Consolidated Financial Results for the Six Months Ended September 30, 2016 (Q2 FY2016)

November 4, 2016 Sumitomo Seika Chemicals Company, Limited

During the six months ended September 30, 2016 (fiscal 2016), Japan's economic recovery generally ran short of powerful momentum owing, among others, to continued sluggish consumer spending, although some improvements were observed in the employment and household income situation. Globally, the U.S. and Europe showed moderate recovery of economy. Future economic outlook, however, remained uncertain, given such factors as the slowdown in China's growth rate and the problem of the United Kingdom's exit from the EU.

Under these circumstances, the Sumitomo Seika Group's financial results for the six months ended September 30, 2016 were as follows:

Net sales posted 47.464 billion yen, a 11.8% increase from the same period of the previous fiscal year;

Operating income reached 5.237 billion yen, a 61.4% gain over the same period of the previous fiscal year;

Ordinary income remained at 3.840 billion yen, 23.0% growth over the same period of the previous fiscal year, affected by a loss on foreign currency which was brought about by an impact of yen's appreciation,; and

Net income attributable to owners of the parent recorded 2.380 billion yen, 13.1% higher than the same period of the previous fiscal year.

(Note) Change in the fiscal year closing date of consolidate subsidiaries

In order to ensure more appropriate management and information disclosure of Sumitomo Seika Group's financial performance, some of our overseas consolidated subsidiaries have successively changed, starting fiscal year 2013, their fiscal year closing date from December 31 to March 31, the closing date of our consolidated financial statements. As a result, financial results for the nine months from January 1 through September 30 were consolidated for one of our subsidiaries in the previous fiscal year and one subsidiary in the current fiscal year.

If an impact attributable to the difference of a consolidation term for these overseas consolidated subsidiaries was removed from our financial results, net sales would increase by 2.558 billion yen (+6.0%), operating income would grow by 1.888 billion yen (+58.3%) and ordinary income would be higher by 0.612 billion yen (+19.7%), all compared with the same period of the previous fiscal year.

Chemicals

This segment reported a 3.9% increase in net sales to 9.182 billion yen and a 3.0% growth in operating income to 1.121 billion yen, both compared with the same period of the previous fiscal year. This is mainly because sales increased in fine particulate polymers, etc. The financial impact of a change in the fiscal closing date with respect to certain overseas consolidated subsidiaries was minimal for this segment.

Super Absorbent Polymers

Net sales were 31.344 billion yen, a 20.2% increase from the same period of the previous fiscal year, and operating income amounted to 3.948 billion yen, a 111.7% higher than the same period of the previous fiscal year. If a comparison was made in financial results for the same period between the current fiscal year and the previous fiscal year after excluding the impact of a change in the fiscal closing date for relevant overseas consolidated subsidiaries, net sales would increase by 2.910 billion yen, up 11.2%, and operating income would grow by 1.976 billion yen, up 106.2%. This improvement in performance is attributable to an increased volume in sales to emerging countries such as those in Southeast Asia and China, against the backdrop of the adverse impact of a decline in product selling prices resulting from a drop in a crude oil price as well as of the yen's appreciation.

Gases and Engineering

This segment's net sales decreased by 8.0% to 6.937 billion yen from the same period of the previous fiscal year with the operating income of 0.159 billion yen, down 42.2%. This outcome is due to the decreased sales volume of electronic gases. The financial impact of a change in the fiscal closing date with respect to certain overseas consolidated subsidiaries was minimal for this segment.

Outline of Consolidated Financial Statement for the Six Months Ended September 30, 2016 (Q2 FY2016)

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1. Consolidated Results

		6 months end	ded September 30	Y-o-y change	FY 2016 ending March 31, 2017
		FY 2015	FY 2016		
Net Sales	Million ¥	42,450	47,464	+5,014	94,000
Operating Income	Million ¥	3,245	5,237	+1,992	9,000
Ordinary Income	Million ¥	3,122	3,840	+717	7,500
Net Income attributable to owners of the parent	Million ¥	2,105	2,380	+274	5,000
Net Income Per Share for the Term	¥	152.66	172.59	+19.93	362.58
Shareholder Return on Equity for the Term	%	3.9	4.5	+0.6	9.2
Average Exchange Rate	¥/USD	121.80	105.35		105.20
Naphtha Price	¥/KL	48,000	31,500	-	33,300

^(*) For some of our overseas consolidated subsidiaries, their fiscal year closing date was changed in the previous year and in the current fiscal year. If an impact attributable to the fiscal closing date changes was removed from our financial results, net sales would increase by 2.558 billion yen (+6.0%), operating income would grow by 1.888 billion yen (+58.3%) and ordinary income would be higher by 0.612 billion yen (+19.7%), all compared with the same period of the previous fiscal year.

2. Net Sales and Operating Income By Business Segment

	6 months ended September 30			Y-o-y change	FY 2016 ending March 31, 2017
		FY 2015	FY 2016		
Chemicals					
Net Sales	Million ¥	8,840	9,182	+342	18,000
Operating Income	Million ¥	1,087	1,121	+33	1,900
Super Absorbent Polymers					
Net Sales	Million ¥	26,072	31,344	+5,271	60,500
Operating Income	Million ¥	1,864	3,948	+2,083	6,500
Gases and Engineering					
Net Sales	Million ¥	7,537	6,937	(599)	15,500
Operating Income	Million ¥	276	159	(116)	600
(Elimination) Offsetting					
Net Sales	Million ¥	-	-	-	-
Operating Income	Million ¥	15	7	(8)	-
Total					
Net Sales	Million ¥	42,450	47,464	+5,014	94,000
Operating Income	Million ¥	3,245	5,237	+1,992	9,000