

**Sumitomo Chemical Reports
Consolidated Financial Results
For the Nine Months Ended December 31, 2022**

For the nine months ended December 31, 2022, the Sumitomo Chemical Group reported consolidated sales revenue of ¥2,257.0 billion, an increase of ¥219.2 billion year on year, core operating income* of ¥142.2 billion, operating income of ¥71.4 billion, and net income attributable to owners of the parent of ¥60.3 billion, all lower than the results from the same period in the previous year.

*Core operating income is a gain and loss concept, reflecting recurring earning capacity, and deducts gains and losses incurred by non-recurring factors from operating income. It includes the share of profit from investments accounted for using the equity method.

The financial results by business segment for the nine-month period are as follows:

Essential Chemicals & Plastics

Selling prices for synthetic resins, methyl methacrylate and various industrial chemicals improved due to an increase in raw material prices. The weak yen also benefited sales revenues of subsidiaries outside of Japan when converted into yen. On the other hand, shipments declined, primarily because of weak demand for products in automotive applications. As a result, sales revenue increased by ¥50.6 billion from the same period in the previous year, to ¥675.5 billion. Core operating income suffered a loss of ¥2.0 billion, a decline in income of ¥54.0 billion from the same period in the previous year, because of a deterioration in margins caused by higher raw material prices and the impact of lower shipment volumes.

Energy & Functional Materials

Selling prices for aluminum and cathode materials increased with the improvement in market conditions. Shipments of separators for lithium-ion secondary batteries stayed firm. The weak yen also had a positive effect. As a result, sales revenue increased by ¥30.4 billion, to ¥257.1 billion from the same period in the previous year. Core operating income was ¥16.9 billion, lower by ¥1.8 billion from the same period in the previous year, led by a decline in margins resulting from the rise in raw material prices, despite higher income from exports due to the weak yen.

IT-related Chemicals

Sales revenue benefited from the weak yen's effect on the sales of subsidiaries outside of Japan in yen terms. In addition, demand growth for processing materials for semiconductors, such as high purity chemicals and photoresists, brought about an increase of shipments. On the other hand, shipments of display-related materials declined because stay-at-home demand had run its course, and consumer sentiment deteriorated in the face of inflation concerns. As a result, sales revenue decreased by ¥13.5 billion from the same period in the previous year, to ¥338.6 billion, and core operating income decreased by ¥2.2 billion from the same period in the previous year, to ¥43.7 billion.

Health & Crop Sciences

Sales of crop protection products in South America increased significantly, and shipments in such markets as India performed well. Moreover, market prices of methionine (feed additives) increased from the same period in the previous year. The weak yen also had a positive effect on sales from subsidiaries outside of Japan when converted into yen. As a result, sales revenue increased by ¥108.2 billion from the same period in the previous year, to ¥439.2 billion. Core operating income was ¥47.2 billion, an increase of ¥19.4 billion from the same period in the previous year, driven by the increase in sales and higher income from exports as a result of the weak yen, despite higher prices for raw materials.

Pharmaceuticals

In North America, revenue grew as sales of Latuda® (atypical antipsychotic agent), Orgovyx® (therapeutic agent for advanced prostate cancer) and Gemtesa® (therapeutic agent for overactive bladder) increased, on top of the favorable effects of the forex situation, even though results in the same period of the previous year were boosted by the receipt of a lump-sum upfront payment for a development and commercial collaboration agreement. On the other hand, in Japan, sales revenues were adversely affected by the National Health Insurance (NHI) drug price revisions. As a result, sales revenue increased by ¥26.2 billion from the same period in the previous year, to ¥482.5 billion. Core operating income was ¥43.1 billion, a decrease of ¥19.4 billion from the same period in the previous year, as increases in selling, general and administrative expenses and R&D expenses, primarily due to the effects of the forex situation, outweighed revenue growth.

Others

In addition to the above five segments, the Sumitomo Chemical Group supplies electric power and steam, designs chemical plants and supervises the construction of those facilities, provides transportation and warehousing, and conducts physical property analysis and environmental analysis. Sales revenue of these businesses increased by ¥17.2 billion from the same period in the previous year, to ¥64.2 billion, and core operating income decreased by ¥4.4 billion from the same period in the previous year, to ¥7.7 billion.

In a news release published on February 1, 2023, Sumitomo Chemical Co., Ltd. announced it has made revisions to its consolidated financial forecast and dividends for the full year ending March 31, 2023, which was previously announced on November 1, 2022. The revised forecast is based on the assumptions of a foreign exchange rate of ¥130.0/US\$ and a naphtha price of ¥65,600/kl for the fourth quarter of the current fiscal year. For more information, please see the news release titled "Sumitomo Chemical Announces Revisions to Its Financial Forecast and Projected Dividend for the Full Year Ending March 31, 2023".

Cautionary Statement

This release of financial results is exempt from audit procedures.

Statements made in this release with respect to the Company'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.

Consolidated Statement of Financial Position

In millions of yen	As of December 31, 2022	As of March 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	¥ 499,594	¥ 365,429
Trade and other receivables	691,325	720,422
Other financial assets	34,495	23,991
Inventories	765,198	651,358
Other current assets	70,867	51,442
Subtotal	2,061,479	1,812,642
Assets held for sale	33,740	—
Total current assets	2,095,219	1,812,642
Non-current assets:		
Property, plant and equipment	830,204	823,022
Goodwill	260,526	244,517
Intangible assets	426,947	471,109
Investments accounted for using the equity method	442,977	289,968
Other financial assets	314,330	474,899
Retirement benefit assets	91,014	89,538
Deferred tax assets	38,709	49,121
Other non-current assets	50,710	53,335
Total non-current assets	2,455,417	2,495,509
Total Assets	¥ 4,550,636	¥ 4,308,151
Liabilities and Equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	¥ 383,668	¥ 261,280
Trade and other payables	549,874	551,583
Other financial liabilities	83,446	84,137
Income taxes payable	21,911	24,515
Provisions	161,343	129,709
Other current liabilities	106,611	122,267
Subtotal	1,306,853	1,173,491
Liabilities directly associated with assets held for sale	10,372	—
Total current liabilities	1,317,225	1,173,491
Non-current liabilities:		
Bonds and borrowings	1,066,656	1,089,190
Other financial liabilities	92,675	101,718
Retirement benefit liabilities	32,651	33,091
Provisions	46,652	36,502
Deferred tax liabilities	120,234	101,299
Other non-current liabilities	71,403	70,883
Total non-current liabilities	1,430,271	1,432,683
Total liabilities	2,747,496	2,606,174
Equity		
Share capital	89,810	89,699
Capital surplus	27,288	27,089
Retained earnings	1,000,663	974,382
Treasury shares	(8,348)	(8,343)
Other components of equity	200,648	135,274
Other comprehensive income associated with assets held for sale	833	—
Equity attributable to owners of the parent	1,310,894	1,218,101
Non-controlling interests	492,246	483,876
Total equity	1,803,140	1,701,977
Total Liabilities and Equity	¥ 4,550,636	¥ 4,308,151

Consolidated Statement of Profit or Loss

In millions of yen	Nine Months ended December 31,	
	2022	2021
Sales revenue	¥ 2,257,045	¥ 2,037,877
Cost of sales	(1,568,698)	(1,365,551)
Gross profit	688,347	672,326
Selling, general and administrative expenses	(643,083)	(506,879)
Other operating income	41,138	8,034
Other operating expenses	(27,731)	(8,870)
Share of profit of investments accounted for using the equity method	12,770	33,312
Operating income	71,441	197,923
Finance income	54,933	26,528
Finance expenses	(31,602)	(14,912)
Income before taxes	94,772	209,539
Income tax expenses	(53,074)	(53,874)
Net income	41,698	155,665
Net income attributable to:		
Owners of the parent	60,310	133,663
Non-controlling interests	(18,612)	22,002
Net income	¥ 41,698	¥ 155,665

In yen	Nine Months ended December 31,	
	2022	2021
Earnings per share:		
Basic earnings per share	36.89	81.75
Diluted earnings per share	36.88	—

Consolidated Statement of Comprehensive Income

In millions of yen	Nine Months ended December 31,	
	2022	2021
Net income	¥ 41,698	¥ 155,665
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of financial assets measured at fair value through other comprehensive income	17,295	(32,956)
Remeasurements of defined benefit plans	(160)	(75)
Share of other comprehensive income of investments accounted for using the equity method	(478)	(1,011)
Total items that will not be reclassified to profit or loss	16,657	(34,042)
Items that may be subsequently reclassified to profit or loss		
Cash flow hedge	8,567	(1,446)
Exchange differences on translation of foreign operations	52,673	31,812
Share of other comprehensive income of investments accounted for using the equity method	30,641	8,631
Total items that may be subsequently reclassified to profit or loss	91,881	38,997
Other comprehensive income, net of taxes	108,538	4,955
Total comprehensive income	150,236	160,620
Total comprehensive income attributable to:		
Owners of the parent	135,050	142,610
Non-controlling interests	15,186	18,010
Total comprehensive income	¥ 150,236	¥ 160,620

Consolidated Statement of Cash Flows

In millions of yen	Nine Months ended December 31,	
	2022	2021
Cash flows from operating activities:		
Income before taxes	¥ 94,772	¥ 209,539
Depreciation and amortization	127,119	117,022
Impairment loss	56,390	3,449
Share of (profit) loss of investments accounted for using the equity method	(12,770)	(33,312)
Interest and dividend income	(13,530)	(7,746)
Interest expenses	17,136	12,300
Restructuring costs	21,953	4,318
Changes in fair value of contingent consideration	(1,229)	245
(Gain) loss on sale of property, plant and equipment	(3,547)	(622)
(Increase) decrease in trade receivables	66,972	(8,749)
(Increase) decrease in inventories	(105,362)	(107,335)
Increase (decrease) in trade payables	(7,641)	38,131
Increase (decrease) in unearned revenue	(7,167)	6,715
Increase (decrease) in provisions	21,371	6,364
Others, net	(98,185)	(86,440)
Subtotal	156,282	153,879
Interest and dividends received	19,780	19,337
Interest paid	(16,972)	(12,291)
Income taxes paid	(56,420)	(59,594)
Restructuring costs paid	(2,340)	(2,312)
Net cash provided by operating activities	100,330	99,019
Cash flows from investing activities:		
Net (increase) decrease in securities	(10,942)	(8,744)
Purchase of property, plant and equipment, and intangible assets	(106,822)	(78,213)
Proceeds from sale of property, plant and equipment, and intangible assets	16,632	1,424
Purchase of other financial assets	(6,476)	(13,936)
Proceeds from sales and redemption of other financial assets	57,657	15,486
Proceeds from collection of loans receivable	62,824	433
Others, net	(11,196)	(1,525)
Net cash used in investing activities	1,677	(85,075)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	54,800	44,973
Net decrease of commercial paper	90,000	49,000
Proceeds from long-term borrowings	46,759	37,422
Repayments of long-term borrowings	(109,175)	(73,568)
Proceeds from issuance of bonds	—	34,808
Redemption of bonds	—	(34,182)
Repayments of finance lease obligations	(14,776)	(11,759)
Cash dividends paid	(42,502)	(31,083)
Cash dividends paid to non-controlling interests	(13,034)	(10,339)
Payments for acquisition of subsidiaries' interests from non-controlling interests	—	(3,958)
Others, net	911	3,152
Net cash provided by (used in) financing activities	12,983	4,466
Effect of exchange rate changes on cash and cash equivalents	21,633	11,111
Net increase (decrease) in cash and cash equivalents	136,623	29,521
Cash and cash equivalents at the beginning of the year	365,429	360,918
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(2,458)	—
Cash and cash equivalents at the end of the period	¥ 499,594	¥ 390,439

Sales Revenue and Core Operating Income by Segment

Nine Months ended December 31, 2022

In millions of yen	Essential Chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharma- ceuticals	Total	Others	Adjustments	Consoli- dated
Sales revenue									
From external customers	¥ 675,506	¥ 257,119	¥ 338,577	¥ 439,187	¥ 482,492	¥ 2,192,881	¥ 64,164	¥ —	¥ 2,257,045
Inter-segment	4,639	13,565	350	3,103	14	21,671	63,861	(85,532)	—
Total	680,145	270,684	338,927	442,290	482,506	2,214,552	128,025	(85,532)	2,257,045
Core operating income (loss)	¥ (1,993)	¥ 16,868	¥ 43,727	¥ 47,177	¥ 43,073	¥ 148,852	¥ 7,698	¥ (14,385)	¥ 142,165

Nine Months ended December 31, 2021

In millions of yen	Essential Chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharma- ceuticals	Total	Others	Adjustments	Consoli- dated
Sales revenue									
From external customers	¥ 624,950	¥ 226,672	¥ 352,085	¥ 330,961	¥ 456,266	¥ 1,990,934	¥ 46,943	¥ —	¥ 2,037,877
Inter-segment	4,123	9,381	335	3,852	9	17,700	46,030	(63,730)	—
Total	629,073	236,053	352,420	334,813	456,275	2,008,634	92,973	(63,730)	2,037,877
Core operating income	¥ 51,997	¥ 18,629	¥ 45,968	¥ 27,808	¥ 62,459	¥ 206,861	¥ 12,147	¥ (13,339)	¥ 205,669

Adjustments to income before taxes from core operating income were as follows:

In millions of yen	Nine Months ended December 31,	
	2022	2021
Core operating income	¥ 142,165	¥ 205,669
Impairment loss	(56,390)	(3,449)
Restructuring costs	(21,953)	(4,318)
Gain on sale of property, plant and equipment	3,547	622
Changes in fair value of contingent consideration	1,229	(245)
Others, net	2,843	(356)
Operating income	71,441	197,923
Finance income	54,933	26,528
Finance expenses	(31,602)	(14,912)
Income before taxes	¥ 94,772	¥ 209,539