

# Financial Results for FY2023 Second Quarter

(April 1, 2023 - September 30, 2023)

(Reference Material)

November 1, 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.

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# 1. Consolidated Financial Results for FY2023 Second Quarter

Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance	Variance Ratio
Sales revenue	1,528.6	<b>1,186.9</b>	-341.7	-22.4%
Core operating income (loss)	115.6	<b>-96.7</b>	-212.3	-
Of which equity in earnings	29.9	<b>-26.9</b>	-56.8	-
Non-recurring items	-55.1	<b>-37.0</b>	18.0	-
Operating income (loss)	60.6	<b>-133.7</b>	-194.2	-
Finance income/expenses	66.2	<b>29.9</b>	-36.3	-
Of which gain (loss) on foreign currency transactions	70.8	<b>33.6</b>	-37.2	-
Income tax expenses	-53.7	<b>-3.3</b>	50.5	-
Net (income) loss attributable to non-controlling interests	8.0	<b>30.7</b>	22.7	-
Net income (loss) attributable to owners of the parent	81.1	<b>-76.3</b>	-157.4	-
ROE	6.2%	<b>-6.4%</b>		
Exchange rate (yen/\$)	134.03	<b>141.06</b>		
Naphtha price (yen/kl)	83,800	<b>65,500</b>		
Overseas sales revenue ratio	70.4%	<b>68.1%</b>		

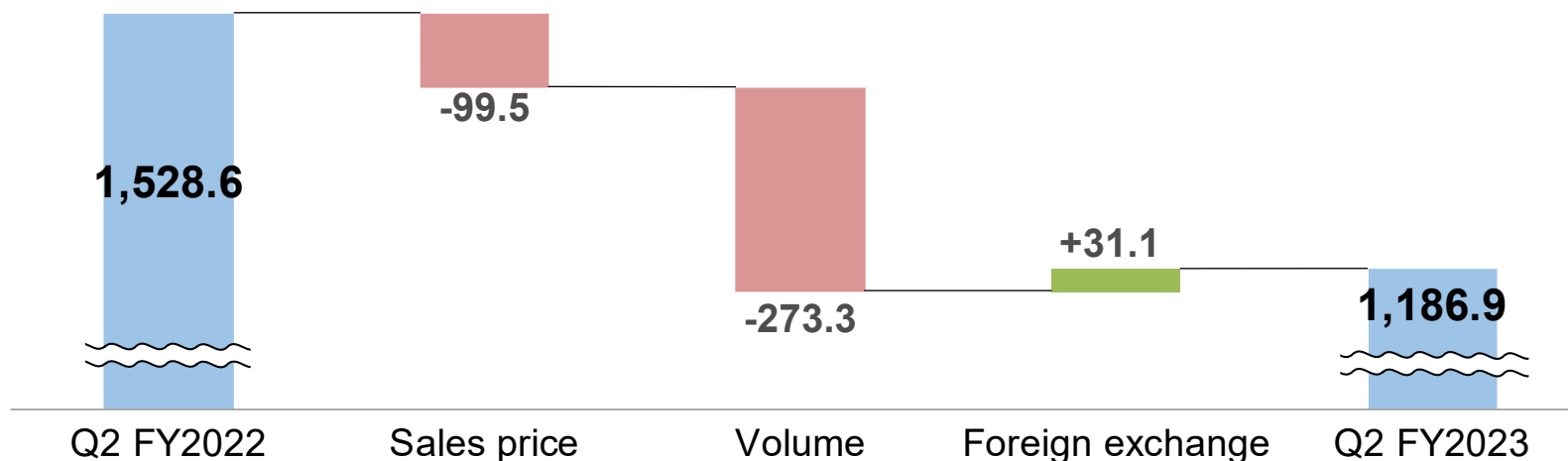
# Sales Revenue by Business Segment

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Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance	Ratio	Sales price variance	Shipping volume variance	Foreign currency conversion variance
Essential Chemicals & Plastics	467.3	<b>390.3</b>	-77.0	-16.5%	-56.0	-33.0	12.0
Energy & Functional Materials	173.5	<b>149.9</b>	-23.6	-13.6%	-2.5	-22.9	1.8
IT-related Chemicals	222.2	<b>203.7</b>	-18.5	-8.3%	-4.0	-18.3	3.8
Health & Crop Sciences	293.9	<b>241.2</b>	-52.7	-17.9%	-35.0	-27.4	9.7
Pharmaceuticals	334.4	<b>166.9</b>	-167.5	-50.1%	-2.0	-169.3	3.8
Others & Adjustments	37.2	<b>34.9</b>	-2.4	-6.3%	0.0	-2.4	0.0
<b>Total</b>	<b>1,528.6</b>	<b>1,186.9</b>	<b>-341.7</b>	<b>-22.4%</b>	<b>-99.5</b>	<b>-273.3</b>	<b>31.1</b>

## Analysis of Variance



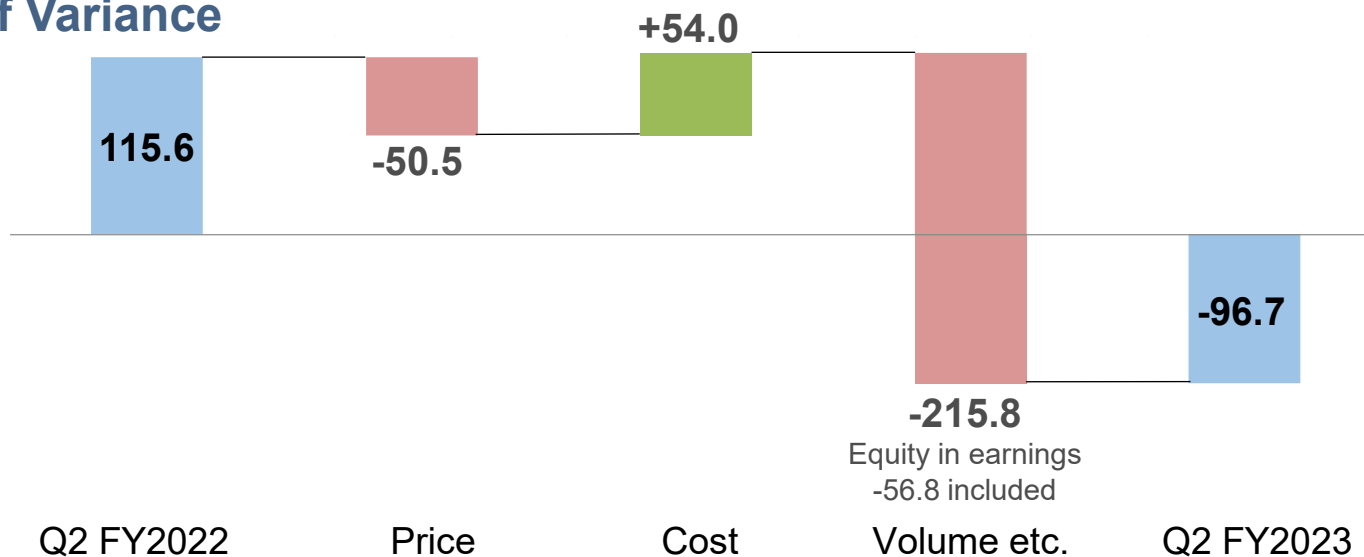
# Core Operating Income by Business Segment

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Unit: Billions of yen

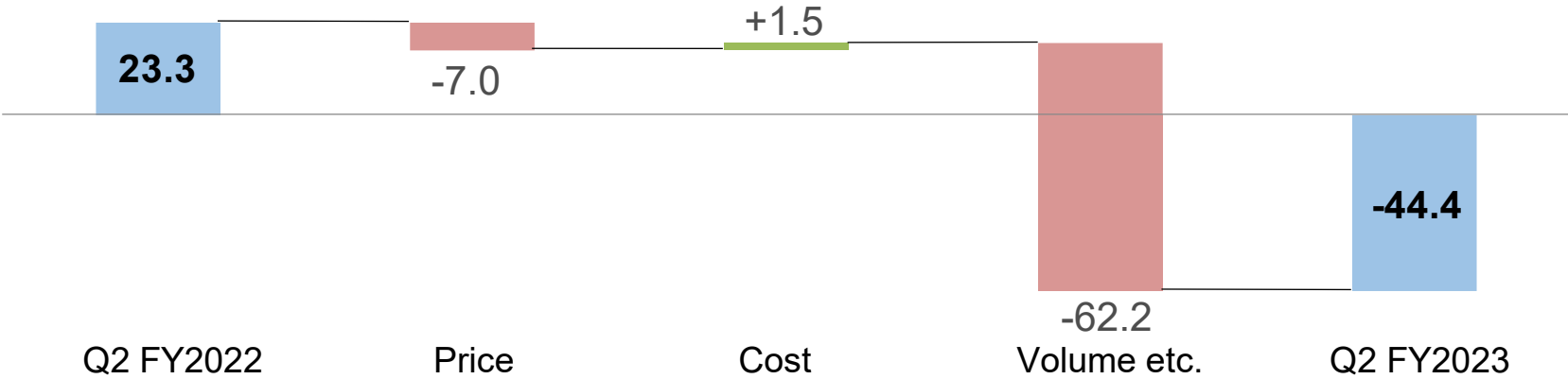
	Q2 FY2022	Q2 FY2023	Variance	Price variance	Cost variance	Shipping volume variance and other
Essential Chemicals & Plastics	23.3	-44.4	-67.7	-7.0	1.5	-62.2
Energy & Functional Materials	13.4	6.5	-7.0	-1.5	1.0	-6.5
IT-related Chemicals	26.4	17.8	-8.6	-4.0	5.5	-10.1
Health & Crop Sciences	36.3	-7.6	-43.9	-36.0	2.0	-9.9
Pharmaceuticals	25.2	-65.5	-90.7	-2.0	44.0	-132.7
Others & Adjustments	-9.0	-3.5	5.5	0.0	0.0	5.5
<b>Total</b>	<b>115.6</b>	<b>-96.7</b>	<b>-212.3</b>	<b>-50.5</b>	<b>54.0</b>	<b>-215.8</b>

## Analysis of Variance



## Essential Chemicals & Plastics

Total ¥ -44.4 billion (-67.7 from Q2 FY2022)

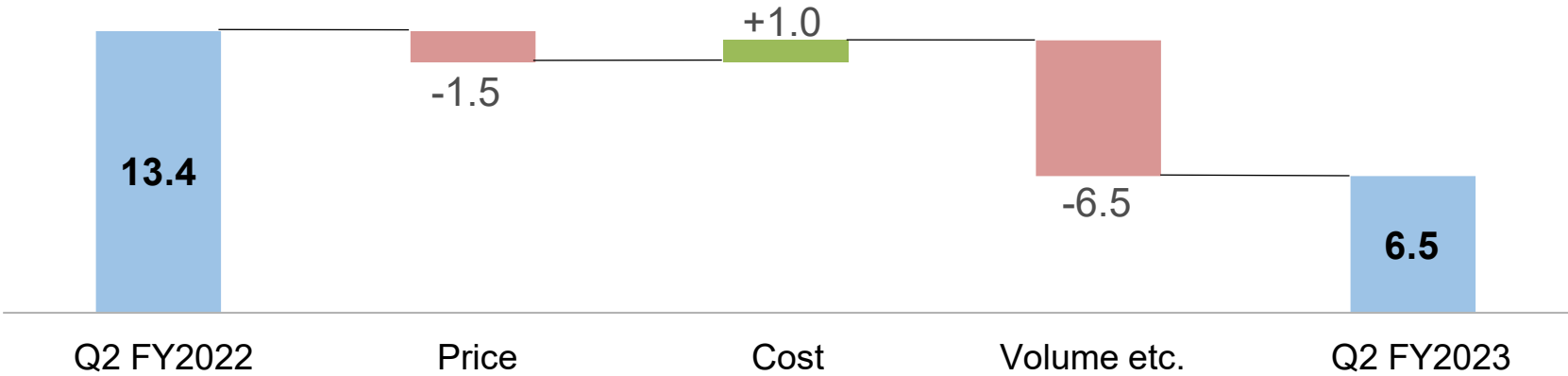


<b>Price variance</b>	Deterioration in profit margins of synthetic resins, propylene oxide and methyl methacrylate mainly due to a decline in overseas market prices
<b>Volume variance etc.</b>	<ul style="list-style-type: none"><li>• Deterioration in the financial performance of Petro Rabigh</li><li>• Shipments declined due to lower demand caused by the global economic downturn</li></ul>



## Energy & Functional Materials

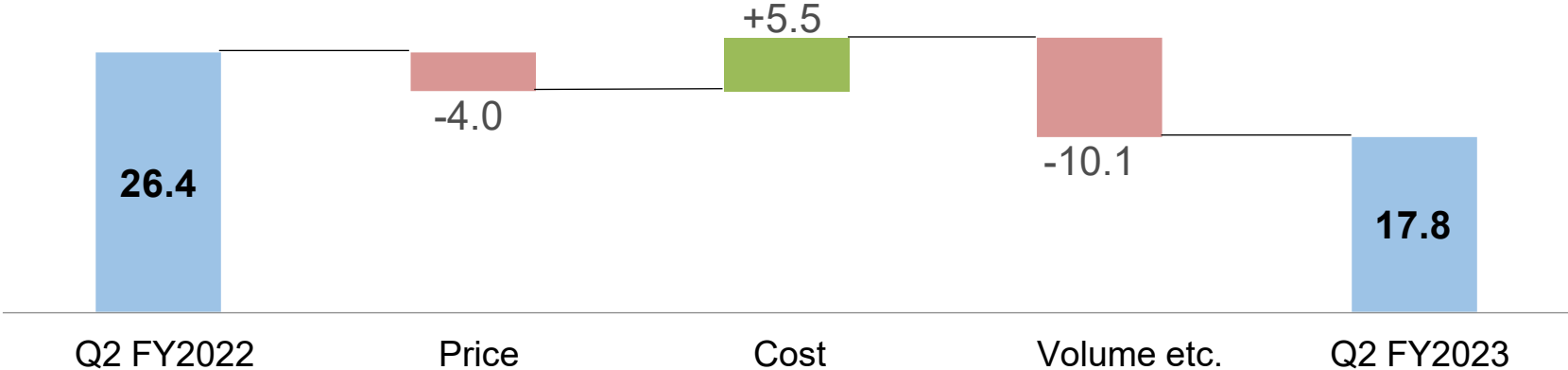
**Total ¥ 6.5 billion (-7.0 from Q2 FY2022)**



<b>Price variance</b>	Deterioration in profit margins resulting from a decline in market prices for aluminum and rising utility costs
<b>Volume variance etc.</b>	Decline in shipments of resorcinol and separators for lithium-ion secondary batteries, particularly in automotive applications

## IT-related Chemicals

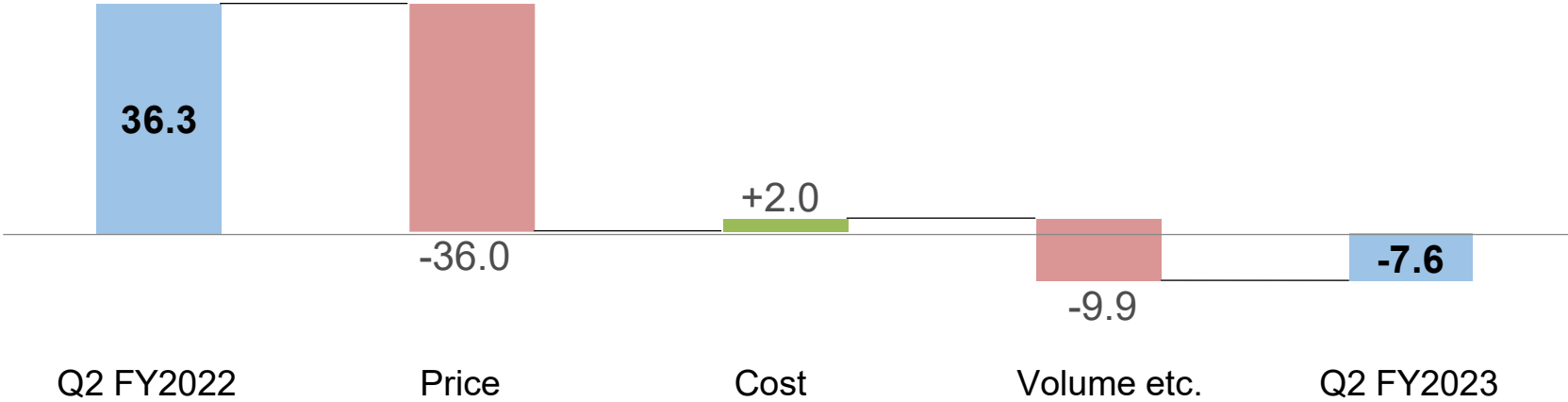
**Total ¥ 17.8 billion (-8.6 from Q2 FY2022)**



<b>Price variance</b>	<b>Displays</b>	Decline in the selling prices for polarizing film
	<b>Volume variance etc.</b>	
	<b>Displays</b>	Decline in shipments, particularly for TV-related applications
	<b>Semiconductors</b>	Decline in shipments of high-purity chemicals and photoresists

## Health & Crop Sciences

**Total ¥ -7.6 billion (-43.9 from Q2 FY2022)**



<b>Price variance</b>	<b>Methionine</b>	Deterioration in profit margins due to decline in market prices
	<b>Crop Protection</b>	Decline in the selling prices for generic products in South America
<b>Cost variance</b>	<b>Methionine</b>	Lower depreciation expenses
<b>Volume variance etc.</b>	<b>Crop Protection</b>	Decline in shipments in South America resulting from an increased inventory in the market

## Pharmaceuticals

**Total ¥ -65.5 billion (-90.7 from Q2 FY2022)**



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

Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance
Restructuring costs	-8.4	<b>-22.1</b>	-13.7
Impairment losses	-54.5	<b>-14.6</b>	39.9
Others	7.9	<b>-0.3</b>	-8.1
Non-recurring items	-55.1	<b>-37.0</b>	18.0

# Consolidated Statement of Financial Position

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Unit: Billions of yen

	31-Mar-23	30-Sep-23	Variance		31-Mar-23	30-Sep-23	Variance
Current assets	1,762.9	<b>1,777.7</b>	14.8	Liabilities	2,676.3	<b>2,834.9</b>	158.6
Cash and cash equivalents	305.8	<b>277.7</b>	-28.2	Trade and other payables	515.9	<b>528.0</b>	12.2
Trade and other receivables	603.2	<b>602.4</b>	-0.8	Interest-bearing liabilities	1,461.4	<b>1,639.6</b>	178.2
Inventories	744.5	<b>784.4</b>	40.0	Others	699.1	<b>667.3</b>	-31.8
Others	109.4	<b>113.2</b>	3.8	Equity	1,489.2	<b>1,549.2</b>	60.0
Non-current assets	2,402.6	<b>2,606.4</b>	203.8	Shareholders' equity	973.0	<b>894.2</b>	-78.9
Property, plant and equipment	829.4	<b>859.8</b>	30.4	Other components of equity	198.2	<b>329.8</b>	131.7
Goodwill and intangible assets	670.9	<b>733.3</b>	62.4	Non-controlling interests	318.0	<b>325.2</b>	7.2
Others	902.4	<b>1,013.4</b>	111.0				
Total	4,165.5	<b>4,384.1</b>	218.6	Total	4,165.5	<b>4,384.1</b>	218.6
				Equity attributable to owners of parent to total assets	28.1%	<b>27.9%</b>	-0.2%
				D/E ratio (times)	1.0	<b>1.1</b>	0.1

Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance
Cash flows from operating activities	83.5	<b>-115.3</b>	-198.8
Cash flows from investing activities	15.6	<b>-79.8</b>	-95.3
Free cash flows	99.1	<b>-195.1</b>	-294.2
Cash flows from financing activities	-24.7	<b>140.2</b>	164.9
Others	46.2	<b>25.5</b>	-20.6
Increase(decrease) in cash and cash equivalents	120.6	<b>-29.3</b>	-149.9
Cash and cash equivalents at end of period	486.0	<b>277.7</b>	-208.3















## 2. Outlook for FY2023



## Economic Conditions

- At present, low growth is expected to continue due to a delay in global economic recovery resulting from the tightening of monetary policy in various countries to control inflation as well as concerns over geopolitical risks.
- It is also expected that each of our business segments will face a more difficult business environment than initially anticipated.

## Business Environment (Compared to Previous Forecast) Prev. (May) Revised

<b>Petrochemicals/ Raw Materials</b>	Lower than anticipated final demand and the petrochemical market is experiencing a prolonged slump.	 
<b>Automobiles</b>	Automotive production volume is steadily recovering, but there is a delay in inventory adjustments for related components in the supply chain.	 
<b>Displays</b>	TV: final demand remains flat, and the intensely competitive business environment continues. Mobile devices: final demand remains sluggish, but effect on OLED components has been comparatively small.	 
<b>Semiconductors</b>	Full-scale recovery of demand for semiconductors is expected to be delayed until the beginning of the next year.	 
<b>Crop protection</b>	Overseas, there has been a negative impact from an increase in distribution chain and a pull-back in the special procurement demand of the previous year. We expect a season of demand in the northern hemisphere during the second half of the year.	 
<b>Methionine</b>	The market for methionine currently shows signs of reversing, but it will decline more than previously anticipated for the full year.	 
<b>Pharmaceuticals</b>	Sales expansion of our three core products has been somewhat delayed, but we are aiming to further improve on this and cost rationalization in the second half of the year.	 

# Performance Forecast for FY2023

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Unit: Billions of yen

	Previous forecast	Revised forecast	Variance	Variance ratio
Sales revenue	2,900.0	<b>2,700.0</b>	-200.0	-6.9%
Core operating income (loss)	40.0	<b>-70.0</b>	-110.0	-
Non-recurring items	-20.0	<b>-55.0</b>	-35.0	-
Operating income (loss)	20.0	<b>-125.0</b>	-145.0	-
Net income (loss) attributable to owners of the parent	10.0	<b>-95.0</b>	-105.0	-
ROE	0.9%	<b>-8.1%</b>		
Exchange rate (yen/\$)	135.00	<b>143.03</b>		
	(2nd Half 135.00)	(2nd Half 145.00)		
Naphtha price (yen/KL)	70,000	<b>70,000</b>		
	(2nd Half 70,000)	(2nd Half 74,000)		
Cash dividends (yen)	Interim dividend	6.00	<b>6.00</b>	
	Year-end dividend	6.00	<b>6.00</b>	
	Annual dividend	12.00	<b>12.00</b>	

# Sales Revenue and Core Operating Income by Business Segment 18

Unit: Billions of yen

	Sales revenue			Core operating income		
	Previous forecast	Revised forecast	Variance	Previous forecast	Revised forecast	Variance
Essential Chemicals & Plastics	970.0	<b>850.0</b>	-120.0	-7.0	<b>-75.0</b>	-68.0
Energy & Functional Materials	370.0	<b>320.0</b>	-50.0	13.0	<b>2.0</b>	-11.0
IT-related Chemicals	430.0	<b>410.0</b>	-20.0	38.0	<b>33.0</b>	-5.0
Health & Crop Sciences	610.0	<b>610.0</b>	-	62.0	<b>40.0</b>	-22.0
Pharmaceuticals	400.0	<b>420.0</b>	20.0	-61.0	<b>-69.0</b>	-8.0
Others & Adjustments	120.0	<b>90.0</b>	-30.0	-5.0	<b>-1.0</b>	4.0
Total	2,900.0	<b>2,700.0</b>	-200.0	40.0	<b>-70.0</b>	-110.0

**(Reference)**

Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance
Capital Expenditures	69.1	<b>77.6</b>	8.6
Depreciation and Amortization	85.8	<b>78.7</b>	-7.2
Research & Development Expenses	93.4	<b>90.4</b>	-3.0
Number of Employees (as of September 30)	34,654	<b>33,130</b>	-1,524

Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance
Essential Chemicals & Plastics	15.5	<b>12.9</b>	-2.6
Energy & Functional Materials	11.7	<b>11.8</b>	0.1
IT-related Chemicals	13.4	<b>22.1</b>	8.7
Health & Crop Sciences	13.1	<b>15.1</b>	2.0
Pharmaceuticals	6.5	<b>9.1</b>	2.6
Others & Adjustments	9.0	<b>6.7</b>	-2.3
<b>Total</b>	<b>69.1</b>	<b>77.6</b>	<b>8.6</b>

Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance
Essential Chemicals & Plastics	14.5	<b>15.6</b>	1.1
Energy & Functional Materials	9.4	<b>9.6</b>	0.2
IT-related Chemicals	13.7	<b>11.6</b>	-2.1
Health & Crop Sciences	14.3	<b>12.9</b>	-1.4
Pharmaceuticals	23.7	<b>20.0</b>	-3.8
Others & Adjustments	10.3	<b>9.0</b>	-1.2
<b>Total</b>	<b>85.8</b>	<b>78.7</b>	<b>-7.2</b>

Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance
Essential Chemicals & Plastics	3.5	<b>3.3</b>	-0.2
Energy & Functional Materials	4.4	<b>4.6</b>	0.3
IT-related Chemicals	9.8	<b>11.2</b>	1.5
Health & Crop Sciences	14.5	<b>15.4</b>	0.9
Pharmaceuticals	51.8	<b>46.9</b>	-5.0
Others & Adjustments	9.4	<b>9.0</b>	-0.5
<b>Total</b>	<b>93.4</b>	<b>90.4</b>	<b>-3.0</b>



# Sales Revenue by Business Segment (Quarterly)

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Unit: Billions of yen

	FY2022				FY2023		FY2023	
	Q1	Q2	Q3	Q4	Q1	Q2	1st Half	2nd Half (forecast)
Essential Chemicals & Plastics	238.6	228.7	208.2	177.4	192.4	197.9	390.3	459.7
Energy & Functional Materials	86.4	87.1	83.6	85.3	73.4	76.5	149.9	170.1
IT-related Chemicals	114.7	107.5	116.4	92.6	94.5	109.2	203.7	206.3
Health & Crop Sciences	152.6	141.3	145.3	159.2	102.7	138.5	241.2	368.8
Pharmaceuticals	167.7	166.7	148.0	102.4	83.0	83.9	166.9	253.1
Others & Adjustments	14.2	23.0	26.9	21.3	17.3	17.6	34.9	55.1
<b>Total</b>	<b>774.1</b>	<b>754.4</b>	<b>728.5</b>	<b>638.2</b>	<b>563.1</b>	<b>623.7</b>	<b>1,186.9</b>	<b>1,513.1</b>

# Core Operating Income by Business Segment (Quarterly)

25

Unit: Billions of yen

	FY2022				FY2023		FY2023	
	Q1	Q2	Q3	Q4	Q1	Q2	1st Half	2nd Half (forecast)
Essential Chemicals & Plastics	10.0	13.3	-25.3	-32.2	-21.0	-23.4	-44.4	-30.6
Energy & Functional Materials	6.6	6.8	3.4	-1.6	3.0	3.5	6.5	-4.5
IT-related Chemicals	15.8	10.7	17.3	3.9	6.7	11.2	17.8	15.2
Health & Crop Sciences	21.9	14.4	10.9	10.1	-7.0	-0.5	-7.6	47.6
Pharmaceuticals	14.1	11.1	17.9	-26.9	-33.3	-32.2	-65.5	-3.5
Others & Adjustments	-4.3	-4.8	2.3	-2.6	-1.9	-1.6	-3.5	2.6
Total	64.1	51.5	26.5	-49.4	-53.6	-43.1	-96.7	26.7

## Essential Chemicals & Plastics

**Total ¥ 390.3 billion** (-77.0 from Q2 FY2022)

**Sales price**

**-56.0**

- Decline in market prices

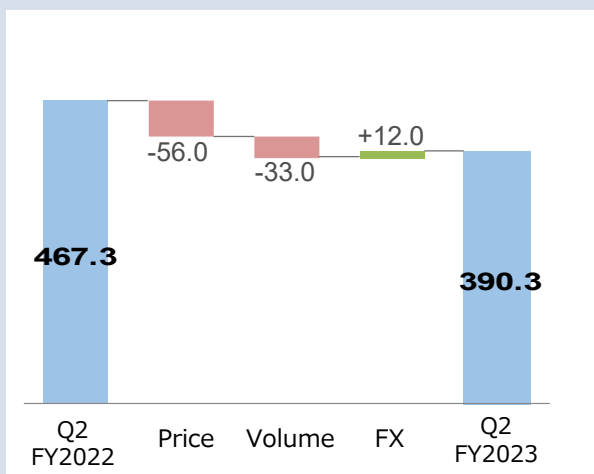
**Volume**

**-33.0**

- Decline in shipments due to lower demand (MMA, etc.)

**Foreign exchange**

**+12.0**



## Energy & Functional Materials

**Total ¥ 149.9 billion** (-23.6 from Q2 FY2022)

**Sales price**

**-2.5**

- Decline in market prices for aluminum

**Volume**

**-22.9**

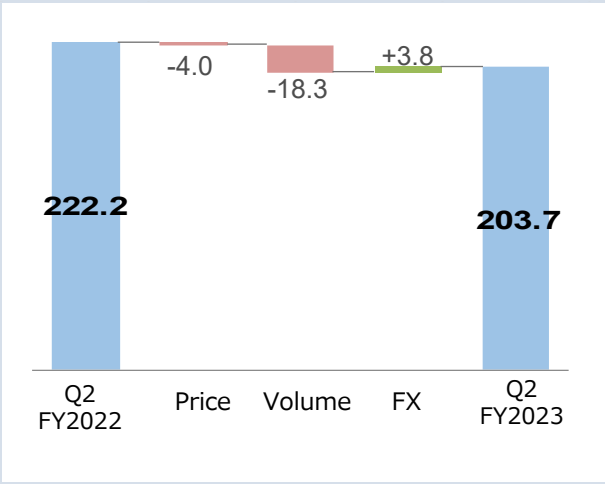
- Decline in shipments for automotive applications (resorcinol, synthetic rubber, battery materials etc.)

**Foreign exchange**

**+1.8**



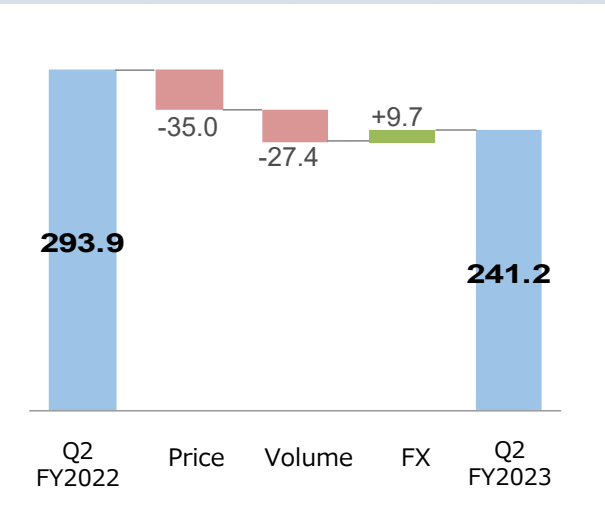
## IT-related Chemicals



**Total ¥203.7 billion** (-18.5 from Q2 FY2022)

- Sales price** -4.0
  - Decline in the selling prices for polarizing film
- Volume** -18.3
  - Decline in shipments of display-related materials
  - processing materials for semiconductors
- Foreign exchange** +3.8

## Health & Crop Sciences



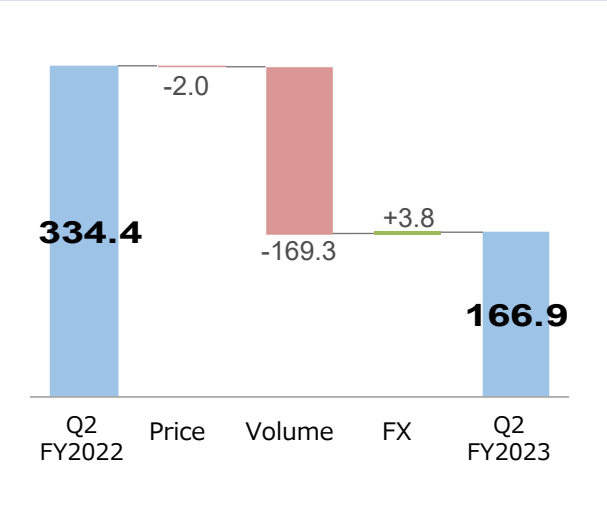
**Total ¥241.2 billion** (-52.7 from Q2 FY2022)

- Sales price** -35.0
  - Decline in the selling prices for crop protection products (generic products) in South America
  - methionine
- Volume** -27.4
  - Decline in shipments of crop protection products in South America
- Foreign exchange** +9.7

## Pharmaceuticals

**Total ¥166.9 billion** (-167.5 from Q2 FY2022)

- Sales price** -2.0
  - NHI drug price revisions in Japan
- Volume** -169.3
  - Expiration of the exclusive marketing period for LATUDA®
- Foreign exchange** +3.8



Company	Sales Revenue		Profit
	Q2 FY2022	Q2 FY2023	
The Polyolefin Company (Singapore)  (Millions of USD)	601	<b>409</b>	↘ Deterioration in profit margins
PCS*  (Millions of USD)	1,432	<b>992</b>	↗ Profit margins improved
Rabigh Refining and Petrochemical Company  (Millions of SAR)	32,502	<b>21,662</b>	↘ Lower margins on oil refining and petrochemical products
Dongwoo Fine-Chem  (Billions of KRW)	1,106.1	<b>971.0</b>	↘ Profit decreased due to lower sales volume of display-related materials
Valent North America, and subsidiaries  (Millions of USD)	346	<b>388</b>	↗ Profit increased due to higher shipment volume and other factors

\* Former Petrochemical Corporation of Singapore (Private) Limited; the company changed its name to "PCS Pte. Ltd." as of October 1, 2023.

Unit: Billions of yen

	Q2 FY2022	Q2 FY2023	Variance	Reasons for Change
Japan	31.0	<b>28.8</b>	-2.2	
North America	26.1	<b>32.3</b>	6.2	Foreign currency conversion variance
Central & South America	115.2	<b>65.3</b>	-49.9	Decline in shipments due to the increase of distribution inventories
Asia (including India)	37.2	<b>32.1</b>	-5.1	Decline in shipments due to the impact of extreme weather (delayed monsoon) in India
Europe & Others	10.6	<b>10.1</b>	-0.5	
Total	220.1	<b>168.6</b>	-51.5	