

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 ¹	Sales for New products ²
<u>Target for FY2020</u> (LTP)	500	50	9.5%	47
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

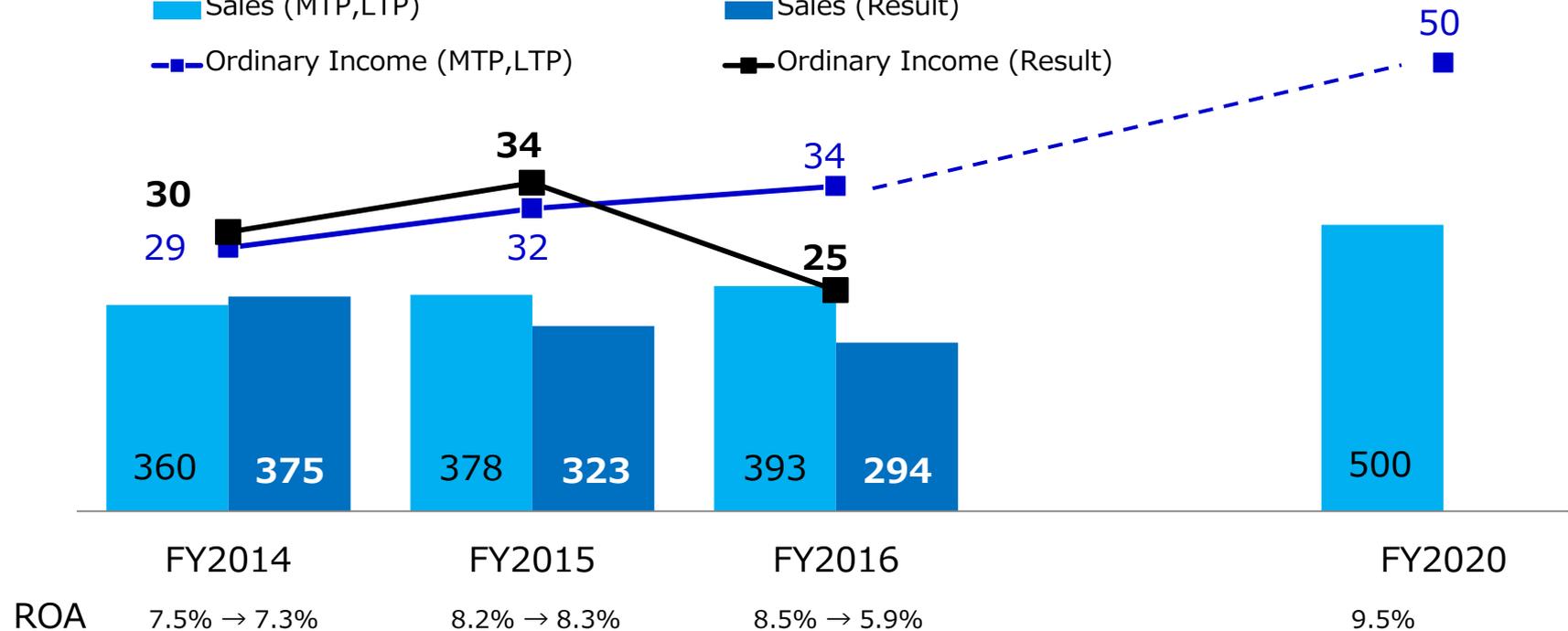
(Unit : billion yen)

■ Sales (MTP,LTP)

■ Sales (Result)

■ Ordinary Income (MTP,LTP)

■ Ordinary Income (Result)



FY2015

Achieved 1st MTP target profit a year ahead (the highest profit in our history)



FY2016

Unachieved 1st 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. As a result, these expected businesses will be expanded much more and be higher position in comparison to the existing businesses.

Reconfirmed

*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.

Social issue

Market needs

TechnoAmenity

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】

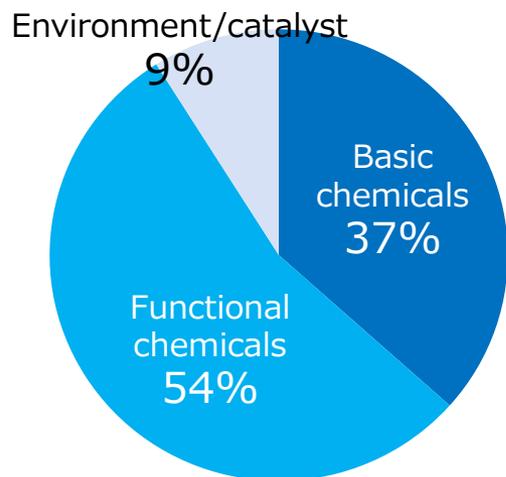
	Domestic naphtha price	Exchange rate(US\$)	Exchange rate(EUR)
LTP (FY2014-2020) (established in 2014)	65,000yen/kl	100 yen	130 yen
2nd MTP (FY2017-2020)	42,000yen/kl	110 yen	115 yen

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

Business portfolio

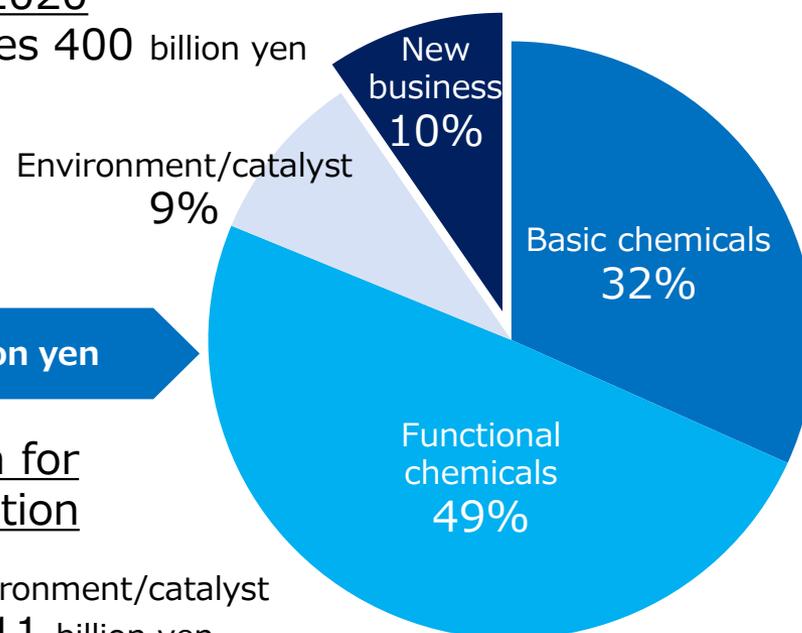
FY2016

Sales 294 billion yen



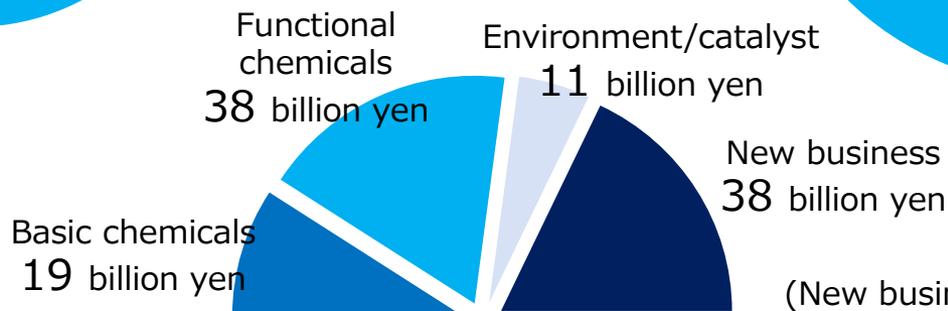
FY2020

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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