

Financial Results for FY2019 Third Quarter

January 31, 2020



(Cautionary Statement)

Statements made in this material 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.

Financial Results for FY2019 Third Quarter

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(Reference: Segment Information)

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Financial Results for FY2019 Third Quarter

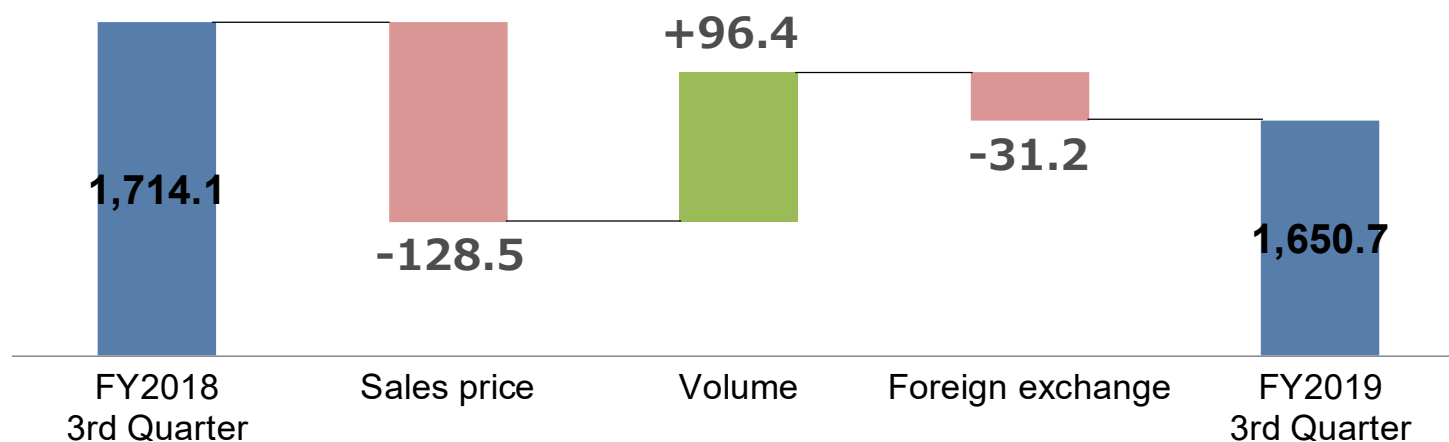
Unit; Billions of yen

	FY2018 3rd Quarter	FY2019 3rd Quarter	Difference	Ratio
Sales revenue	1,714.1	1,650.7	-63.4	-3.7%
Core operating income	154.9	116.3	-38.7	-25.0%
(Equity in earnings)	(32.4)	(19.8)	(-12.7)	-
Non-recurring items	-12.3	11.4	23.7	-
Operating income	142.6	127.7	-14.9	-10.5%
Finance income/expenses	5.6	-0.9	-6.5	-
(Gain/loss on foreign currency transactions)	(4.8)	(-1.9)	(-6.7)	-
Income tax expenses	-30.6	-60.3	-29.7	-
Net income attributable to non-controlling interests	-28.6	-28.9	-0.3	-
Net income attributable to owners of the parent	89.0	37.6	-51.4	-57.8%
ROE	9.3%	3.8%		
Exchange rate(yen/\$)	111.14	108.65		
Naphtha price(yen/KL)	52,100	42,200		
Overseas sales revenue ratio	64.9%	66.2%		

Unit; Billions of yen

	FY2018 3rd Quarter	FY2019 3rd Quarter	Difference	Ratio	Sales price variance	Shipping volume variance	Foreign currency conversion variance
Petrochemicals & Plastics	576.9	518.3	-58.6	-10.2%	-92.0	41.2	-7.8
Energy & Functional Materials	214.7	190.6	-24.0	-11.2%	-9.0	-12.0	-3.0
IT-related Chemicals	300.9	304.9	4.0	1.3%	-20.0	32.0	-8.0
Health & Crop Sciences	212.7	218.5	5.8	2.7%	-6.0	18.5	-6.7
Pharmaceuticals	371.8	382.2	10.4	2.8%	-1.5	17.7	-5.8
Others & Adjustments	37.1	36.1	-1.0	-2.8%	0.0	-1.0	0.0
Total	1,714.1	1,650.7	-63.4	-3.7%	-128.5	96.4	-31.2

Analysis



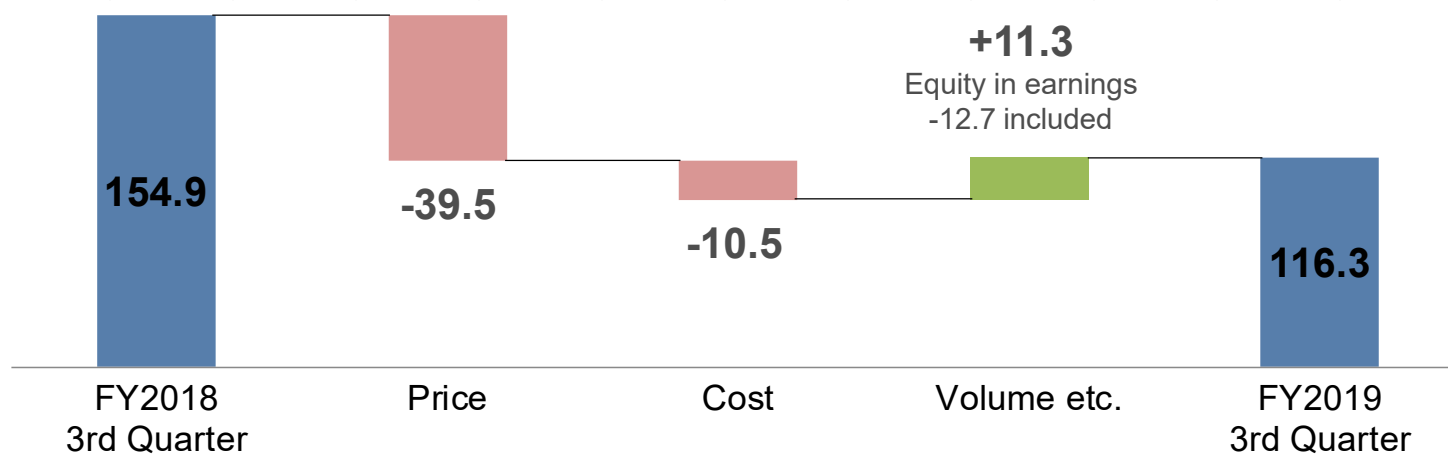
Core Operating Income by Business Segment

6

Unit; Billions of yen

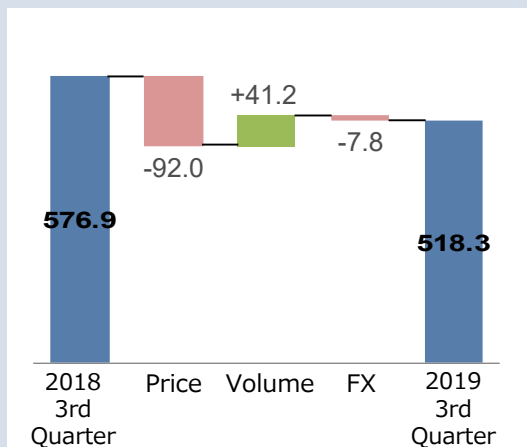
	FY2018 3rd Quarter	FY2019 3rd Quarter	Difference	Price variance	Cost variance	Shipping volume variance and other	Total
Petrochemicals & Plastics	51.8	27.4	-24.4	-12.5	-1.0	-10.9	-24.4
Energy & Functional Materials	20.2	17.7	-2.6	-0.5	-1.5	-0.6	-2.6
IT-related Chemicals	22.3	18.7	-3.6	-20.0	-0.5	16.9	-3.6
Health & Crop Sciences	3.9	-13.6	-17.5	-5.0	-10.0	-2.5	-17.5
Pharmaceuticals	59.3	67.6	8.3	-1.5	2.5	7.3	8.3
Others & Adjustments	-2.6	-1.4	1.2	0.0	0.0	1.2	1.2
Total	154.9	116.3	-38.7	-39.5	-10.5	11.3	-38.7

Analysis



Sales Revenue

Total ¥518.3 billion (-58.6 from FY2018 3rd Quarter)



Sales price

-92.0

■ Lower market prices

Volume

+41.2

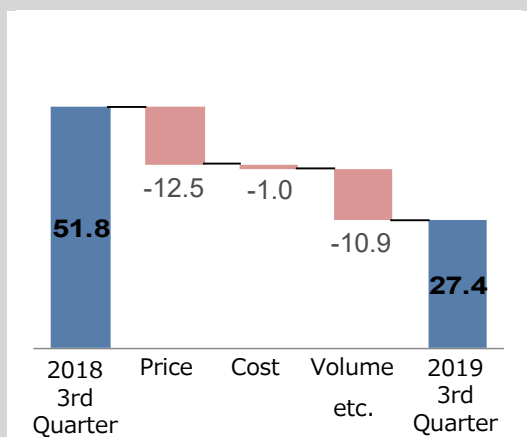
■ Increase in shipments of Rabigh products

Foreign exchange

-7.8

Core Operating Income

Total ¥27.4 billion (-24.4 from FY2018 3rd Quarter)



Price variance

-12.5

■ Decrease in profit margin on MMA

Cost variance

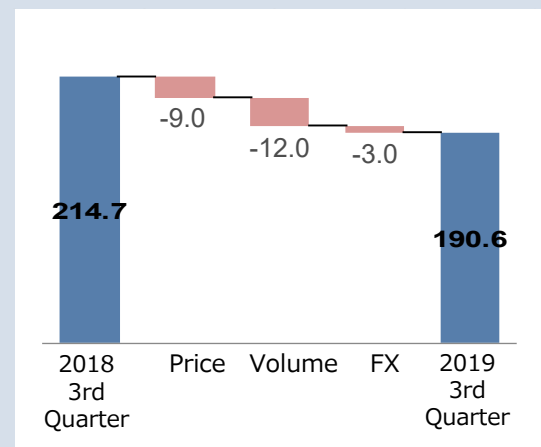
-1.0

Volume variance etc.

-10.9

■ Decrease in equity in earnings of affiliates

Sales Revenue



Total ¥190.6 billion (-24.0 from FY2018 3rd Quarter)

Sales price

-9.0

- Lower market price for aluminum
- Decline in the selling price of cathode materials

Volume

-12.0

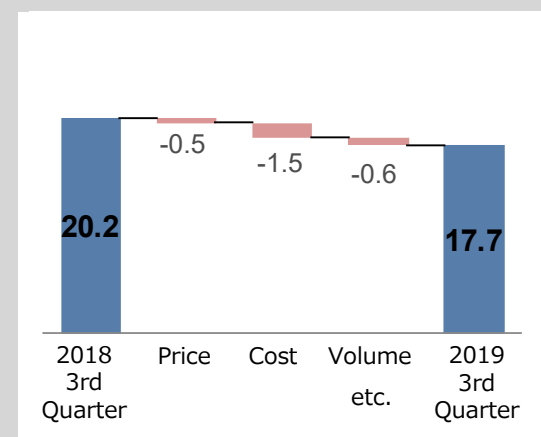
- Decrease in shipments of cathode materials
- Decrease in shipments of lithium-ion secondary battery separators

Foreign exchange

-3.0

Core Operating Income

Total ¥17.7 billion (-2.6 from FY2018 3rd Quarter)



Price variance

-0.5

- Decrease in profit margin on aluminum

Cost variance

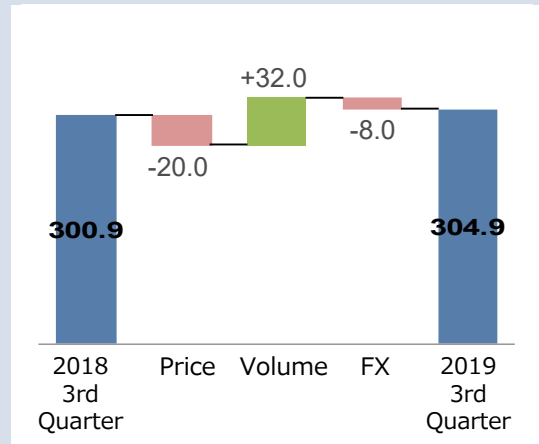
-1.5

Volume variance etc.

-0.6

- Increase in shipment volume after the FY2018 periodic plant maintenance in the Chiba works
- Decrease in shipments of cathode materials and lithium-ion secondary battery separators

Sales Revenue



Total ¥304.9 billion (+4.0 from FY2018 3rd Quarter)

Sales price

-20.0

- Decline in the selling price of polarizing film
- Decline in the selling price of touchscreen panels

Volume

+32.0

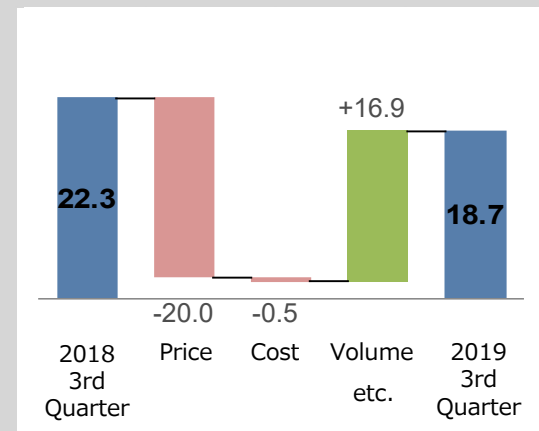
- Increase in shipments of polarizing film
- Increase in shipments of touchscreen panels

Foreign exchange

-8.0

Core Operating Income

Total ¥18.7 billion (-3.6 from FY2018 3rd Quarter)



Price variance

-20.0

- Decline in the selling price of polarizing film
- Decline in the selling price of touchscreen panels

Cost variance

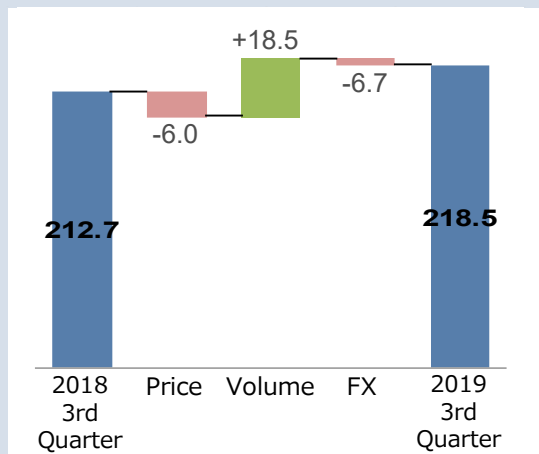
-0.5

Volume variance etc.

+16.9

- Increase in shipments of polarizing film
- Increase in shipments of touchscreen panels

Sales Revenue



Total ¥218.5 billion (+5.8 from FY2018 3rd Quarter)

Sales price

-6.0

- Lower market price for feed additive methionine

Volume

+18.5

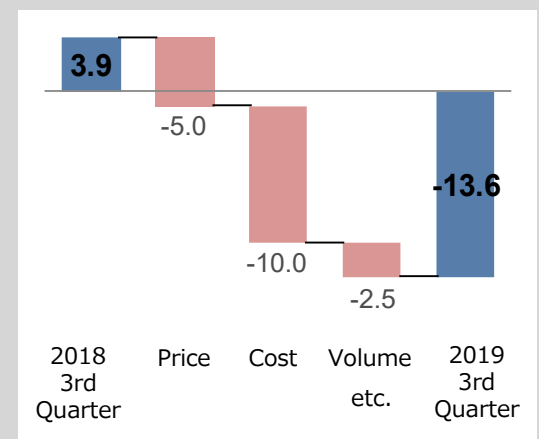
- Increase in shipments of feed additive methionine due to the expansion of production capacity

Foreign exchange

-6.7

Core Operating Income

Total ¥-13.6 billion (-17.5 from FY2018 3rd Quarter)



Price variance

-5.0

- Decrease in profit margin on feed additive methionine

Cost variance

-10.0

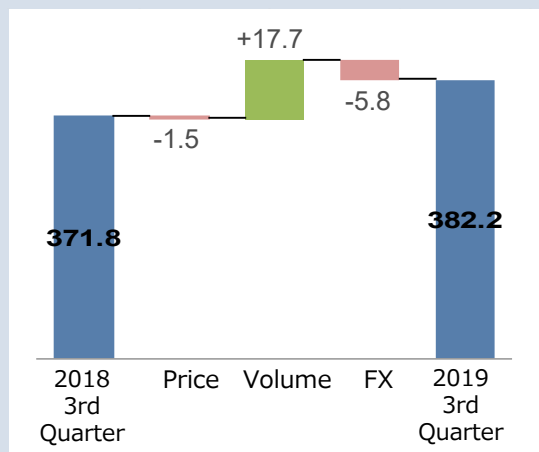
- Increase in fixed costs due to the expansion of feed additive methionine production capacity
- Increase in shipments of feed additive methionine due to the expansion of production capacity

Volume variance etc.

-2.5

- Decrease in shipments of crop protection chemicals due to the impact of extreme weather in North America

Sales Revenue



Total ¥382.2 billion (+10.4 from FY2018 3rd Quarter)

Sales price

-1.5

- NHI price revisions in Japan

Volume

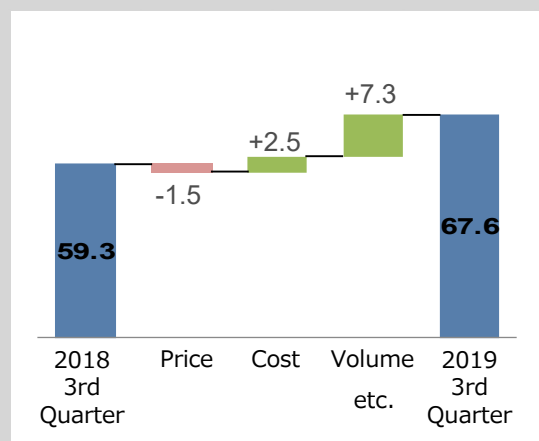
+17.7

- Increase in shipments of Latuda® in North America

Foreign exchange

-5.8

Core Operating Income



Total ¥67.6 billion (+8.3 from FY2018 3rd Quarter)

Price variance

-1.5

- NHI price revisions in Japan

Cost variance

+2.5

- Decrease in sales expenses in North America

Volume variance etc.

+7.3

- Increase in shipments of Latuda® in North America

Unit; Billions of yen

	FY2018 3rd Quarter	FY2019 3rd Quarter	Difference
Changes in fair value of contingent consideration	-5.5	40.8	46.3
Impairment loss	-	-22.7	-22.7
Restructuring charges	-6.1	-5.0	1.1
Others	-0.8	-1.7	-0.9
Non-recurring items	-12.3	11.4	23.7

				Unit; Billions of yen			
	31-Mar-19	31-Dec-19	Difference		31-Mar-19	31-Dec-19	Difference
Current assets	1,291.2	1,439.8	148.6	Liabilities	1,819.7	2,335.9	516.1
Cash and cash equivalents	201.7	309.1	107.4	Trade and other payables	482.9	468.1	-14.8
Trade and other receivables	550.0	545.2	-4.8	Interest-bearing Liabilities	839.5	1,388.4	548.9
Inventories	489.3	522.2	32.9	Others	497.3	479.4	-18.0
Others	50.3	63.4	13.1	Equity	1,351.9	1,337.7	-14.2
Non-current assets	1,880.4	2,233.7	353.4	Shareholders' equity	922.3	922.5	0.2
Property, plant and equipment	735.9	794.3	58.4	Other components of equity	76.4	51.1	-25.3
Goodwill and Intangible assets	343.5	548.3	204.8	Non-controlling interests	353.2	364.2	11.0
Others	801.0	891.1	90.2				
Total	3,171.6	3,673.6	502.0	Total	3,171.6	3,673.6	502.0
				Equity attributable to owners of parent to total assets	31.5%	26.5%	-5.0%
				D/E ratio (times)	0.6	1.0	0.4

Unit; Billions of yen

	FY2018 3rd Quarter	FY2019 3rd Quarter	Difference
Cash flows from operating activities	68.3	63.6	-4.7
Cash flows from investing activities	-129.5	-419.0	-289.5
Free cash flows	-61.2	-355.4	-294.2
Cash flows from financing activities	68.5	463.9	395.4
Effect of exchange rate changes on cash and cash equivalents	3.1	-1.2	-4.3
Net change in cash and cash equivalents	10.4	107.4	97.0
Cash and cash equivalents at end of period	242.3	309.1	66.7

(Reference: Segment Information)

Unit: Billions of yen

	FY2018				FY2019			FY2019 (Estimated)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1st Half	2nd Half
Petrochemicals & Plastics	185.6	194.8	196.5	180.6	177.5	174.7	166.1	352.2	352.8
Energy & Functional Materials	68.5	72.3	73.8	68.2	64.9	66.1	59.6	131.0	149.0
IT-related Chemicals	89.2	106.3	105.5	95.9	102.5	104.4	98.1	206.9	218.1
Health & Crop Sciences	69.4	68.8	74.5	125.4	71.9	74.4	72.2	146.3	218.7
Pharmaceuticals	124.3	118.4	129.1	120.3	125.8	121.7	134.8	247.4	252.6
Others & Adjustments	11.9	12.7	12.6	14.0	10.7	13.0	12.4	23.7	31.3
Total	548.9	573.2	592.0	604.4	553.2	554.3	543.2	1,107.6	1,222.4

Unit: Billions of yen

	FY2018				FY2019			FY2019 (Estimated)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1st Half	2nd Half
Petrochemicals & Plastics	17.8	17.6	16.4	9.8	13.0	4.4	10.0	17.4	6.6
Energy & Functional Materials	5.9	6.9	7.4	2.8	5.6	7.0	5.1	12.5	10.5
IT-related Chemicals	4.3	10.5	7.5	3.9	7.8	7.5	3.4	15.3	11.7
Health & Crop Sciences	2.6	-0.2	1.5	15.8	-4.6	-3.6	-5.4	-8.2	19.2
Pharmaceuticals	19.7	19.6	20.0	21.5	23.0	23.9	20.7	46.9	34.1
Others & Adjustments	-2.1	-0.6	0.1	-4.4	-0.5	1.1	-2.0	0.6	-6.6
Total	48.2	53.9	52.8	49.3	44.3	40.2	31.7	84.5	75.5

Company	Sales Revenue		Profit Trends
	FY2018 3rd Quarter	FY2019 3rd Quarter	
The Polyolefin Company (Singapore) (Millions of USD)	867	810	↗ Due to slightly Improved profit margins.
Petrochemical Corporation of Singapore (Millions of USD)	2,092	1,855	↘ Due to a deterioration in profit margins.
Rabigh Refining and Petrochemical Company (Millions of SAR)	32,640	26,202	↘ Lower margin on oil refining and petrochemical products.
Dongwoo Fine-Chem (Billions of KRW)	1,779.6	1,873.3	↘ Decreased due to lower selling price despite higher sales volume.
Valent U.S.A. and Subsidiaries (Millions of USD)	506	432	↘ Due to shipment delays.