Management Capitals

Type of Capita	Financial Capital	Manufactured Capital	Intellectual Capital	Human Capital	Social and Relationship Capital	Natural Capital
Major Indicators	• Total equity ¥1,236.7 billion • Interest-bearing liabilities ¥1,151.5 billion • D/E ratio 0.93 times	• Number of research and manufacturing sites (As of April 1, 2026) Overseas: 56* Japan: 12 * Including sales facilities • Capital expenditures ¥121.6 billion	• Number of patents held 12,584 patents • Research and development expenses ¥144.7 billion	• Number of employees 27,491 people • Engagement score (Positive response rate for engagement-related indicators) 61%	• Number of consolidated subsidiaries and equity method investees 175 companies • Number of overseas sites (As of April 1, 2026) 56	• GHG emissions (Scope1+2) 5.29 million tons • SSS (Sumika Sustainable Solutions) ¥555.6 billion P.55
Analysis of Current Situation	**Steady improvement in financial soundness, though the medium- to long-term target remains unmet** Due to progress in the business structural reform and improvement in earnings capacity, interest-bearing liabilities at the end of FY2025 decreased by 134.7 billion yen from the previous fiscal year-end to 1,151.5 billion yen, and D/E ratio was 0.93 times, showing a steady improvement in financial soundness. However, more progress is needed to achieve D/E ratio of approx. 0.7 times, a medium- to long-term target, and we must continue to improve our financial position.	**Manufacturing system that places top priority on safety** We maintain a stable production framework with 68 manufacturing sites in Japan and overseas. Capital expenditures for FY2025 totaled 121.6 billion yen, a 8% decrease from the previous fiscal year. Guided by our principle of "Making safety our first priority," we aim for zero severe industrial accidents. To realize "smart equipment management," we are linking our equipment management and enterprise resource planning systems to eliminate accidents and operational troubles, thereby stabilizing plant operations, improving productivity, and ensuring stable quality.	**Broad technological expertise and R&D capabilities** Our R&D expenses for FY2025 reached 144.7 billion yen (6.2% of sales revenue), and our patent portfolio comprises 12,584 patents. Backed by our technological expertise in diverse areas, our R&D capabilities form one of our core competencies. Our R&D and intellectual property activities have earned high external recognition, including being selected as a Clarivate Top 100 Global Innovator for five consecutive years.	**Diversity and High engagement** Diverse human resources and their high engagement constitute one of our core competencies and serve as a source of our competitiveness. Against this backdrop, we revised the human resource system in this fiscal year. The new system clarified the profile of desired employees for the Company, designed a system that aligns with their characteristics, and allows for more differentiated compensation based on the magnitude of performance they achieved, thereby supporting self-directed career development of employees.	**Robust global network** As of the end of FY2025, the number of consolidated companies stood at 175, with 56 overseas locations. The global network we have built is one of our core competencies. Furthermore, by conducting numerous community contribution activities both domestically and internationally, we are strengthening our relationships of trust with local communities. By building such positive relationships with our stakeholders, we aim to enhance our corporate social value.	**Conservation and restoration of natural capital to ensure business sustainability** Companies, including ours, utilize diverse forms of natural capital through their business activities. To ensure the sustainability of our business operations, we are promoting the conservation and restoration of natural capital by integrating responding to climate change and promoting recycling resources.
Strengthening Efforts	**Continuing with cash generation measures, improving capital efficiency and establishing a stable financial foundation** With the aim of achieving D/E ratio in the 0.7times range, a medium- to long-term target, we will continue implementing cash generation measures, including business restructuring, to reduce interest-bearing liabilities and improve D/E ratio. Under an investment management process that emphasizes risk management in investment decision-making and enhanced monitoring of strategy execution, we will continue concentrating investments strategically in high-margin businesses, mainly in the two growth drivers, to establish a stable financial foundation while enhancing capital efficiency.	**Enhancing manufacturing by balancing safety and efficiency** Reduction of risks associated with aging equipment and other factors is our top priority. We will promote a series of initiatives using the PDCA cycle by transitioning to data-driven reliability maintenance across all sites. We will also accelerate our existing DX Strategy 1.0 and 2.0 initiatives to build a sustainable manufacturing system that is highly competitive, built on a foundation of robust safety and stability.	**Focused investments and enhancing business competitiveness** We will focus our R&D expenses on the growth driver fields of agrochemical and ICTM, and promote innovative technological development in these areas. In our intellectual property activities, we are building a leaner and more robust patent portfolio through analysis of business value and cost data. We are also working to improve operational efficiency through the use of generative AI technology. By further strengthening the coordination between the intellectual property strategy and the business strategy, we will enhance our business competitiveness.	**Securing, developing and utilizing human resources for sustainable growth** We will promote the securing, development and utilization of human resources over the medium to long term through diversified recruitment channels and human resources measures that respond to changes in the social environment. And we promote management practices that foster employees' sense of growth through support from supervisors and colleagues. We also expand an internal side job system and other various support measures so that employees can reflect on their careers and proactively improve their knowledge and skills, with a view to promoting self-directed career development and improving their engagement.	**Co-creating and strengthening trust relationships with stakeholders** Both domestically and internationally, we will expand our community contribution activities, including educational support and environmental protection initiatives, to deepen our ties with local communities. We will also prioritize dialogue with stakeholders and ensure highly transparent disclosure of information to strengthen relationships of trust. Through these efforts, we will enhance our social and relational capital, fulfill our corporate social responsibility, and create value together with diverse stakeholders.	**Transition to businesses that reduce environmental impact** We will explore the use of clean fuels and other measures to further reduce GHG emissions, aiming for the sustainable conservation and restoration of natural capital. We will also promote initiatives to restrain the use of virgin materials derived from fossil, such as promoting recycling resources in chemical products like plastics and using bio-based raw materials. In parallel with these efforts, we will accelerate the development and adoption of SSS, further advancing the transition to businesses that reduce environmental impact.
References	CFO's Message	Bolster Competitiveness Leveraging DX Occupational Health and Safety/ Process Safety and Loss Prevention (Sustainability Report)	Intellectual Property Strategy Innovation Strategy	Recruit, Develop, and Utilize Human Resources Human Resources Management (Sustainability Report)	Communication with Stakeholders Respect for Human Rights Contributions to Communities (Sustainability Report)	Climate Change Mitigation and Adaptation Contribute to Recycling Resources Sustainable Use of Natural Capital