

Consolidated Financial Results
for the Nine Months Ended December 31, 2016 (Q3 FY2016)

February 3, 2017

Sumitomo Seika Chemicals Company, Ltd.

During the nine months ended December 31, 2016 (fiscal 2016), the Japanese economy followed a recovery path, albeit a moderate one, as consumer spending exhibited visible signs of pickup amid ongoing improvements in employment and household income. Overseas, the North American and European economies continued to show a moderate recovery, though the situation varied depending on the region. Nonetheless, the future economic outlook remains uncertain overall, given such factors as increasing uncertainty about U.S. government policies and the future course of the Chinese economy and those of other emerging markets in Asia, in addition to a possible impact of the United Kingdom's decision to leave the EU (Brexit).

Under these circumstances, the Sumitomo Seika Group's financial results for the nine months ended December 31, 2016 were as follows:

Net sales posted 72.237 billion yen, a 9.0% increase over the same period in the previous fiscal year;

Operating income reached 7.981 billion yen, a 30.9% increase over the same period in the previous fiscal year;

Ordinary income amounted to 7.465 billion yen, a 30.3% increase over the same period in the previous fiscal year; and

Net income attributable to owners of the parent came to 4.884 billion yen, a 24.9% increase over the same period in the previous fiscal year.

(Note) Change in the fiscal year closing date of consolidated 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 twelve months from January 1 through December 31 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 3.495 billion yen (+5.3%), operating income would grow by 1.779 billion yen (+29.2%) and ordinary income would be higher by 1.632 billion yen (+28.5%), all compared with the same period of the previous fiscal year.

Chemicals

Net sales decreased by 3.7% from the same period of the previous fiscal year to 12.867 billion yen, and operating income declined by 18.2% to 1.481 billion yen. This is primarily attributable to the discontinuation of some resale businesses at a certain consolidated subsidiary in Japan, despite the sales volume of fine particulate polymers and other chemicals continuing to increase. The financial impact on this segment of the change in the fiscal closing date with respect to certain overseas consolidated subsidiaries was minor.

Super Absorbent Polymers

Net sales increased by 16.8% over the same period in the previous fiscal year to 48.478 billion yen, and operating income grew by 59.1% to 5.989 billion yen. If a comparison is made of financial results for the same period between the current fiscal year and the previous fiscal year after excluding the impact of the change in the fiscal closing date for relevant overseas consolidated subsidiaries, net sales increased by 4.618 billion yen (up 11.4%) and operating income grew by 2.118 billion yen (up 56.4%). This improvement in performance is attributable to an increased volume of sales to emerging markets such as those in Southeast Asia and China against the backdrop of the adverse impact of a decline in product prices resulting from a drop in crude oil prices as well as the yen's appreciation.

Gases and Engineering

Net sales decreased by 4.6% from the same period of the previous fiscal year to 10.892 billion yen, and operating income declined by 1.4% to 0.498 billion yen. This outcome is due to the decrease in the volume of sales of electronic gases in overseas markets. The financial impact on this segment of the change in the fiscal closing date with respect to certain overseas consolidated subsidiaries was minor.

Outline of Consolidated Financial Statement for the Nine Months Ended December 31, 2016 (Q3 FY2016)

February 3, 2017

Sumitomo Seika Chemicals Company, Limited

1. Consolidated Results

		9 months ended December 31		Y-o-y change	FY 2016 ending March 31, 2017
		FY 2016	FY 2017		
Net Sales	Million ¥	66,286	72,237	+5,951	94,000
Operating Income	Million ¥	6,097	7,981	+1,883	9,000
Ordinary Income	Million ¥	5,728	7,465	+1,737	7,500
Net Income attributable to owners of the parent	Million ¥	3,910	4,764	+853	5,000
Net Income Per Share for the Term	¥	283.54	345.43	+61.89	362.58
Shareholder Return on Equity for the Term	%	7.2	8.6	+1.4	9.2
Average Exchange Rate	¥/USD	121.71	106.69	-	105.20
Naphtha Price	¥/KL	45,600	32,300	-	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 3.495 billion yen (+5.3%), operating income would grow by 1.779 billion yen (+29.2%) and ordinary income would be higher by 1.632 billion yen (+28.5%), all compared with the same period of the previous fiscal year.

2. Net Sales and Operating Income By Business Segment

		9 months ended December 31		Y-o-y change	FY 2016 ending March 31, 2017
		FY 2016	FY 2017		
Chemicals					
Net Sales	Million ¥	13,365	12,867	(497)	18,000
Operating Income	Million ¥	1,811	1,481	(329)	1,900
Super Absorbent Polymers					
Net Sales	Million ¥	41,498	48,478	+6,979	60,500
Operating Income	Million ¥	3,763	5,989	+2,225	6,500
Gases and Engineering					
Net Sales	Million ¥	11,421	10,892	(529)	15,500
Operating Income	Million ¥	505	498	(7)	600
(Elimination) Offsetting					
Net Sales	Million ¥	-	-	-	-
Operating Income	Million ¥	17	11	(5)	-
Total					
Net Sales	Million ¥	66,286	72,237	+5,951	94,000
Operating Income	Million ¥	6,097	7,981	+1,883	9,000

