

Execution of a Basic Agreement Concerning the Consideration of Business Integration

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I Purpose of the Business Integration

Significance of the Business Integration

**Group Mission/
Company Motto**

**Medium-Term
Business Plan**

Business

Basic chemicals



High-performance
functional chemicals



Creation of
New Business

Nippon Shokubai

TechnoAmenity

Providing affluence and comfort to people and society, with our unique technology

Reborn Nippon Shokubai 2020 NEXT

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

E.g. acrylic acid,
ethylene oxide and
superabsorbent polymers
(SAP)

E.g. electronic and
information materials

E.g. high-performance electrolyte
for lithium batteries, cosmetics
materials

The Companies' philosophies
share close affinities.

The Companies' strengths and
business challenges are
complementary.

Sanyo Chemical

**Let us contribute to building a better
society through our corporate
activities**

New Sanyo for 2027

We have grown to be a unique, global, and highly profitable company, in which all our employees take pride and find meaning in their work, and contribute to society

E.g. SAP,
raw materials for
polyurethane
foams (PPG)

E.g. lubricating oil
additives, permanent
antistatic agents

E.g. new lithium-ion battery
(LIB) system, cosmetics
materials

Concept for the Business Integration

We will work to create a sustainable society and solve social problems, thereby providing affluence and comfort to people and society, through the creation of products and services to meet people's wishes for "something more...."

Business



Manufacturing of basic chemicals, as well as high-performance functional chemicals and environmental and catalyst products using these basic chemicals as raw materials

×



Approximately 3,000 types of sophisticated performance chemicals

Producing synergetic effects by leveraging the Companies' strengths and corporate cultures

Philosophy/ value



Providing affluence and comfort to people and society, with our unique technology

×



Aiming to become a unique and global company that will contribute to society

Technology



Catalyst, polymer and organic synthesis technology

×



Surface activity control technology

II Integration Synergies

Basic Strategies for Realizing Synergies

1. Strengthening of business base

- Achieve the effects of integration in terms of technology and cost through the integration of the Companies' management base

2. Strengthening of competitiveness and profitability through scale expansion

- Achieve further growth of existing businesses by pursuing cost cutting and the like, while harnessing demand for chemicals in emerging countries

3. Diversification of portfolio

- Realize diversification of businesses by combining the Companies' businesses
- Meanwhile, constantly examine such diversified businesses from the perspective of selection and concentration and cultivate multiple highly-profitable businesses with strengths

4. Acceleration of new business development

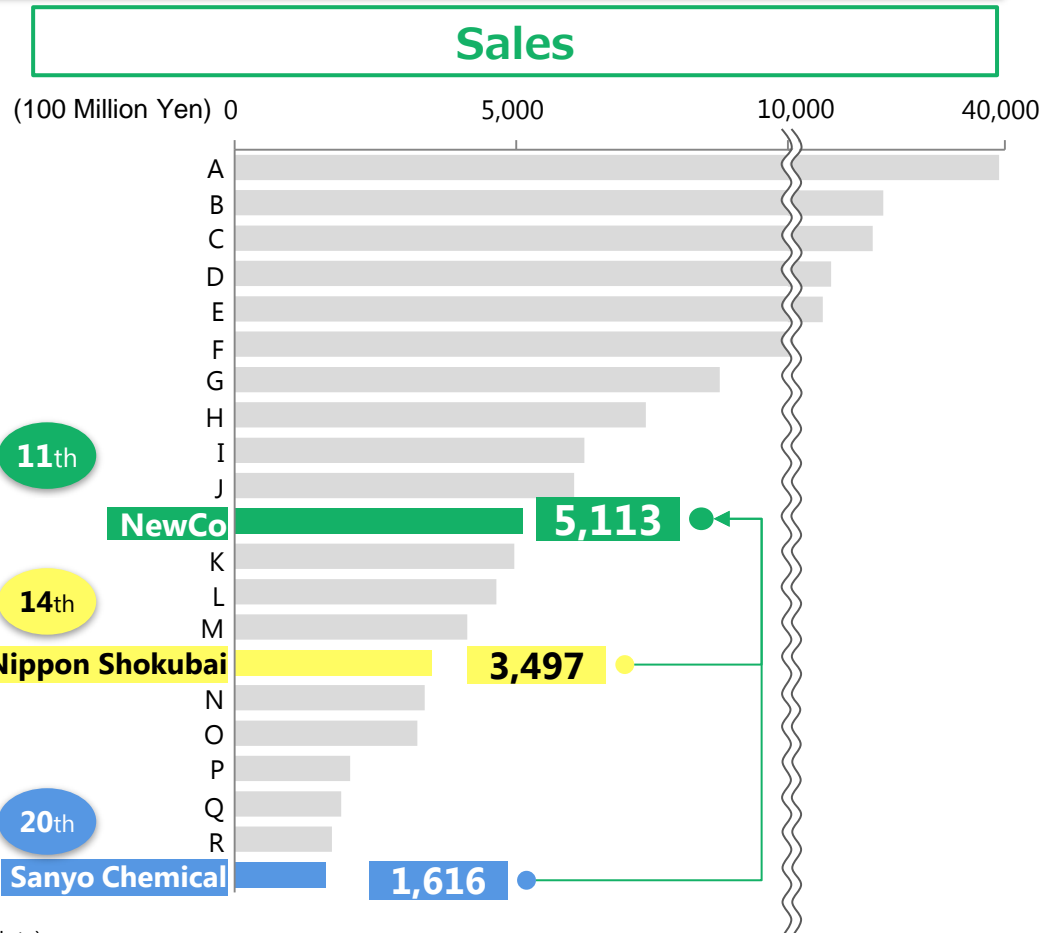
- Aim to contribute to profitability at an early stage by concentrating the two Companies' management resources in focus areas

1. Strengthening of Business Base

Positioning of NewCo: To become one of the leading functional chemical manufacturers in Japan

(100 Million Yen)

	Nippon Shokubai	Sanyo Chemical	Simple sum
Sales	3,497	1,616	5,113
Operating profit	261	129	390
Ordinary profit	331	152	483
Operating CF	312	146	458
Employees	4,276	2,078	6,354
R&D cost	129	56	185



- 1 Proactive investment of resources in growth businesses**
- 2 Achievement of quality improvement, cost reduction and other measures**

(Note)

- These rankings of top 20 chemicals manufacturers have been prepared based on the disclosure materials for the most recent fiscal years of the companies in the chemicals sector of the TSE 33 Sector Classification, after excluding companies whose non-chemicals products, such as energy, textiles, foods and resin finish products, constitute a large proportion of their products overall.
- For Nippon Shokubai and Sanyo Chemical, figures in the earnings releases for the fiscal year ended March 2019 are rounded to the nearest 10 million yen.

2. Strengthening of Competitiveness and Profitability Through Scale Expansion

Production bases (AA/SAP): Secure supply bases in the world's major markets

(In 1,000 tons)

★ SAP: Superabsorbent polymers

★ AA: Acrylic acid

China



SAP ■ Zhangjiagang, Jiangsu province 30



SAP ■ Nantong, Jiangsu province 230

U.S.



AA ■ Texas 60



SAP ■ Texas 60

Japan



AA ■ Himeji 540



SAP ■ Himeji 370



SAP ■ Nagoya 110

Europe



AA ■ Belgium 100



SAP ■ Belgium 160

Southeast Asia



AA ■ Indonesia 140

(Under construction 100)



AA ■ Singapore 40



SAP ■ Indonesia 90



SAP ■ Malaysia 80

**SAP Production Capacity
(Sum of the Companies)
Over 1.1M tons**

2.

Strengthening of Competitiveness and Profitability Through Scale Expansion

Other production bases (Japan & Asia): Respond to the growing demand in emerging countries

China/Taiwan/Korea



Sanyo Kasei (Nantong) Co., Ltd.



Sino-Japan Chemical, Co., Ltd.



San Nopco (Korea) Ltd.



Sanyo Chemical Manufacturing Korea, Ltd.

Southeast Asia (Thailand)



Sanyo Kasei (Thailand) Ltd.

Japan



Nippon Shokubai
(Himeji, Kawasaki)



Sanyo Kasei
(Kashima, Nagoya and others)



Nippon Nyukazai
(Kawasaki, Kashima)



San Chemical (Kawasaki)



San Nopco (Nagoya)



San-Petrochemicals (Kashima)



Nippoh Chemicals (Chiba)

and others

3. Diversification of Portfolio

After the integration, cultivate multiple specialty businesses through selection and concentration

Envisioned Portfolio	Business Direction
Ethylene oxide and surface-active agent	<ul style="list-style-type: none">■ Pursue synergies in terms of technology and cost and harness demand in emerging countries in an effort to achieve further business expansion■ Portfolio to serve as the source of funds for investment in high-focus/new business areas
AA/SAP	
High-performance functional chemicals <ul style="list-style-type: none">■ Mobility■ Electronics■ Toiletries	<ul style="list-style-type: none">■ Reorganize the product portfolio to create an optimal business framework, so that NewCo can provide customers with valuable functions and solutions
New focus areas <ul style="list-style-type: none">■ Energy materials (e.g. batteries)■ Healthcare (including medical)■ Cosmetics materials	<ul style="list-style-type: none">■ Achieve rationalization through resource integration and intensively allocate resources to focus areas

4. Acceleration of New Business Development

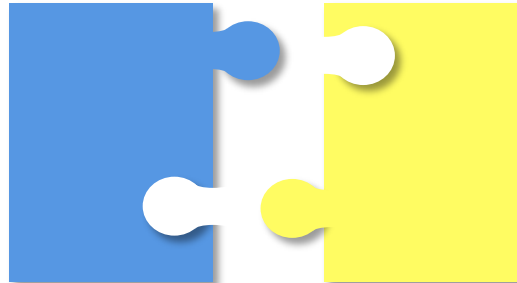
Concentrating the two Companies' management resources in focus areas

Examples of the Company's Initiatives in New Areas

New Energy (e.g. Batteries)



Developed and is preparing mass production of new lithium-ion battery

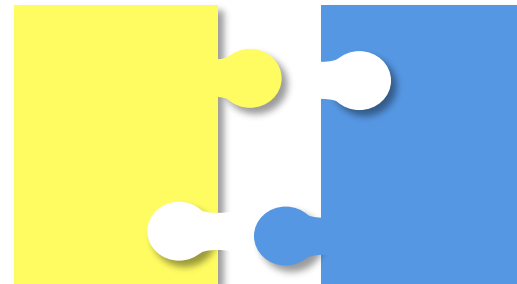


Introduce high-performance electrolyte for lithium batteries (IONEL®, LiFSI)

Cosmetics Materials



Develop materials using its products and technology
Collaboration with natural cosmetics material manufacturers

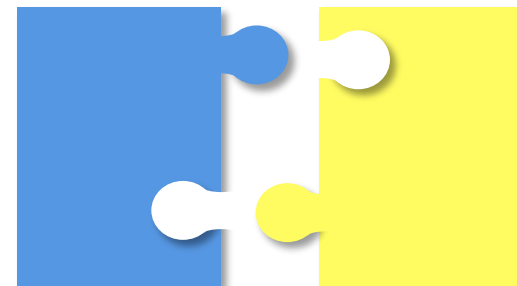


Develop cosmetics materials and consumer cosmetics

Life Science



Develop silk-elastin and materials related to new pharmaceuticals (DDS)

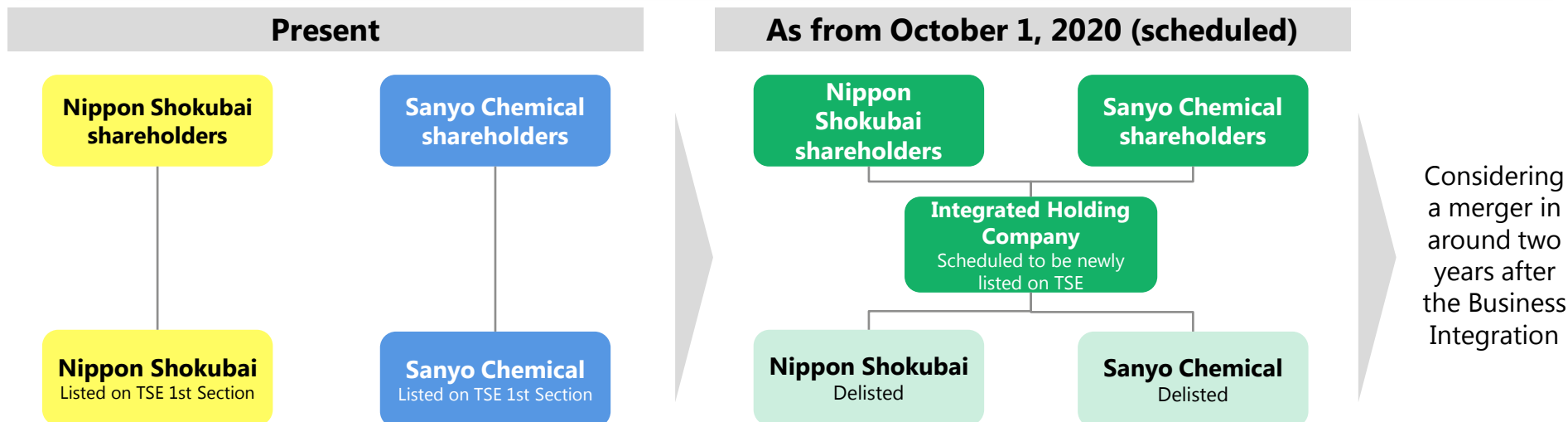


Provide consistent drug-development support service in the areas of peptide medicine, DDS development and nucleic acid medicine

III Integration Structure and Other Terms

Summary of the Business Integration

The basic policy is to conduct a joint share transfer and establish an integrated holding company



Timeline (Scheduled)

Execution of the Basic Agreement	May 29, 2019 (today)
Execution of the Final Agreement	December 2019 (scheduled)
Annual meetings of shareholders of Nippon Shokubai and Sanyo Chemical	June 2020 (scheduled)
Effective date of the Share Transfer	October 1, 2020 (scheduled)

* The above timeline may be changed based on discussions between the Companies when necessary due to the progress status of procedures for the Share Exchange or other reasons.

Post-Business Integration Status

Trade Name	To be determined through discussions between the Companies in the future
Location of Head Offices (as of the effective date)	① Osaka Head Office: 4-1-1 Koraibashi, Chuo-ku, Osaka ② Tokyo Head Office: 1-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo
Location of the Registered Head Office	Registered Head Office: 11-1, Ikkyo Nomoto-cho, Higashiyama-ku, Kyoto
Policy for Distributions to Shareholders	Aim to increase the level of dividends in the medium to long term with due considerations to an appropriate internal reserve level
Organizations and Directors, Audit & Supervisory Board Members and Executive Officers	① Organizations: The Integrated Holding Company will be a company with an audit & supervisory board, and will voluntarily establish a Nomination and Remuneration Committee ② Representative Director: The initial representative directors of the Integrated Holding Company are as follows Chairman and Representative Director President & CEO of Sanyo Chemical President and Representative Director President and Representative Director of Nippon Shokubai ③ Directors, audit & supervisory board members and executive officers will be discussed and determined in the future
Staffing and Treatment of Employees	The Companies will treat employees based on the principle of placing the right people in the right jobs and in a fair and equitable manner without regard to their origin.
Share Transfer Ratio	The Companies intend that, after discussion and consideration, they will set forth the share transfer ratio in the Final Agreement

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Forward-Looking Statements

This document includes “forward-looking statements” that reflect the plans and expectations of Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd. in relation to, and the benefits resulting from, their business integration described above. To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Companies in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the Companies (or the Integrated Group) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

The Companies undertake no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by the Companies (or the Integrated Group) in their subsequent domestic filings in Japan and filings with the U.S. Securities and Exchange Commission.

The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1) economic and business conditions in and outside Japan;
- (2) changes in resource prices such as crude oil and changes in exchange rates;
- (3) changes in the competitive landscape, including the changes in the competition environment and the relationship with major customers;
- (4) changes in interest rates on loans, corporate bonds and other indebtedness of the Companies, as well as changes in financial markets;
- (5) changes of assets (including pension assets) such as securities;
- (6) changes in laws and regulations (including environmental regulations) relating to the Companies’ business activities;
- (7) increases in tariffs, imposition of import controls and other developments in the Companies’ main overseas markets;
- (8) interruptions in or restrictions on business activities due to natural disasters, accidents and other causes;
- (9) the Companies being unable to complete the Business Integration due to reasons such as that the definitive agreement on the Business Integration not being executed and the Companies not being able to implement the necessary procedures including approval of the agreement with regard to the Business Integration by the shareholders’ meetings of the Companies, and any other reasons;
- (10) delays in the review process by the relevant competition law authorities or the clearance of the relevant competition law authorities or other necessary approvals being unable to be obtained; and
- (11) inability or difficulty of realizing synergies or added value by the Business Integration by the Integrated Group