

Message from the President

TOP MESSAGE

Building a corporate culture where courageous risk-taking will be rewarded and leveraging human resources and technology to achieve Vision 2030

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Opening the future through dialogue: Thoughts on becoming President

I would like to express heartfelt gratitude to everyone involved for this opportunity to embrace new challenges as President of Sumitomo Bakelite Co., Ltd. Facing the task of leading such a historic enterprise, I also feel a profound sense of responsibility and determination. I am fully committed to guiding this wonderful organization, built by so many predecessors, to even greater growth. Our Group is at the midway point of its Medium-term Business Plan 2024–2026. Our Vision 2030 business profit target is ¥55 billion. To achieve this, our vision of becoming “a company providing dreams for the future” through value creation with our customers must be translated into concrete initiatives by rapidly cycling through hypothesis and validation across the entire organization, and converting those results into actionable initiatives. This effort will require close communication with customers and meticulous communication with employees. By listening attentively to every voice and collaborating to lay out solutions to challenges, we will lay a foundation for sustained growth, with eyes not only on 2030, but the horizon beyond.

Our Group’s operating environment can be characterized as generally favorable. In FY2024 we achieved ¥300 billion in sales revenue and ¥30 billion in business profit. Underpinned by strong bonds of trust with customers, each business segment is growing steadily. We are pursuing top share in niche markets and earning strong global recognition across three priority areas: ICT, including semiconductors and electronic components; mobility, represented by high-performance plastics; and healthcare, where we contribute to improving quality of life. At the same time, our external environment is transforming rapidly under significant turbulence. We have entered an era where conventional wisdom no longer applies, one shaped by the COVID-19 pandemic, conflict in Ukraine, and the US tariff policies, to name a few. Amid such conditions, there are limits to what we can achieve by going it alone. It is therefore essential to further strengthen partnerships with external stakeholders, including customers, suppliers, and research institutions, as well as to anticipate change and respond flexibly. Through collaboration with external partners, we will aim to enhance our corporate value, becoming a company where every employee can take pride in being part of our Group, and an organization where individuals and the Company as a whole can grow.



The importance of pursuing challenges without fear of failure

I joined Sumitomo Bakelite Co., Ltd., in 1989 and received my first international posting as Sales Director of IPJ, a high-performance plastics affiliate in Indonesia, at age 36. My responsibilities spanned regions from Southeast Asia to India, and my daily interactions with many different individuals in unfamiliar settings were incredibly stimulating. I was deeply inspired by the local drive for growth and self-improvement, and as I had been tasked with tripling IPJ's sales, I had the opportunity to grow alongside customers and employees. This experience taught me the value of addressing challenges through dialogue, and became my professional policy thereafter. After my return to Japan, I joined the semiconductor materials business segment and entered a completely different area. As Sales Director during the chaos that followed the Great East Japan Earthquake in 2011, I was faced with the need to take swift action. Though my knowledge of semiconductors was limited, I made trust-building my first priority, and with support from my team members, engaged in extensive dialogue with customers. As a result, we succeeded in establishing a collaborative framework that helped expand the business. I witnessed first-hand how strong leadership from my own boss, along with the unity of the entire team, enabled us to overcome a difficult challenge.

Based on these experiences, I've come to believe that leaders must prepare for worst-case outcomes while pursuing challenges willingly and not being influenced by fear of change. I hope all employees will practice this mindset in their approach to work. There are also three behaviors I strongly urge employees to practice.

First, take the initiative, and take responsibility for your work. As you engage in work on a daily basis, your goal should be to find fulfillment with a positive attitude. To succeed, it is critical that you not wait for direction, but think and act independently while owning your decisions.

Second, to achieve results as a team, practice extensive communication. By leveraging each other's strengths and working in close collaboration with others, you will generate significant results.

Third, commit to producing results and seeing things through. Results build confidence, and failures can teach valuable lessons. The sense of accomplishment and experience you gain from doing your best will undoubtedly play a role in your future success.

Our initial push for reform produced record-high sales revenue and business profit

～ Looking back on FY2024 ～

FY2024, the first year of our current Medium-term Business Plan, marked a milestone, as our Group achieved its long-standing targets of ¥300 billion in sales revenue and ¥30 billion in business profit, both record highs. Under Chairman Kazuhiko Fujiwara's leadership, our employees pursued challenges earnestly, embraced new efforts, and delivered results, for which I am deeply grateful. At the same time, our North American high-performance plastics business was impacted by an impairment loss, producing a year-on-year profit decline. Nevertheless, we are setting goals that will return us to a growth trajectory during this fiscal year. In addition to our business profit target, our financial goals include an ROE of 9.0% in FY2026, and 10.0% by FY2030, while optimizing our balance sheet.

FY2024 was also a year in which we focused on reforming our product portfolio. The status of the three business segments in FY2024 is as follows.

01. Semiconductor Materials

Capital investments in response to Chinese market growth are proving effective. We are working to stabilize the supply chain, and are launching a new plant. Taiwanese demand, mainly for PCs and smartphones, has stagnated, while in Southeast Asia, automotive semiconductors were affected by inventory adjustments. As for our three strategic products for mobility, the slowdown in electric vehicle demand in Europe and the US was offset by hybrid vehicle demand, enabling us to maintain our sales plan substantially on track.

02. High-performance Plastics

By leveraging our global supply network, we achieved record sales revenue and business profit in the Asian region. In China, a new plant equipped with state-of-the-art automation systems began operation and is contributing to enhanced productivity. Meanwhile, North America and Europe faced challenging conditions, and North American phenolic resin operations incurred an impairment loss. Although aircraft components were affected by customer strikes, a recovery trend is expected in FY2025. We are also making progress in commercializing high-value-added products, such as COPLUSTM for semiconductor applications, ultra-low-monomer water-soluble phenolic resins, and heat-dissipation sheets developed for power modules, which are expected to contribute to profits going forward.

03. Quality of Life Products

In the films and sheets business, sales of cover tapes for transporting electronic components, and of dicing tapes used in semiconductor manufacturing, performed strongly. Demand also increased for steering microcatheters in the healthcare sector, as well as optical products for automotive applications, resulting in performance that exceeded projections significantly.



Twelve new material issues and steady progress in addressing them

In addition, in FY2024, we formulated 12 new material issues from a sustainability perspective, and set non-financial as well as financial KPIs. In particular, with respect to creation of environmental and social values, an area we regard as important, we aim to increase the sales revenue ratio of SDG-contributing products to 70% by 2030 and reduce GHG emissions by 48% compared to FY2021, and both initiatives are progressing ahead of schedule. To further accelerate creation of environmental and social values, we defined four value creation accelerators: co-creation with customers, innovation, human capital, and digital transformation, and steady progress is being achieved with all four. We will continue our focus on themes that form the foundations for business continuity, such as health and safety, cybersecurity, product liability, respect for human rights, compliance, sustainable procurement, and corporate governance. One thing I must touch on regarding health and safety is the occurrence of three accidents. In response, I issued a message in line with my operational responsibility to promote awareness reform at each site. We are reaffirming our fundamental stance that “Safety Is the First Priority of All,” and will continue to prioritize safety in all our operations.

In the area of co-creation with customers, we focus on promoting One Sumibe Activities, not just to satisfy customers, but to delight them. Having personally served a stint as initiative leader, I’ve seen how One Sumibe Activities can generate major results, including energized cross-departmental collaboration and significantly enhanced total-solution proposal quality for our customers. There has been a recent rise in voluntary proposals to senior management from participating initiative members. In FY2024, a working group focused on power modules, and in FY2025, another focused on battery modules, with both groups acting as Priority Field Sales Expansion Teams. Along with these efforts, a wide range of other activities, such as hosting in-house exhibitions at customer facilities, and launching an Influencer Team to strengthen cross-group collaboration, are contributing to business growth as well as organizational vitality. Chairman Fujiwara has long seen as ideal a structure where bottom-up proposals are supported by top management, and with the growing momentum of One Sumibe Activities, we will aim to further consolidate a corporate culture that encourages open communication.

Launching portfolio transformation and accelerating growth strategies

During the fiscal year, our Group will continue to promote its Medium-term Policy of aiming for “niches & top market share,” while taking on the challenge of our portfolio transformation leading to value creation. One key pillar of this effort is strengthening existing business profitability. We are striving to enhance productivity through automation and digitalization, as well as efficiency by relocating production sites. At the same time, we are boosting cost and quality competitiveness by launching cutting-edge plants in China and Taiwan. Furthermore, we have designated a shift to profitability-oriented management as a critical policy, and established KPIs for our proprietary management indicator SB-ROIC, which we adopted in FY2020. By calculating return on invested capital for each business division, we are undertaking to boost capital efficiency.

Of course, we have not forgotten the expansion of business in growth areas. In our three priority areas of ICT, mobility, and healthcare, we will continue to refine our technological and product capabilities. In ICT, the AI semiconductor and power electronics markets are our main targets, and we are enhancing our capacity to meet customer requirements by expanding our proprietary lineup to offer comprehensive solutions, with such products as granular and liquid encapsulation materials, TIM, L α Z TM substrate materials, and materials for redistribution. In mobility, we hold a major market share in high-value-added molding materials and industrial resins, and are developing advanced materials for EVs. We also supply products such as epoxy resin-based encapsulating materials for fixing motor magnets, as well as integrated ECU/TCU direct molding materials for OEM and Tier 1 manufacturers, and are expanding the market through trusted partnerships. Furthermore, we are broadening our contributions in the area of mobility by developing stator encapsulating materials for robotic applications, optical products for head-up displays, and aircraft components. In healthcare, since the launch of SB Kawasumi we have focused on developing minimally invasive medical devices and expanding our product lineup, for example with gastrointestinal stents. Furthermore, in the pharmaceutical packaging field, where we hold a strong domestic market share, we are pursuing development of mono-material PTP for international markets, with expectations for continued growth.

Our Company is transforming its product portfolio, and in the next phase, we will transform our business portfolio. In addition to our three priority areas, we are also considering approaches to strengthen life innovation, which includes food packaging and construction-related business, and will conduct a Company-wide review of our products and technologies. Through this process, we will identify solutions that maximize customer value, and consider measures such as M&A and technology adoption strategically, to address missing elements.

SBinno, an internal program launched in 2016 as one of our initiatives to create new products and solutions, has begun to return results. A theme pursued by employees selected to participate in SBinno's first year is moving toward commercialization as the Brain-Machine Interface (BMI) Project Team, and we expect similar initiatives to develop going forward. Furthermore, in this era of diversity, creating new value can no longer be achieved by our Company alone. Therefore, collaboration with external partners, including enterprises and universities, is more important than ever. In 2025, we partnered with Tohoku University to establish the Co-Creation Research Center for Materials and Processes for Next-Generation Semiconductors. Through such co-creation platforms, we aim to incorporate diverse expertise, broaden our technological capabilities, and build relationships that closely address real customer needs and challenges. We believe this approach will lead to genuine value creation.

Further, to maximize individual autonomy and Company-wide capabilities, we added a challenge-orientation evaluation metric as one of the personnel system reforms we instituted in FY2021, making it possible for employees who achieve results by pursuing challenges to be promoted more rapidly, regardless of seniority or age. Furthermore, along with skill development support through such programs as SB School, our overseas trainee system, and SBinno, we will promote DE&I and maintain our commitment to building an organization where diverse talent can thrive.



Harnessing our dreams so as to become “a company providing dreams for the future”

During my many years with Sumitomo Bakelite Co., Ltd., I have managed three business segments. What I have always felt is that our Company is blessed with sincere and outstanding employees. Chairman Fujiwara has long emphasized the importance of enhancing human abilities, and I feel truly that the results of those efforts are steadily bearing fruit. We have set our sights on becoming “a company providing dreams for the future” through creating value with our customers by 2030, and we have established numerical targets to support that vision. Looking ahead, I believe we must strive even further to embrace a mindset of pursuing challenges without fear of failure. Failure inevitably brings anxiety, and is thus something we all tend to avoid. However, that is why it is crucial to ensure psychological safety and foster a corporate culture where courageous risk-taking is rewarded. It is essential for management to take the lead in promoting this mindset and supporting it actively, so we can formulate multiple hypotheses to identify true needs, and concentrate our resources to continue delivering problem-solving technologies and products quickly. I am convinced that through this accumulation of efforts, we will identify dreams that lead to the future. I hope each division, each team, and every employee will reflect, each from their own perspective, on what it means to “provide dreams for the future,” and proceed from there to concrete action. First and foremost, let each of us pursue our personal dreams and proceed step by step to realize our vision for 2030.

Finally, along with undertaking actively to enhance our corporate value, we will prioritize returns for our shareholders. In February 2025, we acquired treasury stock to boost shareholder return. Regarding profit distribution, we will continue to pay stable, sustainable dividends, taking into account the need to secure funds for such purposes as future business expansion, strategic investments for sustainable growth, M&A, and other activities. We look forward sincerely to the continuing support of all of our stakeholders.