

March 20, 2019

To whom it may concern:

Company Name: Kawasumi Laboratories, Inc.
Representative: Yoshio Sakaya
President and Representative Director
(Code: 7703 Tokyo Stock Exchange 2nd Section)
Contact: Tomomi Suwa
Corporate Officer,
General Manager of Corporate Planning

Company Name: Sumitomo Bakelite Co., Ltd.
Representative: Kazuhiko Fujiwara
President and Representative Director
(Code: 4203 Tokyo Stock Exchange 1st Section)
Contact: Noriyoshi Honda
General Manager of Corporate General Affairs Div.

**Notice Concerning Capital and Business Alliance
between Kawasumi Laboratories Inc. and Sumitomo Bakelite Co., Ltd.**

Kawasumi Laboratories, Inc. (“**KL**”) and Sumitomo Bakelite Co., Ltd. (“**SB**”) hereby announce that both companies have agreed to form a capital and business alliance (“**Capital and Business Alliance**”), and executed a capital and business alliance agreement (“**Capital and Business Alliance Agreement**”) as of March 20, 2019.

1. Reasons for this Capital and Business Alliance

KL is Japan’s first manufacturer of disposable blood collection and transfusion sets made by plastic for medical use in 1954. Since then, KL has enhanced its presence as a pioneer in the field of disposable medical devices in Japan through such as the first domestic production of artificial kidney (dialyzer) which at that time relied on imported product as well as stable supply of blood bags to the Japanese Red Cross Society over many years. Based on its long-term vision “A company widely recognized with its originality on a global stage”, KL announced a mid-term business plan on May 15, 2018. As one of the pillars of the plan, KL aims to establish the new basis of profit resource by focusing its resources on R&D in growing areas of endovascular

treatment, new areas such as therapies for digestive organs and adhesion barrier materials.

SB, as a “pioneer in plastics” originating from Japan’s first plastic manufacturer, aims to create market value through plastics by creating sophisticated functions of plastics. In the field of medical devices, SB entered the market in 1981 by making use of its plastic processing technology SB had fostered over the years, and now SB has an advantage in drainage related-products. SB defines its healthcare business, including medical devices, is one of “3 creation areas”, and are aggressively expanding the products lineup in the field of minimally invasive therapies, such as endovascular and endoscopic therapies, which are expected to expand in the future.

Through this Capital and Business Alliance, both companies will seek to strengthen and expand their presence in the medical device market.

2. Details of this Capital and Business Alliance

(1) Details of business alliance

KL and SB have agreed to discuss and consider the following matters in order to develop and expand the medical device products business of both companies.

- (i) Sharing information on medical device products owned by both companies, and exploring the possibility of joint research and/or development of next-generation medical device products based on such information
- (ii) Mutual utilization of bases of medical device product in Japan and overseas owned by both companies
- (iii) Application of polymer analysis and evaluation technology of SB to KL’s medical device products
- (iv) In addition to (i) to (iii) above, matters to be included in this business alliance through discussions between both companies

(2) Details of capital alliance

SB will acquire 4,762,980 shares (Ownership ratio of 20.76% to the total number of issued shares) of KL’s common stock from KL’s existing shareholders on March 26, 2019.

In addition, KL has an anti-takeover measure which was approved at its ordinary general meeting of shareholders held on June 21, 2018. However, KL’s Board of Directors held today has decided that the acquisition of shares of KL by SB (“**Acquisition**”) contributes to KL’s corporate value and its common interests of shareholders, and so decided not to apply the anti-takeover measure to this Acquisition.

(3) Appointment of director

Under the provision of the Capital and Business Alliance Agreement, both companies have agreed to submit a proposal for every ordinary general meeting of shareholders of KL that one candidate appointed by SB will be elected as a part-time director who is not an Audit and Supervisory Committee Member.

3. Outline of the Companies

(1) Overview of KL

(i) Name	Kawasumi Laboratories, Inc.	
(ii) Location	Shinagawa Intercity Tower B, 9 th Floor, 2-15-2, Konan, Minato-ku, Tokyo, Japan	
(iii) Title and name of the representative	Yoshio Sakaya President and Representative Director	
(iv) Business description	Development, manufacturing and sales of medical devices and pharmaceuticals	
(v) Capital	6,642 million yen	
(vi) Date of establishment	June 26, 1957	
(vii) Major shareholders and shareholding ratios (As of September 30, 2018) * Shareholding ratios are calculated by subtracting the number of treasury stock from the total number of issued shares.	Kuraray Co., Ltd.	10.48%
	Asahi Kasei Medical Co., Ltd.	9.70%
	Olympus Corporation	4.85%
	MLI for Client General Omni Non Collateral Non Treaty-PB	4.11%
	Japan Trustee Services Bank, Ltd. (Mitsui Chemical Inc. Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank Ltd.)	3.53%
	Sumitomo Mitsui Banking Corporation	3.52%
	Moriroku Holdings Company, Ltd.	2.97%
	Iyo Bank, Ltd.	2.44%
	Oita Bank, Ltd.	2.44%
	Yukihiro Kawano	2.05%
(viii) Relationship with SB	Capital relationship	N/A
	Personal relationship	N/A
	Business relationship	No significant business relationship
	Related party status	N/A
(ix) Consolidated operating results and consolidated financial position of for past three years		

Fiscal year	Year ended March 2016	Year ended March 2017	Year ended March 2018
Consolidated net assets	37,017 million yen	38,156 million yen	39,456 million yen
Consolidated total assets	43,505 million yen	43,848 million yen	45,539 million yen
Consolidated net assets per share	1,678.86 yen	1,730.52 yen	1,788.65 yen
Consolidated net sales	28,135 million yen	24,726 million yen	25,437 million yen
Consolidated operating income	2,130 million yen	923 million yen	687 million yen
Consolidated ordinary income	2,177 million yen	1,023 million yen	788 million yen
Net income attributable to owners of parent	1,167 million yen	1,116 million yen	440 million yen
Consolidated net income per share	51.49 yen	51.16 yen	20.18 yen
Dividend per share	15.0 yen	17.5 yen	15.0 yen

(Note) 1 Since September 30, 2018, there has been a change in KL's top shareholder of its major shareholder. For details, please refer to the "Notice of Changes in Top Shareholder of Major Shareholder and Other Affiliated Companies" as of March 20, 2019.

(2) Overview of SB

(i) Name	Sumitomo Bakelite Co., Ltd.		
(ii) Location	5-8, Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo, Japan		
(iii) Title and name of the representative	Kazuhiko Fujiwara President and Representative Director		
(iv) Business description	Manufacturing and sales of various synthetic resins and synthetic resin products		
(v) Capital	37,143 million yen		
(vi) Date of establishment	January 25, 1932		
(vii) Major shareholders and shareholding ratios (As of September 30, 2018) * Shareholding ratios are calculated by	Sumitomo Chemical Co., Ltd.		22.33%
	Japan Trustee Services Bank, Ltd. (Trust Account)		8.69%
	The Master Trust Bank of Japan, Ltd. (Trust Account)		7.55%
	Japan Trustee Services Bank, Ltd. (Trust Account 9)		2.39%
	Japan Trustee Services Bank, Ltd. (Retirement payment account of Sumitomo Mitsui Trust Bank)		1.86%

subtracting the number of treasury stock from the total number of issued shares.	Sumitomo Mitsui Banking Corporation	1.85%
	Trust & Custody Services Bank, Ltd. (Security Investment Trust Account)	1.42%
	Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.4%
	Sumitomo Life Insurance Company	1.11%
	State Street Bank West Client - Treaty 505234	1.06%
(viii) Relationship with KL	Capital relationship	N/A
	Personal relationship	N/A
	Business relationship	No significant business relationship
	Related party status	N/A
(ix) Consolidated operating results and consolidated financial position of for past three years		
Fiscal year	Year ended March 2016 (Japanese GAAP)	Year ended March 2017 (Japanese GAAP)
Consolidated net assets	158,908 million yen	167,167 million yen
Consolidated total assets	260,122 million yen	263,742 million yen
Consolidated net assets per share	702.63 yen	702.63 yen
Consolidated net sales	206,956 million yen	198,199 million yen
Consolidated operating income	10,241 million yen	16,879 million yen
Consolidated ordinary income	10,598 million yen	17,324 million yen
Net income attributable to owners of parent	3,828 million yen	10,622 million yen
Consolidated net income per share	16.01 yen	45.14 yen
Dividend per share	10.0 yen	10.0 yen
Fiscal year	Year ended March 2017 (IFRS)	Year ended March 2018 (IFRS)
Total equity	156,037 million yen	170,262 million yen
Total assets	253,763 million yen	272,247 million yen
Equity attributable to owners of parent per share	655.32 yen	715.84 yen
Revenue	198,100 million yen	211,819 million yen
Business profit	16,658 million yen	19,251 million yen

Operating profit	12,061 million yen	18,598 million yen
Profit before tax	12,715 million yen	19,495 million yen
Profit attributable to owners of parent	9,521 million yen	15,078 million yen
Basic earnings per share	40.45 yen	64.07 yen
Dividend per share	10.0 yen	12.0 yen

(Note) 1 SB applies the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2018.

2 “Business profit” is calculated by deducting “Cost of sales” and “Selling, general and administrative expenses” from “Revenue”.

4. Schedule

Resolution date of SB’s Board of Directors	February 27, 2019
Resolution date of KL’s Board of Directors	March 20, 2019
Execution date of the Capital and Business Alliance Agreement	March 20, 2019
Acquisition date of KL’s shares by SB (Delivery Date)	March 26, 2019 (planned)
Effective Date of the Capital and Business Alliance Agreement	March 26, 2019 (planned)

5. Outlook

The effect of this Capital and Business Alliance on the consolidated financial results of KL and SB is considered immaterial, but this Capital and Business Alliance is expected to contribute the enhancement of the corporate value of both companies in the future. If any matters to be disclosed arise, such matters shall be disclosed in a prompt manner.

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