

Capital and Business Alliance with NIHON NOHYAKU CO., LTD. a Subsidiary as well as Commencement of Takeover Bid and Underwriting of Capital Increase through Private Placement

August 21, 2018

ADEKA CORPORATION

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Overview of This Matter

Overview of This Matter



Details announced on August 21

- ADEKA CORPORATION (“ADEKA”) has decided to acquire 51% of the shares of NIHON NOHYAKU CO., LTD. (“NIHON NOHYAKU”) in combination with a takeover bid (“TOB”) and capital increase through private placement or third-party allocation shares (“TPA”) (total amount: approx. 20 billion yen).
- In addition, ADEKA will enter into a capital and business alliance agreement with NIHON NOHYAKU to maximize synergies for both companies.

Overview of TOB

- TOB price: 900 yen (the premium on the closing price on August 20 is 34.3%).
- Assumed acquisition rate: 35.7% – 42.2% (6.9 billion yen – 10.9 billion yen).
51% in combination with TPA.

Overview of TPA

- Amount to be paid: 8.0 billion yen – 14.0 billion yen (this may change as a result of TOB).

Scheme of This Matter



NIHON NOHYAKU will become a consolidated subsidiary of ADEKA as a result of TOB and TPA.

At present: 24.2%
(Equity-method affiliate)



24.2%

 **NIHON NOHYAKU CO., LTD.**

After this matter: 51.0%
(Consolidated subsidiary)



51.0%

(in combination with TOB and TPA)

 **NIHON NOHYAKU CO., LTD.**

Pursue synergetic effects by concluding a capital and business alliance agreement

Future Schedule



August 21 (Tue.) , 2018

- Resolution on this matter at the Board of Directors meetings of the both companies
- Conclusion of a capital and business alliance

August 22 (Wed.)

Commencement of TOB

September 19 (Wed.)

End of TOB

September 27 (Thu.)

Settlement date of TOB

September 28 (Fri.)

Payment date of TPA (completion of the conversion of NIHON NOHYAKU to a subsidiary)

Three Main Business

<p>1 Polymer additives</p>	<p>Additives for polyolefin, PVC stabilizer, plasticizer, flame retardant, others</p>
<p>2 Chemical products</p>	<p>Photo(light)/Thermal curing resin, photoinitiator, imaging material, Semiconductor material, Surfactant, lubricant additive, cosmetic ingredients, others</p>
<p>3 Food products</p>	<p>Margarines, shortening, fats and oils for chocolate, Frying oil, Whipping cream, others</p>

Strengths of ADEKA

1. Various materials and solutions
 - Organic synthesis technology
 - High purification technology
 - Light wavelength control technology
 - Polymer functionalization technology
 - Surface active stabilization technology
 - Stabilization technology
 - Fat and oils processing technology
2. Response to diverse applications
3. Response to multiple needs including electronic materials, materials for automobiles and personal care materials
4. Contribution to food cultures in Asia
5. Global expansion of production and sales networks

Aims of This Matter

1. Strategic acquisition to achieve the mid-to long-term vision

- Initiative with a view to a mid-term management plan (FY2021 -) after the current Mid-Term management Plan “BEYOND 3000”.
 - Actively promote M&A growth for the purpose of expanding business domains and developing new businesses.

2. Growth and expansion of the fourth business pillar “life science”

- Form a capital and business alliance with NIHON NOHYAKU, which has comprehensive knowledge of authorization process, to accelerate business development with a view to expanding the life science business (the authorization process of diagnostic pharmaceuticals and medical devices, etc.) by adding the agrichemical business to our portfolio.

3. Growth prospects of NIHON NOHYAKU

- Support growth strategies to become a “Global top 10 agrochemical company.”

		FY 2020	
Financial indicator	Net Sales	Over 300 billion yen (organic growth)	
	OPM	10%	
	ROE	10%	
Investments and loans	Total amount	100 billion yen (Three-year total)	
	Break down	Capital investment	50 billion yen (Three-year total)
		M&A funds	Prepared with 50 billion yen as the limit (Three-year total)
Dividend		Dividend payout ratio: 30% (target for the final year of the mid-term plan after incremental increases) Appropriate shareholder returns decided after comprehensive consideration.	

Basic Strategies

Basic Policies

- Become an excellent company with sales exceeding 300 billion yen.

Basic Strategies

- Global expansion of three main businesses
 - Globally expand sales of strategic products defined for each of our three main businesses; Polymer additives, Chemical products, and Food products.
- Entering new domains
 - Build business models and promote commercialization in the target domains of Life sciences, Environment, and Energy.
- Enhancing our management foundation
 - Promote CSR to increase our contribution to society and trust from society.
 - Enhance mutual cooperation within the ADEKA Group to leverage our comprehensive ability.

Expansion of Life Science Business



FY 2018 -

- FY2020

FY 2021 -

Mid-Term Management Plan "BEYOND 3000"

Next plan

**Life science
business**

**Consolidated sales :
Over 300 billion yen**

Polymer additives

Chemical products

Food products

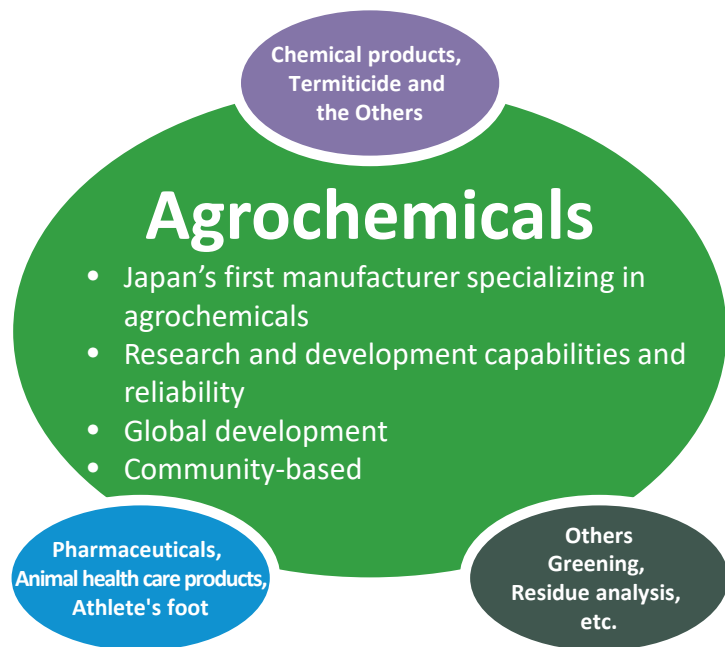
**Enhance the portfolio with
a view to the next mid-term
management plan (FY2021 -).**

Item	Contents
Established	January 27, 1917 (<u>101st year in 2018</u>)
Paid-in capital	22.9 billion yen
Main business	Chemicals business(Polymer additives, IT chemicals, Advanced chemicals) and Food business (Margarine, Shortenings, Fat and oils for Chocolate etc.)
Listed stock exchange	TOKYO STOCK EXCHANGE First Section (4401)
No. of share issued	103,651 thousand shares * As of June 30, 2018
No. of shareholders	4,965
Fiscal year-end	March 31
Net sales (FY2017)	Consolidated: 239,612 million yen Non-Consolidated: 131,319 million yen
No. of employees	Consolidated: 3,551 Non-Consolidated: 1,639 * As of March 31, 2018

Item	Contents
Established	November 17 , 1928
Paid-in capital	10,939 million yen
Main business	Manufacture, import/export and sale of Agrochemicals (Agriculture/Professional Turf/Home & Garden), Wood Preservative, Agricultural Materials, Pharmaceuticals & Veterinary Products
Listed stock exchange	TOKYO STOCK EXCHANGE First Section (4997)
No. of share issued	66,836 thousand shares * As of June 30, 2018, treasury stock 3,190 thousand shares is deducted
No. of shareholders	14,347 * As of March 31, 2018
Settlement Period	September 30
Net sales (FY2017)	Consolidated: 60,033 million yen, Non-Consolidated : 37,829 million yen
No. of employees	Consolidated: 1,461 Non-Consolidated : 419 * As of September 30, 2017

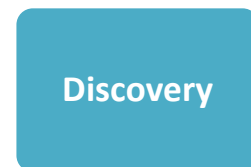
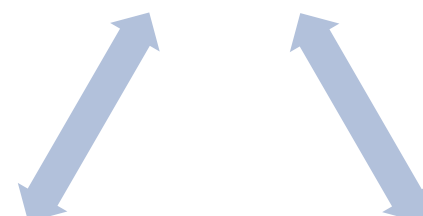
Main business

With the manufacture and sale of agrochemicals as the core business, NIHON NOHYAKU has expanded its business domains to chemical products, pharmaceuticals and animal health care products and provides safe, high-quality products.



Strengths of NIHON NOHYAKU (solid base for creating new drugs)

Invention of new compounds that can make a contribution in multiple areas including agriculture



Multifaceted verification of effects conducted by repeating laboratory tests, greenhouse tests and agricultural land tests



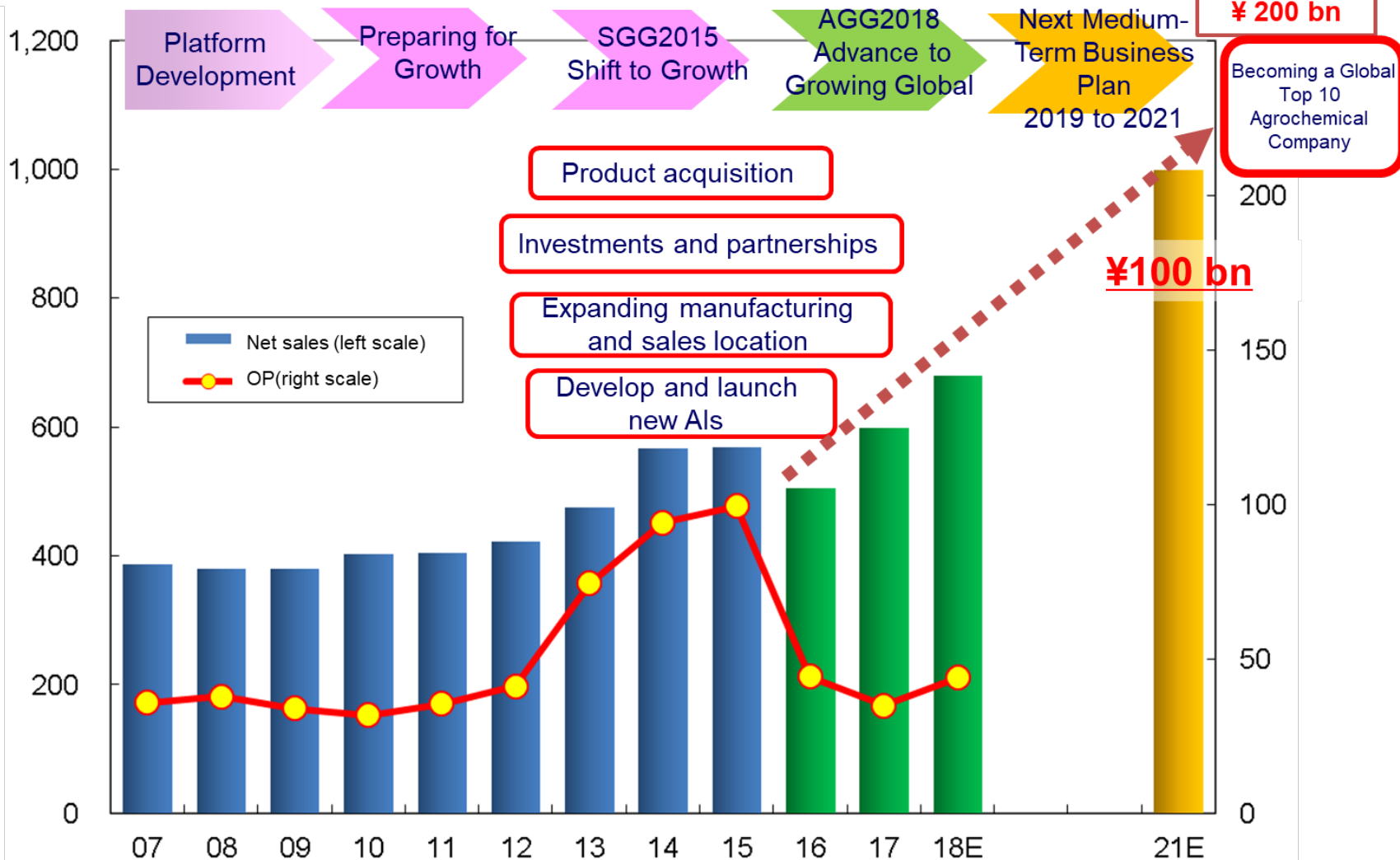
Multilaterally conduct safety assessments of new agrichemicals for people, animals and the environment



Growth Prospects of NIHON NOHYAKU



(100 million yen)



Overview of the Agrochemical Market

Overview of the agrochemical market

(Japanese market)

- Decline in bearers due to the aging of farmers
- Downward pressure on expenses for agricultural materials

(Overseas markets)

- Large-scale mergers of leading agrochemical companies and the acquisition of items
- Increase in demand for food due to the increasing population and economic development
- Expansion of generic products
- Expansion of emerging markets

Direction of NIHON NOHYAKU



Securing of
profit and influence

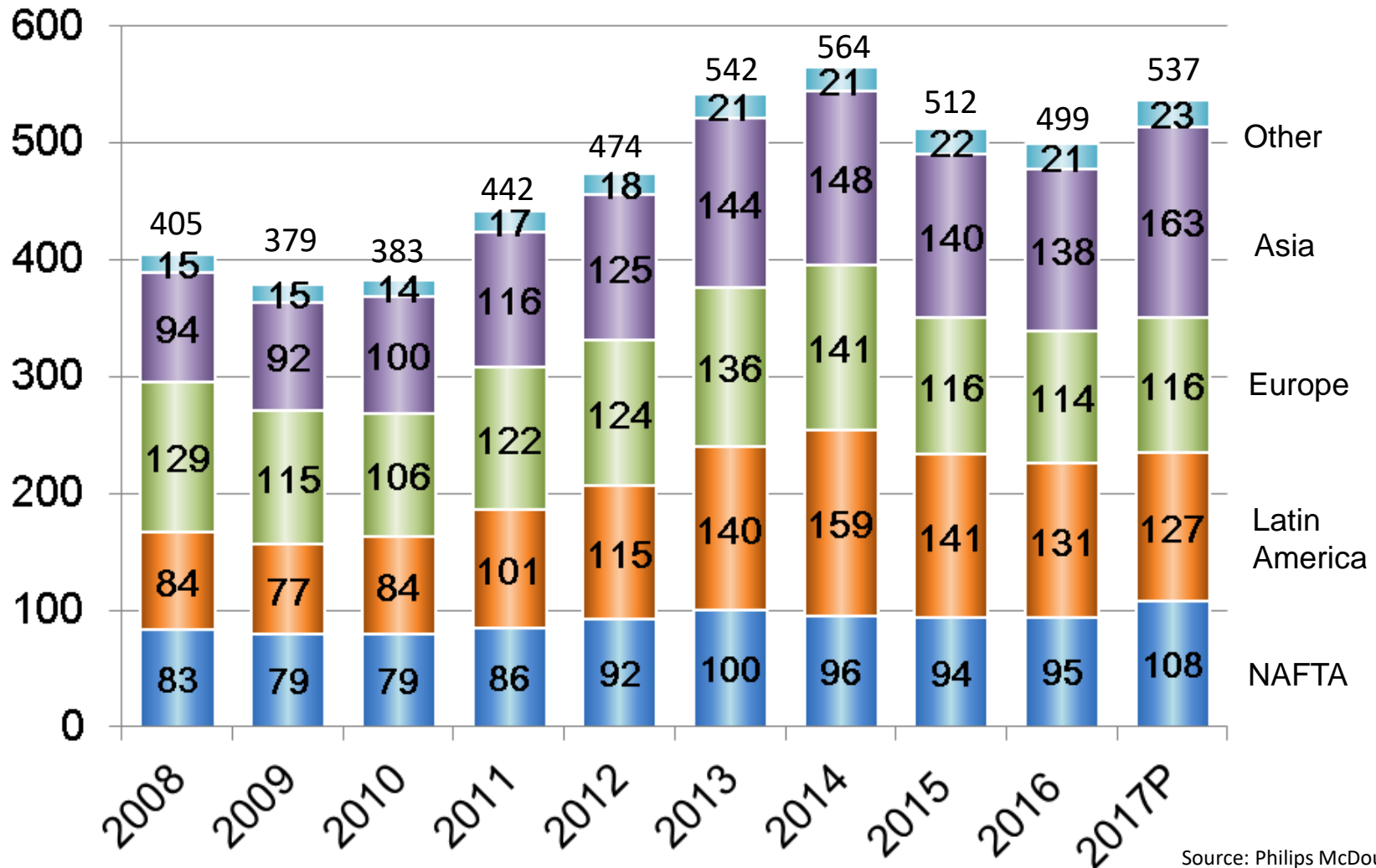


Active development
in overseas markets

Trends in the Global Agrochemical Market



(Billion dollars)



Source: Philips McDougall
Note: Provisional value for 2017

Synergies Expected from This Matter

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Synergies for ADEKA

- Acquisition of a range of expertise in the area of life science
- Expansion of sales and profit

Synergies for NIHON NOHYAKU

- Acquisition of funds and stability of management due to TPA
- Expansion of the agrochemical business, development in emerging countries and consideration of M&A

Personnel exchange, enhancement of mutually complementary power in the R&D domain, mutual utilization of production technologies and process chemistry, and mutual exchange of organic synthesis technologies with “chemicals” as the platform

Because NIHON NOHYAKU is a company created by the merger of the agrochemical department of ADEKA and FUJII SEIYAKU CO., LTD. in 1928, it has high affinity.

We will proceed with the preparations for the business alliance so that we will be able to create synergies at an early stage while complementing each other's business domains by building a more solid cooperative relationship as a result of NIHON NOHYAKU becoming a consolidated subsidiary of ADEKA.

Details of business alliance

1. Acceleration of development speed through mutual complement in the R&D domain
 - a. Enhancement of the life science area
 - b. Utilization of compound database
2. Improvement of productivity through the mutual utilization of production technologies and process chemistry
3. Expansion of sales channels through the mutual utilization of global networks
4. Development of high performance compounds through the provision of technologies such as synthesis reaction, dispersion technology and analysis technology
5. Exchange of researchers with knowledge in multiple areas

Summary

Overview of this matter

- ADEKA has decided to acquire 51% of the shares of NIHON NOHYAKU in combination with a TOB and capital increase through private placement (TPA) (Total amount: approx. 20 billion yen)

Aims of this matter

- ADEKA Group will add the portfolio of the agrochemical business as the fourth business pillar.
- Though ADEKA is advancing the development of diagnostic pharmaceuticals and medical devices as the life science business, it has determined that expertise in the authorization process shall be necessary for further business expansion.
- ADEKA has decided to implement this matter because business synergies are expected given that NIHON NOHYAKU's core business is the authorization process of agrochemicals, pharmaceuticals, quasi-pharmaceuticals and animal health care products, etc.

Schedule for this matter

- Period of TOB: August 22 (Wed.) – September 19 (Wed.)
- Settlement date of TOB: September 27 (Thur.)
- Payment date of TPA: September 28 (Fri.)

Disclaimer statement



The Tender Offer is not being made directly or indirectly in or into the United States, and no application to the Tender Offer will be accepted from any person resident in the United States or from any U.S. person. Copies of this document and any related materials to the Tender Offer are not being and should not be mailed or otherwise distributed or sent directly or indirectly in or into the United States by any means (including facsimile, e-mail, Internet communication, telex, or telephone). This document does not constitute the solicitation of an offer to buy any securities from any person resident in the United States or from any U.S. person.

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