Annual Report 2022

How do we change to provide value to a rapidly changing society?

Global Environmental Changes

Climate change and other changes in the natural environment are constantly underway. The destruction of the natural environment has a negative impact not only on us humans, but also on all living things and plants on the earth. In recent years, it is said that disasters and adverse effects on crop harvests caused by abnormal weather have led to price hikes and disruption of ecological balance, and problems caused by global environmental changes are more diverse and frequent than ever before.

People's Health Around the World

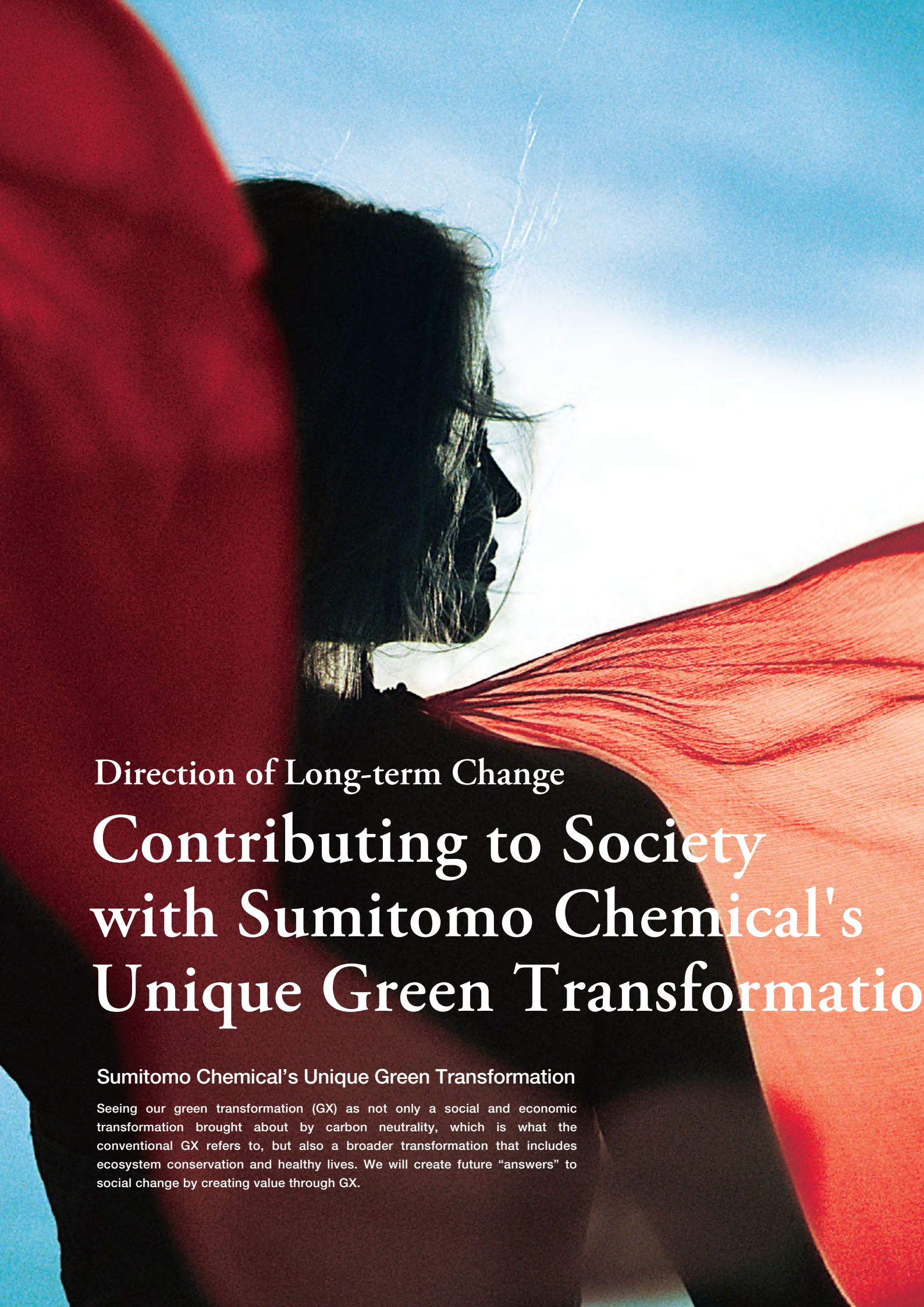
There are still challenges in the world, such as diseases for which treatments have not yet been fully established and medical disparities that limit the medical care available in different regions. In addition, the world's healthcare needs are diverse, including growing health awareness for disease prevention in developed countries. The world is in need of solutions that ensure healthy living, improve quality of life, and enable people around the world to live happy lives.

Advances in Digital Technology

New digital innovations such as IoT and 5G have driven Digital Transformation (DX) and changed our lives. In addition, due to the impact of COVID-19, the use of digital technology is expected to accelerate, and this will lead to significant changes not only in our daily lives, but also in social structures and industrial patterns.

Unstable Social Conditions

The global situation and global economy continue to be unstable due to protectionism in various countries, COVID-19 supply chain disruptions caused by infectious diseases, and conflict issues. In this environment, there are many unforeseen potential risks, and the government and each company must respond to them.



Direction of Long-term Change

Contributing to Society with Sumitomo Chemical's Unique Green Transformatio

Sumitomo Chemical's Unique Green Transformation

Seeing our green transformation (GX) as not only a social and economic transformation brought about by carbon neutrality, which is what the conventional GX refers to, but also a broader transformation that includes ecosystem conservation and healthy lives. We will create future "answers" to social change by creating value through GX.

Carbon Neutrality

The world is pooling its wisdom to face the daunting challenge of becoming carbon neutral by 2050. As a chemical company, we hope to contribute to solving global issues by taking the lead in innovation, making the most of our technological strengths.

Three directions

Healthy Lives

We have come to realize over the past few years how thankful we are to live in good health. We want to develop businesses that help people around the world lead healthy lives and provide a healthy and vibrant workplace for our employees where they can spend their precious lifetime.

Ecosystem Conservation

In recent years, there has been widespread support in the international community for the goal of “halting the decline in natural capital by 2030 and putting it on a recovery track.” We recognize once again that our business is based on the benefits of various natural resources, and we will promote efforts to sustainably use the limited natural resources available to us.

n

CONTENTS

十倉雅和

Masakazu Tokura

Chairman of the Board

We will demonstrate the true value of the Sumitomo Chemical Group and bring about changes toward achieving a sustainable society.

In 2021, as the fight against COVID-19 continued with the vaccine rollout underway, the world economy showed signs of recovery. Meanwhile, society became more divided and its sustainability was in crisis as inequalities between generations and between the rich and poor, divisions of the world—represented by the U.S.-China relationship—and global warming became even more serious.

These enormous social issues would be difficult to solve with international politics and negotiations between nations or government efforts alone. We in the corporate sector have a substantial role to play in dealing with these challenges, particularly through innovation. It takes the power of science and chemistry to drive innovation, and this is exactly where the chemical industry should play its part.

In April of this year, we launched our new Corporate Business Plan under the leadership of President Iwata. We will take the seismic changes in society as sources of new business opportunities and advance our transformation to make each of our businesses stronger—accelerating green transformation, digital transformation, and innovation to reach the next stage.

We are convinced that in the years ahead, despite all the challenges, the world will make great strides in solving the problem of global warming and eliminating disparities and divisions and progress toward the realization of a sustainable society. We at the Sumitomo Chemical Group will continue to advance toward a new world and toward a new Sumitomo Chemical.

We would greatly appreciate your continued strong support and cooperation.

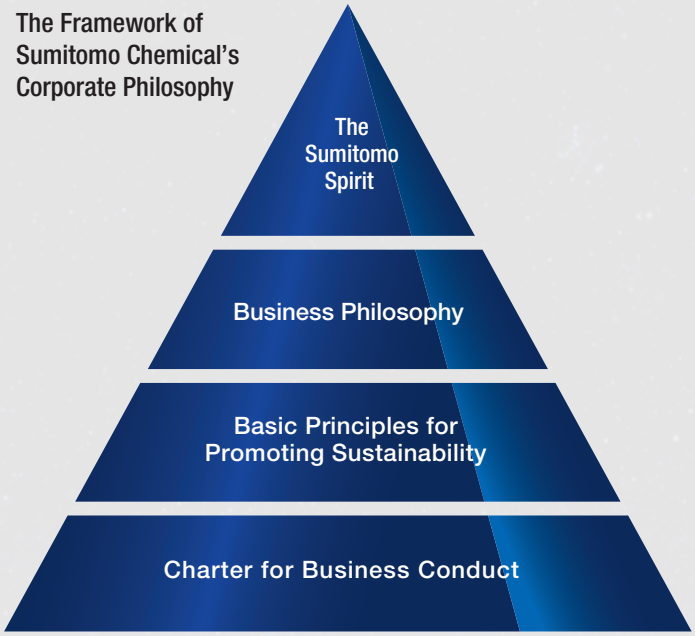
July 2022

Achieving Growth for the Company and Contributing to Society by Upholding the

Corporate Philosophy

Sumitomo Chemical has its origin in the business of the Sumitomo, a family with a history spanning about 400 years, and the company has upheld Sumitomo's fundamental principles for business management to this day. In its Business Philosophy, Sumitomo Chemical articulates the essence of its corporate vision, mission, and values, founded on the Sumitomo Spirit.

The Framework of Sumitomo Chemical's Corporate Philosophy



The Sumitomo Spirit

The Sumitomo Business Principles

1. Sumitomo's business should seek to thrive and prosper by putting trust first and building on reliability.
2. Sumitomo's business should closely watch the changing of the times and carefully weigh opportunities and risks and should never chase short-term gains in good times and bad.

Putting trust first and building on reliability	Trust placed in us by business partners and society should be our first priority.
Never chase short-term gains	Firmly warn us to avoid being preoccupied by pursuing easy gains.

Jiri-Rita Koushi-Ichinyo*

"Our business must benefit society at large, not just our own interests."

* This means that Sumitomo's business must not only advance its own interests but also contribute to the nation and society.

Sumitomo Chemical's Business Philosophy

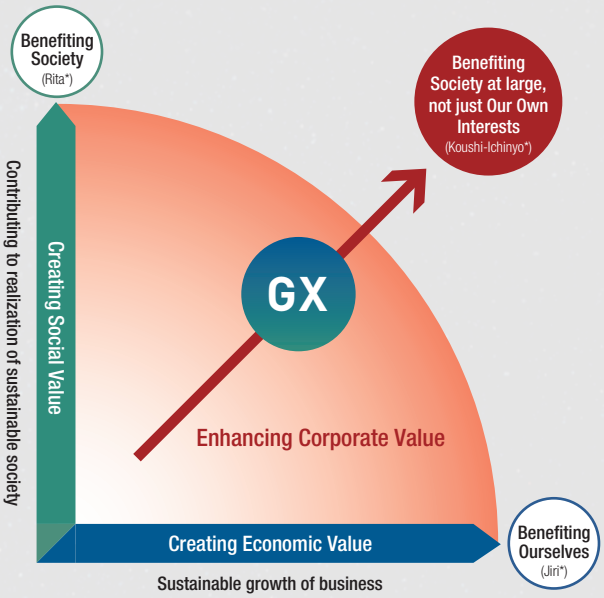
1. We commit ourselves to creating new value by building on innovation.
2. We work to contribute to society through our business activities.
3. We develop a vibrant corporate culture and continue to be a company that society can trust.

Sumitomo Spirit

Sumitomo Chemical's Approach to Enhancing Corporate Value Based on Corporate Philosophy

The Sumitomo Spirit of "Jiri-Rita Koushi-Ichinyo" means that "Sumitomo's business must contribute not only to its own development but also to society," a concept that the Sumitomo Chemical Group has valued since its foundation and is also consistent with Creating Shared Value. We will achieve sustainable growth of our group (Benefiting Ourselves) and create value for society (Benefiting Society) while constantly transforming our business by adding a green transformation perspective. By doing so, we aim to create economic value and social value in an integrated manner (Benefiting society at large, not just our own interests), thereby enhancing corporate value.

Image of Enhancing Corporate Value



* in Japanese

Basic Principles for Promoting Sustainability

Principle 1	Creating economic value which helps create social value (Promoting "Jiri-Rita Koushi-Ichinyo")
Principle 2	Contribution to solving globally vital issues
Principle 3	Active participation in global initiatives
Principle 4	Collaboration with stakeholders
Principle 5	Top management commitment and participation by all
Principle 6	Enhancing corporate governance

Charter for Business Conduct

1. We will respect Sumitomo's business philosophy and act as highly esteemed "good citizens."
2. We will observe national and international laws and regulations and will carry out activities according to our corporate rules.
3. We will develop and supply useful, safe products and technologies that will contribute extensively to the progress of society.
4. We will take voluntary and active initiatives to achieve zero-accident and zero-injury operations and to preserve the global environment.
5. We will conduct business transactions based on fair and free competition.
6. We will endeavor to make our workplaces sound and energetic.
7. Every one of us will make efforts to become a professional who has advanced skills and expertise in his or her field of responsibility.
8. We will actively communicate with our various stakeholders such as shareholders, customers, and regional communities.
9. We, as a corporate member of an international society, will esteem the culture and customs of each region around the world and contribute to the development of those regions.
10. We will strive for the sound development of our Company through business activities conducted in accordance with the guiding principles stipulated hereinabove.

A Story of Evolving with the Times and Pioneering the Future with the Power of Chemistry

1913-1940

Sumitomo Spirit the origin of "Jiri-Rita Koushi-Ichinyo"

Origin of our company

The Besshi Copper Mine opened a smelter in 1884 and started full operation in 1893. Expansion of this smelting and refining business resulted in an unexpected problem of air pollution: sulfur dioxide gas emitted from the smelting process caused damage to local agricultural production. Then the company decided to take a drastic measure to prevent the emission of the harmful gas—using sulfur dioxide to produce calcium superphosphate fertilizers.

To carry out this decision, the Sumitomo Fertilizer Works was established in 1913, becoming the origin of Sumitomo Chemical. This business not only helped prevent the air pollution from the emissions, but also contributed to the development of agriculture by supplying fertilizers to farmers at low cost.

The Sumitomo family has passed down from generation to generation the words "Jiri-Rita Koushi-Ichinyo," which means that its business must benefit society at large, not just its own interests. This business principle is embodied in the way Sumitomo addressed the problem of air pollution they faced, and its commitment to contributing to the development of a sustainable society through business, which that story demonstrates, is deeply embedded in Sumitomo Chemical's Business Philosophy.

Calcium superphosphate warehouse

The First Step in our Ability to Develop Solutions Using Technology Birth of the Idea of Creating New Value through the Power of Chemistry

View of entire works after the first-phase ammonia plant completion

Going from a fertilizer manufacturer to a chemical company

The business that the company thus started, however, consumed only a small amount of sulfur in its production of fertilizer, accounting for only a mere 6% of the ore output of the Besshi Copper Mine. In order to increase the consumption of sulfur, in the form of sulfuric acid, the company decided to enter the ammonium sulfate business, which led to efficient use of sulfuric acid. Along with this, it also started manufacturing ammonia, a raw material for ammonium sulfate. After that, by introducing new technologies from outside, the company further expanded its business scope to include other industrial chemicals, including nitric acid, methanol, and formalin. In this way, a foundation was built for the company to develop from a fertilizer manufacturer into a chemical company.

Net Sales / Sales Revenue[*1*2]

1915-1977: Non-consolidated 1978-2021: Consolidated

*1 Since FY2016, Sumitomo Chemical has used IFRS (International Financial Reporting Standards).
*2 In FY1995, Sumitomo Chemical changed its fiscal year to end on March 31.
Revenue from January-March 1995 has been added to FY1994.

1915 1920 1925 1930 1935 1940

The Sumitomo Group's history dates back to about 400 years ago, when the Sumitomo family started its business in Kyoto, venturing into a broad range of fields, including copper smelting and refining, trading, and mining. In 1690, they discovered the Besshi Copper Mine in Ehime Prefecture. Sumitomo Chemical began its business journey by manufacturing fertilizers to prevent smoke pollution caused by the family's copper smelting operations, and has since been operating for over a century as one of the Sumitomo Group companies.

1941-1970

Creating Value in All Fields by Building a Broad Technology Base

Transformation into a comprehensive chemical company

In working to expand from the fertilizer business to the industrial chemicals business, the company found it essential to enter the field of fine chemicals, to grow into a diversified chemical company that can create synergies with its varied businesses. In 1944, Sumitomo Chemical merged with the Japan Dyestuff Manufacturing Company, which was engaged in the dyestuff and pharmaceuticals businesses. This marked the start of Sumitomo Chemical's fine chemicals business, which continued to grow in the years that followed.

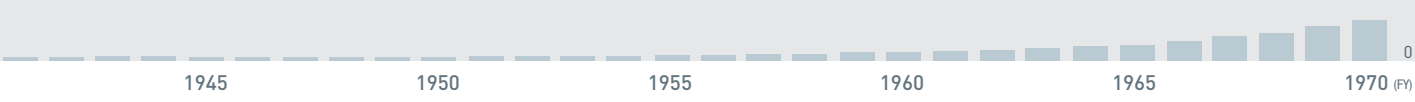
After World War II, Sumitomo Chemical entered the agrochemicals business, comprised of household insecticides and crop protection products. In 1953, the company launched Pynamin, a household insecticide. Meanwhile, Sumithion, a crop protection product developed in-house, became a blockbuster. Driven by the twin engines of a household insecticide and a blockbuster crop protection product with a high safety profile, the agrochemicals business grew to play an important role in the company's fine chemicals sector.

The pharmaceuticals business expanded through alliances and mergers with foreign companies. With new drug candidates successively coming into its pipeline and the launch of new treatments for psychiatric and neurological diseases and cardiovascular diseases, as well as anti-inflammatory and analgesic agents, this business achieved solid growth.

In 1958, Sumitomo Chemical completed the construction of manufacturing plants for ethylene and polyethylene in Ehime, Japan, and entered into the petrochemicals business. This was followed by the construction of a larger-scale ethylene plant in Chiba, Japan, and the expansion of the business into a wide range of petrochemical derivatives. The petrochemicals business expanded on the back of the rapid growth of the Japanese economy.

Pynamin Plant

Ethylene Plant



A Story of Evolving with the Times and Pioneering the Future with the Power of Chemistry

1971-2000

Sumitomo Chemical to Build a Global Sumitomo Chemical Brand and Enter the World Market

Construction of Singapore Petrochemical Complex and entry into the U.S. agrochemical market

In 1971, at the request of the Singapore government, the Singapore Petrochemical Project, Sumitomo Chemical's first overseas project for its petrochemicals business, was initiated. Establishing a petrochemical base in Singapore had an immense significance for the company, because in Singapore naphtha was available at competitive prices and the location would allow the company easy access to the Southeast Asian market, where enormous growth in demand was expected.

While there were times when the future of this project became extremely uncertain, including the experience of the oil crisis, the Singapore Petrochemical Complex finally started full operation in 1984. These endeavors and achievements in Singapore brought the company valuable experience and know-how, which supported its efforts toward full-fledged globalization in the years that followed.

In 1988, we established Valent U.S.A. in the United States, entering the world's largest (at that time) crop protection market. Since then, in the agrochemicals business, Sumitomo Chemical successively launched new products from the 1990s to 2000s, including crop protection products and household insecticides, by leveraging its advanced R&D capabilities. In addition, we have expanded the scale of our business through measures such as expanding our production capacity for methionine, a feed additive used to promote growth of poultry, and pursuing acquisitions both inside and outside Japan.

Valent U.S.A. Corp., a development and sales base in the United States for agrochemicals

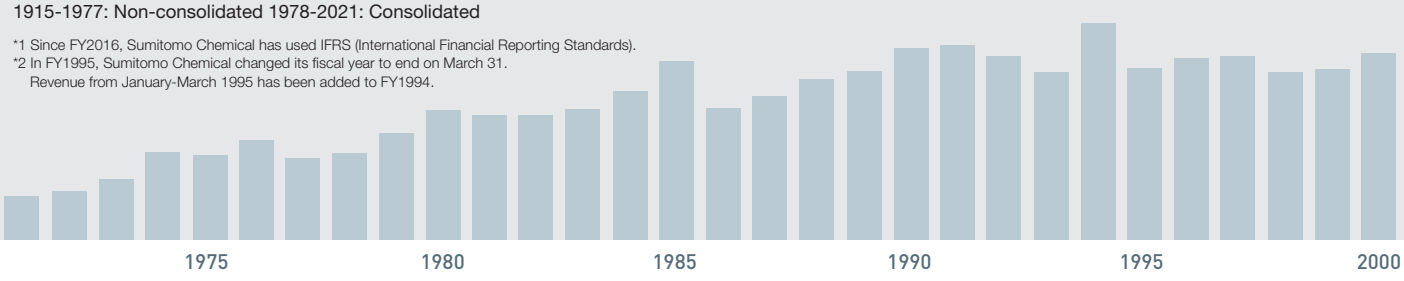
Singapore Petrochemical Complex

Dongwoo Semiconductor Chemicals (currently, Dongwoo Fine-Chem) (South Korea)

Net Sales / Sales Revenue[*1*2]

1915-1977: Non-consolidated 1978-2021: Consolidated

*1 Since FY2016, Sumitomo Chemical has used IFRS (International Financial Reporting Standards).
*2 In FY1995, Sumitomo Chemical changed its fiscal year to end on March 31.
Revenue from January-March 1995 has been added to FY1994.



2001-

Deepen Global Management and Develop Competitive Businesses in Global Markets

IT-related Chemicals Sector established and business grows

In the latter half of the 1990s, digitalization began to advance rapidly, with the internet, PCs, and cell phones becoming widely used in society. In response to these societal changes, Sumitomo Chemical decided to define information technology-related businesses that handle components and materials for electronic devices as one of the pillars that support the future of Sumitomo Chemical, and established the IT-related Chemicals Sector. With a particular focus on the South Korean, Taiwanese and Chinese markets, the company set up local production companies and actively expanded the business. Backed by rapid expansion in the use of liquid crystal display panels, the business for display components, including polarizing films and color filters, achieved remarkable growth.

Separation of the pharmaceutical business and the inauguration of Sumitomo Dainippon Pharma Co., Ltd.

In 1984, Sumitomo Chemical and Inabata & Co., Ltd. spun off their pharmaceuticals manufacturing and sales businesses to form Sumitomo Pharmaceutical Co., Ltd., with the aim of improving efficiency and agility in manufacturing, sales and R&D and increasing competitiveness. Furthermore, in 2005, Sumitomo Pharmaceutical merged with Dainippon Pharmaceutical to establish Sumitomo Dainippon Pharma Co., Ltd., with the goals of strengthening their business base in Japan while also expanding their global reach. Sumitomo Dainippon Pharma has actively been promoting the sales of LATUDA®, an atypical antipsychotic agent developed in-house, in the U.S. and the EU.

Implementation of the Rabigh Project

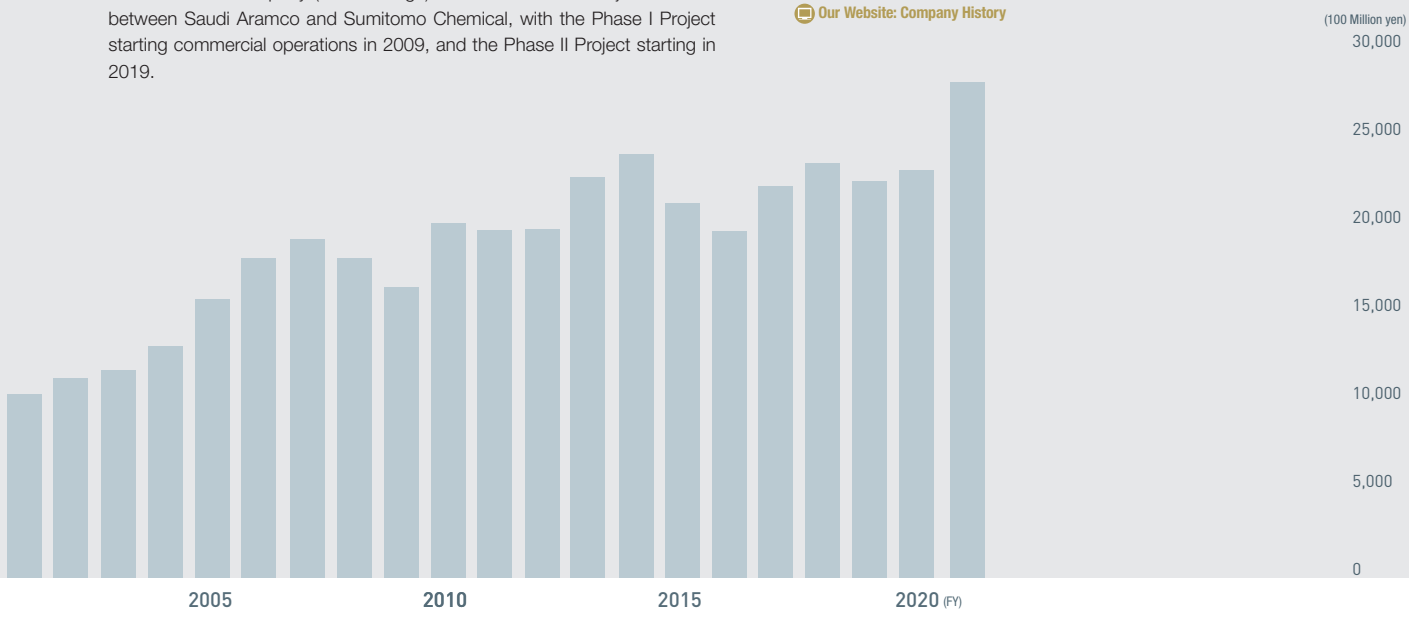
The Rabigh Project, a substantial project to construct a world-scale oil refinery and petrochemicals complex in Saudi Arabia, got its start in 2004 when Sumitomo Chemical and Saudi Aramco signed a memorandum of understanding. Saudi Aramco selected Sumitomo Chemical as its partner for this project, highly valuing Sumitomo Chemical's outstanding technological capabilities, robust sales force in Asia, and the achievements of its petrochemicals business in Singapore. In 2005, Rabigh Refining and Petrochemical Company (Petro Rabigh) was established as a joint venture between Saudi Aramco and Sumitomo Chemical, with the Phase I Project starting commercial operations in 2009, and the Phase II Project starting in 2019.

Joint information meeting on the merger of Dainippon Pharmaceutical and Sumitomo Pharmaceuticals


Petro Rabigh (Saudi Arabia)

Sumitomo Chemical remains committed to its principle of contributing to the development of a sustainable society through business, even after more than a century has passed since its foundation.
The company will continue to work to resolve various issues facing people around the world and achieve long-term sustained growth.

Our Website: Company History



Sumitomo Chemical's Core Competence

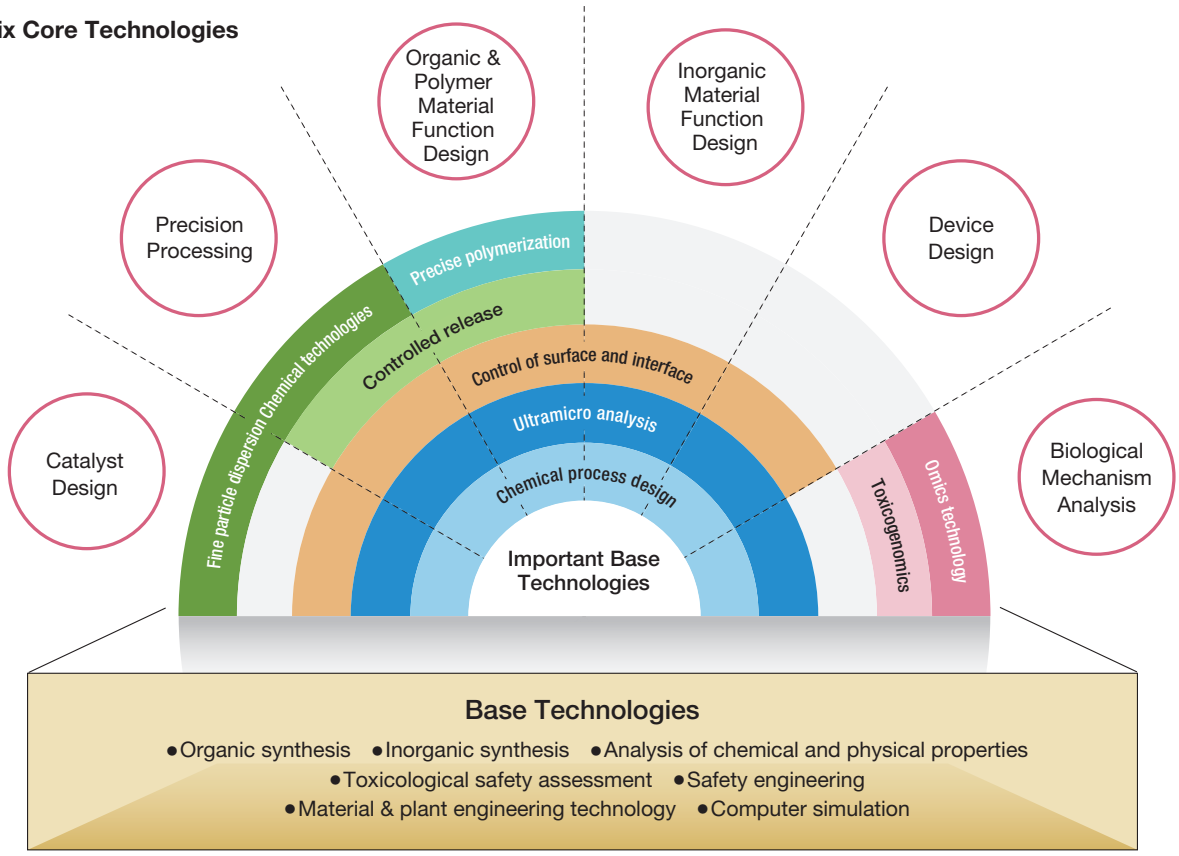
Sumitomo Chemical recognizes three of our core competencies, which we have developed over our 100-year history: "Ability to develop innovative solutions by leveraging its technological expertise in diverse areas," "Ability to reach global markets," and "Loyal employees". By making the best use of these resources, we are striving to solve social issues such as environmental and food problems, and to improve people's quality of life.

Ability to develop innovative solutions by leveraging its technological expertise in diverse areas

A source for creating new value

Sumitomo Chemical has continued to challenge new areas with its relentless spirit of inquiry and creative technologies. Through our extensive research activities over the years, we have established six core technologies. We are engaged in research and development to create new solutions to social issues and trends around the world by utilizing these core technologies. Based on our belief that "creative R&D is what will build a new era," we will continue to strengthen our solution development capabilities.

Six Core Technologies

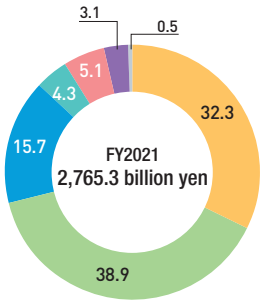


Ability to reach global markets

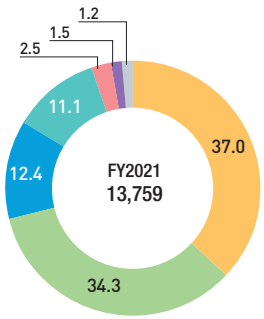
Highly competitive power in global markets

Information by Region

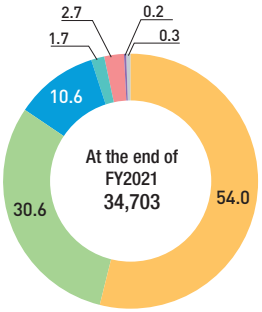
Sales Revenue by Region (%)



Number of patents held by region (SC-only) (%)



Number of employees by region (%)



The Sumitomo Chemical Group has been expanding its business around the world with the aim of building the Sumitomo Chemical brand on a global scale. The Group's current overseas sales revenue ratio exceeds 60%. We intend to continue to aggressively expand the Group's competitive businesses to markets around the world to achieve sustainable growth.

Number of overseas bases

75 bases

Deepening Global Management

By combining the best technologies, locations, partners, and human resources, we are developing competitive businesses around the world.

Loyal employees

The Power to Shape the Future

The Sumitomo Chemical Group employs more than 30,000 people worldwide. The high level of loyalty that each and every one of our employees brings to their daily work is one of the Group's great strengths. We will continue to break through challenges while pursuing new possibilities every day through friendly competition among all employees with a high, passionate sense of mission.

Employee opinion survey (FY 2022, Average point for all the employees)

4 points or more — Highly rated and a state of positive awareness among many employees

Willingness to continue to work with us

4.1 / 5.0

You do not think there is any discrimination in the workplace on the basis of gender, age, origin, nationality, etc.

4.0 / 5.0

Willingness to use digital technology for personal growth

4.0 / 5.0

You can go home without worrying about your surroundings.

4.1 / 5.0

Environment in which it is easy to work while raising children and caring for family members

4.0※ / 5.0

* Average score of employees with children of elementary school age and younger

Sumitomo Chemical's Five Business Areas

Essential Chemicals & Plastics, Energy & Functional Materials, IT-related Chemicals, Health & Crop Sciences, Pharmaceuticals —— as a diversified chemical company, Sumitomo Chemical globally supplies products that support a wide range of industries and people's daily lives across these five business sectors.

Essential Chemicals & Plastics

Polyolefin Business
Methyl Methacrylate (MMA) Business
License/Catalyst Business

The Essential Chemicals & Plastics Sector has manufacturing facilities in Japan, Saudi Arabia, and Singapore, and leverages the strengths of each of these facilities to manufacture synthetic resins such as polyethylene, polypropylene, and methacrylic resin, as well as raw materials for synthetic fibers, and various industrial chemicals. Through these operations, Sumitomo Chemical meets the diverse needs of customers by providing chemical products that underpin a variety of industries.


Automobile seats with cushion materials made using propylene oxide as a raw material


Automobile instrument panel made of polypropylene


Various products made using polyethylene


Large aquarium panel made of methyl methacrylate


A plant in Thailand where Sumitomo Chemical licensed its propylene oxide production method

Energy & Functional Materials

Advanced Polymers Business
Specialty Chemical Business
Inorganic Materials Business
Battery Materials Business

The Energy & Functional Materials Sector provides a wide variety of functional chemical products that contribute to reducing the environmental impact and conserving energy and natural resources, including inorganic materials such as alumina used in energy-saving products, high-performance polymer additives, super engineering plastics and lithium-ion secondary battery material used in electronic components and next-generation vehicles.


Products made using alumina and alumina powder


Aluminum ingots


Resorcinol


A tire made using synthetic rubber


Super engineering plastics


Separator "PERVIO™"

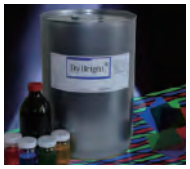
IT-related Chemicals

Display Materials Business
Semiconductor Materials Business

The IT-related Chemicals Sector provides a wide range of products to support the age of IoT: optically functional films, touch screen sensor panels, color resists and polymer OLED materials that are used to make LC and OLED displays; photoresists and high-purity chemicals required in the semiconductor manufacturing process; compound semiconductor materials used in antenna switches and other components of communication terminal equipment.


Polarizing films "SUMIKARAN™"


Touch screen sensor panels


Color Resists "DyBright™"


Photoresist "SUMIRESIST™"


Compound Semiconductor materials


Polymer OLED inks

Health & Crop Sciences

Agrosolutions Business
Environmental Health Business
Feed Additives Business
Pharmaceuticals Business

The Health & Crop Sciences Sector is engaged in the manufacture and sale of crop protection chemicals, fertilizers, feed additives, household insecticides, products for control of infectious diseases, and active pharmaceutical ingredients and intermediates. By providing these products, Sumitomo Chemical aims to contribute to a stable supply of crops, help increase food production in response to an increase in the world population, prevent the spread of infectious diseases, and achieve hygienic and healthy lives.


Various crop protection chemicals, including insecticides and herbicides


Products used for insecticides


Olyset™Plus, long-lasting insecticidal mosquito net for malaria prevention

DL-methionine and methionine hydroxy analog used as feed additives


Active pharmaceutical ingredients

Pharmaceuticals

Prescription Drugs
Diagnostic Drugs
Contract Development and Manufacturing Organization

Sumitomo Chemical started its pharmaceuticals business as the first Japanese company to manufacture synthetic pharmaceuticals based on its advanced organic synthesis technology. The company is currently developing the Sector through Sumitomo Pharma Co., Ltd., specialized in the prescription pharmaceuticals business, and Nihon Medi-Physics Co., Ltd., specialized in the radiopharmaceuticals business.

Sumitomo Pharma Co., Ltd.


Osaka Research Center

Nippon Medi-Physics Co., Ltd.


Manufacturing of PET radiopharmaceuticals

Flow of Value Creation

In line with Sumitomo Spirit and other Corporate Philosophy, we are developing five businesses by leveraging our core competencies accumulated through more than 100 years of history. In 2019, in order to demonstrate our "contributing to developing a sustainable society," we have identified "material issues to be addressed as management priorities," and starting this year, we are working on a New Corporate Business Plan that takes into account green transformation. This will enable us to achieve stable profitability and a sound financial position, while contributing to solving social issues and developing a sustainable society in the environment, food, healthcare, and ICT-related fields. And by making them a further strength, we will be able to sustainably increase our corporate value.

Our roots

The Sumitomo Spirit
→ P. 09

Sumitomo Chemical's Business Philosophy
→ P. 09

Over 100-year history
→ P. 11

Our business & Strengths

Our Business Sectors

- Essential Chemicals & Plastics → P. 63
- Energy & Functional Materials → P. 67
- IT-related Chemicals → P. 71
- Health & Crop Sciences → P. 75
- Pharmaceuticals → P. 79

Investment of management resources

Sumitomo Chemical's strengths (core competencies) accumulated throughout its history → P. 15

- Ability to develop innovative solutions by leveraging its technological expertise in diverse areas
- Ability to reach global markets
- Loyal employees

Strategy

New Corporate Business Plan → P. 35

Change and Innovation with the Power of Chemistry

Basic Directions

- Further improve business portfolio (strengthen and reform businesses)
- Improve financial standing
- Accelerate the development of next-generation businesses
- Obligations and contributions toward becoming carbon neutrality
- Improve productivity and strengthen businesses through digital innovation
- Employ, develop and leverage human resources for sustainable growth
- Ensure full and strict compliance and maintain safe and stable operations

To further Sumitomo Chemical's strengths

The Material Issues to Be Addressed as Management Priorities → P. 39

Key Issues for Sustainable Value Creation

Material Issues for Social Value Creation → P. 41

Contribute to the environment
- Climate change mitigation and adaptation
- Contribute to recycling resources
- Sustainable use of natural capital

Contribute to the food supply
- Advance sustainable agriculture

Contribute to healthcare

Contribute to ICT

Material Issues for Future Value Creation → P. 51

Advance innovation

Bolster competitiveness leveraging DX

Human resources
DE&I*, Development & Growth, Health
*Diversity, Equity & Inclusion

Foundation for Business Continuation → P. 57

- Occupational safety and health, and industrial safety and disaster prevention
- Product safety and quality assurance
- Respect for human rights
- Cybersecurity
- Compliance
- Anti-corruption

Created values

The social value we create

Contribute to solving social issues through our business and aim for the development of a sustainable society

Environmental Field

Recovery of the global environment and realization of a world where people and nature coexist in harmony

Food Field

Ensuring food security and harmony with the environment

Healthcare Field

Ensuring healthy lives for people around the world

ICT related Field

Realization of an inclusive society using ICT

The social value we create

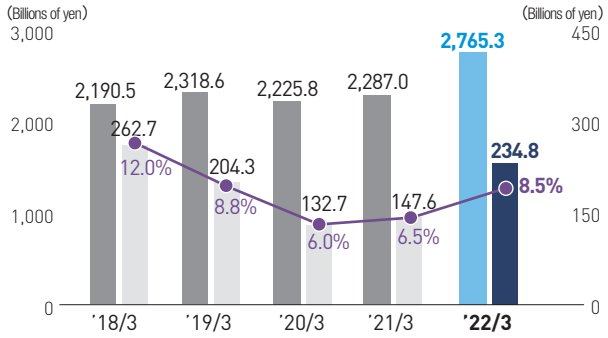
Achieving stable profitability and a sound financial position

KPI	FY2021	FY2024(Target)	Consistently achieve the following targets
ROE	14.5%	11.7%	Over 10%
ROI	6.6%	7.2%	Over 7%
D/E ratio	0.8times	0.7times	Approx.0.7times
Dividend Payout Ratio	24.2%	Approx.30%	Approx.30%

Data Highlights

Sales Revenue (left axis)
Core Operating Income (right axis)
Core Operating Income to Sales Revenue

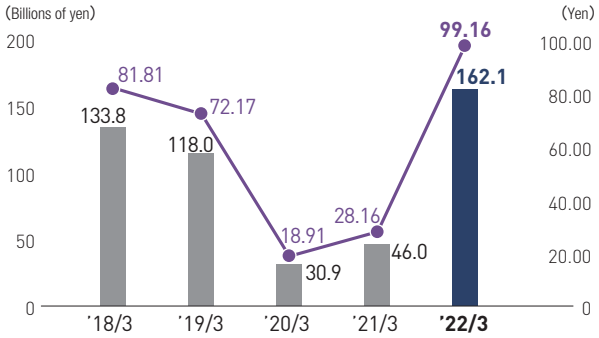
¥234.8 billion (Core Operating Income) vs. FY2020 **+59.0%** ↑



Terms of trade improved, especially for petrochemicals, and shipments also recovered, especially in the automotive sector. Shipments of display, semiconductor-related materials, and agrochemicals remained strong. As a result, sales revenue increased by 478.3 billion yen from the previous fiscal year, while core operating income increased by 87.2 billion yen over the previous fiscal year.

Net Income Attributable to Owners of the Parent (left axis)
Basic Earnings per Share (right axis)

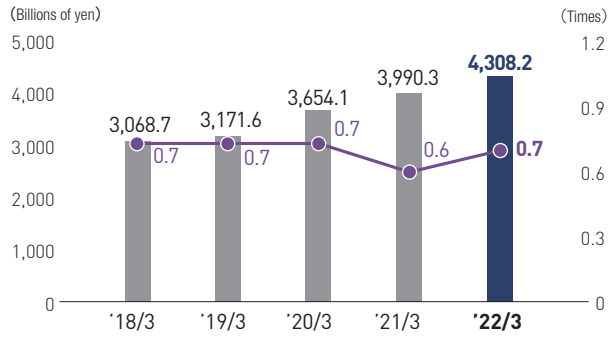
¥162.1 billion (Net Income Attributable to Owners of the Parent) vs. FY2020 **+252.1%** ↑



In addition to the improvement in core operating income, net income attributable to owners of the parent increased by 116.1 billion yen over the previous year, mainly due to foreign exchange gains resulting from the yen's depreciation at the end of the period.

Total Assets (left axis)
Asset Turnover (right axis)

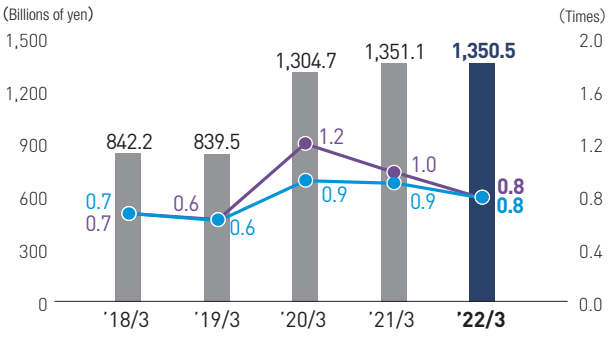
4,308.2 billion (Total Assets) vs. FY2020 **+8.0%** ↑



Total assets increased by 317.9 billion yen over the previous consolidated fiscal year, to 4,308.2 billion yen. Trade receivables and inventories increased due to higher raw material prices and other factors.

Interest-bearing Liabilities (left axis)
D/E Ratio*1 (right axis)
Net D/E Ratio*2 (right axis)

1,350.5 billion (Interest-bearing Liabilities) vs. FY2020 **0.0%** ↓

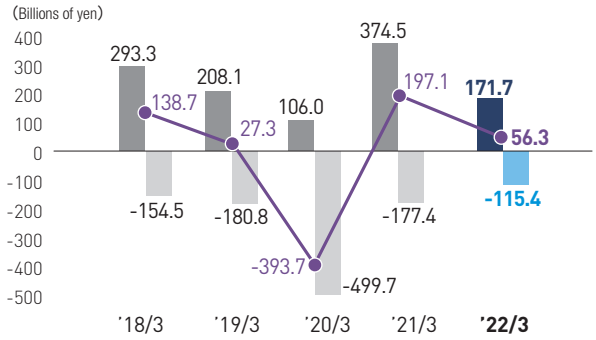


The balance of interest-bearing liabilities was flat year on year. On the other hand, the D/E ratio and net D/E ratio both declined due to an increase in equity attributable to owners of the parent resulting from improved net income attributable to owners of the parent.

*1 D/E ratio=Interest-bearing liabilities/Total equity
*2 Net D/E Ratio=Net Interest-bearing Liabilities (Interest-bearing Liabilities–Cash and Cash Equivalents)/ Equity attributable to Owners of the Parent

Cash Flows from Operating Activities
Cash Flows from Investing Activities
Free Cash Flow

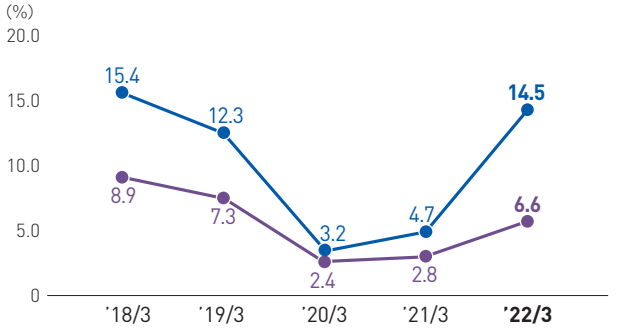
¥56.3 billion (Free Cash Flow) vs. FY2020 **-140.8 billion** ↓



Cash flows from operating activities decreased by 202.7 billion yen mainly due to an increase in working capital. Cash flows from investing activities decreased by 62.0 billion yen, mainly due to the impact of the loan to Petro Rabigh in the previous year. As a result, free cash flow decreased by 140.8 billion yen to 56.3 billion yen.

ROE ROI

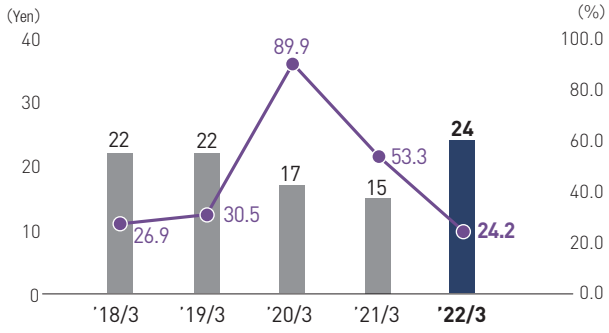
14.5% (ROE) vs. FY2020 **+9.8pt** ↑
6.6% (ROI) vs. FY2020 **+3.8pt** ↑



Due to an improvement in net income attributable to the owners of the parent, both ROE and ROI exceeded figures for the previous fiscal year. ROE achieved its target of 10%.

Cash Dividends per Share (left axis)
Dividend Payout Ratio (right axis)

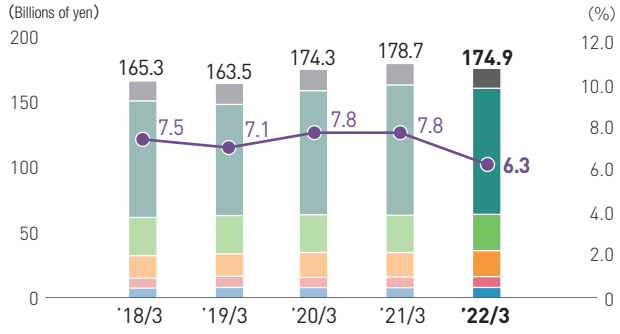
24.2% (Dividend Payout Ratio) vs. FY2020 **-29.1pt** ↓



Record annual dividend per share was 24 yen in fiscal 2021, thus, the dividend payout ratio was 24.2%.

Research and Development Expenses (left axis)
Essential Chemicals & Plastics Energy & Functional Materials
IT-related Chemicals Health & Crop Sciences Pharmaceuticals Others
Ratio of R&D Expenses to Sales Revenue (right axis)

¥174.9 billion (Research and Development Expenses) vs. FY2020 **-2.1%** ↓



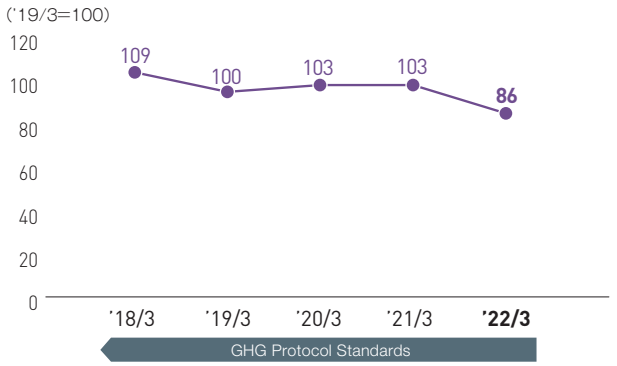
R&D expenses decreased by 3.7 billion yen over the previous fiscal year, to 174.9 billion yen, mainly due to a decrease in R&D expenses in the pharmaceutical sector.

Data Highlights

Unit Energy Consumption

86

vs. FY2020 **-17pt**



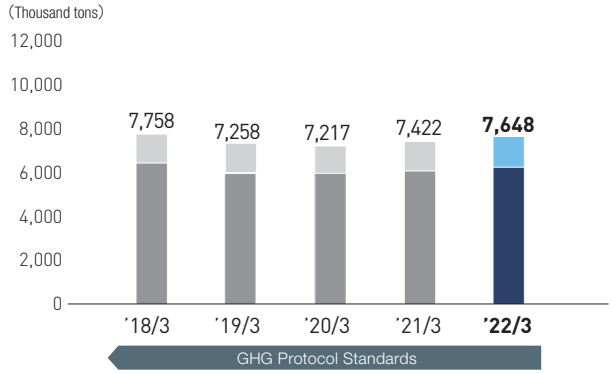
One of the material issues to be addressed as management priorities is "contribute to the environment," which is the "sustainable use of natural capital." In FY2021, the final year of the Previous Corporate Business Plan, we achieved a significant 14% reduction compared to FY2018, achieving our target of a 3% improvement.

Greenhouse Gas Emission Volume (Scope 1+2)

Greenhouse gas emission volume in Japan
Greenhouse gas emission volume outside Japan

7,648 thousand tons (Greenhouse Gas Emission Volume)

vs. FY2020 **+226** thousand tons



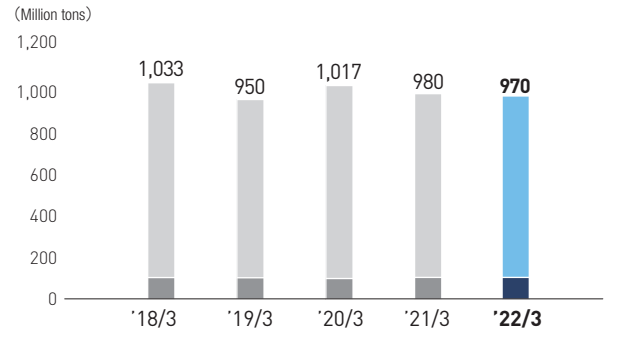
One of the material issues to be addressed as management priorities is "contribute to the environment," which is the "climate change mitigation and adaptation." We will accelerate the reduction of GHG emissions in line with the grand design for achieving carbon neutrality by 2050, which was formulated in December 2021.

Water Usage

Freshwater Seawater

970 million tons

vs. FY2020 **-10** million tons



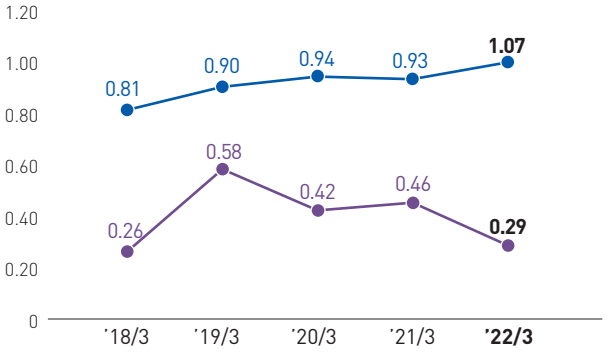
We will work to reduce water usage through effective use of water, depending on the application, while endeavoring to assess risks to water supplies. Seawater is used for cooling plants and other facilities.

Lost-workday Incident Rate*

Sumitomo Chemical Group Chemical industry of Japan

0.29

vs. FY2020 **-0.17pt**



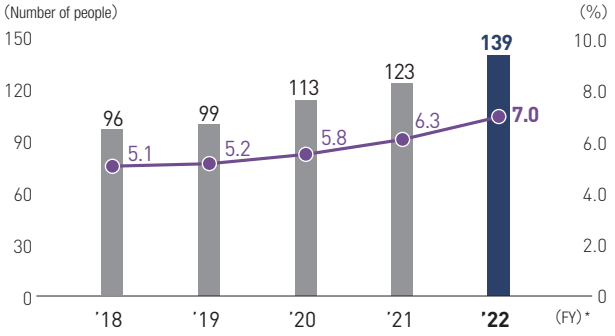
The frequency rate of lost-workday incidents for FY2021 was 0.29, falling short of the target of less than 0.1. We will investigate the cause of the problem, thoroughly implement basic safety rules, and work on measures to prevent recurrence.

* Indicates the frequency of industrial incidents as the number of deaths and injuries per one million hours of total work time.

Number of Female Employees in Positions Equivalent to Manager or Above (SC only) (left axis)
Percentage of Female Employees in Positions Equivalent to Manager or Above (SC only) (right axis)

7.0% (Percentage of Female Employees in Positions Equivalent to Manager or Above)

vs. FY2021 **+0.7pt** ↑



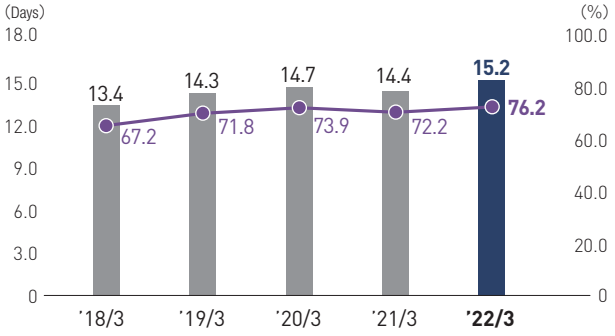
Sumitomo Chemical has raised "promotion of diversity, equity and inclusion" as one of the material issues to be addressed as management priorities. We aim to achieve a ratio of over 10% female employees in positions equivalent to manager or above at Sumitomo Chemical proper by fiscal 2022.

*All numbers as of April 1 of that year

Number of Days of Paid Vacation Used (SC only) (left axis)
Percentage of Paid Vacation Days Used (SC only) (right axis)

76.2% (Percentage of Paid Vacation Days Used)

vs. FY2020 **+4.0pt** ↑



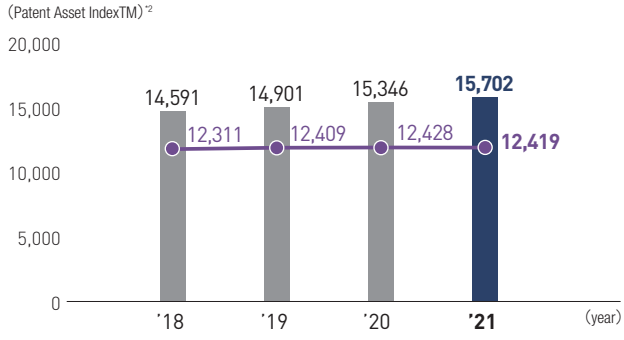
Sumitomo Chemical has raised a goal for all employees of Sumitomo Chemical proper to "take at least 80% of their paid leave each year on average." From fiscal 2020 onward, we will continue to work on attaining this goal.

Patent Asset Size*1

Sumitomo Chemical Group
Average (Japan's 4 major chemical companies)

15,702

vs. FY2020 **+356pt** ↑



Due to active R&D and patent acquisition activities in recent years, the scale of our patent asset size has remained at a relatively high level. By deploying and making thorough use of artificial intelligence and materials informatics technologies on the front lines of R&D, and by strengthening collaboration with academia and startups, we will continue to build up and strengthen our patent portfolio.

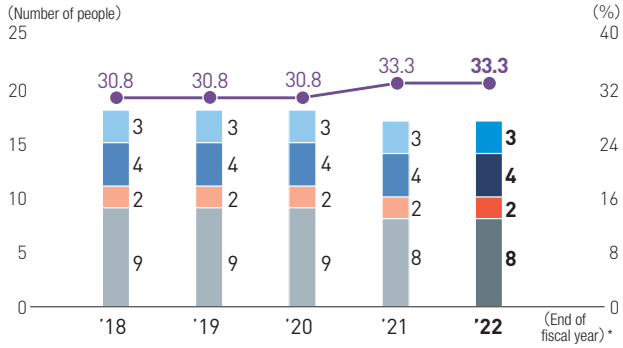
*1 Patent asset size is evaluated using the Patent Asset Index™, generated using the patent analysis tool LexisNexis PatentSight®.
*2 The Patent Asset Index™ is an index for comprehensively assessing the status of legally active patents based on quantity (number of patents) and quality (countries of registration and number of citations)

Number of Directors and Auditors (left axis)

Inside Directors
Standing Corporate Auditors
Outside Directors
Outside Corporate Auditors (left axis)
Ratio of Outside Directors (right axis)

33.3% (4/12) (Ratio of Outside Directors)

vs. End of FY2021 **±0.0pt** →



With the goal of further strengthening the Board of Directors' oversight and advisory functions to increase the transparency and objectivity of management, in June 2018 we added one outside director, increasing the total number to four (including one female director). As a result, of the 12 members of the Board of Directors, four are outside directors.

*As of July 1, only for fiscal 2022

One Year at Sumitomo Chemical

In fiscal 2021, the final year of the Corporate Business Plan, we have paved the way for growth through aggressive business operations, including the decision to increase production capacity for semiconductor materials, for which demand is growing, and the launch of three promising post-LATUDA agents in pharmaceuticals. It was also a year in which we continued to take steps to ensure the sustainability of our company and society, including the formulation of a grand design for achieving carbon neutrality and steady progress in our chemical recycling efforts.

2021

April

Pharmaceuticals
Urovant, a consolidated subsidiary of Sumitomo Pharma, launched **GEMTESA®**, a treatment for overactive bladder, in the U.S.

Established SUMIKA DX ACCENT Co., Ltd., a joint venture with Accenture

Received Gold Medal in EcoVadis sustainability assessment for the second consecutive year

May

Pharmaceuticals
Myovant, a consolidated subsidiary of Sumitomo Pharma, received approval for **MYFEMBREE®**, the first once-daily treatment for heavy menstrual bleeding associated with uterine fibroids in the U.S.

June

July

Health & Crop Sciences
Received U.S. registration approval for **Accede™** plant growth regulator

Decided to switch all electricity purchased for the Oita Works to renewable energy and change fuel used in the plant, reducing greenhouse gas emissions by approximately 30%
→ P. 42

R&D
Developed a versatile, accurate AI prediction technique even with a small number of experiments, using the chemical materials open platform framework with National Institute for Materials Science, Asahi Kasei Corporation, Mitsubishi Chemical Holdings Corporation, Mitsui Chemicals, Inc.

August

Essential Chemicals & Plastics
Decided to construct chemical recycling pilot facility for acrylic resin

IT-related Chemicals
Decided to expand capacity of a manufacturing facility of high-purity chemicals for semiconductors at its Ehime Works and in South Korea

IT-related Chemicals
Decided to enhance production systems for semiconductor photoresists on a global level

September

October

Returned Tokyo Head Office to Nihonbashi after 28 years

Energy & Functional Materials
Decided to withdraw from the EPDM (ethylene-propylene-non-conjugated diene rubber) business

Essential Chemicals & Plastics
Launched **Meguri**®, a new brand for recycled plastic products

Pharmaceuticals
Sumitomo Pharma and its subsidiary Sunovion executed a collaboration and license agreement with Otsuka Pharmaceutical Co., Ltd. for the worldwide joint development and commercialization of four novel candidate compounds currently under development in psychiatry and neurology area by Sumitomo Pharma and Sunovion

Health & Crop Sciences
Decided to construct a new manufacturing plant for nucleic acid drug substances at Oita Works

Pharmaceuticals
Enzyvant, a consolidated subsidiary of Sumitomo Pharma, received approval in the U.S. for **RETHYMIC**®, a one-time regenerative tissue-based therapy for pediatric congenital athymia

Energy & Functional Materials
Decided to expand production capacity of LCP (liquid crystal polymer) at Ehime Works

Essential Chemicals & Plastics
Decided to change the name of Petrochemicals & Plastics Sector to "Essential Chemicals & Plastics Sector"

Health & Crop Sciences
Decided to construct a new manufacturing plant for active pharmaceutical ingredients and intermediates for small molecule drugs at the Oita Works

Essential Chemicals & Plastics
Developed a new polyethylene product, **Sumicle**®, aiming to achieve horizontal recycling of plastic products

2022

November | December | January | February | March

Received CDP's highest rating in Corporate Climate Change Action, for the fourth consecutive year, and Water Security Action, the second consecutive year

Formulated grand design to achieve Carbon Neutrality by 2050
→ P. 42

R&D
Decided to build new research facilities in Chiba and Osaka and reorganize research laboratories in Osaka, Tsukuba, and Chiba, to accelerate the creation of next-generation businesses


Image of the new research facility in Chiba

Transition Loan arranged to finance the construction of their new LNG-fired power generation facilities was selected by Japan's Ministry of Economy, Trade and Industry for "FY2021 Climate Transition Finance Model Project," the First in the Chemical Sector

R&D
Four themes related to chemical recycling technology development projects were selected for their Green Innovation Fund Project
→ P. 46

R&D
Started joint development of energy-saving and highly efficient hydrogen production process with Microwave Chemical Co., Ltd. to help achieve carbon neutrality by 2050
→ P. 43

Received a Minister of the Environment Award (Silver Award) in the Environmentally Sustainable Corporations Section of the Ministry of the Environment's "ESG Finance Awards Japan"

Formulated New Corporate Business Plan for FY2022 to FY2024
→ P. 35

President's Message

We will strive to strengthen each of our businesses and get even stronger as an integrated business group to generate synergies as a diversified chemical company to the full.

岩田圭一

Keiichi Iwata
Representative Director & President

Since becoming President, I have been committed to transforming our corporate culture.

Eliminating "losses due to inaction" and increasing the "speed of business operations"

Three years have passed since I took office as President in April 2019. During this time, there have been significant changes in the environment that I did not anticipate, such as the COVID-19 pandemic and Russia's invasion of Ukraine. I now strongly feel once again that in order to continue to be a company that grows even in highly uncertain, turbulent times, there are "things that we should change" and "things that we should maintain and continue to protect."

I would like to start with what we should change. When I became President, I set the goal of developing a corporate culture full of entrepreneurial spirit. Specifically, I have stressed eliminating "losses due to inaction"—opportunities that may be lost as we fail to take action—and increasing the "speed of business operations." At Sumitomo Chemical, its people are so faithful to their duties that they tend to readily follow precedents that have been successful, while we do not have a culture in which people are blamed for a failure. I therefore felt that we should be more aware that we may lose opportunities if we do not take on new challenges. In these times of dramatic changes, a company cannot survive unless it is willing to constantly try new things, instead of repeating the same old thing. With a sense of urgency, I determined to work on making elimination of "losses due to inaction" a part of our corporate culture.

What is important is not just to make a commitment but to translate this to a desire to "try something new." I thought that if there was any sense of getting nowhere within the company—such as "we don't know what to do" or "even if we take action, it won't make much of a difference"—I would like to break through it by clearly showing management's vision on the way forward for our business. Accordingly, we have laid out the future direction for our individual businesses. For example, we will work to develop and implement in society new technologies for achieving carbon neutrality in the Essential Chemicals & Plastics business. Meanwhile, in the area of biorationals* of the Health & Crop Sciences business, we will take on the challenge of reducing environmental impact and increasing food production at the same time. As we share a clear picture of the future for each of our businesses and make decisions and take actions every day toward that goal, I feel that our mindset has been changing gradually.

We also see the "speed of our operations" significantly increasing. For example, we are advancing planning for initiatives toward carbon neutrality at great speed, now becoming a frontrunner in the industry. In addition, for new plant construction and capacity expansion projects, we have restructured our engineering team and process, so that the time from planning to start-up is now about three to six months shorter than before. Society is changing rapidly. To keep up with it, we must always ask ourselves what we should do to further speed up our operations and put them into action, while also leveraging digital technology.

* The Sumitomo Chemical Group defines microbial pesticides, plant growth regulators and rhizosphere microbial products derived from natural sources, as well as solutions using these products to protect crops from pests and enhance crop quality and yield, as "biorationals."

Our corporate philosophy brings coherence to our diversity.

Meanwhile, there is an essential element in our corporate culture that we want to maintain and continue to protect. A research report published in the U.S.* points out that there are four traits shared by companies that have survived for long years. First, they are sensitive to changes in the environment. Second, they are tolerant of new initiatives. Third, they are implementing a conservative financial policy. Fourth, they have strong cohesion

and a clear corporate identity, which I consider the most important of these qualities. What distinguishes Sumitomo Chemical from the competition is the diversity of the technologies, addressable market segments, locations of operations, and above all, human resources that we boast as a diversified chemical company. Diversity, however, leads to divergence if left to its own devices. It is necessary to have a linchpin that holds everything together. For Sumitomo Chemical, that is our corporate philosophy articulated by the words, "Jiri-Rita Koushi-Ichinyo," which means that our businesses must benefit society at large, not just our own interests. By bringing our diverse people together around this principle, we have created a strong sense of solidarity, so this corporate philosophy should never be changed, and we will continue to uphold it.

*The Living Company, 1997

We forged a path forward to resolve our three major management issues in the previous Corporate Business Plan. In the new Corporate Business Plan, we will strive to further improve our business portfolio from the perspective of advancing green transformation.

We decided to carry out large-scale M&As.

Looking back to 2019, when we launched the previous Corporate Business Plan, we were faced with an extremely challenging environment. Three major management issues had come to the fore: strengthening Petro Rabigh to ensure that the Saudi Arabian business consistently contribute to the performance of the then Petrochemicals & Plastics Sector; developing new drugs that would succeed LATUDA®, an atypical antipsychotic blockbuster, as a growth engine of the pharmaceuticals business; and consolidating the foundation of the agrochemicals business to compete with generics.

For the pharmaceuticals and agrochemicals businesses, we implemented large-scale M&As and made major strides toward growth. The moves were opportune, as we were able to make decisions before the COVID-19 outbreak and focus on the post-merger integration process during the pandemic. For Petro Rabigh, we brought new facilities constructed in the Rabigh Phase II Project on stream immediately after start-up and the financial completion guarantee was terminated. In this project, our technological prowess was widely demonstrated, as the entire Sumitomo Chemical Group stepped up to contribute, particularly sending a large number of engineers and staff members from our manufacturing teams in Japan. It is a major achievement under the previous Corporate Business Plan that we forged a path forward to resolve these three major management issues.

We also launched company-wide cross-functional projects.

In addition, we launched three company-wide cross-functional projects for "accelerating the development of next-generation businesses," advancing "digital innovation," and achieving "carbon neutrality." In the efforts to accelerate the development of next-generation businesses, we are building an innovation ecosystem for creating new businesses speedily. We aim to establish a system that will help to bring about innovations anywhere in the company, collaborate with startups and academia, and accelerate the process of bringing those innovations to market.

For digital innovation, we implemented our "DX Strategy 1.0" in four areas, including production and R&D, to improve productivity. Regarding carbon neutrality, we formulated a grand design, setting out a direction for our initiatives to achieve the goal. All these projects are one step ahead of society and are beginning to show real progress.

As a result of these efforts, we achieved a record-high net income of 162.1 billion yen for fiscal 2021, the final year of the previous Corporate Business Plan period. Although our financial position temporarily declined due to large-scale M&As, our D/E ratio recovered to 0.79 times as of the end of fiscal 2021, and we will continue to improve it according to our roadmap. I am not satisfied with our performance yet. I consider that we are in the process of realizing returns on the capital investments, M&As, and other measures that we have carried out. We will strive hard to reap the fruits of our efforts and deliver strong financial results.

Fiscal 2022 will be a year when our true competitiveness will be tested.

It was expected that in fiscal 2022, the world economy would begin to recover on the whole, emerging from the effects of

the COVID-19 pandemic, but now its outlook remains uncertain due to Russia's continued invasion of Ukraine.

One of the most serious concerns is inflation driven by rising energy prices, and we need to keep watching its development closely. Sumitomo Chemical is affected by higher crude oil prices like many other companies, but the effect on Petro Rabigh is neutral for the Sumitomo Chemical Group on the whole, since the oil-refining and petrochemical affiliate's margins improve as higher crude oil prices lead to higher selling prices for their products while the cost of its major feedstock ethane gas is fixed.

How to pass on rising raw material prices to product prices will be a major challenge for this year. Basically, in the area of high value-added products, to which we have been shifting our businesses, formula pricing is not a generally accepted approach. We must ensure that customers understand the situation and the price increase we need to address increasing costs. It means that our products are put to the test to see how essential they are to customers. In that sense, I consider that this will be a year when the true competitiveness of our products will be tested.

Advancing a broadly-defined green transformation

In the basic policy of our new Corporate Business Plan, we have affirmed our commitment to seven priorities, adding "fulfilling obligations and providing contributions toward achieving carbon neutrality" to the six priorities under the previous Corporate Business Plan. It does not mean that we made a significant change to our management policy, however, as we have already been working on a company-wide, cross-functional project for carbon neutrality since the middle of the previous Corporate Business Plan period.

Of the seven priorities, the most important is "further improving our business portfolio." Simply put, we will work to enhance the earning power of each of our businesses, stepping up efforts to make them stronger, following the various measures we have taken over the past three years. What is new is that under the new Corporate Business Plan, we will incorporate the perspective of "green transformation" into all the priorities set out in the basic policy. While green transformation generally refers to transformation of society driven by efforts to achieve carbon neutrality, we at Sumitomo Chemical expand the scope of the concept to include conserving ecosystems and ensuring healthy lives, and will strive to advance this broadly-defined green transformation and explore ways to contribute as a corporation to creating a sustainable society. For instance, we will work to strengthen resource recycling technologies in the Essential Chemicals & Plastics business, meet the needs of next-generation energy systems in the high-performance functional materials business, and direct resources to strengthening our biorationals in the crop protection business. Enhancing the

earning power of all our businesses and striving to further improve our business portfolio, while incorporating the perspective of the broadly-defined green transformation—this is the central point of our new Corporate Business Plan.

The petrochemicals business is an "essential" business to society and to Sumitomo Chemical.

An industry that is essential to achieving carbon neutrality

While there are many different views about the future of the petrochemicals business, we consider it essential both to society at large and to Sumitomo Chemical. To explicitly express that value, we have changed the name of our Petrochemicals & Plastics Sector to "Essential Chemicals & Plastics Sector."

The petrochemicals business supports people's lives by providing raw materials for a vast number of products and supplies, forming the foundation of Japan's manufacturing industry. Going forward, in a carbon neutral world, a petrochemical complex will surely be needed within Japan for implementing chemical recycling. For these reasons, we consider the petrochemicals business an essential industry for society as well as for manufacturing in Japan.

In addition, in order for the chemical industry, which is said to be a greenhouse gas (GHG)-intensive industry, to change to one that reduces or absorbs GHG emissions in the future, it needs to utilize the catalyst and process technologies that have been developed over many years in the petrochemicals business. In this sense, the petrochemicals business is vitally important and essential to Sumitomo Chemical too, as we, being a chemical company, strive to transform the industry into a carbon recycling industry. With these two thoughts and messages in mind, we have renamed our Petrochemicals & Plastics Sector as Essential Chemicals & Plastics Sector.

Playing a part in restructuring of petrochemical complexes

By 2050, when the world will have become carbon neutral, the majority of fuels will be replaced by renewable energy, and most raw materials will be recycled. We believe that in the long run our Essential Chemicals & Plastics business will play a major part in raw materials recycling at a petrochemical complex in Japan. Our Singapore complex will serve as a platform to implement in society new technologies that we are developing. Our Saudi Arabian complex is expected to contribute as a cash cow for some time, and after that, it might expand into new areas such as green hydrogen and green ammonia, leveraging

abundant solar radiation and land, the advantages of its location. We would like to move toward the year 2050, with these three operation bases of Japan, Singapore, and Saudi Arabia playing their respective roles and cooperating with each other.

In our efforts to achieve carbon neutrality, we focus attention to "timeline" and "international collaboration."

The timeline for the next 10 years is crucial.

I consider that as we advance our efforts to achieve carbon neutrality, we should focus attention on two major issues. The first is "timeline." Needless to say, the rise in temperature would not be curbed, even if emissions are suddenly reduced to zero just before 2050. We need to cut back on emissions as soon as possible. To do that, we will strive to maximize reductions by using the best available technologies, while at the same time developing new technologies, until 2030. From 2030 onward, we will implement the new technologies in society one after another to achieve zero emissions by 2050. We need to take this two-stage approach. To achieve this, it is necessary to ensure that next-generation technologies will have progressed at least to the prototyping or demonstration stage by 2030, proving feasibility to some extent. Therefore, the timeline for the next 10 years will be crucially important.

The second major issue is "international collaboration." Currently, there is a conflict of interest between developed countries that have achieved economic development while emitting a vast amount of GHGs and emerging countries that aspire to realize economic development in coming years. Although it is not easy to achieve both economic growth in emerging countries and global GHG emissions reduction, one possible solution is to provide emerging economies with currently available technologies that developed countries have as well as new technologies that they will develop in the future for supporting emerging countries' economic growth. To promote such a movement, it would be necessary, for example, to build a mechanism in which if a technology transfer has contributed to GHG emissions reduction in the recipient emerging country, the country that has licensed the technology can count that effect as its own reductions. This kind of international collaboration will become extremely important in coming years.

It is because we are an integrated group of strong businesses that we can demonstrate the true value of our diversity as a diversified chemical company.

Strengths of a diversified chemical company

I am totally committed to "demonstrating Sumitomo Chemical's full capabilities as a diversified chemical company," and take every opportunity to express this commitment in and outside the company. As I mentioned at the beginning, the strength of a diversified chemical company is diversity. Sumitomo Chemical is an integrated group of diverse businesses, and those businesses are not isolated from one another, but share common technological platforms. For example, the pharmaceuticals and agrochemicals businesses have a common technological platform for safety, and so do some high-performance functional materials businesses in terms of manufacturing processes. As each business grows, these shared technological platforms will advance along the way, while the connections between these technologies and each business will also be strengthened. It is not that being diverse is valuable in itself. It is because we are an integrated group of strong businesses that we can demonstrate our full capabilities and generate synergies as a diversified chemical company.

Each of our businesses has a different set of key success factors, so highly advanced management skills are required, but we believe that the business model of a diversified chemical company has advantages that outweigh that challenge. When we face significant changes in the business environment, such as the COVID-19 pandemic, it offers defensive strength, as our businesses effectively respond to changes by supporting each other in a complementary way. It also provides offensive strength, putting us in the position to be able to seize new business opportunities emerging in cross-industry, intersectoral areas.

However, if our individual businesses are not strong enough, we cannot realize these benefits or generate the synergies that are created by leveraging full capabilities as a diversified chemical company. We will strive to further enhance the competitiveness of each of our businesses and become even stronger as an integrated business group and thereby demonstrate the full power of Sumitomo Chemical's strength of "diversity."

Financial Strategy

Basic Policy

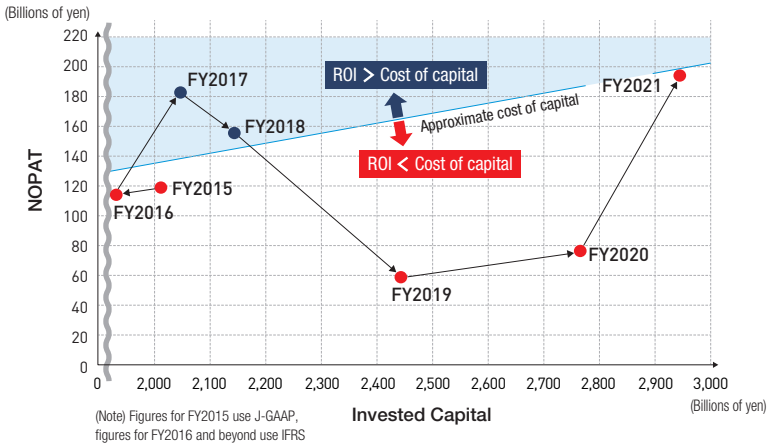
Sumitomo Chemical is aiming to reliably achieve its targets for ROE, ROI, and other financial indicators, and continuously improve corporate value. By controlling the balance of interest-bearing liabilities and the D/E ratio through rationalization, cost cutting, and shortening of the cash conversion cycle (CCC), we will continue to expand and strengthen our business through active growth investments with an awareness of green transformation (GX) while maintaining the soundness of our financial base.

Key Financial Performance Indicators

Since 1999, we have been working to improve capital efficiency, including both ROE and ROI, from an early stage, taking measures such as considering capital costs in our performance results for each business sector as part of our management accounting system. This Corporate Business Plan also calls for ROI-oriented management. We set a target of 10% for ROE, a key financial performance indicator, with a view toward creating a sustainable society through our business activities, based on a policy of implementing projects that we believe can make an important contribution to the solution of societal issues, as long as they are expected to be profitable. We set a target of 7% for ROI, in order to exceed our weighted average capital cost (WACC).

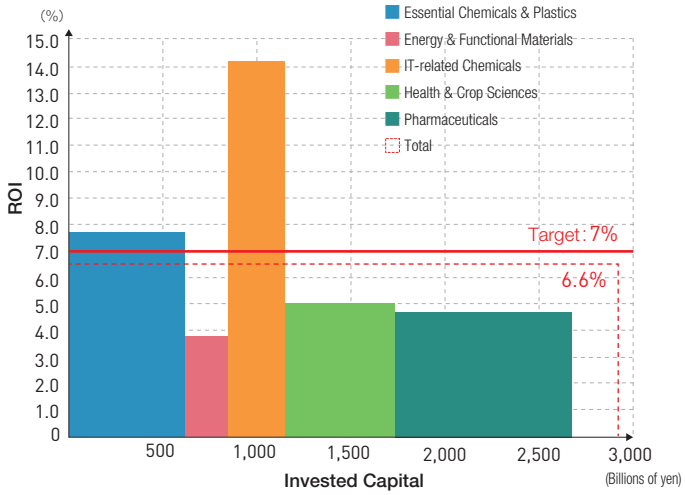
Our target D/E ratio is approximately 0.7 times, with a view to maintaining our current credit rating, which enables flexible financing. For new capital expenditures or M&A, we have decided to take into consideration economic indicators in each individual investment decision, including net present value (NPV), internal revenue rate (IRR), and the payback period. Since FY2019, in order to contribute to the creation of a sustainable society, we have been calculating an economic indicator that reflects our internal carbon pricing (10,000 yen per ton) for any project that is expected to increase or decrease CO_2 emissions, which is used in our investment decision-making. In addition, we also regularly follow-up on the results of investments, including both capital investments and acquisitions.

Trends in Invested Capital and NOPAT



(Note) Figures for FY2015 use J-GAAP, figures for FY2016 and beyond use IFRS

Invested capital by business segment, ROI (FY2021 results)



Initiatives in the Corporate Business Plan

We will work to improve our financial position, which temporarily deteriorated to a D/E ratio of about 0.9 times due to major strategic investments during the previous Corporate Business Plan period. With the goal of achieving a D/E ratio of about 0.7 times, which is set as a key financial performance indicator we will continue with the three initiatives that we have been implementing since the previous Corporate Business Plan: asset sales, careful selection of investments, and improvement of CCC. With regard to asset sales, our initial target was to sell 50 billion yen between FY 2019 and FY 2024, but as of the end of FY 2021, we had sold approximately 60 billion yen, exceeding our target at a faster pace. We will consider further sales of policy stock holdings and tangible fixed assets, and aim to sell another 40 billion yen by the end of FY2024, for a total of 100 billion yen between FY2019 and FY2024.

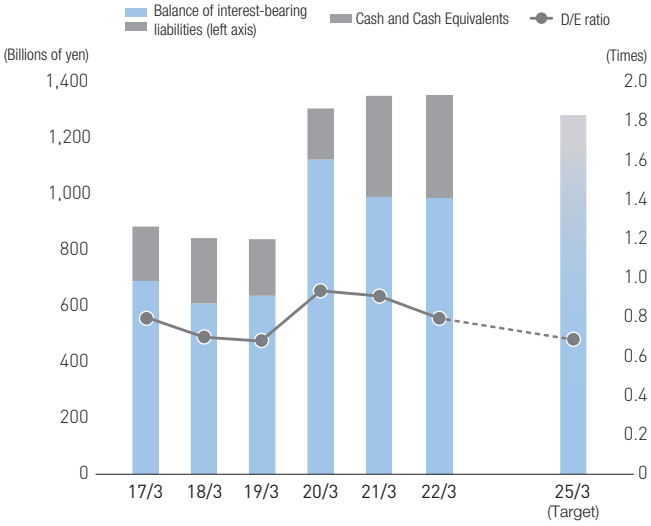
Regarding the careful selection of investments, the amount of decisions made during the previous Corporate Business Plan period was expected to reach 950 billion yen, a large increase due to major strategic investments, but was reduced by about 80 billion yen to 870 billion yen from that amount.

In the current Corporate Business Plan, we plan to further reduce the total amount of capital investment and loans by another 120 billion yen to 750 billion yen by further carefully selecting investments from the perspective of GX.

CCC aims to compress to 110 days and generate 50 billion yen of cash compared to FY 2019. Going forward, we aim to achieve this goal by the end of FY2024 through company-wide inventory reduction projects and optimization of logistics and inventory through the use of DX.

Efforts made during the previous Corporate Business Plan have steadily improved the company's financial position, with a D/E ratio of 0.8 times at the end of FY2021. In this Corporate Business Plan, we will continue to improve our financial position by steadily implementing the three measures mentioned above, aiming to achieve a D/E ratio of approximately 0.7 times by the end of FY2024.

Interest-bearing Liabilities, D/E Ratio



Shareholder Return

We consider shareholder return as one of our priority management issues. We have made it a policy to maintain stable dividend payments, giving due consideration to our business performance, the dividend payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors. We aim to maintain a dividend payout ratio of around 30% over the medium- to long-term. We will continue to sustainably improve corporate value by improving capital efficiency and strengthening our financial structures, thereby meeting the expectations of our shareholders.

Capital Allocation (Assumption for FY2022~2024)

- **Aggressive business investment, especially in R&D and strategic investments**
- **Maintain dividend payout ratio of 30%, D/E ratio of 0.7 times**

Operating cash flow, etc. (before deduction of R&D expenses)
Approximately 1,390 billion yen

Generation of funds (asset sales, reduction of cash and deposits)
Approximately 80 billion yen

Total approximately 1,470 billion yen

Business investment approximately 1,290 billion yen

Capital expenditures, investments and loans	R&D expenses
Approximately 750 billion yen * Decision-making basis	Approximately 540 billion yen

Financial policy Approximately 180 billion yen

Dividend return	Debt repayment
Approximately 130 billion yen * Dividend payout ratio 30%	Approximately 50 billion yen * D/E ratio 0.7 times

FY2022 - 2024

New Corporate Business Plan

With various changes expected to affect our business environment, such as increased awareness of climate change, ecosystem conservation, and health promotion, we aim to contribute to solving social issues through our business by making long-term changes to our business portfolio from a green transformation perspective. Our new Corporate Business Plan, formulated with this in mind, began in April 2022.

FY2019-2021 Corporate Business Plan

Change and Innovation 3.0 For a Sustainable Future

Contributing to the Creation of a Sustainable Society by Accelerating Innovation

Plan and Results

	FY2021 (Targets)	FY2021 (Results)
Sales revenue (Billions of yen)	2,950.0	2,765.3
Core operating income (Billions of yen)	280.0	234.8
Net income attributable to owners of the parent (Billions of yen)	150.0	162.1
ROE (%)	12.5	14.5
ROI (%)	7.1	6.6
D/E ratio (times)	0.7	0.8

During the period of the FY2019-2021 Corporate Business Plan, there were major changes in the business environment, including COVID-19. Amid such circumstances, the Group carried out the improvement of its business foundation through company-wide projects and other measures, while taking proactive steps regarding the business challenges identified at the start of the Corporate Business Plan, such as the acquisition of post-LATUDA candidates through a strategic alliance with Roivant Sciences, Ltd., the acquisition of a South American agricultural chemical business from Nufarm Ltd., and the end of the completion guarantee for Rabigh Phase Ⅱ project financing. These efforts paved the way for growth. As for business performance, core operating income did not reach the initial target in FY2021 due to the delayed launch of the EV and 5G markets in the Energy & Functional Materials Sector and prior investments in the Health & Crop Sciences Sector and the Pharmaceuticals Sector, but net income attributable to owners of the parent achieved the target and reached a record high, partly due to foreign exchange gains from the weaker yen.

Initiatives in the FY2019-2021 Corporate Business Plan

Improving business portfolio	Company-wide projects
Business Selection and Concentration	Accelerating the development of next-generation businesses
Large-Scale M&As Focusing on Life Sciences	Improve productivity through digital innovation
	Initiatives toward carbon neutrality

Resolving business issues at the start of the FY2019-2021 Corporate Business Plan

Cultivated post-LATUDA	Secured footprint for Agrosolusions	Launched Rabigh Phase Ⅱ
▶Acquiring blockbuster candidates	▶Expand agrochemical business in South America	▶Completion guarantee completed, stable operation continued

FY2022-2024 Corporate Business Plan

Change and Innovation

with the Power of Chemistry

Bringing together the power of chemistry to contribute to solving society's challenges

The slogan for the new Corporate Business Plan remains unchanged from the previous Corporate Business Plan's "Change and Innovation," and the sub-slogan was set to be "with the Power of Chemistry."

We will maximize the "Power" of Chemistry by combining our greatest strength in - the diversity of businesses, technologies, geographies and people - with the growth opportunities presented by changes in the environment surrounding the Company, such as sustainability and digital innovation.

Sumitomo Chemical's strengths

Diversity of businesses, technologies, geographies and people at Sumitomo Chemical

×

Further growth opportunities

Advancing Green Transformation in a broad sense responded to changes in society

Management Target

(Billions of yen)

Course	FY2021	FY2024 (Target)
Sales Revenue	2,765.3	3,050.0
Core Operating Income	234.8	300.0
Operating Income (IFRS)	215.0	285.0
Net Income Attributable to Owners of the Parent	162.1	150.0

Metrics	FY2021	FY2024 (Target)	Consistently achieve the following targets
ROE	14.5%	11.7%	Over 10%
ROI	6.6%	7.2%	Over 7%
D/E ratio	0.8 times	0.7 times	Approx. 0.7 times
Dividend Payout Ratio	24.2%	Approx. 30%	Approx. 30%

Naphtha price	¥56,900/kl	¥50,000/kl
Exchange rate	¥112.39/$	¥110.00/$

Sales revenue is projected to increase compared to FY2021, with higher sales in the Health & Crop Sciences Sector, the IT-related Chemicals Sector and the Energy & Functional Materials Sector.

We have set a target of 300 billion yen for core operating income, which we expect to increase compared to FY2021. We forecast that profit for petrochemical products will decline due to worsening terms of trade, while there will be higher shipments of Energy & Functional Materials, IT-related Chemicals and other high-performance materials, as well as overseas crop protection products. With respect to pharmaceuticals, we also aim to increase profits by offsetting the drop in sales due to the end of the exclusive license to sell our main product LATUDA® in North America through the sales of new products acquired during the period of the previous Corporate Business Plan.

With regard to finance indicators such as ROE and ROI, we strive to achieve the numerical values that we have set as our goal by FY2024.

FY2022 - 2024

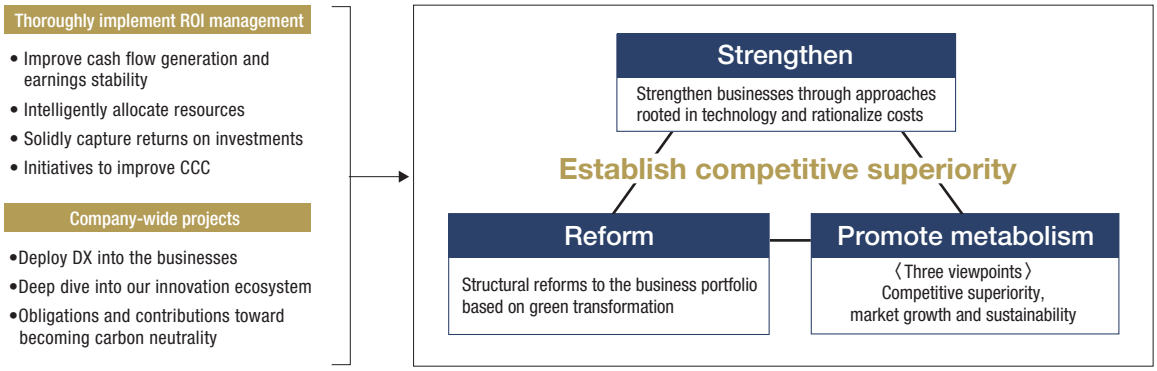
New Corporate Business Plan

The new Corporate Business Plan has seven basic directions, including "Obligations and contributions toward becoming carbon neutrality," which has already been launched as a company-wide project, in addition to the six existing basic directions. Through thorough ROI management and the execution of company-wide projects, we aim to establish a competitive superiority by strengthening individual businesses, transforming our portfolio with green transformation as a backdrop, and promoting the renewal of our businesses.

Seven Basic Directions

1. Further improve business portfolio (strengthen and reform businesses)
2. Improve financial standing
3. Accelerate the development of next-generation businesses
4. Obligations and contributions toward becoming carbon neutrality
5. Improve productivity and strengthen businesses through digital innovation
6. Employ, develop and leverage human resources for sustainable growth
7. Ensure full and strict compliance and maintain safe and stable operations

Overview of Basic Direction



Basic Directions 1 Further improve business portfolio (strengthen and reform businesses) →P. 33

During the previous Corporate Business Plan, we made a number of investments, especially in the life science field, including major M&As such as the strategic alliance with Roivant, Ltd., and the acquisition of a South American crop protection business from Nufarm Ltd. We will maximize the results of these investments in the new Corporate Business Plan to strengthen the profitability of our business. In addition, we will take the green transformation perspective into account when allocating future investments and actively invest in areas related to reducing environmental impact, such as carbon neutrality, while also expanding investments in high-performance materials, such as semiconductor and battery materials, to transform our business portfolio.

Capex, investments and loans by field in the FY2022-2024 Corporate Business Plan

Sum of investments Approx. 750bn. Yen

Strategic investments Approx. 450bn. yen

- Reduction of environmental impact: Approx. 30bn. Yen
- Battery materials, Super Engineering Plastics, etc.: Approx. 70bn. Yen
- 5G, Semiconductor, Next-generation displays, etc.: Approx. 90bn. Yen
- Crop protection business (including biorationals): Approx. 90bn. Yen
- Pharmaceuticals: Approx. 90bn. Yen
- Others: Approx. 80bn. Yen

Maintain and strengthen business fundamentals Approx. 300bn. Yen

*Investment amount is on a decision basis

Basic Directions ❷ Improve financial standing

→ P. 33

The company aims to achieve a D/E ratio of 0.7 times by the end of FY2024 through the sale of assets, more selective investment, and the improvement of CCC, based on thorough practice ROI-oriented management, more selective investment, and strengthen cashflow generation capabilities.

Initiatives aimed at Improvement

Asset Sales

FY2019-2024 projections

Over **100** billion yen

More Selective Investment

Previous Corporate Business Plan → New Corporate Business Plan

120 billion yen reduction

Improve CCC

FY2019 → FY2024

50 billion yen

Basic Directions ❸ Accelerate the development of next-generation businesses

→ P. 51

During the previous Corporate Business Plan, we created an innovation ecosystem and established the Corporate Venturing Innovation office (CVI) for innovation search in order to steadily link R&D and business development in the four priority areas to the creation of next-generation businesses. We aim to accelerate R&D and commercialize businesses as soon as possible by leveraging the innovation foundation we have established so far.

Four Priority Areas of Focus and Main Business Candidates

Environment	Food	Healthcare	ICT
			
Energy management	Sustainable food production	Cutting-edge medicine	Materials and components for edge equipment and information terminals
GHG emission reductions	Reduce food loss	Preventive	Materials and components for telecommunications and semiconductors
Circular systems for resources		Early Diagnosis, Health check-ups	

Basic Directions ❹ Obligations and contributions toward becoming carbon neutrality

→ P. 41

Toward the realization of carbon neutrality in 2050, we will make efforts in terms of both “obligations” to bring our own GHG emissions closer to zero through fuel conversion and other measures, and “contributions” to society’s GHG reduction through products and technologies that contribute to reducing environmental impact.

Basic Directions ❺ Improve productivity and strengthen businesses through digital innovation

→ P. 53

In addition to continuing the productivity improvement initiatives of the previous Corporate Business Plan, we will work to strengthen the competitiveness of existing businesses through data-driven management with a focus on strengthening customer contact points and enhancing customer satisfaction. We will also continue to focus on human resource development with the goal of assigning several DX personnel to all business units, R&D groups, and manufacturing departments.

Basic Directions ❻ Employ, develop and leverage human resources for sustainable growth

→ P. 55

Based on the recognition that human resources are our most important management resource, we will promote the securing and development of these resources from a long-term perspective and strengthen engagement with our employees to achieve sustainable growth of our group.

Basic Directions ❼ Ensure full and strict compliance and maintain safe and stable operations

→ P. 61

We will once again thoroughly implement the principle of “Making safety our first priority” and actively utilize new digital technologies to maintain and improve safe and stable operations, while also striving to ensure compliance.

▶Please see below for details on the strategy of each business sector.

- Essential Chemicals & Plastics P. 63
- Energy & Functional Materials P. 67
- IT-related Chemicals P. 71
- Health & Crop Sciences P. 75
- Pharmaceuticals P. 79

The Material Issues to Be Addressed as Management Priorities

In 2019, Sumitomo Chemical identified several Material Issues, important management priorities that it would work to address based on its corporate philosophy. Subsequently, the issues were revised again in light of changes in social conditions, including progress in addressing international climate change and a renewed awareness of social disparity issues. Going forward, we will continue to constantly assess what issues are important to the Company and promote them in an easy-to-understand manner.

Process for Identifying Material Issues

1 An Overall Evaluation of the Group's Contribution to Sustainability

1 Begin by analyzing the issue along two axes, importance to business and importance to society

- Identify material issues for continually creating both economic value and social value
- Consider perspectives on utilizing resources, including technology, digital technology, and personnel
- Clarify relationships between various initiatives, including occupational safety and health and compliance

2 Grasp stakeholder requirements

- Take into consideration trends in international society and outside evaluations obtained through participation in initiatives

3 Dialogue with experts

- Receive opinions and proposals from experts on material issues to be addressed as management priorities

Discussed in the Sustainability Promotion Committee

Major international guidelines and initiatives we referred to

- Initiatives by WBCSD and other relevant bodies
- ISO 26000
- SDGs
- The 10 Principles of the United Nations Global Compact
- GRI Standards
- Third-party assessments (including FTSE and EcoVadis)

2 Clarifying Material Issues

- Identified candidates for the Group's material issues to be addressed as management priorities, with a view to creating both economic value and social value sustainably
- Identified the selected Material Issues as "Material Issues for Social Value Creation," for those issues connected to creating business opportunities, and "Material Issues for Future Value Creation," for those resources that can become drivers in the creation of business opportunities
- Identified the items serving as the essential foundation for business continuation, including occupational safety and health and compliance

Discussed in the Sustainability Promotion Committee

3 Deliberation and Approval by Management

Approved by the Board of Directors in February 2019, after deliberation in several management meetings

- Applied to the Corporate Business Plan that started in April 2019.

Inspection of Material issues

Revise as necessary based on changes in the business environment and the Company's direction (Implemented in February 2022)

Material issues to be addressed as management priorities and KPI

Material Issues for Sustainable Value Creation

Material issues for social value creation	KPI
Contribute to the environment • Climate change mitigation and adaptation →P. 41 • Contribute to recycling resources →P. 45 • Sustainable use of natural capital →P. 47	• Amount of Group's GHG emissions (Scope 1+2) • Contribution to reducing GHG emissions throughout the product life cycle (Battery-related materials) • Sales revenue of Sumika Sustainable Solutions designated products • Unit energy consumption • Number of licenses for petrochemical-related environmental impact reduction technology • The amount of recycled plastics used in manufacturing processes
Contribute to the food supply • Advance sustainable agriculture →P. 48	• Effect of increasing production of animal protein including poultry • Agricultural land area where agrosolution products are used
Contribute to healthcare →P. 49	• Number of people protected by products for the control of tropical infectious diseases • Constant development of new drugs in areas where high unmet medical needs exist
Contribute to ICT →P. 50	• Number of mobile devices using polarizing films

Material issues for future value creation	KPI
Advance innovation →P. 51	Patent asset size
Bolster competitiveness leveraging DX →P. 53	Digital maturity
Human resources: DE&I*, growth & development, health →P. 55 *Diversity, Equity & Inclusion	Each group company sets its own KPI in light of the environment facing each

Foundation for Business Continuation

- Occupational safety and health, and industrial safety and disaster prevention →P. 57
- Product safety and quality assurance →P. 58
- Respect for human rights →P. 59
- Cybersecurity →P. 60
- Compliance →P. 61
- Anti-corruption →P. 62

Material Issues for Social Value Creation

Contribute to the Environment

Climate Change Mitigation and Adaptation

Sumitomo Chemical regards climate change as a social issue that chemical companies should take the lead in addressing, and has been making various efforts to solve it from early on. In recent years, as the movement toward carbon neutrality has gained momentum around the world, Sumitomo Chemical has been promoting group-wide efforts to achieve carbon neutrality by leveraging its technological capabilities and knowledge accumulated as a diversified chemical company.

Disclosure in Line with TCFD Recommendations

Sumitomo Chemical expressed its support for the TCFD recommendations when they were published in June 2017. In line with the four recommended disclosure items, "Governance," "Risk Management," "Strategy," and "Metrics and Targets," the Group's efforts to address climate change issues are introduced on pages 41-44.

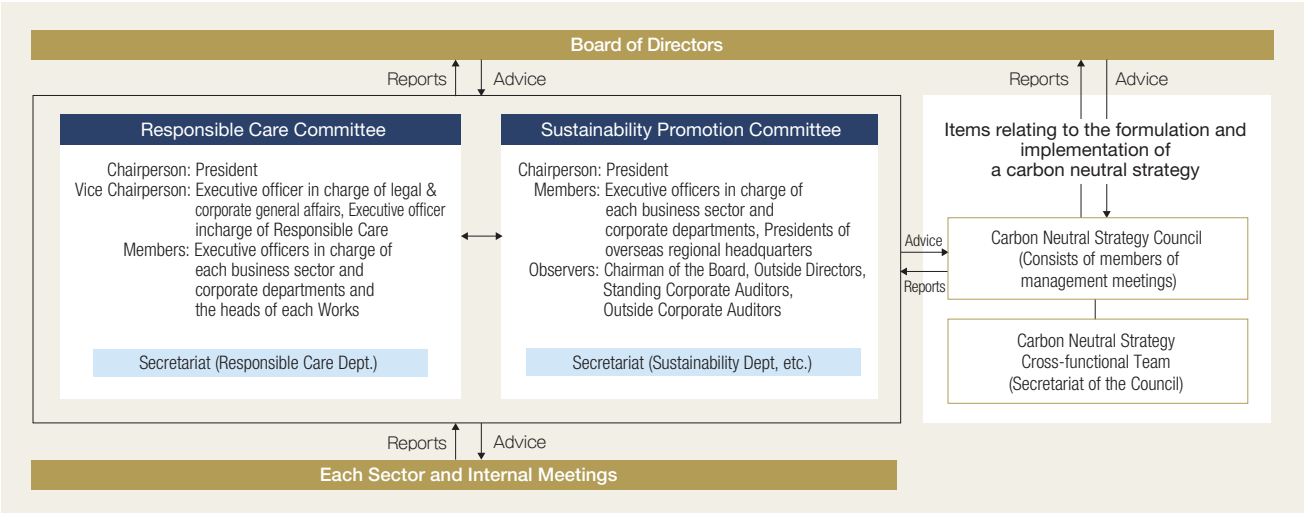
Please refer to the Sustainability Data Book (to be released in August 2022) for a scenario analysis recommended for disclosure in the "Strategy" section and other information on climate.

Governance

Sumitomo Chemical has established meetings and committees to deliberate important matters related to the management of the Group from a broad and diverse perspective in order to enhance its business execution and supervisory functions. Through these meetings and committees, the Company reports to the Board of Directors at least once a quarter on issues related to the promotion of sustainability, including climate change.

Management Meetings	Deliberation of important matters such as management strategies and capital investments, including proposals and reports to be submitted to the Board of Directors
Sustainability Promotion Committee	Deliberations on important matters related to sustainability promotion
Responsible Care Committee	Formulation of annual policies, mid-term plans, and specific measures to address climate change, as well as analysis and evaluation of performance
Carbon Neutral Strategy Council	Promotion of specific measures set forth in the grand design for achieving carbon neutrality in 2050

Structures for Responding to Climate Change



Risk Management

To achieve sustainable growth, Sumitomo Chemical makes an effort to detect, at an early stage, various risks that may hinder the achievement of its business objectives, and takes proper measures. We focus on building and expanding a system relating to risk management so that we can promptly and properly address risks when they emerge.

Climate change issues are positioned as one of the Group's major medium- to long-term risks through, for example, an assessment from the perspective of the likelihood of their occurrence and impact, and are integrated into the Group's overall risk management process.

Specific initiatives → P.98 Risk Management

Strategy

In December 2021, Sumitomo Chemical formulated a grand design for achieving carbon neutrality by 2050. We will promote efforts to mitigate climate change from the perspectives of both **"Obligation"** (to bring the Group's GHG emissions close to zero) and **"Contribution"** (to reduce global GHG emissions through the Group's products and technologies).

In addition, as part of our efforts to adapt to climate change, we are striving to provide solutions adapted to global environmental changes in agriculture and infectious diseases, and to strengthen new product development.

● Investments to achieve carbon neutrality

Starting in FY 2019, in order to contribute to the realization of carbon neutrality for society as a whole, we calculate economic indicators reflecting internal carbon pricing (10,000 yen per ton) when GHG emissions are expected to increase or decrease for individual investment projects, and make investment decisions.

● Investment Scale

From FY2013 to FY2021, we have implemented or made decisions to make approximately 80 billion yen of carbon neutral-related investments. We plan to consider investments of approximately 120 billion yen through FY2030, for a total of approximately 200 billion yen.

Specific initiatives for "Obligation"

Major sources of GHG emissions from chemical plants

The chemical industry is an industry in which raw materials are converted into products through chemical reactions that are driven by electricity, heat from steam, and other forms of energy. Of our GHG emissions in FY2021, 70% come from energy sources such as in-house power generation, 16% came from processes resulting from chemical reactions and waste treatment, and 14% come from energy sources associated with purchased electricity. We aim to reduce GHG emissions by focusing on the conversion to clean energy for energy-derived GHG and on the development of necessary technologies for process-derived GHG.

Reduction of GHG from energy (fuel for in-house power generation): Fuel Conversion

In the Ehime and Chiba regions, where our plants are located, we are promoting the conversion from coal, petroleum coke, heavy oil, and other fuels with high CO_2 emission coefficients to LNG, which has a low CO_2 emission coefficient.

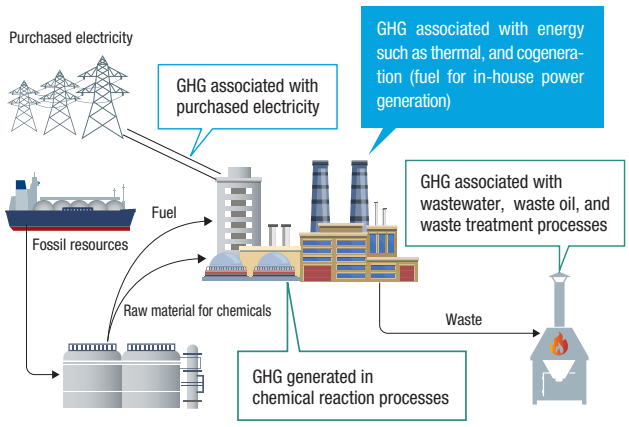
March 2022: Completion of one of the largest LNG tanks in Japan on the Ehime Works site and start of supply

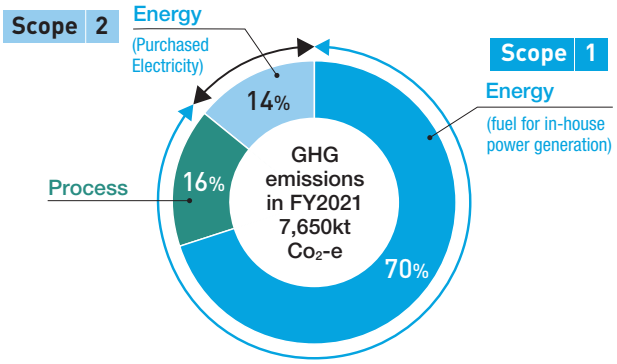
	Ehime region	Chiba region
Fuel	Coals and heavy oil ▶ LNG	Petroleum coke ▶ LNG
Amount of CO_2 reduction	650,000 tons/year	240,000 tons/year

Reduction of process-derived GHG

Specific initiatives → P.47 Sustainable use of natural capital

We are promoting the conversion to clean energy for reducing energy-derived GHG and focusing on the development of necessary technologies for reducing process-derived GHG.





Reduction of GHG from energy (purchased electricity): Use of renewable energy

At our Oita Works, we have reduced GHG emissions by 20% by converting 100% of purchased energy to renewable energy. We also achieved a 10% GHG reduction by switching from heavy oil to city gas, resulting in a total GHG reduction of approximately 30% compared to FY2013.

Material Issues for Social Value Creation

Contribute to the Environment

Climate Change Mitigation and Adaptation

Specific initiatives for "Contribution"

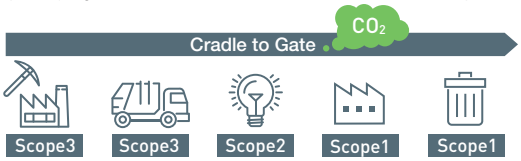
Development of tools to calculate the carbon footprint of products (CFP)

The evaluation of product CFP is essential to reduce GHG emissions in society. However, it is not easy to calculate the CFP of chemical products due to the complexity of their manufacturing processes. In response, we developed our own automatic calculation tool and completed the CFP evaluation of all of our products (approximately 20,000 items) by the end of 2021. In addition to aiming to complete CFP evaluations of Group companies' products by the end of FY2022, we have begun providing this tool to other companies free of charge.

Our original calculation tool speeds up the calculation of CFP for our products

Created the original automatic CFP calculation tool

- Built based on commercially available software (Microsoft Access/Excel)
- Prepared multiple calculation models accounting for the characteristics of chemical manufacturing processes (co-products, by-product fuels, steam generation, etc.) (Choose from the pull-down menu of models and execute calculation)
- Can easily calculate carbon footprint for each stage (intermediates or final product). E.g., raw material to Intermediate A to Intermediate B ... to final product.

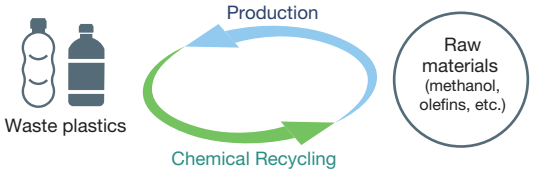


Establishment of carbon resource recycling system

We are developing chemical recycling technologies to convert garbage and waste plastics into basic raw materials for chemicals, such as methanol, ethanol, and olefins, and to use them as raw materials for new plastics.

→P. 45 Contribute to recycling resources

Recycling of carbon resources

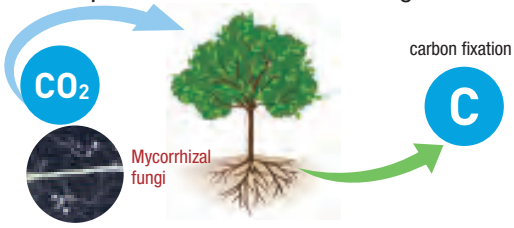


Challenges to carbon negative emissions

We are developing a technology whereby attaching useful microorganisms existing in soil to the roots of plants and allowing them to coexist, we not only promote the absorption of CO_2 by plants through photosynthesis, we also fix CO_2 in the ground in the form of carbon compounds. This will enable ordinary fields, forests, and other natural spaces to absorb and fix even greater amounts of CO_2, contributing a net negative amount of carbon to the atmosphere.

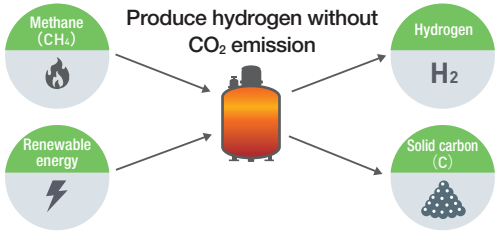
→P. 47 Sustainable use of natural capital

Utilizes the power of nature to promote absorption of atmospheric CO_2 and its fixation in the ground



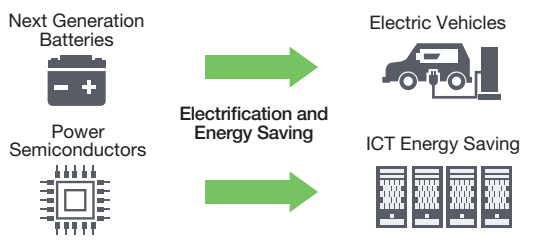
Response to methane gas

The future shift to clean energy will require the availability of CO_2-free hydrogen. To address this issue, we are developing a technology to produce hydrogen from methane without CO_2 emissions. This technology will help reduce methane, a GHG, and contribute to the realization of a carbon neutrality.



Highly efficient energy infrastructure

One issue in the Society 5.0 concept is the increase in CO_2 emissions from the electricity necessary for transmitting massive volumes of data. In light of this, our company is contributing to creating energy-saving power supplies by providing compound semiconductor materials for next-generation power semiconductors. In addition, in response to the spread of electric vehicles, which is expected to accelerate going forward, we are working to develop next-generation storage batteries, such as solid-state batteries.



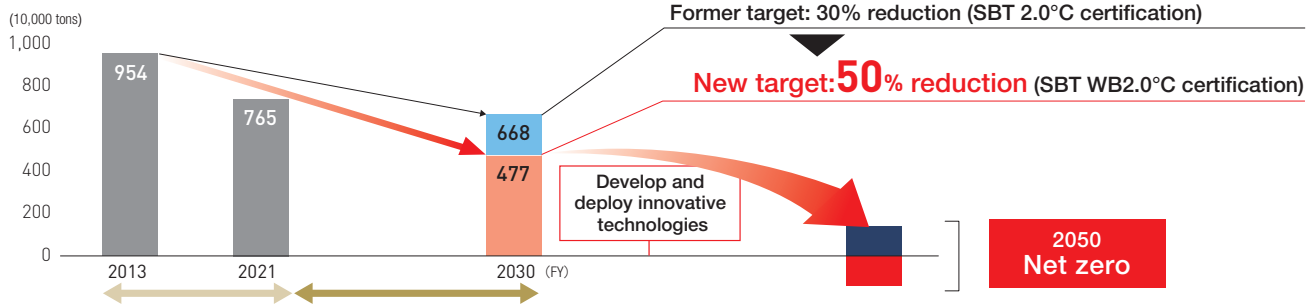
Metrics and Targets (Risk)

As a metric for climate-related risks, we are the first integrated chemical company in the world to utilize GHG emission reduction targets certified as Science Based Targets (SBT). In 2021, our group*1 revised its 2030 GHG emissions (Scope 1+2) reduction target significantly upward from 30% to 50%*2. With regard to this new reduction target, we obtained certification of SBT's Well Below 2°C standard in December of the same year. Until 2030, we aim to achieve this target through thorough energy conservation and fuel conversion in the manufacturing processes of existing plants and the use of the best available technologies (BAT) at this point in time.

On the other hand, to reach net-zero emissions by 2050, it will be difficult to respond only with existing technologies, and innovative technologies such as carbon-negative emissions and CCUS*3 will be necessary. We will continue to study the development of these and their early implementation.

*1: Sumitomo Chemical + domestic and overseas consolidated subsidiaries
*2: Compared to FY2013
*3: Capture, effective utilization, and storage of CO_2 emitted from plants, etc.

Scope 1+2



Past Initiatives

- Energy conservation and rationalization in manufacturing processes
- Restructuring of Chiba Works and Ehime Works (Ethylene plant shutdown, liquid-phase caprolactam shutdown, etc.)

Initiatives for FY2030

- Thorough energy conservation and rationalization of manufacturing processes (use of BAT)
- Fuel conversion (introduction of LNG, etc. at Ehime and Chiba Works)
- Promotion of introduction of renewable energy sources
- Reduction of GHG emissions other than CO_2, etc.

Scope 3

Reduce GHG emissions (Scope 3 (Categories 1 and 3)) of major Group companies

by 14% from FY2020 by FY2030

Supplier Engagement Initiatives

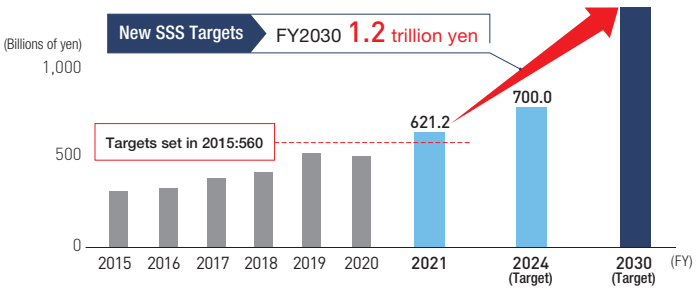
As part of our efforts to encourage our major suppliers to reduce GHG emissions, we hold an annual supplier information exchange meeting. In 2022, we held a hybrid face-to-face and web-based meeting with 22 major suppliers in Japan to explain our efforts to reduce Scope 3 emissions and to request their cooperation in reducing GHG emissions and sharing information on reductions. In recognition of these efforts, we have been selected as a Supplier Engagement Leader by CDP for two consecutive years.

CDP SUPPLIER ENGAGEMENT LEADER 2021

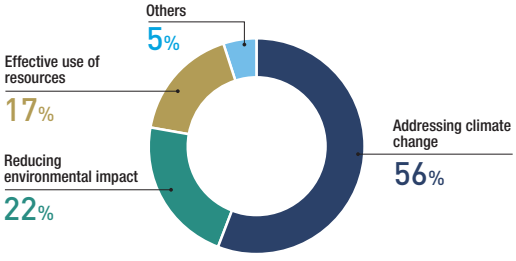
Metrics and Targets (Opportunities)

Sumika Sustainable Solutions (SSS) is used as a metric for climate-related opportunities. SSS is an initiative in which we designate those of our Group's products and technologies that contribute to the fields of addressing climate change, reducing environmental impact, and effective use of resources in order to promote their development and spread. We have achieved our goal of 560 billion yen in sales revenue from designated products by FY2021. We have now set a new target of 1.2 trillion yen in FY2030, more than double the FY2021 level.

Sumika Sustainable Solutions' New Sales Revenue Targets



Environmental contribution of products and technologies in each designated field (FY2021)



Results for FY2021

- Sales of our group: 2,765.3 billion yen
- Sales revenue of SSS-designated products: 621.2 billion yen
- Number of SSS-designated products and technologies (total): 66

Material Issues for Social Value Creation

Contribute to the Environment

Contribute to Recycling Resources

Our lives are based on limited resources. Massive consumption of resources and disposal of waste lead not only to resource depletion, but also to the destruction of ecosystems. For sustainable use of resources, we need to reduce the consumption of natural resources while at the same time circulating the resources we have.

In addition to waste management and effective use of resources at our offices and works, Sumitomo Chemical is working on the development and social implementation of recycling technologies for plastics and other resources.

Initiatives to Realize Circular System for Rare Metals

We are developing technology to recycle recovered lithium-ion battery cathode materials as cathode materials again without returning them to metal.

→P. 68 Direct Recycling of Cathode Materials

Initiatives to Realize Circular System for Plastics

Our KPI for recycling resources

In order to further promote the development of recycling technologies and their implementation in society, we have set KPI and target related to our contribution to recycling resources.

We will continue to utilize waste plastics as raw materials and promote actively the recycling in order to realize a society in which waste plastics are recycled as resources instead of being discharged into the environment.

KPI：The amount of recycled plastics utilized in manufacturing processes

Promote adoption of technologies for reducing environmental impact and advance circular economy for carbon resources

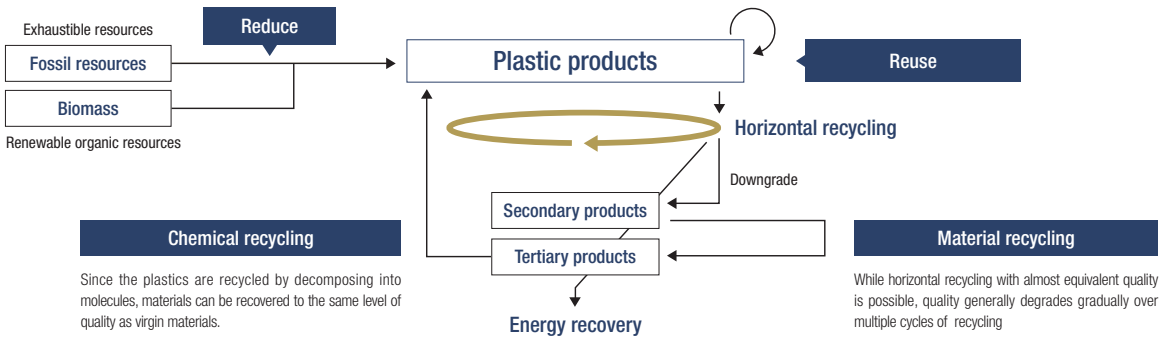
Target

200k tons/year by FY2030

*13% of our plastic production volumes

Toward a circular system for plastics, it is important to make an effort to reduce, reuse, and recycle (material recycling and chemical recycling) at each stage of the plastic value chain. These efforts contribute to the reduction of fossil resource extraction and reduce greenhouse gas (GHG) emissions from manufacturing processes and disposal by reducing plastic use and waste.

Overall picture of circular system for plastics



Efforts for 3Rs (reduce, reuse and recycle)

Method		Example of our initiatives
Reduce	Reduce the amount of plastic used and the amount of waste plastic generated	**Refill Pouch** Compared with a bottle, this refill pouch is lighter, and therefore offers higher transportation efficiency, while also being stronger. 
Reuse	Reuse the same products	**Returnable Box** Compared with a cardboard box, this returnable box made of foamed polypropylene sheets can be used repeatedly, and therefore offers higher environmental friendliness, while also being superior in water resistance, load capacity and cleanliness. 
Material recycling	Reuse waste plastics as raw materials for new products	See right page
Chemical recycling	Chemically decompose municipal solid wastes and waste plastics and use them as new raw materials for plastics	See right page

Material Recycling

We are promoting the development of various technologies to realize material recycling of plastic products.

Recycled polypropylene (PP) for automotive applications

We have advanced technology to produce recycled PP using plastics from waste materials and End-of Life parts as a resource. Since June 2021, we have been studying a business alliance with REVER CORPORATION to establish a business alliance of recycling systems from resource recovery to sorting, reprocessing, and sales.

A polyethylene product for packages and containers that contributes to achieving horizontal recycling

Plastic packages and containers for food and daily necessities are composed of several layers, each of which is made of a different type of resin with a different characteristic, depending on the application, making them difficult to separate and sort for recycling. Sumicle® is a highly rigid PE product developed by our company for packages and containers, to the outer base layer where nylon or PET was traditionally used, all the raw materials of packages and containers can be unified to PE, making it possible to achive horizontal recycling of plastic product. We have already started providing samples and aim to commercialize the product as early as FY2022.

Recycling technology for decolorizing printed layers of plastic packages and containers

Most plastic packages and containers have printing on their surface, so even if processed for material recycling, the ink colors remain, making it difficult to apply them for horizontal recycling.

In cooperation with PILOT CORPORATION, we are jointly developing a technology for decolorizing printed layers of plastic packages and containers through a recycling process.

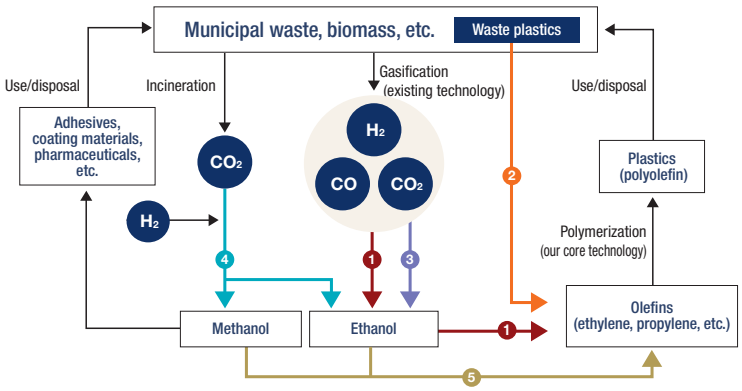
Chemical Recycling

We are developing chemical recycling technology by leveraging our catalyst design and chemical processing design technologies, while also collaborating with partners. With chemical recycling technology, we will help to reduce the use of fossil resources, the amount of waste plastics, and GHG emissions from the incineration of waste plastics, and thereby contribute to building a sustainable society. In February 2022, in recognition of our ambitious efforts, two projects comprising four themes of chemical recycling technologies we are working on in collaboration with other companies and academia were selected by NEDO* for their Green Innovation Fund projects. We will continue to promote efforts to realize chemical recycling.

*New Energy and Industrial Technology Development Organization (NEDO)

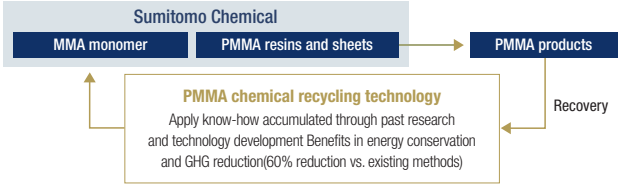
Our technical competencies

- Catalyst design technology
- Chemical process design technology



Number on a chart	Technology	Cooperating Partners	Reference
1	Polyolefin production from waste derived ethanol	SEKISUI CHEMICAL CO., LTD.	Completion of test production facility (See TOPICS below)
2	Olefin production through direct cracking of waste plastics	Maruzen Petrochemical Co., Ltd. Muroran Institute of Technology	Adopted by NEDO (Project scale: approx. 25.30 billion yen)
3	Ethanol production using synthesis gas derived from waste plastics	National Institute of Advanced Industrial Science and Technology (AIST)	
4	Highly efficient alcohols production from CO_2	AIST Shimane University	Adopted by NEDO (Project scale: approx. 24.08 billion yen)
5	Olefin production from alcohols	National Institute of Advanced Industrial Science and Technology (AIST)	

In addition to these efforts, we have established its own chemical recycling technology to pyrolyze acrylic resin (PMMA, polymethyl methacrylate) and regenerate it as raw material MMA monomer in collaboration with The Japan Steel Works, Ltd. We plan to construct a pilot facility at our Ehime Works and begin pilot tests in the fall of 2022, with sample provision starting in 2023.



TOPICS

Completed construction of pilot facility to produce renewable ethanol-based ethylene for environmentally sustainable polyolefin

In April 2022, we established a new pilot ethylene production facility at our Chiba Works (Ichihara City, Chiba Prefecture) that uses environmentally friendly ethanol derived from waste and biomass as a raw material. This will enable us to manufacture polyolefin product with both reduced environmental impact and high quality equivalent to conventional products. Currently, we are cultivating the market by providing samples, aiming for commercialization in FY2025.

Pilot facility to produce ethylene from renewable ethanol

Recycled Plastic Brand

In September 2021, we launched Meguri®, a new brand for recycled plastic products. In the future, we will expand the Meguri® product lineup and increase production and sales of these products, thereby playing a role in realizing a circular economy.

Meguri
CIRCULARITY FOR ALL

Material Issues for Social Value Creation

Contribute to the Environment

Sustainable Use of Natural Capital

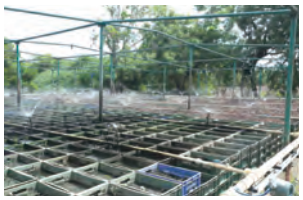
Sumitomo Chemical has been conducting its business using various natural capital such as water and soil, and the entire Group has been implementing various initiatives for the sustainable use of natural capital. Now that the goal of halting the decline of natural capital and putting it on a recovery track by 2030 is widely supported by the international community, we have once again recognized ecosystem conservation and sustainable use of natural capital as important issues and are making further efforts.

Sustainable Use of Water

In addition to our efforts to reduce water consumption, we have achieved thorough purification of wastewater from our business sites through the operation of stable and advanced wastewater treatment facilities. We also aim to contribute to the sustainable use of water resources by society as a whole through the implementation of our technologies developed through these efforts.

Initiatives in areas with declining water resources

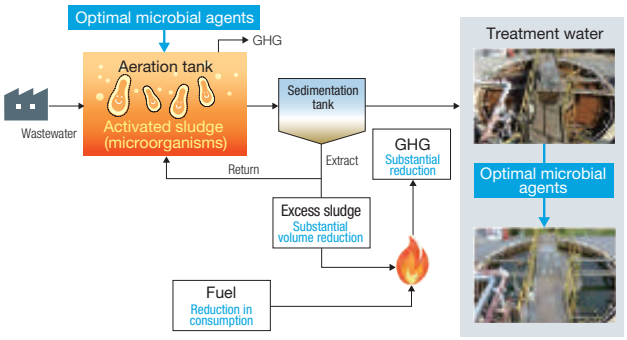
In the surrounding area where Sumitomo Chemical India's Bhavnagar plant is located, population growth, increased demand for water for agricultural use, and decreased precipitation have made the decrease in water resources a challenge. To address this issue, the plant decided to purchase wastewater from households for partial reuse and to treat it within the plant for use in production. In addition to laying 2km of piping to transport the household wastewater to the plant, the plant uses earthworm farming technology to treat the wastewater, rather than the more common activated sludge method, to suit the characteristics of household wastewater, which contains a relatively high amount of nutrients. This approach has made it possible to secure a stable amount of water needed for production activities while reducing the amount of river water previously purchased from the local government by more than 70%. It has also achieved the economic effect of reducing water purchase costs by about half.



Wastewater being purified through earthworm farming

Innovations in Wastewater Treatment Technology

Sumitomo Chemical is promoting biotechnological wastewater treatment. Wastewater treatment is an essential initiative to prevent water pollution and promote the recycling and reuse of water resources, but it requires a lot of energy for treatment and generates GHG when excess sludge is incinerated. To address this issue, we have improved wastewater treatment capacity while reducing the amount of sludge generated, GHG emissions associated with wastewater treatment, and fuel consumption through the use of optimal microbial agents. We will continue to contribute to the sustainable use of water resources through the widespread use of our wastewater treatment technology.



Sustainable Use of Soil

Efforts to conserve and restore the soil environment are important to achieve the promotion of sustainable agriculture. We will contribute to the sustainable use of soil through our business by utilizing our accumulated expertise in agrochemicals and biotechnology.

Contributed to the spread of no-till farming

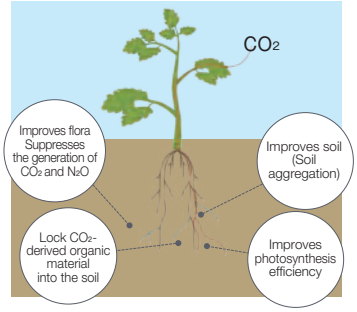
No-till farming is a method of agriculture in which tillage is not done before sowing the crop. No-till farming has attracted increasing attention worldwide in recent years because of its ability to protect soil from wind and water erosion, conserve soil organic matter, and eliminate mechanical tillage to save fuel and reduce GHG emissions. With herbicides such as Rapidicil® and flumioxazin, we hope to contribute to the realization.

→ P. 75 Health & Crop Sciences Sector

Soil fertility by mycorrhizal fungi

Mycorrhizal fungi, a type of soil-dwelling microorganism that lives in symbiosis with plant roots, stimulates plant growth by accepting carbon compounds produced by plants through photosynthesis. This property increases the amount of carbon compounds in the soil and promotes carbon fixation, thereby reducing atmospheric CO_2 and contributing to soil fertility. We are working on the development of technology utilizing mycorrhizal fungi to achieve carbon neutrality and solve food problems.

Benefits of mycorrhizal fungi (including some hypotheses undergoing validation)



Contribute to the Food Supply

Advance Sustainable Agriculture

As the world population grows, demand for grain is expected to nearly double between 2000 and 2050 to 3.6 billion tons. Meanwhile, the world's arable land area has barely increased, and per capita arable land area continues to decline as the population grows. In order to realize a society in which people around the world have access to food and do not starve, we recognize the promotion of sustainable agriculture as an important issue for us to address.

Achieving Sustainable Agriculture

In order to realize a society in which people around the world have sustainable access to sufficient food, the world's agriculture must be sustainable and efficient. In response to this need, we are promoting a variety of initiatives through our agriculture-related business.

Issues Surrounding Food

- Growth in food supply requirements accompanying population growth
- Decrease in arable land per capita
- Decrease yields due to climate change
- Tighter registration regulations for crop protection chemicals worldwide
- Increase in consumer demand for safety and quality

Our Actions

Crop protection chemicals
Development and launch of safe and reliable products

Biorationals
Providing naturally-derived microbial crop protection, plant growth regulators, and rhizosphere microbials as well as to the solutions that use them to protect crops from pests or improve the quality or yield of crops

Seed treatment
Insecticide and fungicide coating on seeds

Precision agriculture
Spraying using drones, soil diagnosis, etc.

Methionine
Improvement of quality and productivity of farmed animals

Expected Outcomes

- Improvement of crop quality and yield per unit of crop
- Improved efficiency and profitability of agricultural work
- Reduction of environmental impact caused by pesticide application
- Soil conservation
- Increased supply by promoting growth of farmed animals

TOPICS

Promoting a dual approach to crop protection chemicals and biorationals for a sustainable agrochemical business

We are strengthening our agrochemical business by owning both crop protection chemicals and biorationals. While biorationals, which are derived from natural products, have advantages such as low environmental impact, they may be effective for a narrow range of pest control targets, but our broad product portfolio, including crop protection chemicals, enables us to meet the needs of crop production. By utilizing both product lines, it will be possible to take a multifaceted approach to crop management system proposals, new product development through the development of mixture products, and issues such as resistant pests and diseases.

Market size and growth rate of crop protection chemicals and biorationals

	Market size	Growth rate
Crop protection chemicals	60 billion dollars	Approx. 2%
Biorationals	7 billion dollars	10～15%

Material Issues for Social Value Creation

Contribute to Healthcare

With the aging of society and the COVID-19 pandemic, the need for health maintenance and disease risk reduction/prevention is expanding around the world. In addition, nucleic acid medicine, gene therapy, and regenerative medicine/cell therapy are also attracting attention as new medical technologies due to the advancement of genome analysis and editing technologies. Sumitomo Chemical will continue to contribute to the improvement of people's quality of life by leveraging the technologies it has cultivated in the pharmaceutical business and other areas.

Basic Policy

We will work at each stage of prevention, diagnosis, and treatment, including the development and dissemination of materials to combat tropical infectious diseases and the ongoing creation of pharmaceutical products in areas of high unmet medical need. In particular, in the area of treatment, we will accelerate the research, development, manufacturing, and marketing of products that contribute to people's health in various fields, with a focus on psychiatry & neurology, oncology, and regenerative medicine/cell therapy.

Initiatives

Treatment

In addition to our own research, we are introducing cutting-edge technologies in every possible way, including technology introductions and joint research with biotech companies and academia. Using these methods, we strive to develop superior therapeutic drugs and technologies, as well as to cultivate new business areas.

Focus Area

Psychiatry & Neurology

Sumitomo Pharma

Main Products / Compounds under development

- LATUDA® (Atypical antipsychotic)
- ulotaront (Atypical antipsychotic)
- SEP-4199 (treatment for bipolar I depression)

Oncology

Sumitomo Pharma | Nihon Medi-Physics

Main Products / Compounds under development

- ORGOVYX® (Prostate cancer treatment)
- Theranostics (therapeutic) → P. 80

Regenerative medicine / Cell therapy

Sumitomo Chemical | Sumitomo Pharma

Main Products / Compounds under development

- RETHYMIC® (allogeneic processed thymus tissue for Pediatric Congenital Athymia)
- CDMO business in S-RACMO → P. 80
- Allogeneic iPS cell-derived cell therapy (Parkinson's disease, age-related macular degeneration, etc.)

Diagnosis

Nihon Medi-Physics

We sell diagnostic radiopharmaceuticals for a wide range of diagnostic purposes, including brain, heart, and malignant tumors, and contribute to appropriate diagnosis by physicians.

Main Products / Compounds under development

- Diagnostic radiopharmaceuticals (SPECT diagnostics, PET diagnostics)
- Theranostics (diagnostics) → P. 80

Prevention

Sumitomo Chemical | Sumitomo Pharma

We are working to prevent infectious diseases from two main perspectives: strengthening immunity through vaccines and promoting the use of infectious disease prevention materials.

Main Products / Compounds under development

- Olyset Net (malaria prevention)
- Universal Influenza Vaccine
- Malaria Vaccine

Others

Sumitomo Chemical | Sumitomo Pharma

Main Products / Compounds under development

- MYFEMBREE® (treatment for uterine fibroids, endometriosis)
- GEMTESA® (treatment for overactive bladder)
- Active pharmaceutical ingredient (API) production for nucleic acid drugs and high purity gRNA production services for genome editing therapy
- Healthcare solutions using VR and digital devices

* The items in red are already marketed or commercialized, while others are in the development stage. The above includes co-development and joint research projects with other companies (as of the end of July 2022).

Contribute to ICT

The evolution of information and communication technology is transforming society in a variety of ways, such as the increasing use of IoT in sensors and various devices, the development of artificial intelligence (AI)/cloud technology, and the resulting widespread use of remote diagnosis and automated driving. Sumitomo Chemical will contribute to the realization of Society 5.0 (super-smart society) and smart mobility through the development of ICT-related materials by leveraging its technological capabilities.

Society 5.0

Society 5.0 is a new society that balances economic development and the resolution of social issues by incorporating advanced technologies such as IoT, robots, AI, and big data into all industries and social life. We are developing a variety of ICT-related materials to realize this new society.

Products currently under development at our company for the realization of Society 5.0

Materials for Micro Displays and Sensors for AR*1/VR*2 Devices

AR/VR is expected to be utilized in a variety of situations, including business, entertainment, and education, and the market is forecasted to expand drastically in the future. Accordingly, it is likely that demand for semiconductor devices used in data centers/telecom-related equipment and next-generation micro displays/sensors used in AR/VR devices grows. To capture this opportunity, we are developing materials for cutting-edge semiconductor processes as well as micro displays/sensors.

*1 Augmented Reality
*2 Virtual Reality

Compound Semiconductors

GaN-on-GaN power semiconductor devices are considered to be one of the key technologies for Society 5.0 because of their energy saving and small-footprint characteristics, and the demand for them is expected to grow mainly in the fields of data centers, renewable energy, and electric vehicles. We will focus on the development of large-sized GaN substrates for GaN-on-GaN power semiconductor devices with the aim of starting full-fledged mass production by fiscal 2024.

* GaN = Gallium Nitride

Smart Agriculture

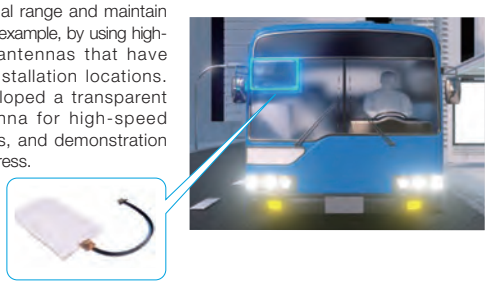
Expectations are growing for smart agriculture, which aims to reduce the environmental burden by reducing the use of crop protection products, and to increase food production through automation and power saving. We are working on the development of technologies such as the use of drones for the pinpoint application of crop protection products and fertilizers and the optimization of the timing of application.

Solid-state Batteries

As battery capacity increases at an accelerating pace, battery materials must be made safer and more productive, and solid-state batteries that meet these requirements are expected to become the next-generation batteries. We have established an industry-academia joint research course at Kyoto University to jointly develop materials for solid-state batteries and optimal designs for solid-state batteries. We aim to develop solid-state battery materials by 2023.

Transparent Thin-film Antennas for High-speed Telecommunications

The faster wireless communications are, the shorter wavelength of the radio waves increasingly becomes, which leads to limitation of the communication range and quality because of attenuation of them caused by distance and obstructions. In order to promote high-speed, large-capacity wireless communications, it is necessary to expand the signal range and maintain signal quality, for example, by using high-performance antennas that have flexibility on installation locations. We have developed a transparent thin-film antenna for high-speed communications, and demonstration tests are in progress.



Material Issues for Future Value Creation

Advance Innovation

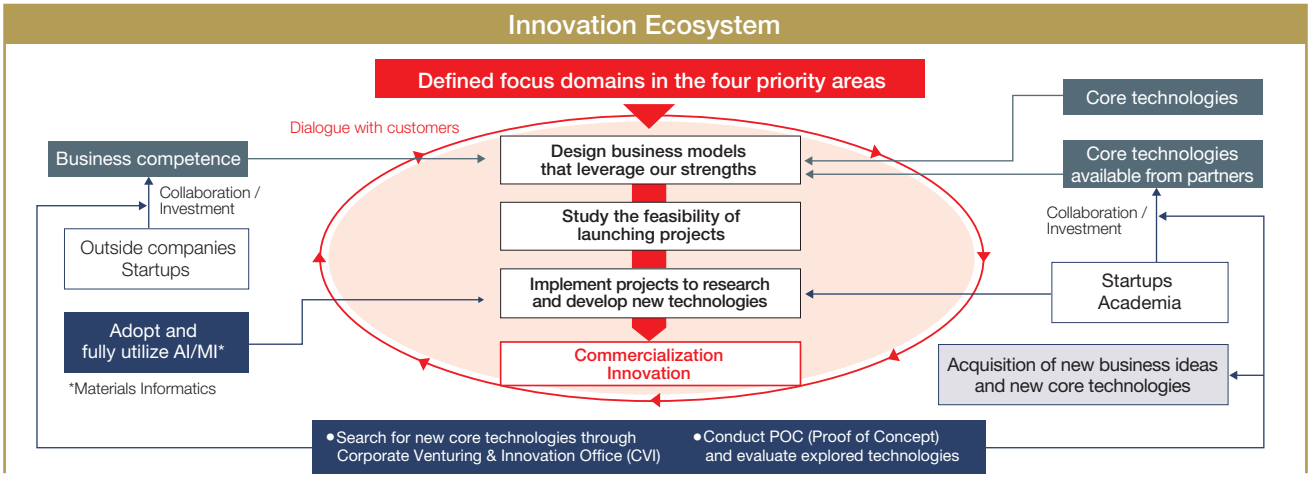
We believe that innovation, which is generated by our "ability to develop innovative solutions by leveraging its technological expertise in diverse areas," one of Sumitomo Chemical's core competencies, is the source of our future value, and we have designated "advance innovation" as one of the material issues for future value creation. We will continue to strive to enhance our corporate value through innovation, focusing on four priority areas: the related fields of environment, food, healthcare, and ICT.

Sumitomo Chemical's Innovation Ecosystem Accelerates the Creation of Next-Generation Businesses

Sumitomo Chemical is building an innovation ecosystem (a system that continuously creates innovation) to steadily link R&D and business development in the four priority areas to the creation of next-generation businesses.

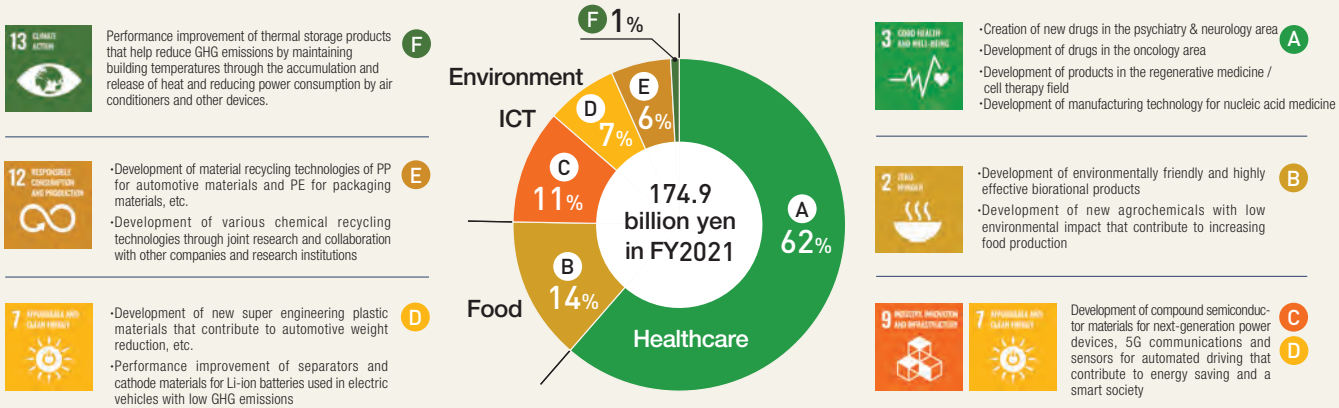
In each of the four priority areas, we have formulated focus areas for our efforts within four priority areas, have identified core technologies that we own and core technologies that we do not own, and we are acquiring non-owned technologies through collaboration with startups and academia. As for business competence, we are also supplementing the lacking areas with alliances and investments with outside companies and startups, considering designing a business model that leverages our strengths and thematizing. At each stage of promoting themes, we communicate closely with relevant internal departments, external partners, and customers, and appropriately reflect their feedback to promote research and development. We also thoroughly utilize digital technologies such as AI and MI to accelerate development. In addition, we will incorporate new ideas and technologies that emerge in the course of theme promotion and dialogue with partners, and link this to the continuous creation of innovations.

Innovation Ecosystem



TOPICS Breakdown of R&D expenditures by SDGs and examples of themes

The Sustainable Development Goals (SDGs) formulated by the United Nations in 2015 set forth 17 goals, including Green Transformation (GX) themes, such as climate change, biodiversity, health promotion etc., that our company aims to achieve. We are investing R&D funds in themes related to the various SDGs, as shown in the table below. Through the innovations generated from these efforts, we will transform our business portfolio and realize "Jiri-Rita Koushi-Ichinyo" through GX.



Toward expanding opportunities for innovation

Establishment of CVI

Sumitomo Chemical has established the Corporate Venturing & Innovation Office (CVI) which is deeply involved in world-class innovation clusters, such as Silicon Valley etc., to discover groundbreaking technologies at an early stage, verify the practicality of promising technologies, and support the smooth transition to the development stage at each research center. Proof of Concept (POC) is conducted on the technologies explored by the CVI and those that are deemed worthy of commercialization are transferred to the respective laboratories, where development toward commercialization begins.

Flow of Introduction of External Technology Using CVI

CVI

Search and investigation

Contact with startups and academia to search for promising technologies

→ ← Feedback

POC*

Verification and evaluation

Initial evaluation of feasibility and competitiveness of the proposed technology against competing technologies

→

Each Laboratory

Projectization for implementation and development

Launching projects for new commercialization and promoting development for practical use

*Proof of Concept
Conducted at partner ventures, CDT, etc.

CVI bases	Establishment date	Characteristics
U.S.: Boston (East Coast)	April 2019	• Major hub for life sciences • A cluster of high-quality startups
U.S.: San Mateo (Silicon Valley)	March 2020	• One of the world's largest innovation hubs • Unparalleled concentration of promising startups
U.K.: Cambridge (organized into existing CDT*)	April 2020	• Research base for printed electronics • Functional linkage with academia

*Cambridge Display Technology

SYNERGYCA

In December 2021, following the relocation of the Tokyo Head Office, the SYNERGYCA Creation Lounge was opened in the new headquarters as an important initiative for open innovation. SYNERGYCA is a co-creation space where visitors from industry, government, and academia can see, touch, and experience the technologies of the Sumitomo Chemical Group and generate ideas and insights that will lead to value creation.

The "Get Together" area is designed to promote communication with visitors, the "Experiencing" area is designed to provide an easy-to-understand and fun way to learn about the Group's history, products, technologies, and R&D activities through the use of digital content, and the "Interacting area" is designed to share society's issues and mutual interests with visitors and explore ways to solve problems together.

The building concrete floor kept as is and the bare ceiling with pipes and others create a special atmosphere for interaction and discussion. In addition, in order to create a meaningful opportunity for each visitor, the program is tailored to the visitor's interests, and visit and discussion can be carried out both real and online.

A look at SYNERGYCA

Interacting area
Sharing each other's issues, society' issues of interest, etc., and brainstorming and exchanging opinions on how to solve them.

Material Issues for Future Value Creation

Bolster Competitiveness Leveraging DX

For the materials and chemicals industries where it is an opportunity to provide products and solutions towards the global sustainability, we are required to enhance the business competitiveness, going through with DX activities and responding to shorter product lifecycle. Through our activities, we hope to contribute to deliver new value to our customers, by increasing more innovative personnel and creating an organizational culture adopting agility.

Overall DX Strategy in FY2022-2024 Corporate Business Plan

Keeping efforts to implement DX Strategy 1.0 for high-productivity in four focus areas of research and development, plants, supply chain management, and offices, our business units take initiatives to focus on DX Strategy 2.0 for stronger competitiveness and DX Strategy 3.0 to aim to create new business models.

Continue	Focus	Start
DX Strategy 1.0: Improve productivity in the four focus areas	**DX Strategy 2.0:** Increase competitiveness of existing businesses	**DX Strategy 3.0:** Create new business models
Continue efforts to improve productivity and get results	Bolster business competitiveness through data-driven management to focus on strengthening customer contacts and enhancing customer satisfaction	Create new business models by leveraging services, data and our core technologies

Two policies to succeed in DX Strategy 2.0

1 High-quality decision making in real time by advanced use of data

Business units leads to tackle DX challenges by preparing for environments appropriate for advanced use of data.

Collection of data
Strategically and effectively collect data generated inside and outside the company.
- Production data
- R&D data
- Business data, etc.

Aggregation of data
Aggregate the data which are processed to be used quickly at any time.
- Data capitalization and data linkage

Utilization of data
Use of the visualized and analyzed data to make decision
- Value creation by analyzing and visualizing the data

→ High-quality decision-making in real time

2 Training DX human resources

Aiming to allocate DX personnel to all departments, we will promote DX throughout the company by training business-related DX personnel in addition to R&D and production-related personnel.

R&D and Production Units — Increase personnel capable of analyzing and leveraging data in R&D and production activities.

Data scientist	Who has ability to analyze advanced data and support for each research theme activity to spread and establish company-wide data science	target by FY2024 30 people
Data engineer	Who applies the best analytical method to each theme in R&D and/or production sites, solves problems by combining domain knowledge and data science	target by FY2024 300 people

Business and Corporate Units — Begin to train DX personnel to assign across all divisions.

Business translator	Who leads to select and implement appropriate digital technologies to solve overall business issues	target by FY2024 150 people
Business data analyst	Who can utilize data and promote business improvement based on an understanding of their business practices	target by FY2024 100 people

All levels of all sectors — We began to implement training to enhance DX literacy

Examples of DX Strategy 2.0 Initiatives

Sumitomo Chemical Automotive Site

In light of changes in the way potential customers gather information and communicate with us, we launched a new website in 2020 with the aim of offering a wide range of solutions for automotive-related materials. In the future, we will combine digital tools and exhibition activities to promote the value of our materials more widely. In addition, we will contribute to society at large by making optimal proposals based on the reactions and interests of potential customers on the web.

Our Website : Sumitomo Chemical Automotive Site

Pest diagnosis application, EXPESTS

We have developed a smartphone app that uses AI to diagnose and identify pests through images posted by growers. This app suggests effective pesticides based on the diagnosis. It has been available since March 2021. The aim of this approach is to establish corporate brand, and to open a new route for value creation by increasing direct contact with customers.

Our Website : Pest Diagnosis EXPESTS

TOPICS DX Repository*

We held an internal event, "DX Repository" twice since 2020. The purpose of this event is to accelerate digital innovation by sharing actual activities of DX in the company. The executives including outside directors as well as the employees attended the event, which was also live-streamed to Group companies to interact respectively online. We succeeded in making opportunities for our group to challenge DX together.

* A database in which multiple data, information, etc. are systematically stored.

Programs in DX Repository (Excerpt)

- Lecture by Management, "Sumitomo Chemical's DX Strategy"
- Lecture by an external expert, "Toward DX Strategy 2.0"
- Presentations of DX activities in the four areas and panel discussions on the following three common themes;
  - "Streamlining business and procedure by digital technologies"
  - "Collection and utilization of data"
  - "Improvement of customer experience leading to new business through DX"
- Presentation and discussion of challenges to strengthen business competitiveness by DX promoters from each business unit and group company

Commenting by outside director Tomono

Discussing during DX Repository

Material Issues for Future Value Creation

Human Resources

DE&I, Development & Growth, Health

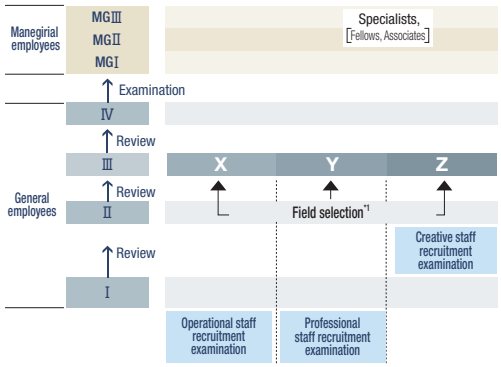
'People' are a major source of corporate competitiveness , and securing and developing human resources is a key issue for our future value creation. Sumitomo Chemical will promote the securing and development of human resources, which we consider to be our most important management resource, from a long-term perspective and achieve sustainable growth of our Group through enhanced engagement.

Human Resource System

Sumitomo Chemical engages with its employees through a human resource system that takes account of the performance individuals achieve in their roles, depending on the scale of their responsibilities, along with the abilities they employed and their actions in the process. The system enables those willing and capable employees to aspire to higher roles at an early stage, and to build their self-motivated desire to grow in their career process.

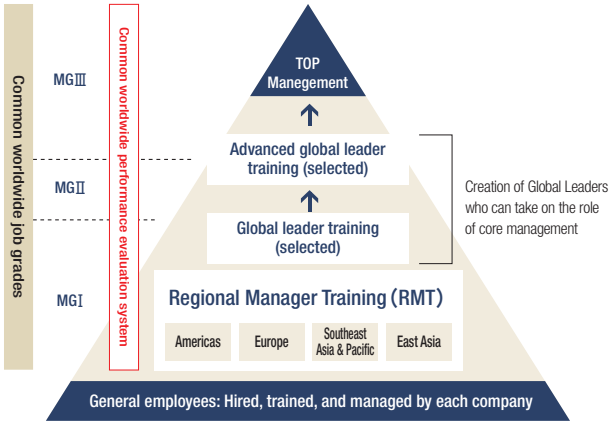
In addition, we have introduced a personnel system common to Sumitomo Chemical managerial employees for managers at overseas Group companies. This system promotes the sharing of values based on our corporate philosophy, as well as the provision of opportunities for development, growth, and active roles.

Diagram of Sumitomo Chemical's HR System



*Choose the Career Development Field (X/Y/Z) according to the different careers the employee want to pursue. (The employee can change the field even after a decision has been made.)

Development of Global Talent

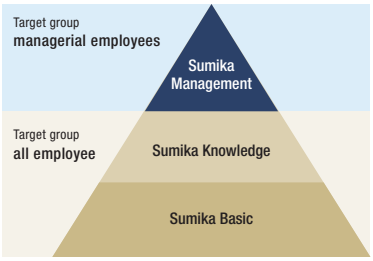


X : A career in which the employee takes on a specified role, while also working on tasks that support the maintenance and development of Sumitomo Chemical's business over the medium- to long-term.
Y : A career in which the employee works on tasks that contribute to the development of business as a professional, within a role with a defined scope.
Z : A career in which the employee works on a variety of tasks supporting things like the development of new technology and the increasing sophistication and complexity of business.

Human Resources Development and Growth

In accordance with our personnel system's basic philosophy of "development and growth," we are creating training programs to foster the development of employees with diverse capabilities and qualities. In particular, from FY2022, we have been establishing a learning platform called the SUMIKA Learning Square to enable all employees to update their knowledge and skills (reskilling) as and when necessary, regardless of their age, year of employment, or current job title, thereby supporting autonomous and voluntary learning. In addition, for all employees, in accordance with their respective positions and roles, we provide staged training programs, such as programs for strengthening management skills for different levels of management, and programs to improve language skills to support global business development.

SUMIKA Learning Square



Sumika Management
Courses to acquire management skills in a wide range of fields (11 courses in total)

Sumika Knowledge
Courses to acquire a wide range of skills and knowledge necessary for work (39 courses in total)

Sumika Basic
Courses to acquire knowledge commonly required of all employees in the course of their work for the Company (as appropriate)

Investment in Training (SC only)

FY2021 Results	Target
Approx. **¥340,000**/year per person	¥300,000/year per person or more continuously

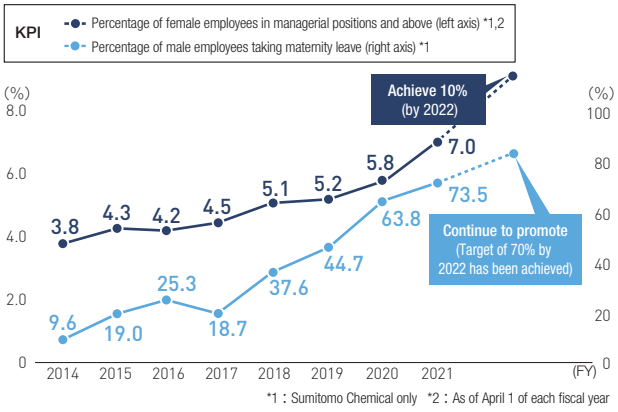
Time Spent on Training (SC only)

FY2021 Results	Target
Approx. **137** hours/year per person (8% of regular working hours)	Aim to spend 10% of work time on training or studying for work

DE&I

We have raised "Diversity, Equity & Inclusion (DE&I)" as one of the material issues to be addressed as management priorities, and are promoting gender equality based on the Group's Basic Principles for Promoting DE&I. In order to achieve this, we believe it is necessary not only to improve the working environment but also to change the mindset of both men and women by eliminating the stereotypical division of roles, and we conduct training and in-house lectures for all employees. Moreover, we are promoting initiatives aimed at working together and growing together, while accepting and respecting each other's diversity, regardless of gender.

KPIs and progress of Sumitomo Chemical (SC-only)



*1：Sumitomo Chemical only *2：As of April 1 of each fiscal year

In addition, roughly 100 of our main group companies in Japan and around the world have established key performance indicators in accordance with each company's circumstances to promote DE&I initiatives across the entire Sumitomo Chemical Group.

Recruitment

- Ratio of female new graduates: approximately 25%

Fostering organizational climate

- Diversity management training (for all managers)
- Unconscious bias e-learning (for all employees)
- In-house lectures
  (Atsuko Muraki, Outside Director / Ando of Ikubosu Enterprise Alliance, etc.)
- SOGI* / LGBT Understanding Seminar

*Sexual Orientation & Gender Identity

Work style

- Establishment of in-house childcare centers
  (used by 125 employees in 6 offices from 2009 to present)
- Encouragement of male employees to take childcare leave (in principle)
- Childcare leave period: up to 3 years and 11 months
- Leave system for accompanying a spouse on overseas assignment
- Rehiring system for employees who retired due to childbirth, childcare, etc. (Career recovery system)

Izumi Kids (Osaka Works)

Health

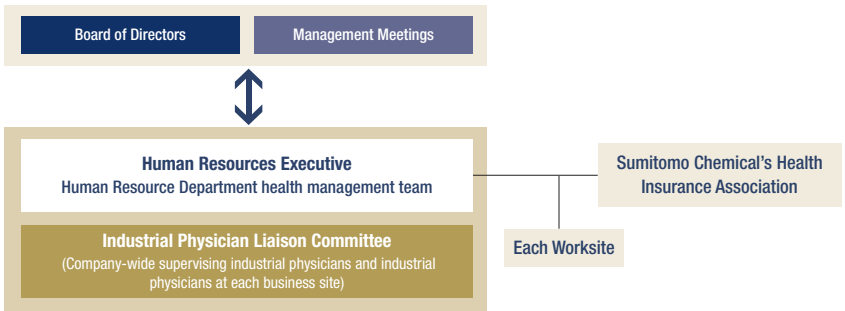
To help employees lead physically and mentally healthy and fulfilling lives, we analyze the results of regular health checkups and responses to medical questionnaires, and promote various support measures to resolve and improve health issues. In promoting various health support measures, the direction of these measures is discussed at Board of Directors meetings and management meetings at every opportunity, and at the annual liaison meeting of industrial physicians, the Company-wide supervising industrial physician and industrial physicians at each business site hold discussions to obtain opinions on Company-wide measures and target setting, etc. The system and structure are designed to enhance the effectiveness of each measure.

Under this system, as part of the Sumika Take Action Declaration,* the Sumika Healthy Employee Declaration, jointly formulated by the Company and the health insurance association, provides individual guidance to employees with sleep issues (sleep measurement and implementation of remedial measures) and calls for a no smoking policy during working hours and on the Company's premises in principle. We are working on specific action items in the five areas of diet, exercise, sleep, smoking cessation, and mental health.

*See Website below

For details of our efforts → Our Website : Sumika Take Action Declaration

Promotion system for health maintenance and promotion measures



For five consecutive years,Sumitomo Chemical has been designated as a Certified Health & Productivity Management Outstanding Organization, a program created by the Ministry of the Economy, Trade and Industry.

BMI adequacy rate for all employees

FY2020 **66.7%**

*Average 65.3% for all ages (from Ministry of Health, Labour and Welfare data)

Occupational Safety and Health, and Industrial Safety and Disaster Prevention

For details of our efforts → Our Website : Occupational safety and health, and industrial safety and disaster prevention

Basic Stance

Reflecting the core principle of "Making safety our first priority," Sumitomo Chemical has formulated five fundamental and personal safety principles that each employee is expected to follow as well as guidelines based on the core principle. All Sumitomo Chemical employees and all involved parties, including partner companies, are thus united in promoting safety activities with the goal of eliminating serious accidents. Furthermore, the Company undertakes stringent process risk assessments of the entire process life cycle (development, manufacture, distribution, use, disposal), and takes appropriate safety measures based on its evaluation of risks. The aim of these efforts is to prevent unforeseen industrial accidents, including fires, explosions, and the leakage of hazardous substances; to minimize damage in the event of a natural disaster such as a major earthquake; and to secure the safety and peace of mind of employees and local communities.

Core Principle: Making Safety Our First Priority

Raison D'être for the Core Principle

1. Line management is fundamental to Safety and Health.
2. Each person is responsible for Safety and Health.
3. Sumitomo Chemical is united with partner companies on Safety and Health.

Five Fundamental and Personal Safety Principles that Each Employee is Expected to Follow.

- I will give safety and health the top priority in every aspect of business.
- I will identify and resolve safety and health issues at the source.
- I will comply with rules and instructions.
- I will act with safety in mind 24 hours a day, not just during working hours.
- I will cooperate with all involved parties, including partner companies, to ensure safety and health.

Ensuring Thorough Compliance with the Sumitomo Chemical Group's Basic Safety Rules (Ground Rules)

In light of trends in the causes of accidents, the Group has established the following ground rules and is working to ingrain safe behavior.

1. Think Before You Act!
2. Help each other to be more aware of unsafe actions
3. Do not place hands in or around areas of working machinery/equipment

We also distribute pocket-sized cards and certificates of entry to all subcontractors who enter Sumitomo Chemical's worksites, which include our basic safety principles and ground rules.

Education and Training

Sumitomo Chemical and its group companies provide education and training on work content, substances to be handled, and protective equipment to employees who work at heights, in oxygen depletion hazardous areas, in hot or cold environments, in noisy environments, or when handling specified chemical substances or organic solvents, and who need to take occupational safety and health into consideration. In addition, special health checkups, working environment measurements, and workplace patrols by industrial physicians and health managers are conducted on a regular basis to improve and maintain the working environment.

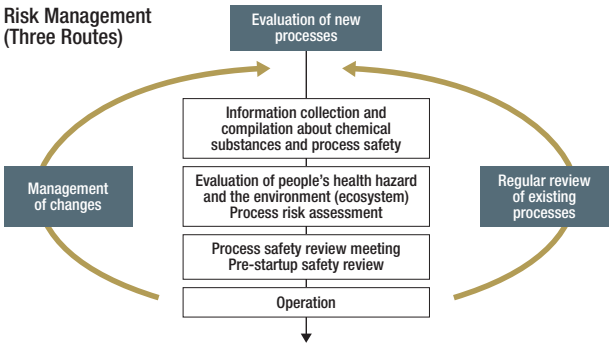
We also provide safety training for employees at partner companies entering our facilities, training for construction supervisors (supervisor responsibilities, risk assessment, etc.), and hazard simulation training for subcontractors working at Sumitomo Chemical's facilities.

In addition, to support the acquisition of knowledge and skills to ensure process safety by employees, we provide a variety of group training (classroom, discussion, and hands-on) and e-learning courses on fire, explosion, reaction hazards, static electricity, and other safety and disaster prevention technologies. In addition, we train personnel to play a central role in process risk assessment and countermeasure planning.

Risk Management Initiatives

Sumitomo Chemical manages risks related mainly to process safety, chemical (raw materials, products) safety, and occupational safety and health at each stage from new chemical process R&D through the commercialization process to plant design, construction, operation, maintenance, and even demolition. The items and procedures essential to risk management are specifically outlined in the Development and Commercialization Regulations, the Safety Management Rules, the Chemical Safety Management Regulations, and other similar documents that provide the standards for the Company. In addition, we introduced this system to major consolidated subsidiaries as part of efforts to enhance safety management across the entire Group.

Risk Management (Three Routes)



Preparation for Large-scale Natural Disasters

In 2004, Sumitomo Chemical established a Basic Policy on Earthquake Countermeasures and has voluntarily promoted seismic retrofitting of high-risk facilities. In addition, based on recent administrative guidance to improve the seismic resistance of existing facilities, we have prepared seismic retrofitting plans for high-pressure gas facilities of high importance, and are implementing seismic retrofitting and reconstruction work in accordance with the plans. Until these works are completed, risk reduction measures are being taken to ensure security, such as reducing the holding capacity to meet earthquake resistance standards and reducing operating pressure to prevent any impact outside the plant site in the event of an accident.

In light of the recent trend toward more severe natural disasters, we constantly review our safety measures to ensure that they are sufficient, and implement both hardware and software measures as needed.

Product Safety and Quality Assurance

For details of our efforts → Our Website : Product Stewardship, Product Safety and Quality Assurance

Basic Stance

Product Stewardship at Sumitomo Chemical

Under its Corporate Policy on Responsible Care (Safety, Health, the Environment and Product Quality), the Sumitomo Chemical Group promotes product stewardship*1 and works to provide products and services that satisfy customers and can be used with peace of mind.

In this age of risk-based chemical product management, we support the voluntary product stewardship initiatives (GPS/JIPS*2) promoted by chemical industry associations and actively participate in capacity building activities as a member of the promotion committee, while working on risk assessment and appropriate risk-based management of our products.

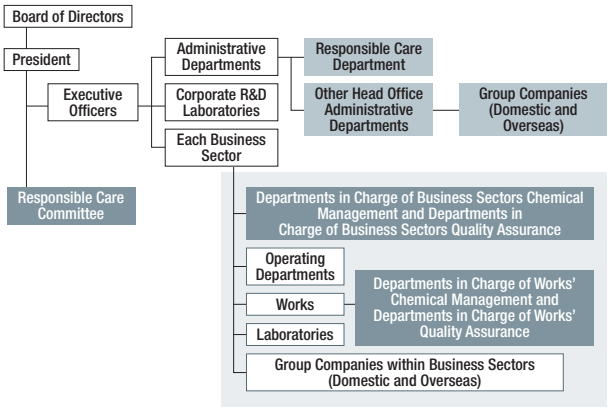
*1 Product stewardship: The assessment of risks and protecting people's health and the environment from those risks throughout the product life cycle, which encompasses the entire supply chain from the development of chemical products to manufacture as well as sale, use/consumption, and disposal.

*2 GPS/JIPS: Initiatives that call on companies to conduct risk assessments of their products and to engage in appropriate chemical management based on risk in order to minimize risks throughout the supply chain. Under GPS/JIPS, toxicological information on chemical products is disclosed to the general public, including customers.

Chemicals Management and Quality Assurance Activity Structure

Sumitomo Chemical's Responsicle care (RC) activities, the Responsible Care Committee is chaired by the president and comprises executive officers supervising the administrative departments and the four business sectors of the Company, and the General Manager of each Works. The Committee puts in place annual policies on RC activities, including chemical management and quality assurance activities; medium-term plans; and specific measures as they relate to Responsible Care. The Committee also analyzes and assesses the results of Responsible Care activities.

Organization of Chemical Management and Quality Assurance Activities



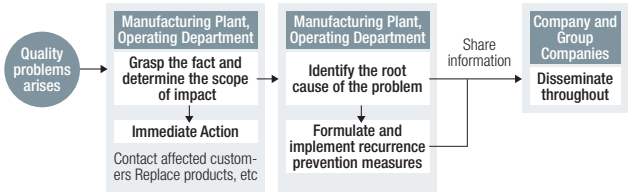
Provide Products and Services of Stable Quality

In order to continue to supply our customers with products and services of stable quality, the Sumitomo Chemical Group is committed to thorough daily management under management systems based on appropriate quality management systems and standards (ISO9001*3, GMP*4, etc.), respectively, while striving to further improve quality.

*3 ISO 9001: International standard for quality management systems issued by the International Organization for Standardization (ISO).

*4 GMP (Good Manufacturing Practice): A standard for manufacturing and quality control of pharmaceutical products.

Process flow when a quality problem occurs



The Information Sharing System and Ensuring thorough Compliance

The governments of Europe, the Americas, China, and the Asia Pacific region hold considerable sway over trends in global laws and regulations. To ensure thorough compliance, we post product stewardship specialists at our regional headquarters in these areas and are constructing a system to swiftly collect information related to regulatory trends. As for China, South Korea, Taiwan, Southeast Asia, and India, all of which have recently seen rapid and major changes in the legislative environment, together with Group companies we have been responding appropriately to the chemical regulations of each country.

Effective Use of SuCCESS

In order to appropriately manage and effectively use information on chemicals handled by the Company, such as their composition, toxicological information (risks and hazards), and regulatory requirements, Sumitomo Chemical has developed the comprehensive chemical management system (SuCCESS).*5 This system is used in order to respond to inquiries from customers concerning substances contained in our products and precisely comply with laws and regulations in Japan and around the world, such as the REACH Regulation in Europe. We also use this system to create SDSs*6 in around 40 languages to comply with GHS*7 and accurately and efficiently communicate hazard information throughout the supply chain. This system is also being proactively rolled out to Group companies. We had installed the system at 14 Group companies in Japan and overseas as of fiscal 2021. In addition, we are using SuCCESS to calculate the manufactured volumes reported to the government under the chemical substances control law via a substance volume tracking (SVT) system as well as to calculate exported volumes.

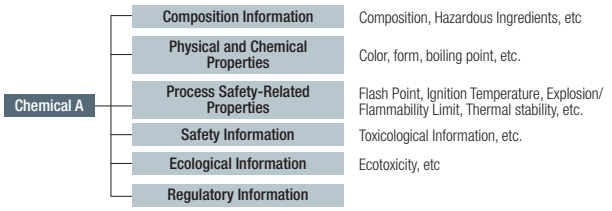
*5 Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (SuCCESS)

*6 Safety Data Sheets (SDS): SDSs include information on the safe handling of chemical products (properties, handling methods, safety measures, etc.) and should be created in compliance with the Japanese Industrial Standards (JIS) and the standards set by the International Organization for Standardization (ISO).

*7 Globally Harmonized System of Classification and Labeling of Chemicals (GHS): In 2003, the United Nations established these global rules for how to convey information about the classification and degree of hazards for chemical substances.

SuCCESS comprehensive chemical management system

Management of chemical composition, toxicological, regulatory information based on tree-shaped structure



Respect for Human Rights

For details of our efforts → Our Website : Human Rights Policy

Basic Stance

Sumitomo Chemical regards respect for human rights as part of the foundation for business continuation. We are continuing to make a Group-wide effort to address this as a material issue for management, and provide disclosures on our measures and progress. In 2019, we formulated the Sumitomo Chemical Group Human Rights Policy, based on the United Nations Guiding Principles (UNGPs) on Business and Human Rights, and established the Human Rights Promotion Committee. Since then, under the initiative of this committee, our Group has come together to undertake measures to respect human rights across the value chain.

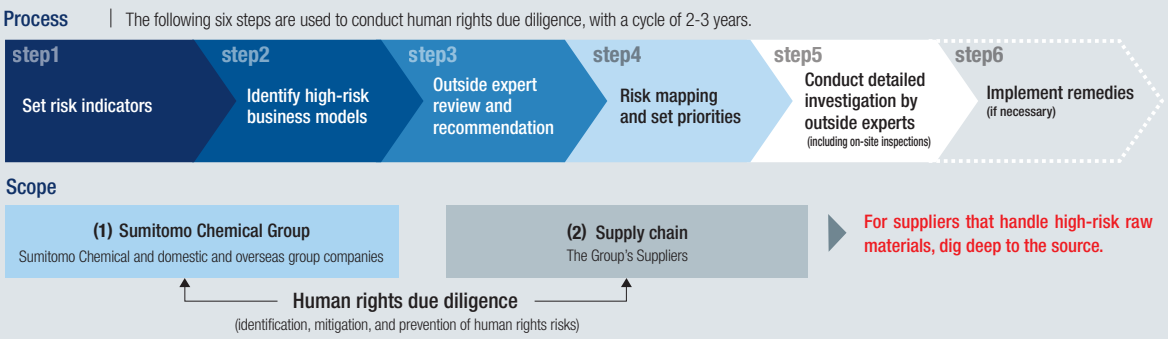
Overall Picture of Human Rights Due Diligence

With the aim of promoting a respect for human rights in its business activities, the Sumitomo Chemical Group has established a system for human rights due diligence in accordance with the UNGPs.

Human rights due diligence is an initiative to identify, mitigate, and prevent human rights risks for each of (1) the Sumitomo Chemical Group and (2) the Supply Chain. In addition, for (2) suppliers in the supply chain who supply raw materials with a high risk of causing negative human rights impacts (high-risk raw materials), we are also looking deeper into the source of the raw materials.

If it is discovered through our human rights due diligence that any negative impacts on human rights are occurring because of our Group's business activities, or have been fostered by the Group's business activities, we will redress or resolve those incidents through the appropriate procedures, in collaboration with related stakeholders.

Human Rights Due Diligence Process and Scope



Specific Initiatives

	Initiatives to date	Action plan for FY2022
Sumitomo Chemical Group	In FY 2020, we conducted on-site inspections and questionnaire-based written surveys for 30 Group companies that were identified to have relatively high human rights risks through the FY2019 human rights risk group assessment. In FY2021, we followed up on the previous year's on-site and written surveys to confirm the status of efforts to respect human rights, including consideration of living wages. Based on the results of the survey, we will take measures to further strengthen our efforts, such as specifying human rights and labor in our requests to suppliers.	Since it is important to assess human rights risks on a regular basis, we will conduct a human rights risk assessment (second round) for the Company and its consolidated management companies. We will also continue to conduct educational activities, such as inviting outside lecturers to conduct training for employees of the Company and Group companies, so that each and every employee of the Group will have a deeper understanding of the importance of respect for human rights.
Supply chain	We have distributed the Sustainable Procurement Guidebook to our suppliers and conducted surveys on the status of our overall sustainability efforts. In addition to these efforts, in FY2021, we conducted a detailed survey of our major suppliers in Japan, using a new questionnaire focused on human rights. As a result, we found that while most of our suppliers are implementing initiatives in line with the UNGPs, we need to strengthen our efforts to encourage some of them to understand and cooperate with our initiatives in line with the UNGPs.	Based on the results of the human rights questionnaire survey in FY2021, we will consider our response through engagement with key suppliers. We will also revise the "Sumitomo Chemical Group Sustainable Procurement Guidebook" to share understanding and awareness with suppliers in light of the trend toward strengthening human rights and sustainability initiatives.
Suppliers handling high-risk raw materials among the above	In accordance with the "Sumitomo Chemical Group Policy for Responsible Procurement of Minerals and Raw Materials" formulated in 2020, we have been investigating the usage status of high-risk raw materials at our domestic group companies since FY2020 in order to prioritize due diligence on suppliers of raw materials with a high risk of causing negative impacts on human rights (high-risk raw materials) in the supply chain. As a result, we found that additional confirmation of the procurement source of some raw materials was necessary.	We will conduct additional confirmation of the procurement sources of some of the raw materials mentioned above, based on the results of our investigations to date. We will also continue to request reporting in accordance with Responsible Minerals Initiative from suppliers that handle high-risk raw materials, and will progressively conduct risk assessments and investigate the possibility of expanding to overseas group companies.

Cybersecurity

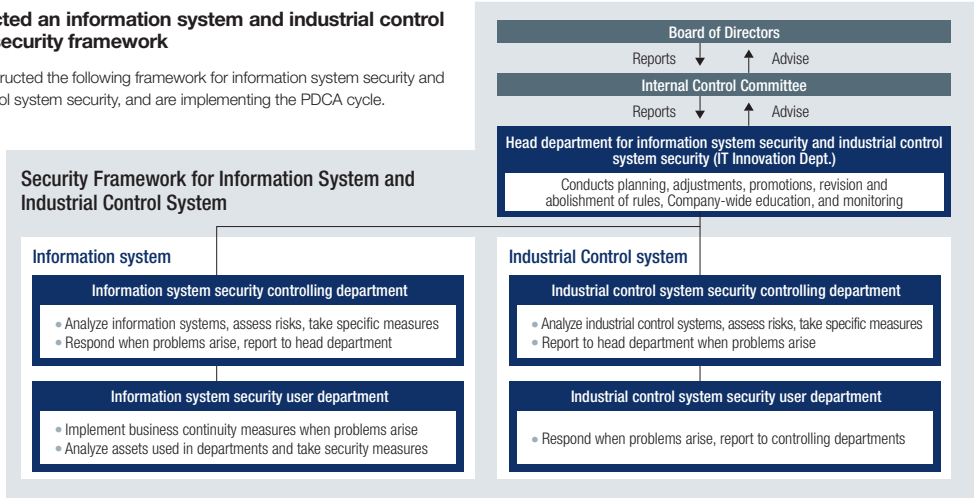
Basic Stance

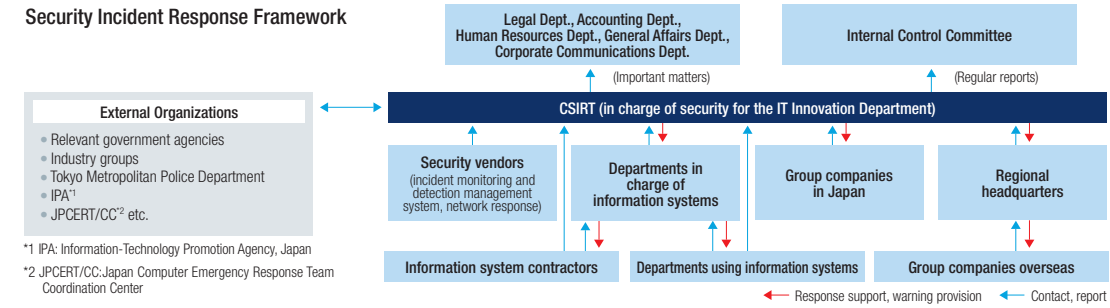
Through the utilization of IT, the digital innovation, entailing the pursuit of improved productivity, competitive advantages, and the creation of new business models, is accelerating. This has been accompanied by a rise in impacts, such as an increase in remote working opportunities and more sophisticated cyberattacks. The purpose of Cybersecurity is to properly manage information, information systems and information communication networks, prevent leaks and losses, and minimize impact of security incidents. As a member of a critical infrastructure operator, we consider cyber security to be an essential management issue and take multifaceted measures from the organizational, systems, personnel, technological, and physical points of view to address the ever-increasing threats to cyber security.

Our Security Measures

We have established a security policy in accordance with the concept of ISMS (Information Security Management System), an international standard for the organization's information security framework, and have taken multifaceted security measures (defense in depth and disaster mitigation).

Type of measure	Content of measure
Organizational measures	● **Constructed an information system and industrial control system security framework** We have constructed the following framework for information system security and industrial control system security, and are implementing the PDCA cycle.
	● **Constructed an information-sharing framework with inside and outside organizations to ensure preparedness against security incidents** We have established a CSIRT (Computer Security Incident Response Team) in information system security head department (IT Innovation Dept.). The team analyzes security information from external organizations, provides warnings to the Group, gathers information on security incidents that occur within the Group, and comprehensively manages the Group's response.
Systematic measures	● **Establish general standards and standards related to security, including for Group companies** ● **Periodically conduct security self inspections and conduct IT security internal audits that encompass Group companies**
Personnel measures	● **Conduct periodic security education using e-learning system, etc.** ● **Conduct alerts and security incident response exercises**
Technological measures	● **Implement a range of measures, including access restriction, malware measures, and vulnerability measures, for individual servers and computers as well as networks**
Physical measures	● **Use cloud servers complete with entry/exit controls and other security features**





*1 IPA: Information-Technology Promotion Agency, Japan

*2 JPCERT/CC:Japan Computer Emergency Response Team Coordination Center

Compliance

For details of our efforts Our Website : The Compliance

Basic Policy

The Sumitomo Chemical Group places compliance at the bedrock of its corporate management. As we engage in business in many parts of the world, all of the companies in the Sumitomo Chemical Group are devoting earnest efforts to stay in strict compliance with not only laws and regulations, but also ethical principles in a business environment. Both the spirit and the letter of ensuring compliance in business activities have consistently been enshrined at Sumitomo Chemical ever since the company was founded. This unwavering resolve towards compliance is embodied succinctly in the "Sumitomo Chemical Charter for Business Conduct," which serves as the guideline of conduct for every employee to abide by and constitutes the backbone of our day-to-day compliance activities. In recent years, in particular, companies are expected to fulfill their societal responsibilities more than ever before. Given the circumstances, all companies in the Sumitomo Chemical Group are making concerted efforts to further compliance activities, under the strong leadership of top management, to further enhance compliance in the Group's business activities on a global basis.

Compliance System at the Sumitomo Chemical Group

1 Compliance Committee

Sumitomo Chemical has established a Compliance Committee chaired by the President and holds a Compliance Committee meeting at least once a year (or more frequently as needed). Details discussed by the committee are reported to Board of Directors and Board of Corporate Auditors, and the committee then receives feedback from them. The committee establishes overarching principles of compliance from a global perspective, and then works with each business sector and Group company, both in Japan and abroad, to build and operate their compliance systems locally in the required manner, according to those global principles.

2 Group Compliance Structure Focused on Effectiveness ("Think globally, Manage regionally, Act locally")

As business globalizes, it becomes more important that the operation of a corporation's compliance system be fine-tuned to situations specific to individual countries or companies. In light of this, we have established Regional Legal & Compliance Offices (RLCOs) in Sumitomo Chemical's major business regions. The RLCOs, grasping the concrete needs and tasks of their respective Group companies, provide hands-on support and guidance to them, such as helping to set and implement necessary internal rules and procedures, building a company's compliance system, and assisting in its operations.

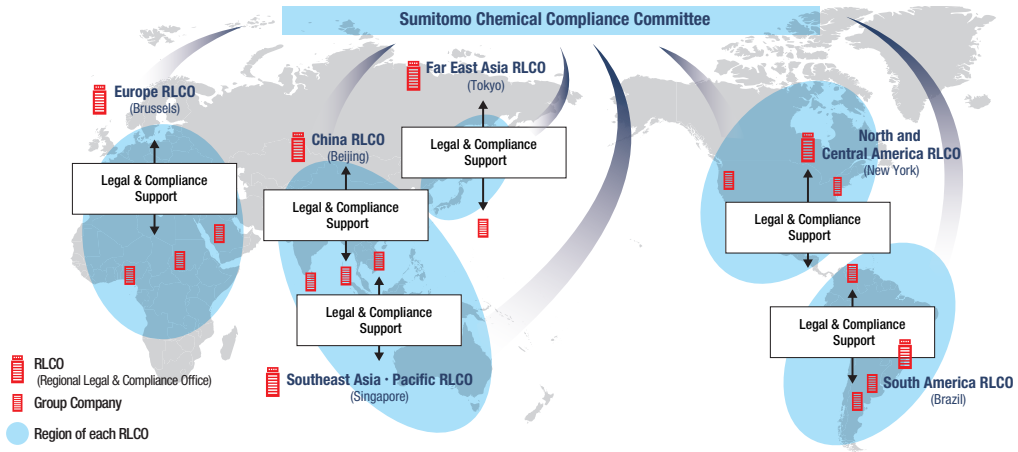
3 Introducing and Operating a Compliance System for the Company and its Group Companies

To ensure thorough compliance throughout the entire Sumitomo Chemical Group, it is important that Sumitomo Chemical and its Group companies establish and operate their own compliance systems. Sumitomo Chemical and its Group companies are engaged in the following activities.

1. Establishing and operating the Compliance Committee (including responding to internal reports and conducting compliance violation investigations)
2. Introducing and regularly reviewing the Code of Ethics
3. Introducing and operating the Internal Reporting System (the Speak-Up System)
4. Conducting compliance activities (education, training, etc.) based on a compliance risk assessment of each Group company

4 Internal Reporting System (Speak-Up System)

In order to detect any compliance violations as early as possible, or prevent them before they occur, the Sumitomo Chemical Group has introduced an internal reporting system (the Speak-Up System), which allows the following persons to report a compliance violation or a suspected violation upon uncovering it directly to the Compliance Committee or to external lawyers, either by identifying oneself or anonymously: management executives and company employees (including contract employees), their family members, management executives or employees of Group companies, their family members, or those who retired from the Company or its Group companies and their trading partners, and all those who are involved in any of the Group's businesses. The entire Sumitomo Chemical Group has been promoting the use of the Internal Reporting System. As a result, there were 190 reports filed throughout the Sumitomo Chemical Group in fiscal 2021. Reports and compliance violations are reported to the Board of Corporate Auditors on a regular basis.



Whistleblowing Compliance Management System

Sumitomo Chemical has renewed its registration for the Whistleblowing Compliance Management System certification ("WCMS Certification") regime, through the regime's "self-declaration of conformity" process, effective as of December 11, 2021.

Anti-Corruption

For details of our efforts Our Website : The Anti-corruption

Basic Policy

As corporations expand activities across national boundaries, promoting fair competition becomes increasingly important in the supply of goods and services in the international marketplace. As is evident from the ever tightening laws and regulations in the world designed to prevent corruption, such as the FCPA in the U.S. and the Bribery Act of 2010 in the U.K., there is a growing awareness globally that corrupt conduct, such as bribery, should be eliminated by any means necessary. Under the circumstances, Sumitomo Chemical has positioned the prevention of corruption in all its forms, including bribery of public officials, excessive business entertainment and gift-giving, collusion, embezzlement, and breaches of trust as one of the most important issues in ensuring thorough compliance. We are striving to ensure a sustainable and sound corporate climate by enhancing our internal organization to appropriately respond to corruption risks to prevent the occurrence of corruption.

Committee on Antitrust Compliance and Corruption Prevention

Sumitomo Chemical has established the Committee on Antitrust Compliance and Corruption Prevention (chaired by the company's President) to establish and manage anti-corruption systems for the entire Sumitomo Chemical Group under the guidance and supervision of the Board of Directors and Board of Corporate Auditors.

In the President's own messages, the committee states its policy and commitment to prohibit all forms of corruption, including bribery of public officials by management executives or employees, excessive entertainment and gift-giving, collusion, embezzlement, and breaches of trust. In addition, we have formulated a Compliance Manual for Bribery Prevention that contains detailed anti-corruption rules. The manual has been disseminated to all Group companies in Japan and overseas, and has been posted on the company intranet, and periodic training sessions are conducted to ensure thorough compliance among the employees of the company and its Group companies.

Further, we conduct assessments of anti-corruption regulations and corruption risks in each country, such as the status of transactions and the countries in which our trading partners are located. Based on the results of these assessments, we decide on policies to strengthen measures to prevent corruption, and apply them to the company and all Group companies.

Initiatives in the Supply Chain

In order to prevent corruption in the Group's supply chain, we are making our agents, consultants, distributors, and other business partners aware of our anti-corruption policy by holding regular training sessions when initially engaging or renewing a contract, or at business meetings and other occasions. We also ask our partners to pledge to comply with the policy. In addition, as part of our due diligence procedures, we ask business partners to submit written responses detailing their company's profile and any past corruption problems, and assess the risk of corruption based on these responses. Moreover, when we engage a business partner for business with a high risk of corruption, such as in a public tender transaction or in a developing country, a more detailed risk assessment is carried out, including on-site interviews with the business partner conducted by an outside expert. If it is judged that there is a risk of corruption as a result of the assessment, we conduct awareness-raising activities concerning the prevention of corruption for such business partners, asking them to implement corrective measures such as strengthening the internal rules and organization to prevent corruption, and offering our support for such efforts. (The company does not engage business partners if the implementation of remedial measures is refused or if there is a strong concern about corruption detected through the assessment process.)

Other Measures

In addition to the above-mentioned measures, we are striving to prevent corruption through the application of internal rules on business entertainment and gift-giving, and the strict application of approval procedures for business decisions and payment.

We have also established and operate an internal reporting system (the Speak-Up Reporting System, which allows anonymous reporting) that can be used by anyone involved in our business, including business and trading partners, in order to quickly identify corruption or the threat of corruption, to prevent compliance violations from occurring, and to rectify them as soon as possible. We also inform management executives or employees of Group companies, and business and trading partners, about the use of this system.

Management executives and employees whose corrupt conduct has been confirmed are subject to disciplinary action in light of internal rules. Business and trading partners are requested to rectify such actions, and other measures are taken, such as the suspension of transactions.

Essential Chemicals & Plastics

The Essential Chemicals & Plastics Sector has manufacturing bases in Japan, Singapore, and Saudi Arabia, and leverages the strengths of each base to manufacture polyethylene, polypropylene, methacrylate, and other products and supply them to a wide range of industries including automobiles, consumer electronics, and food.

Businesses

- **Polyolefin Business**
  Polyethylene, Polypropylene
- **Methyl Methacrylate (MMA) Business**
  MMA Monomer, MMA Polymer, MMA Sheet
- **Licensing and Catalysts Bussiness**

We continuously provide solutions that contribute to reducing environmental impact. In addition, we also keep supplying essential chemical products and technologies.

竹下 貴昭

Noriaki Takeshita
Representative Director & Senior Managing Executive Officer

In April 2022, the sector name was changed from Petrochemicals & Plastics Sector to Essential Chemicals & Plastics Sector. The new name of the business sector reflects the Company's strong determination to transform its business with the mission of continuing to provide essential chemical products and technologies that meet the demands of our time, which is undergoing a major transition, including the goal of achieving carbon neutrality by 2050.

Strengths of the Essential Chemicals & Plastics Sector

Our bases in Japan and Singapore develop high value-added products that anticipate customer needs and provide a stable supply of high-quality products. Our strength lies in the relationships of trust we have cultivated over the years with our blue-chip customers in the Asian market. At our Saudi Arabian base, we manufacture cost-competitive products by utilizing inexpensive raw materials and fuels.

Initiatives in FY2021

In addition to the decision to construct a new chemical recycling demonstration facility for acrylic resin, we launched the Meguri® brand of recycled plastics, and we have been working to develop technologies for material recycling and chemical recycling and to implement the results in society. In addition, Petro Rabigh in Saudi Arabia continued stable operations and achieved a record-high performance.

Future Initiatives

We will transform our business portfolio with an awareness of green transformation (GX) and develop carbon neutral technologies, including material recycling and chemical recycling, to accelerate their implementation in society. We will also work to expand our licensing and catalyst businesses and strengthen profitability.The Saudi Arabian business will continue to be a cash cow, so to speak, and we will strive to ensure stable operations.

SWOT Analysis of the Major Businesses

S Strengths

- Global operation by leveraging the competitive advantages of the three bases in Japan, Singapore, and Saudi Arabia
- Strong relations with prominent customers in the Asian market
- Access to low-cost ethane feedstock
- Capabilities to develop high value-added products

W Weaknesses

- Relatively small business size compared to the global majors
- Dependence on naphtha, a more expensive feedstock than ethane / shale gas

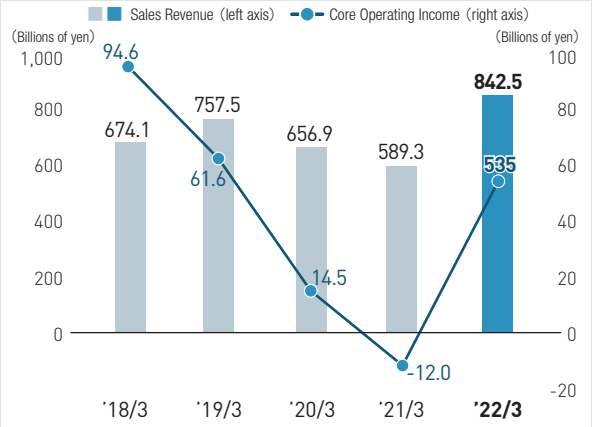
O Opportunities

- Large and deep markets
- Steady growth in demand
- Increasing demand for chemical recycling, prompted by heightened awareness of sustainability

T Threats

- Establishment of more cost-competitive new plants
- Cyclical business environment
- Country risks

Sales Revenues and Core Operating Income



(Billions of yen)

	FY2021	FY2024 Target	Change
Sales Revenues	**842.5**	**840.0**	**-2.5**
Core Operating Income	**53.5**	**54.0**	**+0.5**
Sales revenue of SSS* -designated products	**116.8**	**126.3**	**+9.5**

* Sumika Sustainable Solutions

Corporate Business Plan, Direction for the Business Sector

Activities aimed at becoming Carbon Neutrality

We will make various efforts to become carbon neutral including collaborations with other companies and academia.

Major Initiatives

- Expand material recycling business
- Pursue technology development in chemical recycling

→ P. 45 Contribute to resource recycling

Secure stable revenues via licensing and catalyst business

In accordance with the following three basic strategies, we aim to achieve both stable earnings and sustainable business expansion, while contributing to the realization of carbon neutrality in society.

Basic strategy

Establish stable revenue base	Expand portfolio	Brush up technology
●Expand capacity to supply catalysts ●Expand opportunities to contact potential customers	●Quickly establish technologies that reduce environmental impact, expand lineup in license ●Diversify business models through operational support services	●Bolster competitiveness in processes ●Extend catalyst life and improve costs

Bolster competitiveness via unified operations with Singapore

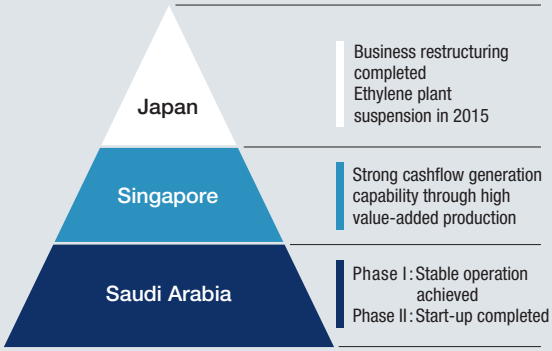
By combining the strengths of the two centers–Japan as the center of R&D and Singapore with its huge infrastructure and customer network–we will further enhance the competitiveness of each business and accelerate the social implementation of carbon neutral technology.

Major Initiatives

- Review and evolution of MMA, polyolefin business, etc.
- Implementation of Japanese carbon neutral technology using Singapore's infrastructure

Petrochemicals & Plastics Sector

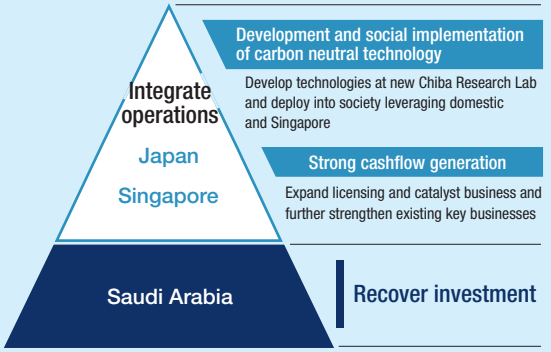
Establishment of 3 bases with distinctive features



Transformation through **GX and DX**

Essential Chemicals & Plastics Sector

Advancing GX in business portfolio



Status of Global Expansion

Global Expansion Using the Strengths of Each Location

The Essential Chemicals & Plastics Sector has three major production locations: Japan, Singapore and Saudi Arabia.

Japan and Singapore

In addition to producing and selling products primarily aimed at customers in Japan, our facilities serve as centers for research and development, developing new technologies and high value-added products while also undertaking initiatives aimed at reducing environmental impact. In addition, as the core of our licensing business, our facilities in Japan also handle not only technology development, but also production, sales, and other duties relating to catalysts.

On the other hand, the Singapore base produces ethylene and propylene at PCS*1, polyethylene and polypropylene at TPC*2. Sumitomo Chemical Asia produces MMA. We have developed high value-added products and produced stable supplies of high-quality products in Singapore for many years, building extremely strong relationships of trust with customers, while creating high brand value in the Asian market.

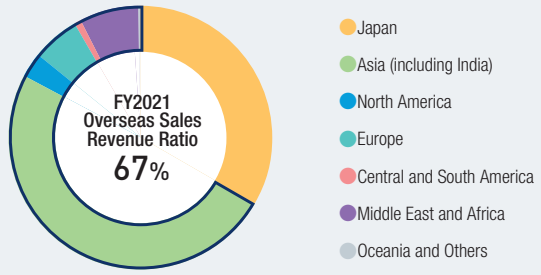
By integrating the operation of these two bases, we will review and evolve the structure of our business including MMA, polyolefin and others. We will also utilize the Singapore base to put into practice the carbon neutral technology developed in Japan.

Saudi Arabia

Petro Rabigh, a joint venture with Saudi Aramco, produces all sorts of petrochemical products. The strength of the Rabigh project, as shown on the next page, is its cost advantage due to utilizing ethane. We are focusing on stable production in order to maximize this advantage.

*1 Petrochemical Corporation of Singapore (Pte.) Ltd. (affiliated company)
*2 The Polyolefin Company (Singapore) Pte. Ltd. (consolidated subsidiary)

Sales Revenue Ratio by Region



Q&A Environmental Strategy

Q : As the movement to reduce environmental impact expands, what is the strategy of the Essential Chemicals & Plastics Sector?

A : We will promote GX-conscious transformation of our business portfolio and contribute not only to our own reduction of greenhouse gas (GHG) emissions but also to society's reduction of GHG emissions through the development and commercialization of superior technologies for reducing environmental impact. In addition, we aim to generate continuous profits through licensing of these technologies and related catalyst business.

License / Catalyst

Propylene Oxide (PO)-only Process

The PO-only process, developed by Sumitomo Chemical, is the world's first successfully commercialized cumene-based PO-only production process, based on utilizing cumene recirculation. The process produces no byproducts, and when combined with a proprietarily developed high-performance epoxidized catalyst, provides high yields, reduced energy costs, and high operational stability. This sort of technology license contributes to reducing environmental impact even outside of Sumitomo Chemical's factories.

Catalyst Business

Sumitomo Chemical conducts development and sales for high-performance catalysts that maximize the effects of licensed technologies and contribute to reducing environmental impact. Because these catalysts can be expected to secure stable returns in addition to reducing GHG emissions, we are focusing on expanding this business.

Technological Development

Material Recycling and Chemical Recycling

We are working to develop and commercialize material recycling technology, which turns waste plastics and other wastes back into resources that can then be used in new products, and chemical recycling technology, which chemically converts trash and waste plastics into the raw materials used for new plastics.

→ P. 45 Contribution to the recycling of resource

Effective Use of CO_2

Within our petrochemical complex in Singapore, we are considering combining propane dehydrogenation (PDH) technology, which produces propylene from propane, with a CO_2 fixation technology that synthesizes methanol very efficiently, using CO_2 as a raw material, alongside the hydrogen produced as a byproduct of the PDH process. If this initiative succeeds, this could be a new breakthrough that can both reduce environmental impact, by reducing the amount of CO_2 emitted from chemical plants and other facilities, and also improve economic performance by increasing the production of certain products.

Value Creation Model: Rabigh Project

Value Chain

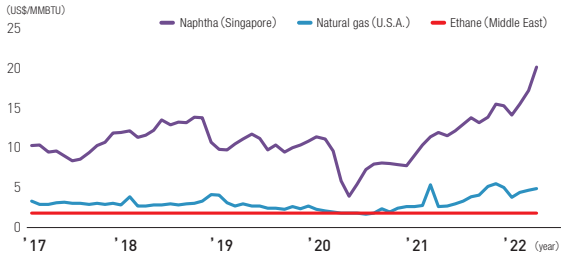
Petro Rabigh produces a variety of petroleum and petrochemical products using crude oil and cost-competitive ethane from Saudi Aramco as its primary feedstocks.

System for Providing Added Value

Competitive Advantages of Rabigh Project

Procuring ethane from Saudi Aramco as the main feedstock offers outstanding cost competitiveness, as raw material prices can be fixed at lower levels compared to competitors using naphtha as feedstock, and margins will expand as product prices increase, among other factors. In addition, it is the world's largest integrated complex, which leads to competitive advantages due to lower unit costs.

Cost Difference of Petrochemical Feedstocks



Major Processes Generating Competitive Advantages

Petro Rabigh produces a variety of petroleum and petrochemical products using crude oil supplied by Saudi Aramco and cost-competitive ethane as main raw materials. The company makes products such as PP, PE, and PO, using technology licenses from Sumitomo Chemical, which boasts world-class technology. Moreover, the local staffs' operational technique is improving by receiving training at overseas facilities, particularly in Singapore. Moreover, Sumitomo Chemical Asia, which handles sales, has facilities throughout Asia, shortening delivery times and reducing logistics costs.

Work in progress at Petro Rabigh

Providing Customer Value

Because there are risks of obstructions to procurement in the Middle East region of Asia, where logistics can be unstable, customers have a strong desire for accurate and stable product delivery. By having inventory in locations close to customers, we can meet these needs by offering sales with more reliable and shorter delivery times than competitors, securing a high level of trust. In addition, while it has the flexibility to change a certain volume of sales and customers according to market conditions in each region, by focusing more on continued sales to core customers, the company further increases the reliability of its stable supply. Through these efforts, Sumitomo Chemical Asia is working to build long-term relationships with customers.

Added Value Provided to Society

Contributing to Reducing Environmental Impact by Using Cutting-edge Technology in Plants

Petro Rabigh uses the breakthrough, environmentally friendly PO-only process to produce PO, which, compared with conventional production processes, reduces CO_2 emissions by 300 thousand tons of CO_2 for an annual production volume of 200 thousand tons of PO. We not only produce stable supplies of a product essential for society, we also use energy and resources efficiently throughout the plant with this sort of cutting-edge technology, thereby contributing to reducing environmental impact.

Energy & Functional Materials

The Energy & Functional Materials Sector sells high-performance materials, such as battery materials and super engineering plastics, and provides solutions to improve the performance of eco-friendly products, such as environmentally friendly vehicles.

Businesses

- **Advanced Polymers Business**
  Liquid crystal polymers (LCP), Polyether sulfone (PES)
- **Specialty Chemical Business**
  Resorcinol, Plastic additives, Emulsions
- **Inorganic Materials Business**
  High-purity alumina, Low soda alumina Aluminum hydroxide, High-purity aluminum
- **Battery Materials Business**
  Battery Separators, Cathode materials

We will accelerate R&D that meets the needs of the times and contribute to solving environmental and energy issues through innovative technologies.

Kingo Akahori
Representative Director & Senior Managing Executive Officer

Strengths of the Energy & Functional Materials Sector

As seen in our products that maintain the world's top market share, such as high-purity alumina and resorcinol, and separators for lithium-ion secondary batteries with the world's highest level of heat resistance, we believe that our strengths are our product lineup that meets diversifying customer needs and our R&D, evaluation, manufacturing and process technologies that create these product lines.

Initiatives in FY 2021

With regard to LCP, we have decided to increase production capacity at our Ehime Works in order to promptly improve the current tight supply-demand situation worldwide. In addition, we have decided to withdraw from the EPDM (ethylene-propylene-non-conjugated diene rubber) business, as we have judged that it will be difficult to secure stable earnings over the medium- to long-term.

Future Initiatives

Concentrate our resources on growth businesses such as battery materials and super engineering plastics. In separators for lithium-ion secondary batteries, we will respond to diversifying customer needs by leveraging our strengths such as high-level safety and long life. In cathodes, we aim to develop a high-productivity calcination process and send them into the market. On the other hand, we will determine directions for low-profit businesses, including cutback and withdrawal. In the next-generation business, we will develop new technologies for solid-state batteries, direct recycling of cathodes, and separation membranes.

SWOT Analysis of the Major Businesses

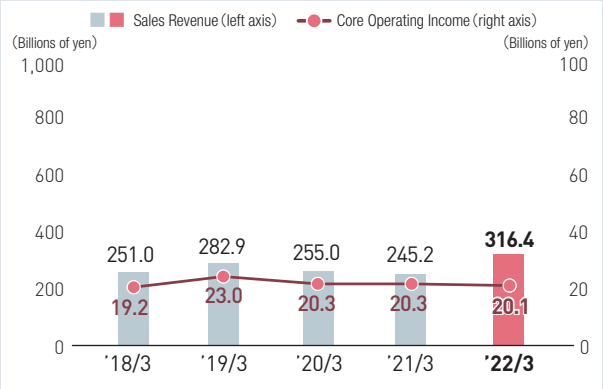
S — Strengths
- Superior product performance using differentiated technologies
- Reliability of products proved in use by customers

W — Weaknesses
- Relatively small business
- Cost competitiveness

O — Opportunities
- Sophistication of performance requirements against the backdrop of increasing battery capacity
- Expansion of the environment- and energy-related markets

T — Threats
- Market decline due to change in EV promotion policies
- Paradigm shift in secondary batteries

Sales Revenues and Core Operating Income



(Billions of yen)

	FY2021	FY2024 Target	Change
Sales Revenues	**316.4**	**390.0**	**+73.6**
Core Operating Income	**20.1**	**31.0**	**+10.9**
Sales revenue of SSS* -designated products	**52.7**	**75.0**	**+22.3**

* Sumika Sustainable Solutions

Corporate Business Plan, Direction for the Business Sector

Concentrate investments and expand business in growth areas

Battery materials

Separators: Development, increase in production capacity and sales expansion in accordance with advances in battery capacity

Demand for lithium-ion secondary batteries is expected to continue to grow, especially for automotive applications. We will respond to the rapidly expanding EV society with our accumulated technologies and promote further expansion of our separator business by increasing our production capacity to meet customer demand.

Our Initiatives

- Increase production capacity to meet the increasing demand for automotive, expand sales to new customers and pursue cost rationalization.
- Focus on expanding sales for consumer use like home appliances, electrically power assisted bicycles.

Cathodes: Expand sales of precursors, establish calcination technology and commercialize

By establishing our proprietary high-productivity calcination process, we aim to enter the market for high nickel-content cathodes, which is expected to grow in the future.

Our Initiatives

- Launch validation equipment on schedule and acquire customer certification
- Develop cobalt-free cathodes to help achieve a sustainable society

Super engineering plastics (LCP)

Expand business with increased production capacity. Expand sales into automotive and 5G high-speed telecommunications connector

With the shift to EVs, engine parts are decreasing while onboard connectors and EV motor peripheral parts are increasing. In addition, as 5G goes into full swing, demand for LCPs that match the required characteristics is expected to increase. We will develop a production regime to meet such robust demand and focus on expanding sales in growth fields.

Decision to increase capacity by January 2022: Approx. **9,000** tons at present ▶ **30%** expansion in 2023

Our Initiatives

- Considering further increase in production capacity
- Respond to automotive demand and expand sales of 5G high-speed telecommunication connectors

Decide direction for low-profit business

While giving maximum consideration to the impact on stakeholders, we will downsize or withdraw from businesses that we judge to be unprofitable in the future due to changes in the business environment and other factors, in an effort to improve the business portfolio.

Projects for which decisions have already been made

- September 2021: Decided to withdraw from the EPDM business
- May 2022: Decided to withdraw from the dyestuffs business

Develop next generation business

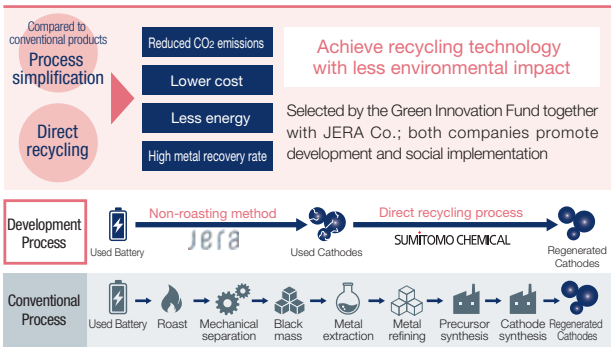
Develop new technologies such as solid-state batteries and cathodes direct recycling

●Solid-state batteries

Compared to current lithium-ion secondary batteries, solid-state batteries are safer and are expected to become the next generation of batteries. We aim to develop solid-state battery materials by 2023 in collaboration with Kyoto University.

●Cathodes direct recycling

Recycling technology that regenerates cathodes collected from used lithium-ion secondary batteries without returning it to metal. JERA Co. and we were selected for NEDO's "Green Innovation Fund Project: Development of Next-Generation Storage Batteries and Next-Generation Motors". Both companies will promote development of the recycling technology and social implementation.



Status of Global Expansion

Expanding our Business to Quickly Meet Customer Needs

In the Energy & Functional Materials Sector, Sumitomo Chemical has marketing functions in local group companies such as Sumika Electronic Materials (Shanghai) Co., Ltd. and Sumitomo Chemical Europe S.A./N.V., for efficient sales activities with a technical suggestion in order to promptly respond to the needs of overseas customers. For example, one of the sector's core businesses is super engineering plastics, for which over half of shipments are to China and other overseas customers. Using our molecular design technology and design support technology which leverages the characteristic of materials, we propose solutions that meet customer needs. In the future, we are considering further strengthening such overseas sales organization, including through alliances with other companies.

Super engineering plastics

Strategy and Areas of Focus for Global Expansion

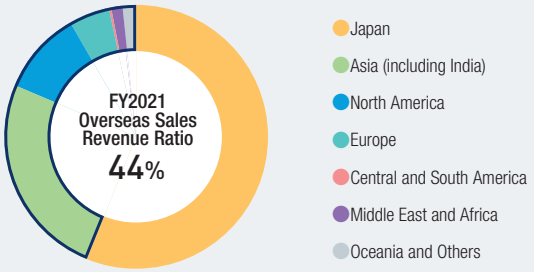
LCP

- Develop a value chain in Europe and the US
- Maintain and expand our share of the connector market, primarily in China

PES

- Expand share in artificial dialysis membrane applications, primarily in Asia and the US
- Expand use in high-performance membrane applications, such as for pharmaceutical companies

Sales Revenue Ratio by Region



Q&A Future Developments in Separators

Q : What kind of future developments are you thinking about for the separator business?

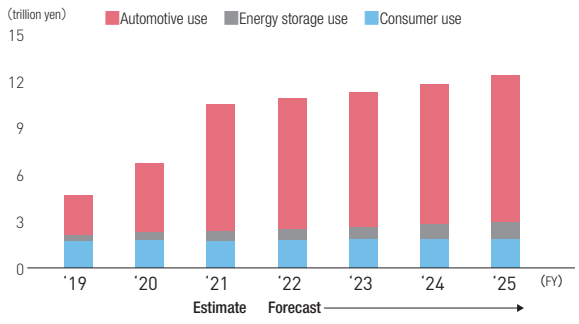
A : Because of the impact of stricter environmental regulations in countries, the scale of the market for environmentally friendly vehicles is projected to expand to sales of over 40 million vehicles in 2030, and demand for separators will expand accordingly.

There are two main issues to address for environmentally friendly vehicles to become widespread. The first is cruising distance, and lithium-ion secondary batteries are continuing to evolve, primarily with expanded capacity. Under such situations, the requested characteristics of separators are being further raised, and there is an increasingly broad scope for leveraging the superiority of aramid coatings. The other major issue is cost, and there is a need to significantly reduce the price of lithium-ion secondary batteries, which account for over half a vehicle's cost. There is also a strong demand to reduce the cost of separators, and competition is becoming more severe with the emergence of Chinese manufacturers. Accordingly, we are rethinking the materials used and the manufacturing process in order to significantly reduce costs.

In addition to these initiatives, in order to meet a dramatic expansion in future customer demand, we are quickly expanding our production capacity and promoting an expansion of our separator business.

Separators

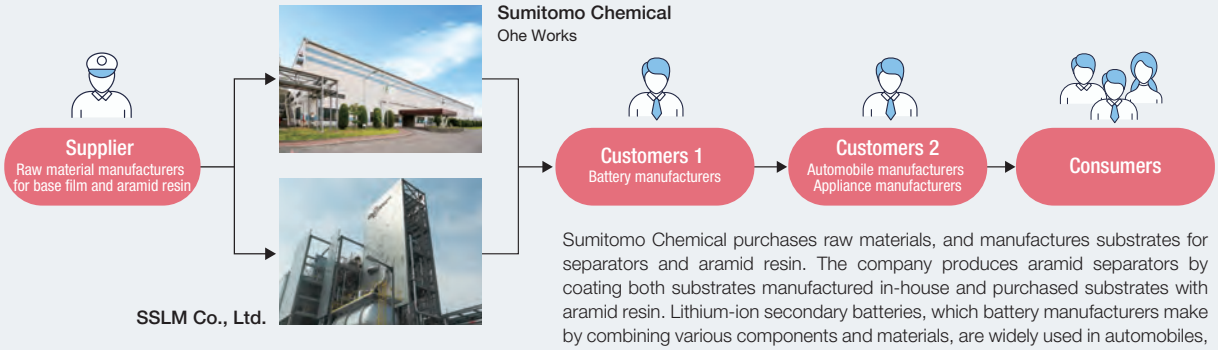
Market Forecast for Lithium-ion Secondary Batteries



(Note) Automotive use: EV/HEV/PHEV applications; Energy storage use: Uninterruptable power supplies and base transfer stations; Consumer use: Small-scale consumer applications
(Source) Fuji Keizai Co., "General Survey of Battery-related Market Conditions – Battery Cells Market," 2022 edition

Value Creation Model: Separators

Value Chain



Sumitomo Chemical purchases raw materials, and manufactures substrates for separators and aramid resin. The company produces aramid separators by coating both substrates manufactured in-house and purchased substrates with aramid resin. Lithium-ion secondary batteries, which battery manufacturers make by combining various components and materials, are widely used in automobiles, home appliances, electrically power assisted bicycles etc..

System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

The use of coated separators has become mainstream for lithium-ion secondary batteries. Among separator coatings, there are mainly ceramic coatings and aramid coatings, and almost all producers of separators are making ceramic coating separators. Compared to other companies' products, our aramid coating separators were used earlier in automobiles, and they have a track record for many years as high-quality and high-performance separators. Besides, they have superior safety (heat resistance), and they have been made lighter, weighing just kilograms for each electric vehicle, delivering customers added value that is different from other companies. In order to further strengthen the superiority of our aramid separator, we are conducting research to enhance the strength of the separators and reduce their thickness.

Major Processes Generating Competitive Advantages

We are not only conducting research and development of separators but also working on improving productivity. We are capable of applying a uniform aramid coating with industry-leading speed, while maintaining high quality. Productivity at the plant of SSLM in South Korea has tripled since 2015 due to factors such as more advanced techniques, accumulated experience, and improvements in coating equipment. We expect further productivity improvement in the future.

Providing Customer Value

Customers and consumers need EVs and other environmentally friendly vehicles with a long cruising range, and for that type of environmentally friendly vehicle, it is essential to implement high-quality, high-performance batteries. Our direct customers, the battery manufacturers, seek to manufacture batteries that provide that performance at the lowest possible cost. For that reason, we provide high-safety (heat resistant) separators, and we are working to improve productivity to be able to provide products with superior cost competitiveness. We also periodically communicate with customers to hear what new needs they have, and then work to develop products that can meet those needs.

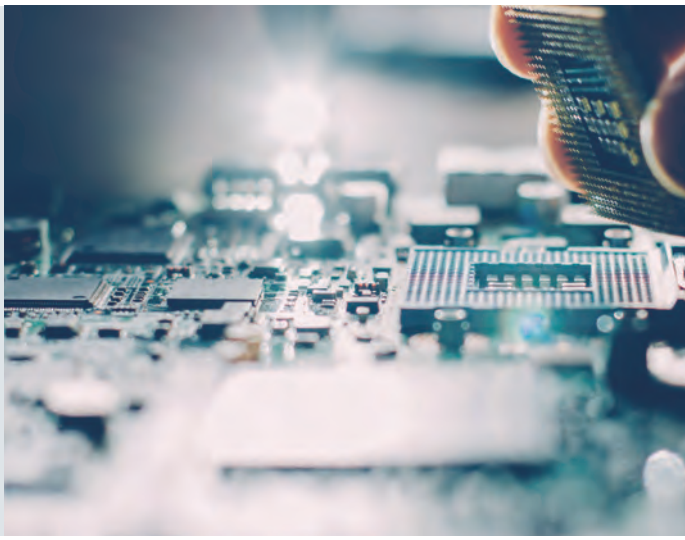
Added Value Provided to Society

Contributing to Realize a Sustainable Society through the Separator Business

With more rigorous environmental regulations being put in place all over the world, the shift to environmentally friendly vehicles like EV is accelerating. Environmentally friendly vehicles loaded with lithium-ion secondary batteries can reduce CO_2 emission while driving as compared with gasoline cars. Separators are essential components in creating highly safe lithium-ion secondary batteries, and are indispensable for environmentally friendly vehicles to gain ground. Sumitomo Chemical contributes to realize a sustainable society through its separator business.

IT-related Chemicals

The IT-related Chemicals Sector contributes to improving the performance and productivity of semiconductors and displays by providing highly functional display-related materials and high quality semiconductor materials.



Businesses

Display-related Materials Business
Polarizing films, Color resists, Touch-sensor panels, Polymer light-emitting materials, etc.

Semiconductor Materials Business
Photoresists, Processing chemicals for semiconductors, Compound semiconductors, Aluminum targets, etc.

Deliver new value that responds to the growth in the ICT industry by combining our material development capabilities with our optimization technology.

Masaki Matsui
Representative Director & Senior Managing Executive Officer

Strengths of the IT-related Chemicals Sector

We have been working to build a market oriented global supply chain, utilizing it to develop and supply products. In addition to this development and supply system, we are able to provide high value-added products by combining multiple materials and technologies that only an integrated chemical manufacturer can offer. Another of our strengths is our ability to develop products in borderline areas by making full use of the know-how we have accumulated through our technologies and quality response in both the display and semiconductor fields.

FY2021 Business Performance and Results of Initiatives

In FY2021, we achieved record-high profits, supported by the recent efforts to enhance the value-added display-related materials business and to strengthen the supply system in the semiconductor materials business, as well as by stay-at-home demand and the robust semiconductor market. In the display-related materials business, we promoted the enhancement of competitiveness, including supply chain optimization. In addition, we decided to strengthen our global supply system for photoresists and high-purity chemicals for semiconductors in order to allocate business resources to areas where future growth can be expected.

Future Initiatives

In the display-related materials business, we will work to develop and launch materials for next-generation displays while further increasing the ratio of high-value-added products, such as materials for OLED displays, which utilize our core technologies. In the semiconductor-related materials business, we will develop and expand sales of advanced materials for silicon semiconductors that respond to customers' process innovation, while steadily capturing growing demand. For compound semiconductors, we aim to commercialize next-generation power device materials that contribute to solving social issues such as energy saving. In terms of new business development, we will focus on the development of materials for next-generation high-speed communications and high-sensitivity image sensors, while actively collaborating with external parties.

SWOT Analysis of the Major Businesses

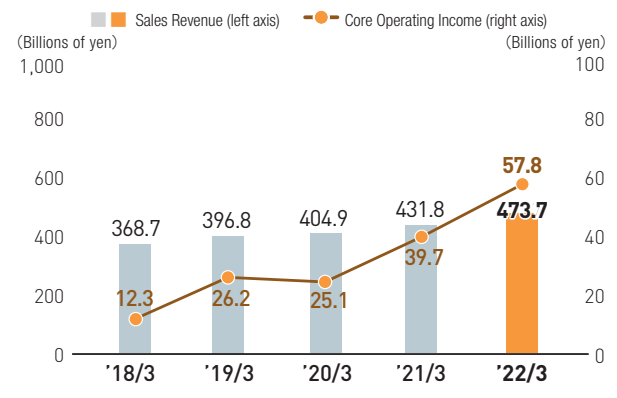
S — Strengths
- Offering a wide range of display-rerated materials
- Global supply chains ever established on market oriented
- Providing high value-added products by combining multiple materials and technologies
- Product development capabilities in the boundary area of displays and semiconductors

W — Weaknesses
- Heavy reliance on some specific products

O — Opportunities
- Fast-growing OLED displays market
- Expanding semiconductor market due to full-scale spread of 5G, the shift to electric vehicles, growth of the metaverse market, and the advance of digital transformation

T — Threats
- Intensifying competition in the matured LCD market

Sales Revenues and Core Operating Income



(Billions of yen)

	FY2021	FY2024 Target	Change
Sales Revenues	**473.7**	**560.0**	**+86.3**
Core Operating Income	**57.8**	**58.0**	**+0.2**
Sales revenue of SSS* -designated products	**262.3**	**276.1**	**+13.8**

* Sumika Sustainable Solutions

Corporate Business Plan, Direction for the Business Sector

Basic Policy

We create new core technologies and products by adding our unique wisdom, technology, experience, and network to existing core technologies.

Policies by Business Area

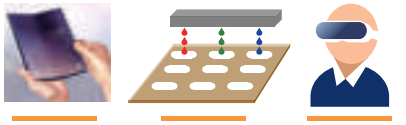
Display-related materials: Maintain competitive advantage by leveraging our own core technologies

Focus on materials for high-end TVs, OLED smartphones, automotive and next-generation displays by differentiating technologies and quality.

Our Initiatives

- Secure market share in existing high value-added fields
- Capture demand for materials for next-generation displays
- Continue restructuring of commodity LCD materials business

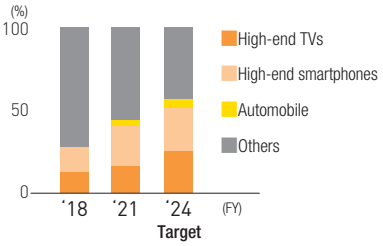
Materials for Next-generation Displays



Foldable/Rollable Displays | OLED Displays (Printing Methods) | Micro Displays for AR/VR Devices

Polarizing Films for Automobile

Product Mix of Polarizing Films



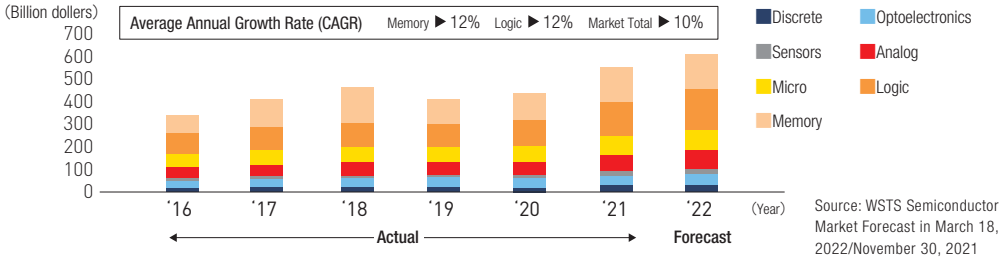
Silicon semiconductor materials: Capturing business opportunities in response to market expansion

We will ensure to capture the demand that is expected to steadily expand for the coming several years in the context of increasing CAPEX of data centers to accommodate DX, full-fledged deployment of 5G communications, and electrification/autonomous driving.

Our Initiatives

- Securely capture growing demand
- Develop products that support innovations in customer processes

Semiconductor Market Trends



Source: WSTS Semiconductor Market Forecast in March 18, 2022/November 30, 2021

New businesses: Creation of new businesses for the next generation

We aim to establish the third business by the late 2020s, following the display-related materials business and the silicon semiconductor materials business.

Our Initiatives

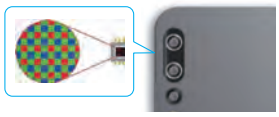
- Establish business in materials related to telecommunications and sensors
- Launch next-generation power device materials business and contribute to evolution in energy saving technologies

Examples of our developed products

Repeater for mobile communications

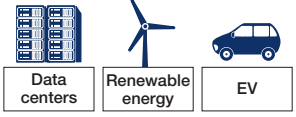
These are transparent, thin antennas that can be mounted on the windshields of cars. They are compatible with 5G high-speed communication and contribute to improving the communication environment in public transportation and expanding the communication area of mobile devices.

Image sensor-related materials



Materials related to image sensors for smartphone cameras, automotive and security applications. They contribute to higher sensor performance, such as higher sensitivity and pixel counts.

Next-generation power device materials

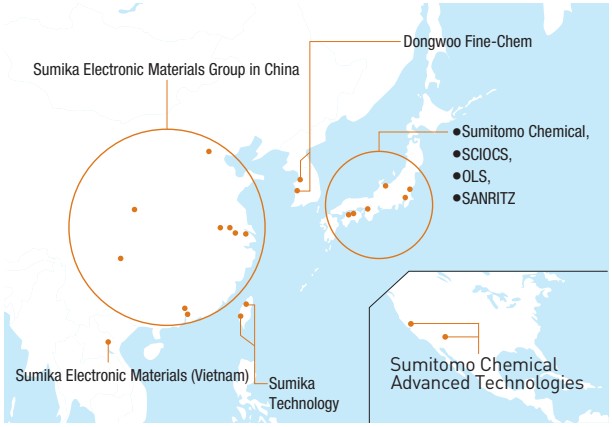


Gallium nitride substrates for next-generation power devices. It can reduce the size and loss of power conversion circuits used in data center servers, wind power generation, EVs, and other applications. It contributes to carbon neutrality through energy saving.

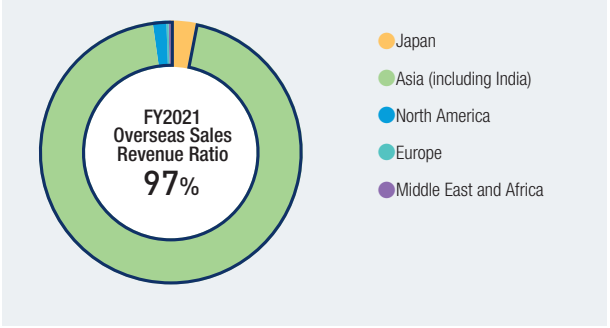
Status of Global Expansion

Building a Market Oriented Supply Chain

We have worked to build a market oriented global supply chain, building good relationships with customers by establishing our production facilities close to customer manufacturing facilities, comprehending their needs and developing/supplying products as quickly as possible. Specifically, the Sumika Electronic Materials Group in China has many facilities, which conduct their businesses in such a way as to respond to the needs of their respective customers. In recent years, we have strengthened local production capabilities, by taking measures such as converting XUYOU Electronic Materials (Wuxi) into a subsidiary in 2018, expanding production facilities for polarizing films, and expanding production capacity for processing chemicals for semiconductors in Xi'an and Changzhou. These achievements have become one of our company's strengths. As a result of building a business network centered in East Asia, the global center of display and semiconductor production, our sector has ever increased its sales income from outside Japan year by year. Within Japan, in addition to manufacturing display materials mainly at the Ohe Works and semiconductor materials mainly at the Osaka Works, we have also worked to strengthen our businesses in these fields, which are expected to grow going forward, for example, by establishing SCIOCS after acquisition of Hitachi Metals' compound semiconductor material business in 2015, or converting SANRITZ into a subsidiary in 2019, which has a competitive advantage in polarizing films for automobile use.



Sales Revenue Ratio by Region



Q&A Meeting the Demand for Semiconductors

Q: What specific actions are you taking to reliably capture demand for semiconductor materials?

A: In the semiconductor market, demand is expected to grow for cutting-edge semiconductors going forward, due to background factors such as the evolution of artificial intelligence (AI) technology and the full-scale commercialization of next-generation communication systems (5G). With the expectation that EUV lithographic exposure, a new type of light source, will become dominant in this field, there will be demand for photoresists suited for even greater miniaturization in pattern formation.

Our Strengths

We have established excellent product design and evaluation techniques based on the organic synthesis technologies cultivated in our various fine chemical businesses, and we have ever expanded our business by utilizing our ability to respond to our customers quickly, which was realized on the basis of the concentration of manufacturing, research, and sales functions, primarily in our Osaka Works. In particular, we have a high global market share in photoresists for immersion ArF lithographic exposure, which is mainly used in the formation processes of miniaturized circuits, due to our performance advantages and reliability in quality. In addition, we not only expect to increase shipments of photoresists for EUV lithographic exposure, to align with the mass production schedule of major customers that have decided to adopt our products, we are also continuing development of new EUV photoresists to accommodate even greater miniaturization needs for securing future orders.

Specific Actions:

In FY2019, we completed a new plant for cutting-edge photoresists, which began operations in FY2020. In addition, in order to strengthen our semiconductor photoresist development and evaluation structures to handle cutting-edge processes, we decided to build a new facility at the Osaka Works, which is scheduled to start operation in FY2022. We will continue to strengthen our global production system for semiconductor photoresists for cutting-edge processes. Due to factors such as the ever increasing speed and volume of data transmission, the semiconductor market is expected to continue to grow going forward. Because we forecast that our production capacity will be strained by around 2025, we are considering further improving our business systems in view of long-term demand.

Aiming for Dramatic Business Expansion

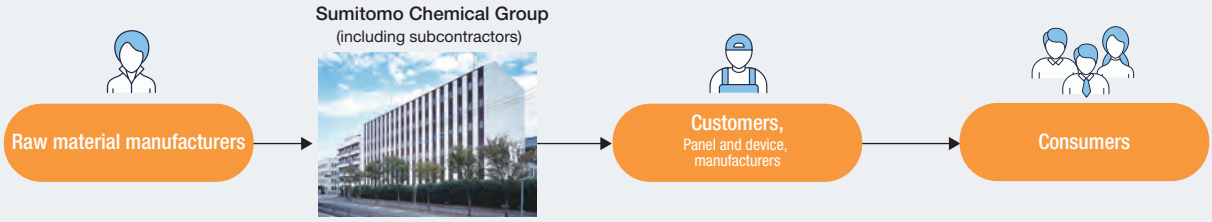
Semiconductor Business Sales Revenue: 1.5 times* by the Mid-2020s

*Compared to results for FY2021

(Including photoresists, processing chemicals for semiconductors, and compound semiconductors) *

Value Creation Model: Materials for OLED/Next-generation Displays

Value Chain



Materials for OLED Displays Currently on the Market

We manufacture liquid crystal coated-type retardation film based on proprietary technology, process it into the final product, circularly polarizing film, and ship it to customers. In addition, we supply circularly polarizing films and display cover materials that have outstanding folding durability for flexible OLED displays.

Materials for OLED/Next-generation Displays in Development

We are working to develop materials for OLED displays (printing methods) and micro displays for AR/VR devices to meet customer needs.

System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

Our unique strength is in the liquid crystal material used in circularly polarizing film for OLED displays. Our circularly polarizing film which incorporates the optical film made from this liquid crystal material, developed in-house, offers outstanding functionality to display real blacks by limiting reflections of ambient lights such as sunlight or indoor lighting on displays and constant color no matter what angle they are viewed from. For this reason, they contribute to the creation of OLED displays with extremely high image quality.

Major Processes Generating Competitive Advantages

In order to develop retardation and polarizing functions using liquid crystal materials, the liquid crystal molecules must be systematically oriented in a specific direction. We are working to develop molecular designs that will achieve this sort of optical performance. Moreover, we are also manufacturing liquid crystal materials in-house, and optimizing optical designs for circularly polarizing film suitable for the various OLED displays of TVs and smartphones.

Providing Customer Value

Customers are highly interested in creating next-generation displays. The level of development demand is high. To reach the level of development requirements from our customers, we are proposing high-functionality materials, for flexible OLED displays, multi-functional flexible materials that realize foldable and even rollable displays, for large-sized OLED displays, polymer light emitting materials that will lead to improved display quality and lower production costs, and even for ultra-small, ultra-fine next-generation displays applicable for AR/VR/MR glasses, color conversion materials that will enhance the optical characteristics of them through quantum dots or color photoresists technologies.

Added Value Provided to Society

Creating More Abundant and Convenient Daily Lives for People

Displays are the interfaces between people and ICT, and will continue to evolve alongside changes in people's lifestyles and the progress in communications technology, part of the infrastructure of society. In addition to displays that provide even better portability or even more realistic viewing experiences, new displays, which are indispensable for technologies such as mixed reality, are being developed actively and these technologies even might change the nature of peoples' experiences. By developing and producing materials and components for OLED displays and next-generation displays, Sumitomo Chemical is contributing to the creation of new items that have never existed before, and thereby creating more abundant and more convenient daily lives for everyone.

Health & Crop Sciences

The Health & Crop Sciences Sector contributes to improving food productivity and promoting people's health by providing distinctive agrochemicals, agricultural materials, methionine, active pharmaceutical ingredients, and other products on a global scale.

Businesses

Agrosolutions Business
Crop protection chemicals, Biorationals, Fertilizers, Rice, etc.

Environmental Health Business
Household pesticides, Disease control insecticides, Products for controlling tropical diseases, Veterinary drugs, etc.

Feed Additives Business
Methionine

Pharmaceutical Chemicals Business
Active pharmaceutical ingredients for small molecule drugs, Nucleic acid medicine, etc.

Based on our own research and development capabilities, we contribute to solving the world's food, health, hygiene and environmental problems.

水戸 信彰

Nobuaki Mito
Representative Director & Senior Managing Executive Officer

Strengths of the Health & Crop Sciences Sector

We globally distribute not only excellent crop protection chemicals developed in-house, but also unique crop protection and enhancement products such as biorationals and post-harvest with high market shares. The strength of our crop protection business is in our lineup of unique products and the research and development capability that created it, as well as our global sales network. Moreover, in our methionine business, Sumitomo Chemical offers a stable supply, with integrated production from raw materials using advanced production technology.

Initiatives in FY2021

In South America and India, where we made major strategic investments, we focused on maximizing integration synergies. In addition, we established the world's first* technology for producing guide RNA (gRNA) on a large scale with extremely high purity of approximately 90% for genome editing therapy, and decided to build a new plant for manufacturing nucleic acid drug substances at our Oita Works.

*Referring to a technology to produce gRNA with a high purity of approximately 90% on a large scale. (Based on the results of an internal survey)

Future Initiatives

We will differentiate ourselves from our competitors by leveraging our strengths in environmentally friendly products such as biorational and botanicals. In chemical crop protections, we will focus on maximizing sales of new large-scale products such as Indiflin® (a fungicide for soybean rust), while developing and launching products with more emphasis on reducing environmental impact. In addition, we will strengthen our supply chain, which has expanded through business acquisitions in South America, and aim to improve capital efficiency by steadily recovering the results of our investments. In R&D, we will invest resources with emphasis on business areas where we have strengths and actively utilize open innovation.

SWOT Analysis of the Major Businesses

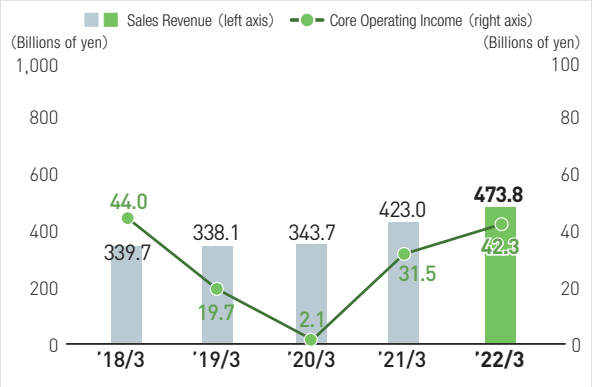
S — Strengths
- Excellent research and development capabilities and the robust development pipeline of crop protection chemicals and the biorationals
- Differentiated technologies and products in niche areas
- Products with high market share
- Alliances with multinational crop protection companies
- Offering total solutions

W — Weaknesses
- Relatively small business size compared to the competing majors

O — Opportunities
- Increasing food demand due to the growing global population
- Growing agriculture-related businesses
- Increased demand in fields related to or downstream of the environmental health business
- Accelerating growth of the biorationals market due to intensifying regulation of crop protection chemicals

T — Threats
- Intensifying regulation of crop protection chemicals
- Increased competition with off-patent crop protection chemicals
- Full-scale entry into the field of biorationals by multinational crop protection companies

Sales Revenues and Core Operating Income



(Billions of yen)

	FY2021	FY2024 Target	Change
Sales Revenues	**473.8**	**590.0**	**+116.2**
Core Operating Income	**42.3**	**84.0**	**+41.7**
Sales revenue of SSS*-designated products	**189.2**	**185.5**	**-3.8**

* Sumika Sustainable Solutions

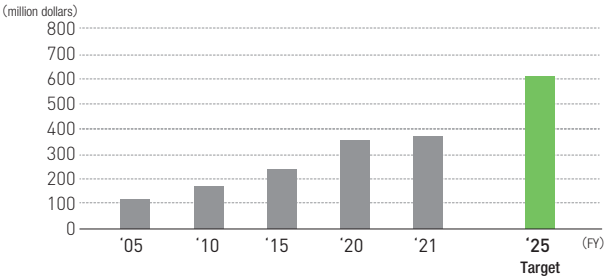
Corporate Business Plan, Direction for the Business Sector

Business portfolio reforms aimed at strengthening a group of sustainable products

We will differentiate ourselves from our competitors by leveraging our technologies and product lines in areas where we have strengths, such as biorational and botanicals, including microbial crop protection products, plant growth regulators, rhizosphere microbials. We will also promote the development and marketing of chemical crop protection with a stronger awareness of the need to contribute to the reduction of environmental impact.

Biorational Sales*

With a high market growth rate of 10-15% per year, sales are expanding year after year.



*Total for rhizosphere microbials, plant growth regulators, microbial crop protection products, and botanical pesticides

Supporting No-Till Farming With Chemical Crop Protection

What is no-till farming?

- A method of cultivating the next crop without tilling the soil before sowing, leaving the dead leaves and stubble of the crop on the farmland.
- In addition to soil conservation, this method is attracting attention as an agricultural method with low environmental impact because it suppresses GHG emissions from plowing and GHG emissions and emissions from decomposition of organic matter in the soil.

Our new herbicide, Rapidicil®, with performance suitable for no-till farming

Compared to existing herbicides, it is fast-acting and effective against a wide variety of weeds, making it ideal as a pre-planting herbicide for weed-infested no-till fields.

Advances and efficiencies in R&D

We will narrow down our focus areas and concentrate our resources in areas where we have strengths, while actively utilizing open innovation.

Partners in the Food Field

Ginkgo Bioworks (synthetic biology), Nuritas (development of bioactive peptide for improving animal health and performance), Danforth (development of carbon negative technology), Nufarm (joint development of mixture products), Bayer (development of next-generation weed control system), etc.

Partners in the Healthcare Field

IVCC (development of innovative products and technologies for mosquitoes that transmit malaria and other vector-borne diseases), etc.

Secure returns on investments already made

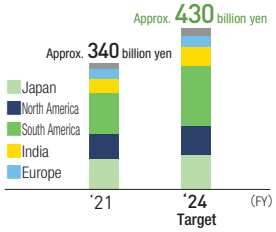
We will work to ensure the recovery of investments made, and aim to achieve ROIC that exceeds the cost of capital as soon as possible.

Agrosolutions Business in South America

August 2020: Start of integrated operation of four acquired Nufarm South American subsidiaries and our existing affiliates in South America
May 2022: Launch of Excalia Max®, a fungicide for soybeans containing the new active ingredient Indiflin® in Brazil

EXCALIA MAX

Sales revenue target for crop protection business
(excluding environmental health business)



Strengthen global supply chain

To maximize profits from our expanded global footprint, we will strengthen our supply chain to ensure consistent product quality and security of supply.

Roll out Integrated Business Planning (IBP) framework

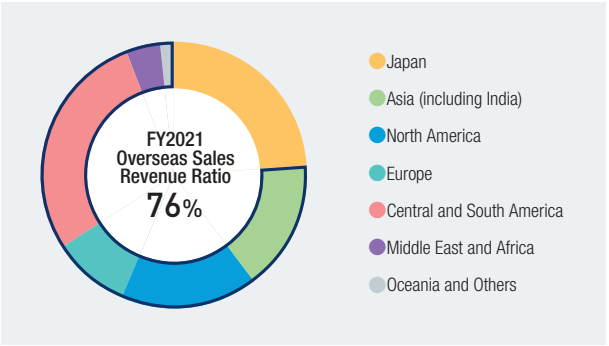
- Realize speedy decision-making based on financial information based on real-time information sharing and integrated management across the entire supply chain of production, sales, purchasing, and logistics.
- Expanding globally following South America

Status of Global Expansion

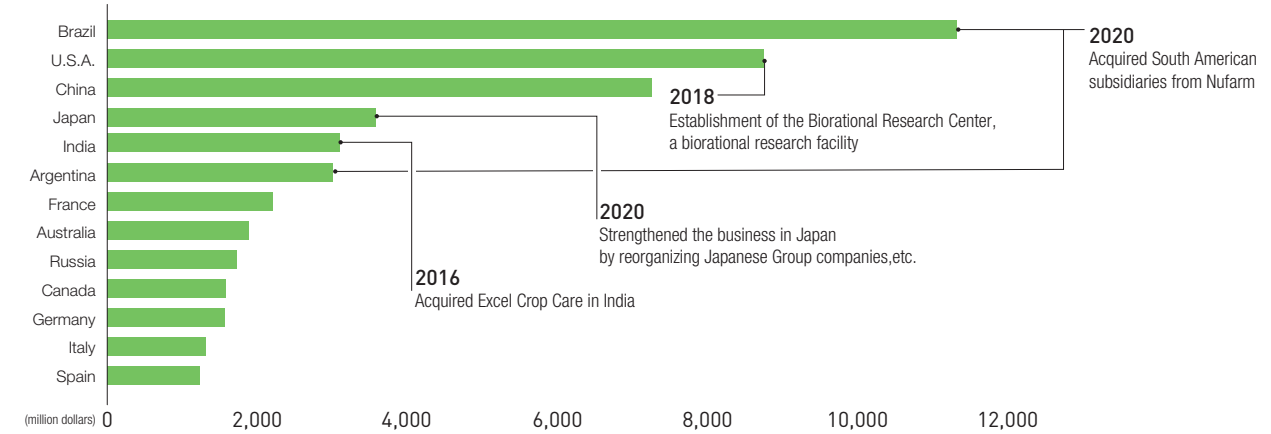
The global expansion of our crop protection business began in the early 1960s when we started exporting the pesticide Sumithion to North America. Since then, following on from the establishment of Valent U.S.A. in 1988, we have been building up research, production, and sales facilities around the globe. Because climate and crops vary widely depending on the region, we have built a system that enables us to develop products suited for a particular region, and to respond quickly to the needs of the region.

We have been expanding our facilities in the world's major crop protection markets, including the U.S.A. and Europe, Asia, and South America, and of the countries with the six largest crop protection markets around the world, we are currently securing or strengthening our sales capabilities in five of them.

Sales Revenue Ratio by Region



Crop Protection Market Size (2021)



(Source) AgbioCrop (May. 2022)

Q&A Ranking among the Leading Global Players

Q : In recent years, the multinational crop protection companies have undergone a consolidation, and the gap between the scale of Sumitomo Chemical's crop protection business and that of the major companies is widening, so how do you plan to compete going forward?

A : With the mergers of Dow and DuPont in 2017 and Bayer and Monsanto in 2018, two major players were born. At the moment, however, we have no plans to emulate them and merge with another company. We will employ the following three strategies to secure a place among our global competitors.

Compete on Our Research and Development Capabilities

Living things will inevitably develop resistances to crop protection products over the course of time. For this reason, it is necessary to continuously develop new crop protection products, and research and development capabilities are extremely important to achieve this. The number of patents we hold compares favorably with those of multinational crop protection companies, and we intend to compete going forward as a crop protection company based on our research and development capabilities.

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Compete on Our Extensive Global Footprint

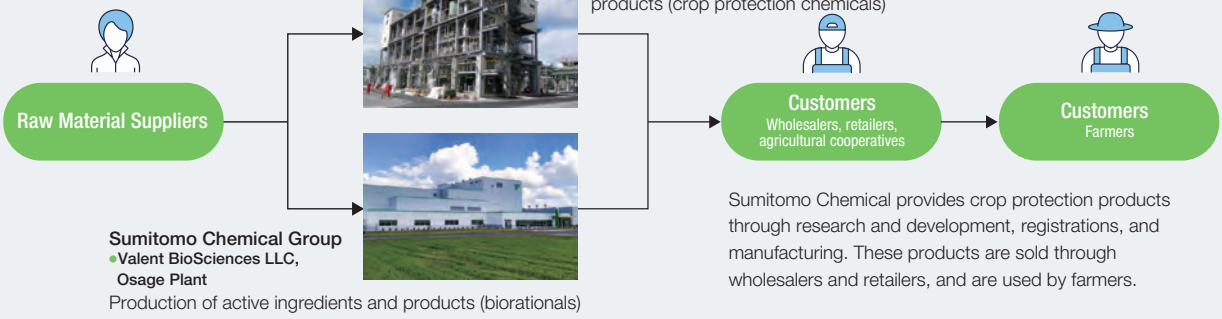
Up until a few years ago, our global footprint did not measure up when compared with the major players, who have the ability to deliver products to all sorts of regions around the world. In recent years, however, in addition to our acquisition of Excel Crop Care in 2016, we also acquired the South American business of Nufarm in 2020, among other initiatives, making steady progress in our efforts to strengthen our global footprint. In addition, we are not only selling the crop protection products we have developed using our own global footprint, we are also selling them as part of pest control systems offered by multinational crop protection companies, enabling us to access an even broader range of regions.

Compete on the Twin Pillars of Biorationals and Crop Protection Chemicals

The mergers of the multinational players seems to have been primarily aimed at strengthening their lineups of crop protection chemicals and genetically modified crop seeds, but we have no intention of entering the field of genetically modified crop seeds because the field requires large-scale investment, and is the main battleground of multinational crop protection companies. We will utilize our unique research and development capabilities in the fields of crop protection chemicals and in the biorationals market, where we are the world leader, competing with a distinctive product lineup as our edge. The growth of the market for biorationals is expected to accelerate going forward, and we foresee that the multinational crop protection companies will also enter this market in full force, and competition will escalate. We are focusing on strengthening our business even further in this field, securing our position as the leading company.

Value Creation Model: Global Agrosolutions Business

Value Chain



Sumitomo Chemical provides crop protection products through research and development, registrations, and manufacturing. These products are sold through wholesalers and retailers, and are used by farmers.

System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

There are many players in the global crop protection market, from multinational companies based mostly in the U.S.A. and Europe to comparatively small ones. Crop Protection products differ significantly in needs by region and crops. Sumitomo Chemical pursues unique positioning in various markets around the world, by using its product portfolio consisting of chemical and biorational products for crop protection and enhancement. We are undertaking new solution development from a long-term perspective, from the discovery of novel lead compounds to the product development for end-users, and the proprietary products and technologies derived from this process are the foundation of our competitive advantage.

Health & Crop Sciences Research Laboratory

Major Processes Generating Competitive Advantages

In the discovery stage, which is important in developing new solutions, we search for active ingredients for new crop protection products. In this process, we evaluate not only a compound's efficacy but also its safety for people and the environment. We utilize our global research and development network so as to develop new solutions as soon as possible. In addition, in the product development for end-users, we are also putting effort into product development for new formulations and applications to add more value on existing active ingredients.

The technical guidance of biorationals

Providing Customer Value

Farmers use crop protection products as they hope to improve the quality and yield of their agricultural crops. In addition, they also expect to make farming work more efficient, and improve profitability. At the same time, they also pursue safety and reliability of crops, hoping that the crop protection products will not harm either their health or that of the consumers of the agricultural products. For this reason, we provide unique, highly effective products that meet customer needs. By creating solutions that reflect the needs of each region or crop, we contribute to the creation of new sustainable agricultural techniques.

Added Value Provided to Society

Contributing to a Stable Food Supply by Improving Food Productivity

Plant growth regulators, one of the products of our overseas crop protection business, act to enhance the fruit-bearing ability of fruits and vegetables, increase their size, and improve their quality. As they can adjust the flowering and maturity periods, plant growth regulators can help crop cultivation even in cold and dry regions, and contribute to increasing food production in various regions around the world. In the face of an increasing world population and a growing world economy, there has been an increasing demand for safe and reliable food. We are increasing food productivity by globally supplying unique materials, and we aim to contribute to a stable food supply.

P. 48 → Contribute to the food supply advance sustainable agriculture

Pharmaceuticals

Within the Pharmaceutical Sector of the Sumitomo Chemical Group, Sumitomo Pharma Co., Ltd. develops and markets prescription drugs, and Nihon Medi-Physics Co., Ltd. develops diagnostic drugs, supporting people in leading healthy and active lives.

Businesses

- Prescription Drugs
- Diagnostic Drugs
- CDMO* (Contract Development and Manufacturing Organization) Business

Through the autonomous operations of each company, we pursue the maximum synergy between pharmaceuticals and chemistry.

重森隆志

Takashi Shigemori
Senior Managing Executive Officer

Strengths of the Pharmaceuticals Sector

In the prescription drug business, our strength is our R&D capability, particularly in the areas of psychiatry & neurology, oncology, and regenerative medicine/cell therapy. In the diagnostic drug business, our core competencies are our solid experience and technologies cultivated over 50 years. In addition, our ability to cooperate with the Group to make the best use of the company's foundational technologies, including genome analysis and cell differentiation, is one of our major strengths.

Synergy of Business and Technology

Sumitomo Pharma has strong ties with Sumitomo Chemical in terms of its technological genealogy. for instance, Sumitomo Pharma's regenerative medicine/cell therapy business has its roots in safety research for crop protection products at Sumitomo Chemical. Sumitomo Chemical's Bioscience Research Laboratory has incorporated Sumitomo Pharma's genome technology to increase synergy in research and to cultivate new businesses. Chemistry and pharmaceuticals are intertwined, and have the potential to generate a variety of businesses.

Future Initiatives

Our top priority is to establish a revenue base after the end of LATUDA® exclusivity period in the U.S. In the areas of ORGOVYX® (treatment for prostate cancer) and MYFEMBREE® (treatment for uterine fibroids), we will partner with Pfizer Inc. to reduce business risks and maximize the potential of the products. For GEMTESA® (treatment for overactive bladder), we will pursue cost synergies by leveraging the Group's internal sales platform in sales and distribution. With these new products, we aim to surpass LATUDA® in sales. In addition, with an eye on medium- to long-term growth, we will focus on creating new products in the psychiatry & neurology area, as well as next-generation medicine such as regenerative medicine/cell therapy and Theranostics, and further strengthen the CDMO business, which is expected to grow.

SWOT Analysis of the Major Businesses

S Strengths

- Drug research platform in the areas of psychiatry & neurology and oncology
- Development capabilities and manufacturing know-how for cellular medicine derived from allogeneic iPS cells
- Network with academia and biotech companies
- Pipeline in development for psychiatry & neurology, oncology, and regenerative medicine/cell therapy
- Strong development and manufacturing capabilities for radioactive isotope labeling agents

W Weaknesses

- Limited ability to bear the burden of R&D costs
- Emergence of generic drugs due to the loss of exclusivity for major products

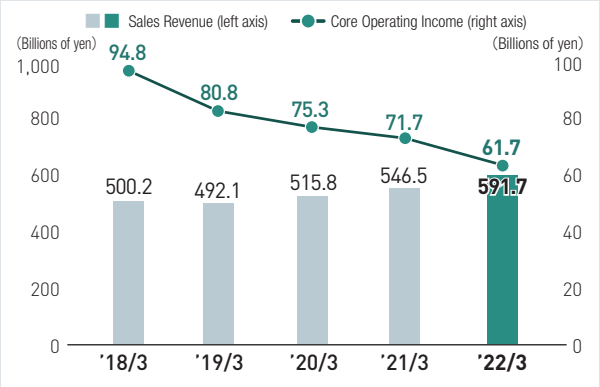
O Opportunities

- Innovation in healthcare technology
- Increase in demand for healthcare due to increasing health consciousness and calls for preventative medicine
- Progress in next-generation healthcare such as regenerative medicine/cell therapy

T Threats

- Accelerated implementation of medical expense control measures in Japan
- Changes in the health insurance systems overseas
- Consolidation in the pharmaceutical industry
- Increasing costs of drug discovery and acquisitions

Sales Revenues and Core Operating Income



(Billions of yen)

	FY2021	FY2024 Target	Change
Sales Revenues	**591.7**	**610.0**	**+18.3**
Core Operating Income	**61.7**	**73.0**	**+11.3**

Corporate Business Plan, Direction for the Business Sector

Establishment of revenue base after the end of LATUDA® exclusivity in the U.S.

As a post-LATUDA agent, we will maximize revenues from ORGOVYX®, MYFEMBREE®, and GEMTESA®. In addition, the Company will also promote rationalization, including improvement of management efficiency and optimization of business costs, in order to become a business entity suitable for post-LATUDA

→ P. 81 Q&A: Post-LATUDA Response

Strategies for Medium- and Long-Term Growth

Looking ahead to what comes after ORGOVYX®, MYFEMBREE®, and GEMTESA®, we will continue to create new products in the psychiatry & neurology area. In addition, we will seek to maximize product value as quickly as possible by accelerating development and reducing risk, including the active use of external resources. Furthermore, we will achieve medium- to long-term growth by taking on the challenge of developing and commercializing new therapeutic methods, such as regenerative medicine/cell therapy, and Theranostics.

Joint development and commercialization alliance with Otsuka Pharmaceutical Co., Ltd.

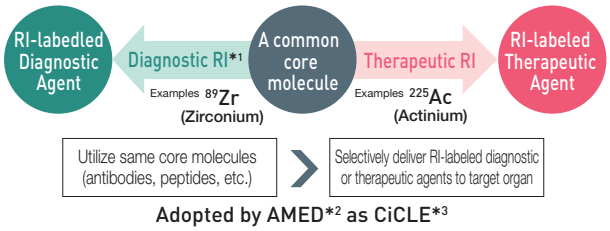
Ulotaront is a next-generation antipsychotic that has received Breakthrough Therapy* designation from the U.S. Food and Drug Administration (FDA). Last year, we agreed to co-develop and co-market ulotaront and other neuropsychiatric compounds with Otsuka Pharmaceutical, which has strengths in this area. We will leverage this alliance to develop the drug into a new blockbuster for medium-to long-term growth.

Development item	Proposed indications	Scheduled to be launched
ulotaront	Schizophrenia	(U.S.) FY2024 (Japan) FY2026
	Adjunctive therapy for major depressive disorder	Under consideration
	Third Indication	Under consideration
SEP-4199	Bipolar I Depression	(U.S., Japan) Late 2020s

*The U.S. FDA's program to facilitate the development and review of drugs for serious or life-threatening diseases.

Theranostics

As a next-generation therapeutic approach, we aim to develop new radiopharmaceuticals that "integrate therapeutics and diagnostics (Theranostics)" by taking advantage of the characteristics of nuclear medicine. In the CRADLE building, our drug research facility, we are working diligently on research and development to deliver optimal medical care to patients as soon as possible.



Adopted by AMED*2 as CiCLE*3

*1 RI: Radioactive isotope
*2 AMED: Japan Agency for Medical Research and Development
*3 CiCLE: Cyclic Innovation for Clinical Empowerment

Strengthen CDMO business

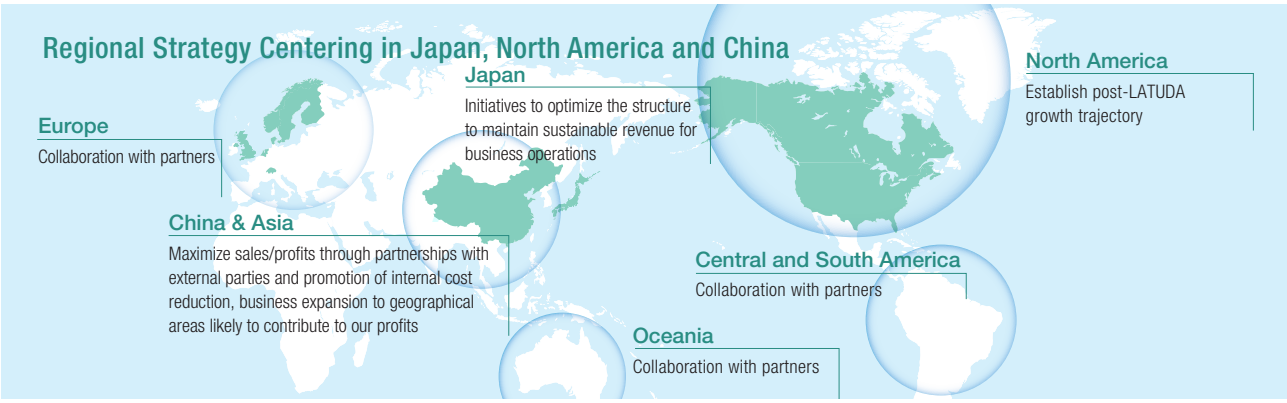
In the fields of regenerative medicine/cell therapy and next-generation pharmaceuticals such as alpha-particle therapeutics, which are expected to show remarkable growth in the future, we will maximize the synergy between chemistry and pharmaceuticals to aggressively develop our CDMO business.

S-RACMO Co., Ltd.

S-RACMO, a joint venture of both companies, conducts CDMO business in the field of regenerative medicine/cell therapy by combining Sumitomo Chemical's pharmaceutical expertise in basic technology for iPS and ES cells and contract manufacturing of pharmaceutical products with Sumitomo Pharma's experience in advanced manufacturing method development and formulation development gained through multiple projects in the regenerative medicine/cell therapy business. Last year, the company was commissioned to produce corneal endothelial cells and develop manufacturing methods, and in February of this year, a new regenerative medicine/cell therapy manufacturing facility "FORCE" (Facility of Regenerative and Cellular Medicine Organization) started operation. We will continue to work to further expand our presence in this fast-growing field.

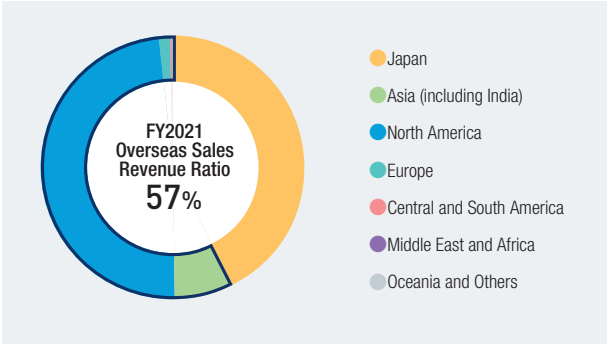

Facility of Regenerative and Cellular Medicine Organization (FORCE)

Status of Global Expansion



About 60% of the revenue in our Pharmaceuticals segment comes from outside Japan, and one of the features of our Pharmaceuticals segment is its global reach, centered in Japan, North America, and China. Sumitomo Pharma had always aimed to expand to the U.S., beginning global development of LATUDA® internally in 2007 while also building a foundation in the U.S. with the acquisition of the former Sepracor (now Sunovion) in 2009, then successfully launching LATUDA® in the U.S. market in 2011. Since then, LATUDA® has grown to be a blockbuster, and revenues from outside Japan increased significantly. Currently, we are focused on establishing a path to growth in view of the post-LATUDA. In addition, growth in demand for pharmaceuticals throughout Asia has been significant, including China, which has the world's second-highest level of demand, so it is a region where we expect sustained growth going forward. Currently we are building our sales structure to increase our presence in the market, enhancing the capabilities of our subsidiaries and strengthening collaboration with local partners. For other regions, we plan to maximize revenue by collaborating with partners.

Sales Revenue Ratio by Region



Q&A Dealing with Post-Latuda

Q : What is your specific response to post-LATUDA?

A : ORGOVYX®, MYFEMBREE®, and GEMTESA®, acquired through the strategic alliance with Roivant, are major drugs that are expected to become post-LATUDA, and all were launched in the U.S. in 2021. From this year onward, we will be in a phase to maximize revenues from these three drugs. We aim to maximize product value as early as possible while partnering with external parties, and aim to surpass LATUDA® in sales of these three drugs.

As part of our efforts to maximize product value, we will form alliances with external partners in areas such as joint development and co-promotion. Specifically, Myovant, which handles ORGOVYX® and MYFEMBREE®, entered into a development and commercialization alliance with Pfizer in North America. We aim to reduce business risks in the development process and leverage Pfizer's sales platform for rapid market penetration and sales expansion after the product launch. In addition, we will jointly promote GEMTESA® by utilizing the sales platform of our U.S. subsidiary, Sunovion Pharmaceuticals Inc. In addition, the company will support the distribution of the three drugs to wholesalers. By collaborating among group companies in this way, we will also seek to maximize cost synergies.

At the same time as expanding sales of the three drugs, we will also work to improve management efficiency and optimize business costs in order to build a new and strong revenue base after the end of LATUDA®'s exclusivity in the U.S.

ORGOVYX®
(a product of Myovant)

GEMTESA®

Value Creation Model: Sumitomo Pharma

Value Chain

Sumitomo Pharma

Supplier
Chemical manufacturer
Active pharmaceutical ingredients and intermediates manufacturer

→ Sumitomo Pharma → Pharmaceutical wholesalers → Hospitals and dispensing pharmacies → Patients

Sumitomo Pharma manufactures pharmaceutical products developed by itself using bulk pharmaceuticals and intermediates as raw materials and provides them to hospitals and dispensing pharmacies through pharmaceutical wholesalers. The company also provides information on the proper use of its pharmaceutical products to medical professionals and patients.

System for Providing Added Value

Sumitomo Pharma's Competitive Advantages

While Sumitomo Pharma is a smaller company than the major global pharmaceutical producers, its strength is its strong sales platform in the U.S., the region with the greatest demand for pharmaceuticals. In addition, Sumitomo Pharma is at the forefront of development of regenerative medicine/cell therapy which is expected to see market growth as cutting-edge healthcare, and is currently making progress in clinical development while also collaborating with academia and biotech companies.

LATUDA®

Major Processes Generating Competitive Advantages

Many employees of Sumitomo Pharma are located in the U.S., and the company is establishing a post-Latuda path to growth through the development capabilities cultivated with LATUDA® and through its sales capabilities, which utilize collaboration between facilities in the U.S. In addition, in the field of regenerative medicine/cell therapy the company has both the Regenerative & Cellular Medicine Kobe Center, a research facility, and the SMaRT facility, the world's first commercial manufacturing facility dedicated to regenerative medicine/cell therapy products derived from allogenic iPS stem cells. Furthermore, in the U.S., we received approval in October 2021 for RETHYMIC®, a regenerative medicine product for the indication of pediatric congenital atresia, and this year we decided to construct a cell product manufacturing facility there. We will continue to further strengthen our business by utilizing both our bases in Japan and the U.S.

Sunovion Pharmaceuticals Inc.

Providing Customer Value

Sumitomo Pharma aims to contribute to improved quality of life for patients by creating revolutionary treatments and healthcare solutions in fields with high unmet medical needs, utilizing its abundant pipeline, drug discovery capabilities, cutting-edge technology and know-how, and its broad scientific network.

The facility dedicated to regenerative medicine and cell therapy products (SMaRT)

Added Value Provided to Society

Contributing to the Advancement of Cutting-edge Healthcare and Better Quality of Life for Patients

Sumitomo Pharma contributes to the treatment of patients with various diseases by providing high-quality medicine and drug information. In addition, the company contributes to the development of advanced healthcare by utilizing the technologies and knowledge cultivated by Sumitomo Chemical over many years in the life science field. Through synergy between Sumitomo Pharma and Sumitomo Chemical, we work on contributing to solving healthcare issues, one of the material issues to be addressed as management priorities.

Directors & Senior Management

(As of July 1, 2022)

■ Number of shares held (as of March 31, 2022)
■ Number of attendances at Board of Directors meetings for fiscal 2021

Board of Directors

Chairman of the Board

Masakazu Tokura

Birth Date: July 10, 1950

■ 274,400
■ 13/13 times (100%)

1974 Joined Sumitomo Chemical Co., Ltd.
2019 Chairman of the Board (current)

Representative Director & President

Keiichi Iwata

Birth Date: October 11, 1957

■ 171,700
■ 13/13 times (100%)

1982 Joined Sumitomo Chemical Co., Ltd.
2019 Representative Director & President (current)

Representative Director

Noriaki Takeshita

Birth Date: July 23, 1958

■ 96,100
■ 13/13 times (100%)

Essential Chemicals & Plastics Sector, Business Development for a Circular System for Plastics

1982 Joined Sumitomo Chemical Co., Ltd.
2018 Representative Director & Senior Managing Executive Officer (current)

Representative Director

Masaki Matsui

Birth Date: August 3, 1960

■ 77,421
■ 13/13 times (100%)

IT-related Chemicals Sector

1985 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

Representative Director

Kingo Akahori

Birth Date: August 2, 1957

■ 56,600
■ 13/13 times (100%)

Energy & Functional Materials Sector

1983 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

Representative Director

Nobuaki Mito

Birth Date: August 4, 1960

■ 62,700
■ 13/13 times (100%)

Health & Crop Sciences Sector

1985 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

Director

Hiroshi Ueda

Birth Date: August 5, 1956

■ 136,500
■ 13/13 times (100%)

Research Planning and Coordination, Digital and Data Science Innovation, Process & Production Technology & Safety Planning, Production & Safety Fundamental Technology Center, Engineering, Intellectual Property, Responsible Care, Industrial Technology & Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory, Bioscience Research Laboratory

1982 Joined Sumitomo Chemical Co., Ltd.
2019 Director & Executive Vice President (current)

Director

Hiroshi Niinuma

Birth Date: March 5, 1958

■ 102,900
■ 13/13 times (100%)

General Affairs, External Relations, Legal, Human Resources

1981 Joined Sumitomo Chemical Co., Ltd.
2022 Director & Executive Vice President (current)

Outside Director

Outside Director

Hiroshi Tomono

Birth Date: July 13, 1945

■ 0
■ 13/13 times (100%)

1971 Joined Sumitomo Metal Industries, Ltd.
2005 Representative Director & President, Sumitomo Metal Industries, Ltd.
2012 Representative Director & President & COO, Nippon Steel & Sumitomo Metal Corporation
2014 Representative Director & Vice Chairman, Nippon Steel & Sumitomo Metal Corporation
2015 Director & Advisor, Nippon Steel & Sumitomo Metal Corporation
2015 Outside Director, Sumitomo Chemical Co., Ltd. (current)
2015 Advisor, Nippon Steel & Sumitomo Metal Corporation
2016 Outside Director, Japan Nuclear Fuel Limited (current)
2020 Senior Advisor, NIPPON STEEL CORPORATION (current)
2020 Outside Director, The Kansai Electric Power Co., Inc. (current)

Outside Director

Motoshige Itoh

Birth Date: December 19, 1951

■ 0
■ 13/13 times (100%)

1993 Professor, Faculty of Economics, The University of Tokyo
1996 Professor, Graduate School of Economics, The University of Tokyo
2007 Dean, Graduate School of Economics, Faculty of Economics, The University of Tokyo
2015 Outside Director, East Japan Railway Company (current)
2016 Professor, Faculty of International Social Sciences, Gakushuin University
2016 Professor Emeritus, The University of Tokyo (current)
2018 Outside Director, THE SHIZUOKA BANK, LTD.(current)
2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)
2022 Outside Director, JX Nippon Mining & Metals Corporation (current)
2022 Outside Director, Hagoromo Foods Corporation(current)

Outside Director

Atsuko Muraki

Birth Date: December 28, 1955

■ 0
■ 13/13 times (100%)

1978 Joined Ministry of Labour
2005 Counsellor for Policy Evaluation, Minister's Secretariat, Ministry of Health Labour and Welfare
2006 Deputy Director-General, Equal Employment, Children and Families Bureau, Ministry of Health Labour and Welfare
2008 Director-General, Equal Employment, Children and Families Bureau, Ministry of Health Labour and Welfare
2010 Director-General for Policies on Cohesive Society, Cabinet Office
2012 Director-General, Social Welfare and War Victims' Relief Bureau, Ministry of Health Labour and Welfare
2013 Vice Minister of Health Labour and Welfare, Ministry of Health Labour and Welfare
2015 Retired from Ministry of Health Labour and Welfare
2016 Outside Director, ITOCHU Corporation (current)
2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Outside Director

Akira Ichikawa

Birth Date: November 12, 1954

■ 0
■ –/– times (–%)

1978 Joined Sumitomo Forestry Co., Ltd
2010 Representative Director & President, Sumitomo Forestry Co., Ltd.
2020 Representative Director, Chairman of the Board, Sumitomo Forestry Co., Ltd. (current)
2021 Outside Director, Konica Minolta, Inc. (current)
2022 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Directors & Senior Management

■ Number of shares held (as of March 31, 2022)
■ Number of attendances at Board of Directors meetings for fiscal 2021
● Number of attendances at Corporate Auditors meetings for fiscal 2021

Corporate Auditors

Standing Corporate Auditor

Kunio Nozaki

Birth Date: October 29, 1956

■ 89,700
■ 13/13 times (100%)
● 14/14 times (100%)

1979 Joined Sumitomo Chemical Co., Ltd.
2019 Corporate Auditor (current)

Standing Corporate Auditor

Hiroaki Yoshida

Birth Date: March 2, 1956

■ 20,600
■ 13/13 times (100%)
● 14/14 times (100%)

1980 Joined Sumitomo Chemical Co., Ltd.
2015 Corporate Auditor (current)

Outside Corporate Auditor

Outside Corporate Auditor

Mitsuhiro Aso

Birth Date: June 26, 1949

■ 0
■ 13/13 times (100%)
● 14/14 times (100%)

1975 Prosecutor
2010 Superintending Prosecutor, the Fukuoka High Public Prosecutors Office
2012 Retirement as Prosecutor
2012 Registered as Attorneys (current)
2013 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd. (current)
2019 Outside Director, Sumitomo Mitsui Trust Holdings, Inc. (current)

Outside Corporate Auditor

Yoshitaka Kato

Birth Date: September 17, 1951

■ 0
■ 12/13 times (92%)
● 14/14 times (100%)

1978 Registered as a certified public accountant (current)
2008 CEO, Ernst & Young ShinNihon LLC (Currently Ernst & Young ShinNihon LLC)
2014 Retired from Ernst & Young ShinNihon LLC (Currently Ernst & Young ShinNihon LLC)
2015 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd. (current)
2015 Outside Corporate Auditor, Mitsui Fudosan Co., Ltd. (current)
2016 Outside Corporate Auditor, Sumitomo Corporation (current)

Outside Corporate Auditor

Michio Yoneda

Birth Date: June 14, 1949

■ 2,000
■ 13/13 times (100%)
● 14/14 times (100%)

1973 Joined Bank of Japan
1998 General Manager, Sapporo Branch of Bank of Japan
2000 Retired from Bank of Japan
2000 Executive Director, Osaka Securities Exchange (Currently Japan Exchange Group, Inc.)
2003 President & CEO, Osaka Securities Exchange Co., Ltd.
2013 Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc. Director, Tokyo Stock Exchange, Inc.
2015 Resigned as Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc. Resigned as Director, Tokyo Stock Exchange, Inc.
2018 Outside Director, Asahi Broadcasting Group Holdings Corporation (current)
2018 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd. (current)
2020 Outside Director, Toyo Tire Corporation (current)

Position / Name	In Charge
 Senior Managing Executive Officer **Takashi Shigemori**	Corporate Planning, IT Innovation
 Managing Executive Officer **Marc Vermeire**	Sumitomo Chemical Agro Europe S.A.S., Sumitomo Chemical Europe S.A./N.V.
 Managing Executive Officer **Keiichi Sakata**	Sumitomo Chemical Asia Pte Ltd
 Managing Executive Officer **Motoyuki Sakai**	Inorganic Materials Div., Specialty Chemicals Div., Advanced Polymers Div., Battery Materials Div.
 Managing Executive Officer **Seiji Takeuchi**	Planning & Coordination Office, Essential Chemicals & Plastics Sector, Responsible Care Dept., Essential Chemicals & Plastics Sector, Basic Materials Div., Industrial Chemicals Div., Essential Chemicals Research Laboratory
 Managing Executive Officer **Naoyuki Inoue**	Procurement, Logistics
 Managing Executive Officer **Keigo Sasaki**	Corporate Communications, Accounting, Finance
 Managing Executive Officer **Kenji Ohno**	Sustainability, Internal Control and Audit, Legal Dept.
 Managing Executive Officer **Shinichiro Nagata**	Ehime Works
 Managing Executive Officer **Yoshizumi Sasaki**	Business Development Office for a Circular System for Plastics, Resin-related Business Development Dept., Polyolefins Div., Automotive Materials Div., MMA Div.
 Managing Executive Officer **Ichiro Kosaka**	Planning & Coordination Office, Energy & Functional Materials Sector, Quality Assurance Office, Energy & Functional Materials Sector
 Managing Executive Officer **Takanari Yamaguchi**	Research Planning & Coordination Dept., Digital and Data Science Innovation Dept., Intellectual Property Dept., Industrial Technology & Research Laboratory, Advanced Materials Development Laboratory
 Managing Executive Officer **Hirokazu Murata**	Oita Works, Misawa Works
 Managing Executive Officer **Koichi Ogino**	Chiba Works
 Managing Executive Officer **Juan Ferreira**	Work related to South American businesses of the Health & Crop Sciences Sector and Valent U.S.A.
 Managing Executive Officer **Shinsuke Shojima**	AgroSolutions Div. – International, Animal Nutrition Div.

Position / Name	In Charge
 Executive Officer **Akira Iwasaki**	Planning & Coordination Office, Energy & Functional Materials Sector, Quality Assurance Office, Energy & Functional Materials Sector
 Executive Officer **Inho Rha**	Dongwoo Fine-Chem Co., Ltd
 Executive Officer **Akira Nakanishi**	Planning & Coordination Office, IT-related Chemicals Sector, Electronic Materials Div.
 Executive Officer **Masao Shimizu**	Human Resources Dept., Osaka Office Administration Dept.
 Executive Officer **Hiroaki Fujimoto**	AgroSolutions Div. – Japan
 Executive Officer **Kanako Fukuda**	Sumitomo Chemical Europe S.A./N.V.
 Executive Officer **Hiroyoshi Mukai**	Planning & Coordination Office, Health & Crop Sciences Sector, Quality Assurance Office, Health & Crop Sciences Sector
 Executive Officer **Takanori Ito**	Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center, Responsible Care Dept.
 Executive Officer **Yoshihiro Ino**	IT Innovation Dept.
 Executive Officer **Tetsuo Takahashi**	Planning & Coordination Office, Essential Chemicals & Plastics Sector
 Executive Officer **Tomoyuki Hirayama**	General Affairs Dept., External Relations Dept.
 Executive Officer **Satoshi Honda**	Planning & Coordination Office, IT-related Chemicals Sector, Quality Assurance Office, IT-related Chemicals Sector
 Executive Officer **Takeo Kitayama**	Corporate Planning Office
 Executive Officer **Noriaki Oku**	Rabigh Refining and Petrochemical Company
 Executive Officer **Junpei Tsuji**	Research Planning Coordination Office
 Executive Officer **Toshihiro Yamauchi**	Accounting Dept.

Directors & Senior Management

Expertise and Experience of Directors and Corporate Auditors and Reasons for Their Appointment

	Position	Expertise and Experience								
		Corporate Management	Business Strategy/ Marketing	Technology/ Research	Global	ESG/ Sustainability	Finance/Accounting	Human Resources and Labor	Legal/ Compliance/ Internal Control	
Board of Directors										
Masakazu Tokura	Chairman of the Board	●	●		●					
Keiichi Iwata	Representative Director & President	●	●		●					
Noriaki Takeshita	Representative Director & Senior Managing Executive Officer		●		●		●			
Masaki Matsui	Representative Director & Senior Managing Executive Officer		●				●			
Kingo Akahori	Representative Director & Senior Managing Executive Officer		●	●	●					
Nobuaki Mito	Representative Director & Senior Managing Executive Officer		●	●						
Hiroshi Ueda	Director & Executive Vice President		●	●						
Hiroshi Niinuma	Director & Executive Vice President					●		●	●	
Hiroshi Tomono	Outside Director	●		●		●				
Motoshige Itoh	Outside Director				●					
Atsuko Muraki	Outside Director					●		●	●	
Akira Ichikawa	Outside Director	●			●	●				
Corporate Auditors										
Kunio Nozaki	Standing Corporate Auditor				●		●			
Hiroaki Yoshida	Standing Corporate Auditor		●		●				●	
Mitsuhiro Aso	Outside Corporate Auditor				●	●			●	
Yoshitaka Kato	Outside Corporate Auditor				●		●		●	
Michio Yoneda	Outside Corporate Auditor	●				●				

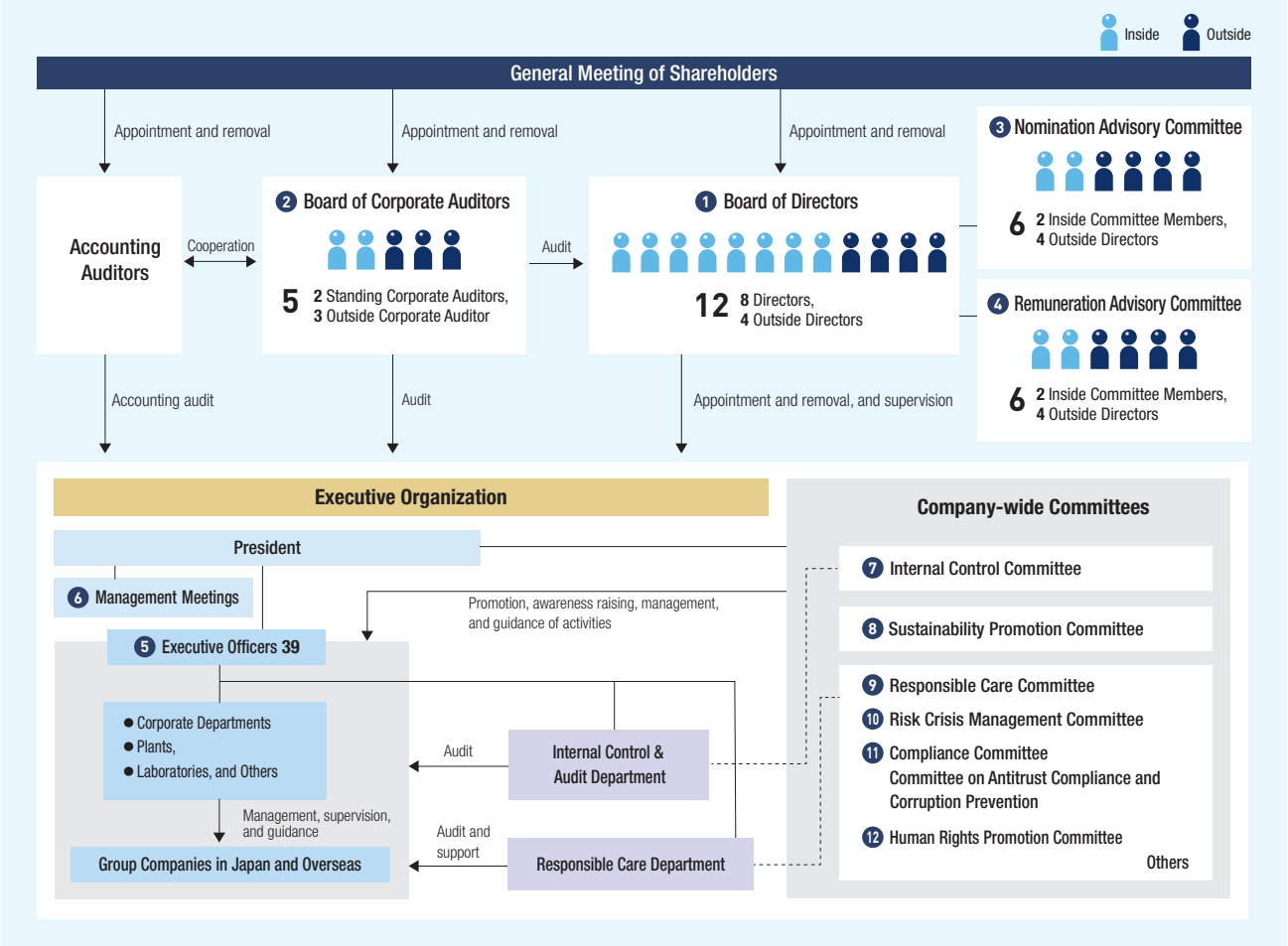
(Note) In the table below, each person's main areas of expertise and experience, up to a maximum of three areas, are designated with a ●.

Knowledge of Other Specialized Fields	Reasons for Appointment
	He served as Director & President for eight years from April 2011 to March 2019, contributing to the Company's sustained growth and increased corporate value. Since April 2019, he has been serving as Chairman of the Board of Directors, focusing on the operations of the Board of Directors and other matters.
	Since joining the Company, he has mainly engaged in business planning in the Fine Chemicals Sector and the IT-related Chemicals Sector and has worked abroad in Belgium. After his appointment as an Executive Officer, he experienced planning and administration as well as sales management and was in charge of the Energy & Functional Materials Sector as Senior Managing Executive Officer in 2018. He worked to promote the Previous Corporate Business Plan (from April 2019 to March 2022) as a Director & President since April 2019. He is also working to develop and promote the current Corporate Business Plan.
	Since joining the Company, he has mainly engaged in business planning and production planning in the Petrochemicals & Plastics Sector and has worked abroad in Singapore and Saudi Arabia (the Rabigh Project). After his appointment as an Executive Officer, he experienced planning and administration as well as sales management. Currently, as Director & Senior Managing Executive Officer, he oversees the Essential Chemicals & Plastics Sector and the Business Development for a Circular System for Plastics.
	Since joining the Company, he has mainly engaged in business planning and sales/marketing in the Fine Chemicals Sector and the IT-related Chemicals Sector. When he was responsible for business planning for optical products, he contributed to significantly expanding the business not only in Japan but also in South Korea, Taiwan, and China. He is currently in charge of the IT-related Chemicals Sector as Director & Senior Managing Executive Officer.
	Since joining the Company, he has engaged in a wide range of operations such as research and development, production technology, planning, and sales, in addition to being dispatched to the Swiss Federal Institutes of Technology and working overseas in the United States. After his appointment as an Executive Officer, he was responsible for the newly established Quality Assurance Office and divisions in the Energy & Functional Materials Sector, contributing to the growth and expansion of the sector. He is currently in charge of the Energy & Functional Materials Sector as Director & Senior Managing Executive Officer.
● (Intellectual Property)	Since joining the Company, he has mainly engaged in research and development in the Health & Crop Sciences Sector and experienced being dispatched to University of California, Davis in the United States. After his appointment as an Executive Officer, he was responsible for the pharmaceutical business and other areas in the Corporate Business Development Dept., working on the development of next-generation businesses. He is currently in charge of the Health & Crop Sciences Sector as Director & Senior Managing Executive Officer.
● (IT/DX)	Since joining the Company, he has mainly engaged in manufacturing and industrial research. In addition to them, he was responsible for business development, business planning, and safety/environment/hygiene-related operations at each plant after his appointment as an Executive Officer. He was in charge of the Energy & Functional Materials Sector as Senior Managing Executive Officer since 2016 and is currently in charge of Research Planning and Coordination, Digital and Data Science Innovation, Process & Production Technology & Safety Planning, Engineering, Responsible Care, and corporate research facilities as a Director & Executive Vice President.
	Since joining the Company, he has mainly engaged in the operations of general affairs and human resources. After his appointment as an Executive Officer, he was also responsible for administrative departments such as Legal, CSR, Internal Control and Audit, Corporate Communication, Procurement, Logistics, etc. and worked on ensuring compliance, developing and improving a corporate governance structure. He is currently in charge of General Affairs, External Relations, Legal, and Human Resources as Director & Executive Vice President.
	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, provide well-balanced advice based on an extensive view on overall management, make recommendations based on his expertise in research, technology, manufacturing and other areas, and support appropriate risk-taking, by making use of his abundant experience and extensive knowledge as a management executive of a business corporation.
● (International Economics) ● (IT/DX)	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, and provide advice and recommendations based on his advanced expertise, by making use of his expert knowledge of economics, etc. through his long experience as a university professor and his wealth of experience and extensive knowledge of economic, social and other issues from his track record as a member of various government deliberative committees.
	She can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, and provide advice and recommendations based on her advanced expertise, by making use of her wealth of experience and extensive knowledge in legal, social and other issues deriving from her employment over many years at administrative bodies as a civil servant as well as her expertise especially in human resources.
	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, provide well-balanced advice based on an extensive view on overall management, make recommendations based on his expertise in global operations, sustainability, and other areas, and support appropriate risk-taking, by making use of his abundant experience and extensive knowledge as a management executive of a business corporation.
	Since joining the Company, he has worked mainly in accounting and finance operations, and has deep knowledge and experience related to these areas. He was also appointed as Director & Senior Managing Executive Officer in 2014, and has worked in the management of the Company. He will make use of this abundant knowledge and experience related to accounting and finance, and his experience and extensive knowledge as a management executive in auditing the Company in future.
	Since joining the Company, he has experience of operations in planning, legal, and other administrative sectors, and has also worked in an overseas posting in Saudi Arabia, in addition to serving as General Manager of the Internal Audit Dept., and General Manager of the Planning & Coordination Office, Petrochemicals & Plastics Sector. He will make use of his abundant knowledge and experience regarding the Company's business in auditing the Company.
	He will make use of his expert knowledge and abundant experience as an attorney and prosecutor over many years for the Company's audits.
	He will make use of his expert knowledge and abundant experience as a certified public accountant over many years in auditing the Company.
● (Financial Markets)	He will make use of his wealth of experience and extensive knowledge of industry and social and other issues through his long career in financial and securities market management in Japan for the Company's audits.

Corporate Governance

Sumitomo Chemical has long dedicated itself to improving its corporate governance, and has undertaken a number of initiatives to further that end, including implementing the Corporate Governance Code. The company also makes continual improvements to ensure that the company's governance structures serve their appropriate functions, including with respect to executive nomination and remuneration, and that the Board of Directors is highly effective, with the aim of further improving corporate governance.

Corporate Governance Organization (As of July 1, 2022)



Measures to Date for Strengthening Corporate Governance

Date		Major Initiatives	Board Composition	Appointment of Board Members	Executive Remuneration	Other
2003	Jun.	Introduced Executive Officer system (reduced number of Directors from 25 to 10)	●			●
	Jul.	Established Compliance Committee				●
2004	Jun.	Eliminated system of retirement benefits for Directors and Corporate Auditors			●	
2007	May.	Established Internal Control Committee				●
	Sep.	Established Remuneration Advisory Group			●	
2010	Sep.	Established Nomination Advisory Group		●		
2011	Nov.	Drew up standards for appointment of independent Outside Directors	●	●		
2012	Jun.	Appointed 1 outside director	●			
2015	Jun.	Selected 3 outside directors (increased by 2)	●			
	Oct.	Established Remuneration Advisory Committee in place of Remuneration Advisory Group			●	
		Established Nomination Advisory Committee in place of Director Nomination Advisory Group		●		
2016	Dec.	Formulated Sumitomo Chemical Corporate Governance Guidelines				●
2018	Jun.	Selected 4 outside directors (including 1 woman) (increased by 1)	●			
2021	Jun.	Board of Directors consisting of more than 1/3 outside directors	●			
2022	Jun.	Introduction of a restricted stock compensation plan for Internal Directors and Executive Officers			●	

Corporate Governance Organization

❶ Board of Directors	13 FY2021	**Chairperson: Chairman of the Board (The Chairman of the Board does not concurrently serve as Executive Officer.)** **The term of office of Directors: One year** The Sumitomo Chemical Board of Directors decides management policy, business strategies, and other important matters concerning the company's management, in accordance with the law, the Articles of Incorporation, and the Board of Directors' own rules. It also receives reports from Directors and others on the performance of duties, the financial situation, and operating results, and oversees the performance of duties by each Director. In accordance with the Nomination Advisory Committee's advice, candidates for Director are nominated by the Board of Directors and are elected once a year at the General Meeting of Shareholders.
❷ Board of Corporate Auditors	14 FY2021	**Constituent members: 5 Corporate Auditors (including 3 Outside Corporate Auditors)** The Corporate Auditors and the Board of Corporate Auditors play a vital role in our corporate governance by auditing the performance of duties by Directors in accordance with the law and the Articles of Incorporation. The results of audits and the objective views of Outside Corporate Auditors are appropriately reflected in internal audits, corporate auditors' audits, and accounting audits, so as to raise the effectiveness and efficiency of auditing. The Corporate Auditors' Office has been established with staff dedicated to providing assistance in auditing functions under the direction of Corporate Auditors.
❸ Nomination Advisory Committee	3 FY2021	**Constituent members: Outside Directors and the Chairman of the Board, and the President** An advisory committee of the Board of Directors relating to the selection of senior management[*1] and the nomination of Directors and Corporate Auditors. The committee, whose members are directors (the majority of whom are outside directors) makes recommendations to the Board of Directors when selecting executives, with the aim of ensuring even greater transparency and fairness in executive selection and also clarifying the process of executive selection.
❹ Remuneration Advisory Committee	3 FY2021	**Constituent members: Outside Directors and the Chairman of the Board, and the President** An advisory committee of the Board of Directors relating to the remuneration system and remuneration levels for Directors and Executive Officers, as well as other related issues. The committee, whose members are directors (the majority of whom are outside directors) makes recommendations to the Board of Directors when determining systems for and levels of executive remuneration, among other issues, with the aim of further increasing transparency and fairness. In addition, upon authorization by the Board of Directors, the committee determines the amount of compensation for each individual executive management team member and director in accordance with the Policy for Determining Compensation for Executive Management Team Members and Directors.
❺ Executive Officers	39 FY2022	**The term of office: One year** We have appointed Executive Officers to expedite the implementation of business operations. Executive Officers are responsible for carrying out operations in accordance with the policies adopted by the Board of Directors.
❻ Management Meetings	24 FY2021	**Constituent members: The Executive Officers who are in charge of or who supervise key management functions, the Standing Corporate Auditors, and the Chairman of the Board** As an institution for debating important issues, such as corporate strategy and capital investment, these meetings support decision-making by management.
❼ Internal Control Committee	3 FY2021	By debating various measures to build or expand internal control systems, and monitoring their implementation status, this committee is intended to continually improve the internal control systems of the Sumitomo Chemical Group.
❽ Sustainability Promotion Committee	2 FY2021	This committee suggests measures to accelerate the Sumitomo Chemical Group's contributions to sustainability, taking in a comprehensive perspective on risks and opportunities with regard to medium- to long-term issues in the environment and society.
❾ Responsible Care Committee	1 FY2021	This committee formulates annual policies, medium-term plans, and specific measures concerning responsible care (safety, health, environment, and quality), including climate change issues.
❿ Risk Crisis Management Committee	10[*2] FY2021	This committee deliberates on policies for specific risks and crises, such as earthquakes, wind and flood damage caused by extreme weather, pandemics, and breakdowns in public security.
⓫ Compliance Committee	1 FY2021	This committee deliberates on the Group's compliance policies and action plans, and the status of the operation of the compliance system, including responses to internal reports and the results of activities.
⓬ Human Rights Promotion Committee	1 FY2021	This committee promotes increasing awareness of human rights issues, and drafts and executes policies to respect human rights in the entire value chain including Sumitomo Chemical Group.

*1 Senior management means Executive Officers above Senior Managing Executive Officer, and Managing Executive Officers who are immediately under the President, supervising certain functions.
*2 The number of meetings increased as we deliberated on preventive measures for the COVID-19 pandemic.

Efforts to Substantively Strengthen Corporate Governance

Changes in the Method of Operation of the Board of Directors

In FY2015, Sumitomo Chemical drastically reconsidered its various policies relating to the method of operation for the Board of Directors and corporate governance with the major aims of further strengthening the monitoring functions of the Board and further improving the transparency and objectivity of management, among other goals. At the time, a great deal of emphasis was placed on maximizing the use of the functions of Outside Directors and Auditors, so a variety of measures were considered to achieve this, centered on the thought that it would be essential to address the information asymmetry between internal executives and Outside Directors and Auditors. As a result of the numerous improvements made each year since then, meetings of the Board of Directors, as well as the operation of various related meetings before and afterwards, follow the procedures laid out in the table below.

A few days prior to the Board of Directors meeting

Advance briefing

Day of the Board of Directors meeting

Board of Directors * Standard flow

9:00	Resolutions
10:00	Reports
	● Head office monthly report
	● Business sector monthly report
	● Report on important proposals
11:15	Rotation report
12:00	End

More than 2/3 of the time in meetings of the Board of Directors is used for discussions.

Upon completion of the Board of Directors meeting

Meetings

Expanded Advance Briefings for Outside Directors and Auditors, Organic Coordination with the Board of Directors

- The roles of advance briefings and meetings of the Board of Directors have been clarified, ensuring sufficient time for discussion in the Board of Directors meeting
- The content of advance briefings, including points of discussion, are reflected in the deliberations of the Board of Directors

Report on the Summary of Internal Discussion at a Management Meeting

- Report the summary of discussions held in internal meetings for important agenda items and how the views expressed in those discussions are reflected in the agenda items

Report to Board of Directors before Deciding on a Major Proposal

- For important agenda items, such as the management direction, M&A, and other major projects, reports (including progress reports) are made to the Board of Directors from the early stages of consideration so that they can reflect the Board's intentions

Each Sector Sets Aside a Block of Time to Make Comprehensive and Systematic Reports

- Assign a sector to make a report on the overview of business, strategy, and the progress of various measures and R&D. (Main sectors of the Head Office are also subject to the assignment.)

Opportunities for Informal Discussions

- Meetings for Outside Directors and Auditors only (twice a year)
- Social meetings of Outside Directors and Auditors with internal executives (several times a year)
- Meetings for Outside Directors and Auditors and main sectors (6 times a year)

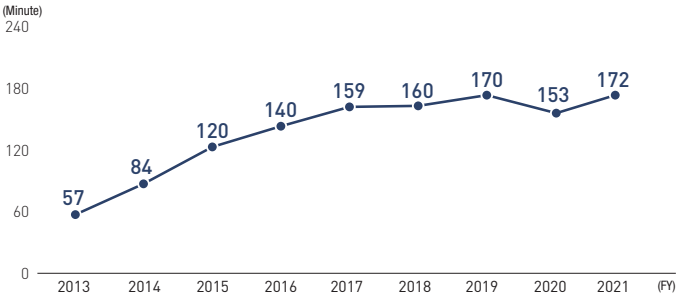
Visits to Production Sites

- Outside Directors and Auditors visit to our business offices, and Group companies outside Japan (twice a year)

* In response to the spread of COVID-19, online visits were conducted for overseas group companies

Through this sort of efforts for improvement, the Board of Directors has grown more active each year, and the amount of time required for their meetings is steadily increasing.

Average Length of Board of Directors Meetings



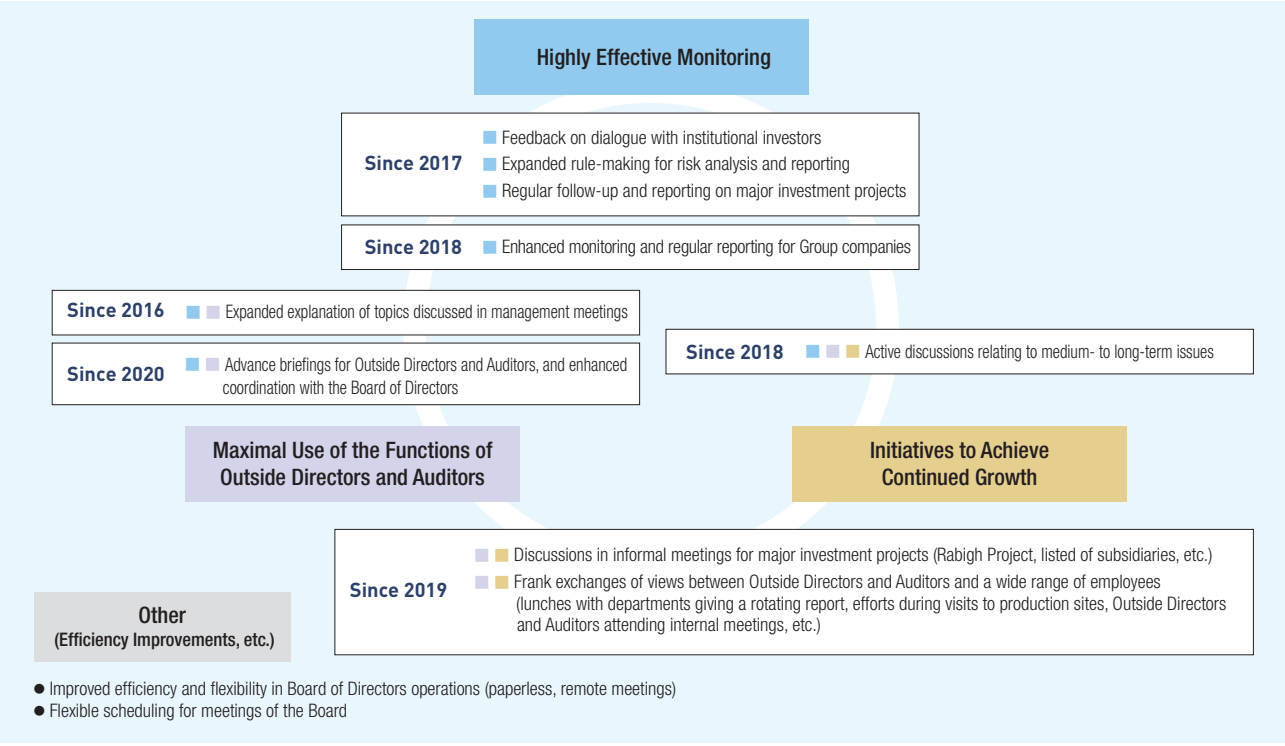
Utilizing the Oversight and Advisory Functions of Outside Directors and Auditors

As a result of efforts such as reviewing the way the Board of Directors operates, Outside Directors and Auditors have expressed the view that meetings of Sumitomo Chemical's Board of Directors feature free, frank, constructive, and lively debates. In the meeting of Board of Directors as well as informal meetings of Outside Directors and Auditors relating to the assessing the effectiveness of the Board of Directors, Outside Directors and Auditors pointed out a number of issues, and made recommendations on topics such as the method of operation for the Board of Directors, the support system for Outside Directors and Auditors, and a range of policies to improve corporate governance. Some specific examples are described below.

Case 1	Discussions in Informal Meetings	Once, when a particular project required important decisions to be made, Outside Directors and Auditors had expressed a desire to hear the honest views of management, so an informal meeting was set up. As a result of unreserved exchanges of views in this meeting, Outside Directors and Auditors were able to align their views with those of company executives with respect to the project, which also made discussions at the subsequent meeting of the Board even more lively, leading to appropriate management decisions. Since this project, opportunities have been created for discussions in informal meetings at regular intervals.
Case 2	Follow-up on Major Projects and Monitoring of Group Companies	When the Board of Directors received a report that an investment project that had been decided on by the Board was not proceeding according to plan, Outside Directors and Auditors pointed out the importance of more timely reporting and of discussing such issues. Since then, the company has adopted a stance of reporting negative information as soon as possible, strengthening efforts to follow-up on major projects and monitor Group companies.
Case 3	Improving the Efficiency of Meetings of the Board of Directors	Outside Directors and Auditors who also serve as executives for other companies provided members of the Board with information on efforts to enhance IT for the Boards of Directors of other companies, which led to a reconsideration of operational methods for the Board of Directors, resulting in the deployment of a paperless meeting system and the creation of an environment for remote attendance. This has not only improved the efficiency of tasks such as preparing for meetings of the Board, it has also made it possible to hold meetings more flexibly.
Case 4	Interaction with Employees	In light of a desire of Outside Directors and Auditors for dialogue with employees across a wide range of levels, the company has taken a variety of measures, including informal meetings with a few members of the rotation reporting divisions, and creating opportunities for presentations from young employees during visits to production sites. By listening to the unfiltered voices of employees, this not only has the effect of providing Outside Directors and Auditors with an even deeper understanding of the company, it also leads to increased motivation on the employee side, among other effects.

There are any number of other cases where the company's efforts were advanced by explicit or implicit suggestions from Outside Directors and Auditors, and their monitoring and advisory functions has been a driving force for continually strengthening corporate governance at Sumitomo Chemical.

Example Initiatives Based on Recommendations from Outside Directors and Auditors



Assessing the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors is assessed in terms of its composition, operational status, deliberation/reports at its meetings, auditing status on its business execution, and the operations of the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee. The company conducts surveys of each Director and Auditor about their assessing the effectiveness of the Board of Directors. Based on the results of these surveys, there is then a frank exchange of views in meetings of the Board of Corporate Auditors, in informal meetings with Outside Directors and Auditors, and in management meetings, after which the Board of Directors then conducts a review of its own effectiveness in one of its meetings based on the views expressed in the prior meetings.

Improvements over and Assessment of FY2021

In light of the results of the effectiveness evaluation for FY2020, in FY2021, we have mainly promoted the following initiatives. As a result, the effectiveness evaluation at the end of FY2021 confirmed that steady improvements have been made every year in all areas, and that the level of performance is generally good.

● Enhancement of the Board of Directors

Objective data confirmed that the deliberations of the Board of Directors have been further revitalized as a result of various initiatives, including the implementation of informal discussions and the participation of outside Directors and Auditors in important internal meetings.

● Further strengthening of group governance

Certain progress has been made, such as increasing opportunities to report on PMI status of acquired businesses and large start-up projects.

● Strengthening dialogue with stakeholders and enhancing information disclosure

We have achieved steady results, including certification as an A-list company for climate change and water security by the CDP and a silver award from the Minister of the Environment in the environmentally sustainable company category of the Ministry of the Environment's ESG Finance Award Japan.

Initiatives for the Future

In response to the results of the Board of Directors' effectiveness evaluation in FY2021, the following initiatives will be continued.

● Strengthen support for group companies

Further enhance monitoring, support and guidance for group companies by implementing detailed responses tailored to the characteristics of each company, while taking into account that each group company has a different role, positioning and historical background.

● Further deepen discussions at Board of Directors, etc.

When explaining and reporting at Board of Directors, we will provide more comprehensive information, such as the process of consideration leading up to a proposal and the reasons for the decision, in order to further invigorate deliberations at Board of Directors. In addition, informal discussion will be held on a regular basis to allow frank and candid exchange of opinions, which will lead to deeper discussions on the direction of management at the Board of Directors.

Policies and Procedures for Reshuffling Senior Management and Nominating Candidates for Directors and Corporate Auditors

Appointment Policy

- Performance, knowledge, experience, personality, and the insight of a candidate are comprehensively considered from the standpoint of having "the right person in the right place," as well as ensuring a proper and prompt decision-making process, so as to select a person suitable for the respective duties.
- According to the criteria set forth by the company, the person who has reached a certain age set for retirement will resign, in principle, upon completion of his or her tenure.
- For the nomination of candidates for outside directors and auditors, if a candidate also serves as an executive officer of other listed companies, the number of these companies must be less than five, including our company. This rule is to ensure that the candidate can properly fulfill his/her responsibility as our Director or Corporate Auditor.

Appointment Procedures

Candidates Selected by Representative Directors	● Representative Directors select candidates suitable for the positions of senior management, Directors and Corporate Auditors in accordance with the above Policies.
Discussion by the Nomination Advisory Committee	● The results of the nomination will be deliberated at the Nomination Advisory Committee, and recommended to the Board of Directors.
Decision by the Board of Directors	● The Board of Directors will deliberate based on the advice and make a decision.

Dismissal Policy and Procedures

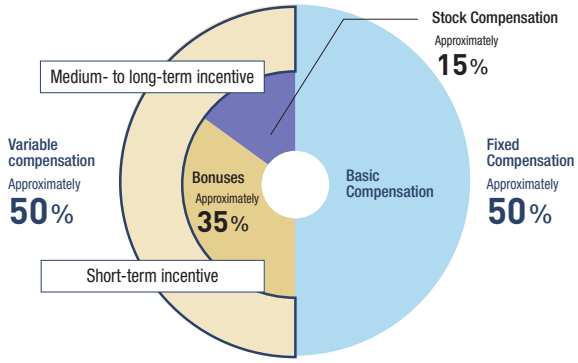
- The Board of Directors will deliberate and decide on its response if senior management commits a wrongful, inappropriate, or treasonous act, or if there is a cause that is deemed unsuitable to be committed by a member of senior management.

Remuneration (Applicable to directors and executive officers)

1. Basic policy for remunerations of Directors, etc.

(1) The remuneration of senior management and Directors (excluding Outside Directors) shall consist of Basic Compensation as fixed compensation and Bonuses and Stock Compensation as variable compensation. In addition, the remuneration for Outside Directors shall consist of Basic Compensation and Bonuses.
(2) Basic Compensation is designed according to roles and responsibilities as basic remuneration for the performance of duties, so that the actions of senior management and Directors are not aimed at short-term or sub-optimal effects.
(3) The amount of Bonuses shall largely reflect the Company's consolidated financial results for a fiscal year in order to heighten short-term incentives to achieve the annual targets of business plans.
(4) Stock Compensation is designed to promote further value sharing with shareholders and serve as a medium- to long-term incentive for the continuous growth of the Company.
(5) The remuneration shall be set at levels which are designed to be objectively competitive to attract and retain outstanding talent while comprehensively taking into consideration such factors as the scale and content of the Company's business and external evaluations of ESG and other non-financial factors. Based on surveys by a third-party organization and other materials, such levels shall be checked annually whether or not to be objectively appropriate.
(6) When the consolidated performance target (core operating income) for the final fiscal year of the Corporate Business Plan (FY2022-FY2024) is achieved, the remuneration of Directors (excluding Outside Directors) shall be designed so that the ratio of fixed compensation to variable compensation is approximately 1 to 1 and the ratio of short-term incentives (Bonuses) to medium- to long-term incentives (Stock Compensation) in variable compensation is 7 to 3.

Image diagram of composition of remuneration of Directors (excluding Outside Directors)



* Remuneration composition when the performance target in the Corporate Business Plan is achieved

2. Mechanisms of each remuneration element

(1) Basic Compensation

The level of Basic Compensation shall be determined based on the policy described in 1. (5) to (6) above.

While Basic Compensation for each year shall be fixed, the Company will adopt a mechanism where the Basic Compensation level would be changed in the event where the Company's position has changed in terms of "growth", "earnings capacity", and "outside evaluations" from a comprehensive and medium- to long-term perspective.

As main indicators for determining the change in the Company position, the Company will apply the following: 1) in terms of "growth," sales revenue, total assets and market capitalization, 2) in terms of "earnings capacity," net income (attributable to the parent company), ROE, ROI and D/E ratio, and 3) in terms of "outside evaluations," credit ratings and ESG index selected by the GPIF (Government Pension Investment Fund).

The amounts to be paid to each person will be determined in accordance with the base amount set by each position.

(2) Bonuses (short-term incentive)

Bonuses shall be paid on the condition that performance for that fiscal year exceeds a particular level and shall be determined based on the bonus calculation formula.

In order to reflect the current earnings capacity of the relevant business year (including financial activities) to the amount of bonuses, the Company will apply the combined value of consolidated core operating income and financial profit and loss to the performance indicator concerning the bonus calculation formula. In addition, the Company will set the coefficient of the calculation formula so that it will get larger as the position of a person gets higher.

Bonus calculation formula

Consolidated performance indicator (Core operating income + financial profit and loss) × Coefficient

(3) Stock Compensation (medium- to long-term incentive)

Stock Compensation shall be restricted stock compensation. Restricted stocks shall be allocated at a certain time after the ordinary general meeting of shareholders each year according to the amount determined for each position, and it shall be obligatory to hold the stocks during the term of office. In addition, the Company shall set the ratio of stock Compensation to total remuneration so that it will get larger as the position of a person gets higher.

3. Procedures for determining remuneration of Directors, etc.

The remuneration amount of Directors shall be set at a level not higher than the upper limit of a total remuneration prescribed by resolution of the 125th General Meeting of Shareholders, held on June 23, 2006 (i.e. 1.0 billion yen or less per year). Furthermore, the amount of remuneration to be paid to Directors (excluding Outside Directors) for granting restricted stock shall be determined within the upper limit of 400 million yen per year set by the resolution of the 141st Ordinary General Meeting of Shareholders held on June 23, 2022.

The Board of Directors shall deliberate on and decide the method of determining remunerations of Directors, etc., based on the advice from the Remuneration Advisory Committee. Furthermore, the individual remuneration of senior management and Directors shall be determined by the Remunerations Advisory Committee, which is authorized by the Board of Directors, in accordance with the policies for determining compensation of senior management and Directors.

Directors' and Corporate Auditors' Compensation (FY2021)

(Millions of yen)

Title	Number of people	Total amount of compensation	Total amounts of compensation by type	
			Basic Compensation (fixed remuneration)	Bonuses (performance-linked remuneration)
Directors (Of which, Outside Directors)	13 (4)	839 (80)	588 (60)	252 (20)
Corporate Auditors (Of which, Corporate Outside Auditors)	5 (3)	120 (42)	120 (42)	—
Total	18	959	708	252

(Note) The numbers of people and the amounts of compensation listed above include one Director who retired during this fiscal year.

Listed Company with Listed Subsidiaries

Our Thinking Regarding Listed Companies with Listed Subsidiaries

For a publicly listed subsidiary, the advantages of being publicly listed include better employee morale, enhanced ability to recruit employees, greater trust from customers, and greater influence within the industry. In addition, the parent company can expect to benefit from synergies in collaboration and cooperation with its subsidiaries. Because of these benefits, in seeking to maximize the overall corporate value of the Sumitomo Chemical Group, we think that holding listed subsidiaries is one of the effective options on premise of preserving each subsidiary's autonomy and respecting the rights of minority shareholders.

For the publicly listed subsidiaries in Japan of the Sumitomo Chemical Group, because they play an important role in our management strategy, we are not thinking of selling them at present. On the other hand, as for converting them into wholly owned subsidiaries, while we always keep it in mind as one option, it is not a high priority because, in addition to not being able to enjoy the benefits of having listed subsidiaries, the financial burden of buying out the holdings of minority shareholders would be significant. Accordingly, at the present time, we think that, from an overall perspective, keeping these subsidiaries as publicly listed subsidiaries is the optimal position. We are constantly monitoring our relationship with each listed subsidiary and, in accordance with the Sumitomo Chemical Group's management strategy and changes in our operating environment, considering changes, including in our shareholdings.

The Significance of Being a Listed Companies with Listed Subsidiaries

Company Name	History	Position in Group	Synergies
Sumitomo Pharma Co., Ltd.	Sumitomo Chemical's pharmaceutical business began with the acquisition of the Japan Dyestuff Manufacturing Company in 1944. After being spun off as the subsidiary Sumitomo Pharmaceuticals in 1984, it merged with Dainippon Pharmaceutical in 2005 to become Sumitomo Dainippon Pharma (currently Sumitomo Pharma).	The company's core pharmaceuticals business is a pillar of Sumitomo Chemical's life sciences business, along with the agricultural chemicals business, and is a source of innovation. In the current Corporate Business Plan, it has positioned "healthcare" as one of the priority areas in making efforts for acceleration the development of next-generation businesses, and further innovation is expected in this area in the future.	● Research at the Bioscience Research Laboratory, which consolidates and integrates parts of the research organizations of the company and Sumitomo Chemical ● Contract Development and Manufacturing Organization in regenerative medicine and cell therapies (combines the company's expertise in regenerative medicine and cell therapy with Sumitomo Chemical's expertise in the CMO business) ● Theranostics (combines the company's antibody design technology with Sumitomo Chemical's biological mechanism analysis technology and the radioactive isotope technology of Nihon Medi-Physics) ● Having locations on Sumitomo Chemical's premises enables close collaboration in such areas as quality and production management, reducing indirect expenses
Koei Chemical Co., Ltd.	Sumitomo Chemical invested capital in 1951 for relationship-building because the company was Sumitomo Chemical's largest customer for methanol. Thereafter, when the company ran into a financial crisis, the collaboration was strengthened in order to rebuild the company, including dispatching executives from Sumitomo Chemical.	Through production outsourcing in both directions for such items as catalysts and electronic materials based on the unique organic synthesis technologies of the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	● Optimization of the Sumitomo Chemical Group's production of active pharmaceutical ingredient and intermediates through a new multi-purpose manufacturing equipment (multi-plants) approach ● Joint research from the earliest stage into such areas as battery materials and additive agents ● Having locations on Sumitomo Chemical's Works enables close collaboration in such areas as quality and production management, reducing indirect expenses
Taoka Chemical Co., Ltd.	In 1955 Sumitomo Chemical invested capital in the company, a leader in the dye business, to strengthen its own dye business.	Through production outsourcing in both directions for such items as electronic materials and pharmaceutical and agrochemical intermediates based on the various organic synthesis technologies and numerous multi-plants held by the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	● Expanded contract manufacturing of pharmaceutical and agrochemical intermediates with numerous multi-plants of the company
Tanaka Chemical Corporation	Sumitomo Chemical invested capital in the company in 2013 and began joint development of high-capacity cathode materials for automobiles. Afterwards, in light of the smooth progress in joint development work, and in light of expectations that, in line with the future growth of the environmentally friendly vehicles market, there would be significant medium- to long-term growth in the market for lithium-ion secondary batteries, the company was converted to a majority-owned subsidiary in 2016.	Through integration of the technologies relating to precursors held by the company and the findings related to cathode materials held by Sumitomo Chemical, the company accelerates joint development of new products and contributes to the full-scale market entry and expansion of the Sumitomo Chemical Group's cathode materials business.	● Contribute to a drastic rationalization of the manufacturing process and optimization of research and development through integration of the technologies of both companies ● Sumitomo Chemical's capital investment and guidance has improved the company's management level in such areas as labor accidents and internal control

Building an Effective Governance System

When Sumitomo Chemical and its listed subsidiaries jointly work on maximizing group synergy, Sumitomo Chemical respects independent decision making by listed subsidiaries and, at the same time, makes its best efforts to establish an effective governance system in order to avoid any conflicts of interests with minor shareholders.

With respect to the listed subsidiaries, we are taking the following measures to ensure appropriate supervision of such areas as transactions with the parent company and nomination of officers and remuneration of officers, from an independent and objective position.

- Electing sufficient number of Independent Outside Directors
- Establishing committees for nomination of officers and remuneration of officers, the majority of the members of which are Independent Outside Directors.
- Establishing and reliably operating committees, which aim to monitor and supervise transactions conducted between subsidiaries and the parent company and which is composed of Independent Outside Directors only.

Design of the Organization, Composition of Independent Outside Directors and Establishment of Non-mandatory Committees in Each Company

Company Name	Design of Organization	Composition of the Board	Non-mandatory Committees Established	
		Ratio of Outside Directors	Nomination/Remuneration	Monitoring and Supervision of Such Areas as Transactions with the Parent Company
Sumitomo Pharma Co., Ltd.	Company with Board of Corporate Auditors	44% (4/9) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Koei Chemical Co., Ltd.	Company with Audit and Supervisory Committee	44% (4/9) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Taoka Chemical Co., Ltd.	Company with Audit and Supervisory Committee	33% (4/12) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Tanaka Chemical Corporation	Company with Audit and Supervisory Committee	57% (4/7) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies

Cross-Shareholdings

We strategically hold shares in other companies only when judged necessary for ensuring smooth business operation or maintaining and enhancing mutual business relations, after such factors as medium- to long-term economic rationality and prospects of future business developments have been considered as a whole. Also, at the Board of Directors meeting, each year, we shall assess our shareholding policy for all listed shares we own, in light of medium- to long-term economic rationality and significance to hold such shares for each individual issuer.

According to such review, if it becomes less necessary to hold a share by reason of changes in the business environment, etc., we shall sell such shares, as appropriate, taking into consideration such factors as the share price and market trends. Continuing from the prior year, we sold a portion of these shareholdings in FY2021.

Trend in Sales of Cross-Shareholdings*

	FY2020	FY2021
Number of shares	11	4
Value of shares sold (Billions of yen)	13.0	7.3

Balance of Cross-Shareholdings* at End of Period

	FY2020	FY2021
Number of shares	54	50
Total value recorded on the balance sheet (Billions of yen)	97.8	94.0

* Excluding shares of unlisted companies

Internal Control

Status of the Development of the Internal Control System

Sumitomo Chemical established its Basic Policy for the Enhancement of the Internal Control System by a resolution of the Board of Directors, creating a system to ensure the appropriateness of its operations as stipulated in the Companies Act.

As stated in the basic concept of this policy, we recognize that the development of an internal control system is a necessary process for maintaining a sound organization and should be actively utilized to achieve business objectives. To continuously enhance our internal control system, we have formed the Internal Control Committee, which is chaired by the President and consists of Executive Officers responsible for and in charge of each business sector and corporate department. Regular meetings of the committee are held three times a year.

At Sumitomo Chemical, the Internal Control Committee plays a central role in discussing various measures based on the basic policy described above. The committee also operates a PDCA (plan-do-check-act) cycle by monitoring the implementation status of those measures, and constantly inspects and strengthens the Group's internal control system in response to changes in the Group's business and operating environment, so that the Group's internal control system can function effectively.

The Standing Corporate Auditors attend the committee as observers, and the committee's operations are conducted by the Internal Control & Audit Department, independent of other business activities. Summaries of the matters covered in the committee are reported to the Board of Corporate Auditors after each meeting. These summaries are then reported to the Board of Directors for deliberation.

The Internal Structure regarding Timely Disclosure

The Corporate Communications Department is in charge of working in conjunction with other relevant departments to continually disclose necessary information in a timely manner. In addition to items requiring disclosure under Japan's Financial Instruments and Exchange Act and under stock exchange regulations, we also actively disclose information that may be considered material to the decisions of investors. We endeavor to build stronger relationships of trust with society and capital markets by publishing documentation in accordance with the rules stipulated by the security exchanges in Japan, including reports on the company's corporate governance philosophy and system, and notifications showing that Outside Directors and Corporate Auditors have no existing conflicts of interest with general shareholders. These documents are available on the website of Japan Exchange Group Inc.

Internal Audits

As part of its internal control monitoring activities, Sumitomo Chemical has established a dedicated organization within the company to conduct internal audits, in addition to audits by the Corporate Auditor and Financial Statement auditors. The Internal Control & Audit Department conducts internal audits for all matters related to the execution of operations by the company and its Group companies, and dedicated audit teams for the Responsible Care Department conduct Responsible Care auditing from the perspective of safety, health and environment, and quality throughout the life cycle of chemical products. Internal audits and Responsible Care audits are coordinated with each other as needed. In case any serious matter relating to internal controls is found, the matter will be promptly reported to the Executive Officer of relevant reporting line and the Board of Corporate Auditors (or in the event of a finding concerning senior management, to the Board of Corporate Auditors and the Executive Director of the Compliance Committee).

1 Internal Audits

Department Conducting the Audits	Internal Control & Audit Department
Objective of Internal Audit	Evaluate whether internal controls are in place, operating, and functioning appropriately from various perspectives, including maintaining the effectiveness and efficiency of operations, ensuring the reliability of financial reporting, and complying with relevant laws and statutes in all business activities
Audit Cycle	In principle, once every 2-5 years for each separately audited unit
Sharing of Audit Results and Status of Improvements	● Reported to the Internal Audit Liaison Meeting (Held regularly, four times a year, attended by Standing Corporate Auditors and a number of departments, including the Legal Department, the Human Resources Department, the Accounting Department, and the planning & coordination offices of each business sector) ● Reported to the Internal Control Committee (Held regularly, three times a year)

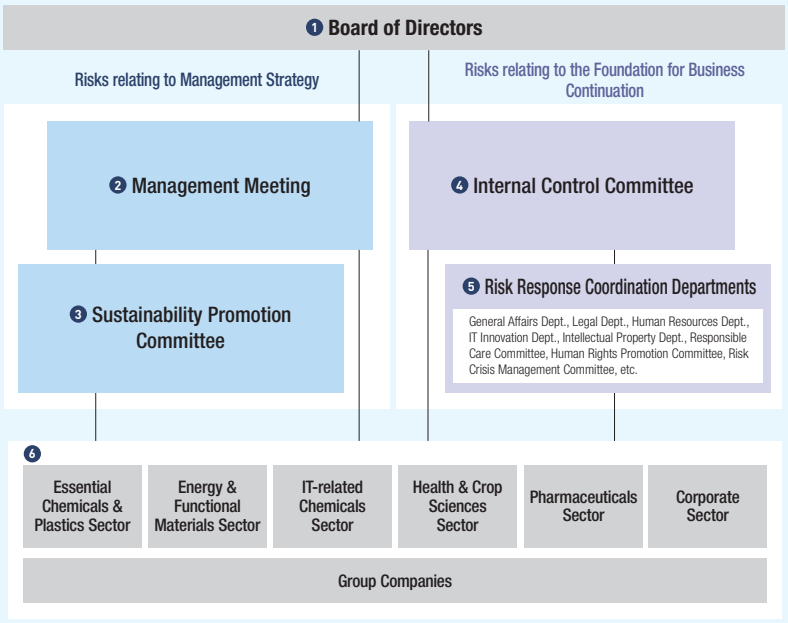
2 Responsible Care Audits

Department Conducting the Audit	Teams of dedicated auditors from the Responsible Care Department
Objective of Internal Audit	Evaluate whether internal controls relating to securing safety, health and environment, as well as maintaining and improving quality for all chemical products over their lifecycle, are in place, operating, and functioning appropriately.
Audit Cycle	In principle, once every 1-3 years for each separately audited unit
Sharing of Audit Results and Status of Improvements	● Reported internally as necessary ● Reported to the Responsible Care Committee (Held regularly, once a year)

Basic Policy for Enhancement of the Internal Control System Our Website

Risk Management

Diagram of Systems for Promoting Risk Management



❶ Board of Directors

The Board ensures the effectiveness of risk management by deliberating and supervising the activities of the Internal Control Committee and important matters deliberated in the Management Meetings.

❷ Management Meeting

Concerning important matters for management, including management strategy and capital spending for each organization of the Group, it deliberates in terms of risks and opportunities.

❸ Sustainability Promotion Committee

This committee makes necessary recommendations to various Group organizations in order to achieve sustainability for both the company and society, taking into consideration the perspectives of both risks and opportunities with respect to medium- to long-term environmental and societal issues.

❹ Internal Control Committee

This committee deliberates policies relating to risk management for the Group as a whole, and audits the efforts of various organizations based on these policies. It also promotes risk countermeasures relating to the foundation for business continuation.

❺ Risk Response Coordination Departments

Each organization plans and promotes Group-wide countermeasures for the risks assigned to it, in cooperation with each department and Group company.

❻ Each Department and Group Company

The main bodies for promoting risk management. The organizations develop and implement countermeasures for the risks affecting their own organization or company.

To achieve sustainable growth, Sumitomo Chemical makes an effort to detect, at an early stage, various risks that may hinder the achievement of its business objectives, and takes proper measures. We focus on building and expanding a system relating to risk management so that we can promptly and properly address risks when they emerge.

Systems for Promoting Risk Management

At Sumitomo Chemical, as part of its standard duties, each of the Group's organizations is taking various measures to properly manage risks associated with its business operations. In addition to this, a variety of committees work together to promote the Group's risk management.

The Internal Control Committee sets policies relating to risk management for the Group as a whole and monitors the efforts of each organization in accordance with those policies, collecting risk-related information and evaluating it, among other tasks. This committee creates a risk map for the Group as a whole each year, aiming not only to comprehensively capture the status of risks relating to management strategy and the foundation for business continuation, but also to coordinate with risk response coordination departments, promoting countermeasures for important risks relating to the foundation for business continuation, such as earthquakes, workplace accidents, and product-related accidents, on a Group-wide level.

On the other hand, Management Meetings are held as appropriate to deliberate important topics relating to management, particularly management strategy for the company and the Group, capital expenditure, and other investments, from the perspectives of both risks and opportunities. Furthermore, the Sustainability Promotion Committee makes necessary recommendations to various organizations in the Group so as to ensure that the various management activities of the Group contribute to achieving sustainability for the company and society, evaluating medium- to long-term environmental and societal issues from the perspectives of both risks and opportunities.

Summaries of the matters covered in the Internal Control Committee and important matters deliberated in the Management Meetings are reported to the Board of Directors.

Cross-organizational Risks and Crisis Response

We established the Risk Crisis Management Committee to deliberate risks and crisis response policies that affect multiple business sites, departments, and Group companies, such as large-scale disasters (earthquakes, storms, floods, etc.), pandemics, deterioration of security in Japan or overseas (terrorism, riots, wars, etc.), and other issues.

Risk Factors Our Website

Dialogue with Outside Directors

Transforming Organizations through Human Resources × DX

Outside Director Muraki, Vice President Ueda, and Vice President Niinuma discussed Sumitomo Chemical's efforts in both human resource and digital transformation (DX) strategies, as well as the current status and expectations for the future.

Hiroshi Ueda
Director &
Executive Vice President

Atsuko Muraki
Outside Director

Hiroshi Niinuma
Director &
Executive Vice President

Philosophy and evolution of human resource strategy
“Visualization of HR policies” and “DE&I”

Niinuma Sumitomo Chemical is developing its human resources strategy with two things in mind: its unchanging Philosophy and its Evolution in step with the times.

The Sumitomo Group, which has been in existence for about 400 years, has a philosophy that “people are the most important management resource,” under which successive general directors have spoken and practiced such principles as “seeking good human resources widely throughout the world,” “treating and training employees fairly,” and “linking the growth of people to the growth of the company.” Sumitomo Chemical has carried on this origin in its more than 100 years of history, adhering to the philosophy of securing, developing, and utilizing human resources, its most important management resource. This is the key pillar of the current Corporate Business Plan: “Employ, develop and leverage human resources for sustainable growth.” This is a theme that we will continue to work on not only during the current Corporate Business Plan period but also over the long term, and all of our human resource strategies are based on this steadfast philosophy.

Muraki In the past, most management concerns have been related to financial figures, but recently there has been a growing interest in human resource strategies, with approximately 60% of the Harvard Business Review’s content being related to human resources. It can be said that the times have caught up with Sumitomo Chemical’s long-held philosophy that “people are the most important management resource.” In addition, I have specialized in the promotion of employment of women and employment of people with disabilities. “Seeking human resoureces widely” and “fair treatment and training” are very important principles from the perspective of diversity, and overlap with important themes that are currently in focus around the world.

I believe that continuing to value this and constantly checking it as it applies to today’s society will lead to solutions to the problems at hand.

Niinuma As you say, even if the philosophy remains the same, it is important to reflect on whether our efforts are in step with the times. One of the pillars of the “evolution” of human resources strategy is diversity. Sumitomo Chemical has been promoting Diversity & Inclusion (D&I) in the past, but since last year, we have set up a system to promote it as Diversity, Equity & Inclusion (DE&I) for all group companies in Japan and overseas.

Creating global basic principles, DE&I has taken on the challenge of setting KPIs in each country, taking into account the unique circumstances of each country and other factors. Each country has different problems such as gender, age, race, etc. We will prioritize and address these issues on a company-by-company basis. Another “evolution” is the Sumika Take Action Declaration*, which declares the values and ideas that employees value in order to lead fulfilling professional lives.

We have established KPIs for action items such as work-life balance, development and growth, and work progress, and are working to visualize our HR measures.

The fact that we are working together with the labor union and health union to implement this program is a unique feature of our company. In addition, the Sumika Take Action Declaration includes the use of digital technology to promote work and accelerate growth, making digital an important key to the evolution of our human resources strategy.

Muraki We have group companies all over the world, and I think it is difficult for the entire group to work together on DE&I in the midst of different cultures. However, I believe that it will have a positive impact on the head office by allowing us to incorporate good practices from overseas into our domestic operations. It is also important to visualize personnel policies and set KPIs such as the Sumika Take Action Declaration. However, I consider that the three main factors that today’s young generation and women look for in a job are: whether the job will benefit society and people, whether it will help them grow as professionals, and whether it will be fun and exciting. When setting and visualizing KPIs, I think it is important to create a system that can satisfy these elements. What is especially difficult is to enjoy the work.

Niinuma The latest employee attitude survey results show a relatively high level of satisfaction with working, but there are no items measuring “enjoyment” yet. The underlying motivation of employees is changing rapidly. I feel that this is a change in society as

*Sumika Take Action Declaration Our Website : Human Resource Management

Digital literacy is essential for skill development and reskilling, and DX will expand the scope of job areas.

a whole, rather than something due to age, and I consider that companies need to be aware of the “enjoyment” perspective of their employees and make changes accordingly.

Ueda Regarding DE&I, this is also reflected in the DX promotion system that is currently being promoted throughout the company. Unlike conventional organizational theory, people who share the same motivation raise their hands, get together beyond the organization, and create a virtual organization. There is a growing movement to promote projects that leverage the skills and ideas of diverse personnel within the company.

Strengths in In-House Training of DX Human Resources Started DX Strategy 2.0 ahead of schedule

Ueda In 2017, Sumitomo Chemical held a scenario planning session with young employees to think about the future of our company, and in the course of the scenario planning, the two linchpins of decarbonized society and digital were put forward. This has been followed by the current GX and DX. With regard to DX, we called it DX Strategy 1.0 and worked to improve productivity in the four areas of Plant, R&D, Supply Chain Management, and Office, and achieved a certain level of success. I believe that a major factor in this success was that the frontline took the initiative in creating a DX-related education program and certification system and practicing employee education. The fact that we started from nurturing rather than a top-down approach is what makes DX unique to our company. Our historical background is the reason why we are able to develop DX personnel. Since the 1970s, we have had data analysis technicians at each of our locations, including the Tsukuba area, Ehime area, and our headquarters, and we have continued to hire and train personnel to carry on these skills. In the recent DX movement, we have connected those human resource networks and put in place a platform.

Muraki I have been involved in the management of several private companies, and when it comes to DX, many of the conversations start with where to hire people from. However, this was not the case with Sumitomo Chemical, and I used to wonder why, but now I finally understand why. It is a great advantage that the company already has DX personnel within the company and a base for further training and education. I was also able to participate in the DX Repository,* where on-site initiatives are presented, and it was clear that the field is thinking proactively rather than top-down. Above all, I was impressed by the fact that everyone seemed to be having a great time. The presentation of one method, DX, has given each of us a chance to think about what we can do, and I have high expectations that more and more interesting things are likely to happen in the future.

Ueda Thank you very much. In the current corporate business plan, we will furthermore start working on the DX Strategy 2.0 ahead of schedule. In addition to increasing operational efficiency and improving the sophistication of our various initiatives, the direction we are taking with DX Strategy 2.0 is to strengthen our competitiveness through data-driven management that focuses on how to connect with customers and suppliers - strengthening customer contact points and increasing customer satisfaction. Therefore, business units closer to customers and suppliers will take the lead in addressing DX issues according to the characteristics of their respective businesses. This is not a DX Strategy 2.0 that will be implemented after DX Strategy 1.0 has been completed, but rather a strategy that will be implemented in parallel.

Muraki You mentioned earlier that there has been an increase in the number of projects within the company that connect across organizational boundaries, and I believe that by extending such activities to our clients, and by connecting and collaborating with others in the same and different industries, we will be able to make proposals that meet and even exceed our clients’ expectations.

Niinuma As for human resource development to promote DX, we will work to develop a target number of data scientists and data engineers, respectively. The main pillar of this is to inject new DX knowledge into employees who originally have domain knowledge of the chemical industry and train them in-house. At the same time, we will hire super specialists with highly specialized skills from outside the company and train all employees to be broadly digitally literate. We will balance intensive training and development, recruitment, and literacy education.

*Strengthening competitiveness through DX →P. 54

From the DX mindset, new winds blow through the organization, creating new talent and skills.

DX is an opportunity to create a strong organization in which individuals can think independently and demonstrate their abilities.

DX × Human Resources to Create a Chemical Reaction for an Even Stronger Organization and Company

Ueda The Digital and Data Science Innovation Department, which is at the core of our DX strategy, is bringing us new ways of working. For example, OODA. Observe ⇒ Orient (Orientation based on situational judgment) ⇒ Decide (Decision-making) ⇒ Act (Action) steps are rotated to visualize and manage work by all employees. Whenever there is a delay against a target, someone on the team immediately provides support, and the organization as a whole is making up for the delay. This is an agile way of working that differs from the traditional way of working in the chemical industry, a method that is truly in tune with the times. As we move forward with our DX strategy, I expect that new winds will blow into our company from the DX mindset, and that new human resoureces and skills will emerge from it.

Niinuma As professional life becomes longer and longer, it will be necessary to improve skills and reskilling to acquire new skills, not to stop at one skill. Digital literacy will be essential in this process. In the future, it will be necessary to connect with new jobs and people through data to create value, and I hope that all employees will use DX technology to expand their job areas.

Muraki From now on, I consider that a strong organization will be one that can think spontaneously about its work as a team, and can demonstrate its maximum strength. In addition, creating new value by adopting new things and connecting with different things is an important theme worldwide. Creating such chemical reactions in DX × human resources will lead to the strengthening of the organization and the company.

To this end, it is hiring that will be important. When I attend meetings at Sumitomo Chemical, all discussions come down to “what is inside is still important.” I love Sumitomo Chemical’s unique character, but good content is a necessary condition, and it becomes a sufficient condition only when it can be communicated. Therefore, I feel that Sumitomo Chemical will become even stronger and more interesting in the future if we actively communicate our philosophy and mission and connect with good people and companies.

In addition, when Sumitomo Chemical employees visited the university where I am a visiting professor as lecturers, many students were impressed by Sumitomo Chemical’s attitude toward social contribution, saying that it had changed their view of the company. It is very important for the future of Japan that young people develop an image of their future career and an interest in science. I have high expectations for Sumitomo Chemical as a company that can contribute to the state of education in Japan and the development of human resources in the sciences.

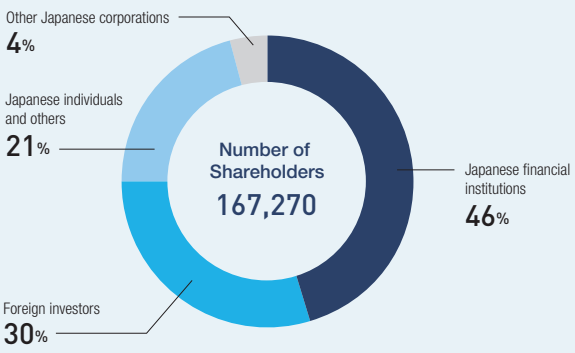
Ueda / Niinuma As you said, we would like to increase opportunities to communicate to society and increase our fan base so that not only our employees but also society will want to engage with us. Thank you very much for your valuable talk today.

Corporate and Investor Information (As of March 31, 2022)

Paid-in Capital	¥89.7billion
Number of Employees	Non-consolidated: 6,488 Consolidated: 34,703
Common Stock	Authorized: 5,000,000,000 shares Issued: 1,655,446,177 shares
Settlement Date	March 31
Stock Transaction Units	100-share units
Ordinary General Meeting of Shareholders	Within three months from the next day of the settlement date
Number of Shareholders	167,270
Listings	Tokyo*
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Division 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan
Independent Certified Public Accountants	KPMG AZSA LLC

*Shift to the Tokyo Stock Exchange Prime Market on and after April 4, 2022.

Distribution of Shareholders



Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	257,083	15.72
Custody Bank of Japan, Ltd. (Trust Account)	96,934	5.92
Sumitomo Life Insurance Company	71,000	4.34
Nippon Life Insurance Company	41,031	2.50
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.77
Custody Bank of Japan, Ltd. (Trust Account No.4)	28,264	1.72
STATE STREET BANK WEST CLIENT – TREATY 505234	27,651	1.69
JP MORGAN CHASE BANK 385771	24,789	1.51
Sumitomo Chemical Employee Stock Ownership Plan	23,997	1.46
Sumitomo Mitsui Banking Corporation	23,073	1.41

*Percentage of shares held to the total number of shares issued and outstanding shares (excluding treasury shares)

Dividend Policy

We consider shareholder return as one of our priority management issues and have made it a policy to maintain stable dividend payment, giving due consideration to our business performance and a dividend payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors. We aim to maintain a dividend payout ratio of around 30% over the medium to long term.

The full-year dividend for fiscal 2021 was ¥24 per share, a increase of ¥9 per share from the previous fiscal year.

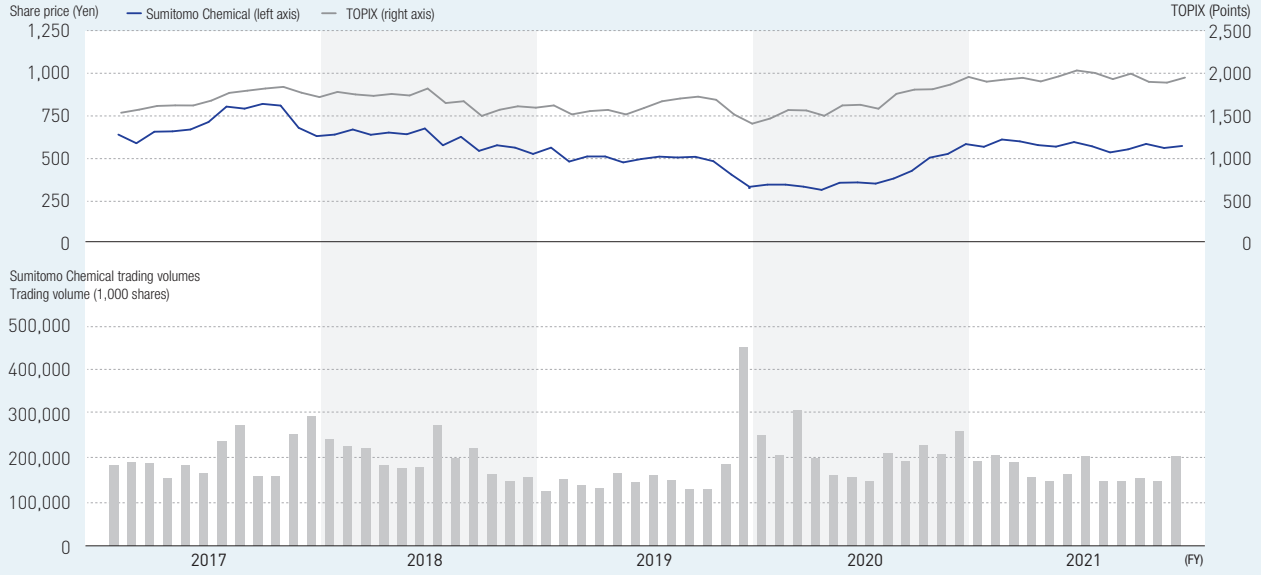
IR Calendar*

Fiscal 2021 (Year ended March 31, 2022)	
May 2022	Fiscal 2021 Financial Results
June 2022	141th Ordinary General Meeting of Shareholders

Fiscal 2022 (Year ended March 31, 2023)	
August 2022	1st Quarter Financial Results
November 2022	2nd Quarter Financial Results
February 2023	3rd Quarter Financial Results
May 2023	Fiscal 2021 Financial Results
June 2023	142st Ordinary General Meeting of Shareholders

* This schedule is subject to change.

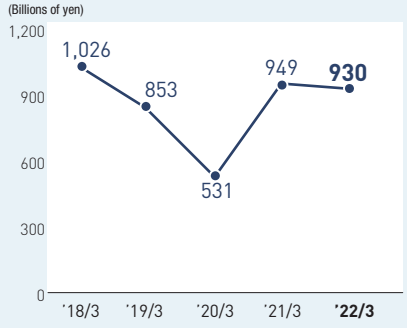
Stock Performance



Fiscal Year	2017	2018	2019	2020	2021
Share price high (yen)	882	684	556	593	**631**
Share price low (yen)	574	485	267	285	**488**
Share price at year-end (yen)	620	515	321	573	**562**
Cumulative trading volume (1,000 shares)	2,418,727	2,369,928	2,038,948	2,508,242	**2,038,226**

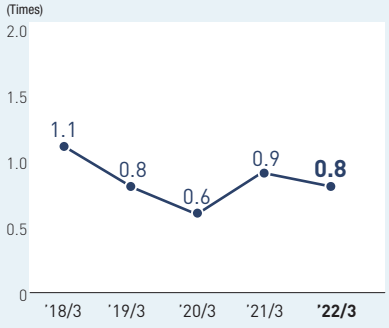
Fiscal Year	2017	2018	2019	2020	2021
Shares outstanding (1,000 shares)	1,655,446	1,655,446	1,655,446	1,655,446	**1,655,446**
Market capitalization (billions of yen)	1,026	853	531	949	**930**
Basic earnings per share (yen)	81.81	72.17	18.91	28.16	**99.16**
Equity attributable to owners of the parent per share (yen)	567.04	610.82	564.12	623.39	**745.03**
Price earnings ratio (PER) (times)	7.6	7.1	17.0	20.3	**5.7**
Price book-value ratio (PBR) (times)	1.1	0.8	0.6	0.9	**0.8**
Cash dividends per share (yen)	22	22	17	15	**24**
Dividend payout ratio (%)	26.9	30.5	89.9	53.3	**24.2**
Total shareholder return (TSR) (%)	103.2	89.9	61.4	104.3	**106.4**
Ratio of shares owned by foreign investors to shares outstanding (%)	30.3	27.6	26.4	26.8	**29.9**

Market Capitalization



Price Earnings Ratio (PER)

Price Book-value Ratio (PBR)



Financial Review

1 Results of Operations

(1) Sales Revenue

Market price increased mainly in Essential Chemicals & Plastics Sector. In the previous fiscal year, shipments were decreased mainly for automotive applications in Essential Chemicals & Plastics and Energy & Functional Materials Sectors due to the spread of the COVID-19 pandemic, in addition to the impact of reduced shipments in Essential Chemicals & Plastics Sector due to periodic shutdown maintenance at Petro Rabigh, an equity method affiliate, but a recovery in demand was seen in this fiscal year. In addition, shipments remained strong in IT-related Chemicals and Health & Crop Sciences Sectors. In Pharmaceuticals Sector, there was an upfront payment from a collaboration and license agreement for joint development and commercialization with Otsuka Pharmaceutical Co., Ltd. As a result, net sales increased ¥478.3 billion to ¥2,765.3 billion from ¥2,287.0 billion in the previous fiscal year.

(2) Core Operating Income/Operating Income

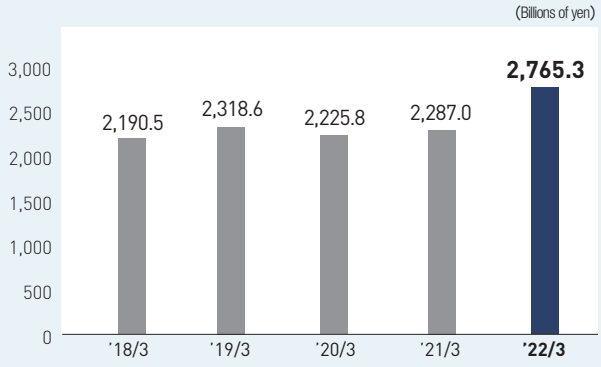
In addition to higher market prices in Essential Chemicals & Plastics Sector, shipments increased due to the impact of periodic shutdown maintenance at Petro Rabigh, an equity-method affiliate in the previous fiscal year, and recovery from the impact of the spread of the COVID-19 pandemic. In IT-related Chemicals Sector, shipments remained strong driven by stay-at-home and remote work trends, which continued from the previous fiscal year. Furthermore, in Health & Crop Sciences Sector, shipments of crop protection products increased and market prices of methionine (feed additives) improved. In Pharmaceuticals Sector, on the other hand, selling, general and administrative expenses related to new items increased, despite an upfront payment from a collaboration and license agreement for joint development and commercialization. As a result, core operating income increased ¥87.2 billion to ¥234.8 billion from ¥147.6 billion in the previous year.

The operating results from non-recurring factors, which were deducted from operating income to calculate core operating income, were a loss of ¥19.8 billion, a deterioration of ¥9.3 billion from the ¥10.5 billion loss in the previous year, due to the recording of a gain on sales of fixed assets in the previous year. As a result, operating income increased by ¥77.9 billion to ¥215.0 billion, compared to ¥137.1 billion in the previous fiscal year.

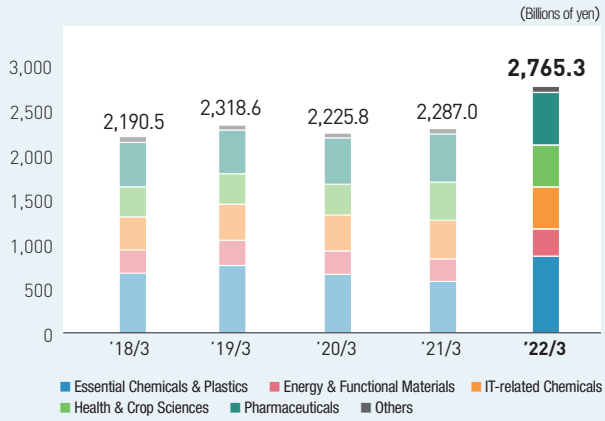
(3) Finance Income and Finance Expenses/ Income Before Taxes

Financial income and expenses amounted to a profit of ¥36.1 billion due to foreign exchange gains resulting from the depreciation of the yen against the U.S. dollar. This was an improvement of ¥35.4 billion from the previous year's gain of ¥0.7 billion. As a result, income before taxes increased by ¥113.3 billion, to ¥251.1 billion for this fiscal year from ¥137.8 billion for the previous fiscal year.

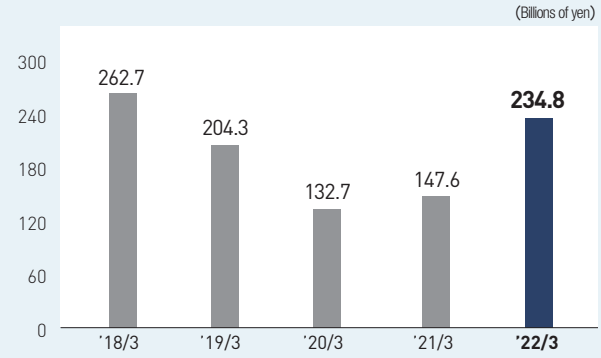
Sales Revenue



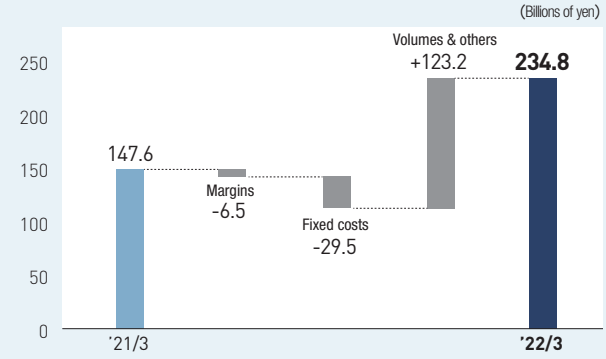
Breakdown of Sales Revenue by Business Sector



Core Operating Income



Change in Core Operating Income: '21/3 vs. '22/3



(4) Income Tax Expenses/Net Income Attributable to Owners of the Parent and Net Income Attributable to Non-controlling Interests

Income tax expenses were ¥64.7 billion, and the ratio of income tax expenses to income before taxes after applying tax effect accounting was 25.8%. As a result, net income was ¥186.4 billion for this fiscal year.

Net income attributable to non-controlling interests was ¥24.3 billion for this fiscal year up ¥2.3 billion from the ¥22.0 billion for the previous fiscal year. This mainly represents net income attributable to non-controlling interests of consolidated subsidiaries, such as Sumitomo Pharma Co., Ltd.

Net income attributable to owners of the parent was ¥162.1 billion for this fiscal year increased by ¥116.1 billion from the ¥46.0 billion for the previous fiscal year.

(5) Dividends

The interim dividend was ¥10 per share and the year-end dividend was ¥14. As a result, the full-year dividend for fiscal 2021 was ¥24 per share.

2 Sector Information

(1) Essential Chemicals & Plastics

Although the sector's consolidated financial results for fiscal 2021 were adversely affected by a periodic shutdown maintenance at the company's Chiba Works, market conditions for synthetic resins, synthetic fibers, and a variety of industrial chemicals improved, and margins also improved, due to a recovery in demand as well as an increase in raw material prices. Therefore, sales revenue increased by ¥253.2 billion, to ¥842.5 billion, and core operating income recovered by ¥65.5 billion, to ¥53.5 billion, compared with the previous year, when the shipment volumes decreased due to the periodic shutdown maintenance for Petro Rabigh, our equity method investee, and due to the impact of the COVID-19 pandemic mainly on demand for automotive use.

(2) Energy & Functional Materials

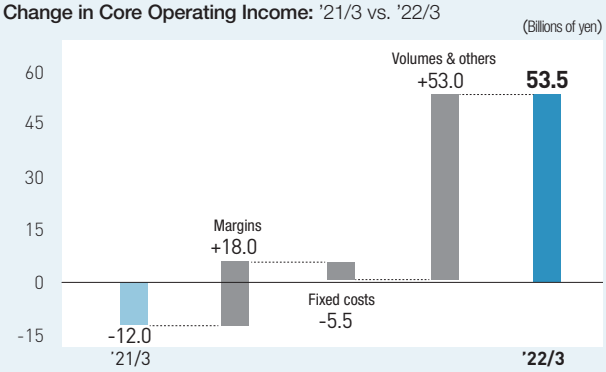
Shipments of separators for lithium-ion secondary batteries performed well. Market prices for aluminum and for the metal raw materials for cathode materials increased, resulting in higher selling prices. For the previous fiscal year, shipments had been lower, mainly for automotive use, due to the COVID-19 pandemic. As a result, sales revenue increased by ¥71.1 billion to ¥316.4 billion from the previous year, while core operating income at

Results by Business Sector

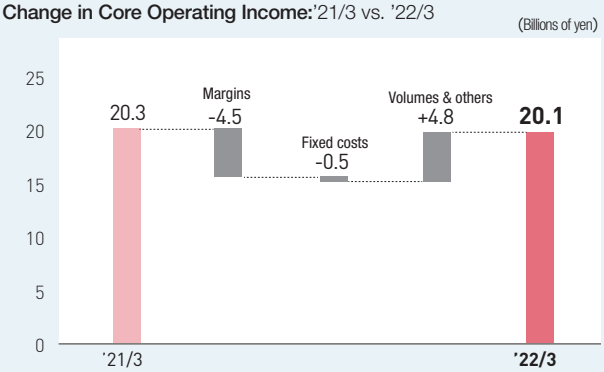
(Millions of yen, %)

	'21/3			'22/3			Core operating income growth
	Sales Revenue	Core Operating Income	Core operating income ratio	Sales Revenue	Core Operating Income	Core operating income ratio	
Essential Chemicals & Plastics	¥ 589,323	¥ (11,991)	(2.0) %	**¥ 842,511**	**¥53,515**	**6.4 %**	—
Energy & Functional Materials	245,249	20,265	8.3	**316,386**	**20,058**	**6.3**	(1.0)
IT-related Chemicals	431,819	39,733	9.2	**473,742**	**57,827**	**12.2**	45.5
Health & Crop Sciences	423,011	31,547	7.5	**473,778**	**42,253**	**8.9**	33.9
Pharmaceuticals	546,450	71,672	13.1	**591,709**	**61,712**	**10.4**	(13.9)
Others	51,126	12,752	24.9	**67,195**	**15,784**	**23.5**	23.8
Adjustment & Elimination	—	(16,363)	—	**—**	**(16,370)**	**—**	—
Total	¥2,286,978	¥147,615	6.5 %	**¥2,765,321**	**¥234,779**	**8.5 %**	59.0 %

Essential Chemicals & Plastics
Change in Core Operating Income: '21/3 vs. '22/3



Energy & Functional Materials
Change in Core Operating Income: '21/3 vs. '22/3



¥20.1 billion was almost flat, because of a decline in margins resulting from a rise in raw material prices in the second half of the fiscal year.

(3) IT-related Chemicals

Shipments of processing materials for semiconductors (including high purity chemicals and photoresists) increased, driven by growing demand for these items. Besides, shipments of materials for display applications increased in the face of stay-at-home demand and telework demand continued from the previous year. Thereby sales revenue increased by ¥41.9 billion to ¥473.7 billion, and core operating income increased by ¥18.1 billion to ¥57.8 billion from the previous year.

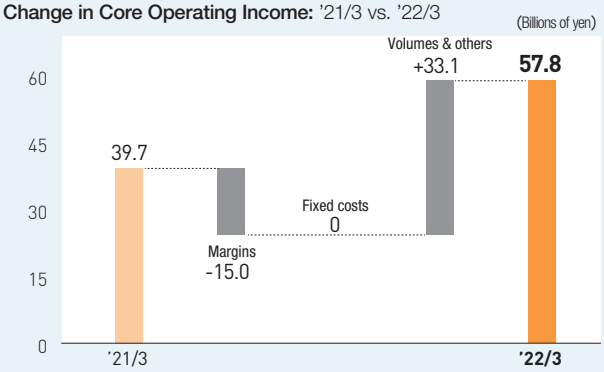
(4) Health & Crop Sciences

Shipments of crop protection products in North America, South America and India stayed firm. Market prices of methionine (feed additives) increased from the previous year. Sales revenue consequently increased by ¥50.8 billion from the previous year, to ¥473.8 billion, and core operating income increased by ¥10.7 billion from the previous year, to ¥42.3 billion.

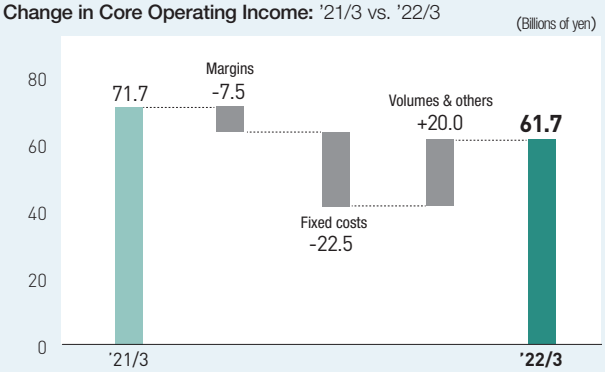
(5) Pharmaceuticals

In North America, ORGOVYX® (therapeutic agent for advanced prostate cancer), which was launched in the previous fiscal year, and GEMTESA® (therapeutic agent for overactive bladder) and MYFEMBREE® (therapeutic agent for uterine fibroids), both of which commenced sales in the fiscal year under review, as well as the recording of a lump-sum upfront payment for the collaboration and license agreement for joint development and commercialization, contributed to sales revenue. These more than offset the negative impact of sales declines for drugs such as LATUDA® (atypical antipsychotic agent) and BROVANA® (therapeutic agent for chronic obstructive pulmonary disease), the latter of which saw its exclusive marketing period expire. On the other hand, in Japan, sales revenues were adversely affected by the National Health Insurance (NHI) drug price revisions. As a result, sales revenue increased by ¥45.3 billion from the previous year, to ¥591.7 billion. Core operating income declined by ¥10.0 billion compared to the previous fiscal year, to ¥61.7 billion, despite an increase in sales revenue, attributable to a significant increase in selling, general and administrative expenses associated with the launch of new products.

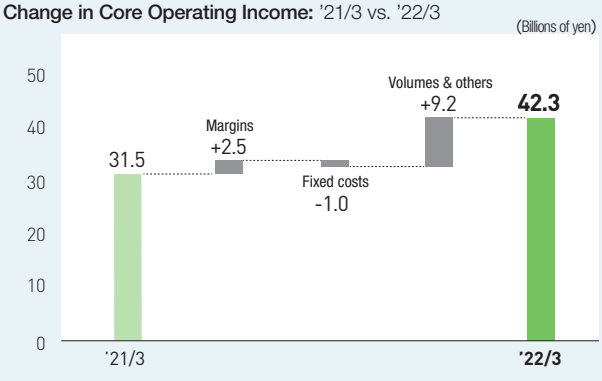
IT-related Chemicals
Change in Core Operating Income: '21/3 vs. '22/3



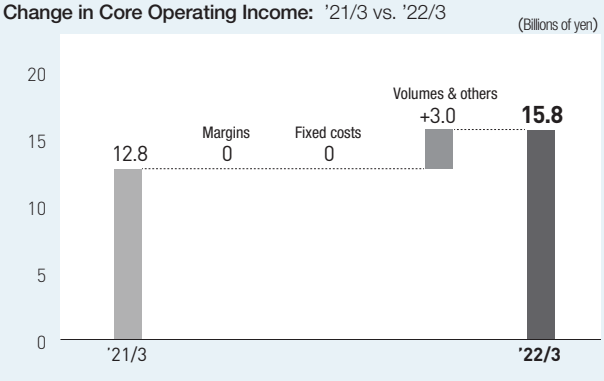
Pharmaceuticals
Change in Core Operating Income: '21/3 vs. '22/3



Health & Crop Sciences
Change in Core Operating Income: '21/3 vs. '22/3



Others
Change in Core Operating Income: '21/3 vs. '22/3



(6) Others

In addition to the above five sectors the Sumitomo Chemical Group supplies electric power and steam, designs chemical plants and supervises the construction of those facilities, provides transportation and warehousing, and conducts physical property analysis and environmental analysis. Sales revenue of these businesses increased by ¥16.1 billion from the previous year, to ¥67.2 billion, and core operating income increased by ¥3.0 billion from the previous year, to ¥15.8 billion.

3 Financial Position

(1) Financial Policy

Our group's policy for financing activities is to procure stable funds at low interest rates and over the medium to long term, and to ensure sufficient liquidity. The D/E ratio (interest-bearing debt/net assets) is targeted to be around 0.7 times over the medium to long term, taking into consideration the need to maintain our current rating, which allows for flexible financing. In addition to cash flows from operating activities, our group raises necessary funds through bank borrowings and the issuance of bonds and commercial paper in the capital market (the Company's issuance limit of the commercial paper is ¥180 billion). Our group aims to maximize the use of cash on hand through group financing and other means, and to maintain cash and cash equivalents at the level necessary to conduct its business. Cash and cash equivalents at the end of the current fiscal year were ¥365.4 billion, and the current ratio (current assets/current liabilities) was 154.5%. In addition, we have an ¥80 billion commitment line from a syndicate of major Japanese banks and a ¥23 billion multi-currency (yen, US dollar, and euro) commitment line from a syndicate of major foreign banks to ensure liquidity on hand in case of unexpected demand for funds due to the emergence of business risks or other unexpected events.

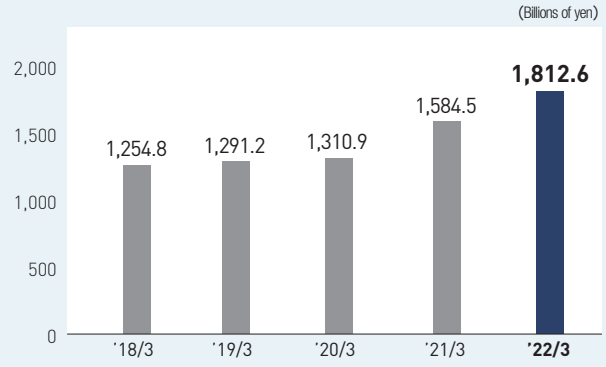
(2) Financial Position

Total assets at the end of the current fiscal year increased by ¥317.9 billion, to ¥4,308.2 billion from the previous year. Inventories and trade and other receivables increased.

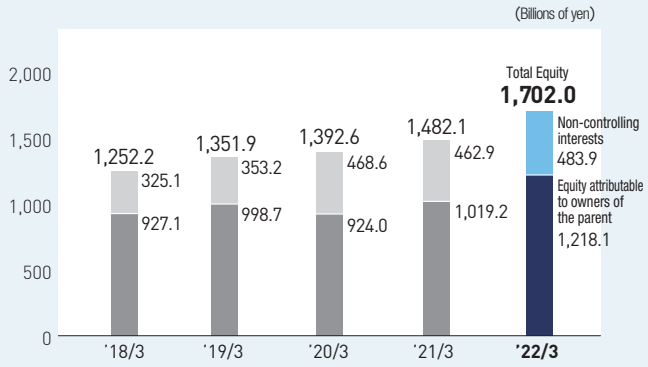
Total liabilities at the end of the current fiscal year were ¥2,606.2 billion, increased by ¥98.0 billion from the previous year.

Interest-bearing liabilities (short-term and long-term bank loans, corporate bonds, and commercial paper) at the end of the current fiscal year amounted to ¥1,350.5 billion, decreased by ¥0.6 billion compared with the previous year.

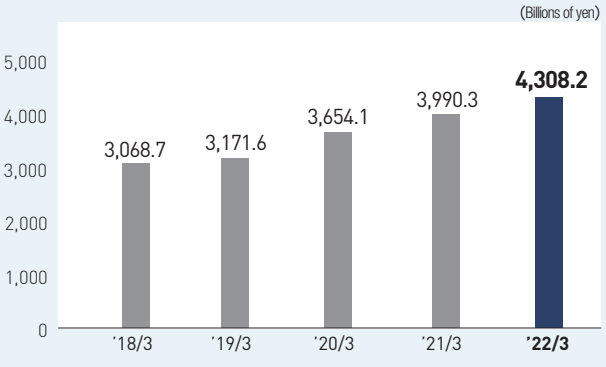
Total Current Assets



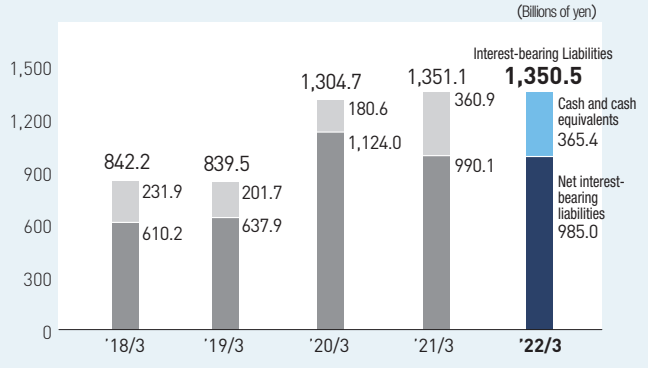
Total Equity (Net Assets)



Total Assets



Interest-bearing Liabilities



Total equity (including non-controlling interests) was ¥1,702.0 billion at the end of the current fiscal year, increased by ¥219.9 billiion from the previous year, due to an increase in retained earnings and in other components of equity.

The ratio of net worth to total assets stood at 28.3% at the end of the current fiscal year, increased by 2.8 points compared with the previous year.

4 Cash Flows

Net cash from operating activities in the current fiscal year was a net inflow of ¥171.7 billion, a decrease of ¥202.7 billion from the previous fiscal year because of an increase in working capital and other factors.

Net cash from investing activities was a net outflow of ¥115.4 billion, compared to a net outflow of ¥177.4 billion in the previous fiscal year, a reduction of ¥62.0 billion, because in the previous fiscal year there were outflows relating to a loan to Petro Rabigh.

This resulted in positive free cash flow of ¥56.3 billion for the current fiscal year compared with positive free cash flow of ¥197.1 billion for the previous fiscal year.

Net cash outflows from financing activities were ¥81.4 billion. The balance of cash and cash equivalents at the end of the current fiscal year increased by ¥4.5 billion compared to the end of the previous fiscal year, to ¥365.4 billion.

5 Capital Expenditures

In the current fiscal year, the Group's capital expenditures totaled ¥119.5 billion, which includes investments for new installations and the expansion of manufacturing facilities as well as investments for streamlining existing facilities.

Major facilities completed in the current fiscal year include the expansion of the Company's Photoresist Quality Assurance System in the IT-related Chemicals Sector. In addition, the introduction of the Company's next-generation core business system "SAP S/4 HANA" was completed. Major facilities under construction in the current fiscal year include the following: the introduction of the Company's high-efficiency gas turbine as part of rationalization in Essential Chemicals & Plastics Sector; the new installation

Breakdown of Capital Expenditures

(Billions of yen, %)

	IFRS									
	'18/3		'19/3		'20/3		'21/3		'22/3	
New plants and expansions:										
Essential Chemicals & Plastics	¥ 3.2	2 %	¥ 6.4	4 %	¥ 6.7	6 %	¥ 1.7	2 %	**¥ 3.2**	**3 %**
Energy & Functional Materials	14.3	9	13.0	8	11.1	10	8.0	7	**13.9**	**12**
IT-related Chemicals	21.3	13	28.3	17	16.8	14	7.8	7	**9.8**	**8**
Health & Crop Sciences	38.0	24	22.9	14	8.9	8	5.0	4	**4.1**	**3**
Pharmaceuticals	3.7	2	6.1	4	5.4	5	3.4	3	**2.9**	**2**
Others	6.0	4	8.6	5	0.7	0	13.1	12	**2.4**	**2**
Subtotal	¥ 86.5	54 %	¥ 85.4	52 %	¥ 49.7	43 %	¥ 39.0	35 %	**¥ 36.3**	**30 %**
Rationalization of production processes	2.7	2	2.8	2	2.2	2	2.6	2	**4.3**	**4**
Research and development	12.1	8	13.6	8	7.4	6	7.0	6	**9.1**	**8**
Maintenance and renewal	31.3	20	43.9	27	32.1	28	40.4	36	**38.5**	**32**
Others	26.2	16	17.9	11	25.1	21	23.7	21	**31.4**	**26**
Total	¥158.8	100 %	¥163.7	100 %	¥116.3	100 %	¥112.7	100 %	**¥119.5**	**100 %**

of the Company's calcination demonstration facilities for cathode materials and the new installation and expansion of a domestic subsidiary's new multiplant in Energy & Functional Materials Sector; the new installation of an overseas subsidiary's photoresist manufacturing facilities in IT-related Chemicals Sector; the new construction of the Company's manufacturing plant for nucleic acid drug and manufacturing plant for small molecule drugs in Health & Crop Sciences Sector; and the new construction of the Company's research sites as part of their reorganization and the new construction and expansion of a domestic subsidiary's power plant in Others Sector.

Broken down by sector, capital expenditures in Essential Chemicals & Plastics Sector were ¥25.3 billion, ¥26.8 billion in Energy & Functional Materials Sector ¥16.6 billion in IT-related Chemicals Sector ¥16.8 billion in Health & Crop Sciences Sector ¥19.6 billion in Pharmaceuticals Sector and ¥14.4 billion in Others Sector.

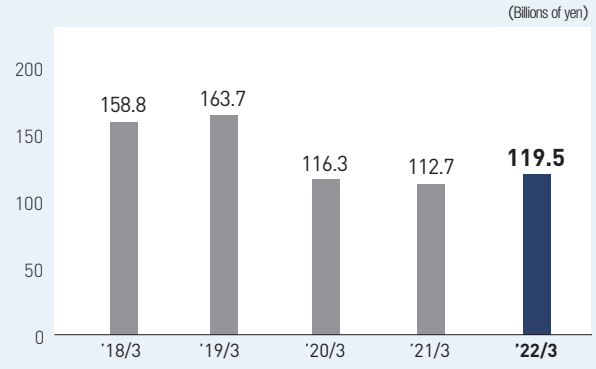
6 Research and Development

The Group's basic R&D policy is to establish superior proprietary technologies that will contribute to profitability and business expansion. To maximize overall efficiency, the Group proactively promotes collaborative R&D and outsourcing through closer cooperation, while each subsidiary performs its own R&D activities.

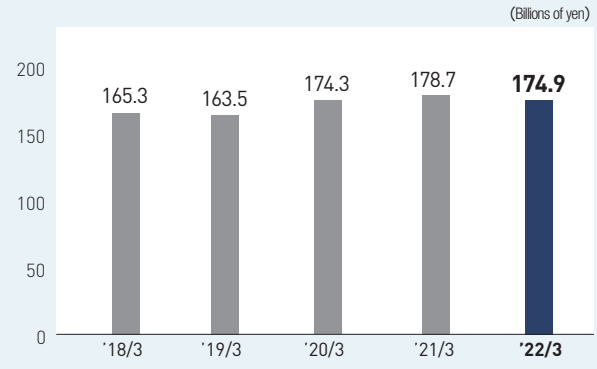
In the current fiscal year, the Group focused R&D resources on 1) healthcare, 2) food, 3) reduction of environmental impact, and 4) ICT (information & communications technology), as part of the FY2019-2021 Corporate Business Plan. In addition, the Group is promoting cross-sectoral projects for the development of new businesses.

R&D expenses were ¥174.9 billion, down by ¥3.7 billion from the previous year.

Capital Expenditures



Research and Development Expenses



Consolidated Financial Statements

Consolidated Statement of Financial Position

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries March 31, 2022 and 2021

	Millions of yen		Thousands of US dollars
	March 31, 2022	March 31, 2021	March 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	**¥ 365,429**	¥ 360,918	**$ 2,985,775**
Trade and other receivables	**720,422**	652,616	**5,886,282**
Other financial assets	**23,991**	12,814	**196,021**
Inventories	**651,358**	511,529	**5,321,987**
Other current assets	**51,442**	46,552	**420,312**
subtotal	**1,812,642**	1,584,429	**14,810,377**
Assets held for sale	**—**	42	**—**
Total current assets	**1,812,642**	1,584,471	**14,810,377**
Non-current assets:			
Property, plant and equipment	**823,022**	793,500	**6,724,585**
Goodwill	**244,517**	220,295	**1,997,851**
Intangible assets	**471,109**	450,172	**3,849,244**
Investments accounted for using the equity method	**289,968**	243,803	**2,369,213**
Other financial assets	**474,899**	528,826	**3,880,211**
Retirement benefit assets	**89,538**	80,455	**731,579**
Deferred tax assets	**49,121**	41,406	**401,348**
Other non-current assets	**53,335**	47,326	**435,780**
Total non-current assets	**2,495,509**	2,405,783	**20,389,811**
Total assets	**¥ 4,308,151**	¥ 3,990,254	**$ 35,200,188**

	Millions of yen		Thousands of US dollars
	March 31, 2022	March 31, 2021	March 31, 2022
Liabilities and equity			
Liabilities			
Current liabilities:			
Bonds and borrowings	**¥ 261,280**	¥ 250,389	**$ 2,134,815**
Trade and other payables	**551,583**	522,887	**4,506,765**
Other financial liabilities	**84,137**	55,913	**687,450**
Income taxes payable	**24,515**	38,410	**200,302**
Provisions	**129,709**	106,968	**1,059,801**
Other current liabilities	**122,267**	116,125	**998,995**
Total current liabilities	**1,173,491**	1,090,692	**9,588,128**
Non-current liabilities:			
Bonds and borrowings	**1,089,190**	1,100,677	**8,899,338**
Other financial liabilities	**101,718**	81,117	**831,097**
Retirement benefit liabilities	**33,091**	37,179	**270,373**
Provisions	**36,502**	25,115	**298,243**
Deferred tax liabilities	**101,299**	101,854	**827,674**
Other non-current liabilities	**70,883**	71,501	**579,158**
Total non-current liabilities	**1,432,683**	1,417,443	**11,705,883**
Total liabilities	**2,606,174**	2,508,135	**21,294,011**
Equity			
Share capital	**89,699**	89,699	**732,895**
Capital surplus	**27,089**	26,882	**221,333**
Retained earnings	**974,382**	854,538	**7,961,288**
Treasury shares	**(8,343)**	(8,334)	**(68,167)**
Other components of equity	**135,274**	56,445	**1,105,270**
Equity attributable to owners of the parent	**1,218,101**	1,019,230	**9,952,619**
Non-controlling interests	**483,876**	462,889	**3,953,558**
Total equity	**1,701,977**	1,482,119	**13,906,177**
Total liabilities and equity	**¥ 4,308,151**	¥ 3,990,254	**$ 35,200,188**

Consolidated Statement of Profit or Loss

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of US dollars
	2022	2021	2022
Sales revenue	**¥ 2,765,321**	¥ 2,286,978	**$ 22,594,338**
Cost of sales	**(1,891,458)**	(1,515,782)	**(15,454,351)**
Gross profit	**873,863**	771,196	**7,139,987**
Selling, general and administrative expenses	**(690,860)**	(631,270)	**(5,644,742)**
Other operating income	**10,533**	26,673	**86,061**
Other operating expenses	**(20,713)**	(17,025)	**(169,238)**
Share of profit or loss of investments accounted for using the equity method	**42,180**	(12,459)	**344,636**
Operating income	**215,003**	137,115	**1,756,704**
Finance income	**59,194**	19,868	**483,651**
Finance expenses	**(23,061)**	(19,180)	**(188,423)**
Income before taxes	**251,136**	137,803	**2,051,932**
Income tax expenses	**(64,699)**	(69,729)	**(528,629)**
Net income	**¥ 186,437**	¥ 68,074	**$ 1,523,303**
Net income attributable to:			
Owners of the parent	**162,130**	46,043	**1,324,700**
Non-controlling interests	**24,307**	22,031	**198,603**
Net income	**¥ 186,437**	¥ 68,074	**$ 1,523,303**

	Yen		US dollars
Earnings per share:			
Basic earnings per share	**¥ 99.16**	¥ 28.16	**$ 0.81**
Diluted earnings per share	**—**	—	**—**

Consolidated Statement of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of US dollars
	2022	2021	2022
Net income	**¥ 186,437**	**¥ 68,074**	**$ 1,523,303**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of financial assets measured at fair value through other comprehensive income	**(51,797)**	13,405	**(423,213)**
Remeasurements of defined benefit plans	**7,549**	18,867	**61,680**
Share of other comprehensive income of investments accounted for using the equity method	**(881)**	3,440	**(7,198)**
Total items that will not be reclassified to profit or loss	**(45,129)**	35,712	**(368,731)**
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedge	**(5,904)**	(3,015)	**(48,239)**
Exchange differences on conversion of foreign operations	**103,499**	36,890	**845,649**
Share of other comprehensive income of investments accounted for using the equity method	**15,964**	(1,701)	**130,435**
Total items that may be subsequently reclassified to profit or loss	**113,559**	32,174	**927,845**
Other comprehensive income, net of taxes	**68,430**	67,886	**559,114**
Total comprehensive income	**254,867**	135,960	**2,082,417**
Total comprehensive income attributable to:			
Owners of the parent	**229,765**	108,727	**1,877,318**
Non-controlling interests	**25,102**	27,233	**205,099**
Total comprehensive income	**¥ 254,867**	¥ 135,960	**$ 2,082,417**

Consolidated Statement of Changes in Equity

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries Years ended March 31, 2022 and 2021

Millions of yen

	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on conversion of foreign operations	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2020	¥ 89,699	¥ 20,784	¥ 807,959	¥ (8,329)	¥ 76,115	¥ —	¥ 184	¥(62,422)	¥ 13,877	¥ 923,990	¥ 468,602	¥ 1,392,592
Net income	—	—	46,043	—	—	—	—	—	—	46,043	22,031	68,074
Other comprehensive income	—	—	—	—	19,029	15,562	(3,050)	31,143	62,684	62,684	5,202	67,886
Total comprehensive income	—	—	46,043	—	19,029	15,562	(3,050)	31,143	62,684	108,727	27,233	135,960
Purchase of treasury shares	—	—	—	(5)	—	—	—	—	—	(5)	—	(5)
Disposal of treasury shares	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	—	—	(19,620)	—	—	—	—	—	—	(19,620)	(16,779)	(36,399)
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	4	4
Change in interest due to transactions with non-controlling interests	—	6,098	—	—	—	—	—	—	—	6,098	(16,171)	(10,073)
Transfer from other components of equity to retained earnings	—	—	20,116	—	(4,554)	(15,562)	—	—	(20,116)	—	—	—
Others, net	—	—	40	—	—	—	—	—	—	40	—	40
Total transactions with owners	—	6,098	536	(5)	(4,554)	(15,562)	—	—	(20,116)	(13,487)	(32,946)	(46,433)
Balance as of March 31, 2021	¥ 89,699	¥ 26,882	¥ 854,538	¥ (8,334)	¥ 90,590	¥ —	¥ (2,866)	¥ (31,279)	¥ 56,445	¥ 1,019,230	¥ 462,889	¥ 1,482,119
Balance as of April 1, 2021	**¥ 89,699**	**¥ 26,882**	**¥ 854,538**	**¥ (8,334)**	**¥ 90,590**	**¥ —**	**¥ (2,866)**	**¥ (31,279)**	**¥ 56,445**	**¥ 1,019,230**	**¥ 462,889**	**¥ 1,482,119**
Net income	**—**	**—**	**162,130**	**—**	**—**	**—**	**—**	**—**	**—**	**162,130**	**24,307**	**186,437**
Other comprehensive income	**—**	**—**	**—**	**—**	**(26,231)**	**7,129**	**(5,869)**	**92,606**	**67,635**	**67,635**	**795**	**68,430**
Total comprehensive income	**—**	**—**	**162,130**	**—**	**(26,231)**	**7,129**	**(5,869)**	**92,606**	**67,635**	**229,765**	**25,102**	**254,867**
Purchase of treasury shares	**—**	**—**	**—**	**(9)**	**—**	**—**	**—**	**—**	**—**	**(9)**	**—**	**(9)**
Disposal of treasury shares	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**0**	**—**	**0**
Dividends	**—**	**—**	**(31,065)**	**—**	**—**	**—**	**—**	**—**	**—**	**(31,065)**	**(11,192)**	**(42,257)**
Changes resulting from additions to consolidation	**—**	**—**	**(22)**	**—**	**(5)**	**—**	**—**	**—**	**(5)**	**(27)**	**(25)**	**(52)**
Change in interest due to transactions with non-controlling interests	**—**	**207**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**207**	**7,102**	**7,309**
Transfer from other components of equity to retained earnings	**—**	**—**	**(11,199)**	**—**	**18,328**	**(7,129)**	**—**	**—**	**11,199**	**—**	**—**	**—**
Others, net	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total transactions with owners	**—**	**207**	**(42,286)**	**(9)**	**18,323**	**(7,129)**	**—**	**—**	**11,194**	**(30,894)**	**(4,115)**	**(35,009)**
Balance as of March 31, 2022	**¥ 89,699**	**¥ 27,089**	**¥ 974,382**	**¥ (8,343)**	**¥ 82,682**	**¥ —**	**¥ (8,735)**	**¥ 61,327**	**¥ 135,274**	**¥ 1,218,101**	**¥ 483,876**	**¥ 1,701,977**

Thousands of US dollars

Balance as of April 1, 2021	**$ 732,895**	**$ 219,642**	**$ 6,982,090**	**$ (68,094)**	**$ 740,175**	**$ —**	**$ (23,417)**	**$ (255,568)**	**$ 461,190**	**$ 8,327,723**	**$ 3,782,082**	**$ 12,109,805**
Net income	**—**	**—**	**1,324,700**	**—**	**—**	**—**	**—**	**—**	**—**	**1,324,700**	**198,603**	**1,523,303**
Other comprehensive income	**—**	**—**	**—**	**—**	**(214,323)**	**58,248**	**(47,953)**	**756,647**	**552,619**	**552,619**	**6,495**	**559,114**
Total comprehensive income	**—**	**—**	**1,324,700**	**—**	**(214,323)**	**58,248**	**(47,953)**	**756,647**	**552,619**	**1,877,319**	**205,098**	**2,082,417**
Purchase of treasury shares	**—**	**—**	**—**	**(73)**	**—**	**—**	**—**	**—**	**—**	**(73)**	**—**	**(73)**
Disposal of treasury shares	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**0**	**—**	**0**
Dividends	**—**	**—**	**(253,820)**	**—**	**—**	**—**	**—**	**—**	**—**	**(253,820)**	**(91,446)**	**(345,266)**
Changes resulting from additions to consolidation	**—**	**—**	**(180)**	**—**	**(41)**	**—**	**—**	**—**	**(41)**	**(221)**	**(204)**	**(425)**
Change in interest due to transactions with non-controlling interests	**—**	**1,691**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,691**	**58,028**	**59,719**
Transfer from other components of equity to retained earnings	**—**	**—**	**(91,502)**	**—**	**149,750**	**(58,248)**	**—**	**—**	**91,502**	**—**	**—**	**—**
Others, net	**—**	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total transactions with owners	**—**	**1,691**	**(345,502)**	**(73)**	**149,709**	**(58,248)**	**—**	**—**	**91,461**	**(252,423)**	**(33,622)**	**(286,045)**
Balance as of March 31, 2022	**$ 732,895**	**$ 221,333**	**$ 7,961,288**	**$ (68,167)**	**$ 675,561**	**$ —**	**$ (71,370)**	**$ 501,079**	**$ 1,105,270**	**$ 9,952,619**	**$ 3,953,558**	**$ 13,906,177**

Consolidated Statement of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of US dollars
	2022	2021	2022
Cash flows from operating activities:			
Income before taxes	**¥ 251,136**	¥ 137,803	**$ 2,051,932**
Depreciation and amortization	**156,667**	136,017	**1,280,064**
Impairment loss	**8,111**	40,833	**66,272**
Share of (profit) loss of investments accounted for using the equity method	**(42,180)**	12,459	**(344,636)**
Interest and dividend income	**(9,976)**	(8,440)	**(81,510)**
Interest expenses	**16,111**	16,091	**131,637**
Business structure improvement expenses	**10,572**	6,323	**86,380**
Changes in fair value of contingent consideration	**(3,282)**	(22,463)	**(26,816)**
(Gains) losses on sales of property, plant and equipment	**(718)**	(18,730)	**(5,866)**
(Increase) decrease in trade receivables	**(19,465)**	(22,426)	**(159,041)**
(Increase) decrease in inventories	**(98,247)**	12,644	**(802,737)**
Increase (decrease) in trade payables	**(39,188)**	48,270	**(320,190)**
Increase (decrease) in unearned revenue	**565**	47,976	**4,616**
Increase (decrease) in provisions	**15,559**	16,513	**127,126**
Others, net	**(9,620)**	28,094	**(78,601)**
Subtotal	**236,045**	430,964	**1,928,630**
Interest and dividends received	**22,258**	15,968	**181,861**
Interest paid	**(15,404)**	(15,860)	**(125,860)**
Income taxes paid	**(68,323)**	(54,401)	**(558,240)**
Business structure improvement expenses paid	**(2,861)**	(2,207)	**(23,376)**
Net cash provided by operating activities	**171,715**	374,464	**1,403,015**
Cash flows from investing activities:			
Net (increase) decrease in securities	**(7,529)**	(2,644)	**(61,516)**
Purchase of property, plant and equipment, and intangible assets	**(107,467)**	(120,812)	**(878,070)**
Proceeds from sale of property, plant and equipment, and intangible assets	**2,537**	24,371	**20,729**
Purchase of investments in subsidiaries	**—**	(3,355)	**—**
Purchase of other financial assets	**(15,768)**	(8,074)	**(128,834)**
Proceeds from sales and redemption of other financial assets	**16,540**	20,935	**135,142**
Increase in loans receivable	**(1,259)**	(81,760)	**(10,287)**
Others, net	**(2,475)**	(6,050)	**(20,223)**
Net cash used in investing activities	**(115,421)**	(177,389)	**(943,059)**
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings	**(3,158)**	(237,585)	**(25,803)**
Net (decrease) of commercial paper	**10,000**	(2,000)	**81,706**
Proceeds from long-term borrowings	**46,154**	202,403	**377,106**
Repayments of long-term borrowings	**(77,132)**	(58,517)	**(630,215)**
Proceeds from issuance of bonds	**34,808**	158,734	**284,402**
Redemption of bonds	**(34,259)**	(45,000)	**(279,917)**
Repayments of lease liabilities	**(15,984)**	(15,149)	**(130,599)**
Cash dividends paid	**(31,068)**	(19,620)	**(253,844)**
Cash dividends paid to non-controlling interests	**(11,195)**	(16,775)	**(91,470)**
Proceeds from sale of subsidiaries' interests to non-controlling interests	**—**	10,841	**—**
Payments for acquisition of subsidiaries' interests from non-controlling interests	**(3,999)**	(19,396)	**(32,674)**
Others, net	**4,439**	2,090	**36,270**
Net cash provided by (used in) financing activities	**(81,394)**	(39,974)	**(665,038)**
Effect of exchange rate changes on cash and cash equivalents	**29,611**	23,169	**241,940**
Net increase (decrease) in cash and cash equivalents	**4,511**	180,270	**36,858**
Cash and cash equivalents at beginning of year	**360,918**	180,648	**2,948,917**
Cash and cash equivalents at end of year	**¥ 365,429**	¥ 360,918	**$ 2,985,775**

IR Activities

Sumitomo Chemical provides planned, effective, and strategic communications with shareholders and other investors regarding our management policies, business strategies, and performance trends, so as to fulfill our accountability to shareholders and maintain and raise market confidence, while endeavoring to convey an accurate understanding of the company that will be reflected properly in the stock price and in higher corporate value.

Summary of IR Activities (FY2021)

Briefing Sessions

	Times Held	Attendees
Current priority management issues and business strategy	1	290
ESG meeting	1	244
FY2022-2024 Corporate Business Plan	1	228
Conference call on earnings report	4	1,422

Interviews with Investors

	Attendees
Interviews with investors	384
Of which, interviews with those with decision-making authority and ESG interviews	40

Small Meetings

	Times Held	Attendees
Small meetings held by the President	2	59
Small meetings held by heads of business sectors and other departments	2	51

Individual Investors' Meetings

Times Held	Attendees
5	979

FY2022-2024 Corporate Business Plan (March 2022)

Guide to the Website and the SNS

In addition to IR activities, related information is available through our website and SNS.

Investor Relations

- ☐ Financial Results
- ☐ Meeting of Shareholders Documents
- ☐ IR Events
  (presentation, materials used at briefing sessions)
- ☐ Fact Sheet

Sustainability

LinkedIn

Editorial Policy

Sumitomo Chemical's Three Reports

Annual Report

This report summarizes important financial and non-financial information with the aim of conveying our company's value creation story to a wide range of stakeholders, including our shareholders and investors, in a way that is easy to understand.

Investors' Handbook

This handbook summarizes financial data and provides detailed explanations of our businesses and products.

Sustainability Data Book

This data book introduces our sustainability information from the perspectives of the environment, society and corporate governance, and covers more detailed information. (Available online only)

Explanation of the Cover

Coexistence of Human Beings and Nature

Humans and nature seem to be opposites of each other, yet both continue to influence each other's activities. By showing the existence of both as a mirror image, we depict our respect for nature and our desire for the evolution of both human society and nature.

Editorial Postscript

The Integrated Report, Annual Report, comprehensively summarizes our business strengths and strategies, performance report, corporate governance structure, and environmental and social initiatives, with the aim of communicating our value creation story to a wide range of stakeholders, including shareholders and investors, in an easy-to-understand manner. This report is prepared mainly by the Corporate Communications Department, in collaboration with related departments in Japan and overseas, and with the cooperation of external parties.

The content of the Annual Report 2022 has been enhanced by including a discussion on Sumitomo Chemical's efforts in both human resource and DX strategies between our Executive Vice President and an Outside Director, and the report has been reorganized in line with the material issues to be addressed as management priorities. We hope that this Annual Report will serve as a bridge for communication with our stakeholders and will convey the approach of Group as a whole to creating new value.

Financial Statements in This Document

Beginning in FY2017, the Sumitomo Chemical Group is adopting international financial reporting standards (IFRS) in place of Japanese GAAP, which it previously used, and is therefore restating figures for FY2016 using IFRS for comparative analysis.

Forward-looking Statements

Statements made in this annual report with respect to plans, strategies, and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Sumitomo Chemical cautions that a number of factors could cause actual results to differ materially from such statements including, but 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.

Guidance for Collaborative Value Creation

The Guidance for Collaborative Value Creation, put forth by the Ministry of Economy, Trade and Industry, is a handbook that serves as a shared language connecting companies and investors, systematically and comprehensively laying out the information that companies ought to convey to investors in order to raise the quality of information disclosure and of dialogue with investors. This report primarily relies on this guidance in the value creation models for sector information.

Environment Social Governance
Guidance for Collaborative Value Creation

SUMITOMO CHEMICAL

SUMITOMO CHEMICAL COMPANY, LIMITED

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