

Sustainability Management



Regarding each ESG information,
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Management System

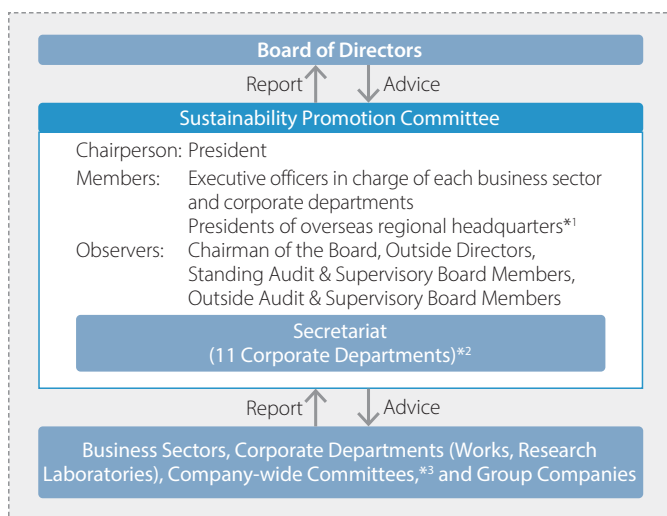
In the Basic Principles for Promoting Sustainability, the Sumitomo Chemical Group declare that our top management is committed to promoting sustainability. We also place these principles just below the Sumitomo Spirit, and the Business Philosophy in the framework of our corporate philosophy to show our commitment to working on the promotion of sustainability as a management priority.

Sustainability Promotion System

The Sumitomo Chemical Group established the Sustainability Promotion Committee as a body to deliberate important matters related to the Group's management from a broad range of diverse perspectives. The purpose of the committee is to oversee the Group's sustainability promotion activities, comprehensively verify contributions to sustainability, and accelerate integrated efforts to solve issues society is confronting. Based on the surrounding business environment, the committee considers issues and the direction of initiatives while also providing necessary guidance and advice to executive organizations aiming to implement initiatives.

The committee convenes twice a year and holds active discussions that Outside Directors and Outside Audit & Supervisory Board Members attend as observers. The committee is chaired by the President of Sumitomo Chemical and composed of executive officers in charge of each business sector, the executive officers in charge of the corporate departments, and the presidents of overseas regional headquarters.

Sustainability Promotion Committee



*1 The Americas region, Europe region, China region, and Asia-Pacific region

*2 The Sustainability Department, Legal Department, Human Resources Department, Corporate Communications Department, Corporate Planning Department, Research Planning and Coordination Department, Responsible Care Department, Accounting Department, Finance Department, Procurement Department, and Logistics Department

*3 The Responsible Care Committee, Human Rights Promotion Committee, Carbon Neutral Strategy Council, etc.

Purpose

- 1 Oversee the Group's sustainability promotion activities
- 2 Comprehensively verify contributions to sustainability
- 3 Accelerate efforts to solve issues in society, including the SDGs

Role

The committee provides advice to each executive organization to ensure that the Group's business activities all function organically to realize sustainability for all society and that said activities are fairly assessed by stakeholders.

- 1 **SOLUTION:** Providing advice to each business sector and each Group company on contributing to the sustainable growth of society through business operations
- 2 **INITIATIVE:** Providing advice to various committees through participation in international initiatives
- 3 **ENGAGEMENT:** Providing advice related to assessing and enhancing communication through dialogue with stakeholders

Management System

Fiscal 2022 Results

The Sustainability Promotion Committee meeting was convened twice. The committee shared information on international trends related to sustainability and comprehensively assessed medium- to long-term ESG issues from a risk-reward perspective, based on which it suggested various measures to accelerate contributions to the Group's sustainability to relevant departments and organizations and promote the integration of sustainability and management in order to realize "*Jiri-Rita Koushi-Ichinyo*."

■ Main Agenda Items

- Status of initiatives to solve social issues through our business (recycling resources and biodiversity)
- Trends in disclosure standards and impact evaluations as well as the Group's responses
- Status of social contribution activities and direction of activities going forward
- Initiatives to instill the corporate philosophy within the Group

In addition, from fiscal 2022, the top management of business sectors and the sustainability managers of regional headquarters have directly shared in the content of committees by participating in the Sustainability Promotion Committee as observers.

We have established a system to raise awareness among all Group employees under which, for example, we hold briefings related to initiatives promoting sustainability and provide committee reports. These activities are carried out by the sustainability promotion managers for each worksite and Group companies in Japan, South Korea, and Taiwan as well as by the regional headquarters for all other overseas Group companies.

The Material Issues to Be Addressed as Management Priorities

In its Business Philosophy, Sumitomo Chemical affirms its commitment to creating new value by building on innovation, contributing to society through its business activities, and developing an invigorating corporate culture and continuing to be a company that society can trust. Based on this three-part philosophy, we have identified our material issues to be addressed as management priorities.

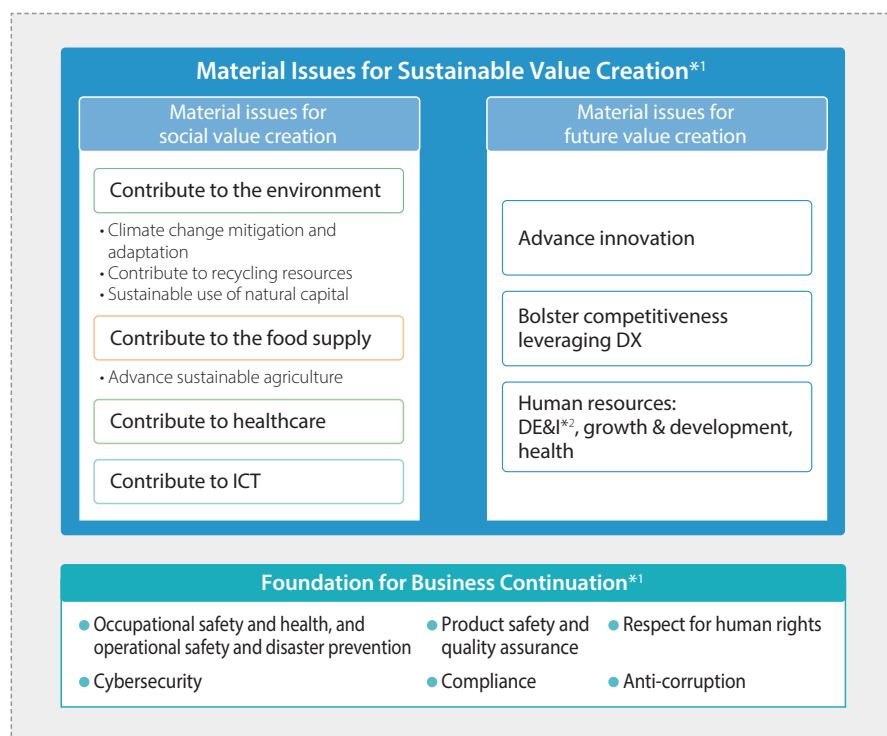
In fiscal 2018, the Group first identified and announced material issues for sustainable value creation. We revised the issues in fiscal 2021 based on changes in society since then.

We identified our material issues for sustainable value creation, which comprise two sets of material issues — those for social value creation and those for future value creation. The environment (including contribution to climate change mitigation and adaptation, and recycling resources), food supply, healthcare, and ICT are classified under material issues for social value creation. Advancing innovation, bolstering competitiveness leveraging digital transformation (DX), and human resources (Diversity, Equity, and Inclusion (DE&I); development and growth; and health) are classified as material issues for future value creation.

Furthermore, regarding the items that serve as the foundation for business continuation — occupational safety and health, industrial safety and disaster prevention, product safety and quality assurance, respect for human rights, compliance, anti-corruption, and cybersecurity — we have been making Group-wide efforts and will continue to work on them as management priorities.

We have set key performance indicators (KPIs) for initiatives related to our material issues for sustainable value creation. 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. Regarding those items serving as the foundation for business continuation, we will continue to proactively make disclosures on our initiatives and outcomes, as we step up our efforts.

Material Issues for Sustainable Value Creation and the Foundation for Business Continuation



*1 Partially revised in March 2022 *2 Diversity, Equity & Inclusion

The items serving as the foundation for business continuation are elaborated in the following sections:

<p>Occupational safety and health, and operational safety and disaster prevention</p> <p>▶ P.198 Occupational Safety and Health / Industrial Safety and Disaster Prevention</p>	<p>Product safety and quality assurance</p> <p>▶ P.205 Product Stewardship / Product Safety / Quality Assurance</p>	<p>Respect for human rights</p> <p>▶ P.158 Respect for Human Rights</p>
<p>Cybersecurity</p> <p>▶ P.97 Cybersecurity</p>	<p>Compliance</p> <p>▶ P.76 Compliance</p>	<p>Anti-corruption</p> <p>▶ P.84 Anti-corruption</p>

The Material Issues to Be Addressed as Management Priorities

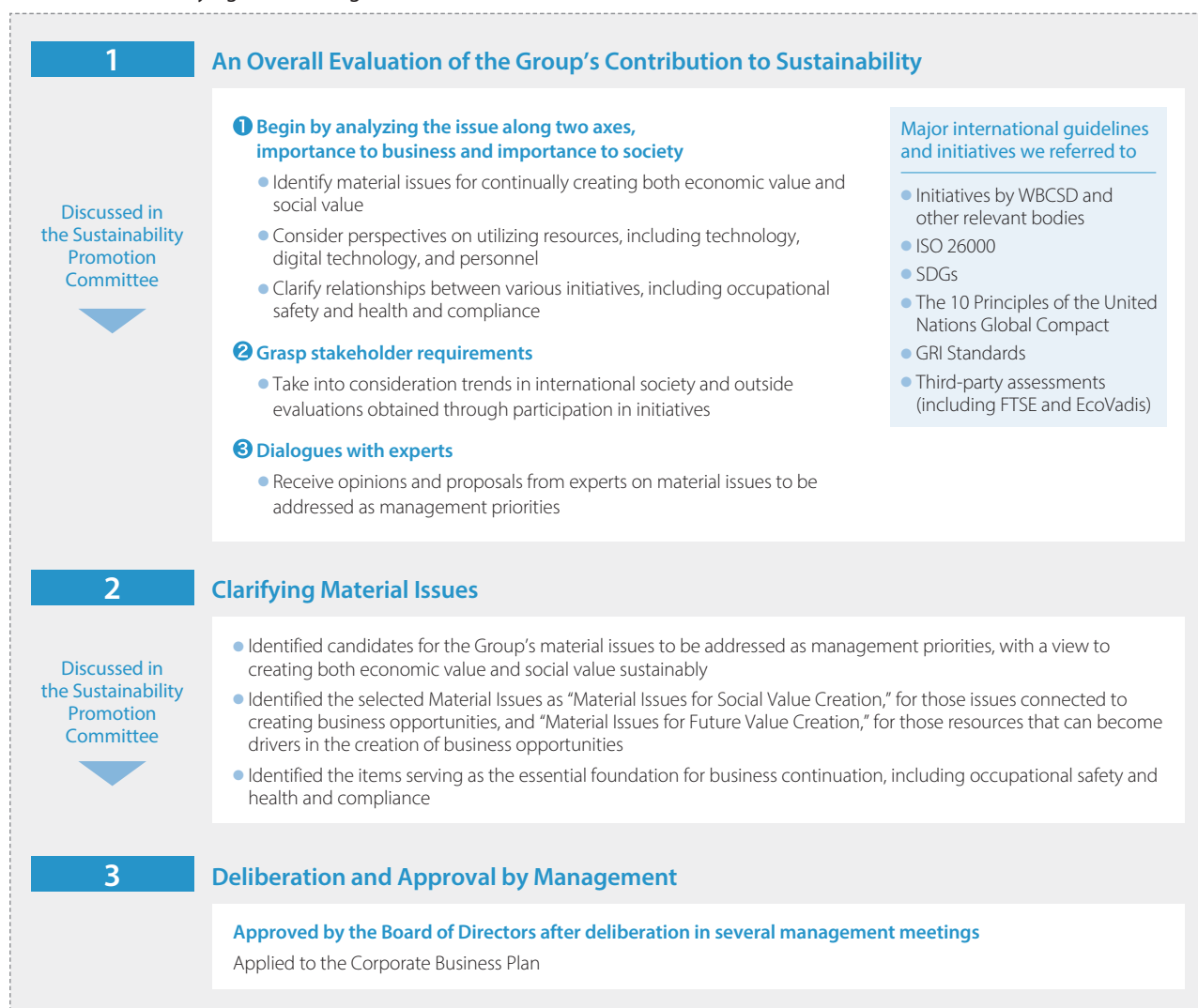
Process for Identifying and Revising Material Issues to Be Addressed as Management Priorities

When identifying our material issues, we compared the issues we consider the Group should address based on our corporate philosophy with the social issues identified in the Sustainable Development Goals (SDGs) and various international guidelines related to sustainability. We also referred to external experts' advice as well as what we learned by engaging in various initiatives and communicating with stakeholders.

We believe that 1) resolving issues through our business and creating both social and economic value is as important as 2) continuing our business to achieve relevant goals. Based on this view, we have identified our material issues for sustainable value creation based on the former belief and our foundation for business continuation based on the latter belief.

We revised the issues in fiscal 2021 based on subsequent changes in society. We will regularly confirm these issues going forward and revise them as necessary.

■ Process for Identifying and Revising Material Issues



Key Performance Indicators (KPIs) for Material Issues

Sumitomo Chemical has recently established key performance indicators (KPIs) for initiatives related to our material issues for sustainable value creation.

Material issues for social value creation						
Material Issues	KPI	Boundary*1	Results			Goals
			FY2020	FY2021	FY2022	
Contribute to the environment	Amount of Group's GHG emissions (Scope 1+2)	(1)	7.42 million tons	7.65 million tons	6.58 million tons	Reduce by 50% by 2030 (vs. FY2013) (4.77 million tons)
	Contribution to reducing GHG emissions throughout the product life cycle (Battery-related materials)	(1)	17.65 million tons-CO ₂	18.61 million tons-CO ₂	17.66 million tons-CO ₂	Contribution to reducing GHG emissions throughout the product life cycle by developing and supplying products
	Sales revenue of Sumika Sustainable Solutions*2 designated products	(1)	463.3 billion yen	621.2 billion yen	682.8 billion yen	Sales revenue of 1,200 billion yen by FY2030
	Unit energy consumption	(1)	120	100 ('21=100)	86	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	(2)	14	14	13	Helping to reduce environmental impact through technology licensing
	The amount of recycled plastics used in manufacturing processes	(1)	—	Approximately 2,400 tons	Approximately 5,900 tons	200k tons/year by 2030
Contribute to the food supply	Effect of increasing production of animal protein including poultry	—	Approximately 4.8 million tons	Approximately 4.6 million tons	Approximately 4.3 million tons	Continuously improving the production of animal protein, including poultry, by developing and providing feed additives
	Agricultural land area where agrosolution products are used	—	Approximately 90 million hectares	Approximately 90 million hectares	Approximately 110 million hectares	Ensuring the stable supply of food by developing and providing agrosolution products
Contribute to healthcare	Number of people protected by vector control products	—	Approximately 410 million persons	Approximately 440 million persons	Approximately 440 million persons	Protection from vector-borne diseases through the development and dissemination of vector control products such as Olyset™net
	Constant development of new drugs in areas where high unmet medical needs exist	—	New Drugs Approved		Targets and KPIs for Material Issues	
Contribute to ICT	Number of mobile devices using polarizing films	—	3.2 billion (cumulative total)	3.6 billion (cumulative total)	4.1 billion (cumulative total)	Advancing technological innovation for diversified workstyles and improved productivity through the provision of materials for mobile devices

*1 Boundary: (1) Sumitomo Chemical Group, (2) Sumitomo Chemical (Non-Consolidated)

*2 Our Group's products and technologies that help to address global warming, reduce environmental impact and promote effective use of resources.

Key Performance Indicators (KPIs) for Material Issues

Material issues for future value creation							
Material Issues	KPI	Boundary*1	Results			Goals	
			FY2020	FY2021	FY2022		
Advance innovation (Results based on the Patent Asset Index™)	Patent asset size*2	(1)	15,930 (pt)	16,037 (pt)	16,383 (pt)	Expansion of patent asset size	
Bolster competitiveness leveraging DX	Digital maturity level	(1)	2.9	3.3	3.5	Sustained levelling up of digital maturity	
Human resources: DE&I*3, development & growth, health	Each Group company sets its own KPI in light of the environment facing each	Percentage of female employees in positions equivalent to manager or above	(2)	6.3% (April 1, 2021)	7.0% (April 1, 2022)	9.5% (April 1, 2023)	Over 10% by FY2022
		New KPI Percentage of employees promoted to managerial positions (equivalent to section manager) filled by female employees.	(2)	Listed starting in FY2023			Over 15% on average over the 5 years between FY2023 and FY2027
	Percentage of male employees taking childcare leave	(2)	63.8%	73.5%	77.4%	Over 70% by FY2022	
	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.	(2)	Listed starting in FY2023			At least 90% of male employees taking said leave during the fiscal year	
	Percentage of employees who taken self-selected training programs, etc.	(2)	—	—	24.6%	50% or more of all employees by FY2024	
	Maintain certification as a Health & Productivity Management Outstanding Organization (White 500)*4	(2)	Certification	Certification	Certification	Maintain certification	

*1 Boundary: (1) Sumitomo Chemical Group, (2) Sumitomo Chemical (Non-Consolidated)

*2 The figures are aggregated for the calendar year.

*3 Diversity, Equity & Inclusion

*4 The program was created in 2016 by the Ministry of Economy, Trade and Industry. It recognizes companies that practice outstanding health and productivity management based on the health promotion efforts of the Japan Health Council and initiatives aligned with local health issues. (Health and productivity management is a registered trademark of NPO Kenkokeiei.)

KPIs for material issues for social value creation

Material Issue Contribute to the environment

KPI

Amount of Group's GHG emissions (Scope 1+2)

Reducing GHG emissions through our Group's initiatives.



- In 2018, Sumitomo Chemical obtained the SBT approval, becoming the first diversified chemical company to receive the approval.
- In 2021, we revised our targets upward, with 2020 as the base year, and applied for a new SBT certification.

Targets (vs. FY2013)

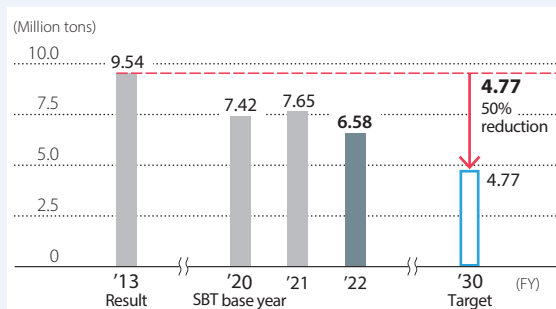
Reduce by **50%** by 2030

◆ Toward the achievement of SDG 13.3

At plants in Japan, we are introducing highly efficient gas turbine generators and decommissioning a number of existing boilers.

Aiming to reduce carbon emissions, we are switching from using conventional high CO₂-emission fuels like coal, petroleum coke, and heavy oil to using low CO₂ emission intensity fuels like liquefied natural gas (LNG).

■ GHG Emissions and Reduction Targets



Key Performance Indicators (KPIs) for Material Issues

Material Issue **Contribute to the environment**

KPI

Contribution to reducing GHG emissions throughout the product life cycle (Battery-related materials)



◆ Mitigation of climate change by using battery materials

Due to the strengthening of environmental regulations around the world, the shift to eco-friendly vehicles* is accelerating. We will help mitigate climate change by providing battery materials.

* EVs, HEVs, PHEVs, Fuel cell cars

◆ Toward the achievement of SDG 13.3

We will continue to develop technologies in the fields of energy storage and energy saving, and will promote the technological development of chemical recycling for our principal chemical products, such as polyolefin, to help achieve a carbon recycling society.

◆ Highlights of sustainability efforts

In April 2022, the development of our direct recycling technology, which recycles cathodes separated and collected from dead batteries without reverting them into metal, was selected by the New Energy and Industrial Technology Development Organization (NEDO) for the Green Innovation Fund's Next-generation Storage Battery and Motor Development Project.

Eco-friendly vehicles manufactured in FY2022 incorporating SCC's battery materials (Separator, Cathode, Alumina) will help reduce the GHG emission volume* over the next 10 years by:

Projected 10-year GHG Reduction from FY2022 Products

17.66 million tons-CO₂

* Based on 2022-made vehicles in "cLCA evaluation on next generation vehicles" by the Japan Chemical Industry Association.

Material Issue **Contribute to the environment**

KPI

Sales revenue of Sumika Sustainable Solutions* designated products

Provide solutions for the realization of a sustainable society through the development and popularization of Sumika Sustainable Solutions (SSS) designated products



- ◆ Certification began in 2016 to encourage the development and promotion of products and technologies that will address environmental aspects of the SDGs, such as reduced environmental impact.
- ◆ Verified by a third-party institution. The results of the internal designation have been evaluated as valid.

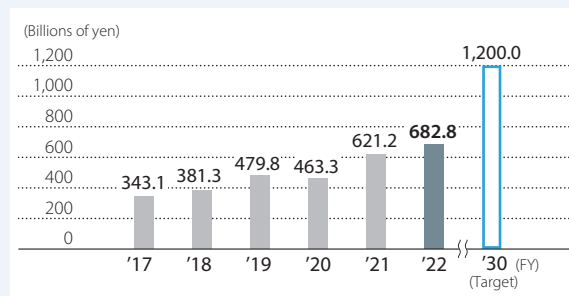
Targets

Sales revenue of **1,200 billion yen** by FY2030

◆ Highlights of sustainability efforts

- Designated 71 products and technologies as of August 2023
- Participation by all SCC Group companies

■ Sales Revenue of SSS-designated Products



* Our Group's products and technologies that help to address global warming, reduce environmental impact and promote effective use of resources.

Key Performance Indicators (KPIs) for Material Issues

Material Issue **Contribute to the environment**

KPI

Unit energy consumption

Continuous improvement of unit energy consumption by rationalization



Targets (FY2021 level as baseline)

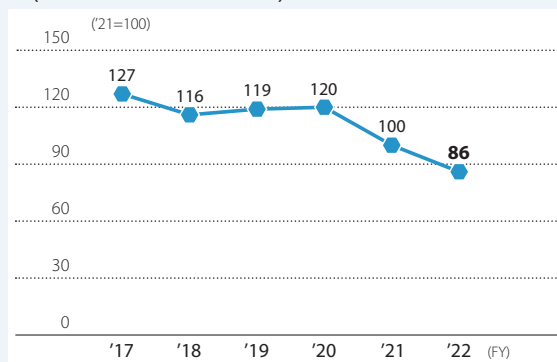
Will achieve improvement of **3% or more** per Corporate Business Plan period as a group

◆ Toward the achievement of SDG 7.3

We are installing the latest highly efficient equipment, introducing rationalization and energy-saving measures in production processes, installing LED lighting, and soliciting employee suggestions on how to further improve our energy-saving efforts.

Furthermore, regarding cleanrooms and other facilities that are highly specialized and difficult to manage, we have launched initiatives in cooperation with experts.

■ SCC Group Unit Energy Consumption Index (GHG Protocol Standards)



Material Issue **Contribute to the environment**

KPI

Number of petrochemical technology licenses

Helping to reduce environmental impact through technology licensing



◆ Reduction of environmental impact by applying licensed technologies

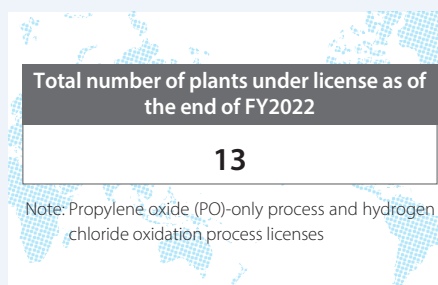
- **Hydrogen Chloride Oxidation process:**
Highly energy efficient, enables recycling of byproducts as raw materials.
- **Propylene oxide (PO) – only process:**
No co-products, high yield and energy efficient, stable operation. First in the world to succeed in recycling cumene on a commercial scale.

◆ Toward the achievement of SDG 9.4

We will strive to develop technologies for use in a wide range of fields, such as high-performance catalysts that contribute to the effective use of energy resources, waste water treatment processes with less environmental impact, GHG removal and decomposition processes, clean hydrogen production technology, and recycling technology for waste plastic and other carbon resources, in order to reduce society's total environmental impact through licenses.

◆ Highlights of sustainability efforts

- **Revamp of [technology license website](#)**
We revamped the website to broaden awareness of the Company's license technology and how it helps reduce environmental impact.
- **Switching over to highly efficient LNG power generators**
In fiscal 2022, the Niihama LNG power plant came on line. We also installed a new highly efficient LNG power generator at Chiba Works. Altogether, we expect to reduce CO₂ emissions more than 890,000 tons annually.



- **Niihama LNG Station started to supply LNG**
By switching to LNG fuel, we expect reductions in CO₂ emissions of 650,000 tons annually in the near future.
- **Promoted use of clean ammonia**
We have begun considering collaborations with external partners to promote the use of clean ammonia as a fuel or chemical feedstock with no CO₂ emissions.

Key Performance Indicators (KPIs) for Material Issues

Material Issue **Contribute to the environment**

KPI

The amount of recycled plastics used in manufacturing processes

Drive adoption of technologies for reducing environmental impact and advance circular systems for carbon resources



◆ Toward the achievement of SDG 12.5

• Initiatives related to material recycling

Deploy technologies to perform crushing, melting or other treatments on waste plastic resources to reuse the resources as a material input in a variety of applications

- Studying technological alliances with recycling companies
- Commercializing automotive part-related recycling, etc.

• Initiatives related to chemical recycling

Deploy technologies to chemically treat recycled resources and waste plastic resources and convert them to other chemical substances for reuse

- Recycling waste-derived resources
- Developing technology to produce alcohols from CO₂, etc.

◆ Highlights of sustainability efforts

- We established a new chemical recycling pilot facility for acrylic resin (PMMA, polymethyl methacrylate) at Ehime Works. We plan to begin providing samples of recycled chemical products from autumn 2023.
- We installed a pilot facility aimed at the commercialization of material recycling, namely recycling the waste plastic taken from used vehicles. We aim to begin providing samples to customers during fiscal 2023.

Targets

200k tons/year by 2030

Note: 13% of our plastic production capacity

FY2022 result

Approximately **5,900 tons**



Recycled plastic brand Meguri®

Material Issue **Contribute to the food supply**

KPI

Effect of increasing production of animal protein including poultry

Continuously improving the production of animal protein, including poultry, by developing and providing feed additives



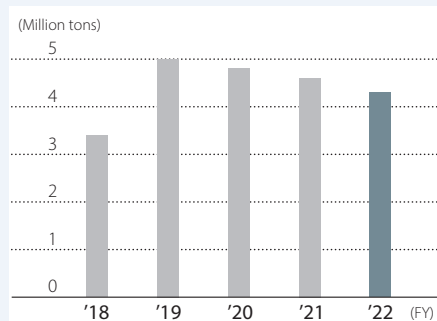
◆ Toward the achievement of SDG 2.1

In the animal nutrition business, we help increase the production of animal protein, especially poultry, by providing feed additives.

◆ Highlights of sustainability efforts

- We help chickens grow and enhance the production of chicken meat and eggs by improving the balance of amino acids included in poultry feed.
- Adding methionine reduces nitrogen in poultry excrement, which has the effect of reducing emissions of nitrogen dioxide (N₂O), a greenhouse gas (GHG).

■ Increased Production of Animal Protein



Note: Calculation method undisclosed (proprietary)

Key Performance Indicators (KPIs) for Material Issues

Material Issue **Contribute to the food supply**

KPI

Agricultural land area where agrosolution products are used

Ensuring the stable supply of food by developing and providing agrosolution products



◆ Agrosolution products

Products that improve the quality and yield of crops and help farmers achieve high productivity and profitability, including paddy rice crop protection products, seed treatments, herbicides for soybeans, plant growth regulators, biorational insecticides and products to improve soil health.

We develop new products to serve various needs by inventing new active ingredients, evaluating safety on humans and the environment, and developing application technologies.

◆ Toward the achievement of SDG 2.4

We will develop next-generation crop protection products to enable the earliest market launch while expanding our lineup of unique products, such as biorationals, etc., where we hold a competitive advantage.

◆ Highlights of sustainability efforts

We aim to further expand the biorational business by adding FBSciences Holdings, Inc. as a Group company. FBSciences is based in the United States and is engaged in the business of biostimulants, which are a group of naturally-derived agricultural materials and a class of biorationals.

■ Farmland Utilizing SCC Agrosolution Products



Note: Calculation method undisclosed (proprietary)

Material Issue **Contribute to healthcare**

KPI

Number of people protected by vector control products

Helping protect people from infectious diseases transmitted by mosquitoes and other vectors by developing and providing vector control products including Olyset™ Net



◆ Vector control products

Products that are used to control mosquitoes and thus prevent the transmission of malaria and other vector-borne diseases. These include long lasting insecticidal nets such as Olyset™ Net and indoor residual sprays.

Recent climate change is increasing the threat of tropical infectious diseases transmitted by insect vectors worldwide, thus increasing the importance of such products.

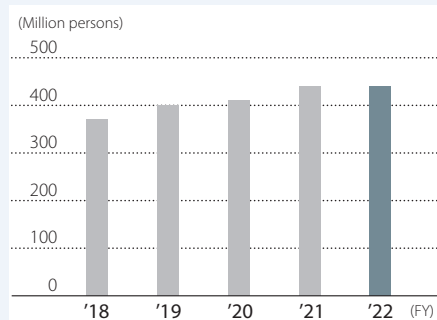
◆ Toward the achievement of SDG 3.3

We aim to provide and promote integrated vector management programs by inventing and developing new active ingredients and products that capitalize on our wide range of technological platforms (including chemicals, biorationals, and botanicals) based on long-term global development activities.

◆ Highlights of sustainability efforts

In the area of vector-borne disease control solutions, across Africa we are promoting the widespread adoption of long-lasting insecticidal bed nets Olyset™ Plus, which show a significant effect against insecticide-resistant mosquitoes, indoor residual spray SumiShield™ 50WG, and larvicides to control immature stage of mosquitoes in their breeding sites.

■ Number of People Protected by Our Vector Control Products*



Note: Calculation method undisclosed (proprietary)

*The total number of people per year who have been protected from infectious diseases transmitted by insect vectors thanks to the use of these products during the products' periods of efficacy

Key Performance Indicators (KPIs) for Material Issues

Material Issue **Contribute to ICT**

KPI

Number of mobile devices using polarizing films

Advancing technological innovation for diversified workstyles and improved productivity through the provision of materials for mobile devices



◆ **Polarizing films**

Indispensable material for flat panel displays, such as liquid crystal displays and OLED displays. Contributes to improved performance of displays with regard to such factors as brightness, contrast and viewing angle.

◆ **Toward the achievement of SDG 8.2**

We are developing various ICT-related materials and devices for 5G telecommunication equipment, next-generation semiconductors, optical image sensors, etc., to promote the realization of Society 5.0.

◆ **Highlights of sustainability efforts**

We are working to develop and improve the quality of the following products to support the diverse workstyles, productivity improvement, and lifestyle changes that have accompanied the proliferation of 5G service and the expansion of telework during the pandemic:

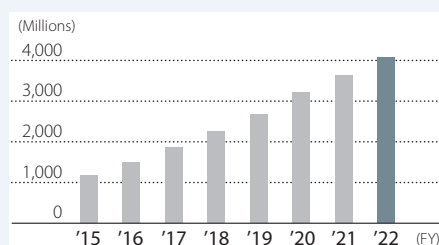
- (1) Polarizing films for OLED Panels
- (2) Coated-type polarizing films suitable for foldable devices
- (3) Polarizing films for 5G-compatible mobile devices
- (4) Materials related to 5G telecommunications
- (5) Gallium nitride substrates, which help reduce electric power loss

Mobile devices that use our polarizing films

Cumulative total for the period from FY2007 to date (as of the end of FY2022)

4.1 billion

Transition of Cumulative Total for the Period from FY2007



Note: Calculation method undisclosed (proprietary)

KPIs for material issues for future value creation

Material Issue **Advance innovation**

KPI

Patent asset size

◆ **Patent rights**

The right granted by patent authorities through prescribed screening procedures for the exclusive use for a defined period of time of a valuable invention generated by R&D.

◆ **Patent asset size (Patent Asset Index™)**

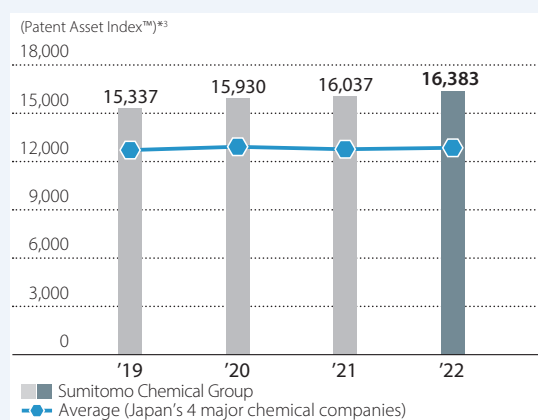
An objective quantification of the overall value of the patents held by Sumitomo Chemical Group based on the technological attractiveness and market exclusivity of each patent. Maintaining attractiveness requires continued R&D that addresses new requests from society.

◆ **Highlights of sustainability efforts**

- We will thoroughly implement the use of AI/MI*1 in our R&D labs, and accelerate the generation of new businesses in four priority areas through collaboration with academia and startups. In addition, we will promote initiatives from a long-term, comprehensive perspective through the Company's Grand Design aimed at realizing carbon neutrality.
- Our patent asset size has remained high, reflecting our efforts to step up R&D and patenting in recent years. We will continue to enhance and strengthen our patent portfolio.

*1 Artificial Intelligence / Materials Informatics

■ Patent Asset Size*2



*2 Patent asset size is evaluated using the Patent Asset Index™, generated using the patent analysis tool LexisNexis PatentSight®.

*3 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).

Key Performance Indicators (KPIs) for Material Issues

Material Issue Bolster competitiveness leveraging DX

We will evaluate our level of achievement in terms of 12 items, using a rating scale from 1 to 4, and use the mean value of the scores as our Digital Maturity Level.

KPI	Digital maturity level		
	FY2020	FY2021	FY2022
Digital maturity level (a 4-point-rating scale)	2.9 points	3.3 points	3.5 points

We have put in place the Digital Maturity Level in which we rate 12 items for promoting digital transformation (DX), in terms of ideal approaches to business management and systems and the establishment of IT systems. Self-assessment of our level of achievement and challenges for each item can lead us to take actions to attain higher levels, and help us sustainably improve in a continuous evaluation cycle.

Digital Maturity Level

Score	Maturity Level
4	Continuous Group-wide implementation of digital technologies based on the "SCC Group strategy" and quantitative evaluation criteria
3	Group-wide implementation of digital technologies based on the "SCC Group strategy"
2	Implementation of digital technologies in some business units based on the "SCC Group strategy"
1	Implementation of DX in some business units without a clear "SCC Group strategy"

12 Evaluation Items

Ideal approaches to business management and systems for promoting DX*	Development of IT systems as a foundation for achieving DX
1. Strategies and vision	7. Systems and governance
2. Commitments by business management	8. Secure HR recruitment
3. Mindset and corporate culture	9. Ownership of the business operation department
4. Promotion and support systems	10. Analysis and assessment of IT assets
5. HR development and secure HR recruitment	11. Categorization of IT assets and planning thereof
6. Reflection of outcomes in business	12. IT system after IT renovation: Ability to follow up on changes

* DX stands for Digital Transformation

Note: Refer to the Guidelines for Promotion of Digital Transformations and Assessment Indices for Digital Management Reforms ("DX Promotion Indices") by METI

FY2022 main initiatives and policies moving forward

- We established "improve productivity and strengthen businesses through digital innovation" as a basic policy in the Corporate Business Plan to realize sustainable growth. In fiscal 2022, we rolled out initiatives for all steps of our digital transformation strategy, and the KPIs of all relevant evaluation items increased.
 - The DX Strategy 2.0, which is led by business divisions, started in fiscal 2021 and has become engrained. We systematically trained DX personnel, placed personnel in all sectors, built a data utilization foundation (Company-wide common foundation for analyzing and utilizing data), and strengthened the corporate systems supporting DX promotion.
 - We launched the DX Strategy 3.0 promotion team to support the creation of new business models.
- In fiscal 2023, we are still undertaking the following initiatives under the Corporate Business Plan.
 - With the DX personnel we have trained playing a central role, we fully launched efforts to strengthen existing businesses and enhance productivity using DX and rolled out these efforts globally.
 - The newly formed DX 3.0 Strategy provides support across the Company and quickly realizes the creation of new business models that utilize data.

Highlights of sustainability efforts

- The Company's DX Strategies and series of initiatives based on those strategies were praised, and we were certified as an operator who conducts excellent DX initiatives by the Ministry of Economy, Trade and Industry. (Date of first certification: July 1, 2021; Date of renewed certification: July 1, 2023)
- We developed CFP-TOMO™, which is a tool for calculating carbon footprints, and rolled it out to chemical industry activities.

Each Field's Promotion Divisions and Frontlines Cooperated to Steadily Promote Initiatives

DX Strategy 1.0 (Enhancing productivity) DX Strategy 2.0 (Strengthening competitive advantages of existing businesses)	Common	<ul style="list-style-type: none"> Expand DX Repositories (an annual event to share DX activities) into activities that include Group companies with the aim of raising each person's transformation mindset, stimulating DX, and creating innovation
	Plant	<ul style="list-style-type: none"> Roll out efforts to make operational management duties more efficient using an electronic daily reporting system to all Works Construct data utilization foundations and increase effectiveness of product quality assurance operations Introduce analytical AI using camera images into operation monitoring duties and make operations more sophisticated at multiple plants
	R&D	<ul style="list-style-type: none"> Roll out a material informatics (MI) platform furnished with data tools that enable anyone to conduct MI to all research laboratories We are currently building systems to share technical data across research laboratories and began pilot tests from May 2023. Make image analysis faster and more sophisticated using deep learning technology (applying AI technology to segmentation processes)
	SCM	<ul style="list-style-type: none"> Roll out marketing automation tools (visualizing website visitation records) Secure latent customers by deploying an AI chat bot (deployment case: product introductions (Japanese only)) Roll out tools for making systems and operational management tasks more efficient overseas, including to Europe and South America
	Office	<ul style="list-style-type: none"> Proactively utilize office-related digital tools (including RPA, Teams, electronic requests) for the individual tasks of each sector Promote measures to enhance the efficiency of accounting processes using digital technology Establish data infrastructure by introducing an advanced search system
DX Strategy 3.0 (Creating new business models) Personnel training		<ul style="list-style-type: none"> Launch the DX Strategy 3.0 promotion team (a team supporting the creation of new business models) and begin full-scale efforts to quickly realize new business models that utilize data Based on the training program customized for Sumitomo Chemical, train digital personnel (business- and technology-related). Make steady progress toward medium-term targets (until the end of fiscal 2024). Set targets for training and number of personnel promoting DX and target the placement of DX personnel in all sectors. To this end, we are working hard to train business-related DX personnel in addition to R&D- and production-related DX personnel. Number of personnel as of March 31, 2022. Numbers inside parentheses are medium-term targets. Business-related: Business translators: 99 (150), Business data analysts: 28 (100) Technology-related: Data scientists: 19 (30), Data engineers: 202 (300) Accumulate and share knowledge through a DX repository and DX liaison meetings Conduct education (e-learning) to enhance DX literacy for all sectors and grades to lift up the overall level

Key Performance Indicators (KPIs) for Material Issues

Material Issue Human resources: DE&I, development & growth, health

We 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 the Group through enhanced engagement.

DE&I (Diversity, Equity, and Inclusion)

We have established the Basic Principles on the Promotion of DE&I as our Group-wide guiding philosophy related to the promotion of diversity, equity, and inclusion. Based on these principles, each of about 100 major Group companies will determine their own KPIs in view of their respective circumstances.

New KPI: Sumitomo Chemical (non-consolidated)

Based on our policy of emphasizing training and growth from a medium- to long-term perspective, which is a basic human resource policy of Sumitomo Chemical, we set KPIs that focus on the rate of employee promotion to managerial posts to determine the progress of our suite of female advancement measures, including those related to recruitment, training, promotion, and environmental adjustment. We will continue working to further promote the advancement of women through initiatives aimed at these targets.

- 1. Percentage of employees promoted to managerial positions (equivalent to section manager) filled by female employees**
Target: Over 15% of average over the 5 years between FY2023 and FY2027
- 2. 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.**
Target: Over 90%



◆ Progress of Group companies in Japan and overseas in setting KPIs

Many of the KPIs set by Group companies are related to the active promotion and empowerment of women, work-life balance, and diversity regarding nationality, racial background, and age. Going forward, we will continue working with Group companies to promote initiatives aimed at achieving these KPIs.

https://www.sumitomo-chem.co.jp/english/sustainability/files/docs/kpi_diver_group.pdf

Development & Growth

To encourage people to learn and grow on their own, in line with the concept of “whenever, wherever, however many times,” we offer training programs they can select for themselves.

KPI

50% or more of all employees taking self-selected training programs by FY2024



◆ Self-Selected Training Programs

(1) Learning platform SUMIKA Learning Square

In-house programs to acquire comprehensive knowledge related to operations (a total of 50 courses, steadily expanding)

(2) Self-Improvement Courses

Programs that enable learning on personal smartphones and PCs, such as business and language skills (a total of 700 courses and 6,500 videos)

Health

KPI

Maintain certification as a Health & Productivity Management Outstanding Organization (White 500)*



Results (March 2023)

Maintained certification over the past 6 years since fiscal 2017

* The program was created in 2016 by the Ministry of Economy, Trade and Industry. It recognizes companies that practice outstanding health and productivity management based on the health promotion efforts of the Japan Health Council and initiatives aligned with local health issues. (Health and productivity management is a registered trademark of NPO Kenkoieji.)



Corporate Business Plan (FY2022 – FY2024) and Sustainability

Currently, we are advancing our fiscal 2022 to fiscal 2024 Corporate Business Plan under the slogan, Change and Innovation—with the Power of Chemistry.

In recent years, awareness of sustainability has gained momentum. Taking this as an opportunity, we aim to use our strengths in diversity—from business and technology to geography and people—to broadly pursue a Green Transformation (GX), leveraging the Power of Chemistry to the hilt to address social challenges such as carbon neutrality and ecosystem conservation.

Through these activities we will make powerful contributions aimed at resolving social challenges in four priority areas—the environment, the food supply, healthcare and information communications technology (ICT).

[▶ P.18 The Material Issues to Be Addressed as Management Priorities](#)

[▶ P.20 Key Performance Indicators \(KPIs\) for Material Issues](#)

FY2022 – FY2024 Corporate Business Plan

The graphic features a dark blue background with a green gradient on the right side. At the top, a white banner contains the word "Slogan". Below this, the main slogan "Change and Innovation ~ with the Power of Chemistry ~" is displayed in large white and colorful text. Underneath, a subtitle reads "Bringing together the power of chemistry to contribute to solving society's challenges". Two white boxes with blue headers are connected by a large white "X" symbol. The left box is titled "Sumitomo Chemical's strengths" and lists "Diversity of businesses, technologies, geographies and people at Sumitomo Chemical". The right box is titled "Further growth opportunities" and lists "Advancing Green Transformation (GX) in a broad sense responded to changes in society". At the bottom, another white banner contains the word "Basic Direction". Below this, a white box lists six bullet points: "Further improve business portfolio (strengthen and reform businesses)", "Improve financial standing", "Accelerate the development of next-generation businesses", "Obligations and contributions toward carbon neutrality", "Improve productivity and strengthen businesses through digital innovation", "Employ, develop and leverage human resources for sustainable growth", and "Ensure full and strict compliance and maintain safe and stable operations".

Slogan

Change and Innovation ~ with the **Power** of Chemistry ~

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

Sumitomo Chemical's strengths

Diversity of businesses, technologies, geographies and people at Sumitomo Chemical

Further growth opportunities

Advancing **Green Transformation (GX)** in a broad sense responded to changes in society

Basic Direction

- Further improve business portfolio (strengthen and reform businesses)
- Improve financial standing
- Accelerate the development of next-generation businesses
- Obligations and contributions toward 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

Promoting Sustainability

Contributing through Business—Sumika Sustainable Solutions (SSS)

Sumitomo Chemical recognizes that environmental and climate change problems present the Group with business opportunities, such as an increase in demand for products and technologies that help solve issues related to the environment and climate change by, for example, reducing GHG emissions. To seize these kinds of opportunities, the Environmentally Friendly Product Designation Committee (Sumika Sustainable Solutions Designation Committee) designates the Group's products and technologies that contribute to such issues as global warming countermeasures, reducing environmental burden, and effective use of resources, as Sumika Sustainable Solutions (SSS) and encourages their development and widespread adoption.

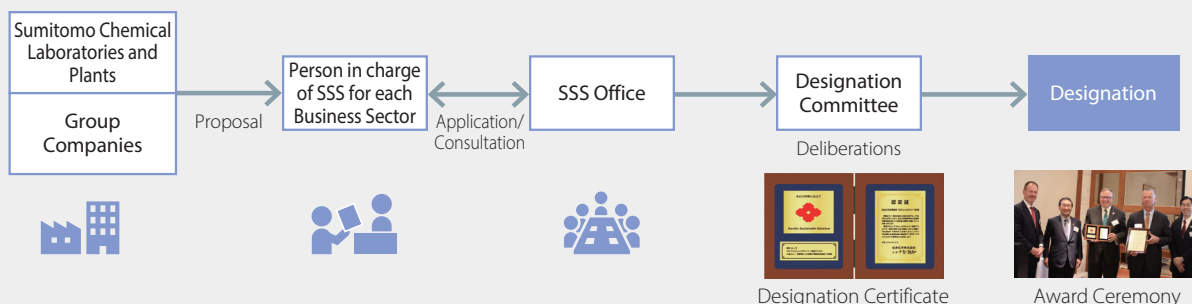
We have also set targets based on sales revenue from SSS-designated products, and we have been monitoring the progress of our efforts using those KPIs. In addition, we include contributions to the creation of social value and SSS designation in the selection criteria for our employee commendation system.

Going forward, the Group will continue solving issues in order to build a sustainable society by devoting its attention to promoting the development and widespread use of SSS-designated products and technologies.

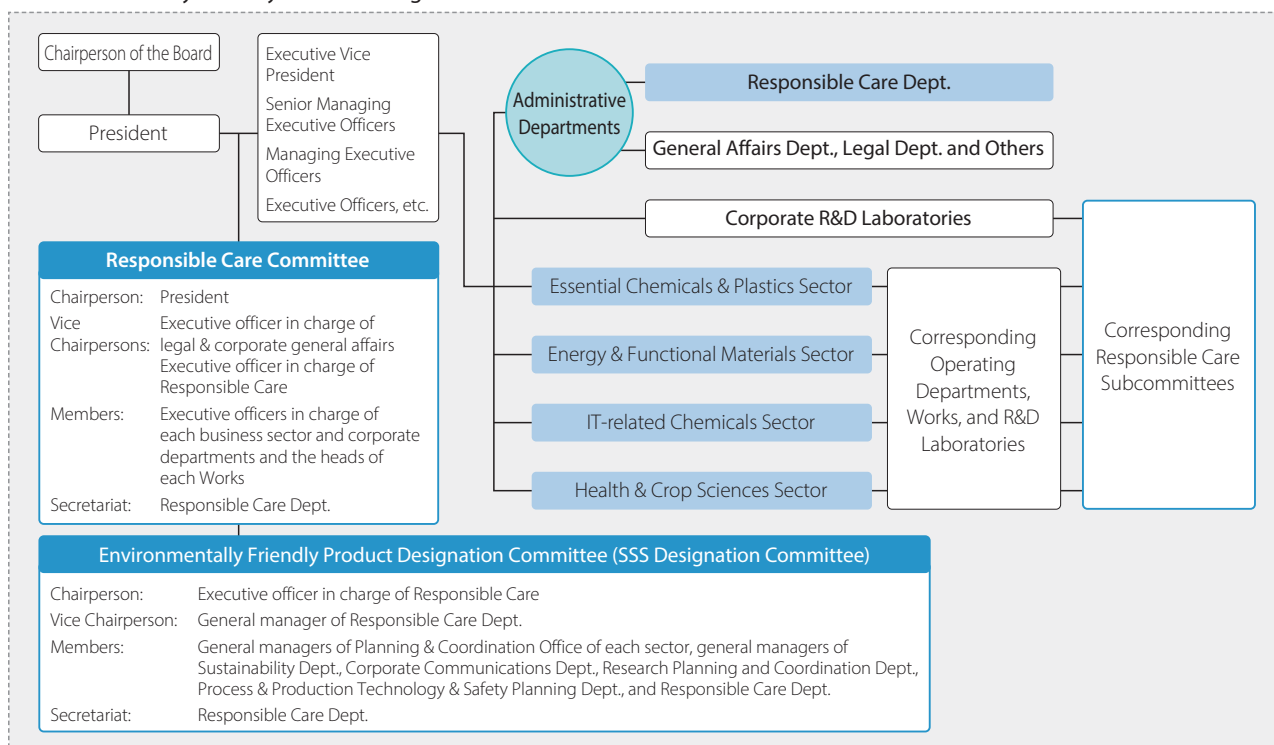
Note: The Environmentally Friendly Product Designation Committee (Sumika Sustainable Solutions Designation Committee) was established under the Responsible Care Committee.

The Process of SSS Designation

Our laboratories, plants and Group companies apply for designation for their products and technologies, and the Designation Committee formally makes the designation. To date, each in-house designation has been reviewed and verified by a third-party organization.



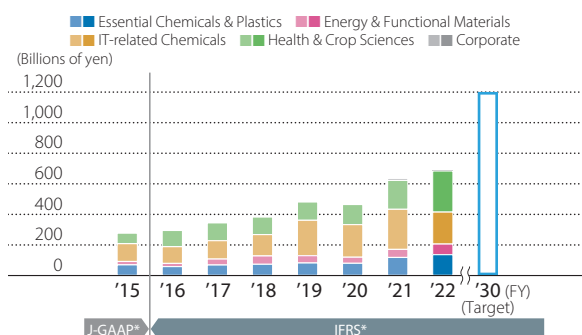
Environmentally Friendly Product Designation Committee



Promoting Sustainability

In fiscal 2022, the eighth year of this initiative, the number of SSS-designated products and technologies totaled 71, amounting to approximately 682.8 billion yen in terms of sales revenue. New designations were given to such products and technologies of Sumitomo Chemical and the Sumitomo Chemical Group as gallium nitride (GaN) epitaxial wafers for high frequency 5G communication applications, ecologically friendly pouch containers for liquid shower herbicides to replace spray containers, BENICA Natural Spray insecticide using only natural derived ingredients, organism-based crop protection products that can be used in eco-friendly agriculture, and SumiLarv® 2MR and WALS®, which contribute to vector control. The Company is now aiming to achieve sales revenues of 1,200 billion yen from SSS-designated products and technologies by fiscal 2030.

Sales Revenue of SSS-designated Products



* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

	FY2022
Sales revenue of the Sumitomo Chemical Group	2,895.3
Sales revenue of SSS-designated products	682.8

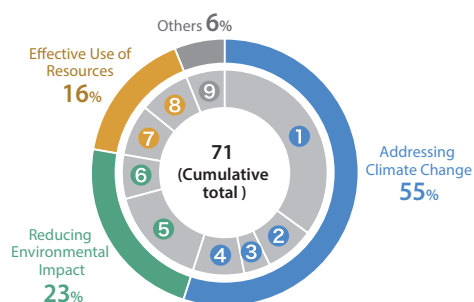
Designation Requirements by Category

Category	Designation Requirements	Responses to the SDGs
Addressing Climate Change	1 Contributing to reducing GHG emissions	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
	2 Products, components, and materials used for the creation of new energy sources	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
	3 Using biomass-derived raw materials	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
	4 Contributing to adapting to the impacts of climate change	13 CLIMATE ACTION
Reducing Environmental Impact	5 Contributing to reducing waste and toxic substances, and contributing to reducing environmental impact	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	6 Contributing to reducing environmental impact in food production	2 ZERO HUNGER, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Effective Use of Resources	7 Contributing to recycling and energy-saving	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	8 Contributing to the efficient use of water	6 CLEAN WATER AND SANITATION
Others	9 Other contributions to building a sustainable society	(Depends on the project)

Note: Regarding the designation requirements and responses to the SDGs, if multiple goals are listed, the product or technology may not address certain aspects of the goals.

Promoting Sustainability

Percentage of Products and Technologies in Each Certification Field (FY2022)



Sumitomo Chemical was awarded the Grand Prize in the 52nd Annual JCIA Technology Awards (May 2020) from the Japan Chemical Industry Association for its technology that enabled “the development and commercialization of a process for manufacturing propylene oxide (PO) using cumene, which has low environmental impact and is free from co-products” and in the 54th Annual Awards (May 2022) for its technology that enabled “the development and commercialization of a process for manufacturing sodium using hydrochloric (HCl) acid, which has low environmental impact.” In addition, Sumika Chemical Analysis Service, Ltd. was awarded the 21st Annual Environmental Technology Award (April 2021) from the Kinka Chemical Society for its “simple sampling technology for hydrogen quality evaluation for fuel-cell vehicles (FCVs).” These technologies have been certified as Sumika Sustainable Solutions.

Sumika Sustainable Solutions

<https://www.sumitomo-chem.co.jp/english/sustainability/management/promotion/sss/>

Promoting Sustainability

“Sumika Sustainable Solutions” Main Products and Technologies

Solutions	◆ Features / ● Contributions	Contributions to SDGs
Addressing Climate Change		
PERVIO™, lithium-ion secondary battery separator	<ul style="list-style-type: none"> ◆ A material capable of providing high-capacity lithium-ion secondary batteries ● Contributing to the expanded use of next-generation vehicles, such as electric vehicles 	 
SUMIKAEXCEL™, polyethersulfone	<ul style="list-style-type: none"> ◆ An additive for carbon-fiber reinforced plastics used in aircraft ● Making aircraft lighter and hence fuel-efficient 	 
UV curing for polarizer lamination	<ul style="list-style-type: none"> ◆ A polarizing film for displays ● Achieves substantial energy saving in manufacturing compared with conventional methods 	  
SUMIMET™, feed additive methionine	<ul style="list-style-type: none"> ◆ Adding methionine to poultry feed improves the balance of amino acids in feed ● Reduced nitrogen in poultry excrement, a cause for greenhouse gas emissions 	 
Carbon dioxide separation and recovery technology (Sumitomo Joint Electric Power Co., Ltd.)	<ul style="list-style-type: none"> ◆ Separates and recovers CO₂ from gases exhausted from a thermal power station, which is then used as an auxiliary material for chemicals production at another manufacturing plant of Sumitomo Chemical's Ehime Works.* * Technology for CO₂ separation and recovery is a proprietary technology of Nippon Steel Engineering Co., Ltd ● Contributes to reducing CO₂ emissions. 	
HEATORAGE™, COMFORMER™, heat storage plastic material	<ul style="list-style-type: none"> ◆ These heat storage plastic materials are designed to absorb and release heat in the 20°C to 50°C temperature range. ● Using this between insulation layers in the roofs of residences reduces the cooling burden in summer. 	 
Cathode materials and their precursors for lithium-ion secondary batteries (Battery Materials Division / Tanaka Chemical Corporation)	<ul style="list-style-type: none"> ◆ These cathode materials and precursors significantly improve the performance of lithium-ion secondary batteries. ● Switching from gasoline cars to hybrid cars will help enhance fuel efficiency. 	 
Thermofil™ HP, glass fiber- reinforced polypropylene (Sumika Polymer Compounds Europe Ltd.)	<ul style="list-style-type: none"> ◆ Glass fiber-reinforced polypropylene that can be used to replace aluminum and glass fiber-reinforced polyamide parts ● Emits less GHG during production 	 
Simple sampling technology for hydrogen quality evaluation for fuel-cell vehicles (FCVs) (Sumika Chemical Analysis Service, Ltd.)	<ul style="list-style-type: none"> ◆ A better analysis method for evaluating the quality of hydrogen gas ● Enables the extraction of gas samples at low pressure, thereby improving safety during shipping and reducing GHG emissions 	 
Phosphoric acid-free silver etchant (DONGWOO FINE-CHEM Co., Ltd.)	<ul style="list-style-type: none"> ◆ Developed phosphoric acid-free etchant is produced using biomass-derived raw material. ● Uses biomass-derived citric acid as a raw material. Resilient to phosphorous supply shortages because it does not use phosphoric acid 	
Lightweight packaging containers for crop protection chemicals (Sumitomo Chemical Latin America)	<ul style="list-style-type: none"> ◆ Reduce the weight of HDPE containers used to ship crop protection chemicals ● Reduces the amount of HDPE materials used in manufacturing and thus GHG emissions while resulting in lighter containers 	 
Gallium nitride (GaN) epitaxial wafers for radio frequency wireless communication applications	<ul style="list-style-type: none"> ◆ Developed GaN epitaxial wafers that have higher saturation velocity and higher critical electric field than Si/GaAs wafers ● These wafers are used in transistors for high-frequency power amps in 5G base stations, which helps reduce the power consumption of wireless infrastructure that utilizes radio frequency signals. 	























Promoting Sustainability

“Sumika Sustainable Solutions” Main Products and Technologies

Solutions	◆ Features / ● Contributions	Contributions to SDGs
Reducing Environmental Impact		
High-purity alumina (for use in automotive O ₂ / NO _x sensors)	 <ul style="list-style-type: none"> ◆ This material is used as insulation for the high-performance sensors that are needed to keep automotive emissions of NO_x and other gases under mandated levels. ● It helps reduce greenhouse gas emissions. 	
Biorationals (Microbial pesticides, plant growth regulators, biorational rhizosphere microbial agricultural materials)	 <ul style="list-style-type: none"> ◆ Use of active ingredients derived from naturally occurring substances ● Contributes to the promotion of sustainable agriculture and the stable supply of safe and secure food 	
Cobalt-coated nickel Hydroxide positive Electrode material (Tanaka Chemical Corporation)	 <ul style="list-style-type: none"> ◆ Making the designing of high-output nickel hydride batteries possible ● It contributes to widespread use of environmentally friendly vehicles. Cobalt usage can also be reduced. 	
Polypropylene materials for aluminum metallization film (The Polyolefin Company (Singapore) Pte. Ltd.)	 <ul style="list-style-type: none"> ◆ Polypropylene materials for aluminum metallization film, used for food packaging to extend shelf life. ● Helping extend the shelf life of food products 	
TPEs for non-painted airbag covers	 <ul style="list-style-type: none"> ◆ These TPEs are for airbag covers and offer a superb, high-quality appearance even when not painted. ● These TPEs reduce the generation of VOCs during painting, which occurs mainly during the drying process. 	
Manufacturing technology for fluorene derivatives (Taoka Chemical Co., Ltd.)	 <ul style="list-style-type: none"> ◆ A better method for manufacturing fluorene derivatives, the raw materials for plastic lenses ● Uses a new manufacturing method to help lower GHG emissions, water use, and water emissions 	
GaN substrates for laser light source projectors	 <ul style="list-style-type: none"> ◆ Developed GaN substrates, to operate LED laser light used to replace mercury lamps in projectors ● Reduces GHG emissions by allowing replacement of mercury lamps with LED laser light 	
Ecologically friendly pouch containers for liquid shower herbicides (Rainbow Chemical Co., Ltd.)	 <ul style="list-style-type: none"> ◆ Replaced plastic bottles with standing pouch containers for liquid shower herbicides ● It reduces the volume and weight of plastic waste. 	
BENICA Natural Spray (Sumitomo Chemical Garden Products Inc.)	 <ul style="list-style-type: none"> ◆ A new insecticidal and fungicidal spray using a unique formulation of three naturally derived ingredients that shows outstanding efficacy against lepidopteran pests. ● Replacement with sprays using naturally derived ingredients contributes to reducing environmental impact. 	
Natural predator insects, organism-based crop protection products (Sumika Technoservice Corporation)	 <ul style="list-style-type: none"> ◆ Organism-based crop protection products created using proprietary free-range technologies to raise and commercialize indigenous species ● Built a sustainable eco-friendly agriculture industry by delaying the onset of chemical resistance and reducing environmental impact arising from agrochemicals 	

Promoting Sustainability

“Sumika Sustainable Solutions” Main Products and Technologies

Solutions	◆ Features / ● Contributions	Contributions to SDGs
Effective Use of Resources		
SUMIKATHENE™EP, EXCELLEN™GMH, polyethylene used for refill pouches	<ul style="list-style-type: none"> ◆ For detergent packaging, pouch bags made of this polyethylene material have easy tear-open spouts for easy refilling of dispensers ● Producing less plastic waste than rigid bottles 	 
Multi-purpose polypropylene sheet (Sumika Plastech Co., Ltd.)	<ul style="list-style-type: none"> ◆ Being free from paper dust concern and desirable from a viewpoint of re-use, it is used for food containers and delivery materials for electronic parts. ● Contributing to reducing greenhouse gas emissions. 	 
Effluent treatment technology using a deammoniation tower	<ul style="list-style-type: none"> ◆ Removes and recovers ammonia from effluent and recycles it for re-use. ● Contributes to reducing nitrogen discharge from a manufacturing plant. 	
Transfer technology used in the manufacture of flexible touch sensors (Dongwoo Fine-Chem Co., Ltd.)	<ul style="list-style-type: none"> ◆ Manufacturing touch sensors for use in foldable smart-phones without the use of adhesive film ● Resource savings and reductions in power consumption have been achieved 	 
Prevention of iodine oxidation in manufacturing process for polarizing films	<ul style="list-style-type: none"> ◆ A technology that prevents the oxidation of iodine through optical control, used in the polarizing film manufacturing process ● Contributes to resource saving and environmental impact mitigation by reducing the use of chemicals 	 
Polymer OLED materials	<ul style="list-style-type: none"> ◆ A coating method for producing polymer OLED materials, replacing conventional deposition method ● Reduces GHG emissions by increasing usage efficiency of OLED materials during manufacturing 	  
Fungicide filling and maintenance system technology (Pace International)	<ul style="list-style-type: none"> ◆ A fungicide dilution preparation system used for post-harvest fungicide treatment ● Over 50% reduction in water usage from conventional methods 	  
Others		
Polypropylene material for biaxially stretched films for capacitors (The Polyolefin Company (Singapore) Pte. Ltd.)	<ul style="list-style-type: none"> ◆ Polypropylene material for capacitors that limits metal content (ash) from catalysts residue to ultra-low levels ● Reduces GHG emissions during manufacturing by enabling a switch from conventional PET film to PP film 	  
Banana Bag (TotalFlex™ 0.4) (Sumitomo Chemical Latin America)	<ul style="list-style-type: none"> ◆ Developed a protective banana bag ● Eliminates the need to spray leaves with insecticide, reducing chemical exposure of producers to insecticides and improving the working environment. 	 
SumiLar® 2MR with WALS® (Sumitomo Chemical Latin America)	<ul style="list-style-type: none"> ◆ Promotes relatively optimized vector control by combining SumiLar® 2MR and WALS®, which can spray the biorational VectoBac™ effectively through the air. ● Builds a sustainable society through vector control that uses fewer chemicals to prevent outbreaks and the spread of dengue fever and other infectious diseases 	 

Promoting Sustainability

Sumitomo Chemical Group: JIRI-RITA ACTION

To accelerate the promotion of sustainability, the Sumitomo Chemical Group considers it essential that all management executives and employees share the corporate philosophy, have a deep understanding of sustainability, and work together to carry out initiatives. As an effort to engage all management executives and employees and promote this “participation by all” principle, we have run the Global Project since 2014. Via a dedicated website, we strive to deepen understanding of this initiative’s established themes. The initiative is intended to spur action to promote sustainability and foster greater Group unity by enabling participants to post about their own ideas and actions and to share their views. In 2023, the 10th year since the start of this initiative, we are still promoting relevant activities and changed the name to JIRI-RITA ACTION to better communicate the idea that each action a Group employee takes should be imbued with the spirit of “*Jiri-Rita Koushi-Ichinyo* (Our businesses must benefit society at large, not just our own interests).”

Initiatives to Date



The Sumitomo Chemical Group: JIRI-RITA ACTION (Previously the Sumitomo Chemical Group Global Project) in the past

<https://www.sumitomo-chem.co.jp/english/sustainability/management/promotion/globalproject/archive/>

2023 Initiative

In 2023, we chose carbon neutrality as the theme, and, on the dedicated website, the Sumitomo Group’s management executives and employees around the world are posting and sharing what they are doing and their thoughts on carbon neutrality in their daily lives and work. Posting and sharing their thoughts and actions help accelerate understanding and implementation of “*Jiri-Rita Koushi-Ichinyo* (Our businesses must benefit society at large, not just our own interests).” In addition, by expressing empathy and support for ideas and actions being undertaken around the world, we aim to create a reinforcing cycle of inspiration among Group employees as well as between management executives and employees.

Title: JIRI-RITA ACTION 2023—Shape Our Sustainable Future with *JIRI RITA*

Theme: Creating a Carbon-Neutral Future through Your Action

Overview: Focusing on carbon neutrality, which is part of the green transformation (GX) set out in the Corporate Business Plan, we ask management executives and employees to share information on the actions they are taking to reduce CO₂ emissions in their daily lives and work.

- (1) Check awareness level: Check your level of awareness regarding carbon neutrality
- (2) Know: Know what you can do to reduce CO₂ emissions
- (3) Post: Post about the actions you take to reduce CO₂ emissions
- (4) Empathize: React to likes and positive comments on posts from around the world
- (5) Invite: Invite colleagues and others to the dedicated website and amp up enthusiasm across the entire Group for initiatives aimed at realizing carbon neutrality

Promoting Sustainability

Implementation period: May 8–July 31, 2023

Platform: Dedicated website that Group management executives and employees can access



Sumika ★ Stories

For the purpose of instilling sustainability among young employees, Sumitomo Chemical began Sumika ★ Stories, a new series of events held in person and online, from November 2021.

For the Sumika ★ Stories, we tell “stories about contributing to society through our business” using examples of successful contributions made through technologies and initiatives related to Sumitomo Chemical’s unique style of sustainability undertaken with a sense of purpose and passion. We aim to continue creating Sumitomo Chemical stories with an eye to the future, fueled by awareness and a sense of accomplishment gained through these events.

In fiscal 2022, we held the event four times. Participants offered such feedback as “I was able to see another side of Sumitomo Chemical. Learning more about the Company made me like it better,” “This was significant for me because it gave me information I could use in my own private life,” and “The atmosphere of the event venue was welcoming, and I liked how all audiences could participate using the real-time feedback system.” Going forward, we plan to hold four to five events every year.

Concept

Points: (1) **Stories Unique to Sumitomo Chemical**

We use cases related to the Group’s sustainability, such as SSS (refer to page 30), as topics and get speakers to talk about case overviews, dreams, ideas and other private matters, bolstering participants’ awareness, pride, and sense of accomplishment.

(2) **Facilitation Centered on Young People**

To realize a sustainable society, going forward, young employees, who will be central to leading the way, will facilitate fun conversations in a casual atmosphere with the support of veteran employees.

(3) **Interactive**

We are using a real-time feedback system as a form of two-way communication. This expands our scope of empathy by enabling employees participating on-site and those participating online to immediately share their ideas.

FY2022 Event Results

	Theme	Number of participants
Third talk	Close-up New Corporate Business Plan	277
Fourth talk	The Present, Past, and Future of Inorganic Materials	369
Fifth talk	Let’s create an Era of Circular Plastics	359
Sixth talk	Now? Now is the time! Talk from Digital and Data Science Innovation Department: DX Drivers who can create “value” from “data”	353



Use of the real-time feedback system



Scene from the day of the event

Participation in Initiatives

The Sumitomo Chemical Group lists active participation in global initiatives as one of its Basic Principles for Promoting Sustainability. To promote sustainability (i.e. contributing to establishment of sustainable society through achieving sustainable growth of business.), we are actively participating in initiatives because we consider it important to work with a broad range of organizations, including various international organizations, national and local governments, companies, and industry groups.

Initiative Participation Record

Our UN Global Compact Activities

The Sumitomo Chemical Group joined the UN Global Compact (UNGC) in January 2005, as the first Japanese chemical company. The UNGC is a voluntary initiative that encourages participating companies and organizations to help create a global framework for realizing sustainable growth and take action as a good member of society by demonstrating responsible and creative leadership. It outlines ten principles related to protecting human rights, abolishing unfair labor practices, adapting to the environment, and preventing corruption, and over 17,000 companies and organizations have signed on. We are one of 37 Global Compact LEAD companies in the world, recognized for our constant engagement with the UNGC and our business activities that comply with the UNGC's ten principles.

We are participating in two action platforms: "Climate Ambition" and "Peace, Justice and Strong Institutions."

In addition, at the September 2020 UN General Assembly, which coincided with the 75th anniversary of the United Nations and the 20th anniversary of the UNGC, we signed onto the UNGC's A Statement from Business Leaders for Renewed Global Cooperation. The purpose of this statement was for the world's business leaders to again emphasize the importance of international cooperation and global governance. The statement was presented to the UN Secretary-General along with a list of CEOs who signed on to it.

Gist of a Statement from Business Leaders for Renewed Global Cooperation

- This year, coinciding with the 75th anniversary of the United Nations, the world is facing a range of crises, including the COVID-19 pandemic, climate change, and economic uncertainty.
- Against this backdrop, we as global business leaders commit to demonstrate leadership based on ethics, practice good corporate governance, and take measures to respect human rights so as to correct structural inequalities and injustices, by working together with all stakeholders in the spirit of renewed global cooperation.
- In making this commitment, we call on governments to protect human rights, ensure peace and security, and uphold the rule of law in order to ensure the prosperity of businesses, individuals and societies; to contribute to the welfare of people and the planet by strengthening international cooperation and national legal frameworks; and to enhance multilateralism and global governance so as to fight corruption, build resilience, and achieve the SDGs.

A Statement from Business Leaders for Renewed Global Cooperation on the UNGC website

https://ungc-communications-assets.s3.amazonaws.com/docs/publications/UN75_UnitingBusinessStatement.pdf

Participation in Initiatives

The Ten Principles of the UN Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Global Compact
LEAD
2021 PARTICIPANT

The Ten Principles of the UN Global Compact (from the Official Website of the UN Global Compact)

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

LEAD Company Certification Standards

- Participate in at least two UNGC action platforms, contribute to UNGC activities on an ongoing basis, and clearly demonstrate leadership in line with the Ten Principles and Global Goals
- Release an annual sustainability report detailing the progress of initiatives for the Ten Principles

President Iwata's Remarks Included in the UN Global Compact's CEO Study (released January 16, 2023)

"Nature positive is a concept or approach that encompasses carbon neutrality. Mitigating and reversing the loss of the components of nature, such as air, water and soil, is a pressing issue faced by humanity, and we should meet this challenge head-on, placing utmost and equal importance on each of those components."



The 12th United Nations Global Compact-Accenture CEO Study

<https://unglobalcompact.org/library/6103>

Participation in Initiatives

Participation in the WBCSD*1

The Sumitomo Chemical Group joined the World Business Council for Sustainable Development (WBCSD) in 2006 and has participated primarily in activities related to addressing climate change.

Recently, we have broadened the scope of our activities while strengthening our alliances with member companies in the chemical sector. Specifically, we participated in formulating the Chemical Sector SDG Roadmap, which organizes sustainability-related fields and issues pertaining to the chemical industry using the SDG framework with the aim of realizing sustainability.



WBCSD | Chemical Sector SDG Roadmap

<https://www.wbcsd.org/Programs/People-and-Society/Sustainable-Development-Goals/Resources/Chemical-Sector-SDG-Roadmap>

In addition, we participated in the formulation of the WBCSD TCFD Chemical Sector Guidance. The guidance explains how to make effective disclosures using the frameworks of the TCFD recommendations for the chemical sector and details the fundamental elements needed to analyze scenarios.

WBCSD | TCFD Chemical Sector Preparer Forum Report

<https://www.wbcsd.org/Programs/Redefining-Value/TCFD/Resources/Climate-related-financial-disclosure-by-chemical-sector-companies-Implementing-the-TCFD-recommendations>

*1 WBCSD:

This organization was established to advocate for business sector views on sustainable development. The group provides advice to help promote sustainability at international conferences, such as the World Economic Forum, the B20 Summit, and the Conference of the Parties of the UNFCCC.

Initiatives for TCFD*2 Recommendations

The Sumitomo Chemical Group uses the framework of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for disclosing information on addressing climate change and actively communicating its efforts, with the recognition that such disclosures reflect the demands of the current era. In addition, by participating in initiatives related to the TCFD recommendations amid this situation, we are collaborating on the creation of guidance through dialogue between investors and companies while learning best practices.



Our Efforts through Participation in External Initiatives

June 2017	Supported TCFD recommendations concurrently with their publication
From August to December 2018	Joined in the TCFD Study Group led by the Ministry of Economy, Trade and Industry (METI) This group studied the way in which Japanese companies disclose information to evaluate their strengths. December 2018: METI issued TCFD guidance
Since December 2018	Joined WBCSD TCFD Preparer Forum July 2019: WBCSD issued TCFD chemical sector guidance
Since May 2019	Joined the TCFD consortium established by Japanese industrial and financial communities In October 2019 at the TCFD Summit, Chairman Tokura introduced the Company's initiatives to seize climate-related opportunities. October 2019: TCFD consortium announced green investment guidance July 2020: TCFD consortium released TCFD Guidance 2.0 At the TCFD Summit in October 2022, the Executive Officer Toshihiro Yamauchi introduced the Company's initiatives to address climate change.

*2 TCFD:

This privately helmed special team was established by the Financial Stability Board, which comprises financial agencies of major countries, at the request of the G20 finance ministers and central bank governors. The task force encourages companies to make disclosures related to climate change.

Participation in Initiatives

Participation in the Forum for the Taskforce on Nature-related Financial Disclosures (TNFD)

Sumitomo Chemical further promotes ecosystem conservation and the sustainable use of natural capital.* To enhance the disclosure of nature-related information, we support the vision of the Taskforce on Nature-related Financial Disclosures (TNFD) and participate in the TNFD Forum, which is network comprising organizations and companies that have expertise related mainly to nature and finance in support of said activities. By participating in this forum, we work to further enhance nature-related disclosures.



* Capital formed by nature, including forests, soil, water, air, underground resources, and biological resources. Natural capital is a type of capital that is essential to supporting people's lives and the infrastructure of companies.

An International Alliance to Solve the Plastic Waste Problem Joining the Alliance to End Plastic Waste (AEPW)

The AEPW is an international alliance launched in January 2019 working to solve the plastic waste problem. Global companies associated with the plastic value chain have joined the alliance.



As a member company, Sumitomo Chemical financially supports AEPW's activities and also engages in the selection of projects undertaken in places around the world, verification of sustainability, and evaluation of impacts. In addition, we work with others through the AEPW framework on initiatives that would be difficult to undertake alone, such as projects to upgrade trash collection infrastructure in countries around the globe with high plastic waste emissions.

In addition, Sumitomo Chemical is deeply involved in activities that encourage solutions to the plastic waste problem through Japanese organizations via AEPW. We proactively participate in initiatives that discover and support startups that work to solve problems and webinars that consider what Japanese industries, government, and academia should do to solve the plastic waste problem with reference to successful examples of projects promoted around the world by AEPW.

AEPW

<https://endplasticwaste.org/>

A Domestic Alliance to Solve the Marine Plastic Waste Problem Joining the Japan Clean Ocean Material Alliance (CLOMA)

CLOMA is a domestic alliance launched in January 2019 working to solve the marine plastic waste problem. By fostering cross-industry cooperation related to the plastic value chain, we are promoting activities to accelerate innovation as well as encouraging the sustainable use of plastic products and the development and adoption of alternative materials.



The Company is helping out with the planning of pilot tests that aim to improve the material recycling rate. In addition, to help solve the marine plastic problem through international cooperation, we are working with other members to offer solutions from Japan in light of the current state of Indonesia's waste treatment situation and the policies of the Indonesian government.

CLOMA

<https://cloma.net/english/>

Participation in Initiatives

Participation in Japan Partnership for Circular Economy (J4CE)

The J4CE was founded in March 2021 for the purpose of strengthening public and private partnerships, with the aim of further fostering understanding of the circular economy among a wide range of stakeholders, including domestic companies, and promoting initiatives. The organization collects examples of initiatives related to advanced circular economy, disseminates and shares data on the cases in Japan and overseas, shares information and forms networks related to a circular economy, and establishes places for dialogues to promote a circular economy.



Sumitomo Chemical introduces its initiatives to realize a circular economy, including plastic chemical recycling, on the J4CE website.

J4CE

<https://j4ce.env.go.jp/en>

J4CE, SUMITOMO CHEMICAL Co., Ltd.'s cases

<https://j4ce.env.go.jp/en/member/048>

Our ICCA* Activities

The Sumitomo Chemical Group participated in the Energy and Climate Change Leadership Group of the International Council of Chemical Associations (ICCA). We contributed to joint international research related to helping reduce GHG emissions through chemical products and technologies. We also worked to promote the spread of the results of the research.



In addition, we also participate in the chemical Substance Policy and Health Leadership Group. We cooperate in conducting surveys related to regulatory trends around the world and mechanisms for relaying information on chemical substances contained in products. We also participate in working groups related to the harmonization with chemical substance categorization being introduced in Asian countries. Furthermore, we participated in a working group on plastic waste problems and in discussions based on sound science related to problems surrounding microplastics and plastic substitutes.

* ICCA:

This organization was established to harmonize the strategies of chemical industry associations and councils around the world through dialogue and cooperation. As the principal representative of the chemical industry, ICCA presents opinions to international organizations about key topics shared by its members and various activities of the chemical industry.

Stakeholder Engagement Program Hosted by Caux Round Table Japan

[P.168 Respect for Human Rights: Engaging in Human Rights Initiatives](#)

Participation in Initiatives

Our WEPs Activities

The “Women’s Empowerment Principles” (WEPs) are seven principles formulated collaboratively in March 2010 by the United Nations Global Compact (UNGC), which is a voluntary commitment framework between companies and the UN, and the United Nations Development Fund for Women (UNIFEM, now UN Women). With companies taking proactive steps and positioning gender equality and female empowerment at the core of management, the expectation is that the WEPs will be applied internationally to promote the economic empowerment of women.

The Women’s Empowerment Principles

- (1) Establish high-level corporate leadership for gender equality
- (2) Treat all women and men fairly at work – respect and support human rights and nondiscrimination
- (3) Ensure the health, safety and well-being of all women and men workers
- (4) Promote education, training and professional development for women
- (5) Implement enterprise development, supply chain and marketing practices that empower women
- (6) Promote equality through community initiatives and advocacy
- (7) Measure and publicly report on progress to achieve gender equality



In 2013, Sumitomo Chemical endorsed the WEPs. In 2016, we helped found the WEPs Subcommittee in the Global Compact Network Japan (GCNJ (UNGC’s local network)).

P.188 Human Resources Management: Promoting the Active Advancement of Women

Fiscal 2022 GCNJ’s WEPs Subcommittee Meetings Overview

Meeting	Date	Theme
1	July 8, 2022 (Friday)	What are the WEPs? Latest trends
2	August 5, 2022 (Friday)	Power to put your own opinions into words by nurturing logical thinking × D&I
3	November 30, 2022 (Wednesday)	Case studies and panel discussion of three member companies
4	March 3, 2023 (Friday)	How to create workplaces where diverse personnel thrive
5	April 4, 2023 (Tuesday)	The significance of womenomics

Note: Conducted online due to the COVID-19 pandemic

Communication with Stakeholders

Principle 4 of the Sumitomo Chemical Group's Basic Principles for Promoting Sustainability states, "We are committed to work closely with various stakeholders through promoting spontaneous disclosure of information and open dialogue on the targets of our sustainability promotion initiatives and the progress of their implementation." Our efforts to communicate with shareholders based on this principle fall into the following two categories.

- (1) **Disclosure** We disclose necessary information and report on the progress of our various initiatives. We also make an analysis of the needs of society as appropriate and review external assessment results in order to improve our communication and ensure proper disclosure.
- (2) **Dialogue** In addition to proactive disclosure, we actively engage in two-way communication or dialogue with various stakeholders. Based on the feedback provided in dialogues, we work to improve our communication and implement new initiatives.

We will continue to fulfill our responsibility to all stakeholders on the two fronts of disclosure and dialogue by enhancing our communication through a variety of efforts. We will also align our future generations with a sustainable society, paying attention to the international community and global environment.

Stakeholder Engagement



Opportunities to Communicate with Stakeholders

Stakeholders	Sumitomo Chemical Group's Responsibility	Measures
Shareholders and Investors 	We communicate regularly, effectively and strategically with shareholders and investors with regard to management policies, business strategies, and earnings trends. We fulfill our accountability to shareholders to maintain and improve the market's trust in the Sumitomo Chemical Group, while also promoting the market's accurate understanding of the Company with a view to a fair market valuation of the Company's shares and the improvement of our corporate value.	<ul style="list-style-type: none"> • General meetings of shareholders • Corporate strategy briefing meetings • Financial results conference call • Briefing meetings for individual investors • Investor relations publications, including Annual Report • Disclosure via the Company's website and social media
Customers 	We supply high-quality products and services that satisfy customers' needs and ensure safety in use to establish long-term relations with customers that are built on trust.	<ul style="list-style-type: none"> • Customer support including communication in sales activities and quality assurance • Providing information via the Company's website and other communication media • Customer support by the customer support center
Business Partners 	We are committed to building mutually-beneficial sound relations with business partners based on our Basic Procurement Principles. We also conduct fair, equitable and transparent transactions, while also encouraging our business partners to engage in sustainability efforts, in order to promote sustainable procurement across our supply chain.	<ul style="list-style-type: none"> • Communication through purchasing activities • Monitoring and providing feedback by using our Supplier Code of Conduct and Sustainable Procurement and check sheets. • A dedicated team to answer inquiries from business partners
Employees 	We are committed to ensuring employees' health and respecting employee diversity, while also devoting constant effort to human resource development and the improvement of a workplace environment so that individual employees can realize their full potential. The Company is also committed to maintaining its good relationship with the Sumitomo Chemical labor union built on mutual understanding and trust.	<ul style="list-style-type: none"> • Central labor-management meetings and operation-site labor-management meetings • Labor-management committee for the promotion of work-life balance • Various training programs • Communication via the Company's internal newsletters and intranet
Communities 	We work to help solve various global issues through cooperation on international initiatives as well as to achieve mutual prosperity with local communities by holding two-way dialogues and enhancing disclosure.	<ul style="list-style-type: none"> • Participating in international initiatives (Including UNGC, WBCSD and ICCA) • Providing information mainly through the Company's website and Annual Report • Holding dialogues with local communities • Social contribution activities

Communication with Stakeholders

External Evaluation

FTSE4Good Index Series / FTSE Blossom Japan Index / FTSE Blossom Japan Sector Relative Index

This is an index designed by FTSE Russell, a global index provider.



FTSE4Good

Consists of companies demonstrating strong Environmental, Social and Governance (ESG) practices selected from among all leading global companies.



FTSE Blossom
Japan

It consists of selected Japanese companies demonstrating strong ESG practices. FTSE selects these companies from among the stocks constituting the FTSE Japan Index, and the index is designed as an industry neutral benchmark that reflects the distribution of industries in the Japanese stock market.



FTSE Blossom
Japan Sector
Relative Index

It is designed as a sector-neutral benchmark that reflects the performance of small, mid and large cap companies demonstrating strong ESG practices in Japan. In addition, the index is designed to support the transition to a low carbon economy by evaluating companies' climate governance activities aligned with the Taskforce on Climate-related Financial Disclosures' recommendations and carbon emissions intensity to determine stock eligibility for index inclusion. The index combines data and analysis from FTSE Russell and the Transition Pathway Initiative (TPI).

MSCI Japan ESG Select Leaders Index / MSCI Japan Empowering Women Index (WIN)

This index is designed by MSCI, a provider of various tools to support institutional investors around the world in their investment decision making.



It selects companies demonstrating strong ESG practices from component issues of the MSCI Japan IMI Top 500 Index.

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

It selects companies demonstrating strong practices in promoting women's participation and advancement.



S&P/JPX Carbon Efficient Index

This is an index designed by S&P Dow Jones Indices and the Tokyo Stock Exchange. It is designed to select TOPIX stocks so that companies that disclose carbon efficiency and environmental data constitute a high proportion of the index. Our decile rating is 4, and the disclosure status is "disclosed."



Gold Medal in EcoVadis Sustainability Assessment

Sumitomo Chemical has received a Gold medal in a sustainability assessment by EcoVadis for the fourth consecutive year, an award recognizing companies whose performance is in the top 5% of all companies rated. Established in 2007, EcoVadis is a performance rating agency focused on corporate environmental, social, and governance (ESG) practices, working to help companies improve their environmental and social practices through their global supply chains. The agency has assessed about 100,000 companies from 175 countries across 200 business sectors in terms of corporate policies, initiatives, and achievements in four areas: Environment, Labor & Human Rights, Ethics, and Sustainable Procurement.

CDP "Climate Change A List 2022," CDP "Water Security A List 2022"

Sumitomo Chemical has been named on CDP's "Climate Change A List 2022" and "Water Security A List 2022" as a company recognized for its particularly excellent activities to address climate change and water security, including target setting, actions and transparency. The Company has been named on the Climate A list, the highest rating given by CDP, for five consecutive years, and on the Water Security A list for the three consecutive years.



CDP (formerly the Carbon Disclosure Project) is an international non-governmental organization that incentivizes companies and governments to become leaders in reducing greenhouse gas emissions, managing water resources, and conserving forests. CDP collects information from major companies about their environmental efforts on behalf of institutional investors around the world and scores their performance on an eight-level scale. Of 19,000 companies that disclosed their environmental efforts to CDP, 45 global companies and 10 Japanese companies received the highest ratings in terms of actions for both climate change and water security.

17th JCIA Responsible Care Awards, Grand Prix Award

The Japan Chemical Industry Association (JCIA) awarded the Sumitomo Chemical Group the Grand Prix Award at the 17th JCIA Responsible Care Awards. The Responsible Care Awards are given by the JCIA to honor companies and individuals who help stimulate and promote the widespread adoption of responsible care activities in Japan. The theme of the awards is "contributing to the realization of carbon neutrality throughout society". We were commended on our efforts assess and reduce greenhouse gas (GHG) emissions with business partners and industry organizations, such as our early start to calculating important Scope 3 emissions to reduce supply chain emissions and the provision of our unique product carbon footprint (CFP) calculation system at no cost.



一般社団法人 日本化学工業協会
Japan Chemical Industry Association

Certification

2023 Health and Productivity Management Awards – White 500

P.197 Healthcare

Next-generation Kurumin certification mark

P.185 Work-Life Balance

The Sumitomo Chemical Group's Contribution to the SDGs

We at the Sumitomo Chemical Group are committed to contribute through our business to establishing a sustainable society while also achieving our sustained growth. We have set out our guiding principles for efforts toward these goals in the Basic Principles for Promoting Sustainability. In these principles, we affirm our commitment to helping resolve critical issues facing the international community.

Sumitomo Chemical's Sustainability Efforts and the SDGs

In Principle 2 of the Basic Principles for Promoting Sustainability, we express the Group's commitment to abiding by international rules related to sustainability and helping resolve vital issues facing the international community. In particular, we pledge to promote efforts toward achieving the United Nations Sustainable Development Goals (SDGs).

P.13 Basic Principles for Promoting Sustainability

When identifying the material issues to be addressed as management priorities, we referred to the SDGs as a guideline for surveying social needs and issues. In addition, with the aim of aligning our efforts with the contribution to the achievement of the SDGs, we have set the key performance indicators (KPIs) for our material issues for social value creation based on the SDG targets, which comprises 169 items.

P.14 What Sumitomo Chemical Group Strives to Be

P.18 The Material Issues to Be Addressed as Management Priorities

P.20 Key Performance Indicators (KPIs) for Material Issues

Specific SDGs for Each Business Sector to Focus on

The Sumitomo Chemical Group is working on various efforts in order to help realize a sustainable society through innovation and business and by leveraging its strengths as a diversified chemical company.

Business Sector	Primary Focus SDGs
Essential Chemicals & Plastics	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Energy & Functional Materials	7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 13 CLIMATE ACTION
IT-related Chemicals	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS
Health & Crop Sciences	2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS
Pharmaceuticals	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS

Advance Innovation

Sumitomo Chemical believes that innovation, which is generated by our “ability to develop innovative solutions by leveraging its technological expertise in diverse areas,” one of our 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, the role played by the chemical industry in solving social issues, such as environmental, energy, and food issues, is enormous, and our business opportunities are expanding.

Our research and development is based on the following basic policies.

Basic Policy

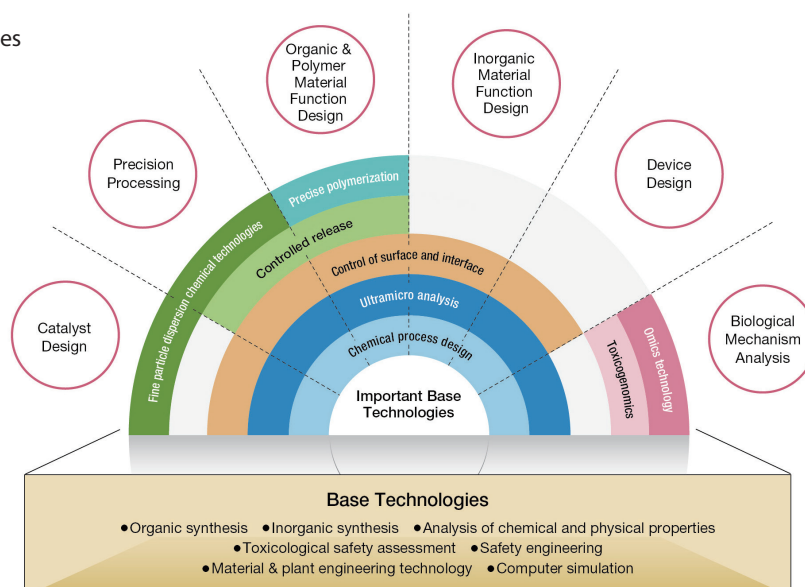
1. Early commercialization of development items
2. Building the foundation of next-generation businesses
3. Building and operating a system to continuously create innovation
4. Promoting R&D based on business (commercialization) strategies and intellectual property strategies

Strengths of Sumitomo Chemical's R&D

Sumitomo Chemical has been developing six core technologies by utilizing its technologies accumulated through a broad range of research activities over many years. The six core technologies are catalyst design, high-precision processing, design of functional organic chemicals and polymers, design of functional inorganic materials, device design, and analysis of bio-mechanisms. 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.

Moreover, in addition to developing new materials, we are also emphasizing linkages with the business of materials solutions, which encompasses the development of downstream businesses and businesses of different industries. In order to quickly and efficiently apply the fruits of our R&D efforts toward the development of high value-added businesses, we will aggressively pursue technological collaborations with academic institutions and companies from other industries around the world.

Six Core Technologies



Advance Innovation

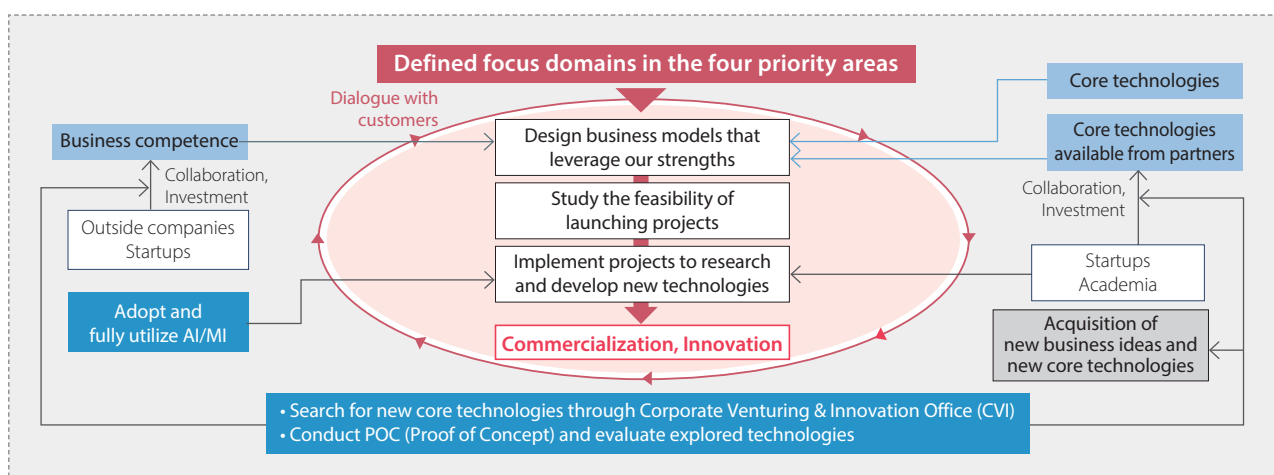
Sumitomo Chemical's Innovation Ecosystem Accelerates the Creation of Next-Generation Businesses

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 formulated focus areas for our efforts, 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.

* Materials Informatics

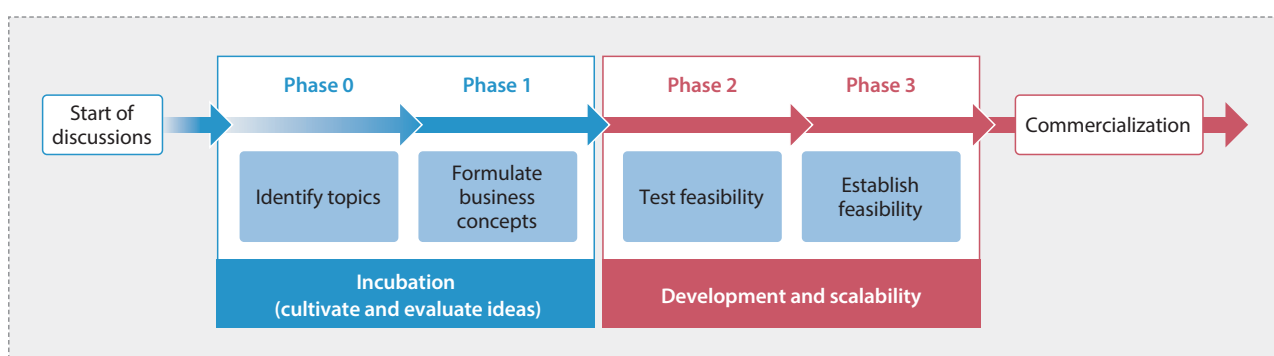
Innovation Ecosystem



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



Advance Innovation

Intellectual Property Basic Policy

As a diversified chemical company, the Sumitomo Chemical Group pursues global business development in an array of fields with widely differing characteristics and environments based on the basic policies below. In the course of doing so, we look to intellectual property as a source that gives us a competitive edge. We file patent applications for our accomplishments involving technologies, research, and development based on business strategies. Also, we promote the acquisition of patent rights and are building a robust patent portfolio to maintain and strengthen our competitive edge. In addition, in our material fields of the environment, food, healthcare, and ICT, we must build a cooperative business model that includes supply chains and co-creation with companies, universities, and others. Based on the results of its research and development, Sumitomo Chemical promotes the strategic acquisition of rights aimed at co-creation and cooperation.

Basic Policy

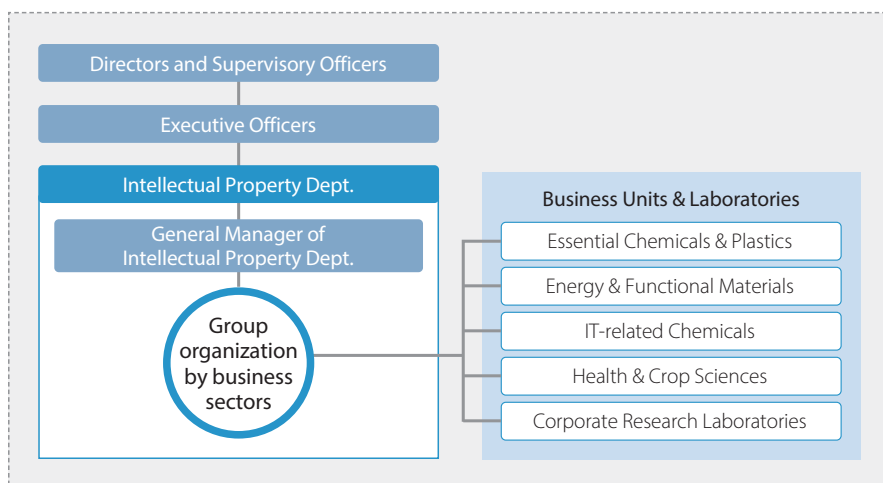
1. Promote activities in line with our business strategies
2. Create global business value
3. Strive to utilize all technological development accomplishments
4. Respect rights and comply with the law

Management System

Under the guidance and supervision of executive officers responsible for and in charge of intellectual property, reports are submitted as necessary to regular meetings regarding major IP issues, measures, strategies, and activities. In addition, the intellectual property department was reformed into group-specific organizations adapted to each business sector in 2019 to conduct intellectual property activities more closely aligned with businesses. Under this organization, we promote intellectual properties activities unified with businesses while cooperating with the intellectual property managers of business sectors, research laboratories, and each base.

We regularly hold meetings with Group companies in Japan and overseas, sharing each company's IP activities and the latest information on IP-related legal systems and topics, thereby striving to strengthen and enhance IP activities across the entire Sumitomo Chemical Group.

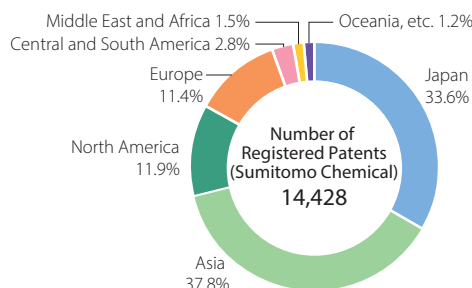
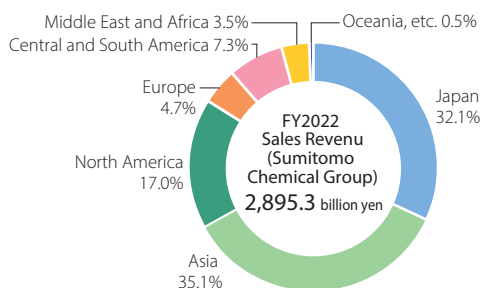
Structures for Intellectual Property



Advance Innovation

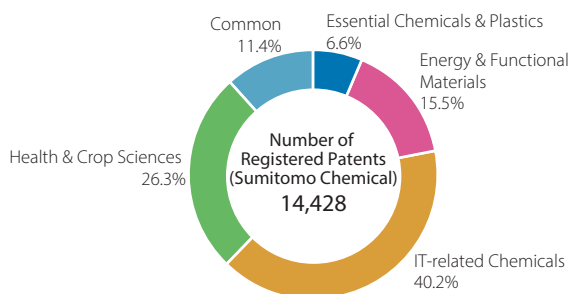
Results

Number and Ratio of Registered Patents and Ratio of Sales Revenue by Region



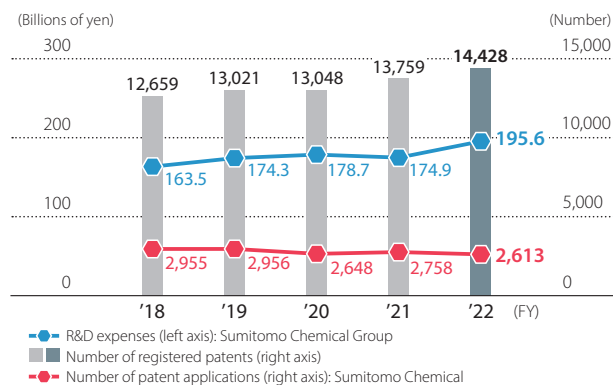
Note: as of April 2023

Number and Ratio of Registered Patents Held by Sector



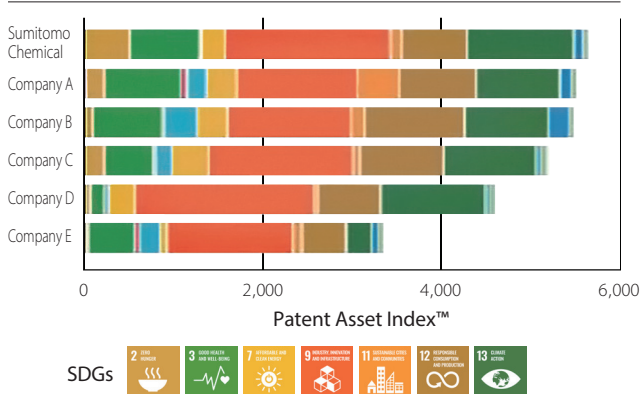
Note: as of April 2023

Number of Registered Patents, Number of Patent Applications, and R&D Expenses

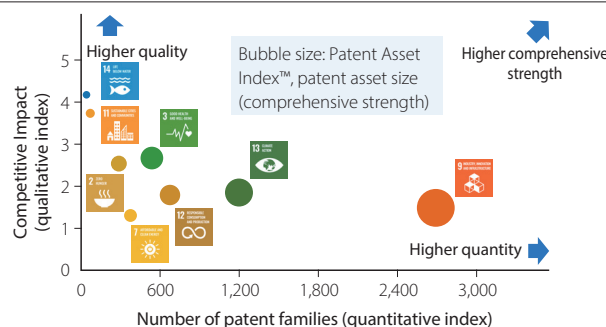


SDG-Related Patent Asset Size

SDG-Related Patents for Chemical Companies in Japan



Sumitomo Chemical, Top SDG-Related Patents



- Notes:
- The graph on the left shows the patent asset size of SDG-related patents of domestic chemical companies (as of March 2023), and the graph on the right is a bubble chart for the top SDGs of the Company's SDG-related patents (as of May 2023).
 - 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 the number of patent families (quantity) and competitive impact (quality). The graph on the left is a horizontal bar graph, and the one on the right shows the bubble size.
 - The number of patent families shows the number of patents with effective legal status. The competitive impact is calculated using LexisNexis PatentSight® based on the number of citations and application countries of patent families with effective legal status.
 - The colors correspond to the relevant SDGs.

As shown in previous graphs, the Company diligently files patent applications for its accomplishments involving research and development activities based on business strategies. The Company is also building and strengthening its robust patent portfolio in line with its business size. In addition, we boast a top-class patent asset size among domestic chemical companies and promote innovation aimed at recent sustainable growth.

Advance Innovation

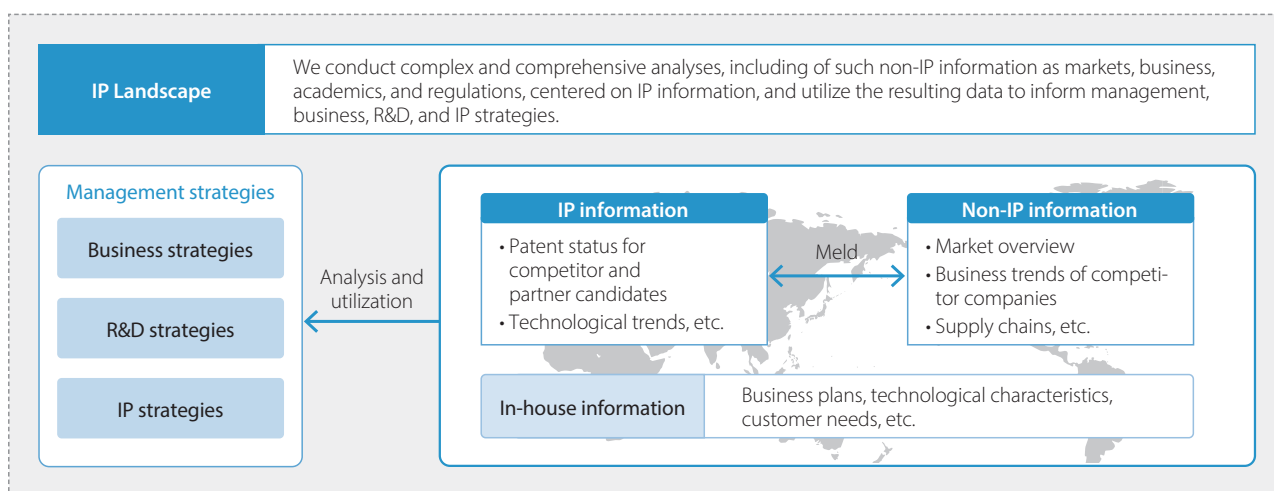
Examples of Initiatives

IP Activities

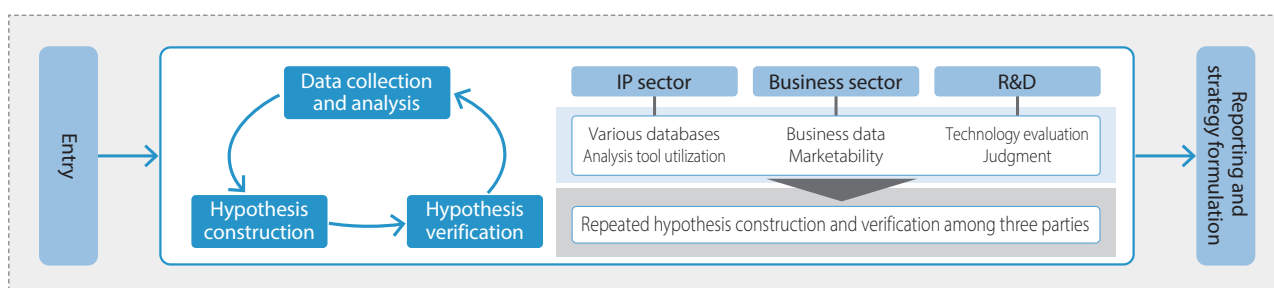
In the IP sector, to promote IP activities aligned with our business strategies, at each stage of business development, we accurately investigate and analyze IP as necessary and share and discuss information on business sectors and R&D. We analyze the rights of other companies for IP risk countermeasures and continuously strive to swiftly identify and minimize risks.

In addition, in the late 2010s, as a new solution focused on changes in the environment surrounding business and IP, we launched IP landscape activities to complexly analyze markets and other non-IP data when searching for new themes, searching for customer and partner candidates, and considering M&A. Currently, we position these activities as key activities for the IP sector and utilize them in drafting strategies for management, business, R&D, and IP. (See illustration below.) Going forward, we will continue promoting IP activities while working to make operations more efficient by proactively implementing data search software and AI technologies, which have made significant progress recently.

IP Landscape Activity Outline



IP Landscape Process Example



Sumitomo Chemical Receives Clarivate Top 100 Global Innovators 2023™ Award – Recognized as One of the World’s Top 100 Innovators for the Second Consecutive Year–

Sumitomo Chemical has received the Clarivate Top 100 Global Innovators 2023™ Award, which is selected by Clarivate, a U.S.-based global leader in providing trusted information and insights to accelerate innovation. This was the second consecutive year we received the award. The Company was lauded for its advanced R&D capabilities and IP activities and will continue further promoting activities.



Sumitomo Chemical Receives Clarivate Top 100 Global Innovators 2023 Award (Japanese only)

<https://www.sumitomo-chem.co.jp/news/detail/20230227.html>