

Progress of the Corporate Business Plan and Structural Reforms

In the 2022-2024 Corporate Business Plan, we aim for sustainable growth by maximizing the “Power” of our diversified technologies, human resources, and growth opportunities through the promotion of green transformation (GX) in the integrated chemical industry. While the performance for FY2024, the final year of the plan, is expected to fall significantly short of the initial targets, we aim to achieve a V-shaped recovery through the implementation of immediate-term, concentrated measures to improve business performance and fundamental structural reforms. Furthermore, we are committed to transforming into a company that addresses societal issues through innovative technologies, pursuing sustainable growth.

FY2022-2024 Corporate Business Plan

Change and Innovation ~with the Power of Chemistry~

The slogan for the current Corporate Business Plan remains unchanged from the previous Corporate Business Plan’s “Change and Innovation,” and the sub-slogan was set to be “with the Power of Chemistry.” We will maximize the “Power” of Chemistry by combining our greatest strength in the diversity of businesses, technologies, geographies and people with the growth opportunities presented by changes in the environment surrounding the Company, such as sustainability and digital innovation.

	FY2023 Performance	FY2024 Forecast (Revised Corporate Business Plan as of May 2023)	FY2024 Forecast (Announced on May 15, 2024)	FY2024 Forecast (Announced Forecast - Corporate Business Plan)
Sales Revenue	24,469	30,000	26,700	-3,300
Core Operating Income	-1,490	2,000	1,000	-1,000
Operating Profit (IFRS)	-4,888	1,800	700	-1,100
Net Income Attributable to Owners of the Parent	-3,118	1,000	200	-800

Current Situation and Performance Trends

Since the 2000s, our company has pursued three core strategies: strengthening the fundamental competitiveness of the petrochemical business, securing critical mass in the life sciences business, and fostering new businesses centered around ICT. These efforts have been aimed at enhancing our medium- and long-term profitability. As a result, up until the current Corporate Business Plan, we have seen certain successes, such as the expansion of our global business operations and the advancement of specialization through the growth of non-petrochemical businesses, such as IT-related Chemicals and Health & Crop Sciences.

However, alongside external factors such as the accelerated commoditization of technologies and the establishment of large-scale plants in countries such as China, internal factors have also played a role, including the dispersal of management resources as the five business sectors pursued their own growth, and a lack of discernment and development capability in the pharmaceutical sector. Consequently, the petrochemical businesses, including Petro Rabigh, and Sumitomo Pharma experienced poor performance. As a result, in 2023, we recorded a record net loss of 311.8 billion yen, recognizing that the growth model driven by our existing five business sectors has reached its limits.

FY2023 Performance

External factors	<ul style="list-style-type: none"> ●Accelerating commoditization of technology ●Construction of new large-scale plant in China ●Increased difficulty in developing new drugs 	Internal factors	<ul style="list-style-type: none"> ●Dispersion of management resources through diversified management ●Lack of discernment and development ability in pharmaceuticals ●Lack of competitiveness of growth drivers
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FY2023 Net Income -311.8 billion yen	Key Factors	Sumitomo Pharma LATUDA® cliff	Petro Rabigh Worsening petroleum refining margins	Impairment loss ●Sumitomo Pharma's non-current assets ●Chiba Works, Singapore MMA ●Methionine
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Immediate-term, concentrated measures to improve business performance	Cash generation and profit improvement through business restructuring, inventory reduction, more selective investments, selling assets and leveraging surplus funds
Fundamental structural reforms	Revitalization of existing businesses to achieve sustainable growth after the V-shaped recovery “Revival Strategy” and establishment of a new long-term growth model, the “Growth Strategy”

Immediate-term, concentrated measures to improve business performance

We are undertaking immediate-term, concentrated measures to improve business performance to enhance the certainty of a V-shaped recovery in FY2024 and to strengthen our financial standing for fundamental structural reforms. Initially, our goal was to generate 500 billion yen in cash, but due to progress exceeding expectations by March 2024, we have revised our target upward to 600 billion yen. By using the generated cash to repay interest-bearing liabilities, we aim to achieve a rapid recovery of our financial health. Additionally, we plan to further increase the improvement of core operating income beyond the initial target of 50 billion yen.

The target revise upward to approximately 600 billion yen.

<p>Rebuild businesses</p>  <p>About 150 billion yen</p> <p>We have added further projects beyond the initial plan.</p>	<p>Reduce inventories</p>  <p>About 150 billion yen</p> <p>Approximately 75 billion yen reduction as of the end of FY2023.</p>	<p>More selective investments</p>  <p>About 150 billion yen</p> <p>We will proceed with additional down-selection.</p>	<p>Sell assets and leverage surplus funds</p>  <p>About 160 billion yen</p> <ul style="list-style-type: none"> ●Further sales of policy-held stocks ●Sale of welfare facilities and other assets
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Efforts to Date

 **Rebuild businesses**

Of the 120 billion yen in cash generation (initial target), **approximately 40% of the projects are on track to be achieved.**

Disclosed projects

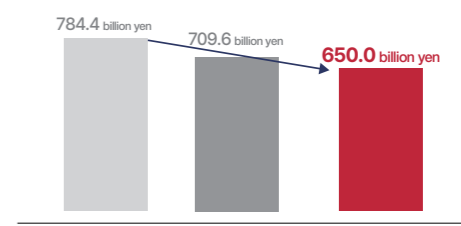
- Strengthen competitiveness in methionine and reorganize lines
- Exited cyclohexanone business
- Sold agricultural polyolefin business
- Sold resin coloring agent business
- Sold post-harvest business
- Sold China LCD chemicals business
- Sold Overseas Aluminum Smelting Business


 **Reduce inventories**

Approximately 75 billion yen reduction as of the end of March 2024.

Target further reductions by leveraging Digital Transformation (DX) or exiting or selling businesses

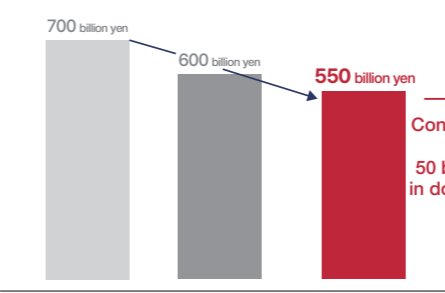
Consolidated balance of inventories




 **More selective investment**

Reduction of 150 billion yen compared to the Corporate Business Plan
Further investment reduction

FY2022-2024 cumulative capital expenditures, loans and investments plan (cash basis)




Consider a further 50 bn. yen in down-selection

 **Sell assets and leverage surplus funds**

Accelerating the sale of policy-holding shares
Aiming for further increases

- Sale of cross-shareholdings (Approx. 41 bn. yen)
- Have sold shares of Inabata & Co., Ltd. (Approx. 24 bn. yen)
- Sale of welfare facilities, etc. (Approx. 10 bn. yen)
- Effective utilization of surplus funds by overseas group companies (Approx. 70 bn. yen)

Transition of cross-shareholdings (Billions of yen)



Fundamental structural reforms

To achieve sustainable growth after the V-shaped recovery in FY2024, it is essential to implement fundamental solutions to the structural management challenges our company faces. Under the initiative titled “Fundamental Structural Reforms,” we are focusing on two key strategies: the “Revival strategy,” aimed at revitalizing existing businesses, and the “Growth Strategy,” focused on establishing a new long-term growth model and fostering new growth drivers.

Revival Strategy

Rebuild Sumitomo Pharma:

Quickly stop the bleeding of cash while we consider all options to return to growth

Thorough rationalization of SG&A and R&D expenses

In FY2024, we are implementing significant reductions in selling, general, and administrative expenses (SG&A) as well as research and development (R&D) expenses, aiming for a reduction of over 100 billion yen compared to the previous year. This includes the full-year impact of two rounds of workforce reductions in North America conducted in FY2023 and the effects of impairment on intangible assets. Additionally, for R&D expenses, we are streamlining our development pipeline by focusing on key areas, such as the substantial out-licensing of Ulotaront to major pharmaceutical companies and reevaluating late-stage development projects. Our company, along with a third-party corporate turnaround experts, is committed to thorough cost reductions. We are also considering streamlining our domestic operations.

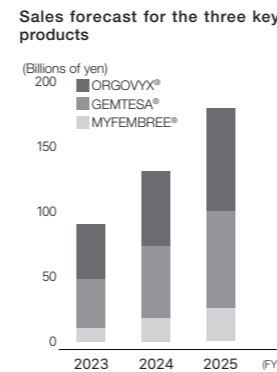
Selling, General and Administrative Expenses	△670	Research and Development Expenses	△410
Cost Reduction	△310	Streamlining Clinical Trial Costs	△220
Personnel Reduction	△260	Personnel Reduction	△180
Intangible Asset Amortization	△100	Others	△10

Concentration of development resources in the oncology field

We will focus resources on the development of DSP-5336 and TP-3654, both of which are expected to contribute to early revenue, aiming for approval and market launch by FY2027. Both agents are currently in Phase 1/2 trials and target cancers for which no definitive treatments have been established. The current clinical trials have shown excellent results in terms of efficacy and safety. DSP-5336 has the potential to reach peak net sales of around 50 billion yen, while TP-3654 has the potential to achieve peak sales of around 100 billion yen.

Expand sales of three key products

We will promote the expansion of the three key products that have gained market penetration in FY2023. For ORGOVYX®, we aim to establish its position as a first-line therapy by leveraging its status as a recommended drug for combination therapy following the revision of treatment guidelines. For GEMTESA®, we are preparing the sales structure in anticipation of obtaining approval for its expanded indication for overactive bladder associated with benign prostatic hyperplasia. For MYFEMBREE®, we are working to enhance brand recognition through strengthened media advertising.



Accelerating business growth through the establishment of a new regenerative and cell therapy company

Leveraging our strength as a frontrunner in the practical application of iPS cells, we aim to provide new value that can only be delivered through regenerative medicine. The iPS cell-derived product currently under development for Parkinson’s disease, if approved, will be the world’s first regenerative and cell therapy product of its kind. Furthermore, to accelerate commercialization, we plan to establish a new company in collaboration with Sumitomo Pharma, considering the anticipated increase in research and development as well as capital investment requirements.

Proposed Indications	Region	Development Status / Market Launch Target
Pediatric Congenital Hearing Loss (Resimic U.S.)	U.S.	Launched in March 2022
Parkinson’s Disease Priority Review Designation (in Japan Only)	Japan	Preparing for approval by FY2024
	U.S.	Phase 1/2 trial initiated
Retinal Pigment Epithelium Tear	Japan	In Phase 1/2 trial --targeting market launch in FY2028

Rebuild of the Petro Rabigh / Essential Chemicals & Plastics

Repositioning of Petro Rabigh in our business

Petro Rabigh, which aimed for overwhelming cost competitiveness through the procurement of low-cost raw materials, has been experiencing declining performance due to recent changes in the external environment surrounding oil refining and petrochemicals. As our company shifts its business portfolio towards specialties, differences in strategic positioning between us and our joint venture partner, Saudi Aramco, have become increasingly apparent.

To this end, a joint task force was formed in May of this year between our company and Saudi Aramco, where extensive discussions were held, leading to the announcement of a restructuring plan for Petro Rabigh in August. The plan includes a 3 billion dollar financial improvement through funding and debt forgiveness by our company and Saudi Aramco, as well as a review of the capital structure. As a result, Saudi Aramco will become the largest shareholder with 60% stake, while our stake will decrease from 37.5% to 15%. A plan to strengthen profitability is also expected to be announced by Petro Rabigh in the near future.

Reorganization of Japan and Singapore operations

For our Japan operations, we are advancing the rationalization of existing Ethylene plants and exploring the transition to environmentally friendly industrial complexes in the Keiyo area to achieve carbon neutrality. In addition, we will steadily execute corporate partnerships in the polyolefin business and reorganize or divest unprofitable and non-core businesses.

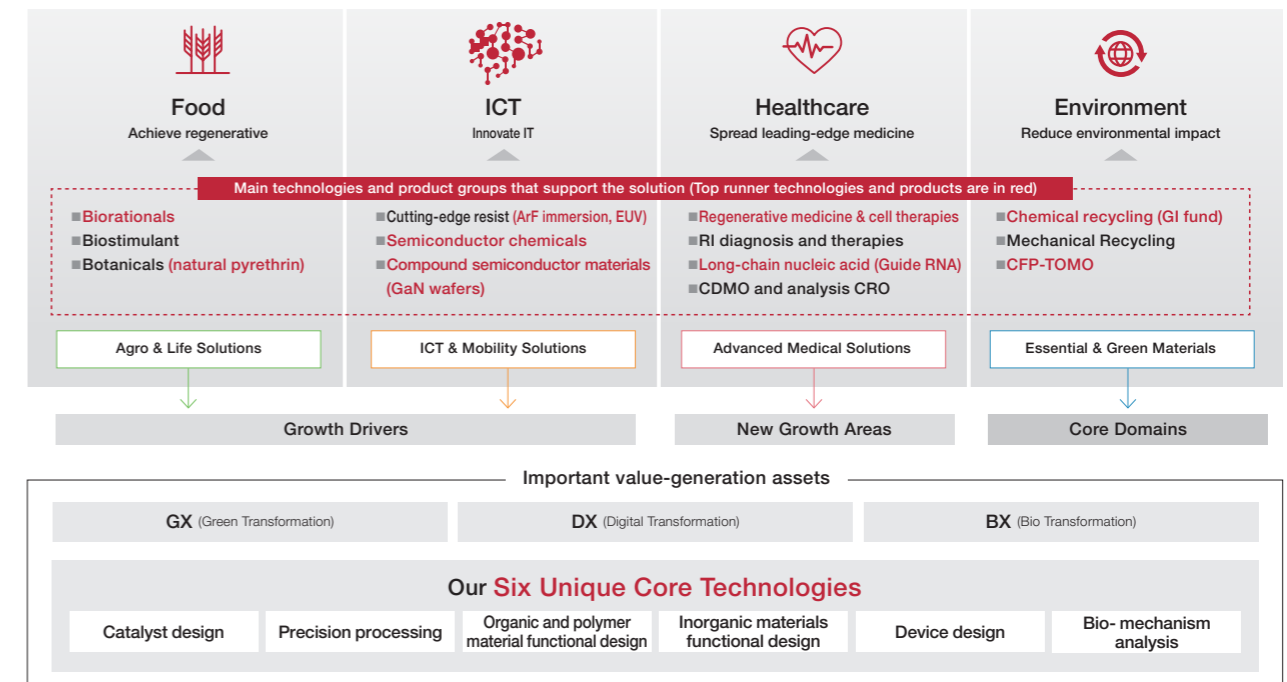
For our Singapore operations, we will focus on optimizing upstream plants through a structural reform committee that includes our partner. Additionally, in the downstream sector, we will concentrate on improving profitability by enhancing the value of our products, such as through the development of specialty high-margin grades.

Growth Strategy

Transformation into a Company that Solves Societal Issues with Innovative Technologies

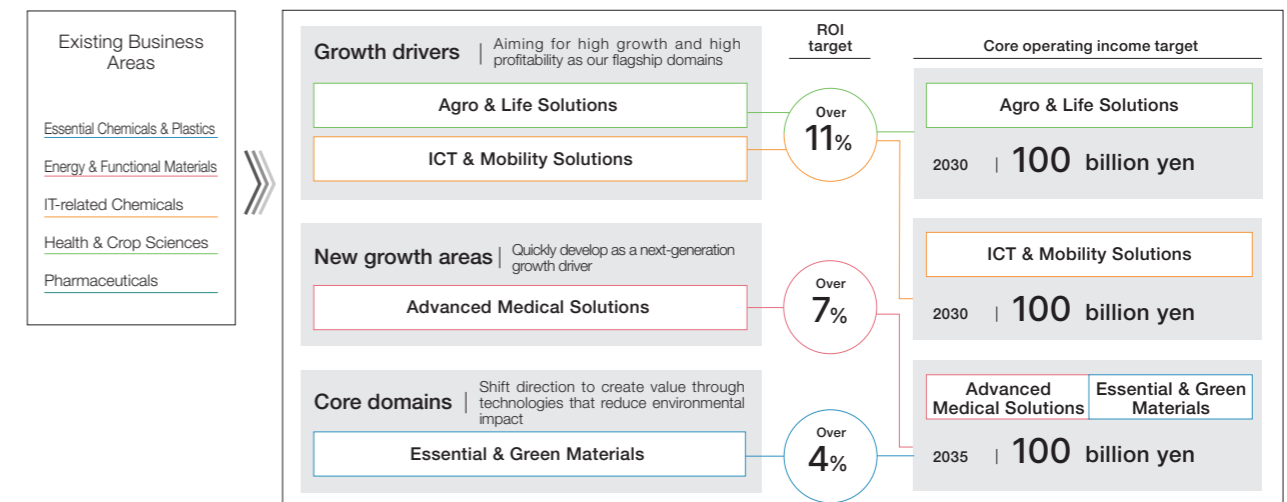
We have established our long-term corporate vision as an “Innovative Solution Provider.” Our company will leverage the six core technologies developed over our 100-plus-year history, along with the business assets derived from three areas of transformation—Green Transformation (GX), Digital Transformation (DX), and Bio Transformation (BX)—to provide solutions through innovative technologies. Our focus will be on addressing societal issues in four key areas: food, ICT, healthcare, and the environment.

Innovative Solution Provider



Four New Business Areas: Starting from October 2024

We will shift away from our previous growth model, which treated our five business segments as equivalent engines, and instead adopt a more strategic allocation of management resources with greater focus and prioritization. We have designated agriculture and ICT as our primary growth drivers for the foreseeable future, and we will focus our management resources on “Agro & Life Solutions” and “ICT & Mobility Solutions.” The advanced medical field, centered around CDMO and diagnostic drugs, is positioned as a next-generation growth area, and we will nurture the “Advanced Medical Solutions” segment. “Essential & Green Materials” will be managed with a clear concept that not only emphasizes the essential role of providing stable supplies of products that support society but also focuses on value creation through environmentally sustainable technologies.



Growth Strategy for Each Area

Agro & Life Solutions

We will contribute to regenerative agriculture through a hybrid approach that combines the chemical pesticides we have developed over many years with biorational and other natural products. While recouping our investments in research and development as well as our footprint, we will also advance the expansion of new agents in promising markets.



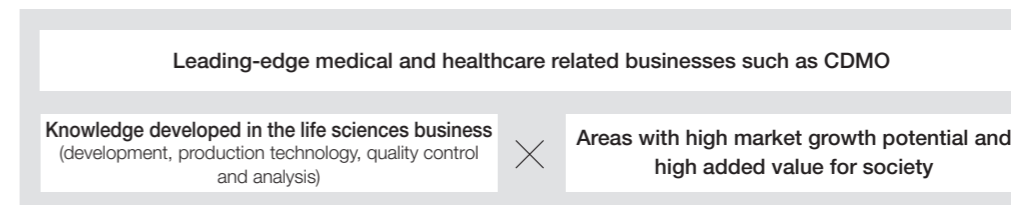
Business strategy

- Pursue contributions to regenerative agriculture leveraging agrochemicals, biorationals and botanicals
- Leverage to the hilt sales footprint in growth markets such as Brazil and India
- Expand natural pyrethrin and deploy new botanicals
- Accelerate deployment of biorationals into field of animal nutrition



Advanced Medical Solutions

Contributing to healthier and more fulfilling lives by creating and providing solutions that address diverse medical and healthcare needs through the fusion of chemical, biotechnology, and digital transformation (DX) technologies. We aim to expand our CDMO (Contract Development and Manufacturing Organization) services with a dual focus on leading-edge fields such as nucleic acids and regenerative medicine & cell therapies, as well as the small molecule sector, which constitutes the majority of pharmaceuticals.



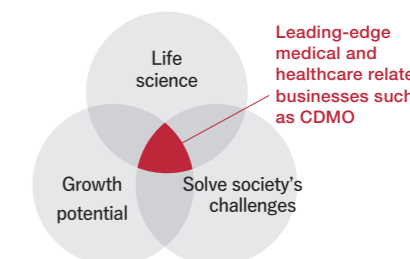
Business strategy

Regenerative medicine & cell therapies

- Accelerate deployment into US market leveraging iPS cell commercialization technology

CDMO (small molecule, nucleic acid, regenerative medicine & cell therapies)

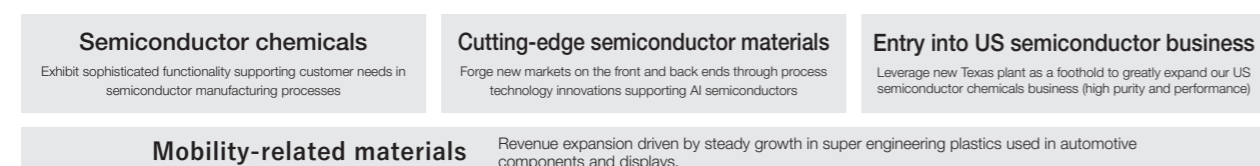
- Weaponize strong synthesis capabilities to achieve solid growth in CDMO business targeting small to mid-size molecules, where development is becoming more sophisticated
- Maximize synergies with clinical therapies development in regenerative medicine & cell therapies



ICT & Mobility Solutions

By integrating our ICT-related businesses with our mobility-related businesses, we will combine our accumulated proprietary technologies and extensive know-how to propose solutions that accelerate our customers' innovations. We will leverage our strengths in advanced semiconductor materials, exemplified by semiconductor chemicals and photoresists, and aim for further growth through the expansion of our business areas, including entry into the U.S. market.

Areas for earnings growth



Business strategy

Expand business

- Aim for top share in next-generation EUV with proprietary organic molecular resist
- Actively introduce semiconductor back-end process materials, where technology is transitioning

Expand business geography

- Full foray into US mainly in semiconductor materials

Maximize earnings in existing businesses

- Display materials: Major portfolio shift. Shift from large polarizers and FPD chemicals into performance materials for OLED and automotive applications
- Silicon semiconductor materials: Strengthen supply structure in advanced of growth in demand for photo resist and semiconductor chemicals
- Super Engineering Plastics: Expanding sales in the automotive sector

Towards long-term growth

- Earnestly advance development of next-generation displays and power semiconductor materials, which are expected to grow rapidly in the early 2030s



Essential & Green Materials

Shifting from petrochemical businesses that consume fossil resources to value creation through environmentally sustainable technologies. By combining technologies that reduce environmental impact with licensing, we aim to establish our position as a Solution Provider. Initially, we plan to establish GX-related technologies by 2030, with the goal of commercializing them in our own plants by 2035. Following that, we will focus on expanding our solutions business through overseas licensing.



Business strategy

Expand businesses that reduce environmental impact

- Focus on the development of GX technologies, with an emphasis on chemical recycling, which has been selected for the GI Fund (Example of candidate technologies)

- Ethanol to propylene
- CO₂ to methanol (ICR)
- Olefins from direct cracking of waste plastic
- PMMA chemical recycling, etc.

- Expand the solutions business, primarily focused on licensing.

- Develop and market recycled plastic products under the "Meguri" brand, utilizing our technologies.

Earnings contribution potential

Example: Ethanol to Propylene technology

Global production capacity of propylene in 2030

Approx.

200 million tons/year

Apply technology to approx. 1% (2 million tons)

CO₂ reduction contribution Equivalent to approx. **4 million tons/year**

Contribution value (2035) Approx. **40+ bn. yen/year**

*1 Prepared by Sumitomo Chemical based on data from Chemical Market Analytics

*2 4 million tons X carbon price of 10,000 yen



Chemical recycling demonstration facility