

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

SUMITOMO CHEMICAL COMPANY, LIMITED (security code: 4005)

<Affirmation>

Long-term Issuer Rating:	A+
Outlook:	Stable
Bonds:	A+
Bonds (Dated subordinated bonds):	A-
Shelf Registration:	Preliminary A+
CP:	J-1

Rationale

- (1) SUMITOMO CHEMICAL COMPANY, LIMITED (the "Company") is a major diversified chemical company. It has strengths in specialty areas such as high-performance materials, pharmaceuticals and crop protection chemicals, and the petrochemical business is characterized by overseas development. In the Pharmaceuticals Sector, the exclusivity period ending in February 2023 for mainstay Latuda in North America has been a major issue for the management of the Sumitomo Chemical Group. As part of the efforts to address this issue, Sumitomo Pharma Co., Ltd. has recently entered into agreement, through its wholly owned subsidiary Sumitovant Biopharma Ltd., to make the latter's consolidated subsidiary Myovant Sciences Ltd. ("Myovant") its wholly owned subsidiary. The purchase price is estimated at roughly 1.7 billion US dollars, and the transaction is anticipated to close in the first quarter of 2023.
- (2) The Company's performance will probably remain firm going forward, too. The business environment is expected to be severe for the time being partly because of high prices of raw materials and fuels. Yet, the Health & Crop Sciences Sector is increasing its earnings capacity through the enhancement of the global supply chain, launch of new fungicides and so forth. Moreover, the Energy & Functional Materials and IT-related Chemicals sectors offer leading products with high industry presence in such growth areas as automotive electrification and semiconductors. In the Pharmaceuticals Sector, while progress has been stagnant in post-Latuda efforts, as indicated by the posting of an impairment loss again in the fiscal year ending March 2023 (FY2022), the sale of new agents developed by Myovant is expanding steadily. Although interest-bearing debt will remain high because of growth investments, JCR assumes that the Company can still improve its financial structure over the medium term. Based on the above, JCR affirmed the ratings on the Company and retained the Stable outlook.
- (3) The Company forecasts a core operating income of 190.0 billion yen for FY2022, down 19.1% from the previous year. While factors like an increase in the shipment of crop protection chemicals in South America and India will lead to sharp income growth in the Health & Crop Sciences Sector, the deterioration of terms of trade in the Essential Chemicals & Plastics Sector and the elimination of lump-sum revenue in the Pharmaceuticals Sector, along with other factors, will have negative impacts. On a separate note, operating income will fall almost 50% from the previous year because the Company will recognize an impairment loss of 54.4 billion yen with respect to KYNMOBI (therapeutic agent for Parkinson's disease), the sale of which has been weak, but an increase in foreign exchange gains will likely help attain a net income of 105.0 billion yen, though falling 35.2% from the previous year. As profitability is projected to decline in the Pharmaceuticals Sector, core operating income may fall further in FY2023. JCR will therefore watch whether the Company can put its performance back on the growth path early by leveraging the outcomes of growth investments and so forth.
- (4) Financial structure steadily improved toward the end of FY2021. Net D/E ratio (based on equity capital and after considering the equity content of subordinated bonds; hereinafter the same) at the end of FY2021 was 0.64x, as opposed to 0.95x at the end of FY2019, improving to the best level since the '00s. Looking ahead, it will inevitably deteriorate again toward the end of FY2022 because of the consolidation of Myovant. Yet, given, among others, that profits will accumulate further in FY2022, the deterioration of the financial base will be curbed to some extent, and the Company will probably be able to maintain a reasonable level of risk tolerance.

Shigenobu Tonomura, Takeshi Fujita

Rating

Issuer: SUMITOMO CHEMICAL COMPANY, LIMITED

<Affirmation>

Long-term Issuer Rating: A+ Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Bonds no. 49	JPY 10	Apr. 25, 2014	Apr. 25, 2024	0.944%	A+
Bonds no. 52	JPY 10	Sept. 1, 2016	Sept. 1, 2036	0.850%	A+
Bonds no. 53	JPY 10	Sept. 1, 2016	Sept. 1, 2026	0.300%	A+
Bonds no. 54	JPY 10	Sept. 1, 2016	Sept. 1, 2023	0.200%	A+
Bonds no. 55	JPY 10	Sept. 13, 2017	Sept. 11, 2037	0.880%	A+
Bonds no. 56	JPY 20	Sept. 13, 2017	Sept. 13, 2027	0.380%	A+
Bonds no. 57	JPY 10	Sept. 13, 2017	Sept. 13, 2024	0.240%	A+
Bonds no. 58	JPY 30	Apr. 17, 2018	Apr. 16, 2038	0.900%	A+
Bonds no. 59	JPY 20	Apr. 17, 2018	Apr. 17, 2028	0.355%	A+
Bonds no. 60	JPY 15	Apr. 16, 2019	Apr. 15, 2039	0.900%	A+
Bonds no. 61	JPY 20	Apr. 16, 2019	Apr. 16, 2029	0.400%	A+
Bonds no. 62	JPY 10	Oct. 22, 2020	Oct. 22, 2040	0.780%	A+
Bonds no. 63	JPY 10	Oct. 22, 2020	Oct. 22, 2030	0.360%	A+
Bonds no. 64	JPY 20	Oct. 22, 2020	Oct. 20, 2023	0.001%	A+
Bonds no. 65	JPY 15	Oct. 13, 2021	Oct. 11, 2041	0.680%	A+
Bonds no. 66	JPY 20	Oct. 13, 2021	Oct. 10, 2031	0.280%	A+
1st Series Deferrable Interest and Callable Unsecured Subordinated Bonds	JPY 150	Dec. 13, 2019	Dec. 13, 2079	(Note 1)	A-
2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds	JPY 100	Dec. 13, 2019	Dec. 13, 2079	(Note 2)	A-

Notes:

- 1.30% from December 14, 2019 to and including December 13, 2029. 6M Euroyen LIBOR + 1.50% from December 14, 2029 to and including December 13, 2049. 6M Euroyen LIBOR + 2.20% after that date.
- 0.84% from December 14, 2019 to and including December 13, 2024. 6M Euroyen LIBOR + 0.85% from December 14, 2024 to and including December 13, 2029. 6M Euroyen LIBOR + 1.15% from December 14, 2029 to and including December 13, 2044. 6M Euroyen LIBOR + 1.85% after that date.

Shelf Registration: Preliminary A+

Maximum: JPY 100 billion

Valid: two years effective from April 23, 2022

CP: J-1

Maximum: JPY 180 billion

Rating Assignment Date: November 10, 2022

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (November 7, 2014), "Chemicals" (June 15, 2022) and "Ratings of Hybrid Securities" (September 10, 2012) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

A preliminary rating is a credit rating assigned as a preliminary evaluation while material terms for issue to be rated are not yet finalized. When the issuing terms are finalized, JCR will confirm them and will assign a credit rating anew. The rating level of the final rating may be different from that of the preliminary rating, depending on the final content of the terms, etc.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	SUMITOMO CHEMICAL COMPANY, LIMITED
Rating Publication Date:	November 15, 2022

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

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