

# Financial Results for FY2020 Second Quarter

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October 30, 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 Second Quarter

Unit: Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference	Ratio
Sales revenue	1,107.6	<b>1,046.8</b>	-60.8	-5.5%
Core operating income	84.5	<b>54.1</b>	-30.5	-36.0%
(Equity in earnings)	(12.2)	<b>(-23.0)</b>	(-35.2)	-
Non-recurring items	18.0	<b>-3.3</b>	-21.3	-
Operating income	102.5	<b>50.8</b>	-51.8	-50.5%
Finance income/expenses	-5.9	<b>-11.9</b>	-6.0	-
(Gain/loss on foreign currency transactions)	(-6.8)	<b>(-9.0)</b>	(-2.2)	-
Income tax expenses	-46.6	<b>-23.4</b>	23.1	-
Net income attributable to non-controlling interests	-20.4	<b>-16.5</b>	3.9	-
Net income attributable to owners of the parent	29.7	<b>-1.1</b>	-30.8	-
ROE	3.0%	<b>-0.1%</b>		
Exchange rate(yen/\$)	108.60	<b>106.93</b>		
Naphtha price(yen/KL)	42,800	<b>27,800</b>		
Overseas sales revenue ratio	66.8%	<b>68.7%</b>		

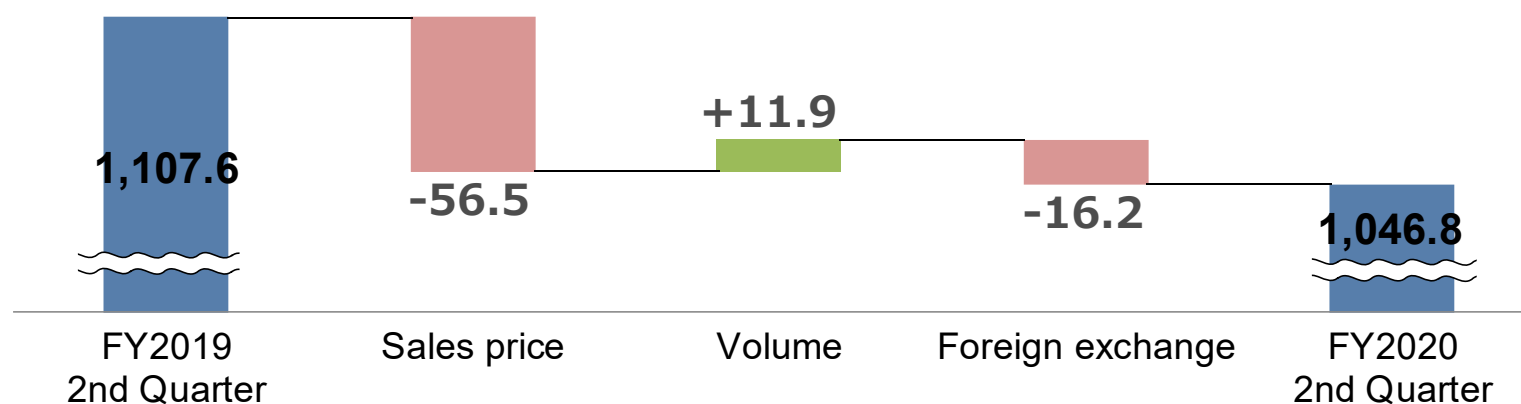
# Sales Revenue by Business Segment

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Unit: Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference	Ratio	Sales price variance	Shipping volume variance	Foreign currency conversion variance
Petrochemicals & Plastics	352.2	<b>243.6</b>	-108.6	-30.8%	-40.5	-66.1	-1.9
Energy & Functional Materials	131.0	<b>105.2</b>	-25.8	-19.7%	-5.5	-19.7	-0.6
IT-related Chemicals	206.9	<b>213.3</b>	6.4	3.1%	-7.5	17.4	-3.5
Health & Crop Sciences	146.3	<b>186.1</b>	39.7	27.2%	1.5	45.8	-7.6
Pharmaceuticals	247.4	<b>276.1</b>	28.7	11.6%	-4.5	35.8	-2.6
Others & Adjustments	23.7	<b>22.5</b>	-1.3	-5.3%	0.0	-1.3	0.0
<b>Total</b>	<b>1,107.6</b>	<b>1,046.8</b>	<b>-60.8</b>	<b>-5.5%</b>	<b>-56.5</b>	<b>11.9</b>	<b>-16.2</b>

## Analysis



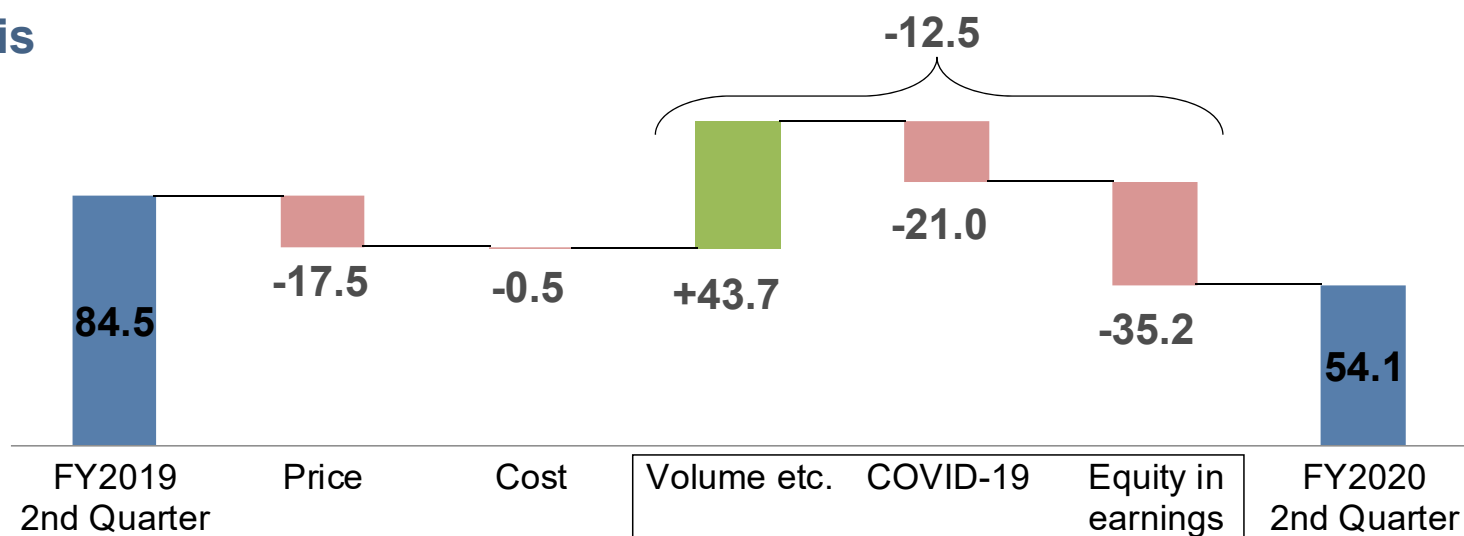
# Core Operating Income by Business Segment

6

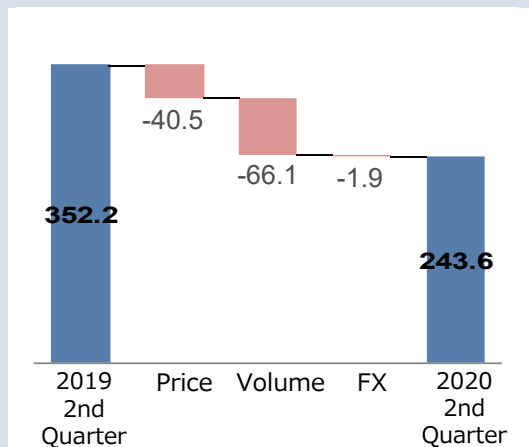
Unit; Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference	Price variance	Cost variance	Shipping volume variance and other
Petrochemicals & Plastics	17.4	-31.3	-48.7	-9.5	0.0	-39.2
Energy & Functional Materials	12.5	4.8	-7.8	0.5	1.0	-9.3
IT-related Chemicals	15.3	22.1	6.8	-7.5	5.5	8.8
Health & Crop Sciences	-8.2	9.9	18.1	3.5	6.5	8.1
Pharmaceuticals	46.9	49.1	2.2	-4.5	-13.5	20.2
Others & Adjustments	0.6	-0.5	-1.1	0.0	0.0	-1.1
<b>Total</b>	<b>84.5</b>	<b>54.1</b>	<b>-30.5</b>	<b>-17.5</b>	<b>-0.5</b>	<b>-12.5</b>

## Analysis



## Sales Revenue



**Total ¥243.6 billion (-108.6 from FY2019 2nd Quarter )**

**Sales price**

**-40.5**

- Lower market prices

**Volume**

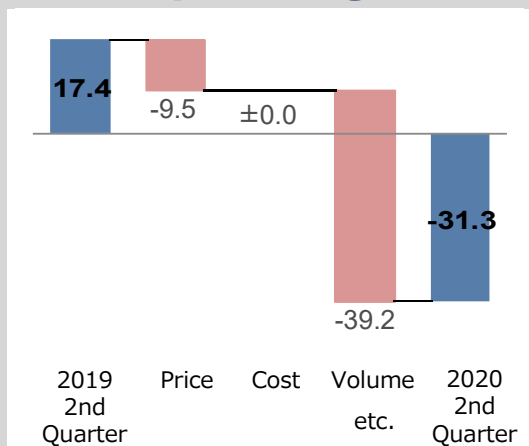
**-66.1**

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

**Foreign exchange**

**-1.9**

## Core Operating Income



**Total ¥-31.3 billion (-48.7 from FY2019 2nd Quarter )**

**Price variance**

**-9.5**

- Decrease in profit margin on petrochemical products

**Cost variance**

**0.0**

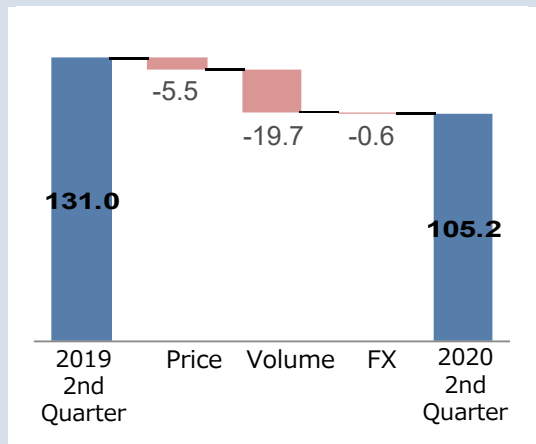
**Volume variance etc.**

**-39.2**

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



## Sales Revenue



**Total ¥105.2 billion (-25.8 from FY2019 2nd Quarter )**

**Sales price**

**-5.5**

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

**Volume**

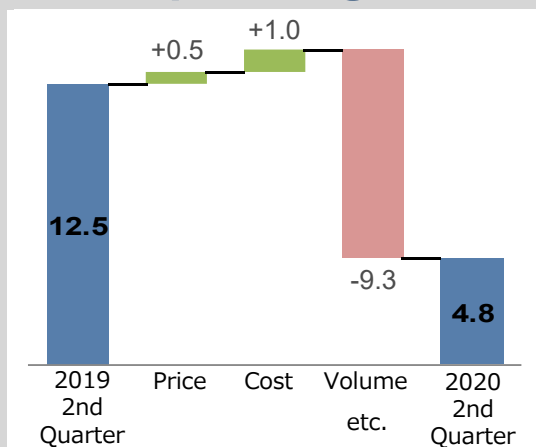
**-19.7**

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

**Foreign exchange**

**-0.6**

## Core Operating Income



**Total ¥4.8 billion (-7.8 from FY2019 2nd Quarter )**

**Price variance**

**+0.5**

**Cost variance**

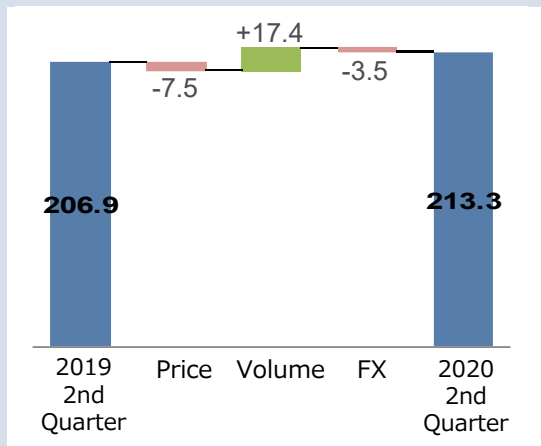
**+1.0**

**Volume variance etc.**

**-9.3**

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

### Sales Revenue



**Total ¥213.3 billion (+6.4 from FY2019 2nd Quarter )**

#### Sales price

-7.5

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

#### Volume

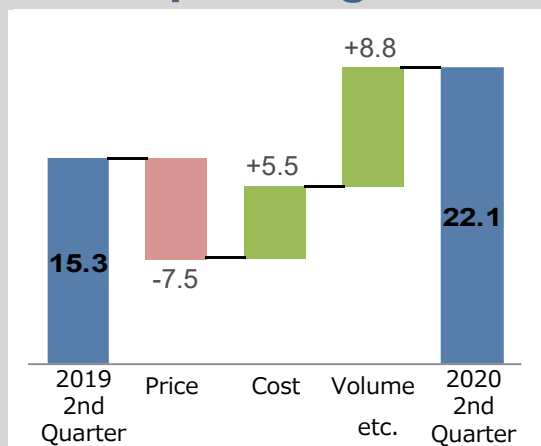
+17.4

- Increase in shipments of processing materials for semiconductors
- Increase in shipments of materials for display applications

#### Foreign exchange

-3.5

### Core Operating Income



**Total ¥22.1 billion (+6.8 from FY2019 2nd Quarter )**

#### Price variance

-7.5

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

#### Cost variance

+5.5

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

#### Volume variance etc.

+8.8

- Increase in shipments of processing materials for semiconductors
- Increase in shipments of materials for display applications

### Sales Revenue



**Total ¥186.1 billion (+39.7 from FY2019 2nd Quarter )**

**Sales price**

**+1.5**

- Higher market price for feed additive methionine

**Volume**

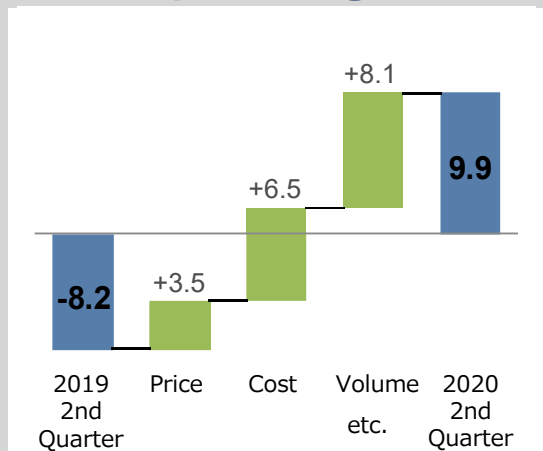
**+45.8**

- Acquisition of South American subsidiaries of Nufarm

**Foreign exchange**

**-7.6**

### Core Operating Income



**Total ¥9.9 billion (+18.1 from FY2019 2nd Quarter )**

**Price variance**

**+3.5**

- Increase in profit margin on feed additive methionine

**Cost variance**

**+6.5**

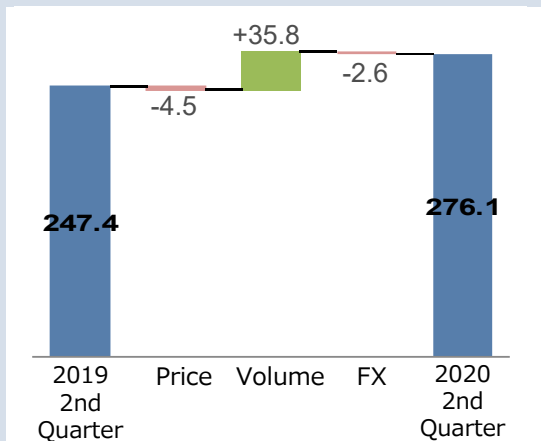
- Rationalization of manufacturing cost of methionine
- Change in timing of recording expenses

**Volume variance etc.**

**+8.1**

- Acquisition of South American subsidiaries of Nufarm

### Sales Revenue



**Total ¥276.1 billion (+28.7 from FY2019 2nd Quarter )**

**Sales price**

**-4.5**

- NHI price revisions in Japan

**Volume**

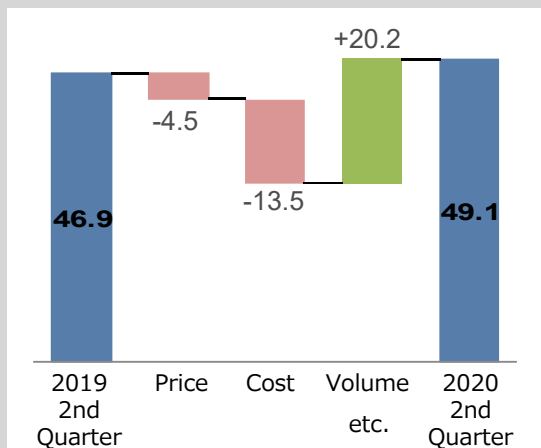
**+35.8**

- Increase in shipments of Latuda® in North America
- Contribution of domestic sales of Equa®/EquMet® launched in 2019

**Foreign exchange**

**-2.6**

### Core Operating Income



**Total ¥49.1 billion (+2.2 from FY2019 2nd Quarter )**

**Price variance**

**-4.5**

- NHI price revisions in Japan

**Cost variance**

**-13.5**

- Increase in SG&A and R&D expenses due to the strategic alliance with Roivant

**Volume variance etc.**

**+20.2**

- Increase in shipments of Latuda® in North America

# Breakdown of Non-recurring Items

12

Unit; Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference
Restructuring charges	-3.4	<b>-2.6</b>	0.8
Gain on sale of property, plant and equipment	0.3	<b>1.8</b>	1.4
Changes in fair value of contingent consideration	41.8	<b>0.1</b>	-41.7
Impairment loss	-19.3	-	19.3
Others	-1.4	<b>-2.5</b>	-1.2
Non-recurring items	18.0	<b>-3.3</b>	-21.3

				Unit; Billions of yen			
	31-Mar-20	30-Sep-20	Difference		31-Mar-20	30-Sep-20	Difference
Current assets	1,310.9	<b>1,494.9</b>	184.0	Liabilities	2,261.5	<b>2,403.1</b>	141.6
Cash and cash equivalents	180.6	<b>381.8</b>	201.2	Trade and other payables	436.1	<b>430.7</b>	-5.4
Trade and other receivables	570.4	<b>548.1</b>	-22.3	Interest-bearing Liabilities	1,304.7	<b>1,451.2</b>	146.6
Inventories	492.4	<b>500.6</b>	8.2	Others	520.8	<b>521.2</b>	0.4
Others	67.5	<b>64.4</b>	-3.0	Equity	1,388.8	<b>1,371.2</b>	-17.6
Non-current assets	2,339.4	<b>2,279.4</b>	-60.0	Shareholders' equity	908.5	<b>905.6</b>	-2.9
Property, plant and equipment	778.4	<b>785.1</b>	6.6	Other components of equity	13.9	<b>1.2</b>	-12.6
Goodwill and Intangible assets	662.4	<b>679.1</b>	16.7	Non-controlling interests	466.5	<b>464.4</b>	-2.1
Others	898.6	<b>815.2</b>	-83.4				
Total	3,650.3	<b>3,774.4</b>	124.0	Total	3,650.3	<b>3,774.4</b>	124.0
				Equity attributable to owners of parent to total assets	25.3%	<b>24.0%</b>	-1.3%
				D/E ratio (times)	0.9	<b>1.1</b>	0.2

Unit; Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference
Cash flows from operating activities	69.9	<b>156.6</b>	86.7
Cash flows from investing activities	-72.8	<b>-63.0</b>	9.8
Free cash flows	-2.9	<b>93.6</b>	96.5
Cash flows from financing activities	80.3	<b>97.9</b>	17.6
Effect of exchange rate changes on cash and cash equivalents	-7.8	<b>9.6</b>	17.4
Net change in cash and cash equivalents	69.6	<b>201.2</b>	131.5
Cash and cash equivalents at end of period	271.3	<b>381.8</b>	110.5

## 2. Outlook for FY2020

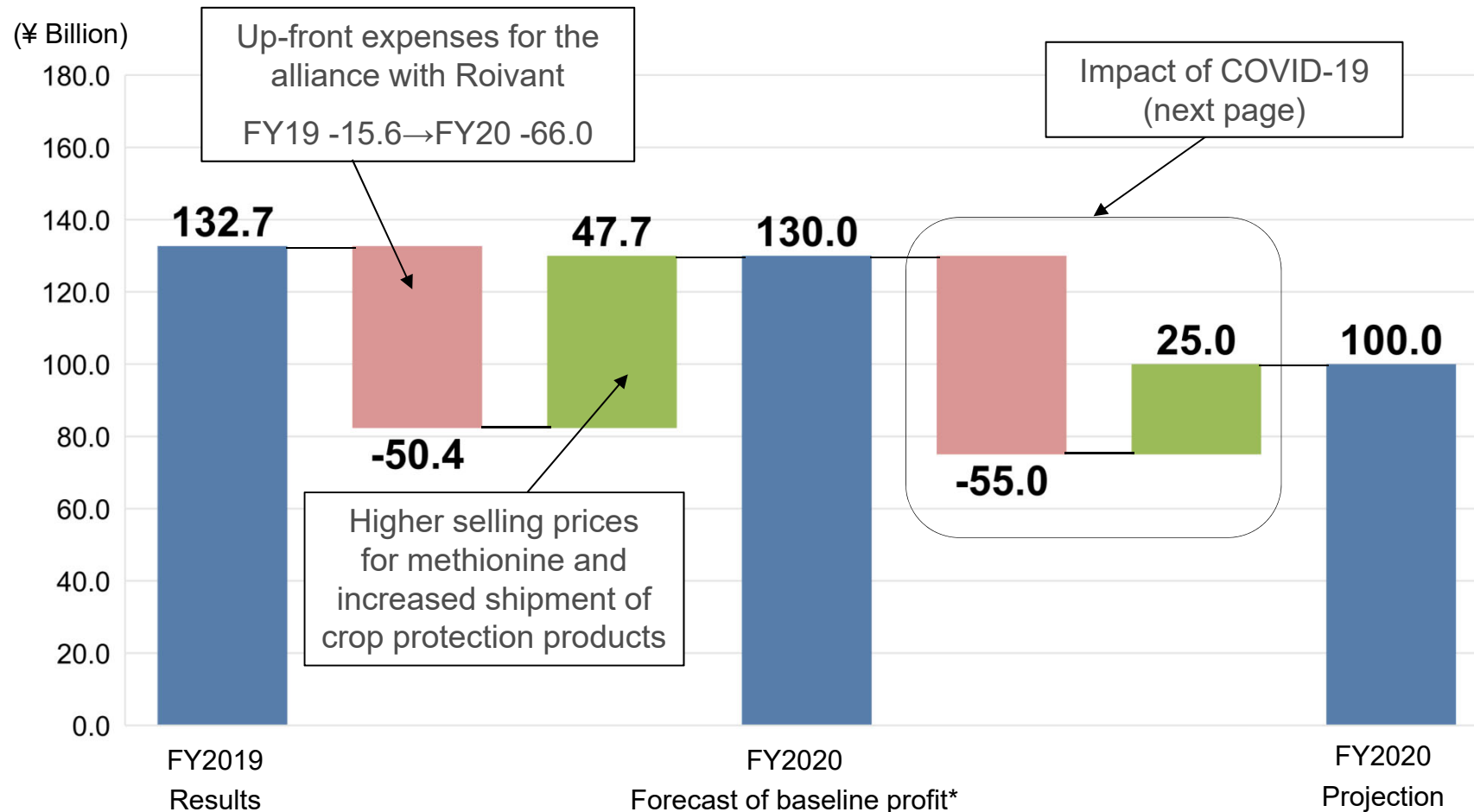


Unit; Billions of yen

	Previous Estimates	Revised Estimates	Difference	Ratio
Sales revenue	2,215.0	<b>2,215.0</b>	-	-
Core operating income	80.0	<b>100.0</b>	20.0	25.0%
(Non-recurring items)	(-10.0)	<b>(5.0)</b>	(15.0)	-
Operating income	70.0	<b>105.0</b>	35.0	50.0%
Net income attributable to owners of the parent	20.0	<b>30.0</b>	10.0	50.0%
ROE	2.2%	<b>3.2%</b>		
Exchange rate(yen/\$)	108.00	<b>107.47</b>		
Naphtha price(yen/KL)	30,000	<b>28,900</b>		
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>	

## 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 -30 bn yen

Projected  
as of 1Q FY20  
(-37 bn)

**1 Impact of COVID-19 pandemic -33 bn**

**Weaker automotive demand**



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

- Weaker demand in display has a limited impact on 2Q onward.
- No major impact is expected in the life science field including pharmaceuticals and crop protection products

**2 Others -22 bn (-18 bn)**

**Total downside risks -55 bn (-55 bn)**

Improved results of pharmaceuticals  
(including the cost-cutting effect) **+25 bn (+5 bn)**

**Total -30 bn (-50 bn)**

# 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
Petrochemicals & Plastics	545.0	<b>525.0</b>	-20.0	-28.0	<b>-33.0</b>	-5.0
Energy & Functional Materials	240.0	<b>240.0</b>	-	17.0	<b>18.0</b>	1.0
IT-related Chemicals	420.0	<b>430.0</b>	10.0	23.0	<b>36.0</b>	13.0
Health & Crop Sciences	430.0	<b>430.0</b>	-	31.0	<b>31.0</b>	-
Pharmaceuticals	525.0	<b>535.0</b>	10.0	37.0	<b>51.0</b>	14.0
Others & Adjustments	55.0	<b>55.0</b>	-	-	<b>-3.0</b>	-3.0
Total	2,215.0	<b>2,215.0</b>	-	80.0	<b>100.0</b>	20.0

**(Reference: Segment Information)**

Unit; Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference
Capital Expenditures	62.3	<b>57.8</b>	-4.4
Depreciation and Amortization	65.4	<b>64.7</b>	-0.7
Research & Development Expenses	79.4	<b>86.9</b>	7.4
Number of Employees (as of September 30)	33,076	<b>34,750</b>	1,674

Unit; Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference
Petrochemicals & Plastics	12.6	<b>10.1</b>	-2.5
Energy & Functional Materials	11.6	<b>14.1</b>	2.6
IT-related Chemicals	12.7	<b>6.3</b>	-6.4
Health & Crop Sciences	11.2	<b>8.2</b>	-2.9
Pharmaceuticals	9.4	<b>6.0</b>	-3.5
Others & Adjustments	4.7	<b>13.1</b>	8.4
Total	62.3	<b>57.8</b>	-4.4

Unit; Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference
Petrochemicals & Plastics	12.9	<b>13.2</b>	0.4
Energy & Functional Materials	8.4	<b>8.4</b>	0.0
IT-related Chemicals	14.3	<b>12.5</b>	-1.9
Health & Crop Sciences	13.6	<b>13.0</b>	-0.6
Pharmaceuticals	9.8	<b>11.0</b>	1.1
Others & Adjustments	6.4	<b>6.7</b>	0.3
<b>Total</b>	<b>65.4</b>	<b>64.7</b>	<b>-0.7</b>



Unit; Billions of yen

	FY2019 2nd Quarter	FY2020 2nd Quarter	Difference
Petrochemicals & Plastics	3.3	<b>3.3</b>	0.0
Energy & Functional Materials	3.7	<b>4.0</b>	0.3
IT-related Chemicals	8.9	<b>8.9</b>	-0.1
Health & Crop Sciences	14.5	<b>13.0</b>	-1.5
Pharmaceuticals	42.1	<b>50.3</b>	8.2
Others & Adjustments	6.9	<b>7.4</b>	0.4
<b>Total</b>	<b>79.4</b>	<b>86.9</b>	<b>7.4</b>

# Sales Revenue by Business Segment (Quarterly)

25

Unit: Billions of yen

	FY2019				FY2020		FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half (Estimated)
Petrochemicals & Plastics	177.5	174.7	166.1	138.6	108.2	135.4	243.6	281.4
Energy & Functional Materials	64.9	66.1	59.6	64.4	48.3	56.9	105.2	134.8
IT-related Chemicals	102.5	104.4	98.1	99.9	103.8	109.4	213.3	216.7
Health & Crop Sciences	71.9	74.4	72.2	125.2	88.9	97.2	186.1	244.0
Pharmaceuticals	125.8	121.7	134.8	133.6	140.8	135.4	276.1	258.9
Others & Adjustments	10.7	13.0	12.4	13.4	10.1	12.3	22.5	32.5
Total	553.2	554.3	543.2	575.1	500.2	546.6	1,046.8	1,168.2

# Core Operating Income by Business Segment (Quarterly)

26

Unit; Billions of yen

	FY2019				FY2020		FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half (Estimated)
Petrochemicals & Plastics	13.0	4.4	10.0	-12.9	-19.9	-11.4	-31.3	-1.7
Energy & Functional Materials	5.6	7.0	5.1	2.7	2.0	2.8	4.8	13.2
IT-related Chemicals	7.8	7.5	3.4	6.4	9.9	12.3	22.1	13.9
Health & Crop Sciences	-4.6	-3.6	-5.4	15.7	3.8	6.1	9.9	21.1
Pharmaceuticals	23.0	23.9	20.7	7.7	24.5	24.5	49.1	1.9
Others & Adjustments	-0.5	1.1	-2.0	-3.2	-0.2	-0.3	-0.5	-2.5
<b>Total</b>	<b>44.3</b>	<b>40.2</b>	<b>31.7</b>	<b>16.4</b>	<b>20.2</b>	<b>33.9</b>	<b>54.1</b>	<b>45.9</b>

Company	Sales Revenue		Profit Trends
	FY2019 2nd Quarter	FY2020 2nd Quarter	
The Polyolefin Company (Singapore) (Millions of USD)	547	416	↘ Sales volume decreased while strong margins were maintained.
Petrochemical Corporation of Singapore (Millions of USD)	1,244	875	↗ Profit margins slightly Improved.
Rabigh Refining and Petrochemical Company (Millions of SAR)	17,460	6,768	↘ Periodic shutdown maintenance in the current quarter lowered margins on oil refining and petrochemical products.
Dongwoo Fine-Chem (Billions of KRW)	1,311.6	1,315.4	↗ Profit increased after a change in product mix and forex impacts.
Valent U.S.A. and Subsidiaries (Millions of USD)	305	303	↗ Timing of recording expenses changed.