

Financial Results for FY2023 Third Quarter

(April 1, 2023 - December 31, 2023)

(Reference Material)

February 2, 2024



(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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(Reference)

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1. Consolidated Financial Results for FY2023 Third Quarter

Unit: Billions of yen

	Q3 FY2022	Q3 FY2023	Variance	Variance Ratio
Sales revenue	2,257.0	1,806.9	-450.2	-19.9%
Core operating income (loss)	142.2	-113.9	-256.0	-
Of which equity in earnings	12.8	-35.2	-48.0	-
Total non-recurring items	-70.7	-46.8	24.0	-
Of which restructuring costs	-22.0	-25.6	-3.7	-
Of which impairment losses	-56.4	-15.4	40.9	-
Others	7.6	-5.7	-13.3	-
Operating income (loss)	71.4	-160.6	-232.1	-
Finance income/expenses	23.3	0.7	-22.7	-
Of which gain (loss) on foreign currency transactions including gain (loss) on derivatives	28.4	6.1	-22.3	-
Income (loss) before taxes	94.8	-160.0	-254.7	-
Income tax expenses	-53.1	-5.0	48.1	-
Net income (loss)	41.7	-164.9	-206.6	-
Net (income) loss attributable to non-controlling interests	18.6	55.2	36.6	-
Net income (loss) attributable to owners of the parent	60.3	-109.8	-170.1	-
ROE	4.8%	-9.4%		
Exchange rate (yen/\$)	136.49	143.33		
Naphtha price (yen/kl)	80,000	68,400		
Overseas sales revenue ratio	69.4%	68.2%		

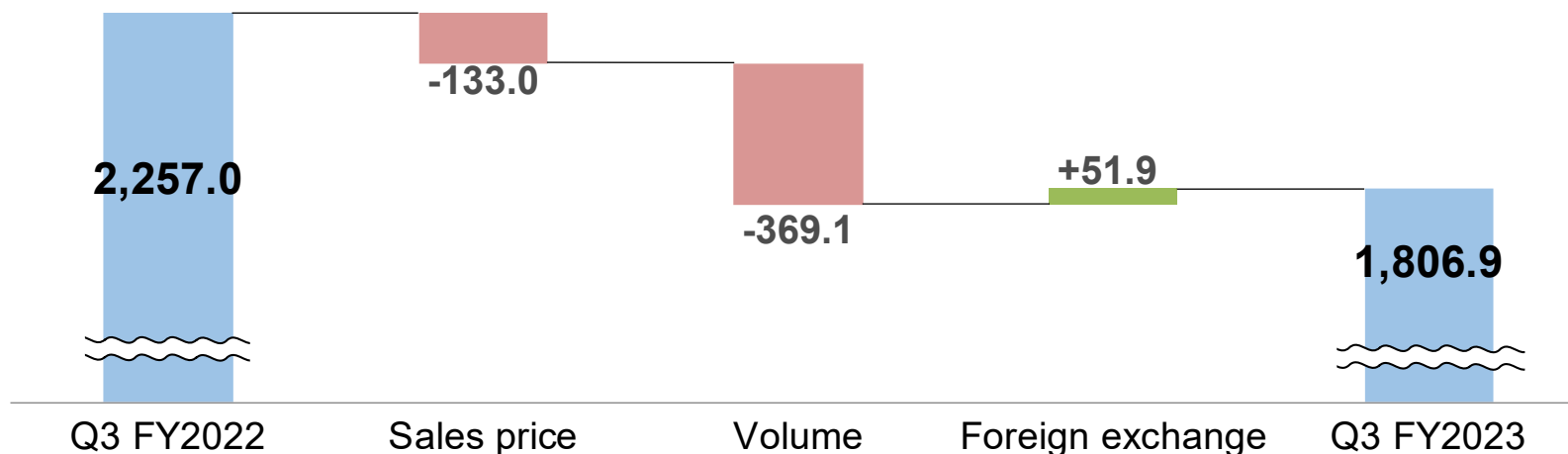
Sales Revenue by Business Segment

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Unit: Billions of yen

	Q3 FY2022	Q3 FY2023	Variance	Ratio	Sales price variance	Shipping volume variance	Foreign currency conversion variance
Essential Chemicals & Plastics	675.5	596.7	-78.8	-11.7%	-69.5	-27.0	17.7
Energy & Functional Materials	257.1	225.3	-31.8	-12.4%	-5.5	-29.2	2.9
IT-related Chemicals	338.6	311.1	-27.5	-8.1%	-9.0	-27.4	8.9
Health & Crop Sciences	439.2	367.0	-72.2	-16.4%	-46.0	-42.7	16.5
Pharmaceuticals	482.5	256.4	-226.1	-46.9%	-3.0	-229.0	5.9
Others & Adjustments	64.2	50.4	-13.7	-21.4%	0.0	-13.7	0.0
Total	2,257.0	1,806.9	-450.2	-19.9%	-133.0	-369.1	51.9

Analysis of Variance

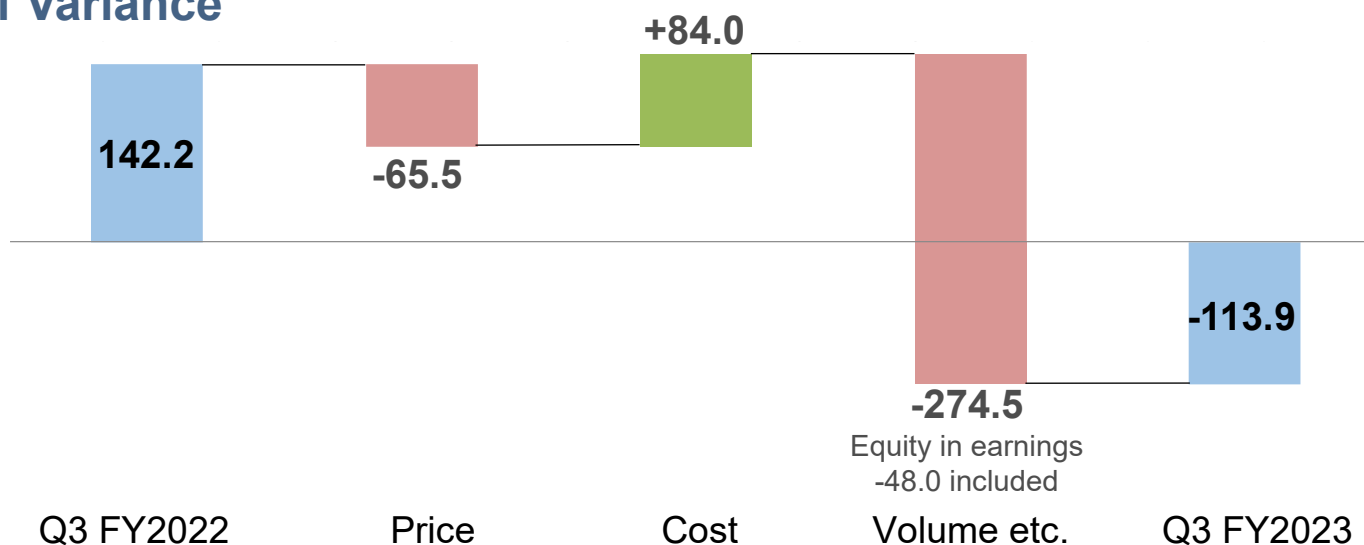


Core Operating Income by Business Segment

Unit: Billions of yen

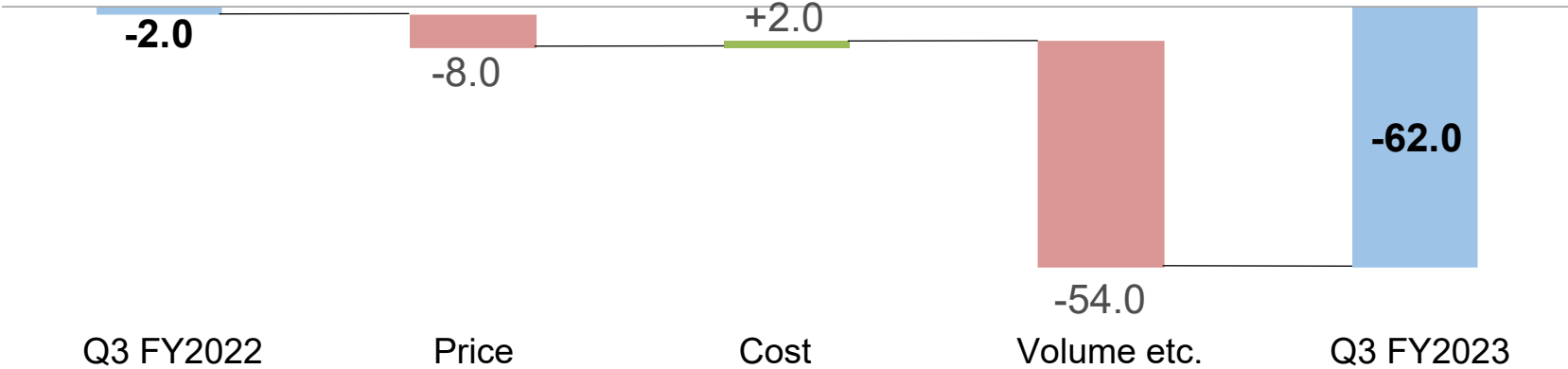
	Q3 FY2022	Q3 FY2023	Variance	Price variance	Cost variance	Shipping volume variance and other
Essential Chemicals & Plastics	-2.0	-62.0	-60.0	-8.0	2.0	-54.0
Energy & Functional Materials	16.9	9.4	-7.5	-0.5	1.0	-8.0
IT-related Chemicals	43.7	36.8	-6.9	-9.0	9.0	-6.9
Health & Crop Sciences	47.2	-1.4	-48.5	-45.0	5.0	-8.5
Pharmaceuticals	43.1	-95.6	-138.7	-3.0	67.0	-202.7
Others & Adjustments	-6.7	-1.1	5.6	0.0	0.0	5.6
Total	142.2	-113.9	-256.0	-65.5	84.0	-274.5

Analysis of Variance



Essential Chemicals & Plastics

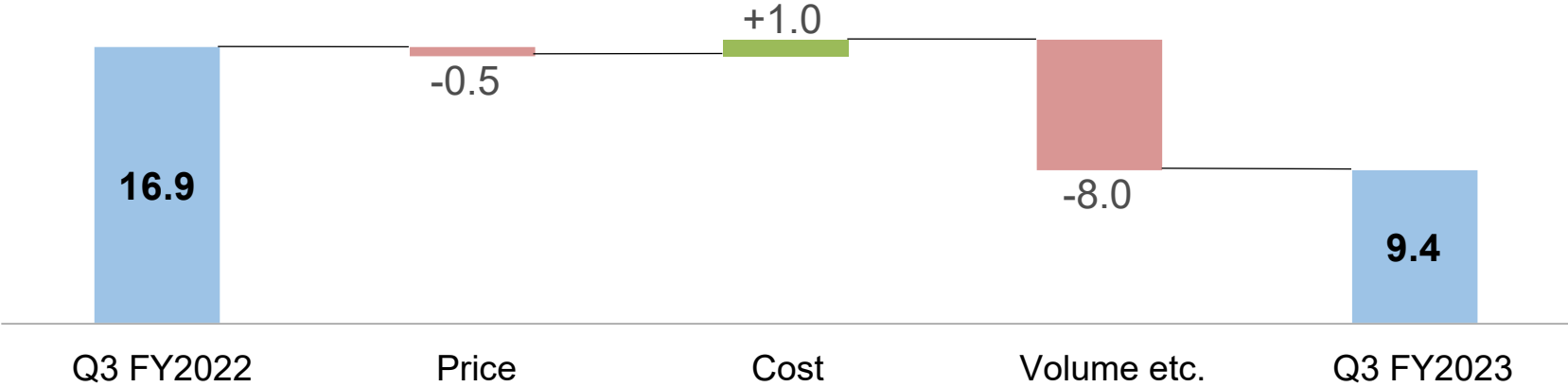
Total ¥ -62.0 billion (-60.0 from Q3 FY2022)



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

Energy & Functional Materials

Total ¥ 9.4 billion (-7.5 from Q3 FY2022)

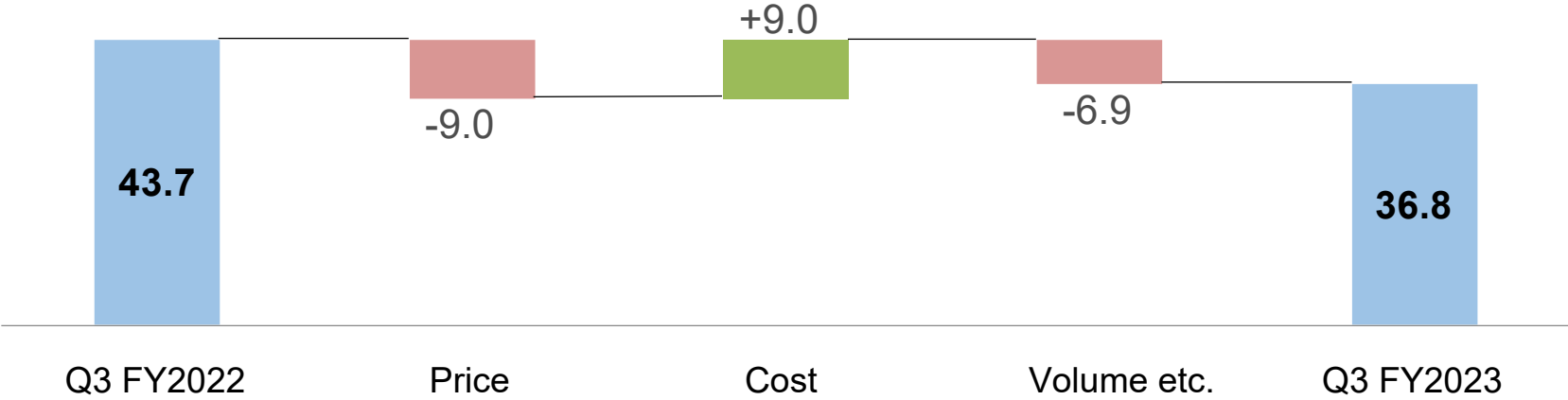


Volume variance etc.

Decline in shipments of resorcinol, and separators for lithium-ion secondary battery particularly in automotive applications

IT-related Chemicals

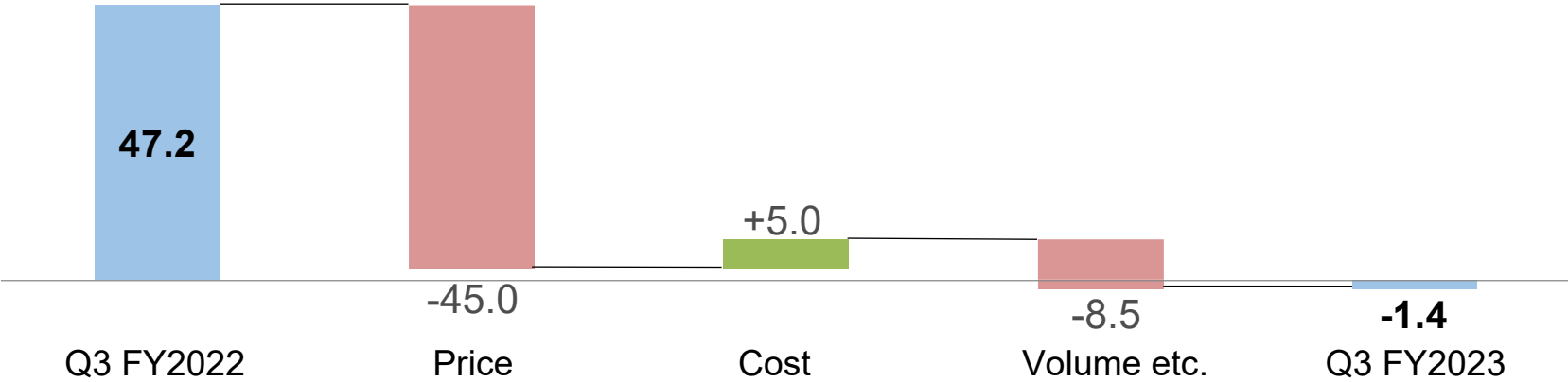
Total ¥ 36.8 billion (-6.9 from Q3 FY2022)



Price variance	Displays	Decline in the selling prices for polarizing films
Cost variance	Displays	Lower depreciation expenses, etc.
Volume variance etc.	Semiconductors	Decline in shipments of photoresists and high-purity chemicals

Health & Crop Sciences

Total ¥ -1.4 billion (-48.5 from Q3 FY2022)



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

Pharmaceuticals

Total ¥ -95.6 billion (-138.7 from Q3 FY2022)



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

Consolidated Statement of Financial Position

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Unit: Billions of yen

	31-Mar-23	31-Dec-23	Variance		31-Mar-23	31-Dec-23	Variance
Current assets	1,762.9	1,709.4	-53.5	Liabilities	2,676.3	2,767.4	91.1
Cash and cash equivalents	305.8	276.2	-29.7	Trade and other payables	515.9	496.3	-19.5
Trade and other receivables	603.2	569.1	-34.1	Interest-bearing liabilities	1,461.4	1,665.8	204.5
Inventories	744.5	756.5	12.0	Others	699.1	605.2	-93.9
Others	109.4	107.7	-1.7	Equity	1,489.2	1,452.3	-36.9
Non-current assets	2,402.6	2,510.2	107.6	Shareholders' equity	973.0	874.7	-98.3
Property, plant and equipment	829.4	855.4	26.1	Other components of equity	198.2	287.5	89.4
Goodwill and intangible assets	670.9	694.8	24.0	Non-controlling interests	318.0	290.0	-28.0
Others	902.4	960.0	57.6				
Total	4,165.5	4,219.7	54.1	Total	4,165.5	4,219.7	54.1
				Equity attributable to owners of parent to total assets	28.1%	27.5%	-0.6%
				D/E ratio (times)	1.0	1.2	0.2

Unit: Billions of yen

	Q3 FY2022	Q3 FY2023	Variance
Cash flows from operating activities	100.3	-135.0	-235.3
Cash flows from investing activities	1.7	-77.8	-79.5
Free cash flows	102.0	-212.8	-314.8
Cash flows from financing activities	13.0	161.1	148.1
Others	21.6	20.8	-0.8
Increase(decrease) in cash and cash equivalents	136.6	-30.8	-167.5
Cash and cash equivalents at end of period	499.6	276.2	-223.4

























2. Outlook for FY2023

Economic Conditions

- While the world economy is holding up because of a decrease in inflation, low growth is still expected due to the risk of tensions rising in the Middle East and a slowdown in China's economy.
- It is expected that some of our business segments will face a more difficult business environment than overall economic conditions due to factors unique to Sumitomo Chemical.

Business Environment (Compared to Previous Forecast)

Prev.(Nov.) Revised

Petrochemicals/ Raw Materials	Continued lower than anticipated final demand and historically low margins in the petrochemical market.	    
Automobiles	Automotive production volume is steadily recovering, but there is a delay in inventory adjustments for related components in the supply chain.	  
Displays	TV: final demand remains flat, and the intensely competitive business environment continues. Mobile devices: final demand remains sluggish, but there has been steady growth in OLED-related components due to progress in the shift to OLED.	  
Semiconductors	The decline in demand for semiconductors has ended, but there have not been signs of full-scale recovery.	  
Crop protection	Overseas, crop protection inventories in the distribution chain still remain at a high level. We expect a season of demand in the northern hemisphere in the fourth quarter.	  
Methionine	The methionine market has pulled out of its worse period and is slowly picking up.	  
Pharmaceuticals	Sales of our three key products did not reach our target. We will continue to promote sales expansion.	   

Performance Forecast for FY2023

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Unit: Billions of yen

	Previous forecast (announced in November 2023)	Revised forecast	Variance	Variance ratio
Sales revenue	2,700.0	2,480.0	-220.0	-8.1%
Core operating income (loss)	-70.0	-145.0	-75.0	-
Non-recurring items	-55.0	-140.0	-85.0	-
Operating income (loss)	-125.0	-285.0	-160.0	-
Net income (loss) attributable to owners of the parent	-95.0	-245.0	-150.0	-
ROE	-8.1%	-22.2%		
Exchange rate (yen/\$)	143.03 (2nd Half 145.00)	143.75 (Jan.-Mar. 145.00)		
Naphtha price (yen/KL)	70,000 (2nd Half 74,000)	69,000 (Jan.-Mar. 70,000)		
Cash dividends (yen)	Interim dividend	6.00	6.00	
	Year-end dividend	6.00	3.00	
	Annual dividend	12.00	9.00	

Unit: Billions of yen

	Sales revenue			Core operating income		
	Previous forecast	Revised forecast	Variance	Previous forecast	Revised forecast	Variance
Essential Chemicals & Plastics	850.0	790.0	-60.0	-75.0	-87.0	-12.0
Energy & Functional Materials	320.0	300.0	-20.0	2.0	5.0	3.0
IT-related Chemicals	410.0	400.0	-10.0	33.0	38.0	5.0
Health & Crop Sciences	610.0	570.0	-40.0	40.0	40.0	-
Pharmaceuticals	420.0	350.0	-70.0	-69.0	-131.0	-62.0
Others & Adjustments	90.0	70.0	-20.0	-1.0	-10.0	-9.0
Total	2,700.0	2,480.0	-220.0	-70.0	-145.0	-75.0

(Reference)

Unit: Billions of yen

	FY2022				FY2023				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	4Q (Forecast)	Total Forecast
Essential Chemicals & Plastics	238.6	228.7	208.2	177.4	192.4	197.9	206.4	193.3	790.0
Energy & Functional Materials	86.4	87.1	83.6	85.3	73.4	76.5	75.4	74.7	300.0
IT-related Chemicals	114.7	107.5	116.4	92.6	94.5	109.2	107.4	88.9	400.0
Health & Crop Sciences	152.6	141.3	145.3	159.2	102.7	138.5	125.8	203.0	570.0
Pharmaceuticals	167.7	166.7	148.0	102.4	83.0	83.9	89.5	93.6	350.0
Others & Adjustments	14.2	23.0	26.9	21.3	17.3	17.6	15.6	19.6	70.0
Total	774.1	754.4	728.5	638.2	563.1	623.7	620.0	673.1	2,480.0

Core Operating Income by Business Segment (Quarterly)

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Unit: Billions of yen

	FY2022				FY2023				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	4Q (Forecast)	Total Forecast
Essential Chemicals & Plastics	10.0	13.3	-25.3	-32.2	-21.0	-23.4	-17.6	-25.0	-87.0
Energy & Functional Materials	6.6	6.8	3.4	-1.6	3.0	3.5	2.9	-4.4	5.0
IT-related Chemicals	15.8	10.7	17.3	3.9	6.7	11.2	19.0	1.2	38.0
Health & Crop Sciences	21.9	14.4	10.9	10.1	-7.0	-0.5	6.2	41.4	40.0
Pharmaceuticals	14.1	11.1	17.9	-26.9	-33.3	-32.2	-30.1	-35.4	-131.0
Others & Adjustments	-4.3	-4.8	2.3	-2.6	-1.9	-1.6	2.4	-8.9	-10.0
Total	64.1	51.5	26.5	-49.4	-53.6	-43.1	-17.2	-31.1	-145.0

Essential Chemicals & Plastics

Total ¥ 596.7 billion (-78.8 from Q3 FY2022)

Sales price

-69.5

- Decline in market prices

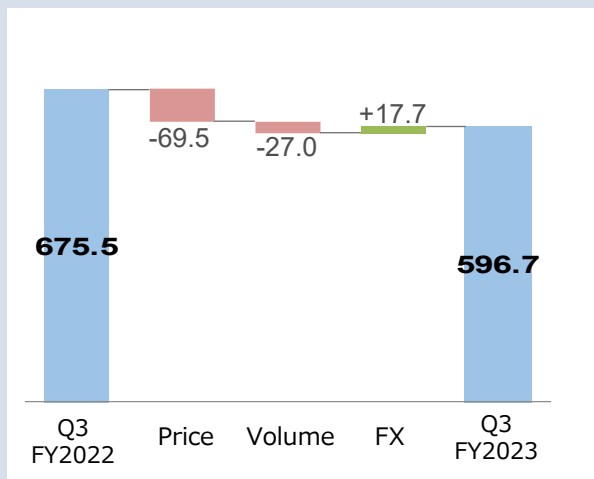
Volume

-27.0

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

Foreign exchange

+17.7



Energy & Functional Materials

Total ¥ 225.3 billion (-31.8 from Q3 FY2022)

Sales price

-5.5

- Decline in market prices, etc.

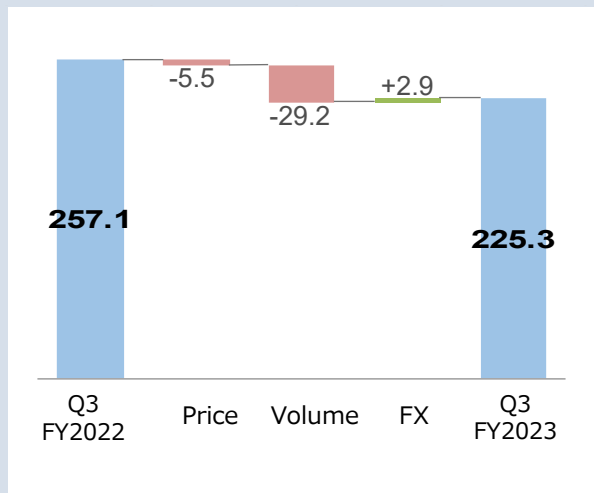
Volume

-29.2

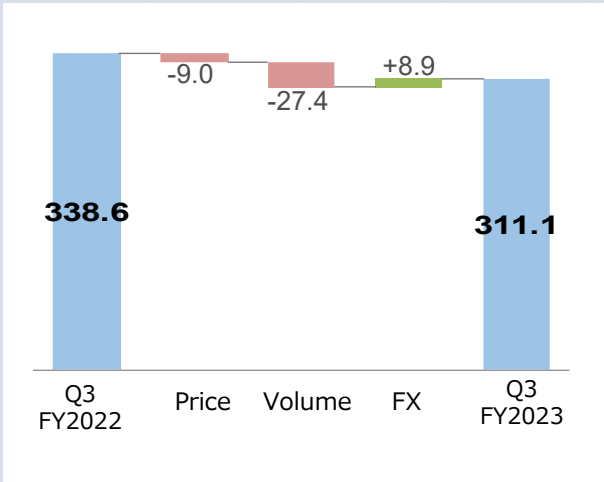
- Decline in shipments for automotive applications (resorcinol, synthetic rubber, battery materials etc.)

Foreign exchange

+2.9



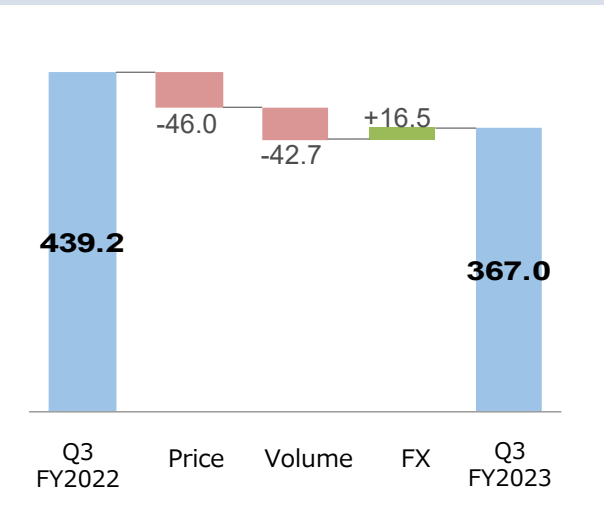
IT-related Chemicals



Total ¥311.1 billion (-27.5 from Q3 FY2022)

- Sales price** -9.0
 - Decline in the selling prices for polarizing films
- Volume** -27.4
 - Decline in shipments for processing materials for semiconductors
 - display-related materials
- Foreign exchange** +8.9

Health & Crop Sciences



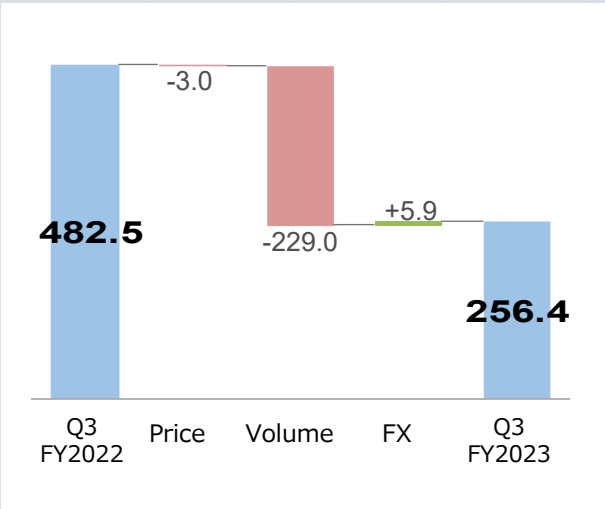
Total ¥367.0 billion (-72.2 from Q3 FY2022)

- Sales price** -46.0
 - Decline in the selling prices for crop protection products (generic products) in South America
 - methionine
- Volume** -42.7
 - Decline in shipments for crop protection products in South America
- Foreign exchange** +16.5

Pharmaceuticals

Total ¥256.4 billion (-226.1 from Q3 FY2022)

- Sales price** -3.0
 - NHI drug price revisions in Japan
- Volume** -229.0
 - Expiration of the exclusive marketing period for LATUDA®
- Foreign exchange** +5.9



Company	Sales Revenue		Profit
	Q3 FY2022	Q3 FY2023	
The Polyolefin Company (Singapore) (Millions of USD)	858	604	↘ Deterioration in profit margins
PCS* (Millions of USD)	1,989	1,579	↗ Profit margins improved
Rabigh Refining and Petrochemical Company (Millions of SAR)	45,146	34,310	↘ Lower margins on oil refining and petrochemical products
Dongwoo Fine-Chem (Billions of KRW)	1,651.3	1,485.4	→ Performance result is flat
Valent North America, and subsidiaries (Millions of USD)	562	587	↘ Profit decreased due to higher planned expenses

* 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

	Q3 FY2022	Q3 FY2023	Variance	Reasons for Change
Japan	50.2	42.9	-7.3	Decline in shipments due to the excessive of distribution inventories of fertilizers
North America	48.3	52.6	4.3	Foreign currency conversion variance
Central & South America	158.9	103.1	-55.8	Decline in shipments due to high levels of inventory in the market and the impact of extreme weather in Brazil
Asia (including India)	52.6	45.4	-7.2	Decline in shipments due to the rise of generic products and the impact of extreme weather (delayed monsoon) in India
Europe & Others	18.1	17.6	-0.5	
Total	328.1	261.6	-66.5	