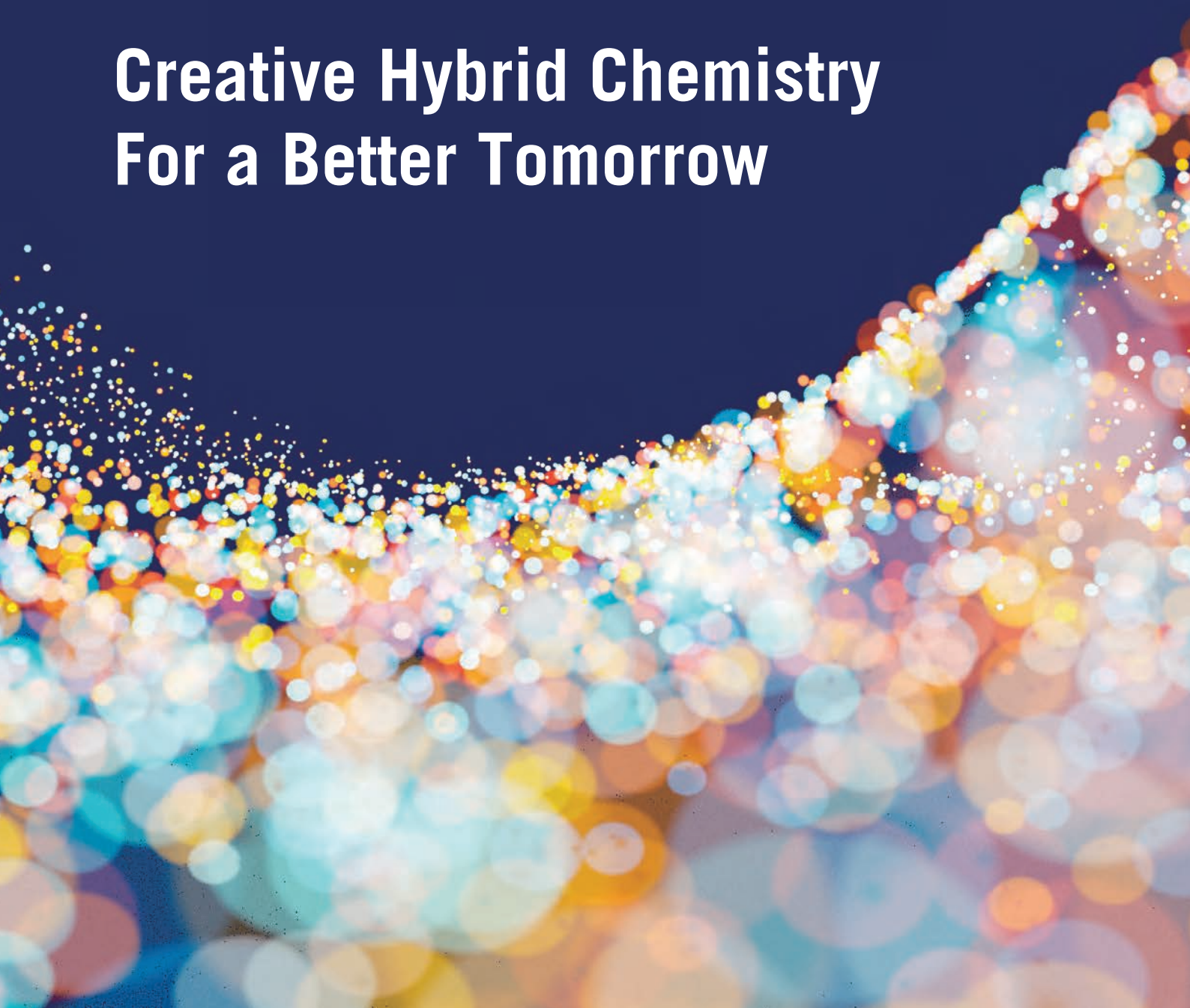
SUMITOMO CHEMICAL

Change and Innovation 3.0

For a Sustainable Future

Annual Report 2021

Creative Hybrid Chemistry
For a Better Tomorrow



CONTENTS

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

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

Corporate Philosophy

The Sumitomo Spirit

The Sumitomo Business Principles

1. Sumitomo's business should seek to thrive and prosper by putting trust first and building on reliability.
2. Sumitomo's business should closely watch the changing of the times and carefully weigh opportunities and risks and should never chase short-term gains in good times and bad.

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

Jiri-Rita Koushi-Ichinyo*

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

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

Sumitomo Chemical's Business Philosophy

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

The History of Sumitomo Chemical

The Story of Sumitomo Chemical

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

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

Calcium superphosphate warehouse

1913-1940

Origin

The Besshi Copper Mine opened a smelter in 1884 and started full operation in 1894. Expansion of this smelting and refining business resulted in an unexpected problem of air pollution: sulfur dioxide gas emitted from the smelting process caused damage to local agricultural production. Then the company decided to take a drastic measure to prevent the emission of the harmful gas—using sulfur dioxide to produce calcium superphosphate fertilizers.

To carry out this decision, the Sumitomo Fertilizer Works was established in 1913, becoming the origin of Sumitomo Chemical. This business not only helped prevent the air pollution from the emissions, but also contributed to the development of agriculture by supplying fertilizers to farmers at low cost.

The Sumitomo family has passed down from generation to generation the words "*Jiri-Rita Koushi-Ichinyo*," which means that its business must benefit society at large, not just its own interests. This business principle is embodied in the way Sumitomo

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

Building a Foundation as a Chemical Company

addressed the problem of air pollution they faced, and its commitment to contributing to the development of a sustainable society through business, which that story demonstrates, is deeply embedded in Sumitomo Chemical's corporate philosophy.

Venturing from the Fertilizer Industry into the Chemical Industry

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

1941-1970

Successively launching new businesses, Sumitomo Chemical grew to become a diversified chemical company.

Incorporating the Fine Chemicals Business

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

Entering the Agrochemicals Business

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

Growth of the Pharmaceuticals Business

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

Entering the Petrochemicals Business

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

Pynamin Plant

Ethylene Plant

1945 1950 1955 1960 1965 1970 1975 (FY)

Growing into a Diversified Chemical Company

A view of Niihama, Ehime Prefecture, from the Besshi Copper Mine, a significant place in the history of Sumitomo Chemical

The History of Sumitomo Chemical

Singapore Petrochemical Complex

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

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

1971-2000

For the period of about 30 years since the 1970s, Sumitomo Chemical actively pursued globalization across its business sectors in order to address changes in the world economy and social structures.

Construction of the Singapore Petrochemical Complex

In 1971, at the request of the Singapore government, the Singapore Petrochemical Project, Sumitomo Chemical's first overseas project for its petrochemicals business, was initiated. Establishing a petrochemical base in Singapore had an immense significance for the company, because in Singapore naphtha was available at competitive prices and the location would allow the company easy access to the Southeast Asian market, where enormous growth in demand was expected. While there were times when the future of this project became extremely uncertain, including the experience of the oil crisis, the Singapore Petrochemical Complex finally started full operation in 1984. These endeavors and achievements in Singapore brought the company valuable experience and know-how, which supported its efforts toward full-fledged globalization in the years that followed.

Expansion of the Agrochemicals Business

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

Accelerating Our Development into a Competitive Global Company

Net Sales / Sales Revenue*1,2
1915-1977: Non-consolidated 1978-2020: Consolidated

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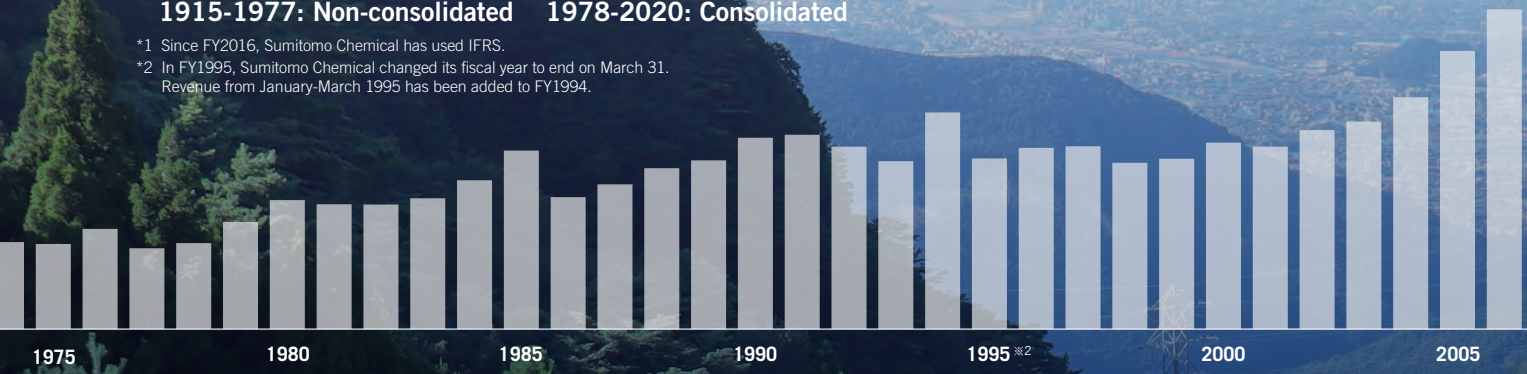


Global Expansion across Business Sectors

Joint press conference on the merger of Dainippon Pharmaceutical and Sumitomo Pharmaceutical


Petro Rabigh (Saudi Arabia)

2001-

Since the 2000s, global competition has further intensified. Under these circumstances, Sumitomo Chemical has been working to enhance its competitiveness to operate its business globally.

Establishing and Expanding the IT-related Chemicals Sector

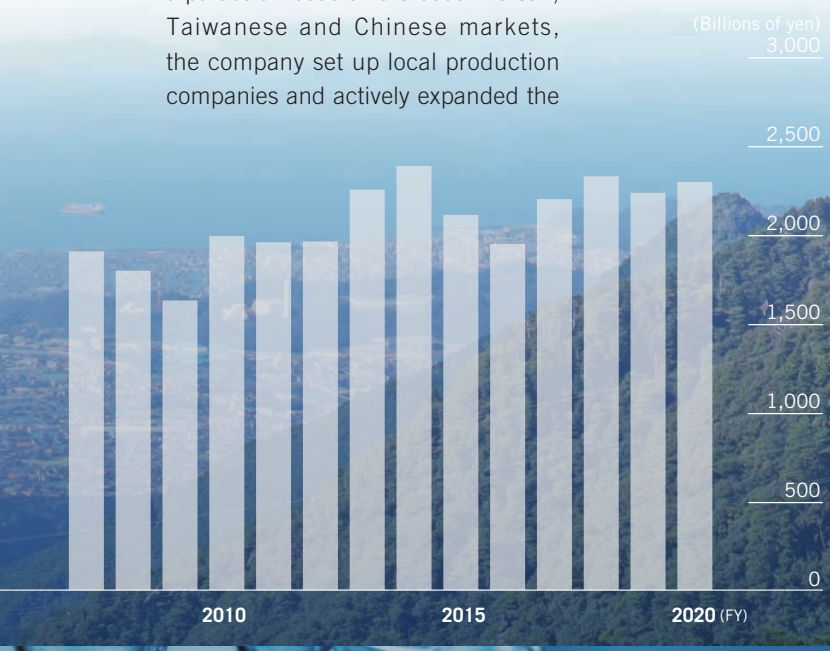
In the latter half of the 1990s, digitalization began to advance rapidly, with the internet, PCs, and cell phones becoming widely used in society. In response to these societal changes, Sumitomo Chemical decided to define information technology-related businesses that handle components and materials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

Separation of the Pharmaceuticals Business and the Creation of Sumitomo Dainippon Pharma Co., Ltd.

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

Implementation of the Rabigh Project

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



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

Company History ▶ Our Website

Deepening Global Management

Flow of Value Creation

Creating Social and Economic Value

Management Resources
(at the end of fiscal 2020)

Our Strengths (Core Competence)

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

Ability to reach global markets

Loyal employees

Financial Capital

- Total equity: **1,482.1** billion yen
- Ratio of equity attributable to owners of the parent: **25.5**%

Manufactured Capital

- R&D sites and production facilities (as of April 1, 2021): Japan: **11**, Overseas: **79***
- Overseas production ratio: **45.2**%
- Lost-workday Incident Rate: **0.45**

* Including sales facilities

Intellectual Capital

- R&D expenses: **178.7** billion yen
- R&D expenses to sales revenue: **7.8**%
- Number of patents held in Japan (Sumitomo Chemical (SC) only): **4,513**
- Number of patents held overseas (SC only): **8,535**

Human Capital

- Number of employees: **34,743**
  - Number of R&D employees: **4,393**
  - Number of employees in overseas affiliates: **15,980**
- Employee opinion survey Rate of respondents who affirmed that they are "satisfied with working for the Company" (SC only) as of September 2019: **79**%
- Investment in Training (SC only): Approx. **320,000** yen/year per person

Social and Relationship Capital

- The Sumitomo Spirit:
- Business Philosophy:

P2 Corporate Philosophy

- Overseas sales revenue ratio: **68.3**%
- Dialogues with local communities: **3** times

Natural Capital

- Water usage: **980** million tons
- Total use of energy (fuel, heat, and electricity) in crude oil equivalent: **2,272** thousand kl
- Hydrocarbon compounds*: **1,704** thousand tons

* Sumitomo Chemical and Group Companies in Japan

The Material Issues to be Addressed as Management Priorities

The Material Issues for Sustainable Value Creation

Material Issues for Social Value Creation

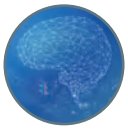
Contribution to reducing environmental impact

- Mitigation of climate change
- Contribution through products and technologies
- Efficient use of energy and resources
- Contribution to the recycling of plastic resources

Contribution to solving food issues

Contribution to solving healthcare issues

Contribution to ICT innovation



Material Issues for Future Value Creation

Promotion of technology innovation and research and development

Initiatives for digital innovation

Promotion of diversity and inclusion

Foundation for Business Continuation

- Occupational safety and health, and industrial safety and disaster prevention
- Product safety and quality assurance
- Respect for human rights
- Healthcare
- Compliance
- Anti-corruption

in an Integrated Manner

Our Business Activities

Corporate Business Plan P32

Change and Innovation 3.0

For a Sustainable Future

1. Accelerate the development of next-generation businesses
2. Improve productivity through digital innovation
3. Further improve business portfolio
4. Build a more robust financial structure
5. Employ, develop and leverage human resources for sustainable growth
6. Ensure full and strict compliance and maintain safe and stable operations

Our Five Business Sectors

Petrochemicals & Plastics P40

Petrochemical products, inorganic chemicals, material for synthetic fibers, organic chemicals, synthetic resin, methacryl, synthetic resin processing products, etc.

Energy & Functional Materials P44

Alumina products, aluminum, specialty chemicals, additives, dyestuffs, synthetic rubber, super engineering plastics, battery materials, etc.

IT-related Chemicals P48

Optical materials, semiconductor process materials, compound semiconductors, touchscreen panels, etc.

Health & Crop Sciences P52

Crop protection products, fertilizers, agricultural materials, household insecticides, products for control of infectious diseases, feed additives, active pharmaceutical ingredients and intermediates, etc.

Pharmaceuticals P56

Ethical pharmaceuticals, diagnostic radiopharmaceuticals, etc.

Our Vision

Economic Value

KPI	Numerical Target
■ ROE	**Over 10%**
■ ROI	**Over 7%**
■ D/E ratio	**Approx. 0.7 times**
■ Payout ratio	**Approx. 30%**

Social Value

KPI	Numerical Target
■ Greenhouse gas emissions of the Group*1 (Scope 1+2)	**Reduce by 30% by fiscal 2030** (vs. fiscal 2013) **Reduce by over 57% by fiscal 2050** (vs. fiscal 2013)
■ Sales revenue of SSS-designated products*2	**560 billion yen** in fiscal 2021
■ Energy intensity index	**Improve by 3% or more** during the 3 years of each Corporate Business Plan
■ Percentage of female employees in positions equivalent to manager or above (SC only)	**Over 10%** by 2022

*1 We are considering separately setting new targets for achieving carbon neutrality.

*2 Sumika Sustainable Solutions:
An initiative to designate Group products and technologies that can help tackle global warming or reduce environmental burdens, and promote their development and spread in society.

One Year at Sumitomo Chemical

Despite a variety of restrictions faced due to the impact of COVID-19, fiscal 2020 was a year in which we made steady progress on a number of projects, including the integration process for the South American crop protection business, the development of two candidate drugs acquired from the strategic alliance with Roivant, and the resolution of the completion guarantee for project financing for the Rabigh Phase Ⅱ Project. It was also a year in which we continued to take steps to make both our company and society itself more sustainable, including setting up internal structures for achieving both carbon neutrality and plastic resource circulation.

2020

April

Health & Crop Sciences

Acquired four South American subsidiaries of Nufarm.

Energy & Functional Materials

Opened an industry-academia joint research course at Kyoto University, for accelerating the research and development for practical Implementation of solid-type batteries.

IT-related Chemicals

Decided to strengthen development and quality assurance system of photoresists for advanced semiconductor processes in Osaka Works.

May

R&D

Invested in Conagen, a U.S. Bio-Venture company, whose strength lie in the use of synthetic biology to enable integrated technological capability from the design and culture of the microorganisms to industrialization of fermentation processes.

Provided materials for medical use to support the response to COVID-19.

- Donated emergency-use reserves of N95 masks to healthcare facilities.
- Supplied polyethylene film for agricultural use as a raw material for medical gowns. P36
- Worked with SEKISUI CHEMICAL to contribute medical gowns to the government and other related institutions.

June

Health & Crop Sciences

Received registration approval for INDIFLIN™ fungicide in the U.S. and Canada.

July

Established the "Sumitomo Chemical Group Basic Policy Towards a Circular System for Plastics." P66

R&D

Provided funds to NanoScent in Israel, which has been developing diagnostic sensor for COVID-19.

August

Received Gold Medal in EcoVadis sustainability assessment.

September

* The date given for each item is typically based on the date of the press release

Petrochemicals & Plastics

The completion guarantee for Rabigh Phase Ⅱ project financing came to an end.

Pharmaceuticals

Established and began operations of a joint venture company for CDMO business in the field of regenerative medicine and cell therapy.

Health & Crop Sciences

Integrated the biorational-related business functions of Sumitomo Chemical Group under Valent BioSciences LLC in the US; opened a new state-of-the-art facility that integrates the headquarters of Valent U.S.A. LLC and R&D operations.

Petrochemicals & Plastics

Began examining a possible combination of a propane dehydrogenation (PDH) technology that converts propane gas into propylene, with CO_2 utilization technology in Singapore.

Pharmaceuticals

Myovant, consolidated subsidiary of Sumitomo Dainippon Pharma, and Pfizer enter into collaboration to develop and commercialize relugolix.

Pharmaceuticals

Sumitomo Dainippon Pharma launched ORGOVYX™ for the treatment of advanced prostate cancer in the US.

Petrochemicals & Plastics

Licensed out high-pressure polyethylene production technology to a major petrochemical company in Russia.

IT-related Chemicals

Decided to expand capacity of a manufacturing facility of photoresists for advanced semiconductor processes in Osaka Works.

October | November | December | **2021** January | February | March

Decided to construct a high-efficiency gas turbine power generator at its Chiba Works.

P64

Held an ESG Meeting

P95

R&D

Accelerated joint research on methanol synthesis from carbon dioxide with Shimane University.

P67

Received CDP's highest rating in corporate climate action for the third consecutive year, and in water security action for the first time.

CDP A LIST 2020 CLIMATE

CDP A LIST 2020 WATER

Established a Business Development Office for a Circular System for Plastics to accelerate the development of businesses based on its efforts towards building a circular system for plastics.

Established the Carbon Neutral Strategy Council and the Carbon Neutral Strategy Cross-Functional Team to achieve carbon neutrality.

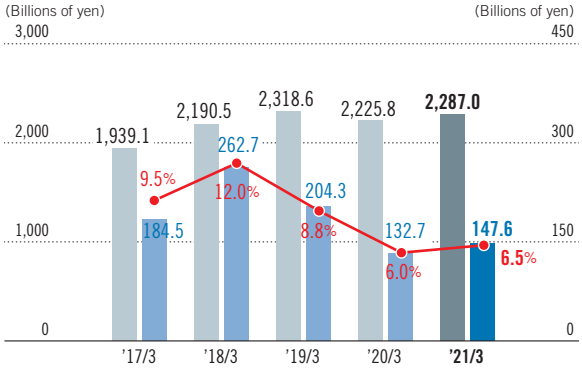
P60

Data Highlights

■ **Sales Revenue** (left axis)
■ **Core Operating Income** (right axis)
●- **Core Operating Income to Sales Revenue**

¥147.6 billion
(Core Operating Income)

vs. FY2019
+11.3%

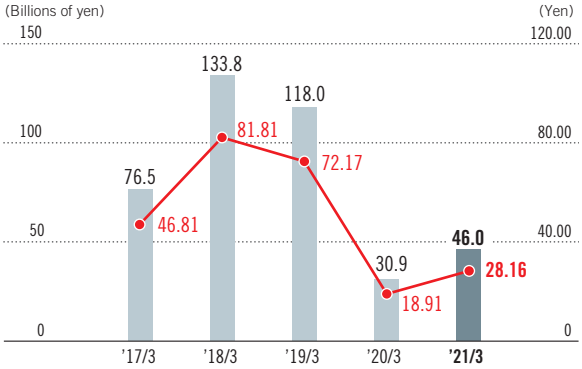


While shipments of products for automotive applications, in particular, decreased, due to the spread of COVID-19, shipments of crop protection chemicals in South America and shipments of display and semiconductor-related materials remained strong. As a result, sales revenue increased by 61.2 billion yen from the previous fiscal year, while core operating income increased by 15.0 billion yen over the previous fiscal year.

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

¥46.0 billion
(Net Income Attributable to Owners of the Parent)

vs. FY2019
+48.9%

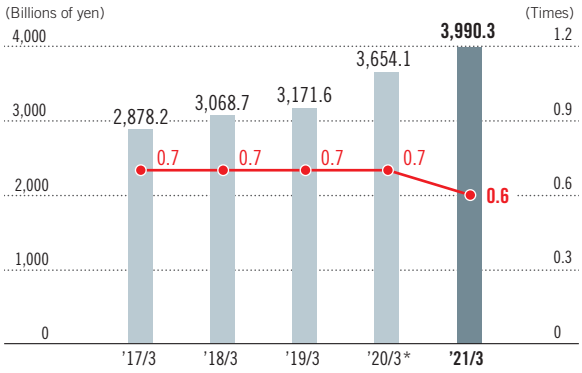


Non-recurring items deteriorated due to a change in the fair value of contingent consideration arrangements in Pharmaceuticals, but due to factors such as an improvement in the gain or loss on foreign currency transactions, net income attributable to owners of the parent increased by 15.1 billion over the previous fiscal year.

■ **Total Assets** (left axis)
●- **Asset Turnover** (right axis)

¥3,990.3 billion
(Total Assets)

vs. FY2019
+9.2%



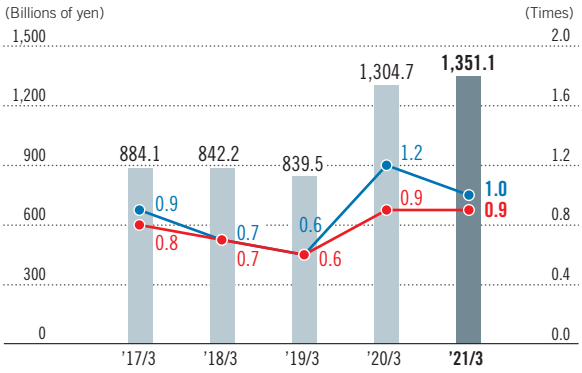
Total assets increased by 336.2 billion yen over the previous consolidated fiscal year, to 3,990.3 billion yen. In addition to an increase in other financial assets due to loans issued by our company to Petro Rabigh, cash and cash equivalents also increased.

* Because tentative treatment relating to a corporate acquisition was resolved in fiscal 2020, Sumitomo Chemical has retroactively revised its figures for fiscal 2019.

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

¥1,351.1 billion
(Interest-bearing Liabilities)

vs. FY2019
+3.6%



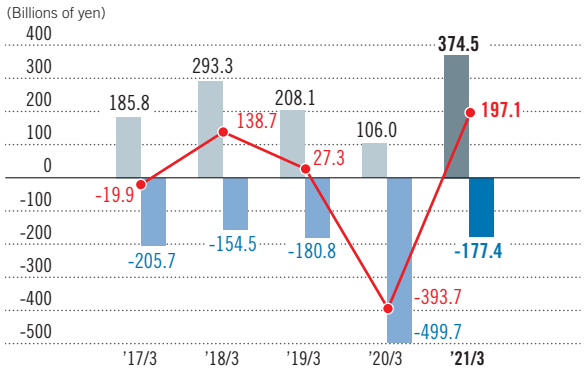
The balance of interest-bearing liabilities increased by 46.4 billion yen compared to the previous fiscal year. Our D/E ratio held steady from last year at 0.9, but because of the increase in cash and cash equivalents, our net D/E ratio declined by 0.2 points compared to the previous fiscal year.

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

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

¥197.1 billion (Free Cash Flow)

vs. FY2019 **+590.7 billion**

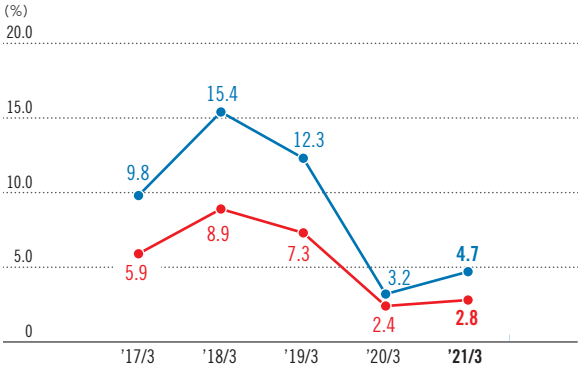


Cash flows from operating activities increased by 268.5 billion yen over the previous fiscal year, due to the receipt of one-time payments relating to pharmaceuticals and an improvement in working capital. Cash outflows from investing activities decreased by 322.3 billion yen compared to the previous fiscal year because of payments related to major M&A activities in the previous fiscal year. As a result, free cash flow was a net inflow of 197.1 billion yen.

ROE / ROI

4.7% (ROE) vs. FY2019 **+1.5pt**

2.8% (ROI) vs. FY2019 **+0.4pt**

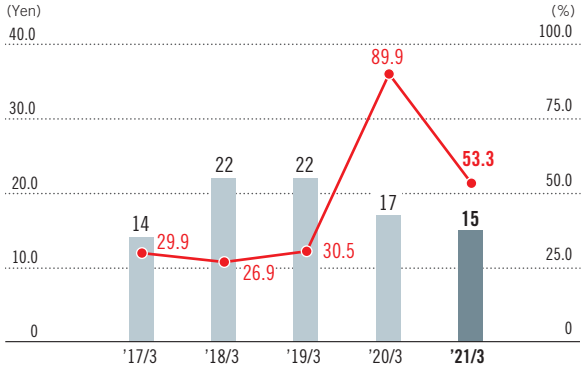


Due to an improvement in net income attributable to the owners of the parent, both ROE and ROI exceeded figures for the previous fiscal year, but have not yet reached our targets of 10% and 7%, respectively.

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

53.3% (Dividend Payout Ratio)

vs. FY2019 **-36.6pt**



Annual dividend per share was 15 yen in fiscal 2020, thus, the payout ratio was 53.3%.

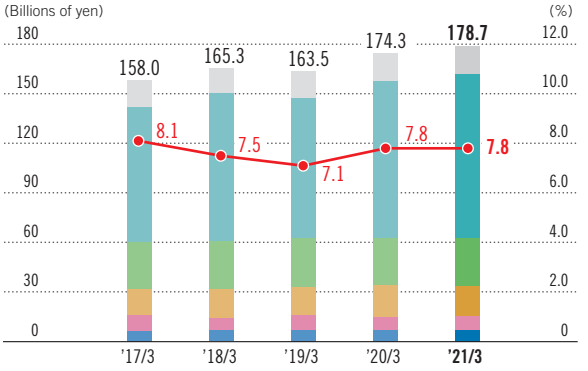
Research and Development Expenses (left axis)

Petrochemicals & Plastics / Energy & Functional Materials / IT-related Chemicals / Health & Crop Sciences / Pharmaceuticals / Others

Ratio of R&D Expenses to Sales Revenue (right axis)

¥178.7 billion (Research and Development Expenses)

vs. FY2019 **+2.5%**

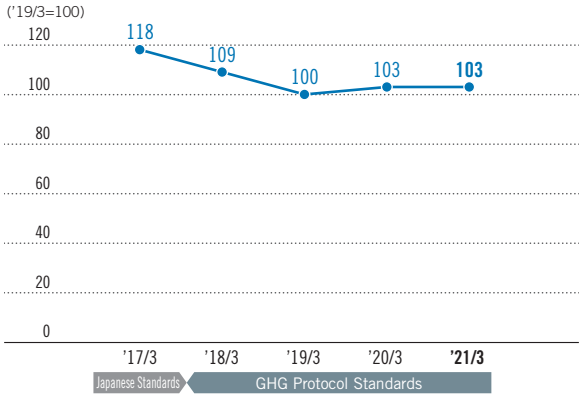


Due to factors such as an increase in drug discovery and development expenses in Pharmaceuticals, research and development expenses increased by 4.3 billion yen over the previous fiscal year, to 178.7 billion yen.

Data Highlights

Unit Energy Consumption

103 vs. FY2019 ± 0pt

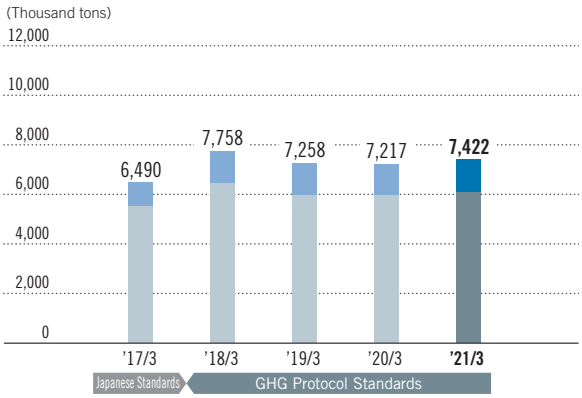


Sumitomo Chemical has raised "contribution to reducing environmental impact" as one of the material issues to be addressed as management priorities. As part of this material issue, we are promoting the efficient use of energy and resources. Our target is to improve this index by 3% or more by fiscal 2021 as compared with fiscal 2018.

Greenhouse Gas Emission Volume (Scope 1+2)

■ Greenhouse gas emission volume in Japan
■ Greenhouse gas emission volume outside Japan

7,422 thousand tons (Greenhouse Gas Emission Volume) vs. FY2019 **+205 thousand tons**

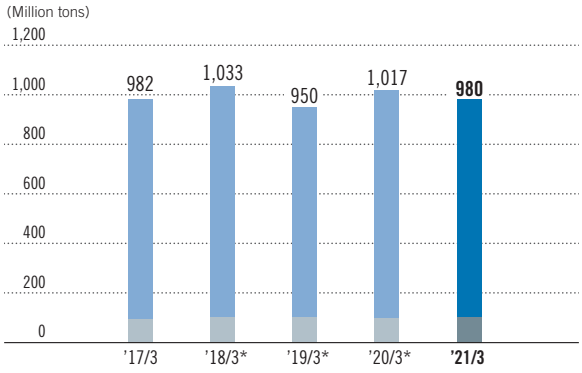


Sumitomo Chemical has raised "contribution to reducing environmental impact" as one of the material issues to be addressed as management priorities. As part of this material issue, we are promoting mitigation of climate change. In addition to making progress in initiatives aimed at achieving target values certified by SBT, we are also considering setting new goals aimed at achieving carbon neutrality.

Water Usage

■ Freshwater ■ Seawater

980 million tons vs. FY2019 **-37 million tons**



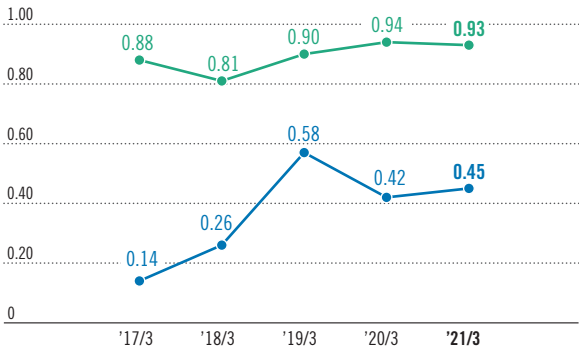
We will work to reduce water usage through effective use of water, depending on the application, while endeavoring to assess risks to water supplies. Seawater is used for cooling plants and other facilities.

* Due to a rethinking of tabulation methods for certain items, numbers are being revised from fiscal 2017 onward.

Lost-workday Incident Rate*

Sumitomo Chemical Group
Chemical industry of Japan

0.45 vs. FY2019 **+0.03pt**



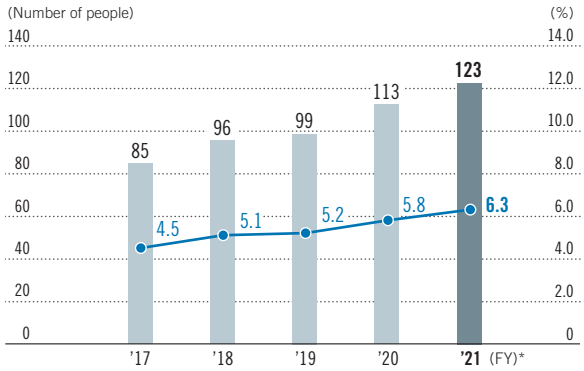
The frequency rate of lost-workday incidents for fiscal 2020 was 0.45, which was far worse than our target of 0.1. We will thoroughly investigate the causes and implement basic safety rules to take preventive measures.

* Indicates the frequency of industrial incidents as the number of deaths and injuries per one million hours of total work time.

Number of Female Employees in Positions Equivalent to Manager or Above (SC only) (left axis)
Percentage of Female Employees in Positions Equivalent to Manager or Above (SC only) (right axis)

6.3%
(Percentage of Female Employees in Positions Equivalent to Manager or Above)

vs. FY2020 +0.5pt



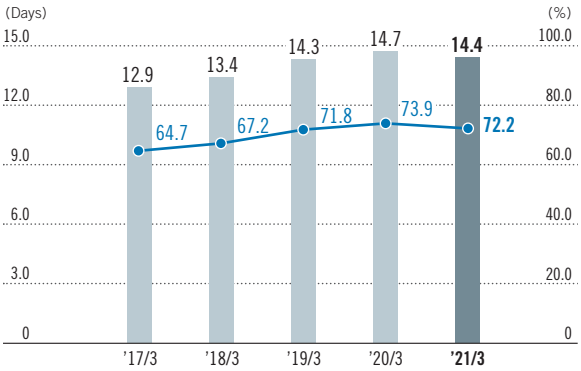
Sumitomo Chemical has put forward "promotion of diversity and inclusion" as one of the material issues to be addressed as management priorities. We aim to achieve a ratio of over 10% female employees in positions equivalent to manager or above at Sumitomo Chemical proper by 2022.

* All numbers as of April 1 of that year

Number of Days of Paid Vacation Used (SC only) (left axis)
Percentage of Paid Vacation Days Used (SC only) (right axis)

72.2%
(Percentage of Paid Vacation Days Used)

vs. FY2019 -1.7pt



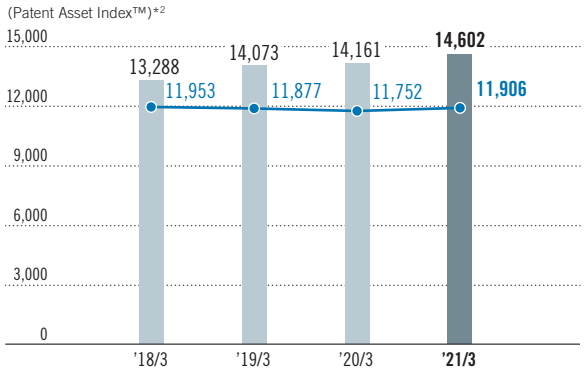
Sumitomo Chemical has put forward a goal for all employees of Sumitomo Chemical proper to take at least 80% of their paid leave each year on average, in the "Sumika 'Take Action' Declaration" (see page 70). From fiscal 2020 onward, we will continue to work on attaining this goal.

Patent Asset Size*1

Sumitomo Chemical Group
Average (Japan's 4 major chemical companies)

14,602

vs. FY2019 +441pt



Due to active R&D and patent acquisition activities in recent years, the scale of our patent asset size has remained at a relatively high level. By deploying and making thorough use of artificial intelligence and materials informatics technologies on the front lines of R&D, and by strengthening collaboration with academia and startups, we will continue to build up and strengthen our patent portfolio.

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

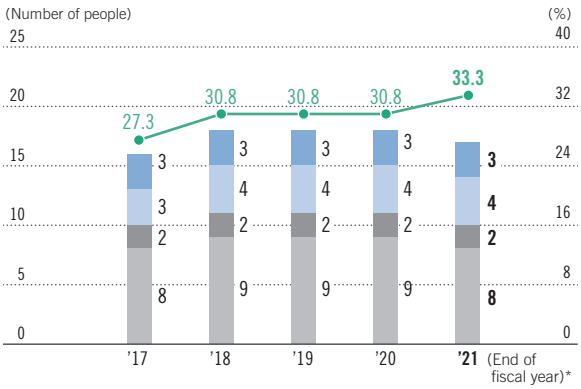
*2 The Patent Asset Index™ is an index for comprehensively assessing the status of legally active patents based on quantity (number of patents) and quality (countries of registration and number of citations)

Number of Directors and Auditors

Inside Directors
Outside Directors
Standing Corporate Auditors
Outside Corporate Auditors (left axis)
Ratio of Outside Directors (right axis)

33.3% (4/12)
(Ratio of Outside Directors)

vs. FY2020 +2.6pt



With the goal of further strengthening the Board of Directors' oversight and advisory functions to increase the transparency and objectivity of management, in June 2018 we added one outside director, increasing the total number to four (including one female director). As a result, of the 12 members of the Board of Directors, four are outside directors.

* As of July 1, only for fiscal 2021

Chairman's Message

It is in These Times of Crisis for Humanity that We at the Sumitomo Chemical Group Renew Our Commitment to Contributing Broadly to Society as a Bearer of Innovation.

Since last year we have been going through the major difficulties posed by COVID-19, and we have had to face unavoidable changes on every front. In addition, COVID-19 further intensified two fundamental crises that had already been facing society, namely, societal divisions and the crisis of sustainability. The rise of populism and nationalism caused by widening disparities has caused a rift between generations and between the rich and poor, as well as global divisions, as exemplified by the fight for dominance between the US and China. In addition, ecological damage, such as from global warming and pandemics, is threatening the sustainability of human society.

Against the backdrop of these crises, over the next five or ten years, the world is expected to work to form a new order. In doing so, I think it is critical that we maintain two important viewpoints. One is a viewpoint of justice and fairness. We need to develop a renewed appreciation for the universal values of basic human rights, democracy, and the rule of law. We also need to focus on another viewpoint: social interest. This is a concept that runs through the principle of ESG as well as the SDGs, which emphasize diversity and inclusion. It is also part of Sumitomo's business philosophies—including the credo "*Jiri-Rita Koushi-Ichinyo*," meaning that our business must benefit society at large, not just our own interests—that were handed down in the Sumitomo Chemical Group from the time of its founding.

In achieving societal change with the two viewpoints of justice and fairness, on the one hand, and social interest, on the other, what is essential is science and innovation. Chemistry has its origins in alchemy among others, and has developed as a natural science on the basis of logical positivism. Chemistry, which creates substances that are newly demanded by society or that have characteristics that had never been seen before, is truly the alchemy of our modern society. The chemical industry is an extremely far-reaching industry that touches upon every field, such as the environment, medicine, and food. One can also say that this industry is entrusted to lead innovation to help resolve a variety of complex and increasingly sophisticated issues including the realization of carbon neutrality and to make our society sustainable.

Especially now, as humankind faces the new crisis of COVID-19, we will redouble our efforts to generate innovation based on the credo of "*Jiri-Rita Koushi-Ichinyo*," contribute to the creation of Society 5.0, and continue working to build a Sumitomo Chemical that can be trusted by society far into the future.

We would greatly appreciate your continued support and cooperation.

July 2021

Masakazu Tokura
Chairman of the Board

Interview with the President

We Seek to Both Achieve Sustainable Growth for the Sumitomo Chemical Group and Contribute to Achieving a Sustainable Society

Keiichi Iwata
Representative Director & President

Q The year 2020 was significantly impacted by COVID-19. Can you share your view of that year?

A Amid enormous changes in the business environment, we were able to demonstrate the strong defensive power of a diversified chemical company engaging in a variety of businesses.

Operating a Business during a Pandemic

In fiscal 2020, we were forced to respond to the challenge of COVID-19 throughout the year. With lockdown measures in countries around the world and the emergency declaration in Japan, people's movements and interactions were severely restricted. As part of the chemical industry, Sumitomo Chemical has a responsibility to supply materials required for society's infrastructure. To fulfill this responsibility, we devoted our efforts toward ensuring continued safe and stable operations, while protecting the health of employees through a wide range of measures to prevent infection. As a result, while there was an unavoidable decline in the capacity utilization rate at some of our subsidiaries outside of Japan, overall we were able to avoid a significant impact on our operations.

In our daily work, we saw a marked decline in opportunities for face-to-face communication. That was a major change, but because we were quickly able to put in place systems for remote work, communication with locations both in and outside Japan has become easier than ever before. In addition, starting in October of 2020, I began an internal blog to convey my own words to all employees throughout the world. The topics I cover range from my morning walk and books I have read to such issues as human rights and climate change. I hope this blog helps in sharing with all employees the issues facing Sumitomo Chemical and the future direction of management.

Financial Results for FY2020: Demonstrating the Strong Defensive Power of a Diversified Chemical Company

Turning to our financial results for fiscal 2020, because automobile-related demand declined due to the spread of COVID-19 infections that began at the start of the year, shipments decreased in the Petrochemical & Plastics Sector and the Energy & Functional Materials Sector. In addition, we had a scheduled maintenance shutdown at Petro Rabigh, so that results in both sectors were weak in the first half of the fiscal year, but starting in the second half, they quickly improved with the recovery in automobile-related demand. In the IT-related Chemicals Sector, we initially expected that COVID-19 would have a negative impact, but because of the stay-at-home trend, results were actually strong throughout the year. In the Health & Crop Sciences Sector, shipments of crop protection products increased with the new addition of agricultural chemicals businesses in South America, and in the Pharmaceuticals Sector, sales of the atypical antipsychotic agent Latuda continued to be strong. In these two sectors, we were able to continue business operations without any major changes from the time before the spread of COVID-19. As a result, our financial results for fiscal 2020 were better than the prior fiscal year even in the face of unprecedented, enormous changes in our business environment. We were able to demonstrate the strong defensive power of a diversified chemical company engaging in a variety of businesses.

Interview with the President

Q Two years has passed since the start of the current Corporate Business Plan. How has progress been?

A We have been working on improving our competitiveness, and I think we finally reached a position from which we can aim to achieve a return on equity level of around 10%.

Change & Innovation 3.0: Six Basic Policies

Since the start of the current Corporate Business Plan, there have been major changes in our operating environment, including the spread of COVID-19 and the acceleration in the movement in Japan and around the world to become carbon neutral. Despite these, we uphold the six basic policies we put forth at the start of this period, including accelerating the development of next-generation businesses, improving productivity through digital innovation, and further improving our business portfolio. We have, however, made appropriate changes to the weight of emphasis we have placed on them and our timelines for execution as we have implemented them.

Accelerate the Development of Next-generation Businesses

First, for accelerating the development of next-generation businesses, we have designated four priority areas: healthcare, reducing environmental impact, food, and ICT. Going forward, we will put more management resources in healthcare and reducing environmental impact, in which societal needs are increasing enormously because of COVID-19. Up to now we have worked on efforts to build our innovation ecosystem, such as expanding our Corporate Venturing and Innovation Office, an office dedicated to exploring innovation opportunities, and collaborating with a variety of startup companies. In the field of healthcare, we entered into the Contract Development and Manufacturing

Organization business for regenerative medicine and cell therapy, and in the field of reducing environmental impact, we decided to build a new research facility at our Chiba site to accelerate the development of chemical recycling and other technologies. Going forward, we will step up efforts to strengthen our innovation ecosystem so that innovations will be produced one after another.

Improve Productivity through Digital Innovation

In terms of improving productivity through digital innovation, we have set an ultimate goal of creating new business models through digital transformation, and as milestones toward that goal, we have established a digital transformation strategy with three components, 1.0 through 3.0. With DX Strategy 1.0, we have been working to significantly improve productivity in R&D, manufacturing, supply chain management, and administration. In parallel with that initiative, starting this year we are working to jumpstart our efforts to strengthen the competitiveness of our existing businesses with DX Strategy 2.0 and create new business models with DX Strategy 3.0. As we focus on these initiatives, we have fully absorbed our subsidiary, Sumitomo Chemical Systems Service Co., Ltd., and established a joint venture with Accenture to further strengthen our capabilities for accelerating our digital transformation.

Further Improve Business Portfolio

Further improving our business portfolio was an issue on which we placed particular emphasis in fiscal 2020. We made solid progress in post-merger integration for our large-scale acquisitions and worked to strengthen the competitiveness of each of our businesses in order to maintain our earnings power even in the midst of the major change in our business environment represented by COVID-19.

Regarding recent large-scale investments, we added two new blockbuster drug candidates to our pipeline through an alliance in 2019 with the biopharma company Roivant Sciences. Both of these have already been launched this year, and the prospects for securing earnings are in sight. In our crop protection products business, we acquired four South American subsidiaries from Nufarm Limited, a leading Australian agricultural chemical company. In South America, including Brazil, the world's largest crop protection market, we will seek to achieve a significant increase in sales of INDIFLIN™, a promising novel fungicide for soybeans developed using Sumitomo Chemical's proprietary technology.

The Rabigh Phase Ⅱ Project, another large-scale investment of ours, began commercial operations in November of 2019. Subsequently, in September of 2020, our financial completion guarantee for project finance was terminated, enabling us to substantially lower our future financial risk. In addition, in our methionine business, which has been adversely affected by a weak market in recent years, we have enhanced our cost competitiveness by fully rationalizing our operations, and the market is on the path to recovery.

In addition, in the area of high-performance chemicals, primarily through our Energy & Functional Materials Sector and IT-related Chemicals Sector, we are developing materials for next-generation high-speed communications, enhancing the value added for display materials, and increasing our production capacity for semiconductor materials.

Financial Targets for Our Corporate Business Plan

For fiscal 2021, as a result of these initiatives to strengthen our competitiveness, we are projecting an improvement in our core operating income to 200 billion yen. Return on equity is expected to be at around 10%, the level we want to attain, and in my third year as president, I think we finally stand in a position from which we can aim to achieve it. Our target for core operating income for the current Corporate Business Plan, however, is 280 billion yen. Rather than revising this target, we are redoubling our efforts to achieve it as soon as possible. In our Health & Crop Sciences Sector and Pharmaceuticals, we have already taken needed measures, including making large-scale investments, which we expect to deliver concrete results over the next several years. We will take measures to achieve a level of total core operating income of 280 billion yen over the medium to long term, with 80 billion yen from the Health & Crop Sciences Sector, 80 billion yen from our high-performance chemical product businesses primarily in the Energy & Functional Materials Sector and IT-related Chemicals Sector, and more than 120 billion yen from the pharmaceutical business.

Interview with the President

Q What kinds of initiatives are you taking to achieve sustainability and respond to climate change and other pressing issues?

A We will work toward achieving carbon neutrality by 2050, and to this end, we have launched a new organization to formulate and implement a strategy that is characteristic of Sumitomo Chemical.

Driving Sustainable Management

At the Sumitomo Chemical Group we strive to generate both economic value and social value through our business and seek to achieve sustainable growth for the Sumitomo Chemical Group and contribute to building a sustainable society. In the current Corporate Business Plan, we are implementing a variety of measures to further intensify and accelerate these initiatives.

First, at the same time we announced our current Corporate Business Plan, we defined our material issues to be addressed as management priorities for sustainable value creation, such as contributions to reducing environmental impact and to the healthcare field, while also identifying items that serve as the foundation for continuing our business, such as safety, respect for human rights, and compliance. In addition, we also established key performance indicators to make visible and manage our progress in addressing these material issues.

Toward Achieving Carbon Neutrality

In recent years, the world has increasingly focused attention on reducing environmental impact in the face of climate change, the problem of plastic waste, and other environmental challenges. For climate change, countries and regions around the world, including Japan, have pledged one after another to achieve carbon neutrality by 2050 to limit the global average temperature increase to below 1.5 degrees Celsius from pre-industrial levels. Governments and private companies have begun to explore ways forward and take action. Sumitomo Chemical has been making substantial efforts to address the issue of climate change for many years. In 2018 we gained certification from the Science Based Targets initiative for our targets to reduce the Sumitomo Chemical Group's greenhouse gas emissions by 30% in 2030 and by at least 57% in 2050*. Achieving these targets will not be easy, but to achieve the even more challenging target of carbon neutrality, we need to rethink the fundamentals of our strategy. Therefore, in February 2021 we established the Carbon Neutral Strategy Council and the Carbon Neutral Strategy Cross-Functional Team to formulate and implement the Sumitomo Chemical Group's strategy for achieving carbon neutrality by 2050. We are going to develop a strategy that is characteristic of Sumitomo Chemical, from the dual perspective of our obligation to minimize our own greenhouse gas emissions and our contribution through our products and technologies that enable us to indirectly achieve a reduction in society's greenhouse gas emissions. ▶ P60

Addressing the Problem of Plastic Waste

Plastics are contributing to making products lighter and reducing food loss. In addition, amid the COVID-19 pandemic, they are recognized as a useful material in helping to prevent infection when used in the form of personal protective equipment and partition panels that reduce the spread of droplets. While continuing to utilize this useful material, we need to bring about a circular economy that recycles used plastic for use as a resource. Sumitomo Chemical has been developing and supplying products that lead to reducing and reusing plastic, and in recent years we have also been working on the development of technology for material recycling and chemical recycling. In April 2021, we established the Business Development Office for a Circular System for Plastics to accelerate the development of businesses based on our efforts towards building a circular system for plastics. ▶ P66

* Scope 1+2, compared to fiscal 2013

Q What message do you have for shareholders and investors?

A By leveraging the power of chemistry, we will take on the challenge of resolving major issues to achieve a sustainable society, and seek to enhance our corporate value.

I recognize shareholders and investors as our essential stakeholders. As I lead Sumitomo Chemical and manage our business day-to-day, I always bear shareholders and investors in mind. Regarding shareholder return, we have made it a policy to maintain stable dividend payments, giving due consideration to our business performance and the dividend payout ratio for each fiscal year, the level of retained earnings necessary for future growth, and other relevant factors. Over the medium to long term, we aim to constantly achieve a dividend payout ratio of around 30%.

For fiscal 2020, the annual dividend was 15 yen per share, a reduction of 2 yen from the 17 yen per share dividend of the prior fiscal year. Regarding fiscal 2019 and fiscal 2020, as we were unable to secure a sufficient level of profit, we prioritized stable dividends over the dividend payout ratio in deciding the dividend amount, resulting in two consecutive years of lower dividends. I would like to express my deep regret to our shareholders and investors for these results. For fiscal 2021, because we expect to achieve a certain level of profit in our financial results, we plan to pay a dividend of 20 yen per share.

By leveraging the power of chemistry, we at the Sumitomo Chemical Group will, through innovation and our business, continue to take on the challenge of resolving major issues to achieve a sustainable society and seek to enhance our corporate value. I sincerely hope that our shareholders share this aspiration, and we are determined to become a company whose shareholders can take pride and joy in being our shareholders.

Your continued understanding and support would be very much appreciated.

Financial Strategy

By FY2024, We will Improve Our Financial Structure, which has Deteriorated due to Conducting Large-scale Investments, through Returns on the Results of Our Investments and through Cash Generation Measures.

佐々木啓吾

Keigo Sasaki
Managing Executive Officer

Basic Policy

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

Key Financial Performance Indicators

Since 1999, we have been working to improve capital efficiency, including both ROE and ROI, from an early stage, taking measures such as considering capital costs in our performance results for each business sector as part of our management accounting system. Currently, ROI for each sector is an important financial performance indicator.

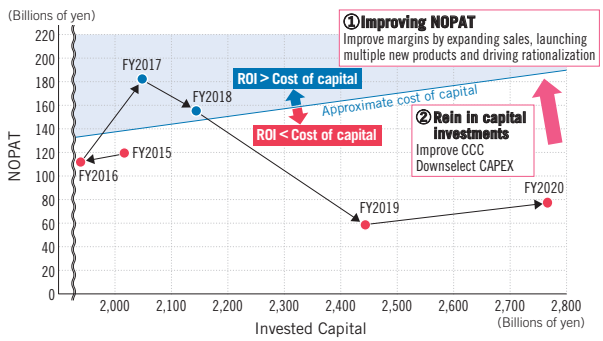
We set a target of 10% for ROE, a key financial performance indicator, with a view toward creating a sustainable society through our business activities, based on a policy of implementing projects that we believe can make an important contribution to the solution of societal issues, as long as they are expected to be profitable. We set a target of 7% for ROI, in order to exceed our weighted average capital cost (WACC).

Our target D/E ratio is approximately 0.7, with a view to maintaining our current credit rating, which enables flexible financing. For new capital expenditures or M&A, we have decided to take into consideration economic indicators in each individual investment decision, including net present value (NPV), internal revenue rate (IRR), and the payback period. Since fiscal 2019, in order to contribute to the creation of a sustainable society, we have been calculating an economic indicator that reflects our internal carbon pricing (10,000 yen per ton) for any project that is expected to increase or decrease CO_2 emissions, which is used in our investment decision-making. In addition, we also regularly follow-up on the results of investments, including both capital investments and acquisitions.

Medium- to Long-term Targets for KPIs

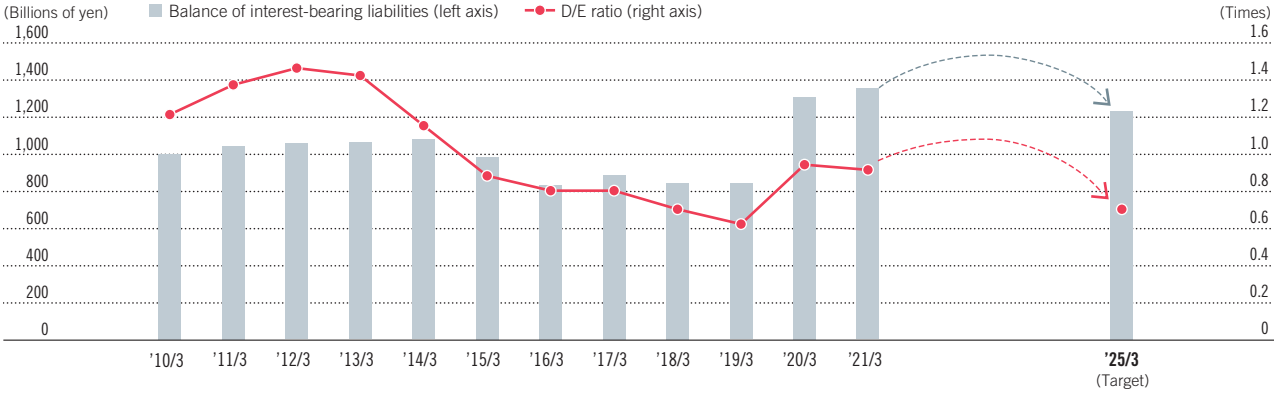
ROE	ROI
Over **10%**	Over **7%**
D/E ratio	**Dividend payout ratio**
Approx. **0.7** times	Approx. **30%**

Invested Capital and NOPAT



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

Interest-bearing Liabilities, D/E Ratio



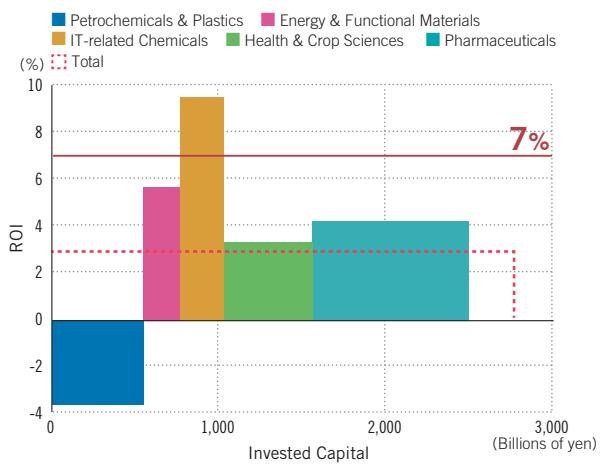
Progress of the Corporate Business Plan

Our policy in the financial aspect of the Corporate Business Plan (FY2019-2021) is to recover cash steadily from capital expenditures already made, and to control costs and assets through disciplined operations. This policy itself will remain unchanged, but due in part to the fact that two large-scale strategic investments had been carried out (the acquisition of the South American business of Nufarm in the Health & Crop Sciences sector, and the strategic alliance with Roivant in the Pharmaceuticals sector), our financial structure temporarily deteriorated, with effects such as our balance of interest-bearing liabilities exceeding 1.3 trillion yen at the end of fiscal 2020 and our D/E ratio reaching 0.9, so we are taking measures to improve this situation.

As for capital expenditure and investment for FY2019-2021 (on a decision-making basis), we aim to reduce the projected scale of 950 billion yen, inclusive of the planned amount of each business sector, by 100 billion yen, by rigorously selecting investment projects with an eye toward growth. In addition, we are also working to sell assets and improve our cash conversion cycle, with targets of asset sales of 50 billion yen, including the sale of cross shareholdings and other unneeded assets, and cash generation of 50 billion yen by shortening the cash conversion cycle to 110 days, by the end of fiscal 2024.

Currently, we have already conducted sales of over 40 billion yen of assets, while also continuing to follow our plan of constricting investments. For fiscal 2020, the cash conversion cycle was 118 days, due in part to accumulating inventories relating to new products, but we are accelerating our efforts to achieve this goal, including not only setting up and launching a project to reduce inventories company-wide, but also strengthening management using DX. Going forward, we plan to improve our financial structure by steadily implementing these sorts of measures, and our goal is to achieve a D/E ratio of 0.7 by the end of fiscal 2024.

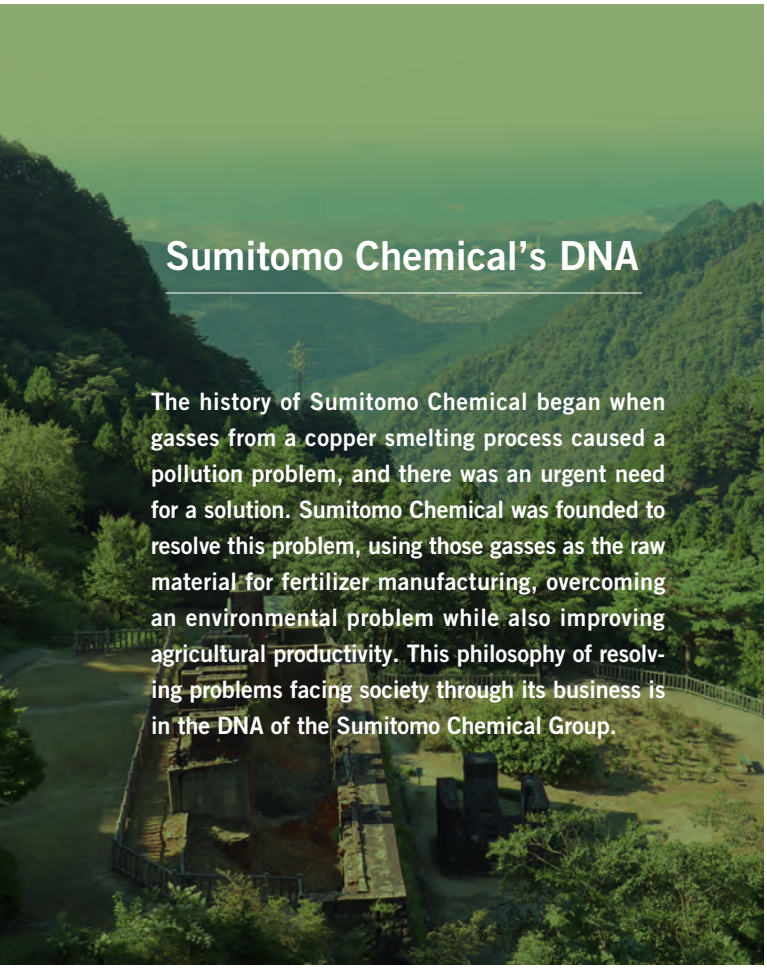
Invested Capital and ROI by Sector (FY2020)



Shareholder Return

We consider shareholder return as one of our priority management issues. We have made it a policy to maintain stable dividend payments, giving due consideration to our business performance, the dividend payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors. We aim to maintain a dividend payout ratio of around 30% over the medium- to long-term. We will continue to sustainably improve corporate value by improving capital efficiency and strengthening our financial structures, thereby meeting the expectations of our shareholders.

Sustainability at Sumitomo Chemical



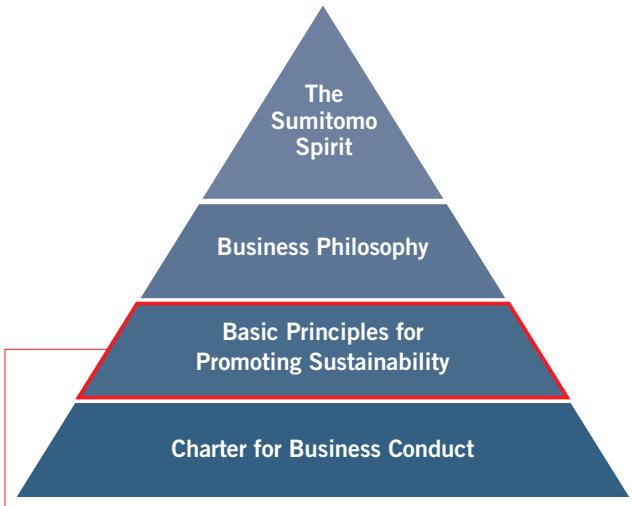
Sumitomo Chemical's DNA

The history of Sumitomo Chemical began when gasses from a copper smelting process caused a pollution problem, and there was an urgent need for a solution. Sumitomo Chemical was founded to resolve this problem, using those gasses as the raw material for fertilizer manufacturing, overcoming an environmental problem while also improving agricultural productivity. This philosophy of resolving problems facing society through its business is in the DNA of the Sumitomo Chemical Group.

Our Sustainability Policy

To us at the Sumitomo Chemical Group, the promotion of sustainability means contributing to developing a sustainable society through our business and achieving sustained growth for our company. In promoting sustainability, we are committed to creating social and economic value concurrently through innovation and contributing to resolving critical issues facing international society, including achieving the United Nations Sustainable Development Goals (SDGs). With the commitment of the top management and participation by all officers and employees, we also pledge to undertake various initiatives by engaging in alliances and collaborations with stakeholders, while also continuously assessing and improving our actions. These principles and this commitment of ours are expressed in our Basic Principles for Promoting Sustainability, and in the framework of our Corporate Philosophy, we place these principles just below the Sumitomo Spirit and Sumitomo Chemical's Business Philosophy to show our commitment to working on the promotion of sustainability as a management priority.

The Framework of Sumitomo Chemical's Corporate Philosophy

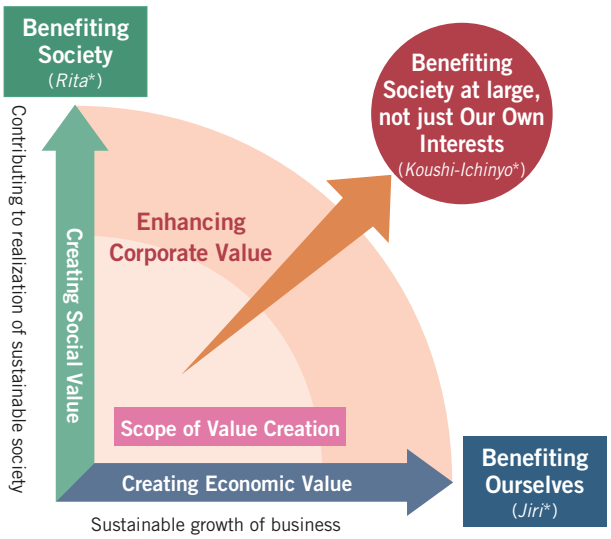


Basic Principles for Promoting Sustainability

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

* *Jiri-Rita Koushi-Ichinyo*:
Our business must benefit society at large, not just our own interests.

Image of Enhancing Corporate Value



* in Japanese

The Material Issues to be Addressed as Management Priorities

In 2019, Sumitomo Chemical identified several Material Issues, important management issues that it would work to address based on its corporate philosophy.

Process for Identifying Material Issues

1 An Overall Evaluation of the Group's Contribution to Sustainability

Discussed in the Sustainability Promotion Committee

❶ Begin by analyzing the issue along two axes, importance to business and importance to society

- Identify material issues for continually creating both economic value and social value
- Consider perspectives on utilizing resources, including technology, digital technology, and personnel
- Clarify relationships between various initiatives, including occupational safety and health and compliance

❷ Grasp stakeholder requirements

- Take into consideration trends in international society and outside evaluations obtained through participation in initiatives

Major international guidelines and initiatives we referred to

- Initiatives by WBCSD and other relevant bodies
- ISO 26000
- SDGs
- The 10 Principles of the United Nations Global Compact
- GRI Standards
- Third-party assessments (including FTSE and EcoVadis)

2 Clarifying Material Issues

Discussed in the Sustainability Promotion Committee

- Identified candidates for the Group's material issues to be addressed as management priorities, with a view to creating both economic value and social value sustainably
- Identified the selected Material Issues as "Material Issues for Social Value Creation," for those issues connected to creating business opportunities, and "Material Issues for Future Value Creation," for resources that can become drivers in the creation of business opportunities.
- Identified the items serving as the essential foundation for business continuity, including occupational safety and health and compliance

3 Deliberation and Approval by Management

Approved by the Board of Directors in February 2019, after deliberation in several management meetings

Applied to the Corporate Business Plan that started in April 2019.

Material Issues for Social Value Creation

Contribution to reducing environmental impact

- Mitigation of climate change
- Contribution through products and technologies
- Efficient use of energy and resources
- Contribution to the recycling of plastic resources

Contribution to solving food issues

Contribution to solving healthcare issues

Contribution to ICT innovation

Material Issues for Future Value Creation

Promotion of technology innovation and research and development

Initiatives for digital innovation

Promotion of diversity and inclusion

Foundation for Business Continuation

- Occupational safety and health, and operational safety and disaster prevention
- Product safety and quality assurance
- Respect for human rights
- Promotion of employees' well-being
- Compliance
- Anti-corruption

Key Performance Indicator (KPI)

▶ Our Website

We have set key performance indicators (KPIs) for initiatives related to our material issues. With the use of KPIs, we 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.

Special Dialogue

Keiichi Iwata
Sumitomo Chemical Company, Limited
Representative Director & President

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Mari Yoshitaka
Mitsubishi UFJ Research and Consulting Co., Ltd.

Sumitomo Chemical's Path to Carbon Neutrality

We welcomed Mari Yoshitaka of Mitsubishi UFJ Research and Consulting, who is a specialist on climate change issues and who has also worked on government initiatives, to a conversation with President Iwata about the Sumitomo Chemical Group's response to climate change and its path toward achieving carbon neutrality.

Initiatives to Address Climate Change and Carbon Neutrality

Iwata: The Sumitomo Chemical Group views climate change as a pressing challenge facing mankind, and we have been working on a variety of initiatives aimed at resolving this issue for many years. Recently, many countries around the world, including Japan, have made a pledge to achieve carbon neutrality by 2050. It is clear, however, that carbon neutrality will be difficult to achieve with just existing technology and that innovation will be necessary. The chemical industry is at the forefront of innovation, and we would like to take the lead in this industry in creating innovation that will lead to a solution to this issue.

Yoshitaka: Carbon neutrality by 2050 is quite a significant hurdle for the industrial sector. What sort of direction will you aim to achieve it?

Iwata: We are proceeding in two directions, broadly speaking. First, we are aiming to reduce the amount of greenhouse gasses emitted by our production activities and business activities toward zero. We are positioning this as our *obligation*. The other direction is our *contribution* to advancement toward carbon neutrality for society as a whole through our products and technologies. We will work on both our *obligation* and our *contribution*, as we move toward carbon neutrality. To this end, in February of this year, we established the Carbon Neutrality Strategy Committee and the Carbon Neutrality Cross-Functional Team, creating a system for advancing our efforts toward carbon neutrality globally.

Yoshitaka: The Task Force on Climate-Related Financial Disclosures (TCFD) calls for information disclosure from four perspectives: Governance, Strategy, Risk Management, and KPIs. We could say that your references to corporate obligation and contribution would fall under Strategy, as they are about how you view the risks facing your company, how you fulfill your responsibilities to address them, and how you grow as a company by contributing to society. In addition, ESG investors are particularly concerned about Governance. I think the fact that you have set up a global system will be rated quite highly in the respect of Governance.

Iwata: Thank you very much for your positive comments. We are going to formulate and implement a strategy which is supported by scientific technology (based on both the natural sciences and the social sciences). At the same time, we will also ensure that that strategy is characteristic of Sumitomo Chemical, which is a diversified chemical manufacturer, and that it raises an expectation that Sumitomo Chemical might be able to achieve despite the high technical hurdles. Looking back, Sumitomo Chemical got its start by producing fertilizer from the gasses emitted from the Sumitomo family's copper smelters. It means that the Company was founded with a mission rooted in both the *obligation* to overcome environmental problems and the *contribution* to agriculture by supplying fertilizer. This history has an extremely close affinity to our current efforts toward carbon neutrality, and our spirit of working toward carbon neutrality is embedded in the DNA of every employee, so to speak.

Yoshitaka: Environmental problems are no longer negative externalities, but are becoming a growth factor for companies. The very fact that Sumitomo Chemical has experience dating back to its founding in environmental initiatives raises our expectations that you might be able to achieve the goal of carbon neutrality.

Reducing Greenhouse Gas Emissions

Yoshitaka: How will you approach to the reduction of greenhouse gasses your company emits, which you frame as your *obligation*?

Iwata: In 2018, we became the world's first diversified chemical company to receive certification from the Science Based Targets (SBT) initiative for reduction targets, and we have been working since then to achieve goals set based on the 2°C target in the Paris Accords. In line with these goals, we have achieved a reduction of about 20% in our Scope 1 and Scope 2 greenhouse gas emissions, from a baseline of 9.54 million tons in 2013 to 7.42 million tons in fiscal 2020. We achieved this by improving our business portfolio, through measures such as shutting down an ethylene plant in Chiba and replacing products with particularly high CO_2 emissions. At the recent climate

Special Dialogue

There is a story to Sumitomo Chemical's strategy. I look forward to seeing you take the lead toward carbon neutrality in the industrial sector as a whole.

Mari Yoshitaka
Mitsubishi UFJ Research and Consulting Co., Ltd.

MS, School for Environment and Sustainability, University of Michigan. Part-time lecturer at the Graduate School of Media and Governance, Keio University. Ph.D. (Science). After working at a number of companies, including an IT company and a US-based investment bank, and doing work at a number of institutions, such as the environmental technology department of the World Bank Group's International Finance Corporation (IFC), in 2000, she set up the clean energy finance department at Mitsubishi UFJ Morgan Stanley. Using her long years of experience in consulting on environmental finance, primarily focusing on the climate change field and developing nations, she currently provides advice for a wide range of sectors on the fields of climate change, business related to the SDGs, and ESG investment. Since May 2020, she has worked for Mitsubishi UFJ Research and Consulting Co., Ltd. She is concurrently working for MUFG Bank and Mitsubishi UFJ Morgan Stanley.

change summit, the Japanese government set a target of a 46% reduction compared to fiscal 2013 by fiscal 2030. To meet this new national target, we will reestablish our goals, in line with a target of well below 2°C, and we are now working toward reducing emissions by close to 50% compared to fiscal 2013 by fiscal 2030.

Yoshitaka: The 46% reduction by fiscal 2030 expressed by the Japanese government will certainly have a significant impact, and it might lead to a transformation in the structure of industry. In these circumstances, it is quite impressive that you are realistically able to aim for a reduction of close to 50% by fiscal 2030.

Iwata: Obviously it will not be easy, but we have built up our track record to the point that it is not an absurd number. This is quite an important point, and there are many companies that, even if they can say their goal is carbon neutrality by 2050, cannot say they will achieve a 50% reduction by 2030, because 2030 is coming right up. To achieve carbon neutrality by 2050, however, you will never make it in time if you start in 2045, for example. Accordingly, we are aiming for a reduction of close to 50% by 2030 and taking every measure as early as possible to deliver results and make steady progress. Now let me give you an overall picture of Sumitomo Chemical's greenhouse gas emissions. In the chemical industry, we apply energy to raw materials in the form of electricity or heat from steam to promote chemical reactions, converting the raw materials into products. Of our 7.42 million tons of greenhouse gas emissions, about 70% of that is energy-derived, broadly speaking, while about 30% is process-derived, generated by chemical reactions and waste processing. Currently, the steam that is the primary heat source of chemical plants is generated using fossil fuels, so we will consider electrifying all of our steam generation, presuming that we will use electricity derived entirely from renewable energy sources in the future. This will require a great deal of innovation.

Yoshitaka: I am so impressed to hear that you are heading in the direction of full electrification. Shifting to renewable energy sources is not something that can be easily done by a single chemical company on its own in Japan, so I am sure that it will be an extremely difficult decision to first proceed with electrification, assuming that the electricity will be derived from renewable sources in the future.

Iwata: If we do not presume a shift to electricity derived from renewable sources, achieving carbon neutrality in the manufacturing industry will be extremely difficult. At the same time, for the process-derived emissions, we will need to aim for zero emissions through the use of carbon negative technologies, such as carbon capture, utilization, and storage (CCUS).

Yoshitaka: The path you have laid out toward zero greenhouse gas emissions for your company is extremely easy to understand, and I think it will resonate with ESG investors.

Technology Unique to Sumitomo Chemical

Yoshitaka: The government has created the Climate Innovation Finance Strategy in order to promote investment in companies that are working on innovation aimed at significant greenhouse gas emissions reductions or a steady transition in response to climate change. To take advantage of this opportunity, it is indispensable for a company to promote specific technologies that can catch the eyes of ESG investors and bring in funds. What sorts of technologies does Sumitomo Chemical have in this regard?

Iwata: First, we have the products and technologies that have been designated as Sumika Sustainable Solutions*, and among them there are several that contribute to mitigating or adapting to climate change. Some examples of products that contribute to reducing greenhouse gas emissions include methionine, an animal feed additive that can reduce the amount of nitrogen in livestock waste, and separators for lithium-ion secondary batteries, which are used in electric vehicles. The number of the products and technologies designated as Sumika Sustainable Solutions has reached 57, and the total annual sales of these solutions now amount to around 500 billion yen. While we are making a contribution through these products and technologies, we

* Sumitomo Chemical Group products and technologies that contribute to response to climate change, reduction of environmental impact, and effective use of resources.

are working on the development of a number of new technologies. We are focusing on carbon cycle technologies by capitalizing on our expertise as a chemical company, and in particular, we place a high priority on chemical recycling, which is sometimes called the ultimate form of recycling. We are working together with a variety of companies, universities, and public bodies to develop these technologies. For example, we are collaborating with SEKISUI CHEMICAL on technology to manufacture ethylene from municipal waste, with the Muroran Institute of Technology on technology to manufacture olefins from plastic waste, and with Shimane University on technology to synthesize methanol from plastic waste and other sources.

Yoshitaka: In addition to climate change, ESG investors are particularly concerned about biodiversity. Chemical recycling enables us to recycle plastics and other waste in a closed loop and prevent them from being disposed of elsewhere, so it can reduce our impact on the natural world, and thereby contribute to biodiversity as well as climate change.

Iwata: Chemical recycling is an area where we can leverage our technology. We would like to accelerate research and development in this field going forward. I touched on CCUS technology earlier, which consists of both technology to selectively capture CO_2 and technology to convert CO_2 into chemical products. In the first area, we are currently developing a low energy, high efficiency CO_2 separation technology using functional membranes, and in the second area, we are working on the development of methanol synthesis technology with Shimane University as I mentioned earlier. We are also engaged in a joint project to develop technology that can replace the fuel for naphtha cracking with ammonia. Finally, direct air capture (DAC) has received a lot of attention as the ultimate carbon negative technology, but the massive energy and cost requirements are an issue. This is why we focus on plants, and we are currently developing EcoDAC, a set of technologies that utilize the ecosystem. As an example of EcoDAC, there is a technology that increases the amount of CO_2 absorbed by plants by applying a type of fungus to the soil to activate plants. If we could use this to increase the amount of CO_2 absorbed by existing plants by 10%, we would be able to contribute to reducing CO_2 by massive amounts, more efficiently than reforestation. This is an area where we can fully capitalize on insights from our crop protection products and fertilizers. We are currently in the experimental phase with this technology, and scientific data collection is currently underway at an American university.

Yoshitaka: That's very interesting. From the perspective of focusing on plants, the CDP also views forest-related information disclosure as an important issue, perhaps we could say even as important as biodiversity, so I absolutely hope you will work on this as a pioneering business. You have clear stories for all of the technologies I have heard about from you to this point, and they are also all connected to your value chain. One of the points ESG investors focus most on is whether top management can present a strategic narrative about their company. You have a clear story for your strategy, and I hope you present it in a way that makes its appeal easy to understand.

Expectations of Sumitomo Chemical

Yoshitaka: Hearing about Sumitomo Chemical's response to climate change and your strategy for carbon neutrality has raised my expectations quite high. I have gotten the impression that achieving carbon neutrality by 2050 is not just words, it is something that I can envision in reality. While there are some companies whose mindsets do not really change, I would hope that Sumitomo Chemical not only takes the lead in the chemical industry, but becomes a leading presence in the industrial sector as a whole.

Iwata: Carbon neutrality is not something that will ever be achieved just by aiming for it. We will continue to show steady progress toward carbon neutrality by 2050, based on a strategy that is supported by science and is characteristic of Sumitomo Chemical. Thank you for speaking with me today.

Our *obligation* to reduce our own greenhouse gas emissions toward zero, and our *contribution* to carbon neutrality for society as a whole. We are working on these challenges by utilizing technologies that are unique to Sumitomo Chemical as a diversified chemical manufacturer.

Keiichi Iwata

Progress in the FY2019-FY2021 Corporate Business Plan

Change and Innovation 3.0 For a Sustainable Future

Contributing to the Creation of a Sustainable Society by Accelerating Innovation

The Corporate Business Plan (FY2019-FY2021) started in 2019 adopts "Change and Innovation 3.0: For a Sustainable Future" as a slogan. The message implicated here is that, in view of the coming Society 5.0 (ultra-smart society), we should accelerate innovation by increasing productivity exponentially through digital innovation, and contribute to creating a sustainable society by solving issues facing society.

It was fiscal 2013 when we adopted "Change and Innovation" for the first time as the slogan for the Corporate Business Plan. In the past six years, we have steadily moved forward, enhancing our financial strength in phase 1 and further improving our business portfolio in phase 2. For the current Corporate Business Plan as phase 3, we have set six basic policies, including accelerate the development of next-generation businesses and improve productivity through digital innovation.

Financial Indicators

(Billions of yen)	FY2019	FY2020	FY2021 (Forecast*)	FY2021 (Targets)
Sales revenue	2,225.8	2,287.0	2,610.0	**2,950.0**
Core operating income	132.7	147.6	200.0	**280.0**
Net income attributable to owners of the parent	30.9	46.0	100.0	**150.0**
Naphtha price (yen/KL)	42,900	31,300	47,000	**51,000**
Exchange rate (yen/US$)	108.70	106.10	110.00	**110.00**

* Announced on May 13, 2021

	FY2019	FY2020	FY2021 (Forecast*)	FY2021 (Targets)	**Targets** Consistently achieve the following targets
ROE (%)	3.2	4.7	9.6	**12.5**	**Over 10%**
ROI (%)	2.4	2.8	4.3	**7.1**	**Over 7%**
D/E ratio (times)	0.9	0.9	0.9	**0.7**	**Approx. 0.7 times**
Dividend payout ratio (%)	89.9	53.3	32.7	—	**Approx. 30%**

In fiscal 2020, while there were negative factors caused by the spread of COVID-19, such as reduced shipments of automotive-related components, life sciences fields were not significantly affected, and there were positive factors for the IT-related Chemicals sector due to stay-at-home demand, so income exceeded that of the previous fiscal year. For fiscal 2021, while we will not reach our initial target of 280 billion yen, we are forecasting a recovery to a core operating income of 200 billion yen and an ROE of 9.6%. In addition, the portions of the current Corporate Business Plan that were not achieved will be addressed as issues in the next Corporate Business Plan going forward.

Six Basic Policies

Further Improve Business Portfolio

Build a More Robust Financial Structure P24

Employ, Develop and Leverage Human Resources for Sustainable Growth P70

Ensure Full and Strict Compliance and Maintain Safe and Stable Operations

Progress in Fiscal 2020

Petrochemicals & Plastics P40	● The completion guarantee for Rabigh Phase Ⅱ project financing came to an end. ● Began examining a possible combination of a propane dehydrogenation (PDH) technology that converts propane gas into propylene, with CO_2 utilization technology in Singapore.
Energy & Functional Materials P44	● Opened an industry-academia joint research course at Kyoto University, for accelerating the research and development for practical implementation of solid-type batteries.
IT-related Chemicals P48	● Decided to strengthen development and quality assurance system of photoresists for advanced semiconductor processes in Osaka Works. ● Decided to expand capacity of a manufacturing facility of photoresists for advanced semiconductor processes in Osaka Works.
Health & Crop Sciences P52	● Acquired four South American subsidiaries of Nufarm. ● Received Registration Approval for INDIFLIN™ fungicide in the U.S. and Canada.
Pharmaceuticals P56	● Established and began operations of a joint venture company for CDMO business in the field of regenerative medicine and cell therapy. ● Sumitomo Dainippon Pharma launched ORGOVYX™ for the treatment of advanced prostate cancer in the US.
New Businesses and R&D P67	● For chemical recycling, built a collaborative relationship with SEKISUI CHEMICAL CO., LTD. and began joint research with Muroran Institute of Technology, and began joint research with Shimane University for carbon cycle chemistry.

Progress in the FY2019-FY2021 Corporate Business Plan

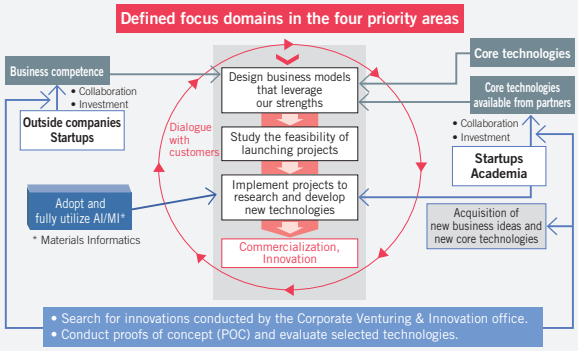
Accelerate the Development of Next-generation Businesses

Despite increasing uncertainty over the business environment surrounding Sumitomo Chemical, the chemical industry has a large role to play in addressing social issues including environment, energy, and food issues, and business opportunities for the Company are also expanding. The Corporate Business Plan started in fiscal 2019 set four priority areas: healthcare, reducing environmental impact, food, and ICT. We will work in these areas to resolve issues to create a sustainable society through our business. In these key areas, we will focus on accelerating the development of next-generation businesses.

Focus Domains in the Four Priority Areas

Innovation Ecosystem

In order to ensure that R&D and business development in the four priority areas lead to the development of next-generation businesses, we are constructing an innovation ecosystem (a system that creates continuous innovation).



● Designing Business Models that Leverage Sumitomo Chemical's Strengths

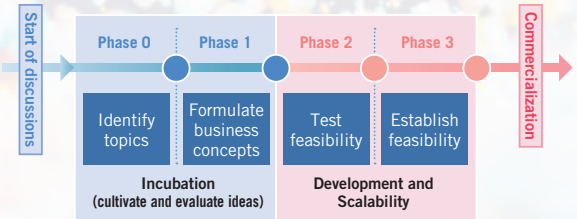
We established focus areas for our efforts based on the four priority areas, and then distinguished between core technologies we own and those we don't own so that we can design business models that leverage our strengths in each of the focus areas.

● Obtaining Technologies Available from Partners

We will obtain technologies we need to have through collaboration with startups and academia, and supplement gaps in our business competencies through partnerships with, or investments in, external companies and startups. We are contacting startups and academic institutions, and have expanded our activities by setting up three Corporate Venturing & Innovation offices to search for promising technologies: Cambridge, in the UK, and San Francisco and Boston in the U.S. We are also enhancing our ability to conduct proofs of concept to evaluate the competitiveness of our competitors' technologies by validating the effectiveness and feasibility of technologies Corporate Venturing & Innovation has found.

● Full Implementation of Stage-gate Management System

In discussions of potential research topics, a stage-gate management system has been fully implemented from fiscal 2019 and has begun operation. In this system, research topics are divided into four phases from conception of ideas to commercialization.



Improve Productivity through Digital Innovation

DX Strategy Milestones

Under our DX Strategy 1.0, we undertook initiatives, aiming at improving productivity in the four areas of research and development, plants, supply chain management, and offices, by utilizing such digital technologies, as material informatics and IT platforms, and providing the education opportunities required for data scientists. We succeeded in growing number of personnel who have digital talents and sharing the ideas of DX among the business sectors. In the next term, not only focusing on improving productivity, we are also moving forward to the following stages, DX Strategy 2.0 and 3.0; each business sector will tackle DX issues which they face to, originally from their business and product characteristics, and in DX Strategy 2.0 we will make our efforts to enhance the existing business competitiveness, and in 3.0, we will aim to create new business models.

Corporate Unit-led Efforts

DX Strategy 1.0

- **Improve productivity in four focus areas for DX**
- Generate extra capacity and reduce operation cost by streamlining processes
- Improve quality and efficiency of functions and operations and share best practices across organization

Business Unit-led Efforts

DX Strategy 2.0

- **Consolidate competitiveness of existing businesses**
- Enhance customer interface and improve customer satisfaction to create added value and expand market shares and sales
- Cross-functional drive to optimize the entire supply chain

Built in as Continuous Efforts

DX Strategy 3.0

- **Create new business models**
- Create new business models leveraging services and data and our core technologies
- Improve our corporate value as leading DX-driven company

We Aim to Dramatically Improve Business Process Productivity and Provide New Value by Accelerating Digital Innovation.

For the materials and chemicals industries, we are required to enhance the business competitiveness, getting through with DX activities and responding to shorter product lifecycle and more diversified and advanced customers' demand, while it is an opportunity to provide products and solutions that help to resolve issues towards the global sustainability; carbon neutrality, marine plastic, and food supply issues.

Under this business philosophy, we determined to raise "digital transformation" as one of the basic policies in Corporate Business Plan, we have planned to introduce advanced digital technologies, IoT*1, AI*2, MI*3 , and RPA*4 on site and to train the personnel who can utilize those technologies. We have focused to improve the productivity of operational processes in research and development, plants, supply chain management, and offices in DX Strategy 1.0, but as the world has been rapidly changing in the COVID-19 pandemic, we are shifting to the following stages, DX Strategy 2.0 and 3.0 to enhance the existing business competitiveness and create new business models by applying data and services to our products and core technologies. Through our digital transformation, we hope to contribute to deliver new value (products and services) to our customers, by increasing more innovative personnel and creating an organizational culture adopting agility.

*1 IoT: Internet of Things
*2 AI: Artificial Intelligence
*3 MI: Materials Informatics
*4 RPA: Robotic Process Automation

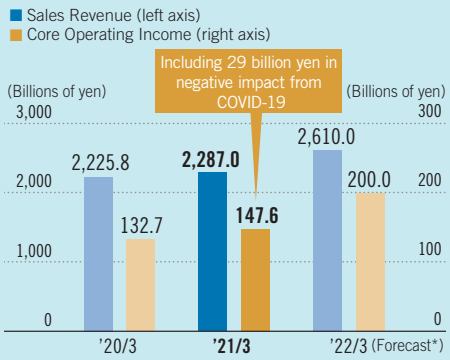
Hiroshi Ueda
Director &
Executive Vice President

Sumitomo Chemical vs the COVID-19 Pandemic

We would like to express our sincere condolences for those who have passed away due to complications of COVID-19, and our heartfelt sympathies for those currently suffering from the disease. In addition, we would like to express our deep respect for all those who are working hard to stop the spread of the pandemic, particularly those in the medical field.

Impact on Our Business

In fiscal 2020, while our businesses in the Petrochemicals & Plastics sector and Energy & Functional Materials sector were affected by the spread of the COVID-19 pandemic, particularly in products for automotive-related applications, the semiconductor and display-related businesses of the IT-related Chemicals sector grew on demand from stay-at-home and work-from-home needs. In addition, the performance of the Health & Crop Sciences sector and the Pharmaceuticals sector was largely unaffected by the pandemic. Thus, in these circumstances of extreme change due to COVID-19, we were able to employ the defensive strength of a diversified chemical company, conducting a diverse range of businesses. Despite the massive changes in the business environment, the five business sectors of our company support one another, with the core strength to continue to grow.



* Announced on May 13, 2021

Our Contribution to Society During the Pandemic

With our five business sectors, we were able to contribute to preventing the spread of the disease in multiple areas. In addition to supplying polyethylene film as a raw material for medical gowns, supplying acrylic sheets to prevent the spread of droplets, and supplying the precursors for remdesivir, a pharmaceutical, we have also taken action on a variety of other fronts, including participating in the COVID-19 Research Database consortium, which made a database of medical information available to researchers for free. Going forward, we will continue to utilize the chemical industry's wide range of strengths to meet the various need of society, contributing to bringing this emergency situation to a close.

Now is the Time to Deploy Our Strength as a Diversified Chemical Company

Supplying Polyethylene Film for Agricultural Use as a Raw Material for Medical Gowns

In light of a shortage of disposable medical gowns worn by healthcare staff, from among the types of polyethylene film we provide for other applications, we provided priority emergency supplies of film suited for this application to companies that manufacture medical gowns from April through July of 2020. The amount supplied is equivalent to 2.3 million medical gowns. The plastic raw material for this film is produced at the Chiba Works, and the film itself is processed and produced by SanTerra, a Group company, using this plastic. It was very encouraging for employees to know that they were contributing to resolving a shortage of protective equipment on the medical front lines.

PMI* Under COVID-19

Acquisition of South American Crop Protection Businesses

Integration Process for South American Facilities

- Sep. 2019 Agreement on the acquisition
- Apr. 2020 Acquisition completed
- Aug. 2020 Start of unified operations

In 2020, Sumitomo Chemical acquired four South American subsidiaries (Brazil, Chile, Argentina, Colombia) from Nufarm. Due to the global spread of COVID-19, which was not foreseen when plans were initially made, the integration process with our existing South American businesses proceeded under a variety of restrictions.

* Post Merger Integration

Ask the Locals Q&A

We asked Juan Ferreira, who has been President of Sumitomo Chemical Brazil since June 2019, and who led the PMI for the South American crop protection businesses, about the situation on site.

Juan Ferreira

Sumitomo Chemical do Brasil Representações Ltda

What difficulties did you face due to the spread of COVID-19 in the area?

Just keeping the PMI proceeding steadily was already difficult, but an integration while facing problems with physical distancing under these sorts of circumstances was even more difficult. There were any number of issues, but our biggest issue was building relationships of trust with our new stakeholders. It is essential to be close with people, particularly in South America, but the relevant people were scattered across a variety of locations in South America, Japan, and the US, and our movements were also restricted, so we had to build relationships of trust while not being able to actually meet and speak to one another, so even more effort was required.

How did you build relationships of trust despite the restrictions on movement?

We put a high value on speaking directly with one another, creating opportunities for team members to gather together, even if only through online video. In addition, we also put effort into training for the leadership team, conveying the importance of Sumitomo Chemical's culture of listening with respect to the views of our colleagues.

What do you think was the reason for your smooth progress with the PMI, despite COVID-19?

The high professionalism of our team and our commitment. It is because of COVID-19 that we worked so hard and did our best. For example, because there is a significant time difference between Japan and South America, we held any number of conversations at times that equate to early morning in Japan. For this reason, despite being separated by huge distances, everyone understood the situation at that time, and was able to fulfill their role, which meant we were able to keep over 650 PMI actions on track. In addition, I think the fact that both the former Nufarm and Sumitomo Chemical share an approach that puts the customer first is a major reason we were able to secure important customers even during this integration period between the companies.

What are your plans going forward?

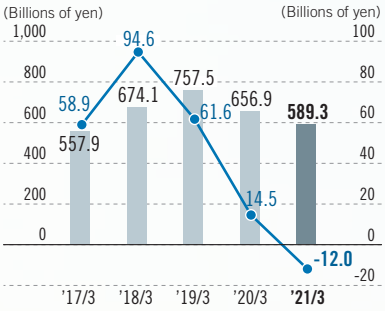
The current PMI is already largely completed, and our crop protection business in South America is producing results in line with expectations. Going forward, we are working to launch INDIFLIN™, the new fungicide, locally, and to expand sales of biorationals. We have set a high sales growth target in our crop protection business in South America going forward. To achieve this, I would like our team to come together and work hard with a positive attitude, not giving in to COVID-19.

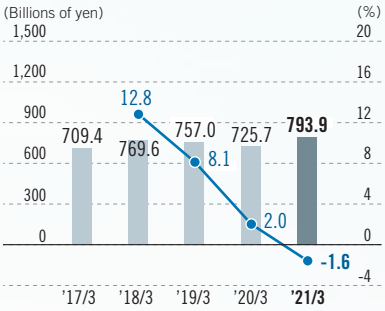
Farms in Brazil

The herbicide line at the Maracanaú production plant

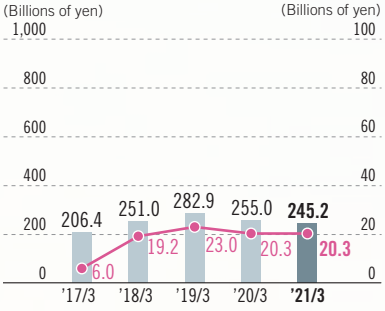
Each Sector Situation

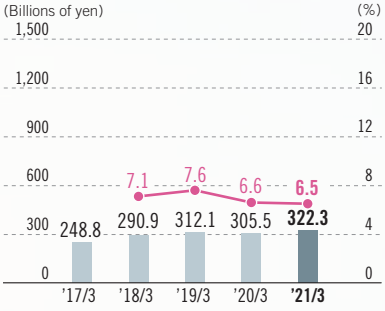
Petrochemicals & Plastics P40



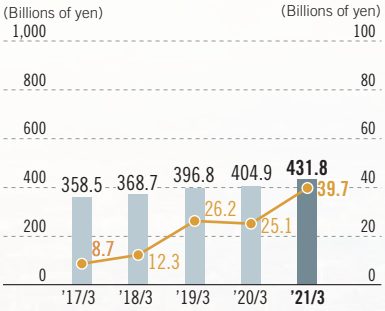


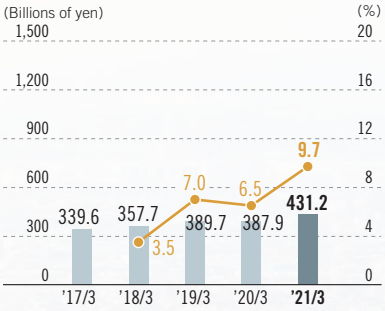
Energy & Functional Materials P44



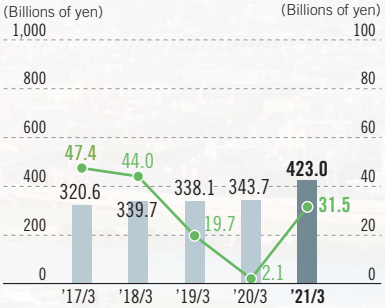


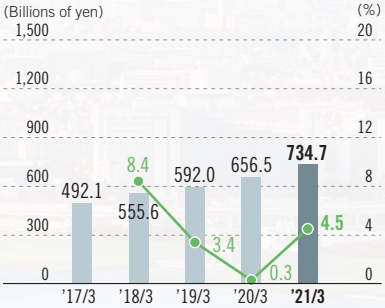
IT-related Chemicals P48



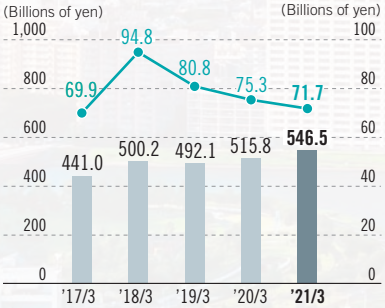


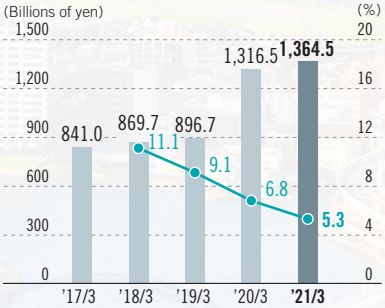
Health & Crop Sciences P52





Pharmaceuticals P56





*1 Because tentative treatment relating to a corporate acquisition was resolved in fiscal 2020, Sumitomo Chemical has retroactively revised its figures for fiscal 2019.
*2 Beginning in fiscal 2017, the company converted its accounting standard to IFRS.
Alongside this change, figures for fiscal 2016 were restated using IFRS, but because a breakdown of net assets by sector at the beginning of the year was not created, the ROA was not calculated.

Details of performance data by sector ▶ Investors' Handbook 2021

Corporate Business Plan for FY2019-FY2021

Petrochemicals

Action Plan
- Strengthen domestic business
- Expand capacity and enhance profitability of Singapore business
- Maintain stable operations at PRC phase Ⅰ and make PRC phase Ⅱ into a business that consistently contributes to the sector's performance
- Strengthen technology licensing business

Major Issues
- Restructuring of underperforming businesses
- R&D into carbon cycle chemistry to create a sustainable society

Financial Indicators

(Billions of yen)	FY2020	In Comparison to FY2019	FY2021 Forecast*2	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target
Sales revenue	589.3	-67.6	760.0	910.0
Core operating income	-12.0	-26.5	36.0	49.0
Sales revenue of SSS*1-designated products	78.5	-2.0	—	88.0

*1 Sumika Sustainable Solutions *2 Announced on May 13, 2021

IT-related Chemicals

Action Plan
- Expand sales of core products (battery materials, super engineering plastics, etc.), accelerate R&D
- Shift to high value-added products
- Improve profitability in underperforming businesses and products

Major Issues
- Create new businesses in the fields of environment and energy and high-performance materials

Financial Indicators

(Billions of yen)	FY2020	In Comparison to FY2019	FY2021 Forecast	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target
Sales revenue	245.2	-9.8	280.0	390.0
Core operating income	20.3	-0.1	19.0	31.0
Sales revenue of SSS-designated products	39.8	-8.0	—	95.0

Energy and Functional Materials

Action Plan
- Increase added value in the polarizing film business
- Capture demand by aggressively investing in future market growth in the semiconductor materials business
- Expand touchscreen panel product portfolio

Major Issues
- Develop next-generation businesses
  - Smart mobility
  - Next-generation handsets
  - Sensor material

Financial Indicators

(Billions of yen)	FY2020	In Comparison to FY2019	FY2021 Forecast	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target
Sales revenue	431.8	+26.9	435.0	520.0
Core operating income	39.7	+14.6	40.0	35.0
Sales revenue of SSS-designated products	213.4	-18.2	—	158.0

Agricultural Chemicals

Action Plan
- Strengthen and expand biorationals business
- Develop and launch new crop protection chemicals steadily
- Expand methionine sales and strengthen earnings power
- Accelerate the global expansion of the environmental health business
- Develop the nucleic acid medicine business and expand the application of the technology

Major Issues
- Establish a global footprint in the crop protection business

Financial Indicators

(Billions of yen)	FY2020	In Comparison to FY2019	FY2021 Forecast	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target
Sales revenue	423.0	+79.3	460.0	480.0
Core operating income	31.5	+29.5	38.0	75.0
Sales revenue of SSS-designated products	131.5	+11.7	—	184.0

Pharmaceuticals

Action Plan
- Strengthen innovation through new drug discovery approaches
- Promote development in the field of cancer treatments
- Explore frontier fields
- Develop the Theranostics business and strengthen the competitiveness of the existing radioactive diagnostics business

Major Issues
- Enhance drug development capabilities and improve the success rate in R&D
- Maintain earnings power after Latuda's loss of exclusivity

Financial Indicators

(Billions of yen)	FY2020	In Comparison to FY2019	FY2021 Forecast	Corporate Business Plan for FY2019-FY2021: Sector Goals FY2021 Target
Sales revenue	546.5	+30.6	610.0	590.0
Core operating income	71.7	-3.6	67.0	94.0

Petrochemicals & Plastics

Primary Focus SDGs

Provide Customers with New Solutions Based on High Value-added Products

Business Activities

Sumitomo Chemical's Petrochemicals & Plastics Sector manufactures such products as polyethylene (PE), polypropylene (PP), and methyl methacrylate (MMA) using the various strengths of its manufacturing locations in Japan, Singapore, and Saudi Arabia, and offers them to a wide variety of industries, including automobiles, electric appliances, and food products.

Core Competence

We are developing high value-added products in anticipation of customer needs, and we also provide a stable supply of high-quality products at our locations in Japan and Singapore. Our relationships of trust with core customers in the Asian market, cultivated over many years, are also a major strength of Sumitomo Chemical. In Saudi Arabia, we are manufacturing cost-competitive products, taking advantage of the low prices of raw materials and fuel in that region.

Basic Strategy

Currently, we are working to enhance our ability to offer solutions through high value-added products in Japan and Singapore and to achieve stable plant operations in Saudi Arabia.

Initiatives in Fiscal 2020

The completion guarantee for the Rabigh Phase Ⅱ Plant has been terminated. Moreover, in order to contribute to the creation of a post-carbon society and a circular economy, we are not only pushing forward with technology development relating to material recycling and chemical recycling, we are also advancing initiatives to have the results of that development deployed in society.

Issues in the Future

Continuing stable operations at the plant in Rabigh, Saudi Arabia, including in the phase Ⅱ section, remains an important challenge for us. We are developing high value-added uses of polyolefin in Japan and Singapore, and strengthening our license business. Furthermore, we are working on R&D on carbon cycle chemistry, including chemical recycling, to create a sustainable society.

Long-term Vision

Going forward, we will not only continue to enhance our strengths in these three locations, but will also aim to consistently achieve a return on assets in excess of our cost of capital by working to streamline assets, including working capital.

竹下 憲昭

Noriaki Takeshita
Representative Director & Senior Managing Executive Officer

SWOT Analyses of the Major Businesses

S Strengths
- Global operation by leveraging the competitive advantages of the three bases in Japan, Singapore, and Saudi Arabia
- Strong relations with prominent customers in the Asian market
- Access to low-cost ethane feedstock
- Capabilities to develop high value-added products

W Weaknesses
- Relatively small business size compared to the global majors
- Dependence on naphtha, a more expensive feedstock than ethane / shale gas

O Opportunities
- Large and deep markets
- Steady growth in demand
- Increasing demand for chemical recycling, prompted by heightened awareness of sustainability

T Threats
- Establishment of more cost-competitive new plants
- Cyclical business environment
- Country risks

Business Introduction

Polyolefin Business [Polyethylene, Polypropylene]

Polyethylene (PE)	●Synthetic resin that is flexible, highly water- and chemical-resistant, and easy to process (Used in a wide range of products, including packaging materials, such as plastic wrap and food-safe tubes, wire coatings, and plastic film used for greenhouses)
Polypropylene (PP)	●Synthetic resin with a number of superior properties, including light weight, great workability, durability, heat resistance, and chemical resistance (Used in a wide range of applications, including automobile bumpers, instrument panels, food trays, and home appliances)

Market Environment

- Despite the impact of the spread of COVID-19, particularly in automotive-related areas, demand began to recover as we entered the second half of fiscal 2020
- With respect to global demand, we expect that for PE and PP, which are used in a wide range of applications, growth will continue at a rate of about 3-4% per year, alongside the growth in the economies of various countries.

Products made using polyethylene

Priority Measures

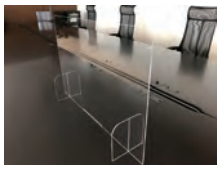
- Expand and strengthen our business in high value-added applications
  PE Applications
  include protective films for LCDs and water-resistant laminate for paper
  PP Applications
  include automobile components, electronic components, and food packaging film material
- Build and promote systems for resource circulation, including material recycling

Methyl Methacrylate (MMA) Business [MMA Monomer, MMA Polymer, MMA Sheets]

MMA polymer	●Materials with outstanding transparency and weather resistance (Widely used in optical components such as light guide plates for LED TVs, automotive components, display cases, and outdoor advertisements)

Market Environment

- Demand remains strong, and we expect steady sales going forward
- The Group's monomer production capacity is 400k tons/year, the second-largest market share in Asia (4th in the world)
- Prices are expected to fall for MTBE, the raw material for our production method, due to oversupply because of a fall in demand for gasoline. We expect that this will increase the relative competitive advantage of our production method.



Shield to block flying droplets made with methacrylic plastic

Priority Measures

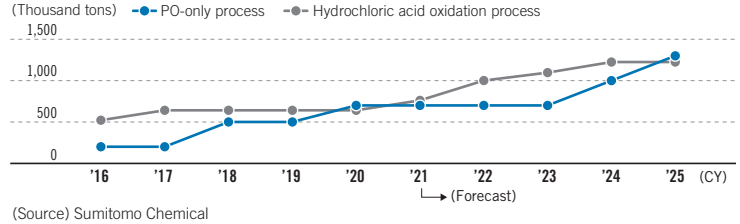
- Strengthen our competitive ability across the entire MMA product chain, from monomers and polymers to the sheet business, as a major manufacturer in Asia
- Expand the functionality of acrylic sheets for preventing the spread of viruses and other microbes in collaboration with appropriate companies

License Business

- Provision of licenses and sales of catalysts for production methods and technologies cultivated at our plants in Japan and at related companies outside Japan
- A lineup of technologies including not only the propylene oxide-only (PO-only) process for manufacturing PO, but also a hydrochloric acid oxidation process that significantly reduces energy costs and whose byproducts can be recycled as raw materials and a caprolactam process that does not produce ammonium sulfate as a byproduct

Actual

Sumitomo Chemical's Licensee Facilities



(Source) Sumitomo Chemical

Priority Measures

- Expand our lineup of licenses and actively promote licensing of technologies that save energy or reduce environmental impact
- Secure ongoing stable income from the supply of catalysts

Q&A Environmental Strategy

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

A We are not only working to expand the scale of existing business, we are also focusing on initiatives such as shifting to higher value-added products and our licensing and catalyst business for technologies developed in-house. In addition, we are contributing to efforts to improve the environment, including reducing greenhouse gas emissions, by developing outstanding technology that reduces environmental impact. By commercializing these technologies, we aim to contribute to reducing the greenhouse gas emissions of society as a whole, while also creating ongoing profits.

License / Catalyst

● Propylene Oxide (PO)-only Process

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

● Catalyst Business

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

Technological Development / Catalyst

● Material Recycling and Chemical Recycling

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

P66

● Effective Use of CO_2

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

Status of Global Expansion

Global Expansion Using the Strengths of Each Location

The Petrochemicals & Plastics Sector has three major production locations: Singapore, Saudi Arabia, and Japan, and we are developing our business by utilizing the strengths of each location.

● Singapore

We expanded its business to Singapore in the 1970s, producing and selling petrochemical products. Currently, PCS*1 produces products such as ethylene and propylene, TPC*2 produces products such as polyethylene and polypropylene, and Sumitomo Chemical Asia produces MMA. We have developed high value-added products and produced stable supplies of high-quality products in Singapore for many years, building extremely strong relationships of trust with customers, while creating high brand value in the Asian market.

● Saudi Arabia

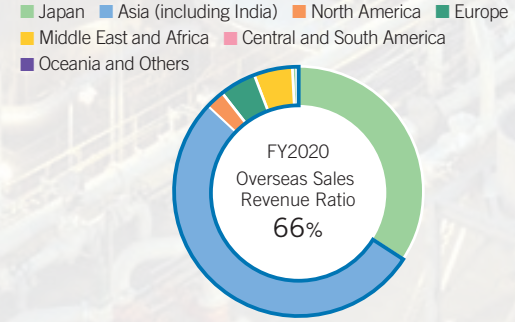
Petro Rabigh, a joint venture with Saudi Aramco, produces all sorts of petrochemical products. The strength of the Rabigh project, as shown on the next page, is its cost advantage due to utilizing ethane. We are focusing on stable production in order to maximize this advantage.

● Japan

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

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

Sales Revenue Ratio by Region



Value Creation Model: Rabigh Project

Value Chain

Supplier
Saudi Aramco

Petro Rabigh

Sales Companies
Sumitomo Chemical Asia
Saudi Aramco Group

Customers
Resin processing manufacturers
Synthetics manufacturers, etc.

Consumers
People around the world

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

System for Providing Added Value

Competitive Advantages of Rabigh Project

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

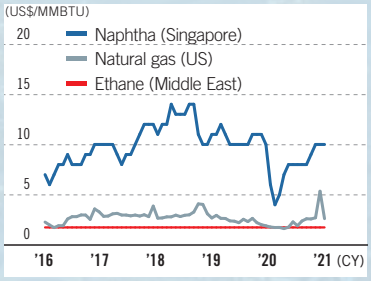
Major Processes Generating Competitive Advantages

Petro Rabigh produces products such as PP, PE, and PO, using technology licenses from Sumitomo Chemical, which boasts world-class technology. Moreover, the local staffs' operational technique is improving by receiving training at overseas facilities, particularly in Singapore. Moreover, Sumitomo Chemical Asia, which handles sales, has facilities throughout Asia, shortening delivery times and reducing logistics costs.

Providing Customer Value

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

Cost Difference of Petrochemical Feedstocks



Operations at Petro Rabigh

Added Value Provided to Society

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

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

Energy & Functional Materials

Contribute to Solving Environmental and Energy Issues through Research and Development with a Long-term Perspective and the Resulting Innovative Technologies

Business Activities

The Energy & Functional Materials Sector sells high-performance materials, such as battery materials and super engineering plastics, and provides solutions to improve the performance of eco-friendly products, such as electric vehicles.

Core Competence

A major core competency of this sector is its global business development capability, as shown by products where we hold the top global market share, such as high-purity alumina and resorcinol, and also by our separators for lithium-ion secondary batteries, which offer world-class heat resistance. The above products are also the results of our other core competencies: our research and development capabilities as well as our evaluation, manufacturing, and process technologies.

赤堀金吾

Kingo Akahori
Representative Director & Senior Managing Executive Officer

Basic Strategy

This sector's medium-term strategy is to continue to expend every effort in investing its management resources specifically in those fields in which Sumitomo Chemical can offer comparative advantages technologically, and where growth can be expected in those businesses. At the same time, we are working to restructure businesses that have become unprofitable.

Initiatives in Fiscal 2020

In fiscal 2020, we opened an industry-academia joint research course with Kyoto University in the field of solid-type batteries, which are attracting attention as next-generation secondary batteries. As part of the course, we are jointly developing materials and underlying technologies for solid-type batteries through sample synthesis and performance assessment.

Issues in the Future

For separators and cathode materials for battery components, we are accelerating development in order to commercialize next-generation secondary batteries, in addition to strengthening competitiveness with technological development. In super engineering plastics, we are working to promote the development and expand sales for applications in a variety of devices and parts for 5G and IoT platforms as well as automobile components and materials. We are thoroughly pursuing business opportunities, including M&A, from a medium- to long-term perspective to increase our presence, particularly in these growth areas.

Long-term Vision

Our aim is to contribute to solving global environmental and energy issues through research and development with a long-term perspective and the resulting innovative technologies.

Primary Focus SDGs

SWOT Analyses of the Major Businesses

S Strengths
- Superior product performance using differentiated technologies
- Reliability of products proved in use by customers

W Weaknesses
- Relatively small business
- Cost competitiveness

O Opportunities
- Sophistication of performance requirements against the backdrop of increasing battery capacity
- Expansion of the environment- and energy-related markets

T Threats
- Market decline due to change in EV promotion policies
- Paradigm shift in secondary batteries

Business Introduction

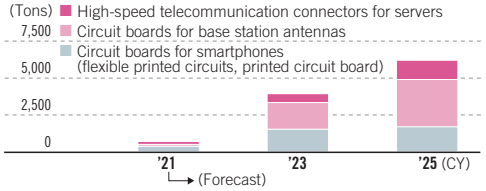
Advanced Polymers Business [Liquid Crystal Polymer (LCP) and Polyether Sulfone (PES)]

LCP
- LCP is a super engineering plastic, which features excellent heat resistance, fluidity, and dimensional stability, and that is mainly used in electronic components, such as connectors.

PES
- PES is a super engineering plastic, which features excellent heat resistance, creep resistance, dimensional stability, flame retardance, and water resistance, and that is used in applications such as carbon fiber composite materials in aircraft.

Market Environment

Changes in the Resin Materials Market in the High-speed Communication Sector



(Source) Sumitomo Chemical estimates

Priority Measures

LCP
- Development and sales for high-frequency-capable materials (including 5G applications)
- Contributing to making automobiles lighter to expand sales for automotive component applications

PES
- Development and sales for automobile components, high-performance membranes

Specialty Chemical Businesss [Resorcinol, High Polymer Additives, Dyes, and Emulsions]

Resorcinol
- Resorcinol is a raw material for various products such as tire adhesives, ultraviolet absorbers and so forth.

Market Environment

- Spread of COVID-19 and resultant lower business operations of our customers impacted our resorcinol business substantially. However, with our marketing efforts as well as recovery in global economy, the sales recovered in the second half of fiscal year 2020.
- From global perspective, we foresee that the resorcinol demand will continue organic growth and its structure will not change drastically. We also expect the demand and supply balance of resorcinol will remain to be relatively firm.

Resorcinol

Priority Measures

- With reliability of our dual plant system (Chiba and Oita) as well as advantage in our global sales reach through Sumitomo Chemical's Group Companies, we are committed to secure stable resorcinol supply to our customers all over the world.
- By diversifying our sales portfolio, we are building a solid and resilient business foundation that can confront turbulent change in business conditions.

Inorganic Materials Business [High-purity Alumina, Low Soda Alumina, Aluminum Hydroxide, and High-purity Aluminum]

High-purity Alumina
- Sumitomo Chemical's high-purity alumina has a purity of 99.99% or more, and is used in lithium-ion secondary battery components.

Market Environment

- Unit sales volumes are trending upward with the recovery in the semiconductor market and the production of automobiles
- Outside of Japan, there is an increasing need for use as a heat dissipation material

Products that use alumina

Priority Measures

- Expanding sales with new products, such as functional products and ultrafine particle products using technology that controls particle size and shape
- Meeting a broad range of needs, from semiconductors to the fields of energy and biotechnology, with a diversity of products

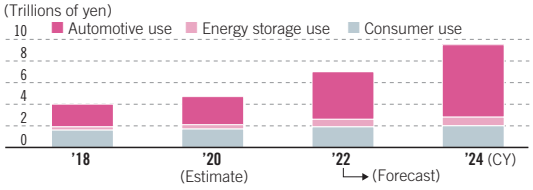
Battery Materials Business [Separators and Cathode Materials]

Separators
- Separators are safety components, isolating the positive and negative electrodes of batteries and ensuring ion conductivity between the electrodes by preserving the electrolyte and preventing short-circuits.

Cathode Materials
- Cathode materials are used in functional components, releasing and accepting lithium-ion when batteries are charged or discharged.

Market Environment

Market Forecast for Lithium-ion Secondary Batteries



(Note) For automotive use (xEV); for the uses of Energy Storage Use (ESS), UPS, and BTS; and for consumer use (small size)
(Source) Fuji Keizai Co., "General Survey of Battery-related Market Conditions – Battery Cells Market," 2020 edition

Priority Measures

- With the global trend toward electric vehicles, expanding our battery materials business for lithium-ion secondary batteries by raising our cost competitiveness and meeting the needs for more sophisticated battery features
- Currently rapidly expanding production to meet customer demand
- Accelerating development to bring next-generation batteries into practical implementation

Q&A Future Developments in Separators

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

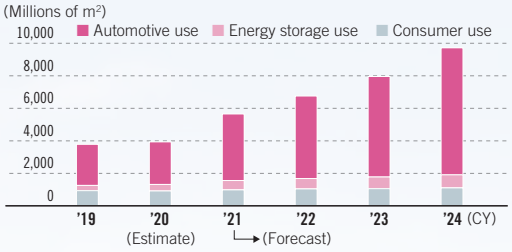
A Because of the impact of stricter environmental regulations in countries, the scale of the market for electric vehicles is projected to expand to sales of over 40 million vehicles in 2030, and demand for separators will expand accordingly.

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

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

Separators

Separator Market Size by Use



(Source) Fuji Keizai Co., "General Survey of Battery-related Market Conditions – Battery Materials Market," 2020 edition

Status of Global Expansion

Expanding our Business to Quickly Meet Customer Needs

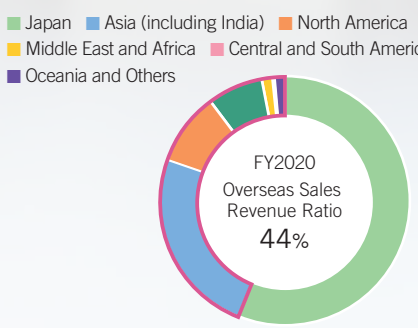
In the Energy & Functional Materials Sector, Sumitomo Chemical has superior technology, and the business is being managed with a strategy of actively investing management resources in businesses that can be expected to grow and thoroughly pursuing business opportunities. In addition, to quickly meet the needs of customers outside of Japan, local Group companies have a marketing function and are efficiently conducting business development. For example, one of the sector's core businesses is super engineering plastics, for which over half of shipments are to China and other overseas customers. Using our design support technology, which leverages our molecular design technology and the characteristic of materials, we propose solutions that meet customer needs. In the future, we are considering further strengthening our overseas business development organization, including through alliances with other companies.

Super engineering plastics

Strategy and Areas of Focus for Global Expansion

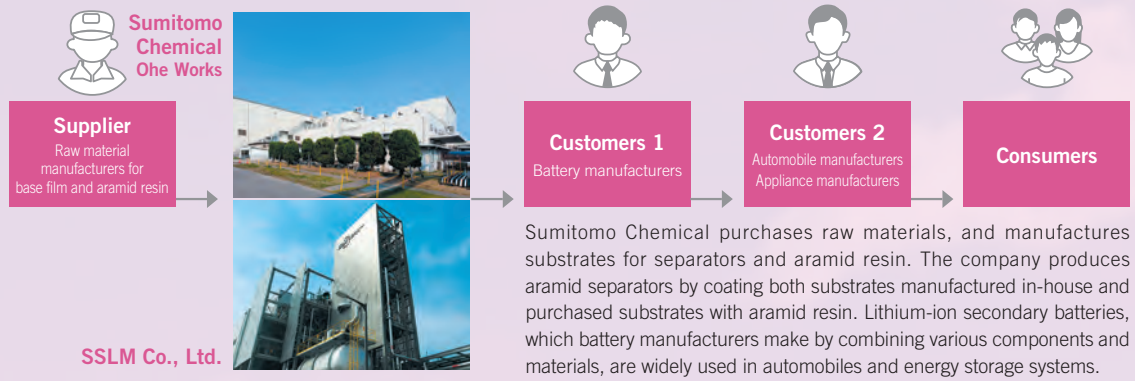
- **LCP**
- In accordance with the rift between the US and China, expand 5G development in Asia, and develop a value chain in Europe and the US
- Maintain and expand our share of the connector market, primarily in China
- **PES**
- Expand our share in automobile component applications by leveraging use case examples, primarily in Europe and other promising electric vehicle markets
- Expand share in dialysis membrane applications, primarily in Asia and the US
- Expand use in high-performance film applications, such as for pharmaceutical companies

Sales Revenue Ratio by Region



Value Creation Model: Separators

Value Chain



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

System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

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

Major Processes Generating Competitive Advantages

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

Providing Customer Value

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

Added Value Provided to Society

Contributing to Measures against Climate Change through the Separator Business

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

IT-related Chemicals

Primary Focus SDGs

Deliver New Value that Responds to the Growth in the ICT Industry by Combining Our Material Development Capabilities with Our Optimization Technology

Business Activities

The IT-related Chemicals Sector contributes to improving the performance and productivity of semiconductors and displays by providing highly functional display-related materials and high quality semiconductor materials.

Core Competence

We have been working to build a market oriented global supply chain, utilizing it to develop and supply products. Our strength lies in this sort of supply system, our ability to develop materials as a diversified chemical manufacturer, as well as our processing technology cultivated in the display-related materials business.

Basic Strategy

In order to respond to the generational shift in display technology from liquid crystal to organic light-emitting diodes (OLEDs), we are working to expand our OLED display business and enhance the competitiveness of our LCD components business. In addition, we are focusing on developing semiconductor materials and expanding our production capacity in this area, which will support increasingly sophisticated semiconductor manufacturing technologies.

松井正樹

Masaki Matsui
Representative Director & Senior Managing Executive Officer

Initiatives in Fiscal 2020

In the field of display-related materials, full-scale sales have started for polarizer with liquid crystal-coated retardation film which contribute to improving the picture quality of OLED displays. In addition, in the field of semiconductor materials, we have not only started operations at a new plant producing photoresists, we have also decided to expand production capacity even further.

Issues in the Future

We will continue to develop and offer a wide range of materials with unique features for OLED displays based on our materials and product development capabilities. We will continue to reinforce our competitiveness in LCD materials and promote the optimization of our entire supply chain. In the semiconductor materials business, we will work to develop products for new uses and expand to new customers. We will also focus on fostering next-generation businesses that are compatible with 5G communications and smart mobility.

Long-term Vision

Making the most of the strengths of us, we are continuing to improve our profitability by providing new materials and solutions that anticipate future growth in the ICT industry.

SWOT Analyses of the Major Businesses

S Strengths
- Offering a wide range of display materials
- Global supply chains ever established on market needs
- Material development capabilities as a diversified chemical company
- Nano-scale analysis technology

W Weaknesses
- Heavy reliance on some specific products
- High sensitivity to exchange rate movements

O Opportunities
- Fast-growing OLED displays market
- Expanding semiconductor market due to full-scale spread of 5G, the shift to electric vehicles, and the advance of digital transformation

T Threats
- Intensifying competition in the matured LCD market

Business Introduction

Display Materials Business

LCD-related Materials Business
[Polarizing Film, Color Resists, etc.]

Polarizing Films	● Polarizing film is an indispensable component in displays, and contributes to better performance and higher display quality, including higher luminance, higher contrast and wider viewing angles.
Color Resists	● Color resists are red, green and blue color materials that form the color filter layers in displays. (Using proprietary dye technology, Sumitomo Chemical's color resists deliver high luminance and high color reproducibility in color filters.)

Priority Measures

- Design polarizing films that meet the quality requirements of display manufacturers
- Improve competitiveness by optimizing the global supply chain
- Focus on development and sales in fields such as ultra-large TVs and PIDs*
- Achieve wide color gamut & high color reproduction (Color Resists)

* Public Information Display

OLED Display-related Materials Business [Touchscreen Panels, Circularly Polarizing Film, Polymer Light-emitting Materials, Ag Etchant, etc.]

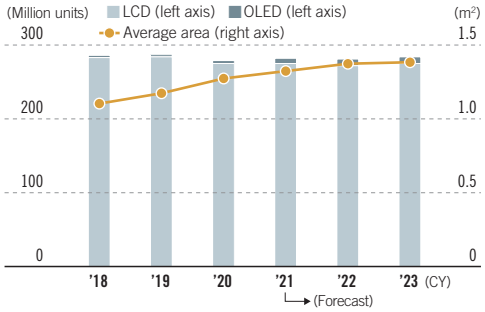
Touchscreen Panels	● These are locational input components installed in devices such as smartphones.
Circularly Polarizing Film	● This film limits the reflection of ambient light (sunlight or interior light) on displays to deliver the beautiful color produced by OLEDs.
Polymer Light-emitting Materials	● Ink materials suitable for forming the picture elements of large-screen-size OLED displays with a printing method (contributing to mass production with lower costs and higher productivity for large displays)

Priority Measures

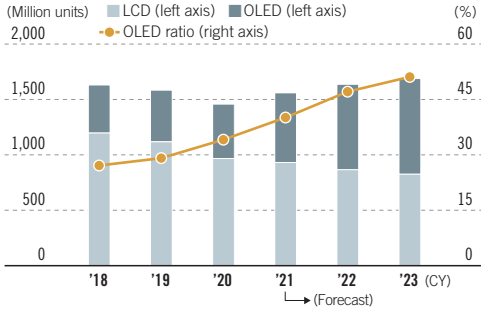
- Sales expansion by utilizing core materials developed in-house
- Develop products for flexible display (Propose materials that meet the requirements of display/device manufacturers)
- Further improve the lifetime of blue light-emitting material

Market Environment

Display Panel Market for TVs



Display Panel Market for Smartphones



(Source) DSCC "FPD Demand forecast" June 2021

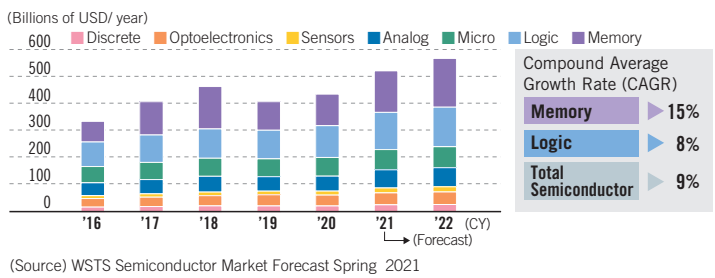
Semiconductor Materials Business

[Photoresists, Processing Chemicals for Semiconductors, Compound Semiconductors, Aluminum Targets, etc.]

Photoresists	● Photoresists are photosensitive resins used in the process of creating highly dense/highly integrated circuit patterns on semiconductors and print substrates.
Processing Chemicals for Semiconductors	● High-purity chemicals used for cleaning and other applications in semiconductor circuit pattern formation and chip assembly
Compound Semiconductors	● Semiconductor made from a compound of multiple elements, which offer higher frequencies and better voltage endurance characteristics than ordinary silicon semiconductors

Market Environment

Semiconductor Market



(Source) WSTS Semiconductor Market Forecast Spring 2021

Priority Measures

- Capture demand by aggressively investing in future market growth in the semiconductor materials business
- Expand the lineup of our products, including photoresists for cutting-edge processes and compound semiconductors for power devices

Q&A Meeting the Demand for Semiconductors

Q What Specific Actions are You Taking to Reliably Capture Demand for Semiconductor Materials?

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

Our Strengths: We have established excellent product design and evaluation techniques based on the organic synthesis technologies cultivated in our various fine chemical businesses, and we have ever expanded our business by utilizing our ability to respond to our customers quickly, which was realized on the basis of the concentration of manufacturing, research, and sales functions, primarily in our Osaka Works. In particular, we have a high global market share in photoresists for immersion ArF lithographic exposure, which is mainly used in the formation processes of miniaturized circuit, due to our performance advantages and reliability in quality. In addition, we not only expect to increase shipments of photoresists for EUV lithographic exposure, to align with the mass production schedule of major customers that have decided to adopt our products, we are also continuing development of new EUV photoresists to accommodate even greater miniaturization needs for securing future orders.

Specific Actions: In fiscal 2019, we completed a new plant for cutting-edge photoresists, which began operations in fiscal 2020. In addition, in order to strengthen our semiconductor photoresist development and evaluation structures to handle cutting-edge processes, we decided to build a new facility at the Osaka Works and to deploy new evaluation equipments. We aim to complete these efforts by the first half of fiscal 2022. Moreover, we also decided to increase our production capacity for semiconductor photoresists aimed at cutting-edge processes, adding new production lines at the Osaka Works. These new production lines are planned to begin operations in the first half of fiscal 2022. Due to factors such as the ever increasing speed and volume of data transmission, the semiconductor market is expected to continue to grow going forward. Because we forecast that our production capacity will be strained by around 2025, we are considering further improving our business systems in view of long-term demand.

Aiming for Dramatic Business Expansion

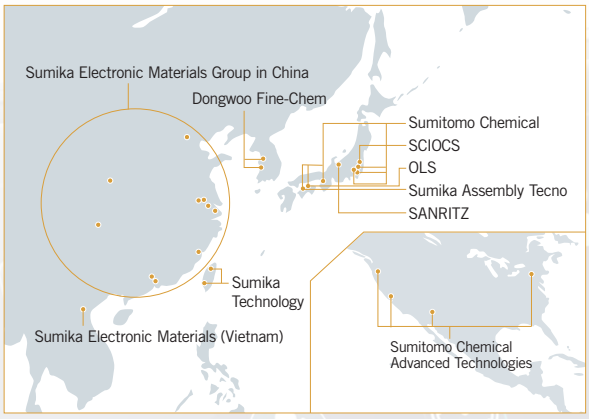
Semiconductor Business Sales Revenue: 1.5x* by the Mid-2020s

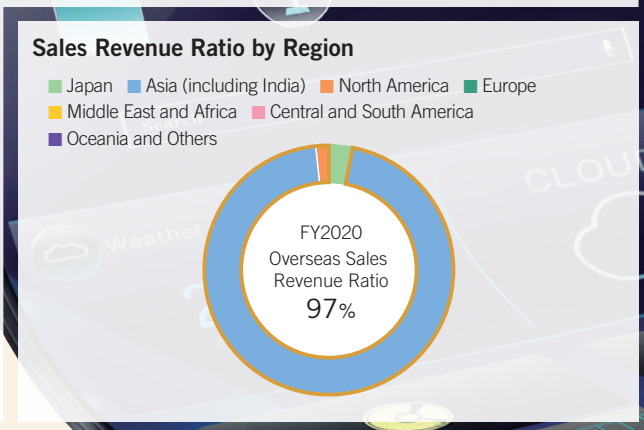
(Including photoresists, processing chemicals for semiconductors, and compound semiconductors) * Compared to results for FY2020

Status of Global Expansion

Building a Market Oriented Supply Chain

We have worked to build a market oriented global supply chain, building good relationships with customers by establishing our production facilities close to customer manufacturing facilities, comprehending their needs and developing/supplying products as quickly as possible. Specifically, the Sumika Electronic Materials Group in China has about 10 facilities, which conduct their businesses in such a way as to respond to the needs of their respective customers. In recent years, we have strengthened local production capabilities, by taking measures such as converting XUYOU Electronic Materials (Wuxi) into a subsidiary in 2018, expanding production facilities for polarizing films, and expanding production capacity for processing chemicals for semiconductors in Xi'an and Changzhou. These achievements have become one of our company's strengths. As a result of building a business network centered in East Asia, the global center of display and semiconductor production, our sector has ever increased its sales income from outside Japan year by year. Within Japan, in addition to manufacturing display materials mainly at the Ohe Works and semiconductor materials mainly at the Osaka Works, we have also worked to strengthen our businesses in these fields, which are expected to grow going forward, for example, by establishing SCIOCS after acquisition of Hitachi Metals' compound semiconductor material business in 2015, or converting SANRITZ into a subsidiary in 2019, which has a competitive advantage in polarizing films for automobile use.





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

Value Chain

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

[Materials for OLED/Next-generation Displays in Development]
We are continuing to develop multi-functional materials for flexible OLED displays that integrate functions of polarizing film and flexible display covers etc. to meet customer needs. In addition, we are working with display manufacturers to develop materials for next-generation displays such as printed OLED displays and displays which adopt quantum dot technology.

System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

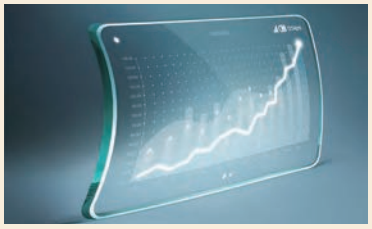
Even as we are going head-to-head against multiple competitors of polarizing film in improving quality, our unique strength is in the liquid crystal material used in circularly polarizing film for OLED displays. Our circularly polarizing film which incorporates the optical film made from this liquid crystal material, developed in-house, offers outstanding functionality to display real blacks by limiting reflections of ambient lights such as sunlight or indoor lighting on displays and constant color no matter what angle they are viewed from. For this reason, they contribute to the creation of OLED displays with extremely high image quality.

Major Processes Generating Competitive Advantages

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

Providing Customer Value

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



Added Value Provided to Society

Creating More Abundant and Convenient Daily Lives for People

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

Health & Crop Sciences

Contribute to Solving Global Issues related to Food, Health, Hygiene, and the Environment by Leveraging Our Excellent Research and Development Capabilities

Business Activities

The Health & Crop Sciences Sector contributes to improving food productivity around the world by providing such specialized solutions as crop protection and enhancement products and agricultural materials, and methionine.

Core Competence

We globally distribute not only excellent agrochemical products developed in-house, but also unique biorational crop protection and enhancement products and post-harvest solutions with high market shares. The strength of our crop protection business is in our lineup of unique crop protection products and the research and development capability that created it, as well as our global sales network. Moreover, in our methionine business, Sumitomo Chemical offers a stable supply, with integrated production from raw materials using advanced production technology.

水戸 信彰

Nobuaki Mito
Representative Director & Senior Managing Executive Officer

Basic Strategy

We are currently working on further enhancing the strength of our crop protection products and agricultural materials, expanding our global footprint (our own distribution network), and developing and launching new crop protection products. In addition, we are working on solidifying our position as the leader in the methionine business in Asia by increasing our competitiveness.

Initiatives in Fiscal 2020

We completed the acquisition of Nufarm's South American agricultural business, and have been able to not only advance the integration process smoothly, despite it happening in the midst of COVID-19, but also launch our new fungicide INDIFLIN in both Japan and North America. In addition, in a move to strengthen the biorationals business, we worked to expand our dedicated sales organization around the world.

Issues in the Future

We are accelerating the development of next-generation crop protection products to launch them as soon as possible, and we are focusing on maximizing synergies from integration in South America and India, where large-scale strategic investments were made. We are also working to expand businesses where Sumitomo Chemical has an advantage, such as biorationals and seed treatments. The competitiveness of our methionine business will be further strengthened through thoroughgoing rationalization.

Long-term Vision

We aim to expand the scale of our businesses by contributing to solving global issues in food supplies, health and hygiene, and the environment, using our research and development capabilities as a foundation.

Primary Focus SDGs

SWOT Analyses of the Major Businesses

S — Strengths
- Excellent research and development capabilities and the robust development pipeline of crop protection chemicals and the biorationals
- Differentiated technologies and products in niche areas
- Products with high market share
- Alliances with major crop protection companies outside Japan
- Offering total solutions

W — Weaknesses
- Relatively small business size compared to the competing majors

O — Opportunities
- Increasing food demand due to the growing global population
- Growing agriculture-related businesses
- Increased demand in fields related to or downstream of the environmental health business
- Accelerating growth of the biorationals market due to intensifying regulation of chemical crop protection products

T — Threats
- Intensifying regulation of chemical crop protection products
- Increased competition with off-patent crop protection chemicals
- Full-scale entry into the field of biorationals by major crop protection companies outside Japan

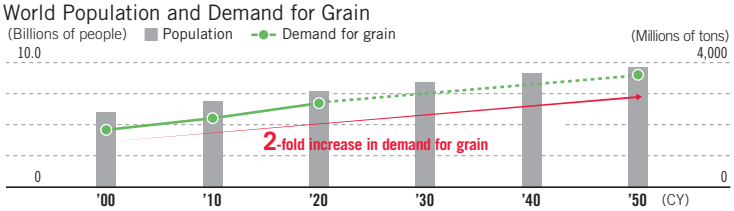
Business Introduction

Agrosolutions Business [Chemical Crop Protection, Biorationals, Fertilizers, Rice, etc.]

Chemical Crop Protection	● Insecticides effective on a range of insects causing damage to crops ● Herbicides for a variety of crops ● Fungicides to help control diseases
Biorationals	● Products such as microorganism-based crop protection, plant growth regulators, and rhizosphere microbial materials, derived from natural sources

Market Environment

World Population and Demand for Grain



(Source) FAO, "World agriculture: towards 2030/50"; Ministry of Agriculture, Forestry and Fisheries; UN Population Fund / UN (2017), World Population Prospects: The 2017 Revision

Priority Measures

- Expand the scale of our business in growth markets (South America and India) through acquisitions and other measures to strengthen our footprint
- Accelerate the development and launch of next-generation large-scale crop protection products
- Strengthen and expand seed treatment business
- Strengthen and expand biorational business, where high market growth is expected.

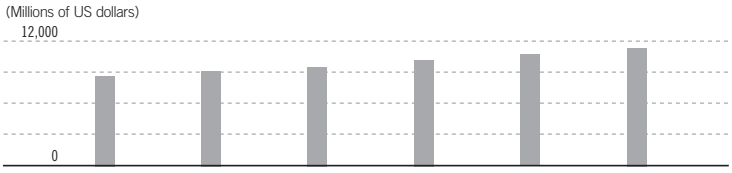
Environmental Health Business

[Household Pesticides, Disease Control Insecticides, Products for Controlling Tropical Diseases, Veterinary Drugs, etc.]

Household Pesticides	● Insecticides for indoor and outdoor use (anti-mosquito incense, mosquito repellent, aerosol, etc.) ● Pyrethroid agents used in insect-repellent resin, and other devices

Market Environment

Market Forecasts for Household Pesticides



(Source) Euromonitor International

Priority Measures

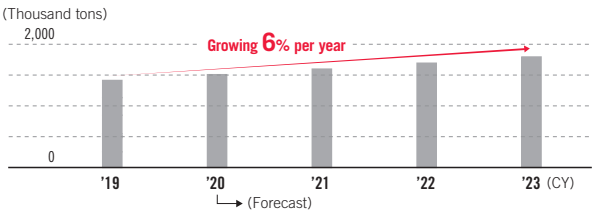
- Strengthen ability to propose solutions in the active ingredient sales business
- Expand branded products business in the field of disease control pesticides for commercial use and other products for controlling tropical diseases
- Expand sales of botanical products lineup

Feed Additives Business [Methionine]

Methionine	● Methionine mainly used in poultry feed (Methionine is one of the essential amino acids and acts to promote the growth of animals being raised.)

Market Environment

Methionine Demand Forecasts



(Source) Sumitomo Chemical estimates

Priority Measures

- Maintain stable supplies in line with market growth
- Thoroughly pursue cost rationalizations
- Expand product portfolio

Pharmaceuticals Business [Active Ingredients for Small Molecule Pharmaceuticals and Nucleic Acid Medicine, etc.]

Active Ingredients for Small Molecule Pharmaceuticals	● Pharmaceutical active ingredients and intermediates supplied to Japanese and foreign pharmaceutical companies
Active Ingredients for Nucleic Acid Medicine	● Active ingredients for nucleic acid medicine (pharmaceuticals that use DNA or RNA)

Market Environment

The market for pharmaceuticals, especially new drugs (patented drugs), is growing.

Pharmaceutical companies are concentrating management resources in new drug discovery, research and development, and sales.

The market for outside contract manufacturing of active ingredients continues to grow.

Priority Measures

- Enhance production capacity to respond to increased demand for small molecule pharmaceuticals
- Accelerate commercialization in the field of nucleic acid medicine

▶ Investors' Handbook 2021 P63

Q&A Ranking among the Leading Global Producers

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

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

① Compete on Our Research and Development Capabilities

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

▶ Investors' Handbook 2021 P55

② Compete on Our Extensive Global Footprint

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

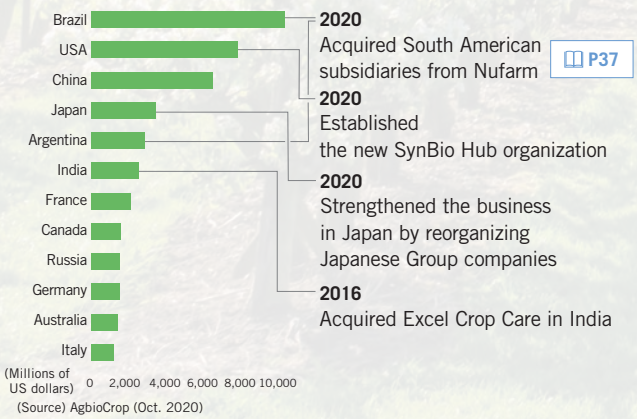
③ Compete on the Twin Pillars of Biorationals and Chemical Crop Protection Products

The mergers of the major players outside Japan seems to have been primarily aimed at strengthening their lineups of chemical crop protection products and genetically modified crops, but we have no intention of entering the field of genetically modified crops because the field requires large-scale investment, and is the main battleground of major crop protection companies outside Japan. We will utilize our unique research and development capabilities in the fields of chemical crop protection and in the biorationals market, where we are the world leader, competing with a distinctive product lineup as our weapon. The growth of the market for biorationals is expected to accelerate going forward, and we foresee that the major crop protection companies outside Japan will also enter this market in full force, and competition will escalate. We are focusing on strengthening our business even further in this field, securing our position as the leading company.

Status of Global Expansion

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

Crop Protection Market Size (2019)



(Source) AgbioCrop (Oct. 2020)

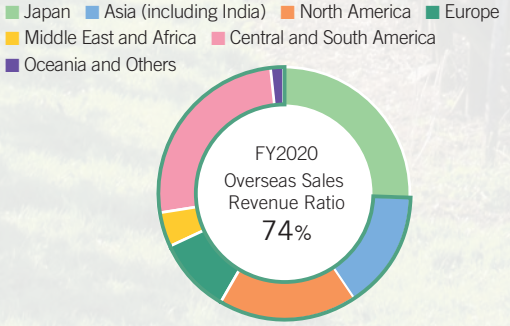
2020
Acquired South American subsidiaries from Nufarm P37

2020
Established the new SynBio Hub organization

2020
Strengthened the business in Japan by reorganizing Japanese Group companies

2016
Acquired Excel Crop Care in India

Sales Revenue Ratio by Region



Value Creation Model: Global Agrosolutions Business

Value Chain

Sumitomo Chemical
Oita Works
Production of active ingredients and products (chemical crop protection)

Raw Material Producers

Sumitomo Chemical Group
Valent Biosciences LLC, Osage Plant
Production of active ingredients and products (biorationals)

Customers
Wholesalers, retailers, agricultural cooperatives

Customers
Farmers

Sumitomo Chemical provides crop protection products through research and development, registrations, and manufacturing. These products are sold through wholesalers and retailers, and are used by farmers.

System for Providing Added Value

Sumitomo Chemical's Competitive Advantages

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

Health & Crop Sciences Research Laboratory

Major Processes Generating Competitive Advantages

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

Training on using biorationals

Providing Customer Value

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

Added Value Provided to Society

Contributing to a Stable Food Supply by Improving Food Productivity

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

Pharmaceuticals

Primary Focus SDGs

Through the Autonomous Operations of Each Company, We Pursue the Maximum Synergy between Pharmaceuticals and Chemistry.

Business Activities

Within the Pharmaceutical Sector of the Sumitomo Chemical Group, Sumitomo Dainippon Pharma Co., Ltd. develops and markets prescription drugs, and Nihon Medi-Physics Co., Ltd. develops diagnostic drugs, supporting people in leading healthy and active lives.

Core Competence

In the prescription drug business, our core competency is our R&D capability, particularly in the areas of psychiatry & neurology, oncology, and regenerative medicine/cell therapy. In the diagnostic drug business, our core competencies are our solid experience and technologies cultivated over 50 years. In addition, our ability to cooperate with the Group to make the best use of the company's foundational technologies, including genome analysis and cell differentiation, is one of our major strengths.

重森隆志

Takashi Shigemori
Senior Managing Executive Officer

Basic Strategy

As part of our medium-term strategy, we are promoting active R&D and expanding our pipelines so that our business performance can recover quickly after the expiration of the sales exclusivity period for our main products. We are also promoting next-generation businesses, including regenerative cell medicine, frontier areas, and Theranostics.

Synergy of Business and Technology

Sumitomo Dainippon Pharma has strong ties with Sumitomo Chemical in terms of its technological genealogy. For instance, Sumitomo Dainippon Pharma's Regenerative Medicine/Cell Therapy business has its roots in safety research for crop protection products at Sumitomo Chemical. Sumitomo Chemical's Bioscience Institute has incorporated Sumitomo Dainippon Pharma's genome technology to increase synergy in research and to cultivate new businesses. Chemistry and pharmaceuticals are intertwined, and have the potential to generate a variety of businesses.

Issues in the Future

We will accelerate promotional efforts in the US with the aim of maximizing the product value of relugolix (treatment for advanced prostate cancer) and vibegron (treatment for overactive bladder (OAB)), which were both launched this year. We also aim to have these drugs approved and launched for other indications, as planned. In addition, we are also focusing on research and development to expand our pipeline of products that will carry the next generation.

Long-term Vision

We aim to dedicate our efforts to better Quality of Life by making the maximum use of synergy as a Group and generating innovative medical and health care solutions.

SWOT Analyses of the Major Businesses

S — Strengths
- Drug research platform in the areas of psychiatry & neurology and oncology
- Development capabilities and manufacturing know-how for cellular medicine derived from allogeneic iPS cells
- Network with academia and startup
- Pipeline in development for psychiatry & neurology, oncology, and regenerative medicine/cell therapy
- Strong development and manufacturing capabilities for radioactive isotope labeling agents

W — Weaknesses
- Limited ability to bear the burden of R&D costs
- Emergence of generic drugs due to the loss of exclusivity for major products

O — Opportunities
- Innovation in healthcare technology
- Increase in demand for healthcare due to increasing health consciousness and calls for preventative medicine
- Progress in next-generation healthcare such as regenerative medicine/cell therapy

T — Threats
- Accelerated implementation of medical expense control measures in Japan
- Changes in the health insurance systems overseas
- Consolidation in the pharmaceutical industry
- Increasing costs of drug discovery and acquisitions

Business Introduction

Prescription Drugs and Diagnostics

Major Products

- LATUDA® (atypical antipsychotic)
- ORGOVYX® (treatment for advanced prostate cancer)
- GEMTESA® (treatment for overactive bladder (OAB))
- KYNMOBI® (treatment for off episodes in patients with Parkinson's disease)
- MYFEMBREE® (treatment for heavy menstrual bleeding associated with uterine fibroids)
- TWYMEEG® (treatment for type 2 diabetes)
- FDG Scan™ (diagnosis of malignant tumors used in PET scans)

Major Products in Development

- MYFEMBREE® (treatment for Endometriosis)
- GEMTESA® (treatment for overactive bladder (OAB) in men with benign prostatic hyperplasia (BPH))
- SEP-363856 (treatment for schizophrenia)
- SEP-4199 (treatment for bipolar I depression)
- DSP-7888 (WT1 cancer peptide vaccine for glioblastoma)

Priority Measures

- Maximize the product value of ORGOVYX® and MYFEMBREE® utilizing the development and commercialization agreement with Pfizer
- Maximize the product value of GEMTESA® utilizing the sales platforms of local companies in the US
- Promote the development of SEP-363856, SEP-4199, and DSP-7888

Regenerative Medicine/Cell Therapy

Cell Therapy Products

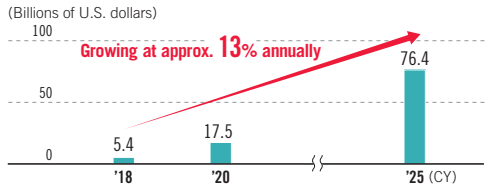
- Develop cell therapy products using iPS cells and cultivated thymus tissue from collaborations with universities and research institutions

Contract Development and Manufacturing Organization (CDMO)

- Established S-RACMO Co., Ltd. in September 2020
- Entered the contract development and manufacturing business for regenerative medicine and cell therapy products by utilizing the synergies between Sumitomo Chemical's basic technology for iPS and ES cells and its know-how with respect to contract manufacturing of pharmaceuticals as well as the know-how Sumitomo Dainippon Pharma has cultivated in the regenerative medicine and cell therapy business in areas such as advanced manufacturing method development and formulation development.

Market Environment

Projection of Global Demand for Regenerative and Cellular Medicine (Worldwide)



(Souce) Created by Sumitomo Chemical based on a survey conducted by Deloitte

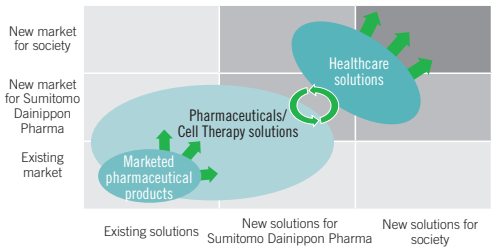
Priority Measures

- Definite launch of RVT-802 (treatment for pediatric congenital athymia) in the US
- Promote existing research and development projects, including age-related macular degeneration, Parkinson's disease, retinal pigment degeneration, spinal injuries, and renal failure
- Expand orders for the contract development and manufacturing organization business, achieve profitability as soon as possible

Frontier Business

Target Scope of Frontier Business

- Place priority on development and commercialization of highly novel solutions for society on a global basis.

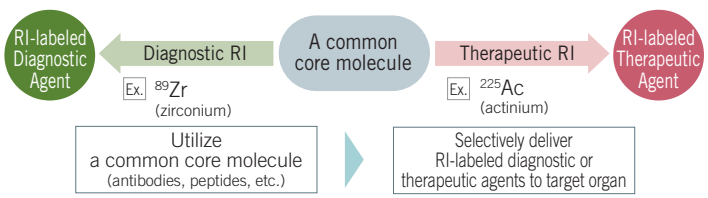


Priority Measures

- Enhance the foundations of core networks and technologies, focusing on areas that are expected to have synergies with the pharmaceutical business
- Promote development of multiple projects, including the development of a mobile app for managing type 2 diabetes

Theranostics

Business Overview



Adopted by AMED*1 as CiCLE*2

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

Priority Measures

- Development of new radiopharmaceuticals that integrate therapy and diagnosis (Theranostics) by fully utilizing the characteristics of nuclear medicine

Q&A Towards the "Post-LATUDA" Era

Q What sort of progress have you made in preparing for the post-Latuda era?

A We launched relugolix and vibegron in the US this year, which we acquired through our strategic alliance with Roivant. Going forward, we are aiming to maximize the product value of the two drugs as soon as possible. Beyond that, we are also pushing ahead even faster with research and development into promising future blockbusters, raising new pillars to support the income of our segment after the loss of the exclusivity period for Latuda® in the US.

Development Status of Relugolix and Vibegron

The sales exclusivity period for Latuda®, the core of the income of the Pharmaceuticals segment, will end in February 2023 in the US, and we are filling that hole in revenue primarily with relugolix and vibegron. We aim to maximize product value as soon as possible, and for relugolix, Myovant*1, which handles the product, is collaborating with Pfizer on development and commercialization. In addition, for vibegron, we have made Urovant, which handles the product, into a wholly-owned subsidiary, and we aim to maximize the value of the product through collaboration on logistics and promotion using the sales platform of Sunovion, a US-based subsidiary.

*1 Myovant Sciences Ltd. ("Myovant") is listed on the New York Stock Exchange, and the Sumitomo Dainippon Pharma Group holds approximately 53% of the outstanding shares of Myovant. This material contains information about Myovant, which is based on information disclosed by Myovant.

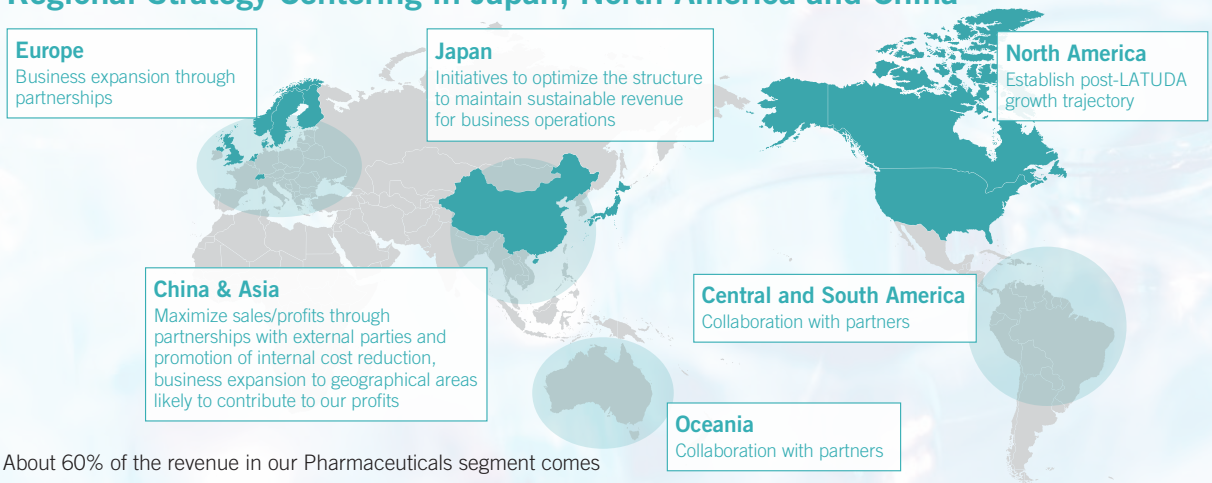
Aiming for Further Growth

We are also making further progress in the development of new treatments to support our long-term growth. We are focusing on setting up sales of KYNMOBI® (treatment for off episodes in patients with Parkinson's disease), which was launched in the US in September 2020. In addition, SEP-363856, which is expected to serve as a next-generation antipsychotic therapy, has been designated as a breakthrough therapy*2 by the FDA, and we are making progress in development with a goal of launching the drug in the US in fiscal 2023, while also conducting trials to broaden its range of indications.

*2 The FDA designates drug candidates as breakthrough therapies to expedite the development and review of drugs for serious or life-threatening conditions.

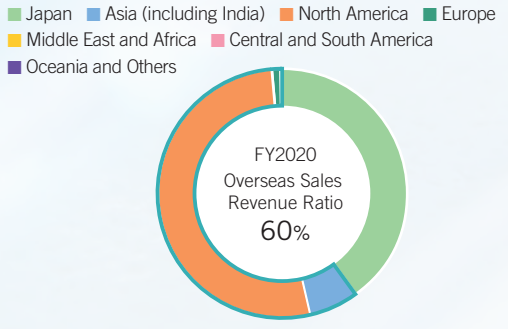
Status of Global Expansion

Regional Strategy Centering in Japan, North America and China



About 60% of the revenue in our Pharmaceuticals segment comes from outside Japan, and one of the features of our Pharmaceuticals segment is its global reach, centered in Japan, North America, and China. Sumitomo Dainippon Pharma had always aimed to expand to the US, beginning global development of Latuda® internally in 2007 while also building a foundation in the US with the acquisition of the former Sepracor (now Sunovion) in 2009, then successfully launching Latuda® in the US market in 2011. Since then, Latuda® has grown to be a blockbuster, and revenues from outside Japan increased significantly. Currently, we are focused on establishing a path to growth in view of the post-Latuda. In addition, growth in demand for pharmaceuticals throughout Asia has been significant, including China, which has the world's second-highest level of demand, so it is a region where we expect sustained growth going forward. Currently we are building our sales structure to increase our presence in the market, enhancing the capabilities of our subsidiaries and strengthening collaboration with local partners. For other regions, we plan to maximize revenue by collaborating with partners.

Sales Revenue Ratio by Region



Value Creation Model: Sumitomo Dainippon Pharma

Value Chain

Sumitomo Dainippon Pharma manufactures the pharmaceuticals it has developed using medical raw materials and intermediate materials, and then supplies them to hospitals and pharmacies via pharmaceutical wholesalers. In addition, it provides pharmaceutical information to healthcare professionals so that its pharmaceuticals will be used properly.

System for Providing Added Value

Sumitomo Dainippon Pharma's Competitive Advantages

While Sumitomo Dainippon Pharma is a smaller company than the major global pharmaceutical producers, its strength is its strong sales platform in the US, the region with the greatest demand for pharmaceuticals. In addition, Sumitomo Dainippon Pharma is at the forefront of development of regenerative medicine and cell therapy, which is expected to see market growth as cutting-edge healthcare, and is currently making progress in clinical development while also collaborating with academia and startups.

Major Processes Generating Competitive Advantages

Many employees of Sumitomo Dainippon Pharma are located in the US, and the company is establishing a post-Latuda path to growth through the development capabilities cultivated with Latuda® and through its sales capabilities, which utilize collaboration between facilities in the US. In addition, in the field of regenerative medicine and cell therapy, the company has both the Regenerative & Cellular Medicine Kobe Center, a research facility, and the SMaRT facility, the world's first commercial manufacturing facility dedicated to regenerative medicine and cell therapy products derived from allogenic iPS stem cells, and the company is utilizing both of these facilities to make progress in its research and development.

Providing Customer Value

Sumitomo Dainippon Pharma aims to contribute to improved quality of life for patients by creating revolutionary treatments and healthcare solutions in fields with high unmet medical needs, utilizing its abundant pipeline, drug discovery capabilities, cutting-edge technology and know-how, and its broad scientific network.

LATUDA®

Sunovion Pharmaceuticals Inc.

The facility dedicated to regenerative medicine and cell therapy products (SMaRT)

Added Value Provided to Society

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

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

Addressing Climate Change

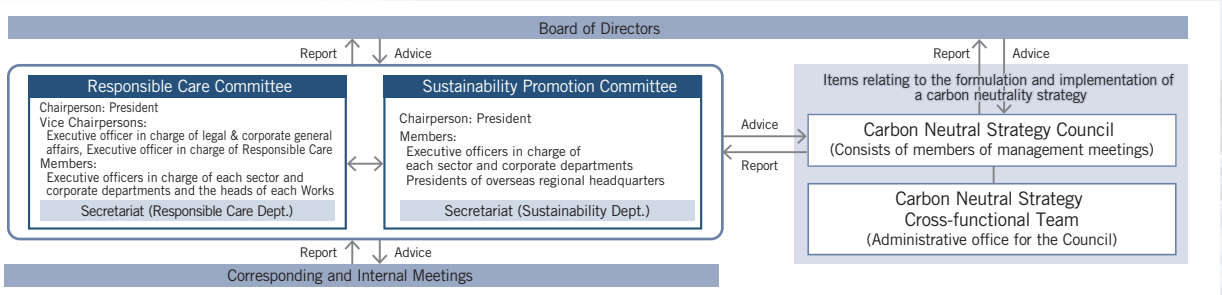
Information Disclosure in Line with TCFD Recommendations

The Sumitomo Chemical Group expressed its support for the TCFD recommendations when they were announced in June 2017.

Governance and Risk Management

In order to achieve carbon neutrality by 2050 for the Sumitomo Chemical Group, and also to contribute to the achievement of carbon neutrality in society at large, Sumitomo Chemical established the Carbon Neutral Strategy Council (February 2021) to formulate and promote an integrated strategy, with the goal of publishing a strategy during 2021. Previously, the Sustainability Promotion Committee and the Responsible Care Committee, which consisted of members gathered from a wide range of related departments and were both chaired by the company's president, would analyze information and risks relating to climate change, make decisions on important issues, and push forward specific responses, but since the establishment of the Strategy Council, these two committees have also taken on the role of supporting the council in formulating its strategy, and then promote the implementation of that strategy as well.

Structures for Responding to Climate Change



Strategy

Promoting Initiatives to Achieve Carbon Neutrality from the Perspectives of Both Obligation and Contribution

The chemical industry is being strongly called upon to create innovation and contribute to the achievement of carbon neutrality for society at large through its businesses. Through the newly established Carbon Neutral Strategy Council and the Carbon Neutral Strategy Cross-functional Team, our company will formulate and implement a carbon neutrality strategy that address both our obligation to bring our own greenhouse gas (GHG) emissions close to zero, and the contribution we can make to promoting carbon neutrality for society as a whole through our technologies and products.

Sumitomo Chemical aims to take a range of multifaceted approaches unique to a diversified chemical company, in our initiatives to achieve carbon neutrality by 2050 from the following four perspectives.

❶ To minimize greenhouse gas emissions associated with the Group's production activities through innovation, and provide and deploy new technologies across the world.

❷ To drive innovations for greenhouse gas emissions reduction regarding materials used in society, and provide products and solutions that contribute to carbon neutrality from a Life Cycle Assessment* perspective.

❸ To actively engage in the development of technologies for recovery, separation, use and storage of greenhouse gasses emitted from other industries and from communities, and help the process by becoming part of a system that implements such technologies in society.

❹ To take on the long-term challenge of developing carbon negative technologies to reduce the absolute volume of greenhouse gas in the atmosphere.

* Life Cycle Assessment (LCA): A method for quantitatively assessing the environmental impact of a certain product or service across its entire life cycle, from the procurement of raw materials to its use and disposal.

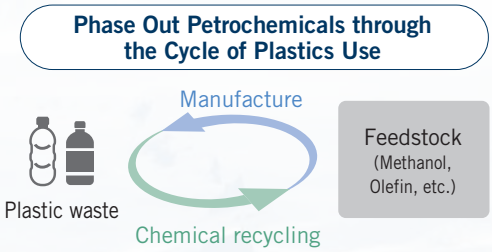
Technology Development Aimed at Generating Innovation

Achieving carbon neutrality by 2050 will not only require the maximal use of the best available technology, such as fuel conversion and current energy-saving technologies, but also the generation of innovation going forward. Sumitomo Chemical aims to develop a wide range of technologies aimed at achieving carbon neutrality for society as a whole, and then deploy them in society.

Carbon Resources Recycling System

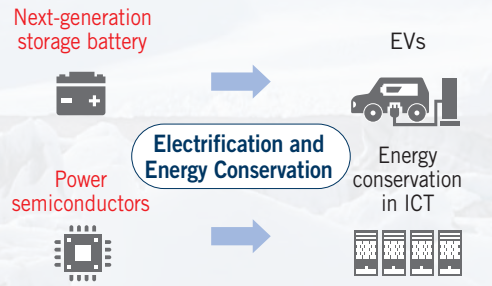
We are developing chemical recycling technology that can convert garbage and plastic waste products into basic raw materials for chemical products, such as methanol, ethanol, and olefins, and then use those materials to create new plastics.

Plastic Resource Circulation ▶ P66



Highly Efficient Energy Infrastructure

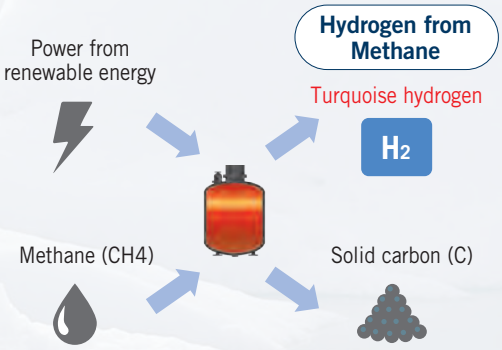
One issue in the Society 5.0 concept is the increase in CO_2 emissions from the electricity necessary for transmitting massive volumes of data. In light of this, our company is contributing to creating energy-saving power supplies by providing compound semiconductor materials for next-generation power semiconductors. In addition, in response to the spread of electric vehicles, which is expected to accelerate going forward, we are working to develop next-generation storage batteries, such as solid-state batteries.



Manufacturing and Utilizing CO_2-free Hydrogen

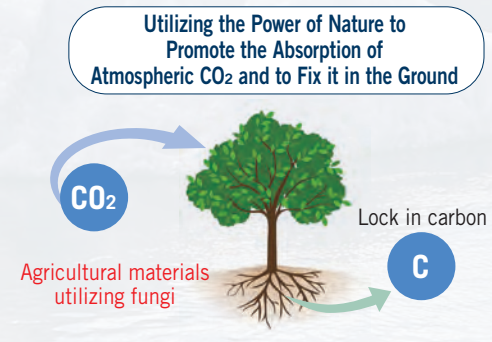
We are developing manufacturing technology to create a method for generating hydrogen at low costs and without creating CO_2 using methane as a raw material. In addition, we are also considering developing "turquoise" hydrogen* technology, which, despite using petroleum as a raw material, does not generate CO_2.

* "Turquoise" hydrogen: hydrogen that falls in between "green" hydrogen and "blue" hydrogen
"Green" hydrogen : Hydrogen manufactured from non-petroleum-based raw materials without generating CO_2
"Blue" hydrogen: Hydrogen manufactured from petroleum in a way that generates CO_2, but where the CO_2 is captured and not released into the atmosphere



Carbon Negative

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



Scenario Analysis

The TCFD recommendations suggest that when disclosing strategy, companies ought to conduct their analysis from multiple climate scenarios. This is called scenario analysis, and it is a method that assumes changes in the business environment due to the impacts of climate change and long-term trends in government policies responding to climate change, and then evaluates the impacts those changes would have on the company's business and management. Currently, Sumitomo Chemical analyzes both risks and

	Common for All Scenarios*1	1.5°C Scenario (Reduced GHG Emissions)
Risks / Opportunities	**Increasing Demands for Disclosure of Information**	**Opportunities** **Increased Demand for Products and Technologies Contributing to the Mitigation of Climate Change**
Anticipated Situation (Example)	● Expansion of ESG investment ● Increased demands for disclosure of the results of life cycle assessment ● Legalization of disclosure of climate change-related information, and introduction of new environmental accounting standards	● Increasing investment and growing market for products and technologies contributing to the reduction of GHG emissions and for products and technologies related to recycling **[Examples]** • Growing markets for EVs and fuel cell vehicles (2020 to 2050) • Growing markets for components and materials for high-efficiency communication, due to change in consumer behavior (including expansion of the sharing economy and more efficient logistics with the use of IT) • Shift to low-carbon energy sources • Expansion of CCUS*2 (2030 onward) • Expansion of the circular economy, with the aim of reducing CO_2 derived from fossil fuels (2020 to 2050) • Growing markets for energy-saving homes and building materials
Impact Assessment ● In blue: positive impact ● In red: negative impact	● Increased opportunity to get access to ESG investment capital by enhancing information disclosure ● Improved rating in stakeholder assessments with regard to the disclosure of the amount of GHG emissions reduction calculated by life cycle assessment ● Increased cost of compliance	● Increased demand for SSS*3-designated products ● Increasing need for technological development for future SSS-designated products **[Examples]** • Components and materials for EVs and fuel cell vehicles • Increased sophistication in IT devices, demand for electronic components necessary to reduce energy consumption, demand for related products and technologies necessary for distributed power systems and semiconductor control devices • Technology that contributes to reducing GHG emissions • Products and technologies for CO_2 recovery, on the back of the expansion of CCUS • Carbon negative technologies • Recycling-related products and technologies • Energy-saving building materials such as heat storage materials
Action	● Enhance information disclosure ● Promote life cycle assessment evaluations of our products ● Respond to trends in regulations and movements by related institutions	● Enhance development and production systems for products such as lightweight materials, battery materials, and materials for optical products and electronic components ● Enhance development and production systems for products such as materials for power devices and high-efficiency communication components ● Promote licensing of technologies that contribute to reducing GHG emissions ● Develop technologies relating to CO_2 recovery ● Develop products that contribute to carbon neutrality (agricultural materials utilizing fungi, etc.) ● Develop recycling technology and build business models for it ● Develop technology for and expand sales of heat storage material products

*1 Common for all scenarios: Situations that can be expected in both 1.5°C scenario (reduced GHG emissions) and 4°C scenario (business as usual)
*2 Carbon dioxide capture, utilization and storage *3 Sumika Sustainable Solutions *4 Assumptions based on the IPCC Special Report on "Global Warming of 1.5°C"

opportunities with respect to both a scenario in which a variety of measures are taken to limit average global temperature increase to 1.5°C above the pre-industrial revolution levels, and a scenario in which countermeasures are not taken and temperatures increase by 4°C, evaluating both the impacts on our businesses and future actions that need to be taken.

		4°C Scenario (Business as Usual)	
Risks **Increased Regulation on GHG Emissions**	**Risks** **Increased Cost of Raw Materials**	**Opportunities** **Increased Demand for Products and Technologies Contributing to the Mitigation of Climate Change**	**Risks** **Intensified Climate Disasters due to Temperature Rise**
● Higher carbon prices (in developed countries, USD 135/ton for 2030, USD 245/ton for 2050)*4 ● Stronger requirements for GHG emissions reductions and making energy-saving performance mandatory ● Phased abolishment of subsidies for fossil fuels (in India and Southeast Asia, etc.) ● Accelerating transition to a circular society and increased regulation ● Increase in calls to promote use of renewable energy from customers	● More use of resources from circular systems and progress in the transition to lower environmental impact processes ● Increased costs due to more use of recycled materials ● Increase in calls for green procurement	● Growing market for crops resistant to environmental changes such as temperature rise and drought ● Spread of infectious diseases due to the impact of climate change	● More impact on plant operations ● Rising sea level, damage from storm surges and floods, and heat waves ● Damage to farmland due to droughts and soil degradation
● Increased operation costs due to higher energy taxes including carbon prices (Assuming a volume of GHG emissions that will have an impact on the Group's operating costs in fiscal 2050 is about 7.4 million tons/year (Scope 1+2), the same level as in fiscal 2020, and a carbon price is between 13,500-24,500 yen per ton of CO_2, our expense burden will increase by about 100-180 billion yen per year.) ● Lower utilization of high-energy consumption production facilities ● Increase in utility expenses due to an increased proportion of renewable energy	● More difficult to procure raw materials ● Lower profitability of the existing businesses	● Increased demand for SSS-designated products ● Increased need for technological development for future SSS-designated products [**Examples**] • Biorationals • Agrochemical products adaptable to the change in crop growth • Agents for prevention and treatment of infectious diseases	● Facilities located on seashores and river banks cease operations ● Decreased cost competitiveness of plants due to increased costs for measures to be prepared for disasters ● Decreased demand due to lower agricultural productivity
● Switch to highly efficient equipment by actively utilizing government subsidies ● Switch to renewable energy ● Rationalization research for manufacturing processes ● Develop technologies to capture, separate, and utilize GHG, and deploy them in society ● Promote the deployment of GHG emission removal equipment ● Promote the utilization of CO_2-free hydrogen and ammonia	● Diversify raw material sources ● Evaluate the use of recycled raw materials ● Shift to a local production, local consumption model (for products where raw material procurement costs make up a relatively high proportion of the price)	● Develop products such as biorationals ● Provide solutions that respond to global changes in the environment for agriculture and infectious diseases ● Enhance sales and marketing structures and new product development structures with an eye on changes in demand in targeted markets	● Manage and respond to risks from a business continuity planning perspective ● Expand and diversify the regions in which we do business

Addressing Climate Change

Metrics and Targets 1

Metrics for Risks

Science Based Targets (SBT)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

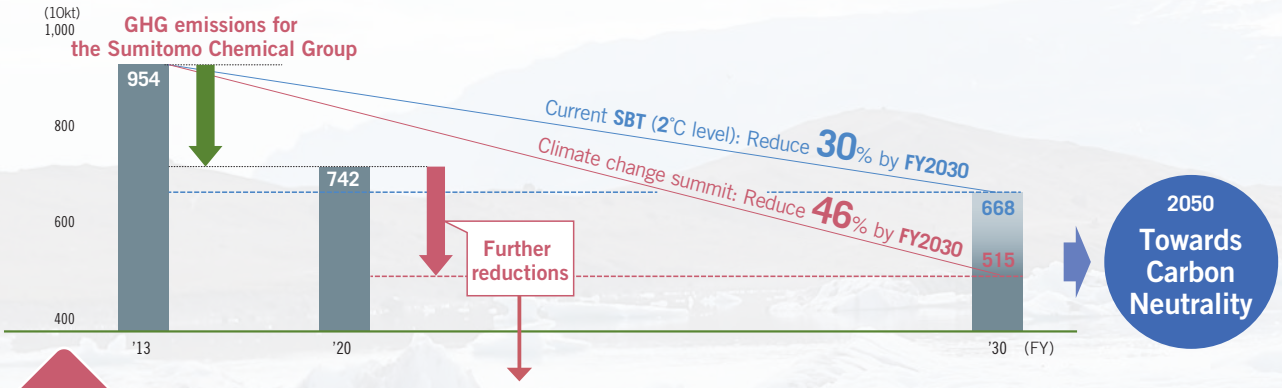
We utilize GHG emissions reduction targets as metrics for climate change risks. These targets were certified by the SBT initiative, the first such targets to be certified for any diversified chemical company in the world. To achieve these targets, we made Group-wide GHG emissions (Scope 1+2) a key performance indicator, and we are promoting measures such as switching to liquid natural gas as a fuel, deploying the latest high-efficiency devices, and thoroughly implementing energy-saving measures. In addition, to reduce GHG emissions for Scope 3, we began engaging with our major suppliers about setting goals for reducing GHG emissions in 2019.

In recent years, however, various countries, including Japan, have declared that they will achieve carbon neutrality by 2050, and in view of the goal promoted by the Japanese government of reducing GHG emissions by 46% by fiscal 2030*, we are considering setting challenging goals in line with this target, and having them once again certified by the SBT initiative.

* Compared to fiscal 2013

Scope 1+2*1

Reducing GHG Emissions



Example

Reduction of CO_2 Emissions by Fuel Conversion for Utility

For the Ehime and Chiba regions, where our plants are located, we are working to shift from fuels with a high CO_2 emissions coefficient, such as coal, petroleum coke, and fuel oil, to liquid natural gas, which has a low CO_2 emissions coefficient.

	Ehime	Chiba
Fuel	Coals and heavy oil ▶ LNG	Petroleum coke ▶ LNG
Reduces CO_2 emissions	650 thousand tons/year	240 thousand tons/year

Building an LNG tank, the largest of its kind in Japan, on the premises of Ehime Works

Scope 3*2

By FY2024

Setting GHG Emission Reduction Targets for Major Suppliers*3

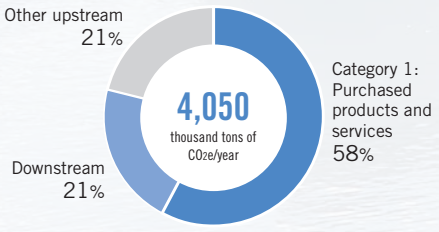
Supplier Engagement—Briefing Session

In February 2021, we held an online briefing session for about 15 major suppliers of ours in Japan to present our initiatives toward achieving our SBTs, and to ask our suppliers to set their own GHG emission reduction targets. Going forward, we will organize follow-up meetings and briefing sessions with our suppliers individually, with the aim of having their reduction targets set by fiscal 2024.

This picture shows the engagement conducted in 2019

(Reference) **Scope 3 GHG Emissions** (FY2020)

Calculated for Sumitomo Chemical and its listed group companies in Japan.



*2 Scope 3: Emissions from the manufacturing and transportation of purchased raw materials

*3 Major suppliers account for 90% of our purchased raw materials by weight

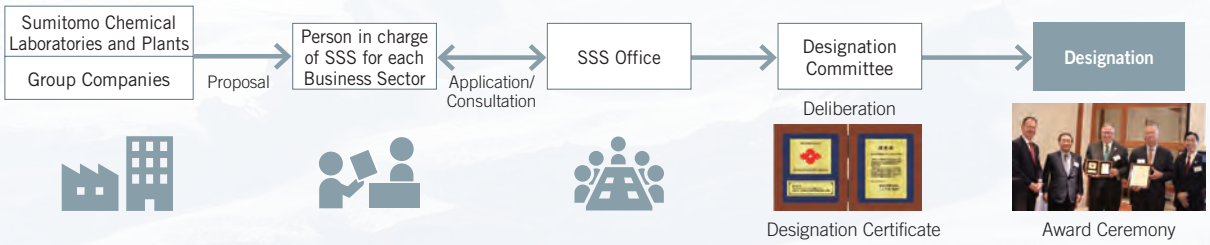
Metrics and Targets 2

Metrics for Opportunities

Sumika Sustainable Solutions (SSS)

Our company uses the SSS as a metric for opportunities related to climate change. SSS is an initiative in which we designate those of our Group's products and technologies that contribute to the fields of addressing climate change, reducing environmental impact, and effective use of resources. We have also set KPIs based on sales revenue from SSS-designated products, and we have been monitoring the progress of our efforts by 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.

The Process of SSS Designation



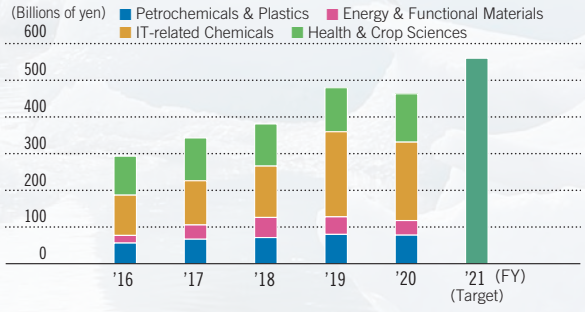
Our laboratories, plants and group companies apply for designation for their products and technologies, and the Designation Committee formally makes the designation.
A third-party organization has reviewed all cases designated to date and assessed the results of the in-house designation for them as valid.

Targets and Performance

Targets

Sales Revenue of SSS-designated Products

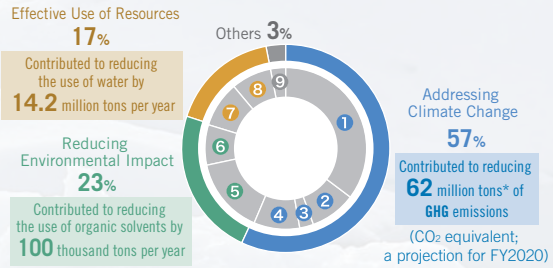
By FY2021 **¥560 billion**



Performance

Sales revenue of the Sumitomo Chemical Group	¥2,287.0 billion
Sales revenue of SSS-designated products	¥463.3 billion
The number of SSS-designated products and technologies (total)	57

Actual Environmental Contribution by the Products and Technologies in Each Category



* Calculated with reference to "New Perspective on Reducing Greenhouse Gases" by the Japan Chemical Industry Association and "Global Value Chain" by the Japan Business Federation

Designation Requirements by Category

Addressing Climate Change
1. Contributing to reducing GHG emissions
2. Products, components, and materials used for the creation of new energy sources
3. Using biomass-derived raw materials
4. Contributing to adapting to the impacts of climate change

Reducing Environmental Impact
5. Contributing to reducing waste and toxic substances, and contributing to reducing environmental impact
6. Contributing to reducing environmental impact in food production

Effective Use of Resources
7. Contributing to recycling and energy-saving
8. Contributing to the efficient use of water

Others
9. Other contributions to building a sustainable society

Response to the Plastic Waste Problem

Building a Circular System for Plastics

Plastics are a useful material that supports our lives, used in automobiles, aircraft, healthcare and sanitation application, electronic devices, various forms of packaging and other diverse applications. On the other hand, plastics are also part of global environmental problems, such as marine plastic waste, when they are not adequately recycled or properly treated after use. There are now demands for a society that, while using plastics, also recycles them as a resource.

Basic Policy Towards a Circular System for Plastics

▶ Our Website

- **Plastics are useful materials supporting a sustainable society.**
- **We are committed to work towards building a circular system for plastics and resolving plastic waste problems.**

1. **Contribute to resolving plastic waste problems through our business** by leveraging the power of chemistry
2. Focus on **innovation regarding 3Rs — reducing, reusing and recycling —** of plastics and accelerate the adoption of new solutions by society, while also considering the impact on response to climate change
3. Take on challenges difficult to resolve alone by **working with various stakeholders**
4. Provide education and awareness-raising programs based on sound science, while also engaging in social actions
5. Constantly review progress and work to enhance and improve our efforts

Participation in Initiatives

Through participation in various initiatives, the Sumitomo Chemical Group is working with stakeholders involved in the plastic value chain to address a broad range of issues related to a circular system for plastics.

Initiative	AEPW	CLOMA	JaIME
The purpose of each initiative	Promoting reducing the flow of plastic waste into the environment through improved infrastructure, technological transformation, education, collection, and cleanup, centered on the countries throughout the world with the highest amount of plastic waste entering the environment	Promoting the sustainable use of plastic products and the development and implementation of substitute materials in order to resolve the marine plastic problem, accelerating innovation through public-private collaboration	Contributing to the resolution of the marine plastic problem through public awareness, information sharing between members, and other information sharing initiatives, in collaboration with the chemical industry as a whole.
Examples of Sumitomo Chemical's contributions	● Supporting the activities of AEPW from the financial side as a member company ● Participating in the selection of projects and evaluations of their sustainability and impact	● Planning to conduct field tests aimed at improving recycling rates with respect to material recycling ● Considering contributing to resolving the marine plastic problem through international collaboration	Cooperated in the creation of an educational DVD for middle school science classes

The Sumitomo Chemical Group's Contribution to the 3Rs

Reduce

Refill Pouch

Compared with a bottle, this refill pouch is lighter and therefore offers higher transportation efficiency, while also being stronger.

Environmental aptitude
Utility value

	Bottle (HDPE)	Large Refill Pouch (EPPE+LLDPE)
Weight of packaging materials (g) per 100 g of contents	19	1.8
Transportation efficiency	△	○
Bag drop strength	△	○

Reuse

Returnable Box

Compared with a cardboard box, this returnable box made of foamed polypropylene sheets can be used repeatedly, and therefore offers higher environmental friendliness, while also being superior in terms of water resistance, load capacity and cleanliness.

	Cardboard Paper Box	Returnable box (Multipurpose PP sheets)
Number of usable times	1	20
Consumption of packaging materials (kg)	29.6*	2.7
Reusability	×	○
Water resistance, Load bearing, Cleanliness	×	○

* 20 boxes worth

Recycle

Material Recycle

Glass-fiber Reinforced Recycled Polypropylene Material

This material, made with our proprietary, advanced manufacturing and quality control technologies, boasts properties high enough to replace virgin polypropylene, even though it contains over 60% by weight recycled polypropylene. This technology, meeting the EU's End of Life Vehicles (ELV) Directive and circular economy policies, has been highly rated by automobile manufacturers for its quality, cost, stable procurement, and the stable physical properties of the product, and is contributing to the promotion of recycling and resource saving.

Environmental Contribution [FY2020]
(Based on Sumitomo Chemical's survey)

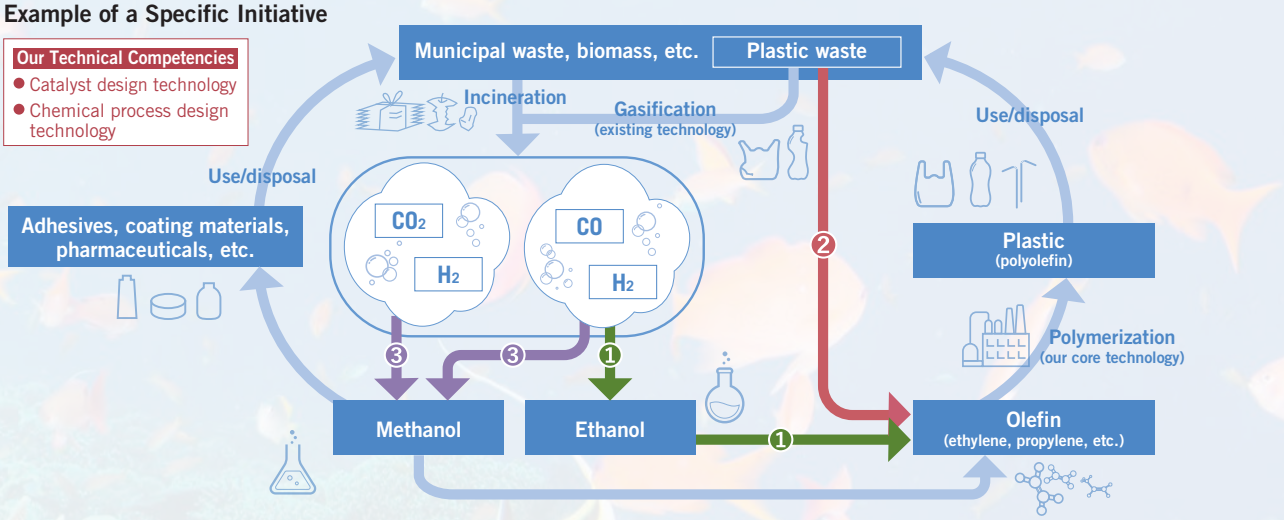
- Reduction of virgin polypropylene use: approx. 6,000 tons/year
- Reduction of GHG emissions, as compared with the case of using virgin polypropylene: approx. 15,800 tons/year (CO_2 equivalent)

Chemical Recycling

We are engaged in the research and development of chemical recycling technology, processes that chemically convert municipal and plastic waste and use them as new raw materials for plastics. We are working on this extremely challenging endeavor by leveraging our catalyst design and chemical processing design technologies, while also collaborating with partners. With chemical recycling technology, we will help to reduce the use of fossil fuels, the amount of plastic waste, and GHG emissions produced in incinerating plastic waste, and thereby contribute to building a sustainable society.

Example of a Specific Initiative

Our Technical Competencies
- Catalyst design technology
- Chemical process design technology



① Initiative with SEKISUI CHEMICAL CO., LTD.
[Raw material] Municipal waste, plastic waste and biomass
[Product] Polyethylene

② Joint research with the Muroran Institute of Technology
[Raw material] Plastic waste
[Product] Ethylene, propylene and others

③ Joint research with Shimane University
[Raw material] Municipal waste, plastic waste and biomass
[Product] Methanol

Issues in Implementing Recycling Technology in Society
- Accelerating technological development
- Securing plastic waste resources as raw materials
- Developing markets for plastic products obtained from recycling, etc.

April 2021
Established Business Development Office for a Circular System for Plastics

Planned to Begin Operations March 2024
New research facility at the Chiba site

Research and Development

The capabilities to develop innovative solutions by leveraging its technological expertise in diverse areas is one of Sumitomo Chemical's strengths. This section introduces the activities of two researchers from among those working to promote technology, research, and development around the world, who are involved in the development of mycorrhizal fungal products and the creation of new businesses.

Case 1

Aiming to Develop New Mycorrhizal Fungal Products that Contribute to Sustainable Agriculture as Soon as Possible

Takeshi Inoue
Sumitomo Chemical,
Health & Crop Sciences
Research Laboratory

I work on the Biorational Team at the Health & Crop Sciences Research Laboratory in Takarazuka, conducting research and development on products using mycorrhizal fungi. Mycorrhizal fungi are a type of fungi that live in the soil and coexist with plants, receiving energy sources such as sugar, a product of photosynthesis, from plants, and in return supplying the plants with water and fertilizer components absorbed from the soil. This exchange promotes the growth of plants, and can be expected to contribute to greater stability in yields. By deploying products that utilize mycorrhizal fungi, it may become possible to secure sufficient yields even in soil that is lacking in nutrients or in regions where water is scarce, which can contribute to increased food supplies to meet the growing global population. In addition, because these products can also reduce the impact of unusual weather conditions, such as droughts, on yields, they can also be expected to limit the risk of food supply shortages and the outbreak of conflicts over resources.

Because products that utilize mycorrhizal fungi are naturally derived biorational products, they are becoming increasingly important in responding to the need to reduce the burden on the environment, which has been increasing in recent years. Moreover, mycorrhizal fungi promote the efficient absorption of CO_2 by plants, offering the hidden possibility of contributing to carbon neutrality as well.

Cambridge Display Technology

CDT's laboratory office

For about 13 years, I have worked at Cambridge Display Technology (CDT), a Sumitomo Chemical Group company located near Cambridge in the UK. As one of the Sumitomo Chemical Group's research facilities in Europe, we seek novel functional materials, conduct research and development, and undertake related activities, such as technical surveys.

In 2020, I became a member of the newly formed Corporate Venturing and Innovation (CVI) team at CDT. The CVI team searches for technologies in startups and academia that will have synergies with Sumitomo Chemical's businesses and research taking on the role of introducing new technologies, partners and creating new businesses for the Sumitomo Chemical Group.

The fields I have been involved with lately are materials related to 5G communication and decarbonization technologies. For materials relating to 5G communication, we are searching for startups that are researching substrate materials with low permittivity that will reduce signal loss within the substrate. Because the Sumitomo Chemical Group is already conducting multiple 5G-related research and development projects, in addition to our existing Super Engineering Plastics business, which is attracting attention as a substrate material suitable for 5G, we expect that by finding various outside technologies from startups and other sources that synergize with our existing technologies, we will be able to deliver even greater business expansion.

In terms of decarbonization technologies, we are focusing on searching for new technologies that can extract and collect CO_2 from the atmosphere and from exhaust gases, and convert it into high value-added materials. While there have been some commercial

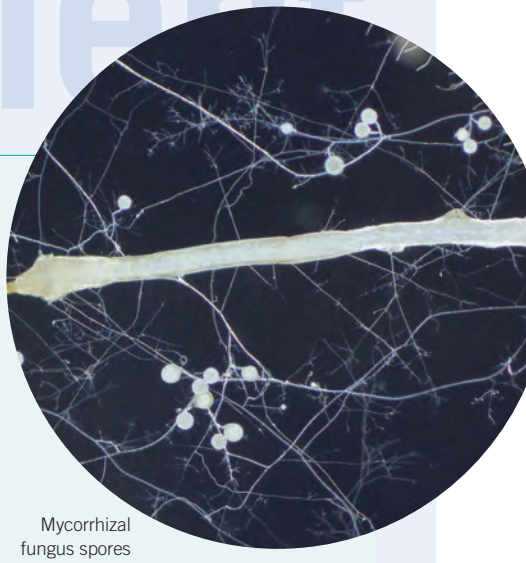
Basic Policy

Amid increasing uncertainty about the business environment surrounding Sumitomo Chemical, the role played by the chemical industry in solving societal issues, such as environmental, energy, and food issues, is enormous, and our business opportunities are expanding. Our research and development is based on the following basic policies: ❶ early market launch of development items; ❷ building the foundation of next-generation businesses; ❸ building and operating a system to continuously create innovation; and ❹ promoting R&D based on business (commercialization) strategies and intellectual property strategies.

Multiple laboratories both inside and outside Japan are organically collaborating to push forward the Sumitomo Chemical Group's research into developing new products. Alongside the Bioscience Research Laboratory and the Industrial Technology & Research Laboratory in Japan, both Valent Biosciences and Mycorrhizal Applications are also working on this research, with the various laboratories combining their particular specialties with technology to maximize our pursuit of research results. Due to COVID-19, we have limited opportunities to meet face-to-face, but we are actively using tools such as online meetings to exchange information. Our ability to undertake research and development focused on the same goal under a global structure is one of the real strengths of the Sumitomo Chemical Group.

What the Biorational Team, which I am a part of, is focused on in this research and development process is taking on new challenges. We are boldly taking on the challenge of using new technologies and new experimental methods, broadening our experiences while continuing to hunger for new insights. One of the challenges my team is currently taking on is improving our productivity in research and development by deploying digital technology. By deploying technologies that automate tasks using cutting-edge digital technology, such as AI-based image recognition technology to distinguish types of fungus, for example, or isolating useful microbes that have not previously been utilized, we are able to quickly develop new products.

Going forward, I hope that we will not only further deepen the collaboration between laboratories in the Sumitomo Chemical Group, both inside and outside Japan, but also actively exchange views with research institutions outside the company, developing new mycorrhizal fungal products that contribute to sustainable agriculture as quickly as possible.



Mycorrhizal fungus spores

The research process

Working to Create New Businesses with Collaboration Inside and Outside the Group

Case 2

Martina Pintani
Cambridge Display Technology

demonstrations, novel developments in this field are still largely stuck at the laboratory level, and while there are many research projects which still face significant issues in development for commercial applications, we are actively searching for new technologies which will help accelerate the Sumitomo Chemical Group's efforts to decarbonize.

The CVI team not only evaluates promising, relevant technologies from startups, academia, and other sources by conducting proof of concept projects, we also research and evaluate the possibility of applying these technologies to new applications in the business areas that the Sumitomo Chemical Group is focusing on. In the process of conducting proof of concept studies, we engage in detailed discussions with experts, not just the researchers who have accumulated many years of experience at CDT, but also with experts in a variety of fields through our innovation network, particularly at University of Cambridge.

I am both pleased and honored that, through these efforts, we are able to acquire new core technologies and commercialize revolutionary products for the Sumitomo Chemical Group. Going forward, I hope to contribute to the process of research and development in society through my activities as part of the CVI team.

Human Resource

Human Resource Strategy

Hiroshi Niinuma
Director & Senior Managing Executive Officer

Contributing to the Sustainable Growth of the Sumitomo Chemical Group by Employing, Developing and Leveraging Human Resources.

'People' are a major source of corporate competitiveness, and securing highly motivated and capable personnel is the foundation of business operations. In addition, as our business environment becomes increasingly complex and advanced, it is becoming an era in which it is extremely important to secure talent with diverse areas of knowledge and abilities, while at the same time placing an emphasis on fostering the capabilities of employees so that they can be mobilized to the greatest extent. Against this backdrop, in the Corporate Business Plan that began in fiscal 2019, one of the basic policies was to employ, develop and leverage human resources for supporting sustainable growth. As a specific initiative, in fiscal 2020 we started full operation of SUMIKA HR-BOX, a new personnel management system, thereby promoting the digitization of human resource system operations and training management. In addition, in the "Sumika 'Take Action' Declaration," we established 25 action items designed to create an environment in which diverse personnel can work with good health and energy. As the last year of the Corporate Business Plan, this fiscal year we will reap the results of these initiatives while promoting further progress.

Sumika 'Take Action' Declaration

We have set forth a number of important values and views that would make our employees find significance and feel pride in working at Sumitomo Chemical in the "Sumika 'Take Action' Declaration," and we are promoting this initiative so that they can lead healthy and fulfilling lives as employees, both mentally and physically. In addition, we established a committee of labor and management to share information and exchange views on the direction of our initiatives and their state of progress.

1 Work-life Balance
Aiming to harmonize work and private life to lead fulfilling lives
① Stop long working hours.
② Create an environment that makes it easy for employees to fully utilize work-life balance systems.
③ Encourage employees to take at least 80% of paid leave and facilitate effective use of the flex time system.
④ Prohibit business instructions that would require holiday or late-night work.
⑤ Cooperative framework in the workplace.
Joint labor and management declaration

2 Diversity and Inclusion
Respect and leverage diversity, promote active roles for all, and leave no one behind
⑥ Active roles for both men and women.
⑦ Let's eliminate preconceptions and assumptions.
⑧ Let's build a hybrid human resource group.
⑨ Encourage active roles for people with disabilities.
⑩ No harassment!
Joint labor and management declaration

3 Development and Growth
Development and growth to help our employees and the company flourish together!
⑪ Invest in growth for everyone.
⑫ Study every day, grow every day.
⑬ Support the desire to learn.
⑭ Use digital technology to accelerate growth.
⑮ Allow people to take on challenges and demonstrate their growth.
Joint labor and management declaration

4 Healthy Employees
Good health is a prerequisite for good work and a good life!
⑯ Revise eating habits, achieve a healthy weight.
⑰ Exercise a little and stay healthy forever!
⑱ High performance depends on quality sleep.
⑲ Smoking does nothing but harm.
⑳ Don't forget to take care of your mental health.
Joint declaration by company and corporate health insurance association

Sumika 'Take Action' Declaration
Declaring what we want to cherish

5 How to Proceed with Work
Reasonable, efficient, and creative work by each employee will lead to the improvement of their skills and the growth of the company.
㉑ Always review work goals and methods.
㉒ Make the use of digital technologies the default.
㉓ Eliminate excessive quality, streamline your work.
㉔ Maximize the added value of meetings.
㉕ Put customers first!
Company declaration

Promotion of Diversity and Inclusion (D&I)

We have raised "promotion of diversity and inclusion" as one of the material issues to be addressed as management priorities based on the Basic Principles for Promoting Sustainability. We have established key performance indicators relating to promoting the success of women in the workplace and male employees taking childcare leave in order to promote gender equality. In addition, roughly 100 of our main group companies in Japan and around the world have established key performance indicators in accordance with each company's circumstances to promote diversity and inclusion initiatives across the entire Sumitomo Chemical Group.

KPIs of Sumitomo Chemical (SC only)

Percentage of female employees in positions equivalent to manager or above
Target Over 10% (by 2022)
Current status: **6.3%** (as of April 1, 2021)

Percentage of male employees taking childcare leave
Target Over 70% (by 2022)
Current status: **63.8%** (fiscal 2020)

Strategy

Sumika Voices

Takako Iwama

Sumitomo Chemical
Polyolefins Division, Business Planning & Administration Dept.

I joined Sumitomo Chemical in 2002. After first being involved in work in the Human Resources Department relating to training, recruitment, and overseas personnel, I worked in the polypropylene division (currently the polyolefin division) in the Petrochemicals & Plastics Sector, where I received experience in such areas as affiliated company management and business performance management. After taking time off three times for maternity and childcare leave, since 2020 I have been working as a team leader for business performance management in the business planning & administration department of the polyolefin division. Over the past 10 years, even while taking time to raise my children, I also did the best I could do under various circumstances in my work. I think that is how one continues one's career. Recently, the time I devote to work has increased very significantly. Going forward, while broadening my experience by getting involved in a variety of areas, I want to put my experience to good use and become a leader who can make a variety of suggestions for raising Sumitomo Chemical's profits.

Vishnu Murthy Vunnamatla

Sumitomo Chemical
Chiba Works No.2 Manufacturing Dept., No.1 Polyethylene Sec.

I joined Sumitomo Chemical in 2008, and started my career as a process engineer in the Petrochemicals Research Laboratory of the Chiba Works. Being a pioneer of global employees from India, I initially struggled with the language barrier. Later I was transferred to the Polyethylene Manufacturing section, where I was involved in various process improvement studies for high-pressure polyethylene process. In 2016, I was stationed in Saudi Arabia for the start-up of Petro Rabigh Phase Ⅱ project. I was the main in charge of training local operators and engineers. This experience was a good opportunity to utilize the techniques and knowledge I had learned over my years in Japan. Sumitomo Chemical has training and job rotation systems no matter what career stage you are in, so I have been able to continually improve myself. Going forward, I would like to take a major role in expanding our company's technology through various projects to every part of the world, particularly to my homeland of India.

Recruiting and Developing Talent

Recruiting Talent

To support the sustainable growth and development of the Sumitomo Chemical Group, we are working to recruit employees with diverse capabilities and qualities. In our recruiting activities, in addition to conveying Sumitomo Chemical's unique features, such as the Sumitomo Spirit, our technology and R&D strengths, and our global business expansion, when recruiting new college graduates in particular, we are focusing on giving them many opportunities to speak with our employees in order to create mutual understanding, whether they majored in science or the humanities. As a result, we are positioned high in employer popularity rankings, and have been attracting strong interest among students. Going forward, to further strengthen our brand in the market for recruiting talent, including mid-career or foreign talent, we will strengthen our ability to recruit talented employees who will be responsible for the future of the Sumitomo Chemical Group.

Developing Talent

In accordance with our personnel system's basic philosophy of "development and growth," we are creating training programs to foster the development of employees with diverse capabilities and qualities. Since fiscal 2020, as part of the support we provide employees to help them create their own career paths, we have introduced online training programs that allow employees to learn using their smartphones or PCs, and since fiscal 2021 we expanded these to include online language learning tools. Through these initiatives, and under the slogan of "anytime, anywhere, as many times as you want," we are providing support for self-directed learning and for making learning a habit. In addition, for all employees, in accordance with their respective positions and roles, we provide staged training programs, such as programs for strengthening management skills for different levels of management, and programs to improve language skills to support global business development.

Investment in Training (SC only)

FY2020 Results	Target
Approx. **¥320,000** /year per person	Continue to invest at least **3** times the average level for publicly listed companies (approx. ¥110,000*)

* (Source) Annual Report on the Japanese Economy and Public Finance (FY2018)

Time Spent on Training (SC only)

FY2020 Results	Target
Approx. **131** hours/year per person (**8**% of regular working hours)	Aim to spend **10**% of work time on training or studying for work

Health Management

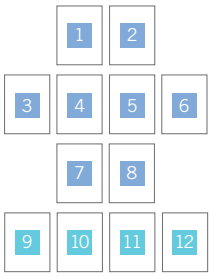
In order to ensure that employees can live healthy and active lives both physically and mentally, Sumitomo Chemical is promoting a variety of health support programs under the company-wide supervision of industrial physicians, including health guidance. In addition, based on the Sumika Healthy Employee Declaration formulated in February of 2020, we are carrying out specific initiatives, such as banning smoking during work hours and on the premises of Sumitomo Chemical, and providing individual guidance (sleep measurement and improvement measures) to employees who have sleep issues.

2021 健康経営優良法人 Health and productivity ホワイト500

For four consecutive years, Sumitomo Chemical has been designated as a Certified Health & Productivity Management Outstanding Organization, a program created by the Ministry of the Economy, Trade and Industry.

Directors & Senior Management (As of July 1, 2021)

Board of Directors








■ Number of shares held (as of March 31, 2021)
■ Number of attendances at Board of Directors meetings for fiscal 2020

1

Chairman of the Board

Masakazu Tokura

Birth Date: July 10, 1950

■262,300 ■13/13 times (100%)

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

2

Representative Director & President

Keiichi Iwata

Birth Date: October 11, 1957

■145,700 ■13/13 times (100%)

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

3

Representative Director

Noriaki Takeshita

Birth Date: July 23, 1958

■83,200 ■13/13 times (100%)

Petrochemicals & Plastics Sector,
Business Development for a Circular System for Plastics

1982 Joined Sumitomo Chemical Co., Ltd.
2018 Representative Director & Senior Managing Executive Officer (current)

4

Representative Director

Masaki Matsui

Birth Date: August 3, 1960

■61,221 ■13/13 times (100%)

IT-related Chemicals Sector

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

5

Representative Director

Kingo Akahori

Birth Date: August 2, 1957

■46,200 ■13/13 times (100%)

Energy & Functional Materials Sector

1983 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

6

Representative Director

Nobuaki Mito

Birth Date: August 4, 1960

■49,500 ■10/10 times (100%)

Health & Crop Sciences Sector

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

7

Director

Hiroshi Ueda

Birth Date: August 5, 1956

■122,400 ■13/13 times (100%)

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

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

8

Director

Hiroshi Niinuma

Birth Date: March 5, 1958

■94,200 ■13/13 times (100%)

General Affairs, External Relations,
Legal, Human Resources

1981 Joined Sumitomo Chemical Co., Ltd.
2018 Director & Senior Managing Executive Officer (current)

9

Outside Director

Koichi Ikeda

Birth Date: April 21, 1940

■0 ■13/13 times (100%)

1963 Joined Asahi Breweries, Ltd.
2002 Representative Director & President & COO, Asahi Breweries, Ltd.
2006 Representative Director & Chairman & CEO, Asahi Breweries, Ltd.
2010 Advisor, Asahi Breweries, Ltd.
2011 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd.
2011 Advisor, Asahi Group Holdings, Ltd.
2015 Outside Director, Sumitomo Chemical Co., Ltd. (current)
2021 Senior Alumni, Asahi Group Holdings, Ltd. (current)

10

Outside Director

Hiroshi Tomono

Birth Date: July 13, 1945

■0 ■13/13 times (100%)

1971 Joined Sumitomo Metal Industries, Ltd.
2005 Representative Director & President, Sumitomo Metal Industries, Ltd.
2012 Representative Director & President & COO, Nippon Steel & Sumitomo Metal Corporation
2014 Representative Director & Vice Chairman, Nippon Steel & Sumitomo Metal Corporation
2015 Director & Advisor, Nippon Steel & Sumitomo Metal Corporation
2015 Outside Director, Sumitomo Chemical Co., Ltd. (current)
2015 Advisor, Nippon Steel & Sumitomo Metal Corporation
2016 Outside Director, Japan Nuclear Fuel Limited (current)
2020 Senior Advisor, Nippon Steel Corporation (current)
2020 Outside Director, The Kansai Electric Power Co., Inc. (current)

11

Outside Director

Motoshige Itoh

Birth Date: December 19, 1951

■0 ■13/13 times (100%)

1993 Professor, Faculty of Economics, The University of Tokyo
1996 Professor, Graduate School of Economics, The University of Tokyo
2007 Dean, Graduate School of Economics, Faculty of Economics, The University of Tokyo
2015 Outside Director, East Japan Railway Company (current)
2016 Professor, Faculty of International Social Sciences, Gakushuin University (current)
2016 Professor Emeritus, The University of Tokyo (current)
2016 Outside Corporate Auditor, Hagoromo Foods Corporation (current)
2018 Outside Director, The Shizuoka Bank, Ltd. (current)
2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)

12

Outside Director

Atsuko Muraki

Birth Date: December 28, 1955

■0 ■13/13 times (100%)

1978 Joined Ministry of Labour (Currently Ministry of Health Labour and Welfare)
2005 Counsellor for Policy Evaluation, Minister's Secretariat of Ministry of Health Labour and Welfare
2006 Deputy Director-General, Equal Employment, Children and Families Bureau of Ministry of Health Labour and Welfare
2008 Director-General, Equal Employment, Children and Families Bureau of Ministry of Health Labour and Welfare
2010 Director-General for Policies on Cohesive Society, Cabinet Office
2012 Director-General, Social Welfare and War Victims' Relief Bureau of Ministry of Health Labour and Welfare
2013 Vice Minister, Health, Labour and Welfare of Ministry of Health Labour and Welfare
2015 Retired from Ministry of Health Labour and Welfare
2016 Outside Director, ITOCHU Corporation (current)
2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Directors & Senior Management

Corporate Auditors

13 14 15 16 17

■ Number of shares held (as of March 31, 2021)
■ Number of attendances at Board of Directors meetings for fiscal 2020
○ Number of attendances at Corporate Auditors meetings for fiscal 2020

13

Standing Corporate Auditor

Kunio Nozaki

Birth Date: October 29, 1956

■87,500
■13/13 times (100%)
○14/14 times (100%)

1979 Joined Sumitomo Chemical Co., Ltd.
2019 Corporate Auditor (current)

14

Standing Corporate Auditor

Hiroaki Yoshida

Birth Date: March 2, 1956

■18,600
■13/13 times (100%)
○14/14 times (100%)

1980 Joined Sumitomo Chemical Co., Ltd.
2015 Corporate Auditor (current)

15

Outside Corporate Auditor

Mitsuhiro Aso

Birth Date: June 26, 1949

■0
■13/13 times (100%)
○14/14 times (100%)

1975 Prosecutor
2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office
2012 Retirement as Prosecutor
2012 Registration of Attorneys (current)
2013 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd. (current)
2019 Outside Director, Sumitomo Mitsui Trust Holdings, Inc. (current)

16

Outside Corporate Auditor

Yoshitaka Kato

Birth Date: September 17, 1951

■0
■13/13 times (100%)
○14/14 times (100%)

1978 Registered as a certified public accountant (current)
2008 CEO of Ernst & Young ShinNihon LLC
2014 Left Ernst & Young ShinNihon LLC
2015 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd. (current)
2015 Outside Corporate Auditor, Mitsui Fudosan Co., Ltd. (current)
2016 Outside Corporate Auditor, Sumitomo Corporation (current)

17

Outside Corporate Auditor

Michio Yoneda

Birth Date: June 14, 1949

■2,000
■13/13 times (100%)
○14/14 times (100%)

1973 Joined Bank of Japan
1998 General Manager, Sapporo Branch of Bank of Japan
2000 Resigned as General Manager, Sapporo Branch of Bank of Japan
2000 Executive Director, Osaka Securities Exchange
2003 President & CEO, Osaka Securities Exchange Co., Ltd.
2013 Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc. Director, Tokyo Stock Exchange, Inc.
2015 Resigned as Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc. Resigned as Director, Tokyo Stock Exchange, Inc.
2018 Outside Director, Asahi Broadcasting Group Holdings Corporation (current)
2018 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd. (current)
2020 Outside Director, Toyo Tire Corporation (current)

Executive Officers

President

Keiichi Iwata

Executive Vice President

Hiroshi Ueda

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

Senior Managing Executive Officer

Noriaki Takeshita

Petrochemicals & Plastics Sector,
Business Development for a Circular System for Plastics

Hiroshi Niinuma

General Affairs, External Relations, Legal, Human Resources

Takashi Shigemori

Corporate Planning, IT Innovation

Masaki Matsui

IT-related Chemicals Sector

Kingo Akahori

Energy & Functional Materials Sector

Nobuaki Mito

Health & Crop Sciences Sector

Managing Executive Officer

Marc Vermeire

Sumitomo Chemical Agro Europe S.A.S.,
Sumitomo Chemical Europe S.A./N.V.

Keiichi Sakata

Sumitomo Chemical Asia Pte Ltd

Motoyuki Sakai

Inorganic Materials Div.,
Specialty Chemicals Div.,
Advanced Polymers Div.,
Battery Materials Div.

Seiji Takeuchi

Planning & Coordination Office,
Petrochemicals & Plastics Sector, Responsible Care Dept., Petrochemicals & Plastics Sector,
Basic Materials Div., Industrial Chemicals Div.,
Petrochemicals Research Laboratory

Naoyuki Inoue

Rabigh Refining and Petrochemical Company

Keigo Sasaki

Corporate Communications,
Accounting, Finance

Kenji Ohno

Sustainability,
Internal Control and Audit, Legal Dept.

Shinichiro Nagata

Ehime Works

Yoshizumi Sasaki

Business Development Office for a Circular System for Plastics,
Resin-related Business Development Dept.,
Polyolefins Div., Automotive Materials Div.

Ichiro Kosaka

Planning & Coordination Office,
Energy & Functional Materials Sector,
Quality Assurance Office,
Energy & Functional Materials Sector

Takanari Yamaguchi

Planning & Coordination Office,
IT-related Chemicals Sector,
Quality Assurance Office,
IT-related Chemicals Sector

Executive Officer

Andrew Lee

Valent U.S.A. LLC,
Valent BioSciences LLC

Masaya Naito

Procurement Dept., Logistics Dept.

Akira Iwasaki

Planning & Coordination Office,
Energy & Functional Materials Sector,
Quality Assurance Office,
Energy & Functional Materials Sector

Hirokazu Murata

Oita Works,
Misawa Works

Isao Kurimoto

Research Planning and Coordination Dept.,
Digital and Data Science Innovation Dept.,
Intellectual Property Dept.,
Industrial Technology & Research Laboratory

Koichi Ogino

Chiba Works

Inho Rha

Dongwoo Fine-Chem Co., Ltd

Akira Nakanishi

Planning & Coordination Office,
IT-related Chemicals Sector,
Electronic Materials Div.

Masao Shimizu

Human Resources Dept.,
Osaka Office Administration Dept.

Hiroaki Fujimoto

AgroSolutions Div. – Japan

Kanako Fukuda

Sumitomo Chemical Europe S.A./N.V.

Juan Ferreira

Sumitomo Chemical do Brasil Representações Ltda

Hiroyoshi Mukai

Planning & Coordination Office,
Health & Crop Sciences Sector,
Quality Assurance Office,
Health & Crop Sciences Sector

Shinsuke Shojima

AgroSolutions Div. – International

Takanori Ito

Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center,
Responsible Care Dept.

Yoshihiro Ino

IT Innovation Dept.

Tetsuo Takahashi

Planning & Coordination Office,
Petrochemicals & Plastics Sector

Tomoyuki Hirayama

General Affairs Dept.,
External Relations Dept.

Directors & Senior Management

Expertise and Experience of Directors and Corporate Auditors and Reasons for Their Appointment

		Position	Reasons for Appointment
Board of Directors			
	**Masakazu Tokura**	Chairman of the Board	He assumed office as a Director & Executive President in 2011. He has formulated Corporate Business Plans three times, including the current Corporate Business Plan (from April 2019 to March 2022) and has been focusing on the operations of the Board of Directors of the Company as a Director, Chairman since April 2019.
	**Keiichi Iwata**	Representative Director President & Executive President	Since joining the Company, he has mainly engaged in business planning in the Fine Chemicals Sector and the IT-related Chemicals Sector and has worked abroad in Belgium. After his appointment as an Executive Officer, he experienced planning and administration as well as sales management and was in charge of the Energy & Functional Materials Sector in 2018. He has been working to promote the current Corporate Business Plan (from April 2019 to March 2022) as a Director & Executive President since April 2019.
	**Noriaki Takeshita**	Representative Director Senior Managing Executive Officer	Since joining the Company, he has mainly engaged in business planning and production planning in the Petrochemicals & Plastics Sector and has worked abroad in Singapore and Saudi Arabia (the Rabigh Project). After his appointment as an Executive Officer, he experienced planning and administration as well as sales management and has been in charge of the Petrochemicals & Plastics Sector since 2017.
	**Masaki Matsui**	Representative Director Senior Managing Executive Officer	Since joining the Company, he has mainly engaged in business planning and sales/marketing in the Fine Chemicals Sector and the IT-related Chemicals Sector. When he was responsible for business planning for optical products, he contributed to significantly expanding the business not only in Japan but also in South Korea, Taiwan, and China. He has been in charge of the IT-related Chemicals Sector since 2019.
	**Kingo Akahori**	Representative Director Senior Managing Executive Officer	Since joining the Company, he has engaged in a wide range of operations such as research and development, production technology, planning, and sales, in addition to being dispatched to the Swiss Federal Institutes of Technology and working overseas in the United States. After his appointment as an Executive Officer, he was responsible for the newly established Quality Assurance Office and divisions in the Energy & Functional Materials Sector, contributing to the growth and expansion of the sector. He has been in charge of the Energy & Functional Materials Sector since 2019.
	**Nobuaki Mito**	Representative Director Senior Managing Executive Officer	Since joining the Company, he has mainly engaged in research and development in the Health & Crop Sciences Sector and experienced being dispatched to University of California, Davis in the United States. After his appointment as an Executive Officer, he was responsible for the pharmaceutical business and other areas in the Corporate Business Development Dept., working on the development of next-generation businesses. He has been in charge of the Health & Crop Sciences Sector since 2020.
	**Hiroshi Ueda**	Director Executive Vice President	Since joining the Company, he has mainly engaged in manufacturing and industrial research. In addition to them, he was responsible for business development, business planning, and safety/environment/hygiene-related operations at each plant after his appointment as an Executive Officer. He was in charge of the Energy & Functional Materials Sector since 2016 and is currently in charge of Research Planning and Coordination, Digital and Data Science Innovation, Process & Production Technology & Safety Planning, Responsible Care, and corporate research facilities as a Director & Executive Vice President.
	**Hiroshi Niinuma**	Director Senior Managing Executive Officer	Since joining the Company, he has mainly engaged in the operations of administrative departments, such as general affairs and human resources. After his appointment as an Executive Officer, he was also responsible for Legal, CSR, Internal Control and Audit and worked on ensuring compliance, developing and improving a corporate governance structure. As a Director & Senior Managing Executive Officer since 2018, he has been in charge of General Affairs, Legal, Sustainability, Internal Control and Audit, Human Resources, Osaka Office Administration, Corporate Communications, Procurement and Logistics.
	**Koichi Ikeda**	Outside Director	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, provide well-balanced advice based on an extensive view on overall management, make recommendations based on his expertise in sales, marketing and other areas, and support appropriate risk-taking, by making use of his abundant experience and extensive knowledge as a management executive of a business corporation.
	**Hiroshi Tomono**	Outside Director	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, provide well-balanced advice based on an extensive view on overall management, make recommendations based on his expertise in research, technology, manufacturing and other areas, and support appropriate risk-taking, by making use of his abundant experience and extensive knowledge as a management executive of a business corporation.
	**Motoshige Itoh**	Outside Director	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, and provide advice and recommendations based on his advanced expertise, by making use of his expert knowledge of economics, etc. through his long experience as a university professor and his wealth of experience and extensive knowledge of economic, social and other issues from his track record as a member of various government deliberative committees.
	**Atsuko Muraki**	Outside Director	She can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, and provide advice and recommendations based on her advanced expertise, by making use of her wealth of experience and extensive knowledge in legal, social and other issues deriving from her employment over many years at administrative bodies as a civil servant as well as her expertise especially in human resources.
Corporate Auditors			
	**Kunio Nozaki**	Standing Corporate Auditor	Since joining the Company, he has worked mainly in accounting and finance operations, and has deep knowledge and experience related to these areas. He was also appointed as Director & Senior Managing Executive Officer in 2014, and has worked in the management of the Company. He will make use of this abundant knowledge and experience related to accounting and finance, and his experience and extensive knowledge as a management executive in auditing the Company in future.
	**Hiroaki Yoshida**	Standing Corporate Auditor	Since joining the Company, he has experience of operations in planning, legal, and other administrative sectors, and has also worked in an overseas posting in Saudi Arabia, in addition to serving as General Manager of the Internal Audit Dept. and General Manager of the Planning & Coordination Office, Petrochemicals & Plastics Sector. He will make use of his abundant knowledge and experience regarding the Company's business in auditing the Company.
	**Mitsuhiro Aso**	Outside Corporate Auditor	He will make use of his expert knowledge and abundant experience as an attorney and prosecutor over many years for the Company's audits.
	**Yoshitaka Kato**	Outside Corporate Auditor	He will make use of his expert knowledge and abundant experience as a certified public accountant over many years in auditing the Company.
	**Michio Yoneda**	Outside Corporate Auditor	He will make use of his wealth of experience and extensive knowledge of industry and social and other issues through his long career in financial and securities market management in Japan for the Company's audits.

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

	Expertise and Experience								
	Corporate Management	Business Strategy/ Marketing	Technology/ Research	Global	ESG/ Sustainability	Finance/ Accounting	Human Resources and Labor	Legal/ Compliance/ Internal Control	Knowledge of Other Specialized Fields
	●	●		●					
	●	●		●					
		●		●		●			
		●				●			
		●	●	●					
		●	●						● (Intellectual Property)
		●	●						● (IT/DX)
					●		●	●	
	●	●			●				
	●		●		●				
				●					● (International Economics) ● (IT/DX)
					●		●	●	
				●		●			
		●		●				●	
				●	●			●	
				●		●		●	
	●				●				● (Financial Markets)

Dialogue between Outside Executives

Sumitomo Chemical's Governance Continues to Evolve

Koichi Ikeda, one of Sumitomo Chemical's Outside Directors, and Michio Yoneda, one of the Company's Outside Corporate Auditors, were asked to speak about their evaluation of the current state of Sumitomo Chemical's governance initiatives and about issues going forward.

Koichi Ikeda
Outside Director

Converting the Board of Directors to a Monitoring Board

Ikeda: I became an Outside Corporate Auditor for Sumitomo Chemical in 2011, and an Outside Director in 2015. Looking back on a decade as an outside executive, I feel that Sumitomo Chemical's corporate governance has been steadily evolving. One major turning point was the fundamental changes made to the way the Board of Directors operates in October 2015. Previously, emphasis had been placed on decision-making functions and voting on legal matters, but the scope of the Board's decision-making was narrowed down, and its monitoring and auditing functions were expanded. That was a period when moves to strengthen governance grew more active across the entire economic sphere, was it not?

Yoneda: In Japan, a new corporate governance code was established by the Financial Services Agency and the Tokyo Stock Exchange in June 2015. At the time, I was involved in the running of the Tokyo Stock Exchange, and the background to the formulation of this code was a recognition of the necessity of improving the ability of Japanese companies to generate profits in coordination with the government's growth strategy, in order to boost the Japanese stock market out of the doldrums it had been in for the past quarter-century, and therefore the necessity of enlivening boards of directors by incorporating diverse views from outside executives. There were also several scandals involving major companies at that time, and criticisms of the governance of Japanese companies from overseas investors was increasing.

I became an Outside Corporate Auditor in September of 2018, but I felt that, in light of the intent of the corporate governance code and its own state as a company, Sumitomo Chemical has pursued a very grounded transformation. If the position of monitoring and auditing is too widely separated from the execution, then the Board of Directors will also not be able to fulfill its function as a monitoring board. Sumitomo Chemical has expanded the number of items that are reported (the amount of information provided) to outside executives, and as a result, meetings of the Board feature questions and insights from the diverse perspectives of the outside executives, resulting in extremely rich discussions.

Ikeda: Broadly speaking, the information gap with outside executives can often become an issue, but at Sumitomo Chemical, we have opportunities to get our hands on a lot of different information. Explanations relating to agenda items in advance of meetings of the Board are naturally provided, but Sumitomo Chemical also provides rotating reports* from not just business units, but also administrative units, covering the broad range encompassed by diversified chemistry.

Michio Yoneda

Outside Corporate Auditor

In addition, we have had opportunities to visit company facilities, including not only visits to plants in Japan twice a year, but also past visits to local Group companies in South Korea and Saudi Arabia. To be frank, I think that in the past, the boards of directors of many companies had become ceremonial, including Sumitomo Chemical. The number of Outside Directors at Sumitomo Chemical has now been expanded to four (including one woman), making for a highly effective Board of Directors with lively exchanges of views. The time required for meetings of the Board, which once could be finished in under thirty minutes, now often reaches as long as three hours.

* Rotating reports: Comprehensive, systematized reports with a sizeable amount of time set aside for each sector.

Repeated Discussions to Ensure Healthy Risk-taking for Businesses

Yoneda: In order for outside executives to contribute to strengthening governance, it is extremely important for management to understand the role of outside executives. It is only when management and outside executives have a deeply rooted relationship of trust that they can have candid discussions. Each year, when assessing the effectiveness of the Board of Directors at Sumitomo Chemical, we do not simply listen to the report, we hold repeated discussions about it. I think these discussions are extremely sincere, and the assessment of effectiveness has taken root as part of the company's culture.

Ikeda: As you say, without understanding from management, the views of outside executives just become so much noise. Sumitomo Chemical has expanded our opportunities for communication with outside executives, but this is because there is already a relationship of trust with management. For example, last year, at our request, space was created for outside executives to have small-scale informal meetings with the President and Chairman. Based on my own experience of being involved in management, I have proposed the creation of space for frank exchanges of views with management about issues of concern we have as outside executives, before bringing them up as topics of discussion in a board meeting. In recent years, Sumitomo Chemical had several large-scale projects, including major acquisitions and the Rabigh Phase Ⅱ Project in Saudi Arabia. Outside executives have a monitoring and auditing function, but I think an important role for us is not just in criticism, but as cheerleaders for Sumitomo Chemical, boosting the Company's business through repeated discussions of healthy risk-taking aimed at future growth, not bound by the chains of the past. The major acquisitions in the Health & Crop Sciences business and in the Pharmaceuticals business were important projects that could become central pillars of the Company's business in the food supply and healthcare fields, important fields where the Company ought to focus its efforts in the medium and long term, and we discussed these projects thoroughly in meetings of the Board, including the financial side of things. The reason that outside executives with diverse expertise were able to fulfill their function in these projects was because Sumitomo Chemical has the character necessary to take in insights from the varied perspectives of outside executives, and reliably convey those insights to management and the employees on the ground.

Yoneda: As you have said, the true role of the Board of Directors is to create an environment where management can take appropriate risks with regard to important projects that will lead to the growth of the company. We are told that governance reform equals employing the monitoring and auditing function of boards of directors, but governance is not the goal, it is a method for management to advance business and thereby grow the company. At Sumitomo Chemical, we all participate in discussions, whether we are Directors or Corporate Auditors, but we Corporate Auditors in particular can speak to risk management, which provides support for risk-taking.

Michio Yoneda

Koichi Ikeda

The Goal of Governances is not Structure, but the Pursuit of Effectiveness

Ikeda: Sumitomo Chemical is a Company with a Board of Corporate Auditors, but outside Japan, it is more common to have an auditing committee, rather than a board of auditors, as is sometimes seen in Japanese companies with multiple designated committees, such as nominating committees, or companies with audit and supervisory committees. As an Outside Director, I have experience with both types of governance, but it is not necessarily the case that governance will go smoothly if you just switch to a nominating committee or an auditing committee. What is important is not the structure, but strengthening the substance of governance in accordance with a company's characteristics. In the case of Sumitomo Chemical, which pursues synergies between multiple businesses as a diversified chemical manufacturer, by having executive officers who are intimately familiar with the business simultaneously serve as members of the Board, the company is able to utilize its structure as a company with a Board of Corporate Auditors, where auditors can oversee management with significant authority, to strengthen governance in a substantive way. Personally, I feel that for companies like Sumitomo Chemical, which pursue business in an extremely diversified way, it is important for outside executives to exercise their monitoring and auditing functions while getting close with management as a cheerleading team.

Yoneda: Major Japanese companies can choose between three different governance systems*, and I have experience with all of them. Each has its strengths and weaknesses. The choice should not be made based on which is best, but based on a consideration of the actual circumstances of the company's management, and regardless of system, companies need to continue their efforts to strengthen governance. To put forward some benefits of a company with a Board of Corporate Auditors, from my own position as an auditor, I think two benefits are that the Board of Corporate Auditors is an independent institution from the Board of Directors, and that it ensures auditor's ability to gather information because the various Corporate Auditors all have independent authority to audit the company. These are both indispensable elements in enabling the auditors to substantively exercise our functions as Corporate Auditors. In the case of Sumitomo Chemical, the Company is fully utilizing the benefits of being a company with a Board of Corporate Auditors, while at the same time creating a system that enables both the Board of Directors and the Board of Corporate Auditors to fully function by strengthening the monitoring and oversight functions of the Board of Directors in light of the Corporate Governance Code. Because this system of companies with Boards of Corporate Auditors is unique to Japan, overseas investors have expressed the opinion that it is difficult to understand, but in that case it is possible to simply explain the system, so I do not think we need to simply align ourselves with the systems used in Europe and the US, but rather pursue the

The role of an outside executive is to be a cheerleader, supporting business through repeated discussion to ensure healthy risk-taking.

Koichi Ikeda
Outside Director

Governance is not the goal, it is a method for management to advance business and thereby grow the company.

Michio Yoneda
Outside Corporate Auditor

original goal of effective governance.

* Companies with a Board of Corporate Auditors, companies with an audit and supervisory committee, and companies with multiple designated committees (such as a nominating committee).

Ikeda: I agree. I think a lot of Japanese companies, not just Sumitomo Chemical, take the attitude that "as long as we are making a sincere effort, they will understand," but in a sense, that just means that they are not very good at public or investor relations. When we try to expand our businesses globally, explaining things in a way that those outside the company can understand easily, including explaining about our governance systems, becomes an important part of our job.

The Future of Sumitomo Chemical's Governance

Ikeda: As a result of actively investing outside Japan, revenue from outside Japan now makes up more than 60% of our income. In light of this, we are putting more effort into the governance of Group companies outside Japan, and I think further strengthening these efforts will be one of the most important issues for Sumitomo Chemical going forward. At Sumitomo Chemical, we receive reports relating to Group companies from a variety of perspectives, but it is also the case that risks in Group companies outside Japan are relatively high. In order to strengthen our countermeasures, I think it will be important to incorporate diverse perspectives with respect to our governance somehow, rather than just managing things with Japanese ways of thinking.

Yoneda: I think the importance of initiatives to address the SDGs has permeated society as a whole. Sumitomo Chemical is already undertaking a variety of initiatives to resolve issues in society, such as climate change, but for investors, there are still some parts that are difficult to see. Clearly explaining the details of these initiatives to the market and to stakeholders is also an important issue in governance. We need to improve governance not just with respect to the initiatives themselves, but also from the perspective of communicating about them.

Ikeda: In recent informal meetings with just the President, Chairman, and outside executives, I took the opportunity to once again point out the importance of taking healthy risks with regard to how our initiatives to create a sustainable society were being applied in our businesses, and not just treated as social contribution activities. I hope that as we as outside executives continue to share our views going forward, Sumitomo Chemical will examine and steadily expand its efforts to address the SDGs along multiple fronts.

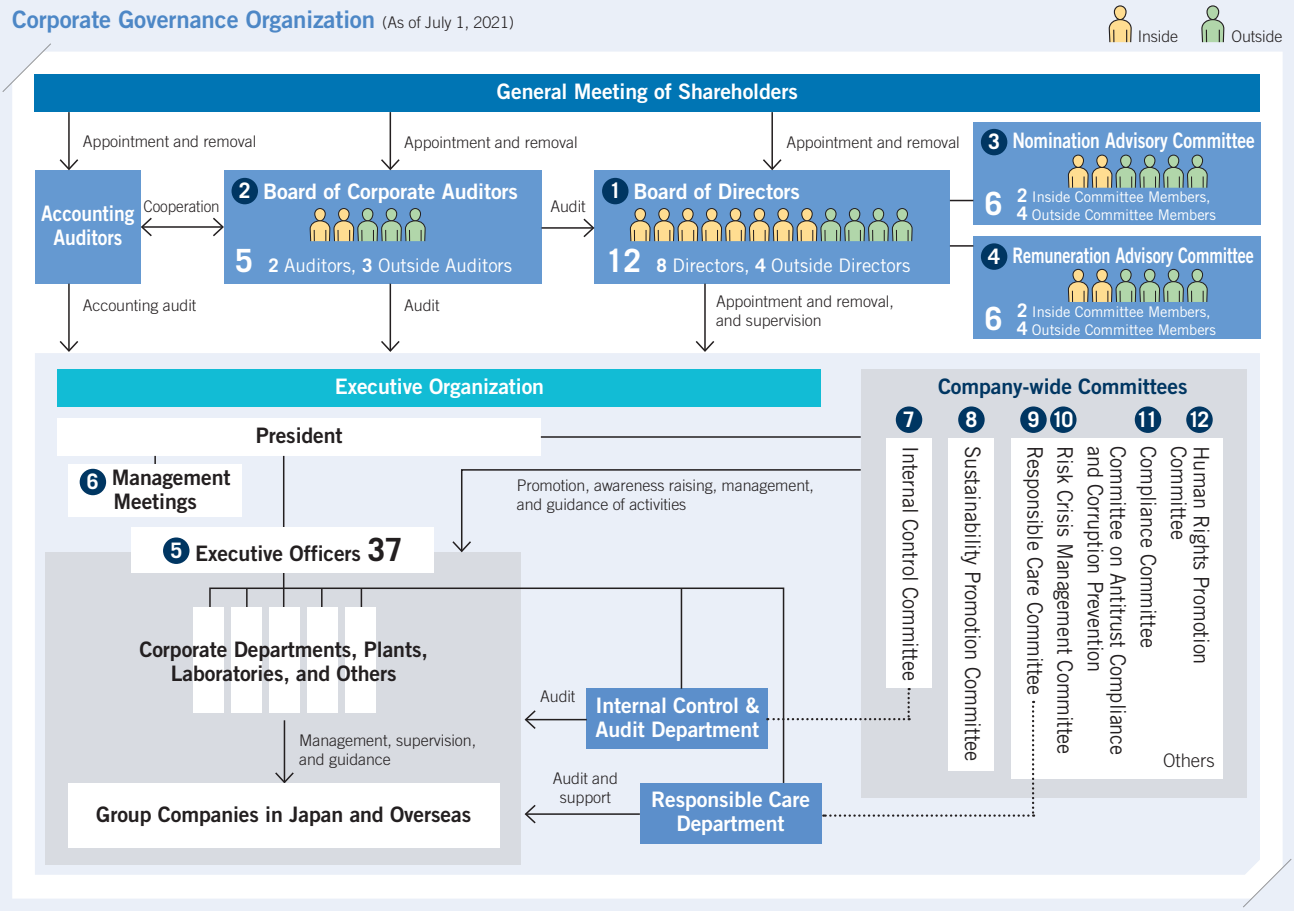
Yoneda: As the times and the business environment continue to change, we ourselves will also need to change in order for the company to continue to grow. I think, however, that our participation as outsiders in these discussions may probably make it easier for the company to change, rather than debating things entirely internally. As an Outside Corporate Auditor, I hope to support those in management who actually implement these measures in taking appropriate risks from a risk management perspective, promoting healthy changes and thereby supporting the growth of Sumitomo Chemical.

Michio Yoneda

Corporate Governance

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

Corporate Governance Organization (As of July 1, 2021)



Measures to Date for Strengthening Corporate Governance

Date		Major Initiatives	Board Composition	Appointment of Board Members	Executive Remuneration	Other
2003	June	Introduced Executive Officer system (reduced number of Directors from 25 to 10)	●			●
	July	Established Compliance Committee				●
2004	June	Eliminated system of retirement benefits for Directors and Corporate Auditors			●	
2007	May	Established Internal Control Committee				●
	September	Established Remuneration Advisory Group			●	
2010	September	Established Nomination Advisory Group		●		
2011	November	Drew up standards for appointment of independent outside directors	●	●		
2012	June	Appointed 1 outside director	●			
2015	June	Selected 3 outside directors (increased by 2)	●			
	October	Established Remuneration Advisory Committee in place of Remuneration Advisory Group			●	
		Established Nomination Advisory Committee in place of Director Nomination Advisory Group		●		
2016	December	Formulated Sumitomo Chemical Corporate Governance Guidelines				●
2018	June	Selected 4 outside directors (including 1 woman) (increased by 1)	●			
2021	June	Board of Directors consisting of more than 1/3 Outside Directors	●			

Corporate Governance Organization

1 Board of Directors Number of meetings held in FY2020: **13**	**Chairperson:** Chairman of the Board (The Chairman of the Board does not concurrently serve as Executive Officer.) **The term of office of Directors:** One year **Overview:** The Sumitomo Chemical Board of Directors decides management policy, business strategies, and other important matters concerning the company's management, in accordance with the law, the Articles of Incorporation, and the Board of Directors' own rules. It also receives reports from Directors and others on the performance of duties, the financial situation, and operating results, and oversees the performance of duties by each Director. In accordance with the Nomination Advisory Committee's advice, candidates for Director are nominated by the Board of Directors and are elected once a year at the General Meeting of Shareholders.
2 Board of Corporate Auditors Number of meetings held in FY2020: **14**	**Constituent members:** 5 Auditors (including 3 Outside Auditors) **Overview:** The Corporate Auditors and the Board of Corporate Auditors play a vital role in our corporate governance by auditing the performance of duties by Directors in accordance with the law and the Articles of Incorporation. The results of audits and the objective views of Outside Auditors are appropriately reflected in internal audits, corporate auditors' audits, and accounting audits, so as to raise the effectiveness and efficiency of auditing. The Corporate Auditors' Office has been established with staff dedicated to providing assistance in auditing functions under the direction of Corporate Auditors.
3 Nomination Advisory Committee Number of meetings held in FY2020: **2**	**Constituent members:** Outside Directors and the Chairman of the Board, and the President **Overview:** An advisory committee of the Board of Directors relating to the selection of senior management*1 and the nomination of Directors and Corporate Auditors. The committee, with a majority of members being Outside Directors, makes recommendations to the Board of Directors when selecting executives, with the aim of ensuring even greater transparency and fairness in executive selection and also clarifying the process of executive selection.
4 Remuneration Advisory Committee Number of meetings held in FY2020: **3**	**Constituent members:** Outside Directors and the Chairman of the Board, and the President **Overview:** An advisory committee of the Board of Directors relating to the remuneration system and remuneration levels for Directors and Executive Officers, as well as other related issues. The committee, with a majority of members being Outside Directors, makes recommendations to the Board of Directors when determining systems for and levels of executive remuneration, among other issues, with the aim of further increasing transparency and fairness.
5 Executive Officers FY2021: **37**	**The term of office:** One year **Overview:** We have appointed Executive Officers to expedite the implementation of business operations. Executive Officers are responsible for carrying out operations in accordance with the policies adopted by the Board of Directors.
6 Management Meetings Number of meetings held in FY2020: **24**	**Constituent members:** The Executive Officers who are in charge of or who supervise key management functions, the Standing Corporate Auditors, and the Chairman of the Board **Overview:** As an institution for debating important issues, such as corporate strategy and capital investment, these meetings support decision-making by management.
7 Internal Control Committee Number of meetings held in FY2020: **3**	By debating various measures to build or expand internal control systems, and monitoring their implementation status, this committee is intended to continually improve the internal control systems of the Sumitomo Chemical Group.
8 Sustainability Promotion Committee Number of meetings held in FY2020: **2**	This committee suggests measures to accelerate the Sumitomo Chemical Group's contributions to sustainability, taking in a comprehensive perspective on risks and opportunities with regard to medium- to long-term issues in the environment and society.
9 Responsible Care Committee Number of meetings held in FY2020: **1**	This committee formulates annual policies, medium-term plans, and specific measures concerning responsible care (safety, health, environment, and quality), including climate change issues.
10 Risk Crisis Management Committee Number of meetings held in FY2020: **7*2**	This committee deliberates on policies for specific risks and crises, such as earthquakes, wind and flood damage caused by extreme weather, pandemics, and breakdowns in public security.
11 Compliance Committee Number of meetings held in FY2020: **1**	This committee deliberates on the Group's compliance policies and action plans, and the status of the operation of the compliance system, including responses to internal reports and the results of activities.
12 Human Rights Promotion Committee Number of meetings held in FY2020: **1**	This committee promotes increasing awareness of human rights issues, and drafts and executes policies to respect human rights in the entire value chain including Sumitomo Chemical Group.

*1 Senior management means Executive Officers above Senior Managing Executive Officer, and Managing Executive Officers who are immediately under the President, supervising certain functions.
*2 The number of meetings increased as we deliberated on preventive measures for the COVID-19 pandemic.

Efforts to Substantively Strengthen Corporate Governance

Changes in the Method of Operation of the Board of Directors

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

A few days prior to the Board of Directors meeting

Advance briefing

Day of the Board of Directors meeting

Board of Directors * Standard flow

9:00	Resolutions
10:00	Reports
	● Head office monthly report
	● Business sector monthly report
	● Report on important proposals
11:15	Rotation report
12:00	End

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

Upon completion of the Board of Directors meeting

Meetings

Expanded Advance Briefings for Outside Directors and Auditors, Organic Coordination with the Board of Directors

- The roles of advance briefings and meetings of the Board of Directors have been clarified, ensuring sufficient time for discussion in the Board of Directors meeting
- The content of advance briefings, including points of discussion, are reflected in the deliberations of the Board of Directors

Report on the Summary of Internal Discussion at a Management Meeting

- Report the summary of discussions held in internal meetings for important agenda items and how the views expressed in those discussions are reflected in the agenda items

Report to BOD before Deciding on a Major Proposal

- For important agenda items, such as the management direction, M&A, and other major projects, reports (including progress reports) are made to the Board of Directors from the early stages of consideration so that they can reflect the Board's intentions

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

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

Opportunities for Informal Discussions

- Meetings for Outside Directors and Auditors only (twice a year)
- Social meetings of Outside Directors and Auditors with internal executives (several times a year)
- Meetings for Outside Directors and Auditors and main sectors (6 times a year)

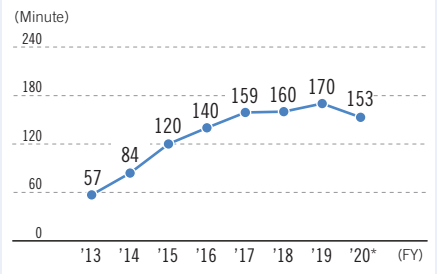
Visits to Production Sites

- Outside Directors and Auditors visit to our business offices, and Group companies outside Japan (twice a year)

* Tours of Group companies outside Japan have been postponed due to the spread of COVID-19

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

Average Length of Board of Directors Meetings



* Meeting length decreased in FY2020 due to streamlined and efficient operations to prevent the spread of COVID-19

Utilizing the Oversight and Advisory Functions of Outside Directors and Corporate Auditors

Outside Directors and Auditors have expressed the view that meetings of Sumitomo Chemical's Board of Directors feature free, frank, constructive, and lively debates. In the meeting of Board of Directors as well as informal meetings of Outside Directors and Auditors relating to the assessing the effectiveness of the Board of Directors, Outside Directors and Auditors pointed out a number of issues, and made recommendations on topics such as the method of operation for the Board of Directors, the support system for Outside Directors and Auditors, and a range of policies to improve corporate governance. Some specific examples are described below.

Case 1	Discussions in Informal Meetings	Once, when a particular project required important decisions to be made, Outside Directors and Auditors had expressed a desire to hear the honest views of management, so an informal meeting was set up. As a result of unreserved exchanges of views in this meeting, Outside Directors and Auditors were able to align their views with those of company executives with respect to the project, which also made discussions at the subsequent meeting of the Board even more lively, leading to appropriate management decisions. Since this project, opportunities have been created for discussions in informal meetings as necessary.
Case 2	Follow-up on Major Projects and Monitoring of Group Companies	When the Board of Directors received a report that an investment project that had been decided on by the Board was not proceeding according to plan, Outside Directors and Auditors pointed out the importance of more timely reporting and of discussing such issues. Since then, the company has adopted a stance of reporting negative information as soon as possible, strengthening efforts to follow-up on major projects and monitor Group companies.
Case 3	Improving the Efficiency of Meetings of the Board of Directors	Outside Directors and Auditors who also serve as executives for other companies provided members of the Board with information on efforts to enhance IT for the Boards of Directors of other companies, which led to a reconsideration of operational methods for the Board of Directors, resulting in the deployment of a paperless meeting system and the creation of an environment for remote attendance. This has not only improved the efficiency of tasks such as preparing for meetings of the Board, it has also made it possible to hold meetings more flexibly.
Case 4	Interaction with Employees	In light of a desire of Outside Directors and Auditors for dialogue with employees across a wide range of levels, the company has taken a variety of measures, including informal meetings with business units, and creating opportunities for presentations from young employees during visits to production sites. By listening to the unfiltered voices of employees, this not only has the effect of providing Outside Directors and Auditors with an even deeper understanding of the company, it also leads to increased motivation on the employee side, among other effects.

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

Example Initiatives Based on Recommendations from Outside Directors and Auditors

Highly Effective Monitoring

- Since 2017: Feedback on dialogue with institutional investors; Expanded rule-making for risk analysis and reporting; Regular follow-up and reporting on major investment projects
- Since 2018: Enhanced monitoring and regular reporting for Group companies

Maximal Use of the Functions of Outside Directors and Auditors

- Since 2016: Expanded explanation of topics discussed in management meetings
- Since 2020: Advance briefings for Outside Directors and Auditors and enhanced coordination with the Board of Directors

Initiatives to Achieve Continued Growth

- Since 2018: Active discussions relating to medium- to long-term issues
- Since 2019: Discussions in informal meetings for major investment projects (Rabigh Project, listed of subsidiaries, etc.); Frank exchanges of views between Outside Directors and Auditors and a wide range of employees (lunches with departments giving a rotating report, efforts during visits to production sites, Outside Directors and Auditors attending internal meetings, etc.)

Other (Efficiency Improvements, etc.)

- Improved efficiency and flexibility in Board of Directors operations (paperless, remote meetings)
- Flexible scheduling for meetings of the Board

Corporate Governance

Assessing the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors is assessed in terms of its composition, operational status, deliberation/reports at its meetings, auditing status on its business execution, and the operations of the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee. The company conducts surveys of each Director and Auditor about their assessing the effectiveness of the Board of Directors. Based on the results of these surveys, there is then a frank exchange of views in meetings of the Board of Corporate Auditors, in informal meetings with Outside Directors and Auditors, and in management meetings, after which the Board of Directors then conducts a review of its own effectiveness in one of its meetings based on the views expressed in the prior meetings.

Improvements over Fiscal 2019 and Assessment of Fiscal 2020

In light of the results of the effectiveness evaluation for FY2019, discussions focused on improvements were held in meetings of the Board and in informal meetings, held in FY2020, with respect to the following major topics.

- ☐ Accelerating initiatives aimed at digital transformation and creating innovation
- ☐ Creating structures for formulating carbon neutral strategy and for promoting the plastic recycling business
- ☐ The current status of major investment projects, such as the Rabigh Project and the acquisition of crop protection businesses in South America, and future initiatives
- ☐ The state of operations at listed subsidiaries, and a rethinking of diversity and ways of working

As a result of these initiatives, in the effectiveness evaluation for FY2020, the Board confirmed that it has realized steady improvements each year in each area and that their effectiveness was at a good level overall.

Initiatives for the Future

The Board of Directors is undertaking the following initiatives with the aim of further increasing its effectiveness going forward.

- ☐ Working to further invigorate discussions in meetings of the Board by allocating time to put greater weight on important topics and expanding both reporting and discussion with respect to progress updates for major investment projects
- ☐ Aiming to further strengthen Group-wide governance through a variety of measures, including the use of digital technology and thorough reviews of such systems as internal controls, compliance, and responsible care
- ☐ Further expanding initiatives such as information disclosure and dialogue with shareholders and investors in order to ensure that the corporate value of Sumitomo Chemical is more accurately evaluated

Policies and Procedures for Reshuffling Senior Management and Nominating Candidates for Directors and Corporate Auditors

Appointment Policy

- ☐ Performance, knowledge, experience, personality, and the insight of a candidate are comprehensively considered from the standpoint of having “the right person in the right place,” as well as ensuring a proper and prompt decision-making process, so as to select a person suitable for the respective duties.
- ☐ According to the criteria set forth by the company, the person who has reached a certain age set for retirement will resign, in principle, upon completion of his or her tenure.
- ☐ For the nomination of candidates for outside directors and outside auditors, if a candidate also serves as an executive officer of other listed companies, the number of these companies must be less than five, including our company. This rule is to ensure that the candidate can properly fulfill his/her responsibility as our Director or Corporate Auditor.

Appointment Procedures

Candidates Selected by Representative Directors	● Representative Directors select candidates suitable for the positions of senior management, Directors and Corporate Auditors in accordance with the above Policies.
Discussion by the Nomination Advisory Committee	● The results of the nomination will be deliberated at the Nomination Advisory Committee, and recommended to the Board of Directors.
Decision by the Board of Directors	● The Board of Directors will deliberate based on the advice and make a decision.

Dismissal Policy and Procedures

- ☐ The Board of Directors will deliberate and decide on its response if senior management commits a wrongful, inappropriate, or treasonous act, or if there is a cause that is deemed unsuitable to be committed by a member of senior management.

Remuneration*

* Remunerations of Executive Officers are determined in the same manner.

1. Basic Policy for Remunerations of Directors, etc.

(1) The remunerations of senior management and directors (hereinafter "Directors, etc.") shall consist of basic compensation and bonuses.
(2) Basic compensation is designed to serve as an incentive for the actions of Directors, etc. to contribute to the Company's sustainable growth, rather than aiming for short-term or sub-optimal effects.
(3) The amount of bonuses shall largely reflect the Company's consolidated financial results for a fiscal year in order to heighten incentives to achieve the annual targets of business plans.
(4) The remuneration shall be set at levels which are designed to be objectively competitive to attract and retain outstanding talent while taking into consideration such factors as the scale and content of the Company's business. Based on surveys by a third-party organization and other materials, such levels shall be checked annually whether or not to be objectively appropriate.

2. Mechanisms of Each Remuneration Element

(1) Basic Compensation

The level of basic compensation shall be determined based on the policy described in section 1(4) above. While basic compensation for each year shall be fixed, the Company will adopt a mechanism where the Basic Compensation level would be changed in the event where the Company's position has changed in terms of "the company's size", "earnings capacity", and "outside evaluations" from a comprehensive and medium- to long-term perspective. As main indicators for determining the change in the Company position, the Company will apply the following: ① in terms of "the company's size," sales revenue, total assets and market capitalization, ② in terms of "earnings capacity," net income (attributable to the parent company), ROE, ROI and D/E ratio, and ③ in terms of "outside evaluations," credit ratings and the ESG index selected by the GPIF (Government Pension Investment Fund). The amounts to be paid to each person will be determined in accordance with the base amount set by each position.

(2) Bonuses

Bonuses shall be paid on the condition that performance for that fiscal year exceeds a particular level and shall be determined based on the bonus calculation formula (performance indicator x coefficient). In order to reflect the current earnings capacity of the relevant business year (including financial activities) to the amount of bonuses, the Company will apply the combined value of consolidated core operating profit and financial profit and loss to the performance indicator concerning the bonus calculation formula. In addition, the Company will set the coefficient of the calculation formula so that it will get larger as the position of a person gets higher.

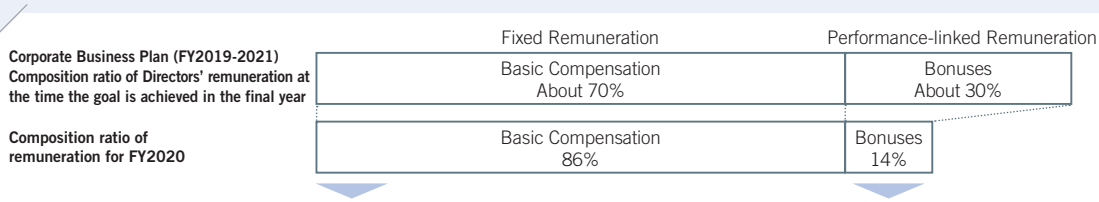
(3) Percentages of Fixed Remuneration (Basic Compensation) and Performance-linked Remuneration (Bonuses)

The Company will design the bonus calculation formula so that the bonuses of Directors (excluding Outside Directors) accounts for roughly 30% of the remuneration when the consolidated performance goal (core operating profit) for the latest fiscal year of the mid-term management plan (fiscal years 2019 to 2021) is achieved.

3. Procedures for Determining Remuneration of Directors, etc.

The remuneration amount of Directors shall be set at a level not higher than the upper limit of a total remuneration prescribed by resolution of the 125th General Meeting of Shareholders, held on June 23, 2006 (i.e. 1 billion yen or less per year). The Board of Directors shall deliberate on and decide the method of determining remunerations of Directors, etc., based on the advice from the Remuneration Advisory Committee. Furthermore, the specific amount of remuneration for each Directors etc. shall be determined by the Director and Chairman, Masakazu Tokura, authorized by the Board of Directors, based on the standard advised from the Remuneration Advisory Committee, which is a consultative body of the Board of Directors. This is because the Company believes that determining the specific amount of remuneration for each Director, etc. does not fit into the discussions and deliberations of the Board of Directors, and it is more appropriate for Director and Chairman, who serves as the chairman of the Remuneration Advisory Committee and the chairman of the Board of Directors and is in a position to overview the entire Company, to make decisions based on the purpose of policies for determining compensation, etc. and deliberations and opinions of the Remuneration Advisory Committee. To ensure that the authority to determine the amount of remuneration for each Director, etc. is appropriately exercised by Director and Chairman, the Board of Directors' policies provide that Director and Chairman shall determine the amount of individual remuneration for Directors based on the standard suggested by the Remuneration Advisory Committee as being consistent with the Company's policy for determining remuneration, etc. As Director and Chairman determines the individual remuneration amount based on this standard, the Board of Directors has concluded that the content of the individual remuneration is in line with the determination policy.

Conceptual Diagram of the Remuneration of Directors and Remuneration Ratios for FY2020 (Excluding Outside Directors)



Based on the factors for determination described below, the company will change the amount of remuneration when it is determinable that the company's position has changed from a comprehensive and medium- to long-term perspective.

Factors for Determination	Major Indicators
Company's size	Sales revenue
	Total assets
	Market capitalization
Earnings capacity	Current income (belonging to the parent company)
	ROE
	ROI
	D/E ratio
Outside evaluations	Credit ratings
	ESG index selected by GPIF

(Note) The amount to be paid to each person will be determined by each position.

The amount of bonuses will be determined by the calculation formula based on the following consolidated performance indicator.

Consolidated performance indicator	Core operating profit plus financial profit and loss
Calculation formula	Consolidated performance indicator × Coefficient*

* The Company will arrange so that the higher the position, the larger the coefficient will be.

(Note) If a consolidated performance indicator does not exceed a particular level, bonuses will not be paid.

Directors' and Corporate Auditors' Remuneration (FY2020)

(Millions of yen)

Title	Number of people	Amount of Remuneration and Other Compensation	Amounts of Remuneration and Other Compensation by Type	
			Basic Compensation (Fixed Remuneration)	Bonuses (Performance-linked Remuneration)
Directors (Of which, Outside Directors)	14 (4)	702 (68)	606 (60)	96 (8)
Corporate Auditors (Of which, Corporate Outside Auditors)	5 (3)	116 (37)	116 (37)	—
Total	19	818	722	96

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

Listed Company with Listed Subsidiaries

Our Thinking Regarding Listed Companies with Listed Subsidiaries

For a publicly listed subsidiary, the advantages of being publicly listed include better employee morale, enhanced ability to recruit employees, greater trust from customers, and greater influence within the industry. In addition, the parent company can expect to benefit from synergies in collaboration and cooperation with its subsidiaries. Because of these benefits, in seeking to maximize the overall corporate value of the Sumitomo Chemical Group, we think that holding listed subsidiaries is one of the effective options on premise of preserving each subsidiary's autonomy and respecting the rights of minority shareholders.

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

The Significance of Being a Listed Companies with Listed Subsidiaries

Company Name	History	Position in Group	Synergies
Sumitomo Dainippon Pharma Co., Ltd.	Sumitomo Chemical's pharmaceutical business began with the acquisition of the Japan Dyestuff Manufacturing Company in 1944. After being spun off as the subsidiary Sumitomo Pharmaceuticals in 1984, it merged with Dainippon Pharmaceutical in 2005 to become Sumitomo Dainippon Pharma.	The company's core pharmaceuticals business is a pillar of Sumitomo Chemical's life sciences business, along with the agricultural chemicals business, and is a source of innovation. In the current Corporate Business Plan, it has positioned "healthcare" as one of the priority areas in making efforts for acceleration the development of next-generation businesses, and further innovation is expected in this area in the future.	• Research at the Bioscience Research Laboratory, which consolidates and integrates parts of the research organizations of the company and Sumitomo Chemical • Contract Development and Manufacturing Organization in regenerative medicine and cell therapies (combines the company's expertise in regenerative medicine and cell therapy with Sumitomo Chemical's expertise in the CMO business) • Theranostics (combines the company's antibody design technology with Sumitomo Chemical's biological mechanism analysis technology and the radioactive isotope technology of Nihon Medi-Physics) • Having locations on Sumitomo Chemical's premises enables close collaboration in such areas as quality and production management, reducing indirect expenses
Koei Chemical Co., Ltd.	Sumitomo Chemical invested capital in 1951 for relationship-building because the company was Sumitomo Chemical's largest customer for methanol. Thereafter, when the company ran into a financial crisis, the collaboration was strengthened in order to rebuild the company, including dispatching executives from Sumitomo Chemical.	Through production outsourcing in both directions for such items as catalysts and electronic materials based on the unique organic synthesis technologies of the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	• Optimization of the Sumitomo Chemical Group's production of active pharmaceutical ingredient and intermediates through a new multi-purpose manufacturing equipment (multi-plants) approach • Joint research from the earliest stage into such areas as battery materials and additive agents • Having locations on Sumitomo Chemical's Works enables close collaboration in such areas as quality and production management, reducing indirect expenses
Taoka Chemical Co., Ltd.	In 1955 Sumitomo Chemical invested capital in the company, a leader in the dye business, to strengthen its own dye business.	Through production outsourcing in both directions for such items as electronic materials and pharmaceutical and agrochemical intermediates based on the various organic synthesis technologies and numerous multi-plants held by the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	• Expanded contract manufacturing of pharmaceutical and agrochemical intermediates with numerous multi-plants of the company
Tanaka Chemical Corporation	Sumitomo Chemical invested capital in the company in 2013 and began joint development of high-capacity cathode materials for automobiles. Afterwards, in light of the smooth progress in joint development work, and in light of expectations that, in line with the future growth of the environmentally friendly vehicles market, there would be significant medium- to long-term growth in the market for lithium-ion secondary batteries, the company was converted to a majority-owned subsidiary in 2016.	Through integration of the technologies relating to precursors held by the company and the findings related to cathode materials held by Sumitomo Chemical, the company accelerates joint development of new products and contributes to the full-scale market entry and expansion of the Sumitomo Chemical Group's cathode materials business.	• Contribute to a drastic rationalization of the manufacturing process and optimization of research and development through integration of the technologies of both companies. • Sumitomo Chemical's capital investment and guidance has improved the company's management level in such areas as labor accidents and internal control

Building an Effective Governance System

When Sumitomo Chemical and its listed subsidiaries jointly work on maximizing group synergy, Sumitomo Chemical respects independent decision making by listed subsidiaries and, at the same time, makes its best efforts to establish an effective governance system in order to avoid any conflicts of interests with minor shareholders.

With respect to the listed subsidiaries, we are taking the following measures to ensure appropriate supervision of such areas as transactions with the parent company and nomination of officers and remuneration of officers, from an independent and objective position.

- Electing sufficient number of Independent Outside Directors
- Establishing committees for nomination of officers and remuneration of officers, the majority of the members of which are Independent Outside Directors.
- Establishing and reliably operating committees, which aim to monitor and supervise transactions conducted between subsidiaries and the parent company and which is composed of Independent Outside Directors only.

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

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

TOPIC Engagement with Investors on the Topic of Listed Companies with Listed Subsidiaries

Date: Wednesday, January 13, 2021
Presenter: President

Participated Investors: 7 companies (organized by the Institutional Investors Collective Engagement Forum)

- Sumitomo Mitsui Trust Asset Management Co., Ltd.
- Meiji Yasuda Asset Management Company Ltd.
- Resona Asset Management Co., Ltd.
- Sumitomo Mitsui DS Asset Management Company, Limited
- Pension Fund Association
- The Dai-ichi Life Insurance Company, Limited
- Mitsubishi UFJ Trust and Banking Corporation

We held a meeting to engage with the seven institutional investors listed above on the topic of listed companies with listed subsidiaries. Prior to that meeting, we met with outside directors and auditors to exchange views on this topic. We think this meeting was an important opportunity to deepen our understanding of our respective views on listed companies with listed subsidiaries. We will continue to fulfill our responsibility for accountability.

Cross-Shareholdings

We strategically hold shares in other companies only when judged necessary for ensuring smooth business operation or maintaining and enhancing mutual business relations, after such factors as medium- to long-term economic rationality and prospects of future business developments have been considered as a whole. Also, at the Board of Directors meeting, each year, we shall assess its shareholding policy for all listed shares it owns, in light of mid- to long-term economic rationality and significance to hold such shares for each individual issuer. According to such review, if it becomes less necessary to hold a share by reason of changes in the business environment, etc., we shall sell such shares, as appropriate, taking into consideration such factors as the share price and market trends.

In accordance with a rise in the Nikkei Stock Average*, the value of our cross-shareholdings rose, resulting in an increase in the balance of cross-shareholdings at the end of the fiscal year in comparison with the prior fiscal year, but as can be seen in the table on the right, continuing from the prior year, we sold a portion of these shareholdings in fiscal 2020.

* The Nikkei Stock Average: 18,917 yen on March 31, 2020, versus 29,179 yen on March 31, 2021

Trend in Sales of Cross-Shareholdings*1

(Billions of yen)

	FY2019	FY2020
Number of shares*2	7	11
Value of shares sold	5.1	13.0

Balance of Cross-Shareholdings*1 at End of Period

(Billions of yen)

	FY2019	FY2020
Number of shares	58	54
Total value recorded on the balance sheet	85.5	97.8

*1 Excluding shares of unlisted companies
*2 Including partial sales of cross-shareholdings

Internal Control

Basic policy for Enhancement of the Internal Control System ▶ Our Website

Status of the Development of the Internal Control System

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

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

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

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

The Internal Structure regarding Timely Disclosure

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

Internal Audits

As part of its internal control monitoring activities, Sumitomo Chemical has established a dedicated organization within the company to conduct internal audits, in addition to audits by the Corporate Auditor and Financial Statement auditors. The Internal Control & Audit Department conducts internal audits for all matters related to the execution of operations by the company and its Group companies, and dedicated audit teams for the Responsible Care Department conduct Responsible Care auditing from the perspective of safety, environment, and quality throughout the life cycle of chemical products. Internal audits and Responsible Care audits are coordinated with each other as needed. In case any serious matter relating to internal controls is found, the matter will be promptly reported to Executive Officers and Standing Corporate Auditors on the reporting line.

❶ Internal Audits

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

❷ Responsible Care Audits

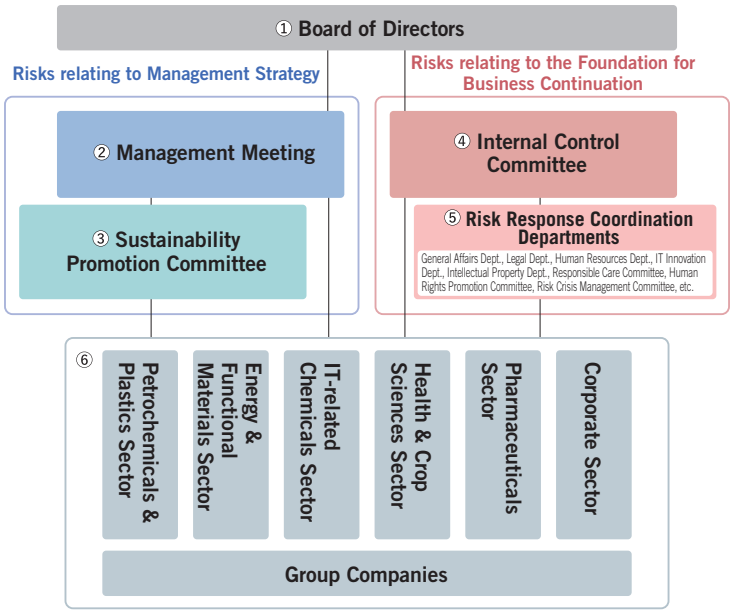
Department Conducting the Audits	Teams of dedicated auditors from the Responsible Care Department
Objective of Internal Audit	Evaluate whether internal controls relating to securing safety, the environment, and health, as well as maintaining and improving quality for all chemical products over their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

* In cases where in-person audit fieldwork was difficult due to COVID-19, the company endeavored to maintain the auditing cycle using remote audits.

Risk Management

Risk Factors ▶ Our Website

Diagram of Systems for Promoting Risk Management



① Board of Directors
The Board ensures the effectiveness of risk management by deliberating and supervising the activities of the Internal Control Committee and important matters deliberated in the Management Meetings.

② Management Meeting
Concerning important matters for management, including management strategy and capital spending for each organization of the Group, it deliberates in terms of risks and opportunities.

③ Sustainability Promotion Committee
This committee makes necessary recommendations to various Group organizations in order to achieve sustainability for both the company and society, taking into consideration the perspectives of both risks and opportunities with respect to medium- to long-term environmental and societal issues.

④ Internal Control Committee
This committee deliberates policies relating to risk management for the Group as a whole, and audits the efforts of various organizations based on these policies. It also promotes risk countermeasures relating to the foundation for business continuation.

⑤ Risk Response Coordination Departments
Each organization plans and promotes Group-wide countermeasures for the risks assigned to it, in cooperation with each department and Group company.

⑥ Each Department and Group Company
The main bodies for promoting risk management. The organizations develop and implement countermeasures for the risks affecting their own organization or company.

To achieve sustainable growth, Sumitomo Chemical makes an effort to detect, at an early stage, various risks that may hinder the achievement of its business objectives, and takes proper measures. We focus on building and expanding a system relating to risk management so that we can promptly and properly address risks when they emerge.

Systems for Promoting Risk Management

At Sumitomo Chemical, as part of its standard duties, each of the Group's organizations is taking various measures to properly manage risks associated with its business operations. In addition to this, a variety of committees coordinate to promote risk management from the perspective of the Group as a whole, aiming to thoroughly support the efforts of each organization within the Group.

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

On the other hand, Management Meetings are held as appropriate to deliberate important topics relating to management (P32: Progress in Corporate Business Plan), particularly management strategy for the company and the Group, capital expenditure, and other investments, from the perspectives of both risks and opportunities. Furthermore, the Sustainability Promotion Committee makes necessary recommendations to various organizations in the Group so as to ensure that the various management activities of the Group contribute to achieving sustainability for the company and society (P26: Sustainability at Sumitomo Chemical), evaluating medium- to long-term environmental and societal issues from the perspectives of both risks and opportunities.

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

Cross-organizational Risks and Crisis Response

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

Compliance

For details of our efforts ▶ The "Compliance" page of our website

Basic Policy

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

Compliance System at the Sumitomo Chemical Group

(1) Compliance Committee

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

(2) Group Compliance Structure Focused on Effectiveness "Think globally, Manage regionally, Act locally"

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

(3) Introducing and Operating a Compliance System for the Company and its Group Companies

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

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

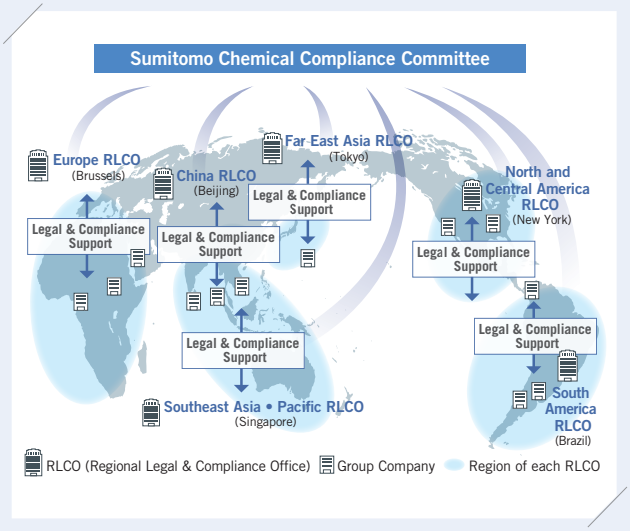
(4) Internal Reporting System (Speak-Up Reporting System)

In order to detect any compliance violations as early as possible, or prevent them before they occur, the Sumitomo Chemical Group has introduced an internal reporting system (the Speak-Up Reporting System), which allows the following persons to report a compliance violation or a suspected violation upon uncovering it directly to the Compliance Committee or to external lawyers, either by identifying oneself or anonymously: management executives and company employees (including contract employees), their family members, management executives or employees of Group companies, their family members, or those who retired from the Company or its Group companies and their trading partners, and all those who are involved in any of the Group's businesses. The entire Sumitomo Chemical Group has been promoting the use of the Internal Reporting System. As a result, there were 135 reports filed throughout the Sumitomo Chemical Group in fiscal 2020. Reports and compliance violations are reported to the Board of Corporate Auditors on a regular basis.

Whistleblowing Compliance Management System

Sumitomo Chemical has become a registered company under Japan's Whistleblowing Compliance Management System certification ("WCMS Certification") regime, through the regime's "self-declaration of conformity" process, effective as of December 11, 2020.

Compliance System at Sumitomo Chemical Group



Responsible Care

Occupational Safety and Health, Industrial Safety and Disaster Prevention

Initiatives to Ensure Safety at All Group Workplaces

The Sumitomo Chemical Group aims to achieve zero severe accidents across all workplaces, as per the basic principle of "Making safety our first priority." To this end, we have ramped up our efforts to ensure safety by communicating thoroughly to make sure everyone observes the Safety Ground Rules, which are common to all Group employees, evaluating and improving the level of safety culture in workplaces, raising the level of safety management with the use of IoT technology, and reviewing and reinforcing natural disaster prevention measures. Through dialogues with residents in the region, we explain to neighboring residents our efforts to ensure safety, and work to deepen our mutual understanding.

Environmental Protection

Environmental Protection Activities Rooted in Local Communities

The Sumitomo Chemical Group has set common targets for environmental conservation and is working to reduce environmental impact throughout the Group. Specifically, we have set goals in each field, such as conservation of air and water environments, resource saving and waste reduction, appropriate management of chemical substances, preservation of biodiversity, and protection of the soil environment. We are working to enhance our efforts to achieve these goals at each business site. In the future, we will continue to focus on environmental conservation activities rooted in local communities and strive to secure the trust of society, which is a major prerequisite for continuing our business.

Product Stewardship, Product Safety, and Quality Assurance

For the Safety and Peace of Mind of Our Customers

The Sumitomo Chemical Group estimates the degree of impact our chemical products have in terms of safety on people and the environment throughout their life cycle, and promotes activities to protect people's health and the environment based on those risks. As part of its Eco-First Commitments, Sumitomo Chemical is currently carrying out risk assessments of the chemical substances that the company produces and offers for sale in annual quantities of 1 ton or more. The company is publishing the results of these assessments as safety summaries.* The company is reassessing whether the products it sells are of sufficient quality so that customers can use them safely, incorporating information from these assessments. Going forward, we will continue to thoroughly implement day-to-day management so that we can deliver products and services of such quality that customers around the world can use them with peace of mind.

* Documents that record safety information for chemical substances

Status of Dialogues with Local Communities for FY2020
(Sumitomo Chemical's Business Locations Only)

Number of Dialogues Held	3	Number of Participants	18

Due to the impact of COVID-19, the majority of meetings were postponed.

A local dialogue
(This photo shows a local dialogue conducted before the spread of COVID-19)

▶ The "Occupational Safety and Health, Industrial Safety and Disaster Prevention" page of our website

Performance Targets and Results for FY2020
(Sumitomo Chemical's Production Plants Only)

Target	Maintaining a 60% reduction in total emissions of substances subject to the PRTR* (emissions into the air and water) compared to fiscal 2008
Result	90.2% reduction compared to fiscal 2008

* Chemical Substances Control Promotion Law "PRTR: Pollutant Release and Transfer Register"

Target	Maintaining an 80% reduction in landfill volume of industrial waste compared to fiscal 2000
Result	92.6% reduction compared to fiscal 2000

▶ The "Environmental Protection" page of our website

Eco-First Commitments

Commitment Example	We will promote the management of chemical substances, using proprietary technology, and risk communications in an appropriate and proactive manner.
Performance Result	We have completed risk assessments for all substances in our initial plan, and published safety summaries for 58 substances.

Since November 2008, Sumitomo Chemical has participated in the Eco-First Program of Japan's Ministry of the Environment as the only Japanese diversified chemical company. We disclose the progress of these initiatives and regularly report them to the Ministry of the Environment.

▶ The "Product Stewardship, Product Safety, and Quality Assurance" page of our website

Respect for Human Rights

Our Position on Human Rights

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

Sumitomo Chemical Group Human Rights Policy ▶ Our Website

Human Rights Due Diligence

In order to respect human rights in our business activities, the Sumitomo Chemical Group has built systems for human rights due diligence based on the guiding principles. If it is discovered through our human rights due diligence that any negative impacts on human rights are occurring because of our Group's business activities, or have been fostered by the Group's business activities, we will redress or resolve those incidents through the appropriate procedures, in collaboration with related stakeholders.

Approach to Our Human Rights Due Diligence Efforts

Under our approach to evaluating and reducing human rights risks, not only for Sumitomo Chemical itself and its supply chain, but also for Group companies inside and outside of Japan and their supply chains, we set priorities based on potential human rights risks, and implement our efforts in steps. With the collaboration and advice of outside experts, our Group's human rights due diligence is conducted in the following sequence.

	Efforts in FY2020	Plans for Efforts in FY2021
Detailed Investigations in the Sumitomo Chemical Group	Detailed investigations were conducted for 30 Group companies that were identified to have relatively high human rights risks through the FY2019 human rights risk group assessment. ☑ **Document Inspection – Targets: 26 companies, in locations including China, India, Thailand, and Japan** Under the four categories: Society, the Environment, Health & Safety, and Governance, questionnaires were sent and answers were collected. The companies were asked whether they conducted any business activities with high human rights risks and about the implementation status of risk mitigation measures. ☑ **On-site Inspection – Targets: 4 companies total, in China, Thailand, and Tanzania** For the Group companies identified to have particularly high human rights risks, outside experts were appointed to conduct inspections including reviewing documents such as employment and wage regulation documents, conducting interviews with local employees (including temporary employees), and inspecting the work environment. As a result of these inspections, the following issues were discovered. ● Our requirements for suppliers with respect to human rights and labor conditions are not explicitly included in our processes and standards when evaluating suppliers. ● There is once again a need to thoroughly inform all employees of our Group's human rights policies, and to conduct training and other exercises to promote this understanding.	Investigations in fiscal 2020 did not find any incidents that had a major negative impact on human rights, but for other findings, additional investigations will take place looking into the facts and backgrounds of each cases with preventative and corrective measures. In addition, insights gained from the investigations will be shared throughout the Group, leading to a further reduction in risks. We will also continue to conduct awareness activities, particularly training, to further deepen each Group employee's understanding of human rights.
Efforts related to High-risk Raw Materials	In accordance with the Sumitomo Chemical Group Policy for Responsible Procurement of Minerals and Raw Materials, we began an investigation into the usage status of raw materials that have a high risk of creating negative impacts on human rights in their supply chains (high-risk raw materials) in the Sumitomo Chemical Group, in order to prioritize conducting due diligence of those suppliers.	We will continue to first request reports in accordance with the standards of the Responsible Minerals Initiative from suppliers who handle high-risk raw materials, then proceed with our risk assessments.
Inclusion of Human Rights Provisions in Contracts	We have formulated contract provisions that request understanding of and cooperation with our efforts to respect human rights, and have begun including them in our contracts with our business partners, including raw material suppliers, logistics providers, and contract manufacturers.	We will not only continue to sign contracts that include these human rights provisions, we will also respond in line with the procedures defined in these human rights provisions when negative impacts on human rights occur in our supply chain, or under the apprehension that such an impact has occurred.
Sustainable Procurement Efforts	In fiscal 2020 in order to have a coherent understanding of the ESG risks in raw material procurement processes throughout our supply chain, we confirmed the status of our initiatives by sharing the Sumitomo Chemical Group Sustainable Procurement Guidebook with our major business partners, and collected the checklist filled out by each company. The results showed that 86% were considered sustainable procurement. (the sustainable procurement ratio), (as of March 31, 2021).	We will continue our efforts to ensure sustainable procurement, and continue to assiduously check the status of respect for human rights at our business partners, including whether or not they conduct any business activities with high human rights risks and the status of their implementation of risk mitigation measures.

Sumitomo Chemical Group Policy for Responsible Procurement of Minerals/Raw Materials ▶ Our Website

Dialogue with Shareholders and Investors

Basic Policy

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

Achievements

Due to the spread of COVID-19, there were significant changes to IR activities in fiscal 2020, which had previously been conducted largely face-to-face. In addition to losing the opportunity to visit institutional investors outside Japan in person, events that needed to be conducted on-site, such as tours of plants for institutional investors and analysts, were necessarily cancelled. At the same time, in our briefings and other meetings, we worked hard to ensure the quality of communication while taking advantage of the benefits of remote meetings, conducting hybrid meetings that combined remote and in-person attendance while taking due care to prevent the spread of infection.

In these circumstances, in terms of briefings held by management, we not only held a business strategy briefing led by the president, which is held every year, we also held both an IR Day and an ESG Meeting for the first time. At the IR day, in addition to a presentation on management strategy by the president, there were also business strategy presentations by the heads of the various business sectors, including the Pharmaceuticals sector. At the ESG Meeting, the president first gave a presentation on our company's sustainability efforts, followed by presentations by the executives in charge of specific issues relating to the environment, society, and governance.

We have typically held a few small meetings each year where executives in charge of business sectors or headquarters departments exchange views directly with investors and analysts, and by giving management an opportunity to hear the views of investors and analysts directly, these meetings have given rise to constructive conversations about the issues facing our company and our future goals, deepening mutual understanding year after year.

In addition, we have been holding online company briefings for individual investors, working to help these many private investors have a deeper understanding of our company.

IR Day (November 2020)

Summary of IR Activities (FY2020)

Briefing Sessions

	Times Held	Attendees
Current priority management issues and business strategy	1	305
IR Day	1	282
ESG Meeting	1	203

	Times Held	Attendees
Conference call on earnings report	4	1,450

Materials used at these briefings ▶ Our Website

Individual Meetings (Institutional Investors and Analysts)

Attendees*
331

* Includes both conference attendees and conference call participants

Investors Visits*

	Times Held
Overseas	0
Japan	12
Of which, interviews with those with decision-making authority	9

* Interviews conducted via conference call in place of in-person visits are included in the number for individual meetings.

Small Meetings

	Times Held	Attendees
Small meetings with the President*	3	75
Small meetings held by heads of business sectors and other departments	3	64

* Includes engagement on the topic of listed subsidiaries of a listed company ▶ P89

Individual Investors' Meetings

▶ Our Website

Times Held	Attendees
3	614

Financial Review

1. Results of Operations

(1) Sales Revenue

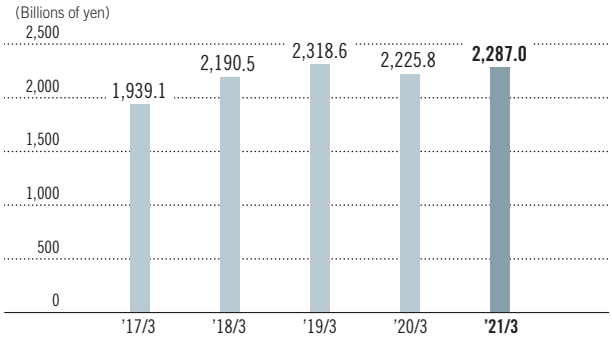
Sales revenue faced a number of adverse impacts, including a decrease in shipments, particularly of products used in automotive-related applications, in the Petrochemicals & Plastics and Energy & Functional Materials segments, due to the fall in economic activity that accompanied the spread of COVID-19, and a fall in market prices in the Petrochemicals & Plastics segment accompanying a deterioration in market conditions. However, because shipments increased in the Health & Crop Sciences segment, the IT-related Chemicals segment, and the Pharmaceuticals segment, sales revenue rose by ¥61.2 billion, to ¥2,287.0 billion for the fiscal year ended March 31, 2021, from ¥2,225.8 billion for the fiscal year ended March 31, 2020.

(2) Core Operating Income/Operating Income

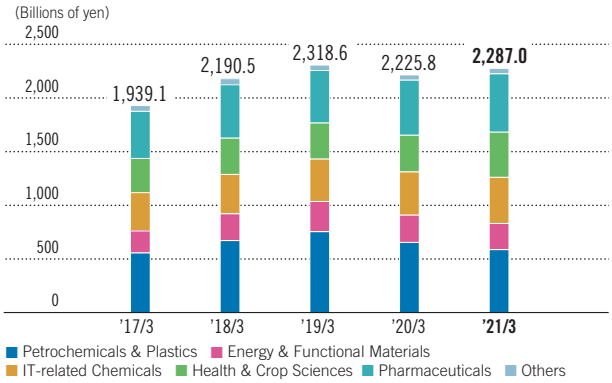
In addition to the decrease in shipments in the Petrochemicals & Plastics and Energy & Functional Materials segments, particularly in products used in automotive-related applications, core operating income was also impacted by periodic maintenance at Petro Rabigh, our equity method investee, and by an increase in selling, general and administrative expenses (SG&A) and R&D expenses in the Pharmaceuticals segment. On the other hand, as a result of increased shipments in the Pharmaceuticals, IT-related Chemicals, and Health & Crop Sciences segments, core operating income increased by ¥15.0 billion, to ¥147.6 billion for the fiscal year ended March 31, 2021, from ¥132.7 billion for the fiscal year ended March 31, 2020.

During the previous consolidated fiscal year, an impairment loss was recorded on intangible assets due to factors such as the decision to cancel a portion of trials for an anti-cancer drug in development in the Pharmaceuticals segment. At the same time, however, because there was a reversal of expenses due to a decrease in the fair value of a contingent consideration arrangement, operating results from non-recurring factors, which were deducted from operating income to calculate core operating income, were a profit of ¥4.9 billion for the fiscal year ended March 31, 2020. For this consolidated fiscal year, an impairment loss was recorded on intangible assets due to factors such as the decision to cancel a trial of a treatment in development targeting colorectal cancer. Alongside this, while there was a reversal of expenses due to a decrease in the fair value of a contingent consideration arrangement, in total the result was a loss of ¥10.5 billion. As a result of the above factors, operating income was ¥137.1

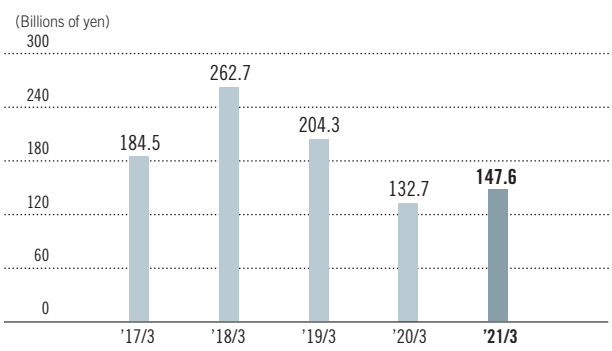
Sales Revenue



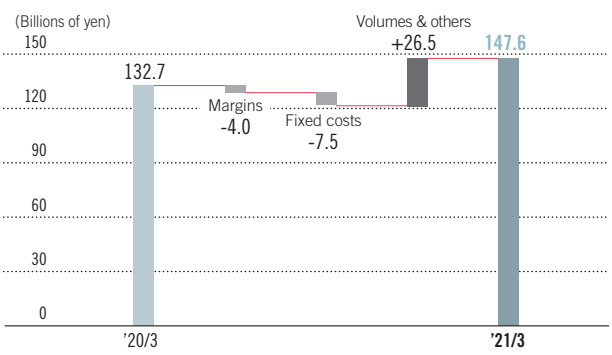
Breakdown of Sales Revenue by Business Segment



Core Operating Income



Change in Core Operating Income: '20/3 vs. '21/3



billion for the fiscal year ended March 31, 2021, more or less the same as the operating income of ¥137.5 billion for the fiscal year ended March 31, 2020.

(3) Finance Income and Finance Expenses/ Income Before Taxes

Finance income and finance expenses improved by ¥7.7 billion, to gain of ¥0.7 billion for the fiscal year ended March 31, 2021, from loss of ¥7.0 billion for the fiscal year ended March 31, 2020, due to the depreciation of the Japanese yen toward the end of the current fiscal year and the recording of exchange gains. As a result, income before taxes increased by ¥7.3 billion, to ¥137.8 billion for the fiscal year ended March 31, 2021, from ¥130.5 billion for the fiscal year ended March 31, 2020.

(4) Income Tax Expenses/Net Income Attributable to Owners of the Parent and Net Income Attributable to Non-controlling Interests

Income tax expenses were ¥69.7 billion, while the ratio of income tax expenses to income before taxes after applying tax effect accounting was 50.6%.

As a result, net income was ¥68.1 billion for the fiscal year ended March 31, 2021.

Net income attributable to non-controlling interests was ¥22.0 billion for the fiscal year ended March 31, 2021, down ¥1.4 billion from the ¥23.5 billion for the fiscal year ended March 31, 2020. This mainly represents net income attributable to non-controlling interests of consolidated subsidiaries, such as Sumitomo Dainippon Pharma.

Net income attributable to owners of the parent was ¥46.0 billion for the fiscal year ended March 31, 2021, increased by ¥15.1 billion from the ¥30.9 billion for the fiscal year ended March 31, 2020.

(5) Dividends

The interim dividend was ¥6 per share and the year-end dividend was ¥9. As a result, the full-year dividend for fiscal 2020 was ¥15 per share.

2. Segment Information

(1) Petrochemicals & Plastics

Amid the economic downturn due to the COVID-19 pandemic, shipments of synthetic resins declined, particularly those used in automotive applications. Impacted by a drop in

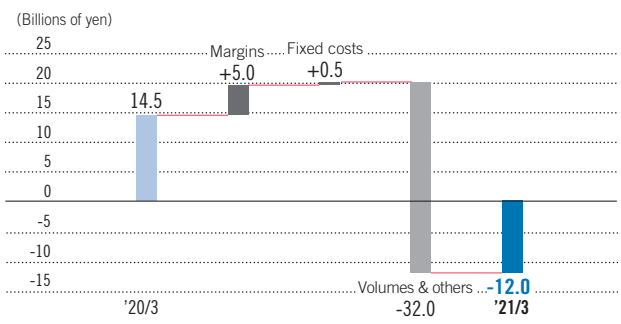
Results by Business Segment

Fiscal years ended March 31, 2021 and 2020

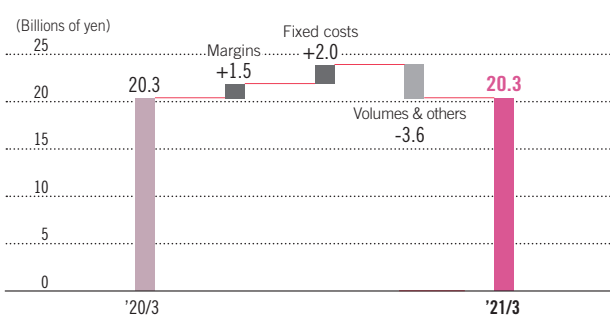
(Millions of yen)

	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2021								
Sales revenue	**¥589,323**	**¥245,249**	**¥431,819**	**¥423,011**	**¥546,450**	**¥51,126**	**¥ —**	**¥2,286,978**
Core operating income	**(11,991)**	**20,265**	**39,733**	**31,547**	**71,672**	**12,752**	**(16,363)**	**147,615**
Core operating income ratio (%)	**(2.0)**	**8.3**	**9.2**	**7.5**	**13.1**	**24.9**	**—**	**6.5**
Core operating income growth (%)	**—**	**(0.4)**	**58.4**	**1,414.5**	**(4.8)**	**45.4**	**—**	**11.3**
Year ended March 31, 2020								
Sales revenue	¥656,929	¥255,034	¥404,871	¥343,666	¥515,845	¥49,459	¥ —	¥2,225,804
Core operating income	14,485	20,343	25,084	2,083	75,266	8,770	(13,379)	132,652
Core operating income ratio (%)	2.2	8.0	6.2	0.6	14.6	17.7	—	6.0

Petrochemicals & Plastics
Change in Core Operating Income: '20/3 vs. '21/3



Energy & Functional Materials
Change in Core Operating Income: '20/3 vs. '21/3



Financial Review

market prices for raw materials, the prices of petrochemical products hovered at a low level. As a result, sales revenue declined by ¥67.6 billion from the previous year, to ¥589.3 billion. Core operating income suffered a loss of ¥12.0 billion, declined by ¥26.5 billion from the previous year, affected by lower shipment volumes and periodic shutdown maintenance at Petro Rabigh, our equity method investee.

(2) Energy & Functional Materials

Impacted by the COVID-19 pandemic, shipments of materials for automotive applications (including separators for lithium-ion secondary batteries and synthetic rubber) decreased. As a result, sales revenue dropped by ¥9.8 billion from the previous year, to ¥245.2 billion; on the other hand, core operating income remained almost flat with the previous year at ¥20.3 billion due to improvements in profit margins because of a drop in market prices for raw materials.

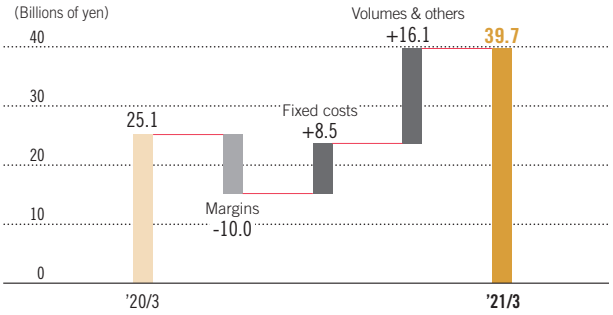
(3) IT-related Chemicals

Shipments of processing materials for semiconductors (including high-purity chemicals and photoresists) increased, driven by growing demand for these items. Shipments of materials for display applications increased in the face of stay-at-home demand and demand for remote work products. As a result, sales revenue increased by ¥26.9 billion from the previous year, to ¥431.8 billion, and core operating income increased by ¥14.6 billion from the previous year, to ¥39.7 billion.

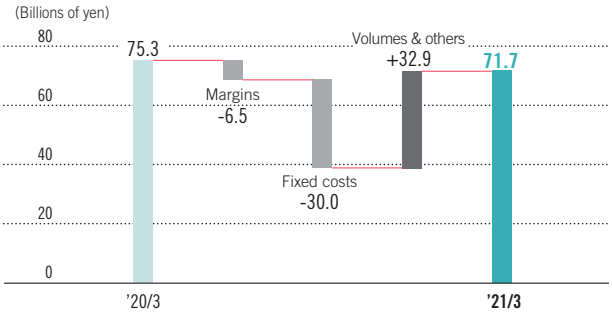
(4) Health & Crop Sciences

Sales of crop protection products increased year-over-year after the acquisition of four South American subsidiaries of Nufarm in April 2020. Shipments in India also performed well. Market prices for methionine (feed additives) increased from the previous year. As a result, sales revenue increased by ¥79.3 billion from the previous year, to ¥423.0 billion. Backed by the improved margins of methionine and increased global shipments of crop protection products, core operating income increased by ¥29.5 billion from the previous year, to ¥31.5 billion.

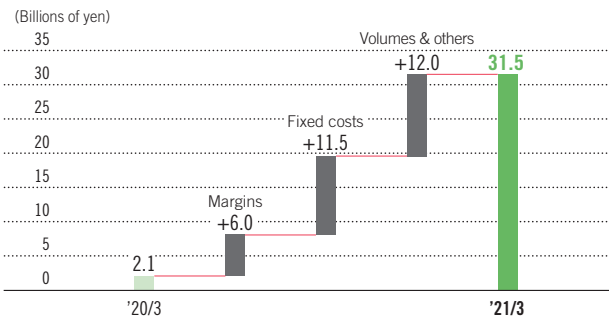
IT-related Chemicals
Change in Core Operating Income: '20/3 vs. '21/3



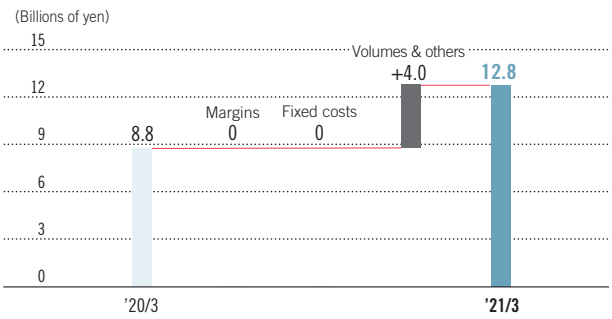
Pharmaceuticals
Change in Core Operating Income: '20/3 vs. '21/3



Health & Crop Sciences
Change in Core Operating Income: '20/3 vs. '21/3



Others
Change in Core Operating Income: '20/3 vs. '21/3



(5) Pharmaceuticals

In Japan, sales of Equa® and EquMet® (for type Ⅱ diabetes mellitus), launched in the middle of previous fiscal year, increased since they were sold throughout this fiscal year. In North America, sales of Latuda® (atypical antipsychotic agent) increased, and revenues were recorded relating to relugolix. As a result, sales revenue increased by ¥30.6 billion from the previous year, to ¥546.5 billion. Despite the higher sales revenue, core operating income decreased by ¥3.6 billion from the previous year, to ¥71.7 billion, due to higher sales expenses, general and administrative expenses (SG&A) and research and development expenses resulting from the year-round coverage of expenses at Sumitovant Biopharma and its subsidiaries (which were acquired as part of the strategic alliance with Roivant Sciences Ltd., in the previous fiscal year).

(6) Others

In addition to the above five segments, the Sumitomo Chemical Group supplies electric power and steam, designs chemical plants and supervises the construction of those facilities, provides transportation and warehousing, and conducts physical property analysis and environmental analysis.

Sales revenue of these businesses increased by ¥1.7 billion from the previous year, to ¥51.1 billion, and core operating income increased by ¥4.0 billion from the previous year, to ¥12.8 billion.

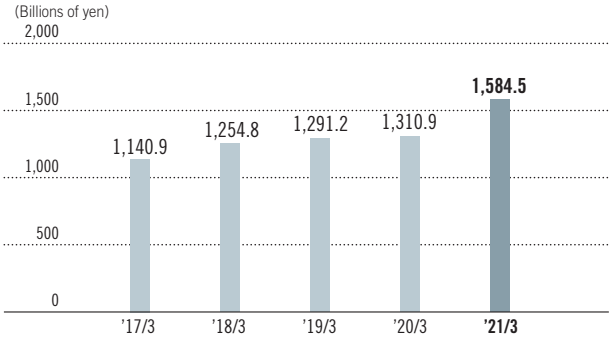
3. Financial Position

Total assets as of March 31, 2021 increased by ¥336.2 billion, to ¥3,990.3 billion (US$36,042 million), from ¥3,654.1 billion as of March 31, 2020. Current assets as of March 31, 2021 amounted to ¥1,584.5 billion (US$14,312 million), a 20.9% increase from ¥1,310.9 billion as of March 31, 2020. Non-current assets, as of March 31, 2021, amounted to ¥2,405.8 billion (US$21,730 million), a 2.7% increase from ¥2,343.2 billion as of March 31, 2020. Other financial assets increased due to factors such as loans issued to Petro Rabigh. In addition, the balance of cash and cash equivalents also increased.

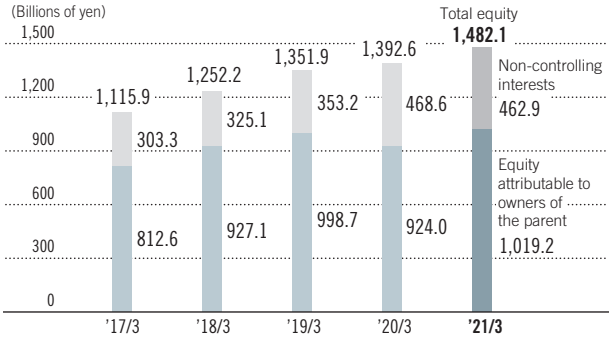
Current liabilities as of March 31, 2021 were ¥1,090.7 billion (US$9,852 million), a 6.2% decrease from ¥1,162.3 billion as of March 31, 2020. The current ratio was 145.3%, compared with 112.8% as of March 31, 2020.

Non-current liabilities as of March 31, 2021 were ¥1,417.4

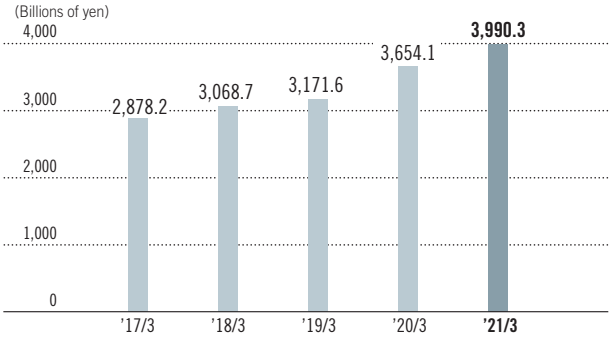
Total Current Assets



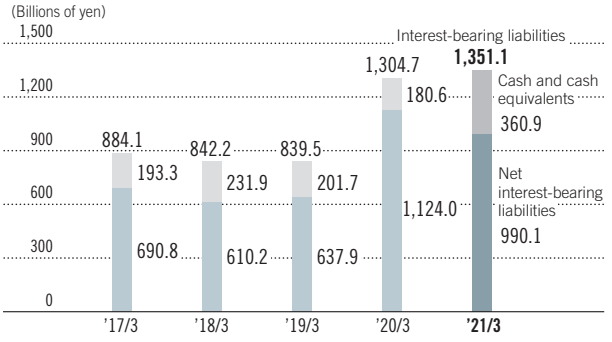
Total Equity (Net Assets)



Total Assets



Interest-bearing Liabilities



billion (US$12,803 million), a 29.0% increase from ¥1,099.2 billion as of March 31, 2020. Other non-current liabilities increased due to factors such as an increase in unearned revenue relating to the conclusion of a development and commercialization agreement by Sumitomo Dainippon Pharma.

Interest-bearing liabilities (short-term and long-term bank loans, corporate bonds, and commercial paper) as of March 31, 2021 amounted to ¥1,351.1 billion (US$12,204 million), compared with ¥1,304.7 billion as of March 31, 2020.

Total equity was ¥1,482.1 billion (US$13,387 million) as of March 31, 2021, a 6.4% increase from ¥1,392.6 billion as of March 31, 2020, due an increase in retained earnings and in other components of equity. The ratio of net worth to total assets stood at 25.5% as of March 31, 2021, compared with 25.3% as of March 31, 2020.

There were 1,634,986,941 shares issued and outstanding (excluding treasury shares) as of March 31, 2021. Retained earnings amounted to ¥854.5 billion (US$7,719 million), a 5.8% increase from ¥808.0 billion as of March 31, 2020.

4. Cash Flows

Net cash from operating activities in fiscal 2020 was a net inflow of ¥374.5 billion, an increase of ¥268.5 billion from the previous fiscal year, as Sumitomo Dainippon Pharma received an upfront payment from a partner upon entering into a development and commercialization agreement, and because of improvements in working capital. Net cash from investing activities was a net outflow of ¥177.4 billion, due to outflows relating to a loan to Petro Rabigh. Compared with the previous fiscal year, net outflows decreased by ¥322.3 billion, because of outflows in the previous fiscal year by Sumitomo Dainippon Pharma for an investment relating to its strategic alliance with Roivant Sciences and to acquire several of its subsidiaries. This resulted in positive free cash flow of ¥197.1 billion for fiscal 2020, compared with negative free cash flow of ¥393.7 billion for fiscal 2019. Net cash outflows from financing activities were ¥40.0 billion. This represents a reduction in cash inflows from financing activities of ¥413.5 billion compared with the previous consolidated fiscal year, because in the previous fiscal year, Sumitomo Dainippon Pharma had procured bridging loans relating to payments as part of the strategic alliance with Roivant Sciences, and Sumitomo Chemical issued corporate hybrid bonds (publicly offered subordinated corporate bonds). The balance of cash and cash equivalents at the end of fiscal 2020 increased by ¥180.3 billion year on year, to ¥360.9 billion.

Breakdown of Capital Expenditures

(Billions of yen, %)

	J-GAAP*		IFRS*									
Years ended March 31	2017		2017		2018		2019		2020		**2021**	
New plants and expansions:												
Petrochemicals & Plastics	¥ 1.5	1%	¥ —	—%	¥ 3.2	2%	¥ 6.4	4%	¥ 6.7	6%	**¥ 1.7**	**2%**
Energy & Functional Materials	11.8	9	—	—	14.3	9	13.0	8	11.1	10	**8.0**	**7**
IT-related Chemicals	29.5	23	—	—	21.3	13	28.3	17	16.8	14	**7.8**	**7**
Health & Crop Sciences	12.1	9	—	—	38.0	24	22.9	14	8.9	8	**5.0**	**4**
Pharmaceuticals	2.8	2	—	—	3.7	2	6.1	4	5.4	5	**3.4**	**3**
Others	1.2	1	—	—	6.0	4	8.6	5	0.7	0	**13.1**	**12**
Subtotal	¥ 58.9	45%	—	—	¥ 86.5	54%	¥ 85.4	52%	¥ 49.7	43%	**¥ 39.0**	**35%**
Rationalization of production processes	3.5	3	—	—	2.7	2	2.8	2	2.2	2	**2.6**	**2**
Research and development	7.4	6	—	—	12.1	8	13.6	8	7.4	6	**7.0**	**6**
Maintenance and renewal	25.2	19	—	—	31.3	20	43.9	27	32.1	28	**40.4**	**36**
Others	35.0	27	—	—	26.2	16	17.9	11	25.1	21	**23.7**	**21**
Total	¥130.1	100%	¥136.3	—%	¥158.8	100%	¥163.7	100%	¥116.3	100%	**¥112.7**	**100%**

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

5. Capital Expenditures

In the year ended March 31, 2021, the Group's capital expenditures totaled ¥112.7 billion (US$1,018 million), which includes investments for new installations and the expansion of manufacturing facilities as well as investments for streamlining existing facilities.

Major facilities completed in fiscal 2020 included the expansion of a cathode material manufacturing facility at a Japanese subsidiary in the Energy & Functional Materials segment. Major facilities under construction in fiscal 2020 included the expansion of a photoresist evaluation system in the IT-related Chemicals segment, the deployment of high-efficiency gas turbines in the Petrochemicals & Plastics segment, the construction and expansion of a new multi-purpose plant at a Japanese subsidiary in the Energy & Functional Materials segment, and the construction and expansion of a power plant for a Japanese subsidiary in our Others segment. In addition, investments were made in fiscal 2020 to deploy S4/HANA, the company's next-generation core business system.

Broken down by segment, capital expenditures in the Petrochemicals & Plastics segment were ¥19.9 billion (US$180 million), ¥23.0 billion (US$208 million) in the Energy & Functional Materials segment, ¥12.2 billion (US$110 million) in the IT-related Chemicals segment, ¥16.3 billion (US$147 million) in the Health & Crop Sciences segment, ¥14.0 billion (US$127 million) in the Pharmaceuticals segment, and ¥27.3 billion (US$246 million) in the Others segment.

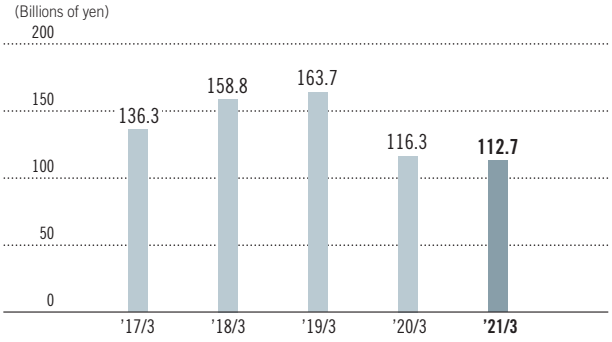
6. Research and Development

The Group's basic R&D policy is to establish superior proprietary technologies that will contribute to profitability and business expansion. To maximize overall efficiency, the Group proactively promotes collaborative R&D and outsourcing through closer cooperation, while each subsidiary performs its own R&D activities.

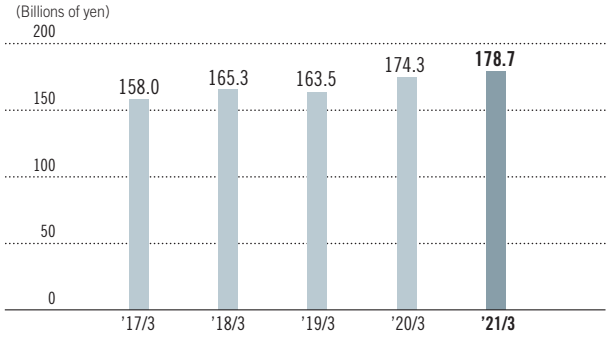
In the fiscal year ended March 31, 2021, the Group focused R&D resources on 1) healthcare, 2) food, 3) reduction of environmental impact, and 4) ICT (information & communications technology), as part of the FY2019-2021 Corporate Business Plan. In addition, the Group is promoting cross-sectoral projects for the development of new businesses.

R&D expenses were ¥178.7 billion (US$1,614 million), up 2.5% from the fiscal year ended March 31, 2020.

Capital Expenditures



Research and Development Expenses



Consolidated Financial Statements

Consolidated Statement of Financial Position

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2021 and 2020

	Millions of yen		Thousands of US dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Assets			
Current assets:			
Cash and cash equivalents	**¥ 360,918**	¥ 180,648	**$ 3,260,031**
Trade and other receivables	**652,616**	570,413	**5,894,824**
Other financial assets	**12,814**	8,945	**115,744**
Inventories	**511,529**	492,391	**4,620,441**
Other current assets	**46,552**	54,204	**420,486**
Subtotal	**1,584,429**	1,306,601	**14,311,526**
Assets held for sale	**42**	4,305	**379**
Total current assets	**1,584,471**	1,310,906	**14,311,905**
Non-current assets:			
Property, plant and equipment	**793,500**	778,417	**7,167,374**
Goodwill	**220,295**	200,416	**1,989,838**
Intangible assets	**450,172**	465,646	**4,066,227**
Investments accounted for using the equity method	**243,803**	264,054	**2,202,177**
Other financial assets	**528,826**	488,645	**4,776,678**
Retirement benefit assets	**80,455**	61,229	**726,718**
Deferred tax assets	**41,406**	47,191	**374,004**
Other non-current assets	**47,326**	37,583	**427,478**
Total non-current assets	**2,405,783**	2,343,181	**21,730,494**
Total assets	**¥3,990,254**	¥3,654,087	**$36,042,399**

	Millions of yen		Thousands of US dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Liabilities and equity			
Liabilities			
Current liabilities:			
Bonds and borrowings	**¥ 250,389**	¥ 466,527	**$ 2,261,666**
Trade and other payables	**522,887**	436,070	**4,723,033**
Other financial liabilities	**55,913**	48,769	**505,040**
Income taxes payable	**38,410**	32,116	**346,942**
Provisions	**106,968**	89,862	**966,200**
Other current liabilities	**116,125**	88,984	**1,048,912**
Total current liabilities	**1,090,692**	1,162,328	**9,851,793**
Non-current liabilities:			
Bonds and borrowings	**1,100,677**	838,139	**9,941,984**
Other financial liabilities	**81,117**	92,056	**732,698**
Retirement benefit liabilities	**37,179**	45,770	**335,823**
Provisions	**25,115**	21,491	**226,854**
Deferred tax liabilities	**101,854**	79,528	**920,007**
Other non-current liabilities	**71,501**	22,183	**645,841**
Total non-current liabilities	**1,417,443**	1,099,167	**12,803,207**
Total liabilities	**2,508,135**	2,261,495	**22,655,000**
Equity			
Share capital	**89,699**	89,699	**810,216**
Capital surplus	**26,882**	20,784	**242,815**
Retained earnings	**854,538**	807,959	**7,718,707**
Treasury shares	**(8,334)**	(8,329)	**(75,278)**
Other components of equity	**56,445**	13,877	**509,845**
Equity attributable to owners of the parent	**1,019,230**	923,990	**9,206,305**
Non-controlling interests	**462,889**	468,602	**4,181,094**
Total equity	**1,482,119**	1,392,592	**13,387,399**
Total liabilities and equity	**¥3,990,254**	¥3,654,087	**$36,042,399**

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of US dollars
	2021	2020	**2021**
Sales revenue	**¥2,286,978**	¥2,225,804	**$20,657,375**
Cost of sales	**(1,515,782)**	(1,519,047)	**(13,691,464)**
Gross profit	**771,196**	706,757	**6,965,911**
Selling, general and administrative expenses	**(631,270)**	(575,135)	**(5,702,014)**
Other operating income	**26,673**	11,590	**240,926**
Other operating expenses	**(17,025)**	(14,928)	**(153,780)**
Share of profit or loss of investments accounted for using the equity method	**(12,459)**	9,233	**(112,537)**
Operating income	**137,115**	137,517	**1,238,506**
Finance income	**19,868**	13,178	**179,460**
Finance expenses	**(19,180)**	(20,215)	**(173,246)**
Income before taxes	**137,803**	130,480	**1,244,720**
Income tax expenses	**(69,729)**	(76,081)	**(629,834)**
Net income	**¥ 68,074**	¥ 54,399	**$ 614,886**
Net income attributable to:			
Owners of the parent	**46,043**	30,926	**415,888**
Non-controlling interests	**22,031**	23,473	**198,998**
Net income	**¥ 68,074**	¥ 54,399	**$ 614,886**

	Yen		US dollars
Earnings per share:			
Basic earnings per share	**¥28.16**	¥18.91	**$0.254**
Diluted earnings per share	**—**	—	**—**

Consolidated Statement of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of US dollars
	2021	2020	**2021**
Net income	**¥ 68,074**	¥ 54,399	**$ 614,886**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of financial assets measured at fair value through other comprehensive income	**13,405**	(13,397)	**121,082**
Remeasurements of defined benefit plans	**18,867**	(8,323)	**170,418**
Share of other comprehensive income of investments accounted for using the equity method	**3,440**	(4,812)	**31,072**
Total items that will not be reclassified to profit or loss	**35,712**	(26,532)	**322,572**
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedge	**(3,015)**	1,871	**(27,234)**
Exchange differences on translation of foreign operations	**36,890**	(45,048)	**333,213**
Share of other comprehensive income of investments accounted for using the equity method	**(1,701)**	(2,050)	**(15,364)**
Total items that may be subsequently reclassified to profit or loss	**32,174**	(45,227)	**290,615**
Other comprehensive income, net of taxes	**67,886**	(71,759)	**613,187**
Total comprehensive income	**135,960**	(17,360)	**1,228,073**
Total comprehensive income attributable to:			
Owners of the parent	**108,727**	(39,081)	**982,088**
Non-controlling interests	**27,233**	21,721	**245,985**
Total comprehensive income	**¥135,960**	¥(17,360)	**$1,228,073**

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

Millions of yen

	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at April 1, 2019	¥89,699	¥20,438	¥820,454	¥(8,322)	¥ 98,776	¥ —	¥(1,851)	¥(20,492)	¥ 76,433	¥ 998,702	¥353,184	¥1,351,886
Net income	—	—	30,926	—	—	—	—	—	—	30,926	23,473	54,399
Other comprehensive income	—	—	—	—	(20,740)	(9,372)	2,035	(41,930)	(70,007)	(70,007)	(1,752)	(71,759)
Total comprehensive income	—	—	30,926	—	(20,740)	(9,372)	2,035	(41,930)	(70,007)	(39,081)	21,721	(17,360)
Purchase of treasury shares	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Disposal of treasury shares	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	—	—	(35,970)	—	—	—	—	—	—	(35,970)	(16,722)	(52,692)
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	109,826	109,826
Change in interest due to transactions with non-controlling interests	—	346	—	—	—	—	—	—	—	346	593	939
Transfer from other components of equity to retained earnings	—	—	(7,465)	—	(1,907)	9,372	—	—	7,465	—	—	—
Others, net	—	—	14	—	(14)	—	—	—	(14)	—	—	—
Total transactions with owners	—	346	(43,421)	(7)	(1,921)	9,372	—	—	7,451	(35,631)	93,697	58,066
Balance as at March 31, 2020	¥89,699	¥20,784	¥807,959	¥(8,329)	¥ 76,115	¥ —	¥ 184	¥(62,422)	¥ 13,877	¥ 923,990	¥468,602	¥1,392,592

Balance as at April 1, 2020	**¥89,699**	**¥20,784**	**¥807,959**	**¥(8,329)**	**¥76,115**	**¥ —**	**¥ 184**	**¥(62,422)**	**¥13,877**	**¥ 923,990**	**¥468,602**	**¥1,392,592**
Net income	—	—	**46,043**	—	—	—	—	—	—	**46,043**	**22,031**	**68,074**
Other comprehensive income	—	—	—	—	**19,029**	**15,562**	**(3,050)**	**31,143**	**62,684**	**62,684**	**5,202**	**67,886**
Total comprehensive income	—	—	**46,043**	—	**19,029**	**15,562**	**(3,050)**	**31,143**	**62,684**	**108,727**	**27,233**	**135,960**
Purchase of treasury shares	—	—	—	**(5)**	—	—	—	—	—	**(5)**	—	**(5)**
Disposal of treasury shares	—	**0**	—	**0**	—	—	—	—	—	**0**	—	**0**
Dividends	—	—	**(19,620)**	—	—	—	—	—	—	**(19,620)**	**(16,779)**	**(36,399)**
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	**4**	**4**
Change in interest due to transactions with non-controlling interests	—	**6,098**	—	—	—	—	—	—	—	**6,098**	**(16,171)**	**(10,073)**
Transfer from other components of equity to retained earnings	—	—	**20,116**	—	**(4,554)**	**(15,562)**	—	—	**(20,116)**	—	—	—
Others, net	—	—	**40**	—	—	—	—	—	—	**40**	—	**40**
Total transactions with owners	—	**6,098**	**536**	**(5)**	**(4,554)**	**(15,562)**	—	—	**(20,116)**	**(13,487)**	**(32,946)**	**(46,433)**
Balance as at March 31, 2021	**¥89,699**	**¥26,882**	**¥854,538**	**¥(8,334)**	**¥90,590**	**¥ —**	**¥(2,866)**	**¥(31,279)**	**¥56,445**	**¥1,019,230**	**¥462,889**	**¥1,482,119**

Thousands of US dollars

Balance as at April 1, 2020	**$810,216**	**$187,734**	**$7,297,977**	**$(75,233)**	**$687,517**	**$ —**	**$ 1,662**	**$(563,833)**	**$125,346**	**$8,346,040**	**$4,232,698**	**$12,578,738**
Net income	—	—	**415,889**	—	—	—	—	—	—	**415,889**	**198,997**	**614,886**
Other comprehensive income	—	—	—	—	**171,881**	**140,565**	**(27,549)**	**281,302**	**566,199**	**566,199**	**46,988**	**613,187**
Total comprehensive income	—	—	**415,889**	—	**171,881**	**140,565**	**(27,549)**	**281,302**	**566,199**	**982,088**	**245,985**	**1,228,073**
Purchase of treasury shares	—	—	—	**(45)**	—	—	—	—	—	**(45)**	—	**(45)**
Disposal of treasury shares	—	**0**	—	**0**	—	—	—	—	—	**0**	—	**0**
Dividends	—	—	**(177,220)**	—	—	—	—	—	—	**(177,220)**	**(151,559)**	**(328,779)**
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	**36**	**36**
Change in interest due to transactions with non-controlling interests	—	**55,081**	—	—	—	—	—	—	—	**55,081**	**(146,066)**	**(90,985)**
Transfer from other components of equity to retained earnings	—	—	**181,700**	—	**(41,135)**	**(140,565)**	—	—	**(181,700)**	—	—	—
Others, net	—	—	**361**	—	**0**	—	—	—	—	**361**	—	**361**
Total transactions with owners	—	**55,081**	**4,841**	**(45)**	**(41,135)**	**(140,565)**	—	—	**(181,700)**	**(121,823)**	**(297,589)**	**(419,412)**
Balance as at March 31, 2021	**$810,216**	**$242,815**	**$7,718,707**	**$(75,278)**	**$818,263**	**$ —**	**$(25,887)**	**$(282,531)**	**$509,845**	**$9,206,305**	**$4,181,094**	**$13,387,399**

Consolidated Statement of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

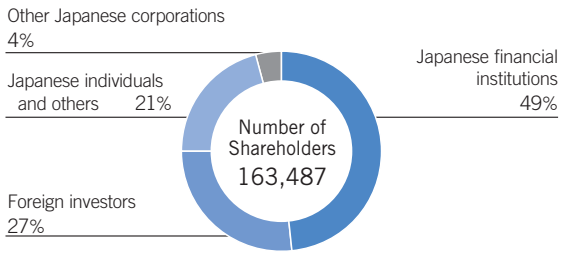
	Millions of yen		Thousands of US dollars
	2021	2020	**2021**
Cash flows from operating activities:			
Income before taxes	**¥137,803**	¥130,480	**$1,244,720**
Depreciation and amortization	**136,017**	131,741	**1,228,588**
Impairment loss	**40,833**	37,328	**368,828**
Reversal of impairment loss	**—**	(61)	**—**
Share of (profit) loss of investments accounted for using the equity method	**12,459**	(9,233)	**112,537**
Interest and dividend income	**(8,440)**	(10,904)	**(76,235)**
Interest expenses	**16,091**	12,513	**145,344**
Business structure improvement expenses	**6,323**	7,806	**57,113**
Changes in fair value of contingent consideration	**(22,463)**	(48,475)	**(202,899)**
(Gain) loss on sale of property, plant and equipment	**(18,730)**	(931)	**(169,181)**
(Increase) decrease in trade receivables	**(22,426)**	(10,938)	**(202,565)**
(Increase) decrease in inventories	**12,644**	(11,713)	**114,208**
Increase (decrease) in trade payables	**48,270**	(22,048)	**436,004**
Increase (decrease) in unearned revenue	**47,976**	4,881	**433,348**
Increase (decrease) in provisions	**16,513**	(8,060)	**149,155**
Others, net	**28,094**	(57,184)	**253,763**
Subtotal	**430,964**	145,202	**3,892,728**
Interest and dividends received	**15,968**	27,033	**144,233**
Interest paid	**(15,860)**	(12,733)	**(143,257)**
Income taxes paid	**(54,401)**	(48,688)	**(491,383)**
Business structure improvement expenses paid	**(2,207)**	(4,802)	**(19,935)**
Net cash provided by operating activities	**374,464**	106,012	**3,382,386**
Cash flows from investing activities:			
Payments of deposit	**—**	(61,028)	**—**
Net (increase) decrease in securities	**(2,644)**	—	**(23,882)**
Purchase of property, plant and equipment, and intangible assets	**(120,812)**	(120,449)	**(1,091,248)**
Proceeds from sale of property, plant and equipment, and intangible assets	**24,371**	1,974	**220,134**
Purchase of investments in subsidiaries	**(3,355)**	(204,592)	**(30,304)**
Purchase of other financial assets	**(8,074)**	(122,493)	**(72,929)**
Proceeds from sales and redemption of other financial assets	**20,935**	6,763	**189,098**
Increase in loans receivable	**(81,760)**	(1,734)	**(738,506)**
Others, net	**(6,050)**	1,889	**(54,648)**
Net cash used in investing activities	**(177,389)**	(499,670)	**(1,602,285)**
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings	**(237,585)**	237,592	**(2,146,012)**
Net (decrease) of commercial paper	**(2,000)**	(28,000)	**(18,065)**
Proceeds from long-term borrowings	**202,403**	67,689	**1,828,227**
Repayments of long-term borrowings	**(58,517)**	(85,657)	**(528,561)**
Proceeds from issuance of bonds	**158,734**	282,575	**1,433,782**
Redemption of bonds	**(45,000)**	(30,500)	**(406,467)**
Repayments of lease liabilities	**(15,149)**	(14,778)	**(136,835)**
Cash dividends paid	**(19,620)**	(35,970)	**(177,220)**
Cash dividends paid to non-controlling interests	**(16,775)**	(16,717)	**(151,522)**
Proceeds from sale of subsidiaries' interests to non-controlling interests	**10,841**	—	**97,923**
Payments for acquisition of subsidiaries' interests from non-controlling interests	**(19,396)**	(2,622)	**(175,196)**
Others, net	**2,090**	(70)	**18,877**
Net cash provided by (used in) financing activities	**(39,974)**	373,542	**(361,069)**
Effect of exchange rate changes on cash and cash equivalents	**23,169**	(914)	**209,276**
Net increase (decrease) in cash and cash equivalents	**180,270**	(21,030)	**1,628,308**
Cash and cash equivalents at beginning of year	**180,648**	201,678	**1,631,723**
Cash and cash equivalents at end of year	**¥360,918**	¥180,648	**$3,260,031**

Corporate and Investor Information

(As of March 31, 2021)

Paid-in Capital	¥89.7 billion
Number of Employees	Non-consolidated: 6,277 Consolidated: 34,743
Common Stock	Authorized: 5,000,000,000 shares Issued: 1,655,446,177 shares
Settlement Date	March 31
Stock Transaction Units	100-share units
Ordinary General Meeting of Shareholders	Within three months from the next day of the settlement date
Number of Shareholders	163,487
Listings	Tokyo
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Division 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan
Independent Certified Public Accountants	KPMG AZSA LLC

Distribution of Shareholders



Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	152,744	9.34
Custody Bank of Japan, Ltd. (Trust Account)	107,940	6.60
Sumitomo Life Insurance Company	71,000	4.34
Nippon Life Insurance Company	41,031	2.50
Custody Bank of Japan, Ltd. (Trust Account No.4)	37,480	2.29
Custody Bank of Japan, Ltd. (Trust Account No.7)	31,924	1.95
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.77
STATE STREET BANK WEST CLIENT - TREATY 505234	24,185	1.47
Custody Bank of Japan, Ltd. (Trust Account No.5)	23,640	1.44
Sumitomo Chemical Employee Stock Ownership Plan	23,308	1.42

* Percentage of shares held to the total number of shares issued and outstanding shares (excluding treasury shares)

Dividend Policy

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

The full-year dividend for fiscal 2020 was ¥15 per share, a decrease of ¥2 per share from the previous fiscal year.

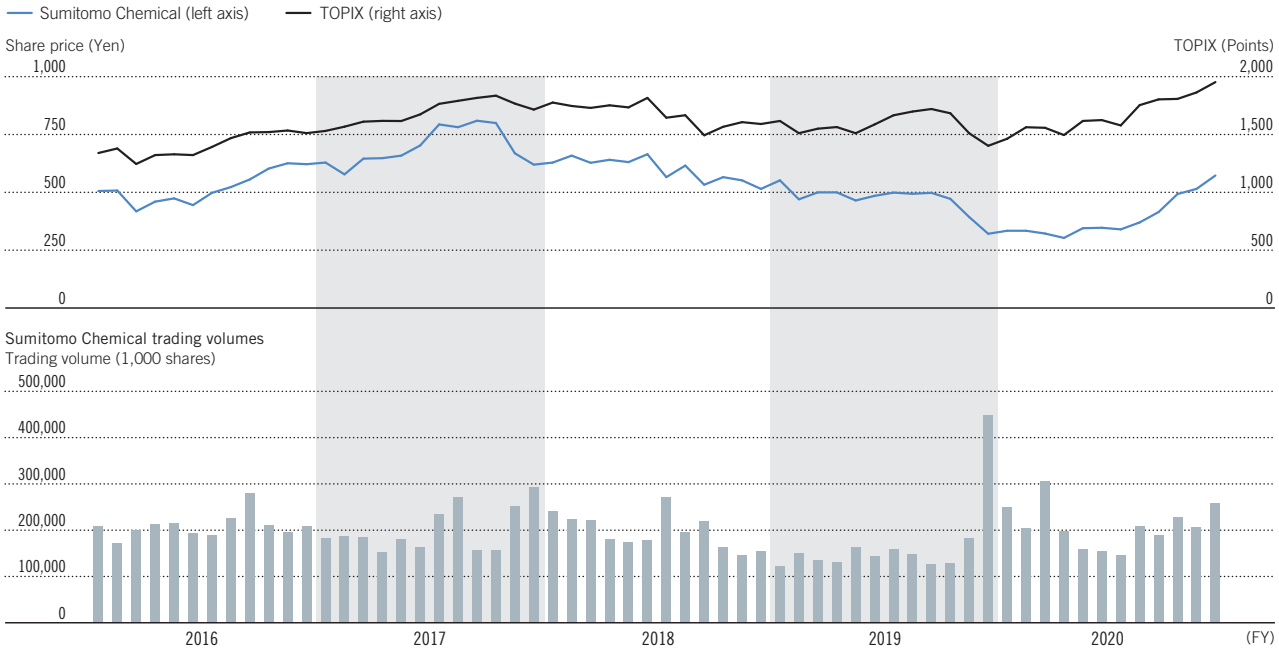
IR Calendar*

Fiscal 2020 (Year ended March 31, 2021)	
May 2021	Fiscal 2020 Financial Results
June 2021	140th Ordinary General Meeting of Shareholders

Fiscal 2021 (Year ending March 31, 2022)	
August 2021	1st Quarter Financial Results
October 2021	2nd Quarter Financial Results
January 2022	3rd Quarter Financial Results
May 2022	Fiscal 2021 Financial Results
June 2022	141st Ordinary General Meeting of Shareholders

* This schedule is subject to change.

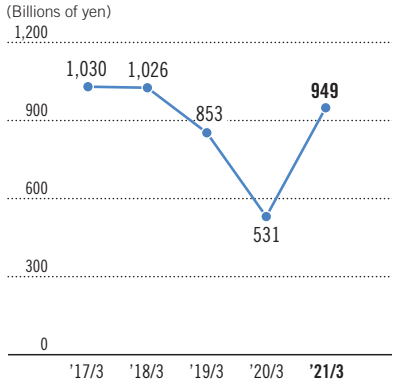
Stock Performance



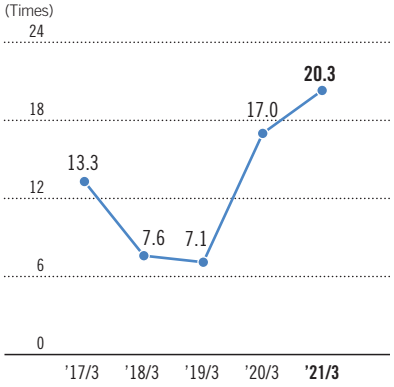
Fiscal Year	2016	2017	2018	2019	2020
Share price high (yen)	682	882	684	556	593
Share price low (yen)	396	574	485	267	285
Share price at year-end (yen)	622	620	515	321	573
Cumulative trading volume (1,000 shares)	2,515,006	2,418,727	2,369,928	2,038,948	2,508,242

Fiscal Year	2016	2017	2018	2019	2020
Shares outstanding (1,000 shares)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,446
Market capitalization (billions of yen)	1,030	1,026	853	531	949
Basic earnings per share (yen)	46.81	81.81	72.17	18.91	28.16
Equity attributable to owners of the parent per share (yen)	496.96	567.04	610.82	564.12	623.39
Price earnings ratio (PER) (times)	13.3	7.6	7.1	17.0	20.3
Price book-value ratio (PBR) (times)	1.3	1.1	0.8	0.6	0.9
Cash dividends per share (yen)	14	22	22	17	15
Dividend payout ratio (%)	29.9	26.9	30.5	89.9	53.3
Total shareholder return (TSR) (%)	125.0	128.9	112.6	77.8	130.3
Ratio of shares owned by foreign investors to shares outstanding (%)	33.0	30.3	27.6	26.4	26.8

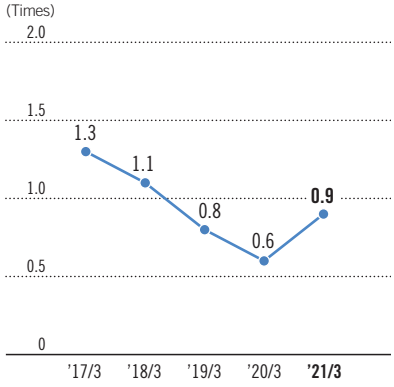
Market Capitalization



Price Earnings Ratio (PER)



Price Book-value Ratio (PBR)



Editorial Policy

Sumitomo Chemical's Three Reports

Annual Report

This report summarizes important financial and non-financial information with the aim of conveying our company's value creation story to a wide range of stakeholders, including our shareholders and investors, in a way that is easy to understand.

Investors' Handbook

This handbook summarizes financial data and provides detailed explanations of our businesses and products.

Sustainability Data Book

This data book introduces our sustainability information from the perspectives of the environment, society and corporate governance, and covers more detailed information. (Available online only)

On the Publication of the Annual Report 2021

As an integrated report, the Annual Report aims to convey our company's value creation story to a wide range of stakeholders, including our shareholders and investors, in a way that is easy to understand, and so it comprehensively aggregates information such as the strengths and strategies of our businesses, our financial results, our corporate governance system, and our efforts to address issues in the environment and society. The creation of this report was led by the IR team of the Corporate Communications Department, with the collaboration of relevant departments both inside and outside of Japan and the cooperation of relevant people outside the company.

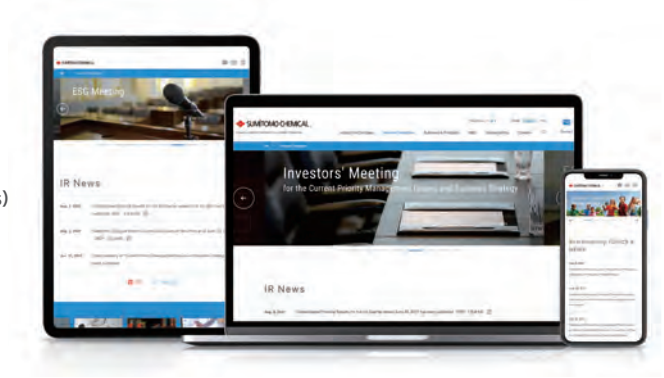
The Annual Report 2021 includes both a dialogue between the President and an outside expert on the topic of climate change, and one between an Outside Director and an Outside Corporate Auditor on the topic of our company's governance, enhancing the report's disclosures relating to sustainability. In addition, the report includes a special feature on COVID-19, covering both its impact on our company's business and our contributions to society's efforts to address it. We hope that this report will serve as a bridge for communication with our stakeholders and will convey the approach of the Group as a whole to creating new value.

IR team (annual report writing team)

Guide to the Website

Investor Relations

- Financial Results
- Meeting of Shareholders Documents
- IR Events
  (presentation, materials used at briefing sessions)
- Fact Sheet



Sustainability

Explanation of the Cover

Chemistry, where all sorts of substances come together and react with one another to create entirely new things, is something that enriches our daily lives. This dynamism of chemistry is represented by countless shining particles forming the shape of the swell of a wave.

Environment Social Governance
Guidance for Collaborative Value Creation

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

Financial Statements in This Document

Beginning in fiscal 2017, the Sumitomo Chemical Group is adopting international financial reporting standards (IFRS) in place of Japanese GAAP, which it previously used, and is therefore restating figures for the previous consolidated fiscal year using IFRS for comparative analysis. However, as the consolidated statement of financial position was not calculated for the sectors using IFRS at the beginning of fiscal 2016, the sectors' ROA for fiscal 2016 were not calculated.

Forward-looking Statements

Statements made in this annual report with respect to plans, strategies, and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Sumitomo Chemical cautions that a number of factors could cause actual results to differ materially from such statements including, but not limited to, general economic conditions in Sumitomo Chemical's markets; demand for, and competitive pricing pressure on, Sumitomo Chemical's products in the marketplace; Sumitomo Chemical's ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.

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Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

As a Responsible Care company, Sumitomo Chemical voluntarily implements policies that take safety, the environment, and health into consideration in all processes, from chemical substance development to disposal. The Responsible Care mark and logo may only be used by companies that are members of the Japan Responsible Care Council.