

**Sumitomo Chemical Reports
Consolidated Financial Results
For the Half-Year Ended September 30, 2022**

For the half-year ended September 30, 2022, the Sumitomo Chemical Group reported consolidated sales revenue of ¥1,528.6 billion, an increase of ¥203.4 billion year on year, core operating income* of ¥115.6 billion, operating income of ¥60.6 billion, and net income attributable to owners of the parent of ¥81.1 billion, all lower than the results from the same period in the previous year.

Sumitomo Chemical decided to pay an interim dividend of ¥12 per share.

*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 from investments accounted for using the equity method.

The financial results by business segment for the half-year are as follows:

Essential Chemicals & Plastics

Selling prices for synthetic resins, methyl methacrylate and various industrial chemicals improved due to an increase in raw material prices. The weak yen also benefited sales revenues of subsidiaries outside of Japan when converted into yen. On the other hand, shipments declined, primarily because of weak demand for products in automotive applications. As a result, sales revenue increased by ¥67.8 billion from the same period in the previous year, to ¥467.3 billion. Core operating income was ¥23.3 billion, a decline of ¥18.8 billion from the same period in the previous year, because of a deterioration in margins caused by higher raw material prices and the impact of lower shipment volumes, despite an improvement in the performance of Rabigh Refining and Petrochemical Company, our equity method investee.

Energy & Functional Materials

Selling prices for aluminum and cathode materials increased with the improvement in market conditions. Shipments of separators for lithium-ion secondary batteries stayed firm. The weak yen also had a positive effect. As a result, sales revenue increased by ¥25.0 billion, to ¥173.5 billion from the same period in the previous year. Core operating income was ¥13.4 billion, higher by ¥0.9 billion from the same period in the previous year, led by higher income from exports due to the weak yen, despite a decline in margins resulting from the rise in raw material prices.

IT-related Chemicals

Sales revenue benefited from the weak yen's effect on the sales of subsidiaries outside of Japan in yen terms. In addition, demand growth for processing materials for semiconductors, such as high purity chemicals and photoresists, brought about an increase of shipments. On the other hand, shipments of display-related materials declined because stay-at-home demand had run its course, and consumer sentiment deteriorated in the face of inflation concerns. As a result, sales revenue decreased by ¥5.5 billion from the same period in the previous year, to ¥222.2 billion, and core operating income decreased by ¥3.1 billion from the same period in the previous year, to ¥26.4 billion.

Health & Crop Sciences

Sales of crop protection products in South America increased significantly, and shipments in such markets as India performed well. Moreover, market prices of methionine (feed additives) increased from the same period in the previous year. The weak yen also had a positive effect on sales from subsidiaries outside of Japan when converted into yen. As a result, sales revenue increased by ¥84.5 billion from the same period in the previous year, to ¥293.9 billion. Core operating income was ¥36.3 billion, an increase of ¥17.9 billion from the same period in the previous year, driven by the increase in sales and higher income from exports as a result of the weak yen, despite higher prices for raw materials.

Pharmaceuticals

In North America, revenue grew as sales of Latuda® (atypical antipsychotic agent), Orgovyx® (therapeutic agent for advanced prostate cancer) and Gemtesa® (therapeutic agent for overactive bladder) increased, on top of the favorable effects of the forex situation, even though results in the same period of the previous year were boosted by the receipt of a lump-sum upfront payment for a development and commercial collaboration agreement. On the other hand, in Japan, sales revenues were adversely affected by the National Health Insurance (NHI) drug price revisions. As a result, sales revenue increased by ¥24.9 billion from the same period in the previous year, to ¥334.4 billion. Core operating income was ¥25.2 billion, a decrease of ¥24.8 billion from the same period in the previous year, as increases in selling, general and administrative expenses and R&D expenses, primarily due to the effects of the forex situation, outweighed revenue growth.

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 ¥6.6 billion from the same period in the previous year, to ¥37.2 billion, and core operating income decreased by ¥4.2 billion from the same period in the previous year, to ¥2.6 billion.

Based on recent performance trends, Sumitomo Chemical has made revisions to its consolidated financial forecast for the full-year ending March 31, 2023, previously announced on May 13, 2022, as below.

(Millions of yen)

	Sales revenue	Core operating income	Operating income	Net income attributable to owners of the parent	Earnings per share (yen)
Previous forecast (A)	3,120,000	200,000	180,000	125,000	76.45
Revised forecast (B)	3,180,000	190,000	115,000	105,000	64.22
Variance in amount (B-A)	60,000	-10,000	-65,000	-20,000	
Variance in percentage (%)	1.9	-5.0	-36.1	-16.0	
Previous year results (Fiscal 2021)	2,765,321	234,779	215,003	162,130	99.16

Sales revenue is expected to exceed the previous forecast because of higher market prices of some products. However, core operating income is expected to be lower than the previous forecast due to a deterioration of margins in the Essential Chemicals & Plastics Sector and lower shipments in the IT-related Chemicals Sector, while the solid sales of crop protection chemicals in South America are expected to increase the profit of the Health & Crop Sciences Sector.

Operating income and net income attributable to owners of the parent are also expected to fall below the previous forecast because of lower core operating income and the impairment loss recorded in the first-half of this fiscal year.

The revised forecast is based on the assumptions of a foreign exchange rate of ¥140.0/US\$ and a naphtha price of ¥75,000/kl for the second-half of the current fiscal year.

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.

Consolidated Statement of Financial Position

In millions of yen	As of September 30, 2022	As of March 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	¥ 485,996	¥ 365,429
Trade and other receivables	738,463	720,422
Other financial assets	40,470	23,991
Inventories	805,231	651,358
Other current assets	70,313	51,442
Total current assets	2,140,473	1,812,642
Non-current assets:		
Property, plant and equipment	855,785	823,022
Goodwill	282,853	244,517
Intangible assets	468,542	471,109
Investments accounted for using the equity method	462,581	289,968
Other financial assets	282,220	474,899
Retirement benefit assets	89,987	89,538
Deferred tax assets	47,354	49,121
Other non-current assets	52,229	53,335
Total non-current assets	2,541,551	2,495,509
Total Assets	¥ 4,682,024	¥ 4,308,151
Liabilities and Equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	¥ 335,865	¥ 261,280
Trade and other payables	635,336	551,583
Other financial liabilities	66,590	84,137
Income taxes payable	41,914	24,515
Provisions	161,988	129,709
Other current liabilities	122,959	122,267
Total current liabilities	1,364,652	1,173,491
Non-current liabilities:		
Bonds and borrowings	1,056,986	1,089,190
Other financial liabilities	102,202	101,718
Retirement benefit liabilities	33,363	33,091
Provisions	40,931	36,502
Deferred tax liabilities	116,732	101,299
Other non-current liabilities	78,497	70,883
Total non-current liabilities	1,428,711	1,432,683
Total liabilities	2,793,363	2,606,174
Equity		
Share capital	89,810	89,699
Capital surplus	27,723	27,089
Retained earnings	1,038,201	974,382
Treasury shares	(8,346)	(8,343)
Other components of equity	232,094	135,274
Equity attributable to owners of the parent	1,379,482	1,218,101
Non-controlling interests	509,179	483,876
Total equity	1,888,661	1,701,977
Total Liabilities and Equity	¥ 4,682,024	¥ 4,308,151

Consolidated Statement of Profit or Loss

In millions of yen	Six Months ended September 30,	
	2022	2021
Sales revenue	¥ 1,528,563	¥ 1,325,210
Cost of sales	(1,051,430)	(873,827)
Gross profit	477,133	451,383
Selling, general and administrative expenses	(447,258)	(333,728)
Other operating income	12,881	5,278
Other operating expenses	(12,069)	(5,900)
Share of profit of investments accounted for using the equity method	29,880	27,239
Operating income	60,567	144,272
Finance income	91,208	11,172
Finance expenses	(24,997)	(8,663)
Income before taxes	126,778	146,781
Income tax expenses	(53,716)	(38,971)
Net income	73,062	107,810
Net income attributable to:		
Owners of the parent	81,063	88,884
Non-controlling interests	(8,001)	18,926
Net income	¥ 73,062	¥ 107,810

In yen	Six Months ended September 30,	
	2022	2021
Earnings per share:		
Basic earnings per share	49.58	54.36
Diluted earnings per share	49.57	—

Consolidated Statement of Comprehensive Income

In millions of yen	Six Months ended September 30,	
	2022	2021
Net income	¥ 73,062	¥ 107,810
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	(13,651)	(35,696)
Remeasurements of defined benefit plans	(83)	(74)
Share of other comprehensive income of investments accounted for using the equity method	(848)	287
Total items that will not be reclassified to profit or loss	(14,582)	(35,483)
Items that may be subsequently reclassified to profit or loss		
Cash flow hedge	9,807	(2,467)
Exchange differences on translation of foreign operations	119,029	6,328
Share of other comprehensive income of investments accounted for using the equity method	28,044	6,129
Total items that may be subsequently reclassified to profit or loss	156,880	9,990
Other comprehensive income, net of taxes	142,298	(25,493)
Total comprehensive income	215,360	82,317
Total comprehensive income attributable to:		
Owners of the parent	183,577	76,757
Non-controlling interests	31,783	5,560
Total comprehensive income	¥ 215,360	¥ 82,317

Consolidated Statement of Cash Flows

In millions of yen	Six Months ended September 30,	
	2022	2021
Cash Flows from Operating Activities:		
Income before taxes	¥ 126,778	¥ 146,781
Depreciation and amortization	85,824	77,700
Impairment loss	54,472	1,591
Share of (profit) loss of investments accounted for using the equity method	(29,880)	(27,239)
Interest and dividend income	(8,049)	(4,587)
Interest expenses	11,930	7,704
Business structure improvement expenses	8,438	3,002
Changes in fair value of contingent consideration	(1,287)	143
(Gain) loss on sale of property, plant and equipment	(3,511)	(154)
(Increase) decrease in trade receivables	74,690	2,133
(Increase) decrease in inventories	(107,651)	(71,764)
Increase (decrease) in trade payables	7,427	19,150
Increase (decrease) in unearned revenue	(3,523)	3,140
Increase (decrease) in provisions	9,299	(4,011)
Others, net	(107,324)	(45,601)
Subtotal	117,633	107,988
Interest and dividends received	12,253	14,817
Interest paid	(11,623)	(7,336)
Income taxes paid	(33,084)	(36,525)
Business structure improvement expenses paid	(1,663)	(1,746)
Net cash provided by operating activities	83,516	77,198
Cash Flows from Investing Activities:		
Net (increase) decrease in securities	(13,504)	(12,973)
Purchase of property, plant and equipment, and intangible assets	(68,914)	(47,774)
Proceeds from sale of property, plant and equipment, and intangible assets	4,174	890
Purchase of other financial assets	(3,735)	(12,455)
Proceeds from sales and redemption of other financial assets	41,625	9,068
Proceeds from collection of loans receivable	64,331	844
Others, net	(8,421)	(2,750)
Net cash used in investing activities	15,556	(65,150)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term borrowings	20,174	27,461
Net decrease of commercial paper	88,000	27,000
Proceeds from long-term borrowings	15,194	33,659
Repayments of long-term borrowings	(106,323)	(70,055)
Redemption of bonds	—	(14,287)
Repayments of finance lease obligations	(8,784)	(7,848)
Cash dividends paid	(22,862)	(14,715)
Cash dividends paid to non-controlling interests	(10,085)	(5,585)
Payments for acquisition of subsidiaries' interests from non-controlling interests	—	(3,916)
Others, net	28	1,138
Net cash provided by (used in) financing activities	(24,658)	(27,148)
Effect of exchange rate changes on cash and cash equivalents	46,153	987
Net increase (decrease) in cash and cash equivalents	120,567	(14,113)
Cash and cash equivalents at the beginning of the year	365,429	360,918
Cash and cash equivalents at the end of the period	¥ 485,996	¥ 346,805

Sales Revenue and Core Operating Income by Segment

Six Months ended September 30, 2022

In millions of yen	Essential Chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharma- ceuticals	Total	Others	Adjustments	Consoli- dated
Sales revenue									
From external customers	¥ 467,299	¥ 173,505	¥ 222,194	¥ 293,902	¥ 334,445	¥ 1,491,345	¥ 37,218	¥ —	¥ 1,528,563
Inter-segment	3,061	10,149	234	2,008	7	15,459	42,098	(57,557)	—
Total	470,360	183,654	222,428	295,910	334,452	1,506,804	79,316	(57,557)	1,528,563
Core operating income	¥ 23,270	¥ 13,448	¥ 26,432	¥ 36,310	¥ 25,191	¥ 124,651	¥ 2,567	¥ (11,598)	¥ 115,620

Six Months ended September 30, 2021

In millions of yen	Essential Chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharma- ceuticals	Total	Others	Adjustments	Consoli- dated
Sales revenue									
From external customers	¥ 399,485	¥ 148,477	¥ 227,656	¥ 209,427	¥ 309,580	¥ 1,294,625	¥ 30,585	¥ —	¥ 1,325,210
Inter-segment	2,639	6,017	226	3,329	9	12,220	29,051	(41,271)	—
Total	402,124	154,494	227,882	212,756	309,589	1,306,845	59,636	(41,271)	1,325,210
Core operating income	¥ 42,043	¥ 12,573	¥ 29,524	¥ 18,456	¥ 49,963	¥ 152,559	¥ 6,781	¥ (10,443)	¥ 148,897

Adjustments to income before taxes from core operating income were as follows:

In millions of yen	Six Months ended September 30,	
	2022	2021
Core operating income	¥ 115,620	¥ 148,897
Impairment loss	(54,472)	(1,591)
Restructuring charges	(8,438)	(3,002)
Gain on sale of property, plant and equipment	3,511	154
Changes in fair value of contingent consideration	1,287	(143)
Others, net	3,059	(43)
Operating income	60,567	144,272
Finance income	91,208	11,172
Finance expenses	(24,997)	(8,663)
Income before taxes	¥ 126,778	¥ 146,781