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Press Release

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Notice Regarding Execution of Share Exchange Agreement for Idemitsu Kosan Co., Ltd. to Make SDS Biotech K.K. its Wholly-Owned Subsidiary (Simplified Share Exchange)

Idemitsu Kosan Co., Ltd. ("Idemitsu Kosan") and SDS Biotech K.K., a consolidated subsidiary of Idemitsu Kosan ("SDS Biotech"; together with Idemitsu Kosan, the "Companies"), hereby announce that the Companies adopted a resolution at their respective board of directors meetings held today to execute a share exchange for cash consideration through which Idemitsu Kosan will become the wholly-owning parent company in the share exchange and SDS Biotech will become a wholly-owned subsidiary in the share exchange (the "Share Exchange") and that the Companies entered into a share exchange agreement (the "Share Exchange Agreement") today, as stated below.

The Share Exchange is planned to take effect on August 2, 2021; pursuant to the procedures for a simplified share exchange set forth in the main text of Article 796, paragraph (2) of the Companies Act (Act No. 86 of 2005, as amended; the same applies hereinafter), Idemitsu Kosan will not obtain approval via a resolution of its shareholders meeting, whereas SDS Biotech will obtain the approval of its annual shareholders meeting to be held on June 23, 2021. Furthermore, the Share Exchange is subject to approval via a resolution of the annual shareholders meeting of SDS Biotech above.

If the above condition is satisfied and the Share Exchange is conducted, then, prior to the effective date of the Share Exchange, the common stock of SDS Biotech (the "SDS Biotech Stock") will be delisted from the Second Section of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") as of July 29, 2021 (the last trading day being July 28, 2021).

1. Purpose of Making SDS Biotech a Wholly-Owned Subsidiary through the Share Exchange

(1) Background and Purpose behind Deciding to Conduct the Share Exchange

Idemitsu Kosan was founded by Mr. Sazo Idemitsu as "Idemitsu Shokai" in Moji City, Fukuoka Prefecture (currently, Moji Ward, Kitakyushu City) in June 1911 and started selling petroleum mainly in the Kanmon area. In March 1940, Mr. Sazo Idemitsu established Idemitsu Kosan Co., Ltd. in Tokyo, and Idemitsu Shokai merged with Idemitsu Kosan Co., Ltd. in November 1947. Idemitsu Kosan was listed on the First Section of the Tokyo Stock Exchange in October 2006 and still remains listed thereon. As of March 31, 2021, Idemitsu Kosan, its 155 subsidiaries, including SDS Biotech, and 61 affiliates (collectively, the "Idemitsu Kosan Group") engage in (i) fuel oil business, (ii) basic chemicals business, (iii) functional materials business,

(iv) power and renewable energy business, (v) resources business, and (iv) other businesses.

Furthermore, in the review of its mid-term management plan (FY 2020 to FY 2022) published today, Idemitsu Kosan again disclosed its "Vision for 2030" and its basic policy and management goals eying 2030. Aiming to become a resilient company that can flexibly adapt no matter what environmental changes occur amid the circumstances in which the mid-to long-term management environment is extremely unpredictable, Idemitsu Kosan, in order to promote converting its business portfolio into a forward-looking one, intends to shift its fossil fuels and basic chemicals business to a next-generation fuels and material circular business, while continuing to aim to enhance the corporate value of the Idemitsu Kosan Group by further expanding its functional materials business, including the agri-bio business, among other efforts.

As for the business environment surrounding Idemitsu Kosan, with substantial changes occurring due to, inter alia, the shift toward decarbonization accelerated by the Japanese government's declaration of carbon-neutrality by 2050, in addition to the expansion of the COVID-19 pandemic, Idemitsu Kosan is promoting initiatives for sustainable growth based on the recognition that responding to these changes in demand will be an issue for Idemitsu Kosan, whose main business is energy. Furthermore, in the functional materials business encompassing the Agricultural Biotechnology Products Business Division, which strives to develop and market biological agrochemicals/stock-raising materials derived from natural products, Idemitsu Kosan has been promoting new agent development for biological agrochemicals, demand for which is expected to increase further in the future, and various other undertakings in cooperation with SDS Biotech in an attempt to further expand its business areas, in order to respond to the global increase in awareness of the safety of agricultural chemicals and to changes in the business environment due to the reorganization of the entire industry, as stated below. Under those changes in the business environment, Idemitsu Kosan believes that it is necessary for Idemitsu Kosan to look at its group as a whole from a larger perspective and rethink what the group as a whole should be to continue to achieve sustainable growth over a medium to long term in the future and that examination and implementation of specific measures to address these issues have become pressing tasks.

SDS Biotech is a company whose predecessor is Showa Diamond Chemical K.K., which was established in October 1968 as a joint venture between Showa Denko K.K. and Diamond Shamrock (in the U.S.). It changed its trade name to its current name SDS Biotech K.K. in June 1983. In August 1984, it registered its stock on the over-the-counter market of the Japan Securities Dealers Association as an over-the-counter issue. Thereafter, after going through a transition in the form of a capital and business alliance, in March 2005, it separated and became independent from Showa Denko K.K., which was its parent company at that time, by way of a management buyout, with the assistance of MH Capital Partners II, L.P.. Thereafter, SDS Biotech was listed on the JASDAQ Securities Exchange in December 2008, and then it was listed on the Second Section of the Tokyo Stock Exchange in December 2009. In June 2011, it became a consolidated subsidiary of Idemitsu Kosan through a tender offer by Idemitsu Kosan.

SDS Biotech conducts business activities based on its management philosophy of contributing to society by providing products that are based on research and development and that take food safety and environmental protection into consideration. Specifically, SDS Biotech has been committing itself to enhancing its corporate value in its belief that its mission is to maintain good relationships with all of its stakeholders (shareholders, trading partners, employees, etc.) as well as to contribute to society, as a core company in the pesticides business of the Idemitsu Kosan Group, by defining "food safety and security" and "growing food demand" as its keywords.

Under the global business environment surrounding SDS Biotech, the need for pesticides, as one of the technologies for productivity improvement and stable production, has been expanding over the medium to long term due to an increasing demand for food in emerging countries against a backdrop of population increases and economic growth. However, emergence of pesticide-resistant diseases, pests, and weeds and reducing environmental impacts have recently been pointed out as issues. SDS Biotech believes that, particularly in developing countries as well, agricultural efficiency and labor savings will increase and awareness of agricultural chemical safety will rise; accordingly, the market's needs for agricultural chemicals will change markedly. On the other hand, in Japan, due to the aging of farmers, the lack of successors, and the decrease in cultivated land, major changes are taking place in the nature of agriculture such as the number of large-scale farmers and corporations increasing in line with the promotion of various measures and progress

in the consolidation of operating cultivated land under the government-led "Program for Strengthening Agricultural Competitiveness (Note)". SDS Biotech presumes that the importance of safer pesticides will gradually increase in Japan as well against the backdrop of, among others, (i) concerns about the low food self-sufficiency rate and (ii) domestic agricultural products being favored again due to increasing awareness of consumers regarding food safety and security; however, cultivated acreage is assumed to remain on approximately the same level as the current level over the medium term, and it is difficult to expect that the domestic pesticides market will expand. Although SDS Biotech has engaged in diverse research and development aimed at establishing sustainable weed- and pest-control technologies, including development of effective products and new active ingredients, spread of the fungicide Daconil and the paddy herbicide Benzobicyclon, as effective ways to counter fungicide-resistant pathogen and herbicide-resistant weeds, and development of biological pesticides with an even lower environmental impact, it believes that it is necessary to endeavor to reform its business portfolio and strengthen its corporate structure under the recognition that given these changes in the business environment, it has been becoming even more important than ever before not only to expand its chemical pesticides business, including its current mainstay products, but also to strengthen and deepen its whole business of plant protection products, including biological pesticides, over the medium to long term.

(Note) The "Program for Strengthening Agricultural Competitiveness" is intended to realize reinforcement of competiveness of domestic agriculture, through such efforts as lowering the price of production materials and reforming the distribution/processing structure of agricultural products, in order to create an environment in which farmers can freely develop their businesses and to resolve structural problems that cannot be solved by farmers' efforts.

Since SDS Biotech became a consolidated subsidiary of Idemitsu Kosan in June 2011 through a tender offer conducted by Idemitsu Kosan, Idemitsu Kosan and SDS Biotech have cooperated to expand their respective businesses and have jointly undertaken numerous efforts to strengthen the cooperative relationship between the Companies in the pesticides business, such as by cooperatively conducting, among others, execution of measures, research and development, participation in overseas capital, as well as sales and personnel exchanges.

In proceeding with formulating its group strategy since the middle of November 2019, Idemitsu Kosan came to the realization that it is necessary to review what the group as a whole should be in order to continue to achieve sustainable growth over the medium to long term, and thereby respond to the global increase in awareness of the safety of agricultural chemicals and to changes in the business environment due to the reorganization of the entire industry, as stated above. Based on that realization, Idemitsu Kosan, by looking back upon the efforts made by Idemitsu Kosan and SDS Biotech to date and the results thereof, came to the following realization: through these efforts with SDS Biotech, Idemitsu Kosan was able to make certain achievements, such as the Companies' joint development of a new active substance for a biological pesticide and the expansion of product sales of SDS Biotech through sales subsidiaries of Idemitsu Kosan; however, it cannot be denied that there has been a limit to the cooperation promoted by the Companies, each being an independent listed company. Specifically, Idemitsu Kosan reached the conclusion that there have been significant reasons for the limit to the cooperation between the Companies, such as the fact that in the current situation, there are limitations on the formulation of business strategies whose top priority is the enhancement of the corporate value of the Idemitsu Kosan Group as a whole, through the agile mutual utilization of know-how, personnel, development strategies, and financial power with SDS Biotech, and to prompt decision making for the implementation of cooperative measures between the Companies, as well as the fact that it is necessary to consider the interests of minority shareholders when implementing development investment, in SDS Biotech from the mid- to long-term perspective. Based on this understanding, Idemitsu Kosan reached the decision that it will be beneficial, not only for the enhancement of SDS Biotech's corporate value but also for the enhancement of the corporate value of the Idemitsu Kosan Group as a whole, to make SDS Biotech a wholly-owned subsidiary of Idemitsu Kosan and to thereby strengthen the cooperation between the Companies, through the agile mutual utilization of the Companies' know-how, personnel, development strategies, and financial power, while also fully utilizing the solid business foundation of SDS Biotech, being an agricultural chemical company in operation for 50 years, whose business range from development, manufacture, sales, and

cooperation with other companies, as well as the positive features of SDS Biotech's management and structure. Therefore, in the middle of February 2021, Idemitsu Kosan made an initial request to SDS Biotech for the commencement of consultations toward making SDS Biotech its wholly-owned subsidiary.

SDS Biotech believes that although it is necessary to make investments to proactively engage in research and development as well as to strengthen its whole line of plant protection products in order to reform its business portfolio and strengthen its corporate structure, there will be a limit to the implementation of these measures by SDS Biotech alone. This is because if SDS Biotech attempts to implement these measures alone, there will be cases, depending on the required size of investment, where their realization will be difficult due to SDS Biotech's company size. In addition, even if investments are made, expected results may not always be achievable, whereas there is a possibility of, among others, financial conditions deteriorating on a short-term basis, which may result in SDS Biotech failing to obtain a positive evaluation from the capital market and accordingly may result in a lower stock price for SDS Biotech. This means that the possibility cannot be denied that the above attempt may result in disadvantages for the minority shareholders of SDS Biotech. Given such situation, SDS Biotech has been thinking that in order to consistently enhance its corporate value within the business environment surrounding SDS Biotech as described above, it is useful to further mutually utilize networks, know-how, and resources with Idemitsu Kosan, towards the creation of new products for plant protection products and the expansion of business fields. However, SDS Biotech believed that although the Companies, under a certain cooperative relationship, have jointly undertaken numerous efforts, such as by cooperatively conducting, among others, execution of measures, research and development, participation in overseas capital, as well as sales and personnel exchanges, ever since SDS Biotech became a consolidated subsidiary of Idemitsu Kosan through a tender offer by Idemitsu Kosan in June 2011, there has been a limit to mutual utilization of the Companies' management resources from the perspective of the need for SDS Biotech to independently operate as a listed company (even if the Companies comprise a parent company and its subsidiary) and also from the perspective of the necessity of considering the interests of minority shareholders. In particular, SDS Biotech has also acknowledged that if SDS Biotech intends to further mutually utilize management resources with Idemitsu Kosan, then partly due to the said limit arising from their capital relationship, there will be a certain limitation on proceeding with measures to proactively reform its business portfolio and strengthen its corporate structure. This is because while it is necessary for this kind of mutual utilization with Idemitsu Kosan to allocate, between the parent company and its subsidiary, the profits and expenses from the mutual utilization from a mid- to long-term perspective, it will also be necessary to allocate profits and expenses between the parent company and its subsidiary giving consideration to the return of profit to the minority shareholders of SDS Biotech. Under those circumstances, in the middle of February 2021, SDS Biotech received a request for consultation from Idemitsu Kosan towards making SDS Biotech its wholly-owned subsidiary. SDS Biotech considered this request in good faith, and as a result, reached the decision that by SDS Biotech becoming a wholly-owned subsidiary of Idemitsu Kosan, it will be possible, on its own initiative, to proceed with reforming its business portfolio and strengthening its corporate structure, without being subject to the limitation above, and that it may be possible to consistently enhance its corporate value within the business environment surrounding SDS Biotech as described above. From the above, SDS Biotech reached the decision that it will be worth specifically considering itself becoming a wholly-owned subsidiary of Idemitsu Kosan in light of the possibility that it will be beneficial for the enhancement of SDS Biotech's corporate value, and moreover, the enhancement of the corporate value of the Idemitsu Kosan Group as a whole, and decided to continue with the consultation to specifically consider becoming a wholly-owned subsidiary of Idemitsu Kosan.

After that, as stated in "3 (1) Grounds and Reasons for Particulars of the Allotment," Idemitsu Kosan appointed an external professional and proceeded with further consideration, and in late February 2021, it formally proposed making SDS Biotech its wholly-owned subsidiary through the Share Exchange to SDS Biotech. Thereafter, as stated in "3 (1) Grounds and Reasons for Particulars of the Allotment," SDS Biotech also prepared a structure for the consideration, such as by appointing an external professional, and Idemitsu Kosan and SDS Biotech both conducted further consideration regarding the Share Exchange, and simultaneously, they conducted repeated consultations and negotiations.

As a result, Idemitsu Kosan became convinced that by making SDS Biotech its wholly-owned subsidiary through the Share Exchange, (i) the capital relationships between the Companies will be deepened and (ii) in the future, by shifting to a structure of integrated management with the Agricultural Biotechnology

Products Business Division of Idemitsu Kosan that is based, as the nucleus, on SDS Biotech, SDS Biotech will be able to implement its management in a manner perfectly aligned with the Idemitsu Kosan Group's business strategies; (i) and (ii) above will make it possible to more actively inject management resources, and will largely contribute to the resolution of various issues in SDS Biotech; through this, the enhancement of SDS Biotech's corporate value will be realized, and simultaneously, the mutual relationship between the agri-bio business within Idemitsu Kosan's functional materials business and SDS Biotech will be strengthened, thereby forming a stable foundation that accelerates the development of the pesticides business of the Idemitsu Kosan Group as a whole, and will eventually enhance the corporate value of the Idemitsu Kosan Group as a whole in a form in line with "converting the business portfolio into a forward-looking one," Idemitsu Kosan's basic policy.

On the other hand, SDS Biotech reached the following decisions: (i) if it becomes a wholly-owned subsidiary of Idemitsu Kosan, a structure will be developed where it may receive more active support from Idemitsu Kosan because limitations arising from capital relationships will cease to exist, and then, SDS Biotech may expect the following: financial support from Idemitsu Kosan regarding SDS Biotech's investments for reinforcing its whole line of plant protection products; utilization, in SDS Biotech's research and development, of advance technologies which Idemitsu Kosan has been working on; the expansion of its business related to biological pesticides; and the utilization of Idemitsu Kosan's corporate functions, among other things, all of which have been recognized by SDS Biotech as future issues; (ii) furthermore, by resolving the problem regarding conflicts of interest, arising due to the existence of minority shareholders, the creation of short-term profit will not necessarily be required, and therefore it will be possible to actively execute a development strategy from a more mid- to long-term perspective (in other words, to execute specific measures towards proactively reforming its business portfolio and strengthening its corporate structure); (iii) in addition, it can be presumed that SDS Biotech's corporate value could be more consistently enhanced amid a harsh business environment through the combination of (a) the costs required for SDS Biotech to maintain its share listing being lowered, and (b) such capital becoming able to be allocated to development investment; and furthermore, (iv) although disadvantages of SDS Biotech becoming a wholly-owned subsidiary of Idemitsu Kosan and thus becoming privatized are generally expected, such as SDS Biotech ceasing to be able to procure funds in the capital market and certain adverse impact on SDS Biotech's recruitment activities and the like due to losing its prestige as a listed company, taking into account (a) that SDS Biotech's financial foundation can be reinforced because, among others, financial assistance from Idemitsu Kosan can be expected by SDS Biotech as its wholly-owned subsidiary and (b) that the adverse impact on SDS Biotech's recruitment activities and the like is not expected to be significant because there will be no change in the fact that SDS Biotech is an Idemitsu Kosan Group company whose parent company is Idemitsu Kosan, a listed company, it can be presumed that SDS Biotech will be able to enjoy more advantages than disadvantages therefrom by becoming a wholly-owned subsidiary of Idemitsu Kosan.

As a result, Idemitsu Kosan and SDS Biotech reached the conclusion that it would be the best option, from the perspective of enhancing the corporate value of the Companies, for SDS Biotech to become a wholly-owned subsidiary of Idemitsu Kosan through the Share Exchange.

(2) Management Policy After Share Exchange

As a management policy after the implementation of the Share Exchange, Idemitsu Kosan and SDS Biotech will strive to enhance their corporate value by basically maintaining SDS Biotech's brand, trade name, and management execution structure at present, and by also mutually and flexibly utilizing the Companies' respective know-how, human resources, development strategies, and financial ability, among other things, thereby strengthening the business platform of the agri-bio business of the Idemitsu Kosan Group.

Although not yet decided, by completing the management integration of SDS Biotech, as a nucleus, and the Agricultural Biotechnology Products Business Division of Idemitsu Kosan within FY 2022, the Companies plan to strengthen prompt and accurate decision-making system of the Idemitsu Kosan Group.

Specifically, Idemitsu Kosan and SDS Biotech plan to expand the scale of research and development in the plant protection field towards creation of new active substances, as well as to put efforts into business fields, such as highly-functional fertilizers, that contribute to increasing food production, by implementing a group-wide integrated management of the following businesses and actively injecting management resources

therein: (i) SDS Biotech's existing businesses having a strong presence in the field of plant protection products, which business will form the core of the integrated management, and (ii) Idemitsu Kosan's biological pesticides business. Also, Idemitsu Kosan and SDS Biotech will aim to establish an organizational structure capable of prompt and accurate decision making by further strengthening corporate functions and improving efficiency of business management, as well as assigning the right people to the right positions. Details will be considered and discussed by the Companies in good faith from now on.

2. Summary of the Share Exchange

(1) Schedule of the Share Exchange

Reference date of annual shareholders meeting (SDS Biotech)	March 31, 2021
Date of resolution by the board of directors to execute the Share Exchange Agreement (the Companies)	May 11, 2021
Date of execution of the Share Exchange Agreement (the Companies)	May 11, 2021
Date of holding annual shareholders meeting (SDS Biotech)	June 23, 2021 (scheduled)
Last trading day (SDS Biotech)	July 28, 2021 (scheduled)
Delisting date (SDS Biotech)	July 29, 2021 (scheduled)
Effective date of the Share Exchange	August 2, 2021 (scheduled)
Date of delivery of cash	Late September 2021 (scheduled)

(Note 1) Pursuant to the procedures for a simplified share exchange set forth in the main text of Article 796, paragraph (2) of the Companies Act, Idemitsu Kosan will conduct the Share Exchange without obtaining the approval of its shareholders meeting.

(Note 2) The above schedule may be changed upon mutual consultation and agreement of the Companies if necessary as the procedures for the Share Exchange progress. Any change in the above schedule will promptly be announced.

(2) Share Exchange Method

The Share Exchange is a share exchange through which Idemitsu Kosan will become the wholly-owning parent company in the share exchange and SDS Biotech will become a wholly-owned subsidiary in the share exchange. The Share Exchange is planned to take effect on August 2, 2021; pursuant to the procedures for a simplified share exchange set forth in the main text of Article 796, paragraph (2) of the Companies Act, Idemitsu Kosan will not obtain approval via a resolution of its shareholders meeting, whereas SDS Biotech will obtain the approval of its annual shareholders meeting to be held on June 23, 2021 regarding the Share Exchange.

(3) Particulars of Allocation in the Share Exchange

Idemitsu Kosan is planning to grant shareholders of SDS Biotech (except Idemitsu Kosan) cash at the ratio of 1,440 yen per share of SDS Biotech Stock owned by them (the consideration for the Share Exchange shall hereinafter be referred to as the "Share Exchange Consideration") at the time immediately before the timing of acquisition of all of the issued shares of SDS Biotech (excluding 5,456,112 shares in SDS Biotech owned by Idemitsu Kosan) by Idemitsu Kosan through the Share Exchange in accordance with the Share Exchange Agreement and pursuant to Article 768, paragraph (1), item (ii) of the Companies Act (the "Base Time").

In accordance with the resolution of the board of directors of SDS Biotech to be adopted on or before the day immediately preceding the effective date of the Share Exchange, SDS Biotech is, at the time immediately before the Base Time, to cancel all of the treasury shares held by it at the time immediately before the Base Time (152 shares as of May 10, 2021) (including the shares to be obtained by SDS Biotech in response to exercise by dissenting shareholders of the right to demand, upon the Share Exchange pursuant to Article 785, paragraph (1) of the Companies Act, that SDS Biotech purchase the shares that they hold).

(Note) Change to the Terms of the Share Exchange and Termination of the Share Exchange Agreement

The Share Exchange Agreement provides that it may be amended or terminated upon mutual

consultation between Idemitsu Kosan and SDS Biotech if a material change occurs or is discovered in the asset conditions or operating results of Idemitsu Kosan or SDS Biotech, if an event occurs or is discovered that may materially obstruct the implementation of the Share Exchange, or if attainment of the purpose of the Share Exchange Agreement otherwise becomes difficult, respectively, during the period from the execution date of the Share Exchange Agreement until the effective date of the Share Exchange.

(4) Handling of Share Options and Bonds with Share Options upon the Share Exchange

Not applicable, because SDS Biotech has not issued any share options or bonds with share options.

3. Grounds for Particulars of the Allotment in the Share Exchange

(1) Grounds and Reasons for Particulars of the Allotment

As stated in "1. Purpose of Making SDS Biotech a Wholly-Owned Subsidiary through the Share Exchange" above, in late February 2021, Idemitsu Kosan formally proposed the Share Exchange to SDS Biotech, and as a result of repeated mutual consultations and negotiations between the Companies in good faith, Idemitsu Kosan and SDS Biotech reached the conclusion that the best option to enhance the corporate value of the Companies would be for Idemitsu Kosan to make SDS Biotech its wholly-owned subsidiary.

To ensure fairness and appropriateness in deciding the Share Exchange Consideration, Idemitsu Kosan and SDS Biotech decided to each separately request a third-party valuation organization independent from the Companies to calculate the share values, and as their respective financial advisors and third-party valuation organizations, Idemitsu Kosan appointed Nomura Securities Co., Ltd. ("Nomura Securities"), and SDS Biotech appointed Mizuho Securities Co., Ltd. ("Mizuho Securities"). Furthermore, as their respective independent legal advisors, Idemitsu Kosan appointed Nishimura & Asahi, and SDS Biotech appointed TMI Associates, and the Companies examined the Share Exchange Consideration based also on the advice given by those legal advisors.

Firstly, the Share Exchange Consideration was decided to be in cash for the following reasons. In deciding the consideration for the Share Exchange, Idemitsu Kosan and SDS Biotech carefully and repeatedly examined the matter by paying sufficient attention to caring for the shareholders of SDS Biotech, ensuring fairness, and avoiding conflicts of interest.

- If shares are used as the consideration for the Share Exchange, many of the shareholders of SDS Biotech will be shareholders holding shares less than one unit (shares less than 100 shares); then, in order to make these shares less than one unit a unit of shares, new expenses and losses will be inevitable, such as by using the system for purchasing additional shares to make shares less than one unit a unit of shares. Furthermore, shares less than one unit cannot be sold on financial instruments exchange markets, limiting the liquidity of shares to be held by shareholders who will be holding shares less than one unit.
- If shares are used as the consideration for the Share Exchange, the benefits from the Share Exchange might not necessarily be provided to SDS Biotech shareholders, depending on the change in the price of Idemitsu Kosan shares after being delivered to SDS Biotech shareholders. Therefore, by conducting the Share Exchange using cash consideration of a reasonable amount with a certain premium, the Companies believe that they will be able to afford SDS Biotech shareholders an opportunity for a reasonable share conversion.
- If SDS Biotech shareholders wish to continue receiving benefits as shareholders and to participate in management, it is possible for them to continue to indirectly invest in SDS Biotech as shareholders of Idemitsu Kosan by purchasing Idemitsu Kosan shares after completion of the Share Exchange; the shares of Idemitsu Kosan have sufficient market liquidity for this option.
- The shareholders of Idemitsu Kosan will also be able to benefit from future synergies by developing business together with the Companies as a whole, without having to dilute their holding shares; thus, it is considered to be advantageous.

Moreover, in regard to the purpose, consideration, and otherwise for the Share Exchange, Idemitsu Kosan and SDS Biotech carefully considered the analysis results and advice regarding the share value of SDS Biotech provided by their respective third-party valuation organizations. The Companies also respectively

analyzed matters such as the financial condition, performance trends, and stock price movements of SDS Biotech and conducted consultations and negotiations in good faith based on these analyses. More specifically, Idemitsu Kosan submitted the first proposal to SDS Biotech on April 6, 2021. Thereafter, the Companies engaged in repeated negotiations until May 11, 2021 when they reached an agreement that the Share Exchange Consideration be 1,440 yen per share.

As stated in "(4) Measures to Ensure Fairness" below, Idemitsu Kosan reached the decision that the Share Exchange Consideration is appropriate and beneficial for the shareholders of SDS Biotech as a result of repeated careful consultations and negotiations based on the share valuation report received as of May 10, 2021 from Nomura Securities, its third-party valuation organization, advice from Nishimura & Asahi, its legal advisor, the results of due diligence on SDS Biotech, and otherwise, and therefore decided that it is appropriate to conduct the Share Exchange using the Share Exchange Consideration.

On the other hand, as stated in "(4) Measures to Ensure Fairness" and "(5) Measures to Avoid Conflicts of Interest" below, SDS Biotech reached the decision that the Share Exchange Consideration is appropriate and beneficial for the shareholders of SDS Biotech as a result of repeated careful consultations and negotiations based on the share valuation report received as of May 10, 2021 from Mizuho Securities, its third-party valuation organization, advice from TMI Associates, its legal advisor, and instructions, advice, reports from a special committee consisting of independent members who do not have any conflicts of interest with Idemitsu Kosan, the controlling shareholder (such committee referred to as the "Special Committee"; the details are as stated in "(5) Measures to Avoid Conflicts of Interest" below), and therefore decided that it is appropriate to conduct the Share Exchange using the Share Exchange Consideration on the following grounds: (i) the Share Exchange Consideration (1,440 yen per share of SDS Biotech Stock) exceeds the maximum amount of the valuation result through the market price method and exceeds the median of the range of the valuation result of the discounted cash flow ("DCF") method among the valuation results stated in the share valuation report received as of May 10, 2021 from Mizuho Securities, its third-party valuation organization; (ii) the Share Exchange Consideration (1,440 yen) is the amount obtained by respectively adding a premium of 15.1% (rounded to the nearest tenth, which also applies with regard to calculation of the premiums below) on 1,251 yen, which was the closing price of SDS Biotech Stock on the Tokyo Stock Exchange on May 10, 2021, a premium of 23.0% on the simple average of the closing price of 1,171 yen (rounded to the nearest decimal, which also applies with regard to the calculation of the simple average of the closing price below) for the past one-month period (from April 12, 2021 to May 10, 2021), a premium of 37.1% on the simple average of the closing price of 1,050 yen for the past three-month period (from February 12, 2021 to May 10, 2021), and a premium of 45.6% on the simple average of the closing price of 989 yen for the past six-month period (from November 11, 2020 to May 10, 2021), and by comprehensively considering not only the premium on the latest closing price but also the premiums on the simple average of the closing prices for the latest one-month period, latest three-month period, and latest six-month period, it is considered that reasonable premiums have been added compared with examples of tender offers conducted for the purpose of a controlling shareholder making a company its wholly-owned subsidiary for cash consideration; (iii) consideration to minority shareholders of SDS Biotech has been given, including by taking each measure stated in (4) "Measures to Ensure Fairness" and (5) "Measures to Avoid Conflicts of Interest" below; and (iv) in the process of determining the Share Exchange Consideration, SDS Biotech timely reported the developments and details of consultations and negotiations between Idemitsu Kosan and SDS Biotech to the Special Committee and consulted with the committee the policies for negotiation with Idemitsu Kosan, and thereafter Idemitsu Kosan and SDS Biotech engaged in consultations several times. Accordingly, the Share Exchange Consideration is deemed to be a price obtained as a result of good faith discussions and negotiations so as not to be disadvantageous to the minority shareholders of SDS Biotech.

Please note that the Share Exchange Consideration may be changed, upon mutual consultation and agreement between the Companies, if a material change occurs to the terms and conditions used as the basis for the calculation.

(2) Matters Concerning the Valuations

(I) Names of Valuation Organizations and their Relationships with the Companies

Nomura Securities, which is the third-party valuation organization of Idemitsu Kosan, is a valuation

organization independent of Idemitsu Kosan and SDS Biotech. Nomura Securities is not a related party of Idemitsu Kosan and SDS Biotech, nor does it have a material interest in the Share Exchange that must be noted. Mizuho Securities, which is the third-party valuation organization of SDS Biotech, is a valuation organization independent of Idemitsu Kosan and SDS Biotech. Mizuho Securities is not a related party of Idemitsu Kosan and SDS Biotech. Mizuho Bank, Ltd. ("Mizuho Bank"), which is a group company of Mizuho Securities, is a shareholder of Idemitsu Kosan and SDS Biotech and has engaged in financing transactions and other transactions with Idemitsu Kosan and SDS Biotech as part of its ordinary banking transactions. However, Mizuho Bank does not have a material interest in the Share Exchange that would give rise to conflicts of interest with Idemitsu Kosan and SDS Biotech. According to Mizuho Securities, it (i) has established, and put into operation, appropriate systems to manage conflicts of interest, such as Chinese walls between Mizuho Securities and Mizuho Bank, in accordance with the applicable laws and regulations under Article 36, paragraph (2) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) and Article 70-4 of the Cabinet Office Order on Financial Instruments Business and (ii) conducted the valuation of the share value of SDS Biotech independently from Mizuho Bank's position as a shareholder and lender. SDS Biotech selected Mizuho Securities as its third-party valuation organization independent of Idemitsu Kosan and SDS Biotech in consideration of the following factors, among others: appropriate measures to prevent adverse effects have been taken between Mizuho Securities and Mizuho Bank; since transactions between SDS Biotech and Mizuho Securities have been carried out on the same transaction conditions as those applied to general trading partners, Mizuho Securities' independence as a third-party valuation organization is ensured; and Mizuho Securities has a good track record as a third-party valuation organization in past similar cases.

(II) Outline of the Valuations

(i) Valuation by Nomura Securities

In conducting the valuation, Nomura Securities used (i) an average market price analysis because SDS Biotech was listed on a financial instruments exchange and market prices were available (Nomura securities set May 10, 2021 as the reference date for the valuation and used the following prices of SDS Biotech Stock on the Tokyo Stock Exchange: the closing price on the valuation reference date; the simple average closing price for five business days from April 28, 2021 to the valuation reference date; the simple average closing price for one month from April 12, 2021 to the valuation reference date; the simple average closing price for three months from February 12, 2021 to the valuation reference date; and the simple average closing price for six months from November 11, 2020 to the valuation reference date), (ii) a comparable companies analysis because there was more than one similar listed company comparable to SDS Biotech, which made it possible to estimate, by analogy, the share value through a similar company comparison, and (iii) a DCF analysis in order to reflect the forecast of future business activities in the valuation.

The range of the share value per share of SDS Biotech under each valuation method is as follows:

Method Used	Range of Share Value per Share
Average market price analysis	989 - 1,251 yen
Comparable companies analysis	827 - 2,066 yen
DCF analysis	882 - 1,883 yen

In conducting the share valuation, Nomura Securities assumed that public information and all information provided to Nomura Securities were accurate and complete and has not independently verified the accuracy and completeness of such information. Nomura Securities has not independently evaluated, appraised, or assessed the assets or liabilities (including derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of SDS Biotech and its affiliates, including analyzing and evaluating individual assets and liabilities, nor has Nomura Securities requested that a third-party organization appraise or assess those assets and liabilities. Nomura Securities assumed that financial forecasts (including a profit plan and other information) of SDS Biotech had been reasonably reviewed or prepared by its management based on the best good-faith forecasts and judgments currently available. The valuation by Nomura Securities reflects the information obtained by Nomura Securities on or before May 10, 2021 and economic conditions on or before that date. The sole purpose of the valuation by Nomura Securities is to serve as a reference for the board of directors of Idemitsu Kosan to consider the consideration for the Share Exchange.

Please note that there is a fiscal year in which a significant increase or decrease in profit is expected in SDS Biotech's financial forecasts based on which Nomura Securities conducted the valuation using the DCF

analysis. More specifically, a significant decrease in ordinary income and net income of 30% or more is expected for the fiscal year ending March 2022, compared to the preceding fiscal year. This is because Jiangsu Xinhe Agrochemical Co., Ltd., to which SDS Biotech has made a capital contribution, is expected to temporarily suspend payment of dividends for the fiscal year ending March 2022 on the grounds of demands for funds due to a capital investment (the relevant amount is planned to be deferred to and distributed in or after the fiscal year ending March 2023 in addition to ordinary dividends). Please also note that the implementation of the Share Exchange was not presupposed in the financial forecasts.

(ii) Valuation by Mizuho Securities

In conducting the valuation regarding SDS Biotech, Mizuho Securities used (i) the market share price method because SDS Biotech was listed on the Second Section of the Tokyo Stock Exchange and market prices were available and (ii) the DCF method in order to reflect the forecast of future business activities of SDS Biotech in the valuation.

Under the market share price method, Mizuho Securities set May 10, 2021 as the reference date for the valuation and used the following prices of SDS Biotech Stock on the Second Section of the Tokyo Stock Exchange: the closing price on the valuation reference date (1,251 yen); the simple average closing price for the latest one-month period (1,171 yen); the simple average closing price for the latest three-month period (1,050 yen); and the simple average closing price for the latest six-month period (989 yen). Based on these prices, Mizuho Securities calculated the range of the share value per share of SDS Biotech Stock to be 989 yen to 1,251 yen.

Under the DCF method, Mizuho Securities calculated the corporate value and share value of SDS Biotech by discounting future free cash flows to present value at a certain discount rate on the assumption of various factors, including the financial forecasts for the fiscal year ending March 2022 through to the fiscal year ending March 2024 prepared by SDS Biotech, the most recent trends in business results, as well as publicly available information. As a result, Mizuho Securities calculated the range of the share value per share of SDS Biotech to be 915 yen to 1,580 yen. The discount rate ranged from 6.5% to 7.5%. In calculating the terminal value, Mizuho Securities used the perpetuity growth rate method and the multiple method. The perpetuity growth rate ranged from -0.5% to 0.5%, and the EBITDA multiple in the multiple method ranged from 7.0 to 9.0×. The financial forecasts based on which Mizuho Securities conducted the valuation using the DCF method were as follows:

(Unit: million yen)

	FY ending March 2022	FY ending March 2023	FY ending March 2024
Sales	12,011	12,407	13,105
Operating income	1,021	975	1,145
EBITDA	1,283	1,215	1,385
Free cash flow	298	492	630

In conducting the share valuation, Mizuho Securities assumed that public information and all information provided to Mizuho Securities were accurate and complete and has not independently verified the accuracy and completeness of such information. Mizuho Securities has not independently evaluated, appraised, or assessed the assets or liabilities (including derivatives trading, off-balance sheet assets and liabilities, and other contingent liabilities) of SDS Biotech and its affiliates, including analyzing and evaluating individual assets and liabilities, nor has Mizuho Securities requested that a third-party organization appraise or assess those assets and liabilities. Mizuho Securities' valuation is based on the assumption that financial forecasts (including a profit plan and other information) of SDS Biotech have been reasonably reviewed or prepared by its management based on the best forecasts and judgments currently available.

The valuation by Mizuho Securities reflects the information obtained by Mizuho Securities on or before May 10, 2021 and economic conditions on or before that date. The sole purpose of the valuation by Mizuho Securities is to serve as a reference for the board of directors of SDS Biotech to consider the consideration for the Share Exchange.

Please note that there is a fiscal year in which a significant increase or decrease in profit is expected in SDS Biotech's financial forecasts based on which Mizuho Securities conducted the valuation using the DCF method. More specifically, a significant decrease in ordinary income and net income of 30% or more is expected for the fiscal year ending March 2022, compared to the preceding fiscal year. This is because

Jiangsu Xinhe Agrochemical Co., Ltd., to which SDS Biotech has made a capital contribution, is expected to temporarily suspend payment of dividends from the standpoint of its dividend policy. Please also note that the implementation of the Share Exchange was not presupposed in the financial forecasts.

The range of the share value per share of SDS Biotech under each valuation method is as follows:

Method Used	Range of Share Value per Share
Market share price method	989 - 1,251 yen
DCF method	915 - 1,580 yen

(3) Prospects for Delisting and Reasons Therefor

As a result of the Share Exchange, as of August 2, 2021, which is the effective date of the Share Exchange, Idemitsu Kosan will be the wholly-owning parent company of SDS Biotech, and the SDS Biotech Stock will be delisted as of July 29, 2021 (the last trading day being July 28, 2021) in accordance with the delisting standards for the Second Section of the Tokyo Stock Exchange. After being delisted, it will be impossible to trade the SDS Biotech Stock on the Second Section of the Tokyo Stock Exchange.

As stated in "1. Purpose of Making SDS Biotech a Wholly-Owned Subsidiary through the Share Exchange" above, the purpose of the Share Exchange is not only to enhance the corporate value of the Companies individually but also to further enhance their corporate value as a group by the Idemitsu Kosan Group promoting further enhancement and strengthening of group management. Delisting the SDS Biotech Stock is not a direct purpose of the Share Exchange. However, as a result of SDS Biotech becoming a wholly-owned subsidiary of Idemitsu Kosan through the Share Exchange, the SDS Biotech Stock will be delisted in accordance with the delisting standards for the Second Section of the Tokyo Stock Exchange.

Please note that shareholders of SDS Biotech will be able to trade their SDS Biotech Stock as usual on the Second Section of the Tokyo Stock Exchange until July 28, 2021, which is the last trading day. Furthermore, until the Base Time, shareholders of SDS Biotech will be able to exercise their lawful rights set forth in the Companies Act and other relevant laws and regulations.

(4) Measures to Ensure Fairness

Idemitsu Kosan and SDS Biotech determined that fairness of the Share Exchange needed to be ensured and took the measures below, taking into account the following factors among others: Idemitsu Kosan already holds 5,456,112 shares of SDS Biotech Stock (as of March 31, 2021, the percentage to the total number of shares (7,830,773 shares) obtained by subtracting treasury shares held by SDS Biotech from the total number of issued shares: 69.68% (rounded to the nearest hundredth, which also applies with regard to calculation of the holding ratio below)), meaning SDS Biotech is a consolidated subsidiary of Idemitsu Kosan, and there are directors of SDS Biotech who concurrently work as employees of, or are originally from, Idemitsu Kosan.

(I) Acquisition of Valuation Reports from Independent Third-Party Valuation Organizations

Idemitsu Kosan received a share valuation report dated May 10, 2021 from Nomura Securities, which is a third-party valuation organization independent of Idemitsu Kosan and SDS Biotech, with the aim of ensuring fairness and appropriateness of the Share Exchange Consideration. For an outline of the valuation report, please refer to "(II) Outline of the Valuations" of "(2) Matters Concerning the Valuations" above. Please note that Idemitsu Kosan has not acquired a written opinion from Nomura Securities to the effect that the Share Exchange Consideration is appropriate or fair from a financial viewpoint (fairness opinion).

On the other hand, SDS Biotech received a share valuation report dated May 10, 2021 from Mizuho Securities, which is a third-party valuation organization independent of Idemitsu Kosan and SDS Biotech, with the aim of ensuring fairness and appropriateness of the Share Exchange Consideration. For an outline of the valuation report, please refer to "(II) Outline of the Valuations" of "(2) Matters Concerning the Valuations" above. Please note that SDS Biotech has not acquired a written opinion from Mizuho Securities to the effect that the Share Exchange Consideration is appropriate or fair from a financial viewpoint (fairness opinion).

Remuneration to be paid to Mizuho Securities by SDS Biotech in connection with the Share Exchange only consists of fixed-amount remuneration that will be paid regardless of whether the Share Exchange is successfully completed, and it is not a contingent fee to be paid on certain conditions, such as successful completion of the Share Exchange.

(II) Advice from Independent Law Firms

Idemitsu Kosan appointed Nishimura & Asahi as its legal advisor for the Share Exchange and received legal advice from the firm with respect to, among others, the decision-making method and process of the board of directors, including various procedures for the Share Exchange.

Nishimura & Asahi is independent of Idemitsu Kosan and SDS Biotech and has no material interest in the Companies.

On the other hand, SDS Biotech appointed TMI Associates as its legal advisor for the Share Exchange and received legal advice from the firm with respect to, among others, the decision-making method and process of the board of directors, including various procedures for the Share Exchange.

TMI Associates is independent of Idemitsu Kosan and SDS Biotech and has no material interest in the Companies.

Remuneration to be paid to TMI Associates by SDS Biotech in connection with the Share Exchange only consists of remuneration at hourly rates that will be paid regardless of whether the Share Exchange is successfully completed, and it is not a contingent fee to be paid on certain conditions, such as successful completion of the Share Exchange.

(5) Measures to Avoid Conflicts of Interest

As Idemitsu Kosan already holds 69.86% of SDS Biotech Stock, SDS Biotech falls under Idemitsu Kosan's consolidated subsidiary, and there are SDS Biotech directors who concurrently work as employees of, or are originally from, Idemitsu Kosan, among other reasons, in order to avoid concerns regarding conflicts of interest, SDS Biotech implemented the following measures.

(I) Establishment of Special Committee and Acquisition of Report

At the board of directors meeting of SDS Biotech held on March 10, 2021, for the purpose of ensuring careful decision making by SDS Biotech regarding the Share Exchange, as well as eliminating the likelihood of arbitrariness and conflicts of interest in the course of decision making by the board of directors of SDS Biotech and ensuring the fairness thereof, and to confirm that making the decision to conduct the Share Exchange at the board of directors will not be disadvantageous to the minority shareholders of SDS Biotech, SDS Biotech decided to and did establish, the Special Committee consisting of the following three members: (i) Mr. Akira Sakai (former executive officer of Mizuho Capital Co., Ltd.) and (ii) Ms. Yumiko Matsuo (attorney-at-law at Minato International Law Office), who both have no interest in Idemitsu Kosan and who are audit and supervisory committee members and outside directors of SDS Biotech, as well as (iii) Mr. Masahiko Yasuda (certified public accountant, president and representative director of Benedi Consulting Co., Ltd.), an external professional who has no interest in Idemitsu Kosan nor SDS Biotech (regarding remuneration of committee members of the Special Committee, it was decided that remuneration in a fixed amount would be paid as consideration for their duties, regardless of the details of the report, and such remuneration is not a contingent fee to be paid on certain conditions, such as successful completion of the Share Exchange).

In examining the Share Exchange, consultations with the Special Committee were held with respect to the following: (i) the properness of the purpose of the Share Exchange, (ii) the fairness of the negotiation procedures regarding the Share Exchange, (iii) the appropriateness of the terms and conditions of the Share Exchange (including the appropriateness of the Share Exchange Consideration), and (iv) whether the Share Exchange is disadvantageous to the minority shareholders of SDS Biotech, on the premise of (i) through (iii) above and other matters ((i) through (iv) are collectively referred to as the "Consultation Matters").

The board of directors of SDS Biotech has resolved to respect the opinions of the Special Committee to the maximum extent upon making decisions regarding the Share Exchange and not to decide to conduct the Share Exchange if the Special Committee deems the Share Exchange to be inappropriate.

Also, SDS Biotech granted to the Special Committee the authority to independently appoint attorneys-at-law, certified public accountants and other advisors at SDS Biotech's cost if the Special Committee deems it necessary.

The Special Committee held a total of 10 meetings (totaling approximately 14 hours) during the period from March 11, 2021 to May 6, 2021. Also, the Special Committee carefully examined the Consultation Matters, such as through the exchange of opinions, information exchange, and information collection via e-

mail, and through holding consultations from time to time as necessary., outside the meetings. Specifically, at the first Special Committee, it was confirmed that there was no issue in the independence of either Mizuho Securities, which is a financial advisor and third-party valuation organization, and TMI Associates, a legal advisor, appointed by SDS Biotech, and they were respectively approved as the financial advisor and third-party valuation organization, and as the legal advisor, of SDS Biotech. Furthermore, the Special Committee confirmed that there is no issue from the viewpoint of conflicts of interest in Idemitsu Kosan regarding the directors of SDS Biotech (seven directors, excluding Mr. Masaaki Sakuma, who concurrently serves as an employee of Idemitsu Kosan, and Mr. Mitsuhiro Sagae, who is originally from Idemitsu Kosan) who are involved in the examinations, negotiations and decisions regarding the Share Exchange. Then, the Special Committee deliberated the Consultation Matters by careful consultation and examination, on the basis that the Special Committee:

(a) received explanations from Idemitsu Kosan on the details of the proposal for the Share Exchange and the purpose of the Share Exchange, and the synergies expected from the Share Exchange, and exchanged questions and answers on these matters;

(b) received explanations from SDS Biotech on the details of its businesses, the circumstances leading to having received the proposal for the Share Exchange, the purpose of the Share Exchange, SDS Biotech's thoughts on the details of the proposals by Idemitsu Kosan and the impact of the Share Exchange on SDS Biotech's corporate value, the circumstances for preparation of SDS Biotech's business plan and the details thereof, and exchanged questions and answers on these matters;

(c) received explanations from Mizuho Securities on the share value calculation methods and the calculation results, and exchanged questions and answers on these matters;

(d) received from TMI Associates advice on the measures to ensure fairness in terms of the procedures of the Share Exchange, the methods and the course of decision making by the board of directors of SDS Biotech regarding the Share Exchange, and the details of other measures to avoid conflicts of interest, and exchanged questions and answers on these matters; and

(e) conducted information collection regarding the Share Exchange due to having confirmed relevant materials on the Share Exchange. The Special Committee received explanations regarding the circumstances of the preparation of SDS Biotech's business plan and the details thereof and also confirmed that there are no unreasonable points regarding the process of preparation of the business plan.

The Special Committee was substantially involved in the course of the negotiations with Idemitsu Kosan, such as through receipt of timely reports on the circumstances, details of the consultations and negotiations regarding the Share Exchange between Idemitsu Kosan and SDS Biotech, engaged in consultations on the policies for the negotiations several times until receipt of the final proposal on the Share Exchange Consideration from Idemitsu Kosan, and gave opinions on SDS Biotech.

Under the above circumstances, the Special Committee carefully deliberated and examined the Consultation Matters on the premise of the above explanations, valuation results and other examination materials and submitted to the board of directors of SDS Biotech as of May 10, 2021 a report that the Share Exchange is not disadvantageous to the minority shareholders of SDS Biotech. For an outline of the Special Committee's opinions, please refer to 8. (3) "Overview of the Opinion Obtained from a Person Who Has No Interest in the Controlling Shareholder Regarding the Transaction Not Being Disadvantageous to Minority Shareholders" below.

(II) Approval by All Directors (Including Audit and Supervisory Committee Members) Who Have No Interest in SDS Biotech

Among the directors of SBS Biotech, since Mr. Masaaki Sakuma concurrently serves as an employee of Idemitsu Kosan, and as Mr. Mitsuhiro Sagae is originally from Idemitsu Kosan, from the viewpoint of avoiding concerns of conflicts of interest, they have not participated in the deliberations and resolutions on the agenda concerning the Share Exchange at the board of directors meetings of SDS Biotech, nor did they participate in any of the examinations, consultations or negotiations regarding the Share Exchange in their positions at SDS Biotech.

The agenda concerning the Share Exchange at the board of directors meeting of SDS Biotech held on May 11, 2021 has been deliberated by seven directors (including three audit and supervisory board members) excluding Mr. Mitsuhiro Sagae and Mr. Masaaki Sakuma, among nine directors of SDS Biotech, and has been

resolved with the approval of all directors above.

4. Overview of Company Parties to the Share Exchange

		Wholly-owning parent company	Wholly-owned subsidiary
(1)	Name	Idemitsu Kosan Co., Ltd.	SDS Biotech K.K.
(2)	Address	2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	1-5, Higashi-Nihombashi 1-chome, Chuo-ku, Tokyo
(3)	Title and name of representative	Shunichi Kito, Representative Director & Chief Executive Officer	Mitsuhiro Sagae, President and Representative Director
(4)	Business outline	Refinement of oil and manufacture and sale of fat and oil; Manufacture and sale of petrochemical products; Development, manufacture and sale of electronic materials and agricultural chemicals; Electricity supply business; Development, production, and sale of oil and coal resources; and other business	Manufacture, import, and sale of agricultural chemicals, industrial biocides, disinfectants, and specialty chemicals
(5)	Capital stock	168,351 million yen (as of March 31, 2021)	810 million yen (as of March 31, 2021)
(6)	Date of establishment	March 30, 1940	October 7, 1968
(7)	Number of issued shares	297,864,718 shares (as of March 31, 2021)	7,830,925 shares (as of March 31, 2021)
(8)	Fiscal year-end	March 31	March 31
(9)	Number of employees	(Consolidated) 14,044 employees (as of March 31, 2021)	179 employees (as of March 31, 2021)
(10)	Major business partners	Distributors, dealerships, and general customers	Agricultural chemical manufacturers, chemical product manufacturers
(11)	Major transaction banks	MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. The Norinchukin Bank	Mizuho Bank, Ltd. The Norinchukin Bank Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd.
(12)	Major shareholders and shareholding ratios	Nissho Kosan K.K. 9.11% The Master Trust Bank of Japan, Ltd. (Trust Account) 8.27% Aramco Overseas Company B.V. (Anderson Mōri & Tomotsune as Standing Proxy) 7.76% Idemitsu Culture and Welfare Foundation 4.16% Custody Bank of Japan, Ltd. (Trust Account) 4.15% Idemitsu Museum of Arts Foundation 2.69%	Idemitsu Kosan Co., Ltd. 69.68% OAT Agrio Co., Ltd. 2.55% Mizuho Bank, Ltd. (Custody Bank of Japan, Ltd. as Standing Proxy) 2.11% Fumakilla Limited 2.11% Maruzen Chemicals Co., Ltd. 2.11% SDS Biotech Employees Shareholding Association 1.59%

	SSBTC CLIENT OMNIBUS ACCOUNT (Custody Business Department of The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch as Standing Proxy)	1.79%	MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (BofA Securities Japan Co., Ltd. as Standing Proxy)	1.48%
	MUFG Bank, Ltd.	1.73%	Fumiya Shino	0.74%
	Sumitomo Mitsui Banking Corporation	1.73%	YANAN Co., Ltd.	0.64%
	Sumitomo Mitsui Trust Bank, Limited	1.73%	The Master Trust Bank of Japan, Ltd. (Trust Account)	0.61%
	(as of March 31, 2021)		(as of March 31, 2021)	

(13) Relationship between the company parties

Capital relationship	Idemitsu Kosan holds 5,456,112 common stocks of SDS Biotech, which is equivalent to 69.67% of the total number of shares issued thereby (7,830,925 shares), making Idemitsu Kosan a parent company.
Personnel relationship	An employee of Idemitsu Kosan and a former member of Idemitsu Kosan serve as directors of SDS Biotech. Furthermore, three employees of Idemitsu Kosan are seconded to SDS Biotech.
Business relationship	SDS Biotech conducts transactions for the sale of herbicides with Idemitsu Kosan.
Status as related party	SDS Biotech is a consolidated subsidiary of Idemitsu Kosan, and Idemitsu Kosan and SDS Biotech are mutually regarded as related parties.

(14) Business results and financial condition for the most recent three years

Accounting period	Idemitsu Kosan (consolidated)			SDS Biotech (single)		
	FY ended March 2019	FY ended March 2020	FY ended March 2021	FY ended March 2019	FY ended March 2020	FY ended March 2021
Net assets	878,931	1,200,564	1,215,136	5,822	6,659	7,988
Total assets	2,890,307	3,886,938	3,954,443	13,659	14,350	15,219
Net assets per share (yen)	4,267.21	3,868.68	3,871.69	743.48	850.48	1,020.15
Sales	4,425,144	6,045,850	4,556,620	11,584	12,387	11,999
Operating income	179,319	-3,860	140,062	984	1,074	1,238
Ordinary income	169,121	-13,975	108,372	1,009	1,455	1,848
Net income attributable to the parent company shareholders/net income	81,450	-22,935	34,920	391	1,187	1,371
Net income per share (yen)	401.63	-76.31	117.47	49.97	151.66	175.14
Dividend per share (yen)	100.00	160.00	120.00	25.00	28.00	28.00

(Units: million yen, unless specified)

5. Situation After the Share Exchange

	Wholly-owning parent company
(1) Name	Idemitsu Kosan Co., Ltd.
(2) Address	2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
(3) Title and name of	Shunichi Kito, Representative Director & Chief Executive Officer

	representative	
(4)	Business outline	Refinement of oil and manufacture and sale of fat and oil; Manufacture and sale of petrochemical products; Development, manufacture and sale of electronic materials and agricultural chemicals; Electricity supply business; Development, production, and sale of oil and coal resources; and other business
(5)	Capital stock	168,351 million yen
(6)	Fiscal year-end	March 31
(7)	Net assets	Yet to be determined
(8)	Total assets	Yet to be determined

6. Overview of Accounting Treatment

The Share Exchange is likely to constitute a common control transaction under the Accounting Standards Regarding Business Combinations.

7. Future Outlook

SDS Biotech is already a consolidated subsidiary of Idemitsu Kosan. Therefore, the effect of the Share Exchange on the performance of both Idemitsu Kosan and SDS Biotech is expected to be minor.

8. Matters Related to Transactions with a Controlling Shareholder

(1) Applicability of Transactions with a Controlling Shareholder and Compliance with the Guidelines for Measures to Protect Minority Shareholders

As Idemitsu Kosan is already the parent company of SDS Biotech, the Share Exchange falls within the category of a controlling shareholder transaction for SDS Biotech.

SDS Biotech states in I.4 "Guidelines concerning measures to protect minority shareholders in transactions with a controlling shareholder" in the corporate governance report disclosed by it on June 25, 2020 (the "Corporate Governance Report") that "when a transaction will be conducted with the parent company, the price and other terms and conditions will be determined by taking into account market overviews, to the same extent as for general transactions. Furthermore, such a transaction is to be conducted after receiving an opinion from independent officers, and sufficient attention will be paid to ensure it will not be disadvantageous to minority shareholders," and in conducting transactions with a controlling shareholder, it takes due care to ensure that these transactions do not benefit a specific shareholder.

In considering the Share Exchange, SDS Biotech took measures to ensure fairness and to avoid conflicts of interest as stated in 3.(4) "Measures to Ensure Fairness" and 3. (5) "Measures to Avoid Conflicts of Interest" and took due care to ensure that the Share Exchange will not benefit a specific shareholder, and it believes that these measures conform to the descriptions in the Corporate Governance Report.

(2) Matters Related to Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest

As stated in (1) "Applicability of Transactions with a Controlling Shareholder and Compliance with the Guidelines for Measures to Protect Minority Shareholders" above, the Share Exchange falls within the category of a controlling shareholder transaction for SDS Biotech. Therefore, SDS Biotech determined that measures to ensure fairness and measures to avoid conflicts of interest are necessary in order to deal with the structural problems of conflicts of interest and asymmetric information, carefully discussed and considered terms and conditions for the Share Exchange at its board of directors meetings, and further decided them after ensuring fairness and avoiding conflicts of interest by taking the measures stated in 3.(4) "Measures to Ensure Fairness" and 3.(5) "Measures to Avoid Conflicts of Interest" above.

(3) Overview of the Opinion Obtained from a Person Who Has No Interest in the Controlling Shareholder Regarding the Transaction Not Being Disadvantageous to Minority Shareholders

As stated in 3. (5) "Measures to Avoid Conflicts of Interest" above, for the purpose of ensuring careful

decision making by SDS Biotech regarding the Share Exchange, as well as eliminating the likelihood of arbitrariness and conflicts of interest in the course of decision making by the board of directors of SDS Biotech and ensuring the fairness thereof, and to confirm that making the decision to conduct the Share Exchange at the board of directors will not be disadvantageous to the minority shareholders of SDS Biotech, SDS Biotech established the Special Committee and held consultations with respect to the Consultation Matters.

As a result, SDS Biotech received a report as of May 10, 2021 from the Special Committee, containing the following contents.

(I) Properness of the Purpose of the Share Exchange

Because there are no unreasonable points in the meaning and purpose of the Share Exchange, which are as follows, and due to such meaning and purpose being able to be admitted as a result of reasonable consideration, it is possible to say that the Share Exchange will be conducted for the purpose of enhancing SDS Biotech's corporate value, and therefore the Special Committee has determined that the purpose of the Share Exchange is proper:

(i) Idemitsu Kosan believes that in order to look at the Idemitsu Kosan Group as a whole from a larger perspective and achieve sustainable growth over the medium to long term in the future amid changes in the business environment surrounding Idemitsu Kosan, examination and implementation of specific measures by the Idemitsu Kosan Group have become pressing tasks, and since SDS Biotech became a consolidated subsidiary of Idemitsu Kosan in June 2011 through a tender offer conducted by Idemitsu Kosan, the Companies have cooperatively conducted, among others, execution of measures, research and development, participation in overseas capital, as well as sales and personnel exchanges; and through these efforts with SDS Biotech, Idemitsu Kosan was able to make certain achievements, such as the Companies' joint development of a new active substance for a biological pesticide and the expansion of product sales of SDS Biotech through sales subsidiaries of Idemitsu Kosan; however, it cannot be denied that there has been a limit to the cooperation promoted by the Companies, with each being an independent listed company, and there have been significant reasons for the limit to the cooperation between the Companies, such as the fact that in the current situation, there are limitations on the formulation of business strategies whose top priority is the enhancement of the corporate value of the Idemitsu Kosan Group as a whole, through the agile mutual utilization of know-how, personnel, development strategies, and financial power with SDS Biotech, and to prompt decision making for the implementation of cooperative measures between the Companies, as well as the fact that it is necessary to consider the interests of minority shareholders when implementing development investment in SDS Biotech from a mid- to long-term perspective.

(ii) SDS Biotech believes that it is necessary to endeavor to reform its business portfolio and strengthen its corporate structure under the recognition that given changes in the business environment, it has been becoming even more important than ever before not only to expand its chemical pesticides business, including its current mainstay products, but also to strengthen and deepen its whole business of products for plant protection products, including biological pesticides, over the medium to long term.

(iii) SDS Biotech believes that although it is necessary to make investments to proactively engage in research and development as well as to strengthen its whole line of products for plant protection products in order to reform its business portfolio and strengthen its corporate structure, there will be a limit to the implementation of these measures by SDS Biotech alone because if SDS Biotech attempts to implement these measures alone, there will be cases, depending on the required size of investment, where their realization will be difficult due to SDS Biotech's company size, and even if investments are made, expected results may not always be achievable, whereas there is a possibility of, among others, financial conditions deteriorating on a short-term basis, which may result in SDS Biotech failing to obtain a positive evaluation from the capital market and accordingly may result in a lower stock price for SDS Biotech, which means that the possibility cannot be denied that the above attempt may result in disadvantages for the minority shareholders of SDS Biotech.

(iv) SDS Biotech believes that (a) if it becomes a wholly-owned subsidiary of Idemitsu Kosan, a structure will be developed where it may receive more active support from Idemitsu Kosan because limitations arising from capital relationships will cease to exist, and then, SDS Biotech may expect the following: financial support from Idemitsu Kosan regarding SDS Biotech's investments for reinforcing its whole line of plant protection products; utilization, in SDS Biotech's research and development, of advance technologies which

Idemitsu Kosan has been working on; the expansion of its business related to biological pesticides; and the utilization of Idemitsu Kosan's corporate functions, among other things, all of which have been recognized by SDS Biotech as future issues; (b) furthermore, by resolving the problem of conflicts of interest arising due to the existence of minority shareholders, the creation of short-term profit will not necessarily be required, and therefore it will be possible to actively execute a development strategy from a more mid- to long-term perspective (in other words, to execute specific measures towards proactively reforming its business portfolio and strengthening its corporate structure); (c) in addition, it can be presumed that SDS Biotech's corporate value could be more consistently enhanced amid a harsh business environment through the combination of the costs required for SDS Biotech to maintain its share listing being lowered and such capital becoming able to be allocated to development investment; and furthermore, (d) although disadvantages of SDS Biotech becoming a wholly-owned subsidiary of Idemitsu Kosan and thus becoming privatized are generally expected, such as SDS Biotech ceasing to be able to procure funds in the capital market and a certain adverse impact on SDS Biotech's recruitment activities and the like due to losing its prestige as a listed company, taking into account that SDS Biotech's financial foundation can be reinforced because, among others, SDS Biotech can expect financial assistance from Idemitsu Kosan as its wholly-owned subsidiary and that the adverse impact on SDS Biotech's recruitment activities and the like is not expected to be significant because there will be no change in the fact that SDS Biotech is an Idemitsu Kosan Group company whose parent company is Idemitsu Kosan, a listed company, it can be presumed that SDS Biotech will be able to enjoy more advantages than disadvantages from becoming a wholly-owned subsidiary of Idemitsu Kosan.

(II) Fairness of Procedures in the Course of Negotiations Regarding the Share Exchange

The Special Committee has determined that procedures in the course of negotiations regarding the Share Exchange were fair in consideration of the following:

(i) When considering the Share Exchange, SDS Biotech appointed Mizuho Securities as its financial advisor and third-party valuation organization independent of SDS Biotech and Idemitsu Kosan, appointed TMI Associates as its legal advisor, and furthermore established the Special Committee consisting of two independent outside directors (audit and supervisory committee members) of SDS Biotech and one independent external professional. SDS Biotech thus established a system for considering the Share Exchange. SDS Biotech then carefully considered and discussed, with advice and opinions from Mizuho Securities and TMI Associates, the appropriateness of purchase conditions for the Share Exchange, including the Share Exchange Consideration, and the fairness of the series of procedures for the Share Exchange from the viewpoint of enhancing SDS Biotech's corporate value.

(ii) SDS Biotech held several good-faith consultations and negotiations regarding the Share Exchange Consideration with Idemitsu Kosan.

(iii) In the course of negotiations regarding the Share Exchange, no proactive measures (proactive market checks) were taken to ensure opportunities for competing acquisition offers for SDS Biotech. However, considering the fact that Idemitsu Kosan's voting rights in SDS Biotech account for two-thirds or more of the total voting rights of all shareholders of SDS Biotech, even if proactive market checks had been conducted, they would have been ineffective. Therefore, the Special Committee considers that no proactive market checks having been conducted does not impair the fairness of procedures in the course of negotiations regarding the Share Exchange.

(iv) None of the directors who considered and negotiated the Share Exchange on behalf of SDS Biotech have any special interests in the Share Exchange. Besides, there is nothing giving rise to the presumption that someone that has a special interest in the Share Exchange, such as Idemitsu Kosan, has caused SDS Biotech to suffer an unjust impact in the course of consultations, considerations, and negotiations regarding the Share Exchange.

(III) Appropriateness of the Terms and Conditions of the Share Exchange

The Special Committee has determined that the terms and conditions of the Share Exchange, including the consideration to be delivered to the minority shareholders of SDS Biotech through the Share Exchange, are appropriate in consideration of the following:

(i) There are no unreasonable points in the details of the share valuation methods and other relevant matters in the share valuation report obtained from Mizuho Securities or the preparation process and details of

the underlying business plan prepared by SDS Biotech, and given the share valuation by Mizuho Securities, the Share Exchange Consideration of 1,440 yen exceeds the maximum amount of the valuation result through the market price method, is within the range of the valuation result of the DCF method, and exceeds the median of the range thereof.

(ii) The Share Exchange Consideration of 1,440 yen is the amount obtained by respectively adding a premium of 15.1% (rounded to the nearest tenth) on 1,251 yen, which was the closing price of the SDS Biotech Stock on the Tokyo Stock Exchange on May 10, 2021, a premium of 23.0% on the simple average of the closing price of 1,171 yen for the past one-month period (from April 12, 2021 to May 10, 2021), a premium of 37.1% on the simple average of the closing price of 1,050 yen for the past three-month period (from February 12, 2021 to May 10, 2021), and a premium of 45.6% on the simple average of the closing price of 989 yen for the past six-month period (from November 11, 2020 to May 10, 2021), and those premiums are not considered unreasonable in light of those in recent examples of transactions conducted for the purpose of a controlling shareholder of a domestic listed company making a company its wholly-owned subsidiary.

(iii) The procedures in the course of negotiations concerning the Share Exchange, including the Share Exchange Consideration, are considered fair as stated in (II) above, and the Share Exchange Consideration is considered to have been decided by taking account of the results of the negotiations.

(iv) Although a so-called two-step acquisition (an acquisition method where a tender offer is conducted and then the tender offeror makes the target company its wholly-owned subsidiary through demand for cash-out or share consolidation or the like according to the ratio of voting rights held by the tender offeror) is adopted as a transaction method in many of the recent examples of transactions conducted for the purpose of a controlling shareholder of a domestic listed company making a company its wholly-owned subsidiary, and a share exchange using cash consideration is adopted in fewer cases, considering the facts that (a) the voting rights held by Idemitsu Kosan account for two-thirds or more of the total number of voting rights of all shareholders of SDS Biotech and it is certain that Idemitsu Kosan would be able to make SDS Biotech its wholly-owned subsidiary even if the method of two-step acquisition were adopted unless a lower limit is established for the number of shares to be purchased in the tender offer, which makes it not always necessary to conduct a tender offer and subsequent procedures for making SDS Biotech a wholly-owned subsidiary separately, and that (b) if Idemitsu Kosan adopted the method of two-step acquisition and established a lower limit that is equivalent to the so-called majority of minority (the lower limit that requires the majority of minority shareholders to tender their shares in the tender offer) for the number of shares to be purchased in the tender offer, the lower limit in the tender offer might be high because Idemitsu Kosan already holds voting rights that account for two-thirds or more of the total number of voting rights of all shareholders of SDS Biotech, which could impede stability of execution of the transaction and deprive minority shareholders agreeing to making SDS Biotech a wholly-owned subsidiary of opportunities for encashment, adopting the method of the Share Exchange (a share exchange using cash consideration) is not considered particularly disadvantageous to the minority shareholders of SDS Biotech, compared with the method of two-step acquisition, and thus is not unreasonable.

(v) The explanations about the details of "(1) Grounds and Reasons for Particulars of the Allotment" in "3. Grounds for Particulars of the Allotment in the Share Exchange" above provided by Idemitsu Kosan and SDS Biotech as reasons for selecting cash consideration contain no unreasonable points, and on the premise of being a reasonable amount with a certain premium, using cash consideration, which has certainty and clearness in a sense that it does not require conversion into cash, is not considered disadvantageous to the minority shareholders of SDS Biotech, compared with the method using stock consideration.

(IV) Whether the Share Exchange is Disadvantageous to the Minority Shareholders of SDS Biotech

Given (I) through (III) above and other matters, it is not disadvantageous to the minority shareholders of SDS Biotech for the board of directors of SDS Biotech to decide to conduct the Share Exchange.

End

(Reference) Earnings Forecast for the Current Fiscal Year and Actual Results of the Previous Fiscal Year

Earnings forecast for the current fiscal year and actual results of the previous fiscal year of Idemitsu Kosan (The earnings forecast for the current fiscal year was announced on May 11, 2021)

(Unit: million yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Net income attributable to owners of the parent
Earnings forecast for the current fiscal year (FY ending March 2022)	5,680,000	135,000	140,000	85,000
Actual results of the previous fiscal year (FY ended March 2021)	4,556,620	140,062	108,372	34,920

Actual results of the previous fiscal year of SDS Biotech

(Unit: million yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Net income attributable to owners of the parent
Actual results of the previous fiscal year (FY ended March 2021)	11,999	1,238	1,848	1,371