

December 3, 2019

Current Priority Management Issues and Business Strategy

 SUMITOMO CHEMICAL

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President



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I Performance Trends

I FY2019 Forecast vs. FY2018

Change & Innovation 3.0: For a Sustainable Future

(Billions of yen)

	FY2019 Forecast	FY2018	Change
Sales Revenue	2,330.0	2,318.6	11.4
Core Operating Income	160.0	204.3	-44.3
Operating Income (IFRS)	170.0	183.0	-13.0
Net Income Attributable to Owners of the Parent	50.0	118.0	-68.0

Naphtha Price	¥42,900/kl	¥49,500/kl
Exchange Rate	¥106.8/\$	¥110.9/\$

FY2019 Core Operating Income Forecast by Sector vs. FY2018

Change & Innovation 3.0: For a Sustainable Future

(Billions of yen)

	FY2019 Forecast	FY2018	Change	Reasons for Change
Petrochemicals & Plastics	24.0	61.6	-37.6	Lower margins for petrochemicals
Energy & Functional Materials	23.0	23.0	0	
IT-related Chemicals	27.0	26.2	0.8	
Health & Crop Sciences	11.0	19.7	-8.7	Lower selling prices for methionine Lower sales volume for crop protection products
Pharmaceuticals	81.0	80.8	0.2	
Others	-6.0	-7.0	1.0	
Total	160.0	204.3	-44.3	

FY2019 Core Operating Income Forecast by Sector

1st Half vs.2nd Half

Change & Innovation 3.0: For a Sustainable Future

(Billions of yen)

	FY2019 1H	FY2019 2H Forecast	Change	Foreign exchange difference	Factors other than foreign exchange difference	
Petrochemicals & Plastics	17.4	6.6	-10.8	-0.5	-10.3	Lower market prices for MMA and others
Energy & Functional Materials	12.5	10.5	-2.0	-0.5	-1.5	Periodical maintenance shutdown and others
IT-related Chemicals	15.3	11.7	-3.6	-2.0	-1.6	Lower market prices for polarizing film
Health & Crop Sciences	-8.2	19.2	27.4	-2.5	29.9	Seasonality of sales of crop protection products
Pharmaceuticals	46.9	34.1	-12.8	0	-12.8	Difference in timing of expenditure
Others	0.6	-6.6	-7.2	0	-7.2	Difference in timing of expenditure
Total	84.5	75.5	-9.0	-5.5	-3.5	

Net Income Attributable to Owners of the Parent

JPY 68 billion decrease from JPY 118 billion to JPY 50 billion

Major Factors

Deterioration in business environment

- ◆ Lower core operating income mainly in Petrochemicals & Plastics and Health & Crop Science

Non-cash losses

- ◆ Higher foreign exchange losses due to the appreciation of yen
- ◆ Reversal of deferred tax assets

II

FY2019-FY2021

Progress on Corporate Business Plan

General

Slowdown of the global economy

Unsettled weather in various places around the world

Appreciation of yen

Increasing environmental awareness

Geopolitical

Lingering trade friction between US and China

Brexit

Evident geopolitical risks in the Middle East

Tensions in Japan-South Korea relations

Our business assumptions

Lower methionine prices

Delayed development of Post-Latuda products

FY2019-FY2021 Corporate Business Plan

	FY2019 Forecast	FY2021 Target
Sales Revenue	¥705.0 bn	¥910.0 bn
Core Operating Income	¥24.0 bn	¥49.0 bn

Action plan & major issues

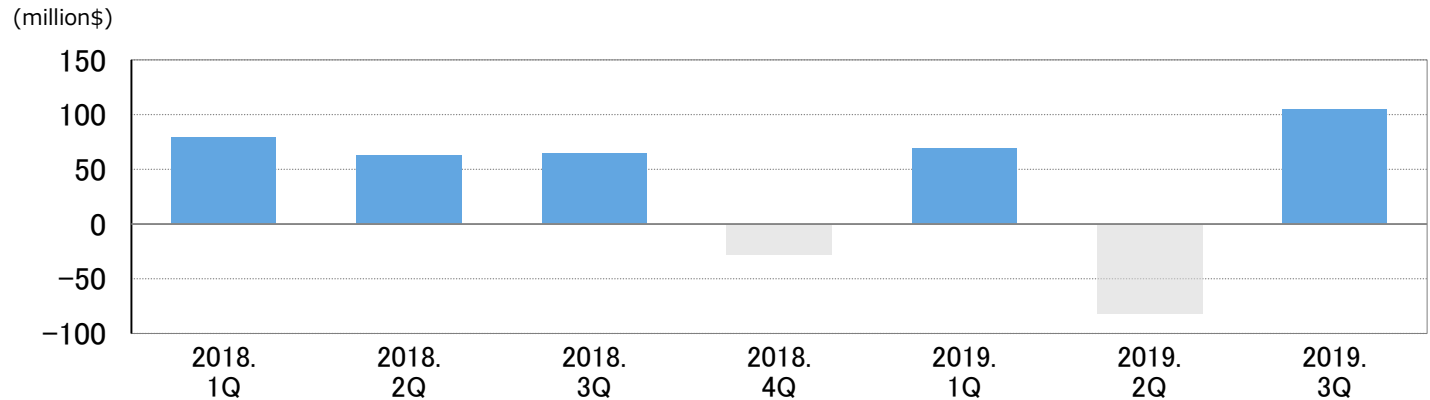
- Strengthen domestic business
- Expand capacity and enhance profitability of Singapore business
- Maintain stable operations at PRC phase I and make PRC phase II a consistent contributor to the sector's profit
- Strengthen technology licensing business
- Restructuring of underperforming businesses
- R&D in carbon cycle chemistry to create a sustainable society

Progress

- Making progress in construction of new LNG-base and thermal power plant
- Expanding sales of polypropylene for separators and other products
- Maintaining stable operations at PRC phase I, which is contributing to the sector's profit; completed the creditors reliability test for PRC phase II
- Signed technology license agreement for propylene oxide (PO) with an Indian company
- Revising the sales terms for underperforming products
- Reorganizing R&D teams for carbon cycle chemistry

Progress of Rabigh Project

Net profit of
PRC



Progress of
PRC Phase II

- ☑ **Completed the creditors reliability test on October 30, 2019, and began commercial operation**

Petro Rabigh's sales of petrochemical products

FY2018

\$2,547 million

Forecast after
the start-up of
the phase II
project

approx. **\$2,500** million
+ approx. **\$2,000** million

Sales from Phase II project

approx. **\$4,500** million

80% increase



FY2019-FY2021 Corporate Business Plan

	FY2019 Forecast	FY2021 Target
Sales Revenue	¥280.0 bn	¥390.0 bn
Core Operating Income	¥23.0 bn	¥31.0 bn

Action plan & major issues

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

Progress

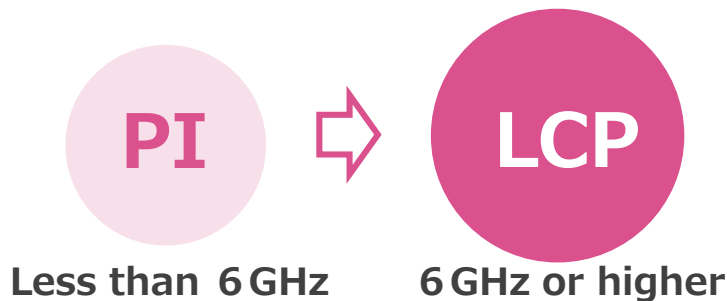
- Concluded sales and manufacturing technical support agreements with a European battery manufacturer (Precursors for cathode material)
- Expanding sales in applications for high-speed chargers (Super engineering plastics)
- Established a joint venture for processing and R&D for compound (Super Engineering Plastics)
- Shifting to high-value-added products in EPDM and other areas
- Accelerating development of next-generation battery materials (cathode materials and all-solid-state batteries)

Increasing demand for LCP in the 5G Society

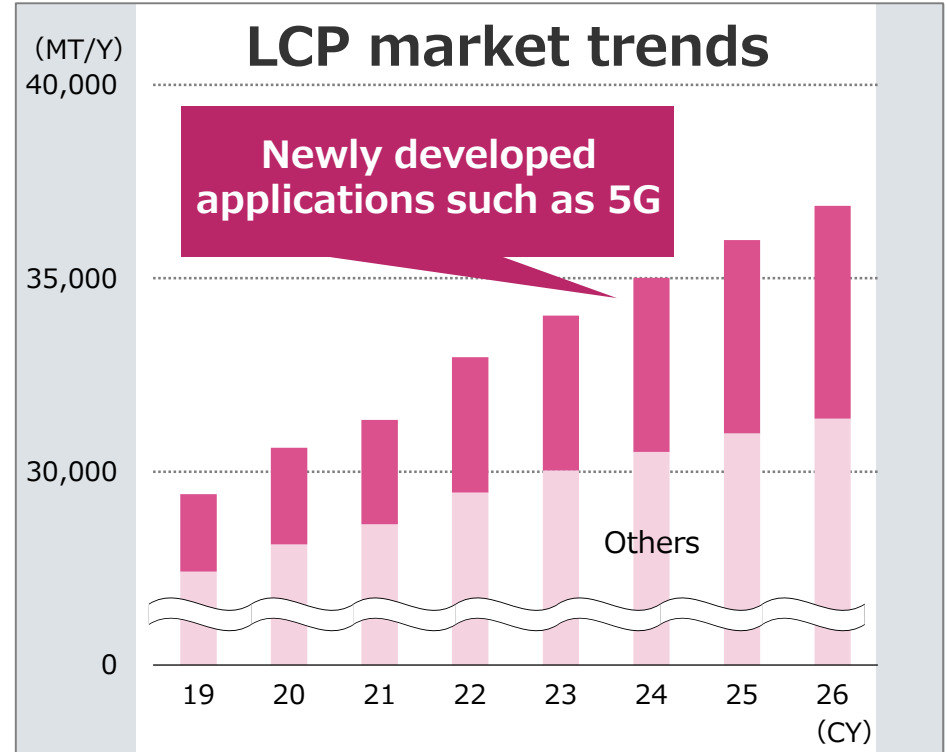
LCP attracting attention in the 5G Society

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

»»» The characteristics of LCP well match these requirements



	CY2019 (Forecast)	CY2026 (Forecast)
LCP market	Approx. 30,000 t	Approx. 37,000 t
Our sales	Approx. 10,000 t	Approx. 12,000 t



(Source) Sumitomo Chemical

Studying capacity expansion by debottlenecking and expansion of production facilities.

FY2019-FY2021 Corporate Business Plan

	FY2019 Forecast	FY2021 Target
Sales Revenue	¥425.0 bn	¥520.0 bn
Core Operating Income	¥27.0 bn	¥35.0 bn

Action plan & major issues

- Structural reform of polarizing film business
- Secure returns from the investment in the semiconductor materials business
- Expand touchscreen panel product portfolio
- Develop next generation businesses

Progress

- Expansion of sales for high-end models of TVs and mobile devices, and full-scale entry into the automotive field
- Started operations at new and expanded plants for semiconductor process chemicals in Changzhou and Xian
- Focus on developing next-generation products including 5G antennas
- Started full-scale mass production of flexible materials (window films) and making progress in development of multi-functional materials and components
- Started mass production of polymer OLED materials

Polymer OLED Materials

Progress

- Full-scale launch in 2020
- Develop business from medium-and large-size high-end display segments

Future Developments

- Focus on full-scale use in large displays (TVs)
- Follow a trend towards creating new value in automotive and other applications



Polarizing Films

Expand sales for high-end models

- Maintain our top share in the market of polarizing films for OLED displays, utilizing key materials developed in-house (liquid crystal coated retardation film and liquid crystal coated polarizer)



Full-scale entry into the automotive field

- Integrated Sanritz as a subsidiary with the aim of expanding sales for automotive use by combining Sanritz's high-durability polarizer technology with our capabilities for technological development and customer service

FY2019-FY2021 Corporate Business Plan

	FY2019 Forecast	FY2021 Target
Sales Revenue	¥365.0 bn	¥480.0 bn
Core Operating Income	¥11.0 bn	¥75.0 bn

Action plan & major issues

- Develop and launch new crop protection chemicals steadily
- Establish a global footprint in the crop protection business
- Strengthen and expand biorationals business
- 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

Progress

- Completed modification of existing facilities for production of **INDIFLIN™**
- Decided to acquire four South American subsidiaries of Nufarm
- Merged two crop protection subsidiaries in India
- Developed a dedicated unit for biorationals to expand sales in U.S.
- Achieving higher sales and reducing costs by integrating facilities
- Pursuing a global sales strategy for botanical products
- Working to establish a production technology for long-chain nucleic acids and stepping up efforts for commercialization.

Overview of the Acquisition

Target Entities: Four South American Subsidiaries of Nufarm

Purchase Price: AUD 1,188 million (approx. ¥90 billion)

* Approx. ¥70 billion after net working capital adjustments

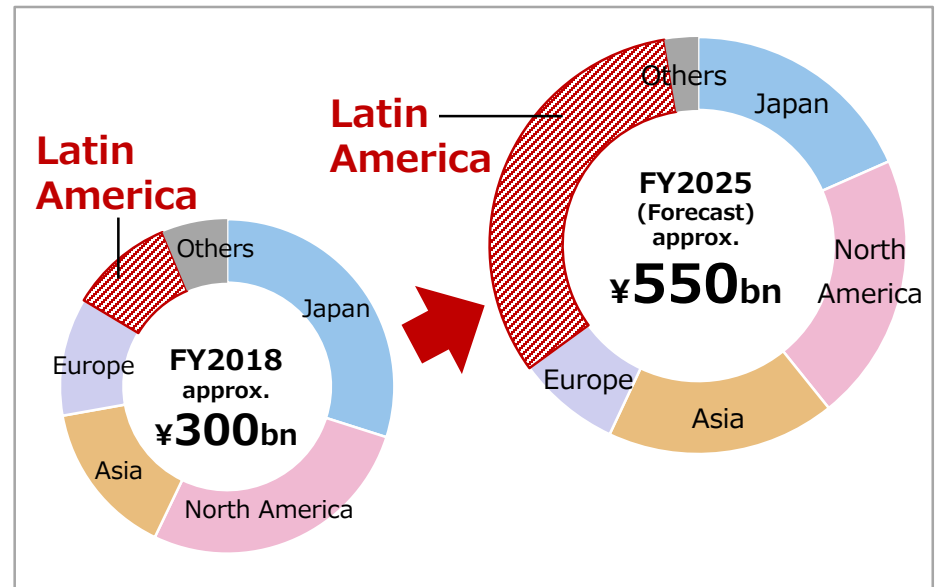
Purpose of the Acquisition

1 Enhance our global footprint (our own distribution network)

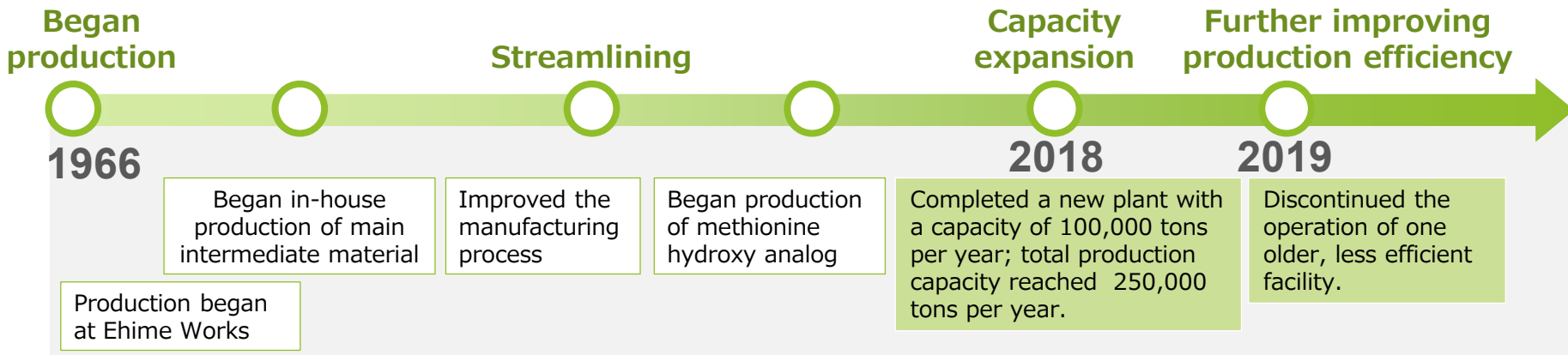
2 Maximize the sales of our blockbuster product INDIFLIN™ as soon as possible

3 Integrate business operations in South America, from development, formulation and sales and distribution

Our Crop Protection Business in the Future



Strengthening our Competitiveness in Methionine Business



Our competitive advantage

Production	Cost competitiveness
	High productivity
	Low environmental impact
Sales	Sales Strength

Initiatives for improving profitability

- Reduced maintenance cost by discontinuing production at the older facility
- Rationalizing variable cost in production
- Streamline the sales network etc.

Reduce the cost by several billions of yen per year

Improve profitability by further strengthening cost competitiveness amid a difficult business environment

FY2019-FY2021 Corporate Business Plan

	FY2019 Forecast	FY2021 Target
Sales Revenue	¥500.0 bn	¥590.0 bn
Core Operating Income	¥81.0 bn	¥94.0 bn

Action plan & major issues

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

- Launch new products in oncology

- Explore frontier fields

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

Progress

- Strategic Alliance with Roivant Sciences
 - ◆ Acquire late-stage assets such as Relgolix and Vibegron
 - ◆ Acquire early-stage assets such as treatments for respiratory rare diseases and gene therapy products
 - ◆ Acquire data science technology platforms such as "DrugOme" to accelerate digital innovation
- Continuing trials of napabucasin for colorectal cancer
- Promoting R&D of new healthcare solutions using cognitive activation therapy and biological sensing technology
- Completed the CRADLE Building

Strategic Alliance with Roivant Sciences

Overview of the strategic alliance

- Contents of the agreement:
Acquisition of shares in Roivant subsidiaries,
acquisition of pharma-related technology platforms,
and subscription for shares in Roivant

- Purchase price: US \$3 billion (approx. 330 billion yen)
 - ☑ Roivant's ownership interests in five of its subsidiaries and its technology platform, etc.
 - ☑ Shares of Roivant

Cash proceeds to be raised by
Sumitomo Dainippon Pharma

Major aims of the strategic alliance

1

Acquire promising compounds,
including Post-Latuda candidates

2

Strengthen development capabilities for
innovative new drugs

Strategic Alliance with Roivant Sciences

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Sumitomo Dainippon
Pharma

Alliance

ROIVANT
SCIENCES

Acquisition of shares in Roivant subsidiaries

■ Promising compounds of five Roivant subsidiaries

- Relugolix (uterine fibroids, endometriosis, prostate cancer)
- Vibegron (overactive bladder (OAB), OAB in men with benign prostate hyperplasia, IBS-associated pain)
- RVT-802 (pediatric congenital athymia)
- Rodatristat Ethyl (pulmonary arterial hypertension (PAH)) etc.

Post-Latuda
candidates

Pipeline
including
25 or more
products

■ Options to acquire Roivant's interests in six additional subsidiaries (Negotiation under certain conditions)

Acquisition of pharma-related technology platforms for the next generation

- Roivant's innovative technology platforms
- Its computational research team

Strengthen
development capabilities
for innovative new drugs

Issuance of Hybrid Bonds (up to JPY 250 billion)

A means of financing our strategic investments for growth to be made to promote further improvements in our business portfolio while building a robust financial structure

Strategic Investments for Sustained Growth

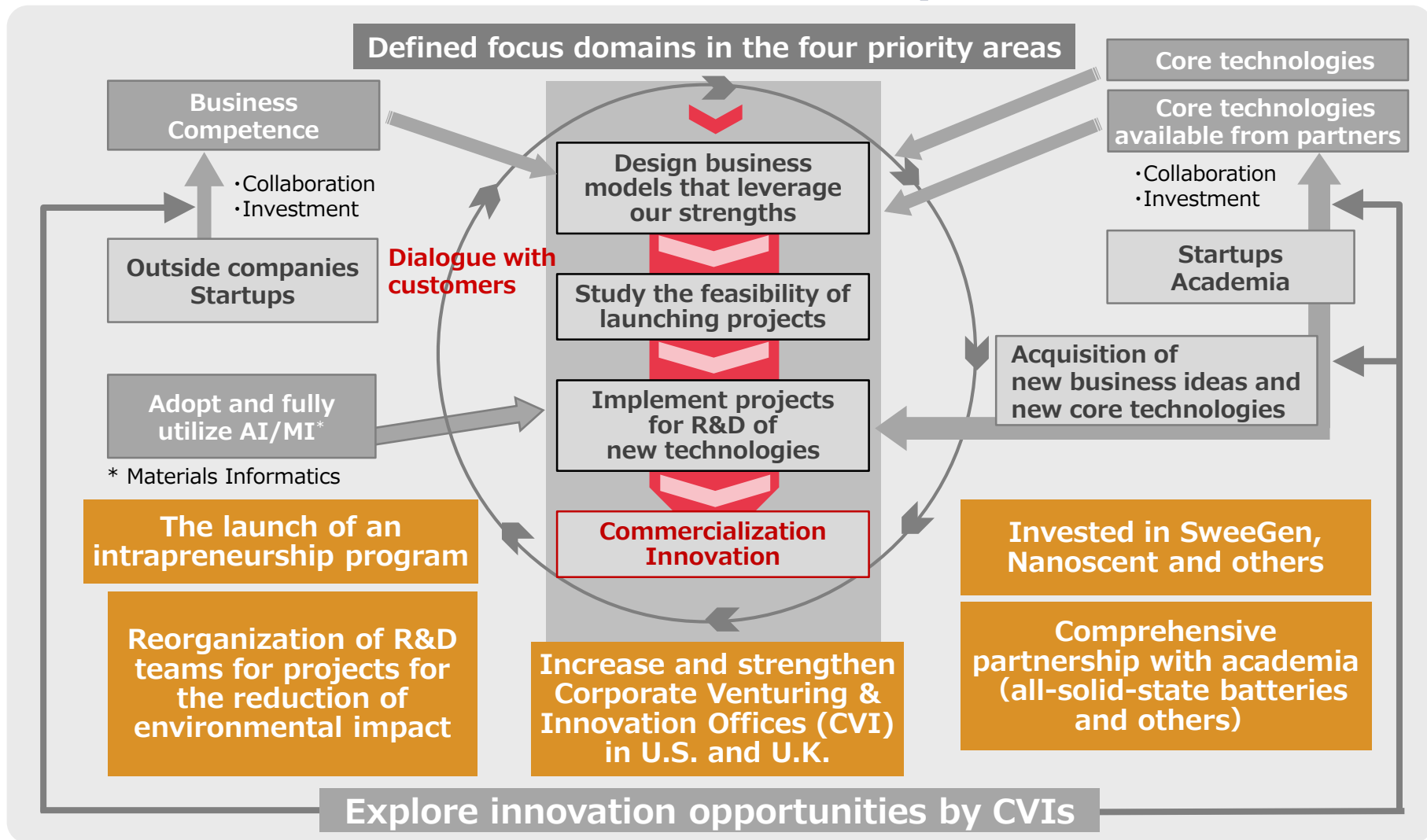
- ◆ Acquisition of Nufarm's South American businesses
- ◆ Investment in the Petro Rabigh Phase II Project

Build a Robust Financial Structure

- ◆ 50% of the funds raised will be deemed as equity by the rating agencies
- ◆ Strive for a debt to equity ratio of approximately 0.7 over the medium- to long-term

■ :Major progress

Our Innovation Ecosystem



Enhance our Corporate Venturing & Innovation Offices (CVIs)

- Open new offices on the West Coast in U.S. and at Cambridge, U.K., following the Boston office
- Accelerate exploration of and collaboration with startups and academia at three offices



**Cambridge in U.K.
(CDT*)**

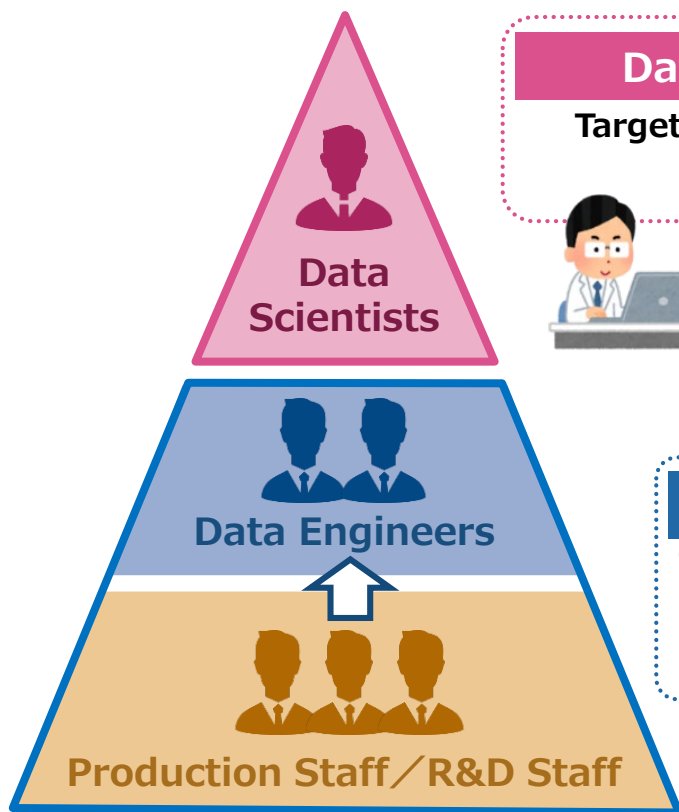
**West Coast
in U.S.**

**Boston
in U.S.**

* Cambridge Display Technology

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

Recruit talent in the area of ICT, aiming to be a data-driven company using large-scale data



Data Scientists

Target (FY2019-FY2021):

20 persons



Data Engineers

Target (FY2019-FY2021):

150 persons
(Production 100 + R&D 50)

Recruiting from the outside

- Enhance our recruiting system to hire talent having advanced analytical capabilities






**Steady progress toward
achieving the targets**

Training within the company

- Developed our original training programs
- Held four workshops to date
- Planning to train 70 employees in the program by the end of FY2019

Core Operating Income by Sector

(billions of yen)

	FY2019 Forecast	FY2021 Target	Change	Possibility to achieve targets	Status
Petrochemicals & Plastics	24.0	49.0	+25.0		Unclear whether margins will improve for petrochemicals
Energy & Functional Materials	23.0	31.0	+8.0		
IT-related Chemicals	27.0	35.0	+8.0		
Health & Crop Sciences	11.0	75.0	+64.0		<ul style="list-style-type: none"> • Weak methionine market conditions • Recovery of sales volumes for crop protection products
Pharmaceuticals	81.0	94.0	+13.0		<ul style="list-style-type: none"> • Strategic alliance with Roivant Sciences
others	-6.0	-4.0	+2.0		
Total	160.0	280.0	+120.0		

Forecast of the Financial Performance of the Health & Crop Sciences Sector

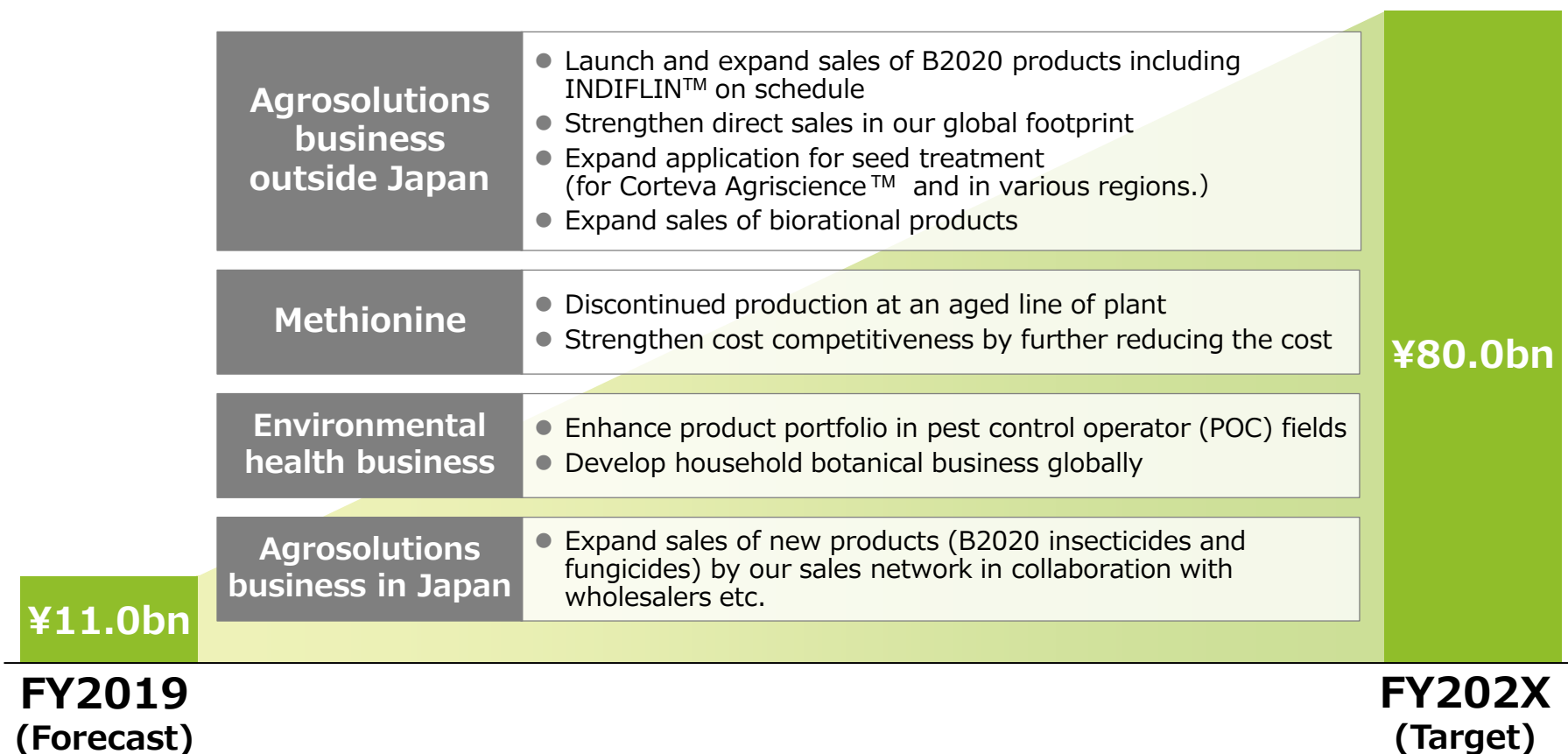
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Core operating income:

11 billion yen for FY2019 (forecast)

The core operating income in FY2021 is expected to be slightly below the initial target of 75 billion yen.

**Aiming to achieve
80 billion yen in several years.**



Core Operating Income: ¥81.0 bn for FY2019 (forecast)

Promoting sales of newly launched products



Increase in sales and general administrative expenses

Many late-stage assets



Increase in R&D expenses



The core operating income for fiscal 2021 is expected to be significantly below the initial target of ¥94.0 bn.

Expand the sales of new products such as Relgolic and Vibegron



The core operating income is expected to recover in FY2024 to FY2025 and to exceed ¥100 bn after FY2025

Governance

- ✓ **Ratio of Independent Outside Directors and Audit & Supervisory Board Members of Sumitomo Dainippon Pharma: Directors: 37.5% Audit & Supervisory Board Members: 40.0%**

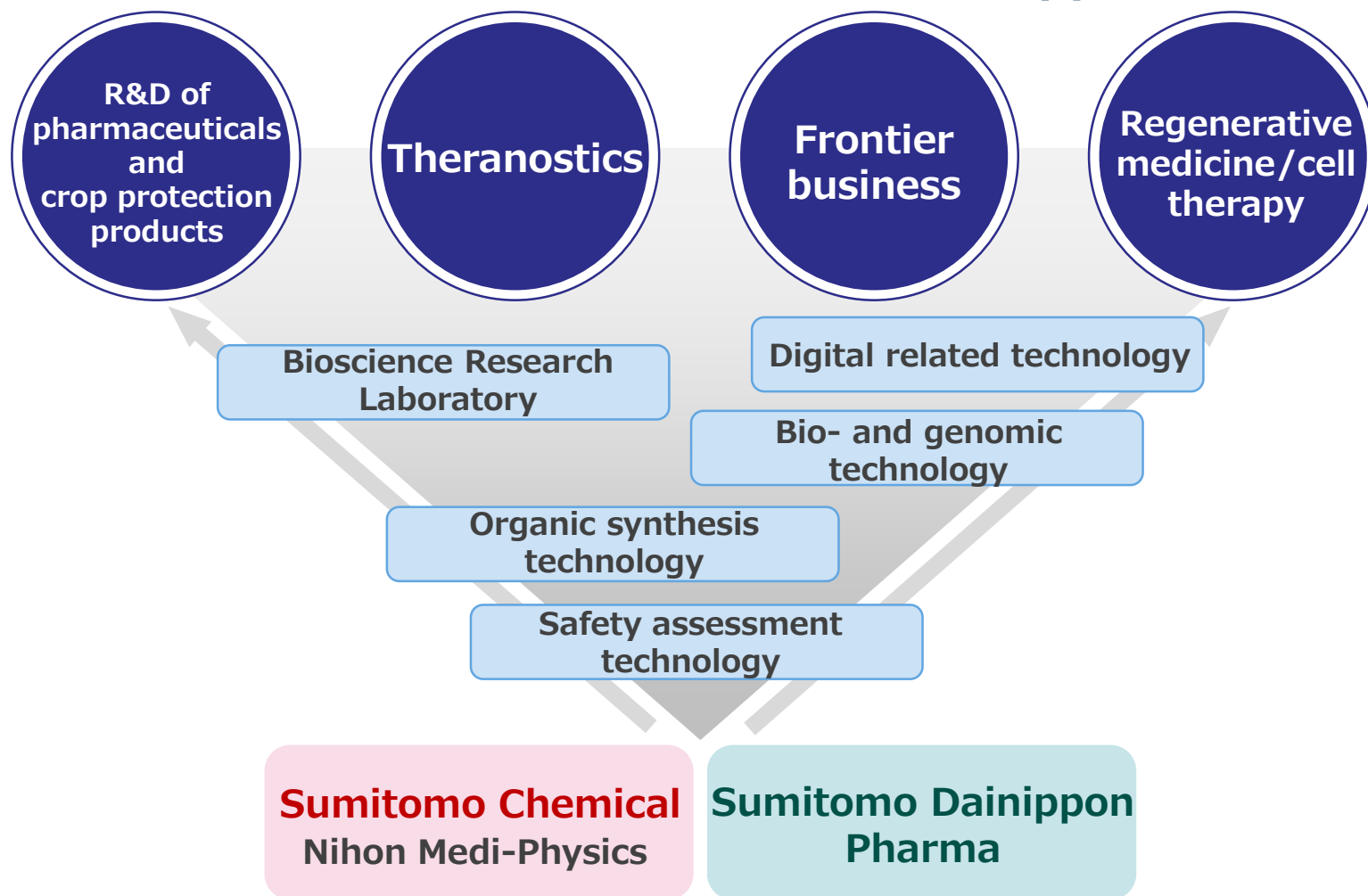
- ✓ **Nomination and Compensation Committee of Sumitomo Dainippon Pharma: consists of four directors including three outside directors, chaired by an outside director.**

- ✓ **From the viewpoint of enhancing the corporate value of the Sumitomo Chemical Group, Sumitomo Dainippon Pharma's important business matters are discussed with Sumitomo Chemical before implementation.**

Collaboration between Sumitomo Chemical and Sumitomo Dainippon Pharma

Change & Innovation 3.0: For a Sustainable Future

Create value through collaboration between Sumitomo Chemical and Sumitomo Dainippon Pharma



Our focus during the current corporate business plan period (FY2019-FY2021)

Maintain financial discipline strictly

Select investments
rigorously

Improve cash
conversion cycle (CCC)

Asset reduction

Implement new investments for growth

Crop protection business in
South America

Roivant

Achieve planned returns on major investments made to date

PRC Phase II

Cathode materials
production capacity expansion

Separator production
capacity expansion

Semiconductor materials

Out-cell film-type
touchscreen panels

Polymer light-emitting
materials

Crop protection products in
India

Expanded production capacity
of methionine

Biorationals

Oncology

Treatment for
Parkinson's disease

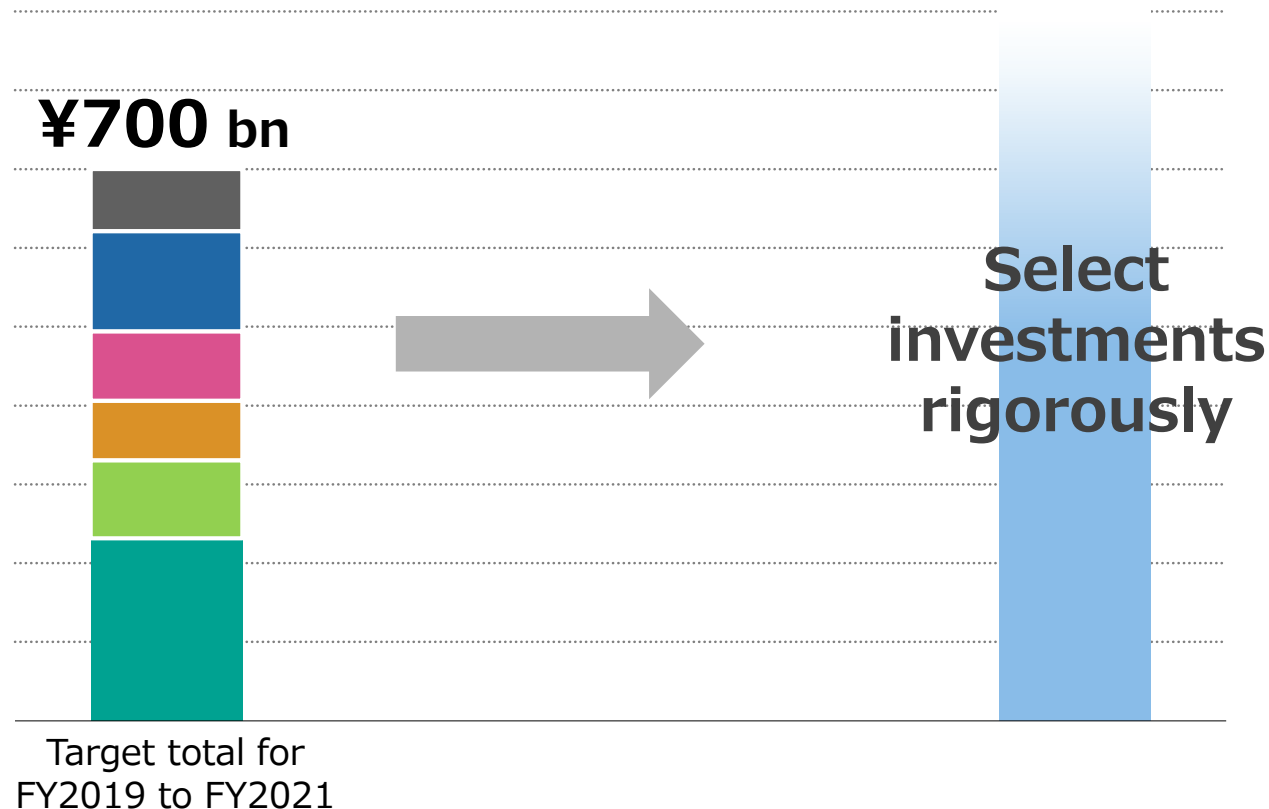
Restructuring of underperforming businesses

S-SBR

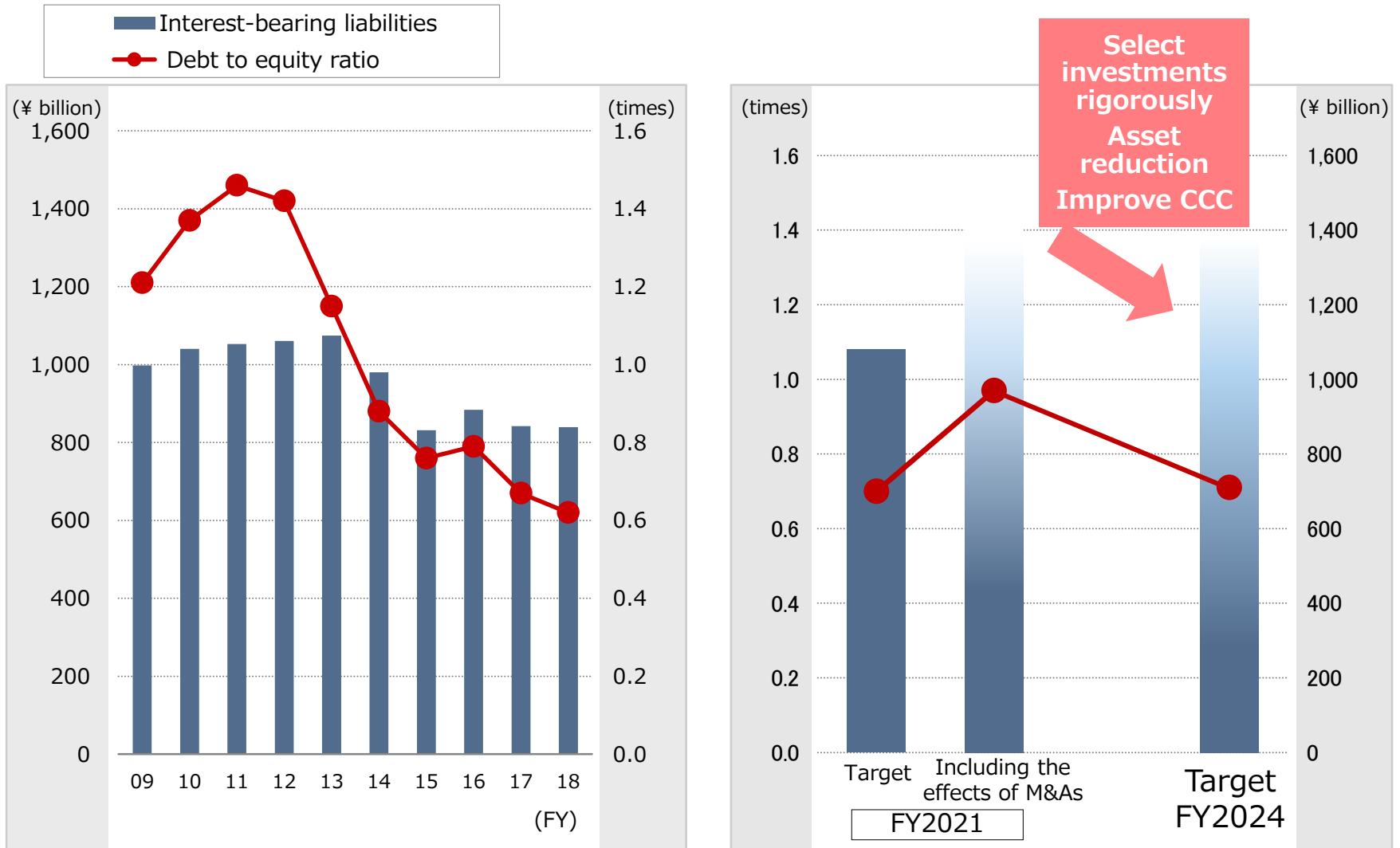
Caprolactam

Capital Expenditure and Investment (decision-making basis)

As a result of the decision on two large-scale M&A deals, the amount of capital expenditures and investments exceeds our initial projections.

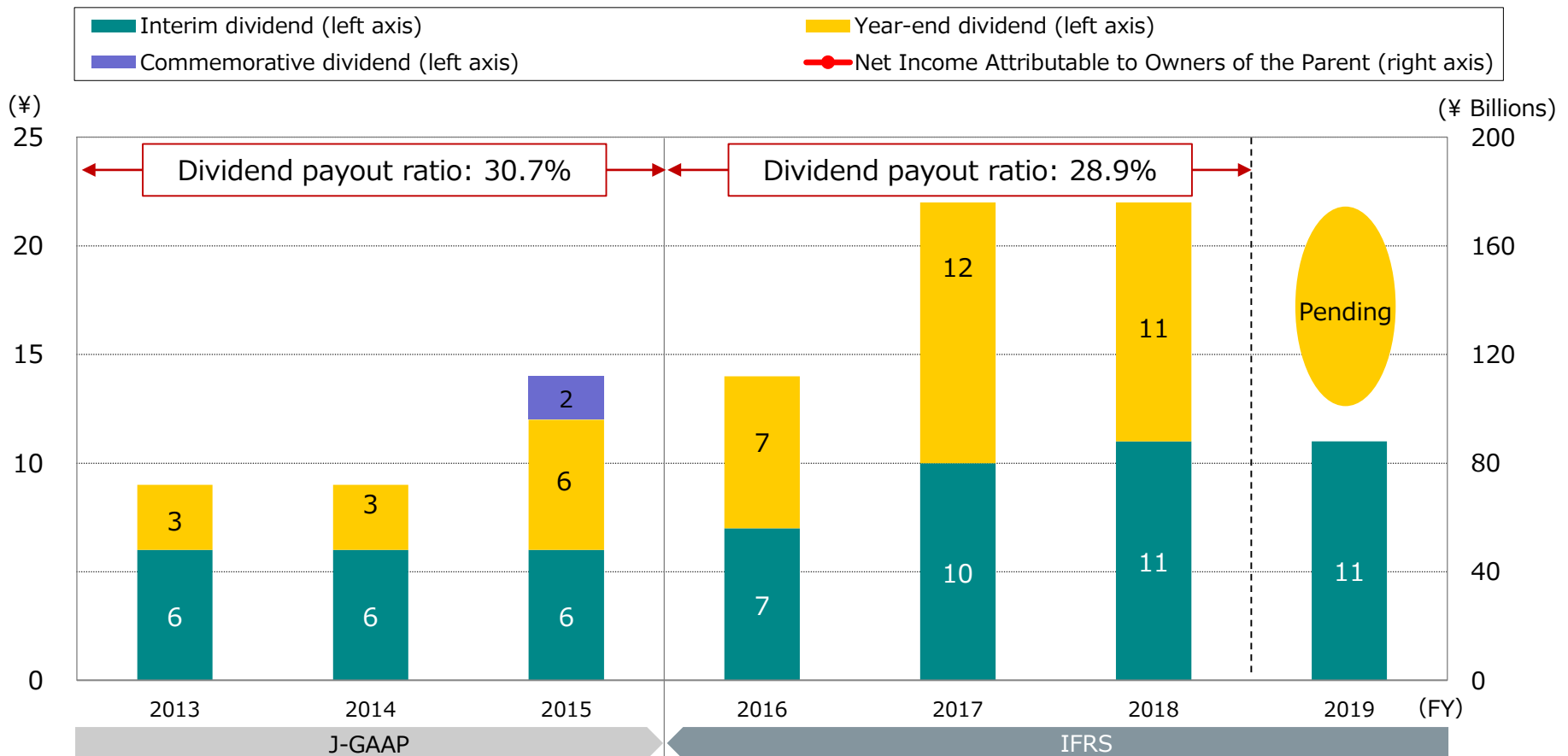


Interest-bearing liabilities and debt to equity ratio



We will announce our year-end dividend forecast after full consideration of the fiscal forecasts for the second half of this fiscal year and the fiscal year ending March 31, 2021.

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.

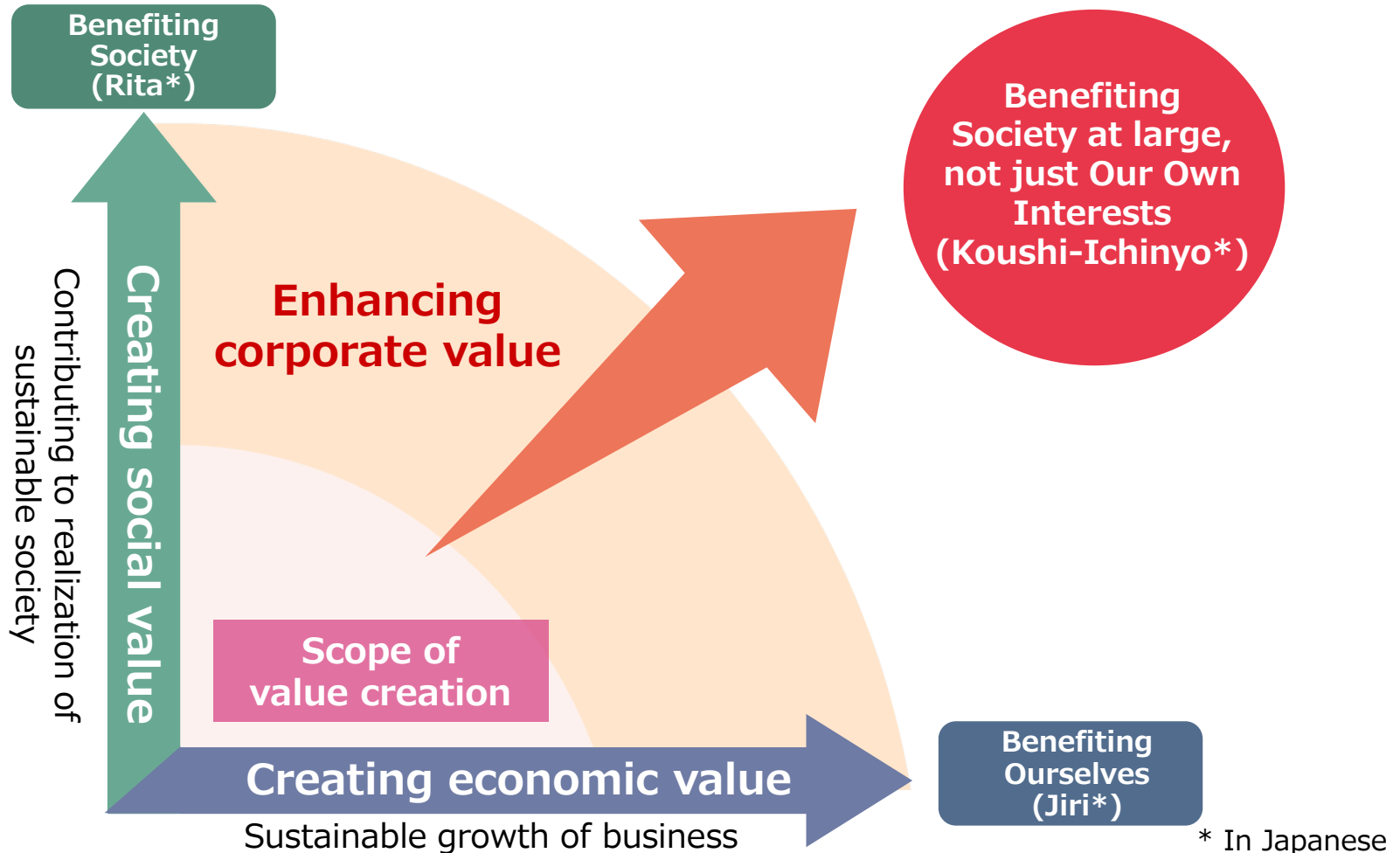


III Initiatives for Sustainability

Credo constituting the Sumitomo Spirit

"Our business must benefit own self and society as one and the same"(Jiri-Rita Koushi-Ichinyo*)

Our businesses must benefit society at large, not just our own interests



Our Seven Material Issues

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 value creation in the future

Promotion of technology innovation and research and development

Initiatives for digital innovation

Promotion of diversity and inclusion

Achieve sustainable value creation by working on material issues

Material Issues		KPIs	SDG Targets
Material issues for social value creation			
Reducing environmental impact	Mitigation of climate change	Amount of Group's GHG emissions (Scope 1+2)	13.3
		Contribution to reducing GHG emissions throughout the product life cycle (Battery-related materials)	13.3
	Contribution through products and technologies	Sales revenue of Sumika Sustainable Solutions* designated products	
	Efficient use of energy and resources	Unit energy consumption	7.3
		Number of petrochemical-related technology licenses	9.4
Contribution to the recycling of plastic resources	Various initiatives are underway, and KPIs are to be determined		
Food issues	Effect of increasing production of animal protein including poultry		2.1
	Agricultural land area where agro-solution products are used		2.4
Healthcare	Number of people protected by products for the control of tropical infectious diseases		3.3
	KPIs are to be determined		
ICT innovation	Number of mobile devices using polarizing films		8.2

Material issues for value creation in the future (creating social value and economic value)

Promotion of technology innovation and research and development	Patent asset size
Initiatives for digital innovation	Digital maturity
Promotion of diversity and inclusion	Each group company sets its own KPI in light of the environment facing each

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

Example of KPI (1): Reducing Group's GHG Emissions

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Material Issue

Contribution to reducing environmental impact: Mitigation of climate change

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

Reducing GHG emissions through our group operations

- ◆ In 2018, Sumitomo Chemical obtained the SBT approval, becoming the first diversified chemical company to receive the approval.

Targets (vs. FY2013)

Reduce by 30% by FY2030

Initiatives to achieve the commitment

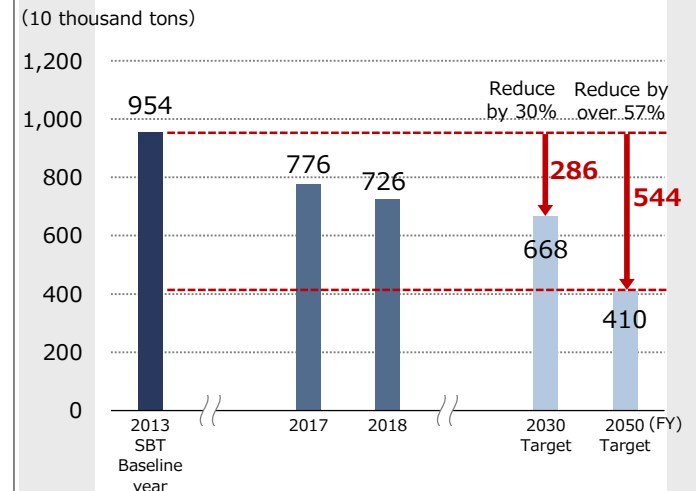
- Switch fuel to LNG
- Thorough Energy Conservation and other measures

Contributing to achieve SDGs 13.3

Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

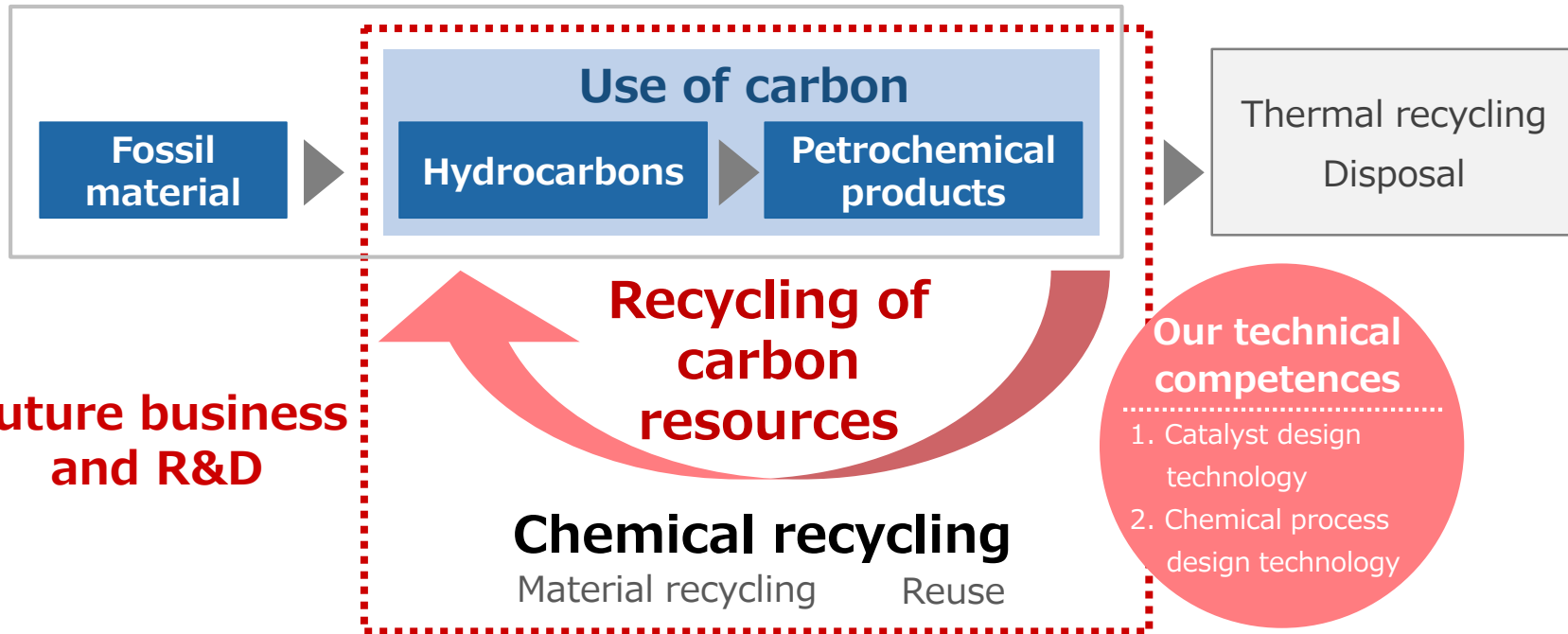


GHG Emission Volume and Reduction Targets





Current business and R&D



Future business and R&D

Establish a new unit for the development of technologies for reducing environmental impact

- Consolidate themes and researchers for reducing environmental impact, now located at different sites.
- Develop carbon recycling technologies and GHG emission reduction technologies, including those to address the waste plastics issue.
- Stepping up development efforts, with a new unit staffed with approximately 30 researchers and engineers.

Material Issue

Promotion of diversity and inclusion

Based on Group's Basic Principles on the Promotion of Diversity and Inclusion, each of the major group companies, totaling **about 90 companies**, will determine its own KPIs in light of the environment surrounding each company.



Sumitomo Chemical (non-consolidated)

Percentage of female employees in positions equivalent to manager or above

Target → **over 10%** (by 2022)

Actual → **5.4%** (as of September 2019)

Percentage of male employees taking childcare leave

Target → **over 70%** (by 2022)

Actual → **37.6%** (FY2018)

Each major group company (approx. 90 companies) will establish its respective KPIs by the end of March 2021

"Sumika 'Take Action' Declaration"

Started new initiatives under our "Sumika 'Take Actions' Declaration"

Sumitomo Chemical has declared the key values and principles that it will continue to uphold in order to ensure that each employee can feel the meaning of and take pride in working for Sumitomo Chemical, while leading a fulfilling and healthy life in terms of both mind and body.

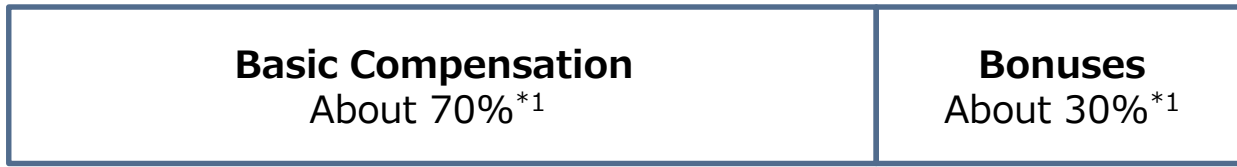
Details of Initiatives

- ◆ Set multiple, specific actions for each series
- ◆ Contents: Actions relating to changes in working style, health management and workplace management.

Series	Details	Declaration Body	Timing
First round	Sumika Work Life Balance Declaration	Employees and the management	Nov. 2019
Second round	Sumika Diversity and Inclusion Declaration	Employees and the management	Dec. 2019
Third round	Sumika Development and Growth Declaration	Employees and the management	Jan. 2020
Fourth round	Sumika Healthy Employee Declaration	The company and the employee health insurance association	Feb. 2020
Fifth round	Declaration on Sumika Work Process	Company	Mar. 2020

Policies for determining remuneration of senior management and directors

Conceptual Diagram for the Remuneration of Directors



*1 Composition of directors' remuneration at the time of achievement of the target for the final year of the Corporate Business Plan (FY2019-2021)



Fixed Remuneration

Below, the company will change the amount of remuneration when it considers that its position has changed based on the factors below from a comprehensive and medium- to long-term perspective (incentive for medium- to long-term).

Determining factors
Company size
Earning capacity
Evaluation by outside institutions Including the ESG evaluation by FTSE, MSCI and others

Remuneration Linked to Performance

The amount of bonuses is determined by the formula based on the consolidated performance indicator. (If the consolidated performance indicator does not exceed a particular level, bonuses will not be paid.)

Consolidated performance indicator	Core operating profit plus financial profit and loss
Calculation formula	<div style="border: 1px solid black; display: inline-block; padding: 2px 10px;">Consolidated performance indicator</div> × <div style="border: 1px solid black; display: inline-block; padding: 2px 10px;">Coefficient*2</div>

*2 The higher the position, the larger the coefficient.

Sumitomo Chemical creates economic value and social value integrally



Reducing environmental impact



Food issues



Healthcare



ICT innovation



Contribute to realizing a sustainable society through our business activities

- Sharing our aspirations with stakeholders -

Cautionary Statement

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

The important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, general economic conditions in Sumitomo Chemical's markets; demand for, and competitive pricing pressure on, Sumitomo Chemical's products in the marketplace; Sumitomo Chemical's ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.