CFO's Message



Taking Steps to Improve ROE and P/E Ratio Aimed at Achieving Sustainable Improvement in Corporate Value

Representative Director & Senior Managing Executive Officer

Keigo Sasaki

Building on Earnings Improvement to Further Enhance Corporate Value, Financial and Growth Strategies to Improve P/B Ratio

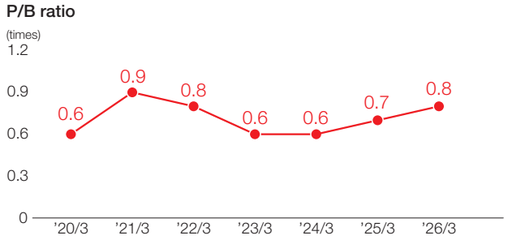
Share Price Recovering, Taking More Steps to Improve P/B Ratio

In addition to overseeing corporate communications and accounting and finance, I have also newly assumed the role of General Manager of the Corporate Planning Office since FY2025. Taking into account the perspectives of market participants, and under our policy of achieving both financial soundness and sustainable growth, I believe we have made steady progress toward enhancing corporate value.

While corporate value involves a variety of elements and perspectives, we place particular importance on the price-to-book (P/B) ratio and is committed to improving it. As long as we operate in the capital markets as a listed company, we consider the sustainable enhancement of corporate value to be a critical mission we must fulfill and an obligation on which we must never compromise.

Against the backdrop of the substantial improvement in business performance from FY2024 through FY2025, Sumitomo Chemical's share price has been recovering to the level seen before the deterioration in performance. We regard this as the result of reviewing our earnings structure and optimizing the allocation of management resources in line with the Corporate Business Plan, and as evidence that we are steadily strengthening the foundation for growth. However, the P/B ratio stood at 0.82 times as of the end of March 2026, still a low level. We believe that, to enhance corporate value over the medium to long term, we must continue to strengthen our earnings base, improve capital efficiency and foster expectations of growth in the market.

P/B ratio



Working from Perspectives of Both ROE and P/E Ratio to Improve P/B Ratio

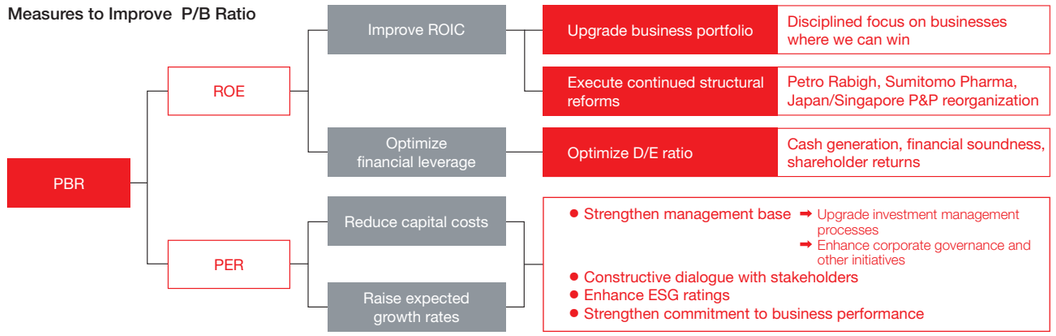
Sumitomo Chemical has to date worked to upgrade its business portfolio and strengthen its management base in order to enhance corporate value. By organizing these initiatives from the perspectives of return on equity (ROE) and the price-to-earnings (P/E) ratio, which are components of the P/B ratio, and by clarifying the aim of each management measure, we seek to realize management that is conscious of capital efficiency and the share price.

In particular, we position return on invested capital (ROIC), which is essential to improving ROE, as a key indicator, and we are once again thoroughly implementing ROIC-oriented management. We are focusing on improving capital efficiency through the twin engines of upgrading our business portfolio and carrying out continued structural reforms.

Improving the P/E ratio is also indispensable to improving the P/B ratio. The P/E ratio is an indicator that reflects market expectations for future growth and earnings expansion, and improving it requires not only reducing the cost of capital but also refining our long-term growth strategy and strengthening the management base that supports its execution. Furthermore, we believe it is essential to communicate these initiatives clearly to our shareholders and investors.

By raising both ROE and the P/E ratio, we aim to create a virtuous cycle of expectations, results and renewed expectations, and thereby improve the P/B ratio.

Measures to Improve P/B Ratio



Improving ROE Through ROIC-Oriented Management and Optimization of Financial Leverage

Thoroughly Implementing ROIC-oriented Management

To improve ROE, we promote management that emphasizes ROIC. The two main pillars of this thrust are the enhancement of our business portfolio and the continued execution of structural reforms.

● Upgrading Business Portfolio

We position Agro & Life Solutions (AGL) and ICT & Mobility Solutions (ICTM) as growth drivers and advance the enhancement of our business portfolio by allocating management resources intensively to these sectors.

On a core operating income basis, these two growth-driving businesses accounted for 29% in FY2017, and we plan to raise this share to 56% in FY2026. Over the three years of the current Corporate Business Plan, we plan 230 billion yen in strategic investments, of which we will invest 78% in AGL and ICTM, our growth drivers.

In FY2025, in the ICTM segment, we acquired AUECC, a semiconductor chemicals company, in order to expand our business area into Taiwan and the western United States. Including this acquisition, actual investments in FY2025 amounted to approximately 70 billion yen, equivalent to about one third of the strategic investment framework under the current Corporate Business Plan. We allocated 75% of this amount to AGL and ICTM, and strategic investments are progressing broadly in line with the plan.

Going forward, we will restructure our businesses through measures such as reorganizing our commodity businesses and divesting non-core businesses, while concentrating resources on world-class businesses such as biorationals and advanced electronic materials, thereby further upgrading our business portfolio.

● Executing Continued Structural Reforms

Regarding Petro Rabigh, Sumitomo Chemical reduced its equity stake to 15% in October 2025, completing the series of financial improvement measures that we had implemented since FY2024. Going forward, under a restructuring plan led by Saudi Aramco, we examine and implement fundamental measures to strengthen earnings power, centered on strengthening the profitability of oil refining. In domestic petrochemicals, we are advancing measures such as optimizing the operations of Keiyo Ethylene and integrating businesses into Prime Polymer, and we expect these measures to deliver benefits in stages. In Singapore as well, we are streamlining commodity products and concentrating on high value-added products, and we will pursue further structural reforms to strengthen the fundamentals of our essential businesses.

Sumitomo Pharma's operations divide broadly into two businesses, the small molecule drug discovery business and the regenerative medicine/cell therapy business. In the regenerative medicine/cell therapy business, we are advancing development and business expansion by combining the knowledge and technological know-how of Sumitomo Pharma and our company. On the other hand, we recognize the small molecule drug discovery business as a business that offers no synergies with our company. Accordingly, we will continue to examine its positioning with all options in view, including the search for a best partner that can contribute to Sumitomo Pharma's sustainable growth. In FY2025, Sumitomo Pharma's earnings improved, mainly in its U.S. business, following structural reforms, and in April 2026 Sumitomo Pharma carried out a capital increase to secure the funds needed for future growth and strengthen its financial base. For the reasons stated above, Sumitomo Chemical did not subscribe to the capital increase, and although our shareholding ratio declined, Sumitomo Pharma remains a consolidated subsidiary.

Optimization of Financial Leverage

● Reduction in Interest-Bearing Liabilities

While leveraging our financial position is important for improving ROE, securing a balance with financial soundness is also essential. As a result of reducing interest-bearing liabilities in FY2025, our D/E ratio improved from the 1.3 times level at the end of FY2023 to the 0.9 times level at the end of FY2025. Furthermore, with the contribution from Sumitomo Pharma's capital increase, we expect the D/E ratio to improve to approximately 0.8 times by the end of FY2026.

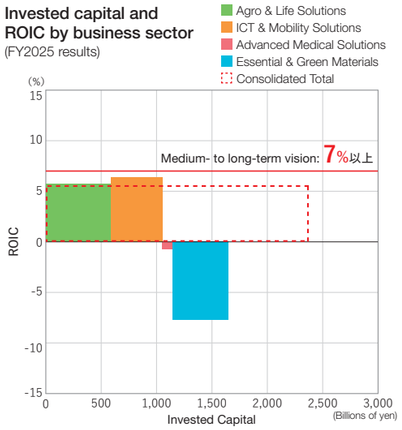
However, we are still only halfway toward achieving our medium- to long-term target level of approximately 0.7 times for the D/E ratio. By continuing to improve our financial position, we intend to curb the burden of interest expenses in a rising interest rate environment and establish a stable financial base for future growth investments.

● Shareholder Returns

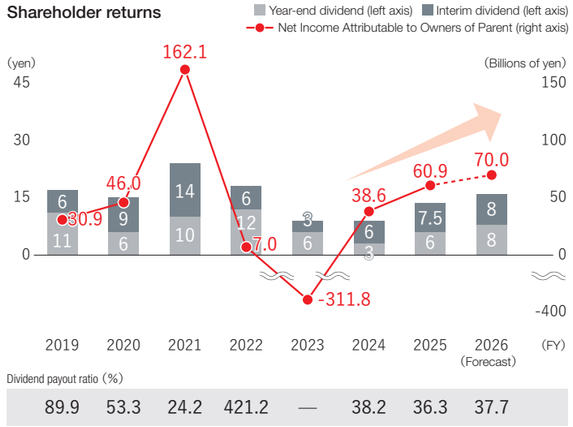
We position shareholder returns as one of our priority management issues and have made it a policy to maintain stable dividend payment. We also aim to maintain a dividend payout ratio of around 30% over the medium- to long-term.

In FY2025, we set the annual dividend at 13.5 yen per share, an increase of 4.5 yen per share from the previous fiscal year. As a result, the dividend payout ratio came to about 36%. For FY2026 as well, we plan to pay an annual dividend of 16 yen per share, an increase of 2.5 yen per share from the previous fiscal year. However, we do not consider this a sufficient level, and through further sustained profit growth we will work to achieve an annual dividend of 24 yen per share at an early stage in the future.

Invested capital and ROIC by business sector
(FY2025 results)



Shareholder returns



Dividend payout ratio (%)							
89.9	53.3	24.2	421.2	—	38.2	36.3	37.7

Improving the P/E Ratio by Strengthening Our Management Base and Deepening Dialogue

Aiming to Foster Growth Expectations and Reduce the Cost of Capital by Improving the Accuracy of Investment Decisions and Strengthening Governance

● Strengthening the Investment Management Process

To steadily execute disciplined growth investments, it is important to improve the accuracy of our investment decisions. We believe that raising the probability of success of growth investments will foster growth expectations and contribute to improving the P/E ratio.

Based on this thinking, we are analyzing past impairment cases and strengthening its investment management process in order to raise the probability of investment success.

In making investment decisions, we emphasize objectivity by strengthening company-wide checks, quantifying risks, making data-driven decisions and incorporating the insights of external experts. For example, in the recent acquisition of AUECC, we made our decision after an objective and thorough evaluation based on multifaceted simulation analyses and collaboration with experts inside and outside the Company.

Furthermore, to respond flexibly to changes in the business environment, we have introduced KPIs that capture early warning signs and conduct continuous monitoring, enabling us to respond swiftly. We also continuously monitor key strategic projects of approximately 75 billion yen currently in the execution phase, identifying changes in markets and risks at an early stage and revising business strategies as necessary in order to maximize investment returns.

● Strengthening Corporate Governance

As a foundation supporting our growth strategy, we are also focusing on strengthening corporate governance. In June 2025, our company transitioned to a company with an Audit & Supervisory Committee. We are strengthening the supervisory capabilities of the Directors who serve as Audit & Supervisory Committee Members and enhancing deliberation and discussion on management issues, thereby improving the quality of governance from both a defensive and an offensive perspective. In addition, with respect to executive remuneration, a topic on which investors have offered their opinions, we raised the ratio of variable compensation and newly introduced an ROIC achievement coefficient into the bonus calculation formula for variable compensation in order to increase ties between business performance and capital efficiency. Through these measures, we bring our management closer to the investor perspective and support the ROIC-oriented management that we emphasize. As a result, we believe that management transparency from the perspective of investors will increase and that this will also lead to a reduction in the cost of capital.

Enhancing Management Transparency Through Constructive Dialogue

We believe that constructive dialogue with stakeholders, including shareholders and investors, is extremely important in enhancing the transparency and reliability of our management. In addition to opportunities for dialogue held by top management, I myself engage directly with shareholders and investors at conferences, individual meetings and other occasions, and receive a great deal of feedback. We reflect in our management the feedback we receive as well as the market expectations and concerns obtained through such dialogue.

In January 2026, we also provided a forum for dialogue between investors and Outside Directors, where we held frank discussions on monitoring, namely why we were unable to detect signs of deteriorating business performance at an early stage, as well as on such issues as the business portfolio and the parent-subsidiary listed company structure. We believe that such dialogue further deepens our awareness of issues and contributes to further strengthening the supervisory capabilities of the Board of Directors.

Going forward, we will continue to place importance on dialogue with shareholders and investors, and by carefully communicating the progress of our growth initiatives and transformation, we will strive to foster market expectations.

Achieving Sustainable Enhancement of Corporate Value Even in a Rapidly Changing Environment

By steadily executing the initiatives described above, we aim to improve ROE through strengthening our earnings power and improving capital efficiency, while also working to improve the P/E ratio, thereby leading to a steady improvement in the P/B ratio. In recent years, uncertainty in the external environment, including geopolitical risks, has been high, and the outlook continues to be difficult to predict. However, precisely because of such circumstances, we recognize that it is more important than ever to calmly assess changes in the environment and to balance growth investment with improvement of our financial position, using the accelerator and the brake as appropriate.

Going forward, we will further enhance the quality of our management through investment decisions and financial strategy, and while meeting the expectations of our shareholders and investors, we will work to achieve sustainable enhancement of corporate value.

