

# Financial Results for FY2022 Third Quarter

(April 1, 2022 - December 31, 2022)

February 1, 2023



**(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.

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# 1. Consolidated Financial Results for FY2022 Third Quarter

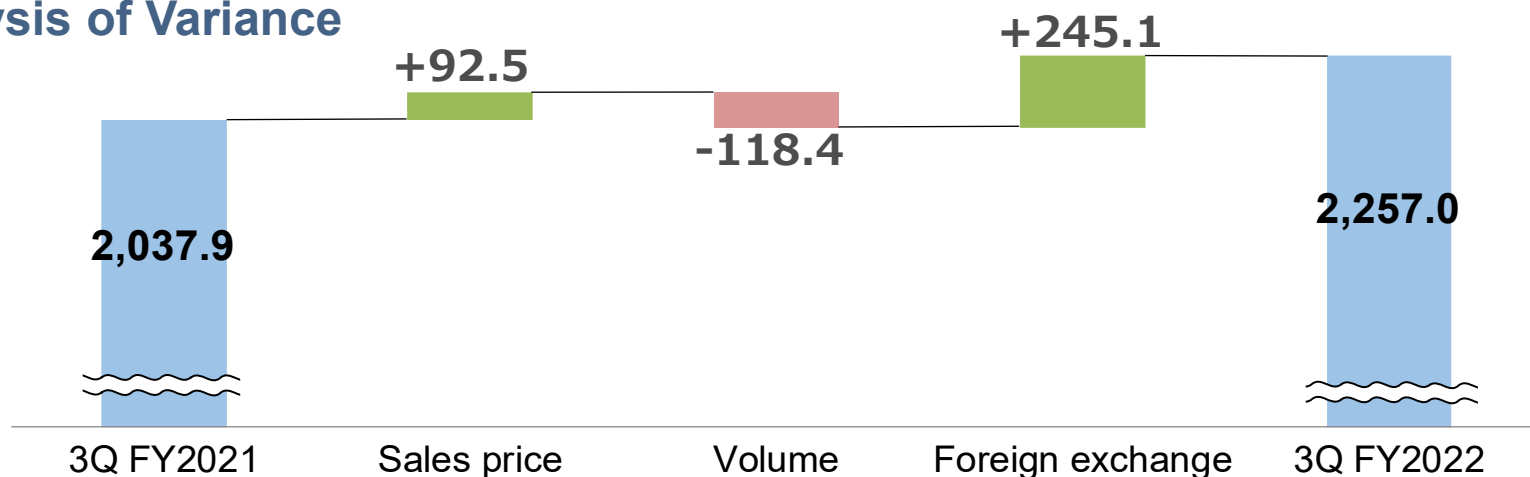
Unit: Billions of yen

	3Q FY2021	3Q FY2022	Variance	Ratio
Sales revenue	2,037.9	<b>2,257.0</b>	219.2	10.8%
Core operating income	205.7	<b>142.2</b>	-63.5	-30.9%
Of which equity in earnings	33.3	<b>12.8</b>	-20.5	-
Non-recurring items	-7.7	<b>-70.7</b>	-63.0	-
Operating income	197.9	<b>71.4</b>	-126.5	-63.9%
Finance income/expenses	11.6	<b>23.3</b>	11.7	-
Of which gain/loss on foreign currency transactions	15.6	<b>37.0</b>	21.4	-
Income tax expenses	-53.9	<b>-53.1</b>	0.8	-
Net income attributable to non-controlling interests	-22.0	<b>18.6</b>	40.6	-
Net income attributable to owners of the parent	133.7	<b>60.3</b>	-73.4	-54.9%
ROE	12.4%	<b>4.8%</b>		
Exchange rate (yen/\$)	111.14	<b>136.49</b>		
Naphtha price (yen/KL)	54,000	<b>80,000</b>		
Overseas sales revenue ratio	68.0%	<b>69.4%</b>		

Unit: Billions of yen

	3Q FY2021	3Q FY2022	Variance	Ratio	Sales price variance	Shipping volume variance	Foreign currency conversion variance
Essential Chemicals & Plastics	625.0	<b>675.5</b>	50.6	8.1%	45.5	-59.4	64.4
Energy & Functional Materials	226.7	<b>257.1</b>	30.4	13.4%	34.5	-11.9	7.9
IT-related Chemicals	352.1	<b>338.6</b>	-13.5	-3.8%	-7.0	-64.8	58.3
Health & Crop Sciences	331.0	<b>439.2</b>	108.2	32.7%	29.0	18.5	60.7
Pharmaceuticals	456.3	<b>482.5</b>	26.2	5.7%	-9.5	-18.1	53.8
Others & Adjustments	46.9	<b>64.2</b>	17.2	36.7%	0.0	17.2	0.0
<b>Total</b>	<b>2,037.9</b>	<b>2,257.0</b>	<b>219.2</b>	<b>10.8%</b>	<b>92.5</b>	<b>-118.4</b>	<b>245.1</b>

## Analysis of Variance



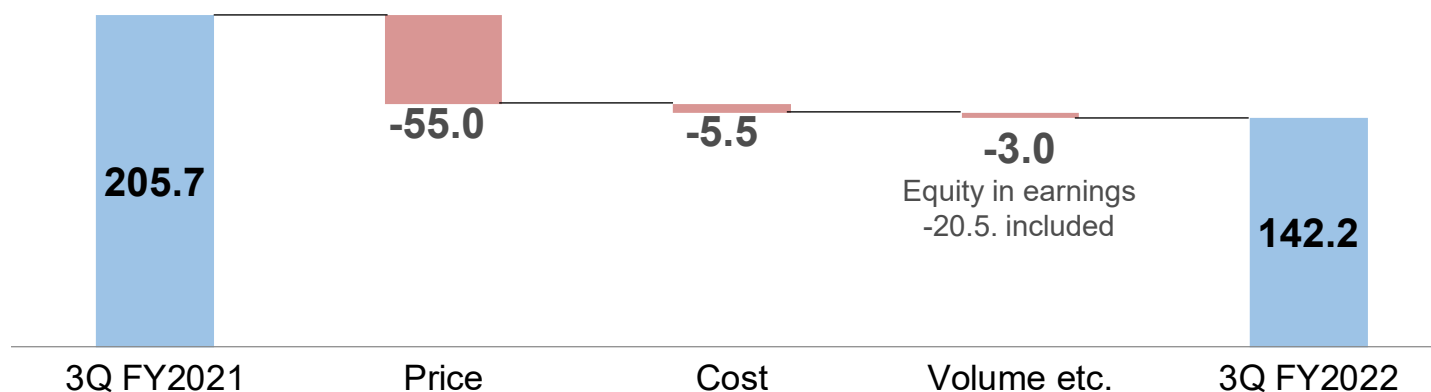
# Core Operating Income by Business Segment

6

Unit: Billions of yen

	3Q FY2021	3Q FY2022	Variance	Price variance	Cost variance	Shipping volume variance and other
Essential Chemicals & Plastics	52.0	-2.0	-54.0	-27.0	2.5	-29.5
Energy & Functional Materials	18.6	16.9	-1.8	-2.0	-1.0	1.2
IT-related Chemicals	46.0	43.7	-2.2	-10.5	4.0	4.3
Health & Crop Sciences	27.8	47.2	19.4	-6.0	-5.5	30.9
Pharmaceuticals	62.5	43.1	-19.4	-9.5	-5.5	-4.4
Others & Adjustments	-1.2	-6.7	-5.5	0.0	0.0	-5.5
<b>Total</b>	<b>205.7</b>	<b>142.2</b>	<b>-63.5</b>	<b>-55.0</b>	<b>-5.5</b>	<b>-3.0</b>

## Analysis of Variance



Unit: Billions of yen

	3Q FY2021	3Q FY2022	Variance
Impairment loss	-3.4	<b>-56.4</b>	-52.9
Restructuring charges	-4.3	<b>-22.0</b>	-17.6
Gain on sale of property, plant and equipment	0.6	<b>3.5</b>	2.9
Changes in fair value of contingent consideration	-0.2	<b>1.2</b>	1.5
Others	-0.4	<b>2.8</b>	3.2
Non-recurring items	-7.7	<b>-70.7</b>	-63.0



Unit: Billions of yen

	31-Mar-22	31-Dec-22	Variance		31-Mar-22	31-Dec-22	Variance
Current assets	1,812.6	<b>2,095.2</b>	282.6	Liabilities	2,606.2	<b>2,747.5</b>	141.3
Cash and cash equivalents	365.4	<b>499.6</b>	134.2	Trade and other payables	551.6	<b>549.9</b>	-1.7
Trade and other receivables	720.4	<b>691.3</b>	-29.1	Interest-bearing Liabilities	1,350.5	<b>1,450.3</b>	99.9
Inventories	651.4	<b>765.2</b>	113.8	Others	704.1	<b>747.3</b>	43.2
Others	75.4	<b>139.1</b>	63.7	Equity	1,702.0	<b>1,803.1</b>	101.2
Non-current assets	2,495.5	<b>2,455.4</b>	-40.1	Shareholders' equity	1,082.8	<b>1,109.4</b>	26.6
Property, plant and equipment	823.0	<b>830.2</b>	7.2	Other components of equity	135.3	<b>201.5</b>	66.2
Goodwill and intangible assets	715.6	<b>687.5</b>	-28.2	Non-controlling interests	483.9	<b>492.2</b>	8.4
Others	956.9	<b>937.7</b>	-19.1				
Total	4,308.2	<b>4,550.6</b>	242.5	Total	4,308.2	<b>4,550.6</b>	242.5
				Equity attributable to owners of parent to total assets	28.3%	<b>28.8%</b>	0.5%
				D/E ratio (times)	0.8	<b>0.8</b>	0.0

Unit: Billions of yen

	3Q FY2021	3Q FY2022	Variance
Cash flows from operating activities	99.0	<b>100.3</b>	1.3
Cash flows from investing activities	-85.1	<b>1.7</b>	86.8
Free cash flows	13.9	<b>102.0</b>	88.1
Cash flows from financing activities	4.5	<b>13.0</b>	8.5
Effect of exchange rate changes on cash and cash equivalents	11.1	<b>21.6</b>	10.5
Net change in cash and cash equivalents	29.5	<b>136.6</b>	107.1
Cash and cash equivalents at end of period	390.4	<b>499.6</b>	109.2















## 2. Outlook for FY2022

## Economic Conditions

- The global economic situation shows no signs of improvement and the **economic slowdown is expected to increase**
- Financial income and **benefits from a weaker yen have been reduced** due to the yen's stronger-than-expected appreciation

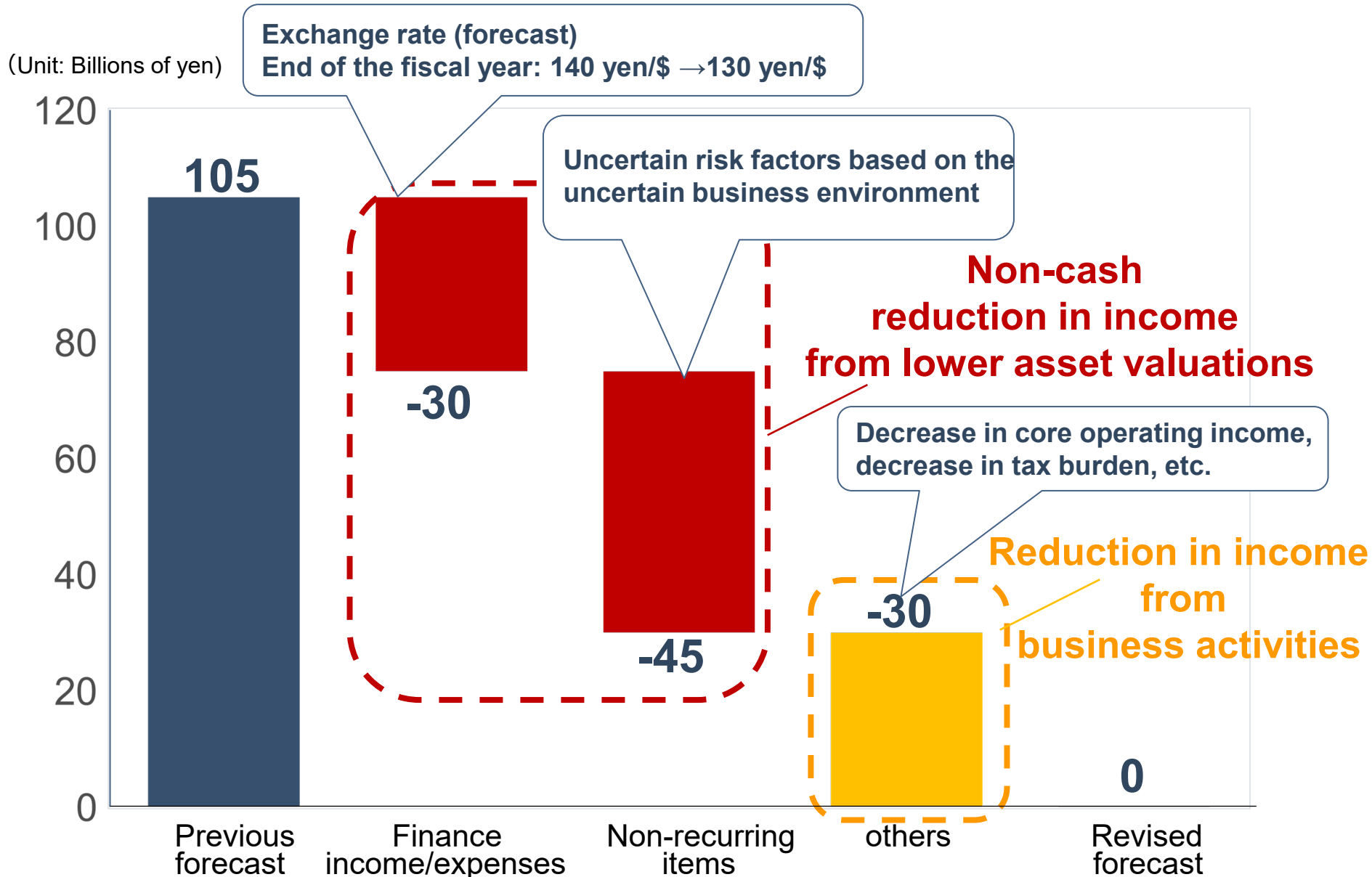
### Changes in the business environment in the second half of the fiscal year (in comparison to our previous forecast in Nov.)

Previous Current

<b>Petrochemicals/ Raw Materials</b>	Expect sluggish market conditions and declining demand to continue, and for Petro Rabigh to see a significant deterioration in profit.		
<b>Automobiles</b>	Anticipate a recovery in production, but demand is uncertain due to economic slowdown.		
<b>Displays</b>	Benefits of yen depreciation are shrinking. Signs of demand recovery are scarce, and shipments of display-related materials are on a downward trend		
<b>Semiconductors</b>	Expect strong shipments despite uncertainties in some memory and logic applications.		
<b>Crop Protection</b>	Anticipate stronger demand in North America and Japan, despite lower benefit from yen depreciation		
<b>Methionine</b>	Market conditions are sluggish due to continued easing of supply and demand		
<b>Pharmaceuticals</b>	Loss of exclusivity for Latuda is approaching. Focusing on expanding sales of new products		

(Unit: Billions of yen)

	<b>Previous Forecast</b> (announced in November 2022)	<b>Revised forecast</b>	<b>Variance</b>
<b>Sales revenue</b>	<b>3,180</b>	<b>2,990</b>	<b>-190</b>
<b>Core operating income</b>	<b>190</b>	<b>120</b>	<b>-70</b>
<b>Operating income</b>	<b>115</b>	<b>0</b>	<b>-115</b>
<b>Net income attributable to owners of the parent</b>	<b>105</b>	<b>0</b>	<b>-105</b>
<b>Naphtha price (yen/KL)</b>	<b>¥ 79,300/kl</b>	<b>¥ 76,500/kl</b>	
<b>Exchange rate (yen/\$)</b>	<b>¥ 137.02/\$</b>	<b>¥ 134.86/\$</b>	



# Core Operating Income by Business Segment

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(Unit: Billions of yen)

	Previous forecast	Revised forecast	Variance	Reasons for variance
Essential Chemicals & Plastics	0	-33	-33	Decline in margins and decrease in shipments due to weak market conditions and weak demand
Energy & Functional Materials	20	18	-2	
IT-related Chemicals	51	41	-10	Decrease in shipments of display-related materials
Health & Crop Science	77	67	-10	Decline in market prices for methionine
Pharmaceuticals	36	37	1	Decrease in sales of Latuda
Others & Adjustments	6	-10	-16	(The gains on business transfers were recorded in "Others" in the previous forecast and in "Pharmaceuticals" in this forecast)
<b>Total</b>	<b>190</b>	<b>120</b>	<b>-70</b>	

**Due to the downward revision,  
the dividend forecast will be announced afterward.**

### Dividend per share

(Unit: yen)

	Interim	Fiscal year-end	Annual
Previous Forecast (announced on May 13, 2022)	¥ 12	¥ 12	¥ 24
Revised Forecast	¥ 12	To be determined	To be determined
Results for Full-Year ended March 31, 2022	¥ 10	¥ 14	¥ 24



## **1. Restructure Businesses**

**-Transform business portfolio to make it more resilient**

- ✓ **Strengthen businesses to enable them to cope with changes in their operating environments**
- ✓ **Aim to create a business portfolio that performs well, regardless of market conditions**

**2. Reduce costs and inventories, sell assets, and rigorously select investments**

# Reference

# Further improving business portfolio from FY2019 to date (strengthen or shrink)

Decision making	Further strengthen businesses		Exiting or shrinking businesses
	Topics	Purpose	
FY2019	<ul style="list-style-type: none"> <li>• <b>Strategic alliance with Roivant Sciences Ltd.</b></li> </ul>	To acquire future post-LATUDA® compounds and strengthen profitability after LOE of LATUDA®	<ul style="list-style-type: none"> <li>• <b>Discontinued the operation of one older, less efficient plant for methionine</b></li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Acquired South American subsidiaries from Nufarm</b></li> </ul>	For full-fledged business expansion in South America; major agricultural countries in the world	
FY2020	<ul style="list-style-type: none"> <li>• <b>Established S-RACMO</b></li> </ul>	To demonstrate group synergies for contract development and manufacturing organization (CDMO) business for regenerative and cellular medicine	<ul style="list-style-type: none"> <li>• <b>Exited the businesses of Sunrise Saijo Kako Center and Sumika Farm Saijo</b></li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Expanded capacity of a manufacturing facility of photoresists and established quality assurance system of photoresists</b></li> </ul>	To meet future demand and for less dependence on the display material business	
FY2021	<ul style="list-style-type: none"> <li>• <b>To construct a new manufacturing plant for nucleic acid medicine</b></li> </ul>	To expand the business from a small molecule drugs to next-generation nucleic acid medicine	<ul style="list-style-type: none"> <li>• <b>Exited the EPDM business</b></li> </ul>
	<ul style="list-style-type: none"> <li>• <b>To expand capacity of a manufacturing facility for photoresists and processing chemicals for semiconductors</b></li> </ul>	To meet future demand and for less dependence on the display material business	
FY2022	<ul style="list-style-type: none"> <li>• <b>To build a new semiconductor process chemical manufacturing plant in the U.S.</b></li> </ul>	For less dependence on Asia in the business and expansion of the business in the U.S., where growth in demand is expected	<ul style="list-style-type: none"> <li>• <b>Exited the caprolactam business</b></li> <li>• <b>Exited the dyestuffs business</b></li> <li>• <b>Divested the market rights to BROVANA® and XOPENEX HFA®, and LUNESTA® .</b></li> <li>• <b>Transferred shares of SMP's non-pharmaceutical businesses</b></li> </ul> <p><b>Further examining other businesses</b></p>
	<ul style="list-style-type: none"> <li>• <b>To complete construction of pilot facility for chemical recycling</b></li> </ul>	To contribute to building a circular economy	
	<ul style="list-style-type: none"> <li>• <b>To acquire U.S. biostimulant business company</b></li> </ul>	To acquire products and technologies and further expanded its biorationals business	

## Company

**FBSciences Holdings, Inc. (“FBS”)**

## Business

- ✓ **Development, manufacturing and sales of biosimulants and biopesticides made from natural organic matter sourced and processed with its proprietary methods**

### \* **What are biostimulants?**

- **The biostimulant market is worth approximately \$3.5bn; the largest segment within biorationals**
- **They improve crop quality and increase yields by inducing defenses against non-biotic stresses and promoting nutrient absorption**

## Purpose of the acquisition

- ✓ **To boost our presence in the market by further enhancing our product portfolio**
- ✓ **To expand the sales of FBS’s products by utilizing our global footprint (our own distribution network)**
- ✓ **To seek to create new synergies between biorationals and conventional crop protection products**

**To aggressively invest and pursue growth opportunities in the biorational business, where high growth is expected.**

**To accelerate the expansion of the business with a view to further acquisitions.**

# Sales Revenue by Business Segment (Quarterly)

20

Unit: Billions of yen

	FY2021				FY2022				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q (Forecast)	Total Forecast
Essential Chemicals & Plastics	199.5	200.0	225.5	217.6	238.6	228.7	208.2	204.5	880.0
Energy & Functional Materials	74.4	74.1	78.2	89.7	86.4	87.1	83.6	102.9	360.0
IT-related Chemicals	109.3	118.4	124.4	121.7	114.7	107.5	116.4	86.4	425.0
Health & Crop Sciences	103.1	106.4	121.5	142.8	152.6	141.3	145.3	205.8	645.0
Pharmaceuticals	139.2	170.4	146.7	135.4	167.7	166.7	148.0	107.5	590.0
Others & Adjustments	13.6	17.0	16.4	20.3	14.2	23.0	26.9	25.8	90.0
<b>Total</b>	<b>639.0</b>	<b>686.2</b>	<b>712.7</b>	<b>727.4</b>	<b>774.1</b>	<b>754.4</b>	<b>728.5</b>	<b>733.0</b>	<b>2,990.0</b>

# Core Operating Income by Business Segment (Quarterly)

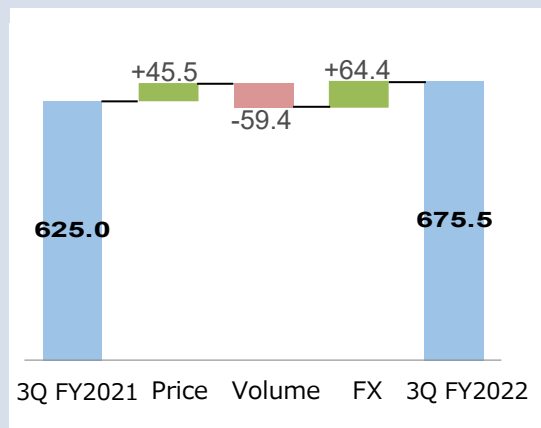
21

Unit: Billions of yen

	FY2021				FY2022				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q (Forecast)	Total Forecast
Essential Chemicals & Plastics	23.8	18.2	10.0	1.5	10.0	13.3	-25.3	-31.0	-33.0
Energy & Functional Materials	6.7	5.9	6.1	1.4	6.6	6.8	3.4	1.1	18.0
IT-related Chemicals	13.5	16.0	16.4	11.9	15.8	10.7	17.3	-2.7	41.0
Health & Crop Sciences	10.3	8.2	9.4	14.4	21.9	14.4	10.9	19.8	67.0
Pharmaceuticals	9.6	40.3	12.5	-0.7	14.1	11.1	17.9	-6.1	37.0
Others & Adjustments	-2.3	-1.4	2.5	0.6	-4.3	-4.8	2.3	-3.3	-10.0
<b>Total</b>	<b>61.7</b>	<b>87.2</b>	<b>56.8</b>	<b>29.1</b>	<b>64.1</b>	<b>51.5</b>	<b>26.5</b>	<b>-22.2</b>	<b>120.0</b>

## Essential Chemicals & Plastics

### Sales Revenue



**Total ¥ 675.5 billion (+50.6 from 3Q FY2021)**

**Sales price**

**+45.5**

- Higher market prices

**Volume**

**-59.4**

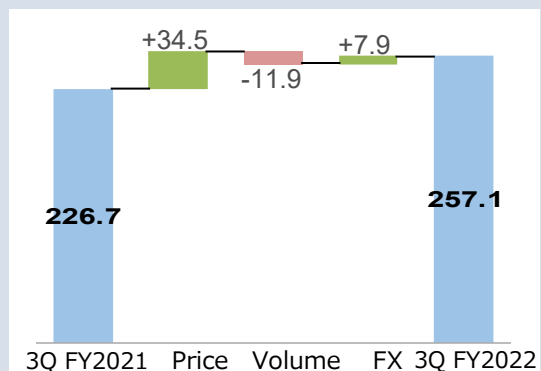
- Reduced shipments for automotive applications, others (synthetic resins, etc.)

**Foreign exchange**

**+64.4**

## Energy & Functional Materials

### Sales Revenue



**Total ¥ 257.1 billion (+30.4 from 3Q FY2021)**

**Sales price**

**+34.5**

- Aluminum price increases
- Cathode materials price increases
- Reduced shipments for automotive applications (aluminum, resorcinol, etc.)
- Increased shipments of lithium-ion secondary battery separators

**Volume**

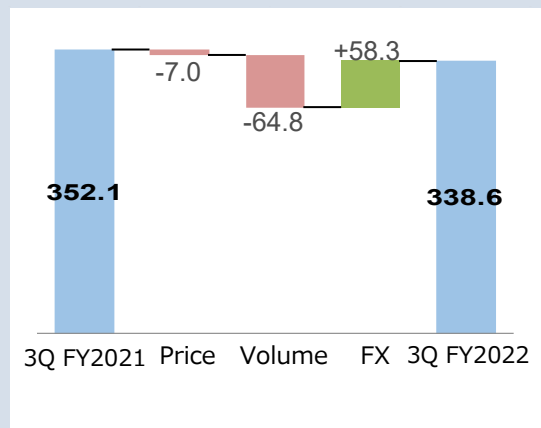
**-11.9**

**Foreign exchange**

**+7.9**

## IT-related Chemicals

### Sales Revenue



**Total ¥ 338.6 billion (-13.5 from 3Q FY2021)**

**Sales price**  
-7.0

- Reduced prices for polarizing film

**Volume**  
-64.8

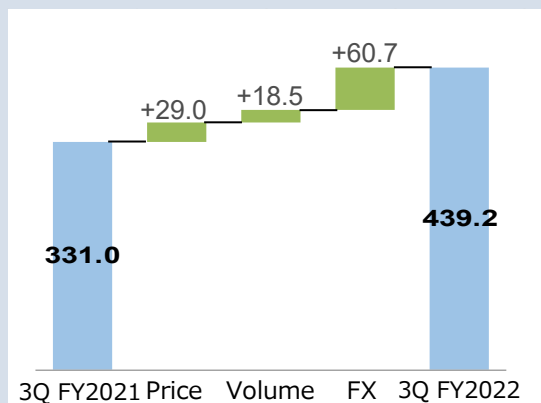
- Reduced shipments of materials for display applications

**Foreign exchange**  
+58.3

- Increased shipments of semiconductor process materials

## Health & Crop Sciences

### Sales Revenue



**Total ¥ 439.2 billion (+108.2 from 3Q FY2021)**

**Sales price**  
+29.0

- Increased prices for generic products in South America
- Increased market prices for methionine

**Volume**  
+18.5

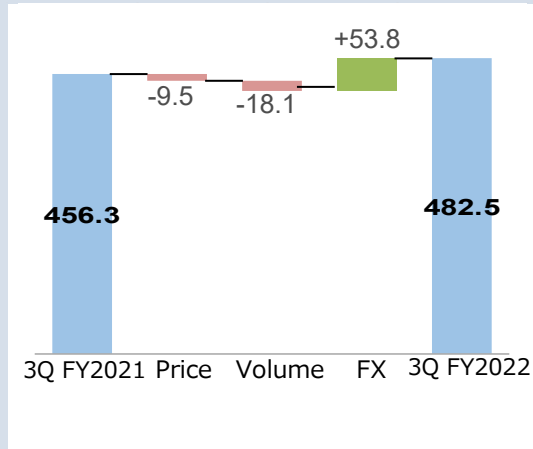
- Increased shipments of crop protection products in South America and India

**Foreign exchange**  
+60.7



## Pharmaceuticals

## Sales Revenue



**Total ¥ 482.5 billion (+26.2 from 3Q FY2021)**

**Sales price**  
**-9.5**

- Revisions to drug prices in Japan

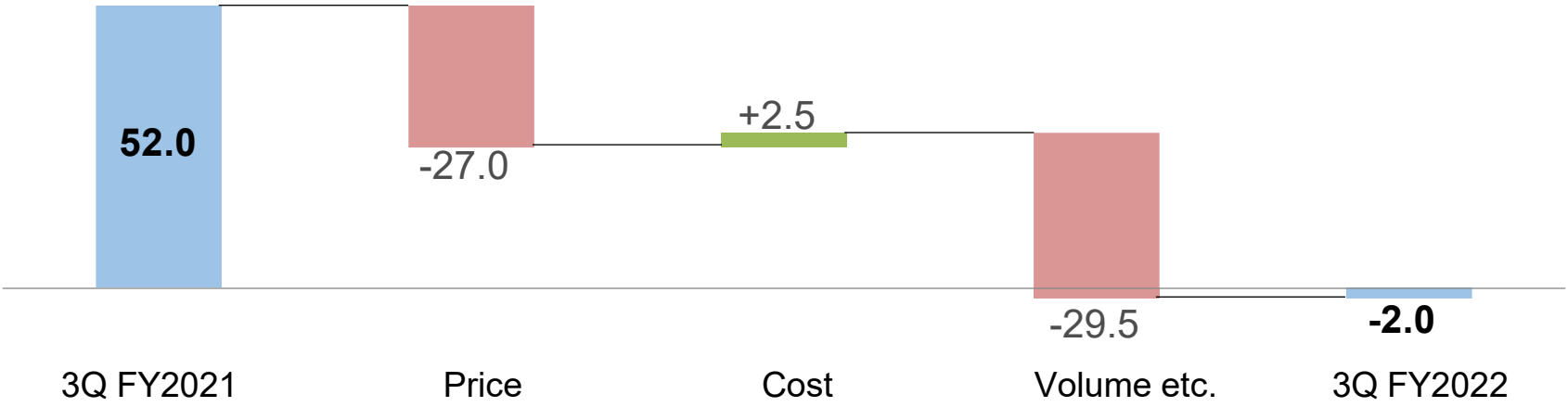
**Volume**  
**-18.1**

- Increased shipments of Orgovyx®, Gemtesa®, etc., in North America
- Recorded one-time revenues due to sales license contract for Orgovyx® in Europe
- there had been a lump-sum revenue for the collaboration and license agreement for joint development and commercialization in the same quarter last year.

**Foreign exchange**  
**+53.8**

## Essential Chemicals & Plastics

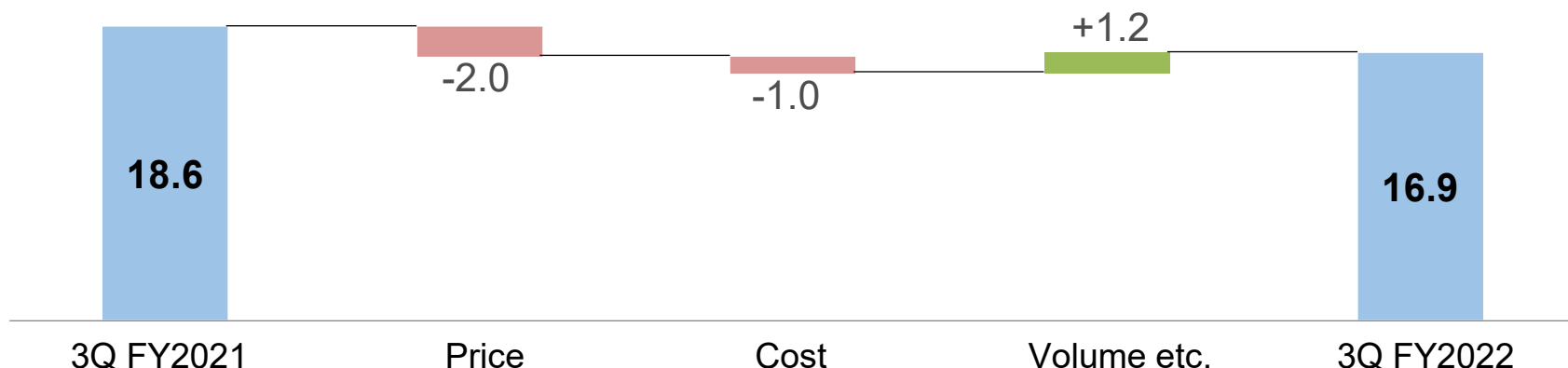
**Total ¥ -2.0 billion (-54.0 from 3Q FY2021)**



<b>Price variance</b>	Terms of trade have deteriorated because increases in sales prices have not kept up with increases in raw material and fuel prices for products such as synthetic resins, MMA, and various industrial chemicals.
<b>Volume variance etc.</b>	In addition to a deterioration in equity in earnings of affiliates, shipments declined due to a drop in demand, particularly for automotive applications.

## Energy &amp; Functional Materials

Total ¥ 16.9 billion (-1.8 from 3Q FY2021)

Price  
variance

For aluminum and cathode materials, terms of trade improved in line with market prices.

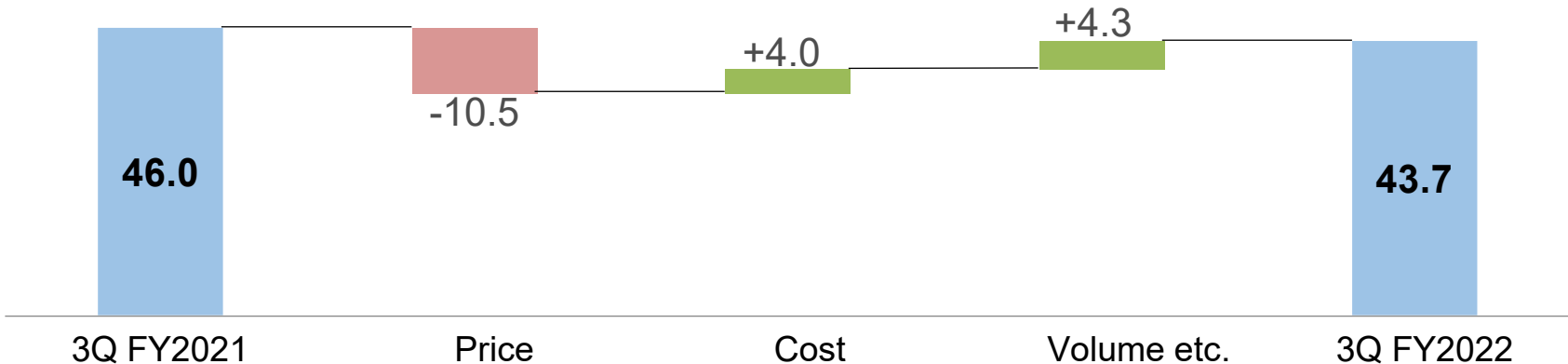
For other products, such as resorcinol and synthetic rubber, terms of trade deteriorated due to increases in raw material and fuel prices.

Volume  
variance  
etc.

In addition to continued strong shipments of lithium-ion secondary battery separators, net income from exports increased due to the weak yen.

## IT-related Chemicals

**Total ¥ 43.7 billion (-2.2 from 3Q FY2021)**



### Price variance

#### Displays

Selling prices fell for polarizing film and touch sensor panels

### Volume variance etc.

#### Displays

Shipments decreased due to factors such as the waning of stay-at-home demand and deteriorated consumer sentiment due to inflation

#### Semiconductors

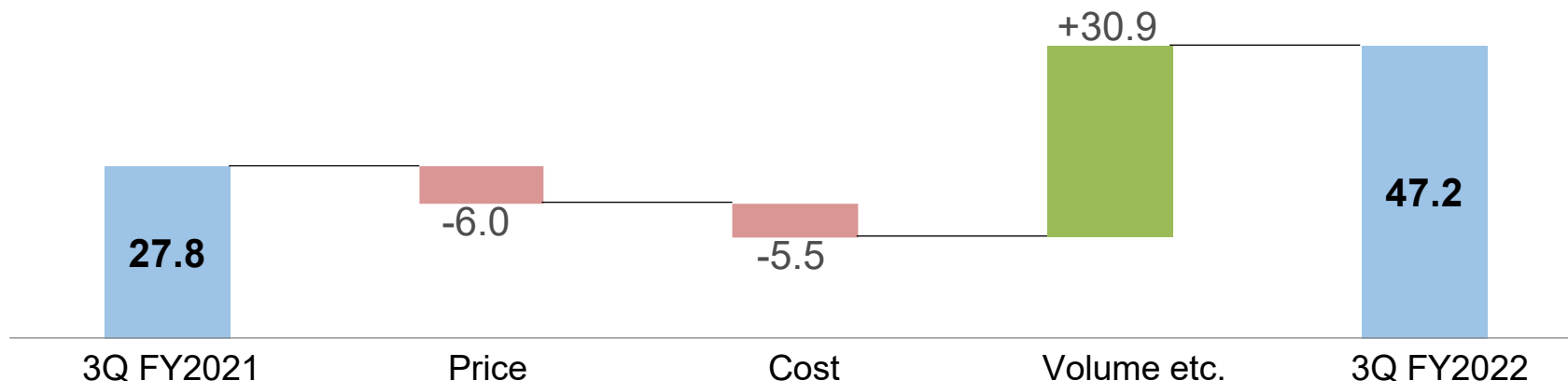
Shipments of high-purity chemicals and photoresists increased alongside increased overall demand

#### Overall

Increased net income on exports and profit from foreign currency conversion due to the weak yen

## Health & Crop Sciences

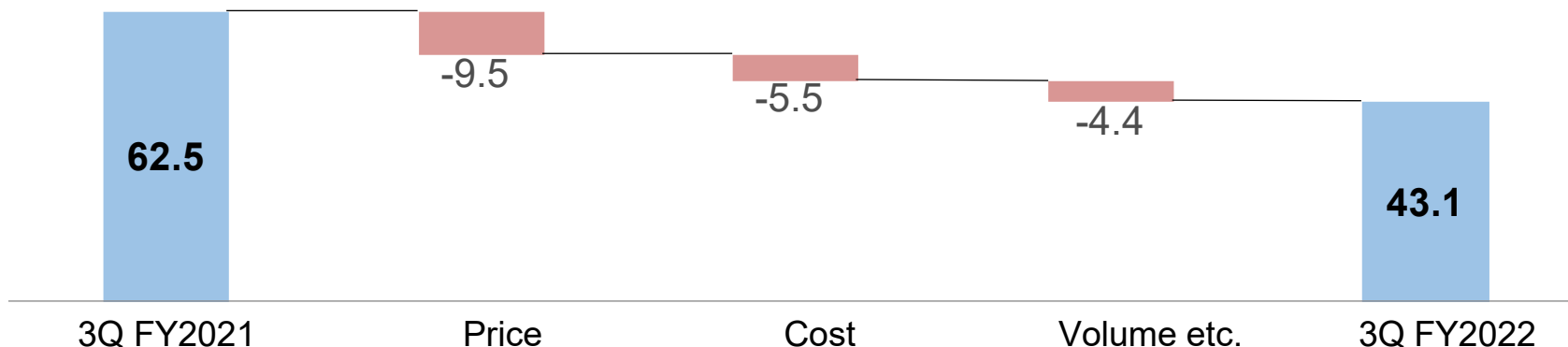
**Total ¥ 47.2 billion (+19.4 from 3Q FY2021)**



<b>Price variance</b>	<b>Crop Protection</b>	Improved terms of trade due to increased sales prices for generics in South America
	<b>Methionine</b>	Terms of trade deteriorated due to increased raw material and fuel prices, despite improved market prices
<b>Cost variance</b>	<b>Crop Protection</b>	Expenses relating to business expansion increased, such as the immediate launch of INDIFLIN® and development expenses for new pipeline products
<b>Volume variance etc.</b>	<b>Crop Protection</b>	Increased shipments in South America and India
	<b>Overall</b>	Increased net income on exports and profit from foreign currency conversion due to the weak yen

## Pharmaceuticals

**Total ¥ 43.1billion (-19.4 from 3Q FY2021)**



<b>Price variance</b>	Sales prices decreased due to the revisions to drug prices in Japan
<b>Cost variance</b>	Increases in sales expenses and general management expenses in the Sumitovant Group related to sales promotion activities for products such as ORGOVYX® and GEMTESA®
<b>Volume variance etc.</b>	In addition to sales growth of products such as ORGOVYX®, and GEMTESA® in North America, a one-time gain was recorded on the licensing contract for sales of ORGOVYX® in Europe. On the other hand, there had been a lump-sum revenue for the collaboration and license agreement for joint development and commercialization in the same quarter last year.

Company	Sales Revenue		Profit Trends
	3Q FY2021	3Q FY2022	
The Polyolefin Company (Singapore)  (Millions of USD)	942	<b>858</b>	↘ A deterioration in profit margins
Petrochemical Corporation of Singapore  (Millions of USD)	2,071	<b>1,989</b>	↘ A deterioration in profit margins
Rabigh Refining and Petrochemical Company  (Millions of SAR)	32,522	<b>45,146</b>	↘ Deterioration in margins for petroleum refining and margins on petrochemical products.
Dongwoo Fine-Chem  (Billions of KRW)	1,917.1	<b>1,651.3</b>	↘ Decrease due to lower sales volume of display- related materials
Valent North America and Subsidiaries  (Millions of USD)	539	<b>562</b>	↘ Increase in revenue from higher sales, decrease in profit due to the execution of planned increases in costs and expenditures.

Unit; Billions of yen

	FY2021 3rd Quarter	FY2022 3rd Quarter	Difference	Reasons for Change
Japan	45.3	<b>50.2</b>	4.9	<ul style="list-style-type: none"> <li>Increases in product selling prices due to higher feedstock prices of fertilizers</li> </ul>
North America	38.3	<b>48.3</b>	10.0	<ul style="list-style-type: none"> <li>Foreign currency conversion variance</li> </ul>
Central & South America	93.0	<b>158.9</b>	65.9	<ul style="list-style-type: none"> <li>Foreign currency conversion variance</li> <li>Increase in shipments</li> <li>Increases in product selling prices</li> </ul>
Asia (including India)	39.8	<b>52.6</b>	12.8	<ul style="list-style-type: none"> <li>Foreign currency conversion variance</li> <li>Increase in shipments in India</li> </ul>
Europe & Others	14.8	<b>18.1</b>	3.3	<ul style="list-style-type: none"> <li>Foreign currency conversion variance</li> <li>Increase in shipments in Europe</li> </ul>
Total	231.2	<b>328.1</b>	96.9	