

Sumitomo Chemical Company, Limited Announces Consolidated Financial Results

During the twelve months ended March 31, 2012 (Fiscal 2011), the overall global economy remained generally weak. The economic recovery of developed countries weakened due to an economic downturn in Europe amid the sovereign debt crisis, while the pace of economic expansion slowed in emerging countries. In addition, the Japanese economy remained sluggish due to the effects of a stronger yen and other factors.

The business conditions surrounding the Sumitomo Chemical Group became very tough with a rise in feedstock prices and a rapid decline in demand in Asia since last autumn.

Under these circumstances, the Sumitomo Chemical Group undertook group-wide efforts to improve business performance by increasing selling prices and expanding sales volumes, as well as by cutting costs through a thorough rationalization of operations. However, the Group's sales for fiscal 2011 were ¥1,947.9 billion, a decrease of ¥34.6 billion compared with fiscal 2010. The Group's operating income was ¥60.7 billion and ordinary income was ¥50.7 billion, both representing year-on-year decreases. The Group posted net income of ¥5.6 billion, representing a decline from fiscal 2010, due to large extraordinary losses.

The Sumitomo Chemical Group's financial results by business segment for fiscal 2011 are as follows.

Basic Chemicals

Despite higher market prices of methyl methacrylate and of raw materials used in synthetic fibers, sales declined due to a decrease in shipments as a result of the impact of the earthquake and a decrease in demand. Sales of specialty chemicals also declined due to weak shipments. As a result, the segment's sales decreased by ¥17.9 billion compared with the previous fiscal year, to ¥284.3 billion, and operating income declined by ¥11.3 billion, to ¥9.3 billion.

Petrochemicals & Plastics

While shipments of synthetic resins and petrochemical products decreased as a result of periodical maintenance shutdowns at manufacturing plants in Japan and abroad, in addition to the impact of the earthquake and lower demand, sales increased due to higher market prices overseas and higher selling prices in Japan in accordance with a rise in the price of naphtha and other feedstocks. Consequently, the segment's sales increased by ¥22.5 billion compared with the previous fiscal year, to ¥672.4 billion, but operating income decreased by ¥5.0 billion, to ¥6.2 billion.

IT-related Chemicals

Shipments of polarizing film used in liquid crystal displays (LCDs) increased due to higher demand for use in smartphones and tablet PCs and because of an expansion in production capacity in Taiwan, but shipments of color filters decreased. In addition to lower sales prices of both polarizing film and color filters, the value of sales from overseas subsidiaries decreased in yen terms due to the effects of a stronger yen. As a result, the segment's sales decreased by ¥29.2 billion compared with the previous fiscal year, to ¥293.1 billion, and operating income decreased by ¥15.2 billion, to ¥11.0 billion.

Health & Crop Sciences

Sales of the feed additive methionine increased steadily. In the area of crop protection chemicals, shipments of herbicides remained strong in overseas markets. Despite a decrease in the value of sales from overseas subsidiaries in yen terms due to the effects of a stronger yen, the segment's sales increased by ¥13.3 billion compared with the previous fiscal year, to ¥264.1 billion, and operating income increased by ¥3.2 billion, to ¥26.5 billion.

Pharmaceuticals

The Sumitomo Chemical Group initiated US sales of Latuda® (atypical antipsychotic) in February 2011. Sales of Avapro® (therapeutic agent for hypertension), Lonasen® (atypical antipsychotic), and the new drugs Trerief® (therapeutic agent for Parkinson's disease) and Metgluco® (biguanide oral hypoglycemic) increased as a result of continued sales promotion activities. Sales of Amlodin® (therapeutic agent for hypertension and angina pectoris), however, decreased due to competition with generic drugs. In addition, the value of sales from overseas subsidiaries decreased in yen terms due to the effects of a stronger yen. As a result of these factors, together with the income from an upfront payment associated with a development and commercialization agreement in the previous fiscal year, the segment's sales decreased by ¥30.1 billion compared with the previous year, to ¥380.5 billion, and operating income decreased by ¥7.7 billion, to ¥20.9 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 analyses. The segment's sales increased by ¥6.8 billion compared with the previous fiscal year, to ¥53.4 billion, and operating income rose by ¥3.6 billion, to ¥7.7 billion.

(Note) Change in Reported Segments Classification Methods

As of April 1, 2011, the Fine Chemicals Segment was eliminated, and functional materials, additives, and dyes that had been included in this segment were transferred to the Basic Chemicals Segment. In addition, pharmaceutical chemicals, which had also been included in this segment, were transferred to the Agricultural Chemicals Segment. Following this change, the Agricultural Chemicals Segment changed its name to the Health & Crop Sciences Segment. The businesses of consolidated subsidiaries in the Pharmaceuticals Segment that had been included in the Others Segment were transferred to the Pharmaceuticals Segment.

With respect to the year-end dividend for fiscal 2011, the Company has decided to pay ¥3 per share. Combined with the interim dividend of ¥6 per share, the annual dividend for fiscal 2011 will be ¥9 per share, the same level as for fiscal 2010.

Operating cash flow in fiscal 2011 decreased by ¥51.7 billion compared with the previous fiscal year, to ¥124.5 billion, (as a result of a decrease in income before income taxes and minority interests, as well as depreciation and amortization.) Cash flow from investing activities was negative ¥124.0 billion, a decrease of ¥32.0 billion compared to the previous fiscal year, when the Company acquired the shares of Nurfarm Limited. This resulted in free cash flow of ¥0.5 billion for fiscal 2011, compared with ¥20.2 billion for the previous fiscal year. Cash flow from financing activities was ¥2.1 billion. The balance of cash and cash equivalents at the end of the fiscal year decreased by ¥4.6 billion over the previous year, to ¥147.1 billion.

For fiscal 2012, the Company forecasts that sales will increase by 14.5%, to ¥2,230.0 billion, while operating income is expected to be ¥90.0 billion, ordinary income to be ¥95.0 billion, and net income to be ¥40.0 billion, assuming an exchange rate of ¥82.5/US\$ and a naphtha price of ¥65,000/kl. For fiscal 2012, the Company plans to pay the interim dividend of ¥6 per share and the year-end dividend of ¥3 per share, resulting in the annual dividend of ¥9 per share, the same level as for fiscal 2011.

Consolidated Statements of Income
Years ended March 31, 2012(FY2011) and 2011(FY2010)

	FY2011		FY2010
	Yen (Millions)	USD (Thousands) ^{*1}	Yen (Millions)
Sales	1,947,884	23,699,769	1,982,435
Cost of sales	1,418,464	17,258,353	1,409,520
Selling, general and administrative expenses	468,732	5,703,029	484,958
Operating income	60,688	738,387	87,957
Other income (expenses):			
Interest and dividend income	7,654	93,126	6,697
Interest expenses	(12,397)	(150,833)	(13,016)
Equity in earnings of affiliates	1,986	24,164	10,824
Loss on foreign currency transactions	(3,675)	(44,713)	(6,615)
Gain on sale of investment securities	9,837	119,686	-
Gain on sale of property, plant and equipment	1,442	17,545	-
Equity in losses of affiliates ^{*2}	(26,005)	(316,401)	-
Restructuring charges	(6,354)	(77,309)	(4,067)
Impairment loss	(3,595)	(43,740)	(3,247)
Environmental expenses	(2,093)	(25,465)	-
Loss on disaster	-	-	(1,079)
Other, net	(3,542)	(43,098)	(1,756)
Income before income taxes and minority interests	23,946	291,349	75,698
Income taxes, net of tax effect	8,299	100,973	34,846
Income before minority interests	15,647	190,376	40,852
Minority interests	10,060	122,399	16,418
Net income	5,587	67,977	24,434

	FY2011		FY2010
	Yen	USD ^{*1}	Yen
Net income per share	3.42	0.04	14.86
Dividends per share:			
Interim dividends	6.00	0.07	3.00
Year-end dividends	3.00	0.04	6.00
For the year	9.00	0.11	9.00

(Note)

*1:U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥82.19= \$1 prevailing on March 31, 2012.

*2:One-time amortization of goodwill of an affiliate recognized due to a write-down of investment in the affiliate on a non-consolidated basis.

Consolidated Statements of Comprehensive Income
Years ended March 31, 2012(FY2011) and 2011(FY2010)

	FY2011		FY2010
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Income before minority interests	15,647	190,376	40,852
Other comprehensive income:			
Valuation difference on available-for-sale securities	117	1,424	(6,456)
Deferred gains or losses on hedges	730	8,882	(55)
Foreign currency translation adjustment	(20,929)	(254,642)	(49,823)
Share of other comprehensive income of associates accounted for using the equity method	(6,041)	(73,501)	(17,360)
Total other comprehensive income	(26,123)	(317,837)	(73,694)
Comprehensive income	(10,476)	(127,461)	(32,842)
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	(16,374)	(199,221)	(30,739)
Comprehensive income attributable to minority interests	5,898	71,760	(2,103)

(Note)

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¥82.19= \$1 prevailing on March 31, 2012.

Consolidated Statements of Cash Flows
Years ended March 31, 2012(FY2011) and 2011(FY2010)

	FY2011		FY2010
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Cash flows from operating activities:			
Income before income taxes and minority interests	23,946	291,349	75,698
Depreciation and amortization	114,890	1,397,859	147,009
Income taxes paid	(31,515)	(383,441)	(30,698)
Other, net	17,170	208,906	(15,781)
Net cash provided by operating activities	124,491	1,514,673	176,228
Cash flows from investing activities:			
Acquisition of securities	(46,815)	(569,595)	(82,999)
Proceeds from sales and redemption of securities	57,586	700,645	27,676
Acquisition of property, plant and equipment	(136,580)	(1,661,759)	(100,578)
Other, net	1,834	22,314	(86)
Net cash used in investing activities	(123,975)	(1,508,395)	(155,987)
Cash flows from financing activities:			
Net (decrease) increase in short-term debt	(17,107)	(208,140)	(87,764)
Net increase (decrease) in long-term debt	43,318	527,047	134,350
Cash dividends paid	(19,628)	(238,813)	(14,868)
Other, net	(4,529)	(55,103)	(13,733)
Net cash provided by (used in) financing activities	2,054	24,991	17,985
Effect of exchange rate changes on cash and cash equivalents	(2,969)	(36,124)	(7,663)
Net change in cash and cash equivalents	(399)	(4,855)	30,563
Net (decrease) increase in cash and cash equivalents resulting from changes of scope of consolidation	(4,088)	(49,738)	386
Net (decrease) increase in cash and cash equivalents resulting from changes of fiscal year end of consolidated subsidiaries	(71)	(864)	-
Cash and cash equivalents at beginning of year	151,609	1,844,616	120,660
Cash and cash equivalents at end of year	147,051	1,789,159	151,609

(Note)

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Segment Information
Years ended March 31, 2012(FY2011) and 2011(FY2010)

Yen (Millions)

		Basic Chemicals	Petro- chemicals& Plastics	IT-related Chemicals	Health & Crop Sciences	Pharma- ceuticals	Subtotal	Others	Adjustments	Consoli- dated
FY2011										
Sales	[a]	284,348	672,428	293,066	264,134	380,518	1,894,494	53,390	-	1,947,884
(Share)		(14.6%)	(34.5%)	(15.0%)	(13.6%)	(19.5%)	(97.3%)	(2.7%)	-	(100.0%)
(Growth)		(-5.9%)	(3.5%)	(-9.1%)	(5.3%)	(-7.3%)	(-2.1%)	(14.7%)	-	(-1.7%)
Operating income	[b]	9,349	6,155	10,968	26,495	20,918	73,885	7,720	(20,917)	60,688
[b] / [a]		(3.3%)	(0.9%)	(3.7%)	(10.0%)	(5.5%)	(3.9%)	(14.5%)		(3.1%)
Total assets		302,372	554,366	265,023	330,036	626,621	2,078,418	195,626	62,909	2,336,953
Depreciation and amortization		14,094	14,115	14,451	12,126	38,535	93,321	6,945	7,082	107,348
Amortization of goodwill		148	-	81	2,512	3,764	6,505	5	1,032	7,542
Investment on affiliates applied to equity methods		10,581	80,810	3,958	27,915	10,272	133,536	58,619	-	192,155
Capital expenditures		24,510	19,584	66,880	19,282	11,340	141,596	3,241	10,240	155,077
FY2010*										
Sales	[a]	302,289	649,885	322,287	250,806	410,614	1,935,881	46,554	-	1,982,435
(Share)		(15.2%)	(32.8%)	(16.3%)	(12.7%)	(20.7%)	(97.7%)	(2.3%)	-	(100.0%)
Operating income	[b]	20,627	11,130	26,138	23,302	28,654	109,851	4,128	(26,022)	87,957
[b] / [a]		(6.8%)	(1.7%)	(8.1%)	(9.3%)	(7.0%)	(5.7%)	(8.9%)		(4.4%)
Total assets		284,476	555,254	249,005	358,725	656,698	2,104,158	199,640	63,516	2,367,314
Depreciation and amortization		21,002	18,396	20,168	19,455	43,120	122,141	7,210	9,337	138,688
Amortization of goodwill		227	-	113	2,805	4,037	7,182	8	1,131	8,321
Investment on affiliates applied to equity methods		9,228	88,464	488	54,050	10,176	162,406	57,159	-	219,565
Capital expenditures		16,639	13,719	27,749	15,607	10,451	84,165	7,902	6,652	98,719

(Note)

*Segment information of the previous fiscal year is reclassified in accordance with the change in reported segments.

Overseas Operations
Years ended March 31, 2012(FY2011) and 2011(FY2010)

	FY2011				FY2010
	Yen (Millions)	USD(Thousands)	Share (%)	Growth (%)	Yen (Millions)
Overseas operations	1,008,969	12,276,055	51.8	-4.5	1,056,718

(Note)

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¥82.19= \$1 prevailing on March 31, 2012.

(Cautionary Statement)

Statements made in this release with respect to the Company'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.