



Financial Results & Outlook for FY2016



May 11, 2016



Sumitomo Chemical Co., Ltd.



(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.

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1. Consolidated Financial Results for FY2015 Ended March 31, 2016



Financial Summary

	Unit: billions of yen			
	FY2014	FY2015	Difference	Ratio
Net Sales	2,376.7	2,101.8	-274.9	-11.6%
Operating Income	127.3	164.4	37.1	29.1%
(Equity in earnings of affiliates, included in ordinary income)	(23.9)	(20.2)	(-3.7)	-
(Net gain / loss on foreign currency transactions, included in ordinary income)	(10.0)	(-8.5)	(-18.5)	-
Ordinary Income	157.4	171.2	13.8	8.8%
(Extraordinary Gain / Loss)	(-40.7)	(-13.6)	(27.1)	-
(Income taxes)	(-45.6)	(-45.2)	(0.4)	-
Net income	71.1	112.4	41.3	-
(Net income attributable to non-controlling interests)	(-18.9)	(-30.9)	(-12.0)	-
Net income attributable to owners of the parent	52.2	81.5	29.3	56.1%
ROE	7.3%	10.5%		
Exchange Rate (yen/USD)	109.76	120.15		
Naphtha Price (yen/KL)	63,500	42,800		

Net Sales by Business Segments I

Unit; billions of yen

	FY2014	FY2015	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Petrochemicals	932.3	657.1	-275.2	-29.5%	-107.5	-193.1	25.4
Energy & Functional Materials	202.8	184.5	-18.4	-9.1%	-9.0	-9.8	0.5
IT-related Chemicals	405.1	409.1	3.9	1.0%	-47.5	39.8	11.7
Health & Crop Sciences	345.4	359.0	13.6	3.9%	10.5	-1.1	4.3
Pharmaceuticals	403.6	435.5	31.9	7.9%	0.0	14.8	17.1
Others & Adjustments	87.5	56.6	-30.8	-35.3%	0.0	-30.8	0.0
Total	2,376.7	2,101.8	-274.9	-11.6%	-153.5	-180.3	58.9
Overseas Operations	1,428.4	1,289.2	-139.2	-9.7%			
Overseas Ratio	60.1%	61.3%					

*The figures for the FY2014 have been adjusted owing to the organizational revision as of April 1, 2015.
(All the segment information are modified in the same manner.)

Net Sales by Business Segments II

Unit; billions of yen

	FY2014	FY2015	Difference	Main Factors
Petrochemicals	932.3	657.1	-275.2	<ul style="list-style-type: none"> ▪ Decrease in shipments of petrochemical products and synthetic resins ▪ Decline in market prices for petrochemical products and synthetic resins due to lower feedstock prices ▪ Positive effect of the weaker yen
Energy & Functional Materials	202.8	184.5	-18.4	<ul style="list-style-type: none"> ▪ Decline in market prices for aluminum ▪ Decrease in shipments of resorcinol and aluminum
IT-related Chemicals	405.1	409.1	3.9	<ul style="list-style-type: none"> ▪ Decline in selling prices of polarizing film and touchscreen panels ▪ Increase in shipments of touchscreen panels ▪ Positive effect of the weaker yen
Health & Crop Sciences	345.4	359.0	13.6	<ul style="list-style-type: none"> ▪ Higher market price for feed additive methionine ▪ Positive effect of the weaker yen
Pharmaceuticals	403.6	435.5	31.9	<ul style="list-style-type: none"> ▪ Sales expansion of Latuda® in North America ▪ Positive effect of the weaker yen
Others & Adjustments	87.5	56.6	-30.8	
Total	2,376.7	2,101.8	-274.9	

Operating Income by Business Segments I

Unit; billions of yen

	Operating Income		Difference	Price Variance	Cost Variance	Shipping Volume Variance and Other	Total
	FY2014	FY2015					
Petrochemicals	20.8	28.8	8.0	10.5	4.0	-6.5	8.0
Energy & Functional Materials	0.8	-2.0	-2.8	1.0	2.0	-5.8	-2.8
IT-related Chemicals	32.4	24.7	-7.7	-52.5	10.0	34.8	-7.7
Health & Crop Sciences	56.1	77.5	21.4	16.5	-3.5	8.4	21.4
Pharmaceuticals	29.0	42.7	13.7	0.0	-1.5	15.2	13.7
Others & Adjustments	-11.8	-7.2	4.6	0.0	7.5	-2.9	4.6
Total	127.3	164.4	37.1	-24.5	18.5	43.1	37.1



Operating Income by Business Segments II

Unit; billions of yen

	Operating Income		Difference	Main Factors
	FY2014	FY2015		
Petrochemicals	20.8	28.8	8.0	<ul style="list-style-type: none"> • Better margins for petrochemical products and synthetic resins due to lower feedstock prices • Temporary licensing revenues
Energy & Functional Materials	0.8	-2.0	-2.8	<ul style="list-style-type: none"> • Decrease in shipments of resorcinol and aluminum
IT-related Chemicals	32.4	24.7	-7.7	<ul style="list-style-type: none"> • Decline in selling prices of polarizing film and touchscreen panels • Increase in shipments of touchscreen panels • Positive effect of the weaker yen
Health & Crop Sciences	56.1	77.5	21.4	<ul style="list-style-type: none"> • Higher market price for feed additive methionine • Positive effect of the weaker yen
Pharmaceuticals	29.0	42.7	13.7	<ul style="list-style-type: none"> • Sales expansion of Latuda® in North America
Others & Adjustments	-11.8	-7.2	4.6	
Total	127.3	164.4	37.1	

Major Cost Elements

Unit; billions of yen

	FY2014	FY2015	Difference
Labor Costs	303.5	319.4	15.9
Maintenance Costs	55.5	58.7	3.2
Depreciation and Amortization	119.2	116.6	-2.6
Research & Development Expenses	147.9	155.8	7.9
Capital Expenditures	84.2	103.8	19.6
Number of employees (as of March 31)	31,039	31,094	55

Extraordinary Gains / Losses

Unit: billions of yen

	FY2014	FY2015	Difference
Gain on sale of investment securities	4.1	15.8	11.7
Gain on sale of property, plant and equipment	16.2	-	-16.2
Others	4.4	-	-4.4
Extraordinary Gains	24.7	15.8	-8.9
Impairment loss	-33.3	-24.7	8.6
Restructuring charges	-32.2	-4.8	27.4
Extraordinary Losses	-65.5	-29.5	36.0
Extraordinary Gains / Losses	-40.7	-13.6	27.1

Consolidated Balance Sheets

Unit; billions of yen

	31-Mar-15	31-Mar-16	Difference		31-Mar-15	31-Mar-16	Difference
Current Assets	1,260.9	1,187.9	-73.0	Liabilities	1,762.2	1,571.4	-190.8
Cash and cash equivalents	202.0	215.6	13.6	Trade notes and accounts payable	258.2	205.2	-53.0
Trade notes and accounts receivable	456.1	414.8	-41.2	Interest-bearing Liabilities	980.2	831.5	-148.7
Inventories	439.9	402.3	-37.6	Others	523.8	534.7	10.8
Others	163.0	155.3	-7.7	Net Assets	1,118.2	1,090.8	-27.4
Non-current Assets	1,619.5	1,474.2	-145.3	Shareholders' equity	582.0	643.7	61.7
Property, plant and equipment	694.4	642.2	-52.3	Accumulated other comprehensive income	209.4	123.2	-86.2
Intangible assets	204.1	187.3	-16.8	Non-controlling interests	326.9	323.9	-3.0
Investment and other assets	721.0	644.8	-76.2				
Total	2,880.4	2,662.2	-218.2	Total	2,880.4	2,662.2	-218.2
				Shareholders' equity ratio	27.5%	28.8%	1.3%

Consolidated Statements of Cash Flows

Unit; billions of yen

	FY2014	FY2015	Difference
Cash flows from operating activities	260.9	261.2	0.3
Cash flows from investing activities	-56.6	-53.7	3.0
Free cash flows	204.2	207.5	3.3
Cash flows from financing activities	-151.5	-178.0	-26.5
Effect of exchange rate changes on cash and cash equivalents	16.3	-14.3	-30.6
Net change in cash and cash equivalents	69.1	15.3	-53.8
Cash and cash equivalents at end of year	202.0	215.6	13.6

Major Subsidiaries

Company	Net Sales		Profit Trends
	FY2014	FY2015	
The Polyolefin Company (Singapore) (millions of USD)	1,445	1,180	Improved due to better margins
Petrochemical Corporation of Singapore (millions of USD)	3,351	2,409	Improved due to better margins
Rabigh Refining and Petrochemical Company (millions of SAR)	54,237	25,514	Decreased due to periodic plant maintenance
Dongwoo Fine-Chem (billions of KRW)	2,164	2,149	Decreased due to lower selling price and other factors despite higher sales volume
Valent U.S.A. and Subsidiaries (millions of USD)	871	885	Increased due to higher sales volume and other factors

2. Outlook for FY2016

Financial Summary

Unit; billions of yen

	FY2015	FY2016 (estimated)	Difference	Ratio
Net Sales	2,101.8	2,030.0	-71.8	-3.4%
Operating Income	164.4	140.0	-24.4	-14.9%
(Equity in earnings of affiliates, included in ordinary income)	(20.2)	(20.0)	(-0.2)	-
Ordinary Income	171.2	150.0	-21.2	-12.4%
Net income attributable to owners of the parent	81.5	80.0	-1.5	-1.8%
ROE	10.5%	10.2%		
Exchange Rate (yen/USD)	120.15	110.00		
Naphtha Price (yen/KL)	42,800	36,000		

Net Sales by Business Segments I

Unit; billions of yen

	FY2015	FY2016 (estimated)	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Petrochemicals	657.1	590.0	-67.1	-10.2%	-75.5	35.6	-27.2
Energy & Functional Materials	209.0	215.0	6.0	2.9%	-9.5	18.5	-3.0
IT-related Chemicals	384.5	370.0	-14.5	-3.8%	-34.5	55.0	-35.0
Health & Crop Sciences	359.0	355.0	-4.0	-1.1%	-10.5	28.2	-21.7
Pharmaceuticals	435.5	440.0	4.5	1.0%	-8.0	32.8	-20.3
Others & Adjustments	56.6	60.0	3.4	5.9%	0.0	3.4	0.0
Total	2,101.8	2,030.0	-71.8	-3.4%	-138.0	173.4	-107.2

*The figures for the FY2015 have been adjusted owing to the organizational revision as of April 1, 2016.
(All the segment information are modified in the same manner.)

Net Sales by Business Segments II

Unit; billions of yen

	FY2015	FY2016 (estimated)	Difference	Main Factors
Petrochemicals	657.1	590.0	-67.1	<ul style="list-style-type: none"> ▪ Decline in market prices for petrochemical products and synthetic resins due to lower feedstock prices ▪ Increase in shipments of products of Petro Rabigh ▪ Negative effect of the stronger yen
Energy & Functional Materials	209.0	215.0	6.0	<ul style="list-style-type: none"> ▪ Increase in shipments of S-SBR and heat resistance separator ▪ Decline in market prices for aluminum
IT-related Chemicals	384.5	370.0	-14.5	<ul style="list-style-type: none"> ▪ Increase in shipments of polarizing film and touchscreen panels ▪ Decline in selling prices of polarizing film and touchscreen panels ▪ Negative effect of the stronger yen
Health & Crop Sciences	359.0	355.0	-4.0	<ul style="list-style-type: none"> ▪ Sales expansion of crop protection chemicals in overseas market ▪ Lower market price for feed additive methionine ▪ Negative effect of the stronger yen
Pharmaceuticals	435.5	440.0	4.5	<ul style="list-style-type: none"> ▪ Sales expansion of Latuda® in North America ▪ Negative effect of the stronger yen
Others & Adjustments	56.6	60.0	3.4	
Total	2,101.8	2,030.0	-71.8	

Operating Income by Business Segments I

Unit; billions of yen

	Operating Income		Difference	Price Variance	Cost Variance	Shipping Volume Variance and Other	Total
	FY2015	FY2016 (estimated)					
Petrochemicals	28.8	17.0	-11.8	-5.0	-1.5	-5.3	-11.8
Energy & Functional Materials	2.8	6.0	3.2	-1.5	-1.0	5.7	3.2
IT-related Chemicals	19.9	17.0	-2.9	-34.5	27.5	4.1	-2.9
Health & Crop Sciences	77.5	65.0	-12.5	-9.5	-6.5	3.5	-12.5
Pharmaceuticals	42.7	43.0	0.3	-8.0	-27.0	35.3	0.3
Others & Adjustments	-7.2	-8.0	-0.8	0.0	0.0	-0.8	-0.8
Total	164.4	140.0	-24.4	-58.5	-8.5	42.6	-24.4

Operating Income by Business Segments II

Unit: billions of yen

	Operating Income		Difference	Main Factors
	FY2015	FY2016 (estimated)		
Petrochemicals	28.8	17.0	-11.8	<ul style="list-style-type: none"> ▪ Margin erosion of synthetic resins
Energy & Functional Materials	2.8	6.0	3.2	<ul style="list-style-type: none"> ▪ Increase in shipments of S-SBR and heat resistance separator
IT-related Chemicals	19.9	17.0	-2.9	<ul style="list-style-type: none"> ▪ Decline in selling prices of polarizing film and touchscreen panels ▪ Increase in shipments and reduction of manufacturing costs of polarizing film and touchscreen panels ▪ Negative effect of the stronger yen
Health & Crop Sciences	77.5	65.0	-12.5	<ul style="list-style-type: none"> ▪ Lower market price for feed additive methionine ▪ Sales expansion of crop protection chemicals in overseas market ▪ Negative effect of the stronger yen
Pharmaceuticals	42.7	43.0	0.3	<ul style="list-style-type: none"> ▪ Sales expansion of Latuda® in North America ▪ Increase of selling costs and R&D costs
Others & Adjustments	-7.2	-8.0	-0.8	
Total	164.4	140.0	-24.4	

Major Cost Elements

Unit: billions of yen

	FY2015	FY2016 (estimated)	Difference
Labor Costs	319.4	324.0	4.6
Maintenance Costs	58.7	59.0	0.3
Depreciation and Amortization	116.6	117.0	0.4
Research & Development Expenses	155.8	169.0	13.2
Capital Expenditures	103.8	130.0	26.2
Number of employees (as of March 31)	31,094	31,900	806

Consolidated Statements of Cash Flows

Unit: billions of yen

	FY2015	FY2016 (estimated)	Difference
Cash flows from operating activities	261.2	200.0	-61.2
Cash flows from investing activities	-53.7	-160.0	-106.3
Free cash flows	207.5	40.0	-167.5
Cash flows from financing activities	-178.0	-30.0	148.0
Effect of exchange rate changes on cash and cash equivalents	-14.3	0.0	14.3
Net change in cash and cash equivalents	15.3	10.0	-5.3
Interest-Bearing Debt Balance	831.5	830.0	-1.5

(Reference: Segment Information)

Net Sales by Business Segments I (Quarterly)

Unit; billions of yen

	FY2014				FY2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Petro-chemicals	227.6	243.3	238.3	223.1	198.5	163.6	156.3	138.7
Energy & Functional Materials	48.6	50.1	50.0	54.1	46.5	46.9	45.7	45.4
IT-related Chemicals	98.1	96.6	103.6	106.9	110.1	109.8	102.9	86.3
Health & Crop Sciences	73.8	67.6	77.2	126.8	82.0	75.2	71.1	130.7
Pharmaceuticals	97.8	96.6	108.7	100.5	106.2	108.8	113.5	107.0
Others & Adjustments	11.0	17.2	16.8	42.5	13.4	15.0	12.4	16.0
Total	556.9	571.5	594.5	653.7	556.6	519.3	501.9	524.0

Net Sales by Business Segments II (Quarterly)

	FY2015				Unit; billions of yen FY2016 (estimated)	
	1Q	2Q	3Q	4Q	1st Half	2nd Half
Petro-chemicals	198.5	163.6	156.3	138.7	280.0	310.0
Energy & Functional Materials	52.5	52.6	52.0	51.9	105.0	110.0
IT-related Chemicals	104.1	104.0	96.6	79.8	180.0	190.0
Health & Crop Sciences	82.0	75.2	71.1	130.7	150.0	205.0
Pharmaceuticals	106.2	108.8	113.5	107.0	215.0	225.0
Others & Adjustments	13.4	15.0	12.4	16.0	30.0	30.0
Total	556.6	519.3	501.9	524.0	960.0	1,070.0

Operating Income by Business Segments I (Quarterly)

Unit; billions of yen

	FY2014				FY2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Petro-chemicals	-0.4	1.8	5.8	13.7	6.9	6.4	12.4	3.0
Energy & Functional Materials	-0.9	0.1	0.9	0.6	-1.3	1.0	-0.2	-1.5
IT-related Chemicals	8.8	5.7	9.3	8.6	8.6	10.1	6.2	-0.2
Health & Crop Sciences	6.1	5.3	11.1	33.6	16.1	10.9	13.8	36.6
Pharmaceuticals	10.2	5.2	12.1	1.4	5.8	13.5	15.7	7.7
Others & Adjustments	-4.7	-1.0	-4.0	-2.0	-3.0	-0.9	-2.6	-0.7
Total	19.1	17.1	35.2	56.0	33.2	41.1	45.3	44.9

Operating Income by Business Segments II (Quarterly)

	FY2015				Unit; billions of yen FY2016 (estimated)	
	1Q	2Q	3Q	4Q	1st Half	2nd Half
Petro-chemicals	6.9	6.4	12.4	3.0	7.0	10.0
Energy & Functional Materials	0.0	2.3	1.2	-0.7	3.0	3.0
IT-related Chemicals	7.3	8.8	4.8	-1.0	8.0	9.0
Health & Crop Sciences	16.1	10.9	13.8	36.6	18.0	47.0
Pharmaceuticals	5.8	13.5	15.7	7.7	18.0	25.0
Others & Adjustments	-3.0	-0.9	-2.6	-0.7	-4.0	-4.0
Total	33.2	41.1	45.3	44.9	50.0	90.0

Capital Expenditures by Business Segments

Unit; billions of yen

	FY2014	FY2015	Difference
Petrochemicals	19.7	20.7	1.0
Energy & Functional Materials	5.8	15.4	9.6
IT-related Chemicals	17.5	31.9	14.4
Health & Crop Sciences	16.3	15.5	-0.7
Pharmaceuticals	16.5	13.9	-2.7
Others & Adjustments	8.3	6.3	-1.9
Total	84.2	103.8	19.6

Depreciation and Amortization by Business Segments

Unit; billions of yen

	FY2014	FY2015	Difference
Petrochemicals	22.6	22.2	-0.4
Energy & Functional Materials	12.4	10.1	-2.3
IT-related Chemicals	33.2	36.7	3.5
Health & Crop Sciences	15.4	16.3	0.8
Pharmaceuticals	20.9	22.2	1.3
Others & Adjustments	14.7	9.2	-5.5
Total	119.2	116.6	-2.6

Research & Development Expenses by Business Segments

Unit; billions of yen

	FY2014	FY2015	Difference
Petrochemicals	6.7	6.2	-0.5
Energy & Functional Materials	8.2	6.1	-2.1
IT-related Chemicals	16.5	18.5	2.0
Health & Crop Sciences	24.9	26.8	1.9
Pharmaceuticals	72.9	83.7	10.8
Others & Adjustments	18.7	14.5	-4.2
Total	147.9	155.8	7.9

Estimated Capital Expenditures by Business Segments

Unit; billions of yen

	FY2015	FY2016 (estimated)	Difference
Petrochemicals	20.7	16.0	-4.7
Energy & Functional Materials	20.6	23.0	2.4
IT-related Chemicals	26.7	37.0	10.3
Health & Crop Sciences	15.5	22.5	7.0
Pharmaceuticals	13.9	17.5	3.6
Others & Adjustments	6.3	14.0	7.7
Total	103.8	130.0	26.2

Estimated Depreciation and Amortization by Business Segments

Unit; billions of yen

	FY2015	FY2016 (estimated)	Difference
Petrochemicals	22.2	22.0	-0.2
Energy & Functional Materials	11.8	12.5	0.7
IT-related Chemicals	35.0	34.5	-0.5
Health & Crop Sciences	16.3	17.0	0.7
Pharmaceuticals	22.2	21.5	-0.7
Others & Adjustments	9.2	9.5	0.3
Total	116.6	117.0	0.4

Estimated Research & Development Expenses by Business Segments

Unit; billions of yen

	FY2015	FY2016 (estimated)	Difference
Petrochemicals	6.2	6.5	0.4
Energy & Functional Materials	8.0	9.5	1.5
IT-related Chemicals	16.6	16.5	-0.1
Health & Crop Sciences	26.8	34.0	7.2
Pharmaceuticals	83.7	88.0	4.3
Others & Adjustments	14.5	14.5	-0.0
Total	155.8	169.0	13.2