

Apr 15, 2024

To whom it may concern:

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(Update on Disclosed Matter)

**Harima Chemicals Group, Inc. to Acquire Additional Shares in
Hangzhou Hanghua Harima Chemicals Co., Ltd.**

As previously informed on Aug 7, 2023, Harima Chemicals Group, Inc. (“Harima”) has reached an agreement to acquire additional shares of its China-based consolidated subsidiary, Hangzhou Hanghua Harima Chemicals Co., Ltd. (“Hanghua Harima”) from long-term partner Hangzhou Research Institute of Chemical Industry (“the Institute”). Established in 1997 as a joint venture between Harima and the Institute, Hanghua Harima manufactures and sells paper chemicals in East China.

Following negotiations with the Institute, Harima has decided to acquire all related shares currently in the possession of the Institute, and dissolve the joint-venture agreement with the Institute. The matter was approved at a Harima Board of Directors’ Meeting held on April 15, 2024, with further details to be discussed at a later date.

1. Outline of Hanghua Harima

Name	Hangzhou Hanghua Harima Chemicals Co., Ltd.
Location	No.87 Hongda Road, Qiaonan-Qu, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang 311231, China
Representatives	Chairman: Yao Xianping, President: Lu Jianping
Business	Manufacture and sale of paper chemicals
Capital Stock	52 million Chinese Yuan (CNY)
Established	Dec 16, 1997
Net Assets	342 million CNY (As of Dec 31, 2023)
Total Assets	458 million CNY (As of Dec 31, 2023)
Main Shareholders and Ownership Ratio	Harima Chemicals Group, Inc.: 56.07% Hangzhou Research Institute of Chemical Industry: 43.93%

Relationship with Harima	Capital Ratio	56.07%		
	Personnel	Seconded (including subsidiary staff): 3 Directors and several engineers (incl. expats)		
	Business	None		
Financial Results (CNY)		2021	2022	2023
	Net Sales	479 million	452 million	409 million
	Net Income	44 million	41 million	33 million

2. Outline of the Acquisition

Shares Acquired	43.93% of all issued stock
Acquisition Cost	Undisclosed
Purpose of Acquisition	Transform Hanghua Harima into a fully owned subsidiary, enhance its management fundamentals, and consolidate Harima Chemicals Group revenue

3. Outline of the Institute

Name	Hangzhou Research Institute of Chemical Industry
Location	No. 7 Shi Hui Ba, Gongshu-Qu, Hangzhou, Zhejiang, China
Representatives	Chairman: Yao Xianping, President: Zhao Wenyan
Business Description	R&D of paper chemicals and chemical products
Established	1958

4. Future Outlook

As a result of the acquisition, Harima Chemicals Group's consolidated financials for the fiscal year ending March 31, 2025, are estimated to change as follows:

Net Income attributable to Harima Chemicals Group: increase by approx. 300 million Japanese yen.

Further updates with additional details will be provided as needed.

In the August 7, 2023 release, it was mentioned that, "As a result of the acquisition, Harima Chemicals Group's consolidated financials for the fiscal year ending March 31, 2024, are estimated to change as follows:

Net Income attributable to minority interest: decrease by approx. 200 million Japanese yen.

Net Income attributable to Harima Chemicals Group: increase by the afore-mentioned amount."

However, given that the acquisition takes place after March 31, 2024, the consolidated financial results of Harima Chemicals Group for the fiscal year ending March 31, 2024 remain unchanged.

The procedure of acquisition is scheduled for mid-April, 2024.