

** This financial report is solely a translation of “Gyosekiyosou no Shusei ni Kannsuru Oshirase” (in Japanese), which has been prepared in accordance with International Financial Reporting Standards (IFRS), for the convenience of readers who prefer an English translation.*

October 8, 2020

For Immediate Release

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Notice of Revisions to Earnings Forecasts **for the Fiscal Year ending March 31, 2021**

NIPPON SHOKUBAI CO., LTD. [Headquarters: Chuo-ku, Osaka; President: Yujiro Goto, TSE: 4114] (“Nippon Shokubai”) hereby announces that, in view of the recent trend of financial results, it has revised its earnings forecasts for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020) and the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021), which were announced on August 4, 2020.

1. Revisions to consolidated financial forecasts

Consolidated financial forecasts for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecasts (A) (as of August 4, 2020)	130,000	1,500	3,000	1,500	37.62
New Forecasts (B)	124,000	-1,800	-500	-1,500	-37.62
Change in Amount (B-A)	-6,000	-3,300	-3,500	-3,000	
Percentage Change (%)	-4.6%	—	—	—	
(Reference) Six Months Ended September 30, 2019	153,292	6,638	8,673	5,731	143.71

Consolidated full-year financial forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecasts (A) (as of August 4, 2020)	270,000	7,000	10,000	6,000	150.46
New Forecasts (B)	260,000	1,000	3,500	1,000	25.08
Change in Amount (B-A)	-10,000	-6,000	-6,500	-5,000	
Percentage Change (%)	-3.7%	-85.7%	-65.0%	-83.3%	
(Reference) Full year of Fiscal Year Ended March 31, 2020	302,150	13,178	15,748	11,094	278.21

2. Revisions to non-consolidated financial forecasts

Non-consolidated financial forecasts for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

	Net sales	Operating profit	Ordinary profit	Profit	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecasts (A) (as of August 4, 2020)	85,000	500	3,500	3,000	75.23
New Forecasts (B)	82,000	-400	2,700	2,500	62.69
Change in Amount (B-A)	-3,000	-900	-800	-500	
Percentage Change (%)	-3.5%	—	-22.9%	-16.7%	
(Reference) Six Months Ended September 30, 2019	102,469	5,032	11,388	9,136	229.11

Non-consolidated full-year financial forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Net sales	Operating profit	Ordinary profit	Profit	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecasts (A) (as of August 4, 2020)	180,000	6,000	10,500	8,000	200.62
New Forecasts (B)	175,000	2,000	6,600	4,000	100.31
Change in Amount (B-A)	-5,000	-4,000	-3,900	-4,000	
Percentage Change (%)	-2.8%	-66.7%	-37.1%	-50.0%	
(Reference) Full year of Fiscal Year Ended March 31, 2020	204,690	10,178	18,677	14,776	370.54

3. Reasons for the revision of consolidated and non-consolidated financial forecasts

Regarding Nippon Shokubai's consolidated financial forecasts for the six months ended September 30, 2020, demand for products for the automotive industry, construction and building materials failed to recover during the three months ended September 30, 2020, and demand for industrial surfactant products sunk. In addition, there was evidence of a reactionary decline after temporary demand in products for paper diapers. Sales volumes of these products fell short of plans. As a result, revenue is expected to be 124,000 million yen, 6,000 million yen lower than the amount in the financial forecasts announced on August 4, 2020 (the "previous forecast").

Lower profits are expected as a result of a tighter spread due to higher than anticipated raw material costs as well as lower than planned sales volumes, despite a decrease in selling, general, and administrative expenses. In addition, although the outlook remains unchanged for medium- to long-term improvement in the supply-demand balance in superabsorbent polymers markets, a temporary decline in demand has been observed in Europe, where Nippon Shokubai's consolidated subsidiary NIPPON SHOKUBAI EUROPE N.V. (NSE) is located, due to the impact of COVID-19, and competition between paper diaper manufacturers is becoming increasingly intense. Superabsorbent polymer manufacturers, including NSE, are under mounting pressure to lower prices, and an extremely adverse business environment is persisting for longer than anticipated. In this context, Nippon Shokubai has revised its outlook for NSE's profit and loss, and assessed the future recoverability of its non-current assets. In view of this assessment, it expects to record impairment losses of approximately 2,000 million yen in the three months ended September 30, 2020. As a result of these factors, Nippon Shokubai expects operating loss of 1,800 million yen, compared to the previous forecast for an operating profit of 1,500 million yen.

Nippon Shokubai expects loss before tax of 500 million yen, and loss attributable to owners of parent of 1,500 million yen.

Regarding Nippon Shokubai's consolidated financial forecasts for the fiscal year ending March 31, 2021, Nippon Shokubai previously anticipated that revenue would gradually recover during the second half of the fiscal year, however as a result of reviewing the sales outlook based on the situation during the first half of the fiscal year, Nippon Shokubai has reduced the previous forecast by 10,000 million yen, to 260,000 million yen.

Nippon Shokubai expects operating profit of 1,000 million yen, 6,000 million yen lower than the previous forecast, as a result of factors including a downturn in sales volumes due to the delayed recovery in demand, and a tightening spread, as well as the impairment losses expected to be recorded for the three months ending September 30, 2020.

Nippon Shokubai expects profit before tax of 3,500 million yen, and profit attributable to owners of parent of 1,000 million yen.

Reasons for the revision of non-consolidated financial forecasts are largely the same as reasons for the revision of consolidated financial forecasts, with the exception of the impairment losses for NSE.

(Note)

The preceding forecasts are based on information currently available and certain assumptions that Nippon Shokubai believes are reasonable. Various factors may lead to different actual results from the forecasts.