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For immediate release

March 25, 2024
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Notice of Withdrawal from Business of Subsidiary and Recording of Extraordinary Loss

Sanyo Chemical Industries, Ltd. ("we" or "the Company") hereby announces that, based on resolutions adopted at the meetings of its Boards of Directors held on March 25, 2024, the Company has resolved to withdraw from the superabsorbent polymer ("SAP") business and the cease production of surfactants and urethane resin products in Nantong, Jiangsu Province, China (the "Business Withdrawal") as part of the structural reform under the " New Medium-Term Management Plan 2025" initiated in fiscal year 2023.

Based on this resolution, the Company is considering the transfer of all the equity interests of San-Dia Polymers (Nantong) Co., Ltd. ("SDN"), a wholly owned by its consolidated subsidiary SDP Global Co., Ltd. ("SDP") to another company. The Company has also resolved to dissolve the related consolidated subsidiaries involved in these businesses, SDP, SDP GLOBAL (MALAYSIA) SDN. BHD.("SDPM"), and Sanyo Kasei (Nantong) Co., Ltd.("SKN"), as follows. In addition, the Company also announces that it expects to record an extraordinary loss as a result of this Business Withdrawal.

Through the structural reform, including this Business Withdrawal, the Company will focus on growing businesses that contribute to carbon neutrality (CN)and improve quality of life (QOL). By reforming core businesses, developing existing businesses, and creating new growth paths, we aim to achieve an operating profit of 15 billion yen in fiscal year 2025.

1. Subsidiaries to be Dissolved or Considered for Transfer (Equity Transfer) as a Result of this Business Withdrawal

(1) Subsidiary to be Transferred (Equity Transfer) during Fiscal Year 2024 is as follows
San-Dia Polymers (Nantong) Co., Ltd. (SDN)

(2) Subsidiaries that will Cease Production at the End of March 2024 and be Dissolved Thereafter are as follows
SDP GLOBAL (MALAYSIA) SDN. BHD. (SDPM)
Sanyo Kasei (Nantong) Co., Ltd. (SKN)

(3) Subsidiary that will Cease Production during Fiscal Year 2024 and be Dissolved Thereafter is as follows
SDP Global Co., Ltd. (SDP)

2. Reason for the Business Withdrawal

(1) Reason for Withdrawal from SAP Business, Transfer of SDN Equity, and Consideration Dissolution of SDP and SDPM

The Company achieved the world's first commercial production of SAP in 1978. Since then, we have expanded our SAP business globally, particularly with the widespread use of disposable diapers. In 2001, we established San-Dia Polymers, Ltd., which later became SDP. In 2003, we established SDN, becoming the first Japanese SAP manufacturer in China. In 2018, we also established SDPM in Malaysia. Our consistent supply of high-quality SAP has contributed significantly to the growth of the disposable diaper market and the improvement of quality of life in Asia.

However, in recent years, the expansion of the diaper market in Asia has led to oversupply due to the influx of new SAP manufacturers, intensifying competition in the SAP market. In addition, as the technology level of new entrants has improved, SAP has become commoditized, shifting the competitive landscape toward cost competitiveness rather than quality differentiation. Consequently, the profitability of our SAP business has significantly declined, with an expected operating loss of approximately 1.8 billion yen for the fiscal year ending March 2024. Moreover, we anticipate further profit deterioration due to the ongoing trend of Chinese manufacturers supplying low-cost products in China. Considering this challenging situation, we have been exploring various options for several years, including restructuring, collaboration, and the possible sale of the SAP business.

In 2023, the Company announced its "New Medium-Term Management Plan 2025," which aims to contribute to CN and QOL. The plan includes improving the profitability of our core businesses, developing existing businesses primarily within five identified high-value product groups, and prioritizing the development of new businesses as a new growth path.

The withdrawal from the SAP business is part of the structural reforms based on the scenario outlined in the "New Medium-Term Management Plan 2025." The withdrawal from the SAP business, which is unlikely to recover from its deteriorating profitability, will significantly advance its portfolio transformation. Moreover, since the SAP business is the largest CO_2 emitter in our Group, withdrawing from it will significantly advance our progress towards meeting our CO_2 emissions reduction targets by the fiscal year 2030. (The SAP operations account for approximately 50% of our Group's total CO_2 emissions in Scope 1+2.)

Following this decision, regarding SDN, the Company is considering a transfer (Equity Transfer) of SDN to another company during fiscal year 2024. SDPM will cease production at the end of March 2024, after which it will proceed with the dissolution process. SDP plans to cease production early in fiscal year 2024 and terminate sales upon depletion of product inventory, and then proceed with dissolution procedures.

(2) Reason for Dissolution of SKN

SKN, established in April 2003, is a subsidiary that manufactures and sells surfactants and urethane resin products, etc. Since competitiveness of commodity chemicals in China becomes deteriorating, the Company will cease production in March 2024, and will then proceed with procedures for its dissolution, in order to accelerate the above-mentioned structural reforms. For the surfactants and polyurethane resin products manufactured by SKN, we will transfer production to other manufacturing bases within our Group. Additionally, for certain products, we will work with other chemical companies to explore the supply of alternative products to minimize the impact on our clients.

3. Outline of Subsidiaries

(1) Outline of the Subsidiary to be Dissolved

i) Outline of SDP and Future Schedule

(1) Name	SDP Global Co., Ltd.		
(2) Location	24th Fl., Hibiya Fort Tower, 1-1-1, Nishi-shimbashi, Minato-ku, Tokyo, 105-0003, Japan		
(3) Title and name of representative	Yutaka Imaizumi, President & CEO		
(4) Description of business	Manufacture and sales of superabsorbent polymers		
(5) Capital	2,900 million yen		
(6) Incorporated on	March 22, 2001		
(7) Number of employees	44		
(8) Major shareholders and their shareholding ratio	Sanyo Chemical Industries, Ltd. 100%		
(9) Relationship between the Companies			
Capital ties	Sanyo Chemical owns 100% of the total number of issued share of SDP.		
Personnel ties	The President is also an Executive Officer of Sanyo Chemical. 47 employees from Sanyo Chemical are seconded to SDP (3 of whom are appointed as directors).		
Trade ties	Sanyo Chemical partially licenses the technology. SDP sells some products back to Sanyo Chemical. Sanyo Chemical provides financial support.		
Status applicable to the parties	SDP is a consolidated subsidiary and a related party of Sanyo Chemical.		
(10) Results of operations and financial conditions for the past three years (Unit: million yen)			
Settlement of account	Fiscal year ended March 2021	Fiscal year ended March 2022	Fiscal year ended March 2023
Total assets	17,094	15,622	19,826
Net assets	(2,107)	(2,713)	(3,014)
Sales	11,098	11,376	11,366
Operating profit	530	187	(938)
Ordinary profit	1,102	(173)	1,490
Net profit	894	467	(301)

(1) Date of the Company's resolution to dissolve	March 25, 2024 (today)
(2) Scheduled dissolution date	Proceeding with dissolution procedures following the depletion of product inventory by the end of fiscal year 2024
(3) Scheduled liquidation completion date	To Be Determined

ⅱ） Outline of SDPM and Future Schedule

(1) Name	SDP GLOBAL (MALAYSIA) SDN. BHD.
(2) Location	PLO 179, Jalan Rumbia 1, Tanjung Langsat Industrial Complex, Pasir Gudang, Johor, 81700, Malaysia
(3) Title and name of representative	Yota Nomura, President
(4) Description of business	Manufacture and sales of superabsorbent polymers
(5) Capital	259.365 million MYR
(6) Incorporated on	October 5, 2015
(7) Number of employees	78
(8) Major shareholders and their shareholding ratio	SDP Global Co., Ltd. 100%
(9) Relationship between the Companies	
Capital ties	Sanyo Chemical owns 100% of the total number of issued share of SDP, who is the parent company of SDPM.
Personnel ties	One Director concurrently holds the position of Executive Officer in Sanyo Chemical. 5 employees from Sanyo Chemical are seconded to SDPM (2 of them are appointed as directors).
Trade ties	Sanyo Chemical licenses the technology.
Status applicable to the parties	SDPM is a consolidated subsidiary and a related party of Sanyo Chemical.

(10) Results of operations and financial conditions for the past three years (Unit: million yen)			
Settlement of account	Fiscal year ended March 2021	Fiscal year ended March 2022	Fiscal year ended March 2023
Total assets	5,620	7,077	6,211
Net assets	(5,460)	(6,762)	(7,832)
Sales	5,331	9,208	10,573
Operating profit	(645)	(482)	175
Ordinary profit	(868)	(665)	(467)
Net profit	(868)	(665)	(461)

(1) Date of the Company's resolution to dissolve	March 25, 2024 (today)
(2) Scheduled dissolution date	Planned dissolution within the fiscal year 2024
(3) Scheduled liquidation completion date	To Be Determined

iii) Outline of SKN and Future Schedule

(1) Name	Sanyo Kasei (Nantong) Co., Ltd.		
(2) Location	No.7 Xinkai Road South, Nantong Economic & Technological Development Area, Jiangsu, 226009, China		
(3) Title and name of representative	Shinjiro Kato, Chairman		
(4) Description of business	Manufacture and sales of surfactants, urethane resins, etc.		
(5) Capital	27.5 million US$		
(6) Incorporated on	April 29, 2003		
(7) Number of employees	98		
(8) Major shareholders and their shareholding ratio	Sanyo Chemical Industries, Ltd. 100%		
(9) Relationship between the Companies			
Capital ties	Sanyo Chemical owns 100% of the total number of issued share of SKN.		
Personnel ties	3 employees of Sanyo Chemical are seconded to SKN (one of them are appointed as directors).		
Trade ties	Sanyo Chemical licenses the technology.		
Status applicable to the parties	SKN is a consolidated subsidiary and a related party of Sanyo Chemical.		
(10) Results of operations and financial conditions for the past three years (Unit: million yen)			
Settlement of account	Fiscal year ended December 2020	Fiscal year ended December 2021	Fiscal year ended December 2022
Total assets	3,176	3,639	3,855
Net assets	1,571	1,881	1,882
Sales	2,947	3,614	3,923
Operating profit	105	(8)	(148)
Ordinary profit	113	111	(78)
Net profit	87	89	(100)

(1) Date of the Company's resolution to dissolve	March 25, 2024 (today)
(2) Scheduled dissolution date	March 25, 2024 (today)
(3) Scheduled liquidation completion date	To Be Determined

(2) Outline of the Subsidiary to be Considered for the Equity Transfer

i) Outline of SDN

(1) Name	San-Dia Polymers (Nantong) Co., Ltd.		
(2) Location	No.5 Xinkai Road South, Nantong Economic & Technological Development Area, Jiangsu, 226009, China		
(3) Title and name of representative	Yutaka Imaizumi, Chairman		
(4) Description of business	Manufacture and sales of superabsorbent polymers		
(5) Capital	64.9 million US$		
(6) Incorporated on	June 24, 2003		
(7) Number of employees	174		
(8) Major equity holders and their equity holding ratio	SDP Global Co., Ltd. 100%		
(9) Relationship between the Companies			
Capital ties	Sanyo Chemical owns 100% of the total number of issued share of SDP, who is the parent company of SDN.		
Personnel ties	The Chairman is also an Executive Officer of Sanyo Chemical. 4 employees of Sanyo Chemical are seconded to SDN (3 of whom are appointed as directors).		
Trade ties	Sanyo Chemical licenses the technology.		
Status applicable to the parties	SDN is a consolidated subsidiary and a related party of Sanyo Chemical.		
(10) Results of operations and financial conditions for the past three years (Unit: million yen)			
Settlement of account	Fiscal year ended December 2020	Fiscal year ended December 2021	Fiscal year ended December 2022
Total assets	16,113	16,791	13,999
Net assets	12,882	13,707	11,824
Sales	21,901	19,600	17,982
Operating profit	1,234	638	302
Ordinary profit	1,200	654	356
Net profit	895	474	255

4. Recording of Extraordinary Losses and Impact on Consolidated Financial Results

As a result of this Business Withdrawal, the Company expects to record extraordinary losses of approximately 20 billion yen over several fiscal years starting from the fiscal year ending March 2024. These losses will cover restructuring costs, such as fixed assets and termination payments, estimated at 12 billion yen for the fiscal year ending March 2024. The Company has also issued a "Notice of Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending March 2024." In addition, as part of its business restructuring, including this Business Withdrawal, the Company expects an improvement in operating profit of around 1 billion yen for the fiscal year ending March 2025 compared to the previous period.

Through the implementation of this structural reform, the Company is dedicated to improving the profitability of its core businesses, developing new businesses by leveraging its existing businesses, and creating new growth paths to transform its business portfolio.
Increasing shareholder returns while strengthening our corporate foundation for the future by improving the Group's profitability is a key management priority. The Company aims to increase dividend levels over the medium to long term, targeting a consolidated payout ratio of 30% or higher, and plans to reinvest retained earnings in initiatives that foster future growth.

Despite incurring a significant extraordinary loss as detailed above, we firmly believe that the implementation of these structural reforms will ultimately enhance profitability and cash flow, fostering accelerated growth over the medium to long term. Moreover, we assure that there will be no adverse impact on resource allocation essential for sustainable growth, such as investments in human capital and safety, as well as fortifying the groundwork for the future. Hence, we intend to maintain the year-end dividend for the fiscal year ending March 31, 2024, at 85.0 yen per share (equating to an annual dividend of 170.0 yen per share), remaining unchanged from the dividend forecast initially set at the beginning of the fiscal year.

5. Reduction of Executive Remuneration, etc.

Due to the recording of extraordinary losses for the above-mentioned multiple fiscal years, net income attributable to shareholders of the parent is expected to deteriorate for the fiscal year ending March 31, 2024, and the fiscal year ending March 31, 2025 and thereafter. The Company takes this situation seriously, and in order to clarify management responsibility, the Company will reduce bonuses for directors (excluding outside directors) and executive officers, as well as a proposed voluntary return of monthly remuneration as below:

<table>
<tr><th>Current title</th><th>Bonus for fiscal year 2023
(paid in June 2024)</th><th>Monthly
compensation</th></tr>
<tr><td>Chairman</td><td rowspan="3">100% reduction</td><td rowspan="3">The voluntary return of 30% of basic monthly compensation × 3 months (April-June 2024)</td></tr>
<tr><td>President and CEO</td></tr>
<tr><td>Executive Vice President</td></tr>
<tr><td>Director, Managing Executive Officer</td><td rowspan="2">50% reduction</td><td rowspan="5">—</td></tr>
<tr><td>Director, Executive Officer</td></tr>
<tr><td>Senior Managing Executive Officer</td><td rowspan="2">20% reduction</td></tr>
<tr><td>Managing Executive Officer</td></tr>
<tr><td>Executive Officer</td><td>10% reduction</td></tr>
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