

Consolidated Financial Results
for the Nine Months Ended December 31, 2017 (Q3 FY2017)

February 9, 2018

Sumitomo Seika Chemicals Company, Ltd.

During the nine months of the fiscal year ending March 31, 2018 (April 1 through December 31, 2017), the Japanese economy showed a moderate recovery, as consumer spending showed signs of picking up while employment and household income kept improving. Overseas, although countries generally continued to show a moderate business recovery, the overall economic outlook remained uncertain, given such factors as uncertainty about U.S. government policies and the future courses of the Chinese economy and other emerging markets.

Under these circumstances, the Sumitomo Seika Group's financial results for the nine months ended December 31, 2017 were as follows:

Net sales posted 78.085 billion yen, a 8.1% increase compared with the same period in the previous fiscal year;

Operating income was 7.531 billion yen, a 5.6% decline from the same period in the previous fiscal year;

Ordinary income amounted to 8.135 billion yen, a 9.0% increase over the same period in the previous fiscal year; and

Net income attributable to owners of the parent came to 5.489 billion yen, a 15.2% 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.

If an impact attributable to the difference of a consolidation term for this overseas consolidated subsidiary was removed from our financial results, net sales would increase by 8.34 billion yen (+12.0%), operating income would decrease by 0.341 billion yen (-4.3%) and ordinary income would be higher by 0.78 billion yen (+10.6%), all compared with the same period of the previous fiscal year.

Chemicals

Net sales increased by 1.9% from the same period of the previous fiscal year to 13.108 billion yen, and operating income declined by 9.8% to 1.335 billion yen. This was attributable primarily to a decline in the sales volume of pharmaceutical intermediates, despite the sales volume of fine particulate polymers having increased over the previous year. The financial impact on this segment of the change in the fiscal closing date with respect to the overseas consolidated subsidiary was minor.

Super Absorbent Polymers

Net sales increased by 9.6% from the same period in the previous fiscal year to 53.116 billion yen, and operating income declined by 17.9% to 4.919 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 the overseas consolidated subsidiary, net sales will increase by 7.024 billion yen (+15.2%) and operating income will decrease by 0.958 billion yen (-16.3%). The net sales growth derived from the expanded volume of sales in emerging markets in Asia, including China, whereas the operating income was squeezed, affected by a rise in raw materials and fuel costs.

Gases and Engineering

Net sales increased by 8.9% from the same period of the previous fiscal year to 11.86 billion yen. Operating income also increased by 153.5% to 1.263 billion yen. This improvement in performance is attributable to the increased volume of sales of electronic gases.

The financial impact on this segment of the change in the fiscal closing date with respect to the overseas consolidated subsidiary was minor.

Outline of Consolidated Financial Statement for the Nine Months Ended December 31, 2017 (Q3 FY2017)

February 9, 2018

Sumitomo Seika Chemicals Company, Limited

1. Consolidated Results

		9 months ended December 31		Y-o-y change	FY 2017 ending March 31, 2018
		FY 2016	FY 2017		
Net Sales	Million ¥	72,237	78,085	+5,848	106,000
Operating Income	Million ¥	7,981	7,531	(449)	9,500
Ordinary Income	Million ¥	7,465	8,135	+670	9,500
Net Income attributable to owners of the parent	Million ¥	4,764	5,489	+725	6,200
Net Income Per Share for the Term	¥	345.43	398.04	+52.61	449.53
Shareholder Return on Equity for the Term	%	8.6	8.9	+0.3	10.1
Average Exchange Rate	¥/USD	106.69	111.71	-	111.30
Naphtha Price	¥/KL	32,300	39,900	-	42,200

(*) For one of our overseas consolidated subsidiaries, its fiscal year closing date was changed in the previous year. If an impact attributable to the fiscal closing date change was removed from our financial results, net sales would increase by 8.340 billion yen (+12.0%), operating income would decrease by 0.341 billion yen (-4.3%) and ordinary income would be higher by 0.780 billion yen (+10.6%), 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 2017 ending March 31, 2018
		FY 2016	FY 2017		
Chemicals					
Net Sales	Million ¥	12,867	13,108	+241	18,000
Operating Income	Million ¥	1,481	1,335	(145)	1,650
Super Absorbent Polymers					
Net Sales	Million ¥	48,478	53,116	+4,638	72,000
Operating Income	Million ¥	5,989	4,919	(1,069)	6,100
Gases and Engineering					
Net Sales	Million ¥	10,892	11,860	+968	16,000
Operating Income	Million ¥	498	1,263	+765	1,750
(Elimination) Offsetting					
Net Sales	Million ¥	-	-	-	-
Operating Income	Million ¥	11	11	+0	-
Total					
Net Sales	Million ¥	72,237	78,085	+5,848	106,000
Operating Income	Million ¥	7,981	7,531	(449)	9,500

Notice of Revision to Full-Year Consolidated Financial Forecasts

Sumitomo Seika Chemicals Co., Ltd. (“the Company”) has revised its consolidated financial forecast for the full-year ending March 31, 2018, previously announced on November 6, 2017, as detailed below.

Revised Consolidated Forecast for the Full-Year Ending March 31, 2018

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income attributable to owners of the parent	Net Income Per Share (Yen)
Previous Forecast (A) (Announced on November 6, 2017)	104,000	10,000	9,900	6,500	471.28
Revised Forecast (B)	106,000	9,500	9,500	6,200	449.53
Variance in Amount (B-A)	+2,000	-500	-400	-300	
Variance in Percentage (%)	+1.9	-5.0	-4.0	-4.6	
Results for Full-Year Ended March 31, 2017	98,857	10,541	10,006	5,739	416.16

Reasons for the Revisions

The financial results for the nine months ended December 31, 2017 were generally in accordance with our plan. We, however, have decided to revise our earlier financial forecasts for the full year as described above, because operating income for the Super Absorbent Polymers sector, etc. is likely to fall short of the previous projections due to such factors as a continued trend of a rise in raw materials and fuel costs.

Cautionary Statement

The forecasts referred to in the above were made based on information currently available. They may, therefore, be different from the actual results to be determined later, depending on various circumstances and reasons.