

Investors' Meeting for FY2023 3rd Quarter Financial Results

Keiichi Iwata – President

February 2, 2024



Change and Innovation

~ with the **Power** of Chemistry ~



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Revision to FY2023 business performance and dividend forecast



- Full year core operating P/L has been revised down to -145 bn. yen due to expanding losses at PetroRabigh and a substantial decline in profits at Sumitomo Pharma.
- Excluding PetroRabigh and Sumitomo Pharma, business performance continues to improve each period.
- Revised down net income to -245 bn. yen, including expenses related to structural reforms.
- Year-end dividend is revised to 3 yen per share due to substantial changes in the situation since our previous forecast from November.

Progress on measures to improve business performance



- Cash generation target of 500 billion yen is progressing more smoothly than expected, and at this point it is certain that we will achieve 350 billion yen.
- In response to deterioration in business performance, we are accelerating immediate-term, concentrated measures to improve business performance and adding more reform projects.
- Fundamental structural reforms are also being pushed forward ahead of plan by a dedicated team.
- In April 2024, we will provide more detail on the V-shaped recovery planned for FY2024 and progress on structural reforms.

Section

1

FY2023 3rd Quarter Financial Results

FY2023 3Q Performance Actual vs FY2022 3Q Actual

(Billions of yen)

	FY2022 3Q Actual	FY2023 3Q Actual	Change	Reasons for change
Sales Revenue	2,257.0	1,806.9	-450.2	
Core Operating Income	142.2	-113.9	-256.0	Deterioration of earnings at Sumitomo Pharma and PetroRabigh
Non-recurring Items	-70.7	-46.8	24.0	Sumitomo Pharma impairment loss from the previous period
Operating Income (IFRS)	71.4	-160.6	-232.1	
Finance income/expenses	23.3	0.7	-22.7	
Taxes	-53.1	-5.0	48.1	
Net income attributable to non-controlling interests	18.6	55.2	36.6	
Net Income Attributable to Owners of the Parent	60.3	-109.8	-170.1	
Naphtha price	¥80,000/kl	¥68,400/kl		
Exchange rate	¥136.49/\$	¥143.33/\$		

FY2023 3Q Core Operating Income by Sector

(Billions of yen)

	FY2023 3Q Actual	Situation
Essential Chemicals & Plastics	-62.0	Reduced demand, historically low margins, and the impact from scheduled maintenance and operational failures at PRC.
(PRC broken out)	(-39.6)	
Energy & Functional Materials	9.4	Delayed recovery in demand for electrical and electronic products. Maintained a certain level of earnings thanks to expanded sales and rationalization, etc.
IT-related Chemicals	36.8	In display materials, competition is intensifying in materials for large LCDs while small to mid-sized OLED panels enjoy strength. Market for semiconductor materials remains at a standstill.
Health & Crop Sciences	-1.4	In methionine, market prices are turning around as supply tightens. Improve earnings through optimal production. 4Q should be a strong season for demand for crop protection products.
Pharmaceuticals	-95.6	Sales of 3 core products somewhat lackluster.
Others	-1.1	
Total	-113.9	

FY2023 Core Operating Income by Sector (Quarterly)

((Billions of yen))

	1Q Actual	2Q Actual	3Q Actual
Essential Chemicals & Plastics (excl. PRC)	-8.3	-6.9	-7.2
Energy & Functional Materials	3.0	3.5	2.9
IT-related Chemicals	6.7	11.2	19.0
Health & Crop Sciences	-7.0	-0.5	6.2
Others ^{※1}	-1.7	-1.5	2.9
Subtotal (excl. PRC and SMP)	-7.3	5.8	23.7
PRC	-12.7	-16.5	-10.3
SMP	-33.5	-32.3	-30.5
Total	-53.6	-43.1	-17.2

※1: Other includes business performance from the non-Sumitomo Pharma pharmaceuticals segment

Section

2

Revision to FY2023 business
performance and dividend
forecast

FY2023 Performance Forecast vs FY2023 Forecast (November)

(Billions of yen)

	FY2023 Forecast (November)	FY2023 Forecast	Change	Reasons for change	FY2022 Actual
Sales Revenue	2,700.0	2,480.0	-220.0	Reduced sales on delayed recovery in demand, etc.	2,895.3
Core Operating Income	-70.0	-145.0	-75.0	See the next page.	92.8
Non-recurring Items	-55.0	-140.0	-85.0	Includes structural reform expenses	-123.7
Operating Income (IFRS)	-125.0	-285.0	-160.0		-31.0
Finance Income/expenses	5.0	5.0	0		31.2
Taxes	-15.0	-35.0	-20.0	Reversal of deferred tax assets	-47.1
Net income attributable to non-controlling interests	40.0	70.0	30.0	Growing losses at Sumitomo Pharma	53.9
Net Income Attributable to Owners of the Parent	-95.0	-245.0	-150.0		7.0
Naphtha price	¥70,000/kl	¥69,000/kl			¥76,600/kl
Exchange rate	¥143.03/\$	¥143.75/\$			¥135.50/\$

FY2023 Core Operating Income by Sector vs FY2023 Forecast (November) SUMITOMO CHEMICAL

(Billions of yen)

	FY2023 Forecast (November)	FY2023 Forecast	Change	Reasons for change	FY2022 Actual
Essential Chemicals & Plastics	-75.0	-87.0	-12.0		-34.2
(PRC broken out)	(-50.0)	(-63.0)	(-13.0)	Trade terms and conditions worsened at PRC	(-10.6)
Energy & Functional Materials	2.0	5.0	3.0		15.2
IT-related Chemicals	33.0	38.0	5.0		47.6
Health & Crop Sciences	40.0	40.0	0		57.3
Others	-1.0	-10.0	-9.0		-9.3
Subtotal	-1.0	-14.0	-13.0		76.6
Pharmaceuticals	-69.0	-131.0	-62.0	Delay in expand sales of the 3 core products, etc.	16.2
Total	-70.0	-145.0	-75.0		92.8

※These PRC forecasts are estimates made by Sumitomo Chemical based on PRC disclosures from January 16.

FY2023 Core Operating Income by Sector (Quarterly)

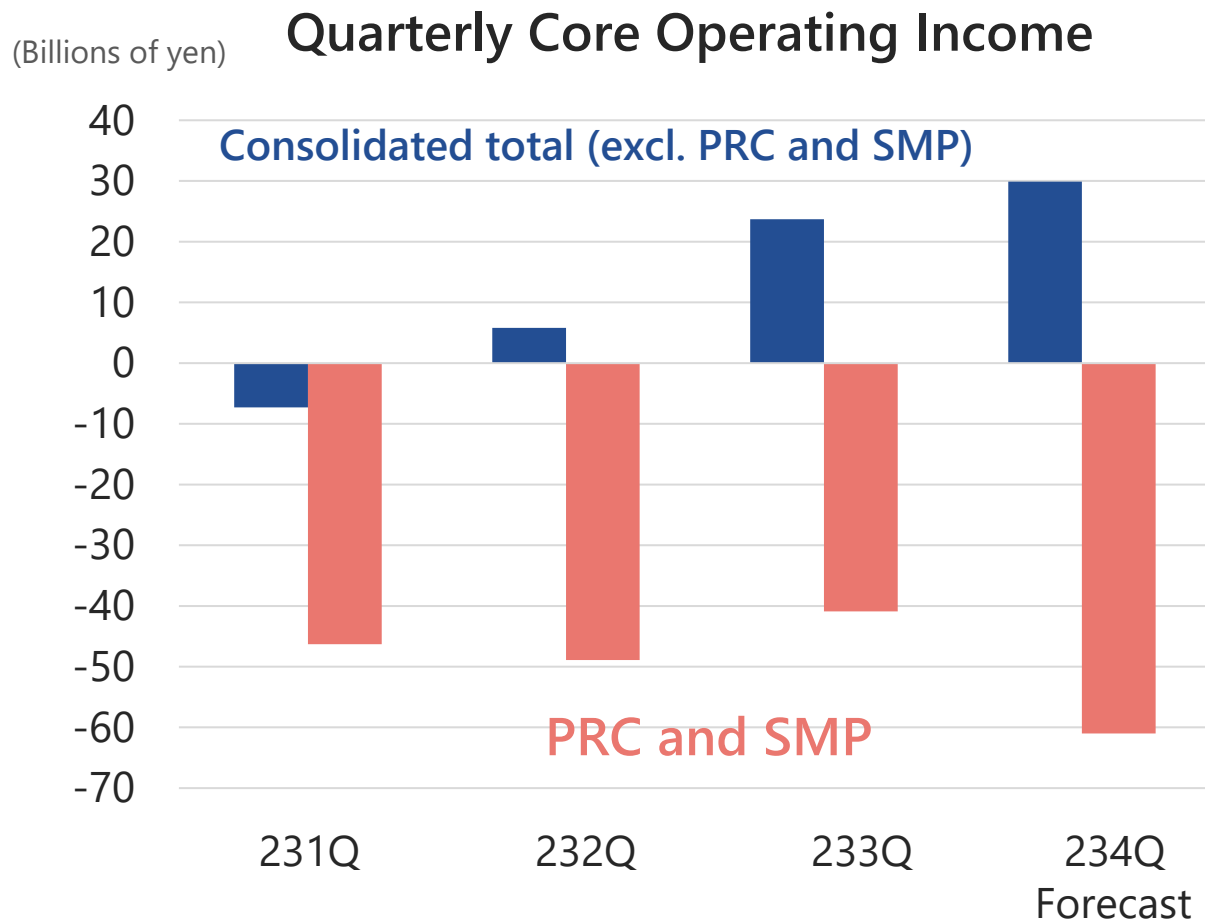
((Billions of yen))

	1Q Actual	2Q Actual	3Q Actual	4Q Forecast	FY2023 Forecast
Essential Chemicals & Plastics(excl. PRC)	-8.3	-6.9	-7.2	-1.6	-24.0
Energy & Functional Materials	3.0	3.5	2.9	-4.4	5.0
IT-related Chemicals	6.7	11.2	19.0	1.2	38.0
Health & Crop Sciences	-7.0	-0.5	6.2	41.4	40.0
Others ^{※1}	-1.7	-1.5	2.9	-6.7	-7.0
Subtotal (excl. PRC and SMP)	-7.3	5.8	23.7	29.9	52.0
PRC	-12.7	-16.5	-10.3	-23.4 ^{※2}	-63.0
SMP	-33.5	-32.3	-30.5	-37.6	-134.0
Total	-53.6	-43.1	-17.2	-31.1	-145.0

※1: Other includes business performance from the non-Sumitomo Pharma pharmaceuticals segment

※2: PRC Q4 forecasts are estimates made by Sumitomo Chemical based on PRC disclosures from January 16.

Recovery trend in business performance outside of PRC and SMP



Recovery in business performance,
mainly due to IT-related Chemicals
and Health & Crop Sciences
Further expansion of business



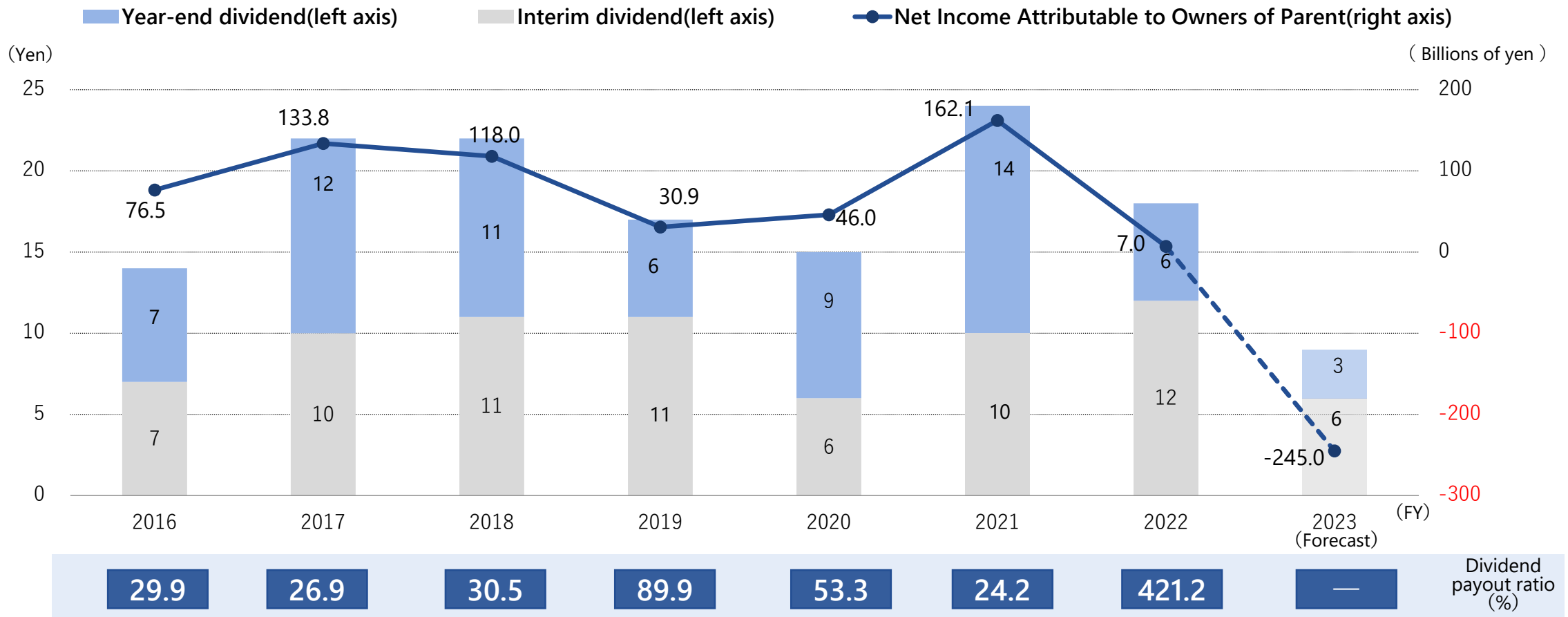
PRC and Sumitomo Pharma are
management's greatest challenges
Urgently pursuing fundamental
structural reforms

Description of -140 bn. yen in non-ordinary items in full year forecast

(Billions of yen)

	3Q cumulative	4Q projection	Full year total
Methionine impairment loss	-14.6	-1.4	-16.0
Reorganization of North American subsidiaries at SMP	-20.5	-0.5	-21.0
Expenses related to structural reforms (Mainly Essential Chemicals)	-11.8	-91.2	-103.0
Total	-46.8	-93.2	-140.0

Revised year-end dividend to 3 yen per share on widening net losses







Section

3

Progress on measures
to improve business
performance

Progress on Immediate-term, Concentrated Measures to Improve Business Performance (Summary)

Various projects are making steady progress toward a solid V-shaped recovery in FY2024

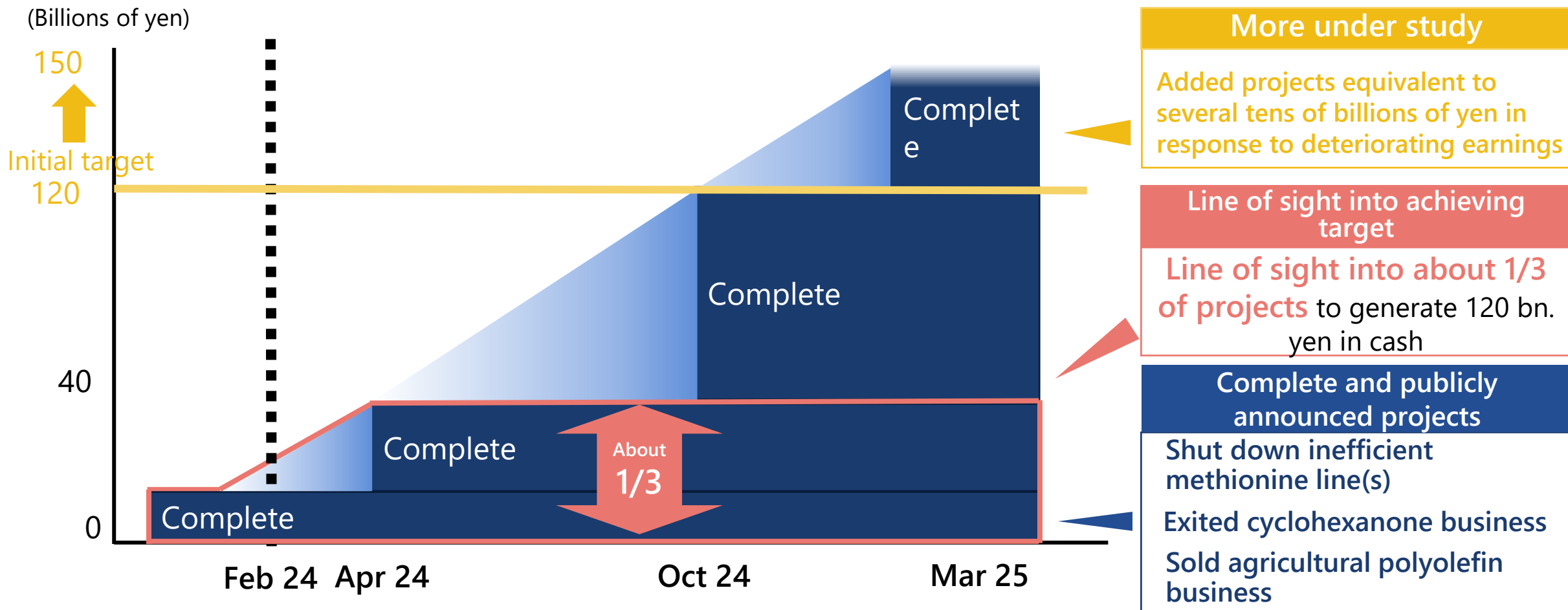
Targets		Progress
Cash generation target	500 bn. yen by the end of FY2024	▶ Certain line of sight into more than 350 billion yen.
 Rebuild businesses	Cash generation: 120 bn. yen (about 30 projects, Core OP: 50 bn. yen)	▶ Have published releases on 3 projects ▶ Already about 1/3 (cash basis) has been achieved or is in final negotiations
 Reduce inventories	Reduction of approx. 150 bn. yen vs. the end of FY2023 H1	▶ Progressing in line with plan ▶ 110 bn. yen reduction as of the end of FY2023
 More selective investments	Cut 100 bn. yen from the current plan while sustaining investment in growth	▶ Aim to reduce another 30-50 bn. yen
 Sell assets and leverage surplus funds	Sale of cross-shareholdings: 50 bn. yen Surplus funds: 70 bn. yen Sale of other assets: 30 bn. yen	▶ Results through 3Q: Sold approx. 31 bn. yen ▶ Projecting approx. 70 bn. yen at the end of FY2023 ▶ Sales of shares in Inabata & Co., Ltd. (Approx. 23 bn. yen)

Progress in rebuilding businesses

Line of sight into **about 1/3** of projects to generate 120 bn. yen in cash. Add on more projects.



Illustration of the status of about 30 projects to rebuild businesses



Progress on inventory reductions and investment down-selection

Inventory reductions and investment down-selection both progressing in line with plan



End of March 24 forecast

670 bn. Yen
(Down approx. 110 bn. yen)

(Target approx. 150 bn. yen reduction by the end of FY2024)



More selective investments

FY2022 through FY2024 forecast

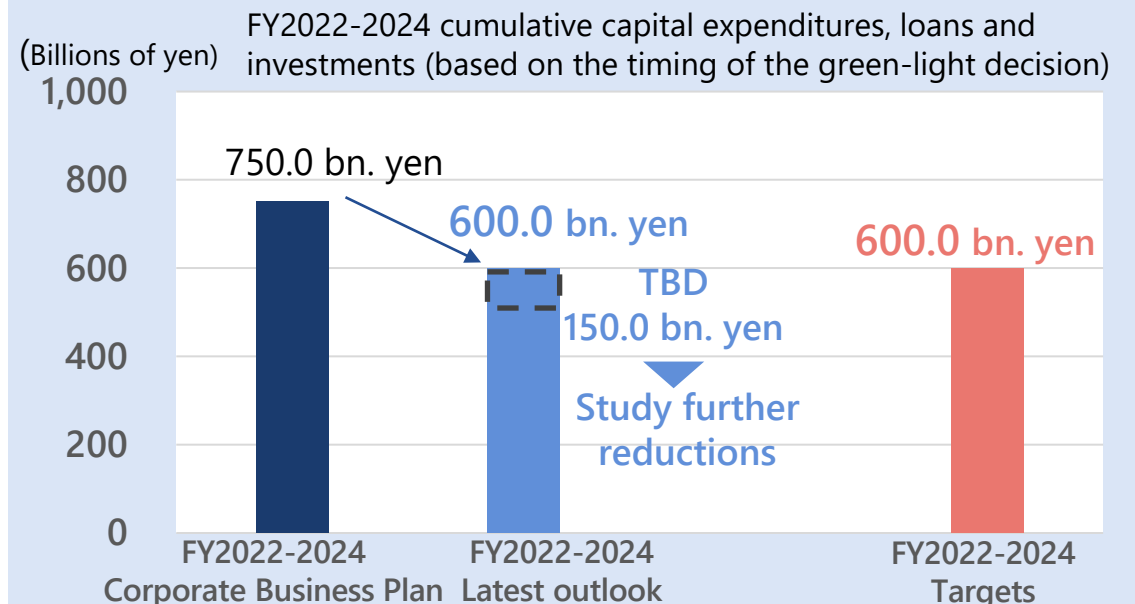
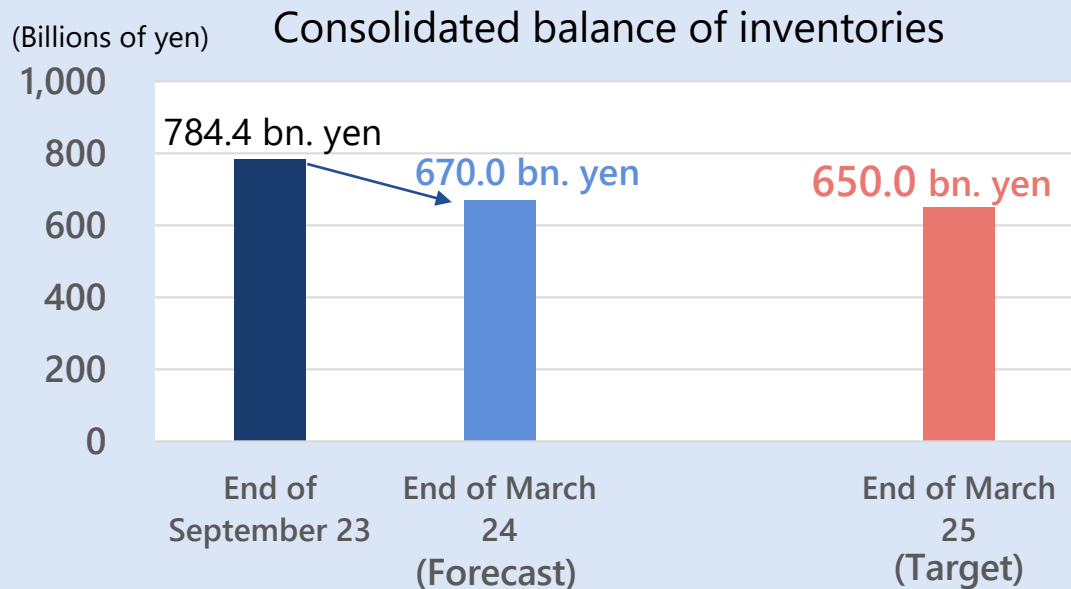
(based on the timing of the green-light decision)

Reduce from **750 bn. yen to 600 bn. yen**

- Major reduction in crop protection inventories in South America
- Reduction in inventories of petrochemical resins, resorcinol, etc.

- Down-select investments (50 bn. yen) and shrink investments and loans (100 bn. yen)
- Selective investments in growth areas such as biorationals and high-performance materials

Continue to pursue concentrated efforts to reduce inventories over the near-term



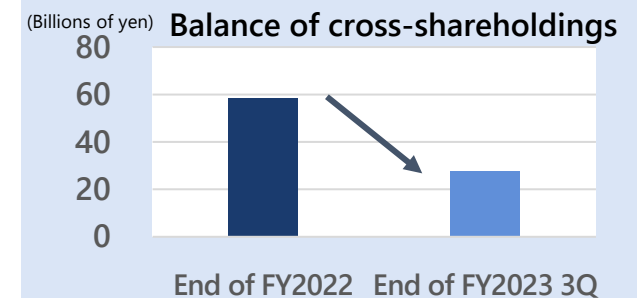
Accelerating the sale of cross-shareholdings with the aim of reducing holdings to zero. Handling of shares in equity method affiliates will be decided in line with the direction of structural reforms currently under consideration



Disposition of cross-shareholdings

(Target 50 bn. yen by the end of FY2024)

- **Have sold approx. 31 bn. yen** as of the end of 3Q in shares of operating companies and financial institutions
- **Aim to reach zero holdings in the future**



Other asset dispositions

(Target 30 bn. yen by the end of FY2024)

- **Decided to sell shares in equity method affiliate Inabata & Co., Ltd. Generate up to 23 bn. yen in cash**



Leverage freed-up capital

(Target 70 bn. yen by the end of FY2024)

- Leverage surplus funds at overseas group companies via group finance (CMS, etc.)
- **Projecting approx. 70 bn. yen as of the end of FY2023**



(Appendices)

FY2023 3Q Core Operating Income by Sector vs FY2022 3Q Actual

(Billions of yen)

	FY2022 3Q Actual	FY2023 3Q Actual	Change	Reasons for change
Essential Chemicals & Plastics	-2.0	-62.0	-60.0	Deteriorated trade terms and conditions and reduced shipments
Energy & Functional Materials	16.9	9.4	-7.5	Reduced shipments
IT-related Chemicals	43.7	36.8	-6.9	Reduced shipments
Health & Crop Sciences	47.2	-1.4	-48.5	Reduced demand for crop protection products in S. America, inventory reductions, falling market prices for methionine
Pharmaceuticals	43.1	-95.6	-138.7	Latuda loss of exclusivity
Others	-6.7	-1.1	5.6	
Total	142.2	-113.9	-256.0	

FY2023 3Q Core Operating Income by Sector (Quarterly)

(Billions of yen)

	FY2023 1Q Actual	FY2023 2Q Actual	FY2023 3Q Actual	FY 2023 Cumulative through 3Q
Essential Chemicals & Plastics	-21.0	-23.4	-17.6	-62.0
(PRC broken out)	(-12.7)	(-16.5)	(-10.3)	(-39.6)
Energy & Functional Materials	3.0	3.5	2.9	9.4
IT-related Chemicals	6.7	11.2	19.0	36.8
Health & Crop Chemicals	-7.0	-0.5	6.2	-1.4
Others	-1.9	-1.6	2.4	-1.1
Subtotal	-20.3	-10.8	12.9	-18.3
Pharmaceuticals	-33.3	-32.2	-30.1	-95.6
Total	-53.6	-43.1	-17.2	-113.9

FY2023 Core Operating Income by Sector (Difference between 1st and 2nd Half)

(Billions of yen)

	FY2023 1st Half Actual	FY2023 2nd Half Forecast	Change	Reasons for Change	FY2023 2nd Half Forecast (November)
Essential Chemicals & Plastics	-44.4	-42.6	-1.8	Reduced shipments on delayed recovery in demand, etc.	-30.6
Energy & Function Materials	6.5	-1.5	-7.9	Adjust production levels to reduce inventories. Push expenses into 2nd Half	-4.5
IT-related Chemicals	17.8	20.2	2.3		15.2
Health & Crop Sciences	-7.6	47.6	55.1	Expand sales of our products, such as INDIFLIN Shipments to rise as we enter phase of increased demand for crop protection products in North America and Japan	47.6
Pharmaceuticals	-65.5	-65.5	0		-3.5
Others	-3.5	-6.5	-2.9		2.5
Total	-96.7	-48.3	48.3		26.7

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.