

One Year at Sumitomo Chemical

In fiscal 2018, the last year of the previous Corporate Business Plan, profits decreased compared with the previous year, when the company achieved record profits. At the same time, Sumitomo Chemical has steadily promoted initiatives leading to future growth, including the completion of a high-purity chemicals plant for semiconductors and the start of commercial production at the new methionine plant. It was also a year in which the company promoted efforts to maintain the sustainability of the company itself and of society as a whole, including establishing the Sustainability Promotion Committee and identifying material issues.

News Items by Business Sector

Pharmaceuticals

Sumitomo Dainippon Pharma launched LONHALA® MAGNAIR®, a treatment for chronic obstructive pulmonary disease (COPD) in the U.S.



Petrochemicals & Plastics

Developed PMMA-based light and strong transparent resin.



IT-related Chemicals

Made a polarizing film manufacturing company in Wuxi, China into a subsidiary.

Health & Crop Sciences

Newly established Chemistry Research Center (CRC) in Takarazuka and began its operations.



Pharmaceuticals

Sumitomo Dainippon Pharma obtained approval in Japan for TRERIEF, a therapeutic agent for Parkinson's disease, to add an additional indication of parkinsonism in dementia with Lewy bodies.

Health & Crop Sciences

Biorational Research Center (BRC) in the U.S. started operation.



2018

April

May

June

July

August

September

October

Company-wide News Items

Established the "Sustainability Promotion Committee"

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Third Sustainable Tree Project Conducted

Sumitomo Chemical's Sustainable Tree is a project in which Japan and overseas employees can post to a dedicated website about how they can contribute to bringing about a sustainable society, focusing on the SDGs. Through this website, the company introduces its outstanding initiatives, products, and technologies, leading to mutual awareness-raising and information exchange among organizations and employees.



The Sumitomo Chemical Group's Greenhouse Gas Reduction Targets Approved by the Science Based Targets Initiative



➤ P26, 70–71

Energy & Functional Materials

Tanaka Chemical Corp. decided to expand production facilities and infrastructure facilities for cathode materials for lithium-ion secondary batteries.



Health & Crop Sciences

Decided to merge two group companies in India, aiming to increase its presence in the fast growing crop protection market there.

Pharmaceuticals

Started a physician-led study of Parkinson's disease using iPS cell-derived dopamine neural progenitor cells, in which Dainippon Sumitomo Pharma Co., Ltd. is working in cooperation with the iPS Cell Research Institute (CiRA) of Kyoto University to find practical applications.

Petrochemicals & Plastics

The Polyolefin Company (TPC) remodeled part of its line and began full-scale production of polypropylene for separators for batteries.

IT-related Chemicals

Invested ¥5 billion in JOLED Inc. by way of acquiring some of JOLED's new shares issued through third-party allocation.

IT-related Chemicals

Expanded capacity of a manufacturing facility for film-type touchscreen panels in Korea.

Health & Crop Sciences

Completed the new methionine plant.



Pharmaceuticals

Nihon Medi-Physics started construction of CRADLE, a drug discovery facility, in its Chiba location to promote early realization of "theranostics" (fusion of therapeutics and diagnostics).



Energy & Functional Materials

Tanaka Chemical Corp. decided to expand its plant buildings and production facilities for cathode materials for lithium-ion secondary batteries.

Health & Crop Sciences

Invested in Nileworks, an agricultural drone company, by partial underwriting of a private placement of new shares totaling about 1.6 billion yen.



IT-related Chemicals

Completed a high-purity chemicals plant for semiconductors in Changzhou, China.

November

December

2019

January

February

March

Sumitomo Chemical Acquires CDP's Highest Rating in Corporate Climate Action Survey

CDP is an international non-governmental organization that promotes initiatives by companies and governments toward reduction of greenhouse gas emissions, management of water resources, and conservation of forests. In the CDP's 2018 survey, 126 global companies and 20 Japanese companies were named to the Climate A List, selected from among about 7,000 companies that disclosed information on their climate change-related activities. Sumitomo Chemical is one of the 20 Japanese companies on the A List.



Material Issues Identified for Sustainable Value Creation

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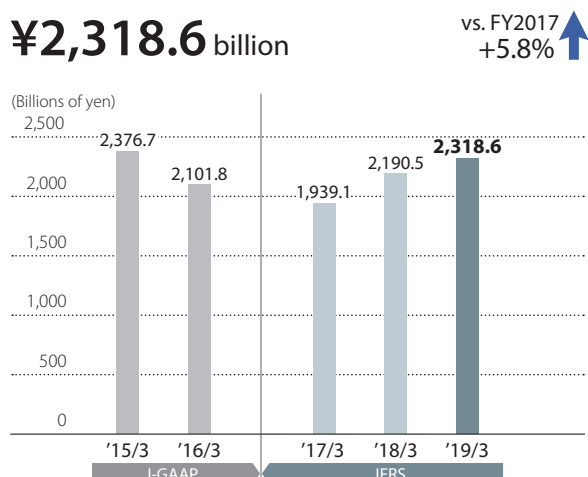
Received a 2018 Best IR Award from the Japan Investor Relations Association (JIRA)

Sumitomo Chemical received a 23rd Best IR Award from the Japan Investor Relations Association. In fiscal 2015, the company received the IR Special Award, but this is the first time it has received a Best IR Award. The purpose of the Best IR Award is to select and recognize companies that have achieved excellent results, including deeply understanding the purpose of IR, actively engaging in IR activities, and gaining the high support of market participants.

Financial and Non-Financial Highlights

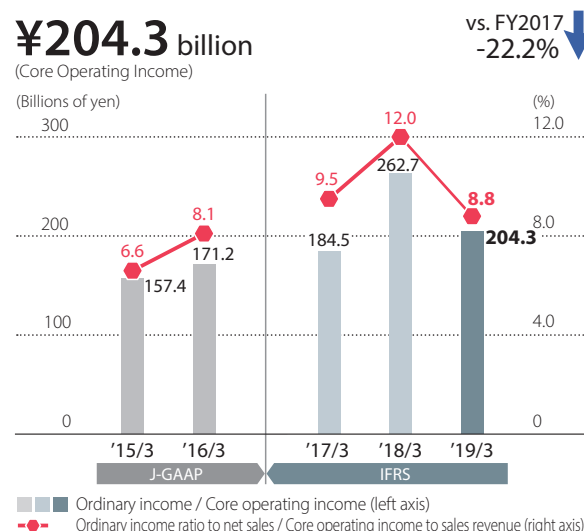
Financial Highlights

J-GAAP Net Sales
IFRS Sales Revenue



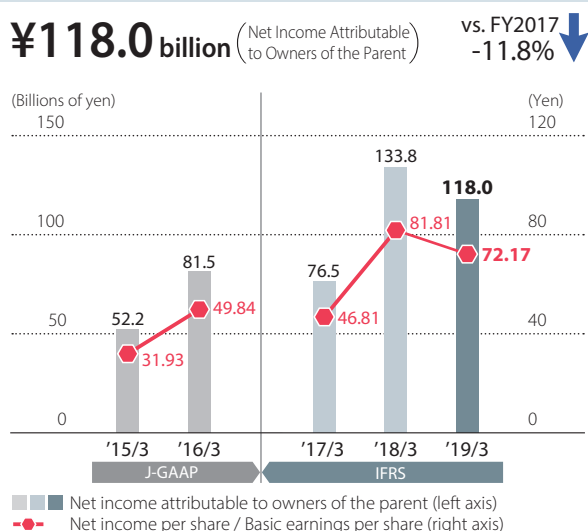
Sales revenue increased by 128.1 billion yen from the previous fiscal year due to an increase in shipments accompanying business expansion and a rise in product prices in the Petrochemical & Plastics Sector in line with a rise in raw material prices.

J-GAAP Ordinary Income / Ordinary Income to Net Sales
IFRS Core Operating Income / Core Operating Income to Sales Revenue



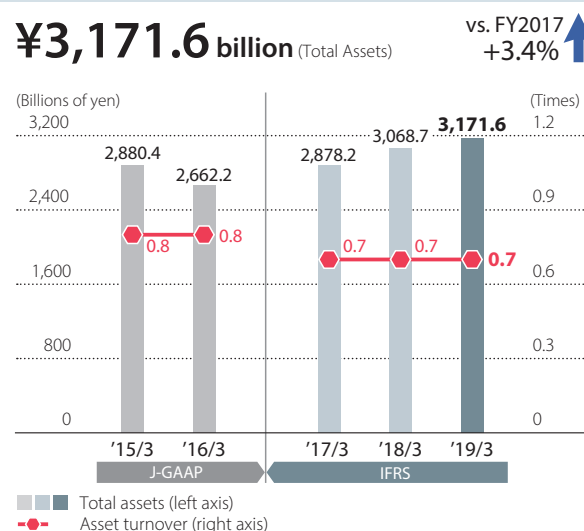
Despite increased shipments in the IT-related Chemicals Sector and the Energy & Functional Materials Sector, core operating income declined by 58.4 billion yen from the previous fiscal year due to the impact of periodic maintenance shutdowns conducted in fiscal 2018 and decreased shipments of agrochemicals caused by extreme weather in North America.

J-GAAP Net Income Attributable to Owners of the Parent / Net Income per Share
IFRS Net Income Attributable to Owners of the Parent / Basic Earnings per Share



Net income attributable to owners of the parent decreased by 15.8 billion yen compared to the previous fiscal year due to a deterioration in core operating income, despite an improvement in foreign exchange gains and losses and a decrease in the burden of income taxes.

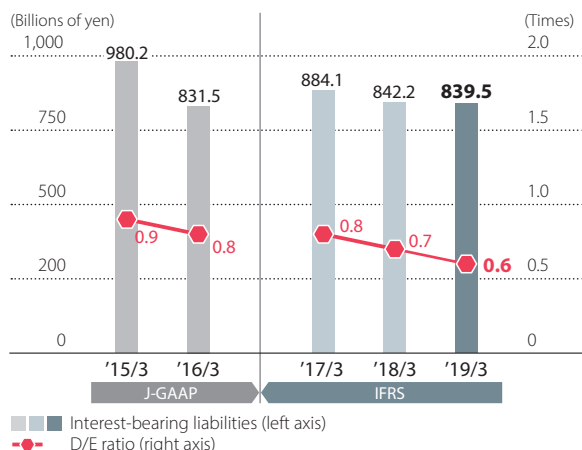
Total Assets / Asset Turnover



Total assets increased by 102.9 billion yen from the end of the previous fiscal year due to increases in inventories and property, plant and equipment.

Interest-bearing Liabilities / D/E Ratio

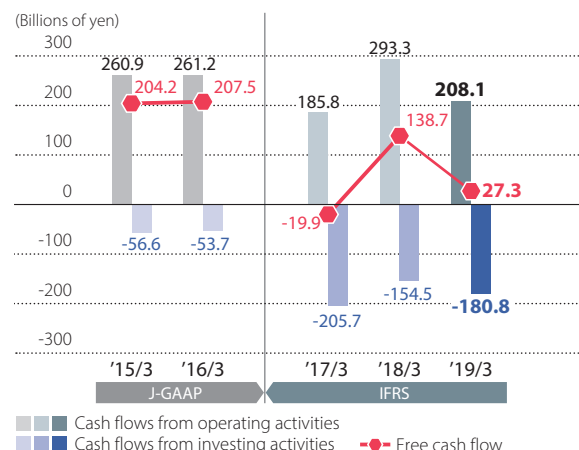
¥839.5 billion (Interest-bearing Liabilities) vs. FY2017 **-0.3%** ↓



Interest-bearing liabilities remained almost unchanged from the end of the previous fiscal year. On the other hand, due to an increase in retained earnings, total assets increased and the D/E ratio improved.

Cash Flows from Operating Activities / Cash Flows from Investing Activities / Free Cash Flow

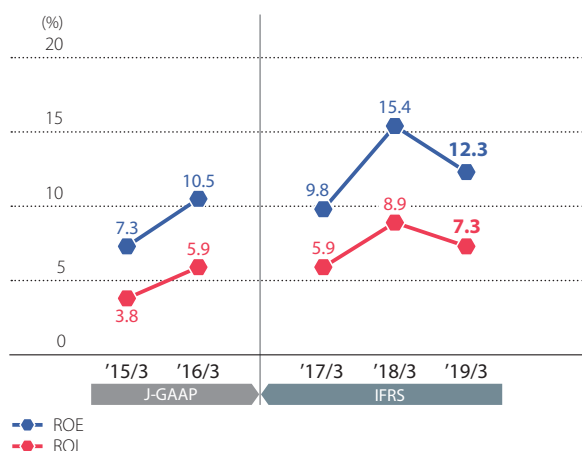
¥27.3 billion vs. FY2017 —



Cash flows from operating activities decreased by 85.1 billion yen from the previous fiscal year due to an increase in working capital and a deterioration in business performance. Cash flows from investing activities increased by 26.3 billion yen due to an increase in payments for the purchase of fixed assets. As a result, free cash flow decreased by 111.4 billion yen.

ROE / ROI

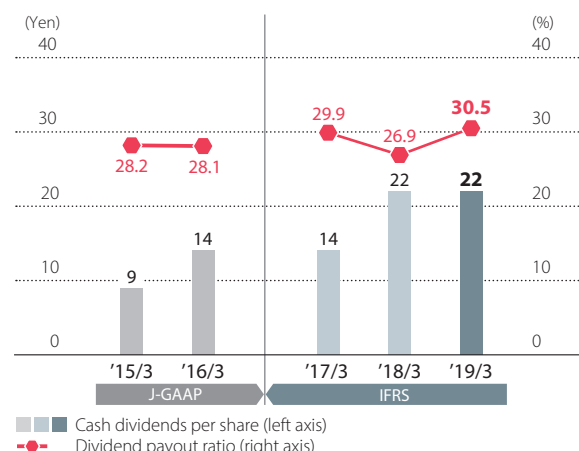
12.3% (ROE) vs. FY2017 **-3.1pt** ↓ **7.3%** (ROI) vs. FY2017 **-1.7pt** ↓



ROE exceeded the goal of 10%, while ROI exceeded the goal of 7%. However, both ROE and ROI declined from the previous fiscal year due to a deterioration in business performance.

Dividend Payout Ratio / Cash Dividends per Share

30.5% (Dividend Payout Ratio) vs. FY2017 **+3.6pt** ↑



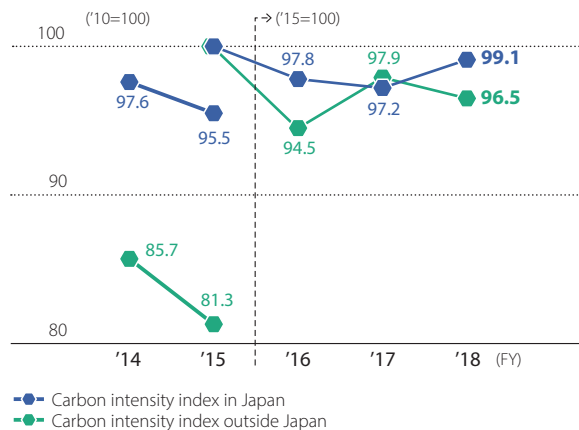
In fiscal 2018, the company paid a full year dividend of 22 yen per share. Consequently, the dividend payout ratio was 30.5%.

Non-Financial Highlights

Carbon Intensity Index in Japan* / Carbon Intensity Index outside Japan*



Japan **99.1** vs. FY2017 +1.9pt ↑ Outside Japan **96.5** vs. FY2017 -1.4pt ↓



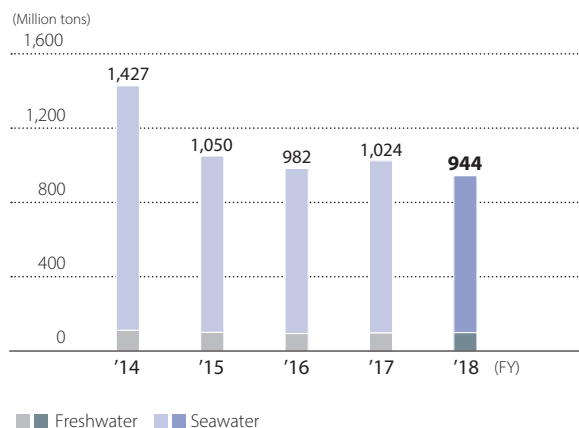
The reason for the deterioration from the previous fiscal year in the intensity index of CO₂ emissions in Japan in fiscal 2018 is a decline in the capacity utilization rate because of periodic maintenance of factories and other factors. Sumitomo Chemical is working to improve this index, both inside and outside Japan, putting greater focus on saving energy.

* Index reflects the total production plants of Sumitomo Chemical and its major Group companies that share CO₂ emission intensity index reduction goals.

Water Usage



944 million tons vs. FY2017 -80 million tons ↓

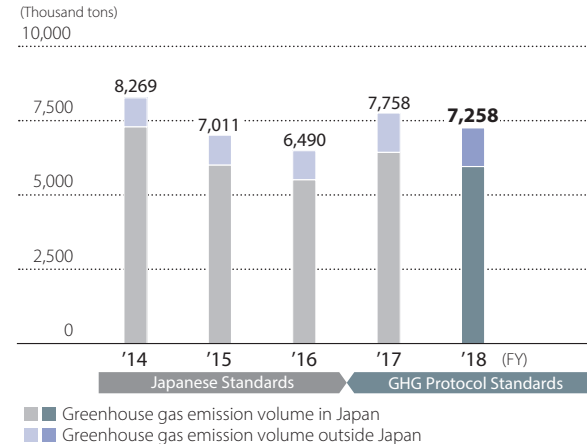


We will work to reduce water usage through effective use of water, depending on the application, while endeavoring to assess risks to water supplies. Seawater is used for cooling plants and other facilities.

Greenhouse Gas (GHG) Emission Volume

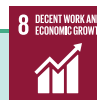


7,258 thousand tons vs. FY2017 -500 thousand tons ↓

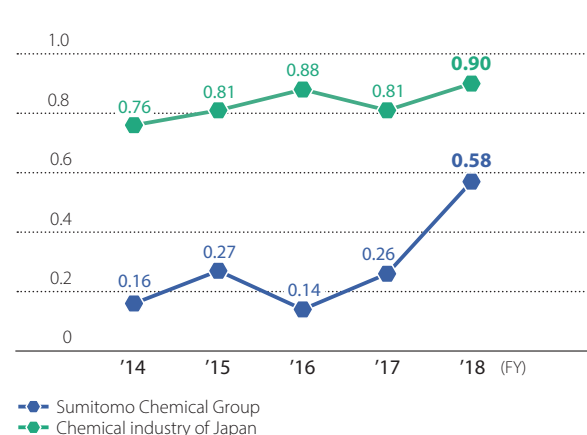


The main factors contributing to the year-on-year decline in GHG emissions in fiscal 2018 were the temporary impact of periodic maintenance at Sumitomo Joint Electric Power Co., Ltd., our Group company. We will continue our efforts to achieve the targets certified by the Science Based Targets initiative in the future.

Lost-workday Incident Rate*



0.58 vs. FY2017 +0.32pt ↑



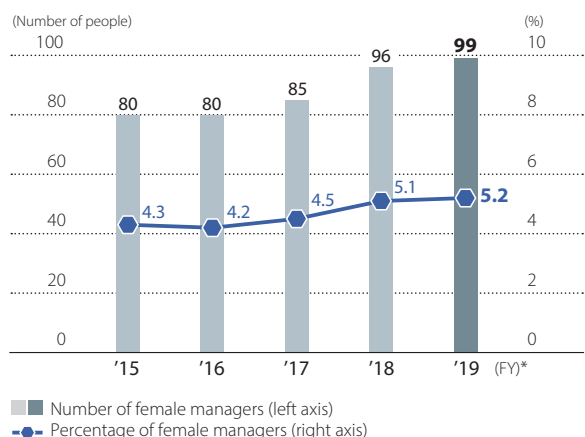
The frequency rate of lost-workday incidents for fiscal 2018 was 0.58, which was far worse than our target of 0.1. We will thoroughly investigate the cause and implement basic safety rules to take preventive measures.

* Indicates the frequency of industrial incidents as the number of deaths and injuries per one million hours of total work time.

Number of Female Managers / Percentage of Female Managers (Non-consolidated)



5.2% (Percentage of Female Managers among Managers) vs. FY2018 **+0.1pt** ↑

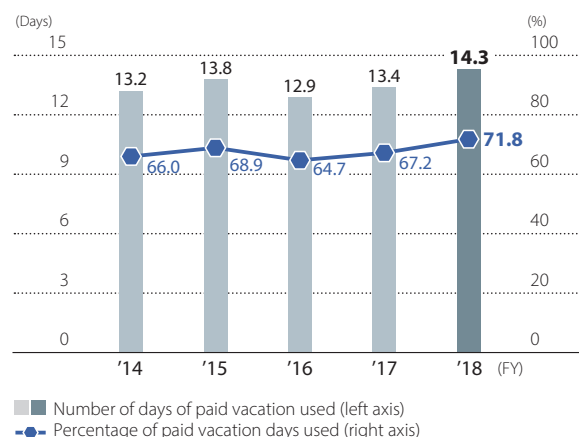


In order to promote the advancement of female employees, Sumitomo Chemical has set a goal of at least 10% of female employees in positions equivalent to managers or above.

* All numbers as of April 1 of that year

Number of Days of Paid Vacation Used / Percentage of Paid Vacation Days Used (Non-consolidated)

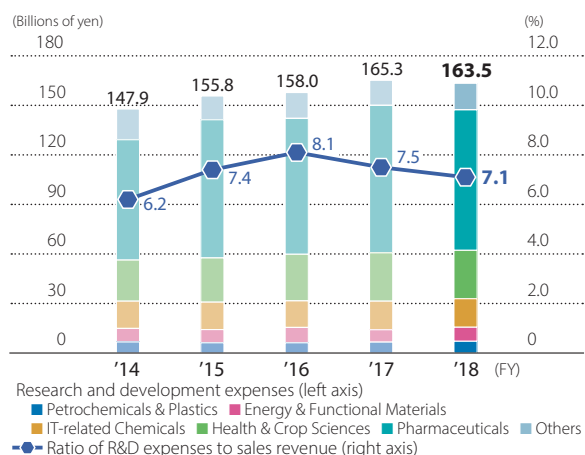
71.8% (Percentage of Paid Vacation Days Used) vs. FY2017 **+4.6pt** ↑



Sumitomo Chemical has set numerical targets formulated in March 2018 for promoting the use of annual paid holidays in its action plan to reform workstyles. In fiscal 2018, we achieved our target of an average of 70% per year.

Research and Development Expenses / Ratio of R&D Expenses to Sales Revenue

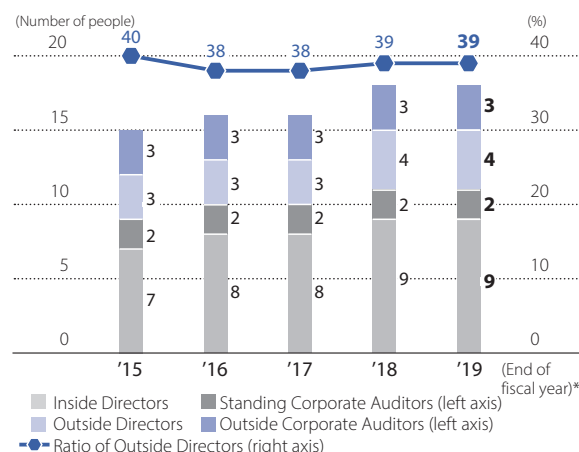
¥163.5 billion (Research and Development Expenses) vs. FY2017 **-1.1%** ↓



R&D expenses for the previous Corporate Business Plan (FY2016-FY2018) amounted to 486.8 billion yen. The new Corporate Business Plan (FY2019-FY2021), which began in fiscal 2019, is expected to spend approximately ¥540 billion, primarily in specialty chemicals in the Pharmaceuticals Sector and the Health & Crop Sciences Sector.

Directors / Outside Directors / Ratio of Outside Directors and Corporate Auditors

4 (Number of Outside Directors)



With the goal of further strengthening the Board of Directors' oversight and advisory functions to increase the transparency and objectivity of management, in June 2018 we added one outside director, increasing the total number to four (including one female director). As a result, of the 18 total members of the Board of Directors and the Board of Corporate Auditors, seven are outside members.

* FY2019 only as of July 1