

Sumitomo Chemical Reports Consolidated Financial Results For the Half-Year Ended September 30, 2016

The Sumitomo Chemical Group's sales for the half-year ended September 30, 2016 totaled ¥900.5 billion, a decrease of ¥175.4 billion compared with the same period of the previous fiscal year. The Group posted operating income of ¥47.3 billion, ordinary income of ¥50.6 billion and net income attributable to owners of the parent of ¥19.2 billion, all representing year-on-year decreases.

Sumitomo Chemical decided to pay an interim dividend of ¥7 per share.

The Sumitomo Chemical Group's financial results by business segment for the half-year were as follows.

Petrochemicals & Plastics

Market prices of petrochemical products and synthetic resins declined because of lower feedstock prices. Shipments of petrochemical products decreased due to the restructuring of the petrochemical business at the Chiba Works. The stronger yen had a negative effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales decreased by ¥96.4 billion compared with the same period of the previous fiscal year, to ¥265.7 billion. Operating income declined by ¥6.7 billion, to ¥6.7 billion.

Energy & Functional Materials

Market prices of aluminum declined. Shipments of resorcinol, a raw material for adhesives, and engineering plastics increased due to a rise in demand. As a result, the segment's sales decreased by ¥10.7 billion compared with the same period of the previous fiscal year, to ¥94.4 billion. Operating income came to ¥2.2 billion, almost unchanged from the same period of the previous fiscal year.

IT-related Chemicals

Selling prices of polarizing film dropped. Selling prices of touchscreen panels also declined, but shipments increased due to growth in demand. The stronger yen had a negative effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales decreased by ¥33.4 billion compared with the same period of the previous fiscal year, to ¥174.7 billion. Operating income declined by ¥13.6 billion, to ¥2.5 billion.

Health & Crop Sciences

Sales of the feed additive methionine dropped due to lower market prices. Shipments overseas of crop protection chemicals declined. The stronger yen also had a negative effect on sales. As a result, the segment's sales decreased by ¥31.4 billion compared with the same period of the previous fiscal year, to ¥125.8 billion. Operating income declined by ¥14.2 billion, to ¥12.9 billion.

Pharmaceuticals

In Japan, although sales of Aimix® (anti-hypertension drug), Trerief® (therapeutic agent for Parkinson's disease) and other drugs increased, overall sales declined due largely to the impacts of Japanese National Health Insurance drug price revisions and a decrease in shipments of patent-expired originator drugs. In North America, sales of Latuda® (atypical antipsychotic) and other drugs increased steadily. The stronger yen had a negative effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales declined by ¥0.7 billion compared with the same period of the previous fiscal year, to ¥214.3 billion. Operating income rose by ¥8.5 billion, to ¥27.9 billion, due to the expansion of sales in North America.

Others

In addition to the above five segments, the Sumitomo Chemical Group engages in supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The segment's sales decreased by ¥2.7 billion compared with the same period of the previous fiscal year, to ¥25.6 billion. Operating income declined by ¥1.8 billion, to ¥2.4 billion.

Equity in earnings of affiliates decreased by ¥9.7 billion compared with the same period of the previous fiscal year, to ¥18.8 billion. Earnings of Petrochemical Corporation of Singapore remained strong, while earnings of Rabigh Refining and Petrochemical Company (Petro Rabigh) deteriorated due chiefly to lower profit margins caused by a decline in selling prices of petrochemical products.

(Note) Change in Business Segment Classification

As of April 1, 2016, battery materials and engineering plastics, which had been included in the IT-related Chemicals Segment, were transferred to the Energy & Functional Materials Segment.

Sumitomo Chemical has revised its consolidated financial forecast for the full-year ending March 31, 2017, previously announced on May 11, 2016, as follows.

(Millions of yen)

	Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent	Earnings per Share (yen)
Previous Forecast (A)	2,030,000	140,000	150,000	80,000	48.95
Revised Forecast (B)	1,960,000	120,000	130,000	60,000	36.71
Variance in Amount (B-A)	-70,000	-20,000	-20,000	-20,000	
Variance in Percentage (%)	-3.4	-14.3	-13.3	-25.0	
Results for Full-Year ended March 31, 2016	2,101,764	164,446	171,217	81,451	49.84

Sales are anticipated to fall below previous expectations due to the effects of the stronger yen and lower prices of naphtha and other feedstocks. Operating income is also expected to fall below previous projections due to the effects of the stronger yen, lower selling prices of products in the IT-related Chemicals Sector, and a decrease in shipments of products in the Health & Crop Sciences Sector.

Ordinary income and net income attributable to owners of the parent are also anticipated to fall below previous expectations.

The new forecast is based on the assumptions of a foreign exchange rate of ¥105/US\$ and a naphtha price of ¥34,000/kl for the second half of the current fiscal year.

Cautionary Statement

Statements made in this release 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.

Summary of Consolidated Results

(1) Results of Operations:

	6 Months ended September 30, 2016		6 Months ended September 30, 2015
	Yen (Millions)	USD (Thousands)*1	Yen (Millions)
Net sales	900,512	8,905,380	1,075,863
Operating income	47,254	467,306	74,244
Ordinary income	50,608	500,475	100,395
Income before income taxes and non-controlling interests	42,682	422,093	105,028
Net income	31,881	315,279	77,933
Net income attributable to non-controlling interests	12,647	125,069	17,037
Net income attributable to owners of the parent	19,234	190,210	60,896
	Yen	USD*1	Yen
Net income per 1,000 shares	11,769	116	37,261
Dividends per 1,000 shares:			
Interim dividends	7,000	69	8,000
	Yen (Millions)	USD (Thousands)*1	Yen (Millions)
Comprehensive income	(66,253)	(655,192)	47,017

(2) Financial Position:

	As of September 30, 2016		As of March 31, 2016
	Yen (Millions)	USD (Thousands)*1	Yen (Millions)
Total assets	2,541,731	25,135,789	2,662,150
Total net assets	1,007,176	9,960,206	1,090,776

(3) Cash Flows:

	6 Months ended September 30, 2016		6 Months ended September 30, 2015
	Yen (Millions)	USD (Thousands)*1	Yen (Millions)
Cash flows from operating activities	82,282	813,706	132,906
Cash flows from investing activities	(58,655)	(580,053)	(7,772)
Cash flows from financing activities	21,808	215,665	(50,550)
Cash and cash equivalents at end of period	240,245	2,375,841	271,106

(4) Results of Operations by Business Segment:

	6 Months ended September 30, 2016		6 Months ended September 30, 2015
	Yen (Millions)	USD (Thousands)*1	Yen (Millions)*2
Net sales			
Petrochemicals & Plastics	265,654	2,627,116	362,077
Energy & Functional Materials	94,448	934,019	105,155
IT-related Chemicals	174,684	1,727,492	208,100
Health & Crop Sciences	125,831	1,244,373	157,252
Pharmaceuticals	214,265	2,118,918	214,953
Others	25,630	253,462	28,326
	900,512	8,905,380	1,075,863
Operating income			
Petrochemicals & Plastics	6,651	65,773	13,355
Energy & Functional Materials	2,178	21,539	2,304
IT-related Chemicals	2,454	24,268	16,091
Health & Crop Sciences	12,851	127,087	27,052
Pharmaceuticals	27,872	275,633	19,352
Others	2,397	23,705	4,194
Adjustments	(7,149)	(70,699)	(8,104)
	47,254	467,306	74,244

(Note)

*1:U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥101.12 = \$1 prevailing on September 30, 2016.

*2:New business segmentation is applied to consolidated results of previous year.