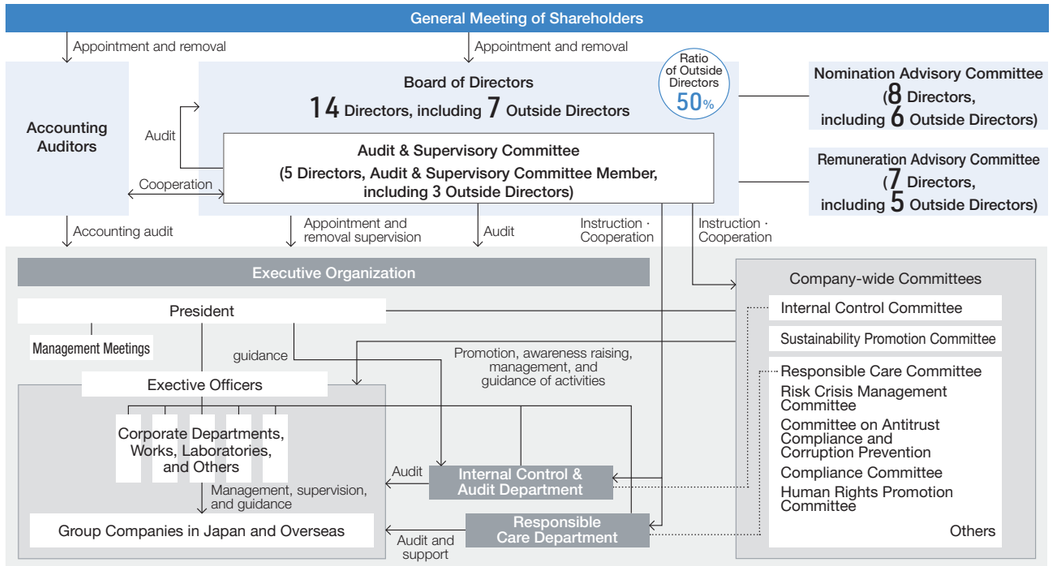
Corporate Governance

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

Following our transition to a company with an Audit & Supervisory Committee in June 2025, the Company designated the Audit & Supervisory Committee Members, who are responsible for, among others, auditing Directors' performance of duties, as members of the Board. This has further increased the Board's supervisory capabilities. In addition, we have enhanced the effectiveness of audits related to business execution by strengthening the system of instruction and cooperation between the Audit & Supervisory Committee and the Internal Control and Audit Department, etc. Furthermore, by enabling the Board to broadly delegate its decisions on business execution to Directors, the Board of Directors is now able to devote more time, based on its annual agenda, to in-depth discussions on medium- to long-term management strategies, including our business portfolio.

Corporate Governance Organization (As of July 1, 2026)



Corporate Governance Organization Corporate Governance (Sustainability Report)

Board of Directors	Chairperson: Chairman of the Board (The Chairman of the Board does not concurrently serve as Executive Officer.) 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.
Audit & Supervisory Committee	**Constituent members: Directors, Audit & Supervisory Committee Members** The Audit & Supervisory Committee 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 Directors who are Audit & Supervisory Committee Members are appropriately reflected in internal audits, Audit & Supervisory Committee's audits, and accounting audits, so as to raise the effectiveness and efficiency of auditing. The Audit & Supervisory Committee's Office has been established with staff dedicated to providing assistance in auditing functions under the direction of Audit & Supervisory Committee Members. In addition to these dedicated staff members, three employees from the Internal Control Department also serve concurrently in support of the Audit & Supervisory Committee, thereby strengthening coordination between the Audit & Supervisory Committee and the Internal Control Department.
Nomination Advisory Committee	Chairperson (FY2026): Chairman of the Board **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 Committee 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
Remuneration Advisory Committee	Chairperson (FY2026): Ms. Muraki, Outside Director **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 (excluding Directors, Audit & Supervisory Committee Members) in accordance with the policies for determining compensation of senior management and Directors.

Measures to Date for Strengthening Corporate Governance

Date	Major Initiatives	Board Composition	Appointment of Board Members	Executive Remuneration	Other
2003 June	Interoduced Executive Officer system (reduced number of Directors from 25 to 10)	●			●
July	Established Compliance Committee				●
2004 June	Eliminated system of retirement benefits for Directors and Audit & Supervisory Board Members			●	
2007 May	Established Internal Control Committee				●
September	Established Remuneration Advisory Group			●	
2010 September	Established Nomination Advisory Group		●		
2011 November	Drew up standards for appointment of Independent Outside Directors	●	●		
2012 June	Appointed 1 Outside Director	●			
2015 June	Selected 3 Outside Directors (increased by 2)	●			
October	Established Remuneration Advisory Committee in plase of Remuneration Advisory Group			●	
	Established Nomination Advisory Committee in plase of Nomination Advisory Group		●		
2016 December	Formulated Sumitomo Chemical Corporate Governance Guidelines				●
2018 June	Selected 4 Outside Directors (including 1 woman) (increased by 1)	●			
2021 June	Board of Directors consisting of more than 1/3 Outside Directors	●			
2022 June	Introduction of a restricted stok compensation plan for Internal Directors and Executive Officers			●	
2024 June	Reviewed the composition of Board of Directors and selected 5 Outside Directors (including 2 woman)	●			
2025 June	Transition to a Company with an Audit & Supervisory Committee				●

Policies and Procedures for Reshuffling Senior Management and Nominating Candidates for Directors and Directors, Audit & Supervisory Committee 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 Directors, Audit & Supervisory Committee 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 Committee Members.

Appointment Procedures

Candidates Selected by Representative Directors	Representative Directors select candidates suitable for the positions of senior management, Directors and Audit & Supervisory Committee Members in accordance with the Appointment Policy.
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

Efforts to Substantively Strengthen Corporate Governance

Changes in the Method of Operation of the Board of Directors

Sumitomo Chemical has been 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 making the most of the expertise of Outside Directors, and to this end, we have implemented various measures to reduce the information asymmetry between internal and outside directors by also making use of forums for discussion outside of the Board of 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

9:30 Reports
- Head office monthly report
- Business sector monthly report
- Report on important proposals

11:00 End

Upon completion of the Board of Directors meeting

Meetings

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

Expanded Advance Briefings for Outside Directors 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

Opportunities for Informal Discussions

- Directors Discussion Meetings to discuss matters including business portfolio strategy, management strategies reflecting assessments from the capital markets, and Group management, based on the annual agenda
- Study Sessions on Important issues for Outside Directors
- Discussion Meetings between Outside Directors and the Heads of Key Group Companies
- Discussion Meetings for Outside Directors Only

Visits to Production Sites

- Outside Directors visit to our business offices, and Group companies outside Japan



TOPICS

Deepening Management Reflecting Assessments from the Capital Markets

In FY2025, we positioned efforts to enhance corporate value, including improving our assessment by the capital markets, as one of the annual agenda items for the Board of Directors and discussed these matters at Directors Discussion Meetings. Outside Directors highlighted the need for regular monitoring of market assessments, more in-depth discussions on specific measures to upgrade our business portfolio and improve ROIC to enhance corporate value, and the vital importance of having the Agro & Life Solutions Sector and ICT & Mobility Solutions Sector, which we regard as near-term growth drivers, meet expectations from the capital markets. We also held a small meeting between Outside Directors and institutional investors. Taking into account candid feedback from institutional investors, we identified issues to be addressed in order to further enhance discussions by the Board of Directors.

Based on these discussions, in FY2026 we will pursue the goal of "Deepening Management Reflecting Market Assessments." We will enhance our dialogue with the capital markets, bring the insights gained from this dialogue to the Board of Directors for consideration, and deepen discussions on the progress and direction of initiatives aimed at enhancing corporate value. Specifically, we will allocate sufficient time on the Board's agenda for discussions on our medium- to long-term business portfolio strategy and measures to improve ROIC, engage in frank and open discussions, and ensure the steady implementation of the measures decided upon.

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, the effective utilization of Independent Outside Directors, information sharing between the Audit & Supervisory Committee and the Board of Directors, auditing status on its business execution, the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee, opportunities for Outside Directors to enhance their knowledge and skills, and dialogue with shareholders. We conduct surveys of each Director to assess the effectiveness of the Board of Directors. Based on the results of these surveys, there is then a frank exchange of views in Outside Directors Discussion 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. The results of this review were also reported to and shared with the Management Meeting.

Issues Identified in FY2024	**The review and verification of the monitoring process at the Board of Directors**	**Setting the agenda for strengthening monitoring functions**	**The enhancement of corporate value by leveraging market evaluations**
Initiatives for FY2025	• Verify the Board's monitoring of past management initiatives, etc., and further improve it through efforts in conjunction with the various initiatives associated with changes to the organizational structure.	• Taking the opportunity of the change in the corporate structure, reduce the number of items submitted to the Board, use the saved time for preliminary discussions on priority management topics at the Board or other meetings, and plan the agenda for the year, thereby strengthening the monitoring capabilities.	• Analyze market valuations in more detail than before, and deepen discussions on capital policy and shareholder return policy. • Aim to maximize shareholder value by further enhancing engagement with the market and through easy-to-understand disclosure of information.
Results and Evaluation of Initiatives for FY2025	• Discussions were held at the Board of Directors meetings and the Directors Discussion Meetings regarding, among other matters, the verification of past major investment projects, the revision of the investment decision-making process based on those verifications, and the follow-up on the results of startup projects.	• The Company limited individual matters which require deliberation and reporting to key matters, and established an annual agenda focused on portfolio strategy, etc. following discussions at the Directors Discussion Meetings, etc.	• The Company conducted a more detailed analysis of the capital market's evaluation of the Company and exchanged views on key points of the initiatives for future enhancement of corporate value based on those findings. • As a new opportunity for dialog, the Company held a small-group meeting between Outside Directors and securities analysts.
	Tasks for the next fiscal year • To achieve medium- to long-term growth in corporate value, the Board's monitoring functions should be further strengthened. Summary • Discussions on key management issues, including the business portfolio, are being enhanced through measures such as revising the criteria for submitting matters to the Board of Directors following the transition to a Company with an Audit & Supervisory Committee, and establishing an annual agenda based on last year's appraisal of the effectiveness of the Board of Directors.		

Initiatives for FY2026	**Further enhancement of the role of the Board of Directors in driving sustainable growth**	• Continue to further enhance opportunities for discussion regarding medium- to long-term management strategies in order to anticipate changes in the business environment, identify the Company's winning businesses, and review its business portfolio in a timely and flexible manner. • Monitor the progress of the Company's growth strategy, including market and competitor trends as well as the Company's competitive advantages, to support the reliable execution of action plans by management. • Enhance the sharing of issues identified during internal review processes with the Board of Directors to facilitate more in-depth deliberations.
	Deepening management based on market evaluations	• Enhance its dialog with the market and provide feedback on the content of such dialog to the Board of Directors to deepen discussions regarding gap analysis between the Company's direction and market evaluations, regarding the direction of improvement, etc.
	Further enhancement of the effectiveness of group governance	• Regularly review and discuss the positioning of and its ownership policies regarding each group company within the business strategy at the Board of Directors meetings, with the aim of realizing a more optimal group structure. • Strive to ensure the effectiveness of group governance while continuously verifying its efficacy.
	Other	• Review the appraisal methods, including the usefulness of objective assessments through third-party involvement and benchmark comparisons.

Remuneration

Remuneration for Directors (excluding Directors, Audit & Supervisory Committee Members and 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 Directors, Audit & Supervisory Committee Members and Outside Directors shall consist of Basic Compensation. 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

Revision of the Remuneration System

To further strengthen incentives to promote the sustainable enhancement of corporate value, we have revised the remuneration system, focusing primarily on the following two points.

	Increased Share of Variable Remuneration	Introduced Coefficient for ROIC Achievement
Purpose	Strengthen incentives tied to business performance	Rigorous ROIC-oriented management
Revisions	Review mix of fixed and variable remuneration and increase the share of variable remuneration	Add ROIC achievement coefficient to formula for calculating variable remuneration bonus

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 longterm perspective.

Factors for Determination	Major Indicators
Growth	Sales revenue
	Total assets
	Market capitalization
Earnings capacity	Current income (belonging to the parent company)
	ROE
	ROIC
	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

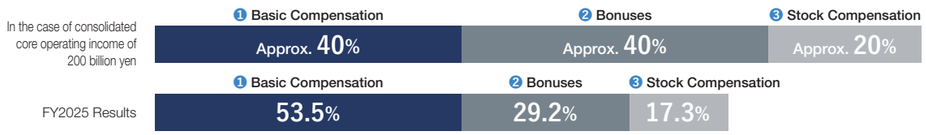
Consolidated performance indicator	Calculation formula
Core Operating Income + Financial P&L (dividend income, net interest, etc.)	Consolidated business performance KPI ×Coefficient*1 × ROIC achievement coefficient*2

(Note) If a consolidated performance indicator does not exceed a particular level, bonuses will not be paid.
*1 Higher for higher-ranked executives
*2 Flex bonus amount based on coefficient set within the range of 0.8 to 1.3 based on ROIC

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 performance, 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 Directors, Audit & Supervisory Committee Members and Outside Directors)



Directors' and Audit & Supervisory Committee Members' Compensation (FY2025)

(Millions of yen)

Title	Number of people	Total amount of compensation	Total amount of compensation by type		
			Basic Compensation (fixed remuneration)	Bonuses (performance-linked remuneration)	Stock Compensation (non-monetary compensation)
Directors (excluding Audit & Supervisory Committee Members)	13	661	389	171	101
(Of which, Outside Directors)	(5)	(76)	(76)	(—)	(—)
Directors who are Audit & Supervisory Committee Members	5	113	113	—	—
(Of which, Outside Directors)	(3)	(46)	(46)		
Corporate Auditors	5	30	30	—	—
(Of which, Outside Corporate Auditors)	(3)	(11)	(11)		
Total	23	805	533	171	101

NOTES: 1. Payments to Corporate Auditors relate to the period before the transition to a company with an Audit & Supervisory Committee, while payments to Directors who are Audit & Supervisory Committee Members relate to the period after the transition to a company with an Audit & Supervisory Committee.
2. The above number of persons and amount of compensation includes four Directors and five Corporate Auditors who retired during the fiscal year under review.

Expertise and Experience of Directors

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.

	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
Directors (excluding Directors who are Audit & Supervisory Committee Members)									
Keiichi Iwata	●	●		●					
Nobuaki Mito	●	●	●						
Keigo Sasaki		●		●		●			● (corporate communications)
Takanari Yamaguchi		●	●						● (IT·DX)
Shinoi Sakata			●		●				● (intellectual property)
Atsuko Muraki					●		●	●	
Akira Ichikawa	●			●	●				
Yumiko Noda	●			●		●			
Tetsuji Ohashi	●		●	●					● (IT·DX)
Directors who are Audit & Supervisory Committee Members									
Kenji Ohno					●			●	
Kunio Nozaki				●		●			
Yoshitaka Kato				●		●		●	
Michio Yoneda	●				●				● (financial markets)
Masamichi Kamimura					●			●	

※The above table shows up to three of the major areas (excluding "Knowledge of Other Specialized Fields") of each person's expertise and experience with ●.

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 structural reforms aimed at returning to a path of 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.

Sale of Shares of Listed Associates and Full Ownership of Listed Subsidiaries

As part of the immediate-term, concentrated measures to improve business performance in FY2024, the Company sold a portion of shares held in our equity method associates Sumitomo Bakelite Co., Ltd., and Inabata & Co., Ltd., and all shares held in Shinto Paint Co., Ltd. In FY2025, we made Tanaka Chemical Corporation a wholly owned subsidiary to support its business turnaround, including by accelerating the technological development of EV battery materials. In FY2026, we made Koei Chemical Co., Ltd. a wholly owned subsidiary with the aim of expanding and strengthening our CDMO business by leveraging its state-of-the-art facilities.

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 regards "healthcare" as one of the priority areas in making efforts for acceleration of the development of next-generation businesses. In the Group-wide regenerative medicine/cell therapy business, we are driving development and business expansion by combining the company's technology and expertise as a front-runner in regenerative cells with our industrialization, analytical, and quality control technologies and know-how.	• Research at the Advanced Research Laboratory for Fundamental Technologies (formerly 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) • 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, etc.
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 electronic materials and pharmaceutical/agrochemical intermediates with the Company's multi-plants

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

Company Name	Design of Organization	Composition of the Board	Non-mandatory Committees Established	
		Ratio of Outside Directors	Nomination/Remuneration	Monitoring and Supervision of Such Areas as Transactions with the Parent Company
Sumitomo Pharma Co., Ltd.	Company with an Audit and Supervisory Committee	50% (5/10) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Taoka Chemical Co., Ltd.	Company with an Audit and Supervisory Committee	33% (4/12) 	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. The matters discussed at each meeting of the Committee are reported to and deliberated by the Board of Directors. In FY2025, the matters shown on the right were reported to the Board of Directors.

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.

I. Initiatives based on the Basic Policy for Enhancement of the Internal Control System
II. Initiatives related to risk management
III. Policy on internal audits and audit results
IV. Responses to the internal control reporting system for financial reporting, etc.

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)