

May 13, 2022

For Immediate Release

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Representative:	Keiichi Iwata President and Representative Director
Securities Code:	4005
Stock Exchange Listings:	Prime Section of the Tokyo Stock Exchange
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Notice Regarding Introduction of Restricted Stock Compensation Plan

Sumitomo Chemical's Board of Directors, at its meeting held today, reviewed the executive remuneration system of the Company and decided to introduce a compensation plan using shares of restricted stock (hereafter "this Plan"). Accordingly, it was also decided that a proposal regarding this Plan would be submitted to the 141st Ordinary General Meeting of Shareholders to be held on June 23, 2022 (hereinafter "the Next General Meeting of Shareholders"), and the Company hereby announces the following notice regarding the introduction of this Plan:

1. Purpose and conditions for the introduction of this Plan

a. Purpose of the introduction of this Plan

The purpose of this Plan is to provide members of the Company's Board of Directors (excluding Outside Directors) (hereafter "Applicable Board Members") with incentives to work to continually enhance the Company's corporate value, and to bring the interests of the Applicable Board Members into even closer alignment with shareholders.

b. Conditions for the introduction of this Plan

Because monetary claims for the award of shares of restricted stock will be paid to Applicable Board Members as compensation upon the implementation of this Plan, the introduction of this Plan is subject to approval of the Company's shareholders for the payment of this compensation at the Next General Meeting of Shareholders. While it was approved at the 125th Ordinary General Meeting of Shareholders held on June 23, 2006 that the total amount of the compensation for the members of the Company's Board of Directors shall be not more than 1 billion yen per

year, at the Next General Meeting of Shareholders, the Board of Directors plans to ask shareholders to approve the setting of the amount of this new compensation under this Plan for Applicable Board Members.

2. Summary of the proposal to be submitted for the Next General Meeting of Shareholders

A summary of the proposal that shareholders will be asked to approve at the Next General Meeting of Shareholders regarding the introduction of this Plan is as follows.

The total amount of the monetary claims to be paid to Applicable Board Members under this Plan, which amount is thought to be sufficient in light of the purpose laid out above, shall be not more than 400 million yen per year, and the total number of shares of the Company's common stock newly issued or disposed of by the Company shall be not more than 1 million shares per year (provided, however, that if a stock split (including a gratis allotment) or a reverse stock split of the Company's common stock is carried out effective as of a date after the date of the resolution on this proposal at the Next General Meeting of Shareholders, this total number of shares shall be adjusted, after such effective date, as necessary within reasonable bounds according to the relevant split ratio).

Applicable Board Members shall pay in, in the form of property of contribution in kind, all monetary claims paid by the Company under this Plan, and receive shares of the Company's common stock to be issued or disposed of (hereafter "these Shares"). The amount of the monetary claims to be paid in per share of these Shares shall be decided by the Board of Directors, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the last working day before the date of each resolution of the Board of Directors on such amount (or the closing price on the most recent previous trading day if there was no trading for the Company's common stock on that day), within such boundaries that the amount is not particularly advantageous to the Applicable Board Member receiving these Shares. In addition, when these Shares are issued or disposed of under this Plan, a restricted stock allotment contract (hereafter "Allotment Contract") shall be concluded between the Company and the Applicable Board Member, the contents of which shall include the following items.

[Summary of the Allotment Contract]

a. Transfer restriction period

In the period from the date of payment of the monetary claims until a point immediately after the resignation from the position of a member of the Company's Board of Directors and the position of an executive officer in the

Company not concurrently serving as a member of the Company's Board of Directors (hereafter the "Transfer Restriction Period"), each Applicable Board Member may not transfer, establish a security interest in, or otherwise dispose of (hereafter the "Transfer Restrictions") the shares of the Company's common stock received through an allotment under this Allotment Contract (hereafter the "Allotted Shares").

b. Treatment in the case of resignation

In the case of an Applicable Board Member resigning from the position of a member of the Company's Board of Directors and the position of an executive officer in the Company not concurrently serving as a member of the Company's Board of Directors before the expiration of the period established in advance by the Company's Board of Directors (hereafter the "Service Period"), the Company will automatically acquire, without consideration, the Allotted Shares that have been allotted to such Applicable Board Member for the relevant Service Period, unless there is any appropriate reason for the resignation, including, but not limited to, the expiration of the term of office and the death of the Applicable Board Member.

c. Removal of Transfer Restrictions and acquisition without consideration

On the condition that an Applicable Board Member, during the Service Period, continued to be either in the position of a member of the Company's Board of Directors or in the position of an executive officer in the Company not concurrently serving as a member of the Company's Board of Directors, the Company shall remove the Transfer Restrictions from all of the Allotted Shares as of the time when the Transfer Restriction Period expires. In a case, however, (1) in which the relevant Applicable Board Member resigns from the position of a member of the Company's Board of Directors and the position of an executive officer in the Company not concurrently serving as a member of the Company's Board of Directors before the expiration of the Service Period for an appropriate reason, or (2) the relevant Applicable Board Member resigns from the position of a member of the Company's Board of Directors and the position of an executive officer in the Company not concurrently serving as a member of the Company's Board of Directors for a reason other than an appropriate reason, after the expiration of the Service Period but before the expiration of the Transfer Restriction Period, the number of Allotted Shares for which the Transfer Restrictions will be removed and the timing of the removal of the Transfer Restrictions shall be adjusted in a reasonable way as necessary.

In addition, at the point in time immediately after the Transfer Restrictions have been removed in accordance with the above provisions, the Company will automatically acquire, without consideration, those Allotted Shares for which the Transfer Restrictions have not been removed. Moreover, in cases that fulfil certain conditions defined in the Allotment Contract, such as where an Applicable Board Member has committed a material breach of the law, the Company's internal regulations or the Allotment Contract, and such breach has been recognized by the Company's Board of Directors, the Company may acquire, without consideration, all or part of the Allotted Shares including those for which the Transfer Restrictions have already been removed.

d. Treatment in cases such as organizational restructuring

Despite the provisions defined in paragraph a. above, if, during the Transfer Restriction Period, a merger contract under which the Company will be a merged company, a stock-for-stock exchange agreement under which the Company will become a wholly-owned subsidiary, a share transfer plan, or any other organizational restructuring is approved by the Company's shareholders at a General Meeting of Shareholders (or by the Company's Board of Directors in a case in which the relevant organizational restructuring does not require approval by the Company's shareholders at a General Meeting of Shareholders), then by resolution of the Company's Board of Directors, the Transfer Restrictions shall be removed, before the effective date of the relevant organizational restructuring, for a portion of the Allotted Shares reasonably determined in light of the time period between the start of the Transfer Restriction Period and the date of approval of the relevant organizational restructuring. In addition, in the case defined above, immediately after the Transfer Restrictions are removed, the Company will automatically acquire, without consideration, those Allotted Shares for which the Transfer Restrictions have not been removed.

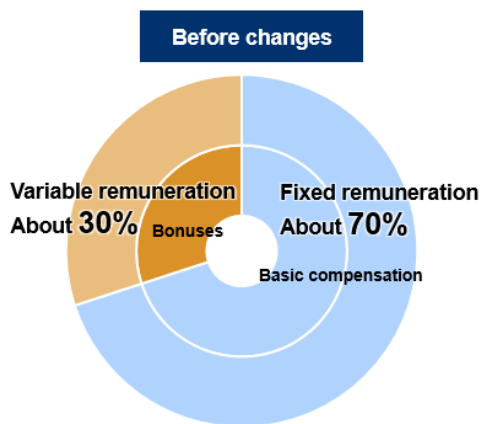
The specific timing of payment and distribution to each Applicable Board Member will be decided by the Board of Directors. In addition, in order to prevent the transfer of these Shares, establishment of a security interest in these Shares, or disposal of these Shares in other ways during the Transfer Restriction Period, these Shares will be managed in dedicated accounts to be opened by Applicable Board Members at Nomura Securities Co., Ltd., during the Transfer Restriction Period.

On the condition that the proposal relating to this Plan is approved by the Company's shareholders at the Next General Meeting of Shareholders, a similar Plan is planned to be introduced for executive officers not concurrently serving as members of the Company's Board of Directors as well.

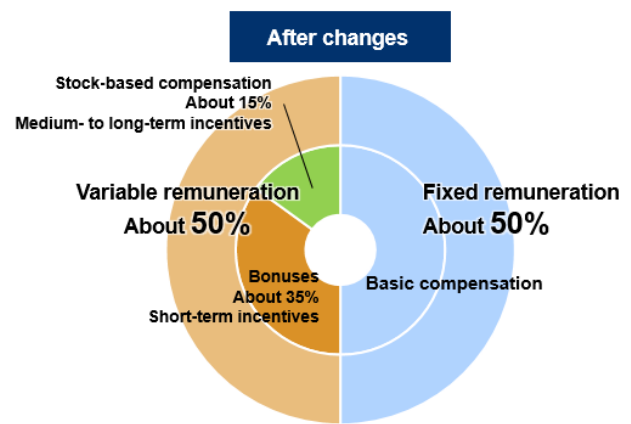
3. Regarding changes to the composition of the remuneration for members of the Company's Board of Directors (excluding Outside Directors)

With the implementation of this Plan, the composition of the remuneration for members of the Company's Board of Directors (excluding Outside Directors) will be as shown in the following diagram. Specifically, if the consolidated performance target (for core operating income) is achieved for the final year of the current Corporate Business Plan (for FY2022 to FY2024), the Company will make a portion of the basic compensation for members of the Company's Board of Directors (excluding Outside Directors) stock-based compensation, so that the remuneration will be composed of fixed remuneration and variable remuneration at a ratio of approximately 1:1. In addition, the variable remuneration will be so structured that the ratio of short-term incentives (bonuses) to medium- to long-term incentives (stock-based compensation) will be approximately 7:3.

Remuneration Structure Once a Corporate Business Plan Performance Target is Achieved



*Based on a target for the FY2019-FY2021 Corporate Business Plan



*Based on a target for the FY2022-FY2024 Corporate Business Plan