

SUMITOMO CHEMICAL

ANNUAL REPORT 2024



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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.

Financial Statements in This Document

Beginning in FY2017, the Sumitomo Chemical Group began adopting international financial reporting standards (IFRS) in place of Japanese GAAP, which it previously used, and is therefore restating figures for FY2016 using IFRS for comparative analysis.

Guidance for Collaborative Value Creation

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. In this report, the guidance primarily references the flow of value creation.



In Publication of Annual Report 2024

Key Points of Annual Report 2024

Our company publishes three reports: Annual Report, Investors' Handbook, and Sustainability Report. Starting this fiscal year, we have strengthened the integration of the three reports by including cross-referenced page links, thereby enhancing accessibility to each publication. As a result, the Annual Report is particularly focused on conveying key points that we want to emphasize.

This year's Annual Report focuses on recovery from recent performance and the structural reforms aimed at driving future growth. The report has been edited with the aim of highlighting the high feasibility of our structural reforms and the realization of sustainable value creation by introducing our innovation strategies that leverage our technologies and assets, as well as the promising regenerative agriculture-related business.

Structural Reforms for Recovery and Growth
→ President's Message
→ Progress of the Corporate Business Plan and Structural Reforms

Businesses Driving Our Growth
→ Sumitomo Chemical's Regenerative Agriculture

Technological Capabilities Supporting Our Growth
→ Advance Innovation

Special Dialogue on Governance
→ Chairman of the Board with Outside Director Special Dialogue on Governance

Information Disclosure System

Three Reports



Annual Report

This integrated report summarizes our business strengths, strategies, issues, and performance with the aim of conveying our company's value creation story to a wide range of stakeholders, including our shareholders and investors, in a way that is easy to understand.

Investors' Handbook

This handbook provides a detailed explanation of our wide range of businesses and products, including market trends.





Sustainability Report

This report contains comprehensive information about our sustainability from the perspectives of the environment, society, and corporate governance.

Website

- Investor Relations
- Sustainability

SNS

LinkedIn Official Account

Corporate YouTube Channel

Explanation of the Cover

Through a visual representation of dynamic brushstrokes on a blank canvas, we convey our unwavering commitment to transformation, overcoming adversity, and moving toward a hopeful future. Furthermore, by using a diverse palette of colors, we express our commitment to leveraging our wide range of technologies, services, and resources to enhance corporate value.

How do we change to provide value to a rapidly changing society?

Global Environmental Changes

Climate change and other changes in the natural environment are constantly underway. The destruction of the natural environment has a negative impact not only on us humans, but also on all living things and plants on the earth. In recent years, abnormal weather conditions and resulting disasters are said to be adversely affecting crop yields and disrupting the balance of ecosystems, and problems caused by global environmental changes are occurring more frequently and in greater variety than ever before.

People's Health Around the World

There are still challenges in the world, such as diseases for which treatments have not yet been fully established and medical disparities that limit the medical care available in different regions. In addition, the world's healthcare needs are diverse, including growing health awareness for disease prevention in developed countries. The world is in need of solutions that ensure healthy living, improve quality of life, and enable people around the world to live happy lives.

Advances in Digital Technology

New digital innovations such as IoT and 5G have driven Digital Transformation (DX) and changed our lives. In particular, the advancement of generative AI is driving innovation across many fields, including chemistry. The use of digital technology is expected to accelerate, and this will lead to significant changes not only in our daily lives, but also in social structures and industrial patterns.

Unstable Social Conditions

The global situation remains unstable due to protectionism in various countries, Russia's invasion of Ukraine, high inflation and financial instability. In this environment, there are many unforeseen potential risks, and the government and each company must respond to them.

Contributing to Society with Sumitomo Chemical's Unique Green Transformation

Sumitomo Chemical's Unique Green Transformation

Seeing our green transformation (GX) as not only a social and economic transformation brought about by carbon neutrality, which is what the conventional GX refers to, but also a broader transformation that includes ecosystem conservation and healthy lives. We will create future "answers" to social change by creating value through GX.

Carbon Neutrality

The world is pooling its wisdom to face the daunting challenge of becoming carbon neutral by 2050. As a chemical company, we hope to contribute to solving global issues by taking the lead in innovation, making the most of our technological strengths.

Three directions

Ecosystem Conservation

In recent years, there has been widespread support in the international community for the goal of "halting the decline in natural capital by 2030 and putting it on a recovery track." We recognize once again that our business is based on the benefits of various natural resources, and we will promote efforts to sustainably use the limited natural resources available to us.

Healthy Lives

We have come to realize over the past few years how thankful we are to live in good health. We want to develop businesses that help people around the world lead healthy lives and provide a healthy and vibrant workplace for our employees where they can spend their precious lifetime.

President's Message

Leading Structural Reforms for a V-Shaped Recovery and Renewed Growth



Representative
Director & President

岩田圭一

Keiichi Iwata

Moving Forward with a Strong Determination to "Do Whatever It Takes"

A Challenging Outcome in FY2023

In FY2023, our performance resulted in very challenging outcomes. From the outset, we anticipated the impact of the patent cliff for LATUDA®, which has long supported our pharmaceuticals, and implemented various measures. However, the drop was far steeper than we had expected. As a result, we recorded the largest deficit in our history, a situation I take very seriously at the management level.

In response to the greater-than-expected changes in the business environment, we have embraced a strong sense of urgency and a firm determination to do whatever it takes. We have initiated immediate-term, concentrated measures to improve business performance on a scale beyond anything we have previously undertaken. Furthermore, we have embarked on fundamental structural reforms with no sacred cows, establishing a company-wide "Structural Reform Cross-Functional Team" to lead these efforts. As the leader, I am personally taking the helm, strongly driving these reforms forward.

The most pressing issue at the moment is addressing the challenges faced by our listed group companies, Petro Rabigh and Sumitomo Pharma. We are now addressing two key issues more deeply and directly: the divergence in perspectives we had with Aramco regarding Petro Rabigh and our previous approach of respecting Sumitomo Pharma's autonomy. Various factors had previously prevented us from fully engaging with these challenges, but we are now committed to tackling them head-on.

Regarding Petro Rabigh, the project has faced unforeseen environmental changes since its inception, including unstable operations during the first decade, the rise of shale gas, and increasing environmental awareness. Because we were unable to capitalize fully during the period when we should have been generating profits, our response to address the current performance downturn—such as investments in upgrading the oil refining facilities—has been delayed. Additionally, because we dispatched over 20,000 person-months worth of manpower to Petro Rabigh, we were unable to allocate sufficient personnel and financial resources to advance our overall petrochemical business during that time.

As for Sumitomo Pharma, although we anticipated the patent cliff for LATUDA® and proactively pursued in-house development and the introduction of promising drugs early on, these efforts have largely been unsuccessful, leading to the challenging situation we face today. Fortunately, we were able to launch all three key products acquired from Roivant in 2019. However, it will take several years before they can fully compensate for the LATUDA® cliff.

In our fundamental structural reforms, we have not only begun restructuring these unprofitable businesses but have also simultaneously started developing strategies for new growth. With the traditional competitive landscape undergoing significant changes, our previous growth model now requires reassessment. I strongly believe it is essential to redefine our vision for the future and outline the path to achieve it. I am committed to establishing a direction that unites the entire company with a shared purpose, enabling us to advance steadily toward our envisioned goals.

My responsibility is to lead the structural reforms, achieve a V-shaped recovery in performance, and establish a clear direction for renewed growth. Even in this crisis, it is encouraging to see that our young members are continuously generating new ideas. Due to the size of our organization, it took some time to change course, but I now feel that the large ship has finally begun to move.

Toward a V-Shaped Recovery and Sustainable Growth

Enhancing the Certainty of a V-Shaped Recovery: Immediate-term, Concentrated Measures to Improve Business Performance

We are currently working on “immediate-term, concentrated measures to improve business performance” and “fundamental structural reforms.”

The immediate-term, concentrated measures to improve business performance aim to enhance the certainty of a V-shaped recovery in fiscal year 2024 while simultaneously strengthening our financial standing in preparation for the fundamental structural reforms we are undertaking.

We have already implemented initiatives under the themes of “rebuild businesses,” “reduce inventories,” “more selective investments,” and “sell assets and leverage surplus funds,” and are progressing at a pace exceeding our initial targets. We have raised our cash generation target from the initial 500 billion yen to 600 billion yen, and we are working with an eye toward further increasing this amount.

If there are risks to consider, they would be related to “rebuild businesses” and “reduce inventories.” Regarding rebuilding businesses, we have swiftly executed several deals, including the sale of the post-harvest business this spring and the sale of the LCD chemical business in China. However, since business sales and partnerships require negotiations with counterparts, there are risks of delays or cancellations in the negotiations. Therefore, we are constantly considering multiple plans. Additionally, while the hurdle to reducing inventories has become higher due to the appreciation of overseas assets resulting from the yen's depreciation, it is likely achievable through the utilization of DX and further reductions in baseline inventory levels.

For the FY2024, we anticipate a core operating income of 100 billion yen, driven by Sumitomo Pharma’s rigorous cost-cutting measures and the expansion of its three key products to return to profitability, along with contributions from immediate-term, concentrated measures to improve business performance centered on gains from business sales. This represents a significant improvement of approximately 250 billion yen compared to the previous fiscal year. As of the first quarter, we have had a very strong start, with Sumitomo Pharma’s performance improving beyond expectations and the IT-related Chemicals sector showing steady progress. We are committed to thoroughly executing each measure and will ensure a V-shaped recovery in FY2024 at all costs.

Fundamental Structural Reforms to Address Structural Management Challenges

The fundamental structural reforms are initiatives aimed at addressing the structural management challenges we face, with the goal of achieving sustainable growth following the V-shaped recovery. We are advancing on two main pillars: the “Revival Strategy,” which aims to turn around existing businesses, and the “Growth Strategy,” which focuses on establishing a new long-term growth model and nurturing new growth drivers.

Revival Strategy

The core focus of the Revival Strategy is on improving the performance of “Petro Rabigh” and “Sumitomo Pharma.”

Regarding Petro Rabigh, after extensive discussions within the joint task force between our company and Aramco, a restructuring plan was announced in August 2024. Through providing funding and write-off loans from our company and Aramco, Petro Rabigh will achieve a total financial improvement of 3 billion dollars. Additionally, by selling a portion of our shares to Aramco, we will reduce our ownership stake from 37.5% to 15%, thereby revising the capital structure so that Aramco becomes the majority shareholder with a 60% stake. The investment ratio between our company and Aramco will change from equal partners to a 1:4 ratio. Additionally, based on this financial improvement plan, Petro Rabigh is expected to announce future measures to enhance profitability, including upgrades to its oil refining facilities. Although the losses incurred from the write-off loans are by no means insignificant, we believe this will create a structure that allows Rabigh to fully leverage its inherent strengths.

Regarding Sumitomo Pharma, while we have previously respected its autonomy and independence, we are now shifting to a more hands-on management approach, starting with immediate measures to stop the bleeding of cash. Specifically, we have assembled a specialized restructuring team consisting of approximately 25 external experts in corporate revitalization, alongside members from our company. This team has been deployed to key domestic and international locations, where they are responsible for developing and monitoring the restructuring plan. Additionally, we will provide maximum support through governance enhancement by dispatching directors, debt guarantees, and other measures. Furthermore, regarding

the path to renewed growth for Sumitomo Pharma, our company, being primarily a chemical company, has limitations in contributing to areas such as pharmaceutical expertise and development capabilities. Additionally, we do not have sufficient financial resources to acquire promising new drugs. We believe that, to achieve sustainable growth for Sumitomo Pharma, it is necessary to consider all possible options, including the selection of an optimal partner.

Growth Strategy

The Growth Strategy is positioned as the most important initiative among all our efforts.

The environment surrounding the chemical industry is undergoing drastic changes, and the value we should provide is fundamentally shifting along with technological advancements, market conditions, and societal trends. In addition to what we manufacture, we aim to focus more on how we manufacture and on providing solutions rather than just products, as we move forward with our business operations.

With this vision in mind, we have set our long-term goal to become an "Innovative Solution Provider." We aim to be a company that solves societal issues through innovative technologies in four areas where we can leverage our technological competence: "Food," "ICT," "Healthcare," and "Environment."

The key concept of our Growth Strategy is growth through a "two-stage rocket" approach. After achieving a V-shaped recovery in FY2024, the first stage of our growth strategy is to establish a growth trajectory in two key areas—agriculture-related and ICT-related fields—aimed at growth toward 2030. Then, the second stage of our growth strategy involves launching initiatives such as the full-scale development of leading-edge medical fields and the societal implementation of technologies that reduce environmental impact, starting after 2030. This approach is designed to ensure sustained growth.

To Transform into an "Innovative Solution Provider"

Reorganizing into Four Business Sectors Aligned with Societal Issues

Until now, our company has aimed for overall growth without prioritizing among the five business sectors. While having a diverse range of businesses is a strength, it has also presented the challenge of dispersing our management resources. The key point of this reorganization into four business sectors is to focus on areas that can contribute to addressing social challenges. The aim is to clearly define the strategic position of each business area and to implement a dynamic portfolio strategy.

Our immediate growth drivers going forward will be "Agro & Life Solutions" and "ICT & Mobility Solutions." By concentrating our management resources, we aim to achieve core operating income of 100 billion yen in each of these two growth drivers, totaling over 200 billion yen by 2030. Furthermore, we will cultivate "Advanced Medical Solutions," including regenerative medicine and cell therapies, as a new growth area. "Essential & Green Materials" will steer towards value creation through environmental impact reduction technologies while fulfilling the essential mission of providing materials that support people's lives. Developing environmentally sustainable businesses is a challenging endeavor, not only because it requires the creation of innovative technologies that do not yet exist, but also because it depends on the extent to which society embraces environmental value. However, we are committed to tackling this challenge with a strong sense of purpose and mission.

Growth Strategy for the Two Sectors Expected to be Growth Drivers

We expect a high likelihood of achieving the profit levels set in our long-term goals for "Agro & Life Solutions" and "ICT & Mobility Solutions," as many of the projects in these sectors are entering the harvest phase of prior investments.

"Agro & Life Solutions" envisions contributing to regenerative agriculture, an environmentally restorative form of farming, through its dual pillars of chemical crop protection technology and naturally-derived products such as biorationals. We have already taken steps in both the development of new agents and the establishment of our footprint, and over the next decade, we will be entering a phase of reaping the results. We have established a very strong footprint in five of the six major global markets. In addition to INDIFLIN™, a fungicide for soybeans now in its third year on the market, the herbicide Rapidicil® is set to be



launched sequentially in various countries starting this year. Going forward, we will focus on further strengthening our supply chain, which is one of our key strengths, and expanding our biorational business in Europe.

In "ICT & Mobility Solutions," we will integrate the ICT-related businesses that were spread across different sectors and propose solutions that accelerate our customers' innovation. Specifically, for semiconductor materials, we have already invested in expanding our capabilities in photoresists and semiconductor chemicals, as well as in our long-desired expansion into the U.S. market. We expect these efforts to yield results as the semiconductor industry recovers. Additionally, a key point will be how much market share we can capture in next-generation semiconductor materials, particularly advanced EUV resists, which will become prominent with the shift to 2-nanometer technology starting around 2027. Our company aims to achieve a top market share with our independently developed metal-free EUV resist, the "organic molecular resist," as the core product.

Promising Next-Generation Research Themes

In the context of more medium- to long-term perspectives, we envision continuously creating innovative solutions by leveraging our three key assets—GX, DX, and BX*1—based on our six core technologies.

We are currently progressing on several concrete themes that we anticipate will lead to promising solutions in the future. For instance, from the GX perspective, we are developing a technology to produce propylene directly from ethanol, a sustainable chemical feedstock. This project is part of NEDO's Green Innovation (GI) Fund initiative. The key to this technology lies in the catalyst, which allows for a reduced process and enables low-cost production. Moreover, utilizing this technology is expected to reduce GHG emissions by approximately half compared to production from naphtha. Assuming global propylene production capacity reaches around 200 million tons per year by 2030, even converting just 1% of this to our technology could reduce annual GHG emissions by about 4 million tons, creating an environmental value of over 40 billion yen*2 annually. The development is progressing well, with the pilot plant scheduled to start operations in FY2025 and the demonstration plant in FY2028. In the future, we aim to make licensing this technology a core business within "Essential & Green Materials."

From the BX perspective, we have high expectations for the biopharmaceutical business, particularly in regenerative medicine and cell therapies. Sumitomo Pharma is at the forefront globally in developing pharmaceuticals using iPS cells, with the most advanced project being a potential world-first iPS cell-derived treatment for Parkinson's disease, which is aiming for application and approval within this fiscal year. As the market expands, we will enter a phase requiring mass production investment. To accelerate commercialization, we plan to establish a new company with Sumitomo Pharma and create a system led by our company. In addition to the pharma solutions business, which focuses on CDMO services for small molecule and nucleic acid drugs, we aim to nurture this regenerative medicine and cell therapies business as the core of our new business sector, "Advanced Medical Solutions."

*1 Bio-Transformation
*2 Assuming a cost of 10,000 yen per ton of GHG emissions reduced

Solving Two Major Management Challenges to Regain Market Trust

Toward Increasing Stock Price and Enhancing Corporate Value

In FY2023, considering the challenging performance levels, we reduced the dividend by 9 yen from the previous year, resulting in an annual dividend of 9 yen per share. While we strived to provide as much dividend as possible despite the losses, we deeply regret having to reduce the dividend and apologize to our shareholders. For FY2024, although we anticipate a V-shaped recovery, we plan to prioritize strengthening our weakened financial standing and therefore intend to maintain the annual dividend at 9 yen per share, the same as in FY2023.

As a publicly listed company, we remain committed to the belief that an annual dividend of 12 yen per share is the minimum threshold for shareholder returns. We are determined to achieve this 12-yen dividend level as soon as possible, and in the future, we aim for a payout ratio of 30% and a dividend of 24 yen or more per share.

Currently, our stock price remains below a PBR of 1. We recognize that the primary short-term reason for this stagnation is that the measures we have taken to address the two major management challenges—Petro Rabigh and Sumitomo Pharma—have not yet fully gained the trust of the capital markets. For Petro Rabigh, we announced a restructuring plan in August of this year, and for Sumitomo Pharma, the measures we have implemented to stop the bleeding of cash are beginning to show the expected effects. We aim to alleviate concerns by demonstrating the performance improvements of both companies. Moving forward, we will continue to materialize the Growth Strategy outlined earlier, strengthen our “earning power,” enhance capital efficiency through targeted allocation of management resources, and strive to increase corporate value.

Adapting to the Times through a Shift in Mindset

I believe that in order for us to achieve further growth in the future, we need to adapt to the changing times through a transformation of our mindset.

Our company began its journey by manufacturing fertilizers to prevent the damage caused by smoke from copper smelting, based on the Sumitomo Spirit of Jiri-Rita Koushi-Ichinyo (which means that our business must benefit society at large, not just our own interests). This origin has deeply ingrained in our corporate culture and ethos the values of “trust and reliability” and “safety and quality.” I believe these are our strengths and the DNA that we must continue to protect in the future.

On the other hand, I have recently come to realize that we have not been able to fully adapt to societal changes, and as a result, we have not been able to fully leverage our potential and strengths. Since assuming the role of president, I have aimed to instill a culture that avoids the “losses due to inaction,” but I must admit that we are still only halfway there. We must “face change head-on without fear” and “envision necessary actions quickly and execute them steadily.” I am determined to reinforce this approach. To achieve this, I believe it is essential to create an environment where our employees can act boldly with an entrepreneurial spirit.

Moreover, to become a true solution provider that addresses societal issues in the future, we must develop the ability to discern the essence of things. In the case of the agrochemical business, agricultural insecticides are merely a means, and the ultimate goal is to meet the expectations of our customers by increasing crop yields. By shifting our focus from selling pesticides to enhancing crop yields, I believe new solutions, such as improving soil using natural materials, could emerge.

By maximizing the strengths of our diverse and deeply rooted technological foundation, along with our global market presence, and by further honing our ability to discern the essence of the evolving needs of society and our customers, we will continue to develop solutions (technologies and products) that address societal issues. In doing so, it is my hope that Sumitomo Chemical will remain a globally significant company 10 to 20 years from now.

Identity

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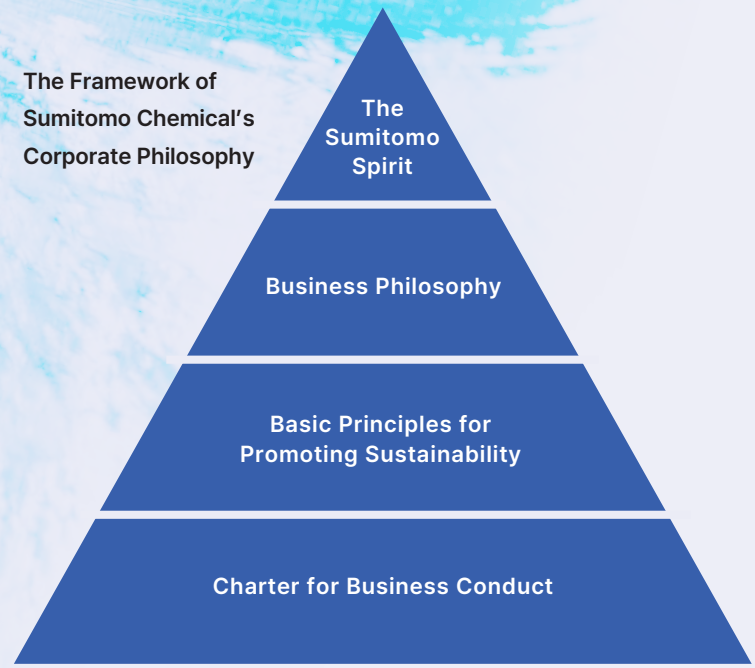


Sumitomo Chemical's Corporate Philosophy

Corporate Philosophy

Sumitomo Chemical has its origin in the business of the Sumitomo, a family with a history spanning about 400 years, and the company has upheld Sumitomo's fundamental principles for business management to this day. In its Business Philosophy, Sumitomo Chemical articulates the essence of its corporate vision, mission, and values, founded on the Sumitomo Spirit.

The Framework of Sumitomo Chemical's Corporate Philosophy



The Sumitomo Spirit

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.

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.

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

Business Philosophy

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.

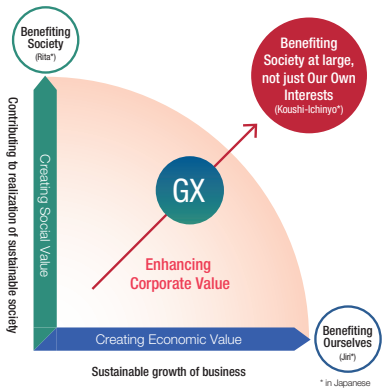
Sumitomo Chemical Charter for Business Conduct

1. We will respect Sumitomo's business philosophy and act as highly esteemed good citizens.
2. We will observe laws and regulations, both at home and abroad, and will carry out activities in accordance with our corporate rules.
3. We will develop and supply useful and safe products and technologies that will contribute significantly to the progress of society.
4. We will engage in voluntary and active initiatives to achieve zero-accident and zero-injury operations and preserve the global environment.
5. We will conduct business transactions based on fair and free competition.
6. We will endeavor to make our workplaces sound and energetic.
7. Every one of us will strive to become a professional and achieve advanced skills and expertise in our field of responsibility.
8. We will actively communicate with our various stakeholders, including shareholders, customers, and local communities.
9. As a corporate member of an international society, we will respect the culture and customs of every region of the world and contribute to the development of those regions.
10. We will strive for the continued development of our Company through business activities conducted in accordance with the guiding principles described herein.

Sumitomo Chemical's Approach to Enhancing Corporate Value Based on Corporate Philosophy

The Sumitomo Spirit of "Jiri-Rita Koushi-Ichinyo" means that "Sumitomo's business must contribute not only to its own development but also to society," a concept that the Sumitomo Chemical Group has valued since its foundation and is also consistent with Creating Shared Value. We will achieve sustainable growth of our group (Benefiting Ourselves) and create value for society (Benefiting Society) while constantly transforming our business by adding a green transformation perspective. By doing so, we aim to create economic value and social value in an integrated manner (Benefiting society at large, not just our own interests), thereby enhancing corporate value.

Image of Enhancing Corporate Value



Implementing Jiri-Rita Koushi-Ichinyo

Origin

Case 1

The problem of air pollution issue associated with the copper smelting business

▶ **Sulfuric acid and fertilizer manufacturing business**

1915 **Commencement of operations at the Sumitomo Fertilizer Manufacturing**


Sumitomo fertilizer manufacturing

Sulfuric acid was produced from the sulfur dioxide gas emitted during the roasting of sulfide ores used for copper, and superphosphate (fertilizer) was then produced from the sulfuric acid.

Societal Issue

The problem of air pollution associated with the copper smelting business

The copper smelting operations at the Besshi Copper Mine by the Sumitomo Group released sulfur dioxide gas, causing damage to the crops in nearby villages.

Value Creation

Social Value

- By reducing the sulfur content in sulfide ores, the emission of sulfur dioxide gas during smelting was decreased, contributing to the mitigation of smoke pollution.
- By selling affordable fertilizers both domestically and internationally, we contributed to the development of agriculture.

Economic Value

- Although the first year of operations resulted in a loss, the company generated a profit of 38,000 yen in 1916 and 220,000 yen in 1917.

Growth

Case 2

Malaria Infection Issue

▶ **Infectious Disease Control Materials Business**

1995 **Launch of Olyset®net sales**


Olyset®net

We developed and marketed the Olyset®net, a long-lasting insecticidal mosquito net that incorporates insecticide into synthetic resin, gradually releasing it to control malaria-transmitting mosquitoes. After receiving WHO certification, we provided the technology free of charge to a mosquito net manufacturer in Tanzania, assisting in the establishment of local production and the operation of a new factory.

Societal Issue

Malaria Infection Issue

In Africa, malaria was widespread, and due to poverty and financial difficulties, adequate measures could not be taken. This created a vicious cycle where contracting malaria led to the loss of employment and educational opportunities, making it impossible to escape poverty.

Value Creation

Social Value

- Saving a cumulative total of approximately 2.7 billion person-years from infectious diseases
- Creating employment opportunities and improving working conditions for women through the establishment of local production systems
- Enhancing educational environments by using a portion of the profits to support educational initiatives

Economic Value

- Sold a cumulative total of approximately 300 million long-lasting insecticidal nets, including Olyset®net, primarily in Africa

Outlook

Case 3

Climate Change and Plastic Waste Issues

▶ **Carbon Resource Recycling Business**

Late 2020s **Social implementation of innovative chemical recycling technology**


Pilot facility for producing methanol from CO_2

In collaboration with other companies and external organizations, including government agencies, we aim to implement chemical recycling technology that produces chemicals from waste plastics and carbon dioxide as alternatives to fossil resources.

→ **Contribute to Recycling Resources**

Societal Issue

Climate Change and Plastic Waste Issues

The issues of climate change and plastic waste have made the reduction of greenhouse gas (GHG) emissions and the recycling of plastic products made from fossil resources—from production through disposal—an urgent global challenge.

Value Creation

Social Value

- Reducing the use of fossil resources and the GHG emissions generated during the incineration of waste plastics
- Contributing to the efficient use of limited resources and the prevention of global environmental degradation, including climate change

Economic Value

(Example) Implementing the ethanol-to-propylene technology for 1% of the global production capacity of 200 million tons/year*1 →Contribution value exceeds 40 billion yen/year*2

*1 Based on data from Chemical Market Analytics, our estimate of the production capacity in 2030

*2 Contribution to CO_2 reduction: 4 million tons × carbon price of 10,000 yen

The History of Sumitomo Chemical

1915
Began the manufacturing and sales of fertilizers at Sumitomo Fertilizer Manufacturing Co., Ltd.

1931
Began Ammonia Production

1931
Began manufacturing ammonium sulfate

1936
Completion of Alumina Plant

1944
Merger with the Japan Dyestuff Manufacturing Company

1944
Merger with the Japan Dyestuff Manufacturing Company

1953
Began sales of the insecticide "PYNAMIN™"

1958
Completion of Ethylene Plant (Ehime)

1962
Began sales of the pesticide "SUMITHION™"

1962
Established the Ibaraki Factory

1965
Completion of "SUMILIZER®" Additive Manufacturing Facility (Oita)

1966
Began manufacturing methionine for feed in Ehime

1967
Completion of Methacrylic Resin Plant

1967
Launched the anti-inflammatory drug INTEBAN®

1970
Completion of Ethylene Plant (Chiba)

1973
Established Nihon Medi-Physics Co., Ltd.

1978
Began manufacturing electronic industrial chemicals in Chiba

1980
●Launch of "Supra Dyes"
●Completion of Resorcinol Manufacturing Facility

1981
Completion of High-Purity Alumina Manufacturing Facility

Net Sales / Sales Revenue*1 *2
1915–1977: Non-consolidated 1978–2023:Consolidated

*1 Since FY2016, IFRS (International Financial Reporting Standards) have been applied.
*2 In FY1995, Sumitomo Chemical changed its fiscal year to end on March 31. Revenue from January-March 1995 has been added to FY1994.

1915 1960 1970

1915-1940

Building the foundation as a chemical manufacturer

For about 30 years after its establishment, the company focused on "building the foundation as a chemical manufacturer." Sumitomo Fertilizer Manufacturing was originally founded to prevent smoke damage from copper smelting and initially produced sulfuric acid and superphosphate. The company then actively pursued the introduction and development of new technologies, expanding its business into industrial chemicals such as ammonia, nitric acid, methanol, and formalin, thereby solidifying its foundation as a chemical manufacturer.


Calcium superphosphate warehouse

1941-1970

Growth into a diversified chemical manufacturer

For about the next 30 years, the company entered the era of "growth into a diversified chemical manufacturer." The merger with the Japan Dyestuff Manufacturing Company in 1944 brought the fine chemicals business to the company. The launch of the household insecticide "PYNAMIN" in 1953 marked the beginning of our agricultural chemicals business. By 1958, the completion of an ethylene plant in the Ohe area of Ehime rounded out our major business sectors. Furthermore, in 1965, we began construction of a large-scale ethylene plant in the Chiba area, expanding our business alongside Japan's rapid economic growth.


Ethylene plant

Essential Chemicals & Plastics | Energy & Functional Materials | IT-related Chemicals | Health & Crop Sciences | Pharmaceuticals

1984
Began Operations at the Singapore Petrochemical Complex

1999
Began Operations of Acrylic Acid and Other Production Facilities in Singapore

2005
Established Petro Rabigh

2015
Shutdown of Ethylene Production Facilities at Chiba Works

2022
- Renamed the Sector to "Essential Chemicals & Plastics"
- Constructed a pilot facility for chemical recycling of methacrylic resin

1982
Began Operations at Indonesia Asahan Aluminium

1986
Business Succession from Sumitomo Aluminium Co., Ltd.

1993
Launch of "SUMIKASUPER® LCP"

1994
Completion of Polyether Sulfone Manufacturing Facility (Ehime)

2006
Completion of Lithium-Ion Secondary Battery Separator Manufacturing Facility

2011
Established SSLM Co., Ltd. in South Korea

2015
Established the Energy & Functional Materials Sector

2016
Acquired Tanaka Chemical Corporation as a subsidiary

1983
Began sales of positive photoresists

1991
- Completed manufacturing facilities for polarizing films and retardation films.
- Established Dongwoo Semiconductor Chemicals in South Korea

*Currently, Dongwoo Fine-Chem

1998
Completed manufacturing facilities for compound semiconductor materials

2001
Established the IT-related Chemicals Sector

2015
Acquired the compound semiconductor materials business from Hitachi Metals, Ltd. and established Sciocs

2019
Acquired Sanritz Corporation as a subsidiary

2022
Established a new Ibaraki Works and absorbed Sciocs through a merger

1988
Established Valent U.S.A. Corporation

2000
Acquired the biorational business from Abbott Laboratories, Inc.

2001
Obtained registration for the herbicide Flumioxazin in the United States

2010
Acquired shares in Nufarm

2019
Integrated group companies in India

2020
- Acquired four South American subsidiaries of Nufarm
- Obtained registration for the fungicide INDIFLIN® in the United States

Sumitomo Pharmaceutical Co., Ltd. ---------- Sumitomo Dainippon Pharma Co., Ltd. ---------- Sumitomo Pharma Co., Ltd.

1984
Established Sumitomo Pharmaceutical Co., Ltd. (Transferred our pharmaceutical business)

1993
Launched the therapeutic agent for hypertension and angina pectoris "AMLODIN®"

1995
Launched the carbapenem antibiotic "MEROPEN®"

2005
Sumitomo Pharma Co., Ltd. and Dainippon Pharmaceutical Co., Ltd. merged to form Sumitomo Dainippon Pharma Co., Ltd.

2009
Acquired Sepracor Inc.

*Currently, Sumitomo Pharma America, Inc.

2011
Began sales of the atypical antipsychotic "LATUDA®"

2019
Entered into a strategic alliance with Roivant Sciences

2023
Fully acquired Outstanding Shares of Myovant Sciences

1980 1990 2000 2010 2020

1971-2000

Active internationalization of all business operations

From the 1970s for about 30 years, the company experienced an era of "active internationalization of all business operations." During this period, the external environment was marked by severe changes, including oil shocks, the strong yen recession, and the collapse of the economic bubble. In response to these shifts in the global economy and societal frameworks, the company actively pursued globalization across all its business areas, including expansion into the petrochemical business in Singapore and the international development of specialty chemicals, such as agricultural chemicals.



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

2001-2012

Deepening of global management

For the next decade, the company focused on "deepening of global management." In the 2000s, the intensity of mega-competition increased, and from FY2004, the Corporate Business Plan set the theme of "Aiming to be a True Global Chemical Company." Accordingly, the company promoted globalization across the group through initiatives such as the Rabigh Project and expansion of the IT-related Chemicals sector. As a result, the consolidated overseas sales ratio surpassed 50% by the end of March 2011, and the overseas production ratio also exceeded 40%.



Petro Rabigh (Saudi Arabia)

2013-

Enhancement of business portfolio

In the Corporate Business Plans starting from FY2016 and FY2019, the company has focused on "enhancing the business portfolio." By identifying areas where the company has strengths and advantages, it has actively invested in semiconductor and battery materials businesses and expanded its global footprint in the agricultural chemicals sector, particularly in South America and India. These efforts aim to advance a business portfolio that is less susceptible to economic fluctuations and other impacts.



Latin America Research Center (Brazil)

Five Business Areas

Sumitomo Chemical: Providing diverse value through five business sectors

Essential Chemicals & Plastics

The Essential Chemicals & Plastics Sector has manufacturing facilities in Japan, Saudi Arabia, and Singapore, and leverages the strengths of each of these facilities to manufacture synthetic resins such as polyethylene, polypropylene, and methacrylic resin, as well as raw materials for synthetic fibers, and various industrial chemicals. Through these operations, Sumitomo Chemical meets the diverse needs of customers by providing chemical products that underpin a variety of industries.

→ Essential Chemicals & Plastics



Large aquarium panel made of methyl methacrylate

Energy & Functional Materials

The Energy & Functional Materials Sector provides a wide variety of functional chemical products that contribute to reducing the environmental impact and conserving energy and natural resources, including inorganic materials such as alumina used in energy-saving products, Plastic additives, super engineering plastics and lithium-ion secondary battery material used in electronic components and next-generation vehicles.

→ Energy & Functional Materials



A tire made using synthetic rubber

IT-related Chemicals

The IT-related Chemicals Sector provides a wide range of products to support the age of IoT: optically functional films, touch screen sensor panels, color resists and polymer OLED materials that are used to make LCD and OLED displays; photoresists and high-purity performance, functional chemicals required in the semiconductor manufacturing process; compound semiconductor materials used in antenna switches and other components of communication terminal equipment.

→ IT-related Chemicals



Photoresist "SUMIRESIST™"

Health & Crop Sciences

The Health & Crop Sciences Sector is engaged in the manufacture and sale of crop protection chemicals, fertilizers, feed additives, household insecticides, products for control of infectious diseases, and active pharmaceutical ingredients and intermediates. By providing these products, Sumitomo Chemical aims to contribute to a stable supply of crops, help increase food production in response to an increase in the world population, prevent the spread of infectious diseases, and achieve hygienic and healthy lives.

→ Health & Crop Sciences



Various crop protection chemicals, including insecticides and herbicides

Pharmaceuticals

Sumitomo Chemical started its pharmaceuticals business as the first Japanese company to manufacture synthetic pharmaceuticals based on its advanced organic synthesis technology. The company is currently developing the Sector through Sumitomo Pharma Co., Ltd., specialized in the prescription pharmaceuticals business, and Nihon Medi-Physics Co., Ltd., specialized in the radiopharmaceuticals business.

→ Pharmaceuticals

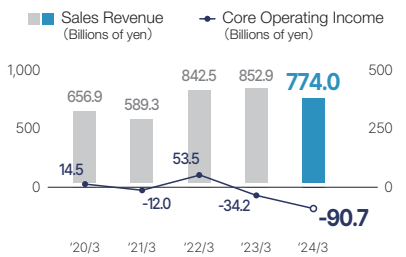


Pharmaceutical research

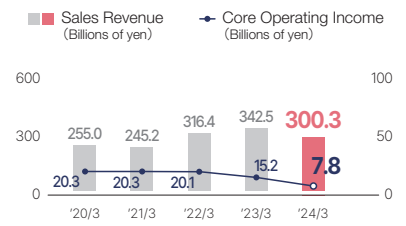
Essential Chemicals & Plastics, Energy & Functional Materials, IT-related Chemicals, Health & Crop Sciences, Pharmaceuticals —— Sumitomo Chemical globally supplies products that support a wide range of industries and people's daily lives across these five business sectors.

Sales Revenues and Core Operating Income

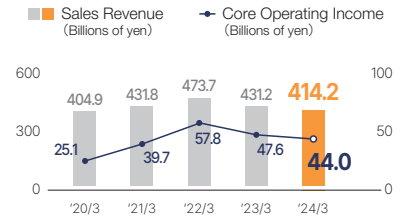
- Polyolefin Business
- Methyl Methacrylate (MMA) Business
- License Business



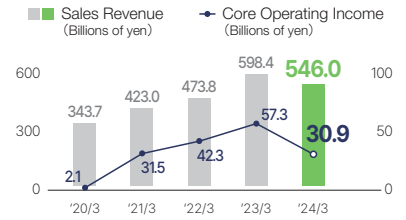
- Advanced Polymers Business
- Specialty Chemical Business
- Inorganic Materials Business
- Battery Materials Business



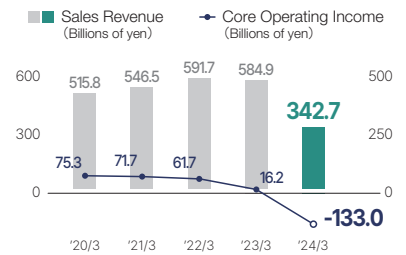
- Display Materials Business
- Semiconductor Materials Business



- Agrosolutions Business
- Environmental Health Business
- Feed Additives Business
- Pharma Solution Business



- Prescription Drugs
- Diagnostic Drugs
- Contract Development and Manufacturing Organization



Sumitomo Chemical (FY2023)

Sales Revenues

2,446.9 billion yen

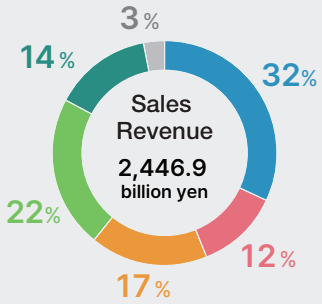
Core Operating Income

-149.0 billion yen

ROE

-29.2%

Sales Ratio by Sector



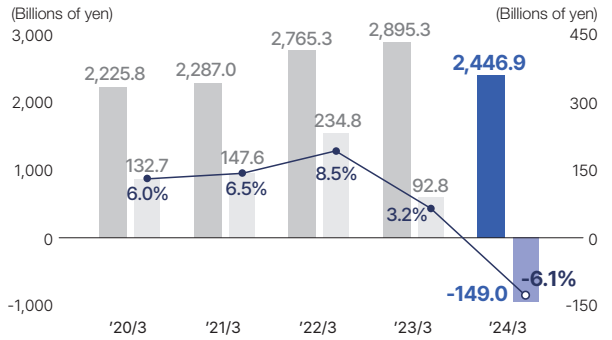
Essential Chemicals & Plastics	774.0 bn. yen
Energy & Functional Materials	300.3 bn. yen
IT-related Chemicals	414.2 bn. yen
Health & Crop Sciences	546.0 bn. yen
Pharmaceuticals	342.7 bn. yen
Other	69.8 bn. yen

Financial Data Highlights

Sales Revenue (left axis)
Core Operating Income (right axis)
Core Operating Income to Sales Revenue

-¥149.0 billion
(Core Operating Income)

vs. FY2022
–

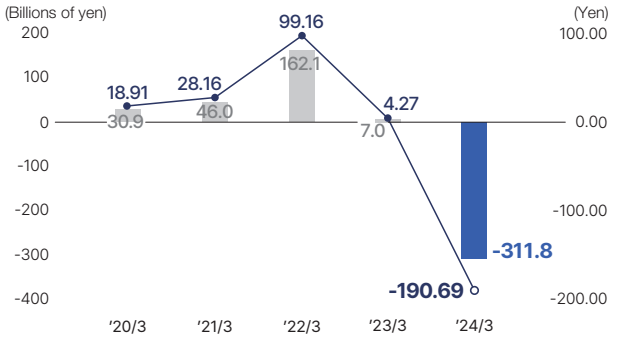


Due to the end of the exclusive sales period for Latuda® among Pharmaceuticals in the U.S. and worsening trading conditions in Essential Chemicals & Plastics, revenue decreased by ¥448.4 billion compared to the previous fiscal year, and core operating income worsened by ¥241.8 billion.

Net Income Attributable to Owners of the Parent (left axis)
Basic Earnings per Share (right axis)

-¥311.8 billion
(Net Income Attributable to Owners of the Parent)

vs. FY2022
–

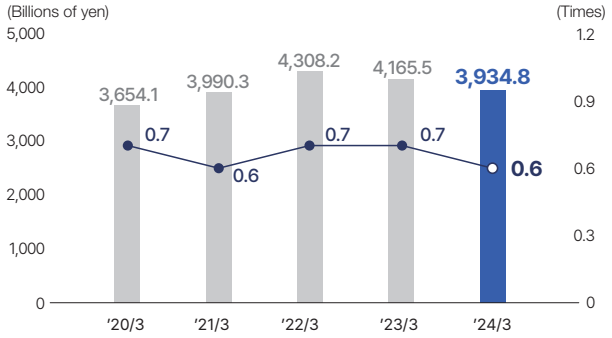


In addition to the deterioration in core operating income, significant impairment losses were recorded in the Pharmaceuticals and Essential Chemicals & Plastics, resulting in net income attributable to owners of the parent worsening by ¥318.8 billion compared to the previous fiscal year, reaching -¥311.8 billion.

Total Assets (left axis)
Asset Turnover (right axis)

¥3,934.8 billion
(Total Assets)

vs. FY2022
-5.5%

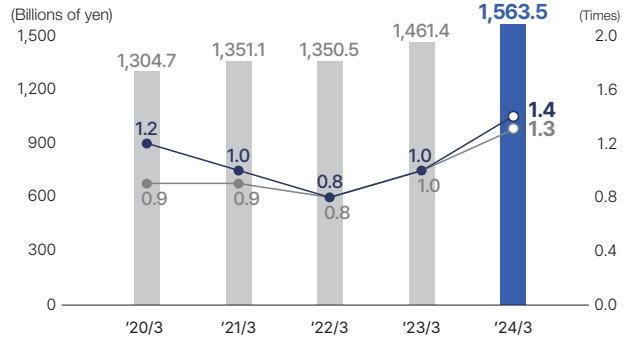


Total assets decreased by ¥230.7 billion compared to the end of the previous fiscal year, reaching ¥3,934.8 billion, due to impairments of goodwill and intangible assets.

Interest-bearing Liabilities (left axis)
D/E Ratio*1 (right axis)
Net D/E Ratio*2 (right axis)

¥1,563.5 billion
(Interest-bearing Liabilities)

vs. FY2022
+7.0%



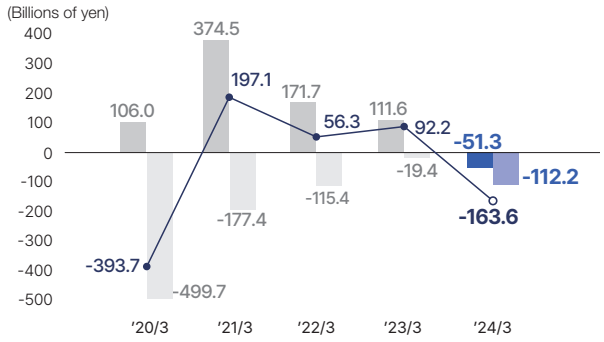
Interest-bearing liabilities increased by ¥102.1 billion compared to the previous fiscal year due to the rise in borrowings in the Pharmaceuticals sector. In addition, due to the deterioration of net income for the period, both equity attributable to owners of the parent company and total equity decreased, which resulted in an increase in both the D/E ratio and the net D/E ratio.

*1 D/E Ratio=Interest-bearing Liabilities/Total equity
*2 Net D/E Ratio=Net Interest-bearing Liabilities (Interest-bearing Liabilities–Cash and Cash Equivalents)/Equity attributable to Owners of the Parent

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

-¥163.6 billion
(Free Cash Flow)

vs. FY2022
-255.8 billion

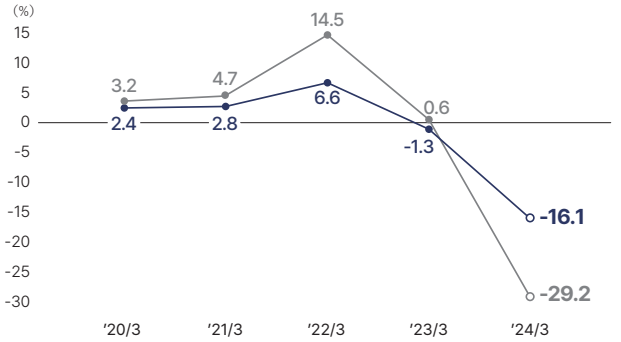


Cash Flows from Operating Activities decreased by ¥162.9 billion compared to the previous fiscal year due to worsening pre-tax income. Cash Flows from Investing Activities increased by ¥92.8 billion compared to the previous year due to an increase in loans. As a result, Free Cash Flow decreased by ¥255.8 billion compared to the previous year, resulting in an outflow of ¥163.8 billion.

ROE ROI

-29.2% (ROE)
vs. FY2022 **-29.8pt**

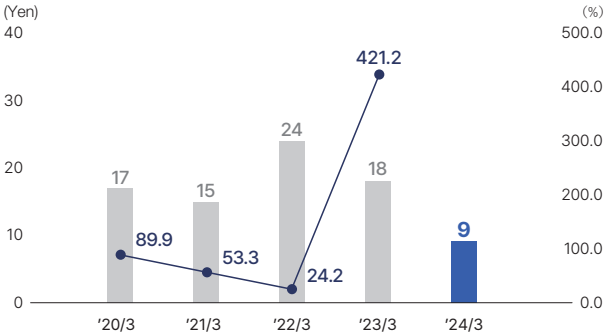
-16.1% (ROI)
vs. FY2022 **-14.8pt**



Due to the significant deterioration in net income attributable to owners of the parent, both ROE (Return on Equity) and ROI (Return on Investment) were significantly lower than the previous fiscal year.

Cash Dividends per Share (left axis)
Dividend Payout Ratio (right axis)

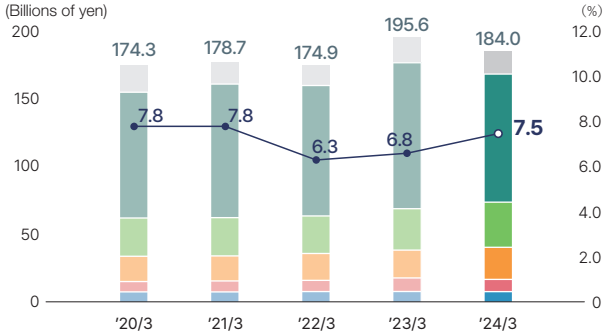
¥9 per share (annually)
vs. FY2022 **-50%**



Due to the deterioration in business performance, we have reduced this fiscal year's dividend by 9 yen per share compared to the previous year, setting it at 9 yen per share. Additionally, as we have recorded a net loss for this fiscal year, the dividend payout ratio has not been calculated.

Research and Development Expenses (left axis)
Essential Chemicals & Plastics Energy & Functional Materials
IT-related Chemicals Health & Crop Sciences Pharmaceuticals
Others
Ratio of R&D Expenses to Sales Revenue (right axis)

¥184.0 billion
(Research and Development Expenses)
vs. FY2022 **-5.9%**



R&D expenses decreased by 11.6 billion yen compared to the previous fiscal year, amounting to 184.0 billion yen, primarily due to personnel optimization in the Pharmaceuticals sector.

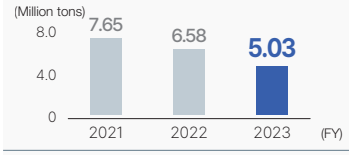
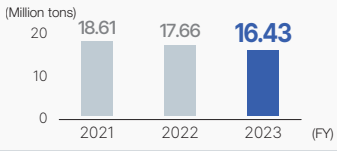
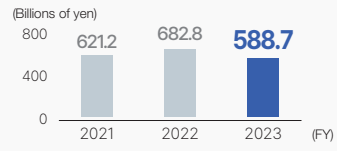
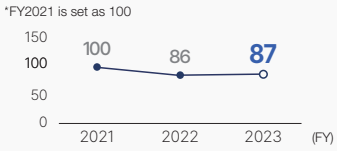
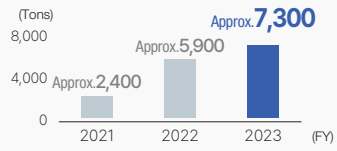
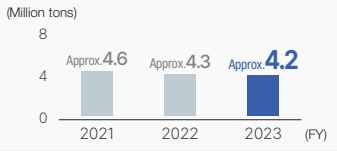
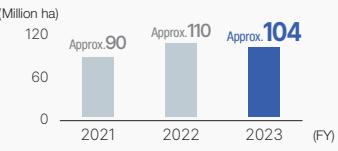
The Material Issues to Be Addressed as Management Priorities and KPI

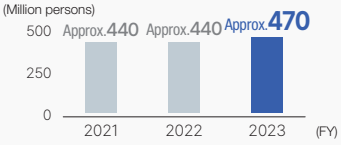
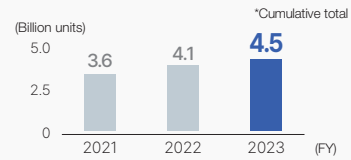
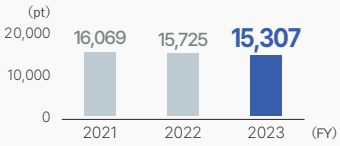
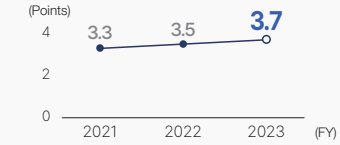
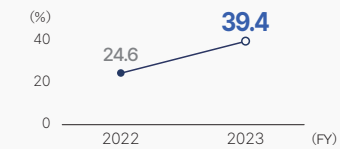
Sumitomo Chemical had identified the material issues to be addressed as management priorities in FY2018. These material issues were identified through deliberation and approval by management based on overall evaluation of the group's contribution to sustainability. And these were reviewed again in FY2021 based on subsequent changes in social conditions. The material issues are classified into "material issues for sustainable value creation" and "foundation for business continuation". Of the "material issues for sustainable value creation", issues that lead to the creation of business opportunities are positioned as "material issues for social value creation", and resources that serve as the driving force for the creation of business opportunities are positioned as "material issues for the creation of future value". Key Performance Indicators (KPI) have been set for each initiative. With the use of KPIs, we will continue to 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.

For details on the process of identifying and reviewing key issues, as well as information on each KPI, please refer to the Sustainability Report.

→ The Material Issues to Be Addressed as Management Priorities (Sustainability Report)

Material Issues for Sustainable Value Creation

		KPI	Targets	Results
Material Issues for Social Value Creation	Contribute to the Environment	**Amount of Group's GHG emissions (Scope1 + 2)** * Scope1: Direct greenhouse gas emissions from operators themselves (fuel burning and industrial processes) *Scope2: Indirect emissions from purchases of power and heat from outside the factory	Reduce by 50% by 2030 (vs. FY2013) (4.77 million tons)	
		Contribution to reducing GHG emissions throughout the product life cycle (Battery-related materials)	Contribution to reducing GHG emissions throughout the product life cycle by developing and supplying products	
		Sales revenue of Sumika Sustainable Solutions designated products	Sales revenue of 1,200 billion yen by FY2030	
		Unit energy consumption	Will achieve improvement of 3% or more per each Corporate Business Plan period as a group (FY2021 level as baseline)	
		Number of petrochemical technology licenses	Helping to reduce environmental impact through technology licensing	FY2023 **13** licenses
		The amount of recycled plastics used in manufacturing processes	200k tons/year by 2030	
	Contribute to the Food Supply	**Effect of increasing production of animal protein including poultry**	Continuously improving the production of animal protein, including poultry, by developing and providing feed additives	
		Agricultural land area where agrosolution products are used	Ensuring the stable supply of food by developing and providing agrosolution products	

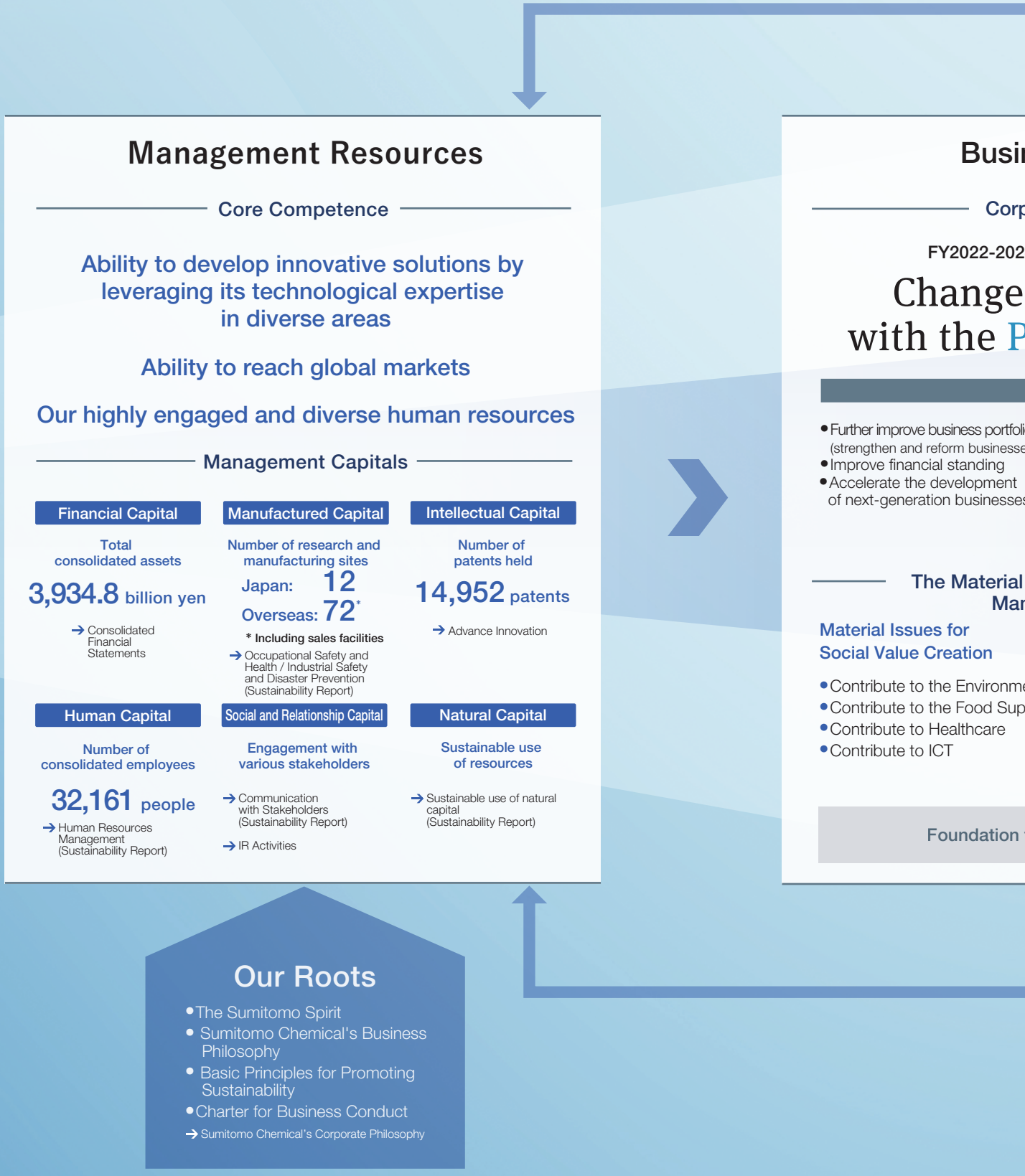
		KPI	Targets	Results
Material Issues for Social Value Creation	Contribute to Healthcare	**Number of people protected by vector control products**	Protection from vector-borne diseases through the development and dissemination of vector control products such as Olyset®net	
		Sustainable creation of innovative pharmaceuticals and medical solutions to meet diverse medical needs	Targets and KPIs for Material Issues Click here for details Sumitomo Pharma Website	**New Drugs Approved** Click here for details Sumitomo Pharma Website
	Contribute to ICT	**Number of mobile devices using polarizing films**	Advancing technological innovation for diversified workstyles and improved productivity through the provision of materials for mobile devices	
Material Issues for Future Value Creation	Advance Innovation	**Patent asset size**	Maintain a high level of patent assets	 * Patent asset size is evaluated using the Patent Asset Index™, generated using the patent analysis tool LexisNexis PatentSight®. * The Patent Asset Index™ is an index for comprehensively assessing the status of legally active patents based on quantity (number of patents) and quality (countries of registration and number of citations)
	Bolster Competitiveness Leveraging DX	**Digital maturity level**	Sustained levelling up of digital maturity	
	Human Resources DE&I*, Development & Growth, Health *Diversity, Equity & Inclusion	**Percentage of employees promoted to managerial positions (equivalent to section manager) filled by female employees (SC only)**	Over 15% on average over the 5 years between FY2023 and FY2027	FY2023 **29.0**%
		Percentage of male employees who have taken childcare leave or other childcare-related leave due to birth of a child during the current fiscal year (SC only)	Over 90%	FY2023 **97.3**%
		Percentage of employees who have taken self-selected training programs, etc. (SC only)	50% or more of all employees by FY2024	
		Maintain certification as a Health & Productivity Management Outstanding Organization (White 500) (SC only)	Maintain certification	**Maintained certification over the past 7 years since FY2017**

Foundation for Business Continuation

- **Occupational Safety and Health / Industrial Safety and Disaster Prevention**
  → Occupational Safety and Health / Industrial Safety and Disaster Prevention (Sustainability Report)
- **Product Safety and Quality Assurance**
  → Product Stewardship / Product Safety / Quality Assurance (Sustainability Report)
- **Respect for Human Rights**
  → Respect for Human Rights (Sustainability Report)
- **Cybersecurity**
  → Cybersecurity (Sustainability Report)
- **Compliance**
  → Compliance (Sustainability Report)
- **Anti-Corruption**
  → Anti-Corruption (Sustainability Report)

Flow of Value Creation

Sumitomo Chemical has grown its business over the past 100 years in line with the Sumitomo spirit and other corporate philosophy. As we evolved from a fertilizer company to a chemical company and then to a diversified chemical company we established our core strengths, or core competencies. By making maximum use of this core competence and six management capitals as management resources and by working on the material issues to be addressed as management priorities and Corporate Business Plan, we will solve various social issues and enhance our corporate value. We will also accumulate the new economic and social value created through these efforts as our management resources, aiming for sustainable growth.



Accumulation of Management Resources

ness Activities

porate Business Plan

4 Corporate Business Plan

and Innovation
Power of Chemistry

Basic Policy

- Obligations and contributions toward becoming carbon neutrality
- Improve productivity and strengthen businesses through digital innovation
- Employ, develop and leverage human resources for sustainable growth
- Ensure full and strict compliance and maintain safe and stable operations

Issues to Be Addressed as nagement Priorities

Material Issues for Future Value Creation

- Advance Innovation
- Bolster Competitiveness Leveraging DX
- Human Resources
  DE&I, Development & Growth, Health

for Business Continuation

Creation of Social Value

Environmental Field

Recovery of the global environment and realization of a world where people and nature coexist in harmony

Food Field

Ensuring food security and harmony with the environment

Healthcare Field

Ensuring healthy lives for people around the world

ICT related Field

Realization of an inclusive society using ICT

Long-term vision
Innovative Solution Provider

A company that solves social issues with innovative technology

Creation of Economic Value

Financial targets

KPI	FY2023 Actual	FY2024 Forecast	Where we want to be
ROE	-29.2%	2.1%	Over 10%
ROI	-16.1%	0.9%	Over 7%
D/E ratio	1.3 times	-	Approx. 0.7 times
Dividend Payout Ratio	-	73.6%	Approx. 30%

Long-term core operating income target for the new business sector

Growth driver	Agro & Life Solutions	100 billion yen (2030)
	ICT & Mobility Solutions	100 billion yen (2030)
New growth areas	Advanced Medical Solutions	100 billion yen (2035)
Fundamental areas	Essential & Green Materials	

Accumulation of Management Resources



Strategy

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57 Bolster Competitiveness Leveraging DX

61 Human Resources
DE&I, Development & Growth, Health

Progress of the Corporate Business Plan and Structural Reforms

In the 2022-2024 Corporate Business Plan, we aim for sustainable growth by maximizing the “Power” of our diversified technologies, human resources, and growth opportunities through the promotion of green transformation (GX) in the integrated chemical industry. While the performance for FY2024, the final year of the plan, is expected to fall significantly short of the initial targets, we aim to achieve a V-shaped recovery through the implementation of immediate-term, concentrated measures to improve business performance and fundamental structural reforms. Furthermore, we are committed to transforming into a company that addresses societal issues through innovative technologies, pursuing sustainable growth.

FY2022-2024 Corporate Business Plan

Change and Innovation ～with the Power of Chemistry～

The slogan for the current Corporate Business Plan remains unchanged from the previous Corporate Business Plan’s “Change and Innovation,” and the sub-slogan was set to be “with the Power of Chemistry.” We will maximize the "Power" of Chemistry by combining our greatest strength in the diversity of businesses, technologies, geographies and people with the growth opportunities presented by changes in the environment surrounding the Company, such as sustainability and digital innovation.

	FY2023 Performance	FY2024 Forecast (Revised Corporate Business Plan as of May 2023)	FY2024 Forecast (Announced on May 15, 2024)	FY2024 Forecast Announced Forecast - Corporate Business Plan
Sales Revenue	24,469	30,000	26,700	-3,300
Core Operating Income	-1,490	2,000	1,000	-1,000
Operating Profit (IFRS)	-4,888	1,800	700	-1,100
Net Income Attributable to Owners of the Parent	-3,118	1,000	200	-800

Current Situation and Performance Trends

Since the 2000s, our company has pursued three core strategies: strengthening the fundamental competitiveness of the petrochemical business, securing critical mass in the life sciences business, and fostering new businesses centered around ICT. These efforts have been aimed at enhancing our medium- and long-term profitability. As a result, up until the current Corporate Business Plan, we have seen certain successes, such as the expansion of our global business operations and the advancement of specialization through the growth of non-petrochemical businesses, such as IT-related Chemicals and Health & Crop Sciences.

However, alongside external factors such as the accelerated commoditization of technologies and the establishment of large-scale plants in countries such as China, internal factors have also played a role, including the dispersal of management resources as the five business sectors pursued their own growth, and a lack of discernment and development capability in the pharmaceutical sector. Consequently, the petrochemical businesses, including Petro Rabigh, and Sumitomo Pharma experienced poor performance. As a result, in 2023, we recorded a record net loss of 311.8 billion yen, recognizing that the growth model driven by our existing five business sectors has reached its limits.

FY2023 Performance

External factors

- Accelerating commoditization of technology
- Construction of new large-scale plant in China
- Increased difficulty in developing new drugs

Internal factors

- Dispersion of management resources through diversified management
- Lack of discernment and development ability in pharmaceuticals
- Lack of competitiveness of growth drivers

FY2023 Net Income
-311.8 billion yen

Key Factors

Sumitomo Pharma
LATUDA® cliff

Petro Rabigh
Worsening petroleum refining margins

Impairment loss
- Sumitomo Pharma’s non-current assets
- Chiba Works, Singapore MMA
- Methionine

Immediate-term, concentrated measures to improve business performance
Cash generation and profit improvement through business restructuring, inventory reduction, more selective investments, selling assets and leveraging surplus funds

Fundamental structural reforms
Revitalization of existing businesses to achieve sustainable growth after the V-shaped recovery
“Revival Strategy” and establishment of a new long-term growth model, the “Growth Strategy”

Immediate-term, concentrated measures to improve business performance

We are undertaking immediate-term, concentrated measures to improve business performance to enhance the certainty of a V-shaped recovery in FY2024 and to strengthen our financial standing for fundamental structural reforms. Initially, our goal was to generate 500 billion yen in cash, but due to progress exceeding expectations by March 2024, we have revised our target upward to 600 billion yen. By using the generated cash to repay interest-bearing liabilities, we aim to achieve a rapid recovery of our financial health. Additionally, we plan to further increase the improvement of core operating income beyond the initial target of 50 billion yen.

The target revise upward to approximately 600 billion yen.

Rebuild businesses

About **150** billion yen

We have added further projects beyond the initial plan.

Reduce inventories

About **150** billion yen

Approximately 75 billion yen reduction as of the end of FY2023.

More selective investments

About **150** billion yen

We will proceed with additional down-selection.

Sell assets and leverage surplus funds

About **160** billion yen

- Further sales of policy-held stocks
- Sale of welfare facilities and other assets

Efforts to Date

Rebuild businesses

Of the 120 billion yen in cash generation (initial target),

approximately 40% of the projects are on track to be achieved.

Disclosed projects

- Strengthen competitiveness in methionine and reorganize lines
- Exited cyclohexanone business
- Sold agricultural polyolefin business
- Sold resin coloring agent business
- Sold post-harvest business
- Sold China LCD chemicals business
- Sold Overseas Aluminum Smelting Business

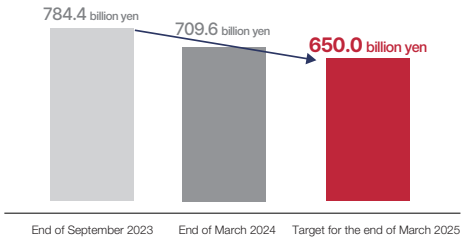
Reduce inventories

Approximately 75 billion yen reduction

as of the end of March 2024.

Target further reductions by leveraging Digital Transformation (DX) or exiting or selling businesses

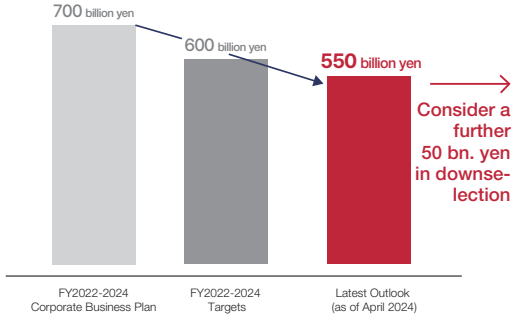
Consolidated balance of inventories



More selective investment

Reduction of 150 billion yen compared to the Corporate Business Plan Further investment reduction

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

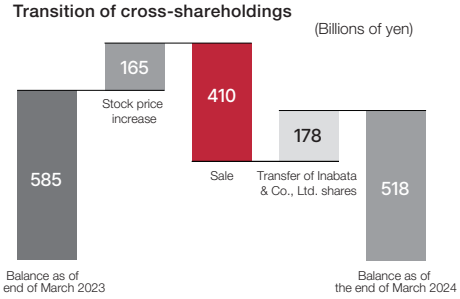


Sell assets and leverage surplus funds

Accelerating the sale of policy-holding shares Aiming for further increases

- Sale of cross-shareholdings (Approx. 41 bn. yen)
- Have sold shares of Inabata & Co., Ltd. (Approx. 24 bn. yen)
- Sale of welfare facilities, etc. (Approx. 10 bn. yen)
- Effective utilization of surplus funds by overseas group companies (Approx. 70 bn. yen)

Transition of cross-shareholdings



Fundamental structural reforms

To achieve sustainable growth after the V-shaped recovery in FY2024, it is essential to implement fundamental solutions to the structural management challenges our company faces. Under the initiative titled "Fundamental Structural Reforms," we are focusing on two key strategies: the "Revival strategy," aimed at revitalizing existing businesses, and the "Growth Strategy," focused on establishing a new long-term growth model and fostering new growth drivers.

Revival Strategy

Rebuild Sumitomo Pharma: Quickly stop the bleeding of cash while we consider all options to return to growth

Thorough rationalization of SG&A and R&D expenses

In FY2024, we are implementing significant reductions in selling, general, and administrative expenses (SG&A) as well as research and development (R&D) expenses, aiming for a reduction of over 100 billion yen compared to the previous year. This includes the full-year impact of two rounds of workforce reductions in North America conducted in FY2023 and the effects of impairment on intangible assets. Additionally, for R&D expenses, we are streamlining our development pipeline by focusing on key areas, such as the substantial out-licensing of Ulotaront to major pharmaceutical companies and reevaluating late-stage development projects. Our company, along with a third-party corporate turnaround experts, is committed to thorough cost reductions. We are also considering streamlining our domestic operations.

Selling, General and Administrative Expenses	△670
Cost Reduction	△310
Personnel Reduction	△260
Intangible Asset Amortization	△100

Research and Development Expenses	△410
Streamlining Clinical Trial Costs	△220
Personnel Reduction	△180
Others	△10

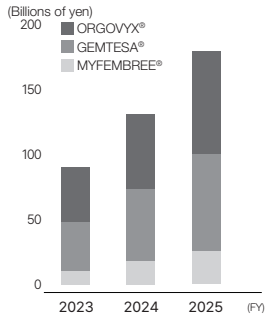
Concentration of development resources in the oncology field

We will focus resources on the development of DSP-5336 and TP-3654, both of which are expected to contribute to early revenue, aiming for approval and market launch by FY2027. Both agents are currently in Phase 1/2 trials and target cancers for which no definitive treatments have been established. The current clinical trials have shown excellent results in terms of efficacy and safety. DSP-5336 has the potential to reach peak net sales of around 50 billion yen, while TP-3654 has the potential to achieve peak sales of around 100 billion yen.

Expand sales of three key products

We will promote the expansion of the three key products that have gained market penetration in FY2023. For ORGOVYX®, we aim to establish its position as a first-line therapy by leveraging its status as a recommended drug for combination therapy following the revision of treatment guidelines. For GEMTESA®, we are preparing the sales structure in anticipation of obtaining approval for its expanded indication for overactive bladder associated with benign prostatic hyperplasia. For MYFEMBREE®, we are working to enhance brand recognition through strengthened media advertising.

Sales forecast for the three key products



Accelerating business growth through the establishment of a new regenerative and cell therapy company

Leveraging our strength as a frontrunner in the practical application of iPS cells, we aim to provide new value that can only be delivered through regenerative medicine. The iPS cell-derived product currently under development for Parkinson's disease, if approved, will be the world's first regenerative and cell therapy product of its kind. Furthermore, to accelerate commercialization, we plan to establish a new company in collaboration with Sumitomo Pharma, considering the anticipated increase in research and development as well as capital investment requirements.

Proposed Indications	Region	Development Status / Market Launch Target
Pediatric Congenital Hearing Loss (Resimic U.S.)	U.S.	Launched in March 2022
Parkinson's Disease Priority Review Designation (in Japan Only)	Japan	Preparing for approval by FY2024
	U.S.	Phase 1/2 trial initiated
Retinal Pigment Epithelium Tear	Japan	In Phase 1/2 trial →targeting market launch in FY2028

Rebuild of the Petro Rabigh / Essential Chemicals & Plastics

Repositioning of Petro Rabigh in our business

Petro Rabigh, which aimed for overwhelming cost competitiveness through the procurement of low-cost raw materials, has been experiencing declining performance due to recent changes in the external environment surrounding oil refining and petrochemicals. As our company shifts its business portfolio towards specialties, differences in strategic positioning between us and our joint venture partner, Saudi Aramco, have become increasingly apparent.

To this end, a joint task force was formed in May of this year between our company and Saudi Aramco, where extensive discussions were held, leading to the announcement of a restructuring plan for Petro Rabigh in August. The plan includes a 3 billion dollar financial improvement through funding and debt forgiveness by our company and Saudi Aramco, as well as a review of the capital structure. As a result, Saudi Aramco will become the largest shareholder with 60% stake, while our stake will decrease from 37.5% to 15%. A plan to strengthen profitability is also expected to be announced by Petro Rabigh in the near future.

Reorganization of Japan and Singapore operations

For our Japan operations, we are advancing the rationalization of existing Ethylene plants and exploring the transition to environmentally friendly industrial complexes in the Keiyo area to achieve carbon neutrality. In addition, we will steadily execute corporate partnerships in the polyolefin business and reorganize or divest unprofitable and non-core businesses.

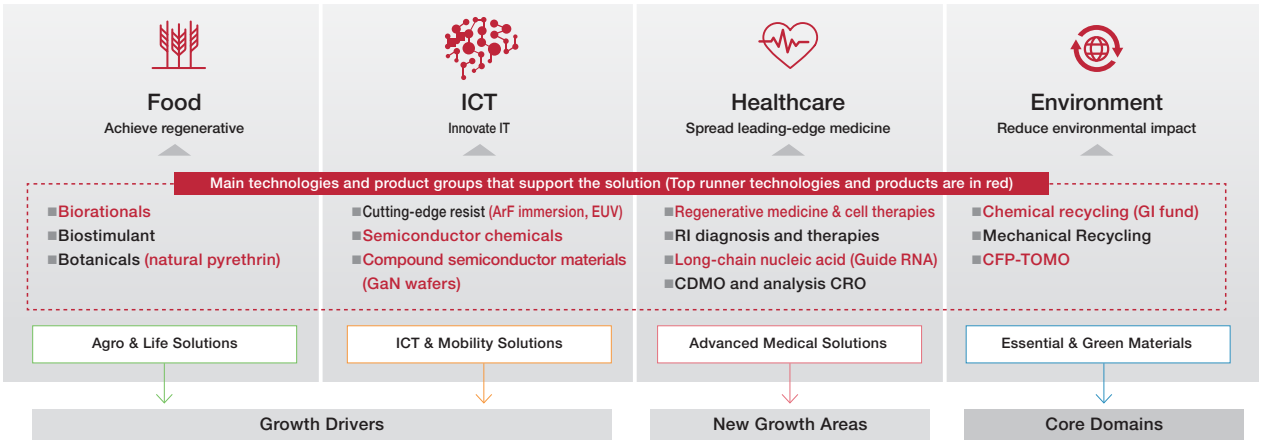
For our Singapore operations, we will focus on optimizing upstream plants through a structural reform committee that includes our partner. Additionally, in the downstream sector, we will concentrate on improving profitability by enhancing the value of our products, such as through the development of specialty high-margin grades.

Growth Strategy

Transformation into a Company that Solves Societal Issues with Innovative Technologies

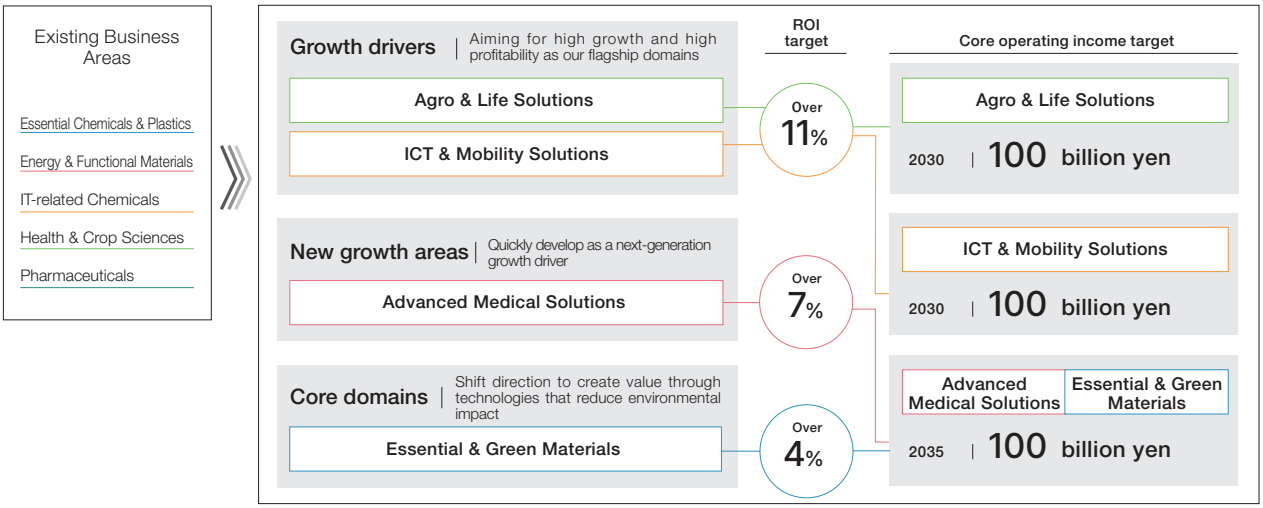
We have established our long-term corporate vision as an “Innovative Solution Provider.” Our company will leverage the six core technologies developed over our 100-plus-year history, along with the business assets derived from three areas of transformation—Green Transformation (GX), Digital Transformation (DX), and Bio Transformation (BX)—to provide solutions through innovative technologies. Our focus will be on addressing societal issues in four key areas: food, ICT, healthcare, and the environment.

Innovative Solution Provider



Four New Business Areas: Starting from October 2024

We will shift away from our previous growth model, which treated our five business segments as equivalent engines, and instead adopt a more strategic allocation of management resources with greater focus and prioritization.
We have designated agriculture and ICT as our primary growth drivers for the foreseeable future, and we will focus our management resources on “Agro & Life Solutions” and “ICT & Mobility Solutions.” The advanced medical field, centered around CDMO and diagnostic drugs, is positioned as a next-generation growth area, and we will nurture the “Advanced Medical Solutions” segment.
“Essential & Green Materials” will be managed with a clear concept that not only emphasizes the essential role of providing stable supplies of products that support society but also focuses on value creation through environmentally sustainable technologies.



Growth Strategy for Each Area

Agro & Life Solutions

We will contribute to regenerative agriculture through a hybrid approach that combines the chemical pesticides we have developed over many years with biorational and other natural products.
While recouping our investments in research and development as well as our footprint, we will also advance the expansion of new agents in promising markets.

Society's challenges

- Carbon Neutrality
- Biodiversity
- Food

Focus on the regenerative agriculture sector,
which will become mainstream in the future. → P.37

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

Business strategy

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



ICT & Mobility Solutions

By integrating our ICT-related businesses with our mobility-related businesses, we will combine our accumulated proprietary technologies and extensive know-how to propose solutions that accelerate our customers' innovations. We will leverage our strengths in advanced semiconductor materials, exemplified by semiconductor chemicals and photoresists, and aim for further growth through the expansion of our business areas, including entry into the U.S. market.

Areas for earnings growth

Semiconductor chemicals
Exhibit sophisticated functionality supporting customer needs in semiconductor manufacturing processes

Cutting-edge semiconductor materials
Forge new markets on the front and back ends through process technology innovations supporting AI semiconductors

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

Mobility-related materials
Revenue expansion driven by steady growth in super engineering plastics used in automotive components and displays.

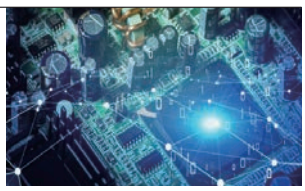
Business strategy

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

Expand business geography
- Full foray into US mainly in semiconductor materials

Maximize earnings in existing businesses
- Display materials: Major portfolio shift. Shift from large polarizers and FPD chemicals into performance materials for OLED and automotive applications
- Silicon semiconductor materials: Strengthen supply structure in advanced of growth in demand for photo resist and semiconductor chemicals
- Super Engineering Plastics: Expanding sales in the automotive sector

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



Advanced Medical Solutions

Contributing to healthier and more fulfilling lives by creating and providing solutions that address diverse medical and healthcare needs through the fusion of chemical, biotechnology, and digital transformation (DX) technologies. We aim to expand our CDMO (Contract Development and Manufacturing Organization) services with a dual focus on leading-edge fields such as nucleic acids and regenerative medicine & cell therapies, as well as the small molecule sector, which constitutes the majority of pharmaceuticals.

Leading-edge medical and healthcare related businesses such as CDMO

Knowledge developed in the life sciences business (development, production technology, quality control and analysis) × **Areas with high market growth potential and high added value for society**

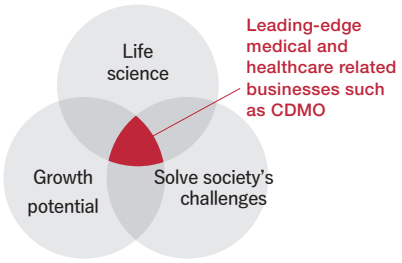
Business strategy

Regenerative medicine & cell therapies

- Accelerate deployment into US market leveraging iPS cell commercialization technology

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

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



Essential & Green Materials

Shifting from petrochemical businesses that consume fossil resources to value creation through environmentally sustainable technologies. By combining technologies that reduce environmental impact with licensing, we aim to establish our position as a Solution Provider. Initially, we plan to establish GX-related technologies by 2030, with the goal of commercializing them in our own plants by 2035. Following that, we will focus on expanding our solutions business through overseas licensing.

STEP 1
Technology development out to 2030
Quickly develop and validate innovative technologies that achieve GX

STEP 2
Commercialization out to 2035
Exhibit concrete environmental value at commercial scale and accelerate commercialization

STEP 3
Global deployment
Expand solutions business through licensing overseas

Business strategy

Expand businesses that reduce environmental impact

- Focus on the development of GX technologies, with an emphasis on chemical recycling, which has been selected for the GI Fund (Example of candidate technologies)

  - **Ethanol to propylene**
  - **CO_2 to methanol (ICR)**
  - **Olefins from direct cracking of waste plastic**
  - **PMMA chemical recycling, etc.**

- Expand the solutions business, primarily focused on licensing.
- Develop and market recycled plastic products under the “Meguri” brand, utilizing our technologies.

Earnings contribution potential

Example: Ethanol to Propylene technology

Global production capacity of propylene in 2030
Approx. **200 million** tons/year

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

CO_2 reduction contribution: Equivalent to approx. **4 million** tons/year

Contribution value (2035): Approx. **40+ bn.** yen/year

*1 Prepared by Sumitomo Chemical based on data from Chemical Market Analytics
*2 4 million tons X carbon price of 10,000 yen



Chemical recycling demonstration facility

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 with an awareness of green transformation (GX) while maintaining the soundness of our financial base.

Financial KPI targets

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

Key Financial Performance Indicators

Since 1999, we have been working to improve capital efficiency, including both ROE and ROI, from an early stage, taking measures such as considering capital costs in our performance results for each business sector as part of our management accounting system. This Corporate Business Plan also calls for ROI-oriented management. 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 target of 7% for ROI, in order to exceed our weighted average capital cost (WACC).

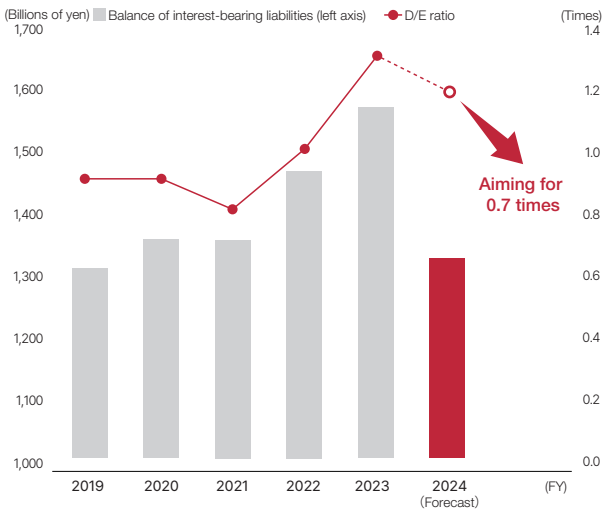
Furthermore, as part of the ongoing structural reforms, we are reviewing the management of ROI alongside the reorganization of business divisions. We have decided to shift from a uniform target of 7% across all divisions to setting specific targets for each business division, aiming to further enhance capital efficiency.

Our target D/E ratio is approximately 0.7 times, 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. Since FY2019, in order to contribute to the creation of a sustainable society, we have been calculating an economic indicator that reflects our internal carbon pricing (10,000 yen per ton) for any project that is expected to increase or decrease CO_2 emissions, which is used in our investment decision-making. In addition, we also regularly follow up on the results of investments, including both capital investments and acquisitions.

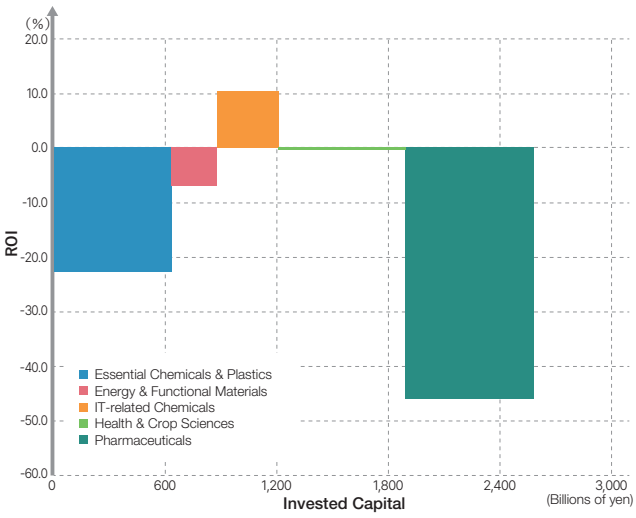
Towards a V-shaped Recovery in Performance and Improvement of Financial Standing

In FY2023, we recorded the largest loss in our company's history due to deteriorating performance in Essential Chemicals & Plastics and Pharmaceuticals, as well as significant impairment losses. In light of this situation, we are accelerating the immediate-term, concentrated measures to improve business performance, which we have been implementing since autumn 2023, to enhance the certainty of a V-shaped recovery in FY2024 and to

Interest-bearing Liabilities, D/E Ratio



Invested capital by business segment, ROI (FY2023 results)



strengthen our financial standing in preparation for a fundamental structural reform. For FY2024, we aim for a V-shaped recovery in core operating income to 100 billion yen, supported by contributions from immediate-term, concentrated measures to improve business performance such as business divestitures, rigorous cost reductions and expanded sales of three key products in the Pharmaceuticals, and the effects of prior investments in areas such as agrochemicals and semiconductor materials.

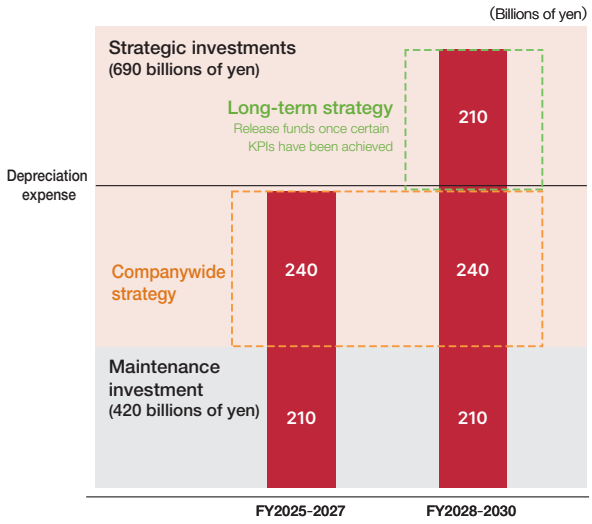
To improve our financial standing, we initially set a target to generate 500 billion yen in cash by the end of FY2024. However, with a forecast of generating 400 billion yen in cash by the end of FY2023, we have revised our target upward to 600 billion yen and are aiming to further increase this amount. The cash generated will be allocated to reducing our interest-bearing liabilities, thereby improving our financial standing, which has been weakened by large-scale strategic investments during the previous corporate business plan and the recent deterioration in performance.

Looking ahead, with anticipated interest rate increases due to potential shifts in monetary policy, we believe it is crucial to manage our interest-bearing liabilities to improve our financial balance. Therefore, in the near term, we will restrain investment within the limits of depreciation expenses to strengthen our financial standing. However, once our performance is back on a recovery track, we plan to increase investments under a long-term strategic framework. We will also actively allocate resources to agriculture-related and ICT-related areas, which we identify as key growth drivers for the immediate future.

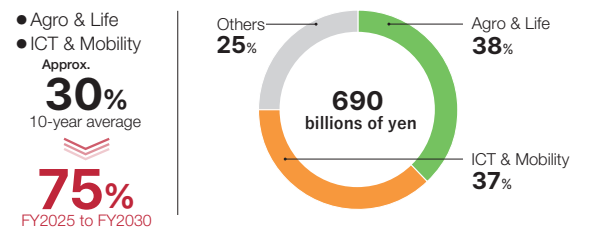
Shareholder Return

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. In FY2023, we regret to report that we experienced the largest deficit in our history, leading to a reduction in dividends to 9 yen per share. We sincerely apologize to our shareholders and investors for this outcome. For the FY2024 dividend forecast, while we anticipate a V-shaped recovery in our performance, our priority remains strengthening our weakened financial structure. Therefore, we have decided to maintain the dividend at 9 yen per share, the same as in FY2023. We consider 12 yen per share per year to be the minimum stable dividend line that should be maintained, and our target is 24 yen or more per year, assuming a payout ratio of 30% at the 200-billion-yen level of core operating income. We will continue to sustainably improve corporate value by improving capital efficiency and strengthening our financial structures, thereby meeting the expectations of our shareholders.

Future investment plans and investment allocation framework

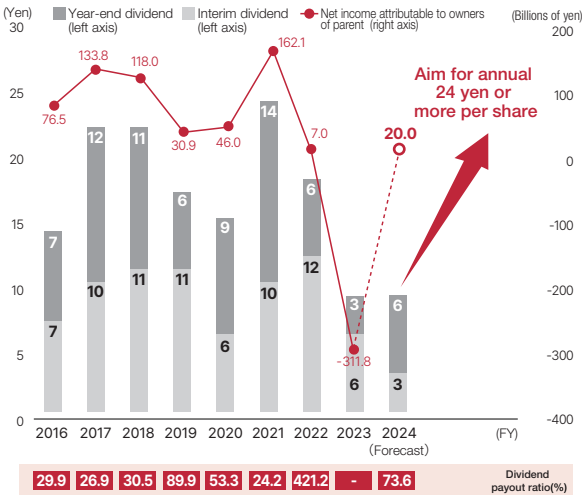


6-year allocation to strategic investments



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

Shareholder return



IR Activities

Basic Policy

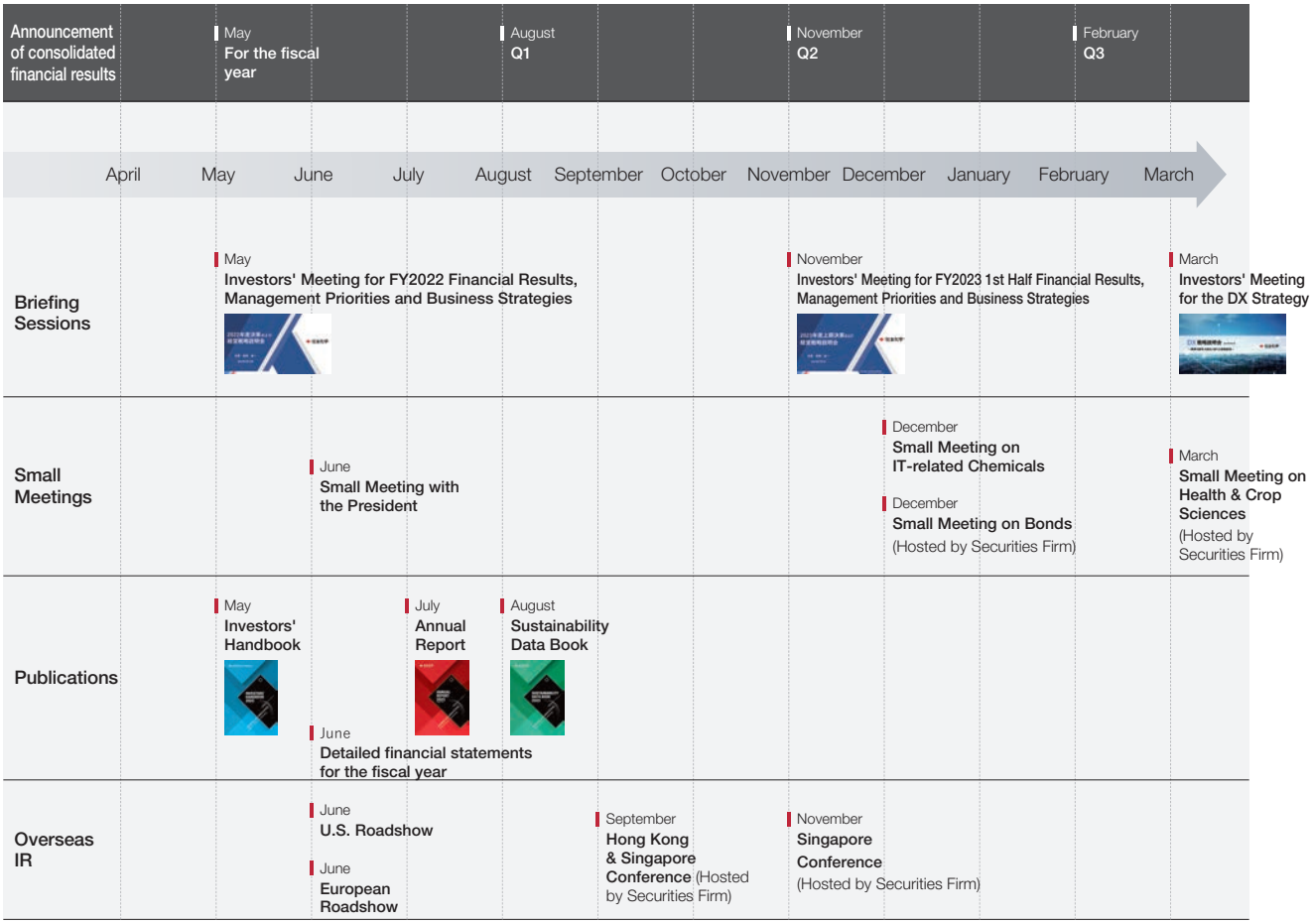
Sumitomo Chemical provides planned, effective, and strategic communications with shareholders and other investors regarding our management policies, business strategies, and performance trends, so as to fulfill our accountability to shareholders and maintain and raise market confidence, while endeavoring to convey an accurate understanding of the company that will be reflected properly in the stock price and in higher corporate value.

For FY2023 Activities

In FY2023, we were able to resume visits to overseas institutional investors and investor factory tours, which had been suspended due to the impact of the COVID-19, allowing us to engage in constructive dialogue with our shareholders and investors. Additionally, in response to the rapidly changing business environment, we enhanced our performance explanations by holding management briefings concurrently with earnings announcements. These efforts were aimed at sharing our vision and the challenges we recognize.

IR Calender (FY2023)

We hold briefings throughout the year and also issue publications.



Major Events Held

Implementation Status from April 2023 to March 2024

Briefing Sessions

	Speakers	Times Held	Attendees
FY2022 Financial Results and Business Strategy Briefing	**President**	1	592
FY2023 First-Half Financial Results and Business Strategy Briefing	**President**	1	357
DX Strategy Briefing	**Vice president, etc.**	1	96
Conference call on earnings report	**President, Managing Executive Officer in charge of IR**	2	683

Individual Investors' Meetings

	Persons who Deal with This	Times Held	Attendees
Individual Investors' Meetings (Streaming)	**General Manager in charge of IR**	2	-

Interviews with Investors

	Persons who Deal with This	Investor Attributes	Attendees
Interviews with Investors	**President, Managing Executive Officer in charge of IR, General Manager in charge of IR, etc.**	**Fund managers, analysts, etc.**	449
Of which, interviews with those with decision-making authority and ESG interviews	**President, Managing Executive Officer in charge of IR, General Manager in charge of IR, etc.**	**In charge of ESG, in charge of voting rights exercise, etc.**	57

Small Meetings

	Persons who Deal with This	Times Held	Attendees
Held by the President	**President, Heads of business sectors**	1	20
Held by the heads of business sectors and other departments	**Heads of business sectors, Managing Executive Officer in charge of IR, etc.**	3	45

Main Themes of Dialogue

Immediate-term, concentrated measures to improve business performance

- Business restructuring
- Sale of cross-shareholdings

Fundamental structural reforms

- Revitalization of Sumitomo Pharma
- Revitalization of the Petrochemical Business including Petro Rabigh

Addressing climate change issues

- Progress on initiatives to reduce GHG emissions

Internal Feedback and Examples of Improvements

Our company actively provides feedback to various internal levels based on the opinions and suggestions received from analysts and investors during our IR activities. By sharing external perspectives on our business strategies, business plans, and corporate value, we aim to enhance our competitiveness and improve management practices.

Feedback	Content
Board of Directors Report	Opinions gathered from earnings briefings, investor meetings, and evaluations such as stock price assessments of our company are shared with the Board of Directors and other relevant bodies.
IR and Public Relations Coordination Meetings	Once a quarter, we share investor reactions and opinions regarding earnings announcements and briefings with department heads across various business sectors and headquarters sections. Additionally, we exchange views on the planning of events aimed at investors and the media.

Examples of Incorporating Investor Feedback into Management



Investors

<Investor Feedback>

While the company's GHG emissions reduction, which falls under its "responsibilities" towards carbon neutrality, has been quantified, the global GHG emissions reduction achieved through the company's products, which constitutes its "contributions," has not been quantified. Investors would like to see these contributions quantified to help enhance the reputation of the chemical industry

<Our Response>

We have developed Science Based Contributions (SBC) to quantitatively represent the GHG reductions achieved by our products and technologies, based on scientific methods. This approach aims to visualize the social value creation.

→ Climate Change Mitigation and Adaptation

Disclosure Framework and Engagement Tools

To promote engagement with our stakeholders, including shareholders and investors, we publish three key reports: Annual Report, Investors' Handbook, and Sustainability Report. Additionally, we disseminate information through our website, social media, and other channels as appropriate. By fostering a deeper and more accurate understanding of our company, we aim to enhance corporate value.

→ In Publication of Annual Report 2024

Sumitomo Chemical's Regenerative Agriculture

Achieving Sustainable Agriculture through Chemical and Biorational Solution

As the movement towards a sustainable society accelerates across various sectors, the agricultural field is rapidly advancing in building a value chain based on regenerative agriculture. Our company believes that the appropriate use of crop protection chemicals and biorational products is essential to achieving "regenerative agriculture," which aims to ensure agricultural productivity, food safety and security, while also preserving biodiversity and achieving carbon neutrality. We are actively promoting various initiatives utilizing a wide range of technologies to support this vision.

Biorationals
Providing naturally-derived microorganism-based protection products, plant growth regulators, and rhizosphere microbial materials, as well as to the solutions that use them to protect crops from pests or improve the quality or yield of crops

Contribution through Chemical Solutions

Support for No-Till Farming

No-till farming is an agricultural method where crops are grown without tilling the field before planting. This approach offers various benefits, such as reducing fuel consumption through labor-saving practices and preserving aquatic biodiversity by preventing topsoil erosion. Additionally, by minimizing soil disturbance, it helps reduce the emission of carbon dioxide caused by the oxidation of organic matter in the soil, which is why this method has rapidly gained popularity, particularly in the U.S. and Brazil. Our company contributes to the promotion of no-till farming by providing suitable crop protection materials that fit the no-till farming system.

Representative example

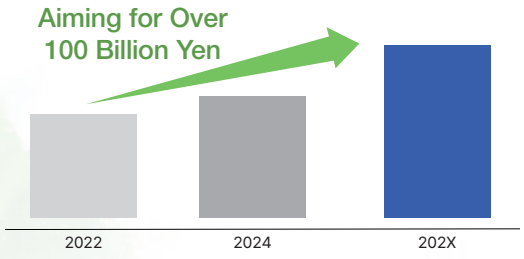
Rapidicil®
- ☐ Fast-acting and plenty efficacious on low doses
- ☐ Planned for market launch in the U.S. and South America from 2024 onward.

→ Next-generation Herbicides for Weed Control Solutions (Investors' Handbook)

Flumioxazin
- ☐ Effective against herbicide-resistant and hard-to-control weeds
- ☐ Excellent residual effect, reducing the number of applications

→ Collaboration with Bayer (Investors' Handbook)

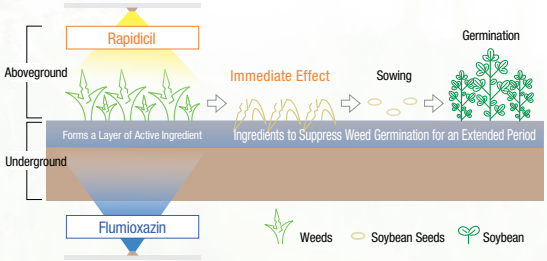
Consolidated net sales of herbicides for no-till farming



TOPICS

Combination of Foliar and Soil-Applied Herbicides

Herbicides can be categorized into two types: foliar-applied herbicides, which kill growing weeds, and soil-applied herbicides, which prevent weed germination. Among our products, Rapidicil® falls into the former category, while Flumioxazin is classified as the latter. In no-till farming, the use of these two herbicides can be expected to provide both the removal of growing weeds and the suppression of weed germination after sowing. We believe that utilizing both of these herbicides represents a promising strategy.



The Emerging Mainstream of Regenerative Agriculture



Modern society faces a wide range of challenges, including climate change, loss of biodiversity, and food security issues driven by the rapid increase in the global population. Regenerative agriculture, which seeks to restore and improve soil health while maintaining agricultural productivity, reducing GHG emissions, and preserving biodiversity, is gaining attention as an approach to addressing these challenges.

Our company is committed to promoting regenerative agriculture through a multifaceted approach that combines the crop protection chemicals technologies we have developed over many years with world-leading biorational products derived from natural sources.

Societal Issues to be Addressed

- Carbon neutrality
- Biodiversity
- Food

Our AgroSolutions

Chemical solutions
Leveraging our strong crop protection discovery capabilities, we provide solutions to address challenges in crop protection, such as pesticide resistance.

Biorational solutions
We offer unique solutions that harness the power of nature, including biorational crop protections, biorational crop enhancements, and biostimulants.

Adaptable to Seed Treatment

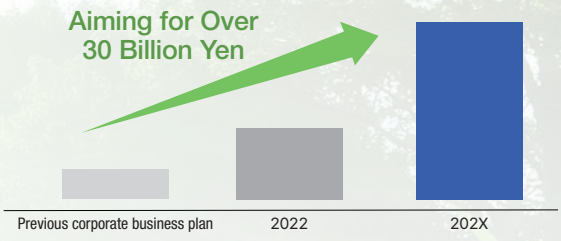
Seed treatment is a method of applying crop protection products directly to seeds before sowing. By applying these products precisely to the seeds, the required amount of crop protection products is minimized, contributing to reduced environmental impact. Additionally, this method eliminates the need for tractor operations in the field for spraying, further reducing fuel consumption. As a result, seed treatment is gaining attention as a technology that contributes to regenerative agriculture. Our company is committed to promoting the adoption of seed treatment by providing a wide range of insecticides, fungicides, and nematicides tailored to crop by crop.

Representative example

NipsIt® ☐ Formulating products with active ingredients that possess broad-spectrum insecticidal activity using unique formulation technology

Zeltra® ☐ Leveraging our latest fungicidal active ingredients for application across a wide range of crops

Consolidated net sales of seed treatment-related products



TOPICS

Biorational Seed Treatment: Aveo® EZ Nematicide

In addition to crop protection chemicals, our company also offers biorational seed treatments. A representative product in this category is Aveo®, a biorational seed treatment that protects crop roots from soil nematodes, which can reduce crop yield and quality. The active ingredient in Aveo® is a microorganism that establishes itself in the root zone of plants, forming a biobarrier that prevents soil nematodes from parasitizing crop roots. Additionally, Aveo® functions as a biostimulant, promoting healthy root development. Aveo® is compatible with existing seed treatment technologies and is a product that can contribute to regenerative agriculture in the future.



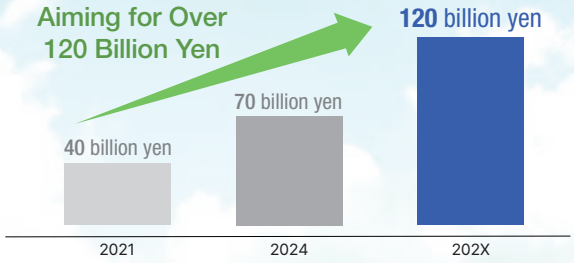
Collaboration with Corteva Agriscience

Since 2017, we have been collaborating with Corteva Agriscience on the development, registration, and commercialization of seed treatment technologies aimed at improving early crop growth and increasing yield. This collaboration leverages the strengths of both companies—our crop protection chemicals and biorational products, and Corteva Agriscience's advanced seed treatment technologies.

Contribution in the Biorational Solutions

The market size for biorationals is approximately $7 billion globally, which is about one-tenth the size of the crop protection chemicals market. However, due to the growing demand from producers and consumers for more environmentally friendly agricultural materials, the biorational market is expected to grow by 10-15% annually. Our company has long focused on the biorational and botanical businesses, including naturally-derived microorganism-based crop protection products, and has steadily expanded these businesses through acquisitions and other means. As a result, we have now established a leading position globally. Additionally, since 2023, we have fully entered the biostimulant sector, further strengthening our portfolio. We will continue to expand our business and contribute to the promotion of regenerative agriculture.

Consolidated net sales of biorationals and botanicals



1970s
The Takarazuka Research Institute began research and development related to biotechnology.

2000
Purchased microbial crop protection business from Abbot Laboratories (Later Valent BioSciences).

2012
Acquired McLaughlin Gormley King Company (natural pyrethrin insecticides)

2014
Began operations at a production plant for microbial crop protection precursors

2015
Acquired Mycorrhizal Applications (rhizosphere microbials)



Portfolio of the Biorational and Botanical Business

→ Sumitomo Chemical's Biorational Area (Investors' Handbook)

Biorational Crop Protection

Overview

These are products that use naturally occurring microorganisms to control pests and diseases. They have minimal impact on the environment, humans, and crops, contributing to a safe food supply.



Representative Products

Microbial Insecticides such as DiPel

Biostimulant Products

Overview

Agricultural materials that enhance the inherent potential of crops and soil. They induce defenses against abiotic stresses such as high temperatures and promote plant growth and nutrient absorption.



Representative Products

Various Products such as Transit®

Biorational Crop Enhancement

Overview

Products that contribute to improving quality and yield by promoting or regulating crop growth and development, such as increasing fruit size or enhancing flowering.



Representative Products

Plant Growth Regulators such as Accede

Biorational Rhizosphere

Overview

Rhizosphere microbial materials that promote efficient absorption of soil moisture and nutrients by plants, enhance growth, and reduce irrigation and fertilization amounts, while also decreasing phosphorus runoff into the environment.



Representative Products

Mycorrhizal Fungi such as MycoApply

→ Sustainable Use of Natural Capital

Public Health & Forestry Health

Overview

Public health products that control pests like mosquitoes to prevent disease transmission, and forest protection products that manage insects that damage trees to maintain forest health.



Representative Products

Various Products of Valent BioSciences

Valent BioSciences Official Website

Botanical

Overview

Pest control products for agricultural, household, and commercial use, made from plant-derived ingredients.



Representative Products

Various Products of McLaughlin Gormley King Company

McLaughlin Gormley King Company Official Website

2017
- Acquired a business from Kyowa Hakko Bio (plant growth regulators)
- Acquired BRA (botanical pesticide)

2020
Strengthened organizational structure for the biorational business (Sustainable Solutions Business Unit)

2023
- Acquired FBSciences (biostimulants)
- Acquired Barrix Agro Sciences (pest control technology using insect pheromones)

Valent BioSciences

Our group company, Valent BioSciences, headquartered in Libertyville, Illinois, U.S., is a global leader in biorational products and technologies in the fields of agriculture, public health, and forest health. The company's expertise in biosciences contributes to achieving sustainable agriculture by maintaining soil health and protecting public health from insect-borne diseases. Their portfolio, which is highly regarded for its innovation, quality, performance, and sustainable solutions, includes bioinsecticides, bionematicides, biofungicides, plant growth regulators, biostimulants, and microbial seed treatments.



Comments from Stakeholders

The growing interest in regenerative agriculture is providing strong momentum for the entire biorational business.

Valent BioSciences President
Mr. Salman Mir



Biorational products, derived from biological substances, have become increasingly mainstream in recent years due to their minimal environmental impact and the growing focus on sustainability and regenerative agriculture. As the global population surpasses 8 billion and continues to rise, the need to produce more food on the same amount of land is becoming more critical.

This trend provides strong momentum for Valent BioSciences, which has focused on acquiring bioscience expertise, research and development, and technological innovation for over 60 years and holds a broad portfolio of biorational products and technologies. To pursue further growth, the company continues to invest in strategic areas. In March 2023, we acquired FBSciences to expand our biostimulant business, which is the fastest-growing segment in the biorational market, alongside our continued focus on R&D and concentrated investments in our manufacturing facilities.

The annual growth rate of our biorational business has reached the high single digits to low double digits, approaching the overall market growth rate. We aim to enhance our overall growth rate by continuing to demonstrate leadership in the biocontrol and crop enhancement sectors, and by fully leveraging the newly acquired biostimulant business, thereby maintaining our position as a leader in the biorational market.

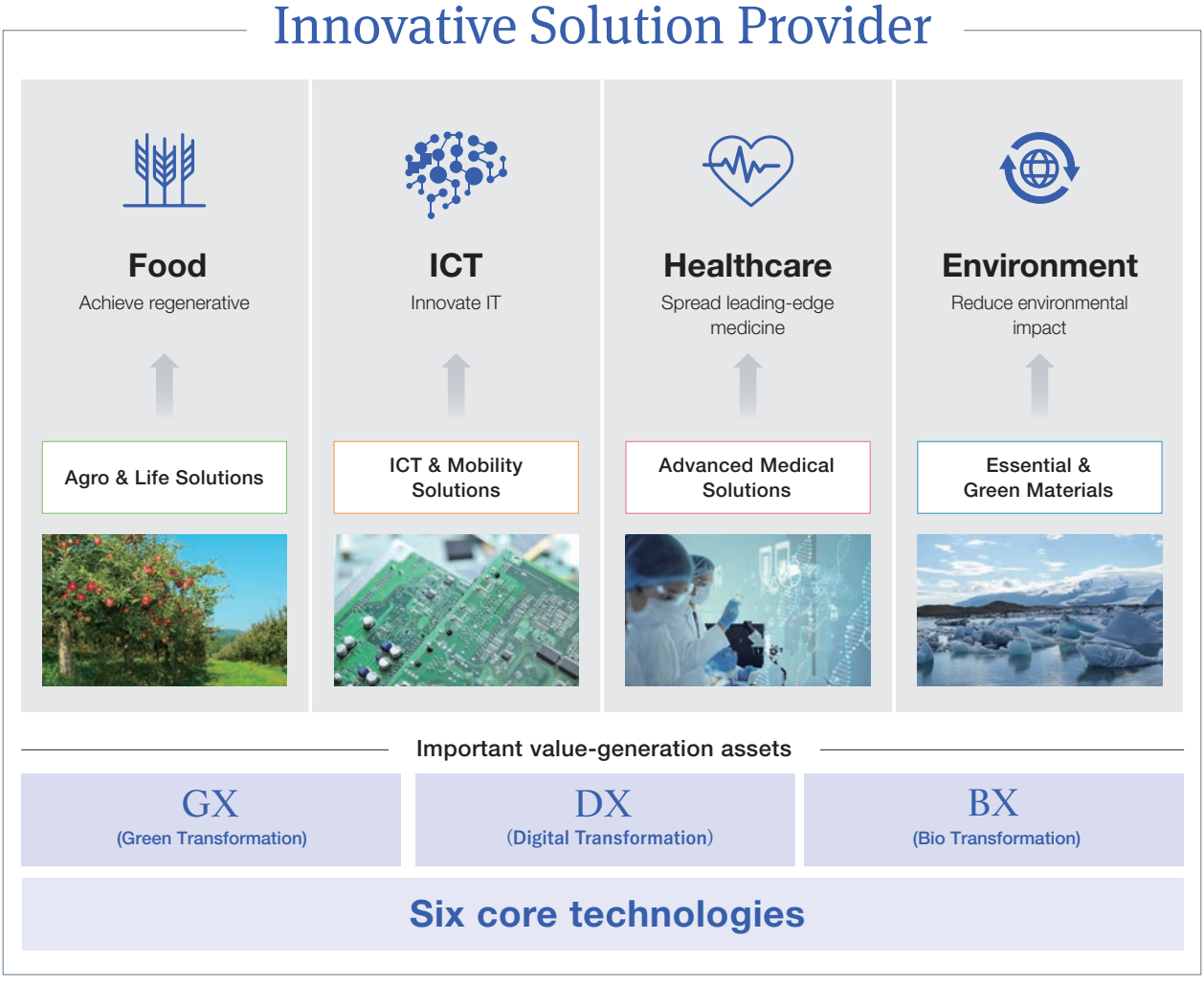
Advance Innovation

As an Innovative Solution Provider aiming to solve societal issues with innovative technologies, we have designated "advance innovation" as one of the key management priorities. We have identified four priority areas: the related fields of environment, food, healthcare, and ICT. By leveraging Sumitomo Chemical's broad technological foundation, we strive to provide solutions (value) that address societal issues.

Research and Development

Amid increasing uncertainty in the business environment surrounding our company, the role played by the chemical industry in solving societal issues, such as climate change, food security, and infectious diseases is significant, and our business opportunities are expanding. Through extensive research activities over the years, we have acquired six core technologies: catalyst design, precision processing, organic and polymer material functional design, inorganic material functional design, device design, and biological mechanism analysis. We have cultivated research and development assets in the three areas of Green, Digital, and Bio. By fully leveraging these assets, we will continue to drive research and development and provide solutions to our customers and society.

Long-Term Vision: A Company that Solves Societal Issues with Innovative Technologies



Assets Contributing to the Three Transformations (X)

BX (Bio Transformation)

Accumulation

Over **50** Years of Research Achievements (Since the 1970s)

Starting from the Takarazuka Research Institute (1971-1984), biotechnology has been accumulated through research in agrochemicals and pharmaceuticals.

Technological Expertise

Over **200** BX-related Patent Families

Analytical Techniques

- Analysis of Biological Mechanisms
- Comprehensive Omics Analysis
- Microbiome Analysis

Synthetic Techniques

- Development of Biocatalysts

Cellular Techniques

- Early Initiation of ES/iPS Cell Research
- Advanced Differentiation Induction Techniques

Open Innovation

Accelerating collaboration with leading startups (Conagen, Ginkgo Bioworks) to develop high-performance chemicals using synthetic biology.

Human Resource Strength

Over **280** Ph.D. in Biotechnology

Actively recruiting Ph.D.-level talent with advanced expertise.

GX (Green Transformation)

Promoting Carbon Neutrality

First comprehensive chemical manufacturer to receive SBT certification in 2018.

GHG Reduction Goal for 2030 **50**% reduction compared to FY2013 levels.

- Committed to carbon neutrality through both "Responsibility" and "Contribution."
- Achieved a 47% reduction by FY2023.

Human Resource Strength

Establishing Development Centers for technologies that reduce environmental impact (Innovation Center MEGURU)

Technological Expertise

Catalyst and Process Technology Licenses Approximately **70**

- Technologies enabling the production of low environmental impact chemicals (e.g., PO-only Process, Hydrogen Chloride Oxidation Process)
- Numerous awards, including the JCIA Technology Award "Grand Prize" (2022)

Open Innovation

GI Fund for Chemical Recycling Approximately **50** billion yen (project scale)

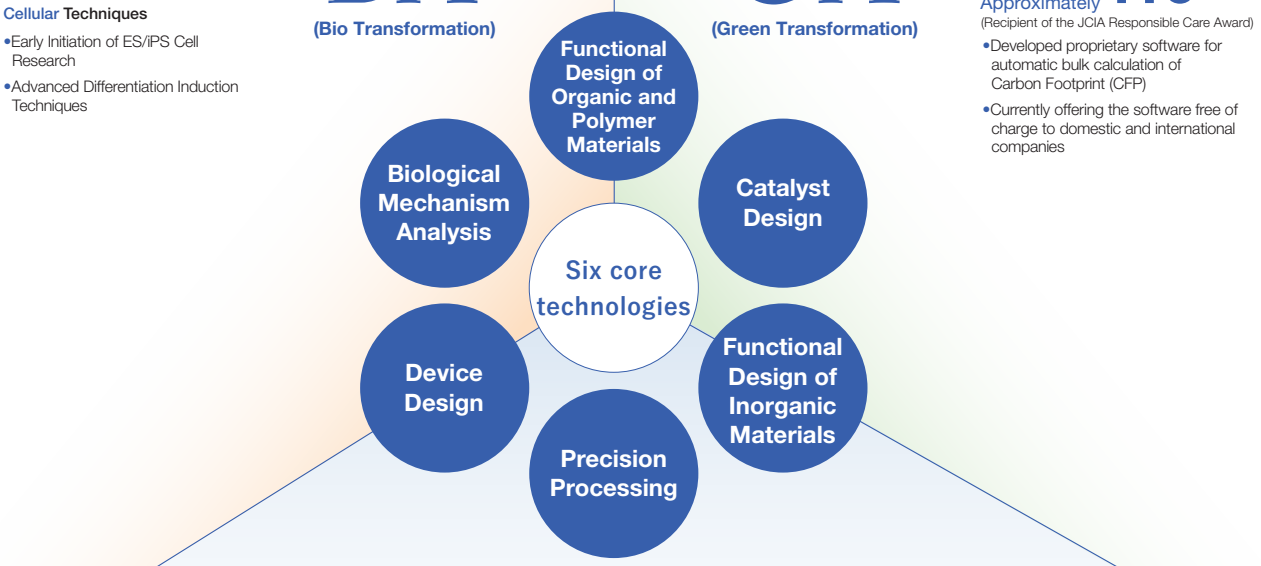
Development of innovative technologies through industry-academia collaboration (e.g., Ethanol to Propylene)

External Collaboration

Expansion of CFP-TOMO® Approximately **110** cases

(Recipient of the JCIA Responsible Care Award)

- Developed proprietary software for automatic bulk calculation of Carbon Footprint (CFP)
- Currently offering the software free of charge to domestic and international companies



DX (Digital Transformation)

Technological Expertise

Selected as a Clarivate Top 100 Global Innovator for **3** Consecutive Years

Deepening the Utilization of Informatics (BI, CI, MI) by the Data Scientist Team (Digital Innovation Department)

Human Resource Strength

DX Core Talent: Approximately **1,700** People

- Developed through proprietary educational programs
- Enhanced digital literacy across the company through corporate events (DX Repository)

Accumulation

Over **50** Years of Research Achievements (Since the 1970s)

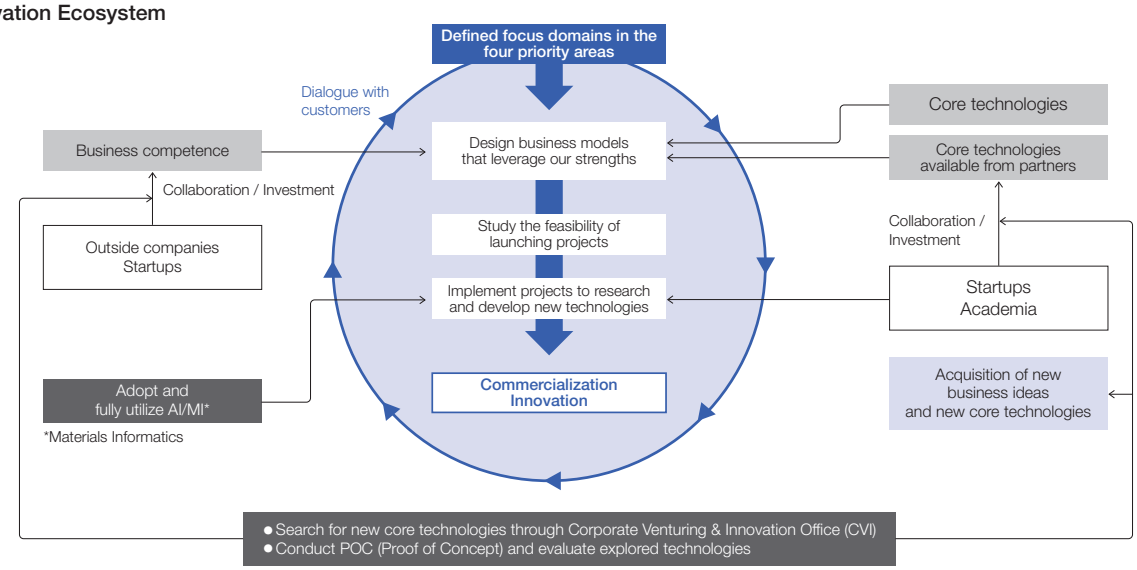
Developed a drug design system using computational science as early as the 1980s, laying the foundation for computer chemistry and contributing to the advancement of materials informatics (MI).

Sumitomo Chemical's Innovation Ecosystem Accelerates the Creation of Next-Generation Business

Sumitomo Chemical is building an innovation ecosystem (a system that continuously creates innovation) to steadily link R&D and business development to the creation of next-generation businesses.

In each of the four priority areas, we have defined focus domains for our efforts within four priority areas, have identified core technologies that we own and core technologies that we do not own, and we are acquiring non-owned technologies through collaboration with startups and academia. As for business competence, we are also supplementing the lacking areas with alliances and investments with outside companies and startups, considering designing a business model that leverages our strengths and thematizing. At each stage of promoting themes, we communicate closely with relevant internal departments, external partners, and customers, and appropriately reflect their feedback to promote research and development. In addition, we will incorporate new ideas and technologies that emerge in the course of theme promotion and dialogue with partners, and link this to the continuous creation of innovations.

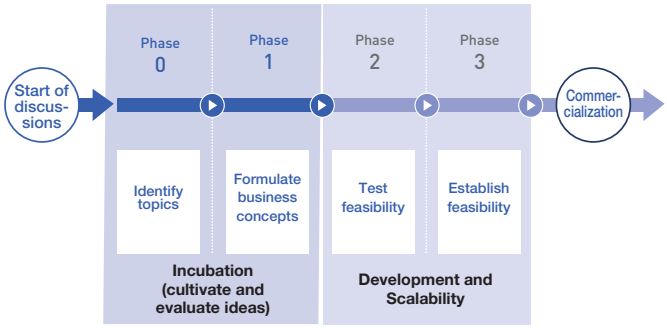
Innovation Ecosystem



Stage-gate Management System

In considering thematization, the Stage-Gate Management System for Corporate Research Themes was introduced in earnest in FY2019, and research themes are managed in four stages, from the idea stage to commercialization. We will proactively incorporate internally proposed themes in the idea stage while also clarifying the requirements for passing through the gate in each phase. We will determine whether or not to pass through the gate through deep discussions not only with the research division but also with the business divisions. This has enabled us to promptly create new themes and make decisions on discontinuation of projects, taking into account their future potential. In the past three years, about half of the research themes have been replaced due to the creation of new themes, interruptions, and transfers to business divisions.

Overall picture of the stage-gate management system



Standardization Initiatives

In order to promptly implement new technologies into society and promote their global adoption, it is crucial not only to develop technology-driven markets, but also to establish and deploy standards related to the technology both domestically and internationally. Sumitomo Chemical has established a cross-departmental structure to examine standardization strategies, aiming to leverage its technological strengths for the implementation of solutions to global challenges such as carbon neutrality in the international community. We are also actively engaged in various standardization efforts to establish product value and business foundations, such as participating in an ISO working group for standardization of chemical recycling.

Message from Researchers

*Affiliations and positions are as of August 2024

We have been generating innovations in a variety of fields. Here, our research specialists, who have been at the forefront of their fields for many years, introduce our R&D strengths and our efforts toward future innovation.



Contributing to Product Development by Pursuing Sophisticated Evaluation Methods within a Safety-Driven Culture

Environmental Health Science Laboratory, Fellow
Yoshihide Matoba

At the Environmental Health Science Laboratory, we assess the impact of chemical substances on “human health” and “the “environment” to ensure the safety of the products developed and sold by our company.

In 1990, when methods for evaluating the safety of household insecticides had not yet been established, the Tokyo Metropolitan Government measured the indoor concentration of household insecticides, and the results became a topic of discussion. Our company decided to further investigate this issue by verifying the safety of insecticides that remain indoors. I was in charge of constructing multiple model rooms within our research facility and measuring the indoor concentration using various insecticidal products. With the help of my seniors and colleagues, we clarified the residual behavior of the insecticides and devised a method to estimate the amount exposed to the human body. As a result, by comparing the estimated amounts with toxicity test results, we were able to “demonstrate safety with numbers.” Additionally, we developed a simulation model based on the fugacity model that could predict airborne concentrations and floor residues without requiring significant resources. These findings gained significant attention at the time, leading to numerous lecture invitations from Europe and the United States and eventually contributed to the establishment of safety evaluation methods for household insecticides in various countries.

On the other hand, while the predictive model I developed could estimate the transfer and distribution between indoor air and surfaces such as floors, it had the limitation of being unable to predict the concentration distribution of insecticides within the indoor air or on the floor. To address this issue, I conceived the idea of incorporating a computational fluid dynamics (CFD) model into the fugacity model. As a result of my leading the team members in developing a new model that integrated both approaches, we were able to achieve a more accurate safety assessment that accounts for the concentration distribution within the indoor environment. Currently, the team members are using this model to predict the behavior of insecticides under various usage methods and indoor environmental conditions, working towards even more precise safety evaluations.

Through these experiences, I have come to realize that our company places the utmost importance on “safety” and has a culture that ensures this commitment is passed on to future generations. Although safety evaluations do not directly generate profits, I take pride in our company for dedicating resources to develop pioneering evaluation methods that lead the world, and for establishing a system that continues to build upon and advance these research achievements. As our company continues to promote the agrochemical business as a growth driver, I believe that the mechanisms ensuring the safety of pesticides will become increasingly important. I am committed to continuously refining our safety evaluation technologies so that our products not only contribute to society but can also be used with confidence.



Aiming to Deepen Organic Synthesis Technology that Supports Functional Material Development

Advanced Materials Development Laboratory
Takashi Kamikawa

In modern society, countless synthetic organic compounds created by humans are in use. To meet the demands for a higher quality of life (QOL), research and development in organic compounds has become increasingly active in recent years. Looking at the data, the number of publications and patents related to organic chemistry (search tool: STN-CAplus) published every ten years since 2000 has shown a continuous increase, with 37,000, 46,000, and 62,000 cases respectively. This trend underscores the critical importance of organic chemistry knowledge and the technology of organic synthesis, which allows the creation of new organic compounds from simple molecules.

The Advanced Materials Development Laboratory, where I belong, aims to create and provide materials with new functionalities. New functional materials are developed by designing, synthesizing, and combining various foundational technologies. However, even if a material possesses excellent properties, there are often cases where it cannot reach commercial production due to low productivity (yield) or high waste during mass production. Therefore, another critical role of our department is to develop new manufacturing methods to produce these materials on an industrial scale. In recent years, we have been actively working on developing polymerization methods for printed electronics materials, which are promising as next-generation materials. This involves applying organic synthesis technology known as cross-coupling to polymerize polymers with continuous aromatic rings. Until now, it has been extremely challenging to obtain stable-quality polymers due to the difficulty of precisely controlling impurities and molecular alignment. To address this, we collaborated with the analysis and computational departments to conduct polymerization mechanism analysis, designed and synthesized new catalysts that drive reactions along the desired pathways, and succeeded in achieving mass production for the first time in the world. Additionally, this success has led to the accumulation of knowledge on cross-coupling polymerization, resulting in significant advancements in subsequent research and development.

We are currently working on the development of next-generation synthetic technologies to reduce greenhouse gas emissions. The term “Green Chemistry” began to be used in 1993, signaling that the chemical industry has been aware of and addressing environmental issues for the past 30 years. Today, reducing environmental impact has become an urgent societal issue in the quest for a sustainable society. To solve this significant problem, it is essential to refine the synthetic technologies, design capabilities, and analytical skills possessed by our research institute, as well as to ensure the close integration of our company's various foundational technologies and to leverage open innovation. We will harness the strengths of the wide range of technologies that chemistry offers and take on the challenge of solving this pressing societal issue.

Intellectual Property

We will promote intellectual property activities that serve as the foundation of business competitiveness and drive our growth strategy.

Our Vision

Sumitomo Chemical has traditionally engaged in "defensive" intellectual property activities aimed at protecting its business and securing freedom of operation based on its business strategy. While continuing to value this "defensive" aspect, we are now also advancing "offensive" intellectual property activities, focusing on building a strong patent portfolio that creates competitive advantages and entry barriers against competitors.

On the other hand, addressing societal issues such as reducing environmental impact and preserving biodiversity requires "co-creation and collaboration" among various players, each leveraging their strengths to the fullest. Within this framework, our company is tackling new challenges from the intellectual property perspective, focusing on how to protect and utilize the new value generated through transformation and connect it to sustainable growth.

By actively promoting intellectual property activities that encompass "offense," "defense," and "co-creation and collaboration," we will lay the foundation for our company's business competitiveness and drive business growth and the enhancement of corporate value.

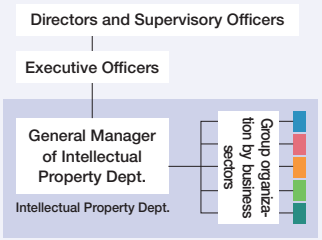
Basic Policy

We promote intellectual property activities under the following basic policy.

1. Promote activities in line with our business strategies
2. Create global business value
3. Strive to utilize all technological development accomplishments
4. Respect rights and comply with the law

Implementation Structure Closer to the Business

The Intellectual Property Department, under the direction and supervision of the responsible Directors and Supervisory Officers, is located within the headquarters section and operates from bases in Tokyo, Osaka, and Ehime. To conduct intellectual property activities closely aligned with our business operations, the department is organized into groups corresponding to each business sector. Each group is responsible for formulating intellectual property strategies, managing patent portfolios, handling patent applications and rights acquisition, and conducting research and analysis. These activities are carried out in collaboration with the intellectual property teams within the business divisions and laboratories.

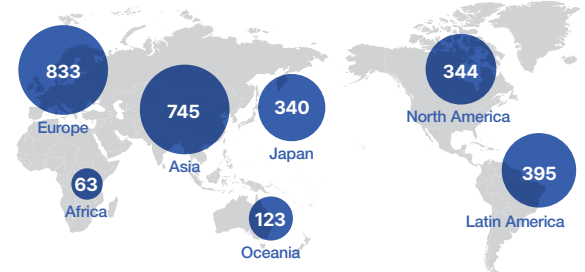


Building a Patent Portfolio that Supports Business Competitiveness

The value and role of intellectual property vary significantly depending on the business environment and the country or region. In our growth areas, such as the agrochemical and ICT sectors, we formulate intellectual property strategies for each business segment, utilizing visualization data related to intellectual property as needed, and build patent portfolios accordingly.

Number of Patents Held in the Agrochemical Sector

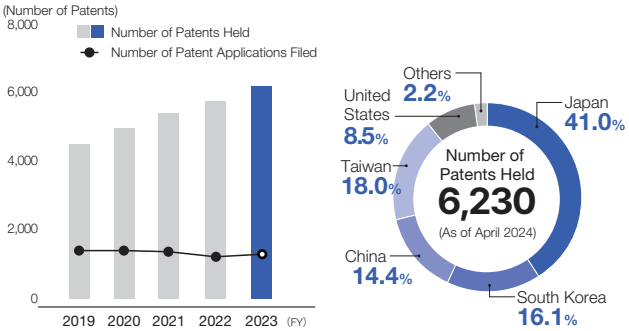
(As of April 2024)



- Covering the global agricultural market with a focus on the United States, South America, Asia, and Europe
- Securely obtaining substance patents for active ingredients in pesticides
- Strategically patenting surrounding technologies such as formulations, manufacturing processes, and applications to establish strong barriers of entry
- Utilizing patent term extension systems to maintain and expand market share and profit margins, thereby contributing to the maximization of business value

Patent Portfolio in the ICT Sector

(Left: Number of Patents Over Time, Right: Patent Holdings by Country Ratio)



- Acquired numerous high-quality patents with significant influence over rival companies in key manufacturing and sales countries, including Japan, South Korea, China, Taiwan, and the United States
- Leveraged early examination systems to swiftly build a patent portfolio in line with the development speed

Intellectual Property Activities Contributing to GX/DX/BX

Transformation technologies, which serve as the foundation for value creation, are widely utilized across the supply and value chains. Therefore, we aim for strategic and comprehensive patent acquisition with a focus on co-creation and collaboration. In particular, in BX-related technologies, including regenerative medicine, we have already acquired around 200 patents, establishing a solid foundation for growth. Additionally, in the area of SDGs-related patents, we hold a top-tier patent portfolio among domestic diversified chemical companies.

Maximizing Business Value through the Integration of Technology and Branding

By combining our "technological capabilities"—which enable us to create high-performance products and technical services that meet customer needs—with the "trust" we have built over many years, we are continuously enhancing the sustainable value of our business.

Brand (Trademark): **Meguri**®

Meguri CIRCULARITY FOR ALL × Chemical/Mechanical Recycling Technology

Brand (Trademark): **Natural Products**

Natural Products × Biorational (Microbial Cultivation Technology)
Botanical (Plant Extract Research and Development Technology)

Brand (Trademark): **Biondo**®

Biondo × Advanced Analytical Technology
Extensive Natural Resources Data

Case Study **Intellectual Property Activities in "Meguri with Chemical Recycling"**

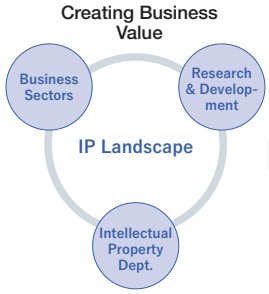
While the plastics business is a mature field, plastics made from recycled materials are a critical growth area from the perspective of carbon neutrality, requiring development with new values and concepts. For example, in the PMMA chemical recycling business, various companies are involved, from resin recovery to the regeneration of resin raw material monomers, re-resinization, and sales. The first step taken by researchers and intellectual property personnel was to take a bird's-eye view of the supply chain, organizing and visualizing the players and technical challenges at each layer. By comprehensively considering not only competitors but also all aspects from upstream (resin recovery) to downstream (use of recycled resin), about 20 patents were obtained, covering a wide range of the supply chain while nurturing the mindset of those involved. Based on these technologies and patents, the "Meguri" branding is also being advanced, leading to applications such as Koizumi Lighting Technology Corporation's use of recycled acrylic materials in lighting fixtures, Star Jewelry Co., Ltd.'s first-ever use of recycled acrylic materials in jewelry in Japan, and collaboration with Lumus Technology on a licensing business.

→ Contribute to Recycling Resources

Strengthening IP Intelligence

The Intellectual Property Department, in collaboration with business divisions and research institutes, is promoting activities (IP landscape) that integrate and visualize intellectual property and market analysis to support management and business strategies. Typically, this approach is utilized for assessing the feasibility of new market entries, formulating new development themes, and evaluating the intellectual property of potential M&A partners. Notably, in our area of strength— inorganic membrane separation technology—we have begun to see successful cases where we identified and proposed potential joint research partners and customers by analyzing the supply chain from a patent perspective. This analysis led to the selection of candidate companies and discussions on collaboration within the business divisions. We will continue to actively strengthen these activities moving forward.

IP Landscape Collaboration Structure and Application Examples



Application Examples

Analysis of our company, competitors and market
Understanding IP and market position
Understanding of technology and patent trends
Search for new applications and themes
Search for potential customers and business partners
Research for M&A and investment targets

In-House Intellectual Property Training: Human Resource Development and System Building

At our company, we conduct intellectual property training tailored to different job roles and positions. The aim is not only to acquire basic knowledge and skills related to intellectual property but also to develop personnel and systems capable of strategically utilizing information, including IP landscape analysis.

Training Overview

For early-career researchers

Participants	Young researchers with a few years of experience: Basic Research; approximately 100 per year Applied Research; approximately 80 per year
Main Content	Overview of the intellectual property system, importance of intellectual property in invention discovery, investigation, and application examination response activities.

For the mid-career level

Participants	Approximately 50 team leaders every other year.
Main Content	Planning and execution of intellectual property strategies that contribute to the business, contracts, disputes, and information utilization (IP landscape).

TOPICS

Clarivate Top 100 Global Innovators 2024
Selected as one of the Top 100 Global Innovators for three consecutive years

This recognition is a testament to our strong research and development capabilities, as well as our intellectual property activities. We will continue to further advance these efforts.





Contribute to the Environment

Climate Change Mitigation and Adaptation

Sumitomo Chemical regards climate change as a social issue that chemical companies should take the lead in addressing, and has been making various efforts to solve it from early on. In recent years, as the movement toward carbon neutrality has gained momentum around the world, our company has been leveraging the technological capabilities and expertise we have cultivated over the years to actively promote group-wide initiatives aimed at achieving carbon neutrality.

Disclosure in Line with TCFD Recommendations

Sumitomo Chemical expressed its support for the TCFD recommendations when they were published in June 2017. In line with the four recommended disclosure items, "Governance," "Risk Management," "Strategy," and "Metrics and Targets," the Group's efforts to address climate change issues are introduced on pages 47-52. Please refer to the Sustainability Report for other information on climate-related information.

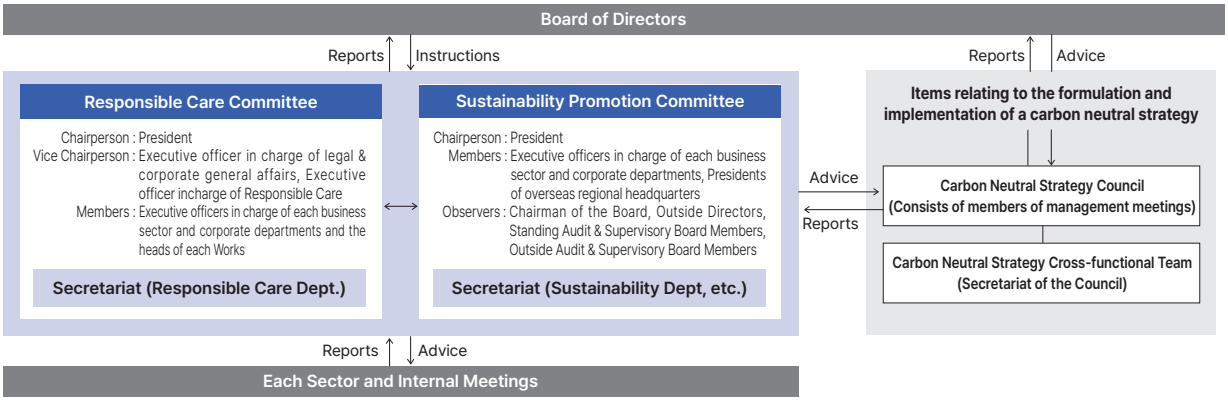
→ Climate Change Mitigation and Adaptation (Sustainability Report)

Governance

Sumitomo Chemical has established meetings and committees to deliberate important matters related to the management of the Group from a broad and diverse perspective in order to enhance its business execution and supervisory functions. Through these meetings and committees, the Company reports to the Board of Directors at least once a quarter on issues related to the promotion of sustainability, including climate change.

Management Meetings	Deliberation of important matters such as management strategies and capital investments, including agenda items and report items related to climate change response
Sustainability Promotion Committee	Deliberations on important matters related to sustainability promotion
Responsible Care Committee	Formulation of annual policies, mid-term plans, and specific measures to address climate change, as well as analysis and evaluation of performance
Carbon Neutral Strategy Council	Deliberation and promotion of the grand design for achieving carbon neutrality by 2050

Structures for Responding to Climate Change



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.

Climate change issues are positioned as one of the Group's major medium- to long-term risks through, for example, an assessment from the perspective of the likelihood of their occurrence and impact, and are integrated into the Group's overall risk management process.

→ Risk Management (Sustainability Report)

Strategy

In December 2021, Sumitomo Chemical formulated a grand design for achieving carbon neutrality by 2050. We will promote efforts to mitigate climate change from the perspectives of both "Obligation" (to bring the Group's GHG emissions close to zero) and "Contribution" (to reduce global GHG emissions through the Group's products and technologies).

In addition, as part of our efforts to adapt to climate change, we are striving to provide solutions adapted to global environmental changes in agriculture and infectious diseases, and to strengthen new product development.

●Investments to achieve carbon neutrality

Starting in FY2019, in order to contribute to the realization of carbon neutrality for society as a whole, we calculate economic indicators reflecting internal carbon pricing (10,000 yen per ton) when GHG emissions are expected to increase or decrease for individual investment projects, and make investment decisions.

●Investment scale

We expect to invest a total of approximately 200 billion yen between FY2013 and FY2030 in carbon neutral-related investments.

●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. Currently, Sumitomo Chemical analyzes both risks and opportunities with respect to both a scenario in which a variety of measures are taken to limit average global temperature increase to 1.5° C above the pre-industrial revolution levels, and a scenario in which countermeasures are not taken and temperatures increase by 4° C, evaluating both the impacts on our businesses and future actions that need to be taken.

Scenario Analysis(excerpt)

Scenario	Risks and Opportunities	Impact on our Company	Risks	Opportunities	Our Response
Common	Increasing Demands for Disclosure of Information	●Improvement of reputation among stakeholders through enhanced information disclosure ●Increased cost of compliance	●	●	●Formulate and release our Grand Design for achieving carbon neutrality ●Develop a carbon footprint calculation tool (CFP-TOMO®) and provide it to other companies for free →P.50 ●Disclosure of quantitative GHG reduction contributions through our products and technologies (Science Based Contributions) →P.52
1.5°C (Reduced GHG Emissions)	Increased Demand for Products and Technologies Contributing to the Mitigation of Climate Change	●Increase in demand for Sumika Sustainable Solutions (SSS)-certified products due to expansion of the market for products and technologies that contribute to GHG emission reductions, as well as expansion of needs for technological development of future SSS-certified candidate products		●	●Development and diffusion of products that contribute to GHG emission reductions →P.52 ●Develop plastic recycling technology →P.50 ●Develop products that contribute to negative carbon emissions →P.50 ●Promote licensing of technologies that contribute to reducing GHG emissions →P.66 ●Promote the utilization of CO_2-free hydrogen →P.50
	Increased Regulation on GHG Emissions	●Increased operational costs due to higher energy taxes including carbon prices* ●Phasing out subsidies for fossil fuels and requests from customers to promote the use of renewable energy	●		●Consider carbon-neutral petrochemical complexes and ports →P.50 ●Switch to renewable energy →P.49 ●Switch fuel to LNG →P.49 ●Collaborate with other companies to secure a stable supply of clean ammonia →P.49
4°C (Business as Usual)	Increased Demand for Products and Technologies adaptable to Climate Change	●Increased demand for SSS-certified products and growing needs for technological development of future SSS-certified candidate products due to the expanding market for crops that are resistant to environmental changes such as rising temperatures and drought, etc.		●	●Provide solutions that respond to global changes in the environment for agriculture and infectious diseases
	Intensified Climate Disasters due to Temperature Rise	●Decrease in cost competitiveness of factories due to increased costs for disaster countermeasures such as sea level rise, storm surge damage, flood damage, heat wave generation, etc. ●Decreased demand due to lower agricultural productivity	●		●Manage and respond to risks from a business continuity planning perspective ●Expand and diversify the regions in which we do business

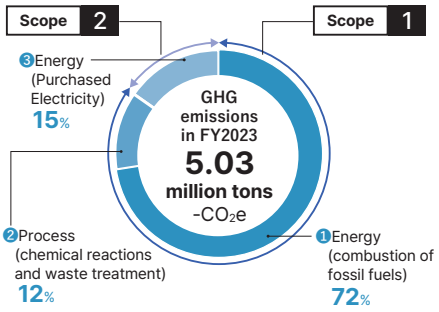
*Assuming that carbon prices in developed countries will rise to $140/ton in 2030 and $250/ton in 2050 (based on World Energy Outlook 2023), the total GHG emissions of the Group in FY2050 will be approximately 5.03 million tons/year (Scope 1+2), the same level as in FY2023, and the carbon price will be 21,000~37,000 yen/t-CO_2, an increase in burden of 110~190 billion yen per year.

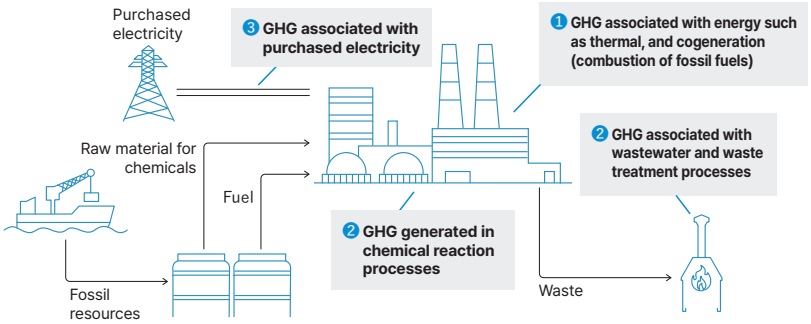
→ The full scenario analysis (Sustainability Report)

Specific Initiatives for "Obligation"

Major sources of GHG emissions from chemical plants

The chemical industry is an industry in which raw materials are converted into products through chemical reactions that are driven by electricity, heat from steam, and other forms of energy. In FY2023, 72% of our GHG emissions came from ❶ Energy (combustion of fossil fuels), 12% from ❷ Process (chemical reactions and waste treatment), and 15% from ❸ Energy (purchased electricity) . We aim to reduce GHG emissions by focusing on the conversion to clean energy for energy-derived GHG and on the development of necessary technologies for process-derived GHG.





❶ Reduction of GHG from energy (combustion of fossil fuels): Fuel conversion

Transition from Coal, Petroleum Coke, and Heavy Oil to LNG

- In FY2022, started operation of thermal power plant using LNG instead of existing fossil fuels in Ehime region.



- In January 2024, we discontinued the existing petroleum coke power generation facilities and commenced operations of a high-efficiency gas turbine power generation facility using LNG in the Chiba region.



	Ehime region	Chiba region
Fuel	Coals and heavy oil ▸ LNG	Petroleum coke ▸ LNG
Amount of CO_2 reduction	650,000 tons/year	240,000 tons/year

Transition to Clean Fuels

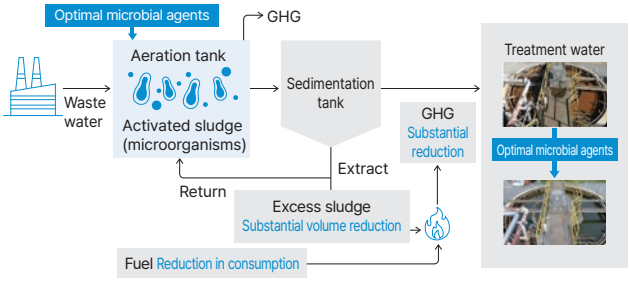
Hydrogen and ammonia are gaining attention as clean fuels that do not emit CO_2 during combustion, with ammonia also being recognized as a hydrogen carrier. Our company is undertaking the following initiatives in this regard.

- Focused on clean ammonia (blue and green), we are continuing discussions with Yara, a major foreign ammonia manufacturer, regarding the possibility of its stable procurement.
- Four domestic ammonia suppliers, UBE Corporation, Mitsui Chemicals, Inc., Mitsubishi Gas Chemical Company, Inc., and Sumitomo Chemical are continuing joint discussions to secure a stable supply of clean ammonia.
- We are participating in regional collaboration initiatives aimed at building a supply chain for ammonia and hydrogen as fuels.

→ Initiatives through Regional Collaboration

❷ Reduction of GHG from process (chemical reaction and waste treatment): Innovation in wastewater treatment technology

Sumitomo Chemical is promoting biotechnological wastewater treatment. Wastewater treatment is an essential initiative to prevent water pollution and promote the recycling and reuse of water resources, however there was the issue that it requires a lot of energy and causes GHG emission when incinerating excess sludge. To address this issue, we have improved wastewater treatment capacity while reducing the amount of sludge generated, GHG emissions associated with wastewater treatment, and fuel consumption through the use of optimal microbial agents.



❸ Reduction of GHG from energy (purchased electricity): Use of renewable energy

At our Oita Works, we have achieved GHG reductions of approximately 20% by converting 100% of purchased electricity to renewable energy, and approximately 10% by switching from heavy oil to city gas, resulting in a total GHG reduction of approximately 30% of the Oita Works' emissions compared to FY2013.

→ Reduction of GHG from energy (Sustainability Report)

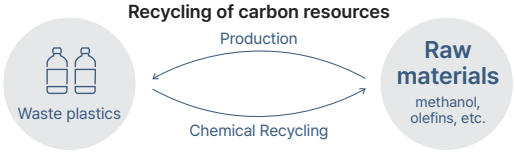
Specific Initiatives for "Contribution"

Establishment of carbon resource recycling system

We are developing chemical recycling technologies to convert garbage and waste plastics into basic raw materials for chemicals, such as methanol, ethanol, and olefins, and to use them as raw materials for new plastics.

→ Contribute to recycling resources

Recycling of carbon resources

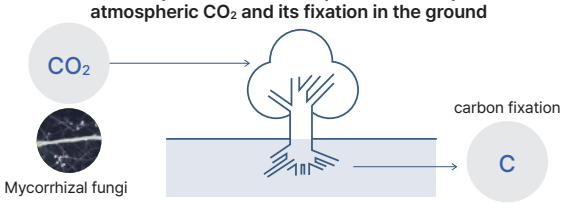


Challenges to carbon negative emissions

We are developing a technology whereby attaching useful microorganisms existing in soil to the roots of plants and allowing them to coexist, we not only promote the absorption of CO_2 by plants through photosynthesis, we also fix CO_2 in the ground in the form of carbon compounds. This will enable ordinary fields, forests, and other natural spaces to absorb and fix even greater amounts of CO_2, contributing a net negative amount of carbon to the atmosphere.

→ Sustainable use of natural capital

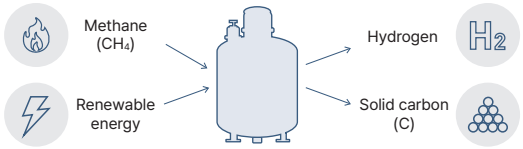
Utilizes the power of nature to promote absorption of atmospheric CO_2 and its fixation in the ground



Response to methane gas

The future shift to clean energy will require the availability of CO_2-free hydrogen. To address this issue, we are developing a technology to produce hydrogen from methane without CO_2 emissions. This technology will help reduce methane, a GHG, and contribute to the realization of a carbon neutrality.

Produce hydrogen without CO_2 emission



External Cooperation Initiatives

Dissemination efforts of Carbon Footprint of Products (CFP)* calculation tool

Although the evaluation of product CFP is essential to reduce GHG emissions in society, it is not easy to analyze the CFP of chemical products due to the complexity of their manufacturing processes. In response, we have developed our own automated calculation tool and calculated the CFP of approximately 20,000 products. Currently, we are expanding the scope of evaluation to Group company products. We also provide the tool free of charge to other companies, and at present, more than 110 companies are using the tool, and we have also started collaboration with the Japan Chemical Industry Association. Additionally, we are considering expanding the use of CFP-TOMO® for assessing environmental impacts other than GHG emissions, such as water.

*Greenhouse gas emissions from each stage of the product lifecycle, from procurement of raw materials to manufacturing, use, and disposal, expressed in terms of CO_2 emissions. In chemical companies, it is common practice to conduct assessments within the scope of "Cradle to Gate," covering everything from raw material procurement to manufacturing.

→ External Cooperation Initiatives (Sustainability Report)

Our original calculation tool speeds up the calculation of CFP for our products

Created the original automatic CFP calculation tool

- Built based on commercially available software (Microsoft Access/Excel)
- Prepared multiple calculation models accounting for the characteristics of chemical manufacturing processes (co-products, by-product fuels, steam generation, etc.) (Choose from the pull-down menu of models and execute calculation)
- Can easily calculate carbon footprint for each stage (intermediates or final product). E.g., raw material to Intermediate A to Intermediate B ... to final product.



Initiatives through Regional Collaboration

Since there are limits to what individual companies can do to achieve carbon neutrality, it is necessary to accelerate regional collaboration with external parties such as companies outside our group and government agencies. In addition to participating in the Keiyo Coastal Industrial Complex Council on Carbon Neutrality, which was established in November 2022 mainly in Chiba Prefecture, we are also studying ways to achieve carbon neutrality, such as securing biomass feedstock and recovering waste, in cooperation with Maruzen Petrochemical Co. Ltd. and Mitsui Chemicals, Inc. Additionally, in the Shikoku and Setouchi regions, we are collaborating on efforts to construct a clean ammonia supply chain by participating in the Council for Utilizing Namikata Terminal as a Hub for Introducing Fuel Ammonia, which was launched primarily by Mitsubishi Corporation and Shikoku Electric Power Company. We are proceeding with the study about the port decarbonization plan which is currently promoted by government agencies in cooperation with the local community.

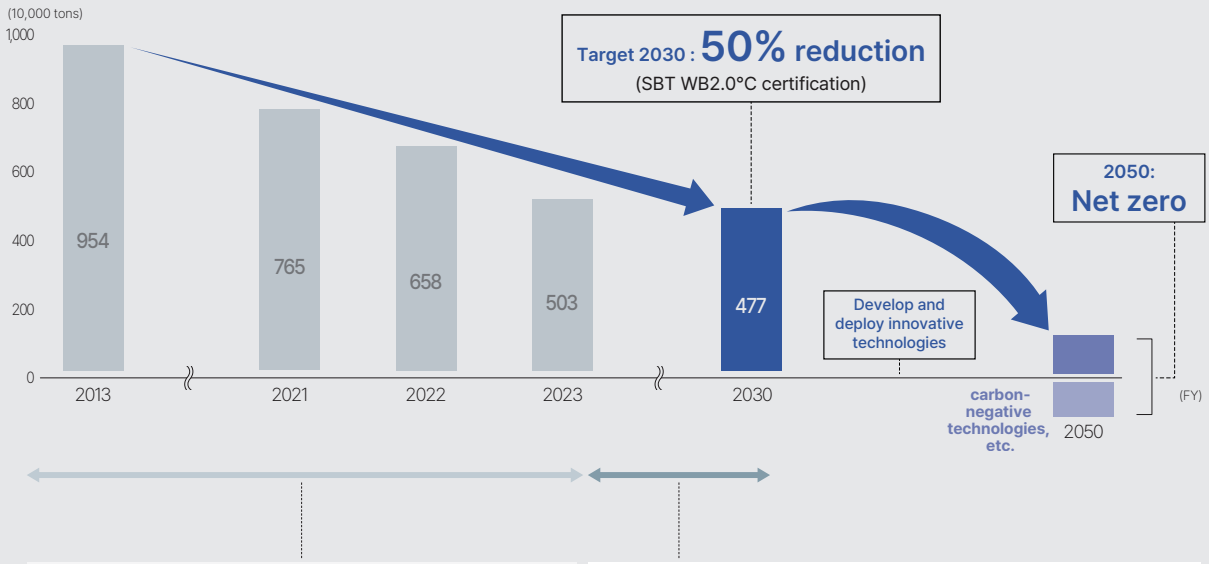
Metrics and Targets (Risk)

As a metric for climate-related risks, we are the first diversified chemical company in the world to utilize GHG emission reduction targets certified as Science Based Targets (SBT). Our group's[*1] GHG emissions (Scope 1 + 2) reduction target for 2030 is 50%[*2], and has been certified under SBT's Well Below 2.0° C standard. Until 2030, we aim to achieve this goal by utilizing the best available technology (BAT) in the manufacturing process at existing plants and by making thorough energy conservation and fuel switching in the manufacturing process.

On the other hand, to reach net-zero emissions by 2050, it will be difficult to respond only with existing technologies, and innovative technologies such as carbon-negative emissions and CCUS[*3] will be necessary. We will continue to study the development of them and their early implementation.

*1 Sumitomo Chemical + domestic and overseas consolidated subsidiaries
*2 Compared to FY2013
*3 Capture, effective utilization, and storage of CO_2 emitted from plants, etc.

Scope 1 + 2 GHG Emissions Trends and Reduction Targets



Past Initiatives

- Energy conservation and rationalization in manufacturing processes
- Restructuring of Chiba Works and Ehime Works (Ethylene plant shutdown, liquid-phase caprolactam shutdown, etc.)
- Fuel conversion (introduction of LNG, etc. at Ehime and Chiba), introduction of renewable energy power

Initiatives for FY2030

- Thorough energy conservation and rationalization of manufacturing processes (use of BAT)
- Optimization of fuel and energy supply and demand (in regions such as Ehime and Chiba) through structural reforms and the promotion of external collaborations
- Promotion of introduction of renewable energy sources
- Avoided GHG emissions other than CO_2, etc.

Scope 3 Supplier Engagement Initiatives

Reduce GHG emissions (Scope 3 (Categories 1 and 3)) of major Group companies by

14% from FY2020 by FY2030

(SBT WB2.0°C certification)

As part of our efforts to encourage our major suppliers to reduce GHG emissions, we hold an annual supplier information exchange meeting. In 2024, we held a hybrid face-to-face and web-based meeting with 53 major suppliers in Japan to explain our efforts to reduce Scope 3 emissions and to request their cooperation in reducing GHG emissions and sharing information on reductions. In recognition of these efforts, the company has been selected as a "Supplier Engagement Leader," the highest rating in the Supplier Engagement Rating conducted by CDP, an international NGO, for five consecutive years.

CDP SUPPLIER ENGAGEMENT LEADER 2023

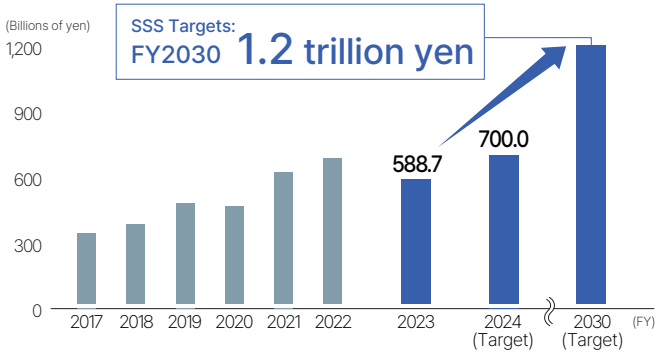
Metrics and Targets (Opportunities)

Sumika Sustainable Solutions (SSS) is used as a metric for climate-related opportunities. SSS is an initiative in which we designate those of our Group's products and technologies that contribute to the fields of climate change mitigation and adaptation, contribute to recycling resources, and sustainable use of natural capital in order to promote their development and spread. The sales revenue from certified products for FY2023 reached 588.7 billion yen. We will continue to advance our efforts towards achieving the FY2030 target of 1.2 trillion yen.

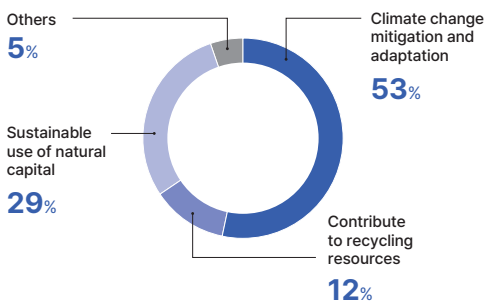
→ Contribution through Business Sumika Sustainable Solutions (Sustainability Report)

Sumika Sustainable Solutions

Sales revenue targets



Percentage of products and technologies in each certified field (FY2023)



*Number of SSS- certified products and technologies :81

Science Based Contributions

Contribution to GHG Reduction Across Society Through the Utilization of SSS-Certified Products and Technologies

We have established the "Science Based Contributions (SBC)" as a metric to more clearly demonstrate the contribution of our products and technologies towards achieving carbon neutrality. The SBC quantitatively and scientifically calculates the amount of GHG reductions achieved in society through the use of SSS-certified products and technologies that we have sold and provided. The figures are calculated based on the product CFP and sales volume of the subject products and the production capacity of the licensed plants, etc. The calculation method is validated by external experts.

We will strive to promote understanding of the contribution of our products and technologies to society through active disclosure of information to our stakeholders using the SBC, and promote efforts to realize CN around the world.

SBC results

Item	Beneficiaries	FY2022 (million tons)	FY2023 (million tons)
SSS Technology (Propylene oxide (PO)-only process, Hydrochloric acid oxidation process)	Licensees	2.7	2.7
SSS End Products (Methionine, Flumioxazin, etc.)	Users	5.6	4.4
SSS Materials & Components (Components for secondary batteries and aircraft, etc.)	Users	Not applicable (under consideration)	
Total		8.3	7.1

Calculation method

SSS are classified into the three categories of technology, end products, and materials/components, and CFP is calculated from the difference by comparing the CFP of SSS with that of technologies and products in widespread use as of 2013. (Based on single-year sales volume)

SSS Technology

- PO-only process is compared to the average of other PO manufacturing processes, such as the chlorine process, and hydrochloric acid oxidation process is compared to the salt electrolysis process. Calculation of reduction contribution by licensees.

SSS Products

- Methionine is compared to feed without additives. The contribution to the reduction of N_2O in poultry waste was calculated.
- Regarding the Flumioxazin, contributions to emissions reduction achieved by no-till farming in the U.S. were calculated by comparing no-till farming for soybean cultivation with the conventional farming method.

Contribute to the Environment

Contribute to Recycling Resources

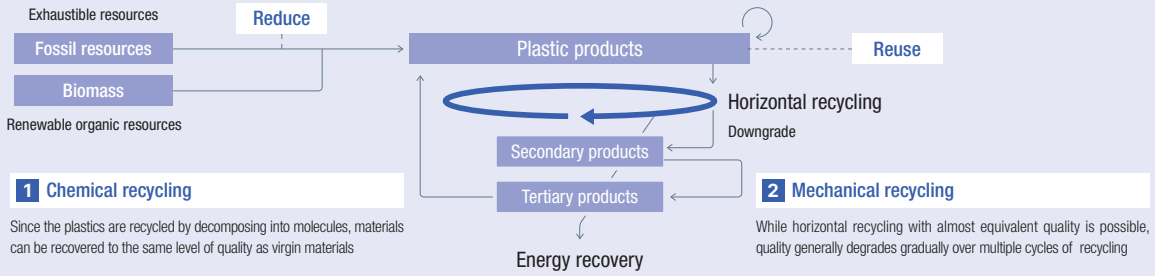
For sustainable use of resources, we need to reduce the consumption of natural resources while at the same time circulating the resources we have. In addition to waste management and effective use of resources at our offices and Works, Sumitomo Chemical is working on the development and social implementation of recycling technologies for plastics and other resources.

Initiatives to Realize Circular System for Plastics

Overall picture of circular system for plastics

Toward a circular system for plastics, it is important to make an effort to reduce, reuse, and recycle (mechanical recycling and chemical recycling) at each stage of the plastic value chain.

Overall picture of circular system for plastics



Our KPIs for Resource Recycling

Sumitomo Chemical has identified "contribution to recycling resources" as one of our material issues to be addressed as management priorities, and we have set the amount of recycled plastic resources used in the manufacturing process as a KPI for this purpose. We are working to replace 200k tons/year of plastic used in our manufacturing process with recycled resources by 2030.

KPI: The amount of recycled plastics utilized in manufacturing processes	
Target	200k tons/year by FY2030
Results	FY2023 7,300 tons

Development of the Meguri® Brand

Meguri® is a brand of plastic products and chemicals that can be obtained through recycling technology and contribute to reducing environmental impact. Meguri® products are the crystallization of the latest recycling technologies and the environmentally friendly technologies that we have cultivated in various fields as a diversified chemical company. We will expand the Meguri® product lineup and increase production and sales of these products, thereby playing a role in realizing a circular economy.

The brand name Meguri® means "circularity" in Japanese. The design of the icon is a deformed version of the kanji character "廻", which means "circularity" in Japanese.

Meguri
CIRCULARITY FOR ALL

1 Initiatives for Chemical Recycling

We promote development of chemical recycling technologies through multiple routes in parallel, by combining our catalyst design and chemical process design technologies, in collaboration with external parties. Utilization of these technologies will reduce fossil resource use and plastic waste emissions, as well as GHG emissions from plastic waste incineration.

	Technology	Cooperating Partners	Reference
①	Polyolefin production from waste-derived ethanol	SEKISUI CHEMICAL CO., LTD.	Completion of test production facility in April 2022
②	Direct olefination of waste plastics	Maruzen Petrochemical Co., Ltd. Muroran Institute of Technology	NEDO*1 GI Fund Project*2 (Project scale:approx. 25.30 billion yen)
③	Ethanol production using synthesis gas derived from waste plastics	National Institute of Advanced Industrial Science and Technology (AIST)	
④	Efficient alcohol production from CO_2	AIST Shimane University	NEDO GI Fund Project (Project scale:approx. 24.08 billion yen)
⑤	Olefin production from alcohols	AIST	

*1 National Research and Development Agency, New Energy and Industrial Technology Development Organization (NEDO) *2 Green Innovation Fund Project

④ CCU Technology for Producing Methanol from CO_2

NEDO GI Fund Project

We have completed the construction of a pilot facility to establish a highly efficient process for producing methanol from CO_2 at our Ehime Works and have commenced operations at the facility. Carbon capture and utilization (CCU) technology is expected to serve as a game-changing solution to halt global warming and achieve a circular economy for carbon by recovering CO_2 and utilizing it in products, and we are accelerating the development and spread of various new CCU processes. We have resolved issues in development through joint development with Shimane University Interdisciplinary Faculty of Science and Engineering, leveraging the internal condensation reactor (ICR), a technology that the University has been developing. We aim to complete the demonstration of this technology by 2028, as well as start commercial production using the new process and license the technology to other companies in the 2030s.

Features of This Technology

- **Separating generated methanol within the reactor, which leads to improved yield, smaller equipment, and higher energy efficiency**
- **Separating by-product water, mitigating catalyst degradation**

Principle of the ICR (Conceptual drawing)

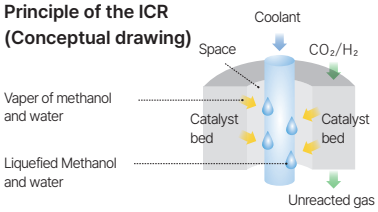


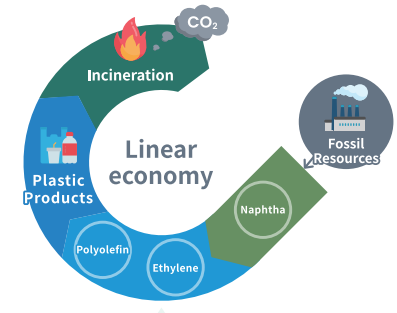


Photo of the pilot facility

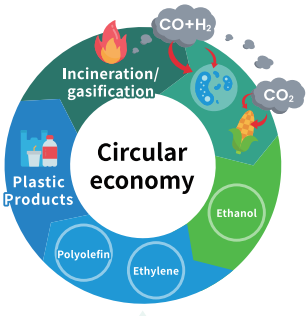
⑤ Environmentally Friendly Ethanol-Derived Polyolefin

NEDO GI Fund Project

We have begun construction of a pilot facility to establish a process for producing propylene directly from ethanol, which is attracting attention as a sustainable chemical raw material. We will work to complete the construction of the pilot facility at our Chiba Works by the first half of 2025 and step up efforts to quickly implement the technology in society.



CO_2 from incineration is released into the atmosphere

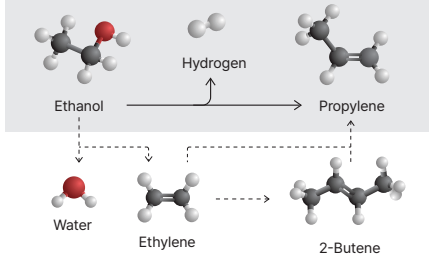


CO_2 from incineration and CO and H_2 from gasification are recycled for use in plastic via ethanol

Features of This Technology

- **Producing propylene directly from ethanol**
- **A newly-developed compact and low-cost process**
- **Producing hydrogen as a by-product, in addition to propylene**

Our direct production process



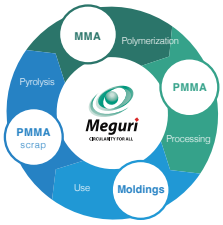
- - → Combination of existing processes

Chemical Recycling System for Acrylic Resin

We have jointly developed with The Japan Steel Works, Ltd. a technology for pyrolyzing acrylic resin and recycling it, with high efficiency, into MMA (methyl methacrylate) monomer, which is a raw material for acrylic resin (polymethyl methacrylate or PMMA). We have built the pilot facility at our Ehime Works and aim to complete the demonstration of this technology and commercialization in FY2025.

* PMMA made from recycled monomers reduces GHG emissions throughout the product lifecycle compared to products derived from fossil resources.

PMMA Recycling Mechanism





PMMA Chemical Recycling Pilot Facility

An example of collaboration

We are supplying the sustainable material "SUMIPEX® Meguri®," produced using our chemical recycling technology, for acrylic jewelry to be released by Star Jewelry Co., Ltd.



Acrylic jewelry made from recycled MMA through chemical recycling

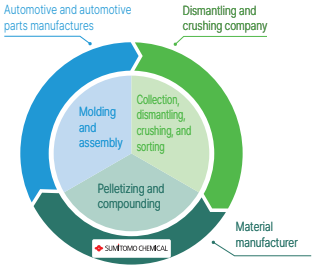
Photographs provided by Star Jewelry Co., Ltd.

2 Initiatives toward Mechanical Recycling

We are promoting the development of various technologies to achieve mechanical recycling for plastic products.

PP (Polypropylene) Mechanical Recycling

As one of our mechanical recycling initiatives, our company and REVER CORPORARION have concluded a business alliance agreement for mechanical recycling of waste plastics derived from end-of-life vehicles. Through this alliance, the two companies will work to build a circular system for recycling waste plastics that includes the whole process, from collection to sorting to recycling into useful plastic resources, and to accelerate business development for plastic recycling.



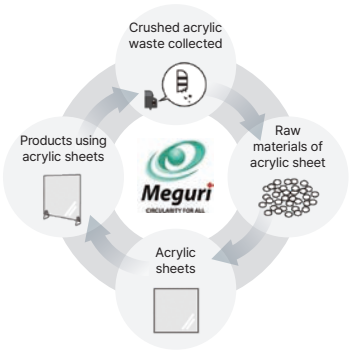
In September 2022, we made a decision to introduce a pilot-scale mechanical waste processing facility that performs an integrated process of high-precision sorting and removal of foreign matter according to the type and characteristics of waste plastics.

In addition, we will work towards the acceleration of business development.

In July 2024, we began to supply evaluation samples to automotive-related manufacturers.

PMMA Mechanical Recycling

"SUMIKA ACRYL SHEET™ Meguri®" is an acrylic sheet commercialized by SUMIKA ACRYL Co., Ltd., made from mechanically recycled raw materials by collecting, sorting, and crushing waste materials generated in the acrylic resin manufacturing process. Despite being recycled material, this product has excellent optical properties.



An example of collaboration

We are supplying the acrylic sheet "SUMIKA ACRYL SHEET™ Meguri®," produced through mechanical recycling technology, to Koizumi Lighting Technology Corp., a specialized lighting manufacturer.



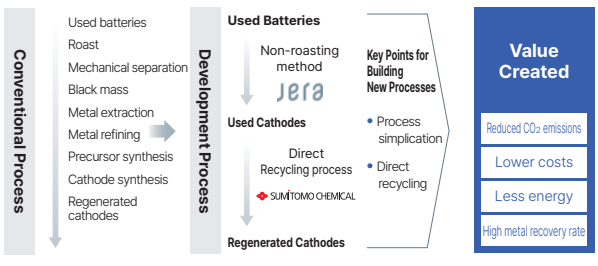
Lighting samples made using recycled MMA through mechanical recycling

Photograph provided by KOIZUMI LIGHTING TECHNOLOGY CORP.

Direct Recycling Initiatives for Battery Cathode Materials

NEDO GI Fund Project

We are developing recycling technology that regenerates cathodes collected from used lithium-ion secondary batteries without returning it to metal. By simplifying the conventional process, CO_2 emissions are reduced and recycled cathode materials can be produced at low energy and cost. JERA Co., Inc. and we will promote development of the recycling technology and social implementation.



Contribute to the Environment

Sustainable Use of Natural Capital

Sumitomo Chemical has been conducting its business using various types of natural capital such as water and soil, and the entire Group has been implementing various initiatives for the sustainable use of natural capital. Now that the Kunming-Montreal Global Biodiversity Framework was adopted at COP15 in December 2022, and the so-called Nature Positive direction was outlined in the framework, which aims to halt, reverse and put biodiversity loss on a recovery track, we recognize that biodiversity conservation and sustainable use of natural capital are again material issues and we will make further initiatives.

Our Initiatives

Sumitomo Chemical is considering and promoting initiatives to realize Nature Positive from the perspectives of both obligation and contribution.

Obligation

- Works to reduce GHG emissions to near zero
- Reduction of chemical substance emissions
- Reduction of waste
- Effective use of water resources
- Promotion of sustainable procurement initiatives, etc.

Specific Initiatives (Effective use of water resources)

Water risk assessment in areas where major production sites are located

We conduct water risk assessments from two perspectives: physical water risk (regional water stress, seasonal changes in water supply, flooding conditions, etc.) and vulnerability risk to water quality (water pollution conditions of water intake and discharge, impact on ecosystems, etc.).

Initiatives in regions with declining water resources

Based on the results of water risk assessment, we are taking measures tailored to local needs.

Locate	Around Bhavnagar Plant of Sumitomo Chemical India Ltd.
Evaluate	Water resources are decreasing due to population growth, increased demand for agricultural water, and decreased precipitation.
Assess	In the event of a water supply shortage, Sumitomo Chemical India will not be able to secure sufficient water for its production activities and will not be able to maintain stable operations.
Prepare	The company purchases domestic wastewater from households, treats it in the factory using earthworm farming technology, and reuses it. This approach reduces the use of river water by more than 70% while ensuring a stable water supply for production activities.

Wastewater treatment

Treatment using earthworm farming technology instead of the common activated sludge method to suit the characteristics of domestic wastewater, which contains relatively high levels of nutrients



Contribution

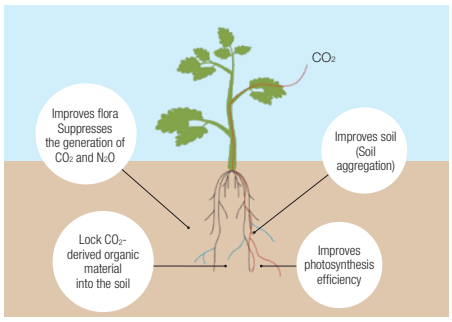
- **Through products and technologies**
  - — Reduction of global GHG emissions
  - — Improvement of soil environment
  - — Improvement of water environment
- **Nature conservation activities (30 by 30 initiatives), etc.**

Specific Initiatives (Improvement of soil environment)

Soil fertility by mycorrhizal fungi

Mycorrhizal fungi, a type of soil-dwelling microorganism that lives in symbiosis with plant roots, stimulates plant growth. These fungi receive carbon compounds produced by plants through photosynthesis, which increases the amount of carbon compounds in the soil and promotes carbon fixation, thereby reducing atmospheric CO_2 and contributing to soil fertility. We are working on the development of technology utilizing mycorrhizal fungi to achieve carbon neutrality and solve food problems.

Benefits of mycorrhizal fungi
(including some hypotheses undergoing validation)



Spread of no-till farming

Specific Initiatives → **Regenerative Agriculture**

Nature conservation activities at business sites aimed at achieving 30 by 30 goals.

In October 2023, the Miyoshima area within the Ehime Works was certified as a "Conservation Site for Human-Nature Symbiosis" by the Ministry of the Environment.

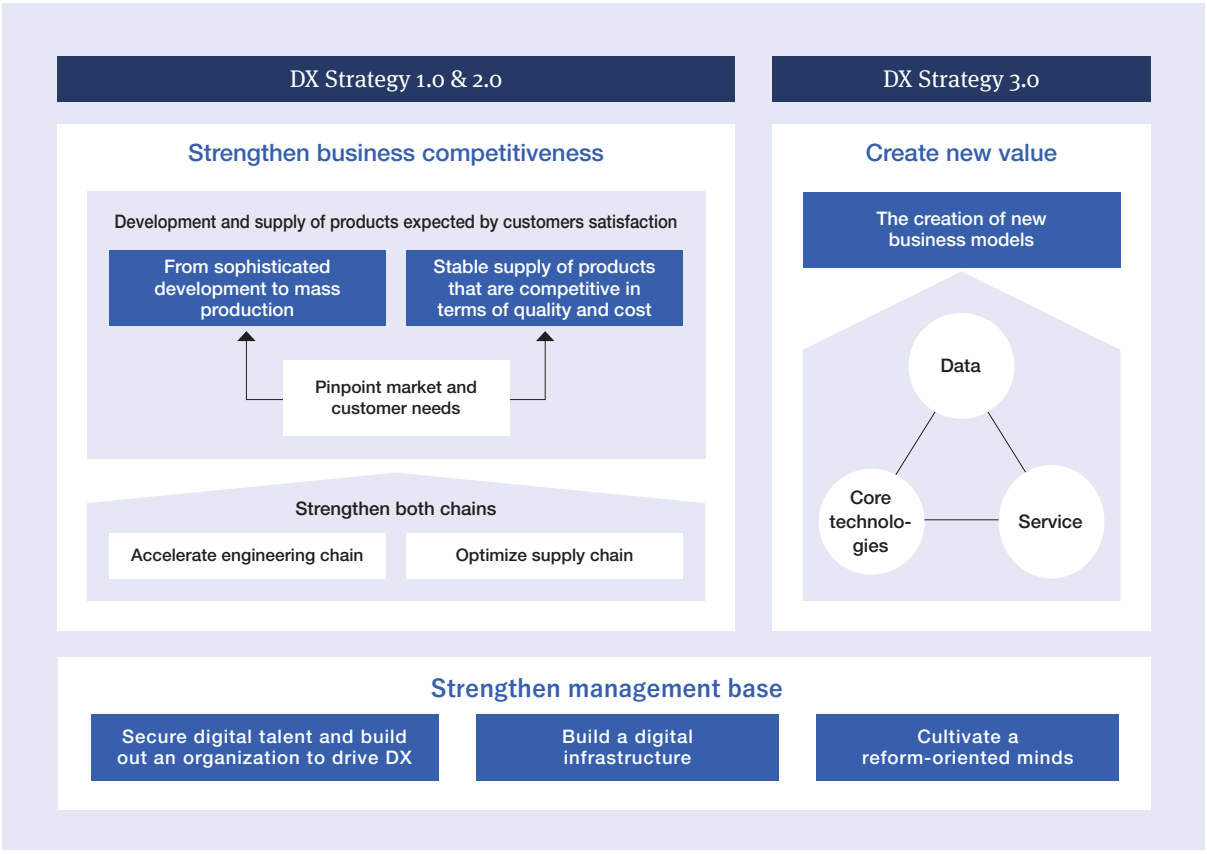
→ **Sustainable Use of Natural Capital (Sustainability Report)**

Bolster Competitiveness Leveraging DX

Our company is currently striving for a V-shaped recovery in performance, with a unified effort across the organization to drive short-term performance improvements and fundamental structural reforms. One of the driving forces behind this transformation is digital transformation (DX). For our company, which contributes to solving societal issues through the creation of new materials and products via technological development, accelerating development speed and improving operational efficiency are key to achieving renewed growth. DX is an essential element in realizing these goals and will play a critical role in our future management strategies.

DX Strategy to Accelerate Our Company's Transformation and Growth

We position DX as the engine that drives our "transformation and growth." By strengthening this DX engine, we aim to achieve "reinforcement of our management base" while accelerating the "enhancement of business competitiveness" and "creation of new value." We have formulated three DX strategies: DX Strategy 1.0 focused on improving productivity in manufacturing, R&D, supply chain, and back-office operations, which has already yielded significant results. DX Strategy 2.0 aims to enhance the competitive advantage of our business, and DX Strategy 3.0 focuses on creating value through new business models. Our efforts to strengthen our management base focus on three pillars: "Secure digital talent and build out an organization to drive DX," "Build a digital infrastructure," and "Cultivate a reform-oriented minds." Among these, the "reform-oriented minds" is a critical element cultivated by addressing challenges and actively engaging in transformation efforts. Additionally, by strengthening two chains—the acceleration of the engineering chain and the optimization of the supply chain—we will enhance business competitiveness. Furthermore, DX Strategy 3.0 aims to build new business models by combining unique data, core technologies, and services to create new value.



Strengthen Management Base

In strengthening our management base, we are particularly focused on “developing digital talent” and “enhancing our data infrastructure,” which serve as the foundation for promoting DX. By “developing digital talent” capable of adapting to change, we enable adaptation to new technologies and the creation of innovation. Additionally, by “enhancing our data infrastructure,” we can improve the efficiency of data utilization necessary for decision-making and service enhancement.

The development of digital talent

Our company is committed to promoting DX by focusing on the development of core DX personnel and enhancing DX literacy across all employees. Our goal is to make approximately 20% of our workforce into core DX personnel, strategically placing specialized talent in each department to lead company-wide transformation. To foster a DX transformation mindset, we launched an e-learning educational program for all employees, starting in June 2022. This program enables employees to engage in self-paced learning, thereby gradually increasing DX literacy across the entire workforce.



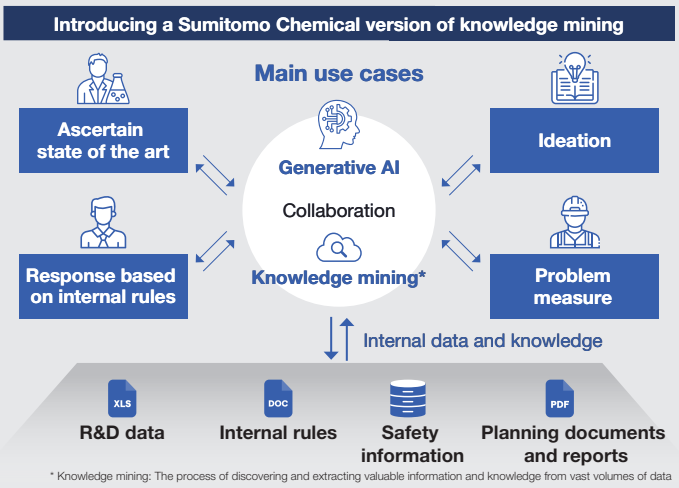
*The number of people is expected to be at the end of FY2024

Enhancement of data infrastructure

Our company views data as a critical asset and is committed to value creation from it. Achieving this requires proper accumulation, sharing, and maintaining data in a state that allows for quick access. To this end, we are advancing the development of a data utilization platform. The expansion of this platform will enable real-time understanding and insights into internal data, thereby supporting swift decision-making. This approach will enhance customer trust, foster the creation of new products and business opportunities, and contribute to the acquisition of new customers.

Leverage generative AI

Our company has introduced ChatSCC, a secure Sumitomo Chemical version of ChatGPT, a generative AI, ensuring that input information does not leave our system. By utilizing ChatSCC, we have achieved over 30% efficiency improvements in various scenarios, including document and email creation/proofreading, summarization, idea generation, and program development. Our company’s strengths lie in the core technologies associated with long-standing research and development, advanced analysis, scale-up processes, plant operations, and equipment maintenance. We aim to secure competitiveness and expand our business by leveraging the unique knowledge we have accumulated over the years. To further enhance this, we are integrating generative AI with our proprietary data, enabling more effective utilization of the vast knowledge accumulated across different departments within our company.



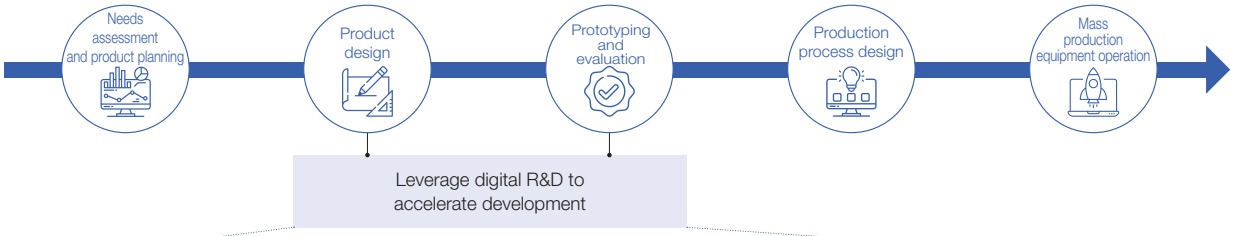
* Knowledge mining: The process of discovering and extracting valuable information and knowledge from vast volumes of data

Strengthen Business Competitiveness

We will achieve the strengthening of business competitiveness by continuously implementing the initiatives outlined in DX Strategy 1.0 and 2.0. To develop and supply products that focus on what our customers value most, we are concentrating on strengthening the “engineering chain” and the “supply chain,” which are the core components of the manufacturing industry, through the power of DX.

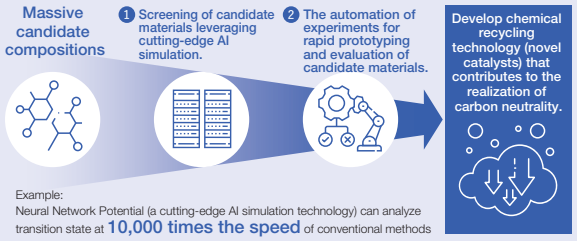
Accelerate engineering chain

Engineering chain



Acceleration of Screening for Candidate Compositions of Environmentally Friendly Catalysts through AI Simulation

Our digital R&D division is advancing catalyst development by utilizing AI simulation technology, achieving a 10,000-fold increase in computational speed compared to traditional methods. Additionally, by combining this with automation in experimentation, we can rapidly evaluate a large number of candidate catalysts. This approach accelerates the development of catalysts that contribute to achieving carbon neutrality. The introduction of such digital technologies has enabled more efficient and effective research and development processes.



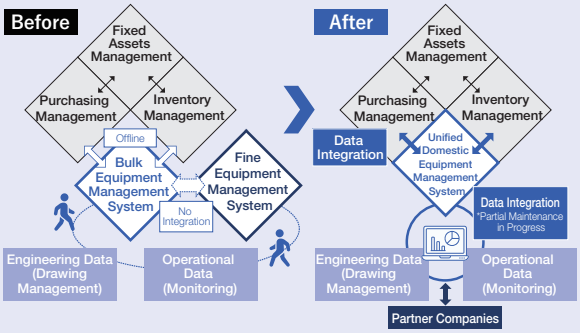
Optimize supply chain

Supply chain



Revamping the Maintenance Systems at Six Domestic Plants

We have completely overhauled the equipment management systems at our six domestic plants, standardizing the equipment management system across the company and integrating it with our enterprise resource planning system (ERP). This integration allows us to centrally manage data throughout the entire equipment lifecycle and seamlessly handle maintenance work from planning to execution in coordination with the ERP system. We have already significantly reduced the workload associated with desk work, and we aim to achieve approximately a 30% reduction in maintenance costs within a few years by realizing smart equipment management through the utilization of big data.



New Value Creation

In DX Strategy 3.0, we consider intangible assets centered around data as raw materials. We aim to view data analysis expertise related to materials and scientifically backed theories as means for creating new value. This approach not only focuses on providing value through materials (products) that address societal issues and enrich lives but also seeks to offer solutions and enhance customer experiences (improved experiential value) as new forms of corporate value in the future.

Biondo® and Value-nauts®

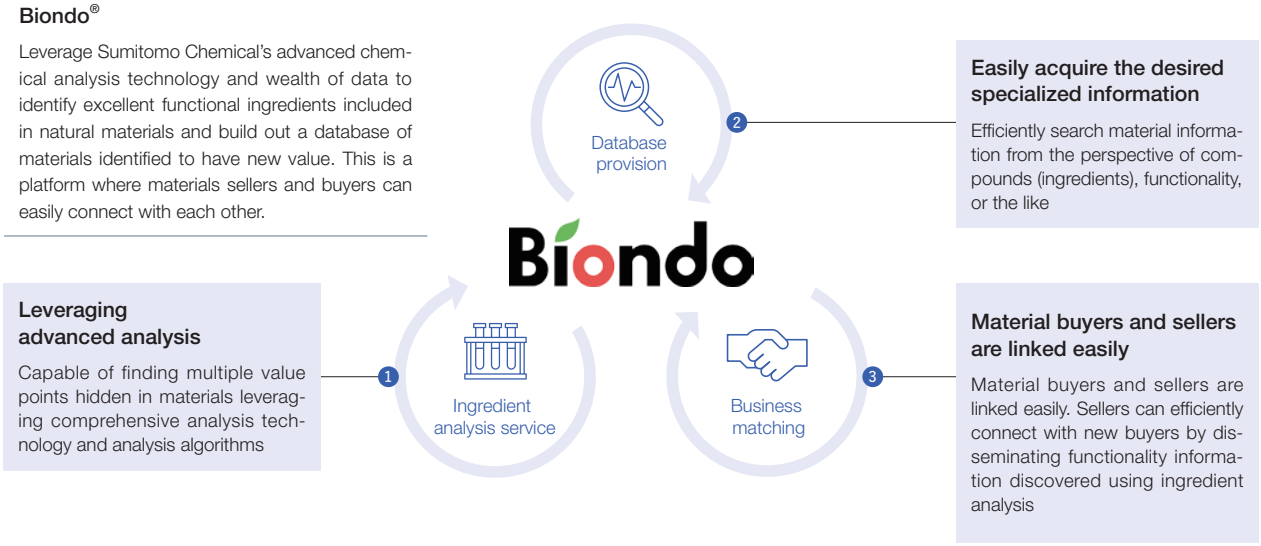
The DX Strategy 3.0 promotion team "Value-nauts®," established in January 2023, is composed of diverse specialists, including data scientists. This team is focused on business model transformation and value creation, driving the exploration and commercialization of new businesses through data utilization. Recently, "Value-nauts®" undertook a comprehensive process from selection and planning to product development, based on business ideas gathered through an internal call for proposals. As a result, they successfully launched a new product called "Biondo®."



Team "Value-nauts®" members

Biondo®

Leverage Sumitomo Chemical's advanced chemical analysis technology and wealth of data to identify excellent functional ingredients included in natural materials and build out a database of materials identified to have new value. This is a platform where materials sellers and buyers can easily connect with each other.



Easily acquire the desired specialized information

Efficiently search material information from the perspective of compounds (ingredients), functionality, or the like

Leveraging advanced analysis

Capable of finding multiple value points hidden in materials leveraging comprehensive analysis technology and analysis algorithms

Material buyers and sellers are linked easily

Material buyers and sellers are linked easily. Sellers can efficiently connect with new buyers by disseminating functionality information discovered using ingredient analysis

Future of Biondo® and DX Strategy 3.0

The first theme of the DX Strategy 3.0, Biondo®, was released to the general public in July 2024. Moving forward, we will continue to incorporate feedback from users, continuously improving the system and services, and enhancing the data to further grow the service. In the data monetization business, the real challenge begins after the product release, so the journey for Value-nauts® is far from over. However, we are embracing this challenge with enthusiasm. Additionally, the development of the next theme in the DX Strategy 3.0, following Biondo® (NextBiondo®), has already begun, and Sumitomo Chemical's efforts to create new value through data utilization are steadily advancing. We will continue to accelerate our initiatives to meet everyone's expectations, so please look forward to our future endeavors.



Shinya Nishino, General Manager, Digital and Data Science Innovation Dept.

Human Resources DE&I, Development & Growth, Health

"People" are a major source of corporate competitiveness, and securing and developing human resources is a key issue for our future value creation. Sumitomo Chemical will promote the securing and development of human resources, which we consider to be our most important management resource, from a long-term perspective and achieve sustainable growth of our Group through enhanced engagement.

Basic Principles

With a history spanning more than 100 years, we have consistently held the view that people are the most important management resource, and we continue to adhere to the three elements of securing human resources, fair treatment, and development and growth as our unchanging human resource philosophy. Based on this human resource philosophy, our company has established "Employ, develop and leverage human resources for sustainable growth" as a basic direction in the FY2022-2024 Corporate Business Plan, and we are developing human resources strategies.



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 Resources Management (Sustainability Report)

TOPICS

① Supporting Employees' Proactive Career Development / Internal Side Jobs

We are promoting an "internal side job" initiative that allows employees to engage in work in other departments of their own volition. This system leverages our strengths as an integrated chemical manufacturer, enabling employees to experience various job roles and business sectors. In addition to enhancing employees' knowledge and broadening their perspectives, this initiative helps us identify their aptitudes, contributing to optimal talent placement. We are actively advancing this program.



Affiliation: Animal Nutrition Division, Marketing Department
Side Job Position: Planning & Coordination Office, Health & Crop Sciences Sector (R&D)

Comments from Participants of the Internal Side Job Program

Through my work supporting strategy development from the perspectives of global trends and business dynamics, focusing on the commercialization and value enhancement of products utilizing carbon credits—an essential tool for achieving decarbonization—I was able to deepen my knowledge of the environmental business. Additionally, I learned the importance of incorporating the perspective of financial system risks when understanding increasingly complex business outlooks.

② Enhancing R&D Capabilities (Sumitomo Chemical Academy)

This Company-wide seminar discusses technical issues related to the Company's businesses beyond the organizational framework and serves as a forum in which people can gain new ideas, knowledge, and perspectives aimed at realizing solutions. The seminar is also intended to provide fertile soil for innovation and the development of human resources. In FY2023, we held workshops on the five themes of fine chemicals, materials, life science, process engineering, and process systems, encompassing the Company's technical fields. Specialists with a top level of expertise in fields such as research and development served as the chair and vice chair of the workshops. Taking place over a period of about nine months, we worked to share and blend diverse and highly specialized expertise in order to nurture and highlight the emergence of useful ideas with the potential to lead to the development and creation of new businesses.



Human Resource Development and Growth

We have established a learning platform called the "SUMIKA Learning Square" to enable employees to update their knowledge and skills as needed, and support autonomous and voluntary learning. In addition, we have established a stepwise training system that includes management enhancement programs by position and role, as well as language training for global business development.

KPI

Investment in Training (SC only)

FY2023

Approx. **350,000** yen/year per person

Time Spent on Training (SC only)

FY2023

Approx. **139** hours/year per person
(8% of regular working hours)

Training and Growth KPI

By FY2024, achieve over 50% among employees who have taken self-selected training programs* (SC only).

FY2023

39.4%

*SUMIKA Learning Square and self-development courses opened in FY2022

DE&I

The Sumitomo Chemical Group has established the Group Basic Principles for DE&I Promotion, and based on these principles, approximately 100 companies in Japan and overseas set KPIs according to the situation of each country and each company to promote DE&I initiatives across the entire Group. We will aim to grow together as the entire group while mutually accepting and utilizing each other's knowledge and experience, which is unique to a diversified chemical company and rich in diversity, enabling each employee to fully demonstrate their aptitudes and abilities.

KPI

Percentage of employees promoted to managerial positions (equivalent to section manager) filled by female employees Over 15% of average over the 5 years between FY2023 and FY2027

FY2023 Results

29.0%

Percentage of male employees who have taken childcare leave or other childcare-related leave due to birth of a child* during the current fiscal year: Over 90%.

*Including our company's unique childcare-related leave options

FY2023 Results

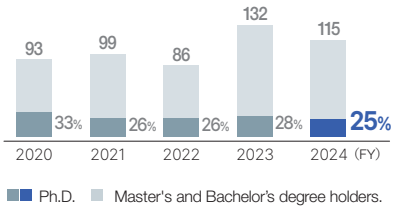
97.3%

TOPICS

Securing Diverse Talent / Actively Recruiting Ph.D. Holders

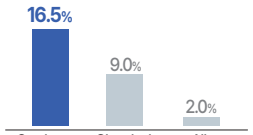
Our company is committed to expanding a diverse range of products and aspires to be "a company that solves societal issues through innovative technology." To achieve this, we require talent capable of boldly taking on challenges in different fields and advancing cross-disciplinary research and development. Therefore, we actively recruit individuals with a broad range of knowledge and skills, without being limited to specific areas of expertise. Additionally, we place a strong emphasis on hiring individuals with advanced specialization, including Ph.D. holders.

The Ratio of Ph.D. in New Graduate Recruitment for R&D and Technical Positions



Ph.D. Ratio in the Research and Development Department (FY2024 March Results)

*Based on FY2021 Survey Data



*Refer to the FY2021 TOPICS Matching Situation Survey: Qualitative and Quantitative Supply and Demand of Human Resources in Industry and Educational Institutions.

Health

We promote various support measures to solve and improve employees' health issues so that they can lead healthy lives both mentally and physically and realize prosperous lives. We are working on specific action items in the five areas of diet, exercise, sleep, quitting smoking, and mind, including the expansion of affiliated gyms for the purpose of establishing an exercise routine, programs to improve sleep, and support for employees who want to quit smoking.

KPI

Continued Recognition as one of the Certified Health & Productivity Management Outstanding Organizations (White 500)

For seven consecutive years, Sumitomo Chemical has been certified as one of the Certified Health & Productivity Management Outstanding Organizations (White 500), a program established by the Ministry of Economy, Trade and Industry.

2024 健康経営優良法人 Health and productivity ホワイト500

TOPICS

Supporting Global Business Development / Health Support for Overseas Employees

We provide detailed support to ensure that our overseas employees can maintain their physical and mental health during their assignments. This includes pre-departure medical guidance, preparation of personal health records for local medical needs, follow-up on health checkup results during the assignment, and online consultations. Additionally, our Chief Industrial Physician conducts overseas medical tours, meeting with expatriates and inspecting local living conditions and environments to ensure proper health management abroad. Furthermore, we extend our health support not only to the employees themselves but also to their accompanying family members.



Business

65 Essential Chemicals & Plastics

67 IT-related Chemicals / Energy & Functional Materials

71 Health & Crop Sciences

73 Pharmaceuticals



Essential Chemicals & Plastics



Businesses

Polyolefin Business
(Polyethylene, Polypropylene)

Polyethylene (PE)

- Synthetic resin that is flexible, highly water- and chemical-resistant, and easy to process (Used in a wide range of products, including packaging materials, such as plastic wrap and food-safe tubes, wire coatings, and plastic film used for greenhouses)


Various products made using polyethylene

Polypropylene (PP)

- Synthetic resin with a number of superior properties, including light weight, great workability, durability, heat resistance, and chemical resistance (Used in a wide range of applications, including automobile bumpers, instrument panels, food trays, and home appliances)

Methyl Methacrylate (MMA) Business
(MMA Monomer, MMA Polymer, MMA Sheet)

MMA Polymer

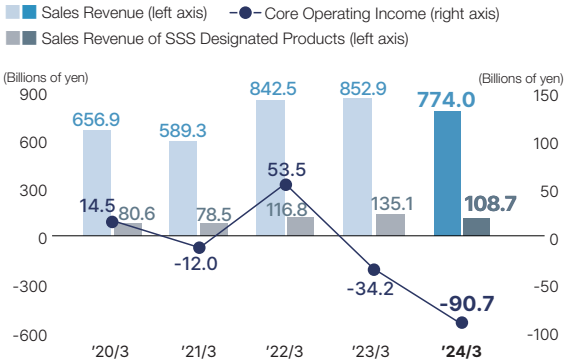
- Materials with outstanding transparency and weather resistance (Widely used in optical components such as light guide plates for LED TVs, automotive components,display cases, and outdoor advertisements)

Licensing Business

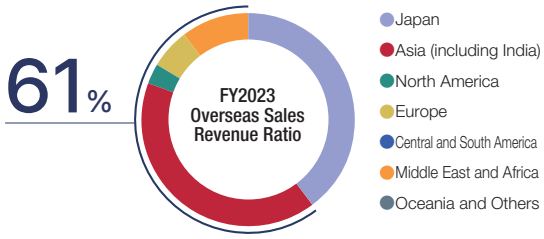
- Provision of licenses and sales of catalysts for production methods and technologies cultivated at our plants in Japan and at related companies outside Japan
- A lineup of technologies including not only the propylene oxide-only (PO-only) process for manufacturing PO, but also a hydrochloric acid oxidation process that significantly reduces energy costs and whose byproducts can be recycled as raw materials.

FY2023 Performance-Related Data

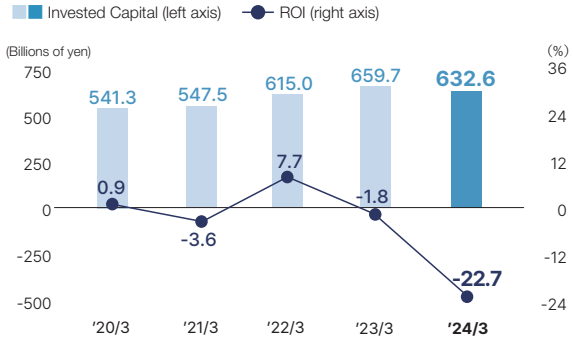
Sales Revenues and Core Operating Income/ Sales Revenue of SSS Designated Products



Sales Revenue Ratio by Region



Invested Capital / ROI



Transition to Date

Despite the suspension of ethylene production facilities at the Chiba Works and efforts to lift the completion guarantee and stabilize operations for the second phase of the Rabigh project, ROI has fluctuated widely due to volatile petrochemical market conditions. As for invested capital, investments other than business maintenance are limited. In FY2023, ROI significantly deteriorated due to the recognition of impairment losses at the Chiba Works and in Singapore.

Future Measures

Through fundamental structural reforms, we will advance the optimization of polyolefin production, external collaborations, and business restructuring in Japan and Singapore. For Petro Rabigh, we will form a joint task force with Aramco to improve profitability. Additionally, we will focus on high value-added businesses, such as licensing and catalyst sales, aiming to reduce our dependency on market fluctuations.

Corporate Business Plan Progress

Activities aimed at becoming carbon neutral

We will make various efforts to become carbon neutral including collaborations with other companies and academia.

Major initiatives

- Expand mechanical recycling business
- Pursue technology development in chemical recycling

→ Contribute to Recycling Resources

Progress

- In December 2022, the PMMA chemical recycling demonstration facility began operations, and we are currently advancing technical verification and marketing activities aimed at commercializing the technology by FY2025.
- In December 2023, a demonstration facility for the highly efficient production of methanol from CO_2 was newly established at the Ehime Works.
- In March 2024, the mechanical recycling demonstration facility for automotive waste plastics began operations.

Our Website : Circular System for Plastics Website

Secure stable revenues via licensing and catalyst business

In accordance with the following three basic strategies, we aim to achieve both stable earnings and sustainable business expansion, while contributing to the realization of carbon neutrality in society.

Basic strategy

Establish stable revenue base	Expand portfolio	Brush up technology
●Expand capacity to supply catalysts ●Expand opportunities to contact potential customers	●Quickly establish technologies that reduce environmental impact, expand lineup in license ●Diversify business models through operational support services	●Bolster competitiveness in processes ●Extend catalyst life and improve costs

Progress

- In April 2024, signed a collaboration agreement with KELLOGG BROWN & ROOT, a U.S. engineering company, for the licensing of Sumitomo Chemical's propylene oxide by cumene technology, a technology that is superior in reducing environmental impact.
- In May 2024, signed a collaboration agreement with U.S. licensor Lummus Technology for the licensing and commercialization of Sumitomo Chemical's proprietary PMMA chemical recycling technologies.

Our Website : Technology Licensing Website



Restructuring of petrochemical business in Japan and Singapore

We are undertaking various initiatives aimed at restructuring the petrochemical business in both the upstream and downstream sectors in Japan and Singapore.

Upstream

Naphtha → Ethylene, propylene

Japan

Rationalization at existing ethylene plant

Discussing rationalization measures of Keiyo Ethylene, which possesses 700k of the 2 million tons of production capacity in the Keiyo area

Convert to a complex with a reduced environmental impact

Continue to study Keiyo area alliance (since November 2023)

Singapore

Establish restructuring council with participation from parent company

- Study optimization based on scenario analysis of consolidation with neighboring plants
- Thorough cost reductions from cheap cracker feedstock and other cost measures
- Discuss measures aimed at becoming Carbon Neutral

Downstream

Polyethylene and Polypropylene, etc.

Japan

Polyolefin collaboration

Working toward deeper discussions

Solid reorganization of unprofitable businesses

- Exit from cyclohexane and resin coloring agent businesses
- Promote further reorganization of unprofitable and noncore businesses

Singapore

Begin programs aimed at profitability improvement

- Focus on specialty high-profit grades such as PP for batteries and mono-material packaging films
- By the end of FY2024, formulate strategic plan for further profitability improvements

Looking Ahead

We have been advancing business restructuring efforts aimed at ensuring the survival of our domestic petrochemical operations, while also securing stable revenue through our licensing and catalyst business, and undertaking various initiatives toward achieving carbon neutrality.

Going forward, we will steer towards value creation through environmentally friendly technologies, aiming for the development and commercialization of GX technologies centered on plastic resource recycling, as well as business expansion through overseas licensing.



Chemical recycling demonstration facility



Demonstration facilities manufacturing at high efficiency methanol from CO_2

IT-related Chemicals / Energy & Functional Materials



Businesses (IT-related Chemicals)

Display-related Materials Business

Polarizing films, Touch-sensor panels, Polymer light-emitting materials, Color resists

Polarizing films

For Liquid Crystal Displays	Contributes to enhancing display quality, including high brightness, high contrast, and wide viewing angles.
For OLED Displays	Reduces reflections from sunlight and artificial lighting on displays, enabling vibrant color reproduction.

Touch-sensor panels

These are locational input components installed in devices such as smartphones.

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.)

Semiconductor Materials Business

Photoresists, Processing chemicals for semiconductors, Compound semiconductor materials

Photoresists

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

Processing chemicals for semiconductors

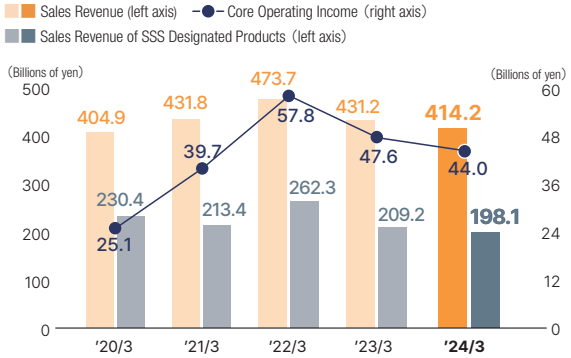
High-purity, functional chemicals used for cleaning and other processes in semiconductor circuit pattern formation and chip assembly.

Compound semiconductor materials

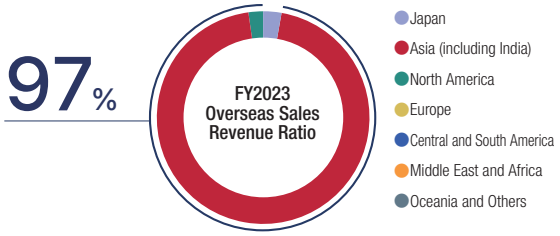
Semiconductor made from a compound of multiple elements, which offer higher frequencies and better voltage endurance characteristics than ordinary silicon semiconductors.

FY2023 Performance-Related Data (IT-related Chemicals)

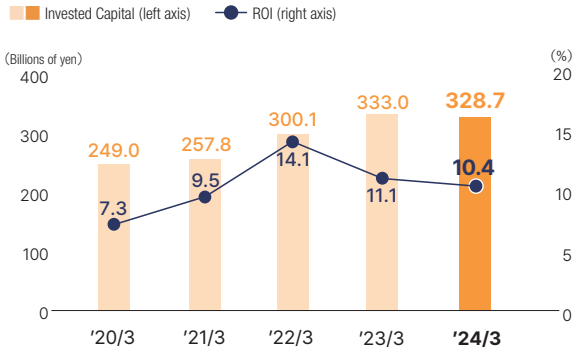
Sales Revenues and Core Operating Income/ Sales Revenue of SSS Designated Products



Sales Revenue Ratio by Region



Invested Capital / ROI



Transition to Date

ROI has been above the hurdle rate since FY2019 due to semiconductor-related investment returns and favorable conditions in display materials. In addition, due to further semiconductor-related new construction expansion, invested capital has been on an upward trend since FY2021.

Future Measures

We will accelerate structural reforms in response to changes in the competitive environment for polarizing films, which used to be a major product of the sector. Additionally, we are establishing a new semiconductor process chemical facility in the United States and strengthening our production and research and development capabilities in South Korea and developing a compound semiconductor materials business structure, and we will ensure that the results will lead to higher sales and profits.

Businesses (Energy & Functional Materials)

Advanced Polymers Business
Liquid crystal polymer (LCP), Polyether sulfone (PES)

Liquid crystal polymer (LCP)

A super engineering plastic, which features excellent heat resistance, fluidity, and dimensional stability, and that is mainly used in electronic components, such as connectors.

Polyether sulfone (PES)

A super engineering plastic, which features excellent heat resistance, creep resistance, dimensional stability, flame retardance, and water resistance, and that is used in applications such as carbon fiber composite materials in aircraft.



Super engineering plastics

Specialty Chemical Business
Resorcinol, Plastic additives, Emulsions

Resorcinol

Raw materials for various fine chemicals, including adhesives for rubber products such as tires, wood adhesives, flame retardants, and UV absorbers.

Inorganic Materials Business
High-purity alumina, Low soda alumina, Aluminum hydroxide, High-purity aluminum

High-purity alumina

Alumina with a purity of 99.99% or higher, used in lithium-ion secondary battery components and ceramic components for semiconductor manufacturing equipment.

High-purity aluminum

Aluminum of various purities, including ultra-high purity up to 99.9999%, used in high-performance fields such as flat panel displays, semiconductor wiring materials, and thermal transfer materials in cryogenic regions.

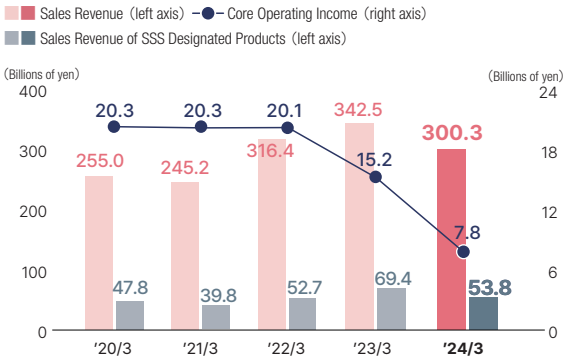
Battery Materials Business
Battery separators, Cathode materials

Battery separators

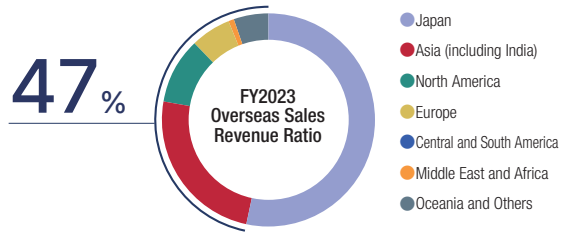
Safety components, isolating the positive and negative electrodes of lithium-ion secondary batteries and ensuring ion conductivity between the electrodes by preserving the electrolyte and preventing short-circuits.

FY2023 Performance-Related Data (Energy & Functional Materials)

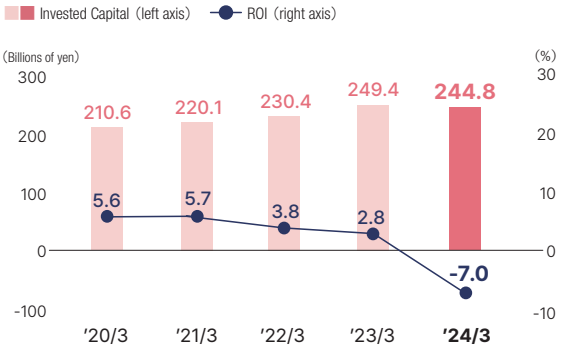
Sales Revenues and Core Operating Income/ Sales Revenue of SSS Designated Products



Sales Revenue Ratio by Region



Invested Capital / ROI



Transition to Date

While we have been actively investing in core business products with expected growth, such as super engineering plastics and high-purity alumina, core operating income has been sluggish due to the global economic slowdown, particularly in China. In FY2023, NOPAT* further declined, partly due to the impairment loss recorded on the cathode material calcination demonstration facility. As a result, ROI for FY2023 was -7.0%.

Future Measures

For core business products such as super engineering plastics and high-purity alumina, we will continue to expand sales to meet increasing demand and ensure the success of our investments. At the same time, we will also focus on research and development of next-generation businesses, such as solid-type battery materials, working towards their early commercialization.

*NOPAT : Net Operating Profit After Tax

Corporate Business Plan Progress（IT-related Chemicals）

Display-related materials

Maintain competitive advantage by leveraging our own core technologies

While advancing the sophistication of our portfolio, focus on materials for high-end TVs, OLED smartphones, automotive and next-generation displays by differentiating technologies and quality.



Polarizing films for automobile

Our Initiatives

- Secure market share in existing high value-added fields
- Capture demand for materials for next-generation displays
- Continue restructuring of commodity LCD materials business

Progress of structural reforms

Polarizing films for large LCDs

- Close lines equal to about 30% of production capacity
- Convert one line to OLED/automotive

Touch-sensor and color filter plant

- Completely exit color filters
- Major reforms to touch-sensor production regime

Process chemicals for displays

- Sold China LCD chemicals business

Silicon semiconductor materials

Capturing business opportunities in response to market expansion

We will ensure to capture the demand that is expected to steadily expand for the coming several years in the context of increasing CAPEX of data centers to accommodate DX, full-fledged deployment of 5G communications, and electrification/autonomous driving. At the Osaka Works, facilities for the development and evaluation of photoresists for advanced semiconductor processes have become operational, and enhanced facilities for these photoresists have also become operational in South Korea. In addition to deciding to build a new semiconductor process chemicals works in the United States, we are also strengthening our production and research and development capabilities in South Korea. Regarding the back-end semiconductor process, we are leveraging our expertise in high thermal conductivity materials and specialty polymers to advance our efforts toward entering this field.

Our Initiatives

- Securely capture growing demand
- Develop products that support innovations in customer processes
- Aim for top share in next-generation EUV with organic molecular resist
- Entering the back-end semiconductor process by leveraging our core technologies

Expanding semiconductor market

Compound average growth rate (2019~2025)

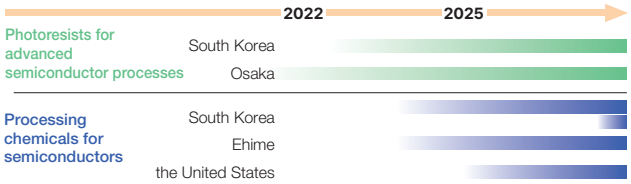
Logic	Memory
13%	12%

(Source) WSTS
Semiconductor Market Forecast June 2024

Top-class global market share in semiconductor materials

- Immersion ArF
- High-purity chemicals (IPA, hydrogen peroxide,ammonia water)

Schedule for the start of operations of enhanced facilities



New businesses

Creation of new businesses for the next generation

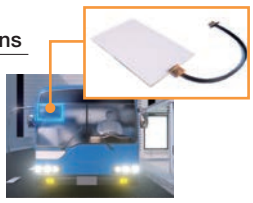
We aim to establish the third business by the late 2020s, following the display-related materials business and the silicon semiconductor materials business. In the power device field, we have begun production of large-diameter gallium nitride substrates and will work to further increase diameter and productivity. We are also engaged in the research and development of new products utilizing the technologies cultivated in our existing two fields, and in FY2023, we launched a glass transparent LED display.

Our Initiatives

- Establish business in materials related to telecommunications and sensors
- Launch next-generation power device materials business and contribute to evolution in energy saving technologies

Repeater for mobile communications

These are transparent, thin antennas that can be mounted on the windshields of cars. They are compatible with 5G high-speed communication and contribute to improving the communication environment in public transportation and expanding the communication area of mobile devices.



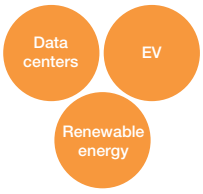


Glass transparent LED displays

This is a high-resolution LED display. Compared to existing film types, it offers superior transparency and reliability, contributing to the realization of signage on glass structures.

Next-generation power device materials

Gallium nitride substrates for next-generation power devices. It can reduce the size and loss of power conversion circuits used in data center servers, wind power generation, EVs, and other applications. It contributes to carbon neutrality through energy saving.



Corporate Business Plan Progress (Energy & Functional Materials)

Concentrate investments and expand business in growth areas

Super engineering plastics (LCP)

Expand business with increased production capacity. Expand sales into automotive and 5G high-speed telecommunications connectors

With the shift to EVs, customer demand is moving from engine components to automotive connectors and EV motor peripheral components. In addition, as 5G goes into full swing, demand for LCPs that matches the required characteristics is expected to increase. We will develop a production regime to meet such robust demand and focus on expanding sales in growth fields.

New facilities commenced operations in FY2023

Approx. **9,000** tons ➡ Approx. **12,000** tons

Our Initiatives

- Considering further plant expansions to meet customer demand.
- Respond to automotive demand and expand sales of 5G high-speed telecommunication connectors

Battery materials: Battery separators

Establishing a framework to achieve higher battery capacity

Demand for lithium-ion secondary batteries is expected to continue growing, particularly for automotive applications. In response to the expanding EV society, we will leverage our accumulated technologies, build a framework to meet customer demand, and promote further expansion of our separator business.

Our Initiatives

- Building a framework to meet demand for automotive applications, expand sales to new customers and pursue cost rationalization.
- Focus on expanding sales for consumer use like home appliances, electrically assisted bicycles.

Develop next generation business

Develop new technologies such as solid-type batteries and direct recycling of cathode materials

Solid-type batteries

Compared to current lithium-ion secondary batteries, solid-type batteries are safer and are expected to become the next generation of batteries. In an industry-academia joint research program we have succeeded in developing a soft-solid electrolyte, which had been a challenge. We will continue our development efforts for early commercialization.

Direct recycling of cathode materials

→ Contribution to Recycling Resources

CO_2 separation membranes

→ Energy & Functional Materials "CO_2 Separation Membranes" (Investors' Handbook)

Decide direction for low-profit business

While giving maximum consideration to the impact on stakeholders, we will downsize or withdraw from businesses that we judge to be unprofitable in the future due to changes in the business environment and other factors, in an effort to improve the business portfolio.

Our Initiatives

- FY2021 Decided to withdraw from the EPDM business
- FY2022 Decided to withdraw from the dyestuffs business; decided to withdraw from the S-SBR business in Singapore
- FY2024 Decided to sell the overseas aluminum smelting business

Looking Ahead

In the display-related materials business, we will further increase the proportion of high value-added products, such as materials for OLED displays. In the semiconductor materials business, we will steadily capture the growing demand for silicon semiconductors. Additionally, in the mobility sector, we will continue to offer distinctive products unique to our company. Moving forward, we will integrate our group's ICT and mobility-related businesses, along with the innovative technologies that support them, to propose solutions that accelerate customer innovation.



Semiconductor process chemical works in South Korea

Health & Crop Sciences



Businesses

Agrosolutions Business

Crop protection chemicals, Biorationals, Fertilizers, Rice, etc.

Crop protection chemicals

- Insecticides effective on a range of insects causing damage to crops
- Herbicides for a variety of crops
- Fungicides to help control diseases

Biorationals

- Products such as microorganism-based crop protection, plant growth regulators, rhizosphere microbial materials, and biostimulants, all derived from natural sources.



Various crop protection chemicals, including insecticides and herbicides

Environmental Health Business

Household pesticides, Disease control insecticides, Products for controlling tropical diseases, Veterinary drugs, etc.

Household pesticides

- Insecticides for indoor and outdoor use (anti-mosquito incense, mosquito repellent, aerosol, etc.)
- Pyrethroid agents used in insect-repellent resin, and other devices

Feed Additives Business

Methionine

Methionine

- Methionine mainly used in poultry feed (Methionine is one of the essential amino acids and acts to promote the growth of animals being raised.)

Pharma Solution Business

Active pharmaceutical ingredients for small molecule drugs, Nucleic acid medicine, etc.

Active pharmaceutical ingredients for small molecule drugs

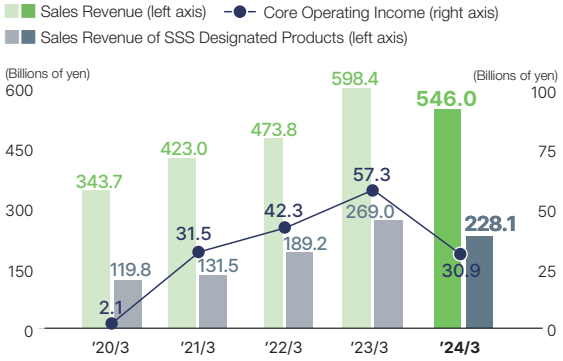
- Pharmaceutical active ingredients and intermediates supplied to Japanese and foreign pharmaceutical companies

Nucleic acid medicine

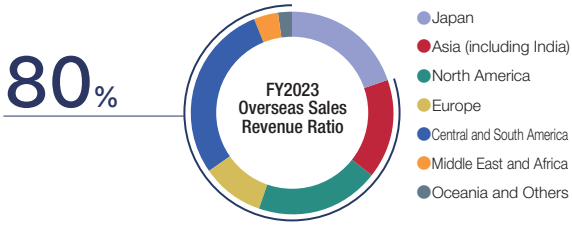
- Active ingredients for nucleic acid medicine (pharmaceuticals that use DNA or RNA)

FY2023 Performance-Related Data

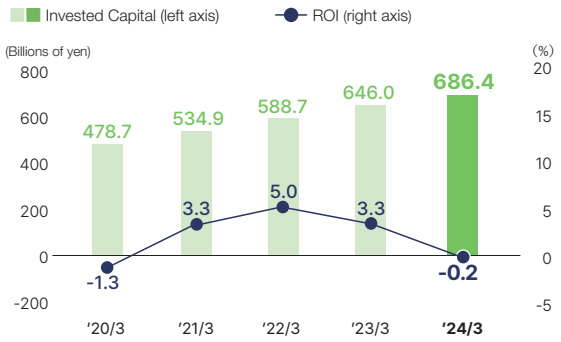
Sales Revenues and Core Operating Income/ Sales Revenue of SSS Designated Products



Sales Revenue Ratio by Region



Invested Capital / ROI



Transition to Date

As a key growth driver for Sumitomo Chemical, we have continued to invest actively. Since FY2022, the full impact of our acquisition in South America has begun to materialize; however, due to the market decline for post-patent products and unfavorable weather conditions, ROI for FY2023 was -0.2%.

Future Measures

We are pursuing sustainable growth by expanding our global footprint and developing new crop protection chemicals. Additionally, we will strengthen our profitability through measures such as making a full-scale entry into the biostimulant sector.

Corporate Business Plan Progress

Portfolio transformation to strengthen group of sustainable products

Crop protection chemicals

We put emphasis on environmental regeneration for product development and distribution activity, by choosing no-till farming and seed treatment. Also, we continuously develop and launch new products to strengthen a sustainable product line.

Progress of key pipelines

Compound	Application	Current situation
INDIFLIN™ (Inpyrfluxam)	Agricultural fungicide for soybean rust, etc.	Launched in 6 countries (Brazil in 2022)
PAVECTO™ (Metyltetraprole)	Agricultural fungicide for septoria, etc.	Launched in 2022 (Japan)
Alles™ (Oxazosulfyl)	Agricultural insecticide for major pests of rice plants and others	Launched in 2022 (Japan)
Fuseki™ (Pyridachlomethyl)	Agricultural fungicide for field crop and vegetable diseases	Launched in 2024 (Japan)
Accede™ (ACC)	Agricultural plant growth regulator	Launched in 2022 (the United States)
Rapidicil® (Epyrifenacil)	Herbicides for next-generation weed control systems	Launched in 2024 (Argentina)
Pipeline A	Botanical insecticide for agricultural and household pest control	In Development
Pipeline B	Agricultural fungicide	In Development

Biorationals

We will differentiate ourselves from competitors by leveraging our technologies and product lines in areas where we have strengths, such as biorational and botanical products.

Our initiatives

- January 2023: Acquired U.S.-based FBSciences, a company specializing in biostimulants
- December 2023: Acquired India's Barrix Agro Sciences, which develops pest control technologies using insect pheromones, through our consolidated subsidiary, Sumitomo Chemical India Ltd.

Advances and efficiencies in R&D

We identify our focus areas and concentrate our resources in areas where we have strengths, while actively utilizing open innovation.

→ New Business/R&D (Investors' Handbook)

Strengthen global supply chain

To maximize profits from our expanded global footprint, we will strengthen our supply chain to ensure consistent product quality and security of supply.

Roll out Integrated Business Planning (IBP) framework



- Realize speedy decision-making based on financial information based on real-time information sharing and integrated management across the entire supply chain of production, sales, purchasing, and logistics.
- Expanding globally following South America

Secure returns on investments already made

We will work to ensure the recovery of investments made, and aim to achieve ROIC that exceeds the cost of capital as soon as possible.

Agrosolutions Business in South America

- August 2020: Start of integrated operation of four acquired Nufarm South American subsidiaries and our existing affiliates in South America
- May 2022: Launch of EXCALIA MAX™, a fungicide for soybeans containing the new active ingredient INDIFLIN™ in Brazil
- July 2024: Obtained pesticide registration in Argentina for the new herbicide "Rapidicil®" (active ingredient: epyrifenacil) and products containing the same active ingredient

Looking Ahead

In the Health & Crop Sciences sector, we have steadily taken steps to expand our business, including the submission of registration applications and market launches for blockbuster candidates such as INDIFLIN™ and Rapidicil®, as well as establishing a footprint in promising markets like Brazil and India. We believe we are now entering a phase where we are harvesting the results of these efforts.

Moving forward, we will further pursue a business strategy focused on regenerative agriculture, expanding our operations through both crop protection chemicals and biorationals.



Pharmaceuticals



Businesses

Prescription Drugs Businesses

Major Products

- ORGOVYX® (Prostate cancer)
- MYFEMBREE® (Uterine fibroids/Endometriosis)
- GEMTESA® (Overactive bladder)

Major Products in Development

- TP-3654 (Myelofibrosis)
- DSP-5336 (Acute leukemia)
- CT1-DAP001/DSP-1083
  Parkinson's disease (regenerative medicine/cell therapy)

Diagnostic Drugs Businesses

Major Products

- FDGscan® Injection (PET diagnostic product for malignant tumors and other conditions)
- VIZAMYL® Injection (PET diagnostic product for patients suspected of having Alzheimer's disease)

Major Products in Development

- NMB58 (PET imaging agent for myocardial perfusion)
- NMK89 (PET imaging agent for pancreatic cancer)

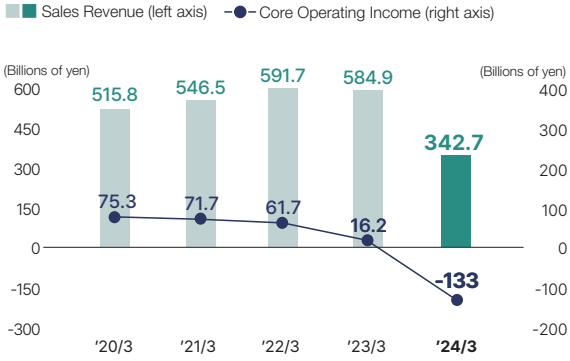
CDMO (Contract Development and Manufacturing Organization) Business

Combining Sumitomo Pharma's expertise in regenerative medicine/cell therapy with our contract manufacturing knowledge, we are implementing the CDMO business for regenerative medicine/cell therapy products at S-RACMO Co., Ltd.

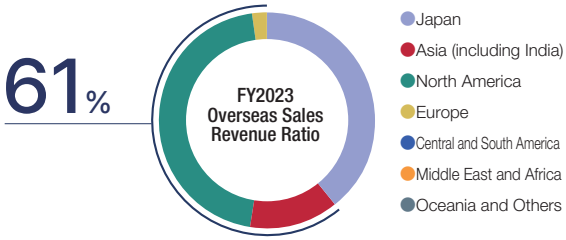

S-RACMO Line 2 (under construction)

FY2023 Performance-Related Data

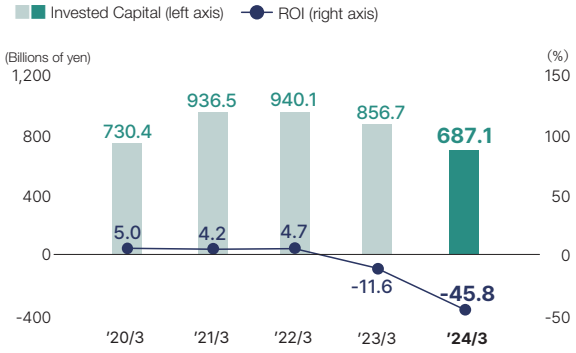
Sales Revenues and Core Operating Income



Sales Revenue Ratio by Region



Invested Capital / ROI



Transition to Date

With the loss of U.S. exclusivity for LATUDA® as well as the impact of impairment losses in our North American operations and restructuring costs from the reorganization of our North American subsidiaries, our performance deteriorated and invested capital decreased. As a result, ROI worsened by 34.2 points.

Future Measures

We aim to achieve core operating income in the black for FY2024 through rigorous cost reductions and further expansion of our three key products—ORGOVYX®, MYFEMBREE®, and GEMTESA®—which are successors to LATUDA®. At the same time, we will work towards building a sustainable growth model.

Corporate Business Plan Progress

Establishment of revenue base after the end of LATUDA® exclusivity in the U.S.

As post-LATUDA agents we will maximize revenues from ORGOVYX®, MYFEMBREE®, and GEMTESA®. In addition, the Company will also promote rationalization, including improvement of management efficiency and optimization of business costs.

Key Progress

- Completed the reorganization of Sumitomo Pharma's North American subsidiaries
- Promoted thorough streamlining, including workforce optimization in the United States
- The U.S. FDA accepted the supplemental New Drug Application for GEMTESA® to include the treatment of overactive bladder with benign prostatic hyperplasia.

Strategies for medium- and long-term growth

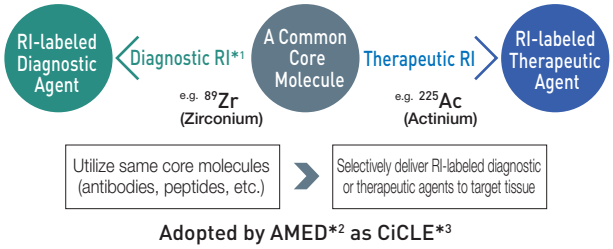
Looking ahead to what comes after ORGOVYX®, MYFEMBREE®, and GEMTESA®, we will accelerate development, focusing on two promising oncology compounds. In addition, we will seek to maximize product value as quickly as possible by accelerating development and reducing risk, including the active use of external resources. Furthermore, we will achieve medium- to long-term growth by taking on the challenge of developing and commercializing new therapeutic methods, such as regenerative medicine/cell therapy, and Theranostics.

Key Progress

- Oncology: At the 2023 American Society of Hematology (ASH) Annual Meeting, we presented positive clinical data from Phase 1/2 trials for two oncology candidates, TP-3654 and DSP-5336.
- DSP-5336: Presented the latest Phase 1/2 trial data at the 2024 European Hematology Association (EHA) Congress and received Fast Track designation from the U.S. FDA.
- CNS Collaboration: We have revised our partnership framework with Otsuka Pharmaceutical Co., Ltd. in the psychiatry and neurology area, focusing on prioritizing key development programs.
- Parkinson's disease: For the regenerative medicine/cell therapy candidate for Parkinson's disease (CT1-DAP001/DSP-1083), we are preparing for a New Drug Application in Japan, while investigator-initiated and company-sponsored trials have commenced in the U.S.
- Universal Influenza Vaccine: Initiated clinical trials for a new universal influenza vaccine candidate.

Theranostics

As a next-generation therapeutic approach, we aim to develop new radiopharmaceuticals that "integrate therapeutics and diagnostics (Theranostics)" by taking advantage of the characteristics of nuclear medicine. In the CRADLE building, our drug research facility, we are working diligently on research and development to deliver optimal medical care to patients as soon as possible.



Adopted by AMED*2 as CiCLE*3

*1 RI: Radioactive isotope
*2 AMED: Japan Agency for Medical Research and Development
*3 CiCLE: Cyclic Innovation for Clinical Empowerment

Key Progress

- Captured the world's first patient images using "NMK89," which is under development as an imaging agent for pancreatic cancer.

Strengthen CDMO business

In the fields of next-generation pharmaceuticals such as regenerative medicine/cell therapy and targeted alpha-particle therapy, which are expected to show remarkable growth in the future, we will maximize the synergy between chemistry and pharmaceuticals to aggressively develop our CDMO business.

S-RACMO Co., Ltd.

S-RACMO, a joint venture of both companies, conducts CDMO business in the field of regenerative medicine/cell therapy by combining Sumitomo Chemical's fundamental technologies for iPS/ES cells and expertise in contract manufacturing of pharmaceuticals with Sumitomo Pharma's experience in advanced manufacturing method development and formulation development gained through multiple projects in the regenerative medicine/cell therapy business. Orders are steadily increasing at FORCE (Facility of Regenerative and Cellular Medicine Organization), a regenerative medicine/cell therapy manufacturing facility that began operations in 2022, and the second production line is currently under construction. We will continue to work to further expand our presence in this fast-growing field.

Looking Ahead

Our top priority is to achieve core operating income in the black for FY2024 by rigorously streamlining selling, general and administrative expenses, and R&D costs to create a cost structure that aligns with our scale. We will also focus on further expanding the sales of our three key products—ORGOVYX®, MYFEMBREE®, and GEMTESA®—while accelerating the development of two promising oncology pipeline compounds. Additionally, with an eye on medium- to long-term growth, we will place emphasis on next-generation therapies, including regenerative medicine/cell therapy products.


Sumitomo Pharma Cell Processing Center (United States)



Management

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To drive the transformation of Sumitomo Chemical, we will review the composition of the Board of Directors and further strengthen governance.

Masakazu Tokura

Chairman of the Board



We will seize this opportunity to deepen discussions and thoroughly execute structural reforms, turning it into a chance to transform Sumitomo Chemical into a stronger company.

Hiroshi Tomono

Outside Director

Joined Sumitomo Metal Industries in 1971. In 2005, appointed as Representative Director and President of the company. In 2012, following the business integration of Nippon Steel Corporation and Sumitomo Metal Industries, appointed as Representative Director, President, and COO of Nippon Steel & Sumitomo Metal Corporation (now Nippon Steel Corporation). Subsequently held positions as Vice Chairman of the Board, Director and Corporate Advisor, among others. Appointed as an outside director of Sumitomo Chemical in 2015. In 2016, appointed as an outside director of Japan Nuclear Fuel Limited, and in 2020, as an outside director of Kansai Electric Power Company, Incorporated.

Chairman of the Board with Outside Director

Special Dialogue on Governance

Strengthening Corporate Governance to Further Improve Performance and Enhance Corporate Value

We spoke with Chairman Tokura, who serves as Chairman of the Board, and Outside Director Tomono about Sumitomo Chemical's efforts to strengthen corporate governance.

Through various initiatives, the discussions within the Board of Directors have deepened, allowing us to move forward by reflecting on past performance challenges.

—— Could you share your thoughts on the efforts made so far to strengthen corporate governance?

Chairman Tokura (hereafter, Tokura) In March 2015, the Financial Services Agency and the Tokyo Stock Exchange formulated the Corporate Governance Code. In June of the same year, Sumitomo Chemical strengthened its governance by increasing the number of outside directors by two, bringing the total to three. Director Tomono was appointed at that time and has since been involved in our company's management.

Director Tomono (hereafter, Tomono) Since 2015, various efforts have been made to strengthen governance, but the most significant change I have noticed is the deepening of discussions. When I first joined, the Board meetings were brief and somewhat formal. However, various mechanisms have since been introduced to invigorate discussions. For example, pre-meeting briefings. To engage in more meaningful discussions, outside directors need to have an appropriate level of knowledge, so we started receiving explanations on agenda items before the Board meetings.

Tokura The pre-meeting briefings are conducted a few days before the Board meetings and typically last around two hours. This preparation allows us to dedicate nearly half a day to the Board meetings, which are held early in the morning, ensuring ample time for thorough discussions. Additionally, for important topics, we hold informal meetings and study sessions where directors and audit & supervisory board members can exchange opinions outside of the formal pre-meeting briefings. Moreover, to ensure that outside directors and outside audit & supervisory board members have a comprehensive understanding of the company—not just at the management level but also at the operational level—they participate in various activities such as the DX repository*, the Sustainability Promotion Committee, and site visits, including those overseas. I believe they dedicate a considerable amount of time to these engagements.

*An internal event where various workplaces share and showcase examples of their DX initiatives.

Tomono Yes, that's correct. During informal meetings such as the pre-meeting briefings and the discussion sessions of directors and audit & supervisory board members, we outside directors often provide substantial input. We don't hesitate to make critical remarks, such as, "That's an internal logic that we don't understand," and the management team consistently addresses these concerns thoroughly.

Tokura Indeed, we do receive quite tough questions and comments. For particularly sharp questions or observations raised during the pre-meeting briefings, I, as the chairman, sometimes deliberately bring these points up during the Board meetings for further discussion. This approach helps us recognize our internal logic and serves as a catalyst for deeper discussions.

Tomono There is no doubt that discussions have become more dynamic. However, since there is no definitive goal, we need to continue deepening our governance reforms. At the same time, I believe that as directors, including myself, we need to reflect on the fact that we faced tough financial performance in FY2023.

Tokura The primary reasons for our poor performance this time are the deteriorating results at Sumitomo Pharma and Petro Rabigh. Since nearly 50% of Sumitomo Pharma's shares are held by general shareholders, we have respected its autonomy as a listed company while sharing the overall group strategy. As for Petro Rabigh, it is an affiliated company in which both Saudi Aramco and Sumitomo Chemical hold a 37.5% stake. Given these capital relationships, we were unable to exert the same level of governance over these companies as we do with Sumitomo Chemical. This led to delayed responses to business challenges, contributing to the decline in performance—a point that we must reflect on.

Tomono From my own management experience, I believe it is crucial to thoroughly analyze why such a situation occurred and to clearly identify areas for reflection. However, what is even more important is to not remain fixated on these points but to channel energy into the next steps. This approach is healthier for the organization and also boosts employee motivation. Sumitomo Chemical should take this opportunity to further deepen discussions among everyone about the company's challenges and the direction we should take moving forward. If this shared understanding reaches even the frontline employees, the company will truly become stronger. Sumitomo Chemical, with its long and storied history, is now at a turning point where it can undergo significant change. We must turn this into an opportunity.

Revise the Board of Directors' composition with a focus on cross-functional perspectives and financial discipline.

—— In June 2024, the composition of the Board of Directors was changed. Could you share the intent behind this decision and the expected outcomes?

Tokura This time, we have changed the composition of the Board of Directors by reducing the number of internal directors and adding one more outside director, bringing the proportion of outside directors to 50%. Additionally, instead of appointing heads of business divisions as internal directors, we have selected executive officers responsible for cross-functional management roles within the company. Previously, appointing business division heads as directors was intended to enable them to represent the company in external discussions and negotiations and to accelerate the execution speed for business growth. However, this approach tended to emphasize the growth potential of individual businesses. Given the current challenging business performance, we must operate within financial constraints and carefully select investments from a company-wide perspective. To ensure that financial discipline is emphasized in decision-making from a cross-functional standpoint, we appointed internal directors from those who handle management functions. However, I do not believe that this structure should be maintained indefinitely. As Alfred Chandler's principle that "structure follows strategy" suggests, if the environment changes, we may need to reassess the composition again.

Tomono That's exactly right; we shouldn't rigidly adhere to a fixed structure. There is no such thing as a universally superior structure. I once asked the executives of the Kashima Antlers, where I was involved as a sponsor, "What makes a good coach?" Their response was, "There is no absolutely superior coach." There are various types of coaches—some who emphasize the individuality of players and others who strictly enforce rules and discipline—but the role of management is to choose the coach who best fits the team's current situation and build a strong team. I believe the same applies to company management. We should create the optimal organizational structure for the company's situation at any given time, and as the phase changes, we should adapt the structure accordingly. By doing this in a healthy manner, I believe we can build a strong company.

"Stopping the bleeding of cash comes before talking about the future" Intense discussions toward structural reforms

—— What discussions took place in the Board Meetings regarding structural reforms?

Tokura This fundamental structural reform was based on a new growth model for Sumitomo Chemical, primarily developed by younger executive officers. Recognizing that it must not become "an internal logic," we engaged in extensive discussions, not only in regular Board meetings but also in extraordinary sessions and informal gatherings. We received a significant number of opinions from our outside directors as well.

Tomono Our initial impression of the reform proposal was that it was too future-focused. There were many explanations about what we "want to do," but given the company's current situation, the focus should be on the present before discussing the future. Without a clear path to stabilizing our crisis, we cannot gain the understanding of shareholders and society. Therefore, in response to the initial reform proposal, the outside directors and outside audit & supervisory board members strongly argued, "That's not right—stopping the bleeding of cash must come first." This led to significant changes in both the substance of the reform proposal and how it was communicated externally.

Tokura Your point was absolutely correct. In our discussions regarding the most pressing issues, Sumitomo Pharma and Petro Rabigh, we received extremely valuable advice on how to engage with Sumitomo Pharma and how to formulate our plans.

Tomono Having experienced several situations as a manager where stopping the bleeding of cash was necessary, I also voiced the opinion that the proposed methods were "still too lenient." Additionally, I emphasized the need to further grow the currently profitable businesses.

Tokura Our outside directors were so passionate and vocal in sharing their opinions that it was hard to tell who were the internal directors.

Tomono The outside directors all possess a high level of expertise and have each navigated through extremely challenging situations in their respective fields. We offer our opinions based on these experiences, and Sumitomo Chemical considers the characteristics of its business to effectively utilize our advice. Therefore, I believe the role of an outside director goes beyond mere supervision; it is also advisory in nature.

Tokura Our outside directors bring expertise in various fields, including law, international economics, and corporate management. Their advice, offered from perspectives outside the chemical industry, provides us with many valuable insights.

Thoroughly execute structural reforms to achieve performance recovery and realize our envisioned goals.

—— In the current structural reform plan, we have set "Innovative Solution Provider" as our long-term corporate vision. Could you share the intention behind this vision?

Tokura When discussing where to seek our new growth model, we conducted a thorough review of Sumitomo Chemical's assets, including our technology and human resources. For over 100 years, Sumitomo Chemical has been a manufacturing company, producing and selling excellent products based on strong research and development capabilities. However, the pace of change in the world is rapid, and the boundaries between businesses are becoming increasingly blurred. We need to shift towards a business model that offers solutions, fully utilizing the assets we possess, rather than being fixated on the traditional manufacturing process.

Sumitomo Chemical possesses key assets that can significantly contribute to three transformations: Green Transformation (GX), Digital Transformation (DX), and Bio Transformation (BX). For instance, in GX, we are leading the way as a chemical company by advancing the largest number of Green Innovation Fund projects. In DX, we have been ahead of the curve in accumulating data and engaging in materials informatics and bioinformatics. For BX, we leverage our extensive knowledge of ecosystems, built over many years in the pharmaceutical and agrochemical sectors. By fully mobilizing these assets, we aim to become an "Innovative Solution Provider," which we have set as our long-term vision.

Tomono The keyword for making this vision a reality is "thoroughness." The goal is clear, and we have talented personnel in place. The question is whether all employees can fully commit and carry out their tasks with thorough dedication. This applies across the board, even in tough situations like mobilizing people to stop the bleeding of cash. We must be careful not to fall into the trap of using simplistic and comforting phrases like "Sumitomo Chemical values its people" as an excuse for half-hearted efforts.

However, we must not neglect nurturing the seeds of growth for the future. If we can apply this "thoroughness" to everything we do, Sumitomo Chemical, with its accumulated technologies and talented people, should be able to transform the company significantly in a relatively short period of time.

Tokura We have been advancing the reform of our business portfolio, but I believe there are still many areas where we have not done enough. To realize our long-term growth strategy, we will thoroughly execute structural reforms. Additionally, we must establish a cycle that allows us to immediately correct course when we recognize any mistakes.

Tomono It's natural that things don't always go as planned. What's important is to have multiple plans in place and to build a system that allows for quick adaptation when things aren't working. As an outside director, I will be closely monitoring this aspect. All of us outside directors, myself included, feel responsible for the fact that the company has found itself in this situation despite our presence. We are committed to working together to revitalize the company and realize structural reforms. I have high expectations because Sumitomo Chemical has more than enough capability to carry out these reforms.

Tokura Director Tomono is absolutely right. We will not limit this opportunity to merely recovering our performance; we will use it to build a stronger organizational culture and transform Sumitomo Chemical into a dynamic, revitalized company.



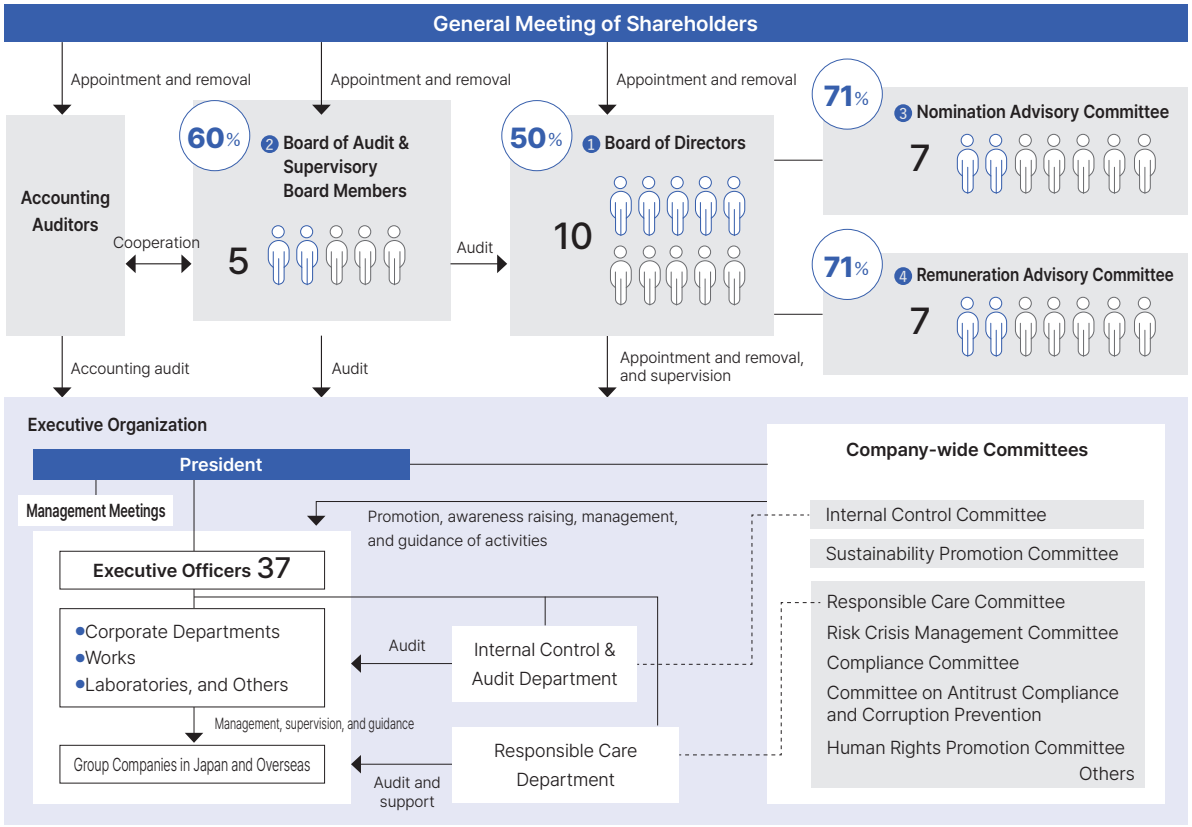
Corporate Governance

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

Corporate Governance Organization (As of July 1, 2024)

The number inside the circle in the upper left represents the ratio of outside directors.

Inside Outside



Corporate Governance Organization

→ Corporate Governance (Sustainability Report)

1 Board of Directors

Chairperson: Chairman of the Board (The Chairman of the Board does not concurrently serve as Executive Officer.)

The term of office of Directors: One year

The Sumitomo Chemical Board of Directors decides management policy, business strategies, and other important matters concerning the company's management, 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. 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. In June 2024, we revised the composition of the Board of Directors with the aim of further strengthening the monitoring functions, including "management oversight" and the "deliberation and evaluation of medium- to long-term management strategies and policies." As a result, outside directors now make up half of the board.

2 Board of Audit & Supervisory Board Members

Constituent members: 5 Audit & Supervisory Board Members

(including 3 Outside Audit & Supervisory Board Members)

The Audit & Supervisory Board Members and the Board of Audit & Supervisory Board Members 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 results of audits and the objective views of Outside Audit & Supervisory Board Members are appropriately reflected in internal audits, Audit & Supervisory Board Members' audits, and accounting audits, so as to raise the effectiveness and efficiency of auditing. The Audit & Supervisory Board Members' Office has been established with staff dedicated to providing assistance in auditing functions under the direction of Audit & Supervisory Board Members.

3 Nomination Advisory Committee

Constituent members: Outside Directors and the Chairman of the Board, and the President

An advisory committee of the Board of Directors relating to the selection of senior management*1 and the nomination of Directors and Audit & Supervisory Board Members. The committee, whose members are directors (the majority of whom are outside directors) makes recommendations to the Board of Directors when selecting executives, with the aim of ensuring even greater transparency and fairness in executive selection and also clarifying the process of executive selection.

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

4 Remuneration Advisory Committee

Constituent members: Outside Directors and the Chairman of the Board, and the President

An advisory committee of the Board of Directors relating to the remuneration system and remuneration levels for Directors and Executive Officers, as well as other related issues. The committee, whose members are directors (the majority of whom are outside directors) makes recommendations to the Board of Directors when determining systems for and levels of executive remuneration, among other issues, with the aim of further increasing transparency and fairness. In addition, upon authorization by the Board of Directors, the committee determines the amount of compensation for each individual senior management and Directors in accordance with the policies for determining compensation of senior management and Directors.

Efforts to Substantively Strengthen Corporate Governance

Changes in the Method of Operation of the Board of Directors

Sumitomo Chemical is continuously improving the operation of the Board of Directors and various corporate governance measures with the primary objectives of further strengthening the board's monitoring functions and enhancing the transparency and objectivity of management. In particular, we place great importance on maximizing the effectiveness of Outside Directors and Outside Audit & Supervisory Board Members, and to this end, we have implemented various measures to reduce the information asymmetry between internal and outside directors. As a result of these improvements, the operation of the Board of Directors and its associated meetings is as shown in the diagram below.

A few days prior to the Board of Directors meeting

Advance briefing

Day of the Board of Directors meeting

Board of Directors

*Standard flow

Around 8:00 ····· Resolutions

10:00 ····· Reports
- Head office monthly report
- Business sector monthly report
- Report on important proposals

11:15 ····· Rotation report

12:00 ····· End

More than 2/3 of the time in meetings of the Board of Directors is used for discussions.

Upon completion of the Board of Directors meeting

Meetings

Expanded Advance Briefings for Outside Directors and Outside Audit & Supervisory Board Members,Organic Coordination with the Board of Directors

- The roles of advance briefings and meetings of the Board of Directors have been clarified, ensuring sufficient time for discussion in the Board of Directors meeting
- The content of advance briefings, including points of discussion, are reflected in the deliberations of the Board of Directors

Report on the Summary of Internal Discussion at a Management Meeting

- Report the summary of discussions held in internal meetings for important agenda items and how the views expressed in those discussions are reflected in the agenda items

Report to Board of Directors before Deciding on a Major Proposal

- For important agenda items, such as the management direction, M&A, and other major projects, reports (including progress reports) are made to the Board of Directors from the early stages of consideration so that they can reflect the Board's intentions

Each Sector Sets Aside a Block of Time to Make Comprehensive and Systematic Reports

- Assign a sector to make a report on the overview of business, strategy, and the progress of various measures and R&D (Main sectors of the Head Office are also subject to the assignment.)

Opportunities for Informal Discussions

- Directors and Audit & Supervisory Board Members Discussion Meetings (several times a year)
- Study Sessions on Important issues for Outside Directors and Outside Audit & Supervisory Board Members (several times a year)
- Discussion Meetings between Outside Directors, Outside Audit & Supervisory Board Members and the Heads of Key Group Companies (several times a year)
- Discussion Meetings for Outside Directors and Outside Audit & Supervisory Board Members Only (twice a year)
- Discussion Meetings between Outside Directors, Outside Audit & Supervisory Board Members and Key Departments (six times a year)

Visits to Production Sites

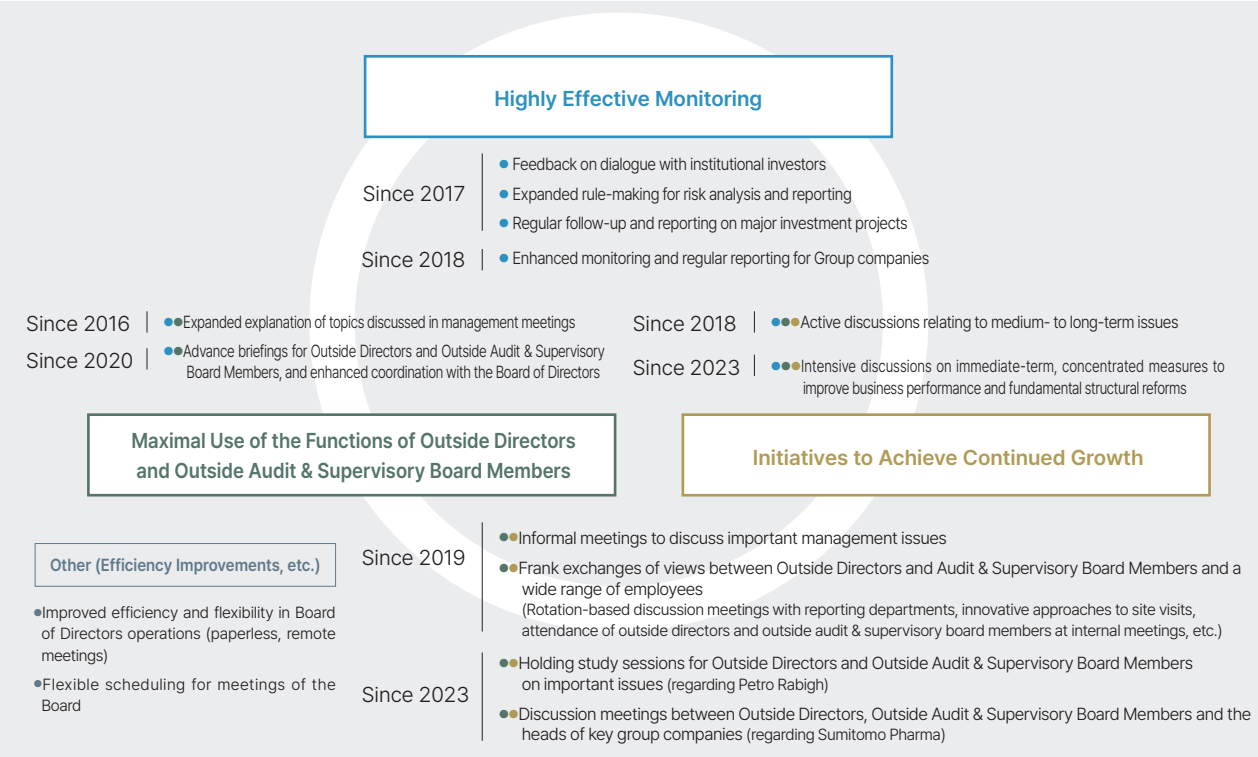
- Outside Directors and Outside Audit & Supervisory Board Members visit to our business offices, and Group companies outside Japan (twice a year)



Utilizing the Oversight and Advisory Functions of Outside Directors and Outside Audit & Supervisory Board Members

As a result of efforts such as reviewing the way the Board of Directors operates, Outside Directors and Outside Audit & Supervisory Board Members have expressed the view that meetings of Sumitomo Chemical's Board of Directors feature free, frank, constructive, and lively debates. In addition, we have received numerous suggestions and advice from Outside Directors and Outside Supervisory Board Members on how to operate the Board of Directors, support systems for Outside Directors and Outside Audit & Supervisory Board Members, and various corporate governance improvement measures, during the meeting of Board of Directors as well as informal meetings of Outside Directors and Outside Audit & Supervisory Board Members relating to the assessing the effectiveness of the Board of Directors. Based on these suggestions and advice, we have implemented the following measures.

Example Initiatives Based on Recommendations from Outside Directors and Outside Audit & Supervisory Board Members



There are any number of other cases where the company's efforts were advanced by explicit or implicit suggestions from Outside Directors and Outside Audit & Supervisory Board Members, and their monitoring and advisory functions have been a driving force for continually strengthening corporate governance at Sumitomo Chemical.

TOPICS

Examples of Board Discussions (FY2023)

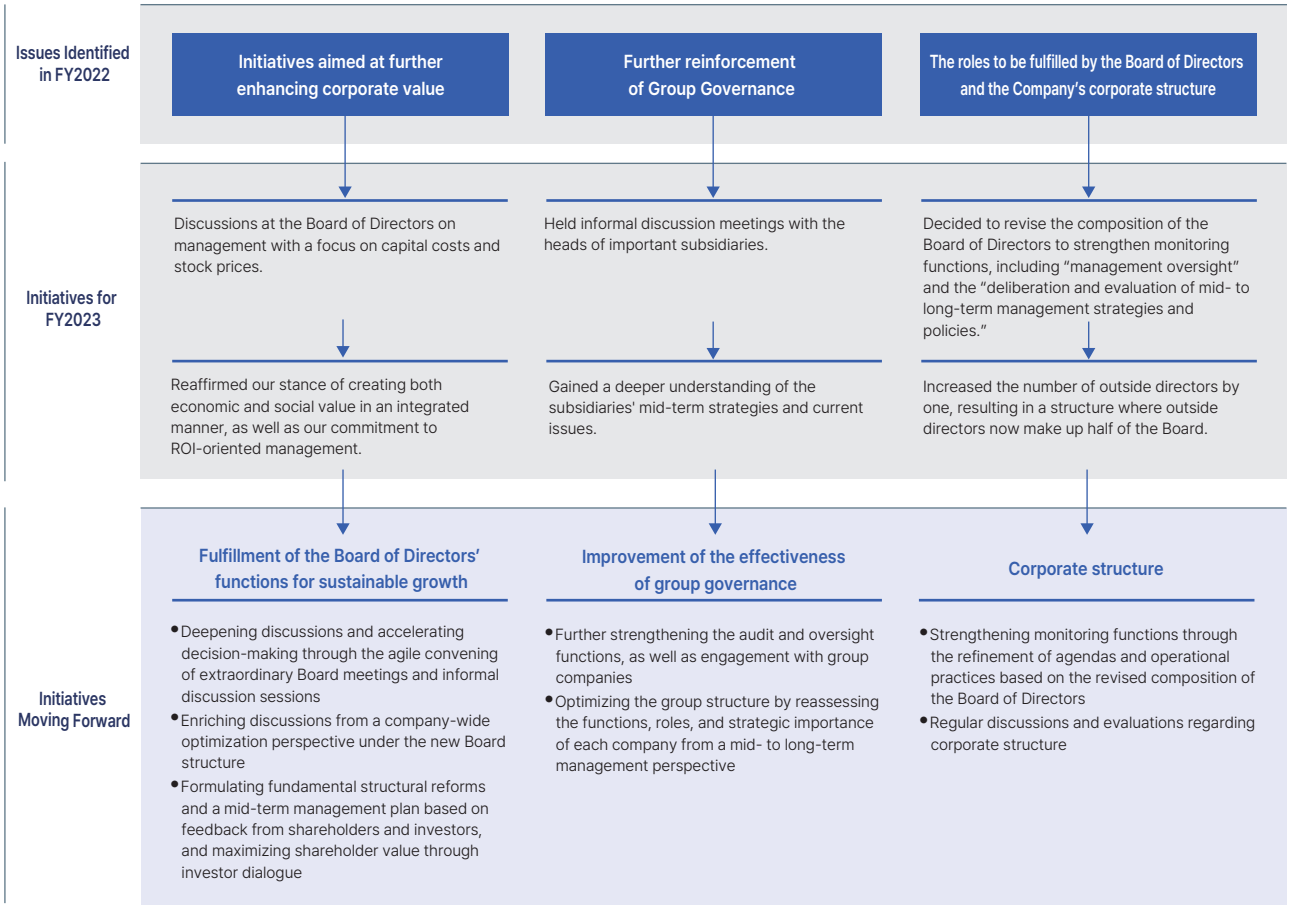
In FY2023, in response to our challenging financial performance, we held multiple study sessions and informal discussion meetings, in addition to regular Board meetings, to ensure a V-shaped recovery and secure sustainable growth in the future. These sessions involved extensive discussions on immediate-term, concentrated measures to improve business performance and fundamental structural reforms.

Regarding the immediate-term, concentrated measures to improve business performance, the Board of Directors has been closely monitoring progress in a timely manner, discussing the need for additional measures and the importance of accelerating initiatives, thereby supporting the management team in ensuring effective execution. For the fundamental structural reforms, we engaged in thorough discussions, considering changes in the business environment, our long-term vision, the positioning of each business area within our new growth strategy, and strategies to maximize profitability in existing businesses. Specific issues such as the restructuring of Sumitomo Pharma, the reassessment of Petro Rabigh's role, and the reorganization of the petrochemical business were also rigorously debated. Throughout these discussions, our outside directors and outside audit & supervisory board members provided numerous objective and, at times, critical observations. For instance, when evaluating the direction of structural reforms, it was emphasized that it is essential to clearly and quantitatively define the company's long-term vision. There were also opinions that, in addition to restructuring or divesting unprofitable businesses, we must work to further enhance the profitability of profitable ones. During the strategy formulation process, concerns were raised about the feasibility of our growth strategies, and it was suggested that backup plans should also be considered. Additionally, we discussed the future direction of Sumitomo Pharma and Petro Rabigh within our business portfolio, as well as how we should communicate these decisions to stakeholders, ensuring full accountability.

As a result of these thorough reviews and discussions, we finalized and announced the outline of the fundamental structural reforms in April 2024.

Assessing the Effectiveness of the Board of Directors

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. The company conducts surveys of each Director and Audit & Supervisory Board Members about their assessing the effectiveness of the Board of Directors. Based on the results of these surveys, there is then a frank exchange of views in meetings of the Board of Audit & Supervisory Board Members, in informal meetings with Outside Directors and Outside Audit & Supervisory Board Members, and in management meetings, after which the Board of Directors then conducts a review of its own effectiveness in one of its meetings based on the views expressed in the prior meetings.



Policies and Procedures for Reshuffling Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members

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 Audit & Supervisory Board Members, 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 Audit & Supervisory Board Members.

Appointment Procedures

Candidates Selected by Representative Directors	• Representative Directors select candidates suitable for the positions of senior management, Directors and Audit & Supervisory Board Members in accordance with the above Policies
Discussion by the Nomination Advisory Committee	• The results of the nomination will be deliberated at the Nomination Advisory Committee and recommended to the Board of Directors.
Decision by the Board of Directors	• The Board of Directors will deliberate based on the advice and make a decision.

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.

Remuneration

Remuneration for Directors (excluding Outside Directors) and Executive Officers shall consist of Basic Compensation as fixed compensation and Bonuses and Stock Compensation as variable compensation. In addition, the remuneration for Outside Directors shall consist of Basic Compensation and Bonuses.

The remuneration shall be set at levels which are designed to be objectively competitive to attract and retain outstanding talent while comprehensively taking into consideration such factors as the scale and content of the Company's business and external evaluations of ESG and other non-financial factors. Based on surveys by a third-party organization and other materials, such levels shall be checked annually whether or not to be objectively appropriate.

Executive Compensation Structure

Mechanisms of each remuneration element

❶ Basic Compensation

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
Growth	Sales revenue
	Total assets
	Market capitalization
Earnings capacity	Current income (belonging to the parent company)
	ROE
	ROI
	D/E ratio
Outside evaluations	Credit ratings
	ESG index selected by GPIF

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

❷ Bonuses

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

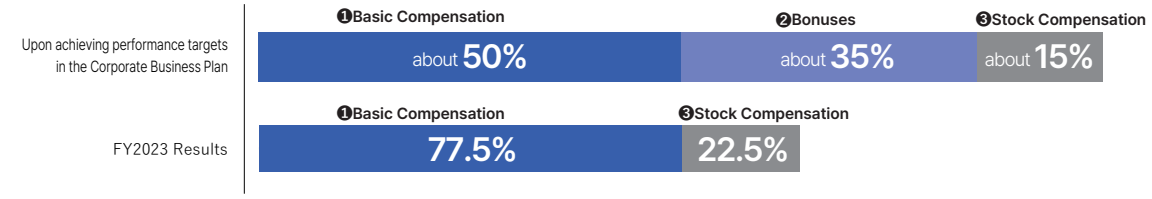
*The Company will arrange so that the higher the position,the larger the coefficient will be.

(Note) If a consolidated performance indicator does not exceed a particular level, bonuses will not be paid.

❸ Stock Compensation

Stock Compensation shall be restricted stock compensation. Restricted stocks shall be allocated at a certain time after the ordinary general meeting of shareholders each year according to the amount determined for each position, and it shall be obligatory to hold the stocks during the term of office. In addition, the Company shall set the ratio of stock Compensation to total remuneration so that it will get larger as the position of a person gets higher.

Image diagram of composition of remuneration of directors (excluding Outside Directors)



Directors' and Audit & Supervisory Board Members' compensation (FY2023)

(Millions of yen)

Title	Number of people	Total amount of compensation	Total amounts of compensation by type		
			Basic compensation (fixed remuneration)	Bonuses (performance-linked remuneration)	Stock compensation (non-monetary compensation)
Directors (Of which, Outside Directors)	14 (4)	634 (60)	505 (60)	–	129 (–)
Audit & Supervisory Board Member one (Of which, Outside Audit & Supervisory Board Members)	6 (3)	122 (43)	122 (43)	–	–
Total	20	756	627	–	129

(Note) The numbers of people and the amounts of compensation listed above include two Directors and one Audit & Supervisory Board Member who retired during this fiscal year.

In light of our challenging performance, we are implementing the following measures.

❶ Remuneration

2023/11～2024/4 : The Representative Director, Chairman of the Board and the Representative Director & President will voluntarily forgo 10% of their basic monthly remuneration.

2024/5～2024/9 : The Representative Director, Chairman of the Board and the Representative Director & President will have their basic monthly remuneration reduced by 20%, while other directors (including outside directors) and executive officers will have their basic monthly remuneration reduced by 5-10%.

❷ Bonuses for directors Bonuses for directors for the fiscal year ending March 2024 will not be paid.

Expertise and Experience of Directors and Audit & Supervisory Board Members

Our management requires expertise and business experience in a variety of fields. In light of these business characteristics, the Company's Board of Directors, in principle, consists of a diverse range of members, including those with extensive knowledge and experience in corporate management, the Company's business, finance and accounting, legal, compliance, and internal controls, etc., as well as international experience.

Position		Corporate Management	Business Strategy/ Marketing	Technology/ Research	Global	ESG/ Sustainability	Finance/ Accounting	Human Resources and Labor	Legal/ Compliance/ Internal Control	Knowledge of Other Specialized Fields
Board of Directors										
Masakazu Tokura	Chairman of the Board	●	●		●					
Keiichi Iwata	Representative Director & President	●	●		●					
Hiroshi Ueda	Representative Director		●	●						● (IT・DX)
Hiroshi Niinuma	Director					●		●	●	
Noriaki Takeshita	Director		●		●		●			
Hiroshi Tomono	Outside Director	●		●		●				
Motoshige Itoh	Outside Director				●					● (International Economics) ● (IT・DX)
Atsuko Muraki	Outside Director					●		●	●	
Akira Ichikawa	Outside Director	●			●	●				
Yumiko Noda	Outside Director	●			●		●			
Audit & Supervisory Board Members										
Kunio Nozaki	Standing Audit & Supervisory Board Member				●		●			
Hironobu Nishi	Standing Audit & Supervisory Board Member		●		●	●				
Mitsuhiro Aso	Outside Audit & Supervisory Board Member				●	●			●	
Yoshitaka Kato	Outside Audit & Supervisory Board Member				●		●		●	
Michio Yoneda	Outside Audit & Supervisory Board Member	●				●				● (Financial Markets)

(Note) In the table above, each person's main areas of expertise and experience, up to a maximum of three areas, are designated with a ● .

Listed Company with Listed Subsidiaries

Our Thinking Regarding Listed Companies with Listed Subsidiaries

For a publicly listed subsidiary, the advantages of being publicly listed include better employee morale, enhanced ability to recruit employees, greater trust from customers, and greater influence within the industry. In addition, the parent company can expect to benefit from synergies in collaboration and cooperation with its subsidiaries. Because of these benefits, in seeking to maximize the overall corporate value of the Sumitomo Chemical Group, we think that holding listed subsidiaries is one of the effective options based on premise of preserving each subsidiary's autonomy and respecting the rights of minority shareholders.

Our company is currently promoting fundamental structural reforms in response to the severe performance trends we are facing, with the aim of finding a new path to growth. We believe that establishing the best growth model for each of our listed subsidiaries is of utmost importance. Accordingly, we will review the relationships between our company and each subsidiary, including our equity holdings, in alignment with the direction of our structural reforms.

The Significance of Being Listed Companies with Listed Subsidiaries

Company Name	History	Position in Group	Synergies
Sumitomo Pharma Co., Ltd.	Sumitomo Chemical's pharmaceutical business began with the acquisition of the Japan Dyestuff Manufacturing Company in 1944. After being spun off as the subsidiary Sumitomo Pharmaceuticals in 1984, it merged with Dainippon Pharmaceutical in 2005 to become Sumitomo Dainippon Pharma (currently Sumitomo Pharma).	The company's core pharmaceuticals business is a pillar of Sumitomo Chemical's life sciences business, along with the agricultural chemicals business, and is a source of innovation. In the current Corporate Business Plan, it has positioned "healthcare" as one of the priority areas in making efforts for acceleration of the development of next-generation businesses, and further innovation is expected in next-generation pharmaceuticals such as regenerative medicine and cell therapies in the future.	● Research at the Bioscience Research Laboratory, which consolidates and integrates parts of the research organizations of the company and Sumitomo Chemical ● Contract Development and Manufacturing Organization in regenerative medicine and cell therapies (combines the company's expertise in regenerative medicine and cell therapy with Sumitomo Chemical's expertise in the CMO business) ● Theranostics (combines the company's antibody design technology with Sumitomo Chemical's biological mechanism analysis technology and the radioactive isotope technology of Nihon Medi-Physics) ● Having locations on Sumitomo Chemical's premises enables close collaboration in such areas as quality and production management, reducing indirect expenses ● Strengthening governance through the deployment of multiple management personnel, and promoting thorough streamlining with full group support, including financial assistance through debt guarantees.
Koei Chemical Co., Ltd.	Sumitomo Chemical invested capital in 1951 for relationship-building because the company was Sumitomo Chemical's largest customer for methanol. Thereafter, when the company ran into a financial crisis, the collaboration was strengthened in order to rebuild the company, including dispatching executives from Sumitomo Chemical.	Through production outsourcing in both directions for such items as catalysts and electronic materials based on the unique organic synthesis technologies of the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	● Optimization of the Sumitomo Chemical Group's production of active pharmaceutical ingredients and intermediates through a new multi-purpose manufacturing equipment (multi-plants) approach ● Joint research from the earliest stage into such areas as battery materials and additive agents ● Having locations on Sumitomo Chemical's Works enables close collaboration in such areas as quality and production management, reducing indirect expenses
Taoka Chemical Co., Ltd.	In 1955 Sumitomo Chemical invested capital in the company, a leader in the dye business, to strengthen its own dye business.	Through production outsourcing in both directions for such items as electronic materials and pharmaceutical and agrochemical intermediates based on the various organic synthesis technologies and numerous multi-plants held by the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	● Expanded contract manufacturing of pharmaceutical and agrochemical intermediates with numerous multi-plants of the company
Tanaka Chemical Corporation	Sumitomo Chemical invested capital in the company in 2013 and began joint development of high-capacity cathode materials for automobiles. Afterwards, in light of the smooth progress in joint development work, and in light of expectations that, in line with the future growth of the environmentally friendly vehicles market, there would be significant medium- to long-term growth in the market for lithium-ion secondary batteries, the company was converted to a majority-owned subsidiary in 2016.	Through integration of the technologies relating to precursors held by the company and the findings related to cathode materials held by Sumitomo Chemical, the company accelerates joint development of new products and contributes to the full-scale market entry and expansion of the Sumitomo Chemical Group's cathode materials business.	● Contribute to a drastic rationalization of the manufacturing process and optimization of research and development through integration of the technologies of both companies ● Sumitomo Chemical's capital investment and guidance has improved the company's management level in such areas as labor accidents and internal control

Building an Effective Governance System

When Sumitomo Chemical and its listed subsidiaries jointly work on maximizing group synergy, Sumitomo Chemical respects independent decision making by listed subsidiaries and, at the same time, makes its best efforts to establish an effective governance system in order to avoid any conflicts of interests with minor shareholders.

With respect to the listed subsidiaries, we are taking the following measures to ensure appropriate supervision of such areas as transactions with the parent company and nomination of officers and remuneration of officers, from an independent and objective position.

- Electing a sufficient number of Outside Directors
- Establishing committees for nomination of officers and remuneration of officers, the majority of the members of which are Outside Directors.
- Establishing and reliably operating committees, which aim to monitor and supervise transactions conducted between subsidiaries and the parent company and which is composed of Outside Directors only.

Design of the Organization, Composition of Outside Directors and Establishment of Non-mandatory Committees in Each Company

		Composition of the Board	Non-mandatory Committees Established	
Company Name	Design of Organization	Ratio of Outside Directors	Nomination/Remuneration	Monitoring and Supervision of Such Areas as Transactions with the Parent Company
Sumitomo Pharma Co., Ltd.	Company with Board of Audit & Supervisory Board Members	50% (4/8) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Koei Chemical Co., Ltd.	Company with Audit and Supervisory Committee	40% (4/10) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Taoka Chemical Co., Ltd.	Company with Audit and Supervisory Committee	33% (4/12) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Tanaka Chemical Corporation	Company with Audit and Supervisory Committee	57% (4/7) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies

Internal Control

At Sumitomo Chemical, the Board of Directors has established the “Basic Policy for the Enhancement of the Internal Control System” as a framework to ensure the proper conduct of operations as stipulated by the Companies Act. The Internal Control Committee, chaired by the President, plays a central role in deliberating on various policies based on this basic policy. The company continuously reviews and strengthens the internal control system to ensure its effectiveness, adapting to changes in business and the environment.

In addition, information that may affect investors’ investment decisions is managed by the Corporate Communications Department, which, in collaboration with relevant departments, ensures timely and continuous disclosure of such information.

→ **Internal Control (Sustainability Report)**

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 (Sustainability Report)**

Directors & Senior Management (As of July 1, 2024)

Board of Directors



Chairman of the Board

Masakazu Tokura

Birth Date: July 10, 1950

■ 393,417
□ 13/13 times (100%)

1974 Joined Sumitomo Chemical Co., Ltd.
2019 Chairman of the Board (current)



Representative Director & President

Keiichi Iwata

Birth Date: October 11, 1957

■ 297,617
□ 13/13 times (100%)

1982 Joined Sumitomo Chemical Co., Ltd.
2019 Representative Director & President (current)



Representative Director

Hiroshi Ueda

Birth Date: August 5, 1956

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

■ 201,604
□ 13/13 times (100%)

1982 Joined Sumitomo Chemical Co., Ltd.
2024 Representative Director & Executive Vice President (current)



Outside Director

Hiroshi Tomono

Birth Date: July 13, 1945

■ 0
□ 12/13 times (92%)

2015 Outside Director, Sumitomo Chemical Co., Ltd. (current)



Outside Director

Motoshige Itoh

Birth Date: December 19, 1951

■ 0
□ 13/13 times (100%)

2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)



Outside Director

Atsuko Muraki

Birth Date: December 28, 1955

■ 0
□ 13/13 times (100%)

2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member

Kunio Nozaki

Birth Date: October 29, 1956

■ 95,200
□ 13/13 times (100%)
○ 14/14 times (100%)

1979 Joined Sumitomo Chemical Co., Ltd.
2019 Standing Audit & Supervisory Board Member (current)



Standing Audit & Supervisory Board Member

Hironobu Nishi

Birth Date: August 3, 1965

■ 11,100
□ 10/10 times (100%)
○ 10/10 times (100%)
(Appointed in June)

1988 Joined Sumitomo Chemical Co., Ltd.
2023 Standing Audit & Supervisory Board Member (current)



Outside Audit & Supervisory Board Member

Mitsuhiro Aso

Birth Date: June 26, 1949

■ 0
□ 13/13 times (100%)
○ 14/14 times (100%)

2013 Outside Audit & Supervisory Board Member, Sumitomo Chemical Co., Ltd. (current)

Executive Officers (excluding persons concurrently serving as directors)

Senior Managing Executive Officer	**Masaki Matsui**	Energy & Functional Materials Sector, IT-related Chemicals Sector
Senior Managing Executive Officer	**Nobuaki Mito**	Health & Crop Sciences Sector
Senior Managing Executive Officer	**Seiji Takeuchi**	Essential Chemicals & Plastics Sector, Business Development for Circular Carbon Economy
Managing Executive Officer	**Naoyuki Inoue**	Sumitomo Chemical Asia Pte Ltd
Managing Executive Officer	**Keigo Sasaki**	Corporate Communications, Accounting, Finance
Managing Executive Officer	**Kenji Ohno**	Internal Control and Audit, Procurement, Logistics, Legal Dept.
Managing Executive Officer	**Takanari Yamaguchi**	Research Planning and Coordination Dept., Digital and Date Science Innovation Dept., Intellectual Property Dept., Industrial Technology & Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory, Bioscience Research Laboratory
Managing Executive Officer	**Hirokazu Murata**	Ehime Works
Managing Executive Officer	**Koichi Ogino**	Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center, Engineering Dept., Responsible Care Dept.
Managing Executive Officer	**Juan Ferreira**	AgroSolutions Div. – International
Managing Executive Officer	**Shinsuke Shojima**	AgroSolutions Div. – International, Environmental Health Div., Animal Nutrition Div.
Managing Executive Officer	**Akira Nakanishi**	Planning & Coordination Office, IT-related Chemicals Sector, Quality Assurance Office, IT-related Chemicals Sector
Managing Executive Officer	**Masao Shimizu**	Human Resources Dept., Osaka Office Administration Dept.
Managing Executive Officer	**Hiroaki Fujimoto**	AgroSolutions Div. – Japan
Managing Executive Officer	**Kanako Fukuda**	Sustainability Dept.
Managing Executive Officer	**Hiroyoshi Mukai**	Planning & Coordination Office, Energy & Functional Materials Sector
Managing Executive Officer	**Satoshi Honda**	Electronic Materials Div., SCIOCS Div., Ibaraki Works
Executive Officer	**Yoshihiro Ino**	Planning & Coordination Office, Essential Chemicals & Plastics Sector

■ Number of shares held (as of March 31, 2024)
□ Number of attendances at Board of Directors meetings for FY2023
○ Number of attendances at Board of Audit & Supervisory Board Members meetings for FY2023



Director

Hiroshi Niinuma

Birth Date: March 5, 1958

General Affairs, External Relations, Legal, Sustainability, Human Resources, Osaka Office Administration

■ 164,704
□ 13/13 times (100%)

1981 Joined Sumitomo Chemical Co., Ltd.
2022 Director & Executive Vice President (current)



Director

Noriaki Takeshita

Birth Date: July 23, 1958

Corporate Planning, IT Innovation

■ 146,733
□ –/– times (–%)

1982 Joined Sumitomo Chemical Co., Ltd.
2024 Director & Senior Managing Executive Officer (current)



Outside Director

Akira Ichikawa

Birth Date: November 12, 1954

■ 0
□ 13/13 times (100%)

2022 Outside Director, Sumitomo Chemical Co., Ltd. (current)



Outside Director

Yumiko Noda

Birth Date: January 26, 1960

■ 0
□ –/– times (–%)

2024 Outside Director, Sumitomo Chemical Co., Ltd. (current)



Outside Audit & Supervisory Board Member

Yoshitaka Kato

Birth Date: September 17, 1951

■ 0
□ 13/13 times (100%)
○ 14/14 times (100%)

2015 Outside Audit & Supervisory Board Member, Sumitomo Chemical Co., Ltd. (current)



Outside Audit & Supervisory Board Member

Michio Yoneda

Birth Date: June 14, 1949

■ 2,000
□ 13/13 times (100%)
○ 14/14 times (100%)

2018 Outside Audit & Supervisory Board Member, Sumitomo Chemical Co., Ltd. (current)

Executive Officer **Tetsuo Takahashi**	Planning & Coordination Office, Rabigh Business, Essential Materials Div.	Executive Officer **Toshihiro Yamauchi**	Accounting Dept.	Executive Officer **Masao Inoue**	AgroSolutions Div. – Japan, Pharma Solutions Div.
Executive Officer **Tomoyuki Hirayama**	General Affairs Dept., External Relations Dept.	Executive Officer **Kyoko Odawara**	Environmental Health Science Laboratory	Executive Officer **Jongchan Lee**	Dongwoo Fine-Chem Co., Ltd.
Executive Officer **Takeo Kitayama**	Business Development Office for Circular Carbon Economy, Resin-related Business Development Dept., Polyolefins Div., Automotive Materials Div., MMA Div.	Executive Officer **Shinichi Takemura**	Optical Materials Div., IT-related Chemicals Research Laboratory	Executive Officer **Kazunori Itabashi**	Planning & Coordination Office, Health & Crop Sciences Sector
Executive Officer **Noriaki Oku**	Chiba Works	Executive Officer **Tadashi Katayama**	AgroSolutions Div. – International	Executive Officer **Yuji Kato**	Corporate Planning Office, Business Development
Executive Officer **Junpei Tsuji**	Research Planning and Coordination Dept.	Executive Officer **Sawa Matsubara**	Finance Dept.	Executive Officer **Shigenori Saito**	Corporate Planning Office, Strategic Planning

Details of Biographies, etc. of Directors & Senior Management 〉 Our Website : Directors & Senior Management

Data Section

93 Corporate and Investor Information

95 Long-term Data Highlights

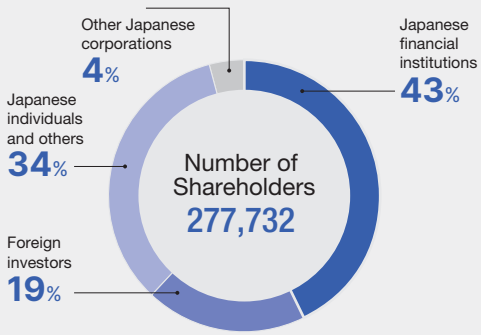
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Corporate and Investor Information (As of March 31, 2024)

Paid-in Capital	¥89.9 billion
Number of Employees	Non-consolidated: 6,706 Consolidated: 32,161
Common Stock	Authorized: 5,000,000,000 shares Issued: 1,656,449,145 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	277,732
Listings	Tokyo Stock Exchange Prime Market
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 (in thousands)	Shareholding Ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	231,385	14.14
Custody Bank of Japan, Ltd. (Trust Account)	98,584	6.02
Sumitomo Life Insurance Company	71,000	4.33
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	48,205	2.94
Nippon Life Insurance Company	41,031	2.50
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.77
Sumitomo Chemical Employee Stock Ownership Plan	28,516	1.74
Custody Bank of Japan, Ltd. (Trust Account No. 4)	27,801	1.69
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	23,619	1.44
Sumitomo Mitsui Banking Corporation	23,073	1.41

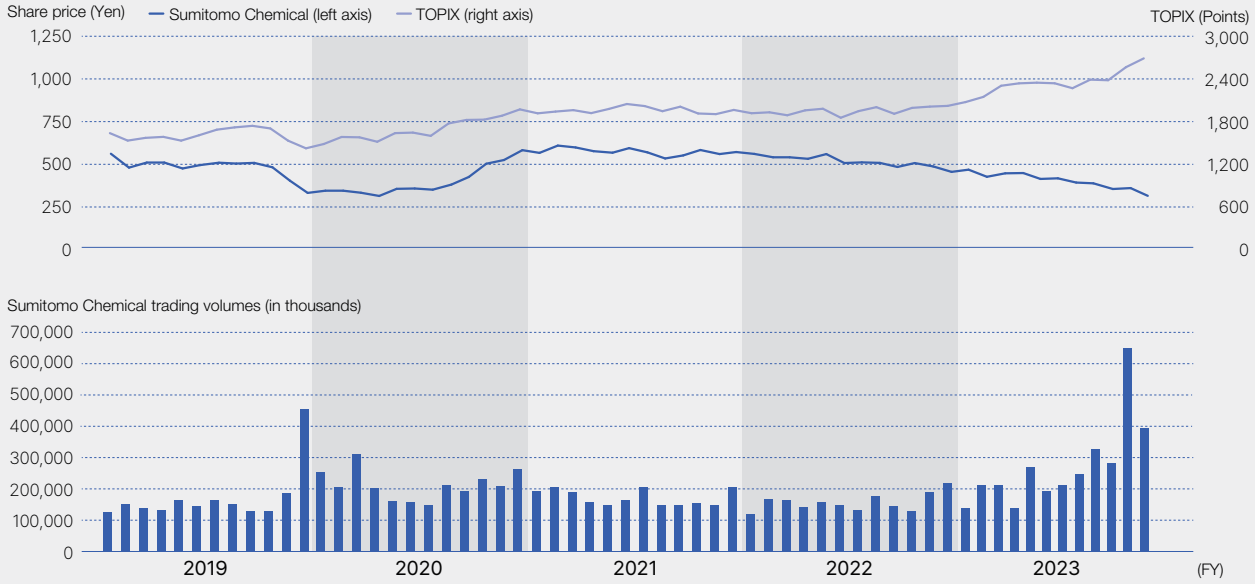
*% of Shares Held (excluding treasury shares)

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 FY2023 was ¥9 per share, a decrease of ¥9 per share from the previous fiscal year.

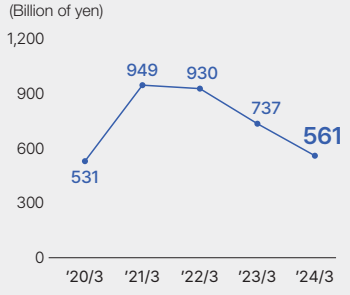
Stock Performance



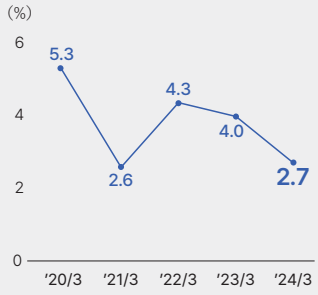
Fiscal Year	2019	2020	2021	2022	2023
Share price high (yen)	556	593	631	589	**464**
Share price low (yen)	267	285	488	426	**293.6**
Share price at year-end (yen)	321	573	562	445	**338.6**
Cumulative trading volume (in thousands)	2,038,948	2,508,242	2,038,226	1,855,984	**3,231,586**

Fiscal Year	2019	2020	2021	2022	2023
Shares outstanding (in thousands)	1,655,446	1,655,446	1,655,446	1,655,860	**1,656,449**
Market capitalization (billions of yen)	531	949	930	737	**561**
Basic earnings per share (yen)	18.91	28.16	99.16	4.27	**△ 190.69**
Equity attributable to owners of the parent per share (yen)	565.13	623.39	745.03	716.26	**590.44**
Price earnings ratio (PER) (times)	17.0	20.4	5.7	104.2	**–**
Price book-value ratio (PBR) (times)	0.6	0.9	0.8	0.6	**0.6**
Cash dividends per share (yen)	17	15	24	18	**9**
Dividend payout ratio (%)	89.9	53.3	24.2	421.2	**–**
Total shareholder return (TSR) (%)	65.6	117.5	120.0	100.8	**81.9**
Ratio of shares owned by foreign investors to shares outstanding (%)	26.4	26.8	29.9	26.5	**19.5**

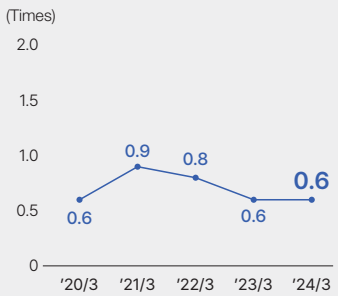
Market Capitalization



Dividend Yield



Price Book-value Ratio (PBR)



Long-term Data Highlights

J-GAAP

	'07/3	'08/3	'09/3	'10/3	'11/3	'12/3	'13/3	'14/3
Sales revenue*1	¥1,790,026	¥1,896,539	¥1,788,223	¥1,620,915	¥1,982,435	¥1,947,884	¥1,952,492	¥2,243,794
Core operating income	–	–	–	–	–	–	–	–
Operating income Note 1	139,623	102,397	2,114	51,455	87,957	60,688	45,016	100,842
Ordinary income (loss)	157,981	92,790	(32,624)	34,957	84,091	50,714	50,252	111,109
Net income (loss) attributable to owners of the parent	93,860	63,083	(59,164)	14,723	24,434	5,587	(51,076)	36,977
Total assets	2,324,906	2,358,929	2,022,553	2,383,906	2,367,314	2,336,953	2,472,091	2,788,507
Equity attributable to owners of the parent*2	792,538	768,110	544,366	575,368	522,473	486,235	496,500	643,297
Total equity*3	1,030,521	1,006,046	775,628	821,436	758,886	720,901	747,482	934,506
Cash flows from operating activities	142,917	156,578	78,428	132,872	176,228	124,491	171,595	194,362
Cash flows from investing activities	(164,239)	(182,679)	(206,237)	(269,402)	(155,987)	(123,975)	(165,772)	(135,177)
Free cash flow	(21,322)	(26,101)	(127,809)	(136,530)	20,241	516	5,823	59,185
Cash flows from financing activities	35,558	7,090	112,539	168,709	17,985	2,054	(36,009)	(59,084)
Capital expenditures (billions of yen)	159.8	142.5	134.1	103.2	98.7	155.1	116.1	143.4
Depreciation and amortization expenses (billions of yen)	113.9	125.0	140.7	116.1	147.0	114.9	115.5	115.7
Research and development expenses (billions of yen)	97.7	105.4	131.1	117.3	138.1	122.3	125.0	141.3
Core operating income to sales revenue (%)*4	7.8	5.4	0.1	3.2	4.4	3.1	2.3	4.5
Net income to sales revenue (%)*5	5.2	3.3	(3.3)	0.9	1.2	0.3	(2.6)	1.6
Research and development expenses to sales revenue (%)*6	5.5	5.6	7.3	7.2	7.0	6.3	6.4	6.3
Interest-bearing liabilities (billions of yen)	641.0	673.9	795.4	997.9	1,040.3	1,053.0	1,060.6	1,074.6
D/E ratio (times)	0.6	0.7	1.0	1.2	1.4	1.5	1.4	1.1
Equity attributable to owners of the parent to total assets (%)*7	34.1	32.6	26.9	24.1	22.1	20.8	20.1	23.1
Ratio of interest-bearing debt to cash flow (times)	4.5	4.3	10.1	7.5	5.9	8.5	6.2	5.5
Interest coverage ratio (times)	13.3	13.2	6.5	11.0	13.7	10.2	13.2	15.0
Net interest expenses (billions of yen)	(3.9)	(2.8)	(2.7)	(5.0)	(6.3)	(4.7)	(5.4)	(4.9)
Return on equity (%)	12.4	8.1	(9.0)	2.6	4.5	1.1	(10.4)	6.5
Return on investment (%)	7.6	5.4	(2.6)	2.1	2.6	1.2	(1.9)	3.2
Return on assets (%)	4.2	2.7	(2.7)	0.7	1.0	0.2	(2.1)	1.4
Basic earnings per share (yen)*8	56.82	38.20	(35.84)	8.92	14.86	3.42	(31.25)	22.62
Equity attributable to owners of the parent per share (yen)*9	479.87	465.21	329.74	348.52	319.61	297.45	303.74	393.58
Cash dividends per share (yen)	12.00	12.00	9.00	6.00	9.00	9.00	6.00	9.00
Dividend payout ratio (%)	21.1	31.4	–	67.3	60.6	263.3	–	39.8
Price earnings ratio (times)	15.7	16.7	–	51.2	27.9	102.9	–	16.8
Price book-value ratio (times)	1.9	1.4	1.0	1.3	1.3	1.2	1.0	1.0
Number of employees	24,691	25,588	26,902	27,828	29,382	29,839	30,396	30,745
Number of research and development employees	3,148	3,392	3,511	3,764	3,933	3,989	3,951	3,952
Number of consolidated subsidiaries	105	116	126	143	146	145	162	164
Exchange rate (yen/$)	116.97	114.44	100.71	92.89	85.74	79.08	82.91	100.17
Naphtha price (yen/ KL)	50,000	61,500	58,900	41,200	47,500	54,900	57,500	67,300
Growth rate of the global economy (%)Note 2	5.4	5.5	3.1	(0.1)	5.4	4.2	3.5	3.4
Overseas sales revenue by region (billions of yen)*10								
Asia	543.3	591.7	550.5	539.5	744.3	716.3	736.4	883.0
North America	46.1	46.1	46.1	75.0	165.4	159.9	176.3	233.0
Europe	72.0	67.6	80.4	71.8	90.5	82.9	78.8	106.7
Middle East and Africa	43.0	44.1	37.3	21.8	33.2	25.7	24.2	29.7
Central and South America	14.9	17.1	18.2	12.3	13.6	14.4	18.8	29.3
Oceania and others	28.5	22.2	17.3	8.5	9.7	9.7	9.4	11.2
Total	747.8	788.8	749.8	728.9	1,056.7	1,009.0	1,043.8	1,292.9
Overseas sales revenue ratio (%)*11	41.8	41.6	41.9	45.0	53.3	51.8	53.5	57.6

Account titles of J-GAAP are as follows:

*1 Net sales; *2 Shareholders' equity; *3 Net assets; *4 Operating margin (%); *5 Net income ratio to net sales (%);

*6 Research and development expenses ratio to net sales (%); *7 Shareholders' equity ratio (%); *8 Net income (loss) per share (yen); *9 Net assets per share (yen);

*10 Overseas sales by region (billions of yen); *11 Overseas sales ratio (%)

IFRS

Millions of yen

'15/3	'16/3	'17/3	'18/3	'19/3	'20/3	'21/3	'22/3	'23/3	'24/3
¥2,376,697	¥2,101,764	¥1,939,069	¥2,190,509	¥2,318,572	¥2,225,804	¥2,286,978	¥2,765,321	¥2,895,283	**¥2,446,893**
–	–	184,547	262,694	204,252	132,652	147,615	234,779	92,752	**(149,049)**
127,346	164,446	126,467	250,923	182,972	137,517	137,115	215,003	(30,984)	**(488,826)**
157,414	171,217	–	–	–	–	–	–	–	**–**
52,192	81,451	76,540	133,768	117,992	30,926	46,043	162,130	6,987	**(311,838)**
2,880,396	2,662,150	2,878,193	3,068,685	3,171,618	3,654,087	3,990,254	4,308,151	4,165,503	**3,934,818**
791,319	766,874	812,612	927,141	998,702	923,990	1,019,230	1,218,101	1,171,192	**965,753**
1,118,216	1,090,776	1,115,903	1,252,214	1,351,886	1,392,592	1,482,119	1,701,977	1,489,189	**1,164,366**
260,854	261,172	185,776	293,250	208,143	106,012	374,464	171,715	111,621	**(51,317)**
(56,628)	(53,678)	(205,697)	(154,520)	(180,837)	(499,670)	(177,389)	(115,421)	(19,411)	**(112,240)**
204,226	207,494	(19,921)	138,730	27,306	(393,658)	197,075	56,294	92,210	**(163,557)**
(151,465)	(177,956)	(523)	(94,264)	(60,866)	373,542	(39,974)	(81,394)	(178,502)	**49,246**
84.2	103.8	136.3	158.8	163.7	116.3	112.7	119.5	141.1	**158.4**
119.2	116.6	110.3	107.1	112.5	131.7	136.0	156.7	168.0	**157.5**
147.9	155.8	158.0	165.3	163.5	174.3	178.7	174.9	195.6	**184.0**
5.4	7.8	9.5	12.0	8.8	6.0	6.5	8.5	3.2	**(6.1)**
2.2	3.9	3.9	6.1	5.1	1.4	2.0	5.9	0.2	**(12.7)**
6.2	7.4	8.1	7.5	7.1	7.8	7.8	6.3	6.8	**7.5**
980.2	831.5	884.1	842.2	839.5	1,304.7	1,351.1	1,350.5	1,461.4	**1,563.5**
0.9	0.8	0.8	0.7	0.6	0.9	0.9	0.8	1.0	**1.3**
27.5	28.8	28.2	30.2	31.5	25.3	25.5	28.3	28.1	**24.5**
3.8	3.2	4.8	2.9	4.0	12.3	3.6	7.9	13.1	**(30.5)**
19.0	22.6	16.4	27.8	19.0	8.3	23.6	11.1	5.1	**(1.8)**
0.7	(2.7)	(2.2)	(0.5)	0.2	(1.6)	(7.7)	(6.1)	(3.7)	**(7.1)**
7.3	10.5	9.8	15.4	12.3	3.2	4.7	14.5	0.6	**(29.2)**
3.8	5.9	5.9	8.9	7.3	2.4	2.8	6.6	(1.3)	**(16.1)**
1.8	2.9	2.8	4.5	3.8	0.9	1.2	3.9	0.2	**(7.7)**
31.93	49.84	46.81	81.81	72.17	18.91	28.16	99.16	4.27	**(190.69)**
484.17	469.25	496.96	567.04	610.82	565.13	623.39	745.03	716.26	**590.44**
9.00	14.00	14.00	22.00	22.00	17.00	15.00	24.00	18.00	**9.00**
28.2	28.1	29.9	26.9	30.5	89.9	53.3	24.2	421.2	**–**
19.4	10.2	13.3	7.6	7.1	17.0	20.3	5.7	104.2	**–**
1.3	1.1	1.3	1.1	0.8	0.6	0.9	0.8	0.6	**0.6**
31,039	31,094	32,536	31,837	32,542	33,586	34,743	34,703	33,572	**32,161**
3,913	3,831	4,010	4,034	3,937	4,221	4,372	4,223	4,213	**3,546**
167	160	170	178	184	218	224	210	203	**184**
109.76	120.15	108.34	110.85	110.92	108.70	106.10	112.39	135.50	**144.59**
63,500	42,800	34,700	41,900	49,400	42,900	31,300	56,900	76,600	**69,100**
3.6	3.5	3.3	3.8	3.6	2.9	(2.7)	6.5	3.5	**3.2**
964.0	819.8	741.1	842.6	936.4	880.7	884.6	1,076.5	1,015.6	**913.8**
257.3	306.2	305.8	366.9	380.4	384.0	404.4	433.7	491.8	**326.5**
96.6	82.3	69.1	85.9	95.1	93.1	95.4	120.2	134.9	**130.5**
61.9	30.3	22.4	37.4	42.3	46.9	52.4	86.3	99.9	**108.4**
36.3	37.9	34.4	39.5	43.1	45.8	113.2	140.5	211.4	**160.4**
12.2	12.7	10.7	12.4	8.5	10.2	11.4	14.4	13.3	**25.2**
1,428.4	1,289.2	1,183.4	1,384.7	1,505.7	1,460.7	1,561.4	1,871.5	1,966.9	**1,664.8**
60.1	61.3	61.0	63.2	64.9	65.6	68.3	67.7	67.9	**68.0**

(Notes) 1. Operating income had been presented under J-GAAP up to FY2015, and under IFRS from FY2016 onward.
2. Figures for the growth rate of the global economy were created by Sumitomo Chemical based on the IMF World Economic Outlook, April 2024.

Consolidated Financial Statements

Consolidated Statement of Financial Position

Fiscal years ended March 31, 2024 and 2023

Millions of yen

	FY2023	FY2022
Assets		
Current assets:		
Cash and cash equivalents	¥ 217,449	¥ 305,844
Trade and other receivables	620,022	603,161
Other financial assets	31,338	31,237
Inventories	709,637	744,474
Other current assets	79,077	70,670
Subtotal	1,657,523	1,755,386
Assets held for sale	18,359	7,498
Total current assets	1,675,882	1,762,884
Non-current assets:		
Property, plant and equipment	796,526	829,355
Goodwill	263,757	266,868
Intangible assets	272,921	403,996
Investments accounted for using the equity method	319,988	402,980
Other financial assets	412,747	313,115
Retirement benefit assets	110,390	99,253
Deferred tax assets	37,070	39,492
Other non-current assets	45,537	47,560
Total non-current assets	2,258,936	2,402,619
Total assets	¥ 3,934,818	¥ 4,165,503
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	¥ 585,905	¥ 396,903
Trade and other payables	543,384	515,865
Other financial liabilities	77,610	74,931
Income taxes payable	8,545	31,772
Provisions	90,919	129,030
Other current liabilities	129,087	128,060
Subtotal	1,435,450	1,276,561
Liabilities directly associated with assets held for sale	8,037	1,806
Total current liabilities	1,443,487	1,278,367
Non-current liabilities:		
Bonds and borrowings	977,581	1,064,463
Other financial liabilities	100,144	98,594
Retirement benefit liabilities	30,589	26,427
Provisions	46,059	38,443
Deferred tax liabilities	121,146	101,164
Other non-current liabilities	51,446	68,856
Total non-current liabilities	1,326,965	1,397,947
Total liabilities	2,770,452	2,676,314
Equity		
Share capital	89,938	89,810
Capital surplus	237	–
Retained earnings	578,175	891,552
Treasury shares	(8,355)	(8,349)
Other components of equity	304,033	197,830
Other comprehensive income associated with assets held for sale	1,725	349
Equity attributable to owners of the parent	965,753	1,171,192
Non-controlling interests	198,613	317,997
Total equity	1,164,366	1,489,189
Total liabilities and equity	¥ 3,934,818	¥ 4,165,503

Consolidated Statement of Income

Fiscal years ended March 31, 2024 and 2023

Millions of yen

	FY2023	FY2022
Sales revenue	¥ 2,446,893	¥ 2,895,283
Cost of sales	(1,947,198)	(2,074,357)
Gross profit	499,695	820,926
Selling, general and administrative expenses	(887,124)	(878,261)
Other operating income	27,935	69,227
Other operating expenses	(71,934)	(36,079)
Share of profit (loss) of investments accounted for using the equity method	(57,398)	(6,797)
Operating income (loss)	(488,826)	(30,984)
Finance income	72,997	70,836
Finance expenses	(46,963)	(39,621)
Income (loss) before taxes	(462,792)	231
Income tax expenses	(2,657)	(47,096)
Net income (loss)	(465,449)	(46,865)
Net income (loss) attributable to:		
Owners of the parent	(311,838)	6,987
Non-controlling interests	(153,611)	(53,852)
Net income (loss)	¥ (465,449)	¥ (46,865)
Earnings per share:		
Basic earnings (loss) per share (yen)	(190.69)	4.27
Diluted earnings per share (yen)	–	4.27

Consolidated Statement of Comprehensive Income

Fiscal years ended March 31, 2024 and 2023

Millions of yen

	FY2023	FY2022
Net income (loss)	¥ (465,449)	¥ (46,865)
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	42,622	14,958
Remeasurements of defined benefit plans	(3,387)	8,670
Share of other comprehensive income of investments accounted for using the equity method	3,644	1,126
Total items that will not be reclassified to profit or loss	42,879	24,754
Items that may be subsequently reclassified to profit or loss		
Cash flow hedge	925	8,163
Exchange differences on conversion of foreign operations	104,619	62,572
Share of other comprehensive income of investments accounted for using the equity method	15,023	17,003
Total items that may be subsequently reclassified to profit or loss	120,567	87,738
Other comprehensive income, net of taxes	163,446	112,492
Total comprehensive income	(302,003)	65,627
Total comprehensive income attributable to :		
Owners of the parent	(187,380)	84,077
Non-controlling interests	(114,623)	(18,450)
Total comprehensive income	¥ (302,003)	¥ 65,627

Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2024

Millions of yen

	Equity attributable to owners of the parent											Non-controlling interests	Total equity
					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 conversion of foreign operations	Total	Other comprehensive income associated with assets held for sale	Equity attributable to owners of the parent		
Balance as of April 1, 2023	**¥ 89,810**	**¥ –**	**¥ 891,552**	**¥ (8,349)**	**¥ 81,869**	**¥ –**	**¥ (539)**	**¥ 116,500**	**¥ 197,830**	**¥ 349**	**¥ 1,171,192**	**¥ 317,997**	**¥1,489,189**
Net income (loss)	–	–	**(311,838)**	–	–	–	–	–	–	–	**(311,838)**	**(153,611)**	**(465,449)**
Other comprehensive income	–	–	–	–	**24,972**	**(4,940)**	**858**	**103,568**	**124,458**	–	**124,458**	**38,988**	**163,446**
Total comprehensive income	–	–	**(311,838)**	–	**24,972**	**(4,940)**	**858**	**103,568**	**124,458**	–	**(187,380)**	**(114,623)**	**(302,003)**
Issuance of new shares	**128**	**128**	–	–	–	–	–	–	–	–	**256**	–	**256**
Purchase of treasury shares	–	–	–	**(5)**	–	–	–	–	–	–	**(5)**	–	**(5)**
Disposal of treasury shares	–	**0**	–	**0**	–	–	–	–	–	–	**0**	–	**0**
Dividends	–	–	**(19,628)**	–	–	–	–	–	–	–	**(19,628)**	**(5,954)**	**(25,582)**
Changes resulting from additions to consolidation	–	–	–	–	–	–	–	–	–	–	–	**54**	**54**
Changes resulting from loss of control of subsidiaries	–	–	**(290)**	–	–	–	–	**1,923**	**1,923**	**(349)**	**1,284**	–	**1,284**
Change in interest due to transactions with non-controlling interests	–	**109**	–	–	–	–	–	–	–	–	**109**	**1,139**	**1,248**
Transfer from other components of equity to retained earnings	–	–	**18,453**	–	**(23,393)**	**4,940**	–	–	**(18,453)**	–	–	–	–
Others, net	–	–	**(74)**	–	–	–	–	–	–	–	**(74)**	–	**(74)**
Transfer to other comprehensive income associated with assets held for sale	–	–	–	–	–	–	–	**(1,725)**	**(1,725)**	**1,725**	–	–	–
Transfer of negative balance of other capital surplus	–	–	–	–	–	–	–	–	–	–	–	–	–
Total transactions with owners	**128**	**237**	**(1,539)**	**(5)**	**(23,393)**	**4,940**	**–**	**198**	**(18,255)**	**1,376**	**(18,058)**	**(4,761)**	**(22,819)**
Balance as of March 31, 2024	**¥ 89,938**	**¥ 237**	**¥ 578,175**	**¥ (8,355)**	**¥ 83,448**	**¥ –**	**¥ 319**	**¥220,266**	**¥304,033**	**¥ 1,725**	**¥ 965,753**	**¥ 198,613**	**¥1,164,366**

Fiscal year ended March 31, 2023

Millions of yen

	Equity attributable to owners of the parent											Non-controlling interests	Total equity
					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 conversion of foreign operations	Total	Other comprehensive income associated with assets held for sale	Equity attributable to owners of the parent		
Balance as of April 1, 2022	¥ 89,699	¥ 27,089	¥ 974,382	¥ (8,343)	¥ 82,682	¥ –	¥ (8,735)	¥ 61,327	¥ 135,274	¥ –	¥ 1,218,101	¥ 483,876	¥1,701,977
Net income (loss)	–	–	6,987	–	–	–	–	–	–	–	6,987	(53,852)	(46,865)
Other comprehensive income	–	–	–	–	4,550	9,163	8,204	55,173	77,090	–	77,090	35,402	112,492
Total comprehensive income	–	–	6,987	–	4,550	9,163	8,204	55,173	77,090	–	84,077	(18,450)	65,627
Issuance of new shares	111	111	–	–	–	–	–	–	–	–	222	–	222
Purchase of treasury shares	–	–	–	(6)	–	–	–	–	–	–	(6)	–	(6)
Disposal of treasury shares	–	0	–	0	–	–	–	–	–	–	0	–	0
Dividends	–	–	(42,514)	–	–	–	–	–	–	–	(42,514)	(13,962)	(56,476)
Changes resulting from additions to consolidation	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes resulting from loss of control of subsidiaries	–	–	513	–	(505)	–	(8)	–	(513)	–	–	–	–
Change in interest due to transactions with non-controlling interests	–	(88,037)	–	–	–	–	–	–	–	–	(88,037)	(133,467)	(221,504)
Transfer from other components of equity to retained earnings	–	–	13,672	–	(4,509)	(9,163)	–	–	(13,672)	–	–	–	–
Others, net	–	(603)	(48)	–	–	–	–	–	–	–	(651)	–	(651)
Transfer to other comprehensive income associated with assets held for sale	–	–	–	–	(349)	–	–	–	(349)	349	–	–	–
Transfer of negative balance of other capital surplus	–	61,440	(61,440)	–	–	–	–	–	–	–	–	–	–
Total transactions with owners	111	(27,089)	(89,817)	(6)	(5,363)	(9,163)	(8)	–	(14,534)	349	(130,986)	(147,429)	(278,415)
Balance as of March 31, 2023	¥ 89,810	¥ –	¥ 891,552	¥ (8,349)	¥ 81,869	¥ –	¥ (539)	¥ 116,500	¥ 197,830	¥ 349	¥ 1,171,192	¥ 317,997	¥1,489,189

Consolidated Statement of Cash Flows

Fiscal years ended March 31, 2024 and 2023

Millions of yen

	FY2023	FY2022
Cash flows from operating activities:		
Income (loss) before taxes	¥ (462,792)	¥ 231
Depreciation and amortization	157,522	167,957
Impairment losses	269,389	109,417
Share of (profit) loss of investments accounted for using the equity method	57,398	6,797
Interest and dividend income	(22,139)	(18,730)
Interest expenses	29,234	22,468
Restructuring costs	48,397	22,021
Changes in fair value of contingent consideration	1,562	(3,388)
(Gain) loss on sale of property, plant and equipment, and intangible assets	(1,215)	(5,226)
(Increase) decrease in trade receivables	34,798	134,499
(Increase) decrease in inventories	78,554	(79,887)
Increase (decrease) in trade payables	(32,251)	(63,628)
Increase (decrease) in unearned revenue	(11,543)	(13,717)
Increase (decrease) in provisions	(50,143)	(13,373)
Others, net	(67,240)	(88,340)
Subtotal	29,531	177,101
Interest and dividends received	26,812	25,265
Interest paid	(28,060)	(21,768)
Income taxes paid	(48,333)	(65,529)
Restructuring costs paid	(31,267)	(3,448)
Net cash provided by (used in) operating activities	(51,317)	111,621
Cash flows from investing activities:		
Net (increase) decrease in securities	(3,953)	6,546
Purchase of property, plant and equipment, and intangible assets	(152,873)	(143,581)
Proceeds from sales of property, plant and equipment, and intangible assets	1,959	18,231
Purchase of investments in subsidiaries	(1,019)	(17,174)
Purchase of other financial assets	(5,273)	(7,692)
Proceeds from sales and redemption of other financial assets	97,963	42,974
Proceeds from collection of loan receivables	95	63,199
Increase in loan receivables	(67,825)	(1,728)
Proceeds from sale of subsidiaries	20,701	30,092
Others, net	(2,015)	(10,278)
Net cash provided by (used in) investing activities	(112,240)	(19,411)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	26,405	100,959
Net increase (decrease) in commercial paper	29,000	35,000
Proceeds from long-term borrowings	67,113	66,141
Repayments of long-term borrowings	(39,083)	(109,130)
Proceeds from issuance of bonds	39,836	–
Redemption of bonds	(30,000)	–
Repayments of finance lease liabilities	(18,619)	(16,668)
Cash dividends paid	(19,639)	(42,484)
Cash dividends paid to non-controlling interests	(5,965)	(13,982)
Payments for acquisition of subsidiaries' interests from non-controlling interests	–	(199,073)
Others, net	198	735
Net cash provided by (used in) financing activities	49,246	(178,502)
Effect of exchange rate changes on cash and cash equivalents	28,736	27,842
Increase (decrease) in cash and cash equivalents	(85,575)	(58,450)
Cash and cash equivalents at the beginning of the year	305,844	365,429
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(2,820)	(1,135)
Cash and cash equivalents at the end of the period	¥ 217,449	¥ 305,844