

Announcement of Impairment Loss

Sumitomo Chemical Co., Ltd. (the “Company”) announces that impairment losses were posted in the fourth quarter of the fiscal year ended March 31, 2023, as detailed below.

1. Posting the Impairment Loss

The Company became aware of indications of impairment for a portion of assets belonging to the Company and its consolidated subsidiaries. After consideration of the recoverable amount for those assets, the Company has reported impairment losses.

In the consolidated financial statements, impairment losses of ¥53,027 million were posted in the following accounts: “Cost of sales”, “Selling, general and administrative expenses” and “Other operating expenses”. In addition, in the non-consolidated financial statements, 16,198 million yen of impairment losses were recorded as “Extraordinary losses.”

The major cash-generating units recognized impairment losses are as follows.

(i) Results of research and development with respect to compounds under development (dubermatinib)
After discontinuing a Phase 1/2 study (a clinical study led by an external research organization) for acute myeloid leukemia (AML), Sumitomo Pharma Co., Ltd., the Company’s consolidated subsidiary, decided not to continue the development for TP-0903 (dubermatinib), for which it had been considering the development strategy. As a result, the entire cost of in-process research and development related to TP-0903 was posted as an impairment loss of ¥20,598 million (US\$152 million).

(ii) Methionine production facilities

Regarding the methionine business in the Health & Crop Sciences Sector, the Company reviewed the forecast of its earnings because the profitability of the business declined due to higher costs stemming from sharply higher prices for raw materials and fuel, as well as due to a deterioration in the demand and supply environment, which led to lower selling prices. As a result, the carrying amount of the methionine production facilities was written down to its value in use of ¥17,083 million, and an impairment loss of ¥15,763 million was posted.

2. Impact on the Financial Results

The above-mentioned impairment losses have been factored into a previous press release dated February 1, 2023, entitled “Sumitomo Chemical Announces Revisions to Its Financial Forecast and Projected Dividend for the Full Year Ending March 31, 2023.”