

March, 15th. 2021

Company: Sanyo Chemical Industries, Ltd.
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Sanyo Chemical Announces Conclusion of Capital and Business Alliance with Pharma Foods

Sanyo Chemical Industries, Ltd. (“Sanyo Chemical”) announced that it has decided to conclude a capital and business alliance with Pharma Foods International Co., Ltd. (“Pharma Foods”).

1. Reasons for the capital and business alliance

Sanyo Chemical, with its core surface control technology, is actively working towards the manufactures and sales of approx. 3,000 types of sophisticated performance chemicals in order to meet the diversified needs in the fields of industry, beauty and personal care. In recent years, Sanyo Chemical has been focusing on the world's first mass production of the next-generation lithium-ion battery; All Polymer Battery.

Pharma Foods, by pursuing the fusion of pharmaceuticals and foods, is engaged in research and development and sales of products with clear benefits for functional foods, health care, skin care and antibody preparation, in three main business segment, “Functional ingredients”, “Pharmaceuticals” and “B to C business”.

Beauty and personal care and pharmaceutical are areas of focus for both companies. We decided to conclude this latest agreement aiming to improve our profitability and corporate value of both companies further.

2. Details of the business alliance

Sanyo Chemical and Pharma Foods agreed to promote the strategic business alliance, including the following. The specific policies and detailed contents will be decided in the discussion together.

1) Joint development of raw materials*¹ for Pharma Foods products such as "Newmo[®] VACTORY shampoo*²" and production and supply of such raw materials by Sanyo Chemical

2) Drug development by combining technologies such as polymer modification using Sanyo Chemical's polyethylene glycol*³ products for pharmaceutical uses and Pharma Foods' proprietary antibody production technology using chicken "ALAgene[®] technology".

* Polymer compounds used in various applications such as pharmaceuticals / pharmaceutical excipients, hair care / skin care products, and detergents.

3) Creation of new businesses by promoting open innovation and mutual utilization of customer networks with the aim of integrating technologies in different fields of both companies

4) Neighboring Katsura Research Institute of Sanyo Chemical and Pharma Foods jointly contribute to society in Kyoto University Katsura Campus and surrounding areas

3. Details of the capital alliance

Sanyo Chemical plans to acquire common stock of Pharma Foods through purchase in the market, for a total of approximately 200 million yen.

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Sanyo Chemical holds cross-shareholdings only in cases where the background to the cross-shareholdings is the establishment of a strategical alliance and the alliance is closely related to the profitability of the joint business.

In advancing the business alliance, holding each other's shares will strengthen the relationship of interest in the corporate value of both companies and will be the driving force for promoting this business alliance.

4. Outline of the partner for the capital and business alliance

(1) Name	Pharma Foods International Co., Ltd.
(2) Location	1-49 Goryo-Ohara, Nishikyo-ku, Kyoto 615-8245, Japan
(3) Title and name of representative	Chief Executive Officer Dr. Mujo Kim
(4) Description of business	Development and sales of functional foods

	ingredients, Pharmaceuticals and B to C business		
(5) Capital	2,033 million yen		
(6) Incorporated on	12 th September 1997		
(7) Major shareholders and their shareholding ratio (as of January 31, 2021)	Mujo Kim	12.50%	
	Ezaki Glico Company, Limited	2.51%	
	Kazuyuki Masuda	2.40%	
	Morgan Stanley MUFG Securities Co., Ltd.	2.39%	
	Custody Bank of Japan, Ltd. (trust account)	2.39%	
	Eiichi Kim	2.23%	
	Mirei Masuda	2.00%	
	Yoshuku Kim	1.81%	
	Chihiro Kim	1.75%	
Mitsubishi Corporation	1.37%		
(8) Relationship between the Companies			
Capital ties	None		
Personnel ties	None		
Trade ties	None		
Status applicable to the parties	None		
(9) Results of operations and financial conditions for the past three years (Unit: million yen)			
Settlement of account	Fiscal year ended July 2018	Fiscal year ended July 2019	Fiscal year ended July 2020
Consolidated net assets	3,910	4,316	4,908
Consolidated total assets	6,328	8,731	10,096
Consolidated net assets per share (yen)	133.94	148.50	168.87
Consolidated sales	7,943	10,533	15,353
Consolidated operating profit	296	576	740
Consolidated ordinary profit	360	637	789
Profit attributable to owners of parent	314	500	691
Consolidated net profit per share (yen)	10.80	17.21	23.79
Cash dividend per share (yen)	—	—	8.50

5. Capital and Business Alliance Schedule

Execution date of the Capital and Business Alliance Agreement: March 15th, 2021

Business commencement date: March 15th, 2021

6. The Impact by this Alliance

Sanyo Chemical

Although this Business Alliance will have an insignificant effect on Sanyo Chemical's consolidated operating results, we believe that further enhance our corporate value from a medium- and long-term viewpoint. If the necessity of revising business forecasts and/or any matter to be disclosed arises, such information shall be immediately disclosed.