



Financial Results of FY2016 Third Quarter



January 30, 2017



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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Financial Summary

Unit; billions of yen

	FY2015 3rd Quarter (year to date)	FY2016 3rd Quarter (year to date)	Difference	Ratio
Net Sales	1,577.8	1,389.8	-188.0	-11.9%
Operating Income	119.5	86.3	-33.3	-27.8%
(Equity in earnings of affiliates, included in ordinary income)	(29.5)	(25.8)	(-3.7)	-
(Net gain / loss on foreign currency transactions, included in ordinary income)	(-1.1)	(6.5)	(7.6)	-
Ordinary Income	143.7	115.0	-28.7	-20.0%
(Extraordinary Gain / Loss)	(3.8)	(-8.0)	(-11.9)	-
(Income taxes)	(-36.6)	(-24.8)	(11.8)	-
Net income	110.9	82.1	-28.8	-
(Net income attributable to non-controlling interests)	(-26.3)	(-26.8)	(-0.5)	-
Net income attributable to owners of the parent	84.6	55.3	-29.3	-34.6%
ROE	10.4%	7.1%		
Exchange Rate (yen/USD)	121.74	106.60		
Naphtha Price (yen/KL)	45,600	32,300		

Net Sales by Business Segments I

Unit; billions of yen

	FY2015 3rd Quarter (year to date)	FY2016 3rd Quarter (year to date)	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Petrochemicals	518.4	414.0	-104.4	-20.1%	-54.0	-19.1	-31.3
Energy & Functional Materials	157.1	146.0	-11.1	-7.1%	-13.5	5.8	-3.4
IT-related Chemicals	304.7	269.8	-34.9	-11.5%	-26.5	32.1	-40.5
Health & Crop Sciences	228.4	191.9	-36.4	-16.0%	-20.0	2.4	-18.9
Pharmaceuticals	328.5	329.7	1.2	0.4%	-6.0	30.3	-23.1
Others & Adjustments	40.7	38.3	-2.4	-5.8%	0.0	-2.3	-0.0
Total	1,577.8	1,389.8	-188.0	-11.9%	-120.0	49.1	-117.1
Overseas Operations	977.6	839.6	-138.1	-14.1%			
Overseas Ratio	62.0%	60.4%					

*With the changes in reported segments classification methods as of April 1, 2016, 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

	FY2015 3rd Quarter (year to date)	FY2016 3rd Quarter (year to date)	Difference	Main Factors
Petrochemicals	518.4	414.0	-104.4	<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 • Negative effect of the stronger yen
Energy & Functional Materials	157.1	146.0	-11.1	<ul style="list-style-type: none"> • Decline in selling prices of aluminum • Increase in shipments of resorcinol and engineering plastics
IT-related Chemicals	304.7	269.8	-34.9	<ul style="list-style-type: none"> • Increase in shipments of touchscreen panels • Decline in selling prices of polarizing film and touchscreen panels • Negative effect of the stronger yen
Health & Crop Sciences	228.4	191.9	-36.4	<ul style="list-style-type: none"> • Lower market price for feed additive methionine • Decrease in shipments of crop protection chemicals in overseas market • Negative effect of the stronger yen
Pharmaceuticals	328.5	329.7	1.2	<ul style="list-style-type: none"> • Sales expansion of Latuda® in North America • NHI price revision in Japan • Negative effect of the stronger yen
Others & Adjustments	40.7	38.3	-2.4	
Total	1,577.8	1,389.8	-188.0	

Operating Income by Business Segments I

Unit; billions of yen

	Operating Income		Difference	Price Variance	Cost Variance	Shipping Volume Variance and Other	Total
	FY2015 3rd Quarter (year to date)	FY2016 3rd Quarter (year to date)					
Petrochemicals	25.8	17.5	-8.3	2.5	-3.5	-7.3	-8.3
Energy & Functional Materials	3.5	5.1	1.6	1.0	0.0	0.6	1.6
IT-related Chemicals	20.9	8.9	-12.0	-31.0	15.5	3.5	-12.0
Health & Crop Sciences	40.9	16.6	-24.3	-12.0	-6.5	-5.8	-24.3
Pharmaceuticals	35.0	46.1	11.1	-6.0	-10.5	27.6	11.1
Others & Adjustments	-6.5	-7.9	-1.4	0.0	1.0	-2.4	-1.4
Total	119.5	86.3	-33.3	-45.5	-4.0	16.3	-33.3

Operating Income by Business Segments II

Unit; billions of yen

	Operating Income		Difference	Main Factors
	FY2015 3rd Quarter (year to date)	FY2016 3rd Quarter (year to date)		
Petrochemicals	25.8	17.5	-8.3	<ul style="list-style-type: none"> • Decline in licensing revenues • Decline in shipments due to periodic plant maintenance in Singapore
Energy & Functional Materials	3.5	5.1	1.6	<ul style="list-style-type: none"> • Increase in shipments of resorcinol and engineering plastics • Negative effect of the stronger yen
IT-related Chemicals	20.9	8.9	-12.0	<ul style="list-style-type: none"> • Increase in shipments of touchscreen panels • Decline in selling prices of polarizing film and touchscreen panels • Negative effect of the stronger yen
Health & Crop Sciences	40.9	16.6	-24.3	<ul style="list-style-type: none"> • Lower market price for feed additive methionine • Decrease in shipments of crop protection chemicals in overseas market • Negative effect of the stronger yen
Pharmaceuticals	35.0	46.1	11.1	<ul style="list-style-type: none"> • Sales expansion of Latuda® in North America • Increase in selling and R&D expenses • NHI price revision in Japan
Others & Adjustments	-6.5	-7.9	-1.4	
Total	119.5	86.3	-33.3	

Consolidated Balance Sheets

Unit; billions of yen

	31-Mar-16	31-Dec-16	Difference		31-Mar-16	31-Dec-16	Difference
Current Assets	1,187.9	1,230.5	42.6	Liabilities	1,571.4	1,694.6	123.2
Cash and cash equivalents	215.6	211.6	-4.0	Trade notes and accounts payable	205.2	220.1	14.9
Trade notes and accounts receivable	414.8	398.9	-15.9	Interest-bearing Liabilities	831.5	951.2	119.7
Inventories	402.3	428.7	26.5	Others	534.7	523.2	-11.4
Others	155.3	191.2	35.9	Net Assets	1,090.8	1,143.1	52.4
Non-current Assets	1,474.2	1,607.3	133.1	Shareholders' equity	643.7	677.2	33.5
Property, plant and equipment	642.2	662.1	20.0	Accumulated other comprehensive income	123.2	113.7	-9.4
Intangible assets	187.3	286.1	98.9	Non-controlling interests	323.9	352.2	28.3
Investment and other assets	644.8	659.0	14.2				
Total	2,662.2	2,837.8	175.6	Total	2,662.2	2,837.8	175.6

Shareholders' equity ratio	28.8%	27.9%	-0.9%
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Consolidated Statements of Cash Flows

Unit; billions of yen

	FY2015 3rd Quarter (year to date)	FY2016 3rd Quarter (year to date)	Difference
Cash flows from operating activities	169.2	85.3	-83.9
Cash flows from investing activities	-34.3	-168.4	-134.0
Free cash flows	134.9	-83.0	-217.9
Cash flows from financing activities	-47.4	80.3	127.7
Effect of exchange rate changes on cash and cash equivalents	-3.7	-1.3	2.5
Net change in cash and cash equivalents	83.7	-4.0	-87.7
Cash and cash equivalents (at December 31)	284.0	211.6	-72.4

Major Subsidiaries

Company	Net Sales		Profit Trends
	FY2015 3rd Quarter (year to date)	FY2016 3rd Quarter (year to date)	
The Polyolefin Company (Singapore) (millions of USD)	930	788	Maintaining due to better margins
Petrochemical Corporation of Singapore (millions of USD)	1,902	1,639	Maintaining due to better margins
Rabigh Refining and Petrochemical Company (millions of SAR)	22,818	17,659	Decreased due to a decline in selling prices caused by lower feedstock prices, and a temporary shutdown of an ethane cracker
Dongwoo Fine-Chem (billions of KRW)	1,668	1,619	Decreased due to lower selling price and other factors despite higher sales volume
Valent U.S.A. and Subsidiaries (millions of USD)	517	517	Decreased due to difference of product mix



(Reference : Segment Information)

Net Sales by Business Segments (Quarterly)

Unit; billions of yen

	FY2015				FY2016			FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1st Half	2nd Half (estimated)
Petrochemicals	198.5	163.6	156.3	138.7	137.0	128.7	148.4	265.7	294.3
Energy & Functional Materials	52.5	52.6	52.0	51.9	47.0	47.5	51.5	94.4	115.6
IT-related Chemicals	104.1	104.0	96.6	79.8	86.0	88.7	95.1	174.7	180.3
Health & Crop Sciences	82.0	75.2	71.1	130.7	64.0	61.8	66.1	125.8	214.2
Pharmaceuticals	106.2	108.8	113.5	107.0	111.7	102.6	115.5	214.3	220.7
Others & Adjustments	13.4	15.0	12.4	16.0	10.9	14.7	12.7	25.6	34.4
Total	556.6	519.3	501.9	524.0	456.6	444.0	489.3	900.5	1,059.5

Operating Income by Business Segments (Quarterly)

Unit; billions of yen

	FY2015				FY2016			FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1st Half	2nd Half (estimated)
Petrochemicals	6.9	6.4	12.4	3.0	1.8	4.9	10.9	6.7	10.3
Energy & Functional Materials	0.0	2.3	1.2	-0.7	0.7	1.5	3.0	2.2	0.8
IT-related Chemicals	7.3	8.8	4.8	-1.0	1.4	1.1	6.5	2.5	3.5
Health & Crop Sciences	16.1	10.9	13.8	36.6	9.1	3.8	3.7	12.9	44.1
Pharmaceuticals	5.8	13.5	15.7	7.7	15.3	12.6	18.2	27.9	20.1
Others & Adjustments	-3.0	-0.9	-2.6	-0.7	-3.0	-1.8	-3.2	-4.8	-6.2
Total	33.2	41.1	45.3	44.9	25.3	21.9	39.0	47.3	72.7