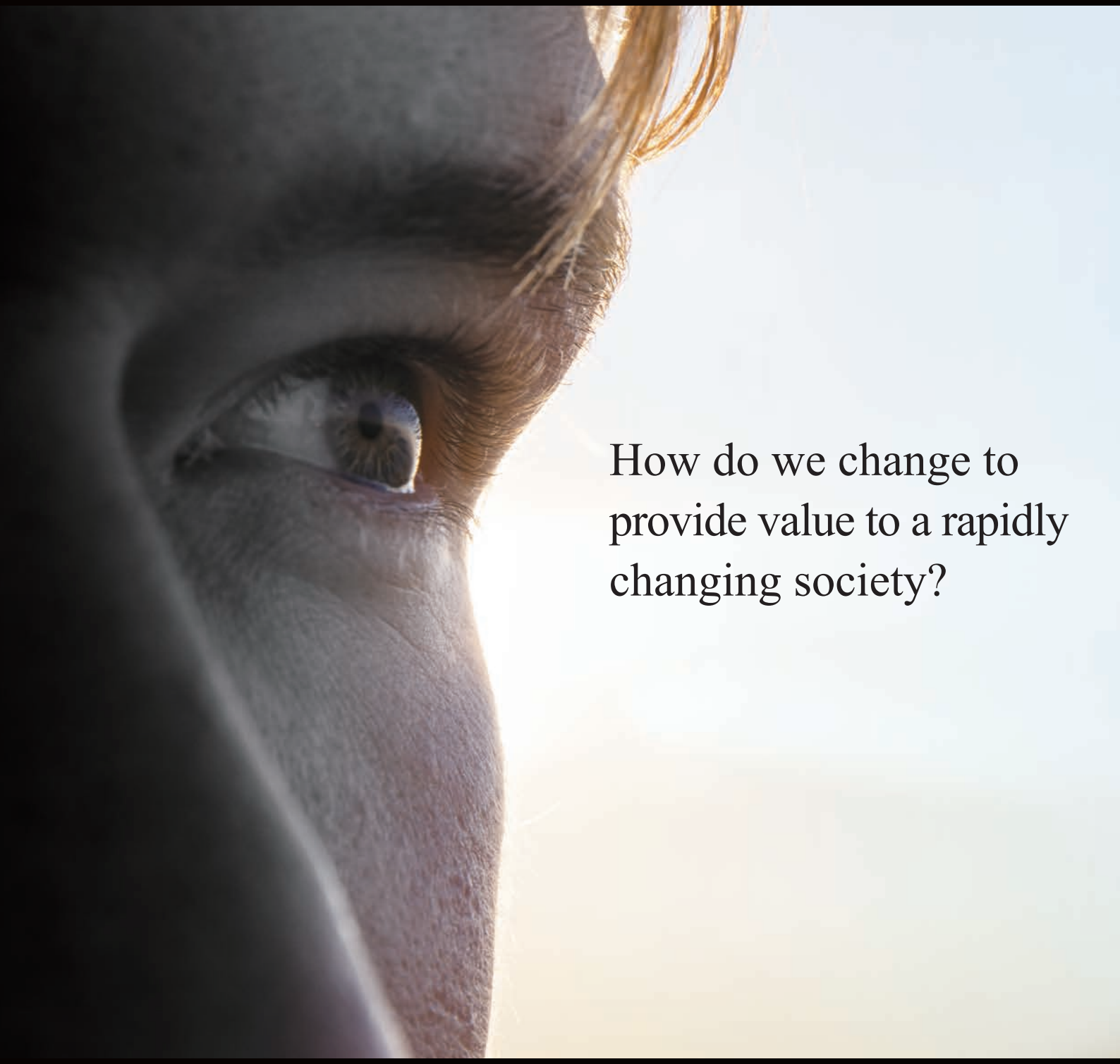
SUMITOMO CHEMICAL

ANNUAL REPORT 2023

CHANGE AND INNOVATION
with the Power of Chemistry


How do we change to
provide value to a rapidly
changing society?

Global Environmental Changes

Climate change and other changes in the natural environment are constantly underway. The destruction of the natural environment has a negative impact not only on us humans, but also on all living things and plants on the earth. In recent years, abnormal weather conditions and resulting disasters are said to be adversely affecting crop yields and disrupting the balance of ecosystems, and problems caused by global environmental changes are occurring more frequently and in greater variety than ever before.

People's Health Around the World

There are still challenges in the world, such as diseases for which treatments have not yet been fully established and medical disparities that limit the medical care available in different regions. In addition, the world's healthcare needs are diverse, including growing health awareness for disease prevention in developed countries. The world is in need of solutions that ensure healthy living, improve quality of life, and enable people around the world to live happy lives.

Advances in Digital Technology

New digital innovations such as IoT and 5G have driven Digital Transformation (DX) and changed our lives. In addition, due to the impact of COVID-19, the use of digital technology is expected to accelerate, and this will lead to significant changes not only in our daily lives, but also in social structures and industrial patterns.

Unstable Social Conditions

The global situation remains unstable due to protectionism in various countries, Russia's invasion of Ukraine, high inflation and financial instability. In this environment, there are many unforeseen potential risks, and the government and each company must respond to them.

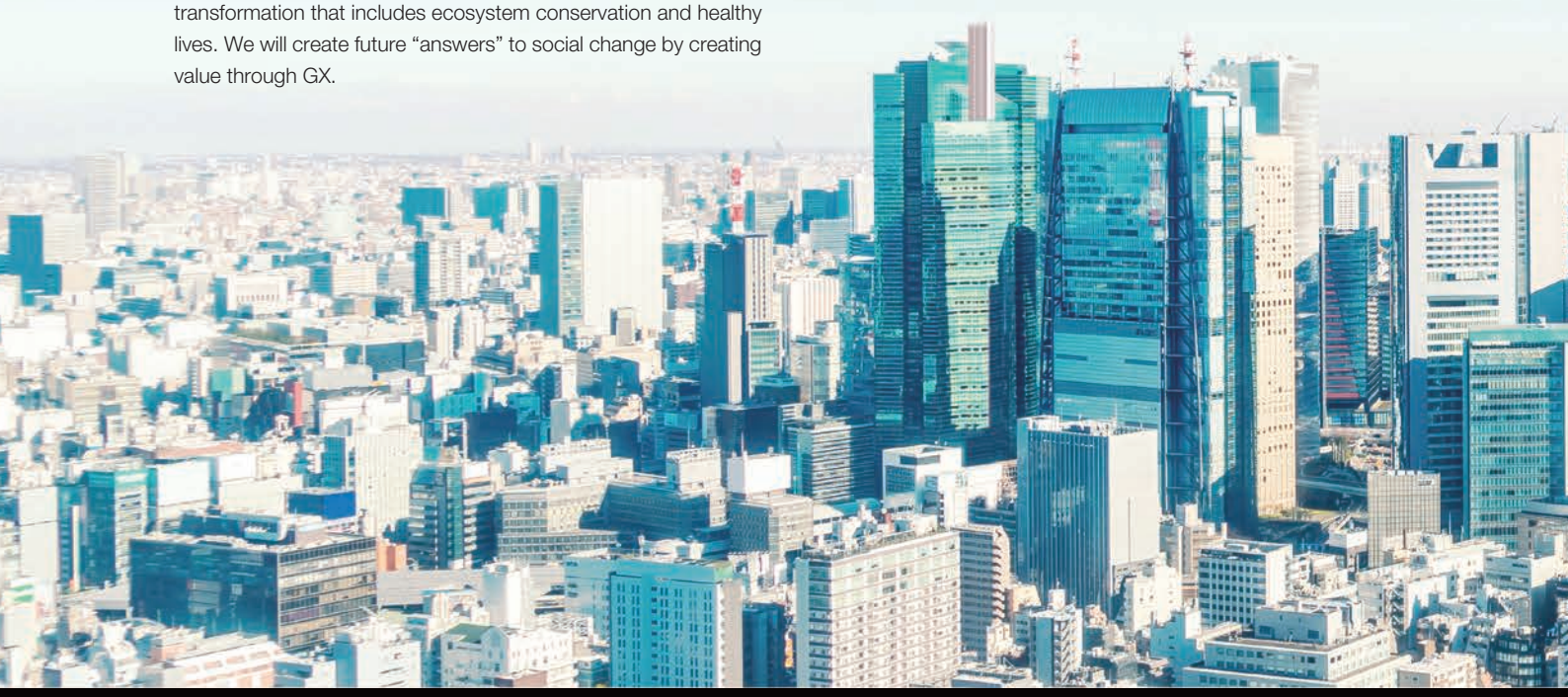
Our SOCIETY

Direction of Long-term Change

Contributing to Society with Sumitomo Chemical's Unique Green Transformation

Sumitomo Chemical's Unique Green Transformation

Seeing our green transformation (GX) as not only a social and economic transformation brought about by carbon neutrality, which is what the conventional GX refers to, but also a broader transformation that includes ecosystem conservation and healthy lives. We will create future "answers" to social change by creating value through GX.



Carbon Neutrality

The world is pooling its wisdom to face the daunting challenge of becoming carbon neutral by 2050. As a chemical company, we hope to contribute to solving global issues by taking the lead in innovation, making the most of our technological strengths.

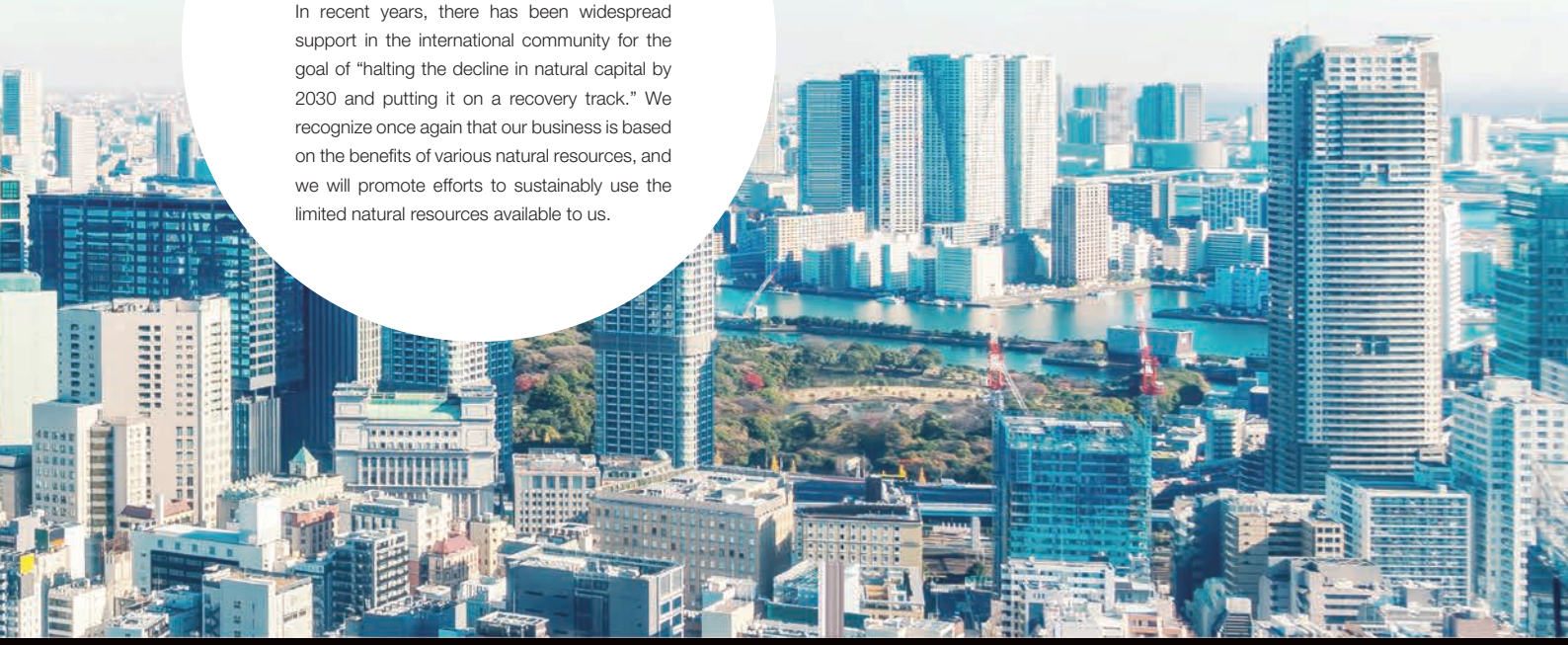
Three directions

Healthy Lives

We have come to realize over the past few years how thankful we are to live in good health. We want to develop businesses that help people around the world lead healthy lives and provide a healthy and vibrant workplace for our employees where they can spend their precious lifetime.

Ecosystem Conservation

In recent years, there has been widespread support in the international community for the goal of “halting the decline in natural capital by 2030 and putting it on a recovery track.” We recognize once again that our business is based on the benefits of various natural resources, and we will promote efforts to sustainably use the limited natural resources available to us.



Our GX

In Publication of Annual Report 2023

The Integrated Report, "Annual Report" comprehensively summarizes our business strengths and strategies, performance report, corporate governance structure, and environmental and social initiatives, with the aim of communicating our value creation story to a wide range of stakeholders, including shareholders and investors, in an easy-to-understand manner. For FY2023, we have retained the structure in line with the Material Issues to Be Addressed as Management Priorities but have enhanced the commentary on advance innovation and included a message from a newly appointed outside director.

Currently, the business environment surrounding our company is facing greater-than-expected headwinds, and our current performance has reached a plateau for growth. However, now is the time for us to mobilize the collective strength of our diversified chemical business to quickly return our business performance to a growth trajectory. We hope that this annual report will convey to you that we can do so, and that we have a future ahead of us that will create even greater value.

Three Reports of Sumitomo Chemical

Annual Report

This integrated report summarizes our business strengths, strategies, issues, and performance with the aim of conveying our company's value creation story to a wide range of stakeholders, including our shareholders and investors, in a way that is easy to understand.

Investors' Handbook

This handbook provides information regarding the market trends and market shares of our wide range of businesses and products, and explains them in detail.

Sustainability Data Book

This data book contains comprehensive information about our sustainability from the perspectives of the environment, society, and corporate governance. (Available online only)

Regarding Issuance

Forward-looking Statements

Statements made in this annual report with respect to plans, strategies, and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Sumitomo Chemical cautions that a number of factors could cause actual results to differ materially from such statements including, but 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.

Financial Statements in This Document

Beginning in FY2017, the Sumitomo Chemical Group began adopting international financial reporting standards (IFRS) in place of Japanese GAAP, which it previously used, and is therefore restating figures for FY2016 using IFRS for comparative analysis.

Guidance for Collaborative Value Creation

The Guidance for Collaborative Value Creation, put forth by the Ministry of Economy, Trade and Industry, is a handbook that serves as a shared language connecting companies and investors, systematically and comprehensively laying out the information that companies ought to convey to investors in order to raise the quality of information disclosure and of dialogue with investors. This report primarily relies on this guidance in the value creation models for sector information.

Environment Social Governance
Guidance for Collaborative Value Creation

CONTENTS

十倉雅和

Masakazu Tokura

Chairman of the Board

Contributing to society with innovations that only Sumitomo Chemical can deliver by leveraging the power of chemistry

Our world seems to have become more divided. The Russian invasion of Ukraine, which began in February 2022, still does not show signs of coming to an end, and the foundations of the international order that has been built since the end of World War II have been severely shaken. In addition, continuing inflation and uncertainties in the financial market are casting a large shadow over the post-COVID-19 global economy. With these conditions expected to continue for the foreseeable future, our world is heading into uncharted waters and entering a period of great uncertainty.

These developments have posed greater challenges than anticipated to the Sumitomo Chemical Group, which last year embarked on its new Corporate Business Plan. Nevertheless, what we must strive to achieve in the medium to long term remains the same: solving social issues that the world needs to address such as carbon neutrality and conservation of ecosystems. This requires the power of science. More than a hundred years ago, Sumitomo Chemical solved the social problem of smoke pollution caused by the emissions from the Sumitomo Besshi Copper Mine in Japan, while at the same time contributing to increasing food production, by producing fertilizers from the emissions. It was the power of chemistry and the tireless efforts of the people who engaged in the project that made happen what then seemed virtually impossible.

Chemistry will continue to play a pivotal role in driving innovation and shaping the future. Considering changes in society as opportunities, we at the Sumitomo Chemical Group will accelerate green transformation (GX) and digital transformation (DX) and contribute to the future and to society with innovations that only we can deliver.

We would like to ask all of our stakeholders for their continued support and cooperation.

July 2023

President's MESSAGE

岩田圭一

Keiichi Iwata

Representative
Director & President

Now is the time to demonstrate the strength of a diversified chemical company with the power of our diverse businesses

Return to a strong growth trajectory

Aiming to achieve recovery in FY2024 by leveraging three growth drivers

In FY2022 we faced a challenging business environment but delivered some positive results

We at the Sumitomo Chemical Group posted record profits in FY2021 and launched our new Corporate Business Plan in FY2022. We faced dramatic changes in the business environment that were beyond our expectations during FY2022, such as significant increases in raw material and fuel prices and supply chain disruptions following Russia's invasion of Ukraine and a downturn of the world economy. It was a very challenging year as our financial performance deteriorated due to the effects of the expiration of exclusive marketing rights in the U.S. of Sumitomo Pharma's major drug LATUDA® and a slump in the petrochemicals, display materials, and semiconductor markets.

Despite the circumstances, we steadily implemented the measures that needed to be taken and delivered some positive results. First, we achieved strong earnings in the fields of high-performance chemicals of our IT-related Chemicals and Energy & Functional Materials Sectors as well as in our Health & Crop Sciences Sector in FY2022, even in the face of a difficult environment.

We also decided various strategic investments totaling approximately 200 billion yen. They include construction of a new semiconductor processing materials plant in the U.S. in the IT-related Chemicals Sector, an acquisition of a biostimulant business in the Health & Crop Sciences Sector, and Sumitomo Pharma's integration of Myovant Sciences Ltd. in the Pharmaceuticals Sector, whereby Myovant Sciences, formerly a majority-owned subsidiary, has become a wholly-owned subsidiary of Sumitomo Pharma. These strategic investments, all made in line with the policy of our Corporate Business Plan, will provide solid stepping stones to achieve the targets set for the final year of the plan period.

In addition, we are making steady progress in our group-wide initiatives of green transformation and digital transformation. In the green transformation effort, which is led by the Carbon Neutral Strategy Cross-Functional Team, various initiatives are underway in technology development and implementation, stakeholder collaboration, and other areas. Digital transformation is also advancing driven by our people on the frontlines of manufacturing, research, logistics, and other operations.

Meanwhile, regrettably, we had several occupational accidents during the year. To prevent such accidents, as well as to fulfill our mission to support the manufacturing sector as a member of Japan's essential industry, we will step up efforts to ensure safety and continue to be committed to placing safety above all else.

In FY2023 we will counteract the effect of an expected downturn in the Pharmaceuticals Sector by leveraging the power of our diverse businesses

In FY2023, the Pharmaceuticals Sector is expected to post a large loss due to effects of the expiration of exclusive marketing rights of LATUDA®, making a major impact on the Group's financial results. On the other hand, market conditions for petrochemicals and feed additive methionine and demand for semiconductors are expected to bottom out in the first half of the year and then begin to recover.

By nature of the business, the Pharmaceuticals Sector cannot avoid effects of patent expiration. But the sector is basically less likely to be affected by fluctuations in the economy and can deliver stable earnings, and it has actually made substantial contributions to the Group's earnings. In FY2023, the other business sectors need to step up to counteract the effect of a downturn in the Pharmaceuticals Sector and hold up the Group's performance, and we view the year as a time when the true strength of Sumitomo Chemical as a diversified chemical company and the power of our diverse businesses will be tested. As we head toward FY2024, the final year of our Corporate Business Plan, we will carry out what we should do.

Our recovery plan toward FY2024

As we head toward FY2024, we have a solid plan to achieve a strong recovery. We will strive to deliver improved financial results in FY2024 by leveraging three growth drivers.

The first growth driver is regenerative agriculture. Regenerative agriculture is a new approach that aims to make farming sustainable by restoring and improving soil health while also reducing greenhouse gas (GHG) emissions as well as maintaining and enhancing biodiversity. The Sumitomo Chemical Group has long focused on low environmental impact crop protection chemicals and biorational products. By combining these solutions and going beyond the dichotomy between chemical products and non-chemical products, we will make our presence felt in the field of sustainable agriculture, which is expected to grow significantly in the future.

Second, we will step up efforts to maximize returns of our investments in high-performance materials such as semiconductor chemicals and liquid crystal polymers (LCP). These investments, made in anticipation of demand growth, are expected to start generating returns in FY2024.

The third growth driver is in the Pharmaceuticals Sector. We will strive to maximize the value of ORGOVYX®, MYFEMBREE®, and GEMTESA®, the three key products that are expected to drive the sector's post-LATUDA growth, through alliances with other companies and expansion of indications. FY2024 target sales revenues of these products are 200.0 billion yen. With these efforts and rationalization by reorganizing North American subsidiaries, the Pharmaceuticals Sector will strive to achieve a V-shaped recovery.

Leveraging these growth drivers while also working on efforts to improve our business structure, including structural reforms and rationalization of the display materials business, we aim to achieve core operating income of 200 billion yen in FY2024.

Solving social issues and increasing corporate value based on our corporate philosophy

Upgrading our business portfolio from a broadly-defined green transformation (GX) perspective

In all ages, our purpose is to carry out Jiri-Rita Koushi-Ichinyo—our credo that comes from Sumitomo's business principles, which means that our business must benefit society at large, not just our own interests. We are firmly committed to solving social issues and enhancing our corporate value at the same time, and since FY2022 we have been working to upgrade our business portfolio from the perspective of broadly-defined green transformation, which includes not only achieving carbon neutrality but also conserving biodiversity and ensuring people's healthy lives. In addition, commitment to technological innovation for contributing to society is embedded in Sumitomo Chemical's DNA. As we pursue our purpose, we will continue to strive to drive innovation, create next-generation new businesses in our priority areas, and thereby contribute to society.

Our efforts toward achieving carbon neutrality are advancing, including collaboration with other companies and visualization of our contributions

During the past year, we made real progress and delivered a number of achievements in our efforts toward achieving carbon neutrality.

In the area of recycling, we have launched a business alliance with REVER Corporation for material recycling of waste plastics derived from end-of-life vehicles. In addition, we have constructed a new pilot facility for chemical recycling

of acrylic resin (polymethyl methacrylate or PMMA) in Ehime, Japan, which was completed in December 2022. Shipment of samples is scheduled to begin in fall 2023. The recycled acrylic resin will be the first product to be provided under the Meguri® brand, which Sumitomo Chemical launched for its plastic products made with recycling technology. Moreover, we are working with local governments to collect and recycle acrylic plastic partition panels used for reducing the spread of droplets that are no longer in use as COVID-19 prevention measures were lifted. The recycled products made in this project will be also provided under the Meguri® brand.

Sumitomo Chemical's projects to develop chemical recycling technologies, which include four themes such as olefin production through direct cracking of waste plastics, were selected for the Green Innovation Fund Project*. The project has come to the stage of pilot plant design, and we aim to implement the technology in society by 2030.

Cooperation with other companies is essential to implementing new technology in society. In November 2022, the Keiyo Coastal Industrial Complex Council on Carbon Neutrality, led by the government of Chiba Prefecture, Japan, was established, and we actively engage in the Council's discussions. In addition, Sumitomo Chemical, Mitsui Chemicals, Inc., and Maruzen Petrochemical Co., Ltd. are considering starting collaborative projects toward carbon neutrality at the Keiyo Coastal Industrial Complex. The projects under study include developing and implementing chemical recycling and material recycling technologies, sourcing biomass for feedstock, collecting waste for recycling, and jointly implementing fuel conversion and construction of associated infrastructure.

We have also started procurement of clean ammonia, which is expected to be a next-generation energy source, in cooperation with Yara International ASA of Norway, the world's leading ammonia manufacturer.

While we are making these various efforts toward achieving carbon neutrality, we consider that it is also important to quantify and visualize the contributions that these efforts are actually providing to society. As one of the indicators for the contributions, we have been using sales revenue of Sumika Sustainable Solutions; that Group's products help to address climate change, reduce environmental impact and promote effective use of resources. The sales revenue of these products in FY2022 was approximately 680 billion yen. We aim to increase this figure to 1.2 trillion yen by FY2030.

In addition, we have established a new indicator named Science Based Contributions (SBC) that represents the calculated amount of avoided GHG emissions achieved through the use of our products as well as the use of our technologies under license. The latest SBC indicator totaled approximately 8.30 million tons per year, with 5.60 million tons of GHG emissions reductions achieved through the use by customers of our products such as herbicide flumioxazin and 2.70 million tons resulting from process improvement by licensees using our technologies such as the propylene oxide-only process. This almost matches the amount of Sumitomo Chemical's Scope 1 and Scope 2 GHG emissions, which totaled 7.65 million tons in FY2021, and shows the great potential of our products and technologies to contribute to GHG emissions reduction. We will widely use the SBC as an indicator to clarify the contributions of the Sumitomo Chemical Group as well as the chemical industry to the achievement of carbon neutrality.

In order to achieve carbon neutrality of society as a whole, not just Sumitomo Chemical but all companies in supply chains will be required to be able to quantify the carbon footprint of each one of their products. Sumitomo Chemical has developed a proprietary carbon footprint calculation tool for chemical products. We have made the tool available free of charge, and it is currently used by about 70 companies. We received the 2023 Responsible Care Award from the Japan Chemical Industry Association in recognition of the tool's contribution as one of the infrastructure platforms for the chemical industry.

*Note: The Green Innovation Fund Project is an initiative implemented by the Ministry of Economy, Trade and Industry (METI), the New Energy and Industrial Technology Development Organization (NEDO), a national research and development agency, and others toward achieving carbon neutrality by 2050, with a 2 trillion-yen fund created under NEDO. This project is intended to provide continuous support for the effort of companies and other organizations committed to ambitious goals, from research, development and demonstration to implementation in society, for a period of ten years.

Contributing to conserving biodiversity through effective use of water resources and other efforts

Biodiversity is closely linked to carbon neutrality. However, unlike carbon neutrality, which can be approached using GHG emissions as a globally accepted common yardstick, the issue of biodiversity is difficult at present to address quantitatively. Nevertheless, we consider that it is necessary to clearly demonstrate the relations between our business activities and nature, rather than just do some nature conservation activities.

The Sumitomo Chemical Group will strive to promote biodiversity along the two axes of efforts to reduce negative impacts on natural capital and efforts to increase positive impacts on natural capital.

To reduce negative impacts on natural capital, it is necessary, for example, to make effective use of water resources. At our factories in India, we treat household wastewater with earthworm farming technology and use it after treatment. By doing so, we have reduced our river water

use by more than 70% while ensuring a stable water supply necessary for our production operations. As for efforts to increase positive impacts on natural capital, we have developed crop protection chemicals suitable for no-till farming, a form of regenerative agriculture that avoids tilling to maintain and restore the soil environment, and are working to promote the spread of this farming method. We have also been working on research and development of mycorrhizal fungi, a class of useful microorganisms living in the soil, that are expected to help reduce CO_2 emissions and improve soil fertility. We will contribute to conserving biodiversity by providing a broad range of effective agricultural solutions, from herbicides and other crop protection chemicals to farming materials to promote plant growth and maintain soil health.

Strengthening human resources and technological expertise that form our core competencies

Working to maintain and enhance diversity of our human resources

Sumitomo Chemical is engaged in diverse businesses, and our people have diverse skills, knowledge, and experience. That diversity of our people is one of our greatest strengths. To maintain and enhance it, we are implementing various initiatives.

In hiring people, we prioritize recruiting sources that can attract highly competent candidates, and currently we focus on regular hiring of new graduates, while also recruiting people with experience as needed. We are very pleased to see that Sumitomo Chemical has been ranked 12th among companies in all industries and 5th in the chemical and materials industry in a 2023 ranking of most popular companies among job-seeking science, technology and engineering graduate school students in Japan.

We are also stepping up efforts to provide more opportunities for senior employees. In 2006, Sumitomo Chemical introduced a reemployment system. We have already achieved a high level of continued employment of senior employees, and as of FY2021, the reemployment rate was 97%. In April 2024, Sumitomo Chemical will shift to a system in which the mandatory retirement age will be raised to 65, in order to create an environment where senior employees who have the desire and ability to work can continue to work under the same conditions.

Regarding the advancement of women, we will work to increase the ratio of women with science, technology and engineering backgrounds in new recruits while also creating an environment where women can continue their careers even after life events. We use the ratio of women in positions equivalent to manager and above as a key performance indicator (KPI), and it was 9.5% in FY2022, against the target of 10% or higher. We will continue to work to improve the ratio while also raising the target.

Driving innovation by combining diverse technologies

Sumitomo Chemical is a technology-driven company and aims to contribute to society through innovation. Innovation is not only about making new discoveries, but also about creating new value and impacts by combining the known with the known. Generally, the greater the variety of the technologies that are employed, the more likely that innovation will happen. Sumitomo Chemical, which possesses diverse technologies, has great potential to succeed in innovation.

In terms of technology, we consider base technology more important than applied technology. Base technologies that we have built through our research activities of many years have led to a variety of new solutions and, in turn, the pursuit of new solutions has made our base technologies even stronger. A diversified chemical company is powered by this positive cycle of technological development. Leveraging this cycle, we will continue to create innovative new solutions to address social issues and trends.

In addition to these endeavors, we are stepping up open innovation. Overseas, we have established our Corporate Venturing & Innovation (CVI) Offices in innovation clusters such as Boston in the U.S. and Cambridge in the U.K. In Japan, we have opened a co-creation space called SYNERGYCA within our Tokyo headquarters, aiming to promote creation of innovative solutions through dialogs with various stakeholders including customers and other chemical companies.

Since FY2019, we have been implementing stage-gate management of new business creation projects. In this system, we categorize research projects into four stages, from ideation to commercialization. We have clearly-defined requirements for gate management in place and decide based on them whether a project can pass a gate and go on to the next stage, with business divisions deeply involved in the process. This system has enabled us to accelerate creation of new research projects and also decide more quickly whether or not to proceed, so that the metabolism of research projects has been improved. We will continue to work to identify projects with real potential, promote the growth of innovative new technologies, and create new businesses.

Striving to become a company that makes its stakeholders feel proud to have a stake in the company

Fulfilling our responsibility as a listed company with an emphasis on stable dividends

Finally, I would like to explain our thinking on dividends. Our dividend policy consists of two criteria: a payout ratio of 30% and stable dividends. For FY2023, we project an annual dividend of 12 yen per share, with emphasis on stable dividends, although it could send the dividend payout ratio considerably high as the business environment is expected to be challenging.

We consider that a company of our size needs to generate core operating income of around 100 billion yen regardless of the business environment. Deducting taxes from this amount and multiplying the result by a dividend payout ratio of 30% makes an annual dividend of approximately 12 yen per share. We view this level as the minimum requirement to meet the criterion of long-term stable dividends, and we assume that a listed company is responsible for at least maintaining dividends at this level even in the current difficult circumstances. Going forward, we aim to put our performance back on a growth trajectory and achieve core operating income of 200 billion yen in FY2024, thereby realizing an annual dividend of 24 yen or more per share and meeting our stakeholders' expectations.

Enhancing our presence by carrying out the Sumitomo Spirit

We at the Sumitomo Chemical Group are committed to contributing to solving social issues through our business in accordance with the Sumitomo Spirit. And by doing so, we aim to enhance our presence and become a company that makes its stakeholders feel happy and proud to have a stake in the company. In this connection, I recently received a report that was particularly delightful to me. In a recent employee satisfaction survey, employees gave a high rating in response to the question, "Do you think that you would like to recommend Sumitomo Chemical as a company to work for to your friends and family?" This means our people recognize that Sumitomo Chemical is an excellent company, so to speak, and I see this as something of significant value. I will work hard to ensure that Sumitomo Chemical will continue to be a company that our people feel that way about.

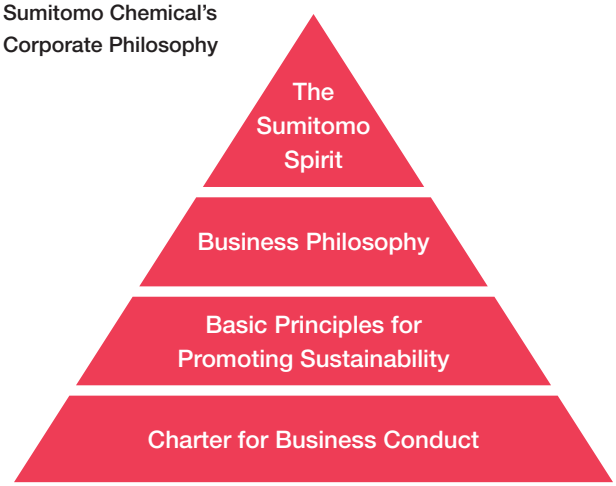
Although the business environment is expected to remain challenging, we will strive to put our performance back on a growth trajectory soon and increase our corporate value over the long term by leveraging our strengths as a diversified chemical company. We would appreciate you, our shareholders and other stakeholders, to continue to put your trust in Sumitomo Chemical's future.

Achieving Growth for the Company and Contributing to Society by Upholding the Sumitomo Spirit

Corporate Philosophy

Sumitomo Chemical has its origin in the business of the Sumitomo, a family with a history spanning about 400 years, and the company has upheld Sumitomo's fundamental principles for business management to this day. In its Business Philosophy, Sumitomo Chemical articulates the essence of its corporate vision, mission, and values, founded on the Sumitomo Spirit.

The Framework of Sumitomo Chemical's Corporate Philosophy



The Sumitomo Spirit

The Sumitomo Business Principles

1 Sumitomo's business should seek to thrive and prosper by putting trust first and building on reliability.

2 Sumitomo's business should closely watch the changing of the times and carefully weigh opportunities and risks and should never chase short-term gains in good times and bad.

Putting trust first and building on reliability	Trust placed in us by business partners and society should be our first priority.
Never chase short-term gains	Firmly warn us to avoid being preoccupied by pursuing easy gains.

Jiri-Rita Koushi-Ichinyo*

"Our business must benefit society at large, not just our own interests."

*** This means that Sumitomo's business must not only advance its own interests but also contribute to the nation and society.**

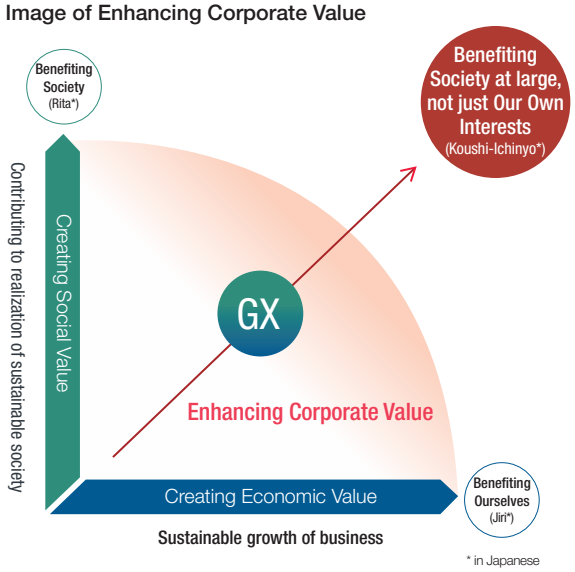
Sumitomo Chemical's Business Philosophy

1. We commit ourselves to creating new value by building on innovation.
2. We work to contribute to society through our business activities.
3. We develop a vibrant corporate culture and continue to be a company that society can trust.

Sumitomo Chemical's Approach to Enhancing Corporate Value Based on Corporate Philosophy

The Sumitomo Spirit of "Jiri-Rita Koushi-Ichinyo" means that "Sumitomo's business must contribute not only to its own development but also to society," a concept that the Sumitomo Chemical Group has valued since its foundation and is also consistent with Creating Shared Value. We will achieve sustainable growth of our group (Benefiting Ourselves) and create value for society (Benefiting Society) while constantly transforming our business by adding a green transformation perspective. By doing so, we aim to create economic value and social value in an integrated manner (Benefiting society at large, not just our own interests), thereby enhancing corporate value.

Image of Enhancing Corporate Value



Basic Principles for Promoting Sustainability

Principle 1	Creating economic value which helps create social value (Promoting "Jiri-Rita Koushi-Ichinyo")
Principle 2	Contribution to solving globally vital issues
Principle 3	Active participation in global initiatives
Principle 4	Collaboration with stakeholders
Principle 5	Top management commitment and participation by all
Principle 6	Enhancing corporate governance

Sumitomo Chemical Charter for Business Conduct

1. We will respect Sumitomo's business philosophy and act as highly esteemed good citizens.
2. We will observe laws and regulations, both at home and abroad, and will carry out activities in accordance with our corporate rules.
3. We will develop and supply useful and safe products and technologies that will contribute significantly to the progress of society.
4. We will engage in voluntary and active initiatives to achieve zero-accident and zero-injury operations and preserve the global environment.
5. We will conduct business transactions based on fair and free competition.
6. We will endeavor to make our workplaces sound and energetic.
7. Every one of us will strive to become a professional and achieve advanced skills and expertise in our field of responsibility.
8. We will actively communicate with our various stakeholders, including shareholders, customers, and local communities.
9. As a corporate member of an international society, we will respect the culture and customs of every region of the world and contribute to the development of those regions.
10. We will strive for the continued development of our Company through business activities conducted in accordance with the guiding principles described herein.

A Story of Evolving with the Times and Pioneering the Future with the Power of Chemistry

1913-1940

Sumitomo Spirit the origin of "Jiri-Rita Koushi-Ichinyo"

Origin of our company

The Besshi Copper Mine opened a smelter in 1884 and started full operation in 1893. Expansion of this smelting and refining business resulted in an unexpected problem of air pollution: sulfur dioxide gas emitted from the smelting process caused damage to local agricultural production. In response to this problem, Sumitomo made a decision to extract sulfur from copper ore to produce fertilizer (superphosphate lime) to reduce sulfur dioxide gas emissions during smelting.

Sumitomo Fertilizer Works, our predecessor, was established in 1913 to implement this plan. This not only reduced smoke pollution, but also made it possible to provide farmers with inexpensive fertilizers, contributing to the development of agriculture.

The Sumitomo family has passed down from generation to generation the words "Jiri-Rita Koushi-Ichinyo," which means that its business must benefit society at large, not just its own interests. This business principle is embodied in the way Sumitomo addressed the problem of air pollution they faced, and its commitment to contributing to the development of a sustainable society through business, which that story demonstrates, is deeply embedded in Sumitomo Chemical's Business Philosophy.

Calcium superphosphate warehouse

The First Step in our Ability to Develop Solutions Using Technology Birth of the Idea of Creating New Value through the Power of Chemistry

View of entire works after the first-phase ammonia plant completion

Going from a fertilizer manufacturer to a chemical company

The business that the company thus started, however, consumed only a small amount of sulfur in its production of fertilizer, accounting for only a mere 6% of the ore output of the Besshi Copper Mine. In order to increase the consumption of sulfur, in the form of sulfuric acid, the company decided to enter the ammonium sulfate business, which led to efficient use of sulfuric acid. Along with this, it also started manufacturing ammonia, a raw material for ammonium sulfate. After that, by introducing new technologies from outside, the company further expanded its business scope to include other industrial chemicals, including nitric acid, methanol, and formalin. In this way, a foundation was built for the company to develop from a fertilizer manufacturer into a chemical company.

Net Sales / Sales Revenue[*1*2]

1915-1977: Non-consolidated 1978-2022: Consolidated

*1 Since FY2016, Sumitomo Chemical has used IFRS (International Financial Reporting Standards).
*2 In FY1995, Sumitomo Chemical changed its fiscal year to end on March 31.
Revenue from January-March 1995 has been added to FY1994.

1915 1920 1925 1930 1935 1940

The Sumitomo Group's history dates back to about 400 years ago, when the Sumitomo family started its business in Kyoto, venturing into a broad range of fields, including copper smelting and refining, trading, and mining. In 1690, they discovered the Besshi Copper Mine in Ehime Prefecture. Sumitomo Chemical began its business journey by manufacturing fertilizers to prevent smoke pollution caused by the family's copper smelting operations, and has since been operating for over a century as one of the Sumitomo Group companies.

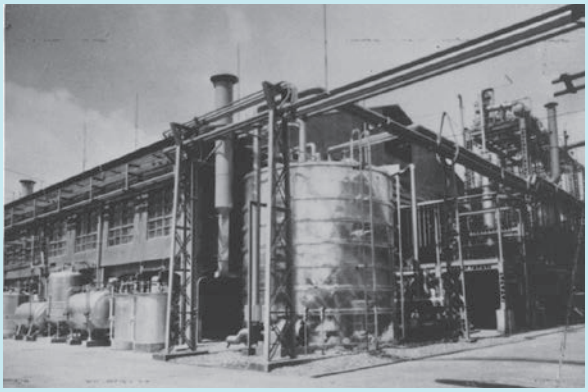
1941-1970

Creating Value in All Fields by Building a Broad Technology Base

Transformation into a diversified chemical company

In working to expand from the fertilizer business to the industrial chemicals business, the company found it essential to enter the field of fine chemicals, to grow into a diversified chemical company that could create synergies with its varied businesses. In 1944, Sumitomo Chemical merged with the Japan Dyestuff Manufacturing Company, which was engaged in the dyestuff and pharmaceuticals businesses. This marked the start of Sumitomo Chemical's fine chemicals business, which continued to grow in the years that followed.

After World War II, Sumitomo Chemical entered the agrochemicals business, comprised of household insecticides and crop protection products. In 1953, the company launched Pynamin, a household insecticide. Meanwhile, Sumithion, a crop protection product developed in-house, became a blockbuster. Driven by the twin engines of a household insecticide and a blockbuster crop protection product with a high safety profile, the agrochemicals business grew to play an important role in the company's fine chemicals sector.



Pynamin Plant

The pharmaceuticals business expanded through alliances and mergers with foreign companies. With new drug candidates successively coming into its pipeline and the launch of new treatments for psychiatric and neurological diseases and cardiovascular diseases, as well as anti-inflammatory and analgesic agents, this business achieved solid growth.

In 1958, Sumitomo Chemical completed the construction of manufacturing plants for ethylene and polyethylene in Ehime, Japan, and entered into the petrochemicals business. This was followed by the construction of a larger-scale ethylene plant in Chiba, Japan, and the expansion of the business into a wide range of petrochemical derivatives. The petrochemicals business expanded on the back of the rapid growth of the Japanese economy.

Ethylene Plant

A Story of Evolving with the Times and Pioneering the Future with the Power of Chemistry

1971-2000

Sumitomo Chemical to Build a Global Sumitomo Chemical Brand and Enter the World Market

Construction of Singapore Petrochemical Complex and entry into the U.S. agrochemical market

In 1971, at the request of the Singapore government, the Singapore Petrochemical Project, Sumitomo Chemical's first overseas project for its petrochemicals business, was initiated. Establishing a petrochemical base in Singapore had an immense significance for the company, because in Singapore naphtha was available at competitive prices and the location would allow the company easy access to the Southeast Asian market, where enormous growth in demand was expected.

While there were times when the future of this project became extremely uncertain, including the experience of the oil crisis, the Singapore Petrochemical Complex finally started full operation in 1984. These endeavors and achievements in Singapore brought the company valuable experience and know-how, which supported its efforts toward full-fledged globalization in the years that followed.

In 1988, we established Valent U.S.A. in the United States, entering the world's largest (at that time) crop protection market. Since then, in the agrochemicals business, Sumitomo Chemical successively launched new products from the 1990s to 2000s, including crop protection products and household insecticides, by leveraging its advanced R&D capabilities. In addition, we have expanded the scale of our business through measures such as expanding our production capacity for methionine, a feed additive used to promote growth of poultry, and pursuing acquisitions both inside and outside Japan.

Valent U.S.A. Corp., a development and sales base in the United States for agrochemicals

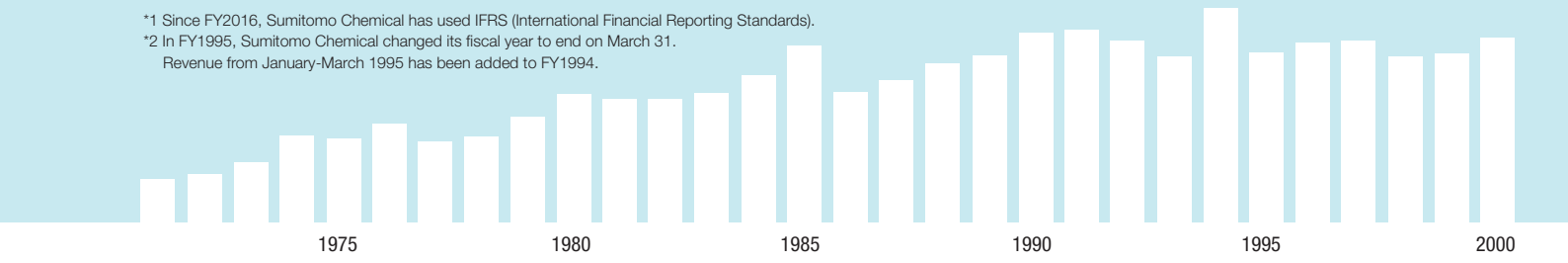
Singapore Petrochemical Complex

Dongwoo Semiconductor Chemicals (currently, Dongwoo Fine-Chem) (South Korea)

Net Sales / Sales Revenue[*1*2]

1915-1977: Non-consolidated 1978-2022: Consolidated

*1 Since FY2016, Sumitomo Chemical has used IFRS (International Financial Reporting Standards).
*2 In FY1995, Sumitomo Chemical changed its fiscal year to end on March 31.
Revenue from January-March 1995 has been added to FY1994.



2001-

Deepen Global Management and Develop Competitive Businesses in Global Markets

IT-related Chemicals Sector established and business growth

In the latter half of the 1990s, digitalization began to advance rapidly, with the internet, PCs, and cell phones becoming widely used in society. In response to these societal changes, Sumitomo Chemical decided to define information technology-related businesses that handle components and materials for electronic devices as one of the pillars that support the future of Sumitomo Chemical, and established the IT-related Chemicals Sector. With a particular focus on the South Korean, Taiwanese and Chinese markets, the company set up local production companies and actively expanded the business. Backed by rapid expansion in the use of liquid crystal display panels, the business for display components, including polarizing films and color filters, achieved remarkable growth.

Separation of the pharmaceutical business and the inauguration of Sumitomo Dainippon Pharma Co., Ltd.

In 1984, Sumitomo Chemical and Inabata & Co., Ltd. spun off their pharmaceuticals manufacturing and sales businesses to form Sumitomo Pharmaceutical Co., Ltd., with the aim of improving efficiency and agility in manufacturing, sales and R&D and increasing competitiveness. Furthermore, in 2005, Sumitomo Pharmaceutical merged with Dainippon Pharmaceutical to establish Sumitomo Dainippon Pharma Co., Ltd., with the goals of strengthening their business base in Japan while also expanding their global reach. Sumitomo Dainippon Pharma has actively been promoting the sales of LATUDA®, an atypical antipsychotic agent developed in-house, in the U.S. and the EU.

Implementation of the Rabigh Project

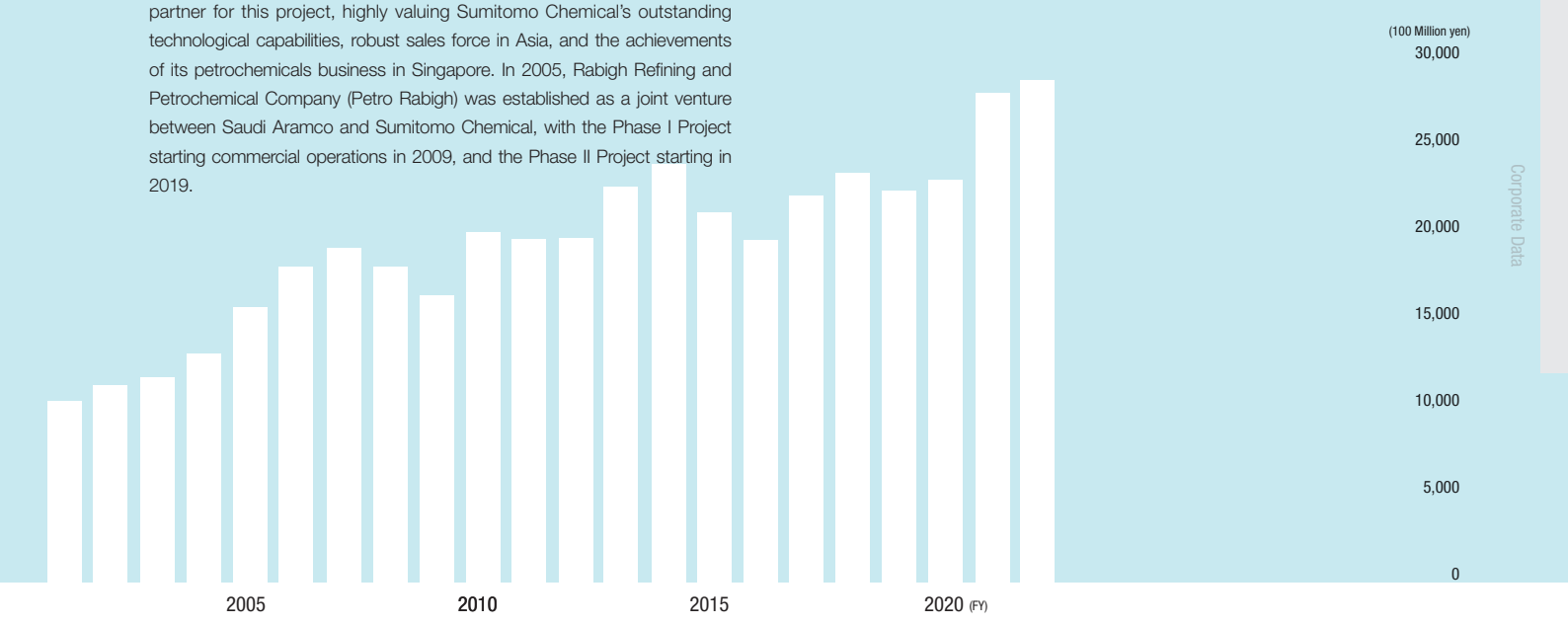
The Rabigh Project, a substantial project to construct a world-scale oil refinery and petrochemicals complex in Saudi Arabia, got its start in 2004 when Sumitomo Chemical and Saudi Aramco signed a memorandum of understanding. Saudi Aramco selected Sumitomo Chemical as its partner for this project, highly valuing Sumitomo Chemical's outstanding technological capabilities, robust sales force in Asia, and the achievements of its petrochemicals business in Singapore. In 2005, Rabigh Refining and Petrochemical Company (Petro Rabigh) was established as a joint venture between Saudi Aramco and Sumitomo Chemical, with the Phase I Project starting commercial operations in 2009, and the Phase II Project starting in 2019.

Joint information meeting on the merger of Dainippon Pharmaceutical and Sumitomo Pharmaceuticals


Petro Rabigh (Saudi Arabia)

Sumitomo Chemical remains committed to its principle of contributing to the development of a sustainable society through business, even after more than a century has passed since its foundation.
The company will continue to work to resolve various issues facing people around the world and achieve long-term sustained growth.

Our Website: Company History



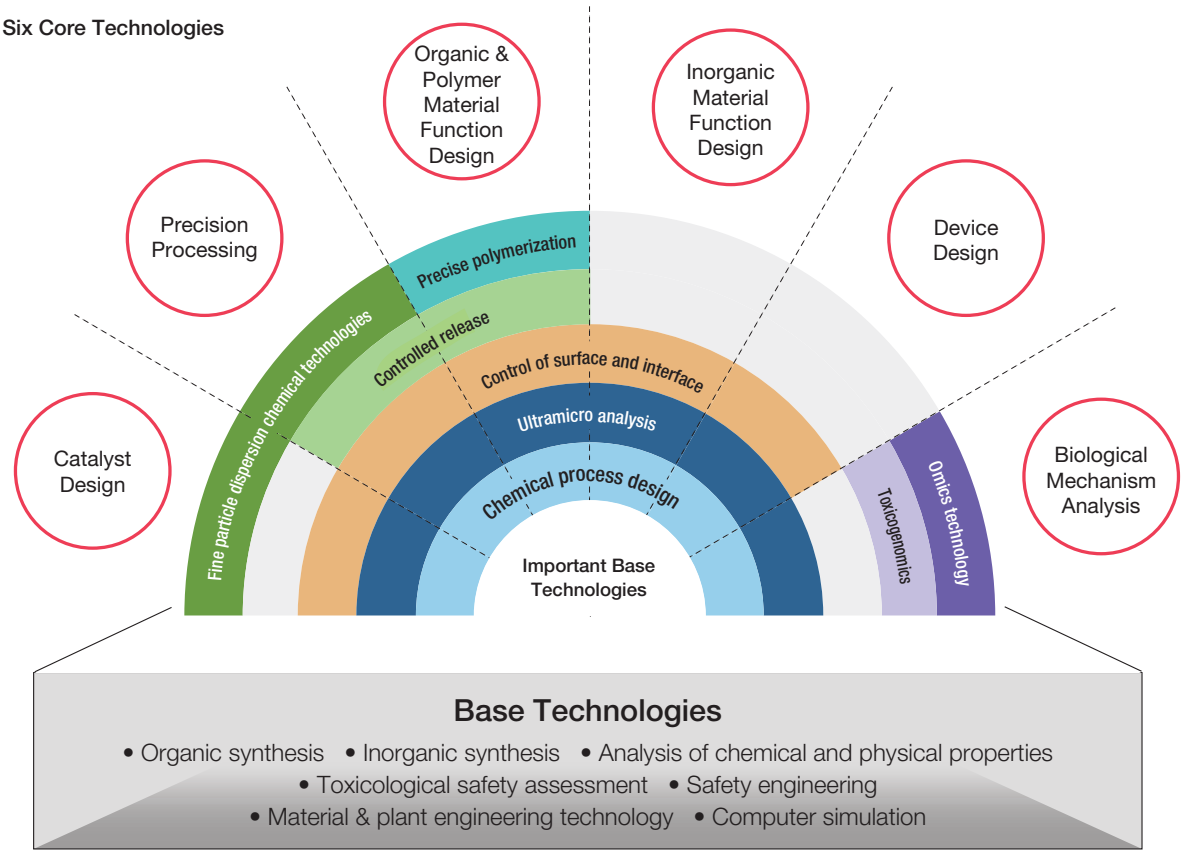
Sumitomo Chemical's Core Competence

Sumitomo Chemical recognizes three of our core competencies, which we have developed over our 100-year history: "Ability to develop innovative solutions by leveraging its technological expertise in diverse areas," "Ability to reach global markets," and "Our Highly Engaged and Diverse Human Resources". By making the best use of these resources, we are striving to solve social issues such as environmental and food problems, and to improve people's quality of life.

Ability to develop innovative solutions by leveraging its technological expertise in diverse areas

A source for creating new value

Sumitomo Chemical has continued to challenge new areas with its relentless spirit of inquiry and creative technologies. Through our extensive research activities over the years, we have established six core technologies. We are engaged in research and development to create new solutions to social issues and trends around the world by utilizing these core technologies. Based on our belief that "creative R&D is what will build a new era," we will continue to strengthen our solution development capabilities.

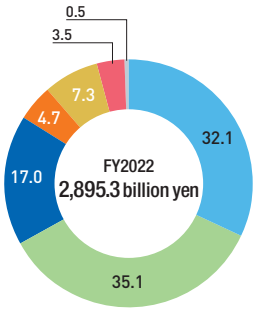


Ability to reach global markets

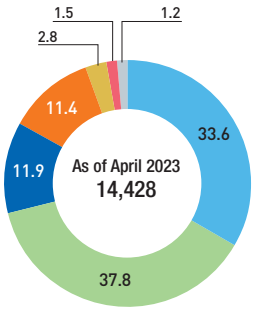
Highly competitive power in global markets

Information by Region

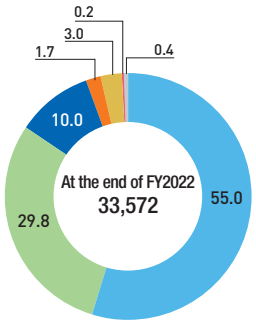
Sales Revenue by Region (%)



Number of patents held by region (SC-only) (%)



Number of employees by region (%)



The Sumitomo Chemical Group has been expanding its business around the world with the aim of building the Sumitomo Chemical brand on a global scale. The Group's current overseas sales revenue ratio exceeds 60%. We intend to continue to aggressively expand the Group's competitive businesses to markets around the world to achieve sustainable growth.

Number of overseas bases
(As of April 2023)

75 bases

Deepening Global Management

By combining the best technologies, locations, partners, and human resources, we are developing competitive businesses around the world.

Our Highly Engaged and Diverse Human Resources

The Power to Shape the Future

Engagement, or the high degree of connection between employee awareness and business activities, and the diversity of our people's backgrounds, is one of our major strengths.

The employee opinion survey conducted in FY2022 confirmed generally positive results, but we will not rest on our laurels and will strive to increase the engagement of each and every one of our employees.

Employee opinion survey (FY2022, Average point for all the employees)

I would like to continue working for our company in the future

4.1 / 5.0

I think our company contributes sufficiently to society through our business

4.0 / 5.0

I do not think there is any discrimination in the workplace on the basis of gender, age, origin, nationality, etc.

4.0 / 5.0

I think it is a good environment in which to work while raising children and caring for family members

4.0* / 5.0

* Average score of employees with children of elementary school age and younger

4 points or more — Highly rated and a state of positive awareness among many employees

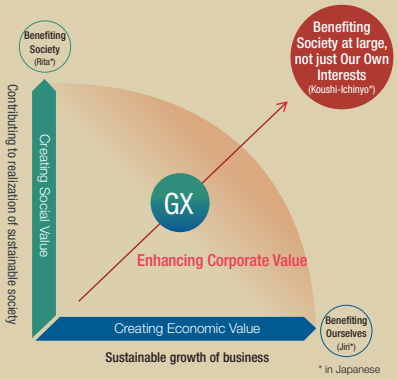
Flow of Value Creation

Sumitomo Chemical began its business journey with the production of fertilizers to prevent smoke pollution from copper smelting. From there, the company has grown its business over the past 100 years in line with the Sumitomo spirit and other corporate philosophy. As we evolved from a fertilizer company to a chemical company and then to a diversified chemical company we established our core strengths, or core competencies. By making maximum use of this business format of diversified chemical company and core competence as management resources, and by working on the material issues to be addressed as management priorities and Corporate Business Plan, we will solve various social issues and enhance our corporate value. We will also accumulate the new economic and social value created through these efforts as our management resources, aiming for sustainable growth.

Our roots

We have grown our business for more than 100 years in line with the Sumitomo Spirit and other corporate philosophy. We have been and will continue to value this Sumitomo Spirit of creating both social and economic value.

- **The Sumitomo Spirit → P.15**
- **Sumitomo Chemical's Business Philosophy → P.15**
- **Basic Principles for Promoting Sustainability → P.16**
- **Charter for Business Conduct → P.16**

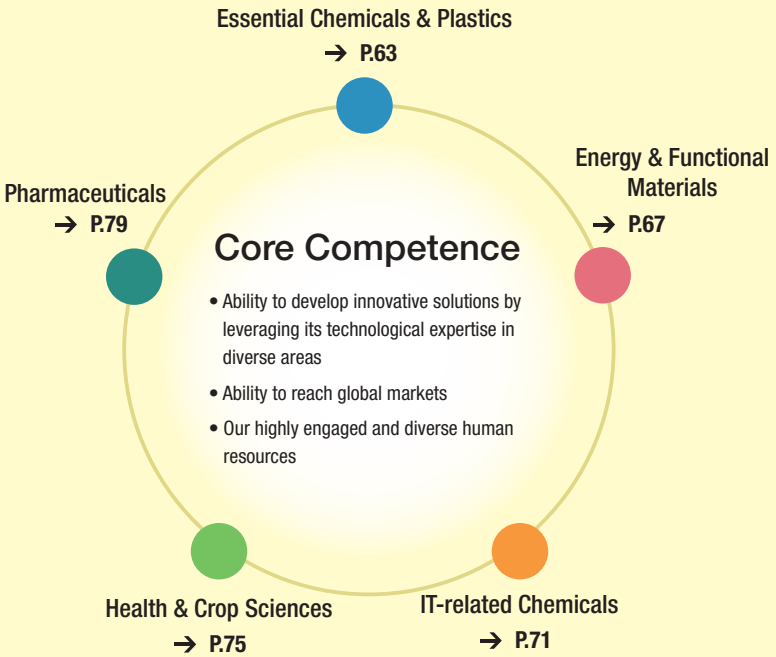


Constantly transforming our business in line with the changing times, adding the perspective of GX (carbon neutrality, ecosystem conservation, and healthy lives) in a broader sense

What are the management resources we have cultivated over the years?

The management resources we have cultivated over our long history are the business category of diversified chemistry, which was created by one technology calling for new technologies and products, and our core competence, which supports this category and is the core of our strength.

Diversified Chemical Business



What are we working on?

Using these management resources, we are working on the material issues to be addressed as management priorities and the current FY2022-2024 Corporate Business Plan, which incorporates these material issues.

The Material Issues to Be Addressed as Management Priorities

Material Issues for Social Value Creation → P.37

- Contribute to the Environment
- Contribute to the Food Supply
- Contribute to Healthcare
- Contribute to ICT

Material Issues for Future Value Creation → P.49

- Advance Innovation
- Bolster Competitiveness Leveraging DX
- Human Resources
  DE&I, Development & Growth, Health

Foundation for Business Continuation → P.57

Current Plan: FY2022-2024 Corporate Business Plan → P.31

- Further improve business portfolio (strengthen and reform businesses)
- Improve financial standing
- Accelerate the development of next-generation businesses
- Obligations and contributions toward becoming carbon neutrality
- Improve productivity and strengthen businesses through digital innovation
- Employ, develop and leverage human resources for sustainable growth
- Ensure full and strict compliance and maintain safe and stable operations

And what does it bring?

By utilizing management resources and tackling the material issues to be addressed as management priorities and corporate business plan, we bring value by contributing to solving various issues in society. At the same time, we generate stable earnings and achieve our own economic growth. This is our flow of value creation.

Creation of Social Value

Environmental Field

Recovery of the global environment and realization of a world where people and nature coexist in harmony

Food Field

Ensuring food security and harmony with the environment

Healthcare Field

Ensuring healthy lives for people around the world

ICT related Field

Realization of an inclusive society using ICT

Creation of Economic Value

Achieving stable profitability and a sound financial position

KPI	FY2022 Actual	FY2024 Revised plan	Where we want to be
ROE	0.6%	8.5%	Over 10%
ROI	-1.3%	4.7%	Over 7%
D/E ratio	1.0 times	0.7 times level	Approx. 0.7 times
Dividend Payout Ratio	421.2%	-	Approx. 30%

Accumulation of Management Resources

Sumitomo Chemical's Five Business Areas

Essential Chemicals & Plastics, Energy & Functional Materials, IT-related Chemicals, Health & Crop Sciences, Pharmaceuticals —— as a diversified chemical company, Sumitomo Chemical globally supplies products that support a wide range of industries and people's daily lives across these five business sectors.

Essential Chemicals & Plastics

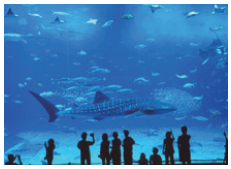
- **Polyolefin Business**
- **Methyl Methacrylate (MMA) Business**
- **License/Catalyst Business**

The Essential Chemicals & Plastics Sector has manufacturing facilities in Japan, Saudi Arabia, and Singapore, and leverages the strengths of each of these facilities to manufacture synthetic resins such as polyethylene, polypropylene, and methacrylic resin, as well as raw materials for synthetic fibers, and various industrial chemicals. Through these operations, Sumitomo Chemical meets the diverse needs of customers by providing chemical products that underpin a variety of industries.

Automobile seats with cushion materials made using propylene oxide as a raw material

Automobile instrument panel made of polypropylene

Various products made using polyethylene



Large aquarium panel made of methyl methacrylate

A plant in Thailand where Sumitomo Chemical licensed its propylene oxide production method

Energy & Functional Materials

- **Advanced Polymers Business**
- **Specialty Chemical Business**
- **Inorganic Materials Business**
- **Battery Materials Business**

The Energy & Functional Materials Sector provides a wide variety of functional chemical products that contribute to reducing the environmental impact and conserving energy and natural resources, including inorganic materials such as alumina used in energy-saving products, high-performance polymer additives, super engineering plastics and lithium-ion secondary battery material used in electronic components and next-generation vehicles.

Products made using alumina and alumina powder

Aluminum ingots

Resorcinol

A tire made using synthetic rubber

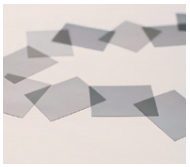
Super engineering plastics

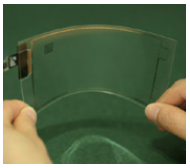
Separator "PERVIO™"

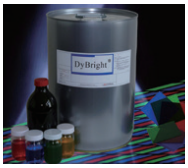
IT-related Chemicals

- Display Materials Business
- Semiconductor Materials Business

The IT-related Chemicals Sector provides a wide range of products to support the age of IoT: optically functional films, touch screen sensor panels, color resists and polymer OLED materials that are used to make LC and OLED displays; photoresists and high-purity chemicals required in the semiconductor manufacturing process; compound semiconductor materials used in antenna switches and other components of communication terminal equipment.


Polarizing films "SUMIKARAN™"

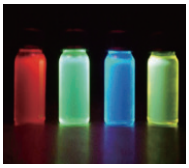

Touch screen sensor panels



Color Resists "DyBright™"


Photoresist "SUMIRESIST™"


Compound Semiconductor materials


Polymer OLED inks

Health & Crop Sciences

- Agrosolutions Business
- Environmental Health Business
- Feed Additives Business
- Pharma Solution Business

The Health & Crop Sciences Sector is engaged in the manufacture and sale of crop protection chemicals, fertilizers, feed additives, household insecticides, products for control of infectious diseases, and active pharmaceutical ingredients and intermediates. By providing these products, Sumitomo Chemical aims to contribute to a stable supply of crops, help increase food production in response to an increase in the world population, prevent the spread of infectious diseases, and achieve hygienic and healthy lives.


Various crop protection chemicals, including insecticides and herbicides


Products used for insecticides


Olyset™Plus, long-lasting insecticidal mosquito net for malaria prevention

DL-methionine and methionine hydroxy analog used as feed additives


Active pharmaceutical ingredients

Pharmaceuticals

- Prescription Drugs
- Diagnostic Drugs
- Contract Development and Manufacturing Organization

Sumitomo Chemical started its pharmaceuticals business as the first Japanese company to manufacture synthetic pharmaceuticals based on its advanced organic synthesis technology. The company is currently developing the Sector through Sumitomo Pharma Co., Ltd., specialized in the prescription pharmaceuticals business, and Nihon Medi-Physics Co., Ltd., specialized in the radiopharmaceuticals business.

Sumitomo Pharma Co., Ltd.


Pharmaceutical research

Nippon Medi-Physics Co., Ltd.


Manufacturing of PET radiopharmaceuticals

The Material Issues to Be Addressed as Management Priorities and KPI

Sumitomo Chemical has identified the material issues to be addressed as management priorities in fiscal 2018 based on its corporate philosophy. These material issues were identified through deliberation and approval by management based on overall evaluation of the group's contribution to sustainability, and were reviewed again in fiscal 2021 based on subsequent changes in social conditions.

The material issues to be addressed as management priorities are classified into "material issues for sustainable value creation" and "foundation for business continuity". Of the "material issues for sustainable value creation", issues that lead to the creation of business opportunities are positioned as "material issues for social value creation", and resources that serve as the driving force for the creation of business opportunities are positioned as "material issues for the creation of future value". Key Performance Indicators (KPI) have been set for each initiative. With the use of KPIs, we will continue to manage and disclose the progress of those initiatives, while also promoting dialogues with stakeholders in and outside the company, to enhance and accelerate our sustainability efforts. Please refer to the Sustainability Data Book (to be released in October 2023) for details on KPI.

Material Issues for Sustainable Value Creation

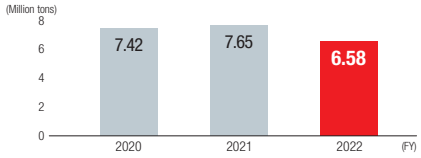
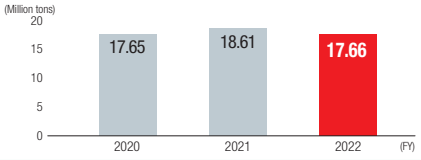
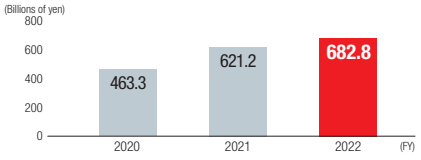
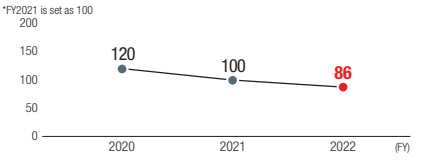
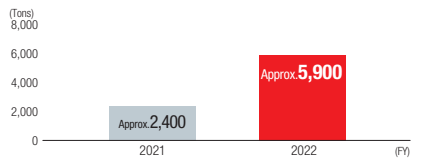
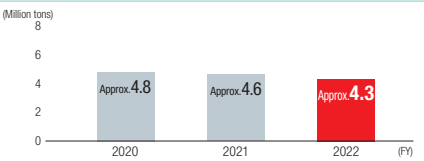
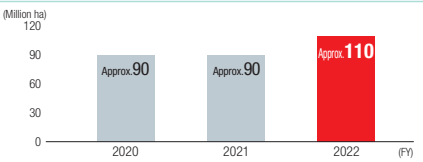
Material Issues for Social Value Creation

Contribute to the Environment

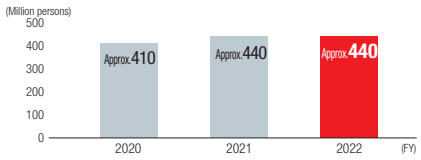
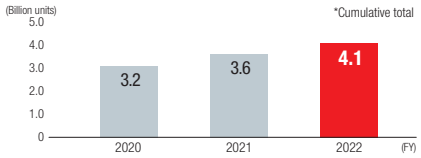
- Climate Change Mitigation and Adaptation → P.37
- Contribute to Recycling Resources → P.43
- Sustainable Use of Natural Capital → P.45

Contribute to the Food Supply

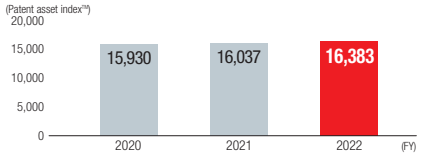
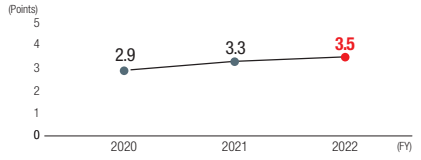
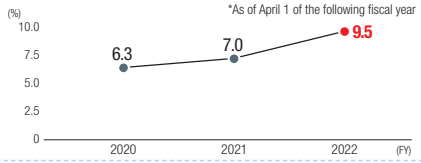
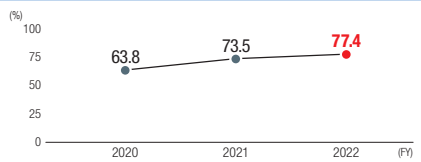
- Advance Sustainable Agriculture → P.46

KPI	Targets	Results
Amount of Group's GHG emissions (Scope 1+2) * Scope1: Direct greenhouse gas emissions from operators themselves (fuel burning and industrial processes) *Scope2: Indirect emissions from purchases of power and heat from outside the factory	Reduce by 50% by 2030 (vs. FY2013) (4.77 million tons)	
Contribution to reducing GHG emissions throughout the product life cycle (Battery-related materials)	Contribution to reducing GHG emissions throughout the product life cycle by developing and supplying products	
Sales revenue of Sumika Sustainable Solutions designated products	Sales revenue of 1,200 billion yen by FY2030	
Unit energy consumption	Will achieve improvement of 3% or more per each Corporate Business Plan period as a group (FY2021 level as baseline)	
Number of petrochemical technology licenses	Helping to reduce environmental impact through technology licensing	FY2022 **13** licenses
The amount of recycled plastics used in manufacturing processes	200k tons/year by 2030	
Effect of increasing production of animal protein including poultry	Continuously improving the production of animal protein, including poultry, by developing and providing feed additives	
Agricultural land area where agrosolution products are used	Ensuring the stable supply of food by developing and providing agrosolution products	

Material Issues for Social Value Creation

	KPI	Targets	Results
Contribute to Healthcare → P.47	Number of people protected by vector control products	Protection from vector-borne diseases through the development and dissemination of vector control products such as Olyset®net	
	Sustainable creation of innovative pharmaceuticals and medical solutions to meet diverse medical needs	Targets and KPIs for Material Issues Click here for details Sumitomo Pharma HP	New Drugs Approved Click here for details Sumitomo Pharma HP
Contribute to ICT → P.48	Number of mobile devices using polarizing films	Advancing technological innovation for diversified workstyles and improved productivity through the provision of materials for mobile devices	

Material Issues for Future Value Creation

	KPI	Targets	Results
Advance Innovation → P.49	Patent asset size	Expansion of patent asset size	 * Patent asset size is evaluated using the Patent Asset Index™, generated using the patent analysis tool LexisNexis PatentSight®. * The Patent Asset Index™ is an index for comprehensively assessing the status of legally active patents based on quantity (number of patents) and quality (countries of registration and number of citations)
Bolster Competitiveness Leveraging DX → P.53	Digital maturity level	Sustained levelling up of digital maturity	
Human Resources DE&I*, Development & Growth, Health → P.55 *Diversity, Equity & Inclusion	Percentage of female employees in positions equivalent to manager or above (SC only)	Over 10% by FY2022	
	New KPI Percentage of employees promoted to managerial positions (equivalent to section manager) filled by female employees (SC only)	Over 15% on average over the 5 years between FY2023 and FY2027	Listed starting in FY2023
	Percentage of male employees taking childcare leave (SC only)	Over 15% on average over the 5 years between FY2023 and FY2027	
	New KPI Percentage of male employees who have taken childcare leave or other childcare-related leave due to birth of a child during the current fiscal year.(SC only)	Over 90%	Listed starting in FY2023
	Percentage of employees who have taken self-selected training programs, etc. (SC only)	50% or more of all employees by FY2024	FY2022 **24.6** %
	Maintain certification as a Health & Productivity Management Outstanding Organization (White 500)(SC only)	Maintain certification	Maintained certification over the past 6 years since fiscal 2017

Foundation for Business Continuation

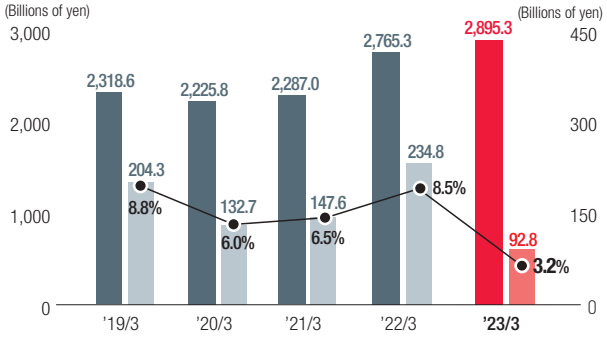
- Occupational Safety and Health, and Industrial Safety and Disaster Prevention → P.57
- Product Safety and Quality Assurance → P.58
- Respect for Human Rights → P.59
- Cybersecurity → P.60
- Compliance → P.61
- Anti-Corruption → P.62

Financial Data Highlights

Sales Revenue (left axis)
Core Operating Income (right axis)
Core Operating Income to Sales Revenue

¥92.8 billion (Core Operating Income)

vs. FY2021 **-60.5%** ↓

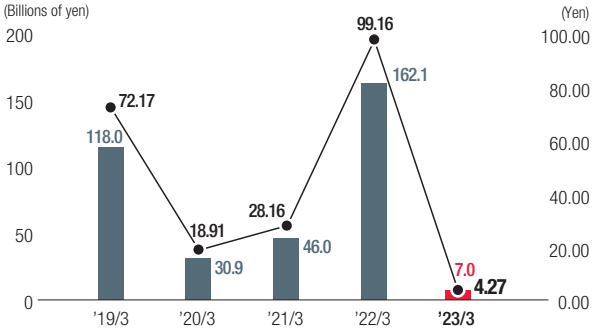


Sales revenue increased by 130.0 billion yen from the previous fiscal year, mainly due to the difference in translation into Japanese yen resulting from the yen's depreciation. On the other hand, core operating income decreased 142.0 billion yen from the previous fiscal year, mainly due to worsening terms of trade in the Essential Chemicals & Plastics Sector due to soaring raw material and fuel prices, and the end of the exclusive sales period of LATUDA® in the Pharmaceuticals Sector in the United States.

Net Income Attributable to Owners of the Parent (left axis)
Basic Earnings per Share (right axis)

¥7.0 billion (Net Income Attributable to Owners of the Parent)

vs. FY2021 **-95.7%** ↓

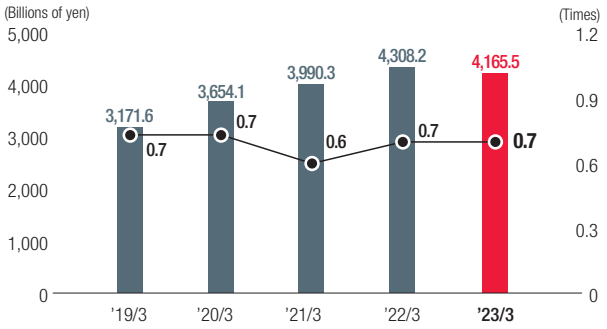


In addition to the decrease in core operating income, net income attributable to owners of the parent decreased by 155.1 billion yen from the previous year to 7.0 billion yen, mainly due to a large impairment loss recorded in the Pharmaceuticals Sector during the year.

Total Assets (left axis)
Asset Turnover (right axis)

¥4,165.5 billion (Total Assets)

vs. FY2021 **-3.3%** ↓

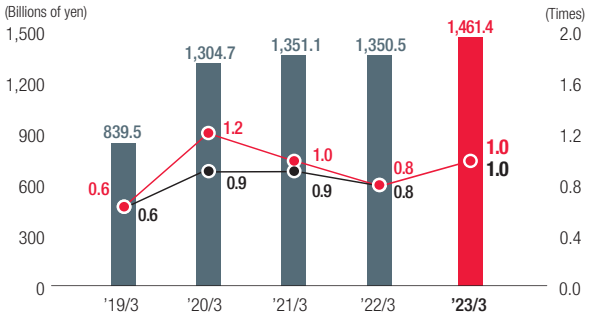


Total assets decreased by 142.6 billion yen from the end of the previous fiscal year to 4,165.5 billion yen, mainly due to a decrease in goodwill and intangible assets resulting from impairment.

Interest-bearing Liabilities (left axis)
D/E Ratio*1 (right axis)
Net D/E Ratio*2 (right axis)

1,461.4 billion (Interest-bearing Liabilities)

vs. FY2021 **+8.2%** ↑



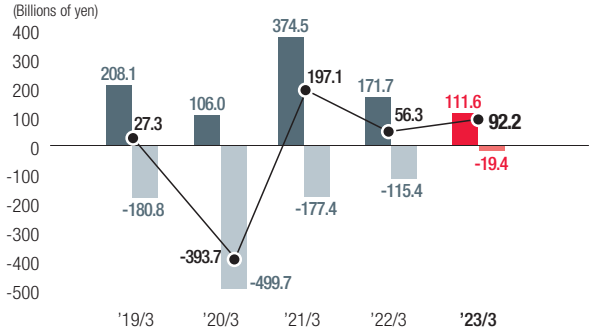
Interest-bearing liabilities increased 110.9 billion yen from the previous year, mainly due to increased borrowings in the Pharmaceuticals Sector. On the other hand, the D/E ratio and net D/E ratio increased due to a decrease in both equity attributable to owners of the parent company and total equity, mainly as a result of Myovant becoming a wholly owned subsidiary.

*1 D/E ratio=Interest-bearing liabilities/Total equity
*2 Net D/E Ratio=Net Interest-bearing Liabilities (Interest-bearing Liabilities–Cash and Cash Equivalents)/Equity attributable to Owners of the Parent

Cash Flows from Operating Activities
Cash Flows from Investing Activities
Free Cash Flow

¥92.2 billion (Free Cash Flow)

vs. FY2021 **+35.9 billion** ↑



Cash flows from operating activities decreased 60.1 billion yen mainly due to a decrease in income before income taxes, despite an increase in non-cash profit/loss items such as impairment losses and a decrease in working capital.
Cash flows from investing activities decreased by 96.0 billion yen due to proceeds from collection of loan receivables and proceeds from sales and redemption of other financial assets. As a result, free cash flow increased by 35.9 billion yen to 92.2 billion yen.

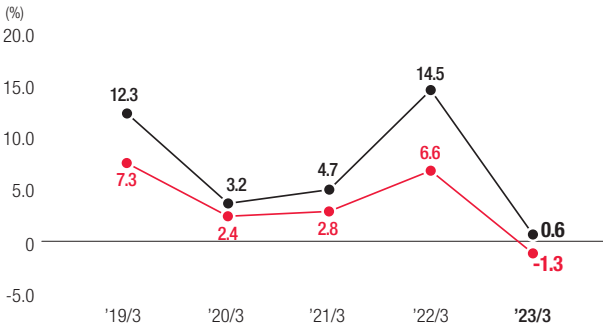
ROE ROI

0.6% (ROE)

vs. FY2021 **-13.9 pt** ↓

-1.3% (ROI)

vs. FY2021 **-7.9 pt** ↓

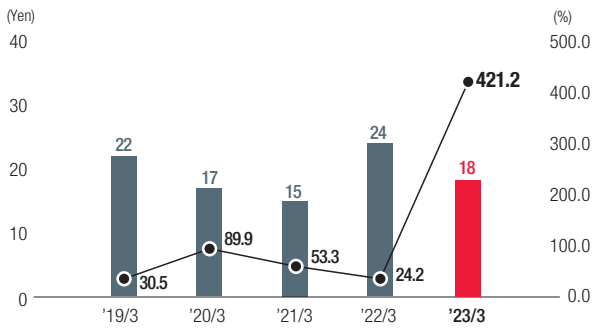


Both ROE and ROI were significantly lower than the previous year due to the significant deterioration in net income for the period.

Cash Dividends per Share (left axis)
Dividend Payout Ratio (right axis)

421.2% (Dividend Payout Ratio)

vs. FY2021 **+397.0 pt** ↑

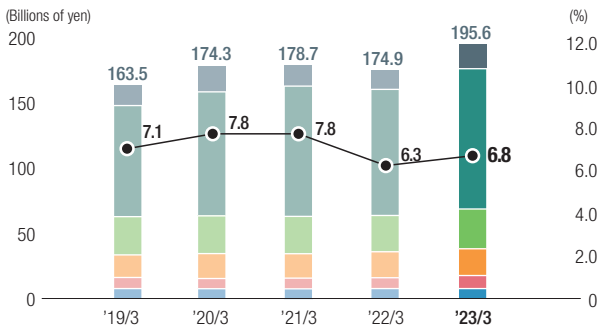


For the year under review, the Company declared an annual dividend of 18 yen per share. Due to the impact of the decrease in net income attributable to owners of the parent, the dividend payout ratio was 421.2%.

Research and Development Expenses (left axis)
Essential Chemicals & Plastics Energy & Functional Materials
IT-related Chemicals Health & Crop Sciences Pharmaceuticals Others
Ratio of R&D Expenses to Sales Revenue (right axis)

¥195.6 billion (Research and Development Expenses)

vs. FY2021 **+11.8%** ↑



R&D expenses increased by 20.7 billion yen from the previous year to 195.6 billion yen, mainly due to the difference in translation due to the weaker yen in the Pharmaceuticals Sector.

FY2022-2024 Corporate Business Plan

Change and Innovation with the Power of Chemistry

Bringing together the power of chemistry to contribute to solving society's challenges

The slogan for the current Corporate Business Plan remains unchanged from the previous Corporate Business Plan's "Change and Innovation," and the sub-slogan was set to be "with the Power of Chemistry."

We will maximize the "Power" of Chemistry by combining our greatest strength in the diversity of businesses, technologies, geographies and people with the growth opportunities presented by changes in the environment surrounding the Company, such as sustainability and digital innovation.

Sumitomo Chemical's strengths
Diversity of businesses, technologies, geographies and people at Sumitomo Chemical

×

Further growth opportunities
Advancing Green Transformation in a broad sense responded to changes in society

Management Target

(Billions of yen)

	FY2022 Actual	FY2024 Revised plan	FY2024 Initial plan	FY2024 Difference Revised – Initial
Sales Revenue	2,895.3	**3,000.0**	3,050.0	-50.0
Core Operating Income	92.8	**200.0**	300.0	-100.0
Operating Income (IFRS)	-31.0	**180.0**	285.0	-105.0
Net Income Attributable to Owners of the Parent	7.0	**100.0**	150.0	-50.0

Naphtha price	¥76,600/kl	¥70,000/kl	¥50,000/kl
Exchange rate	¥135.50/$	¥130.00/$	¥110.00/$

Core Operating Income by Sector

(Billions of yen)

	FY2022 Actual	FY2024 Revised plan	FY2024 Initial plan	FY2024 Difference Revised – Initial
Essential Chemicals & Plastics	-34.2	**21.0**	54.0	-33.0
Energy & Functional Materials	15.2	**22.0**	31.0	-9.0
IT-related Chemicals	47.6	**44.0**	58.0	-14.0
Health & Crop Sciences	57.3	**79.0**	84.0	-5.0
Pharmaceuticals	16.2	**44.0**	73.0	-29.0
Other	-9.3	**-10.0**	0.0	-10.0
Total	92.8	**200.0**	300.0	-100.0

In response to the deteriorating business environment and other factors, we have revised the FY2024 targets in our Corporate Business Plan. The substantial downward revision was due to worsening terms of trade in the Essential Chemicals & Plastics Sector and delays in expanding sales of new products in the Pharmaceuticals Sector. Going forward, we will aim to achieve the initial target with a delay of several years.

The current Corporate Business Plan has seven basic directions, including "Obligations and contributions toward becoming carbon neutrality," which has already been launched as a company-wide project, in addition to the six existing basic directions. Through thorough ROI management and the execution of company-wide projects, we aim to establish a competitive superiority by strengthening individual businesses, transforming our portfolio with green transformation as a backdrop, and promoting the renewal of our businesses.

— Seven Basic Directions —

❶ Further improve business portfolio (strengthen and reform businesses)
❷ Improve financial standing
❸ Accelerate the development of next-generation businesses
❹ Obligations and contributions toward becoming carbon neutrality
❺ Improve productivity and strengthen businesses through digital innovation
❻ Employ, develop and leverage human resources for sustainable growth
❼ Ensure full and strict compliance and maintain safe and stable operations

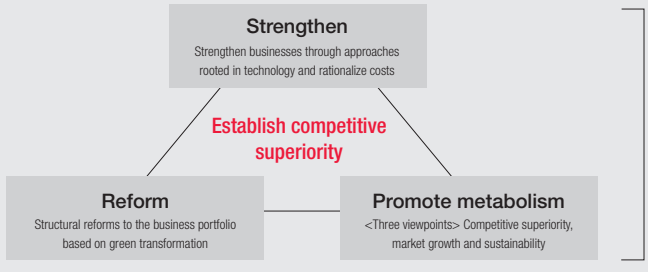
Overview of Basic Direction

Thoroughly implement ROI management

- Improve cash flow generation and earnings stability
- Intelligently allocate resources
- Solidly capture returns on investments
- Initiatives to improve CCC

Company-wide projects

- Deploy DX into the businesses
- Deep dive into our innovation ecosystem
- Obligations and contributions toward becoming carbon neutrality



Initiatives to improve business portfolio

Bolstering Growth Businesses

1 Overseas crop protection products

Regenerative Agriculture (Crop Protection Chemicals x Biorationals)

Agriculture that restores and improves soil health while reducing GHG emissions and maintaining and enhancing biodiversity through the use of biorationals and low environmental impact crop protection chemicals.

Product	Initiatives, characteristics, etc.
Biorationals	• Add to the existing biorationals product group with a full-fledged entry into biostimulants (with the acquisition of FBSciences, etc.)
Flumioxazin	• Superb long-lasting effect makes it possible to reduce treatment frequencies, and its efficacy against a broad range of weeds makes it suited to no-till farming
Rapidicil®	• Fast-acting and plenty efficacious on low doses • Its efficacy against a broad range of weeds makes it suited for no-till farming
Seed treatments	• Contributes to reduced environmental impact through smaller treatment volumes and frequencies

New fungicide INDIFLIN™

Aim for revenue of 40+ bn. yen in FY2024 (3X that of FY 2022) through measures such as fully leveraging the sales organization to provided detailed instruction on the timing of application and the like, expanding the production infrastructure and enhancing brand recognition

2 Products for semiconductor applications

	Initiatives for FY2023 and FY2024
Photoresist	• Launch additional plants (Osaka in FY2023 and Korea in FY2024) • Advance R&D aimed at broader adoption of ArF and EUV photoresists
High-purity Alumina	• Expand sales of new grade (with excellent strength and chemical resistance) to support growing demand for ceramics for semiconductor production equipment

3 High-performance Materials

	Initiatives for FY2023 and FY2024
LCP (liquid crystal polymers)	• Launch additional plant (Ehime in FY2023) • Capture share in battery motor applications as EV market grows
Tanaka Chemical	• Expand sales of cathode precursor as EV market grows
Koei Chemical	• Actively expand contract manufacturing business in pharmaceutical precursors and catalysts at new multi-purpose plants by leveraging stronger ties across the Sumitomo Chemical group
Taoka Chemical	• Expand sales of resin for high-performance compact camera lenses

4 Pharmaceuticals

Expand sales of 3 key drugs

The Company aims to maximize the potential of its agents by maximizing the effects of its alliance with other companies in ORGOVYX®, MYFEMBREE® and expanding the indications for GEMTESA®, aiming to achieve sales revenue of more than 200 billion yen for the three products in FY2024.

Reform and Rationalization

1 Restructuring

Display materials
- Upgrade product portfolio
- Optimize production allocation

Expected rationalization* Over 10 billion yen/year

Pharmaceuticals
- Reorganization of North American subsidiaries
  Consolidate existing 7 into 1 company
  ↓
  Enhance profitability and strengthen business infrastructure by pursuing efficiencies and cost synergies

Expected rationalization* About $400 million/year

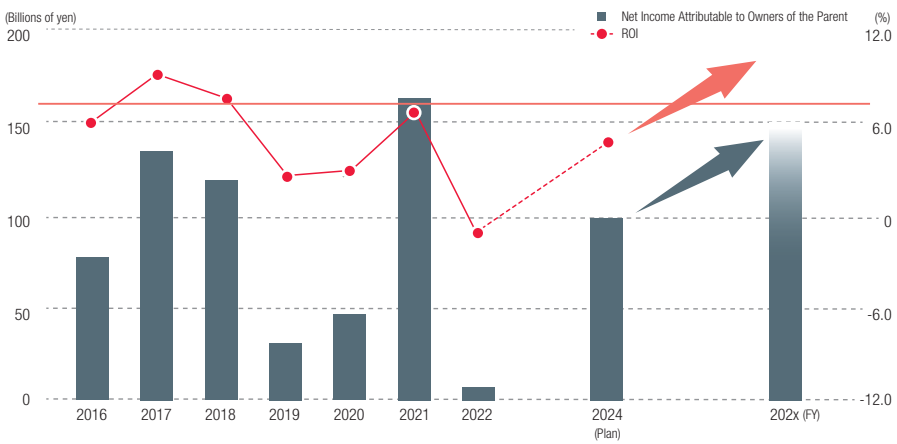
* Expected rationalization in FY2024 compared to FY2022

2 Exited or shrank

Caprolactam	Completed exit	EPDM	Decided to exit
Dyestuffs	Completed exit	Chemical fertilizer	Decided to exit
Singapore S-SBR	Decided to exit		

Toward Enhancing Corporate Value

We will improve our earning power through the initiatives in this Corporate Business Plan and further enhance it in the next corporate business plan and beyond to achieve our financial KPI targets and increase our economic value. We will also seek to enhance corporate value by integrally creating social value through our business activities.



Financial KPI targets

achieve the following on a stable basis

ROE	Over 10%
ROI	Over 7%
D/E Ratio	Approx. 0.7 times
Dividend payout ratio	Approx. 30%

Financial Strategy

Basic Policy

Sumitomo Chemical is aiming to reliably achieve its targets for ROE, ROI, and other financial indicators, and continuously improve corporate value. By controlling the balance of interest-bearing liabilities and the D/E ratio through rationalization, cost cutting, and shortening of the cash conversion cycle (CCC), we will continue to expand and strengthen our business through active growth investments with an awareness of green transformation (GX) while maintaining the soundness of our financial base.

Financial KPI targets
(achieve the following on a stable basis)

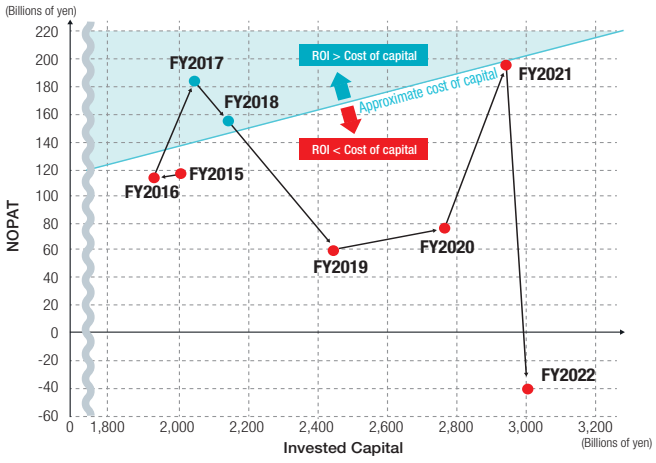
ROE	Over 10%	ROI	Over 7%
D/E Ratio	Approx. 0.7 times	Dividend payout ratio	Approx. 30%

Key Financial Performance Indicators

Since 1999, we have been working to improve capital efficiency, including both ROE and ROI, from an early stage, taking measures such as considering capital costs in our performance results for each business sector as part of our management accounting system. This Corporate Business Plan also calls for ROI-oriented management. We set a target of 10% for ROE, a key financial performance indicator, with a view toward creating a sustainable society through our business activities, based on a policy of implementing projects that we believe can make an important contribution to the solution of societal issues, as long as they are expected to be profitable. We set a target of 7% for ROI, in order to exceed our weighted average capital cost (WACC).

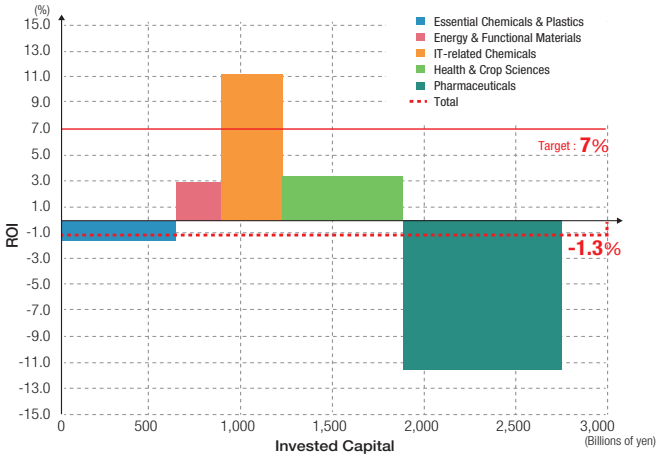
Our target D/E ratio is approximately 0.7 times, with a view to maintaining our current credit rating, which enables flexible financing. For new capital expenditures or M&A, we have decided to take into consideration economic indicators in each individual investment decision, including net present value (NPV), internal revenue rate (IRR), and the payback period. Since FY2019, in order to contribute to the creation of a sustainable society, we have been calculating an economic indicator that reflects our internal carbon pricing (10,000 yen per ton) for any project that is expected to increase or decrease CO_2 emissions, which is used in our investment decision-making. In addition, we also regularly follow up on the results of investments, including both capital investments and acquisitions.

Trends in Invested Capital and NOPAT



(Note) Figures for FY2015 use J-GAAP, figures for FY2016 and beyond use IFRS

Invested capital by business segment, ROI (FY2022 results)



To improve capital efficiency and financial strength

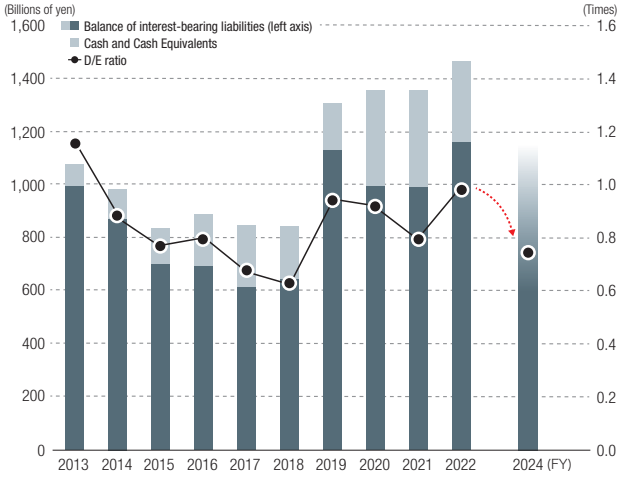
Regarding ROE and ROI, in FY2022, the first year of this Corporate Business Plan, results fell far short of targets due to deteriorating performance in the Essential Chemicals & Plastics Sector and Pharmaceuticals Sector. In FY2023, we expect the severe situation to continue, as we anticipate a deterioration in performance in the Pharmaceuticals Sector due to the termination of LATUDA's exclusivity period and other factors. However, from FY2024 onward, ROE and ROI are expected to improve as the results of efforts to improve earning power, such as bolstering growth businesses and reforming and rationalizing the business structure in this Corporate Business Plan, gradually become apparent.

We are also working to improve our financial position, which had deteriorated due to major strategic investments during the previous Corporate Business Plan period. Although we have continued to pursue the three initiatives of asset sales, careful selection of investments, and improvement of CCC with the goal of achieving a D/E ratio of about 0.7x, which is set as a financial KPI, we expect operating cash flow to be worse than in the initial Corporate Business Plan due to the current deterioration of the business environment and other factors. Therefore, we aim to achieve a debt-to-equity ratio of 0.7x in FY2024 by steadily reducing interest-bearing debt by reducing investments through further careful selection of investment projects, improving asset efficiency by accelerating asset sales, and utilizing surplus funds across the Group by introducing global cash management.

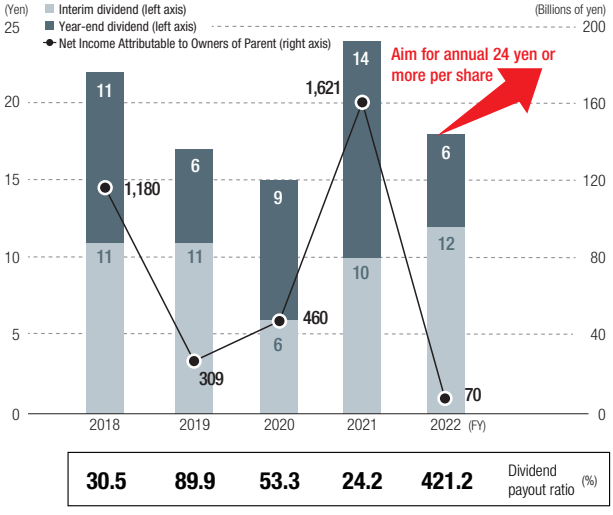
Shareholder Return

We consider shareholder return as one of our priority management issues. We have made it a policy to maintain stable dividend payments, giving due consideration to our business performance, the dividend payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors. We aim to maintain a dividend payout ratio of around 30% over the medium- to long-term. More specifically, we consider 12 yen per share per year to be the minimum stable dividend line that should be maintained, and our target is 24 yen or more per year, assuming a payout ratio of 30% at the 200-billion-yen level of core operating income. We will continue to sustainably improve corporate value by improving capital efficiency and strengthening our financial structures, thereby meeting the expectations of our shareholders.

Interest-bearing Liabilities, D/E Ratio



Shareholder return



IR Activities

Basic Policy

Sumitomo Chemical provides planned, effective, and strategic communications with shareholders and other investors regarding our management policies, business strategies, and performance trends, so as to fulfill our accountability to shareholders and maintain and raise market confidence, while endeavoring to convey an accurate understanding of the company that will be reflected properly in the stock price and in higher corporate value.

Activities

In FY2022, the COVID-19 did not subside, and we were unable to resume events that required on-site implementation, such as direct visits to overseas institutional investors and plant tours for institutional investors and analysts. On the other hand, we made efforts to ensure the quality of communication while enjoying the convenience of remote access by conducting IR briefings and other events in a hybrid face-to-face and remote manner, while paying sufficient attention to infection control measures.

Management held three briefings, in which IR Day was held twice, once in the spring and once in the winter. In addition to a presentation of management strategy by the president, each sector head reported on the progress of the corporate business plan in the event. In March, in addition to the theme of human resource strategy, which has been the focus of much attention in recent years, a presentation was held on the current business performance and future outlook, following a major downward revision of business performance in February.

In addition, we hold small meetings several times a year where executives in charge of business sectors and the head office exchange opinions with investors and analysts. By listening directly to the candid opinions of investors and analysts, management engages in constructive dialogue about the issues facing the Company and what we should aim for, and mutual understanding is growing year by year.

We also held online briefings for individual investors to help as many individual investors as possible deepen their understanding of our company.

Feedback on these activities is provided to the Board of Directors as appropriate.

IR Calender (FY2022)

We hold briefings throughout the year and also issue publications.

Major events held

Briefing Sessions

	Speakers	Times Held	Attendees
IR Day Spring	President, heads of business sectors	1	179
IR Day Winter	President, heads of business sectors	1	239
Business Performance Overview and Human Resources Strategy	President, Vice President	1	179
Conference call on earnings report	Managing Executive Officer in charge of IR	4	1,569

Interviews with Investors

	Investor Attributes	Persons who Deal with This	Attendees
Interviews with Investors	Fund managers, analysts, etc.	President, Managing Executive Officer in charge of IR, General Manager in charge of IR, etc.	377
Of which, interviews with those with decision-making authority and ESG interviews	In charge of ESG, in charge of voting rights exercise, etc.	President, Managing Executive Officer in charge of IR, General Manager in charge of IR, etc.	41

Small Meetings

	Persons who Deal with This	Times Held	Attendees
Held by the President	President, heads of business sectors	2	51
Held by the heads of business sectors and other departments	Executive Officer in charge of business sectors, Managing Executive Officer in charge of IR	2	46

Individual Investors' Meetings

	Persons who Deal with This	Times Held	Attendees
Individual Investors' Meetings	Director in charge of IR, General Manager in charge of IR	4	504

Main themes of dialogue

- Business Portfolio
- Performance Trends
- Climate Change
- Biodiversity
- Human capital
- Stock price
- Board of Directors
- Listed Company with Listed Subsidiaries
- Executive Compensation
- Disclosure

IR Day Spring (June 2022)

Guide to the Website and the SNS

In addition to IR activities, related information is available through our website and SNS.

Investor Relations

☐Financial Results
☐Meeting of Shareholders Documents
☐IR Events
☐Fact Sheet

Sustainability

LinkedIn

Material Issues for Social Value Creation

Contribute to the Environment

Climate Change Mitigation and Adaptation

Sumitomo Chemical regards climate change as a social issue that chemical companies should take the lead in addressing, and has been making various efforts to solve it from early on. In recent years, as the movement toward carbon neutrality has gained momentum around the world, Sumitomo Chemical has been promoting group-wide efforts to achieve carbon neutrality by leveraging its technological capabilities and knowledge accumulated as a diversified chemical company.

Disclosure in Line with TCFD Recommendations

Sumitomo Chemical expressed its support for the TCFD recommendations when they were published in June 2017. In line with the four recommended disclosure items, "Governance," "Risk Management," "Strategy," and "Metrics and Targets," the Group's efforts to address climate change issues are introduced on pages 37-42.

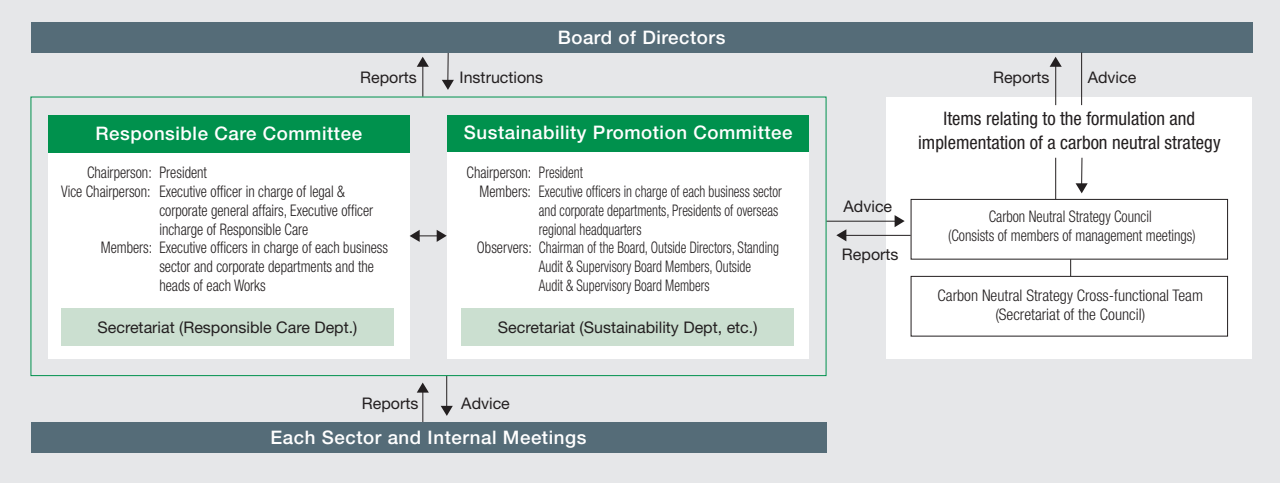
Please refer to the Sustainability Data Book (to be released in October 2023) for other information on climate-related information.

Governance

Sumitomo Chemical has established meetings and committees to deliberate important matters related to the management of the Group from a broad and diverse perspective in order to enhance its business execution and supervisory functions. Through these meetings and committees, the Company reports to the Board of Directors at least once a quarter on issues related to the promotion of sustainability, including climate change.

Management Meetings	Deliberation of important matters such as management strategies and capital investments, including agenda items and report items related to climate change response
Sustainability Promotion Committee	Deliberations on important matters related to sustainability promotion
Responsible Care Committee	Formulation of annual policies, mid-term plans, and specific measures to address climate change, as well as analysis and evaluation of performance
Carbon Neutral Strategy Council	Deliberation and promotion of the grand design for achieving carbon neutrality by 2050

Structures for Responding to Climate Change



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.

Climate change issues are positioned as one of the Group's major medium- to long-term risks through, for example, an assessment from the perspective of the likelihood of their occurrence and impact, and are integrated into the Group's overall risk management process.

Specific Initiatives → P.98 Risk Management

Strategy

In December 2021, Sumitomo Chemical formulated a grand design for achieving carbon neutrality by 2050. We will promote efforts to mitigate climate change from the perspectives of both "Obligation" (to bring the Group's GHG emissions close to zero) and "Contribution" (to reduce global GHG emissions through the Group's products and technologies).

In addition, as part of our efforts to adapt to climate change, we are striving to provide solutions adapted to global environmental changes in agriculture and infectious diseases, and to strengthen new product development.

● Investments to achieve carbon neutrality

Starting in FY 2019, in order to contribute to the realization of carbon neutrality for society as a whole, we calculate economic indicators reflecting internal carbon pricing (10,000 yen per ton) when GHG emissions are expected to increase or decrease for individual investment projects, and make investment decisions.

● Investment Scale

We expect to invest a total of approximately 200 billion yen between FY2013 and FY2030 in carbon neutral-related investments.

● Scenario Analysis

Scenario analysis, with regard to climate change, is a method in which we consider multiple scenarios, predict the impact of climate change and changes in the business environment due to long-term policy trends, and study the potential impact of these changes on our business and management. Currently, Sumitomo Chemical analyzes both risks and opportunities with respect to both a scenario in which a variety of measures are taken to limit average global temperature increase to 1.5°C above the pre-industrial revolution levels, and a scenario in which countermeasures are not taken and temperatures increase by 4°C, evaluating both the impacts on our businesses and future actions that need to be taken.

Scenario Analysis(excerpt)

Scenario	Risks and Opportunities	Impact on our Company	Risks	Opportunities	Our Response
Common	Increasing Demands for Disclosure of Information	● Improvement of reputation among stakeholders through enhanced information disclosure ● Increased cost of compliance	○	○	● Formulate and release our Grand Design for achieving carbon neutrality ● Develop a carbon footprint calculation tool (CFP-TOMO™) and provide it to other companies for free → P.40 ● Disclosure of quantitative GHG reduction contributions through our products and technologies (Science Based Contributions) → P.42
1.5°C (Reduced GHG Emissions)	Increased Demand for Products and Technologies Contributing to the Mitigation of Climate Change	● Increase in demand for Sumika Sustainable Solutions (SSS)-certified products due to expansion of the market for products and technologies that contribute to GHG emission reductions, as well as expansion of needs for technological development of future SSS-certified candidate products		○	● Development and diffusion of products that contribute to GHG emission reductions → P.42 ● Develop plastic recycling technology → P.40 ● Develop products that contribute to negative carbon emissions → P.40 ● Promote licensing of technologies that contribute to reducing GHG emissions → P.65 ● Promote the utilization of CO_2-free hydrogen → P.40
	Increased Regulation on GHG Emissions	● Increased operational costs due to higher energy taxes including carbon prices* ● Phasing out subsidies for fossil fuels and requests from customers to promote the use of renewable energy	○		● Consider carbon-neutral petrochemical complexes and ports → P.40 ● Switch to renewable energy → P.39 ● Switch fuel to LNG → P.39 ● Collaborate with other companies to secure a stable supply of clean ammonia → P.39
4°C (Business as Usual)	Increased Demand for Products and Technologies adaptable to Climate Change	● Increased demand for SSS-certified products and growing needs for technological development of future SSS-certified candidate products due to the expanding market for crops that are resistant to environmental changes such as rising temperatures and drought, etc.		○	● Provide solutions that respond to global changes in the environment for agriculture and infectious diseases
	Intensified Climate Disasters due to Temperature Rise	● Decrease in cost competitiveness of factories due to increased costs for disaster countermeasures such as sea level rise, storm surge damage, flood damage, heat wave generation, etc. ● Decreased demand due to lower agricultural productivity	○		● Manage and respond to risks from a business continuity planning perspective ● Expand and diversify the regions in which we do business

*Assuming that carbon prices in developed countries will rise to $140/ton in 2030 and $250/ton in 2050 (based on World Energy Outlook 2022), the total GHG emissions of the Group in FY2050 will be approximately 6.58 million tons/year (Scope 1+2), the same level as in FY2022, and the carbon price will be 19,000-34,000 yen/t-CO_2, an increase in burden of 130-230 billion yen per year.

For the full scenario analysis, please see the Sustainability Databook

Material Issues for Social Value Creation

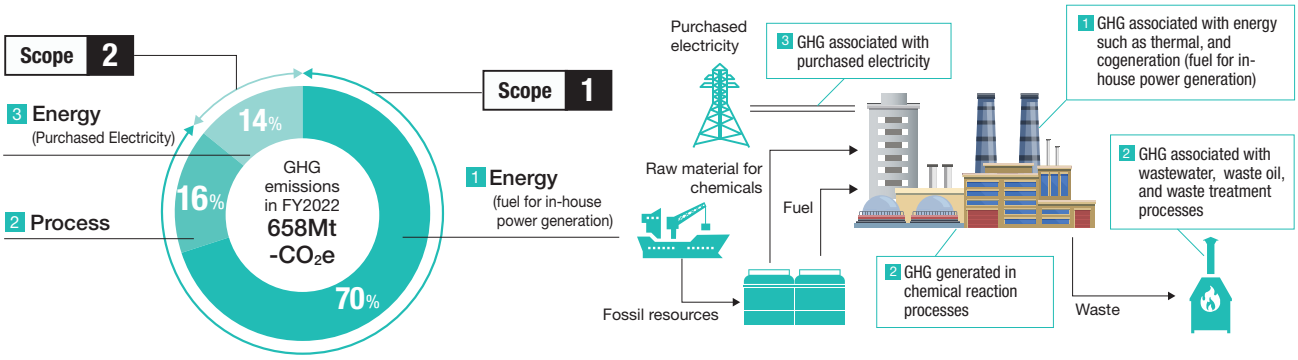
Contribute to the Environment

Climate Change Mitigation and Adaptation

Specific initiatives for "Obligation"

Major sources of GHG emissions from chemical plants

The chemical industry is an industry in which raw materials are converted into products through chemical reactions that are driven by electricity, heat from steam, and other forms of energy. In FY2022, 70% of our GHG emissions came from 1 Energy (fuel for in-house power generation), 16% from 2 Process (chemical reaction and waste treatment), and 14% from 3 Energy (purchased electricity) . We aim to reduce GHG emissions by focusing on the conversion to clean energy for energy-derived GHG and on the development of necessary technologies for process-derived GHG.



1 Reduction of GHG from energy (fuel for in-house power generation): Fuel Conversion

In the Ehime and Chiba regions, where our plants are located, we are promoting the conversion from coal, petroleum coke, heavy oil, and other fuels with high CO_2 emission coefficients to LNG, which has a low CO_2 emission coefficient.

- In FY2022, started operation of thermal power plant using LNG instead of existing fossil fuels in Ehime region.

- In the fall of 2023, the existing petroleum coke power generation facility will be decommissioned in the Chiba region, and a high-efficiency gas turbine power generation facility is scheduled for completion.

	Ehime region	Chiba region
Fuel	Coals and heavy oil ► LNG	Petroleum coke ► LNG
Amount of CO_2 reduction	650,000 tons/year	240,000 tons/year

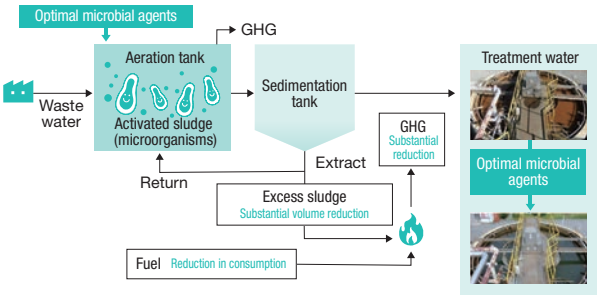
In addition, the following initiatives are being implemented with respect to the conversion from LNG to cleaner fuels.

- Focused on hydrogen and clean ammonia (blue and green), and initiated discussions with Yara, a major foreign ammonia manufacturer, regarding the possibility of its stable procurement.
- In addition, four domestic ammonia suppliers, UBE Corporation, Mitsui Chemicals, Inc., Mitsubishi Gas Chemical Company, Inc., and SUMITOMO CHEMICAL COMPANY, LIMITED have agreed to jointly start discussions to secure a stable supply of clean ammonia, and discussions are ongoing.

We will continue to study the possibility of making each power generation facility cleaner (zero GHG emissions) based on the development status of ammonia and hydrogen combustion technologies, biomass fuel market trends, and regional collaboration efforts.

2 Reduction of GHG from process (chemical reaction and waste treatment)

Sumitomo Chemical is promoting biotechnological wastewater treatment. Wastewater treatment is an essential initiative to prevent water pollution and promote the recycling and reuse of water resources, however there was the issue that it requires a lot of energy and causes GHG emission when incinerating excess sludge. To address this issue, we have improved wastewater treatment capacity while reducing the amount of sludge generated, GHG emissions associated with wastewater treatment, and fuel consumption through the use of optimal microbial agents.



3 Reduction of GHG from energy (purchased electricity): Use of renewable energy

At our Oita Works, we have achieved GHG reductions of approximately 20% by converting 100% of purchased electricity to renewable energy, and approximately 10% by switching from heavy oil to city gas, resulting in a total GHG reduction of approximately 30% of the Oita Works' emissions compared to FY2013.

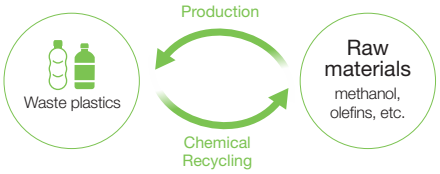
Specific initiatives for "Contribution"

Establishment of carbon resource recycling system

We are developing chemical recycling technologies to convert garbage and waste plastics into basic raw materials for chemicals, such as methanol, ethanol, and olefins, and to use them as raw materials for new plastics.

Specific Initiatives → P.43 Contribute to recycling resources

Recycling of carbon resources

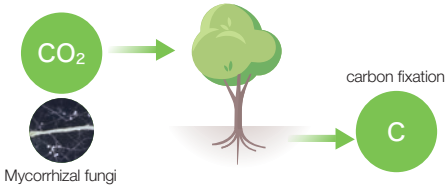


Challenges to carbon negative emissions

We are developing a technology whereby attaching useful microorganisms existing in soil to the roots of plants and allowing them to coexist, we not only promote the absorption of CO_2 by plants through photosynthesis, we also fix CO_2 in the ground in the form of carbon compounds. This will enable ordinary fields, forests, and other natural spaces to absorb and fix even greater amounts of CO_2, contributing a net negative amount of carbon to the atmosphere.

Specific Initiatives → P.45 Sustainable use of natural capital

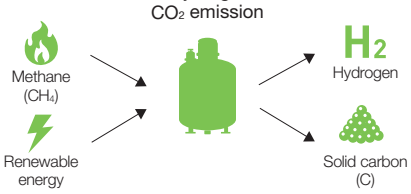
Utilizes the power of nature to promote absorption of atmospheric CO_2 and its fixation in the ground



Response to methane gas

The future shift to clean energy will require the availability of CO_2-free hydrogen. To address this issue, we are developing a technology to produce hydrogen from methane without CO_2 emissions. This technology will help reduce methane, a GHG, and contribute to the realization of a carbon neutrality.

Produce hydrogen without CO_2 emission



External Cooperation Initiatives

Dissemination efforts of Carbon Footprint of Products (CFP)* calculation tool

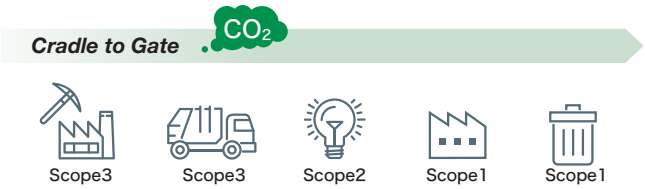
Although the evaluation of product CFP is essential to reduce GHG emissions in society, it is not easy to analyze the CFP of chemical products due to the complexity of their manufacturing processes. In response, we have developed our own automated calculation tool and calculated the CFP of approximately 20,000 products. Currently, we are expanding the scope of evaluation to Group company products. We also provide the tool free of charge to other companies, and at present, more than 70 companies are using the tool, and we have also started collaboration with the Japan Chemical Industry Association.

*Greenhouse gas emissions from each stage of the product lifecycle, from procurement of raw materials to manufacturing, use, and disposal, expressed in terms of CO_2 emissions.

Our original calculation tool speeds up the calculation of CFP for our products

Created the original automatic CFP calculation tool

- Built based on commercially available software (Microsoft Access/Excel)
- Prepared multiple calculation models accounting for the characteristics of chemical manufacturing processes (co-products, by-product fuels, steam generation, etc.) (Choose from the pull-down menu of models and execute calculation)
- Can easily calculate carbon footprint for each stage (intermediates or final product). E.g., raw material to Intermediate A to Intermediate B ... to final product.



Initiatives through Regional Collaboration

Since there are limits to what individual companies can do to achieve carbon neutrality, it is necessary to accelerate regional collaboration with external parties such as companies outside our group and government agencies. In addition to participating in the Keiyo Coastal Industrial Complex Council on Carbon Neutrality, which was established in November 2022 mainly in Chiba Prefecture, we are also studying ways to achieve carbon neutrality, such as securing biomass feedstock and recovering waste, in cooperation with Maruzen Petrochemical Co. Ltd. and Mitsui Chemicals, Inc. We are proceeding with the study about the port decarbonization plan which is currently promoted by government agencies in cooperation with the local community.

Material Issues for Social Value Creation

Contribute to the Environment

Climate Change Mitigation and Adaptation

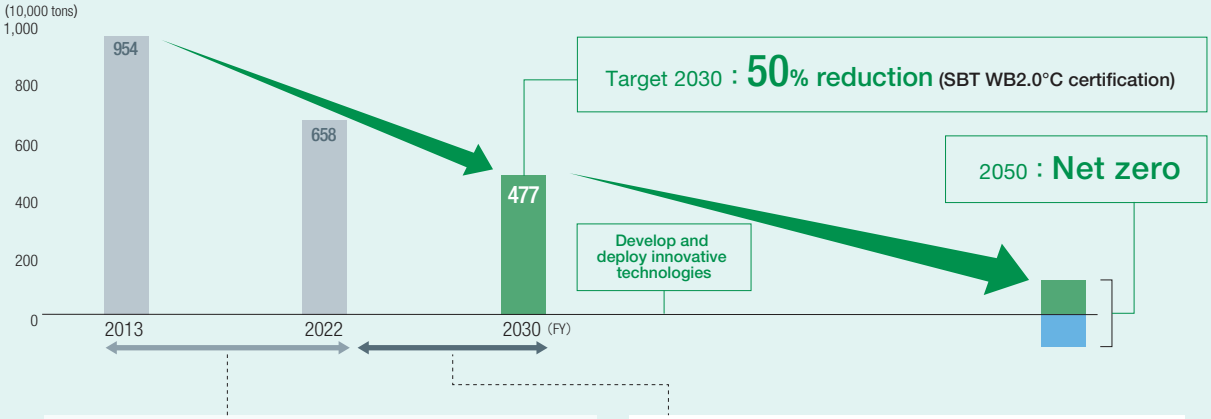
Metrics and Targets (Risk)

As a metric for climate-related risks, we are the first diversified chemical company in the world to utilize GHG emission reduction targets certified as Science Based Targets (SBT). Our group's[*1] GHG emissions (Scope 1 + 2) reduction target for 2030 is 50%[*2], and has been certified under SBT's Well Below 2.0°C standard. Until 2030, we aim to achieve this goal by utilizing the best available technology (BAT) in the manufacturing process at existing plants and by making thorough energy conservation and fuel switching in the manufacturing process.

On the other hand, to reach net-zero emissions by 2050, it will be difficult to respond only with existing technologies, and innovative technologies such as carbon-negative emissions and CCUS[*3] will be necessary. We will continue to study the development of them and their early implementation

*1 Sumitomo Chemical + domestic and overseas consolidated subsidiaries
*2 Compared to FY2013
*3 Capture, effective utilization, and storage of CO_2 emitted from plants, etc.

Scope 1 + 2 GHG Emissions Trends and Reduction Targets



Past Initiatives

- Energy conservation and rationalization in manufacturing processes
- Restructuring of Chiba Works and Ehime Works (Ethylene plant shutdown, liquid-phase caprolactam shutdown, etc.)
- Fuel conversion (introduction of LNG, etc. at Ehime Works)

Initiatives for FY2030

- Thorough energy conservation and rationalization of manufacturing processes (use of BAT)
- Fuel conversion (introduction of LNG, etc. at Chiba Works)
- Promotion of introduction of renewable energy sources
- Avoided GHG emissions other than CO_2, etc.

Scope 3

Reduce GHG emissions (Scope 3 (Categories 1 and 3)) of major Group companies by

14% from FY2020 by FY2030

Supplier Engagement Initiatives

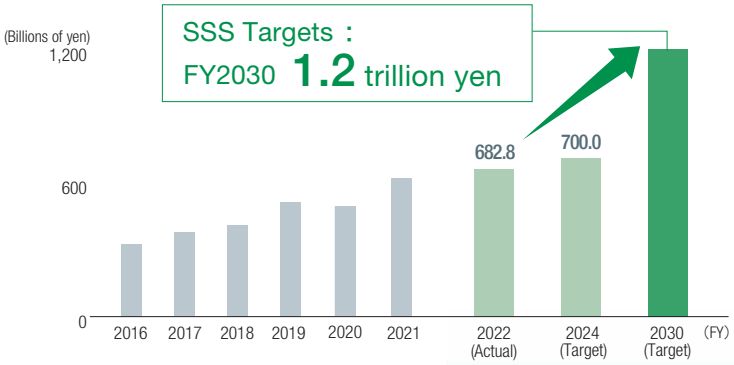
As part of our efforts to encourage our major suppliers to reduce GHG emissions, we hold an annual supplier information exchange meeting. In 2023, we held a hybrid face-to-face and web-based meeting with 43 major suppliers in Japan to explain our efforts to reduce Scope 3 emissions and to request their cooperation in reducing GHG emissions and sharing information on reductions. In recognition of these efforts, the company has been selected as a "Supplier Engagement Leader," the highest rating in the Supplier Engagement Rating conducted by CDP, an international NGO, for four consecutive years.

Metrics and Targets (Opportunities)

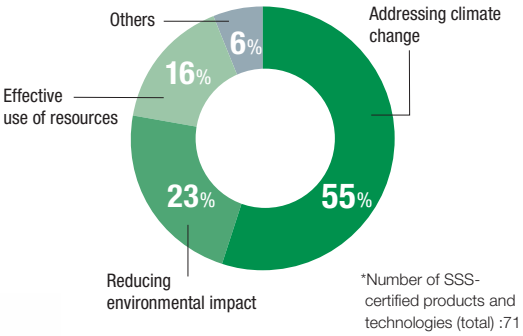
Sumika Sustainable Solutions (SSS) is used as a metric for climate-related opportunities. SSS is an initiative in which we designate those of our Group's products and technologies that contribute to the fields of addressing climate change, reducing environmental impact, and effective use of resources in order to promote their development and spread. In FY2022, sales revenue from SSS-certified products totaled 682.8 billion yen, making steady progress toward the FY2030 goal of 1.2 trillion yen.

Sumika Sustainable Solutions

Sales Revenue Targets



Percentage of products and technologies in each certified field (FY2022)



*Number of SSS-certified products and technologies (total) :71

Quantifying avoided GHG emissions through SSS-Certified Products and Technologies

Science Based Contributions (SBC)

Avoided GHG emissions through products and technologies

In order to more clearly demonstrate the contribution of our products and technologies to carbon neutrality (CN), we have established a new indicator, Science Based Contributions. By calculating and visualizing the contribution to avoided greenhouse gas (GHG) emissions, we will accelerate our efforts to achieve CN for society as a whole through our products and technologies.

The SBC quantitatively and scientifically calculates the amount of GHG reductions achieved in society through the use of SSS-certified products and technologies that we have sold and provided. The figures are calculated based on the product CFP and sales volume of the subject products and the production capacity of the licensed plants, etc. The calculation method is validated by external experts.

We will strive to promote understanding of the contribution of our products and technologies to society through active disclosure of information to our stakeholders using the SBC, and promote efforts to realize CN around the world.

FY2022 SBC results: 8.3 million tons

SSS Technology	Propylene oxide (PO)-only process Hydrochloric acid oxidation process	Licensees	2.7 million tons
SSS End Products	Methionine Flumioxazin, etc.	Users	5.6 million tons
SSS Materials & Components	Components for Secondary Batteries and aircraft, etc.	Users	Not applicable (under consideration)

Calculation Method

SSS are classified into the three categories of technology, end products, and materials/components, and CFP is calculated from the difference by comparing the CFP of SSS with that of technologies and products in widespread use as of 2013. (Based on single-year sales volume)

SSS Technology

- PO-only process is compared to the average of other PO manufacturing processes, such as the chlorine process, and hydrochloric acid oxidation process is compared to the salt electrolysis process..
- Calculation of reduction contribution by licensees.

SSS Products

- Methionine is compared to feed without additives.
  The contribution to the reduction of N_2O in poultry waste was calculated.
- Regarding the Flumioxazin, contributions to emissions reduction achieved by no-till farming in the U.S. were calculated by comparing no-till farming for soybean cultivation with the conventional farming method.

Material Issues for Social Value Creation

Contribute to the Environment

Contribute to Recycling Resources

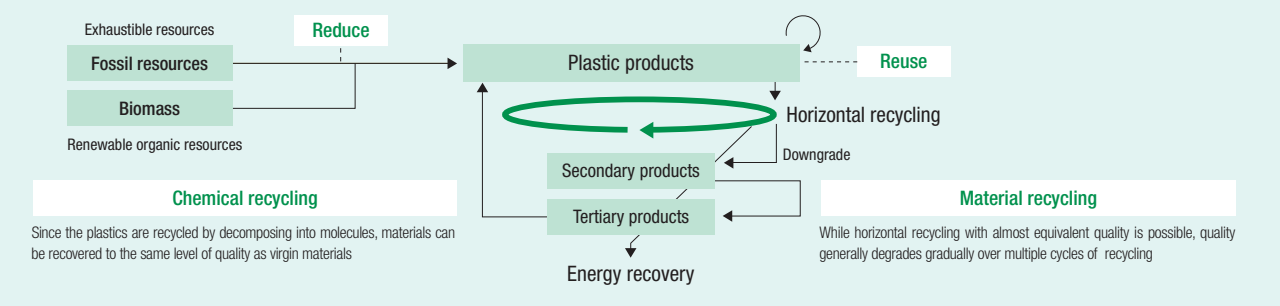
Our lives are based on limited resources. For sustainable use of resources, we need to reduce the consumption of natural resources while at the same time circulating the resources we have. In addition to waste management and effective use of resources at our offices and Works, Sumitomo Chemical is working on the development and social implementation of recycling technologies for plastics and other resources.

Initiatives to Realize Circular System for Plastics

Overall picture of circular system for plastics

Toward a circular system for plastics, it is important to make an effort to reduce, reuse, and recycle (material recycling and chemical recycling) at each stage of the plastic value chain.

Overall picture of circular system for plastics



Our KPIs for resource recycling

Sumitomo Chemical has identified "contribution to recycling resources" as one of our material issues to be addressed as management priorities, and we have set the amount of recycled plastic resources used in the manufacturing process as a KPI for this purpose. We are working to replace 200k tons/year of plastic used in our manufacturing process with recycled resources by 2030.

KPI: The amount of recycled plastics utilized in manufacturing processes	
Target	200k tons/year by FY2030
Results	FY2022 5,900 tons

Development of the Meguri® brand

Meguri® is a brand of plastic products and chemicals that can be obtained through recycling technology and contribute to reducing environmental impact. Meguri® products are the crystallization of the latest recycling technologies and the environmentally friendly technologies that we have cultivated in various fields as a diversified chemical company. We will expand the Meguri® product lineup and increase production and sales of these products, thereby playing a role in realizing a circular economy.

Meguri
CIRCULARITY FOR ALL

The brand name Meguri® means "circularity" in Japanese. The design of the icon is a deformed version of the kanji character "廻", which means "circularity" in Japanese.

1 Initiatives for Material Recycling

As one of our material recycling initiatives, Sumitomo Chemical and REVER CORPORARION have concluded a business alliance agreement for material recycling of waste plastics derived from end-of-life vehicles. Through this alliance, the two companies will work to build a circular system for recycling waste plastics that includes the whole process, from collection to sorting to recycling into useful plastic resources, and to accelerate business development for plastic recycling.

In September 2022, we made a decision to introduce a pilot-scale mechanical waste processing facility that performs an integrated process of high-precision sorting and removal of foreign matter according to the type and characteristics of waste plastics.

In addition, we will work towards the acceleration of business development, and aim to being able to supply samples to automotive-related manufacturers in FY2023.

2 Initiatives for Chemical Recycling

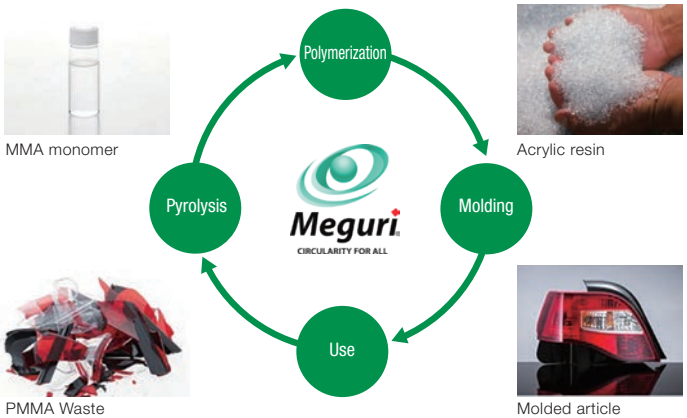
We promote development of chemical recycling technologies through multiple routes in parallel, by combining our catalyst design and chemical process design technologies, in collaboration with external parties. Utilization of these technologies will reduce fossil resource use and plastic waste emissions, as well as GHG emissions from plastic waste incineration.

Chemical Recycling System for Acrylic Resin

Sumitomo Chemical has jointly developed with The Japan Steel Works, Ltd. a technology for pyrolyzing acrylic resin and recycling it, with high efficiency, into MMA monomer, which is a raw material for acrylic resin (polymethyl methacrylate or PMMA). We have built the new pilot facility at Ehime Works and aim to supply samples in the fall of FY2023.

*PMMA made from recycled monomers reduces GHG emissions throughout the product lifecycle compared to products derived from fossil resources.

PMMA Recycling Mechanism



MMA monomer

Acrylic resin

PMMA Waste

Molded article

PMMA Chemical Recycling Pilot Facility

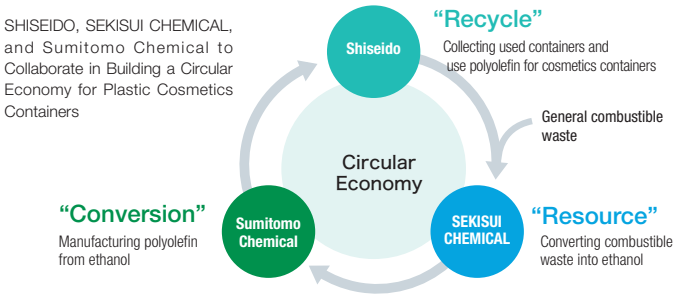
Molded product samples made from chemically recycled MMA monomer

Started Sample Production of Ethanol-Based Ethylene for Environmentally-Sustainable Polyolefin

Sumitomo Chemical completed the construction at its Chiba Works of a pilot facility to manufacture ethylene using renewable ethanol as a raw material, ethanol produced from waste by SEKISUI CHEMICAL CO., LTD. (SEKISUI CHEMICAL), and bio-ethanol derived from biomass, such as sugarcane and corn, and started manufacturing samples to develop the market, with the aim of contributing to creating a circular economy. We aim to commercialize ethanol-based polyolefin in FY2025 as an example of our efforts to build a new recycling model for plastic cosmetic containers through collaboration among the three companies, SHISEIDO CO., LTD. (SHISEIDO) and SEKISUI CHEMICAL.

Pilot facility to produce ethylene from renewable ethanol

SHISEIDO, SEKISUI CHEMICAL, and Sumitomo Chemical to Collaborate in Building a Circular Economy for Plastic Cosmetics Containers



Investors' Handbook 2023 → **P.26** **Our Chemical Recycling Initiatives and List of Themes Selected by NEDO* for their Green Innovation Fund Project**

*New Energy and Industrial Technology Development Organization (NEDO)

Direct Recycling Initiatives for Battery Cathode Materials

We are developing recycling technology that regenerates cathodes collected from used lithium-ion secondary batteries without returning it to metal. By simplifying the conventional process, CO_2 emissions are reduced and recycled cathode materials can be produced at low energy and cost. JERA Co., Inc. and we were selected for NEDO's "Green Innovation Fund Project: Development of Next-Generation Storage Batteries and Next-Generation Motors". Both companies will promote development of the recycling technology and social implementation.

*New Energy and Industrial Technology Development Organization (NEDO)

Specific Initiatives → **P.68** **Direct Recycling of Cathode Materials**

Material Issues for Social Value Creation

Contribute to the Environment

Sustainable Use of Natural Capital

Sumitomo Chemical has been conducting its business using various types of natural capital such as water and soil, and the entire Group has been implementing various initiatives for the sustainable use of natural capital. Now that the Kunming-Montreal Global Biodiversity Framework was adopted at COP15 in December 2022, and the so-called Nature Positive direction was outlined in the framework, which aims to halt, reverse and put biodiversity loss on a recovery track by 2030, we recognize that biodiversity conservation and sustainable use of natural capital are again material issues and we will make further initiatives.

Our Initiatives

Sumitomo Chemical is considering and promoting initiatives to realize Nature Positive from the perspectives of both obligation and contribution.

Obligation

- Works to reduce GHG emissions to near zero
- Reduction of chemical substance emissions
- Reduction of waste
- Effective use of water resources
- Promotion of sustainable procurement initiatives, etc.

Contribution

- Through products and technologies
  - Reduction of global GHG emissions
  - Improvement of soil environment
  - Improvement of water environment
- Nature conservation activities (30 by 30 initiatives), etc.

Specific Initiatives (Effective use of water resources)

Water risk assessment in areas where major production sites are located

We conduct water risk assessments from two perspectives: physical water risk (regional water stress, seasonal changes in water supply, flooding conditions, etc.) and vulnerability risk to water quality (water pollution conditions of water intake and discharge, impact on ecosystems, etc.).

Initiatives in regions with declining water resources

Based on the results of water risk assessment, we are taking measures tailored to local needs.

Locate	Around Bhavnagar Plant of Sumitomo Chemical India Ltd.
Evaluate	Water resources are decreasing due to population growth, increased demand for agricultural water, and decreased precipitation.
Assess	In the event of a water supply shortage, Sumitomo Chemical India will not be able to secure sufficient water for its production activities and will not be able to maintain stable operations.
Prepare	The company purchases domestic wastewater from households, treats it in the factory using earthworm farming technology, and reuses it. This approach reduces the use of river water by more than 70% while ensuring a stable water supply for production activities.

Wastewater treatment

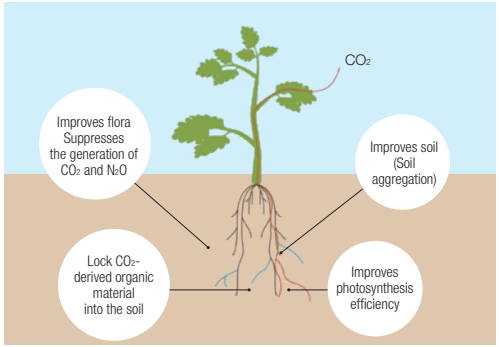
Treatment using earthworm farming technology instead of the common activated sludge method to suit the characteristics of domestic wastewater, which contains relatively high levels of nutrients

Specific Initiatives (Improvement of soil environment)

Soil fertility by mycorrhizal fungi

Mycorrhizal fungi, a type of soil-dwelling microorganism that lives in symbiosis with plant roots, stimulates plant growth by accepting carbon compounds produced by plants through photosynthesis. This property increases the amount of carbon compounds in the soil and promotes carbon fixation, thereby reducing atmospheric CO_2 and contributing to soil fertility. We are working on the development of technology utilizing mycorrhizal fungi to achieve carbon neutrality and solve food problems.

Benefits of mycorrhizal fungi (including some hypotheses undergoing validation)



Spread of no-till farming

Specific Initiatives → P.76 Health & Crop Sciences

Contribute to the Food Supply

Advance Sustainable Agriculture

As the world population grows, demand for grain is expected to nearly double between 2000 and 2050 to 3.6 billion tons. Meanwhile, the world's arable land area has barely increased, and per capita arable land area continues to decline as the population grows. In order to realize a society in which people around the world have access to food and do not starve, we recognize the promotion of sustainable agriculture as an important issue for us to address.

Achieving Sustainable Agriculture

In order to realize a society in which people around the world have sustainable access to sufficient food, the world's agriculture must be sustainable and efficient. In response to this need, we are promoting a variety of initiatives through our agriculture-related business.

Issues Surrounding Food

- Growth in food supply requirements accompanying population growth
- Decrease in arable land per capita
- Decrease yields due to climate change
- Tighter registration regulations for crop protection chemicals worldwide
- Increase in consumer demand for safety and quality

Our Actions

Crop protection chemicals
Development and launch of safe and reliable products

Biorationals
Providing naturally-derived microbial crop protection, plant growth regulators, and rhizosphere microbials as well as to the solutions that use them to protect crops from pests or improve the quality or yield of crops

Seed treatment
Insecticide and fungicide coating on seeds

Precision agriculture
Spraying using drones, soil diagnosis, etc.

Methionine
Improvement of quality and productivity of farmed animals

Expected Outcomes

- Improvement of crop quality and yield per unit of crop
- Improved efficiency and profitability of agricultural work
- Reduction of environmental impact caused by pesticide application
- Soil conservation
- Increased supply by promoting growth of farmed animals

TOPICS

Leading the way in regenerative agriculture with a dual approach to biorationals and crop protection chemicals

As the movement toward a sustainable society is accelerating in all areas, the agricultural sector is rapidly building value chains based on regenerative agriculture. We believe that the appropriate use of both biorational and crop protection chemicals is desirable to realize regenerative agriculture, which aims to ensure agricultural production, food safety and security, biodiversity conservation, and achieving carbon neutrality. We will continue to focus on expanding and strengthening our regenerative agriculture-oriented portfolio to lead the world with both biorational and crop protection chemicals which we have a world-leading presence.

Material Issues for Social Value Creation

Contribute to Healthcare

With the aging of society and the COVID-19 pandemic, the need for health maintenance and disease risk reduction/prevention is expanding around the world. In addition, nucleic acid medicine, gene therapy, and regenerative medicine/cell therapy are also attracting attention as new medical technologies due to the advancement of genome analysis and editing technologies. Sumitomo Chemical will continue to contribute to the improvement of people's quality of life by leveraging the technologies it has cultivated in the pharmaceutical business and other areas.

Basic Policy

We will work at each stage of prevention, diagnosis, and treatment, including the development and dissemination of materials to combat tropical infectious diseases and the ongoing creation of pharmaceutical products in areas of high unmet medical needs. In particular, in the area of treatment, we will accelerate the research, development, manufacturing, and marketing of products that contribute to people's health by using various modalities, including small molecules and regenerative medicine/cell therapy in the three priority therapeutic areas of psychiatry & neurology and oncology, plus other areas where our proprietary technologies can be utilized.

Treatment

In addition to our own research, we are introducing cutting-edge technologies in every possible way, including technology introductions and joint research with biotech companies and academia. Using these methods, we strive to develop superior therapeutic drugs and technologies, as well as to cultivate new business areas.

Psychiatry & Neurology

Sumitomo Pharma

Main Products

- LATUDA® (atypical antipsychotic)

Compounds under development

- ulotaront (atypical antipsychotic)
- SEP-4199 (treatment for bipolar I depression)
- Allogeneic iPS cell-derived cell therapy (Parkinson's disease, retinal pigment epithelium tear, etc.)

Oncology

Sumitomo Pharma | Nihon Medi-Physics

Main Products

- ORGOVYX® (prostate cancer treatment)

Compounds under development

- Theranostics (therapeutic) → P.79
- TP-3654 (treatment for myelofibrosis)
- DSP-5336 (treatment for acute leukemia)

Others

Sumitomo Chemical | Sumitomo Pharma

Main Products / Businesses

- MYFEMBREE® (treatment for uterine fibroids, endometriosis)
- GEMTESA® (treatment for overactive bladder)
- CMO/CDMO businesses (small molecule drugs, nucleic acid drugs, regenerative medicine/cell therapy products)

Diagnosis

We sell diagnostic radiopharmaceuticals for a wide range of diagnostic purposes, including brain, heart, and malignant tumors, and contribute to appropriate diagnosis by physicians.

Nihon Medi-Physics

Main Products

- Diagnostic radiopharmaceuticals (SPECT diagnostics, PET diagnostics)

Compounds under development

- Theranostics (diagnostics) → P.79

Prevention

We are working to prevent infectious diseases from two main perspectives: strengthening immunity through vaccines and promoting the use of infectious disease prevention materials.

Sumitomo Chemical | Sumitomo Pharma

Main Products

- Olyset® Net (malaria prevention)

Compounds under development

- Universal Influenza Vaccine
- Malaria Vaccine

Frontier business

Sumitomo Pharma

Business that provides new solutions to solve social issues in the healthcare field other than pharmaceuticals

Main Products / Products under development

Healthcare solutions using VR and digital devices

Contribute to ICT

The evolution of information and communication technology is transforming society in a variety of ways, such as the increasing use of IoT in sensors and various devices, the development of artificial intelligence (AI)/cloud technology, and the resulting widespread use of remote diagnosis and automated driving. Sumitomo Chemical will contribute to the realization of Society 5.0 (super-smart society) and smart mobility through the development of ICT-related materials by leveraging its technological capabilities.

Society 5.0

Society 5.0 is a new society that balances economic development and the resolution of social issues by incorporating advanced technologies such as IoT, robots, AI, and big data into all industries and social life. We are developing a variety of ICT-related materials to realize this new society.

Products currently under development at our company for the realization of Society 5.0

Materials for Micro Displays and Sensors for AR*1/VR*2 Devices

AR/VR is expected to be utilized in a variety of situations, including business, entertainment, and education, and the market is forecasted to expand drastically in the future. Accordingly, it is likely that demand for semiconductor devices used in data centers/telecom-related equipment and next-generation micro displays/sensors used in AR/VR devices will grow. To capture this opportunity, we are developing materials for cutting-edge semiconductor processes as well as micro displays/sensors.

*1 Augmented Reality
*2 Virtual Reality

Compound Semiconductors

GaN-on-GaN power semiconductor devices are considered to be one of the key technologies for Society 5.0 because of their energy saving and small-footprint characteristics, and the demand for them is expected to grow mainly in the fields of data centers, renewable energy, and electric vehicles. We have already started production of large-diameter gallium nitride substrates and will work to further increase the diameter and productivity.

*GaN = Gallium Nitride

Smart Agriculture

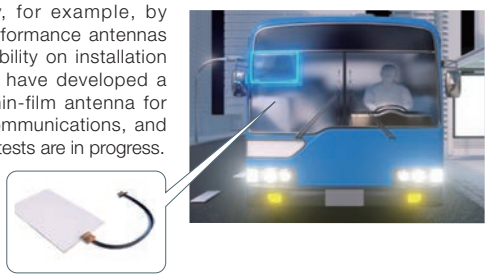
Expectations are growing for smart agriculture, which aims to reduce the environmental burden by reducing the use of crop protection products, and to increase food production through automation and power saving. We are working on the development of technologies such as the use of drones for the pinpoint application of crop protection products and fertilizers and the optimization of the timing of application.

Soft Solid-Type Battery

As battery capacity increases at an accelerating pace, battery materials must be made safer and more productive, and solid-type batteries that meet these requirements are expected to become the next-generation batteries.Through an industry-academia joint research program with Kyoto University and Tottori University, we succeeded in making solid electrolytes more flexible, which was an issue in the practical application of solid-state batteries. We will continue to work on development with the aim of early commercialization.

Transparent Thin-film Antennas for High-speed Telecommunications

The faster wireless communications are, the shorter wavelength of the radio waves increasingly becomes, which leads to limitation of the communication range and quality because of attenuation of them caused by distance and obstructions. In order to promote high-speed, large-capacity wireless communications, it is necessary to expand the signal range and maintain signal quality, for example, by using high-performance antennas that have flexibility on installation locations. We have developed a transparent thin-film antenna for high-speed communications, and demonstration tests are in progress.



Material Issues for Future Value Creation

Advance Innovation

We believe that innovation, which is generated by our "ability to develop innovative solutions by leveraging its technological expertise in diverse areas," one of Sumitomo Chemical's core competencies, is the source of our future value, and we have designated "advance innovation" as one of the material issues for future value creation. We will continue to strive to enhance our corporate value through innovation, focusing on four priority areas: the related fields of environment, food, healthcare, and ICT.

Research and Development

Basic Stance

Amid increasing uncertainty about the business environment surrounding Sumitomo Chemical Group, the role played by the chemical industry in solving societal issues, such as environmental, energy, and food issues, is enormous, and our business opportunities are expanding. Our research and development is based on the basic policy shown on the right.

Basic Policy

1. Early commercialization of development items
2. Building the foundation of next-generation businesses
3. Building and operating a system to continuously create innovation
4. Promoting R&D based on business (commercialization) strategies and intellectual property strategies.

Four Priority Areas

Sumitomo Chemical has identified four priority areas for the creation of next-generation businesses, and within these areas, we have defined focus domains where we can make the most of our advanced technologies. For each of these domains, we will identify multiple business candidates based on market growth potential and accelerate their R&D and commercialization through the innovation ecosystem and stage-gate management system of research themes.

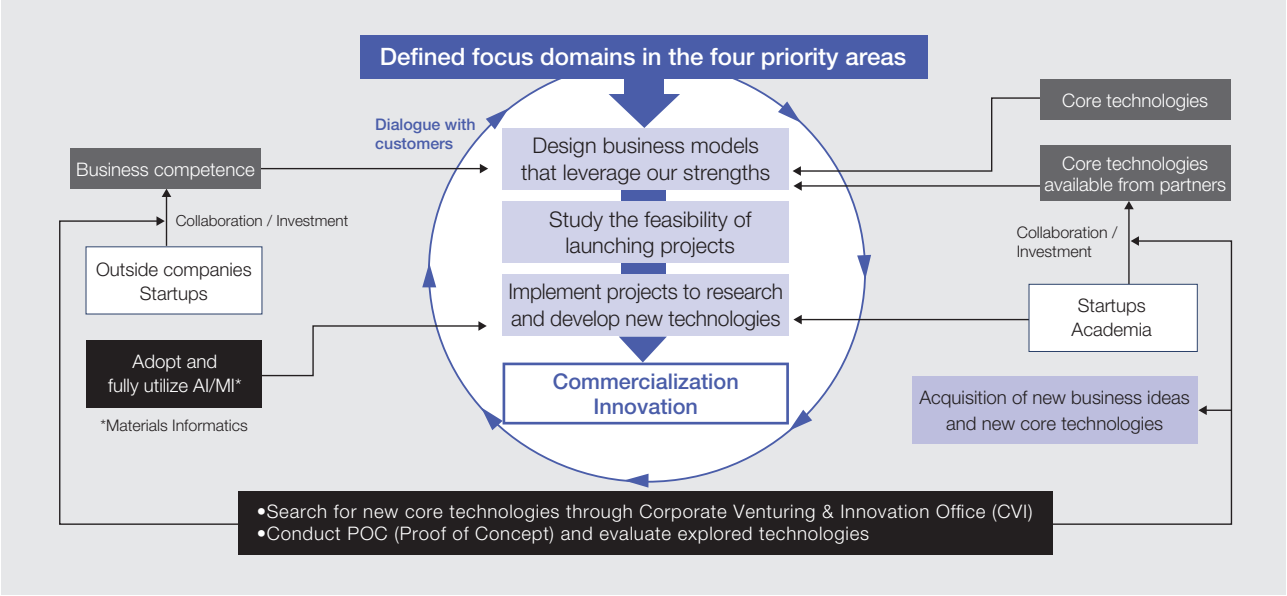
Research Theme		
Priority areas	**Focus domains**	**Major candidate businesses**
Environment	Energy management	Materials for next-generation battery
	Reduction of GHG emissions	Functional membrane
		Wastewater processing
	Resource circulation	Chemical recycling (Plastic recycling)
		CO_2 utilization processes
Food	Sustainable food production	Functional feed
		Biorational materials
	Food loss reduction	Freshness keeping materials/Harvest loss reducer
Health Care	Advanced medical care	Regenerative medicine and cellular therapy business
		Cellular pharmaceutical materials
	Prevention	Hygiene materials
		Physical condition monitoring
	Early diagnosis and health examination	Diagnostic agent/Diagnostic imaging materials
ICT	Edge/IoT device materials and components	Display materials
		Sensor materials
	Communication/Semiconductor materials and components	Communication/Semiconductor materials
		Heat dissipation/Thermal control materials

Sumitomo Chemical's Innovation Ecosystem Accelerates the Creation of Next-Generation Business

Sumitomo Chemical is building an innovation ecosystem (a system that continuously creates innovation) to steadily link R&D and business development in the four priority areas to the creation of next-generation businesses.

In each of the four priority areas, we have defined focus domains for our efforts within four priority areas, have identified core technologies that we own and core technologies that we do not own, and we are acquiring non-owned technologies through collaboration with startups and academia. As for business competence, we are also supplementing the lacking areas with alliances and investments with outside companies and startups, considering designing a business model that leverages our strengths and thematizing. At each stage of promoting themes, we communicate closely with relevant internal departments, external partners, and customers, and appropriately reflect their feedback to promote research and development. We also thoroughly utilize digital technologies such as AI and MI to accelerate development. In addition, we will incorporate new ideas and technologies that emerge in the course of theme promotion and dialogue with partners, and link this to the continuous creation of innovations.

Innovation Ecosystem

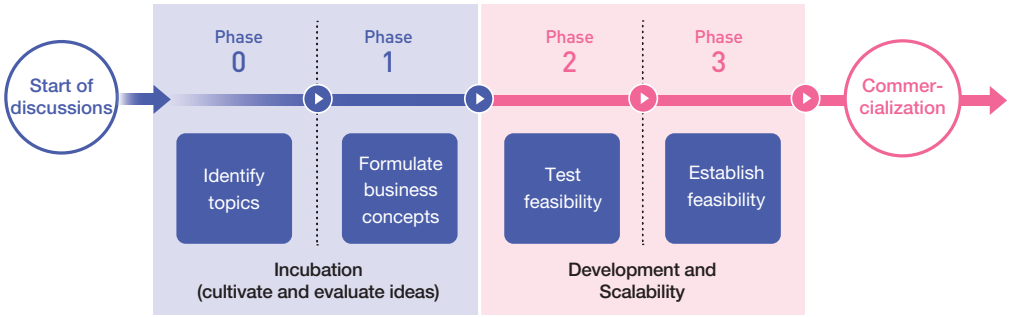


Stage-gate Management System

In considering thematization, the Stage-Gate Management System for Corporate Research Themes was introduced in earnest in FY2019, and research themes are managed in four stages, from the idea stage to commercialization. Phases 0 and 1, the initial stages, are combined as the "incubation" stage, and Phases 2 and 3, the more advanced stages of research, are designated as the "development and industrialization" stage. We will proactively incorporate internally proposed themes in the idea stage as Phase 0. On the other hand, we clarify the requirements for passing through the gate in each phase, and determine whether or not to pass through the gate through deep discussions not only with the research division but also with the business divisions.

This has enabled us to promptly create new themes and make decisions on discontinuation of projects, taking into account their future potential. In the past three years, about half of the research themes have been replaced due to the creation of new themes, interruptions, and transfers to business divisions.

Overall picture of the stage-gate management system



Material Issues for Future Value Creation

Advance Innovation

Message from Researchers

*Affiliations and positions are as of July 2023.

We have been generating innovations in a variety of fields. Here, our research specialists, who have been at the forefront of their fields for many years, introduce our R&D strengths and our efforts toward future innovation.

Adding plus one to existing knowledge to create new products and value

IT-related Chemicals Research Laboratory Senior Fellow

Koji Higashi

Since joining the company, I have been developing optical products, mainly polarizing films, for more than 30 years. Polarizing films are composed of many components such as retardation films, protective films, and adhesives, in addition to polarizing elements which are responsible for the main function. As a result, I could not be involved in all of them, but I had been involved in a wide range of development from materials to product and product processing.

In the development process, in cooperation with the business divisions, we visited our customers many times, and listened to their needs and even their complaints, in order to realize optical characteristics that they could decide to adopt our products. And in cooperation with our manufacturing and quality assurance departments, we had developed products that satisfy customers' usability like processability and quality requirement in addition to optical characteristics. As a result, we could quickly offer new polarizing films for LCD/OLED displays used in TVs and smartphones, which have now become the de facto standard, and we have established the present position in the polarizing film market. And although the market environment is changing quickly and rapidly, I believe we are now in a situation where we can say that there is at least one product in every household that uses Sumitomo Chemical's polarizing films.

I was mainly in charge of optical design of individual films and laminated products, on the other hand, to create new products that meet customer requirements, no matter how many times I have been involved I was always impressed by our company's comprehensive ability to make a mass production system by collaborating with related departments such as process design, quality control department and others. Unfortunately, some of these products had never been realized, but I believe that these experiences have led us to the success of mass production of new products such as liquid crystal coating materials for OLED displays which are our current mainstay products.

Currently, cooperating with business divisions, we the Information & Electronics Chemicals Research Laboratory are searching for new products/new technologies that take advantage of Sumitomo Chemical's strength by adding "plus one" to our core technologies. This "plus one" is not only a new idea but may also be signifying knowledge of the wide range of technological fields covered by Sumitomo Chemical and the many technological assets accumulated over its long history. Currently, we are studying materials for high-value-added displays, telecommunications, semiconductor post-processes etc. It would be great if we could create new products in these areas by combining current knowledge or technologies, these past assets, and the technologies of universities or startups.

Using new technology and research infrastructure to realize sustainable agriculture

Health & Crop Sciences Research Laboratory Senior Fellow

Shinichi Kawamura

Modern agriculture has evolved supported by various technological advances, and crop protection products, among others, have contributed greatly to food production, not only protecting crops from pests, diseases, and weeds, but also reducing workload and risk to crops. Today, a new challenge is the realization of sustainable agriculture that feeds the world's growing population while ensuring a high level of safety and preserving the environment. In response to this new challenge, our Health & Crop Sciences Research Laboratory is engaged in research aimed at creating even better crop protection products.

Research and development of crop protection chemicals begins with research to find compounds (lead compounds) that have control effects against pests, diseases, and weeds, and then chemical modifications and alterations are made to the lead compounds to create the most superior compounds. Finally, only those compounds that are judged to be worthy of development from all perspectives are put on the market in collaboration with various specialized teams, including efficacy evaluation, manufacturing method development, formulation development, safety evaluation, intellectual property, and registration. The time and cost required to bring one new crop protection chemical to market is increasing every year, requiring on average more than 11 years of development time and testing of approximately 160,000 compounds.

For this reason, our laboratories have actively introduced a wide variety of new technologies in order to improve the efficiency of our exploratory research. For example, various drug discovery technologies that emerged in the 2000s, such as high-throughput screening methods for rapid evaluation of bioactivity and in silico drug discovery that predicts bioactivity based on computational science, have become powerful tools in crop protection chemicals discovery research by integrating them with the laboratory's own fundamental technologies, and are still producing many results.

In the field of AI drug discovery, which has been attracting attention in the pharmaceutical field in recent years, we have already begun to implement and utilize our proprietary database and AI specialized for crop protection chemicals discovery applications, in collaboration with internal and external research institutions. We feel that the accumulation of such new technologies is our strength that enables us to compete with our competitors on an equal or greater level.

In recent years, the establishment of a food system that is compatible with improved food productivity and sustainability has become a global trend, and new crop protection products that emphasize environmental impact reduction effects are required. This trend is a great challenge for companies and researchers involved in crop protection products, as well as an opportunity to build a new agricultural system. We intend to contribute to crop production and protection in a wide range of fields by fully utilizing both our research base in crop protection chemicals, as mentioned above, and our own research and development base with a competitive edge in biorational fields such as microbial crop protection products.

Intellectual Property

~Promoting Intellectual Property Activities for Competitive Advantage & Co-Creation/Cooperation~

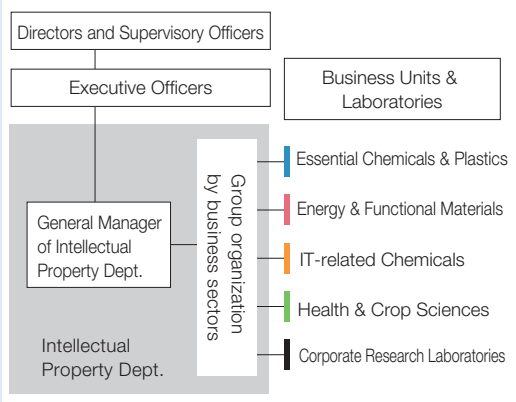
Sumitomo Chemical will enhance its business competitiveness, lay the foundation for co-creation and collaboration, and drive its growth strategy by strengthening our core competencies of solution development capabilities based on a broad technological platform and access to global markets (➔page 21) through our IP strategy.

Basic Policy

We promote intellectual property activities under the following basic policy.

1. **Promote activities in line with our business strategies**
2. **Create global business value**
3. **Strive to utilize all technological development accomplishments**
4. **Respect rights and comply with the law**

Structure



Implementation Structure Closer to the Business

The Intellectual Property Department was reorganized in 2019 into separate groups corresponding to each business sector in order to make intellectual property activities more closely aligned with the business. Under this organizational structure, we promote intellectual property activities that are integrated with the business, in cooperation with business divisions, research centers, and intellectual property staff at each site.

Intellectual Property Activities

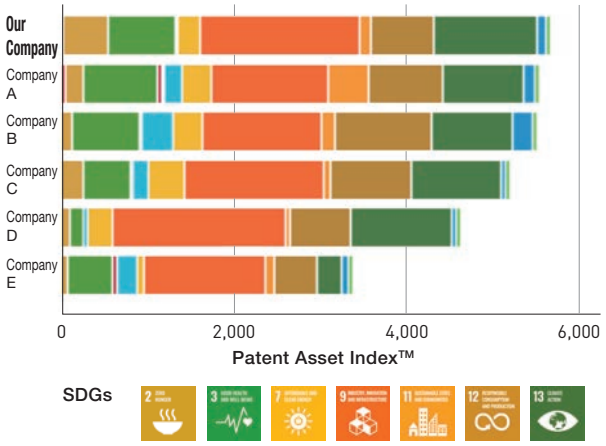
Strengthening Patent Portfolio

Based on an intellectual property strategy tailored to the increasingly complex global business environment, we are building a patent portfolio with strong barriers to entry and business competitiveness through discussions at pre-filing review meetings for each patent application. In addition, we are working to continuously strengthen our business foundation by promptly disposing of unneeded patents in response to changes in the business environment.

Sustainability and Intellectual Property: Co-creation and Collaboration

In the four priority areas of environment, food, healthcare, and ICT, it is essential to co-create with companies and universities and build a cooperative business model, including the supply chain, from the perspective of sustainability. We have built a strong patent portfolio related to sustainability, which we will use as a foundation for co-creation and collaboration to drive our growth strategy (upper right figure).

SDG-related Patents for Chemical Companies in Japan

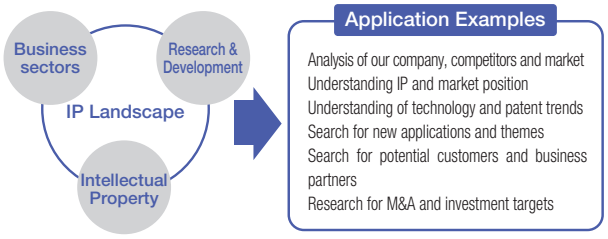


*Scale of patent assets (Patent Asset Index™) of SDG-related patents held by domestic chemical companies. Calculated by the patent analysis tool LexisNexis PatentSight® (as of March 2023).Color coding corresponds to each SDG.

Priority Initiatives ~Strengthening IP Intelligence~

The Intellectual Property Department aims to create social and business value by promoting activities (IP landscape) that help management and business strategies through integrated analysis and visualization of the company's and other companies' intellectual property and markets (see figure below).

IP Landscape Collaboration Structure and Application Examples ~Creating Social and Business Value~



TOPICS

Clarivate Top 100 Global Innovator 2023™

~Selected as one of the Top 100 Innovative Companies in the World for the second year in a row~

We are pleased that our high level of R&D and intellectual property activities has been highly evaluated, and we will continue to promote our activities further.

For more details, click here.

Sumitomo Chemical HP: Release dated February 27, 2023

Material Issues for Future Value Creation

Bolster Competitiveness Leveraging DX

For the materials and chemicals industries where it is an opportunity to provide products and solutions towards the global sustainability, we are required to enhance the business competitiveness through DX activities responding to shorter product lifecycle. Through our activities, we hope to contribute to delivering new value to our customers, by increasing more innovative personnel and creating an organizational culture adopting agility.

Overall DX Strategy in FY2022-2024 Corporate Business Plan

Keeping efforts to implement DX Strategy 1.0 for high-productivity in four focus areas of research and development, plants, supply chain management, and offices, our business units take initiatives to focus on DX Strategy 2.0 for stronger competitiveness and DX Strategy 3.0 to aim to create new business models.

Two policies to succeed in DX Strategy 2.0

01 Realization of optimal business operations through data utilization

Proactively utilize digital tools and build digital environments for high-level data utilization to solve issues directly related to strengthening business competitiveness

Collection of data

Strategically and effectively collect data generated inside and outside the company.

- Production data
- R&D data
- Business data, etc.

Aggregation of data

Aggregate the data which are processed to be used quickly at any time.

- Data capitalization and data linkage

Utilization of data

Use of the visualized and analyzed data to make decision

- Value creation by analyzing and visualizing the data

High-quality decision-making in real time

02 Training Digital Human Resources

We have set definitions of digital human resources engaged in Plant/R&D/SCM and trained them through our own programs that cover the basics through practical applications. Assigning trained digital human resources to all departments, we will promote company-wide DX challenges.

R&D and Production Units	Increase personnel capable of analyzing and leveraging data in R&D and production activities.		
Data scientist	Who has ability to analyze advanced data and support for each research theme activity to spread and establish company-wide data science	target by FY2024	30 people
Data engineer	Who applies the best analytical method to each theme in R&D and/or production sites, solves problems by combining domain knowledge and data science	target by FY2024	300 people (100 in R&D, 200 in production)
Business and Corporate Units	Begin to train DX personnel to be assigned across all sectors.		
Business translator	Who leads to select and implement appropriate digital technologies to solve overall business issues	target by FY2024	150 people
Business data analyst	Who can utilize data and promote business improvement based on an understanding of their business practices	target by FY2024	100 people

Specific initiatives to build a company-wide DX promotion system

- Conduct DX literacy training for all executives and employees
- Since 2020, we have been annually holding an event, “DX Repository”, to share our DX initiatives and to further accelerate digital innovation (in FY2022, approximately 1,200 people joined, including domestic and overseas group companies).
- Since 2019, we have been presenting annual awards for outstanding DX initiatives with the aim of encouraging employees and departments to promote DX activities.

Establishment of Digital & Data Value Creation Team

In January 2023, we established a new team to accelerate DX Strategy 3.0 in the Digital and Data Science Innovation Department. The team is comprised members who have a wealth of experiences in business and enhancing customer experience(CX) service as well as data scientists. The mission of the team is to create new value by transforming our conventional business models. To achieve this mission, this team will continuously launch new businesses – from searching for new business ideas by data utilization, planning and designing digital product. Additionally, we cultivate human resources capable of advancing DX Strategy 3.0. We will take on the challenge of providing unique value with a mindset unafraid of failure and a high level of agility.

Team Value-nauts Members

*Team’s nickname. They coined it to mean pursuers of value to express their determination to never give up in the pursuit of value, no matter what difficulties may come their way.

Material Issues for Future Value Creation

Human Resources DE&I, Development & Growth, Health

"People" are a major source of corporate competitiveness , and securing and developing human resources is a key issue for our future value creation. Sumitomo Chemical will promote the securing and development of human resources, which we consider to be our most important management resource, from a long-term perspective and achieve sustainable growth of our Group through enhanced engagement.

Basic Principles

With a history spanning more than 100 years, we have consistently held the view that people are the most important management resource, and we continue to adhere to the three elements of securing human resources, fair treatment, and development and growth as our unchanging human resource philosophy. Based on this human resource philosophy, we have set human resources: DE&I, training and growth, and health as one of the material issues to be addressed as management priorities, and are developing human resource strategies for future value creation.

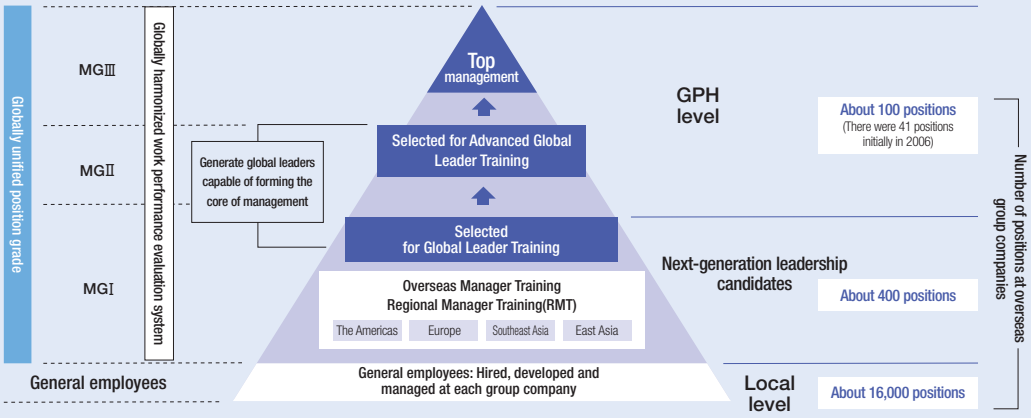
Securing human resources | Fair treatment | Development and growth

Human Resource System

Sumitomo Chemical engages with its employees through a human resource system that takes account of the performance individuals achieve in their roles, depending on the scale of their responsibilities, along with the abilities they employed and their actions in the process. The system enables those willing and capable employees to aspire to higher roles at an early stage, and to build their self-motivated desire to grow in their career process. In addition, in order to enhance the human resources that support the global business development of each group company, we have introduced a human resource system for managers and above at overseas group companies that is the same as that for Sumitomo Chemical's management employees. We are also appointing managers and above at overseas Group companies as Global Position Holders (GPH) as core personnel of the Sumitomo Chemical Group, and promoting the sharing of our corporate philosophy as well as providing them with opportunities for development, growth, and success.

Global Human Resource Development

In order to systematically develop the next generation of leaders, including the creation of global leaders who will play a central role in management, we are implementing a step-by-step, selective training program for employees of Sumitomo Chemical and domestic and overseas Group companies.



Human Resource Development and Growth

We have established an educational system that enables diverse human resources to develop their abilities and qualities. We have established a learning platform called the SUMIKA Learning Square to enable employees to update their knowledge and skills as needed, regardless of age or position, and support autonomous and voluntary learning. In addition, we have established a stepwise training system that includes management enhancement programs by position and role, as well as language training for global business development.

Investment in Training (SC only) FY2022

Approx. **350,000** yen/year per person

Time Spent on Training (SC only) FY2022

Approx. **138** hours/year per person

(8% of regular working hours)

Training and Growth KPI FY2022

Percentage of employees who have taken self-selected training programs,* etc. (SC only)

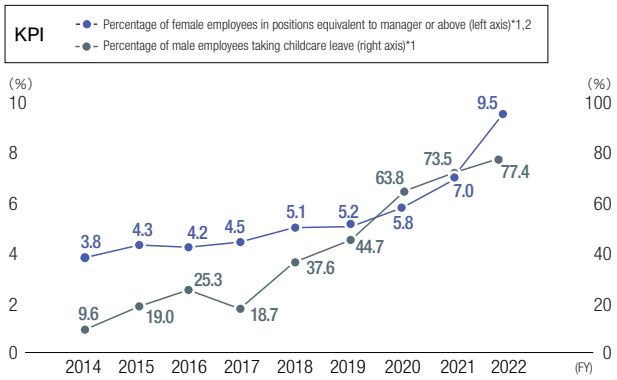
24.6%

*SUMIKA Learning Square and self-development courses opened in FY2022

DE&I

The Sumitomo Chemical Group has established the Group Basic Principles for DE&I Promotion, and based on these principles, approximately 100 companies in Japan and overseas set KPIs according to the situation of each country and each company to promote DE&I initiatives across the entire Group. Sumitomo Chemical has set a KPI target of achieving a 10% ratio of female employees in managerial positions and above by fiscal 2022, and as of April 2023, the ratio had reached 9.5%. From FY2023, we will set a new KPI focusing on the promotion rate to managerial positions as a measure that can reflect the total progress of measures to promote the advancement of women, including recruitment, training, promotion, and environmental improvement. In addition, we will aim to grow together while mutually accepting and utilizing each other's knowledge and experience, which is unique to a diversified chemical company and rich in diversity.

Sumitomo Chemical (SC only) KPI (FY2014-2022) Results



*1 Sumitomo Chemical only *2 As of April 1 of the following fiscal year

Sumitomo Chemical (SC only) New KPI (FY2023-2027)

New KPI	Targets
Percentage of employees promoted to managerial positions (equivalent to section manager) filled by female employees	Over 15% of average over the 5 years between FY2023 and FY2027
Percentage of male employees who have taken childcare leave or other childcare-related leave due to birth of a child during the current fiscal year.	Over 90%

Health

We promote various support measures to solve and improve employees' health issues so that they can lead healthy lives both mentally and physically and realize prosperous lives. The Board of Directors and the Management Meeting discuss the direction of these measures, and at the annual liaison meeting of industrial physicians, we have established a system and framework to enhance the effectiveness of each measure by receiving opinions from a medical perspective on the establishment of measures and targets.

Under this structure, the company and the Health Insurance Association jointly formulated the Sumika Koushishimasu Declaration, and are working on specific action items in the five areas of diet, exercise, sleep, quitting smoking, and mind, including the expansion of affiliated gyms for the purpose of establishing an exercise routine, programs to improve sleep, and support for employees who want to quit smoking.

Percentage of regular health checkups

FY2021 **99.4%**

Previous year 99.3%

Percentage receiving a full medical checkup

FY2021 **67.0%**

Previous year 54.0%

Adequacy rate of BMI

FY2021 **67.6%**

Previous year 66.7%

Smoking rate

FY2021 **15.8%**

Previous year 17.5%

Percentage receiving specific health guidance

FY2021 **83.8%**

Previous year 84.9%

*40 years old and over

Stress check examination rate

FY2022 **94.0%**

Previous year 94.3%

Participation in health events: (Walking events)

FY2022 **41.7%**

Previous year —

*Calculation has begun in FY2022

*All figures are on SC only basis.

Health KPI:
Continued Recognition as one of the Certified Health & Productivity Management Outstanding Organizations (White 500)

For six consecutive years, Sumitomo Chemical has been certified as one of the Certified Health & Productivity Management Outstanding Organizations (White 500), a program established by the Ministry of Economy, Trade and Industry.

2023 健康経営優良法人 Health and productivity ホワイト500

TOPICS

Strengthening Linkage with Management Strategies: Establishment of the “Sumitomo Chemical Academy”

～A “Learning Collective” that Transcends Organizational Frameworks and Connects Employees～

Sumitomo Chemical established the “Sumitomo Chemical Academy” aiming to contribute to fostering a climate of innovation and human resource development by providing employees with a place to discuss technical issues related to the Company's business beyond the framework of existing organizations and to acquire new perspectives, knowledge, and ideas for solutions. A key feature of this program is that it is open to employees in all areas of expertise and responsibilities, regardless of whether they are in the humanities or the sciences.

The “Sumitomo Chemical Academy” consists of five workshops encompassing the Company's technical fields, each of which is chaired and vice-chaired by an associate or fellow and focuses on free discussion among members to share and integrate diverse and advanced specialized knowledge and to generate ideas useful for the development and creation of the Company's business.

Foundation for Business Continuation

Occupational Safety and Health, and Industrial Safety and Disaster Prevention

For details of our efforts 〉 Our Website : Occupational safety and health, and industrial safety and disaster prevention

Basic Stance

Reflecting the core principle of "Making safety our first priority," Sumitomo Chemical has formulated five fundamental and personal safety principles that each employee is expected to follow as well as guidelines based on the core principle. All Sumitomo Chemical employees and all involved parties, including partner companies, are thus united in promoting safety activities with the goal of eliminating serious accidents. Furthermore, the Company undertakes stringent process risk assessments of the entire process life cycle (development, manufacture, distribution, use, disposal), and takes appropriate safety measures based on its evaluation of risks. The aim of these efforts is to prevent unforeseen industrial accidents, including fires, explosions, and the leakage of hazardous substances; to minimize damage in the event of a natural disaster such as a major earthquake; and to secure the safety and peace of mind of employees and local communities.

Core Principle: Making Safety Our First Priority

Raison D'être for the Core Principle

1. Line management is fundamental to Safety and Health.
2. Each person is responsible for Safety and Health.
3. Sumitomo Chemical is united with partner companies on Safety and Health.

Five Fundamental and Personal Safety Principles that Each Employee is Expected to Follow.

- I will give safety and health the top priority in every aspect of business.
- I will identify and resolve safety and health issues at the source.
- I will comply with rules and instructions.
- I will act with safety in mind 24 hours a day, not just during working hours.
- I will cooperate with all involved parties, including partner companies, to ensure safety and health.

Ensuring Thorough Compliance with the Sumitomo Chemical Group's Basic Safety Rules (Ground Rules)

In light of trends in the causes of accidents, the Group has established the following ground rules and is working to ingrain safe behavior.

1. Think Before You Act!
2. Help each other to be more aware of unsafe actions
3. Do not place hands in or around areas of working machinery/equipment

We also distribute pocket-sized cards and certificates of entry to all subcontractors who enter Sumitomo Chemical's worksites, which include our basic safety principles and ground rules.

Education and Training

Sumitomo Chemical and its group companies provide education and training on work content, substances to be handled, and protective equipment to employees who work at heights, in oxygen depletion hazardous areas, in hot or cold environments, in noisy environments, or when handling specified chemical substances or organic solvents, and who need to take occupational safety and health into consideration. In addition, special health checkups, working environment measurements, and workplace patrols by industrial physicians and health managers are conducted on a regular basis to improve and maintain the working environment.

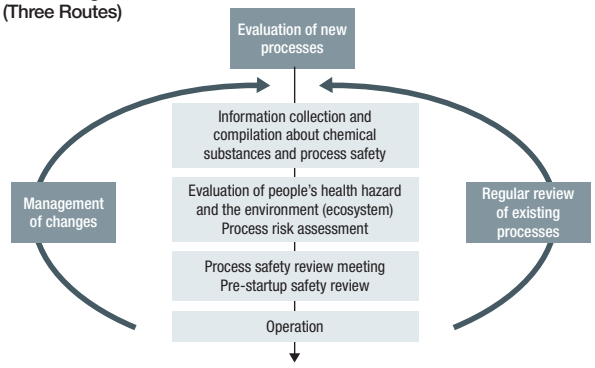
We also provide safety training for employees at partner companies entering our facilities, training for construction supervisors (supervisor responsibilities, risk assessment, etc.), and hazard simulation training for subcontractors working at Sumitomo Chemical's facilities.

In addition, to support the acquisition of knowledge and skills to ensure process safety by employees, we provide a variety of group training (classroom, discussion, and hands-on) and e-learning courses on fire, explosion, reaction hazards, static electricity, and other safety and disaster prevention technologies. In addition, we train personnel to play a central role in process risk assessment and countermeasure planning.

Risk Management Initiatives

Sumitomo Chemical manages risks related mainly to process safety, chemical (raw materials, products) safety, and occupational safety and health at each stage from new chemical process R&D through the commercialization process to plant design, construction, operation, maintenance, and even demolition. The items and procedures essential to risk management are specifically outlined in the Development and Commercialization Regulations, the Safety Management Rules, the Chemical Safety Management Regulations, and other similar documents that provide the standards for the Company. In addition, we introduced this system to major consolidated subsidiaries as part of efforts to enhance safety management across the entire Group.

Risk Management (Three Routes)



Preparation for Large-scale Natural Disasters

In 2004, Sumitomo Chemical established a Basic Policy on Earthquake Countermeasures and has voluntarily promoted seismic retrofitting of high-risk facilities. In addition, based on recent administrative guidance to improve the seismic resistance of existing facilities, we have prepared seismic retrofitting plans for high-pressure gas facilities of high importance, and are implementing seismic retrofitting and reconstruction work in accordance with the plans. Until these works are completed, risk reduction measures are being taken to ensure security, such as reducing the holding capacity to meet earthquake resistance standards and reducing operating pressure to prevent any impact outside the plant site in the event of an accident.

In light of the recent trend toward more severe natural disasters, we constantly review our safety measures to ensure that they are sufficient, and implement both hardware and software measures as needed.

Product Safety and Quality Assurance

For details of our efforts 〉 Our Website : Product Stewardship, Product Safety and Quality Assurance

Basic Stance

Product Stewardship at Sumitomo Chemical

Under its Corporate Policy on Responsible Care (Safety, Health, the Environment and Product Quality), the Sumitomo Chemical Group promotes product stewardship[*1] and works to provide products and services that satisfy customers and can be used with peace of mind. In this age of risk-based chemical product management, we support the voluntary product stewardship initiatives (GPS/JIPS[*2]) promoted by chemical industry associations and actively participate in capacity building activities as a member of the promotion committee, while working on risk assessment and appropriate risk-based management of our products.

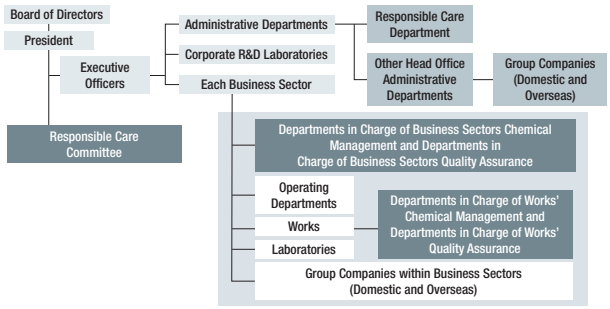
*1 **Product stewardship:** The assessment of risks and protecting people's health and the environment from those risks throughout the product life cycle, which encompasses the entire supply chain from the development of chemical products to manufacture as well as sale, use/consumption, and disposal.

*2 **GPS/JIPS:** Initiatives that call on companies to conduct risk assessments of their products and to engage in appropriate chemical management based on risk in order to minimize risks throughout the supply chain. Under GPS/JIPS, toxicological information on chemical products is disclosed to the general public, including customers.

Chemicals Management and Quality Assurance Activity Structure

As the highest body for deliberating and approving Sumitomo Chemical's RC activities, the Responsible Care Committee is chaired by the President and comprises executive officers supervising the administrative departments and the four business sectors of the Company, and the General Manager of each Works. The Committee puts in place annual policies on RC activities, including chemical management and quality assurance activities; medium-term plans; and specific measures as they relate to Responsible Care. The Committee also analyzes and assesses the results of Responsible Care activities.

Organization of Chemical Management and Quality Assurance Activities



Provision of Products and Services of Stable Quality

In order to continue to supply our customers with products and services of stable quality, the Sumitomo Chemical Group is committed to thorough daily management under management systems based on appropriate quality management systems(ISO 9001[*3], etc.) and standards (GMP[*4]), respectively, while striving to further improve quality.

*3 **ISO 9001:** International standard for quality management systems issued by the International Organization for Standardization (ISO).

*4 **GMP (Good Manufacturing Practice):** A standard for manufacturing and quality control of pharmaceutical products, etc.

The Information Sharing System and Ensuring thorough Compliance

The governments of Europe, the Americas, China, and the Asia Pacific region hold considerable way over trends in global laws and regulations. To ensure thorough compliance, we post product stewardship specialists at our regional headquarters in these areas and are constructing a system to swiftly collect information related to regulatory trends. Especially in Europe, China, Korea, Taiwan, Southeast Asia, and India, where there is active movement regarding legal revision/improvement, we appropriately comply with the chemical regulations of each country in cooperation with our group companies.

Effective Use of SuCCESS

In order to appropriately manage and effectively use information on chemicals handled by the Company, such as their composition, toxicological information (risks and hazards), and regulatory requirements, Sumitomo Chemical has developed the comprehensive chemical management system (SuCCESS[*5]). This system is used in order to respond to inquiries from customers concerning substances contained in our products and precisely comply with laws and regulations in Japan and around the world, such as the REACH Regulation in Europe. We also use this system to create SDSs[*6] in around 40 languages to comply with GHS[*7] and accurately and efficiently communicate hazard information throughout the supply chain. This system is also being proactively rolled out to Group companies. We had installed the system at 15 Group companies in Japan and overseas as of fiscal 2022. In addition, we are using SuCCESS to calculate the manufactured volumes reported to the government under the chemical substances control law via a substance volume tracking (SVT) system as well as to calculate exported volumes.

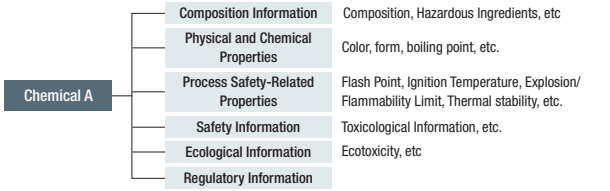
*5 Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (**SuCCESS**)

*6 **Safety Data Sheet (SDS):** SDSs include information on the safe handling of chemical products (properties, handling methods, safety measures, etc.) The content of SDS is specified by standards such as the Japanese Industrial Standards (JIS) and the International Organization for Standardization (ISO).

*7 **Globally Harmonized System of Classification and Labeling of Chemicals (GHS):** In 2003, the United Nations established these global rules for how to convey information about the classification and degree of hazards for chemical substances.

SuCCESS comprehensive chemical management system

Management of chemical composition, toxicological, regulatory information based on tree-shaped structure



Standardization Initiatives

In order to promptly implement new technologies into society and promote their global adoption, it is crucial to not only to develop technology-driven markets, but also to establish and deploy standards related to the technology both domestically and internationally.

Sumitomo Chemical has established a multidisciplinary structure, including an organization to study standardization strategies, to solve global issues such as innovative technologies for carbon neutrality, and is working to develop innovative technologies to link its technological strengths to the international market. We are also actively engaged in various standardization efforts to establish product value and business foundations, such as participating in an ISO working group for standardization of chemical recycling.

Foundation for Business Continuation

Respect for Human Rights

For details of our efforts 〉 Our Website : Respect for Human Rights

Basic Stance

Sumitomo Chemical regards respect for human rights as part of the foundation for business continuation. We are continuing to make a Groupwide effort to address this as a material issue for management, and provide disclosures on our measures and progress. In 2019, we formulated the Sumitomo Chemical Group Human Rights Policy, based on the United Nations Guiding Principles (UNGPs) on Business and Human Rights, and established the Human Rights Promotion Committee. Since then, under the initiative of this committee, our Group has come together to undertake measures to respect human rights across the value chain.

Overall Picture of Human Rights Due Diligence

With the aim of promoting a respect for human rights in its business activities, the Sumitomo Chemical Group has established a system for human rights due diligence in accordance with the UNGPs. Human rights due diligence is an initiative to identify, mitigate, and prevent human rights risks for each of (1) the Sumitomo Chemical Group and (2) the Supply Chain. In addition, (2) for suppliers of raw materials in the supply chain that have a high risk of generating negative human rights impacts (high-risk raw materials), we track them down to their source.

If it is discovered through our human rights due diligence that any negative impacts on human rights are occurring because of our Group's business activities, or have been fostered by the Group's business activities, we will redress or resolve those incidents through the appropriate procedures, in collaboration with related stakeholders.

Human Rights Due Diligence Process and Scope

Specific Initiatives

	Initiatives to date	Action plan for FY2023
Sumitomo Chemical Group	Since it is important to regularly assess human rights risks in response to changes in social conditions and other factors, we conducted a human rights risk assessment (second round) for the Company and 131 consolidated management companies. With the cooperation of outside human rights experts, we estimated potential human rights risks for each company based on the business activities, location (country/region), personnel composition, raw materials/products handled, and other factors of the group companies. The results of interviews with personnel in charge, internal audits, and Responsible Care audits were also reflected in the assessment.	As a result of the human rights risk assessment, we will conduct written investigations and detailed investigations by outside human rights experts for group companies whose status is deemed to be a priority for confirmation, in order to confirm the facts and take corrective measures as necessary. We will also continue to conduct awareness-raising activities, such as training on business and human rights, so that each and every employee of the group will have a deeper understanding of the importance of respect for human rights.
Supply chain	Based on the results of the human rights questionnaire survey, we conducted engagement with key suppliers to gain their understanding and cooperation in our efforts to follow the guiding principles. In addition, we reviewed the Sumitomo Chemical Group Sustainable Procurement Guidebook to further promote sustainability initiatives, including human rights, at suppliers, and revised it into the Sumitomo Chemical Group Supplier Code of Conduct, which includes respect for human rights, prevention of complicity in human rights violations, and consideration of living wages, among others.	We will continue to promote sustainable procurement in our supply chain by sending and collecting the Sumitomo Chemical Group Sustainable Procurement Check Sheet to check the status of initiatives in accordance with the Sumitomo Chemical Group Supplier Code of Conduct and questionnaires specifically for human rights to our major suppliers, and taking improvement measures as necessary.
Suppliers handling high-risk raw materials among the above	In accordance with the Sumitomo Chemical Group Policy for Responsible Procurement of Minerals and Raw Materials formulated in 2020, we have been investigating the usage status of high-risk raw materials at our domestic group companies since FY2020 in order to prioritize due diligence on suppliers of raw materials with a high-risk of causing negative impacts on human rights (high-risk raw materials) in the supply chain. As a result, we found that additional confirmation of the procurement source of some raw materials was necessary.	We will continue to perform additional checks on some of the aforementioned raw materials. If the results of the confirmation indicate any concerns, we will proceed with the necessary measures to reduce human rights risks in accordance with the policy described on the left. In addition, we will continue to request our suppliers who handle high-risk raw materials to report in accordance with RMI *, and will gradually proceed with risk assessment, while considering the expansion of this initiative to overseas group companies. *RMI : Responsible Minerals Initiative

Cybersecurity

Basic Stance

Digital innovation which seeks to improve productivity, business competitiveness, and create new business models is accelerating through the use of IT. On the other hand, risks related to information systems such as the sophistication of cyber-attacks, are also increasing. The purpose of Cybersecurity is to properly manage information, information systems and information communication networks, prevent leaks and losses, and minimize impact of security incidents. As a member of a critical infrastructure provider, we regard cyber security as an important management issue, and we will take measures from multiple angles (organizational, institutional, human, technical, and physical) and respond appropriately.

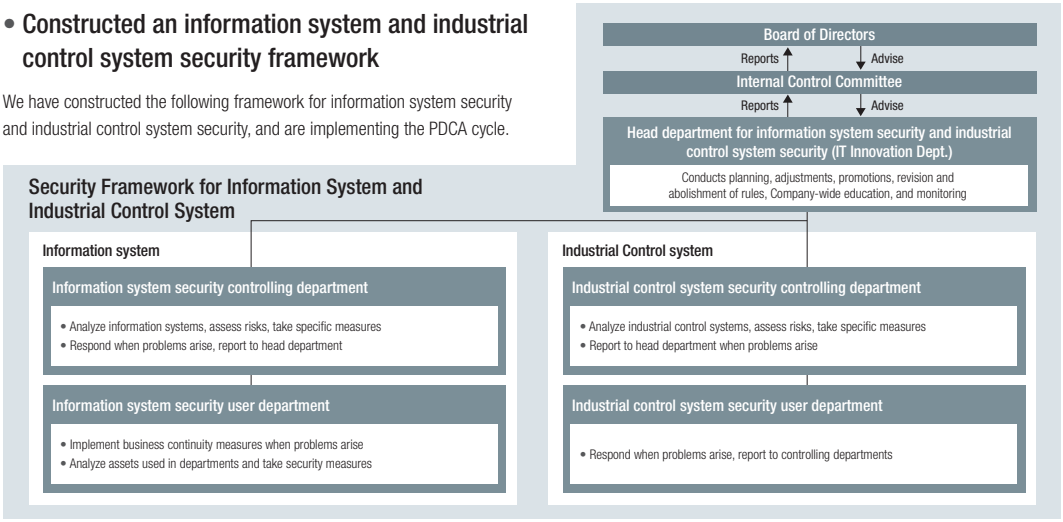
Our Security Measures

We have established a security policy in accordance with the concept of ISMS (Information Security Management System), an international standard for the organization's information security framework, and have taken multifaceted security measures (defense in depth and disaster mitigation).

<table>
<tr><th>Type of measure</th><th>Content of measure</th></tr>
<tr><td>Organizational measures</td><td>

• Constructed an information system and industrial control system security framework

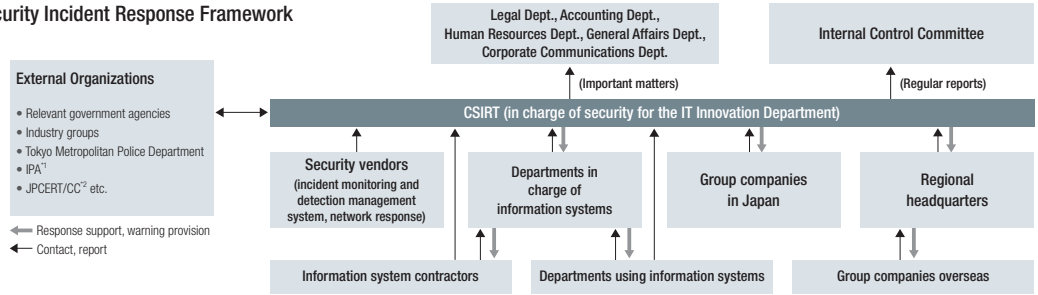
We have constructed the following framework for information system security and industrial control system security, and are implementing the PDCA cycle.



• Constructed an information-sharing framework with inside and outside organizations to ensure preparedness against security incidents

We have established a CSIRT (Computer Security Incident Response Team) in the information system security head department (IT Innovation Dept.). The team analyzes security information from external organizations, provides warnings to the Group, gathers information on security incidents that occur within the Group, and comprehensively manages the Group's response.

Security Incident Response Framework



*1 **IPA:** Information-Technology Promotion Agency, Japan
*2 **JPCERT/CC:** Japan Computer Emergency Response Team Coordination Center

</td></tr>
<tr><td>Systematic measures</td><td>• Establish general standards and standards related to security, including for Group companies
• Periodically conduct security self-inspections and conduct IT security internal audits that encompass Group companies</td></tr>
<tr><td>Personnel measures</td><td>• Conduct periodic security education using e-learning system, etc.
• Conduct alerts and security incident response exercises</td></tr>
<tr><td>Technological measures</td><td>• Implement a range of measures, including access restriction, malware measures, and vulnerability measures, for individual servers and computers as well as networks</td></tr>
<tr><td>Physical measures</td><td>• Use cloud servers complete with entry/exit controls and other security features</td></tr>
</table>

Foundation for Business Continuation

Compliance

For details of our efforts 〉 Our Website : The Compliance

Basic Stance

The Sumitomo Chemical Group places compliance at the bedrock of its corporate management. As we engage in business in many parts of the world, all of the companies in the Sumitomo Chemical Group are devoting earnest efforts to stay in strict compliance with not only laws and regulations, but also ethical principles in a business environment. Both the spirit and the letter of ensuring compliance in business activities have consistently been enshrined at Sumitomo Chemical ever since the company was founded. This unwavering resolve towards compliance is embodied succinctly in the "Sumitomo Chemical Charter for Business Conduct," which serves as the guideline of conduct for every employee to abide by and constitutes the backbone of our day-to-day compliance activities. In recent years, in particular, companies are expected to fulfill their societal responsibilities more than ever before. Given the circumstances, all companies in the Sumitomo Chemical Group are making concerted efforts to further compliance activities, under the strong leadership of top management, to further enhance compliance in the Group's business activities on a global basis.

Compliance System at the Sumitomo Chemical Group

01 Compliance Committee

Sumitomo Chemical has established a Compliance Committee chaired by the President and holds a Compliance Committee meeting at least once a year (or more frequently as needed). Details discussed by the committee are reported to the Board of Directors and Board of Audit & Supervisory Board Members, and the committee then receives feedback from them. The committee establishes overarching principles of compliance from a global perspective, and then works with each business sector and Group company, both in Japan and abroad, to build and operate their compliance systems locally in the required manner, according to those global principles.

02 Group Compliance Structure Focused on Effectiveness

("Think globally, Manage regionally, Act locally")

As business globalizes, it becomes more important that the operation of a corporation's compliance system be fine-tuned to situations specific to individual countries or companies. In light of this, we have established Regional Legal & Compliance Offices (RLCOs) in Sumitomo Chemical's major business regions. The RLCOs, grasping the concrete needs and tasks of their respective Group companies, provide hands-on support and guidance to them, such as helping to set and implement necessary internal rules and procedures, building a company's compliance system, and assisting in its operations.

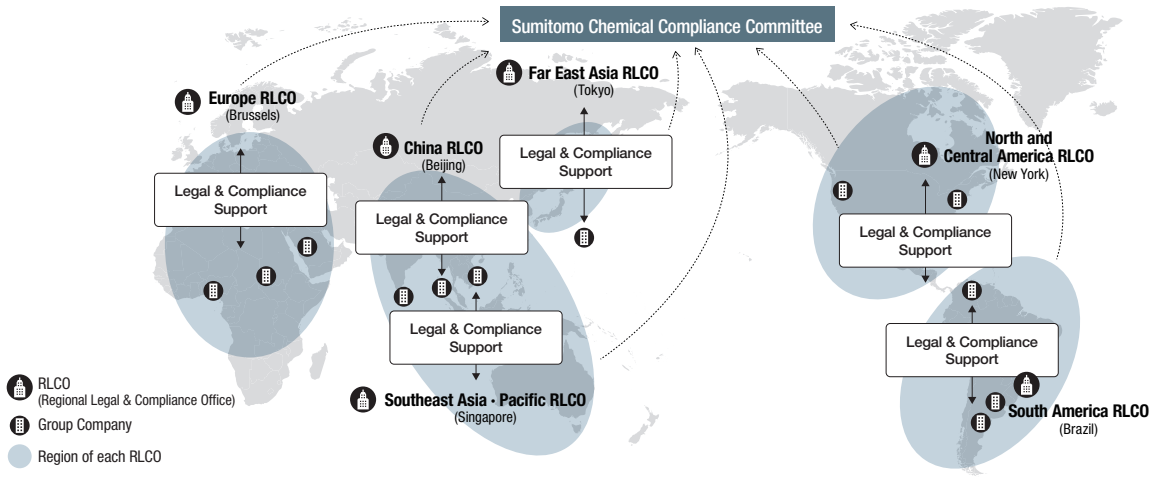
03 Introducing and Operating a Compliance System for the Company and its Group Companies

To ensure thorough compliance throughout the entire Sumitomo Chemical Group, it is important that Sumitomo Chemical and its Group companies establish and operate their own compliance systems. Sumitomo Chemical and its Group companies are engaged in the following activities.

1. Establishing and operating the Compliance Committee (including responding to internal reports and conducting compliance violation investigations)
2. Introducing and regularly reviewing the Code of Ethics
3. Introducing and operating the Internal Reporting System (the Speak-Up System)
4. Conducting compliance activities (education, training, etc.) based on a compliance risk assessment of each Group company

04 Internal Reporting System (Speak-Up System)

In order to detect any compliance violations as early as possible, or prevent them before they occur, the Sumitomo Chemical Group has introduced an internal reporting system (the Speak-Up System), which allows the following persons to report a compliance violation or a suspected violation upon uncovering it directly to the Compliance Committee or to external lawyers, either by identifying oneself or anonymously: management executives and company employees (including contract employees), their family members, management executives or employees of Group companies, their family members, or those who retired from the Company or its Group companies and their trading partners, and all those who are involved in any of the Group's businesses. The entire Sumitomo Chemical Group has been promoting the use of the Internal Reporting System. As a result, there were 223 reports filed throughout the Sumitomo Chemical Group in fiscal 2022. Reports and compliance violations are reported to the Board of Audit & Supervisory Board Members on a regular basis.



Anti-Corruption

For details of our efforts 〉 Our Website : The Anti-corruption

Basic Stance

As corporations expand activities across national boundaries, promoting fair competition becomes increasingly important in the supply of goods and services in the international marketplace. As is evident from the ever tightening laws and regulations in the world designed to prevent corruption, such as the FCPA in the U.S. and the Bribery Act of 2010 in the U.K., there is a growing awareness globally that corrupt conduct, such as bribery, should be eliminated by any means necessary. Under the circumstances, Sumitomo Chemical has positioned the prevention of corruption in all its forms, including bribery of public officials, excessive business entertainment and gift-giving, collusion, embezzlement, and breaches of trust as one of the most important issues in ensuring thorough compliance. We are striving to ensure a sustainable and sound corporate climate by enhancing our internal organization to appropriately respond to corruption risks to prevent the occurrence of corruption.

Committee on Antitrust Compliance and Corruption Prevention

Sumitomo Chemical has established the Committee on Antitrust Compliance and Corruption Prevention (chaired by the company's President) to establish and manage anti-corruption systems for the entire Sumitomo Chemical Group under the guidance and supervision of the Board of Directors and Board of Audit & Supervisory Board Members.

In the President's own messages, the committee states its policy and commitment to prohibit all forms of corruption, including bribery of public officials by management executives or employees, excessive entertainment and gift-giving, collusion, embezzlement, and breaches of trust. In addition, we have formulated a Compliance Manual for Bribery Prevention that contains detailed anti-corruption rules. The manual has been disseminated to all Group companies in Japan and overseas, and has been posted on the company intranet, and periodic training sessions are conducted to ensure thorough compliance among the employees of the company and its Group companies.

Further, we conduct assessments of anti-corruption regulations and corruption risks in each country, such as the status of transactions and the countries in which our trading partners are located. Based on the results of these assessments, we decide on policies to strengthen measures to prevent corruption, and apply them to the company and all Group companies.

Initiatives in the Supply Chain

In order to prevent corruption in the Group's supply chain, we are making our agents, consultants, distributors, and other business partners aware of our anti-corruption policy by holding regular training sessions when initially engaging or renewing a contract, or at business meetings and other occasions. We also ask our partners to pledge to comply with the policy. In addition, as part of our due diligence procedures, we ask business partners to submit written responses detailing their company's profile and any past corruption problems, and assess the risk of corruption based on these responses. Moreover, when we engage a business partner for business with a high risk of corruption, such as in a public tender transaction or in a developing country, a more detailed risk assessment is carried out, including on-site interviews with the business partner conducted by an outside expert. If it is judged that there is a risk of corruption as a result of the assessment, we conduct awareness-raising activities concerning the prevention of corruption for such business partners, asking them to implement corrective measures such as strengthening the internal rules and organization to prevent corruption, and offering our support for such efforts. (The company does not engage business partners if the implementation of remedial measures is refused or if there is a strong concern about corruption detected through the assessment process.)

Other Measures

In addition to the above-mentioned measures, we are striving to prevent corruption through the application of internal rules on business entertainment and gift-giving, and the strict application of approval procedures for business decisions and payment.

We have also established and operate an internal reporting system (the Speak-Up Reporting System, which allows anonymous reporting) that can be used by anyone involved in our business, including business and trading partners, in order to quickly identify corruption or the threat of corruption, to prevent compliance violations from occurring, and to rectify them as soon as possible. We also inform management executives or employees of Group companies, and business and trading partners, about the use of this system.

Management executives and employees whose corrupt conduct has been confirmed are subject to disciplinary action in light of internal rules. Business and trading partners are requested to rectify such actions, and other measures are taken, such as the suspension of transactions.

Essential Chemicals & Plastics

Businesses	Polyolefin Business	Methyl Methacrylate (MMA) Business	Licensing and Catalysts Business
	Polyethylene, Polypropylene	MMA Monomer, MMA Polymer, MMA Sheet	

Strengths of the Essential Chemicals & Plastics Sector

Our bases in Japan and Singapore develop high value-added products that anticipate customer needs and provide a stable supply of high-quality products. Our strength lies in the relationships of trust we have cultivated over the years with our blue-chip customers in the Asian market. At our Saudi Arabian base, we manufacture cost-competitive products by utilizing inexpensive raw materials and fuels.

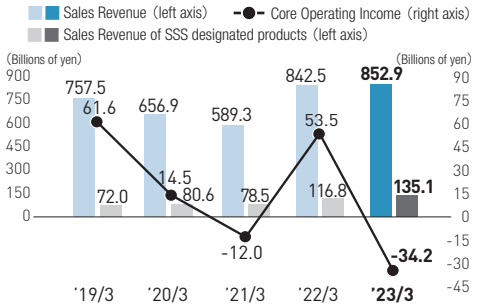
Initiatives in FY2022

In addition to the decision to install pilot facilities for the commercialization of material recycling using waste plastics obtained from end-of-life vehicles, we also started operation of a demonstration facility for chemical recycling of acrylic resin at our Ehime Works thereby promoting efforts to realize a recycling-oriented society. In addition, we established a flexible manufacturing and sales structure by launching a new MMA Division and centrally managing Japan and Singapore. At the same time, we are working to improve our business structure by withdrawing from the caprolactam business.

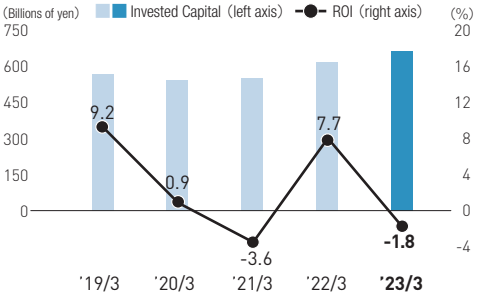
Future Initiatives

We will transform our business portfolio with an awareness of green transformation (GX) and develop carbon neutral technologies, including material recycling and chemical recycling, to accelerate their implementation in society. In addition, we will shift products from existing businesses to high value-added products, optimize production in Japan and Singapore, and engage in external collaboration with a view to carbon neutrality. The Saudi Arabian business will continue to be a cash cow, so to speak, and we will strive to ensure stable operations.

Sales Revenues and Core Operating Income/ Sales revenue of SSS designated products



Invested Capital・ROI



Transition to date

Despite the suspension of ethylene production facilities at the Chiba Works and efforts to lift the completion guarantee and stabilize operations for the second phase of the Rabigh project, ROI has fluctuated widely due to volatile petrochemical market conditions. As for invested capital, investments other than business maintenance are limited, but have increased since FY2021 due to high raw material prices and other factors.

Future Measures and Issues

We will focus on licensing and the catalyst business, etc., to achieve high added value independent of market conditions, and promote integrated management of Japan and Singapore (product portfolio, optimization of polyolefin production), external collaboration, and business restructuring.

Activities aimed at becoming Carbon Neutrality

We will make various efforts to become carbon neutral including collaborations with other companies and academia.

Major Initiatives

- Expand material recycling business
- Pursue technology development in chemical recycling

→ P.43 Contribute to Recycling Resources

Progress

- Started a business alliance with REVER.
- Completion of PMMA chemical recycling demonstration facility, plans to begin providing samples in the fall of 2023
- Meguri® brand product certification

Our Website : Circular System for Plastics Website

Secure stable revenues via licensing and catalyst business

In accordance with the following three basic strategies, we aim to achieve both stable earnings and sustainable business expansion, while contributing to the realization of carbon neutrality in society.

Basic strategy

Establish stable revenue base	Expand portfolio	Brush up technology
●Expand capacity to supply catalysts ●Expand opportunities to contact potential customers	●Quickly establish technologies that reduce environmental impact, expand lineup in license ●Diversify business models through operational support services	●Bolster competitiveness in processes ●Extend catalyst life and improve costs

Progress

- Start contacting potential licensees
- Promote website renewal and marketing enhancements

Our Website : Technology Licensing Website

Bolster competitiveness via unified operations with Singapore

By combining the strengths of the two centers–Japan as the center of R&D and Singapore with its huge infrastructure and customer network–we will further enhance the competitiveness of each business and accelerate the social implementation of carbon neutral technology.

Major Initiatives

- Review and evolution of MMA, polyolefin business, etc.
- Implementation of Japanese carbon neutral technology using Singapore's infrastructure

Progress

- Optimized production and sales balance by establishing MMA Division
- Started to study the optimization of polyolefin production

Direction of medium- and long-term initiatives in Japan and Singapore

	Japan	Singapore
CN	Accelerate development of technologies that reduce environmental impact	Deploy technologies into society
Existing businesses	**Exit unprofitable businesses** After caprolactam, continue to study exiting or shrinking low-profit businesses, focus on businesses that are not affected by market conditions, such as licensing businesses. **Production optimization** Study production optimization in Japan and Singapore with the aim of maximizing earnings	
Collaboration	**Tri-party collaboration in Keiyo*1** Begin joint studies on fuel conversions and recycling **Keiyo Coastal Industrial Complex Council on Carbon Neutrality** Study how to realize a carbon neutral industrial complex that is internationally competitive	**Discussions with Singaporean government (EDB)** Accelerate technology studies at PDH and CCUS*2 with support from EDB

*1 Maruzen Petrochemical, Mitsui Chemicals and Sumitomo Chemical *2 PDH: Propane Dehydrogenation. CCUS: CO_2 capture, utilization and storage

Status of Global Expansion

Global Expansion Using the Strengths of Each Location

The Essential Chemicals & Plastics Sector has three major production locations: Japan, Singapore and Saudi Arabia.

Japan and Singapore

In addition to producing and selling products primarily aimed at customers in Japan, our facilities serve as centers for research and development, developing new technologies and high value-added products while also undertaking initiatives aimed at reducing environmental impact. In addition, as the core of our licensing business, our facilities in Japan also handle not only technology development, but also production, sales, and other duties relating to catalysts.

On the other hand, the Singapore base produces ethylene and propylene at PCS*1, polyethylene and polypropylene at TPC*2. Sumitomo Chemical Asia produces MMA. We have developed high value-added products and produced stable supplies of high-quality products in Singapore for many years, building extremely strong relationships of trust with customers, while creating high brand value in the Asian market.

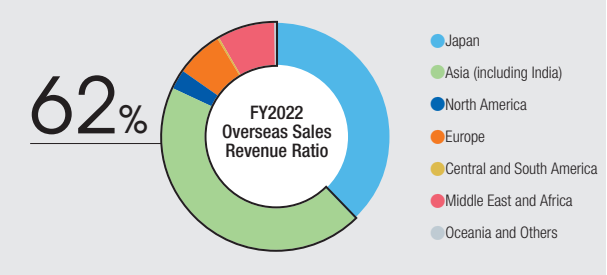
By integrating the operation of these two bases, we will review and evolve the structure of our business including MMA, polyolefin and others. We will also utilize the Singapore base to put into practice the carbon neutral technology developed in Japan.

Saudi Arabia

Petro Rabigh, a joint venture with Saudi Aramco, produces all sorts of petrochemical products. The strength of the Rabigh business, as shown on the next page, is its cost advantage due to utilizing ethane. We are focusing on stable production in order to maximize this advantage.

*1 PCS Pte. Ltd. (affiliated company)
*2 The Polyolefin Company (Singapore) Pte. Ltd. (consolidated subsidiary)

Sales Revenue Ratio by Region



Q&A

Q : As the movement to reduce environmental impact expands, what is the strategy of the Essential Chemicals & Plastics Sector?

A: We will promote GX-conscious transformation of our business portfolio and contribute not only to our own reduction of greenhouse gas (GHG) emissions but also to society's reduction of GHG emissions through the development and commercialization of superior technologies for reducing environmental impact. In addition, we aim to generate continuous profits through licensing of these technologies and related catalyst business. Already in progress is a business alliance with REVER to commercialize material recycling and product certification for the recycled plastic brand Meguri®.

License / Catalyst

Propylene Oxide (PO)-only Process

The PO-only process, developed by Sumitomo Chemical, is the world's first successfully commercialized cumene-based PO-only production process, based on utilizing cumene recirculation. The process produces no byproducts, and when combined with a proprietarily developed high-performance epoxidized catalyst, provides high yields, reduced energy costs, and high operational stability. This sort of technology license contributes to reducing environmental impact even outside of Sumitomo Chemical's factories.

Catalyst Business

Sumitomo Chemical conducts development and sales for high-performance catalysts that maximize the effects of licensed technologies and contribute to reducing environmental impact. Because these catalysts can be expected to secure stable returns in addition to reducing GHG emissions, we are focusing on expanding this business.

Technological Development

Material Recycling and Chemical Recycling

We are working to develop and commercialize material recycling technology, which turns waste plastics and other wastes back into resources that can then be used in new products, and chemical recycling technology, which chemically converts trash and waste plastics into the raw materials used for new plastics.

→ P.43 Contribute to Recycling Resources

Effective Use of CO_2

Within our petrochemical complex in Singapore, we are considering combining propane dehydrogenation (PDH) technology, which produces propylene from propane, with a CO_2 fixation technology that synthesizes methanol very efficiently, using CO_2 as a raw material, alongside the hydrogen produced as a byproduct of the PDH process. If this initiative succeeds, this could be a new breakthrough that can both reduce environmental impact, by reducing the amount of CO_2 emitted from chemical plants and other facilities, and also improve economic performance by increasing the production of certain products.

Value Creation Model: Rabigh Business

Value Chain

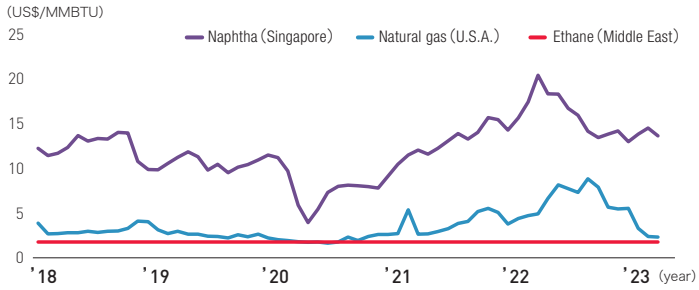
Petro Rabigh produces a variety of petroleum and petrochemical products using crude oil and cost-competitive ethane from Saudi Aramco as its primary feedstocks.

System for Providing Added Value

Competitive Advantages of Rabigh Business

Procuring ethane from Saudi Aramco as the main feedstock offers outstanding cost competitiveness, as raw material prices can be fixed at lower levels compared to competitors using naphtha as feedstock, and margins will expand as product prices increase, among other factors. In addition, it is the world's largest integrated complex, which leads to competitive advantages due to lower unit costs.

Cost Difference of Petrochemical Feedstocks



Major Processes Generating Competitive Advantages

Petro Rabigh produces a variety of petroleum and petrochemical products using crude oil supplied by Saudi Aramco and cost-competitive ethane as main raw materials. The company makes products such as PP, PE, and PO, using technology licenses from Sumitomo Chemical, which boasts world-class technology. Moreover, the local staffs' operational technique is improving by receiving training at overseas facilities, particularly in Singapore. Moreover, Sumitomo Chemical Asia, which handles sales, has facilities throughout Asia, shortening delivery times and reducing logistics costs.

Work in progress at Petro Rabigh

Providing Customer Value

Because there are risks of obstructions to procurement in the Middle East region of Asia, where logistics can be unstable, customers have a strong desire for accurate and stable product delivery. By having inventory in locations close to customers, we can meet these needs by offering sales with more reliable and shorter delivery times than competitors, securing a high level of trust. In addition, while it has the flexibility to change a certain volume of sales and customers according to market conditions in each region, by focusing more on continued sales to core customers, the company further increases the reliability of its stable supply. Through these efforts, Sumitomo Chemical Asia is working to build long-term relationships with customers.

Added Value Provided to Society

Contributing to Reducing Environmental Impact by Using Cutting-edge Technology in Plants

Petro Rabigh uses the breakthrough, environmentally friendly PO-only process to produce PO, which, compared with conventional production processes, reduces CO_2 emissions by 300 thousand tons of CO_2 for an annual production volume of 200 thousand tons of PO. We not only produce stable supplies of a product essential for society, we also use energy and resources efficiently throughout the plant with this sort of cutting-edge technology, thereby contributing to reducing environmental impact.

Energy & Functional Materials

Businesses

Advanced Polymers Business
Liquid crystal polymer (LCP), Polyether sulfone (PES)

Specialty Chemical Business
Resorcinol, Plastic additives, Emulsions

Inorganic Materials Business
High-purity alumina, Low soda alumina, Aluminum hydroxide, High-purity aluminum

Battery Materials Business
Battery Separators, Cathode materials

We will accelerate R&D that meets the needs of the times and contribute to solving environmental and energy issues through innovative technologies.

Motoyuki Sakai
Representative Director & Senior Managing Executive Officer

Strengths of the Energy & Functional Materials Sector

We believe that our strengths lie in our product lineup that meets diversifying customer needs, including separators for lithium-ion secondary batteries with the world's highest level of heat resistance, super engineering plastics used in various applications including electronic components, and products such as high-purity alumina and resorcinol that maintain the top global market share, as well as our R&D capabilities and evaluation, manufacturing and process technologies that create these product lines.

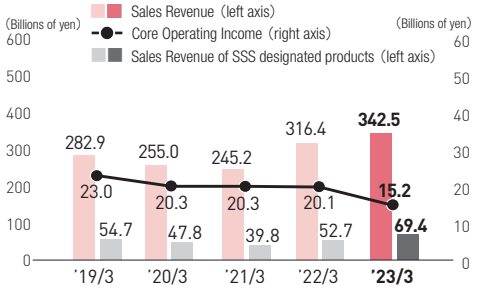
Initiatives in FY2022

At the Ehime Works we started construction of a new facility for new high-performance grades of high-purity alumina. In addition, the Ehime Works is expanding its production capacity for LCP, for which demand is expected to grow against the backdrop of the spread of 5G and EVs. Both of these facilities are scheduled to start operation in FY2023. Moreover, we have successfully developed "soft solid-type batteries" in an industry-academia joint research program with Kyoto University and Tottori University and have made significant progress toward the early commercialization of safe solid-type batteries. On the other hand, due to the difficulty in securing stable earnings in the future, we have shut down its dyestuff manufacturing facilities at the Osaka Works and have withdrawn from this business.Furthermore, we have decided to withdraw from the S-SBR business in Singapore, and we have also terminated production of EPDM at our Chiba Works and plan to withdraw from this business in FY2023. We will allocate management resources to areas where we have a competitive edge and seek to upgrade our business portfolio.

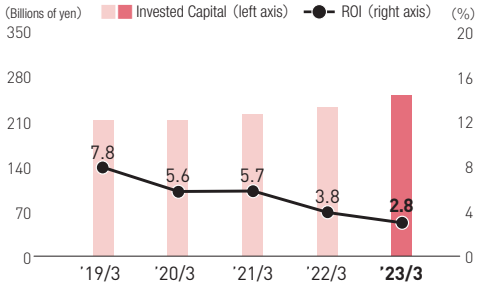
Future Initiatives

We will concentrate our resources on growth businesses such as battery materials and super engineering plastics. In separators for lithium-ion secondary batteries we will respond to diversifying customer needs by leveraging our strengths in high safety and long life. In cathode materials, we aim to commercialize a highly productive calcination process. On the other hand, we will continue to assess the direction of low-profit businesses with a view to withdrawing from or downsizing them. As for next-generation businesses, we will develop new technologies for solid-type batteries, direct recycling of cathode materials, and separation membranes.

Sales Revenues and Core Operating Income/ Sales Revenue of SSS designated products



Invested Capital・ROI



Transition to date

Core operating income had been stable at around 20 billion yen per year, but recently declined due to the global economic slowdown. Invested capital increased due to aggressive investments in super engineering plastics, battery components, and high-purity alumina, and ROI is trending downward. On the other hand, we are working to improve our business portfolio by making decisions to withdraw from the low-profit businesses of dyestuffs and synthetic rubber.

Future Measures and Issues

In super engineering plastics, battery materials, and high-purity alumina, we will leverage our proprietary technologies to meet growing demand in the EV market and elsewhere, expand earnings, and ensure that our investments pay off.

Concentrate investments and expand business in growth areas

Battery materials

Separators: Development, increase in production capacity and sales expansion in accordance with advances in battery capacity

Demand for lithium-ion secondary batteries is expected to continue to grow, especially for automotive applications. We will respond to the rapidly expanding EV society with our accumulated technologies and promote further expansion of our separator business by increasing our production capacity to meet customer demand.

Our Initiatives

- Increase production capacity to meet the increasing demand for automotive, expand sales to new customers and pursue cost rationalization.
- Focus on expanding sales for consumer use like home appliances, electrically assisted bicycles.

Cathodes: Expand sales of precursors, establish calcination technology and commercialize

By establishing our proprietary high-productivity calcination process, we aim to enter the market for high nickel-content cathodes, which is expected to grow in the future.

Our Initiatives

- Launch validation equipment on schedule and acquire customer certification.
- Develop cobalt-free cathodes to help achieve a sustainable society.

Super engineering plastics (LCP)

Expand business with increased production capacity. Expand sales into automotive and 5G high-speed telecommunications connectors

With the shift to EVs, engine parts are decreasing while onboard connectors and EV motor peripheral parts are increasing. In addition, as 5G goes into full swing, demand for LCPs that matches the required characteristics is expected to increase. We will develop a production regime to meet such robust demand and focus on expanding sales in growth fields

New facility to be operational in FY2023

Approx. **9,000** tons → **30%** expansion

Our Initiatives

- Considering further increase in production capacity
- Respond to automotive demand and expand sales of 5G high-speed telecommunication connectors

Decide direction for low-profit business

While giving maximum consideration to the impact on stakeholders, we will downsize or withdraw from businesses that we judge to be unprofitable in the future due to changes in the business environment and other factors, in an effort to improve the business portfolio.

Our Initiatives

- FY2021 Decided to withdraw from the EPDM business
- FY2022 Decided to withdraw from the dyestuffs business; decided to withdraw from the S-SBR business in Singapore

Develop next generation business

Develop new technologies such as solid-type batteries and direct recycling of cathode materials

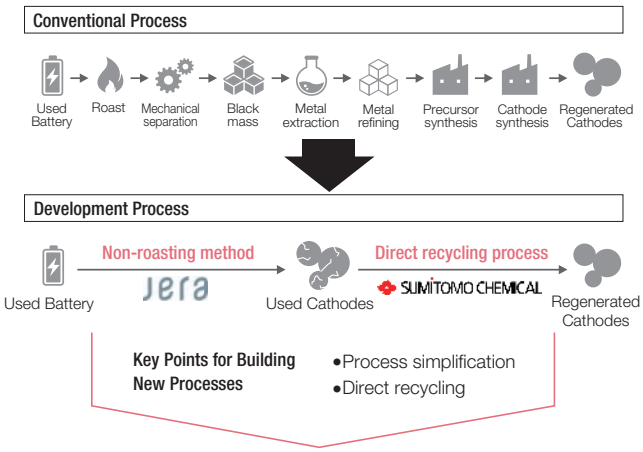
Solid-type batteries

Compared to current lithium-ion secondary batteries, solid-type batteries are safer and are expected to become the next generation of batteries. In an industry-academia joint research program we have succeeded in developing a soft-solid electrolyte, which had been a challenge. We will continue our development efforts for early commercialization.

Direct recycling of cathode materials

We are developing a technology to recycle recovered lithium-ion secondary battery cathode materials as cathode materials again without returning them to metal. JERA Co., Inc. and we were selected for NEDO's "Green Innovation Fund Project: Development of Next-Generation Storage Batteries and Next-Generation Motors". Both companies will promote development of the recycling technology and social implementation.

Key Points of New Process Construction and Value Creation



Value Created

Reduced CO_2 emissions	Lower costs	Less energy	High meta recovery rate

Status of Global Expansion

Expanding our Business to Quickly Meet Customer Needs

In the Energy & Functional Materials Sector, Sumitomo Chemical has marketing functions in local group companies such as Sumika Electronic Materials (Shanghai) Corporation and Sumitomo Chemical Europe S.A./N.V., for efficient sales activities with a technical suggestion in order to promptly respond to the needs of overseas customers. For example, one of the sector's core businesses is super engineering plastics, for which over half of shipments are to China and other overseas customers. Using our molecular design technology and design support technology which leverages the characteristic of materials, we propose solutions that meet customer needs. In the future, we are considering further strengthening such overseas sales organization, including through alliances with other companies.

Super engineering plastics

Strategy and Areas of Focus for Global Expansion

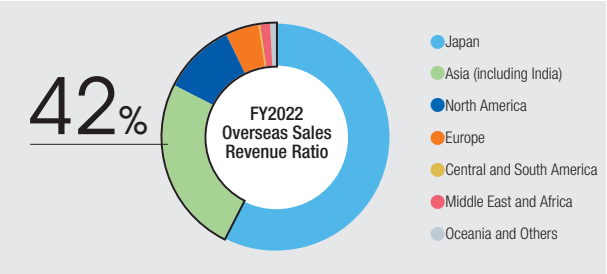
LCP

- Develop a value chain in Europe and the US
- Maintain and expand our share of the connector market, primarily in China

PES

- Expand share in artificial dialysis membrane applications, primarily in Asia and the US
- Expand use in high-performance membrane applications, such as for pharmaceutical companies

Sales Revenue Ratio by Region



Q&A

Q : What kind of future developments are you thinking about for the separator business?

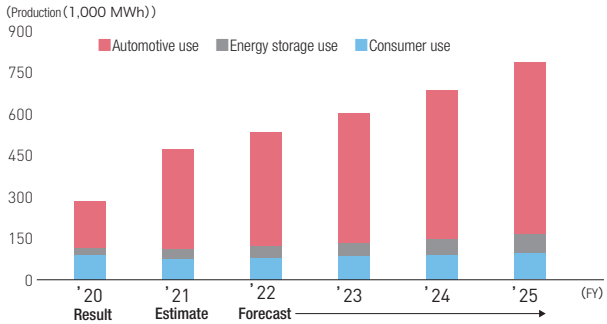
A: Because of the impact of stricter environmental regulations in countries, the scale of the market for environmentally friendly vehicles is projected to expand to sales of over 40 million vehicles in 2030, and demand for separators will expand accordingly.

There are two main issues to address for environmentally friendly vehicles to become widespread. The first is cruising distance, and lithium-ion secondary batteries are continuing to evolve, primarily with expanded capacity. Under such situations, the requested characteristics of separators are being further raised, and there is an increasingly broad scope for leveraging the superiority of aramid coatings. The other major issue is cost, and there is a need to significantly reduce the price of lithium-ion secondary batteries, which account for over half of a vehicle's cost. There is also a strong demand to reduce the cost of separators, and competition is becoming more severe with the emergence of Chinese manufacturers. Accordingly, we are rethinking the materials used and the manufacturing process in order to significantly reduce costs.

In addition to these initiatives, in order to meet a dramatic expansion in future customer demand, we are quickly expanding our production capacity and promoting an expansion of our separator business.

Separators

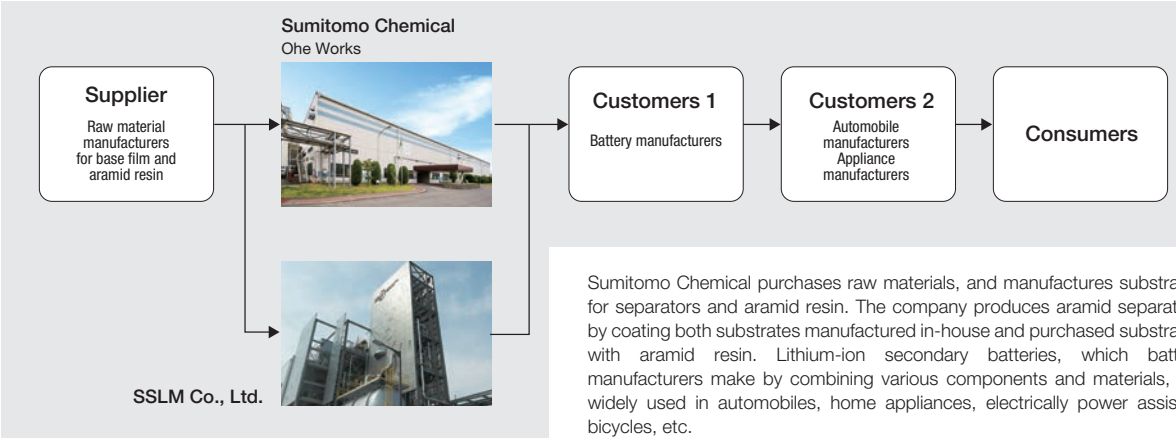
Market Forecast for Lithium-ion Secondary Batteries



(Note) Automotive use: EV/HEV/PHEV applications; Energy storage use: Uninterruptable power supplies and base transfer stations; Consumer use: Small-scale consumer applications
(Source) Fuji Keizai Co., "General Survey of Battery-related Market Conditions – Battery Cells Market," 2022 edition

Value Creation Model: Separators

Value Chain



Sumitomo Chemical purchases raw materials, and manufactures substrates for separators and aramid resin. The company produces aramid separators by coating both substrates manufactured in-house and purchased substrates with aramid resin. Lithium-ion secondary batteries, which battery manufacturers make by combining various components and materials, are widely used in automobiles, home appliances, electrically power assisted bicycles, etc.

System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

The use of coated separators has become mainstream for lithium-ion secondary batteries. Among separator coatings, there are mainly ceramic coatings and aramid coatings, and almost all producers of separators are making ceramic coating separators. Compared to other companies' products, our aramid coating separators were used earlier in automobiles, and they have a track record for many years as high-quality and high-performance separators. Besides, they have superior safety (heat resistance), and they have been made lighter, weighing just kilograms for each electric vehicle, delivering customers added value that is different from other companies. In order to further strengthen the superiority of our aramid separator, we are conducting research to enhance the strength of the separators and reduce their thickness.

Major Processes Generating Competitive Advantages

We are not only conducting research and development of separators but also working on improving productivity. We are capable of applying a uniform aramid coating with industry-leading speed, while maintaining high quality. Productivity at the plant of SSLM in South Korea has tripled since 2015 due to factors such as more advanced techniques, accumulated experience, and improvements in coating equipment. We expect further productivity improvement in the future.

Providing Customer Value

Customers and consumers need EVs and other environmentally friendly vehicles with a long cruising range, and for that type of environmentally friendly vehicle, it is essential to implement high-quality, high-performance batteries. Our direct customers, the battery manufacturers, seek to manufacture batteries that provide that performance at the lowest possible cost. For that reason, we provide high-safety (heat resistant) separators, and we are working to improve productivity to be able to provide products with superior cost competitiveness. We also periodically communicate with customers to hear what new needs they have, and then work to develop products that can meet those needs.

Added Value Provided to Society

Contributing to Realize a Sustainable Society through the Separator Business

With more rigorous environmental regulations being put in place all over the world, the shift to environmentally friendly vehicles like EV is accelerating. Environmentally friendly vehicles loaded with lithium-ion secondary batteries can reduce CO_2 emission while driving as compared with gasoline cars. Separators are essential components in creating highly safe lithium-ion secondary batteries, and are indispensable for environmentally friendly vehicles to gain ground. Sumitomo Chemical contributes to realizing a sustainable society through its separator business.

IT-related Chemicals

Businesses

Display-related Materials Business
Polarizing films, Color resists, Touch-sensor panels, Polymer light-emitting materials, etc.

Semiconductor Materials Business
Photoresists, Processing chemicals for semiconductors, Compound semiconductors, Aluminum targets, etc.

Strengths of the IT-related Chemicals Sector

We have been working to build a market-oriented global supply chain, utilizing it to develop and supply products. In addition to this development and supply system, we are able to provide high value-added products by combining multiple materials and technologies that only an integrated chemical manufacturer can offer. Another of our strengths is our ability to develop products in borderline areas by making full use of the know-how we have accumulated through our technologies and quality response in both the display and semiconductor fields.

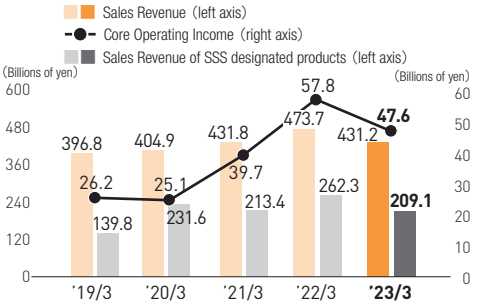
Initiatives in FY 2022

We have decided to construct a new plant for semiconductor process chemicals in the United States. As a strategic base for this business in the U.S. market, we aim to expand the business by capturing robust demand. The new plant is scheduled to start operation in fiscal 2024. By expanding the production system of process chemicals for semiconductors on a global scale and providing a stable supply of high-quality products, we will contribute to the realization of a smart society and smart mobility.

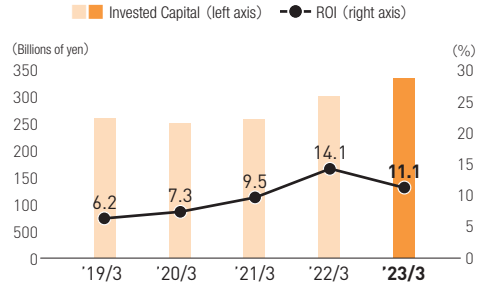
Future Initiatives

In the display-related materials business, we will further increase the ratio of high value-added products such as materials for OLED displays by utilizing our core technologies, and try to develop and launch materials for next-generation displays. In the semiconductor materials business, we will develop and expand sales of advanced materials for silicon semiconductors that respond to customers' process innovation, while steadily capturing growing demand. For compound semiconductors, we aim to commercialize next-generation power device materials that contribute to solving social issues such as energy saving. In terms of new business development, we will focus on the development of materials for next-generation high-speed communications and high-sensitivity image sensors, while actively collaborating with external parties.

Sales Revenues and Core Operating Income/ Sales Revenue of SSS designated products



Invested Capital・ROI



Transition to date

ROI has been above the hurdle rate since FY 2019 due to semiconductor-related investment returns and favorable conditions in display materials. In addition, due to further semiconductor-related new construction expansion, invested capital has been on an upward trend since FY2021.

Future Measures and Issues

We will accelerate structural reforms because the competitive environment has changed for polarizing films, which used to be a major product of the sector. In addition, we are taking steps toward the next stage of growth, such as establishing a U.S. base for semiconductor process chemicals and developing a compound semiconductor materials business structure, and we will ensure that the results will lead to higher sales and profits.

Corporate Business Plan Policy & Progress

Basic Policy

We create new core technologies and products by adding our unique wisdom, technology, experience, and network to existing core technologies.

Policies by Business Area

Display-related materials

Maintain competitive advantage by leveraging our own core technologies

Focus on materials for high-end TVs, OLED smartphones, automotive and next-generation displays by differentiating technologies and quality.

Our Initiatives

- Secure market share in existing high value-added Fields
- Capture demand for materials for next-generation displays
- Continue restructuring of commodity LCD materials business

Materials for Next-generation Displays

Foldable/ Rollable Displays

Next-generation large displays

Micro Displays for AR/VR Devices

Polarizing Films for Automobile

Silicon semiconductor materials

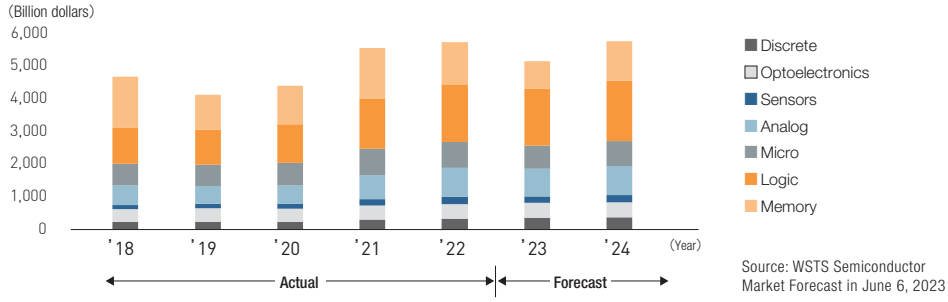
Capturing business opportunities in response to market expansion

We will ensure to capture the demand that is expected to steadily expand for the coming several years in the context of increasing CAPEX of data centers to accommodate DX, full-fledged deployment of 5G communications, and electrification/autonomous driving. We have decided to build a new plant for semiconductor process chemicals in the U.S., and we are taking measures to capture growing demand, such as the operation of a semiconductor photoresist development and evaluation facility for cutting-edge processes at our Osaka Works.

Our Initiatives

- Securely capture growing demand
- Develop products that support innovations in customer processes

Semiconductor Market Trends



Source: WSTS Semiconductor Market Forecast in June 6, 2023

New businesses

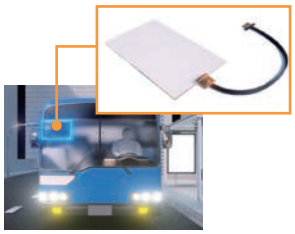
Creation of new businesses for the next generation

We aim to establish the third business by the late 2020s, following the display-related materials business and the silicon semiconductor materials business. In the power device field, we have begun production of large-diameter gallium nitride substrates and will work to further increase diameter and productivity.

Our Initiatives

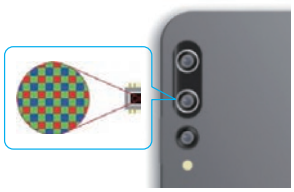
- Establish business in materials related to Telecommunications and sensors
- Launch next-generation power device materials business and contribute to evolution in energy saving technologies

Repeater for mobile communications



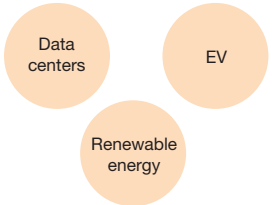
These are transparent, thin antennas that can be mounted on the windshields of cars. They are compatible with 5G high-speed communication and contribute to improving the communication environment in public transportation and expanding the communication area of mobile devices.

Image sensor-related materials



Materials related to image sensors for smartphone cameras, automotive and security applications. They contribute to higher sensor performance, such as higher sensitivity and pixel counts.

Next-generation power device materials

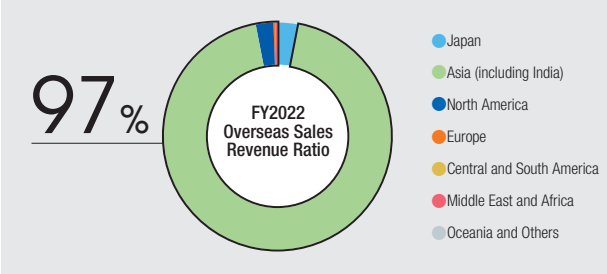


Gallium nitride substrates for next-generation power devices. It can reduce the size and loss of power conversion circuits used in data center servers, wind power generation, EVs, and other applications. It contributes to carbon neutrality through energy saving.

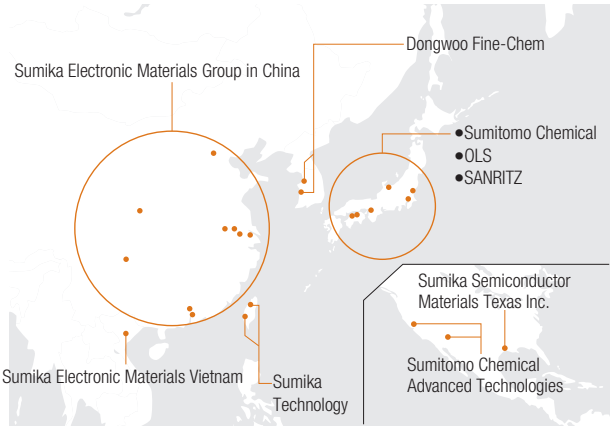
Status of Global Expansion

Building a Market Oriented Supply Chain

Sales Revenue Ratio by Region



We have worked to build a market oriented global supply chain, building good relationships with customers by establishing our production facilities close to customer manufacturing facilities, comprehending their needs and developing/supplying products as quickly as possible. Specifically, the Sumika Electronic Materials Group in China has many facilities, which conduct their businesses in such a way as to respond to the needs of their respective customers. In addition, we have decided to construct a new plant for semiconductor process chemicals in the U.S. in FY2022, further strengthening our global production system. This structure is one of the strengths of our company. The sector's overseas sales revenue has been increasing year by year as a result of its business network, especially in East Asia and the U.S., where the display and semiconductor industries are concentrated. In Japan, we manufacture mainly display materials at our Ohe Works and semiconductor materials at our Osaka Works in addition to compound semiconductors at our Ibaraki Works In addition, the company owns SANRITZ CORPORATION which has strength in the automotive polarizing film business.



Q&A

Q : What specific actions are you taking to reliably capture demand for semiconductor materials?

A: In the semiconductor market, demand is expected to grow for cutting-edge semiconductors going forward, due to background factors such as the evolution of artificial intelligence (AI) technology and the full-scale commercialization of next-generation communication systems (5G). With the expectation that EUV lithographic exposure, a new type of light source, will become dominant in this field, there will be demand for photoresists suited for even greater miniaturization in pattern formation.

Our Strengths

We have established advanced product design and evaluation technologies based on organic synthesis technologies cultivated in our various fine chemical businesses, and have expanded our business by leveraging our ability to respond to customers in a timely manner through the consolidation of manufacturing, research, and sales centered on the Osaka Works area. In particular, we have a high global market share in photoresists for immersion ArF lithographic exposure, which is mainly used in the formation processes of miniaturized circuits, due to our performance advantages and reliability in quality. In addition, we not only expect to increase shipments of photoresists for EUV lithographic exposure, to align with the mass production schedule of major customers that have decided to adopt our products, we are also continuing development of new EUV photoresists to accommodate even greater miniaturization needs for securing future orders.

Specific Actions

In FY2019, we completed a new plant for cutting-edge photoresists, which began operations in FY2020. In addition, to strengthen the development and evaluation system for semiconductor photoresists for cutting-edge processes, we constructed a new building at our Osaka Works which started operation in fiscal 2022. We plan to continue strengthening our production system for semiconductor photoresists for cutting-edge processes on a global basis. The semiconductor market is expected to continue to grow continuously due to the further acceleration of data communication speed and capacity, and we are considering further reinforcement of our system in anticipation of long-term demand.

Aiming for Dramatic Business Expansion

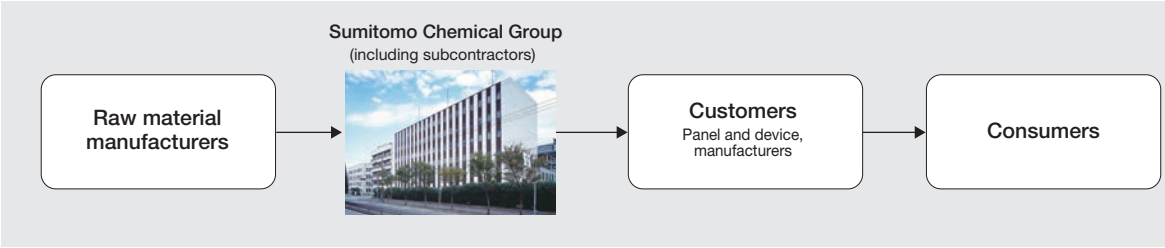
Semiconductor Business Sales Revenue: 1.5 times* by the Mid-2020s

(Including photoresists, processing chemicals for semiconductors, and compound semiconductors)

*Compared to results for FY2021

Value Creation Model: Materials for OLED/Next-generation Displays

Value Chain



Materials for OLED Displays Currently on the Market

We manufacture liquid crystal coated-type retardation film based on proprietary technology, process it into the final product, circularly polarizing film, and ship it to customers. In addition, we supply circularly polarizing films and display cover materials that have outstanding folding durability for flexible OLED displays.

Materials for OLED/Next-generation Displays in Development

We are working to develop materials for OLED displays (printing methods) and micro displays for AR/VR devices to meet customer needs.

System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

Our unique strength is in the liquid crystal material used in circularly polarizing film for OLED displays. Our proprietary liquid crystal materials have excellent functions in preventing reflections of sunlight, lighting, and other light and in expressing a clear black color without color change, regardless of the angle from which the screen is viewed, thereby contributing to the realization of high-definition OLED displays.

Major Processes Generating Competitive Advantages

In order to develop retardation and polarizing functions using liquid crystal materials, the liquid crystal molecules must be systematically oriented in a specific direction. We are working to develop molecular designs that will achieve this sort of optical performance. Moreover, we are also manufacturing liquid crystal materials in-house, and optimizing optical designs for circularly polarizing film suitable for the various OLED displays of TVs and smartphones.

Providing Customer Value

The market is highly interested in creating next-generation displays. The level of development demand is high. To reach the level of development requirements from our customers, we are proposing high-functionality materials, for flexible OLED displays, multi-functional flexible materials that realize foldable and even rollable displays, for large-sized OLED displays, polymer light emitting materials that will lead to improved display quality and lower production costs, and even for ultra-small, ultra-fine next-generation displays applicable for AR/VR/MR glasses, color conversion materials that will enhance the optical characteristics of them through quantum dots or color photoresists technologies.

Added Value Provided to Society

Creating More Abundant and Convenient Daily Lives for People

Displays are the interfaces between people and ICT and will continue to evolve alongside changes in people's lifestyles and the progress in communications technology, part of the infrastructure of society. In addition to displays that provide even better portability or even more realistic viewing experiences, new displays, which are indispensable for technologies such as mixed reality, are being developed actively and these technologies even might change the nature of peoples' experiences. By developing and producing materials and components for OLED displays and next-generation displays, Sumitomo Chemical is contributing to the creation of new items that have never existed before, and thereby creating more abundant and more convenient daily lives for everyone.

Health & Crop Sciences

Businesses

Agrosolutions Business
Crop protection chemicals, Biorationals, Fertilizers, Rice, etc.

Environmental Health Business
Household pesticides, Disease control insecticides, Products for controlling tropical diseases, Veterinary drugs, etc.

Feed Additives Business
Methionine

Pharma Solution Business
Active pharmaceutical ingredients for small molecule drugs, Nucleic acid medicine, etc.

Based on our own research and development capabilities, we contribute to solving the world's food, health, hygiene and environmental problems.

水戸 信彰

Nobuaki Mito
Representative Director & Senior Managing Executive Officer

Strengths of the Health & Crop Sciences Sector

We globally distribute not only excellent crop protection chemicals developed in-house, but also unique crop protection and enhancement products such as biorationals and post-harvest with high market shares. The strength of our crop protection business is in our lineup of unique products and the research and development capability that created it, as well as our global sales network. Moreover, in our methionine business, Sumitomo Chemical offers a stable supply, with integrated production from raw materials using advanced production technology. In the pharma solution business, we supply active pharmaceutical ingredients and intermediates and provide technology by utilizing our advanced organic chemical synthesis technology and quality assurance system.

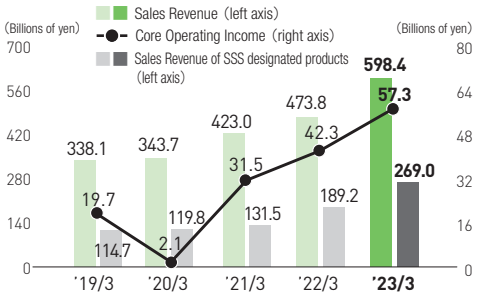
Initiatives in FY2022

We have received registration approval in Brazil, the world's largest country of soybean production, for our soybean fungicide EXCALIA MAX™, which contains the novel active ingredient INDIFLIN™, and have begun full-scale sales. In the South American region, the world's largest crop protection chemicals market, we intend to further expand sales of this product. In the biorational business, in addition to the expansion of the research center and the U.S. plant, we built a new organization in the U.S. and began selling directly, thereby strengthening each function of the manufacturing, sales, and R&D. Furthermore, with the acquisition of FBSciences Holdings, Inc., a U.S. company engaged in the business of biostimulants, which are naturally-derived agricultural materials, we have made a full-scale entry into the market and will continue to expand our business.

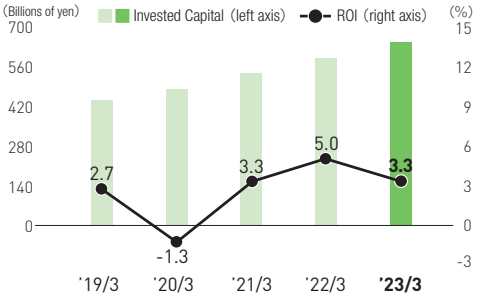
Future Initiatives

We will continue to manage our business operations with an awareness of one of the sector's long-term visions, which is to expand our sustainable products business. In the biorational and botanical business, where we are strong, we will continue to work on further business expansion in each region and strengthening the functions of our global manufacturing and sales and R&D. In chemical crop protections, we will focus on maximizing sales of new large-scale products such as INDIFLIN™ (a fungicide for soybean rust), while developing and launching products with more emphasis on reducing environmental impact. In addition, we will strengthen our supply chain, which has expanded through business acquisitions in South America, and aim to improve capital efficiency by steadily recovering the results of our investments. In R&D, we will invest resources with emphasis on business areas where we have strengths and actively utilize open innovation.

Sales Revenues and Core Operating Income / Sales revenue of SSS designated products



Invested Capital・ROI



Transition to date

This sector is a future growth driver, and we have continued to invest aggressively in this sector. FY2022 and beyond will see the full effect of the South American acquisitions, while the deteriorating market for methionine is weighing on the market.

Future Measures and Issues

We are on a growth trajectory through global footprint expansion (India and South America) and development of new crop protection chemicals. We have also made a full-scale entry into the biostimulant field and will ensure PMI while also securing a vehicle for future growth.

Business portfolio reforms aimed at strengthening a group of sustainable products

In addition to biorational products, that utilize ingredients derived from natural products, such as microbial-based crop protection products, environmental health products, plant growth regulators, and rhizosphere microbial materials, we will differentiate ourselves from our competitors by leveraging our technologies and product lines in areas where we have strengths, such as biorationals and botanicals, including the biostimulants* area, which we enter in earnest in 2023. We will also promote the development and marketing of chemical crop protection with a stronger awareness of the need to contribute to the reduction of environmental impact.

*Biostimulants: A group of naturally-derived agricultural materials and a class of biorationals that have the effect of drawing out the inherent strength of crops and soil

Initiatives to Accelerate Biorational Growth

To accelerate the growth of biorationals, we will implement the following initiatives in each field, aiming to achieve 120 billion yen in consolidated sales of biorationals and botanicals in FY2030.

R&D

Accelerate development and launch in pipeline

- Promote more than 40 projects planned for the current Corporate Business Plan
- Expand facilities at Biorational Research Center (BRC)

Sale

Strengthen sales capabilities

- Utilize each region's Sustainable Solutions Business Unit
- Build a new organization in the U.S., and begin selling directly
- Expand sales of botanicals to the organic agriculture field

Manufacturing

Strengthen product supply capabilities

- Expand the Osage Plant in the U.S.
- Utilize regional companies, such as Sumitomo Chemical Brazil

Business

Strengthen business management and expand business area

- Simplify reporting lines and achieve agile allocation of management resources
- Pursue expansion of business sphere through acquisitions

Contribution to low environmental impact agriculture using crop protection chemicals

Contributed to the spread of no-till farming

No-till farming is an agricultural method of growing crops without tilling, and is attracting attention from the perspective of reducing greenhouse gas (GHG) emissions by contributing to the reduction of CO_2 emissions from the ground, in addition to its significant environmental benefits such as soil protection and organic matter conservation. We have several herbicides suitable for use before sowing crops, and we will contribute to the spread of this farming method by ensuring the convenience of no-till cultivation through the promotion of these herbicides.

Product	Initiatives, characteristics, etc.	FY2024 sales revenue target
Flumioxazin	•Superb long-lasting effect makes it possible to reduce treatment frequencies, and its efficacy against a broad range of weeds makes it suited to no-till farming	70+bn. yen
Rapidicil®	•Fast-acting and plenty efficacious on low doses •Its efficacy against a broad range of weeds makes it suited for no-till farming	–

Utilization of seed treatments

Seed treatment is an application method in which the chemical is applied directly to the seed. By pinpointing the treatment to the seed, the amount of chemical required can be kept to a minimum, contributing to a reduction in environmental impact.

Advances and efficiencies in R&D

We identify our focus areas and concentrate our resources in areas where we have strengths, while actively utilizing open innovation.

Partners in the Food Field

Ginkgo Bioworks(synthetic biology), Nuritas(development of bioactive peptide for improving animal health and performance), Kansas State University, Danforth(soil health/carbon negative technology), Nufarm (joint development of mixture products), Bayer(development of next-generation weed control system), etc.

Partners in the Healthcare Field

IVCC (development of innovative products and technologies for mosquitoes that transmit malaria and other vector-borne diseases), etc.

Secure returns on investments already made

We will work to ensure the recovery of investments made, and aim to achieve ROIC that exceeds the cost of capital as soon as possible.

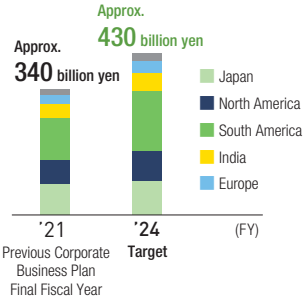
Agrosolutions Business in South America

August 2020: Start of integrated operation of four acquired Nufarm South American subsidiaries and our existing affiliates in South America

May 2022: Launch of EXCALIA MAX™, a fungicide for soybeans containing the new active ingredient INDIFLIN™ in Brazil

EXCALIA MAX

Sales revenue target for crop protection business
(excluding environmental health business)



Strengthen global supply chain

To maximize profits from our expanded global footprint, we will strengthen our supply chain to ensure consistent product quality and security of supply.

Roll out Integrated Business Planning (IBP) framework

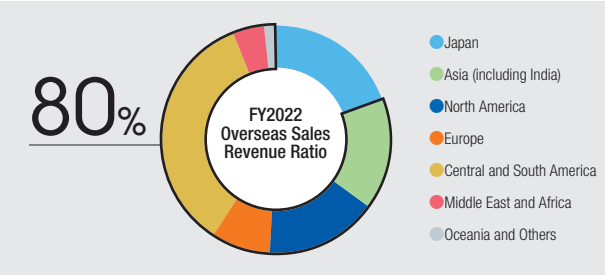
- Realize speedy decision-making based on financial information based on real-time information sharing and integrated management across the entire supply chain of production, sales, purchasing, and logistics.
- Expanding globally following South America

Status of Global Expansion

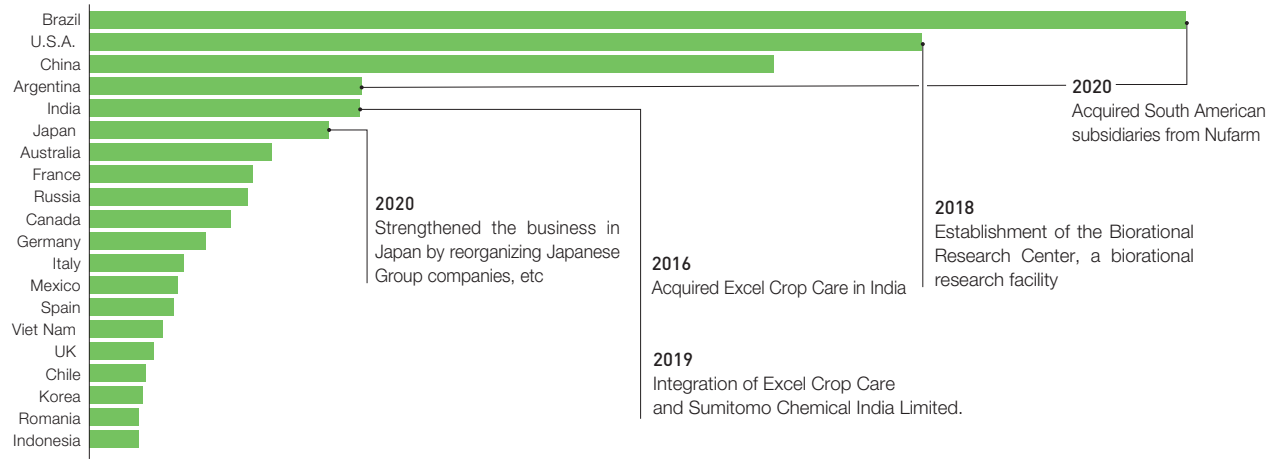
Business development that responds immediately to customer needs

The global expansion of our crop protection business began in the early 1960s when we started exporting the pesticide Sumithion to North America. Since then, following on from the establishment of Valent U.S.A. in 1988, we have been building up research, production, and sales facilities around the globe. Because climate and crops vary widely depending on the region, we have built a system that enables us to develop products suited for a particular region, and to respond quickly to the needs of the region. We have been expanding our facilities in the world's major crop protection markets, including the U.S.A. and Europe, Asia, and South America, and of the countries with the six largest crop protection markets around the world, we are currently securing or strengthening our sales capabilities in five of them.

Sales Revenue Ratio by Region



Crop Protection Market Size (2022)



(Source) AgbioCrop (May. 2023)

Q&A

Q : In recent years, the multinational crop protection companies have undergone a consolidation, and the gap between the scale of Sumitomo Chemical's crop protection business and that of the major companies is widening, so how do you plan to compete going forward?

A : With the mergers of Dow and DuPont in 2017 and Bayer and Monsanto in 2018, two major players were born. At the moment, however, we have no plans to emulate them and merge with another company. We will employ the following three strategies to secure a place among our global competitors.

Compete on Our Research and Development Capabilities

Living things will inevitably develop resistances to crop protection products over the course of time. For this reason, it is necessary to continuously develop new crop protection products, and research and development capabilities are extremely important to achieve this. The number of patents we hold compares favorably with those of multinational crop protection companies, and we intend to compete going forward as a crop protection company based on our research and development capabilities.

→ P.53 Investors' Handbook 2023

Compete on Our Extensive Global Footprint

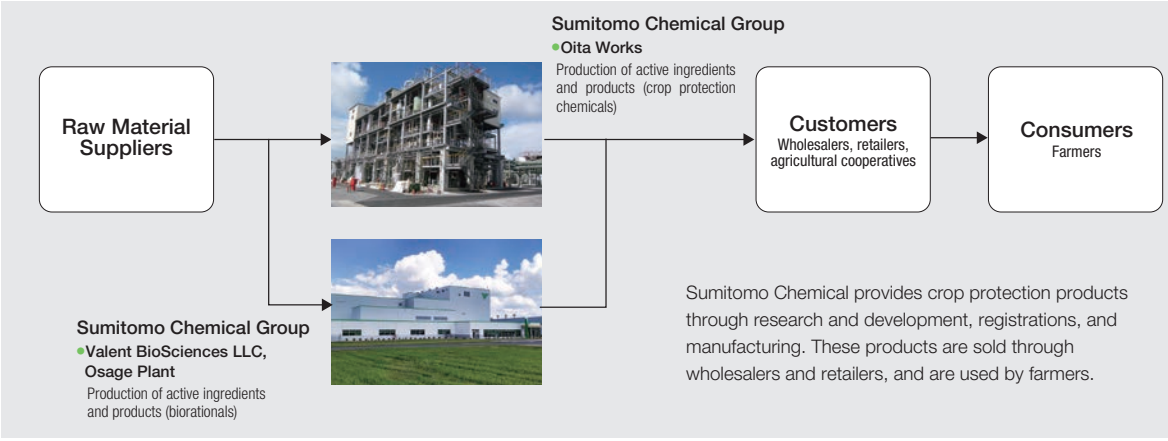
Up until a few years ago, our global footprint did not measure up when compared with the major players, who have the ability to deliver products to all sorts of regions around the world. In recent years, however, in addition to our acquisition of Excel Crop Care in 2016, we also acquired the South American business of Nufarm in 2020, among other initiatives, making steady progress in our efforts to strengthen our global footprint. In addition, we are not only selling the crop protection products we have developed using our own global footprint, we are also selling them as part of pest control systems offered by multinational crop protection companies, enabling us to access an even broader range of regions.

Leading the way in regenerative agriculture with a dual approach to biorationals and crop protection chemicals

→ P.46 Contribute to the food supply advance sustainable agriculture

Value Creation Model: Global Agrosolutions Business

Value Chain



System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

There are many players in the global crop protection market, from multinational companies based mostly in the U.S.A. and Europe to comparatively small ones. Crop Protection products differ significantly in needs by region and crops. Sumitomo Chemical pursues unique positioning in various markets around the world, by using its product portfolio consisting of chemical and biorational products for crop protection and enhancement. We are undertaking new solution development from a long-term perspective, from the discovery of novel lead compounds to the product development for end-users, and the proprietary products and technologies derived from this process are the foundation of our competitive advantage.


Health & Crop Sciences Research Laboratory

Major Processes Generating Competitive Advantages

In the discovery stage, which is important in developing new solutions, we search for active ingredients for new crop protection products. In this process, we evaluate not only a compound's efficacy but also its safety for people and the environment. We utilize our global research and development network so as to develop new solutions as soon as possible. In addition, in the product development for end-users, we are also putting effort into product development for new formulations and applications to add more value to existing active ingredients.


The technical guidance of biorationals

Providing Customer Value

Farmers use crop protection products as they hope to improve the quality and yield of their agricultural crops. In addition, they also expect to make farming work more efficient, and improve profitability. At the same time, they also pursue safety and reliability of crops, hoping that the crop protection products will not harm either their health or that of the consumers of the agricultural products. For this reason, we provide unique, highly effective products that meet customer needs. By creating solutions that reflect the needs of each region or crop, we contribute to the creation of new sustainable agricultural techniques.

Added Value Provided to Society

Contributing to a Stable Food Supply by Improving Food Productivity

Plant growth regulators, one of the products of our overseas crop protection business, act to enhance the fruit-bearing ability of fruits and vegetables, increase their size, and improve their quality. As they can adjust the flowering and maturity periods, plant growth regulators can help crop cultivation even in cold and dry regions, and contribute to increasing food production in various regions around the world. In the face of an increasing world population and a growing world economy, there has been an increasing demand for safe and reliable food. We are increasing food productivity by globally supplying unique materials, and we aim to contribute to a stable food supply.

→ P.46 Contribute to the food supply advance sustainable agriculture

Pharmaceuticals

Businesses | Prescription Drugs | Diagnostic Drugs | CDMO (Contract Development and Manufacturing Organization) Business

Strengths of the Pharmaceuticals Sector

In the prescription drug business, we have experience and knowledge in psychiatry & neurology and oncology, which are areas of high unmet medical need, as our priority disease areas. In the diagnostic drug business, our core competencies are our solid experience and technologies cultivated over 50 years. In addition, our ability to cooperate with Sumitomo Chemical Group to make the best use of the company's foundational technologies, including genome analysis and cell differentiation, is one of our major strengths.

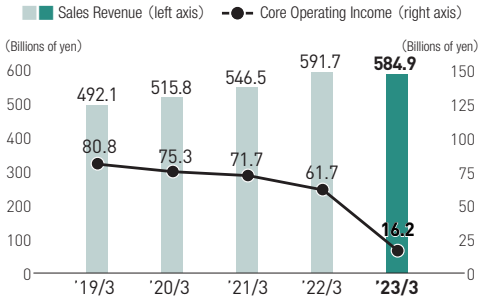
Synergy of Business and Technology

Sumitomo Pharma has strong ties with Sumitomo Chemical in terms of its technological genealogy. For instance, Sumitomo Pharma's regenerative medicine/cell therapy business has its roots in safety research for crop protection products at Sumitomo Chemical. Sumitomo Chemical's Bioscience Research Laboratory has incorporated Sumitomo Pharma's genome technology to increase synergy in research and to cultivate new businesses. Furthermore, we have recently launched a CDMO business for regenerative medicine/-cell therapy products, combining Sumitomo Pharma's knowledge of regenerative medicine/cell therapy with our knowledge of contract manufacturing. Moving forward, we will continue to generate the variety of synergy between pharmaceuticals and chemistry.

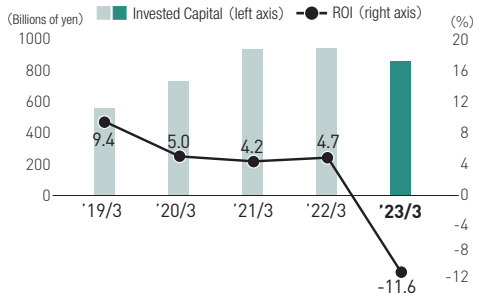
Future Initiatives

Our top priority is to establish a revenue base after the end of LATUDA® exclusivity period in the U.S. ORGOVYX® (a treatment for prostate cancer), MYFEMBREE® (a treatment for uterine fibroids and endometriosis), and GEMTESA® (a treatment for overactive bladder) are positioned as our three key products and we are aiming for sales exceeding those of LATUDA® and maximizing the potential of the agents through alliances with other companies and expansion of indications. In addition, with an eye on medium- to long-term growth, we will focus on creating new products in the psychiatry & neurology area, as well as next-generation medicine such as regenerative medicine/cell therapy and Theranostics, and further strengthen the CDMO business, which is expected to grow.

Sales Revenues and Core Operating Income



Invested Capital・ROI



Transition to date

Invested capital increased due to large acquisitions for post-Latuda, etc ROI fell to negative in FY2022 due to the impact of the loss of U.S. exclusivity for LATUDA® as well as the impact of impairment losses associated with the discontinuation of development of low-performing products and items in development.

Future Measures and Issues

We aim to achieve a V-shaped recovery toward FY2024 through further sales expansion of LATUDA® successor products and streamlining effects from the combination of subsidiaries in North America. In addition, we will expand our pipeline for future growth and build a stable earnings base by expanding peripheral businesses such as S-RACMO.

Establishment of revenue base after the end of LATUDA® exclusivity in the U.S.

As post-LATUDA agents we will maximize revenues from ORGOVYX®, MYFEMBREE®, and GEMTESA®. In addition, the Company will also promote rationalization, including improvement of management efficiency and optimization of business costs, in order to become a business entity suitable for post-LATUDA.

Progress

- Received approval for an additional indication of endometriosis for MYFEMBREE® in the U.S.
- Myovant Sciences Ltd.,(currently, Sumitomo Pharma America, Inc.) which handles ORGOVYX®, MYFEMBREE® became a wholly owned subsidiary.
- Consolidation of Sumitomo Pharma's North American subsidiaries into a single company
- Promote rationalization such as improvement of management efficiency and optimization of business costs (transfer of shares of Sumitomo Pharma's domestic subsidiaries, transfer of sales rights for respiratory drugs, etc.)

Strategies for Medium- and Long-Term Growth

Looking ahead to what comes after ORGOVYX®, MYFEMBREE®, and GEMTESA®, we will continue to create new products in the psychiatry & neurology area. In addition, we will seek to maximize product value as quickly as possible by accelerating development and reducing risk, including the active use of external resources. Furthermore, we will achieve medium- to long-term growth by taking on the challenge of developing and commercializing new therapeutic methods, such as regenerative medicine/cell therapy, and Theranostics.

Progress

- Initiated clinical trials for two additional indications for ulotaront (adjunctive major depressive disorder and generalized anxiety disorder)
- Construction begins on a cGMP-compliant cell processing center in the U.S.

Joint development and commercialization alliance with Otsuka Pharmaceutical Co., Ltd.

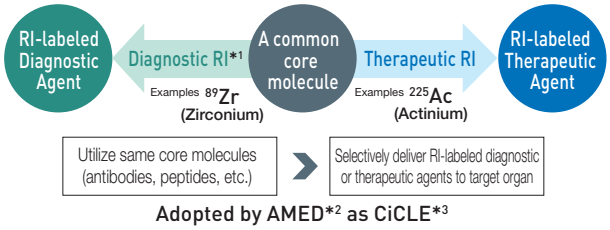
Ulotaront is a next-generation antipsychotic that has received Breakthrough Therapy*1 designation from the U.S. Food and Drug Administration(FDA). In 2021, we agreed to co-develop and co-market ulotaront and other neuropsychiatric compounds with Otsuka Pharmaceutical, which has strengths in this area. We will leverage this alliance to develop the drug into a new blockbuster for medium- to long-term growth.

Development products	Proposed indications	Scheduled to be launched
ulotaront	Schizophrenia	(U.S.) FY2024*2 (Japan) FY2027
	Adjunctive major depressive disorder	(U.S.) Late 2020s
	Generalized Anxiety Disorder	(U.S.) Late 2020s
SEP-4199	Bipolar I Depression	(U.S.) Late 2020s

*1 The U.S. FDA's program to facilitate the development and review of drugs for serious or life-threatening diseases
*2 To be revised for launch target based on consultation with the FDA, etc.

Theranostics

As a next-generation therapeutic approach, we aim to develop new radiopharmaceuticals that "integrate therapeutics and diagnostics (Theranostics)" by taking advantage of the characteristics of nuclear medicine. In the CRADLE building, our drug research facility, we are working diligently on research and development to deliver optimal medical care to patients as soon as possible.



*1 RI: Radioactive isotope
*2 AMED: Japan Agency for Medical Research and Development
*3 CiCLE: Cyclic Innovation for Clinical Empowerment

Progress

- Successfully manufactured at an investigational manufacturing scale of ^{225}Ac
- U.S. FDA accepts Clinical Trial Application for NMK89 under development as a diagnostic agent

Strengthen CDMO business

In the fields of next-generation pharmaceuticals such as regenerative medicine/cell therapy and targeted alpha-particle therapy, which are expected to show remarkable growth in the future, we will maximize the synergy between chemistry and pharmaceuticals to aggressively develop our CDMO business.

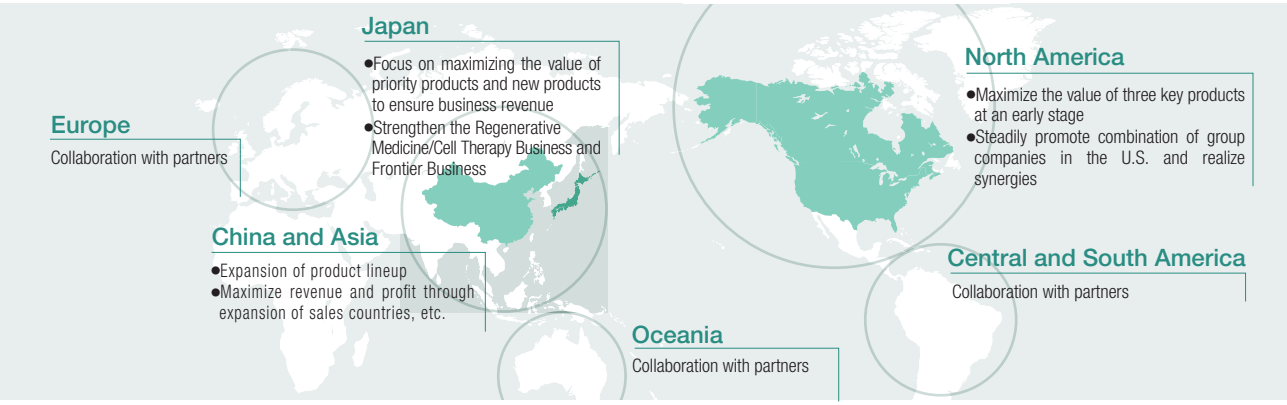
S-RACMO Co., Ltd.

S-RACMO, a joint venture of both companies, conducts CDMO business in the field of regenerative medicine/cell therapy by combining Sumitomo Chemical's fundamental technologies for iPS/ES cells and expertise in contract manufacturing of pharmaceuticals with Sumitomo Pharma's experience in advanced manufacturing method development and formulation development gained through multiple projects in the regenerative medicine/cell therapy business. Orders are steadily increasing at FORCE (Facility of Regenerative and Cellular Medicine Organization), a regenerative and cellular medicine manufacturing facility that began operations in 2022. We will continue to work to further expand our presence in this fast-growing field.

Facility of Regenerative and Cellular Medicine Organization (FORCE)

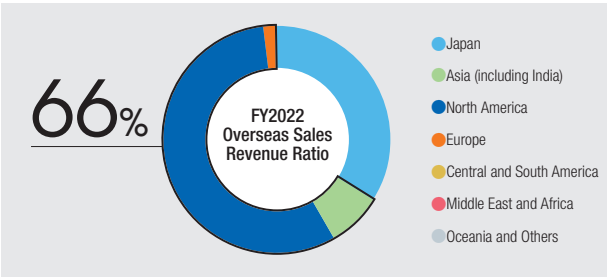
Status of Global Expansion

Regional Strategy Centering in Japan, North America and China



About 70% of the sales revenue in our Pharmaceuticals sector comes from outside Japan, and one of the features of our Pharmaceuticals sector is its global reach, centered in Japan, North America, and China. Although the ratio of overseas sales revenue is expected to decline temporarily in FY2023 due to the end of LATUDA®'s exclusive sales period in the U.S., we will not relax our efforts to achieve further growth by expanding our three key products and building new facilities for manufacturing regenerative medicine/cell therapy and we will re-grow revenue in the U.S., the country with the largest demand worldwide. In addition, growth in demand for pharmaceuticals throughout Asia has been significant, including China, which has the world's second-highest level of demand, so it is a region where we expect sustained growth going forward. Currently we are building our sales structure to increase our presence in the market, enhancing the capabilities of our subsidiaries and strengthening collaboration with local partners. For other regions, we plan to maximize revenue by collaborating with partners.

Sales Revenue Ratio by Region



Q&A

Q : Please tell us about your efforts to achieve a V-shaped recovery in FY2024.

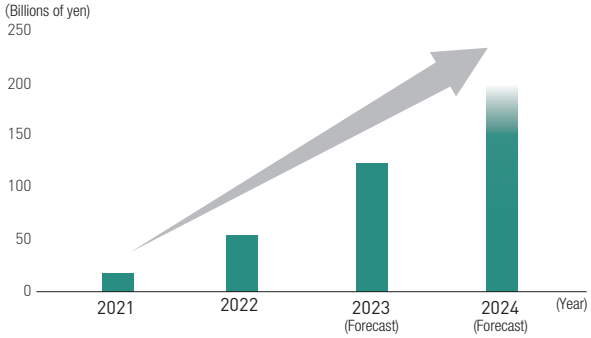
A: We will strengthen profitability through further sales expansion and rationalization of our three key products (ORGOVYX®, MYFEMBREE®, and GEMTESA®). With regard to sales expansion of the three key products, we partnered with Pfizer Inc. in 2020 to co-develop and co-market ORGOVYX® and MYFEMBREE®, and last year, MYFEMBREE® was approved in the U.S. for an additional indication for the treatment of endometriosis. In addition, we have just strengthened our revenue base and accelerated our management speed by making Myovant, which handled ORGOVYX®, MYFEMBREE®, a wholly owned subsidiary. In this year, we will focus on further increasing awareness of the strengths of our three products, and will enhance the presence of our products by promoting them to a wide range of interested parties. In this way, we aim to achieve sales revenue of 200 billion yen for the three products in total in FY2024.

In rationalization, seven of Sumitomo Pharma's U.S. subsidiaries were combined into one company in July of this year to improve profitability and strengthen the business foundation through efficiency and cost synergies. By reducing duplicated operations, simplifying the chain of command and order, etc., we expect to achieve an annual rationalization effect of approximately US$400 million by FY2024, compared to FY2022.

In addition, the Phase 3 trial of ulotaront, our next blockbuster drug candidate, is scheduled to be completed this year, and if approved, is expected to contribute from FY2024*. In the future, we also plan to launch products in regenerative medicine/cell therapy and frontier businesses. We will work to build a solid earnings base over the medium- to long-term by ensuring that our diverse pipeline leads to product launches.

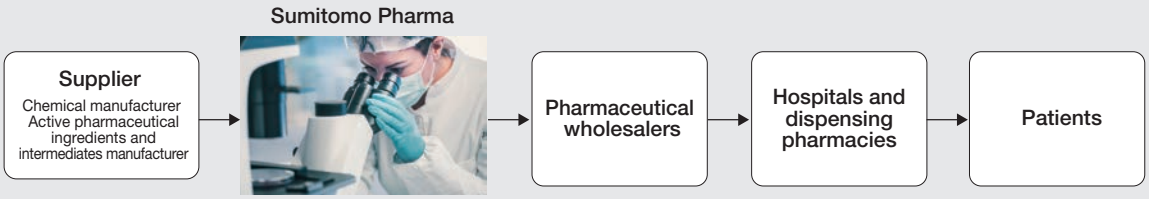
*To be revised for launch target based on consultation with the FDA, etc.

Estimation of revenues from three key products



Value Creation Model: Sumitomo Pharma

Value Chain



Sumitomo Pharma manufactures pharmaceutical products developed by itself using bulk pharmaceuticals and intermediates as raw materials and provides them to hospitals and dispensing pharmacies through pharmaceutical wholesalers. The company also provides information on the proper use of its pharmaceutical products to medical professionals and patients.

System for Providing Added Value

Sumitomo Pharma's Competitive Advantages

Although Sumitomo Pharma is smaller in scale than global major pharmaceutical manufacturers, its strength is its strong sales platform in the U.S., the region with the greatest demand for pharmaceuticals. In addition, Sumitomo Pharma is at the forefront of development of regenerative medicine/cell therapy which is expected to see market growth as cutting-edge healthcare, and is currently making progress in clinical development while also collaborating with academia and biotech companies.

Major Processes Generating Competitive Advantages

In the business of regenerative medicine/cell therapy, Sumitomo Pharma has both the Regenerative & Cellular Medicine Kobe Center, a research facility, and the SMaRT facility, the world's first commercial manufacturing facility dedicated to regenerative medicine/cell therapy products derived from allogeneic iPS stemcells and last year, construction began on a new cell product manufacturing facility in the United States. In addition, in the U.S., we received approval in October 2021 for RETHYMIC®, a regenerative medicine product for the indication of pediatric congenital atresia, and furthermore, we are currently conducting a Phase 1/2 study (investigator-initiated clinical trial) for Parkinson's disease and a clinical trial for retinal pigment epithelium tear in Japan. In this way, based on our top-runner manufacturing capabilities and the responsiveness we have cultivated in Japan and the U.S., we will further strengthen this business by expanding it globally from Japan.

Providing Customer Value

We aim to contribute to improving the quality of life of patients by providing new value globally that can only be achieved through regenerative medicine based on open innovation, utilizing its abundant pipeline, drug discovery capabilities, cutting-edge technology and know-how, and its broad scientific network.

Added Value Provided to Society

Contributing to the Advancement of Cutting-edge Healthcare and Better Quality of Life for Patients

Sumitomo Pharma contributes to the treatment of patients with various diseases by providing high-quality medicine and drug information. In addition, the company contributes to the development of advanced healthcare by utilizing the technologies and knowledge cultivated by Sumitomo Chemical over many years in the life science field. Through synergy between Sumitomo Pharma and Sumitomo Chemical, we work on contributing to solving healthcare issues, one of the material issues to be addressed as management priorities.

Directors & Senior Management (As of July 1, 2023)

Board of Directors

Chairman of the Board
Masakazu Tokura
Birth Date: July 10, 1950

■330,865
□16/16 times (100%)

1974 Joined Sumitomo Chemical Co., Ltd.
2019 Chairman of the Board (current)

Representative Director & President
Keiichi Iwata
Birth Date: October 11, 1957

■235,065
□16/16 times (100%)

1982 Joined Sumitomo Chemical Co., Ltd.
2019 Representative Director & President (current)

Representative Director
Masaki Matsui
Birth Date: August 3, 1960

IT-related Chemicals Sector

■108,898
□16/16 times (100%)

1985 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

Director
Hiroshi Ueda
Birth Date: August 5, 1956

Research Planning and Coordination, Digital and Data Science Innovation, Process & Production Technology & Safety Planning, Production & Safety Fundamental Technology Center, Engineering, Intellectual Property, Responsible Care, Industrial Technology & Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory, Bioscience Research Laboratory

■169,144
□16/16 times (100%)

1982 Joined Sumitomo Chemical Co., Ltd.
2019 Director & Executive Vice President (current)

Director
Hiroshi Niinuma
Birth Date: March 5, 1958

General Affairs, External Relations, Legal, Human Resources, Osaka Office Administration

■132,244
□16/16 times (100%)

1981 Joined Sumitomo Chemical Co., Ltd.
2022 Director & Executive Vice President (current)

Outside Director
Hiroshi Tomono
Birth Date: July 13, 1945

■0
□16/16 times (100%)

2015 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Standing Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member
Kunio Nozaki
Birth Date: October 29, 1956

■92,100
□16/16 times (100%)
○15/15 times (100%)

1979 Joined Sumitomo Chemical Co., Ltd.
2019 Standing Audit & Supervisory Board Member (current)

Standing Audit & Supervisory Board Member
Hironobu Nishi
Birth Date: August 3, 1965

■6,800
□–/– times (–%)
○–/– times (–%)

1988 Joined Sumitomo Chemical Co., Ltd.
2023 Standing Audit & Supervisory Board Member (current)

Outside Audit & Supervisory Board Member
Mitsuhiro Aso
Birth Date: June 26, 1949

■0
□14/16 times (88%)
○13/15 times (87%)

2013 Outside Audit & Supervisory Board Member, Sumitomo Chemical Co., Ltd. (current)

■ Number of shares held (as of March 31, 2023)
□ Number of attendances at Board of Directors meetings for fiscal 2022
○ Number of attendances at Board of Audit & Supervisory Board Members meetings for fiscal 2022

Representative Director
Nobuaki Mito
Birth Date: August 4, 1960

Health & Crop Sciences Sector

■ 89,177
□ 16/16 times (100%)

1985 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

Representative Director
Motoyuki Sakai
Birth Date: August 14, 1961

Energy & Functional Materials Sector

■ 51,456
□ –/– times (–%)

1985 Joined Sumitomo Chemical Co., Ltd.
2023 Representative Director & Senior Managing Executive Officer (current)

Representative Director
Seiji Takeuchi
Birth Date: March 29, 1962

Essential Chemicals & Plastics Sector, Business Development for a Circular System for Plastics

■ 42,556
□ –/– times (–%)

1986 Joined Sumitomo Chemical Co., Ltd.
2023 Representative Director & Senior Managing Executive Officer (current)

Outside Director
Motoshige Itoh
Birth Date: December 19, 1951

■ 0
□ 16/16 times (100%)

2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Outside Director
Atsuko Muraki
Birth Date: December 28, 1955

■ 0
□ 16/16 times (100%)

2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Outside Director
Akira Ichikawa
Birth Date: November 12, 1954

■ 0
□ 13/13 times (100%)

2022 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Outside Audit & Supervisory Board Member
Yoshitaka Kato
Birth Date: September 17, 1951

■ 0
□ 16/16 times (100%)
○ 15/15 times (100%)

2015 Outside Audit & Supervisory Board Member, Sumitomo Chemical Co., Ltd. (current)

Outside Audit & Supervisory Board Member
Michio Yoneda
Birth Date: June 14, 1949

■ 2,000
□ 16/16 times (100%)
○ 15/15 times (100%)

2018 Outside Audit & Supervisory Board Member, Sumitomo Chemical Co., Ltd. (current)

Details of Biographies, etc. of Directors & Senior Management 〉 Our Website : Directors & Senior Management

Expertise and Experience of Directors and Audit & Supervisory Board Members

As a diversified chemical company, 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.

	Position	Expertise and 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
Board of Directors										
Masakazu Tokura	Chairman of the Board	●	●		●					
Keiichi Iwata	Representative Director & President	●	●		●					
Masaki Matsui	Representative Director & Senior Managing Executive Officer		●				●			
Nobuaki Mito	Representative Director & Senior Managing Executive Officer		●	●						● (Intellectual Property)
Motoyuki Sakai	Representative Director & Senior Managing Executive Officer		●		●		●			
Seiji Takeuchi	Representative Director & Senior Managing Executive Officer		●	●	●					
Hiroshi Ueda	Director & Executive Vice President		●	●						● (IT/DX)
Hiroshi Niinuma	Director & Executive Vice President					●		●	●	
Hiroshi Tomono	Outside Director	●		●		●				
Motoshige Itoh	Outside Director				●					● (International Economics) ● (IT/DX)
Atsuko Muraki	Outside Director					●		●	●	
Akira Ichikawa	Outside Director	●			●	●				
Audit & Supervisory Board Members										
Kunio Nozaki	Standing Audit & Supervisory Board Member				●		●			
Hironobu Nishi	Standing Audit & Supervisory Board Member		●		●	●				
Mitsuhiro Aso	Outside Audit & Supervisory Board Member				●	●			●	
Yoshitaka Kato	Outside Audit & Supervisory Board Member				●		●		●	
Michio Yoneda	Outside Audit & Supervisory Board Member	●				●				● (Financial Markets)

*(Note) In the table above, each person's main areas of expertise and experience, up to a maximum of three areas, are designated with a ● .

	Position/Name	In Charge
	Senior Managing Executive Officer **Noriaki Takeshita**	Corporate Planning, IT Innovation
	Managing Executive Officer **Naoyuki Inoue**	Procurement, Logistics
	Managing Executive Officer **Keigo Sasaki**	Corporate Communications, Accounting, Finance
	Managing Executive Officer **Kenji Ohno**	Sustainability, Internal Control and Audit, Legal Dept.
	Managing Executive Officer **Yoshizumi Sasaki**	Business Development Office for a Circular System for Plastics, Resin-related Business Development Dept., Polyolefins Div., Automotive Materials Div., MMA Div.
	Managing Executive Officer **Ichiro Kosaka**	Specialty Chemicals Div., Advanced Polymers Div., Battery Materials Div.
	Managing Executive Officer **Takanari Yamaguchi**	Research Planning and Coordination Dept., Digital and Date Science Innovation Dept., Intellectual Property Dept., Industrial Technology & Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory, Bioscience Research Laboratory
	Managing Executive Officer **Hirokazu Murata**	Ehime Works
	Managing Executive Officer **Koichi Ogino**	Chiba Works
	Managing Executive Officer **Juan Ferreira**	Work related to South American businesses of the Health & Crop Sciences Sector and Valent U.S.A.
	Managing Executive Officer **Shinsuke Shojima**	AgroSolutions Div. – International, Environmental Health Div., Animal Nutrition Div.
	Managing Executive Officer **Inho Rha**	Dongwoo Fine-Chem Co., Ltd
	Managing Executive Officer **Akira Nakanishi**	Planning & Coordination Office, IT-related Chemicals Sector, Electronic Materials Div.
	Managing Executive Officer **Masao Shimizu**	Human Resources Dept., Osaka Office Administration Dept.
	Managing Executive Officer **Hiroaki Fujimoto**	AgroSolutions Div. – Japan

	Position/Name	In Charge
	Executive Officer **Kanako Fukuda**	Sumitomo Chemical Europe S.A./N.V.
	Executive Officer **Hiroyoshi Mukai**	Planning & Coordination Office, Energy & Functional Materials Sector, Quality Assurance Office, Energy & Functional Materials Sector
	Executive Officer **Takanori Ito**	Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center, Responsible Care Dept.
	Executive Officer **Yoshihiro Ino**	IT Innovation Dept.
	Executive Officer **Tetsuo Takahashi**	Planning & Coordination Office, Essential Chemicals & Plastics Sector, Basic Materials Div., Industrial Chemicals Div.
	Executive Officer **Tomoyuki Hirayama**	General Affairs Dept., External Relations Dept.
	Executive Officer **Satoshi Honda**	Planning & Coordination Office, IT-related Chemicals Sector, Quality Assurance Office, IT-related Chemicals Sector
	Executive Officer **Takeo Kitayama**	Corporate Planning Office
	Executive Officer **Noriaki Oku**	Rabigh Refining and Petrochemical Company
	Executive Officer **Junpei Tsuji**	Research Planning and Coordination Dept.
	Executive Officer **Toshihiro Yamauchi**	Accounting Dept.
	Executive Officer **Kyoko Odawara**	Environmental Health Science Laboratory
	Executive Officer **Shinichi Takemura**	Optical Materials Div.
	Executive Officer **Tadashi Katayama**	Planning & Coordination Office, Health & Crop Sciences Sector, AgroSolutions Div. – International
	Executive Officer **Sawa Matsubara**	Sustainability Dept., Finance Dept.

Message from Outside Director

To further strengthen governance and execution capabilities to enhance corporate value

We interviewed Mr. Ichikawa, newly appointed outside director in June 2022, about the state of Sumitomo Chemical from the perspective of an outside director and his expectations for the future.

Akira Ichikawa

Outside Director

In 1978, he joined Sumitomo Forestry Co., Ltd. He was stationed in Amsterdam as Deputy General Manager of the Overseas Department, and later became Manager of the Seattle Sub-branch. After serving as General Manager of the International Business Department in 2002, Executive Officer and General Manager of the Corporate Planning Department in 2007, and Director and Managing Executive Officer in 2008, he was appointed Representative Director & President in April 2010, and Representative Director, Chairman of the Board from April 2020. In June 2021, he was appointed Outside Director of Konica Minolta, Inc. and in June 2022, Outside Director of Sumitomo Chemical Co., Ltd.

They have a corporate culture and structure to face each issue one by one.

As an outside director, I will be overseeing the management of the chemical industry, which is different from my own career to date, and I am surprised to recognize once again the broad scope of the chemical industry as a key industry that supports the manufacturing industry in Japan.

Sumitomo Chemical manufactures high value-added products such as functional materials based on its advanced technological capabilities. In addition, Sumitomo Chemical has long focused on the life science field, including health & crop sciences and pharmaceuticals businesses, and has developed its business based on its specialized areas of expertise in each business field. I feel that they have a distinctive business portfolio within the chemical industry.

However, in a world where global warming is progressing, how to connect the earth's resources to the future - this is an important issue for all industries, but it is a particularly big issue for the petrochemical business. In addition, the chemical industry is unique in that its products are highly segmented and it has large-scale manufacturing facilities, which makes it difficult for the industry to change products into new ones and respond to changes. Under these circumstances, I believe that the challenge is to maximize profitability by increasing efficiency and added-value, and to achieve sustainable growth.

Sumitomo Chemical faces each of these issues head-on, discusses them, and works to resolve them. They have a corporate culture of facing everything with sincerity and care. For example, based on the concept of Responsible Care, Sumitomo Chemical aims to ensure safety, health, and the environment throughout the lifecycle of its chemical products and to improve their quality. The Responsible Care Department has been established as a cross-functional, cross-departmental organization to serve as a command post for the realization of this concept. I feel it is wonderful that they have not only a concept but also a management system to implement it.

The same is true for governance discussions, which are detailed and carefully addressed not only in terms of compliance, but also on a wide range of issues, including human rights, diversity and inclusion, and environmental issues. They already have a solid governance structure in place, and I believe it will be important to upgrade this structure as they expand it widely to group companies, business partners, and others.

Promotion of Green Transformation in a broader sense Expectations for Sumitomo Chemical's character

Sumitomo Chemical aims to enhance its corporate value by creating both social value and economic value in accordance with its Corporate Philosophy of Jiri-Rita Koushi-Ichinyo. One of their efforts to achieve this goal is to upgrade their portfolio from the perspective of Green Transformation. In particular, Sumitomo Chemical views Green Transformation not only as ecosystem conservation but also as a social system that includes human health, and they are trying to create new innovations by considering what each business and sector should do from this perspective.I think this is a very typical way of thinking and approach of Sumitomo Chemical.

In order to sustain society while maintaining the health of the earth, we need to think about how to avoid wasting limited resources. For example, if chemical products are more sustainable, use chemical products; if wood is more sustainable, use wood. It is important to work on resource recycling on a global scale, considering the right materials and products for the right places, without being bound by industry boundaries.

In order to advance the business portfolio, which is currently Sumitomo Chemical's priority, the company must prioritize its efforts by selection and concentration, looking at resources such as human resources and technology, as well as timeframes. In doing so, they must not forget that the objective is not to change the portfolio itself, but to enhance corporate value beyond that point. In addition, it is essential to constantly inspect the business portfolio to ensure that it matches the resources available at that point in time.

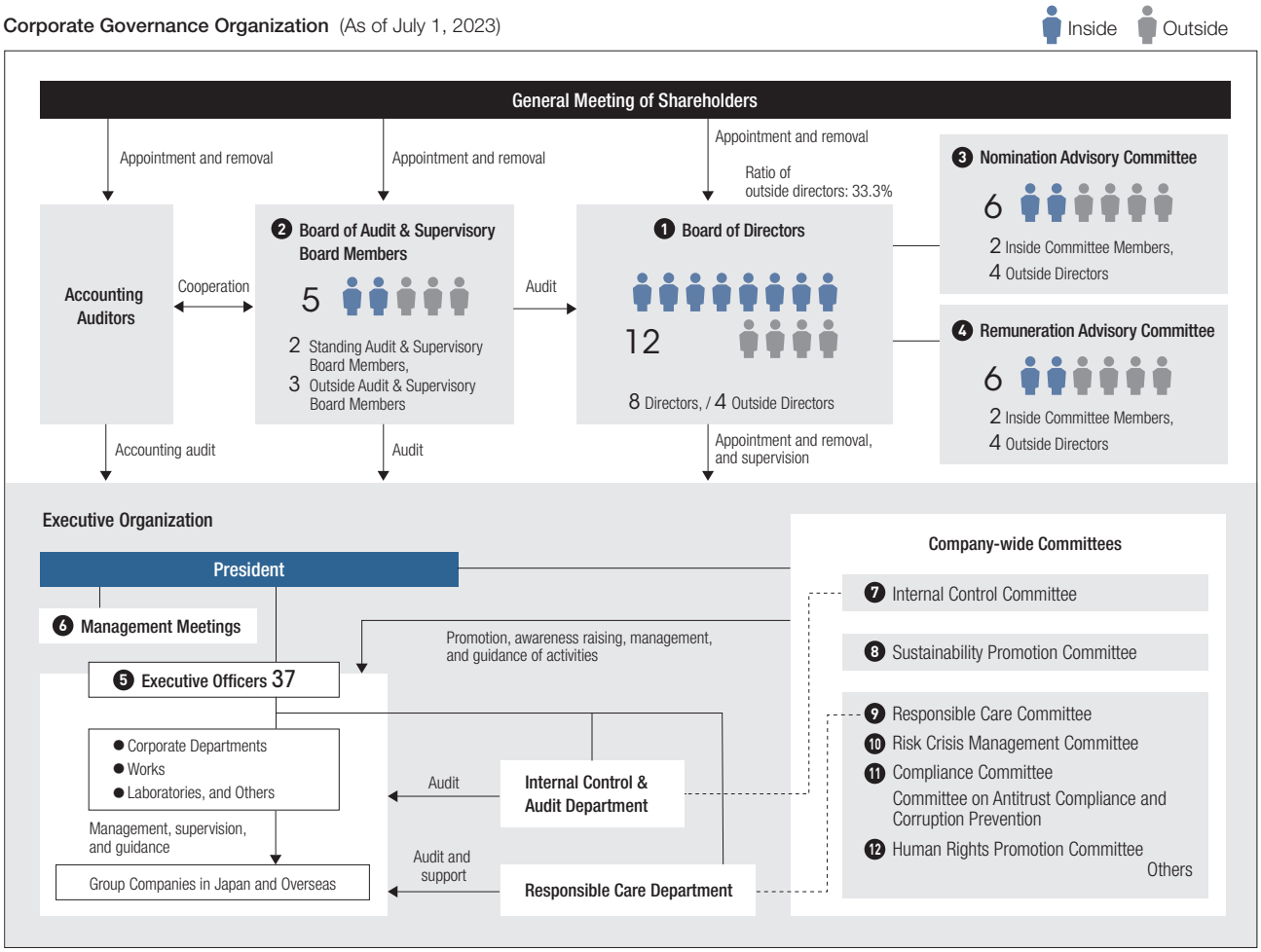
And while the petrochemical business is under increasing scrutiny due to growing interest in decarbonization, petrochemicals are a vital industry for society and for Japanese manufacturing. Sumitomo Chemical has clearly stated exactly that, and is leading the discussion and taking action in the petrochemical business as the Essential Chemicals & Plastics Sector. I hope that more stakeholders will support this concept! We must deepen the understanding of the petrochemical business, including the media and consumers. I would also like to create a flow of thinking about what we should do as a society to ensure that the petrochemical industry will continue to be an essential industry for many years to come.

I expect Sumitomo Chemical to continue to grow and develop, shining with a brilliance that sets it apart from other companies in the chemical industry. For this to happen, management execution is still crucial. As an outside director, I would like to contribute to the development of Sumitomo Chemical by addressing issues from diverse perspectives that are not bound by industry boundaries.

Corporate Governance

Sumitomo Chemical has long dedicated itself to improving its corporate governance, and has undertaken a number of initiatives to further that end, including implementing the Corporate Governance Code. The company also makes continual improvements to ensure that the company's governance structures serve their appropriate functions, including with respect to executive nomination and remuneration, and that the Board of Directors is highly effective, with the aim of further improving corporate governance.

Corporate Governance Organization (As of July 1, 2023)



Measures to Date for Strengthening Corporate Governance

Date		Major Initiatives	Board Composition	Appointment of Board Members	Executive Remuneration	Other
2003	Jun.	Introduced Executive Officer system (reduced number of Directors from 25 to 10)	●			●
	Jul.	Established Compliance Committee				●
2004	Jun.	Eliminated system of retirement benefits for Directors and Audit & Supervisory Board Members			●	
2007	May	Established Internal Control Committee				●
	Sep.	Established Remuneration Advisory Group			●	
2010	Sep.	Established Nomination Advisory Group		●		
2011	Nov.	Drew up standards for appointment of independent Outside Directors	●	●		
2012	Jun.	Appointed 1 outside director	●			
2015	Jun.	Selected 3 outside directors (increased by 2)	●			
	Oct.	Established Remuneration Advisory Committee in place of Remuneration Advisory Group			●	
		Established Nomination Advisory Committee in place of Director Nomination Advisory Group		●		
2016	Dec.	Formulated Sumitomo Chemical Corporate Governance Guidelines				●
2018	Jun.	Selected 4 outside directors (including 1 woman) (increased by 1)	●			
2021	Jun.	Board of Directors consisting of more than 1/3 outside directors	●			
2022	Jun.	Introduction of a restricted stock compensation plan for Internal Directors and Executive Officers			●	

Corporate Governance Organization

❶ Board of Directors	16 FY2022	**Chairperson: Chairman of the Board (The Chairman of the Board does not concurrently serve as Executive Officer.) The term of office of Directors: One year** 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.
❷ Board of Audit & Supervisory Board Members	15 FY2022	**Constituent members: 5 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members)** The Audit & Supervisory Board Members and the Board of Audit & Supervisory Board 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 Audit & Supervisory Board Members are appropriately reflected in internal audits, Audit & Supervisory Board Members' audits, and accounting audits, so as to raise the effectiveness and efficiency of auditing. The Audit & Supervisory Board Members' Office has been established with staff dedicated to providing assistance in auditing functions under the direction of Audit & Supervisory Board Members.
❸ Nomination Advisory Committee	2 FY2022	**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 Board 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.
❹ Remuneration Advisory Committee	4 FY2022	**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 in accordance with the policies for determining compensation of senior management and Directors.
❺ Executive Officers	37 FY2023	**The term of office: One year** We have appointed Executive Officers to expedite the implementation of business operations. Executive Officers are responsible for carrying out operations in accordance with the policies adopted by the Board of Directors.
❻ Management Meetings	24 FY2022	**Constituent members: The Executive Officers who are in charge of or who supervise key management functions, the Standing Audit & Supervisory Board Members, and the Chairman of the Board** As an institution for debating important issues, such as corporate strategy and capital investment, these meetings support decision-making by management.
❼ Internal Control Committee	3 FY2022	By debating various measures to build or expand internal control systems, and monitoring their implementation status, this committee is intended to continually improve the internal control systems of the Sumitomo Chemical Group.
❽ Sustainability Promotion Committee	2 FY2022	This committee suggests measures to accelerate the Sumitomo Chemical Group's contributions to sustainability, taking in a comprehensive perspective on risks and opportunities with regard to medium- to long-term issues in the environment and society.
❾ Responsible Care Committee	1 FY2022	This committee formulates annual policies, medium-term plans, and specific measures concerning responsible care (safety, health, environment, and quality), including climate change issues.
❿ Risk Crisis Management Committee	1 FY2022	This committee deliberates on policies for specific risks and crises, such as earthquakes, wind and flood damage caused by extreme weather, pandemics, and breakdowns in public security.
⓫ Compliance Committee	1 FY2022	This committee deliberates on the Group's compliance policies and action plans, and the status of the operation of the compliance system, including responses to internal reports and the results of activities.
⓬ Human Rights Promotion Committee	1 FY2022	This committee promotes increasing awareness of human rights issues, and drafts and executes policies to respect human rights in the entire value chain including Sumitomo Chemical Group.

*Senior management means Executive Officers above Senior Managing Executive Officer, and Managing Executive Officers who are immediately under the President, supervising certain functions.

Efforts to Substantively Strengthen Corporate Governance

Changes in the Method of Operation of the Board of Directors

In FY2015, Sumitomo Chemical drastically reconsidered its various policies relating to the method of operation for the Board of Directors and corporate governance with the major aims of further strengthening the monitoring functions of the Board and further improving the transparency and objectivity of management, among other goals. At the time, a great deal of emphasis was placed on maximizing the use of the functions of Outside Directors and Audit & Supervisory Board Members, so a variety of measures were considered to achieve this, centered on the thought that it would be essential to address the information asymmetry between internal executives and Outside Directors and Audit & Supervisory Board Members. As a result of the numerous improvements made each year since then, meetings of the Board of Directors, as well as the operation of various related meetings before and afterwards, follow the procedures laid out in the table below.

A few days prior to the Board of Directors meeting

Advance briefing

Expanded Advance Briefings for Outside Directors and Audit & Supervisory Board Members, 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

Day of the Board of Directors meeting

Board of Directors

*Standard flow

9:00 ····· Resolutions

10:00 ····· Reports
- Head office monthly report
- Business sector monthly report
- Report on important proposals

11:15 ····· Rotation report

12:00 ····· End

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

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

Each Sector Sets Aside a Block of Time to Make Comprehensive and Systematic Reports

- Assign a sector to make a report on the overview of business, strategy, and the progress of various measures and R&D. (Main sectors of the Head Office are also subject to the assignment.)

Upon completion of the Board of Directors meeting

Meetings

Opportunities for Informal Discussions

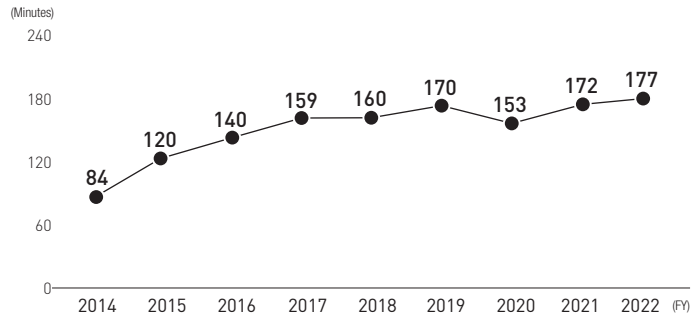
- Meetings for Outside Directors and Audit & Supervisory Board Members only (twice a year)
- Social meetings of Outside Directors and Audit & Supervisory Board Members with internal executives (several times a year)
- Meetings for Outside Directors and Audit & Supervisory Board Members and main sectors (6 times a year)

Visits to Production Sites

- Outside Directors and Audit & Supervisory Board Members visit to our business offices, and Group companies outside Japan (twice a year)

Through this sort of effort for improvement, the Board of Directors has grown more active each year, and the amount of time required for their meetings is steadily increasing.

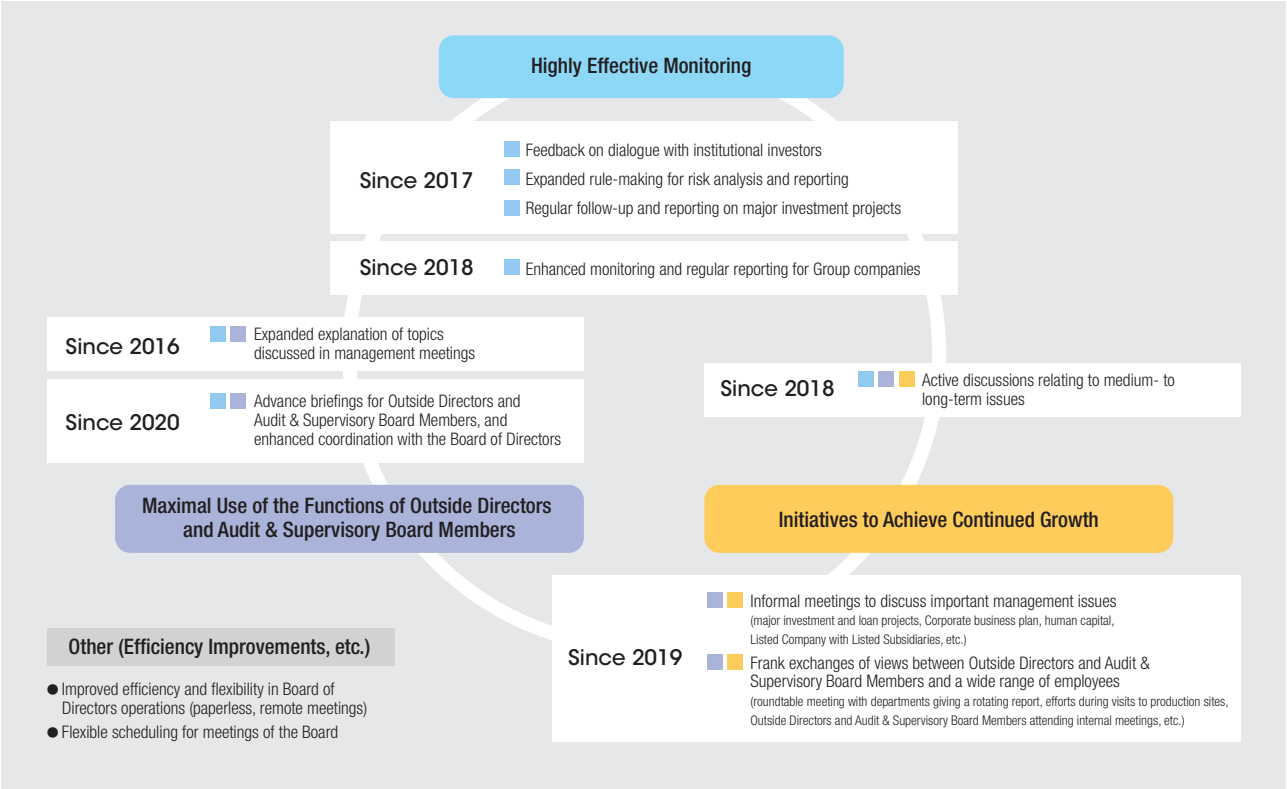
Average Length of Board of Directors Meetings



Utilizing the Oversight and Advisory Functions of Outside Directors and Audit & Supervisory Board Members

As a result of efforts such as reviewing the way the Board of Directors operates, Outside Directors and Audit & Supervisory Board Members have expressed the view that meetings of Sumitomo Chemical's Board of Directors feature free, frank, constructive, and lively debates. In addition, we have received numerous suggestions and advice from Outside Directors and Audit & Supervisory Board Members on how to operate the Board of Directors, support systems for Outside Directors and Audit & Supervisory Board Members, and various corporate governance improvement measures, during the meeting of Board of Directors as well as informal meetings of Outside Directors and Audit & Supervisory Board Members relating to the assessing the effectiveness of the Board of Directors. Based on these suggestions and advice, we have implemented the following measures.

Example Initiatives Based on Recommendations from Outside Directors and Audit & Supervisory Board Members



There are any number of other cases where the company's efforts were advanced by explicit or implicit suggestions from Outside Directors and Audit & Supervisory Board Members, and their monitoring and advisory functions have been a driving force for continually strengthening corporate governance at Sumitomo Chemical.

TOPICS Examples of Board Discussions (FY2022)

In accordance with the Companies Act and the Rules of the Board of Directors, the Board of Directors is required to approve any investment or loan over a certain amount. Several proposals were brought before the Board of Directors in FY2022, including the acquisition of FBSciences Holdings, Inc., a biostimulant company in the United States.

Since this acquisition is an important step toward the expansion and growth of our biorational business, the Board of Directors took sufficient steps to ensure detailed deliberations. Specifically, the Board of Directors reported on the acquisition as a reportable item at the planning stage, and exchanged opinions with Outside Directors and Audit & Supervisory Board Members multiple times before the Board of Directors resolved the acquisition, such as by further deepening their understanding through preliminary briefings prior to the Board of Directors' meeting.

In addition, the Board of Directors discussed the direction of the medium- to long-term strategy for the Company's agrosolutions business, which is to promote business portfolio transformation with a focus on strengthening sustainable product groups. In addition, various points and opinions were raised, mainly by Outside Directors and Audit & Supervisory Board Members, including the possible risks associated with the acquisition and measures to deal with them, the importance of PMI to generate synergies with our existing businesses and technologies, also establishing a group governance system that takes into account the culture of the acquired company, and the selection and appointment of financial advisors. We proceeded with the acquisition process, including due diligence, based on these points and opinions.

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, auditing status on its business execution, and the operations of the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee. The company conducts surveys of each Director and Audit & Supervisory Board Members about their assessing the effectiveness of the Board of Directors.

Based on the results of these surveys, there is then a frank exchange of views in meetings of the Board of Audit & Supervisory Board Members, in informal meetings with Outside Directors and Audit & Supervisory Board Members, and in management 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.

Improvements over and Assessment of FY2022

In light of the results of the effectiveness evaluation for FY2021, in FY2022, we have mainly promoted the following initiatives. As a result, the effectiveness evaluation at the end of FY2022 confirmed that steady improvements have been made every year in all areas, and that the level of performance is generally good.

Enhance monitoring, support and guidance for group companies
In addition to more timely reporting and deliberation on important group companies at the Board of Directors meetings, the Company conducted periodic surveys of group companies from multiple and quantitative perspectives, and reported and confirmed the results at Board of Directors meetings.

▶ **Effective group governance is ensured and appropriate supervision is provided in general.**

Further deepening of discussions at Board of Directors meetings, etc.
In explaining and reporting at the Board of Directors meetings, we also explained the discussions and points raised during the review process, the reasons for decisions, assumed risks, and measures to deal with them, to further visualize the internal decision-making process, including risk management, and held informal meetings regularly to discuss important management issues such as human capital.

▶ **Board deliberations have been further stimulated, leading to more effective supervision**

Initiatives for the Future

In response to the results of the Board of Directors' effectiveness evaluation in FY2022, the following initiatives will be continued.

Toward Further Enhancement of Corporate Value
Given the importance of having a wide range of stakeholders understand and empathize with our management policies and strategies, we will continue to disclose information about our corporate value creation story and engage in more active dialogue with stakeholders to ensure that our corporate value is properly evaluated.

Further strengthening of group governance
Departments in charge of management, supervision, and auditing of group companies shall work together to implement more efficient and effective measures. In doing so, the Company shall utilize the advantages of both face-to-face and web-based communication to further enhance communication. In particular, with respect to overseas subsidiaries, the Company shall also seek to understand and disseminate the Company's management philosophy, management policies, basic compliance policies, etc., which form the foundation of group governance. In addition, for important group companies, opportunities will be set up for direct dialogue between the top management of the relevant company and Outside Directors and Audit & Supervisory Board Members, leading to a deeper mutual understanding of management strategies and issues, etc.

Others
The Board of Directors will continue to regularly discuss and deliberate on the roles it should fulfill and the design of the Board of Directors based on these roles, taking into consideration the Company's business structure and management direction, as well as trends in the legal system, etc., while also utilizing informal meetings.

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

Appointment Procedures

Candidates Selected by Representative Directors	● Representative Directors select candidates suitable for the positions of senior management, Directors and Audit & Supervisory Board Members in accordance with the above Policies
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.

Remuneration (Applicable to directors and executive officers)

1. Basic policy for remunerations of Directors, etc.

(1) The remuneration of senior management and Directors (excluding Outside Directors) shall consist of Basic Compensation as fixed compensation and Bonuses and Stock Compensation as variable compensation. In addition, the remuneration for Outside Directors shall consist of Basic Compensation and Bonuses.

(2) Basic Compensation is designed according to roles and responsibilities as basic remuneration for the performance of duties, so that the actions of senior management and Directors are not aimed at short-term or sub-optimal effects.

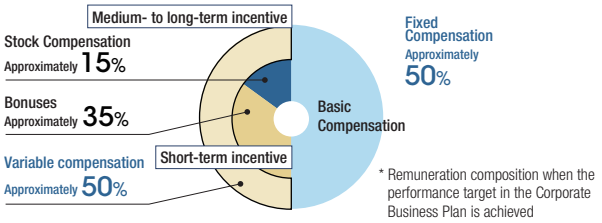
(3) The amount of Bonuses shall largely reflect the Company's consolidated financial results for a fiscal year in order to heighten short-term incentives to achieve the annual targets of business plans.

(4) Stock Compensation is designed to promote further value sharing with shareholders and serve as a medium- to long-term incentive for the continuous growth of the Company.

(5) 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.

(6) When the consolidated performance target (core operating income) for the final fiscal year of the Corporate Business Plan (FY2022-FY2024) is achieved, the remuneration of Directors (excluding Outside Directors) shall be designed so that the ratio of fixed compensation to variable compensation is approximately 1 to 1 and the ratio of short-term incentives (Bonuses) to medium- to long-term incentives (Stock Compensation) in variable compensation is 7 to 3.

Image diagram of composition of remuneration of Directors (excluding Outside Directors)



2. Mechanisms of each remuneration element

(1) Basic Compensation

The level of Basic Compensation shall be determined based on the policy described in 1. (5) to (6) above.

While Basic Compensation for each year shall be fixed, the Company will adopt a mechanism where the Basic Compensation level would be changed in the event where the Company's position has changed in terms of "growth", "earnings capacity", and "outside evaluations" from a comprehensive and medium- to long-term perspective.

As main indicators for determining the change in the Company position, the Company will apply the following: 1) in terms of "growth," sales revenue, total assets and market capitalization, 2) in terms of "earnings capacity," net income (attributable to the parent company), ROE, ROI and D/E ratio, and 3) in terms of "outside evaluations," credit ratings and ESG index selected by the GPIF (Government Pension Investment Fund).

The amounts to be paid to each person will be determined in accordance with the base amount set by each position.

(2) Bonuses (short-term incentive)

Bonuses shall be paid on the condition that performance for that fiscal year exceeds a particular level and shall be determined based on the bonus calculation formula.

In order to reflect the current earnings capacity of the relevant business year (including financial activities) to the amount of bonuses, the Company will apply the combined value of consolidated core operating income and financial profit and loss to the performance indicator concerning the bonus calculation formula. In addition, the Company will set the coefficient of the calculation formula so that it will get larger as the position of a person gets higher.

Bonus calculation formula

Consolidated performance indicator (Core operating income + financial profit and loss) × Coefficient

(3) Stock Compensation (medium- to long-term incentive)

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 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.

3. Procedures for determining remuneration of Directors, etc.

The remuneration amount of Directors shall be set at a level not higher than the upper limit of a total remuneration prescribed by resolution of the 125th General Meeting of Shareholders, held on June 23, 2006 (i.e., 1.0 billion yen or less per year). Furthermore, the amount of remuneration to be paid to Directors (excluding Outside Directors) for granting restricted stock shall be determined within the upper limit of 400 million yen per year set by the resolution of the 141st Ordinary General Meeting of Shareholders held on June 23, 2022.

The Board of Directors shall deliberate on and decide the method of determining remunerations of Directors, etc., based on the advice from the Remuneration Advisory Committee. Furthermore, the individual remuneration of senior management and Directors shall be determined by the Remunerations Advisory Committee, which is authorized by the Board of Directors, in accordance with the policies for determining compensation of senior management and Directors.

Directors' and Audit & Supervisory Board Members' Compensation (FY2022)

(Millions of yen)

Title	Number of people	Total amount of compensation	Total amounts of compensation by type		
			Basic Compensation (fixed remuneration)	Bonuses (performance-linked remuneration)	Stock Compensation (Non-monetary compensation)
Directors (Of which, Outside Directors)	13 (5)	692 (66)	532 (60)	66 (6)	94 (–)
Audit & Supervisory Board Members (Of which, Outside Audit & Supervisory Board Members)	5 (3)	122 (43)	122 (43)	–	–
Total	18	813	654	66	94

(Note) The numbers of people and the amounts of compensation listed above include one Director who retired during this fiscal year.

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 on premise of preserving each subsidiary's autonomy and respecting the rights of minority shareholders.

For the publicly listed subsidiaries in Japan of the Sumitomo Chemical Group, because they play an important role in our management strategy, we are not thinking of selling them at present. On the other hand, as for converting them into wholly owned subsidiaries, while we always keep it in mind as one option, it is not a high priority because, in addition to not being able to enjoy the benefits of having listed subsidiaries, the financial burden of buying out the holdings of minority shareholders would be significant. Accordingly, at the present time, we think that, from an overall perspective, keeping these subsidiaries as publicly listed subsidiaries is the optimal position. We are constantly monitoring our relationship with each listed subsidiary and, in accordance with the Sumitomo Chemical Group's management strategy and changes in our operating environment, considering changes, including in our shareholdings.

The Significance of Being a 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's core pharmaceuticals business is a pillar of Sumitomo Chemical's life sciences business, along with the agricultural chemicals business, and is a source of innovation. In the current Corporate Business Plan, it has positioned "healthcare" as one of the priority areas in making efforts for acceleration of the development of next-generation businesses, and further innovation is expected in this area in the future.	● Research at the 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) ● Theranostics (combines the company's antibody design technology with Sumitomo Chemical's biological mechanism analysis technology and the radioactive isotope technology of Nihon Medi-Physics) ● Having locations on Sumitomo Chemical's premises enables close collaboration in such areas as quality and production management, reducing indirect expenses
Koei Chemical Co., Ltd.	Sumitomo Chemical invested capital in 1951 for relationship-building because the company was Sumitomo Chemical's largest customer for methanol. Thereafter, when the company ran into a financial crisis, the collaboration was strengthened in order to rebuild the company, including dispatching executives from Sumitomo Chemical.	Through production outsourcing in both directions for such items as catalysts and electronic materials based on the unique organic synthesis technologies of the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	● Optimization of the Sumitomo Chemical Group's production of active pharmaceutical ingredient and intermediates through a new multi-purpose manufacturing equipment (multi-plants) approach ● Joint research from the earliest stage into such areas as battery materials and additive agents ● Having locations on Sumitomo Chemical's Works enables close collaboration in such areas as quality and production management, reducing indirect expenses
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 pharmaceutical and agrochemical intermediates with numerous multi-plants of the company
Tanaka Chemical Corporation	Sumitomo Chemical invested capital in the company in 2013 and began joint development of high-capacity cathode materials for automobiles. Afterwards, in light of the smooth progress in joint development work, and in light of expectations that, in line with the future growth of the environmentally friendly vehicles market, there would be significant medium- to long-term growth in the market for lithium-ion secondary batteries, the company was converted to a majority-owned subsidiary in 2016.	Through integration of the technologies relating to precursors held by the company and the findings related to cathode materials held by Sumitomo Chemical, the company accelerates joint development of new products and contributes to the full-scale market entry and expansion of the Sumitomo Chemical Group's cathode materials business.	● Contribute to a drastic rationalization of the manufacturing process and optimization of research and development through integration of the technologies of both companies ● Sumitomo Chemical's capital investment and guidance has improved the company's management level in such areas as labor accidents and internal control

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 Independent Outside Directors
- Establishing committees for nomination of officers and remuneration of officers, the majority of the members of which are Independent 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 Independent Outside Directors only.

Design of the Organization, Composition of Independent Outside Directors and Establishment of Non-mandatory Committees in Each Company

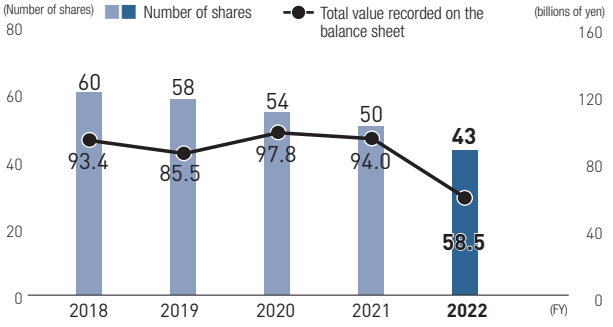
Company Name	Design of Organization	Composition of the Board	Non-mandatory Committees Established	
		Ratio of Outside Directors	Nomination/Remuneration	Monitoring and Supervision of Such Areas as Transactions with the Parent Company
Sumitomo Pharma Co., Ltd.	Company with Board of Audit & Supervisory Board Members	44% (4/9) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Koei Chemical Co., Ltd.	Company with Audit and Supervisory Committee	33% (3/9) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Taoka Chemical Co., Ltd.	Company with Audit and Supervisory Committee	33% (4/12) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Tanaka Chemical Corporation	Company with Audit and Supervisory Committee	57% (4/7) 	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies

Cross-Shareholdings

We strategically hold shares in other companies only when judged necessary for ensuring smooth business operation or maintaining and enhancing mutual business relations, after such factors as medium- to long-term economic rationality and prospects of future business developments have been considered as a whole. Also, at the Board of Directors meeting, each year, we shall assess our shareholding policy for all listed shares we own, in light of medium- to long-term economic rationality and significance to hold such shares for each individual issuer.

According to such review, if it becomes less necessary to hold a share by reason of changes in the business environment, etc., we shall sell such shares, as appropriate, taking into consideration such factors as the share price and market trends. Continuing from the prior year, we sold a portion of these shareholdings in FY2022.

Cross-Shareholdings at the end of the fiscal year



*Excluding shares of unlisted companies

Internal Control

Status of the Development of the Internal Control System

Sumitomo Chemical established its Basic Policy for the Enhancement of the Internal Control System by a resolution of the Board of Directors, creating a system to ensure the appropriateness of its operations as stipulated in the Companies Act.

As stated in the basic concept of this policy, we recognize that the development of an internal control system is a necessary process for maintaining a sound organization and should be actively utilized to achieve business objectives. To continuously enhance our internal control system, we have formed the Internal Control Committee, which is chaired by the President and consists of Executive Officers responsible for and in charge of each business sector and corporate department. Regular meetings of the committee are held three times a year.

At Sumitomo Chemical, the Internal Control Committee plays a central role in discussing various measures based on the basic policy described above. The committee also operates a PDCA (plan-do-check-act) cycle by monitoring the implementation status of those measures, and constantly inspects and strengthens the Group's internal control system in response to changes in the Group's business and operating environment, so that the Group's internal control system can function effectively.

The Standing Audit & Supervisory Board Members attend the committee as observers, and the committee's operations are conducted by the Internal Control & Audit Department, independent of other business activities. Summaries of the matters covered in the committee are reported to the Board of Audit & Supervisory Board Members after each meeting. These summaries are then reported to the Board of Directors for deliberation.

The Internal Structure regarding Timely Disclosure

The Corporate Communications Department is in charge of working in conjunction with other relevant departments to continually disclose necessary information in a timely manner. In addition to items requiring disclosure under Japan's Financial Instruments and Exchange Act and under stock exchange regulations, we also actively disclose information that may be considered material to the decisions of investors. We endeavor to build stronger relationships of trust with society and capital markets by publishing documentation in accordance with the rules stipulated by the security exchanges in Japan, including reports on the company's corporate governance philosophy and system, and notifications showing that Outside Directors and Audit & Supervisory Board Members have no existing conflicts of interest with general shareholders. These documents are available on the website of Japan Exchange Group Inc.

Internal Audits

As part of its internal control monitoring activities, Sumitomo Chemical has established a dedicated organization within the company to conduct internal audits, in addition to audits by the Audit & Supervisory Board Members and Financial Statement auditors. The Internal Control & Audit Department conducts internal audits for all matters related to the execution of operations by the company and its Group companies, and dedicated audit teams for the Responsible Care Department conduct Responsible Care auditing from the perspective of safety, health and environment, and quality throughout the life cycle of chemical products. The appointment of the General Manager of Internal Control and Audit Department and Responsible Care Department are both matters to be resolved by the Board of Directors.

In case any serious matter relating to internal controls is found, the matter will be promptly reported to the Executive Officer of relevant reporting line and the Board of Audit & Supervisory Board Members (or in the event of a finding concerning senior management, to the Board of Audit & Supervisory Board Members and the Executive Director of the Compliance Committee).

1 Internal Audits

Department Conducting the Audits	Internal Control & Audit Department
Objective of Internal Audit	Evaluate whether internal controls are in place, operating, and functioning appropriately from various perspectives, including maintaining the effectiveness and efficiency of operations, ensuring the reliability of financial reporting, and complying with relevant laws and statutes in all business activities
Audit Cycle	In principle, once every 2-5 years for each separately audited unit
Sharing of Audit Results and Status of Improvements	● Reported to the Internal Audit Liaison Meeting (Held regularly, four times a year, attended by Standing Audit & Supervisory Board Members and a number of departments, including the Internal Control & Audit Department, the Responsible Care Department, the Legal Department, the Human Resources Department, the Accounting Department, and the planning & coordination offices of each business sector) ● After reporting at the Internal Control Committee (held three times a year), the report is reported to the Board of Audit & Supervisory Board Members and the Board of Directors.

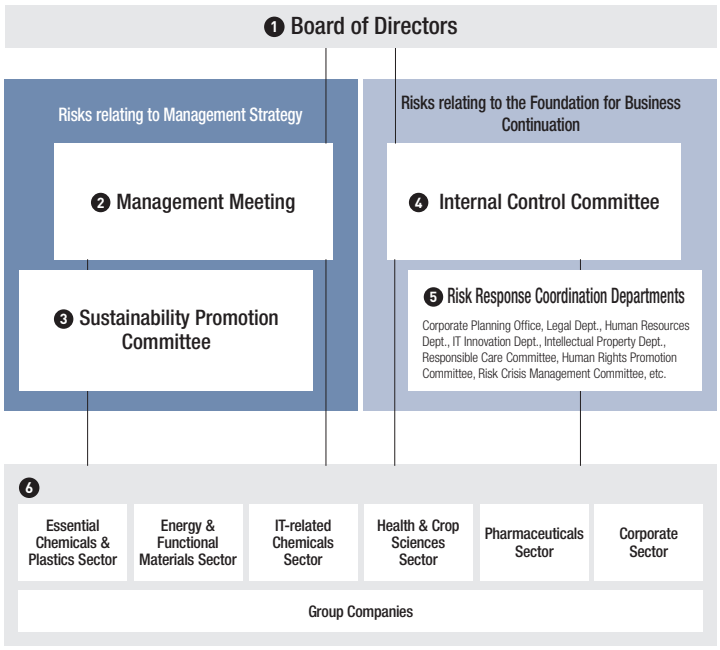
2 Responsible Care Audits

Department Conducting the Audit	Teams of dedicated auditors from the Responsible Care Department
Objective of Internal Audit	Evaluate whether internal controls relating to securing safety, health and environment, as well as maintaining and improving quality for all chemical products over their lifecycle, are in place, operating, and functioning appropriately.
Audit Cycle	In principle, once every 1-3 years for each separately audited unit
Sharing of Audit Results and Status of Improvements	● Reported internally as necessary ● Reported to the Responsible Care Committee (Held regularly, once a year)

Our Website : Basic Policy for Enhancement of the Internal Control System

Risk Management

Diagram of Systems for Promoting Risk Management



❶ Board of Directors

The Board ensures the effectiveness of risk management by deliberating and supervising the activities of the Internal Control Committee and important matters deliberated in the Management Meetings.

❷ Management Meeting

Concerning important matters for management, including management strategy and capital spending for each organization of the Group, it deliberates in terms of risks and opportunities.

❸ Sustainability Promotion Committee

This committee makes necessary recommendations to various Group organizations in order to achieve sustainability for both the company and society, taking into consideration the perspectives of both risks and opportunities with respect to medium- to long-term environmental and societal issues.

❹ Internal Control Committee

This committee deliberates policies relating to risk management for the Group as a whole, and audits the efforts of various organizations based on these policies. It also promotes risk countermeasures relating to the foundation for business continuation.

❺ Risk Response Coordination Departments

Each organization plans and promotes Group-wide countermeasures for the risks assigned to it, in cooperation with each department and Group company.

❻ Each Department and Group Company

The main bodies for promoting risk management. The organizations develop and implement countermeasures for the risks affecting their own organization or company.

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.

Systems for Promoting Risk Management

At Sumitomo Chemical, as part of its standard duties, each of the Group's organizations is taking various measures to properly manage risks associated with its business operations. In addition to this, a variety of committees work together to promote the Group's risk management.

The Internal Control Committee sets policies relating to risk management for the Group as a whole and monitors the efforts of each organization in accordance with those policies, collecting risk-related information and evaluating it, among other tasks. This committee creates a risk map for the Group as a whole each year, aiming not only to comprehensively capture the status of risks relating to management strategy and the foundation for business continuation, but also to coordinate with risk response coordination departments, promoting countermeasures for important risks relating to the foundation for business continuation, such as earthquakes, workplace accidents, and product-related accidents, on a Group-wide level.

On the other hand, the Management Committee deliberates on important management matters, including management strategies, capital investment, and investment and loans for the company and its group companies, on a case-by-case basis, regarding risks that require consideration from both an opportunity and a risk perspective. With regard to sustainability, the Sustainability Promotion Committee* makes necessary proposals on medium- to long-term environmental and social issues to each organization of the group to ensure that the management activities of the group contribute to the realization of sustainability of society and the group itself.

Summaries of the matters covered in the Internal Control Committee and important matters deliberated in the Management Meetings are reported to the Board of Directors

*Outside Directors and Audit & Supervisory Board Members participate as observers

Cross-organizational Risks and Crisis Response

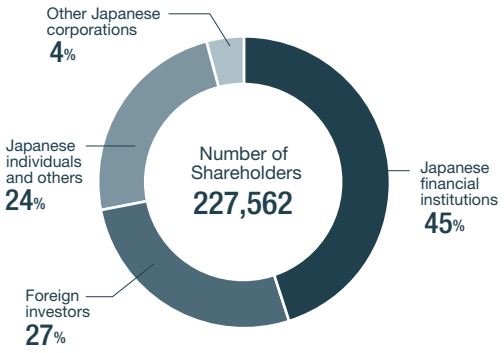
We established the Risk Crisis Management Committee to deliberate risks and crisis response policies that affect multiple business sites, departments, and Group companies, such as large-scale disasters (earthquakes, storms, floods, etc.), pandemics, deterioration of security in Japan or overseas (terrorism, riots, wars, etc.), and other issues.

Our Website : Risk Factors

Corporate and Investor Information (As of March 31, 2023)

Paid-in Capital	¥89.8billion
Number of Employees	Non-consolidated: 6,637 Consolidated: 33,572
Common Stock	Authorized: 5,000,000,000 shares Issued: 1,655,860,207 shares
Settlement Date	March 31
Stock Transaction Units	100-share units
Ordinary General Meeting of Shareholders	Within three months from the next day of the settlement date
Number of Shareholders	227,562
Listings	Tokyo Stock Exchange Prime Market
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Division, 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100- 8233, Japan
Independent Certified Public Accountants	KPMG AZSA LLC

Distribution of Shareholders



Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	244,390	14.94
Custody Bank of Japan, Ltd. (Trust Account)	104,771	6.40
Sumitomo Life Insurance Company	71,000	4.34
Nippon Life Insurance Company	41,031	2.50
STATE STREET BANK WEST CLIENT - TREATY 505234	29,403	1.79
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.77
Custody Bank of Japan, Ltd. (Trust Account No. 4)	27,760	1.69
Sumitomo Chemical Employee Stock Ownership Plan	25,827	1.57
JPMorgan Securities Japan Co., Ltd.	24,793	1.51
Sumitomo Mitsui Banking Corporation	23,073	1.41

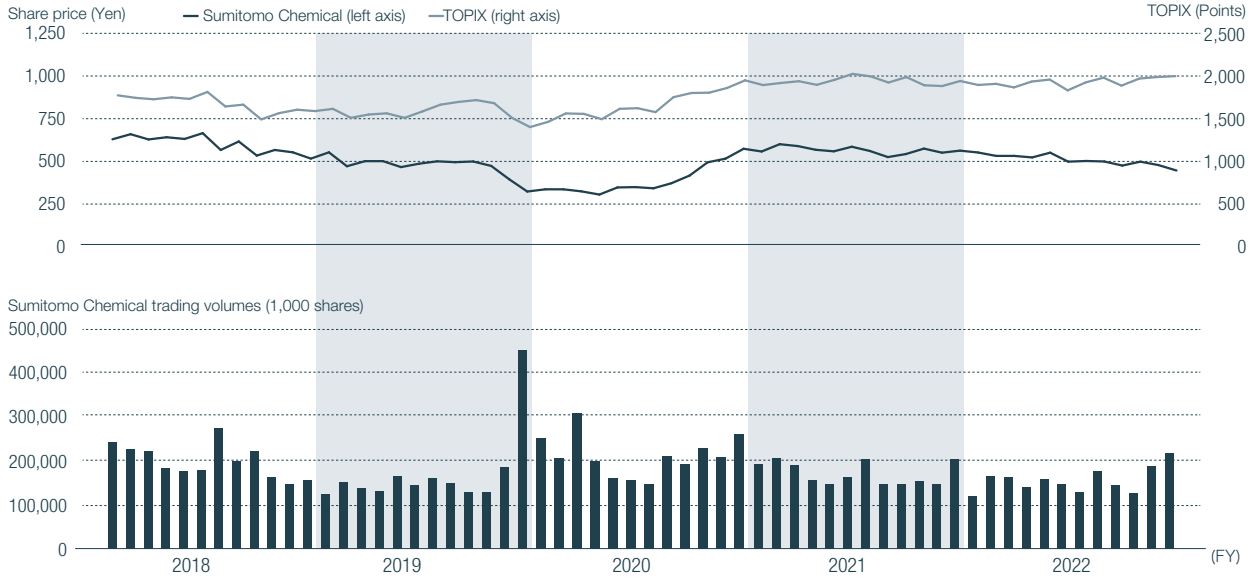
*% of Shares Held (excluding treasury shares)

Dividend Policy

We consider shareholder return as one of our priority management issues and have made it a policy to maintain stable dividend payment, giving due consideration to our business performance and a dividend payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors. We aim to maintain a dividend payout ratio of around 30% over the medium to long term.

The full-year dividend for fiscal 2022 was ¥18 per share, a decrease of ¥6 per share from the previous fiscal year.

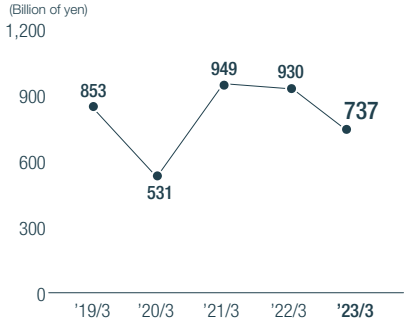
Stock Performance



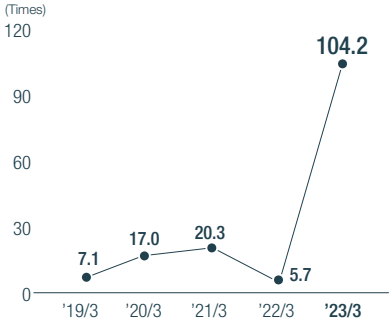
Fiscal Year	2018	2019	2020	2021	2022
Share price high (yen)	684	556	593	631	589
Share price low (yen)	485	267	285	488	426
Share price at year-end (yen)	515	321	573	562	445
Cumulative trading volume (1,000 shares)	2,369,928	2,038,948	2,508,242	2,038,226	1,855,984

Fiscal Year	2018	2019	2020	2021	2022
Shares outstanding (1,000 shares)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,860
Market capitalization (billions of yen)	853	531	949	930	737
Basic earnings per share (yen)	72.17	18.91	28.16	99.16	4.27
Equity attributable to owners of the parent per share (yen)	610.82	565.13	623.39	745.03	716.26
Price earnings ratio (PER) (times)	7.1	17.0	20.3	5.7	104.2
Price book-value ratio (PBR) (times)	0.8	0.6	0.9	0.8	0.6
Cash dividends per share (yen)	22	17	15	24	18
Dividend payout ratio (%)	30.5	89.9	53.3	24.2	421.2
Total shareholder return (TSR) (%)	86.6	58.1	101.1	103.2	87.3
Ratio of shares owned by foreign investors to shares outstanding (%)	27.6	26.4	26.8	29.9	26.5

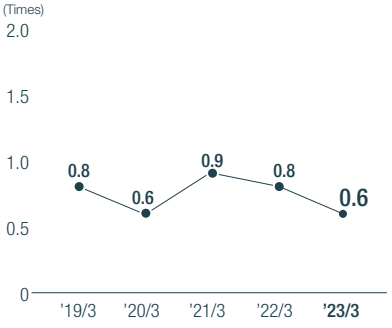
Market Capitalization



Price Earnings Ratio (PER)



Price Book-value Ratio (PBR)



Long-term Data Highlights

J-GAAP

	'06/3	'07/3	'08/3	'09/3	'10/3	'11/3	'12/3	'13/3
Sales revenue*1	¥ 1,556,606	¥ 1,790,026	¥ 1,896,539	¥ 1,788,223	¥ 1,620,915	¥ 1,982,435	¥ 1,947,884	¥ 1,952,492
Core operating income	—	—	—	—	—	—	—	—
Operating income Note 1	120,790	139,623	102,397	2,114	51,455	87,957	60,688	45,016
Ordinary income (loss)	141,127	157,981	92,790	(32,624)	34,957	84,091	50,714	50,252
Net income (loss) attributable to owners of the parent	90,665	93,860	63,083	(59,164)	14,723	24,434	5,587	(51,076)
Total assets	2,178,377	2,324,906	2,358,929	2,022,553	2,383,906	2,367,314	2,336,953	2,472,091
Equity attributable to owners of the parent*2	719,760	792,538	768,110	544,366	575,368	522,473	486,235	496,500
Total equity*3 Note 2	944,224	1,030,521	1,006,046	775,628	821,436	758,886	720,901	747,482
Cash flows from operating activities	122,783	142,917	156,578	78,428	132,872	176,228	124,491	171,595
Cash flows from investing activities	(180,679)	(164,239)	(182,679)	(206,237)	(269,402)	(155,987)	(123,975)	(165,772)
Free cash flow	(57,896)	(21,322)	(26,101)	(127,809)	(136,530)	20,241	516	5,823
Cash flows from financing activities	70,581	35,558	7,090	112,539	168,709	17,985	2,054	(36,009)
Capital expenditures (billions of yen)	124.9	159.8	142.5	134.1	103.2	98.7	155.1	116.1
Depreciation and amortization expenses (billions of yen)	104.9	113.9	125.0	140.7	116.1	147.0	114.9	115.5
Research and development expenses (billions of yen)	91.9	97.7	105.4	131.1	117.3	138.1	122.3	125.0
Core operating income to sales revenue (%)*4	7.8	7.8	5.4	0.1	3.2	4.4	3.1	2.3
Net income to sales revenue (%)*5	5.8	5.2	3.3	(3.3)	0.9	1.2	0.3	(2.6)
Research and development expenses to sales revenue (%)*6	5.9	5.5	5.6	7.3	7.2	7.0	6.3	6.4
Interest-bearing liabilities (billions of yen)	578.6	641.0	673.9	795.4	997.9	1,040.3	1,053.0	1,060.6
D/E ratio (times)	0.6	0.6	0.7	1.0	1.2	1.4	1.5	1.4
Equity attributable to owners of the parent to total assets (%)*7	33.0	34.1	32.6	26.9	24.1	22.1	20.8	20.1
Ratio of interest-bearing debt to cash flow (times)	4.7	4.5	4.3	10.1	7.5	5.9	8.5	6.2
Interest coverage ratio (times)	15.9	13.3	13.2	6.5	11.0	13.7	10.2	13.2
Net interest expenses (billions of yen)	(2.2)	(3.9)	(2.8)	(2.7)	(5.0)	(6.3)	(4.7)	(5.4)
Return on equity (%)	14.1	12.4	8.1	(9.0)	2.6	4.5	1.1	(10.4)
Return on investment (%)	8.3	7.6	5.4	(2.6)	2.1	2.6	1.2	(1.9)
Return on assets (%)	4.7	4.2	2.7	(2.7)	0.7	1.0	0.2	(2.1)
Basic earnings per share (yen)*8	54.80	56.82	38.20	(35.84)	8.92	14.86	3.42	(31.25)
Equity attributable to owners of the parent per share (yen)*9	435.51	479.87	465.21	329.74	348.52	319.61	297.45	303.74
Cash dividends per share (yen)	10.00	12.00	12.00	9.00	6.00	9.00	9.00	6.00
Dividend payout ratio (%)	18.2	21.1	31.4	—	67.3	60.6	263.3	—
Price earnings ratio (times)	17.5	15.7	16.7	(9.3)	51.2	27.9	102.9	(9.4)
Price book-value ratio (times)	2.2	1.9	1.4	1.0	1.3	1.3	1.2	1.0
Number of employees	24,160	24,691	25,588	26,902	27,828	29,382	29,839	30,396
Number of research and development employees	3,100	3,148	3,392	3,511	3,764	3,933	3,989	3,951
Number of consolidated subsidiaries	105	105	116	126	143	146	145	162
Exchange rate (yen/$)	113.32	116.97	114.44	100.71	92.89	85.74	79.08	82.91
Naphtha price (yen/KL)	42,400	50,000	61,500	58,900	41,200	47,500	54,900	57,500
Growth rate of the global economy (%) Note 3	4.9	5.4	5.6	3.1	(0.1)	5.4	4.3	3.6
Overseas sales revenue by region (billions of yen)*10								
Asia	444.0	543.3	591.7	550.5	539.5	744.3	716.3	736.4
North America	53.8	46.1	46.1	46.1	75.0	165.4	159.9	176.3
Europe	58.7	72.0	67.6	80.4	71.8	90.5	82.9	78.8
Middle East and Africa	15.8	43.0	44.1	37.3	21.8	33.2	25.7	24.2
Central and South America	12.7	14.9	17.1	18.2	12.3	13.6	14.4	18.8
Oceania and others	26.0	28.5	22.2	17.3	8.5	9.7	9.7	9.4
Total	611.0	747.8	788.8	749.8	728.9	1,056.7	1,009.0	1,043.8
Overseas sales revenue ratio (%)*11	39.2	41.8	41.6	41.9	45.0	53.3	51.8	53.5

Account titles of J-GAAP are as follows:
*1 Net sales; *2 Shareholders' equity; *3 Net assets; *4 Operating margin (%); *5 Net income ratio to net sales (%);
*6 Research and development expenses ratio to net sales (%); *7 Shareholders' equity ratio (%); *8 Net income (loss) per share (yen); *9 Net assets per share (yen);
*10 Overseas sales by region (billions of yen); *11 Overseas sales ratio (%)

(Notes) 1. Operating income had been presented under J-GAAP up to FY2015, and under IFRS from FY2016 onward.
2. In line with the change in accounting standards in FY2006, figures of FY2005 were restated; minority stakes were added to the total equity.
3. Figures for the growth rate of the global economy were created by Sumitomo Chemical based on the IMF World Economic Outlook, April 2023.

IFRS

Millions of yen

'14/3	'15/3	'16/3	'17/3	'18/3	'19/3	'20/3	'21/3	'22/3	'23/3
¥ 2,243,794	¥ 2,376,697	¥ 2,101,764	¥ 1,939,069	¥ 2,190,509	¥ 2,318,572	¥ 2,225,804	¥ 2,286,978	¥ 2,765,321	**¥ 2,895,283**
—	—	—	184,547	262,694	204,252	132,652	147,615	234,779	**92,752**
100,842	127,346	164,446	126,467	250,923	182,972	137,517	137,115	215,003	**(30,984)**
111,109	157,414	171,217	—	—	—	—	—	—	**—**
36,977	52,192	81,451	76,540	133,768	117,992	30,926	46,043	162,130	**6,987**
2,788,507	2,880,396	2,662,150	2,878,193	3,068,685	3,171,618	3,654,087	3,990,254	4,308,151	**4,165,503**
643,297	791,319	766,874	812,612	927,141	998,702	923,990	1,019,230	1,218,101	**1,171,192**
934,506	1,118,216	1,090,776	1,115,903	1,252,214	1,351,886	1,392,592	1,482,119	1,701,977	**1,489,189**
194,362	260,854	261,172	185,776	293,250	208,143	106,012	374,464	171,715	**111,621**
(135,177)	(56,628)	(53,678)	(205,697)	(154,520)	(180,837)	(499,670)	(177,389)	(115,421)	**(19,411)**
59,185	204,226	207,494	(19,921)	138,730	27,306	(393,658)	197,075	56,294	**92,210**
(59,084)	(151,465)	(177,956)	(523)	(94,264)	(60,866)	373,542	(39,974)	(81,394)	**(178,502)**
143.4	84.2	103.8	136.3	158.8	163.7	116.3	112.7	119.5	**141.1**
115.7	119.2	116.6	110.3	107.1	112.5	131.7	136.0	156.7	**168.0**
141.3	147.9	155.8	158.0	165.3	163.5	174.3	178.7	174.9	**195.6**
4.5	5.4	7.8	9.5	12.0	8.8	6.0	6.5	8.5	**3.2**
1.6	2.2	3.9	3.9	6.1	5.1	1.4	2.0	5.9	**0.2**
6.3	6.2	7.4	8.1	7.5	7.1	7.8	7.8	6.3	**6.8**
1,074.6	980.2	831.5	884.1	842.2	839.5	1,304.7	1,351.1	1,350.5	**1,461.4**
1.1	0.9	0.8	0.8	0.7	0.6	0.9	0.9	0.8	**1.0**
23.1	27.5	28.8	28.2	30.2	31.5	25.3	25.5	28.3	**28.1**
5.5	3.8	3.2	4.8	2.9	4.0	12.3	3.6	7.9	**13.1**
15.0	19.0	22.6	16.4	27.8	19.0	8.3	23.6	11.1	**5.1**
(4.9)	0.7	(2.7)	(2.2)	(0.5)	0.2	(1.6)	(7.7)	(6.1)	**(3.7)**
6.5	7.3	10.5	9.8	15.4	12.3	3.2	4.7	14.5	**0.6**
3.2	3.8	5.9	5.9	8.9	7.3	2.4	2.8	6.6	**(1.3)**
1.4	1.8	2.9	2.8	4.5	3.8	0.9	1.2	3.9	**0.2**
22.62	31.93	49.84	46.81	81.81	72.17	18.91	28.16	99.16	**4.27**
393.58	484.17	469.25	496.96	567.04	610.82	565.13	623.39	745.03	**716.26**
9.00	9.00	14.00	14.00	22.00	22.00	17.00	15.00	24.00	**18.00**
39.8	28.2	28.1	29.9	26.9	30.5	89.9	53.3	24.2	**421.2**
16.8	19.4	10.2	13.3	7.6	7.1	17.0	20.3	5.7	**104.2**
1.0	1.3	1.1	1.3	1.1	0.8	0.6	0.9	0.8	**0.6**
30,745	31,039	31,094	32,536	31,837	32,542	33,586	34,743	34,703	**33,572**
3,952	3,913	3,831	4,010	4,034	3,937	4,221	4,372	4,223	**4,213**
164	167	160	170	178	184	218	224	210	**203**
100.17	109.76	120.15	108.34	110.85	110.92	108.70	106.10	112.39	**135.50**
67,300	63,500	42,800	34,700	41,900	49,400	42,900	31,300	56,900	**76,600**
3.4	3.5	3.4	3.3	3.7	3.6	2.8	(2.8)	6.3	**3.4**
883.0	964.0	819.8	741.1	842.6	936.4	880.7	884.6	1,076.5	**1,015.6**
233.0	257.3	306.2	305.8	366.9	380.4	384.0	404.4	433.7	**491.8**
106.7	96.6	82.3	69.1	85.9	95.1	93.1	95.4	120.2	**134.9**
29.7	61.9	30.3	22.4	37.4	42.3	46.9	52.4	86.3	**99.9**
29.3	36.3	37.9	34.4	39.5	43.1	45.8	113.2	140.5	**211.4**
11.2	12.2	12.7	10.7	12.4	8.5	10.2	11.4	14.4	**13.3**
1,292.9	1,428.4	1,289.2	1,183.4	1,384.7	1,505.7	1,460.7	1,561.4	1,871.5	**1,966.9**
57.6	60.1	61.3	61.0	63.2	64.9	65.6	68.3	67.7	**67.9**

Consolidated Financial Statements

Consolidated Statement of Financial Position

March 31, 2023 and 2022

Millions of yen

	FY2022	FY2021
Assets		
Current assets:		
Cash and cash equivalents	¥ 305,844	¥ 365,429
Trade and other receivables	603,161	720,422
Other financial assets	31,237	23,991
Inventories	744,474	651,358
Other current assets	70,670	51,442
Subtotal	1,755,386	1,812,642
Assets held for sale	7,498	–
Total current assets	1,762,884	1,812,642
Non-current assets:		
Property, plant and equipment	829,355	823,022
Goodwill	266,868	244,517
Intangible assets	403,996	471,109
Investments accounted for using the equity method	402,980	289,968
Other financial assets	313,115	474,899
Retirement benefit assets	99,253	89,538
Deferred tax assets	39,492	49,121
Other non-current assets	47,560	53,335
Total non-current assets	2,402,619	2,495,509
Total assets	¥ 4,165,503	¥ 4,308,151
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	¥ 396,903	¥ 261,280
Trade and other payables	515,865	551,583
Other financial liabilities	74,931	84,137
Income taxes payable	31,772	24,515
Provisions	129,030	129,709
Other current liabilities	128,060	122,267
Subtotal	1,276,561	1,173,491
Liabilities directly associated with assets held for sale	1,806	–
Total current liabilities	1,278,367	1,173,491
Non-current liabilities:		
Bonds and borrowings	1,064,463	1,089,190
Other financial liabilities	98,594	101,718
Retirement benefit liabilities	26,427	33,091
Provisions	38,443	36,502
Deferred tax liabilities	101,164	101,299
Other non-current liabilities	68,856	70,883
Total non-current liabilities	1,397,947	1,432,683
Total liabilities	2,676,314	2,606,174
Equity		
Share capital	89,810	89,699
Capital surplus	–	27,089
Retained earnings	891,552	974,382
Treasury shares	(8,349)	(8,343)
Other components of equity	197,830	135,274
Other comprehensive income associated with assets held for sale	349	–
Equity attributable to owners of the parent	1,171,192	1,218,101
Non-controlling interests	317,997	483,876
Total equity	1,489,189	1,701,977
Total liabilities and equity	¥ 4,165,503	¥ 4,308,151

Consolidated Statement of Income

Years ended March 31, 2023 and 2022

Millions of yen

	FY2022	FY2021
Sales revenue	¥ 2,895,283	¥ 2,765,321
Cost of sales	(2,074,357)	(1,891,458)
Gross profit	820,926	873,863
Selling, general and administrative expenses	(878,261)	(690,860)
Other operating income	69,227	10,533
Other operating expenses	(36,079)	(20,713)
Share of profit or loss of investments accounted for using the equity method	(6,797)	42,180
Operating income (loss)	(30,984)	215,003
Finance income	70,836	59,194
Finance expenses	(39,621)	(23,061)
Income before taxes	231	251,136
Income tax expenses	(47,096)	(64,699)
Net income (loss)	(46,865)	186,437
Net income (loss) attributable to:		
Owners of the parent	6,987	162,130
Non-controlling interests	(53,852)	24,307
Net income (loss)	¥ (46,865)	¥ 186,437
Earnings per share:		
Basic earnings per share (yen)	4.27	99.16
Diluted earnings per share (yen)	4.27	–

Consolidated Statement of Comprehensive Income

Years ended March 31, 2023 and 2022

Millions of yen

	FY2022	FY2021
Net income (loss)	¥ (46,865)	¥ 186,437
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of financial assets measured at fair value through other comprehensive income	14,958	(51,797)
Remeasurements of defined benefit plans	8,670	7,549
Share of other comprehensive income of investments accounted for using the equity method	1,126	(881)
Total items that will not be reclassified to profit or loss	24,754	(45,129)
Items that may be subsequently reclassified to profit or loss		
Cash flow hedge	8,163	(5,904)
Exchange differences on conversion of foreign operations	62,572	103,499
Share of other comprehensive income of investments accounted for using the equity method	17,003	15,964
Total items that may be subsequently reclassified to profit or loss	87,738	113,559
Other comprehensive income, net of taxes	112,492	68,430
Total comprehensive income	65,627	254,867
Total comprehensive income attributable to:		
Owners of the parent	84,077	229,765
Non-controlling interests	(18,450)	25,102
Total comprehensive income	¥ 65,627	¥ 254,867

Consolidated Statement of Changes in Equity

Year ended March 31,2023

Millions of yen

	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on conversion of foreign operations	Total	Other comprehensive income associated with assets held for sale	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2022	¥ 89,699	¥ 27,089	¥ 974,382	¥ (8,343)	¥ 82,682	¥ –	¥ (8,735)	¥ 61,327	¥ 135,274	¥ –	¥1,218,101	¥ 483,876	¥1,701,977
Net income (loss)	–	–	6,987	–	–	–	–	–	–	–	6,987	(53,852)	(46,865)
Other comprehensive income	–	–	–	–	4,550	9,163	8,204	55,173	77,090	–	77,090	35,402	112,492
Total comprehensive income	–	–	6,987	–	4,550	9,163	8,204	55,173	77,090	–	84,077	(18,450)	65,627
Issuance of new shares	111	111	–	–	–	–	–	–	–	–	222	–	222
Purchase of treasury shares	–	–	–	(6)	–	–	–	–	–	–	(6)	–	(6)
Disposal of treasury shares	–	0	–	0	–	–	–	–	–	–	0	–	0
Dividends	–	–	(42,514)	–	–	–	–	–	–	–	(42,514)	(13,962)	(56,476)
Changes resulting from additions to consolidation	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes resulting from loss of control of subsidiaries	–	–	513	–	(505)	–	(8)	–	(513)	–	–	–	–
Change in interest due to transactions with non-controlling interests	–	(88,037)	–	–	–	–	–	–	–	–	(88,037)	(133,467)	(221,504)
Transfer from other components of equity to retained earnings	–	–	13,672	–	(4,509)	(9,163)	–	–	(13,672)	–	–	–	–
Others, net	–	(603)	(48)	–	–	–	–	–	–	–	(651)	–	(651)
Transfers to other comprehensive income associated with assets held for sale	–	–	–	–	(349)	–	–	–	(349)	349	–	–	–
Transfer of negative balance of other capital surplus	–	61,440	(61,440)	–	–	–	–	–	–	–	–	–	–
Total transactions with owners	111	(27,089)	(89,817)	(6)	(5,363)	(9,163)	(8)	–	(14,534)	349	(130,986)	(147,429)	(278,415)
Balance as of March 31, 2023	¥ 89,810	¥ –	¥ 891,552	¥ (8,349)	¥ 81,869	¥ –	¥ (539)	¥ 116,500	¥ 197,830	¥ 349	¥1,171,192	¥ 317,997	¥1,489,189

Year ended March 31,2022

Millions of yen

	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on conversion of foreign operations	Total	Other comprehensive income associated with assets held for sale	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2021	¥ 89,699	¥ 26,882	¥ 854,538	¥ (8,334)	¥ 90,590	¥ –	¥ (2,866)	¥ (31,279)	¥ 56,445	¥ –	¥ 1,019,230	¥ 462,889	¥ 1,482,119
Net income	–	–	162,130	–	–	–	–	–	–	–	162,130	24,307	186,437
Other comprehensive income	–	–	–	–	(26,231)	7,129	(5,869)	92,606	67,635	–	67,635	795	68,430
Total comprehensive income	–	–	162,130	–	(26,231)	7,129	(5,869)	92,606	67,635	–	229,765	25,102	254,867
Issuance of new shares	–	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(9)	–	–	–	–	–	–	(9)	–	(9)
Disposal of treasury shares	–	0	–	0	–	–	–	–	–	–	0	–	0
Dividends	–	–	(31,065)	–	–	–	–	–	–	–	(31,065)	(11,192)	(42,257)
Changes resulting from additions to consolidation	–	–	(22)	–	(5)	–	–	–	(5)	–	(27)	(25)	(52)
Changes resulting from loss of control of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in interest due to transactions with non-controlling interests	–	207	–	–	–	–	–	–	–	–	207	7,102	7,309
Transfer from other components of equity to retained earnings	–	–	(11,199)	–	18,328	(7,129)	–	–	11,199	–	–	–	–
Others, net	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers to other comprehensive income associated with assets held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer of negative balance of other capital surplus	–	–	–	–	–	–	–	–	–	–	–	–	–
Total transactions with owners	–	207	(42,286)	(9)	18,323	(7,129)	–	–	11,194	–	(30,894)	(4,115)	(35,009)
Balance as of March 31, 2022	¥ 89,699	¥ 27,089	¥ 974,382	¥ (8,343)	¥ 82,682	¥ –	¥ (8,735)	¥ 61,327	¥ 135,274	¥ –	¥ 1,218,101	¥ 483,876	¥ 1,701,977

Consolidated Statement of Cash Flows

Years ended March 31, 2023 and 2022

Millions of yen

	FY2022	FY2021
Cash flows from operating activities:		
Income before taxes	¥ 231	¥ 251,136
Depreciation and amortization	167,957	156,667
Impairment losses	109,417	8,111
Share of (profit) loss of investments accounted for using the equity method	6,797	(42,180)
Interest and dividend income	(18,730)	(9,976)
Interest expenses	22,468	16,111
Restructuring costs	22,021	10,572
Changes in fair value of contingent consideration	(3,388)	(3,282)
(Gain) loss on sale of property, plant and equipment	(5,226)	(718)
(Increase) decrease in trade receivables	134,499	(19,465)
(Increase) decrease in inventories	(79,887)	(98,247)
Increase (decrease) in trade payables	(63,628)	(39,188)
Increase (decrease) in unearned revenue	(13,717)	565
Increase (decrease) in provisions	(13,373)	15,559
Others, net	(88,340)	(9,620)
Subtotal	177,101	236,045
Interest and dividends received	25,265	22,258
Interest paid	(21,768)	(15,404)
Income taxes paid	(65,529)	(68,323)
Restructuring costs paid	(3,448)	(2,861)
Net cash provided by operating activities	111,621	171,715
Cash flows from investing activities:		
Net (increase) decrease in securities	6,546	(7,529)
Purchase of property, plant and equipment, and intangible assets	(143,581)	(107,467)
Proceeds from sale of property, plant and equipment, and intangible assets	18,231	2,537
Purchase of investments in subsidiaries	(17,174)	—
Purchase of other financial assets	(7,692)	(15,768)
Proceeds from sales and redemption of other financial assets	42,974	16,540
Proceeds from collection of loan receivables	63,199	1,296
Proceeds from sale of subsidiaries	30,092	153
Others, net	(12,006)	(5,183)
Net cash used in investing activities	(19,411)	(115,421)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	100,959	(3,158)
Net increase (decrease) in commercial paper	35,000	10,000
Proceeds from long-term borrowings	66,141	46,154
Repayments of long-term borrowings	(109,130)	(77,132)
Proceeds from issuance of bonds	—	34,808
Redemption of bonds	—	(34,259)
Repayments of finance lease liabilities	(16,668)	(15,984)
Cash dividends paid	(42,484)	(31,068)
Cash dividends paid to non-controlling interests	(13,982)	(11,195)
Payments for acquisition of subsidiaries' interests from non-controlling interests	(199,073)	(3,999)
Others, net	735	4,439
Net cash provided by (used in) financing activities	(178,502)	(81,394)
Effect of exchange rate changes on cash and cash equivalents	27,842	29,611
Net increase (decrease) in cash and cash equivalents	(58,450)	4,511
Cash and cash equivalents at the beginning of the year	365,429	360,918
Net increase (decrease) in cash and cash equivalents resulting from transter to assets held for sale	(1,135)	—
Cash and cash equivalents at the end of the year	¥ 305,844	¥ 365,429

SUMITOMO CHEMICAL

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