



Medium-Term Business Plan 2024-26

13.May.2024

Sumitomo Bakelite Co., Ltd.



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1. Review of Medium-Term Business Plan 2021-23

Review of the Medium-Term Business Plan 2021-23

Over all

- Achieved initial financial targets (sales revenue of 250 billion JPY, business profit of 25 billion JPY) ahead of schedule in the first year of the plan.
- In FY2023, the final year of the plan, fell short of the upwardly revised business profit target but achieved a record high of 27.5 billion JPY.

Priority Areas (Semiconductors, Mobility, Healthcare)

- Invested in increased production in response to growing semiconductor demand. Responded swiftly on a global basis and achieved an increase in profit.
- Made investments in increased production of molding compounds for mobility, in which continued growth is expected. Achieved expanded sales of three strategic products for mobility*1 earlier than planned.
- Made progress of integration with Kawasumi Laboratories in the healthcare domain following its acquisition.

*1 Encapsulant for motor magnet fixing, Direct molding compounds for ECU, Molding compounds for power module

Digital transformation

- Formed the MI*2 promotion project. Drove the introduction of MI and development of data scientists.
- Adopted AI, IoT and robotics to strengthen the manufacturing foundation.

*2 MI: Materials Informatics

Environment

- Achieved targets for the sales revenue ratio of the products which contribute to the SDGs and of GHG*3 emission reductions.

*3 GHG: Green House Gas

Examples of representative Products in Priority Areas



The market leader worldwide*4

The market leader in Japan*4

*4 Internal survey

Review of the Medium-Term Business Plan 2021-23

Medium-Term Business Plan 2021-23

	FY2020 Results	FY2023 Target (Original→Revised*)	FY2021 Results	FY2022 Results	FY2023 Results
Sales Revenue (Billion JPY)	209.0	250.0 → 300.0	263.1	284.9	287.3
Business Profit (Billion JPY)	16.6	25.0 → 30.0	26.5	25.4	27.5
Profit Ratio	8.0%	10.0%	10.1%	8.9%	9.6%
ROE	7.0%	10.0%	8.5%	8.4%	7.8%
Dividend Payout Ratio	26.7%	30% or more	28.3%	30.1%	32.1%
Share Buyback (Billion JPY)	---	---	---	---	3

*On May 16, 2022, we revised our sales revenue and business profit targets upward.

Review of the Medium-Term Business Plan 2021-23

Medium-Term Business Plan 2021-23

		FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Results	Review
Semiconductor	Sales Revenue (Billion JPY)	57.3	75.8	79.5	82.9	○Responded swiftly to increased demand in the semiconductor market and increased our market share
	Business Profit (Billion JPY)	9.4	16.5	15.3	16.1	○Expanded sales of three strategic products for mobility as planned
	Business Profit(%)	16.5%	21.8%	19.3%	19.5%	○Installed new production lines in China and Taiwan (starting operation in 2024)
HPP	Sales Revenue (Billion JPY)	72.6	92.2	102.4	101.4	✕Failed to keep up with changes in the business environment following the COVID-19 pandemic leading to a delayed response ○Launched heat dissipating materials business ○Returned the aircraft business to profitability
	Business Profit (Billion JPY)	3.5	5.9	4.6	5.3	
	Business Profit(%)	4.8%	6.4%	4.5%	5.2%	
QOL	Sales Revenue (Billion JPY)	78.6	94.4	102.3	102.2	○Expanded market share in pharmaceutical packaging films ○Expanded global business for medical devices ○Invested in a venture fund for medical devices
	Business Profit (Billion JPY)	6.6	7.4	9.2	9.7	
	Business Profit(%)	8.4%	7.9%	9.0%	9.5%	



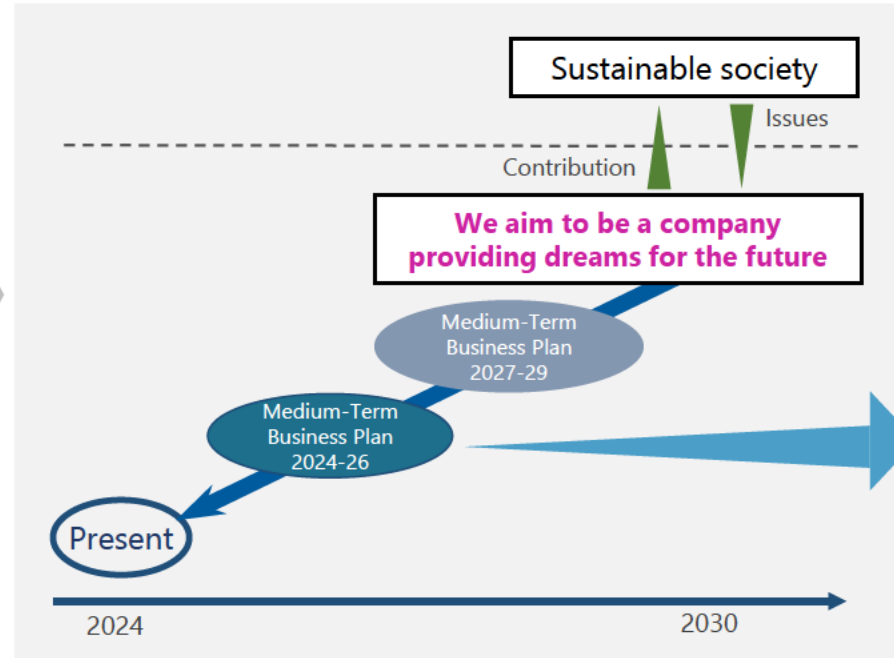
2. Policy for designing the Medium-Term Business Plan and “Vision 2030”

Designing Policy for the Plan

Increasingly complex external environment surrounding companies

- Climate change
- Energy crisis
- Trends in eliminating the use of plastics
- Country risk
- Supply chain management
- Human capital shortage
- Technological innovation
- Cybersecurity risk

In line with the SDGs, set targets (financial and non-financial) to be pursued as a unified organization by backcasting from “Vision 2030”.



Financial Targets

Shift to “profit-oriented management” to further strengthen the financial base and improve the capital profitability

Non-financial Targets

Set “material issues” that shall impact on our finance in the future from the view of sustainability

Business Philosophy

Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities

Purpose

Toward a sustainable society through expanding the potential of plastics

Vision

"We aim to be a company providing dreams for the future" through creating value with our customers

Financial Targets

Business Profit

55 billion JPY

Profit Ratio

13 %

ROE

10 %

Promotion of Sustainability

Improve the enterprise value and further strengthen our business foundation to achieve "Vision 2030"

Materiality Issues



Creation of environmental and social values

Value creation accelerators



Co-creation with customers



Innovation



Human capital



Digital transformation

Foundation for business continuity



Health and Safety



Cybersecurity



Product liability



Respect for human rights



Compliance



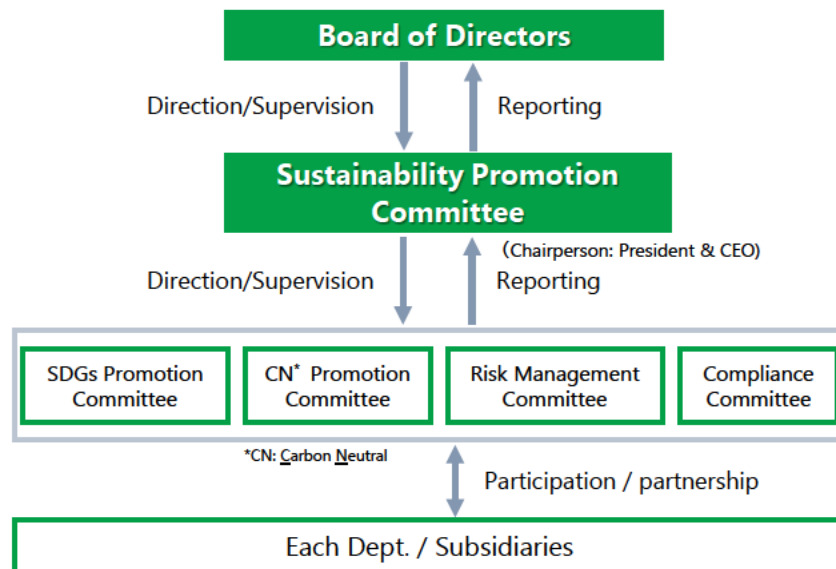
Sustainable procurement



Corporate governance

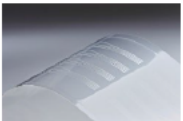
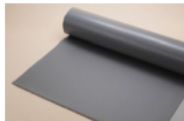
Organizational structure of sustainability promotion

Sustainability Promotion Dept. formed in April, 2023
drives all activities companywide



Materiality : Creation of environmental and social values

Carbon Neutral Initiatives ~technology and product development~

Resources	Energy Creation / Energy Conservation	Long-Life	3R ^{*1}	Environmental-Friendly
● Biomass feedstock ● Plastics synthesis technology utilizing by-product CO₂   	● Weight reduction ● Energy creation/storage ● Thermal management ● Energy-saving  	● High weather resistance ● High reliability  	● Recycling process ● Easily disassembling ● Monomaterialization ● Volume reduction and thinning ● Recycled raw materials  	● Expansion of renewable energy ● Replacement to electric boilers ● Reduction of VOC^{*2}  

*1 3R: Reduce, Reuse, Recycle

*2 VOC: Volatile Organic Compound

*3 CFP: Carbon Footprint

Materiality : Creation of environmental and social values

Carbon Neutral Initiatives ~Reduction of GHG emissions~

2030 Reduction Target

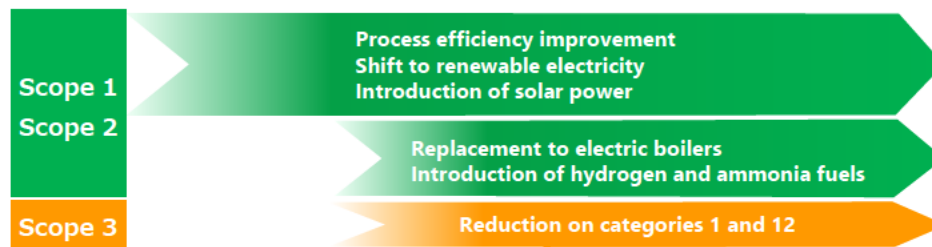
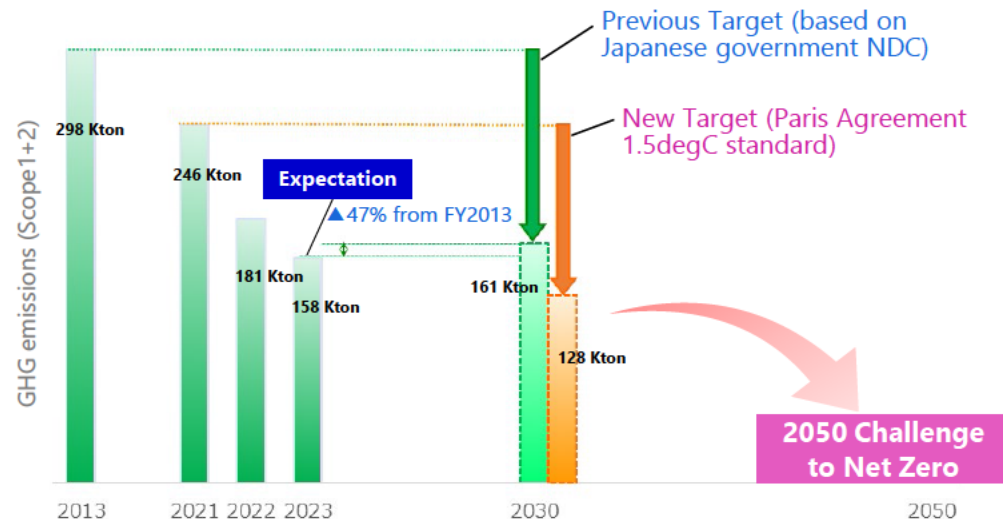
- **Previous Target** (based on Japanese government NDC*)
46% reduction from FY2013
→ Expected to achieve ahead of schedule in FY2023



- **New Target** (Paris Agreement 1.5degC standard)
48% reduction from FY2021
(Equivalent to 57% reduction from FY2013)

Added Scope 3 initiatives in addition to Scope1+2

*NDC: Nationally Determined Contribution



Materiality : Creation of environmental and social values

Contribution to SDGs

Set on "6+1" priority areas and promote SDGs contribution



Example of SDG-contributing Products



SDGs Targets: 7, 9, 12, 13
Encapsulants for power devices



SDGs Targets: 9, 12, 13
Lignin modified phenolic resin



SDGs Targets: 7, 9, 13
Covelight panels



SDGs Targets: 2, 9, 12
Freshness retaining film P-Plus



SDGs Targets: 3
Products for regenerative medicine



SDGs Targets: 8, 12
Biliary stent

Sales revenue ratio of SDG-contributing Products

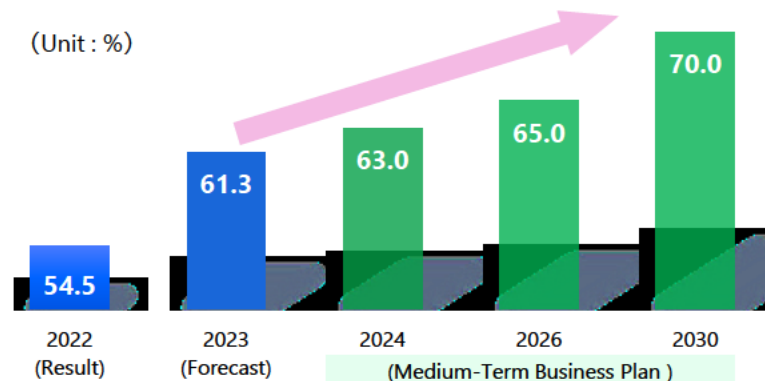
FY2023 Target : 50%

→ Achieved in 2022 ahead of schedule

FY2030 Target : 70%

→ Actively promotion toward achievement

(Unit : %)



* The Sustainability Committee approves the contribution to the SDGs targets after discussing whether the objective figures are based on actual data or public information, and whether negative impacts are considered

Materiality : Value creation accelerators

Co-creation with customers

Aiming to create collaborative themes



Move beyond "Customer Satisfaction" to "Customer Delight"
Evolve CS / One Sumibe

*See page 29 for more details on CS/One Sumibe

Innovation

For the future profit creation



Drive promising development activities
into projects



Strengthen new product development

Create new products/solutions
that have social and environmental values

Human capital

Maximize companywide capability



Respect for
diversity

Enhanced
Individual autonomy



Organizational capabilities
improvement

Digital transformation

Productivity Improvement



Data-driven
management



Smart factory



R&D capability
improvement

Digital Transformation (DX)

As material issues, we will further evolve the initiatives pursued during the previous Medium-Term Business Plan and promote DX across the entire company to realize "Vision 2030"

Black text: Continuous initiatives/strengthened
Blue text: New initiatives/installation

Data-driven Management	Smart Factory	R&D Capability Improvement
● Operational transformation Change of operational process Introduce a dashboard ● Strengthen the infrastructure of companywide IT enterprise systems 	"Manufacturing independent of operators" (productivity Improvement) ● Processing technology DX Proactively introduce robotics Data-driven process management ● Adopt domestic systems to overseas plants 	● Promote and improve the sophistication of data-driven R&D ● Explore and adopt advanced informatics technologies 
Personnel development	● Companywide digitally-minded human resources / Data scientists / Business Promoters* *Personnel who promote new business	



Business model transformation

Foundation for business continuity

Strengthen management foundations to enable the creation of environmental and social value

Health and safety

Prioritize safety above all else



Zero serious industrial injury
Continuation of safe and stable operations

Product liability

Customer first / Quality first
Zero Defect



Zero major quality complaints
Strengthening manufacturing management system

Compliance

Observance of corporate ethics



Zero major violations of laws and regulations
Strengthening internal control globally

Cybersecurity

Strengthening the management of confidential information



Improving the management system
Responding to vulnerabilities

Respect for human rights

Commitment to action on human resources issue



Conducting human rights due diligence

Sustainable procurement

Enhancing supply chain management



Improving the sustainable procurement rate

Corporate governance

Continually improving the effectiveness of the Board of Directors



Effectiveness evaluation
Identify and solve issues



3. Medium-Term Business Plan 2024-26

Medium-Term Policy and Strategies

Medium-Term Policy

Aiming for "niches & top market share", we take on the challenge of our portfolio transformation leading to value creation

Medium-Term Strategy (1)

Optimize the product mix to strengthen the profitability of existing businesses

- Shift to profitability-oriented management
- Shift to high value-added products to transform the product portfolio
- Improve capital efficiency utilizing SB-ROIC (internal indicator)
- Concentrate resources on the three priority areas of semiconductors, mobility and healthcare

Medium-Term Strategy (2)

Create new products and new solutions with environmental and social value based on the SDGs

- Create products that contribute to the SDGs
- Develop new products and new solutions with carbon neutral in mind aiming for niches and leading market shares
- Support challenges and implementation of proposal-oriented themes
- Strengthen collaboration with outside entities and develop the structure
- Set exploratory areas from medium- and long-term perspectives

Medium-Term Strategy (3)

Enhance individual autonomy and organizational unity to maximize companywide capabilities

- Plan and implement various initiatives with a view to improve individual capabilities and enhance employee engagement
- Implement educational programs to enhance individual autonomy and improve organizational capabilities
- Promote CS/One Sumibe activities (voluntary collaboration across organizations)

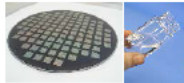
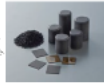
Engage in management based on capital costs and enterprise value

Medium-Term Business Plan 2024-26

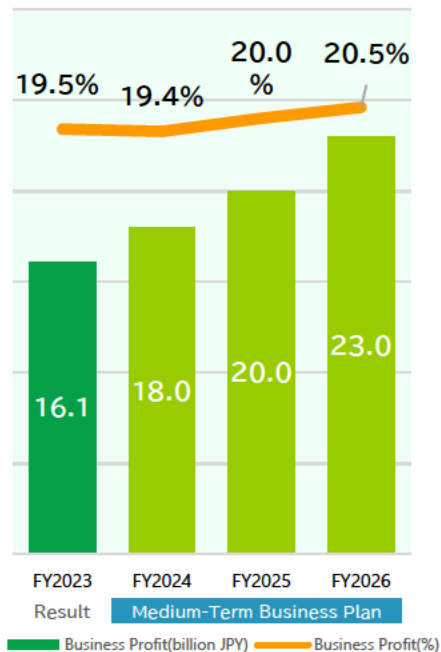
	FY2023 Result	FY2024	FY2025	FY2026	Vision 2030
Business Profit (Billion JPY)	27.5	30.0	34.0	40.0	55.0
Profit Ratio (%)	9.6%	9.7%	10.5%	11.5%	13.0%
(Sales Revenue) (Billion JPY)	(287.3)	(309.0)	(325.0)	(345.0)	(420.0)
ROE	7.8%	---	---	9.0%	10.0%

Financial Targets / by Segment

Medium-Term Business Plan 2024-26

		FY2023 Result	FY2024	FY2025	FY2026	Main Products/Application Examples
Semiconductor	Business Profit (Billion JPY)	16.1	18.0	20.0	23.0	    Advanced semiconductor (Encapsulants / Photosensitive materials) Power Module/ECU (Encapsulants / Heat dissipation Materials)
	Profit Ratio(%)	19.5%	19.4%	20.0%	20.5%	
	(Sales Revenue) (Billion JPY)	(82.9)	(93.0)	(100.0)	(112.0)	
HPP	Business Profit (Billion JPY)	5.3	6.0	7.5	9.0	    Motor/Battery (Molding and insulating materials) Aircraft interior Bio-derived resin
	Profit Ratio(%)	5.2%	5.5%	6.5%	7.5%	
	(Sales Revenue) (Billion JPY)	(101.4)	(110.0)	(115.0)	(120.0)	
QOL	Business Profit (Billion JPY)	9.7	10.0	11.0	13.0	     Minimally invasive medical device Biomass / Monomaterial packaging materials Cell/Gene therapy support products Eyewear Roof waterproofing
	Profit Ratio(%)	9.5%	9.5%	10.0%	11.5%	
	(Sales Revenue) (Billion JPY)	(102.2)	(105.0)	(110.0)	(113.0)	

Business Strategy: Semiconductor Materials



Expand sales of the current lineup

- Establish global supply and support structure for encapsulants in anticipation of the semiconductor market recovery

Enhance and promote the development of next-generation semiconductor materials as a market leader

- HPC* (Chiplet, HBM*²), semiconductor materials for power devices (encapsulants, photosensitive materials, etc.)
- Environmental initiatives

Actively pursue collaboration with outside entities

- Enhance open labs
- Collaborate with consortiums and academia
- Improve the ability to verify hypotheses and solution-proposal

*1 HPC: High Performance Computing

*2 HBM: High Bandwidth Memory

*3 RDL: Redistributed Layers

Strengthen collaboration with outside entities

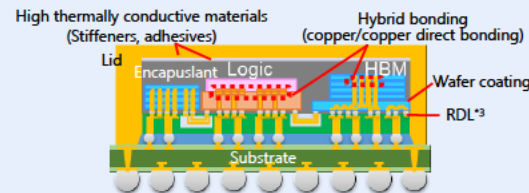
Sumitomo Bakelite Co., Ltd.
Open labs / Internal projects

Collaboration

Academia / Consortiums

Equipment and material manufactures

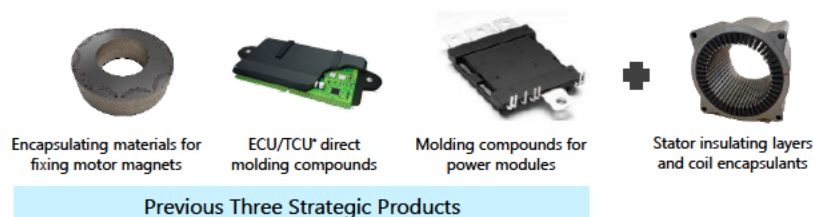
Strengthen the lineup to solve customer's issues



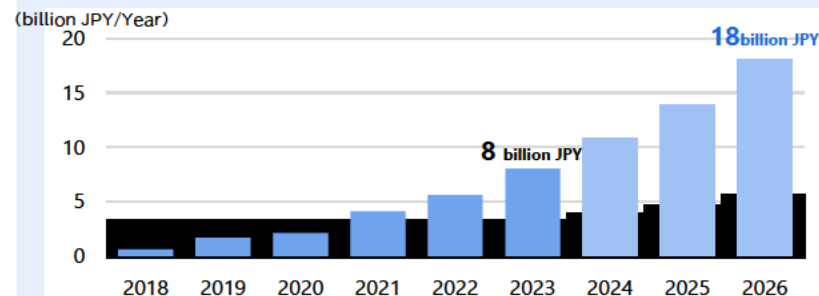
Business Strategy: Semiconductor Materials (Mobility)

Expand sales of 3+1 strategic products for mobility

- EU/US; strengthen customer support and expand sales channels production and sales research support + full-scale operation with new plants + expansion of open labs



Sales plan for 3+1 strategic products for mobility



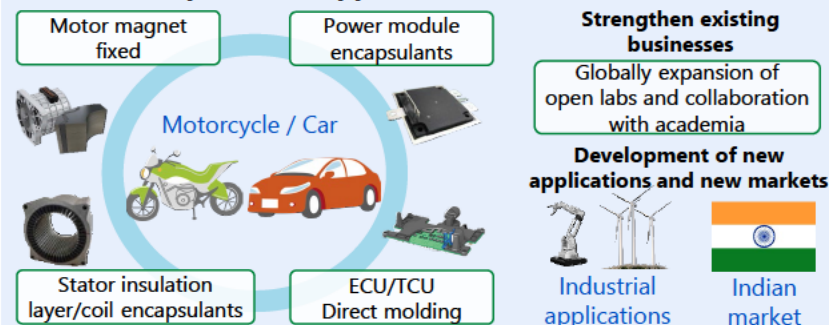
Expand into new applications and new markets

- Material development for next-generation motors
- Expand injection molding materials for sensors
- Expand from e-Powertrain for motorcycle and car to industrial applications
- Cultivate the Indian market

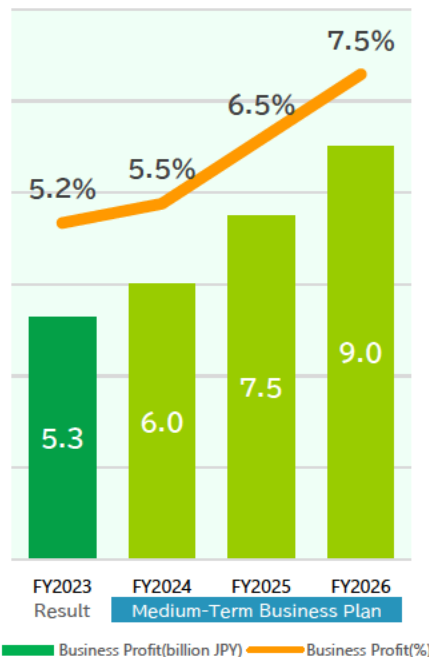
*ECU: Electric Control Unit, TCU: Transmission Control Unit

Strengthen our existing business

+ Expand new applications and new markets



Business Strategy: High Performance Plastics



Strengthen profitability of existing businesses

- Optimize production sites globally
- Improve productivity with promoting smart factory operations

Portfolio transformation with high value-added products

<Enhanced areas>

- EVs (batteries, e-Axle, various electric parts)
- Semiconductors (resist, power module, sensors)
- Aircraft (interior materials) etc.

Adapt to a circular society

- Expansion of biomass products
- Development of recycling technology for thermosetting resins

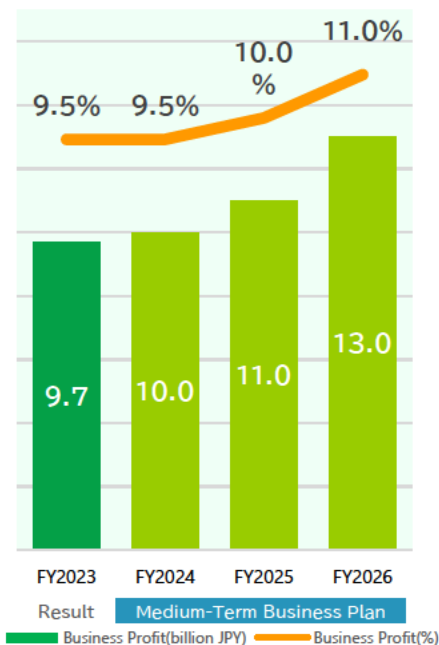
Products examples in enhanced areas



Examples of environmentally friendly Products



Business Strategy: Quality of Life Products



Medical Devices and Biotechnology Related Products

Enhancement of profitability

- Enhance the product lineup in strategic business fields (endovascular, gastrointestinal, endoscopic)
- Expand sales of cell/gene therapy support products
- Realignment of unprofitable products

Strengthen global operations

- Expand overseas sales of main products
EU/US: minimally invasive medical devices,
Asia: Blood bag, etc.

Swift business launch of the new biotechnology related products

- Business development of Microphysiological system(MPS) for drug discovery support
enabling simple multi-organ connected culture



Films and Sheets

Global expansion of high-market-shared products

- Strengthen expansion in Asia for semiconductor applications
- Expand business in EU (monomaterial PTP)

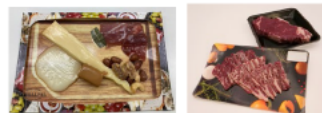


Profitability enhancement

- Improve productivity with smart factory operations

New product creation

- Improve market recognition of skin pack products that contribute to food loss reduction
- Business launch of new environmentally friendly products



skin packs

Major goals of the SDGs



Industrial Functional Materials

Globally expansion of functional materials

- Optical applications (eyewear, automotive)
- Insulating sheets for EV



Eyewear products

Business launch with new value-added products

- Business launch with electrochromic sheet products

Waterproof Business Products

Strengthen business in the housing sector

- Further improvement of our market share* for the new construction field
- Business development in the growing renovation property field
- Sales expansion with waterproofing materials for solar power generating equipment



Waterproof parts for solar power generation

Major goals of the SDGs



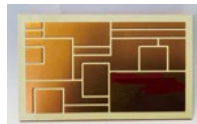
*The market leader in Japan (Internal Survey)

Creation of New Products and Solutions (Medium-Term)

Promotion from Project to Business Development Dept.

● Heat dissipating materials

Provide highly reliable high heat dissipating materials through the blending of highly thermally conductive fillers and high reliability resins combined with production technologies



● Optical circuit materials

Provide optical circuit materials for ultra-high speed optical communications applied to various future applications



● MI Promotion

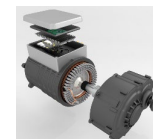
Date accumulation and utilization
Management and expansion of each IT system
Installation of advanced MI technologies
Support to solve issues companywide
Human resource development



Ongoing projects

● e-Axle (electric axle)

Propose electric axles with high efficiency and high energy-saving effects featuring excellent thermal control, reduced size and weight, low vibration and low noise



● BMI* solutions

Develop flexible dry electrodes for EEG measurement which feature low contact resistance and long-life use without discomfort



*BMI: Brain Machine Interface

● Electrochromic sheets

Sheets whose light transmittance or color can be freely adjusted by toggling switches.
Metaverse device applications such as eyewear and smart glasses are under development



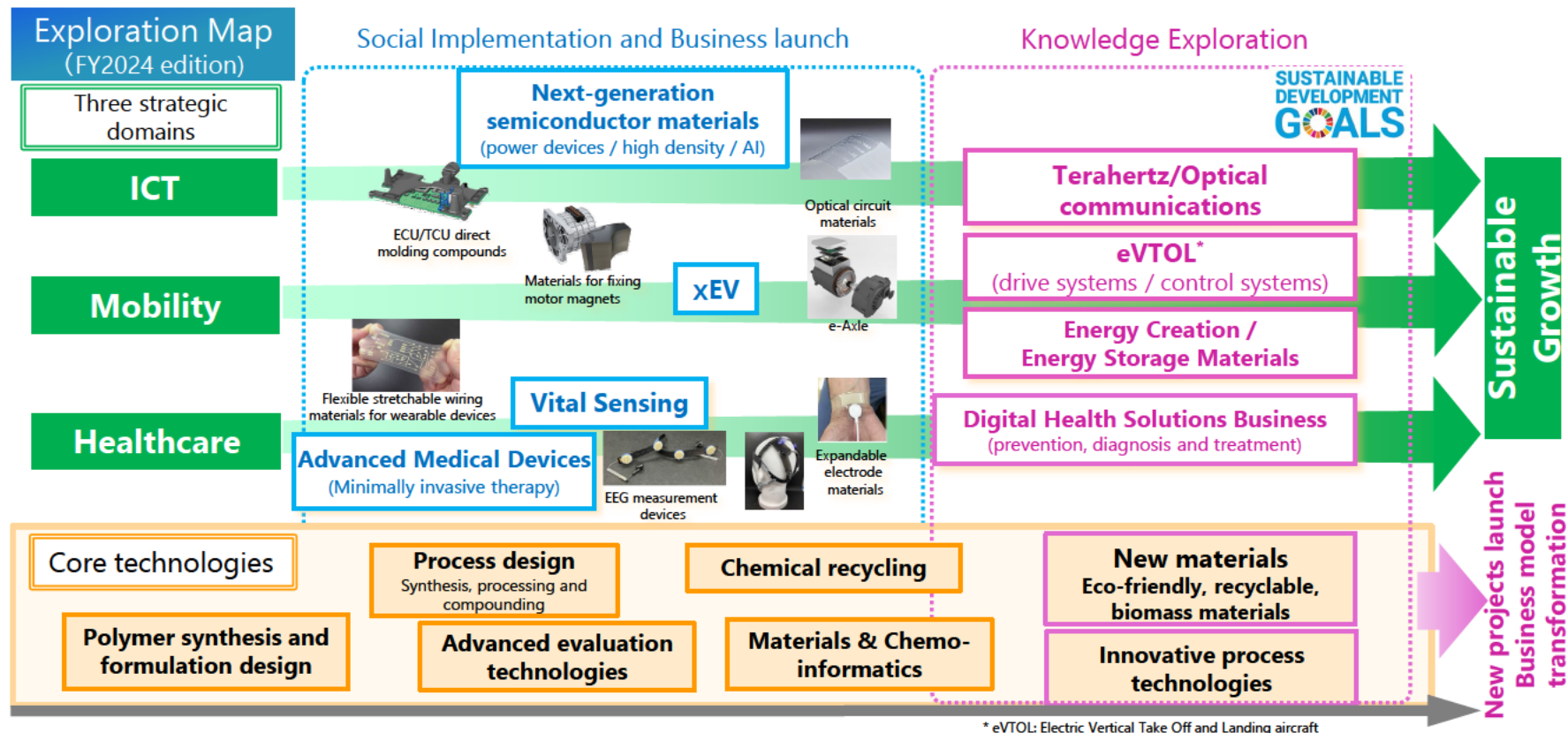
*Image

● Development of chemical recycling technologies

Develop and societally implement chemical recycling technologies for thermosetting resins, aiming to achieve coexistence with plastics through the realization of a recycling-oriented society



Creation of New Products and Solutions (Medium-to-Long-Term)



Maximization of Organizational capability (Human Capital Management)

Individual Autonomy

Providing opportunities to take on challenges

- Overseas trainee arrangement
- Theme creation program



Prioritized issues

- Enhance internal systems enabling a diversity of human resources including women, mid-career hires and middle-aged employee
- Work style transformation (flexible working styles)
- HR systems transformation (ongoing)



Developing a pleasant workplace / new welfare facilities

Enhance individual autonomy and organizational unity to maximize companywide capabilities



Customer Satisfaction



One Sumibe
Cross-organizational Initiatives

Improved organizational capabilities

Fostering a culture of praising those who make challenges

Organizational Sense of Unity

CS/One Sumibe Activities

We aim to maximize the organizational capabilities to create new values collaborating with our customers

CS Promotion

CS Promotion Committee
(Chairperson: President & CEO)



Company-wide activities to realize "Customer Delight"

In FY2023 we set up our new slogan of "Customer Delight", which was one step beyond of previous "Customer Satisfaction."



CS poster in five languages



Business meeting for collaborative trading companies



CS Awards ceremony

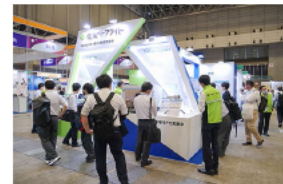
One Sumibe Activities

One Sumibe Promotion Council



Activities to tackle together across departments to solve customer issues to achieve our "Customer Delight"

Activate cross-organizational collaboration companywide



Exhibitions by CS team



Promoting effort of internal communication

Investment Policy and Shareholder Return

We intend to allocate management resources based on the capital cost

Cash allocation	Cash allocation plan for 2024-26
Capital investment 50 billion JPY	Strengthen the profitability of existing businesses (Medium-Term Strategy 1). Make capital investment timely to contribute to stable supply to customers
Growth investment 20 billion JPY	Promote R&D, DX and GX implementation to create new products and new solutions (Medium-Term Strategy 2)
Strategic investment 50 billion JPY	Explore for knowledge to cultivate promising projects, promote open innovation, and engage in strategic M&A contributing to business portfolio transformation
Shareholder returns 30 billion JPY	Shareholder Return Policy (FY2024-26) “The stable and continuous return of profit” Dividend payout ratio: Aiming for approximately 40% (changed from the previous target of 30% or more)



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