

May 14, 2020

Mitsui Chemicals, Inc.

**Notice Regarding Enhancement of the Business and Capital Tie-up between Shofu Inc.,
Mitsui Chemicals, Inc. and Sun Medical Co., Ltd.**

Shofu Inc. (“Shofu”), Mitsui Chemicals, Inc. (“MCI”) and Sun Medical Co., Ltd. (“Sun Medical,” an MCI subsidiary) concluded an agreement on May 20, 2009, for a business and capital tie-up. Under this agreement, the three parties have worked together to optimize their business operations in the field of dental materials. The three companies have recently agreed to further enhance their business and capital tie-up (“this enhanced business and capital tie-up”) and today concluded a business and capital tie-up agreement (“this business and capital tie-up agreement”) as described below.

1. Background and Objective of This Enhanced Business and Capital Tie-up

A general manufacturer of dental materials and equipment, Shofu has a high level of research and development capability to go along with a comprehensive distribution network. It is striving to increase its presence in the global dental market, thereby bringing to fruition its corporate philosophy of “contributing to dentistry through innovative business activities.”

MCI, meanwhile, is positioned as a chemical manufacturer with a high level of research and development capability in the field of chemical materials. It also has subsidiaries such as Sun Medical and Kulzer GmbH, whose dental materials businesses span the globe and which aim to contribute to improving people’s health and quality of life through dental care by providing the innovative products and services sought by dental care professionals.

Through this enhanced business and capital tie-up, Shofu and MCI aim to tap into the strengths of each company with the goal of making their materials research and development, sales and marketing, and production functions more robust, thereby increasing their presence in the dental materials market and improving the corporate value of both companies.

2. Content of This Enhanced Business and Capital Tie-up

a) Business Tie-up

The specific details of this enhanced business and capital tie-up are due to be determined through further consultation between Shofu and MCI going forward. The three parties intend to create synergies by leveraging their management resources and thereby achieve growth in the businesses of all three companies. The content of the business tie-up envisaged at this stage is as follows:



1. Promoting new product development using technologies in areas of strength.
2. Enhancing product ranges with complementary products.
3. Pursuing synergies by tapping into domestic and overseas distribution networks.
4. Studying ways to complement and share production functions.

Shofu, MCI and Sun Medical intend to engage in discussions concerning further enhancement of the tie-up between Shofu and Sun Medical within Japan. Shofu and MCI plan to subsequently discuss further enhancement of the tie-up between the two companies in their worldwide dental materials businesses.

b) Capital Tie-up

Shofu and MCI have concluded this business and capital tie-up agreement, under which Shofu will allocate 1,780,000 new shares (11.05% of the total number of shares in issue) to MCI as a third-party allocation, which MCI will purchase. As a result, MCI's shareholding will increase from 1,800,000 shares at present to 3,580,000 shares, taking the proportion of the total shares in issue held by MCI from the current level of 11.17% to 20.01% of the Shofu shares in issue as of June 15, 2020 (17,894,089 shares). Purchase details will be made public by Shofu today in its announcement concerning the issue of new shares to MCI by means of third-party allocation and changes concerning affiliated companies.

In addition, under this business and capital tie-up agreement, Shofu will simultaneously acquire from MCI 20.00% of MCI's 70.00% shareholding in Sun Medical. As a result, MCI will hold 50.00% of the shares in Sun Medical, while Nissin Dental Products, Inc. will hold 30.00% and Shofu 20.00%. Purchase details will be made public by Shofu today in its announcement concerning the acquisition of shares in Sun Medical Co., Ltd. (conversion into an equity-method affiliated company).

c) Dispatch of Officers

In undertaking this enhanced business and capital tie-up, the parties have agreed that Shofu and Sun Medical, and MCI and Shofu will have reciprocal rights to nominate one part-time director to each other's boards. Shofu intends to propose the election of the candidate nominated by MCI as part-time director of Shofu at the Ordinary Shareholders' Meeting of Shofu, which is due to take place on 24, June 2020.

3. Profiles of Shofu, MCI and Sun Medical

a) Profile of Shofu (as of March 31, 2020)

(1)	Name	Shofu Inc.		
(2)	Address	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto		
(3)	Name and title of representative	NEGORO Noriyuki, Representative Director, President & CEO		
(4)	Business	Manufacturing and sales of dental materials and equipment		
(5)	Capital	4,474 million yen		
(6)	Established	May 15, 1922		
(7)	Number of shares in issue	16,114,089		
(8)	Employees	1,189 (consolidated)		
(9)	Major shareholders and shareholding ratios	Mitsui Chemicals, Inc.	11.29%	
		The Bank of Kyoto, Ltd.	4.47%	
		Japan Trustee Services Bank, Ltd. (Trust account)	4.20%	
		Nippon Life Insurance Company	4.05%	
		Shiga Bank, Ltd.	3.78%	
		The Master Trust Bank of Japan, Ltd. (Trust account)	3.44%	
		MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy) Merrill Lynch Japan Securities Co., Ltd.	2.81%	
		Shofu Employees' Shareholding Association	2.37%	
		Sumitomo Mitsui Trust Bank, Ltd.	2.28%	
		Screen Holdings Co., Ltd.	2.07%	
(10)	Relationships between Shofu and MCI, and between Shofu and Sun Medical			
	Capital relationships	MCI holds 1,800,000 shares in Shofu, equivalent to 11.17% of the total number of Shofu shares in issue (16,114,089).		
	Human relationships	Shofu has 1 employee seconded from MCI.		
	Trade relationships	Royalty transactions take place between Shofu and MCI, and between Shofu and Sun Medical.		
	Relationships with related party	MCI is the major shareholder in Shofu. Following this business and capital tie-up, MCI is also due to become an affiliated company.		
(11)	Operating results and financial position for the last three years (Million yen)			
	Fiscal year	Ended March 31, 2018	Ended March 31, 2019	Ended March 31, 2020
	Consolidated net assets	24,157	24,383	23,936
	Consolidated gross assets	30,890	30,161	29,834
	Consolidated net assets per share (yen)	1,511.85	1,524.92	1,491.81
	Consolidated net sales	24,031	24,915	26,108
	Consolidated operating income	1,497	1,814	2,210
	Consolidated ordinary income	1,565	1,709	1,988
	Net income for the period attributable to shareholders of the parent company	877	1,201	704
	Consolidated net income for the period per share (yen)	55.20	75.54	44.24
	Dividend per share (yen)	20	23	26

(Notes) 1. Shareholding ratios show figures as a percentage of the total number of shares in issue (excluding treasury stock). Figures are rounded to three decimal places.



Mitsui Chemicals

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NEWS RELEASE

MITSUI CHEMICALS, INC.

b) Profile of MCI (as of March 31, 2020)

(1) Name	Mitsui Chemicals, Inc.		
(2) Address	1-5-2, Higashi-Shimbashi, Minato-ku, Tokyo		
(3) Name and title of representative (as of May 14, 2020)	HASHIMOTO Osamu, President & CEO		
(4) Business	Mobility, Health Care, Food & Packaging, Next Generation Business, Basic Materials		
(5) Capital	125,298 million yen		
(6) Established	July 1, 1955		
(7) Number of shares in issue	204,580,115		
(8) Employees	17,979 (consolidated)		
(9) Major shareholders and shareholding ratios	Japan Trustee Services Bank, Ltd. (Trust account)		9.37%
	The Master Trust Bank of Japan, Ltd. (Trust account)		9.07%
	Japan Trustee Services Bank, Ltd. (Trust account 4)		2.66%
	Japan Trustee Services Bank, Ltd. (Trust account 7)		2.29%
	Japan Trustee Services Bank, Ltd. (Trust account 5)		1.89%
	Mitsui & Co. Ltd.		1.81%
	Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Re-trust account, Mitsui & Co. Ltd. Pension trust account)		1.81%
	Japan Trustee Services Bank, Ltd. (Trust account 9)		1.73%
	JP MORGAN CHASE BANK 385151		1.60%
	Toray Industries, Inc.		1.49%
(10) Relationships between MCI and Shofu			
Capital relationships	MCI holds 1,800,000 shares in Shofu, equivalent to 11.17% of the total number of Shofu shares in issue (16,114,089).		
Human relationships	MCI has 1 employee on secondment to Shofu.		
Trade relationships	Royalty transactions take place between MCI and Shofu.		
Relationships with related party	MCI is the major shareholder in Shofu. Following this business and capital tie-up, MCI is also due to become an affiliated company.		
(11) Operating results and financial position for the last three years	(Million yen)		
Fiscal year	Ended March 31, 2018	Ended March 31, 2019	Ended March 31, 2020
Consolidated net assets	587,222	631,739	608,021
Consolidated gross assets	1,431,309	1,501,074	1,480,067
Consolidated net assets per share (yen)	2,574.82	2,829.50	2,761.91
Consolidated net sales	1,328,526	1,482,909	1,338,987
Consolidated operating income	103,491	93,427	71,636
Consolidated ordinary income	110,205	102,972	65,517
Net income for the period attributable to shareholders of the parent company	71,585	76,115	37,944
Consolidated net income for the period per share (yen)	358.38	385.60	194.94
Dividend per share (yen)	54.00	100.00	100.00

(Notes) 1. In Dividend per share, Mitsui Chemicals, Inc. conducted 5-to-1 share consolidation on October 1, 2017 and calculated per share information assuming 5-to-1 share consolidation was conducted in the beginning of FY2017.



c) Profile of Sun Medical (as of March 31, 2020)

(1)	Name	Sun Medical Co., Ltd.	
(2)	Address	571-2 Furutaka-cho, Moriyama, Shiga	
(3)	Name and title of representative	INAGAKI Takayuki, President & CEO	
(4)	Business	Manufacturing, sales, and import and export of dental materials and other medical devices	
(5)	Capital	100 million yen	
(6)	Established	February 21, 1981	
(7)	Number of employees	96	
(8)	Major shareholders and shareholding ratios	Mitsui Chemicals, Inc.	70%
		Nissin Dental Products, Inc.	30%
(9)	Relationships between Shofu and Sun Medical	Capital relationships	MCI holds 70,000 shares in Sun Medical, equivalent to 70% of the total number of Sun Medical shares in issue (100,000). However, after this business and capital tie-up, MCI plans to transfer 20,000 shares of this shareholding to Shofu.
		Human relationships	No special human relationships.
		Trade relationships	Royalty transactions take place between Sun Medical and Shofu.

4. Schedule

May 14, 2020	Conclusion of this business and capital tie-up agreement
June 15, 2020	Payment to be made for the third-party allocation of shares in Shofu
June 15, 2020	Transfer of shares in Sun Medical due to take place

5. Further Outlook

The impact of this enhanced business and capital tie-up on the consolidated and non-consolidated financial performance of MCI and Shofu for the fiscal year ending March 31, 2021, is unknown at this point, but will be disclosed at the appropriate time as needed, once the details become clear.