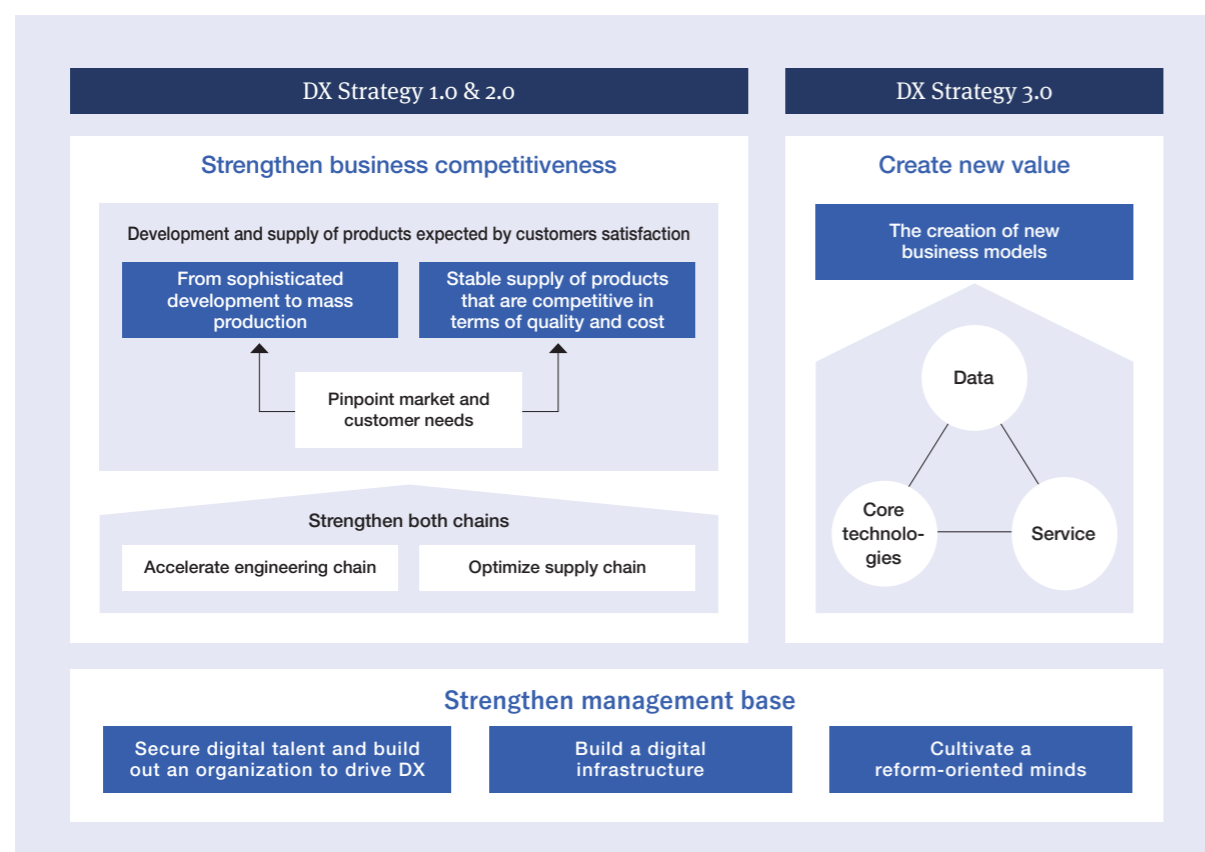


Bolster Competitiveness Leveraging DX

Our company is currently striving for a V-shaped recovery in performance, with a unified effort across the organization to drive short-term performance improvements and fundamental structural reforms. One of the driving forces behind this transformation is digital transformation (DX). For our company, which contributes to solving societal issues through the creation of new materials and products via technological development, accelerating development speed and improving operational efficiency are key to achieving renewed growth. DX is an essential element in realizing these goals and will play a critical role in our future management strategies.

DX Strategy to Accelerate Our Company’s Transformation and Growth

We position DX as the engine that drives our “transformation and growth.” By strengthening this DX engine, we aim to achieve “reinforcement of our management base” while accelerating the “enhancement of business competitiveness” and “creation of new value.” We have formulated three DX strategies: DX Strategy 1.0 focused on improving productivity in manufacturing, R&D, supply chain, and back-office operations, which has already yielded significant results. DX Strategy 2.0 aims to enhance the competitive advantage of our business, and DX Strategy 3.0 focuses on creating value through new business models. Our efforts to strengthen our management base focus on three pillars: “Secure digital talent and build out an organization to drive DX,” “Build a digital infrastructure,” and “Cultivate a reform-oriented minds.” Among these, the “reform-oriented minds” is a critical element cultivated by addressing challenges and actively engaging in transformation efforts. Additionally, by strengthening two chains—the acceleration of the engineering chain and the optimization of the supply chain—we will enhance business competitiveness. Furthermore, DX Strategy 3.0 aims to build new business models by combining unique data, core technologies, and services to create new value.

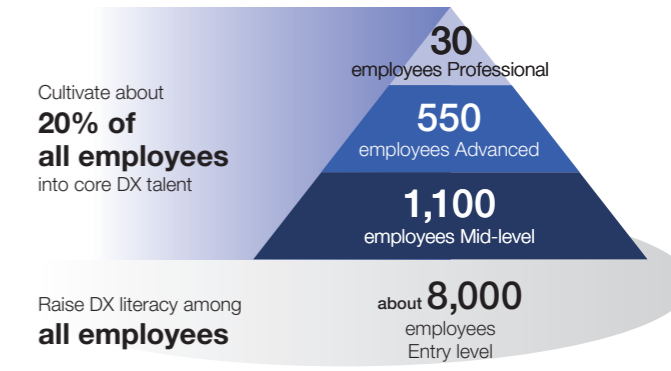


Strengthen Management Base

In strengthening our management base, we are particularly focused on “developing digital talent” and “enhancing our data infrastructure,” which serve as the foundation for promoting DX. By “developing digital talent” capable of adapting to change, we enable adaptation to new technologies and the creation of innovation. Additionally, by “enhancing our data infrastructure,” we can improve the efficiency of data utilization necessary for decision-making and service enhancement.

The development of digital talent

Our company is committed to promoting DX by focusing on the development of core DX personnel and enhancing DX literacy across all employees. Our goal is to make approximately 20% of our workforce into core DX personnel, strategically placing specialized talent in each department to lead company-wide transformation. To foster a DX transformation mindset, we launched an e-learning educational program for all employees, starting in June 2022. This program enables employees to engage in self-paced learning, thereby gradually increasing DX literacy across the entire workforce.



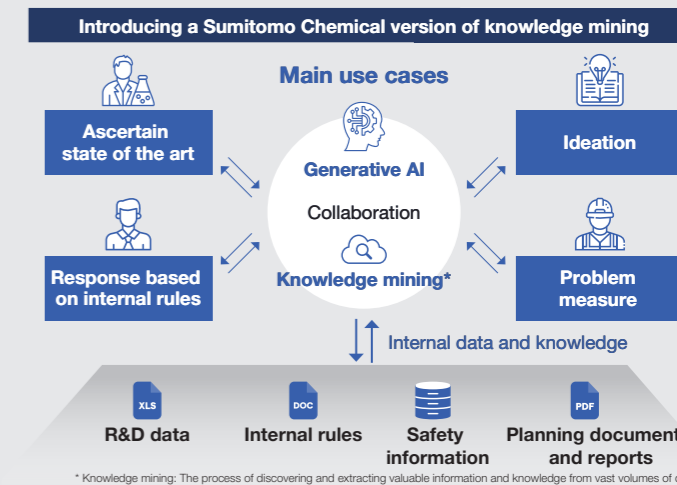
*The number of people is expected to be at the end of FY2024

Enhancement of data infrastructure

Our company views data as a critical asset and is committed to value creation from it. Achieving this requires proper accumulation, sharing, and maintaining data in a state that allows for quick access. To this end, we are advancing the development of a data utilization platform. The expansion of this platform will enable real-time understanding and insights into internal data, thereby supporting swift decision-making. This approach will enhance customer trust, foster the creation of new products and business opportunities, and contribute to the acquisition of new customers.

Leverage generative AI

Our company has introduced ChatSCC, a secure Sumitomo Chemical version of ChatGPT, a generative AI, ensuring that input information does not leave our system. By utilizing ChatSCC, we have achieved over 30% efficiency improvements in various scenarios, including document and email creation/proofreading, summarization, idea generation, and program development. Our company’s strengths lie in the core technologies associated with long-standing research and development, advanced analysis, scale-up processes, plant operations, and equipment maintenance. We aim to secure competitiveness and expand our business by leveraging the unique knowledge we have accumulated over the years. To further enhance this, we are integrating generative AI with our proprietary data, enabling more effective utilization of the vast knowledge accumulated across different departments within our company.

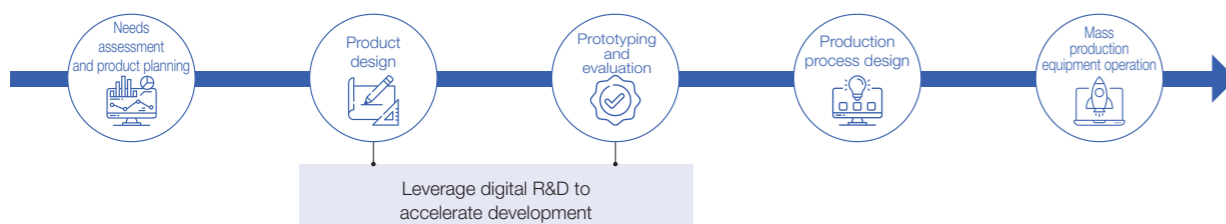


Strengthen Business Competitiveness

We will achieve the strengthening of business competitiveness by continuously implementing the initiatives outlined in DX Strategy 1.0 and 2.0. To develop and supply products that focus on what our customers value most, we are concentrating on strengthening the “engineering chain” and the “supply chain,” which are the core components of the manufacturing industry, through the power of DX.

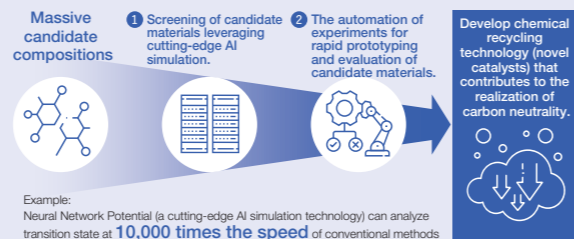
Accelerate engineering chain

Engineering chain



Acceleration of Screening for Candidate Compositions of Environmentally Friendly Catalysts through AI Simulation

Our digital R&D division is advancing catalyst development by utilizing AI simulation technology, achieving a 10,000-fold increase in computational speed compared to traditional methods. Additionally, by combining this with automation in experimentation, we can rapidly evaluate a large number of candidate catalysts. This approach accelerates the development of catalysts that contribute to achieving carbon neutrality. The introduction of such digital technologies has enabled more efficient and effective research and development processes.



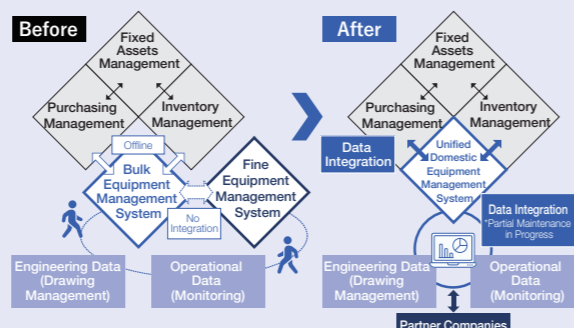
Optimize supply chain

Supply chain



Revamping the Maintenance Systems at Six Domestic Plants

We have completely overhauled the equipment management systems at our six domestic plants, standardizing the equipment management system across the company and integrating it with our enterprise resource planning system (ERP). This integration allows us to centrally manage data throughout the entire equipment lifecycle and seamlessly handle maintenance work from planning to execution in coordination with the ERP system. We have already significantly reduced the workload associated with desk work, and we aim to achieve approximately a 30% reduction in maintenance costs within a few years by realizing smart equipment management through the utilization of big data.

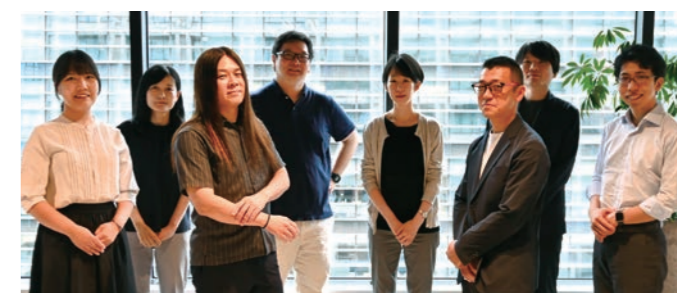


New Value Creation

In DX Strategy 3.0, we consider intangible assets centered around data as raw materials. We aim to view data analysis expertise related to materials and scientifically backed theories as means for creating new value. This approach not only focuses on providing value through materials (products) that address societal issues and enrich lives but also seeks to offer solutions and enhance customer experiences (improved experiential value) as new forms of corporate value in the future.

Biondo® and Value-nauts®

The DX Strategy 3.0 promotion team “Value-nauts®,” established in January 2023, is composed of diverse specialists, including data scientists. This team is focused on business model transformation and value creation, driving the exploration and commercialization of new businesses through data utilization. Recently, “Value-nauts®” undertook a comprehensive process from selection and planning to product development, based on business ideas gathered through an internal call for proposals. As a result, they successfully launched a new product called “Biondo®.”



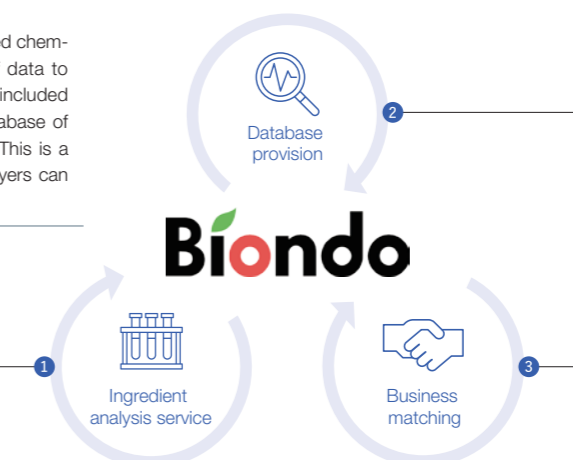
Team “Value-nauts” members

Biondo®

Leverage Sumitomo Chemical’s advanced chemical analysis technology and wealth of data to identify excellent functional ingredients included in natural materials and build out a database of materials identified to have new value. This is a platform where materials sellers and buyers can easily connect with each other.

Leveraging advanced analysis

Capable of finding multiple value points hidden in materials leveraging comprehensive analysis technology and analysis algorithms



Easily acquire the desired specialized information

Efficiently search material information from the perspective of compounds (ingredients), functionality, or the like

Material buyers and sellers are linked easily

Material buyers and sellers are linked easily. Sellers can efficiently connect with new buyers by disseminating functionality information discovered using ingredient analysis

Future of Biondo® and DX Strategy 3.0

The first theme of the DX Strategy 3.0, Biondo®, was released to the general public in July 2024. Moving forward, we will continue to incorporate feedback from users, continuously improving the system and services, and enhancing the data to further grow the service. In the data monetization business, the real challenge begins after the product release, so the journey for Value-nauts® is far from over. However, we are embracing this challenge with enthusiasm. Additionally, the development of the next theme in the DX Strategy 3.0, following Biondo® (NextBiondo®), has already begun, and Sumitomo Chemical’s efforts to create new value through data utilization are steadily advancing. We will continue to accelerate our initiatives to meet everyone’s expectations, so please look forward to our future endeavors.



Shinya Nishino, General Manager, Digital and Data Science Innovation Dept.