

To the management of overseas Sumitomo Chemical Group companies

President's Message

Keiichi Iwata
President
Sumitomo Chemical Co., Ltd.

Good afternoon, everyone.

This past April, when the world was shocked by the coronavirus pandemic, I sent you a message as we began the new fiscal year. Since then, four months have already passed. We still cannot tell when the pandemic will end. The number of new cases continues to rise in many countries. Given these circumstances, we have to admit that this fight of humankind against the coronavirus will be a long one. But I am determined to get over this trying time together with you. And I have renewed my belief that we can. I am here today to tell you this and also to say a special thank-you for your hard work and dedication.

First of all, I would like to extend my deep sympathy to the employees who have contracted the coronavirus and to their families. And thank you very much for your hard work to keep your operations running in a very stressful situation, in which you face the risk of infection. I am really proud of you for the difficult work you have accomplished. And on behalf of Sumitomo Chemical's management, I also want to say "*Arigatou*" to your families, who support you.

Looking at the Sumitomo Chemical Group's operations, some group companies were affected by the lockdown and had to lower their output, but fortunately, overall, our operations have not suffered serious damage.

As you are aware, the Sumitomo Chemical Group has an important social mission. That is to fulfill the responsibility of a supplier as a member of an essential industry that supports society at large. Accomplishing this mission directly leads to society's sustainability and prosperity. Amid this adversity of the coronavirus pandemic, the

vital roles of chemical products have again been recognized by society, drawing attention to the wide range of businesses in which the chemical industry is engaged. For us to fulfill our social mission, I would like to ask each of you to take care to protect yourselves from the coronavirus and stay healthy, physically and mentally.

This pandemic has brought about a number of different effects on our lives. These include not only a slump in economic activity and the breakup of the supply chain because of restrictions on the movement of people and goods, but also changes in social structures, values and life styles. I am no exception. My life has changed dramatically. I experienced remote work for the first time in my life. Dinners with customers, golfing on weekends, business trips in Japan and overseas—all these things have been canceled. As a result, I have come to spend more time with my family, which helps improve communication with my wife. Meanwhile, I have gained weight, so I do more exercise these days to get in shape. Please take care of yourselves.

Meanwhile, what I miss most is going out to visit our operations sites around the world, see you, talk with you, and cheer you up on the front line. I was very much looking forward to doing so in my second year as President. Then came the coronavirus outbreak. I lost the opportunity.

It is likely that we will face an economic stagnation more serious than the financial crisis triggered by the collapse of Lehman Brothers. We need to be prepared for this difficult time lasting for a while. But I have no doubt that we will be able to get over this trying time. And I believe that each of you will be long remembered as the people who overcame the coronavirus crisis in this chapter of Sumitomo Chemical's history, which extends over a century.

Today, I would like to share with you an update on three things about the Sumitomo Chemical Group. The first is our performance. On August 4th, we announced our consolidated financial results for the period of April to June 2020. In the face of a global economic slump, we posted a core operating income of US\$190 million. This result was a positive surprise to the market. For the whole year of fiscal 2020, we

estimate core operating income at US\$740 million, about US\$460 million lower than fiscal 2019. But this takes account of a negative effect of over US\$1 billion from temporary factors. These factors include upfront expenses for the acquisition of drug candidates with blockbuster potential in the Pharmaceuticals Sector, a decline in demand due to the pandemic, and expenses for scheduled petrochemical plant maintenance shutdowns. So, without the effect of these factors, our core operating income could be higher than fiscal 2019, by more than US\$500 million. We should not have a pessimistic view, because we are making progress on our efforts to enhance earnings in high-functional chemicals areas, including the Health and Crop Sciences, the IT-related Chemicals, and the Energy and Functional Materials Sectors. We are on the right track toward a V-shape recovery. So, as I said to you in April, we do not need to change the basic policies of our Three-Year Corporate Business Plan. I would like to ask you to do what we should do now, without pause and at a greater speed.

The second thing I want to share with you is our progress on the Corporate Business Plan. For details, please go to our website and take a look at a video clip of the presentation I made in late May for institutional investors and the mass media. Today, I would like to briefly talk about some major topics. I think it was fortunate that we had completed important investments for the improvement of our business portfolio before the coronavirus outbreak. These investments include the strategic alliance with Roivant in the Pharmaceuticals Sector and the acquisition of South American crop protection chemicals businesses from Nufarm. In addition, we issued US\$2.5 billion in corporate bonds at the right time, before the spread of COVID-19. As a result, I believe we do not have to be concerned about cash liquidity as we operate in the face of this pandemic.

The development of next-generation businesses is one of the priority issues under our Corporate Business Plan. In this area, we are working on projects based on synthetic biology, a system of technology different from traditional chemical synthesis. This effort involves the design and cultivation of microbes and the industrialization of fermentation process technology, and attempts to

seize opportunities in new business areas. And this is one of our recent achievements in our “Innovation Ecosystem” initiative, which includes investments in startups and alliances with academia. In the area of digital innovation, it is said that the coronavirus pandemic has caused two years’ worth of change in two months. In this field, we are working on smart factory initiatives and the promotion of the use of materials informatics in material design, as well as human resource development. These efforts are beginning to contribute to productivity improvements. I would like to ask you to promote work style innovations in every company and workplace of yours by using new digital technologies.

In the wake of the coronavirus pandemic, the relationship between business and the environment has gathered more attention. In particular, the problem of waste plastics is an issue that we as a manufacturer of plastics and related materials cannot leave unresolved. To provide a fundamental solution to this issue, we aim to develop chemical recycling technology and bring it to society. This year, we launched two projects for the development of chemical recycling technology. And we have also scaled up our research capacity in this area, as an effort to open up a new opportunity in the Petrochemicals and Plastics Sector.

The third point I would like to share is our contribution to the fight against the coronavirus. Actually, the Sumitomo Chemical Group supplies many products related to the treatment and containment of COVID-19. For example, we supply raw materials for Avigan and Remdesivir, drugs used for the treatment of COVID-19, as well as disinfectants and acrylic plastic partitions for preventing the spread of droplets. We are also supporting research on the coronavirus by engaging in an international consortium to provide free-of-charge public access to a medical database. In addition, we should note that petrochemical products are used in personal protection equipment, such as medical masks and gowns. I would like you, as a member of the Sumitomo Chemical Group, to take pride and have confidence in the Group’s great contribution to society and communities.

Looking at history, every time we, as humankind, have met crises, such as epidemics, public health disasters, and famines, we found a

way forward through innovation. Resolving societal issues, while also meeting new needs that emerge along with changes in society, is a mission that we in the chemical industry need to fulfill. Let's put our minds together, work as one with a can-do spirit to be an innovation leader, and make things happen in these times of change.

I myself continue to lead our Group and do all I can. I would like to ask you, the management of group companies, to continue to demonstrate strong leadership, so that every employee can stay healthy and get over this trying time with high hopes and aspirations. I am very much looking forward to seeing you in person, saying "Good job!" to you, and talking together about our future and new growth. Until then, let's stay healthy and give it all we have got. Finally, I send you former British Prime Minister Sir Winston Churchill's words, which I shared with you in April: "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

Thank you very much, and take care.