

## **Sumitomo Chemical Announces Consolidated Financial Results for FY2021**

With the rapid spread of the Omicron variant of COVID-19 since the end of last year, the surge in prices of natural resources and the supply chain disruptions stemming from Russia's invasion of Ukraine, and the sudden rise in inflation, mainly in the U.S., the growth momentum of the world economy during the period leveled off, but the recovery continued. In Japan, too, while there was growing concern about an economic downturn, the economy moderately recovered, and annual real GDP turned positive compared to the prior year.

Against this backdrop, the Sumitomo Chemical Group has been implementing its Corporate Business Plan (for fiscal 2019 - fiscal 2021), centered on the basic policies of accelerating the development of next-generation businesses, improving productivity through digital innovation, raising the sophistication of the company's business portfolio, and building a more robust financial structure. The Group has come together in working to create a sustainable society and to deliver sustainable growth through dramatic growth in productivity and acceleration of innovation.

As a result, the Sumitomo Chemical Group's sales revenue for the period increased by ¥478.3 billion compared to the prior year, to ¥2,765.3 billion. In terms of profits and losses, core operating income\* was ¥234.8 billion, operating income was ¥215.0 billion, and net income attributable to owners of the parent was ¥162.1 billion, all higher than the results from the previous year.

\*Core operating income is a gain and loss concept, reflecting recurring earning capacity, and deducts gains and losses incurred by non-recurring factors from operating income. It includes the share of profit from investments accounted for using the equity method.

The financial results by business segment for the fiscal 2021 are as follows:

### Petrochemicals & Plastics

Although the segment's consolidated financial results for fiscal 2021 were adversely affected by a shutdown for periodic maintenance at the company's Chiba Works, market conditions for synthetic resins, synthetic fibers, and a variety of industrial chemicals improved, and margins also improved, due to a recovery in demand as well as an increase in raw material prices. Therefore, sales revenue increased by ¥253.2 billion, to ¥842.5 billion, and core operating income recovered by ¥65.5 billion, to ¥53.5 billion, compared with the previous year, when the shipment volumes decreased due to the periodic shutdown maintenance for Rabigh Refining and Petrochemical Company, our equity method investee, and due to the impact of the COVID-19 pandemic mainly on demand for automotive use.

\*Sumitomo Chemical has changed the name of its Petrochemicals & Plastics Sector to "Essential Chemicals & Plastics Sector" as of April 1, 2022.

### Energy & Functional Materials

Shipments of separators for lithium-ion secondary batteries performed well. Market prices for aluminum and for the metal raw materials for cathode materials increased, resulting in higher selling prices. For the previous fiscal year, shipments had been lower, mainly for automotive use, due to the COVID-19 pandemic. As a result, sales revenue increased by ¥71.1 billion to ¥316.4 billion from the previous year, while core operating income at ¥20.1 billion was almost flat, because of a decline in margins resulting from a rise in raw material prices in the second half of the fiscal year.

### IT-related Chemicals

Shipments of processing materials for semiconductors (including high purity chemicals and photoresists) increased, driven by growing demand for these items. Besides, shipments of materials for display applications increased in the face of stay-at-home demand and telework demand continued from the previous year. Thereby sales revenue increased by ¥41.9 billion to ¥473.7 billion, and core operating income increased by ¥18.1 billion to ¥57.8 billion from the previous year.

### Health & Crop Sciences

Shipments of crop protection products in North America, South America and India stayed firm. Market prices of methionine (feed additives) increased from the previous year. Sales revenue consequently increased by ¥50.8 billion from the previous year, to ¥473.8 billion, and core operating income increased by ¥10.7 billion from the previous year, to ¥42.3 billion.

### Pharmaceuticals

In North America, Orgovyx™ (therapeutic agent for advanced prostate cancer), which was launched in the previous fiscal year, and Gemtesa® (therapeutic agent for overactive bladder) and Myfembree® (therapeutic agent for uterine fibroids), both of which commenced sales in the fiscal year under review, as well as the recording of a lump-sum upfront payment for the collaboration and license agreement for joint development and commercialization, contributed to sales revenue. These more than offset the negative impact of sales declines for drugs such as Latuda® (atypical antipsychotic agent) and Brovana® (therapeutic agent for chronic obstructive pulmonary disease), the latter of which saw its exclusive marketing period expire. On the other hand, in Japan, sales revenues were adversely affected by the National Health Insurance (NHI) drug price revisions. As a result, sales revenue increased by ¥45.3 billion from the previous year, to ¥591.7 billion. Core operating income declined by ¥10.0 billion compared to the previous fiscal year, to ¥61.7 billion, despite an increase in sales revenue, attributable to a significant increase in selling, general and administrative expenses associated with the launch of new products.

### Others

In addition to the above five segments, the Sumitomo Chemical Group supplies electric power and steam, designs chemical plants and supervises the construction of those facilities, provides transportation and warehousing, and conducts physical property analysis and environmental analysis. Sales revenue of these businesses increased by ¥16.1 billion from the previous year, to ¥67.2 billion, and core operating income increased by ¥3.0 billion from the previous year, to ¥15.8 billion.

Sumitomo Chemical has decided to pay a year-end dividend of ¥14 per share. As a result, the Company's annual dividend for fiscal 2021 is ¥24 per share, including an interim dividend of ¥10 per share.

As of the end of the consolidated 2021 fiscal year, total assets increased by ¥317.9 billion compared to the previous year, to ¥4,308.2 billion. Inventories and trade and other receivables increased.

Total liabilities increased by ¥98.0 billion compared to the end of the previous year, to ¥2,606.2 billion. Interest-bearing liabilities decreased by ¥0.6 billion compared to the prior year, to ¥1,350.5 billion.

Total equity (including non-controlling interests) increased by ¥219.9 billion compared to the end of the previous fiscal year, to ¥1,702.0 billion, due to an increase in retained earnings and other components of equity. The ratio of equity attributable to the owners of the parent company increased by 2.8 percentage points compared to the end of the prior fiscal year, to 28.3%.

Net cash from operating activities in fiscal 2021 was a net inflow of ¥171.7 billion, a decrease of ¥202.7 billion from the previous fiscal year because of an increase in working capital and other factors.

Net cash from investing activities was a net outflow of ¥115.4 billion, compared to a net outflow of ¥177.4 billion in the prior fiscal year, a reduction of ¥62.0 billion, because in the prior fiscal year there were outflows relating to a loan to Rabigh Refining and Petrochemical Company.

This resulted in positive free cash flow of ¥56.3 billion for fiscal 2021, compared with positive free cash flow of ¥197.1 billion for fiscal 2020.

Net cash outflows from financing activities were ¥81.4 billion. The balance of cash and cash equivalents at the end of fiscal 2021 increased by ¥4.5 billion compared to the end of fiscal 2020, to ¥365.4 billion.

For fiscal 2022, the Company forecasts that sales revenue will increase compared to fiscal 2021, to ¥3,120.0 billion, core operating income and operating income are projected to be ¥200.0 billion and ¥180.0 billion, respectively, and net income attributable to owners of the parent to be ¥125.0 billion, assuming an exchange rate of ¥125.0/US\$ and a naphtha price of ¥80,000/kl.

Although we cannot anticipate when COVID-19 will be controlled, we do not expect there to be any material impact from it on the Sumitomo Chemical Group's financial results in fiscal 2022 or beyond. In addition, there continues to be considerable uncertainty regarding the future situation in Ukraine, and we will continue to pay close attention to developments there.

The Company plans to pay an interim dividend of ¥12 per share and a year-end dividend of ¥12 per share, making the Company's annual dividend for fiscal 2022 ¥24 per share, unchanged from fiscal 2021.

**Consolidated statement of financial position**  
Years ended March 31, 2022 (FY2021) and 2021 (FY2020)

	Millions of yen		Thousands of US dollars*
	FY2021	FY2020	FY2021
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	365,429	360,918	2,985,775
Trade and other receivables	720,422	652,616	5,886,282
Other financial assets	23,991	12,814	196,021
Inventories	651,358	511,529	5,321,987
Other current assets	51,442	46,552	420,312
subtotal	1,812,642	1,584,429	14,810,377
Assets held for sale	—	42	—
<b>Total current assets</b>	<b>1,812,642</b>	<b>1,584,471</b>	<b>14,810,377</b>
Non-current assets:			
Property, plant and equipment	823,022	793,500	6,724,585
Goodwill	244,517	220,295	1,997,851
Intangible assets	471,109	450,172	3,849,244
Investments accounted for using the equity method	289,968	243,803	2,369,213
Other financial assets	474,899	528,826	3,880,211
Retirement benefit assets	89,538	80,455	731,579
Deferred tax assets	49,121	41,406	401,348
Other non-current assets	53,335	47,326	435,780
Total non-current assets	2,495,509	2,405,783	20,389,811
<b>Total assets</b>	<b>4,308,151</b>	<b>3,990,254</b>	<b>35,200,188</b>
<b>Liabilities and equity</b>			
Liabilities			
Current liabilities:			
Bonds and borrowings	261,280	250,389	2,134,815
Trade and other payables	551,583	522,887	4,506,765
Other financial liabilities	84,137	55,913	687,450
Income taxes payable	24,515	38,410	200,302
Provisions	129,709	106,968	1,059,801
Other current liabilities	122,267	116,125	998,995
<b>Total current liabilities</b>	<b>1,173,491</b>	<b>1,090,692</b>	<b>9,588,128</b>
Non-current liabilities:			
Bonds and borrowings	1,089,190	1,100,677	8,899,338
Other financial liabilities	101,718	81,117	831,097
Retirement benefit liabilities	33,091	37,179	270,373
Provisions	36,502	25,115	298,243
Deferred tax liabilities	101,299	101,854	827,674
Other non-current liabilities	70,883	71,501	579,158
Total non-current liabilities	1,432,683	1,417,443	11,705,883
<b>Total liabilities</b>	<b>2,606,174</b>	<b>2,508,135</b>	<b>21,294,011</b>
Equity			
Share capital	89,699	89,699	732,895
Capital surplus	27,089	26,882	221,333
Retained earnings	974,382	854,538	7,961,288
Treasury shares	(8,343)	(8,334)	(68,167)
Other components of equity	135,274	56,445	1,105,270
Equity attributable to owners of the parent	1,218,101	1,019,230	9,952,619
Non-controlling interests	483,876	462,889	3,953,558
<b>Total equity</b>	<b>1,701,977</b>	<b>1,482,119</b>	<b>13,906,177</b>
<b>Total liabilities and equity</b>	<b>4,308,151</b>	<b>3,990,254</b>	<b>35,200,188</b>

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of  
¥122.39= \$1 prevailing on March 31, 2022.

**Consolidated statement of profit or loss**  
Years ended March 31, 2022 (FY2021) and 2021 (FY2020)

	Millions of yen		Thousands of US dollars*
	FY2021	FY2020	FY2021
Sales revenue	2,765,321	2,286,978	22,594,338
Cost of sales	(1,891,458)	(1,515,782)	(15,454,351)
Gross profit	873,863	771,196	7,139,987
Selling, general and administrative expenses	(690,860)	(631,270)	(5,644,742)
Other operating income	10,533	26,673	86,061
Other operating expenses	(20,713)	(17,025)	(169,238)
Share of profit or loss of investments accounted for using the equity method	42,180	(12,459)	344,636
Operating income	215,003	137,115	1,756,704
Finance income	59,194	19,868	483,651
Finance expenses	(23,061)	(19,180)	(188,423)
Income before taxes	251,136	137,803	2,051,932
Income tax expenses	(64,699)	(69,729)	(528,629)
Net income	186,437	68,074	1,523,303
Net income attributable to:			
Owners of the parent	162,130	46,043	1,324,700
Non-controlling interests	24,307	22,031	198,603
Net income	186,437	68,074	1,523,303

	Yen		US dollars*
	FY2021	FY2020	FY2021
Earnings per share:			
Basic earnings per share	99.16	28.16	0.81
Diluted earnings per share	—	—	—

	Yen		US dollars*
	FY2021	FY2020	FY2021
Dividends per share:			
Interim dividends	10.00	6.00	0.08
Year-end dividends	14.00	9.00	0.11
For the year	24.00	15.00	0.20

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of  
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**Consolidated statement of comprehensive income**  
Years ended March 31, 2022 (FY2021) and 2021 (FY2020)

	Millions of yen		Thousands of US dollars*
	FY2021	FY2020	FY2021
Net income	186,437	68,074	1,523,303
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of financial assets measured at fair value through other comprehensive income	(51,797)	13,405	(423,213)
Remeasurements of defined benefit plans	7,549	18,867	61,680
Share of other comprehensive income of investments accounted for using the equity method	(881)	3,440	(7,198)
Total items that will not be reclassified to profit or loss	(45,129)	35,712	(368,731)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge	(5,904)	(3,015)	(48,239)
Exchange differences on translation of foreign operations	103,499	36,890	845,649
Share of other comprehensive income of investments accounted for using the equity method	15,964	(1,701)	130,435
Total items that may be subsequently reclassified to profit or loss	113,559	32,174	927,845
Other comprehensive income, net of taxes	68,430	67,886	559,114
<b>Total comprehensive income</b>	<b>254,867</b>	<b>135,960</b>	<b>2,082,417</b>
Total comprehensive income attributable to:			
Owners of the parent	229,765	108,727	1,877,318
Non-controlling interests	25,102	27,233	205,099
<b>Total comprehensive income</b>	<b>254,867</b>	<b>135,960</b>	<b>2,082,417</b>

(Note)

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**Consolidated statement of cash flows**  
Years ended March 31, 2022 (FY2021) and 2021 (FY2020)

	Millions of yen		Thousands of US dollars*
	FY2021	FY2020	FY2021
<b>Cash flows from operating activities:</b>			
Income before taxes	251,136	137,803	2,051,932
Depreciation and amortization	156,667	136,017	1,280,064
Impairment loss	8,111	40,833	66,272
Share of (profit) loss of investments accounted for using the equity method	(42,180)	12,459	(344,636)
Interest and dividend income	(9,976)	(8,440)	(81,510)
Interest expenses	16,111	16,091	131,637
Business structure improvement expenses	10,572	6,323	86,380
Changes in fair value of contingent consideration	(3,282)	(22,463)	(26,816)
(Gain) loss on sale of property, plant and equipment	(718)	(18,730)	(5,866)
(Increase) decrease in trade receivables	(19,465)	(22,426)	(159,041)
(Increase) decrease in inventories	(98,247)	12,644	(802,737)
Increase (decrease) in trade payables	(39,188)	48,270	(320,190)
Increase (decrease) in unearned revenue	565	47,976	4,616
Increase (decrease) in provisions	15,559	16,513	127,126
Others, net	(9,620)	28,094	(78,601)
Subtotal	236,045	430,964	1,928,630
Interest and dividends received	22,258	15,968	181,861
Interest paid	(15,404)	(15,860)	(125,860)
Income taxes paid	(68,323)	(54,401)	(558,240)
Business structure improvement expenses paid	(2,861)	(2,207)	(23,376)
Net cash provided by operating activities	171,715	374,464	1,403,015
<b>Cash flows from investing activities:</b>			
Net (increase) decrease in securities	(7,529)	(2,644)	(61,516)
Purchase of property, plant and equipment, and intangible assets	(107,467)	(120,812)	(878,070)
Proceeds from sale of property, plant and equipment, and intangible assets	2,537	24,371	20,729
Purchase of investments in subsidiaries	—	(3,355)	—
Purchase of other financial assets	(15,768)	(8,074)	(128,834)
Proceeds from sales and redemption of other financial assets	16,540	20,935	135,142
Increase in loans receivable	(1,259)	(81,760)	(10,287)
Others, net	(2,475)	(6,050)	(20,223)
Net cash used in investing activities	(115,421)	(177,389)	(943,059)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	(3,158)	(237,585)	(25,803)
Net decrease of commercial paper	10,000	(2,000)	81,706
Proceeds from long-term borrowings	46,154	202,403	377,106
Repayments of long-term borrowings	(77,132)	(58,517)	(630,215)
Proceeds from issuance of bonds	34,808	158,734	284,402
Redemption of bonds	(34,259)	(45,000)	(279,917)
Repayments of finance lease obligations	(15,984)	(15,149)	(130,599)
Cash dividends paid	(31,068)	(19,620)	(253,844)
Cash dividends paid to non-controlling interests	(11,195)	(16,775)	(91,470)
Proceeds from sale of subsidiaries' interests to non-controlling interests	—	10,841	—
Payments for acquisition of subsidiaries' interests from non-controlling interests	(3,999)	(19,396)	(32,674)
Others, net	4,439	2,090	36,270
Net cash provided by (used in) financing activities	(81,394)	(39,974)	(665,038)
Effect of exchange rate changes on cash and cash equivalents	29,611	23,169	241,940
Net increase (decrease) in cash and cash equivalents	4,511	180,270	36,858
Cash and cash equivalents at beginning of year	360,918	180,648	2,948,917
Cash and cash equivalents at end of year	365,429	360,918	2,985,775

(Note)

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**Segment information**  
Years ended March 31, 2022 (FY2021) and 2021 (FY2020)

Millions of yen

	Reporting segments							Adjustments	Consolidated
	Petro-chemicals&Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others		
FY2021									
Sales revenue									
Sales revenues from external customers	842,511	316,386	473,742	473,778	591,709	2,698,126	67,195	—	2,765,321
Inter-segment sales revenues	5,421	12,359	447	7,060	15	25,302	62,409	(87,711)	—
<b>Total sales revenue</b>	<b>847,932</b>	<b>328,745</b>	<b>474,189</b>	<b>480,838</b>	<b>591,724</b>	<b>2,723,428</b>	<b>129,604</b>	<b>(87,711)</b>	<b>2,765,321</b>
Segment profit (core operating income)	53,515	20,058	57,827	42,253	61,712	235,365	15,784	(16,370)	234,779
Segment assets	908,536	356,926	501,405	841,677	1,367,378	3,975,922	335,478	(3,249)	4,308,151
Other items									
Depreciation and amortization	26,282	19,127	26,671	26,942	41,164	140,186	7,782	8,699	156,667
Share of profit of investments accounted for using the equity method	31,044	142	64	210	9	31,469	10,437	274	42,180
Impairment loss	1,386	2,604	3,088	14	910	8,002	—	109	8,111
Reversal of impairment loss	—	—	4	—	—	4	—	—	4
Investments accounted for using the equity method	153,473	273	498	8,327	1,085	163,656	128,904	(2,592)	289,968
Capital expenditures	25,300	26,764	16,608	16,818	19,638	105,128	6,503	7,892	119,523
FY2020									
Sales revenue									
Sales revenues from external customers	589,323	245,249	431,819	423,011	546,450	2,235,852	51,126	—	2,286,978
Inter-segment sales revenues	4,470	9,287	570	4,976	13	19,316	52,546	(71,862)	—
<b>Total sales revenue</b>	<b>593,793</b>	<b>254,536</b>	<b>432,389</b>	<b>427,987</b>	<b>546,463</b>	<b>2,255,168</b>	<b>103,672</b>	<b>(71,862)</b>	<b>2,286,978</b>
Segment profit (loss) (core operating income)	(11,991)	20,265	39,733	31,547	71,672	151,226	12,752	(16,363)	147,615
Segment assets	793,892	322,265	431,151	734,674	1,364,461	3,646,443	320,762	23,049	3,990,254
Other items									
Depreciation and amortization	26,632	17,825	25,512	26,887	25,617	122,473	7,657	5,887	136,017
Share of profit (loss) of investments accounted for using the equity method	(22,019)	(60)	(20)	701	(27)	(21,425)	8,549	417	(12,459)
Impairment loss	965	1,322	2,532	294	35,720	40,833	—	—	40,833
Reversal of impairment loss	—	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	119,399	131	435	8,045	681	128,691	117,978	(2,866)	243,803
Capital expenditures	19,896	23,029	12,222	16,287	14,012	85,446	18,583	8,675	112,704



## Segment information

Years ended March 31, 2022 (FY2021) and 2021 (FY2020)

Adjustments to income before taxes from segment profit were as follows:

	Millions of yen	
	FY2021	FY2020
Segment profit	234,779	147,615
Restructuring charges	(10,572)	(6,323)
Impairment loss	(8,111)	(40,833)
Changes in fair value of contingent consideration	3,282	22,463
Gain on sale of property, plant and equipment	718	18,730
Others, net	(5,093)	(4,537)
Operating income	215,003	137,115
Finance income	59,194	19,868
Finance expenses	(23,061)	(19,180)
Income before taxes	251,136	137,803

## Overseas operations

Years ended March 31, 2022 (FY2021) and 2021 (FY2020)

	FY2021				FY2020
	Millions of yen	Thousands of US dollars*	Share (%)	Growth (%)	Millions of yen
Overseas operations	1,871,467	15,291,012	67.7	19.9	1,561,398

(Note)

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(Cautionary statement)

This release of financial results is exempt from audit procedures.

Statements made in this release with respect to the Company'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.