

## Notice Regarding Formulation of the New Medium-Term Business Plan (FY2018-FY2020)

Nippon Soda Co., Ltd. (the “Company”) (Head Office: Ohtemachi, Chiyoda-ku, President: Akira Ishii) has drawn up its new medium-term business plan covering the three year period from FY2018 to FY2020 as its management goal of Nippon Soda Group (the “Group”). An outline of the plan is presented as follows.

The plan represents the final stage of the Company’s efforts to achieve its long-term vision “Chemigress to 100.” As the Company approaches the centenary of its foundation in 2020, it will develop its existing growth strategies even further and continue to build a robust corporate structure to help increase its corporate value even further ahead of its 100th anniversary.

### 1. Basic objectives

The plan’s main objectives are to “increase business earning power” and “create new businesses.” The Group will expand its existing businesses centered on growth drivers, create new businesses and promote development, while enhancing the Group business foundation. In doing so, the Group aims to achieve an operating margin of 6.5% or more (8.0% or more excluding the Trading Business), and ordinary profit of ¥13.0 billion. The Group also plans to invest ¥50.0 billion in future growth during the three year period.

In enhancing its business foundation, the Group will seek to improve return on invested capital (ROIC) by continuously improving the profitability and efficiency of each division to lift the ROE of the entire Group.

By further developing the CSR management, we will promote our sound development as a sought-after chemical group.

<b>Operating margin</b>	<b>6.5% or more</b> (8.0% or more excluding the Trading Business) [Fiscal year ended March 31, 2017: 4.2%]
<b>Ordinary profit</b>	<b>¥13.0 billion</b> in fiscal year ending March 31, 2020 [Fiscal year ended March 31, 2017: ¥9.9 billion]
<b>Return on Equity (ROE)</b>	<b>7.0% or more</b> [Fiscal year ended March 31, 2017: 6.6%]
<b>Investment</b>	<b>¥50.0 billion for three years</b> (growth investment = ¥10.0 billion, maintenance and upgrade investment = ¥20.0 billion, M&As, etc. = ¥20.0 billion)

After its centenary, the Group envisages a leap forward in a new growth stage, having established an environment for a major improvement in profitability with a revamped and enhanced product portfolio centered on new agrochemicals in the Agro Products Business, and advances in increasing high added value in the product mix in its Chemicals Business. Moreover, the Group has plans to achieve net sales of ¥200.0 billion and operating profit of ¥20.0 billion in FY 2026.

The medium-term business plan period is positioned as a time for strengthening the Group’s constitution to prepare for new growth, during which the Group will reinforce the corporate structure to achieve further increases in corporate value.

## 2. Expansion of existing businesses centered on growth drivers

### (1) Chemicals Business

- Expansion of growth business areas

The Group will materialize further expansion and next production increase plans of cellulose derivatives (pharmaceutical additive HPC) and functional polymers (resin additive NISSO-PB), which are its growth drivers.

The Group will bolster production capacity for VP polymer, KrF photo resist material, to meet increased demand going forward.

In consideration of the mercury laws and regulations in Europe, the Group will formulate and execute a sales expansion strategy of inorganic metal alcoholate products through Alkaline SAS in France.

- Upgrading foundational businesses (Chlor-Alkali business)

To maintain a stable structure for supplying consumable materials at low prices within the Group, the Group will make appropriate maintenance and upgrade investments, complete sweeping business structure improvements, and reduce business operating costs while increasing earning capability of external sales products.

### (2) Agro Products Business

- Creation of new agrochemicals developed in-house

We will strive to launch the new fungicide NF-171 and the acaricide NA-89 and acquire market share early. In addition, we will promote development to launch the new fungicide NF-180.

- Sales expansion of existing products

Leveraging the global sales framework established under the previous medium-term business plan, the Group will expand its market share of agrochemicals, which are the Group's growth driver.

The Group will expand sales volumes of mainstay products having achieved price competitiveness by strengthening the overseas production system.

The Group will expand sales of biological pesticides to overseas markets.

### (3) Transportation and Warehousing Business

The division will maintain high operating margins based on its expertise in storage and transportation of hazardous items, poisonous materials, and pharmaceuticals, while conducting investments of ¥1.0 billion to enhance functionality and added value, aiming to expand its business scale even further.

As a logistics center for the Group, the division will build a stable logistics system.

### (4) Construction Business

The Business will promote differentiation through increased sophistication of core technologies such as powdered chemical handling technology and pharmaceutical GMP validation, and increase its earning capability.

### 3. Creating new businesses and promoting development

#### (1) Creating new businesses

The Group will commercialize new secondary battery materials and commence sales during the period of this medium-term business plan.

Having succeeded in development of an improved manufacturing process for environmentally friendly biodegradable polymer (polyamide 4), the Group will promote research and development into mass production going forward.

The Group will use its distinctive materials and existing technologies to drive advancement into new fields. In addition, the Company will consider acquisitions as a means of entry into new businesses.

#### (2) Promoting research and development

The Group will position “agro products,” “cellulose derivatives (pharmaceutical additives),” “functional polymers,” “color developer for thermal paper,” and “chemicals related to environment” as its priority business fields, and drive forward new product development and new commercialization.

In research theme management, the Group will rigorously evaluate commercial viability to identify focus themes and determine them rationally and swiftly in order to streamline research and development.

### 4. Enhancement of the business foundation of the Group

#### (1) Enhancement of the Group’s comprehensive capabilities

The Group will enhance corporate governance by undertaking a coordinated upgrade of the accounting systems of each Group company, while promoting streamlining of profit management and realizing early identification of issues and rapid proposal and implementation of countermeasures.

The Group will aim to build an administration division system as a shared infrastructure within the Group, revise the current functions and organizations, and promote streamlining of operational structures and reduction of costs.

#### (2) Capital investments

The Group plans to make capital investments of ¥30.0 billion during the three year period with a view to making growth investments to help promote development and early market launch of new products and strengthening of earning capability and competitiveness, as well as investments to maintain and upgrade equipment and develop infrastructure to contribute to stable, continuous growth.

(¥10.0 billion investment for new business, production increase, and rationalization; ¥20.0 billion investment for maintaining and upgrading equipment and developing infrastructure)

#### (3) M&As and business alliances

The Group plans to invest and loan ¥20.0 billion to strengthen existing businesses and expand peripheral business areas.

#### (4) Enhancement of business management of equity-method affiliates

The Company will work to increase the value of its equity-method affiliates such as Novus International, Inc. and IHARABRAS S/A. INDÚSTRIAS QUÍMICAS by responding appropriately to their management planning and capital policies.

## 5. Further development of CSR management

We promote our sound development as a sought-after chemical group aiming at balanced implementation of “CSR activities to protect corporate value” and “CSR activities to improve corporate value.”

### (1) CSR activities to protect corporate value

The Group will further enhance its corporate governance practices to ensure sound and transparent business management, to contribute to the development of society, and to be trusted by all stakeholders.

The Group will work to maintain and improve community- and environment-conscious “Nisso Safety” and “Nisso Quality.”

The Group will strive to realize acceptance of diversity and rewarding workplace that employees can be proud of by promoting diversity, work-life balance, and career vision succession plans, and increase the value of its personnel.

Continuously carry out socially responsible activities.

### (2) CSR activities to improve corporate value

The Group will address issues of global society in the major domains of agriculture (SDG\* 2), medicine (SDG 3), environment (SDG 6, SDG 11 & SDG 12), and information.

\* Sustainable Development Goals: 2 zero hunger, 3 good health and well-being, 6 clean water and sanitation, 11 sustainable cities and communities, 12 responsible consumption and production.

## 6. Returns to shareholders policy

In regard to our return to shareholders during the period of the new medium-term business plan, we strive to implement stable and continuous dividend distribution targeting a total return ratio of 30%, while maintaining financial resources for growth investment.

The Group will flexibly conduct purchase of treasury shares as a shareholder return measure to supplement dividends.

Total return ratio = (total amount of dividends + total amount of purchase of treasury shares)/ consolidated profit