

May 31, 2018

Sumitomo Seika Chemicals Co., Ltd.

Sumitomo Seika Formulates Medium-Term Business Plan for FY2018 to FY2020
Gearing up to Achieve Medium-and Long-Term Business Plan, SEIKA Grand
Design 2025 URUOI

Sumitomo Seika Chemicals Co., Ltd. (the “Company”) announced today its Medium-Term Business Plan for the three years from FY2018 to FY2020, which lays out financial targets for FY2020 – the midway point of the ongoing Medium- and Long-Term Business Plan SEIKA Grand Design 2025 “URUOI” – as well as action plans to achieve those targets.

1. Financial targets

Keeping unchanged the financial targets for the final year of the Medium- and Long-Term Business Plan as well as business strategies to achieve them, the Company has set financial targets for FY2020, which is the halfway point of the Plan, as follows:

(1) Consolidated financial targets

(100 million yen)

	FY2017 results	FY2018	FY2020	FY2025	Vs. FY2015
Net sales	1,059	1,150	1,300	1,700	+95%
Operating profit	97	98	130	200	+170%
Operating profit margin	9.2%	8.5%	10%	12%	□
ROE	10.9%	10%	10%	Over 12%	□

Note 1: The numbers for FY2018 and FY2020 above are based on the assumption of an exchange rate of 110 yen/USD and a Japanese naphtha price of 48,000 yen /kiloliter.

Note 2: In order to achieve the above targets, the Company plans to make investments amounting to 80.0 billion yen (accumulated amount based on investment decisions made) over the ten years of FY 2016 to FY 2025, 42.0 billion yen of which will be spent during the first five years through FY 2020.

(2) Financial targets for FY2020

Net sales	130.0 billion yen (+49% vs. FY2015)	New products* /sales ratio	10%
Operating profit	13.0 billion yen (+75% vs. FY2015)	Operating profit margin	10%
		ROE	10%

*"new products" include those new products and new-grade products that were launched in and after 2016

2. Targets by Business Segment

(1) Super Absorbent Polymers Segment

From the Super Absorbent Polymers (SAP) Segment, the Company will provide one-of-a-kind products and services that will contribute to making people's life more comfortable in today's constantly changing world. To this end, the Company will continue to pursue higher performance in SAP through such initiatives as development of new grades, following the HP grade, by fully leveraging spherical particles – a distinct characteristic of inverse suspension polymerization process –, thereby customizing, according to customers' needs, the properties of absorbent polymers in terms of absorption capacity, absorption capacity under pressure, absorption speed, liquid permeability, etc. Production capacity at the Company's plant in Yeosu, South Korea will be increased by 59,000 tons/year, and relevant facilities are currently under construction for a scheduled start-up toward the end of calendar year 2018. Upon completion of this project, the Sumitomo Seika Group's total production capacity will be 445,000 tons/year. For the three-year Business Plan, the Company aims for net sales of 90.0 billion yen and a new products/sales ratio of 10% by FY2020, based on the currently prevailing market conditions, such as rising raw materials prices, and with specific emphasis on improving profitability.

(2) Chemicals Segment

For the Chemicals Segment, what it aspires to achieve in the future is to “be an indispensable partner for customers around the world by generating future value as a function creator.” Focusing on business opportunities in the specified domains of "medical care, daily living, the environment, and energy", the Company is forging ahead with new product development to solve problems of customers and demands

from them by offering new functions the Company has created with its proprietary technologies. For the rechargeable lithium-ion battery business, in addition to the Company's existing products on the market, certain new products are under performance assessment by customers for commercial application. Among them are new additives capable of providing longer service life and higher capacity and new binders (AQUA CHARGE®) that have been jointly developed by a leading battery manufacturer and the Company's Technical Service Center. Furthermore, the Company's promising product-line includes aliphatic polycarbonates based on its proprietary catalyst technology, a functional material which has the characteristic of decomposing at relatively low temperatures. The Company provided samples of the products to its major customers for evaluation, who have highly praised them for their advanced performance contributing to enhancing productivity and improving product quality at customers' manufacturing processes. For the three-year Business Plan, the Company aims to achieve net sales of 20.0 billion yen and a new products sales ratio of 15% by FY2020 by commercializing the above products before their respective markets start up.

(3) Gases and Engineering Segment

For the Gases and Engineering Segment, the Company has factored into its business plans such elements as the latest progress of AI and IoT, semiconductor manufacturers' investment projects on the back of the Chinese government's policy to foster its domestic electronics industry as well as advancement in miniaturization and lamination technologies. In light of these developments, the Company intends to ensure a timely supply of electronics gases to our customers who require them in their film production, etching, etc. by deploying strategically the Sumitomo Seika Group's network of gas manufacturing capabilities in Taiwan, South Korea, and China. For the engineering business such as PSA gas purification and separation systems, the Company plans to explore and cultivate new business opportunities, including biomass power generation equipment that the Company has developed in partnership with Xergi A/S of Denmark. For the three-year Business Plan, the Company looks to achieve net sales of 20.0 billion yen and a new products /sales ratio of 10% by FY2020.