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For Immediate Release

Company: Sanyo Chemical Industries, Ltd.
Representative: Akinori Higuchi, President & CEO
(Code Number: 4471, Prime Section, Tokyo Stock Exchange)
Contacts: Kenichi Nishimura, Director & Executive Officer,
General Manager of Administrative Affairs Division
(Tel: +81-75-541-4312)

Notice of Changes in Consolidated Subsidiary (Equity Transfer) and Recording of Extraordinary Loss

Sanyo Chemical Industries, Ltd. (“the Company”) hereby announces that, at the meetings of its Boards of Directors held on September 26, 2024, the Company has resolved to delegate authority to the Representative Director to execute an equity transfer agreement for the purpose of transferring of all the equity interests of San-Dia Polymers (Nantong) Co., Ltd. (“SDN”), a wholly-owned subsidiary of its consolidated subsidiary SDP Global Co., Ltd. (“SDP”), which operates in the superabsorbent polymer (SAP) business, to a Chinese company, Nantong Jiangtian Chemical Co., Ltd. (“Jiangtian Chemical”). As of today, the Representative Director has made the decision regarding this equity transfer, as described below.

In addition, in conjunction with this equity transfer agreement, we expect to record an extraordinary loss (business restructuring expenses) in the interim consolidated financial statements for the fiscal year ending March 2025.

1. Reason for the Transfer of Equity

As announced in the “Notice of Withdrawal from Business of Subsidiary and Recording of Extraordinary Loss,” on March 25, 2024, the Company decided to withdraw from the superabsorbent polymer business and the production business in Nantong, Jiangsu Province, China. In addition, as announced in the “Notice of Commencement of Consideration of Changes in Consolidated Subsidiary (Equity Transfer)” on the same day, the Company received an offer from Jiangtian Chemical, a chemical manufacturer based in Nantong, Jiangsu Province, China, to acquire all the equity interests of SDN. After thorough discussions by both parties, it has been decided to transfer all of SDP’s equity interests in SDN to Jiangtian Chemical.

2. Outline of the Subsidiary Subject to Equity Transfer

(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	173
(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 2021	Fiscal year ended December 2022	Fiscal year ended December 2023
Total assets	16,791	13,999	15,519
Net assets	13,707	11,824	11,830
Sales	19,600	17,982	18,421
Operating profit	638	302	(6)
Ordinary profit	654	356	0
Net profit	474	255	6

3. Outline of the Transfer Counterparty

(1) Name	Nantong Jiangtian Chemical Co., Ltd.		
(2) Location	No.16 Zhongyang Road, Economic & Technological Development Zone, Nantong, Jiangsu Province, P. R. China		
(3) Title and name of representative	Hui Zhu, Chairman		
(4) Description of business	Manufacture and sale of paraformaldehyde, etc.		
(5) Capital	144.36 million CNY		
(6) Incorporated on	November 4, 1999		
(7) Total assets	686.071 million CNY		
(8) Net assets	1,000.529 million CNY		
(9) Major shareholders and their shareholding ratio	Nantong Industries Holding Group Co., Ltd. 37.53%		
(10) Relationship between the Companies			
Capital ties	None		
Personnel ties	None		
Trade ties	None		
Status applicable to the parties	None		

4. Equity Subject to Transfer, Transfer Price, and Status of the Equity Before and After the Transfer

(1) Percentage of equity before the transfer	100%
(2) Percentage of equity to be transferred	100%
(3) Transfer price	285 million CNY (about 5.7 billion yen*)
(4) Percentage of equity after the transfer	0%

*The exchange rate used is 1 CNY = 20 JPY.

5. Schedule for Equity Transfer

(1) Representative Director decision	September 27, 2024 (today)
(2) Date of conclusion of the equity transfer agreement	September 27, 2024 (today)
(3) Date of transfer of equity	December 2024 (tentative) *on completion of necessary post-contract procedures

6. Recording of extraordinary loss and impact on consolidated business results

In conjunction with this equity transfer agreement, the book value of SDN's fixed assets will be reduced to the value calculated based on the equity transfer agreement in the consolidated financial results for the interim consolidated financial statements for the fiscal year ending March 2025, and an extraordinary loss

(business restructuring expense) of approximately 3 billion yen is expected to be recorded.

In addition, the “Notice of Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 2025” released today, includes the impact of this extraordinary loss on consolidated earnings for the interim and full year of the fiscal year ending March 2025.