

# Nippon Shokubai Group

(Long-term Business Plan “Reborn Nippon Shokubai 2020”)

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



President  
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**Voluntary translation for readers' convenience**

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“Reborn Nippon Shokubai 2020”

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“Reborn Nippon Shokubai 2020 NEXT”

- Group Mission, Management Commitment and Corporate Credo
- Vision for 2025
- Business Environment Analysis
- Corporate Strategy
- Main Policy
- Target for 2020

### Explanation of acronyms

LTP : Long-term business plan  
MTP : Medium-term business plan  
AA : Acrylic Acid  
SAP : Super Absorbent Polymer  
EO : Ethylene Oxide

# 1. The outline of LTP (FY2014-2020) “Reborn Nippon Shokubai 2020”

(established in 2014)



# 1. The outline of LTP (FY2014-2020) “Reborn Nippon Shokubai 2020”

## Target for 2020

Unit : Billion yen

	Sales	Ordinary Income	ROA <sup>1</sup>	Sales for New products <sup>2</sup>
<b><u>Target for FY2020</u></b>				
<b>(LTP) :</b>	<b>500</b>	<b>50</b>	<b>9.5%</b>	<b>47</b>
Target for FY2016				
(1st MTP) :	393	34	8.5%	29

1 Return on assets (ROA), ratio of ordinary income to total assets

2 Total sales of products launched within the last five years, excluding SAP

### Business Policies

- ◇ Safe, reliable production activities
- ◇ Highlighting profitability over sales

### Strategies

- ◇ Strengthening existing and core businesses
- ◇ Establishing new businesses and launching new products to the market quickly

Assumptions : Domestic naphtha price 65,000yen/kl,  
Exchange rate 100yen/US\$, 130yen/EUR

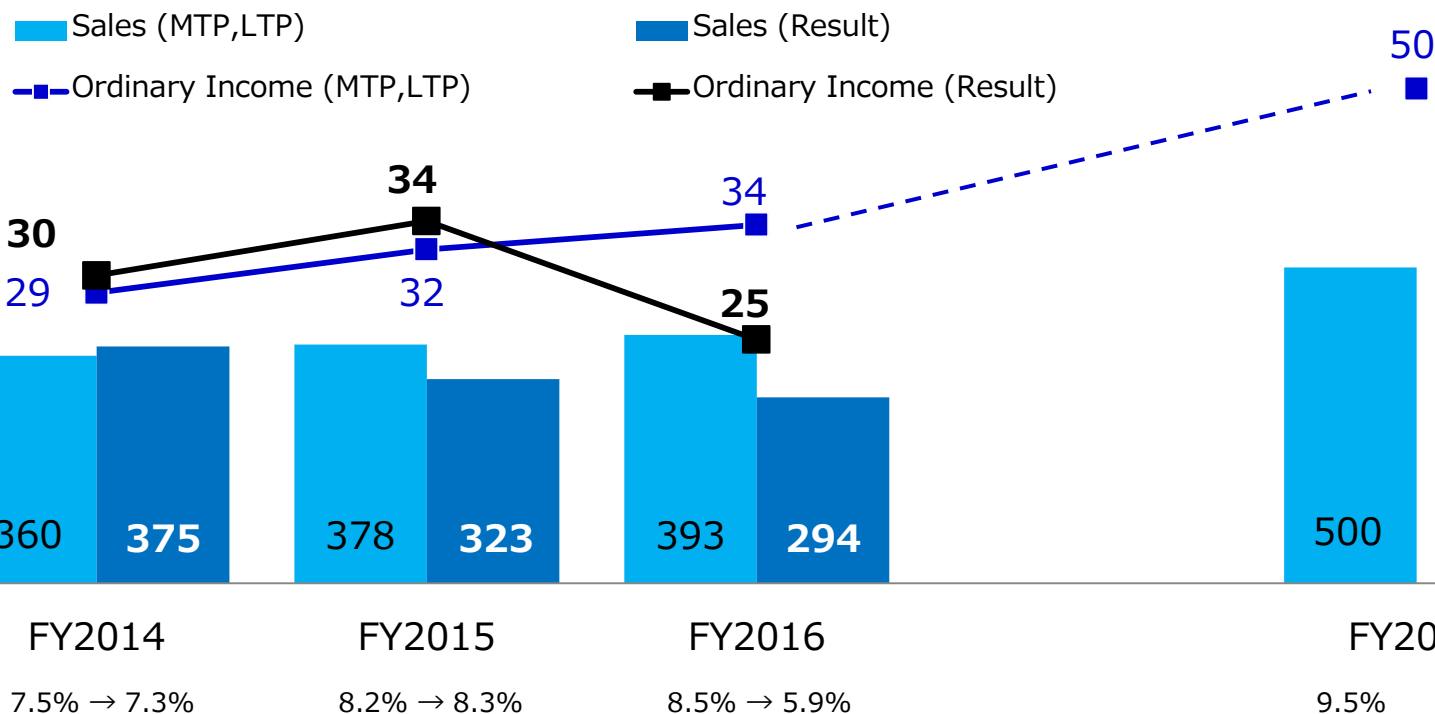
## 2. Review of the 1st MTP (FY2014-2016)



## 2. Review of the 1st MTP (FY2014-2016)

### Trend of Financial Results

(Unit : billion yen)



FY2015

**Achieved 1<sup>st</sup> MTP target profit a year ahead (the highest profit in our history)**



FY2016

**Unachieved 1<sup>st</sup> MTP target profit (mainly due to the severe competition in SAP business)**

**Delay launching new businesses**

## 2. Review of the 1st MTP (FY2014-2020)

### To establish the 2nd MTP (FY2017-2020) ;

- Business environment has become severe in SAP business etc. from FY2016 onward.
- We are still distant from the LTP's target for 2020 **"Reborn : Renovate our corporate culture from maintaining current status to challenging to the new stage"** .



We should carry out both **"Survival of SAP business"** and **"Launch of new business for our future key driver"** in order to put us back on track for growth.

※ We are continuously making every effort to implement the preventive/corrective measures in order to **gain and maintain confidence of various stakeholders** as a chemical company.

### 3. The 2nd MTP (FY2017-2020) “Reborn Nippon Shokubai 2020 NEXT”



< Our commitment that we added “NEXT” in the title >

1. To pursue over again the target for “Reborn Nippon Shokubai” in this period as the NEXT step of the 1st MTP (FY2014-2016).
2. To prospect further strong growth for NEXT 10 years in 2020 by achieving the 2nd MTP (FY2017-2020).



### 3. The 2nd MTP (FY2017-2020) : Mission, Management Commitment and Corporate Credo

## Maintain

### Nippon Shokubai Group Mission

# TechnoAmenity

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

### Management Commitment

We conduct all of our corporate activities  
based upon a deep respect for humanity.

We aim at coexisting with society, and  
working in harmony with the environment.

We pursue technologies that will create the  
future.

We act on the global stage.

### Corporate Credo

Safety takes priority over  
production.

### 3. The 2nd MTP (FY2017-2020) : Vision for 2025

## Vision for 2025

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

**Segment :** Existing businesses, such as EO, AA/SAP etc., will be strengthened more.  
Performance chemicals, new energy materials, health and medical materials  
and/or any other new businesses\* will contribute more to corporate profit.  
**Reconfirmed** As a result, these expected businesses will be expanded much more and  
be higher position in comparison to the existing businesses.

\*New businesses : businesses in the market which we could not enter into yet,  
or businesses in the market which is not formed yet.

**Area :** Accelerate business development continuously throughout the global market.

**Strength :** Employ our competencies in R&D, production technologies and marketing  
and maximize the synergy from such activities.

### 3. The 2nd MTP (FY2017-2020) : Business environment analysis toward 2025

## Change in human and society

### Global social issues

- Resource and energy
- Environment
- Food, water and population growth
- Health, comfort and improvement of QoL
- Innovation such as AI or IoT

### Change in market needs

- Energy :  
Energy-saving/-storage, shift to renewable energy
- Automotive :  
Reduction of environmental burden, weight-saving
- Food, agriculture :  
Increase of productivity and efficiency
- Medical materials, consumer goods :  
Increase of function
- Electronic materials :  
More functional materials

### 3. The 2nd MTP (FY2017-2020) : Corporate strategy

#### Business Policies

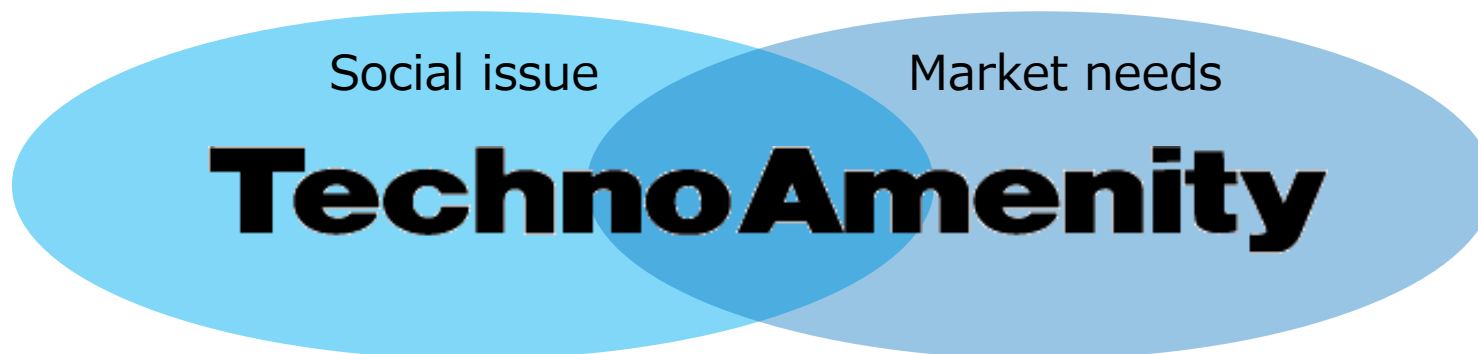
- ◇ Focusing on profitability over sales
- ◇ Safe, reliable production activities

#### 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.



### 3. The 2nd MTP (FY2017-2020) : Main policy

## Policies to priority challenge

Strengthen competitiveness of SAP business

- Improve profitability (Survival project)
- Strengthen R&D

Accelerate creation of new businesses and products

## Targeting sustainable growth

Develop an active corporate team and organization

Enhance the confidence of stakeholders

Strengthen Group management

### 3. The 2nd MTP (FY2017-2020) :

Accelerate creation of new businesses and products

Considering potential market, familiarity to us and social issues, we chose 3 business sectors (8 business areas) as our new business field.

#### Target sectors

##### ICT

- Semiconductor
- Imaging

##### Life Sciences

- Medical materials
- Healthcare
- Cosmetics

- Mobility
- Energy conversion
- Water

##### Energy & Environment

Create new businesses with new technologies based on our core technologies

##### **Target**

> Enter into each sector with core product by 2020  
(sales amount by 1 billion yen each)

> Establish business in each sector by 2025  
(sales amount by 10 billion yen each)

**\*We promote O/I and M&A in order to achieve the target above.**

### 3. The 2nd MTP (FY2017-2020) : Accelerate creation of new businesses and products

#### Modification of R&D organization

##### [Basic posture]

Create products and services which market needs,  
and provide products and services when market  
needs

To create innovative technologies and businesses focusing high-growth  
potential markets and sectors

##### <Business div.>

**Research dept. (70%)\***  
(in line with strategies of business div.)

##### <Innovation & business development div.>

**Research center (30%)\***

**Technology  
management**

M&A

Outside  
resources

Open  
innovation

To utilize the above for the  
shortening of commercialization  
period to create of new businesses  
and products

\* Allocation ratio of research human resources (model)

### 3. The 2nd MTP (FY2017-2020) : Target for 2020

## Strategies by Business area

#### EO business :

We strengthen our competitiveness by structural reform of our EO plant such as partnership with other company.

#### Acrylic business :

We aim to be a leading global player in the acrylic monomer business by active sales and marketing.

#### SAP business :

We supply products with a high quality and competitive price to strategic-partner customers.

#### Performance chemicals business :

We expand sales of unique and functional products made from our specialty monomers and the derivatives with our particular technologies.

#### New energy materials/catalyst business :

We expand sales of various battery materials manufactured at competitive large-scale facility.

#### Health and Medical business :

We support drug development in peptide drugs, DDS and nucleic acid drug categories.

#### New businesses :

We establish a new business (model) in high-growth potential markets by the use of our strengths.



### 3. The 2nd MTP (FY2017-2020) : Target for 2020

## Management indexes and numerical targets

**Sales**

**400** billion yen

(Incl. new products\* (39 billion) and new businesses (38 billion))

\*Total sales of products launched within the last five years, excluding SAP

**Ordinary income**

**40** billion yen

**ROA**

**7.5%**

#### 【Assumptions】

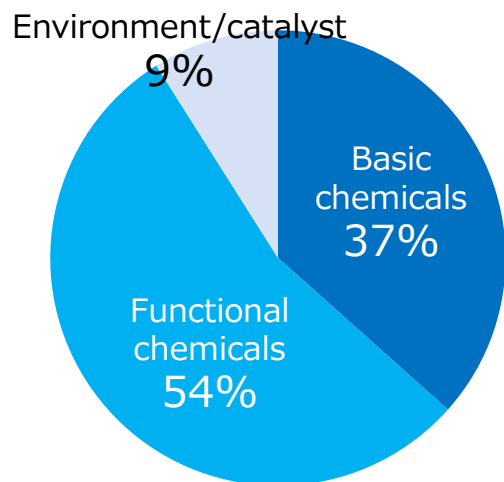
	Domestic naphtha price	Exchange rate(US\$)	Exchange rate(EUR)
LTP (FY2014-2020) (established in 2014)	65,000yen/kl	100 yen	130 yen
<b>2nd MTP (FY2017-2020)</b>	<b>42,000yen/kl</b>	<b>110 yen</b>	<b>115 yen</b>

### 3. The 2nd MTP (FY2017-2020) : Target for 2020

## Business portfolio

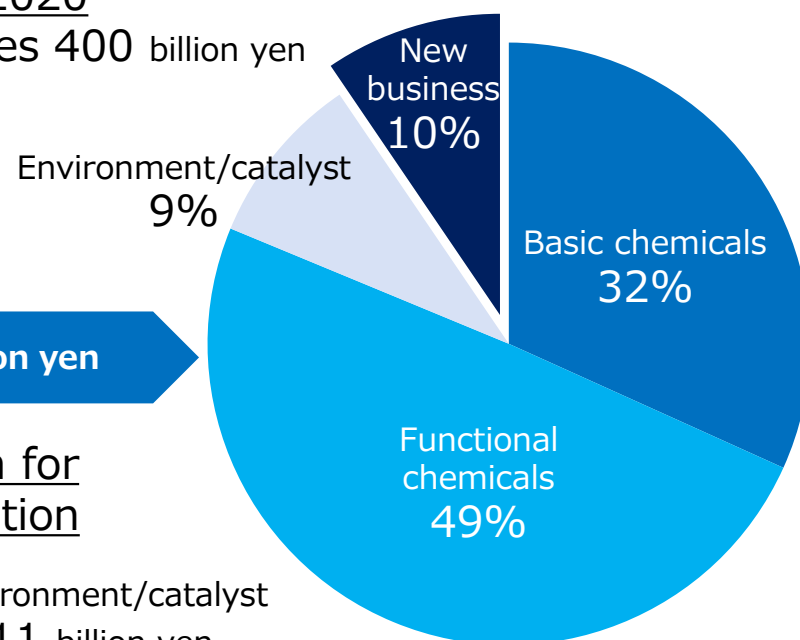
FY2016

Sales 294 billion yen



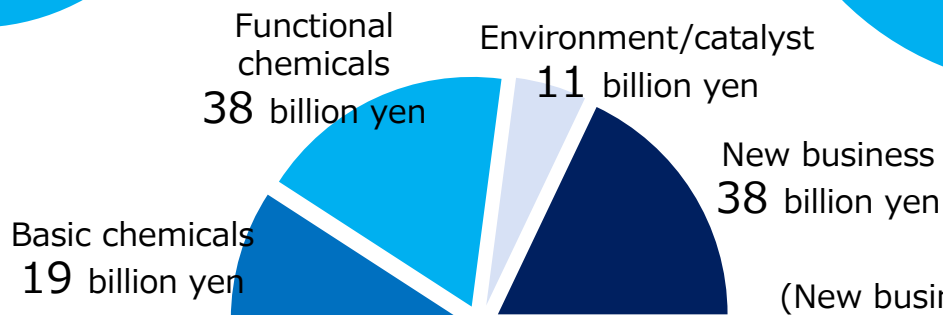
FY2020

Sales 400 billion yen



**+ 106 billion yen**

Breakdown for  
sales deviation



(New business includes health and medical business)

### 3. The 2nd MTP (FY2017-2020) : Target for 2020

## Management resources (4 years cumulative total)

**Capital investment** 90 billion yen

**Strategic investment** 60 billion yen

**R&D expenses** 57 billion yen

4-5% to sales

**Employees** as of the end of FY2020 4,600

Employees as of the end of FY2016 : 4,161

# Notes to Readers

This presentation material (“Material”) is aiming to provide readers referential information, not to persuade investment. Material contains forward-looking statements and statements of this nature based on reasonable judgments in accordance with information currently available. We do not commit nor guarantee the contents of Material. Readers should be aware that actual results and events might differ substantially from these projections.

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