

First Half Financial Results & Outlook for FY2015



October 30, 2015



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 FY2015 Ending March 31, 2016

(Reference Materials)

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Financial Summary

Unit; billions of yen

	1st Half of FY2014	1st Half of FY2015	Difference	Ratio
Net Sales	1,128.4	1,075.9	-52.6	-4.7%
Operating Income	36.2	74.2	38.1	105.2%
(Equity in earnings of affiliates, included in ordinary income)	(13.8)	(28.6)	(14.8)	-
(Net gain / loss on foreign currency transactions, included in ordinary income)	(1.9)	(-0.7)	(-2.7)	-
Ordinary Income	52.8	100.4	47.6	90.0%
(Extraordinary Gain / Loss)	(-0.4)	(4.6)	(5.0)	-
(Income taxes)	(-20.5)	(-27.1)	(-6.6)	-
Net income	31.9	77.9	46.0	-
(Net income attributable to non-controlling interests)	(-9.3)	(-17.0)	(-7.7)	-
Net income attributable to owners of the parent	22.6	60.9	38.3	169.6%
ROE	3.4%	7.6%		
Exchange Rate (yen/USD)	103.01	121.87		
Naphtha Price (yen/KL)	70,400	48,200		

Net Sales by Business Segments I

Unit; billions of yen

	1st Half of FY2014	1st Half of FY2015	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Petrochemicals	470.9	362.1	-108.9	-23.1%	-52.0	-83.7	26.9
Energy & Functional Materials	98.7	93.4	-5.3	-5.4%	1.0	-7.0	0.6
IT-related Chemicals	194.7	219.9	25.2	12.9%	-17.5	22.5	20.2
Health & Crop Sciences	141.5	157.3	15.8	11.2%	11.0	-4.2	9.0
Pharmaceuticals	194.4	215.0	20.5	10.6%	0.0	5.2	15.4
Others & Adjustments	28.2	28.3	0.1	0.4%	0.0	0.1	0.0
Total	1,128.4	1,075.9	-52.6	-4.7%	-57.5	-67.1	72.0
Overseas Operations	668.6	671.0	2.5	0.4%			
Overseas Ratio	59.2%	62.4%					

*With the changes in reported segments classification methods as of April 1,2015,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 FY2014	1st Half of FY2015	Difference	Main Factors
Petrochemicals	470.9	362.1	-108.9	<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 and synthetic resins • Positive effect of the weaker yen
Energy & Functional Materials	98.7	93.4	-5.3	<ul style="list-style-type: none"> • Decrease in shipments of aluminum and resorcinol
IT-related Chemicals	194.7	219.9	25.2	<ul style="list-style-type: none"> • Decline in selling prices of polarizing film and touchscreen panels • Increase in shipments of polarizing film and touchscreen panels • Positive effect of the weaker yen
Health & Crop Sciences	141.5	157.3	15.8	<ul style="list-style-type: none"> • Higher market price for feed additive methionine • Positive effect of the weaker yen
Pharmaceuticals	194.4	215.0	20.5	<ul style="list-style-type: none"> • Sales expansion of Latuda® in North America • Positive effect of the weaker yen
Others & Adjustments	28.2	28.3	0.1	
Total	1,128.4	1,075.9	-52.6	

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 FY2014	1st Half of FY2015					
Petrochemicals	1.3	13.4	12.0	18.0	1.0	-7.0	12.0
Energy & Functional Materials	-0.7	-0.3	0.4	2.5	1.0	-3.1	0.4
IT-related Chemicals	14.5	18.7	4.2	-19.0	2.0	21.2	4.2
Health & Crop Sciences	11.4	27.1	15.6	12.5	-1.5	4.6	15.6
Pharmaceuticals	15.4	19.4	3.9	0.0	0.5	3.4	3.9
Others & Adjustments	-5.7	-3.9	1.8	0.0	1.5	0.3	1.8
Total	36.2	74.2	38.1	14.0	4.5	19.6	38.1

Operating Income by Business Segments II

Unit; billions of yen

	Operating Income		Difference	Main Factors
	1st Half of FY2014	1st Half of FY2015		
Petrochemicals	1.3	13.4	12.0	<ul style="list-style-type: none"> • Better margins for petrochemical products and synthetic resins due to lower feedstock prices
Energy & Functional Materials	-0.7	-0.3	0.4	<ul style="list-style-type: none"> • Decrease in shipments of aluminum and resorcinol • Better margins for resorcinol, alumina products and functional resins due to lower feedstock prices
IT-related Chemicals	14.5	18.7	4.2	<ul style="list-style-type: none"> • Decline in selling prices of polarizing film and touchscreen panels • Increase in shipments of polarizing film and touchscreen panels • Positive effect of the weaker yen
Health & Crop Sciences	11.4	27.1	15.6	<ul style="list-style-type: none"> • Higher market price for feed additive methionine • Positive effect of the weaker yen
Pharmaceuticals	15.4	19.4	3.9	<ul style="list-style-type: none"> • Sales expansion of Latuda® in North America
Others & Adjustments	-5.7	-3.9	1.8	
Total	36.2	74.2	38.1	

Consolidated Balance Sheets

Unit; billions of yen

	31-Mar-15	30-Sep-15	Difference		31-Mar-15	30-Sep-15	Difference
Current Assets	1,260.9	1,243.7	-17.2	Liabilities	1,762.2	1,695.9	-66.3
Cash and cash equivalents	202.0	271.1	69.1	Trade notes and accounts payable	258.2	229.1	-29.1
Trade notes and accounts receivable	456.1	376.2	-79.9	Interest-bearing Liabilities	980.2	938.9	-41.3
Inventories	439.9	438.1	-1.8	Others	523.8	527.9	4.1
Others	163.0	158.2	-4.7	Net Assets	1,118.2	1,152.8	34.6
Non-current Assets	1,619.5	1,605.1	-14.4	Shareholders' equity	582.0	636.5	54.5
Property, plant and equipment	694.4	678.2	-16.3	Accumulated other comprehensive income	209.4	180.7	-28.6
Intangible assets	204.1	200.3	-3.8	Non-controlling interests	326.9	335.6	8.7
Investment and other assets	721.0	726.6	5.7				
Total	2,880.4	2,848.7	-31.7	Total	2,880.4	2,848.7	-31.7

Shareholders' equity ratio	27.5%	28.7%	1.2%
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Consolidated Statements of Cash Flows

Unit; billions of yen

	1st Half of FY2014	1st Half of FY2015	Difference
Cash flows from operating activities	14.0	132.9	118.9
Cash flows from investing activities	-27.9	-7.8	20.1
Free cash flows	-13.9	125.1	139.0
Cash flows from financing activities	49.7	-50.6	-100.3
Effect of exchange rate changes on cash and cash equivalents	6.4	-3.8	-10.2
Net change in cash and cash equivalents	42.3	70.8	28.5
Cash and cash equivalents (at September 30)	174.7	271.1	96.5

Major Subsidiaries

Company	Net Sales		Profit Trends
	1st Half of FY2014	1st Half of FY2015	
The Polyolefin Company (Singapore) (millions of USD)	765	643	Improved due to better margins
Petrochemical Corporation of Singapore (millions of USD)	1,987	1,354	Improved due to better margins
Rabigh Refining and Petrochemical Company (millions of SAR)	28,276	16,144	Improved due to better margins
Dongwoo Fine-Chem (billions of KRW)	1,063	1,152	Increased due to higher sales volume and other factors despite lower selling price
Valent U.S.A. and Subsidiaries (millions of USD)	414	383	Decreased due to lower sales volume and other factors

Financial Estimates for Year

Unit: billions of yen

	Previous Estimates	Revised Estimates	Difference	Ratio
Net Sales	2,250.0	2,250.0	-	-
Operating Income	145.0	155.0	10.0	6.9%
(Equity in earnings of affiliates, included in ordinary income)	(24.0)	(24.0)	-	-
Ordinary Income	160.0	170.0	10.0	6.3%
Net income attributable to owners of the parent	80.0	80.0	-	-
ROE	10.0%	10.0%		
Exchange Rate (yen/USD)	115.00	121.00		
Naphtha Price (yen/KL)	47,000	49,100		

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	715.0	730.0	15.0	17.0	25.0	8.0
Energy & Functional Materials	200.0	195.0	-5.0	4.0	1.0	-3.0
IT-related Chemicals	470.0	445.0	-25.0	41.0	30.0	-11.0
Health & Crop Sciences	385.0	390.0	5.0	63.0	75.0	12.0
Pharmaceuticals	425.0	435.0	10.0	32.0	34.0	2.0
Others & Adjustments	55.0	55.0	0.0	-12.0	-10.0	2.0
Total	2,250.0	2,250.0	0.0	145.0	155.0	10.0

(Reference Materials)

Major Cost Elements

Unit; billions of yen

	1st Half of FY2014	1st Half of FY2015	Difference
Depreciation and Amortization	55.9	57.8	1.9
Research & Development Expenses	67.1	76.7	9.5
Capital Expenditures	39.9	48.1	8.2
Number of employees (as of September 30)	31,056	31,335	279

Capital Expenditures by Business Segments

Unit; billions of yen

	1st Half of FY2014	1st Half of FY2015	Difference
Petrochemicals	7.9	13.8	5.9
Energy & Functional Materials	4.1	5.0	0.9
IT-related Chemicals	7.0	10.7	3.6
Health & Crop Sciences	7.6	8.5	0.9
Pharmaceuticals	8.4	7.1	-1.3
Others & Adjustments	4.8	3.0	-1.8
Total	39.9	48.1	8.2

Depreciation and Amortization by Business Segments

Unit; billions of yen

	1st Half of FY2014	1st Half of FY2015	Difference
Petrochemicals	10.8	11.2	0.5
Energy & Functional Materials	5.4	4.8	-0.6
IT-related Chemicals	15.9	17.8	1.9
Health & Crop Sciences	7.3	8.2	1.0
Pharmaceuticals	10.5	10.9	0.4
Others & Adjustments	6.1	4.8	-1.3
Total	55.9	57.8	1.9

Research & Development Expenses by Business Segments

Unit; billions of yen

	1st Half of FY2014	1st Half of FY2015	Difference
Petrochemicals	3.5	2.8	-0.7
Energy & Functional Materials	3.2	3.0	-0.2
IT-related Chemicals	8.0	9.3	1.3
Health & Crop Sciences	11.3	12.7	1.4
Pharmaceuticals	34.0	41.1	7.1
Others & Adjustments	7.2	7.8	0.6
Total	67.1	76.7	9.5

Net Sales by Business Segments (Quarterly)

	FY2014				FY2015		Unit; billions of yen	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half (estimated)
Petrochemicals	227.6	243.3	238.3	223.1	198.5	163.6	362.1	367.9
Energy & Functional Materials	48.6	50.1	50.0	54.1	46.5	46.9	93.4	101.6
IT-related Chemicals	98.1	96.6	103.6	106.9	110.1	109.8	219.9	225.1
Health & Crop Sciences	73.8	67.6	77.2	126.8	82.0	75.2	157.3	232.7
Pharmaceuticals	97.8	96.6	108.7	100.5	106.2	108.8	215.0	220.0
Others & Adjustments	11.0	17.2	16.8	42.5	13.4	15.0	28.3	26.7
Total	556.9	571.5	594.5	653.7	556.6	519.3	1,075.9	1,174.1

Operating Income by Business Segments (Quarterly)

Unit; billions of yen

	FY2014				FY2015		FY2015	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half (estimated)
Petrochemicals	-0.4	1.8	5.8	13.7	6.9	6.4	13.4	11.6
Energy & Functional Materials	-0.9	0.1	0.9	0.6	-1.3	1.0	-0.3	1.3
IT-related Chemicals	8.8	5.7	9.3	8.6	8.6	10.1	18.7	11.3
Health & Crop Sciences	6.1	5.3	11.1	33.6	16.1	10.9	27.1	47.9
Pharmaceuticals	10.2	5.2	12.1	1.4	5.8	13.5	19.4	14.6
Others & Adjustments	-4.7	-1.0	-4.0	-2.0	-3.0	-0.9	-3.9	-6.1
Total	19.1	17.1	35.2	56.0	33.2	41.1	74.2	80.8