

Investors' Meeting for FY2023 1st Half Financial Results, Management Priorities and Business Strategies


Keiichi Iwata – President

November 1, 2023



Change and Innovation

~ with the **Power** of Chemistry ~



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FY2023 business performance



- FY2023 H1 business performance Core operating income negative 96.7 bn. yen. Net income negative 76.3 bn. yen.
- Revised downward full year forecast: Core operating income negative 70 bn. yen. Net income negative 95 bn. yen.

Immediate-term, Concentrated Measures to Improve Business Performance



- Moving forward with immediate-term, concentrated measures to improve business performance in light of recent results
- Deliver V-shaped recovery in FY2024 and strengthen our financial standing
- Generate 500 bn. yen in cash and achieve a 50 bn. yen contribution to earnings

Fundamental Structural Reforms



- We have started fundamental structural reforms where no ground is sacred
- First step is to reorganize Essential Chemicals & Plastics businesses in Japan
- Announce outline of fundamental structural reforms in the beginning of FY2024 and release new Corporate Business Plan in the middle of FY2024

Section

1

FY2023 Full Year Business Performance Forecast

FY2023 Performance Forecast vs FY2023 Forecast (May)

(Billions of yen)

	FY2023 Forecast (May)	FY2023 Forecast	Change	Reasons for change	FY2022 Actual
Sales Revenue	2,900.0	2,700.0	-200.0	Reduced sales on delayed recovery in demand, etc.	2,895.3
Core Operating Income	40.0	-70.0	-110.0	See next slide	92.8
Non-recurring Items	-20.0	-55.0	-35.0	Methionine impairment losses, etc.	-123.7
Operating Income (IFRS)	20.0	-125.0	-145.0		-31.0
Finance Income/expenses	-20.0	5.0	25.0	FX gain/loss	31.2
Taxes	-25.0	-15.0	10.0		-47.1
Net income attributable to non-controlling interests	35.0	40.0	5.0		53.9
Net Income Attributable to Owners of the Parent	10.0	-95.0	-105.0		7.0
Naphtha price	¥70,000/kl	¥70,000/kl			¥76,600/kl
Exchange rate	¥135.00/\$	¥143.03/\$			¥135.50/\$

FY2023 Core Operating Income by Sector vs FY2023 Forecast (May)

(Billions of yen)

	FY2023 Forecast (May)	FY2023 Forecast	Change	Reasons for change	FY2022 Actual
Essential Chemicals & Plastics	-7.0	-75.0	-68.0	Trade terms and conditions worsened, and shipments declined on delayed recovery in demand	-34.2
Energy & Functional Materials	13.0	20	-11.0	Reduced shipments in resorcinol and heat-resistant separators	15.2
IT-related Chemicals	38.0	33.0	-5.0	Reduced shipments in semiconductor materials	47.6
Health & Crop Sciences	62.0	40.0	-22.0	Reduced shipments in crop protection products Worsened trade terms and conditions in methionine	57.3
Pharmaceuticals	-61.0	-69.0	-8.0	Changes in exchange rate assumptions	16.2
Others	-5.0	-1.0	4.0		-9.3
Total	40.0	-70.0	-110.0		92.8

About FY2023 Business Performance Forecasts

Core Operating Income (Bn. yen)	Situation	Evaluation/Action
Essential Chemicals & Plastics <div style="display: flex; align-items: center; justify-content: center; width: 60px; height: 60px; border: 2px solid white; border-radius: 50%; margin: 0 auto;"> -75 </div>	<ul style="list-style-type: none"> ● PetroRabigh: Historically low margin, scheduled maintenance ● Singapore: Low margins and depressed demand from China ● Japan: Delayed selling price adjustments to reflect spike in raw materials and feedstock. Reduced demand. 	<p>Little hope for substantial improvement to market prices → Launch structural reforms</p>
Pharmaceuticals <div style="display: flex; align-items: center; justify-content: center; width: 60px; height: 60px; border: 2px solid white; border-radius: 50%; margin: 0 auto;"> -69 </div>	<ul style="list-style-type: none"> ● Three core products underperforming due to delays in winning share ● Implement rationalization through reorganization of North American subsidiaries 	<p>More improvements need to be implemented Back up SMP initiatives</p>
Health & Crop Sciences <div style="display: flex; align-items: center; justify-content: center; width: 60px; height: 60px; border: 2px solid white; border-radius: 50%; margin: 0 auto;"> 40 </div>	<ul style="list-style-type: none"> ● Booked impairment loss on deteriorating business performance in methionine ● In South American crop protection products, a reversion from last year's spike in demand coupled with our reductions to inventories 	<p>Implementing measures to strengthen competitiveness Reduced shipments of crop protection products in S. America is temporary</p>
IT-related Chemicals <div style="display: flex; align-items: center; justify-content: center; width: 60px; height: 60px; border: 2px solid white; border-radius: 50%; margin: 0 auto;"> 33 </div>	<ul style="list-style-type: none"> ● In display materials, competition is intensifying in materials for large LCDs ● Market for semiconductor materials at a standstill for now 	<p>Rebuilding lines for large panels Over the medium-term, semiconductors is a growth area</p>
Energy & Functional Materials <div style="display: flex; align-items: center; justify-content: center; width: 60px; height: 60px; border: 2px solid white; border-radius: 50%; margin: 0 auto;"> 2 </div>	<ul style="list-style-type: none"> ● Shipments stagnant in electrical and electronic products due to reversion from stay-at-home demand ● In automotive-related fields, supply chain inventory adjustments have been delayed 	<p>Impact from inventory reductions due to production adjustments</p>

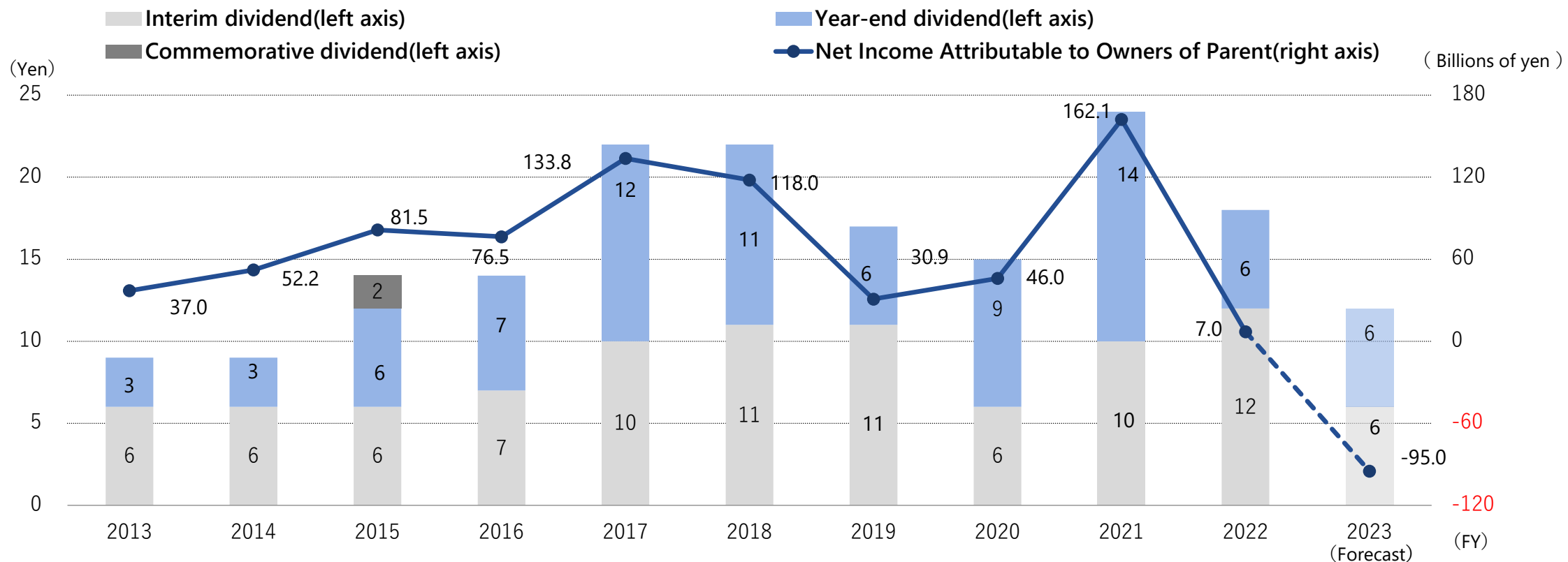
FY2023 Core Operating Income by Sector (Difference between 1st and 2nd Half)

(Billions of yen)

	FY2023 1st Half Actual	FY2023 2nd Half Forecast	Change	Reasons for change
Essential Chemicals & Plastics	-44.4	-30.6	13.8	Trade terms and conditions to improve
Energy & Functional Materials	6.5	-4.5	-10.9	Adjust production levels to reduce inventories. Push expenses into H2.
IT-related Chemicals	17.8	15.2	-2.7	Shipments to decline on reduced demand
Health & Crop Sciences	-7.6	47.6	55.1	Expand sales of our products, such as INDIFLIN Shipments to rise as we enter phase of increased demand for crop protection products in North America and Japan
Pharmaceuticals	-65.5	-3.5	62.0	Expand sales of three core products and reap benefits of rationalization in North America
Others	-3.5	2.5	6.1	
Total	-96.7	26.7	123.3	

Shareholder returns

We maintain our forecast **annual dividend of 12 yen per share** for FY2023



39.8

28.2

28.1

29.9

26.9

30.5

89.9

53.3

24.2

421.2

—

Dividend payout ratio (%)

J-GAAP

IFRS

Given the current harsh reality of business performance,

1. Officers will receive **no bonus** for FY2023
(based on the currently revised business performance forecast for FY2023)
2. The Chairman of the Board and the Representative Director & President will **voluntarily return** their executive compensation as follows:
 - (1) Amount to be returned
10% of base monthly salary
 - (2) Effective duration
The 5 months from November 2023 through March 2024

Section

2

Immediate-term,
Concentrated
Measures to Improve
Business Performance

The goal is to achieve a solid V-shaped recovery in FY2024 and strengthen our financial standing to support future fundamental structural reforms

Immediate-term, Concentrated Measures to Improve Business Performance

In all, generate **500 bn. yen** in cash and improve earnings by 50 bn. yen



Rebuild businesses



Generate **120 bn. yen** in cash and contribute 50 bn. yen to earnings[※]



Reduce inventories



Cut about **150 bn. yen** from inventories by the end of FY 24 from the end of FY 23 H1.



More selective investments



Free up **100 bn. yen** even as we concentrate investments in growth areas



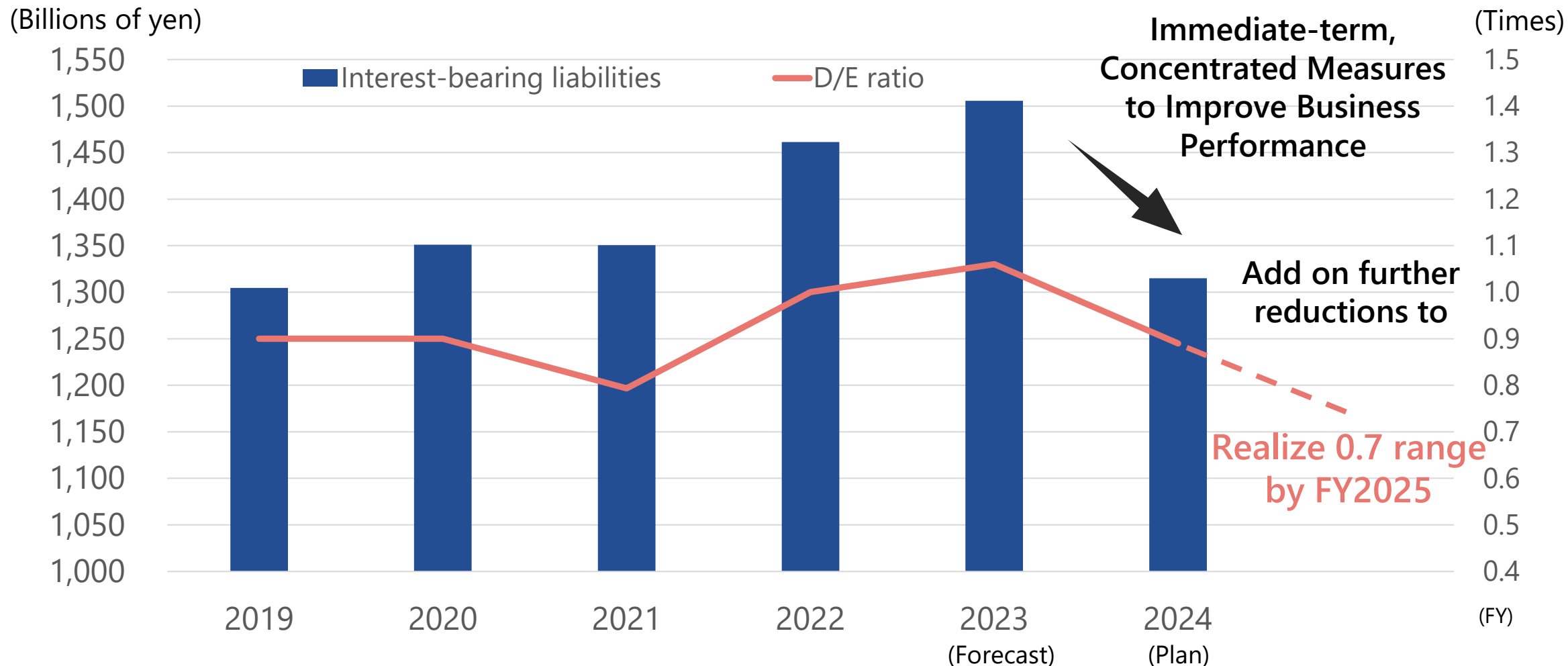
Sell assets and leverage freed-up capital



Reduce cross-shareholdings by 70% etc., generate **150 bn. yen**

Interest-bearing liabilities and debt to equity ratio

Funds freed up from immediate-term, concentrated measures to improve business performance Add on more projects to solidly drive towards debt-to-equity ratio in 0.7 range



Targeting about 30 business units for disposition or rebuilding

Perspective on rebuilding



Exit or shrink money-losing businesses



Best owner

Projects underway targeting about **30** business units to improve earnings over the immediate-term

■ Polyolefin business in Japan

■ Downstream peripheral businesses inside and outside Japan

■ Display-related materials

■ Methionine business

■ Businesses related to overseas crop protection

■ Agricultural materials businesses

And more

■ Essential Chemicals & Plastics ■ Energy & Functional Materials ■ IT-related Chemicals ■ Health & Crop Sciences

Scope in terms of sales and expected benefit (by the FY2024)

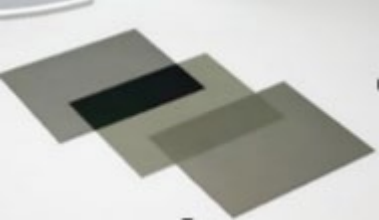


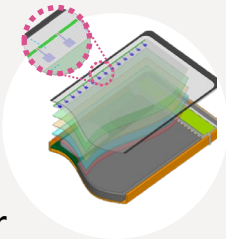
Scope in sales: Approx. **270** bn. yen

Cash generation **+120** bn. yen

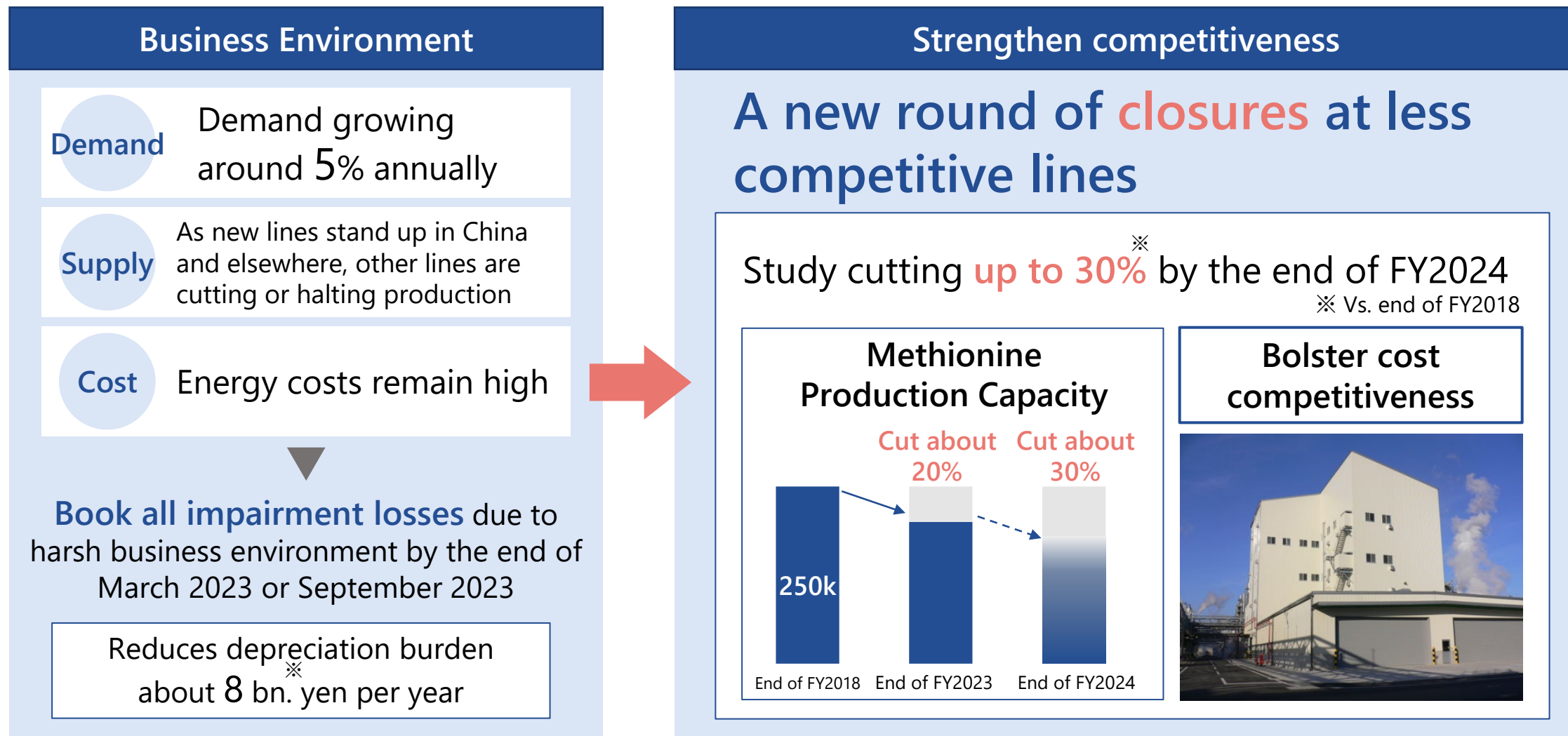
Contribution to earnings[※] **+50** bn. yen

※ Core Operating Income

Currently pursuing reorganization of the display materials business to further upgrade the portfolio

Present challenges	Progress and results to date	Path forward
<p data-bbox="201 419 642 592">Upgrade portfolio in the polarizer business</p> 	<h3 data-bbox="838 429 1549 494">Polarizers for large LCDs</h3> <ul data-bbox="810 544 1574 786" style="list-style-type: none">● Close lines equal to about 30% of production capacity (Green-lighted the closure of three front-end lines)● Also, convert one line to OLED/automotive	<ul data-bbox="1702 408 2397 596" style="list-style-type: none">● Reorganization of remaining lines for large LCDs under study● Shift resources to cutting-edge fields such as OLED/automotive 
<p data-bbox="147 896 708 1075">Reform and strengthen competitiveness at Dongwoo Fine-Chem</p> 	<h3 data-bbox="810 882 1327 1003">Touch sensor and color filter plant</h3> <ul data-bbox="810 1032 1531 1325" style="list-style-type: none">● Completely exit color filters● Major reforms to touch sensor production regime (Consolidate into fewer than half of existing lines)● Conversion to telecommunications materials underway 	<ul data-bbox="1714 896 2390 1289" style="list-style-type: none">● Focus on development of telecommunications materials● Establish development site outside Seoul (S. Korea)● Expand scale by deepening ties between that new site and other development sites in S. Korea and Japan

Reorganize lines to strengthen cost competitiveness and improve P/L



Reduce inventories

by the end of FY 24

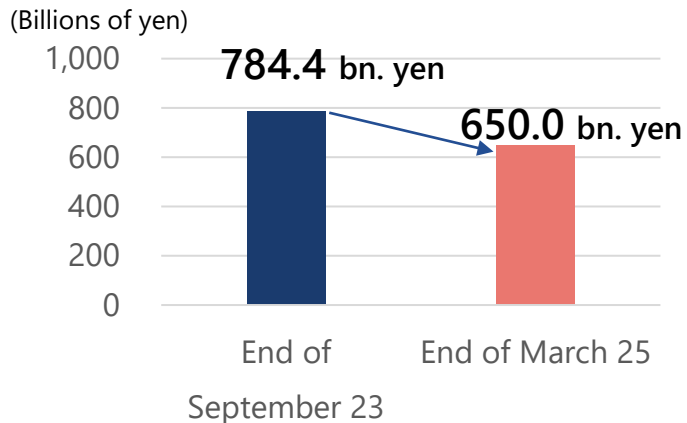
+150 bn. yen

(Compared to the end of FY2023 Q2)

Achieve in FY2023 to lay groundwork for V-shaped recovery

Initiatives

- Reduce safety inventory levels
- Leverage DX to strengthen inventory management (visualization of orders status, etc.)



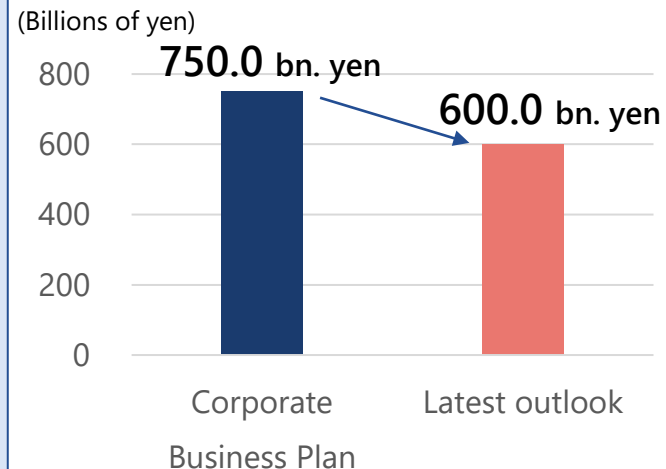
More selective investments

Nearly all of 300 bn. yen in strategic investments

Focus investments into growth areas such as life sciences and high-performance materials

At the same time, rein in investments overall

Cumulative FY2022 through FY2024 Capex, investments and loans



Downselect capex

(based on the timing of the green-light decision)

50 bn. yen



Shrink investments and loans (cash basis)

+100 bn. yen

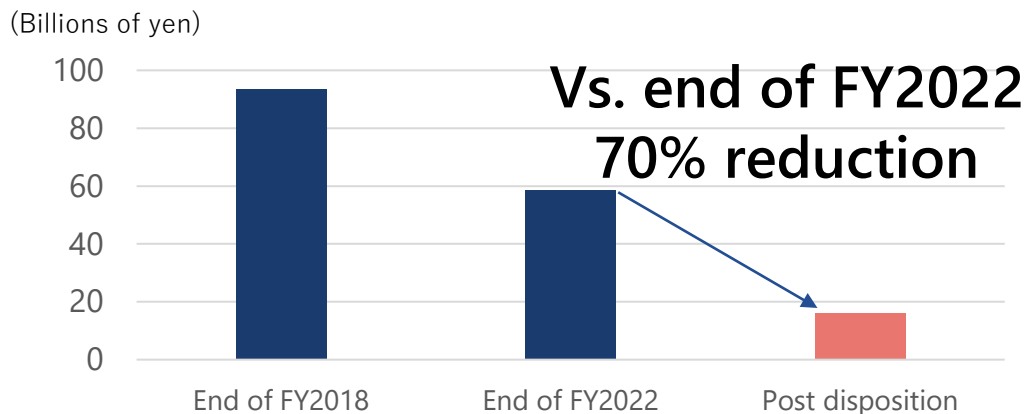
+ represents cash increase

Sell assets and leverage surplus funds

<By the end of FY2024> Approx. +150 bn. yen

Sell cross-shareholdings +50 bn. yen

- Keep minimum positions in strategically important names only
- Future direction: zero cross-shareholdings

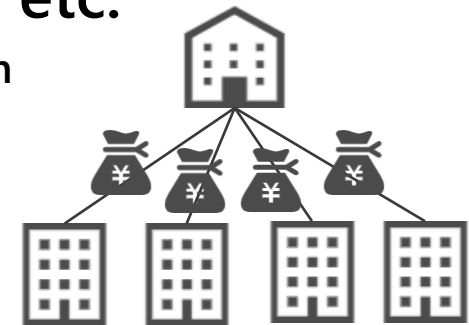


Leverage surplus funds +70 bn. yen

Introduce CMS, etc.

Cash management system

- Leverage group financing globally to make effective use of surplus funds from overseas group companies



Sale of other assets +30 bn. yen

+ represents cash increase

Outlook for FY2024 Business Performance

Announced May 15

V-shaped recovery in FY2024 to 200 bn. yen core operating income

■ Bolster growth businesses

- ✓ Promote regenerative agriculture
- ✓ Expand sales of INDIFLIN in South America
- ✓ Add capacity in photoresist in Japan and South Korea
- ✓ Expand sales of high-performance materials

■ Reforms and rationalization measures

- ✓ Reorganization of display materials
- ✓ Exit or shrink unprofitable businesses
- ✓ Rationalization driven by yield improvements, etc.
- ✓ Drive work efficiencies leveraging DX

What has changed since May and what we are doing about it



The business environment deteriorated

- ✓ Prolonged stagnation of China's economy
- ✓ Concerns about delays in recovery in petrochemical market prices
- ✓ Fears about delays in expanding sales of three core pharmaceutical products



Measures to improve business performance

- ✓ **50 bn. yen in immediate-term concentrated measures to improve business performance**
- ✓ Add on more projects to improve earnings further

Section

3

Fundamental Structural Reforms

Fundamental structural reforms: No ground is sacred

Start structural reforms aimed at rebirth into a specialty chemicals company



Main points

Clarify path toward growth



Become a company that will have a presence in the next generation

- ❑ Essential Chemicals & Plastics businesses (Japan, Rabigh, Singapore)
- ❑ Businesses related to cutting-edge pharmaceuticals
- ❑ Enhanced growth strategies for IT-related Chemicals and Health & Crop Sciences
- ❑ Discern which technologies and businesses will drive future growth

Fundamental structural reforms: No ground is sacred

Aim for rebirth into a specialty chemicals company

Create and deliver value through technologies in Chemistry (Science)

Technologies with
an edge

&

Sustainable product
groups

&

Delivery of
solutions

Chemical technologies X **Biotechnologies**



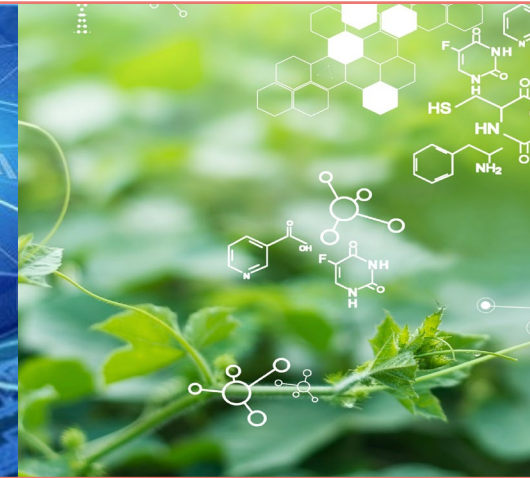
Regenerative agriculture



High-performance
materials



Semiconductor materials



Reduction of environmental
impact

Promote corporate ties both upstream and downstream

Vision

Strengthen competitiveness with a focus on reducing environmental impact

Challenges

- New ethylene plant capacity from overseas is flowing into the Japanese market
- Convert to carbon neutral products

Need to secure stable earnings by strengthening competitiveness through ties with Japan's petrochemicals industry

Upstream

Naphtha



Ethylene, propylene

Keiyo Ethylene JV
(we own 45%)

- Convert to carbon neutral feedstock
- Rationalization at existing ethylene plant

※ Our ethylene plant was shuttered in 2015

Downstream



Polyethylene, Polypropylene

Chiba Works
polyolefin plant

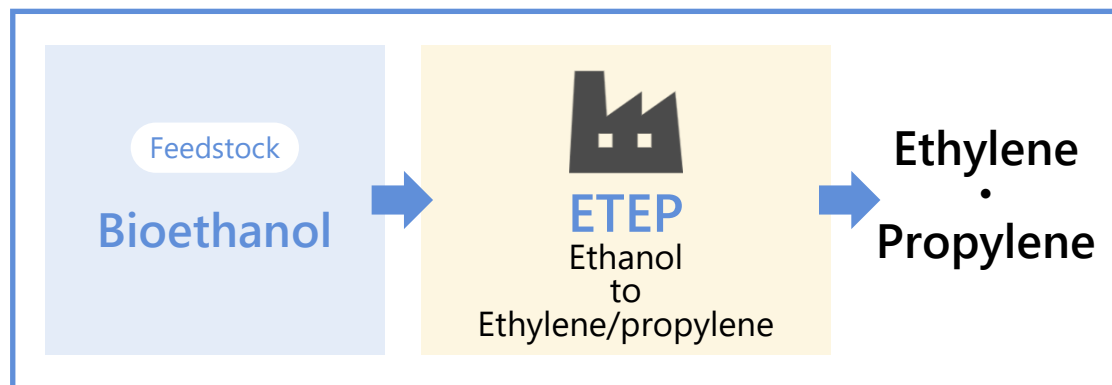
Accelerate studies for corporate alliances
in polyolefins

Upstream, leverage corporate alliances to achieve joint operations and carbon neutrality at the ethylene plant



Convert to carbon neutral raw materials

Bioethanol-based ethylene and propylene plant
Start studies for new plant

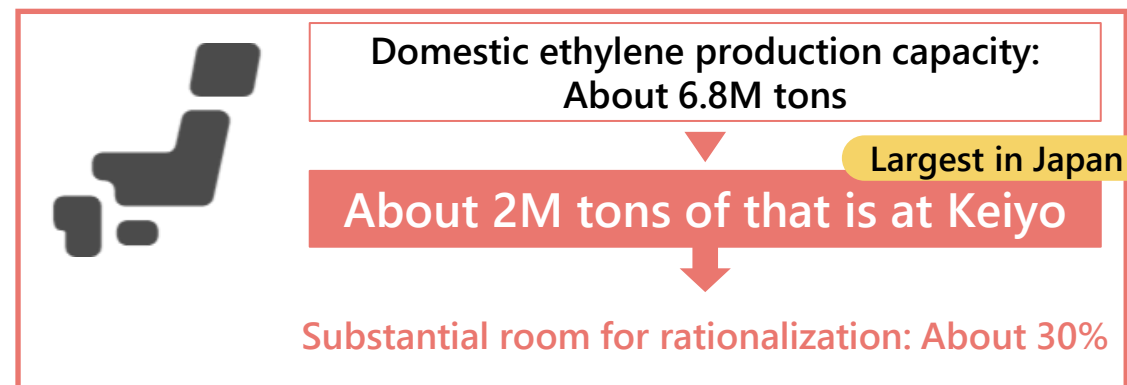


- Consider **joint operation** of new plant
- Aim to complete by 2030



Rationalization at existing ethylene plant

Study potential for **joint operation** of existing ethylene plant



- Study rationalization potential from involving **multiple companies in joint operation**
- Reduce CO2 emissions and accelerate GX through **fuel conversion to ammonia**

Advance initiatives toward fundamental structural reforms to upstream businesses as part of private-public GX investments based on the government's GX promotion strategy

Epilogue

Our new Corporate Business Plan will draw a roadmap toward our rebirth into a specialty chemicals company

Future announcements

November 2023

Immediate-term measures to improve business performance

Beginning of FY2024

Outline of fundamental structural reforms

Middle of FY2024

New Corporate Business Plan announced



(Appendices)

FY2023 1st Half Performance Actual vs FY2022 1st Half Actual

(Billions of yen)

	FY2022 1st Half Actual	FY2023 1st Half Actual	Change	Reasons for change	FY2023 1st Half Forecast (May)
Sales Revenue	1,528.6	1,186.9	-341.7	Lower market prices, reduced demand	1,370.0
Core Operating Income	115.6	-96.7	-212.3	See next slide.	-30.0
Non-recurring Items	-55.1	-37.0	18.0	Large impairment loss in Pharmaceuticals last year	-
Operating Income (IFRS)	60.6	-133.7	-194.2		-45.0
Finance income/expenses	66.2	29.9	-36.3	FX gain/loss	-
Taxes	-53.7	-3.3	50.5	P/L worsened	-
Net income attributable to non-controlling interests	8.0	30.7	22.7	Increased loss at subsidiaries	-
Net Income Attributable to Owners of the Parent	81.1	-76.3	-157.4		-30.0
Naphtha price	¥83,800/kl	¥65,500/kl			¥70,000/kl
Exchange rate	¥134.03/\$	¥141.06/\$			¥135.00/\$

FY2023 1st Half Core Operating Income by Sector vs FY2022 1st Half Actual

(Billions of yen)

	FY2022 1st Half Actual	FY2023 1st Half Actual	Change	Reasons for change	FY2023 1st Half Forecast (May)
Essential Chemicals & Plastics	23.3	-44.4	-67.7	Deteriorated trade terms and conditions and reduced shipments	-17.0
Energy & Functional Materials	13.4	6.5	-7.0	Deteriorated trade terms and conditions and reduced shipments	5.0
IT-related Chemicals	26.4	17.8	-8.6	Reduced shipments	12.0
Health & Crop Sciences	36.3	-7.6	-43.9	Reduced shipments of crop protection products in South America due to temporary factors Deteriorated trade terms and conditions in methionine	24.0
Pharmaceuticals	25.2	-65.5	-90.7	Decreased sales of Latuda	-49.0
Others	-9.0	-3.5	5.5		-5.0
Total	115.6	-96.7	-212.3		-30.0

Difference vs. May forecast	<p>Essential Chemicals & Plastics (down 27.4 bn. yen): Deteriorated trade terms and conditions and reduced shipments</p> <p>Health & Crop Sciences (down 31.6 bn. yen): Reduced shipments of crop protection products in South America due to temporary factors and deteriorated trade terms and conditions in methionine</p>
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Cautionary Statement

Statements made in this document with respect to Sumitomo Chemical's current plans, estimates, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of Sumitomo Chemical. These statements are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties.

The important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, general economic conditions in Sumitomo Chemical's markets; demand for, and competitive pricing pressure on, Sumitomo Chemical's products in the marketplace; Sumitomo Chemical's ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.