Corporate Governance



Dialogue with Institutional Investors and Analysts

—Small Meeting with Outside Directors and Institutional Investors—

On January 9, 2026, as part of our investor relations activities, we hosted a small meeting, inviting institutional investors and analysts to engage in direct dialogue with three Outside Directors. On the day, 21 institutional investors and analysts attended, including online participants, and they had an active exchange of views for approximately one hour. Below, we present the highlights of the question-and-answer session.

To begin, please share your impressions of Sumitomo Chemical's Board of Directors. Also, how do you view your role in light of your own background?

Muraki I worked for many years at the Ministry of Health, Labour and Welfare, where I was engaged in labor and employment policy. In order to apply that experience, I view the Company's management with a particular interest in employees and organizational culture, including human resources and labor management, the promotion of women's advancement, hiring of persons with disabilities, work style reform and measures against harassment. Since I was appointed as an Outside Director in 2018, I feel that the Board of Directors has changed significantly over these seven years. When I first assumed the position, the Company was cautious about sharing undecided matters with Outside Directors and tended to consult us only after policies had taken shape, but this has gradually changed, and today consultation takes place at an early stage. I believe communication has improved considerably.

Ichikawa I took office as an Outside Director in 2022, and three years have passed since then. Sumitomo Forestry, where I served as President and where I currently also serve as Chairman of the Board, belongs to the same Sumitomo Group, but it has almost no direct business dealings with Sumitomo Chemical. I intend to apply my experience in corporate management to my role as an Outside Director. As Ms. Muraki noted, the Board of Directors has changed significantly in recent years, and I feel that the Company has the strength to unite as one and confront difficulties even in a challenging business environment.

Kato Having worked at a major audit corporation as a Certified Public Accountant, I served as an Outside Audit & Supervisory Board Member of the Company from 2015, the year after I retired, and since June 2025 I have served as an Outside Director, Audit & Supervisory Committee Member. I understand my role is to contribute to strengthening the Board's supervisory capabilities. In addition to my many years of experience in accounting audits, I intend to apply my experience at the audit corporation, including overseas assignments, oversight of the consulting division and corporate management. The Company's Board of Directors has addressed its challenges through continuous improvements based on annual effectiveness evaluations, and I consider that the Board's effectiveness has improved significantly over the past several years.

A little over six months have passed since the transition to a company with an Audit & Supervisory Committee in June 2025. What changes have occurred in the Board of Directors?

Kato Regarding the change in the institutional design, we held extensive discussions with the parties concerned and carefully reviewed what the governance structure would be best for the Company before reaching our conclusion. In light of the situation the Company currently faces, further strengthening the Board's monitoring function is a major imperative, and we devoted a great deal of time to discussing how to achieve this.

Since the transition to a company with an Audit & Supervisory Committee, we have reviewed the agenda items that the Board should address and are advancing efforts to discuss the themes we have set continuously throughout the year. For example, the evaluation of investment processes, the progress of investment performance and initiatives to enhance corporate value by leveraging market evaluations are key points in strengthening monitoring. In addition, the Audit & Supervisory Committee has expanded its support structure in order to strengthen the audit of business execution.

Ichikawa We have advanced efforts over the past two to three years to invigorate discussions at the Board of Directors, and among these, the process of transitioning to a company with an Audit & Supervisory Committee left a particularly strong impression on me. In 2022, when I assumed the position of Outside Director, the structure comprised a total of 17 members, with 12 directors and five Audit & Supervisory Board members. In 2024, the structure was reduced to 15 members to streamline the Board, and following further discussions on strengthening the monitoring function, we transitioned to a company with an Audit & Supervisory Committee, resulting in a structure of 14 members. Through this series of processes, we have continued to consider what the Board of Directors should be, and I have high expectations that we will pursue further strengthening of its functions going forward in response to circumstances.

Muraki The Company's Board of Directors has traditionally allowed the Audit & Supervisory Board Members to express their views openly, and since the transition to a company with an Audit & Supervisory Committee, I feel that the Audit & Supervisory Committee Members have had more opportunities to speak and that discussions have become even more active. Two of the Audit & Supervisory Committee Members are full-time internal members, and the remarks made by internal members at the Board of Directors are extremely important for Outside Directors. I believe this has been beneficial because internal Directors now speak more actively at the Board of Directors, and I feel that it is producing very positive effects.

The deterioration in business performance* that continued over the past several years appears to have been foreseeable to some extent even from an external perspective. Could you share your views on why the advice of Outside Directors was not fully reflected in management?

Muraki That is precisely the case, and I myself requested that the Board of Directors look into the deterioration in business performance since FY2022. I regard the fact that the issues at Petro Rabigh and Sumitomo Pharma overlapped during the same period as a major factor behind the slowness in management's response.

With regard to the issues at Petro Rabigh, given the special circumstances of a joint venture with Saudi Aramco, there was initially an atmosphere in which the matter could not



be communicated to the Outside Directors until a policy for addressing it had been determined. Therefore, from around 2020, we approached the Company and established a forum for discussion among the Outside Directors separate from the Board of Directors. I believe that by encouraging proactive information sharing, we helped accelerate decision-making. Nevertheless, as an Outside Director, I feel deep regret that matters ended in such a result.

Regarding the issues at Sumitomo Pharma, the Company provided opportunities from a relatively early stage for us Outside Directors to exchange views with the president of Sumitomo Pharma. With the patent cliff already in sight, the development of new drugs did not advance as expected, which brought on a crisis and a significant deterioration in business performance, but the involvement of consultants achieved substantial cost reductions. While it is gratifying that this had a significant effect, I believe we need to verify thoroughly whether any other measures could have been taken in the period leading up to the patent cliff.

Ichikawa As for Petro Rabigh, market conditions did not recover even after the COVID-19 pandemic, and the difficult situation continued. We received explanations of what discussions the Company was holding with Saudi Aramco, including the status of discussions on the ground, and we confirmed that the Company was also seeking an opportunity to reduce its equity stake. My greatest concern in the negotiations with Saudi Aramco was whether any gap existed between the two companies' perceptions of the business, but in addition to the market's assessment of Petro Rabigh, the Company applied considerable pressure, and the reduction in the equity stake was realized.

With regard to Sumitomo Pharma, the timing of earnings contribution from the three key products in North America was crucial, but partly due to the impact of the COVID-19 pandemic, the timing for obtaining clinical trial results was significantly delayed. Had the results come out earlier, the situation would have been different. However, I regard it as a step forward that, as the discussions progressed, we once again recognized major management issues such as how small molecule drugs should be approached.

Kato From my position as an Audit & Supervisory Board Member at the time, I was concerned about whether the management teams of the two companies shared sufficient information regarding the response to the patent cliff in the U.S. market. It was difficult for the outside officers to see what measures Sumitomo Pharma was taking with a sense of urgency in response to the patent cliff, and I felt there was a sense of frustration within the Company about not being able to get directly involved. The same applied to Petro Rabigh, and I recognize that, because of the difficulty of an overseas business and of negotiations with a joint venture partner, there were phases in which matters did not necessarily proceed smoothly in the direction the Company sought, including in terms of the time frame. Internally, we held considerable discussions at the Board of Directors and various other bodies and strove to respond with a sense of unity, but we cannot deny that, as a result, the response took time.

Going forward, as part of strengthening the monitoring function through the transition to a company with an Audit & Supervisory Committee, we hope to share such a sense of urgency at an earlier stage and take swift action.



*Since FY2022, Petro Rabigh's earnings deteriorated due to factors such as sluggish margins for petroleum refining and petrochemical products, and Sumitomo Pharma recorded a substantial decline in sales following the end of the exclusive sales period for its mainstay product Latuda, and as a result Sumitomo Chemical posted its largest-ever net loss in FY2023. As a result of promoting "immediate-term, concentrated measures to improve business performance" and "fundamental structural reforms" in FY2024, the Company achieved a V-shaped recovery.

What are your views on the fact that Sumitomo Chemical has several listed subsidiaries? Sumitomo Pharma in particular is frequently a subject of debate in the stock market, and I understand that the Company is currently considering this matter, so please respond to the extent possible.

Muraki This is an extremely complex issue, but I believe that a parent-subsidiary listed company structure is not something that should be resolved uniformly and formalistically across the board, and that the Company should consider on a case-by-case basis how much collaboration is possible, how the two companies view each other's businesses and how to balance information sharing and independence. With regard to Sumitomo Pharma, however, I believe we need to verify in depth whether the fact that Sumitomo Pharma is a listed subsidiary affected information sharing between parent and subsidiary as a background to the emergence of the deterioration in business performance.

Ichikawa With regard to a parent-subsidiary listed company structure, ensuring governance is the most important consideration, and the key questions are whether management independence is maintained and whether minority shareholders are appropriately protected. The Company is highly conscious of these points in how it deals with each listed subsidiary, and I believe there are no concerns in this respect. From a strategic perspective, on the other hand, it is important to consider how the subsidiary is positioned within the Group. A parent-subsidiary listed company structure is meaningful if it drives growth, but it serves no purpose if it instead erodes or slows that growth. We need to continuously assess whether the parent-subsidiary listed company structure is functioning well from the perspective of whether the subsidiary itself can grow independently.

With regard to Sumitomo Pharma, an important point of discussion is how we should engage as a shareholder in order for Sumitomo Pharma to achieve the next stage of growth.



The Corporate Business Plan sets out a policy of focusing on Agro & Life Solutions (AGL) and ICT & Mobility Solutions (ICTM) as growth drivers for the time being. Please share your views on the validity of this policy and the challenges it entails.

Ichikawa The policy is to position AGL and ICTM as growth drivers for the time being and to concentrate management resources on them. Both fields should serve as stable earnings sources supporting Sumitomo Chemical, and I believe that focusing on them now is extremely important in strengthening the Company's foundations. Challenges remain to be resolved for future growth, but as members of the Board of Directors, we intend to continue engaging in constructive discussion and to appropriately monitor progress and results.

Muraki In formulating the Corporate Business Plan, we spent ample time discussing the policy of focusing on AGL and ICTM, and therefore there were no particular objections to it. In addition, under the long-term growth scenario, solutions in the environment and healthcare fields are expected to emerge from 2030 onward. The Company has many outstanding human resources, and one of its strengths is that young employees on the front lines and researchers enjoy their work. I believe that if the Company did not have business fields that excite such outstanding human resources, it could rapidly lose its vitality. This reminds me of what Shohei Ohtani said about not wanting to lose the sense of "baseball being a hobby," in other words, wanting to cherish the feeling of enjoyment. I understand this to mean that, after strengthening AGL and ICTM, the Company wants to depict an even more exciting vision of the future, in potential growth areas such as environment and healthcare businesses.

