

Financial Review

1. Results of Operations

(1) Sales Revenue

Sales revenue faced a number of adverse impacts, including a decrease in shipments, particularly of products used in automotive-related applications, in the Petrochemicals & Plastics and Energy & Functional Materials segments, due to the fall in economic activity that accompanied the spread of COVID-19, and a fall in market prices in the Petrochemicals & Plastics segment accompanying a deterioration in market conditions. However, because shipments increased in the Health & Crop Sciences segment, the IT-related Chemicals segment, and the Pharmaceuticals segment, sales revenue rose by ¥61.2 billion, to ¥2,287.0 billion for the fiscal year ended March 31, 2021, from ¥2,225.8 billion for the fiscal year ended March 31, 2020.

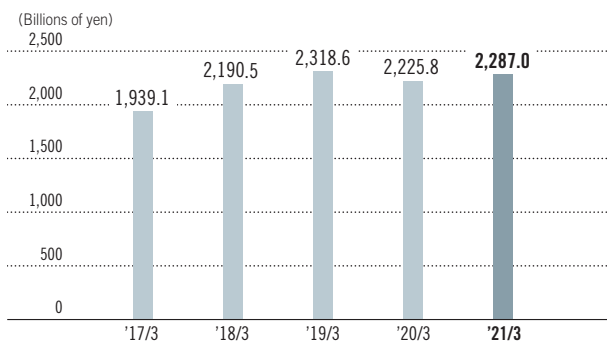
(2) Core Operating Income/Operating Income

In addition to the decrease in shipments in the Petrochemicals & Plastics and Energy & Functional Materials segments, particularly in products used in automotive-related applications, core operating income was also impacted by periodic maintenance at Petro Rabigh, our equity method investee, and by an increase in selling, general and administrative expenses (SG&A) and R&D

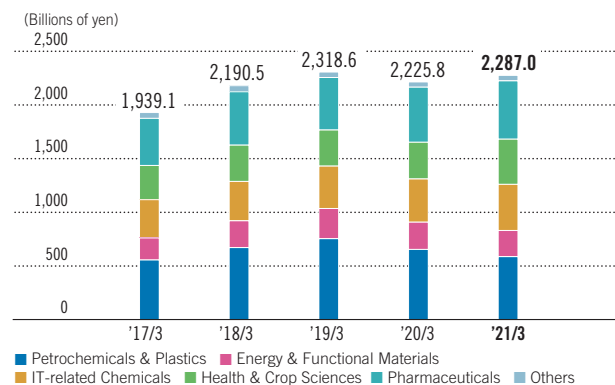
expenses in the Pharmaceuticals segment. On the other hand, as a result of increased shipments in the Pharmaceuticals, IT-related Chemicals, and Health & Crop Sciences segments, core operating income increased by ¥15.0 billion, to ¥147.6 billion for the fiscal year ended March 31, 2021, from ¥132.7 billion for the fiscal year ended March 31, 2020.

During the previous consolidated fiscal year, an impairment loss was recorded on intangible assets due to factors such as the decision to cancel a portion of trials for an anti-cancer drug in development in the Pharmaceuticals segment. At the same time, however, because there was a reversal of expenses due to a decrease in the fair value of a contingent consideration arrangement, operating results from non-recurring factors, which were deducted from operating income to calculate core operating income, were a profit of ¥4.9 billion for the fiscal year ended March 31, 2020. For this consolidated fiscal year, an impairment loss was recorded on intangible assets due to factors such as the decision to cancel a trial of a treatment in development targeting colorectal cancer. Alongside this, while there was a reversal of expenses due to a decrease in the fair value of a contingent consideration arrangement, in total the result was a loss of ¥10.5 billion. As a result of the above factors, operating income was ¥137.1

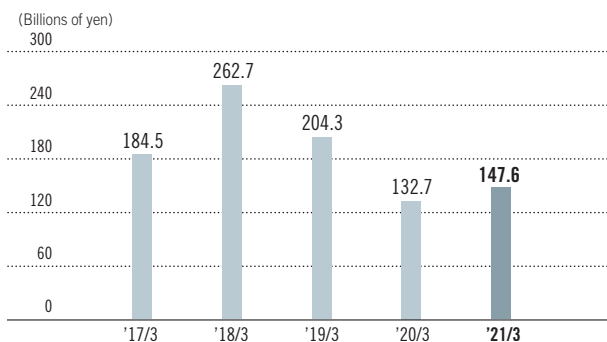
Sales Revenue



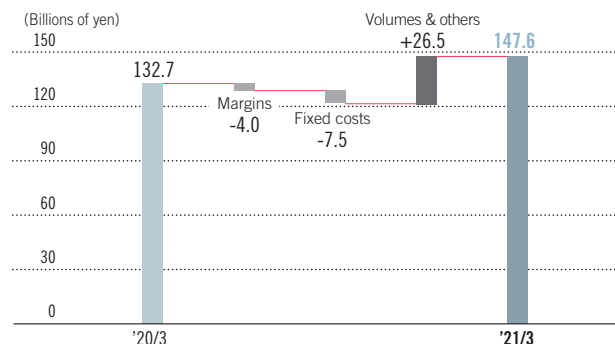
Breakdown of Sales Revenue by Business Segment



Core Operating Income



Change in Core Operating Income: '20/3 vs. '21/3



billion for the fiscal year ended March 31, 2021, more or less the same as the operating income of ¥137.5 billion for the fiscal year ended March 31, 2020.

(3) Finance Income and Finance Expenses/ Income Before Taxes

Finance income and finance expenses improved by ¥7.7 billion, to gain of ¥0.7 billion for the fiscal year ended March 31, 2021, from loss of ¥7.0 billion for the fiscal year ended March 31, 2020, due to the depreciation of the Japanese yen toward the end of the current fiscal year and the recording of exchange gains. As a result, income before taxes increased by ¥7.3 billion, to ¥137.8 billion for the fiscal year ended March 31, 2021, from ¥130.5 billion for the fiscal year ended March 31, 2020.

(4) Income Tax Expenses/Net Income Attributable to Owners of the Parent and Net Income Attributable to Non-controlling Interests

Income tax expenses were ¥69.7 billion, while the ratio of income tax expenses to income before taxes after applying tax effect accounting was 50.6%.

As a result, net income was ¥68.1 billion for the fiscal

year ended March 31, 2021.

Net income attributable to non-controlling interests was ¥22.0 billion for the fiscal year ended March 31, 2021, down ¥1.4 billion from the ¥23.5 billion for the fiscal year ended March 31, 2020. This mainly represents net income attributable to non-controlling interests of consolidated subsidiaries, such as Sumitomo Dainippon Pharma.

Net income attributable to owners of the parent was ¥46.0 billion for the fiscal year ended March 31, 2021, increased by ¥15.1 billion from the ¥30.9 billion for the fiscal year ended March 31, 2020.

(5) Dividends

The interim dividend was ¥6 per share and the year-end dividend was ¥9. As a result, the full-year dividend for fiscal 2020 was ¥15 per share.

2. Segment Information

(1) 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

Results by Business Segment

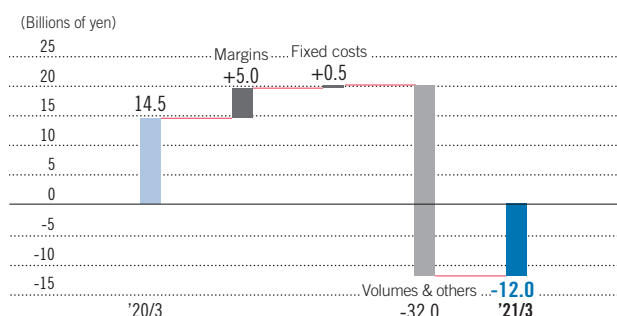
Fiscal years ended March 31, 2021 and 2020

(Millions of yen)

	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2021								
Sales revenue	¥589,323	¥245,249	¥431,819	¥423,011	¥546,450	¥51,126	¥ —	¥2,286,978
Core operating income	(11,991)	20,265	39,733	31,547	71,672	12,752	(16,363)	147,615
Core operating income ratio (%)	(2.0)	8.3	9.2	7.5	13.1	24.9	—	6.5
Core operating income growth (%)	—	(0.4)	58.4	1,414.5	(4.8)	45.4	—	11.3
Year ended March 31, 2020								
Sales revenue	¥656,929	¥255,034	¥404,871	¥343,666	¥515,845	¥49,459	¥ —	¥2,225,804
Core operating income	14,485	20,343	25,084	2,083	75,266	8,770	(13,379)	132,652
Core operating income ratio (%)	2.2	8.0	6.2	0.6	14.6	17.7	—	6.0

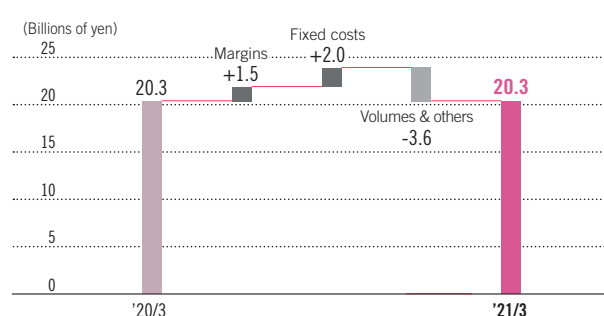
Petrochemicals & Plastics

Change in Core Operating Income: '20/3 vs. '21/3



Energy & Functional Materials

Change in Core Operating Income: '20/3 vs. '21/3



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market prices for raw materials, the prices of petrochemical products hovered at 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 Petro Rabigh, our equity method investee.

(2) 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.

(3) IT-related Chemicals

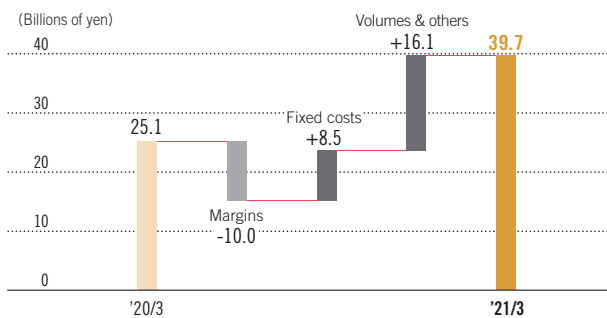
Shipments of processing materials for semiconductors (including high-purity chemicals and photoresists) increased, driven by growing demand for these items. Shipments of materials for display applications increased in the face of stay-at-home demand and demand for remote work products. As a result, sales 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.

(4) 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.

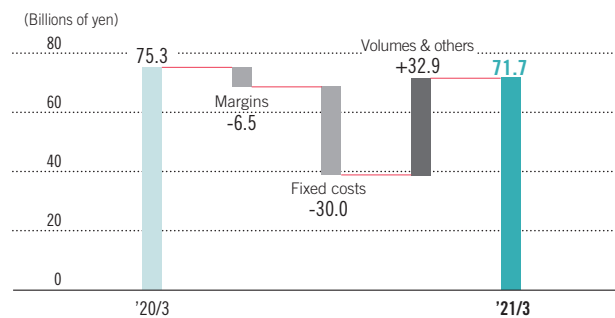
IT-related Chemicals

Change in Core Operating Income: '20/3 vs. '21/3



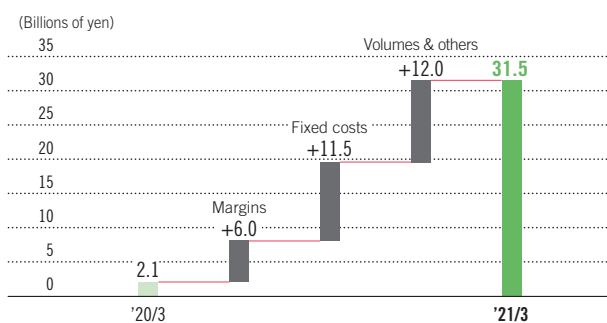
Pharmaceuticals

Change in Core Operating Income: '20/3 vs. '21/3



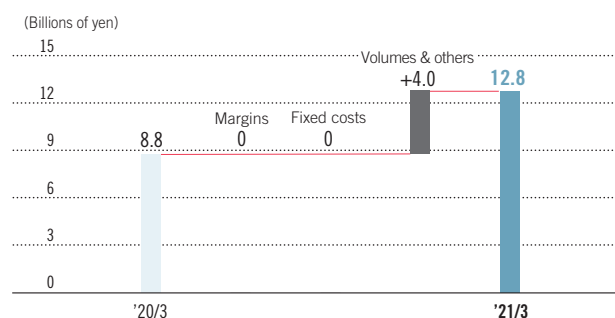
Health & Crop Sciences

Change in Core Operating Income: '20/3 vs. '21/3



Others

Change in Core Operating Income: '20/3 vs. '21/3



(5) Pharmaceuticals

In Japan, sales of Equa® and EquMet® (for type II diabetes mellitus), launched in the middle of previous fiscal year, increased since they were 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).

(6) 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.

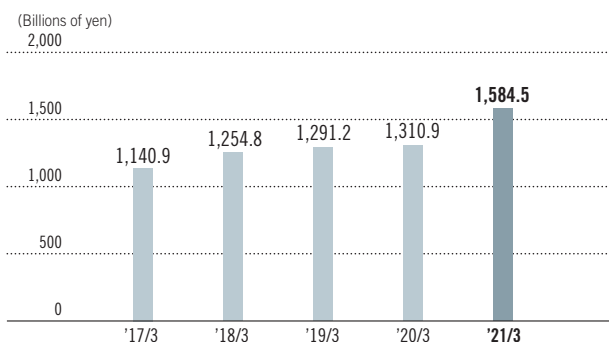
3. Financial Position

Total assets as of March 31, 2021 increased by ¥336.2 billion, to ¥3,990.3 billion (US\$36,042 million), from ¥3,654.1 billion as of March 31, 2020. Current assets as of March 31, 2021 amounted to ¥1,584.5 billion (US\$14,312 million), a 20.9% increase from ¥1,310.9 billion as of March 31, 2020. Non-current assets, as of March 31, 2021, amounted to ¥2,405.8 billion (US\$21,730 million), a 2.7% increase from ¥2,343.2 billion as of March 31, 2020. Other financial assets increased due to factors such as loans issued to Petro Rabigh. In addition, the balance of cash and cash equivalents also increased.

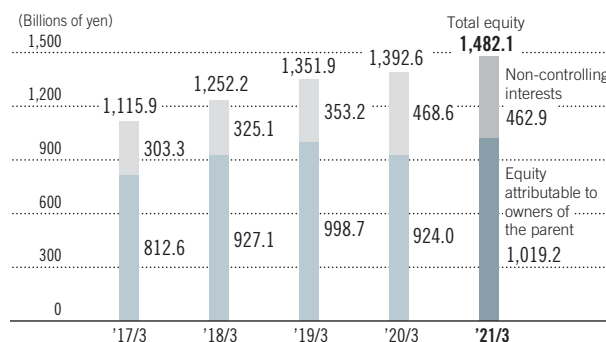
Current liabilities as of March 31, 2021 were ¥1,090.7 billion (US\$9,852 million), a 6.2% decrease from ¥1,162.3 billion as of March 31, 2020. The current ratio was 145.3%, compared with 112.8% as of March 31, 2020.

Non-current liabilities as of March 31, 2021 were ¥1,417.4

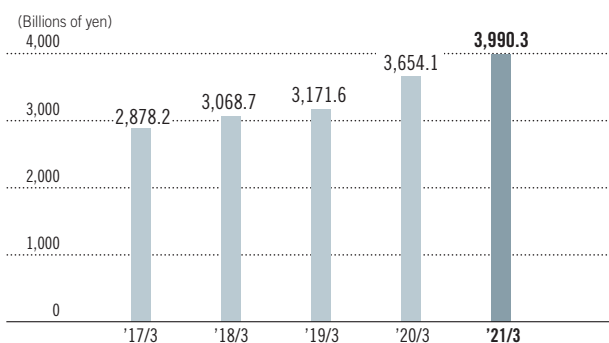
Total Current Assets



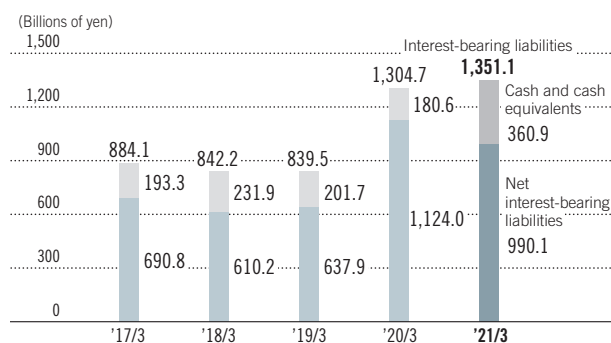
Total Equity (Net Assets)



Total Assets



Interest-bearing Liabilities



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billion (US\$12,803 million), a 29.0% increase from ¥1,099.2 billion as of March 31, 2020. Other non-current liabilities increased due to factors such as an increase in unearned revenue relating to the conclusion of a development and commercialization agreement by Sumitomo Dainippon Pharma.

Interest-bearing liabilities (short-term and long-term bank loans, corporate bonds, and commercial paper) as of March 31, 2021 amounted to ¥1,351.1 billion (US\$12,204 million), compared with ¥1,304.7 billion as of March 31, 2020.

Total equity was ¥1,482.1 billion (US\$13,387 million) as of March 31, 2021, a 6.4% increase from ¥1,392.6 billion as of March 31, 2020, due an increase in retained earnings and in other components of equity. The ratio of net worth to total assets stood at 25.5% as of March 31, 2021, compared with 25.3% as of March 31, 2020.

There were 1,634,986,941 shares issued and outstanding (excluding treasury shares) as of March 31, 2021. Retained earnings amounted to ¥854.5 billion (US\$7,719 million), a 5.8% increase from ¥808.0 billion as of March 31, 2020.

4. Cash Flows

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 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 Petro Rabigh. 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.

Breakdown of Capital Expenditures

(Billions of yen, %)

Years ended March 31	J-GAAP*		IFRS*							
	2017		2017	2018	2019	2020	2021			
New plants and expansions:										
Petrochemicals & Plastics	¥ 1.5	1%	¥ —	¥ 3.2	¥ 6.4	¥ 6.7	¥ 1.7	2%		
Energy & Functional Materials	11.8	9	—	14.3	13.0	11.1	8.0	7		
IT-related Chemicals	29.5	23	—	21.3	28.3	16.8	7.8	7		
Health & Crop Sciences	12.1	9	—	38.0	22.9	8.9	5.0	4		
Pharmaceuticals	2.8	2	—	3.7	6.1	5.4	3.4	3		
Others	1.2	1	—	6.0	8.6	0.7	13.1	12		
Subtotal	¥ 58.9	45%	—	¥ 86.5	¥ 85.4	¥ 49.7	¥ 39.0	35%		
Rationalization of production processes	3.5	3	—	2.7	2.8	2.2	2.6	2		
Research and development	7.4	6	—	12.1	13.6	7.4	7.0	6		
Maintenance and renewal	25.2	19	—	31.3	43.9	32.1	40.4	36		
Others	35.0	27	—	26.2	17.9	25.1	23.7	21		
Total	¥130.1	100%	¥136.3	¥158.8	¥163.7	¥116.3	¥112.7	100%		

* J-GAAP: Japanese GAAP; IFRS: International Financial Reporting Standards

5. Capital Expenditures

In the year ended March 31, 2021, the Group's capital expenditures totaled ¥112.7 billion (US\$1,018 million), which includes investments for new installations and the expansion of manufacturing facilities as well as investments for streamlining existing facilities.

Major facilities completed in fiscal 2020 included the expansion of a cathode material manufacturing facility at a Japanese subsidiary in the Energy & Functional Materials segment. Major facilities under construction in fiscal 2020 included the expansion of a photoresist evaluation system in the IT-related Chemicals segment, the deployment of high-efficiency gas turbines in the Petrochemicals & Plastics segment, the construction and expansion of a new multi-purpose plant at a Japanese subsidiary in the Energy & Functional Materials segment, and the construction and expansion of a power plant for a Japanese subsidiary in our Others segment. In addition, investments were made in fiscal 2020 to deploy S4/HANA, the company's next-generation core business system.

Broken down by segment, capital expenditures in the Petrochemicals & Plastics segment were ¥19.9 billion (US\$180 million), ¥23.0 billion (US\$208 million) in the Energy & Functional Materials segment, ¥12.2 billion (US\$110 million) in the IT-related Chemicals segment, ¥16.3 billion (US\$147 million) in the Health & Crop Sciences segment,

¥14.0 billion (US\$127 million) in the Pharmaceuticals segment, and ¥27.3 billion (US\$246 million) in the Others segment.

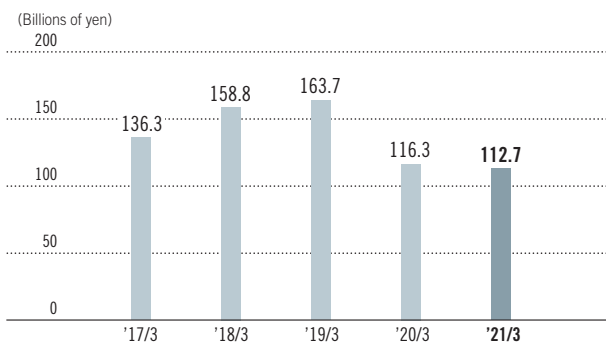
6. Research and Development

The Group's basic R&D policy is to establish superior proprietary technologies that will contribute to profitability and business expansion. To maximize overall efficiency, the Group proactively promotes collaborative R&D and outsourcing through closer cooperation, while each subsidiary performs its own R&D activities.

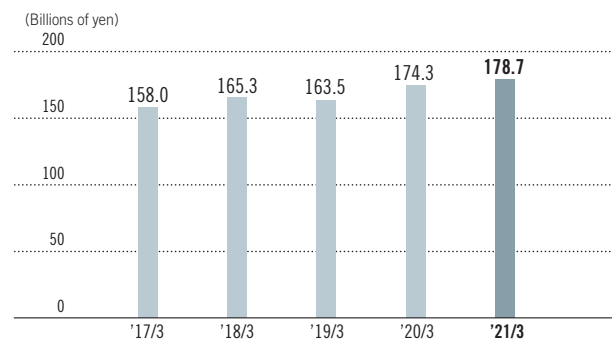
In the fiscal year ended March 31, 2021, the Group focused R&D resources on 1) healthcare, 2) food, 3) reduction of environmental impact, and 4) ICT (information & communications technology), as part of the FY2019-2021 Corporate Business Plan. In addition, the Group is promoting cross-sectoral projects for the development of new businesses.

R&D expenses were ¥178.7 billion (US\$1,614 million), up 2.5% from the fiscal year ended March 31, 2020.

Capital Expenditures



Research and Development Expenses



Consolidated Financial Statements

Consolidated Statement of Financial Position

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2021 and 2020

	Millions of yen		Thousands of US dollars
	March 31, 2021	March 31, 2020	March 31, 2021
Assets			
Current assets:			
Cash and cash equivalents	¥ 360,918	¥ 180,648	\$ 3,260,031
Trade and other receivables	652,616	570,413	5,894,824
Other financial assets	12,814	8,945	115,744
Inventories	511,529	492,391	4,620,441
Other current assets	46,552	54,204	420,486
Subtotal	1,584,429	1,306,601	14,311,526
Assets held for sale	42	4,305	379
Total current assets	1,584,471	1,310,906	14,311,905
Non-current assets:			
Property, plant and equipment	793,500	778,417	7,167,374
Goodwill	220,295	200,416	1,989,838
Intangible assets	450,172	465,646	4,066,227
Investments accounted for using the equity method	243,803	264,054	2,202,177
Other financial assets	528,826	488,645	4,776,678
Retirement benefit assets	80,455	61,229	726,718
Deferred tax assets	41,406	47,191	374,004
Other non-current assets	47,326	37,583	427,478
Total non-current assets	2,405,783	2,343,181	21,730,494
Total assets	¥3,990,254	¥3,654,087	\$36,042,399

	Millions of yen		Thousands of US dollars
	March 31, 2021	March 31, 2020	March 31, 2021
Liabilities and equity			
Liabilities			
Current liabilities:			
Bonds and borrowings	¥ 250,389	¥ 466,527	\$ 2,261,666
Trade and other payables	522,887	436,070	4,723,033
Other financial liabilities	55,913	48,769	505,040
Income taxes payable	38,410	32,116	346,942
Provisions	106,968	89,862	966,200
Other current liabilities	116,125	88,984	1,048,912
Total current liabilities	1,090,692	1,162,328	9,851,793
Non-current liabilities:			
Bonds and borrowings	1,100,677	838,139	9,941,984
Other financial liabilities	81,117	92,056	732,698
Retirement benefit liabilities	37,179	45,770	335,823
Provisions	25,115	21,491	226,854
Deferred tax liabilities	101,854	79,528	920,007
Other non-current liabilities	71,501	22,183	645,841
Total non-current liabilities	1,417,443	1,099,167	12,803,207
Total liabilities	2,508,135	2,261,495	22,655,000
Equity			
Share capital	89,699	89,699	810,216
Capital surplus	26,882	20,784	242,815
Retained earnings	854,538	807,959	7,718,707
Treasury shares	(8,334)	(8,329)	(75,278)
Other components of equity	56,445	13,877	509,845
Equity attributable to owners of the parent	1,019,230	923,990	9,206,305
Non-controlling interests	462,889	468,602	4,181,094
Total equity	1,482,119	1,392,592	13,387,399
Total liabilities and equity	¥3,990,254	¥3,654,087	\$36,042,399

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of US dollars
	2021	2020	2021
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	240,926
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)	(173,246)
Income before taxes	137,803	130,480	1,244,720
Income tax expenses	(69,729)	(76,081)	(629,834)
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	198,998
Net income	¥ 68,074	¥ 54,399	\$ 614,886
		Yen	US dollars
Earnings per share:			
Basic earnings per share	¥28.16	¥18.91	\$0.254
Diluted earnings per share	—	—	—

Consolidated Statement of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of US dollars
	2021	2020	2021
Net income	¥ 68,074	¥ 54,399	\$ 614,886
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	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	(27,234)
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)	613,187
Total comprehensive income	135,960	(17,360)	1,228,073
Total comprehensive income attributable to:			
Owners of the parent	108,727	(39,081)	982,088
Non-controlling interests	27,233	21,721	245,985
Total comprehensive income	¥135,960	¥(17,360)	\$1,228,073

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen											
	Equity attributable to owners of the parent				Other components of equity							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at April 1, 2019	¥89,699	¥20,438	¥820,454	¥(8,322)	¥ 98,776	¥ —	¥(1,851)	¥(20,492)	¥ 76,433	¥ 998,702	¥353,184	¥1,351,886
Net income	—	—	30,926	—	—	—	—	—	30,926	23,473	54,399	
Other comprehensive income	—	—	—	—	(20,740)	(9,372)	2,035	(41,930)	(70,007)	(70,007)	(1,752)	(71,759)
Total comprehensive income	—	—	30,926	—	(20,740)	(9,372)	2,035	(41,930)	(70,007)	(39,081)	21,721	(17,360)
Purchase of treasury shares	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Disposal of treasury shares	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	—	—	(35,970)	—	—	—	—	—	—	(35,970)	(16,722)	(52,692)
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	109,826	109,826
Change in interest due to transactions with non-controlling interests	—	346	—	—	—	—	—	—	—	346	593	939
Transfer from other components of equity to retained earnings	—	—	(7,465)	—	(1,907)	9,372	—	—	7,465	—	—	—
Others, net	—	—	14	—	(14)	—	—	—	(14)	—	—	—
Total transactions with owners	—	346	(43,421)	(7)	(1,921)	9,372	—	—	7,451	(35,631)	93,697	58,066
Balance as at March 31, 2020	¥89,699	¥20,784	¥807,959	¥(8,329)	¥ 76,115	¥ —	¥ 184	¥(62,422)	¥ 13,877	¥ 923,990	¥468,602	¥1,392,592
Balance as at April 1, 2020	¥89,699	¥20,784	¥807,959	¥(8,329)	¥76,115	¥ —	¥ 184	¥(62,422)	¥13,877	¥ 923,990	¥468,602	¥1,392,592
Net income	—	—	46,043	—	—	—	—	—	46,043	22,031	68,074	
Other comprehensive income	—	—	—	—	19,029	15,562	(3,050)	31,143	62,684	62,684	5,202	67,886
Total comprehensive income	—	—	46,043	—	19,029	15,562	(3,050)	31,143	62,684	108,727	27,233	135,960
Purchase of treasury shares	—	—	—	(5)	—	—	—	—	—	(5)	—	(5)
Disposal of treasury shares	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	—	—	(19,620)	—	—	—	—	—	—	(19,620)	(16,779)	(36,399)
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	4	4
Change in interest due to transactions with non-controlling interests	—	6,098	—	—	—	—	—	—	—	6,098	(16,171)	(10,073)
Transfer from other components of equity to retained earnings	—	—	20,116	—	(4,554)	(15,562)	—	—	(20,116)	—	—	—
Others, net	—	—	40	—	—	—	—	—	—	40	—	40
Total transactions with owners	—	6,098	536	(5)	(4,554)	(15,562)	—	—	(20,116)	(13,487)	(32,946)	(46,433)
Balance as at March 31, 2021	¥89,699	¥26,882	¥854,538	¥(8,334)	¥90,590	¥ —	¥(2,866)	¥(31,279)	¥56,445	¥1,019,230	¥462,889	¥1,482,119
	Thousands of US dollars											
Balance as at April 1, 2020	\$810,216	\$187,734	\$7,297,977	\$(75,233)	\$687,517	\$ —	\$ 1,662	\$(563,833)	\$125,346	\$8,346,040	\$4,232,698	\$12,578,738
Net income	—	—	415,889	—	—	—	—	—	415,889	198,997	614,886	
Other comprehensive income	—	—	—	—	171,881	140,565	(27,549)	281,302	566,199	566,199	46,988	613,187
Total comprehensive income	—	—	415,889	—	171,881	140,565	(27,549)	281,302	566,199	982,088	245,985	1,228,073
Purchase of treasury shares	—	—	—	(45)	—	—	—	—	—	(45)	—	(45)
Disposal of treasury shares	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	—	—	(177,220)	—	—	—	—	—	—	(177,220)	(151,559)	(328,779)
Changes resulting from additions to consolidation	—	—	—	—	—	—	—	—	—	—	36	36
Change in interest due to transactions with non-controlling interests	—	55,081	—	—	—	—	—	—	—	55,081	(146,066)	(90,985)
Transfer from other components of equity to retained earnings	—	—	181,700	—	(41,135)	(140,565)	—	—	(181,700)	—	—	—
Others, net	—	—	361	—	0	—	—	—	—	361	—	361
Total transactions with owners	—	55,081	4,841	(45)	(41,135)	(140,565)	—	—	(181,700)	(121,823)	(297,589)	(419,412)
Balance as at March 31, 2021	\$810,216	\$242,815	\$7,718,707	\$(75,278)	\$818,263	\$ —	\$(25,887)	\$(282,531)	\$509,845	\$9,206,305	\$4,181,094	\$13,387,399

Consolidated Statement of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

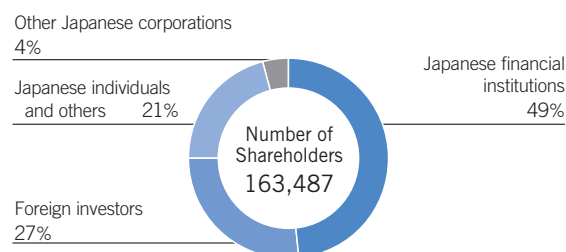
	Millions of yen		Thousands of US dollars
	2021	2020	2021
Cash flows from operating activities:			
Income before taxes	¥137,803	¥130,480	\$1,244,720
Depreciation and amortization	136,017	131,741	1,228,588
Impairment loss	40,833	37,328	368,828
Reversal of impairment loss	—	(61)	—
Share of (profit) loss 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)	253,763
Subtotal	430,964	145,202	3,892,728
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)
Net cash provided by operating activities	374,464	106,012	3,382,386
Cash flows from investing activities:			
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)	(1,091,248)
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	(54,648)
Net cash used in investing activities	(177,389)	(499,670)	(1,602,285)
Cash flows from financing activities:			
Net (decrease) increase 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 lease liabilities	(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
Net cash provided by (used in) financing activities	(39,974)	373,542	(361,069)
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
Cash and cash equivalents at beginning of year	180,648	201,678	1,631,723
Cash and cash equivalents at end of year	¥360,918	¥180,648	\$3,260,031

Corporate and Investor Information

(As of March 31, 2021)

Paid-in Capital	¥89.7 billion
Number of Employees	Non-consolidated: 6,277 Consolidated: 34,743
Common Stock	Authorized: 5,000,000,000 shares Issued: 1,655,446,177 shares
Settlement Date	March 31
Stock Transaction Units	100-share units
Ordinary General Meeting of Shareholders	Within three months from the next day of the settlement date
Number of Shareholders	163,487
Listings	Tokyo
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Division 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan
Independent Certified Public Accountants	KPMG AZSA LLC

Distribution of Shareholders



Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	152,744	9.34
Custody Bank of Japan, Ltd. (Trust Account)	107,940	6.60
Sumitomo Life Insurance Company	71,000	4.34
Nippon Life Insurance Company	41,031	2.50
Custody Bank of Japan, Ltd. (Trust Account No.4)	37,480	2.29
Custody Bank of Japan, Ltd. (Trust Account No.7)	31,924	1.95
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. ReTrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.77
STATE STREET BANK WEST CLIENT - TREATY 505234	24,185	1.47
Custody Bank of Japan, Ltd. (Trust Account No.5)	23,640	1.44
Sumitomo Chemical Employee Stock Ownership Plan	23,308	1.42

* Percentage of shares held to the total number of shares issued and outstanding shares (excluding treasury shares)

Dividend Policy

We consider shareholder return as one of our priority management issues and have made it a policy to maintain stable dividend payment, giving due consideration to our business performance and a dividend payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors. We aim to maintain a dividend payout ratio of around 30% over the medium to long term.

The full-year dividend for fiscal 2020 was ¥15 per share, a decrease of ¥2 per share from the previous fiscal year.

IR Calendar*

Fiscal 2020 (Year ended March 31, 2021)

May 2021	Fiscal 2020 Financial Results
June 2021	140th Ordinary General Meeting of Shareholders

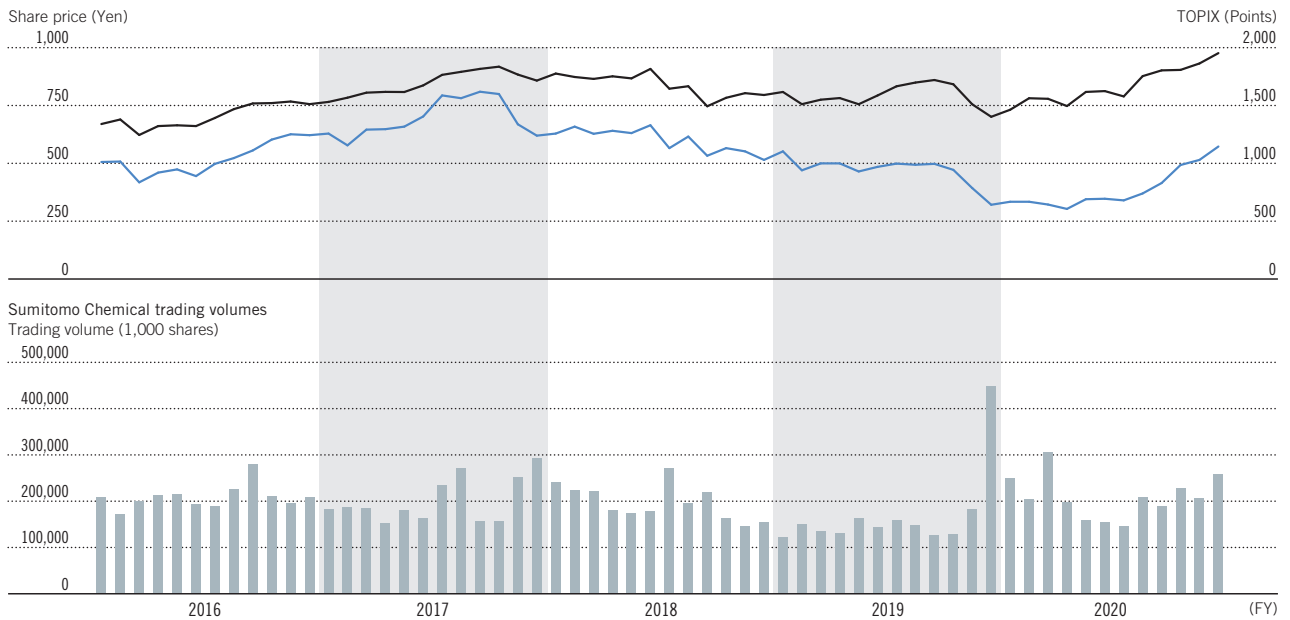
Fiscal 2021 (Year ending March 31, 2022)

August 2021	1st Quarter Financial Results
October 2021	2nd Quarter Financial Results
January 2022	3rd Quarter Financial Results
May 2022	Fiscal 2021 Financial Results
June 2022	141st Ordinary General Meeting of Shareholders

* This schedule is subject to change.

Stock Performance

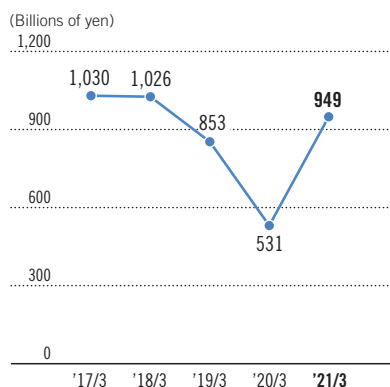
— Sumitomo Chemical (left axis) — TOPIX (right axis)



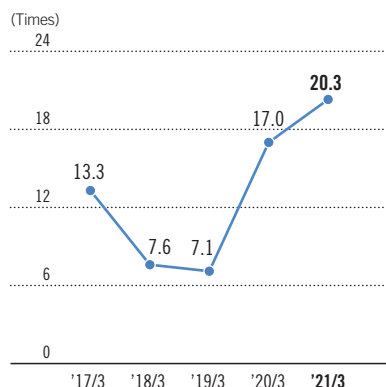
Fiscal Year	2016	2017	2018	2019	2020
Share price high (yen)	682	882	684	556	593
Share price low (yen)	396	574	485	267	285
Share price at year-end (yen)	622	620	515	321	573
Cumulative trading volume (1,000 shares)	2,515,006	2,418,727	2,369,928	2,038,948	2,508,242

Fiscal Year	2016	2017	2018	2019	2020
Shares outstanding (1,000 shares)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,446
Market capitalization (billions of yen)	1,030	1,026	853	531	949
Basic earnings per share (yen)	46.81	81.81	72.17	18.91	28.16
Equity attributable to owners of the parent per share (yen)	496.96	567.04	610.82	564.12	623.39
Price earnings ratio (PER) (times)	13.3	7.6	7.1	17.0	20.3
Price book-value ratio (PBR) (times)	1.3	1.1	0.8	0.6	0.9
Cash dividends per share (yen)	14	22	22	17	15
Dividend payout ratio (%)	29.9	26.9	30.5	89.9	53.3
Total shareholder return (TSR) (%)	125.0	128.9	112.6	77.8	130.3
Ratio of shares owned by foreign investors to shares outstanding (%)	33.0	30.3	27.6	26.4	26.8

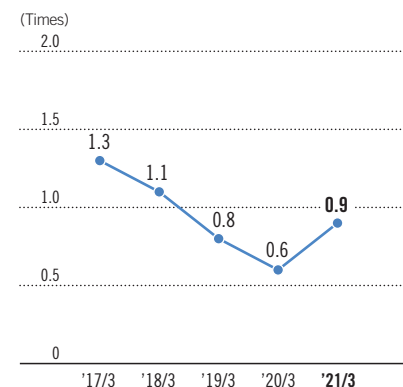
Market Capitalization



Price Earnings Ratio (PER)



Price Book-value Ratio (PBR)



Editorial Policy

Sumitomo Chemical's Three Reports

Annual Report



This report summarizes important financial and non-financial information with the aim of conveying our company's value creation story to a wide range of stakeholders, including our shareholders and investors, in a way that is easy to understand.



Investors' Handbook



This handbook summarizes financial data and provides detailed explanations of our businesses and products.



Sustainability Data Book



This data book introduces our sustainability information from the perspectives of the environment, society and corporate governance, and covers more detailed information. (Available online only)



On the Publication of the Annual Report 2021

As an integrated report, the Annual Report aims to convey our company's value creation story to a wide range of stakeholders, including our shareholders and investors, in a way that is easy to understand, and so it comprehensively aggregates information such as the strengths and strategies of our businesses, our financial results, our corporate governance system, and our efforts to address issues in the environment and society. The creation of this report was led by the IR team of the Corporate Communications Department, with the collaboration of relevant departments both inside and outside of Japan and the cooperation of relevant people outside the company.

The Annual Report 2021 includes both a dialogue between the President and an outside expert on the topic of climate change, and one between an Outside Director and an Outside Corporate Auditor on the topic of our company's

governance, enhancing the report's disclosures relating to sustainability. In addition, the report includes a special feature on COVID-19, covering both its impact on our company's business and our contributions to society's efforts to address it. We hope that this report will serve as a bridge for communication with our stakeholders and will convey the approach of the Group as a whole to creating new value.



IR team (annual report writing team)

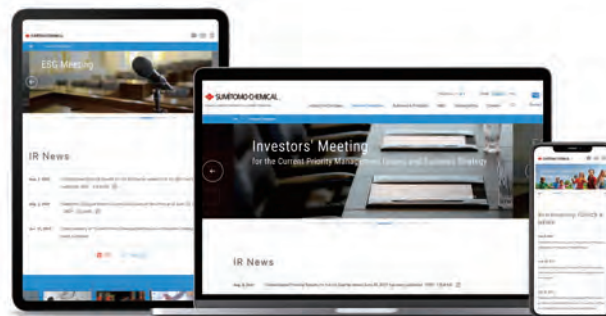
Guide to the Website

Investor Relations

- Financial Results
- Meeting of Shareholders Documents
- IR Events
(presentation, materials used at briefing sessions)
- Fact Sheet



Sustainability



Explanation of the Cover

Chemistry, where all sorts of substances come together and react with one another to create entirely new things, is something that enriches our daily lives. This dynamism of chemistry is represented by countless shining particles forming the shape of the swell of a wave.



The Guidance for Collaborative Value Creation, put forth by the Ministry of Economy, Trade and Industry, is a handbook that serves as a shared language connecting companies and investors, systematically and comprehensively laying out the information that companies ought to convey to investors in order to raise the quality of information disclosure and of dialogue with investors. This report primarily relies on this guidance in the value creation models for sector information.

Financial Statements in This Document

Beginning in fiscal 2017, the Sumitomo Chemical Group is adopting international financial reporting standards (IFRS) in place of Japanese GAAP, which it previously used, and is therefore restating figures for the previous consolidated fiscal year using IFRS for comparative analysis. However, as the consolidated statement of financial position was not calculated for the sectors using IFRS at the beginning of fiscal 2016, the sectors' ROA for fiscal 2016 were not calculated.

Forward-looking Statements

Statements made in this annual report with respect to plans, strategies, and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Sumitomo Chemical cautions that a number of factors could cause actual results to differ materially from such statements including, but 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.