

The Tenth Medium-Term Management Plan

“New Sanyo for 2027”

Sanyo Chemical Industries, Ltd. (head office: Higashiyama-ku, Kyoto City; president: Takao Ando) has set the long term goal aiming at our vision for 2027 to achieve sustainable growth. The Tenth Medium-Term Management Plan, “New Sanyo for 2027” which covers the next three-year period from FY 2018 through FY 2020 was formulated to realize this vision.

Sanyo Chemical Group has carried out the Ninth Medium-Term Management Plan (FY2015-FY2018) to become a “unique and excellent corporate group globally” by creating valuable products with customers based on our company motto “Let us contribute to building a better society through our corporate activities.”

In addition to major changes in the business environment, such as fluctuations in raw material costs and intensified competition in SAP (superabsorbent polymer) business, the management system also underwent major changes, including the introduction of the divisional organization system and the launch of projects in collaboration with other companies. According to such changes, we have started the Tenth Medium-Term Management Plan in FY 2018, one year ahead of schedule.

【The Tenth Medium-Term Management Plan “New Sanyo for 2027”】

1. Basic Goals

Sanyo Chemical Group has set the long term goal aiming at our vision for 2027: “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 “New Sanyo for 2027” which covers the next three-year period from FY2018 through FY2020 was formulated to realize this vision. Under the slogan of “KAERU (Committed to Change)”, the plan promotes innovation and seeks to achieve consolidated net sales of “¥180.0 billion or higher, operating income of ¥18.0 billion or higher, and return on equity (ROE) of 10% or higher by FY2020, the final fiscal year of the plan.

【Guiding Principles】

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



Slogan: The Tenth Medium-Term Management Plan

- ①Shift to high-value-added products
- ②Accelerate business from the customer perspective
- ③Eliminate “Waste, Impracticality and Inconsistency”
- ④Encourage flexible and diverse work styles and approaches
- ⑤Create an open corporate climate

2. Vision for Sanyo Chemical ten years ahead

We will implement the Tenth Medium-Term Management Plan for the first three year from FY2018 to FY2020, which is designated as an important period aiming at our vision in 2027

**Change ourselves
for next three years
to realize our vision**

Vision of Sanyo Chemical in 2027

Going beyond “KAERU”

The 10th 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.

| FY2017 | | FY2020 (Plan) | |
|------------------|-------|------------------|-------|
| Net sales | 161.6 | Net sales | 180.0 |
| Operating income | 11.9 | Operating income | 18.0 |
| Operating ratio | 7.4% | Operating ratio | 10% |
| ROE | 7.4% | ROE | 10% |

(Consolidated, Unit: billion yen)

| FY2027 (Vision) | |
|------------------|-------|
| Net sales | 250.0 |
| Operating income | 35.0 |
| Operating ratio | 14% |
| ROE | 12% |

New Sanyo for 2027

FY2021 onwards

FY2020

FY2027

3. Management Targets (Consolidated)

(Unit : billion yen)

| | FY2017 | FY2020 (Plan) | Year on year change |
|------------------|--------|---------------|---------------------|
| Net sales | 161.6 | 180.0 | +18.3 |
| Operating income | 11.9 | 18.0 | +6.0 |
| ROE | 7.4% | 10.0% | +2.5point |

4. Targets for Each Segment(Consolidated)

(Unit : billion yen)

| | | FY2017 | FY2020 (Plan) | Year on year change |
|--|------------------|--------|---------------|---------------------|
| Toiletries and Health Care | Net sales | 59.9 | 68.5 | +8.5 |
| | Operating income | 1.1 | 2.6 | +1.4 |
| Petroleum and Automotives | Net sales | 41.1 | 45.0 | +3.8 |
| | Operating income | 2.7 | 4.5 | +1.7 |
| Plastic and Textiles | Net sales | 22.1 | 24.0 | +1.8 |
| | Operating income | 3.9 | 5.0 | +1.0 |
| Information and Electrics/Electronics | Net sales | 20.4 | 24.0 | +3.5 |
| | Operating income | 3.2 | 4.7 | +1.4 |
| Environmental Protection, Construction and Others | Net sales | 17.9 | 18.5 | +0.5 |
| | Operating income | 0.9 | 1.2 | +0.2 |
| Total | Net sales | 161.6 | 180.0 | +18.3 |
| | Operating income | 11.9 | 18.0 | +6.0 |

□Principal Products by Product Group

Toiletries and Health Care: surfactants for detergents, superabsorbent polymers (SAP), etc.

Petroleum and Automotives: lubricating oil additives, thermoplastic polyurethane beads for the interior parts of automobiles (TUB), raw materials for polyurethane foams (PPG), etc.

Plastics and Textiles: permanent antistatic agents, agents for textile manufacturing, chemicals for carbon fibers, etc.

Information and Electrics/Electronics: polyester beads (PEB) used as a core component of polymerization toners, toner resins, etc.

Environmental Protection, Construction and Others: polymer flocculants for wastewater treatment, furniture and heat insulating materials (PPG), etc.

5. Source of our strengths

- (1) Extensive technical knowledge centered on surface activity control technology
- (2) 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
- (3) Timely solution-based proposal closely based on customer experience
- (4) A corporate culture that encourages challenges
- (5) A reliable company that fulfills social responsibility

6. Business Strategy

We will boldly shift management resources to the business and transactions that can further demonstrate our strengths and deepen core competence centering on surface activity control technology. We will provide customers with valuable performances and solutions unique to Sanyo Chemical.

- (1) Strengthening core business
 - Shift management resources to strategic business
 - Strengthen profitability through cost structural reform
- (2) Accelerate overseas expansion
 - Overseas sales expansion of power products built in Japan
- (3) Building partnership
 - Expedite open innovation through collaboration with other companies
- (4) New plan for the future
 - Solution-based proposal to customers by strengthening and integrating core technologies and reinforcing marketing capabilities
- (5) Creation of new business
 - Target to Energy & Electronics area and Biotechnology & Medical area
 - 【Energy & Electronics business】**
 - New type of lithium ion rechargeable battery
 - Automotive electronics materials, etc.
 - 【Biotechnology and & Medical business】**
 - New drug related materials (DDS)
 - Silk-elastin, etc.
 - 【Other businesses】**
 - Development of cosmetic materials for skin care
 - Development of a comprehensive platform in Agriculture & Nutrition areas, etc.

7. Structural Reform for Execution of Business Strategy

- (1) Establish a mechanism for developing highly profitable new products
- (2) Strengthen production technology capabilities
- (3) Personal system reform to promote reallocation of management resources
- (4) Promotion of globalization
- (5) Deepening Individual-based management*
- (6) Establish companywide projects

*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

8. Investment Plan

- (1) R & D investment
 - R & D investment of approximately 18 billion yen for 3 years total is planned to strengthen the core business and create new business
- (2) Capital investment
 - Capital investment (cumulative) of approximately 35 billion yen for 3 years total is planned. Sanyo Chemical will invest in business that can demonstrate our strengths, such as lubricating oil additives and permanent antistatic agents, as well as utilize existing facilities efficiently along with changes in product mix.

9. 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. Stable dividends will be paid with the consolidated payout by 30% or more.