

# Financial Results for FY2018 First Quarter

July 31, 2018



**(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.

## Financial Results for FY2018 First Quarter

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# Financial Results for FY2018 First Quarter

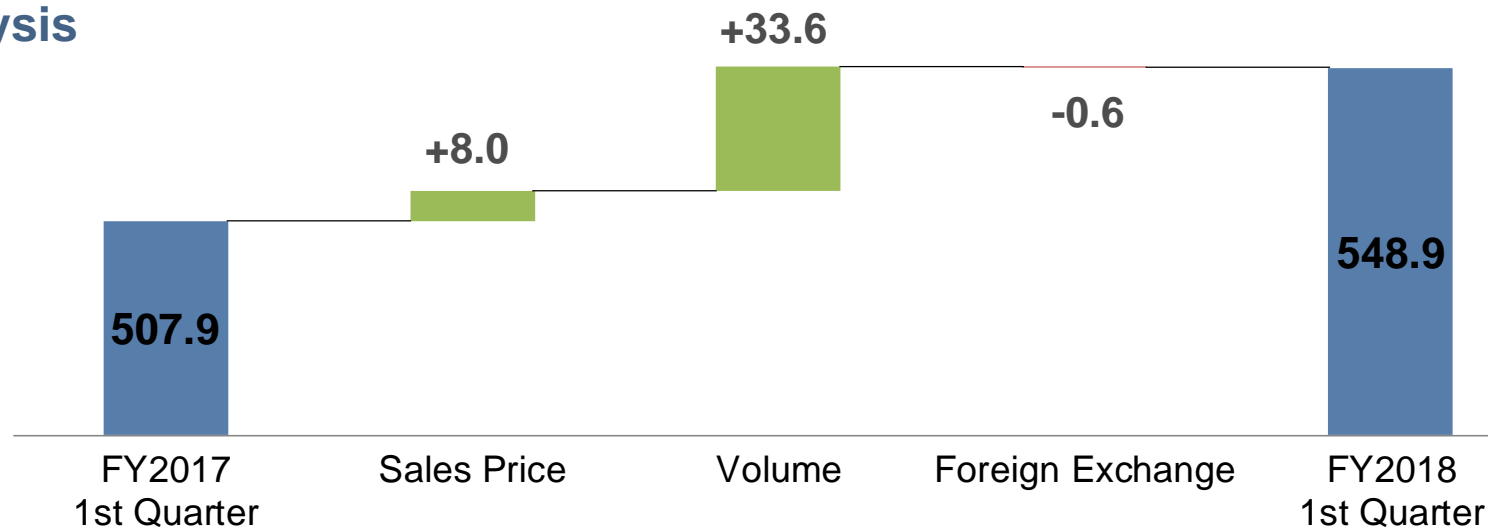
Unit; billions of yen

	FY2017 1st Quarter	FY2018 1st Quarter	Difference	Ratio
Sales revenue	507.9	<b>548.9</b>	41.0	8.1%
Core operating income (Equity in earnings)	53.5 (7.5)	<b>48.2</b> <b>(13.4)</b>	<b>-5.3</b> (5.9)	<b>-9.9%</b> -
Non-recurring items	12.7	<b>-4.1</b>	<b>-16.8</b>	-
Operating income	66.2	<b>44.1</b>	<b>-22.1</b>	<b>-33.4%</b>
Finance income/expenses (Gain/loss on foreign currency transactions)	0.5 (0.6)	<b>7.6</b> <b>(6.8)</b>	7.1 (6.1)	- -
Income tax expenses	<b>-14.4</b>	<b>-10.6</b>	3.8	-
Net income attributable to non-controlling interests	<b>-18.5</b>	<b>-11.1</b>	7.4	-
Net income attributable to owners of the parent	33.8	<b>30.0</b>	<b>-3.8</b>	<b>-11.3%</b>
ROE	4.1%	<b>3.2%</b>		
Exchange rate(yen/\$)	111.09	<b>109.10</b>		
Naphtha price(yen/KL)	39,100	<b>49,000</b>		
Overseas sales revenue ratio	62.1%	<b>63.6%</b>		

Unit; billions of yen

	FY2017 1st Quarter	FY2018 1st Quarter	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Petrochemicals & Plastics	153.5	185.6	32.2	20.9%	14.0	19.1	-0.9
Energy & Functional Materials	59.6	68.5	9.0	15.0%	3.0	5.6	0.4
IT-related Chemicals	90.8	89.2	-1.6	-1.8%	-6.5	3.3	1.6
Health & Crop Sciences	67.5	69.4	1.9	2.8%	0.0	2.8	-0.9
Pharmaceuticals	124.6	124.3	-0.3	-0.3%	-2.5	3.0	-0.8
Others & Adjustments	12.0	11.9	-0.1	-0.4%	0.0	-0.1	0.0
Total	507.9	548.9	41.0	8.1%	8.0	33.6	-0.6

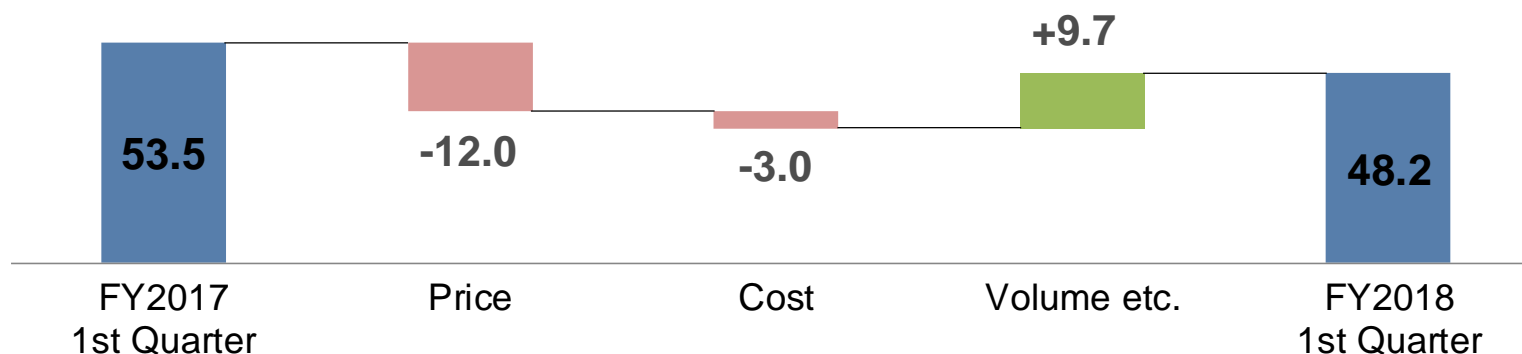
## Analysis



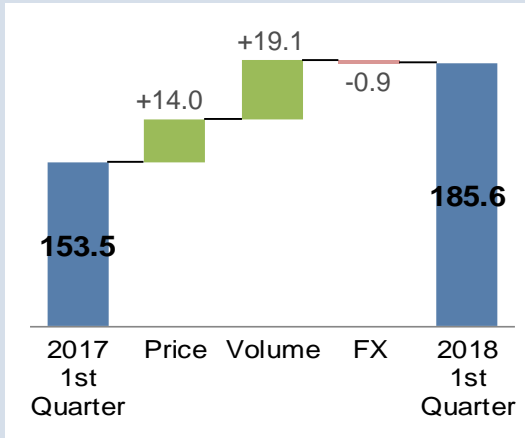
Unit; billions of yen

	FY2017 1st Quarter	FY2018 1st Quarter	Difference	Price Variance	Cost Variance	Shipping Volume Variance and Other	Total
Petrochemicals & Plastics	15.0	17.8	2.8	-2.0	0.0	4.8	2.8
Energy & Functional Materials	4.8	5.9	1.1	-0.5	-1.0	2.6	1.1
IT-related Chemicals	3.3	4.3	1.0	-6.0	4.0	3.0	1.0
Health & Crop Sciences	5.5	2.6	-2.9	-1.0	-1.0	-0.9	-2.9
Pharmaceuticals	25.9	19.7	-6.3	-2.5	-5.0	1.2	-6.3
Others & Adjustments	-1.1	-2.1	-1.0	0.0	0.0	-1.0	-1.0
<b>Total</b>	<b>53.5</b>	<b>48.2</b>	<b>-5.3</b>	<b>-12.0</b>	<b>-3.0</b>	<b>9.7</b>	<b>-5.3</b>

## Analysis



### Sales revenue



**Total ¥185.6 billion (+32.2 from FY2017 1st Quarter )**

#### Sales price

**+14.0**

- Rise in market price

#### Volume

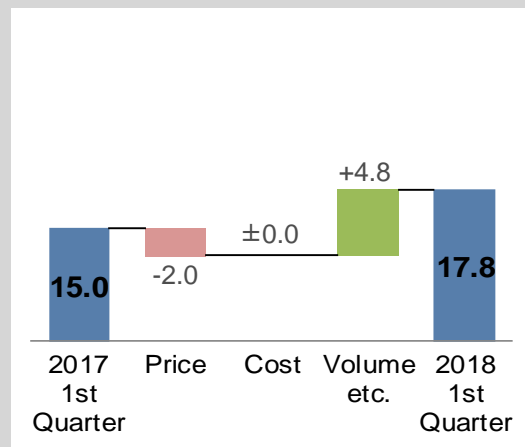
**+19.1**

- Increase in shipment of Rabigh products

#### Foreign exchange

**-0.9**

### Core Operating Income



**Total ¥17.8 billion (+2.8 from FY2017 1st Quarter )**

#### Price variance

**-2.0**

- Decrease in profit margin on synthetic resins in overseas market
- Better profit margin on raw materials for synthetic fibers and MMA

#### Cost variance

**0.0**

#### Volume variance etc.

**+4.8**

- Improve in equity in earnings of affiliates



## Sales revenue



**Total ¥68.5 billion (+9.0 from FY2017 1st Quarter)**

## Sales price

**+3.0**

- Higher market price for aluminum

## Volume

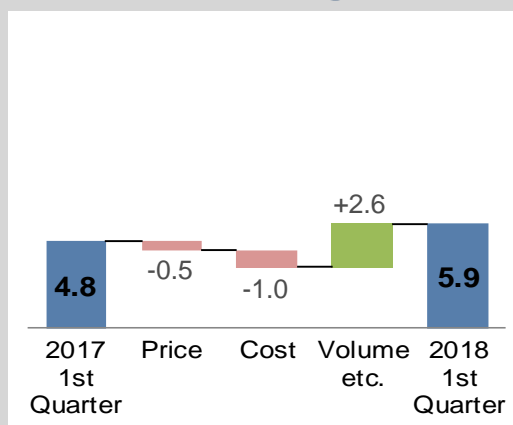
**+5.6**

- Increase in shipment of lithium-ion secondary battery separator
- Increase in shipment of cathode materials
- Increase in shipment of high purity alumina

## Foreign exchange

**+0.4**

## Core Operating Income



**Total ¥5.9 billion (+1.1 from FY2017 1st Quarter)**

## Price variance

**-0.5**

## Cost variance

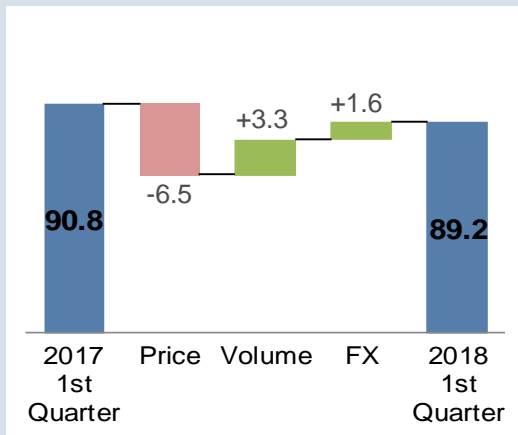
**-1.0**

## Volume variance etc.

**+2.6**

- Increase in shipment of lithium-ion secondary battery separator
- Increase in shipment of high purity alumina

## Sales revenue



**Total ¥89.2 billion (-1.6 from FY2017 1st Quarter)**

### Sales price

**-6.5**

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

### Volume

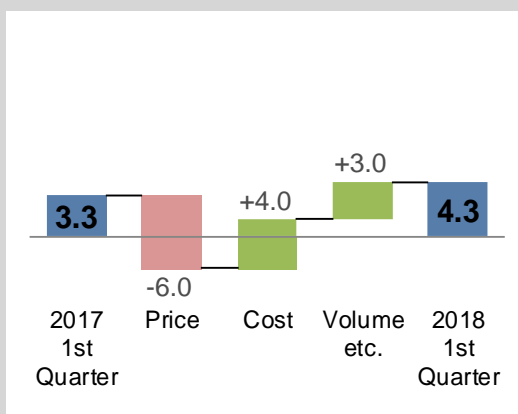
**+3.3**

- Increase in shipment of polarizing film

### Foreign exchange

**+1.6**

## Core Operating Income



**Total ¥4.3 billion (+1.0 from FY2017 1st Quarter)**

### Price variance

**-6.0**

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

### Cost variance

**+4.0**

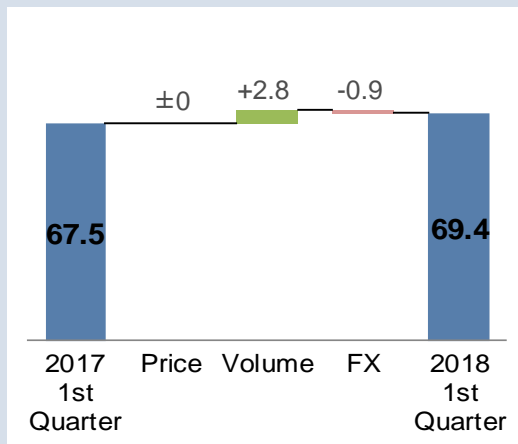
- Rationalization of the use of raw materials
- Improvement of production yield

### Volume variance etc.

**+3.0**

- Increase in shipment of polarizing film

### Sales revenue



**Total ¥69.4 billion (+1.9 from FY2017 1st Quarter )**

**Sales price**

0.0

**Volume**

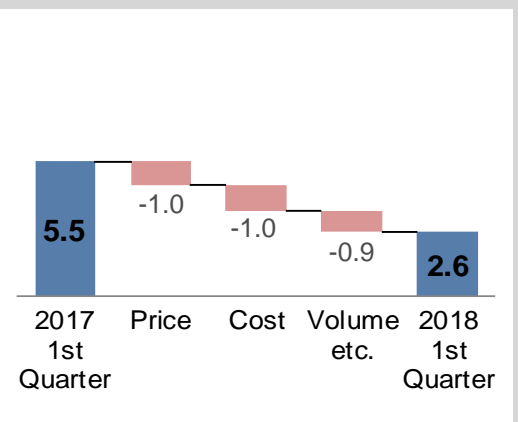
+2.8

■ Increase in shipment of crop protection chemical in overseas market

**Foreign exchange**

-0.9

### Core Operating Income



**Total ¥2.6 billion (-2.9 from FY2017 1st Quarter )**

**Price variance**

-1.0

■ Higher feedstock prices

**Cost variance**

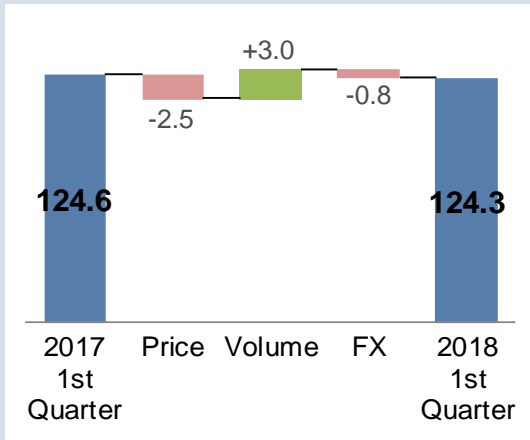
-1.0

**Volume variance etc.**

-0.9

■ Negative impact of stronger yen

**Sales revenue**



**Total ¥124.3 billion (-0.3 from FY2017 1st Quarter )**

**Sales price**

**-2.5**

- NHI price revision in Japan

**Volume**

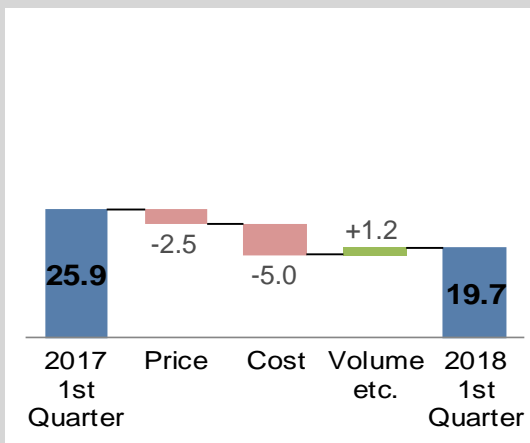
**+3.0**

- Increase in shipment of Aptiom® in North America
- Increase in shipment of Trulicity® in Japan

**Foreign exchange**

**-0.8**

**Core Operating Income**



**Total ¥19.7 billion (-6.3 from FY2017 1st Quarter )**

**Price variance**

**-2.5**

- NHI price revision in Japan

**Cost variance**

**-5.0**

- Increase in sales expense in North America
- Increase in R&D expense

**Volume variance etc.**

**+1.2**

- Increase in shipment of Aptiom® in North America

Unit; billions of yen

	FY2017 1st Quarter	FY2018 1st Quarter	Difference
Changes in fair value of contingent consideration	7.1	<b>-2.5</b>	<b>-9.6</b>
Restructuring charges	<b>-0.5</b>	<b>-0.6</b>	<b>-0.0</b>
Gain on sale of property, plant and equipment	6.4	<b>0.0</b>	<b>-6.4</b>
Others	<b>-0.2</b>	<b>-1.0</b>	<b>-0.8</b>
Non-recurring items	12.7	<b>-4.1</b>	<b>-16.8</b>

				Unit: billions of yen			
	31-Mar-18	30-Jun-18	Difference		31-Mar-18	30-Jun-18	Difference
Current assets	1,254.8	<b>1,295.4</b>	40.5	Liabilities	1,816.5	<b>1,890.6</b>	74.2
Cash and cash equivalents	231.9	<b>235.0</b>	3.1	Trade and other payables	486.8	<b>458.2</b>	<b>-28.7</b>
Trade and other receivables	530.6	<b>524.9</b>	<b>-5.6</b>	Interest-bearing Liabilities	842.2	<b>937.8</b>	95.7
Inventories	446.8	<b>466.9</b>	20.1	Others	487.5	<b>494.6</b>	7.1
Others	45.5	<b>68.5</b>	23.0	Equity	1,252.2	<b>1,265.9</b>	13.7
Non-current assets	1,813.9	<b>1,861.2</b>	47.3	Shareholders' equity	842.0	<b>851.2</b>	9.2
Property, plant and equipment	675.7	<b>704.8</b>	29.0	Other components of equity	85.2	<b>85.6</b>	0.4
Goodwill and Intangible assets	355.5	<b>365.7</b>	10.2	Non-controlling interests	325.1	<b>329.1</b>	4.0
Others	782.6	<b>790.7</b>	8.0				
Total	3,068.7	<b>3,156.5</b>	87.8	Total	3,068.7	<b>3,156.5</b>	87.8
				Equity attributable to owners of parent to total assets	30.2%	<b>29.7%</b>	<b>-0.5%</b>
				D/E ratio (times)	0.7	<b>0.7</b>	0.1

Unit; billions of yen

	FY2017 1st Quarter	FY2018 1st Quarter	Difference
Cash flows from operating activities	29.5	<b>-17.2</b>	<b>-46.6</b>
Cash flows from investing activities	<b>-17.5</b>	<b>-41.7</b>	<b>-24.2</b>
Free cash flows	11.9	<b>-58.9</b>	<b>-70.8</b>
Cash flows from financing activities	10.0	<b>58.6</b>	48.6
Effect of exchange rate changes on cash and cash equivalents	<b>-0.8</b>	<b>3.4</b>	4.2
Net change in cash and cash equivalents	21.1	<b>3.1</b>	<b>-18.0</b>
Cash and cash equivalents at end of period	214.4	<b>235.0</b>	20.6

**(Reference: Segment Information)**



Unit; billions of yen

	FY2017				FY2018	FY2018 (estimated)	
	1Q ※	2Q ※	3Q ※	4Q ※	1Q	1st Half	2nd Half
Petrochemicals & Plastics	153.5	166.6	176.5	177.5	185.6	390.0	400.0
Energy & Functional Materials	59.6	60.6	67.5	63.2	68.5	135.0	150.0
IT-related Chemicals	90.8	97.8	98.1	82.1	89.2	210.0	225.0
Health & Crop Sciences	67.5	70.2	78.5	123.5	69.4	150.0	260.0
Pharmaceuticals	124.6	123.5	132.3	119.8	124.3	250.0	265.0
Others & Adjustments	12.0	13.7	12.6	18.5	11.9	25.0	30.0
<b>Total</b>	<b>507.9</b>	<b>532.4</b>	<b>565.5</b>	<b>584.6</b>	<b>548.9</b>	<b>1,160.0</b>	<b>1,330.0</b>

※ Quarterly figures for FY 2017 are not subject to financial review procedures at this moment.

Unit; billions of yen

	FY2017				FY2018	FY2018 (estimated)	
	1Q ※	2Q ※	3Q ※	4Q ※	1Q	1st Half	2nd Half
Petrochemicals & Plastics	15.0	26.8	28.9	23.9	17.8	29.0	34.0
Energy & Functional Materials	4.8	5.5	5.6	3.3	5.9	8.0	12.0
IT-related Chemicals	3.3	5.7	4.6	-1.2	4.3	9.0	11.0
Health & Crop Sciences	5.5	2.9	10.3	25.3	2.6	4.0	55.0
Pharmaceuticals	25.9	32.2	23.5	13.2	19.7	43.0	38.0
Others & Adjustments	-1.1	0.4	-0.9	-0.5	-2.1	-3.0	0.0
Total	53.5	73.5	71.8	63.8	48.2	90.0	150.0

※ Quarterly figures for FY 2017 are not subject to financial review procedures at this moment.

Company	Sales Revenue		Profit Trends
	FY2017 1st Quarter	FY2018 1st Quarter	
The Polyolefin Company (Singapore) (millions of USD)	278	<b>292</b>	↘ Slightly decreased margins
Petrochemical Corporation of Singapore (millions of USD)	599	<b>762</b>	→ Maintaining due to better margins
Rabigh Refining and Petrochemical Company (millions of SAR)	6,702	<b>9,856</b>	↗ Due to stable operations
Dongwoo Fine-Chem (billions of KRW)	527.4	<b>517.1</b>	↘ Decreased due to lower selling price and other factors despite higher sales volume
Valent U.S.A. and Subsidiaries (millions of USD)	166	<b>153</b>	↘ Due to shipment timing difference and difference of product mix