

Financial Results for FY2018 Second Quarter

October 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 Second Quarter

Financial Summary	4
Sales revenue by Business segment	5
Core Operating Income by Business segment ...	6
Segment Analysis	7
Breakdown of Non-recurring Items	12
Consolidated Balance Sheets	13
Consolidated Statements of Cash Flows	14
Financial Estimates for Year	15

(Reference: Segment Information)

Cost Elements etc.	17
Capital Expenditures by Business segment	18
Depreciation and Amortization by Business segment	19
Research & Development Expenses by Business segment	20
Sales revenue by Business segment (Quarterly)	21
Core Operating Income by Business segment (Quarterly)	22
Major Group Companies	23

Financial Results for FY2018 Second Quarter

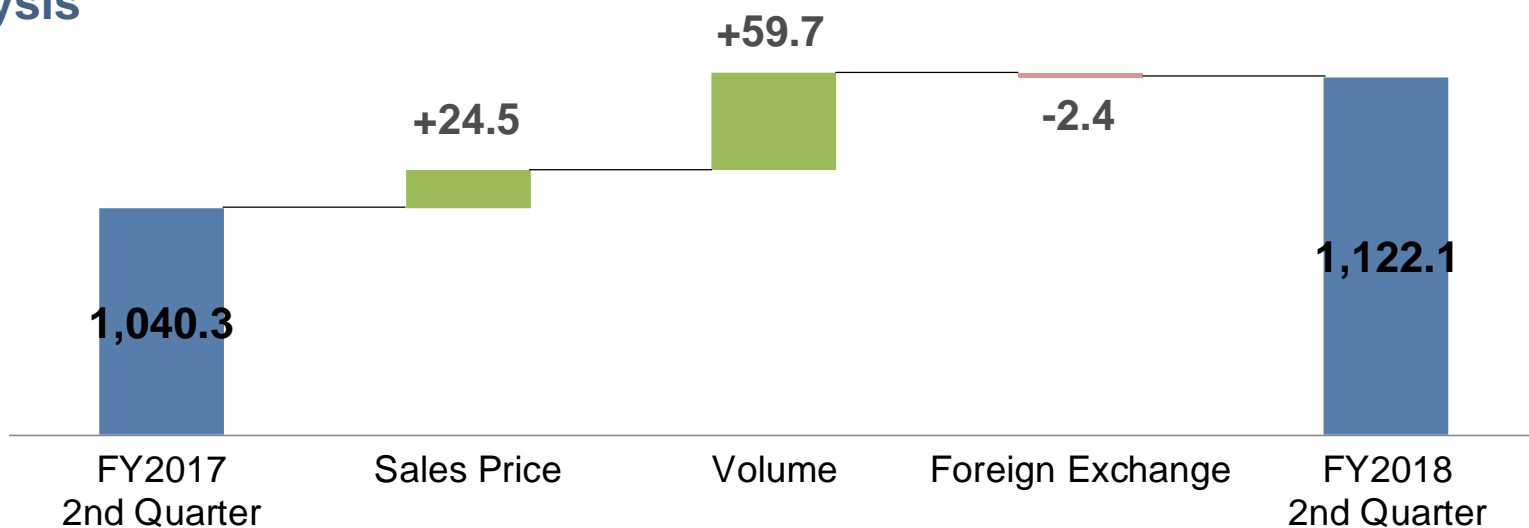
Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference	Ratio
Sales revenue	1,040.3	1,122.1	81.8	7.9%
Core operating income	127.0	102.1	-24.9	-19.6%
(Equity in earnings)	(22.7)	(23.9)	(1.2)	-
Non-recurring items	9.1	-10.2	-19.3	-
Operating income	136.1	91.9	-44.2	-32.5%
Finance income/expenses	2.1	10.4	8.3	-
(Gain/loss on foreign currency transactions)	(3.0)	(10.2)	(7.3)	-
Income tax expenses	-27.3	-20.8	6.5	-
Net income attributable to non-controlling interests	-33.8	-20.0	13.8	-
Net income attributable to owners of the parent	77.1	61.5	-15.6	-20.2%
ROE	9.1%	6.4%		
Exchange rate(yen/\$)	111.04	110.26		
Naphtha price(yen/KL)	37,600	51,100		
Overseas sales revenue ratio	63.4%	64.6%		

Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Petrochemicals & Plastics	320.1	380.4	60.3	18.8%	32.0	29.0	-0.7
Energy & Functional Materials	120.2	140.9	20.6	17.1%	8.0	12.1	0.5
IT-related Chemicals	188.5	195.4	6.9	3.6%	-10.5	15.6	1.8
Health & Crop Sciences	137.7	138.1	0.4	0.3%	-0.5	4.4	-3.4
Pharmaceuticals	248.1	242.7	-5.4	-2.2%	-4.5	-0.2	-0.7
Others & Adjustments	25.7	24.6	-1.1	-4.2%	0.0	-1.1	0.0
Total	1,040.3	1,122.1	81.8	7.9%	24.5	59.7	-2.4

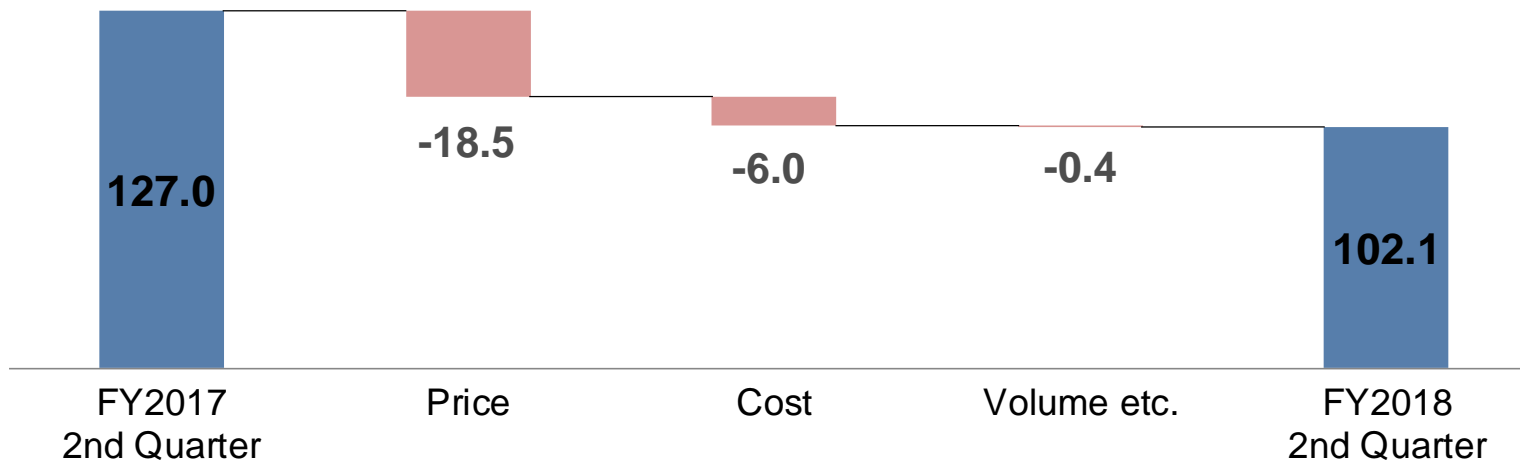
Analysis



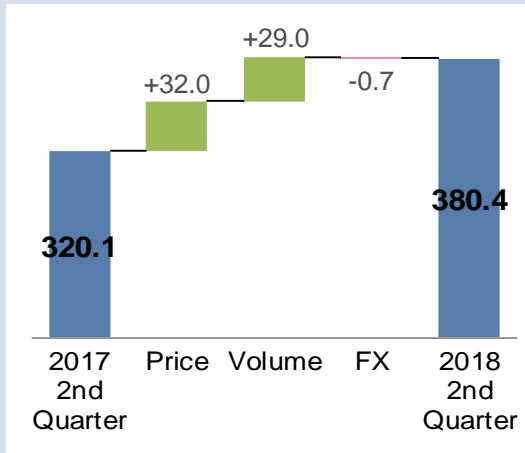
Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference	Price Variance	Cost Variance	Shipping Volume Variance and Other	Total
Petrochemicals & Plastics	41.9	35.4	-6.5	-2.0	1.0	-5.5	-6.5
Energy & Functional Materials	10.3	12.8	2.5	-0.5	-2.5	5.5	2.5
IT-related Chemicals	9.0	14.8	5.8	-9.5	4.0	11.3	5.8
Health & Crop Sciences	8.4	2.5	-5.9	-2.0	-1.5	-2.4	-5.9
Pharmaceuticals	58.1	39.3	-18.9	-4.5	-7.0	-7.4	-18.9
Others & Adjustments	-0.7	-2.7	-2.0	0.0	0.0	-2.0	-2.0
Total	127.0	102.1	-24.9	-18.5	-6.0	-0.4	-24.9

Analysis



Sales revenue



Total ¥380.4 billion (+60.3 from FY2017 2nd Quarter)

Sales price

+32.0

- Rise in market price

Volume

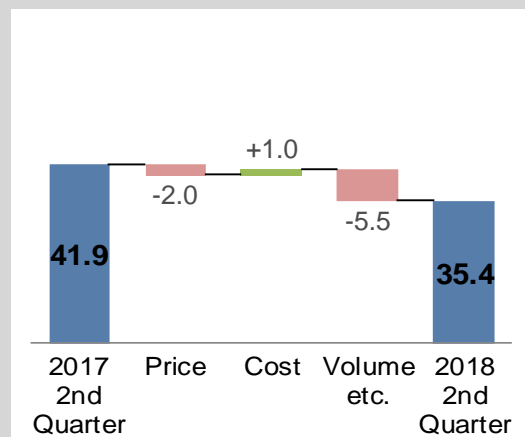
+29.0

- Increase in shipment of Rabigh products

Foreign exchange

-0.7

Core Operating Income



Total ¥35.4 billion (-6.5 from FY2017 2nd Quarter)

Price variance

-2.0

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

Cost variance

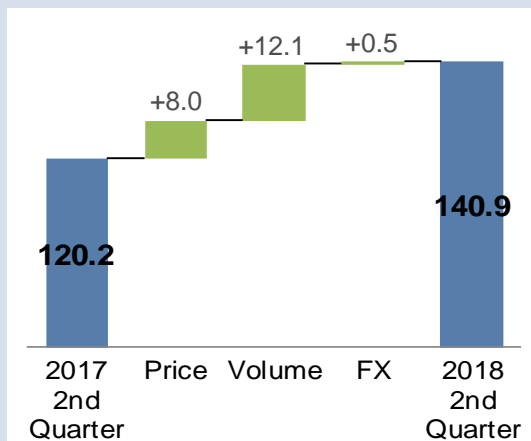
+1.0

Volume variance etc.

-5.5

- Periodic plant maintenance in Chiba works and Singapore
- Decrease in license revenue

Sales revenue



Total ¥140.9 billion (+20.6 from FY2017 2nd Quarter)

Sales price

+8.0

- Higher market price for aluminum

Volume

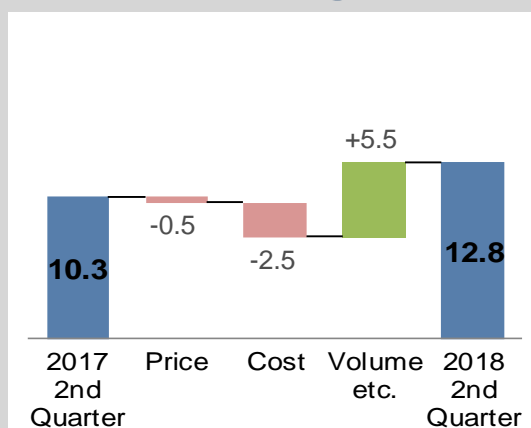
+12.1

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

Foreign exchange

+0.5

Core Operating Income



Total ¥12.8 billion (+2.5 from FY2017 2nd Quarter)

Price variance

-0.5

Cost variance

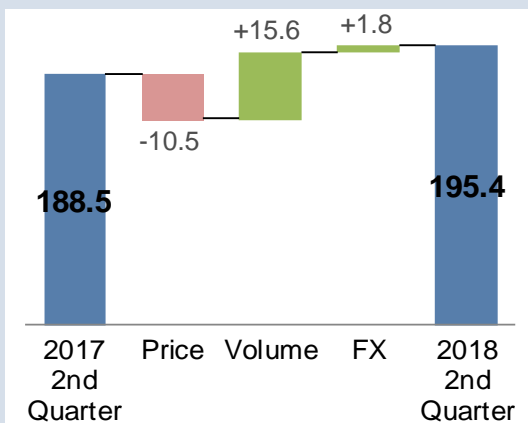
-2.5

Volume variance etc.

+5.5

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

Sales revenue



Total ¥195.4 billion (+6.9 from FY2017 2nd Quarter)

Sales price

-10.5

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

Volume

+15.6

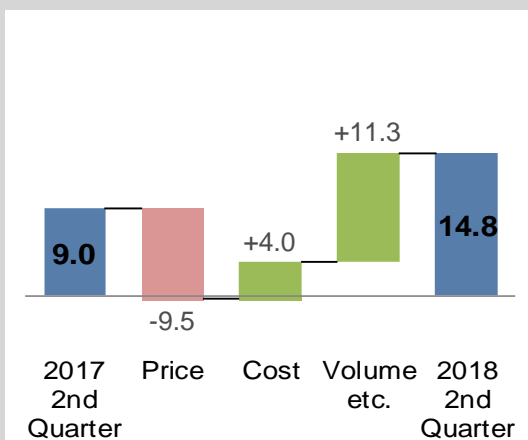
- Increase in shipment of polarizing film

Foreign exchange

+1.8

Core Operating Income

Total ¥14.8 billion (+5.8 from FY2017 2nd Quarter)



Price variance

-9.5

- 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
- Improvement of production yield

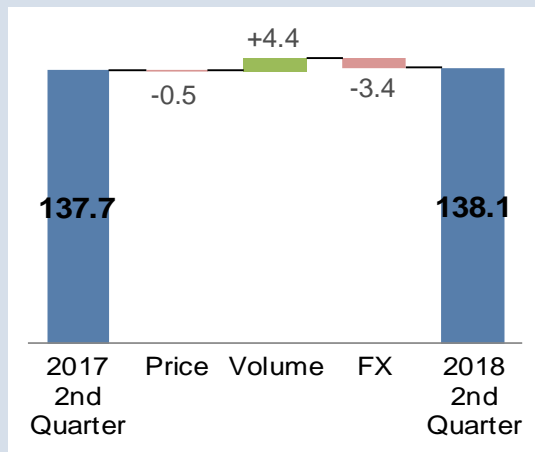
Volume variance etc.

+11.3

- Increase in shipment of polarizing film

Sales revenue

Total ¥138.1 billion (+0.4 from FY2017 2nd Quarter)



Sales price

-0.5

Volume

+4.4

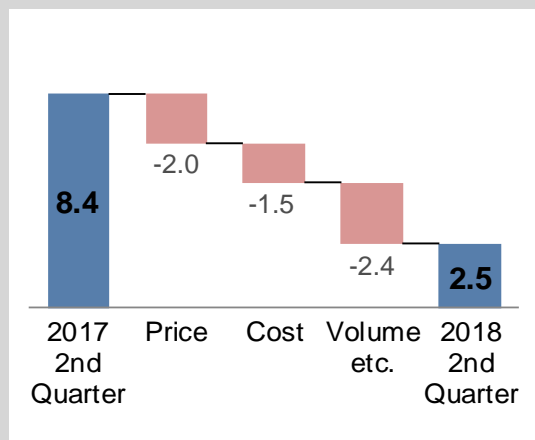
■ Increase in shipment of crop protection chemical in overseas market

Foreign exchange

-3.4

Core Operating Income

Total ¥2.5 billion (-5.9 from FY2017 2nd Quarter)



Price variance

-2.0

■ Higher feedstock prices

Cost variance

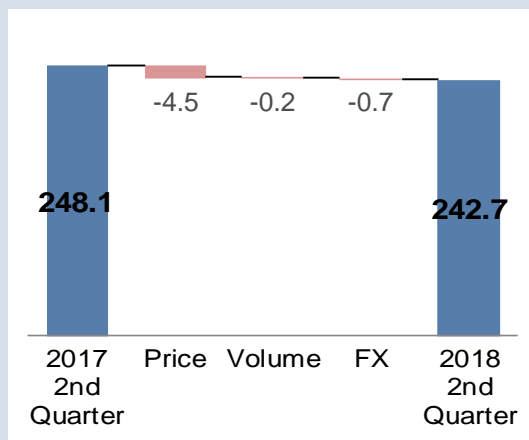
-1.5

Volume variance etc.

-2.4

■ Equity method investment loss on Nufarm

Sales revenue



Total ¥242.7 billion (-5.4 from FY2017 2nd Quarter)

Sales price

-4.5

- NHI price revision in Japan

Volume

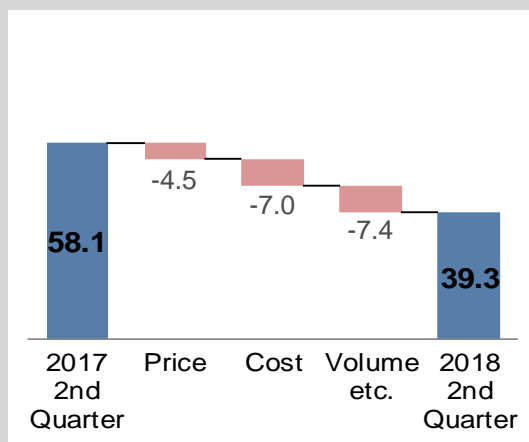
-0.2

- Increase in shipment of Latuda® in North America
- Decrease in shipment of long-listed brands in Japan

Foreign exchange

-0.7

Core Operating Income



Total ¥39.3 billion (-18.9 from FY2017 2nd Quarter)

Price variance

-4.5

- NHI price revision in Japan

Cost variance

-7.0

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

Volume variance etc.

-7.4

- One time gain from divestiture of ciclesonide products in previous fiscal year

Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference
Changes in fair value of contingent consideration	4.1	-6.9	-10.9
Restructuring charges	-1.4	-2.4	-1.0
Gain on sale of property, plant and equipment	6.8	0.0	-6.7
Others	-0.4	-1.0	-0.6
Non-recurring items	9.1	-10.2	-19.3

				Unit; billions of yen			
	31-Mar-18	30-Sep-18	Difference		31-Mar-18	30-Sep-18	Difference
Current assets	1,254.8	1,343.9	89.0	Liabilities	1,816.5	1,928.8	112.3
Cash and cash equivalents	231.9	233.8	1.8	Trade and other payables	486.8	512.3	25.5
Trade and other receivables	530.6	555.3	24.7	Interest-bearing Liabilities	842.2	906.6	64.5
Inventories	446.8	489.9	43.1	Others	487.5	509.8	22.4
Others	45.5	64.9	19.4	Equity	1,252.2	1,335.1	82.9
Non-current assets	1,813.9	1,920.0	106.1	Shareholders' equity	842.0	882.8	40.8
Property, plant and equipment	675.7	731.3	55.5	Other components of equity	85.2	108.2	23.0
Goodwill and Intangible assets	355.5	372.9	17.5	Non-controlling interests	325.1	344.1	19.0
Others	782.6	815.7	33.1				
Total	3,068.7	3,263.8	195.2	Total	3,068.7	3,263.8	195.2
				Equity attributable to owners of parent to total assets	30.2%	30.4%	0.2%
				D/E ratio (times)	0.7	0.7	0.0

Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference
Cash flows from operating activities	115.8	55.6	-60.2
Cash flows from investing activities	-54.6	-83.1	-28.5
Free cash flows	61.2	-27.5	-88.7
Cash flows from financing activities	-25.6	22.0	47.7
Effect of exchange rate changes on cash and cash equivalents	2.1	7.3	5.1
Net change in cash and cash equivalents	37.7	1.8	-35.9
Cash and cash equivalents at end of period	231.0	233.8	2.7

Unit: billions of yen

	FY2017	FY2018 (Estimates)	Difference	Ratio
Sales revenue	2,190.5	2,490.0	299.5	13.7%
Core operating income	262.7	240.0	-22.7	-8.6%
(Equity in earnings)	(55.3)	(50.0)	(-5.3)	-
Operating income	250.9	205.0	-45.9	-18.3%
Net income attributable to owners of the parent	133.8	130.0	-3.8	-2.8%
ROE	15.4%	13.4%		
Exchange rate(yen/\$)	110.85	110.00		
Naphtha price(yen/KL)	41,900	47,000		

(Reference: Segment Information)

Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference
Capital Expenditures	64.6	88.8	24.2
Depreciation and Amortization	52.7	51.3	-1.4
Research & Development Expenses	78.4	80.6	2.2
Number of Employees (as of September 30)	31,858	32,399	541

Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference
Petrochemicals & Plastics	8.9	18.7	9.8
Energy & Functional Materials	12.3	11.6	-0.7
IT-related Chemicals	13.3	17.5	4.2
Health & Crop Sciences	19.7	24.1	4.4
Pharmaceuticals	4.5	9.2	4.7
Others & Adjustments	6.0	7.7	1.8
Total	64.6	88.8	24.2

Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference
Petrochemicals & Plastics	11.7	10.3	-1.4
Energy & Functional Materials	6.3	6.8	0.5
IT-related Chemicals	15.2	13.7	-1.5
Health & Crop Sciences	7.8	8.2	0.5
Pharmaceuticals	7.1	8.1	1.0
Others & Adjustments	4.6	4.1	-0.5
Total	52.7	51.3	-1.4

Unit; billions of yen

	FY2017 2nd Quarter	FY2018 2nd Quarter	Difference
Petrochemicals & Plastics	3.2	3.2	-0.1
Energy & Functional Materials	4.0	3.9	-0.1
IT-related Chemicals	8.4	9.1	0.7
Health & Crop Sciences	13.9	14.2	0.3
Pharmaceuticals	41.7	42.5	0.8
Others & Adjustments	7.3	7.9	0.6
Total	78.4	80.6	2.2

Unit; billions of yen

	FY2017				FY2018		FY2018 (estimated)	
	1Q	2Q ※	3Q ※	4Q ※	1Q	2Q	1st Half	2nd Half
Petrochemicals & Plastics	153.5	166.6	176.5	177.5	185.6	194.8	380.4	409.6
Energy & Functional Materials	59.6	60.6	67.5	63.2	68.5	72.3	140.9	144.1
IT-related Chemicals	90.8	97.8	98.1	82.1	89.2	106.3	195.4	239.6
Health & Crop Sciences	67.5	70.2	78.5	123.5	69.4	68.8	138.1	271.9
Pharmaceuticals	124.6	123.5	132.3	119.8	124.3	118.4	242.7	272.3
Others & Adjustments	12.0	13.7	12.6	18.5	11.9	12.7	24.6	30.4
Total	507.9	532.4	565.5	584.6	548.9	573.2	1,122.1	1,367.9

※ 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	2Q	1st Half	2nd Half
Petrochemicals & Plastics	15.0	26.8	28.9	23.9	17.8	17.6	35.4	27.6
Energy & Functional Materials	4.8	5.5	5.6	3.3	5.9	6.9	12.8	7.2
IT-related Chemicals	3.3	5.7	4.6	-1.2	4.3	10.5	14.8	5.2
Health & Crop Sciences	5.5	2.9	10.3	25.3	2.6	-0.2	2.5	56.5
Pharmaceuticals	25.9	32.2	23.5	13.2	19.7	19.6	39.3	41.7
Others & Adjustments	-1.1	0.4	-0.9	-0.5	-2.1	-0.6	-2.7	-0.3
Total	53.5	73.5	71.8	63.8	48.2	53.9	102.1	137.9

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

Company	Sales Revenue		Profit Trends
	FY2017 2nd Quarter	FY2018 2nd Quarter	
The Polyolefin Company (Singapore) (millions of USD)	571	564	↘ Decreased margins and decreased sales volume due to periodic plant maintenance in the current term.
Petrochemical Corporation of Singapore (millions of USD)	1,248	1,399	↘ Decreased sales volume due to periodic plant maintenance in the current term.
Rabigh Refining and Petrochemical Company (millions of SAR)	15,546	20,599	↗ Due to stable operations
Dongwoo Fine-Chem (billions of KRW)	1,113.0	1,143.7	↗ Increased due to higher sales volume and other factors despite lower selling price
Valent U.S.A. and Subsidiaries (millions of USD)	332	317	↘ Due to shipment timing difference and other factors