

NIPPON SHOKUBAI CO., LTD.

The 2nd Medium-term Business Plan
“Reborn Nippon Shokubai 2020 NEXT”

and

The Financial Results for The Fiscal Year
Ending March 31, 2018 (FY2017)

May 10, 2018

President

Yujiro Goto



1. The 2nd Mid-term Business Plan (FY2017-2020) “Reborn Nippon Shokubai 2020 NEXT”
2. Financial results for the fiscal year ending March 31, 2018 (FY2017)
3. Strategies and trend by business area
4. New business
5. The progress of The 2nd Mid-term Business Plan
6. Financial forecasts for the fiscal year ending March 31,2019 (FY 2018)
7. Return policy

Explanation of acronyms

AA : Acrylic Acid
AES: Acrylates
SAP : Superabsorbent Polymers
EO : Ethylene Oxide
DDS : Drug Delivery System

1. The 2nd Mid-term Business Plan (FY2017-2020) “Reborn Nippon Shokubai 2020 NEXT”

Vision for 2025

An innovative chemical company that provides new value for people’s lives

Business Policies

- ◇ Focusing on profitability over sales
- ◇ Safe, reliable production activities

Priority challenge

- ◇ Survival of SAP business
- ◇ Launch of new businesses in high-growth potential markets for our future key driver

Basic Posture

Create products and services which market needs, and provide the products and the services when market needs.



Policies to priority challenge

- Strengthen competitiveness of SAP business
 - Improve profitability (Survival project)
 - Strengthen R&D

Accelerate creation of new businesses and products

Target to continuous growth

- Develop an active corporate team and organization
- Enhance the confidence of stakeholders
- Strengthen Group management

1. The 2nd Mid-term Business Plan (FY2017-2020) “Reborn Nippon Shokubai 2020 NEXT”

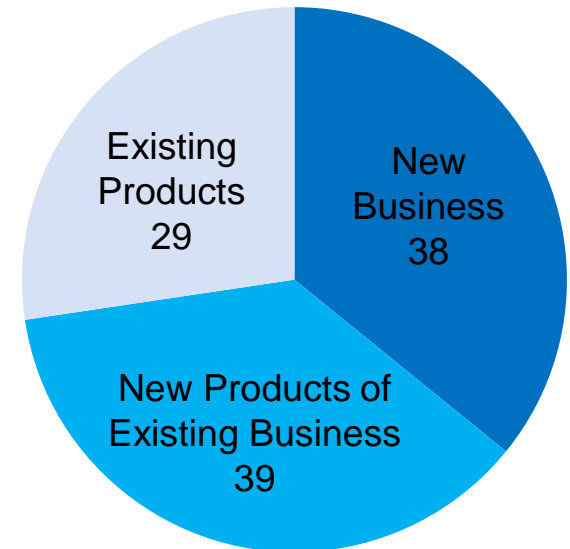
Management indexes and numerical targets

Sales 400 billion yen

Increase of sales during the period : 106 billion yen
(sales of FY2016 : 294 billion yen → sales of FY2020 : 400 billion yen)

Ordinary income 40 billion yen
(profit margin of sales : 10%)

ROA 7.5%



Breakdown of 106 billion yen, the amount of increase of sales
(Unit: billions of yen)

【Assumptions】

	<u>Domestic naphtha price</u>	<u>Exchange rate(US\$)</u>	<u>Exchange rate(EUR)</u>
LTP (FY2014-2020) (established in 2014)	65,000yen/kl	100 yen	130 yen
2nd MTP (FY2017-2020)	42,000yen/kl	110 yen	115 yen

2. Financial results for the fiscal year ending March 31, 2018 (FY2017)

	FY2016	FY2017	
(Unit : Billion Yen)	Results	Results	The forecasts announced on Nov. 7
Net sales	294.0	322.8	320.0
Operating profit	21.2	26.7	26.0
Ordinary profit	24.7	32.3	30.0
Profit attributable to owners of parent	19.4	24.3	22.0
ROA	5.9%	7.1%	6.7%
ROE	6.8%	8.1%	7.4%

Exchange rate :	108.36 yen / US \$, 118.76 yen / EUR	110.82 yen / US \$, 129.70 yen / EUR	110.52 yen / US \$, 128.16 yen / EUR
Domestic naphtha price	34,700 yen /kL	41,900 yen /kL	40,300 yen /kL

Increase in sales and profits (compared to the forecast announced on November 7th)

Factors of increase :

- Increased sales and profits in Basic Chemicals: Increase in sales volume and widening of the margin of AA&AES
- Increase in profit of affiliates

3. Strategies and trend by business area : AA/SAP

AA: Business strategy

We aim to be a leading global player in the acrylic monomer business by active sales and marketing.

Supply and demand trend

Demand Global demand approx. 6,300 kilo tons per year (“KT/y”) (2018 estimate)
Assuming mid-term annual growth rate around 5%

Supply Expansion plan for 2018 : 200KT/y (global total)
Expansion plan for 2019 : 600KT/y (global total)
Expansion plan for 2020 : 250KT/y (global total)

- China is regulating supply capability by withdrawal of operations and tightening of environmental regulations
- The balance of supply and demand became tight due to less expansion after 2016

The progress and the policies in the future

1) Maintaining high operating rate and safe and stable operations

Stable procurement of raw materials

- Aiming stable procurement of propylene with locally-produced and locally-consumed principle globally

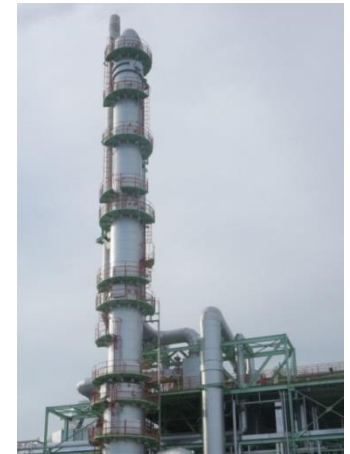
Production technology

- Developing and introducing new technologies to keep top-level of production technology

2) Strengthening of global supply system

- Expansion of production capacity in Belgium is completed, prepared for high operation
Production capacity becomes 880KT/y
- Further expansion is considered (decision will be made in FY2018)

Aiming for AA production of 1,000KT/y



3. Strategies and trend by business area : AA/SAP

SAP : Business strategy

We supply products with a high quality and competitive price to strategic-partner customers.

Supply and demand trend

Demand Global demand approx. 2,900 KT/y (2018 estimate)

Assuming mid-term annual growth rate from 5 to 7 %

Supply 2018 expansion plan: 250KT/y (global total)
2019 expansion plan: 100KT/y (global total)
2020 expansion plan: None

The supply and the demand will be balanced towards 2020

The progress and the policies in the future

1) Strengthening our customer portfolio

Customizing quality and functions of SAP for each customer furthermore to differentiate ourselves from other SAP manufacturers

2) Improving profitability

Utilizing strengths of AA/SAP vertical integration

SAP Survival Project : narrowing cost reduction items and implementing measures

Cost reduction of the existing plants utilizing AI/IoT (implement in other facilities as well)

3) Strengthening of global supply system

- Expansion of production capacity in Belgium is completed, prepared for high operation

Production capacity becomes 710KT/y

- Strengthening the supply system including the competitive increase in production capacity by using new process which is under development



Strengthening competitiveness of AA/SAP business as a whole

Further expansion is considered with vigilant watch on the market trends

3. Strategies and trend by business area : EO, Performance chemicals, and New energy materials/catalyst

EO : Business strategy

We strengthen our competitiveness by structural reform of our EO plant such as partnership with other company.

Featured products

Secondary alcohol ethoxylates ("SOFTANOL") <Surfactant>

- 1) Expansion in Kawasaki, Japan is completed
- 2) Further expansion is considered outside of Japan



We target liquid detergents market with variety of products

Performance chemicals: Business strategy

We expand sales of unique and functional products made from our specialty monomers and the derivatives with our particular technologies.

Featured products

VEEA <Performance monomer>

EPOCROS <Performance polymer>

EPOMIN <Performance polymer>

Acrylic resin for optical materials (" ACRYVIEWA") <Material for FPD>

The Dispersion of Zirconia Nanoparticles ("ZIRCOSTAR") < Refractive index adjuster>



New energy materials/catalyst : Business strategy

We expand sales of various battery materials manufactured at competitive large-scale facility.

Featured products

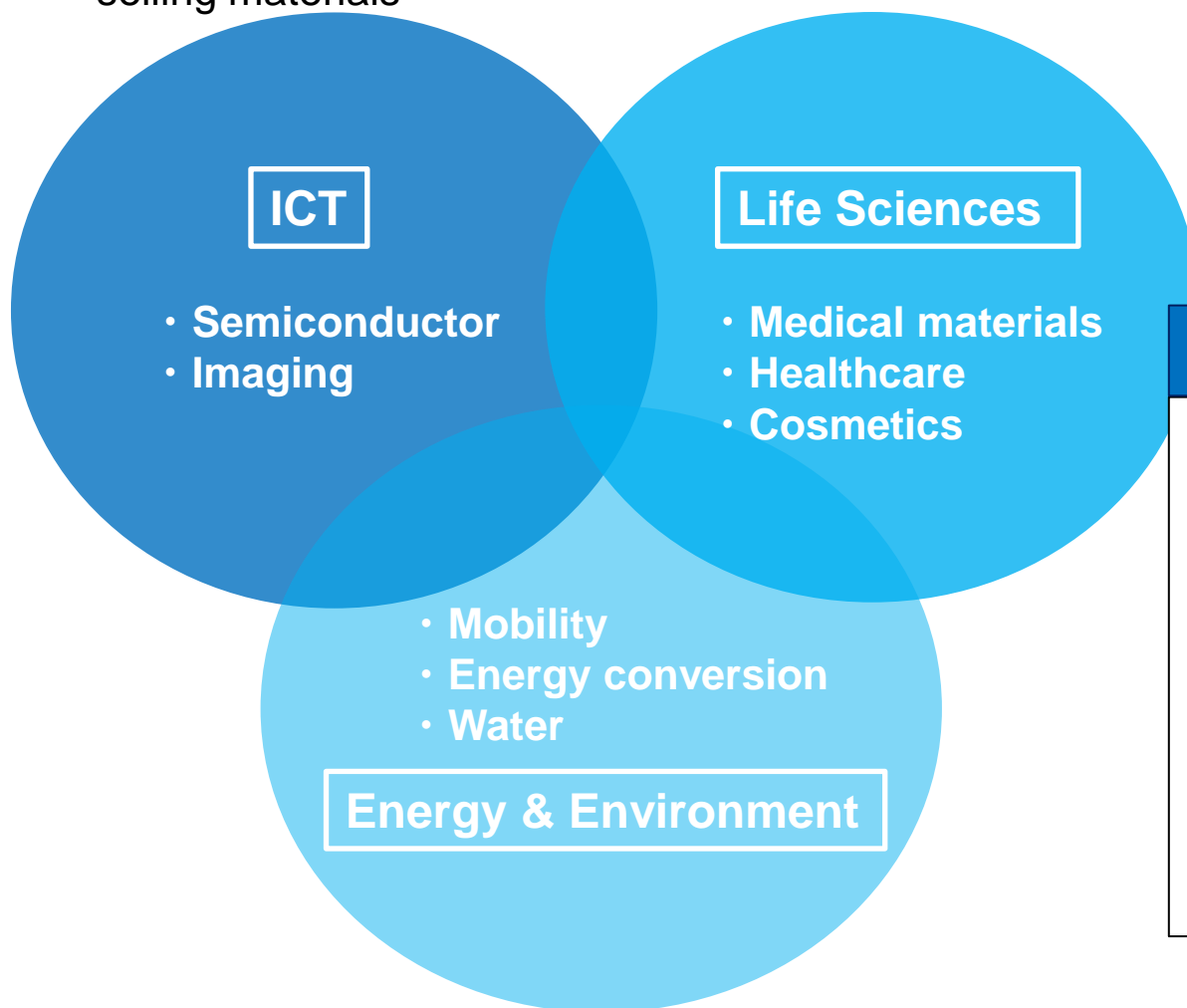
Lithium bis (fluorosulfonyl) imide : LiFSI ("IONEL") <Electrolytes for lithium-ion batteries>

4. New business : Target sectors

New business : Business strategy

Focusing on growing markets/fields

Creating new businesses which business models take advantage of our strengths not limited to selling materials



Create new businesses with new technologies based on our core technologies

Target

- > Enter into each sector with core product by 2020 (sales amount by 1 billion yen each)
- > Establish business in each sector by 2025 (sales amount by 10 billion yen each)

*We promote O/I and M&A in order to achieve the targets above.

- O/I : NIPPON SHOKUBAI Research Alliance Laboratories (in Osaka University, Osaka) , Nanyang Technological University, Singapore
- Pilot facility to promote commercialization is under construction (in NISSHOKU TECHNO FINE CHEMICAL CO., LTD., our group company)

4. New business : <Life Sciences>

(Medical materials) : Business strategy

We support drug development in peptide drugs, DDS and nucleic acid drug categories.

The progress and the policies in the future

Capital tie-up and business partnership with GlyTech, Inc.

Joint development of Glycosylated Somatostatin Analog(G-SRIF) (peptide drugs)

Capital tie-up with TAK-Circulator, Inc.

Promotion of developing the seeds of nucleic acid drug

Capital tie-up with Rena Therapeutics Inc.

Promotion of developing DDS for nucleic acid drug

The production facility of API synthesis is under construction as planned

(operation estimated to start in Apr. 2019)

◆Outline of the production facility of API synthesis

Regulation : GMP(JP,US,EU),PIC/S GMP

Floor Area : Around 3,000 square meters

Main equipment : Solid and liquid phase synthesizer of peptide and nucleic acid drugs, Large scale separation and purification apparatus, Freeze dryer, Analysis equipments for QC etc.

※In terms of manufacturing these kinds of APIs, this is one of the biggest facilities in Japan.



We will be able to manufacture API and IMP (from milligram scale to kilogram scale)

(Cosmetics) : Business strategy

Established Cosmetics Business Planning Office (Jul. 2017) aiming to early commercialization

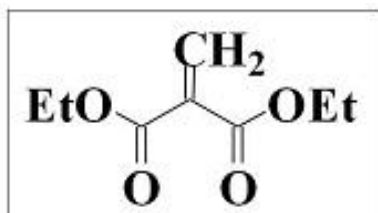
4. New business : <Energy & Environment> <ICT>

(Mobility) promising key materials

Malonates

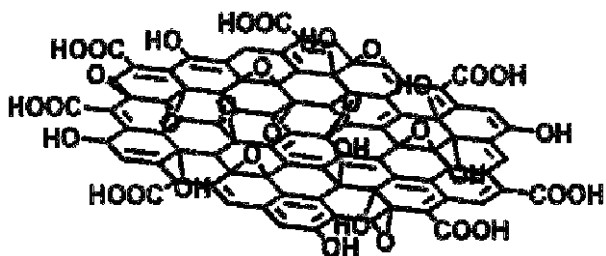
Functional monomer

Acquired SIRRUS, Inc., a technology venture in America (Mar. 2017)



(Energy conversion) promising key materials

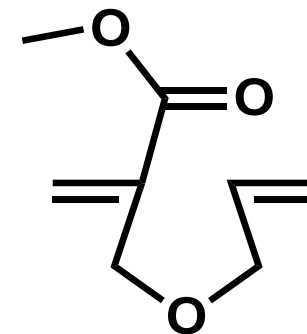
Graphene oxide based materials



(Imaging) promising key materials

AOMA

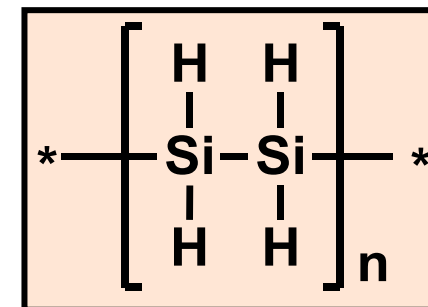
Cyclopolymerization monomer



(Semiconductor) promising key materials

Higher order silane material

Monomer for semiconductor process



5. The progress of The 2nd Mid-term Business Plan : Outline of the plan “Reborn Nippon Shokubai 2020 NEXT”

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5. The progress of The 2nd Mid-term Business Plan : Topics

Target to continuous growth

Develop an active corporate team and organization

- Workstyle Innovation Committee

Jul. 2017

Established Workstyle Innovation Committee

- Business Process Re-engineering team
- Workstyle Reforming team
- IT Solution team

Enhance the confidence of stakeholders

- Response to CSV, ESG and SDGs

Apr. 2018

Established Sustainability Promotion Committee

Considering the way of Nippon Shokubai's sustainability as well as "Group's Common Values (tentative)" to reflect them to the next business plan

- Enhancing response to ESG
- Making the integrated report
- Revising our Group Mission system
- Implementing Group Mission permeation measures



6. Financial Forecasts for The Fiscal Year Ending March 31,2019 (FY 2018)

(Unit : Billion Yen)	FY2017 Results	FY2018 Forecasts
Net sales	322.8	350.0
Operating profit	26.7	27.0
Ordinary profit	32.3	32.5
Profit attributable to owners of parent	24.3	24.5
ROA	7.1%	6.9%
ROE	8.1%	7.7%

Exchange rate :

110.82 yen / US \$,
129.70 yen / EUR
41,900 yen /kL

110.00 yen / US \$,
130.00 yen / EUR
46,000 yen /kL

Domestic naphtha price

FY 2018 : Increase in sales and profits

- Sales volume is predicted to reach a record high
- Profits is predicted t be increased by volume effect covering fixed costs such as depreciation cost of newly established plant in Belgium

The Plan is well underway towards the goal in 2020

7. Return Policy

Taking overall account of business expansion and strengthening of corporate structure, and based on forecasts of the trend in consolidated earnings, we are aiming to improve levels of dividends in the medium term

FY2017 dividend

Profit attributable to owners of parent **24.3** billion yen
160 yen per share

10 yen per share higher than the last period
 Record highest dividends

Unit: yen

(Yen / share)	Interim	End of period	Total
Dividends per share	75	85	160

FY2018 dividend, Forecast

Profit attributable to owners of parent **24.5** billion yen
160 yen per share

The same as the highest past dividend

Unit: yen

(Yen / share)	Interim	End of period	Total
Dividends per share	80	80	160

	Average FY 2008- FY 2017	FY 2016	FY 2017 (Forecast)
Payout ratio	28.3%	26.3%	26.0%

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