

First Half Financial Results & Outlook for FY2016



October 28, 2016



Sumitomo Chemical Co., Ltd.



(Cautionary Statement)

Statements made in this material 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.

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Consolidated Financial Results for First Half of FY2016 Ending March 31, 2017

(Reference Materials)

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Financial Summary

Unit; billions of yen

	1st Half of FY2015	1st Half of FY2016	Difference	Ratio
Net Sales	1,075.9	900.5	-175.4	-16.3%
Operating Income	74.2	47.3	-27.0	-36.4%
(Equity in earnings of affiliates, included in ordinary income)	(28.6)	(18.8)	(-9.7)	-
(Net gain / loss on foreign currency transactions, included in ordinary income)	(-0.7)	(-12.5)	(-11.7)	-
Ordinary Income	100.4	50.6	-49.8	-49.6%
(Extraordinary Gain / Loss)	(4.6)	(-7.9)	(-12.6)	-
(Income taxes)	(-27.1)	(-10.8)	(16.3)	-
Net income	77.9	31.9	-46.1	-
(Net income attributable to non-controlling interests)	(-17.0)	(-12.6)	(4.4)	-
Net income attributable to owners of the parent	60.9	19.2	-41.7	-68.4%
ROE	7.6%	2.6%		
Exchange Rate (yen/USD)	121.87	105.20		
Naphtha Price (yen/KL)	48,000	31,300		

Net Sales by Business Segments I

Unit; billions of yen

	1st Half of FY2015	1st Half of FY2016	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Petrochemicals	362.1	265.7	-96.4	-26.6%	-46.5	-28.1	-21.8
Energy & Functional Materials	105.2	94.4	-10.7	-10.2%	-10.5	2.1	-2.3
IT-related Chemicals	208.1	174.7	-33.4	-16.1%	-20.5	17.2	-30.1
Health & Crop Sciences	157.3	125.8	-31.4	-20.0%	-13.0	-3.8	-14.6
Pharmaceuticals	215.0	214.3	-0.7	-0.3%	-4.0	19.8	-16.5
Others & Adjustments	28.3	25.6	-2.7	-9.5%	0.0	-2.7	-0.0
Total	1,075.9	900.5	-175.4	-16.3%	-94.5	4.5	-85.3
Overseas Operations	671.0	540.9	-130.1	-19.4%			
Overseas Ratio	62.4%	60.1%					

*With the changes in reported segments classification methods as of April 1, 2016, the amount of the previous period has been modified for purposes of comparison. (All the segment information are modified in the same manner.)

Net Sales by Business Segments II

Unit; billions of yen

	1st Half of FY2015	1st Half of FY2016	Difference	Main Factors
Petrochemicals	362.1	265.7	-96.4	<ul style="list-style-type: none"> • Decline in market prices for petrochemical products and synthetic resins due to lower feedstock prices • Decrease in shipments of petrochemical products • Negative effect of the stronger yen
Energy & Functional Materials	105.2	94.4	-10.7	<ul style="list-style-type: none"> • Decline in market prices for aluminum • Increase in shipments of resorcinol and engineering plastics
IT-related Chemicals	208.1	174.7	-33.4	<ul style="list-style-type: none"> • Increase in shipments of touchscreen panels • Decline in selling prices of polarizing film and touchscreen panels • Negative effect of the stronger yen
Health & Crop Sciences	157.3	125.8	-31.4	<ul style="list-style-type: none"> • Lower market price for feed additive methionine • Decrease in shipments of crop protection chemicals in overseas market • Negative effect of the stronger yen
Pharmaceuticals	215.0	214.3	-0.7	<ul style="list-style-type: none"> • Sales expansion of Latuda® in North America • NHI price revision in Japan • Negative effect of the stronger yen
Others & Adjustments	28.3	25.6	-2.7	
Total	1,075.9	900.5	-175.4	

Operating Income by Business Segments I

Unit; billions of yen

	Operating Income		Difference	Price Variance	Cost Variance	Shipping Volume Variance and Other	Total
	1st Half of FY2015	1st Half of FY2016					
Petrochemicals	13.4	6.7	-6.7	-2.0	-2.0	-2.7	-6.7
Energy & Functional Materials	2.3	2.2	-0.1	0.0	-0.5	0.4	-0.1
IT-related Chemicals	16.1	2.5	-13.6	-24.0	11.0	-0.6	-13.6
Health & Crop Sciences	27.1	12.9	-14.2	-7.0	-4.0	-3.2	-14.2
Pharmaceuticals	19.4	27.9	8.5	-4.0	-6.5	19.0	8.5
Others & Adjustments	-3.9	-4.8	-0.8	0.0	0.1	-0.9	-0.8
Total	74.2	47.3	-27.0	-37.0	-1.9	11.9	-27.0

Operating Income by Business Segments II

Unit; billions of yen

	Operating Income		Difference	Main Factors
	1st Half of FY2015	1st Half of FY2016		
Petrochemicals	13.4	6.7	-6.7	<ul style="list-style-type: none"> • Margin erosion of petrochemical products and raw material for synthetic fibers • Decline in shipments due to maintenance work in Singapore
Energy & Functional Materials	2.3	2.2	-0.1	<ul style="list-style-type: none"> • Increase in shipments of resorcinol and engineering plastics • Negative effect of the stronger yen
IT-related Chemicals	16.1	2.5	-13.6	<ul style="list-style-type: none"> • Increase in shipments of touchscreen panels • Decline in selling prices of polarizing film and touchscreen panels • Negative effect of the stronger yen
Health & Crop Sciences	27.1	12.9	-14.2	<ul style="list-style-type: none"> • Lower market price for feed additive methionine • Decrease in shipments of crop protection chemicals in overseas market • Negative effect of the stronger yen
Pharmaceuticals	19.4	27.9	8.5	<ul style="list-style-type: none"> • Sales expansion of Latuda® in North America • Increase in selling and R&D expenses • NHI price revision in Japan
Others & Adjustments	-3.9	-4.8	-0.8	
Total	74.2	47.3	-27.0	

Consolidated Balance Sheets

Unit: billions of yen

	31-Mar-16	30-Sep-16	Difference		31-Mar-16	30-Sep-16	Difference
Current Assets	1,187.9	1,136.3	-51.6	Liabilities	1,571.4	1,534.6	-36.8
Cash and cash equivalents	215.6	240.2	24.7	Trade notes and accounts payable	205.2	198.0	-7.2
Trade notes and accounts receivable	414.8	353.9	-60.9	Interest-bearing Liabilities	831.5	856.7	25.2
Inventories	402.3	385.1	-17.1	Others	534.7	479.8	-54.9
Others	155.3	157.0	1.7	Net Assets	1,090.8	1,007.2	-83.6
Non-current Assets	1,474.2	1,405.4	-68.8	Shareholders' equity	643.7	653.1	9.4
Property, plant and equipment	642.2	628.8	-13.3	Accumulated other comprehensive income	123.2	47.3	-75.9
Intangible assets	187.3	165.9	-21.3	Non-controlling interests	323.9	306.7	-17.2
Investment and other assets	644.8	610.7	-34.1				
Total	2,662.2	2,541.7	-120.4	Total	2,662.2	2,541.7	-120.4
				Shareholders' equity ratio	28.8%	27.6%	-1.2%

Consolidated Statements of Cash Flows

Unit; billions of yen

	1st Half of FY2015	1st Half of FY2016	Difference
Cash flows from operating activities	132.9	82.3	-50.6
Cash flows from investing activities	-7.8	-58.7	-50.9
Free cash flows	125.1	23.6	-101.5
Cash flows from financing activities	-50.6	21.8	72.4
Effect of exchange rate changes on cash and cash equivalents	-3.8	-20.8	-17.0
Net change in cash and cash equivalents	70.8	24.7	-46.1
Cash and cash equivalents (at September 30)	271.1	240.2	-30.9

Major Subsidiaries

Company	Net Sales		Profit Trends
	1st Half of FY2015	1st Half of FY2016	
The Polyolefin Company (Singapore) (millions of USD)	643	497	Maintaining due to better margins
Petrochemical Corporation of Singapore (millions of USD)	1,354	997	Maintaining due to better margins
Rabigh Refining and Petrochemical Company (millions of SAR)	16,144	11,283	Decreased due to lower selling price mainly caused by feedstock price decline, and other factors
Dongwoo Fine-Chem (billions of KRW)	1,152	1,042	Decreased due to lower selling price and other factors despite higher sales volume
Valent U.S.A. and Subsidiaries (millions of USD)	383	369	Decreased due to timing difference and other factors

Financial Estimates for Year

Unit; billions of yen

	Previous Estimates	Revised Estimates	Difference	Ratio
Net Sales	2,030.0	1,960.0	-70.0	-3.4%
Operating Income	140.0	120.0	-20.0	-14.3%
(Equity in earnings of affiliates, included in ordinary income)	(20.0)	(30.0)	(10.0)	-
Ordinary Income	150.0	130.0	-20.0	-13.3%
Net income attributable to owners of the parent	80.0	60.0	-20.0	-25.0%
ROE	10.2%	7.9%		
Exchange Rate (yen/USD)	110.00	105.10		
Naphtha Price (yen/KL)	36,000	32,700		

Estimates of Net Sales and Operating Income by Business Segments for Year

Unit; billions of yen

	Net Sales			Operating Income		
	Previous Estimates	Revised Estimates	Difference	Previous Estimates	Revised Estimates	Difference
Petrochemicals	590.0	560.0	-30.0	17.0	17.0	0.0
Energy & Functional Materials	215.0	210.0	-5.0	6.0	3.0	-3.0
IT-related Chemicals	370.0	355.0	-15.0	17.0	6.0	-11.0
Health & Crop Sciences	355.0	340.0	-15.0	65.0	57.0	-8.0
Pharmaceuticals	440.0	435.0	-5.0	43.0	48.0	5.0
Others & Adjustments	60.0	60.0	0.0	-8.0	-11.0	-3.0
Total	2,030.0	1,960.0	-70.0	140.0	120.0	-20.0



(Reference Materials)

Major Cost Elements

Unit; billions of yen

	1st Half of FY2015	1st Half of FY2016	Difference
Depreciation and Amortization	57.8	53.1	-4.6
Research & Development Expenses	76.7	76.8	0.1
Capital Expenditures	48.1	61.5	13.4
Number of employees (as of September 30)	31,335	31,328	-7

Capital Expenditures by Business Segments

Unit; billions of yen

	1st Half of FY2015	1st Half of FY2016	Difference
Petrochemicals	13.8	8.4	-5.4
Energy & Functional Materials	5.9	8.2	2.3
IT-related Chemicals	9.8	22.0	12.2
Health & Crop Sciences	8.5	12.7	4.2
Pharmaceuticals	7.1	4.3	-2.8
Others & Adjustments	3.0	5.9	2.9
Total	48.1	61.5	13.4

Depreciation and Amortization by Business Segments

Unit: billions of yen

	1st Half of FY2015	1st Half of FY2016	Difference
Petrochemicals	11.2	9.7	-1.5
Energy & Functional Materials	5.7	5.5	-0.2
IT-related Chemicals	17.0	15.1	-1.9
Health & Crop Sciences	8.2	8.0	-0.2
Pharmaceuticals	10.9	10.4	-0.5
Others & Adjustments	4.8	4.5	-0.3
Total	57.8	53.1	-4.6

Research & Development Expenses by Business Segments

Unit: billions of yen

	1st Half of FY2015	1st Half of FY2016	Difference
Petrochemicals	2.8	2.9	0.1
Energy & Functional Materials	3.8	4.5	0.7
IT-related Chemicals	8.5	7.8	-0.7
Health & Crop Sciences	12.7	14.2	1.5
Pharmaceuticals	41.1	39.0	-2.1
Others & Adjustments	7.8	8.4	0.6
Total	76.7	76.8	0.1

Net Sales by Business Segments (Quarterly)

Unit; billions of yen

	FY2015				FY2016		FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half (estimated)
Petrochemicals	198.5	163.6	156.3	138.7	137.0	128.7	265.7	294.3
Energy & Functional Materials	52.5	52.6	52.0	51.9	47.0	47.5	94.4	115.6
IT-related Chemicals	104.1	104.0	96.6	79.8	86.0	88.7	174.7	180.3
Health & Crop Sciences	82.0	75.2	71.1	130.7	64.0	61.8	125.8	214.2
Pharmaceuticals	106.2	108.8	113.5	107.0	111.7	102.6	214.3	220.7
Others & Adjustments	13.4	15.0	12.4	16.0	10.9	14.7	25.6	34.4
Total	556.6	519.3	501.9	524.0	456.6	444.0	900.5	1,059.5

Operating Income by Business Segments (Quarterly)

Unit: billions of yen

	FY2015				FY2016		FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half (estimated)
Petrochemicals	6.9	6.4	12.4	3.0	1.8	4.9	6.7	10.3
Energy & Functional Materials	0.0	2.3	1.2	-0.7	0.7	1.5	2.2	0.8
IT-related Chemicals	7.3	8.8	4.8	-1.0	1.4	1.1	2.5	3.5
Health & Crop Sciences	16.1	10.9	13.8	36.6	9.1	3.8	12.9	44.1
Pharmaceuticals	5.8	13.5	15.7	7.7	15.3	12.6	27.9	20.1
Others & Adjustments	-3.0	-0.9	-2.6	-0.7	-3.0	-1.8	-4.8	-6.2
Total	33.2	41.1	45.3	44.9	25.3	21.9	47.3	72.7