

# Investors' Meeting for FY2022 Financial Results, Management Priorities and Business Strategies

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**1**

# FY2022 Earnings Overview

# FY2022 vs FY2021

(Billions of yen)

	FY2021	FY2022	Change	Reasons for change	FY2022 Forecast (Feb)
<b>Sales Revenue</b>	2,765.3	2,895.3	130.0	Revenue up on weaker yen	2,990.0
<b>Core Operating Income</b>	234.8	92.8	-142.0	See the next page	120.0
<b>Non-recurring Items</b>	-19.8	-123.7	-104.0	Mostly due to impairment in Pharmaceuticals	—
<b>Operating Income (IFRS)</b>	215.0	-31.0	-246.0		0
<b>Finance income/expenses</b>	36.1	31.2	-4.9		—
<b>Taxes</b>	-64.7	-47.1	17.6		—
<b>Net income attributable to non-controlling interests</b>	-24.3	53.9	78.2	Loss at subsidiary in this period	—
<b>Net Income Attributable to Owners of the Parent</b>	162.1	7.0	-155.1		0
<b>Naphtha price</b>	¥56,600/kl	¥76,600/kl			¥76,500/kl
<b>Exchange rate</b>	¥112.39/\$	¥135.50/\$			¥134.86/\$

# FY2022 Core Operating Income by Sector vs FY2021

(Billions of yen)

	FY2021	FY2022	Changes	Reasons for change	FY2022 Forecast (Feb)
Essential chemicals & Plastics	53.5	-34.2	-87.7	Worse trade terms and conditions due to spike in raw material costs Lower shipments of synthetic resin, MMA, etc.	-33.0
Energy & Functional Materials	20.1	15.2	-4.8	Lower shipments of resorcinol and SEP	18.0
IT-related Chemicals	57.8	47.6	-10.2	Lower sales prices and shipments of display materials despite tailwinds from weaker yen	41.0
Health & Crop Sciences	42.3	57.3	15.0	Higher sales prices in S. America and shipments in H1 coupled with weaker yen	67.0
Pharmaceuticals	61.7	16.2	-45.5	Higher SG&A due to new drugs Lower sales of Latuda. Drug price revisions in Japan.	37.0
Others	-0.6	-9.3	-8.8	Worsened business performance at affiliates	-10.0
<b>Total</b>	<b>234.8</b>	<b>92.8</b>	<b>-142.0</b>		<b>120.0</b>

## Differences from Forecast






















ICT (+6.6 bn. yen): Decline in shipments of display materials and semiconductor materials was better than expected  
H&CS (-9.7 bn. yen): Continue to see depressed market prices for methionine  
Pharma (-20.8 bn. yen): Large decline in Latuda sales. Higher SG&A related to new drugs.

Section

2

# FY2023 and FY2024 Business Performance Forecasts

# Outlook for the Business Environment

	FY2022	FY2023 Forecast	FY2024 Forecast	Outlook to FY2024
Global economic growth rate (IMF April 2023)	3.4%	2.8%	3.0%	Low growth for some time due to financial anxieties in various countries.
Petrochemicals & Plastics feedstock prices				Although crude oil prices remain elevated, ethylene market prices are expected to recover as the building of new plants slows.
Automotive				Expecting a gentle recovery from subdued production levels caused by semiconductor shortages, etc.
Displays				With the worst for TVs and mobile devices behind us, expect a gentle increase in demand. However, the competitive environment for TVs should intensify as rivals bring new plants online.
Semiconductors				The present market downturn is temporary. Expect a recovery starting in the latter half of 2023.
Agrosolutions business				The spike in selling prices will settle down, but demand will remain solid.
Methionine				Market prices to bottom out as avian influenza dissipates.
Pharmaceuticals				Will lose money in FY 2023 on Latuda loss of exclusivity. Expect a v-shaped recovery in FY 2024 on rationalization and expanded sales of three key products.

# FY2023 Business Performance Forecasts and Re-setting Targets for FY2024

Low profit levels in FY2023 due to large impact from the Latuda cliff. Substantial improvement heading into FY2024.

Revised down plan targets, but we aim to **achieve the targets a number of years late.**

(Billions of yen)

	FY2022 Actual	FY2023 Forecast	FY2024 Revised plan	FY2024 Initial plan	FY2024 Difference Revised - Initial
Sales Revenue	2,895.3	2,900.0	3,000.0	3,050.0	-50.0
Core Operating Income	92.8	40.0	200.0	300.0	-100.0
Operating Income (IFRS)	-31.0	20.0	180.0	285.0	-105.0
Net Income Attributable to Owners of the Parent	7.0	10.0	100.0	150.0	-50.0
Naphtha price	¥76,600/kl	¥70,000/kl	¥70,000/kl	¥50,000/kl	
Exchange rate	¥135.50/\$	¥135.00/\$	¥130.00/\$	¥110.00/\$	



# FY2023 Business Performance Forecasts and Re-setting Targets for FY2024: Core SUMITOMO CHEMICAL

## Operating Income by Sector

Expecting a **solid recovery in the 4 sectors** excluding Pharmaceuticals  
 In Pharmaceuticals, aiming for a **v-shaped recovery in FY2024** driven by rationalization and growth in promising drugs

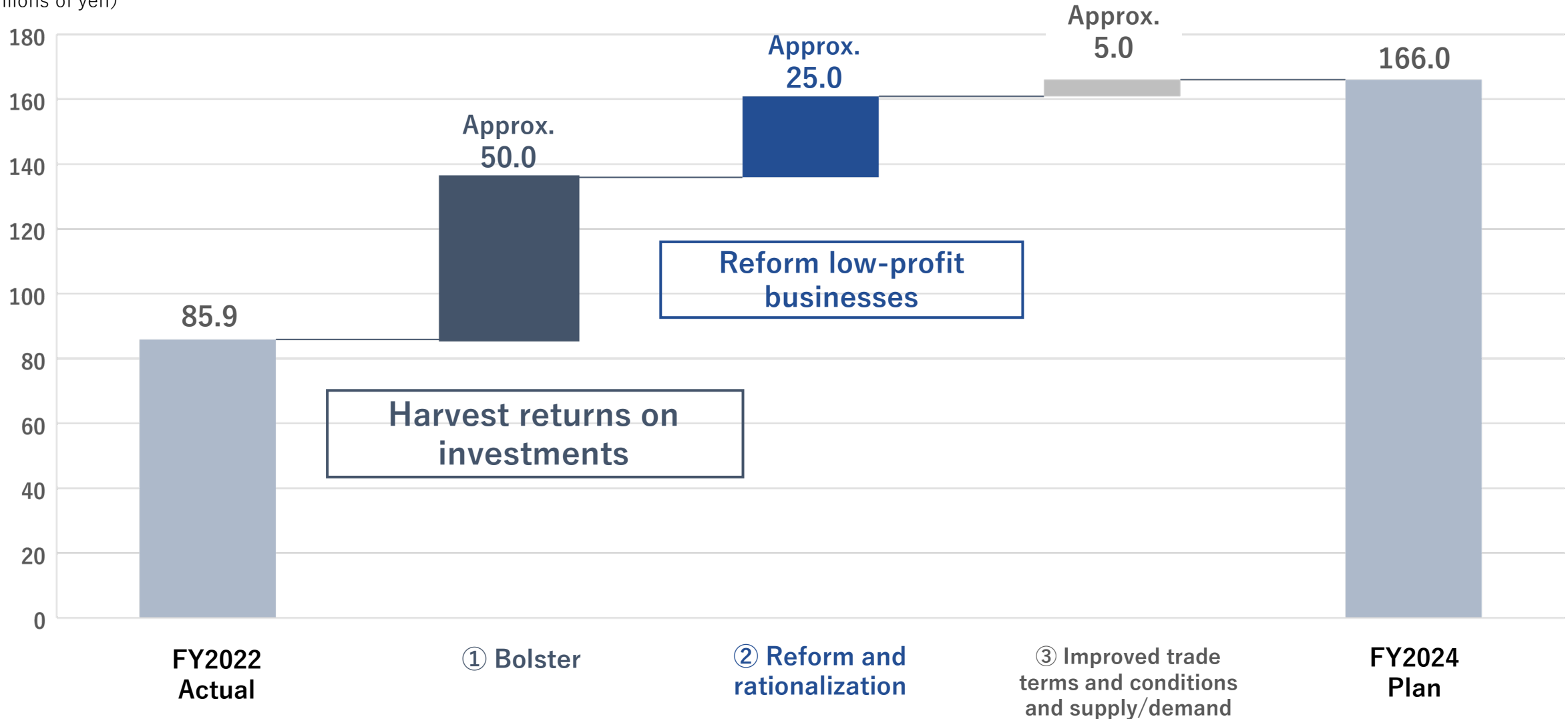
(Billions of yen)

	FY2022 Actual	FY2023 Forecast	FY2024 Revised plan	FY2024 Initial plan	FY2024 Difference Revised - Initial
Essential Chemicals & Plastics	-34.2	-7.0	21.0	54.0	-33.0
Energy & Functional Materials	15.2	13.0	22.0	31.0	-9.0
IT-related Chemicals	47.6	38.0	44.0	58.0	-14.0
Health & Crop Sciences	57.3	62.0	79.0	84.0	-5.0
<b>4 Sectors Total</b>	<b>85.9</b>	<b>106.0</b>	<b>166.0</b>	<b>227.0</b>	<b>-61.0</b>
Pharmaceuticals	16.2	-61.0	44.0	73.0	-29.0
Other	-9.3	-5.0	-10.0	0	-10.0
<b>Total</b>	<b>92.8</b>	<b>40.0</b>	<b>200.0</b>	<b>300.0</b>	<b>-100.0</b>

# 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

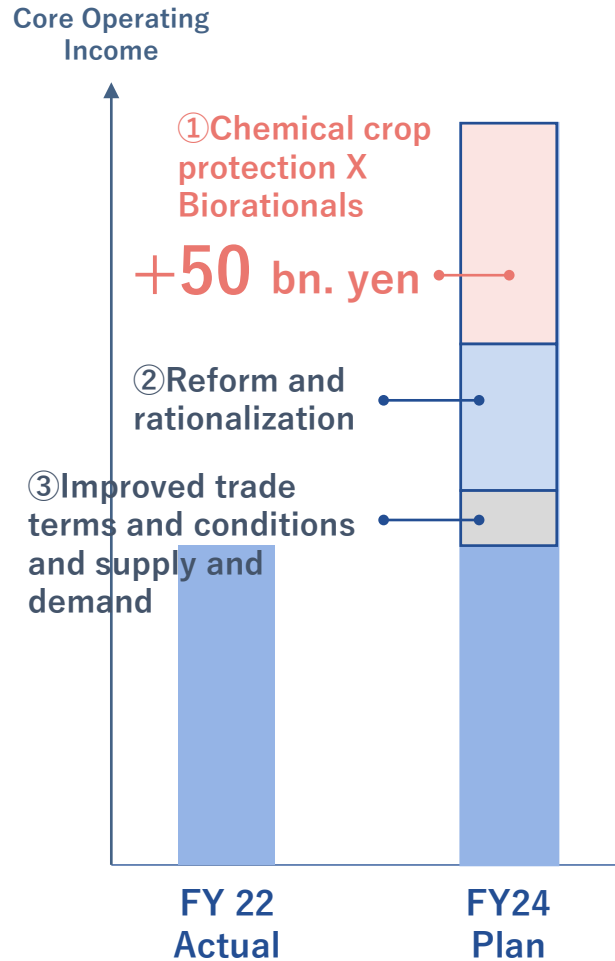
(Billions of yen)



# Profit Contribution from Bolstering Growth Businesses (4 Sectors Excluding Pharmaceuticals)

Drive growth in areas of **regenerative agriculture** and **products for semiconductor applications**, where we have made upfront investments

## (1) Overseas crop protection products



### ① Regenerative agriculture (chemical crop protection X biorationals)

Leverage agriculture such as biorationals and chemical crop protection with a reduced environmental impact to repair or improve soil health, reduce greenhouse gas emissions and maintain or enhance biodiversity.



Product	Initiatives, characteristics, etc.	FY 24 revenue target
Bio-rationals	• Add to the existing biorationals product group with a full-fledged entry into biostimulants (with the acquisition of FBSciences, etc.)	60+ bn. yen
Flumi-oxazin	• Superb long-lasting effect makes it possible to reduce treatment frequencies, and its efficacy against a broad range of weeds makes it suited to no-till farming	70+ bn. yen
Rapidicil	• Fast-acting and plenty efficacious on low doses • Its efficacy against a broad range of weeds makes it suited for no-till farming	-
Seed treatments	• Contributes to reduced environmental impact through smaller treatment volumes and frequencies	20+ bn. yen

### ② New fungicide INDIFLIN

Aim for revenue of 40+ bn. yen in FY 24 (3X that of FY 22) through measures such as fully leveraging the sales organization to provided detailed instruction on the timing of application and the like, expanding the production infrastructure and enhancing brand recognition

# Profit Contribution from Bolstering Growth Businesses (4 Sectors Excluding Pharmaceuticals)

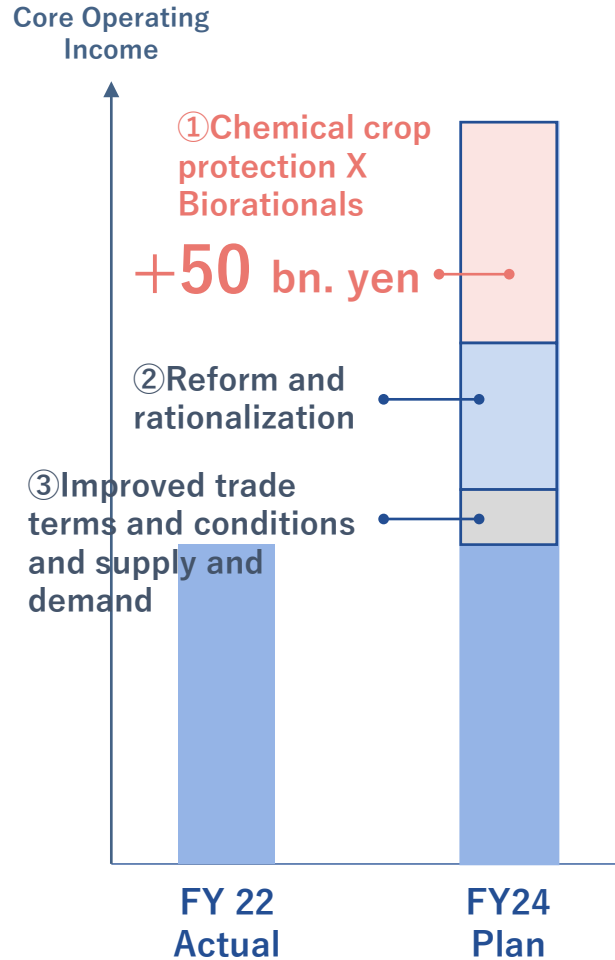
Focus on harvesting returns on investments in **high-performance materials**

## (2) Products for semiconductor applications

	Initiatives for FY 23 and FY 24
Photoresist	<ul style="list-style-type: none"> <li>• Launch additional plants (Osaka in FY 23 and Korea in FY 24)</li> <li>• Advance R&amp;D aimed at broader adoption of ArF and EUV photoresists</li> </ul>
High-purity Alumina	<ul style="list-style-type: none"> <li>• Expand sales of new grade (with excellent strength and chemical resistance) to support growing demand for ceramics for semiconductor production equipment</li> </ul>

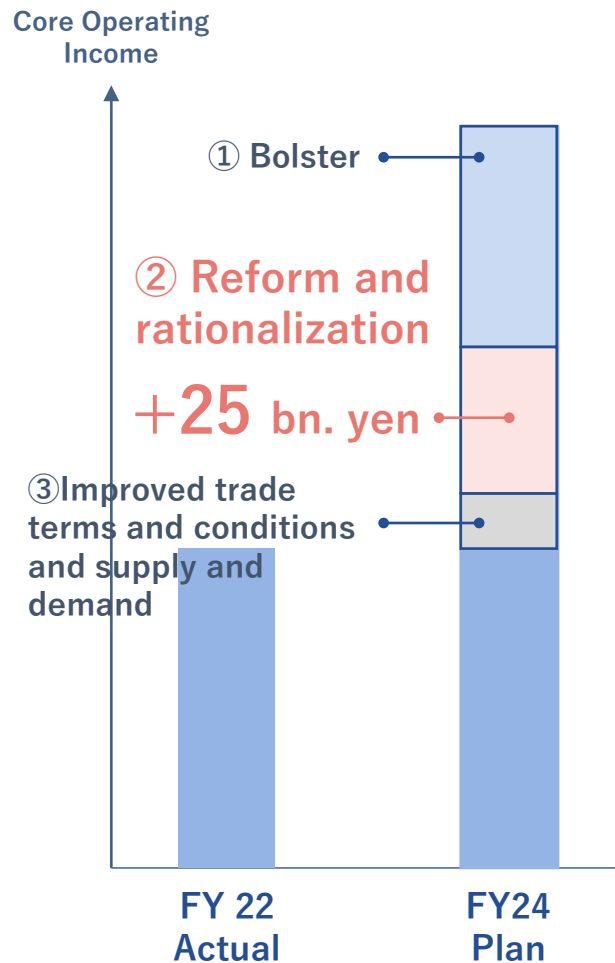
## (3) Other products

	Initiatives for FY 23 and FY 24
LCP (liquid crystal polymers)	<ul style="list-style-type: none"> <li>• Launch additional plant (Ehime in FY 23)</li> <li>• Capture share in battery motor applications as EV market grows</li> </ul>
Tanaka Chemicals	<ul style="list-style-type: none"> <li>• Expand sales of cathode precursor as EV market grows</li> </ul>
Koei Chemical	<ul style="list-style-type: none"> <li>• Actively expand contract manufacturing business in pharmaceutical precursors and catalysts at new multi-purpose plants by leveraging stronger ties across the Sumitomo Chemical group</li> </ul>
Taoka Chemical	<ul style="list-style-type: none"> <li>• Expand sales of resin for high-performance compact camera lenses</li> </ul>



# Profit Contribution from Reform and Rationalization (4 Sectors Excluding Pharmaceuticals)

**Aim to reform into profitable businesses** through restructuring display materials, and business reviews



**What is under study**

**Restructuring**

- Display materials
  - ✓ Upgrade product portfolio
  - ✓ Optimize production allocation

**Expected benefit: Annual 10+ bn. yen**

**Exited or shrank**

Caprolactam	Completed exit	EPDM	Decided to exit
Dyestuffs	Completed exit	Chemical fertilizer	Decided to exit
Singapore S-SBR	Decided to exit (announced here)		

**Rationalization**

- ✓ Reduce manufacturing costs by purchasing low-priced raw materials and improving yields
- ✓ Reduce SG&A expenses and enhanced work efficiency leveraging DX
- ✓ Appropriately allocate research funds through early go/no-go decisions on business feasibility

## 4 viewpoints of future direction for business operations

Technological development and deployment into society

Japan and Singapore Integrated operations

Collaboration with third parties

Rebuilding

### Direction for initiatives in Japan and Singapore

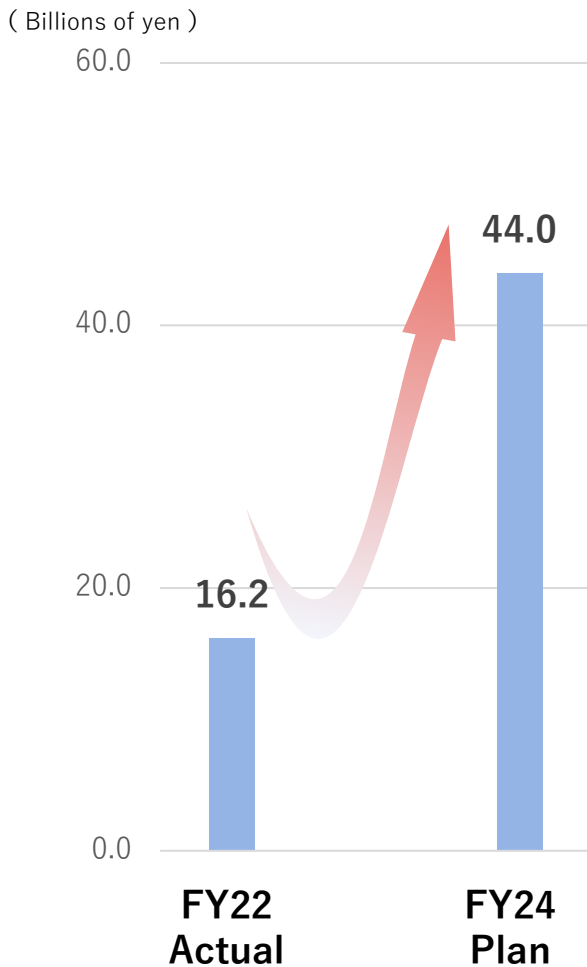
	Japan	Singapore
<b>Carbon neutral (CN)</b>	<p><b>Accelerate development of technologies that reduce environmental impact</b></p> <p>Validate technology using demonstration equipment (Ethanol to Ethylene, Ethanol to Olefin, PMMA/PP recycling)</p>	<p><b>Deploy technologies into society</b></p> <p>Deploy into society innovative technologies developed in Japan</p>
<b>Existing businesses</b>	<p><b>Exit unprofitable businesses</b></p> <p>After caprolactam, continue to study exiting or shrinking low-profit businesses, focus on businesses that are not affected by market conditions, such as licensing businesses.</p>	<p><b>Production optimization</b></p> <p>Study production optimization in Japan and Singapore with the aim of maximizing earnings</p>
<b>Collaboration</b>	<p><b>Tri-party collaboration in Keiyo <sup>*1</sup></b></p> <p>Begin joint studies on fuel conversions and recycling</p> <p><b>Keiyo Coastal Industrial Complex Council on Carbon Neutrality</b></p> <p>Study how to realize a carbon-neutral industrial complex that is internationally competitive</p>	<p><b>Discussions with Singaporean government (EDB)</b></p> <p>Accelerate technology studies at PDH and CCUS <sup>*2</sup> with support from EDB</p>

\*1 Maruzen Petrochemical, Mitsui Chemicals and Sumitomo Chemical \*2 PDH: Propane Dehydrogenation. CCUS: CO<sub>2</sub> capture, utilization and storage

# Profit Growth Drivers in Pharmaceuticals (Core Operating Income)

Achieve a v-shaped recovery through **growth in sales of 3 key drugs** and **fundamental reorganization of North American subsidiaries**

Core Operating Income(Pharmaceuticals)



## Expand sales of 3 key drugs

Appealing the strengths of the 3 drugs to the market

Aim for revenues of **200+ bn. yen** in FY 24 for the 3 drugs combined

(Indications)	Strengths (vs. competitor drugs)	Initiatives in FY 23 and beyond
<p><b>ORGOVYX<sup>®</sup></b> (relugolix) 120mg tablets (Advanced prostate cancer)</p>	<ul style="list-style-type: none"> <li>● Easy to administer, making it suited for long-term treatment</li> <li>● Little risk of deterioration caused by a temporary spike in hormones</li> </ul>	<p><b>Build new safety evidence</b></p> <ul style="list-style-type: none"> <li>● Revise package insert with information on safety related to side effects</li> <li>● Validate further safety for gynecological ailments</li> </ul> <p><b>Further strengthen information provision activities</b></p> <ul style="list-style-type: none"> <li>● Media advertisement and educational activities at academic conferences</li> <li>● Expand private insurance coverage</li> </ul> <p><b>Maximize benefits of alliances</b> (Pfizer, Gedeon Richter, etc.)</p>
<p><b>Myfembree<sup>®</sup></b> (Uterine fibroids and endometriosis)</p>	<ul style="list-style-type: none"> <li>● Simple and easy-to-use administration and dose</li> <li>● Acts without hormonal surge</li> </ul>	
<p><b>GEMTESA<sup>®</sup></b> (vibegron) 75mg tablets (Overactive bladder)</p>	<ul style="list-style-type: none"> <li>● Efficacious for all 3 major symptoms: leakage episodes, urgency, and frequency</li> <li>● No need to adjust dose</li> </ul>	<p><b>Expand indications and markets</b></p> <ul style="list-style-type: none"> <li>● Overactive bladder resulting from enlarged prostate</li> <li>● Expand sales regions through alliances</li> </ul>

## Reorganization of North American subsidiaries

Consolidate existing 7 into 1 company



Enhance profitability and strengthen business infrastructure through efficiencies and cost synergies

Projecting rationalization of **\$400M/yr** by FY 24

Developing a pipeline to drive growth over the medium to long term in FY 2025 and beyond

## Ulotaront

Provide a new treatment option with a new mechanism of action  
 Aim to launch and add indications quickly through joint development with Otsuka Pharmaceutical

Planned indications	Geo graphy	Development status and target for launch
Schizophrenia	US	In Phase 3 studies (Plan to release results in FY 2023 H1) ⇒ Target market launch in FY 2024
	Japan	In Phase 2/3 studies ⇒ Target market launch in FY 2027
Adjunctive major depressive disorder	US	In Phase 2/3 studies
Generalized Anxiety Disorder	US Japan	In Phase 2/3 studies

Expand indications to become **blockbusters that beat Latuda**

## Regenerative medicine & cell therapies

Leverage open innovation to deliver globally new value that can only be achieved through regenerative medicine

Planned indications	Geo graphy	Development status and target for launch
Parkinson's disease (Designated as a "SAKIGAKE")	Japan	In Phase 1/2 studies (investigator-initiated clinical study) ⇒ Target market launch in FY 2024*
	US	Preparing to begin clinical studies
Detachment of retinal pigment epithelium	Japan	Preparing to begin clinical studies* ⇒ Target market launch in FY 2025*

Fully ramp up Japan business by FY 2027 to reach business scale of **more than 100 bn. yen globally in the 2030s**

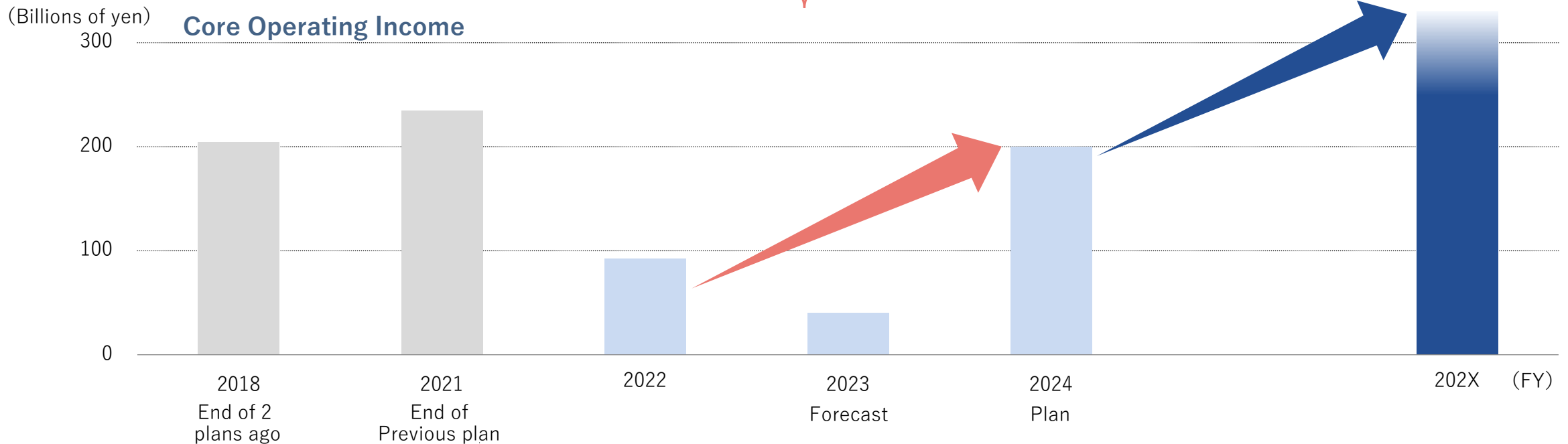
\* Sumitomo Pharma targets. Not agreed to by alliance partners.



# Summary of Profit Growth Drivers (All Sectors)

Although the negative impact from the Latuda cliff is large overall, **bolster growth businesses and implement business reforms to return to a growth trajectory** looking out to FY2024.

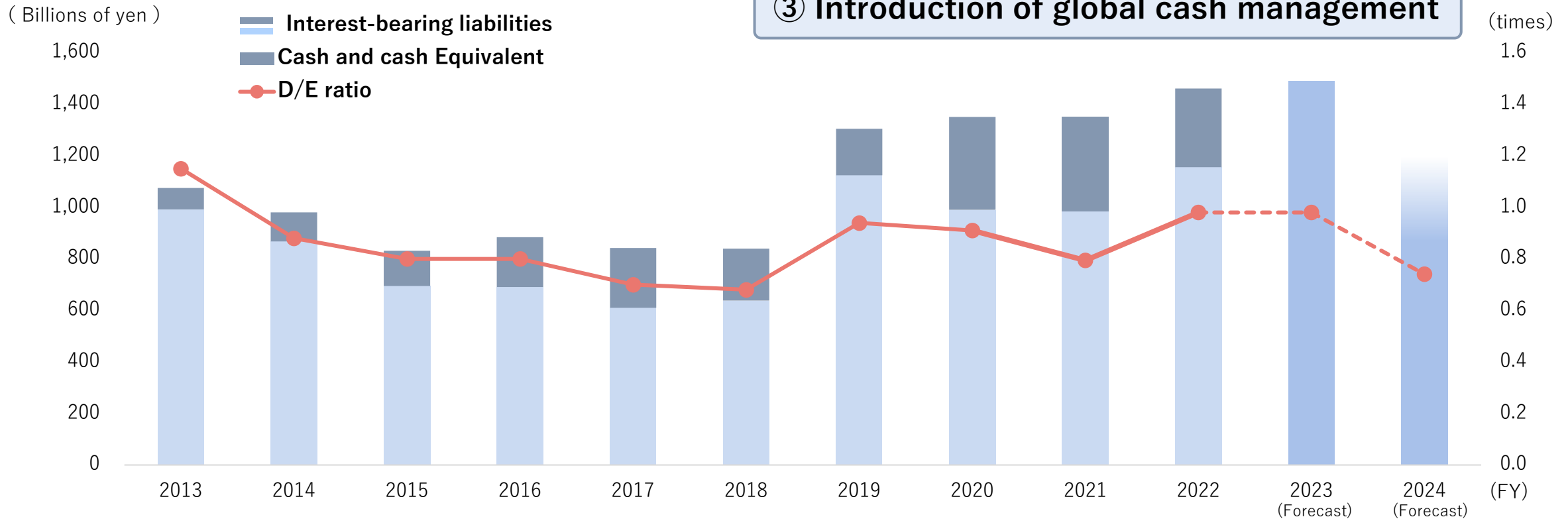
<p>Bolster growth businesses <b>50 bn. Yen</b></p> <hr/> <p>Regenerative agriculture, Products for semiconductor applications</p>	<p>Business reform and rationalization <b>75 bn. yen</b></p> <hr/> <p>Reorganization of NA subsidiaries, display materials, Caprolactam, SBR in Singapore, EPDM, dyestuffs, chemical fertilizers, etc.</p>	<p>Expand sale of 3 new drugs in Pharmaceuticals</p> <hr/> <p>Revenues from 3 new drugs 200+ bn. yen</p>
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# Improve financial standing : Interest-bearing liabilities and debt to equity ratio

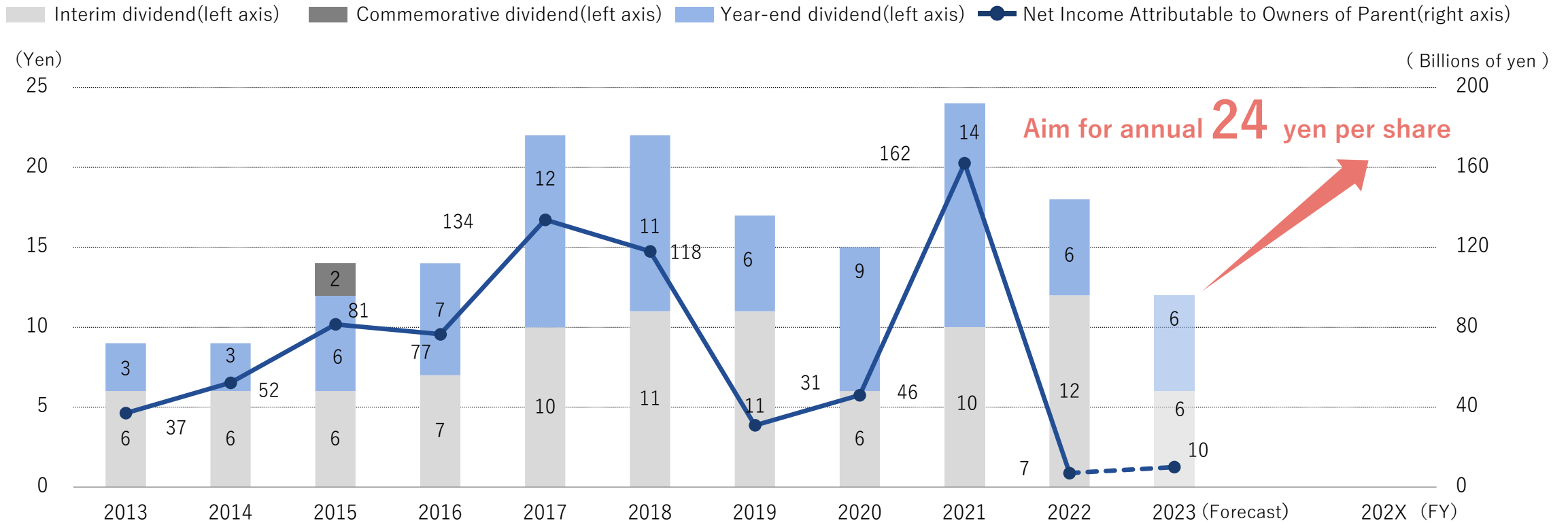
Aiming for a debt-to-equity ratio in the 0.7X range by the end of FY 2024 based on the three measures.

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



# Shareholder returns

FY2023: Forecasting **annual dividend of 12 yen per share**  
 Aim to achieve earnings power to maintain a stable 24+ yen per share dividend

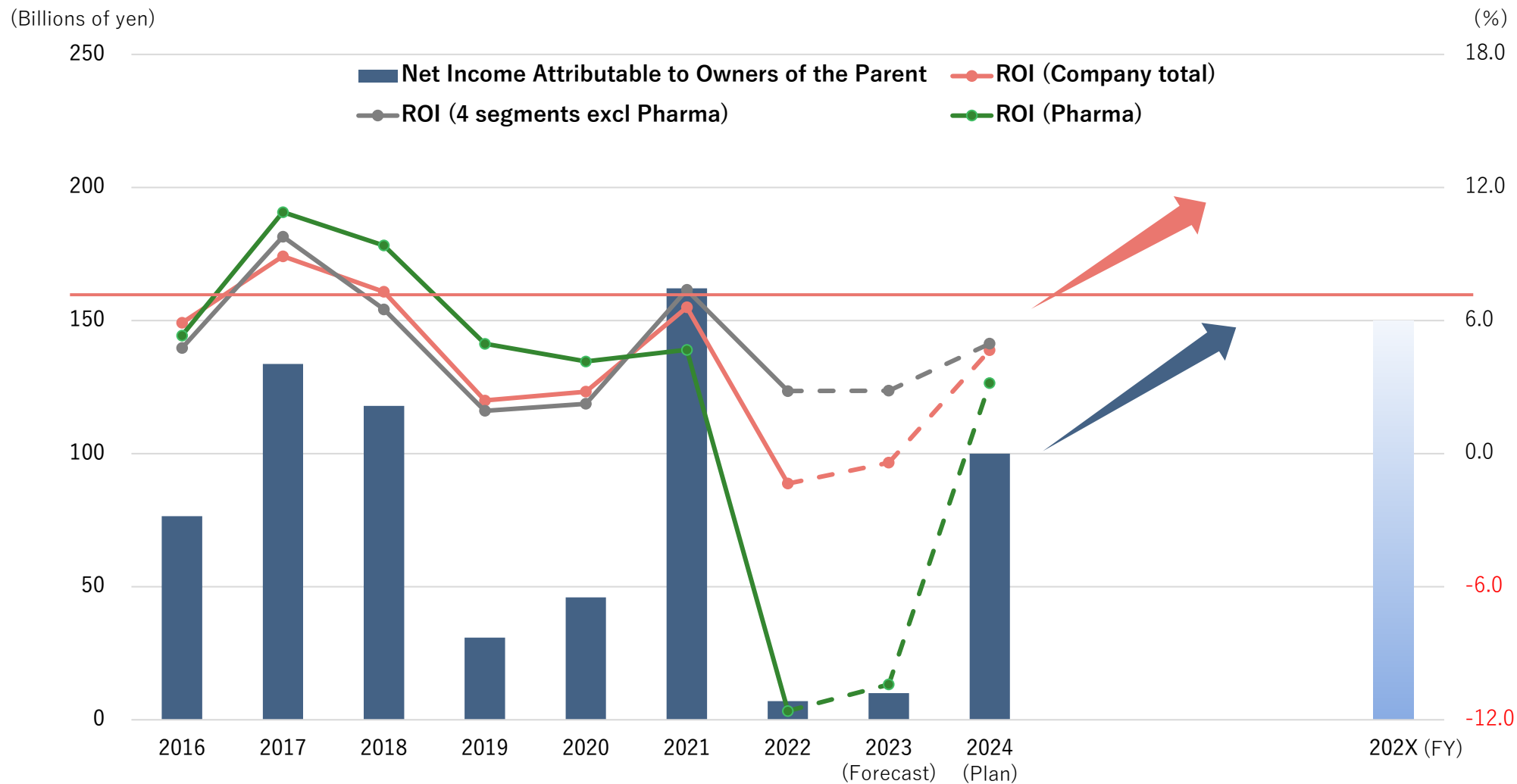


39.8	28.2	28.1	29.9	26.9	30.5	89.9	53.3	24.2	421.2	196.2	Dividend payout ratio (%)
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# Enhancement of Enterprise Value

Enhance enterprise value by improving earnings power to reach our goals



## Where we want to be

Achieve the following on a stable basis

ROE  
Over 10%

ROI  
Over 7%

Debt-to-equity ratio  
Approx. 0.7 times

Approx. 30%  
dividend  
payout ratio

### Cautionary Statement

Statements made in this document 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.