

## SUMITOMO CHEMICAL Revises Its Financial Forecast for FY2023—No Immediate Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on SUMITOMO CHEMICAL COMPANY, LIMITED (security code: 4005)'s revision of its earnings forecast.

- (1) On November 1, 2023, SUMITOMO CHEMICAL COMPANY, LIMITED (the "Company") announced revisions of its full-year earnings forecast for the fiscal year ending March 31, 2024 (FY2023). According to the revisions, core operating income for FY2023 is expected to be a loss of 70 billion yen (previous forecast was an income of 40 billion yen), and net income attributable to owners of the parent is expected to be a loss of 95 billion yen (previous forecast was an income of 10 billion yen). In addition to a decline in demand and a deterioration in margins caused by the global economic downturn in Essential Chemicals & Plastics and Energy & Functional Materials, weakening demand for agrochemicals in South America and a deterioration of profitability of methionine business due to soaring raw material and fuel prices and deteriorating supply and demand environment in Health & Crop Sciences also have affected the forecast. The Company has lowered its core operating income forecasts for all major segments, including IT-related Chemicals and Pharmaceuticals segments. The Company expects demand for methionine to remain sluggish for a longer period of time than previously anticipated, and has recorded an impairment loss on the entire book value in the second quarter of FY2023.
- (2) Of the two segments that are expected to post large losses in the core operating income in FY2023, the Essential Chemicals & Plastics segment may require time to fully recover its performance, partly due to the impact of the new plant construction and plant expansion in China. However, the Pharmaceuticals segment will recover thanks to the effects of cost reductions and other factors. JCR expects that overall business performance will pick up in FY2024, given the effects of the recently announced business restructuring plan targeting about 30 business units. Although the rather large net loss for FY2023 is expected to have some negative impact on the Company's financials, it has more than 1 trillion yen in equity capital (equity attributable to owners of the parent), and there is room to watch for a recovery in future performance. There is also no change in the Company's policy for financial improvement. Therefore, JCR believes that there is no need to immediately review the rating based on the revised earnings forecast. JCR will pay attention to whether the Company can quickly return its performance to a growth trajectory through the drastic structural reforms that are scheduled to be announced going forward.

Shigenobu Tonomura, Takeshi Fujita

### <Reference>

Issuer: SUMITOMO CHEMICAL COMPANY, LIMITED

Long-term Issuer Rating: A+      Outlook: Stable

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