

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.

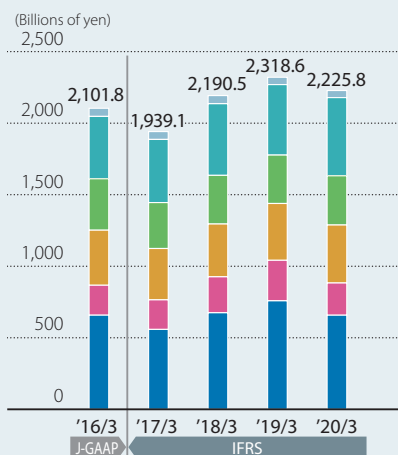
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- 58 Pharmaceuticals





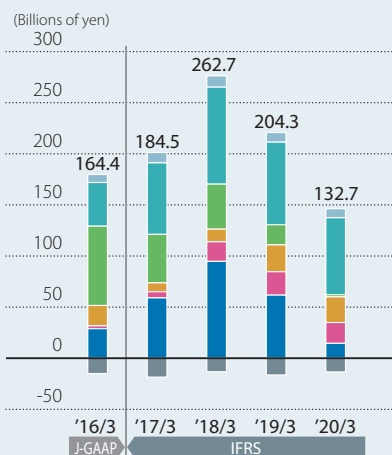
J-GAAP^{*1} Net Sales by Business Sector
IFRS^{*1} Sales Revenue by Business Sector

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



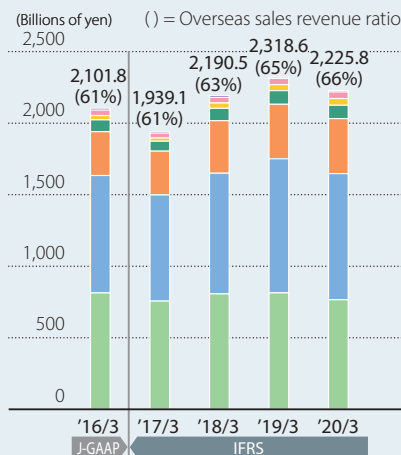
J-GAAP Operating Income by Business Sector
IFRS Core Operating Income by Business Sector^{*2}

■ 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.

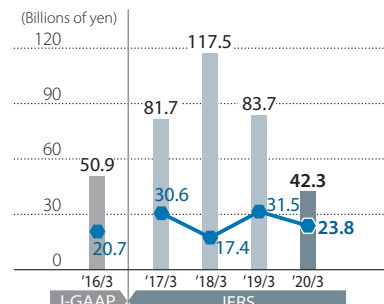
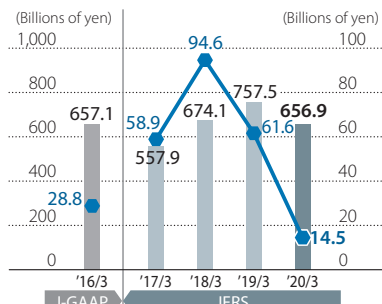
Each Sector Situation

J-GAAP* Net Sales (left axis)
Operating Income (right axis)
IFRS* Sales Revenue (left axis)
Core Operating Income (right axis)

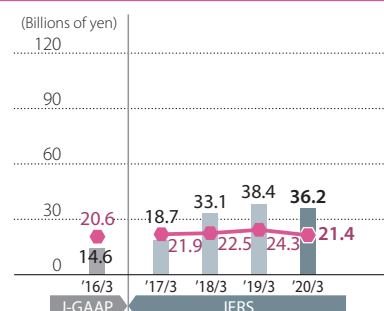
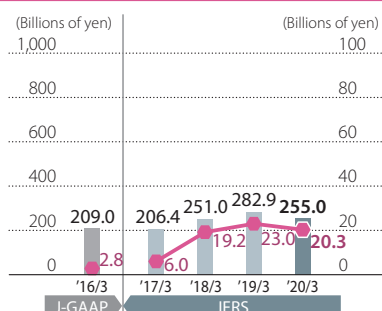
* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

J-GAAP Operating Income before Depreciation
Capital Expenditures
IFRS Core Operating Income before Depreciation
Capital Expenditures

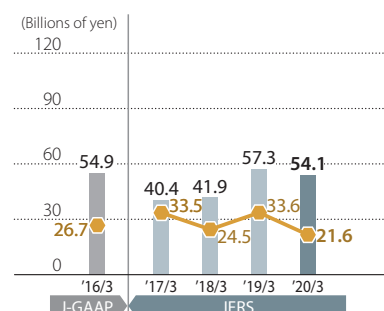
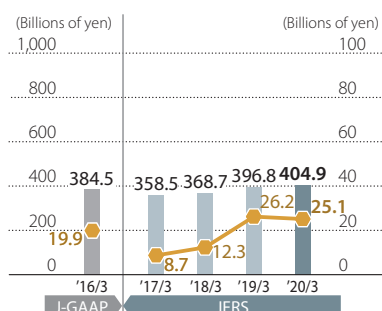
Petrochemicals & Plastics



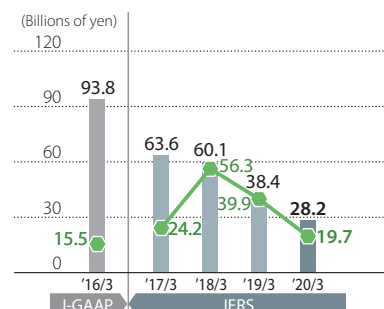
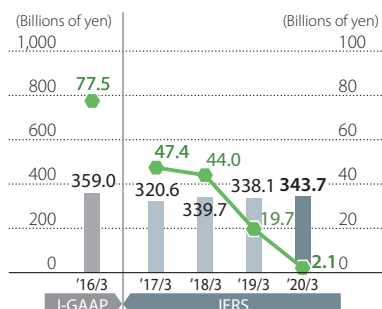
Energy & Functional Materials



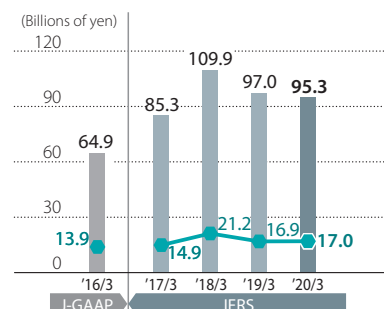
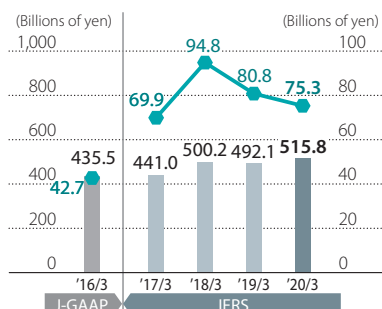
IT-related Chemicals



Health & Crop Sciences



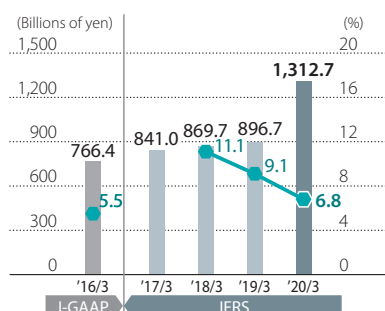
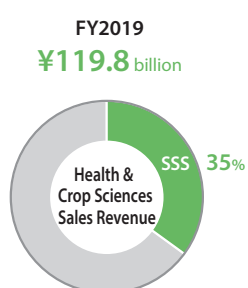
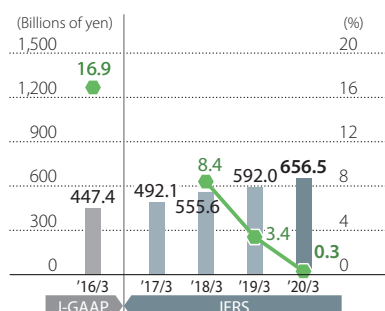
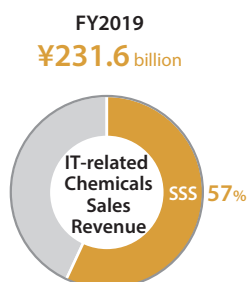
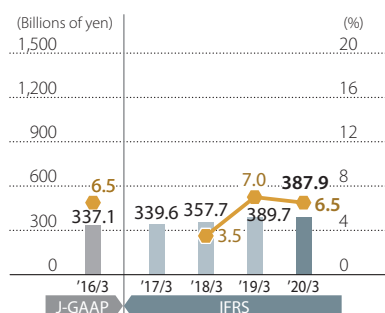
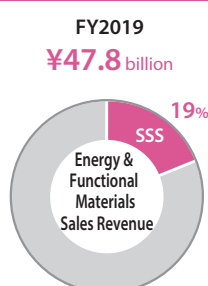
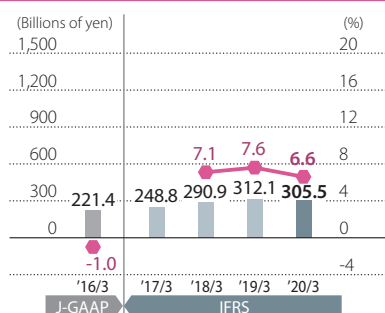
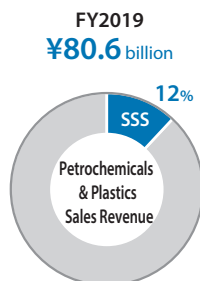
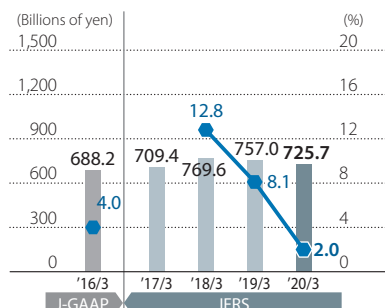
Pharmaceuticals



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

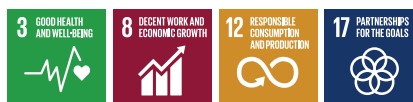
Sales Revenue of Products Designated
as Sumika Sustainable Solutions/
Sales Revenue of SSS-designated
Products to Sales Revenue

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 英昭

Noriaki Takeshita
Representative Director &
Senior Managing Executive Officer

Primary Focus SDGs



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	
(Billions of yen)				
<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 	Sales revenue	656.9	-100.6
		Core operating income	14.5	-47.1
		Sales revenue of SSS*-designated products	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

Value Chain

Supplier
Saudi Aramco

Petro Rabigh

Competitive Advantages of Rabigh Project

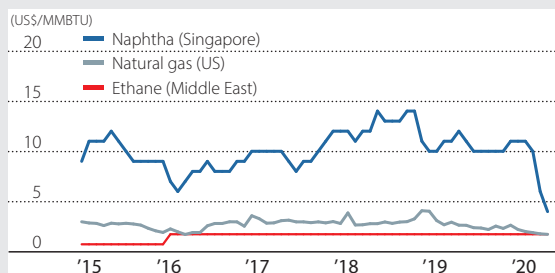
Competitive Conditions in the Market

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.

Cost Difference of Petrochemical Feedstocks



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.

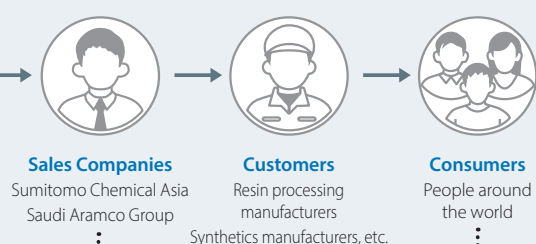
Added Value Provided to Society



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.

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.



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

Primary Focus SDGs



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		
(Billions of yen)					
● Expand sales of core products (battery materials, super engineering plastics, etc.), accelerate R&D	● Create new businesses in the fields of environment and energy and high-performance materials	Sales revenue	255.0	-27.8	390.0
● Shift to high value-added products		Core operating income	20.3	-2.6	31.0
● Improve profitability in underperforming businesses and products		Sales revenue of SSS*-designated products	47.8	-6.9	95.0
* Sumika Sustainable Solutions					

* 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



Suppliers

Raw material manufacturers for base film and aramid resin



Sumitomo Chemical Ohe Works



SSLM Co., Ltd.

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

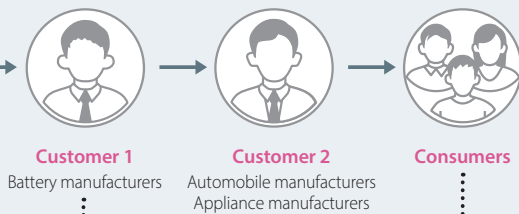
Production: Sumitomo Chemical is not only conducting research and development of separators but also working on improving productivity. We are capable of applying a uniform aramid coating with industry-leading speed, while maintaining high quality. Productivity at the plant of SSLM in South Korea has 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	
(Billions of yen)				
<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 	Sales revenue	404.9	+8.0
		Core operating income	25.1	-1.1
		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

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



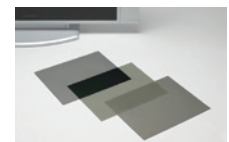
- Heavy reliance on some specific products
- High sensitivity to exchange rate movements

- 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.



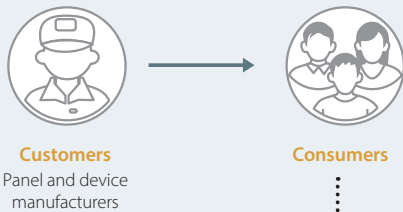
Earnings Structure and Role in Driving Income

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.

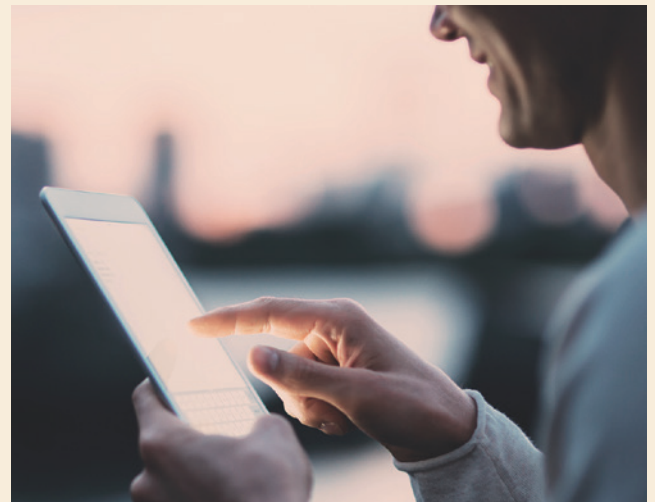
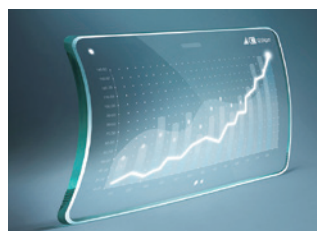


Customer and Consumer Needs

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.

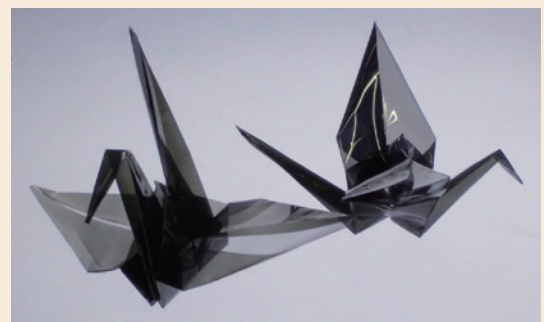
Providing Customer Value

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.



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.



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	
(Billions of yen)				
<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 	Sales revenue	343.7	+5.6
		Core operating income	2.1	-17.6
		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

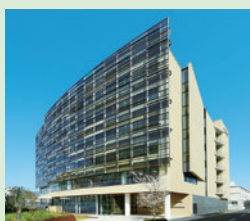
Major Management Resources (Input)

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.



Customers
Wholesalers, retailers,
agricultural cooperatives



Customers
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.



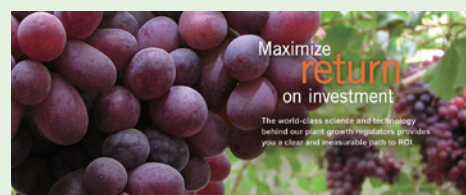
Training on using biorationals



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

SWOT Analyses of the Major Businesses

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

- Innovation in healthcare technology
- Increasing health awareness



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

- Accelerated implementation of medical expense control measures in Japan
- Changes in the health insurance systems overseas
- Consolidation in the pharmaceutical industry

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



Suppliers

Chemical manufacturers
Manufacturers of drug raw materials
and intermediate materials



Sumitomo Dainippon Pharma

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.



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.

