



**NIPPON
SHOKUBAI**

NIPPON SHOKUBAI CO., LTD. IR meeting

2020/5/12

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, 2020 (FY2019)**

Agenda

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

“Reborn Nippon Shokubai 2020 NEXT”

1. Overview

Financial results

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

3. Financial forecasts for the fiscal year ending March 31, 2021 (FY2020) and dividend forecasts

4. Return policy

Priority challenge for Mid-term Business Plan

5. Policies to priority challenge

6. Target to sustainable growth

Explanation of acronyms

SAP : Superabsorbent Polymers

AA : Acrylic Acid

1. Overview

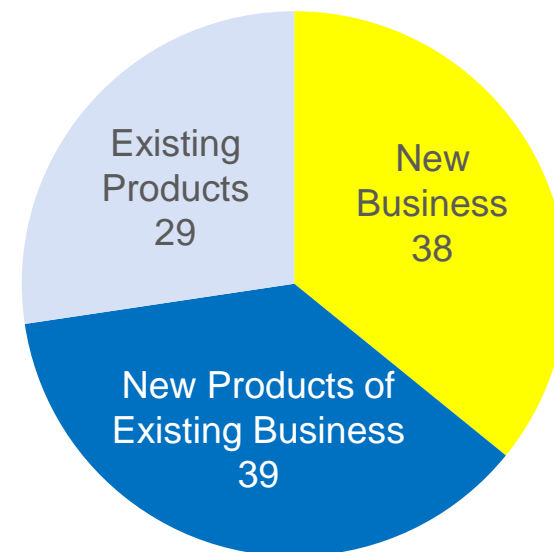
Management indexes and numerical targets (IFRS)

Revenue 400 billion yen

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

Profit before tax 40 billion yen
(profit margin of revenue : 10%)

ROA 7.4% (JGAAP 7.5%)



Breakdown of 106 billion yen, the amount of increase of revenue
(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

*Nippon Shokubai has voluntarily adopted IFRS since 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. Financial results for the fiscal year ending march 31, 2020 (FY2019)

	FY2018	FY2019	
(Unit: Billion Yen)	Results	Results	Revised Forecasts as of Feb. 4
Revenue	338.9	302.2	305.0
Operating profit	26.2	13.2	11.0
Profit before tax	32.1	15.7	14.5
Profit attributable to owners of parent	23.8	11.1	9.5
ROA	6.7%	3.3%	ND
ROE	7.5%	3.5%	ND
Domestic naphtha price	49,400 yen/kL	42,900 yen/kL	43,200 yen/kL

Sales and profits decreased year-on-year / All profits increased from the Feb. 4 revised forecasts

◆ FY2018 results vs. FY2019 results

- Revenue decreased : Fall in raw materials costs, weak market conditions for products outside of Japan, and decrease in sales volume
- Operating profit decreased: Tightening of the margin, decrease in sales volume and increase in processing costs
- Profit before tax decreased: Share of profit of entities accounted for using equity method decreased

◆ FY2019 results vs. Feb. 4 revised forecasts

- All profits increased: Widening of the margin and decrease in selling and administration cost

3. Financial forecasts for the fiscal year ending March 31, 2021 (FY 2020) and Dividend forecasts

Consolidated financial forecasts for the fiscal year ending March 31, 2021 have yet to be determined because it is extremely difficult to reasonably calculate the impact of environmental changes on the Group's performance caused by the novel coronavirus disease.

We will promptly disclose forecasts when such disclosure becomes possible.

4. 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.

FY2019 dividend

Profit attributable to owners of parent
11.1 billion yen

180 yen per share (as initially planned)

10 yen per share higher than FY2018
Record highest dividends

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

FY2020 dividend, forecast

Yet to be determined

*We will promptly disclose dividend forecasts along with financial forecasts when such disclosure becomes possible.

	Average FY2010-FY2019	FY2019
Payout ratio	28.8%	64.7%

5. Mid-term Business Plan: Policies to priority challenge①

Strengthen competitiveness of SAP business

Supply and demand trend of AA

Demand Global demand approx. 6,900 kilo tons per year (“KT/y”) (2020 estimate)

Assuming mid-term annual growth rate around 3-5%

Supply Expansion plan for 2020 : 400KT/y (global total)
Expansion plan for 2021 : 300KT/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”) (2020 estimate)

Assuming mid-term annual growth rate around 5%

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

- The current SAP demand is steadily increasing.
- The supply-demand balance will improve in the mid- to long-term

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

5. Mid-term Business Plan: Policies to priority challenge①

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 efficiency of AA/SAP production
- Improve efficiency of maintenance and logistics, etc.

◆ SAP: Strengthen response to customer needs

- Development of environmental-friendly SAP, etc.

◆ Enhancement of global supply system

- Indonesia Decided to expand AA production capacity by 100KT/y (scheduled to completion in 2021)



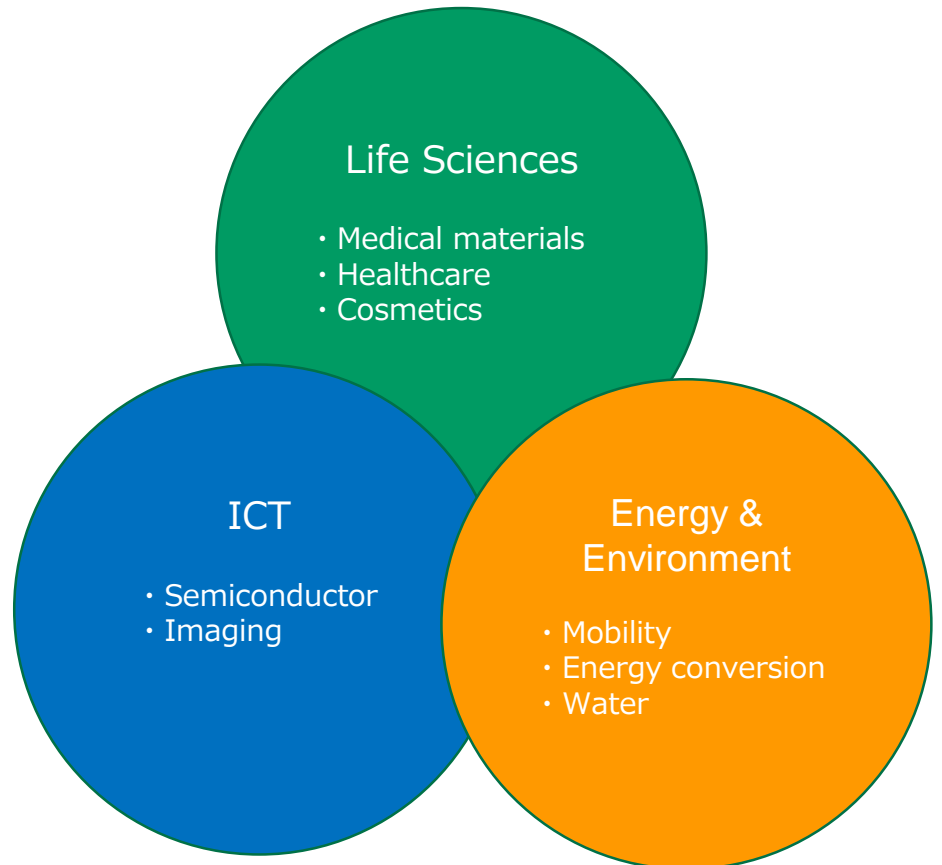
Promote strengthening competitiveness of AA/SAP businesses in total

5. Mid-term Business Plan: Policies to priority challenge②

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

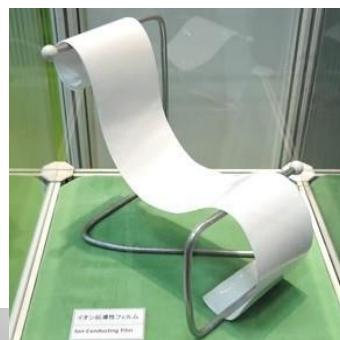


5. Mid-term Business Plan: Policies to priority challenge②

Accelerate creation of new businesses and products: Energy & Environment

Energy & Environment

- Mobility
- Energy conversion
- Water



Mobility

IONEL™ (LiFSI) →Product

- Electrolytes for lithium-ion batteries

Methylene malonates

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

Energy conversion

Rechargeable carbon-zinc hybrid battery

Separator for alkaline water electrolysis

Electrolyte for all solid polymer batteries



Water

Materials for seawater desalination and water treatment

5. Mid-term Business Plan: Policies to priority challenge②

Accelerate creation of new businesses and products: Life Sciences

Life Sciences

- Medical materials
- Healthcare
- Cosmetics



Cosmetics

Establishment of natural cosmetic ingredients business

- Product sales started from April, 2019
- Categories based promotion

Natural product, Processing product, Synthetic product

Medical materials

Establishment of drug development support business
Peptide drugs and nucleic acid drugs

- The production facility of API synthesis is in preparation for production (Suita-shi, Osaka)
Commercial operation is scheduled for FY2020
Full-scale operation scheduled for FY2021
- Acquiring the Ownership of Rena Therapeutics Inc. (November, 2019)
- Investing in facilities and M&A

5. Mid-term Business Plan: Policies to priority challenge②

Accelerate creation of new businesses and products: ICT



Imaging

AOMA™ →Product

- UV curable material with excellent adhesion to curved surface printing area

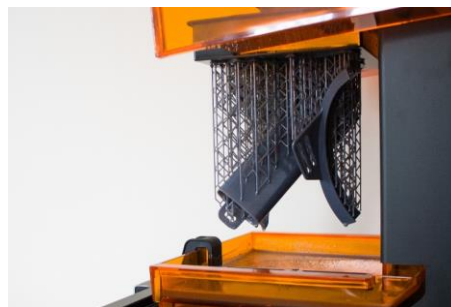
iOLED™

- Film light source thinner than paper

Semiconductor

Higher order silane material

- Monomer for semiconductor process



6. Target to sustainable growth

Promoting CSR Activities

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

*) TechnoAmenity- Providing affluence and comfort to people and society with our unique technology

◆ Strengthened disclosure of ESG information

(from the second half of FY2018)

◆ Published TechnoAmenity Report

Integrated report style (August, 2019)

◆ Measures being taken for the spread of the novel coronavirus infection (COVID-19)

-A sense of mission as an industry essential to society

-Infection prevention measures for all Group employees

- Securing of employment
- Stable operation of all Group manufacturing bases
- Work from home policy for indirect sectors as a general rule



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