

Financial Results for FY2023 First Quarter

(April 1, 2023 - June 30, 2023)

August 2, 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.

**Consolidated Financial Results for FY2023
First Quarter**

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(Reference)

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Consolidated Financial Results for FY2023 First Quarter

Economic Conditions

- There were geopolitical factors, such as the conflict in Ukraine and contentious relationship between the US and China. In addition, there were also the negative effects of monetary policies in various countries due to inflation and a decline in consumer spending, which has led to a widespread sense of uncertainty about the economic outlook.
- Although economic conditions vary from region to region, **as a whole, the business environment is challenging.**

Business Environment

Conditions

Petrochemicals/ Raw Materials	Low margins will continue in the petrochemical market due to decline in final demand.	  
Automobiles	The semiconductor shortage has softened, and automotive production volume is recovering, but recovery is slow and genuine demand growth has yet to be seen.	  
Displays	TVs: Final demand remains flat. New facilities at other companies has intensified competition. Mobiles: Final demand remains sluggish, but the impact on OLED components has been relatively small.	  
Semiconductors	Semiconductors have entered a correction phase, so demand for semiconductor-related materials is weak.	  
Crop Protection	1Q was an off-demand season. Inventory in the local distribution chain increased.	  
Methionine	The methionine market continues to deteriorate due to flat demand.	  
Pharmaceuticals	Latuda® sales decreased largely due to the loss of exclusivity. Progress of expanding sales of the three Key drugs was generally in line with our expectations.	  

Unit: Billions of yen

	Q1 FY2022	Q1 FY2023	Variance	Variance Ratio
Sales revenue	774.1	563.1	-211.0	-27.3%
Core operating income (loss)	64.1	-53.6	-117.7	-
Of which equity in earnings	12.7	-12.0	-24.7	-
Non-recurring items	2.2	-18.1	-20.3	-
Operating income (loss)	66.3	-71.7	-138.0	-
Finance income/expenses	47.4	21.9	-25.5	-
Of which gain (loss) on foreign currency transactions	49.8	23.8	-26.1	-
Income tax expenses	-28.5	-1.3	27.2	-
Net (income) loss attributable to non-controlling interests	-15.1	18.0	33.1	-
Net income (loss) attributable to owners of the parent	70.0	-33.2	-103.1	-
ROE	5.5%	-2.8%		
Exchange rate (yen/\$)	129.73	137.49		
Naphtha price (yen/kl)	86,100	67,500		
Overseas sales revenue ratio	71.3%	65.8%		

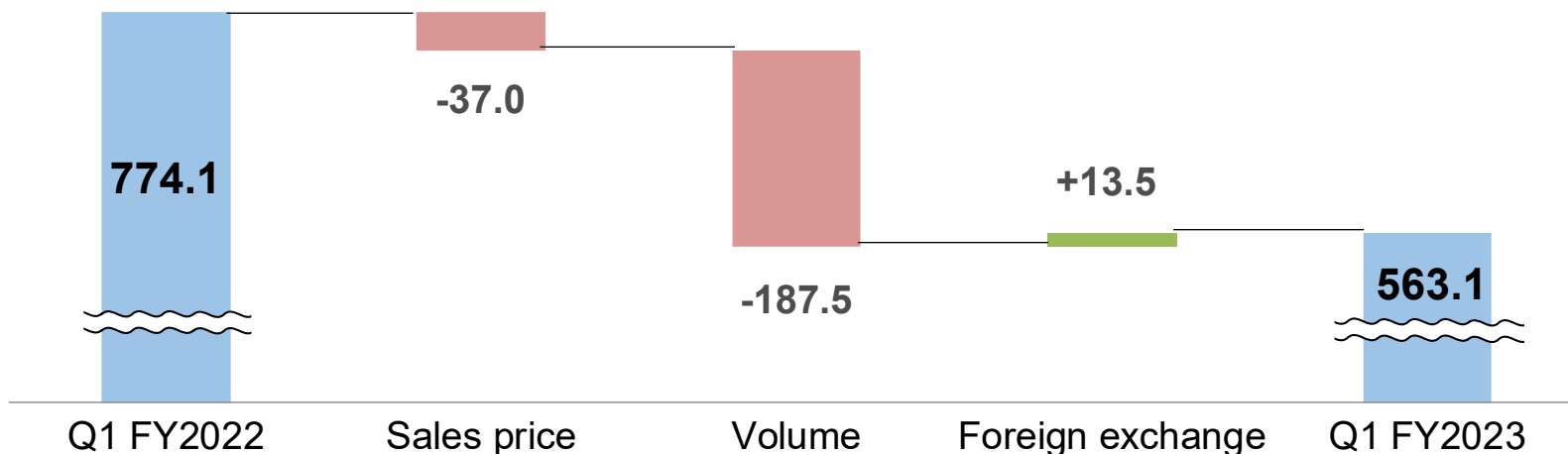
Sales Revenue by Business Segment

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Unit: Billions of yen

	Q1 FY2022	Q1 FY2023	Variance	Ratio	Sales price variance	Shipping volume variance	Foreign currency conversion variance
Essential Chemicals & Plastics	238.6	192.4	-46.2	-19.4%	-29.0	-23.4	6.2
Energy & Functional Materials	86.4	73.4	-13.0	-15.1%	0.0	-13.8	0.7
IT-related Chemicals	114.7	94.5	-20.2	-17.6%	0.0	-21.4	1.2
Health & Crop Sciences	152.6	102.7	-49.8	-32.7%	-7.0	-45.9	3.1
Pharmaceuticals	167.7	83.0	-84.7	-50.5%	-1.0	-86.0	2.2
Others & Adjustments	14.2	17.3	3.1	21.5%	0.0	3.1	0.0
Total	774.1	563.1	-211.0	-27.3%	-37.0	-187.5	13.5

Analysis of Variance



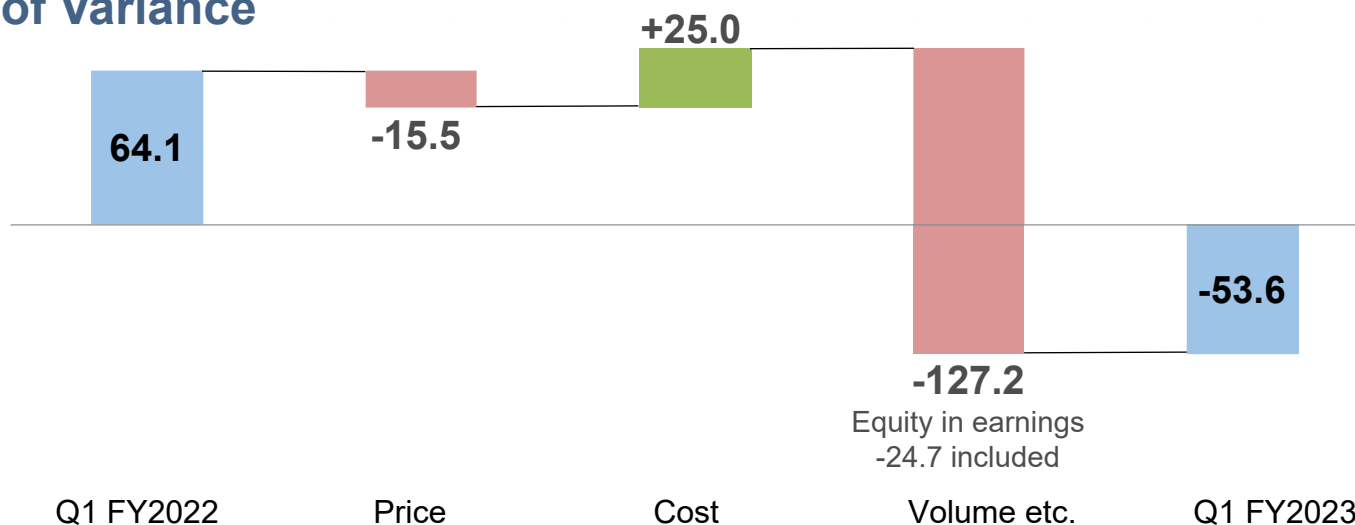
Core Operating Income by Business Segment

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Unit: Billions of yen

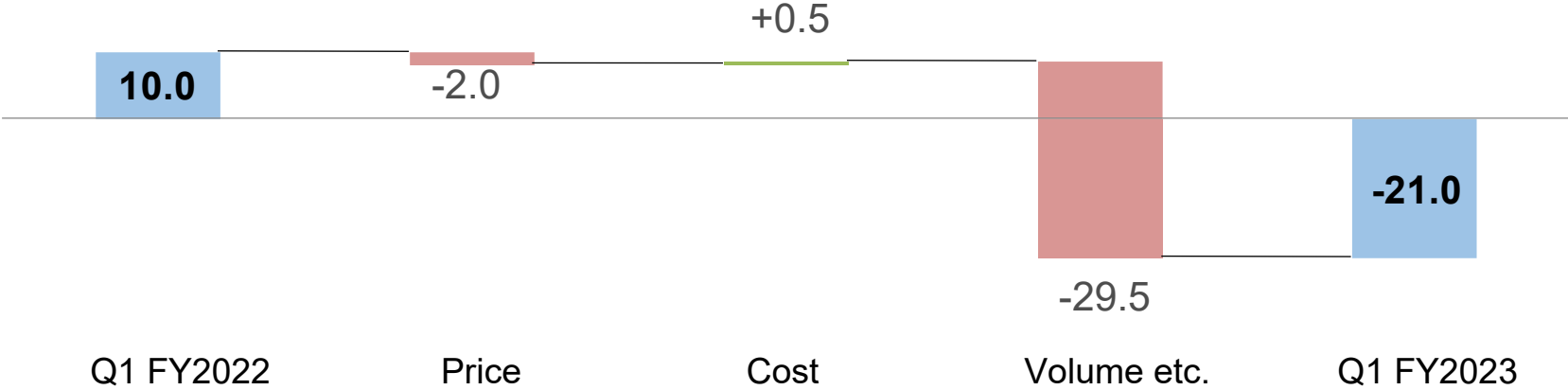
	Q1 FY2022	Q1 FY2023	Variance	Price variance	Cost variance	Shipping volume variance and other
Essential Chemicals & Plastics	10.0	-21.0	-31.0	-2.0	0.5	-29.5
Energy & Functional Materials	6.6	3.0	-3.6	-1.0	0.5	-3.1
IT-related Chemicals	15.8	6.7	-9.1	0.0	3.5	-12.6
Health & Crop Sciences	21.9	-7.0	-29.0	-11.5	1.5	-19.0
Pharmaceuticals	14.1	-33.3	-47.3	-1.0	19.0	-65.3
Others & Adjustments	-4.3	-1.9	2.3	0.0	0.0	2.3
Total	64.1	-53.6	-117.7	-15.5	25.0	-127.2

Analysis of Variance



Essential Chemicals & Plastics

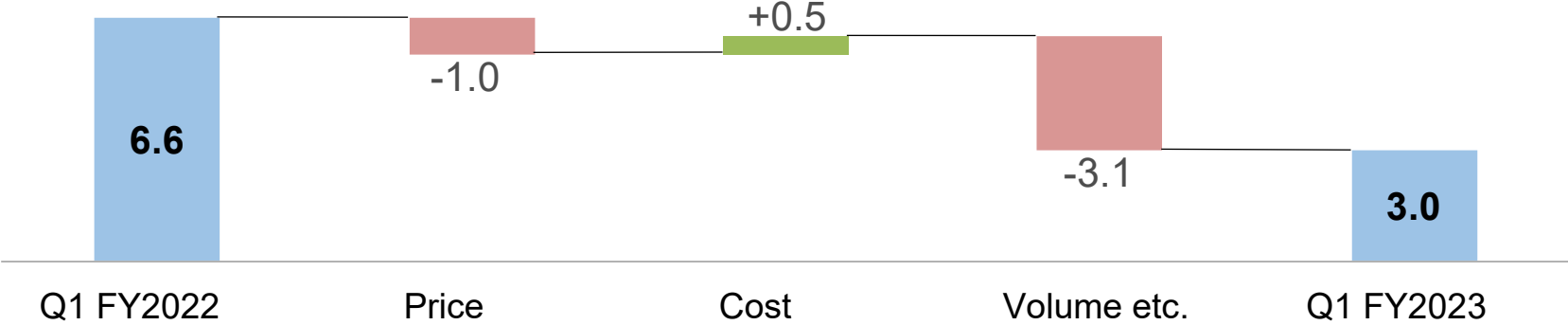
Total ¥ -21.0 billion (-31.0 from 1Q FY2022)



Price variance	Deterioration in profit margins of synthetic resins, methyl methacrylate, and various other industrial chemicals resulting from a decline in market prices
Volume variance etc.	<ul style="list-style-type: none">• Deterioration in the financial performance of Petro Rabigh• Shipments declined due to lower demand, particularly in automotive applications

Energy & Functional Materials

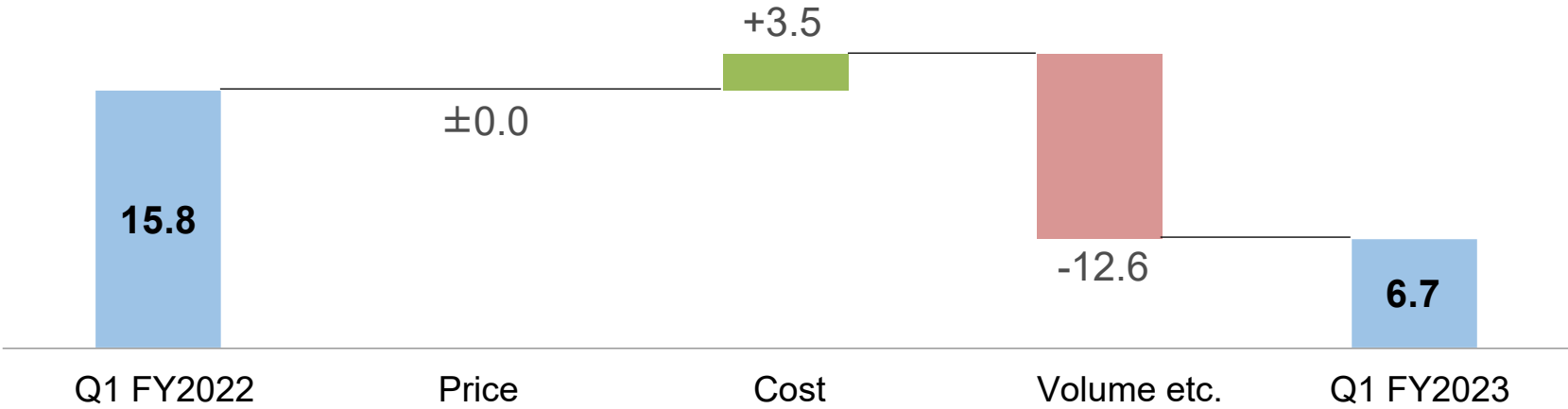
Total ¥ 3.0 billion (-3.6 from 1Q FY2022)



Price variance	Deterioration in profit margins of aluminum and battery metals for cathode materials resulting from a decline in market prices
Volume variance etc.	Decline in shipments of resorcinol, particularly in automotive applications

IT-related Chemicals

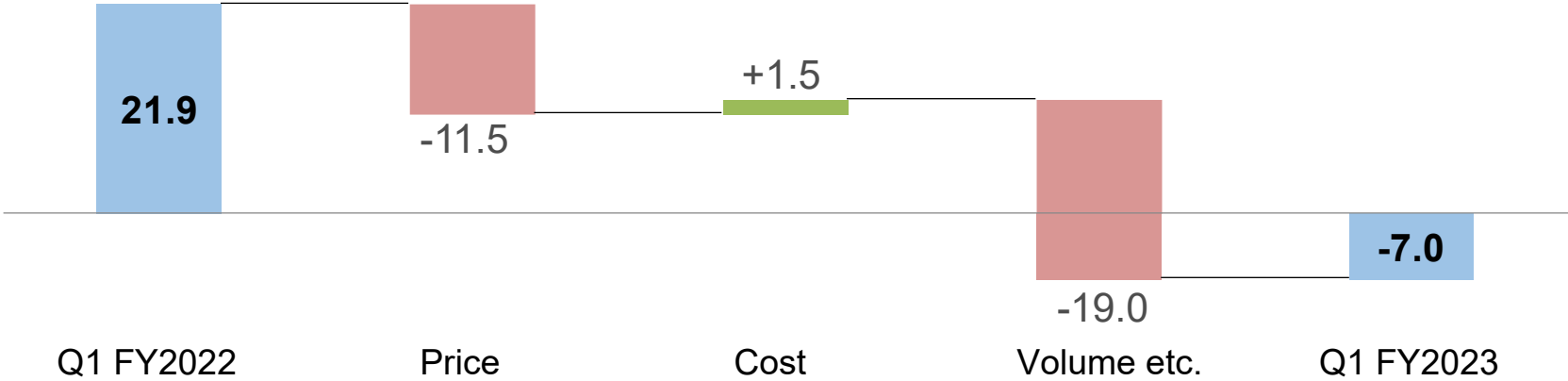
Total ¥ 6.7 billion (-9.1 from 1Q FY2022)



Price variance	Displays	Decline in the selling prices for polarizing film
	Semiconductors	Raising prices for high-purity chemicals due to price hike of raw materials
Volume variance etc.	Displays	Decline in shipments, particularly for TV-related applications
	Semiconductors	Decline in shipments of high-purity chemicals and photoresists

Health & Crop Sciences

Total ¥ -7.0 billion (-29.0 from 1Q FY2022)



Price variance	Methionine	Deterioration in profit margins due to decline in market prices, as well as an increase in utility prices
Cost variance	Methionine	Lower depreciation expenses
Volume variance etc.	Crop Protection	Decline in shipments in South America resulting from an increase in inventory in the market

Pharmaceuticals

Total ¥ -33.3 billion (-47.3 from 1Q FY2022)



Price variance	Decline in sales prices due to the impact of National Health Insurance (NHI) drug price revisions in Japan
Cost variance	Reduction in fixed costs resulting from streamlining business operations through the combination of group companies in North America
Volume variance etc.	Decrease in shipments due to the expiration of the exclusive marketing period of LATUDA®

Unit: Billions of yen

	1Q FY2022	1Q FY2023	Variance
Restructuring costs	-2.1	-19.3	-17.2
Others	4.3	1.1	-3.2
Non-recurring items	2.2	-18.1	-20.3

Consolidated Statement of Financial Position

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Unit: Billions of yen

	31-Mar-23	30-Jun-23	Variance		31-Mar-23	30-Jun-23	Variance
Current assets	1,762.9	1,851.9	89.0	Liabilities	2,676.3	2,823.9	147.5
Cash and cash equivalents	305.8	323.1	17.3	Trade and other payables	515.9	530.1	14.2
Trade and other receivables	603.2	588.5	-14.6	Interest-bearing liabilities	1,461.4	1,632.6	171.2
Inventories	744.5	814.4	69.9	Others	699.1	661.2	-37.8
Others	109.4	125.9	16.5	Equity	1,489.2	1,549.9	60.8
Non-current assets	2,402.6	2,521.9	119.3	Shareholders' equity	973.0	935.8	-37.3
Property, plant and equipment	829.4	859.2	29.9	Other components of equity	198.2	289.0	90.9
Goodwill and intangible assets	670.9	720.1	49.2	Non-controlling interests	318.0	325.1	7.1
Others	902.4	942.6	40.2				
Total	4,165.5	4,373.8	208.3	Total	4,165.5	4,373.8	208.3
				Equity attributable to owners of parent to total assets	28.1%	28.0%	-0.1%
				D/E ratio (times)	1.0	1.1	0.1

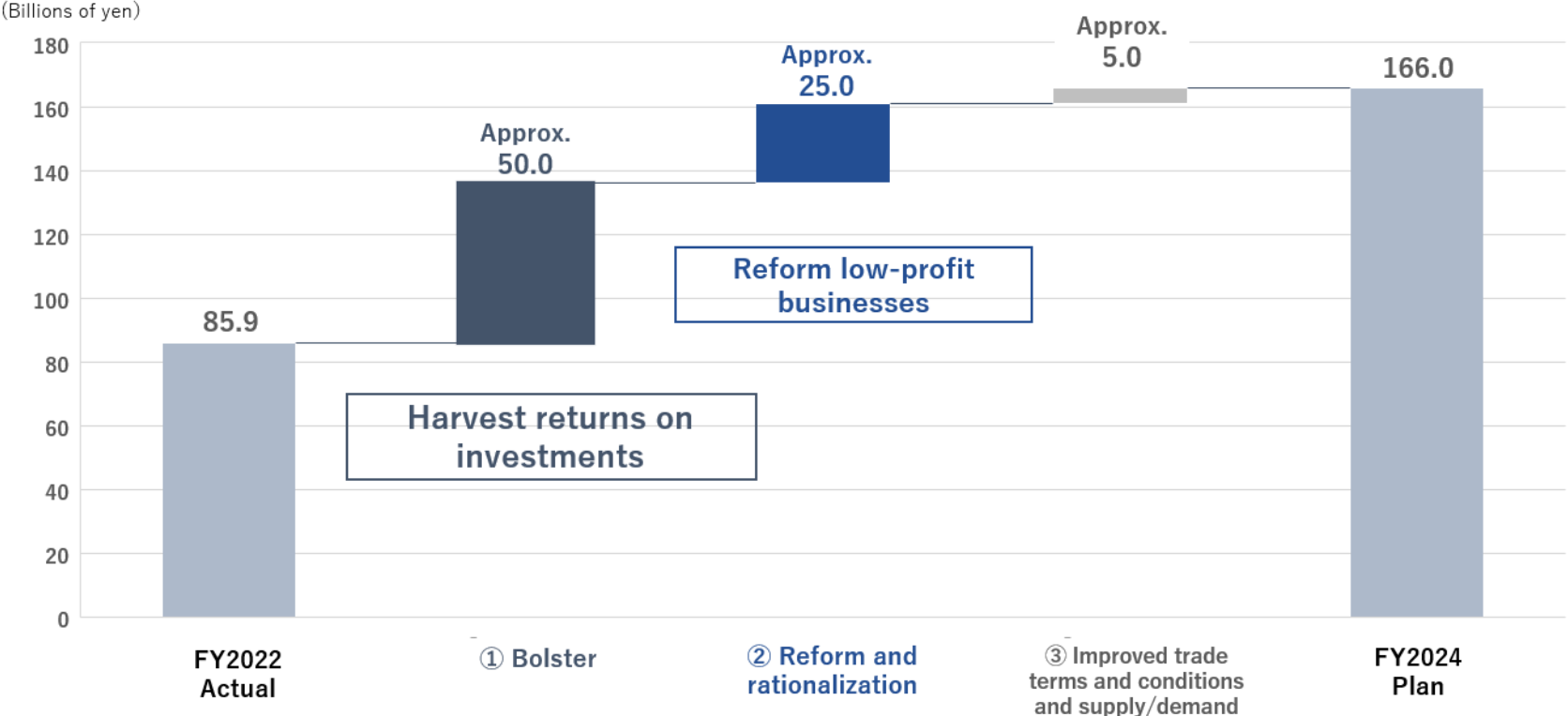
Unit: Billions of yen

	Q1 FY2022	Q1 FY2023	Variance
Cash flows from operating activities	42.6	-131.9	-174.5
Cash flows from investing activities	46.0	-13.4	-59.5
Free cash flows	88.7	-145.4	-234.0
Cash flows from financing activities	11.5	142.0	130.5
Others	33.0	19.5	-13.5
Increase(decrease) in cash and cash equivalents	133.2	16.2	-117.0
Cash and cash equivalents at end of period	498.6	323.1	-175.5

FY2024 Profit Growth Drivers (Core Operating Income in 4 Sectors Excluding Pharmaceuticals)



Expecting a solid recovery in business performance on **bolstering** of growth businesses and **reform and rationalization** of low-profit businesses



Excerpts from “Investors’ Meeting for FY2022 Financial Results, Management Priorities and Business Strategies”

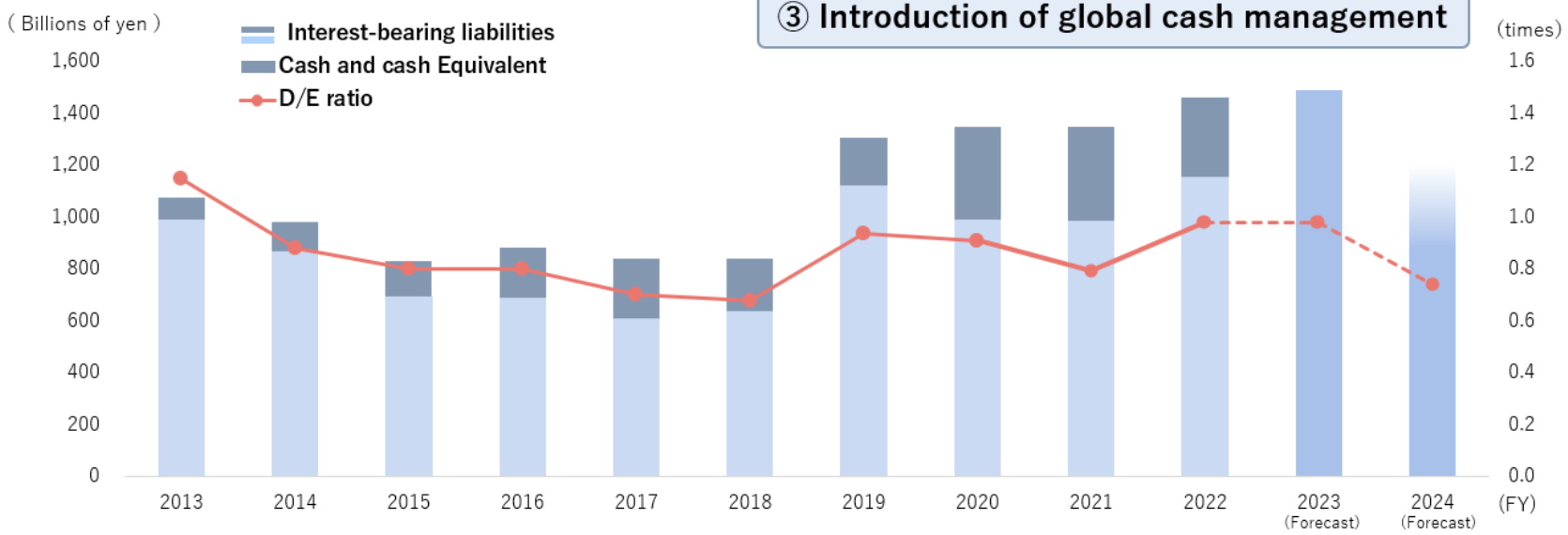
presented as of May 15, 2023

Improve financial standing : Interest-bearing liabilities and debt to equity ratio



Aiming for a debt-to-equity ratio in the 0.7X range by the end of FY 2024 based on the three measures.

- ① Reduced investments by carefully selecting projects
- ② Asset efficiencies
- ③ Introduction of global cash management



Excerpts from “Investors’ Meeting for FY2022 Financial Results, Management Priorities and Business Strategies”

presented as of May 15, 2023

(Reference)

Unit: Billions of yen

	FY2022				FY2023
	Q1	Q2	Q3	Q4	Q1
Essential Chemicals & Plastics	238.6	228.7	208.2	177.4	192.4
Energy & Functional Materials	86.4	87.1	83.6	85.3	73.4
IT-related Chemicals	114.7	107.5	116.4	92.6	94.5
Health & Crop Sciences	152.6	141.3	145.3	159.2	102.7
Pharmaceuticals	167.7	166.7	148.0	102.4	83.0
Others & Adjustments	14.2	23.0	26.9	21.3	17.3
Total	774.1	754.4	728.5	638.2	563.1

Unit: Billions of yen

	FY2022				FY2023
	Q1	Q2	Q3	Q4	Q1
Essential Chemicals & Plastics	10.0	13.3	-25.3	-32.2	-21.0
Energy & Functional Materials	6.6	6.8	3.4	-1.6	3.0
IT-related Chemicals	15.8	10.7	17.3	3.9	6.7
Health & Crop Sciences	21.9	14.4	10.9	10.1	-7.0
Pharmaceuticals	14.1	11.1	17.9	-26.9	-33.3
Others & Adjustments	-4.3	-4.8	2.3	-2.6	-1.9
Total	64.1	51.5	26.5	-49.4	-53.6

Essential Chemicals & Plastics

Total ¥ 192.4 billion (-46.2 from Q1 FY2022)

Sales price

-29.0

- Lower market prices

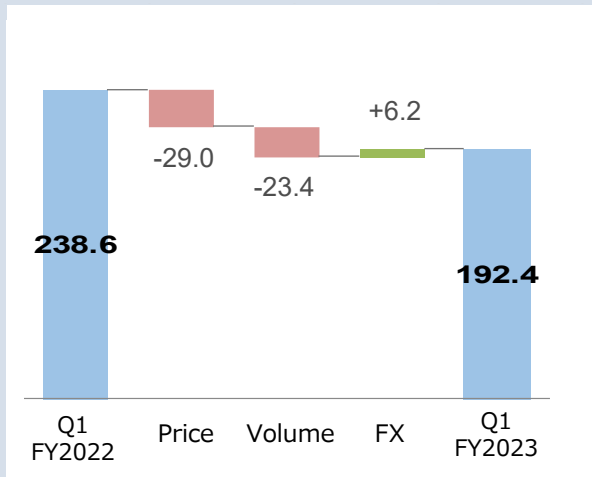
Volume

-23.4

- Decline in shipments for automotive applications (MMA, etc.)

Foreign exchange

+6.2



Energy & Functional Materials

Total ¥ 73.4 billion (-13.0 from Q1 FY2022)

Sales price

±0.0

- Increase in the selling prices for alumina products
- Decline in market prices for aluminum

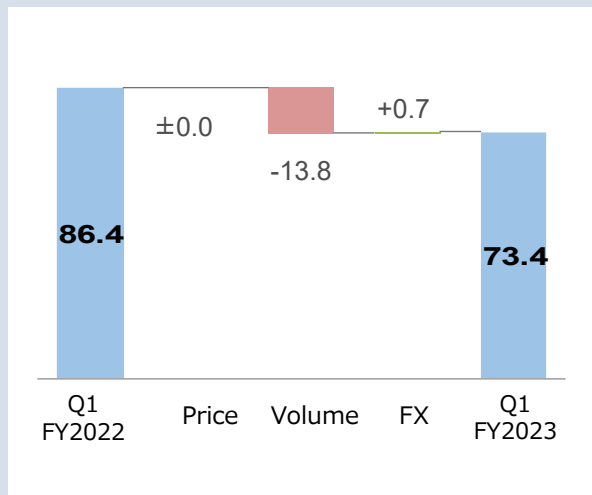
Volume

-13.8

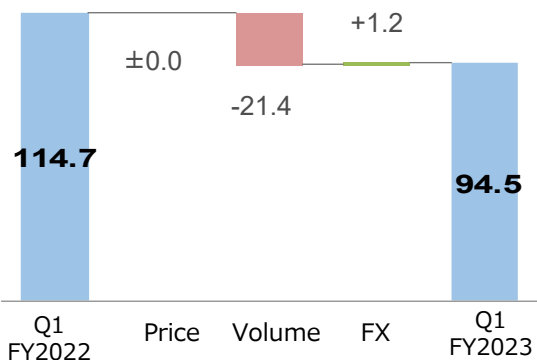
- Decline in shipments for automotive applications (aluminum, resorcinol, etc.)

Foreign exchange

+0.7



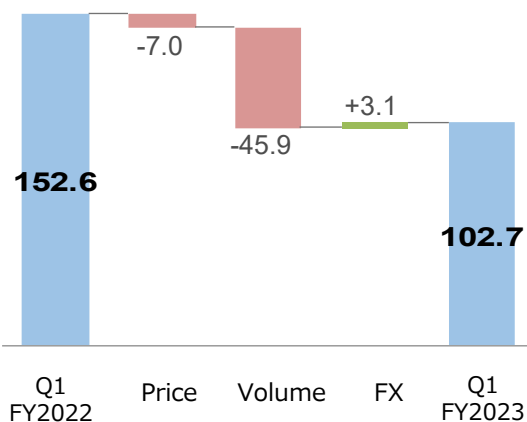
IT-related Chemicals



Total ¥94.5 billion (-20.2 from Q1 FY2022)

- Sales price** ±0.0
- Decline in the selling prices for polarizing film
 - Increase in selling prices of high-purity chemicals
- Volume** -21.4
- Decline in shipments of display-related materials
 - Decline in shipments of processing materials for semiconductors
- Foreign exchange** +1.2

Health & Crop Sciences



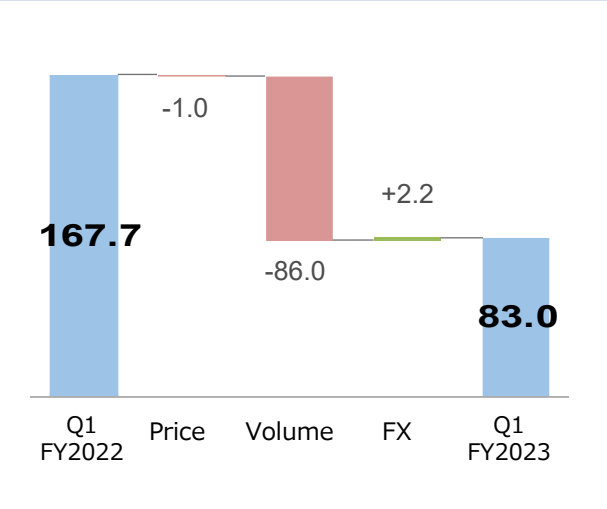
Total ¥102.7 billion (-49.8 from Q1 FY2022)

- Sales price** -7.0
- Decline in the selling prices of methionine
- Volume** -45.9
- Decline in shipments of crop protection products in South America
- Foreign exchange** +3.1

Pharmaceuticals

Total ¥83.0 billion (-84.7 from Q1 FY2022)

- Sales price** -1.0
 - NHI drug price revisions in Japan
- Volume** -86.0
 - Expiration of the exclusive marketing period for LATUDA®
- Foreign exchange** +2.2



Company	Sales Revenue		Profit
	Q1 FY2022	Q1 FY2023	
The Polyolefin Company (Singapore) (Millions of USD)	332	211	↘ A deterioration in profit margins and decrease in sales volume
Petrochemical Corporation of Singapore (Millions of USD)	836	583	↘ A deterioration in profit margins
Rabigh Refining and Petrochemical Company (Millions of SAR)	14,402	10,981	↘ Due to periodic shutdown maintenance in this quarter and lower margins on oil refining and petrochemical products
Dongwoo Fine-Chem (Billions of KRW)	596.4	457.3	↘ Due to lower sales volume of display-related materials
Valent North America, and subsidiaries (Millions of USD)	185	203	→ Performance result is flat

Crop Protection Product Sales by Region

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Unit: Billions of yen

	Q1 FY2022	Q1 FY2023	Variance	Reasons for Change
Japan	16.8	14.8	-2.0	
North America	14.1	15.5	1.4	
Central & South America	61.6	19.4	-42.2	Decline in shipments due to the increase in inventories in the market
Asia (including India)	17.4	13.5	-3.9	Decline in shipments, due to the impact of extreme weather (delayed monsoon) in India and increase in inventories in the market
Europe & Others	5.3	4.9	-0.4	
Total	115.2	68.1	-47.1	