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
Hidetaka Shirozume
President and Chief Operating Officer

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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

1. **Polymer additives**
   - Additives for polyolefin, PVC stabilizer, plasticizer, flame retardant, others

2. **Chemical products**
   - Photo(light)/Thermal curing resin, photoinitiator, imaging material, Semiconductor material, Surfactant, lubricant additive, cosmetic ingredients, others

3. **Food products**
   - Margarines, shortening, fats and oils for chocolate, Frying oil, Whipping cream, others

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
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.”
### ADEKA Mid-term management plan (FY 2018 – 2020)

<table>
<thead>
<tr>
<th><strong>Financial indicator</strong></th>
<th><strong>FY 2020</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>Over 300 billion yen (organic growth)</td>
</tr>
<tr>
<td><strong>OPM</strong></td>
<td>10%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Investments and loans</strong></th>
<th><strong>FY 2020</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total amount</strong></td>
<td>100 billion yen (Three-year total)</td>
</tr>
<tr>
<td><strong>Break down</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Capital investment</strong></td>
<td>50 billion yen (Three-year total)</td>
</tr>
<tr>
<td><strong>M&amp;A funds</strong></td>
<td>Prepared with 50 billion yen as the limit (Three-year total)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Dividend</strong></th>
<th><strong>FY 2020</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dividend payout ratio</strong></td>
<td>30%</td>
</tr>
<tr>
<td>(target for the final year of the mid-term plan after incremental increases)</td>
<td></td>
</tr>
<tr>
<td>Appropriate shareholder returns decided after comprehensive consideration.</td>
<td></td>
</tr>
</tbody>
</table>
Mid-term management plan (FY 2018 – 2020)

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
Mid-Term Management Plan “BEYOND 3000”

FY 2021 -
Life science business

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

- Consolidated sales: Over 300 billion yen
- Polymer additives
- Chemical products
- Food products
<table>
<thead>
<tr>
<th>Item</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established</td>
<td>January 27, 1917  （101st year in 2018）</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>22.9 billion yen</td>
</tr>
<tr>
<td>Main business</td>
<td>Chemicals business(Polymer additives, IT chemicals, Advanced chemicals) and Food business (Margarine, Shortenings, Fat and oils for Chocolate etc.)</td>
</tr>
<tr>
<td>Listed stock exchange</td>
<td>TOKYO STOCK EXCHANGE First Section (4401)</td>
</tr>
<tr>
<td>No. of share issued</td>
<td>103,651 thousand shares  * As of June 30, 2018</td>
</tr>
<tr>
<td>No. of shareholders</td>
<td>4,965</td>
</tr>
<tr>
<td>Fiscal year-end</td>
<td>March 31</td>
</tr>
<tr>
<td>Net sales (FY2017)</td>
<td>Consolidated: 239,612 million yen</td>
</tr>
<tr>
<td></td>
<td>Non-Consolidated: 131,319 million yen</td>
</tr>
<tr>
<td>No. of employees</td>
<td>Consolidated: 3,551  * As of March 31, 2018</td>
</tr>
<tr>
<td></td>
<td>Non-Consolidated: 1,639</td>
</tr>
<tr>
<td>Item</td>
<td>Contents</td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Established</td>
<td>November 17, 1928</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>10,939 million yen</td>
</tr>
<tr>
<td>Main business</td>
<td>Manufacture, import/export and sale of Agrochemicals (Agriculture/Professional Turf/Home &amp; Garden), Wood Preservative, Agricultural Materials, Pharmaceuticals &amp; Veterinary Products</td>
</tr>
<tr>
<td>Listed stock exchange</td>
<td>TOKYO STOCK EXCHANGE First Section (4997)</td>
</tr>
<tr>
<td>No. of share issued</td>
<td>66,836 thousand shares</td>
</tr>
<tr>
<td></td>
<td>* As of June 30, 2018, treasury stock 3,190 thousand shares is deducted</td>
</tr>
<tr>
<td>No. of shareholders</td>
<td>14,347 * As of March 31, 2018</td>
</tr>
<tr>
<td>Settlement Period</td>
<td>September 30</td>
</tr>
<tr>
<td>Net sales (FY2017)</td>
<td>Consolidated: 60,033 million yen, Non-Consolidated: 37,829 million yen</td>
</tr>
<tr>
<td>No. of employees</td>
<td>Consolidated: 1,461</td>
</tr>
<tr>
<td></td>
<td>Non-Consolidated: 419 * As of September 30, 2017</td>
</tr>
</tbody>
</table>
Business Outline

NIHON NOHYAKU

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.

Agrochemicals

- Japan’s first manufacturer specializing in agrochemicals
- Research and development capabilities and reliability
- Global development
- Community-based

Chemical products, Termiticide and the Others

Others

Pharmaceuticals, Animal health care products, Athlete’s foot

Others

Greening, Residue analysis, etc.

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

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

Invention

Discovery

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

Guarantee

Multilaterally conduct safety assessments of new agrichemicals for people, animals and the environment
Growth Prospects of NIHON NOHYAKU

(100 million yen)

Platform Development
Preparing for Growth
SGG2015 Shift to Growth
AGG2018 Advance to Growing Global
Next Medium-Term Business Plan 2019 to 2021

Exceed ¥200 bn

Becoming a Global Top 10 Agrochemical Company

Product acquisition
Investments and partnerships
Expanding manufacturing and sales location
Develop and launch new AIs

Net sales (left scale)
OP (right scale)
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
Reference

Trends in the Global Agrochemical Market

(Billion dollars)

Source: Philips McDougall
Note: Provisional value for 2017
Synergies Expected from This Matter
Synergies Expected from This Matter

**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.
Future Prospects

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
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.

In case of an application, applicant shareholders (standing agent in case of foreign shareholders) may be asked to represent and warrant to the Tender Offer agent to the effect that they are not in the United States neither at the time of the application nor the time of sending an application form for the Tender Offer, that no information regarding the Tender Offer, including copies, has been received or sent in, to or from the United States, directly or indirectly, that mail systems in the United States, other methods or means of inter-state trade or international trade (including but not limited to, facsimile, e-mail, Internet communication, telex, or telephone) or securities exchange facilities in the United States have not been used for signing and delivering the application form for the Tender Offer, directly or indirectly, and that they are not acting as an agent, custodian or a fiduciary for others without discretion (excluding cases where such others are giving all the instructions on the Tender Offer from outside the United States).
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New Growth Strategy
through a capital and business alliance
with ADEKA Corporation

August 21, 2018

Nihon Nohyaku Co., Ltd.
President Yosuke Tomoi
1. Current state of NNC*/Nichino Group
   a) With Group Vision “Nichino Group - Growing Global to become an outstanding globally competitive group”, we’re promoting growth strategy with the aim of becoming an enterprise with sales over 200 billion yen.

   b) On the other hand, improvement of our capital base is required for further strengthening of R&D capability and expansion of business through M&A etc.

   c) NNC can be said to be a company that has relatively few total assets and cheaper stock prices than large companies, so we need to improve our corporate value.

2. Current state of ADEKA
   a) In recent years, ADEKA has been working to strengthen life science business as a growing field.

*NNC=Nihon Nohyaku Co., Ltd.
3. Relationship with ADEKA
   a) Originally NNC spun off from ADEKA 90 years ago, and ADEKA has been a major shareholder of NNC since then.
   b) The top executives of NNC & ADEKA have always exchanged the views on the business environment, management strategies and capital policies.
   c) NNC & ADEKA shared the view that further cooperation in the future will contribute to acceleration of growth strategies and improvement of corporate value of both companies.
Aim of business alliance

1. Stabilization of capital base
   (to be described later)

2. Strengthening of life science business through collaboration with ADEKA
   a) Agrochemical business will be main business of ADEKA's Life Science sector
   b) Expand business by utilizing know-how and experiences of both companies
      (1) Improve efficiency of new agrochemicals/pharmaceuticals creation through integration/mutual utilization of organic synthesis technology of both companies
      (2) Utilize production technology mutually
      (3) Expand agrochemical derivative products business through collaboration
      (4) Utilize global business bases of both companies mutually

3. Human resources development and mutual expansion of business fields through personnel interactions
   a) Expand business field and maximize business synergies through exchange of research personnel
   b) Develop managers with global perspective in both companies through exchange of managerial personnel of sales, production and administration division
Stabilization of capital base (1)

Market capitalization of ¥46.9 billion (Assumption: 670 yen per share)

Issue of new shares to ADEKA (third party allotment)

Tender Offer (TOB) by ADEKA

⇒ Raise fund for growth

Company share  Present  After the alliance

24.2%  51.0%

Stabilize capital

⇒ Raise fund for growth
Stabilization of capital base (2)

1. Raise 8 to 14 billion yen through the issue of new shares

2. Use of funds
   a) R&D cost for new products; 11 billion yen
   b) Investment in production facilities (for new products or existing products); 2-3 billion yen
   c) Others (M&A etc.)
Conclusion

1. We promote new growth strategy through a capital and business alliance with ADEKA.

2. As a result of this alliance, NNC will become a consolidated subsidiary within ADEKA group, but we will maintain listing on the First Section of the Tokyo Stock Exchange and secure independent management.

3. We pursue synergies with ADEKA and improve corporate value of both companies.

Nichino Group - Growing Global
To become an outstanding globally competitive group