

## 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.