FY2019-FY2021 Corporate Business Plan

Change and Innovation 3.0: For a Sustainable Future

The new Corporate Business Plan began in April. The slogan for the plan, "Change and Innovation 3.0: For a Sustainable Future," incorporates the meaning of contributing to the creation of a sustainable society through solving issues facing society, which we will do by dramatically improving productivity through digital transformation and by accelerating innovation with a focus on the coming "Society 5.0" (ultra-smart society).

It was in fiscal 2013 that we created the Corporate Business Plan slogan "Change and Innovation," and in the past six years, we have steadily moved forward, enhancing our financial strength in phase 1 and further improving our business portfolio in phase 2. For the new Corporate Business Plan, which will be phase 3, we have set six basic policies, including "Accelerate the development of next-generation businesses" and "Improve productivity through digital innovation."

With regard to "Accelerate the development of nextgeneration businesses," we have set out four focus areas, which are Healthcare, Reducing Environmental Impact, Food, and ICT. Through collaboration with partners, such as start-up companies and academic institutions, we aim to not only speed up the development and industrial implementation of new technologies, but also to create continuing innovation, including

FY2013-FY2015	FY2016-FY2018		
For the Next Hundredth Anniversary	Create New Value		
Strengthening the Foundations of Our Business, with the Aim of Achieving Sustained Growth Over the Next 100 Years	Become a more resilient Sumitomo Chemical that achieves sustained growth		
Basic Policy			
Develop Next-generation Businesses	Accelerate the Launch of Next-generation Businesses		
Restructure Businesses	Further Improve Business Portfolio		
Enhance Financial Strength	Generate More Cash Flow		
Promote Globally Integrated Management			
Ensure Full and Strict Compliance, Establish and Maintain Safe and Stable Operations			

Fransition of the Corporate Business Plar	"Change and Innovation" from FY2013

	(Billions of yen)
	FY2015
Net sales	2,101.8
Operating income	164.4
(Equity in earnings of affiliates)	20.2
Ordinary income	171.2
Net income	81.5
Naphtha price (yen/KL)	42,800
Exchange rate (yen/US\$)	120.15

(Billions of yen)
FY2018
2,318.6
204.3
118.0
49,500
110.92

evaluating and implementing systems and organizations to investigate new research areas and commercialize them.

With regard to "Improve productivity through digital transformation," we are setting up large-scale databases, especially databases tied to productivity technology and to R&D, and we are promoting high-level activities using tools such as analytics technologies. In these ways, we aim to dramatically improve productivity on the ground in manufacturing, including increasing the stability of operations and quality. In R&D, we will work on initiatives such as shortening material search and design periods through broader application of materials informatics (MI), as well as creating new insights that cannot be reached through empirical development.

With regard to "Further improve business portfolio" and

"Build a more robust financial structure," we will steadily collect cash flows from the capital investments and loans that we have implemented. We will also enhance our financial strength by rationalization and improvement of the cash conversion cycle (CCC).

With regard to "Employ, develop and leverage human resources for sustainable growth" and "Ensure full and strict compliance and maintain safe and stable operations," we will continue to strengthen these initiatives because they serve as a source of strength for sustainably maintaining our businesses and for achieving further growth.

We will work on these initiatives in the Corporate Business Plan, and achieve sustained growth for Sumitomo Chemical and build a sustainable society by creating both economic and social value.

FY201	9-FY2021
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For a Sustainable Future	
Contributing to the Creation of a Sustainable Society by Accelerating Innovation	
Accelerate the Development of Next-generation Businesses	> P22
Improve Productivity through Digital Innovation	> P68
Further Improve Business Portfolio	
Build a More Robust Financial Structure	> P18
Employ, Develop and Leverage Human Resources for Sustainable Growth	
Ensure Full and Strict Compliance and Maintain Safe and Stable Oper	ations
(Billions of yen)	Consistently achieve

	FY2021 Target	
Sales revenue	2,950.0	
Core operating income	280.0	
Net income attributable to owners of the parent	150.0	
Nanhtha nrice (ven/KL)	51.000	
Exchange rate (yen/US\$)	110.00	

	FY2021 Target	Targets Consistently achieve the following targets
ROE (%)	12.5	 Over 10%
ROI (%)	7.1	Over 7%
D/E ratio (times)	0.7	Approx. 0.7 times
Dividend payout ratio (%)	-	Approx. 30%
Profit growth* (%)	13	Over 7% per year

* Annual growth rate of profit attributable to owners of the parent from fiscal 2015

FY2019-FY2021 Corporate Business Plan

Accelerate the Development of Next-generation Businesses

Focus Domains in the Four Priority Areas



With the advent of a super-aging society, the reduction of medical and nursing costs, the improvement of QoL, and the extension of healthy life expectancy will be important social issues. We will continue to contribute to solving these social issues in the future by making use of our accumulated technologies and expertise in the health and crop sciences business and pharmaceutical business.

Specifically, we will combine the organic synthesis and biological mechanism analysis technologies with other technologies that we have developed over the years, and work on the development of advanced medical services, such as nucleic acid medicine, cell therapies, and theranostics (the fusion of therapy and diagnostics) that use radioactive isotopes. We will also develop preventive care solutions, such as functional foods, as well as techniques for early diagnosis and health checkups.



In recent years, interest in measures to combat global warming has rapidly increased, including the Paris Agreement and the circular economy. Environmental conservation issues, such as plastic waste, are also urgent social issues. We will contribute to the solution of these social issues by developing technologies that contribute to reducing the impact on the environment, while utilizing organic synthesis, polymer synthesis, and catalyst design technologies that have been developed up to now, while also actively incorporating external technologies. In the field of energy storage, we are advancing the development of materials for next-generation batteries and solid batteries that help reduce greenhouse gases. In the field of energy savings, we will work to develop CO₂ separation membranes to improve energy efficiency and waste water treatment processes with less environmental impact. In the area of carbon cycle, we will also develop bioprocesses utilizing synthetic biology, and develop the manufacturing processes of chemical products through CCU.

 Food

 Food

 Focus Domains
 Major Projects

 Precision agriculture, including data collection, analysis and prediction

 agriculture
 Precision agriculture, including data collection, analysis and prediction

 Food sensing
 On-site food inspection

 Breeding
 Breeding using genome editing technology

The world's population is expected to reach 9.8 billion by 2050, and due to concerns over food shortages caused by population growth, there is a need for efficient food production with a limited labor force and farmland. In addition, with regard to the issue of food loss, it is necessary to reduce the lead time from production to consumption, and to visualize safety and security.

We will accelerate the development and provision of solutions based on precision agriculture, such as effective spraying of pesticides and fertilizers and prediction of yields, by utilizing data science, while developing farming and other techniques we have developed over many years in the health and crop science businesses to achieve efficient food production. We will also develop practical on-site food inspection technology at each distribution stage of food products, and develop improved varieties using genome editing technology.

We will work with startup companies and academic institutions to speed up development and commercialization in four priority areas and to create continuous innovation.



We are developing various ICT-related materials to contribute to Society 5.0 (ultra-smart society) and smart mobility.

We are developing inkjet printable OLED display materials and flexible display materials and components, such as window film. For 5G telecommunications, we will develop high frequency substrate materials (liquid crystal polymers) for semiconductor packages and develop compound semiconductor materials, such as GaN (gallium nitride) epiwafers. We will also work on the development of organic photodiode materials for the next-generation of optical image sensor devices.



In order to ensure that R&D and business development in the four priority areas will steadily lead to the creation of next-generation businesses, we will construct an innovation ecosystem (a system that creates continuous innovation), as shown in the diagram above.

First, we will determine areas we need to strengthen in the four priority areas and distinguish the core technologies that we have and core technologies available from partners in order to design business models that take advantage of our strengths in each of the four priority areas. We will consider the feasibility of potential projects by determining whether we can acquire any needed technologies through collaboration with startups and academia, and whether we can supplement any deficiencies in business competencies through partnerships with, or investments in, external companies and startups.

At each stage of the promotion of the project, close communication with related departments within the company, as well as with external partners and clients, will be made, and feedback will be appropriately reflected in order to shorten the development period. In addition, digital technologies, such as AI and materials informatics, will be fully utilized to accelerate development. Furthermore, we will incorporate new ideas and technologies that have emerged into our promotion of projects and our communication with partners, leading to the creation of continuous innovation.

