

Sumitomo Chemical Announces Impairment Loss and Revisions to Its Financial Forecast for the Half-Year Ended September 30, 2023

Sumitomo Chemical Co., Ltd. (the “Company”) announces that an impairment loss will be posted in the second quarter ended September 30, 2023. In addition, based on recent performance trends, the Company has made revisions to its consolidated financial forecast for the half-year ended September 30, 2023, previously announced on May 15, 2023, as detailed below.

1. Posting the Impairment Loss

Regarding the methionine (feed additives) production facilities, due to higher costs stemming from sharply higher prices for raw materials and fuel, as well as a deterioration in the supply and demand environment, which led to lower selling prices, their carrying amount was written down to its value in use, and the impairment loss was recognized in the fiscal year ended March 31, 2023. Initially, the decline in demand was expected to be temporary, but due to the economic downturn caused by global inflation, it is now assumed that demand will remain weak for a longer period, and selling prices will not increase as much as originally anticipated. Therefore, the Company reviewed the forecast of the earnings of its methionine business, and posted an impairment loss of ¥14,600 million, which is the entire carrying amount of the facilities.

Future initiatives for this business will be explained with consolidated financial results for the half-year ended September 30, 2023, which are scheduled to be announced on November 1, 2023.

2. Revisions to Consolidated Financial Forecast for the Half-Year Ended September 30, 2023

(Millions of yen)

	Sales Revenue	Core Operating Income *	Operating Income	Net Income Attributable to Owners of the Parent	Earnings per Share (yen)
Previous forecast (A)	1,370,000	-30,000	-45,000	-30,000	-18.35
Revised forecast (B)	1,187,000	-97,000	-134,000	-76,000	-46.48
Variance in amount (B-A)	-183,000	-67,000	-89,000	-46,000	
Variance in percentage (%)	-13.4%	-	-	-	
Results for Half-Year ended September 30, 2022	1,528,563	115,620	60,567	81,063	49.58

* 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.

Reasons for the Revision

Regarding the consolidated financial forecast for the half-year ended September 30, 2023, in Essential Chemicals & Plastics, the global economic downturn resulted in a decrease in demand and a deterioration in margins for petrochemical products. In addition, in Health & Crop Sciences, crop protection products inventory was liquidated in the midst of weaker demand in South America, and the methionine business deteriorated as noted in “1. Posting the Impairment Loss” above. As a result, sales revenue and core operating income are forecasted to be lower than the previous forecast. Moreover, operating income is expected to fall short of the previous forecast due to the decrease in core operating income, in addition to the impact of the impairment loss mentioned above. Net income attributable to owners of the parent is also expected to be lower than the previous forecast, despite foreign exchange gains from the weak yen, because of lower operating income.

The revised forecast for the full-year ending March 31, 2024 will be explained with consolidated financial results for the half-year ended September 30, 2023, which are scheduled to be announced on November 1, 2023.

Cautionary Statement

Statements made in this document 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.

Information:

Financial Forecast by Segment for the Half-Year Ended September 30, 2023

(Millions of yen)

		Fiscal 2023 Previous Forecast (A)	Fiscal 2023 Revised Forecast (B)	Variance in Amount (B-A)	Results for Half-Year ended September 30, 2022
Essential Chemicals & Plastics	Sales revenue	480,000	390,000	-90,000	467,299
	Core operating income	-17,000	-44,000	-27,000	23,270
Energy & Functional Materials	Sales revenue	180,000	150,000	-30,000	173,505
	Core operating income	5,000	7,000	2,000	13,448
IT-related Chemicals	Sales revenue	200,000	204,000	4,000	222,194
	Core operating income	12,000	18,000	6,000	26,432
Health & Crop Sciences	Sales revenue	290,000	241,000	-49,000	293,902
	Core operating income	24,000	-8,000	-32,000	36,310
Pharmaceuticals	Sales revenue	180,000	167,000	-13,000	334,445
	Core operating income	-49,000	-66,000	-17,000	25,191
Others / Adjustments	Sales revenue	40,000	35,000	-5,000	37,218
	Core operating income	-5,000	-4,000	1,000	-9,031
Total	Sales revenue	1,370,000	1,187,000	-183,000	1,528,563
	Core operating income	-30,000	-97,000	-67,000	115,620