

# Investors' Meeting for the Current Priority Management Issues and Business Strategy

Keiichi Iwata – President

April 30, 2024



Change and Innovation

~ with the **Power** of Chemistry ~

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# Executive Summary

## Discussion of current state and performance trends

	Core OI	Net Income	(Attributable to valuation losses)
FY2023	-149	-312	(-170)
FY2024	100	20	(-3)

- FY2023 ended with a major loss of 312 bn. yen. Valuation losses accounted for 170 bn. yen of that loss.
- The greatest management challenge is to achieve a V-shaped recovery in FY2024.

## Immediate-term, concentrated measures to improve business performance

- Revising upward our cash generation target from 500 bn. yen to 600 bn. yen

## Fundamental structural reforms

### Revival strategy





- Sumitomo Pharma is leveraging capabilities across the corporate group to pursue rationalization and stop the hemorrhaging ASAP. Aside from expanding sales of its 3 core products, all options are on the table to resume growth.
- About Petro Rabigh, a joint task force will be formed soon for intensive discussions to find optimal strategies to improve PRC profitability.

### Growth strategy

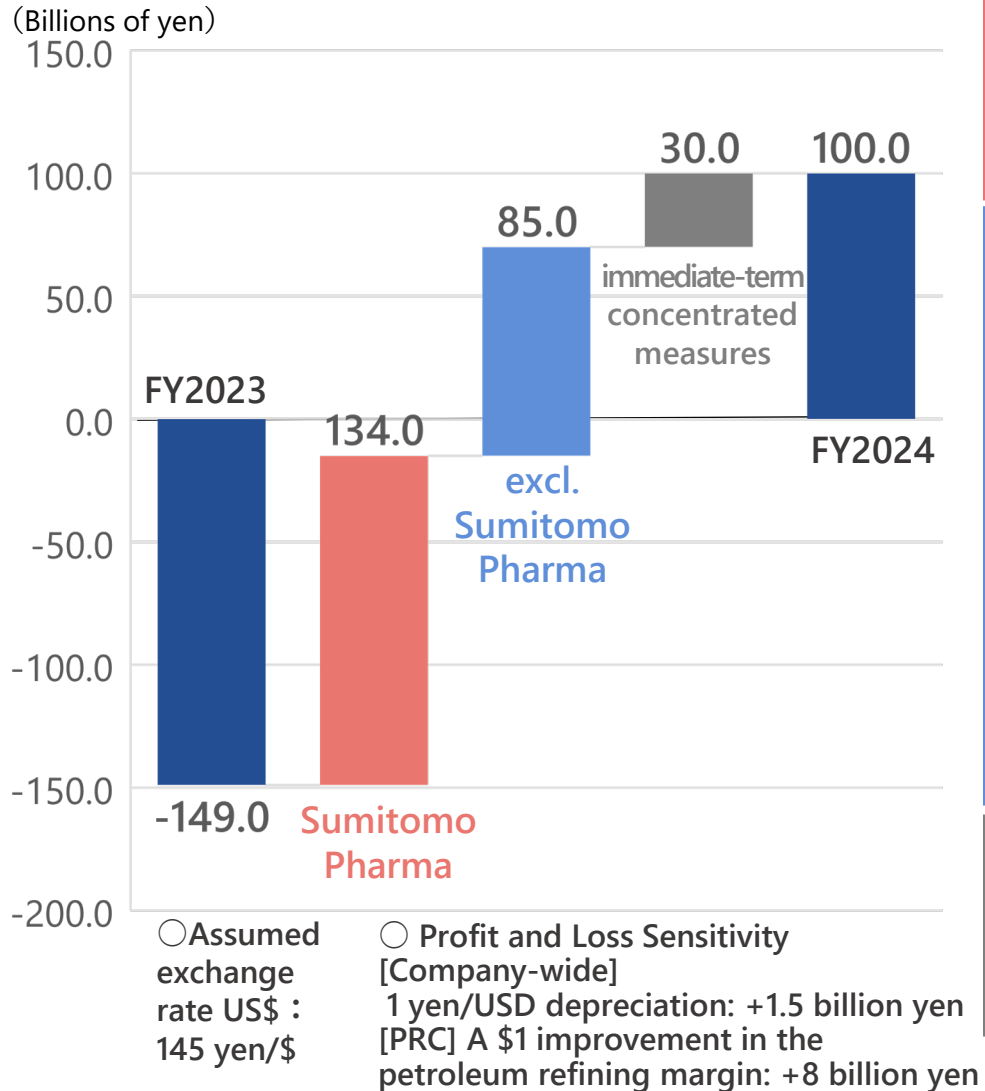
- Formulate a new growth strategy with the long-term aim to become an Innovative Solution Provider.
- Agriculture and ICT as growth drivers. Concentrate management resources to target 100 bn. yen in Core Operating Income from each by 2030.
- Expand leading-edge medicine as next-generation growth area.
- Shift direction of Petrochemicals to create value over the long run with technologies that reduce environmental impact.

## (2) Immediate-term, concentrated measures to improve business performance

Add an incremental 100 bn. yen to 500 bn. yen cash generation target

Original targets		Current targets	
Cash generation (by the end of FY2024) About <b>500</b> bn. yen		▶ Revise upward to <b>600</b> bn. yen	
 Rebuild businesses	Cash generation: <b>120</b> bn. yen	▶	Cash generation: Raise to <b>150</b> bn. yen
 Reduce inventories	Reduction of approx. <b>150</b> bn. yen vs. the end of FY2023 H1	▶	75 bn. yen reduction as of the end. FY2023 Continue to target <b>150</b> bn. yen reduction by end of FY2024
 More selective investments (cash basis)	<b>100</b> bn. yen reduction vs. Plan (3-yr cum.)	▶	Achieve <b>150</b> bn. yen reduction through additional down-selection
 Sell assets and leverage surplus funds	Sell shareholdings: <b>50</b> bn. yen Surplus funds: <b>70</b> bn. yen Sale of other assets: <b>30</b> bn. yen	▶	Raise to <b>60</b> bn. yen with additional dispositions ▶ Line of sight into achieving <b>70</b> bn. yen Look for incremental opportunities ▶ Add to <b>30</b> bn. yen with sale of wellness facilities
Currently achieved about <b>400</b> bn. yen			

# Core operating income will achieve a V-shaped recovery of 250 billion yen



**Sumitomo Pharma: +134.0 bn. yen**

✓ Thorough cost reduction and expand sales of 3 key products (Details below)

**excl. Sumitomo Pharma: +85.0 bn. yen**

⟨Effects of implemented projects⟩: Total +66.0 bn. yen

- ✓ Contribution to existing investment effects/Sales expansion : +33.0 bn. yen
  - Increased shipments in new crop protection products, etc.
  - Profit contribution from enhancements in semiconductor materials
- ✓ Cost reduction/rationalization : +33.0 bn. yen
  - Effects of business restructuring and production line reorganization (including impairment effects)

⟨Effects of business environment improvement, etc.⟩: +19.0 bn. yen

- Petrochemical market prices to bottom out
- Recovery of PRC scheduled maintenance and troubles in FY2023

**Immediate-term concentrated measures: +30.0 bn**

✓ Contribution of immediate-term, concentrated measures to improve business performance

Stop the bleeding and rebuild with revival strategy, then aim for sustainable growth based on new growth strategies.

## Fundamental structural reforms

### Revival strategy

- ✓ Rebuild Sumitomo Pharma
- ✓ Petrochemicals business
  - Review of positioning of Petro Rabigh business
  - Rebuild Japan and Singapore business

### Growth strategy

- ✓ Agrosolutions and ICT as two growth drivers
  - Agro & life solutions
  - ICT solutions
- ✓ New growth areas
  - Advanced medical solutions
- ✓ Fundamental areas
  - Essential & green materials
- ✓ Separate and reorganize Energy & Functional materials sector
- ✓ Reorganize CDMO business of small molecule drugs

Quickly stop the bleeding while we consider all options to return to growth

## Stop the bleeding

Shrink into a suitable cost structure and turn profitable at the core operating income level in FY2024

- ✓ Thorough rationalization of SG&A and R&D expenses

### Sumitomo Chemical's role

- Leverage knowledge from third-party corporate turnaround experts and support rationalization
- Strengthen governance by dispatching multiple management personnel
- Financial support through debt guarantees

## Integrated group

In parallel

## Return to growth

- ✓ Expand sales of 3 key products
- ✓ Develop two cancer drugs
- ✓ Integrated operations in regenerative medicine & cell therapies

Pursue best growth model



## (6) Revival Strategy: Review positioning of Petro Rabigh

Joint taskforce to be formed for intensive discussions to improve PRC profitability

### Current status

- Symbolic project that represents partnership between Saudi Arabia and Japan
- Growing losses due to the **changes in external environment** (prolonged downturn in petroleum and petrochemicals markets and revisions to official fixed feedstock and fuel prices)
- **Divergence in strategic directions and business positioning** between Sumitomo Chemical and Saudi Aramco (Sumitomo Chemical is shifting away from commodity chemicals toward specialty chemicals and has completed the transfer of technology to PRC, fulfilling its major role in the project)
- Sumitomo Chemical **does not plan to provide PRC with additional funding** that increases its exposure to PRC's performance

### 1st Step

Reached a mutual understanding with Saudi Aramco on PRC's challenges

### Next step

**A joint task force will be formed soon for intensive discussions to find optimal strategies to improve PRC profitability**

(7) Long-term vision ~A company that solves social issues with innovative technology~

# Innovative Solution Provider



Food

Achieve regenerative



ICT

Innovate IT



Healthcare

Spread leading-edge medicine



Environment

Reduce environmental impact

## Main technologies and product groups that support the solution

(Top runner technologies and products are in red)

### Biorationals

- Bio-stimulants
- Botanicals

(natural pyrethroids)

- Cutting-edge resist

(ArF immersion, EUV)

- Semiconductor chemicals

- Compound semiconductor materials (GaN wafers)

- Regenerative medicine & cell therapies

- RI diagnosis and therapies

- Long-chain nucleic acid (Guide RNA)

- CDMO and Analysis CRO

- Chemical recycling (GI fund)

- Materials recycling

- CFP-TOMO

Agro & life solutions

ICT solutions

Advanced medical solutions

Essential & green materials

Important value-generation assets

G X  
Green

D X  
Digital

B X  
Bio

## (8) Positioning of new business areas within the growth strategy

Clarify strategic positioning in each business domain. Be unique.



**Growth drivers**

**Agro & life solutions**

**ICT solutions**

Former ICT + parts of E&FM

Position as our flagship domains and pursue high growth and high earnings



**New growth areas**

**Advanced medical solutions**

Excluding drug discovery

Quickly develop as a next-generation growth driver



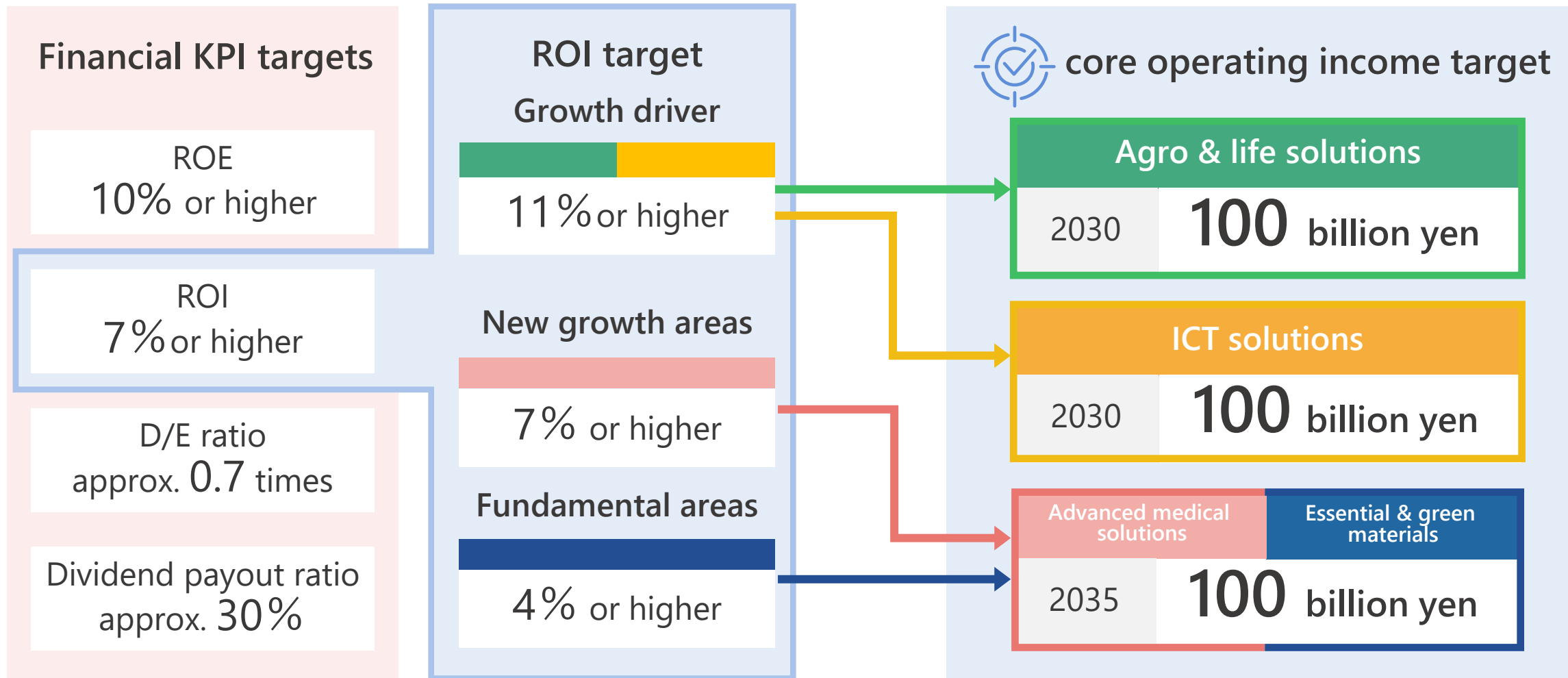
**Core domains**

**Essential & green materials**

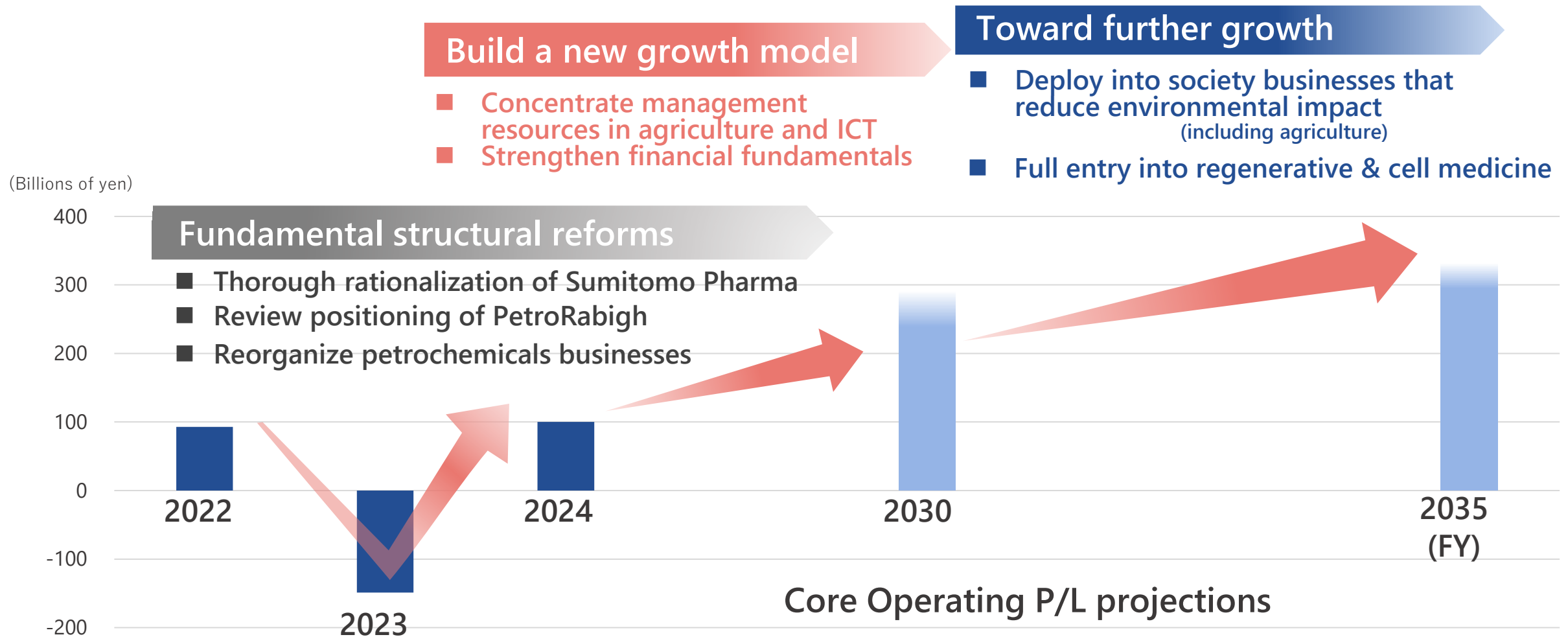
Shift direction to create value through the reduction of environmental impact

**Reorganize into four business segments, effective October 2024**

Concentrate management resources on two growth drivers and aim to achieve a core operating income of 100 billion yen in each sector in FY2030.



First and foremost, a V-shaped recovery is a must. Then, we strengthen our financial standing and return to a growth trajectory.



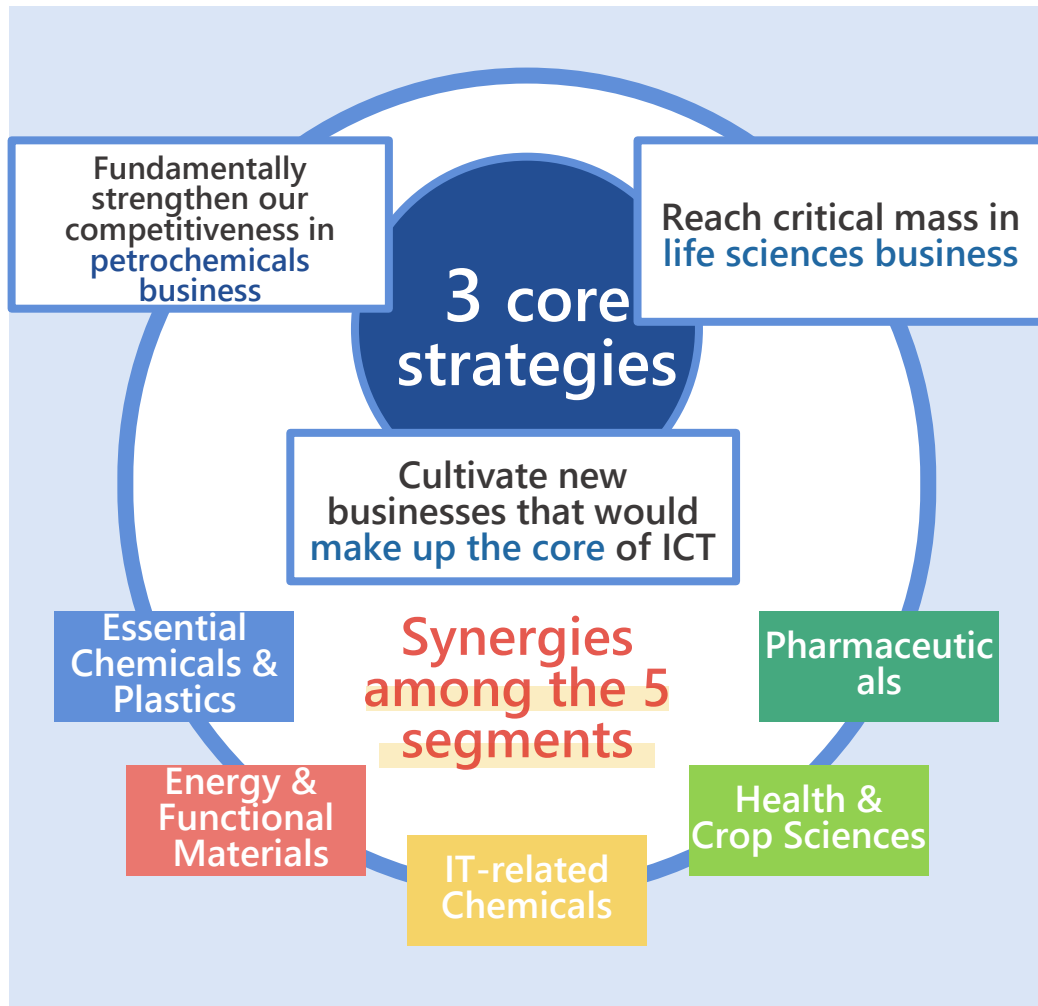
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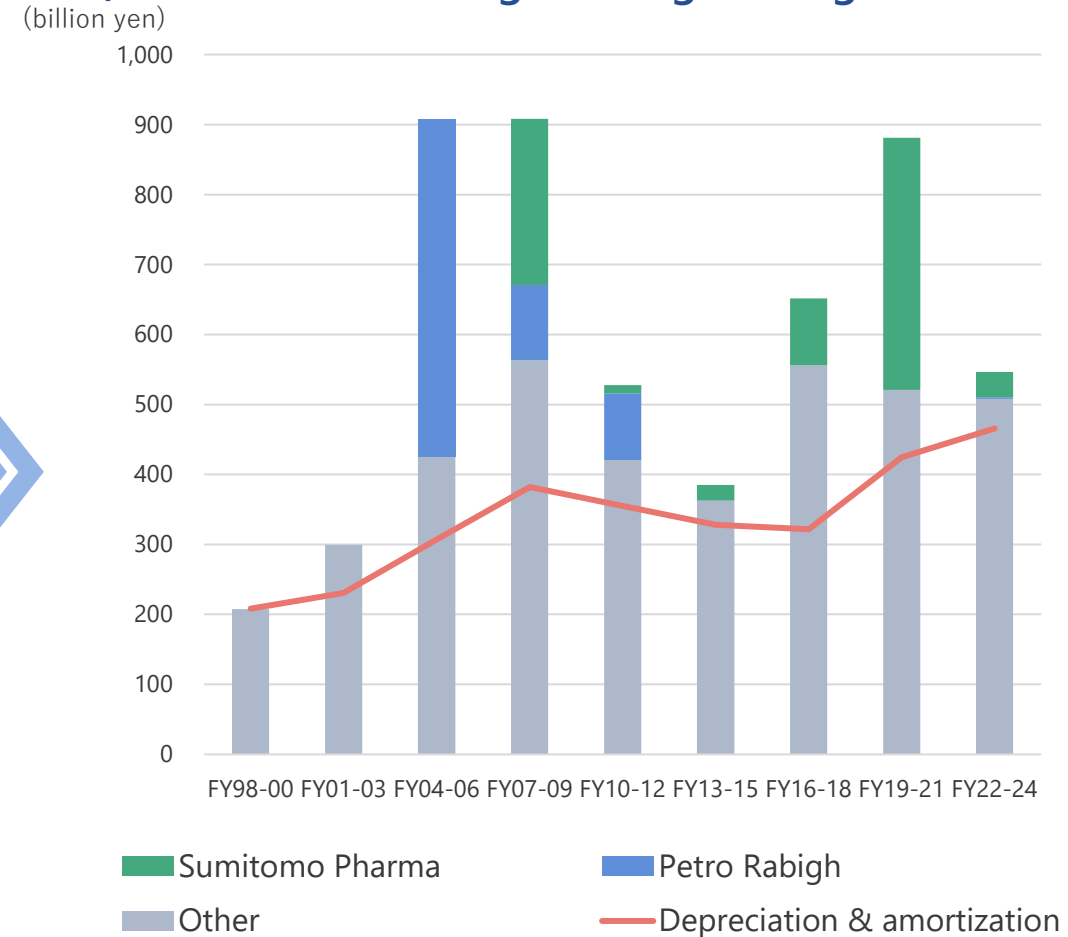
**Discussion of the current state  
and the results in FY2023**

# A look back on our management strategy (1)

Pursue 3 core strategies. Since 2005, ramped up investments in Petro Rabigh and Sumitomo Pharma



Capital expenditures, loans and investments (based on the timing of the green-light decision)

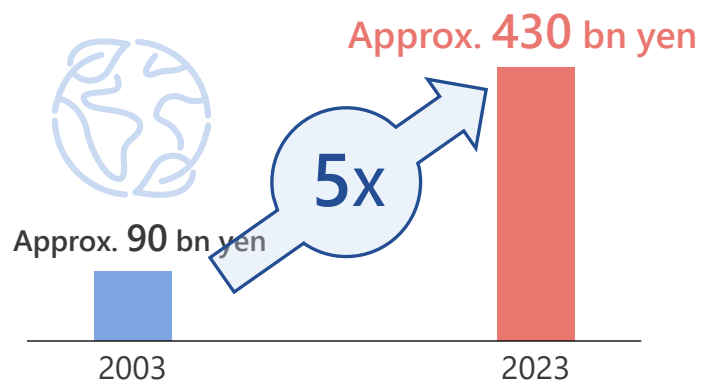


# A look back on our management strategy (2)

Over the past 20 years H&CS, ICT and other non-petrochemical sales have grown steadily

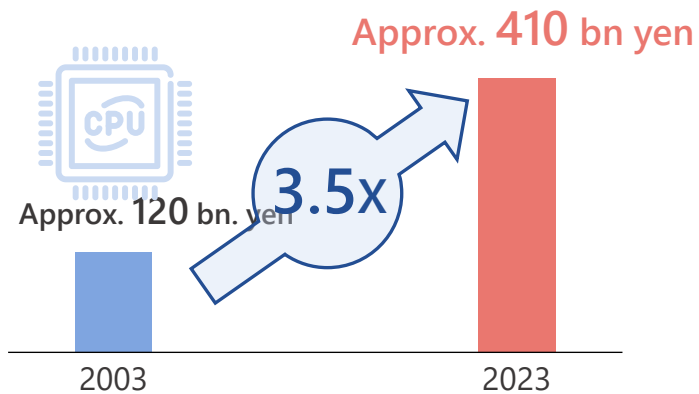


## Health & Crop Sciences overseas sales



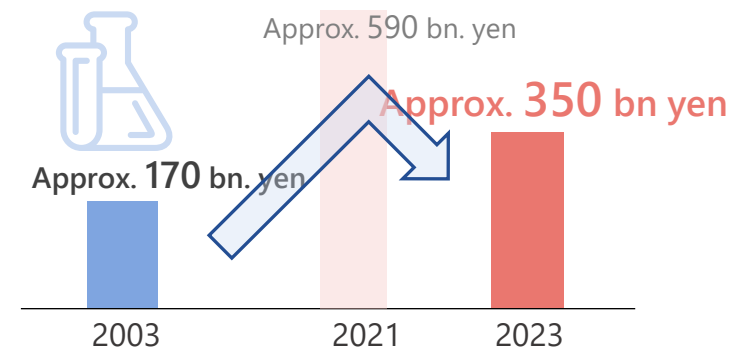
Expanded Agrosolutions footprint

## IT-related Chemicals sales



Developed into growth driver

## Pharmaceuticals sales



Grew substantially up to the patent cliff



# A look back on our management strategy (3)

On the other hand, the growth model based on five business sectors is reaching its limits due to internal and external factors

## External factors



Accelerating commoditization of technology



Construction of new large-scale plant in China



Increased difficulty in developing new drugs



## Internal factors



Dispersion of management resources through diversified management



Lack of discernment and development ability in pharmaceuticals



Lack of competitiveness of growth drivers



Commodity product slump

Petro Rabigh

Petrochemical

Methionine

Rise of Chinese companies

Materials for large LCDs

Petrochemical

Methionine

Patent cliff

LATUDA

# FY2023 Performance Forecast

Core operating Income is in line with previous forecast. Net Income Attributable to Owners of the Parent is down due to Sumitomo Pharma's Impairment loss on intangible assets.

(Billions of yen)

	FY2023 Forecast (February) A	FY2023 Forecast B	(Sumitomo Pharma)	Change B-A	Reasons for change
Sales Revenue	2480.0	2,447.0	314.6	-33.0	
Core Operating Income	-145.0	-149.0	-133.0	-4.0	See the next page.
Non-recurring Items	-140.0	-340.0	-221.9	-200.0	Sumitomo Pharma's Impairment loss on intangible assets
Operating Income (IFRS)	-285.0	-489.0	-354.9	-204.0	
Finance Income/expenses	5.0	26.0	31.7	21.0	
Taxes	-35.0	-3.0	8.2	32.0	Decreased in tax burden due to impairment loss
Net income attributable to non-controlling interests	70.0	154.0	152.0	84.0	Deterioration of earnings at Sumitomo Pharma
Net Income Attributable to Owners of the Parent	-245.0	-312.0	-163.0	-67.0	
Naphtha price	¥69,000/kl	¥69,100/kl			
Exchange rate	¥143.75/\$	¥144.59/\$			

# FY2023 Core Operating Income by Sector

While IT-related Chemicals sales remained steady, sales of Health & Crop Sciences were at the same level as the previous forecast due to factors such as unseasonable weather.

(Billions of yen)

		FY2023 Forecast (February)	FY2023 Forecast	(Sumitomo Pharma)	Change	Reasons for change
Essential Chemicals & Plastics	excl. PRC	-24.0	-26.0	-	-2.0	
	PRC	-63.0	-65.0	-	-2.0	
Energy & Functional Materials		5.0	8.0	-	3.0	
IT-related Chemicals		38.0	44.0	-	6.0	Increased shipments in semiconductor materials
Health & Crop Sciences		40.0	31.0	-	-9.0	Unsettled weather in South America
Pharmaceuticals		-131.0	-133.0	-133.0	-2.0	
Others		-10.0	-8.0	-	2.0	
<b>Total</b>		<b>-145.0</b>	<b>-149.0</b>	<b>-133.0</b>	<b>-4.0</b>	



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**Immediate-term,  
concentrated measures  
to improve business  
performance**  
and the FY2024 performance forecast.

# Progress on immediate-term, concentrated measures to improve business performance (Summary)

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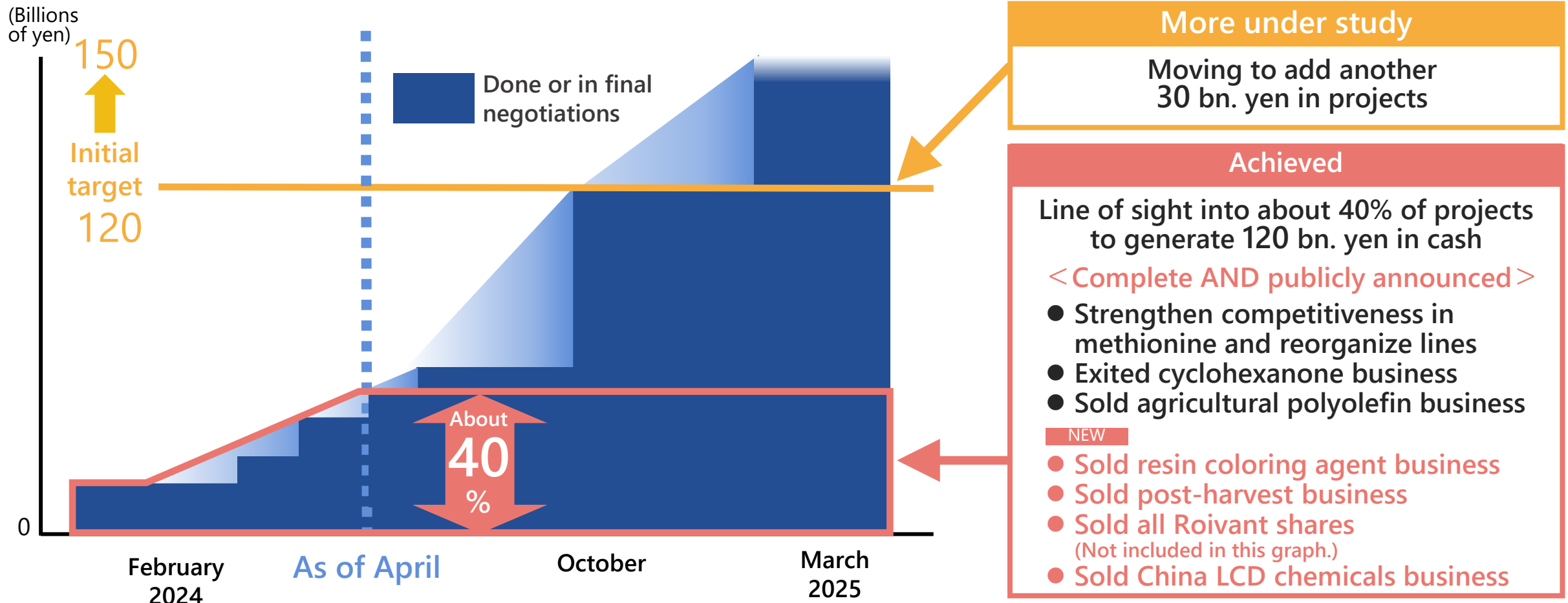
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 More selective investments (cash basis)	<b>100</b> bn. yen reduction vs. Plan (3-yr cum.)	▶	Achieve <b>150</b> bn. yen reduction through additional down-selection
 Sell assets and leverage surplus funds	Sell shareholdings: <b>50</b> bn. yen Surplus funds: <b>70</b> bn. yen Sale of other assets: <b>30</b> bn. yen	▶	Raise to <b>60</b> bn. yen with additional dispositions ▶ Line of sight into achieving <b>70</b> bn. yen Look for incremental opportunities ▶ Add to <b>30</b> bn. yen with sale of wellness facilities
Currently achieved about <b>400</b> bn. yen			

# Progress in rebuilding businesses

Accelerate sale of noncore businesses from the perspective of best owner  
Already achieved about 40% on cash basis.

Illustration of the status of about 30 projects to rebuild businesses



# Progress on inventory reductions and investment down-selection

Achieved 75 bn. yen inventory reduction Further strengthen investment down-selection



## Reduce inventories

### Forecast inventory reductions

**800 bn. yen → 650 bn. yen**

(Target approx. 150 bn. yen reduction by the end of March 2025)

- Approx. **75 bn. yen** reduction by the end of March 2024 (Achieved **50%+** of target in a half year)
- Target further reductions by leveraging DX or exiting or selling businesses



## More selective investments

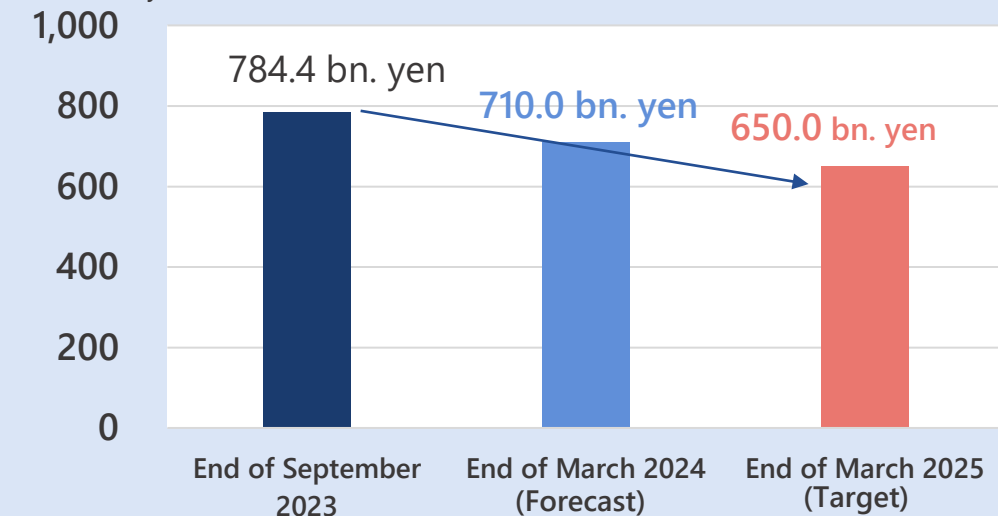
### FY2022 through FY2024 forecast (cash basis)

**Reduce from 700 bn. yen to 550 bn. yen**

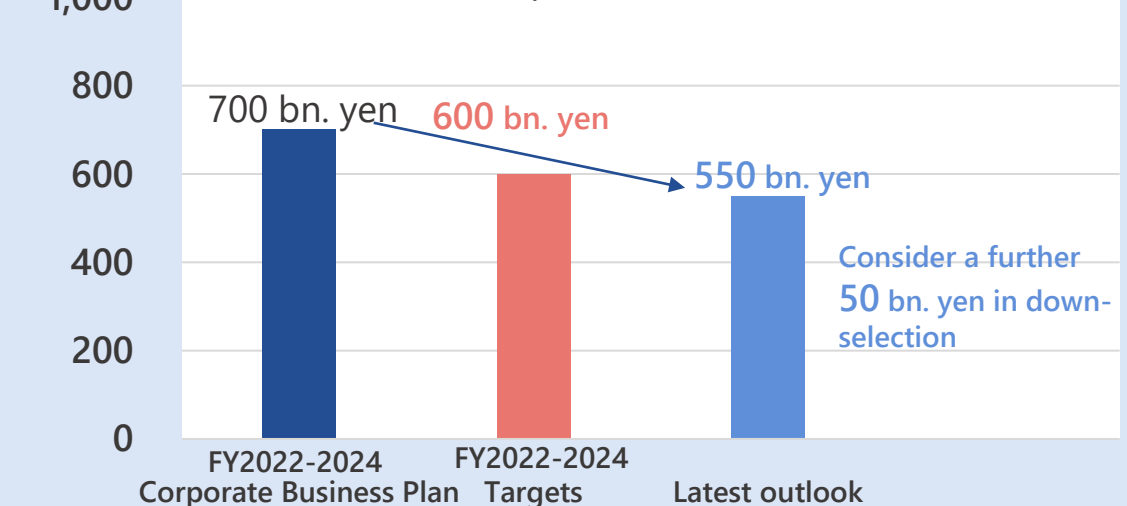
(Target approx. 150 bn. yen reduction by the end of March 2025)

- Selective investments in growth areas such as biorationals and high-performance materials
- **Consider a further 50 bn. yen in down-selection**

(Billions of yen) Consolidated balance of inventories



(Billions of yen) FY2022-2024 cumulative capital expenditures, loans and investments plan (cash basis)





## Accelerating the sale of cross-shareholdings with the aim of reducing holdings to zero.



### Sale of cross-shareholdings

(Target : 50 bn. Yen  
(by the end of FY2024) )

- Have sold shares of operating companies and financial institutions (Approx. **41 bn. yen** during FY2023 )
- **Approx 60 bn. yen is expected**, including sales during FY2024



### Sale of other assets

(Target : 30 bn. Yen  
(by the end of FY2024) )

- Have sold shares of Inabata & Co., Ltd. (Approx. 24 bn. yen)
- **Sale of welfare facilities, etc. (Approx. 10 bn. yen)**



### Surplus funds

(Target : 70 bn. Yen  
(by the end of FY2024) )

- Leverage surplus funds at overseas group companies via group finance (CMS, etc.)
- **Approx. 70 bn. yen** has already been generated by the end of FY2023. Aiming for further gains.

# FY2024 Performance Forecast vs FY2023 Forecast

Aiming for a V-shaped recovery, Core Operating Income is 100.0 bn. yen,  
Net Income Attributable to Owners of the Parent is 20.0 bn. yen

(Billions of yen)

	FY2023 Forecast	FY2024 Forecast	Change	Reasons for change	FY2022 Actual
Sales Revenue	2,447.0	2,670.0	223.0		2,895.3
Core Operating Income	-149.0	100.0	249.0	See the next page.	92.8
Non-recurring Items	-340.0	-30.0	310.0	Large impairment loss in Pharmaceuticals and Essential Chemicals & Plastics previous year	-123.7
Operating Income (IFRS)	-489.0	70.0	559.0		-31.0
Finance income/expenses, Taxes, Net income attributable to non-controlling interests	177.0	-50.0	-227.0	Sumitomo Pharma's business performance improvement, etc.	38.0
Net Income Attributable to Owners of the Parent	-312.0	20.0	332.0		7.0

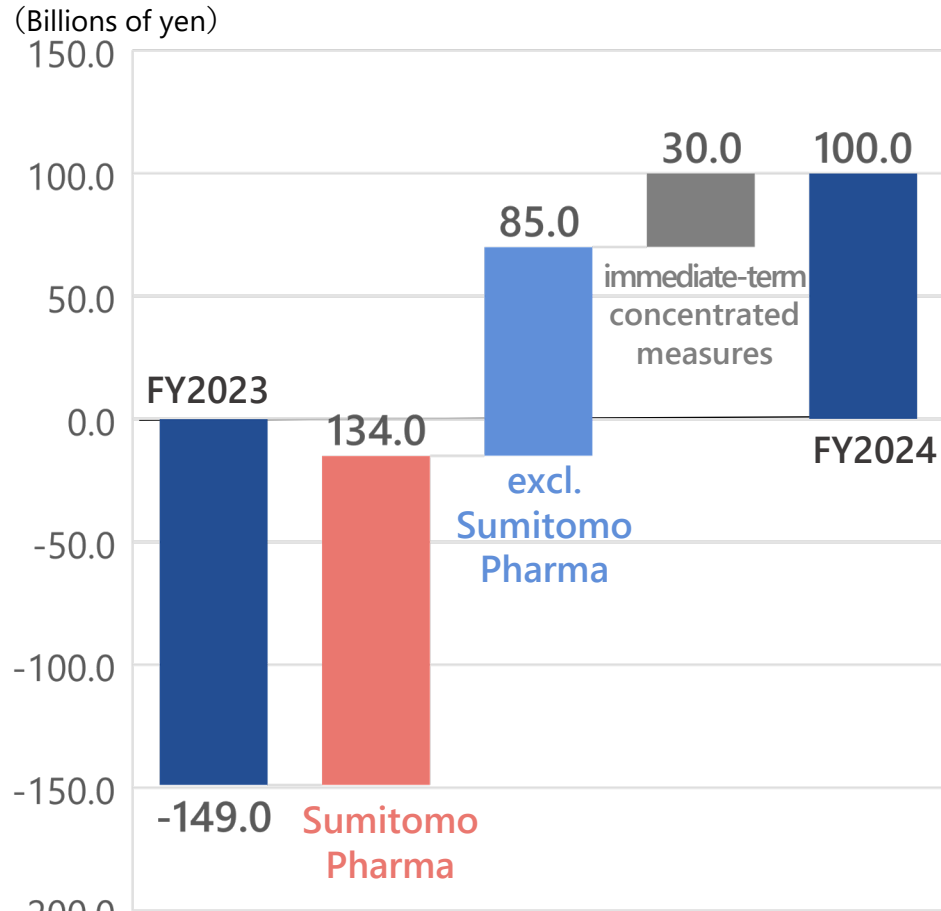
Naphtha price	¥69,100/kl	¥75,000/kl
Exchange rate	¥144.59/\$	¥145.00/\$

Exchange rate sensitivity	Main non-recurring Items
1 yen/dollar yen depreciation ⇒	Restructuring costs -20.0
Core Operating Income +1.5 bn. yen	Loss on retirement of fixed assets, etc. -10.0
Finance income/expenses+2.0 bn. yen	

¥76,600/kl
¥135.50/\$

# FY2024 Core Operating Income Analysis (vs FY2023)

Achieve a V-shaped recovery by thoroughly rationalizing Sumitomo Pharma, expanding sales in each field, realizing the effects of implemented projects, and promoting short-term concentrated performance improvement measures.



○ Assumed exchange rate US\$ : 145 yen/\$

○ Profit and Loss Sensitivity [PRC]  
 A \$1/bbl. improvement in refining margin: +8 billion yen  
 A \$10/bbl. increase in crude oil prices: +6.5 billion yen

## Sumitomo Pharma: +134.0 bn. yen

- ✓ Thorough cost reduction and expand sales of 3 key products (Details below)

## excl. Sumitomo Pharma: +85.0 bn. yen

### ⟨Effects of implemented projects⟩: Total +66.0 bn. yen

- ✓ Contribution to existing investment effects/Sales expansion : +33.0 bn. yen
  - Increased shipments in new crop protection products, etc.
  - Profit contribution from enhancements in semiconductor materials
- ✓ Cost reduction/rationalization : +33.0 bn. yen
  - Effects of business restructuring and production line reorganization (including impairment effects)

### ⟨Effects of business environment improvement, etc.⟩: +19.0 bn. yen

- Petrochemical market prices to bottom out
- Recovery of PRC scheduled maintenance and troubles in FY2023

## Immediate-term concentrated measures: +30.0 bn

- ✓ Contribution of immediate-term, concentrated measures to improve business performance

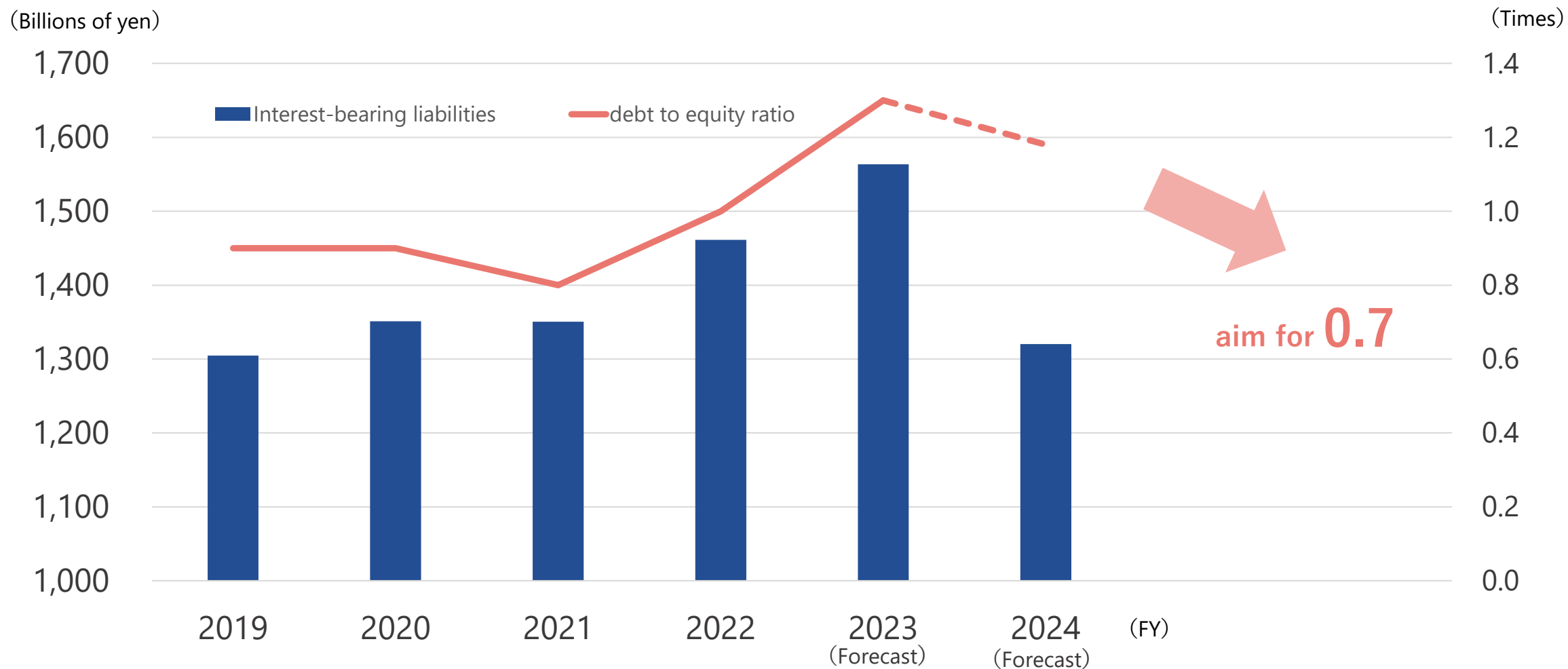
# FY2024 Core Operating Income by Sector

Expected significant improvements mainly in Pharmaceuticals and Essential chemicals & Plastics

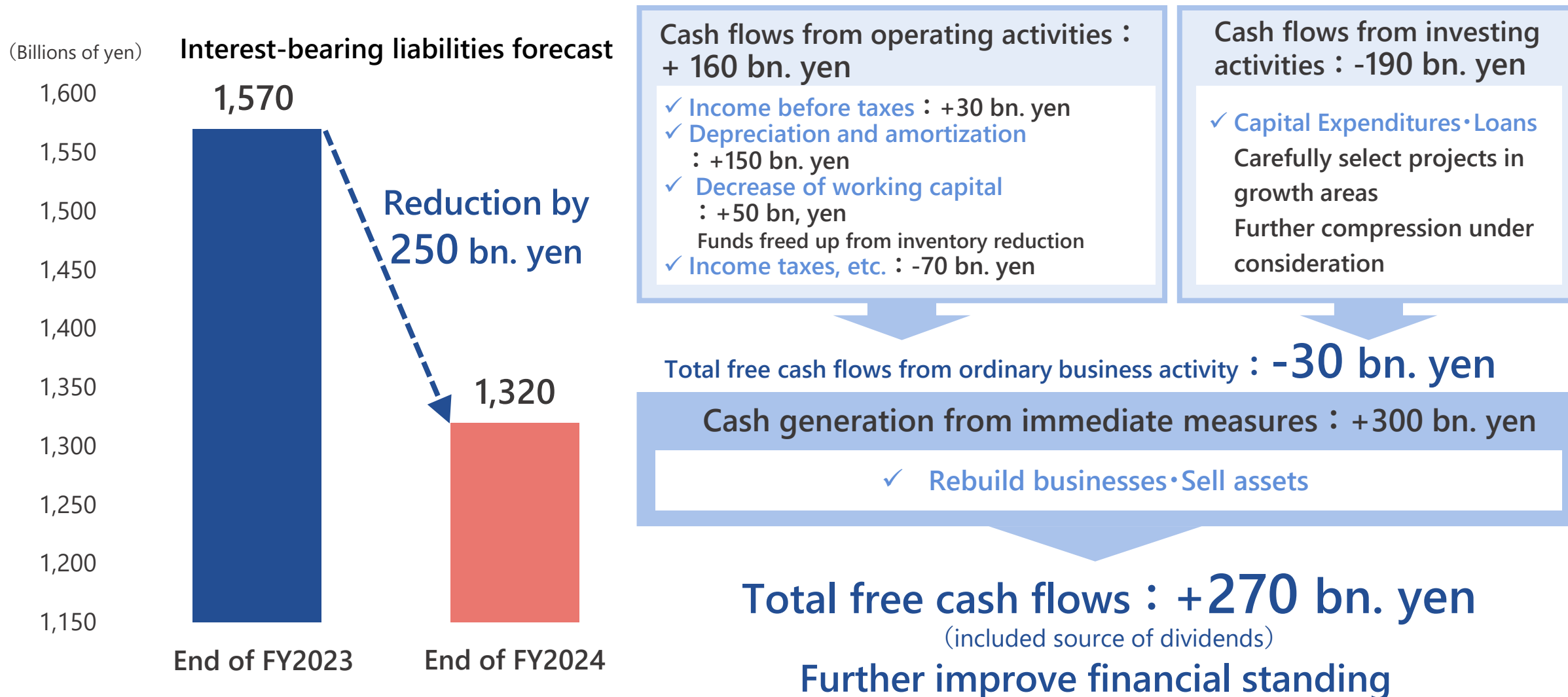
	FY2023 Forecast	FY2024 Forecast	Change	Reasons for change	(Billions of yen) FY2022 Actual
Essential Chemicals & Plastics	-91.0	-35.0	56.0	Cost rationalization through business restructuring and similar measures	-34.2
(PRC broken out)	(-65.0)	Non-disclosure	(N.A)	Trade terms and conditions to improve PRC scheduled maintenance, troubles, etc. in previous year	(-10.6)
Energy & Functional Materials	8.0	11.0	3.0	Increased shipments in resorcinol and engineering plastics, etc.	15.2
IT-related Chemicals	44.0	47.0	3.0	Increased shipments in semiconductor materials	47.6
Health & Crop Sciences	31.0	62.0	31.0	Increased shipments in new crop protection products Improved trade terms and conditions in methionine	57.3
Pharmaceuticals	-133.0	3.0	136.0	Thorough rationalization of SG&A and R&D expenses Expand sales of three key products	16.2
Others	-8.0	12.0	20.0	Contribution of immediate-term, concentrated measures to improve business performance	-9.3
<b>Total</b>	<b>-149.0</b>	<b>100.0</b>	<b>249.0</b>		<b>92.8</b>

# Interest-bearing liabilities and debt to equity ratio

After peak in FY2023, reduce interest-bearing liabilities from immediate-term, concentrated measures to improve business performance

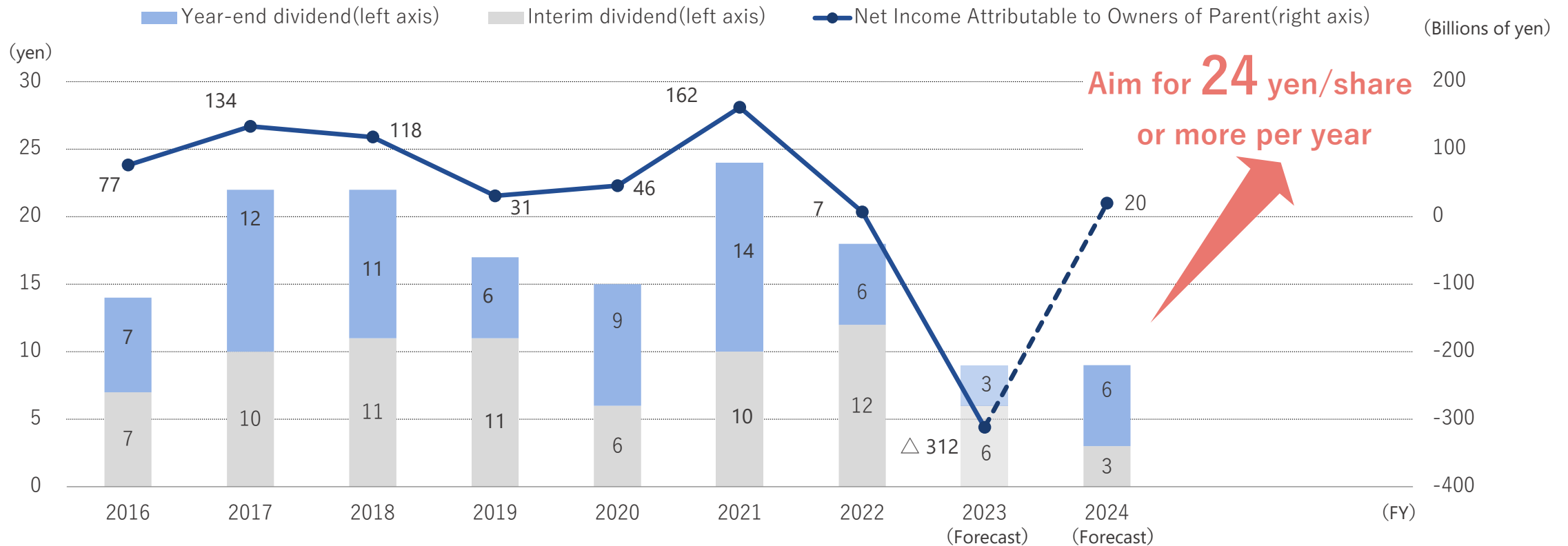


From peak year FY2023, improve financial standing by asset and business dispositions



# Shareholder returns

Despite a V-shaped recovery expected in fiscal 2024, prioritize strengthening financial standing and maintain dividends at annual DPS of 9 yen.



**Aim for 24 yen/share  
or more per year**



29.9	26.9	30.5	89.9	53.3	24.2	421.2	—	73.6	Dividend payout ratio (%)
1.24	1.09	0.84	0.57	0.92	0.75	0.63	0.57		PBR

Section

3

# Fundamental structural reforms (overview)



Stop the bleeding and rebuild with revival strategy, then aim for sustainable growth based on new growth strategies.

## Fundamental structural reforms

### Revival strategy

- ✓ Rebuild Sumitomo Pharma
- ✓ Petrochemicals business
  - Review of positioning of Petro Rabigh business
  - Rebuild Japan and Singapore business

### Growth strategy

- ✓ Agrosolutions and ICT as two growth drivers
  - Agro & life solutions
  - ICT solutions
- ✓ New growth areas
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- ✓ Fundamental areas
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- ✓ Separate and reorganize Energy & Functional materials sector
- ✓ Reorganize CDMO business of small molecule drugs

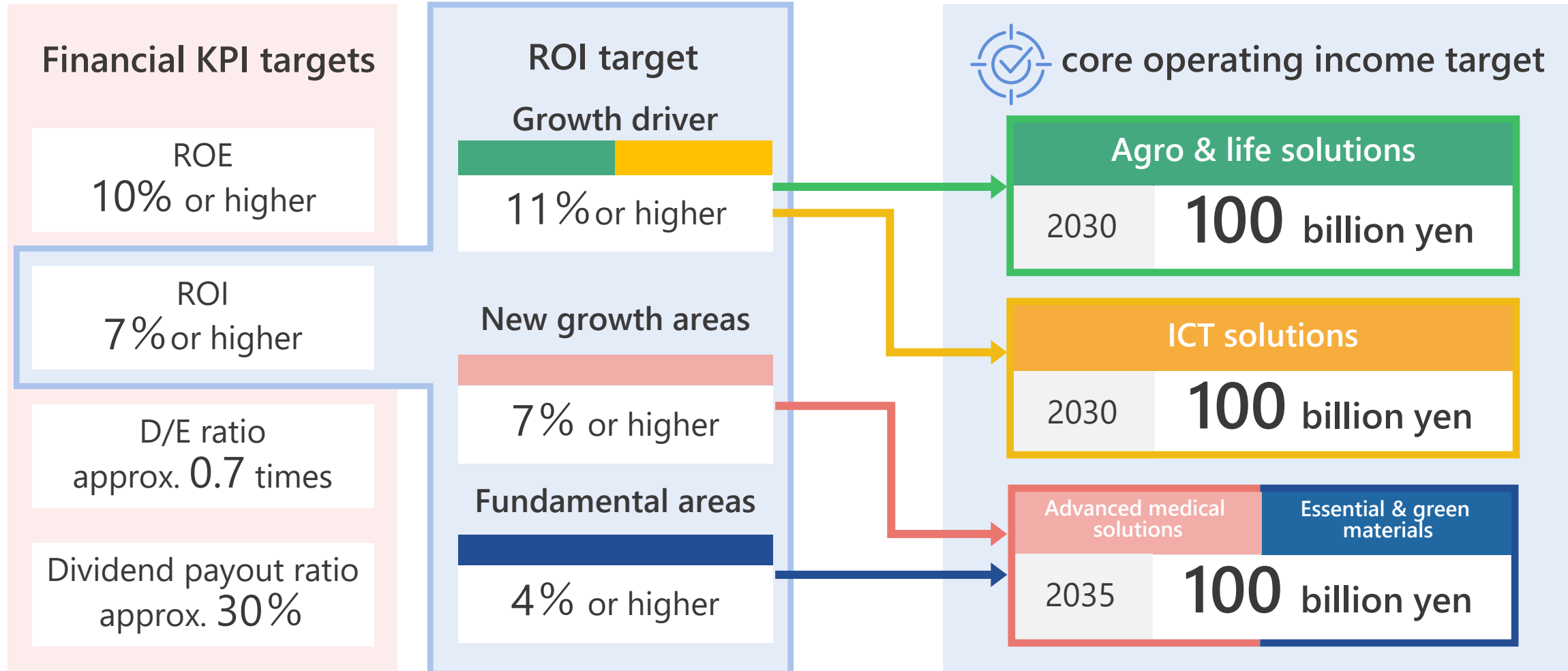
Innovative Solution Provider

# Long-term targets

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Set ROI targets for each Sector.

Concentrate management resources on two growth drivers and aim to achieve a core operating income of 100 billion yen in each sector in FY2030.



# Toward sustainable growth

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First and foremost, a V-shaped recovery is a must. Then, we strengthen our financial standing and return to a growth trajectory.

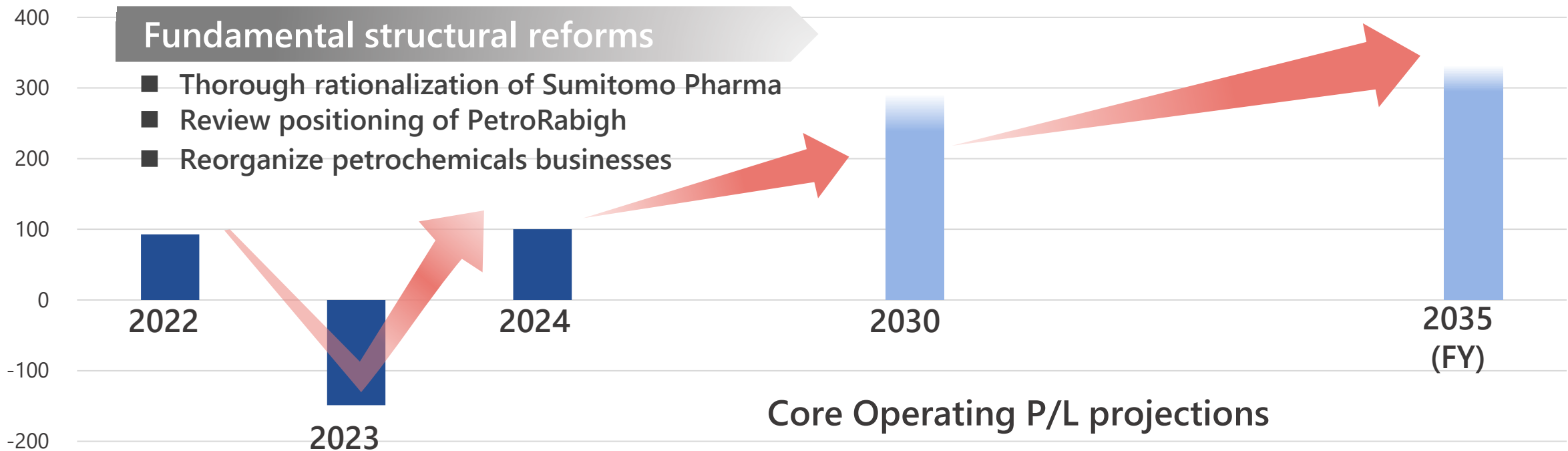
## Build a new growth model

- Concentrate management resources in agriculture and ICT
- Strengthen financial fundamentals

## Toward further growth

- Deploy into society businesses that reduce environmental impact (including agriculture)
- Full entry into regenerative & cell medicine

(Billions of yen)



Section

**3-1**

# Fundamental structural reforms (Revival Strategy)

Quickly stop the bleeding while we consider all options to return to growth

## Stop the bleeding

Shrink into a suitable cost structure and turn profitable at the core operating income level in FY2024

- ✓ Thorough rationalization of SG&A and R&D expenses

### Sumitomo Chemical's role

- Leverage knowledge from third-party corporate turnaround experts and support rationalization
- Strengthen governance by dispatching multiple management personnel
- Financial support through debt guarantees

## Integrated group

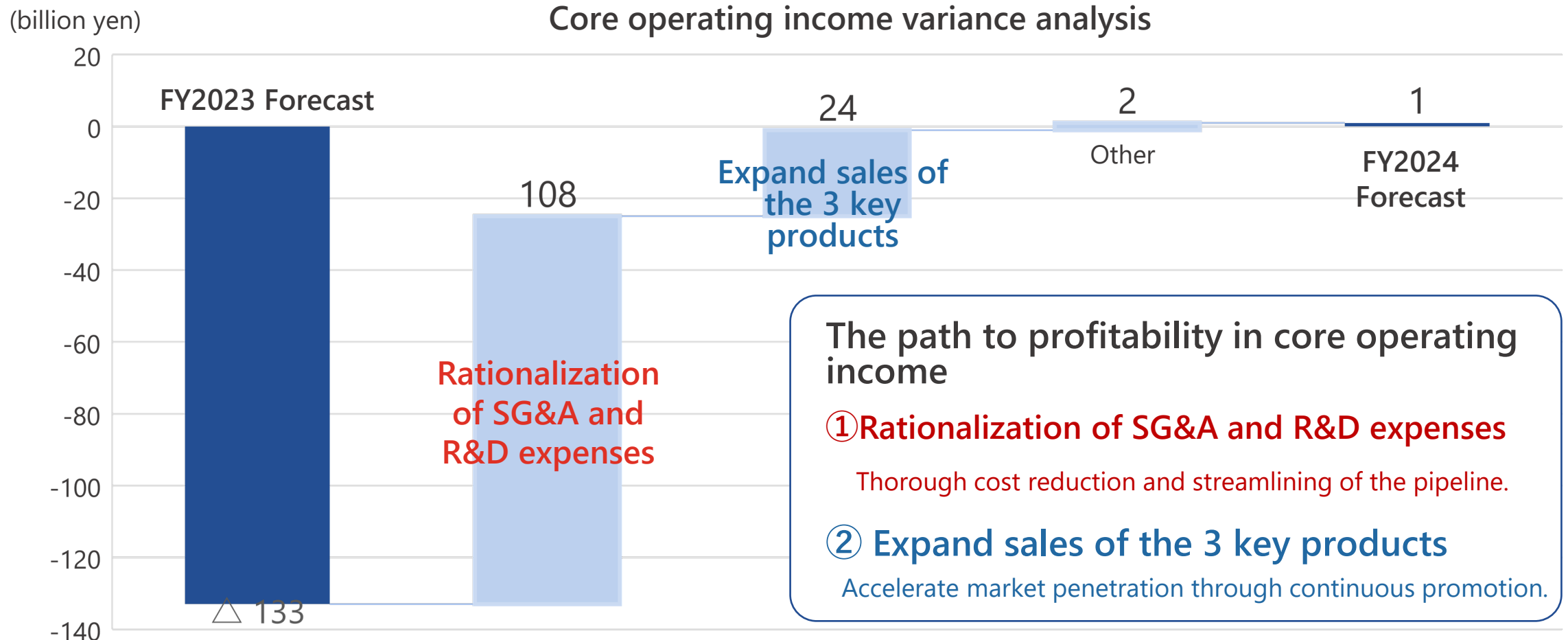
In parallel

## Return to growth

- ✓ Expand sales of 3 key products
- ✓ Develop two cancer drugs
- ✓ Integrated operations in regenerative medicine & cell therapies

Pursue best growth model

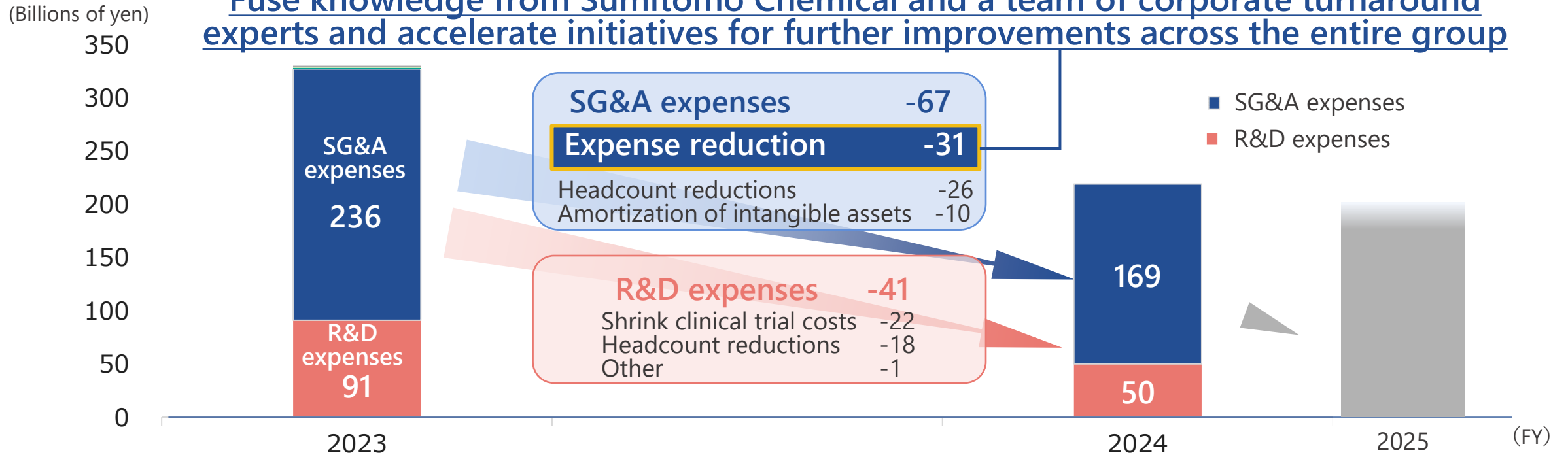
Through rigorous streamlining and expanding sales of the three key products, we aim to achieve profitability in core operating income in FY2024.



# Sumitomo Pharma (3): Breakdown of thorough rationalization of SG&A and R&D expenses

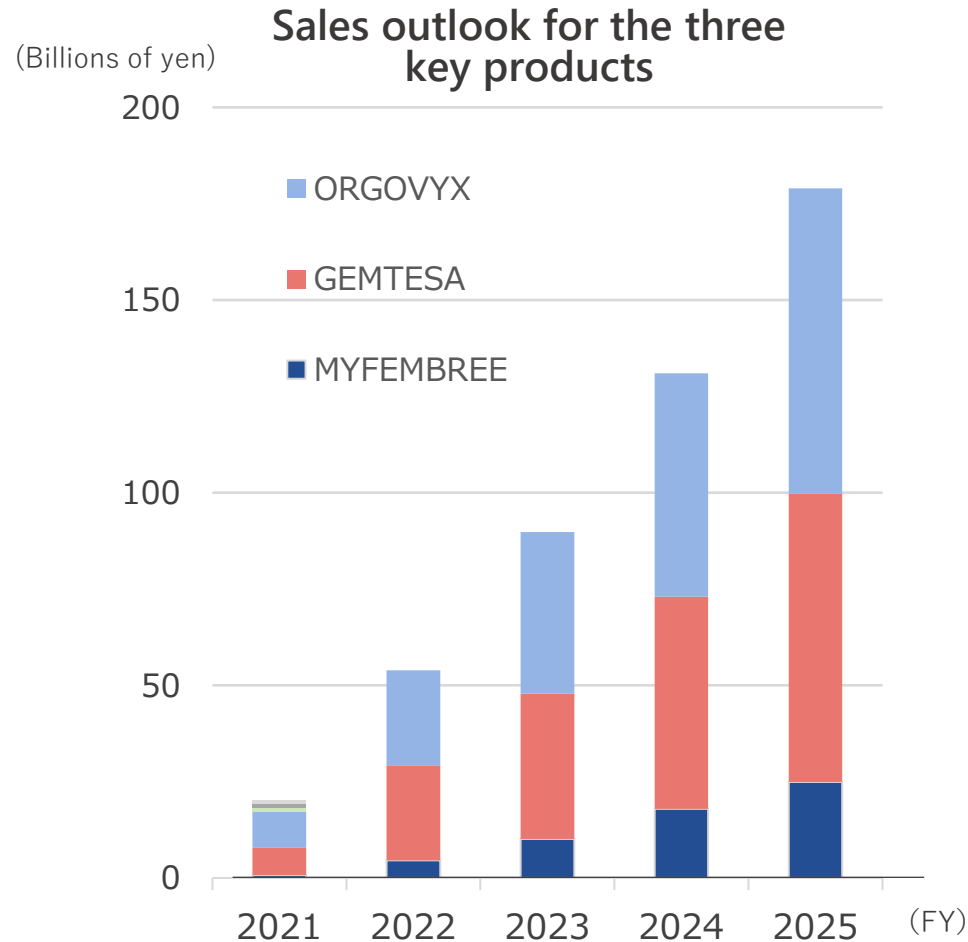
Reduce more than 100 bn. yen in costs in North America. Accelerate additional rationalization measures in Japan, too.

Fuse knowledge from Sumitomo Chemical and a team of corporate turnaround experts and accelerate initiatives for further improvements across the entire group






# Sumitomo Pharma (4): Expand sales of three key products

Solid growth of the three key products. Accelerate market penetration with additional promotions



Continue to educate market on efficacy, safety and other product strengths

Product name	Indications	Initiatives in FY2024
<b>ORGOVYX</b> 	Advanced prostate cancer	<ul style="list-style-type: none"> <li>Establish position as first line drug leveraging <b>revision to standard treatment guidelines for oncology</b></li> </ul>
<b>GEMTESA</b> 	Overactive bladder	<ul style="list-style-type: none"> <li>Drive penetration of differentiation of GEMTESA leveraging its <b>high safety</b></li> <li>Appropriate promotions preparing for <b>expanded indication</b> for overactive bladder in men with benign prostatic hyperplasia</li> </ul>
<b>MYFEMBREE</b> 	Uterine fibroids Endometriosis	<ul style="list-style-type: none"> <li>Increase awareness and expand GnRH market by strengthening media advertising</li> </ul>



## Concentrate R&D resources on two cancer drugs with high potential

TP-3654		DSP-5336	
<b>Efficacy</b>	<b>Myelofibrosis</b>	<b>Efficacy</b>	<b>Acute myeloid leukemia</b>
<b>Strengths</b>	(1) Suppresses reproduction of cancer cells (2) Fewer side effects than standard treatments (3) Potential for substantial growth as concomitant with standard treatments	<b>Strengths</b>	(1) Suppresses increase of leukemia cells (2) High safety compared to competitor drugs
<b>Development plans</b>	Currently Phase I/II trials (Japan, US) Planned launch: FY 2027 (Japan, US)	<b>Development plans</b>	Currently Phase I/II trials (Japan, US) Planned launch: FY 2026 (Japan, US)
Potential for peak sales of 100 bn. yen		Potential for peak sales of 50 bn. yen	

Potential to become growth drivers supporting the earnings base over the medium- to long-term

Establish new company for regenerative medicine & cell therapies and accelerate commercialization through integrated operations

## Strengths of our corporate group

- 1 Frontrunner inside and outside Japan in commercialization of iPS cells  
⇒ **Moving toward launch of world's first iPS cell-derived product**
- 2 Completed the build out of an integrated manufacturing, sales and R&D regime in both Japan and the US

## Establish new company for regenerative medicine & cell therapies

Establish in FY2024 and accelerate deployment in Japan and US

Sumitomo Chemical

Sumitomo Pharma

**New company**

- Deliver globally new value that can only be achieved through regenerative medicine
- Already began developing therapies in the US. Also preparing foray in US CDMO market

Planned indications	Geography	Development status and target for launch
Pediatric congenital athymia RETHYMIC	US	<b>Launched in March 2022</b>
Parkinson's disease (Qualified for accelerated ( <i>sakigake</i> ) screening)	Japan	<b>Obtain approval before the end of FY2024</b>
	US	<b>Begin Phase 1/2 studies</b>
Retinal pigment epithelium tear	Japan	<b>In Phase 1/2 studies ⇒ Target market launch in FY2028</b>

Fully ramp up Japan business by FY2027 to reach business scale of **more than 100 bn. yen globally in the 2030s**

## Joint taskforce to be formed for intensive discussions to improve PRC profitability

### Current status

- Symbolic project that represents partnership between Saudi Arabia and Japan
- Growing losses due to the **changes in external environment** (prolonged downturn in petroleum and petrochemicals markets and revisions to official fixed feedstock and fuel prices)
- **Divergence in strategic directions and business positioning** between Sumitomo Chemical and Saudi Aramco (Sumitomo Chemical is shifting away from commodity chemicals toward specialty chemicals and has completed the transfer of technology to PRC, fulfilling its major role in the project)
- Sumitomo Chemical **does not plan to provide PRC with additional funding** that increases its exposure to PRC's performance

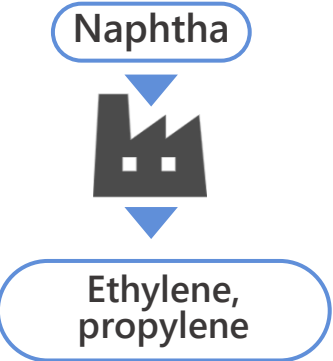
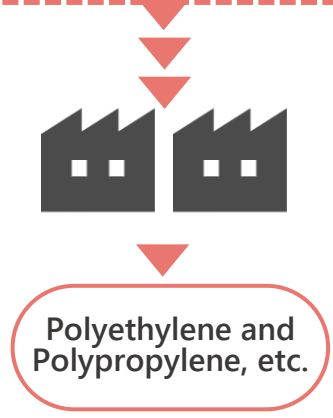
### 1st Step

Reached a mutual understanding with Saudi Aramco on PRC's challenges

### Next step

**A joint task force will be formed soon for intensive discussions to find optimal strategies to improve PRC profitability**

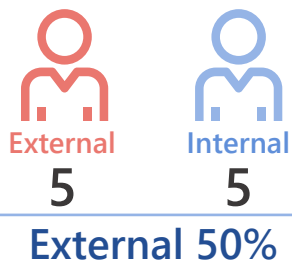
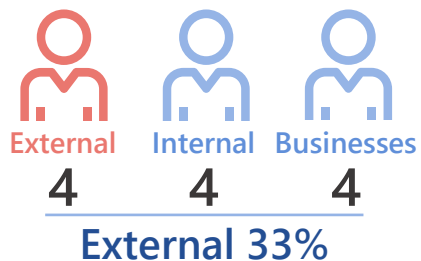
To survive, business reorganization measures need to be more concrete

	Domestic	Singapore
Upstream	 <ul style="list-style-type: none"> <li>• <b>Rationalization at existing ethylene plant</b> <ul style="list-style-type: none"> <li>• Discussing rationalization measures of Keiyo Ethylene, which possesses 700k of the 2 million tons of production capacity in the Keiyo area</li> </ul> </li> <li>• <b>Convert to a complex with a reduced environmental impact</b> <ul style="list-style-type: none"> <li>• Continue to study Keiyo area alliance (since November 2023)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Establish restructuring council with participation from parent company</b></li> <li>• Study optimization based on scenario analysis of consolidation with neighboring plants</li> <li>• Thorough cost reductions from cheap cracker feedstock and other cost measures</li> <li>• Discuss measures aimed at becoming Carbon Neutral</li> </ul>
Downstream	 <ul style="list-style-type: none"> <li>• <b>Polyolefin collaboration</b> <ul style="list-style-type: none"> <li>• Working toward deeper discussions</li> </ul> </li> <li>• <b>Solid reorganization of unprofitable businesses</b> <ul style="list-style-type: none"> <li>• Exit from cyclohexane and resin coloring agent businesses</li> <li>• Promote further reorganization of unprofitable and noncore businesses</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Begin programs aimed at profitability improvement</b> <ul style="list-style-type: none"> <li>• Focus on specialty high-profit grades such as PP for batteries and mono-material packaging films</li> <li>• By the end of FY2024, formulate strategic plan for further profitability improvements</li> </ul> </li> </ul>

## Strengthen management base through governance reforms and personnel optimization

### Strengthen monitoring functions of the Board of Directors

Change composition of the Board of Directors



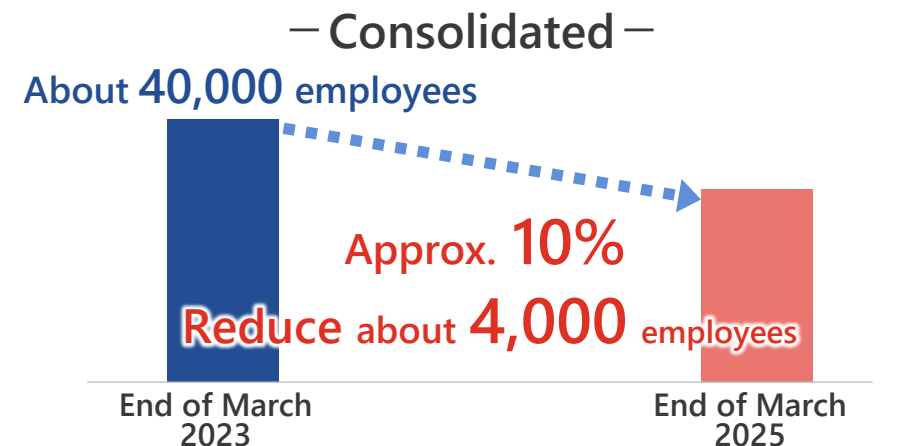
Add 1 external director to reach 50%

**Strengthen monitoring functions**

Select internal directors from the President, Chairman and executive officers with oversight spanning the organization

**Place import on optimizing across the company as a whole**

### Optimize personnel structure



Business dispositions, rebuilding and rationalization such as restructuring at Sumitomo Pharma, etc.

– Parent company –

Redeploy and rationalize HQ overhead functions (approx. 20%)

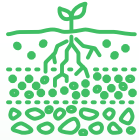
Section

**3-2**

# Fundamental structural reforms (Growth Strategy)

# Trends in four important social issues for value creation

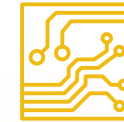
Continuing to exhibit our presence by solving society's challenges



## Food supply



- Stable food supply
- Sustainable agriculture



## ICT



- Acceleration in the importance of digital technologies
- Strengthening the supply chain



## Healthcare



- Secure healthy lifestyles
- Expanding market for leading-edge medicines, etc.



## Environment

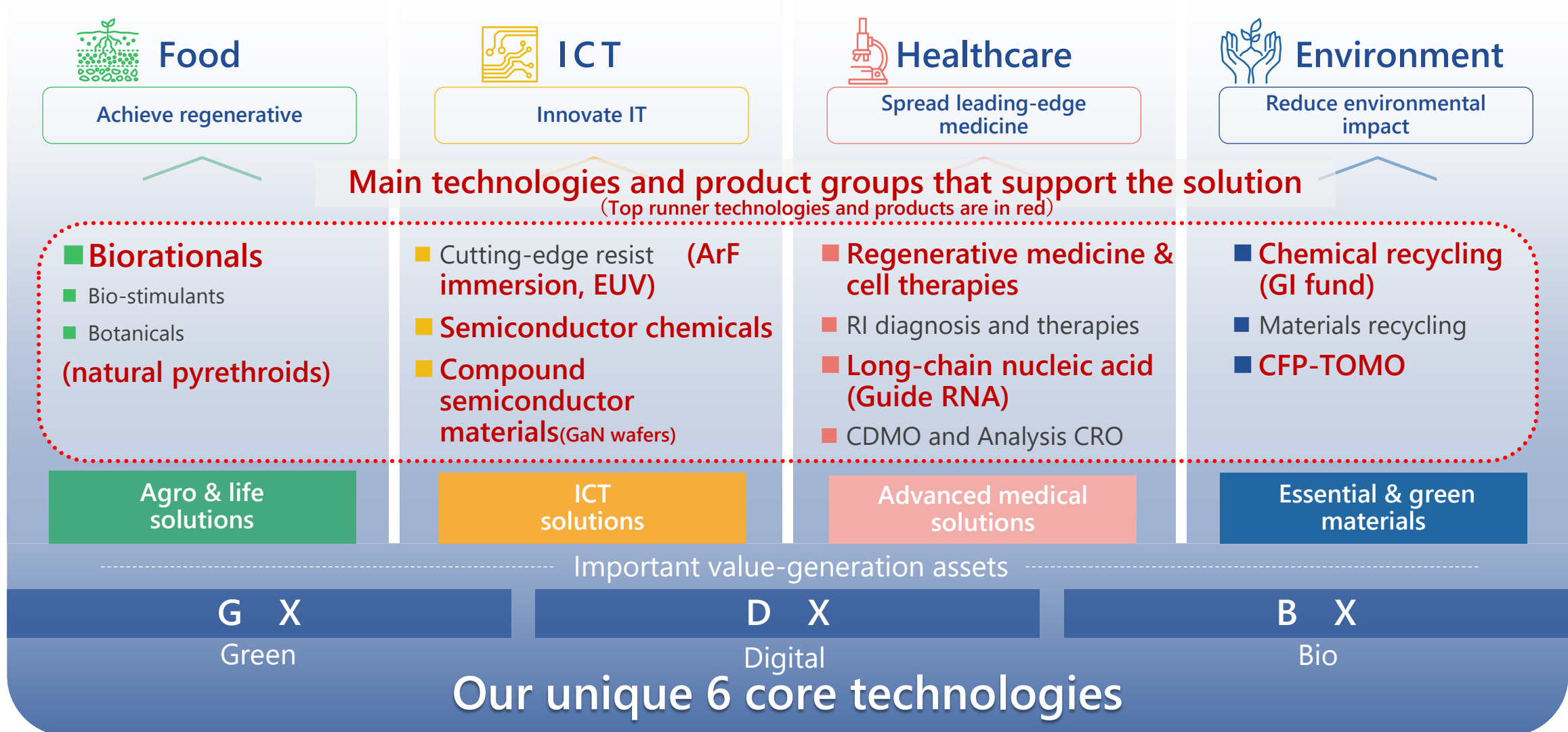


- Deepening severity of climate change issues
- Increasing importance of maintaining the ecosystem

Long-term vision :  
A company that solves social issues with innovative technology

Slide reused

# Innovative Solution Provider





# Important assets: 3 Xs

Accumulate

**50+** years of research  
(Since the 1970s)

Talent

**280+** Bio-PhDs

Technological prowess

**200+**  
patent families related to BX

Analysis technology  
(bio-mechanism, OMIX)

Cell technology  
(ES/iPS cells)

Technological prowess

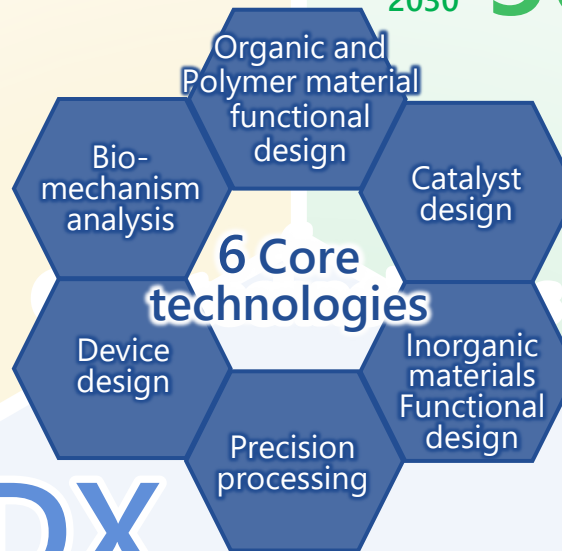
Top 100 global innovator

Awarded **3** straight years

Open innovation

Ginkgo Bioworks tie-up

**BX**  
Bio



Digital **DX**

Talent

Core DX talent

Approx. **1,700**  
employees

Promote Carbon Neutrality

2018 SBT validation: First for a diversified chemicals maker

GHG **50%** reduction  
2030

**GX**  
Green

Manufacturing technology

Catalyst and Process technologies

Licensing About **70** contracts

Open innovation

GI Fund **50** bn. yen  
Approx. (Business scale)

Chemical recycling

3rd party tie-ups

CFP-TOMO Approx. **100**  
(Won JCIA Responsible Care Award)

Regional tie-ups  
(Keiyo and Setouchi)

Accumulate

**50+** years of research  
(Since the 1980s)

(Pioneer of computer chemistry)

# Positioning of new business areas within the growth strategy

Align new business domains with the social challenges we aim to solve  
Clarify strategic positioning in each business domain. Be unique.

Slide reused



**Growth drivers**

**Agro & life solutions**

**ICT solutions**

Former ICT + parts of E&FM

Position as our flagship domains and pursue high growth and high earnings



**New growth areas**

**Advanced medical solutions**

Excluding drug discovery

Quickly develop as a next-generation growth driver



**Core domains**

**Essential & green materials**

Shift direction to create value through the reduction of environmental impact

**Reorganize into four business segments, effective October 2024**

# Invest management resources into growth areas

Define areas of investment and operate strategically. Allocate approx. 80% to growth drivers.

## Investment categories

70 bn. Yen /year

Long-term strategy

Release funds once certain KPIs have been achieved(2028 and beyond)

80 bn. Yen /year

Companywide strategy

Set D&A costs as ceiling

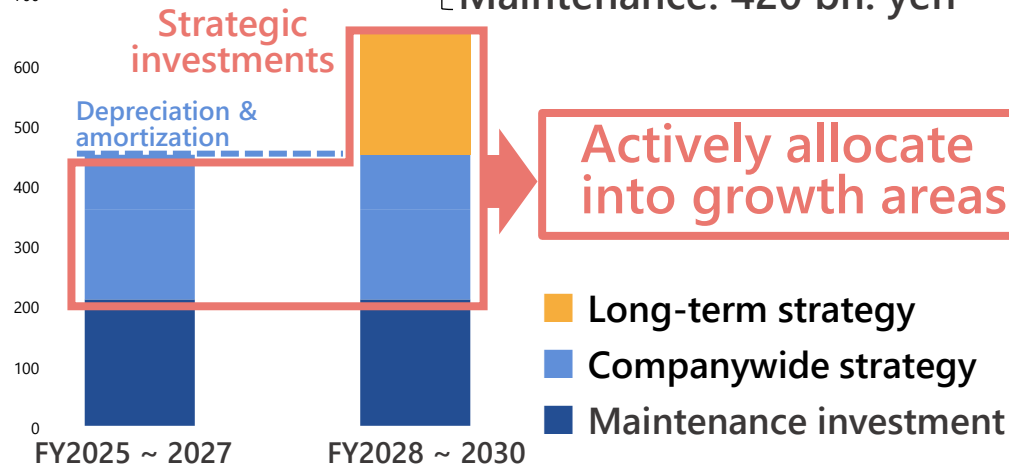
70 bn. Yen /year

Maintenance investment

1.1 trillion yen over 6 years

Strategic: 690 bn. yen  
Maintenance: 420 bn. yen

(Billions of yen)



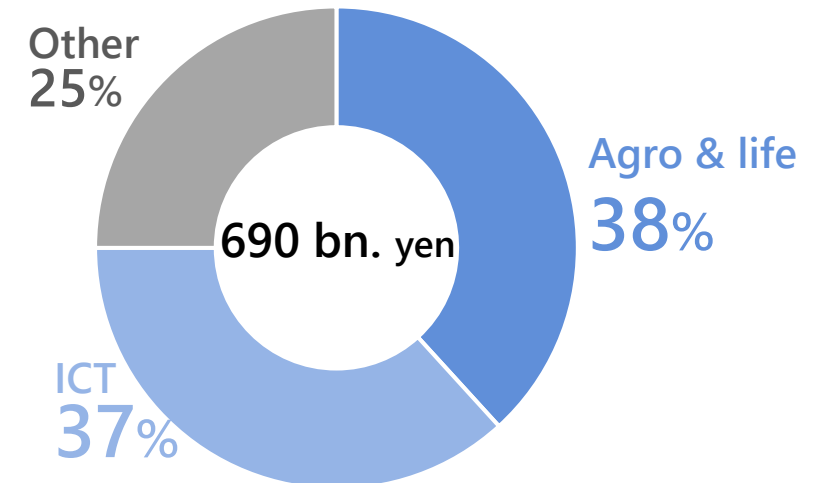
Actively allocate into growth areas

## 6-year allocation to strategic investments

- Agro & life
- ICT

Approx. 30% **» 75%**

Average from past 10 years      2025 ~ 2030



Concentrate investments of 400 to 500 bn. yen into Agro & life and ICT

Contribute to regenerative agriculture (agricultural productivity and sustainability) with a hybrid of agrochemical technologies along with biorationals, botanicals and other natural solutions.

## Society's challenges

Carbon neutral

Natural capital

Food



Focus on the regenerative agriculture sector, which will become mainstream in the future.

- ✓ Agriculture such as no-till farming that repairs or improves soil health, reduces greenhouse gas emissions and maintains or enhances biodiversity
- ✓ Productivity gains are also important to secure food supply amid population growth



## Our efforts

### Strengthen portfolio

Investments done  
2 blockbuster candidates

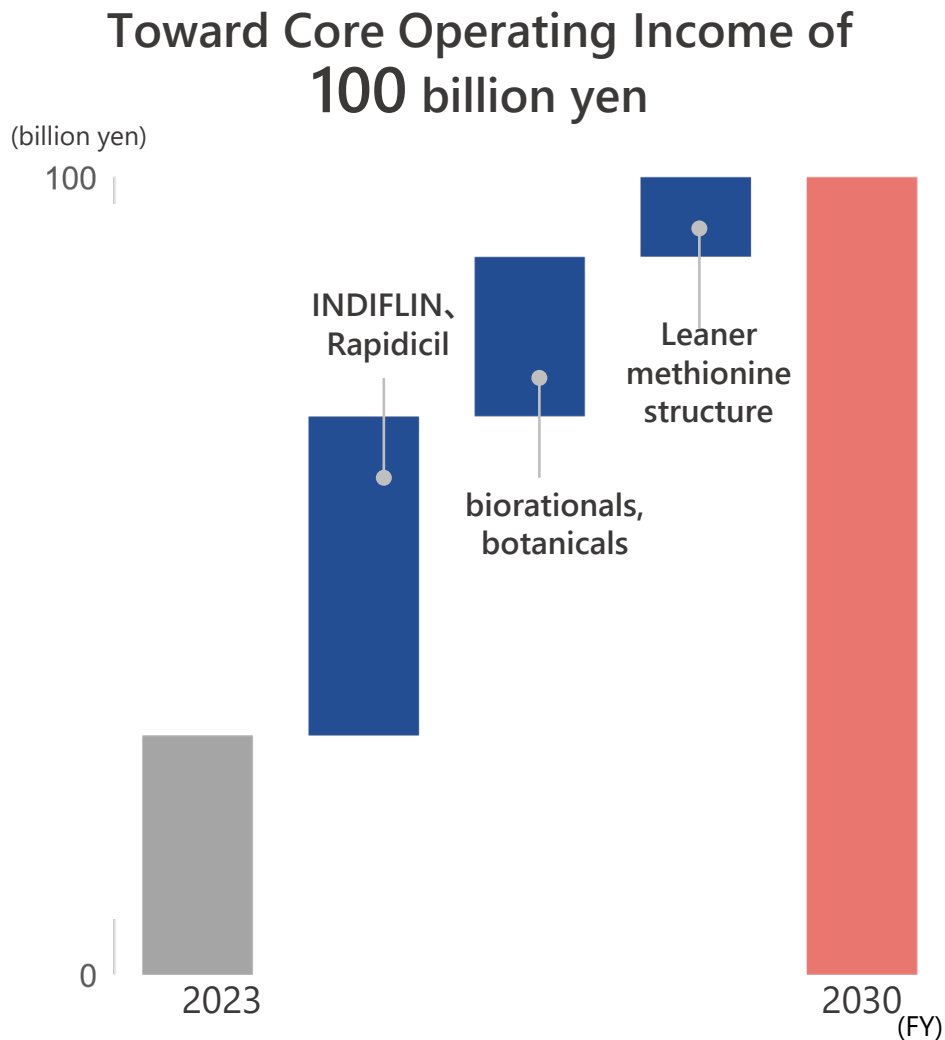
- Chemical crop protection
- Biorationals

### Leverage footprint

Investments done  
Brazil, India  
Footprint

- Brazil, the world's largest market
- India, with the highest market growth rate

Growth trajectory: Maximize the use of growing markets such as Brazil and focus on the regenerative agriculture sector.



## Business strategy

- Pursue contributions to **regenerative agriculture** leveraging agrochemicals, biorationals and botanicals
- Leverage to the hilt sales footprint in growth markets such as **Brazil and India**
- Expand natural pyrethrin and deploy new botanicals
- Accelerate deployment of biorationals into **field of animal nutrition**



## Target sales (annual)

Herbicides for non-till farming

100 billion yen

INDIFLIN etc. B2020

100 billion yen

Biorationals Botanicals

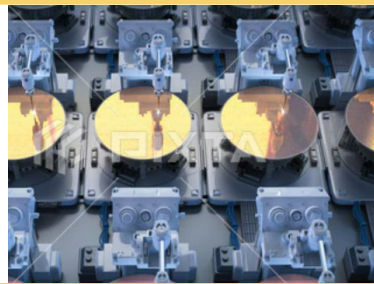
120 billion yen

Integrate businesses related to ICT and fuse core technologies and our wealth of know-how to provide solutions to accelerate customer innovation.

## Future areas for earnings growth

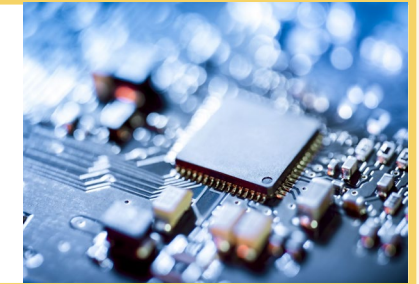
### Semiconductor chemicals

Exhibit sophisticated functionality supporting customer needs in semiconductor manufacturing processes



### Leading-edge semiconductor materials

Forge new markets on the front and back ends through process technology innovations supporting AI semiconductors



### Entry into US semiconductor business

Leverage new Texas plant as a foothold to greatly expand our US semiconductor chemicals business (high purity and performance)

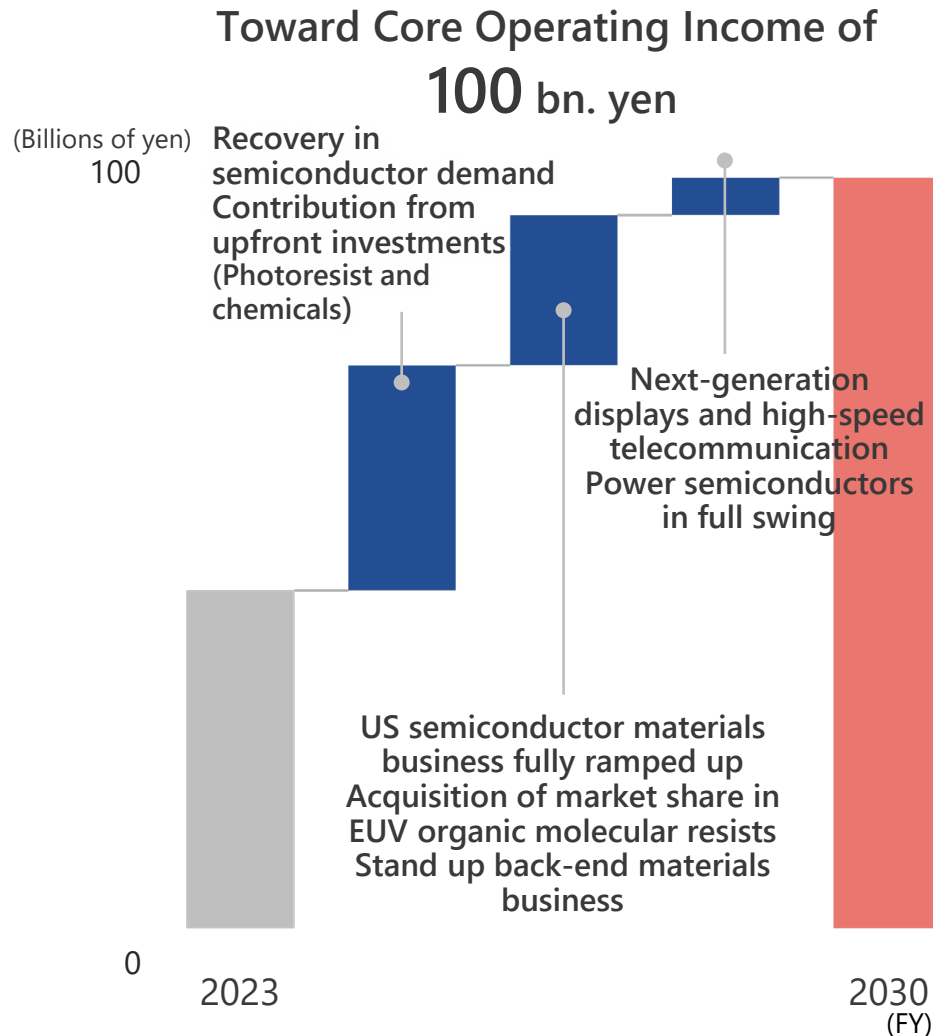
## Our strengths

- Chemical design capabilities and know-how in high-purity chemicals
- Solutions proposal capabilities with speed and advanced technology

- Support next-generation needs with a broad range of material design and organic synthesis technology
- Fuse high-performance materials with process technology to deliver customer value



## Path toward growth: Aim for 100 bn. yen in Core Operating Income through deeper dive into earnings model for semiconductor materials



### Business strategy

#### Expand business

- ✓ Aim for top share in next-generation EUV with **proprietary organic EUV molecular resist**
- ✓ Actively introduce semiconductor back-end process materials, where technology is transitioning

#### Expand business geography

- ✓ Full foray into US mainly in semiconductor materials

#### Maximize earnings in existing businesses

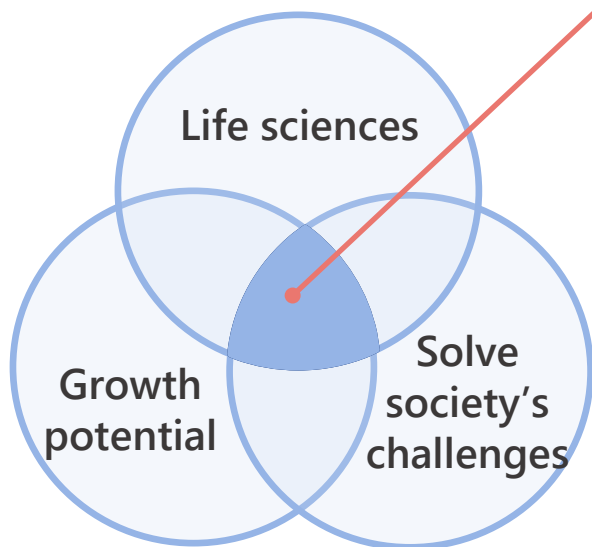
- ✓ Display materials  
**Major portfolio shift.** Shift from large polarizers and FPD chemicals into performance materials for OLED and automotive applications
- ✓ Silicon semiconductor materials  
Strengthen supply structure in advanced of growth in demand for photo resist and semiconductor chemicals

#### Toward long-term growth

- ✓ Earnestly advance development of next-generation displays and power semiconductor materials, which are expected to grow rapidly in the early 2030s

Contribute to healthier and more fulfilling lives by creating and delivering solutions that meet a diverse range of medical and healthcare needs by fusing biochemistry and DX technologies

## Target areas



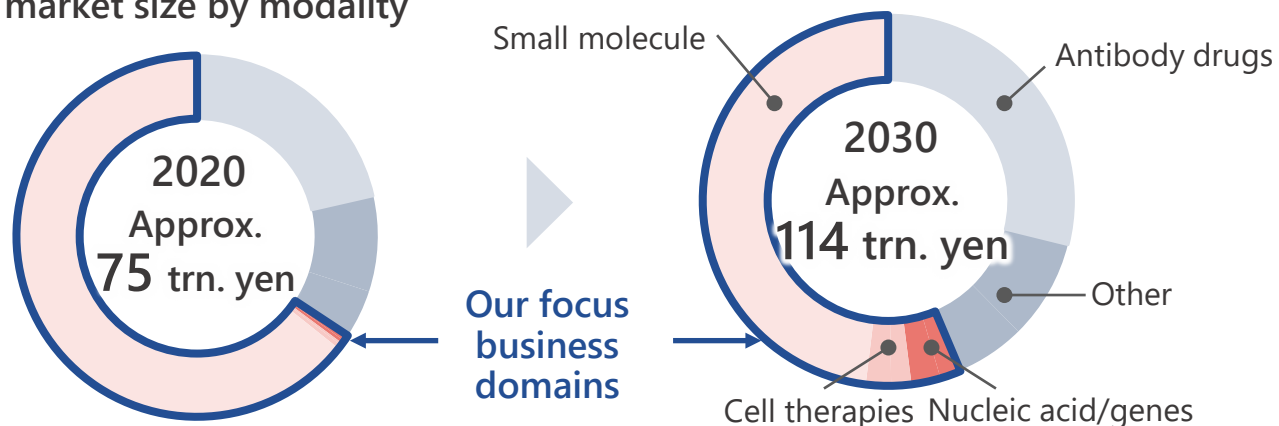
## Leading-edge medical and healthcare related businesses such as CDMO

Knowledge developed in the life sciences business  
(development, production technology, quality control and analysis)



Areas with high market growth potential and high added value for society

## Drug market size by modality



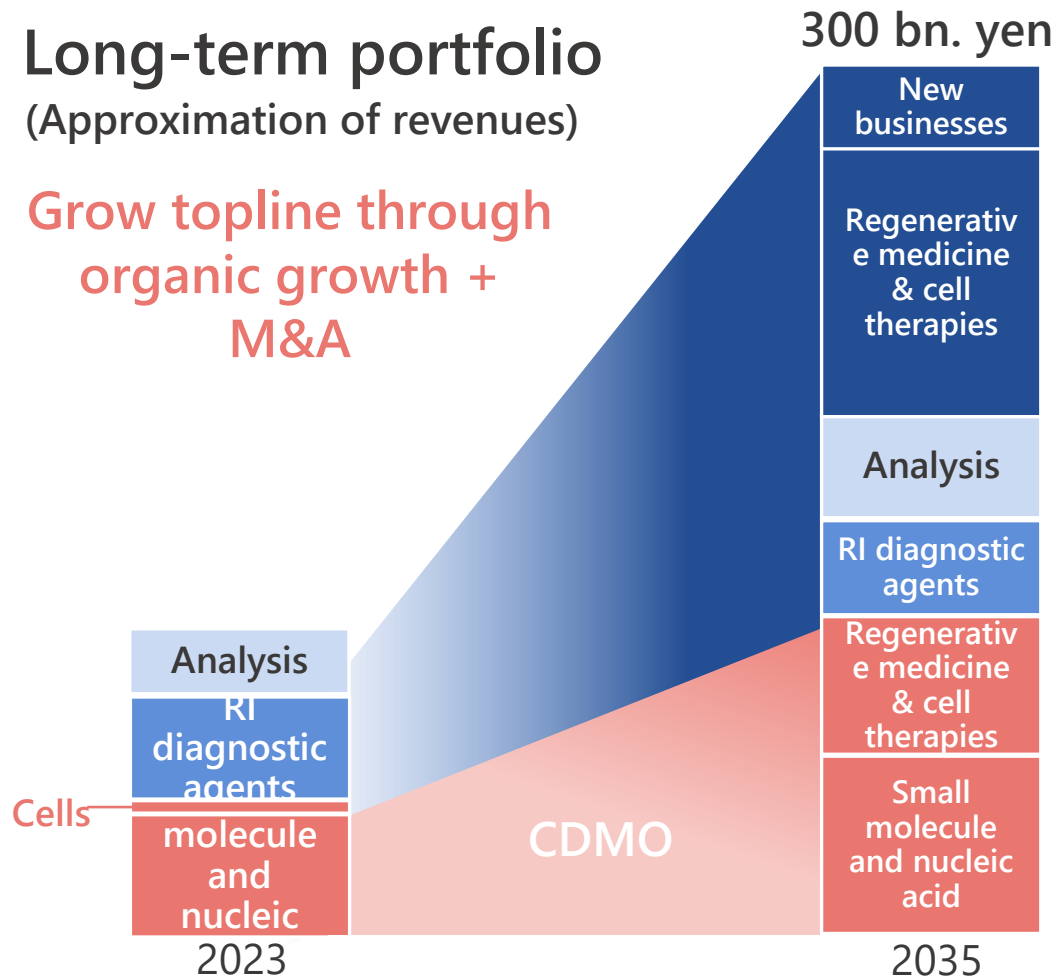
Position leading-edge medical-related businesses at the core while we also pursue diagnosis and prevention, medical materials and the like



Path toward growth: Strengthen leading-edge medicines CDMO business and deploy regenerative medicine and cell therapies

## Long-term portfolio (Approximation of revenues)

Grow topline through  
organic growth +  
M&A



## Business strategy

### Regenerative medicine & cell therapies

- ✓ Accelerate deployment into US market leveraging **iPS cell commercialization technology**

### CDMO (small molecule, nucleic acid, regenerative medicine & cell therapies)

- ✓ Weaponize **strong synthesis capabilities** to achieve solid growth in CDMO business **targeting small to mid-size molecules**, where development is becoming more sophisticated
- ✓ Maximize synergies with **clinical therapies development** in regenerative medicine & cell therapies

Path toward growth: Establish position as a Solution Provider that contributes to a reduced environmental impact

## Roadmap toward deployment of technologies that reduce environmental impact



Shift from investment-intensive petrochemicals business to solutions businesses featuring technology licensing



## Business strategy

Expand businesses that reduce environmental impact

(Examples of candidate technologies)

- 1 Ethanol to propylene
- 2 CO<sub>2</sub> to methanol (ICR)
- 3 Olefins from direct cracking of waste plastic
- 4 PMMA chemical recycling, etc.



4 Chemical recycling demonstration facility



2 Pilot facilities manufacturing at high efficiency methanol from CO<sub>2</sub>

## Earnings contribution potential

Example: Ethanol to Propylene technology

Global production capacity of propylene in 2030  
Approx. 200 million tons/year<sup>※1</sup>

Apply technology to approx. 1% (2 million tons)

CO<sub>2</sub> reduction contribution

Equivalent to approx. 4 million tons/year

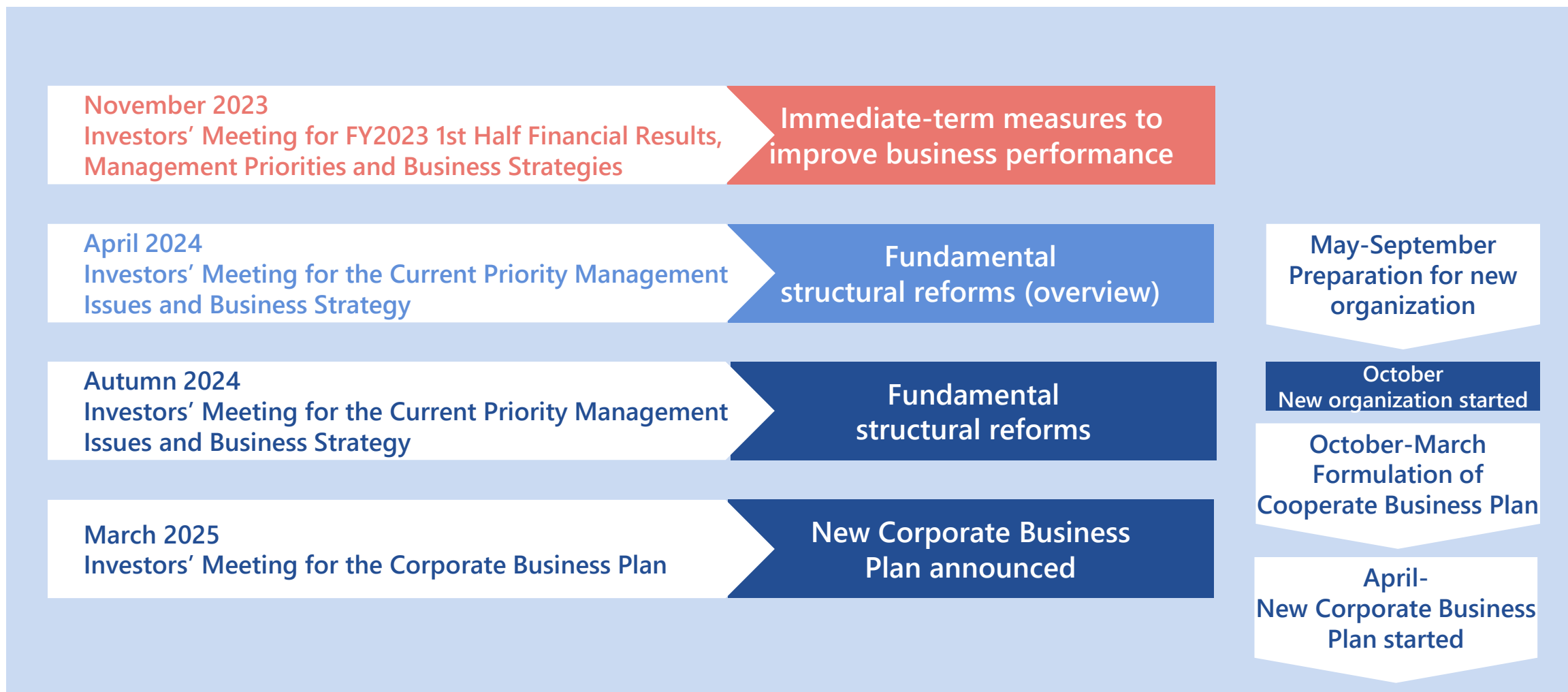
Contribution value (2035)

Approx. 20+ bn. yen/year<sup>※2</sup>

※1 Prepared by Sumitomo Chemical based on data from Chemical Market Analytics

※2 4 million tons X carbon price of 10,000 yen ÷ 2n (assuming 50/50 split with deployment partner)

## Investors' Meeting schedule and content





(Appendices)



## Technological base: Superb new product development capabilities in both chemicals and biorationals

Chemical crop protection and Environmental health products

Organic compound functional design



New product development capabilities

Top runner

New product development capabilities

- Launch 5 chemical crop protection products from 2020 to 2024 **Industry leader**
- Developed and launched **2 blockbusters** INDIFLIN and Rapidicil

Biorationals and botanicals

Organic compound functional design



**BX**  
(Natural compound synthesis)

Top runner

No. 1 share in biorationals and natural plant growth regulators

- Leverage foundation in organic chemistry and deploy into natural compound synthesis of microorganisms
- Business experience of 120 years in botanicals and 60 years on biorationals



Technological base:

Deepen core technologies in semiconductor materials and accelerate innovation

Advances in AI and other technologies will require miniaturization and new types of semiconductors

## Photoresist

Compounding design  
Organic synthesis technology



Proprietary molecular design  
Synthesis technologies

Top runner

- One of the global share leaders in ArF immersion
  - No. 1 globally in EUV photoresists for specialty processes
  - New platform for next-generation EUV
- Begin development and performance validation of organic molecular resist

## Semiconductor chemicals

High purity and analysis technology supporting cutting-edge



Chemical design  
Process technology

Top runner

- One of global share leaders in high-purity chemicals (Global No. 1 in IPA and ammonia water)
- Supporting cutting-edge customer needs in performance chemicals

Growth area

## Semiconductor back-end process materials

High heat-radiation materials  
Specialty polymers



Precision machining  
Material design

- Bring together internal performance materials and fuse with processing technological prowess developed in ICT business

Core of ICT solutions segment with superb technological prowess and sales capabilities

## Dongwoo Fine Chem (South Korea)

Approx. 2,500 employees

Consolidated Net Sales: Approx. 250 bn. yen



### Topics

#### New semiconductor chemicals plant

Increase production capacity to support increasing demand for cutting-edge semiconductor chemicals in light of new semiconductor capacity increases in South Korea.

New location in Iksan  
Secure land in FY 2024 H2  
To be in full operation from 2027



Upfront investments aimed at expanding demand

#### New R&D Center (Seoul)

Identify and develop cutting-edge technologies and materials for semiconductors and telecommunications  
Located in an innovation hub connected into major ICT companies, universities and ventures in South Korea  
Plan to begin operations in FY 2024 H2



Position at core of next-generation business development

#### Develop new fields with deeper dive into miniaturization process technologies

Leverage miniaturized process technology developed through our touch sensor business to establish technology in transparent LED and high-speed telecommunications materials. Currently being tested by customers.



Broader applications and deeper use of existing technologies





Technological base: Strong synthesis capabilities in small to mid-sized molecules and front runner in iPS cell commercialization

## CDMO

(Small molecule and nucleic acid therapies)

Organic material functional design



Chemical synthesis process design

Top runner

Synthesis capabilities in high-purity long-chain nucleic acid and small to mid-sized molecules

- **Multiproduct production** regime leveraging multiple production facilities
- **Compliant with all** FDA/PMDA audits (10 from 2021 to 2023)
- **Began mass production at Guide RNA dedicated plant** at Oita Works
- Exhibit strong synthesis capabilities in increasingly sophisticated small **molecules (500+ molecular weight)**

## Regenerative medicine & cell therapies

Organic and polymer material functional design



BX  
(ES/iPS cell technologies)

Top runner

Frontrunner inside and outside Japan in commercialization of IPS cells

- Parkinson's disease treatment: Working toward approval in FY 2024 → **Moving toward launch of world's first iPS cell-derived product**
- Completed the build out of an integrated manufacturing, sales and R&D regime in both Japan and the US



S-RAMCO Line 2  
(under construction)

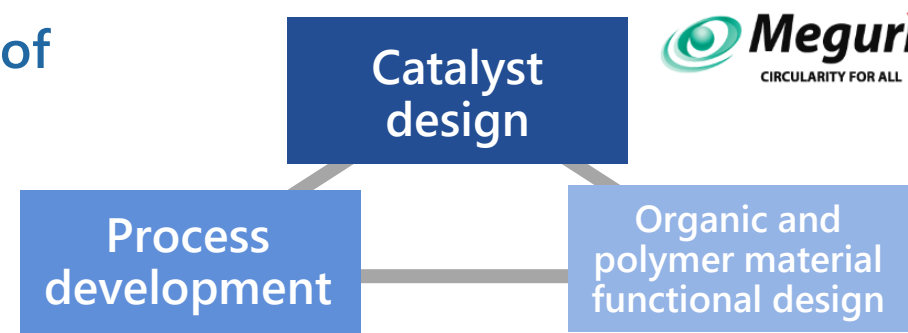


Sumitomo Pharma US cell production facilities



Technological base: Accelerate commercialization leveraging catalyst design and other elemental technologies and a wealth of experience in deployment

- Elemental technologies supporting development of technologies that reduce environmental impact
- Track record of 71 licensing contracts in 16 countries
- Capabilities running large-scale projects



### Chemical recycling of acrylic resin

**Top runner** December 2022  
Began operations at demonstration facilities

### Technology to manufacture at high \* efficiency methanol from CO2

**Top runner** December 2023  
Completed pilot facilities

### Materials recycling using waste plastic from automobiles

**Top runner** March 2024  
Began operations at demonstration facilities

### Chemical recycling technology

4 projects including those above indicated with an asterisk\* have been adopted by the GI Fund

### Cautionary Statement

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

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