



# **Financial Results of FY2023 and New Medium-Term Business Plan FY2024-FY2026**

**May 13, 2024**

**Sumitomo Bakelite Co., Ltd.**

**Representative Director, President Kazuhiko Fujiwara**



# Outline of Financial Results of FY2023

# Financial Results for FY2023 (Y/Y)

[Unit: Billion yen]

|   | FY2022<br>(1) | FY2023<br>(2) | Variance (Y/Y) |       |
|---|---------------|---------------|----------------|-------|
|   |               |               | (2)-(1)        | Ratio |
| Revenue                                 | 284.9         | 287.3         | 2.3            | 0.8%  |
| Business Profit                         | 25.4          | 27.5          | 2.0            | 7.9%  |
| Operating Profit                        | 24.8          | 27.2          | 2.4            | 9.6%  |
| Profit attributable to owners of parent | 20.3          | 21.8          | 1.5            | 7.6%  |
| ROE                                     | 8.4%          | 7.8%          | -              | -     |

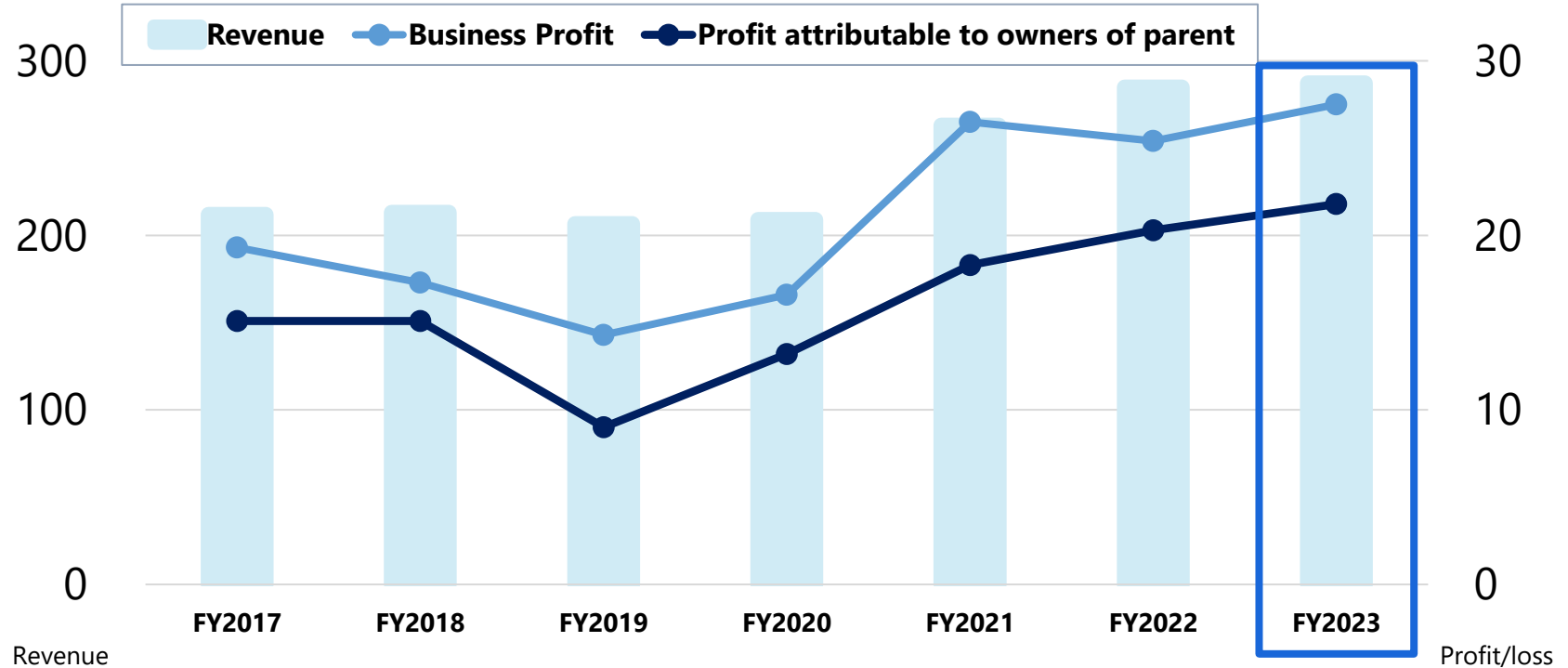
\* "Business profit" is calculated by deducting "Cost of sales" and "Selling, general and administrative expenses" from "Revenue".

| FOREX     | FY2022 | FY2023 |
|-----------|--------|--------|
| JPY / USD | 134.95 | 144.40 |
| JPY / EUR | 141.24 | 156.80 |

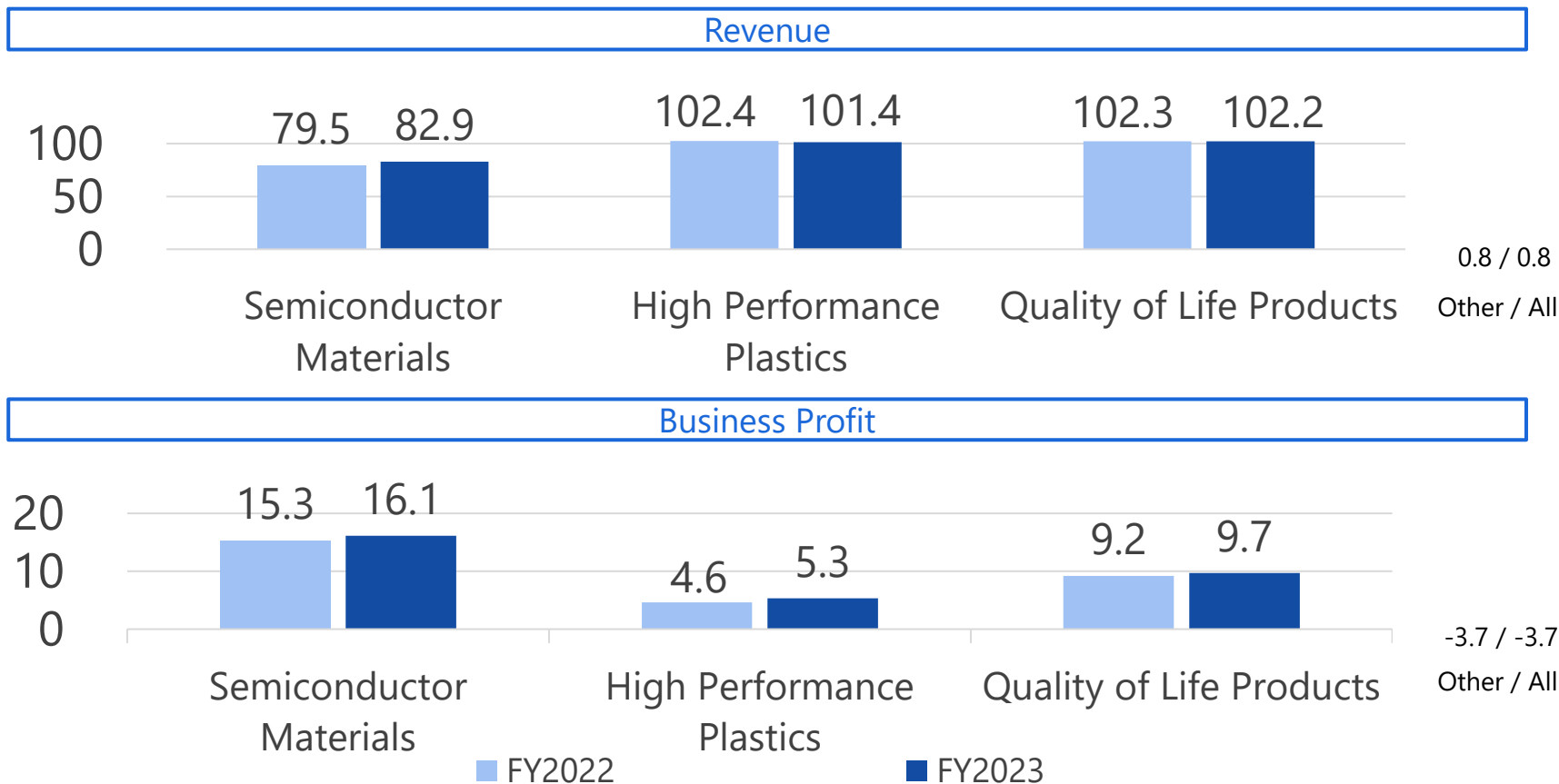
# Revenue and Profit/loss (Fiscal Year Trends)

Revenue, Business profit and Profit attributable to owners of parent achieved record highs.

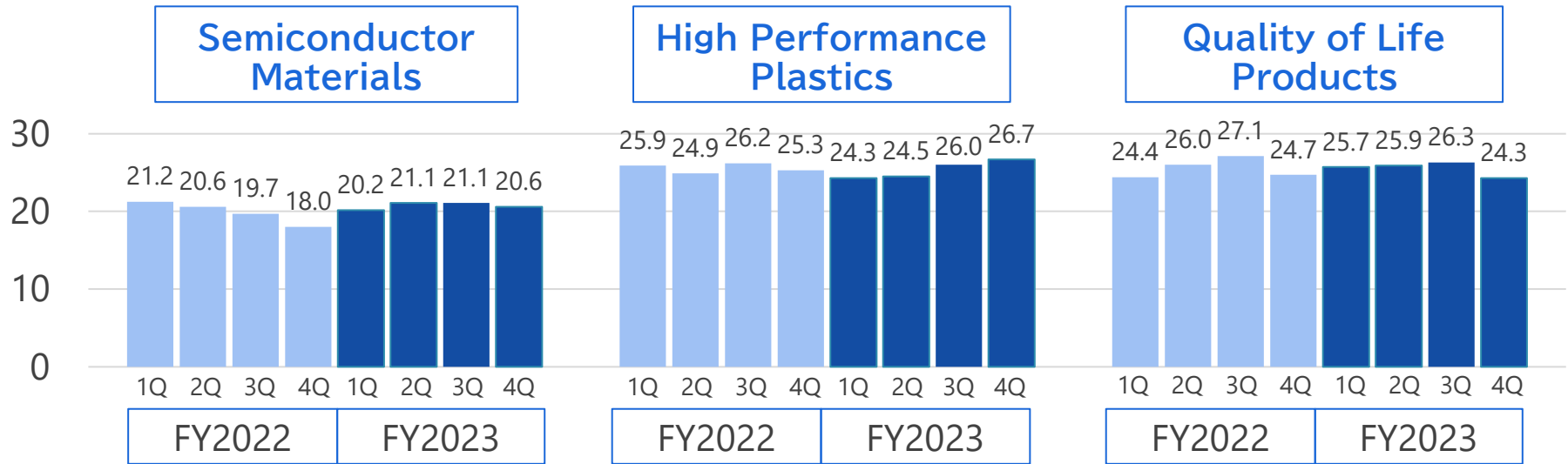
[Unit: Billion yen]



# Revenue and Business Profit by Business Segment (Y/Y)



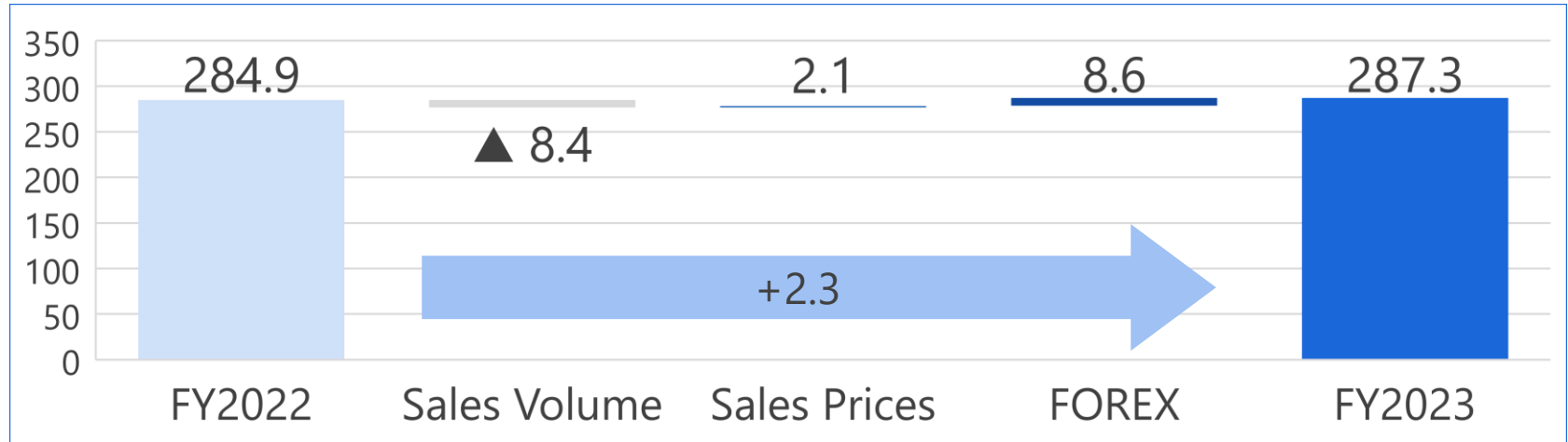
# Quarterly Revenue by Business Segment



- **Semiconductor Materials** : Sales revenue declined due to the reduced operating days during Chinese New Year, but overall market conditions remain unchanged.
- **High Performance Plastics** : Inventory adjustment in consumer applications has been resolved, and the recovery is progressing mainly in Asia.
- **Quality of Life Products** : There are some seasonal factors, however, sales revenue remain firm in films & sheets and healthcare-related products.

# Analysis of Revenue (Y/Y)

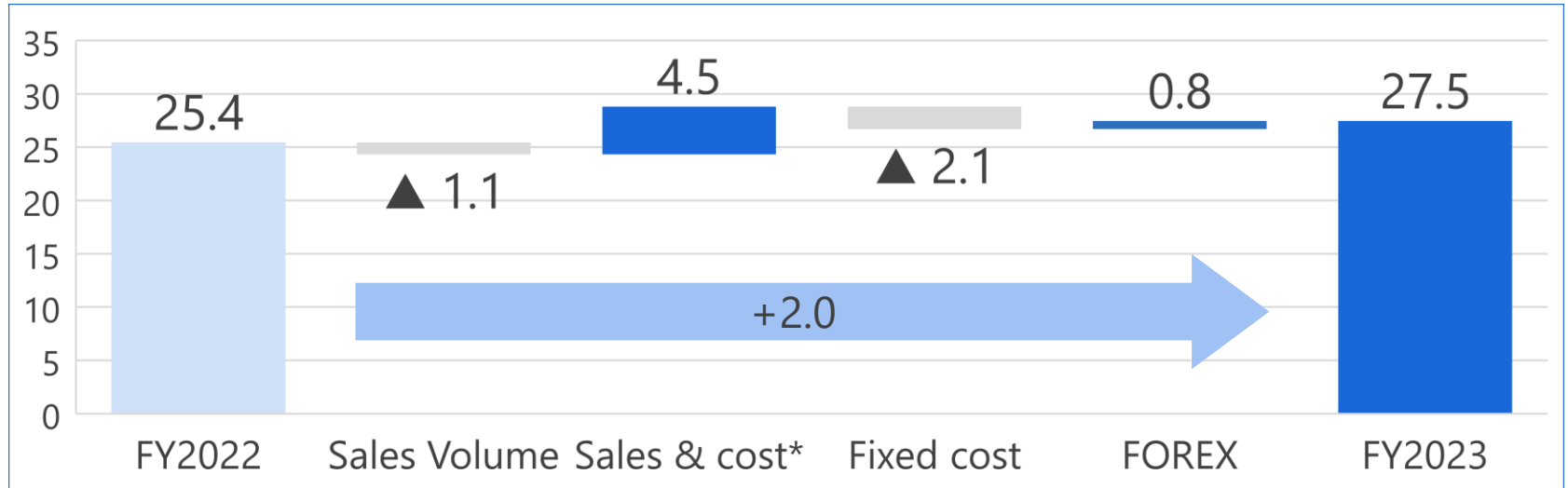
[Unit: Billion yen]



| Segment                   | Sales Volume | Sales Prices | FOREX | Total |
|---------------------------|--------------|--------------|-------|-------|
| Semiconductor Materials   | +0.5         | +0.0         | +2.8  | +3.4  |
| High Performance Plastics | ▲5.9         | ▲0.1         | +5.0  | ▲1.0  |
| Quality of Life Products  | ▲3.0         | +2.1         | +0.8  | ▲0.1  |

# Analysis of Business Profit (Y/Y)

[Unit: Billion yen]



\*Cost is the total of raw material and other variable costs.

| Segment                   | Sales Volume | Sales & cost* | Fixed cost | FOREX | Total |
|---------------------------|--------------|---------------|------------|-------|-------|
| Semiconductor Materials   | +2.1         | ▲1.1          | ▲0.6       | +0.4  | +0.8  |
| High Performance Plastics | ▲1.7         | +3.6          | ▲1.5       | +0.2  | +0.7  |
| Quality of Life Products  | ▲1.4         | +2.0          | ▲0.1       | +0.1  | +0.5  |
| Others                    | ▲0.1         | 0.0           | +0.1       | +0.0  | +0.0  |





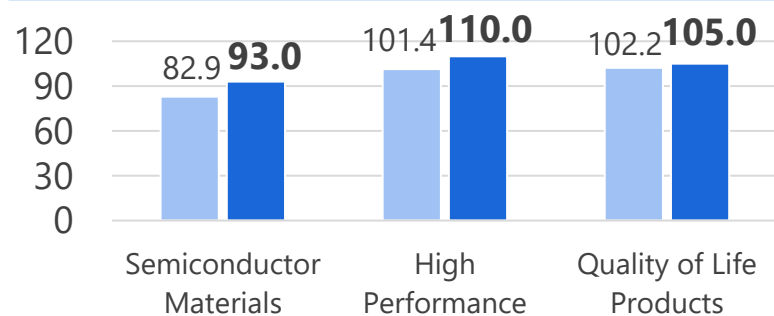
# Financial Forecast for FY2024

# Financial Forecasts for FY2024 (Y/Y)

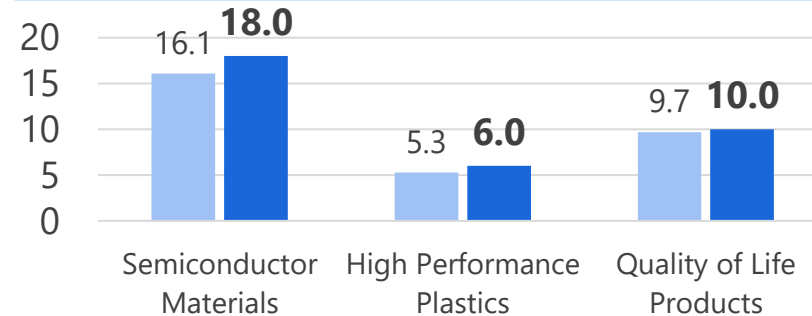
|   | FY2023     | FY2024       | Variance |       |
|---|------------|--------------|----------|-------|
|   | Result (1) | Forecast (2) | (2)-(1)  | Ratio |
| Revenue                                     | 287.3      | <b>309.0</b> | 21.7     | 7.6%  |
| Business Profit                             | 27.5       | <b>30.0</b>  | 2.5      | 9.3%  |
| Profit attributable to owners of the parent | 21.8       | <b>24.0</b>  | 2.2      | 9.9%  |

\* "Business profit" is calculated by deducting "Cost of sales" and "Selling, general and administrative expenses" from "Revenue".

### Revenue



### Business Profit



 FY2023 (Result)

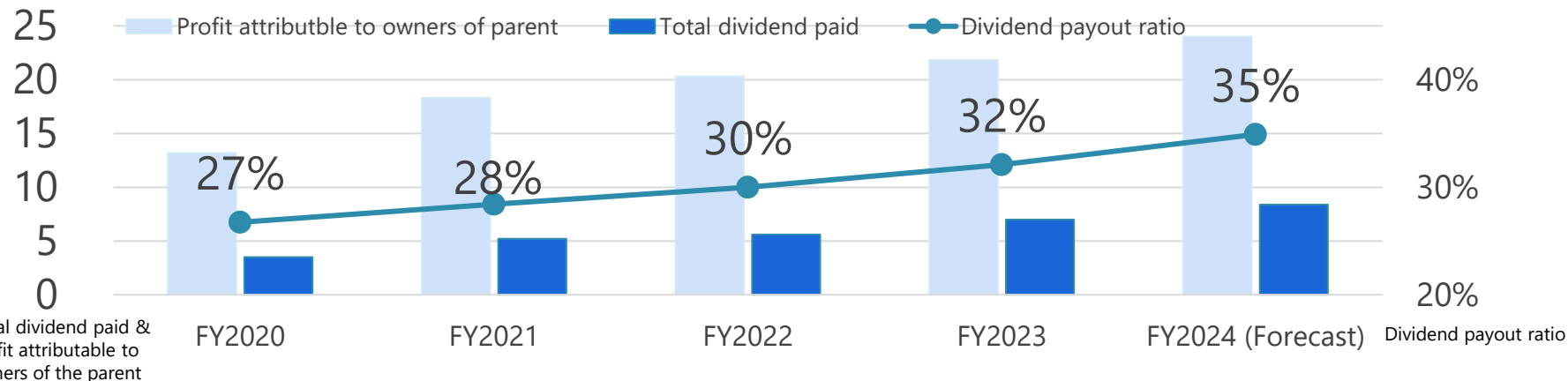
 FY2024 (Forecast)

# Shareholder Returns

■ Dividends Forecast (FY2024) : 90.00 yen per share (Interim 45 yen / Year-end 45 yen)

**Dividends per share forecast is increased by 15 yen\* from FY2023 \*Split basis**

[Unit: Billion yen]



| Dividends (yen) /share | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 (Forecast)           |              |
|------------------------|--------|--------|--------|--------|-----------------------------|--------------|
|                        |        |        |        |        | Pre-split basis (Reference) | *Split basis |
| Interim                | 45.00  | 50.00  | 60.00  | 70.00  | (90.00)                     | 45.00        |
| Year-end               | 30.00  | 60.00  | 70.00  | 80.00  | (90.00)                     | 45.00        |
| Total                  | 75.00  | 110.00 | 130.00 | 150.00 | (180.00)                    | 90.00        |

\*A two-for-one common stock split was issued on April 1, 2024. The amounts before FY2023 are on a pre-split basis



# **Summary of the Medium-Term Business Plan 2024-26**

# Review of the Medium-Term Business Plan 2021-23

## Overall

- 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 earlier than planned.
- Made progress of integration with Kawasumi Laboratories in the healthcare domain following its acquisition.

| Results       |                                  | FY2020 | FY2021 | FY2022 | FY2023 | Review  |
|---------------|----------------------------------|--------|--------|--------|--------|---|
| Semiconductor | Sales Revenue<br>(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<br>(Billion JPY) | 9.4    | 16.5   | 15.3   | 16.1   | ○Expanded sales of three strategic products for mobility as planned<br>○Installed new production lines in China and Taiwan (starting operation in 2024) |
| HPP           | Sales Revenue<br>(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                               |
|               | Business Profit<br>(Billion JPY) | 3.5    | 5.9    | 4.6    | 5.3    | ○Launched heat dissipating materials business<br>○Returned the aircraft business to profitability   |
| QOL           | Sales Revenue<br>(Billion JPY)   | 78.6   | 94.4   | 102.3  | 102.2  | ○Expanded market share in pharmaceutical packaging films<br>○Expanded global business for medical devices   |
|               | Business Profit<br>(Billion JPY) | 6.6    | 7.4    | 9.2    | 9.7    | ○Invested in a venture fund for medical devices   |

# Vision 2030

## Designing Policy for the Plan

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

### 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** %

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

### Materiality Issues



Creation of environmental and social values

#### Carbon Neutral Initiatives

- Technology and product development
- Reduction of GHG emissions

Promote technology and product development in the fields of Resources, Energy Creation / Energy Conservation, Longevity, 3R, and Environmental- Friendliness

2030 GHG Emissions Reduction Target:  
48% reduction from FY2021

#### Contribution to SDGs

Set on "6+1" priority areas and promote SDGs contribution  
Sales revenue ratio of SDG-contributing Products  
FY2030 Target : 70%

### 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

# 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)

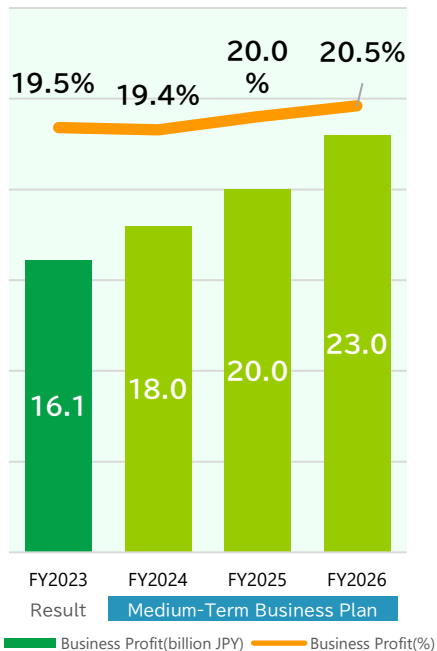


## Engage in management based on capital costs and enterprise value

### Medium-Term Business Plan 2024-26

|                                  | FY2023<br>Result | FY2024  | FY2025  | FY2026  | Vision 2030 |
|----------------------------------|------------------|---------|---------|---------|-------------|
| Business Profit<br>(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)<br>(Billion JPY) | (287.3)          | (309.0) | (325.0) | (345.0) | (420.0)     |
| ROE                              | 7.8%             | ---     | ---     | 9.0%    | 10.0%       |

# 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\*<sup>2</sup>), 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

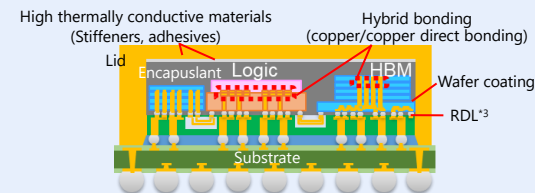
Sumitomo Bakelite Co., Ltd.  
Open labs / Internal projects

Collaboration

Academia / Consortiums

Equipment and material manufactures

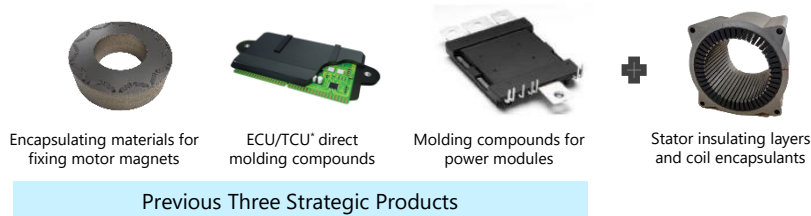
Strengthen the lineup to solve customer's issues



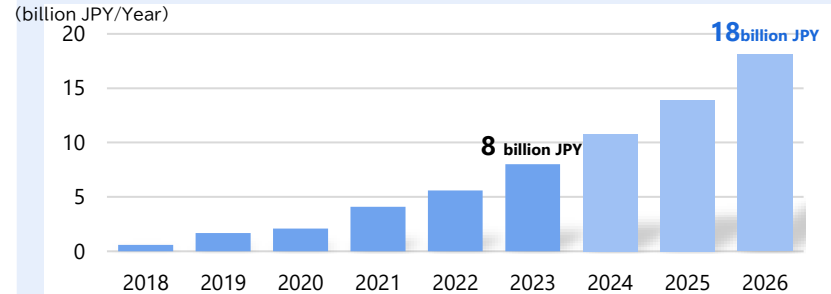
# Business Strategy: Semiconductor Materials (Mobility)

## 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



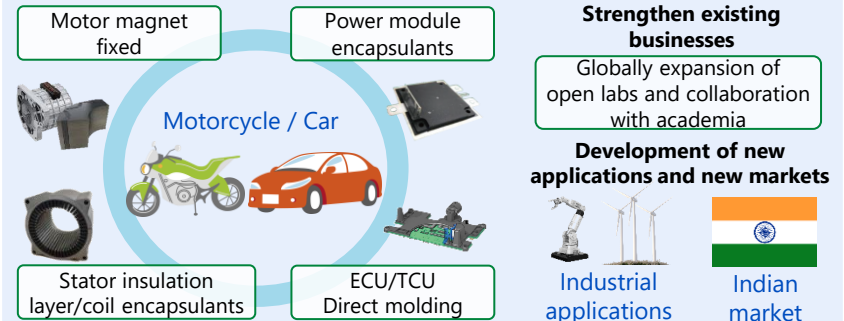
## Sales plan for 3+1 strategic products for mobility



## Expand into new applications and new markets

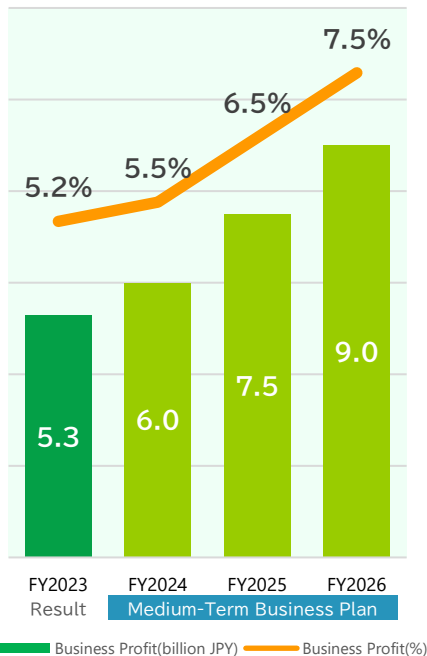
- Material development for next-generation motors
- Expand injection molding materials for sensors
- Expand from e-Powertrain for motorcycle and car to industrial applications
- Cultivate the Indian market

## Strengthen our existing business + Expand new applications and new markets



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

# 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

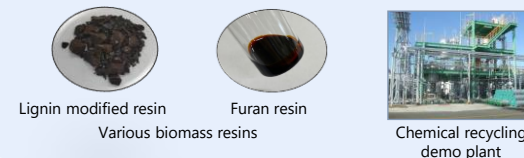
### Major goals of the SDGs



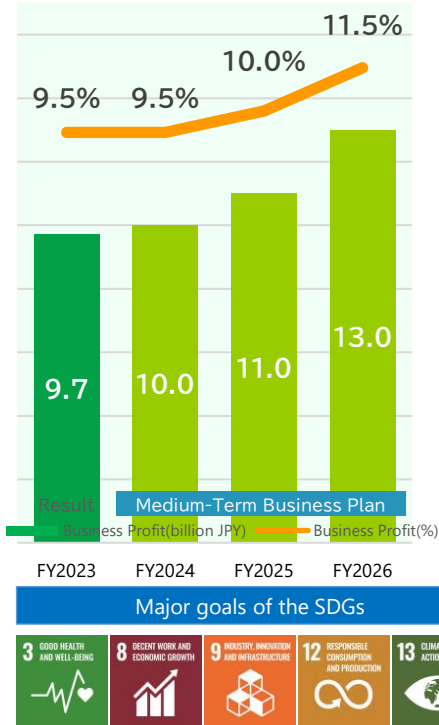
## Products examples in enhanced areas



## Examples of environmentally friendly Products



# Business Strategy: Quality of Life Products



## Medical Devices and Biotechnology Related Products

### Enhancement of profitability

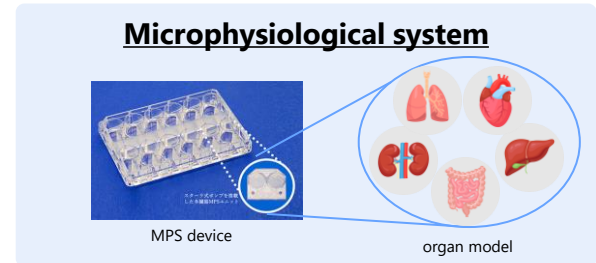
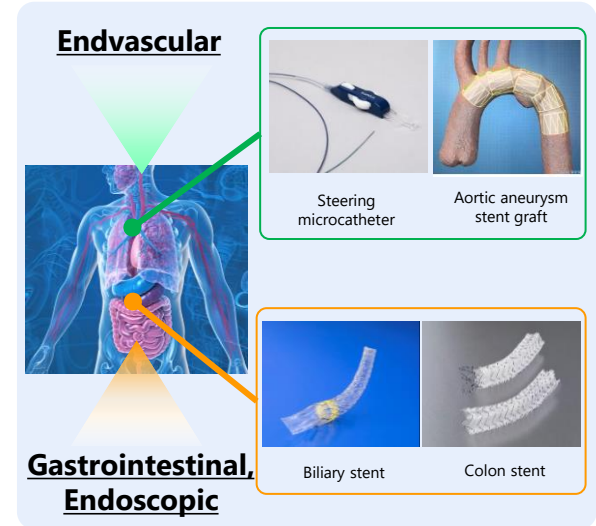
- Enhance the product lineup in strategic business fields (endovascular, gastrointestinal, endoscopic)
- Expand sales of cell/gene therapy support products
- Realignment of unprofitable products

### 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

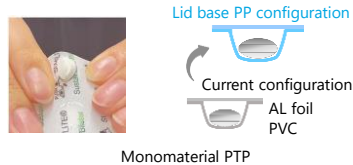


# Business Strategy: Quality of Life Products

## 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


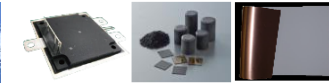
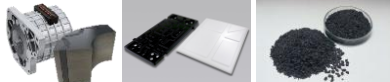



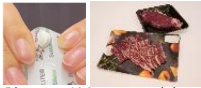



#### Major goals of the SDGs



\*The market leader in Japan (Internal Survey)

# Financial Targets / by Segment

## Medium-Term Business Plan 2024-26

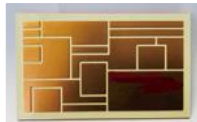
|               |                                  | FY2023<br>Result | FY2024  | FY2025  | FY2026  | Main Products/Application Examples  |
|---------------|----------------------------------|------------------|---------|---------|---------|---|
| Semiconductor | Business Profit<br>(Billion JPY) | 16.1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

# 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**

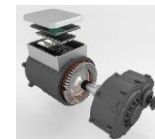
Date accumulation and utilization  
Management and expansion of each IT system  
Installation of advanced MI technologies  
Support to solve issues companywide  
Human resource development



### 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

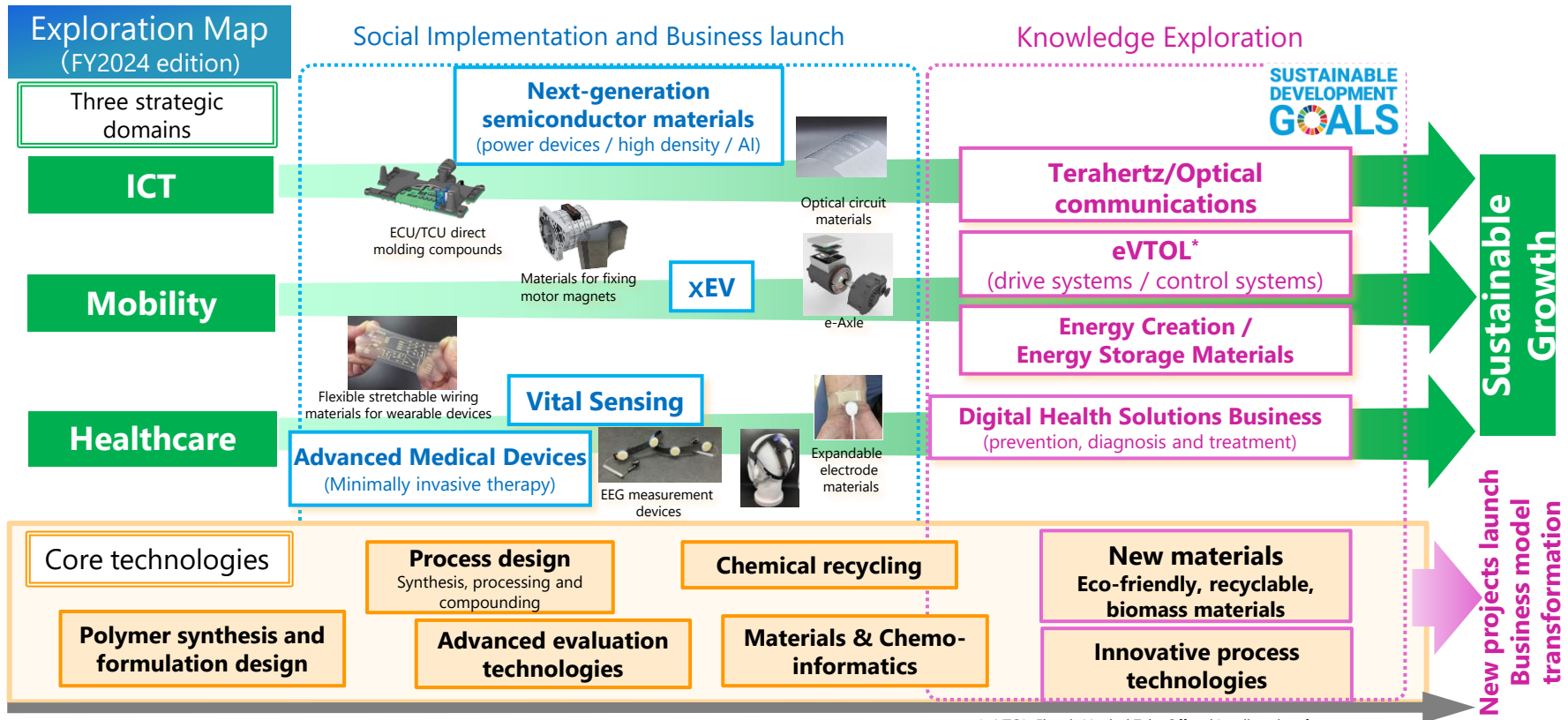
- **Development of chemical recycling technologies**

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)



\* eVTOL: Electric Vertical Take Off and Landing aircraft

## 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)



Respect for diversity



SB School

(Internal education system)



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

# 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).<br>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 | <p>Shareholder Return Policy (FY2024-26)</p> <p>“The stable and continuous return of profit”</p> <p>Dividend payout ratio: <b>Aiming for approximately 40%</b><br/>(changed from the previous target of 30% or more)</p> |  |



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