

Sumitomo Chemical Announces Revisions to its Financial Forecast for the Half-year Ended September 30, 2019 and the Full-year Ending March 31, 2020 and its Projected Dividend for Fiscal 2019.

Based on recent performance trends, Sumitomo Chemical has made revisions to financial forecasts for the year ending March 31, 2020, previously announced on May 15, 2019, regarding its consolidated financial results for the half-year ended September 30 and the full year ending March 31, and the projected dividend, as detailed below.

1. Revisions to Consolidated Financial Forecast for the Half-Year Ended September 30, 2019

(Millions of yen)

	Sales revenue	Core Operating Income *	Operating Income	Net income attributable to owners of the parent	Earnings per Share (yen)
Previous Forecast (A)	1,180,000	80,000	75,000	35,000	21.41
Revised Forecast (B)	1,107,000	84,000	102,000	29,000	17.74
Variance in Amount (B-A)	-73,000	4,000	27,000	-6,000	
Variance in Percentage (%)	-6.2	5.0	36.0	-17.1	
Results for Half-Year ended September 30, 2018	1,122,118	102,106	91,932	61,486	37.61

2. Revisions to Consolidated Financial Forecast for the Full-Year Ending March 31, 2020

(Millions of yen)

	Sales revenue	Core Operating Income *	Operating Income	Net income attributable to owners of the parent	Earnings per Share (yen)
Previous Forecast (A)	2,440,000	205,000	190,000	100,000	61.16
Revised Forecast (B)	2,330,000	160,000	170,000	50,000	30.58
Variance in Amount (B-A)	-110,000	-45,000	-20,000	-50,000	
Variance in Percentage (%)	-4.5	-22.0	-10.5	-50.0	
Previous year results (Fiscal 2018)	2,318,572	204,252	182,972	117,992	72.17

* "Core Operating Income" excludes gains and losses from non-recurring factors from operating income.

(Reasons for the Revision)

Revisions to the Consolidated Financial Forecast for the First Half of Fiscal 2019

In the half-year ended September 30, 2019, there were clear signs of moderating growth in the global economy, including a slowdown in China's economy because of such factors as the impact of trade tensions between the US and China.

In light of these conditions, sales revenues are expected to be lower than the previously announced forecast, primarily in the Petrochemicals & Plastics sector, due to lower selling prices in accordance with a decline in feedstock prices.

In terms of profitability, in the Petrochemicals & Plastics sector, profit margins have deteriorated because of a decline in demand. In addition, in the Health & Crop Sciences sector, market conditions for the feed additive methionine have been worse than anticipated, and the impact of extreme weather in North America caused shipments of crop protection chemicals to be weaker than originally anticipated. On the other hand, business performance in the Energy & Functional Materials, IT-related Chemicals, and Pharmaceuticals sectors has been solid, primarily because of higher demand. Particularly in the Pharmaceuticals sector, operating income is expected significantly rise because of very strong sales and a lower than anticipated increase in selling, general and administrative expenses. As a result of these factors, core operating income is expected to be higher than the previously announced forecast.

Operating income is also expected to be higher than the previously announced forecast. In addition to the increase in core operating income, the Pharmaceuticals sector has implemented changes to its business plan, and while it expects to record an impairment loss on the intangible assets of in-process research and development in the oncology business, in accordance with the changes to its business plan, there will be a major decline in the fair value of contingent consideration, and it is expected that this will lead to a reversal of expenses that will exceed the impairment loss.

Net profit attributable to owners of the parent is expected to fall below the previously announced forecast because of the recording of losses on foreign currency translation adjustments stemming from the appreciation of the yen, and because income tax expenses are expected to increase, primarily owing to the reversal of deferred tax assets that had been recorded in the US, resulting from the discontinuation of the phase 3 clinical study of napabucasin for patients with pancreatic cancer.

Revisions to the Full-Year Consolidated Financial Forecast

For the second half of the fiscal year, amid growing uncertainty over the global economy, it is expected that its business environment will continue to be uncertain. In these conditions, Sumitomo Chemical has revised its foreign exchange forecast to 105 yen per US dollar from the previously announced 110 yen per US dollar.

For the full fiscal year, although the appreciation of the yen would reduce the sales proceeds outside of Japan in yen terms, business performance in the Energy & Functional Materials, IT-related Chemicals, and Pharmaceuticals sectors is expected to continue to be solid. On the other hand, because business performance in the Petrochemicals & Plastics and Health & Crop Sciences sectors is expected to deteriorate more than originally anticipated in the second half of the fiscal year, sales revenue and core operating income are expected to be lower than the previously announced forecasts.

Operating income and net income attributable to owners of the parent are both also expected to fall below the previously announced forecast because of such factors as lower core operating income, the impact of losses on foreign currency translation adjustments stemming from the appreciation of the yen, and the reversal of deferred tax assets.

3. Revision to the Projected Dividend

	Dividend per share		
	Second quarter-end	Fiscal year-end	Total
Previous forecast (Announced on May 15, 2019)	¥11.00	¥11.00	¥22.00
Revised forecast	¥11.00	To be determined	To be determined
Previous year results (Fiscal 2018)	¥11.00	¥11.00	¥22.00

(Reasons for the Revision)

The Company places a high priority on shareholder return and makes it a policy to maintain stable dividend payments, while giving due consideration to its business performance and a dividend payout ratio for each fiscal year and the amount of retained earnings necessary for future growth.

As stated above, Sumitomo Chemical has made downward revisions to its full-year consolidated financial forecast, and it has also decided to change its year-end dividend for fiscal 2019 from the 11 yen per share that it previously announced to a currently undetermined amount, amid uncertain business environment. It will announce its year-end dividend forecast at a later date after full

consideration of its fiscal forecasts for the second half of the fiscal year and next fiscal year that will end March 31, 2021.

Cautionary Statement

Statements made in this document 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.

Information:

Financial Forecast by Segment for the Half-Year Ended September 30, 2019

(Millions of yen)

		Fiscal 2019 Previous Forecast (A)	Fiscal 2019 Revised Forecast (B)	Variance in Amount (B-A)
Petrochemicals & Plastics	Sales revenue	385,000	352,000	-33,000
	Core Operating Income	19,000	17,000	-2,000
Energy & Functional Materials	Sales revenue	150,000	131,000	-19,000
	Core Operating Income	12,500	12,500	0
IT-related Chemicals	Sales revenue	210,000	206,000	-4,000
	Core Operating Income	13,500	15,000	1,500
Health & Crop Sciences	Sales revenue	165,000	146,000	-19,000
	Core Operating Income	0	-8,500	-8,500
Pharmaceuticals	Sales revenue	245,000	247,000	2,000
	Core Operating Income	40,000	46,500	6,500
Others Adjustments	Sales revenue	25,000	25,000	0
	Core Operating Income	-5,000	1,500	6,500
Total	Sales revenue	1,180,000	1,107,000	-73,000
	Core Operating Income	80,000	84,000	4,000

Financial Forecast by Segment for the Full-Year Ending March 31, 2020

(Millions of yen)

		Fiscal 2019 Previous Forecast (A)	Fiscal 2019 Revised Forecast (B)	Variance in Amount (B-A)
Petrochemicals & Plastics	Sales revenue	765,000	705,000	-60,000
	Core Operating Income	40,000	24,000	-16,000
Energy & Functional Materials	Sales revenue	310,000	280,000	-30,000
	Core Operating Income	25,000	23,000	-2,000
IT-related Chemicals	Sales revenue	425,000	425,000	0
	Core Operating Income	27,000	27,000	0
Health & Crop Sciences	Sales revenue	390,000	365,000	-25,000
	Core Operating Income	37,000	11,000	-26,000
Pharmaceuticals	Sales revenue	495,000	500,000	5,000
	Core Operating Income	81,000	81,000	0
Others Adjustments	Sales revenue	55,000	55,000	0
	Core Operating Income	-5,000	-6,000	-1,000
Total	Sales revenue	2,440,000	2,330,000	-110,000
	Core Operating Income	205,000	160,000	-45,000