


The Tenth Medium-Term Management Plan

New Sanyo for 2027



May 22, 2018

SANYO CHEMICAL INDUSTRIES, LTD.



1. Company Motto
2. Recalling the Ninth Medium-Term Management Plan
3. Vision of Sanyo Chemical
4. New Sanyo for 2027



1 . Company Motto



Company Motto (Management Philosophy)

Let us contribute to building a better society
through our corporate activities.



2. Recalling the Ninth Medium-Term Management Plan



The Ninth Medium-Term Management Plan (FY2015-FY2018)

Co-creation with customers
Global expansion



Transformation of the earnings
structure
Achieving sustainable growth

[Targets for FY2018]

Net sales	¥230.0 billion
Operating profit	¥21.5 billion
ROE	10%+

[Results for FY2017]

Net sales	¥161.6 billion
Operating profit	¥11.9 billion
ROE	7.4%

Along with major changes in the business environment, such as fluctuations in crude oil prices and intensified competition in SAP (superabsorbent polymers) business, the management system also underwent major changes, including the introduction of the divisional organization system and the launch of a project in collaboration with other company. Although it is the final year of the Ninth Medium-Term Management Plan, we have started a new medium-term management plan.

3. Vision of Sanyo Chemical



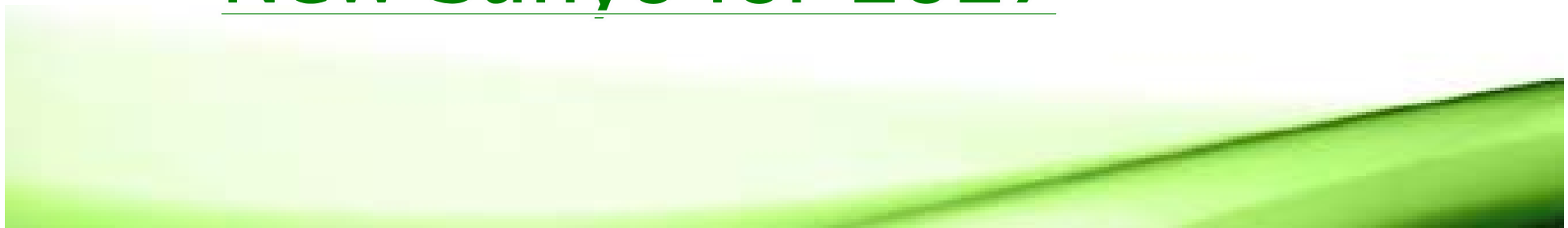
Re-allocate management resources aiming at our Vision in ten years.

Vision of Sanyo Chemical

We have grown to be a unique, global, and highly profitable company, where all our employees proud themselves, find meaning in their work, and contribute to society.

The Tenth Medium-Term Management Plan: Concrete measures for the next three years (FY2018 to FY2020), looking ten years ahead.

New Sanyo for 2027



3. Vision of Sanyo Chemical



New Sanyo for 2027

Period: FY2018-FY2020

Slogan: "KAERU"

"Each employee will personally commit to changing our corporate culture."

Change ourselves for next 3 years to realize our vision

FY2020 (Goal) (Consolidated, billion yen)	
Net sales	180 billion
Operating profit	18 billion
Operating profit ratio	10%
ROE	10%

Going Beyond "KAERU"

The tenth plan is the first step to the next ten years.

We have grown to be a unique, global, and highly profitable company, where all employees proud themselves, find meaning in their work, and contribute to society.

[Guiding Principles]

A unique global company that contributes to society through performance chemicals that play an active role in various surfaces.

Aiming at our Vision

New Sanyo for 2027

FY2020

From FY2021 onwards

FY2027

FY2027 (Vision) (Consolidated, billion yen)	
Net sales	250 billion
Operating profit	35 billion
Operating profit ratio	14%
ROE	12%

4 . The Tenth Medium-Term Management Plan

New Sanyo for 2027

In order to realize our Vision, we will change from within for the first three years.

KAERU

New Sanyo for 2027

Committed to Change

- Shift to high-value-added products
- Eliminate “Waste, Impracticality and Inconsistency”
- Create an open corporate climate
- Accelerate business from the customer perspective
- Encourage flexible and diverse work styles and approaches

4-1. New Sanyo for 2027



Guiding Principles

A unique global company that contributes to society through performance chemicals that play an active role in various surfaces

Source of Strengths

- Extensive technical knowledge centered on surface activity control technology
- Fast translation of the customer's values and needs to functions, from functions to physical properties, and from physical properties to composition and synthesis process
- Timely solution-based proposal through customer experience
- A corporate culture that encourages challenges
- A reliable company that fulfills social responsibility

Business Areas

- Performance chemicals business that play an active role in various surfaces
- New business will be developed in the "Energy & Electronics" area and "Biotechnology & Medical" area.

4-2. Management Strategy

Strengthening core business

Shift management resources to strategic business
Strengthen profitability through cost structural reform

Creation of new business

Energy & Electronics area
Biotechnology & Medical area

Accelerate overseas expansion

Overseas sales expansion of power products built in Japan

New plan for the future

Solution-based proposal to customers by strengthening and integrating core technologies and reinforcing marketing capabilities

Building partnership

Expedite open innovation through collaboration with other companies

Strengths
of Sanyo
Chemical
Group

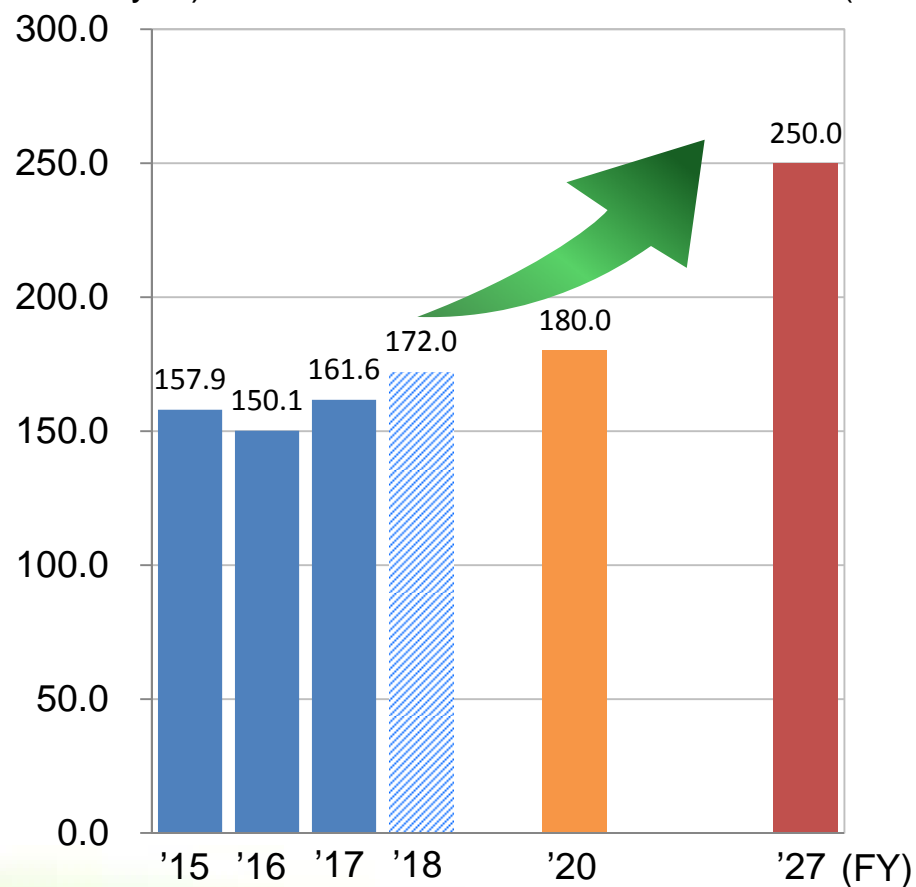
- Shifting management resources to businesses and transactions that can demonstrate the strengths of Sanyo Chemical.
- Deepen core competence centering on surface activity control technology. Provide customers with valuable performances and solutions unique to Sanyo Chemical.

4-3. Numerical Goal

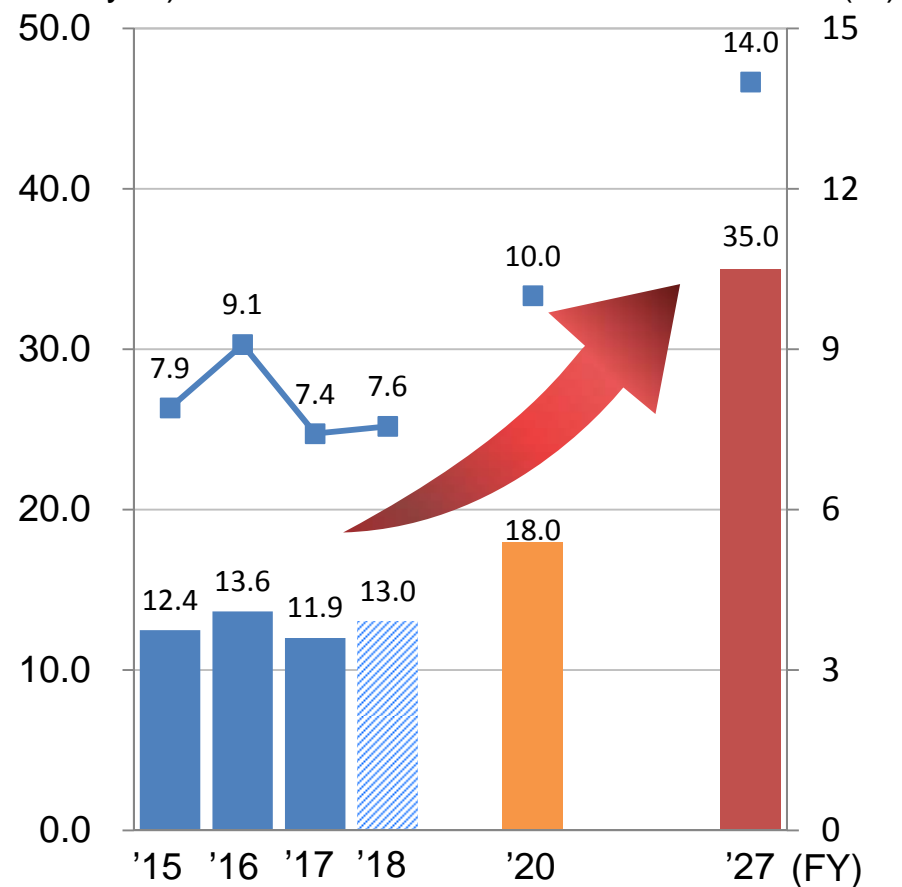


<Precondition for the forecast> Price of naphtha produced in Japan: 47 thousand of Yen/kl, Exchange rate: 110 Yen/US\$

Net sales
(Billions of yen)



Operating profit
(Billions of yen)



FY2020 (Consolidated)

Net Sales: ¥180.0 billion

Operating profit (Operating profit ratio): ¥18.0 billion (10%)

ROE: 10%

4-3. Numerical Goal< by Segment>

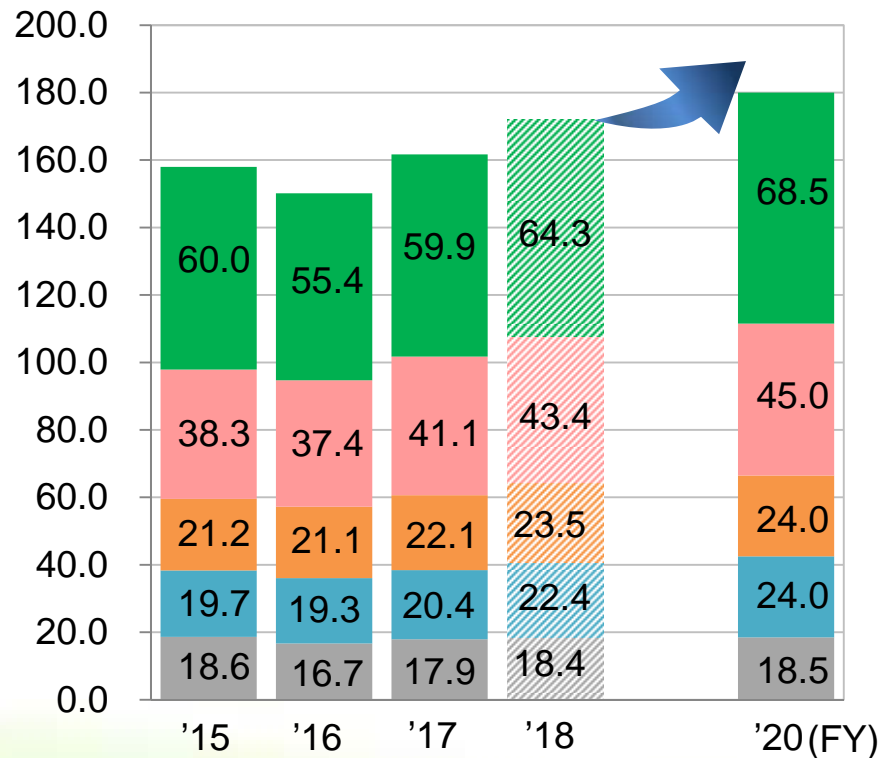
(Billion of yen)

	Net sales			Operating profit		
	FY2017	FY2020	Changed amount	FY2017	FY2020	Changed amount
Toiletries and Health Care	59.9	68.5	+8.5	1.1	2.6	+1.4
Petroleum and Automotives	41.1	45.0	+3.8	2.7	4.5	+1.7
Plastics and Textiles	22.1	24.0	+1.8	3.9	5.0	+1.0
Information and Electrics/Electronics	20.4	24.0	+3.5	3.2	4.7	+1.4
Environmental Protection, Construction and Others	17.9	18.5	+0.5	0.9	1.2	+0.2
Total	161.6	180.0	+18.3	11.9	18.0	+6.0

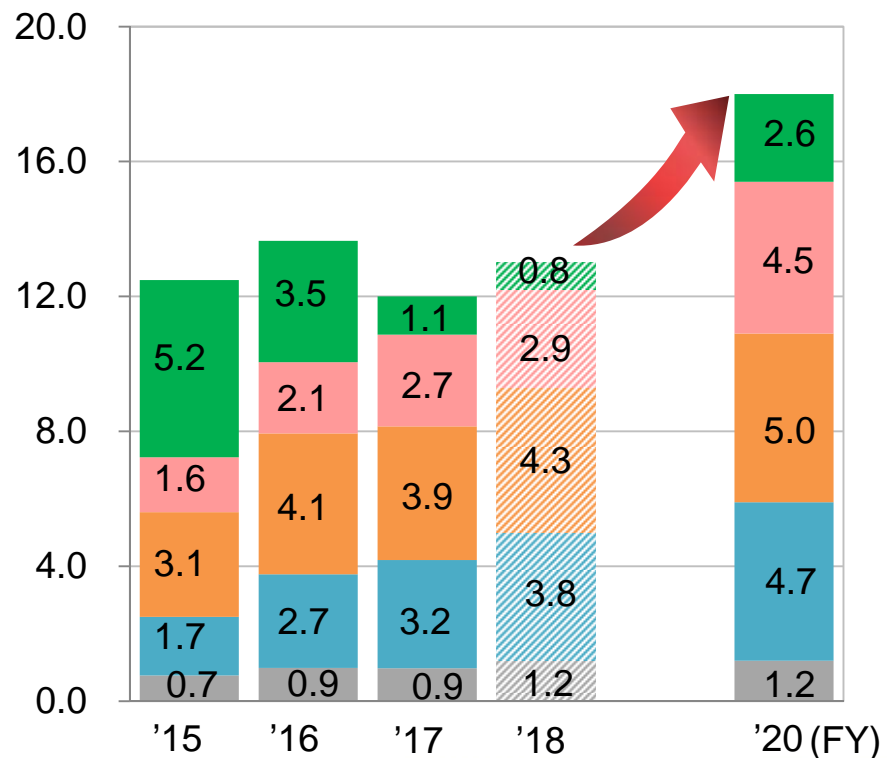
4-3. Numerical Goal <by Segment>

■ Toiletries and Health Care ■ Petroleum and Automotives ■ Plastics and Textiles
■ Information and Electrics/Electronics ■ Environmental Protection, Construction and Others

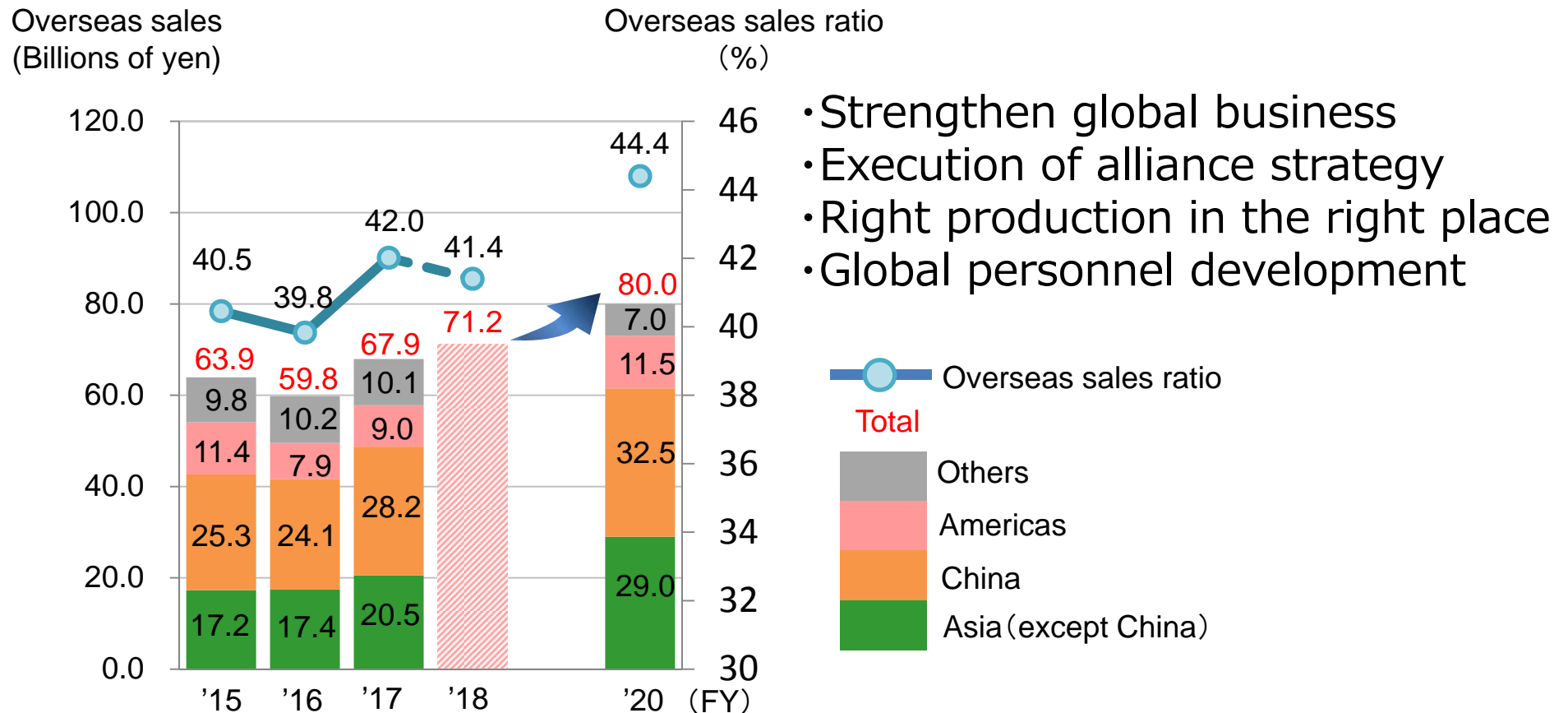
Net sales
(Billions of yen)



Operating profit
(Billions of yen)



4-3. Numerical Goal <Overseas Sales>



4-4. Investment Plan and Dividend Policy



R&D investment

R&D investment of approximately 18 billion yen to strengthen the core business and create new business

Capital investment

Capital investment (cumulative): A total of 35 billion yen is planned.

- Invest in business that can demonstrate our strengths, such as lubricating oil additives and permanent antistatic agents
- Along with changes in product mix, efficient utilization of existing facilities

Dividend policy

The main management task is to increase the return on profits to our shareholders while improving the earning capacity of the Group by reinforcing the corporate infrastructure into the future.
Dividends are paid on a stable basis, with the consolidated payout ratio by 30% or more.

4-5. Business Strategy

We will boldly shift management resources to the business and transactions that can further demonstrate our strengths, as well as aggressively invest in new business for the future.

[Existing business]

(1) Business where new actions are taken for further growth
(Surfactants, lubricating oil additives, resin additives, etc.)

- Positioning with a view to the whole markets
- Formulation of development themes derived from solution-based proposal
- Execution of development combining core technologies
- Facility design linked with research stage gate
- Global expansion utilizing local agents and overseas technical laboratories

(2) Business changed with a sense of speed in line with changes in management environment

PPG (raw materials for polyurethane foams) business:

- Shift to high-value-added products
- Downsize business
- Launch GC Polyol (promotion of right production in the right place on global platform)

SAP (superabsorbent polymers) business:

- Looking forward ten years ahead, consider all possibilities in this three years

4-5. Business Strategy

[New business]

Aggressively invest management resources into items expected to form new markets in the near future.

- (1) Energy & Electronics business
 - New type of lithium ion rechargeable battery
 - Automotive electronics materials, etc.
- (2) Biotechnology & Medical business
 - New drug related materials (DDS: drug delivery system)
 - Silk-elastin, etc.
- (3) Other businesses
 - Development of cosmetic materials for skin care
 - Development of a comprehensive platform in Agriculture & Nutrition areas

4-6. Segment-based Medium-Term Business Strategy

Toiletries & Health Care Segments

Global
expansion

Infrastructure
reinforcement

New
business

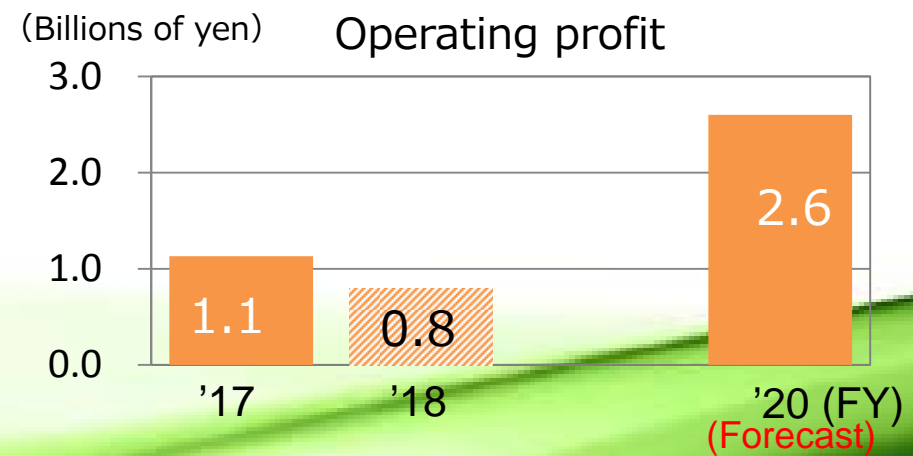
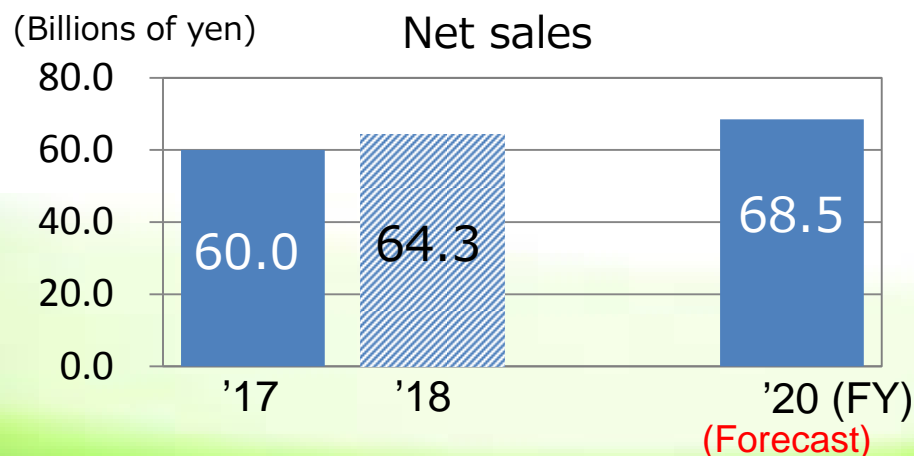
Corporate
partnership

Toiletries Segment

- Global expansion by surfactant-related technology developed in domestic markets
- Taking new actions to reinforce infrastructure in the skin care markets

Health Care Segment

- In the SAP (superabsorbent polymers) business, profitability improvement through reallocation of resources, process improvement, and thorough cost reduction
- In biotechnology business, taking new actions for the future, such as development of new drug related materials



4-6. Segment-based Medium-Term Business Strategy

Petroleum & Automotive Segments

Global
expansion

Infrastructure
reinforcement

New
business

Corporate
partnership

Lubricating oil additive business

- Preparation period to accelerate overseas business expansion
- Establish business infrastructure through capital investment by FY2020



PPG (raw materials for polyurethane foams) business

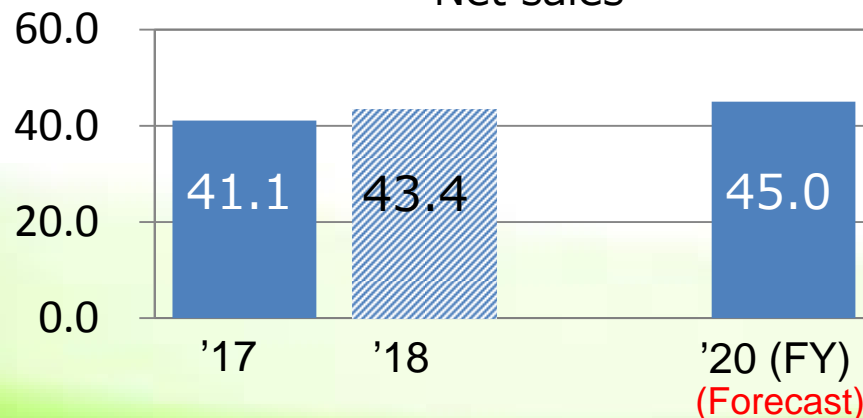
- Shift to high-value-added products and downsize business by reallocation of resources
- Launch GC Polyol to promote the right production in the right place on global platform

TUB (thermoplastic polyurethane beads) business

- Further sales expansion and promotion of cost reduction

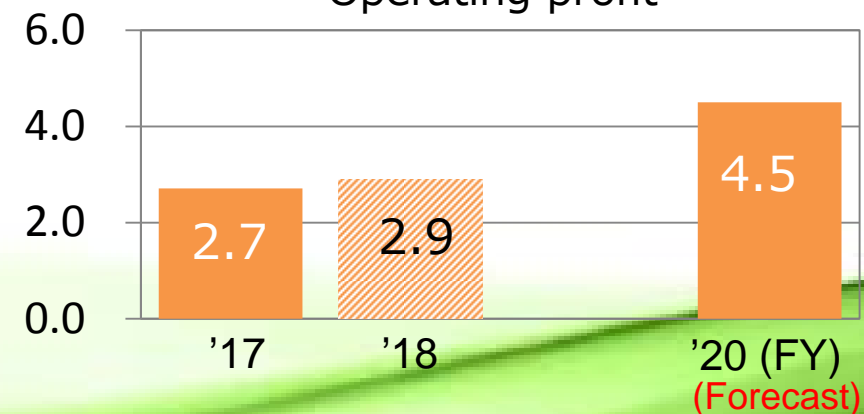
(Billions of yen)

Net sales



(Billions of yen)

Operating profit



4-6. Segment-based Medium-Term Business Strategy

Plastics & Textile Segments

Global
expansion

Infrastructure
reinforcement

New
business

Corporate
partnership

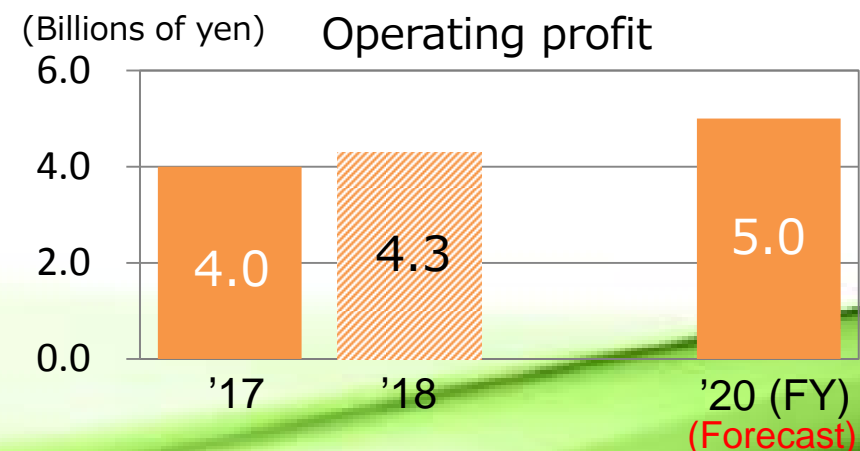
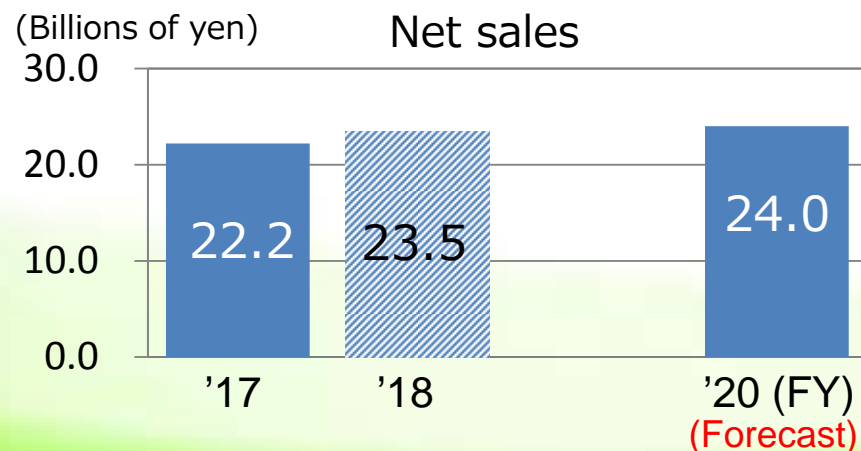
Plastics Segment

- Customer-oriented product development and expansion of global business
- Promote steady business expansion in the niche markets



Textile Segment

- Accelerate global expansion
- Expansion to peripheral applications by solution-based proposal



4-6. Segment-based Medium-Term Business Strategy

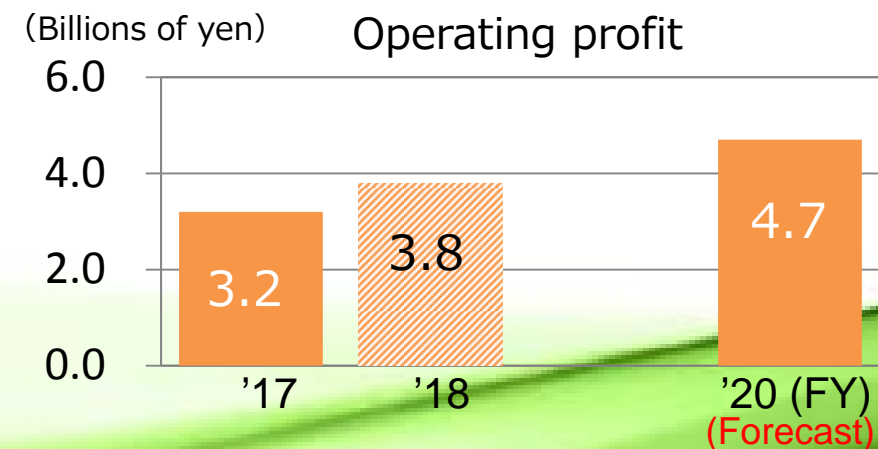
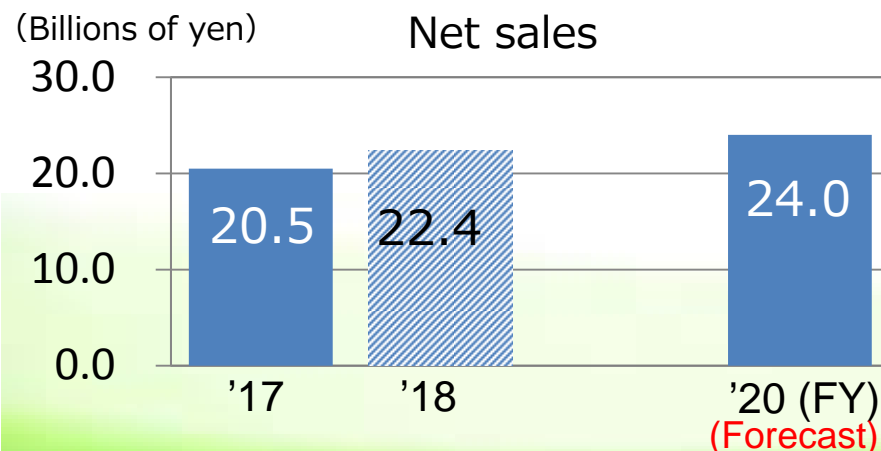
Information & Electrics/Electronics Segments

Information Segment

- Deepen trust through customer experience
- Strengthen cost competitiveness

Electrics/Electronics Segment

- Promote new market development through customer experience
- Focus resources on new items in the Energy & Electronics Segments to accelerate development



4-6. Segment-based Medium-Term Business Strategy



Environmental Protection, Construction & Other Segments

Global
expansion

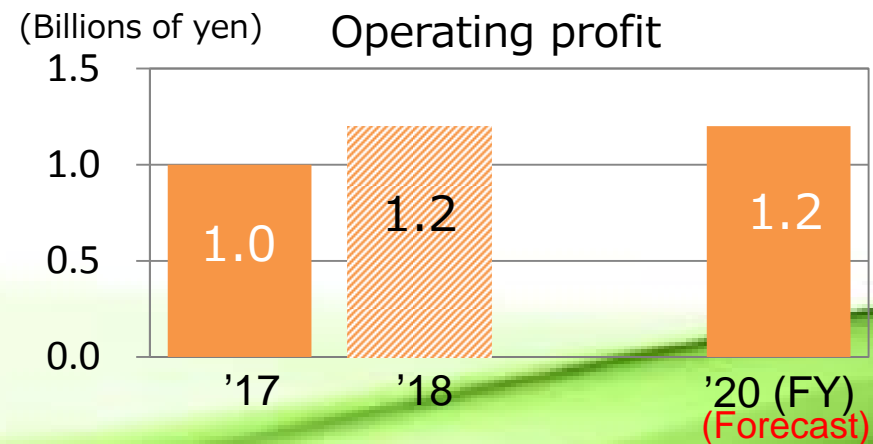
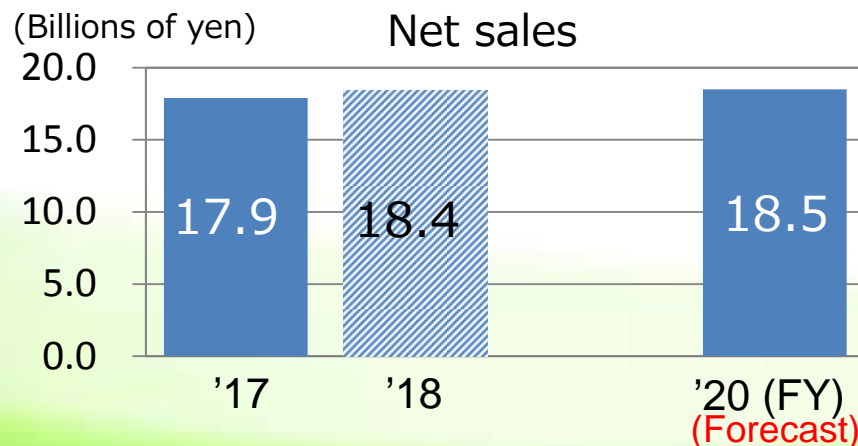
Infrastructure
reinforcement

New
business

Corporate
partnership

Environmental Protection & Construction Segments

- Development of a comprehensive platform in Agriculture & Nutrition area
- In the PPG (raw materials for polyurethane foams) business, shift to high-value-added products and downsize business by reallocation of resources
- Launch GC Polyol to promote right production in the right place on global platform



4-7. Structural Reform for Execution of Business Strategy

(1) Establish a mechanism for developing highly profitable new products

- Strengthen marketing capabilities that seamlessly integrate Sales and Research
- Strengthen solution-based proposal capability combining multiple core technologies

(2) Strengthen production technology capabilities

- Linkage with research stage gate
- Planned development and optimal placement of human resources

(3) Personnel system reform to promote reallocation of management resources

- Strengthen human development through rotation and formulation of career-path system

(4) Promotion of globalization

- Strengthen planning and execution capabilities of alliance and global strategies
- Improve earning capacity in overseas business
- Development of Group staff

4-7. Structural Reform for Execution of Business Strategy

(5) Deepening Individual-based management

- Work-style reform
- Promotion of diversity

Individual-based management: A management system designed to encourage employees to take on challenges by utilizing the company's programs and tools, so that each and every person can grow with the Company, and ensure their job satisfaction and well-being)

(6) Establish companywide projects

- Establish a work-style reform project and further promote the reform
- With the surfactant agent project, achieve more profits in the surfactant agent business
- With the global procurement project, realize optimal raw material procurement based on global information



Aiming to better for “*more*”

Sanyo Chemical Group will “**KAERU**”* its work style and the corporate culture in order to reach our goals in ten years (FY2027) to meet the diverse needs of people who aspire for a safe, secure, and prosperous society.

By “**KAERU**” our Company to a place where each and every employee feels proud and finds meaning in working in our Company and where the employee can grow with the Company, we shall seek to improve for “*more*” and contribute to society.

*“**KAERU**”: “Each employee will personally commit to changing our corporate culture.”

To be a truly unique and excellent corporate group that operates on a Global Scale