

Sumitomo Seika Updates Corporate Business Plan

November 6, 2019

Sumitomo Seika Chemicals Company, Limited

Sumitomo Seika Chemicals Co., Ltd. (the Company) announced today that the Company has newly formulated its Medium-Term Business Plan for FY2020 to FY2022 by revising and incorporating the previous Medium-and Long-Term Business Plan and the Medium-Term Business Plan for FY2018 to FY2020 announced in 2016 and in 2018, respectively. The Company cautiously looked into recent changes in its business environment and the progress of ongoing projects and undertakings under the Business Plans and have decided to prepare a new Business Plans in order to realize the early transformation of the Company's business structure for further and sustainable growth.

1. Changes in Business Plans

The Company has been implementing an array of initiatives in accordance with the 10-year Medium-and Long-Term Business Plan for FY2016 to FY2025 and the 3-year Medium-Term Business Plan for FY2018 to FY2020. However, various factors, such as changes in the business environment for Super Absorbent Polymers and delays in the Company's planned new product development, have made it difficult for the Company to achieve financial targets in a manner specified in the initial Business Plans. As a result, the Company has decided to revise the Business Plans as shown below..

(1) Initial Consolidated Financial Targets, Actual Results and Forecast

(in billion yen)

	SEIKA Grand Design 2025 "URUOI" <made May 2016> FY2025	Medium-Term Business Plan (2018-2020) <made May 2018> FY2020	Actual Results FY2018	Forecast FY2019
Super Absorbent Polymers	100	90	74	65
Functional Chemicals	40	20	19	19
Gases and Engineering	30	20	17	16
Net Sales	170	130	110	100
Operating Income	20.0	13.0	9.1	6.0

2. Outline of New Medium-Term Business Plan

The new Medium-Term Business Plan focuses particularly on the endeavor to transform the Company's business structure and promote further strengthening of R & D, which are the Company's current pressing management issues, so that each of the three Business Divisions will be able to fortify its operations to drive the Company's growth in the years ahead.

(1) Consolidated Financial Targets (FY2022)

(in billion yen)

	FY2019 Forecast	New Medium-Term Business Plan (2020-2022) FY2022	3-years Growth Rate
Net Sales	100	120	20%
Operating Income	6	8	33%
Net Income	3.5	5.5	57%
ROE	5.4%	8.5%	-

※ Assumptions in the new Business Plan are Exchange Rate of 15.0 yen per Chinese Yuan and 110 yen per US dollar and Domestic Naphtha Price of 40,000 yen per kiloliter

(2) Financial Indicators (Total for FY2020-FY2022)

(in billion yen)

Operating Income	20	R&D expenses	9
Cash Flow from Operating Activities	28	Capital Investment (decision-based)	17

Management targets for FY2025 will be announced in the Company's next Medium-Term Business Plan, reflecting changes in the business environment, the progress of new product development, etc.

3. Priority Actions and Targets by Business Division

(1) Super Absorbent Polymers Division

The Company will work to differentiate its products and technical service and expand sales of new grade products by concentrating R&D resources on high value-added products and through developing new grades of products that meet customers' diverse needs and enhancing technical marketing in growing markets such as China and Asia. At the same time, the Company will strengthen competitiveness and improve productivity by conducting fundamental rationalization of operations, such as improvement of manufacturing processes, restructuring of production systems and optimization of supply chain.

For the new Business Plan, the Division aims for net sales of 78 billion yen and operating income of 2.7 billion yen in FY2022.

(2) Functional Chemicals Division

In the personal care field, positioning such growing markets as China, Europe and the US as its main business arenas, the Company will re-doubled efforts to develop product functionality which will fit market needs for cosmetics and thickeners used in toiletries. In the environmental field, the Company will be shifting to aqueous emulsions and powder coatings free of organic solvents because of global environmental consideration. In the electronic materials field, new functionality will be developed to best satisfy growing market demands around 5G high speed networks, automotive C.A.S.E. solutions, etc. As far as the energy field is concerned, the Company will supply those additives and high-performance binders that will meet requirements of next-generation vehicle batteries, such as higher capacity, longer life, etc.

For the new Business Plan, the Division aims for net sales of 24 billion yen and operating income of 2.8 billion yen in FY2022.

(3) Gases and Engineering Division

In the semiconductor gases field, the Company will expand sales of high purity C₃H₆ and high purity CO used in etching and deposition processes for major device manufacturers through strengthening its efforts to grasp the trends of customers and relevant technologies at as early a stage as possible . Other initiatives include working on early start-up of the manufacturing facility for high purity C₃H₈ used in SiC power semiconductors and promoting sales expansion of the product as well as unabated endeavor to realize further cost reduction and seize investment opportunities timely. In the chemical gases field, the Company's product mix will be optimized by securing a stable demand for industrial applications and at the same time winning a new demand from semiconductor applications, etc. For new product development, the Company will prioritize "efficiency" by advancing a "selecting and focusing" approach on the businesses of gas products and PSA-related products and also intensify development initiatives, including through partnerships with other companies especially on materials for next-generation semiconductors.

For the new Business Plan, the Division aims for net sales of 18 billion yen and operating income of 2.5 billion yen in FY2022.

4. Strengthening of R&D

(1) New Product Development

Super Absorbent Polymers Division will continue development of new products that can solve issues common to hygiene products, such as leakage, odor, and rashes, work on developing new technologies geared to environmentally friendly products and also promote process development to reduce costs. Functional Chemicals Division will continue to develop new products for the

electronics and energy fields while extending activities to apply its water-soluble polymer technologies in such fields as daily goods, medical-related chemicals, adhesives, and paints and coatings. Gases and Engineering Division will focus on expanding its product lineup of high purity gases for semiconductors, promoting the development of new semiconductor processing materials and expanding fields of gases where the Company's PSA technology can be adopted.

(2) New Products Sales and Sales Ratio

(in billion yen)

	FY2019 Forecast	F2022 Plan	3-year Growth Rate
Net Sales for New Products	10	24	142%
New Products Sales Ratio	10%	21%	-

※ The "New Products" above means products 5 years after launch or earlier for Super Absorbent Polymers and Functional Chemicals, and products 10 years after launch or earlier for Gases and Engineering