

**NIPPON
SHOKUBAI**

NIPPON SHOKUBAI CO., LTD. IR meeting

2019/5/10

Yujiro Goto, President

**The 2nd Medium-term Business Plan
“Reborn Nippon Shokubai 2020 NEXT”
and
The Financial Results for the Fiscal Year
Ending March 31, 2019 (FY2018)**

Agenda

The 2nd Mid-term Business Plan (FY2017-2020)

“Reborn Nippon Shokubai 2020 NEXT”

1. Overview
2. Policies to priority challenge
3. Target to continuous growth

Financial results and others

4. Financial results for the fiscal year ending march 31, 2019 (FY2018)
5. Financial forecasts for the fiscal year ending March 31, 2020 (FY2019)
6. Return policy

Explanation of acronyms

SAP : Superabsorbent Polymers
AA : Acrylic Acid

1. Overview

Management indexes and numerical targets (IFRS)

Sales

400 billion yen

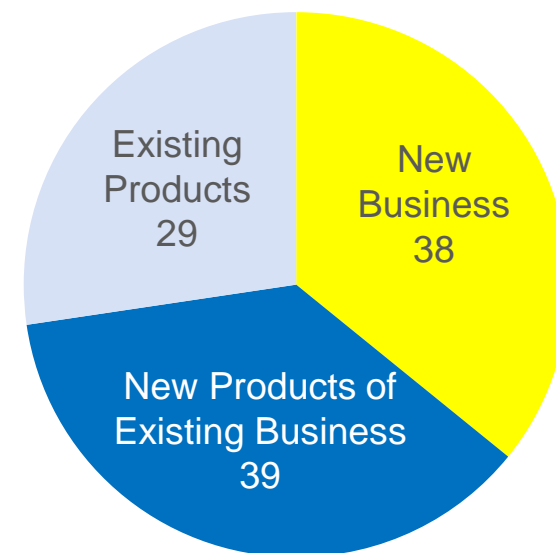
Increase of sales during the period : 106 billion yen
(sales of FY2016 : 294 billion yen → sales of FY2020 : 400 billion yen)

Ordinary income

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

ROA

7.4% (JGAAP 7.5%)



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

【Assumptions】

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

*Nippon Shokubai will voluntarily adopt IFRS from FY2019.

1. Overview

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.

Social Issue Market Needs
TechnoAmenity



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

2. Policies to priority challenge

Strengthen competitiveness of SAP business

- Improve profitability (Survival project)
- Strengthen R&D

- Profitability is improving and competitiveness of products is being heightened.
- We have a better outlook on strengthening competitiveness of our SAP business.

Accelerate creation of new businesses and products

- New businesses
 - M&A was conducted in part, and full-fledged implementation will be advanced from now on
 - Evaluation of samples by customers entered the final stage.
- Improving existing items in existing markets:
 - ex) Improved types of existing products
 - ※ E&I Materials and IONEL™ (LiFSI) are included

- Actions including development investment and business alliance are steadily advanced.

2. Policies to priority challenge

Strengthen competitiveness of SAP business

Supply and demand trend of AA

Demand Global demand approx. 6,800 kilo tons per year (“KT/y”) (2019 estimate)

Assuming mid-term annual growth rate around 5%

Supply Expansion plan for 2019 : 300KT/y (global total)
Expansion plan for 2020 : 600KT/y (global total)
Expansion plan for 2021 : 100KT/y (global total)

- The balance of supply and demand became tight mainly due to environmental regulation in China

Supply and demand trend of SAP

Demand Global demand approx. 3,050 kilo tons per year (“KT/y”) (2019 estimate)

Assuming mid-term annual growth rate around 5-7%

Supply Expansion plan for 2019 : 100KT/y (global total)
Expansion plan for 2020 : None
Expansion plan for 2021 : None

- Supply and demand will be balanced towards 2020

- Markets of AA and SAP will continue to grow at a high level in mid- and long-term

2. Policies to priority challenge

Strengthen competitiveness of SAP business

◆ Strength of Nippon Shokubai Group

- Vertical integration: Producing acrylic acid (AA), which is material for SAP
- Strong relationship with leading customers

◆ SAP survival project

- Improve productivity of facilities
- Improve efficiency of AA production
- Improve efficiency of maintenance and logistics etc.

◆ Enhancement of global supply system

- Belgium New facilities of AA&SAP (100kT/y for each) operate steadily
- Indonesia Decided to expand AA production capacity by 100kT/y (scheduled to completion at the end of March 2021)
- Next expansion of SAP is now under consideration



Promote strengthening competitiveness of AA/SAP businesses in total

2. Policies to priority challenge

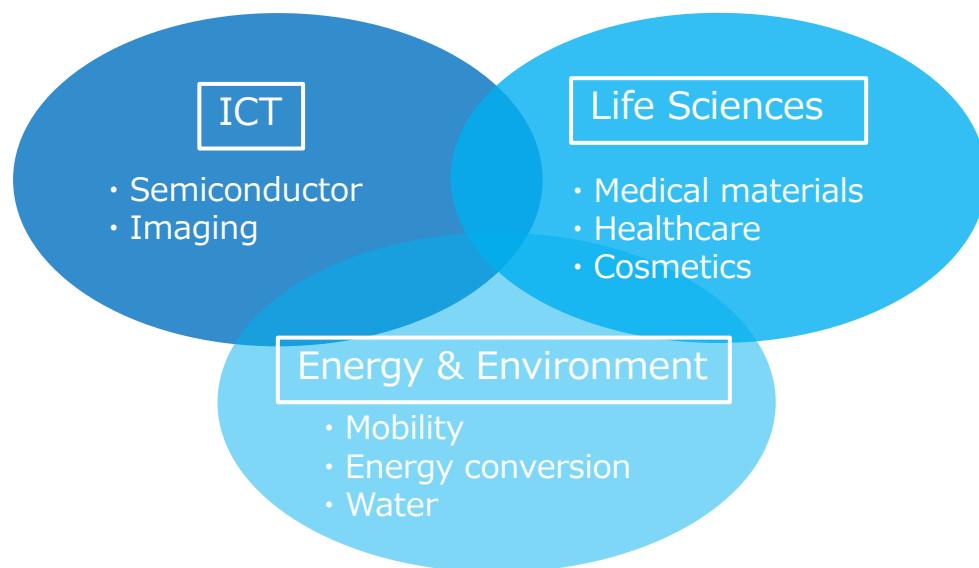
Accelerate creation of new businesses and products

<New businesses>

Targets : 3 business sectors (8 business areas)

Strategy : Focus on growing markets/fields

Create 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)

<New products>

In addition to expansion of sales by improving existing items in existing markets, we promote products and technologies to target sectors where market growth is expected in order to expand our businesses

2. Policies to priority challenge

Accelerate creation of new businesses and products

Medical materials

Drug development support business

Construction of the production facility of API synthesis is completed, and preparation for commercial operation is ongoing

◆ 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 equipment for QC etc.

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



Cosmetics

Cosmetics ingredient business

Signed the Memorandum of Understanding to start business collaboration with GREENTECH
(France, a leading natural cosmetic ingredient supplier)

Started business collaboration with Nano Cube Japan

Signed a Joint Development Agreement with Bizen Chemical

Signed a Joint Development Agreement with Lilac Pharma

※ Upgraded to Cosmetics Business Office and estimated to book sales from FY2019



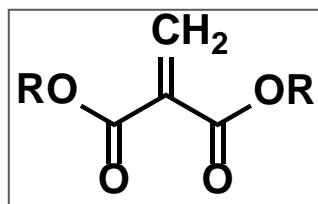
2. Policies to priority challenge

Accelerate creation of new businesses and products

Mobility

Methylene malonates

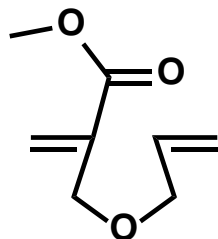
- Functional monomers, crosslinking agent
- Pilot facility is under consideration (US)



Imaging

AOMA™

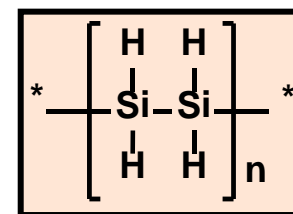
- Cyclopolymerization monomer
- Commercialized from April 2019



Semiconductor

Higher order silane material

- Monomer for semiconductor process



Energy conversion

Materials for energy storage

Water

Materials for seawater desalination and water treatment

2. Policies to priority challenge

Accelerate creation of new businesses and products

Featured products of existing businesses

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

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

The Dispersion of Zirconia Nanoparticles (ZIRCOSTAR™)

<Refractive index adjuster>

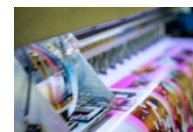
Secondary alcohol ethoxylates (SOFTANOL™) <Surfactant>

Hybrid Monomer (VEEA) <Material for UV inkjet>

Oxazoline-functional polymer (EPOCROS™) <Waterborne crosslinker>

Polyethyleneimine (EPOMIN™)

<Material for water treatment agent and dispersant agent>



Promote facility expansion and sales expansion of performance chemicals we developed by our unique technologies

3. Target to continuous growth

Develop an active corporate team and organization

- Workstyle Innovation Committee

Since Jul. 2017

Workstyle Innovation Committee

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

Enhance the confidence of stakeholders

- Approach for safety
- Approach for ESG and SDGs

Strengthen group management

Corporate Credo
Safety takes priority over production.

Second half of FY 2018
Enhance ESG disclosure

Disclose main ESG data on website

<http://www.shokubai.co.jp/en/csr/esg/>



Prepare to issue TechnoAmenity report

Integrated report

(scheduled to issue in July 2019)

Promote CSR Activities

Promotion of our CSR activities is the practice of the group mission **TechnoAmenity** itself

- Integrate the activities until last year to establish **TechnoAmenity Promotion Council**
- Considering to **revise corporate philosophy system**

4. Financial results for the fiscal year ending march 31, 2019 (FY2018) <JGAAP>

	FY2017	FY2018	
(Unit: Billion Yen)	Results	Results	Forecasts as of Nov. 6
Net Sales	322.8	349.7	370.0
Operating profit	26.7	26.1	26.0
Ordinary profit	32.3	33.1	32.5
Profit attributable to owners of parent	24.3	25.0	24.5
ROA	7.2%	7.1%	6.9%
ROE	8.1%	7.9%	7.7%
Domestic naphtha price	41,900 yen/kL	49,400 yen/kL	54,600 yen/kL

Sales and profits increased year-on-year

- Sales increased : naphtha price and market conditions for products outside of Japan rose
- Operating profit decreased : increase in fixed cost and loss from inventory revaluation > volume effects
- Ordinary profit increased : share of profit of entities accounted for using equity method increased

5. Financial forecasts for the fiscal year ending March 31, 2020 (FY 2019) <IFRS>

	FY 2018	FY 2019
(Unit: Billion Yen)	Results	Forecasts
Revenue	338.9	345.0
Operating profit	26.2	26.5
Profit before tax	32.1	32.0
Profit attributable to owners of parent	23.8	24.0
ROA	6.7%	6.5%
ROE	7.5%	7.2%
Domestic naphtha price	49,400 Yen/kL	42,000 Yen/kL

Expected that revenue will increase and profit will be consistent with previous year

Operating profit is predicted to be consistent with previous year

- R&D expenses will increase in order to accelerate creating new businesses and new products. Processing costs will also increase
- Volume effects will cover the cost increase

※The result values for the FY2018 (IFRS) are approximate values and it is possible that they will change depending on the result of the accounting audit.

6. 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

FY2018 dividend

Profit attributable to owners of parent (JGAAP)
25.0 billion yen

170 yen per share

**10 yen per share higher than FY2017
Record highest dividends**

(Yen/share)	Interim	End of period	Total
Dividends per share	80	90	170

FY2019 dividend, forecast

Profit attributable to owners of parent (IFRS)
24.0 billion yen

180 yen per share

**10 yen per share higher than FY2018
Record highest dividends**

(Yen/share)	Interim	End of period	Total
Dividends per share	90	90	180

	Average FY2009-FY2018	FY2018	FY2019 (forecast, IFRS)
Payout ratio	25.9%	27.1%	29.9%

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