

For Immediate Release

May 13, 2021

## **Sumitomo Chemical Announces Consolidated Financial Results for FY2020**

**During the 2020 fiscal year, the world economy received a serious shock from the global spread of COVID-19 infections, resulting in a decline in real GDP growth to around minus 3%.**

**After recording the highest negative real GDP growth in the postwar period in April through June of 2020, the Japanese economy showed signs of a recovery in some sectors in the latter half of the year, but then it was hit with a sudden surge in COVID-19 infections from the end of the year, resulting, overall, in a severe operating environment.**

**Against this backdrop, the Sumitomo Chemical Group has been implementing its Corporate Business Plan (for fiscal 2019 - fiscal 2021), centered on the basic policies of accelerating the development of next-generation businesses, improving productivity through digital innovation, raising the sophistication of the company's business portfolio, and building a more robust financial structure. The Group has come together in working to create a sustainable society and to deliver sustainable growth through dramatic growth in productivity and acceleration of innovation.**

**The Group's sales revenue on a consolidated basis for its 2020 fiscal year, ended March 31, 2021, increased by ¥61.2 billion from the previous year, to ¥2,287.0 billion. Its core operating income\* was ¥147.6 billion, higher than the previous year, but operating income was ¥137.1 billion, remaining almost flat compared with the previous year. Net income attributable to owners of the parent was ¥46.0 billion, higher than 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 or loss from investments accounted for using the equity method.**

**The financial results by business segment for the fiscal 2020 are as follows:**

### **Petrochemicals & Plastics**

Amid the economic downturn due to the COVID-19 pandemic, shipments of synthetic resins declined, particularly those used in automotive applications. Impacted by a drop in market prices for raw materials, the prices of petrochemical products hovered a low level. As a result, sales revenue declined by ¥67.6 billion from the previous year, to ¥589.3 billion. Core operating income suffered a loss of ¥12.0 billion, declined by ¥26.5 billion from the previous year, affected by lower shipment volumes and periodic shutdown maintenance at Rabigh Refining and Petrochemical Company, our equity method investee.

### **Energy & Functional Materials**

Impacted by the COVID-19 pandemic, shipments of materials for automotive applications (including separators for lithium-ion secondary batteries and synthetic rubber) decreased. As a result, sales revenue dropped by ¥9.8 billion from the previous year, to ¥245.2 billion, on the other hand, core operating income remained almost flat with the previous year at ¥20.3 billion due to improvements in profit margins because of a drop in market prices for raw materials.

### **IT-related Chemicals**

Shipments of processing materials for semiconductors (including high purity chemicals and photoresists) increased, driven by growing demand for these items. Shipments of materials for display applications increased in the face of stay-at-home demand and demand for remote work products. As a result, sales revenue increased by ¥26.9 billion from the previous year, to ¥431.8 billion, and core operating income increased by ¥14.6 billion from the previous year, to ¥39.7 billion.

### **Health & Crop Sciences**

Sales of crop protection products increased year-over-year after the acquisition of four South American subsidiaries of Nufarm in April 2020. Shipments in India also performed well. Market prices for methionine (feed additives) increased from the previous year. As a result, sales revenue increased by ¥79.3 billion from the previous year, to ¥423.0 billion. Backed by the improved margins of methionine and increased global shipments of crop protection products, core operating income increased by ¥29.5 billion from the previous year, to ¥31.5 billion.

### **Pharmaceuticals**

In Japan, sales of Equa® and EquMet® (for type II diabetes mellitus), launched in the middle of previous fiscal year, increased since it was sold throughout this fiscal year. In North America, sales of Latuda® (atypical antipsychotic agent) increased, and revenues were recorded relating to relugolix. As a result, sales revenue increased by ¥30.6 billion from the previous year, to ¥546.5 billion. Despite the higher sales revenue, core operating income decreased by ¥3.6 billion from the previous year, to ¥71.7 billion, due to higher sales expenses, general and administrative expenses (SG&A) and research and development expenses resulting from the year-round coverage of expenses at Sumitovant Biopharma and its subsidiaries (which were acquired as part of the strategic alliance with Roivant Sciences Ltd., in the previous fiscal year).

### **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 ¥1.7 billion from the previous year, to ¥51.1 billion, and core operating income increased by ¥4.0 billion from the previous year, to ¥12.8 billion.

Regarding the year-end dividend for fiscal 2020, in light of the financial results for the fiscal year, as described above, and because there is great uncertainty regarding the future operating environment, Sumitomo Chemical has decided to pay a year-end dividend of ¥9 per share. As a result, the Company's annual dividend for fiscal 2020 will be ¥15 per share, including an interim dividend of ¥6 per share.

Net cash from operating activities in fiscal 2020 was a net inflow of ¥374.5 billion, an increase of ¥268.5 billion from the previous fiscal year, as Sumitomo Dainippon Pharma Co., Ltd., a consolidated subsidiary of the Sumitomo Chemical Group, received an upfront payment from a partner upon entering into a development and commercialization agreement, and because of improvements in working capital. Net cash from investing activities was a net outflow of ¥177.4 billion, due to outflows relating to a loan to Rabigh Refining and Petrochemical Company. Compared with the previous fiscal year, net outflows decreased by ¥322.3 billion, because of outflows in the previous fiscal year by Sumitomo Dainippon Pharma for an investment relating to its strategic alliance with Roivant Sciences and to acquire several of its subsidiaries. This resulted in positive free cash flow of ¥197.1 billion for fiscal 2020, compared with negative free cash flow of ¥393.7 billion for fiscal 2019. Net cash outflows from financing activities were ¥40.0 billion. This represents a reduction in cash inflows from financing activities of ¥413.5 billion compared with the previous consolidated fiscal year, because in the previous fiscal year, Sumitomo Dainippon Pharma had procured bridging loans relating to payments as part of the strategic alliance with Roivant Sciences, and Sumitomo Chemical issued corporate hybrid bonds (publicly offered subordinated corporate bonds). The balance of cash and cash equivalents at the end of fiscal 2020 increased by ¥180.3 billion year on year, to ¥360.9 billion.

For fiscal 2021, the Company forecasts that sales revenue will increase compared to fiscal 2020, to ¥2,610.0 billion, core operating income and operating income are projected to be ¥200.0 billion and ¥180.0 billion, respectively, and net income attributable to owners of the parent to be ¥100.0 billion, assuming an exchange rate of ¥110.0/US\$ and a naphtha price of ¥47,000/kl.

While it remains uncertain when the COVID-19 pandemic will be over, its impact on the Group's business performance after fiscal 2021 would be limited.

The Company plans to pay an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share, making the Company's annual dividend for fiscal 2021 ¥20 per share, increasing ¥5 per share from the previous fiscal year.

**Consolidated statements of profit or loss**  
 Years ended March 31, 2021(FY2020) and 2020(FY2019)

	Millions of yen	Thousands of US dollars*	
	FY2020	FY2019	FY2020
Sales revenue	2,286,978	2,225,804	20,657,375
Cost of sales	(1,515,782)	(1,519,047)	(13,691,464)
Gross profit	771,196	706,757	6,965,911
Selling, general and administrative expenses	(631,270)	(575,135)	(5,702,014)
Other operating income	26,673	11,590	240,927
Other operating expenses	(17,025)	(14,928)	(153,780)
Share of profit or loss of investments accounted for using the equity method	(12,459)	9,233	(112,537)
Operating income	137,115	137,517	1,238,506
Finance income	19,868	13,178	179,460
Finance expenses	(19,180)	(20,215)	(173,245)
Income before taxes	137,803	130,480	1,244,720
Income tax expenses	(69,729)	(76,081)	(629,835)
Net income	68,074	54,399	614,886

Net income attributable to:

Owners of the parent	46,043	30,926	415,888
Non-controlling interests	22,031	23,473	198,997
Net income	68,074	54,399	614,886

	Yen	US dollars*	
	FY2020	FY2019	FY2020
<b>Earnings per share:</b>			
Basic earnings per share	28.16	18.91	0.25
Diluted earnings per share	—	—	—

	Yen	US dollars*	
	FY2020	FY2019	FY2020
<b>Dividends per share:</b>			
Interim dividends	6.00	11.00	0.05
Year-end dividends	9.00	6.00	0.08
For the year	15.00	17.00	0.14

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of  
 ¥110.71= \$1 prevailing on March 31, 2021.

**Consolidated statements of comprehensive income**  
 Years ended March 31, 2021(FY2020) and 2020(FY2019)

	Millions of yen		Thousands of US dollars*
	FY2020	FY2019	FY2020
Net income	68,074	54,399	614,886
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of financial assets measured at fair value through other comprehensive income	13,405	(13,397)	121,082
Remeasurements of defined benefit plans	18,867	(8,323)	170,418
Share of other comprehensive income of investments accounted for using the equity method	3,440	(4,812)	31,072
Total items that will not be reclassified to profit or loss	35,712	(26,532)	322,572
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge	(3,015)	1,871	(27,233)
Exchange differences on translation of foreign operations	36,890	(45,048)	333,213
Share of other comprehensive income of investments accounted for using the equity method	(1,701)	(2,050)	(15,364)
Total items that may be subsequently reclassified to profit or loss	32,174	(45,227)	290,615
Other comprehensive income, net of taxes	67,886	(71,759)	613,188
<b>Total comprehensive income</b>	<b>135,960</b>	<b>(17,360)</b>	<b>1,228,073</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	108,727	(39,081)	982,088
Non-controlling interests	27,233	21,721	245,985
<b>Total comprehensive income</b>	<b>135,960</b>	<b>(17,360)</b>	<b>1,228,073</b>

(Note)

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**Consolidated statements of cash flows**  
Years ended March 31, 2021(FY2020) and 2020(FY2019)

	Millions of yen		Thousands of US dollars*
	FY2020	FY2019	FY2020
<b>Cash flows from operating activities:</b>			
Income before taxes	137,803	130,480	1,244,720
Depreciation and amortization	136,017	131,741	1,228,588
Impairment loss	40,833	37,328	368,828
Reversal of impairment loss	—	(61)	—
Share of (profit) loss of investments accounted for using the equity method	12,459	(9,233)	112,537
Interest and dividend income	(8,440)	(10,904)	(76,235)
Interest expenses	16,091	12,513	145,344
Business structure improvement expenses	6,323	7,806	57,113
Changes in fair value of contingent consideration	(22,463)	(48,475)	(202,899)
(Gain) loss on sale of property, plant and equipment	(18,730)	(931)	(169,181)
(Increase) decrease in trade receivables	(22,426)	(10,938)	(202,565)
(Increase) decrease in inventories	12,644	(11,713)	114,208
Increase (decrease) in trade payables	48,270	(22,048)	436,004
Increase (decrease) in unearned revenue	47,976	4,881	433,348
Increase (decrease) in provisions	16,513	(8,060)	149,155
Others, net	28,094	(57,184)	253,764
<b>Subtotal</b>	<b>430,964</b>	<b>145,202</b>	<b>3,892,729</b>
Interest and dividends received	15,968	27,033	144,233
Interest paid	(15,860)	(12,733)	(143,257)
Income taxes paid	(54,401)	(48,688)	(491,383)
Business structure improvement expenses paid	(2,207)	(4,802)	(19,935)
<b>Net cash provided by operating activities</b>	<b>374,464</b>	<b>106,012</b>	<b>3,382,386</b>
<b>Cash flows from investing activities:</b>			
Payments of deposit	—	(61,028)	—
Net (increase) decrease in securities	(2,644)	—	(23,882)
Purchase of property, plant and equipment, and intangible assets	(120,812)	(120,449)	(1,091,247)
Proceeds from sale of property, plant and equipment, and intangible assets	24,371	1,974	220,134
Purchase of investments in subsidiaries	(3,355)	(204,592)	(30,304)
Purchase of other financial assets	(8,074)	(122,493)	(72,929)
Proceeds from sales and redemption of other financial assets	20,935	6,763	189,098
Increase in loans receivable	(81,760)	(1,734)	(738,506)
Others, net	(6,050)	1,889	(54,649)
<b>Net cash used in investing activities</b>	<b>(177,389)</b>	<b>(499,670)</b>	<b>(1,602,285)</b>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	(237,585)	237,592	(2,146,012)
Net decrease of commercial paper	(2,000)	(28,000)	(18,065)
Proceeds from long-term borrowings	202,403	67,689	1,828,227
Repayments of long-term borrowings	(58,517)	(85,657)	(528,561)
Proceeds from issuance of bonds	158,734	282,575	1,433,782
Redemption of bonds	(45,000)	(30,500)	(406,467)
Repayments of finance lease obligations	(15,149)	(14,778)	(136,835)
Cash dividends paid	(19,620)	(35,970)	(177,220)
Cash dividends paid to non-controlling interests	(16,775)	(16,717)	(151,522)
Proceeds from sale of subsidiaries' interests to non-controlling interests	10,841	—	97,923
Payments for acquisition of subsidiaries' interests from non-controlling interests	(19,396)	(2,622)	(175,196)
Others, net	2,090	(70)	18,877
<b>Net cash provided by (used in) financing activities</b>	<b>(39,974)</b>	<b>373,542</b>	<b>(361,069)</b>
Effect of exchange rate changes on cash and cash equivalents	23,169	(914)	209,276
Net increase (decrease) in cash and cash equivalents	180,270	(21,030)	1,628,308
<b>Cash and cash equivalents at beginning of year</b>	<b>180,648</b>	<b>201,678</b>	<b>1,631,723</b>
<b>Cash and cash equivalents at end of year</b>	<b>360,918</b>	<b>180,648</b>	<b>3,260,031</b>

(Note)

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¥110.71= \$1 prevailing on March 31, 2021.

**Segment information**  
Years ended March 31, 2021(FY2020) and 2020(FY2019)

	Millions of yen								
	Reporting segments					Total	Others	Adjustments	Consolidated
	Petro-chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals				
<b>FY2020</b>									
Sales revenue									
Sales revenues from external customers	589,323	245,249	431,819	423,011	546,450	2,235,852	51,126	—	2,286,978
Inter-segment sales revenues	4,470	9,287	570	4,976	13	19,316	52,546	(71,862)	—
Total sales revenue	593,793	254,536	432,389	427,987	546,463	2,255,168	103,672	(71,862)	2,286,978
Segment profit (core operating income)	(11,991)	20,265	39,733	31,547	71,672	151,226	12,752	(16,363)	147,615
Segment assets	793,892	322,265	431,151	734,674	1,364,461	3,646,443	320,762	23,049	3,990,254
Other items									
Depreciation and amortization	26,632	17,825	25,512	26,887	25,617	122,473	7,657	5,887	136,017
Share of profit (loss) of investments accounted for using the equity method	(22,019)	(60)	(20)	701	(27)	(21,425)	8,549	417	(12,459)
Impairment loss	965	1,322	2,532	294	35,720	40,833	—	—	40,833
Reversal of impairment loss	—	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	119,399	131	435	8,045	681	128,691	117,978	(2,866)	243,803
Capital expenditures	19,896	23,029	12,222	16,287	14,012	85,446	18,583	8,675	112,704
<b>FY2019</b>									
Sales revenue									
Sales revenues from external customers	656,929	255,034	404,871	343,666	515,845	2,176,345	49,459	—	2,225,804
Inter-segment sales revenues	5,828	9,533	1,013	5,600	49	22,023	58,844	(80,867)	—
Total sales revenue	662,757	264,567	405,884	349,266	515,894	2,198,368	108,303	(80,867)	2,225,804
Segment profit (core operating income)	14,485	20,343	25,084	2,083	75,266	137,261	8,770	(13,379)	132,652
Segment assets	725,697	305,523	387,907	656,470	1,316,474	3,392,071	280,831	(18,815)	3,654,087
Other items									
Depreciation and amortization	27,850	15,852	28,973	26,081	20,020	118,776	7,468	5,497	131,741
Share of profit (loss) of investments accounted for using the equity method	3,179	(23)	1	(1,150)	(5)	2,002	7,240	(9)	9,233
Impairment loss	1,108	781	225	18	35,196	37,328	—	—	37,328
Reversal of impairment loss	—	—	61	—	—	61	—	—	61
Investments accounted for using the equity method	152,410	191	455	7,374	1,060	161,490	105,847	(3,283)	264,054
Capital expenditures	23,834	21,383	21,581	19,677	17,012	103,487	5,020	7,841	116,348

### Segment information

Years ended March 31, 2021(FY2020) and 2020(FY2019)

Adjustments to income before taxes from segment profit were as follows:

	Millions of yen	
	FY2020	FY2019
Segment profit	147,615	132,652
Impairment loss	(40,833)	(37,328)
Restructuring charges	(6,323)	(7,806)
Changes in fair value of contingent consideration	22,463	48,475
Gain on sale of property, plant and equipment	18,730	931
Others, net	(4,537)	593
Operating income	137,115	137,517
Finance income	19,868	13,178
Finance expenses	(19,180)	(20,215)
Income before taxes	137,803	130,480

### Overseas operations

Years ended March 31, 2021(FY2020) and 2020(FY2019)

	FY2020				FY2019
	Millions of yen	Thousands of US dollars*	Share (%)	Growth (%)	
Overseas operations	1,561,398	14,103,496	68.3	6.9	1,460,749

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of  
¥110.71= \$1 prevailing on March 31, 2021.

(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.