Meisei Chemical Industry, Milbon & COTA

High Market Share in Niche Segments

Estimate) and is part of a broader second-tier group of multiple companies (over 10) following the market leader Milbon.

2) Corporate DNA

Founder Mr. Kiyoki Emori Was a Compassionate Individual Who Cared Deeply for His Employees & Loved the Fukui Textile Industry

Mr. Kiyoki Emori, the founder of NICCA CHEMICAL, graduated from Osaka Pharmaceutical College and began manufacturing chemicals to contribute to the local textile industry in Fukui. However, during the early years of the company, it faced numerous hardships, including air raids during the war, the Fukui Earthquake, floods, and the oil price crash following the post-war economic boom. Amid these challenges, Mr. Emori steadfastly upheld the belief of "Creating Value by Providing Technology". He consistently adhered to the principle of "family policy business", supplying surfactants to the entire domestic textile industry supply chain while building the company's foundation. Mr. Kiyoki Emori was widely respected as a man of integrity, known for his compassion toward his employees and his deep love for the Fukui region's industries.

Mr. Mikio Emori Has Been Actively Involved in Expanding the Applications of Surfactants & Launching Cosmetics

As the successor to Mr. Kiyoki Emori, Mr. Mikio Emori built upon the strong business foundation and positive corporate culture established by the founder, fully leveraging his vitality. He focused on expanding the application of surfactants for the textile industry into other fields and establishing overseas business infrastructure in response to the shift of the textile industry to Asia. In particular, his achievements in entering the cosmetics field and developing it into a core business are significant. In his early years, Mr. Mikio worked tirelessly as a salesman to develop new markets, and later, as a manager, he actively established joint ventures overseas. However, he faithfully adhered to the words of his father-in-law, the founder, Mr. Mikio Emori, "Creating Value by Providing Technology" and even when expanding overseas, he practiced "family policy business" at local joint ventures.

Corporate DNA: "A Commitment to Solving Various Challenges Faced by Customers in the Textile Industry Supply Chain Using Surfactant Technology"

The corporate DNA that was formed as the business was passed down from the founder, Mr. Kiyoki Emori to his successor, Mr. Mikio Emori, is "the commitment to solving various challenges faced by customers in the textile industry supply chain using surfactant technology" Strategy Advisors believes. Advancing business based on corporate DNA is essential for corporate growth and this is likely to apply to NICCA CHEMICAL as well.

The environment surrounding the company, which specializes in surfactants, is likely to undergo significant changes in the future, with the potential for new high-value-added demand from customers. For example, in various industries including textiles, in addition to traditional challenges such as improving quality, increasing productivity, and reducing costs, a new challenge of "reducing environmental impact" has emerged.

Furthermore, as the company seeks to expand its cosmetics business overseas, which is currently centered in Japan, there may be cases where new specifications are required due to differences in hair quality. In such cases, maintaining a stance of solving issues through "technology" backed by advanced research and development based on the company's DNA will be

a key condition for successfully developing products that meet the new needs of customers.

3) Inimitability

Focus on Inimitability

The Resource-Based View proposed by Jay B. Barney and others is a concept that focuses on a company's management resources and capabilities. The VRIO framework concretely illustrates this concept, which involves examining Value (economic value), Rarity (scarcity), Inimitability (difficulty of imitation) and Organization (organizational structure). Strategy Advisors places particular emphasis on the "Inimitability" aspect of this framework.

"As a Surfactant Manufacturer, NICCA Has Built up a Rich Product Lineup & New Product Development Capabilities Based on Technical Expertise & Know-How Accumulated Over Many Years by Prioritizing On-Site Operations"

Strategy Advisors believes that NICCA CHEMICAL's "Inimitability" stems from its "rich product lineup and new product development capabilities based on the technical expertise and know-how accumulated over many years by prioritizing on-site operations as a surfactant manufacturer". Here, "on-site operations" refers to various manufacturing processes in industries such as the textile industry, as well as laundry factories and beauty salons.

Major chemical manufacturers that primarily sell petrochemical products operate under a business model that involves supplying generic chemical products in large quantities to customers. However, among chemical products, surfactant manufacturers operate under a business model that involves supplying a wide variety of customized chemical products tailored to the specific needs of customers across various industries, taking into account factors such as materials, surrounding environments, machinery, and equipment. With this premise in mind, we will provide additional explanation regarding NICCA CHEMICAL's inimitability.

Accumulating Technology & Know-How by Supporting the Textile Industry in Fukui

There are many companies worldwide, particularly in Asia such as China, which produce surfactants for the textile industry. However, NICCA CHEMICAL began by contributing to the textile industry in Fukui and has since expanded its operations nationwide, supplying chemicals tailored to the needs of its customers. As a result, the company possesses a competitive advantage in both advanced research and development (seeds) and technical capabilities that contribute to solving challenges on the production floor (needs). The diverse technical expertise and know-how accumulated over a long history in the textile industry are evident in the fact that the company currently holds approximately 2,000 varieties of textile processing chemicals. Furthermore, efforts to apply this technical expertise and know-how to other industrial fields are limited among competitors. In other words, the company possesses product development capabilities for technology transfer that are inimitability.

Cosmetics Leverage the Technical Expertise & Know-How from the Textile Industry to Differentiate Product Quality in Hair Care

In the hair care cosmetics sector, many major manufacturers also operate B2C businesses. NICCA CHEMICAL specializes in products for professionals (hair salons) who prioritize quality. By applying the technical expertise and know-how cultivated over many years in the textile industry—such as refining, dyeing and finishing—to hair care, the company has successfully differentiated itself through quality. Currently, the company possesses over

A Tradition of Technology-Focused & Family Policy Business Practices

3,000 recipes, enabling it to provide highly customized solutions tailored to customer requirements and hair quality. This product development capability is characterized by a high level of inimitability.

The inimitability that has been established is rooted in the company's DNA, which emphasizes a commitment to solving customers' challenges through technology. Additionally, the tradition of leveraging the expertise gained by employees through "family policy business" to collaborate on new technological developments remains strong.

8. Business Model: Expanding "Surface Science" into Multiple Applications

What Are Surfactants?

The surfactants developed by NICCA CHEMICAL are chemical substances that function at the "interface" where substances with different properties, such as solids and liquids, or liquids and gases, come into contact with each other, enhancing the performance of the interface. These substances can be used to mix substances that are incompatible with each other, such as liquids and solids, or liquids and gases, including liquids and liquids (e.g., water and oil).

For Example, They Can Create a State Where Water & Oil Are Mixed Together

As a concrete example, consider water and oil. Surfactants are structured so that a single molecule (chemical structure) contains both a hydrophilic (water-soluble) part and a hydrophobic (water-insoluble) part. When water and oil are mixed, they initially separate from each other. When a surfactant is added, it gathers at the interface between water and oil and arranges itself. The arrangement is such that the hydrophobic parts face the oil and the hydrophilic parts face the water. Thus, surfactants naturally arrange themselves in a regular pattern at the interface between water and oil, stabilizing the system. From the outside, it appears as though the water and oil have mixed together and this is called emulsification.

In Addition to "Emulsification", Surfactants Have Various Other Functions

Surfactants have the following functions:

A) Emulsification/Dispersion: Emulsification is the process of mixing two liquids that do not normally mix, such as water and oil, to create a uniform mixture. Dispersion is the process of breaking down particles or substances that are originally solid (aggregated) into smaller particles and dispersing them uniformly in a liquid.

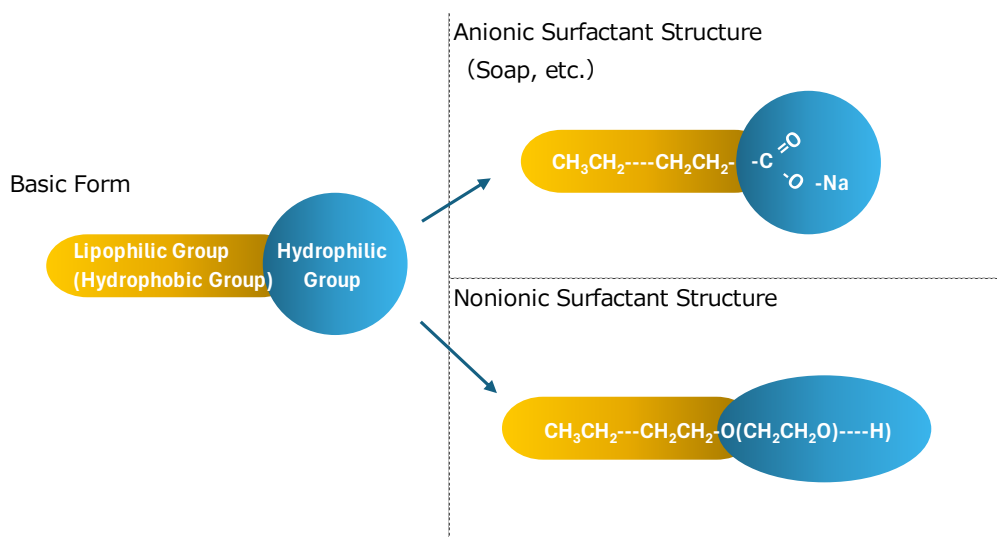
B) Cleaning: Surfactants utilize their ability to dissolve in both water and oil to encapsulate dirt (such as oil) and disperse it in water, making it easier to rinse away.

C) Wetting/penetration: This involves reducing the surface tension of water to make it easier for a liquid to spread over solid surfaces or into the gaps between textiles, and to penetrate into the interior.

D) Foaming/Defoaming: Foaming facilitates the formation and stabilization of bubbles, while defoaming breaks down and eliminates bubbles.

E) Others (flexibility, antistatic properties, rust prevention, uniform dyeing, dye fixation, sterilization, etc.)

Figure 28. Structure of Surfactants



Source: Strategy Advisors. Based on various materials.

1) Core Technologies Were Cultivated in the Textile Industry

When explaining its surfactant business, NICCA CHEMICAL refers to itself as a “surface science” manufacturer. The company defines “surface science” as a technology that controls the interfaces and surfaces of various materials through a dual approach combining science and chemistry.

The company’s core technology has been developed over more than 80 years in various industries, starting with the textile industry. The textile industry is connected to various downstream industries such as apparel and interior design. Well-known materials for clothing include wool, silk, cotton, hemp, and various synthetic fibers. In the manufacturing process, surfactants are used in many stages, including spinning and weaving, fabric washing and finishing, dyeing, and finishing. Surfactants are also used in finishing agents to impart properties such as stiffness, flexibility, static prevention, pill prevention and water repellency to textiles. The technology of surfactants is widely applied not only in textiles but also in paper manufacturing, laundry, medical and health, other special applications, cosmetics and more.

<Demand for Chemicals Is Expanding Beyond Textiles>

In the paper industry, surfactants are used to impart flexibility to cellulose, a raw material, for cleaning and to enhance ink adhesion during printing processes. They are also used in deinking processes to remove ink from recycled paper.

In the laundry industry, surfactants are used as detergents in dry cleaning, wet cleaning, coin-operated laundries and facilities such as hospitals and

Positioning Ourselves as a “Surface Science” Manufacturer

Surfactants Are Widely Used Beyond the Textile Industry

Paper Industry

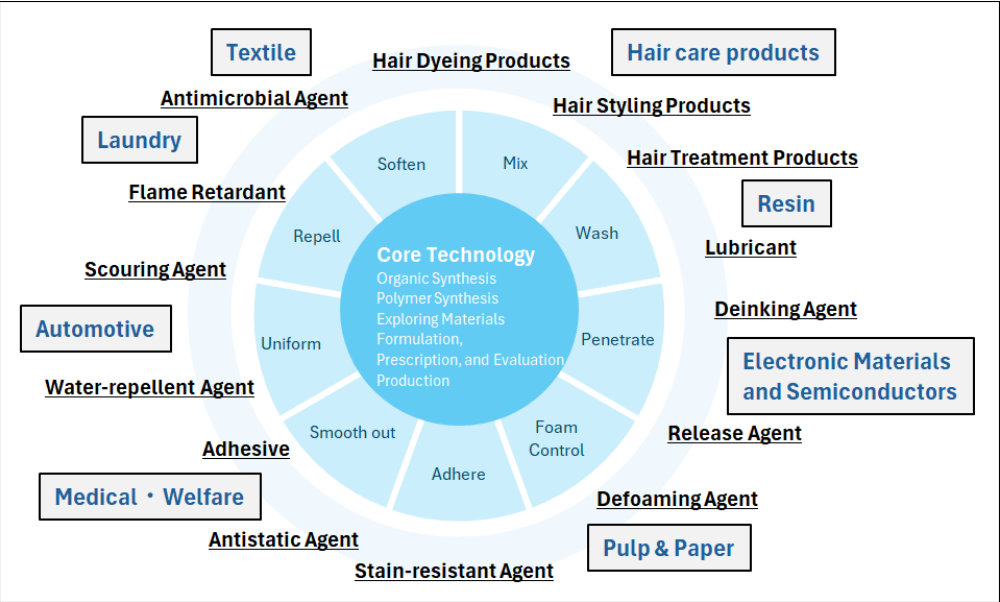
Laundry Industry

hotels. The company specializes in business-use products. In business-use applications, there are various requirements beyond cleaning power, including deodorization, antibacterial properties, foam control, flexibility, and static prevention. NICCA CHEMICAL has strengths in advanced research and development capabilities as well as problem-solving skills in actual field applications.

Other

In other industry, there are needs for cleaning and disinfection in the medical device industry, as well as for flame retardancy and durability in car seats in the automotive industry—areas where surfactants also play a vital role. Furthermore, coolant chemicals containing surfactants as additives are used for cooling during semiconductor wafer processing. By applying this technology, applications are also expanding to include metalworking cleaning agents in the metal industry and rubber processing in the rubber industry. Furthermore, using coolants as a springboard, sales of various surfactants used in manufacturing processes (mid-process) within the semiconductor industry have also been expanding.

Figure 29. Surfactants and Related Markets



Source: Strategy Advisors. Based on the company’s website.

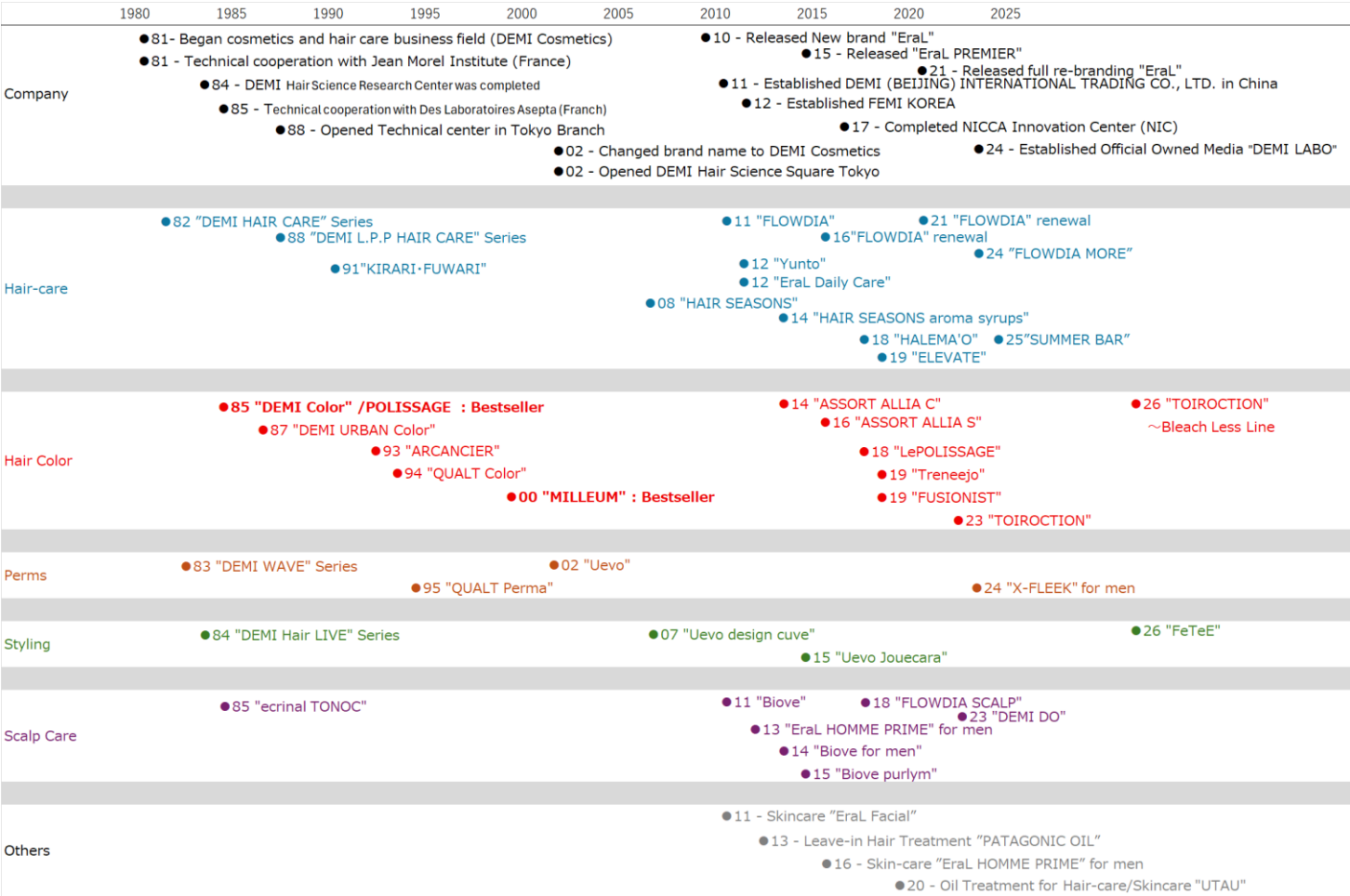
<Applying Technology Developed in Cosmetics to Hair Care>

In the cosmetics industry, there are numerous major manufacturers that also engage in B2C businesses. Among them, NICCA CHEMICAL specializes in B2B business for professional hair care products (for beauty salons) that prioritize quality. By leveraging the technical expertise and know-how accumulated in the textile industry through processes such as refining, dyeing, and finishing, the company has successfully differentiated itself through quality. This is made possible by its ability to provide customized solutions tailored to customer requirements and hair quality, driven by its strong new product development capabilities. Additionally, the company’s

Specializing in B2B
Business for Beauty Salons

scientific analysis and research, which incorporates feedback from professional hairdressers, has enabled it to develop over 3,000 unique formulas. Domestically, the company is expanding sales of its own brands, “DEMI” and “Eral,” to beauty salons. It also offers ODM products utilizing its own recipes. The company’s cosmetics are classified into hair care products (including scalp care), perm agents, color agents, styling agents and others, with hair care products accounting for a high percentage of sales. However, color agents have slightly higher profitability.

Figure 30. Trends in Cosmetics Brands and Products



Note: All product names not labeled “Eral” are products of DEMI Cosmetics
Source: Company Data. Compiled by Strategy Advisors.

Hair Care Products & Styling Products Are Classified as Cosmetics. While Colorants & Perm Agents Are Classified as Quasi-Drugs

Hair care products (shampoos, conditioners) and styling products (sprays, waxes, mousses) primarily act on the surface of the hair and are classified as cosmetics. On the other hand, hair colorants and perming agents are classified as “quasi-drugs,” with hair colorants having high added value. “Quasi-drugs” are products with intermediate properties between “drugs” and “cosmetics,” containing active ingredients recognized by the Ministry of Health, Labor and Welfare within specified limits and exerting mild effects on the human body. Colorants, which introduce dyes into the hair, and perm agents which alter the hair itself, are classified as “quasi-drugs” and are manufactured by NICCA

CHEMICAL. On the other hand, the production of hair care products and styling agents is carried out by NICCA CHEMICAL and its subsidiary, Yamada Pharmaceutical, with some outsourcing.

Under Its Own Brand, DEMI Cosmetics, the Company Offers a Wide Range of Product Lines

NICCA CHEMICAL's DEMI Cosmetics brand includes a variety of product lines (sub-brands). For hair care agents, there is FLOWDIA; for perm agents, FLOWDIA MORE and uevo; for color agents, TOIROCTION; and for styling agents, and uevo design cube, among others. Additionally, the company established Eral, a premium brand above DEMI, in 2010. In terms of research and development, the company established the DEMI Hair Science Research Center in 1984 to capture evolving customer needs and regularly refresh its product lineup. The following data is provided as a reference for domestic demand trends.

2) Production and R&D Sites

Chemicals Are Produced at Domestic & Overseas Sites

The production facilities for chemicals are located domestically at the Sabae plant, Kashima factory and Ohtomo-Chemical (a subsidiary). Overseas facilities are located in China (Zhejiang Province, Guangdong Province), South Korea, Taiwan, Vietnam, Thailand, Indonesia, and the United States. The domestic production ratio accounts for approximately 30–40% of total production (excluding Ohtomo-Chemical, estimated by Strategy Advisors).

Sabae Plant Serves as the Group's Mother Plant

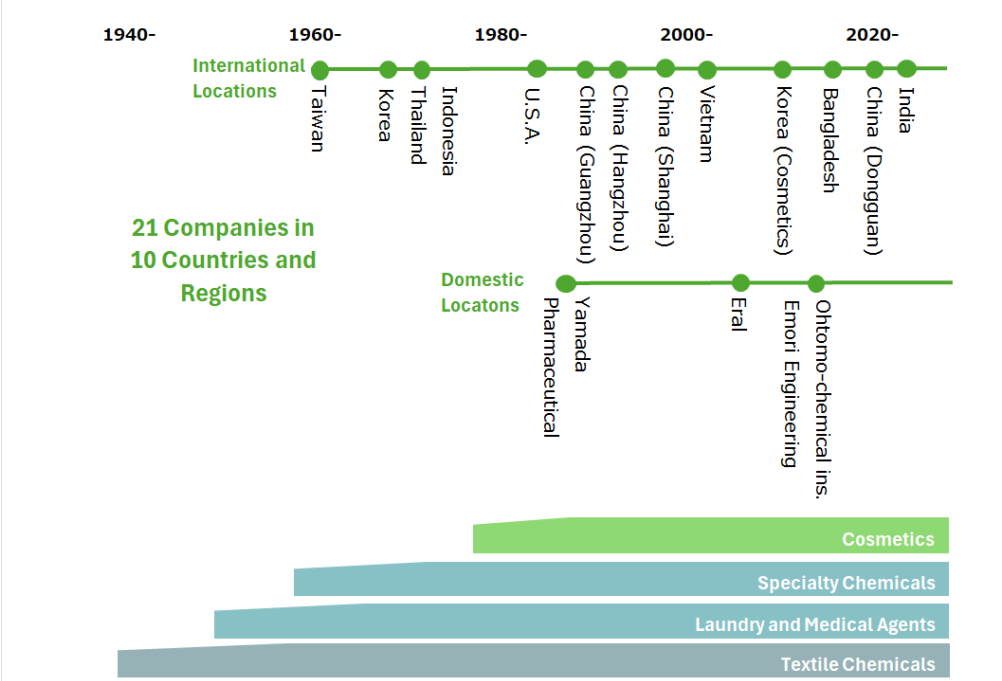
The Sabae plant, which began operations in 1986, produces a wide range of surfactants using a batch production method and is positioned as the group's mother plant. The Technical Department is stationed there and possesses advanced know-how. On the other hand, the Kashima factory primarily produces intermediate products and other basic raw materials for surfactants. Ohtomo-Chemical manufactures coolant agents for silicon wafer processing used in semiconductor substrates and operates a factory in Yamabu City, Chiba Prefecture.

Overseas, the company primarily produces products for local demand; in terms of production capacity, China stands out as by far the largest, followed by Indonesia, South Korea, Taiwan, Vietnam, Thailand, and the United States (Strategy Advisors estimates).

Cosmetics Are Produced at the Headquarters & Yamada Pharmaceutical

The production facilities for cosmetics (hair care products) are located at the headquarters plant and Yamada Pharmaceutical (factory in Kasumigaura, Ibaraki Prefecture). Due to insufficient production capacity, the company also utilizes outsourced production. Additionally, Eral handles the sale of hair care products through beauty salon channels. Technical training for beauty salons is conducted jointly by DEMI and Eral.

Figure 31. NICCA CHEMICAL’s Global Network



Source: Strategy Advisors. Based on company data (as of the end of August 2026)

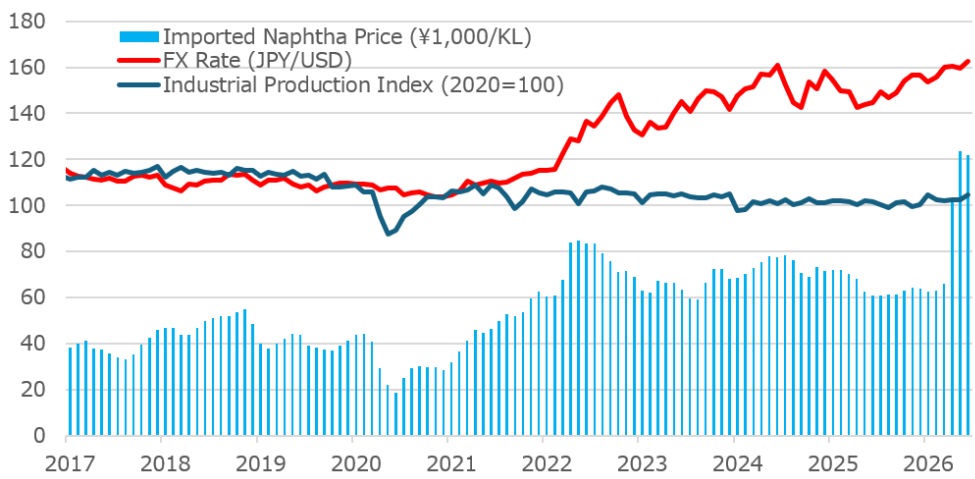
At the New Plant, Production From the Headquarters Plant Will Be Transferred First, Followed by the Integration of Outsourced Production

At the new plant, Fukui Smart Factory, scheduled to open in 2027, the company plans to improve production capacity, including through digital transformation (DX). Once operations begin, production from the headquarters plant will first be seamlessly transferred to the new facility, and outsourced production will subsequently be integrated (operations at the headquarters plant will cease). Thereafter, the company plans to increase utilization rates by producing new products under its own brand and securing new OEM orders. Meanwhile, Yamada Pharmaceutical (Kasumigaura) will maintain its current production system focused on small-volume, high-variety production and adopt a policy of keeping utilization rates relatively stable, with ODM products as its mainstay.

Batch Production in Small-Scale Pots Enables the Production of Multiple Product Varieties

The production process is largely common for both chemicals and cosmetics. Small-scale pots (mixing tanks with stirrers) are used for batch production of various surfactants, which are then filled into containers, drums, one-gallon cans or other packaging for shipment. Here, the know-how for each product’s recipe (raw materials, mixing conditions, time, etc.) is concentrated at the manufacturing site. The number of reactors is large and their sizes vary. To accommodate multiple product types, for example, focusing on a single reactor, the cycle proceeds as “Product A production” → “Cleaning” → “Product B production” and so on. This system enables quick switching of production items within a short period. Additionally, the company procures naphtha as a raw material, but its ratio in production costs is not particularly high.

Figure 32. Naphtha Price Trends



Source: Ministry of Economy, Trade and Industry. Compiled by Strategy Advisors.

The Sabae Plant Is Embracing Digital Transformation

The Sabae plant, positioned as the “flagship plant” for chemicals, is currently promoting initiatives aimed at digital transformation (DX). The company is considering the introduction of robots for automation in certain processes, particularly in response to labor shortages and the need to replace aging equipment. However, since the company’s products are characterized by high-mix, low-volume production, automation may not be as effective in improving productivity. Going forward, it is expected that the company will need to utilize big data extracted from production processes through AI. A company-wide initiative from a medium- to long-term perspective will be required, including expansion to overseas plants and the new cosmetics plant.

Research & Development is Centralized at NIC

The NIC (NICCA Innovation Center), established on the headquarters premises in 2017, serves as the central hub for research and development. The NIC houses the Interfacial Science Laboratory for Chemicals and the Hair Science Laboratory for Cosmetics. It was designed based on the fundamental philosophy of fostering innovation—both internally and externally—through an open environment and mindset, with the aim of creating new value. The building features a spacious and bright open area and was designed with the concept of a “fun place to work” in mind. It is effectively utilized as a space for co-creation by inviting external research institutions and customers. Approximately one in four of the company’s standalone employees is engaged in research and development, and the company identifies itself as a “research and development-oriented” enterprise. Consequently, this cutting-edge research facility conveys the company’s belief that “providing a workplace where young engineers can work with vitality and a sense of fulfillment is essential” when it comes to attracting young technical talent.

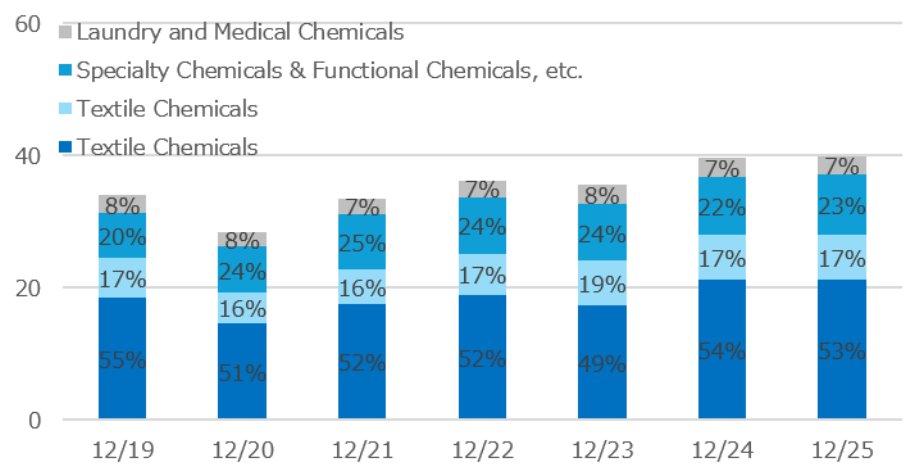
9. Earnings Trends by Segment

1) Chemicals

Composed of 3 Businesses

The Chemicals segment consists of Textile chemicals, Specialty chemicals & functional chemicals, and Cleaning & Medical. The Chemicals segment as a whole accounted for 72% of total company net sales (FY12/25).

Figure 33. Earnings Trends in Chemicals by Segment Sales (¥bn)

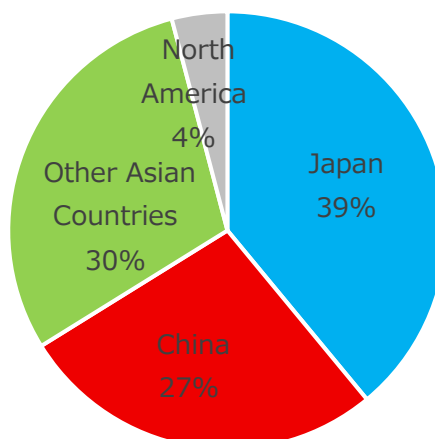


Note: The composition ratio is within the segment.
Source: Company Data. Compiled by Strategy Advisors.

Textile Chemicals

Textile chemicals include intermediates used in the actual textile production supply chain (such as scouring agents and dyeing auxiliaries), finishing agents that add functionality to textile products (such as water-repellent, flame-retardant, and antibacterial treatments), and agents for synthetic and artificial leather used in furniture and other products (such as urethane-based coatings). High-growth EHD Products include environmentally conscious process agents (including the “Smart Dyeing Process-related agents”, which enable a dyeing process with low water consumption) in the textile processing chemicals category, as well as PFC-free durable water repellent agents in the functional processing chemicals category; demand for these products is expected to grow in the future. The regional breakdown of textile chemicals net sales is 76% overseas and 24% domestic.

Figure 34. Sales of Chemicals by Region (FY12/25 Results)



Source: Company Data. Compiled by Strategy Advisors.

Specialty Chemicals

The Specialty Chemicals segment includes chemicals for paper and pulp (de-inking agents, softeners, color developers, etc.), chemicals for metal and rubber processing (cleaning agents, release agents, etc.), functional intermediates and monomers (alkylene oxide adducts, etc.), functional polymers (water-based polyurethane resins, fluoropolymers, etc.), and coolant chemicals for semiconductor processing (water-based polyurethane resins, fluoropolymers, etc.). High-growth EHD Products include water-based polyurethane resins for automotive seats and water-based coolants for wafer processing developed by Ohtomo-Chemical, for which demand is expected to grow in the future. It should be noted that the proportion of domestic net sales within the Specialty Chemicals segment is higher than that of overseas net sales.

Laundry & Medical

The Laundry & Medical division offers products for home and linen care (detergents, fabric softeners, etc.), medical devices (cleaning agents, disinfectants, etc.), and environmental hygiene (hand sanitizers, antibacterial and antiviral agents, etc.). EHD Products include linen care products and others. The Cleaning & Medical division focuses its business primarily on the domestic market. Although there was a temporary surge in demand due to the spread of the novel coronavirus, inbound demand has declined. In recent years, while sales of the company's flagship cleaning products have stagnated, sales of linen products for hotels have increased, resulting in the business being partially affected by trends in inbound demand.

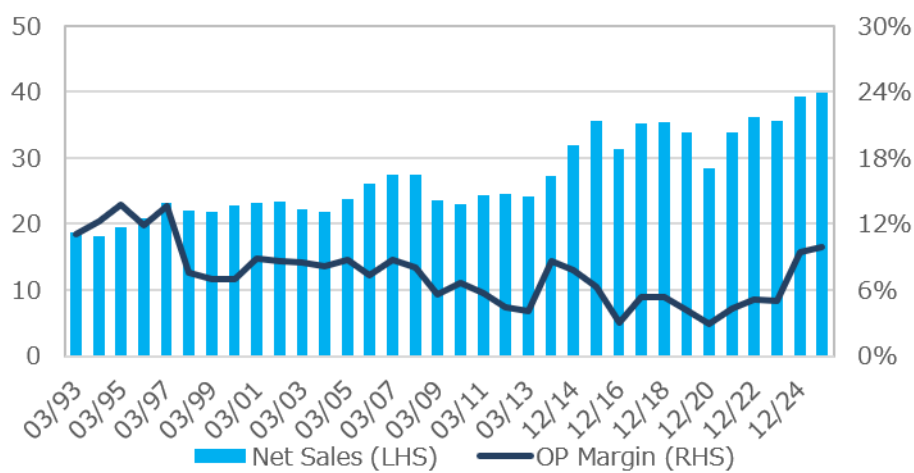
Sales Trends

Segment sales reached ¥20 billion in FY3/96 and remained stagnant in the ¥20 billion range until FY12/13. After surpassing the ¥30 billion mark in FY12/14, net sales fluctuated within the 31 to ¥36 billion range over the following 10 years, with the exception of a temporary dip in FY12/20, which was heavily impacted by the COVID-19 pandemic. In FY12/24, net sales jumped to ¥39.4 billion (+10.6% YoY), driven in part by an increase in the proportion of EHD Products. Net sales remained at a high level of ¥39.9 billion in FY12/25 as well.

Operating Profit Trends

The segment operating profit margin exceeded 10% through FY3/97. Since then, it has generally remained within the 7–10% range; from FY3/09 onward, it fell to around 5%, with the exception of the FY12/13–FY12/14 period. From FY12/16 onward, it fluctuated within the 3–5% range, but in FY12/24, it rose to 9.5%, partly due to the increased share of EHD Products. In FY12/25, it rose further to 9.9%, bringing the company within striking distance of the double-digit mark.

Figure 35. Sales and Operating Profit Margin Trends for Chemicals (¥bn)



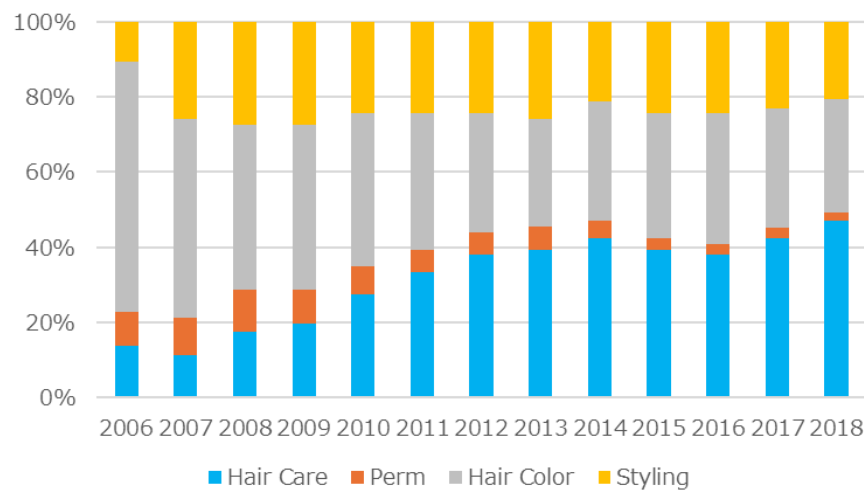
Source: Company Data. Compiled by Strategy Advisors.

2) Cosmetics

Divided Into Four Product Groups

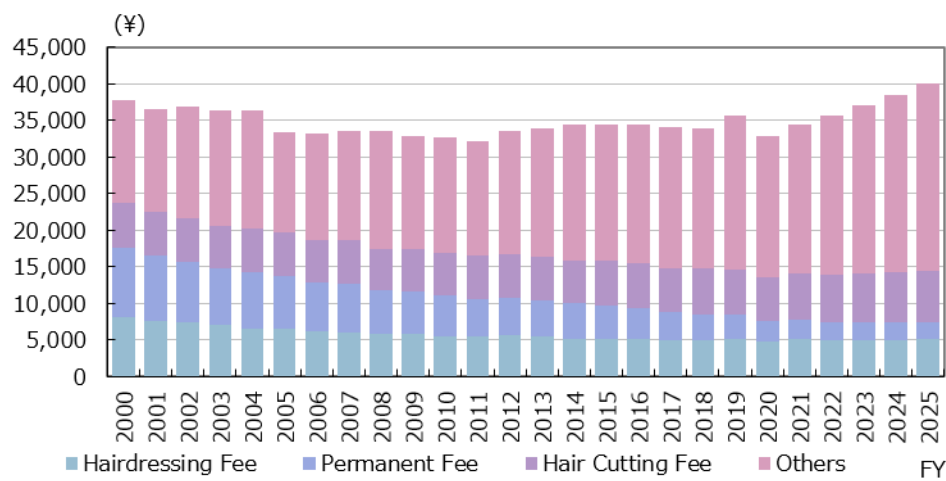
The Cosmetics segment is divided into the following product groups: hair care products (including scalp care), perm solutions, hair colorants, and styling products; however, the company has not disclosed the net sales breakdown by product group since FY12/19. Furthermore, looking at trends in household spending on hair and beauty services in Japan (Source: Ministry of Internal Affairs and Communications Household Expenditure Survey), we can see that while spending remained flat from 2005 onward, it has been on an upward trend since 2021. This growth is being driven by “other hair and beauty expenses” (presumed to include services such as hair treatments) (see Figure 37).

Figure 36. Composition Ratio of Cosmetics Sales by Product (Until FY12/18)



Source: Company Data. Compiled by Strategy Advisors.

Figure 37. Household Expenditure on Beauty and Hair Care Services (Households with Two or More People)



Source: Strategy Advisors. Based on the Ministry of Internal Affairs and Communications’ “Household Expenditure Survey”

Hair Color & Perms:
Classified as Quasi-Drugs

Under general product classifications, hair colorants and perm solutions fall under the category of “quasi-drugs” (see Chapter 8), and hair colorants appear to be highly profitable. While the company has traditionally had a strong presence in hair colorants, the proportion of hair colorants in net sales has declined slightly in recent years due to a shift in focus toward hair care products and an intensifying competitive environment. In 2023, the company launched “TOIROCTION”. In 2026, it also announced a new product lineup for this brand and is currently strengthening its presence in this segment.

Hair Care & Styling:
Classified as Cosmetics

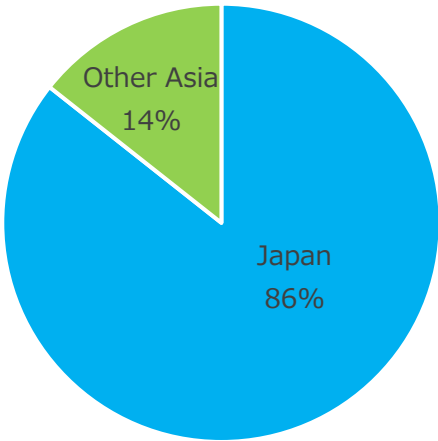
Meanwhile, there is stable demand for hair care and styling products, which fall under the cosmetics category. Around 2007, the company adopted a strategy of focusing on retail products. Consequently, the proportion of hair

care products in net sales appears to have been on an upward trend in recent years.

By Region

The net sales composition by region is 86% domestic and 14% overseas (including South Korea), with the domestic market accounting for the majority. However, the overseas ratio has risen by 3 ppt from 11% in FY12/20, five years ago, indicating that it has gradually gained prominence as a growth driver.

Figure 38. Sales for Cosmetics by Region (FY12/25 Results)



Source: Company Data. Compiled by Strategy Advisors.

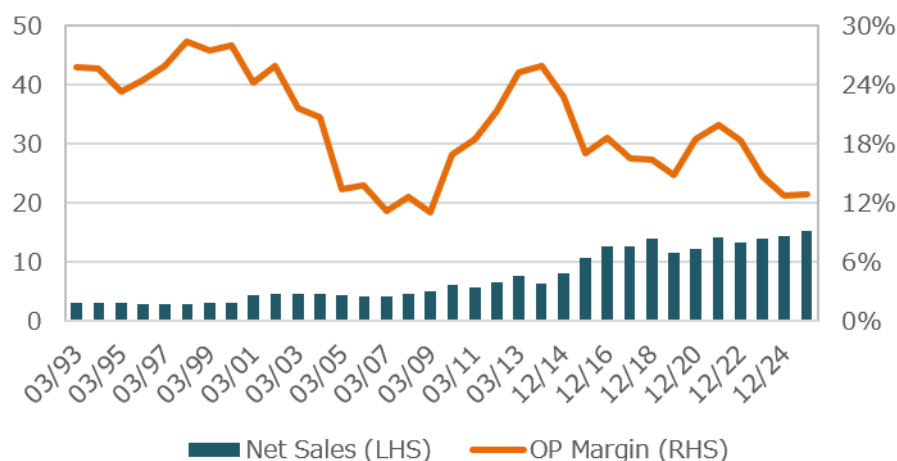
Sales Trends

Segment sales rose from around ¥3 billion in the 1990s to ¥4 billion in FY3/01. Driven by the success of color products launched in 2000, net sales surpassed ¥5 billion in FY3/09, led by hair colorants. By focusing on the large-scale hair care market, net sales exceeded ¥10 billion in FY12/15 and continued to grow steadily thereafter. In FY12/25, driven in part by strong ODM performance, sales reached a record high of ¥15. 3 billion (+6.9% YoY).

Operating Profit Trends

The segment operating profit margin generally exceeded 15% from the previous period through FY12/22, largely due to the company's strength in high-value-added hair color products. However, profit margins have been declining in recent years, primarily due to increased strategic sales and marketing costs in anticipation of the new factory's launch in 2027, higher sales-related expenses, and soaring raw material costs. The actual figures were 12.8% for FY12/24 and 12.9% for FY12/25.

Figure 39. Trends in Cosmetics Sales and OP Margin (¥bn)



Source: Company Data. Compiled by Strategy Advisors.

Figure 40. Earnings Trends by Segment (¥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	64,000
Chemicals Business	35,502	33,890	28,496	33,773	36,268	35,605	39,378	39,894	48,200
Cosmetics Business	13,977	11,399	12,175	14,087	13,265	13,977	14,271	15,259	14,800
Others	708	901	506	612	1,093	586	449	550	1,000
Operating profit	2,301	1,395	1,416	2,453	2,628	2,039	3,519	3,847	5,400
Chemicals Business	1,905	1,441	842	1,460	1,861	1,803	3,724	3,948	5,800
Cosmetics Business	2,285	1,687	2,250	2,794	2,438	2,044	1,822	1,966	1,700
Others	63	99	43	72	129	64	58	90	50
Cancellations, etc.	-1,951	-1,831	-1,720	-1,873	-1,801	-1,871	-2,085	-2,158	-2,150
OP Margin	4.6%	3.0%	3.4%	5.1%	5.2%	4.1%	6.5%	6.9%	8.4%
Chemicals Business	5.4%	4.3%	3.0%	4.3%	5.1%	5.1%	9.5%	9.9%	12.0%
Cosmetics Business	16.3%	14.8%	18.5%	19.8%	18.4%	14.6%	12.8%	12.9%	11.5%
Capital expenditures	4,134	3,816	1,461	1,691	1,295	1,349	4,172	12,139	-
Chemicals Business	3,779	3,364	914	1,093	813	1,128	838	1,648	-
Cosmetics Business	307	411	480	257	213	114	3,247	10,438	-
Others/Cancellations, etc.	48	41	67	341	269	107	87	53	-
Depreciation	1,982	2,234	2,768	2,500	2,417	2,269	2,224	2,128	-
Chemicals Business	1,450	1,702	2,192	1,916	1,867	1,706	1,699	1,657	-
Cosmetics Business	432	441	487	500	449	454	408	362	-
Others/cancellations, etc.	100	91	89	84	101	109	117	109	-

Source: Company Data. Compiled by Strategy Advisors.

10. Mid-Term Business Plan “INNOVATION30”

The Mid-Term Plan Is Positioned as the First Phase of the “Medium- to Long-Term Group Growth Scenario”

On July 31, 2024, NICCA CHEMICAL released its “Medium- to Long-Term Group Growth Scenario”, with 2035 as its final year. The current medium-term plan “INNOVATION30”, announced in February 2026, is positioned as the first phase of this “Medium- to Long-Term Group Growth Scenario”. It should be noted that among the targets outlined in the “Growth Scenario” for 2035, only the net sales target was revised upward at the time of the new medium-term business plan’s announcement (February 2026), from the previous ¥75 billion to ¥88 billion. There were no revisions to the operating profit margin or other targets.

1) KPIs for “INNOVATION30”

KPIs:
Net Sales ¥¥70 billion,
EBITDA ¥9 billion

The numerical targets (KPIs) for FY12/30 are net sales of ¥70 billion, operating profit of ¥5.6 billion, EBITDA of ¥9 billion, ROE of 8%, ROIC of 6%, PBR of 1.0x or higher, and DOE of 3% or higher. The core strategy consists of three pillars: a) Business expansion and growth investment, b) Strengthening financial and capital strategies, and c) Sustainability management. The company aims to achieve dramatic growth centered on its existing businesses while simultaneously increasing EBITDA through growth investments.

Figure 41. “INNOVATION30” Target Figures

(¥bn)	FY12/25 Actual	INNOVATION30 2030 Targets	Envisioned State FY12/35
Net Sales	55.7	70.0	88.0
Operating Profit	3.8	5.6	-
OP Margin	6.9%	8.0%	More than 10.0%
EBITDA	5.9	9.0	-
EBITDA margin	10.7%	12.8%	-
ROE	6.9%	8.0%	More than 10.0%
ROIC	5.1%	6.0%	More than 8.0%
PBR	0.74x	More than 1.0x	More than 1.0x
DOE	2.8%	More than 3.0%	

Source: Strategy Advisors.

a) Business Expansion & Growth Investment
- Portfolio Transformation

From a business portfolio perspective, the company plans to increase the proportion of the Cosmetics and Chemicals EHD fields. To achieve its 2035 targets (net sales: ¥28.0 billion for Cosmetics, ¥39.0 billion for Chemicals EHD), the net sales targets for FY12/30 are set at ¥20.0 billion for Cosmetics and ¥27.5 billion for Chemicals EHD (figure 42).

Figure 42. 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>	<i>45%</i>	<i>55%</i>	<i>65%</i>
Other		0.7	0.0	0.0
Total		55.7	70.0	88.0

Source: Strategy Advisors.

- Chemicals: Focus on EHD Products

The Chemicals segment will implement a strategy of focusing on EHD Products. Since the profit margin for EHD Products is 14% higher than that of conventional products (based on results for H1 FY12/26), increasing their share of net sales will lead to improved profit margins for the entire segment through an optimized product mix. In the textiles sector, the company plans to expand its lineup of environmentally friendly products, with a focus on the E segment. It also plans to expand its business in ASEAN. In the non-textile sector, to strengthen its position as a specialty chemicals company, the company aims to expand its mid- to long-term development initiatives by leveraging its technological capabilities and customer base. In particular, the Company targets sales in the D domain, with a focus on semiconductor-related applications, of ¥7.5 billion in FY12/30 and ¥10.0 billion in FY12/35, up from ¥5.0 billion achieved in FY12/25. In addition to coolants for silicon wafers, where the company holds the top market share, the company will expand sales of high-value-added products for mid-stream processes (polishing and cleaning) in semiconductor manufacturing. For details on EHD Products, please refer to Chapter 10, Section 2.

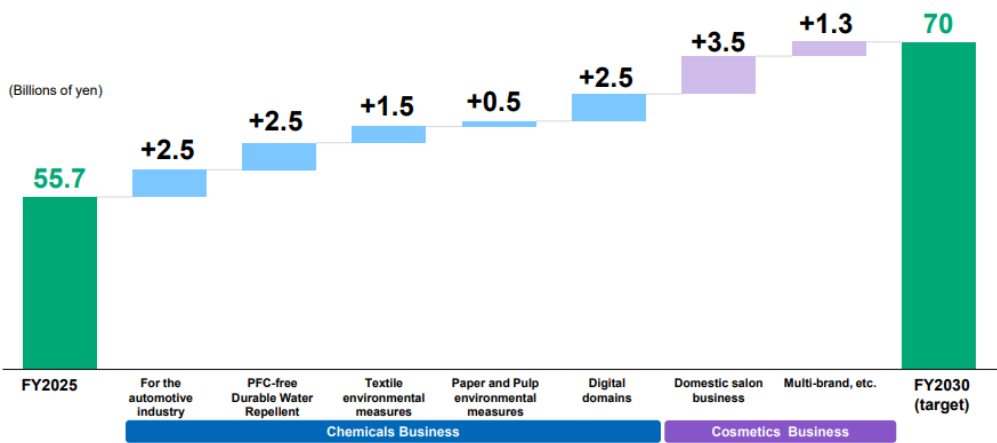
- Cosmetics: Aiming to Increase Market Share in Domestic Salons

In the Cosmetics segment, the Company will first aim to expand its market share in the domestic salon business. At the same time, the Company will enhance its multi-brand strategy by expanding the lineup of hair care products and further strengthening its ODM business. In its overseas operations, the Company will accelerate the expansion into key ASEAN countries. The Company plan to expand the scale of its business in tandem with increased production capacity following the start of operations at the new plant, Fukui Smart Factory. For details, please refer to Chapter 10, Section 3.

- Breakdown of sales Growth

Figure 43 shows the breakdown in sales growth required to achieve ¥70 billion in net sales over five years.

Figure 43. Breakdown of Net Sales Increases Toward ¥70 bn



Source: Company Data.

b) Strengthening Financial & Capital Strategies
- Implementing Aggressive Growth Investments

The Company has set a PBR of 1.0x as an indicator of corporate value enhancement and is stepping up efforts toward its early achievement. To maximize FCF (free cash flow) generation, the new mid-term plan calls for aggressive growth investments. Major investment projects over the five-year period include approximately ¥19.5 billion for a new cosmetics plant (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 capital expenditures.

While higher depreciation expenses are expected to moderate operating profit growth, the focus remains on EBITDA expansion. Additional growth investment opportunities will also continue to be considered during the plan period.

- Balance Sheet

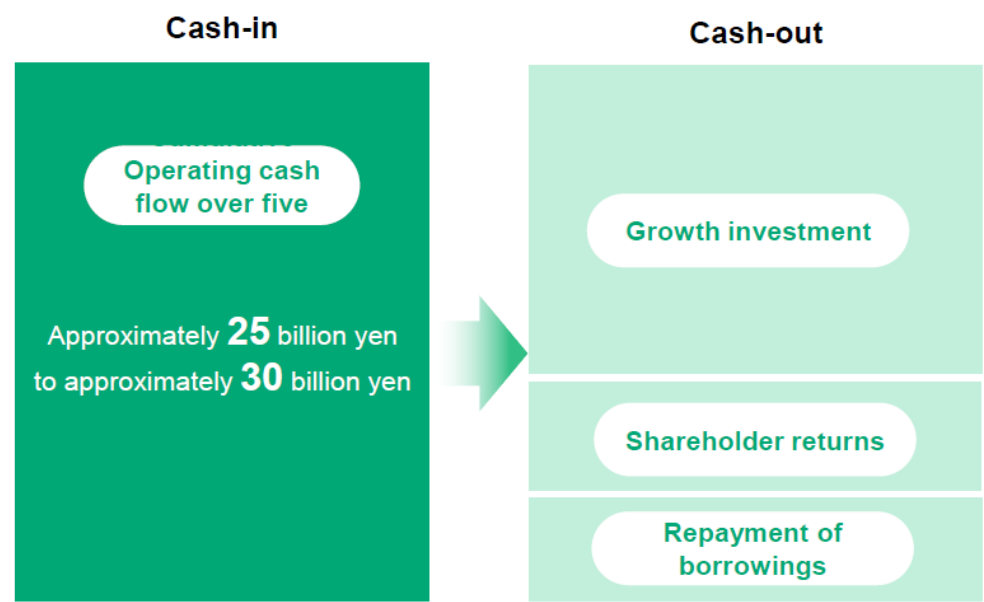
Regarding the balance sheet, while total assets are expected to trend upward in line with business expansion, the company plans to reduce inefficient assets. Furthermore, the equity ratio will be managed with consideration for both financial soundness and ROE. Regarding the ¥19.5 billion in capital expenditures for the new Cosmetics plant, for the portion excluding subsidies (capped at approximately ¥5 billion), the company utilized debt financing (a syndicated loan totaling ¥14 billion) to leverage its financial position and thereby keep the WACC in check. The equity ratio at the end of FY12/25 stood at 47.5%, slightly below 50%. Going forward, operations will be managed to maintain the equity ratio around 50%.

- Cash Allocation

Regarding cash allocation, against cash inflows of approximately ¥25–¥30 billion from cumulative operating cash flow over five years, cash outflows—primarily consisting of growth investments—will be allocated in a balanced manner to shareholder returns and debt repayment.

Figure 44. Capital Allocation

Images uses of funds for the five-year period from 2026 to 2030

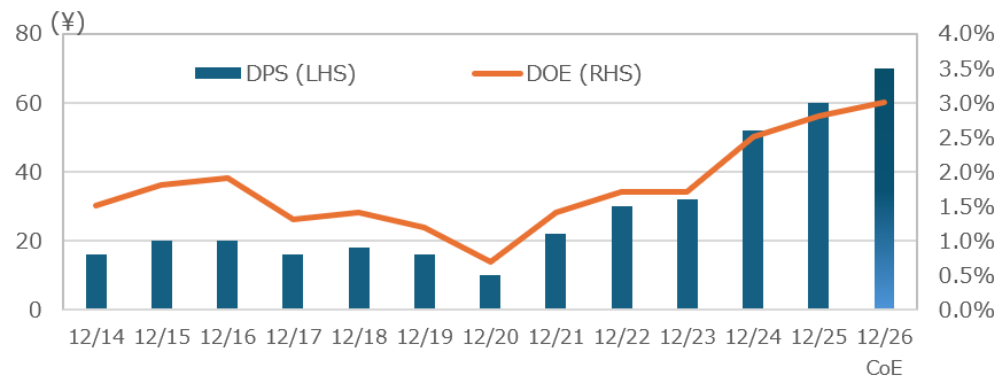


Source: Company Data.

- Shareholder Returns

Regarding shareholder returns, the basic policy is set as “stable dividends plus progressive dividends”. First, Dividend on Equity (DOE) is set at 3%, and the company will continue to explore ways to improve the DOE thereafter. Additionally, the company has introduced a progressive dividend system that enables more stable dividends through profit growth. As a result, the risk of future dividend cuts has been significantly reduced.

Figure 45. Trends in Dividends and DOE



Source: Company Data. Compiled by Strategy Advisors.

c) Sustainability Management

The three key themes are strengthening the management foundation, improving employee engagement, and contributing to the environment (see Chapter 8).

Regarding the strengthening of the management foundation, the aim is to enhance competitiveness through the introduction of a new ERP system and

the active utilization of AI. To improve employee engagement, the company aims to further enhance the workplace environment, creating a setting where all employees globally can work with enthusiasm and vitality, and fostering a corporate culture that sparks innovation. Regarding contributions to the environment, in addition to continuing initiatives aimed at realizing a carbon-neutral society, the company will promote initiatives through business activities such as the “Smart Dyeing Process” and the “Neochromato process®”.

2) Chemicals Strategy: Background of the EHD Shift

The KPIs for the Chemicals segment for FY12/30 are net sales of ¥50 billion, EBITDA of ¥6 billion, operating profit of ¥4 billion (both EBITDA and operating profit are figures after allocating company-wide adjustments to each segment), and an operating profit margin of 8.0%. For reference, the results for the base period (FY12/25) were net sales of 40.¥4 billion, EBITDA of 4.¥4 billion, operating profit of ¥2.7 billion (same as above), and an operating profit margin of 6.8%. The company aims to achieve these targets through a strategy of focusing on EHD Products.

The company highlights the social challenges that form the backdrop for promoting the EHD shift. Under “E” (Environment), this includes environmental improvements in customers’ production processes—such as energy and water conservation, decarbonization, reduction of industrial waste, and fluorine-free solutions. Under “H” (Health), it involves contributing to users’ health and hygiene through antibacterial and antiviral properties. Under “D” (Digital (advanced materials)), it encompasses next-generation communications and nanotechnology, among other areas.

Representative examples of EHD Products include PFC-free durable water repellent agents, environmentally conscious process agents (including the Smart Dyeing Process-related agents), water-based polyurethane resins, the proposal and sale of automated cleaning systems, and coolant chemicals for semiconductor processing. Additionally, products classified under “Specialty Chemicals”—such as chemicals for metal and rubber processing, flame retardants, antimicrobial agents, and specialty oils—also fall under the EHD Products category.

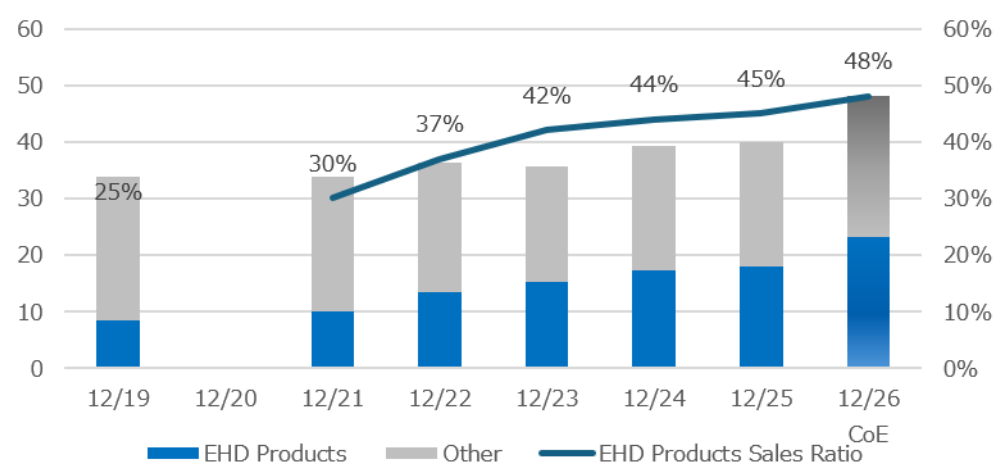
KPIs:

**Net Sales ¥50 billion,
Operating Profit ¥4 billion**

Promoting the EHD Shift

Types of EHD Products

Figure 46. Trends in the Sales Ratio of EHD-Related Products (¥bn)



Source: Company Data. Compiled by Strategy Advisors.

<PFC-free durable water repellent (E Domain)>

The Company Is Currently Expanding Sales of Its “NEOSHEED” Series

PFAS (a general term for organic fluorine compounds) have been used in various products due to their water-repellent properties. However, concerns have recently arisen regarding the effects of PFAS on human health, and an increasing number of countries are introducing regulations. In the textile industry as well, demand for PFC-free durable water repellent—led primarily by apparel customers in Europe and the U.S.—has been growing rapidly in recent years. The company has been developing PFC-free durable water repellent agents (silicone-based and acrylic-based) for 20 years and holds a top-tier global market share. In recent years, to meet growing demand in areas such as sportswear, the company has been actively expanding sales of the “NEOSHEED” series (silicone-based). Net sales of PFC-free durable water repellent agents have been steadily increasing in FY12/25, driving the growth of EHD Products.

Acquisition of the Non-Fluorinated Water Repellent Business from the Chemours Company

In March 2026, the company entered into an agreement to acquire the “Zelan™” non-fluorinated water repellent business from The Chemours Company, a U.S.-based global chemical company. The full transfer of the business was completed in August of the same year. The business has been included in the consolidated financial statements since March, and a positive impact (for four months) was reflected in the first-half results. Developed in 2015, “Zelan™” is a fluorine-free urethane-based material that uses partially plant-derived raw materials, yet achieves durability and high water repellency on par with fluorine-based materials. Currently, “Teflon EcoElite™”, part of The Chemours Company’s “Zelan™” business, is widely adopted by major apparel customers in Europe and the United States, primarily for outdoor and sportswear. The acquired business involves NICCA CHEMICAL purchasing products from The Chemours Company’s and reselling them, with NICCA CHEMICAL also providing after-sales service. Even taking into account the

amortization of goodwill (intangible fixed assets), the business is expected to generate high profitability on par with other EHD Products.

Leading the Global Market

Meanwhile, NICCA CHEMICAL's existing PFC-free durable water repellent uses silicone-based and acrylic-based materials, and the company holds a strong position in Japan and East Asia. By adding "Zelan™" to its business, the company has expanded its product lineup and broadened its customer base, enabling the entire group to achieve the top global market share in the PFC-free durable water repellent industry (based on the company's estimates). Furthermore, by acquiring the urethane-based technological assets (including numerous patents) held by the "Zelan™" business—in addition to the company's existing silicone- and acrylic-based technologies—the company has gained the ability to develop new technologies that integrate these two approaches. There are high expectations for the realization of synergies in the future.

<ENVIRONMENTALLY conscious process agents (E Domain)>

The Solution Is Called "Smart Dyeing Process-Related Agents"

"Environmentally Conscious Process Agents" refer to all chemicals used in the textile industry—such as in dyeing processes—that have a low environmental impact. Furthermore, "Smart Dyeing Process-related agents" refer to solutions that use these chemicals to reduce environmental impact. For example, the dyeing process for a single T-shirt is currently said to be lengthy and consume approximately 2 metric tons of water. In today's climate, where reducing environmental impact—including energy and water conservation—is a top priority, demand is rapidly growing for chemicals that shorten processes and reduce water consumption. By leveraging its ability to solve on-site challenges, NICCA CHEMICAL proposes chemicals tailored to customers' processes along with dyeing methods; this makes it a field well-suited for the company's unique business model of "selling technology". Driven by growing ESG awareness, apparel companies are initiating initiatives to conserve energy and water. Net sales of environmentally conscious process agents for FY12/25 increased YoY, despite a slight downturn in the global textile industry. Growth has continued into FY12/26, and this sector is expected to see sustained growth going forward.

<WATER-based polyurethane resins (E Domain)>

To Reduce Environmental Impact, There Is a Trend Toward Shifting From Solvent-Based Polyurethane to Water-Based Polyurethane Resins.

Polyurethane resins are widely used for surface protection in products such as shoes, bags, car seats, and cell phone screens. While solvent-based polyurethane resins have traditionally been the mainstream, the shift toward water-based polyurethane resins is accelerating due to health concerns and demands for reduced environmental impact. The company has been proposing water-based products for industries such as furniture and interiors, as well as the automotive sector. In FY12/24, sales of topcoats for synthetic leather used in car seats grew. The company's R&D capabilities enabled it to develop products compatible with high-brightness seats and offering high abrasion resistance, which were well received by the market. Although FY12/25 saw a decline due to a reaction to the previous year's strong performance, the

Proposal & Sales of
Automation Systems

Handled by Subsidiary
Ohtomo-Chemical

company worked to develop new applications, including those outside the automotive sector. Thanks in part to these efforts, the company has returned to a growth trajectory as of FY12/26.

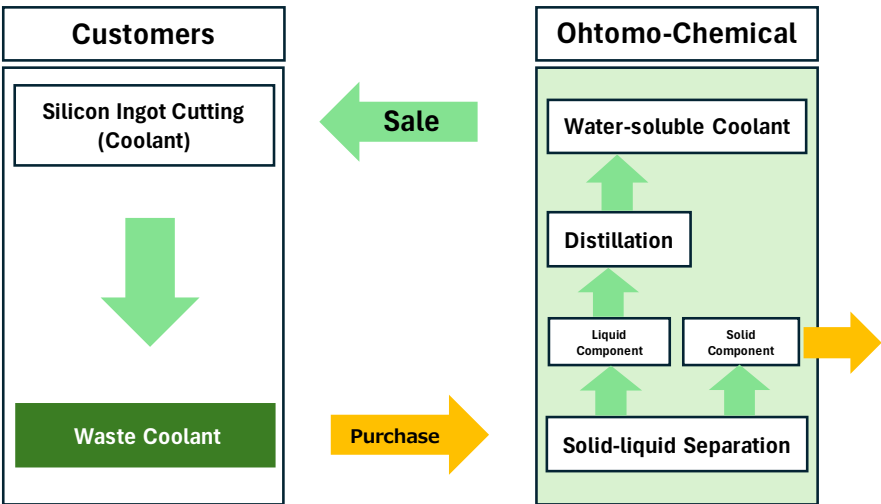
<Chemical Management System for the Cleaning Industry (H Domain)>

In the dry cleaning sector, as part of the EHD business, the company proposes chemical management systems primarily for large-scale linen processing plants. These systems contribute to customers’ digital transformation (DX) initiatives in production by enabling the full automation of processes related to chemical dispensing and the direct delivery of chemicals via tanker trucks.

<COOLANT chemicals for semiconductor processing (D Domain)>

The coolant chemicals for semiconductor processing, handled by our subsidiary Ohtomo-Chemical, are characterized by their water-solubility. They hold the top global market share. The company’s business model is a circular one: in addition to selling coolant chemicals for semiconductor silicon wafer processing, it collects waste liquid for a fee. The collected waste liquid is separated into solid and liquid components, and the water-soluble coolant is regenerated by distilling the liquid. This regenerated coolant is then resold to customers. Silicon wafer manufacturers have long been troubled by the costs and environmental impact associated with disposing of conventional oil-based coolants. Ohtomo-Chemical’s technology not only significantly reduces environmental impact and disposal costs but also contributes to improved customer productivity. The company supplies leading silicon wafer manufacturers, and strong growth is expected to continue.

Figure 47. Business Model for Semiconductor Processing
Coolant Agents



Source: Company Data. Compiled by Strategy Advisors.

Other EHD Products (e.g., Neochromato Processing)

<Other>

In the “E” domain, the company has also developed “Neochromato process®”, a process that decolorizes dyed and printed polyester fabrics by removing dyes without the use of large-scale equipment or water. Currently, this technology is highly regarded as environmentally friendly, and the company is implementing initiatives aimed at its widespread adoption.

In the “D” domain (Digital (advanced materials)), the company possesses products with high medium- to long-term growth potential, such as specialty resin raw materials—including those for semiconductor manufacturing equipment—and high-performance fluoropolymer materials characterized by low dielectric loss in the high-frequency range. Furthermore, building on its success with coolant chemicals for semiconductor processing, sales of various chemicals used in mid-stream semiconductor manufacturing processes are also growing.

Figure 48. Neochromato Processing



Source: Company Data. Compiled by Strategy Advisors.

3) Cosmetics Strategy: Strengthening Sales Capabilities and Launching a New Plant

KPIs:
Net Sales ¥20 billion,
EBITDA ¥3 billion

The numerical targets for the Cosmetics segment for FY12/30 are net sales of ¥20.0 billion, EBITDA of ¥3.0 billion, operating profit of ¥1.6 billion (both EBITDA and operating profit are figures after allocating company-wide eliminations to each segment), and an EBITDA margin of 15.0%. Although depreciation expenses are expected to increase starting in FY12/27, causing the operating profit margin to decline temporarily, the plan is to steadily improve the EBITDA margin. For reference, the baseline results for FY12/25 were net sales of ¥15.2 billion, EBITDA of ¥1.5 billion, operating profit of ¥1.1 billion (same as above), and an EBITDA margin of 9.9%. The company plans to strengthen its sales capabilities in conjunction with the launch of the new plant to dramatically enhance its profitability.

NICCA CHEMICAL | 4463 (TSE Standard)

Responding to Changes in the Business Environment

In the Cosmetics sector, the domestic beauty industry is facing a challenging business environment, including soaring raw material and labor costs, as well as longer intervals between salon visits. However, demand is shifting, and the time has come for NICCA CHEMICAL to leverage its expertise in hair science and feedback from hairstylists to demonstrate its strengths in product planning and development. In Japan, bleached styles have become the norm in hair coloring, and there is a growing need to minimize hair damage caused by repeated treatments. Additionally, the high-end hair care market is expanding among the older generation due to increased awareness of hair health. In light of these changes, the company plans to promote three initiatives: a) expanding its market share in the domestic salon business, b) strengthening its multi-brand strategy, and c) expanding its overseas operations.

a) Expanding Market Share in the Domestic Salon Business

In recent years, the company has increased its sales staff and has been actively utilizing digital promotions. The aim is to further enhance its appeal to leading salon clients by combining its industry-renowned technical expertise with customer-centric product development capabilities. Through these initiatives, the company aims to expand its market share in the domestic salon business.

b) Strengthening the Multi-Brand Strategy

The company's basic policy is to distribute its products through all sales channels where consumers purchase hair care products. Specifically, in addition to adjusting price points in response to market changes, the company aims to secure new large-scale projects in the ODM market for general consumers.

c) Overseas Expansion

Currently, the company's overseas operations are still small in scale, so the initial focus is on expanding market share in South Korea. Hair care products launched exclusively for the South Korean market are performing well. Furthermore, the company will expand into the beauty markets of major ASEAN countries to further grow the scale of its overseas operations.

Recent Brand Developments

Regarding brands, the company launched "DEMI DO" (scalp care) in April 2023, "TOIROCTION" (color) in June, "CARAVAN" (men's products, styling, etc.) in January 2024, "XFLEEK" (men's products, perms, etc.) in March, and "FLOWDIA MORE" (hair care, etc.) in September. In 2025, the company launched "SUMMER BAR" (summer hair care, UV protection, etc.) in February and "DEMI DO ASSET" (anti-aging scalp care) in July. In FY12/26, as already mentioned in Chapter 2, the company launched a new "Bleach-Free Line" under the "TOIROCTION" hair color brand on June 11. Additionally, on September 4, the company launched the new oil brand "FeTeE" in Japan, with a launch in South Korea scheduled for the near future.

Figure 49. Appearance of New Products

TOIROCTION
"Bleach Less Line"



FeTeE



Source: Company Data. Compiled by Strategy Advisors.

**Fukui Smart Factory
Scheduled to Begin Full-Scale
Operations in 2027**

Anticipating medium- to long-term demand growth, the company plans to complete construction of the new cosmetics plant, Fukui Smart Factory on May 21, 2027. The facility is in Inazu-cho, Fukui City (near the Fukui Interchange on the Hokuriku Expressway), on a 39,772-square-meter lot, with a building area of approximately 10,000 square meters and a total floor area of approximately 23,000 square meters. Capital investment is approximately ¥19.5 billion (maximum subsidy amount: ¥4.99991 billion). Production capacity is expected to triple compared to current levels. The company will introduce labor- and energy-saving production lines incorporating automation, automating filling, packaging, and raw material receiving. The vision is to create a smart factory that achieves 1.5 times the labor productivity compared to conventional methods and reduces inventory turnover months by more than half.

**There Is Room for Growth in
Market Share**

The Cosmetics segment is currently facing the challenge of insufficient production capacity. Another challenge has been improving productivity to maintain a diverse product lineup, particularly in hair care products. Once the new plant begins operations in 2027, the company will be able to more actively develop and propose a diverse range of high-value-added products by combining its expertise in hair science with feedback from hairstylists. As shown in Chapter 7, the company's current domestic market share in the professional Cosmetics market remains low at around 5%, indicating significant room for growth.

Figure 50. Fukui Smart Factory (Under Construction, as of July 29)



Source: Company Data. Compiled by Strategy Advisors.

11. Risk Factors

Risks affecting NICCA CHEMICAL's business performance and stock price trends are listed below, divided into short-term and medium- to long-term categories.

Short-Term Risks (External Factors)

Short-term risks include a global slowdown in demand in the textile, automotive, and semiconductor industries stemming from international conflicts, or a decline in production plant utilization rates. In particular, the company's core textile-processed products are heavily influenced by trends in the textile industry, which is their primary market. Furthermore, with no clear path toward resolving geopolitical risks, price fluctuations in raw materials such as naphtha and exchange rate fluctuations also pose risks. Other general risks include changes in market share and price declines resulting from intensifying competition among customers (in the textile, paper, dry cleaning, medical, semiconductor, and beauty salon industries, among others), as well as rising labor costs and inventory fluctuations in the supply chain.

Short-Term Risks (Internal Factors)

Internal risks for the company include delays in adjusting prices in response to rising costs. General risks include delays in the launch of new products or brands, quality issues, and declines in yield rates and productivity at production sites.

Medium- to Long-Term Risks (External Factors)

Next, regarding medium- to long-term risks stemming from external factors, we can expect sluggish demand and falling prices due to the increasing commoditization of apparel in the fashion industry. Furthermore, the entry of major chemical manufacturers could pose a threat, though there are currently no signs of this. In the Cosmetics sector, risks include a contraction in demand due to changing consumer preferences or a decline in the number of customers visiting hair salons.

Medium- to Long-Term Risks (Internal Factors)

Internal factors include the failure of EHD Products to increase their share of net sales in the Chemicals segment. In the Cosmetics segment, these include the lack of progress in increasing market share in hair care; low yield rates and productivity at the new cosmetics plant; and delays in developing overseas markets. Another factor is the inability to secure the necessary personnel in the R&D and manufacturing departments.

12. Promotion of Sustainability management

1) Corporate Governance Structure (as of the end of FY12/25)

Organizational Structure

The NICCA CHEMICAL Group consists of NICCA CHEMICAL, 20 subsidiaries, and 2 affiliated companies (as of the end of 2025). The organizational structure is that of a company with auditors. Regarding the Board of Directors, of the nine Directors, four are independent Outside Directors (44.4% of the total), and all four meet the criteria for independence. At the General Meeting of Shareholders in March 2026, 10 Directors were elected; however, in June, Kazuhisa Tatsumura, Representative Director, Member of the Board, Executive Vice President and COO, Director of the Cosmetics Unit, resigned for health reasons. Of the three auditors, two are independent Outside Directors, Members of the Board. There is one female Director, representing 11.1% of the board (the proportion of female executives is also 11.1%).

Although the company had been working to meet the listing maintenance criteria for the Prime Market, in October 2023, NICCA CHEMICAL transitioned from the Prime Market to the Standard Market to ensure an environment where shareholders can hold and trade shares with confidence and to avoid risks such as delisting.

Board of Directors

The Tokyo Stock Exchange's Corporate Governance Code was revised in July 2026. Since NICCA CHEMICAL's Corporate Governance Report for June 2026 was disclosed prior to the application of the new Code, it details compliance status based on the old Code. According to the Code (New Principle 4-10, formerly Principle 4-8), companies listed on the Standard Market are required to appoint at least two independent Outside Directors and Members of the Board. NICCA CHEMICAL meets this standard, as four of its nine Directors are independent Outside Directors, Members of the Board.

The principles of the Corporate Governance Code that have not been implemented are: [New Principle 2-2, Former Supplementary Principle 2-4(1): Ensuring Diversity in the Appointment of Core Personnel, etc.] and [New Principle 4-3, Former Supplementary Principle 4-1(3): Oversight of Succession Planning by the Directors].

Under Former Supplementary Principle 2-4(1), companies are required to disclose the status of implementation regarding targets for the appointment of women, foreign nationals, and mid-career hires to managerial positions, as well as personnel development policies and internal environment improvement policies aimed at ensuring diversity. As described below, while the company

has set a target of having female employees who aspire to managerial positions account for at least one-third of the total, there is no specific target figure for the proportion of female managers.

Under the former Supplementary Principle 4-1③, the Board of Directors is required to oversee succession planning for the Chief Executive Officer (CEO) and other key positions. President Yasumasa Emori, the third-generation leader, is the grandson of Mr. Kiyoki Emori and the second son of the second-generation president, Mr. Mikio Emori. Furthermore, the president's asset management company (Emori Planning) holds a 14.5% stake in the company and is the largest shareholder. Going forward, the company will likely clarify the desired profile and qualifications for the CEO, establish methods for developing talent based on these criteria, and consider whether it is necessary for the Board of Directors, the Nominating and Compensation Committee, or other bodies to formulate a succession plan.

Figure 51. Management Structure and Skills (as of June 10, 2026)

Title	Name	Corporate Management	International	Finance & Accounting	Sales/ Marketing	R&D	Human Resources	Sustainability	Governance/ Internal Control
Representative Director	Yasumasa Emori	○	○		○				
President									
Director	Daiji Kojima	○	○		○				○
Director	Jing-Ri Li	○	○		○				
Director	Shoya Sawaisaki	○		○			○		○
Director	Takahiro Inatsugi	○			○	○		○	
Outside director	Kaoru Aizawa	○			○	○			○
Outside director	Minako Yamaoka	○			○		○	○	
Outside director	Shuichi Sakamoto	○		○	○		○		
Outside director	Koichi Asakura		○			○		○	

Note: Titles omitted.

Source: Company data. Compiled by Strategy Advisors.

2) Shareholder Composition

Figure 52. Major Shareholders (as of June 30)

Shareholder Name	No. of shares held ('000)	% of shares held
Emori Planning Co., Ltd.	2,370	14.50
NICCA CHEMICAL Kyoeikai	1,827	11.18
Nagase Industries Co., Ltd.	1,407	8.61
NICCA CHEMICAL Employee Stock Ownership Association	694	4.24
Japan Custody Bank (Trust Account)	500	3.06
Emori Foundation for the Support of Asian Students (Public Interest Incorporated Foundation)	500	3.06
Fukui Bank, Ltd.	344	2.11
Masahiro Yamazaki	302	1.85
Religious Corporation Kanki-ji	268	1.64
Hisako Emori	218	1.34
Total	8,434	51.58

Note: Ratio relative to the total number of shares outstanding (excluding treasury stock).

Source: Company Data. Compiled by Strategy Advisors.

3) Sustainability Framework

Basic Policy

NICCA CHEMICAL has adopted the corporate purpose “Activate Your Life” and leads the world in the development of high-performance, sustainable products. Examples include fluorine-free water-repellent agents, solvent-free urethane resins, and semiconductor processing chemicals that recycle waste liquid—all of which are adopted by major global manufacturers. NICCA CHEMICAL believes its raison d’être is to provide solutions to the various challenges facing society—such as environmental, health, and sustainability issues—through its technology and spirit of innovation.

In February 2026, the company announced its medium-term business plan, “INNOVATION30” (2026–2030). The company has established Sustainability management as one of its core corporate strategies, citing the strengthening of its management foundation, improved employee engagement, and CO₂ reduction as key objectives. Centered on the three domains of “EHD (E: Environment / H: Health & Hygiene / D: Digital (advanced materials))”, the company aims to contribute to solving societal challenges.

Materiality

The company aims to reduce the Group’s total net CO₂ emissions by 30% by 2030 compared to FY2018 levels. It will contribute to the realization of a sustainable society toward the achievement of the Sustainable Development Goals (SDGs). As shown in the table below, the company has identified material issues in the areas of Environment (working toward a cleaner global environment), Lifestyle (making people’s lives more comfortable), and Society (enriching society).

Figure 53. NICCA CHEMICAL’s Materiality Framework

Environment: Work toward a cleaner global environment
30% reduction in net CO2 emissions for the entire Group by 2030 (compared to 2018)
Contribute to the realization of a sustainable society and circular economy by focusing on businesses that solve social issues related to the global environment
Incorporate "Chemical Green Concept" to strengthen management of chemical substances and help customers lessen their own environmental impact
Actively promote the use of environmentally friendly containers and packaging materials
Implement resource and energy conservation activities
Life: Make people's lives more comfortable
Focus on businesses that contribute to the health and prosperity of people around the world
Provide products that contribute to healthy and clean living, such as laundry agents and sports apparel with added functionality
Develop innovative cosmetics that pursue hair health and beauty
Contribute to the prevention of infectious diseases with antibacterial and antiviral products
Create and nurture new businesses in the areas of technologies and materials required in the domain of advanced information technology, such as digital devices and semiconductors
Society: Enrich society
Evolve the Group's extended family policy to attract diverse individuals and provide them the opportunities and motivation to fully display their abilities
Deeply cultivate diversity that respects the diversity of individuals and a diversity of workstyles
Implement various initiatives to improve employee job satisfaction
Coexist with local communities and contribute to the creation of communities that are good places in which to live
Proactively support international students from emerging countries and provide scholarships for the physically disabled
Manage health and productivity well

Source: Company Data.

Sustainability Committee

The Company has established the Sustainability Committee (Chair: Representative Director, Member of the Board, President and CEO; Members: Members of the Management Committee) as an organization to deliberate and review key environmental issues. This committee comprehensively evaluates environmental issues—including responses to climate change—as well as various challenges related to the realization of a sustainable society; the results of its deliberations are regularly reported to the Board of Directors for resolution. A Sustainability Coordination Subcommittee has been established under the committee to formulate sustainability plans and monitor progress and initiatives.

Human Capital Management

In terms of human capital management, the company has made the promotion of talent development a priority and is implementing initiatives based on the quantitative targets listed in the table below. The company set a target of having at least one-third of female employees aspire to managerial positions and achieved 34.0% in FY2025. The proportion of female managers is 12.7%. According to the Cabinet Office, the proportion of women in managerial positions at private companies is 16.1% (as of 2024), meaning the company falls below the national average. Going forward, setting a target for the proportion of female managers will likely be a key issue for consideration.

Figure 54. NICCA CHEMICAL's Human Capital Goals

Targets	FY12/23 Actual	FY12/24 Actual	FY12/25 Actual	Results
To increase the percentage of female employees who “aspire to management positions”—one of the questions in our employee satisfaction survey—to one-third	31.5%	33.7%	34.0%	Achieved
Implement a 100% return-to-work support program for employees returning from maternity and childcare leave	100.0%	100.0%	100.0%	Achieved

Source: Company Data.

GHG Emission Reduction Targets

4) Climate Change Response

On the environmental front, the Company has long promoted company-wide environmental activities centered on ISO 14001 (Environmental Management System). While these ISO 14001-based initiatives will continue, SDG principles and objectives have also been incorporated into management strategy since FY2021. In addition, the Company has published an annual Environmental and Social Activities Report since FY2017, outlining the environmental and social initiatives undertaken by the NICCA CHEMICAL Group.

With respect to climate change, scenario analyses based on both 4°C and 1.5°C scenarios have been conducted with reference to multiple scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). The objective is to assess the potential impact of climate change on business operations and to reflect the findings in management strategy.

The 4°C scenario is one in which the global average temperature rises by 4°C by the end of the 21st century compared to pre-industrial levels, with economic growth prioritized and climate change policies not strengthened beyond the regulations in effect as of 2021. The 1.5°C scenario is one in which the rise in global average temperature by the end of the 21st century is limited to less than 2°C compared to pre-industrial levels, with proactive environmental policies promoted to achieve carbon neutrality.

The table below presents, based on scenario analysis, (1) the impacts of the transition to a decarbonized society, (2) the risks and opportunities associated with the physical impacts of global warming, and the current status of NICCA CHEMICAL's initiatives.

Figure 55. Main Risks and Opportunities Related to Climate Change

Category	Factors and Events		Assessment			Status of Current Engagement
			Impact Type	4°C Scenario	1.5°C Scenario	
Impacts of Transition to a Decarbonized Society	Carbon pricing	Increased operating costs, including introduction of a carbon tax	Risk	Small	Large	- Setting CO₂ emission reduction targets - Acquiring third-party environmental qualifications - Reduction of environmental impacts through equipment
	Energy cost changes	Price of purchased electricity to soar due to switch to power generation from renewable energy sources, etc.	Risk	Small	Medium	Installation of solar power generation equipment
	Advance in low-carbon behavior	Expanding demand for related products in line with development of low-carbon technologies and the promotion of DX with a view to decarbonization (fluorinated chemicals, water-based polyurethane resins, etc.)	Opportunity	Medium	Large	Technology application and business promotion in the field of advanced information technology
	Changes in customer behavior	Growing need to reduce environmental impact due to expanding decarbonization needs through the supply chain	Opportunity	Small	Large	- Acquiring third-party environmental qualifications - Investing in technology to develop environmentally friendly products - Proposal of Smart Dyeing Process
Physical impacts of global warming	Occurrence of extreme weather conditions	Increased scale of damage to the company's bases and logistics network caused by a disaster	Risk	Large	Large	- Periodically reviewing BCP - Conducting site-specific disaster drills and education
	Impact on raw material prices	Change in demand for petroleum-based raw materials due to soaring crude oil prices and price hikes associated with poor harvests of palm oil and other crop-based raw materials	Risk	Large	Medium	- Promoting use of RSPO-compliant palm oil - Development of products using natural ingredients, natural materials, and bio-based raw materials
	Increase in average temperature	Increasing adaption needs, including rising temperatures throughout the year (shrinking demand for synthetic fibers due to lower demand for winter clothing)	Risk/opportunity	Medium	Medium	Addressing need for high functionality through use of surface science and resin technology

Source: Company Data.

Recognizing the possibility that both anticipated scenarios could become reality, the company is advancing Business Continuity Plan (BCP) measures to mitigate the spread of physical damage and promoting a transformation of its business structure centered on “EHD” to facilitate the transition to decarbonization. Furthermore, to achieve carbon neutrality, the company is promoting decarbonization through initiatives such as advancing CO₂ reduction efforts and proposing the “Smart Dyeing Process”, which aims to reduce environmental impact across the entire supply chain in textile processing.

The company will continue its efforts toward realizing a carbon-neutral society by 2050. As a climate change-related target, it has set a goal of reducing the Group’s total net CO₂ emissions (Scopes 1 and 2) by 30% by 2030 (compared to FY2018). In FY12/25, the Group’s total net CO₂ emissions were reduced by 38.9% compared to FY12/18.

In 2021, to reduce CO₂ emissions, the company switched all electricity usage at its facilities in Fukui Prefecture (Headquarters and Sabae plant) to 100% hydropower, achieving zero CO₂ emissions from electricity. To reduce CO₂ emissions associated with fossil fuel use, the company has replaced aging heavy oil-fired boilers with LNG boilers during boiler upgrades. Group-wide, the company is working to reduce its environmental impact by exploring ways to streamline production processes, converting to energy-efficient equipment, installing solar power systems, and promoting the use of LED lighting.

The new cosmetics plant, Fukui Smart Factory, scheduled to begin full-scale operations in 2027, is an environmentally friendly facility designed to reduce CO₂ emissions. In Q1 FY12/26, sales of EHD Products—such as PFC-free durable water repellent agents and environmentally conscious process agents—were strong in the textile chemicals segment.

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Figure 56. 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	64,000
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	5,400
OP Margin	4.6%	3.0%	3.4%	5.1%	5.2%	4.1%	6.5%	6.9%	8.4%
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	5,400
Ordinary Profit Margin	4.8%	2.9%	4.0%	5.6%	6.2%	5.0%	7.3%	6.9%	8.4%
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	3,800
Net Profit Margin	4.9%	1.9%	2.5%	5.4%	4.2%	3.4%	5.1%	4.3%	5.9%
EPS (¥)	156.7	57.3	66.4	164.8	134.1	107.1	174.2	150.3	238.7

Source: Company Data. Compiled by Strategy Advisors.

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Figure 57. 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
Others	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 (x)	0.9	1.0	0.8	0.5	0.4	0.3	0.3	0.6

Source: Company Data. Compiled by Strategy Advisors.

Figure 58. 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.

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Figure 59. 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 (¥)	1,283.0	1,283.9	1,335.6	1,589.4	1,771.7	1,906.6	2,125.6	2,211.8
DPS (¥)	18.0	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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