

Financial Results for FY2020 First Quarter

August 4, 2020



(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. Financial Results for FY2020 First Quarter

Unit: Billions of yen

	FY2019 1st Quarter	FY2020 1st Quarter	Difference	Ratio
Sales revenue	553.2	500.2	-53.0	-9.6%
Core operating income (Equity in earnings)	44.3 (8.2)	20.2 (-13.3)	-24.2 (-21.6)	-54.5% -
Non-recurring items	18.1	-1.4	-19.5	-
Operating income	62.4	18.8	-43.6	-69.9%
Finance income/expenses (Gain/loss on foreign currency transactions)	-5.5 (-7.1)	-4.9 (-4.5)	0.6 (2.6)	- -
Income tax expenses	-36.5	-11.9	24.6	-
Net income attributable to non-controlling interests	-5.9	-8.7	-2.9	-
Net income attributable to owners of the parent	14.5	-6.8	-21.3	-146.5%
ROE	1.5%	-0.7%		
Exchange rate(yen/\$)	109.90	107.63		
Naphtha price(yen/KL)	45,400	25,000		
Overseas sales revenue ratio	66.6%	67.8%		

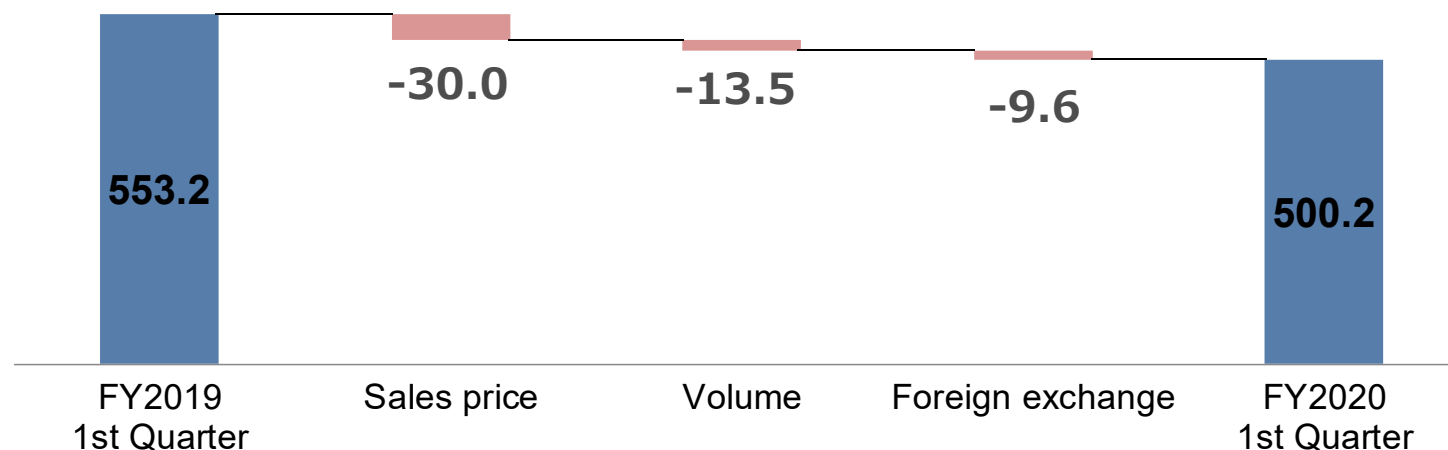
Sales Revenue by Business Segment

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Unit: Billions of yen

	FY2019 1st Quarter	FY2020 1st Quarter	Difference	Ratio	Sales price variance	Shipping volume variance	Foreign currency conversion variance
Petrochemicals & Plastics	177.5	108.2	-69.2	-39.0%	-21.5	-46.4	-1.3
Energy & Functional Materials	64.9	48.3	-16.6	-25.5%	-1.5	-14.6	-0.5
IT-related Chemicals	102.5	103.8	1.4	1.3%	-5.0	8.9	-2.5
Health & Crop Sciences	71.9	88.9	16.9	23.6%	0.5	20.0	-3.5
Pharmaceuticals	125.8	140.8	15.0	11.9%	-2.5	19.2	-1.7
Others & Adjustments	10.7	10.1	-0.5	-5.0%	0.0	-0.5	0.0
Total	553.2	500.2	-53.0	-9.6%	-30.0	-13.5	-9.6

Analysis



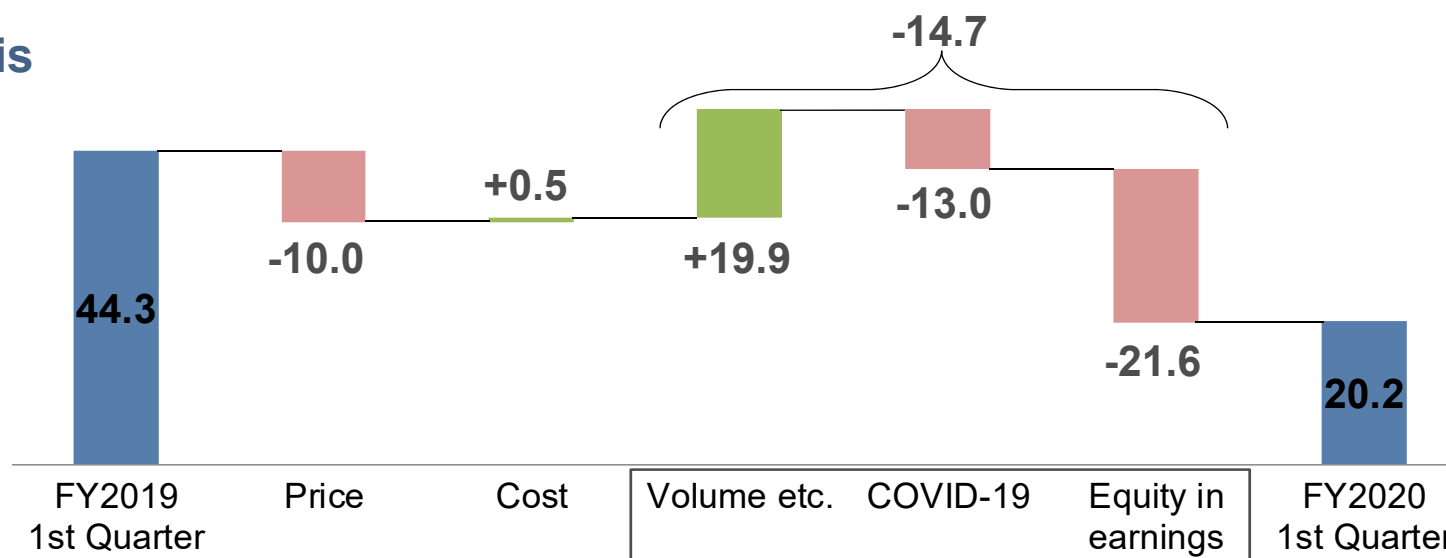
Core Operating Income by Business Segment

6

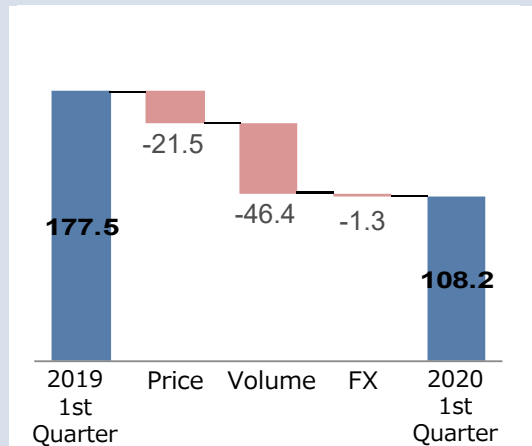
Unit; Billions of yen

	FY2019 1st Quarter	FY2020 1st Quarter	Difference	Price variance	Cost variance	Shipping volume variance and other
Petrochemicals & Plastics	13.0	-19.9	-32.8	-5.0	0.5	-28.3
Energy & Functional Materials	5.6	2.0	-3.6	0.5	1.0	-5.1
IT-related Chemicals	7.8	9.9	2.0	-5.0	4.0	3.0
Health & Crop Sciences	-4.6	3.8	8.4	2.0	3.0	3.4
Pharmaceuticals	23.0	24.5	1.5	-2.5	-8.0	12.0
Others & Adjustments	-0.5	-0.2	0.3	0.0	0.0	0.3
Total	44.3	20.2	-24.2	-10.0	0.5	-14.7

Analysis



Sales Revenue



Total ¥108.2 billion (-69.2 from FY2019 1st Quarter)

Sales price

-21.5

- Lower market prices

Volume

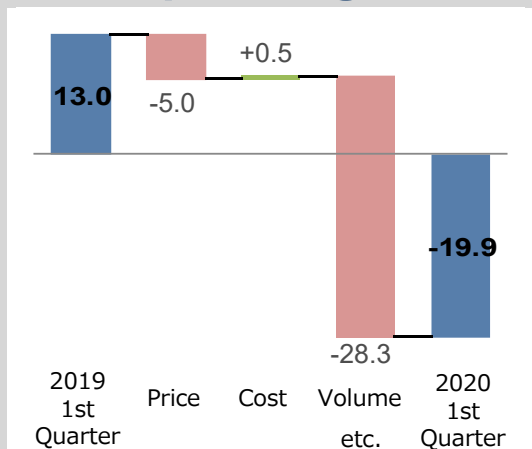
-46.4

- Decrease in shipments of Rabigh products
- Decrease in shipments of synthetic resins due to the COVID-19 pandemic.

Foreign exchange

-1.3

Core Operating Income



Total ¥-19.9 billion (-32.8 from FY2019 1st Quarter)

Price variance

-5.0

- Decrease in profit margin on petrochemical products

Cost variance

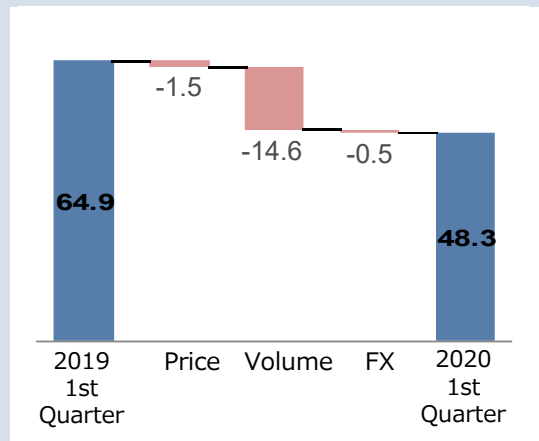
+0.5

Volume variance etc.

-28.3

- Decrease in equity in earnings of affiliates
- Decrease in shipments of synthetic resins due to the COVID-19 pandemic.

Sales Revenue



Total ¥48.3 billion (-16.6 from FY2019 1st Quarter)

Sales price

-1.5

- Lower market price for aluminum
- Decline in the selling price of cathode materials

Volume

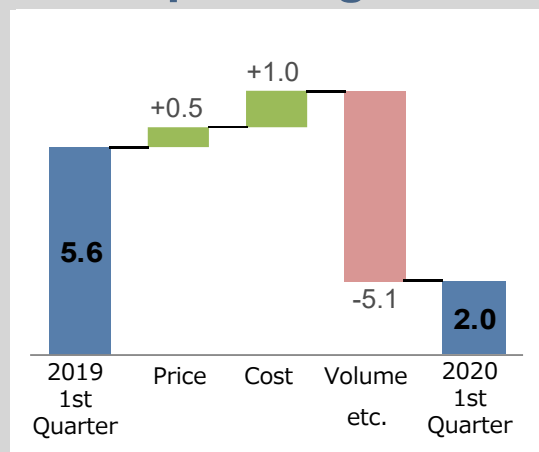
-14.6

- Decrease in shipments of lithium-ion secondary battery separators and synthetic rubber due to the COVID-19 pandemic.

Foreign exchange

-0.5

Core Operating Income



Total ¥2.0 billion (-3.6 from FY2019 1st Quarter)

Price variance

+0.5

Cost variance

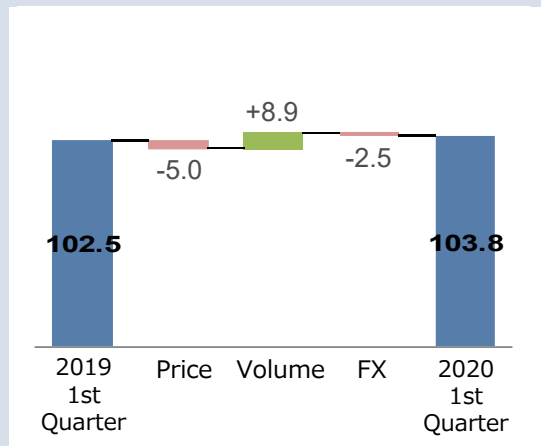
+1.0

Volume variance etc.

-5.1

- Decrease in shipments of lithium-ion secondary battery separators and synthetic rubber due to the COVID-19 pandemic.

Sales Revenue



Total ¥103.8 billion (+1.4 from FY2019 1st Quarter)

Sales price

-5.0

- Decline in the selling price of polarizing film
- Decline in the selling price of touchscreen panels

Volume

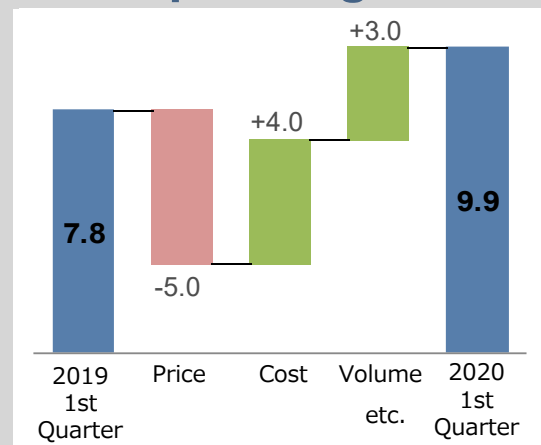
+8.9

- Increase in shipments of high purity chemicals
- Increase in shipments of photoresists

Foreign exchange

-2.5

Core Operating Income



Total ¥9.9 billion (+2.0 from FY2019 1st Quarter)

Price variance

-5.0

- Decline in the selling price of polarizing film
- Decline in the selling price of touchscreen panels

Cost variance

+4.0

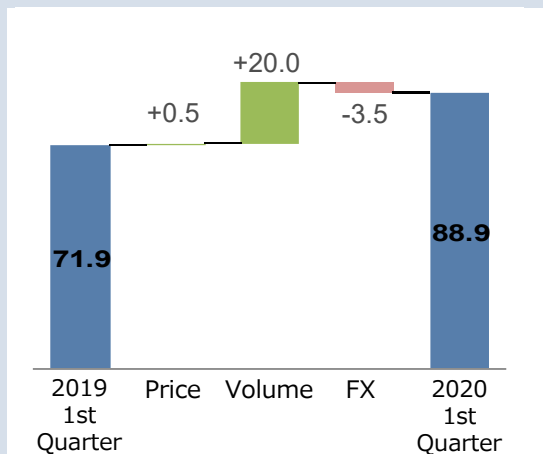
- Rationalization of the use of raw materials
- Improvement of production yield

Volume variance etc.

+3.0

- Increase in shipments of high purity chemicals
- Increase in shipments of photoresists

Sales Revenue



Total ¥88.9 billion (+16.9 from FY2019 1st Quarter)

Sales price

+0.5

- Higher market price for feed additive methionine

Volume

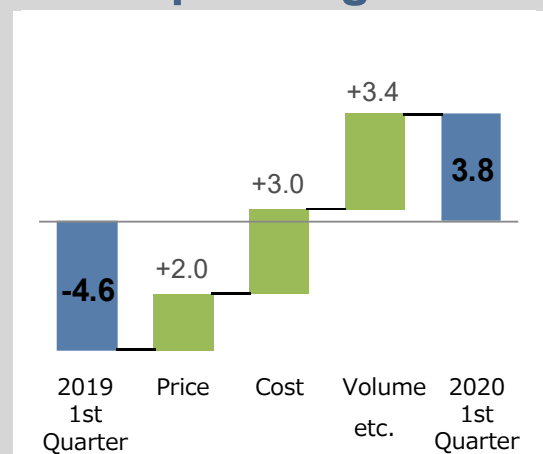
+20.0

- Acquisition of South American subsidiaries of Nufarm

Foreign exchange

-3.5

Core Operating Income



Total ¥3.8 billion (+8.4 from FY2019 1st Quarter)

Price variance

+2.0

- Increase in profit margin on feed additive methionine

Cost variance

+3.0

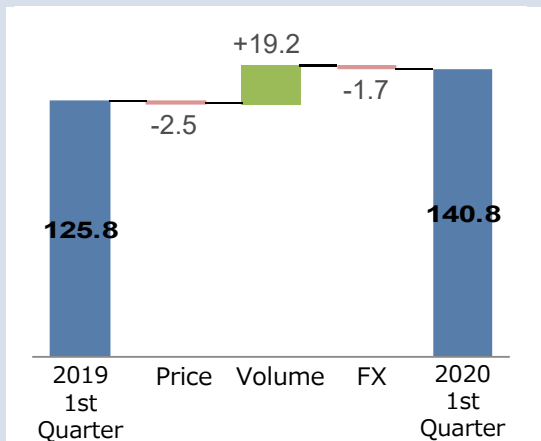
- Timing of expense execution

Volume variance etc.

+3.4

- Acquisition of South American subsidiaries of Nufarm

Sales Revenue



Total ¥140.8 billion (+15.0 from FY2019 1st Quarter)

Sales price

-2.5

- NHI price revisions in Japan

Volume

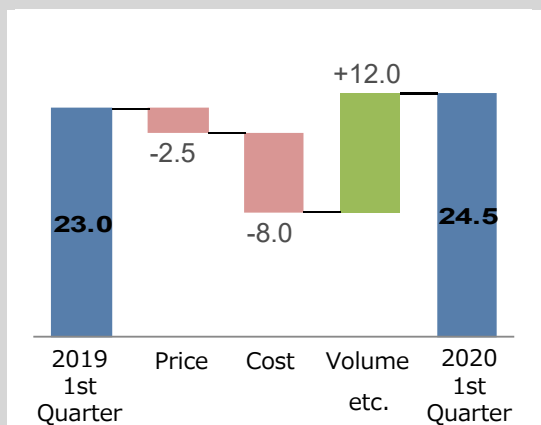
+19.2

- Increase in shipments of Latuda® in North America
- Contribution of Equa®/EquMet® sales launched in previous fiscal year in Japan

Foreign exchange

-1.7

Core Operating Income



Total ¥24.5 billion (+1.5 from FY2019 1st Quarter)

Price variance

-2.5

- NHI price revisions in Japan

Cost variance

-8.0

- Increase in selling, general and administrative expenses and R&D expenses due to the strategic alliance with Roivant

Volume variance etc.

+12.0

- Increase in shipments of Latuda® in North America

Breakdown of Non-recurring Items

12

Unit; Billions of yen

	FY2019 1st Quarter	FY2020 1st Quarter	Difference
Changes in fair value of contingent consideration	18.5	-1.2	-19.7
Restructuring charges	-1.3	-0.5	0.8
Gain on sale of property, plant and equipment	0.3	1.7	1.4
Others	0.7	-1.3	-2.0
Non-recurring items	18.1	-1.4	-19.5

				Unit: Billions of yen			
	31-Mar-20	30-Jun-20	Difference		31-Mar-20	30-Jun-20	Difference
Current assets	1,310.9	1,454.1	143.2	Liabilities	2,261.5	2,390.6	129.1
Cash and cash equivalents	180.6	329.7	149.1	Trade and other payables	436.1	402.4	-33.7
Trade and other receivables	570.4	543.1	-27.3	Interest-bearing Liabilities	1,304.7	1,484.6	179.9
Inventories	492.4	501.5	9.1	Others	520.8	503.6	-17.1
Others	67.5	79.9	12.4	Equity	1,388.8	1,372.4	-16.5
Non-current assets	2,339.4	2,308.9	-30.6	Shareholders' equity	908.5	896.0	-12.4
Property, plant and equipment	778.4	778.1	-0.3	Other components of equity	13.9	12.8	-1.0
Goodwill and Intangible assets	662.4	693.6	31.2	Non-controlling interests	466.5	463.5	-3.0
Others	898.6	837.1	-61.5				
Total	3,650.3	3,762.9	112.6	Total	3,650.3	3,762.9	112.6
				Equity attributable to owners of parent to total assets	25.3%	24.2%	-1.1%
				D/E ratio (times)	0.9	1.1	0.2

Unit; Billions of yen

	FY2019 1st Quarter	FY2020 1st Quarter	Difference
Cash flows from operating activities	0.4	55.6	55.2
Cash flows from investing activities	-35.9	-44.2	-8.3
Free cash flows	-35.6	11.4	47.0
Cash flows from financing activities	85.4	126.6	41.2
Effect of exchange rate changes on cash and cash equivalents	-6.7	11.0	17.8
Net change in cash and cash equivalents	43.2	149.1	105.9
Cash and cash equivalents at end of period	244.8	329.7	84.9

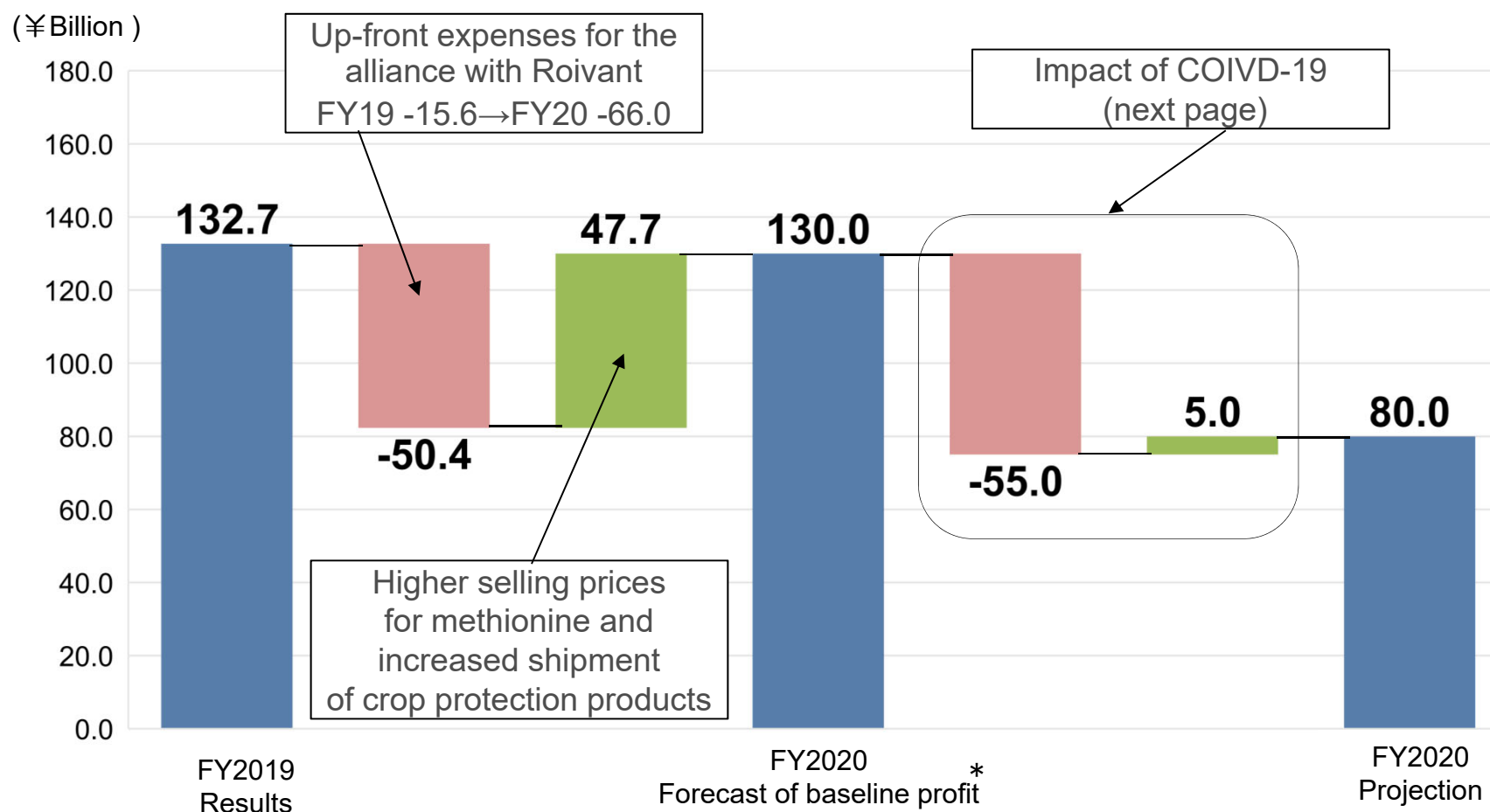
2. Outlook for FY2020

Unit; Billions of yen

	FY2019	FY2020 (Estimated)	Difference	Ratio
Sales revenue	2,225.8	2,215.0	-10.8	-0.5%
Core operating income	132.7	80.0	-52.7	-39.7%
(Non-recurring items)	(4.9)	(-10.0)	(-14.9)	-
Operating income	137.5	70.0	-67.5	-49.1%
Net income attributable to owners of the parent	30.9	20.0	-10.9	-35.3%
ROE	3.2%	2.2%		
Exchange rate(yen/\$)	108.70	108.00		
Naphtha price(yen/KL)	42,900	30,000		
Cash dividends (yen)	Interim dividend	11.00	6.00	
	Year-end dividend	6.00	6.00	
	Annual dividend	17.00	12.00	

Analysis of changes in core operating income

(FY2019 results to FY2020 forecast)



* Disclosed at May 28 conference call of Management Issues and Business Strategy (excluding the impact of COVID-19)

Breakdown of -50 bn yen

① Impact of COVID-19 pandemic -37 bn

Weaker automotive demand →

- Decreased shipment of petrochemical resins, and components for automotive batteries and tires

Weaker display-related demand →

- Decreased shipment of materials and components for smartphones and TVs

No major impact is expected in the life science field including pharmaceuticals and crop protection products

② Others -18 bn

Total downside risks -55 bn

Cost cutting etc. + 5 bn

Total -50 bn

Core Operating Income by Business Segment

19

Unit; Billions of yen

	FY2019	FY2020 (Estimated)	Difference
Petrochemicals & Plastics	14.5	-28.0	-42.5
Energy & Functional Materials	20.3	17.0	-3.3
IT-related Chemicals	25.1	23.0	-2.1
Health & Crop Sciences	2.1	31.0	28.9
Pharmaceuticals	75.3	37.0	-38.3
Others & Adjustments	-4.6	0.0	4.6
Total	132.7	80.0	-52.7

Unit; Billions of yen

	FY2019	FY2020 (Estimated)	Difference
Cash flows from operating activities	106.0	210.0	104.0
Cash flows from investing activities	-499.7	-190.0	309.7
Free cash flows	-393.7	20.0	413.7
Cash flows from financing activities	373.5	0.0	-373.5
Effect of exchange rate changes on cash and cash equivalents	-0.9	0.0	0.9
Net change in cash and cash equivalents	-21.0	20.0	41.0
Interest-bearing debt balance	1,304.7	1,370.0	65.3

(Reference: Segment Information)

Sales Revenue by Business Segment (Quarterly)

22

Unit; Billions of yen

	FY2019				FY2020	FY2020 (Estimated)
	1Q	2Q	3Q	4Q	1Q	
Petrochemicals & Plastics	177.5	174.7	166.1	138.6	108.2	545.0
Energy & Functional Materials	64.9	66.1	59.6	64.4	48.3	240.0
IT-related Chemicals	102.5	104.4	98.1	99.9	103.8	420.0
Health & Crop Sciences	71.9	74.4	72.2	125.2	88.9	430.0
Pharmaceuticals	125.8	121.7	134.8	133.6	140.8	525.0
Others & Adjustments	10.7	13.0	12.4	13.4	10.1	55.0
Total	553.2	554.3	543.2	575.1	500.2	2,215.0

Core Operating Income by Business Segment (Quarterly)

23

Unit; Billions of yen

	FY2019				FY2020	FY2020 (Estimated)
	1Q	2Q	3Q	4Q	1Q	
Petrochemicals & Plastics	13.0	4.4	10.0	-12.9	-19.9	-28.0
Energy & Functional Materials	5.6	7.0	5.1	2.7	2.0	17.0
IT-related Chemicals	7.8	7.5	3.4	6.4	9.9	23.0
Health & Crop Sciences	-4.6	-3.6	-5.4	15.7	3.8	31.0
Pharmaceuticals	23.0	23.9	20.7	7.7	24.5	37.0
Others & Adjustments	-0.5	1.1	-2.0	-3.2	-0.2	0.0
Total	44.3	40.2	31.7	16.4	20.2	80.0

Unit; Billions of yen

	FY2019	FY2020 (Estimated)
Capital Expenditures	116.3	118.0
Depreciation and Amortization	131.7	136.5
Research & Development Expenses	174.3	192.0
Number of Employees (as of March 31)	33,586	35,800

Unit; Billions of yen

	FY2019	FY2020 (Estimated)	Difference
Petrochemicals & Plastics	23.8	21.0	-2.8
Energy & Functional Materials	21.4	28.0	6.6
IT-related Chemicals	21.6	19.0	-2.6
Health & Crop Sciences	19.7	20.0	0.3
Pharmaceuticals	17.0	13.5	-3.5
Others & Adjustments	12.9	16.5	3.6
Total	116.3	118.0	1.7

Unit; Billions of yen

	FY2019	FY2020 (Estimated)	Difference
Petrochemicals & Plastics	27.9	27.0	-0.9
Energy & Functional Materials	15.9	17.5	1.6
IT-related Chemicals	29.0	26.0	-3.0
Health & Crop Sciences	26.1	26.5	0.4
Pharmaceuticals	20.0	26.5	6.5
Others & Adjustments	13.0	13.0	0.0
Total	131.7	136.5	4.8

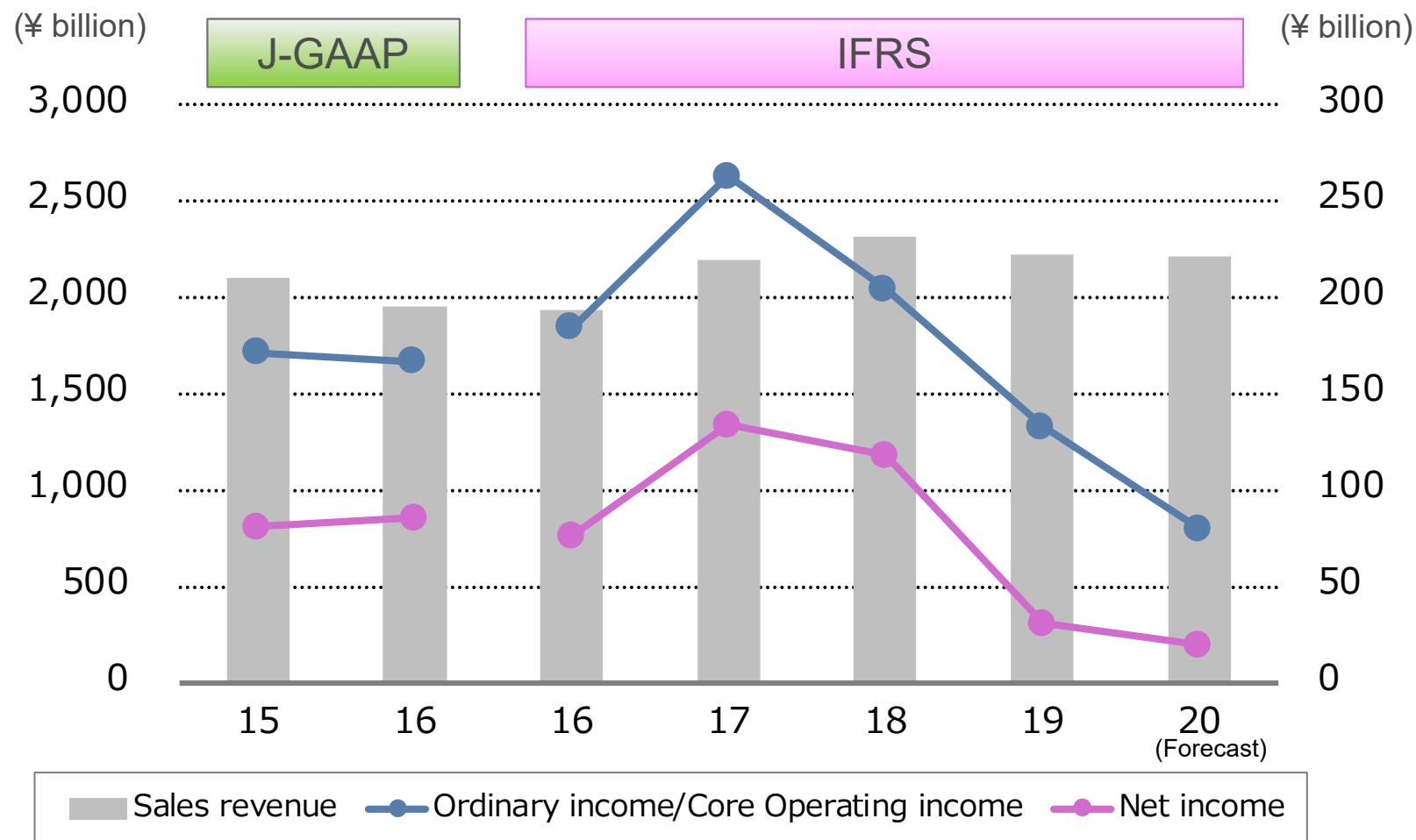
Unit: Billions of yen

	FY2019	FY2020 (Estimated)	Difference
Petrochemicals & Plastics	7.0	7.5	0.5
Energy & Functional Materials	7.8	8.5	0.7
IT-related Chemicals	19.1	20.0	0.9
Health & Crop Sciences	28.9	32.0	3.1
Pharmaceuticals	95.0	106.5	11.5
Others & Adjustments	16.5	17.5	1.0
Total	174.3	192.0	17.7

Company	Sales Revenue		Profit Trends
	FY2019 1st Quarter	FY2020 1st Quarter	
The Polyolefin Company (Singapore) (Millions of USD)	280	215	↗ Due to slightly Improved profit margins.
Petrochemical Corporation of Singapore (Millions of USD)	639	390	↗ Due to slightly Improved profit margins.
Rabigh Refining and Petrochemical Company (Millions of SAR)	8,428	4,062	↘ Periodic shutdown maintenance in the current quarter lowered margins on oil refining and petrochemical products.
Dongwoo Fine-Chem (Billions of KRW)	653.6	651.7	↗ Profit increased due to change in product mix and forex impacts.
Valent U.S.A. and Subsidiaries (Millions of USD)	158	159	↗ Due to shipment delays.

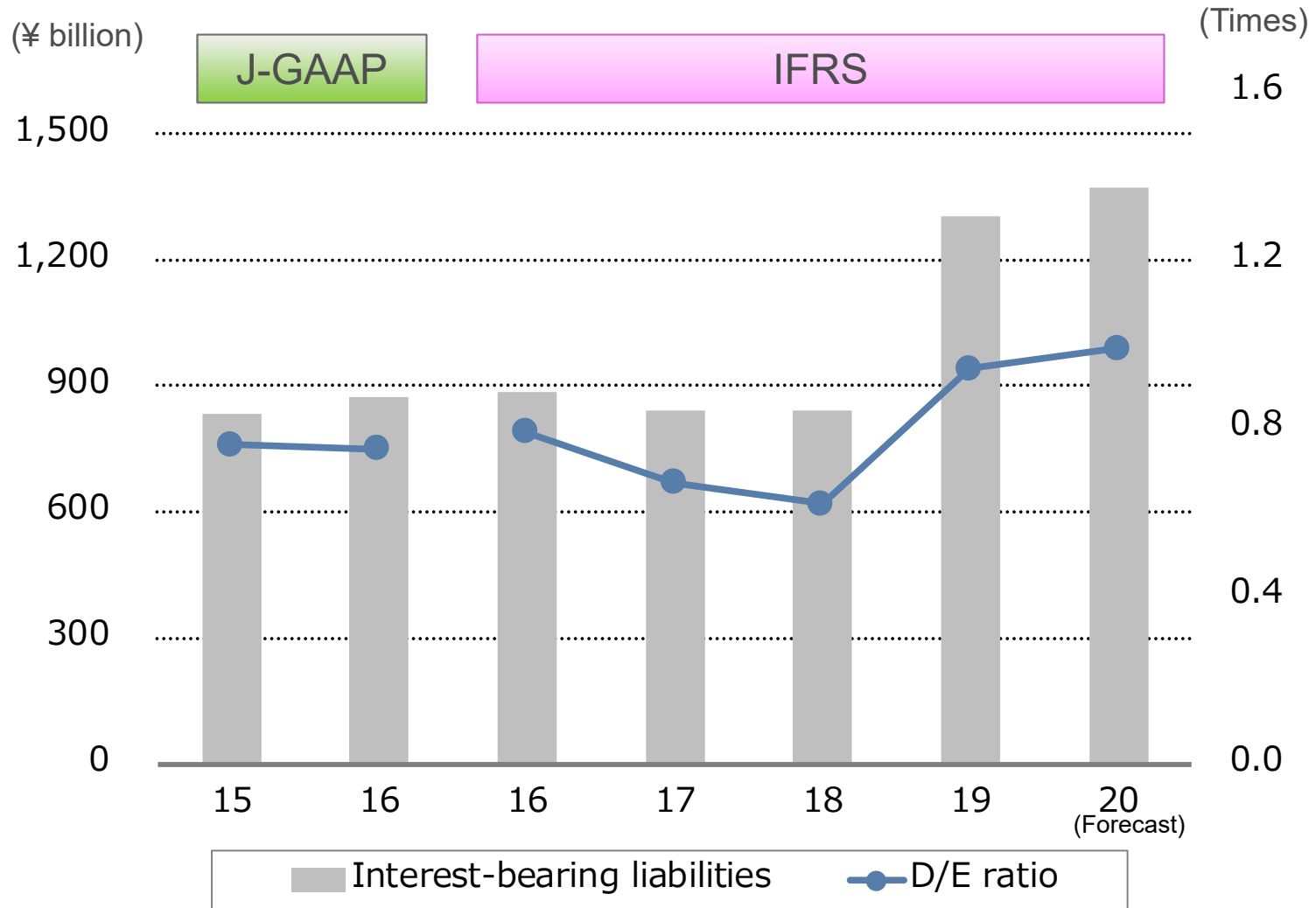
Sales Revenue

Profit



Interest-bearing Liabilities

D/E Ratio



Dividends per share

Payout Ratio

