

## **Sumitomo Chemical Reports Consolidated Financial Results For the Half-Year Ended September 30, 2017**

The Sumitomo Chemical Group's sales for the half-year ended September 30, 2017 totaled ¥1,054.1 billion, an increase of ¥153.6 billion compared with the same period of the previous fiscal year. The Group posted operating income of ¥92.0 billion, ordinary income of ¥115.0 billion and net income attributable to owners of the parent of ¥68.5 billion, all representing year-on-year increases.

Sumitomo Chemical decided to pay an interim dividend of ¥10 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 rose because of higher feedstock prices. Market prices of raw materials for synthetic fibers and methyl methacrylate (MMA) also increased. As a result, the segment's sales grew by ¥61.7 billion compared with the same period of the previous fiscal year, to ¥327.4 billion. Operating income increased by ¥18.3 billion, to ¥25.0 billion.

### **Energy & Functional Materials**

Shipments of resorcinol, a raw material for adhesives, and engineering plastics increased due to a rise in demand. Shipments of separators for lithium-ion secondary batteries also rose due to production capacity expansion. In addition, the acquisition of a manufacturer of cathode materials in the previous fiscal year pushed up sales. As a result, the segment's sales increased by ¥25.3 billion compared with the same period of the previous fiscal year, to ¥119.8 billion. Operating income grew by ¥7.7 billion, to ¥9.9 billion.

### **IT-related Chemicals**

Although selling prices of touchscreen panels and polarizing film declined, shipments increased due to growth in demand. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥13.9 billion compared with the same period of the previous fiscal year, to ¥188.6 billion. Operating income rose by ¥6.2 billion, to ¥8.7 billion.

### Health & Crop Sciences

Sales of the feed additive methionine dropped due to lower market prices. Shipments of crop protection chemicals declined in North America. Meanwhile, the acquisition of an Indian agrochemicals company in the previous fiscal year boosted sales. As a result, the segment's sales increased by ¥9.6 billion compared with the same period of the previous fiscal year, to ¥135.5 billion. Operating income declined by ¥7.2 billion, to ¥5.6 billion.

### Pharmaceuticals

In North America, sales of Latuda® (atypical antipsychotic) and other drugs increased steadily. In Japan, sales of Trulicity® (type 2 diabetes drug), Aimix® (anti-hypertension drug) and other drugs rose as well. As a result, the segment's sales increased by ¥42.9 billion from the same period of the previous fiscal year, to ¥257.2 billion. Operating income grew by ¥20.5 billion, to ¥48.3 billion.

### 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 came to ¥25.7 billion, almost unchanged from the same period of the previous fiscal year. Operating income declined by ¥0.2 billion compared with the same period of the previous fiscal year, to ¥2.2 billion.

Equity in earnings of affiliates increased by ¥3.8 billion compared with the same period of the previous fiscal year, to ¥22.6 billion. Earnings of Petrochemical Corporation of Singapore remained strong. Earnings of Rabigh Refining and Petrochemical Company (Petro Rabigh) improved due chiefly to an improvement in oil refining margins and higher market prices of petrochemical products.

Sumitomo Chemical has revised its consolidated financial forecast for the full-year ending March 31, 2018, previously announced on May 16, 2017, 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)	2,190,000	165,000	185,000	100,000	61.19
Revised Forecast (B)	2,210,000	185,000	215,000	120,000	73.43
Variance in Amount (B-A)	20,000	20,000	30,000	20,000	
Variance in Percentage (%)	0.9	12.1	16.2	20.0	
Results for Full-Year ended March 31, 2017	1,954,283	134,336	166,632	85,482	52.31

In addition to an improvement in profit margins in the businesses of the Petrochemicals & Plastics Sector, shipments of products in the Pharmaceuticals Sector and the Energy & Functional Materials Sector are expected to remain brisk, despite a drop in selling prices of the feed additive methionine in the Health & Crop Sciences Sector. Shipments of products in the IT-related Chemicals Sector are also expected to increase in the second half of the current fiscal year. For these reasons, operating income is expected to exceed the previous forecast. Ordinary income and net income attributable to owners of the parent are also anticipated to exceed the previous estimate due to the increase in operating income as well as higher equity in earnings of affiliates and other factors.

The new forecast is based on the assumptions of a foreign exchange rate of ¥110/US\$ and a naphtha price of ¥37,000/kl for the second half of the current fiscal year.

Considering the better-than-expected financial results for the first half of the current fiscal year and the revised full-year earnings forecast, both announced today, the Company decided to pay an interim dividend of ¥10 per share, ¥3 higher than the previous estimate, and to revise the projected year-end dividend to ¥10 per share, ¥3 higher than the earlier estimate. As a result, the Company's annual dividend will be ¥20 per share for the year ending in March 2018, up ¥6 from the previous 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, 2017		6 Months ended September 30, 2016
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Net sales	1,054,082	9,350,501	900,512
Operating income	92,006	816,163	47,254
Ordinary income	114,980	1,019,959	50,608
Income before income taxes and non-controlling interests	123,366	1,094,349	42,682
Net income	96,990	860,374	31,881
Net income attributable to non-controlling interests	28,464	252,497	12,647
Net income attributable to owners of the parent	68,526	607,877	19,234
	Yen	USD*	Yen
Net income per 1,000 shares	41,934	372	11,769
Dividends per 1,000 shares:			
Interim dividends	10,000	89	7,000
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Comprehensive income	105,107	932,378	(66,253)

### (2) Financial Position:

	As of September 30, 2017		As of March 31, 2017
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Total assets	2,960,544	26,262,255	2,862,052
Total net assets	1,246,369	11,056,232	1,162,526

### (3) Cash Flows:

	6 Months ended September 30, 2017		6 Months ended September 30, 2016
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Cash flows from operating activities	119,916	1,063,745	82,282
Cash flows from investing activities	(62,072)	(550,625)	(58,655)
Cash flows from financing activities	(24,439)	(216,792)	21,808
Cash and cash equivalents at end of period	229,589	2,036,627	240,245

### (4) Results of Operations by Business Segment:

	6 Months ended September 30, 2017		6 Months ended September 30, 2016
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Net sales			
Petrochemicals & Plastics	327,355	2,903,885	265,654
Energy & Functional Materials	119,784	1,062,574	94,448
IT-related Chemicals	188,575	1,672,802	174,684
Health & Crop Sciences	135,459	1,201,623	125,831
Pharmaceuticals	257,192	2,281,487	214,265
Others	25,717	228,130	25,630
	1,054,082	9,350,501	900,512
Operating income			
Petrochemicals & Plastics	24,984	221,627	6,651
Energy & Functional Materials	9,906	87,874	2,178
IT-related Chemicals	8,689	77,078	2,454
Health & Crop Sciences	5,622	49,871	12,851
Pharmaceuticals	48,328	428,706	27,872
Others	2,171	19,258	2,397
Adjustments	(7,694)	(68,251)	(7,149)
	92,006	816,163	47,254

(Note)

\*:U.S. dollar amounts are translated from yen, for convenience only, at the rate of  
¥112.73 = \$1 prevailing on September 30, 2017.