



Medium-Term Business Plan

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Progress in the Current Plan

Financial Performance under the Current Plan



(Billions of JPY)

Segment	FY2020 Results	FY2021 Results	FY2022 Forecast	FY2022 Plan	Change
Super Absorbent Polymers	69.2	79.0	109.7	78.0	31.7
Functional Materials	33.6	35.7	38.0	42.0	(4.0)
Sales	103.3	115.6	148.0	120.0	28.0
Super Absorbent Polymers	5.8	2.5	6.0	2.7	3.3
Functional Materials	4.3	5.5	5.0	5.3	(0.3)
Operating Income	10.1	8.1	11.0	8.0	3.0
Net Income	7.1	5.9	9.0	5.5	3.5
ROE	10.4%	7.8%	11.0%	8.5%	2.5%

[Forex assumptions]

				(yen)
JPY/CNY	15.7	17.5	20.0	15.0
JPY/USD	106.1	112.4	137.0	110.0
Naphtha Price (JPY/KL)	31,300	56,600	78,000	40,000

Performance Targets

- **Super Absorbent Polymers: Sales volumes growing in line with the plan (FY2022 forecast: 430,000+ tons)**
Well on the way to achieving planned income: Selling prices raised in response to higher raw material / fuel prices and logistics costs, streamlining efforts, and favorable impacts of changes in foreign exchange rates
- **Functional Materials: Finding it challenging to achieve planned income primarily due to change of development product launch plans despite a sales increase of electronics gases and favorable forex rates**

Topics

- **New deodorant-grade SAP was developed/launched, with the development of a SAP with improved water absorption per unit weight based on a new technical concept showing progress.**
- **Construction work for streamlining the SAP manufacturing process was delayed at overseas bases due to the spread of COVID-19. Due to the soaring raw material / fuel prices, variable costs are expected to be improved more than originally planned at the completion of the work.**
- **Production capacity of high-purity carbon monoxide (CO) and other electronics gases was boosted.**

Research and Development / Investment

(Billions of JPY)

	Plan	Forecast
FY2020-FY2022 R&D expenses (total)	9.0	8.3
FY2022 New product sales (ratio)	24.0 (21%)	9.7 (7%)
<ul style="list-style-type: none">■ Decrease in replacement to new customized SAP■ New product development plan unmet in the electronic materials and energy fields		
FY2020-FY2022 Investment (at the time of decision to invest) (Total)	17.0	22.0
<ul style="list-style-type: none">■ Development of a new ERP system and enhancement of electronics gas supply capacity		

New Medium-Term Business Plan

Purpose Statement-1

The Company has formulated the following Purpose Statement as a message to its stakeholders about the Group's commitment to society and also as the Group's beacon for employees to nurture corporate culture under which all employees are united more closely than ever to take on whatever challenges lying ahead.



We will solve issues
facing the earth and peoples' lives
through Sumitomo Seika's "Chemistry"

Guiding Principles System

Sumitomo Business Spirit

"Business Principles" Article 1. Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2. Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

"Jiri Rita Koushi Ichinyo": Benefit self and benefit others; private and public interests are one and the same

Corporate Mission

Following the Sumitomo Business Spirit, the Sumitomo Seika Group will contribute to the advancement of society by developing world class creative technologies in the field of chemistry and, based thereon, supplying unique, high quality products to people around the world.

Purpose Statement

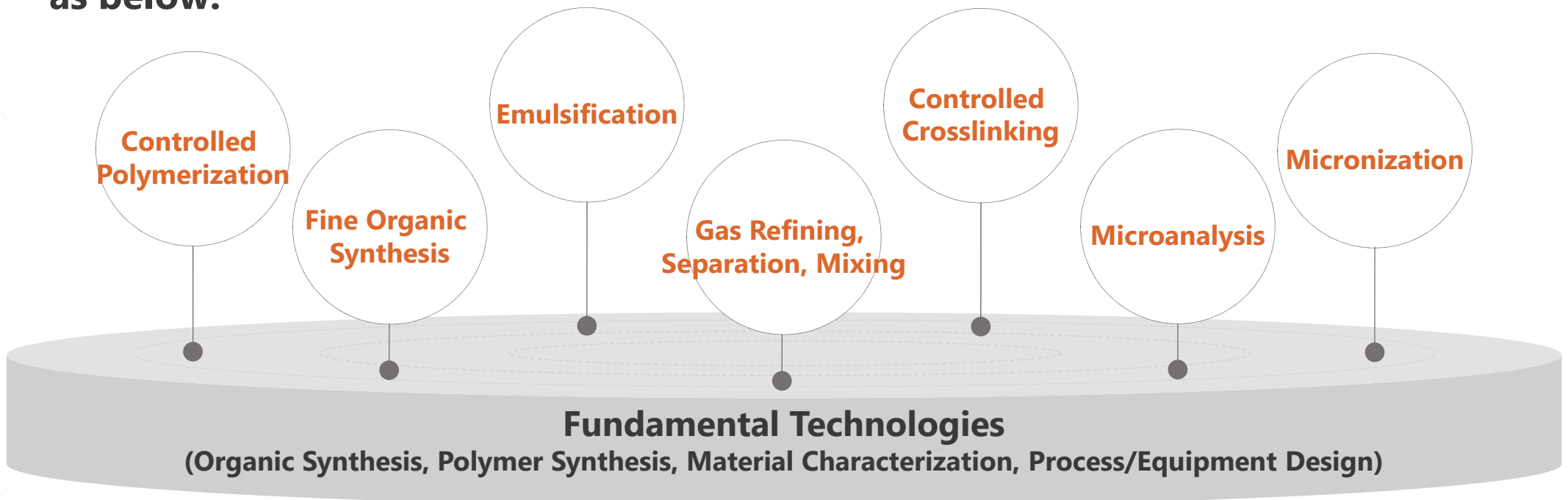
We will solve issues facing the earth and peoples' lives through Sumitomo Seika's "Chemistry"

Purpose Statement-2

We will solve issues facing the earth and peoples' lives through Sumitomo Seika's "Chemistry"

Sumitomo Seika's "Chemistry":

- » Composed of our core technologies having distinctive advantages and uniqueness as below:



- » Creates something new by fusing a variety of existing products or technologies.
- » Figuratively means that our corporate culture makes it possible to create new things through people working together.

Build Resilient Business Structure

- Construction of a new production facility of Super Absorbent Polymers to meet a growing demand, which is conspicuous particularly in Asia
- Further expansion of the electronics gases business
- Ensuring high profitability and making priority investment in growing businesses by re-evaluating the allocation of management resources

Reap Fruits of Research & Development

- Bringing onto market new products of Super Absorbent Polymers that are already in good progress for development
- Conducting R&D activities more speedily in the energy and electronic materials fields by focusing resources on priority projects
- Contributing to realization of carbon neutrality by developing PSA method-based separation and recovery technology for low concentration CO₂, recycling technology for Super Absorbent Polymers products, etc.

Promote Thorough Streamlining

- Continuing construction of process improvement of Super Absorbent Polymers with making the benefits of such improvement visible, and planning further streamlining and bringing it into practice
- Thorough streamlining of existing products in the Functional Materials Segment
- Improving business processes through a renewed ERP system
- Boosting productivity by deployment of internal best practices
- Boosting of productivity by innovation of production activities and the further acceleration of R&D, based on digital technology

Boost Sustainability Initiatives

- Working on 6 Material Issues including realizing carbon neutrality (Progress management by KPI)
- Collaborating with stakeholders in supply chain
- Establishing appropriate internal systems and promoting education to employees about company's policies to follow and challenges to take up
- Developing employees through active investment in human capital, such as reskilling and support of autonomous learning

Financial Targets

(Billions of JPY)

Division	FY2025 Target	FY2022 Forecast
Super Absorbent Polymers	120.0	109.7
Functional Chemicals	40.0	38.0
Net Sales	160.0	148.0
Super Absorbent Polymers	7.5 ※	6.0
Functional Chemicals	4.5 ※	5.0
Operating Income	12.0	11.0
Net income attributable to owners of the parent	8.5	9.0
ROE	8.5%	11.0%
JPY/CNY	19.5	20.0
JPY/USD	135.0	137.0
Japanese naphtha price (JPY/kℓ)	70,000	78,000

※From FY2023, we will revise the allocation standard of expenses for Corporate in order to more fairly represent segment income or loss. As a result, for FY2025 target in the table above, operating income of Super Absorbent Polymers increases by 0.7 billion yen and that of Functional Material decreases by 0.7 billion yen compared with the current standards.

Build Resilient Business Structure

Toward Building Resilient Business Structure

Medium-/long-term targets for FY2030

	Business growth	ROIC	ROE
Super Absorbent Polymers	5% *	10%	-
Functional Materials	7%	15%	-
The Group	6%	10% or higher	10% or higher

* Growth of sales volume



Super Absorbent Polymers

- Growth by building up facilities
- Maintain/increase profitability via streamlining and adding value



Functional Materials

- Growth by increasing electronics gases sales
- Ensure high profitability by reviewing the business structure



Policies

- » **Electronic Materials: Continue building supply system in response to the growing demand in Japan, South Korea, Taiwan, and China**
- » **Energy & the Environment: Build supply system for existing customers of battery materials, whose demand is expected to increase**
- » **Medical Care and Daily Living: Maintain sales shares, implement thorough streamlining, and continue with safe/stable operations. Withdrawal from some businesses anticipated.**

Expansion plan

- » **Products: High-purity CO, high-purity SO₂, dichlorosilane, etc.**
- » **Candidate locations: Existing plants in Japan and South Korea**
- » **Investment: Approx. several hundred million – 2.0 billion yen each**
- » **In service: 2023 – 2024 (one by one)**

Reap Fruits of Research & Development

**FY2025 New product sales
(ratio)**

JPY21.5 billion (13%)

**FY2023 – FY2025 R&D expenses (Total)
[Ratio to sales]**

JPY9.0 billion (1.9%)



Super Absorbent Polymers

**FY2025 New product sales (ratio)
JPY18.5 billion (15%)**

Consideration for the environment and safety

- » Launch SAP that help to reduce waste and consumption of materials
- » Develop/supply safer and more secure products in response to trends in chemical substance control

Adding more value to products

- » Add functions for specific applications, such as deodorization
- » Customize products based on regional/customer preferences and applications

Streamlining

- » Industrialize improvement formulae, etc.



Functional Materials

**FY2025 New product sales (ratio)
JPY3.0 billion (8%)**

Electronic Materials

- » Develop next-generation semiconductor materials

Energy

- » Develop electrolyte additives for new lithium-ion batteries

Promote Thorough Streamlining

Progress

- » For the target effect amount per product unit when the project started in 2018 (JPY20/kg) (approx. JPY8.0 billion), 95% (JPY19/kg) has been planned (The effect amount has been revised following the rise in raw materials/fuel prices)

Of the effect that has been planned, the effect in the amount of JPY12/kg (approx. JPY5.0 billion) will realize by FY2022 by improving the manufacturing process, etc.

Future plan

- » Materialize the effect on planned projects (approx. JPY3.0 billion) by FY2025 by improving overseas bases

Introduce improved process to the new facility scheduled to open in 2025

Also, add to the effect by examining/implementing more streamlining measures, such as improvement of manufacturing process that contributes to reduction in CO₂ emission intensity

Initiatives to Increase Productivity

Streamline the Functional Materials Business

- » Draw up and implement streamlining targets for existing products

Renew the ERP system and improve the business process

- » Build the ERP system (SAP S/4HANA) for scheduled start of operation in August 2023

Deploy Internal best practices throughout the Group

- » Share internal best practices across the Group and deploy them to other departments

Boost Productivity by Innovation of Production Activities and Further Accelerate R&D, Based on Digital Technology








- » Analyze/utilize manufacturing data to stabilize quality and reduce losses, and consider automation of off-line business
- » Utilize digital technologies to accelerate R&D and develop human resources

Boost Sustainability Initiatives

Sumitomo Seika's Carbon Neutrality Policy (Target) [Established in March 2022]

- **To reduce greenhouse gases (GHG) the Group emits in Japan by 46% or more by 2030 (vs. 2013)**
- **To achieve carbon neutrality by 2050**
 - » **Through collaboration with suppliers, etc., promote reduction in GHG emitted from our products' life cycle**
 - » **Assess carbon footprint of each product to expedite the transition to low-carbon products and processes**
 - » **Develop technologies for separation and recovery of CO₂ and promote technological innovation such as recycling of used SAP to achieve carbon neutrality for society as a whole**
 - » **Disclose information on governance, risks and opportunities concerning climate change in accordance with the TCFD Recommendations and other frameworks**

Material Issues / KPIs

Material Issues	KPIs	FY2021 Results	FY2025 Plan
Ensure Access to Sanitation, Healthy Lives and Better Quality of Life  	Sales of QOL-related products	JPY86.5 billion	JPY125.0 billion
	Growth rate of SAP production	-	+15% Vs FY22
Ensure Access to Energy 	Sales of energy saving products	JPY8.4 billion	JPY14.0 billion
Build Resilient Infrastructure and Foster Technology Innovation 	R&D expenses (ratio to net sales)	2.2%	1.9% FY22-FY25
	Sales of new products	JPY5.5 billion	JPY21.5 billion
Ensure Sustainable Consumption and Production Patterns 	Amount of investment for delivering safe/secure products	-	-
Promote Gender Equality 	Ratio of female managers (in Japan only)	6.7% (3.6%)	12% (10%)
	Percentage of male employees taking childcare leave in Japan	17.1%	50%
Realize Carbon Neutrality 	Percentage of GHG reduction (Scope 1 and 2, in Japan) vs. 2013	-	-22%

Foundations for business continuity

Legal & Ethical Compliance

Respect for Human Rights

Environmental Protection

Occupational Safety & Health and Security & Disaster Prevention

Employees' Health and Job Satisfaction

Investment Plan / Financial Indicators / Shareholder Return

Investment Plan (Decision-based)

We plan active investment mainly in production expansion of Super Absorbent Polymers, strengthening Electronics gases, and themes related to realize carbon neutrality.

(Billions of JPY)

	FY2023-2025 Targets	Main Topics	FY2020-2022 Forecasts
Super Absorbent Polymers	30.0	<ul style="list-style-type: none"> • Production facility expansion • Streamlining construction, Manufacturing new grades 	4.0
Functional Materials	5.0	<ul style="list-style-type: none"> • Strengthening Electronics gases 	11.0
Realize Carbon Neutrality	5.0	<ul style="list-style-type: none"> • Build pilot plants for CO2 recovery technology 	1.0
Corporate	10.0	<ul style="list-style-type: none"> • New R&D building construction, IT/infrastructure investment and others 	6.0
Investment Total	50.0	<ul style="list-style-type: none"> • Regular investment included 	22.0
Operating Cash flow	47.0		33.8

Continues Improvement of Corporate Value

Cumulative R&D Investment for three years

9.0 billion yen

Cumulative Capital Investment for three years

50.0 billion yen

Average Net Sales growth rate for three years

3.4%

Cumulative operating cash flow for three years

47.0 billion yen

dividend payout ratio

30% or more

D/E Ratio 2025

0.2 or less

ROE 2025

8.5%

ROIC 2025

8.0%

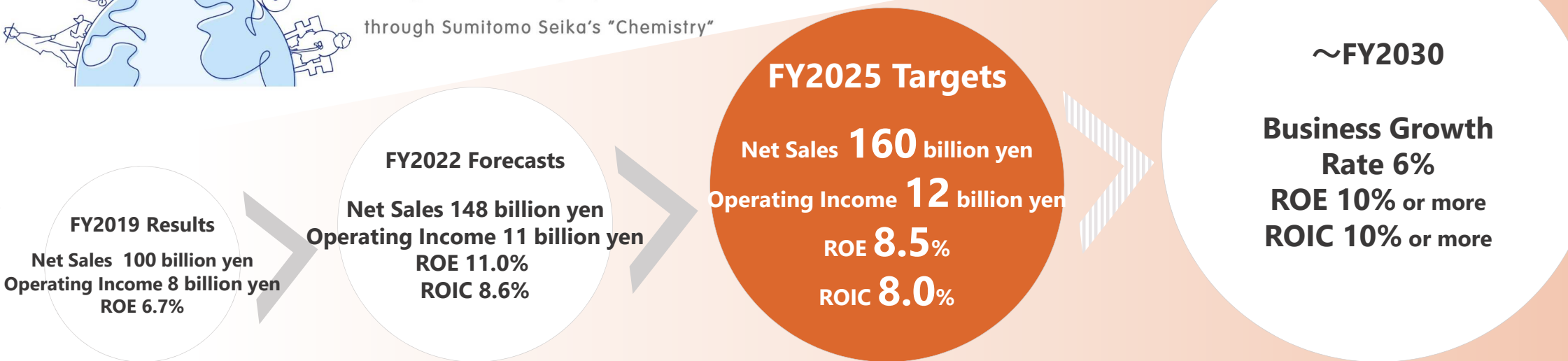
Enhance Shareholder Return · Maintain Strong Financial Foundation

- Sumitomo Seika Chemicals Co., Ltd. considers “returning profits to shareholders” as one of its priority management issues and makes it a basic policy to determine them, after giving due consideration to stable dividend payment and securing of internal reserves to prepare for future business development, based on the dividend payout ratio of 30% or more. The Company will appropriate the internal reserves for investment in enhancing production capability that will lead to the Company’s improved financial performance and reinforced business foundation, strengthening of cost competitiveness, and advancement of research & development for products that meet market needs.

Positioning of Medium-term Business Plan Targeting FY2025



We will solve issues facing the earth and peoples' lives through Sumitomo Seika's "Chemistry"



FY2022 Medium-term Business Plan FY2020-2022

- **Transforming Business Structure**
 - Strengthening of R&D
 - Proactive Investment in Development Products
- **Super Absorbent Polymers :**
Focusing High value-added products/Promoting streamlining
- **Functional Chemicals :**
Prioritized allocation of management resources/Accelerating market launch for products under development
- **Gases and Engineering :**
Developing new products for the electronics industry

FY2025 Medium-term Business Plan FY2023-2025

- **Build Resilient Business Structure**
- **Reap Fruits of Research & Development**
- **Promote Thorough Streamlining**
- **Boost Sustainability Initiatives**

~FY2030

- **Improve corporate value continuously**
 - **Meet expectations from all stakeholders**
-
- **Achieve KPI of Material Issues related to SDGs**
 - > Reduce GHG emissions by 46% or more by 2030 compared to 2013
 - > Take actions to realize carbon neutrality by 2050

Disclaimer

This material is intended to provide information as a reference for making investment decisions and is not intended to solicit investment. The content included is based on the company's assessments at the time of preparing these materials and is not an assurance or a guarantee of the implementation of the measures and future targets described. Please note that the information in this document is subject to change without notice.



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