

Message from the President



Akinori Higuchi
Representative Director,
President and CEO

Steadily implementing measures to ensure the sustainable growth of the Sanyo Chemical Group amid the rapidly changing business environment

Looking back on FY2024

In FY2024, we continued to implement structural reforms and the transformation of the overall supply chain amid significant changes in the business environment surrounding the Group. However, not everything went as planned, and the business environment worsened more than expected due to the prolonged economic downturn in China and the influx of low-cost Chinese-made chemicals into the market. Although operating profit has improved from 4.8 billion yen in FY2023, it remained at 8.4 billion yen in FY2024.

Meanwhile, we are making steady progress with structural reforms, including withdrawal from the superabsorbent polymer business (“SAP business”) and the production business in China. We merged SDP Global Co., Ltd., which had already ceased production, into our company, and transferred all of our equity interests in San-Dia Polymers (Nantong) Co., Ltd. to a Chinese company. Liquidation procedures are also underway for SDP GLOBAL (MALAYSIA) SDN. BHD. and Sanyo Kasei (Nantong) Co., Ltd. By 2024, operating profit improved by about 1 billion yen due to the withdrawal from the SAP business and by about 3.1 billion yen due to the transformation of the overall supply chain to reinforce the corporate base.

Thus, amidst the rapidly changing business environment, we have been able to implement various reforms and restore our performance to a certain level. I believe that this is thanks to the efforts of each employee. By advancing structural reforms to enhance our corporate value, I hope to show you a different Sanyo Chemical Group in a few years.

Outlook for FY2025

In light of the said deterioration of the Chinese market, we have decided to set our forecast for FY2025 at operating profit of 10 billion yen and revise the timing for achieving the target of operating profit of 15 billion yen set out in the MTP 2025. Meanwhile, by further expanding high value-added products and transforming the overall supply chain, as outlined in the MTP 2025, we are steadily transforming into a leaner corporate structure.

Our immediate concern is the indirect impact of the U.S. tariff policy on the Group, such as a slowdown in the automobile industry in Japan. Although the overseas sales ratio of high value-added products such as lubricant additives and permanent antistatic agents is high, we believe that it will be possible to pass on the tariffs through our prices, with the direct impact being minor. However, since automobile-related products account for nearly 40% of our sales, we will closely monitor indirect impacts, such as a decrease in the number of automobiles exported from Japan.

Business Strategy in the New Medium-Term Management Plan 2025

1. Growth from core business

Accelerating R&D and capital investment in five focus product groups that contribute to carbon neutrality and improved QOL as “high value-added products”

2. Reformation of existing business

- Withdrawal from the superabsorbent polymer (SAP) business
- Supply chain transformation → Special Feature on page 23
- Increased profitability of the polyurethane business (PPG)

3. Global deployment

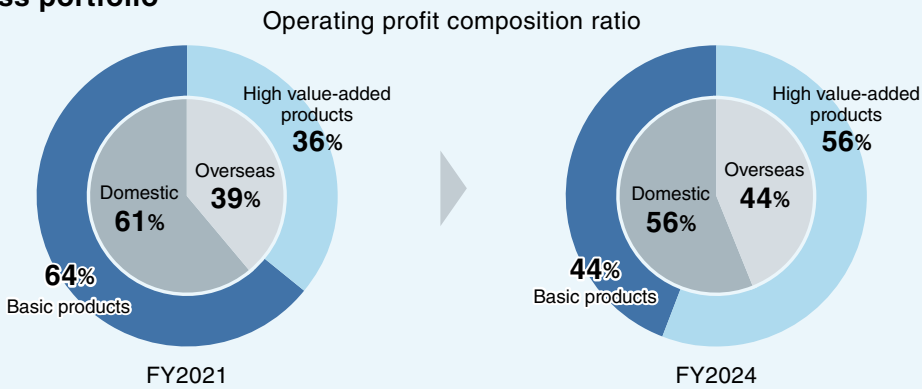
Enhancing production facilities and sales functions at overseas bases

Quantitative targets

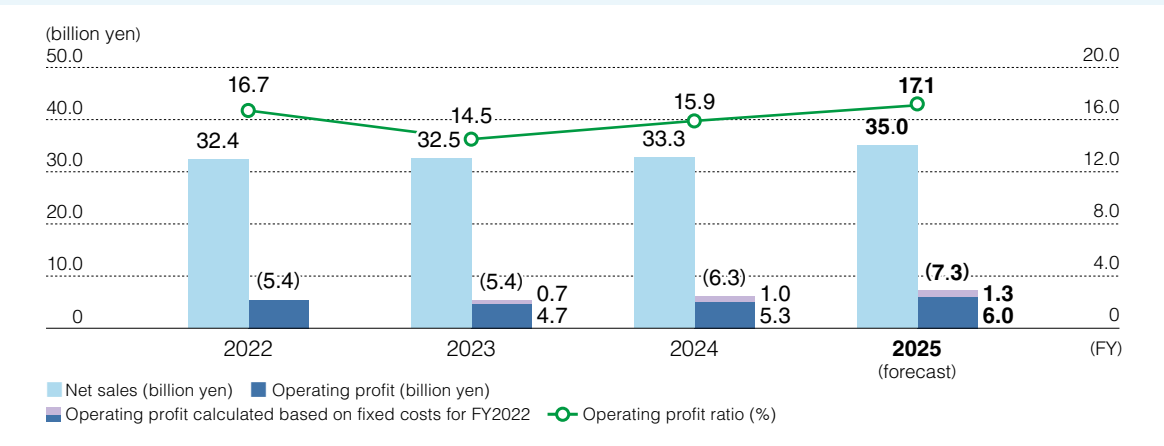
	2022 (results)	2023 (results)	2024 (results)	2025 (forecast)	2025 (targets)
Net sales (billion yen)	174.9	159.5	142.2	130.0	200.0
Operating profit (billion yen)	8.1	4.8	8.4	10.0	15.0
Operating profit ratio (%)	4.6	3.1	5.9	7.7	7.5
ROIC (%)	3.2	2.4	4.8	10.9*	7.0

* Due to the recording of tax expenses (gains), including corporate taxes and corporate tax adjustments, following the merger of SDP Global Co., Ltd., which is a temporary factor, we expect ROIC for FY2025 to be 10.9%.

Business portfolio



Net sales/operating profit/operating profit ratio of high value-added products



Progress of the MTP 2025

Growth from core business

As a result of our efforts to reform our business portfolio through structural reforms, high value-added products now account for about 60% of our operating profit. We will further focus on strengthening our lineup of high value-added products to create products from our core business that will drive medium- to long-term growth. As a measure to achieve this, we will work to enhance our strength in providing solutions that resolve customer issues. We will expand our R&D staff, increase opportunities for researchers to exchange ideas with customers, and further promote the introduction of materials informatics (MI) and AI for efficient product development, thereby shortening the development period. Through these measures, we will establish a favorable environment for a “customer-oriented approach” and ensure that each employee is committed to working with customers in mind.

New growth path

For the Group to grow further, it is essential to create new businesses that are not influenced by corporate size or price competition, through development that resolves social issues and meets market needs with the use of our unique technologies. Regarding new businesses, we are commercializing Silk-Elastin, the electronic nose, and peptide agriculture, which have the potential to become pillars of our business in the next 5 to 10 years.

Silk-Elastin is an artificial protein created using gene recombination technology and is expected to be used in a variety of applications. As a first step, in April of this year, we obtained marketing approval for medical devices to market it as a new wound healing material. We are also developing it as a meniscus regeneration material and are currently preparing to begin corporate clinical trials. In addition, we promote over 10 other research topics, including muscle regeneration application. By gradually commercializing our research, we hope to contribute to improving the QOL of many people through Silk-Elastin.

Global deployment

Although the overseas net sales ratio in FY2023 was about 45%, in FY2025, we expect this to temporarily decline to about 35% due to the withdrawal from the SAP business, which had a high overseas net sales ratio. We will move away from our current business style of following Japanese companies expanding overseas and actively supply high-quality products made with our own technologies to overseas markets, using the know-how we have cultivated in the Japanese market. Through this, we will achieve our Vision of “growing into a global, unique, and highly profitable company.”

We are also preparing to commercialize Silk-Elastin overseas. With the U.S. medical device market, which is 10 times larger than Japan’s, as our key target, we are considering setting up a local base in the future.

We also promote raw material procurement from overseas to achieve stable and low-cost procurement and drive sustainable growth. To enable flexible raw material procurement in response to changes in the market environment and supply situation, we have established a dedicated department as a purchasing function to review raw materials from a researcher’s perspective, thereby expanding the range of raw material specifications. In cooperation with the production and sales sections, we secure raw materials from multiple suppliers from a global perspective. We also devise and implement research formulations and manufacturing flows that can swiftly respond to customer requests while flexibly using raw materials with different specifications.

Accelerating structural reforms

Production facility reform

As the business environment changes dramatically, we will further accelerate our structural reforms and link them to our next medium-term management plan. As one of the measures to achieve this, we will launch a production facility reform project to reduce manufacturing costs in our core business.

In our next medium-term management plan, we plan to invest in large-scale facility consolidation, and as the next step, we are considering automating our facilities and ultimately introducing robot technology. The expected source of funds will be cash generated through Monozukuri Transformation and the transformation of the overall supply chain. Currently, high maintenance and repair costs are being incurred due to the aging of facilities. However, by consolidating facilities, we estimate that about one-third of the facilities across the Group will no longer be necessary, resulting in a significant reduction in maintenance and repair costs. By using the cash generated from the production facility reform for growth investment, we will create products that will drive the Sanyo Chemical Group into the future.

“All departments are profit centers” and “A culture that encourages challenges”

To meet customer needs and create new value, we will ensure that “all departments are profit centers” and promote “a culture that encourages challenges.” To achieve sustainable growth into the future, the company as well as each department and employee must take on new and innovative challenges. I believe that a “culture that supports challenges” will put down even stronger roots if all employees grow by acquiring new ways of working and values while maximizing their capabilities to generate profits.

To foster this kind of culture, in the next MTP, we plan to introduce a system that requires each department to set a story, goals, and KPIs that will generate profits while aiming for the company-wide goals, and that evaluates their progress. I believe that creating a system in which each individual’s challenges and each department’s efforts contribute to the company-wide goals in a multi-layered manner will lead to increased profits.

Strengthening governance

To tackle these major transformations without being limited by an internal perspective, we focus on actively incorporating external perspectives, and in June 2024 we appointed Outside Director Aya Shirai as Chairman of the Board of Directors. A year has passed since then, and we have noticed changes in the meetings of the Board of Directors, such as an improvement in discussion quality. By carefully reviewing the number of agenda items and taking enough time to discuss necessary topics, we hold deeper discussions and exchange more diverse views on each item than ever before. For example, new initiatives, such as our collaboration with DHL Supply Chain Ltd. to optimize logistics in Japan, were advanced through active exchange of views, consideration, and approval. Meanwhile, excessive time is not spent on just reports, allowing for well-balanced Board Meetings.

Dialogue with stakeholders

The Group has diverse stakeholders, including investors, customers, business partners, local communities, shareholders, and employees. We believe it is important to build bonds of trust with each of them through dialogue. The dialogue results are reported to the Board of Directors to be used in management. We will continue to actively engage in dialogue with our stakeholders, taking into account their feedback on our information disclosure.

For example, we regularly hold meetings with local residents around the Kyoto Factory to hear their views. For the supply chain, we hold study sessions with customers as well as trading companies and agents to whom we directly wholesale products, and also exchange views with subcontractors. Kyoto, where the Head Office is located, is home to many companies and universities. Based on discussions on new business creation and human resource development through collaboration between companies and universities, we will create new values.

WakuWaku Management

Japan’s chemical industry will soon be undergoing a period of rapid change. The Sanyo Chemical Group has reached a point where it must take on new challenges and create innovations beyond the boundaries of chemistry to survive. The driving force behind this is the “WakuWaku” that arises when each employee boldly takes on change and works as a team with enthusiasm to achieve lofty goals. The Group promotes “WakuWaku management,” which puts the spotlight on management and each employee to build a strong framework for One Team with a focus on profits, inspiring WakuWaku feeling from all stakeholders. I believe that generating profits that are driven by employees’ WakuWaku will lead to the sustainable growth of the Group, WakuWaku feeling among stakeholders, and “establishing a better society,” as stated in our company mission. I will move forward with WakuWaku on the path to the Group becoming One Team and “growing into a global, unique, and highly profitable company where every employee feels pride and satisfaction from his/her work.”

I hope that investors and other stakeholders will understand the Group’s growth scenario and welcome the opportunity for dialogue.

September 2025

Representative Director, President and CEO

A. Higuchi

