

First Half Financial Results & Outlook for FY2014



October 31, 2014



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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(Reference Materials)

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Financial Summary

Unit; billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference	Ratio
Net Sales	1,050.8	1,128.4	77.6	7.4%
Operating Income	46.3	36.2	-10.2	-21.9%
(Equity in earnings of affiliates, included in ordinary income)	(-1.3)	(13.8)	(15.1)	-
(Net gain on foreign currency transactions, included in ordinary income)	(1.6)	(1.9)	(0.4)	22.3%
Ordinary Income	44.3	52.8	8.6	19.4%
(Extraordinary Gain / Loss)	(-6.0)	(-0.4)	(5.6)	-
(Income taxes)	(-16.2)	(-20.5)	(-4.3)	-
(Minority interests in income)	(-9.6)	(-9.3)	(0.3)	-
Net Income	12.5	22.6	10.1	81.4%
ROE	2.3%	3.4%		
Exchange Rate (yen/USD)	98.86	103.01		
Naphtha Price (yen/KL)	64,700	70,500		

Net Sales by Business Segments I

Unit; billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference	Ratio	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Basic Chemicals	136.9	155.0	18.0	13.2%	7.5	9.1	1.4
Petrochemicals	368.9	406.7	37.7	10.2%	16.0	13.2	8.6
IT-related Chemicals	181.8	194.7	12.9	7.1%	-27.0	26.3	13.6
Health & Crop Sciences	139.5	149.5	10.0	7.2%	-0.5	7.0	3.5
Pharmaceuticals	197.2	194.4	-2.8	-1.4%	-4.5	-1.3	2.9
Others & Adjustments	26.4	28.2	1.8	6.7%	0	1.8	0
Total	1,050.8	1,128.4	77.6	7.4%	-8.5	56.1	30.0
Overseas Operations	604.9	668.6	63.7	10.5%			
Overseas Ratio	57.6%	59.2%					

Net Sales by Business Segments II

Unit; billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference	Main Factors
Basic Chemicals	136.9	155.0	18.0	<ul style="list-style-type: none"> ▪ Higher market price for MMA and increase in shipments of MMA ▪ Higher market price for aluminum
Petrochemicals	368.9	406.7	37.7	<ul style="list-style-type: none"> ▪ Increase in shipments of synthetic resins overseas ▪ Higher market price due to increase in feedstock cost
IT-related Chemicals	181.8	194.7	12.9	<ul style="list-style-type: none"> ▪ Decline in selling price of polarizing film and touchscreen panel ▪ Increase in shipments of polarizing film due to growth in demand ▪ Increase in shipments of touchscreen panel due to increased production capacity
Health & Crop Sciences	139.5	149.5	10.0	<ul style="list-style-type: none"> ▪ Increase in shipments of methionine feed additive and Olyset® Net ▪ Decline in shipments of crop protection chemicals due to the effect of the consumption tax increase in Japan and unseasonable weather overseas
Pharmaceuticals	197.2	194.4	-2.8	<ul style="list-style-type: none"> ▪ Decline in shipments of existing products due to generic entry ▪ NHI price revision in Japan ▪ Increase in shipments of Latuda® in North America
Others & Adjustments	26.4	28.2	1.8	
Total	1,050.8	1,128.4	77.6	

Operating Income by Business Segments I

Unit; billions of yen

	Operating Income		Difference	Price Variance	Cost Variance	Shipping Volume Variance and Other	Total
	1st Half of FY2013	1st Half of FY2014					
Basic Chemicals	-4.8	-3.9	0.9	0	0	0.9	0.9
Petrochemicals	3.9	4.5	0.6	-2.5	0.5	2.6	0.6
IT-related Chemicals	21.7	14.5	-7.2	-22.0	2.5	12.3	-7.2
Health & Crop Sciences	11.6	11.4	-0.2	-1.0	0	0.8	-0.2
Pharmaceuticals	20.6	15.4	-5.2	-4.5	-2.0	1.3	-5.2
Others & Adjustments	-6.6	-5.8	0.9	0	0.5	0.4	0.9
Total	46.3	36.2	-10.2	-30.0	1.5	18.3	-10.2



Operating Income by Business Segments II

Unit; billions of yen

	Operating Income		Difference	Main Factors
	1st Half of FY2013	1st Half of FY2014		
Basic Chemicals	-4.8	-3.9	0.9	<ul style="list-style-type: none"> • Better margins for MMA and increase in shipments of MMA • Margin erosion in raw materials for synthetic fiber
Petrochemicals	3.9	4.5	0.6	<ul style="list-style-type: none"> • Increase in shipments of synthetic resins overseas • Margin erosion in styrene monomer
IT-related Chemicals	21.7	14.5	-7.2	<ul style="list-style-type: none"> • Decline in selling price of polarizing film and touchscreen panel • Increase in shipments of polarizing film due to growth in demand • Increase in shipments of touchscreen panel due to increased production capacity
Health & Crop Sciences	11.6	11.4	-0.2	<ul style="list-style-type: none"> • Decline in shipments of crop protection chemicals due to the effect of the consumption tax increase in Japan and unseasonable weather overseas • Increase in shipments of methionine feed additive
Pharmaceuticals	20.6	15.4	-5.2	<ul style="list-style-type: none"> • Decline in shipments of existing products due to generic entry • NHI price revision in Japan • Increase in shipments of Latuda® in North America
Others & Adjustments	-6.6	-5.8	0.9	
Total	46.3	36.2	-10.2	

Extraordinary Gains / Losses

Unit: billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference
Gain on sales of non-current assets	-	8.5	8.5
Gain on sale of investment securities	2.8	3.6	0.9
Compensation income for damage	-	1.7	1.7
Fair value adjustment of contingent consideration	1.1	-	-1.1
Extraordinary Gains	3.8	13.9	10.0
Restructuring charges	4.3	14.3	9.9
Impairment loss	4.6	-	-4.6
Loss on valuation of investment securities	0.9	-	-0.9
Extraordinary Losses	9.8	14.3	4.5
Extraordinary Gains / Losses	-6.0	-0.4	5.6

Consolidated Balance Sheets

Unit; billions of yen

	31-Mar-14	30-Sep-14	Difference		31-Mar-14	30-Sep-14	Difference
Current Assets	1,242.5	1,307.4	64.9	Liabilities	1,854.0	1,887.2	33.2
Cash and cash equivalents	132.3	174.7	42.3	Trade notes and accounts payable	296.1	275.9	-20.2
Trade notes and accounts receivable	448.4	407.2	-41.2	Interest-bearing Liabilities	1,074.6	1,146.9	72.3
Inventories	429.5	449.1	19.7	Others	483.3	464.5	-18.9
Others	232.3	276.4	44.1	Net Assets	934.5	981.6	47.1
Non-current Assets	1,546.0	1,561.4	15.4	Shareholders' equity	549.2	562.3	13.0
Property, plant and equipment	722.8	717.0	-5.8	Accumulated other comprehensive income	94.0	115.3	21.2
Intangible assets	195.4	197.3	2.0	Minority interests	291.2	304.0	12.8
Investment and other assets	627.8	647.1	19.3				
Total	2,788.5	2,868.8	80.3	Total	2,788.5	2,868.8	80.3
				Shareholders' equity ratio	23.1%	23.6%	0.5%

Consolidated Statements of Cash Flows

Unit; billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference
Cash flows from operating activities	100.8	14.0	-86.8
Cash flows from investing activities	-80.0	-27.9	52.1
Free cash flows	20.9	-13.9	-34.7
Cash flows from financing activities	-4.6	49.7	54.4
Effect of exchange rate changes on cash and cash equivalents	9.4	6.4	-3.0
Net change in cash and cash equivalents	25.6	42.3	16.7
Cash and cash equivalents (at September 30)	143.2	174.7	31.5

Major Subsidiaries

Company	Net Sales		Profit Trends
	1st Half of FY2013	1st Half of FY2014	
The Polyolefin Company (Singapore) (millions of USD)	616	765	Increased due to higher sales volume and better margins
Petrochemical Corporation of Singapore (millions of USD)	1,659	1,987	Increased due to higher sales volume and better margins
Rabigh Refining and Petrochemical Company (millions of SAR)	24,385	28,276	Increased due to higher sales volume as a result of the stable operations
Dongwoo Fine-Chem (billions of KRW)	1,099	1,063	Decreased due to lower selling prices and other factors
Valent U.S.A. and Subsidiaries (millions of USD)	402	414	Increased due to higher sales volume and other factors

Financial Estimates for Year

Unit: billions of yen

	Previous Estimates	Revised Estimates	Difference	Ratio
Net Sales	2,320.0	2,320.0	0	0.0%
Operating Income	105.0	105.0	0	0.0%
(Equity in earnings of affiliates, included in ordinary income)	(23.0)	(20.0)	(-3.0)	-13.0%
Ordinary Income	120.0	120.0	0	0.0%
Net Income	45.0	45.0	0	0.0%
ROE	6.9%	6.9%		
Exchange Rate (yen/USD)	100.00	104.00		
Naphtha Price (yen/KL)	70,000	66,200		

Estimates of Net Sales and Operating Income by Business Segments for Year

Unit; billions of yen

	Net Sales			Operating Income		
	Previous Estimates	Revised Estimates	Difference	Previous Estimates	Revised Estimates	Difference
Basic Chemicals	310.0	320.0	10.0	-6.0	-7.0	-1.0
Petrochemicals	760.0	780.0	20.0	10.0	12.0	2.0
IT-related Chemicals	445.0	400.0	-45.0	37.0	35.0	-2.0
Health & Crop Sciences	355.0	360.0	5.0	45.0	46.0	1.0
Pharmaceuticals	385.0	400.0	15.0	26.0	26.0	0
Others & Adjustments	65.0	60.0	-5.0	-7.0	-7.0	0
Total	2,320.0	2,320.0	0	105.0	105.0	0



(Reference Materials)

Major Cost Elements

Unit; billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference
Depreciation and Amortization	55.8	55.9	0.1
Research & Development Expenses	65.6	67.1	1.5
Capital Expenditures	78.6	39.9	-38.7
Number of employees (as of September 30)	30,546	31,056	510

Capital Expenditures by Business Segments

Unit; billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference
Basic Chemicals	11.3	6.9	-4.4
Petrochemicals	8.3	4.9	-3.5
IT-related Chemicals	34.6	7.0	-27.6
Health & Crop Sciences	8.9	7.9	-1.1
Pharmaceuticals	12.0	8.4	-3.5
Others & Adjustments	3.4	4.8	1.3
Total	78.6	39.9	-38.7

Depreciation and Amortization by Business Segments

Unit; billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference
Basic Chemicals	8.0	8.5	0.5
Petrochemicals	6.2	6.9	0.7
IT-related Chemicals	11.7	15.9	4.2
Health & Crop Sciences	8.2	8.0	-0.2
Pharmaceuticals	14.6	10.5	-4.1
Others & Adjustments	7.0	6.1	-1.0
Total	55.8	55.9	0.1

Research & Development Expenses by Business Segments

Unit; billions of yen

	1st Half of FY2013	1st Half of FY2014	Difference
Basic Chemicals	3.1	3.1	-0.0
Petrochemicals	3.8	3.2	-0.6
IT-related Chemicals	7.5	8.0	0.5
Health & Crop Sciences	11.0	11.7	0.7
Pharmaceuticals	32.3	34.0	1.7
Others & Adjustments	7.9	7.2	-0.7
Total	65.6	67.1	1.5

Net Sales by Business Segments (Quarterly)

	FY2013				FY2014		Unit; billions of yen	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half (estimated)
Basic Chemicals	66.8	70.1	68.3	81.7	73.5	81.4	155.0	165.0
Petrochemicals	177.4	191.5	202.5	220.6	199.1	207.5	406.7	373.3
IT-related Chemicals	86.1	95.7	91.7	88.7	98.1	96.6	194.7	205.3
Health & Crop Sciences	76.0	63.5	67.7	119.8	77.4	72.1	149.5	210.5
Pharmaceuticals	97.6	99.6	110.7	110.9	97.8	96.6	194.4	205.6
Others & Adjustments	11.7	14.8	14.5	15.9	11.0	17.2	28.2	31.8
Total	515.5	535.3	555.4	637.5	556.9	571.5	1,128.4	1,191.6

Operating Income by Business Segments (Quarterly)

Unit; billions of yen

	FY2013				FY2014		FY2014	
	1Q	2Q	3Q	4Q	1Q	2Q	1st Half	2nd Half (estimated)
Basic Chemicals	-2.1	-2.7	-2.7	-3.4	-3.3	-0.6	-3.9	-3.1
Petrochemicals	2.1	1.7	1.6	-0.5	2.2	2.3	4.5	7.5
IT-related Chemicals	10.0	11.7	7.5	5.7	8.8	5.7	14.5	20.5
Health & Crop Sciences	8.1	3.4	3.1	23.5	5.9	5.5	11.4	34.6
Pharmaceuticals	10.7	9.9	18.6	7.9	10.2	5.2	15.4	10.6
Others & Adjustments	-4.4	-2.3	-3.2	-3.6	-4.7	-1.0	-5.8	-1.2
Total	24.6	21.7	24.8	29.7	19.1	17.1	36.2	68.8