

2021 Fact Book

Sumitomo Seika Chemicals Co.,Ltd.



Company Profile

Company Profile (as of March 31, 2021)

Company Name	Sumitomo Seika Chemicals Company, Limited.
Established	July 20, 1944
Paid in Capital	9,698 million yen
Representative Director, President & CEO	Ikuzo Ogawa
Number of Employees (consolidated)	1,358
Main Business Areas	Super Absorbent Polymers, Functional Chemicals Gases & Engineering

Locations in Japan

Head Offices	Osaka, Tokyo
Works	Befu Works Himeji Works Chiba Works
Sales Offices	Osaka, Tokyo
Research Laboratories	Material Development Laboratory (Befu, Himeji) Production and Process Engineering Laboratory (Befu, Himeji)

Company History

July 1944	Sumitomo Taki Chemical Co., Ltd. is established as a joint venture between Sumitomo Chemical Co., Ltd. and Taki Fertilizer Co., Ltd. (currently Taki Chemical Co., Ltd.)
October 1989	Company name is changed to Sumitomo Seika Chemicals Company Limited.
March 1999	Begins manufacture and sales of super absorbent polymers in Singapore.
April 2006	Begins manufacture and sales of gases for electronics in Taiwan.
April 2008	Acquires super absorbent polymer business from Arkema, France.
June 2008	Begins manufacture and sales of gases for electronics in Korea.
April 2011	Begins manufacture and sales of gases for electronics in China.
August 2016	Begins manufacture and sales of super absorbent polymers in Korea.
July 2020	Adds regional headquarters function to the sales subsidiary in China.

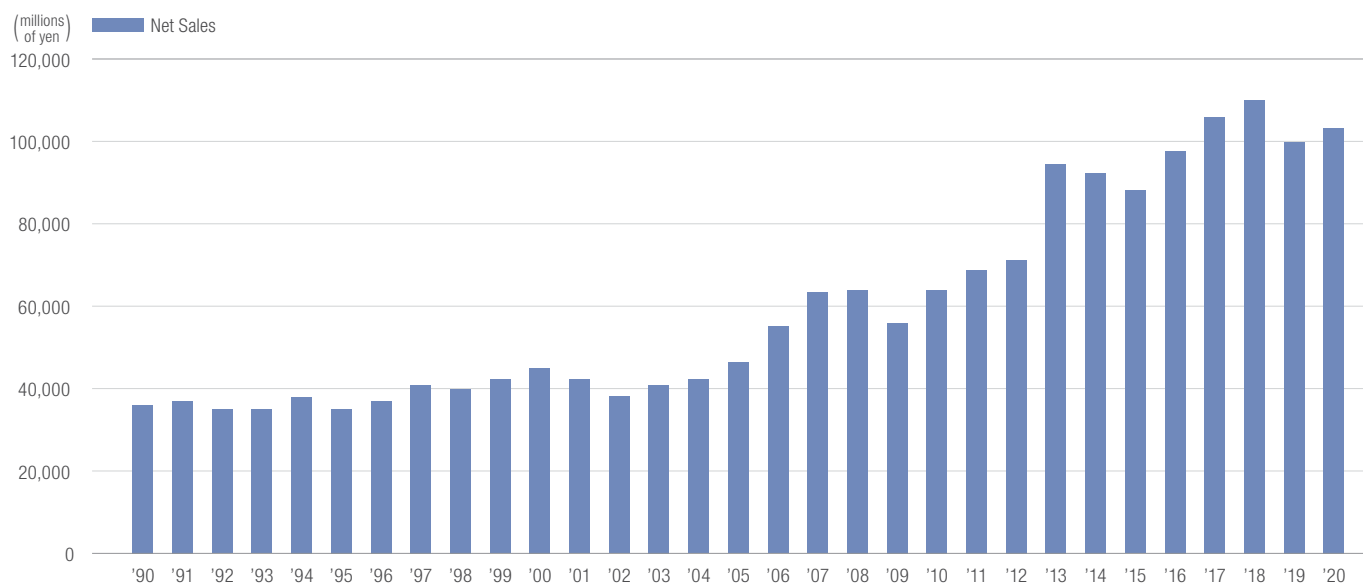
Consolidated Subsidiaries

Japan	Seika Techno Services Co., Ltd. Various Services		Sumitomo Seika (China) Co., Ltd. Providing Regional Management Services such as Administration and Finance to its Subsidiaries in China Sales of Super Absorbent Polymers and Gases Products
Overseas	Sumitomo Seika Singapore Pte. Ltd. Manufacture of Super Absorbent Polymers	Overseas	Sumisei Polymers Technology (Shanghai) Co., Ltd. Technical Service and Market Research
	Sumitomo Seika Asia Pacific Pte. Ltd. Sales of Super Absorbent Polymers and Other Chemical Products		Sumisei Technology (Yangzhou) Co., Ltd. Manufacturing and Sales of Functional Chemical Products
	Sumisei Taiwan Technology Co., Ltd. Manufacturing and Sales of Electronics Gases		Sumisei International Trading (Shanghai) Co., Ltd. Sales of Super Absorbent Polymers
	Sumisei Chemical Co., Ltd. (Korea) Manufacturing and Sales of Electronics Gases		Sumitomo Seika Europe S.A./N.V. (Belgium) Sales of Super Absorbent Polymers and Other Chemical Products
	Sumitomo Seika Polymers Korea Co., Ltd. Manufacturing and Sales of Super Absorbent Polymers		Sumitomo Seika America, Inc. Sales of Functional Chemical Products

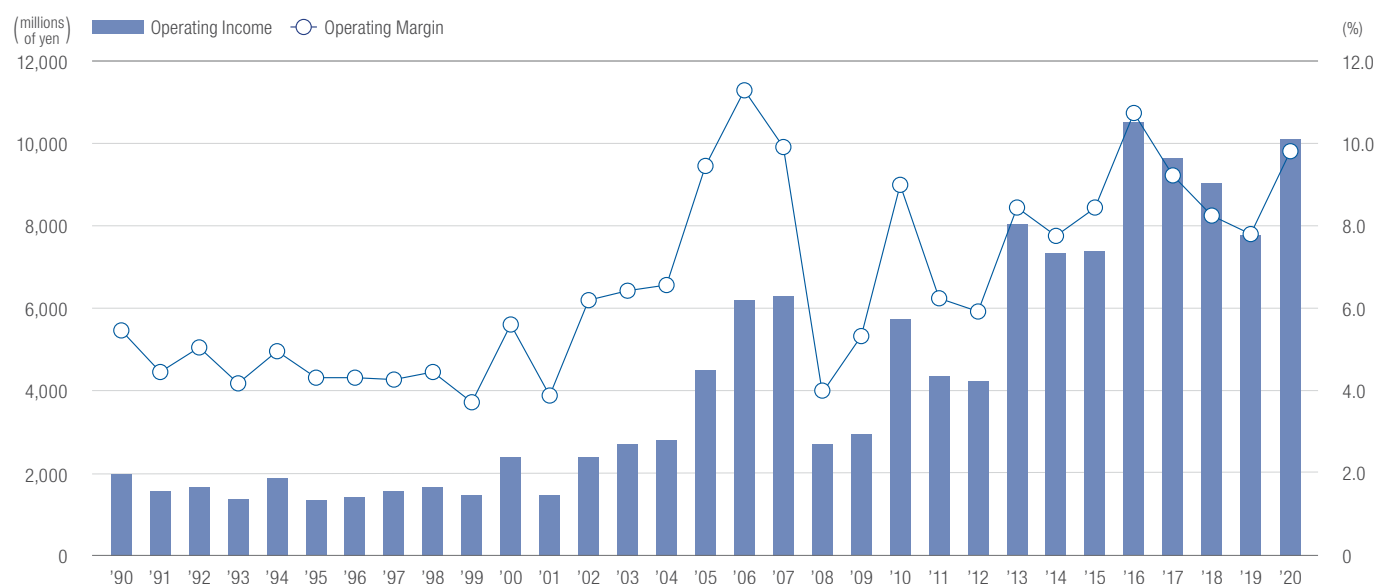
INDEX

● Company Profile	pp. 1-2	● Financial Highlights	
● Business Performance	p. 3	Financial Performance	p. 17
● Corporate Business Plan for 2020 to 2022 ---	pp. 4-7	Financial Position	p. 18
● Super Absorbent Polymers	pp. 8-11	Cash Flow, Capital Expenditure / Depreciation & R&D Expenses	p. 19
● Functional Chemicals	pp. 12-13	Per Share Data & Other Indexes	p. 20
● Gases & Engineering	pp. 14-15	● Consolidated Balance Sheet & Consolidated Income Statement	p. 21
● Business Topics	p. 16	● Consolidated Statement of Cash Flow & Consolidated Comprehensive Income Statement ----	p. 22
		● Company & Investor Information	pp. 23-24

Net Sales Trends



Operating Income & Operating Margin Trends



Financial Performance Trends

(millions of yen)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net Sales	98,857	105,883	109,634	99,701	103,254
Super Absorbent Polymers	65,778	71,532	74,365	65,894	69,201
Functional Chemicals	17,985	18,293	18,641	17,814	17,940
Gases & Engineering	15,093	16,057	16,627	15,322	15,612
Operating Income	10,541	9,734	9,072	7,775	10,101
Super Absorbent Polymers	7,699	6,023	4,912	3,544	5,837
Functional Chemicals	1,947	1,879	2,140	1,912	2,037
Gases & Engineering	878	1,815	2,005	2,356	2,276
Operating Margin (%)	10.7	9.2	8.3	7.8	9.8
Ordinary Income	10,006	9,935	8,636	6,866	10,375
Net Income Attributable to Owners of the Parent	5,739	6,698	604	4,285	7,119

Business Performance

Financial Highlights

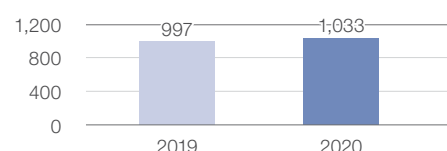
Net sales: increase due mainly to a rise in sales volume of super absorbent polymers that resulted mainly from Chinese customers having expanded their move to prioritize procurement of raw materials for sanitary products.

Operating income: increase mainly attributable to a fall in raw material prices and rationalization efforts as well as a rise in sales volume.

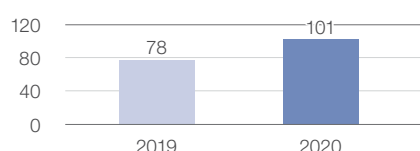
(in units of billion JPY)

	FY2019	FY2020	Y-o-Y Change	Y-o-Y Change (%)
Net Sales	997	1,033	36	3.6%
Operating Income	78	101	23	29.9%
Ordinary Income	69	104	35	51.1%
Net Income Attributable to Owners of the Parent	43	71	28	66.1%
JPY/USD	108.75	106.07		
JPY/CNY	15.60	15.67		
Naphtha Price (JPY/KL)	42,900	31,300		

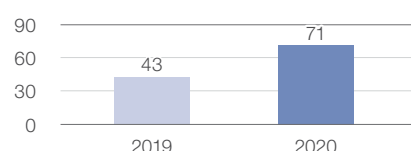
Net Sales (in units of billion JPY)



Operating Income (in units of billion JPY)

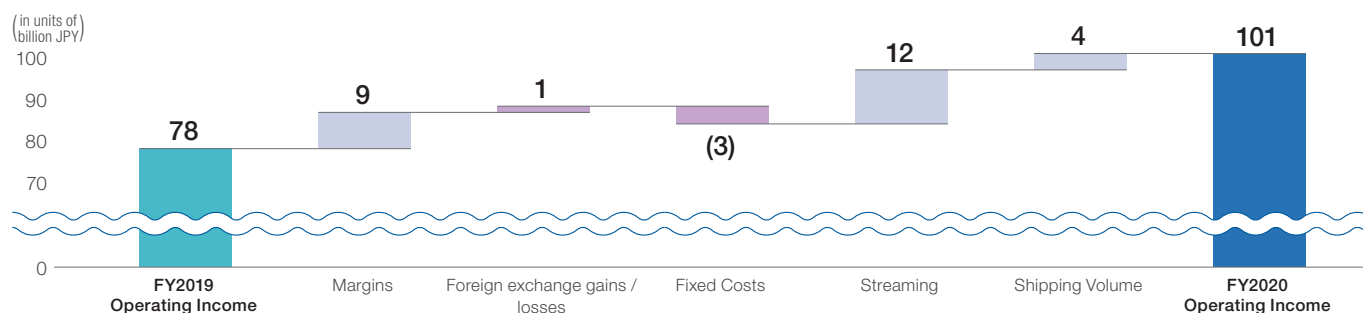


Net Income (in units of billion JPY)



Analysis of Changes in Operating Income

Benefits from rationalization efforts for super absorbent polymers and lower raw material prices, etc.



FY2021 Financial Forecasts

Net sales: growth expected due mainly to a rise in selling prices reflecting an increase in raw material prices and the impact of exchange rates.

Operating income: decline anticipated due mainly to an increase in raw material prices.

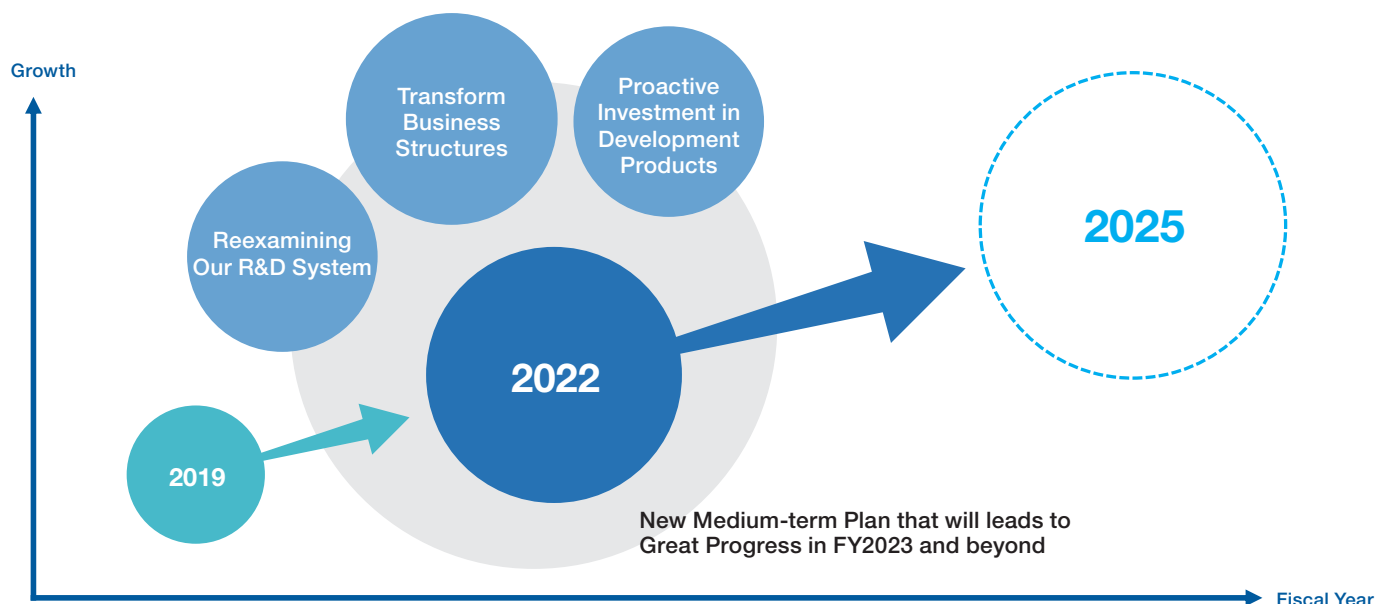
(in units of billion JPY)

	FY2020	FY2021 Financial Forecasts	Y-o-Y Change	Y-o-Y Change (%)
Net Sales	1,033	1,090	57	5.6%
Operating Income	101	70	(31)	(30.7%)
Ordinary Income	104	70	(34)	(32.5%)
Net Income Attributable to Owners of the Parent	71	50	(21)	(29.8%)
JPY/USD	106.07	110.00		
JPY/CNY	15.67	16.50		
Naphtha Price (JPY/KL)	31,300	47,000		

Corporate Business Plan for 2020 to 2022

Positioning of Our New Medium-term Business Plan

Transitioning to a Sustainable Business Structure toward Great Progress in FY2023 and beyond



Priority Measures

FY2022 Targets

Net Sales
120billion JPY

Operating Income
8billion JPY

ROE
8.5%

Transforming Business Structure

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 & Engineering
Developing new products for
the electronics industry

Reexamining Our R&D System

Proactive Investment in
Development Products

New Medium-term Plan that will lead to Great Progress in FY2023 and beyond

Investment Plan (Decision-based)

Proactive Investment in Development Products with a focus on Functional Chemicals

(in units of billion JPY)

Division	FY2020 to FY2022 (3years total)	Breakdown (including regular investments)
Super Absorbent Polymers	45	CAPEX for new products *Streamlining CAPEX of 2 billion JPY to be decided in FY2019
Functional Chemicals	80	Development products / electronic materials /personal care
Gases & Engineering	20	High purity gases for semiconductors
Corporate	25	IT investments etc.
Total Investment	170	*Operating cash flow: 28.0 (3years total)

Reexamining Our R&D System



- Super Absorbent Polymers: Lesser performance advantage over competitors; commoditization
 - Functional Chemicals: Increasing high-level client demands; growing need to reduce environmental impact
- ➔ **Concentrate on speeding up development and differentiating our products**

Our vision

● Basic & Applied Research

Address changes in customer needs and the business environment with our own scientific solutions

● Production and Process Engineering Development

Optimize manufacturing processes for existing products
Accelerate the launch of products under development

● Intellectual Properties

Clearly define R&D targets
Analyze competitors' technology and business, formulate new strategies

Strategies & Initiatives

New Product Development

Super Absorbent Polymers

- Continue developing new products that solve common issues of hygiene products such as leakage, odor, and rashes
- Develop new technologies for environmentally friendly products, and processes for reducing costs

Functional Chemicals

- Continue developing new products in the electronics and energy fields
- Apply our water-soluble polymer technologies to the fields of daily goods, medical-related chemicals, adhesives, paints and coatings

Gases & Engineering

- Expand our product lineup of high purity gases for semiconductors and promote the development of new semiconductor processing materials
- Focus on expanding the application of gases using PSA technology

Retaining evaluation technologies

Expand our investment of resources in analysis and evaluation technologies to be equal to or greater than that of our clients, with a focus on batteries, energy, and lifestyle-related goods

Harmonizing strategies of intellectual properties with those of businesses

Set R&D targets based on business and intellectual property strategies, and develop products and technologies to resolve issues early on

Fundamental Cost Reduction

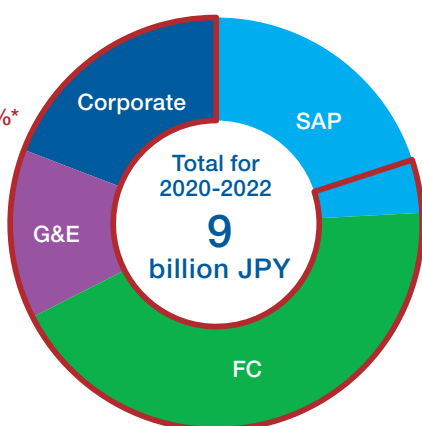
Develop necessary technologies so as to seek cost reduction across the entire value chain

Resource Allocation and New Products Ratio

R&D Expenses

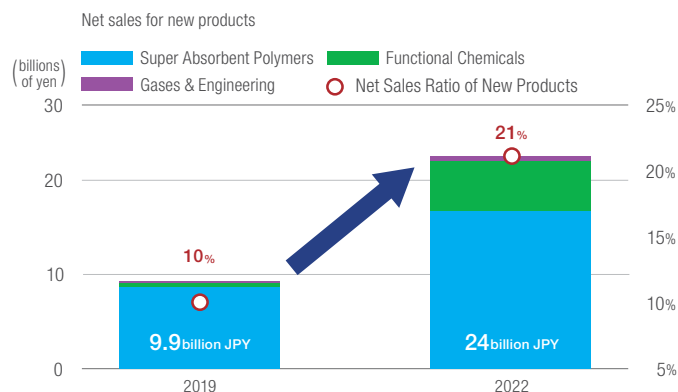
Functional Development accounts for 80%*

*Including functional development such as deodorizing ability, etc.



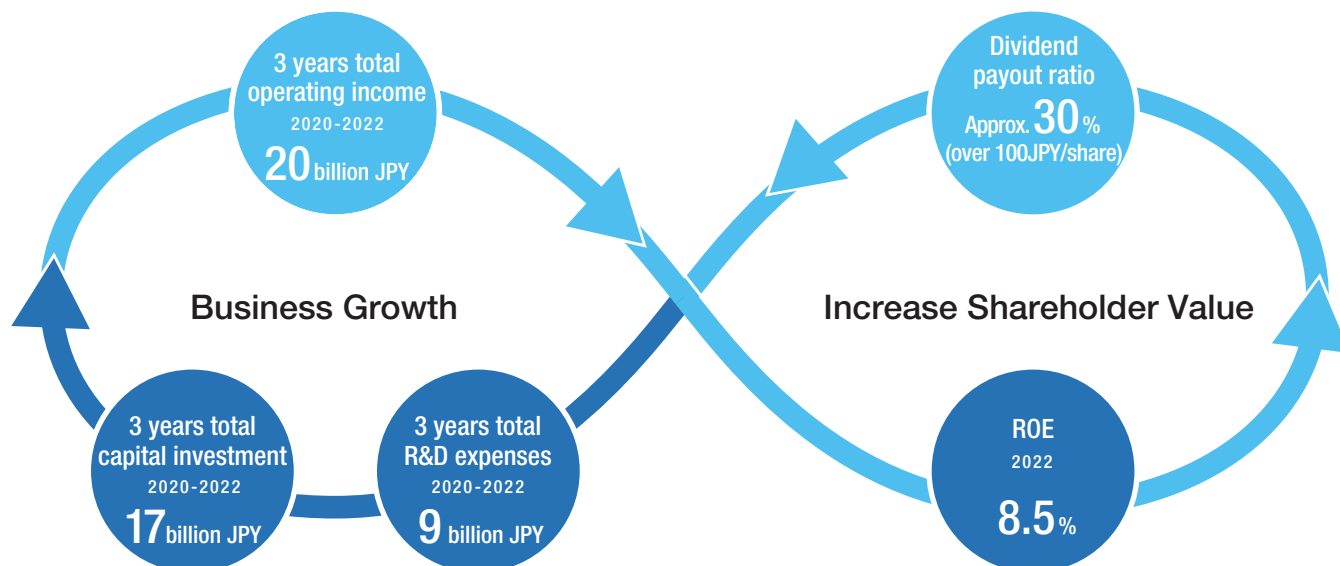
*The above figures are the forecasts as of November 2019.

Net Sales Ratio of New Products



Definition of new products: Super Absorbent Polymer and Functional Chemical products 5 years after launch or earlier, Gases and Engineering products 10 years after launch or earlier

Financial Indicators



SDG Goals Related to Our Business

In September 2015, all the UN members (193 countries) adopted the 2030 Agenda, which is a plan to eliminate extreme poverty, inequality and injustice to protect our planet and realize a better future over the next 15 years. As an action plan for people, planet and prosperity, the Agenda includes a Declaration and Goals. This is a set of 17 Goals and 169 Targets called Sustainable Development Goals (SDGs).

Under a group-wide guiding principle titled "Sumitomo Seika Group's Mission for CSR", the Sumitomo Seika Group will tackle on the Sustainable Development Goals (SDGs), globally-shared challenges, thereby contributing ultimately to the development of a sustainable society.



Sumitomo Seika Group's Mission for CSR

(Enacted November 6, 2018)

The Sumitomo Seika Group has enacted a set of company-wide CSR goals. Our corporate group has committed to implementing various CSR initiatives, in order to contribute to the development of a sustainable society while tackling the shared global issues presented in the UN's Sustainable Development Goals.

"The Sumitomo Seika Group will tackle on the Sustainable Development Goals (SDGs), globally-shared challenges, by creating value that we alone can offer through translating our corporate philosophy into practice, thereby contributing ultimately to the development of a sustainable society. With these initiatives, we will aim to meet expectations of all our stakeholders."

Sumitomo Seika Group's Fundamental Policies for CSR Activities

(Enacted November 6, 2018)

The Sumitomo Seika Group will engage in CSR activities in accordance with the following fundamental policies.

1. We will provide products that will help make people's lives more comfortable, satisfy customer needs with product functionality, and supply superior products and services that will support the foundation of the industries that the Sumitomo Seika Group serves, thereby contributing to solving societal problems and developing a sustainable society.
2. We, as a chemical manufacturer, will give the highest priority to ensuring "zero accidents and zero injuries" and will strive to achieve and maintain safe and stable plant operation as well as safe shipment and delivery of products.
3. We will appropriately assess possible influences of our products and production processes on humans and the environment and take measures to ensure safety and environmental stewardship.
4. We will ensure thoroughly conducting quality management of our products and services so that our customers can use them to their satisfaction and with confidence.
5. We will provide a safe and healthy working environment to our employees and also develop a corporate culture that allows our employees to work with pride and a sense of fulfillment.
6. We, as a responsible corporate citizen, will participate in society, aiming to realize co-existence and co-prosperity with society.

Target for Reducing Greenhouse Gas Emissions

1. Medium-term Targets

We are working to achieve a 7% reduction by FY2021 and a 11% reduction by FY2022 in CO₂ emissions as compared to FY2013.

This is in keeping with the Japan Chemical Industry Association's low-carbon society action plan, which seeks to reduce FY2030 CO₂ emissions by 10.7% compared to FY2013 amounts.

2. Long-term Targets

Promote further efforts toward the Paris Accord's target of reducing CO₂ emissions in FY2030 by 26% compared to FY2013 amounts.

Initiatives to Reduce Environmental Impact

In order to reduce environmental impact resulting from business operations, we will:

1. Promote the development of technology that contributes to reducing waste (including from plastics) in final consumer goods made using our products.
2. Continue efforts to reduce the amount of waste emissions from production processes.

Super Absorbent Polymers



Outline

Sumitomo Seika's super absorbent polymer AQUA KEEP can absorb and retain up to several hundred times its weight in water. By applying proprietary technology created over many years of research and development, we are able to freely control AQUA KEEP's water absorption capabilities to best meet our users' diverse needs. This technology has been

incorporated into a wide variety of products, from everyday necessities such as disposable diapers and pet sheets to industrial products, such as water repellent materials for power and optical cables. With production bases in Japan, South Korea, Singapore, and France, Sumitomo Seika has set up a system for meeting the demands of every region of the world.

Main Applications



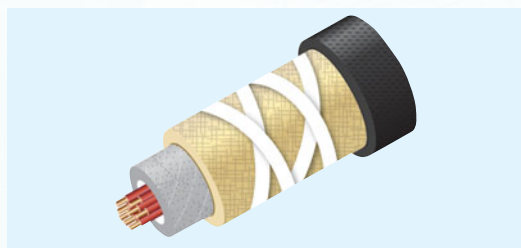
Sanitary Materials

AQUA KEEP is used in absorbents found in numerous items, including disposable diapers and sanitary products. This is due to AQUA KEEP's ability to keep the absorbent's surface dry thanks to its rapid absorption and long-lasting liquid retention performance.

AQUA KEEP's super absorption potential also reduces the amount of raw materials used in the absorbent, allowing for a significantly thinner and more compact construction.

Sumitomo Seika began selling AQUA KEEP in the 1980s, and the product has continued to receive high acclaim among users worldwide ever since.

In 2014, we began the sale of our AQUA KEEP HP Series, which achieves both "higher absorption capacity" and "higher absorption capacity under load."



Water Repellent Materials

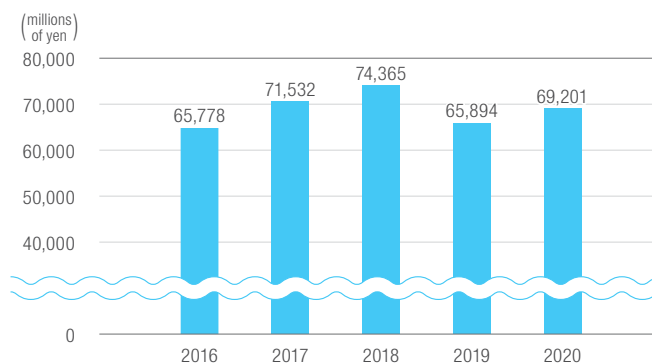
AQUA KEEP is used in water repellent materials for power and optical cables. This is due to its ability to instantly take in moisture and expand, thereby preventing additional water from getting inside the cable when the cable's coating has been damaged. Boasting world-class absorption speeds, AQUA KEEP Series is used in water repellent materials for cables to provide high value-added functionality, earning it wide critical acclaim.

Moving forward, we will continue to carry out R&D to deliver additional performance and improved quality, so we can better support the lives of people around the world.

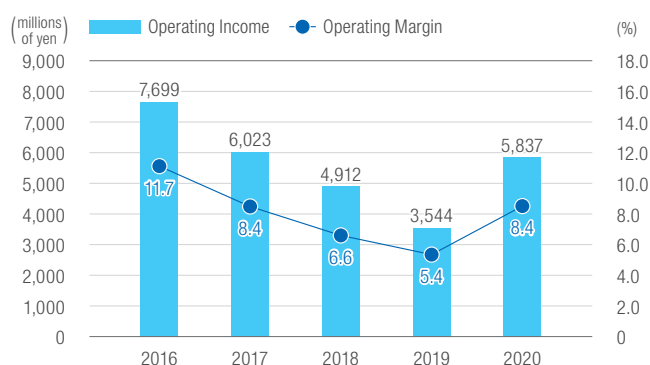
Business Performance Super Absorbent Polymers

Net sales increased by 5.0% from the previous fiscal year to 69,201 billion yen, and operating income also increased by 64.7% to 5,837 billion yen. The increase in net sales was attributable to a rise in sales volume that resulted mainly from Chinese customers having expanded their move to prioritize procurement of raw materials for sanitary products. The operating income increase was due to a fall in raw material prices as well as a rise in sales volume.

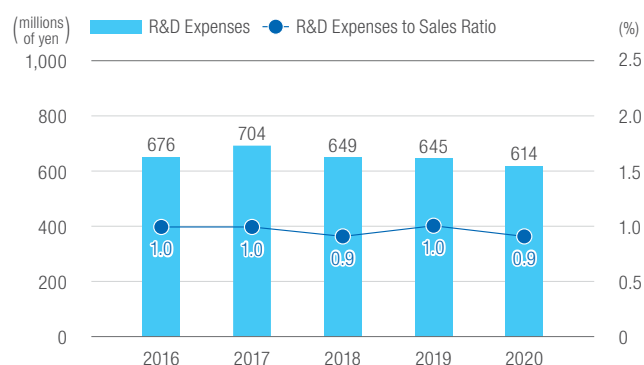
Net Sales



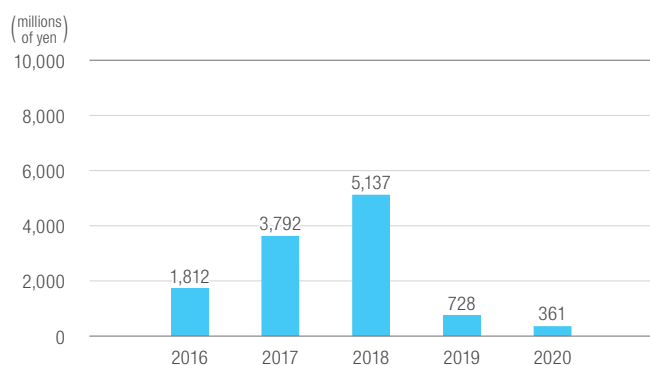
Operating Income & Operating Margin



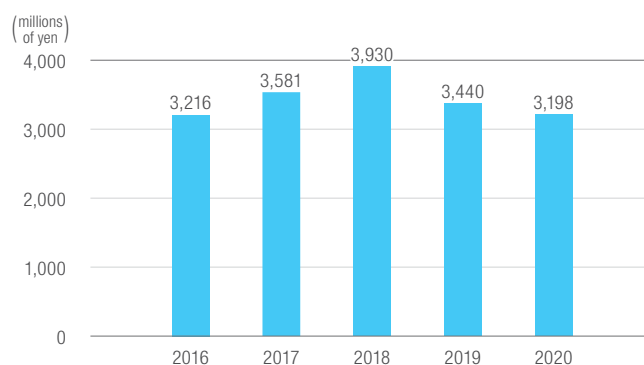
R&D Expenses / R&D Expenses to Sales Ratio



Capital Expenditure



Depreciation Expense



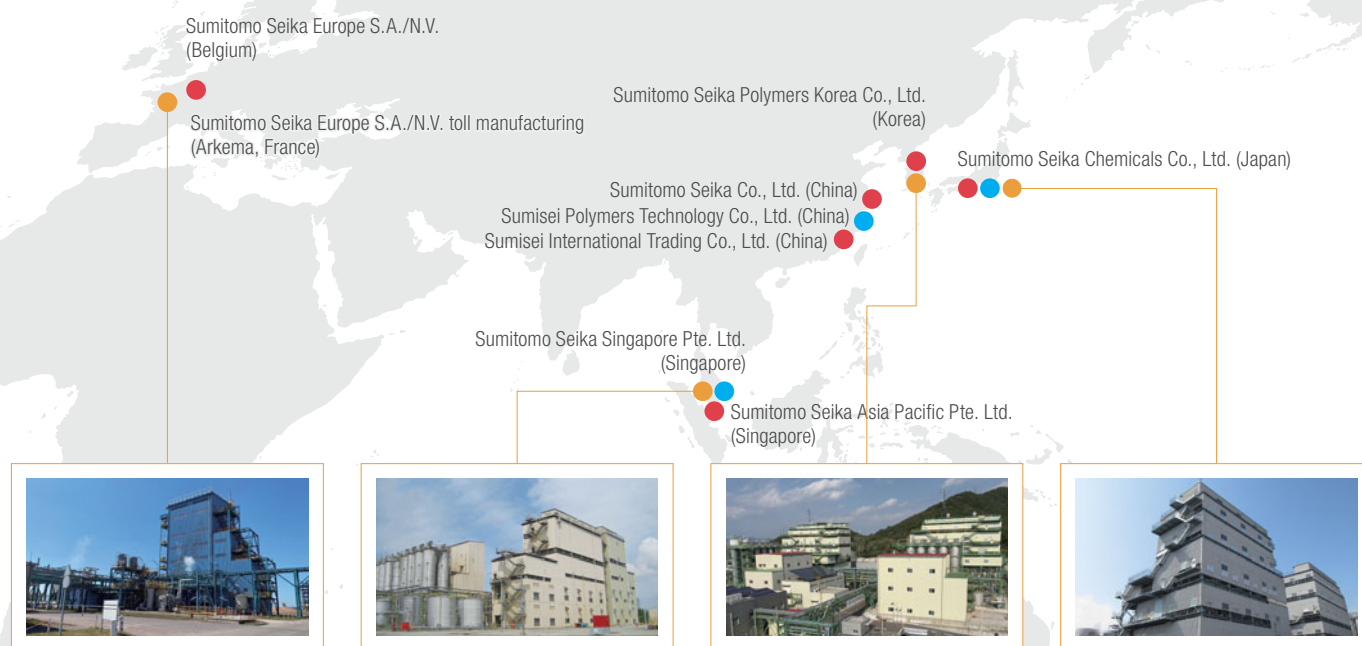
Financial Performance

(millions of yen)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net Sales	65,778	71,532	74,365	65,894	69,201
Operating Income	7,699	6,023	4,912	3,544	5,837
Operating Margin (%)	11.7	8.4	6.6	5.4	8.4
R&D Expenses	676	704	649	645	614
R&D Expenses to Sales Ratio	1.0	1.0	0.9	1.0	0.9
Capital Expenditure	1,812	3,792	5,137	728	361
Depreciation Expense	3,216	3,581	3,930	3,440	3,198
Japan Naphtha Price (yen/KL)	34,700	41,900	49,400	42,900	31,300

Global Production Capacity

● Manufacturing ● Research and Development (R&D) ● Sales

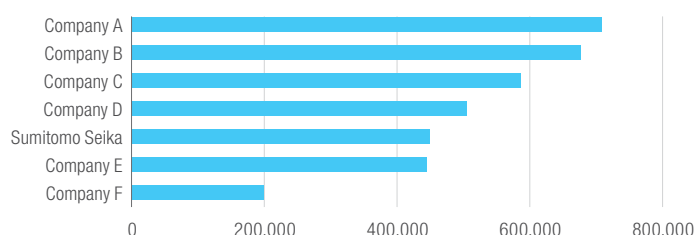


France (consignment manufacturing through Arkema)	Singapore	Korea	Japan
47,000 T/year	70,000 T/year	118,000 T/year	210,000 T/year
Total			
445,000 T/year			

Production Capacity by Company for Super Absorbent Polymers (Based on company estimates for FY2020)

According to our company estimates, the size of the global market for super absorbent polymers in 2020 is approximately 3,000 KT. Particularly in emerging countries, we are witnessing a steady increase in demand for disposable baby diapers due to underlying increases in these countries' populations. Comparatively, even in developed countries, where decreases in population are a cause for concern, we anticipate to see burgeoning demand for adult diapers that target the elderly. We expect the market for super absorbent polymers to continue to grow by 5 to 10 percent annually over the next several years. Currently, Sumitomo Seika is ranked fifth in the world in terms of production capacity for super absorbent polymers.

Production Capacity for Super Absorbent Polymers



Fundamental Rationalization of Operations (target amount 20 JPY/kg or more)

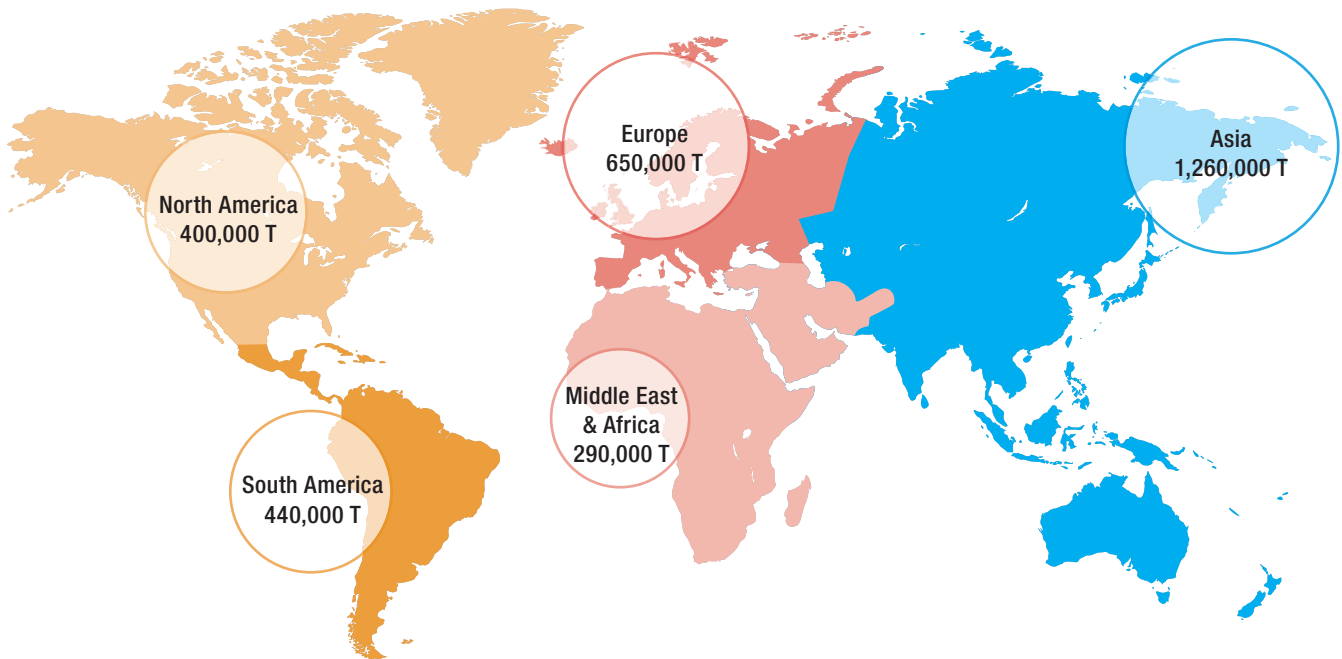
Cost Reduction Project launched in FY2018

Improvement of manufacturing processes	Restructuring of manufacturing plants	Optimization of supply chain
<ul style="list-style-type: none"> Strengthen cost competitiveness by introducing high-efficiency machinery Apply to overseas sites after verifying results at our Himeji Works 	<ul style="list-style-type: none"> Improve productivity and dramatically reduce fixed costs by suspending use of aging equipment; increase production by eliminating bottlenecks 	<ul style="list-style-type: none"> Rationalize the entire supply chain

Update on Progress of Cost Reduction Project

Technologically, we have achieved approximately 80% of our objectives centering on improvements to manufacturing processes, restructuring of our manufacturing plants, and supply chain optimization. While we have been consistently implementing improvements to our manufacturing processes starting with our domestic plants, a portion of the construction efforts behind these improvements have been delayed due to the impact of COVID-19 and the accompanying global pandemic. To address this, we are now considering new policies and measures, such as remote construction, and plan to complete this project as soon as possible.

Global Scale of the Super Absorbent Polymer Market 3.04 million tons



SAP Sheets

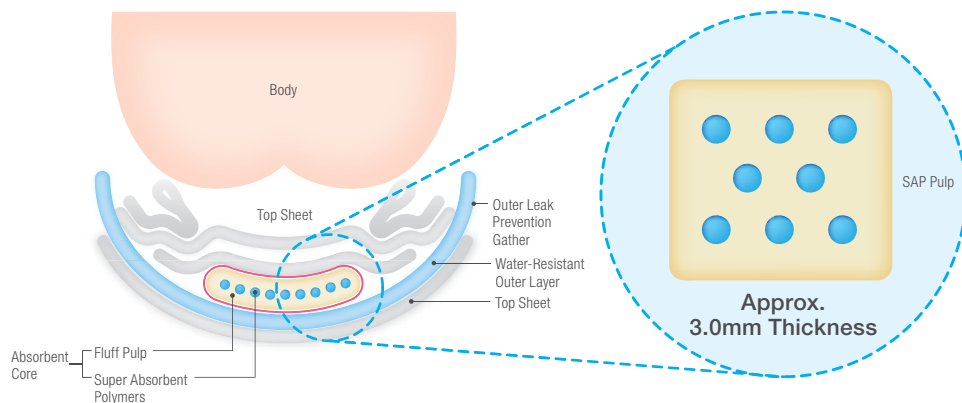
"SAP sheets (SAP = super absorbent polymer)" are the sheet-like structures that make up the absorbent body in disposable diapers.

Use of SAP sheets allows for cutting down on initial costs, while easily creating a top quality diaper when compared to conventional types. This is why local manufacturers, predominantly in China, are increasing their adoption of SAP sheet materials.

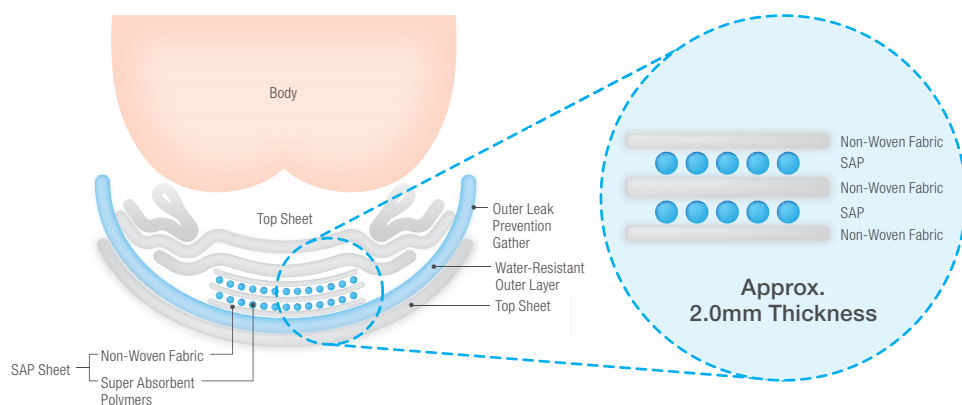
SAP sheets also deliver a thinner absorbent body relative to standard diapers, which provides for a reduction in transport capacity as well as for the amount of natural materials (pulp) used. This contributes to lowering the product's environmental impact, making it a more eco-friendly alternative.

Sumitomo Seika's AQUA KEEP rapidly absorbs urine, which is why it has been highly regarded as the perfect super absorbent polymer for SAP sheets.

Structure of Conventional Disposable Diapers



Structure of Disposable Diapers using SAP sheets





Outline

Our Functional Chemicals Division focuses on a range of fields, including medical care, the environment, daily living, and energy. Here, we provide products and services with the aim of improving customer satisfaction and achieving our goal for sustainable development. We are expanding our business based on Sumitomo Seika's key technical strengths of advanced functionality in thickening and binding and cutting-edge technology centered on

polymerization, organic synthesis, and fine particle creation. Our products have been widely adopted in numerous everyday articles that are essential to daily life. These include medical products, such as pharmaceutical additives and gloves, cosmetics for hair and skin care, rechargeable lithium ion batteries for smartphones and electric vehicles, and coating agents and paints for fences and shopping carts.

Major Product Fields



■ Medical Care

We have long been involved in the production of pharmaceutical intermediates (active ingredients) in compliance with good manufacturing practices (GMP), and provide a wide variety of materials used in pharmaceutical additives and the production of medical gloves. We are currently focusing on improving our pharmaceutical additives and are widely recognized by our customers for the exceptional functionality, quality control, and additive GMP we deliver.



■ Daily Living

We provide various materials for improving quality of life, such as water-soluble thickeners that are essential for cosmetics and toiletries and coating agents for increasing weather resistance on outdoor fences. We are also actively working on developing new lines of environmental-friendly products.



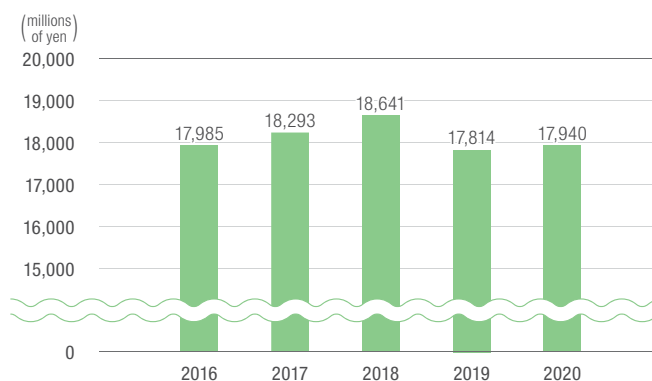
■ Energy & the Environment

We research, develop, and supply the materials used in large capacity batteries that are indispensable to electric vehicles. Using the proprietary technology we have cultivated over the years, we work to further contribute to the advanced technologies used in environmental and energy-related fields.

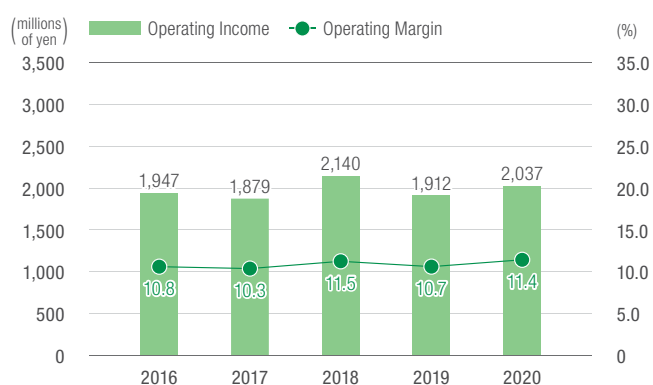
Business Performance Functional Chemicals

Net sales increased by 0.7% from the previous fiscal year to 17,940 billion yen, and operating income also increased by 6.5% to 2,037 billion yen. This was attributable primarily to an increase in sales volume of latex products and pharmaceutical intermediates.

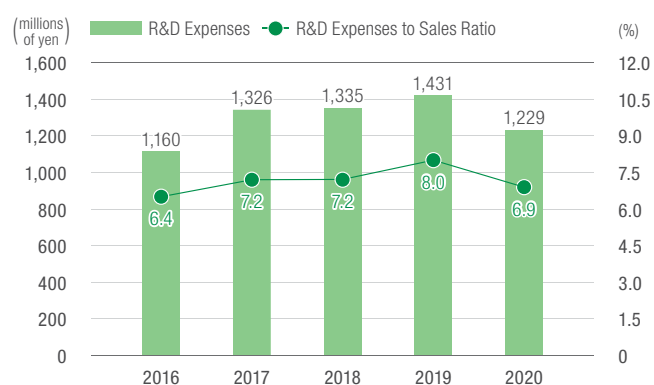
Net Sales



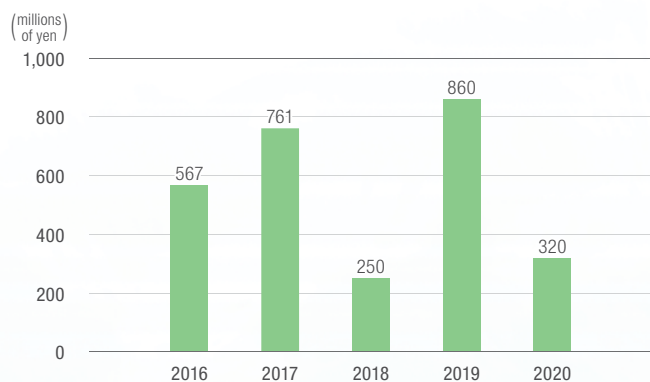
Operating Income & Operating Margin



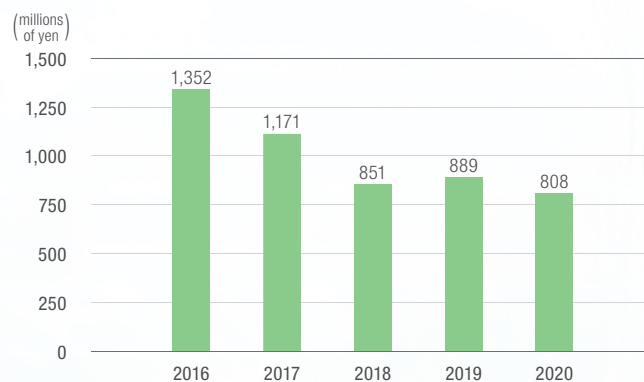
R&D Expenses / R&D Expenses to Sales Ratio



Capital Expenditure



Depreciation Expense



Financial Performance

(millions of yen)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net Sales	17,985	18,293	18,641	17,814	17,940
Operating Income	1,947	1,879	2,140	1,912	2,037
Operating Margin (%)	10.8	10.3	11.5	10.7	11.4
R&D Expenses	1,160	1,326	1,335	1,431	1,229
R&D Expenses to Sales Ratio	6.4	7.2	7.2	8.0	6.9
Capital Expenditure	567	761	250	860	320
Depreciation Expense	1,352	1,171	851	889	808



Outline

Sumitomo Seika's Gases & Engineering Division provides an extensive range of products. These include: electronics gases for the production of electronic parts such as semiconductors; sulfur compounds used as materials for producing pharmaceuticals,

agricultural chemicals, and other compounds; standard gases that serve as analytical standards for monitoring environmental pollution; and PSA gas generators used to separate and refine gas components found in the air and chemical processes.

Major Products



■ Electronics Gases

Our high-purity special material gases are used for deposition, etching, and other processes for semiconductor devices like semiconductor memories and logic ICs. Our electronics gases have undergone the ultimate in refinement and impurity reduction processes and enjoy exceptional popularity worldwide thanks to their superior quality.



■ Industrial Chemicals

We produce various types of sulfur-based industrial chemicals. Sulfolane serves as a cleaning solvent for resists used in the semiconductor fabrication process and as a solvent for refining and extracting various aromatic compounds. Thiophenol and thionyl chloride are used as materials for producing pharmaceuticals, agricultural chemicals, and numerous other compounds.



■ Specialty Gases

Standard gases serve as analytical standards for monitoring various types of environmental pollution and are pivotal in almost every industry that uses gases. Our standard gases are used in a wide variety of applications, from R&D to production, in fields aimed at controlling air pollution, factory smoke emissions, automobile exhaust, and more. They deliver a high level of reliability and consistently stable concentrations.



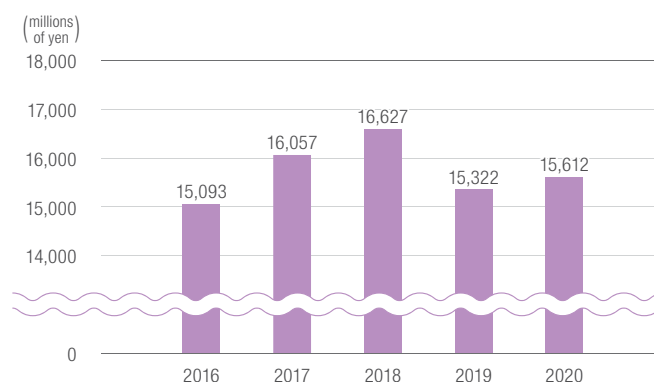
■ PSA Equipment

PSA gas generators utilize differences in adsorption properties among various gases to separate target gases through an alternating cycle of pressurization and decompression. We are capable of refining many types of gases using PSA gas generators. Separated gases are then applied to a wide variety of products, from food and beverages (e.g. CO₂ for beer) to industrial products such as fuel cells (hydrogen).

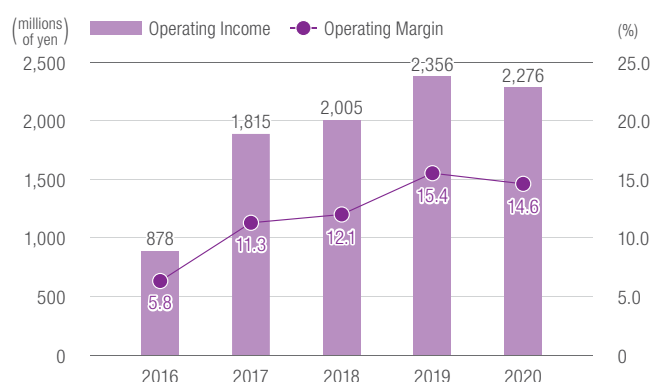
Business Performance Gases & Engineering

Net sales grew by 1.9% over the previous fiscal year to 15,612 billion yen, while operating income decreased by 3.4% to 2,276 billion yen. The net sales increase was attributable to a rise in sales volume of electronics gases, etc., while the operating income decline was owing mainly to a decrease in demand for gases for food additives from restaurants that kept their operation reduced as a result of the ever spreading coronavirus infections.

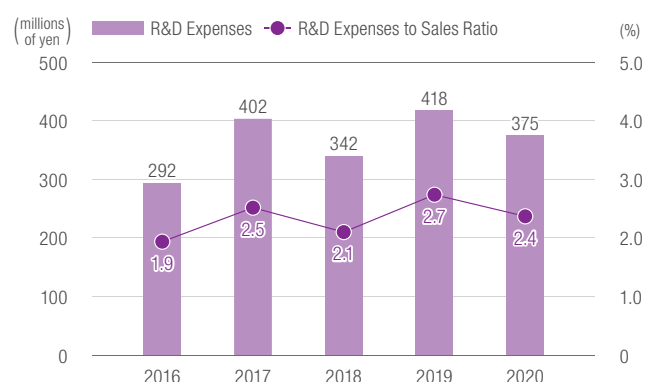
Net Sales



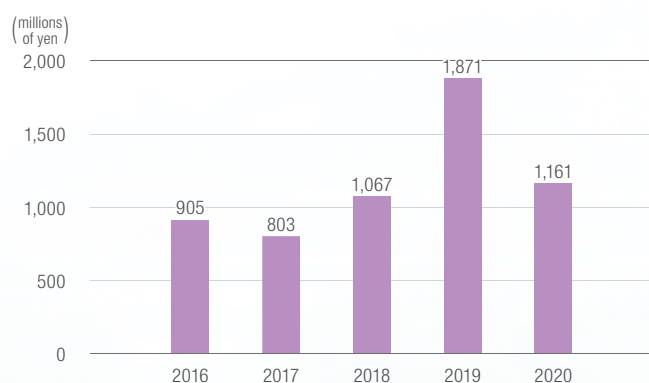
Operating Income & Operating Margin



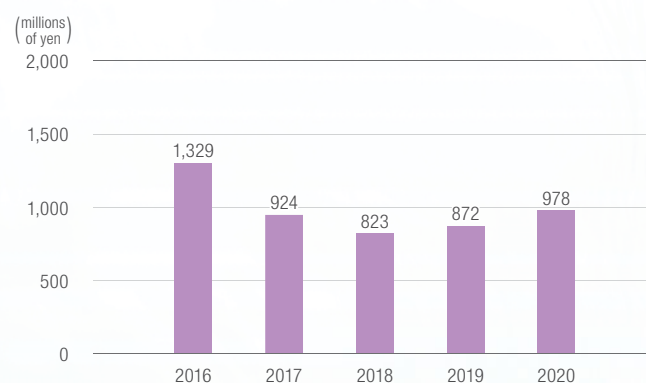
R&D Expenses / R&D Expenses to Sales Ratio



Capital Expenditure



Depreciation Expense



Financial Performance

(millions of yen)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net Sales	15,093	16,057	16,627	15,322	15,612
Operating Income	878	1,815	2,005	2,356	2,276
Operating Margin (%)	5.8	11.3	12.1	15.4	14.6
R&D Expenses	292	402	342	418	375
R&D Expenses to Sales Ratio	1.9	2.5	2.1	2.7	2.4
Capital Expenditure	905	803	1,067	1,871	1,161
Depreciation Expense	1,329	924	823	872	978

Business Topics

Strengthening Our Business Structure in China

In July 2020, we changed both the entity designation and name of our Chinese subsidiary Sumitomo Seika Trading (Shanghai) Co., Ltd. to “holding company” and “Sumitomo Seika (China) Co., Ltd.” respectively. Sumitomo Seika (China) Co., Ltd. now acts as a regional headquarter for our group within China. In addition to Sumitomo Seika (China) Co., Ltd.’s subsidiary Sumisei Polymers Technology (Shanghai) Co., Ltd., which provides technical services for super absorbent polymers and materials used in batteries, we plan on adding Sumisei Technology (Yangzhou) Co., Ltd., which is currently preparing to initiate a new contract manufacturing business, as another subsidiary to the company. We have also established Sumisei International Trading (Shanghai) Co., Ltd. in Shanghai’s Pilot Free-Trade Zone in order to streamline our commercial distribution channels and increase our marketing opportunities in China. Furthermore, we are planning to set up a new technical service base in the South China region where the majority of our major customers for super absorbent polymers are concentrated. By taking these measures, we intend not only to strengthen the structure of our business operations in China, but also to further expand our group’s China-based businesses beginning with our super absorbent polymers.



Facility Expansion for High-purity Carbon Monoxide (CO)

In recent years, we have seen growing demand for our high-purity carbon monoxide (CO) material gases for semiconductors, due to the increased level of stacking in 3D NAND flash memories. To meet this demand, we increased our domestic production capacity for high-purity carbon monoxide in 2019, and in 2022, we are planning to construct additional manufacturing facilities in Korea at our wholly-owned subsidiary Sumisei Chemical Co., Ltd. (Korea). By establishing these systems for mass production both inside and outside Japan, we aim to ensure a stable supply of this product so as to address its growing demand.



Sumisei Chemical Co., Ltd. (Korea)

Promoting the White Logistics Movement

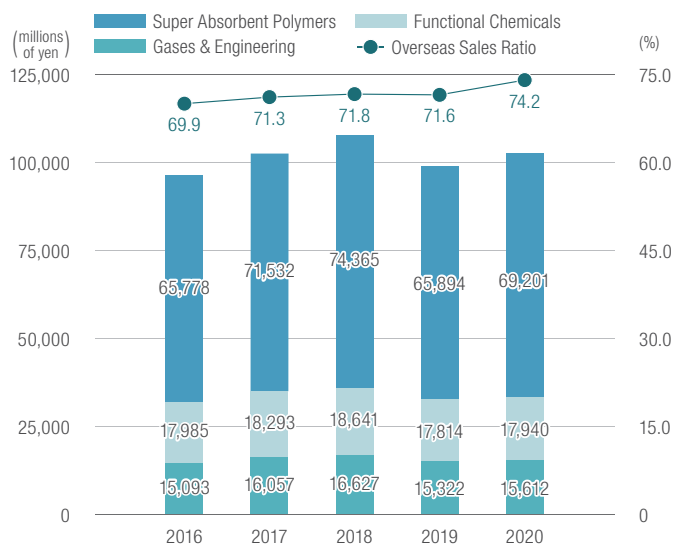
In December 2019, Sumitomo Seika affirms the principles of White Logistics Movement advocated by the Ministry of Land, Infrastructure, and Transport, the Ministry of Economy, Trade, and Industry, and the Ministry Agriculture, Forestry, and Fisheries. Based on our declaration of voluntary action and in recognition of the importance of ensuring stable access to the logistics necessary for business, we are working to realize a sustainable logistics framework through actions that include: safety measures for logistics staff during the loading and unloading of cargo, distribution of bases for long-distance transportation and a modal shift to ship and railway-based transport, and improved safety through the suspension or cancellation of transportation operations in the event of abnormal weather, etc. Through all this and more, we are strategically working to improve our logistics operations based on mutual understanding and cooperation with all relevant parties, from our customers to the logistics companies themselves.



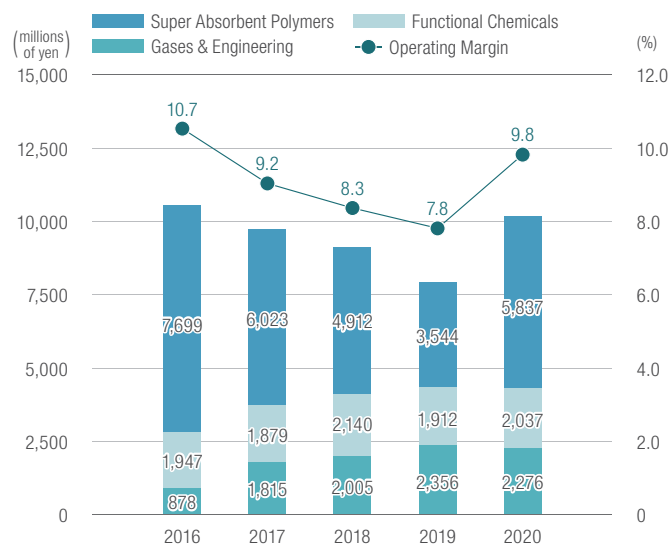
Financial Highlights

Financial Performance

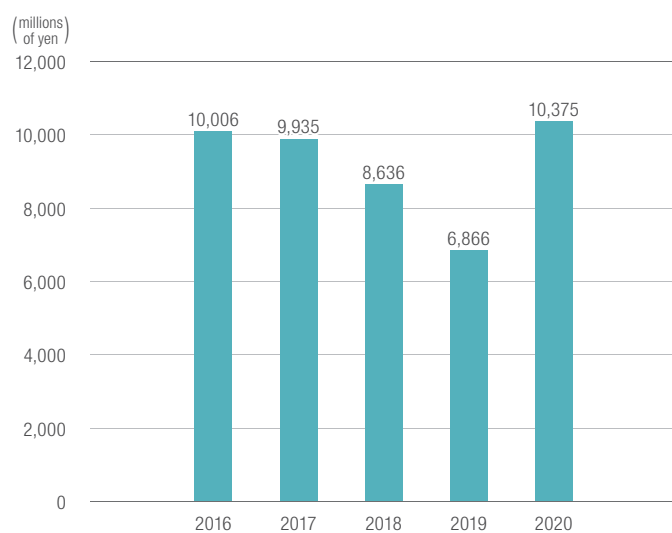
Net Sales



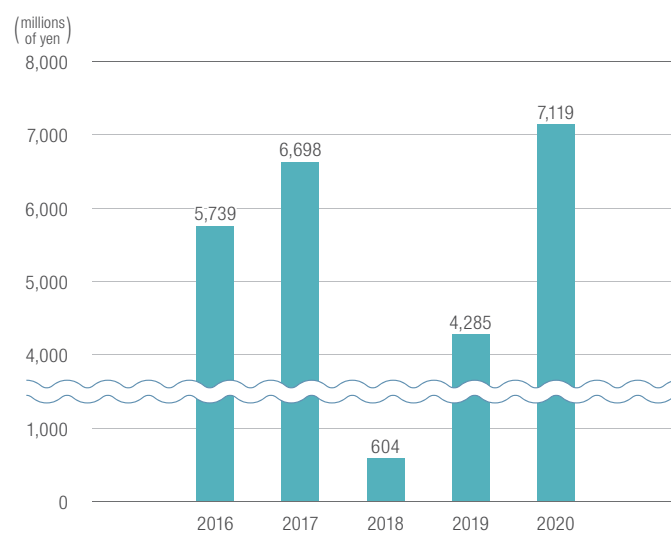
Operating Income & Operating Margin



Ordinary Income



Net Income Attributable to Owners of the Parent

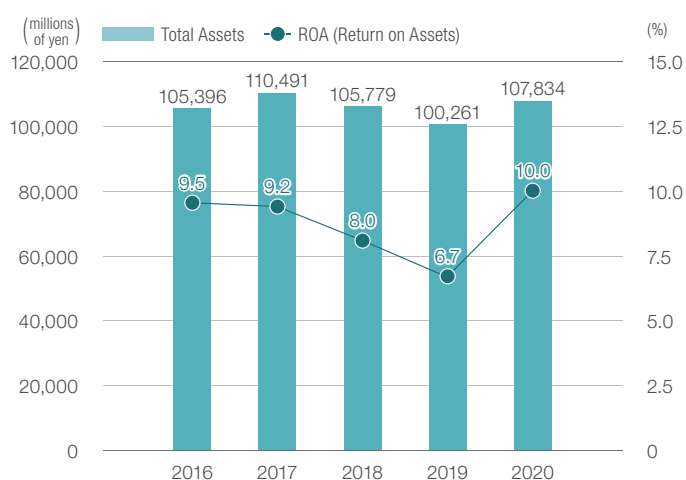


(millions of yen)

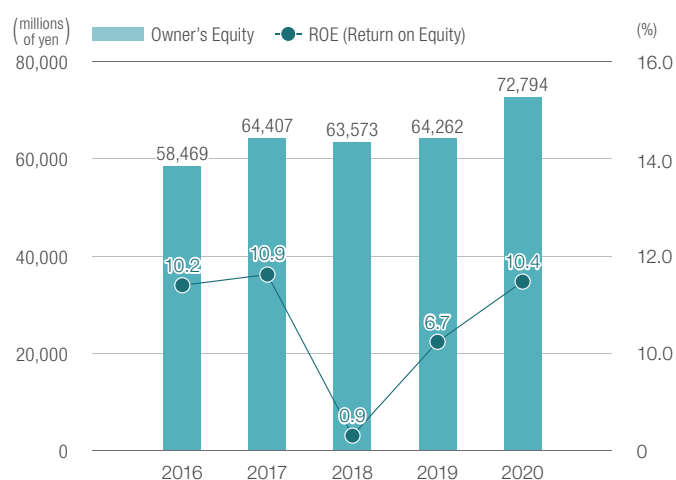
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net Sales	98,857	105,883	109,634	99,701	103,254
Overseas Sales Ratio (%)	69.9	71.3	71.8	71.6	74.2
Operating Income	10,541	9,734	9,072	7,775	10,101
Operating Margin (%)	10.7	9.2	8.3	7.8	9.8
Ordinary Income	10,006	9,935	8,636	6,866	10,375
Net Income Attributable to Owners of the Parent	5,739	6,698	604	4,285	7,119

Financial Position

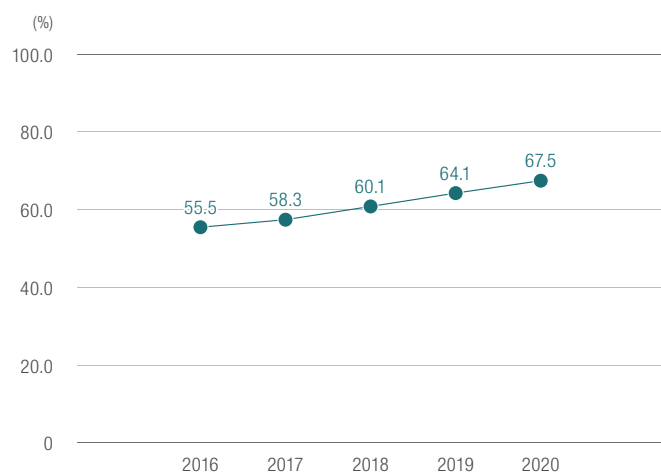
Total Assets / ROA (Return on Assets)



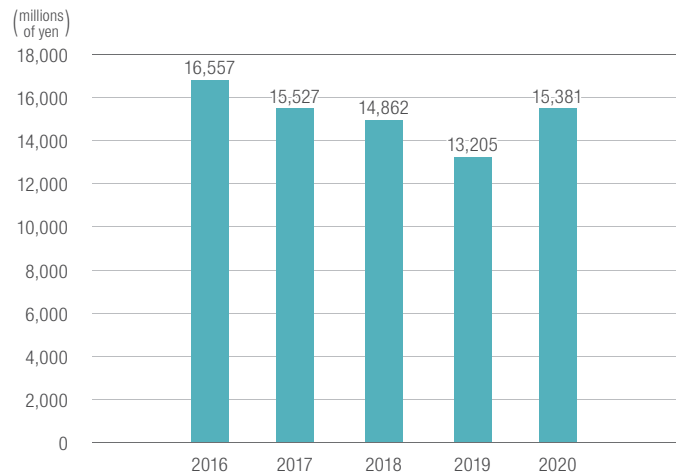
Owner's Equity / ROE (Return on Equity)



Equity Ratio



EBITDA



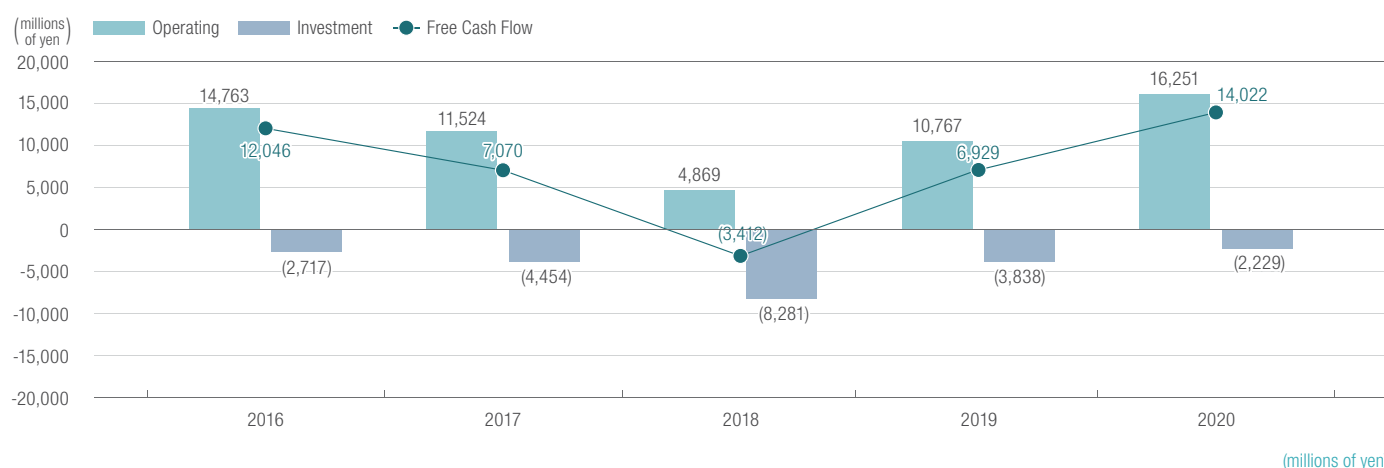
(millions of yen)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Total Assets	105,396	110,491	105,779	100,261	107,834
ROA (Return on Assets) (%)	9.5	9.2	8.0	6.7	10.0
Owner's Equity	58,469	64,407	63,573	64,262	72,794
ROE (Return on Equity) (%)	10.2	10.9	0.9	6.7	10.4
Equity Ratio (%)	55.5	58.3	60.1	64.1	67.5
EBITDA	16,557	15,527	14,862	13,205	15,381
Bank Borrowings Balance	25,569	21,686	19,192	14,430	13,608
Debt / Equity Ratio (times)	0.4	0.3	0.3	0.2	0.2

Financial Highlights

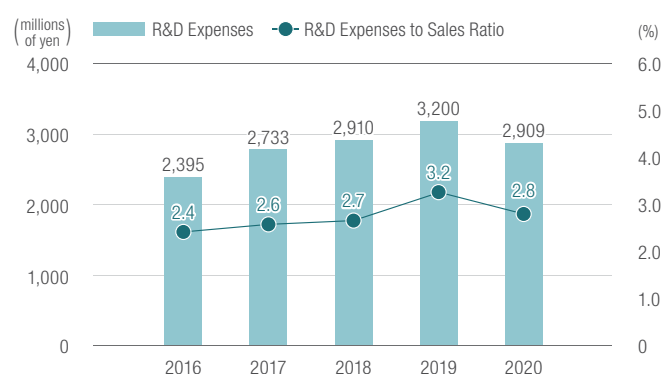
Cash Flow, Capital Expenditure / Depreciation & R&D Expenses

Cash Flow (Operating, Investment)

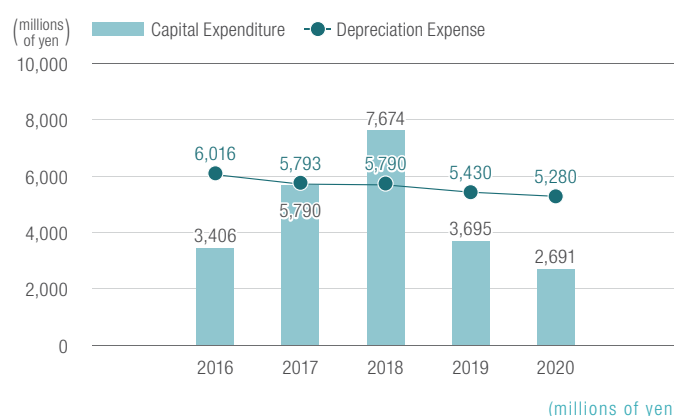


	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Cash Flow from Operating Activities	14,763	11,524	4,869	10,767	16,251
Cash Flow from Investment Activities	(2,717)	(4,454)	(8,281)	(3,838)	(2,229)
Free Cash Flow	12,046	7,070	(3,412)	6,929	14,022
Cash Flow from Financing Activities	(7,460)	(5,781)	(3,558)	(5,564)	(3,264)
Cash and Cash Equivalents at the End of the Year	18,401	19,229	12,788	14,279	25,266

R&D Expenses / R&D Expenses to Sales Ratio



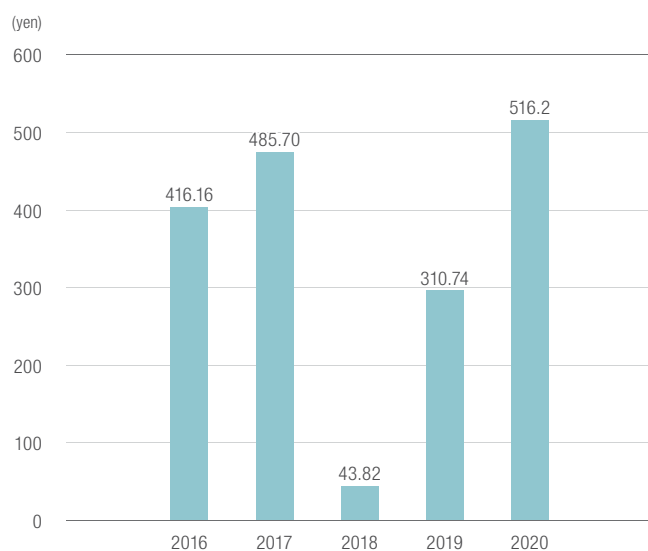
Capital Expenditure / Depreciation Expense



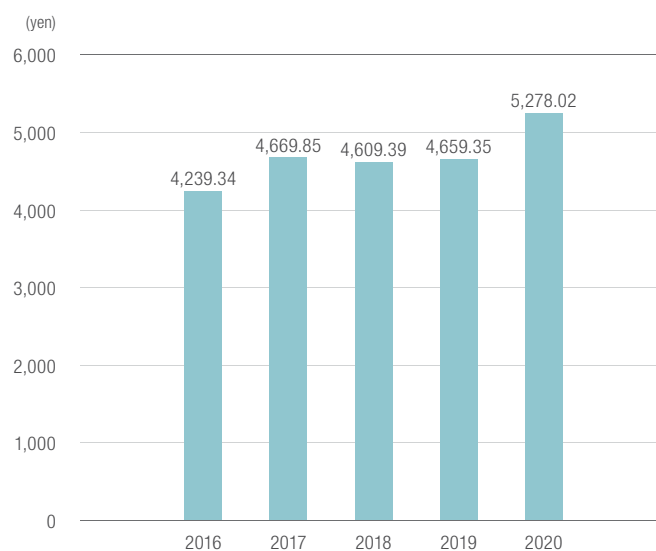
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
R&D Expenses	2,395	2,733	2,910	3,200	2,909
R&D Expenses to Sales Ratio (%)	2.4	2.6	2.7	3.2	2.8
Capital Expenditure	3,406	5,790	7,674	3,695	2,691
Depreciation Expense	6,016	5,793	5,790	5,430	5,280

Per Share Data

Net Income Per Share for the Term



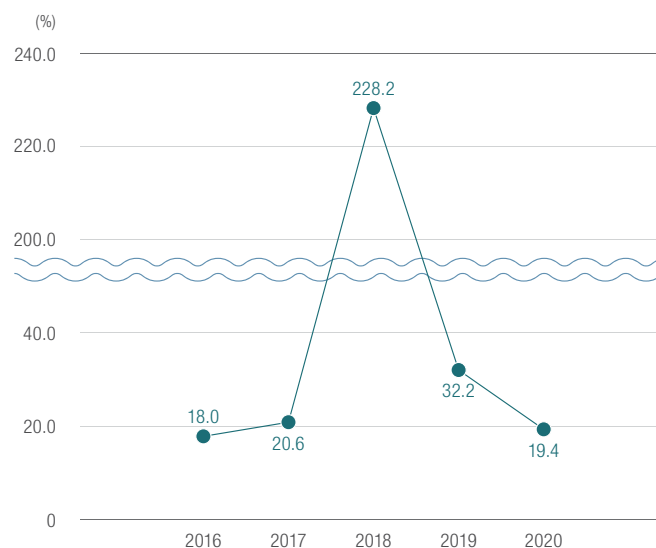
Net Assets Per Share



Dividends Per Share



Dividends Payout Ratio



	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net Income Per Share for the Term (yen)	416.16	485.70	43.82	310.74	516.2
Net Assets Per Share (yen)	4,239.34	4,669.85	4,609.39	4,659.35	5,278.02
Dividends Per Share (yen)	75	100	100	100	100
Dividends Payout Ratio (%)	18.0	20.6	228.2	32.2	19.4
Total Dividends (millions of yen)	1,034	1,379	1,379	1,379	1,379

(Note) The Company consolidated every five shares into a single share on October 1, 2016 with a change in the number of shares per unit from 1,000 to 100 shares. The figures and charts for September 2016 and earlier have been adjusted to account for the share consolidation implemented at the time.

Consolidated Balance Sheet

(millions of yen)

	End of Fiscal 2016	End of Fiscal 2017	End of Fiscal 2018	End of Fiscal 2019	End of Fiscal 2020
Assets					
Current Assets					
Cash & Deposits	18,931	20,212	13,979	15,366	25,657
Notes & Accounts Receivable-Trade	23,333	24,965	26,898	23,208	24,217
Inventories	12,035	13,456	17,329	17,891	16,468
Others	3,260	3,415	3,178	2,974	1,820
Non-Current Assets					
Property, Plants & Equipment	42,559	42,496	39,752	36,576	34,775
Intangible Assets	322	287	219	268	233
Investments & Other Assets	4,951	5,656	4,422	3,975	4,661
Total Assets	105,396	110,491	105,779	100,261	107,834
Liabilities					
Current Liabilities					
Notes & Accounts Payable-Trade	12,250	14,420	13,738	11,945	10,841
Short-Term Loans Payable	10,368	15,690	15,280	10,866	10,674
Others	5,453	6,711	5,524	4,931	5,933
Non-Current Liabilities					
Long-Term Loans Payable	15,200	5,996	3,912	3,564	2,934
Others	1,235	1,092	1,321	2,220	1,957
Total Liabilities	44,512	43,914	39,777	33,530	32,343
Net Assets					
Shareholders' Equity					
Paid in Capital	9,698	9,698	9,698	9,698	9,698
Capital Surplus	7,539	7,539	7,539	7,539	7,539
Retained Earnings	38,740	44,232	43,458	46,364	52,104
Treasury Stock	(260)	(261)	(261)	(261)	(261)
Total Shareholders' Equity	55,717	61,208	60,433	63,340	69,080
Accumulated Other Comprehensive Income					
Valuation Difference on Available-for-Sale Securities	588	761	616	281	685
Foreign Currency Translation Adjustment	1,946	1,779	1,916	514	2,252
Remeasurements of Net Defined Benefit Plans	218	657	606	125	776
Non-Controlling Interests	2,414	2,169	2,429	2,468	2,696
Total Net Assets	60,884	66,576	66,002	66,730	75,491
Liabilities and Net Assets	105,396	110,491	105,779	100,261	107,834

Consolidated Income Statement

(millions of yen)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net Sales	98,857	105,883	109,634	99,701	103,254
Operating Income	10,541	9,734	9,072	7,775	10,101
Non-Operating Income					
Interest Income & Dividends Income	150	202	257	250	133
Foreign Exchange Gain	-	13	-	-	87
Others	151	181	191	252	363
Subtotal	302	398	450	503	584
Non-Operating Expenses					
Interest Expenses	179	172	157	225	255
Foreign Exchange Loss	646	-	699	1,120	-
Others	11	25	28	67	55
Subtotal	837	198	885	1,412	310
Ordinary Income	10,006	9,935	8,636	6,866	10,375
Extraordinary Gain					
Gain on Sales of Investment Securities	-	38	-	-	47
Gain on Sales of Non-Current Assets	-	-	241	32	34
Others	-	-	117	-	-
Subtotal	-	38	358	32	81
Extraordinary Loss					
Loss on Retirement of Non-Current Assets	153	229	276	284	88
Loss on Sales of Non-Current Assets	16	-	-	-	-
Impairment Loss	1,179	-	4,040	176	703
Others	-	-	113	-	-
Subtotal	1,349	229	4,430	461	791
Income Before Income Taxes	8,657	9,745	4,564	6,437	9,665
Total Income Tax Expenses for the Period	2,747	2,934	3,804	2,054	2,331
Net Income	5,909	6,810	760	4,382	7,334
Net Income Attributable to Non-Controlling Interests	169	111	156	97	214
Net Income Attributable to Owners of the Parent	5,739	6,698	604	4,285	7,119

Consolidated Statement of Cash Flow

(millions of yen)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Cash Flow from Operating Activities					
Income Before Income Taxes	8,657	9,745	4,564	6,437	9,665
Depreciation Expense	6,016	5,793	5,790	5,430	5,280
Loss on Retirement of Non-Current Assets	74	107	88	145	51
Impairment Loss	1,179	-	4,040	176	703
Decrease (Increase) in Net Defined Benefit Assets	147	18	(113)	(172)	(153)
Increase (Decrease) in Net Defined Benefit Liabilities	75	309	245	228	100
Interest Income & Dividends Income	(151)	(203)	(258)	(250)	(133)
Subsidy Income	-	(98)	(154)	(172)	(290)
Interest Expenses	179	172	157	225	255
Loss (Gain) on Sales of Non-Current Assets	16	-	(241)	(32)	(34)
Loss (Gain) on Sales of Available-for-Sale Securities	-	(38)	-	-	(47)
Decrease (Increase) in Notes and Accounts Receivable-Trade	(3,580)	(1,447)	(2,049)	3,166	(228)
Decrease (Increase) in Inventories	2,510	(1,266)	(4,149)	(1,056)	2,004
Increase (Decrease) in Notes and Accounts Payable-Trade	2,275	2,152	(669)	(1,666)	(1,321)
Others	(143)	(751)	210	451	1,834
Subtotal	17,257	14,492	7,462	12,910	17,688
Interest and Dividends Income Received	150	202	258	251	130
Subsidy Income Received	-	81	172	143	290
Interest Expenses Paid	(178)	(171)	(173)	(228)	(243)
Others	-	-	99	-	-
Income Tax Paid	(2,466)	(3,080)	(2,948)	(2,308)	(1,613)
Total Cash Flow from Operating Activities	14,763	11,524	4,869	10,767	16,251
Cash Flow from Investment Activities					
Purchase of Non-Current Assets	(2,883)	(4,061)	(8,360)	(3,880)	(3,074)
Proceeds from Sales of Non-Current Assets	21	-	289	42	34
Proceeds from Sales of Available-for-Sale Securities	-	108	-	-	68
Others	143	(502)	(210)	0	741
Total Cash Flow from Investment Activities	(2,717)	(4,454)	(8,281)	(3,838)	(2,229)
Cash Flow from Financing Activities					
Net Increase (Decrease) in Short-Term Loans Payable	(5,840)	544	5,054	962	(1,722)
Proceeds from Long-Term Loans Payable	-	999	2,991	-	-
Repayment of Long-Term Loans Payable	(211)	(5,839)	(10,200)	(5,000)	-
Purchase of Treasury Stock	(1)	(0)	(0)	(0)	(0)
Repayments of Lease Obligations	(71)	(56)	(24)	(147)	(161)
Cash Dividends Paid	(1,034)	(1,207)	(1,378)	(1,378)	(1,380)
Cash Dividends Paid to Non-Controlling Interests	(301)	(220)	-	-	-
Total Cash Flow from Financing Activities	(7,460)	(5,781)	(3,558)	(5,564)	(3,264)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(502)	(460)	528	126	229
Net Increase (Decrease) in Cash and Cash Equivalents	4,083	827	(6,441)	1,491	10,987
Cash and Cash Equivalents at the Beginning of the Period	14,318	18,401	19,229	12,788	14,279
Cash and Cash Equivalents at the End of the Period	18,401	19,229	12,788	14,279	25,266

Consolidated Comprehensive Income Statement

(millions of yen)

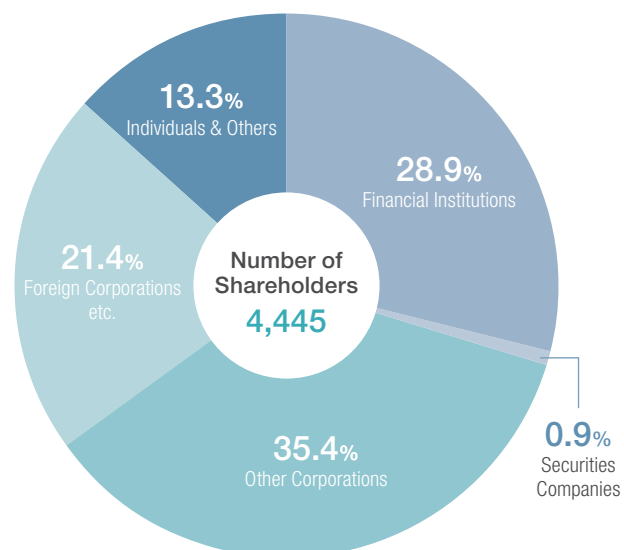
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net Income	5,909	6,810	760	4,382	7,334
Other Comprehensive Income					
Valuation Difference on Available-for-Sale Securities	258	173	(145)	(334)	404
Foreign Currency Translation Adjustment	(576)	(302)	240	(1,425)	1,751
Remeasurements of Net Defined Benefit Plans	498	438	(50)	(480)	650
Total Other Comprehensive Income	180	310	44	(2,240)	2,805
Comprehensive Income	6,090	7,120	805	2,142	10,140
(Breakdown)					
Comprehensive Income Attributable to Owners of the Parent	5,957	7,144	545	2,103	9,911
Comprehensive Income Attributable to Non-Controlling Interests	132	(23)	259	39	228

Company & Investors Information

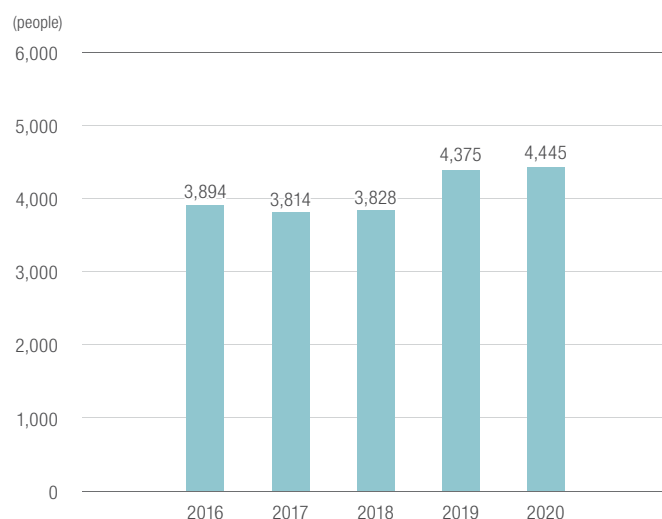
Stock Information (as of March 31, 2020)

Paid in Capital	9,698 million yen
Total Number of Shares Authorized to be Issued by the Company	40,000,000
Number of Shares Issued	13,972,970
Closing Date	March 31
Share Unit Number	100
Annual Shareholders Meeting	Held annually in June
Number of Shareholders	4,445
Traded at	Tokyo Stock Exchange (First Section)
Shareholder Registry Administrator	4-5-33 Kitahama, Chuo-ku, Osaka 541-0041, Japan Sumitomo Mitsui Trust Bank, Limited
Securities Code	4008
Credit Rating	R&I BBB+

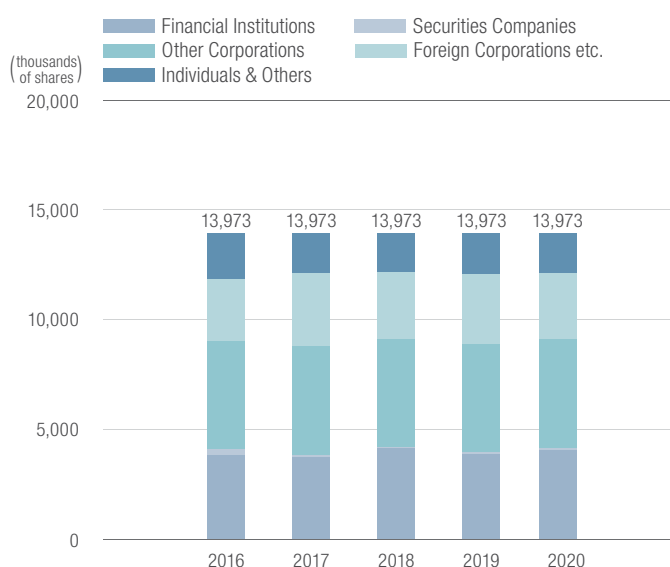
Shareholder Distribution



Trends in Number of Shareholders

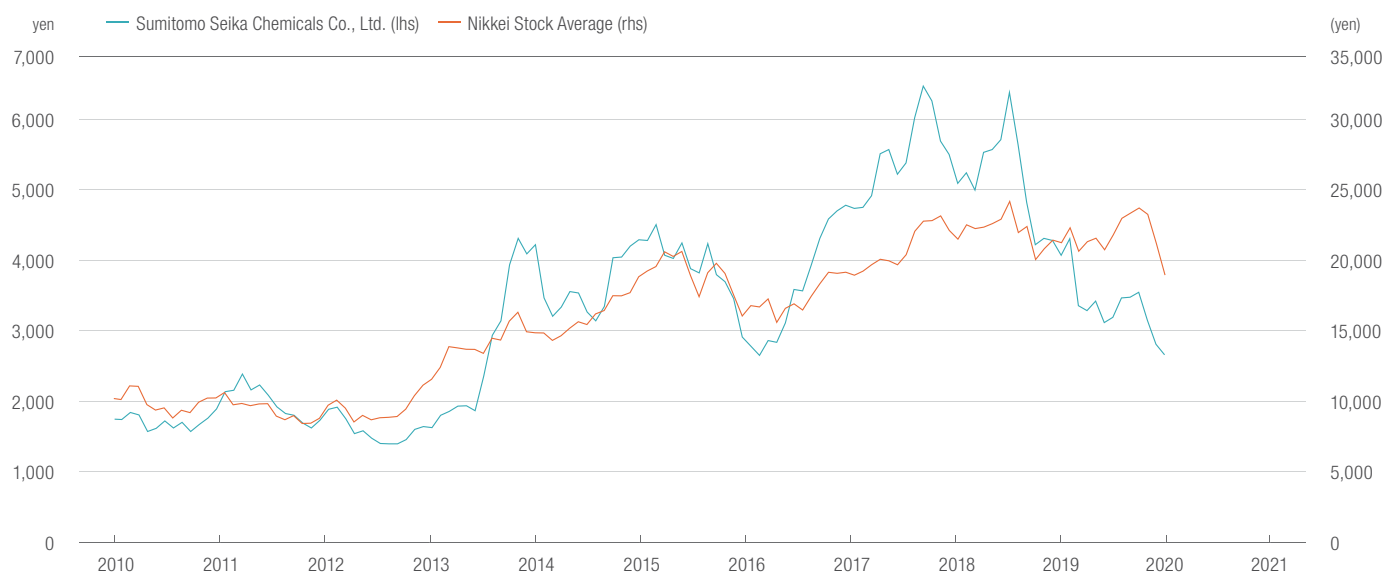


Trends in Shareholder Distribution



	End of Fiscal 2016	End of Fiscal 2017	End of Fiscal 2018	End of Fiscal 2019	End of Fiscal 2020
Trends in Number of Shareholders	3,894	3,814	3,828	4,375	4,445
Trends in Shareholder Distribution (thousands of shares)	13,973	13,973	13,973	13,973	13,973
Financial Institutions	3,787	3,698	4,094	3,815	4,045
Securities Companies	275	81	77	117	130
Other Corporations	4,979	4,971	4,969	4,955	4,952
Foreign Corporations etc.	2,858	3,372	3,019	3,175	2,985
Individuals & Others	2,074	1,851	1,814	1,912	1,861

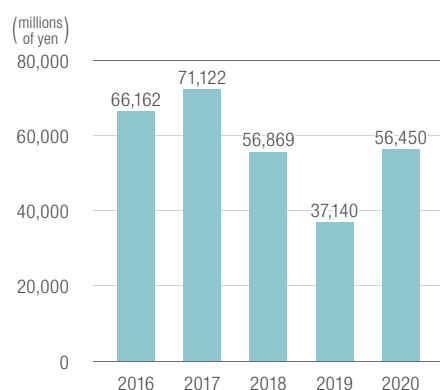
Trends in Nikkei Stock Average and Share Prices of Sumitomo Seika



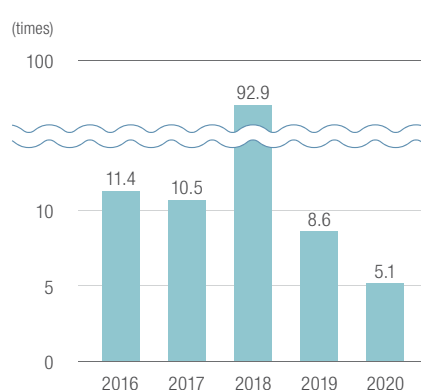
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Annual Highest Stock Price	5,070	7,170	6,520	4,445	4,505
Annual Lowest Stock Price	2,415	4,355	3,765	2,251	2,426
Stock Price at the End of the Period	4,735	5,090	4,070	2,658	4,040
Annual Turnover (shares)	11,818,200	10,458,200	7,134,900	7,359,600	5,850,400

(yen)

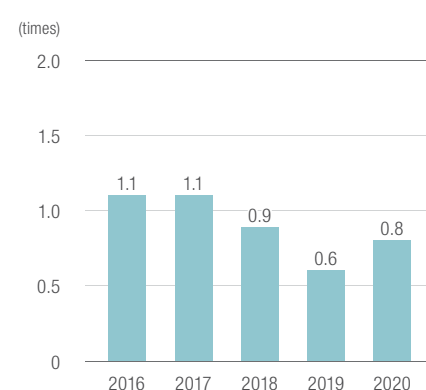
Market Capitalization



Price Earnings Ratio (PER)



Price Book-Value Ratio (PBR)



	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Market Capitalization (millions of yen)	66,162	71,122	56,869	37,140	56,450
Price Earnings Ratio (PER) (times)	11.4	10.5	92.9	8.6	5.1
Price Book-Value Ratio (PBR) (times)	1.1	1.1	0.9	0.6	0.8



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<https://www.sumitomoseika.co.jp/en/>

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