

Consolidated Financial Results for the Three Months Ended June 30, 2016 (Q1 FY2016)

August 3, 2016

Sumitomo Seika Chemicals Company, Limited

During the three months ended June 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. Uncertainties, however, mounted further about the future economic outlook, given such factors as the slowdown in China's growth rate and the problem of the United Kingdom's exit from the EU, causing the foreign exchange market to remain unstable.

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

Net sales posted 25.250 billion yen, a 19.8% increase from the same period of the previous fiscal year;

Operating income reached 3.009 billion yen, a 98.6% gain over the same period of the previous fiscal year;

Ordinary income remained at 1.681 billion yen, a 6.3% growth over the same period of the previous fiscal year, affected by a loss on foreign currency which was brought about by sharp fluctuations in foreign exchange rate,; and

Net income attributable to owners of the parent recorded 1.077 billion yen, 2.1% 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 six months from January 1 through June 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 1.709 billion yen (+8.1%), operating income would grow by 1.390 billion yen (+92.1%) and ordinary income would decrease by 0.006 billion yen (-0.3%), all compared with the same period of the previous fiscal year.

Chemicals

This segment reported a 6.9% increase in net sales to 4.476 billion yen and an 11.9% decrease in operating income to 0.493 billion yen, both compared with the same period of the previous fiscal year. This is mainly because sales increased in fine particulate polymers, etc. while the yen grew stronger. The 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 17.297 billion yen, a 31.2% increase from the same period of the previous fiscal year, and operating income amounted to 2.517 billion yen, a 160.8% 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 1.751 billion yen, up 13.3%, and operating income would grow by 1.445 billion yen, up 150.4%. This improvement in performance is attributable to an increased sales volume in China, other emerging countries in Southeast Asia or elsewhere, 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 6.3% to 3.476 billion yen from the same period of the previous fiscal year with the operating loss of 0.005 billion yen. This outcome is due to the decreased sales volume in electronic gases. The 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 Three Months Ended June 30, 2016 (Q1 FY2016)

August 3, 2016

Sumitomo Seika Chemicals Company, Limited

1. Consolidated Results

		3 months ended June 30		Y-o-y change	FY 2016 ending March 31, 2017
		FY 2015	FY 2016		
Net Sales	Million ¥	21,084	25,250	+4,165	94,000
Operating Income	Million ¥	1,514	3,009	+1,494	8,000
Ordinary Income	Million ¥	1,581	1,681	+99	7,700
Net Income attributable to owners of the parent	Million ¥	1,054	1,077	+22	5,200
Net Income Per Share for the Term	¥	15.30	15.62	+0.32	75.40
Shareholder Return on Equity for the Term	%	2.0	2.0	+0.0	9.4
Average Exchange Rate	¥/USD	121.37	108.27	-	110.00
Naphtha Price	¥/KL	48,800	31,600	-	35,000

(*) For some of our overseas consolidated subsidiaries, their fiscal year closing date was changed in the previous year or in the current fiscal year. If an impact due to the fiscal closing date changes was removed from our financial results, net sales would increase by 1.709 billion yen (+8.1%), operating income would grow by 1.390 billion yen (+92.1%) and ordinary income would decrease by 0.006 billion yen (-0.3%), all compared with the same period of the previous fiscal year.

2. Net Sales and Operating Income By Business Segment

		3 months ended June 30		Y-o-y change	FY 2016 ending March 31, 2017
		FY 2015	FY 2016		
Chemicals					
Net Sales	Million ¥	4,186	4,476	+289	18,000
Operating Income	Million ¥	560	493	(66)	2,000
Super Absorbent Polymers					
Net Sales	Million ¥	13,185	17,297	+4,112	59,000
Operating Income	Million ¥	965	2,517	+1,552	5,200
Gases and Engineering					
Net Sales	Million ¥	3,712	3,476	(235)	17,000
Operating Income	Million ¥	(19)	(5)	+13	800
(Elimination) Offsetting					
Net Sales	Million ¥	-	-	-	-
Operating Income	Million ¥	8	3	(4)	-
Total					
Net Sales	Million ¥	21,084	25,250	+4,165	94,000
Operating Income	Million ¥	1,514	3,009	+1,494	8,000