

**NIPPON
SHOKUBAI**

NIPPON SHOKUBAI CO., LTD. IR meeting

2019/11/8

Yujiro Goto, President

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

The Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020 (FY2019)

Agenda

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

“Reborn Nippon Shokubai 2020 NEXT”

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

Financial results and others

4. Financial results for the 2nd quarter of the fiscal year ending March 31, 2020 (FY2019)
5. Financial forecasts for the fiscal year ending March 31, 2020 (FY2019)
6. Return policy

Explanation of acronyms

SAP : Superabsorbent Polymers
 AA : Acrylic Acid
 AES: Acrylates

1. Overview

Management indexes and numerical targets (IFRS)

Sales

400 billion yen

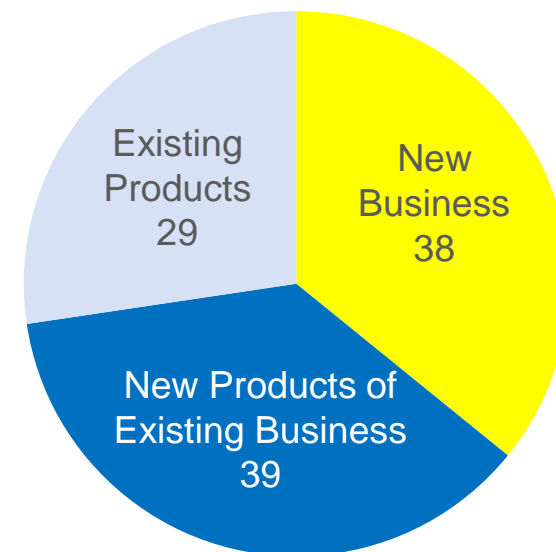
Increase of sales during the period : 106 billion yen
(sales of FY2016 : 294 billion yen → sales of FY2020 : 400 billion yen)

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 is voluntarily adopting 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

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 2020 : 700KT/y (global total)
Expansion plan for 2021 : 100KT/y (global total)
Expansion plan for 2022 : 300KT/y (global total)

- Although the current demand is weak, the supply-demand balance will improve in the mid- to long-term.

Supply and demand trend of SAP

Demand Global demand approx. 3,000 kilo tons per year (“KT/y”) (2019 estimate)

Assuming mid-term annual growth rate more than 5%

Supply Expansion plan for 2020 : 60KT/y (global total)
Expansion plan for 2021 : None
Expansion plan for 2022 : None

- Although the current demand is weak, the competition between users and suppliers will be intensified.
- The supply-demand balance will improve in the mid- to long-term.

- Markets of AA and SAP will continue to grow stably in mid- to 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/SAP 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)



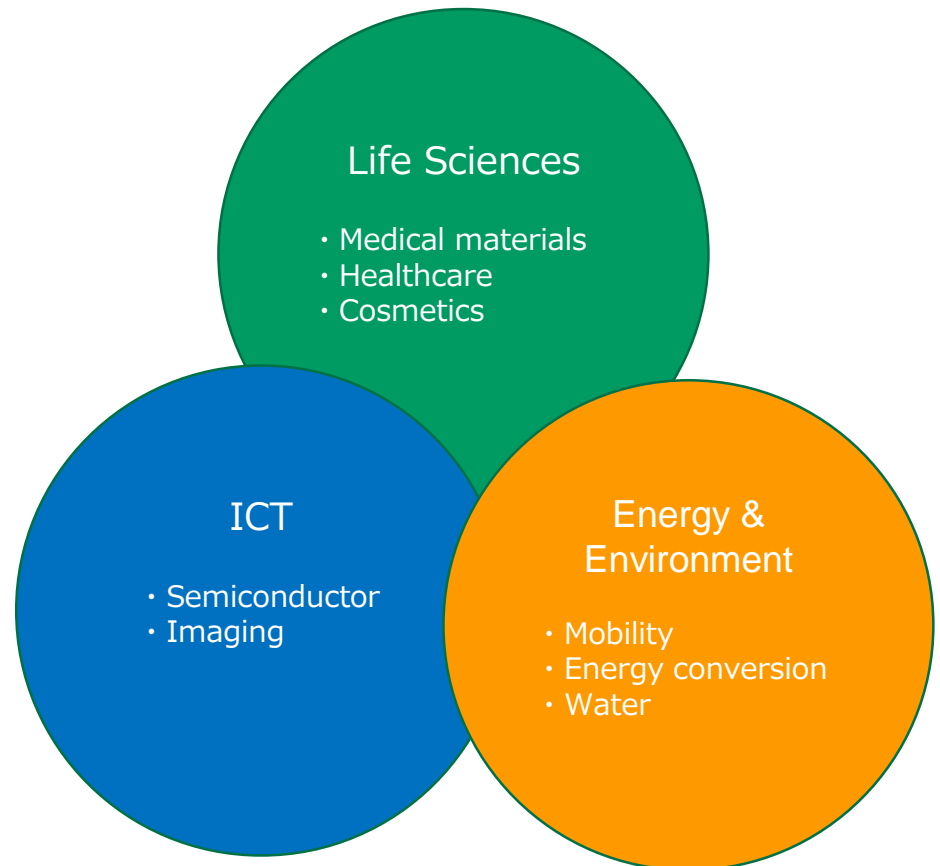
Promote strengthening competitiveness of AA/SAP businesses in total

2. Policies to priority challenge

Accelerate creation of new businesses and products

Considering potential market, familiarity to us and social issues, we chose our new business field.

SUSTAINABLE DEVELOPMENT GOALS



2. Policies to priority challenge

Accelerate creation of new businesses and products

Life Sciences

- Medical materials
- Healthcare
- Cosmetics



Cosmetics

- Product sales started from April, 2019.

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](#)

Medical materials

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

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

- Expanding a capital alliance with TAK-Circulator through third party allotment.

2. Policies to priority challenge

Accelerate creation of new businesses and products

ICT

- Semiconductor
- Imaging

Energy & Environment

- Mobility
- Energy conversion
- Water



Mobility

IONEL™ (LiFSI)

- Electrolytes for lithium-ion batteries

Methylene malonates

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

Imaging

AOMA™

- Cyclopolymerization monomer

iOLED™

- Film light source thinner than paper

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

Hybrid Monomer (VEEA™) <Material for UV inkjet>

Scheduled completion in December 2019 (Himeji)

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

Completed in August 2018 (Himeji)

Polyethyleneimine (EPOMIN™)

<Material for water treatment agent and dispersant agent>

Completed in September 2019 (Himeji)



- Facility expansion of performance chemicals developed with our unique technologies is being progressed as planned.
- Promoting sales expansion.

3. Target to sustainable growth

Promoting CSR Activities

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



Published **TechnoAmenity** Report
Integrated report format (August, 2019)

Strengthened disclosure of ESG information
(from the second half of FY2018)

Released ESG main data on the website
<https://www.shokubai.co.jp/en/csr/esg/>

4. Financial results for the 2nd quarter of the fiscal year ending March 31, 2020 (FY2019)

	FY2018 2Q	FY2019 2Q	
(Unit: Billion Yen)	Results	Results	Forecasts announced on Jul. 31
Revenue	169.0	153.3	155.0
Operating profit	13.1	6.6	7.5
Profit before tax	16.5	8.7	9.0
Profit attributable to owners of parent	12.1	5.7	7.0
ROA	6.8%	3.7%	ND
ROE	7.7%	3.6%	ND
Domestic naphtha price	51,200 yen/kL	42,800 yen/kL	43,700 yen/kL

Sales and profits decreased from FY2018 2Q (lower than forecasts announced on Jul. 31)

- Revenue decreased: Fall in raw materials costs, weak market conditions for products outside of Japan, and decrease in sales volume
- Operating profit decreased: Increase in processing costs and decrease in sales volume
- Profit before tax decreased: Decrease in equity method investment income

5. Financial forecasts for the fiscal year ending March 31, 2020 (FY2019)

	FY 2018	FY 2019		
(Unit: Billion Yen)	Results	2Q Results	Second half Forecasts	Forecasts
Revenue	338.9	153.3	171.7	325.0
Operating profit	26.2	6.6	10.9	17.5
Profit before tax	32.1	8.7	12.3	21.0
Profit attributable to owners of parent	23.8	5.7	10.3	16.0
ROA	6.7%	3.7%	5.2%	4.4%
ROE	7.5%	3.6%	6.4%	4.9%

Domestic naphtha price 49,400 Yen/kL 42,800 Yen/kL 40,000 Yen/kL 41,400 Yen/kL

Full year : Decrease in revenues and profits

First half to the Second half : Expecting increase in revenues and profits

<Full year>

- Decrease in Operating profit: Spread contraction and increase in processing costs and selling, general, and administrative expenses exceeds the increase in sales volume
- Decrease in profit before tax: Decrease in equity method investment income

<First half to the Second half>

- Increase in sales volume

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 to long term

FY2018 dividend

Profit attributable to owners of parent
23.8 billion yen

170 yen per share

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

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

FY2019 dividend, forecast

Profit attributable to owners of parent
16.0 billion yen

180 yen per share

**10 yen per share higher than FY2018
Update the highest dividends
<as initially planned>**

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

	Average FY2010-FY2019	FY2018	FY2019
Payout ratio	28.0%	28.4%	44.9%

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