



October 21, 2020

For Immediate Release

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Director

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Company: Sanyo Chemical Industries, Ltd.

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### **Notice Regarding the Cancellation of the Business Integration**

#### **by Way of Joint Share Transfer Between Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd. and the Termination by Mutual Agreement of the Final Agreement Concerning the Business Integration**

As announced in “Notice Regarding the Execution of a Final Agreement Concerning the Business Integration by Way of Joint Share Transfer Between Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd.” dated November 29, 2019 and “Notice Regarding the Postponement of the Business Integration by Way of Joint Share Transfer Between Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd. and the Reassessment of the Share Transfer Ratio” dated April 13, 2020, Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd. (collectively, the “Companies”) agreed to conduct a business integration (the “Business Integration”) by establishing Synfomix Co., Ltd. by way of joint share transfer, which was planned to become the parent company of the Companies as of April 1, 2021. However, the Companies hereby announce that, at their respective extraordinary meetings of the Board of Directors held today, the Companies adopted a resolution to cancel the Business Integration and terminate by mutual agreement the final agreement concerning the Business Integration as of October 21, 2020.

## 1. Reason for the cancellation of the Business Integration and the termination by mutual agreement of the final agreement concerning the Business Integration

Since the Companies executed a basic agreement concerning the consideration of the Business Integration on May 29, 2019, the Companies have been carrying out detailed examinations and discussions concerning the Business Integration between the Companies. On November 29, 2019, the Companies executed a final agreement concerning the Business Integration and announced that they will conduct the Business Integration on October 1, 2020. Subsequently, on April 13, 2020, because the global outbreak of COVID-19 and the sharp decline in the oil and oil product markets, among other factors, caused the performance and other aspects of the Companies, as well as the financial, economic, market and other elements of the business environment, which served as bases for the agreement on the Business Integration, to become unpredictable, the Companies announced that they agreed to reassess the share transfer ratio agreed under the final agreement and to postpone the Business Integration until April 1, 2021. However, because the business environment surrounding the Companies has rapidly and significantly changed after the execution of the final agreement concerning the Business Integration, such as significant changes in raw material prices and product prices as well as heightened uncertainty about product demand in the future, the Companies reached the conclusion that it has become difficult to conduct the Business Integration. Further, the Companies determined that, in light of the current business environment, exerting their respective strengths as independent companies will lead to enhancing the Companies' corporate value, and therefore decided to cancel the Business Integration and terminate the final agreement concerning the Business Integration.

Although the Business Integration is cancelled, the Companies will continue to maintain a good relationship in various aspects.

## 2. Impact on financial forecasts

In association with the cancellation of the Business Integration and the termination of the final agreement concerning the Business Integration, the impact on financial forecasts, such as the expenses to be recorded at each Company, is being carefully examined by each Company. In the event making corrections to either Company's financial forecasts for the first half of the fiscal year ending March 31, 2021 or for the full fiscal year ending March 31, 2021 becomes necessary, an announcement will be made promptly.

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