## President's Message



# Becoming a Company That Leverages Innovative Technologies to Solve Social Issues and Enhance Corporate Value

Representative Director & President

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## A Year of Major Progress Toward the "Three Leaps Forward"

### Looking Back on My First Year as President

It has been a little over a year since I was appointed President and Representative Director in June 2025. In my first year in office, I remained constantly mindful of sharing and instilling the "Three Leaps Forward" that I communicated as a message within the company. At the same time, I continued to convey to employees our policy of focusing on businesses where we can win rather than spreading our efforts thinly across the board.

The "Three Leaps Forward" set out the goals I must achieve during my tenure as President, and they also embody my thoughts on the corporate culture and values that we should cherish. The first *leap* is to maintain and expand the trend of our V-shaped recovery in earnings, aiming for a solid return to a growth trajectory and for even greater heights. The second *leap* is to become a newborn global company that inherits the outstanding aspects of our corporate culture while also possessing agility in decision-making and an entrepreneurial spirit. The third *leap*, and the one I strongly emphasize, is to create a dynamic organization where employees can actively and freely exchange opinions and ideas, transcending barriers of position, department and years of service.

As I will explain later, since assuming the presidency I have worked to strengthen employee engagement, including by continuously holding town hall meetings as opportunities for direct dialogue with employees. Through these opportunities, I have repeatedly conveyed the concept of the "Three Leaps Forward" while encouraging the autonomy and initiative of each individual employee. As a result of these efforts, the entire company has developed a greater sense of openness, and I also see employees discussing matters actively in the workplace and reflecting those discussions in their daily work, which gives me a real sense that my message is taking hold.

In today's rapidly changing business environment, we need to build an organization where each team and each employee takes action autonomously and proactively rather than waiting for instructions from the top. As top management, I have communicated my views on this approach to leadership and organizational development both within the company and in our communications with investors. I believe that the improvement in our business performance since I became President has helped investors view my approach favorably.

# Advancing Structural Reforms, Generating Results that Exceed Expectations

## Responding to a Changing Business Environment

As I have stated repeatedly, the business environment surrounding us is changing at an unprecedented pace, and uncertainty has risen further. In recent years, concerns have grown over the rise of protectionism, as seen in U.S. tariff policy, and over geopolitical risks such as Russia's invasion of Ukraine. At present, the situation in the Middle East is exerting a significant impact on markets*, and we are responding to the business environment with a strong awareness of our responsibility to maintain supply as a chemical manufacturer.

In these volatile and unpredictable times, I believe what we need is the agility to grasp changes and crises and respond to them immediately. As I mentioned earlier, this is why it is all the more important for each team and employee to act autonomously and proactively. In the recent Middle East crisis, immediately after conflict broke out in the region, the departments concerned moved at once to secure raw materials and intermediates and to respond to customers, achieving extremely smooth crisis control. I regard this as one example of employees embodying the organization I am aiming to build and actually demonstrating agility.

I believe building a company on a solid footing means holding superior technologies and products, an organization and systems that function fully and excellent human resources who can thrive. Such a company will be highly resilient in the face of crises even in the unpredictable business environment. Taking a medium- to long-term perspective, I once again recognize the importance of tirelessly continuing our efforts to strengthen our businesses, products, technologies, organization and people.

*Interview conducted in June 2026

## Current Status and Outlook of Structural Reform Themes

As the basic policy of the Corporate Business Plan (FY2025–2027), we set forth the promotion of structural reforms centered on our petrochemical businesses in Japan and overseas and on Sumitomo Pharma.

While other companies in the industry are currently advancing structural reforms of their petrochemical businesses, we shut down the ethylene production facilities at the Chiba Works in 2015, ahead of our peers. Since then, we have also worked on business restructuring at Petro Rabigh, our joint venture with Saudi Aramco, as well as in Japan and Singapore. As a result, the constant efforts of the departments involved in the petrochemical businesses have borne fruit, and results are steadily emerging. I would like to take this opportunity to express my gratitude for their tremendous efforts.

With regard to Petro Rabigh, we completed a series of financial improvement plans, including the reduction of Sumitomo Chemical's equity stake from 37.5% to 15%. At present, under a structure led by Saudi Aramco, initiatives to strengthen earnings power, such as upgrading petroleum refinery equipment, are under way, and Sumitomo Chemical will support these efforts as a shareholder.

In our domestic petrochemical business, we are advancing the optimization of operations at Keiyo Ethylene, our joint venture with Maruzen Petrochemical, in the upstream operation of the Chiba-Keiyo area, and we expect to complete this during FY2026. In the downstream operation of the Chiba-Keiyo area, we integrated our linear low-density polyethylene (LLDPE) business and polypropylene (PP) business into Prime Polymer, a joint venture with Mitsui Chemicals and Idemitsu Kosan*.

In our petrochemical business in Singapore, we have sought to improve the earnings structure of each downstream operation by consolidating production lines in the methyl methacrylate (MMA) business and by focusing on high value-added polyolefin products. In the upstream operation, optimizing ethylene production at our joint venture PCS remains an issue. We are advancing discussions with stakeholders because it serves an infrastructure in Singapore.

As described above, the structural reform of our petrochemical businesses has reached a certain prospect of completion both in Japan and overseas, and through streamlining we are transforming into a lean structure capable of earning stable profits.

Meanwhile, in the pharmaceuticals business of Sumitomo Pharma, sales growth of successor products lagged after its former mainstay product Latuda (an atypical antipsychotic) faced a patent cliff. Sumitomo Pharma has therefore proceeded with workforce reductions, cuts in selling, general and administrative expenses and reductions in R&D expenses in Japan and the United States. As these measures took effect, sales of the three key products have recently expanded in the North American market. In FY2025 Sumitomo Pharma secured core operating income of more than 100 billion yen. We regard this as evidence that the structural reforms progressed smoothly and delivered results exceeding our expectations. In April 2026, Sumitomo Pharma raised 97.8 billion yen through a public offering, securing funds for growth and improving its financial position.

Sumitomo Chemical will continue to maintain a close and favorable relationship with Sumitomo Pharma through collaboration in regenerative medicine/cell therapy and other areas, while examining every option regarding Sumitomo Pharma's future positioning.

*Manufacturing functions are scheduled to be transferred in April 2027.

# Focusing on Our Winning Businesses and Concentrating Resources in Growth Areas

## Growth Strategy Based on the Corporate Business Plan

Under the Corporate Business Plan, we position organic synthesis technology as the core of our winning businesses and will concentrate resources to expand growth areas. We position Agro & Life Solutions (AGL) and ICT & Mobility Solutions (ICTM) as growth drivers and aim to expand earnings by prioritizing capital expenditures and R&D investments, while also fostering Advanced Medical Solutions (ADM) and Essential & Green Materials (EGM). Over the long term, AGL and ICTM will drive earnings through 2030. After that, we will accelerate growth with ADM as our third pillar.

AGL will strengthen its earnings base by driving forward both chemical crop protection and biorationals, our winning businesses built on organic synthesis technology. In chemical crop protection, we have three blockbuster candidates and will steadily expand them. Among them, our new herbicide Rapidicil has now obtained regulatory approval in the United States, and we expect it to contribute to earnings going forward. In biorationals, we integrated three companies into Sumitomo Biorational Company in April 2026. One focused on products derived from microorganisms, another on plant-derived products, and the third provided back-office services. We will leverage the synergies of this integration to streamline and strengthen our business development.

ICTM will leverage our winning businesses in organic synthesis technology in high-purity chemicals and photoresists for the advanced semiconductor field. In the front-end semiconductor manufacturing, where we excel, we acquired Asia Union Electronic Chemical Corporation (AUECC) of Taiwan through M&A in FY2025 to strengthen our production and supply system for semiconductor chemicals. For photoresists, we plan to construct a new technology center for advanced semiconductors at the Osaka Works. In addition, we intend to enter the semiconductor back-end process field, seizing the opportunity presented by the shifting platform of semiconductor manufacturing processes amid the explosive spread of AI semiconductors.

ADM will grow its business from a medium- to long-term perspective, centering on two core areas: regenerative medicine/cell therapy (R&D) and contract development and manufacturing organization (CDMO) operations. In regenerative medicine/cell therapy, AMCHEPRY™ for the treatment of Parkinson's disease obtained manufacturing and marketing approval in Japan (with conditions and a time limit) in March 2026, the world's first approval for an iPS cell-derived pharmaceutical or regenerative medicine product. This represents the achievement of a truly significant milestone for Sumitomo Chemical Group. In addition, in the advanced small molecule APIs CDMO business, orders for our contract services have expanded steadily and we maintain the top share in Japan. In the regenerative medicine/cell therapy CDMO business, S-RACMO, a joint venture between Sumitomo Chemical and Sumitomo Pharma, has remained profitable for 5 consecutive years and is currently expanding its production facilities ahead of schedule. Furthermore, our oligonucleotide CDMO business, which started operation of an advanced manufacturing plant at the Oita Works, is also receiving strong inquiries for new projects from many customers.

As already explained, EGM has brought the completion of the structural reform of its petrochemical business into sight, and in parallel we are transforming our business model away from the conventional petrochemical business. First, to establish solutions businesses that reduce environmental impact, we are pursuing research such as developing processes to produce ethylene and propylene from biomass ethanol and the chemical recycling of acrylic resin and waste plastics. In addition, going forward we intend to strengthen not only our own business development and manufacturing but also earnings models such as licensing technology to other companies and selling catalysts. In May 2026, we concluded a global license agreement with BASF for hydrochloric acid oxidation technology through a collaboration partner.

## FY2025, a Year of Substantial Profit Growth

In FY2025, the first year of the Corporate Business Plan, sales revenue fell below the previous fiscal year as business structural reforms progressed, but core operating income increased substantially, exceeding our initial forecast, to 208.4 billion yen (+48.3% year on year). Although gains on business divestitures account for a certain portion, core operating income on an underlying basis excluding such gains grew significantly from approximately 80 billion yen in FY2024 to about 130 billion yen.

While the target for the final year (FY2027) of the current Corporate Business Plan is core operating income of 200 billion yen, we have set core operating income at 215 billion yen in our FY2026 forecasts, aiming to exceed the plan one year ahead of schedule, and we intend to achieve approximately 210 billion yen of that amount on an underlying basis excluding gains on business divestitures. To this end, we will pursue further profit expansion in AGL and ICTM, our growth drivers. Specifically, we expect expanded sales of crop protection products, mainly overseas, in AGL and increased sales of semiconductor materials such as advanced photoresists in ICTM.

Under the current Corporate Business Plan, we plan to execute 230 billion yen in strategic investments and 220 billion yen in maintenance and infrastructure investments over the three-year period. Our policy is to allocate roughly 180 billion yen, equivalent to 78% of strategic investments, to AGL and ICTM, our growth drivers, and the remaining 50 billion yen, equivalent to 22%, to ADM, EGM and other businesses. To date, we have allocated just under 80% of total strategic investments to AGL and ICTM, largely as planned.

# Building an Innovation Structure for Value Creation

## Aims of the R&D Organizational Restructuring

Effective April 1, 2026, Sumitomo Chemical restructured its R&D organization and newly established the Research Planning Department, which is responsible for planning and coordination functions for technology and R&D across the company, and the Corporate Research Planning and Coordination Department, which is responsible for the promotion and management of corporate research themes. With respect to our research laboratories, we newly established the Advanced Research Laboratory for Fundamental Technologies, which integrates the Environmental Health Science Laboratory, the Advanced Materials Development Laboratory and the Bioscience Research Laboratory.

The purpose of this restructuring is to align business strategy with R&D strategy, to apply the concept of focusing on winning businesses in R&D as well and to build a company-wide structure for developing strong products and technologies. Our corporate research has played the role of taking on challenges in areas beyond our current businesses and creating new value. At the same time, as we are still in the process of recovering from the deterioration in performance in FY2023, we are at a stage where we must prioritize a solid return to a growth trajectory. In light of this situation, we have set out a policy for corporate research as well. We will place even greater emphasis on alignment with business strategy. We will concentrate resources on the winning businesses that will lead to future competitive advantage.

Going forward, the Research Planning Department will work across both corporate and business sector research, prepare a technology roadmap common to both and select and manage corporate research themes in line with that roadmap. We will then create value that no other company can match by leveraging our technological strengths in the business areas where we excel.

## Promoting Offensive Activities in Intellectual Property

From 2013, I had the opportunity to work as General Manager of the Intellectual Property Department for three years. At that time, I recognized that more strategic intellectual property activities were necessary for us. Until then, intellectual property activities had a strong aspect of protecting new technologies and products once they had been created, but I believed that proactive activities in intellectual property would be required going forward. In other words, these are activities that strengthen our intellectual property as a portfolio by actively filing patent applications and securing rights in strategically important technology areas, including technologies of other companies.

Through the promotion of proactive activities in intellectual property, we have significantly strengthened our current patent portfolio. We intend to further advance the strategic use of intellectual property, including strengthening collaboration with other companies through these efforts and monetizing patents through licensing. The licensing of our hydrochloric acid oxidation technology to BASF, which I described earlier, is one such example.

In addition to patent-related matters, we have accumulated a great deal of knowledge and know-how through our business activities. Examples include technologies that support the safe and stable operation of our plants and methods for improving the efficiency of operations at production sites, and we are also advancing initiatives for our businesses by providing such knowledge and know-how outside the company, which we view with great expectation.

# Encouraging Employee Growth and Success to Drive Our Businesses

## Toward Better Employee Engagement

At the outset, I mentioned that since assuming the position of President I have continuously held town hall meetings as opportunities for direct dialogue with employees. In FY2025, we held these meetings by visiting 17 locations in Japan, and at our overseas sites as well, we engaged in dialogue in the town hall meeting on each visit. In FY2026, we have continued these efforts.

How to enhance employee engagement is one of the most important issues for me. To that end, we must convey what management is thinking to the greatest extent possible. Another important point, I believe, is that every employee feels a sense of ownership in the management of Sumitomo Chemical. In communicating these ideas and fostering such awareness, holding town hall meetings, which deepen employees' understanding through questions & answers and dialogue, has proven highly meaningful and rewarding.



We are also advancing the transition to a new human resource system in order to strengthen the management base that supports our growth strategy. The system is designed with clear distinctions, giving higher evaluations to employees who take on challenges with motivation and deliver results. In addition, to support employees in building their careers autonomously, we are working to create mechanisms that promote a virtuous cycle of work and learning and to enhance our training programs.

Through these initiatives, we intend to enhance employee engagement while encouraging the growth and success of each individual, thereby driving the further development of our businesses.

# Aiming to Enhance Corporate Value

## Committing to Further Improvement in Capital Efficiency

Under the Corporate Business Plan, with regard to shareholder returns, we have set aside a total of 70 billion yen over three years as the source for returns and we aim for a dividend payout ratio of over 30%. For FY2025, we paid an annual dividend of 13.5 yen per share (6 yen interim; 7.5 yen year-end). For FY2026, we plan an annual dividend of 16 yen per share (8 yen interim; 8 yen year-end). Going forward, we will strive to achieve at an early date a dividend level exceeding the annual 24 yen per share recorded in FY2021.

Over the past two years, since FY2023 when we recorded a large loss, we have steadily recovered in terms of business performance. However, looking at our capital efficiency indicators, ROE for FY2025 stood at 6.4% and ROIC at 5.6%, levels that are by no means sufficient. As for our share price, although we have seen improvement since last year, it remains stagnant with a price-to-book (P/B) ratio still below 1.0 times. Management and all employees must commit thoroughly not only to achieving the ROE of 8% and ROIC of 6% targets set for the final year (FY2027) of the Corporate Business Plan, but also to further improving capital efficiency and enhancing corporate value.

Sumitomo Chemical will evolve into a company that leverages innovative technologies to solve social issues and enhance its corporate value, thereby meeting the expectations of all our stakeholders. We ask for your continued long-term support.