

Financial Results for FY2022 First Quarter

August 1, 2022



(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 FY2022 First Quarter

Overview

- **Both Sales and Core Operating Income increased** due to increases in sales prices and the effects of the weak yen, despite increased costs due to the price of raw materials
- **Profit for the period attributable to the owners of the parent increased significantly** due to large profits on foreign exchange

Core Operating Income by Segment

Essential Chemicals	Significant decrease in income due to a deterioration in the terms of trade in Japan and Singapore and reduced demand in automotive applications, despite improved operations at Rabigh
Energy & Functional Materials	Income was essentially unchanged due to high raw material prices, despite increased shipments of products such as battery materials
IT-related Chemicals	Income increased due to the effects of the weak yen and increased shipments of semiconductor materials, despite a decrease in shipments of display materials
Health & Crop Sciences	Income increased significantly due to the effects of the weak yen and increased sales prices for crop protection chemicals in South America, despite higher raw material prices
Pharmaceuticals	Income increased due to the recording of one-time license revenues

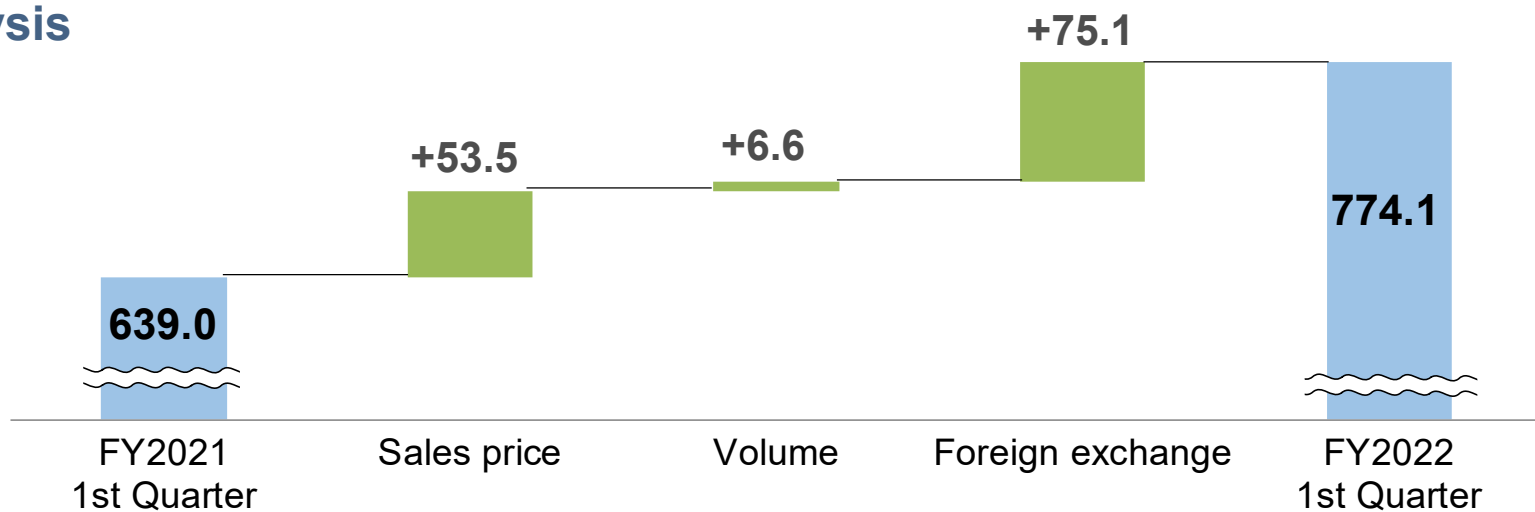
Unit; Billions of yen

	FY2021 1st Quarter	FY2022 1st Quarter	Difference	Ratio
Sales revenue	639.0	774.1	135.2	21.2%
Core operating income	61.7	64.1	2.4	4.0%
(Equity in earnings)	(14.7)	(12.7)	(-2.1)	-
Non-recurring items	-3.3	2.2	5.5	-
Operating income	58.3	66.3	7.9	13.6%
Finance income/expenses	-1.7	47.4	49.0	-
(Gain/loss on foreign currency transactions)	(-0.3)	(56.9)	(57.1)	-
Income tax expenses	-17.8	-28.5	-10.7	-
Net income attributable to non-controlling interests	-3.2	-15.1	-11.9	-
Net income attributable to owners of the parent	35.7	70.0	34.3	96.3%
ROE	3.5%	5.5%		
Exchange rate(yen/\$)	109.52	129.73		
Naphtha price(yen/KL)	47,700	86,000		
Overseas sales revenue ratio	68.7%	71.3%		

Unit; Billions of yen

	FY2021 1st Quarter	FY2022 1st Quarter	Difference	Ratio	Sales price variance	Shipping volume variance	Foreign currency conversion variance
Essential Chemicals & Plastics	199.5	238.6	39.0	19.6%	25.0	-6.1	20.1
Energy & Functional Materials	74.4	86.4	12.0	16.2%	14.5	-4.7	2.3
IT-related Chemicals	109.3	114.7	5.4	4.9%	-2.5	-8.3	16.2
Health & Crop Sciences	103.1	152.6	49.5	48.0%	19.5	9.9	20.1
Pharmaceuticals	139.2	167.7	28.6	20.5%	-3.0	15.2	16.4
Others & Adjustments	13.6	14.2	0.6	4.7%	0.0	0.6	0.0
Total	639.0	774.1	135.2	21.2%	53.5	6.6	75.1

Analysis

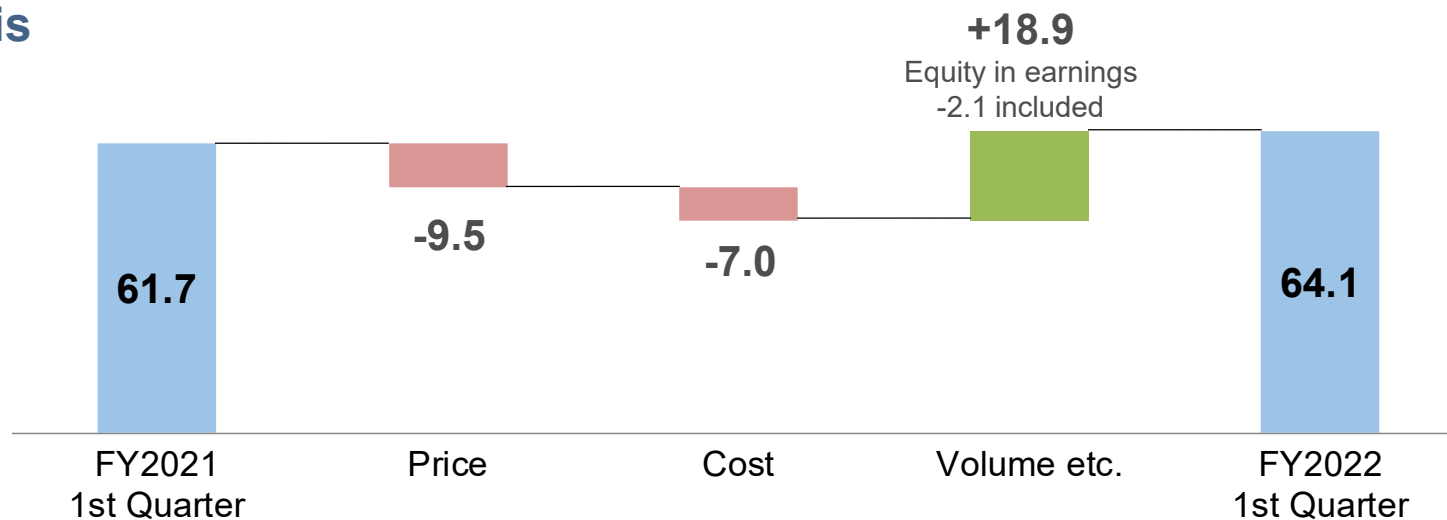


Core Operating Income by Business Segment

Unit; Billions of yen

	FY2021 1st Quarter	FY2022 1st Quarter	Difference	Price variance	Cost variance	Shipping volume variance and other
Essential Chemicals & Plastics	23.8	10.0	-13.8	-10.0	0.5	-4.3
Energy & Functional Materials	6.7	6.6	-0.1	-0.5	-0.5	0.9
IT-related Chemicals	13.5	15.8	2.3	-3.0	0.0	5.3
Health & Crop Sciences	10.3	21.9	11.6	7.0	-2.5	7.1
Pharmaceuticals	9.6	14.1	4.4	-3.0	-4.5	11.9
Others & Adjustments	-2.3	-4.3	-2.0	0.0	0.0	-2.0
Total	61.7	64.1	2.4	-9.5	-7.0	18.9

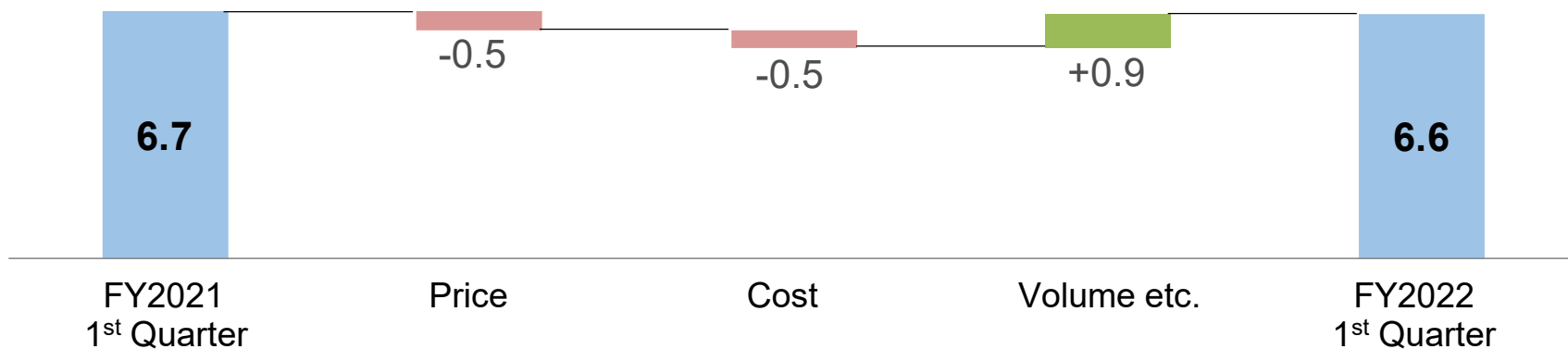
Analysis



Core Operating Income Total ¥10.0 billion (-13.8 from FY2021 1st Quarter)



<p>Price variance</p>	<p>Terms of trade have deteriorated because increases in sales prices have not kept up with increases in raw material and fuel prices for products such as synthetic resins, MMA, and various industrial chemicals.</p>
<p>Volume variance etc.</p>	<p>Shipments decreased due to a drop in demand, particularly in automotive applications, despite improvements in operations at Petro Rabigh</p>

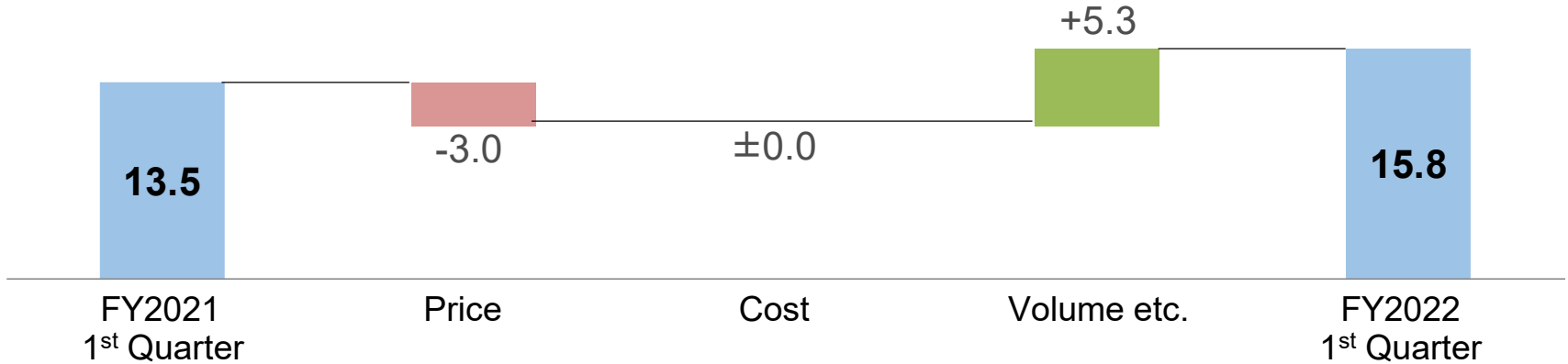
Core Operating Income Total ¥ 6.6 billion (-0.1 from FY2021 1st Quarter)

Price variance

For aluminum and cathode materials, terms of trade improved in line with market prices. For other products, such as resorcinol and synthetic rubber, terms of trade deteriorated due to increases in raw material and fuel prices.

Volume variance etc.

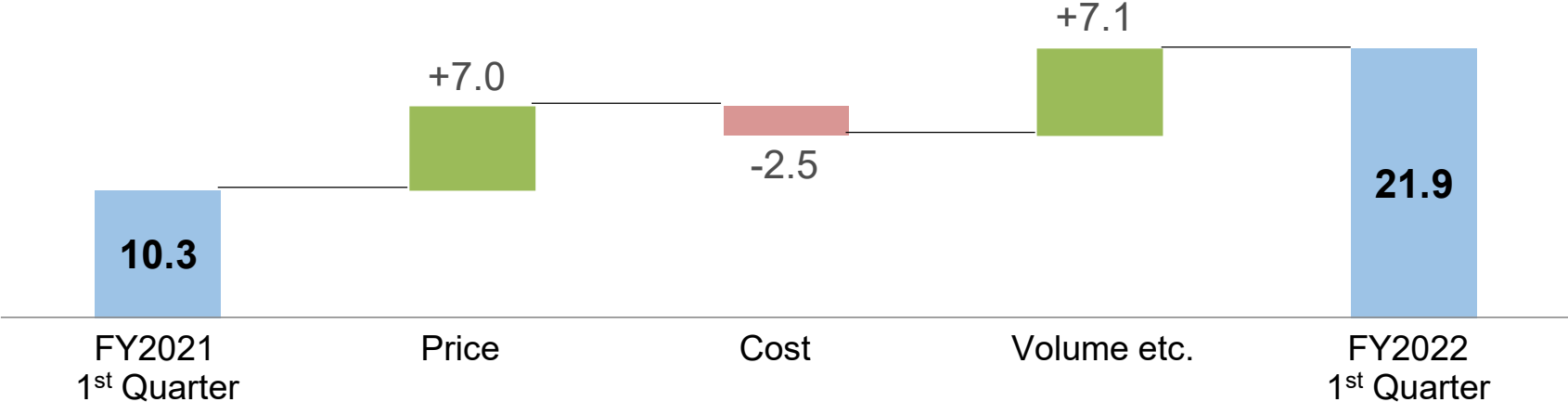
In addition to continued strong shipments of lithium-ion secondary battery separators, net income from exports increased due to the weak yen.

Core Operating Income Total ¥15.8 billion (+2.3 from FY2021 1st Quarter)



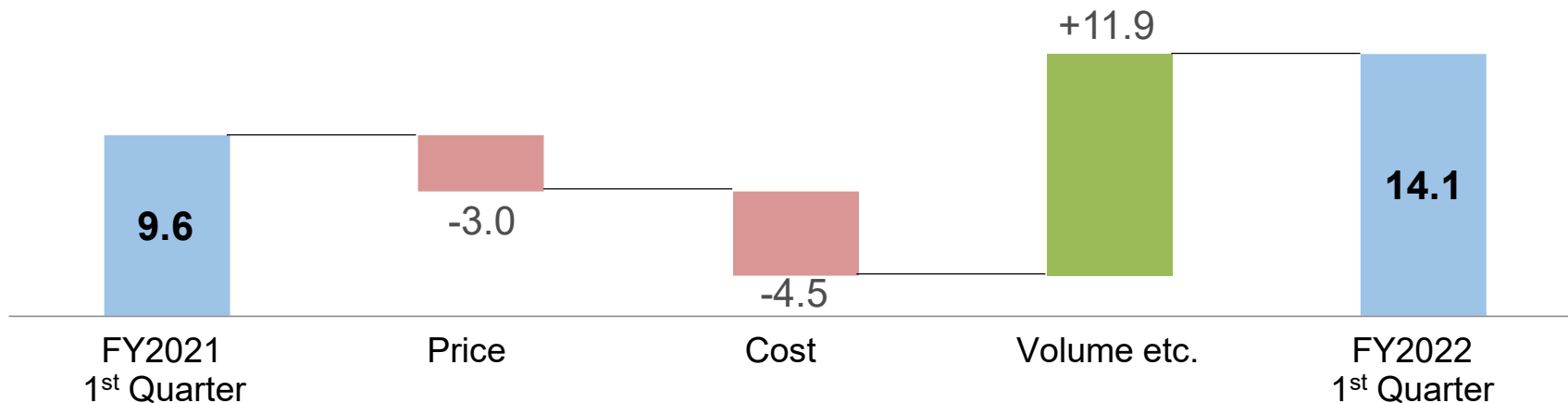
Price variance	Displays	Selling prices fell for polarizing film and touch sensor panels
Volume variance etc.	Displays	Shipments decreased due to factors such as the waning of stay-at-home demand and reduced consumption due to inflation
	Semiconductors	Shipments of high-purity chemicals and photoresists increased alongside increased overall demand
	Overall	Increased net income on exports and profit from foreign currency conversion due to the weak yen

Core Operating Income Total ¥21.9 billion (+11.6 from FY2021 1st Quarter)



Price variance	Crop Protection	Improved terms of trade due to increased sales prices for generics in South America
	Methionine	Terms of trade deteriorated due to increased raw material and fuel prices, despite improved market conditions
Cost variance	Crop Protection	Expenses relating to business expansion increased, such as the immediate launch of INDIFLIN® and development expenses for new pipeline products
Volume variance etc.	Crop Protection	Increased shipments in South America and India
	Overall	Increased net income on exports and profit from foreign currency conversion due to the weak yen

Core Operating Income Total ¥14.1 billion (+4.4 from FY2021 1st Quarter)



Price variance	Sales prices decreased due to the revisions to drug prices in Japan
Cost variance	Increases in sales expenses and general management expenses in the Sumitovant Group related to sales promotion activities for products such as ORGOVYX® and GEMTESA®
Volume variance etc.	Recorded one-time revenues for sales license contracts for ORGOVYX® in Europe as well as increased sales for LATUDA®, ORGOVYX® and GEMTESA®, among others, in North America.

Unit; Billions of yen

	FY2021 1st Quarter	FY2022 1st Quarter	Difference
Gain on sale of property, plant and equipment	0.0	1.9	1.9
Impairment loss	-1.6	-	1.6
Restructuring charges	-1.7	-2.1	-0.5
Changes in fair value of contingent consideration	-0.1	-0.1	0.0
Others	-0.0	2.5	2.5
Non-recurring items	-3.3	2.2	5.5

				Unit; Billions of yen			
	31-Mar-22	30-Jun-22	Difference		31-Mar-22	30-Jun-22	Difference
Current assets	1,812.6	2,134.8	322.2	Liabilities	2,606.2	2,806.7	200.5
Cash and cash equivalents	365.4	498.6	133.2	Trade and other payables	551.6	675.8	124.2
Trade and other receivables	720.4	778.6	58.2	Interest-bearing Liabilities	1,350.5	1,417.4	67.0
Inventories	651.4	742.0	90.7	Others	704.1	713.4	9.3
Others	75.4	115.6	40.1	Equity	1,702.0	1,863.2	161.3
Non-current assets	2,495.5	2,535.1	39.6	Shareholders' equity	1,082.8	1,134.7	51.9
Property, plant and equipment	823.0	843.9	20.9	Other components of equity	135.3	208.6	73.3
Goodwill and Intangible assets	715.6	779.7	64.1	Non-controlling interests	483.9	520.0	36.1
Others	956.9	911.5	-45.4				
Total	4,308.2	4,669.9	361.7	Total	4,308.2	4,669.9	361.7
				Equity attributable to owners of parent to total assets	28.3%	28.8%	0.5%
				D/E ratio (times)	0.8	0.8	0.0

Unit; Billions of yen

	FY2021 1st Quarter	FY2022 1st Quarter	Difference
Cash flows from operating activities	4.7	42.6	37.9
Cash flows from investing activities	-41.3	46.0	87.3
Free cash flows	-36.6	88.7	125.2
Cash flows from financing activities	41.5	11.5	-29.9
Effect of exchange rate changes on cash and cash equivalents	0.7	33.0	32.3
Net change in cash and cash equivalents	5.5	133.2	127.6
Cash and cash equivalents at end of period	366.5	498.6	132.1

2. Outlook for FY2022 First Half

Overview

- We have revised our performance forecast for the first half **due to the continued weakening of the yen and changes in the business environment**
- **Because it is difficult to forecast the business environment, including foreign exchange markets and raw materials prices**, we will defer any changes to our full-year performance forecasts. We plan to revise them as needed on other occasions.

Business Environment Assumptions (FY22 1H)

Petrochemicals/ Raw Materials

Crude oil prices will remain high. It will be difficult to raise prices for finished products because of weakness in end-user demand. Petro Rabigh is expected to continue good operations from the first quarter.

Automobiles

Production numbers will continue to be weak due to semiconductor shortages and the impact of lockdowns in China

Displays

A reduction in panel demand is expected due to the drop-off in stay-at-home demand and weakening consumer demand due to inflation

Semiconductors

It is assumed demand will remain strong throughout the first half.

Crop Protection

Shipments of crop protection products will continue to be strong. Price increases in South America, however, are expected to gradually soften.

Methionine

While there will be positive effects from improved market conditions and the weak yen, raw material price increases are expected to exceed them.

Pharmaceuticals

The sector will focus on expanding sales of ORGOVYX®, MYFEMBREE®, and GEMTESA®

Unit; Billions of yen

	Previous Estimates	Revised Estimates	Difference	Ratio
Sales revenue	1,550.0	1,570.0	20.0	1.3%
Core operating income	90.0	105.0	15.0	16.7%
(Non-recurring items)	(-5.0)	(-5.0)	-	-
Operating income	85.0	100.0	15.0	17.6%
Net income attributable to owners of the parent	60.0	85.0	25.0	41.7%
Exchange rate(yen/\$)	125.00	129.87 (2ndQ 130.00)		
Naphtha price(yen/KL)	80,000	83,000 (2ndQ 80,000)		

Sales Revenue and Core Operating Income by Business Segment 19

Unit; Billions of yen

	Sales revenue			Core operating income		
	Previous Estimates	Revised Estimates	Difference	Previous Estimates	Revised Estimates	Difference
Essential Chemicals & Plastics	570.0	510.0	-60.0	19.0	28.0	9.0
Energy & Functional Materials	170.0	190.0	20.0	9.0	10.0	1.0
IT-related Chemicals	230.0	210.0	-20.0	30.0	23.0	-7.0
Health & Crop Sciences	260.0	315.0	55.0	19.0	37.0	18.0
Pharmaceuticals	290.0	315.0	25.0	14.0	10.0	-4.0
Others & Adjustments	30.0	30.0	-	-1.0	-3.0	-2.0
Total	1,550.0	1,570.0	20.0	90.0	105.0	15.0

(Reference: Segment Information)

Unit: Billions of yen

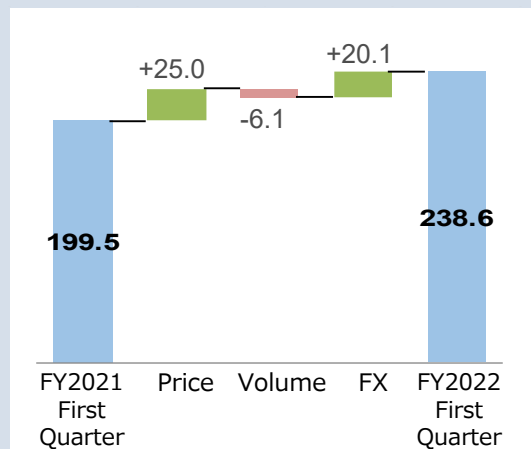
	FY2021				FY2022	FY2022 1st Half (Estimates)
	1Q	2Q	3Q	4Q	1Q	
Essential Chemicals & Plastics	199.5	200.0	225.5	217.6	238.6	510.0
Energy & Functional Materials	74.4	74.1	78.2	89.7	86.4	190.0
IT-related Chemicals	109.3	118.4	124.4	121.7	114.7	210.0
Health & Crop Sciences	103.1	106.4	121.5	142.8	152.6	315.0
Pharmaceuticals	139.2	170.4	146.7	135.4	167.7	315.0
Others & Adjustments	13.6	17.0	16.4	20.3	14.2	30.0
Total	639.0	686.2	712.7	727.4	774.1	1,570.0

Unit; Billions of yen

	FY2021				FY2022	FY2022 1st Half (Estimates)
	1Q	2Q	3Q	4Q	1Q	
Essential Chemicals & Plastics	23.8	18.2	10.0	1.5	10.0	28.0
Energy & Functional Materials	6.7	5.9	6.1	1.4	6.6	10.0
IT-related Chemicals	13.5	16.0	16.4	11.9	15.8	23.0
Health & Crop Sciences	10.3	8.2	9.4	14.4	21.9	37.0
Pharmaceuticals	9.6	40.3	12.5	-0.7	14.1	10.0
Others & Adjustments	-2.3	-1.4	2.5	0.6	-4.3	-3.0
Total	61.7	87.2	56.8	29.1	64.1	105.0

Essential Chemicals & Plastics

Sales Revenue



Total ¥238.6 billion (+39.0 from FY2021 1st Quarter)

Sales price

+25.0

- Higher market prices

Volume

-6.1

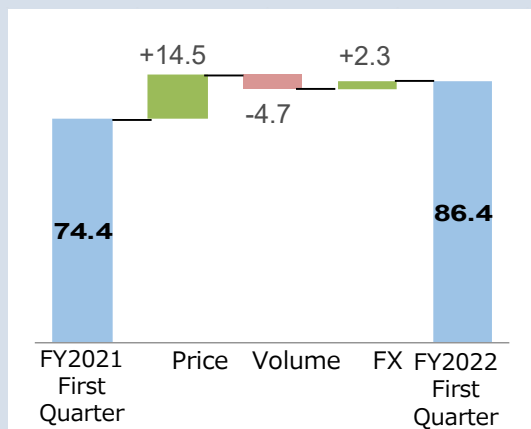
- Reduced shipments for automotive applications, others (synthetic resins, etc.)

Foreign exchange

+20.1

Energy & Functional Materials

Sales Revenue



Total ¥86.4. billion (+12.0 from FY2021 1st Quarter)

Sales price

+14.5

- Aluminum price increases
- Cathode materials price increases

Volume

-4.7

- Reduced shipments for automotive applications (aluminum, resorcinol, etc.)
- Increased shipments of lithium-ion secondary battery separators

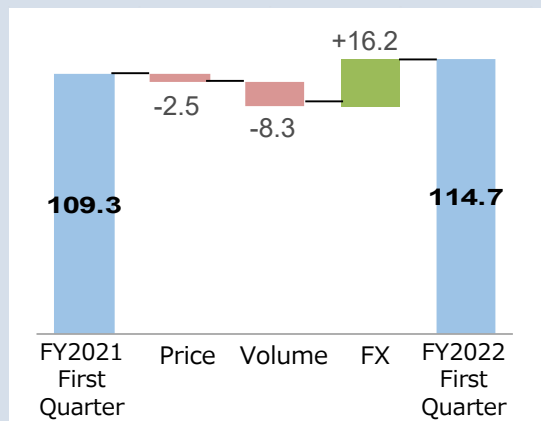
Foreign exchange

+2.3

IT-related Chemicals

Sales Revenue

Total ¥114.7 billion (+5.4 from FY2021 1st Quarter)



Sales price

-2.5

- Reduced prices for polarizing film

Volume

-8.3

- Reduced shipments of materials for display applications
- Increased shipments of semiconductor process materials

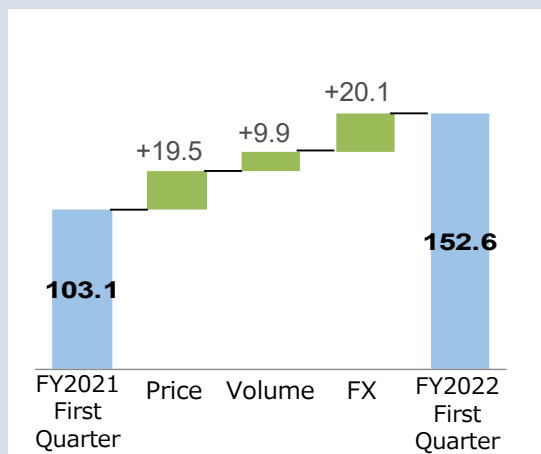
Foreign exchange

+16.2

Health & Crop Sciences

Sales Revenue

Total ¥152.6 billion (+49.5 from FY2022 1st Quarter)



Sales price

+19.5

- Increased prices for generic products in South America
- Increased market prices for methionine

Volume

+9.9

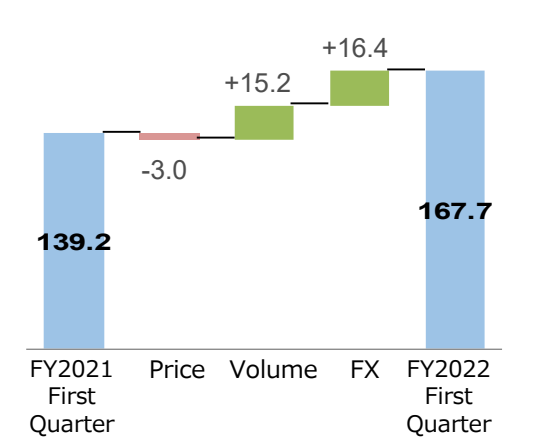
- Increased shipments of crop protection products in South America and India

Foreign exchange

+20.1

Pharmaceuticals

Sales Revenue



Total ¥167.7 billion (+28.6 from FY2021 1st Quarter)

Sales price

-3.0

- Revisions to drug prices in Japan

Volume

+15.2

- Increased shipments of Latuda®, Orgovyx®, Gemtesa®, etc., in North America
- Recorded one-time revenues due to sales license contract for Orgovyx® in Europe

Foreign exchange

+16.4

Company	Sales Revenue		Profit Trends
	FY2021 1st Quarter	FY2022 1st Quarter	
The Polyolefin Company (Singapore) (Millions of USD)	326	332	↘ A deterioration in profit margins.
Petrochemical Corporation of Singapore (Millions of USD)	707	836	↘ A deterioration in profit margins.
Rabigh Refining and Petrochemical Company (Millions of SAR)	10,136	14,402	↗ Improved margins on oil refining
Dongwoo Fine-Chem (Billions of KRW)	586.5	596.4	↘ Decrease in profit due to a change in product mix.
Valent U.S.A. and Subsidiaries (Millions of USD)	190	185	↘ Decrease in profit due to higher planned expenses

Unit; Billions of yen

	FY2021 1st Quarter	FY2022 1st Quarter	Difference	Reasons for Change
Japan	15.3	16.8	1.5	<ul style="list-style-type: none"> • Higher selling price
North America	13.3	14.1	0.8	<ul style="list-style-type: none"> • Foreign currency conversion variance
Central & South America	24.0	61.6	37.6	<ul style="list-style-type: none"> • Higher selling price • Increase in shipments • Foreign currency conversion variance
Asia (including India)	12.6	17.4	4.8	<ul style="list-style-type: none"> • Higher selling price and increase in shipments, mainly in India • Foreign currency conversion variance
Europe & Others	4.4	5.3	0.9	<ul style="list-style-type: none"> • Increase in shipments in Europe • Foreign currency conversion variance
Total	69.6	115.2	45.6	