

Business Performance Overview and Human Resources Strategy

March 7, 2023



Section

01

**Business
performance
overview**

**Keiichi Iwata
President**



Future business performance overview and revisions to dividend forecasts

Outlook for FY22 Business Performance

(Billions of yen)

	3Q cumulative	4Q forecast	Full-year forecast
Sales Revenue	2,257	733	2,990
Core Operating Income	142.2	-22.2	120.0
Non-recurring Items	-70.7	-49.3	-120.0
Operating Income	71.4	-71.4	0
Finance income/expenses, etc. Taxes and Net income attributable to non-controlling interests etc.	-11.1	11.1	0
Net Income (attributable to owners of the parent)	60.3	-60.3	0

About Core Operating Income of 120 billion yen

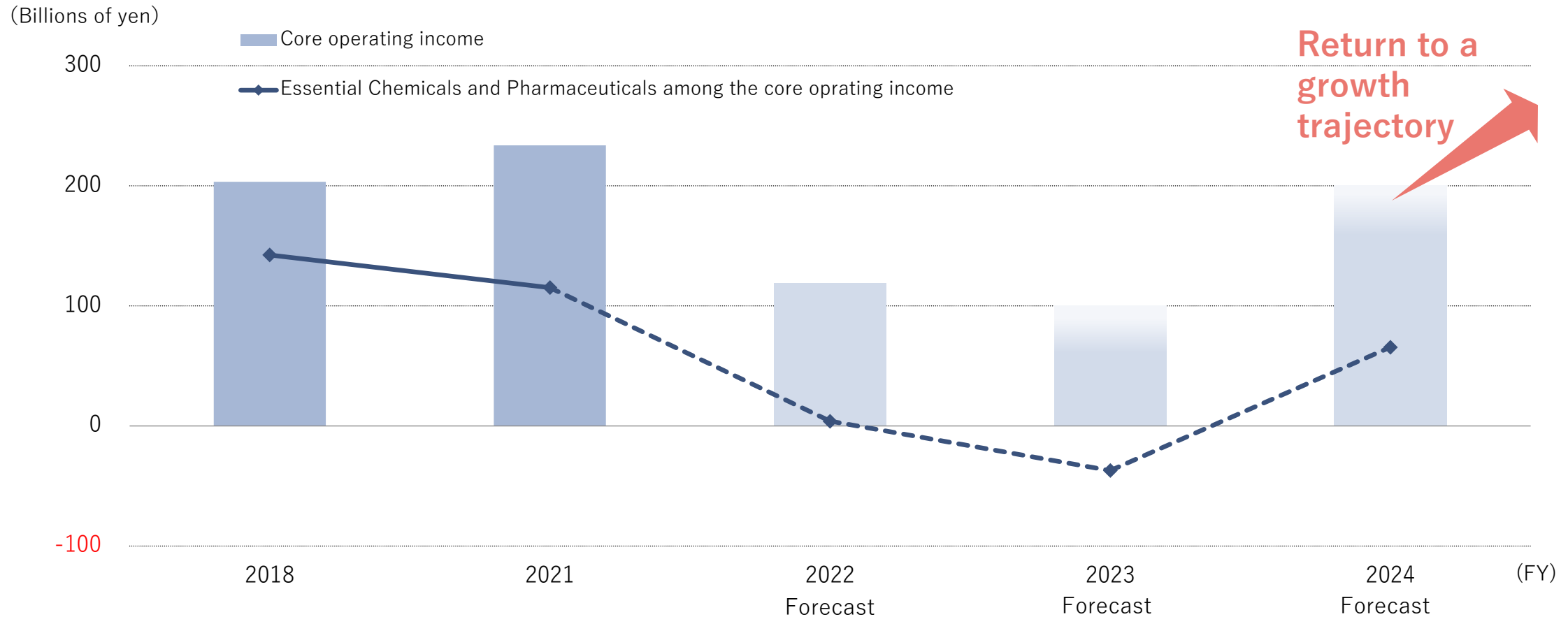
- The tide has turned, with deteriorating market prices and a changing business environment. Loss expected for 4Q.

About the 120 billion yen deficit in non-recurring items

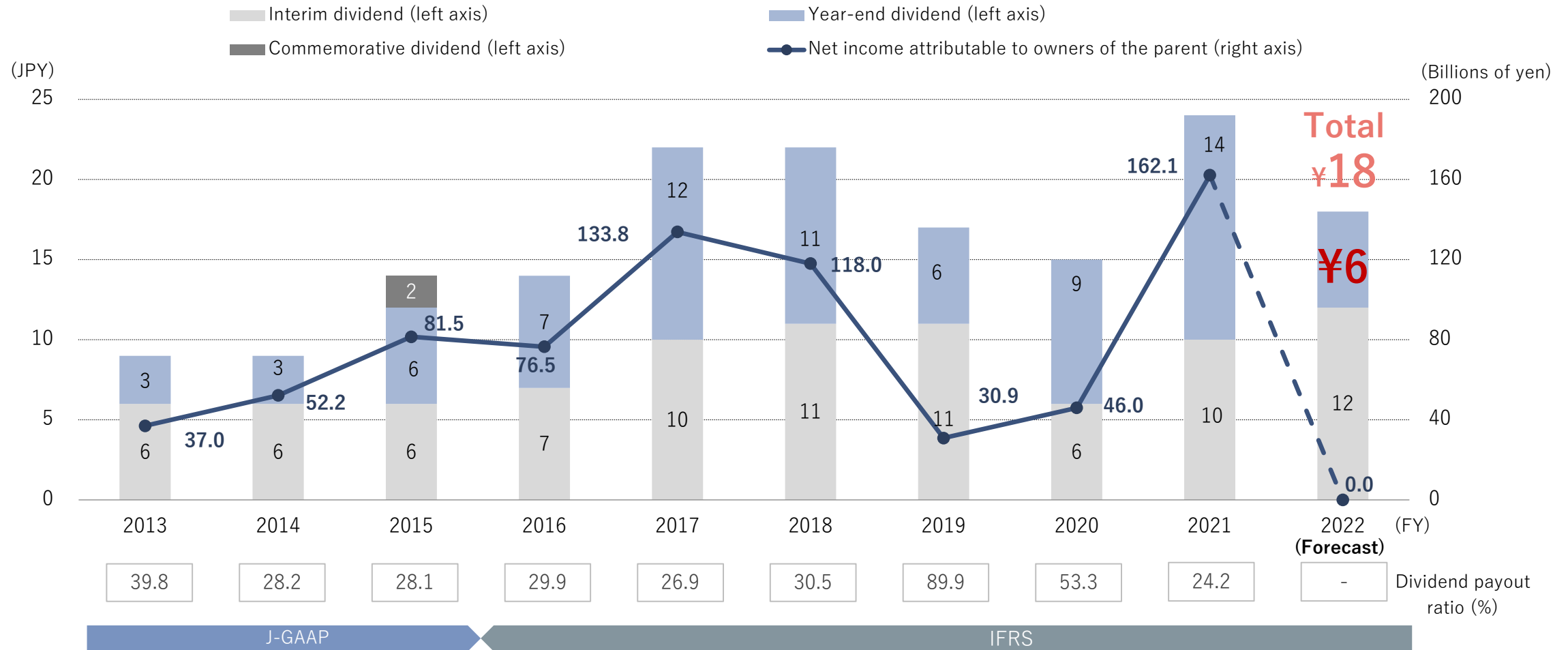
- 3Q cumulative: -70.7 billion yen mainly on 56 billion yen impairment for Kynmobi in Pharmaceuticals
- 4Q forecast: -49.3 billion yen
- ✓ Includes 20.5 billion yen impairment loss resulting from cancellation of development of TP-0903 at Sumitomo Pharma, which was announced March 3.
- ✓ The balance accounts for non-cash-out risk factors such as impairment of intangible assets at Sumitomo Pharma.

Outlook for FY23 Business Performance

- Each segment is solidly reaping the benefits of measures implemented to date. Nevertheless, the full-year impact of loss of exclusivity on Latuda in the US in the Pharmaceuticals segment is substantial.
- Return to a growth trajectory in FY24, when the 3 post-Latuda products are expected to grow.



Reflecting the importance of stable dividends and confidence the benefits from upgrading the business portfolio will materialize, the year-end dividend is forecast to be 6 yen (18-yen total dividend).





Business portfolio strategy and future direction

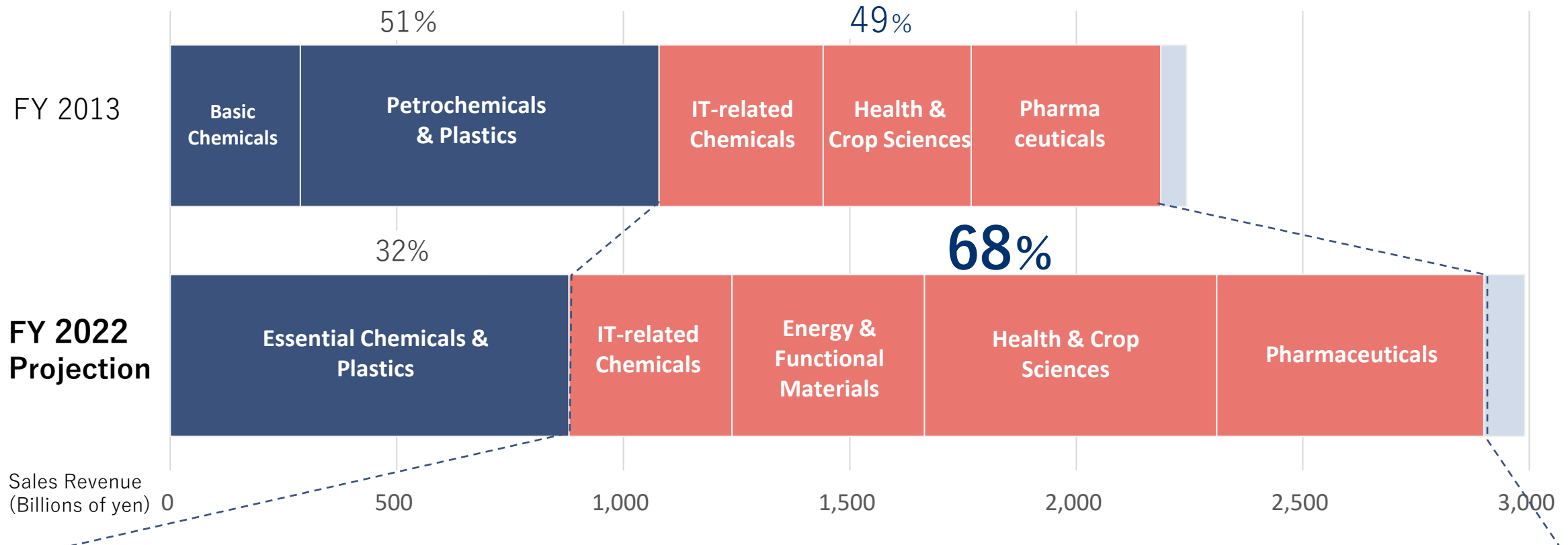
Since FY2013, we have advanced upgrades to the business portfolio through investments in speciality areas

Corporate Business Plan: Change and Innovation

	For the next hundredth anniversary	Create New Value	For a Sustainable Future	with the Power of Chemistry
※ Investment allocation	2013-2015 150/160 bn. yen 94%	2016-2018 330/350 bn. yen 94%	2019-2021 560/590 bn. yen 95%	2022-2024
Strengthen businesses	<ul style="list-style-type: none"> Launched biorationals plant in US Bought compound semiconductor materials company Bought microbial agricultural materials company Added capacity for touch sensor panels Added capacity for separators 	<ul style="list-style-type: none"> Bought SANRITZ (automotive polarizers) Built new catalyst plant for licensing Added capacity in semiconductor materials (In Japan, Korea and China) Acquired shares in Indian crop protection products company Bought Tanaka Chemical Built new semiconductor chemicals plant in China 	<ul style="list-style-type: none"> Strategic alliance with Roivant Bought NuFarm's South American subsidiaries Added capacity in Super Engineering Plastics (LCP) Built new plant for nucleic acid and small molecule drugs Added capacity in semiconductor chemicals (In Japan and Korea) Entered regenerative cell CDMO business 	<ul style="list-style-type: none"> Built new semiconductor plant in US Bought maker of natural agricultural materials
Exited or shrank	<ul style="list-style-type: none"> Exited PMMA in Ehime Exited Chiba ethylene plant Closed caprolactam liquid-phase process Exited styrene monomers Shrank propylene oxide (PO) 	<ul style="list-style-type: none"> Exited DPF (diesel particulate filter) business 	<ul style="list-style-type: none"> Closed one line in Methionine plant Exited EPDM business 	<ul style="list-style-type: none"> Exited caprolactam business Exited dyestuffs business Reorganized fertilizer business

*Percentage of strategic investments to speciality segments

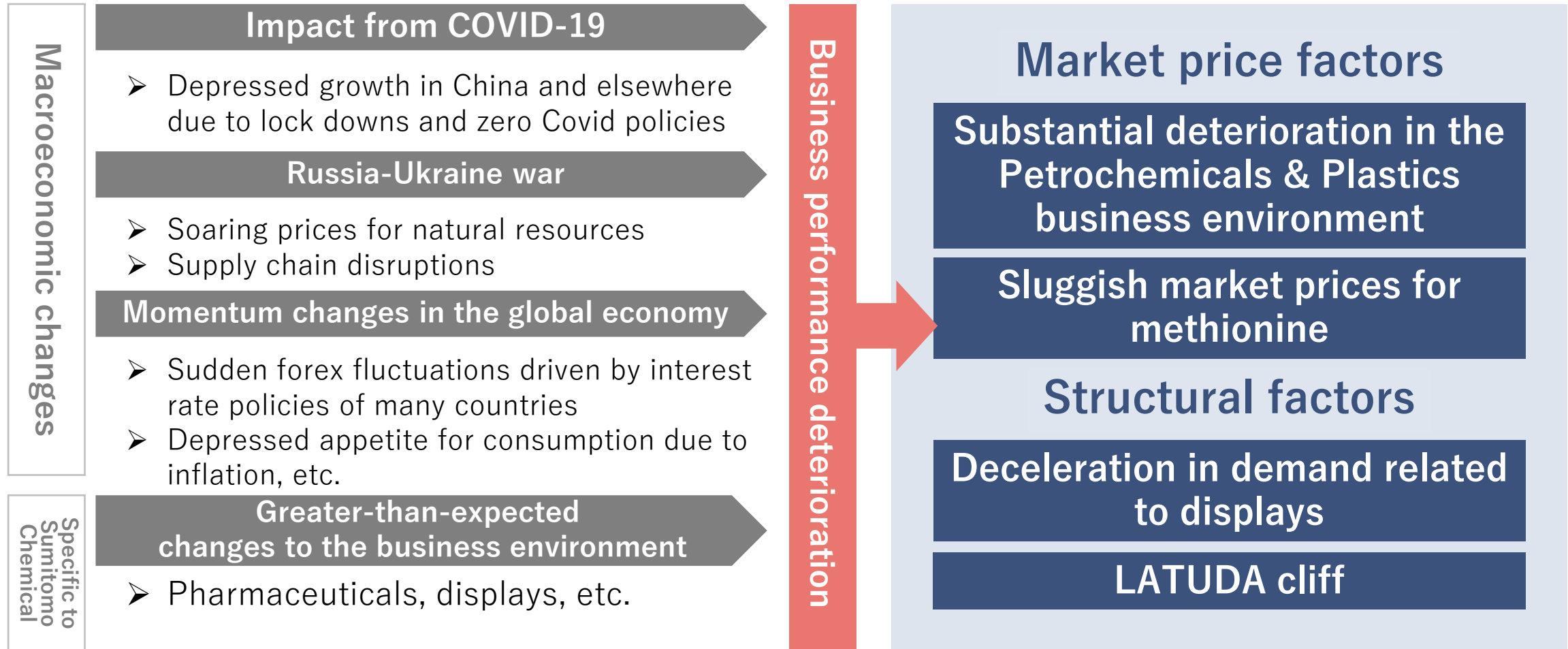
Business portfolio upgrades have been solid progress, with Speciality ratio growing to nearly 70%



Upgrading the business (2013 → 2022 projections → 202X)

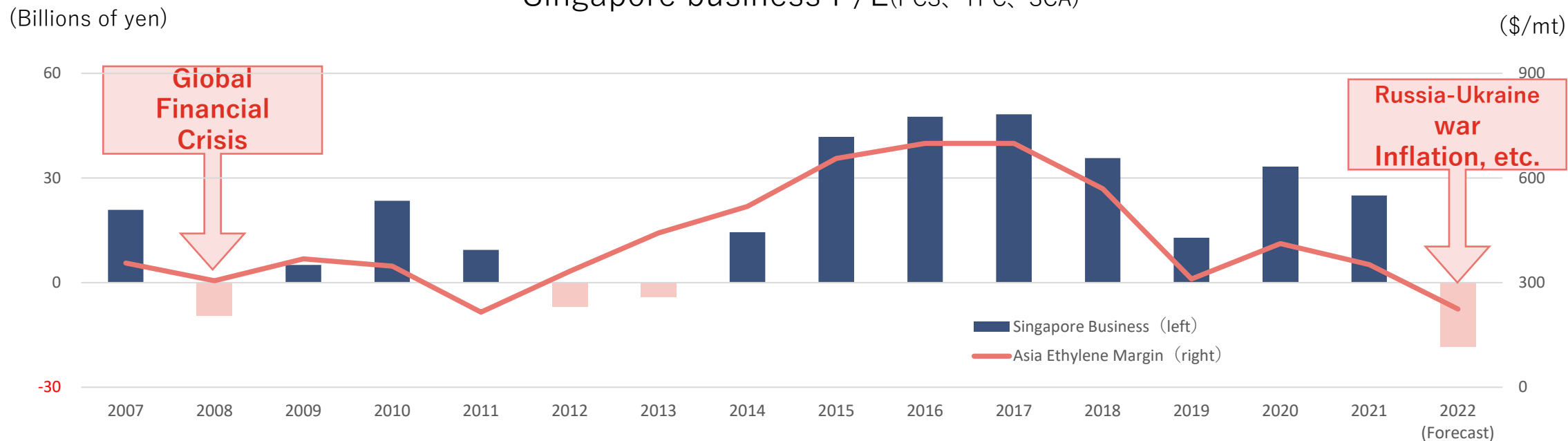
OLED polarizers as a % of revenue 0% → 45% → 80%	Cutting-edge resist (ArF, EUV) as a % of revenue 51% → 71% → 80%	Battery materials revenue (separators and cathodes) 4 bn. → 75 bn. → 110 bn. yen	Biorationals revenue \$200M → \$350M → \$1,000M
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**The benefits of upgrades to the business portfolio have been materializing,
but the changes to the business environment have exceeded expectations**



Excluding times of upheavals to the global economy, the Singapore business has the competitiveness to generate an average of several dozen billion yen in cash

Singapore business P/L(PCS, TPC, SCA)



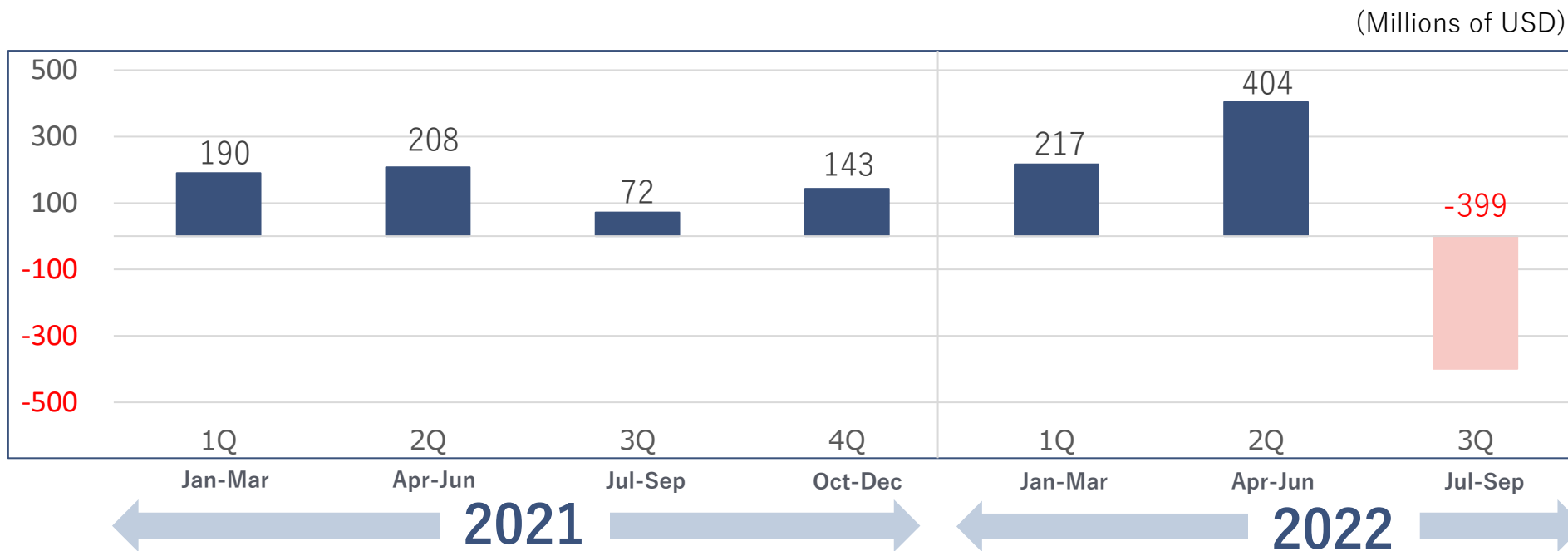
Factors for deterioration in P/L of Petrochemicals & Plastics business

- ✓ Rapid rise in feedstock prices and energy costs
- ✓ Increased supply from new capacity additions in China and the rest of Asia
- ✓ Depressed demand in China due to COVID policies

FY 23 Outlook

- Capture recovering demand while we implement the following policies, also
- Maintain stable operations and maximize high value-added mix
 - Deepen integration of Japan and Singapore operations

PetroRabigh P/L before tax

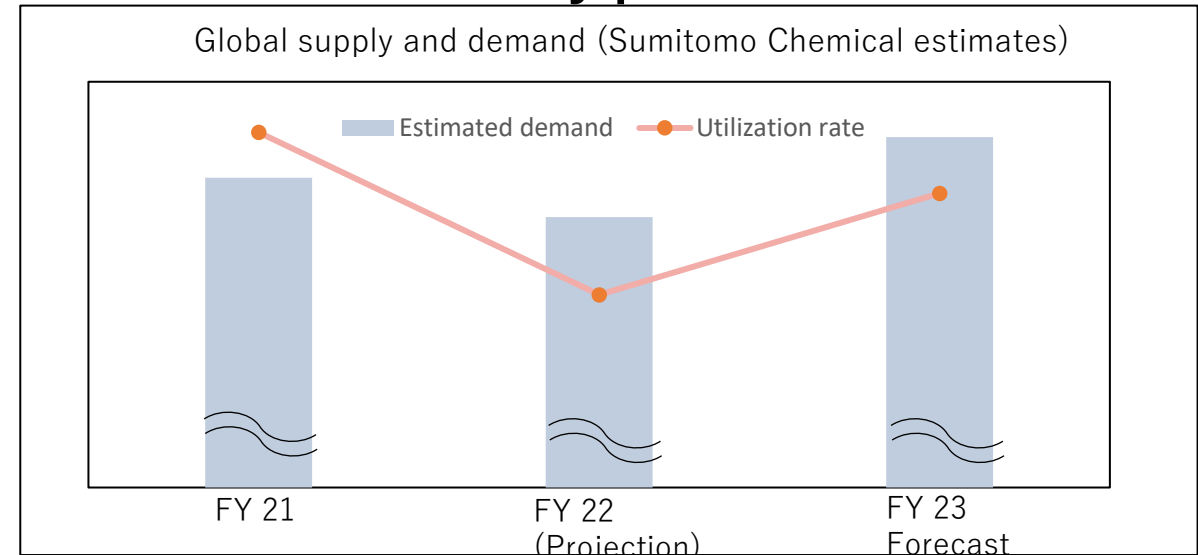
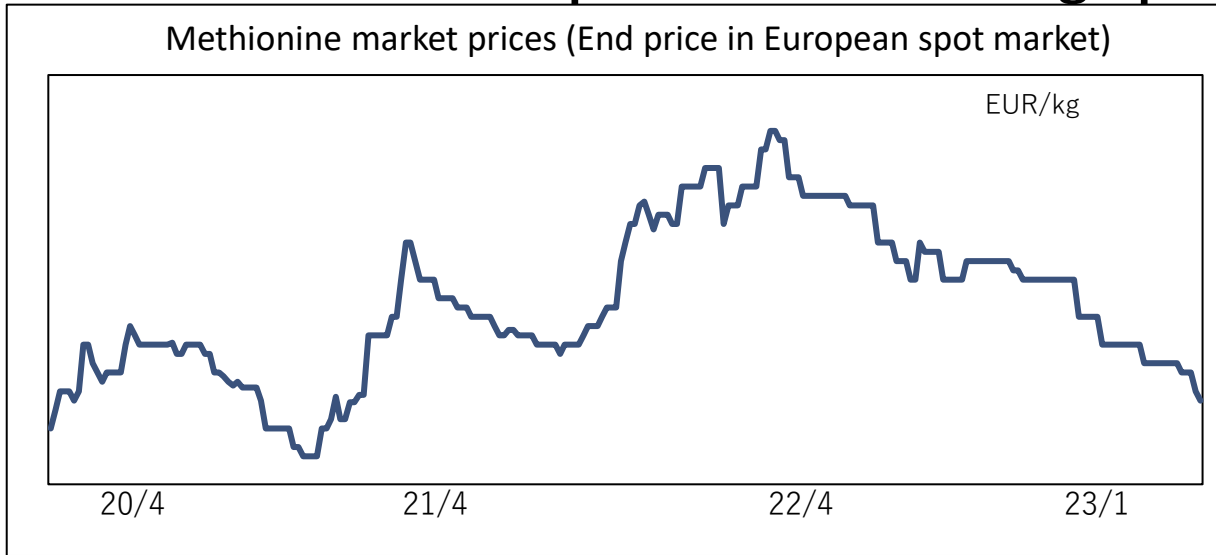


Efforts to strengthen competitiveness

Under CEO-led profitability improvement program, companywide measures to rationalize costs and improve profitability are in progress

→ Improve yield on petroleum products and reduce energy costs through higher uptime levels and stability

The present downturn in market prices is temporary. Strive to strengthen competitiveness leading up to FY 23 market recovery phase



Factors for deterioration in methionine P/L

- ✓ Reduced market prices and sales volumes due to deterioration in the balance between supply and demand for methionine

Demand side	Reduced production of chicken due to spread of avian influenza, etc.
Supply	Easier supply due to plant capacity adds at competitors

- ✓ Rising costs for raw materials and energy

FY 23 Outlook

- ✓ No plans to add capacity
- ✓ Expect 5% annual growth over the mid- to long-term due to population growth, etc.

Expect rise in market prices and recovery in sales volumes. In the meantime, implement the following:

- Price leadership actions in regions where we enjoy high market share
- Promote further rationalization through efforts to strengthen competitiveness
 - (Reduce costs, develop differentiated grade of methionine, expand lineup of new feed additives)
- Drive work efficiencies leveraging DX

Accelerate display structural reforms in response to changes in business environment

	Assumptions for the business environment	Description of efforts
Initial	<ul style="list-style-type: none"> ✓ Dissipation of stay-at-home demand ✓ Shift of LCD panel production to China ✓ Emergence of new polarizer makers in China and elsewhere 	<ul style="list-style-type: none"> ➤ Upgrade product portfolio <ul style="list-style-type: none"> • Full-fledged entry into automotive business • Strengthen development of OLED materials • Consolidate production lines
Structural changes	<ul style="list-style-type: none"> ✓ Chinese competitors taking share at greater-than-expected pace ✓ Further intensification of price competition 	<ul style="list-style-type: none"> ➤ Accelerate structural reforms of display related business <p>Focus management resources into areas of strength, such as OLED and automotive</p>

Build out infrastructure to expand sales and actively pursue sales expansion looking ahead to V-shaped recovery in FY 24

Assumptions for the business environment

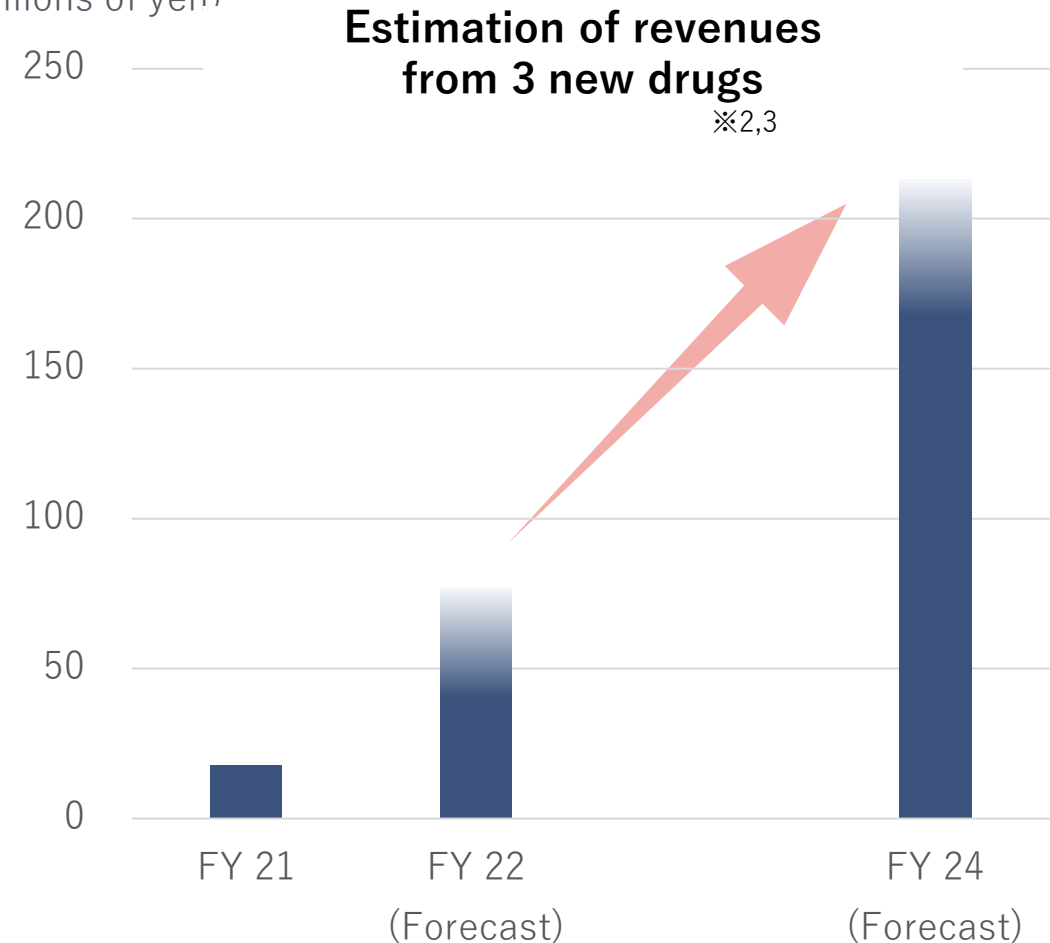
- ✓ Decline in Latuda sales in US due to loss of exclusivity
- ✓ Cancelled development of a former post-Latuda candidate

Initiatives to date

- Acquired candidates through strategic alliance with Roivant
 - Strengthened salesforce and lump sum income through alliance with Pfizer
 - Strengthened governance by making the 2 companies that have the 3 drugs wholly owned subsidiaries
- Develop internal products such as Ulotaront that are expected to grow substantially ※1

Despite delays due to COVID-19, etc., begin to accelerate sales maximization in FY 23 (Sumitomo Pharma currently drafting new mid-term plan)

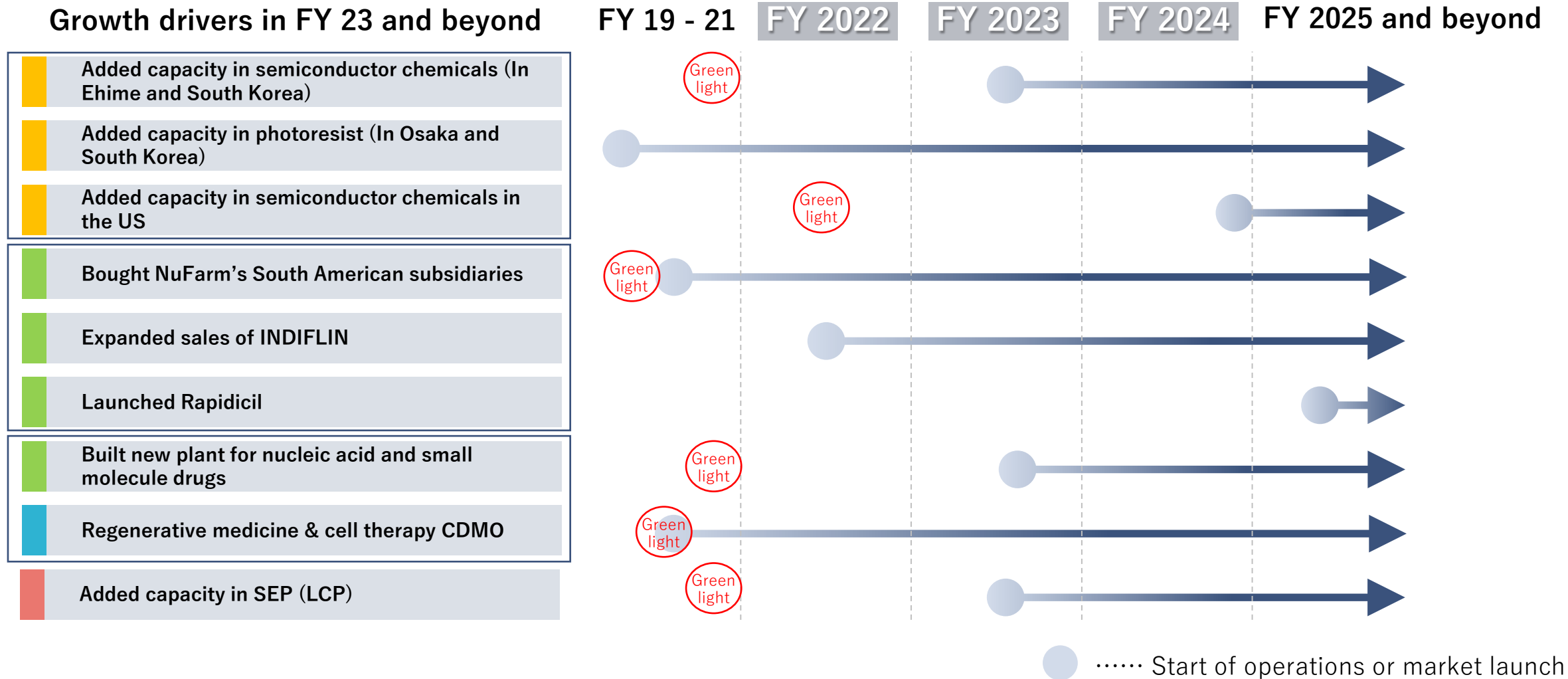
(Billions of yen)



*2 ORGOVYX: treatment for prostate cancer. MYFEMBREE: treatment for uterine fibroids and endometriosis. GEMTESA: treatment for overactive bladder.
 *3 Also includes milestone payments, etc.

※1 Atypical antipsychotic

Since FY 2023, the following growth drivers have been making full contributions to business performance. **Several dozen billion yen** contribution to profit in FY 2024.

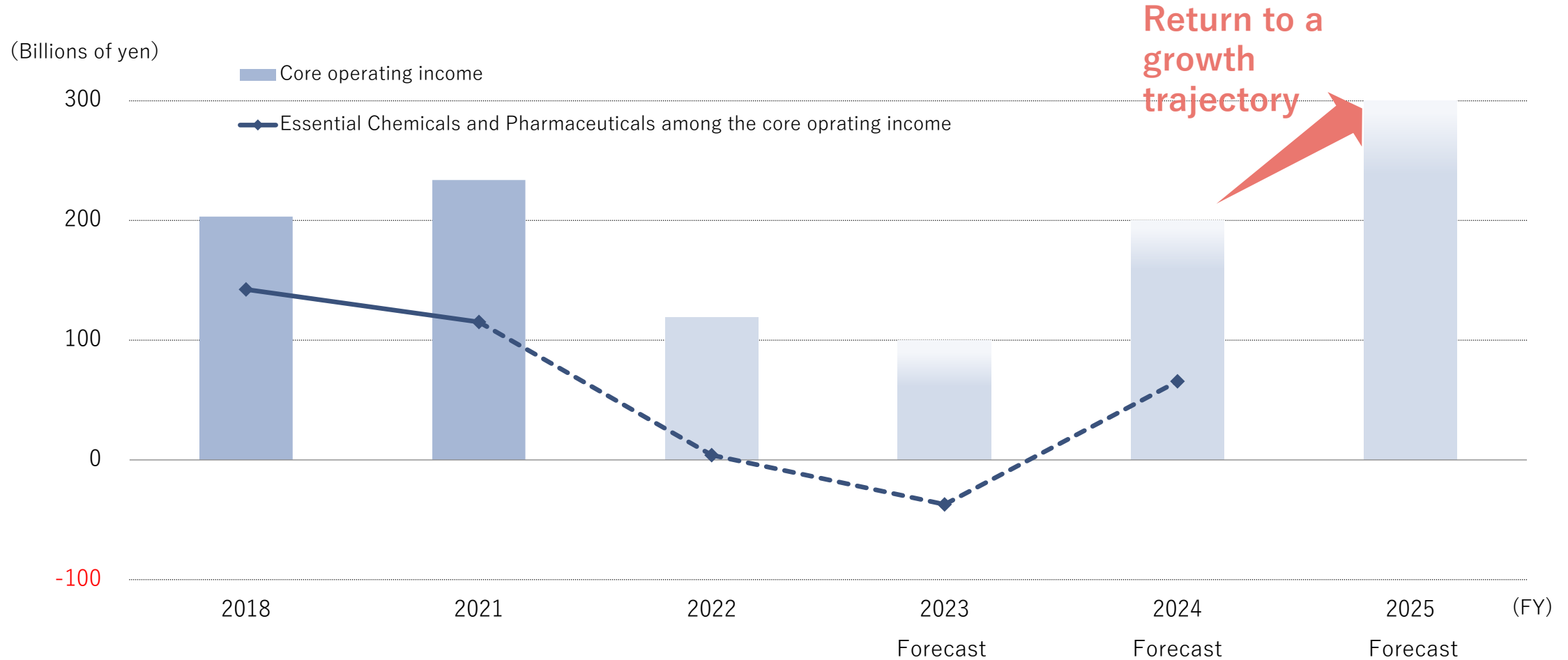


Amid greater-than-expected environmental changes, comprehensively review measures prescribed under our Corporate Business Plan and accelerate business performance recovery.

Direction for review

Business portfolio	Cull inefficient businesses and accelerate metabolism
Cost rationalization	Efficiency of headquarters and overhead costs by improving productivity
More selective investments	Be selective on projects, to aim for 750 billion yen or less as originally planned
Improve asset efficiency	Sell more cross-shareholdings Reduce inventories through inventory visualization and strengthened management leveraging IT and DX

Outlook for FY23 Business Performance



Section
02

Human resources strategy

Hiroshi Niinuma
Executive Vice President

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Securing and leveraging talent amid Japan's population decline	29
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Prologue

Unchanging philosophies

Unchanging philosophies

- Cast a wide net for talent.
- Cultivate people and treat them fairly.
- Present promising talent with challenging opportunities.
- By doing so, grow the company.



Based on these philosophies, evolve our human resources strategies and tactics

FY 2022 - 2024

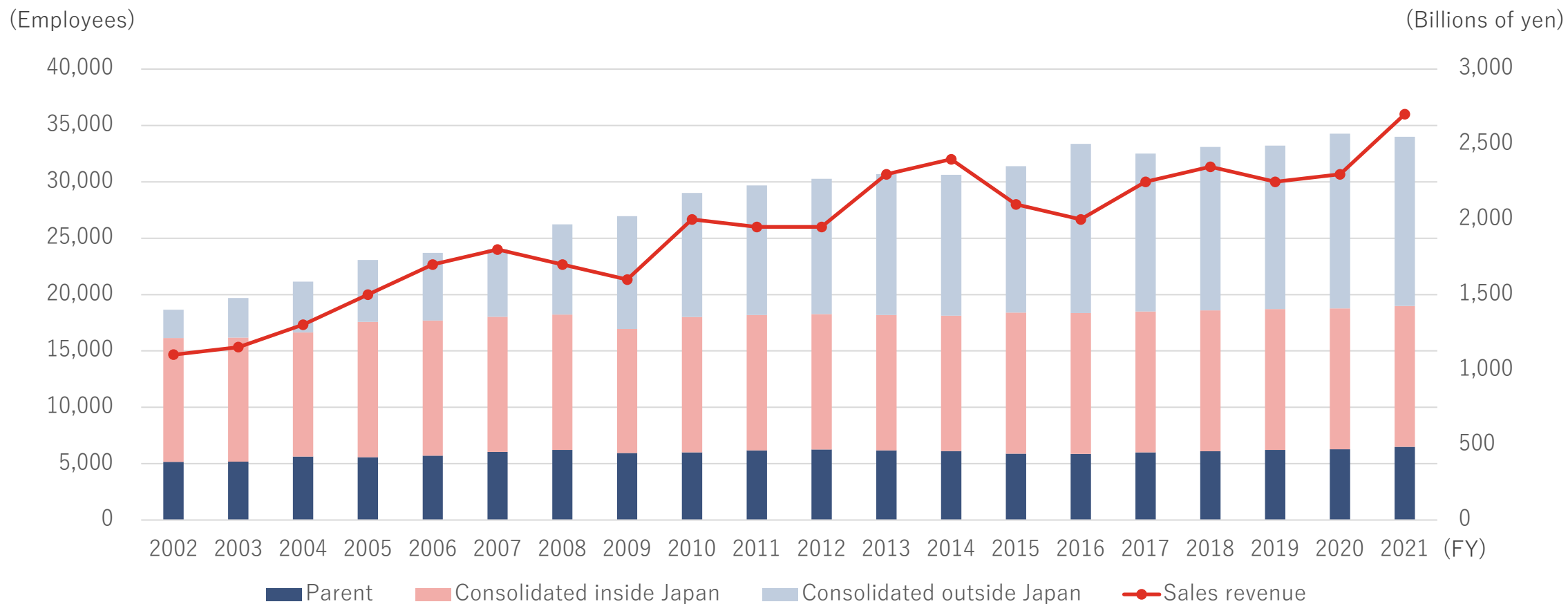
Corporate Business Plan: One of our Basic Direction

Employ, develop and leverage human resources for sustainable growth



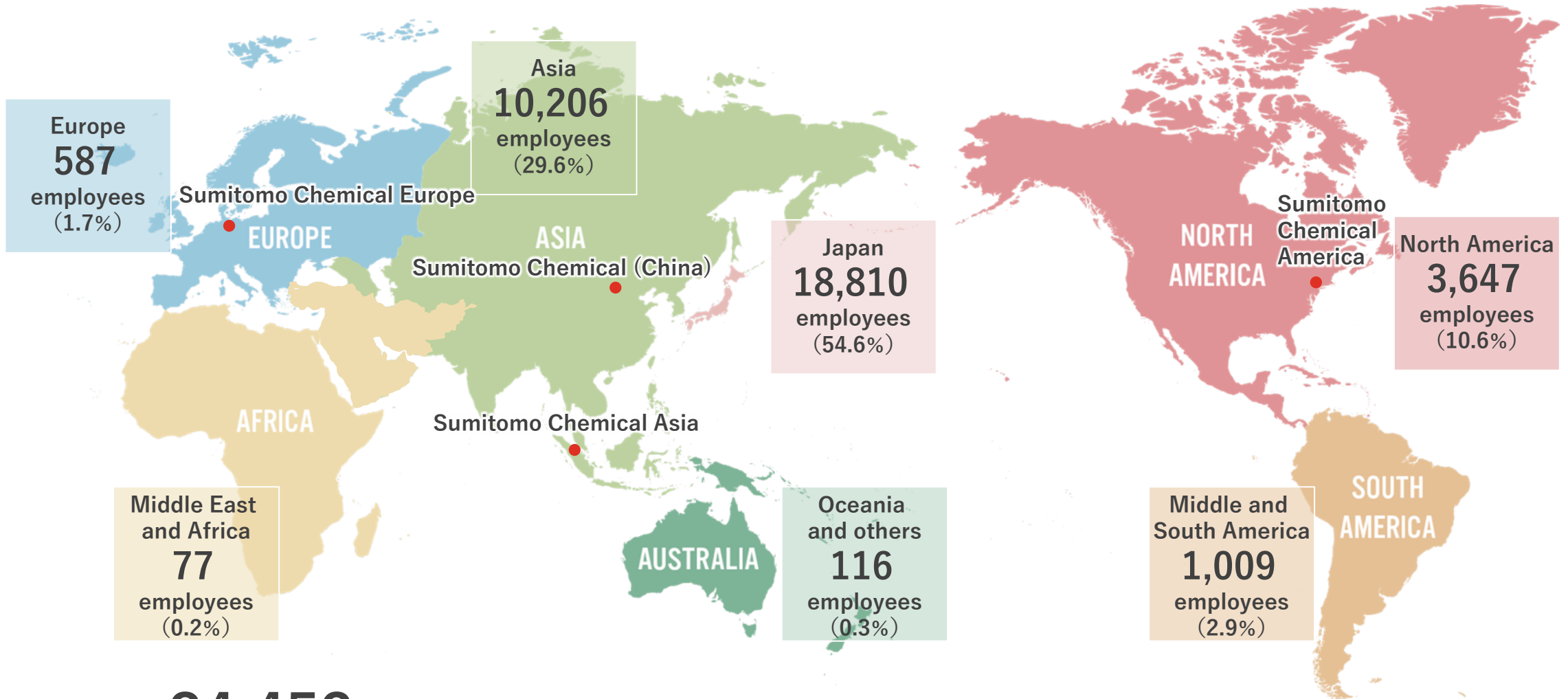
Human resources overview

Employees and Sales Revenue (consolidated) (2002 - 2021 actual)



* Full-time employees only. Does not include re-hired or contract workers. *Sales Revenue: The company changed from J-GAAP to IFRS in FY 2017.

Worldwide employees by geography

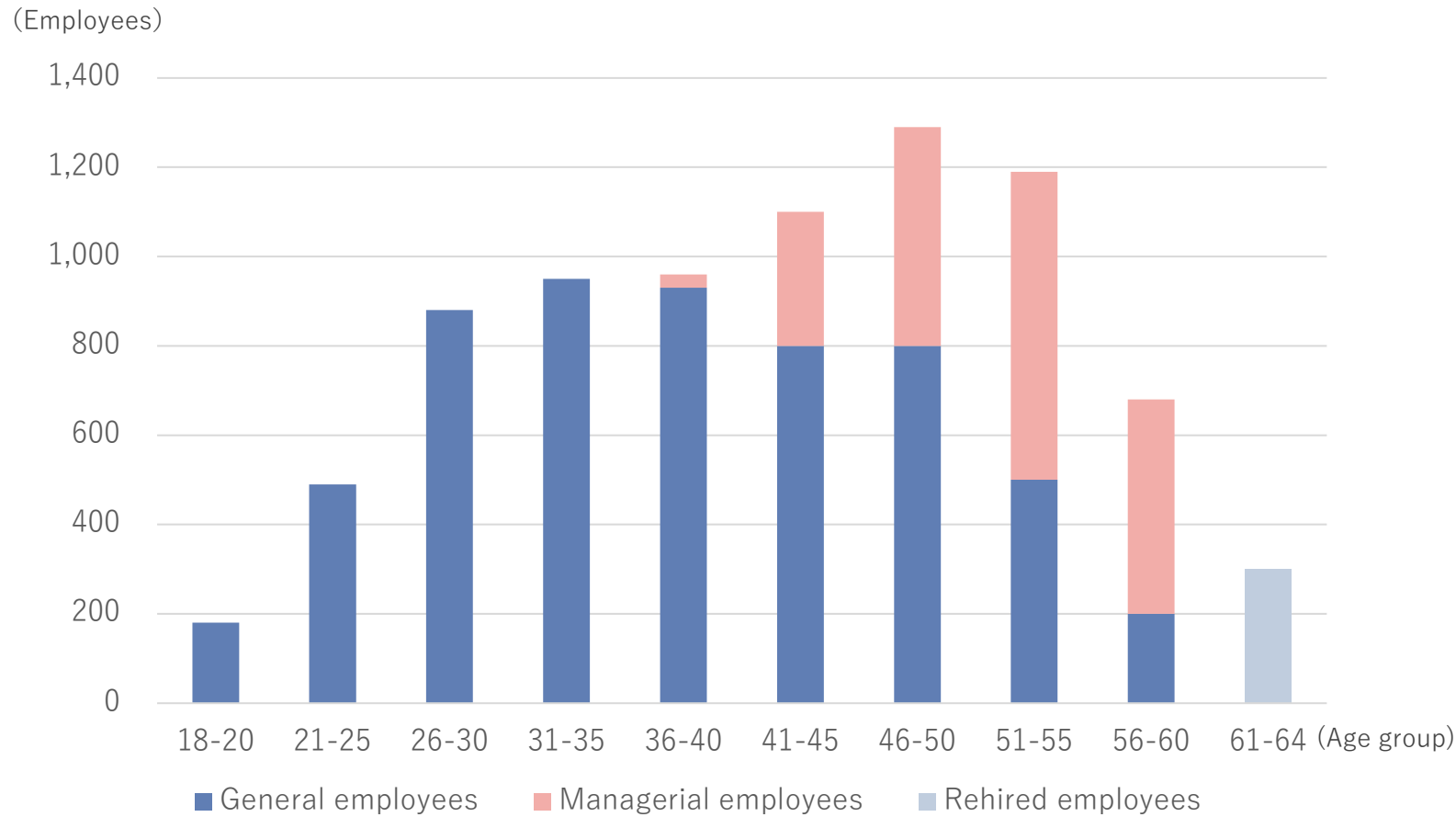


Total **34,452** employees

(Percentage of total accounted for by that geography)
*As of the end of December 2022

● Regional oversight company

Employee makeup (parent)



Total **6,488**

Percentage of experienced professionals hired into positions equivalent to manager or above

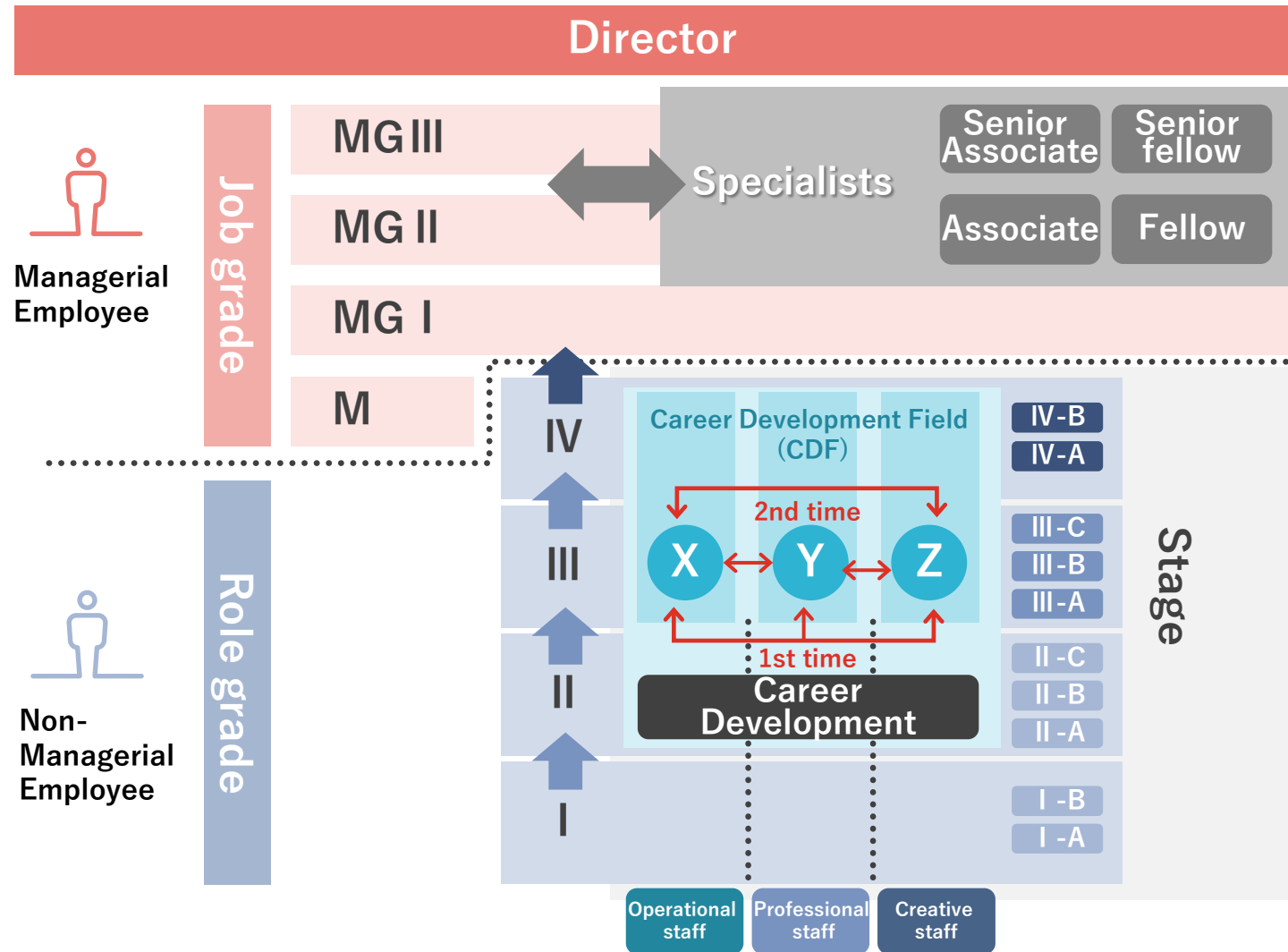
26%

Percentage of employees who are 60+ years of age

3%

As of April 1, 2022

Outline of a system based on positions and roles (parent)



Dual Ladder System Careers for Specialists

Associate

Possesses extraordinary specialized knowledge and abilities in a specific field and can be expected to make a substantial contribution at Sumitomo Chemical in that field

Fellow

Based on a high level of expertise, has achieved extraordinary research results and can be expected to continue to make a substantial contribution in research activities at Sumitomo Chemical moving forward

Career Development Field (X/Y/Z)

Selected based on difference of career aspirations

X: A career in which the employee takes on a specified role, while also working on tasks that support the maintenance and development of Sumitomo Chemical's business over the medium to long term.

Y: A career in which the employee works on tasks that contribute to the development of business as a professional, within a role with a defined scope.

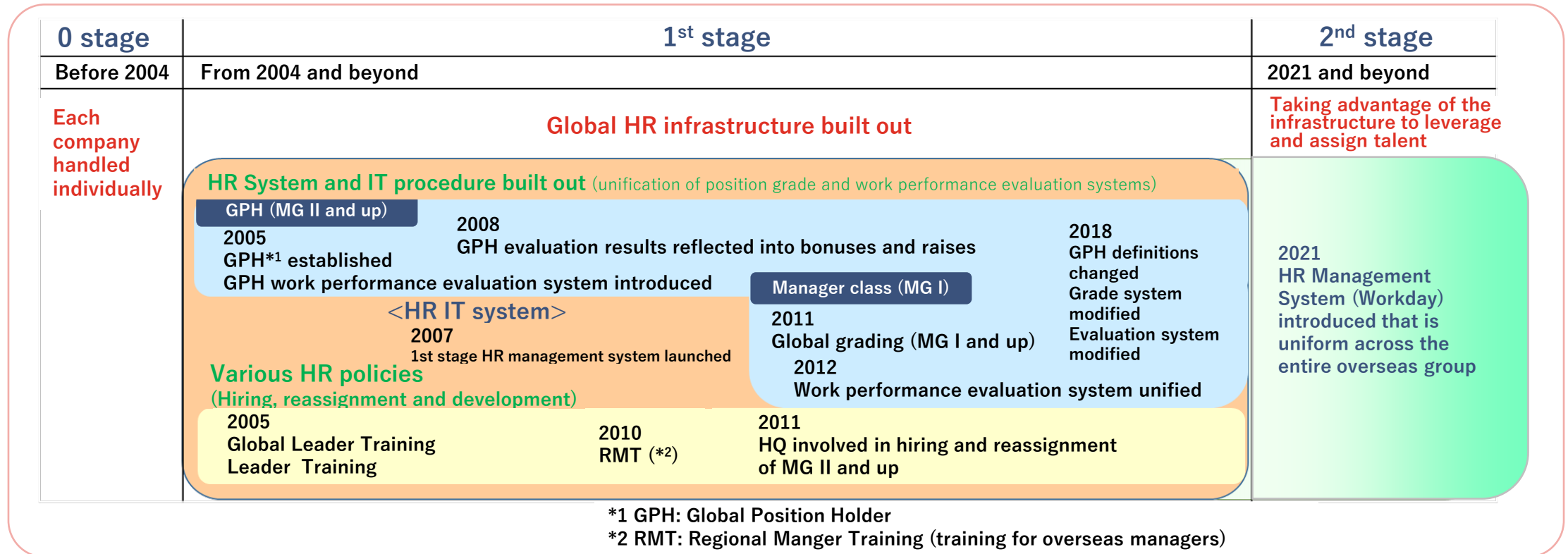
Z: A career in which the employee works on a variety of tasks supporting things like the development of new technology and the increasing sophistication and complexity of business.



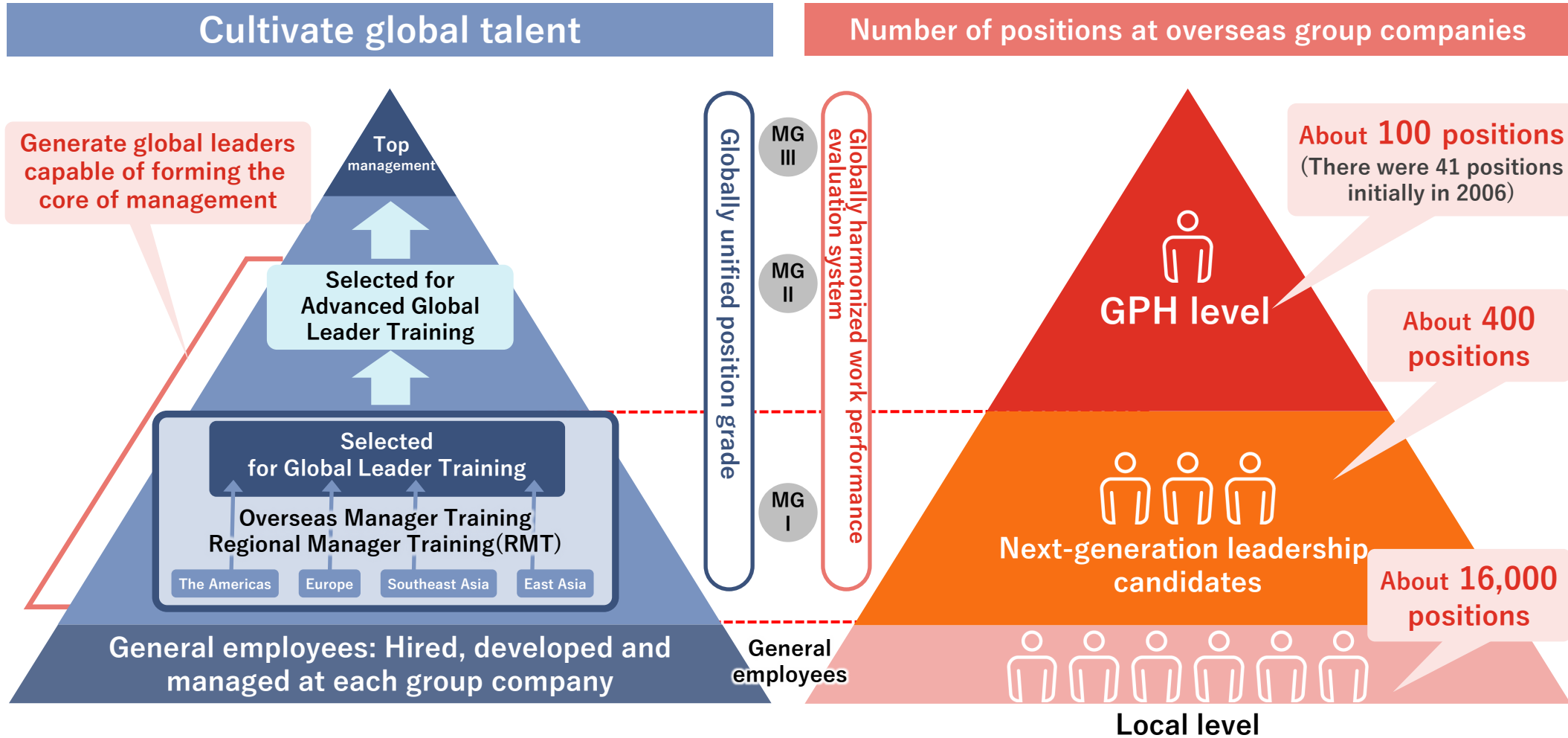
Leverage global talent to 2nd stage

With a focus on overseas talent since 2004, we have striven to fully leverage global talent across the entire group

Aiming to achieve The Right Person in the Right Position on a global scale



Leverage global talent to 2nd stage



Today's main topic

Securing and leveraging talent amid Japan's population decline

- Greater utilization of talent in the 60+ age group
- Secure excellent talent
- Deeper dive into diversity (DE&I)

Greater utilization of talent in the 60+ age group

Current situation and challenges

Introduced re-hiring system in 2006. In FY 2021, **97%** were re-hired, achieving continued employment

Challenges

10 years from now, 1/6 of our employees will be 60+ years old (From 3% today to 17% within 10 years)
Tendency toward lower expectations from others and the individual's own personal drive

Migrating to a 65-year retirement age (under discussion with labor union)

- Build in systems for transferring skills and cultivating successors
- Compensate employees uniformly (including the 60+ age group) based on job and role

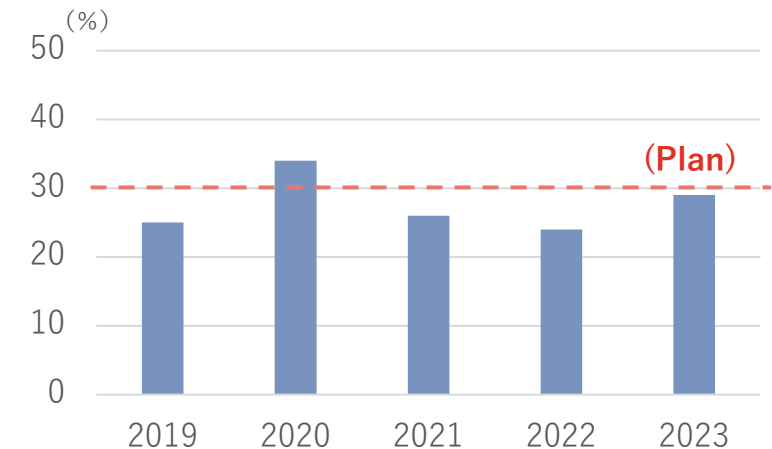
Secure excellent talent

Place import on sources of the best talent

Newly graduated creative staff hiring track record

	Technical			Administrative		
	Applicants	Hires	Multiple	Applicants	Hires	Multiple
2019	2,265	80	28.3	2,957	39	75.8
2020	2,127	93	22.9	3,450	41	84.1
2021	2,725	99	27.5	3,874	24	161.4
2022	2,287	85	26.9	3,239	31	104.5

PhDs as a % of technical hires



【Job search popularity ranking】

No. 5
within the Chemicals and Materials industry

<All industries>

No. 12 among Science & Technology graduate students

No. 16 among male graduate students

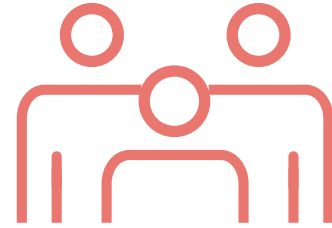
No. 14 among female graduate students

※ Job hunting ranking in 2023 by career+

Securing talent



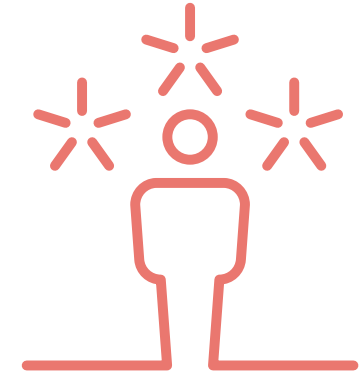
Promote a strategy that hinges on Green Transformation for growth



Provide more clarity on positions and roles in recruitment activities (for professional staff)



Strengthen hiring of experienced professionals, including those who went back to obtain a degree



Hire super-specialized digital talent

Strengthen matching of talent to the business and secure talent with diverse abilities

Deeper dive into diversity (DE&I)

Progress in advancing female engagement

From the promotion of continued employment of female employees to the advancement of DE&I leveraging diverse abilities and experiences

Supporting work-life balance

Promote continued employment by preparing an adequate environment

Enhance systems

- Establish in-house nursery care
- Up to 3 years and 11 months parental leave
- Career recovery system
- System for leave when a spouse is assigned to an overseas work position

Promoting female engagement

Reform mindsets and promote selection of women into positions

- Internal lectures for women by thought leaders
- Women leadership development cram school
- Mentoring system
- Dispatching of women employees to outside organizations

Promoting DE&I

Reform mindsets and forge workplace culture at the management level

- Diversity management training (for all section managers)
- Unconscious bias e-learning (for all employees including officers)
- Joined alliance of Ikuboss* corporations (*Ikuboss refers to managers who create space for work-life balance for themselves and those who report to them alike)
- Encouraging male employees to take parental leave
- Internal lectures by thought leaders (for officers, management and female employees)
- Seminars for the promotion of understanding for LGBTQ (all management personnel)

2010

Established Diversity Promotion Office DIV, WLB promotion labor-management committee

2016

Act on the Promotion of Women's Active Engagement in Professional Life enacted. Code of conduct created.

2018

Ms. Atsuko Muraki joined as external director

2019

D&I promoted as Material Issue KPIs set

2022

From D&I to DE&I

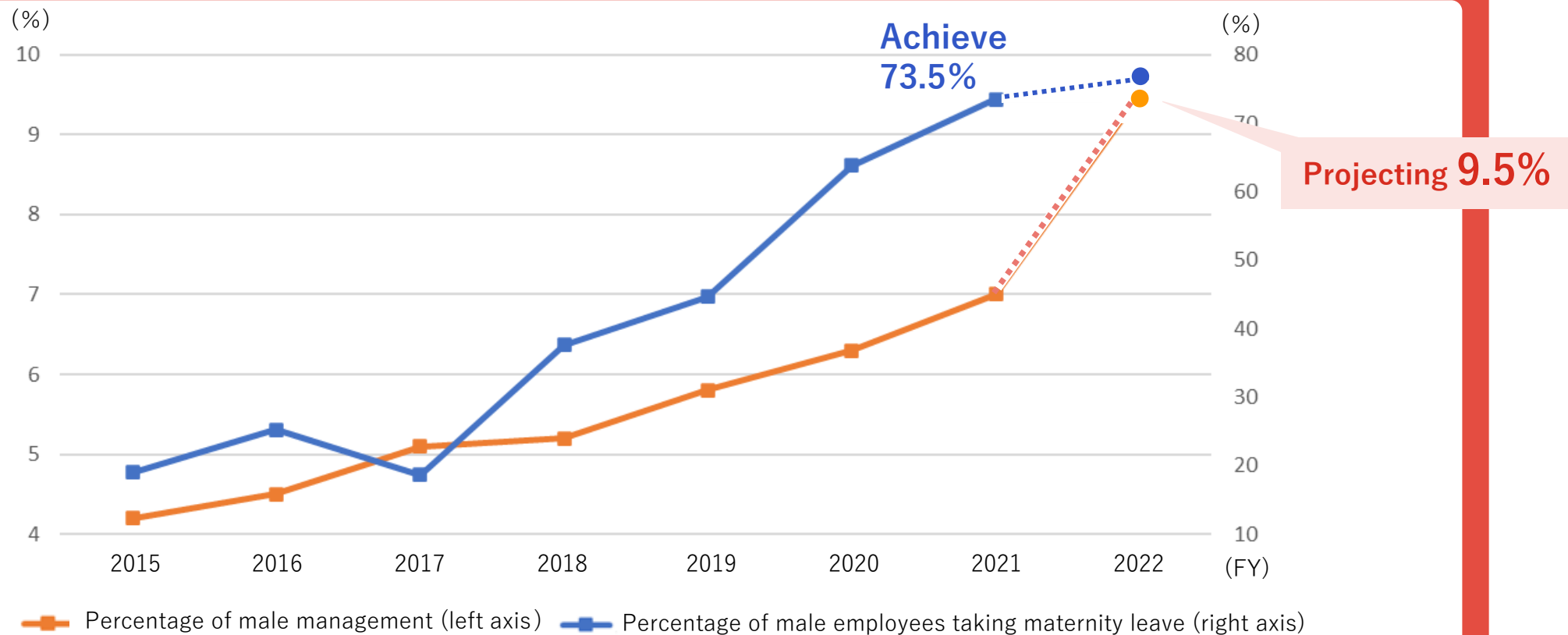
2023

New KPIs set

Deeper dive into diversity (DE&I)

KPI
FY 2016 - 2022

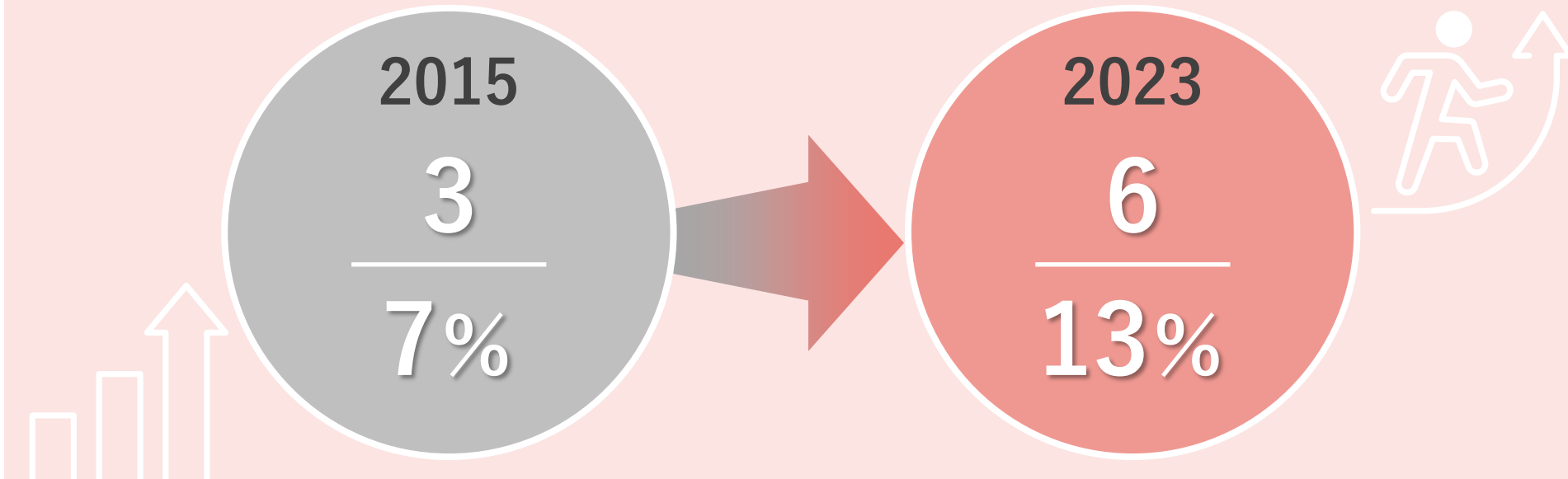
- (1) Have women in at least 10% of positions equivalent to managers or above (by the end of FY2022)
- (2) At least 70% of male employees acquire parental leave (by the end of FY2022)



Deeper dive into diversity (DE&I)

Advance placement into important positions including executive officers, research laboratory director and president of domestic and overseas subsidiaries

Number and percentage of women and non-Japanese executive officers (Parent)



Deeper dive into diversity (DE&I)

New KPI
FY 2023 - 2027



- (1) Achieve at least **15%** of employees promoted to managerial positions (equivalent to or higher than section manager) filled by female employees on average over the 5 years between 2023 and 2027

Challenge: Increase female hires (amid a small number of female students in science and technology)

- (2) Achieve at least **90%** of male employees who gave birth to a child acquire parental leave or leave related to child care during that fiscal year

Deeper dive into diversity (DE&I)

Employment of persons with disabilities



Employment rate of persons with disabilities (June 1, 2022)

» **2.54%**

*Legal employment rate: 2.3%

Sumika Partners Co.,Ltd. (special subsidiary company)

Supporting social participation of persons with disabilities and providing employment opportunities for persons with disabilities who are willing to work

Founded	August 1, 2017 *Certified as a special subsidiary company : March 1, 2018
Capital	50 million yen (Wholly owned subsidiary of Sumitomo Chemical)
Location	Head office: Tokyo Business offices: Tokyo, Osaka, Ehime,
Employees	Partners staffs (persons with disabilities): 61; Instructors: 19; Managers: 5
Major Business Fields	<ul style="list-style-type: none"> (1) Printing and binding (2) Digitization of documents and data entry (3) Delivery assistance for various documents, mail collection and delivery, venue setup, etc.

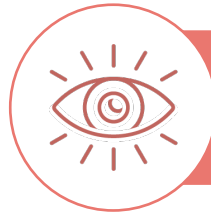
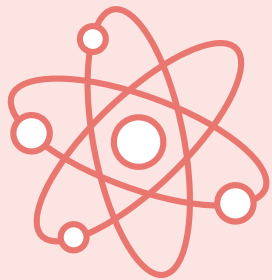




Epilogue

Evolution and Further Evolution

Evolution



Visualization of human resources policies



More rewarding and motivating work



Visualization of human resources policies

Declaration of KPIs designed to make work more fulfilling for employees

(2019~)



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.

2 DE&I

Respect and leverage diversity, promote active roles for all, and leave no one behind

- (6) Active roles for everyone regardless of gender!
- (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

3 Development and Growth

Development and growth to help our employees and the company flourish together!

- (10) No harassment
- (11) Invest in growth for everyone.
- (12) Support the desire to learn.
- (13) Study every day, grow every day.
- (14) Strive to enhance management capabilities!
- (15) Allow people to take on challenges and demonstrate their growth.

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.



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 customer first!



Visualization of human resources policies



Sumika Declaration: This is what we will do. And main KPIs.

Declaring what we want to cherish

1 Sumika Work-Life Balance Declaration

- 80% usage of paid leave
- Effective utilization of flexible work hours

3 Sumika Development and Growth Declaration

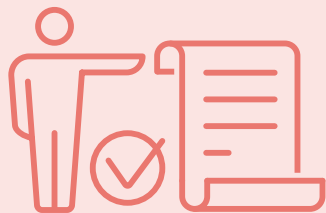
- Continue to invest 300,000 yen per person in education (FY 2021 Results: About 340,000 yen per person)
- Aim to use 10% of work hours on research or study for work (FY 2021 Results: About 137 hours per person)
- Enroll 800+ people per year in management training

2 Sumika DE&I Declaration

- Women in at least 10% of management positions by the end of 2022
- At least 70% usage of parental leave by men by the end of 2022

4 Sumika Healthy Employee Declaration

- 100% of employees receive exams for specified healthcare instruction
- Deeply rooted practice of walking 10,000 steps every day



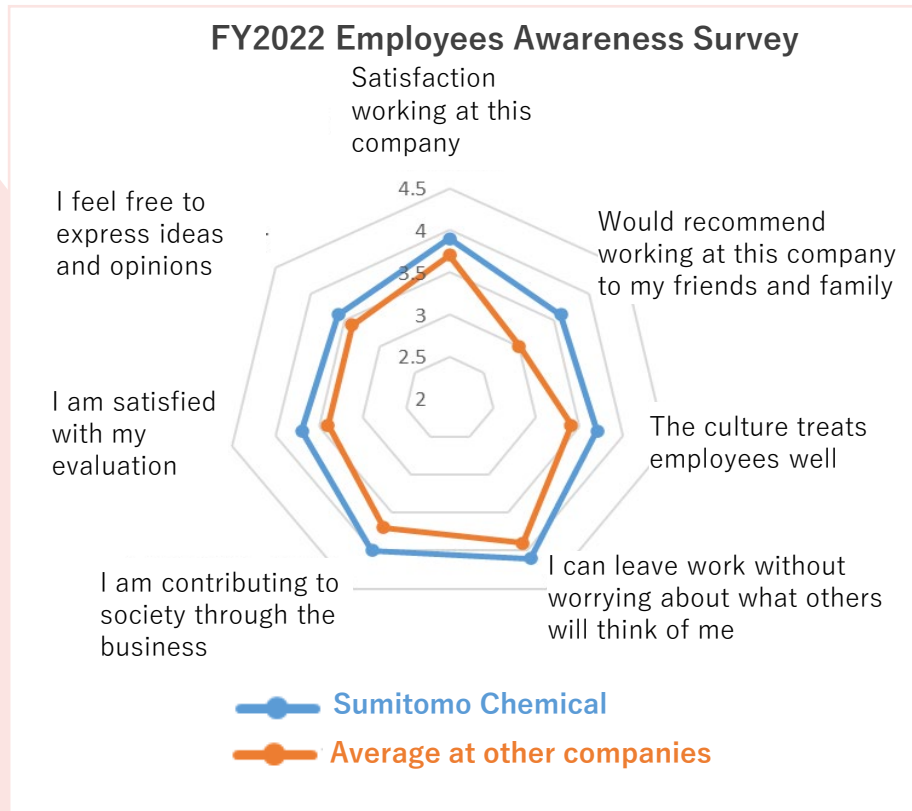
5 Sumika Work Style Declaration

- All employees receive training in basic digital education
- Frequency, duration and participants in meetings 1/2 of 2019 levels



More rewarding and motivating work

Overall satisfaction high. Employees like and trust their company.



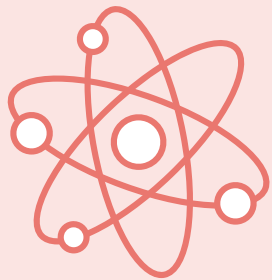
Continue to aim higher to make work more rewarding and motivating.

- Q You challenge yourself with new issues and efforts in your job. Sumitomo Chemical **3.7**
Average at other companies 3.5
- Q There is no feeling that you need to fear failure at the company. Sumitomo Chemical **2.88**
Average at other companies 3.0

Engagement survey for employees of group companies inside and outside Japan
 Trends vary by country or region, but overall favorable levels globally

- Q Are you satisfied working for the Sumitomo Chemical Group? **81.3%**
- Q Are you mindful of the management ideals and vision of the Sumitomo Chemical Group in your actions? **82.8%**
- Q Does the Sumitomo Chemical Group contribute to society through its business? **81.7%**

Further evolution



Strengthen ties to management strategy



Sharing of HR ideals and clear practice of HR strategy across the entire corporate group inside and outside Japan



Strengthen ties to management strategy

Accelerate the Development of
Next-Generation Businesses

Obligations and contributions toward
becoming **Carbon Neutrality**

Improve productivity and
strengthen businesses through
digital innovation

Personnel plan



Recruitment



Development



Rotation



Evaluation





Strengthen ties to management strategy

Accelerate the advancement of our corporate strategy by gathering together a diverse range of specialized knowledge leveraging the strength of diversified chemicals

【Leveraging human resources with a high level of expertise】

Senior Specialist: Possesses extraordinary specialized knowledge and abilities in a specific field and is not easily replaced

Fellow: Based on a high level of expertise, has achieved extraordinary research results and those achievements have been recognized outside the company, as well

Material issues to be addressed as management priorities

Environmental

Achieve environmental recovery on earth and coexistence between humans and nature



4 senior specialists

(climate change measures, etc.)

Food

Secure stable food supply and realize harmony with the environment



2 senior specialists and 5 fellows

(Veterinary medicine and entomology)

Common infrastructure



8 senior specialists and 2 fellows

(Intellectual property law, safety engineering, mechanical engineering, controls engineering, quality control engineering, accounting, etc.)

Healthcare

Secure healthy lifestyles for people throughout the world



1 senior specialists and 1 fellow

(Organic chemistry and biochemistry)

ICT

Achieve an inclusive society leveraging ICT



2 senior specialists and 3 fellows

(High polymer chemistry and condensed matter physics)



Strengthen ties to management strategy



Developing and leveraging DX talent

- **Development**
 - Internally develop and certify DX leadership talent for each business domain

Internal name	Business domain	Target number of people (by FY24)		Use cases
Data scientists	Cross domain	30		<ul style="list-style-type: none"> • Build out a data analysis environment that is easy to use with the aim to have data science spread and take root across the company • Support deployment of elemental technologies into workplaces in production, research and business
Business translator	Business	150		<ul style="list-style-type: none"> • Understand the overall business and how things get done and appropriately set challenges • Understand what DX technologies can be applied and take the lead in bridging any gaps between the business unit and IT
Business data analyst	Business	100		<ul style="list-style-type: none"> • Improve workflows and solve challenges through the automation, visualization and analysis of business data
Data engineers	R&D	100		<ul style="list-style-type: none"> • Enhance the efficiency and level of R&D leveraging Materials Informatics (MI)
Data engineers	Production	200		<ul style="list-style-type: none"> • Enhance the efficiency and level of production floors leveraging Process Informatics (PI)

*Assign multiple personnel to all business units, research groups and manufacturing sections.

- **Employee education**
 - Implement DX literacy training for all employees (e-learning)
 - Held “**DX Repository**” every year (1,200 employees including overseas group companies attended in FY2022)

- **Next steps**
 - Launch activities at the **DX 3.0 Strategy Promotion Team** with the aim of leveraging and utilizing data to generate new businesses



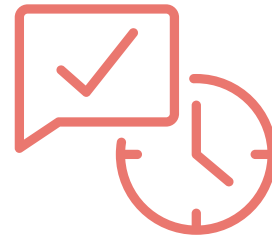
Internal secondary work trials (in preparation)

Aiming to support employees' independent career-building, discover ability alignments, and support optimizing talent placement



Participants

- About **1,600** mid-level employees



Hours and duration of time spent on secondary work activities

- Time: **20-30** hours/month
- Duration: **6** months
May be extended up to 1 year after the first 6 months have elapsed.



Dissemination of HR ideals across the domestic and overseas group companies
⇒ Well-aligned implementation of our HR strategy



住友化学

Domestic group companies

Overseas group companies



About 6,500 employees



About 12,000 employees



About 16,000 employees

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.