

Sumitomo Chemical Reports Consolidated Financial Results For the Three Months Ended June 30, 2014

The Sumitomo Chemical Group's consolidated financial results for the first quarter ended June 30, 2014 were as follows. Sales increased by ¥41.4 billion compared with the same period of the previous fiscal year, to ¥556.9 billion. Operating income came to ¥19.1 billion, showing a year-on-year decrease. The Group posted ordinary income of ¥26.1 billion and net income of ¥14.1 billion, both representing year-on-year increases due to an improvement in equity in earnings of affiliates.

The Sumitomo Chemical Group's financial results by business segment for the first quarter ended June 30, 2014 were as follows.

Basic Chemicals

Market prices remained low for methyl methacrylate and raw materials for synthetic fibers, and shipments of these products also remained low. Selling prices of aluminum rose and shipments of aluminum also increased. As a result, the segment's sales grew by ¥6.7 billion compared with the same period of the previous fiscal year, to ¥73.5 billion. Operating income declined by ¥1.2 billion, to a loss of ¥3.3 billion, due to the effect of higher feedstock prices.

Petrochemicals & Plastics

Shipments of synthetic resins from overseas subsidiaries increased. Market prices of petrochemical products and synthetic resins also increased because of higher feedstock prices. As a result, the segment's sales grew by ¥21.7 billion compared with the same period of the previous fiscal year, to ¥199.1 billion. Operating income was almost unchanged from the same period of the previous fiscal year at ¥2.2 billion, as it was affected by higher feedstock prices.

IT-related Chemicals

Selling prices of polarizing film used in liquid crystal displays (LCDs) declined, while shipments of polarizing film increased due to growth in demand. Although selling prices of touchscreen panels declined, shipments grew because of increased production capacity. As a result, the segment's sales increased by ¥12.0 billion compared with the same period of the previous fiscal year, to ¥98.1 billion. Operating income decreased by ¥1.2 billion, to ¥8.8 billion, as it was adversely affected by lower selling prices.

Health & Crop Sciences

Although market prices of the feed additive methionine remained low, shipments of methionine increased. Shipments of crop protection chemicals decreased in Japan and abroad due to the effects of the consumption tax increase in Japan and unseasonable weather overseas. As a result, the segment's sales increased by ¥1.4 billion compared with the same period of the previous fiscal year, to ¥77.4 billion. Operating income decreased by ¥2.2 billion, to ¥5.9 billion.

Pharmaceuticals

In Japan, shipments of Aimix® (anti-hypertension drug) and Terief® (therapeutic agent for Parkinson's disease) showed steady growth. But overall sales decreased due to the impacts of Japanese National Health Insurance drug price revisions and competition from generic drugs. In North America, shipments of Lunesta® (sedative hypnotic) decreased as marketing exclusivity ended. But overall sales increased due to further expansion of shipments of Latuda® (atypical antipsychotic) and brisk sales of Aptiom® (antiepileptic drug), launched in April of this year. As a result, the segment's sales remained almost unchanged from the same period of the previous fiscal year at ¥97.8 billion. Operating income decreased by ¥0.5 billion, to ¥10.2 billion.

Others

In addition to the above five segments, the Sumitomo Chemical Group engages in supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The segment's sales decreased by ¥0.7 billion compared with the same period of the previous fiscal year, to ¥11.0 billion. Operating income declined by ¥0.9 billion, to almost zero.

Summary of Consolidated Results

(1) Results of Operations:

	3 Months ended June 30, 2014		3 Months ended June 30, 2013
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Net sales	556,881	5,494,090	515,506
Operating income	19,070	188,141	24,588
Ordinary income	26,135	257,843	25,403
Income before income taxes and minority interests	27,400	270,324	24,074
Net income	14,054	138,654	7,777
	Yen	USD*	Yen
Net income per 1,000 shares	8,598	85	4,758
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Comprehensive income	14,078	138,891	53,802

(2) Financial Position:

	As of June 30, 2014		As of March 31, 2014
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Total assets	2,784,367	27,470,077	2,788,507
Total net asset	934,581	9,220,412	934,506

(3) Cash Flows:

	3 Months ended June 30, 2014		3 Months ended June 30, 2013
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Cash flows from operating activities	(17,493)	(172,583)	7,400
Cash flows from investing activities	(20,577)	(203,009)	(38,764)
Cash flows from financing activities	56,650	558,899	39,753
Cash and cash equivalents at end of period	149,675	1,476,667	135,497

(4) Results of Operations by Business Segment:

	3 Months ended June 30, 2014		3 Months ended June 30, 2013
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Net sales			
Basic Chemicals	73,549	725,622	66,804
Petrochemicals & Plastics	199,117	1,964,453	177,376
IT-related Chemicals	98,062	967,463	86,056
Health & Crop Sciences	77,404	763,654	75,999
Pharmaceuticals	97,781	964,690	97,619
Others	10,968	108,208	11,652
	556,881	5,494,090	515,506
Operating income (loss)			
Basic Chemicals	(3,298)	(32,537)	(2,082)
Petrochemicals & Plastics	2,156	21,271	2,110
IT-related Chemicals	8,838	87,194	10,036
Health & Crop Sciences	5,903	58,238	8,133
Pharmaceuticals	10,198	100,612	10,741
Others	2	20	898
Adjustments	(4,729)	(46,657)	(5,248)
	19,070	188,141	24,588

(Note)

*:U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥101.36= \$1 prevailing on June 30, 2014.