

# Financial Results for FY2017 Second Quarter

November 1, 2017



**(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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# Financial Results for FY2017 Second Quarter

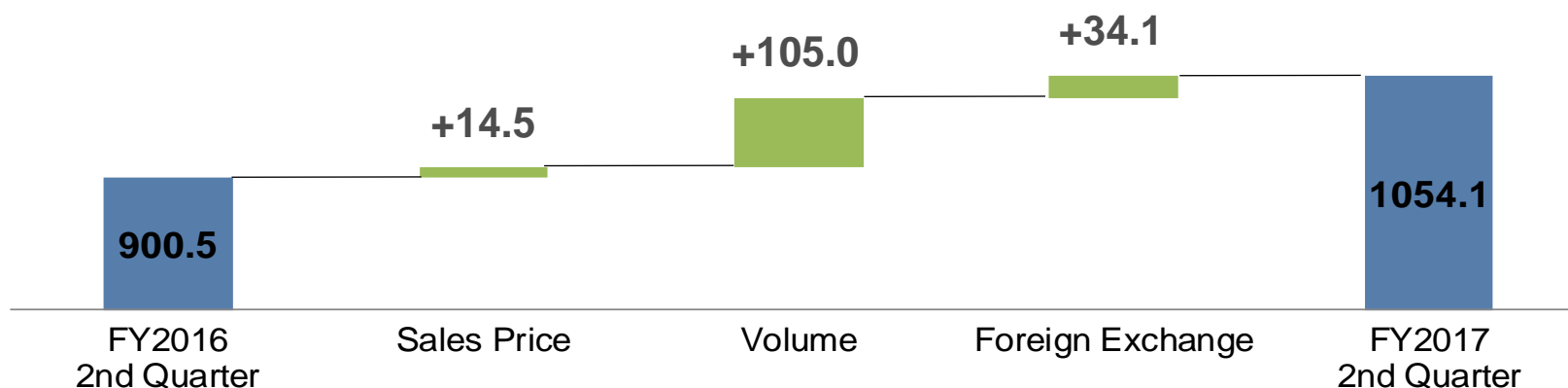
Unit; billions of yen

	FY2016 2nd Quarter	FY2017 2nd Quarter	Difference	Ratio
Net sales	900.5	<b>1,054.1</b>	153.6	17.1%
Operating income	47.3	<b>92.0</b>	44.8	94.7%
(Equity in earnings of affiliates)	(18.8)	<b>(22.6)</b>	(3.8)	-
(Net exchange gain / loss)	<b>(-12.5)</b>	<b>(2.7)</b>	(15.1)	-
Ordinary income	50.6	<b>115.0</b>	64.4	127.2%
(Extraordinary gain / loss)	<b>(-7.9)</b>	<b>(8.4)</b>	(16.3)	-
(Income taxes)	<b>(-10.8)</b>	<b>(-26.4)</b>	<b>(-15.6)</b>	-
Net income	31.9	<b>97.0</b>	65.1	-
(Net income attributable to non-controlling interests)	<b>(-12.6)</b>	<b>(-28.5)</b>	<b>(-15.8)</b>	-
Net income attributable to owners of the parent	19.2	<b>68.5</b>	49.3	256.3%
ROE	2.6%	<b>8.1%</b>		
Exchange rate (yen/USD)	105.20	<b>111.04</b>		
Naphtha price (yen/KL)	31,500	<b>37,600</b>		
Overseas sales ratio	60.1%	<b>63.5%</b>		

Unit; billions of yen

	FY2016 2nd Quarter	FY2017 2nd Quarter	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Petrochemicals & Plastics	265.7	<b>327.4</b>	61.7	23.2%	26.5	26.7	8.5
Energy & Functional Materials	94.4	<b>119.8</b>	25.3	26.8%	4.0	20.0	1.4
IT-related Chemicals	174.7	<b>188.6</b>	13.9	8.0%	-9.5	11.5	11.9
Health & Crop Sciences	125.8	<b>135.5</b>	9.6	7.7%	-6.5	10.8	5.3
Pharmaceuticals	214.3	<b>257.2</b>	42.9	20.0%	0.0	35.9	7.1
Others & Adjustments	25.6	<b>25.7</b>	0.1	0.3%	0.0	0.1	0.0
<b>Total</b>	<b>900.5</b>	<b>1,054.1</b>	<b>153.6</b>	<b>17.1%</b>	<b>14.5</b>	<b>105.0</b>	<b>34.1</b>

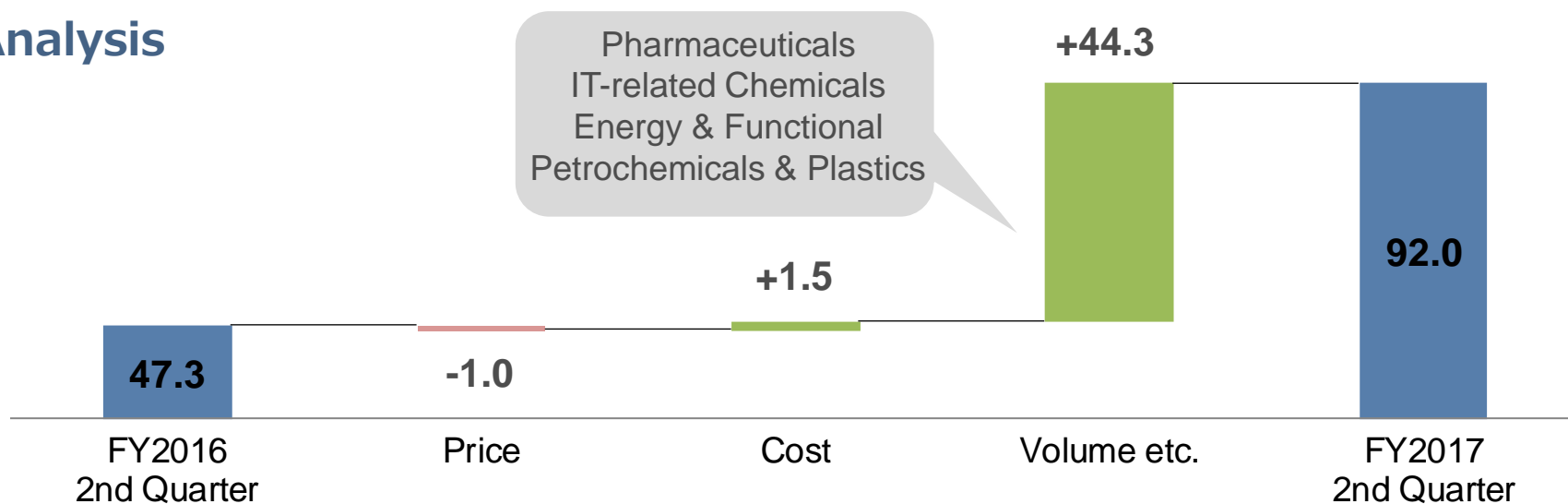
## Analysis



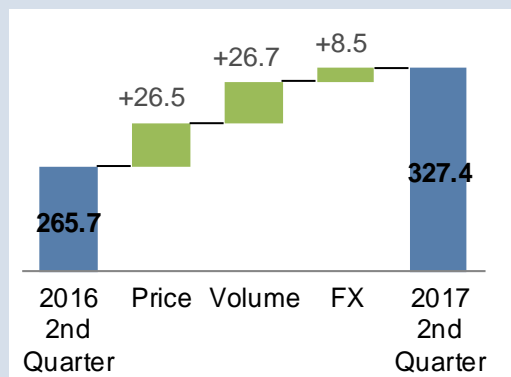
Unit; billions of yen

	FY2016 2nd Quarter	FY2017 2nd Quarter	Difference	Price Variance	Cost Variance	Shipping Volume Variance and Other	Total
Petrochemicals & Plastics	6.7	25.0	18.3	13.0	0.5	4.8	18.3
Energy & Functional Materials	2.2	9.9	7.7	0.5	1.0	6.2	7.7
IT-related Chemicals	2.5	8.7	6.2	-6.5	4.0	8.7	6.2
Health & Crop Sciences	12.9	5.6	-7.2	-8.0	1.0	-0.2	-7.2
Pharmaceuticals	27.9	48.3	20.5	0.0	-5.0	25.5	20.5
Others & Adjustments	-4.8	-5.5	-0.8	0.0	0.0	-0.8	-0.8
Total	47.3	92.0	44.8	-1.0	1.5	44.3	44.8

## Analysis



## Sales



**Total ¥327.4 billion (+61.7 from FY2016 2nd Quarter)**

**Sales price**

**+26.5**

- Improve in market price of MMA and synthetic resins

**Volume**

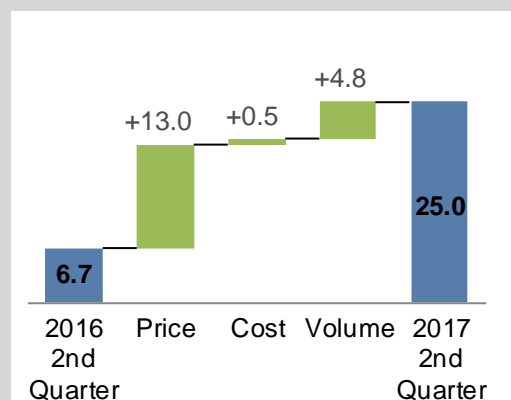
**+26.7**

- Consolidation of Sumika Polycarbonate as subsidiary
- Increase in shipment of Rabigh products

**Foreign exchange**

**+8.5**

## Operating income



**Total ¥25.0 billion (+18.3 from FY2016 2nd Quarter)**

**Price variance**

**+13.0**

- Better profit margin on MMA and synthetic resins

**Cost variance**

**+0.5**

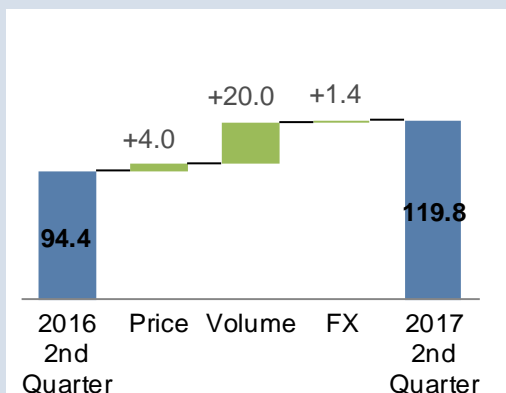
**Volume variance etc.**

**+4.8**

- Increase in license revenue etc.



## Sales



**Total ¥119.8 billion (+25.3 from FY2016 2nd Quarter )**

**Sales price**

**+4.0**

- Higher market price for aluminum

**Volume**

**+20.0**

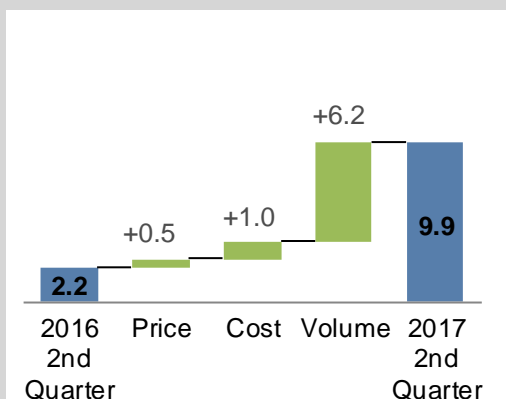
- Expansion of production capacity for lithium-ion secondary battery separator
- Increase in shipment of resorcinol and engineering plastics

**Foreign exchange**

**+1.4**

- New consolidation of Tanaka Chemical Corp

## Operating income



**Total ¥9.9 billion (+7.7 from FY2016 2nd Quarter )**

**Price variance**

**+0.5**

**Cost variance**

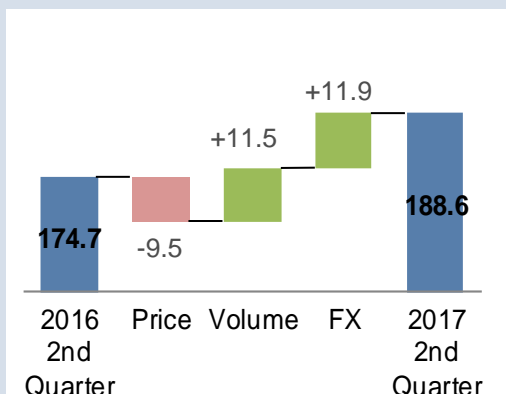
**+1.0**

**Volume variance etc.**

**+6.2**

- Expansion of production capacity for lithium-ion secondary battery separator
- Increase in shipment of resorcinol and engineering plastics

## Sales



**Total ¥188.6 billion (+13.9 from FY2016 2nd Quarter )**

### Sales price

**-9.5**

- Decline in selling price of polarizing film
- Decline in selling price of touchscreen panels

### Volume

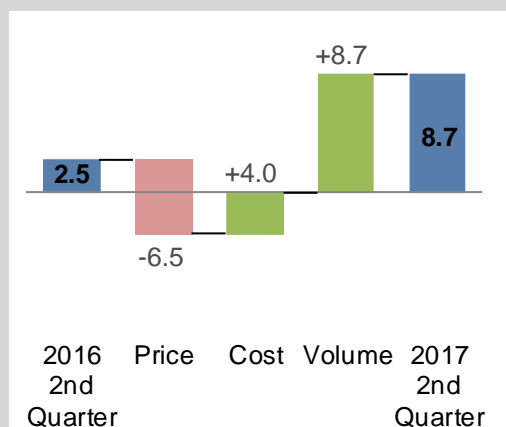
**+11.5**

- Increase in shipment of polarizing film
- Increase in shipment of touchscreen panels

### Foreign exchange

**+11.9**

## Operating income



**Total ¥8.7 billion (+6.2 from FY2016 2nd Quarter )**

### Price variance

**-6.5**

- Decline in selling price of polarizing film
- Decline in selling price of touchscreen panels

### Cost variance

**+4.0**

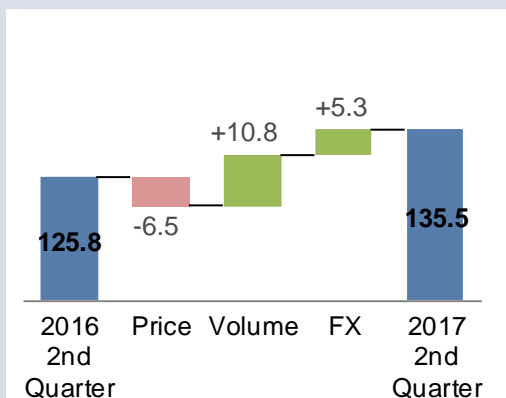
- Rationalization of the use of raw materials

### Volume variance etc.

**+8.7**

- Increase in shipment of polarizing film
- Increase in shipment of touchscreen panels

## Sales



**Total ¥135.5 billion (+9.6 from FY2016 2nd Quarter )**

**Sales price**

**-6.5**

- Lower market price for feed additive methionine

**Volume**

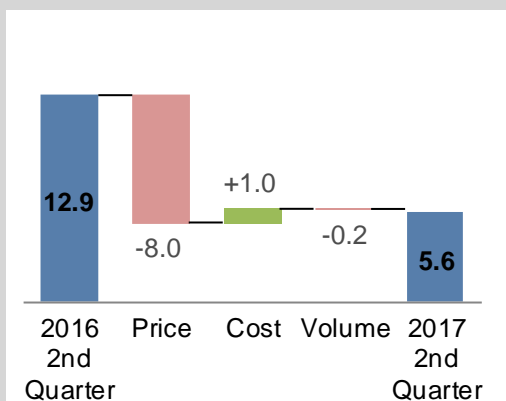
**+10.8**

- New consolidation of Excel Crop Care Ltd.
- Decrease in shipment of crop protection chemical in overseas market

**Foreign exchange**

**+5.3**

## Operating income



**Total ¥5.6 billion (-7.2 from FY2016 2nd Quarter )**

**Price variance**

**-8.0**

- Lower market price for feed additive methionine

**Cost variance**

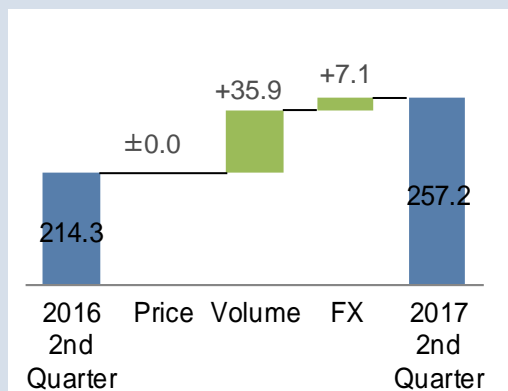
**+1.0**

**Volume variance etc.**

**-0.2**

- Decrease in shipment of crop protection chemical in overseas market
- Positive impact of stronger yen

## Sales



**Total ¥257.2 billion (+42.9 from FY2016 2nd Quarter )**

**Sales price**

0

**Volume**

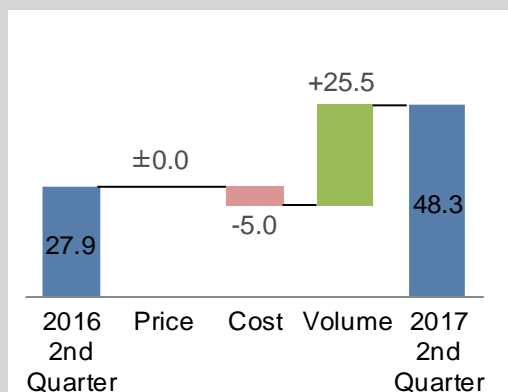
+35.9

- Increase in shipment of Latuda® in North America
- Divestiture of ciclesonide products
- Increase in shipment of Trulicity® in Japan

**Foreign exchange**

+7.1

## Operating income



**Total ¥48.3 billion (+20.5 from FY2016 2nd Quarter )**

**Price variance**

0

**Cost variance**

-5.0

- Increase in sales expense of COPD products

**Volume variance etc.**

+25.5

- Increase in shipment of Latuda® in North America
- Divestiture of ciclesonide products

Unit; billions of yen

	31-Mar-17	30-Sep-17	Difference
Current assets	1,231.1	<b>1,290.1</b>	59.0
Cash and cash equivalents	193.3	<b>229.6</b>	36.3
Trade notes and accounts receivable	455.2	<b>441.7</b>	-13.6
Inventories	409.4	<b>441.1</b>	31.7
Others	173.2	<b>177.8</b>	4.6
Non-current assets	1,630.9	<b>1,670.4</b>	39.5
Property, plant and equipment	626.2	<b>640.6</b>	14.4
Intangible assets	357.6	<b>352.6</b>	-5.0
Investment and other assets	647.1	<b>677.2</b>	30.1
Total	2,862.1	<b>2,960.5</b>	98.5

	31-Mar-17	30-Sep-17	Difference
Liabilities	1,699.5	<b>1,714.2</b>	14.6
Trade notes and accounts payable	243.5	<b>253.5</b>	10.0
Interest-bearing Liabilities	875.3	<b>877.0</b>	1.8
Others	580.7	<b>583.6</b>	2.9
Net assets	1,162.5	<b>1,246.4</b>	83.8
Shareholders' equity	707.0	<b>764.3</b>	57.4
Accumulated other comprehensive income	113.3	<b>117.7</b>	4.3
Non-controlling interests	342.2	<b>364.3</b>	22.1
Total	2,862.1	<b>2,960.5</b>	98.5
Shareholders' equity ratio	28.7%	<b>29.8%</b>	1.1%
D/E ratio	0.8	<b>0.7</b>	0.0

Unit: billions of yen

	FY2016 2nd Quarter	FY2017 2nd Quarter	Difference
Cash flows from operating activities	82.3	<b>119.9</b>	37.6
Cash flows from investing activities	<b>-58.7</b>	<b>-62.1</b>	<b>-3.4</b>
Free cash flows	23.6	<b>57.8</b>	34.2
Cash flows from financing activities	21.8	<b>-24.4</b>	<b>-46.2</b>
Effect of exchange rate changes on cash and cash equivalents	<b>-20.8</b>	<b>2.0</b>	22.8
Net change in cash and cash equivalents	24.7	<b>35.5</b>	10.8
Cash and cash equivalents (at September 30)	240.2	<b>229.6</b>	<b>-10.7</b>

Unit; billions of yen

	Previous Estimates	Revised Estimates	Difference	Ratio
Net sales	2,190.0	<b>2,210.0</b>	20.0	0.9%
Operating income	165.0	<b>185.0</b>	20.0	12.1%
(Equity in earnings of affiliates)	(35.0)	<b>(43.0)</b>	(8.0)	-
Ordinary income	185.0	<b>215.0</b>	30.0	16.2%
Net income attributable to owners of the parent	100.0	<b>120.0</b>	20.0	20.0%
ROE	11.8%	<b>13.9%</b>		
Exchange rate (yen/USD)	110.00	<b>110.52</b>		
Naphtha price (yen/KL)	37,000	<b>37,300</b>		

Unit; billions of yen			
	Previous Estimates	Revised Estimates	Difference
Petrochemicals & Plastics	640.0	<b>650.0</b>	10.0
Energy & Functional Materials	250.0	<b>255.0</b>	5.0
IT-related Chemicals	385.0	<b>385.0</b>	-
Health & Crop Sciences	380.0	<b>355.0</b>	<b>-25.0</b>
Pharmaceuticals	480.0	<b>510.0</b>	30.0
Others & Adjustments	55.0	<b>55.0</b>	-
Total	2,190.0	<b>2,210.0</b>	20.0



Unit; billions of yen			
	Previous Estimates	Revised Estimates	Difference
Petrochemicals & Plastics	27.0	37.0	10.0
Energy & Functional Materials	12.0	15.0	3.0
IT-related Chemicals	21.0	21.0	-
Health & Crop Sciences	60.0	50.0	-10.0
Pharmaceuticals	57.0	74.0	17.0
Others & Adjustments	-12.0	-12.0	-
Total	165.0	185.0	20.0

Unit; billions of yen

IFRS (Japanese GAAP)	Japanese GAAP	IFRS	Difference	Reasons
Sales revenue (Net sales)	2,210.0	<b>2,190.0</b>	<b>Δ20.0</b>	- Derecognition of SWAP transactions
Core operating income (Operating income)	185.0	<b>230.0</b>	45.0	- Inclusion of income from equity method - No Amortization of goodwill
Net income attributable to owners of the parent	120.0	<b>120.0</b>	-	

### Core operating income

Core operating income shows ordinary profitability of businesses, calculated by excluding gain/loss and income/expense incurred by extraordinary reasons from operating income defined in IFRS. It includes income/loss from equity method. It will be used for management report to measure business performance and will be disclosed as segment profit/loss.

**(Reference: Segment Information)**

Unit; billions of yen

	FY2016 2nd Quarter	FY2017 2nd Quarter	Difference
Capital Expenditures	61.5	<b>62.5</b>	1.0
Depreciation and Amortization	53.1	<b>54.3</b>	1.1
Research & Development Expenses	76.8	<b>78.5</b>	1.7
Number of Employees (as of September 30)	31,328	<b>31,858</b>	530

Unit; billions of yen

	FY2016 2nd Quarter	FY2017 2nd Quarter	Difference
Petrochemicals & Plastics	8.4	7.6	-0.7
Energy & Functional Materials	8.2	12.1	3.9
IT-related Chemicals	22.0	13.0	-9.0
Health & Crop Sciences	12.7	19.6	6.9
Pharmaceuticals	4.3	4.6	0.3
Others & Adjustments	5.9	5.6	-0.4
Total	61.5	62.5	1.0

Unit; billions of yen

	FY2016 2nd Quarter	FY2017 2nd Quarter	Difference
Petrochemicals & Plastics	9.7	10.5	0.8
Energy & Functional Materials	5.5	5.4	-0.0
IT-related Chemicals	15.1	15.2	0.1
Health & Crop Sciences	8.0	8.4	0.4
Pharmaceuticals	10.4	10.6	0.2
Others & Adjustments	4.5	4.1	-0.3
Total	53.1	54.3	1.1

Unit; billions of yen

	FY2016 2nd Quarter	FY2017 2nd Quarter	Difference
Petrochemicals & Plastics	2.9	3.2	0.3
Energy & Functional Materials	4.5	4.0	-0.5
IT-related Chemicals	7.8	8.4	0.6
Health & Crop Sciences	14.2	13.8	-0.5
Pharmaceuticals	39.0	42.0	3.0
Others & Adjustments	8.4	7.2	-1.3
Total	76.8	78.5	1.7

Unit; billions of yen

	FY2016				FY2017		FY2017 (estimated)	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half
Petrochemicals & Plastics	137.0	128.7	148.4	158.0	156.5	170.8	327.4	322.6
Energy & Functional Materials	47.0	47.5	51.5	59.9	59.3	60.5	119.8	135.2
IT-related Chemicals	86.0	88.7	95.1	88.6	90.8	97.8	188.6	196.4
Health & Crop Sciences	64.0	61.8	66.1	127.4	65.2	70.3	135.5	219.5
Pharmaceuticals	111.7	102.6	115.5	114.5	124.8	132.4	257.2	252.8
Others & Adjustments	10.9	14.7	12.7	16.1	12.0	13.7	25.7	29.3
Total	456.6	444.0	489.3	564.5	508.5	545.6	1,054.1	1,155.9



Unit; billions of yen

	FY2016				FY2017		FY2017 (estimated)	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half
Petrochemicals & Plastics	1.8	4.9	10.9	9.1	10.3	14.7	25.0	12.0
Energy & Functional Materials	0.7	1.5	3.0	2.1	4.6	5.3	9.9	5.1
IT-related Chemicals	1.4	1.1	6.5	1.4	3.0	5.6	8.7	12.3
Health & Crop Sciences	9.1	3.8	3.7	29.6	3.0	2.6	5.6	44.4
Pharmaceuticals	15.3	12.6	18.2	9.0	20.3	28.0	48.3	25.7
Others & Adjustments	-3.0	-1.8	-3.2	-3.1	-3.7	-1.9	-5.5	-6.5
Total	25.3	21.9	39.0	48.1	37.6	54.4	92.0	93.0

Company	Net Sales		Profit Trends
	FY2016 2nd Quarter	FY2017 2nd Quarter	
The Polyolefin Company (Singapore) (millions of USD)	497	571	↗ Maintaining due to better margins
Petrochemical Corporation of Singapore (millions of USD)	997	1,248	↗ Maintaining due to better margins
Rabigh Refining and Petrochemical Company (millions of SAR)	11,283	15,546	↗ Due to an improvement in oil refining margins and higher profit margins on petrochemical products
Dongwoo Fine-Chem (billions of KRW)	1,042	1,113	↗ Increased due to higher sales volume and other factors despite lower selling price
Valent U.S.A. and Subsidiaries (millions of USD)	369	332	↘ Decreased due to timing difference and other factors