



May 28, 2020

Current Priority Management Issues and Business Strategy

 **SUMITOMO CHEMICAL**

Keiichi Iwata
President

Updated in August 2020



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For Sustainable Growth

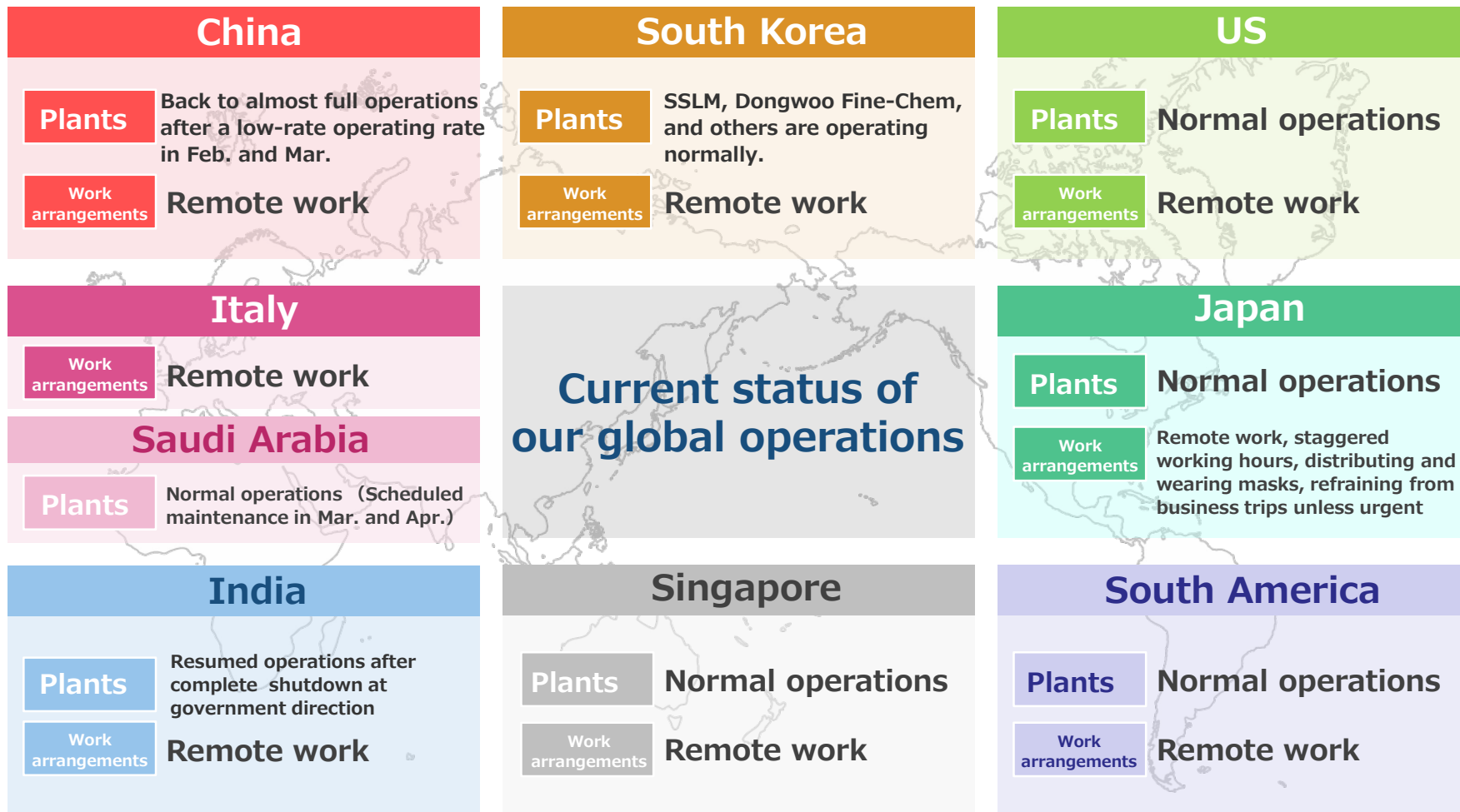
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I Performance Trends

The Coronavirus Pandemic

(Impact on Our Operations and Employees)

No significant impact on operations to date

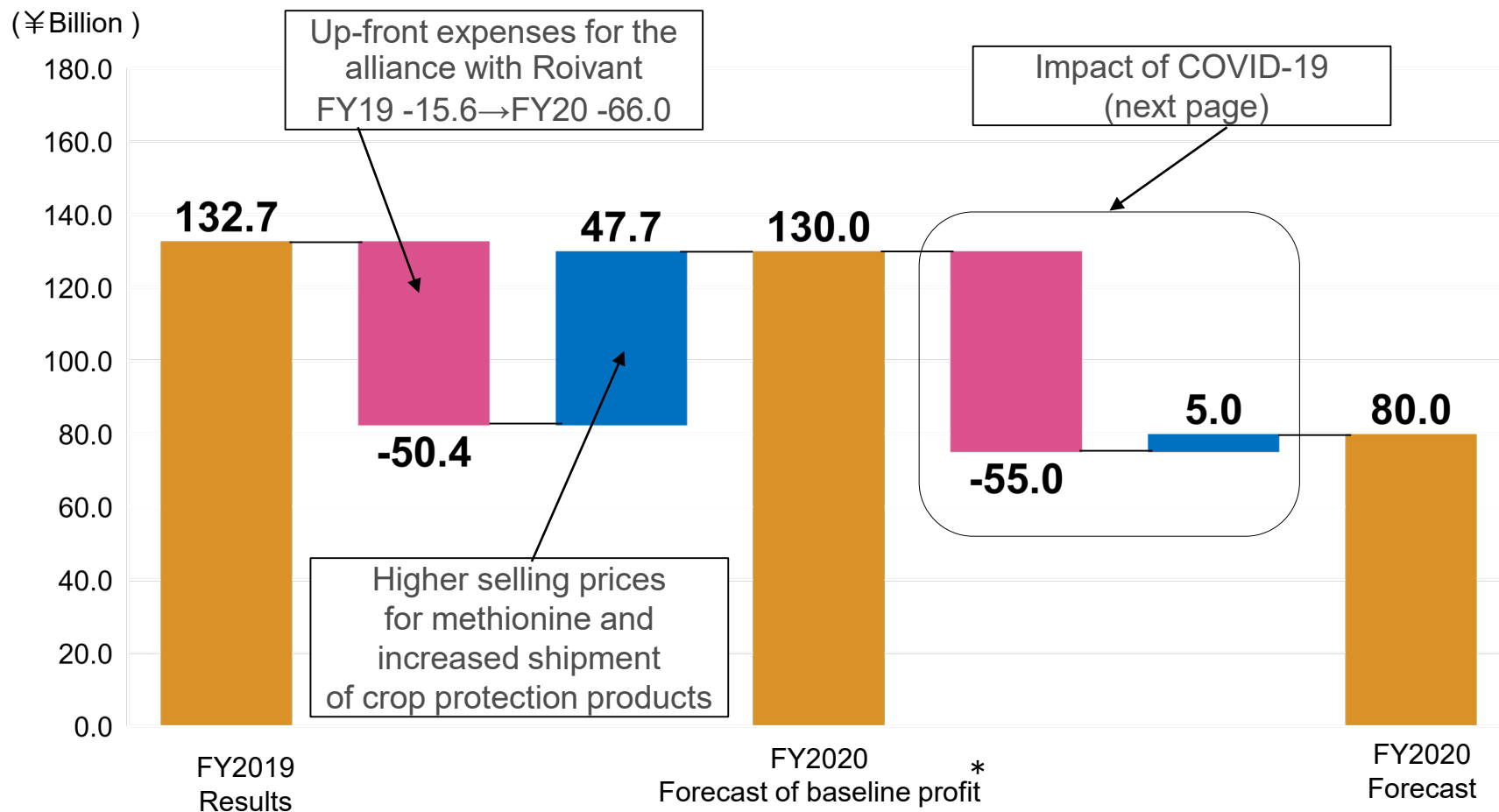


I FY2020 Forecast vs. FY2019

Change & Innovation 3.0: For a Sustainable Future

(Billions of yen)

	FY2020 Forecast	FY2019	Change
Sales revenue	2,215.0	2,225.8	-10.8
Core operating income	80.0	132.7	-52.7
Non-recurring items	-10.0	4.9	-14.9
Operating Income (IFRS)	70.0	137.5	-67.5
Finance income/expenses, income tax expenses, and net income attributable to non-controlling interests	-50.0	-106.6	+56.6
Net Income Attributable to Owners of the Parent	20.0	30.9	-10.9
Naphtha Price	¥30,000/kl	¥42,900/kl	
Exchange Rate	¥108.00/\$	¥108.70/\$	



* Disclosed at May 28 conference call of Management Issues and Business Strategy

Breakdown of -50 bn yen

1 Impact of COVID-19 pandemic -37 bn

Weaker automotive demand →

- Decreased shipment of petrochemical resins, and components for automotive batteries and tires

Weaker display-related demand →

- Decreased shipment of materials and components for smartphones and TVs

No major impact is expected in the life science field including pharmaceuticals and crop protection products

2 Others -18 bn

Total downside risks -55 bn

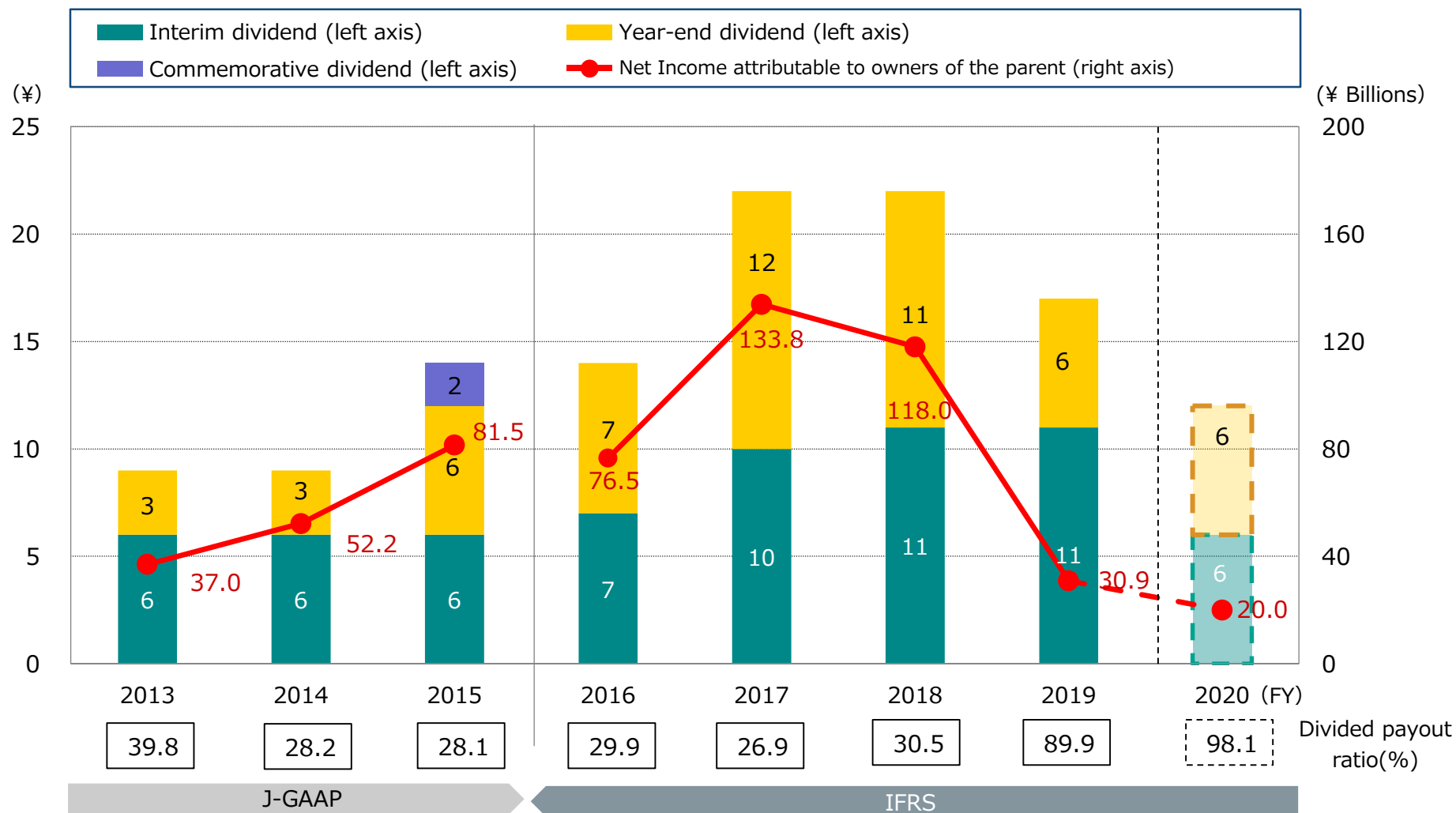
Cost cutting etc. +5 bn

Total -50 bn

	FY2020 Forecast	FY2019	Change	Reasons for Change
Petrochemicals & Plastics	-28.0	14.5	-42.5	Weaker petrochemical markets, periodic shutdown maintenance of Petro Rabigh, and decreased shipment due to Covid-19 impact
Energy & Functional Materials	17.0	20.3	3.3	Decreased shipment due to Covid-19 impact
IT-related Chemicals	23.0	25.1	-2.1	Decreased shipment due to Covid-19 impact
Health & Crop Sciences	31.0	2.1	28.9	Increased market price of methionine, and increased shipment of crop protection products
Pharmaceuticals	37.0	75.3	-38.3	Increase in up-front expenses due to strategic alliance
Others	0.0	-4.6	4.6	
Total	80.0	132.7	-52.7	

I Shareholder Returns

For fiscal 2020, we plan to pay our shareholders an annual dividend of 12 yen per share.



II FY2019-FY2021 **Progress on the Corporate Business Plan**

II

FY2019-FY2021

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Changes in the Business Environment

(Medium-term perspective)

General

The coronavirus pandemic

Unsettled weather in various places around the world

Appreciation of yen

A global economic recession

Lower crude oil prices

Increasing environmental awareness

Geopolitical

Lingering trade friction between US and China

Evident geopolitical risks in the Middle East

Brexit

Tensions in Japan-South Korea relations

Our business assumptions

Slow recovery in methionine prices

Prolongation of time needed for Post-Latuda pipeline

Changes in business environment in the past six months

Good News

New South-American
crop protection businesses
coming into operation

Launch of INDIFLIN in Japan

Development of acquired
post-LATUDA blockbuster
candidates making good progress

Rebounding methionine prices

Reorganizing R&D teams for
the development of
chemical recycling technology

Bad News

The coronavirus pandemic

Serious global economic
downturns

Underperforming PRC

Weaker petrochemical markets

The items marked in red to be highlighted later in today's presentation

Corporate Research	Synthetic biology	Waste water processing technology with low environmental impact	
Petrochemicals & Plastics	Chemical recycling		
Energy & Functional Materials	Next-generation LCP	Solid-type batteries	
IT-related Chemicals	Compound semiconductors	Flexible display components	Polymer light-emitting materials
Health & Crop Sciences	INDIFLIN™ fungicide	A2020 herbicide	Biorationals
Pharmaceuticals	Alliance with Roivant	SEP-363856 antipsychotic	Regenerative medicine & cell therapy

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FY2019-FY2021 Corporate Business Plan

Action plan & major issues

Progress

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> Strengthen domestic business | ➔ | <ul style="list-style-type: none"> Making progress in construction of new LNG-base and thermal power plant |
| <ul style="list-style-type: none"> Expand capacity and enhance profitability of Singapore business | ➔ | <ul style="list-style-type: none"> Restarted MMA plant No.2 |
| <ul style="list-style-type: none"> Maintain stable operations at PRC phase I and make PRC phase II a consistent contributor to the sector's profit | ➔ | <ul style="list-style-type: none"> Maintaining stable operations at PRC phase I; began commercial operations at PRC phase II |
| <ul style="list-style-type: none"> Strengthen technology licensing business | ➔ | <ul style="list-style-type: none"> Signed technology license agreement for propylene oxide (PO) with an Indian company Completed construction of new catalyst manufacturing lines, and began operations |
| <ul style="list-style-type: none"> Restructuring of underperforming businesses | ➔ | <ul style="list-style-type: none"> Revising the sales terms for underperforming products |
| <ul style="list-style-type: none"> R&D in carbon cycle chemistry to create a sustainable society | ➔ | <ul style="list-style-type: none"> Reorganizing R&D teams for the development of chemical recycling technology Began cooperation with Sekisui Chemical and joint research with Muroran Institute of Technology |

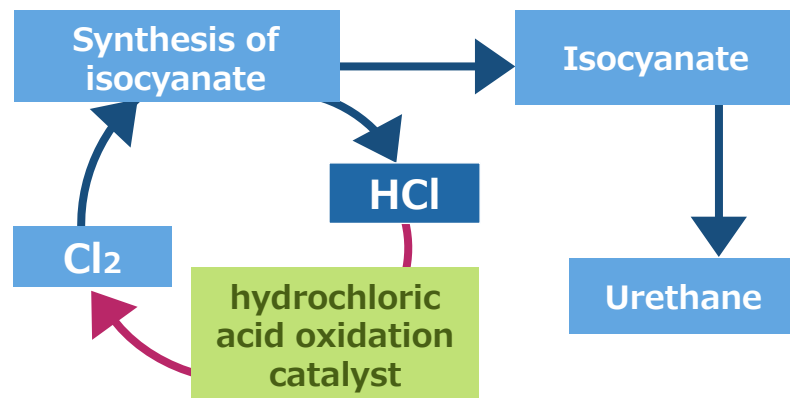
Enhancing the licensing business

Propylene oxide production technology: PO-only process (PO Cumene Process)

Granted license to one of India's leading government-owned oil companies in 2019

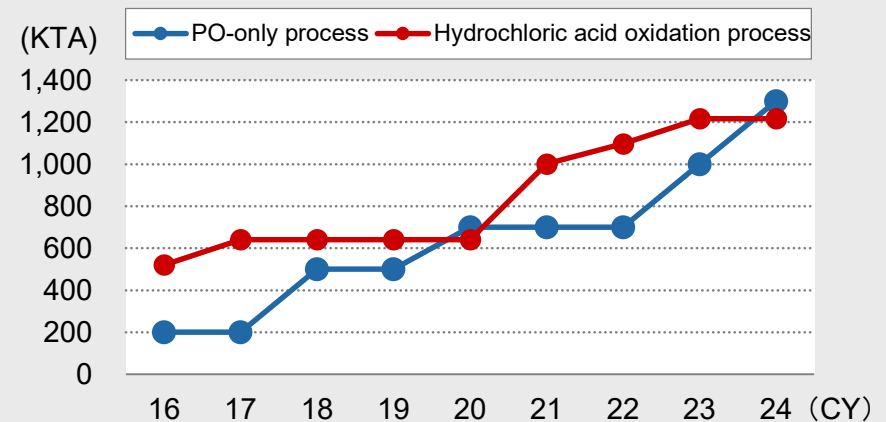
- No by-products
- Higher yields, lower environmental impact

Hydrochloric acid oxidation process



- Recycling by-products into raw materials
- Significantly saves energy

Licensee facilities



Completed construction of new catalyst manufacturing lines at Chiba Works



Start of operations

PE·PP catalysts	2Q FY2019
PO catalysts	3Q FY2019

Expand technology licensing and catalyst sales business and achieve stable revenue

FY2019-FY2021 Corporate Business Plan

Action plan & major issues

- Expand sales of core products (including battery materials and super engineering plastics), accelerate R&D
- Shift to high value-added products
- Improve profitability of underperforming businesses and products
- Create new businesses in the fields of environment and energy and high-performance materials

Progress

- Concluded sales and manufacturing technical support agreements with a European battery manufacturer (Precursors for cathode material)
- Expanding sales in **new applications: (i) high-speed data transmission connectors for data centers, and (ii) high-speed electric chargers (Super engineering plastics)**
- Established a joint venture for processing and R&D for compound (Super Engineering Plastics)
- Shifting to high-value-added products in EPDM and other areas
- Accelerating the development of next-generation battery materials (**Opened an industry-academia joint research course at Kyoto University**)

Energy & Functional Materials Sector Topics: 5G and CASE (Super Engineering Plastics)

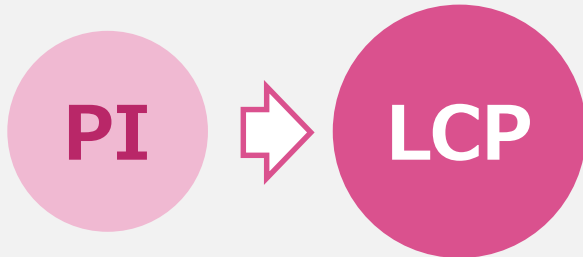
Change & Innovation 3.0: For a Sustainable Future

5G × CASE

Increased demand for high-frequency applications

5G communication using high-frequency bands require substrates with lower permittivity and a lower dielectric loss tangent.

»» The characteristics of LCP well match these requirements



Less than 6 GHz 6 GHz or higher

Substituting metal components for automobiles

- Proposing designs that leverage the shapeability and functionality of super engineering plastics



- No. of cases where LCP has been newly adopted for use in automobiles

2015	1.5 times	2019
19 cases	→	28 cases

»» Right on track for wide commercialization

FY2019-FY2021 Corporate Business Plan

Action plan & major issues

Progress

- Structural reform of polarizing film business



- Expand the sales of liquid crystal-coated retardation film made in-house
- Expand the high-end field with liquid crystal-coated polarizer made in-house
- Full-scale entry into the automotive field

- Capture demand by aggressively investing in future market growth in the semiconductor materials business



- Started operations at new and expanded plants for semiconductor process chemicals in Changzhou and Xi'an
- **A new plant for photoresists has been constructed, scheduled to start operations in FY2020**
- **Decided to enhance photoresist development and QA capabilities**

- Expand touchscreen panel product portfolio



- Focus on developing next-generation products including 5G antennas

- Develop next generation businesses



- Started full-scale mass production of flexible materials (window films) and making progress in development of multi-functional materials and components
- Expand the sales of GaN epiwafers to meet increasing demand in 5G communication infrastructure applications
- Started mass production of polymer OLED materials

Actions to definitely capture the growing demand for semiconductor materials

Semiconductor Market

AI 5G

Demand for advanced semiconductors anticipated to grow over the medium- to long-term

6 % annual growth rate

Trends for advanced electronic devices:
Micro-miniaturized/
multi-layered wiring

Our efforts

Increasing production capacity

Semiconductor cleaning agent (China)

In operation from 2019

Photoresists (Japan)

To be in operation from 2020

Start mass-production of EUV photoresists soon

Expand high-function chemical business

- ▶ Develop and expand sales of high-function products with special features
- ▶ Develop and expand sales of high-function chemicals for use in circuits other than logic and memory circuits

Expand GaN epiwafer business

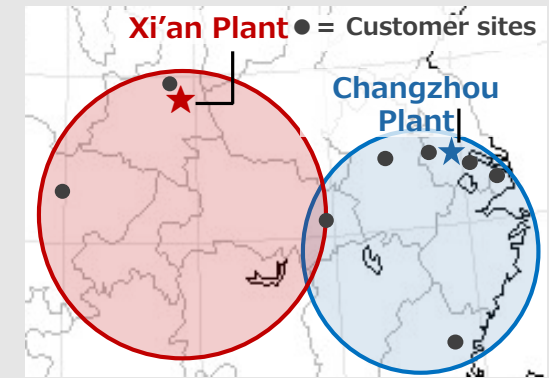
Aiming to increase sales revenue for the semiconductor materials business 1.5 times* by FY2021 over FY2018

Build photoresist development and QA system

Constructing a new building and introducing new evaluation equipment for a full-scale supply of advanced semiconductor materials

To be in operation from 2022

Serving customers in China from our eastern and western regional bases



FY2019-FY2021 Corporate Business Plan

Action plan & major issues

Progress

• Steadily develop and launch new crop protection chemicals



- Completed the application for the registration of agricultural insecticide pyridachlometyl in Japan. **INDIFLIN™ registered in Japan.**
- Completed modification of existing facilities for production of INDIFLIN™

• Establish a global footprint in the crop protection business



- Completed acquisition of **four South American subsidiaries of Nufarm**
- Merged two crop protection subsidiaries in India

• Strengthen and expand biorationals business



- Developed a dedicated unit for biorationals to expand sales in the US

• Expand methionine sales and strengthen earnings power



- Achieving higher sales and reducing costs by integrating facilities

• Accelerate the global expansion of the environmental health business



- Pursuing a global sales strategy for botanical products

• Develop the nucleic acid medicine business and expand the application of the technology



- Working to establish a production technology for long-chain nucleic acids and stepping up efforts for commercialization.

B2020

Compound	Use	Evaluation	Full-scale development	Registration	Market launch
INDIFLIN™ (inpyrfluxam)	Agricultural fungicide e.g. Soybean rust		✓ Completed	✓ Registered in Japan	
PAVECTO™ (methyltetraprole)	Agricultural fungicide e.g. Septoria		✓ Completed	✓ Submitted	✓ Launched in Japan in 2020
ALLES™ (oxazosulfyl)	Agricultural insecticide e.g. Major rice pests etc.		✓ Completed	✓ Submitted	✓ Scheduled to be launched in South America in 2021
Product Name Undecided (pyridaclomethyl)	Agricultural fungicide e.g. Field crop and vegetable diseases		✓ Completed	✓ Submitted	

A2020

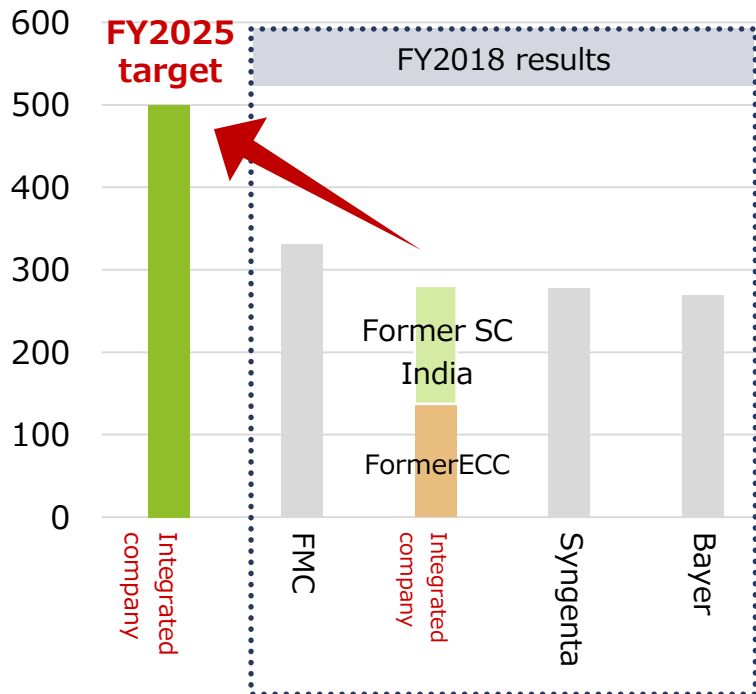
Pipeline A	Agricultural plant growth regulator			✓ Submitted	
Pipeline B	Next generation herbicide effective against herbicide-resistant weeds		Full-scale development in progress		
Pipeline C	Botanical insecticide for agriculture and household hygiene		Full-scale development in progress		
Pipeline D	Agricultural insecticide to control insecticide-resistant pests	Evaluation in progress			

Potential sales revenue: approx. ¥150-200 billion in total

Crop Protection Market in India

Growing at **7 to 8%** per year

(Millions of USD)



Initiatives to realize synergies from integration

- **Planning to file several applications for the registration of new mixture products in 2020**

Developing mixture products that combine Sumitomo Chemical's crop protection products and ECC's generics.

- **Promote digital marketing**

Expand sales to end-user customers in India where there are many small-sized farmers by using social media and smartphone apps.

- **Strengthen the biorational business**

Promote introduction of new products by working closely with Valent BioSciences

Aiming to be a leading crop protection products company in India's rapidly growing market

FY2019-FY2021 Corporate Business Plan

Action plan & major issues

Progress

- Enhance drug development capabilities and improve the success rate in R&D
- Maintain earnings power after Latuda's loss of exclusivity
- Strengthen innovation through new drug discovery approaches



- Launch new products in oncology



- Explore frontier fields



- Develop theranostics business and strengthen the competitiveness of existing radioactive diagnostics business



- Strategic Alliance with Roivant Sciences
 - ◆ Acquired late-stage assets
 - Relugolix: New drug application filed for uterine fibroids in Europe and the US, and for prostate cancer in the US**
 - Vibegron: New drug application filed for overactive bladder in the US**
 - ◆ Acquired data science technology platforms, such as "DrugOme", to accelerate digital innovation
- Sublingual film for the treatment of Parkinson's disease off episodes approved
- Continuing trials of napabucasin for colorectal cancer
- Promoting R&D of new healthcare solutions using cognitive activation therapy and biological sensing technology
- **R&D site for radiopharmaceuticals will be operational in spring 2020.**

Product Launch Target

(as of July 30, 2020)

* Changes made in May 2020 onward are shown in red.

FY2020	FY2021	FY2022	FY2023	FY2024
KYNMOBI™ (OFF episodes associated with Parkinson's disease) Approved in May 2020	napabucasin (Colorectal cancer)	napabucasin (Colorectal cancer)		
LATUDA (Schizophrenia/ Bipolar depression) Launched in June 2020	RVT-802 (Pediatric congenital athymia)	Allo iPS cell-derived products (Parkinson's disease) *2	SEP-363856 (Schizophrenia)	
relugolix (Prostate cancer) PDUFA Date Dec. 2020	relugolix (Uterine fibroids)	Allo iPS cell-derived products (Age-related macular degeneration) Launch target under consideration	alvocidib (Myelodysplastic syndromes) *1	dubermatinib (TP-0903) (Solid tumors) *1
vibegron (Overactive bladder) PDUFA Date Dec. 2020	imeglimin (Type 2 diabetes)	relugolix (Endometriosis)	TP-0184 (Solid tumors) *1	TP-3654 (Hematologic malignancies) *1

Psychiatry & Neurology
Regenerative medicine/
cell therapy

Oncology
Others

Expect peak annual sales to be 50 billion yen or more. (described in first launch)

*1 Premised on utilizing the accelerated approval program. (consultation with FDA planned)

*2 Launch schedule is based on our targets, pending agreement with partners.

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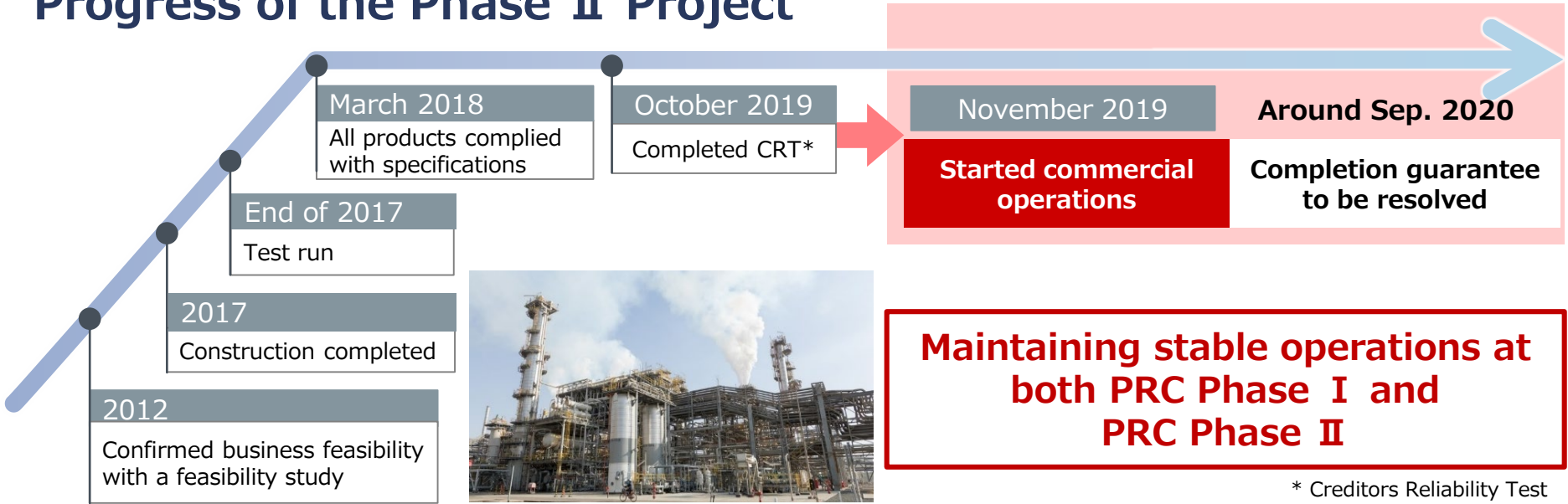
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Improving Productivity through
Digital Innovation

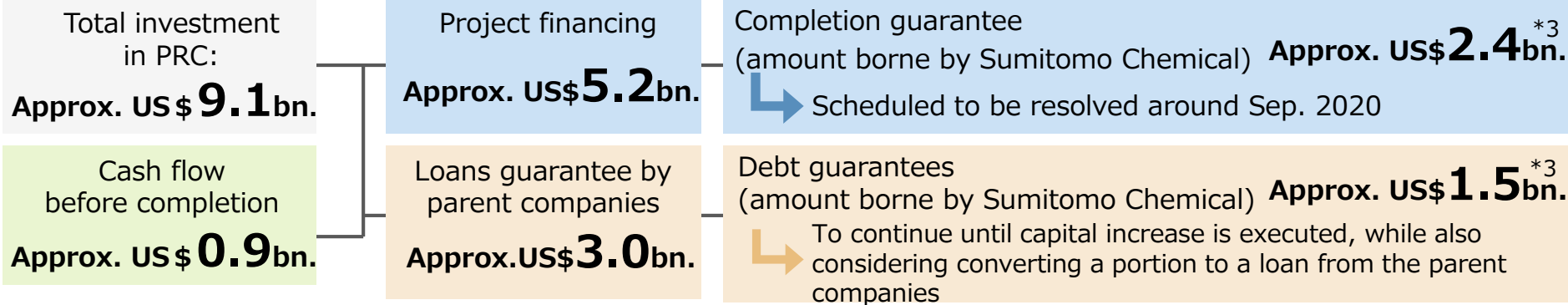
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II Rabigh Phase II Project

Progress of the Phase II Project



Investment and Completion Guarantee



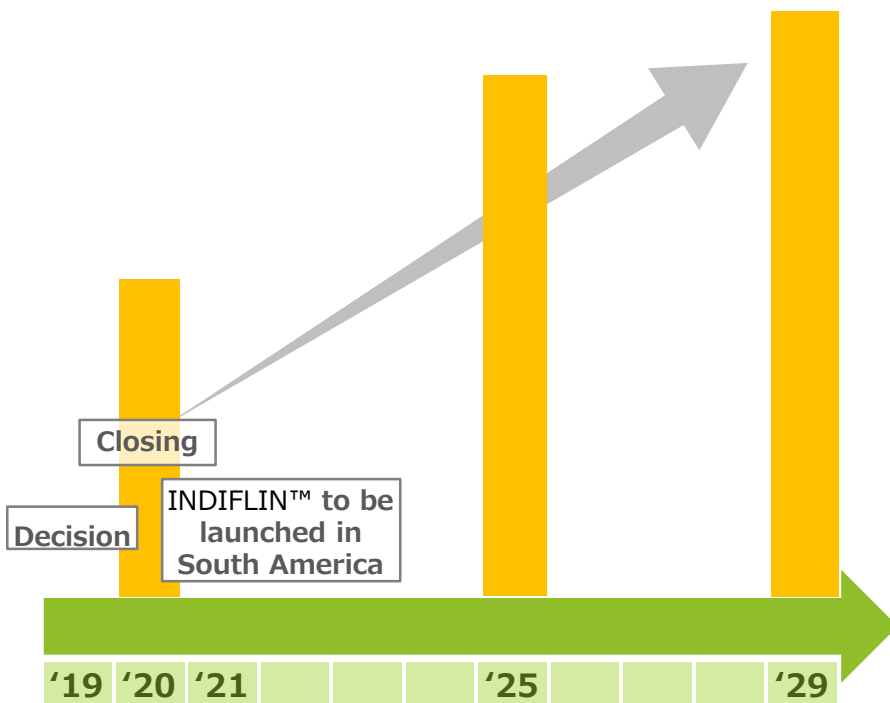
*3 As of the end of FY2019

Acquired four South American subsidiaries of Nufarm (Brazil, Chile, Argentina and Columbia)

Invested
approx.

90bn. yen

South American sales
to grow to 200 bn. yen



Progress

- The deal closed on April 1, 2020
- With new management in place, integrated operations to begin in August 2020



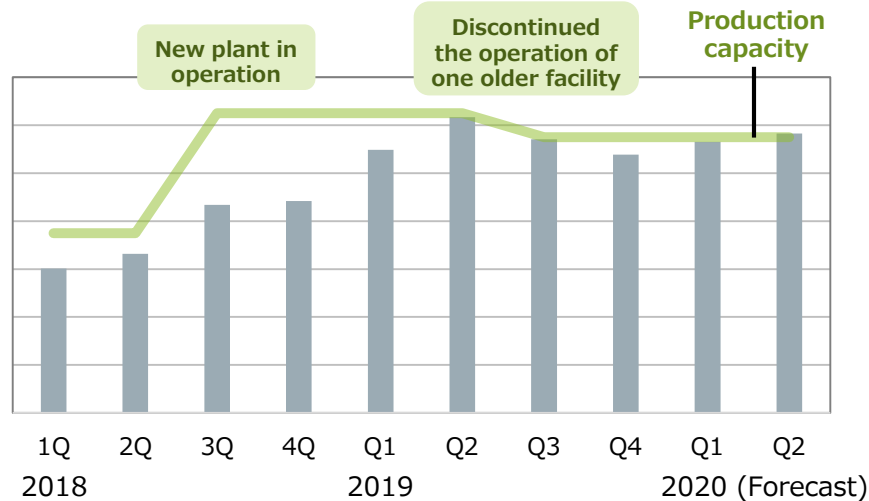
Plant in Fortaleza, Brazil

Accelerate new product development

- An application for the registration of a new INDIFLIN™ mixture product developed by Nufarm has been submitted, following the application for an INDIFLIN™ mixture product developed by Sumitomo Chemical filed in 2017.

▶ **Integrated operations lead to further acceleration of new product development.**

Methionine sales volume



Total manufactured volume sold out even after capacity expansion

- **Increasing global sales capability**
 - Increasing sales in existing regions (More market share with existing customers, more new customers)
 - Strengthening approaches to large-sized feed suppliers with global presence
- **Fully leveraging the collaboration with ITOCHU**
 - Strengthening promotion to large-sized feed suppliers to expand sales
 - Extending sales to new markets (Africa, CIS, Middle East)

Changes in market price of DL-methionine



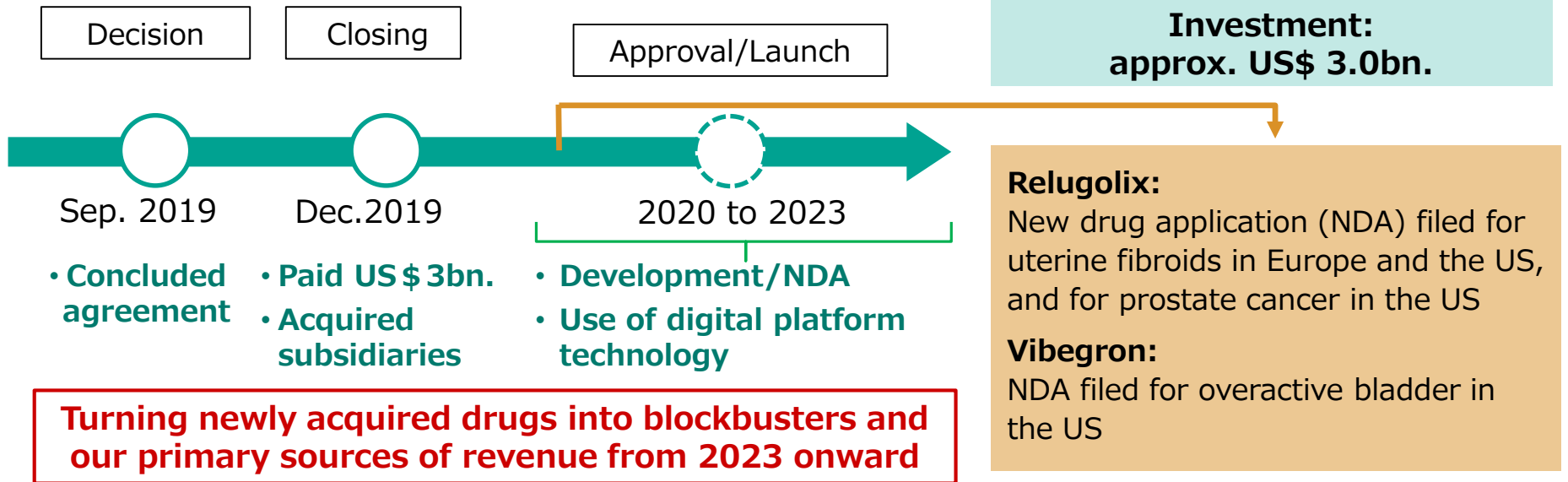
(Source) feedinfo.com/pages/DL_Methionine_99

Initiatives for improving profitability

- Reduced maintenance costs by discontinuing production at obsolete plants
- Rationalizing production costs
- Rationalizing sales costs
- Considering further review of production capacity

Reduce the cost by several billions of yen per year

Improve profitability by building the foundations for sales expansion and increasing cost competitiveness



Purpose of this alliance

1

Acquire promising new drugs and compounds under development, including those that can turn into Post-Latuda blockbusters

- Promising compounds from five Roivant subsidiaries
- Options to acquire Roivant's shares in six additional subsidiaries*

2

Strengthen our ability to develop revolutionary new drugs

- Roivant's innovative digital platform technology
 - Digital technology talent
- * Options subject to certain conditions



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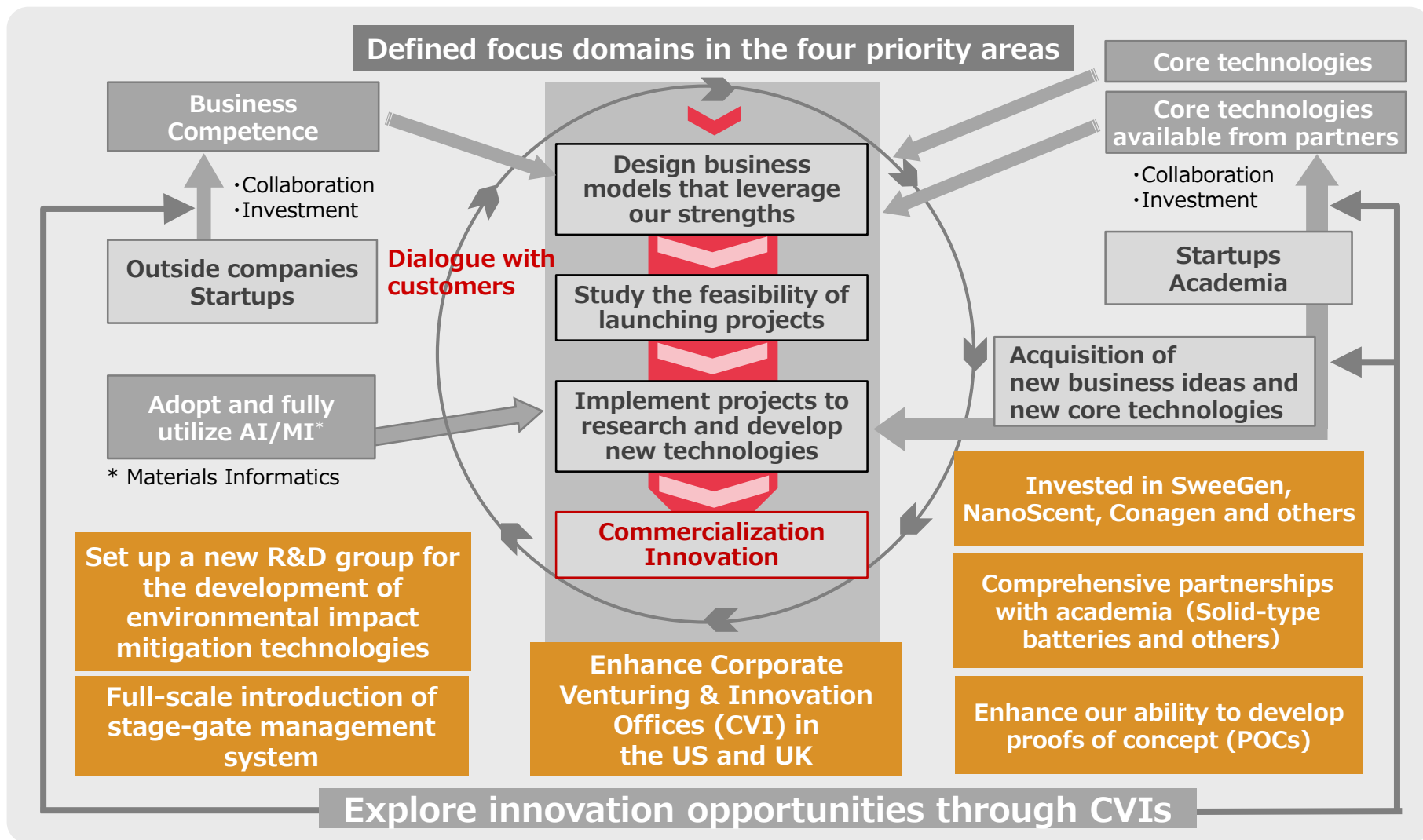
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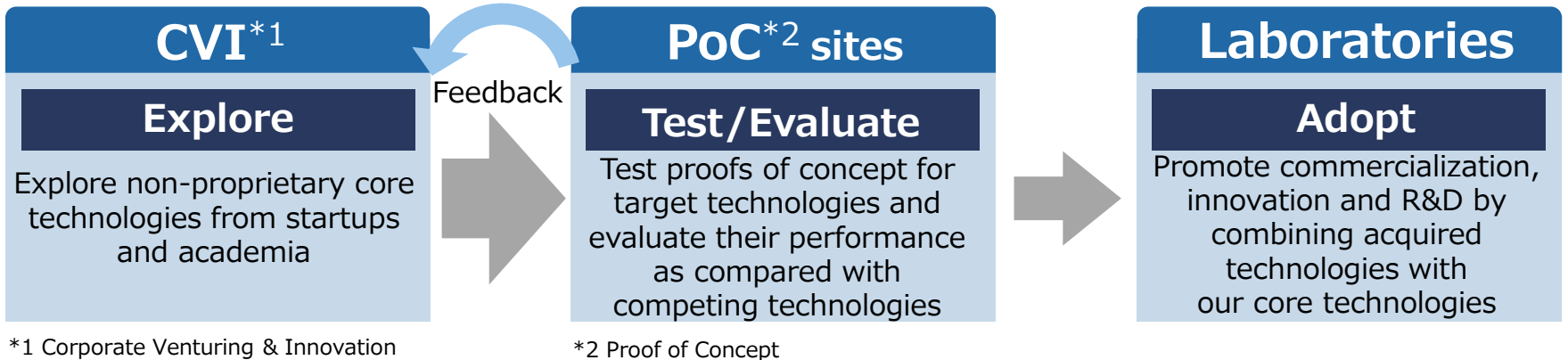
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Major progress
in FY2019

Our Innovation Ecosystem



Open innovation –Investing and validating non-proprietary core technologies–



Enhance CVI, PoC sites, and key regions to be explored

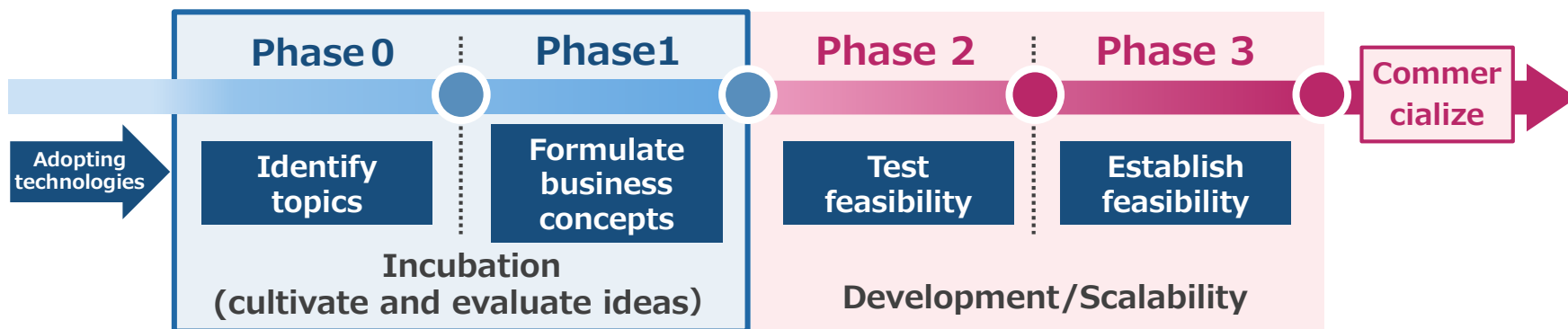


Expand CVI and PoC sites to explore, test and acquire promising technologies and accelerate collaboration with startups and academia

Strategy

- Enhance open innovation by increasing access to startups and academia via the CVI offices, and by strengthening PoC capability
- Fully implement a stage-gate system for managing research projects (starting FY2019)

Stage-gate management of research projects



- ☑ **Significantly increased the number of projects in incubation** at phases 0 and 1

Over 50 projects, about twice as many as the previous year

- ☑ Also increased the number of **Promising projects**, likely to proceed to Phase 2

Solid-type batteries, chemically recyclable polymers, liquid crystal-coated polarizer, etc.

Invested in U.S. biotechnology startups and conducting joint research

Use of synthetic biology in the development of materials

Engineer microbes to have specific functions

Develop environmentally friendly production processes

Develop innovative and new high-functionality materials

Accelerate the development of new businesses



- Formed a strategic partnership with CONAGEN, a US synthetic biology startup that boasts a broad range of technology and know-how, from microbial design to mass production
- Driving development of innovative technologies and processes by promoting interaction among engineers and jointly exploring research areas



- Establish commercial production and marketing operations for SweeGen's next-generation stevia sweetener based on technology licensed from CONAGEN.
- Develop new technologies for refining and liquid waste treatment and new highly functional materials.



- Jointly develop breakthrough high-functionality chemicals with the use of Zymergen's digital technology

Drive innovation by integrating synthetic biology with chemical technology

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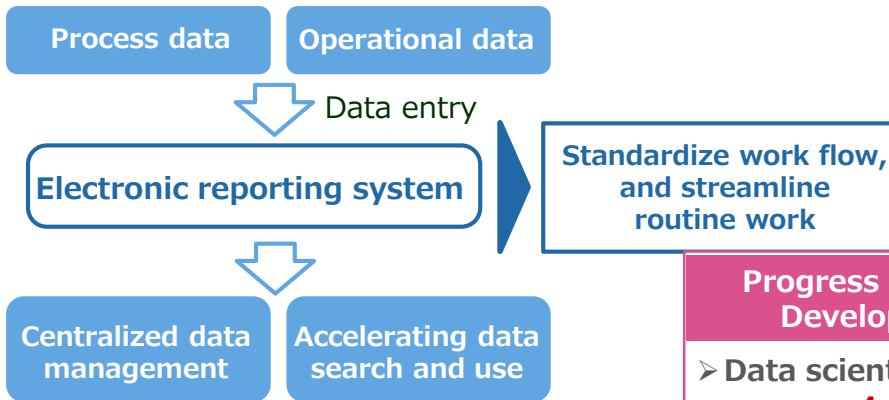
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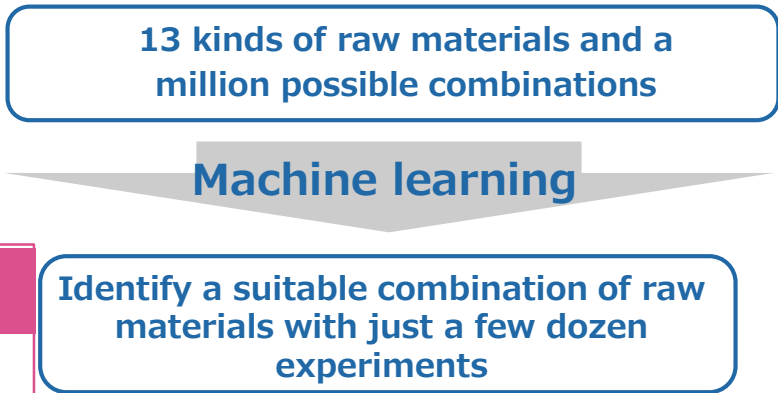
**Improving Productivity
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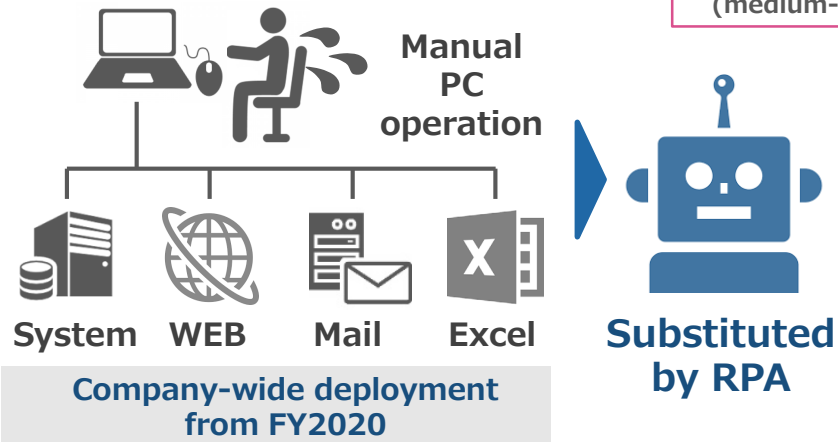
Production Introduced electronic reporting system for all sections in Ehime and Ohita Works.



R&D Design materials with Materials Informatics (MI)



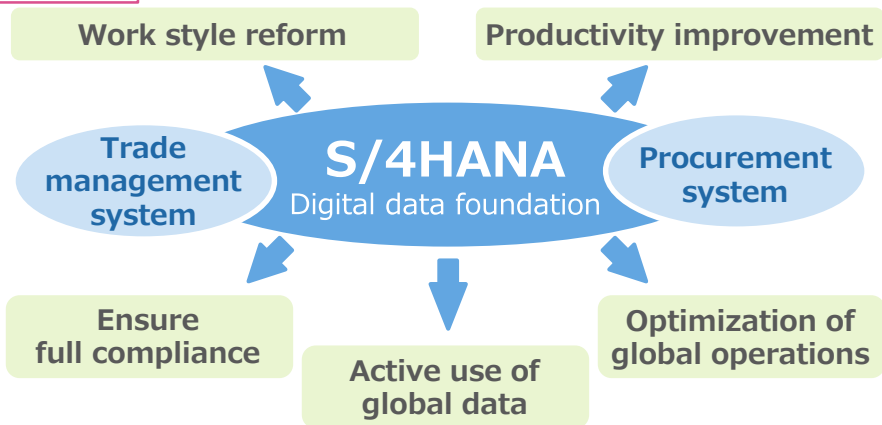
Office Automate work processes by introducing robotic process automation (RPA)



Progress in Talent Development

- Data scientists: Planned **14 scientists** (medium-term target: **20**)
- Data engineers: **65 engineers** (medium-term target: **150**)

SCM Full-scale introduction of S/4HANA and development of peripheral systems for supply chain management (SCM)



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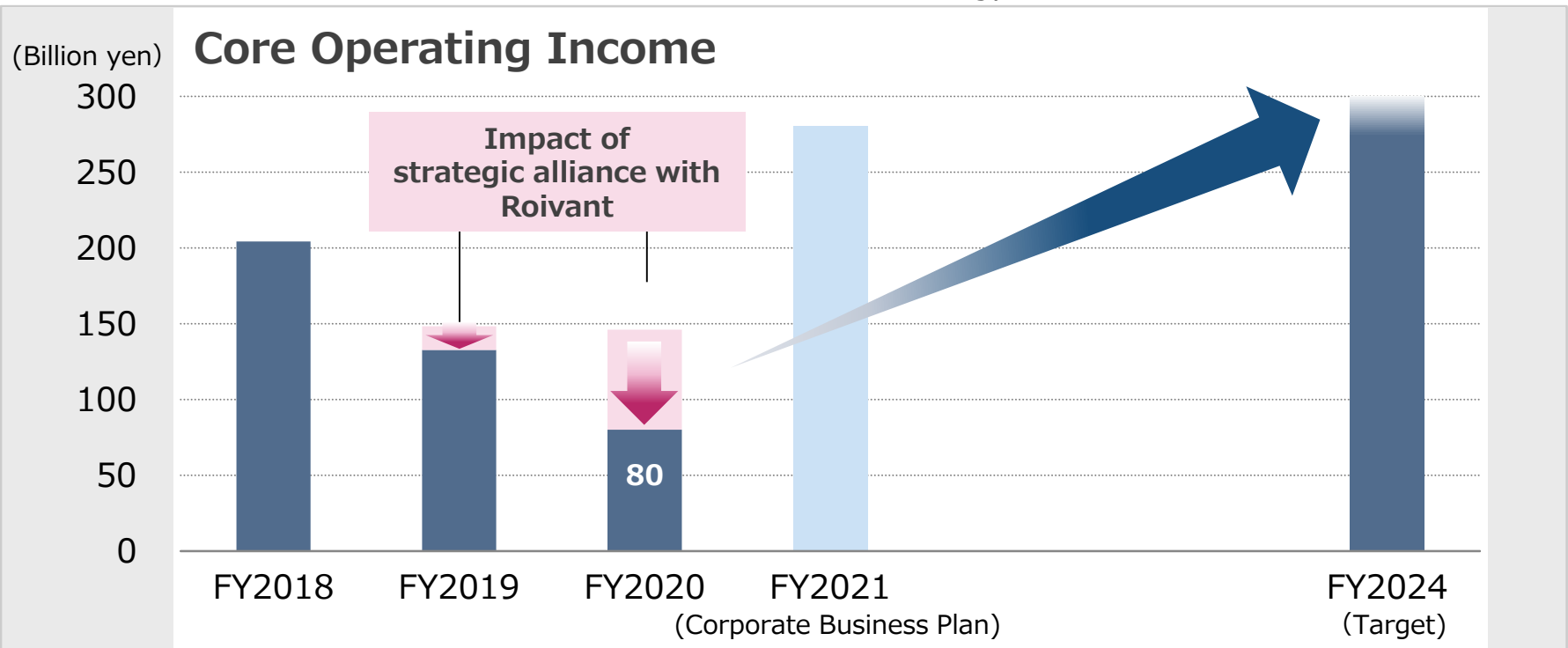
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Difficult to achieve the Corporate Business Plan targets by FY2021

- ☑ Weak petrochemicals market
- ☑ Sluggish methionine market
- ☑ Delay in post-Latuda product development
- ☑ Increased sales and development expenses due to the alliance with Roivant, with newly acquired drugs yet to be launched

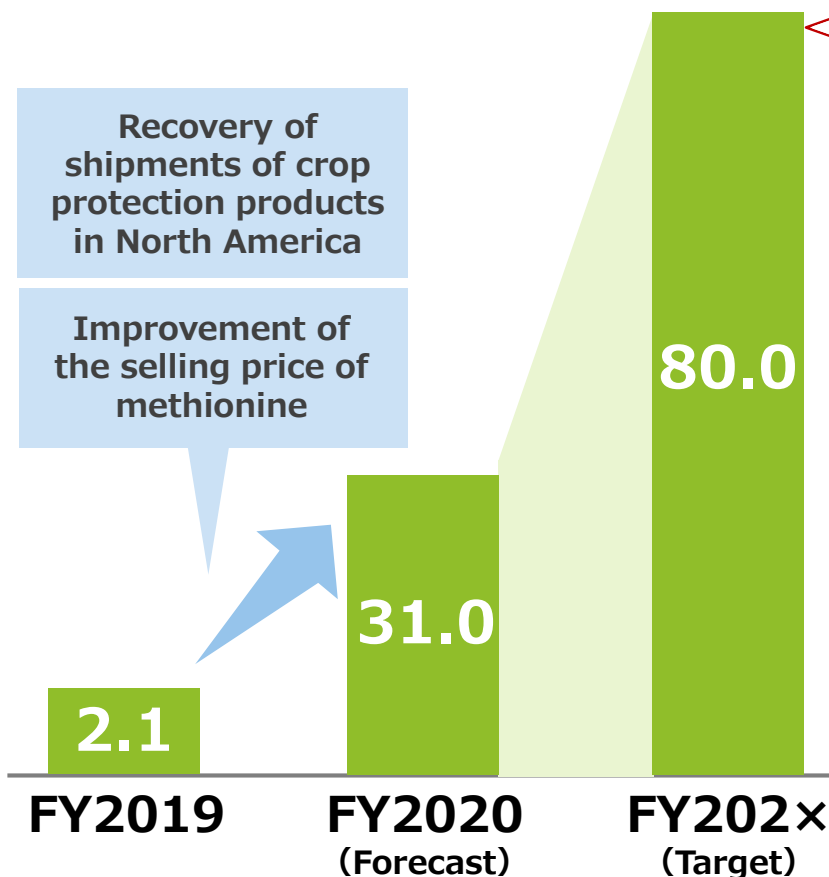
Future profit growth drivers

- ☑ Expansion of the crop protection business, primarily in South America and India
- ☑ Launch of new products in the pharmaceuticals business
- ☑ Launch of new high-functionality materials in the IT-related Chemicals and Energy and Functional Materials businesses



Core Operating Income

(Billions of yen)



Expecting some recovery for fiscal 2020 and aiming to achieve 80 billion yen in several years

Policies

Agrosolutions business

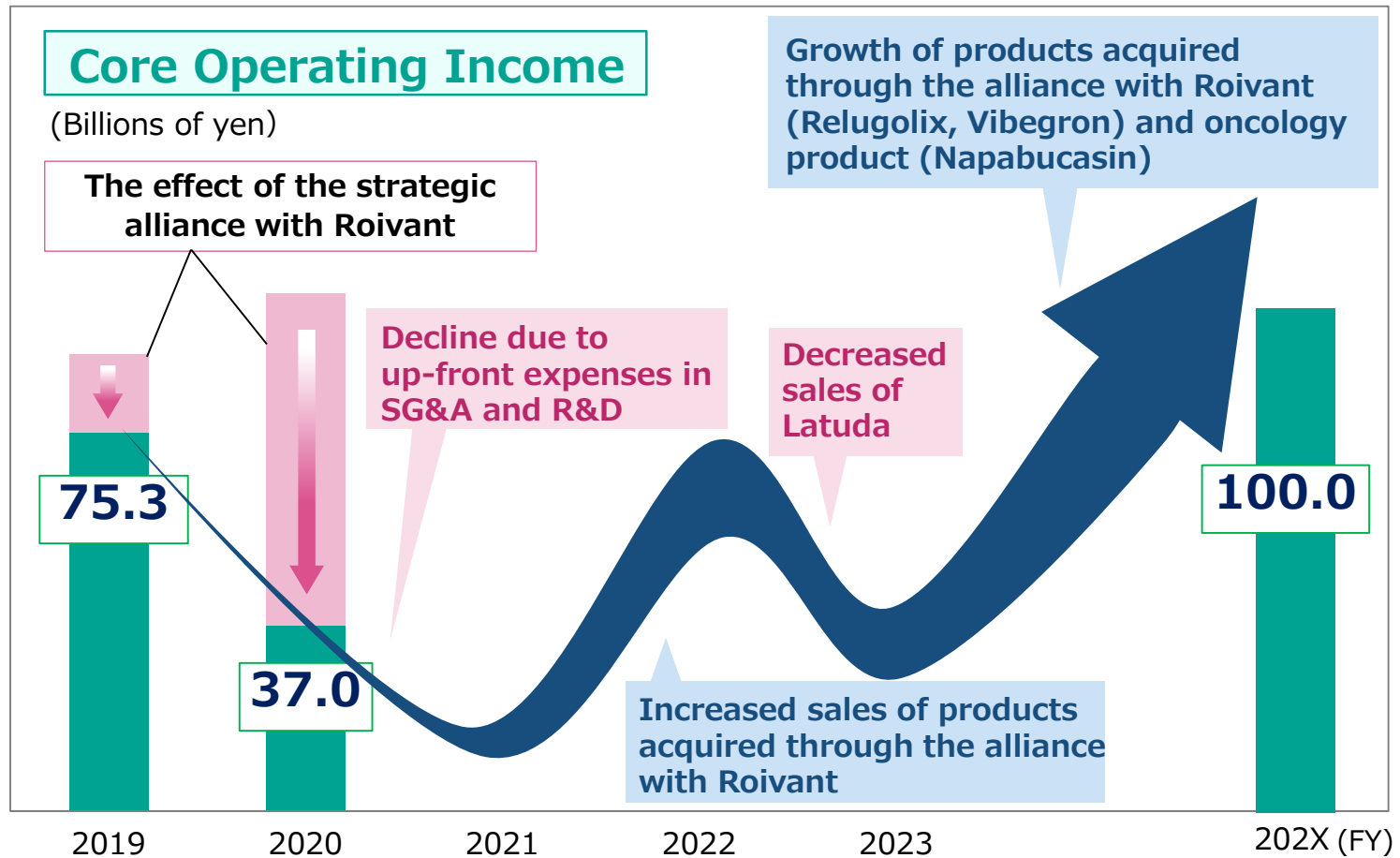
- Launch and expand sales of B2020 products including INDIFLIN™ on schedule
- Strengthen direct sales across global footprint
- Expand sales in seed treatment applications (for Corteva Agriscience™ and in various regions.)
- Expand sales of biorational products

Methionine

- Strengthen cost competitiveness through further cost reductions

Environmental health business

- Strengthen product portfolio in pest control operator (POC) fields
- Global expansion of household botanical products business



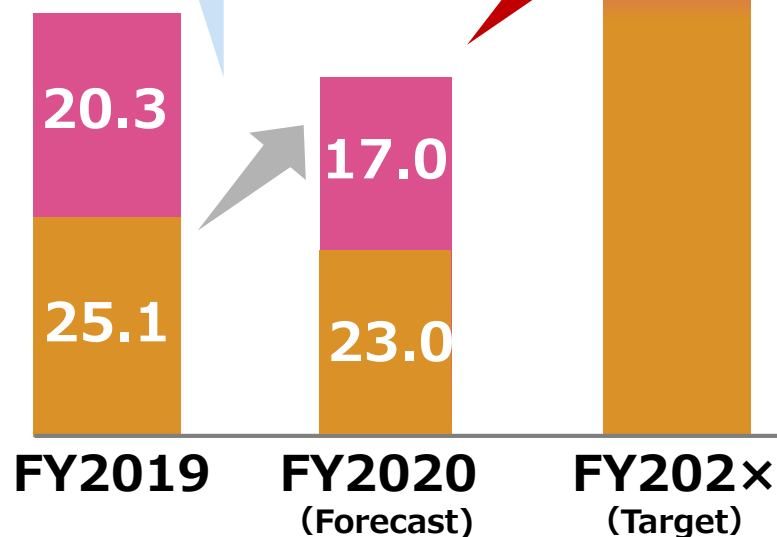
Expecting to overcome the LATUDA cliff and achieve long-term growth, after initial years of increased expenses and lower operating income, due to the investment in the alliance with Roivant

Core Operating Income (Billions of yen)

Aiming to achieve a combined core operation income of 80 billion yen after several years, across both sectors

Expanding sales of SEP for electronic component and film applications

Expanding sales of film touchscreen panels



Battery components

- Expand business through active investment in line with market growth
- Accelerate development of next-generation battery components, including solid type batteries.

5G communication mobility

- SEP: Expand sales of LCP for use in high frequency substrate materials. Expand sales of SEPs for use in automobile components to reduce weight
- High purity alumina: Expand sales for semiconductor applications

Display materials

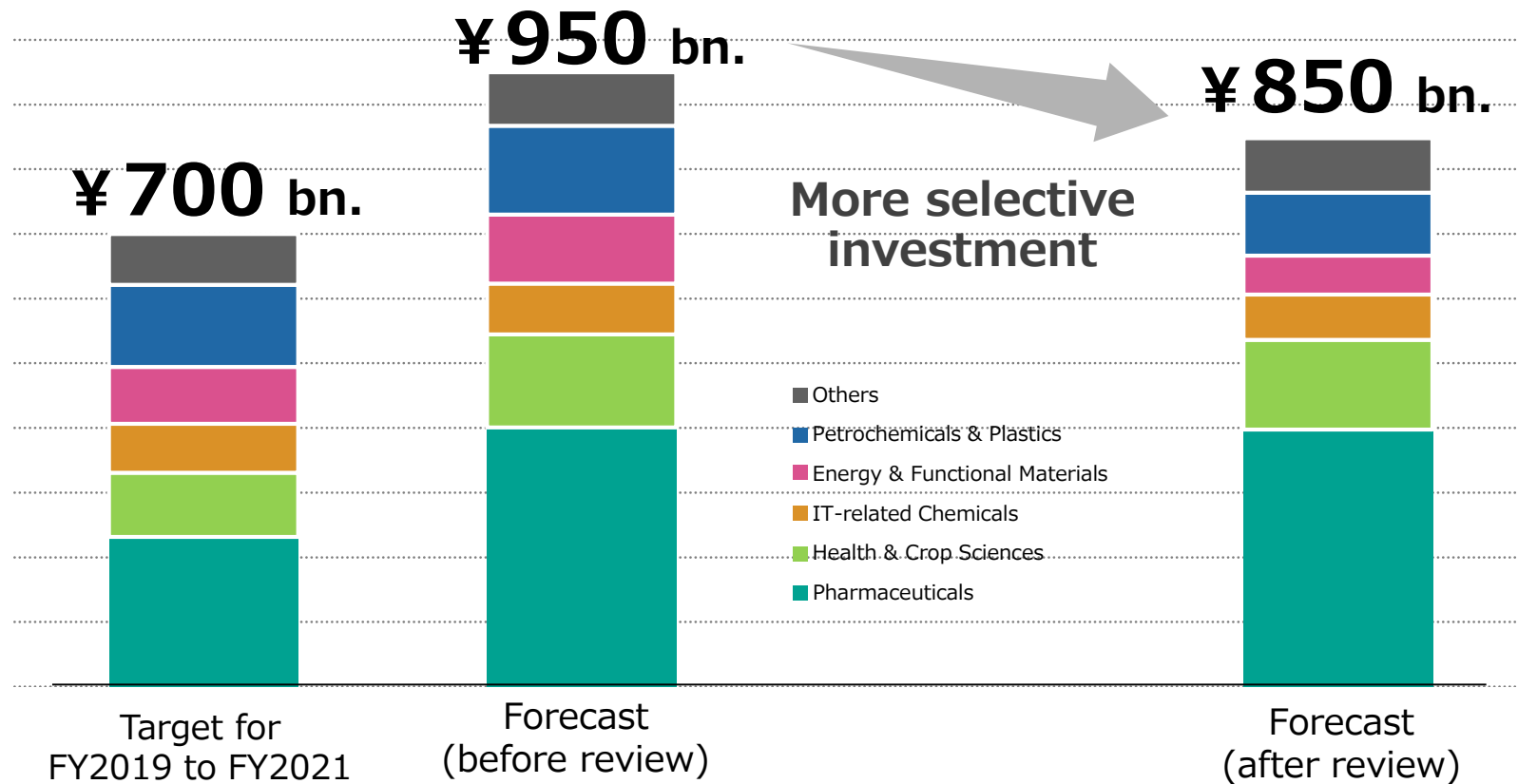
- Enhance high-value-added products business
 - Expand sales of components for flexible displays
 - Launch integrated-function components

Semiconductor materials

- Expand business of high-functionality chemicals, including photoresists, for advanced logic and memory circuits and other integrated circuits
- Expand business of compound semiconductors suitable for 5G applications

Capital Expenditure and Investment (decision-making basis)

Due to two large-scale acquisitions, capital expenditures and investments have exceeded our initial projections.



Asset Sales

- ☑ Decided to sell a portion of our cross-shareholdings, based on an evaluation by the Board of Directors

Equivalent to 20% of the approximately 85 billion yen* in listed shares held by the company

- ☑ Other asset sales

*: On a fair value basis at the end of fiscal 2019

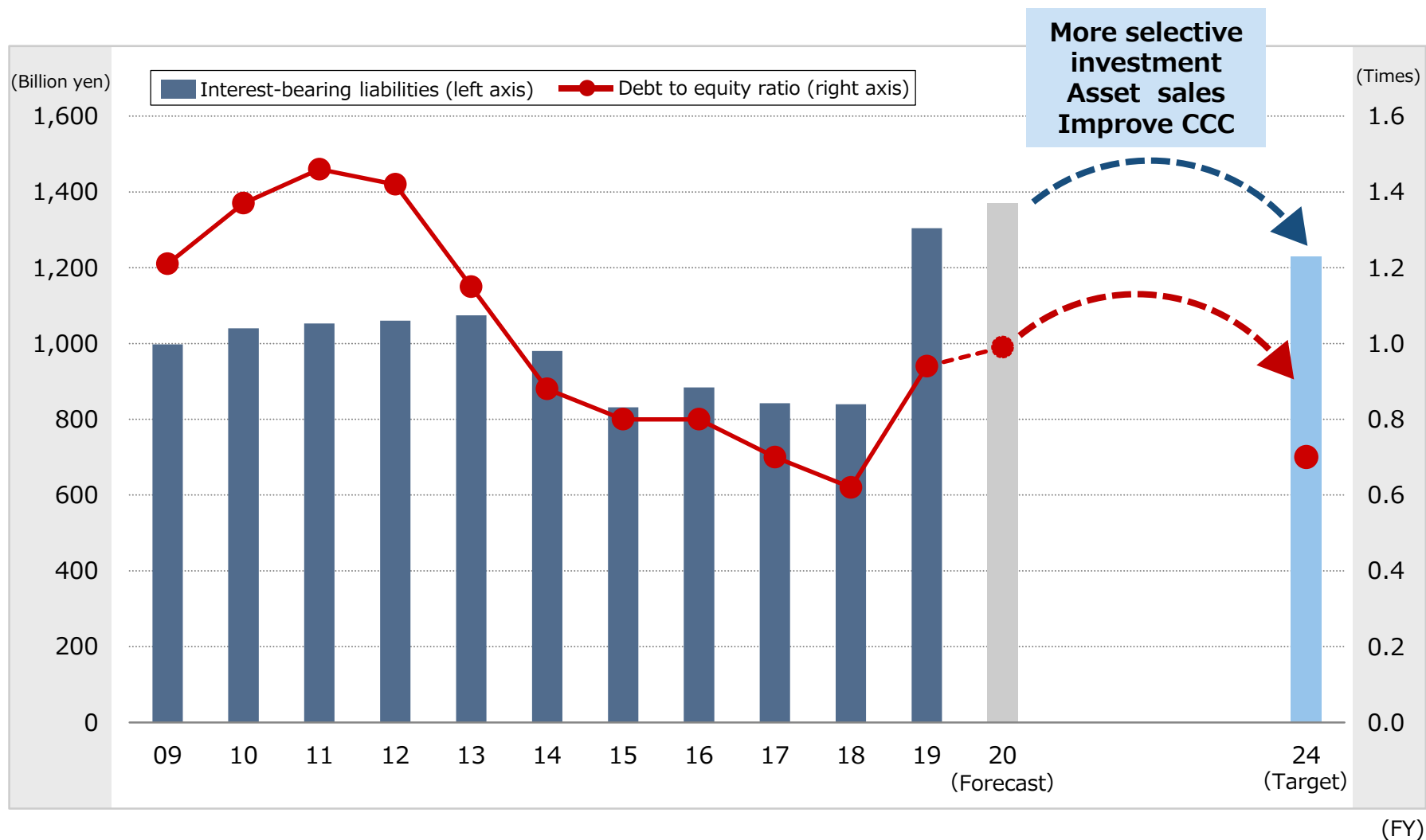
On the order of **50** billion yen

Improve the CCC

- ☑ Phased reduction of the number of days in the cash conversion cycle, primarily by cutting back on inventory

On the order of **50** billion yen

Interest-bearing liabilities and debt to equity ratio



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	2017	2018	2019	Remarks
CDP	B	A	A	A is the top rating
FTSE (comprehensive)	2.8	4.0	4.2	5 is the perfect score
MSCI (comprehensive)	AAA	AAA	AAA	AAA is the top rating
MSCI (Women)	5.8	6.2	6.0	10 is the perfect score
EcoVadis	Bronze	Silver	Gold	Gold is the top 5% level.

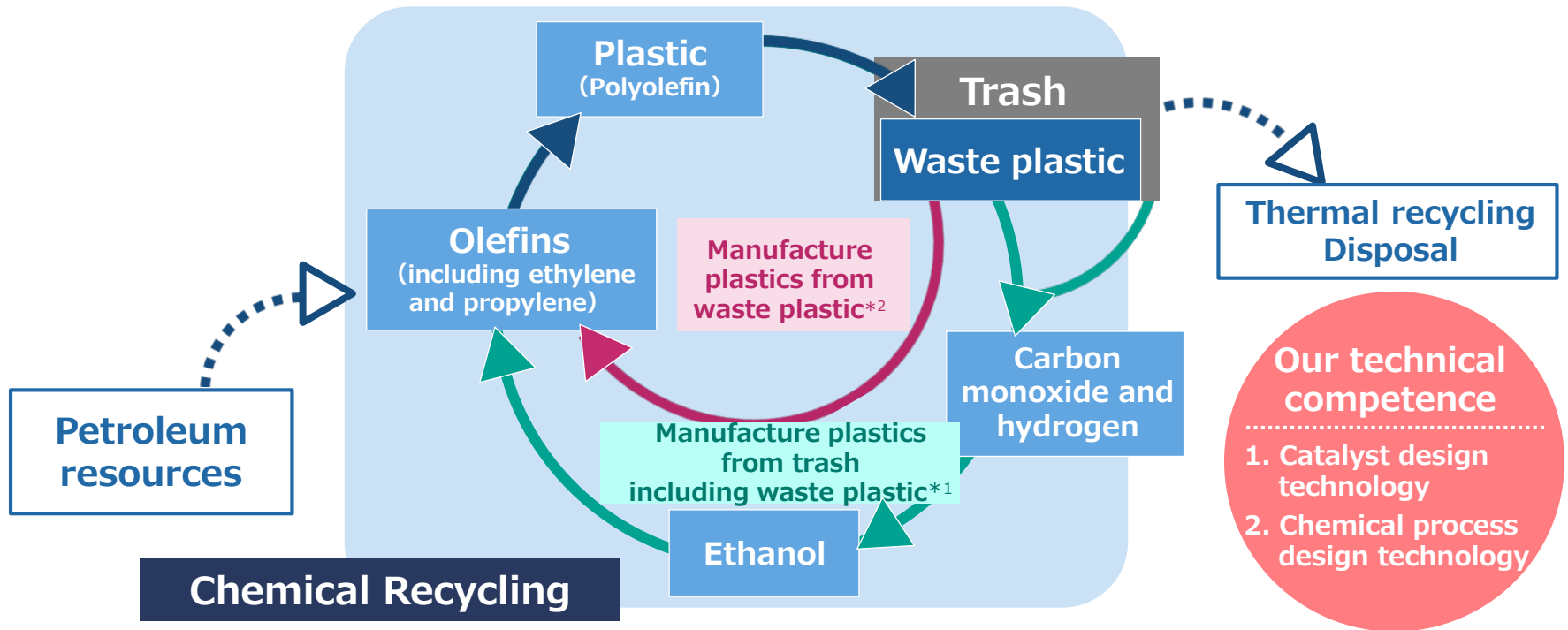
*1 FTSE Blossom Japan Index

*2 MSCI Japan ESG Select Leaders Index

*3 MSCI Japan Empowering Women Index (WIN)

*4 Carbon Disclosure Project

*5 EcoVadis Sustainability Ratings



Use waste plastic and trash, instead of fossil fuel feedstock, to manufacture plastic

Solving social issues through the use of plastic products

Reduce food loss
 Improve energy efficiency and mitigate environmental impact by contributing to vehicle weight reduction

Solution to social issues through the use of trash and waste plastic

Cut back on the use of fossil fuel feedstock
 Reduce trash and waste plastic
 Reduce green-house gas emissions

1: Sekisui Chemical undertakes manufacturing of ethanol using trash including waste plastic, while Sumitomo Chemical manufacturing of plastic using ethanol. *2: Joint research with Muroran Institute of Technology

Society: Contribution to Containment of the Coronavirus Pandemic

Change & Innovation 3.0: For a Sustainable Future



Supplying active ingredients for Avigan (favipiravir) and remdesivir



Supplying household antiviral disinfectants



Supplying polyethylene film for medical gowns



Supplying antiviral agents for industrial use



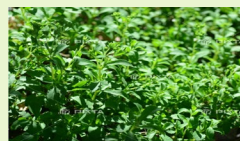
Joined COVID-19 research database



Joint research for a universal influenza vaccines



Provided funds for NanoScent, a startup developing diagnostic sensors for COVID-19



Developing antiviral agents derived from natural plant extracts



Donated medical protective gear (incl. N95 masks and gowns)

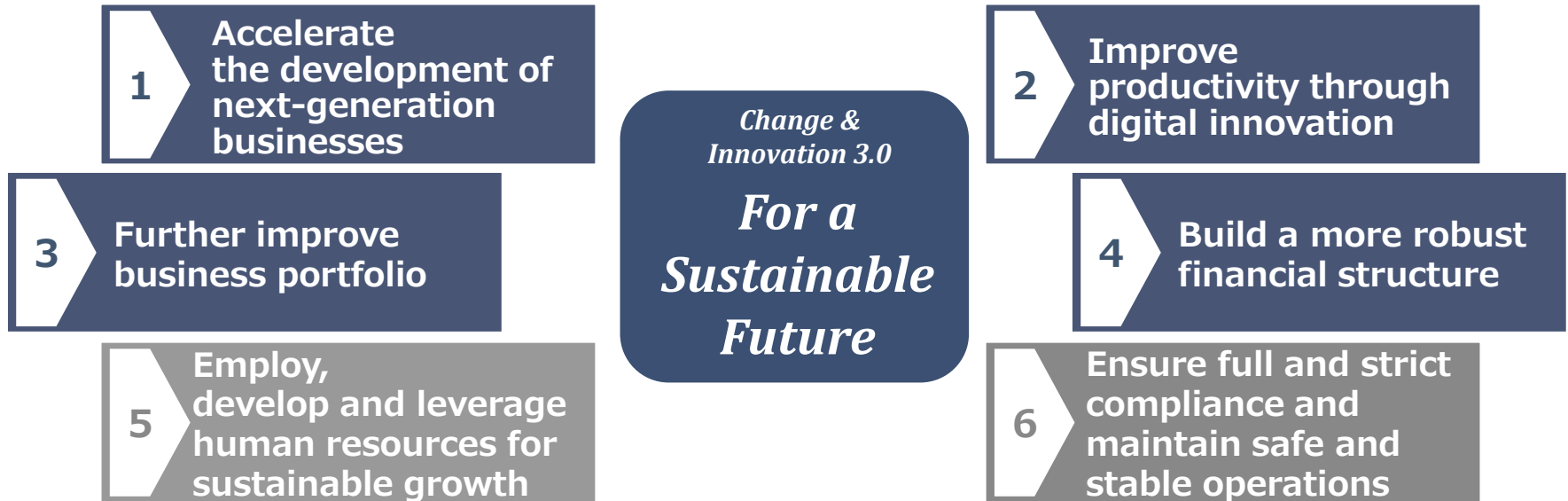


Donated to the Kitasato Institute's Project for COVID-19

**Contributing to containment of the coronavirus pandemic
by leveraging the extensive power of chemistry**

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Corporate Business Plan: Basic Policies



Focus areas for FY2020

- ☑ Focus on the further improvement of business portfolios



Maintain profitability amid the pandemic-induced recession
Enhance resilience generated by diverse business portfolio

- ☑ Carry through post-merger integration (PMI) for the large-scale acquisitions

Sumitomo Chemical creates economic value and social value integrally



Reducing environmental impact



Food issues



Healthcare



ICT innovation



Contribute to realizing a sustainable society through our business activities

- Sharing our aspirations with stakeholders -

Cautionary Statement

Statements made in this document with respect to Sumitomo Chemical's current plans, estimates, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of Sumitomo Chemical. These statements are based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties.

The important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include, but are 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.