

**NIPPON
SHOKUBAI**

NIPPON SHOKUBAI CO., LTD. IR meeting

2020/11/10

Yujiro Goto, President

The Cancellation of the Business Integration

Our company and Sanyo Chemical Industries, Ltd. have held a series of discussions toward the business integration scheduled for April 1, 2021, and have recently agreed to the Cancellation of the Business Integration today. Because the business environment surrounding the Companies has rapidly and significantly changed, the Companies reached the conclusion that it has become difficult to conduct the Business Integration.

Based on our corporate group mission of “ **TechnoAmenity**: Providing affluence and comfort to people and society, with our unique technology”, our company will strive to achieve the goal of “**Enriching people’s lives in every aspect and contributing to the creation of a sustainable society for the future by always challenging uncharted fields as well as producing innovative and unique values**” as the newly integrated company had taken aim.

We would like to express our sincere gratitude to our shareholders, business partners, and many other stakeholders for their support and understanding to realize the Business Integration, although it did not happen. We would like to ask for your continuous understanding and support for our future business operations.

**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, 2021 (FY2020)**

Agenda

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

1. Overview

Financial results

2. Financial results for the 2nd quarter of the fiscal year ending March 31, 2021 (FY2020)

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

4. Return policy

Priority challenge for Mid-term Business Plan

5. Policies to priority challenge

6. Current status of other businesses

Target to sustainable growth

7. Future Policies

8. Sustainability initiatives

Explanation of acronyms

SAP : Superabsorbent Polymers
AA : Acrylic Acid
AES : Acrylates
EO : Ethylene oxide

1. Overview of The 2nd Mid-term Business Plan

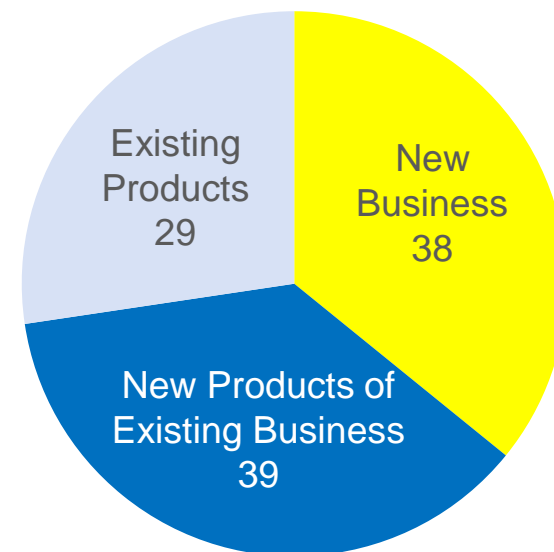
Management indexes and numerical targets (IFRS)

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%)
(Ratio of profit before tax to total assets)



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 of The 2nd Mid-term Business Plan

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

2. Financial results for the 2nd quarter of the fiscal year ending March 31, 2021 (FY2020)

	FY2019 2Q	FY2020 2Q	
(Unit: Billion Yen)	Results	Results	Forecasts announced on Aug. 4
Revenue	153.3	124.7	130.0
Operating profit	6.6	-1.2	1.5
Profit before tax	8.7	-0.1	3.0
Profit attributable to owners of parent	5.7	-1.2	1.5
ROA	3.7%	-0.0%	1.3%
ROE	3.6%	-0.7%	0.9%

Domestic naphtha price

42,800 yen/kL

27,600yen/kL

27,500yen/kL

Sales and profits decreased from FY2019 2Q
All profits decreased from the Aug. 4 revised forecasts

◆ FY2019 results vs. FY2020 results

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

◆ FY2020 results vs. Aug. 4 revised forecasts

- All profits decreased: decrease in sales volume rising raw material costs and impairment losses

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

(Unit: Billion Yen)	FY 2019	FY 2020			
	Results	2Q Results	Second half Forecasts	Forecasts	Forecasts announced on Aug. 4
Revenue	302.2	124.7	135.3	260.0	270.0
Operating profit	13.2	-12	2.2	1.0	7.0
Profit before tax	15.7	-1	3.6	3.5	10.0
Profit attributable to owners of parent	11.1	-12	2.2	1.0	6.0
ROA	3.3%	-0.0%	1.5%	0.7%	2.1%
ROE	3.5%	-0.7%	1.4%	0.3%	1.9%
Domestic naphtha price	42,900 yen/kL	27,600yen/kL	33,000yen/kL	30,300yen/kL	29,8000 yen/kL

Sales and profits decreased from FY2019 2Q, are expected to increase in 2nd half
All profits decreased from the Aug. 4 revised forecasts

◆ FY2019 results vs. FY2020 results

- Operating profit decreased: decrease in sales volume, increase in processing costs and selling and administration cost, impairment losses
- Profit before tax decreased: Share of profit of entities accounted for using equity method decreased

◆ FY2020 results vs. Aug. 4 revised forecasts

- All profits decreased: decrease in sales volume and rising raw material costs

◆ First half vs. Second half

- increase in sales volume and decrease in processing costs

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)

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

FY2020 dividend, forecast

Profit attributable to owners of parent
10.0 billion yen

90 yen per share

(Yen/share)	Interim	End of period	Total
Dividends per share	45	45	90

	Average FY2011-FY2020	FY2020
Payout ratio	31.8%	358.9%

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

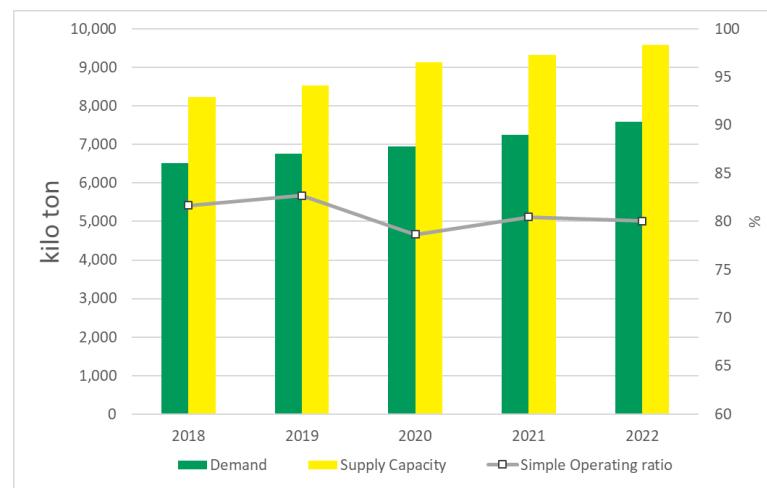
Strengthen competitiveness of SAP business

Supply and demand trend of AA(AES)

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

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

- COVID-19 reduced the AA/AES demands in FY2020
- The current demand and market conditions for products are improving.
- 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)

Assuming mid-term annual growth rate around 5%

- COVID-19 reduced the SAP demand in FY2020
- SAP demand is expected to recover after FY2021 but depending on COVID-19
- 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



◆ Measures for improving profitability

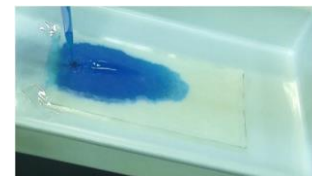
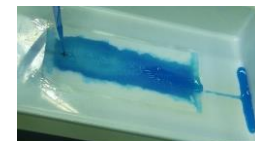
1) Production <SAP Survival Project>

- Improve efficiency of AA/SAP production
 - Stop old and unproductive facilities
 - Apply high-efficient production technology to relatively new facilities (technology has been established and will be sequentially applied globally)
- Improve efficiency of maintenance and logistics, etc.



2) Products

- General applications : Accelerate development, improve production efficiency, implement drastic cost reduction through data science
- High value-added applications : High performance SAP (high absorption capacity, good distribution of liquid, fast absorption, super-fast-drying)
Sustainable area (Recycling SAP, SAP with bio-derived raw materials, etc.)



◆ Enhancement of global AA/SAP supply system

- Indonesia AA production capacity of 100kT/y is under construction (scheduled to be completed in 2021-2022, being delayed by about half a year)

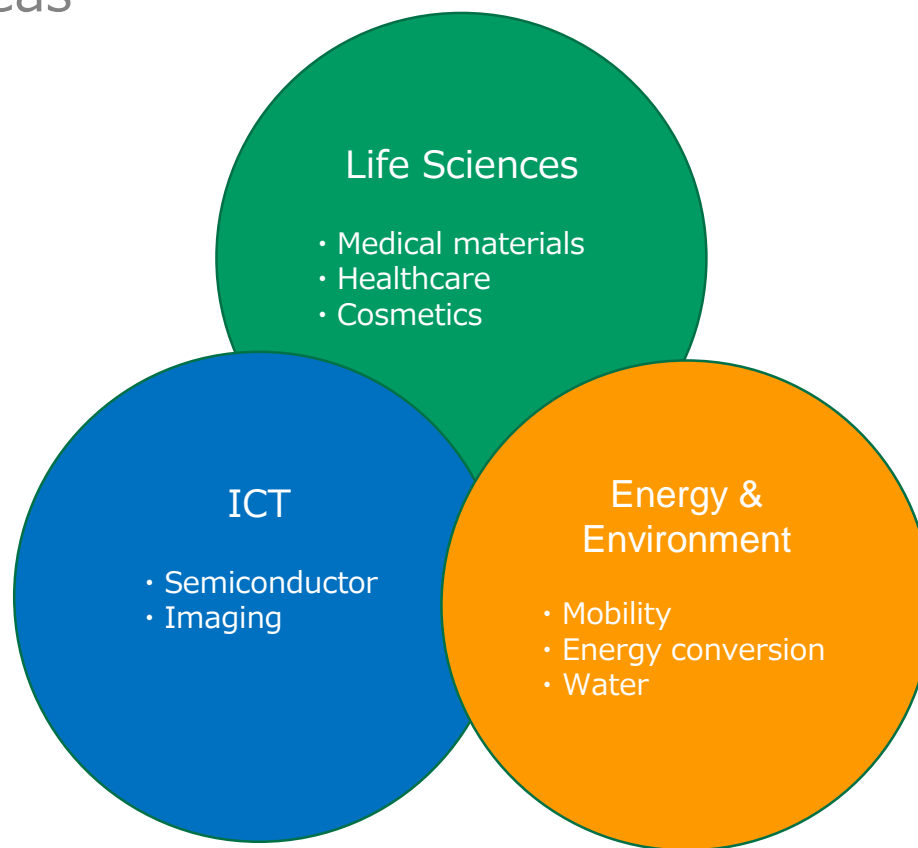
Promote strengthening competitiveness of AA/SAP businesses in total

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

Accelerate creation of new businesses and products

Targets : 3 sectors with 8 areas

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



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) Electrolytes for lithium-ion batteries
 Decided to expand production capacity of 2,000t/y by spring, 2023
 Aim to achieve sales of over 10 billion yen by 2024



Methylene malonates

- Functional monomers, crosslinking agent
- Pilot facility is under consideration (US), planning to confirm within FY2020

Energy conversion

Separator for zinc batteries

Separator for zinc secondary batteries

Separator for alkaline water electrolysis

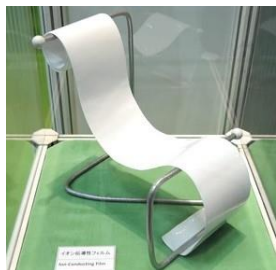
For green hydrogen production

Electrolyte for all solid polymer batteries

Water

Materials for seawater desalination and water treatment

Draw solutions for forward osmosis processes



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 cosmetic ingredients business

- Product sales started from April, 2019
- Promotion in three product categories

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 full-scale production (Suita-shi, Osaka)

Commercial operation is scheduled for FY2020

Full-scale operation is scheduled for FY2021

Expansion of production lines

- Establishment of the base in Shonan Health Innovation Park (Kanagawa, Japan) (February, 2020)
- Investing in facilities and M&A

Healthcare

Micocell™

Three-dimensional cell culture container

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

Accelerate creation of new businesses and products: ICT



Imaging

AOMA™ →Commercialized

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

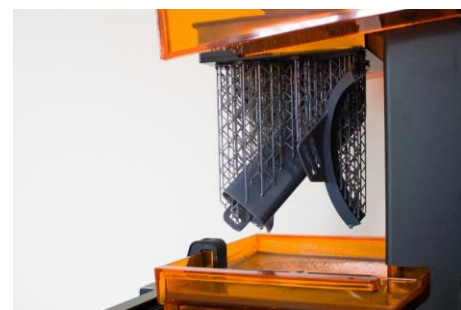
iOLED™

- Film light source thinner than paper

Semiconductor

Higher order silane material

- Monomer for semiconductor process



6. Mid-term Business Plan: Current status of other businesses

Strengthen the competitiveness of EO business

- ◆ Promote non-EG and high value-added products
 - Creating strong synergies within the Nippon Shokubai Group

Data science and Digital transformation (DX)

- ◆ Utilize Data science
 - Establishment of **Data Science & Informatics Promotion Office**
 - Promote energy saving, labor saving, stabilization by **plant control**
- ◆ Promote digital marketing
 - Preparing for the establishment of **marketing website**

Featured products

- ◆ VEEA™, EPOCROS™, EPOMIN™
 - Expanding the range of customers
 - Expanding applications in combination with other products

7. Future Policies

Current counter-measures

◆ Existing business : Early recovery of profitability is the urgent issue

- Implement measures which have direct effect immediately
- Apply SAP Survival Project to other businesses and products
- Sell and organize unnecessary assets

Observing the situation of the spread of COVID-19, we aim to surely recover our business performance within two years

◆ New businesses and products : accelerate and expand the creation of new businesses and products

Investing boldly for future growth strategies

Growth strategy from now on

Pursue a strategy of creating new value and profits by applying our value chain of competitive **Materials** to the **Solutions** Business that addresses customers' challenges through "3 sectors and 8 areas"

Establishment of new business plan (FY2022~)

8. Sustainability initiatives

TechnoAmenity

Our promotion of sustainability is the practice of the group mission **TechnoAmenity** ^{*)} itself

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

◆ Business and products initiatives

Society committed to recycling : Promotion of **recycling SAP**

CO₂ emissions reductions : Considering the use of **bio-derived raw materials**
Considering to expand the use of **Renewable energy**
(Green power · Solar power, etc.)

Creating **Environmental Contribution Products**
(CO₂ emissions reductions · Energy conservation)

◆ Signing United Nations Global Compact (October 19, 2020)

Act as good members of society and achieve sustainable growth

Support the UNGC's 10 principles which consist of the four fields:
"human rights," "labour," "environment," and "anti-corruption"



◆ Establishment of Diversity & Inclusion promotion policy (August, 2020)

Create work environment and system which encourage active participation of diverse people



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