



Change and Innovation 3.0

For a Sustainable Future

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President's Message



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Financial Statements in This Document

Beginning in fiscal 2017, 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 the previous consolidated fiscal year using IFRS for comparative analysis. However, as the consolidated statement of financial position was not calculated for the sectors using IFRS at the beginning of fiscal 2016, the sectors' ROA for fiscal 2016 were not calculated.

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.



Editorial Policy

Our annual report has been prepared with the aim of conveying our value creation stories in a way that is easy to understand for a wide range of stakeholders, including shareholders and investors. It compiles financial and non-financial information comprehensively, including our business strengths, earnings report, corporate governance systems, and initiatives for the environment and society.

The Annual Report 2020 was made more informative by publishing a discussion with investors on our ESG initiatives and messages from outside directors. We hope that this report will serve as a bridge for communication with our stakeholders and will convey the approach of the Group as a whole to creating new value.



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 (starting on page 38).

System of Information Disclosure

Business and Finance-related Information



Annual Report

This report summarizes the main information about the company, and aims to deliver its value creation stories in a way that is easy to understand for a wide range of stakeholders, including shareholders and investors.

[▶ https://www.sumitomo-chem.co.jp/english/ir/library/annual_report/](https://www.sumitomo-chem.co.jp/english/ir/library/annual_report/)

Please provide us with feedback on the Annual Report 2020 through this questionnaire.

Sustainability-related Information



Investors' Handbook

This handbook summarizes financial data and provides detailed explanations of our businesses and products.

[▶ https://www.sumitomo-chem.co.jp/english/ir/library/investors_handbook/](https://www.sumitomo-chem.co.jp/english/ir/library/investors_handbook/)



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 only online)

[▶ https://www.sumitomo-chem.co.jp/english/sustainability/information/library/](https://www.sumitomo-chem.co.jp/english/sustainability/information/library/)

Website Investor Relations

[▶ https://www.sumitomo-chem.co.jp/english/ir/](https://www.sumitomo-chem.co.jp/english/ir/)



Financial Results

[▶ https://www.sumitomo-chem.co.jp/english/ir/library/financial_results/](https://www.sumitomo-chem.co.jp/english/ir/library/financial_results/)



Website Sustainability

We publish our sustainability information on this site, as needed, from the perspectives of the environment, society, and corporate governance.



[▶ https://www.sumitomo-chem.co.jp/english/sustainability/](https://www.sumitomo-chem.co.jp/english/sustainability/)

Sumitomo Chemical Contributes to Creating a Sustainable Society by Turning Risk into Opportunity through Technological Innovation.

The world is now at an inflection point in history. With the rise of populism and unilateralism in countries around the world, along with international conflicts, as represented by the US-China battle for supremacy, we have entered an era of geopolitical recession. Meanwhile, there has been significant progress in innovation, primarily in digital technology and biotechnology. In addition, the awareness of the sustainability of society—the awareness of climate change issues in particular—has been growing year by year. As there are less than ten years left to the 2030 deadline to meet the United Nations Sustainable Development Goals (SDGs), Japan, among other nations, is called on to accelerate efforts to achieve the goals, such as promoting its initiative of Society 5.0 in tandem with the SDGs.

The outbreak of the COVID-19 pandemic since the beginning of 2020 has forced economic activity and the movement of people to be strictly limited. In these circumstances, people have come to perceive the sustainability of society from the perspective of risk.

For companies, however, risk and opportunity are the two sides of a coin. We should see where society is headed, spur innovation, and thereby turn risk into opportunity to contribute to creating a sustainable society.

We at the Sumitomo Chemical Group have been contributing to society through our business, with the Sumitomo philosophy in mind: “Our business must benefit society at large, not just our own interests.” Going forward, we will continue to take on the challenge of generating new value based on technologies and help resolve pressing social issues facing people around the world, including those related to healthcare, the environment, food, resources, and energy, while also achieving long-term sustained growth for the Group.

We would greatly appreciate your continued support and cooperation.

July 2020



Masakazu Tokura
Chairman of the Board



The History of Sumitomo Chemical

Sumitomo Chemical: A Century of Progress

Scene of packaging fertilizers from the early days of the company

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 Mines in Ehime Prefecture. Sumitomo Chemical got its start by manufacturing fertilizers from harmful gases emitted from the family's copper smelting operations, and has since been operating for over a century as one of the Sumitomo Group companies.

The Sumitomo Spirit

Sumitomo Chemical has its origin in the business of the Sumitomo, a family with a history spanning about 400 years. The company has upheld Sumitomo's fundamental principles for business management.

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" means that fulfilling the trust placed in us by business partners and society should be our first priority. The words, "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

In its Business Philosophy, Sumitomo Chemical articulates the essence of its corporate vision, mission, and values, founded on the Sumitomo Business Principles.

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.

1913-1944

Building a Foundation as a Chemical Company

Origin

The Besshi Copper Mines opened a smelter in 1884 and started full operation in 1894. 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 corporate philosophy.



A 160-meter-long warehouse for calcium superphosphate

Venturing from the Fertilizer Industry into the Chemical Industry

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 Mines. 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.

1945-1974

Growing into a Diversified Chemical Company

Successively launching new businesses, Sumitomo Chemical grew to become a diversified chemical company.

Incorporating the Fine Chemicals Business

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.

Entering the Agrochemicals Business

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.



Pynamin Plant

Growth of the Pharmaceuticals Business

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.

Entering the Petrochemicals Business

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.



Ethylene Plant

1975-2004

Global Expansion across Business Sectors

For the period of about 30 years since the 1970s, Sumitomo Chemical actively pursued globalization across its business sectors in order to address changes in the world economy and social structures.

Construction of the Singapore Petrochemical Complex

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 knowhow, which supported its efforts toward full-fledged globalization in the years that followed.



Singapore Petrochemical Complex

Expansion of the Agrochemicals Business

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. The company also expanded its production capacity for methionine, a feed additive used to promote growth of poultry. In addition, in 1988, Valent U.S.A. was established in the United States, as part of the company's efforts to implement mergers and acquisitions in Japan and abroad and scale up its business.



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

Establishing and Expanding the IT-related Chemicals Sector

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.



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

From 2005 Onwards

Deepening Global Management

Since the 2000s, global competition has further intensified. Under these circumstances, Sumitomo Chemical has been working to enhance its competitiveness to operate its business globally.

Separation of the Pharmaceuticals Business and the Creation 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 US and the EU.



Joint press conference on the merger of Dainippon Pharmaceutical and Sumitomo Pharmaceutical

Implementation of the Rabigh Project

The Rabigh Project, a substantial project to construct a world-scale oil refinery and petrochemical 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 petrochemical business in Singapore. In 2005, Rabigh Refining and Petrochemical Company (Petro Rabigh) was established as a joint venture between Saudi Aramco and Sumitomo Chemical, and started operations in 2009.



Petro Rabigh (Saudi Arabia)

Achieving Long-term Sustained Growth

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.

Company History

<https://www.sumitomo-chem.co.jp/english/company/history/>

Flow of Value Creation

Growing the Company and Contributing to Society through the Power of Chemistry

The Sumitomo Chemical Group operates five businesses by maximizing the three strengths and management resources it has cultivated since its foundation to create social and economic value in an integrated manner. The Company aims to build a sustainable society while achieving its own sustainable growth.

Management Resources (at the end of fiscal 2019)

The Material Issues to be Addressed as Management Priorities

Our Strengths (Core Competence)

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

Financial Capital	<ul style="list-style-type: none"> ■ Total equity: 1,388.8 billion yen ■ Ratio of equity attributable to owners of the parent: 25.3%
Manufactured Capital	<p>R&D sites and production facilities spread around the world, all operating on the basic principle of "Safety before all."</p> <ul style="list-style-type: none"> ■ R&D sites and production facilities: Japan: 11 (as of April 1, 2020) Overseas: 82 ■ Overseas production ratio: 44.9% ■ Lost-workday Incident Rate: 0.42
Intellectual Capital	<p>Technologies cultivated through the development of a wide range of products as a diversified chemical company</p> <ul style="list-style-type: none"> ■ R&D expenses: 174.3 billion yen ■ R&D expenses to sales revenue: 7.8% ■ Number of patents held in Japan (non-consolidated): 4,355 ■ Number of patents held overseas (non-consolidated): 8,666
Human Capital	<ul style="list-style-type: none"> ■ Number of employees: 33,586 ■ Number of R&D employees: 4,221 ■ Number of employees in overseas affiliates: 15,080 ■ Employee opinion survey Rate of respondents who affirmed that they are "satisfied with working for the Company" (non-consolidated) as of September 2019: 79%
Social and Relationship Capital	<p>Corporate principles handed down over generations, and a long-established relationship of trust with stakeholders</p> <ul style="list-style-type: none"> ■ The Sumitomo Spirit: ▶ P4: The History of Sumitomo Chemical ■ Business Philosophy: ■ Overseas sales revenue ratio: 65.6% ■ Dialogues with local communities: 35 times
Natural Capital	<ul style="list-style-type: none"> ■ Water usage: 1,014 million tons ■ Total use of energy (fuel, heat, and electricity) in crude oil equivalent: 2,200 thousand kl ■ Hydrocarbon compounds*: 1,829 thousand tons <p>*Sumitomo Chemical and Group Companies in Japan</p>

The Material Issues for Sustainable Value Creation

Material Issues for Social Value Creation

Contribution to reducing environmental impact

- Mitigation of climate change
- Contribution through products and technologies
- Efficient use of energy and resources
- Contribution to the recycling of plastic resources

Contribution to solving food issues

Contribution to solving healthcare issues

Contribution to ICT innovation

Material Issues for Future Value Creation

Promotion of technology innovation and research and development

Initiatives for digital innovation

Promotion of diversity and inclusion

The Foundation for Business Continuation

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

Corporate Business Plan for FY2019 – FY2021 > P34

Our Vision

Slogan and Basic Policy

Change and Innovation 3.0 For a Sustainable Future

- 1** Accelerate the development of next-generation businesses
- 5** Employ, develop and leverage human resources for sustainable growth
- 2** Improve productivity through digital innovation
- 6** Ensure full and strict compliance and maintain safe and stable operations
- 3** Further improve business portfolio
- 4** Build a more robust financial structure

To deliver solutions to social issues, it is vital to integrate a variety of technologies. This is the very benefit of our company as a diversified chemical company operating in five business sectors on the basis of a broad range of technologies. Sumitomo Chemical makes this benefit a reality. As a conglomerate (company running diverse businesses), we aspire to be a company valued at a premium rather than at a discount. Creating social and economic value in an integrated manner, we will create a sustainable society while attaining our own sustainable growth.

Our Five Business Sectors

Petrochemicals & Plastics > P42

Major Products and Businesses

Petrochemical products, inorganic chemicals, material for synthetic fibers, organic chemicals, synthetic resin, methacryl, synthetic resin processing products, etc.

Energy & Functional Materials > P46

Major Products and Businesses

Alumina products, aluminum, specialty chemicals, additives, dyestuffs, synthetic rubber, super engineering plastics, battery materials, etc.

IT-related Chemicals > P50

Major Products and Businesses

Optical materials, semiconductor process materials, compound semiconductors, touchscreen panels, etc.

Health & Crop Sciences > P54

Major Products and Businesses

Crop protection chemicals, fertilizers, agricultural material, household insecticides, products for control of infectious diseases, feed additives, active pharmaceutical ingredients and intermediates, etc.

Pharmaceuticals > P58

Major Products and Businesses

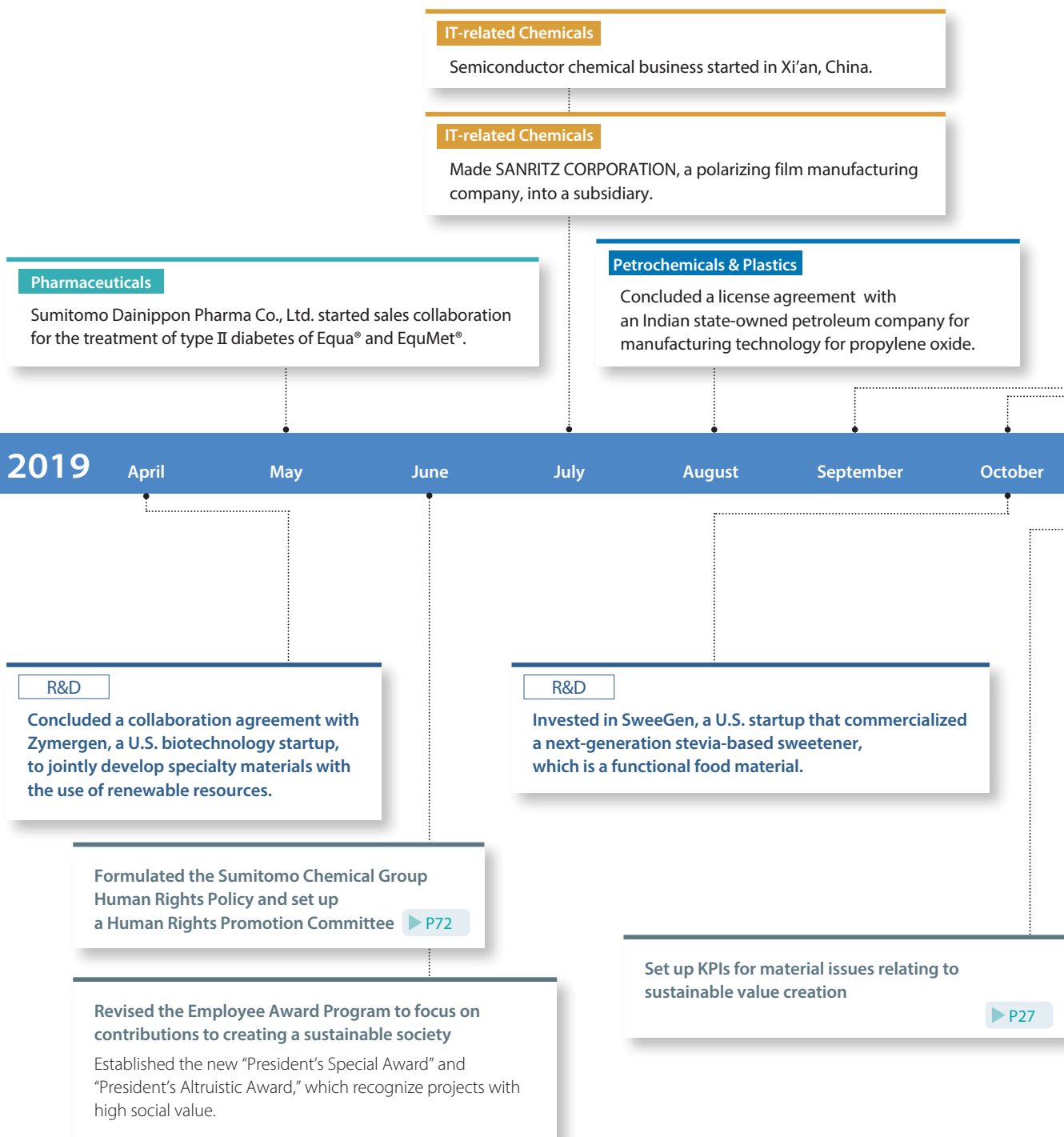
Ethical pharmaceuticals, diagnostic radiopharmaceuticals, etc.

	KPI	Numerical Target
Economic Value	■ ROE	Over 10%
	■ ROI	Over 7%
	■ D/E ratio	Approx. 0.7 times
	■ Payout ratio	Approx. 30%
Social Value	■ Greenhouse gas emissions of the Group (Scope 1+2)	Reduce by 30% by fiscal 2030 (vs. fiscal 2013) Reduce by over 57% by fiscal 2050 (vs. fiscal 2013)
	■ Sales revenue of products designated as Sumika Sustainable Solutions*	560 billion yen in fiscal 2021
	■ Energy intensity index	Improve by 3% or more during the 3 years of each Corporate Business Plan
	■ Percentage of female employees in positions equivalent to manager or above (non-consolidated)	Over 10% by 2022
▶ P27: List of KPIs		

* An initiative to designate Group products and technologies that can help tackle global warming or reduce environmental burdens, and promote their development and spread in society.

One Year at Sumitomo Chemical

In fiscal 2019, core operating income decreased from the previous year owing to lower market prices for petrochemical products and methionine, decreased shipments of crop protection products overseas due to extreme weather, and upfront expenses relating to the strategic alliance with Roivant in the Pharmaceuticals sector. Meanwhile, we made large-scale investments in crop protection products and pharmaceuticals businesses to accelerate R&D for the development of next-generation business. Furthermore, we set up key performance indicators (KPIs) to steadily work on material issues. This was a year we took a great step forward to ensure that both Sumitomo Chemical and society as a whole remain sustainable.



Health & Crop Sciences

Completed the merger of our group companies in India (Excel Crop Care Limited and Sumitomo Chemical India Limited).



Pharmaceuticals

Sumitomo Dainippon Pharma Co., Ltd. and Roivant (UK) concluded a strategic alliance agreement.



Pharmaceuticals

Nihon Medi-Physics Co., Ltd. constructed a new research facility to accelerate the development of the "theranotics."

Health & Crop Sciences

Agreed to acquire four South American subsidiaries of Nufarm.



Energy & Functional Materials

Tanaka Chemical Corporation concluded an agreement with Northvolt Ett AB (Sweden), a manufacturer of lithium-ion secondary batteries, to sell precursor for cathode materials and to support the technology to manufacture precursors for cathode materials.

Petrochemicals & Plastics

Rabigh Phase II Project started commercial operations.



Petrochemicals & Plastics

The new catalyst plant at the Chiba Works started operations, in order to boost the polypropylene and propylene oxide licensing business.

November

December

2020

January

February

March

Conducted an employee participation-based project, "For a Sustainable Future - JIRI RITA-," to promote sustainability.

This project allows employees to learn about our Group's initiatives for sustainability in a quiz format, and to post what they can do to solve issues through their day-to-day tasks. During the project, The total number of participants in the quiz was 22,796 people, and the number of posts was 12,067.



Received a Climate A List rating from the CDP for the second year in a row.

▶ P94

R&D

Collaborated with Sekisui Chemical Co., Ltd. on initiatives for circular economy.

▶ P71

R&D

Promoted joint research on chemical recycling technology with the Muroran Institute of Technology.

▶ P71

R&D

Signed an agreement with Kyoto University to open a course, jointly held by industry and academia, to accelerate R&D for the practical implementation of solid-type batteries.

▶ P64

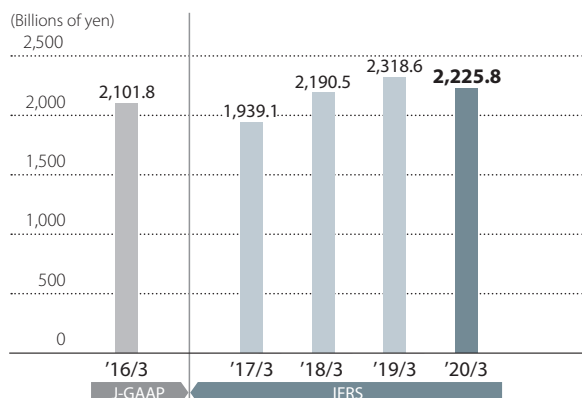
Financial and Non-Financial Highlights

Financial Highlights

* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

J-GAAP* Net Sales
IFRS* Sales Revenue

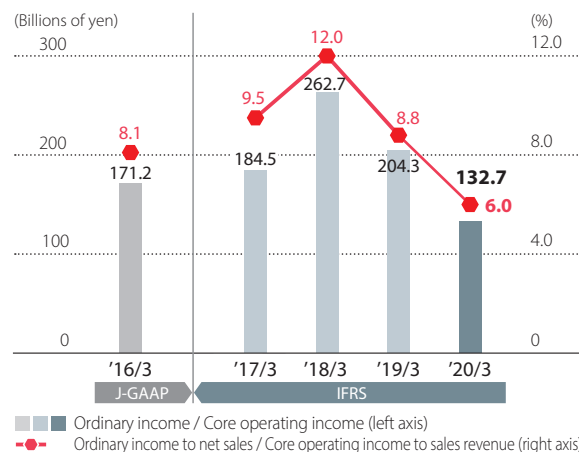
¥2,225.8 billion vs. FY2018 -4.0% ↓



Shipments of pharmaceutical products increased, while product prices, such as prices for petrochemical products, decreased, affected by lower raw material costs. As a result, sales revenue declined by 92.8 billion yen from the previous fiscal year.

J-GAAP Ordinary Income / Ordinary Income to Net Sales
IFRS Core Operating Income / Core Operating Income to Sales Revenue

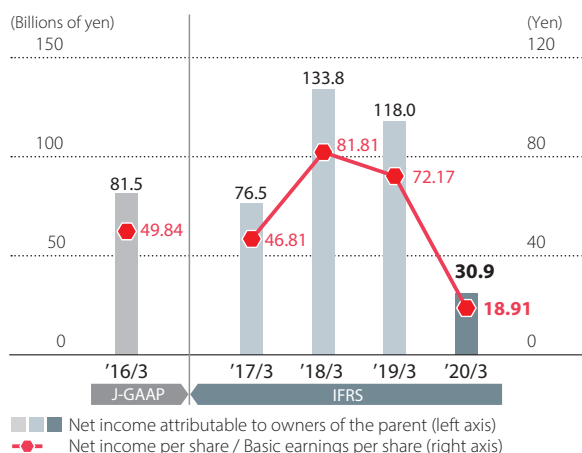
¥132.7 billion (Core Operating Income) vs. FY2018 -35.1% ↓



Operating income declined by 71.6 billion yen from the previous fiscal year, affected by lower market prices of petrochemical products and methionine, decreased shipments of crop protection products overseas due to extreme weather, and upfront payment of expenses associated with the strategic alliance with Roivant in the Pharmaceuticals sector.

J-GAAP Net Income Attributable to Owners of the Parent / Net Income per Share
IFRS Net Income Attributable to Owners of the Parent / Basic Earnings per Share

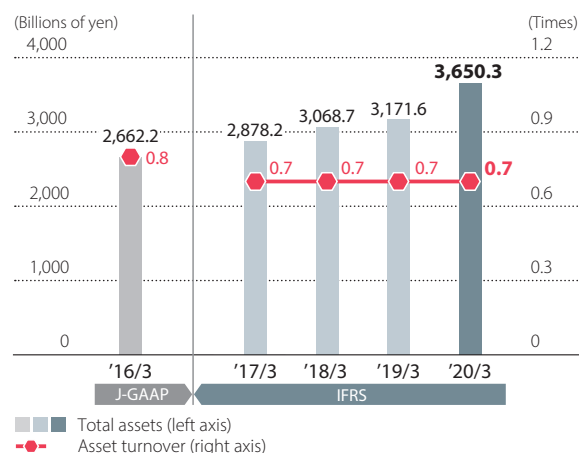
¥30.9 billion (Net Income Attributable to Owners of the Parent) vs. FY2018 -73.8% ↓



Impacted by the deterioration in core operating income, coupled with an increased income tax burden, net income attributable to owners of the parent fell compared with the previous fiscal year to 87.1 billion yen.

Total Assets / Asset Turnover

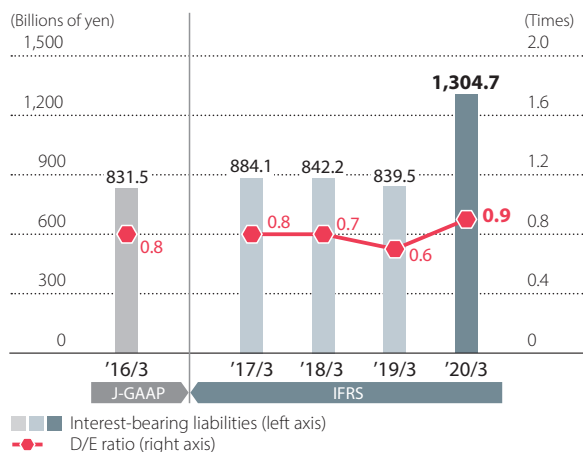
¥3,650.3 billion (Total Assets) vs. FY2018 +15.1% ↑



Total assets increased by 478.7 billion yen from the previous fiscal year due to the strategic alliance with Roivant and increases in intangible assets and goodwill after the acquisition of the South American business of Nufarm.

Interest-bearing Liabilities / D/E Ratio

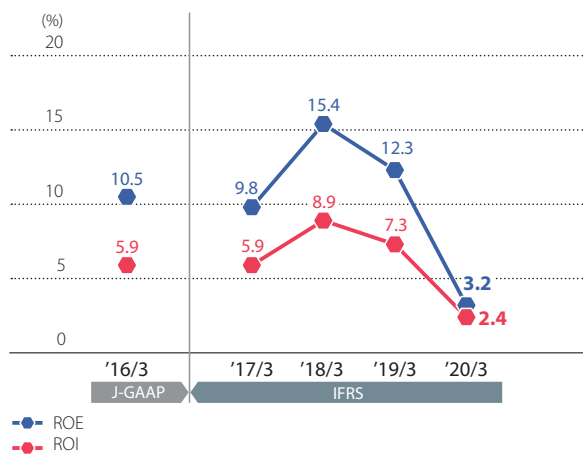
¥1,304.7 billion (Interest-bearing Liabilities) vs. FY2018 **+55.4%** ↑



The balance of interest-bearing liabilities increased by 465.1 billion yen from the previous fiscal year as a result of taking a bridge loan and publicly issuing hybrid bonds to pay for the strategic alliance with Roivant.

ROE / ROI

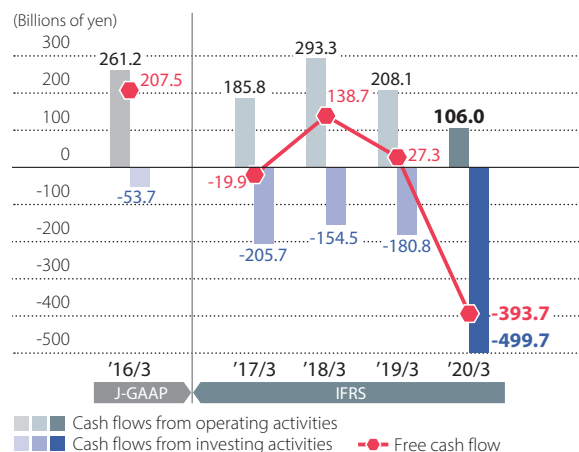
3.2% (ROE) vs. FY2018 **-9.1pt** ↓ **2.4%** (ROI) vs. FY2018 **-4.9pt** ↓



Due to the deterioration in earnings, both ROE and ROI declined from the previous fiscal year, lower than the respective target values of 10% and 7%.

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

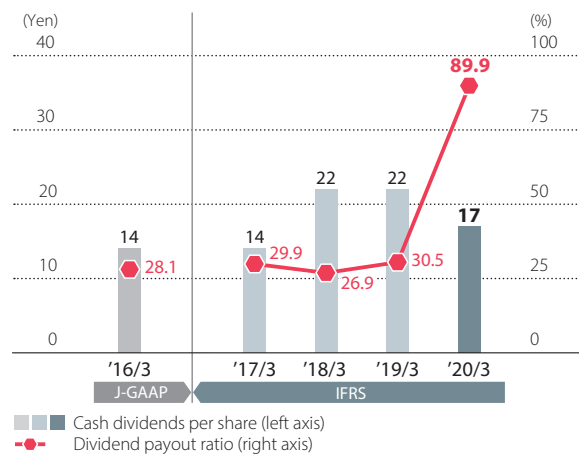
-¥393.7 billion (Free Cash Flow) vs. FY2018 **-¥421.0 billion** ↓



Cash flows from operating activities decreased by 102.1 billion yen from the previous fiscal year due to the deterioration in earnings. In addition, cash flows from investing activities increased by 318.8 billion yen after the payment for the strategic alliance with Roivant. As a result, free cash flow dropped 421 billion yen to an outflow of 393.7 billion yen.

Cash Dividends per Share / Dividend Payout Ratio

89.9% (Dividend Payout Ratio) vs. FY2018 **+59.4pt** ↑



Annual dividend per share was 17 yen in fiscal 2019, thus, the payout ratio was 89.9%.

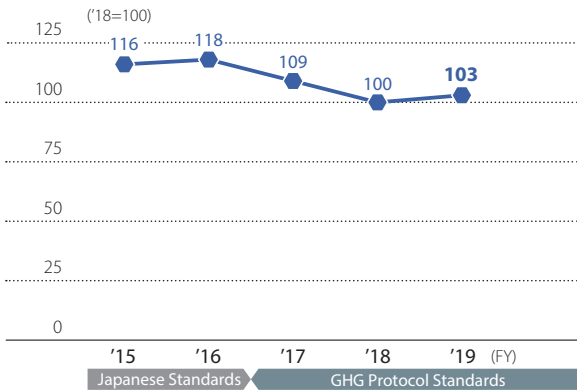
Non-Financial Highlights

Unit Energy Consumption



103

vs. FY2018
+3% ↑



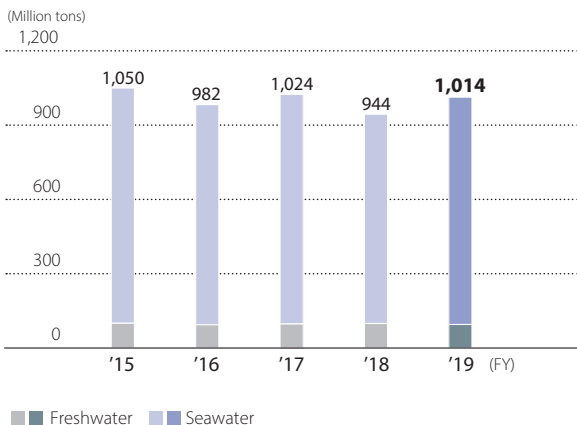
Sumitomo Chemical has raised “contribution to reducing environmental impact” as one of the material issues to be addressed as management priorities. As part of this material issue, we are promoting the efficient use of energy and resources. Our target is to improve this index by 3% or more by fiscal 2021 as compared with fiscal 2018.

Water Usage



1,014 million tons

vs. FY2018
+70 million tons ↑



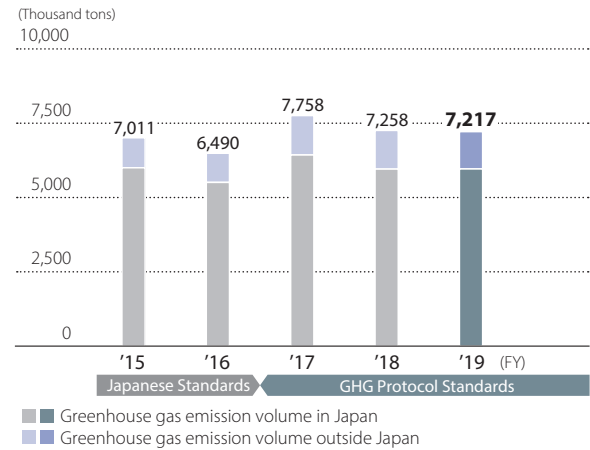
We will work to reduce water usage through effective use of water, depending on the application, while endeavoring to assess risks to water supplies. Seawater is used for cooling plants and other facilities.

Greenhouse Gas Emission Volume (Scope 1+2)



7,217 thousand tons

vs. FY2018
-41 thousand tons ↓



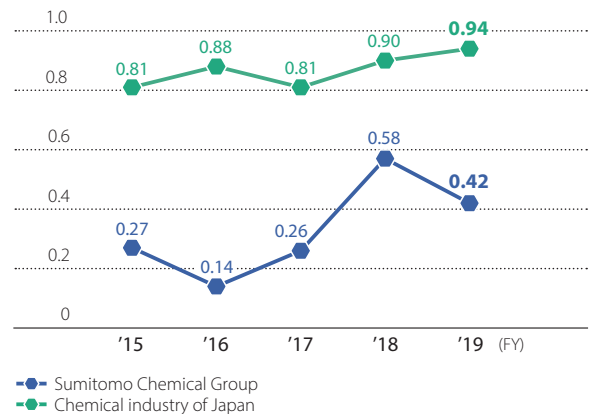
Sumitomo Chemical has raised “contribution to reducing environmental impact” as one of the material issues to be addressed as management priorities. As part of this material issue, we are promoting mitigation of climate change. We are continuing to work on achieving our target values, which have been recognized as science based targets (SBT).

Lost-workday Incident Rate*



0.42

vs. FY2018
-0.16pt ↓



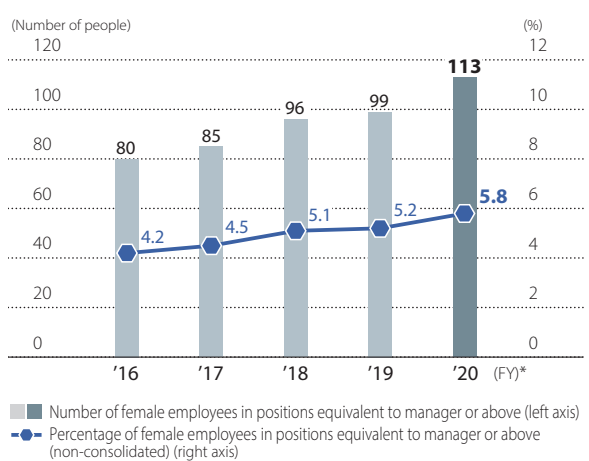
The frequency rate of lost-workday incidents for fiscal 2019 was 0.42, which was far worse than our target of 0.1. We will thoroughly investigate the causes and implement basic safety rules to take preventive measures.

* 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 / Percentage of Female Employees in Positions Equivalent to Manager or Above (Non-consolidated)



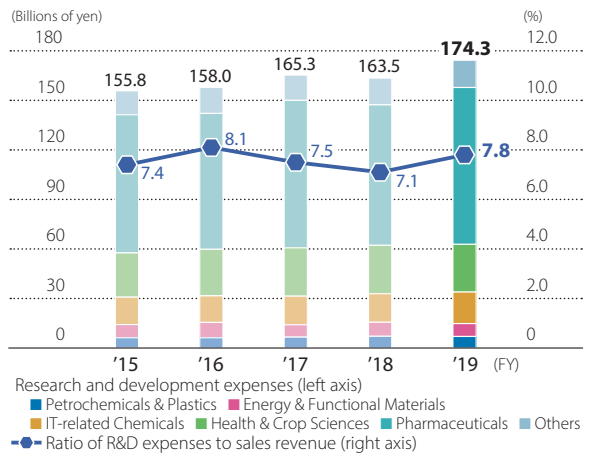
5.8% (Percentage of Female Employees in Positions Equivalent to Manager or Above) vs. FY2019 **+0.6pt** ↑



Sumitomo Chemical has raised “promotion of diversity & 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 by 2022.
* All numbers as of April 1 of that year

Research and Development Expenses / Ratio of R&D Expenses to Sales Revenue

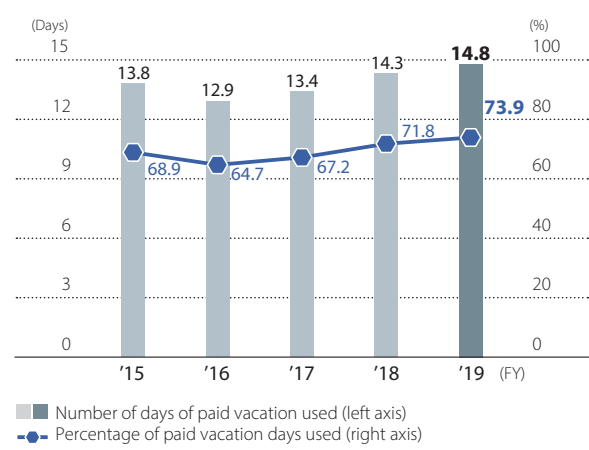
¥174.3 billion (Research and Development Expenses) vs. FY2018 **+6.6%** ↑



R&D expenses increased by 10.9 billion yen from the previous fiscal year as the expenses of newly acquired Sumitviant were recognized as part of the strategic alliance with Roivant.

Number of Days of Paid Vacation Used / Percentage of Paid Vacation Days Used (Non-consolidated)

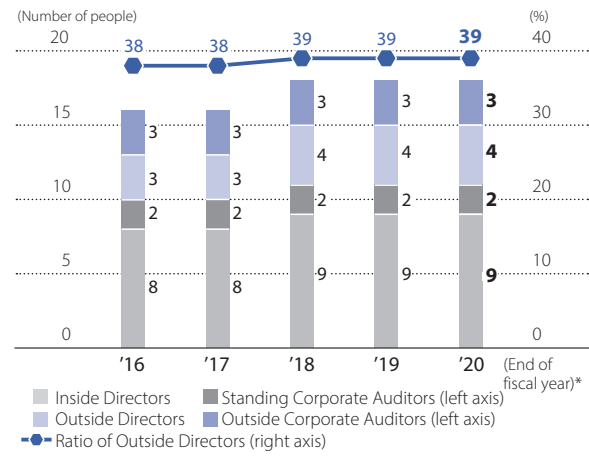
73.9% (Percentage of Paid Vacation Days Used) vs. FY2018 **+2.1pt** ↑



Sumitomo Chemical has put forward a goal for all employees to take at least 80% of their paid leave each year on average, in the “Sumika ‘Take Action’ Declaration” (see page 74). From fiscal 2020 onward, we will continue to work on attaining this goal.

Directors / Outside Directors / Ratio of Outside Directors and Corporate Auditors

4 (Number of Outside Directors)



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 18 total members of the Board of Directors and the Board of Corporate Auditors, seven are outside members.

* As of July 1, only for fiscal 2020

岩田圭一

Keiichi Iwata
Representative Director & President



We will Work to Achieve Sustained Growth for the Sumitomo Chemical Group and Help Build a Sustainable Society.

Based on the Sumitomo business principle that, “Our business must benefit society at large, not just our own interests,” the Sumitomo Chemical Group has been creating social and economic value in an integrated manner. By making the best use of its strengths as a diversified chemical company, the Group will continue to strive to resolve material issues on the road to a sustainable society through business and innovation and enhance its corporate value.

Addressing the COVID-19 Pandemic

We are committed to contributing to the containment of the coronavirus and the prevention of future pandemics by leveraging the extensive power of chemistry.

Since the outbreak of COVID-19 in the spring of 2020 and its ensuing spread around the world, Sumitomo Chemical has taken a range of measures, making it a top priority to ensure the safety and health of its employees all over the world. At the same time, we have made every effort to ensure stable operations to fulfill our responsibility to supply products necessary for society. For the time being, our operations have not been significantly affected.

I would like to talk about the impact of the pandemic on our performance later on. Meanwhile, what I have realized in this situation is that the chemical industry covers a broad scope of businesses that support the infrastructure of society, and that it can contribute to society in a wide range of fields

through innovation. While chemical manufacturers have taken various measures to help prevent the spread of the infection, Sumitomo Chemical has also been making group-wide efforts to contribute to the containment of the pandemic. Manufacturing ingredients for pharmaceuticals for the treatment of COVID-19 is a case in point of our contribution through business. As an emergency and preferential measure, we have also supplied our plastic agriculture film for use as material for medical gowns. This revealed a new application of the product, which we could not have foreseen, and I believe it can be said that this is an example of innovation. In the area of research and development, our subsidiary Sumitomo Dainippon Pharma has joined an initiative to provide public access, free of charge, to a medical database called the COVID-19 Research Database, while also engaging in other various related efforts. Leveraging the extensive power of chemistry, we will continue to contribute to the containment of the coronavirus and the prevention of future pandemics.

Contribution to Containment of the Coronavirus Pandemic

Supplying active ingredients for Avigan (favipiravir) and remdesivir

Supplying household antiviral disinfectants

Supplying polyethylene film for medical gowns

Supplying antiviral agents for industrial use

Joined COVID-19 research database

Joint research for a universal influenza vaccine

Provided funds for NanoScent, a startup developing diagnostic sensors for COVID-19

Developing antiviral agents derived from natural plant extracts

Donated medical protective gear (incl. N95 masks and gowns)

Donated to the Kitasato Institute's Project for COVID-19

Contributing to Containment of the Coronavirus Pandemic by Leveraging the Extensive Power of Chemistry

Progress on the Current Corporate Business Plan

Despite the increasingly severe business environment, we will work to create the distinctive value that only a diversified chemical company like us can make

I would now like to talk about our performance for fiscal 2019. In the Petrochemicals & Plastics Sector, selling prices for our products declined, affected by a slowdown of the world economy due to the prolonging of the US-China trade conflict. In the Health & Crop Sciences Sector, shipments of crop protection products decreased as a result of extreme weather in North America, while methionine prices fell. In the Pharmaceuticals Sector, shipments of Latuda, an atypical antipsychotic agent, increased in the North American market, but upfront expenses arising from the strategic alliance with Roivant placed a heavy burden on the Sector's performance. Due to these factors and the effects of the coronavirus pandemic, our consolidated core operating income for fiscal 2019 significantly decreased from the level of the previous fiscal year.

For fiscal 2020, shipments of crop protection products are expected to recover in overseas markets. We anticipate, however, that there will be considerable effects from lower prices for petrochemical products and upfront expenses in new drug development in the Pharmaceuticals Sector, while also foreseeing a decrease in demand for products in automotive and display-related areas due to the coronavirus pandemic. All in all, we cannot expect a rapid recovery in our performance.

The business environment surrounding us is thus becoming increasingly challenging, but we are determined to push

forward our efforts based on the basic policy set out in the current Corporate Business Plan. In order to accelerate the development of next-generation businesses, we have been stepping up efforts to establish our innovation ecosystem—a system to constantly generate innovation. We have launched a strategic partnership with Conagen in synthetic biology and formed an alliance with NanoScent, a start-up developing scent detection devices. We have also started collaborations with academia, including joint research with Kyoto University on solid-type batteries. (See page 37.)

As for the improvement of productivity through digital innovation, we have implemented new initiatives. On the manufacturing side, all manufacturing departments at the Ehime Works and the Oita Works have introduced electronic journals. On the research and development side, we are promoting the use of material informatics (MI) for material design. (See page 67.)

In addition to these efforts, for fiscal 2020, we will focus on the improvement of our business portfolio, giving this a higher priority. I believe that our diversified business portfolio is providing us with a certain degree of immunity to the COVID-19-induced recession. To establish more robust foundations for our business, however, we first need to raise the earning power of each business unit. Building on that, we would like to continue to generate synergy among our various businesses and technologies and create a “conglomerate premium,” distinctive value that only a diversified chemical company like us can make. Meanwhile, we have made several large-scale strategic acquisitions. We need to carry through post-merger integration (PMI) to realize the full value of these acquisitions as soon as possible.

To Achieve Sustained Growth

We will strive to take our performance on the path to recovery as soon as we can and build back to achieve sustained growth.

For fiscal 2021, the final year of the current Corporate Business Plan period, we have been aiming to achieve a consolidated core operating income of 280 billion yen. Given that there have very recently been positive factors such as rebounding methionine prices, we could have reached this target, depending on conditions in the petrochemicals market—if it were not for the upfront expenses due to the large-scale acquisition in the Pharmaceuticals Sector and the effects of the COVID-19-induced recession. Yet, unfortunately, the business

environment has turned out to be dramatically different from our assumptions, so that we expect the achievement of this target to be extremely difficult. We will strive to take our performance on the path to recovery as soon as we can and build back to achieve this target level of earnings by fiscal 2024, the final year of the next Corporate Business Plan period.

I would like to talk about our three growth drivers to meet this target. In the Health & Crop Sciences Sector, we have established a direct sales network in the South American market, including Brazil, the world's largest and fastest growing market for crop protection products. This has been achieved through the acquisition of Nufarm's South American businesses, a deal completed this year. By fully leveraging this network, we will be



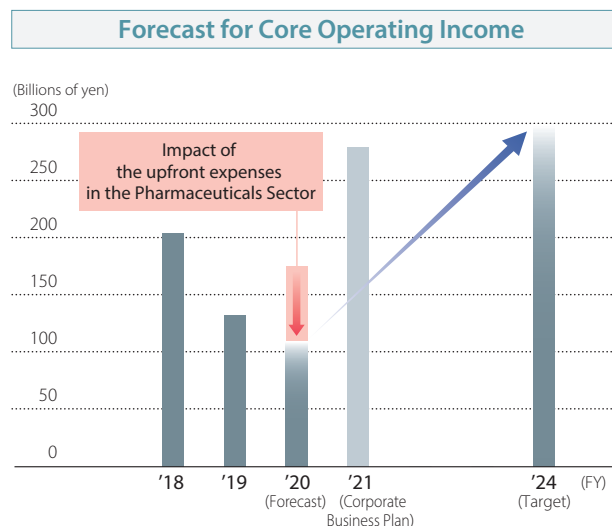
able to massively expand sales of INDIFLIN™, a promising new fungicide for soybeans, scheduled to be launched in Brazil in 2021. On the back of a growth of the crop protection business primarily in South America and India, we expect to achieve a core operating income of 80 billion yen by the middle of the 2020s.

In the Pharmaceuticals Sector, it had been a major challenge for years to develop new products that could take over Latuda's position as our flagship product after the antipsychotic agent's loss of exclusivity. As a result of the strategic alliance with Roivant launched in December 2019, we have obtained new drug candidates that have the potential to become blockbusters, such as relugolix for the treatment of uterine fibroids and other diseases and vibegron for overactive bladder. The development of these drug candidates is progressing well toward early launches. Sales of these new products are expected to show strong growth from fiscal 2023 onwards. As a result, we expect the sector's core operating income to get back on a growth path and exceed 100 billion yen beyond fiscal 2024 to 2025.

In the IT-related Chemicals Sector and the Energy & Functional Materials Sector, we will work to expand sales of highly functional products—including battery components, super engineering plastics and semiconductor materials, as well as components for flexible displays—against the backdrop of the growing electric vehicle market and increasing demand for 5G communications. We aim to achieve a combined core operating income of 80 billion yen, across both sectors. Across

these three growth driver areas, we will work to achieve a core operating income of 260 billion yen in total by the middle of the 2020s. It would be ideal if the Petrochemicals & Plastics Sector also contributes as a cash cow, but we would like to establish an earnings structure that does not excessively depend on a sector that has relatively high volatility.

Meanwhile, we will also work on the improvement of our financial strength, which has weakened as we have made large-scale strategic investments. Through more selective investment, divestment of assets and improvement of the cash conversion cycle, we would like to bring our D/E ratio back to the target of 0.7 by fiscal 2024. (See page 23.)



Our Sustainability Efforts

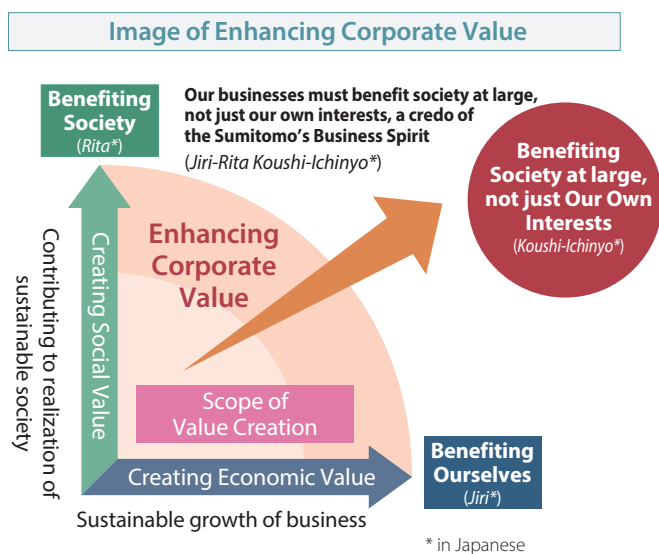
We continue to be committed to creating both economic and social value and achieving sustained growth for our company.

We at the Sumitomo Chemical Group are committed to achieving sustained growth by contributing to developing a sustainable society through our business and creating both economic and social value. In order to enhance and accelerate our efforts to this end, we have launched various new measures.

In March 2019, we identified our material issues for sustainably creating value, such as reducing environmental impact and contributing to the healthcare field. We also determined the material issues that serve as the foundation for continuing our business, including safety, respect for human rights, and compliance. In November 2019, we set key performance indicators (KPIs) for our material issues. (See page 27.) In establishing KPIs, we sought opinions from external experts and deliberated in our Sustainability Promotion Committee. For our material issues for social value creation, including the issues of climate change, energy, food, and infection control, we set up KPIs by referring to the targets laid out in the United Nations Sustainable Development Goals (SDGs), to show our commitment to helping resolve the vital issues facing the international community. By using these KPIs, we will not only actively communicate the progress of our measures but will also promote collaboration with our stakeholders and accelerate our efforts to develop and provide new solutions to social issues.

Among our efforts toward developing a sustainable society, we are particularly focused on addressing climate change issues. We have set up our Science Based Targets, goals for the reduction of greenhouse gas (GHG) emissions, and are carrying out various measures to achieve these targets. We have also been undertaking our Sumika Sustainable Solutions (SSS) project to promote the deployment of our products and technologies that contribute to the reduction of environmental impact. (See page 29.) In addition, we have launched a new cross-sector initiative to conduct scenario analyses, identify climate-change-related risks and opportunities for the Group, and plan and implement new measures to resolve problems facing us. (See page 69.)

In April 2020, we established a new organization within our Petrochemicals Research Laboratory, a team dedicated to developing technologies to reduce environmental impact by leveraging our core technologies related to catalysts and chemical process design that have been cultivated in the Petrochemicals & Plastics Sector. Under this organization, we have put together our related projects, which were each pursued in several separate laboratories of ours, while also scaling up the team to a group of about 30 researchers. We expect these measures to help dramatically accelerate the progress of the research and development projects. They include our projects toward building a circular system for plastics—the development of chemical recycling technologies in collaboration with other companies and through alliances with academia. These efforts aim to chemically decompose municipal waste and plastic waste, and reuse them as raw materials for plastics and petrochemical products. If these chemical recycling technologies are put to commercial use, we are convinced that they will help cut back on the use of fossil fuels, while also contributing to reducing the amount of plastic waste as well as GHG emissions from the incineration of plastic waste. (See page 71.)



To Shareholders and Investors

We will continue to work to enhance our corporate value so that you can be proud and pleased to be our shareholders.

I recognize shareholders and investors as our essential stakeholders. As I run and manage our business day-to-day, I always bear you in mind. Regarding shareholder return, we have made it a policy to maintain stable dividend payments, giving due consideration to our business performance and the dividend payout ratio for each fiscal year, the level of retained earnings necessary for future growth, and other relevant factors. Over the medium to long term, we aim to achieve a dividend payout ratio of around 30%.

For fiscal 2019, since we posted a significant decline in profits, we have unfortunately declared an annual dividend of 17 yen per share, a decrease of 5 yen from the previous fiscal year's dividend of 22 yen per share.

What we strive to be is a Sumitomo Chemical that continues to put into action the Sumitomo business principle that, "Our business must benefit society at large, not just our own interests," and thereby create both economic and social value. As the role chemistry should play is becoming even more important, we will leverage the power of chemistry, work to resolve material issues on the road to a sustainable society through innovation and our businesses, and strive to enhance our corporate value. By doing so, we aim to become a company that every one of you can be proud of and pleased with as a shareholder.

Your continued understanding and support would be very much appreciated.



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 while maintaining the soundness of our financial base.

Key Financial Performance Indicators

Since 1999, we have been implementing management accounting that is conscious of capital costs from an early stage in order to improve capital efficiency, such as ROE and ROI. For example, we have been reporting the net income of each business sector after equity costs. Currently, ROI for each sector is an important performance accounting indicator.

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 minimum target of 7% for ROI, in order to exceed our weighted average capital cost (WACC).

Our target D/E ratio is approximately 0.7, with a view to maintaining our current credit rating, which enables flexible financing. For new capital expenditures or M&A, we have

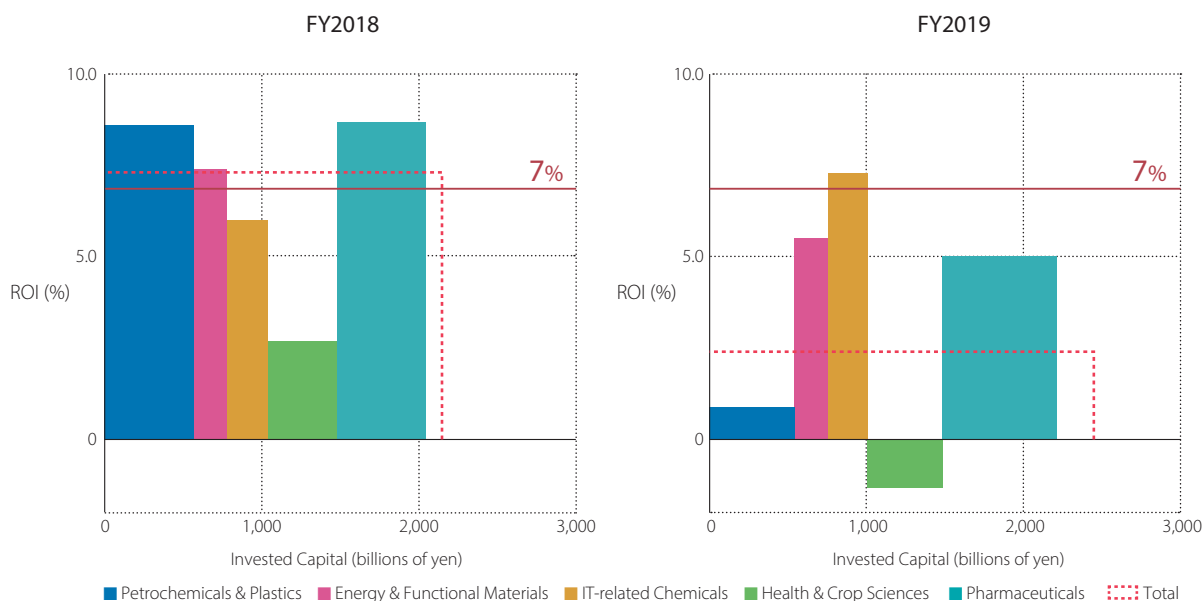
decided to take into consideration economic indicators in each individual investment decision, including net present value (NPV), internal revenue rate (IRR), and the payback period, as well as, from FY2019, the impact on CO₂ emissions per investment project, so as to create a sustainable society. We also regularly follow up on the results of capital expenditures and M&A already carried out.

Progress of the Corporate Business Plan

Our policy in the financial aspect of the Corporate Business Plan (FY2019-2021) is to recover cash steadily from capital expenditures already made, and to control costs and assets through disciplined operations. This policy itself will remain unchanged. In order to carry out two large-scale strategic investments, however (the acquisition of the South American business of Nufarm in the Health & Crop Sciences sector, and the strategic alliance with Roivant in the Pharmaceuticals sector), we had to keep in mind our financial health. Thus, we worked to reduce interest-bearing liabilities by selecting the optimal means for financing and improving cash flow.

To finance large-scale strategic investments, we selected a 250 billion yen hybrid bond, so as to both achieve concrete investment in growth to further improve our business portfolio, and maintain a robust financial structure. This helped us maintain our credit rating, which may hugely impact our financing environment. On the other hand, our financial structure temporarily deteriorated as the balance of interest-bearing liabilities at the end of FY2019 exceeded 1 trillion, 300 billion yen, and D/E

Invested Capital and ROI by Sector



ratio reached 0.9. We continue to take measures to improve this situation.

As for capital expenditure and investment for FY2019-2021 (on a decision-making basis), we aim to reduce the projected scale of 950 billion yen, inclusive of the planned amount of each business sector, by 100 billion yen, by rigorously selecting investment projects with an eye toward growth. We will also focus on selling assets. For cross-held stocks, we decided to sell the equivalent of about 20% of our own listed stocks. Including the sale of Sumitomo Dainippon Pharma Co., Ltd.'s Ibaraki Works, a total asset divestiture of 50 billion yen is under way.

We have made an effort thus far to improve CCC, and aim to generate around 50 billion yen in cash by reducing inventory through digital technology. With these measures, we are targeting a D/E ratio of 0.7 at the end of FY2024.

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. The annual dividend in fiscal 2018 was 22 yen (dividend payout ratio 30.5%), and our planned annual dividend for fiscal 2019 is 22 yen (dividend payout ratio 36.0%), the same as that in fiscal 2018. We will continue to sustainably improve corporate value by improving capital efficiency and strengthening our financial structures, thereby meeting the expectations of our shareholders.

Key Financial Performance Indicators*

ROE	ROI	D/E ratio	Dividend payout ratio
Over 10%	Over 7%	Approx. 0.7 times	Approx. 30%

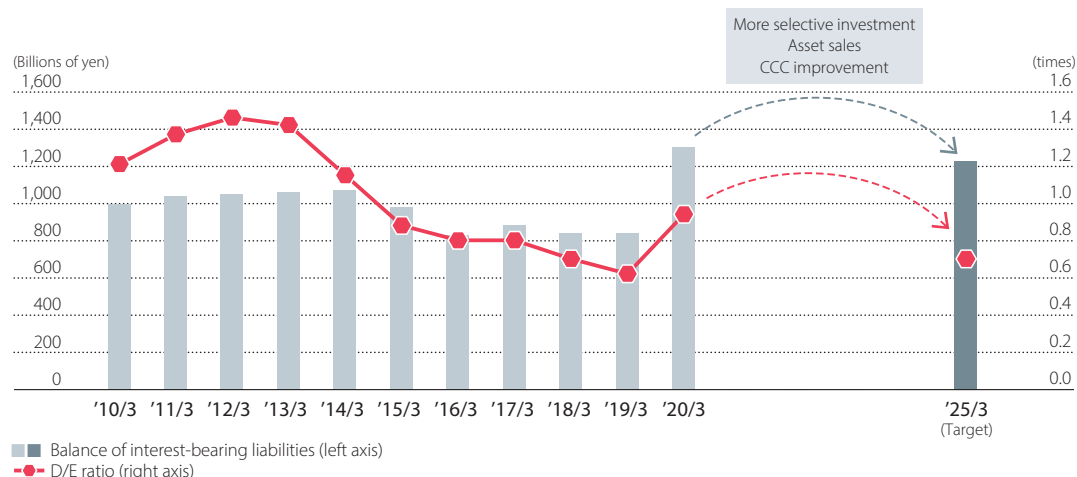
* Stable achievement of the above indicators over the medium- to long-term.

Measures toward a Better Financial Structure

- 1 More selective investment, reduction of 100 billion yen*¹
- 2 Asset sales, 50 billion yen*²
- 3 CCC improvement, 50 billion yen*²

*¹ Capital expenditures, loans/investments from 2019 to 2021 (on a decision-making basis) *² By the end of FY2024

Interest-bearing Liabilities, D/E Ratio



Messages from Outside Directors



Motoshige Itoh
Outside Director

My Role is to Give Advice by Making the Best Use of My Perspective on the Global Economy

Sumitomo Chemical has highly specialized businesses, and Inside and Outside Directors at the Board of Directors engage in heated debate. As seen in its acquisition of South American business of Nufarm in April 2020, Sumitomo Chemical's overseas business modality was often thought-provoking. As an economist, I have observed various industries, and provided a broad viewpoint on problems in the world economy and global trends during these debates. How can Sumitomo Chemical make use of its businesses in the world economy as a whole? My role as Outside Director is to give suggestions from such broad viewpoints.

Changes in Megatrends

I find the current Corporate Business Plan very sound, in that it focuses on how to expand what the Company has built to date. Then came the coronavirus, which started spreading early this year, and ever since then we have been facing a major issue on how to cope with this risk. Only six months ago, megatrends were globalization, the US-China trade friction and digitalization of technology. Now, in the face of the pandemic, exposing us to a major crisis of such magnitude as this, we need to discern what parts of these megatrends could change and what could not. Particularly, digitalization is a megatrend that has remained unchanged since before. Its importance will further increase, and changes will be accelerated. Sumitomo Chemical should also discuss the directions of these megatrends and determine risks and opportunities.

Ramp Up the Speed of Digital Transformation

It is ever more important for companies to ramp up the speed of digital transformation (DX) and address all aspects of business, including manufacturing, research, sales, administration, and ways of working. The difficult thing about addressing DX, however, is that digitalization of the current business in its current state will not be enough. While digital technology is a must, it is also necessary to rebuild the product strategy and the personnel strategy of the Company. It is also important to maintain a balance with the front lines. Even if the Company tries to aggressively address the changes in society, without cooperation from the front lines, such as the plants that support manufacturing, the Company will not be able to survive. At Sumitomo Chemical, experience and know-how from the past have been handed down from generation to generation. When I inspected plants, I sensed a strong and high level of connection between front line management and operations. While striking a good balance with this front line capability, we must address global and technological trends. The Company has been squarely engaged in DX thus far but it is essential to ramp up the speed of that effort even further.



Atsuko Muraki
Outside Director

Prudent and Serious Corporate Culture

Since assuming the post of Director, I have found that not only the Board of Directors but also Sumitomo Chemical itself are very prudent and serious. For instance, when formulating KPIs or the Basic Principles for Promoting Sustainability, the Company placed importance on having a process where many people participated in the debate to formulate them, rather than on a process where a few people in charge neatly organize them. The management and employees are endowed with an attitude in which they actively consider businesses that benefit the public as their own responsibility, and engage with these businesses seriously. This is the characteristic that builds the core of Sumitomo Chemical.

Expectations for Next-generation Businesses Aiming to Solve Societal Issues

Fiscal 2019 was the first year of the current Corporate Business Plan. The Company announced downward revisions of its projections twice and faced an uphill struggle to deliver expected results. It also made large-scale investments, which would contribute to its future earnings. This was a year where the Company had been exploring ways to face uncertainty.

The Corporate Business Plan is based on the creation of next-generation businesses in fields such as healthcare, reducing environmental impact, food, and ICT, and it is very easy to understand as a strategy. All of these business areas are extremely important, and need to be addressed with wisdom and technological skill. I have a keen interest in how much the Company can deliver in its effort to solve social issues, using its strength in technological skills and global access.

Ramping Up Efforts to Promote Diversity

If I were to raise one issue with the Company, it would be the promotion of diversity, including the advancement of women. If a company cannot make more women active in important posts, it is as if you were creating a national team by selecting athletes only from the Western part of Japan. This cannot make the best team. The Company makes an effort to promote a work-life balance to create a pleasant working environment. In terms of job satisfaction, including new work assignments or promotions, however, the Company is taking a backseat. It is necessary to create a positive cycle that naturally allows people to have a positive image of women serving managerial positions by having women in such positions. For this purpose, it is imperative that the Company be determined and strong-willed in training new female graduates to become future managers from when they are first hired.

The Company seems to be able to secure talented personnel and train human resources. When expanding business to new areas or when pushing digital innovation forward, other companies often face the problem of securing human resources. However, this concern is nonexistent in Sumitomo Chemical. This is an enormous asset. If the Company makes the best use of this asset by offering satisfying work incentives for women, foreigners, and young employees, I believe that the future of this Company is very promising.

Going forward, I would like to dedicate my efforts to improving corporate value by using my experience of having witnessed many corporate practices in human resources and labor management.

Our Sustainability Efforts

The history of Sumitomo Chemical began when gasses from a copper smelting process caused a pollution problem, and there was an urgent need for a solution.

Sumitomo Chemical was founded to resolve this problem, using those gasses as the raw material for fertilizer manufacturing, overcoming an environmental problem while also improving agricultural productivity. This philosophy of resolving problems facing society through its business is in the DNA of the Sumitomo Chemical Group.

1 The Sumitomo Chemical Group's Efforts to Promote Sustainability— Basic Principles for Promoting Sustainability

To us at the Sumitomo Chemical Group, the promotion of sustainability means contributing to developing a sustainable society through our business and achieving sustained growth for our company. In promoting sustainability, we are committed to creating social and economic value concurrently through innovation and contributing to resolving critical issues facing international society, including achieving the United Nations Sustainable Development Goals (SDGs). With the commitment of the top management and participation by all officers and employees, we also pledge to undertake various initiatives by engaging in alliances and collaborations with stakeholders, while also continuously assessing and improving our actions.

These principles and this commitment of ours are expressed in our Basic Principles for Promoting Sustainability, and in the framework of our Corporate Philosophy, we place these principles just below the Sumitomo Business Principles and Sumitomo Chemical's Business Philosophy to show our commitment to working on the promotion of sustainability as a management priority.

The Framework of Sumitomo Chemical's Corporate Philosophy

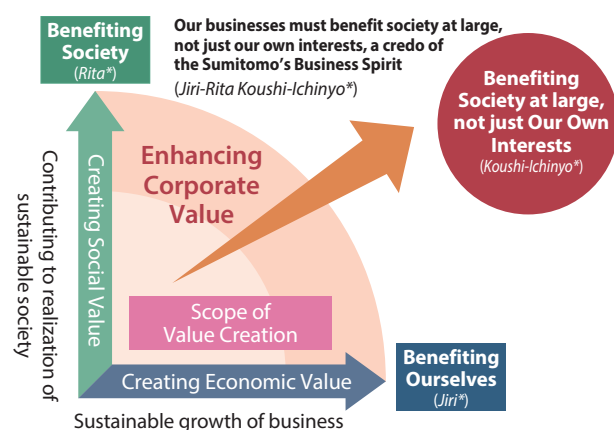


Basic Principles for Promoting Sustainability

- 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

* "Jiri-Rita Koushi-Ichinyo" is a phrase in Japanese, passed down through generations in the Sumitomo family, that describes the Sumitomo business principle, "Our business must benefit society at large, not just our own interests."

Image of Enhancing Corporate Value

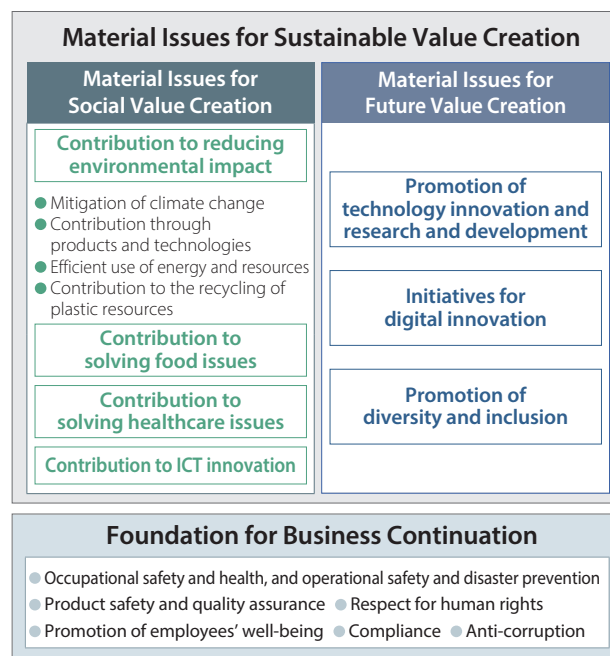


2 The Material Issues to be Addressed as Management Priorities

Sumitomo Chemical has identified the material issues that the company will address as management priorities based on its Corporate Philosophy. We have a belief that resolving issues through our business and creating both social and economic value is as important as continuing our business to achieve it. Based on this view, we have defined the material issues identified as related to the former as the material issues for sustainable value creation, and the material issues for the latter as the foundation for business continuation.

Among the material issues for sustainable value creation, we have classified four items—reduction of environmental impact, food issues, healthcare, and ICT innovation—under material issues for social value creation, while categorizing technology innovation and research and development, digital innovation, and diversity and inclusion as material issues for future value creation. Regarding the items that serve as the foundation for continuing our business—occupational safety and health, operational safety and disaster prevention, product safety and quality assurance, respect for human rights, promotion of

employees' well-being, compliance, and anti-corruption—we have been making group-wide efforts and will continue to work on them as management priorities.



3 Key Performance Indicator (KPI)

We have set key performance indicators (KPIs) for initiatives related to our material issues. With the use of KPIs, we manage and disclose the progress of those initiatives, while also promoting dialogues with stakeholders in and outside the company, to enhance and accelerate our sustainability efforts.

Material Issues		KPIs	SDGs Targets
Material issues for social value creation			
Reducing environmental impact	Mitigation of climate change	Amount of Group's GHG emissions (Scope 1+2)	13.3
	Contribution through products and technologies	Contribution to reducing GHG emissions throughout the product life cycle (Battery-related materials)	13.3
		Sales revenue of Sumika Sustainable Solutions* designated products	
	Efficient use of energy and resources	Unit energy consumption	7.3
Contribution to the recycling of plastic resources	Number of petrochemical-related technology licenses	9.4	
	Various initiatives are underway, and KPIs are to be determined		
Food issues	Effect of increasing production of animal protein including poultry	2.1	
	Agricultural land area where agro-solution products are used	2.4	
Healthcare	Number of people protected by products for the control of tropical infectious diseases	3.3	
	KPIs are to be determined		
ICT innovation	Number of mobile devices using polarizing films	8.2	
Material issues for future value creation (creating social value and economic value)			
Promotion of technology innovation and research and development	Patent asset size		
Initiatives for digital innovation	Digital maturity		
Promotion of diversity and inclusion	Each group company sets its own KPI in light of the environment facing each		

* Our Group's products and technologies that help to address global warming, reduce environmental impact and promote effective use of resources.

Contributing to Reducing Environmental Impact

Among its sustainability efforts, Sumitomo Chemical focuses on contributing to the reduction of environmental impact in particular. In this section, we introduce our initiatives for mitigating climate change and our contribution through products and technologies.

- ▶ P68: Addressing Climate Change
- ▶ P70: Initiatives Towards Building a Circular System for Plastics

Mitigation of Climate Change

Initiatives Toward Achieving Science Based Targets (SBTs)

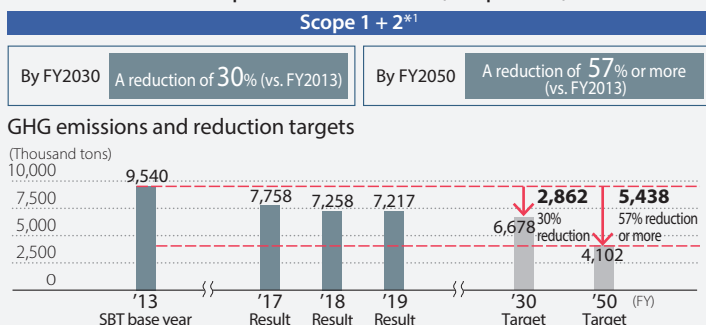
Sumitomo Chemical has identified major risks of climate change problems impacting the Group's businesses. These include a cost increase in the event that countries around the world introduce carbon pricing or raise the price for carbon, as well as damage to its production facilities due to intensified climate disasters caused by a rise in temperature. To address these risks, we are taking various group-wide measures to help mitigate climate change. For example, in October 2018, we at the Sumitomo Chemical Group were certified by the Science

Based Targets (SBT) initiative for our targets for the reduction of greenhouse gas (GHG) emissions, becoming the first diversified chemical company to receive this certification. Toward the achievement of these targets, we have included the Group's Scope 1+2 GHG emissions in our KPIs. We are also working on various initiatives, such as switching to LNG fuel for our plants, employing the latest highly efficient equipment, and cutting back on energy consumption across the board. In addition, in order to reduce Scope 3 emissions, we have launched an engagement effort with our major suppliers to ask them to set their own reduction targets.

Our Sustainability Promotion Committee and Responsible Care Committee oversee these efforts and their progress.

GHG Emission Reduction Targets Certified as SBTs

KPI: Amount of Group's GHG emissions (Scope 1+2)



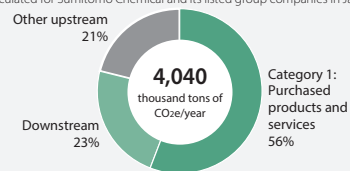
*1 Scope 1: Direct emissions from our production plants, including the use of fuel in the manufacturing process
 Scope 2: Indirect emissions, including the purchase of electricity and heat from outside our production plants

By FY2030 A reduction of 30% (vs. FY2013) | By FY2050 A reduction of 57% or more (vs. FY2013)

By FY2024 Setting GHG emission reduction targets for major suppliers*3

(Reference) Scope 3 GHG emissions (FY2019)

Calculated for Sumitomo Chemical and its listed group companies in Japan.



*2 Scope 3: Emissions from the manufacturing and transportation of purchased raw materials

*3 Major suppliers account for 90% of our purchased raw materials by weight

Initiatives

Contributing to Reducing GHG Emissions by Switching Fuel for Thermal Power Generation—Establishment of Niihama LNG Co., Ltd.

In April 2018, Sumitomo Chemical established Niihama LNG Co., Ltd. with Tokyo Gas Engineering Solutions Corporation, Shikoku Electric Power Co., Inc., Sumitomo Joint Electric Power Co., Ltd., and Shikoku Gas Co., Ltd. Niihama LNG's main business is to supply gas to the premises of our Ehime Works, and to a new liquefied natural gas-based thermal power plant, to be built by Sumitomo Joint Electric Power. Construction is in progress, with the start of operations scheduled for February 2022. By partnering with these companies, Sumitomo Chemical will work to promote and expand the use of natural gas, which can contribute to reducing GHG emissions, while also promoting stable and efficient use of energy.

Supplier Engagement—Briefing Session

In November 2019, we held a briefing session for about 30 major suppliers of ours in Japan to present our initiatives toward achieving our SBTs, and to ask our suppliers to set their own GHG emission reduction targets. Going forward, we will organize follow-up meetings and briefing sessions with our suppliers individually, with the aim of having their reduction targets set by fiscal 2024.



Contributions through Products and Technologies

■ Promotion of Sumika Sustainable Solutions (SSS)

Sumitomo Chemical considers increasing demand for products that contribute to resolving climate change and environmental issues, including the reduction of GHG emissions, as a major business opportunity for the Group presented by the climate change problem. As part of an effort to seize this opportunity, we have been implementing an in-house initiative to designate the Group's products and technologies that contribute to addressing

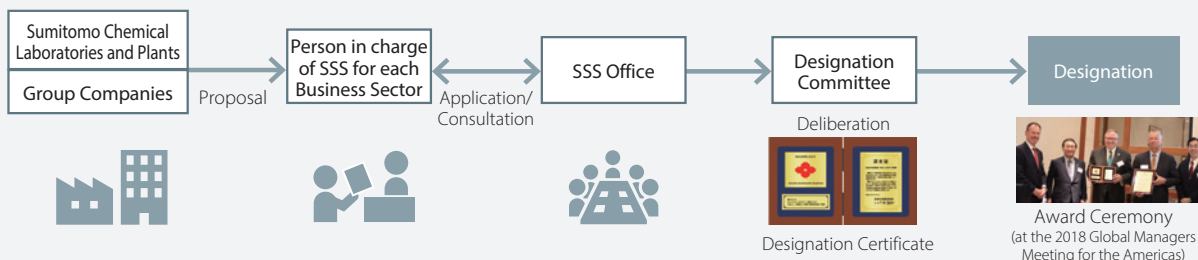
climate change, reducing environmental impact, and effective use of resources, as Sumika Sustainable Solutions (SSS).

We have also set KPIs based on sales revenue from SSS-designated products and the amount they contribute to GHG reduction, and we have been monitoring the progress of our efforts by using those KPIs. In addition, we include contributions to the creation of social value and SSS designation in the selection criteria for our employee commendation system.

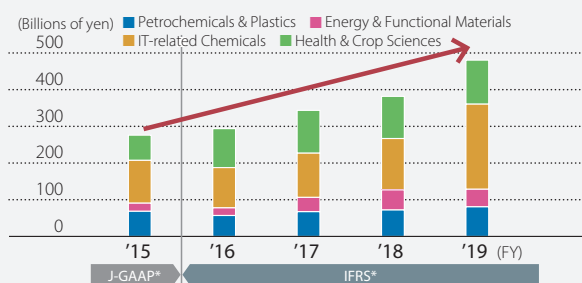
We will continue to work on the development and promotion of SSS-designated products and technologies and contribute to resolving issues to build a sustainable society.

The Process of SSS Designation

Our laboratories, plants and group companies apply for designation for their products and technologies, and the Designation Committee formally makes the designation. A third-party organization has reviewed all cases designated to date and assessed the results of the in-house designation for them as valid.



KPI: Sales Revenue of SSS-designated Products



* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

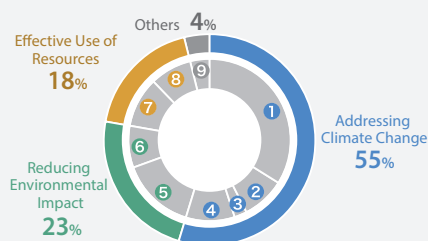
We have designated 54 products and technologies as SSS to date, and aim to increase the sales revenue of SSS products to 560 billion yen by fiscal 2021.

FY2019	(Billions of yen)
Sales revenue of the Sumitomo Chemical Group	2,225.8
Sales revenue of SSS-designated products	479.8

Designation Requirements by Category

Category	Designation Requirements
Addressing Climate Change	① Contributing to reducing GHG emissions
	② Products, components, and materials used for the creation of new energy sources
	③ Using biomass-derived raw materials
	④ Contributing to adapting to the impacts of climate change
Reducing Environmental Impact	⑤ Contributing to reducing waste and toxic substances, and contributing to reducing environmental impact
	⑥ Contributing to reducing environmental impact in food production
Effective Use of Resources	⑦ Contributing to recycling and energy-saving
	⑧ Contributing to the efficient use of water
Others	⑨ Other contributions to building a sustainable society

Designation Requirements by Category/ Actual Environmental Contribution (FY2019)



● Addressing Climate Change

Contributed to reducing **62** million tons of GHG emissions (CO₂ equivalent; a projection for 2020) through the life cycles of the designated products and technologies in this category

● Reducing Environmental Impact

Contributed to reducing the use of organic solvents by **100** thousand tons per year by using the designated products and technologies in this category

● Effective Use of Resources

Contributed to reducing the use of water by **14.2** million tons per year by using the designated products and technologies in this category



Hiroshi Ueda
Director
Executive Vice President

Mr. Megumi Sakuramoto
Chief ESG Analyst,
Responsible Investment Group
Asset Management One Co., Ltd.

Hiroshi Niinuma
Director
Senior Managing Executive Officer

Sumitomo Chemical's Continually Evolving ESG Management

We welcomed Mr. Megumi Sakuramoto, Chief ESG Analyst for Asset Management One Co., Ltd., for a roundtable discussion about the Sumitomo Chemical Group's continually evolving ESG management, and its response to changing times.

Sumitomo Chemical's Way of Thinking about ESG

Niinuma First, I would like to give a brief explanation of Sumitomo Chemical's way of thinking about ESG. We are working to bring about sustainability in accordance with our Basic Principles for Promoting Sustainability, and the basis of these principles is our way of thinking about creating shared value. Part of the Sumitomo Spirit is the idea that "our business must benefit society at large, not just our own interests," or in other words, the idea that Sumitomo's businesses must contribute

to the nation and society while also contributing to its own interests. Moreover, our company was founded in 1913 with the goal of resolving an environmental problem and increasing agricultural production. Our origins as a company are truly founded on creating shared value.

Sakuramoto I really like "our business must benefit society at large, not just our own interests" as part of the Sumitomo Spirit. It really accords with the modern idea of creating shared value. When I have engaged with your employees, I have truly felt that this spirit permeates your company.

Niinuma Thank you very much. I would like to share a few representative accomplishments that show our stance as a company on these issues. The Olyset Nets developed by our company were recommended by the WHO in 2001 as insect repellent mosquito nets that are an effective countermeasure for malaria in Africa. This is a hybrid product, combining petrochemical technology and agrochemical technology, and it has saved many people from losing their lives to malaria. Moreover, we are also working to support education, with a portion of the sales of the nets going to build schools in Africa. In addition, we established a company to produce Olyset Nets in Tanzania, creating employment opportunities for about 7,000 people. In this way, we have created a business cycle that promotes disease prevention, education, and employment, working to resolve issues in society in an integrated way. We have received an extremely positive response to this initiative, including being invited to participate in the United Nations Private Sector Forum in 2016. I feel that this illustrative example, of contributing to preventing the spread of malaria in a major way, is a sign of the progress the Sumitomo Chemical Group has made in ESG.

Sakuramoto That is a good example of how a business created from Sumitomo Chemical's technology can lead to the resolution of issues in society.

Response to the Problem of Climate Change

Sakuramoto I think that Sumitomo Chemical's initiatives in response to climate change are fairly advanced relative to other companies in Japan. You signed on to the TCFD very quickly, and you have been actively spreading the word about the amount that your products and technologies designated as Sumika Sustainable Solutions (SSS), which can contribute to reducing environmental burdens. My honest impression is that this is amazing. Moreover, your active efforts have been extremely well received, such as when you were the first diversified chemical company to obtain recognition from the Science Based Targets (SBT) program for your targets in 2018. I do not think there has been such a proactive company. You have used the technical capabilities cultivated as a diversified chemical manufacturer to seriously face these societal issues. The extent of your sincerity is clear to investors.

Ueda Seeking SBT recognition was something we at the top of the company had been continually discussing and pushing, and we expressed our commitment to reducing Group-wide greenhouse gas emissions by 30% by FY2030, and more than 57% by FY2050, both relative to the levels for FY2013. To be honest, this will be quite technically challenging. These are targets that we will not be able to achieve without being prepared

to comprehensively transform the productivity of our plants, such as updating our boilers to new, highly energy efficient models, for example. Employees are putting forward ideas and working hard to make these big improvements.

Sakuramoto Are your suppliers also collaborating with you on your Scope 3 goals?

Ueda Beginning with the briefing where we announced the targets, we have been in constant contact with our suppliers, offering explanations and having discussions. We feel that they have taken a positive stance, but setting specific reduction targets is still an issue for the future.

Response to the Waste Problem

Sakuramoto With regard to the waste problem, I think you are taking extremely proactive steps. You have participated in the Alliance to End Plastic Waste (AEPW) as a founding member since January 2019. It could be said that taking proactive steps to address the waste problem is a natural extension of your responsible care activities as a chemical company, but there is a great deal of concern for this issue around the world, and I personally think very highly of that initiative, and I am interested in where it goes.

Ueda Thank you very much. I would like to explain a little bit about our response to the plastic waste problem. As part of an effort to "reduce," one of the three Rs of recycling (reduce, reuse, recycle), we have reduced the thickness of food packaging materials, for products such as food sold in retort pouches. This means that we can reduce the amount of plastic used. As for "reuse," we have increased the number of products aimed at reusable applications, such as using plastic boxes (returnable box) in place of cardboard boxes. Finally, for "recycle," I think that chemical recycling is very important. This means using chemical reactions to convert waste into basic raw materials, and using catalyst technology to recycle things without using energy. As part of this effort, we are collaborating with Sekisui Chemical to develop technology to convert municipal waste to natural gas, and then convert that to ethanol, and use that to manufacture polyolefins. We are also working with the Muroran Institute of Technology to develop technology to chemically break down waste plastics and reuse it as a raw material for petrochemical products. By promoting chemical recycling, we can reduce both the amount of petroleum resources we use and the amount of waste plastic we generate, and we hope to contribute to the creation of a sustainable society thereby. We would like to communicate that these activities are grounded in technologies developed in Japan.

Sakuramoto It sounds like you are undertaking a wide range of activities. I think that your collaborations with the outside parties you mentioned are extremely valuable initiatives. I



think it is wonderful to use open innovation to build win-win relationships.

Initiatives to Integrate Management and Sustainability Promotion

Niinuma In our sustainability promotion, we feel that systems and intentions are very important. For systems, we expanded the existing CSR Promotion Committee in April 2018 to create the Sustainability Promotion Committee. Then in March of 2019, we defined seven material issues for management to focus on. As part of the process of making that definition, we held a number of management meetings with tumultuous discussions. At the end of that, we felt that, while the definitions we had come up with were certainly not perfect, we had better just take the decisions and start promoting sustainability initiatives, so we announced the material issues, and we have now reached the point of setting KPIs for those issues.

Sakuramoto I think that Sumitomo Chemical's systems for promoting sustainability have become easier for those of us on the outside to understand as well. I think that the seven material issues you defined were extremely well prepared. A number of companies have identified so many issues as important that investors often do not know which ones actually matter, so I think narrowing the issues down to seven is very good. Moreover, you have linked the material issues with your businesses, and I also appreciate your stance of generating future cash flow. I would like to say, though, that going forward, I hope that you will make your disclosures of KPIs more complete, and aim for information disclosure that more clearly conveys an understanding of your management and your awareness of the PDCA cycle.

Niinuma On the disclosure front, we would like to improve things. Next, to touch on intentions, we place a particularly high value on employee participation. In 2016, we created the

Going forward, I hope that you will make your disclosures of KPIs more complete, and aim for information disclosure that more clearly conveys an understanding of your management and your awareness of the PDCA cycle.

—— Mr. Megumi Sakuramoto

Sustainable Tree website. It is a site where individual employees can submit messages about how they want to contribute to our Group's sustainability efforts, and how they want to contribute to the world more generally. In 2019, we had about 12,000 submissions, which I feel shows that our various Group employees are beginning to view the promotion of sustainability as a personal issue.

Sakuramoto I understand that the motivation of your employees is extremely high. I look forward to seeing this attitude embed itself even more deeply within the Group as a whole.

Future Issues and Expectations

Sakuramoto Going forward, what I am looking forward to from Sumitomo Chemical is a presentation on your long-term vision. I think it is very difficult to give a long-term vision by forecasting technologies and needs more than ten years in the future. I would, however, very much like to see you put forward a long-term vision, and take on the challenge of working backwards from that vision to lay out some management strategies and ESG policies.

Ueda As you say, we have not clearly laid out our long-term vision. Under our current Corporate Business Plan, we are analyzing trends on the technology front, but we are not yet at a point where we can envision the situation ten or twenty years in the future and lay out a direction for the company in a format that we can show to the public. I think this is an issue we will be discussing more going forward.

Sakuramoto Please do. I would also like to raise two more issues facing Sumitomo Chemical. The first is that evaluations of ESG initiatives are not being reflected in executive officers' compensation. This has a high possibility of limiting executive officers' involvement in ESG, which has no immediate effectiveness in terms of improving corporate value. As part of your implementation of the idea of creating shared value

(CSV), measures of this initiative are reflected in compensation for senior management*, but I think that expanding this to a broader range of executive officers would have the effect of improving corporate value over the long term.

* Senior management means Executive Officers above Senior Managing Executive Officer, and Managing Executive Officers who are immediately under the President, supervising certain functions.

Niinuma Actually, it is included as an element in compensation for Executive Officers outside of senior management. As you point out, however, we have not disclosed this outside the company, so that is another area where I think we have some work to do.

Sakuramoto Thank you for saying that. This is something investors will also want to hear, so I hope you will convey this to outside parties in a way that is easy to understand. The other issue is the promotion of diversity within the Board of Directors. From the perspective of improving corporate value over the medium- to long-term, it is of course important for members of the board to be qualified, but I hope you will promote diversity in the Board of Directors as much as possible. Currently, there is only one female director, so I think it may be difficult to make progress with diversity as things are.

Niinuma It is as you say. We have identified this as an important issue, and set it as a KPI, so we will be working on it diligently. We are planning to develop talent from within, expanding the pool of candidates, including by increasing the number of female heads of departments and offices, and thereby increase the effectiveness of our efforts.

Sakuramoto While there are relatively few women due to the characteristics of chemistry as an industry, I think it is important to develop talent within the company.

Ueda I would like to thank you very deeply for your valuable insights today. I think we were able to have an extremely good discussion about our efforts. Going forward, we would like to continue to work on initiatives that incorporate the insights you have given us today, and work to ensure our disclosure of information is more complete.

Sakuramoto I look forward to seeing the spirit of “our business must benefit society at large, not just our own interests” continue to be thoroughly embraced and upheld at Sumitomo Chemical. Thank you for meeting with me today.



We will take on the challenge of chemical recycling, and contribute to building a sustainable society.

—— Hiroshi Ueda

It is important for each Group employee to view the promotion of sustainability as a personal issue.

—— Hiroshi Niinuma



Profile

Mr. Megumi Sakuramoto

Chief ESG Analyst,
Responsible Investment Group
Asset Management One Co., Ltd.

After working for Pacific Consultants International, Megumi Sakuramoto joined Yasuda Trust Bank (currently Mizuho Trust & Banking) in March 1990. He undertook operations work as a fund manager and analyst in the Pension Operations Department. Starting in October 2013, he worked as a corporate investigator as part of the Mizuho Pensions Research Institute until taking up his present job in October 2016. He has been a part of investigative committees for the Ministry of the Environment, including for such topics as environmental information and corporate value and evaluating environmentally sustainable corporations, as well as a member of a working group setting up a business to create a platform for disclosing environmental information. He primarily prepares reports such as *Promoting ESG through Engagement* (Securities Analysts Journal, January 2018). He is a member of the Certified and Accredited Meteorologists of Japan.

Change and Innovation 3.0: For a Sustainable Future

The Corporate Business Plan (2019-2021) started in 2019 adopts “Change and Innovation 3.0: For a Sustainable Future” as a slogan. The message implicated here is that, in view of the coming Society 5.0 (ultra-smart society), we should accelerate innovation by increasing productivity exponentially through digital innovation, and contribute to creating a sustainable society by solving issues facing society.

It was fiscal 2013 when we adopted “Change and Innovation,” for the first time as the slogan for the Corporate Business Plan. In the past six years, we have steadily moved forward, enhancing our financial strength in phase 1 and further improving our business portfolio in phase 2. For the new Corporate Business Plan, which is now phase 3, we have set six basic policies, including accelerate the development of next-generation businesses and improve productivity through digital innovation.

With regard to accelerate the development of next-generation businesses, we have set out four focus areas: healthcare, reducing environmental impact, food, and ICT. Through collaboration with partners, such as start-up companies and academia, we aim not only to speed up the development and industrial implementation of new technologies, but also to create continuing innovation, including evaluating and implementing systems and organizations to investigate new research areas and commercialize them.

With regard to improve productivity through digital transformation, we are setting up large-scale databases, especially those tied to productivity technology and to R&D, and we are promoting high-level data use with analytics technologies. In this way, we aim to dramatically improve productivity and stabilize quality and operations at manufacturing sites. In R&D, we will accelerate innovation, such as shortening material search and design periods through broader application of materials informatics (MI), as well as creating new insights that cannot be drawn from empirical development alone.

With regard to further improving our business portfolio and build a more robust financial structure, we will make sure to collect cash flows from the capital investments and loans that we have made. We will also enhance our financial strength by rationalizing and improving the cash conversion cycle (CCC).

With regard to employing, developing, and leveraging human resources for sustainable growth and ensuring full and strict compliance and maintaining safe and stable operations, we will continue to strengthen these initiatives because they serve as a source of strength for sustainably continuing our businesses and for achieving further growth.

We will work on these initiatives in the Corporate Business Plan, and achieve sustained growth for Sumitomo Chemical and build a sustainable society by creating both economic and social value.

FY2019-FY2021

For a Sustainable Future

Contributing to the Creation of
a Sustainable Society by Accelerating Innovation

Basic Policy

Accelerate the Development of Next-generation Businesses > P36

Improve Productivity through Digital Innovation > P66

Further Improve Business Portfolio

Build a More Robust Financial Structure > P22

Employ, Develop and Leverage Human Resources for Sustainable Growth

Ensure Full and Strict Compliance and Maintain Safe and Stable Operations

Progress in Fiscal 2019

Petrochemicals & Plastics	<ul style="list-style-type: none"> Rabigh phase II plant started commercial operations. New catalyst plant at Chiba Works started operations. 	> P42
Energy & Functional Materials	<ul style="list-style-type: none"> Tanaka Chemical Corporation concluded an agreement with a European battery manufacturer for sales and manufacturing technology support for cathode material precursor. 	> P46
IT-related Chemicals	<ul style="list-style-type: none"> New plant for photoresists was constructed. Made SANRITZ CORPORATION, a polarizing film manufacturer, into a subsidiary. 	> P50
Health & Crop Sciences	<ul style="list-style-type: none"> Decided to acquire four South American subsidiaries of Nufarm. Merger of two subsidiaries in India was completed. 	> P54
Pharmaceuticals	<ul style="list-style-type: none"> Concluded strategic alliance with Roivant. Progress in development of SEP-363856, a promising next-generation antipsychotic agent. 	> P58
New Businesses and R&D	<ul style="list-style-type: none"> Expanded alliances with startups. Built R&D system for chemical recycling. 	> P36, 64, 71

	(Billions of yen)			FY2019	FY2021 Target*	Targets Consistently achieve the following targets
	FY2019	FY2021 Target*				
Sales revenue	2,225.8	2,950.0	ROE (%)	3.2	12.5	Over 10%
Core operating income	132.7	280.0	ROI (%)	2.4	7.1	Over 7%
Net income attributable to owners of the parent	30.9	150.0	D/E ratio (times)	0.9	0.7	Approx. 0.7 times
Naphtha price (yen/KL)	43,000	51,000	Dividend payout ratio (%)	89.9	—	Approx. 30%
Exchange rate (yen/US\$)	108.70	110.00				

* Prolonged US-China trade friction caused a downturn in petrochemical product prices. Up-front payment of R&D expenses as part of the strategic alliance in the Pharmaceuticals sector also resulted in a lower performance level. It will be difficult to achieve our targets during fiscal 2021. With the following growth drivers, however, we aim to attain our targets in fiscal 2024.


Growth Drivers for Future Sustainable Growth:

- Expansion of agrochemical business, mainly in South America and India.
- Expanding sales of new pharmaceutical products, including those obtained from Roivant through the strategic alliance.
- Expanding sales of new high-functionality products in IT-related Chemicals and Energy & Functional Materials.

Accelerating the Development of Next-generation Businesses


Despite increasing uncertainty over the business environment surrounding Sumitomo Chemical, the chemical industry has a large role to play in addressing social issues including environment, energy, and food issues, and business opportunities for the Company are also expanding. The Corporate Business Plan started in fiscal 2019 set four priority areas: healthcare, reducing environmental impact, food, and ICT. We will work in these areas to resolve issues to create a sustainable society through our business. In these key areas, we will focus on accelerating the development of next-generation businesses.

Focus Domains in the Four Priority Areas




Healthcare

Focus Domains	Major Projects
Advanced medical care	Nucleic acid medicine
	Cell therapy
	Theranostics
	Frontier businesses (Healthcare solutions not limited to pharmaceuticals)
Preventive care solutions	Nutraceuticals (functional food)
Early diagnosis and health examination	Physical condition visualization sensor




Reducing Environmental Impact

Focus Domains	Major Projects
Energy storage	Next-generation battery storage materials
Energy saving	Separation membrane
	Waste water processing
Carbon cycle	Development of low environmental impact bioprocesses based on Synthetic Biology
	Carbon Capture and Utilization (CCU)-related business



Food

Focus Domains	Major Projects
Precision agriculture	Precision agriculture, including data collection, analysis and prediction
Food sensing	On-site food inspection
Breeding	Breeding using genome editing technology

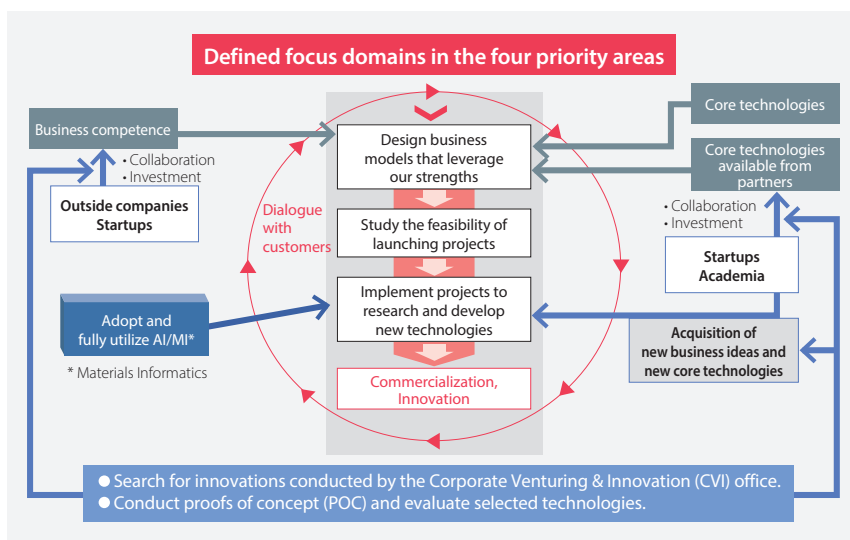


ICT

Focus Domains	Major Projects
Super-smart society	OLED display materials
	Flexible display materials and components
	Next-generation semiconductor-related materials
Smart mobility	Materials and devices for 5G telecommunications
	Image sensor materials

Innovation Ecosystem

In order to ensure that R&D and business development in the four priority areas lead to the development of next-generation businesses, we are constructing an innovation ecosystem (a system that creates continuous innovation).



■ Designing Business Models That Leverage Sumitomo Chemical's Strengths

We established focus areas for our efforts based on the four priority areas, and then distinguished between core technologies we own and those we don't own so that we can design business models that leverage our strengths in each of the focus areas.

■ Obtaining Technologies Available from Partners

We will obtain technologies we need to have through collaboration with startups and academia, and supplement gaps in our business competencies through partnerships with, or investments in, external companies and startups.

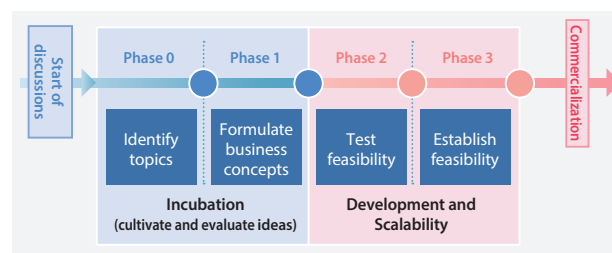
We are contacting startups and academic institutions, and have expanded our activities by setting up three CVI offices to search for promising technologies: Cambridge, in the UK, and San Francisco and Boston in the U.S. We are also enhancing our ability to conduct proofs of concept to evaluate the competitiveness of our competitors' technologies by validating the effectiveness and feasibility of technologies CVI has found. As a result, our alliances with startups resulted in the commercialization of a next-generation stevia sweetener by SweeGen, and investment in Conagen, which is developing materials and processes with the use of synthetic biology.

Active alliances with academic institutions are also being promoted, and we have started joint research with Kyoto University on solid-type batteries.

■ Full Implementation of Stage-gate Management System

In discussions of potential research topics, a stage-gate management system has been fully implemented from fiscal 2019 and has begun operation. In this system, research topics

are divided into four phases from conception of ideas to commercialization.



Phases 0 and 1, the initial phases, are called "Incubation," and Phases 2 and 3, the advanced research phases, are called "Development and Scalability." Research topics at the stage of in-house brainstorming are actively incorporated into phase 0. Meanwhile, the requirements to pass the gate of each phase have been clarified. Pass or fail decisions are made based on in-depth consultation with business sectors as well as research sectors.

It has been our practice that researchers discuss research topics with relevant in-house sectors, external partners, and customers to fully communicate with each other. In addition to this, we expect that active discussion from the incubation stage concerning the strategies for commercialization will accelerate the topic-selection process and generate promising and high-quality projects.

We are thoroughly utilizing digital technologies such as artificial intelligence (AI) and materials informatics (MI) to accelerate development, on top of the above-mentioned initiatives. Furthermore, we aim to generate continuous innovation as we incorporate new ideas and technologies that have come up during the development of research topics or in dialogue with partners.

Taking on Challenges without Limits Will Change the Future

At the end of 1915, when Sumitomo Chemical began manufacturing fertilizer, the company only had about 160 employees. Since then, five business sectors have been born from the wide range of technologies we have developed over many years, as we grew into a diversified chemical manufacturer with about 30,000 employees. The following pages introduce each business sector's initiatives.

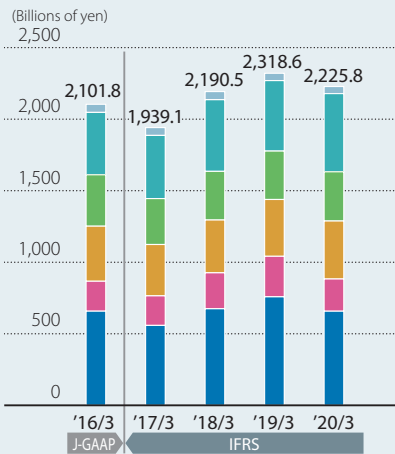
- 40 Each Sector Situation
- 42 Petrochemicals & Plastics
- 46 Energy & Functional Materials
- 50 IT-related Chemicals
- 54 Health & Crop Sciences
- 58 Pharmaceuticals





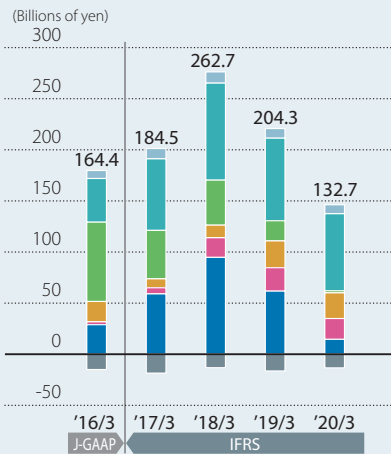
J-GAAP*1 Net Sales by Business Sector
IFRS*1 Sales Revenue by Business Sector

■ Petrochemicals & Plastics
 ■ Energy & Functional Materials
 ■ IT-related Chemicals ■ Health & Crop Sciences
 ■ Pharmaceuticals ■ Others



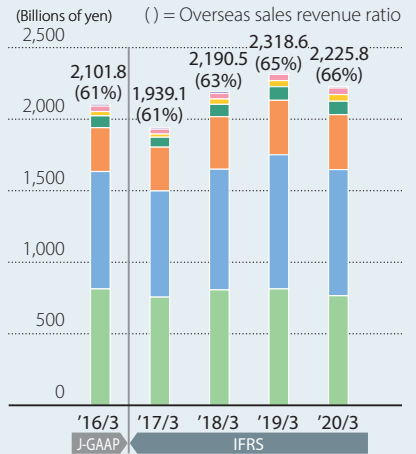
J-GAAP Operating Income by Business Sector
IFRS Core Operating Income by Business Sector*2

■ Petrochemicals & Plastics
 ■ Energy & Functional Materials
 ■ IT-related Chemicals ■ Health & Crop Sciences
 ■ Pharmaceuticals ■ Others ■ Elimination



J-GAAP Net Sales by Region
IFRS Sales Revenue by Region

■ Japan ■ Asia ■ North America ■ Europe
 ■ Middle East and Africa
 ■ Central and South America
 ■ Oceania and Others



Change in Business Sector Classification Methods

To further strengthen the Energy & Functional Materials business, as of April 1, 2016, battery materials and engineering plastics that had been included in the IT-related Chemicals Sector were transferred to the Energy & Functional Materials Sector. For comparison, the figures for fiscal 2015 have been adjusted to reflect the organizational revision as of April 1, 2016, except for return on assets in the Energy & Functional Materials Sector, and the IT-related Chemicals Sector.

*1 J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

*2 Figures on top of each bar in the graph include eliminations.

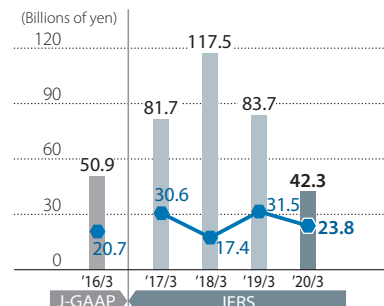
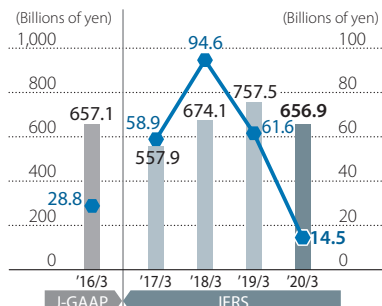
Each Sector Situation

J-GAAP* ■ Net Sales (left axis) ● Operating Income (right axis)
IFRS* ■ Sales Revenue (left axis) ● Core Operating Income (right axis)
J-GAAP ■ Operating Income before Depreciation ● Capital Expenditures
IFRS ■ Core Operating Income before Depreciation ● Capital Expenditures

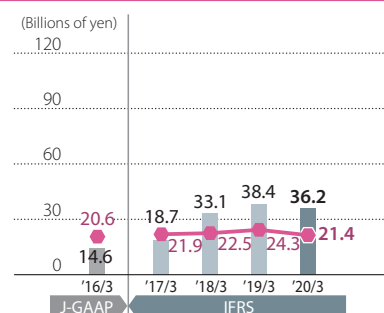
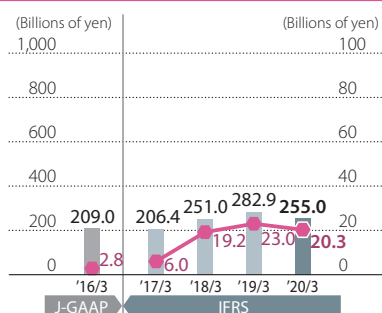
* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards



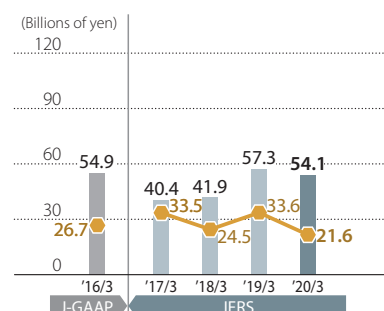
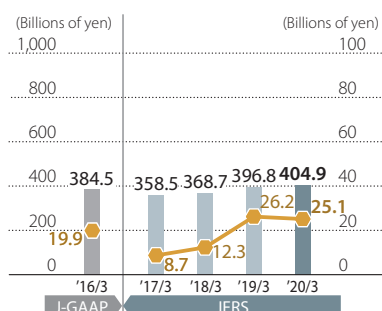
Petrochemicals & Plastics



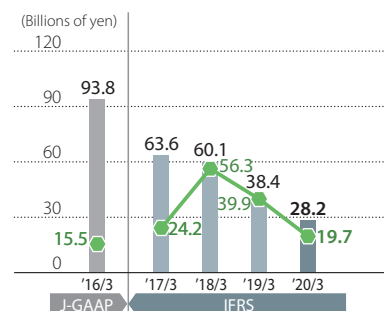
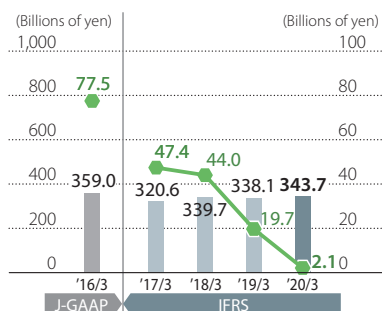
Energy & Functional Materials



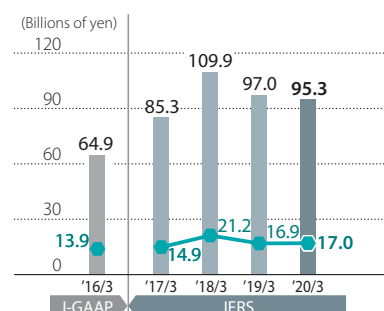
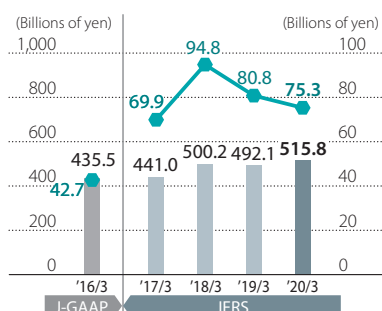
IT-related Chemicals



Health & Crop Sciences



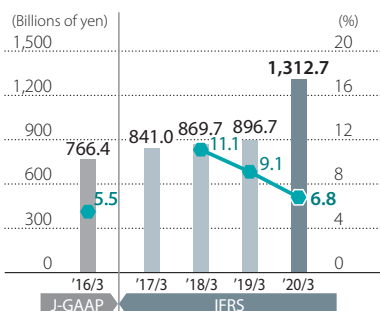
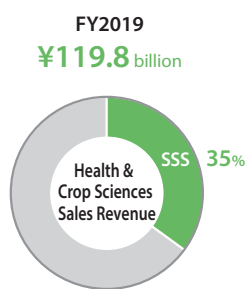
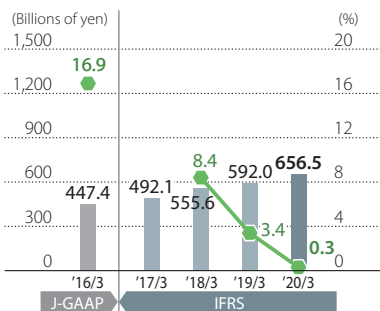
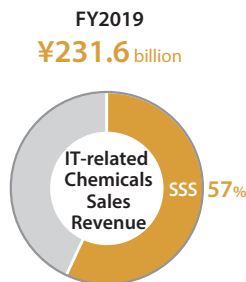
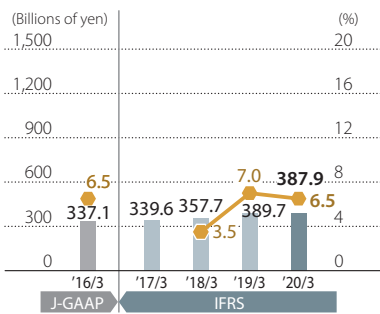
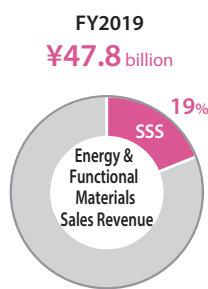
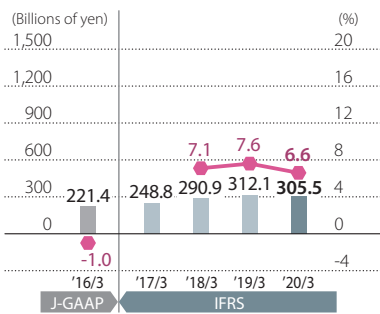
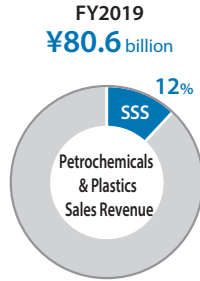
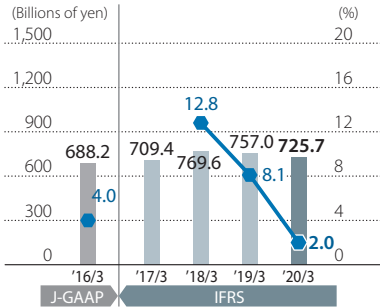
Pharmaceuticals



■ Total Assets (left axis)
● ROA (right axis)

Sales Revenue of Products Designated as Sumika Sustainable Solutions/
Sales Revenue of SSS-designated Products to Sales Revenue

Primary Focus SDGs



Sumitomo Dainippon Pharma

https://www.ds-pharma.com/csr/management/sdgs_efforts.html



Nihon Medi-Physics





Petrochemicals & Plastics

Provide Customers with New Solutions Based on High Value-added Products

竹下 実昭

Noriaki Takeshita
Representative Director &
Senior Managing Executive Officer



Business Activities

Sumitomo Chemical's Petrochemicals & Plastics Sector manufactures such products as polyethylene (PE), polypropylene (PP), and methyl methacrylate (MMA) using the various strengths of its manufacturing locations in Japan, Singapore, and Saudi Arabia, and offers them to a wide variety of industries, including automobiles, electric appliances, and food products.

Core Competence

We are developing high value-added products in anticipation of customer needs, and we also provide a stable supply of high-quality products at our locations in Japan and Singapore. Our relationships of trust with core customers in the Asian market, cultivated over many years, are also a major strength of Sumitomo Chemical. In Saudi Arabia, we are manufacturing cost-competitive products, taking advantage of the low prices of raw materials and fuel in that region.

Basic Strategy

Currently, we are working to enhance our ability to offer solutions through high value-added products in Japan and Singapore and to achieve stable plant operations in Saudi Arabia.

Initiatives in Fiscal 2019

The Phase 2 plant in Rabigh, Saudi Arabia, started commercial operations. Meanwhile, we promoted our licensing business, including our business supplying catalysts, by expanding catalyst production capacity at Chiba Works, and concluding a license agreement with an Indian state-owned petroleum company for our propylene oxide manufacturing technology.

Issues in the Future

Continuing stable operations at the plant in Rabigh, Saudi Arabia, including in the phase 2 section, remains an important challenge for us. We are developing high value-added uses of polyolefin in Japan and Singapore, and strengthening our license business. Furthermore, we are working on R&D on carbon cycle chemistry, including chemical recycling, for a sustainable society.

Long-term Vision

Going forward, Sumitomo Chemical will not only continue to enhance our strengths in these three locations, but will also aim to consistently achieve a return on assets in excess of our cost of capital by working to streamline assets, including working capital.

Corporate Business Plan for FY2019-FY2021

Action Plan	Major Issues	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target		
		FY2019	In Comparison to FY2018	
<ul style="list-style-type: none"> Strengthen domestic business Expand capacity and enhance profitability of Singapore business Maintain stable operations at PRC phase I and make PRC phase II into a business that constantly contributes to the sector's performance Strengthen technology licensing business 	<ul style="list-style-type: none"> Restructuring of underperforming businesses R&D into carbon cycle chemistry, including carbon capture and utilization technologies, to create a sustainable society 	(Billions of yen)		
		656.9	-100.6	910.0
		14.5	-47.1	49.0
		80.6	+8.6	88.0

* Sumika Sustainable Solutions

SWOT Analyses of the Major Businesses

- 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



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

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

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

Product Introduction

■ Polyolefin Business [Polyethylene, Polypropylene]

Polyethylene	This synthetic resin is flexible and highly water- and chemical-resistant, while also being easy to process. It is widely used in packaging materials, including plastic wrap and food-safe tube products, and films in applications such as wire coatings and greenhouses.
Polypropylene	This synthetic resin has many superior properties including light weight, great workability, durability, heat resistance, and chemical resistance. It is widely used in applications such as automobile bumpers, instrument panels, food trays, and home appliances.



Products made using polyethylene

■ Methyl Methacrylate (MMA) Business [MMA Monomer, MMA Polymer, MMA Sheets]

MMA polymer	We manufacture and market MMA polymer with superb transparency and weather resistance. It is a superb material for a variety of uses, including optical components such as light guide plates for LED TVs, automotive components, showcases, and outdoor advertisements.
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A large aquarium tank made using MMA

Market Environment and Strategy for Major Businesses

■ Polyolefin Business

Sumitomo Chemical has production sites for polyethylene (PE) and polypropylene (PP) in Japan, Singapore, and Saudi Arabia. Its global production capacity for PE is 1.66 million tons/year, and for PP, 1.68 million tons/year. Global demand is estimated to be about 100 million tons/year for PE, and 70 million tons/year for PP. For both PE and PP, growth at an annual rate of 4% is expected. We aim to further boost profitability in our PE business by expanding sales in high value-added uses, including protective film for liquid crystal displays and water-resistant laminate for paper. We are enhancing our PP business for high value-added uses, including PP compounds for automotive components, electronic components, and film materials for food packaging.

■ MMA Business

Global demand for MMA monomer is estimated to be about 3.7 million tons/year, growing at an annual rate of 3 to 4%.

Sumitomo Chemical, as a leading Asian manufacturer of MMA, is continuing to strengthen the competitiveness of its entire MMA product chain ranging from monomer and polymer to the sheet business.

■ License Business

Sumitomo Chemical focuses on licensing out the manufacturing methods and technologies that it has cultivated to date in its own plants in Japan and at overseas affiliates. In addition to PP and propylene oxide (PO), the company's product lineup includes a process for the oxidation of hydrochloric acid, which can dramatically save energy and recycle byproducts into raw materials, and a process for producing caprolactam, which does not produce ammonium sulfate as a byproduct. The Company aims to secure stable profit on an ongoing basis by selling catalysts along with licenses.

Value Creation Model: Rabigh Project

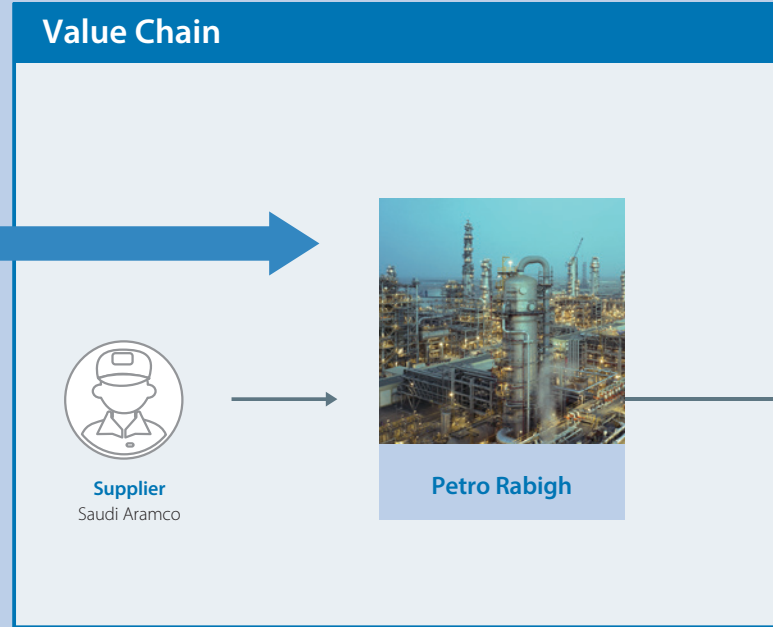
System for Providing Added Value

Major Management Resources (Input)

Natural Capital	Cost-competitive ethane from Saudi Aramco
Social and Relationship Capital	Good relations with the Saudi Arabian government built over many years
Human Capital	The operational skills of local staff have improved in recent years
Manufacturing Capital	A world-scale integrated oil refinery and petrochemical complex



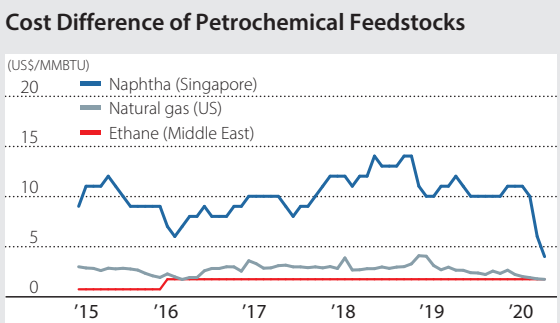
Operations at Petro Rabigh



Competitive Advantages of Rabigh Project

Competitive Conditions in the Market
 Because the field of petrochemical products is extremely broad, connected with the necessities of life – food, clothing, and shelter – the market is incredibly vast, with massive numbers of players. Petro Rabigh’s ethylene production capacity is 1.6 million tons per year.

Competitive Advantages
 Among a large number of players, Petro Rabigh has outstanding cost competitiveness compared to other companies using naphtha as a feedstock by sourcing cost-competitive ethane from Saudi Aramco for its major feedstock. In addition, because it is a world-scale integrated complex, the company has a low unit cost as another competitive advantage.



Major Processes Generating Competitive Advantages

Production: Petro Rabigh produces products such as PP, PE, and PO, using technology licenses from Sumitomo Chemical, which boasts world-class technology. Moreover, the local staff’s operational technique is improving dramatically by receiving training at overseas facilities, particularly in Singapore.

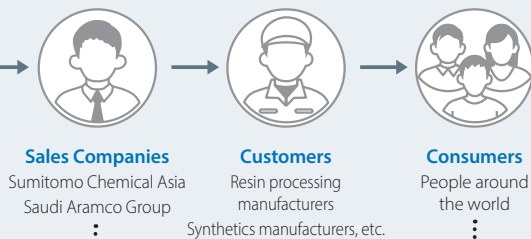
Sales: Sumitomo Chemical Asia has taken on the role of supplying products produced by Petro Rabigh in Saudi Arabia to countries across Asia. The company has shortened delivery times and reduced logistics costs by establishing stocking points throughout Asia.

Earnings Structure and Role in Driving Income

The margins for petrochemical products change depending on the supply and demand balance for each of the various products. On the other hand, because the prices for ethane feedstock are fixed, margins for petrochemical products produced at Petro Rabigh expand when product prices increase, compared with companies that use naphtha as a feedstock. In order to increase the profitability of Petro Rabigh, the company is endeavoring to continue safe and stable operations. In addition, the Phase II plant has begun production of all its products, and we are working to achieve stable operations, with the aim of contributing to earnings as soon as possible.

Added Value Provided to Society

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



Customer and Consumer Needs

There are cases when customers in regions in Asia and the Middle East have to maintain a significant amount of inventory because there is a risk of difficulty in procuring petrochemical products due to unstable logistic arrangements in this region. Moreover, in cases when customers switch suppliers, it is a burden on customers to adjust the products' processing methods used in customer factories. For these reasons, customers demand accurate and stable product deliveries.

Providing Customer Value

Sumitomo Chemical Asia, which sells products from Petro Rabigh, offers more reliable product deliveries than the competition, as well as short delivery times, because it has warehouses in locations near its customers. This means it is able to provide a stable supply, and to earn a high degree of trust from customers. 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.



Creating Value through Business

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

Sumitomo Chemical has raised "contribution to reducing environmental impact" as one of the material issues to be addressed as management priorities. Petro Rabigh uses the propylene oxide-only (PO-only) process for manufacturing PO. This technology does not create byproducts, and is an innovative ecofriendly process that has enabled effective use of heat and limited wastewater creation. Compared with the conventional process, the PO-only process reduces CO₂ emissions by 300 thousand tons/year for annual PO production (200 thousand tons/year). We use energy and resources efficiently throughout the plant with this type of cutting-edge technology, and thereby contribute to reducing environmental impact.



Energy & Functional Materials

Contribute to Solving Environmental and Energy Issues through Research and Development with a Long-term Perspective and the Resulting Innovative Technologies

赤堀金吾

Kingo Akahori
Representative Director &
Managing Executive Officer



Business Activities

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 electric vehicles.

Core Competence

A major core competency of this sector is its global business development capability, as shown by products where we hold the top global market share, such as high-purity alumina and resorcinol, and also by our separators for lithium-ion secondary batteries, which offer world-class heat resistance. The above products are also the results of our other core competencies: our research and development capabilities as well as our evaluation, manufacturing, and process technologies.

Basic Strategy

This sector's medium-term strategy is to continue to expend every effort in investing its management resources specifically in those fields in which Sumitomo Chemical can offer comparative advantages technologically, and where growth can be expected in those businesses. At the same time, we are working to restructure businesses that have become unprofitable.

Initiatives in Fiscal 2019

In fiscal 2019, sales of resorcinol were solid. In the area of cathode materials for lithium-ion secondary batteries for vehicle use, where growth is expected, Tanaka Chemical Corporation, our subsidiary, concluded an agreement with a European battery manufacturer to sell and support the technology to manufacture precursors for cathode materials.

Issues in the Future

For separators and cathode materials for battery components, we are accelerating development in order to commercialize next-generation secondary batteries, in addition to strengthening competitiveness with technological development. For super engineering plastics, we are promoting development of 5G substrates and automotive component applications to expand sales. We are thoroughly pursuing business opportunities, including M&A, from a mid- to long-term perspective to increase our presence, particularly in these growth areas. We will secure and enhance stable profitability by improving our sales portfolios and thoroughly rationalizing production costs.

Long-term Vision

Our aim is to contribute to solving global environmental and energy issues through research and development with a long-term perspective and the resulting innovative technologies.

Corporate Business Plan for FY2019-FY2021

Action Plan	Major Issues	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target		
		FY2019	In Comparison to FY2018	
<ul style="list-style-type: none"> Expand sales of core products (battery materials, super engineering plastics, etc.), accelerate R&D Shift to high value-added products Improve profitability in underperforming businesses and products 	<ul style="list-style-type: none"> Create new businesses in the fields of environment and energy and high-performance materials 	(Billions of yen)		
		255.0	-27.8	390.0
		20.3	-2.6	31.0
		47.8	-6.9	95.0

* Sumika Sustainable Solutions

SWOT Analyses of the Major Businesses

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



- Relatively small business
- Cost competitiveness

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

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

Product Introduction

■ Advanced Polymers Business [Liquid Crystal Polymer (LCP) and Polyether Sulfone (PES)]

LCP	LCP is a super engineering plastic, which features excellent heat resistance, fluidity, and dimensional stability, and which is mainly used in electronic components, such as connectors.
PES	PES is a super engineering plastic, which features excellent heat resistance, creep resistance, dimensional stability, flame retardance, and water resistance, and which is used in applications such as carbon fiber composite materials in aircraft.



Super engineering plastics

■ Specialty Chemical Business [Resorcinol, High Polymer Additives, Dyes, and Emulsions]

Resorcinol	Resorcinol is a raw material for adhesives for tires and ultraviolet absorbers, which Sumitomo Chemical supplies all over the world.
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Resorcinol

■ Inorganic Materials Business [High Purity Alumina, Low Soda Alumina, Aluminum Hydroxide, and High Purity Aluminum]

High Purity Alumina	Sumitomo Chemical's high purity alumina has a purity of 99.99% or more, and is used in lithium-ion secondary battery components.
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Alumina products

■ Battery Materials Business [Separators and Cathode Materials]

Separators	Separators are safety components, isolating the positive and negative electrodes of batteries and ensuring ion conductivity between the electrodes by preserving the electrolyte and preventing short circuits.
Cathode Materials	Cathode materials are used in functional components, releasing and accepting lithium ions when batteries are charged or discharged, and they are manufactured and marketed mainly by our subsidiary, Tanaka Chemical Corporation.



Pervio® separators for lithium-ion secondary batteries

Market Environment and Strategy for Major Businesses

■ Advanced Polymers Business

LCP and PES share common features including heat resistance, fluidity, and flame retardance, and demand for both is expanding because they are expected to reduce the weights of products in downstream applications and reduce processing costs. New uses have been cultivated for LCP, such as a 5G substrate, taking advantage of the superior electrical properties of LCP. For PES, new uses are envisaged in automotive components.

■ Battery Materials Business

Our separators have been highly regarded by battery manufacturers for their outstanding heat resistance, reliability and safety, and they are particularly suitable for high-capacity batteries. As such, demand is growing for eco-friendly cars, such as electric vehicles, and the production capacity of a plant in South Korea, set up in autumn 2016, has been expanded in a phased manner. For cathode materials, we are targeting eco-friendly cars, and are developing new products with high capacity and low electric resistance while also expanding our production capacity.

Value Creation Model: Separators

System for Providing Added Value

Major Management Resources (Input)

Intellectual Capital	Sumitomo Chemical holds a basic patent for the aramid coating process. With this patent, we are able to provide added value to customers that is unlike that of ceramic separators from other companies.
Human Capital	Sumitomo Chemical has operators with advanced techniques and experience to produce high quality products. We are focusing on technical guidance from veteran to novice operators so as to pass on the techniques.

Value Chain

The Value Chain diagram illustrates the flow of raw materials and the production process. It starts with **Suppliers**, represented by an icon of a worker in a hard hat, who are raw material manufacturers for base film and aramid resin. An arrow points from the suppliers to **Sumitomo Chemical Ohe Works**, which is shown as a large industrial facility. Another arrow points from the Ohe Works to **SSLM Co., Ltd.**, which is shown as a tall industrial structure. A large pink arrow from the Major Management Resources section also points towards the Ohe Works, indicating the contribution of internal resources to the value chain.

Sumitomo Chemical's Competitive Advantages

- Competitive Conditions in the Market**
 The use of coated separators has become mainstream for automotive lithium-ion secondary batteries. In addition to Sumitomo Chemical's aramid separators, coated separators also include ceramic separators, and the majority of the several dozen separator manufacturers around the world manufacture ceramic separators. However, there are only a limited number of manufacturers capable of producing separators used for high capacity automotive batteries like ours.
- Competitive Advantages**
 Since our aramid separator is superior to ceramic separators in safety (heat resistance) and can reduce the overall weight of an electric vehicle by a couple of kilograms, it is highly regarded by customers.
- Initiatives to Enhance Competitive Advantages**
 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. In addition, we are working on development to improve the performance of the separators by using the optimal composition of aramid resin.

Major Processes Generating Competitive Advantages

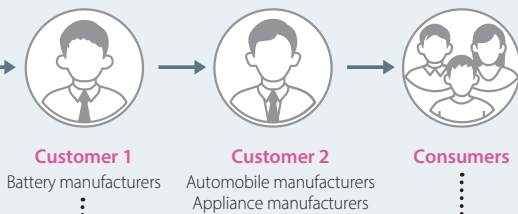
Production: Sumitomo Chemical is not only conducting research and development of separators but also working on improving productivity. We are capable of applying a uniform aramid coating with industry-leading speed, while maintaining high quality. Productivity at the plant of SSLM in South Korea has 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.

Earnings Structure and Role in Driving Income

With the spread of eco-friendly vehicles, the separator market is also expanding. Sumitomo Chemical aims to expand sales through increased demand from existing customers as well as reaching out to new customers. In addition, we are considering increasing the production capacity of our in-house base film, which offers outstanding cost competitiveness.

Added Value Provided to Society

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. Battery manufacturers combine these separators with other components to make lithium-ion secondary batteries, which are widely used in automobiles and energy storage systems (ESS).



Customer and Consumer Needs

Customers and consumers are demanding eco-friendly vehicles with long cruising ranges and low fuel consumption. Safe, high capacity batteries are indispensable for that sort of vehicle. For this reason, our direct customers, the battery manufacturers, seek to manufacture batteries that provide that performance at the lowest possible cost.

Providing Customer Value

In order for battery manufacturers to make safe, high capacity products, Sumitomo Chemical provides thin separators with high heat resistance. Furthermore, we strive to improve productivity in order to provide products with outstanding cost competitiveness. In addition, the company elicits new needs from customers in regular meetings, and works to develop products to meet those needs.



Contributing to Measures Against Climate Change through the Separator Business

Sumitomo Chemical has raised "contribution to reducing environmental impact" as one of the material issues to be addressed as management priorities. With more rigorous environmental regulations being put in place all over the world, the shift to eco-friendly cars is accelerating. Eco-friendly cars loaded with lithium-ion secondary batteries can reduce energy consumption as compared with gasoline cars. Separators are essential components in creating highly safe lithium-ion secondary batteries, and are indispensable for eco-friendly cars to gain ground. The company contributes to measures against climate change through its separator business.



Pervio® separators for lithium-ion secondary batteries



IT-related Chemicals

Deliver New Value that Responds to the Growth in the ICT Industry by Combining Our Material Development Capabilities with Our Optimization Technology

松井正樹

Masaki Matsui
Representative Director &
Managing Executive Officer

Primary Focus SDGs



Business Activities

Sumitomo Chemical's IT-related Chemicals Sector supplies highly functional materials to display manufacturers, and high quality semiconductor materials to semiconductor manufacturers, so that it can contribute to improving performance and productivity for displays and semiconductors.

Core Competence

Locating our production centers near customer manufacturing sites, we strive to foster good relationships with customers, quickly grasp their needs, and build supply chains that reflect those needs in the development and supply of products. Our strength lies in this sort of development and supply system, our ability to develop materials as a diversified chemical manufacturer, as well as our processing technology cultivated in the display-related materials business.

Basic Strategy

In order to respond to the generational shift in display technology from liquid crystal to organic light-emitting diodes (OLEDs), we are working to expand our OLED display business and transform the cost structure of our LCD components business. In addition, we are focusing on developing semiconductor materials and expanding our production capacity in this area, which will support increasingly sophisticated semiconductor manufacturing technologies.

Initiatives in Fiscal 2019

We decided to make a full-fledged entry into the field of display materials for automobiles, which has great growth potential, by turning SANRITZ CORPORATION, specialized in producing polarizing film for this application, into our subsidiary. In the field of semiconductor materials, we completed construction of a new plant for photoresists in Japan.

Issues in the Future

We will continue to develop and offer a wide range of materials with unique features for OLED displays based on our materials and product development capabilities. We will continue to reinforce our competitiveness in LCD materials and promote the optimization of our entire supply chain across multiple countries and regions. In the semiconductor materials business, we will work to cultivate new uses for these materials and expand to new customers. We will also focus on the growth of next-generation businesses that are compatible with 5G communications and smart mobility.

Long-term Vision

Making the most of the strengths of Sumitomo Chemical, we are continuing to improve our profitability by providing new materials and solutions that anticipate future growth in the ICT industry.

Corporate Business Plan for FY2019-FY2021

Action Plan	Major Issues	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target			
		FY2019	In Comparison to FY2018		
<ul style="list-style-type: none"> ● Structural reform of polarizing film business ● Capture demand by aggressively investing in future market growth in the semiconductor materials business ● Expand touchscreen panel product portfolio 	<ul style="list-style-type: none"> ● Develop next-generation businesses 	(Billions of yen)			
		Sales revenue	404.9	+8.0	520.0
		Core operating income	25.1	-1.1	35.0
		Sales revenue of SSS*-designated products	231.6	+91.8	158.0

* Sumika Sustainable Solutions

SWOT Analyses of the Major Businesses

- Offering a wide range of display materials
- Established market needs-driven global supply chains
- Material development capabilities as a diversified chemical company
- Nano-level micro surface analysis technology



- Heavy reliance on some specific products
- High sensitivity to exchange rate movements

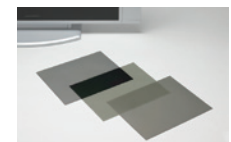
- Fast-growing organic LED displays market
- Rising demand for flexible displays
- Expanding Chinese semiconductor market

- Intensifying competition in the maturing LCD market

Product Introduction

■ LCD-related Materials Business [Polarizing Film, Color Resists, etc.]

Polarizing Films	Polarizing film is an indispensable component in displays, and contributes to better performance and higher display quality, including higher luminance, higher contrast and wider viewing angles.
Color Resists	Color resists are red, green and blue color materials that form the color filter layers in displays. Using proprietary dye technology, Sumitomo Chemical's color resists deliver high luminance and high color reproducibility in color filters.



Polarizing films

■ OLED Display-related Materials Business [Touchscreen Panels, Circular Polarizing Film, Ag Etchant, etc.]

Touchscreen Panels	These are locational input components installed in devices such as smartphones.
Circular Polarizing Film	This film limits the reflection of light (sunlight, artificial light) from displays to deliver the beautiful color produced by OLEDs.



■ Semiconductor Materials Business

[Photoresists, High-purity Chemicals for Semiconductor Manufacturing (Sulfuric Acid, Hydrogen Peroxide, Ammonia Water, etc), Aluminum Targets, Compound Semiconductor Materials, etc.]

Photoresists	Photoresists are photosensitive resins used in the process of creating highly dense/highly integrated circuit patterns on semiconductors and print substrates.
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Photoresists

Creating Value through Business

Market Environment and Strategy for Major Businesses

■ OLED Display-related Materials Business

OLED displays have been increasingly adopted for use in smartphones. Sumitomo Chemical is focusing on expanding sales of touchscreen panels and circular polarizing film, and has a large market share in these products. The company is also developing materials for foldable displays, which are drawing attention as the next-generation display technology. In addition to materials such as flexible touchscreen panels, polarizing film, and window film to replace cover glass, the company is developing products that will eventually integrate the functions of several components into one component, and is working on the further expansion of the OLED display-related materials business. The company is also engaged in commercialization of soluble high polymer OLED materials that can produce large-scale OLED displays at low cost.

■ LCD-related Materials Business

The company has built strategic alliances as a prime supplier for promising LCD panel manufacturers, with production sites

for LCD components in the East Asian region. Using in-house competitive materials, including acrylic protective film, the company is focused on expanding the sales of high value-added products, such as polarizing film for extra-large TVs. It also works to improve productivity in polarizing film production by consolidating production items between production sites.

■ Semiconductor Materials Business

As semiconductor manufacturers are promoting greater circuit density, Sumitomo Chemical has the world's highest market share in the area of immersion argon fluoride (ArF) photoresists, which are used in manufacturing high performance semiconductors. The company is accelerating the development of resists for extreme ultraviolet (EUV) lithography, which will be used in the latest cutting-edge process, and they have been well received. Growth is expected in the sales of GaN epiwafers and GaAs epiwafers for high frequency devices used in 5G wireless base stations and 5G devices.

Value Creation Model: Circularly Polarizing Film for OLED Displays

System for Providing Added Value

Major Management Resources (Input)

Intellectual Capital	Sumitomo Chemical conducts research and development based on compound synthesis technology developed through the development of a wide range of products as a diversified chemical manufacturer.
Human Capital	Personnel in Japan, South Korea, China, Taiwan and other countries and regions collaborate across the globe to promote business.
Social and Relationship Capital	We connect product design with a timely grasp of customer needs, using relationships of trust with customers developed over many years.

Value Chain

[OLED Displays Currently on the Market]

Sumitomo Chemical manufactures liquid crystal coated-type retardation film based on proprietary technology, processes it into the final product, circularly polarizing film, and ships it to customers.



Raw material manufacturers



Sumitomo Chemical Group (including subcontractors)

Sumitomo Chemical's Competitive Advantages

■ Competitive Conditions in the Market

Several companies that manufacture polarizing film are competing to improve quality in anticipation of adoption for use in flexible OLED displays.

■ Competitive Advantages

Sumitomo Chemical's unique strength is a liquid crystal material that can be used for circularly polarizing film for OLED displays. This liquid-crystal material, developed in-house, offers outstanding functionality, including preventing reflections from light sources such as sunlight or indoor lighting, and displaying real blacks that do not change 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.

■ Initiatives to Enhance Competitive Advantages

Sumitomo Chemical is pushing ahead every day on the development of liquid crystal materials that will contribute to even better image quality for OLED displays. In addition, in order to meet demand that is expected to grow in the future, the company is considering economically superior synthesis processes and manufacturing facility, with the goal of also improving cost competitiveness.

Major Processes Generating Competitive Advantages

Research: Sumitomo Chemical is conducting research on liquid crystal materials for use in coating films. In order to develop retardation and polarizing functions using liquid crystal materials, the liquid crystal molecules must be systematically oriented in a specific direction. Sumitomo Chemical is working to develop molecular designs that will achieve this sort of optical performance. Moreover, the company is also manufacturing liquid crystal materials in house, and optimizing optical designs for circular polarizing film suitable for the various OLED displays of TVs and smartphones.



Earnings Structure and Role in Driving Income

The market for OLED displays (on a revenue basis) is expected to expand even further going forward. It is anticipated that in 2025, the OLED TV market will be five times its current level, while the market for smartphones using OLED displays will be about 2 times its current level. Sumitomo Chemical will increase its earnings capacity by expanding sales and improving productivity.

Added Value Provided to Society

[Next-generation Flexible Displays]

Sumitomo Chemical supplies circular polarizing films that incorporate liquid crystal coating retardation film to panel manufacturers. Panel and device manufacturers develop smartphones, tablets, and laptops that incorporate foldable displays to improve convenience for consumers.



Customers

Panel and device manufacturers



Consumers



Creating More Abundant and Convenient Daily Lives for People

Sumitomo Chemical has raised "contribution to ICT innovation" as one of the material issues to be addressed as management priorities. In order to create a society where people can obtain necessary information wherever and whenever they are, the spread of mobile devices with outstanding portability and visibility is vital. The company is contributing to the creation of new, unprecedented products by developing and manufacturing OLED display related materials, such as circular polarizing film. Going forward, it is committed to making people's daily lives more abundant and convenient by offering new materials and solutions.

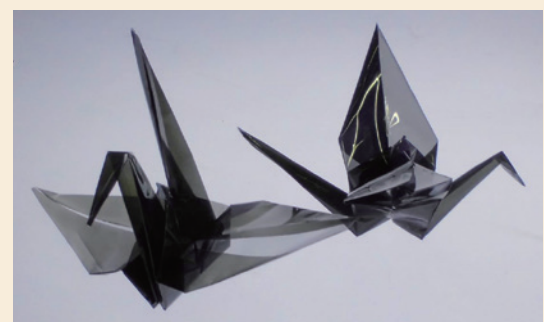
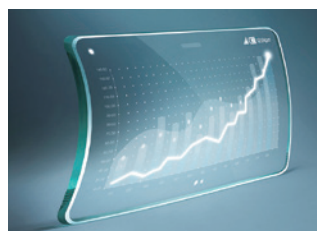
Creating Value through Business

Customer and Consumer Needs

Our customers are developing foldable smartphones, and unprecedented devices with rollable display panels that can be rolled up like cloth or paper. With existing circular polarizing film, freedom in the design of flexible displays is limited. Thus, panel manufacturers need next-generation circular polarizing film.

Providing Customer Value

Customers are designing next-generation displays in order to create entirely new devices. For this reason, Sumitomo Chemical is working with customers to repeatedly conduct trial and error process for circularly polarizing film, which is a component of these new devices, in an effort to provide the performance customers need in terms of thinness and strength when bent.



Origami cranes made with coating type polarizing film



Health & Crop Sciences

Contribute to Solving Global Issues related to Food, Health, Hygiene, and the Environment by Leveraging Our Excellent Research and Development Capabilities

水戸 信彰

Nobuaki Mito
Representative Director & Managing Executive Officer

Primary Focus SDGs



Business Activities

Sumitomo Chemical's Health & Crop Sciences Sector contributes to improving food productivity around the world by providing such specialized solutions as crop protection and enhancement products and agricultural materials, and methionine.

Core Competence

Sumitomo Chemical globally distributes not only excellent agrochemical products developed in-house, but also unique biorational crop protection and enhancement products and post-harvest solutions with high market shares. In addition to our range of unique crop protection products and the research and development capabilities that have been creating them, the strength of Sumitomo Chemical's Crop Protection and Enhancement business lies in its global distribution channels. And in our methionine business, Sumitomo Chemical offers a stable supply, with integrated production from raw materials using advanced production technology.

Basic Strategy

Sumitomo Chemical is currently working on further enhancing the strength of our crop protection products and agricultural materials, expanding our global footprint (our own distribution network), and developing and launching new crop protection products. In addition, we are working on solidifying our position

as the leader in the methionine business in Asia by increasing our competitiveness.

Initiatives in Fiscal 2019

We acquired Nufarm's South American business with the goals of expanding our global footprint and increasing our sales of new leading fungicides. In India, we also completed the integration of two subsidiaries. We optimized our methionine production system by halting the older plants with low productivity.

Issues in the Future

We are accelerating the development of next-generation crop protection products to launch them as soon as possible, and we are focusing on maximizing synergies from integration in South America and India, where large-scale strategic investments were made. We are also working to expand businesses where Sumitomo Chemical has an advantage, such as biorationals and seed treatments. The competitiveness of our methionine business will be further strengthened through thoroughgoing rationalization.

Long-term Vision

We continue to aim to expand the scale of our businesses by contributing to solving global issues related to food, health, hygiene, and the environment by leveraging our research and development capabilities.

Corporate Business Plan for FY2019-FY2021

Action Plan	Major Issues	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target			
		FY2019	In Comparison to FY2018		
<ul style="list-style-type: none"> Strengthen and expand biorationals business Develop and launch new crop protection chemicals steadily Expand methionine sales and strengthen earnings power Accelerate the global expansion of the environmental health business Develop the nucleic acid medicine business and expand the application of the technology 	<ul style="list-style-type: none"> Establish a global footprint in the crop protection business 	(Billions of yen)			
		Sales revenue	343.7	+5.6	480.0
		Core operating income	2.1	-17.6	75.0
Sales revenue of SSS*-designated products	119.8	+5.1	184.0		

* Sumika Sustainable Solutions

SWOT Analyses of the Major Businesses

- 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 major overseas agrochemical companies
- Offering total solutions

- 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



- Relatively small business size compared to the competing majors

- Tightening of the regulations on crop protection chemicals
- Increased competition with off-patent crop protection chemicals
- Consolidation in the major agrochemical companies

Product Introduction

■ Agrosolutions Business [Agricultural Pesticides, Herbicides and Fungicides, Biorationals, Fertilizers, Rice, etc.]

Agrochemical Products	We offer various crop protection products, such as insecticides effective on a range of insects causing damage to crops, herbicides for a variety of crops, and fungicides to help control diseases.
Biorationals	We offer microbial pesticides, plant growth regulators, and biorational rhizospheres that utilize ingredients derived from natural products.



Agrosolution products

■ Environmental Health Business [Household Pesticides, Disease Control Insecticides, Products related to Tropical Infectious Disease Prevention, Veterinary Drugs, etc.]

Household Pesticides	We manufacture and market insecticides for indoor and outdoor use (anti-mosquito incense, mosquito repellent, aerosol, etc.) and pyrethroid agents used in insect-repellent resin, and other devices.
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Household insecticides

■ Feed Additives Business [Methionine]

Methionine	We manufacture and market methionine mainly used in poultry feed. Methionine is one of the essential amino acids and acts to promote the growth of animals being raised.
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DL-methionine, Methionine hydroxy analog

■ Pharmaceuticals Business [Active Pharmaceutical Ingredients, Nucleic Acid Medicine, etc.]

Drug Precursors	We supply active pharmaceutical ingredients and intermediates to Japanese and foreign pharmaceutical companies.
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Active pharmaceutical ingredients (APIs)

Market Environment and Strategy for Major Businesses

■ Global Agrosolutions Business

The global market for crop protection products is expected to grow at an annual rate of around 3%. The overseas crop protection product business conducts business alliances and investments to further expand the scale of its business, primarily in South America and India, which are rapidly growing. The South American region accounts for about 25% of the global pesticide market, surpassing North America and China in terms of market size. India is growing at an annual rate of 7-8%. The business also focuses on large-scale next-generation pesticides, aiming to launch them as soon as possible in a global market.

■ Methionine

The methionine market, which currently has an annual production of 1.3 to 1.4 million tons, is expected to grow at an annual rate of 6%, against the backdrop of a growing world population and the spread of meat-eating culture in emerging countries. We strengthened production capacity in fiscal 2018, expanding sales to new preferential customers, and making our position as a leading Asian manufacturer even more robust. Meanwhile, we are promoting improved profitability by halting the operation of aging plants with low production efficiency.

Value Creation Model: Global Agrosolutions Business

System for Providing Added Value

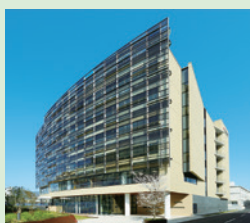
Major Management Resources (Input)

Intellectual Capital

Sumitomo Chemical is conducting research and development based on the knowledge regarding chemical and biorational crop protection products, which it obtained after its many years of research and development activities.

Human Capital

Personnel located around the world are conducting research and development using a global network.



The Chemistry Research Center, a global discovery and innovation base for the Health and Crop Sciences Sector

Value Chain



Raw material producers



Oita Works

Sumitomo Chemical
Production of compounds and formulations (Agrochemical products)



Valent Biosciences LLC, Osage Plant

Sumitomo Chemical Group
Production of compounds and formulations (Biorational crop protection products)

Sumitomo Chemical's Competitive Advantages

Competitive Conditions in the Market

There are many producers in the global crop protection market, from major producers in the U.S. and Europe to comparatively small producers. 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.

Competitive Advantages

Sumitomo Chemical is committed to research and development, working on everything from the discovery of novel lead compounds to the product development for end-users from a long-term perspective in order to provide new solutions. These efforts enable Sumitomo Chemical to obtain proprietary products and technologies, which is the foundation of its competitive advantages.

Initiatives to Enhance Competitive Advantages

In 2018, Sumitomo Chemical established the Chemistry Research Center, a synthesis research building at the Health & Crop Sciences Research Laboratory, integrating research functions ranging from novel compound discovery to commercial manufacturing process development. In the U.S., a new biorational research and development facility started operations, thus promoting more efficient and accelerated development. In addition, the company established a research center in Brazil in 2016, a field testing station in the western U.S. in 2017, and a new test facility at Makabe Agriculture Research Center in Japan in 2018, where tests are conducted in a wider range of environments, thereby accelerating development of new products.

Major Processes Generating Competitive Advantages

Research: In discovery research, Sumitomo Chemical searches 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, we are also putting effort into product development for new formulations and applications of existing active ingredients.



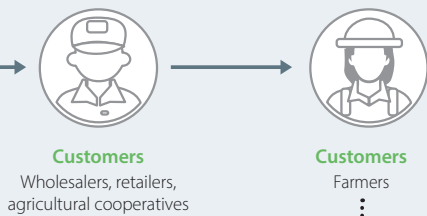
Health & Crop Sciences Research Laboratory

Earnings Structure and Role in Driving Income

The scale of the global crop protection market is about USD60 billion, and it is expected to grow at an annual rate of about 3%. In order to improve its earnings rate, Sumitomo Chemical aims to continuously launch highly effective products that meet the needs of the market, using the advanced technology obtained in research and development. In 2019, we continued development of next-generation crop protection products and submitted registration applications in various countries. We plan to launch these products in 2020 and beyond.

Added Value Provided to Society

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.



Customer and Consumer Needs

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 security, hoping that the crop protection products will not harm either their health or that of the consumers of the agricultural products.

Providing Customer Value

Sumitomo Chemical offers unique, effective products that meet customer needs and creates solutions that match the needs of every region and crop, which contribute to developing new, sustainable agricultural technologies.



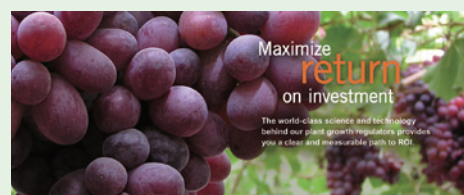
Training on using biorationals



Contributing to a Stable Food Supply by Improving Food Productivity

Sumitomo Chemical has raised "contribution to solving food issues" as one of the material issues to be addressed as management priorities. 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 food. We are increasing food productivity by globally supplying unique materials, and we aim to contribute to a stable food supply.



From Valent Biosciences' product summary



Pharmaceuticals

Through the Autonomous Operations of Each Company, We Pursue the Maximum Synergy between Pharmaceuticals and Chemistry.

重森隆志

Takashi Shigemori

Director & Senior Managing Executive Officer

Primary Focus SDGs



Business Activities

Within the Pharmaceutical sector of Sumitomo Chemical Group, Sumitomo Dainippon 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.

Core Competence

In the prescription drug business, our core competencies are our global business foundations, including the U.S., and 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, and our ability to make the best use of the company's foundational technologies, including genome analysis and cell differentiation, in cooperation with the Group.

Basic Strategy

As part of our mid-term strategy, we are promoting active R&D and expanding our pipelines so that our business performance can recover quickly after the expiration of the sales exclusivity period for our main products. We are also promoting next-generation businesses, including regenerative cell medicine, frontier areas, efforts in the field of infectious diseases, and Theranostics.

Our Stance on Listing both Parent and Subsidiary

Sumitomo Dainippon Pharma is a subsidiary of Sumitomo Chemical, but it maintains managerial independence as much as possible by having a high proportion of independent officers on the Board of Directors and on the Nomination and Remuneration Committees. To improve corporate value as a Group, Sumitomo Dainippon Pharma and Sumitomo Chemical discuss important business matters in advance to align their future directions. Without abandoning minority interests, Sumitomo Dainippon Pharma is creating a system to generate synergies with Sumitomo Chemical.

Synergy of Business and Technology

Sumitomo Dainippon Pharma has strong ties with Sumitomo Chemical in terms of its technological genealogy. For instance, Sumitomo Dainippon Pharma's Regenerative Medicine/Cell Therapy business has its roots in safety research for crop protection products at Sumitomo Chemical. Sumitomo Chemical's Bioscience Institute has incorporated Sumitomo Dainippon 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.

Long-term Vision

We aim to dedicate our efforts to better Quality of Life by making the maximum use of synergy as a Group and generating innovative medical and health care solutions.

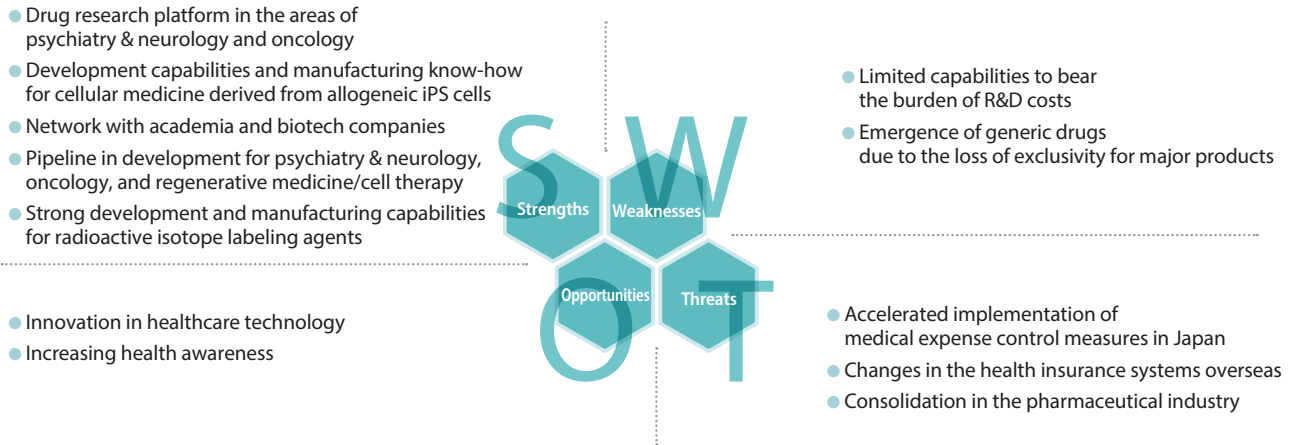
Corporate Business Plan for FY2019-FY2021

Action Plan
<ul style="list-style-type: none"> Strengthen innovation through new drug discovery approaches Launch new products in oncology Explore frontier fields Develop Theranostics business and strengthen the competitiveness of existing radioactive diagnostics business

Major Issues
<ul style="list-style-type: none"> Enhance drug development capabilities and improve the success rate in R&D Maintain earnings power after Latuda's loss of exclusivity

	FY2019	In Comparison to FY2018	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target
(Billions of yen)			
Sales revenue	515.8	+23.7	590.0
Core operating income	75.3	-5.5	94.0

SWOT Analyses of the Major Businesses



Sumitomo Dainippon Pharma

Sumitomo Dainippon Pharma Co., Ltd. is reshaping the foundations of its business by establishing growth engines and building a flexible and efficient organization as it prepares for future changes and the “post-LATUDA” era, after it loses exclusivity in the U.S.

Business Status

- Sumitomo Dainippon Pharma’s blockbuster, LATUDA® (atypical antipsychotic), has been selling well in the U.S., and sales for fiscal 2019 were \$1.7 billion USD. Some generic versions of LATUDA® are expected to enter the market in February 2023. Our post-LATUDA® product portfolio is under development.
- Several pipeline products were obtained through a strategic alliance with Roivant Sciences Ltd., which was completed in December 2019. Especially promising pipeline products are relugolix (uterine fibroids, prostate cancer) and vibegron (overactive bladder), which are under review for approval, and are expected to be launched after 2020.
- KYNMOBI™ (for off episodes in patients with Parkinson’s disease) was approved in the U.S. in May 2020 and is scheduled to be launched in the U.S. during this fiscal year.
- Napabucasin is under development, and is now in phase 3 clinical studies in patients with colorectal cancer. The goal is to launch it in the U.S. in fiscal 2021, and in Japan in fiscal 2022. It is expected to be a blockbuster.
- SEP-363856 (schizophrenia) is designated as a breakthrough therapy* by the US Food and Drug Administration (FDA). It is now in phase 3 clinical studies in patients with schizophrenia, and is expected to be launched in fiscal 2023 in the U.S.

* The FDA designates drug candidates as breakthrough therapies to expedite the development and review of drugs for serious or life-threatening conditions.

Initiatives with Cutting-edge Technology

- In addition to applying iPS cell technology in our drug discovery, we are working on R&D in regenerative and cell medicines. Working jointly with universities and research institutes, we are working to develop cell therapy products using iPS cells for the treatment of age-related macular degeneration, Parkinson’s disease, retinal pigmentary degeneration, spinal cord injuries, and renal failure.
- In cooperation with universities and research institutes, we are conducting joint research in the area of infectious diseases, concerning a treatment for antimicrobial resistant (AMR) infections, a universal influenza vaccine, and malaria vaccines.

Nihon Medi-Physics

Nihon Medi-Physics is a leading Japanese company in the highly specialized field of nuclear medicine.

Business Status

- Our flagship product is FDG Scan™ Injection, used in PET scans, and is considered useful in the early diagnosis of malignant tumors and the selection of a treatment policy. Its half-life is as short as about 2 hours. With 11 manufacturing sites established across Japan, we ensure a stable supply.
- We have advanced a research project adopted by the Agency for Medical Research and Development (AMED) as part of its Cyclic Innovation for Clinical Empowerment (CiCLE) program in fiscal 2017, and are endeavoring to develop new radiopharmaceuticals that “integrate therapy and diagnosis (Theranostics)” by fully utilizing the characteristics of nuclear medicine. A new Theranostics research site (CRADLE facility) was completed in September 2019, and started operation in January 2020.
- We are also challenging new opportunities beyond our existing business framework, for instance through pursuing strategies to improve healthcare solution services with digital technology, and to establish business alliances to enter the wider Asian nuclear medicine market.

Value Creation Model: Sumitomo Dainippon Pharma

System for Providing Added Value

Major Management Resources (Input)

Intellectual Capital	Research and development capabilities, in order to discover new drugs, and intellectual property, such as patents and licenses, are the source of income.
Social and Relationship Capital	Besides good relationships with universities and other institutions that contribute to the development of new drugs, good relationships with authorities and healthcare professionals support global business development.
Human Capital	Outstanding personnel support all business activities, including the research and development of new drugs, production, and sales.

Value Chain



Sumitomo Dainippon Pharma's Competitive Advantages

Competitive Conditions in the Market

The global pharmaceutical market is over 1.2 trillion USD, and has grown at an annual rate of about 4% over the last five years.* Within that, significant market growth is expected in the specialty pharmaceutical market, aimed at specific illnesses and requiring a prescription from a specialist. Numerous pharmaceutical manufacturers are participating in this massive market, particularly in the U.S. and Europe, engaging in fierce competition in the development of new drugs.

Competitive Advantages

Sumitomo Dainippon Pharma, although small in scale compared with leading global pharmaceutical companies, has strong R&D in the psychiatry & neurology area, where it has accumulated knowledge over many years. In addition, we conduct R&D by focusing on our proprietary technology in the oncology area to discover innovative new drugs. Moreover, the company is a global leader in the commercialization of cell therapy products derived from iPS cells in regenerative medicine and cell therapy field, which is becoming prominent as a next-generation therapy.

Initiatives to Enhance Competitive Advantages

Sumitomo Dainippon Pharma conducts competitive drug discovery based on the foundation of our unique drug discovery platform, which has been built by incorporating cutting-edge technologies in the psychiatry & neurology area. In oncology, our company is actively involved in network-based drug discovery among Sumitomo Dainippon Pharma, our U.S. subsidiary and external institutions, taking an integrated approach to R&D. In the regenerative medicine and cell therapy field, the company aims to achieve commercialization as soon as possible with a unique growth model, pursuing advanced production technologies through open innovation, while also conducting multiple R&D projects.

Major Processes Generating Competitive Advantages

Research: Searching for compounds for new drug candidates is the first step of drug discovery, and candidate compounds are selected in preclinical studies. Sumitomo Dainippon Pharma promotes internal innovation and works to discover innovative treatments by pursuing joint research with research institutes, including universities in and outside Japan, and alliances with biotech companies.

Development: The company scientifically evaluates the efficacy and safety of new drug candidates discovered in laboratories in clinical studies. We aim to promote efficient development, and obtain speedy approval of new drugs.

Production and Quality Management: The company provides stable supplies of pharmaceuticals of reliable quality. In addition, we maintain a quality assurance system supporting the safety and security of its pharmaceuticals.

Sales and Information Provision: The company has sales locations in Japan, the U.S., and China, providing information necessary for the proper use of its pharmaceuticals.

Earnings Structure and Role in Driving Income

While pharmaceuticals discovered in-house can provide high returns in the period when exclusive sales are possible due to patents or other intellectual property, profitability deteriorates significantly once a patent has expired. For this reason, Sumitomo Dainippon Pharma hopes to maintain and improve income by continually developing and launching new drugs.

* (Source) Created based on the IQVIA World Review 2013-2018, Copyright©2020 IQVIA (unauthorized reproduction prohibited)
(Source) Japan Pharmaceutical Manufacturers Association DATA BOOK 2020

Added Value Provided to Society

Sumitomo Dainippon Pharma manufactures the pharmaceuticals it has developed using medical raw materials and intermediate materials, and then supplies them to hospitals and pharmacies via pharmaceutical wholesalers. In addition, it provides pharmaceutical information to healthcare professionals so that its pharmaceuticals will be used properly.



Pharmaceutical wholesalers

Hospitals and pharmacies

Patients

Customer and Consumer Needs

Healthcare professionals and patients demand pharmaceutical products that are easier to use, have higher therapeutic efficacy, and fewer adverse reactions. There is a strong demand for the development of new drugs for diseases for which no effective treatment is currently available. It is also necessary to properly use pharmaceutical products and provide information that can lead to safer and more effective treatment.

Providing Customer Value

Sumitomo Dainippon Pharma focuses its R&D resources into the areas of psychiatry & neurology, oncology, and regenerative medicine/cell therapy, where unmet medical needs are high. We also work to accelerate the development of best-in-class drugs that focus on value, and drug discovery in the field of infectious diseases. In addition, the company is engaged in business on the frontiers of healthcare beyond pharmaceuticals. We aim to contribute to better Quality of Life for patients through the creation of innovative drugs and healthcare solutions in these areas.



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

Sumitomo Dainippon 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 over many years in Sumitomo Chemical's life science field. Through synergy between Sumitomo Dainippon Pharma and Sumitomo Chemical, we work on "contribution to solving healthcare issues," one of the material issues to be addressed as management priorities.



Fostering Trust and Confidence Supports an Abundant Future

Sumitomo Chemical aims to achieve sustained growth and a sustainable society by creating both economic and social value. To this end, value creation platforms — initiatives in R&D, human resources, addressing climate change, and strengthening corporate governance are essential and indispensable. The following pages introduce these various initiatives.

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Corporate Governance

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Research and Development

Basic Policy





Amid increasing uncertainty about the business environment surrounding Sumitomo Chemical, the role played by the chemical industry in solving societal issues, such as environmental, energy, and food issues, is enormous, and our business opportunities are expanding.

Our research and development is based on the following basic policies: (1) early market launch of development items; (2) building the foundation of next-generation businesses; (3) building and operating a system to continuously create innovation; and (4) promoting R&D based on business (commercialization) strategies and intellectual property strategies.

Initiatives for Corporate Business Plan

The current Corporate Business Plan, started in fiscal 2019, identifies four priority areas to help solve issues to create a sustainable society through our business: healthcare, reducing environmental impact, food, and ICT. Under the slogan of “Change & Innovation 3.0 for a Sustainable Future,” we are focusing on accelerating the development of next-generation businesses in these priority areas, in line with the Basic Policy for Technology and R&D.

In these four areas, we are building and operating an innovation ecosystem to keep generating innovation. In this innovation ecosystem, we will work on projects that can make the best use of our core competencies and that will enable us to expect a long-term expansion of business opportunities. Furthermore, we will accelerate R&D through the implementation and active use of AI and MI on the front lines of R&D, along with reinforcement of alliances (open innovation) with academia and startups.

Focus Domains in the Four Priority Areas			
Healthcare	Reducing Environmental Impact	Food	ICT
			
Focus Domains			
Advanced medical care Preventive care solutions Early diagnosis and health examination	Energy storage Energy saving Carbon cycle	Precision agriculture Food sensing Breeding	Super-smart society Smart mobility

▶ P36: FY2019-FY2021 Corporate Business Plan

Topics
1

Alliance with a Startup

Investment in Conagen, Inc., a Biotechnology Company in the U.S.

Sumitomo Chemical invested \$30 million (USD) in April 2020 in Conagen, a biotechnology company in the U.S. Conagen is an R&D-focused biotechnology company that is particularly skilled at conducting an integrated process, spanning from the design and culturing of microbes using synthetic biology to commercialization of the fermentation process. In addition to its R&D focusing on a broad range of fields including functional food materials, healthcare, and flavoring agents, Conagen has secured mass-production facilities in China and Europe, and is collaborating with many companies in its business. Combining its strong synthetic biology capabilities and our chemical technology, we aim to accelerate the creation of new businesses by developing high-functionality products that cannot be manufactured with chemical synthesis alone, as well as highly efficient, clean, and energy-saving production processes.

Topics
2

Alliances with Academia

Promoting R&D toward a Practical Implementation of Solid-type Batteries with Kyoto University

In April 2020, Sumitomo Chemical started joint research with Kyoto University on materials and component technology to develop a practical implementation of solid-type batteries, which have gained traction as the next-generation of secondary batteries. Solid-type batteries contain a solid electrolyte instead of the liquid electrolyte used in conventional lithium-ion secondary batteries. As solid-type batteries use no flammable electrolyte, they are safer than the current mainstream lithium-ion secondary batteries, and are expected to achieve higher battery capacity, longer cycle life, and quicker charging. With these features, solid-type batteries are likely to be applied in a wide range of fields, such as small consumer batteries for electronic devices, wearable devices, and medical use, which are indispensable to our daily lives. They are also likely to be used as the next-generation batteries for electric vehicles, which require higher energy density and high output to achieve better cruising range and charging time.

Intellectual Property

Basic Policy

Sumitomo Chemical engages in intellectual property (IP) activities in accordance with the following basic policies:

IP Activities:

1. Be in line with the business strategy
2. Create global business value
3. Strive for the thorough utilization of results of research and technology development
4. Respect rights and observe the law

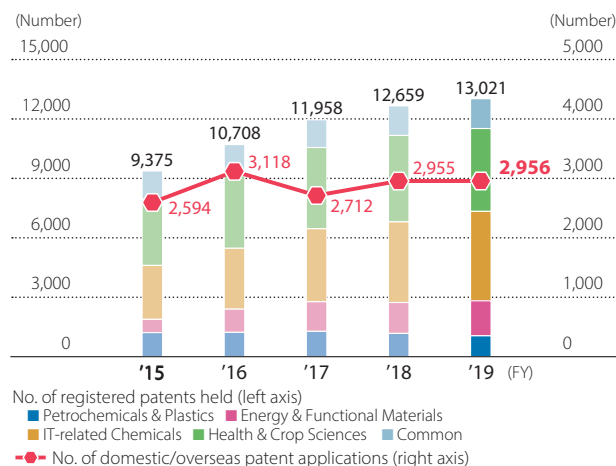
While respecting the valid patents of third parties, we are working to acquire and protect wider, stronger, faster-registered, and longer-lasting patents globally for the results of our research and technology development, and we then strategically promote our business activities as well as those of our Group companies and ultimately maximize our business value.

Performing IP Activities

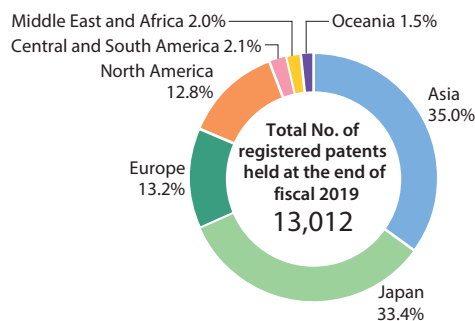
The Intellectual Property (IP) department is not only tasked with submitting patent applications and conducting IP prosecution, but also with making recommendations as necessary for research sectors and business sectors by properly investigating and analyzing IPs, as needed, in each stage of R&D and commercialization. Sumitomo Chemical conducts patent searches, including searches of the IP landscape at the exploratory stage of R&D projects, IP status confirmation at the initial research stage, patent clearance at the entrepreneurial development stage, and follow-ups on these searches. We actively use rapidly advancing IP search software and AI technologies to efficiently find and analyze relevant technologies suitable for each stage, as well as trends in other companies' patents. These searches help us build and reinforce our patent portfolio.

Amid increasingly complex and intensified competition, our Group businesses are globalizing, and hence it is ever more important for group companies in and outside Japan to search for and analyze IP, including patents, and to build their patent portfolios, in a manner suitable for each business's strategy and operational systems. Sumitomo Chemical carries out these activities in close contact with its business sectors and group companies in Japan and overseas. We continue to work on filing applications and acquiring rights of IP in Asia, the Americas, and the EU to fortify the foundation of our overseas business activities.

Number of Registered Patents Held by Sector (Non-consolidated) as of the End of Fiscal Year / Number of Patent Applications in Japan and Overseas (Non-consolidated)



Registered Patents Held by Region (Non-consolidated) as of the End of Fiscal 2019



Topic **Joined in the "IP Open Access Declaration against COVID-19"**

Sumitomo Chemical joined in the "IP Open Access Declaration against COVID-19" as a supporter in June, 2020. The gist of the Declaration is that participants will not assert any intellectual property rights under certain conditions against any activities whose sole purpose is stopping the spread of COVID-19. Respecting this Declaration, the Sumitomo Chemical Group will consider ways to stop the spread of the coronavirus, including a possibility of cooperation with the government and industry groups.



We Aim to Dramatically Improve Business Process Productivity and Provide New Value by Accelerating Digital Innovation.

The fourth industrial revolution has marked an era where digital technologies, including IoT^{*1}, big data, AI^{*2}, and robots can be industrially applied. Particularly, innovation relating to AI is remarkable. Along with the progress of machine learning and deep learning, practical implementation of AI is taking off. The concept of Society 5.0^{*3} is attempting to incorporate the innovation of the fourth industrial revolution into various aspects of society in an effort to build a wealthy, comfortable, and convenient society. An ideal vision of how industry could be structured is presented in this Society 5.0 as the concept of “Connected Industries.”^{*4}

Driven by the innovative trend, Sumitomo Chemical has put forward digital innovation as a key theme of its current Corporate Business Plan, and reinforced a company-wide promotion system, including establishing the Digital & Data Science Innovation Department, specialized in data science. We have created a vision for the future of plant, R&D, office, and supply chain management to promote the active use of digital technologies, such as IoT, AI, MI^{*5} and RPA^{*6}, while going through a cycle of proof of concept (POC), implementation, and full-scale deployment. We are also developing human resources who can utilize such digital technologies. Going forward, we will accelerate our initiatives for digital innovation to aim for exponential growth of productivity in our business processes while providing new value (in both products and services) to our customers.



Hiroshi Ueda
Director &
Executive Vice President

- *1 IoT: Internet of Things
- *2 AI: Artificial Intelligence
- *3 A human-centered society that balances economic advancement with the resolution of social problems by a system that tightly integrates cyberspace and physical space.
- *4 A vision of industries creating new added value by connecting a variety of data, technologies, people and organizations. A concept presented by the Ministry of Economy, Trade and Industry (METI).
- *5 MI: Materials Informatics
- *6 RPA: Robotic Process Automation

Topic Inclusion of Digital Maturity Level as a KPI

Sumitomo Chemical has raised “initiatives for digital Innovation” as one of the material issues to be addressed as management priorities. We have put forward the concept of Digital Maturity Level as an indicator to show progress in these initiatives, which includes evaluations of 12 items, including ideal approaches to business management and systems for promoting digital transformation (DX), as well as the development of IT systems as a foundation for achieving DX. Self-assessment of our level of achievement and challenges for each item can lead us to take actions to attain higher levels, and help us sustainably improve in a continuous evaluation cycle.

Initiatives for Digital Innovation

KPI: Digital Maturity Level (a 4-point-rating scale)

We will evaluate our level of achievement in terms of 12 items*, using a rating scale from 1 to 4, and use the mean value of the scores as our Digital Maturity Level.

Score	Level of Achievement
4	Continuous Group-wide implementation of digital technologies based on the SCC Group Strategy and quantitative evaluation criteria.
3	Group-wide implementation of digital technologies based on the SCC Group Strategy
2	Implementation of digital technologies in some business units based on the SCC Group Strategy
1	Implementation of DX in some business units without a clear SCC Group Strategy

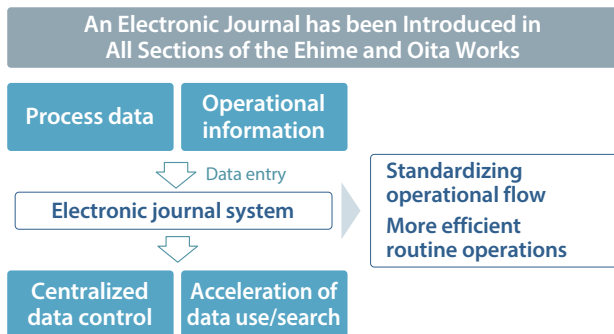
* Formulated by referring to METI's DX guidelines and promotion index.

Initiatives for Digital Innovation

Plants

We are introducing various new digital technologies widely at production sites so that they can take root. In doing so, we are pursuing further stabilization of our operations, assistance through automation, and more efficiency in business, while also continuing to train personnel who can handle these technologies. To promptly address various environmental changes surrounding Sumitomo Chemical and maintain and improve the competitiveness of our plants, we are continuing to work on boosting our existing production base, the capabilities of individuals on the front lines, and labor productivity.

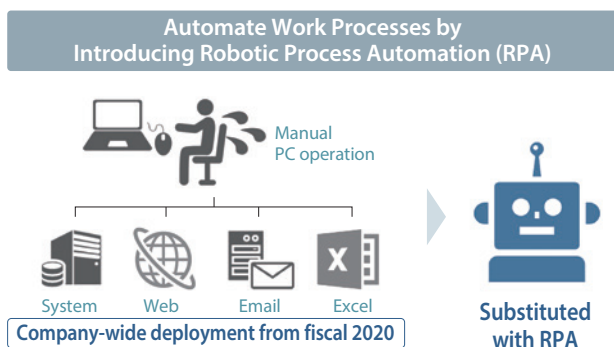
Example Initiative



Office

For our office work, we will halve the time for routine work with digital technology so that employees can focus more on value-added highly creative work in the office. RPA, run on a pilot basis in some leading departments in the last fiscal year, will be deployed company-wide from this fiscal year. In addition to automation and more efficiency with digital technology, we will pursue our vision for our future through our initiatives to improve the IT literacy of employees and build an environment that facilitates paperless and digital communication.

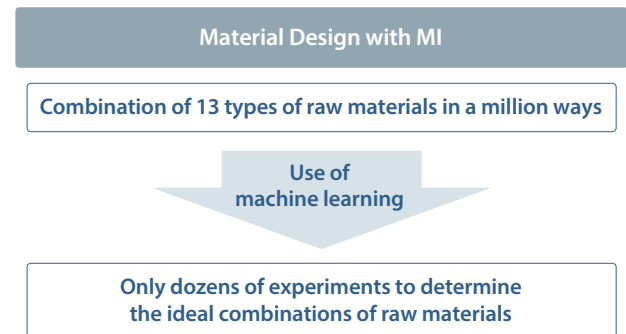
Example Initiative



Research and Development

Our laboratories are promoting the practical use of Materials Informatics (MI), and have confirmed the significant effect it has in accelerating R&D in several projects. In fiscal 2020, we will start full-fledged activities to train data engineers so that the use of MI can be deeply embedded in the front lines of our research. We aim to strengthen our competitiveness through a shift towards data-driven R&D by promoting efficiency in research operations with the active use of digital tools, and by accelerating our efforts to ramp up our R&D strategies through efficient collection and analysis of market and technological information.

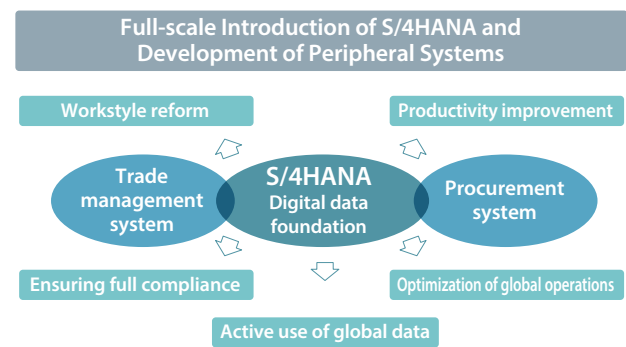
Example Initiative



Supply Chain Management

This fiscal year is the last phase in the development of the company's core system (S/4HANA, by SAP) set forth in the current Corporate Business Plan. The system is due to start operation in April 2021. We are also developing peripheral systems, including procurement and trade management. With the completion and operation of these systems, we will make information on our global supply chain visible. Using such information more frequently, we can cut costs, as inventory cutbacks and reduced lead times for transportation are possible, and automate our work relating to these business processes while making it more efficient. With these efforts, we aim for better customer satisfaction and increased sales.

Example Initiative



Addressing Climate Change

Climate change is having a significant impact on our lives on a global scale. Sumitomo Chemical is working to resolve climate change issues on two fronts—addressing risks and seizing opportunities.

▶ P26: Our Sustainability Efforts

Governance and Risk Management

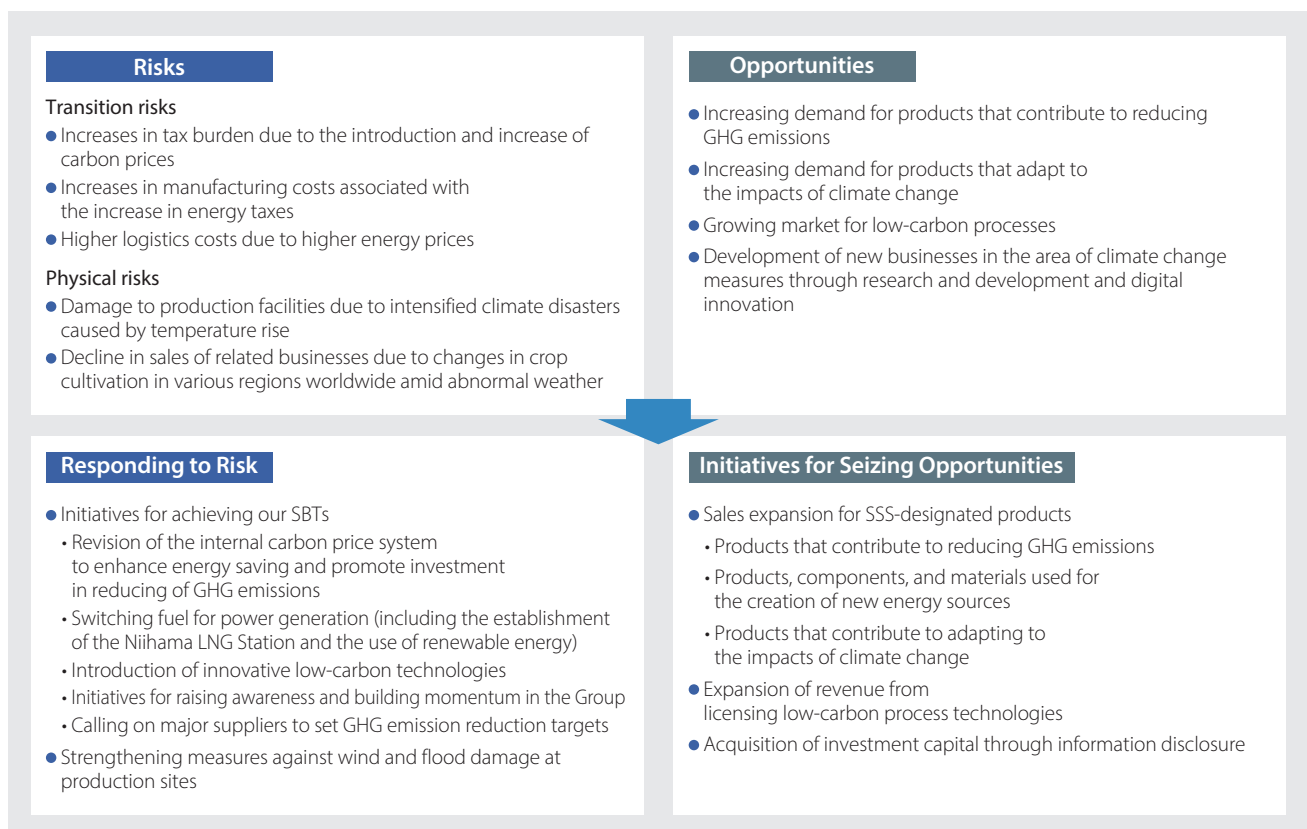
The Sustainability Promotion Committee and the Responsible Care Committee regularly deliberate on major issues regarding the Sumitomo Chemical Group's efforts to address climate change and determine what measures to take. To plan and implement climate change measures group-wide, both of

these committees are chaired by the president and consist of members from a broad range of related departments. The committees also assess and monitor risks related to climate change issues. The progress of these activities is reported to the Board of Directors.

Strategy: Addressing Risks and Seizing Opportunities

We set up an organization dedicated to addressing climate change in the Responsible Care Department. This organization identifies risks and opportunities that climate change issues present to the Sumitomo Chemical Group over a medium to long term and analyzes their magnitude and the scope of their impact on the Group. As for risks, we are mainly taking measures to achieve our Science Based Targets (SBTs), while as for opportunities, we are primarily focusing on the development and

promotion of our Sumika Sustainable Solutions (SSS)-designated products and technologies. The progress of our specific measures is reported in management meetings, meetings of the Sustainability Promotion Committee, the Responsible Care Committee, the Plant Manager's Meeting, and Group President Meeting. In addition, to ensure that each effort continues to progress steadily, we hold various meetings that engage our plants, laboratories, business sectors, and Group companies.



Scenario Analysis

Scenario analysis, with regard to climate change, is a method in which we consider multiple scenarios, predict the impact of climate change and changes in the business environment due to long-term policy trends, and study the potential impact of these changes on our business and management.

The Sustainability Promotion Committee currently leads our scenario analysis initiative. We will continue to work on climate change issues by closely monitoring anticipated new changes in the business environment, while also taking a two-front approach of addressing risks and seizing opportunities.

Summary of the Scenario Analysis

● In blue: positive impact ● In red: negative impact

Scenario	Risks and Opportunities	Anticipated Situation (example)	Impact Assessment
Common for all scenarios*1	Increasing demands for disclosure of information	● Expansion of ESG investment	● Increased opportunity to get access to ESG investment capital by enhancing information disclosure
		● Increased demands for disclosure of the results of life cycle assessment	● Improved rating in stakeholder assessments with regard to the disclosure of the amount of GHG emissions reduction calculated by life cycle assessment
		● Legalization of disclosure of climate change-related information, and introduction of new environmental accounting standards	● Increased cost of compliance
2°C scenario (reduced GHG emissions)	Increased demand for products and technologies contributing to the mitigation of climate change	● Increasing investment and growing market for products and technologies contributing to the reduction of GHG emissions and for products and technologies related to recycling (Examples) • Growing markets for EVs and fuel cell vehicles (2020 to 2050) • Growing market for components and materials for high-efficiency communication, due to change in consumer behavior (including expansion of the sharing economy and more efficient logistics with the use of IT) • Expansion of CCUS*2 (2030 onward) • Expansion of the circular economy, with the aim of reducing CO ₂ derived from fossil fuels (2020 to 2050)	● Increased demand for SSS-designated products ● Increasing need for technological development for future SSS-designated products (Examples) • Components and materials for EVs and fuel cell vehicles • Electronic components and materials for more sophisticated IT devices and for energy saving • Products and technologies for CO ₂ recovery, on the back of the expansion of CCUS • Recycling related products and technologies
		● Expansion of the switch to low-carbon energy sources	● Increased demand for related products and technologies due to wider use of dispersed power systems and increased demand for semiconductor control devices ● Increased utility costs due to an increased ratio of renewable energy in energy mix
	Introduction of carbon prices	● Higher carbon prices (in developed countries, 100 USD/ton for 2030, 140 USD/ton for 2040)*3	● Increased operation costs due to higher energy taxes including carbon prices (Assuming that the Group's total GHG emissions for fiscal 2040 is 7.2 million tons/year, the same level as for fiscal 2019, and the carbon price is 10 thousand to 14 thousand yen/t-CO ₂ , the operation costs will increase by 72 to 101 billion yen/year.)
	Increased regulation on GHG emissions	● More reduction of CO ₂ emissions and making energy-saving performance mandatory ● Phased abolishment of subsidies for fossil fuels (in India and Southeast Asia) ● Accelerating transition to a circular society and increased regulation	● Lower utilization of high-energy consumption production facilities
4°C scenario (business as usual)	Increased cost of raw materials	● More use of resources from circular systems and progress in the transition to lower environmental impact processes ● Increased costs due to more use of recycled materials	● More difficult to procure raw materials ● Lower profitability of the existing businesses
	Increased demand for products and technologies contributing to the mitigation of climate change	● Growing market for crops resistant to environmental changes such as temperature rise and drought ● Spread of infectious diseases due to the impact of climate change	● Increased demand for SSS-designated products ● Increased need for technological development for future SSS-designated products (Examples) • Agrochemical products adaptable to the change in crop growth • Biorationals and soil conditioners • Increased demand for agents for prevention and treatment of infectious diseases
Intensified climate disasters due to temperature rise		● More impact on plant operations	● Facilities located on seashores and river banks cease operations
		● Rising sea level, damage from storm surges and floods, and heat waves ● Damage to farmland due to droughts and soil degradation	● Decreased cost competitiveness of plants due to increased costs for measures to be prepared for disasters ● Decreased demand due to lower agricultural productivity

*1 Common for all scenarios: Situations that can be expected in both 2°C scenario (reduced GHG emissions) and 4°C scenario (business as usual)

*2 CCUS: Carbon dioxide capture, utilization and storage.

*3 Assumptions based on the "World Energy Outlook (WEO) 450 Scenario" published by the International Energy Agency (IEA), a scenario that is in line with the 2°C target under the Paris Agreement.

Initiatives Towards Building a Circular System for Plastics

Plastics are used in diverse applications, including automobiles, aircraft, electronic devices, household products, and various packaging materials, and support people's daily lives. Meanwhile, plastics have caused environmental problems such as marine plastic waste because they are not treated or recycled properly and adequately after use.

Sumitomo Chemical has defined "contribution to developing a circular system for plastics" as one of the material issues that the Company is committed to addressing as management priorities. We have been engaged in the development and supply of products that help reduce the use of or reuse plastics. In recent years, we have also been carrying out projects with other companies

and academia to develop chemical recycling technologies.

In addition, to accelerate these initiatives, in April 2020, we formed a research group dedicated to the development of technologies for the reduction of environmental impact, enhancing our capacity in this area. Furthermore, we are working on issues that are difficult to resolve alone by actively participating in alliances in and outside Japan, such as the Alliance to End Plastic Waste (AEPW). In June 2020, we formulated and announced our "Basic Policy Towards a Circular System for Plastics," which sets out the Group's principles for and commitment to working to build a circular system for plastics and resolve plastic waste problems.

Basic Policy Towards a Circular System for Plastics

Recognizing that plastic is a useful material supporting a sustainable society, the Sumitomo Chemical Group is committed to work towards building a circular system for plastics and resolving plastic waste problems in accordance with its Basic Principles for Promoting Sustainability and the following policy:

1. The Group will contribute to resolving plastic waste problems through its business, particularly by providing technologies, products and services that leverage the power of chemistry.
2. The Group will focus on innovation regarding the 3Rs—reducing, reusing and recycling—of plastics, and will work to accelerate the adoption of new solutions by society, while also considering its response to the problem of climate change.
3. The Group will take on challenges that are difficult to resolve alone, such as marine plastic problems, by working with various stakeholders through alliances and open innovation partnerships.
4. The Group will provide its employees with education and awareness-raising programs based on sound science, while also engaging in social action, such as initiatives for promoting waste sorting and collection, and riverside and beach cleaning campaigns, to ensure that every one of its employees has a sense of ownership and can change their actions as needed to address plastic waste problems.
5. The Group will constantly review its progress and work to enhance and improve its efforts through the Plan-Do-Check-Act (PDCA) cycle method.

Examples of Sumitomo Chemical Group's Products

<Reduce>

Refill Pouch

Compared with a bottle, this refill pouch is lighter and therefore offers higher transportation efficiency, while also being stronger.



	Environmental aptitude	Utility value
	Bottle (HDPE)	Large Refill Pouch (EPPE+LLDPE)
Weight of packaging materials (g) per 100g of contents	19	1.8
Transportation efficiency	△	○
Bag drop strength	△	○

<Reuse>

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 terms of water resistance, load capacity and cleanliness.



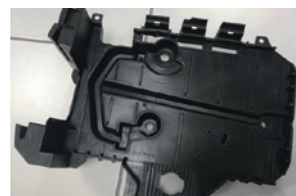
	Cardboard Paper Box	Returnable box (Expanded PP Sheet)
Number of usable times	1	50
Consumption of packaging materials (kg/year)	24.9*	1.4
Reusability	×	○
Water resistance, Load bearing, Cleanliness	×	○

* 50 sheets

<Recycle>

Glass Fiber Reinforced Polypropylene Material

This material, made with our proprietary, advanced manufacturing and quality control technologies, boasts properties high enough to replace virgin polypropylene, even though it contains as much as 60% by weight recycled polypropylene.



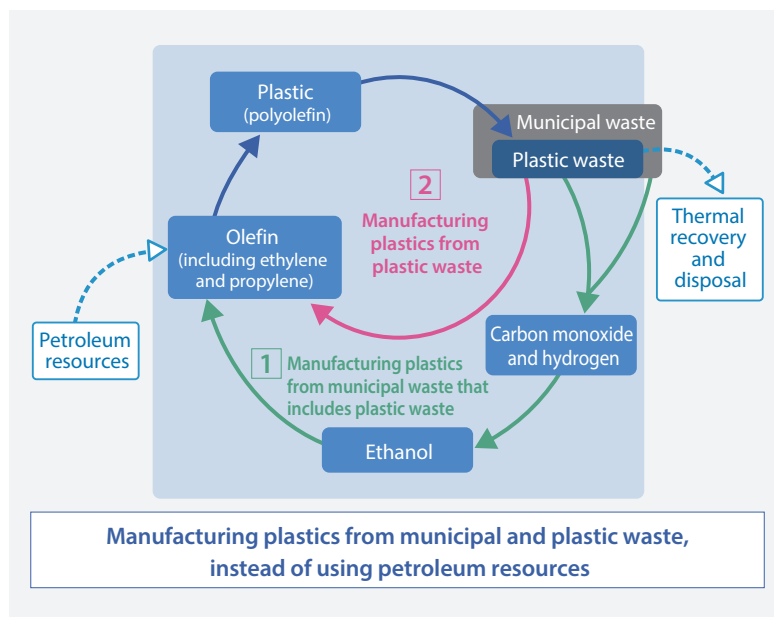
This technology, meeting the EU's End of Life Vehicles (ELV) Directive and circular economy policies, has been highly rated by automobile manufacturers for its quality, cost, stable procurement, and the stable physical properties of the product, and is contributing to the promotion of recycling and resource saving.

Environmental Contribution (FY2018)

- Reduction of virgin polypropylene use: 4,700 tons/year.
- Reduction of GHG emissions, as compared with the case of using virgin polypropylene: 12,300 tons/year (CO₂ equivalent)

Chemical Recycling

To develop a circular system for plastics, Sumitomo Chemical is engaged in the research and development of chemical recycling technology, processes that chemically convert municipal and plastic waste and use them as new raw materials for plastics. We are working on this extremely challenging endeavor 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 fuels, the amount of plastic waste, and GHG emissions produced in incinerating plastic waste, and thereby contribute to building a sustainable society.



Examples of Our Initiatives

1 Manufacturing Plastics from Municipal Waste that includes Plastic Waste [Initiative with Sekisui Chemical Co., Ltd.]

Sumitomo Chemical and Sekisui Chemical are working on a joint project to manufacture polyolefin by using municipal waste as a raw material. Sekisui Chemical gasifies, without sorting, municipal waste collected at a waste treatment center into carbon monoxide and hydrogen, and converts these gases into ethanol, using microbes instead of heat and pressure. Sumitomo Chemical will develop a technology for converting waste-derived ethanol to ethylene to polyolefin by building on its technologies and know-how cultivated over many years in the field of petrochemicals. Pilot-scale production will begin in fiscal 2022, and a full-scale market launch is expected in fiscal 2025.

2 Manufacturing Plastics from Plastic Waste [Joint Research with the Muroran Institute of Technology]

Sumitomo Chemical and the Muroran Institute of Technology are engaged in joint research to develop a chemical recycling technology to chemically decompose waste plastic and use it as raw material for petrochemical products. In this project, Muroran Institute of Technology will develop higher-performance catalysts for the decomposition of plastics. We will support the Institute's research and development and also develop process technology that helps maximize the decomposition of plastics, by making the best use of the core technologies we have cultivated, including those for catalyst design and chemical process design. Through this joint effort, we aim to rapidly establish a chemical recycling technology that efficiently decomposes waste plastics into raw materials for petrochemicals.

Participation in Initiatives

Through participation in various initiatives, the Sumitomo Chemical Group is working with other companies involved in the plastic value chain to address a broad range of issues related to a circular system for plastics.

Initiative	AEPW	CLOMA	JaIME
Objectives	Promoting the reduction of the leakage of plastic waste into the environment (infrastructure building, technological innovation, education, and collection and clean-up)	Promoting sustainable use of plastic products and the development and introduction of alternative materials, and accelerating open innovation	Raising social awareness and sharing and communicating information regarding the marine plastic problem
Progress and results	Projects for promoting plastic waste collection in high-leakage areas, mainly Asia, and for building infrastructure	Providing information and technological consulting services for developing countries	Production of educational DVDs

Respect for Human Rights

Sumitomo Chemical regards respect for human rights as part of the foundation for its business continuity. 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.

Our Position on Human Rights

In order to accelerate its efforts on human rights, Sumitomo Chemical formulated the Sumitomo Chemical Group Human Rights Policy in April 2019, based on the Universal Declaration of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, the Ten Principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights. At the same time, we established the Human Rights Promotion Committee, a committee tasked with promoting our human rights initiatives. In order to pursue a group-wide effort to respect human rights, we are committed to ensuring that all Group companies in Japan and overseas are fully aware of the Human Rights Policy and take action on these principles.

Respect for Human Rights: Our Position on Human Rights
https://www.sumitomo-chem.co.jp/english/sustainability/society/human_rights/

Announcement of the Group Statement Based on Human Rights Laws and Regulations

We at the Sumitomo Chemical Group, as a globally operating corporation, have announced a group statement on our efforts to address risks related to modern slavery and human trafficking in our business activities and supply chain. This statement is based on laws and regulations in various countries with regard to respect for human rights and the prevention of modern slavery and human trafficking, including the Modern Slavery Act of the United Kingdom, the Modern Slavery Act of Australia, and the California Transparency in Supply Chains Act of the United States.

Responding to Human Rights Laws and Regulations
https://www.sumitomo-chem.co.jp/english/sustainability/society/human_rights/statement/

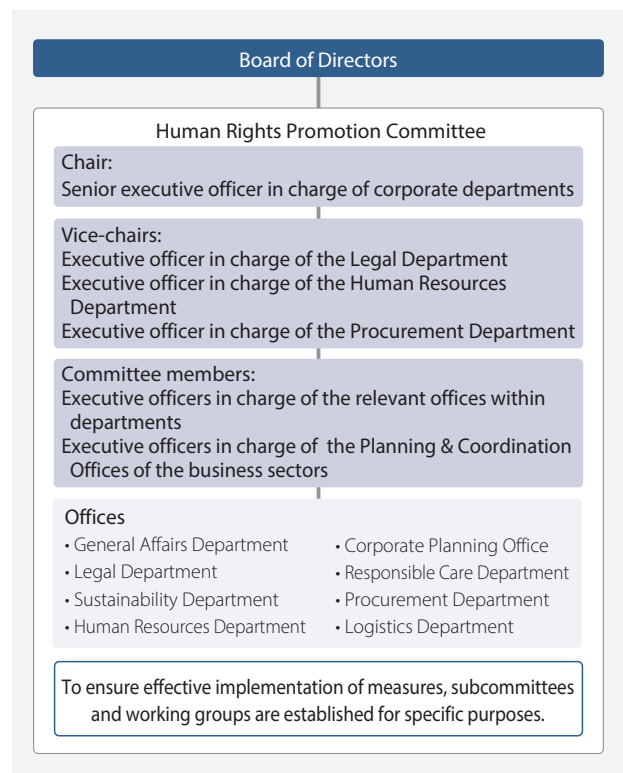
Our System for Promoting Respect for Human Rights—Human Rights Promotion Committee

Sumitomo Chemical has established the Human Rights Promotion Committee as its organization for promoting activities in compliance with the Human Rights Policy. In order to plan and implement measures to respect human rights across the entire value chain, this committee consists of members from a broad range of related departments and functions. The senior executive officer in charge of corporate departments serves as chair, while from the business sectors, executive officers in charge of the Planning & Coordination Offices of their respective departments participate as committee members.

Roles of the Committee

- (1) Promotion of awareness of human rights
- (2) Formulation and implementation of measures regarding respect for human rights across the Group's value chain, including:
 - Formulation and publication of policies required by the Guiding Principles on Business and Human Rights and relevant national laws
 - Identification of human rights issues across the value chain, assessment of risks, and implementation of measures, including remedies, that are appropriate for specific issues and their associated risks (human rights due diligence and relief efforts)

System for Promoting Respect for Human Rights



Human Rights Due Diligence and Relief Efforts

With the aim of promoting respect for human rights in its business activities, the Sumitomo Chemical Group has been implementing measures for sustainable procurement, and has also established a system for human rights due diligence in accordance with the Guiding Principles on Business and Human Rights. Human rights due diligence is a continuous effort to identify potential negative impacts on human rights in the entire value chain that may be generated through the Group's business activities, to prevent and correct the impacts, and to disclose information on these measures and their results.

In fiscal 2019, we conducted human rights risk assessment (risk mapping) for Sumitomo Chemical and 162 consolidated group companies. With the help of external experts, we estimated potential human rights risks in each company based on their businesses, location (country and region), personnel composition, and the raw materials and products they handle. Then we examined how each company addresses risks, by referring to the results of internal audits and Responsible Care audits that had been conducted for the company. These processes

aim to make our assessment objective and pertinent to actual situations.

For this risk assessment, we first set the four categories of society, environment, health and safety, and governance as major focal areas, and for each category, we determined items in detail for assessing risks. For example, in the category of "society," we selected such diverse items as forced labor, child labor, discrimination, harassment, freedom of association, indigenous people, and cultural heritage. In other categories, we conducted risk assessment as to those items that we had addressed in audits, by examining them from a human rights perspective.

In fiscal 2020, we plan to conduct a more detailed investigation of Group companies that were rated as having a relatively high risk in our risk assessment. If it is found in human rights due diligence that our business activities are producing or promoting a negative impact on human rights, we will hold deliberations with the relevant stakeholders and take corrective and remedial action through appropriate procedures.

Overview of the Process of Human Rights Due Diligence



Sustainable Procurement with Respect for Human Rights

The Sumitomo Chemical Group is committed to building mutually beneficial and sound relationships with its business partners. We ourselves do business in a fair, equitable and transparent way, while also promoting sustainable procurement efforts across the entire supply chain with respect for human rights and a firm commitment to compliance. In order to encourage our business partners to work on sustainability efforts, we have formulated the Sumitomo Chemical Group Sustainable Procurement Guidebook. We ask our business partners to respect human rights, prohibit harassment and inhumane treatment, eradicate discrimination in recruitment and employment, ensure equal opportunities and equitable treatment, comply with regulations on working hours, respect

the right to organize, prohibit forced labor and child labor, and comply with minimum wage regulations.

In addition, going a step further in our efforts to avoid procuring conflict minerals, we have defined not only conflict minerals but also raw materials that pose a high risk of causing a negative impact on human rights as high-risk raw materials, and formulated the Sumitomo Chemical Group Policy for Responsible Procurement of Minerals/Raw Materials. Going forward, we will plan and implement specific measures for sustainable procurement in accordance with this policy.

Sumitomo Chemical Group Policy for Responsible Procurement of Minerals/Raw Materials
<https://www.sumitomo-chem.co.jp/english/sustainability/society/procurement/minerals/>

Contributing to the Sustainable Growth of the Sumitomo Chemical Group by Employing, Developing and Leveraging Human Resources.

'People' are a major source of corporate competitiveness, and securing highly motivated and capable personnel is the foundation of business operations.

In addition, our business environment has become more complex and sophisticated due to the recent expansion of our business domains and advances in technological innovation. In these circumstances, it has become extremely important to secure personnel with broad knowledge and diverse skills, and to focus on training so that employees can maximize their abilities.

Against this backdrop, the current Corporate Business Plan sets forth employing, developing and leveraging human resources to support sustainable development as one of its basic policies.

Based on this policy, we are strengthening our recruitment capabilities dramatically and effectively promoting the current personnel and training systems based on the basic philosophy of "development and growth." We are also working to create an environment in which diverse personnel can work healthily and energetically.



Hiroshi Niinuma
Director &
Senior Managing Executive Officer

Sumika 'Take Action' Declaration

We have set forth a number of important values and views that would make our employees find significance and feel pride in working at Sumitomo Chemical in the "Sumika 'Take Action' Declaration," and we are promoting this initiative so that they can lead healthy and fulfilling lives as employees, both mentally and physically. The first to third steps were declared as a joint labor-management declaration, the fourth step, declared with health insurance association, and the fifth step, as the company-wide declaration. Twenty-five specific actions are set forth in five categories to promote this initiative.

1 Work-life Balance

Aiming to harmonize work and private life to lead fulfilling lives

- ① Stop long working hours.
- ② Create an environment that makes it easy for employees to fully utilize work-life balance systems.
- ③ Encourage employees to take at least 80% of paid leave and facilitate effective use of the flex time system.
- ④ Prohibit business instructions that would require holiday or late-night work.
- ⑤ Cooperative framework in the workplace.

Joint labor and management declaration

2 Diversity and Inclusion

Respect and leverage diversity, promote active roles for all, and leave no one behind

- ⑥ Active roles for both men and women.
- ⑦ Let's eliminate preconceptions and assumptions.
- ⑧ Let's build a hybrid human resource group.
- ⑨ Encourage active roles for people with disabilities.
- ⑩ No harassment!

Joint labor and management declaration

3 Development and Growth

Development and growth to help our employees and the company flourish together!

- ⑪ Invest in growth for everyone.
- ⑫ Study every day, grow every day.
- ⑬ Support the desire to learn.
- ⑭ Use digital technology to accelerate growth.
- ⑮ Allow people to take on challenges and demonstrate their growth.

Joint labor and management declaration

4 Healthy Employees

Good health is a prerequisite for good work and a good life!

- ⑯ Revise eating habits, achieve a healthy weight.
- ⑰ Exercise a little and stay healthy forever!
- ⑱ High performance depends on quality sleep.
- ⑲ Smoking does nothing but harm.
- ⑳ Don't forget to take care of your mental health.

Joint declaration by company and corporate health insurance association



Declaring what we want to cherish

5 How to Proceed with Work

Reasonable, efficient, and creative work by each employee will lead to the improvement of their skills and the growth of the company.

- ㉑ Always review work goals and methods.
- ㉒ Make the use of digital technologies the default.
- ㉓ Eliminate excessive quality, streamline your work.
- ㉔ Maximize the added value of meetings.
- ㉕ Put customers first!

Company declaration

Promotion of Diversity and Inclusion (D&I)

Sumitomo Chemical has raised “promotion of diversity and inclusion” as one of the material issues to be addressed as management priorities based on the Basic Principles for Promoting Sustainability. It has set forth the “Group’s Basic Principles on the Promotion of Diversity and Inclusion,” as a set of basic principles for D&I promotion throughout the entire Group. Based on this, about 90 of the group’s main companies have established key performance indicators (KPIs), depending on their situations. Most of the 70 or so group companies that currently have KPIs in place have established KPIs pertaining to “the promotion of active roles for and active utilization of women,” “work-life balance,” and “diversification of nationality and race.” We promote initiatives to achieve these KPIs with group companies.

The Group’s Basic Principles on the Promotion of Diversity and Inclusion

We will promote diversity and inclusion across the Sumitomo Chemical Group. We understand that having a variety of ideas and values among our employees represents a vital resource that forms the foundation of the Sumitomo Chemical Group’s competitiveness. In order to continuously create new value, we will build and enable an inclusive organizational culture that allows us to respect the individuality of each employee and embrace diversity to empower employees in an environment of mutual and close communication.

KPIs of Sumitomo Chemical (non-consolidated)

Percentage of female employees in positions equivalent to manager or above

Target Over **10%** (by 2022)

Current status: 5.8% (as of April 1, 2020)

Percentage of male employees taking childcare leave

Target Over **70%** (by 2022)

Current status: 44.7% (fiscal 2019)

Human Resources Development

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.

Human Resource Training

We promote various measures contributing to the growth of individual employees. Various educational programs are in place under our educational system, organized from the perspectives of “building a mindset to help your subordinates to grow and to help your own growth,” “strengthening the links between education and practical work,” “strengthening global human resource development measures,” and “fostering management personnel in digitalization.” In the “Sumika Development and Growth Declaration,” we are promoting active investment in education and self-development to ensure the growth of employees.

Health Management

In order to ensure that employees can live healthy and active lives both physically and mentally, Sumitomo Chemical is promoting a variety of health support programs under the company-wide supervision of industrial physicians, including health guidance by medical staff. In the Sumika Healthy Employee Declaration, we have put forward the slogan of “Good health is a prerequisite for good work and a good life!” and we are working on specific action plans in five areas: food, exercise, sleep, quitting smoking, and mental health.

Sumika ‘Take Action’ Declaration

Action Items

16 Revise eating habits, achieve a healthy weight.

For the prevention of lifestyle diseases, the body mass index (BMI) of all employees should be within an appropriate range of 18.5 to 24.9.

17 Exercise a little and stay healthy forever!

Use spare time to exercise every day, and keep this habit.

18 High performance depends on quality sleep.

Raise the quality of sleep to have energy the next day.

19 Smoking does nothing but harm.

Stop smoking for yourself and others.

20 Don’t forget to take care of your mental health.

Thoroughly communicate in the workplace, and relieve stress in a manner suitable for you.

Directors & Senior Management

(As of July 1, 2020)

■ Number of shares held (as of March 31, 2020) ■ Number of attendances at Board of Directors meetings for fiscal 2019



1 Masakazu Tokura

Chairman of the Board
 Birth Date: July 10, 1950
 ■ 243,600 ■ 13/13 times (100%)
 1974 Joined Sumitomo Chemical Co., Ltd.
 2019 Chairman of the Board (current)

2 Keiichi Iwata

Representative Director & President
 Birth Date: October 11, 1957
 ■ 112,100 ■ 13/13 times (100%)
 1982 Joined Sumitomo Chemical Co., Ltd.
 2019 Representative Director & President (current)

3 Noriaki Takeshita

Representative Director
 Birth Date: July 23, 1958
 ■ 65,800 ■ 13/13 times (100%)
 Petrochemicals & Plastics Sector
 1982 Joined Sumitomo Chemical Co., Ltd.
 2018 Representative Director &
 Senior Managing Executive Officer (current)

4 Masaki Matsui

Representative Director
 Birth Date: August 3, 1960
 ■ 38,521 ■ 10/10 times (100%)
 IT-related Chemicals Sector,
 PLED Business Planning Office,
 Electronic Devices Development Center
 1985 Joined Sumitomo Chemical Co., Ltd.
 2019 Representative Director &
 Managing Executive Officer (current)

5 Kingo Akahori

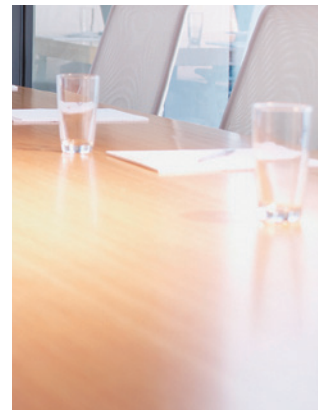
Representative Director
 Birth Date: August 2, 1957
 ■ 32,500 ■ 9/10 times (90%)
 Energy & Functional Materials Sector
 1983 Joined Sumitomo Chemical Co., Ltd.
 2019 Representative Director &
 Managing Executive Officer (current)

6 Nobuaki Mito Newly appointed

Representative Director
 Birth Date: August 4, 1960
 ■ 30,200
 Health & Crop Sciences Sector
 1985 Joined Sumitomo Chemical Co., Ltd.
 2020 Representative Director &
 Managing Executive Officer (current)

7 Hiroshi Ueda

Director
 Birth Date: August 5, 1956
 ■ 100,900 ■ 13/13 times (100%)
 Research Planning and Coordination,
 Digital and Data Science Innovation,
 Process & Production Technology & Safety Planning,
 Production & Safety Fundamental Technology Center,
 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)



8 Hiroshi Niinuma
 Director
 Birth Date: March 5, 1958
 ■ 78,600 ■ 13/13 times (100%)
 General Affairs, Legal, Sustainability,
 Internal Control and Audit, Human Resources,
 Osaka Office Administration,
 Corporate Communications, Procurement, Logistics
 1981 Joined Sumitomo Chemical Co., Ltd.
 2018 Director &
 Senior Managing Executive Officer (current)

9 Takashi Shigemori
 Director
 Birth Date: October 3, 1958
 ■ 33,930 ■ 10/10 times (100%)
 Corporate Planning, IT Innovation
 1983 Joined Sumitomo Chemical Co., Ltd.
 2019 Director &
 Senior Managing Executive Officer (current)

10 Koichi Ikeda
 Outside Director
 Birth Date: April 21, 1940
 ■ 0 ■ 13/13 times (100%)
 1963 Joined Asahi Breweries, Ltd.
 2002 Representative Director & President & COO,
 Asahi Breweries, Ltd.
 2006 Representative Director & Chairman & CEO,
 Asahi Breweries, Ltd.
 2010 Advisor, Asahi Breweries, Ltd.
 2011 Outside Corporate Auditor,
 Sumitomo Chemical Co., Ltd.
 2011 Advisor, Asahi Group Holdings, Ltd. (current)
 2015 Outside Director,
 Sumitomo Chemical Co., Ltd. (current)

11 Hiroshi Tomono
 Outside Director
 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
 (present Nippon Steel Corporation)
 2016 Outside Director,
 Japan Nuclear Fuel Limited (current)
 2020 Senior Advisor,
 Nippon Steel Corporation (current)
 2020 Outside Director, The Kansai Electric Power
 Company, Incorporated (current)

12 Motoshige Itoh
 Outside Director
 Birth Date: December 19, 1951
 ■ 0 ■ 12/13 times (92%)
 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 (current)
 2016 Outside Corporate Auditor,
 Haboromo Foods Corporation (current)
 2018 Outside Director,
 The Shizuoka Bank, Ltd. (current)
 2018 Outside Director,
 Sumitomo Chemical Co., Ltd. (current)

13 Atsuko Muraki
 Outside Director
 Birth Date: December 28, 1955
 ■ 0 ■ 12/13 times (92%)
 1978 Joined Ministry of Labour
 (Currently Ministry of Health, Labour and Welfare)
 2005 Counsellor for Policy Evaluation, Minister's Secretariat
 of Ministry of Health, Labour and Welfare
 2006 Deputy Director-General, Equal Employment,
 Children and Families Bureau of Ministry of
 Health, Labour and Welfare
 2008 Director-General, Equal Employment, Children and
 Families Bureau of 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 of Ministry of Health, Labour and Welfare
 2013 Vice Minister, Health, Labour and Welfare of
 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)
 2019 Outside Director, Sompco Holdings, Inc. (current)

■ Number of shares held (as of March 31, 2020) ■ Number of attendances at Board of Directors meetings for fiscal 2019 ○ Number of attendances at Corporate Auditors meetings for fiscal 2019



14 Kunio Nozaki
 Standing Corporate Auditor
 Birth Date: October 29, 1956

- 84,400
- 10/10 times (100%)
- 10/10 times (100%)

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

15 Hiroaki Yoshida
 Standing Corporate Auditor
 Birth Date: March 2, 1956

- 15,200
- 13/13 times (100%)
- 14/14 times (100%)

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

16 Mitsuhiro Aso
 Outside Corporate Auditor
 Birth Date: June 26, 1949

- 0
- 13/13 times (100%)
- 14/14 times (100%)

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

17 Yoshitaka Kato
 Outside Corporate Auditor
 Birth Date: September 17, 1951

- 0
- 13/13 times (100%)
- 14/14 times (100%)

1978 Registered as a certified public accountant (current)
 2008 CEO of Ernst & Young ShinNihon LLC
 2014 Left 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)

18 Michio Yoneda
 Outside Corporate Auditor
 Birth Date: June 14, 1949

- 2,000
- 12/13 times (92%)
- 13/14 times (93%)

1973 Joined Bank of Japan
 1998 General Manager, Sapporo Branch of Bank of Japan
 2000 Resigned as General Manager, Sapporo Branch of 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)

Executive Officers

President

Keiichi Iwata

Executive Vice President

Hiroshi Ueda

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

Senior Managing Executive Officer

Noriaki Takeshita

Petrochemicals & Plastics Sector

Hiroshi Niinuma

General Affairs, Legal, Sustainability, Internal Control and Audit, Human Resources, Osaka Office Administration, Corporate Communications, Procurement, Logistics

Takashi Shigemori

Corporate Planning, IT Innovation

Managing Executive Officer

Masaki Matsui

IT-related Chemicals Sector, PLED Business Planning Office, Electronic Devices Development Center

Kingo Akahori

Energy & Functional Materials Sector

Nobuaki Mito

Health & Crop Sciences Sector

Marc Vermeire

Sumitomo Chemical Europe S.A./N.V., Sumitomo Chemical Agro Europe S.A.S.

Keiichi Sakata

Corporate Planning Dept.

Motoyuki Sakai

Sumitomo Chemical Asia Pte Ltd

Yoshiaki Oda

Corporate Planning Dept., Intellectual Property Dept.

Soji Sakamoto

Basic Materials Div., Industrial Chemicals Div., Resin-related Business Development Dept., Polyolefins Div., Automotive Materials Div.

Yoshihiro Miyoshi

Digital and Data Science Innovation Dept., Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center, Responsible Care Dept.

Seiji Takeuchi

Planning & Coordination Office, Petrochemicals & Plastics Sector, Responsible Care Dept., Petrochemicals & Plastics Sector, Petrochemicals Research Laboratory

Naoyuki Inoue

Rabigh Refining and Petrochemical Company

Yasuaki Sasaki

Inorganic Materials Div., Advanced Polymers Div.

Keigo Sasaki

Accounting, Finance, Corporate Communications Dept.

Kenji Ohno

General Affairs Dept., Legal Dept., Sustainability Dept., Internal Control and Audit Dept.

Executive Officer

Andrew Lee

Valent U.S.A. LLC, Valent BioSciences LLC

Shinichiro Nagata

Ehime Works

Yoshizumi Sasaki

Resin-related Business Development Dept., Polyolefins Div., Automotive Materials Div.

Ichiro Kosaka

Planning & Coordination Office, Energy & Functional Materials Sector, Specialty Chemicals Div.

Masaya Naito

Procurement Dept., Logistics Dept.

Takanari Yamaguchi

PLED Business Planning Office, Planning & Coordination Office, IT-related Chemicals Sector, Optical Materials Div.

Akira Iwasaki

Planning & Coordination Office, Energy & Functional Materials Sector

Hirokazu Murata

Oita Works, Misawa Works

Isao Kurimoto

Research Planning and Coordination Dept., Digital and Data Science Innovation Dept., Industrial Technology & Research Laboratory

Koichi Ogino

Chiba Works

Kimitoshi Umeda

AgroSolutions Div. – International, Environmental Health Div.

Inho Rha

Dongwoo Fine-Chem Co., Ltd

Akira Nakanishi

Planning & Coordination Office, IT-related Chemicals Sector, Quality Assurance Office, IT-related Chemicals Sector

Masao Shimizu

Human Resources Dept., Osaka Office Administration Dept.

Hiroaki Fujimoto

AgroSolutions Div. – Japan

Kanako Fukuda

Sumitomo Chemical Europe S.A./N.V.











Juan Ferreira

Sumitomo Chemical do Brasil Representações Ltda

Hiroyoshi Mukai

Planning & Coordination Office, Health & Crop Sciences Sector, Quality Assurance Office, Health & Crop Sciences Sector

Significant Past Experience of Members of the Board of Directors and Reasons for Their Appointment

	Board of Directors	Position	Significant Past Experience	Reasons for Appointment
	Masakazu Tokura	Chairman of the Board	Business Planning & Administration Dept. Production Planning & Administration Dept. (Experience with overseas assignment)	After assuming the post of Executive Officer in 2003, he became Director & Senior Managing Executive Officer, and then Director & President in 2011. He formulated the Corporate Business Plan three times, including the current one (Apr. 2019 to Mar. 2022). Since April 2019, he has been focused on steering the Board of Directors as Chairman of the Board.
	Keiichi Iwata	Representative Director & President	Business Planning & Administration Dept. (Experience with overseas assignment) (Seconded to public sector agencies)	After assuming the post of Executive Officer in 2010, he became Director & Senior Managing Executive Officer. Since April 2019, as Director & President, he has promoted the current Corporate Business Plan (Apr. 2019 to Mar. 2022).
	Noriaki Takeshita	Representative Director Senior Managing Executive Officer	Business Planning & Administration Dept. Production Planning & Administration Dept. Human Resources Dept. (Experience with overseas assignment)	After assuming the post of Executive Officer in 2010, he served as Managing Executive Officer, and Director & Managing Executive Officer. In 2018 he became Director & Senior Managing Executive Officer, supervising the Rabigh Project, and the Petrochemicals & Plastics sector. As Director, his knowledge and experiences are reflected in his approach to the Company's overall management.
	Masaki Matsui	Representative Director Managing Executive Officer	Business Planning & Administration Dept. Sales & Marketing Dept. (Seconded to public sector agencies)	After assuming the post of Executive Officer in 2013, he served as Managing Executive Officer, and then Director & Managing Executive Officer in 2019. He supervises IT-related Chemicals, the PLED Business Planning Office, and the Electronic Devices Development Center. His knowledge and experiences are reflected in his approach to the Company's overall management.
	Kingo Akahori	Representative Director Managing Executive Officer	Research and Development, Sales & Marketing Dept. Business Planning & Administration Dept. (Experience with overseas assignment)	After assuming the post of Executive Officer in 2016, he served as Managing Executive Officer, and then Director & Managing Executive Officer in 2019. He supervises the Energy & Functional Materials sector and his knowledge and experiences are reflected in his approach to the Company's overall management.
	Nobuaki Mito	Representative Director Managing Executive Officer	Research and Development, Business Planning & Administration Dept. Intellectual Property	Since joining the Company, he has been engaged in R&D in the Health & Crop Sciences Sector while also formulating and promoting technology and R&D policy at the Planning & Coordination Office of the Health & Crop Sciences Sector. Since he assumed the post of Executive Officer in 2015, he has been an officer in charge of the Business Planning & Administration Dept., and the Intellectual Property Dept., and has worked on the creation of next-generation business, and the formulation and promotion of IP strategies. Since April 2019, as the officer in charge of the Planning & Coordination Office and the various Business Divisions in the Health & Crop Sciences Sector, he has promoted the current Corporate Business Plan (Apr. 2019 to Mar. 2022) in this sector.
	Hiroshi Ueda	Director Executive Vice President	Research and Development, Production, Business Planning & Administration Dept.	After assuming the post of Executive Officer in 2009, he served as Managing Executive Officer, and then Director & Senior Managing Executive Officer. In 2019, he became Director & Executive Vice President, supervising Research Planning and Coordination, Digital and Data Science Innovation, Process & Production Technology & Safety Planning, the Production & Safety Fundamental Technology Center, Intellectual Property, Responsible Care, the Industrial Technology & Research Laboratory, the Environmental Health Science Laboratory, the Advanced Materials Development Laboratory, and the Bioscience Research Laboratory. As Director, his knowledge and experiences are reflected in his approach to the Company's overall management.
	Hiroshi Niinuma	Director Senior Managing Executive Officer	Human Resources Dept. General Affairs Dept.	After assuming the post of Executive Officer in 2010, he served as Managing Executive Officer, and then Director & Senior Managing Executive Officer in 2018. He supervises General Affairs, Legal, CSR, Internal Control and Audit, Human Resources, Osaka Office Administration, Corporate Communications, Procurement, and Logistics. As Director, his knowledge and experiences are reflected in his approach to the Company's overall management.
	Takashi Shigemori	Director Senior Managing Executive Officer	Business Planning & Administration Dept. (Experience with overseas assignment)	After assuming the post of Executive Officer in 2012, he served as Managing Executive Officer, and then Director & Senior Managing Executive Officer in 2019. He supervises Corporate Business Development, Corporate Planning, IT Innovation, Accounting, and Finance. As Director, his knowledge and experiences are reflected in his approach to the Company's overall management.
	Koichi Ikeda	Outside Director	—	Appointed to make use of his abundant experience and broad insights as a manager of a corporation in the supervision of the management of this Company.
	Hiroshi Tomono	Outside Director	—	Appointed to make use of his abundant experience and broad insights as a manager of a corporation in the supervision of the management of this Company.
	Motoshige Itoh	Outside Director	—	His expertise as a professor of economics over the years, and experience as a member of various government councils, allowed him to cultivate abundant socio-economic knowledge, and this can be put to great use in the supervision of the management of this Company.
	Atsuko Muraki	Outside Director	—	Her long-term experience in the administration as a public servant cultivated abundant and broad knowledge relating to law and society, and this can be put to great use in the supervision of the management of this Company.

Corporate Governance

Corporate Governance Initiatives

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 Board of Directors is highly effective, and that the company's governance structures serve their appropriate functions, including with respect to executive nomination and remuneration, with the aim of further improving corporate governance.

Basic Stances

Sumitomo Chemical cherishes deeply the Sumitomo Spirit which has been passed down through generations over nearly 400 years, the basic teaching of which is, among others, not to seek its own interests alone, but to contribute to society through its business activities. In accord with this business credo, the company strives to take on challenges constantly of creating new value by capitalizing on its proprietary technologies toward achieving the company's sustained growth while at the same time cultivating corporate culture full of vigor and growing as a company that earns trust from the public at large. Recognizing that highly effective corporate governance is vital to attaining these ends, the company keeps working to further enhance its corporate governance in accordance with the following policies and principles, centering particularly on closer cooperation with shareholders and various other stakeholders, faster decision-making, proper oversight of business execution, enhanced systems of compliance and internal control, and active dialogue with stakeholders.

- Sumitomo Chemical not only shall respect the rights of shareholders, but shall endeavor to provide an environment where shareholders can exercise their rights smoothly and also to ensure the effectively equal treatment of shareholders.
- Recognizing that cooperation with various stakeholders, including employees, customers, business partners, creditors, and local communities, is essential to sustained growth, Sumitomo Chemical shall proactively work to fulfill its corporate social responsibility and strive to cultivate corporate culture of a company that can be trusted by society.
- As part of efforts to build a foundation for constructive dialogue with stakeholders, Sumitomo Chemical shall endeavor to provide information that is highly reliable and useful to recipients. Sumitomo Chemical's Board of Directors shall fulfill its role and mission properly, based on their fiduciary responsibilities and accountability to shareholders and recognizing the important role of Independent Outside Directors & Auditors, through such measures as presenting appropriate corporate management policies and business strategies that have taken into account changing socioeconomic conditions, and conducting highly effective oversight over the execution of business.
- Sumitomo Chemical shall endeavor to promote constructive dialogue with shareholders with the aim of seeking to attain the company's sustained growth and to enhance corporate value in the medium to long term.

Sumitomo Chemical has prepared Corporate Governance Guidelines. These Guidelines can be viewed on Sumitomo Chemical's website. <https://www.sumitomo-chem.co.jp/english/company/governance/>

Measures to Date for Strengthening Corporate Governance

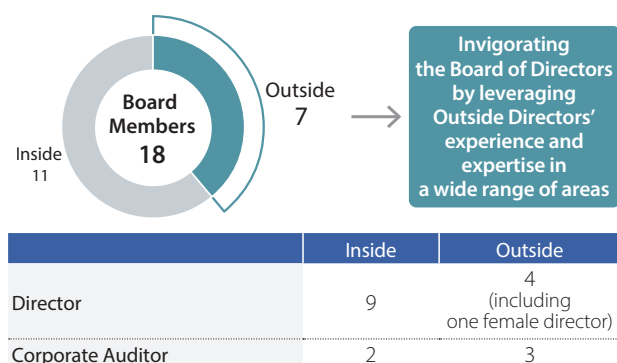
Date	Major Initiatives	Board Composition	Appointment of Board Members	Executive Remuneration	Other
2003	June	●			●
	July				●
2004	June			●	
2007	May				●
	September			●	
2010	September		●		
2011	November	●	●		
2012	June	●			
2015	June	●			
	October			●	
				●	
2016	December				●
2018	June	●			

Recent Initiatives to Strengthen Corporate Governance

■ Further Strengthening of the Board of Directors' Oversight and Advisory Functions

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 18 total members of the Board of Directors and the Board of Corporate Auditors, seven are outside members. Outside Directors have experience in a wide range of fields, including corporate management, economics, government, the legal profession, and accounting. We will continue to further revitalize the Board of Directors, leveraging these perspectives.

Board Composition (As of July 1, 2020)



■ Changes in the Operation of the Board of Directors

After the implementation of Japan's Corporate Governance Code, we changed the operation of the Board of Directors to place greater emphasis on deliberating management policies, business strategy, and important matters of business execution, and on oversight of that execution. Specifically, we are enhancing reporting on the status of business execution for each Executive Officer. Depending on the content of each report, we have established several reporting methods. For example, for large-scale projects, we share details with the Board of Directors at an early stage and discuss the direction of the projects. In this way, meaningful discussions are held that contribute to sustainable development and rapid and decisive decision-making.

■ Utilizing Outside Director Roles

To make maximum use of the oversight and advisory functions of the Outside Directors, it is essential to minimize asymmetries in information between inside and Outside Directors. The measures including those listed below have been implemented to revitalize board deliberation.

Measures to Make Maximum Use of Outside Director Functions

Specific Measures	Frequency	Description
Briefings prior to Board of Directors meetings	Every month	Outside Directors gather together in advance of Board of Directors meetings to receive a detailed briefing from the relevant departments, along with a Q&A session, on issues to be discussed at the Board of Directors meeting.
Reporting on issues discussed in internal meetings	Every month	Explanations are provided on the points of discussion at internal meetings, and on how the views expressed at the meetings are reflected in the proposal before the Board, for issues such as the launch of a business or an acquisition.
Reporting on important matters to the Board of Directors at an early stage	In each case	Important matters, such as management direction, M&A transactions, or large-scale projects, are reported to the Board of Directors at an early stage of consideration so that the Board's intentions can be reflected.
Outside Directors & Corporate Auditors meetings	Once a year	Based on such materials as the results of surveys on the effectiveness of the Board of Directors, meetings consisting of the Chairman of the Board, the President and the Outside Directors and Corporate Auditors are held to enable a frank exchange of views.
Meetings with Outside Directors and Corporate Auditors only	Twice a year	After Board of Directors meetings, meetings consisting of only Outside Directors and Corporate Auditors are held to exchange opinions freely.
Meetings between Outside Directors and Corporate Auditors and major sectors	Six times a year	After Board of Directors meetings, meetings are held between the executives and employees of the department in charge of the Rotation Report* for that Board of Directors meeting and the Outside Directors and Corporate Auditors, enabling them to exchange opinions freely and honestly.
Visits to production sites	Twice a year	Visits are made to our production sites both inside and outside Japan.

* Rotation Report: Comprehensive and systematic reporting over a significant amount of time for each sector.

■ Assessing the Effectiveness of the Board of Directors

Assessment Method

Sumitomo Chemical's Board of Directors carries out analyses and appraisals regarding the effectiveness of the Board of Directors through exchanges of opinions at meetings attended by Outside Directors, Outside Corporate Auditors, the Chairman of the Board, and the President, as well as at Management Meetings attended by inside directors, while taking into account survey results from all Directors and Corporate Auditors and opinions expressed by the Board of Corporate Auditors. Based on these opinions, the Board of Directors works to improve its effectiveness every year.

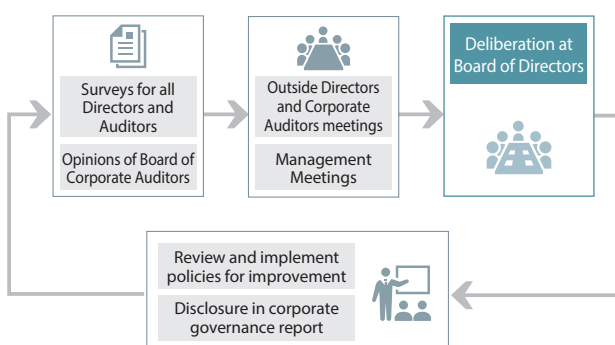
Assessment of Fiscal 2019 and Improvements over Fiscal 2018

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. At the end of fiscal 2019, we confirmed steady yearly improvement in its effectiveness, which was at a favorable level in general. With new perspectives always in mind, we continue various initiatives and work to devise ways to improve its effectiveness.

Addressing Various Points to be Improved that were Raised in Fiscal 2018

- Setting up a timeframe for meetings, giving more ample time for the Board of Directors. Giving greater clarification of the main issues during briefings, and promoting more active discussion at the Board of Directors.
- To enable Outside Directors and Outside Corporate Auditors to play their roles and responsibilities properly, we plan a meeting only for independent outside directors and auditors, and provide a venue where Outside Directors and Outside Corporate Auditors can exchange views frankly with a broad range of personnel in the company.

PDCA Cycle for Further Improving the Effectiveness of the Board of Directors



Toward the Future

With the aim of achieving long-term sustainable growth, Sumitomo Chemical will discuss its long-term vision in depth, taking into account the next Corporate Business Plan, in addition to the promotion of sustainability. To further enhance group governance, we will strengthen our supervision of the post-merger integration (PMI) process for newly acquired businesses, examine ways to further increase synergies among businesses, and review business portfolios. In an effort to encourage more deliberation at meetings of the Board of Directors, we will also create greater linkages between pre-briefing sessions and meetings of the Board of Directors, set up a venue for more free discussion, and make more thorough Rotation Reports.

■ Visits to Production Sites by Outside Directors and Corporate Auditors

To gain a better understanding of the current situation, every year Outside Directors and Outside Corporate Auditors at Sumitomo Chemical visit production sites located in and outside of Japan. In November 2019, they visited the Misawa Works. Outside Directors and Outside Corporate Auditors considered the visit to be very significant, as it deepened their understanding of the business of the company.

(Note) Visit to a group company in Taiwan scheduled in February 2020 was postponed due to the Covid-19 pandemic.

Record of Recent Visits

- In November 2017, Oita Works
- In March 2018, a group company in South Korea
- In September 2018, Ehime Works
- In February 2019, a group company in Saudi Arabia
- In November 2019, Misawa Works



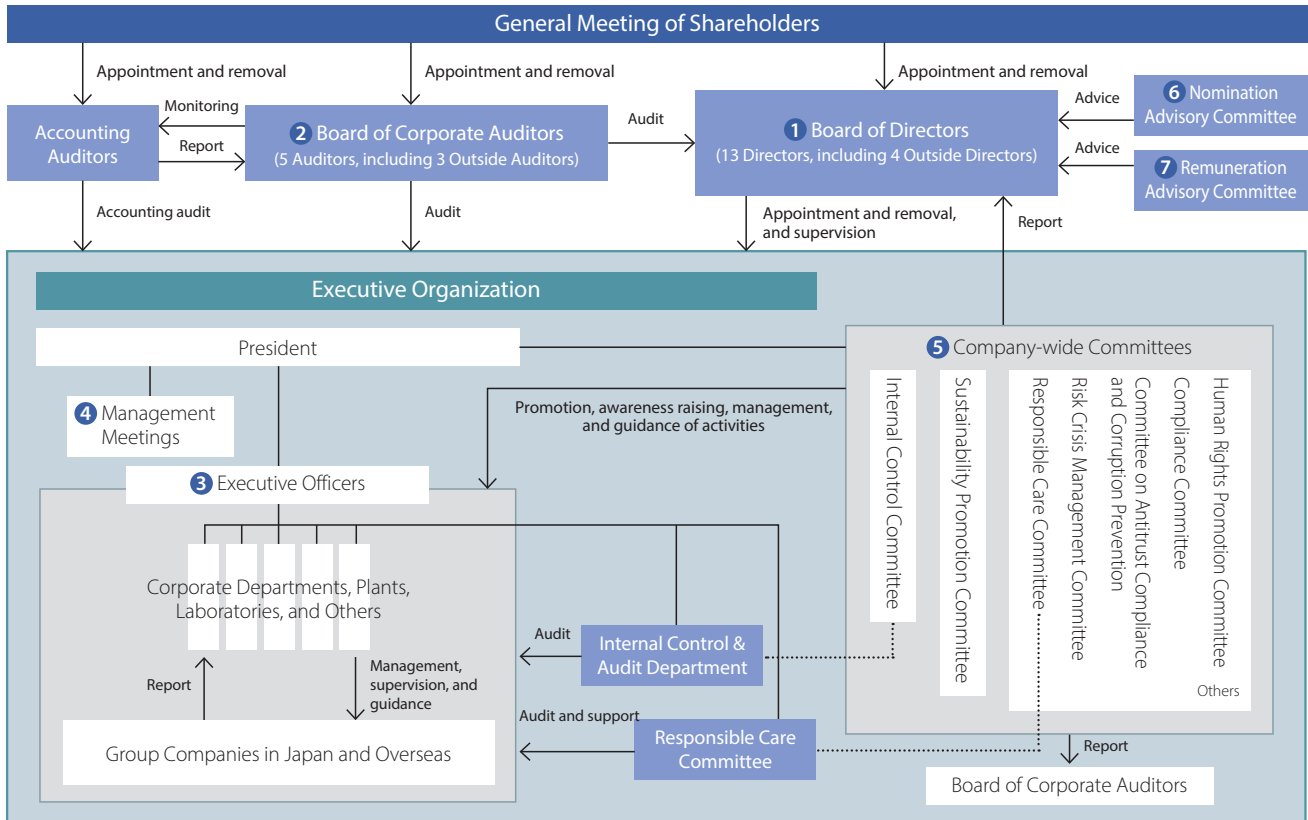
Visit to Misawa Works (in November 2019)

Major Agendas Discussed at Meetings of the Board of Directors in Fiscal 2019

- Financial results, dividends, financing
 - Management strategy, sustainability, assessment of the effectiveness of the Board of Directors
 - R&D, digital innovation, IT promotion
 - Internal controls, responsible care, risk management, compliance
 - Nomination, remuneration, important personnel changes, recruitment and training of human resources
 - Auditors, accounting auditors
 - Important investments
 - Acquisition of the South American business of Nufarm
 - Strategic alliance with Roivant
 - Projects relating to Petro Rabigh
- etc.

Current Corporate Governance Organization

Corporate Governance Organization (As of July 1, 2020)



Structure

1 Board of Directors

The Sumitomo Chemical Board of Directors decides important matters concerning the company's management, including management policy and business strategies, 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.

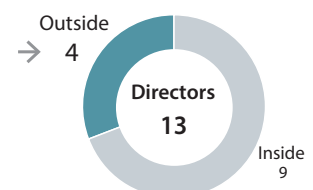
It also analyzes and assesses the effectiveness of the Board of Directors, and follows up on the results to ensure and improve effectiveness. In accordance with the Nomination Advisory Committee's advice, candidates for Director are nominated by the Board of Directors and are elected once a year at the General Meeting of Shareholders.

Overview of the Board of Directors

Chairperson	Chairman of the Board	The Chairman of the Board does not concurrently serve as Executive Officer.
Number of Persons	13	
Frequency	Monthly in principle	Special meetings of the Board of Directors are convened as needed.
The Term of Office of Directors	One year	The term of office of Directors is one year, in order to establish clear administrative responsibility and roles for Directors.

Breakdown of 13 Directors

	Male	Female	Total
Inside	9	0	9
Outside*	3	1	4
Total	12	1	13



* Independent Outside Directors having no conflicts of interest with general shareholders

2 Board of Corporate Auditors

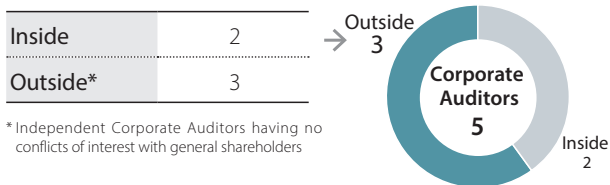
We have a Corporate Auditor system, with a Board of Corporate Auditors consisting of five Corporate Auditors, including three Outside Corporate Auditors. The Corporate Auditors and the Board of Corporate Auditors play a vital role in our corporate governance by auditing the performance of duties by Directors in accordance with the law and the Articles of Incorporation. The Board of Corporate Auditors meets monthly as a rule and strives to obtain timely information, including important compliance-related information.

Standing Corporate Auditors and Outside Auditors attend meetings of the Board of Directors and the Board of Corporate Auditors. In conducting their audits, they receive reports and explanations as needed from the Internal Control & Audit Department, operating divisions, and accounting auditors. In addition, Standing Corporate Auditors attend meetings of the Internal Control Committee and other important company meetings.

The results of audits and the objective views of Outside 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.

Breakdown of 5 Corporate Auditors



Management Organizations for Decision-making, Execution, and Auditing

3 Executive Officers

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. The term of office for Executive Officers is one year.

Breakdown of 37 Directors

	Male	Female	Total
Japanese	32	1	33
Non-Japanese	4	0	4
Total	36	1	37

4 Management Meetings

Management Meetings support the decision-making of our management by providing a forum for deliberation on such vital matters as corporate strategy and capital investment, including matters to be deliberated in the Board of Directors and reports to be made to the Board. Management Meetings consist of the Executive Officers who are in charge of or who supervise key management functions, the Standing Corporate Auditors, and the Chairman of the Board. In principle, the meetings are held 24 times a year.

5 Committees

We have established internal meetings (committees) to deliberate on important matters concerning the management of the company and the Group from a broad and diverse range of viewpoints. The content of these meetings is reported to the Board of Directors as needed, and the committees receive instructions from the Board of Directors in an effort to enhance business execution and oversight functions. Several of these committees are attended by the Standing Corporate Auditors, who serve as observers, including the Internal Control Committee, the Compliance Committee, and the Responsible Care Committee.

We regard the promotion of sustainability as a core issue for the entire Group. In 2018, we expanded the CSR Promotion Committee and established a new Sustainability Promotion Committee to further strengthen our sustainability initiatives. The Responsible Care Committee also examines specific measures to address climate change and other environmental issues. To further promote initiatives in respect of human rights, the Human Rights Promotion Committee was established in fiscal 2019.

Overview of Committees and Number of Meetings in Fiscal 2019

Name	Purpose	Number of Meetings in Fiscal 2019
Internal Control Committee	Deliberates on measures to build and improve a proper internal control system.	3
Sustainability Promotion Committee	This committee recommends measures to accelerate contributions to sustainability by comprehensively grasping the various efforts the Sumitomo Chemical Group makes regarding environmental and societal issues.	2
Responsible Care Committee	This committee formulates annual policies, medium-term plans, and specific measures concerning responsible care (safety, health, environment, and quality), including climate change issues.	1
Risk and Crisis Management 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.	6*
Compliance 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.	1
Human Rights Promotion Committee	This committee promotes increasing awareness of human rights issues, and drafts and executes policies to respect human rights in the entire value chain.	1

(Note) Each committee separately held subcommittee meetings on specific important topics and secretariat meetings.

* The number of meetings increased as we deliberated on preventive measures for the Covid-19 pandemic.

Executive Nomination and Remuneration

6 Nomination Advisory Committee

The Nomination Advisory Committee was established in October 2015 to act as an advisory body to the Board of Directors on the selection of senior management* and on the appointment of directors and auditors. The committee is made up of Outside Directors and Sumitomo Chemical representative directors. Regular meetings are held annually and ad hoc meetings are convened as needed. With a majority of members being Outside Directors, the committee advises the Board of Directors on the appointment of officers, with the purpose of ensuring more transparency, fairness, and openness in the process of appointing officers and bringing greater clarity to the process.

* Senior management means Executive Officers above Senior Managing Executive Officer, and Managing Executive Officers who are immediately under the President, supervising certain functions.

7 Remuneration Advisory Committee

The Remuneration Advisory Committee was established in October 2015, as an advisory body to the Board of Directors on the remuneration system, remuneration levels, and other related matters, for top management and Directors. The committee is made up of Outside Directors and Sumitomo Chemical representative directors. It holds regular meetings annually and convenes ad hoc meetings as needed. With a majority of members being Outside Directors, the committee advises the Board of Directors in deciding the executive officer remuneration system and levels, in order to achieve greater transparency, fairness, and openness.

Directors' and Corporate Auditors' Remuneration in Fiscal 2019

Title	Total	Breakdown of Remuneration		Number of people*
		Basic Remuneration	Bonuses	
Directors (excluding Outside Directors)	¥650	¥585	¥64	12
Standing Corporate Auditors	¥78	¥78	¥—	3
Outside Directors and Corporate Auditors	¥103	¥97	¥6	7

* The above count includes three directors and one auditor who retired during fiscal 2019.

Composition of the Nomination Advisory Committee and the Remuneration Advisory Committee and Attendance Status (Meetings Attended / Meetings Held)

		Nomination Advisory Committee	Remuneration Advisory Committee
Chairman of the Board	Masakazu Tokura (Chairman)	1/1 times (100%)	2/2 times (100%)
Representative Director & President	Keiichi Iwata	1/1 times (100%)	2/2 times (100%)
Outside Director	Koichi Ikeda	1/1 times (100%)	2/2 times (100%)
Outside Director	Hiroshi Tomono	1/1 times (100%)	2/2 times (100%)
Outside Director	Motoshige Itoh	1/1 times (100%)	2/2 times (100%)
Outside Director	Atsuko Muraki	1/1 times (100%)	2/2 times (100%)

Activities of the Advisory Committees in Fiscal 2019

Nomination Advisory Committee

- Deliberation on officers for fiscal 2020.

Remuneration Advisory Committee

- Deliberation on revising the policy for determining the remuneration of executive officers.
- Deliberation on the calculation method for the bonuses of officers
- Deliberation on basic remuneration

Policies and Procedures for Reshuffling Senior Management and Nominating Candidates for Directors and 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 outside 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

- Representative Directors select candidates suitable for senior management, the Board of Directors, or the Corporate Auditors in line with the policies described above.
- The results of the nomination will be deliberated at the Nomination Advisory Committee, comprised of Outside Directors and Corporate Auditors, which is set up under the Board of Directors, and recommended to the Board of Directors. The Board of Directors will deliberate based on the advice and make a decision. Appointment of a Director or Corporate Auditor will be made by a resolution at the General Meeting of Shareholders.

Appointment/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.

1. Basic Policy for Remuneration of Directors, etc.

- (1) The remuneration of senior management and directors (hereinafter "Directors etc.") shall consist of basic compensation and bonuses.
- (2) Basic compensation is designed to serve as an incentive for the actions of Directors, etc. to contribute to the company's sustainable growth, rather than aiming for short-term or sub-optimal effects.
- (3) The scale of bonuses shall largely reflect the company's consolidated financial results for a fiscal year in order to heighten incentives to achieve the annual targets of business plans.
- (4) Remuneration shall be set at levels that are designed to be objectively competitive to attract and retain outstanding talent while taking into consideration such factors as the scale and content of the company's business. Based on surveys by a third-party organization and other materials, such levels shall be checked annually for objective appropriateness.

2. Mechanisms of Each Remuneration Element

(1) Basic Compensation

The level of basic compensation shall be determined based on the policy described in section 1(4) above.

While basic compensation for each year shall be fixed, the company will adopt a mechanism whereby basic compensation levels would be changed in the event that the company's position has changed, in terms of the company's size, earnings capacity, and outside evaluations, from a comprehensive and medium- to long-term perspective.

As main indicators for determining whether there has been a change in the company position, the company will apply the following: ① in terms of the company's size, 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 the 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 for each position.

(2) Bonuses

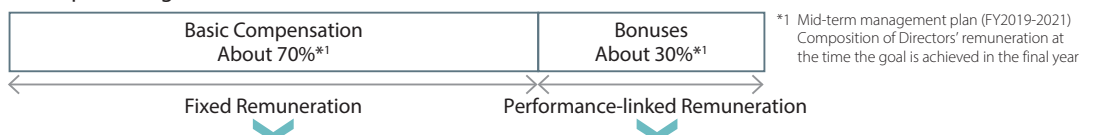
Bonuses shall be paid on the condition that performance for that fiscal year exceeds a particular level and shall be determined based on the bonus calculation formula (performance indicator x coefficient).

In order to reflect the current earnings capacity of the relevant business year (including financial activities) in the value of bonuses, the company will use the combined value of consolidated core operating profit and financial profit and loss as the performance indicator in 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.

(3) Percentages of Fixed Remuneration (Basic Compensation) and Performance-linked Remuneration (Bonuses)

The company will set the bonus calculation formula such that the bonuses of Directors (excluding Outside Directors) accounts for roughly 30% of total remuneration when the consolidated performance goal (core operating profit) for the latest fiscal year of the Corporate Business Plan (fiscal years 2019 to 2021) is achieved.

Conceptual Diagram of the Remuneration of Directors



Based on the factors for determination described below, the company will change the amount of remuneration when it is determinable that the company's position has changed from a comprehensive and medium- to long-term perspective.

Factors for Determination	Major Indicators
Company's size	Sales revenue
	Total assets
	Market capitalization
Earnings capacity	Current income (belonging to the parent company)
	ROE
	ROI
Outside evaluations	D/E ratio
	Credit ratings
	ESG index selected by GPIF

(Note) The amount to be paid to each person will be determined by each position.

The amount of bonuses will be determined by the calculation formula based on the following consolidated performance indicator.

Consolidated performance indicator	Core operating profit plus financial profit and loss
Calculation formula	Consolidated performance indicator
	X Coefficient*2

*2 The Company will arrange so that the higher the position, the larger the coefficient will be.
(Note) If a consolidated performance indicator does not exceed a particular level, bonuses will not be paid.

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 for total remuneration prescribed by the resolution of the 125th General Meeting of Shareholders, held on June 23, 2006 (i.e. 1 billion yen or less per year). Furthermore, the specific amount of remuneration

for each Director or other officer shall be determined by the Chairman of the Board, as authorized by the Board of Directors, based on the standard advised by the Remuneration Advisory Committee.

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, with additional meetings held as needed.

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.

■ 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, environment, and quality throughout the life cycle of chemical products. Internal audits and Responsible Care audits are coordinated with each other as needed.

① Internal Audits

The Internal Control & Audit Department organizes teams of several employees who conduct internal audits on Sumitomo Chemical and its major Group companies once every two to five years from the following perspectives: effective and efficient operations; reliability of financial reporting; and compliance with relevant laws and statutes in all business activities.

The department also reports the results of internal audits to the Internal Audit Liaison Meeting, which is held on a quarterly basis and is attended by the 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. The department also reports to the Internal Control Committee once every six months in order to share issues and to promote the lateral deployment of measures.

In addition, in accordance with the Financial Instruments and Exchange Act, the department evaluates the effectiveness of internal controls over the Sumitomo Chemical Group's financial reporting, and also reports on the status of its evaluations to the Internal Control Committee.

In case any serious matter relating to internal controls is found, the matter will be promptly reported to Executive Officers and Standing Corporate Auditors on the reporting line.

② Responsible Care Audits

The Responsible Care Department organizes teams of dedicated employees to conduct responsible care audits on each of our business sites and on major Group companies every one to three years, in principle, from the following perspectives: ensuring safety, health, environmental protection, maintenance and improvement of quality, compliance, including with security trade controls, and control system security throughout the entire life cycle of chemical products.

Through these audits, we are striving to support the improvement of Responsible Care management in accordance with the size, type of business, and characteristics of each business site and Group company. Issues discovered during the audit and the progress of improvements are reported internally every time and to the Responsible Care Committee when it meets once a year.

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.

Risk Management Organization

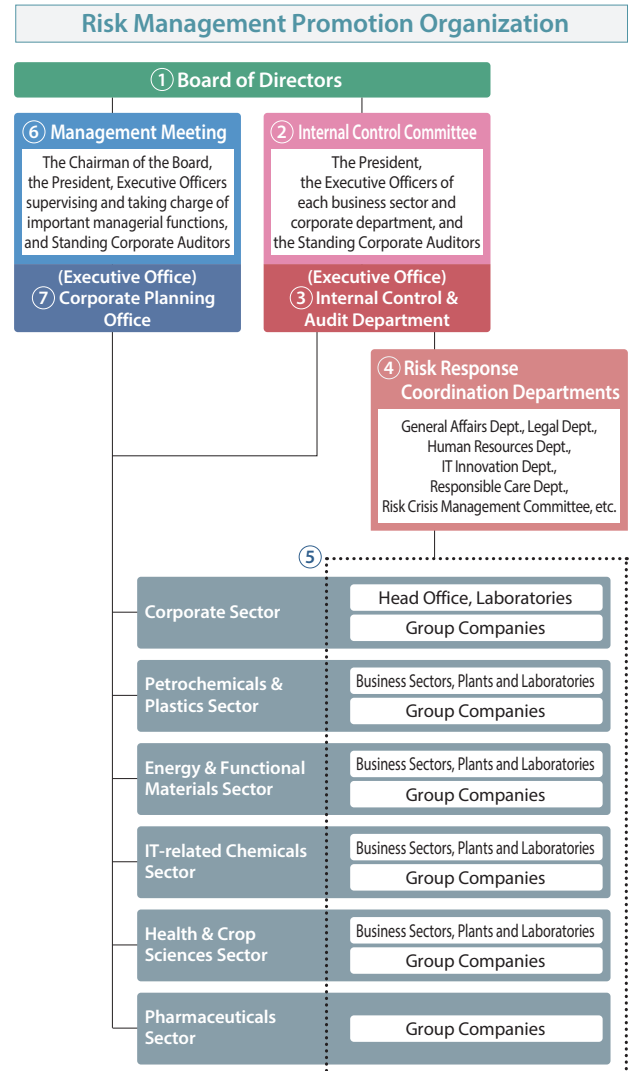
At Sumitomo Chemical, as part of its standard duties, each of the Group's organizations is taking various measures to properly manage risks associated with its business operations. In order to support initiatives and thorough risk management of each organization, the Internal Control Committee deliberates on Group-wide risk management policy, collection of risk information, and various measures to thoroughly communicate to employees in the Group.

As a main measure, every year, approximately 120 major organizations, both in Sumitomo Chemical and Group companies around the world, conduct risk evaluations, assessing the probability of occurrence and the potential impact of various risks that could hinder the achievement of business objectives. These results are then aggregated by the Internal Control & Audit Department to create a Group-wide priority risk map. Based on this risk map, the Internal Control Committee identifies priority risks that require Group-wide countermeasures. Then, our risk response coordination organizations, which have been established for each priority risk, formulate a response plan for the entire Group, and each organization of the Group implements countermeasures in accordance with this plan. Moreover, the committee regularly receives reports on the progress of countermeasures and gives necessary instructions.

Management meetings deliberate as needed on the management strategy of Sumitomo Chemical and Group companies around the world, critical matters for management, including capital spending/investment and loans (p.34: various measures in Corporate Business Plan), in terms of both opportunities and risks. 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 and 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.



- 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.
- Internal Control Committee (Chaired by the President)**
 - The committee deliberates on policies related to risk management for the entire Sumitomo Chemical Group, and supervises the efforts of each organization based on these policies.
- Internal Control & Audit Department**
 - As the executive office of the Internal Control Committee, this department monitors the risk management activities of each department and Group company of the Sumitomo Chemical Group.
- 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.
- Each Department and Group Company**
 - These organizations are the main drivers of risk management.
 - The organizations develop and implement countermeasures for the risks affecting their own organization or company.
- Management Meeting**
 - Concerning important matters for management, including management strategy and capital spending for each organization of the Group, it deliberates on individual proposals in terms of risks and opportunities.
- Corporate Planning Office**
 - As the Executive office for the management meeting, it selects the agenda for deliberation and conducts meetings so as to enable proper deliberation of important matters.

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. In fiscal 2019, the South American RLCO was established and started its activities after we acquired businesses in South America.

(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.

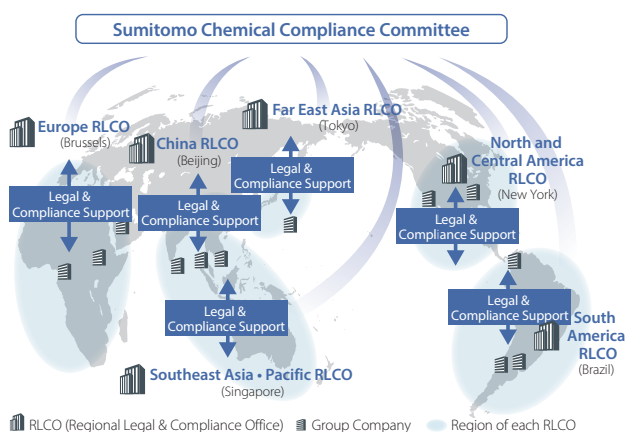
- ① Establishing and operating the Compliance Committee (including responding to internal reports and conducting compliance violation investigations)
- ② Introducing and regularly reviewing the Code of Ethics
- ③ Introducing and operating the Internal Reporting system (the Speak-Up Reporting System)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

(4) Internal Reporting System (Speak-Up Reporting 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 Reporting 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. An investigation based on an Internal Report is carried out with utmost consideration for protecting the privacy of the person reporting and maintaining confidentiality of the information provided, and maximum care is taken to ensure that a person who has made a report will never be put at any disadvantage on the grounds of having made the report, including dismissal, transfer, or discrimination. In addition, we clearly state in our compliance manuals and thoroughly communicate to employees that, if one voluntarily reports his/her own compliance violation to the Company and cooperates in investigations by the Compliance Committee, they may be subject to reduced disciplinary action or entirely exempted from disciplinary action to be taken under the company rules. The entire Sumitomo Chemical Group has been promoting the use of the Internal Reporting System. As a result, the number of the reports for the entire Sumitomo Chemical Group in fiscal 2019 increased by 2 from the previous year, to 151. Reports and compliance violations are reported to the Board of Corporate Auditors on a regular basis.

* Detailed compliance initiatives are elaborated in the Sustainability Data Book 2020.

Compliance System at Sumitomo Chemical Group



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

In 2012, we established the Committee on Antitrust Compliance and Corruption Prevention (chaired by the company's President) to establish and manage anti-corruption systems for Group companies in Japan and overseas 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 corruption prevention manual 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.

Responsible Care

[Occupational Safety and Health, Industrial Safety and Disaster Prevention / Environmental Protection / Product Stewardship, Product Safety, and Quality Assurance]

Occupational Safety and Health, Industrial Safety and Disaster Prevention

Initiatives to Ensure Safety at All Group Workplaces

The Sumitomo Chemical Group aims to achieve zero severe accidents across all workplaces, as per the basic principle of "Making safety our first priority." To this end, we have ramped up our efforts to ensure safety by communicating thoroughly to make sure everyone observes the Safety Ground Rules, which are common to all Group employees, evaluating and improving the level of safety culture in workplaces, raising the level of safety management with the use of IoT technology, and reviewing and reinforcing natural disaster prevention measures. Through dialogues with residents in the region, we explain to neighboring residents our efforts to ensure safety, and work to deepen our mutual understanding.

Environmental Protection

Environmental Protection Activities Rooted in Local Communities

The Sumitomo Chemical Group has set common targets for environmental conservation and is working to reduce environmental impact throughout the Group. Specifically, we have set goals in each field, such as conservation of air and water environments, resource saving and waste reduction, appropriate management of chemical substances, preservation of biodiversity, and protection of the soil environment. We are working to enhance our efforts to achieve these goals at each business site. In the future, we will continue to focus on environmental conservation activities rooted in local communities and strive to secure the trust of society, which is a major prerequisite for continuing our business.

Product Stewardship, Product Safety, and Quality Assurance

For the Safety and Peace of Mind of Our Customers

The Sumitomo Chemical Group estimates the degree of impact our chemical products have in terms of safety on people and the environment throughout their lifecycle, and promotes activities to protect people's health and the environment based on those risks. As part of its Eco-First Commitments, Sumitomo Chemical is currently carrying out risk assessments of the chemical substances that the company produces and offers for sale in annual quantities of 1 ton or more. The company is publishing the results of these assessments as safety summaries.* The company is reassessing whether the products it sells are of sufficient quality so that customers can use them safely, incorporating information from these assessments. Going forward, we will continue to thoroughly implement day-to-day management so that we can deliver products and services of such quality that customers around the world can use them with peace of mind.

* Documents that record safety information for chemical substances

Status of Dialogues with Local Communities for FY2019 (Sumitomo Chemical's Non-consolidated Business Locations)

Number of Dialogues Held	35	Number of Participants	374
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A local dialogue

▶ "Occupational Safety and Health, Industrial Safety and Disaster Prevention" chapter of the *Sustainability Data Book 2020*

Performance Targets and Results for FY2019 (Sumitomo Chemical's Non-consolidated Production Plants)

Target	Maintaining a 60% reduction in total emissions of substances subject to the PRTR* (emissions into the air and water) compared to fiscal 2008
Result	89.9% reduction compared to fiscal 2008

* Chemical Substances Control Promotion Law "PRTR: Pollutant Release and Transfer Register"

Target	Maintaining an 80% reduction in landfill volume of industrial waste compared to fiscal 2000
Result	94.0% reduction compared to fiscal 2000

▶ "Environmental Protection" chapter of the *Sustainability Data Book 2020*



Eco-First Commitments

Commitment Example	We will promote the management of chemical substances, using proprietary technology, and risk communications in an appropriate and proactive manner.
Performance Result	We have completed hazard assessments for all substances in our initial plan, and published safety summaries for 56 materials.

Since November 2008, Sumitomo Chemical has participated in the Eco-First Program of Japan's Ministry of the Environment as the only Japanese diversified chemical company. We disclose the progress of these initiatives and regularly report them to the Ministry of the Environment.

▶ "Product Stewardship, Product Safety, and Quality Assurance" chapter of the *Sustainability Data Book 2020*

Dialogue with Shareholders and Investors

Basic Policy

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.

Achievements

Sumitomo Chemical holds a briefing session on its business strategy by the President every year, as well as individual briefing sessions given by the heads of business sectors, including the one on growth strategy by the IT-related Chemicals sector in fiscal 2019. Tours of plants are held every year for institutional investors and analysts. In fiscal 2019, a tour of a plant in South Korea was organized to allow them to see the frontlines of our operation there.

Since fiscal 2016, we have arranged opportunities for directors who are in charge of a sector or head-office function to meet with investors and analysts and directly exchange views several times a year. Not only does management offer explanations, it also directly receives frank opinions from investors and analysts. This has led to constructive dialogue on our issues and the vision we should aim for, and mutual understanding is advancing year by year.

A number of IR meetings for individual investors are also held to promote a more profound understanding of our Company.



Sumitomo Chemical's exhibit at the Sawakami Fund Investment Report Exhibition 2019 (in September 2019)

Summary of IR Activities (FY2019)

Briefing Sessions

	Times Held	Attendees
Current priority management issues and business strategy	1	113
Business strategy	1	90

	Times Held	Attendees
Conference call on earnings report	6	1,220

Visit our website for documents used in the conferences.

<https://www.sumitomo-chem.co.jp/english/ir/event/>

Individual Meetings (Institutional Investors and Analysts)

Attendees*

381

* Including participants in the domestic and overseas conferences

Investors Visits

	Times Held
Overseas	29
Japan	6

Small Meetings

	Times Held	Attendees
Small meetings with the President	2	49
Small meetings with representative directors of business sectors	3	65

Tours of Production Facilities for Institutional Investors and Analysts

Times Held	Attendees
1	14

Individual Investors' Meetings*

Times Held	Attendees
10	approx. 830

* Including online sessions.

External Evaluation



FTSE4Good Index Series

This index, designed by FTSE Russell, a global index provider, consists of companies demonstrating strong Environmental, Social and Governance (ESG) practices selected from among all leading global companies.



FTSE Blossom Japan Index

This index, designed by FTSE Russell, a global index provider, consists of Japanese companies demonstrating strong ESG practices. It is designed so as to make the industry segment allocation similar to that of the Japanese stock market.



MSCI Japan ESG Select Leaders Index <https://www.msci.com/esg-investing>

This index is designed by MSCI, a provider of various tools to support institutional investors around the world in their investment decision making. It selects companies demonstrating strong ESG practices from component issues of the MSCI Japan IMI Top 500 Index.



MSCI Japan Empowering Women Index (WIN)

This index is designed by MSCI, a provider of various tools to support institutional investors around the world in their investment decision making. It selects companies demonstrating strong practices in promoting women's participation and advancement.



S&P/JPX Carbon Efficient Index

This index is designed by S&P Dow Jones Index, and selects companies from the Tokyo Stock Price Index (TOPIX). The better the companies are in their demonstration of higher carbon efficiency and disclosure of environmental information, the higher their component percentages are in this index. Our decile rating is 3, and the disclosure status is "disclosed."



EcoVadis Sustainability Rating 2020 "Gold"

EcoVadis was founded in 2007 as a provider of business ESG ratings to improve the environmental and social practices of businesses across global supply chains. Business policies, measures, and performance are rated in four areas: environment, labor and human rights, ethics, and sustainable resource procurement. Gold medals are given to the top 5% of companies, of about 65,000 companies rated.



CDP "Climate Change A List 2019"

We were rated on the "Climate Change A List 2019" by the CDP for two years in a row as a company taking particularly outstanding action on climate change. Of about 8,000 companies that disclosed information on climate change, 179 were A-listed, including 38 Japanese companies.



2020 Health and Productivity Management Awards – White 500

Established by the Ministry of Economy, Trade and Industry (METI) in 2016, this is a system to recognize corporations demonstrating superior health management based on health promotion initiatives led by Nippon Kenko Kaigi. We have received this award for three years running since 2018.



Kurumin, Next-generation Support Certification Logo

In September 2015, we received the next-generation support certification logo (Kurumin) for the third time running as a company that supports families raising children. This is an accreditation system whereby the Ministry of Health, Labour and Welfare certifies companies that executed action plans formulated as per the Act on Advancement of Measures to Support Raising the Next-Generation of Children, and met all the criteria.



Nikkei Annual Report Awards 2019, Outstanding Performance

Sumitomo Chemical's Annual Report for 2019 won an outstanding performance award at the Nikkei Annual Report Awards 2019, the third win following 2016 and 2017. Among 133 applicants, the judges, who included institutional investors, selected one company to receive the Grand Prize, three companies to receive Second Grand Prizes, two companies to receive Special Awards, and 14 companies to receive Outstanding Performance Awards. As reasons for this award we received, judges commented, "Detailed description relating to climate change is provided," "The company fully conveyed that the management is keen on contributing to a sustainable society through its business," and "Sufficient information is disclosed so as to help investors evaluate the improvement of corporate value in a medium to long term."



The 23rd Environmental Communication Awards, the Grand Prize for Environmental Report

Our Annual Report 2019 and Sustainability Data Book 2019 won the Grand Prize for Environmental Reports at the 23rd Environmental Communication Awards. This is an accreditation system to promote corporate initiatives for environmental management and communications while improving the quality of information disclosure on the environment. For the 23rd Environmental Communication Awards, 180 reports were submitted for consideration, and 25 reports were selected to be awarded the Grand Prize.

Corporate Data

- 96 Financial Review
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The Former President's Residence at the Ehime Works (Niihama City, Ehime Prefecture)

The former president's residence at the Ehime Works was constructed in 1935, in a corner of the Sumitomo Group's Yamada company housing development as part of a development plan in the early Showa era. It was in use until 2004. The Yamada company housing development accommodated over 270 houses at its peak, but most of these houses were destroyed, as they have deteriorated in recent years. To preserve the president's residence as an industrial heritage site associated with the Besshi Copper Mines, Sumitomo Chemical donated this house to Niihama City in 2019. Going forward, the house will exhibit historical materials related to Masaya Suzuki*, who is deeply connected with Sumitomo Chemical, offering an opportunity for local residents and sightseers to learn about and experience this history, in the hope that it will be passed down to future generations.

* The third Director-General of Sumitomo

Financial Review

1. Results of Operations

(1) Sales Revenue

Sales revenue dropped by ¥92.8 billion, to ¥2,225.8 billion for the fiscal year ended March 31, 2020, from ¥2,318.6 billion for the fiscal year ended March 31, 2019, affected by lower market prices and the stronger yen, despite the increase in shipments.

(2) Core Operating Income/Operating Income

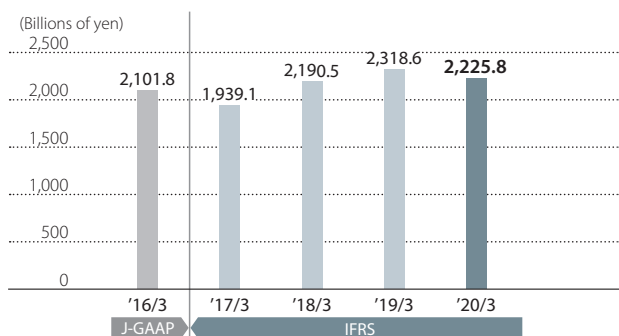
Core operating income was impacted by lower margins on petrochemical products and methyl methacrylate (MMA) in the Petrochemical & Plastics segment, lower market prices for methionine (feed additive), and decreased shipments of crop protection products due to extreme weather in North America in the Health & Crop Sciences segment. In the Pharmaceuticals segment, sales of Latuda® (atypical antipsychotic agent) grew. On the other hand, selling, general and administrative expenses (SG&A) and R&D expenses increased, as we recognized the expenses incurred at Sumitvant Biopharma Limited and its subsidiaries, which we acquired in association with the strategic alliance with Roivant Sciences Ltd. The COVID-19 pandemic caused a significant deterioration in the economic environment,

primarily in China, impacting the market prices of petrochemical products and shipments in the IT-related Chemicals segment. As a result, core operating income decreased by ¥71.6 billion, to ¥132.7 billion for the fiscal year ended March 31, 2020, from ¥204.3 billion for the fiscal year ended March 31, 2019.

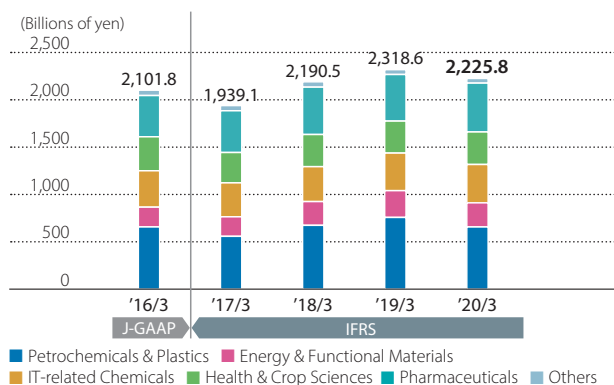
Operating results from non-recurring factors, which were deducted from operating income to calculate core operating income, improved by ¥26.1 billion, to a profit of ¥4.9 billion for the fiscal year ended March 31, 2020, from a loss of ¥21.3 billion for the fiscal year ended March 31, 2019. The reason for this was that, while we recorded an impairment loss on intangible assets, including in-progress research and development, due to a review of our business plans, including our development plans, in areas such as cancer pharmaceuticals, there was a reversal of expenses due to a decrease in the fair value of a contingent consideration arrangement.

As a result of the above factors, operating income decreased by ¥45.5 billion, to ¥137.5 billion for the fiscal year ended March 31, 2020, from ¥183.0 billion for the fiscal year ended March 31, 2019.

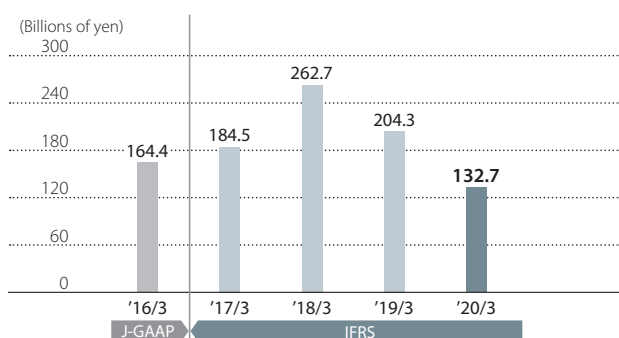
J-GAAP* Net Sales
IFRS* Sales Revenue



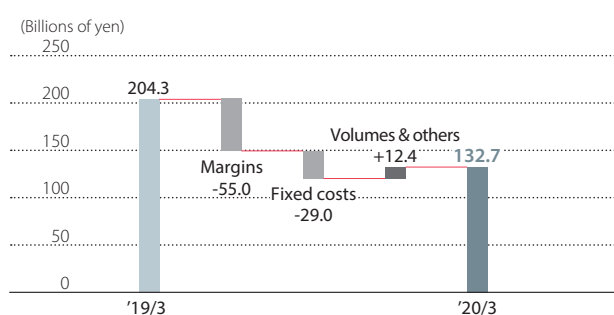
J-GAAP Breakdown of Sales by Business Segment
IFRS Breakdown of Sales Revenue by Business Segment



J-GAAP Operating Income
IFRS Core Operating Income



Change in Core Operating Income: '19/3 vs. '20/3



* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

(3) Finance Income and Finance Expenses/ Income Before Taxes

Finance income and finance expenses declined by ¥12.4 billion, to loss of ¥7.0 billion for the fiscal year ended March 31, 2020, from gain of ¥5.4 billion for the fiscal year ended March 31, 2019, due to the appreciation of the Japanese yen toward the end of the current fiscal year and the recording of a large amount of exchange losses. As a result, income before taxes decreased by ¥57.9 billion, to ¥130.5 billion for the fiscal year ended March 31, 2020, from ¥188.4 billion for the fiscal year ended March 31, 2019.

(4) Income Tax Expenses/Net Income Attributable to Owners of the Parent and Net Income Attributable to Non-controlling Interests

Income tax expenses were ¥76.1 billion, due to one-time tax expenses arising from mobilizing deferred tax assets in response to the decision to discontinue some studies on anti-cancer drugs under development in a US pharmaceutical subsidiary. The ratio of income tax expenses to income before taxes after applying tax effect accounting was 58.3%.

As a result, net income was ¥54.4 billion for the fiscal year ended March 2020.

Net income attributable to non-controlling interests was ¥23.5 billion for the fiscal year ended March 31, 2020, down ¥11.0 billion from the ¥34.5 billion for the fiscal year ended March 31, 2019. This mainly represents net income attributable to non-controlling interests of consolidated subsidiaries, such as Sumitomo Dainippon Pharma Co., Ltd.

As a result, net income attributable to owners of the parent was ¥30.9 billion for the fiscal year ended March 31, 2020, down ¥87.1 billion from the ¥118.0 billion for the fiscal year ended March 31, 2019.

(5) Dividends

The interim dividend was ¥11 per share and the year-end dividend was ¥6. As a result, the full-year dividend for fiscal 2019 was ¥17 per share.

2. Segment Information

(1) Petrochemicals & Plastics

Market conditions for petrochemical products and synthetic resins declined because feedstock prices fell year on year.

Results by Business Segment

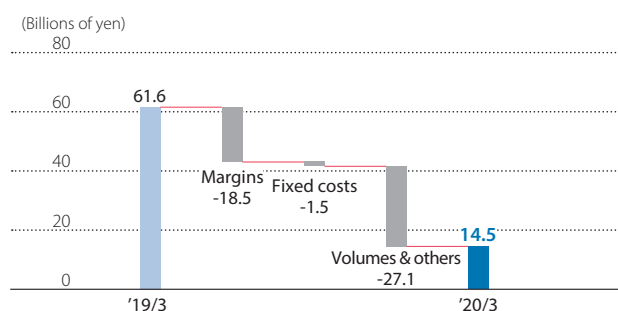
Fiscal years ended March 31, 2020 and 2019

(Millions of yen)

	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2020								
Sales revenue	¥656,929	¥255,034	¥404,871	¥343,666	¥515,845	¥49,459	¥ —	¥2,225,804
Core operating income	14,485	20,343	25,084	2,083	75,266	8,770	(13,379)	132,652
Core operating income ratio (%)	2.2	8.0	6.2	0.6	14.6	17.7	—	6.0
Core operating income growth (%)	(76.5)	(11.4)	(4.4)	(89.4)	(6.8)	(6.9)	—	(35.1)
Year ended March 31, 2019								
Sales revenue	¥757,529	¥282,850	¥396,839	¥338,094	¥492,130	¥51,130	¥ —	¥2,318,572
Core operating income	61,610	22,959	26,227	19,716	80,764	9,422	(16,446)	204,252
Core operating income ratio (%)	8.1	8.1	6.6	5.8	16.4	18.4	—	8.8

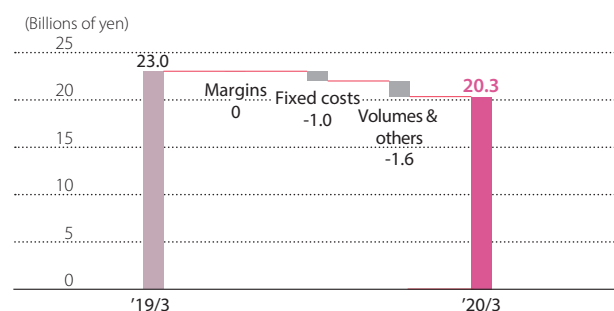
Petrochemicals & Plastics

Change in Core Operating Income: '19/3 vs. '20/3



Energy & Functional Materials

Change in Core Operating Income: '19/3 vs. '20/3



Market prices for raw materials for synthetic fibers and methyl methacrylate (MMA) also hovered around a low level. As a result, sales revenue declined by ¥100.6 billion from the previous year, to ¥656.9 billion. Core operating income declined by ¥47.1 billion to ¥14.5 billion, amid deteriorating margins for petrochemical products and MMA.

(2) Energy & Functional Materials

Shipments of resorcinol (a raw material for adhesives) stayed firm. Meanwhile, market prices for aluminum and for the metal raw materials for cathode materials remained low, resulting in lower selling prices. Sales revenue declined by ¥27.8 billion from the previous year, to ¥255.0 billion, and core operating income declined by ¥2.6 billion year on year, to ¥20.3 billion.

(3) IT-related Chemicals

Despite the drop in selling prices for polarizing film, shipments of polarizing film for both TV and mobile applications, as well as touchscreen panels, increased, due to growth in demand. As a result, sales revenue increased by ¥8.0 billion from the previous year, to ¥404.9 billion. Core operating income fell by ¥1.1 billion

year on year, to ¥25.1 billion, as it is largely impacted by lower selling prices.

(4) Health & Crop Sciences

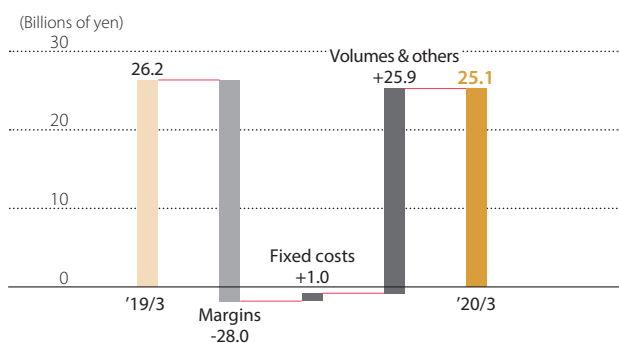
While market prices for methionine (feed additive) declined, shipments increased because of the increase in production capacity from the previous fiscal year. On the other hand, shipments of crop protection products decreased due to the extreme weather in North America. As a result, sales revenue increased by ¥5.6 billion from the previous year, to ¥343.7 billion. Core operating income declined by ¥17.6 billion year on year, to ¥2.1 billion, due to deteriorated margins for methionine and lower shipments of crop protection products.

(5) Pharmaceuticals

In Japan, sales increased, driven by Equa® and EquMet® (for type II diabetes mellitus). In North America, sales of Latuda® (atypical antipsychotic agent) increased. As a result, sales revenue increased by ¥23.7 billion from the previous fiscal year, to ¥515.8 billion. While sales revenue increased, sales expenses, general and administrative expenses (SG&A), and research and

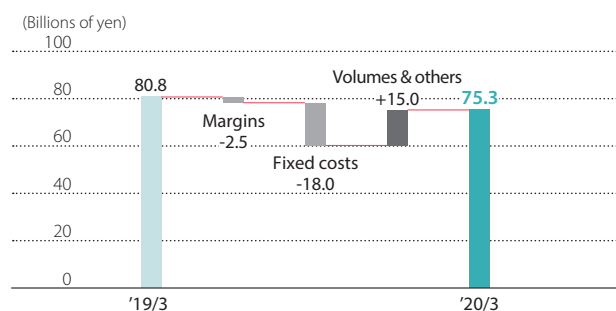
IT-related Chemicals

Change in Core Operating Income: '19/3 vs. '20/3



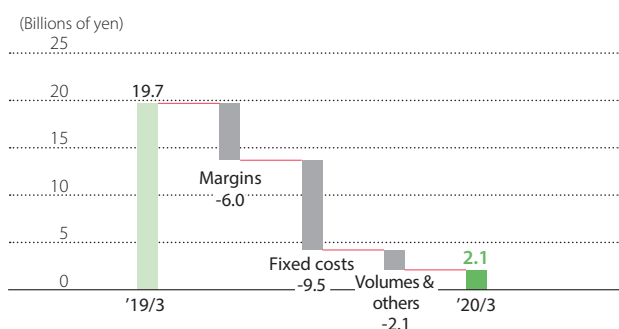
Pharmaceuticals

Change in Core Operating Income: '19/3 vs. '20/3



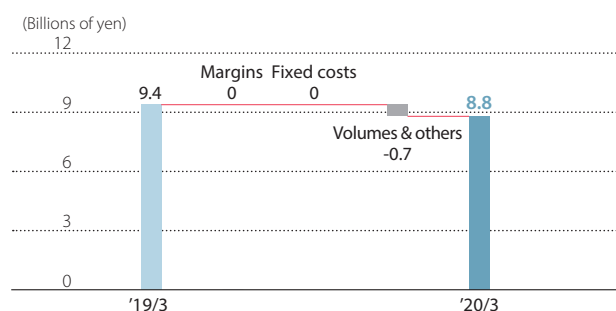
Health & Crop Sciences

Change in Core Operating Income: '19/3 vs. '20/3



Others

Change in Core Operating Income: '19/3 vs. '20/3



development expenses also increased. This was because the expenses at Sumitviant Biopharma and its subsidiaries (which were acquired as part of the strategic alliance with Roivant Sciences) were recognized. Core operating income thus fell by ¥5.5 billion to ¥75.3 billion.

(6) Others

In addition to the above five segments, 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 from these businesses declined by ¥1.7 billion from the previous year, to ¥49.5 billion, and core operating income decreased by ¥0.7 billion to ¥8.8 billion.

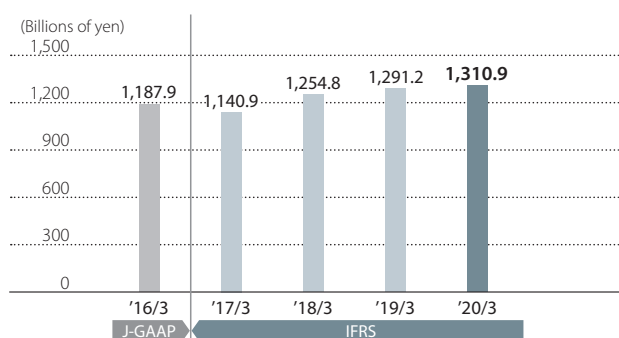
3. Financial Position

Total assets as of March 31, 2020 increased by ¥478.7 billion, to ¥3,650.3 billion (US\$33,542 million), from ¥3,171.6 billion as of March 31, 2019. Current assets as of March 31, 2020 amounted to ¥1,310.9 billion (US\$12,045 million), a 1.5% increase from ¥1,291.2 billion as of March 31, 2019. Non-current assets, as of March 31, 2020, amounted to ¥2,339.4 billion (US\$21,496 million), a 24.4% increase from ¥1,880.4 billion as of March 31, 2019. After the completion of procedures, including the transfer of shares, following the strategic alliance with Roivant Sciences, other financial assets, including intangible assets and non-current assets, significantly increased. Tangible fixed assets increased after the new standard of IFRS 16 Leases was applied in accounting.

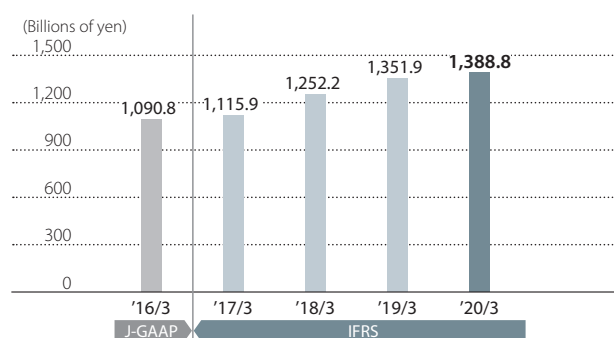
Current liabilities as of March 31, 2020 were ¥1,162.3 billion (US\$10,680 million), a 15.6% increase from ¥1,005.1 billion as of March 31, 2019. The current ratio was 112.8%, compared with 128.5% as of March 31, 2019.

Non-current liabilities as of March 31, 2020 were ¥1,099.2 billion (US\$10,100 million), a 34.9% increase from ¥814.6 billion as of March 31, 2019.

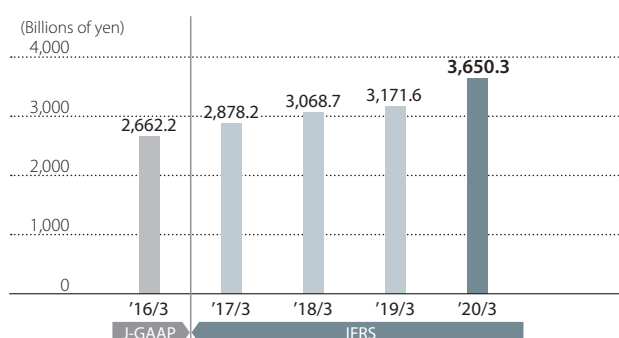
Total Current Assets



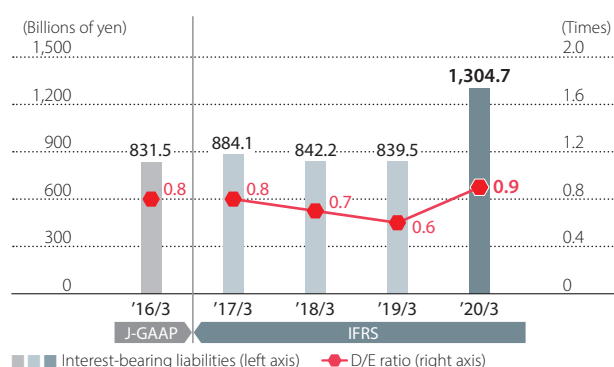
J-GAAP* Net Assets IFRS* Total Equity



Total Assets



Interest-bearing Liabilities / D/E Ratio



* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

Interest-bearing liabilities (short-term and long-term bank loans, corporate bonds, and commercial paper) as of March 31, 2020 amounted to ¥1,304.7 billion (US\$11,988 million), compared with ¥839.5 billion as of March 31, 2019, after taking on bridge loans to pay for the above-mentioned strategic alliance, and issuing publicly offered hybrid bonds (publicly offered subordinated bonds).

Total equity was ¥1,388.8 billion (US\$12,762 million) as of March 31, 2020, a 2.7% increase from ¥1,351.9 billion as of March 31, 2019, mainly because non-controlling interests increased. The ratio of net worth to total assets stood at 25.3% as of March 31, 2020, compared with 31.5% as of March 31, 2019.

There were 1,635,000,365 shares issued and outstanding (excluding treasury shares) as of March 31, 2020. Retained earnings amounted to ¥808.0 billion (US\$7,424 million), a 1.5% decrease from ¥820.5 billion as of March 31, 2019.

4. Cash Flows

Net cash from operating activities in fiscal 2019 was ¥106.0 billion, a decrease of ¥102.1 billion from the previous fiscal year, due to a decrease in pre-tax income. Net cash used in investing activities was ¥499.7 billion, an increase in cash outflows of ¥318.8 billion from the previous fiscal year, due to an increase in outflows for acquiring investment securities and subsidiaries as a result of purchases of stock in Roivant Sciences by Sumitomo Dainippon Pharma after the completion of the procedures for their strategic alliance. This resulted in negative free cash flow of ¥393.7 billion for fiscal 2019, compared with positive free cash flow of ¥27.3 billion for fiscal 2018. Net cash from financing activities was ¥373.5 billion, as Sumitomo Dainippon Pharma procured bridging loans and Sumitomo Chemical issued corporate hybrid bonds (publicly offered subordinated corporate bonds). The balance of cash and cash equivalents at the end of fiscal 2019 fell by ¥21.0 billion year on year to ¥180.6 billion.

Breakdown of Capital Expenditures

Years ended March 31	J-GAAP*				IFRS*				(Billions of yen, %)				
	2016		2017		2017		2018		2019		2020		
New plants and expansions:													
Petrochemicals & Plastics	¥ 1.8	2%	¥ 1.5	1%	¥ —	—%	¥ 3.2	2%	¥ 6.4	4%	¥ 6.7	6%	
Energy & Functional Materials	10.0	10	11.8	9	—	—	14.3	9	13.0	8	11.1	10	
IT-related Chemicals	22.1	21	29.5	23	—	—	21.3	13	28.3	17	16.8	14	
Health & Crop Sciences	6.4	6	12.1	9	—	—	38.0	24	22.9	14	8.9	8	
Pharmaceuticals	1.9	2	2.8	2	—	—	3.7	2	6.1	4	5.4	5	
Others	0.7	1	1.2	1	—	—	6.0	4	8.6	5	0.7	1	
Subtotal	¥ 43.0	41%	¥ 58.9	45%	—	—	¥ 86.5	54%	¥ 85.4	52%	¥ 49.7	43%	
Rationalization of production processes	8.3	8	3.5	3	—	—	2.7	2	2.8	2	2.2	2	
Research and development	7.4	7	7.4	6	—	—	12.1	8	13.6	8	7.4	6	
Maintenance and renewal	21.7	21	25.2	19	—	—	31.3	20	43.9	27	32.1	28	
Others	23.3	22	35.0	27	—	—	26.2	16	17.9	11	25.1	22	
Total	¥103.8	100%	¥130.1	100%	¥136.3	—%	¥158.8	100%	¥163.7	100%	¥116.3	100%	

* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

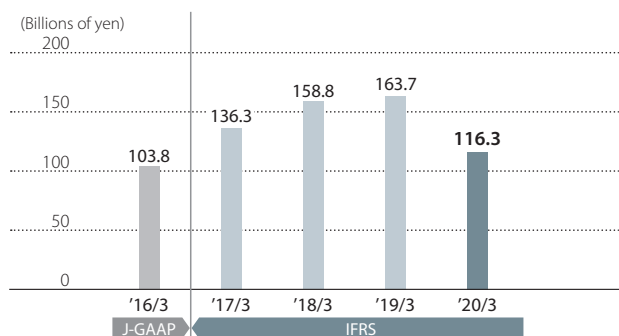
5. Capital Expenditures

In the year ended March 31, 2020, the Group's capital expenditures totaled ¥116.3 billion (US\$1,069 million), which includes investments for new installations and the expansion of manufacturing facilities as well as investments for streamlining existing facilities.

Major facilities completed in fiscal 2019 included the expansion of a manufacturing facility for processing chemicals for semiconductors in our Chinese subsidiary in the IT-related Chemicals segment. Major facilities under construction in fiscal 2019 included the expansion of a photoresist evaluation system in the IT-related Chemicals segment, and the expansion of a manufacturing facility for cathode materials in a Japanese subsidiary in the Energy & Functional Materials segment. We also made investments to introduce S/4HANA, our next-generation core business system.

Broken down by segment, capital expenditures in the Petrochemicals & Plastics segment were ¥23.8 billion (US\$219 million), ¥21.4 billion (US\$196 million) in the Energy & Functional Materials segment, ¥21.6 billion (US\$198 million) in the IT-related Chemicals segment, ¥19.7 billion (US\$181 million) in the Health & Crop Sciences segment, ¥17.0 billion (US\$156 million) in the Pharmaceuticals segment, and ¥12.9 billion (US\$118 million) in the Others segment.

Capital Expenditures



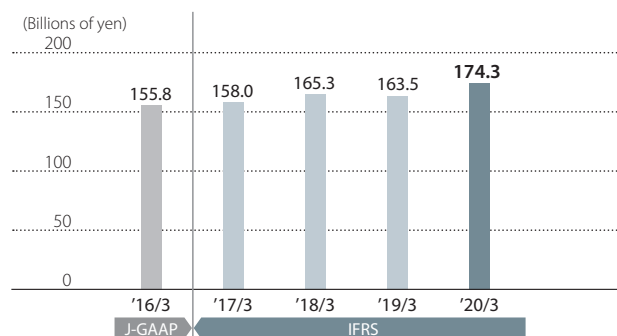
6. Research and Development

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 fiscal year ended March 31, 2020, the Group focused R&D resources on 1) healthcare, 2) food, 3) reducing greenhouse gas emissions and 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 ¥174.3 billion (US\$1,602 million), up 6.6% from the fiscal year ended March 31, 2019.

Research and Development Expenses



Consolidated Financial Statements

Consolidated Statement of Financial Position

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2020 and 2019

	Millions of yen		Thousands of US dollars
	March 31, 2020	March 31, 2019	March 31, 2020
Assets			
Current assets:			
Cash and cash equivalents	¥ 180,648	¥ 201,678	\$ 1,659,910
Trade and other receivables	570,413	549,992	5,241,321
Other financial assets	8,945	5,352	82,192
Inventories	492,391	489,266	4,524,405
Other current assets	54,204	44,935	498,062
subtotal	1,306,601	1,291,223	12,005,890
Assets held for sale	4,305	—	39,557
Total current assets	1,310,906	1,291,223	12,045,447
Non-current assets:			
Property, plant and equipment	778,417	735,918	7,152,596
Goodwill	195,998	126,838	1,800,956
Intangible assets	466,408	216,664	4,285,657
Investments accounted for using the equity method	264,054	299,044	2,426,298
Other financial assets	488,645	323,392	4,489,984
Retirement benefit assets	61,229	69,392	562,611
Deferred tax assets	47,092	70,587	432,712
Other non-current assets	37,583	38,560	345,336
Total non-current assets	2,339,426	1,880,395	21,496,150
Total assets	¥3,650,332	¥3,171,618	\$33,541,597

Visit our website for notes to Consolidated Financial Statements.

https://www.sumitomo-chem.co.jp/english/ir/library/financial_results/files/docs/SCR20_FS_single_200617.pdf

	Millions of yen		Thousands of US dollars
	March 31, 2020	March 31, 2019	March 31, 2020
Liabilities and equity			
Liabilities			
Current liabilities:			
Bonds and borrowings	¥ 466,527	¥ 256,565	\$ 4,286,750
Trade and other payables	436,070	482,858	4,006,891
Other financial liabilities	48,769	50,735	448,121
Income taxes payable	32,116	29,715	295,102
Provisions	89,862	101,340	825,710
Other current liabilities	88,984	83,921	817,643
Total current liabilities	1,162,328	1,005,134	10,680,217
Non-current liabilities:			
Bonds and borrowings	838,139	582,965	7,701,360
Other financial liabilities	92,056	87,616	845,870
Retirement benefit liabilities	45,770	43,981	420,564
Provisions	21,491	22,698	197,473
Deferred tax liabilities	79,528	51,171	730,754
Other non-current liabilities	22,183	26,167	203,832
Total non-current liabilities	1,099,167	814,598	10,099,853
Total liabilities	2,261,495	1,819,732	20,780,070
Equity			
Share capital	89,699	89,699	824,212
Capital surplus	19,135	20,438	175,825
Retained earnings	807,959	820,454	7,424,047
Treasury shares	(8,329)	(8,322)	(76,532)
Other components of equity	13,878	76,433	127,519
Equity attributable to owners of the parent	922,342	998,702	8,475,071
Non-controlling interests	466,495	353,184	4,286,456
Total equity	1,388,837	1,351,886	12,761,527
Total liabilities and equity	¥3,650,332	¥3,171,618	\$33,541,597

Consolidated Statement of Profit or Loss

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of US dollars
	2020	2019	2020
Sales revenue	¥2,225,804	¥2,318,572	\$20,452,118
Cost of sales	(1,519,047)	(1,576,299)	(13,957,980)
Gross profit	706,757	742,273	6,494,138
Selling, general and administrative expenses	(575,135)	(590,062)	(5,284,710)
Other operating income	11,590	11,154	106,496
Other operating expenses	(14,928)	(17,594)	(137,168)
Share of profit of investments accounted for using the equity method	9,233	37,201	84,839
Operating income	137,517	182,972	1,263,595
Finance income	13,178	16,615	121,088
Finance expenses	(20,215)	(11,217)	(185,748)
Income before taxes	130,480	188,370	1,198,934
Income tax expenses	(76,081)	(35,904)	(699,081)
Net income	¥ 54,399	¥ 152,466	\$ 499,853
Net income attributable to:			
Owners of the parent	30,926	117,992	284,168
Non-controlling interests	23,473	34,474	215,685
Net income	¥ 54,399	¥ 152,466	\$ 499,853
Earnings per share:			
Basic earnings per share	¥18.91	¥72.17	\$0.174
Diluted earnings per share	—	72.12	—

Consolidated Statement of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of US dollars
	2020	2019	2020
Net income	¥ 54,399	¥152,466	\$499,853
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	(13,397)	(7,341)	(123,100)
Remeasurements of defined benefit plans	(8,323)	667	(76,477)
Share of other comprehensive income of investments accounted for using the equity method	(4,812)	1,496	(44,216)
Total items that will not be reclassified to profit or loss	(26,532)	(5,178)	(243,793)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge	1,871	561	17,192
Exchange differences on translation of foreign operations	(45,048)	4,782	(413,930)
Share of other comprehensive income of investments accounted for using the equity method	(2,050)	(4,485)	(18,837)
Total items that may be subsequently reclassified to profit or loss	(45,227)	858	(415,575)
Other comprehensive income, net of taxes	(71,759)	(4,320)	(659,368)
Total comprehensive income	(17,360)	148,146	(159,515)
Total comprehensive income attributable to:			
Owners of the parent	(39,080)	110,448	(359,092)
Non-controlling interests	21,720	37,698	199,577
Total comprehensive income	¥(17,360)	¥148,146	\$(159,515)

Consolidated Statement of Changes in Equity

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	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 translation of foreign operations	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at April 1, 2018	¥89,699	¥21,688	¥738,882	¥(8,296)	¥104,034	¥ —	¥(2,852)	¥(16,014)	¥85,168	¥927,141	¥325,073	¥1,252,214
Cumulative effects of changes in accounting policies	—	—	60	—	—	—	—	—	—	60	169	229
Restated balance as at April 1, 2018	89,699	21,688	738,942	(8,296)	104,034	—	(2,852)	(16,014)	85,168	927,201	325,242	1,252,443
Net income	—	—	117,992	—	—	—	—	—	—	117,992	34,474	152,466
Other comprehensive income	—	—	—	—	(5,410)	1,343	1,001	(4,478)	(7,544)	(7,544)	3,224	(4,320)
Total comprehensive income	—	—	117,992	—	(5,410)	1,343	1,001	(4,478)	(7,544)	110,448	37,698	148,146
Purchase of treasury shares	—	—	—	(27)	—	—	—	—	—	(27)	—	(27)
Disposal of treasury shares	—	0	—	1	—	—	—	—	—	1	—	1
Dividends	—	—	(37,606)	—	—	—	—	—	—	(37,606)	(13,524)	(51,130)
Changes resulting from additions to consolidation	—	—	(175)	—	110	—	—	—	110	(65)	645	580
Change in interest due to transactions with non-controlling interests	—	(1,250)	—	—	—	—	—	—	—	(1,250)	3,123	1,873
Transfer from other components of equity to retained earnings	—	—	1,301	—	42	(1,343)	—	—	(1,301)	—	—	—
Others, net	—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	(1,250)	(36,480)	(26)	152	(1,343)	—	—	(1,191)	(38,947)	(9,756)	(48,703)
Balance as at March 31, 2019	¥89,699	¥20,438	¥820,454	¥(8,322)	¥ 98,776	¥ —	¥(1,851)	¥(20,492)	¥76,433	¥998,702	¥353,184	¥1,351,886
Balance as at April 1, 2019	¥89,699	¥20,438	¥820,454	¥(8,322)	¥ 98,776	¥ —	¥(1,851)	¥(20,492)	¥76,433	¥998,702	¥353,184	¥1,351,886
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance as at April 1, 2019	89,699	20,438	820,454	(8,322)	98,776	—	(1,851)	(20,492)	76,433	998,702	353,184	1,351,886
Net income	—	—	30,926	—	—	—	—	—	—	30,926	23,473	54,399
Other comprehensive income	—	—	—	—	(20,740)	(9,372)	2,035	(41,929)	(70,006)	(70,006)	(1,753)	(71,759)
Total comprehensive income	—	—	30,926	—	(20,740)	(9,372)	2,035	(41,929)	(70,006)	(39,080)	21,720	(17,360)
Purchase of treasury shares	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Disposal of treasury shares	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	—	—	(35,970)	—	—	—	—	—	—	(35,970)	(16,722)	(52,692)
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	109,256	109,256
Change in interest due to transactions with non-controlling interests	—	(1,303)	—	—	—	—	—	—	—	(1,303)	(943)	(2,246)
Transfer from other components of equity to retained earnings	—	—	(7,465)	—	(1,907)	9,372	—	—	7,465	—	—	—
Others, net	—	—	14	—	(14)	—	—	—	(14)	—	—	—
Total transactions with owners	—	(1,303)	(43,421)	(7)	(1,921)	9,372	—	—	7,451	(37,280)	91,591	54,311
Balance as at March 31, 2020	¥89,699	¥19,135	¥807,959	¥(8,329)	¥ 76,115	¥ —	¥ 184	¥(62,421)	¥13,878	¥922,342	¥466,495	¥1,388,837
	Thousands of US dollars											
Balance as at April 1, 2019	\$824,212	\$187,797	\$7,538,859	\$(76,468)	\$907,617	\$ —	\$(17,008)	\$(188,294)	\$702,315	\$9,176,715	\$3,245,282	\$12,421,997
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance as at April 1, 2019	824,212	187,797	7,538,859	(76,468)	907,617	—	(17,008)	(188,294)	702,315	9,176,715	3,245,282	12,421,997
Net income	—	—	284,168	—	—	—	—	—	—	284,168	215,685	499,853
Other comprehensive income	—	—	—	—	(190,572)	(86,116)	18,699	(385,271)	(643,260)	(643,260)	(16,108)	(659,368)
Total comprehensive income	—	—	284,168	—	(190,572)	(86,116)	18,699	(385,271)	(643,260)	(359,092)	199,577	(159,515)
Purchase of treasury shares	—	—	—	(64)	—	—	—	—	—	(64)	—	(64)
Disposal of treasury shares	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	—	—	(330,516)	—	—	—	—	—	—	(330,516)	(153,652)	(484,168)
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	1,003,914	1,003,914
Change in interest due to transactions with non-controlling interests	—	(11,972)	—	—	—	—	—	—	—	(11,972)	(8,665)	(20,637)
Transfer from other components of equity to retained earnings	—	—	(68,593)	—	(17,523)	86,116	—	—	68,593	—	—	—
Others, net	—	—	129	—	(129)	—	—	—	(129)	—	—	—
Total transactions with owners	—	(11,972)	(398,980)	(64)	(17,652)	86,116	—	—	68,464	(342,552)	841,597	499,045
Balance as at March 31, 2020	\$824,212	\$175,825	\$7,424,047	\$(76,532)	\$699,393	\$ —	\$ 1,691	\$(573,565)	\$127,519	\$8,475,071	\$4,286,456	\$12,761,527

Consolidated Statement of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

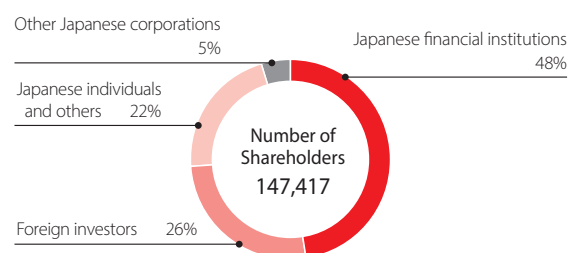
	Millions of yen		Thousands of US dollars
	2020	2019	2020
Cash flows from operating activities:			
Income before taxes	¥130,480	¥188,370	\$1,198,934
Depreciation and amortization	131,741	112,495	1,210,521
Impairment loss	37,328	24,639	342,994
Reversal of impairment loss	(61)	(2,969)	(561)
Share of profit of investments accounted for using the equity method	(9,233)	(37,201)	(84,839)
Interest and dividend income	(10,904)	(10,849)	(100,193)
Interest expenses	12,513	10,623	114,977
Business structure improvement expenses	7,806	9,067	71,727
Changes in fair value of contingent consideration	(48,475)	(8,950)	(445,419)
Gain on sale of property, plant and equipment	(931)	(1,434)	(8,555)
Increase in trade receivables	(10,938)	(26,600)	(100,505)
Increase in inventories	(11,713)	(35,613)	(107,627)
Decrease in trade payables	(22,048)	(18,673)	(202,591)
Increase (decrease) in provisions	(8,060)	4,124	(74,060)
Others, net	(52,303)	38,041	(480,594)
Subtotal	145,202	245,070	1,334,209
Interest and dividends received	27,033	32,999	248,397
Interest paid	(12,733)	(10,940)	(116,999)
Income taxes paid	(48,688)	(50,161)	(447,377)
Business structure improvement expenses paid	(4,802)	(8,825)	(44,124)
Net cash provided by operating activities	106,012	208,143	974,106
Cash flows from investing activities:			
Payments of deposit	(61,028)	—	(560,764)
Purchase of property, plant and equipment, and intangible assets	(120,449)	(174,816)	(1,106,763)
Proceeds from sale of property, plant and equipment, and intangible assets	1,974	4,010	18,138
Purchase of investments in subsidiaries	(204,592)	(3,348)	(1,879,923)
Purchase of other financial assets	(122,493)	(9,126)	(1,125,544)
Proceeds from sales and redemption of other financial assets	6,763	2,420	62,143
Others, net	155	23	1,424
Net cash used in investing activities	(499,670)	(180,837)	(4,591,289)
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings	237,592	3,180	2,183,148
Net increase (decrease) of commercial paper	(28,000)	(4,000)	(257,282)
Proceeds from long-term borrowings	67,689	89,190	621,970
Repayments of long-term borrowings	(85,657)	(67,871)	(787,072)
Proceeds from issuance of bonds	282,575	49,725	2,596,481
Redemption of bonds	(30,500)	(77,000)	(280,254)
Repayments of lease liabilities	(14,778)	(3,175)	(135,790)
Cash dividends paid	(35,970)	(37,606)	(330,515)
Cash dividends paid to non-controlling interests	(16,717)	(13,521)	(153,607)
Payments for acquisition of subsidiaries' interests from non-controlling interests	(2,622)	(2,205)	(24,093)
Others, net	(70)	2,417	(643)
Net cash provided by (used in) financing activities	373,542	(60,866)	3,432,344
Effect of exchange rate changes on cash and cash equivalents	(914)	3,309	(8,398)
Net increase (decrease) in cash and cash equivalents	(21,030)	(30,251)	(193,237)
Cash and cash equivalents at beginning of year	201,678	231,929	1,853,147
Cash and cash equivalents at end of year	¥180,648	¥201,678	\$1,659,910

Corporate and Investor Information

(As of March 31, 2020)

Paid-in Capital	¥89.7 billion
Number of Employees	Non-consolidated: 6,214 Consolidated: 33,586
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	147,417
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

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)	127,165	7.77
Japan Trustee Services Bank, Ltd. (Trust Account)	96,698	5.91
Sumitomo Life Insurance Company	71,000	4.34
Nippon Life Insurance Company	41,031	2.50
Japan Trustee Services Bank, Ltd. (Trust Account No.7)	37,145	2.27
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	31,756	1.94
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	29,355	1.79
JP MORGAN CHASE BANK 385151	29,106	1.78
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrusted Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.77
SSBTC CLIENT OMNIBUS ACCOUNT	26,476	1.61

* 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.

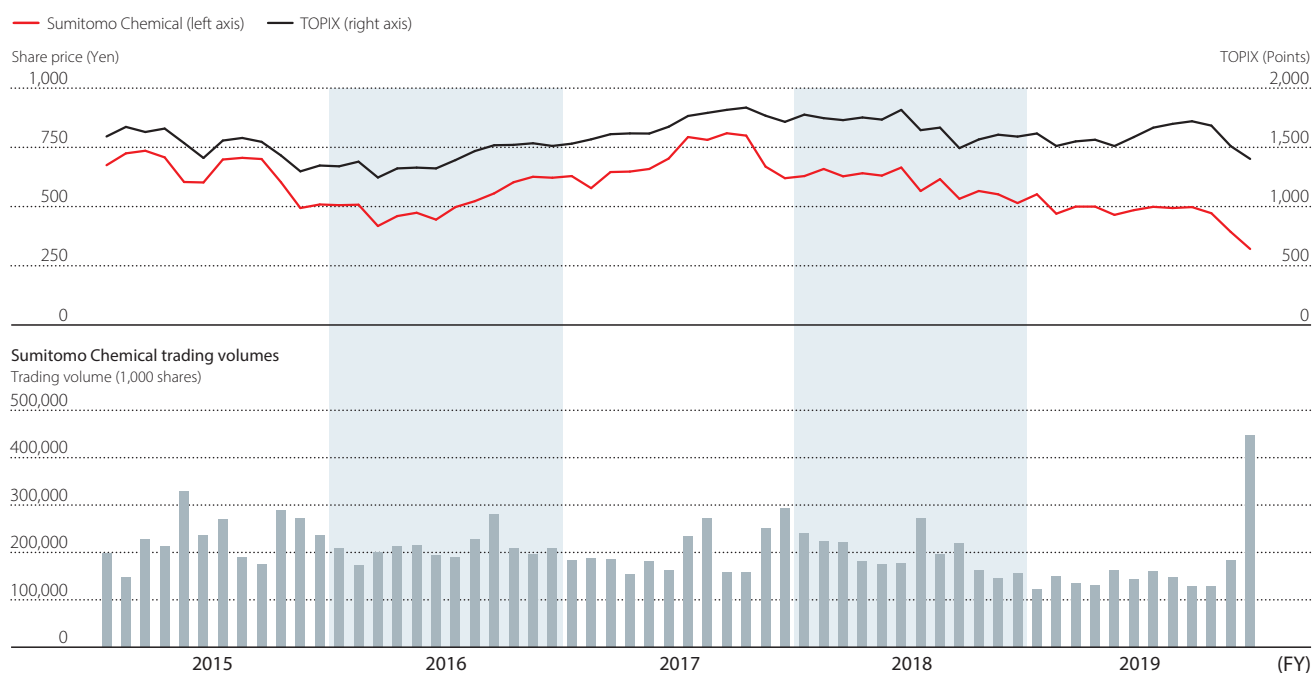
The full-year dividend for fiscal 2019 was ¥17 per share, a decrease of ¥5 per share from the previous fiscal year.

IR Calendar*

Fiscal 2019 (Year ended March 31, 2020)	
May 2020	Fiscal 2019 Financial Results
June 2020	139th Ordinary General Meeting of Shareholders
Fiscal 2020 (Year ending March 31, 2021)	
August 2020	1st Quarter Financial Results
October 2020	2nd Quarter Financial Results
January 2021	3rd Quarter Financial Results
May 2021	Fiscal 2020 Financial Results
June 2021	140th Ordinary General Meeting of Shareholders

* This schedule is subject to change.

Stock Performance

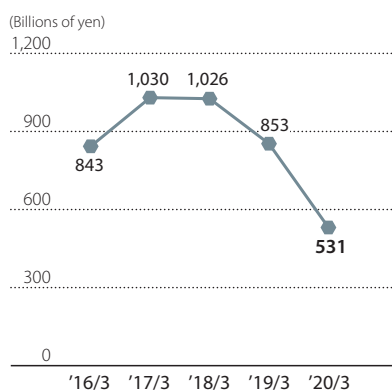


Fiscal Year	J-GAAP*1		IFRS*1		
	2015	2016	2017	2018	2019
Share price high (yen)	798	682	882	684	556
Share price low (yen)	441	396	574	485	267
Share price at year-end (yen)	509	622	620	515	321
Cumulative trading volume (1,000 shares)	2,785,335	2,515,006	2,418,727	2,369,928	2,038,948

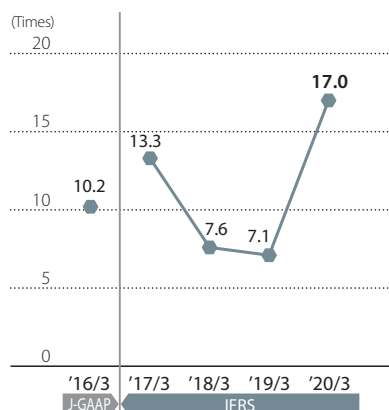
Fiscal Year	2015	2016	2017	2018	2019
Shares outstanding (1,000 shares)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,446
Market capitalization (billions of yen)	843	1,030	1,026	853	531
Basic Earnings per Share (yen)*2	49.84	46.81	81.81	72.17	18.91
Equity attributable to owners of the parent per share (yen)*3	469.25	496.96	567.04	610.82	564.12
Price earnings ratio (PER) (times)	10.2	13.3	7.6	7.1	17.0
Price book-value ratio (PBR) (times)	1.1	1.3	1.1	0.8	0.6
Cash dividends per share (yen)	14	14	22	22	17
Dividend payout ratio (%)	28.1	29.9	26.9	30.5	89.9
Total Shareholder Return (TSR) (%)	84.6	105.2	108.4	95.0	66.3
Ratio of shares owned by foreign investors to shares outstanding (%)	35.5	33.0	30.3	27.6	26.4

*1 J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards *2 J-GAAP/Net income per share (yen) *3 J-GAAP/Net assets per share (yen)

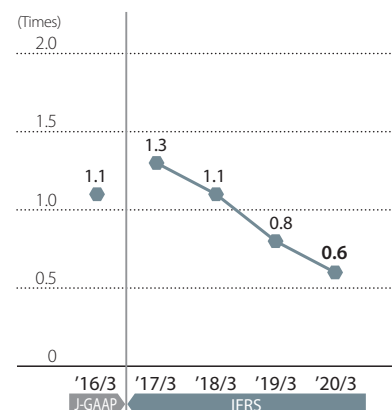
Market Capitalization



Price Earnings Ratio



Price Book-value Ratio



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Responsible Care[®]
OUR COMMITMENT TO SUSTAINABILITY

As a Responsible Care company, Sumitomo Chemical voluntarily implements policies that take safety, the environment, and health into consideration in all processes, from chemical substance development to disposal. The Responsible Care mark and logo may only be used by companies that are members of the Japan Responsible Care Council.