

Fiscal Year 2021 2Q Financial Results Briefing

November 8, 2021

OGAWA Ikuzo, President

INDEX

Financial Highlights 3-8

Financial Forecasts 9-11

Dividend Policy 12

Topics 13-17

Acquisition of Own Shares
Super Absorbent Polymers
Functional Chemicals/Gases & Engineering
Products in Development

Company Outline 18-22



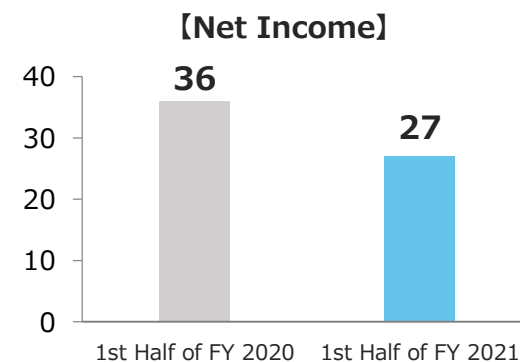
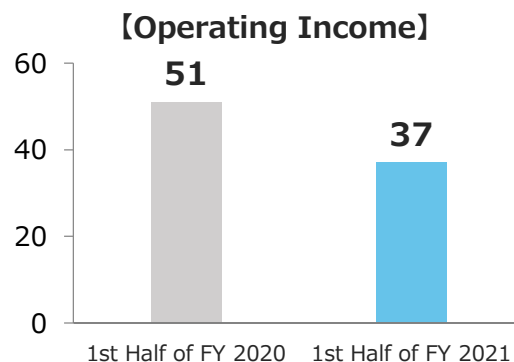
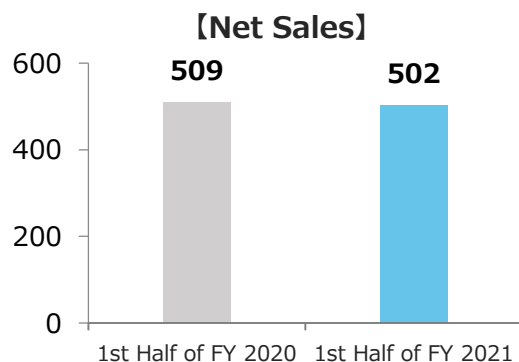
Temporary increase in sales volume for the same quarter Y-o-Y with a decrease in revenue due to customer inventory adjustments in the current quarter for SAPs in the Chinese Market

Decrease in profit

due to higher raw material and logistics costs, in addition to lower sales volumes, among other factors

(in units of 100 million JPY)

	1 st Half of FY 2020	1 st Half of FY 2021	Y-o-Y Change	Y-o-Y Change (%)
Net Sales	509	502	(7)	(1.3%)
Operating Income	51	37	(14)	(27.0%)
Ordinary Income	49	37	(12)	(24.1%)
Net Income Attributable to Owners of the Parent	36	27	(9)	(25.0%)
JPY/USD	106.92	109.81		
JPY/CN	15.26	16.99		
Naphtha Price (JPY/KL)	27,600	50,600		



Net Sales and Operating Income by Business Segment

(in units of 100 million JPY)

		1 st Half of FY 2020	1 st Half of FY 2021	Y-o-Y Change	Y-o-Y Change (%)
Super Absorbent Polymers	Net Sales	341.4	324.4	(17.0)	(5.0%)
	Operating Income	34.1	11.5	(22.6)	(66.2%)
Functional Chemicals	Net Sales	88.4	94.7	6.3	7.2%
	Operating Income	8.1	14.6	6.5	80.6%
Gases & Engineering	Net Sales	76.6	80.6	4.0	5.2%
	Operating Income	9.1	11.7	2.6	29.0%
Others	Net Sales	2.5	2.4	(0.1)	(2.9%)
	Operating Income	(0.3)	(0.6)	(0.3)	(132.2%)
Total	Net Sales	508.8	502.0	(6.8)	(1.3%)
	Operating Income	51.1	37.3	(13.8)	(27.0%)

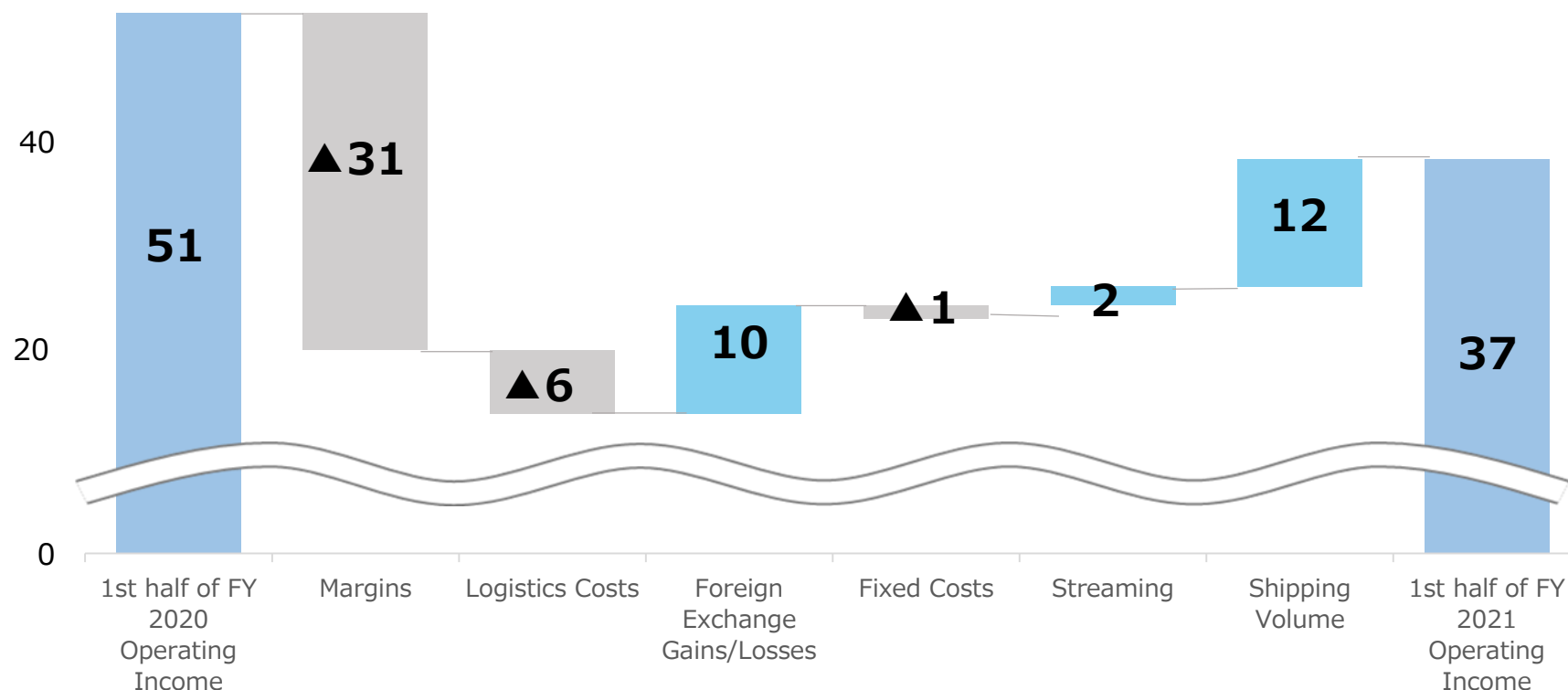
Operating income totals include inter-segment eliminations.

Super Absorbent Polymers	:	Temporary increase in sales volume for same quarter Y-o-Y with a decrease in revenue due to customer inventory adjustments in the current quarter for the Chinese market. Decrease in profit due to higher raw material and logistics costs, in addition to lower sales volumes.
Functional Chemicals	:	Increase in revenue and profit due to an increase in sales volume for powdered resins, latex products, and pharmaceutical intermediates, among other factors.
Gases & Engineering	:	Increase in revenue and profit due to an increase in sales volume for material gases used for semiconductors, among other factors.



Decrease in profit for super absorbent polymers due to higher logistics costs and a shrinking spread caused by an increase in raw material prices

(in units of 100 million JPY)





(in units of 100 million JPY)

	1 st Half of FY 2020	1 st Half of FY 2021	Y-o-Y Change
Interest Income & Dividends Income	0.7	0.6	(0.1)
Interest Expenses	(1.1)	(1.3)	(0.3)
Foreign Exchange Gain/Loss	(2.3)	(0.0)	2.3
Others	0.5	0.6	0.1
Total of Non-Operating Income/Expense	(2.1)	(0.1)	2.0
Loss on Retirement of Non-Current Assets	(0.5)	(0.6)	0.1
Total of Extraordinary Gain/Loss	(0.5)	(0.6)	0.1



(in units of 100 million JPY)

	End of FY 2020	End of FY 2021 2Q	Y-o-Y Change
Current Assets	682	731	50
Cash & Deposits	(257)	(274)	(17)
Notes & Accounts Receivable-Trade	(242)	(213)	((29))
Inventory	(165)	(225)	(60)
Fixed Assets	397	389	(7)
Property, Plants & Equipment	(348)	(340)	((8))
Investments & Other Assets	(47)	(47)	(0)
Total Assets	1,078	1,121	42

Balance Sheet (Liabilities & Net Assets)



SUMITOMO SEIKA

(in units of 100 million JPY)

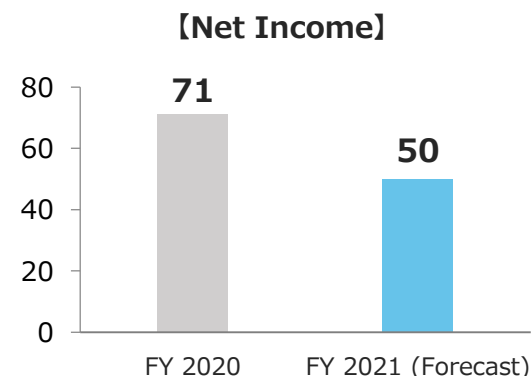
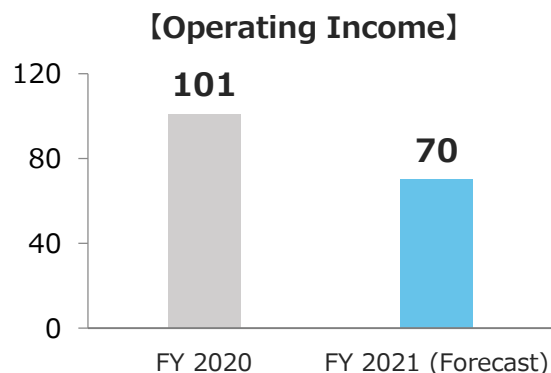
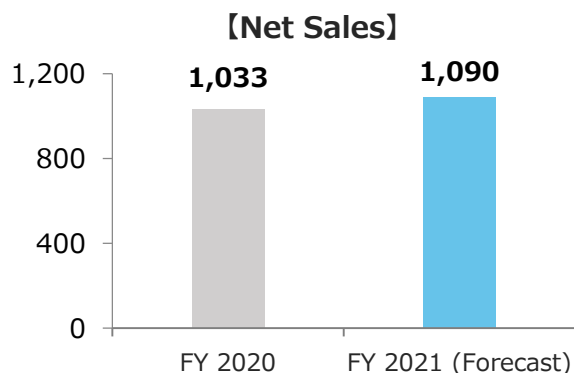
	End of FY 2020	End of FY 2021 2Q	Y-o-Y Change
Current Liabilities	275	298	24
Accounts Payable-Trade	(108)	(130)	(22)
Short-Term Loans Payable	(107)	(110)	(3)
Non-Current Liabilities	49	48	(1)
Long-Term Loans Payable	(29)	(28)	((1))
Liabilities for Retirement Benefits	(15)	(16)	(1)
Total Liabilities	323	346	23
Total Net Assets	755	774	19
Liabilities & Net Assets	1,078	1,121	42
Bank Loan Balance	136	138	
Equity Ratio	67.5%	66.5%	
	1 st Half of FY 2020	1 st Half of FY 2020	
ROE (Return on Equity)	5.5%	3.7%	



While a rise in raw material and logistics costs is expected to continue from the third quarter onward, we plan to add at least 7 billion yen in operating income through measures to promote rationalization, expansion of sales, and price pass-through, etc.

(in units of 100 million JPY)

	FY 2020	FY 2021	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	(2 nd Half 110.0)	
JPY/CN	15.67	17.40	(2 nd Half 17.8)	
Naphtha Price (JPY/KL)	31,300	55,400	(2 nd Half 60,200)	



FY2021 Financial Forecasts by Business Segment

(in units of 100 million JPY)

		FY 2020	FY 2021	Y-o-Y Change	Y-o-Y Change (%)
Super Absorbent Polymers	Net Sales	692.0	735.0	43.0	6.2%
	Operating Income	58.4	24.0	(34.4)	(58.9%)
Functional Chemicals	Net Sales	179.4	180.0	0.6	0.3%
	Operating Income	20.4	23.0	2.6	12.9%
Gases & Engineering	Net Sales	156.1	170.0	13.9	8.9%
	Operating Income	22.8	24.0	1.2	5.4%
Others	Net Sales	5.0	5.0	0.0	0.2%
	Operating Income	(0.6)	(1.0)	(0.4)	(66.7%)
Total	Net Sales	1,032.5	1,090.0	57.5	5.6%
	Operating Income	101.0	70.0	(31.0)	(30.7%)

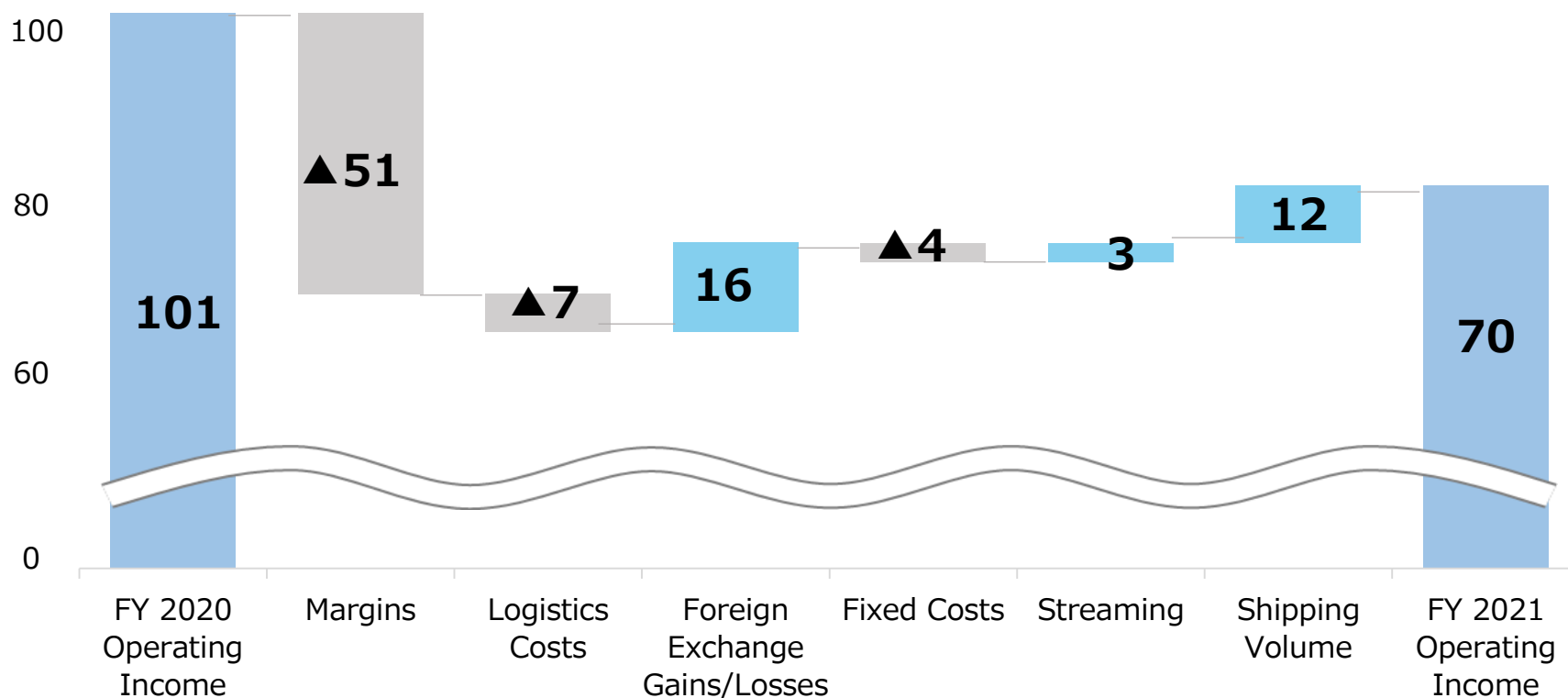
Operating income totals include inter-segment eliminations.

Super Absorbent Polymers	:	Increase in revenue for net sales due to the influence of exchange rates and higher selling prices associated with a rise in raw material prices Decrease in profit for operating income due to a rise in logistics costs and a shrinking spread associated with a rise in raw material prices
Functional Chemicals	:	Increase in revenue and profit due to an increase in sales volume for pharmaceutical intermediates and medical latex products, among other factors.
Gases & Engineering	:	Increase in revenue and profit due to an increase in sales volume for material gases used for semiconductors, among other factors.



Decrease in profit due to higher logistics costs and worsening terms of trade
We plan to add at least 7 billion yen in operating income through measures for promoting rationalization, expansion of sales, and price pass-through

(in units of 100 million JPY)

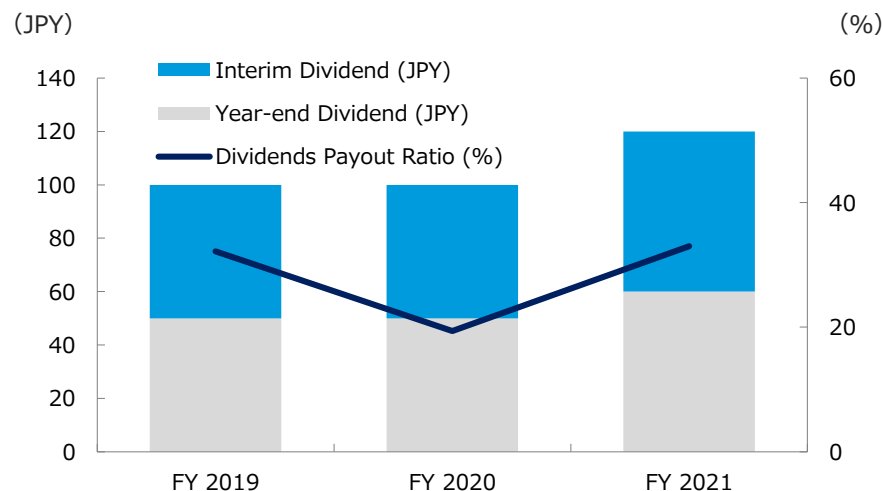




FY 2021 Dividend Forecast : 120 Yen Per Share

Dividend Policy

- Shareholder returns are one of management's top priorities
 - Determinations will be based on quarterly earnings in consideration of delivering stable dividends and retained earnings levels, etc.
 - Retained earnings will be invested in R&D and production system expansion and improvement
- ⇒ Increased dividends and acquisition of own shares is planned for the current quarter



FY 2020 & FY 2021 (Forecast)

【FY 2020】

100 yen (interim & year-end dividend of 50 yen)

【FY 2021 (Forecast)】

120 yen (interim & year-end dividend of 60 yen)

	FY 2019	FY 2020	FY 2021 (Forecast)
Net Income (in units of 100 million yen)	43	71	50
Total Dividends (in units of 100 million yen)	13.8	13.8	16.4
Dividends Per Share (yen)	100	100	(120)
Interim Dividends Per Share (yen)	50	50	(60)
Dividends Payout Rate	32.2%	19.4%	33%



【Reason】

To improve capital efficiency, enhance shareholder returns and execute its capital policy flexibly.

【Details】

- Class of shares to be acquired: Common stock of the Company
- Total number of shares to be acquired: 300,000 shares (at maximum)
(Equivalent to about 2.2% of the total number of shares outstanding excluding treasury shares)
- Total amount of shares to be acquired: 1 billion yen (at maximum)
- Acquisition period: From November 4, 2021 to March 31, 2022
- Method of acquisition: Auction Market on Tokyo Stock Exchange
 - ① Off-Auction own share repurchase trading system (ToSTNeT-3)
 - ② Open market repurchase based on discretionary

(Reference) Number of treasury stock as of September 30, 2021

- Total number of shares outstanding (excluding treasury shares): 13,792,071 shares
- Number of treasury shares: 180,899 shares



1 Status until the 2nd Quarter

- The period until April of this year saw an increase in shipments leading to high levels of inventory for raw materials and diapers for distribution. The following period until August saw a decrease in shipments.
- Impact of power restrictions in China from September onward
As exceptionally-rated companies, our customers were either exempt from restrictions or able to circumvent them through use of diesel-powered generators, meaning there has been no significant impact on our customers' operations to date.

2 Future Outlook and Company Strategy

- In light of customers' inventory adjustments, we will increase sales according to shifts in demand (in excess of thousands of tons relative our 12KT/M average)
- Implementation of strategic pricing measures in response to market trends
- With birth rates declining and aging populations advancing, we will continue to demonstrate our products' strengths, expand our framework for technical services, and further expand our business for the medium term.



Fundamental Rationalization of Operations (target amount 20 JPY/kg or more) Cost Reduction Project launched in FY2018

Initiatives

Improvement of manufacturing processes

- Strengthen cost competitiveness by introducing high-efficiency machinery
- Apply to overseas sites after verifying results at our Himeji Works

Restructuring of manufacturing plants

- Improve productivity and dramatically reduce fixed costs by suspending use of aging equipment; increase production by eliminating bottlenecks

Optimization of supply chain

- Rationalize the entire supply chain

Schedule

Increased production/sales : 3.5 billion JPY/year

- Increased production by improving manufacturing processes at overseas bases.
- Unlock the potential of company targets by expanding sales of our increased production volume.

Decreased costs : 4.5 billion JPY/year About 70% has been planed

- Cut costs through reductions in raw materials and energy, etc.
- Rationalizing the supply chain through reductions in raw material prices, etc.

- Following investments in production process improvements at our domestic locations, construction is now underway at our overseas bases in response to trends in global supply and demand
- Thanks to the effects of increased production and sales and reduced costs, we are on schedule to reach more than 80% of our 8 billion yen target and are currently advancing measures towards our next round of improvements



1 Functional Chemicals

- Due to the robust demand for latex products used in medical gloves, our production operations are continuing at full capacity, and we plan on adding additional profit to our current forecasts

2 Gases & Engineering

- Increased demand for semiconductors for computers and data centers witnessed after the spread of COVID-19 continues unabated, while there is also a shortage of industrial semiconductors used in automobiles, etc. This has led to a strong and ongoing demand for material gases.
- Construction of new factory facilities for high-purity carbon monoxide (CO) in Korea continues as planned and is scheduled for completion in 2022



1 R&D

- Bringing new safe and reliable deodorant-grade SAP to the market in response to environmental regulations of corresponding sales regions
- Ongoing development of SAP with a new technical concept that enhances the efficiency of absorbent usage
- Expand product lineup of high-purity gases for major semiconductor device manufacturers
- Accelerate development of next-generation semiconductor materials through partnerships with other companies

2 Achieving a Decarbonized Society

We will take measures to reduce both emissions throughout our supply chain (focusing on acrylic acids and diapers) as well as greenhouse gases (centering on super absorbent polymers) emitted through our business activities. Utilizing the various technological assets possessed by our company (such as CO₂-absorbing PSA technologies), we promise to strengthen our efforts to develop technologies and products that contribute to the realization of a decarbonized society.



Established

July 20, 1944

Paid in
Capital

9,698 million yen

Number of
Employees

1,358 (as of March 31, 2020)

Main
Business
Areas

**Super Absorbent Polymers
Functional Chemicals
Gases & Engineering**

Consolidated
Subsidiaries

**Japan : 1 company
Overseas : 11 companies**

Production
Bases

**Japan : 3 bases
Overseas : 6 bases**

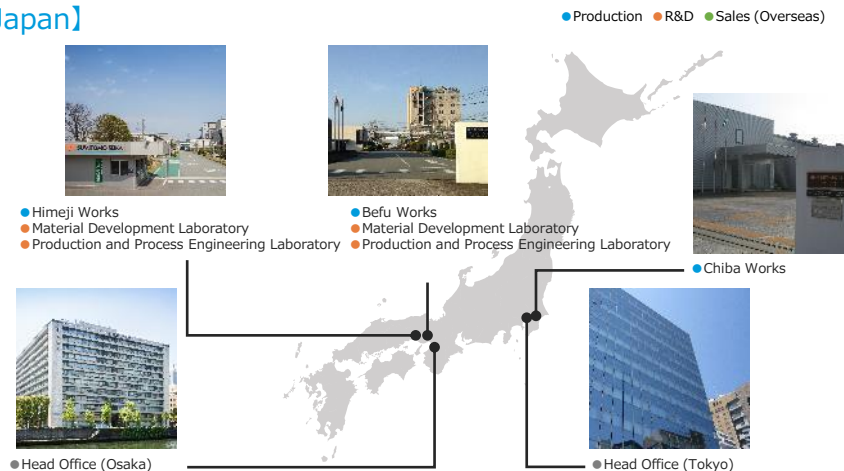
R & D
Bases

**Japan : 2 bases
Overseas : 2 bases**

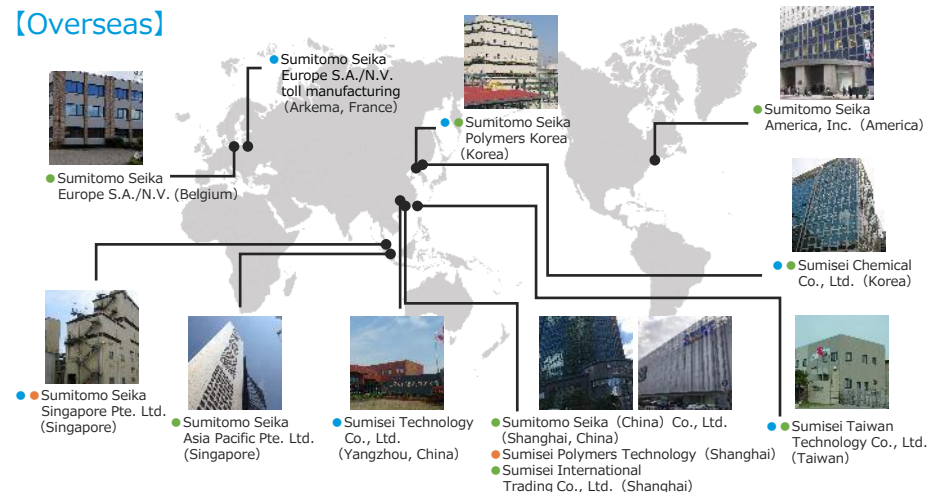
Sales
Bases

8 bases

【Japan】



【Overseas】



Main Applications

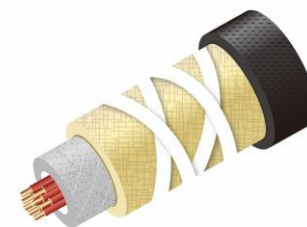


Sanitary Materials

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.

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.

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).



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 a guarantee of the implementation of the measures and targets described. Please note that the information in this document is subject to change without notice.