

Sumitomo Chemical Announces Consolidated Financial Results for FY2012

During the twelve months ended March 31, 2013 (Fiscal 2012), the economic situation remained generally severe. Amid the prolonged sovereign debt crisis in Europe, economic growth continued to slow down, mainly in emerging countries. The Japanese economy was also affected by overseas economic trends and a continued strong yen for most of the fiscal year.

The business environment surrounding the Sumitomo Chemical Group was very tough due to a sharp decline in demand in Asia and other overseas markets as well as margin erosion and other factors.

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 drastic reduction in head-office fixed costs and other measures. The Group is also restructuring its petrochemical businesses to strengthen profitability, including the restructuring of the Chiba Works.

As a result, the Group's sales for fiscal 2012 increased by ¥4.6 billion compared with the previous fiscal year, to ¥1,952.5 billion. The Group's operating income was ¥45.0 billion, representing a decline from fiscal 2011, but ordinary income was almost unchanged from the previous fiscal year at ¥50.3 billion as a result of an improvement in foreign exchange gains and losses because of the correction of the yen's appreciation toward the end of the fiscal year. The Group posted a net loss of ¥51.1 billion, representing a serious deterioration from fiscal 2011, due to large extraordinary losses and an additional corporate tax adjustment with a reversal of deferred tax assets.

The Sumitomo Chemical Group's financial results by business segment for fiscal 2012 are as follows.

Basic Chemicals

Market prices fell for raw materials for synthetic fibers, and shipments of these products also decreased. Sales of methyl methacrylate and aluminum declined due to lower market prices. As a result, the segment's sales decreased by ¥20.8 billion compared with the previous fiscal year, to ¥263.5 billion, and operating income declined by ¥15.7 billion, to a loss of ¥6.4 billion.

Petrochemicals & Plastics

Shipments from a sales subsidiary increased from the previous fiscal year's level, which was low due to periodic maintenance shutdowns at the manufacturing plants of Petro Rabigh in Saudi Arabia. Sales of synthetic resins declined in Singapore due to lower market prices overseas. Sales of petrochemical products and synthetic resins also decreased in Japan due to a decline in domestic demand. As a result, the segment's sales rose by ¥21.4 billion compared with the previous fiscal year, to ¥693.9 billion, but operating income decreased by ¥9.4 billion, to a loss of ¥3.2 billion.

IT-related Chemicals

Shipments of polarizing film used in liquid crystal displays (LCDs) rose, but shipments of color filters declined. Sales prices of both polarizing film and color filters fell. Meanwhile, a newly-built touchscreen panel facility in South Korea began full-fledged operation in the 3rd quarter of the fiscal year. As a result, the segment's sales increased by ¥6.9 billion compared with the previous fiscal year, to ¥300.0 billion, and operating income rose by ¥0.7 billion, to ¥11.7 billion.

Health & Crop Sciences

In the area of crop protection chemicals, shipments of herbicides and other products rose, especially in overseas markets, due to increased production capacity and sales expansion. But shipments of household insecticides and the long-lasting insecticidal mosquito net, Olyset® Net, decreased. Market prices of the feed additive methionine declined. As a result, the segment's sales decreased by ¥1.6 billion compared with the previous fiscal year, to ¥262.6 billion, and operating income declined by ¥0.2 billion, to ¥26.3 billion.

Pharmaceuticals

In Japan, sales of Metgluco® (biguanide oral hypoglycemic) and Trierief® (therapeutic agent for Parkinson's disease) significantly increased. But overall sales declined, even including sales of newly-marketed Aimix® (anti-hypertension drug), because of the significant impacts of Japanese National Health Insurance drug price revisions and a decrease in shipments of existing products. In North America, shipments of Xopenex® (short-acting beta-agonist) decreased as its exclusivity expired, but overall sales rose because of gradually increasing sales of Latuda® (atypical antipsychotic) and the receipt of milestone payments of licensing fees. As a result, the segment's sales decreased by ¥1.9 billion compared with the previous fiscal year, to ¥378.6 billion. Operating income rose by ¥9.9 billion, to ¥30.9 billion, due to cost-cutting efforts and a decline in labor costs.

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 increased by ¥0.6 billion compared with the previous fiscal year, to ¥54.0 billion, and operating income rose by ¥0.2 billion, to ¥8.0 billion.

The Company decided not to pay a year-end dividend as it posted a large net loss for the full year. As a result, the Company's annual dividend for fiscal 2012 was ¥6 per share, down ¥3 per share from the previous year's level.

Operating cash flow in fiscal 2012 increased by ¥47.1 billion compared with the previous fiscal year, to ¥171.6 billion, due to improvement in working capital. Cash flow from investing activities was negative ¥165.8 billion, an increase of ¥41.8 billion in spending compared to the previous fiscal year, due to acquisitions of two U.S. companies, Boston Biomedical Inc. and Elevation Pharmaceuticals Inc. (now Sunovion Respiratory Development Inc.). This resulted in free cash flow of ¥5.8 billion for fiscal 2012, compared with ¥0.5 billion for the previous fiscal year. Cash flow from financing activities was negative ¥36.0 billion. The balance of cash and cash equivalents at the end of the fiscal year decreased by ¥20.1 billion over the previous year, to ¥126.9 billion.

For fiscal 2013, the Company forecasts that sales will increase by 20.4%, to ¥2,350.0 billion, while both operating income and ordinary income are projected to be ¥90.0 billion, and net income to be ¥30.0 billion, assuming an exchange rate of ¥95.0/US\$ and a naphtha price of ¥65,000/kl. For fiscal 2013, the Company plans to pay the interim dividend of ¥6 per share and a year-end dividend of ¥3 per share, resulting in an annual dividend of ¥9 per share, an increase from the previous year's level.

Consolidated Statements of Income
Years ended March 31, 2013(FY2012) and 2012(FY2011)

| | FY2012 | | FY2011 |
|---|----------------|-------------------------------|----------------|
| | Yen (Millions) | USD (Thousands) ^{*1} | Yen (Millions) |
| Net sales | 1,952,492 | 20,760,149 | 1,947,884 |
| Cost of sales | 1,449,549 | 15,412,536 | 1,418,464 |
| Selling, general and administrative expenses | 457,927 | 4,868,974 | 468,732 |
| Operating income | 45,016 | 478,639 | 60,688 |
| Other income (expenses): | | | |
| Interest and dividend income | 7,556 | 80,340 | 7,654 |
| Interest expenses | (12,952) | (137,714) | (12,397) |
| Equity in earnings of affiliates | 5,436 | 57,799 | 1,986 |
| Gain (loss) on foreign currency transactions | 6,757 | 71,845 | (3,675) |
| Cost of inactive facilities | (2,797) | (29,740) | (1,216) |
| Gain on step acquisitions | 1,538 | 16,353 | - |
| Gain on sale of investment securities | - | - | 9,837 |
| Gain on sale of property, plant and equipment | - | - | 1,442 |
| Impairment loss | (22,875) | (243,222) | (3,595) |
| Restructuring charges | (10,777) | (114,588) | (6,354) |
| Loss on valuation of investment securities | (4,706) | (50,037) | - |
| Loss on litigation | (1,090) | (11,590) | - |
| Equity in losses of affiliates ^{*2} | - | - | (26,005) |
| Environmental expenses | - | - | (2,093) |
| Other, net | 1,236 | 13,143 | (2,326) |
| Income before income taxes and minority interests | 12,342 | 131,228 | 23,946 |
| Income taxes, | 52,746 | 560,829 | 8,299 |
| (Loss) Income before minority interests | (40,404) | (429,601) | 15,647 |
| Minority interests | 10,672 | 113,472 | 10,060 |
| Net (loss) income | (51,076) | (543,073) | 5,587 |

| | FY2012 | | FY2011 |
|-----------------------------|---------|-------------------|--------|
| | Yen | USD ^{*1} | Yen |
| Net (loss) income per share | (31.25) | (0.33) | 3.42 |
| Dividends per share: | | | |
| Interim dividends | 6.00 | 0.06 | 6.00 |
| Year-end dividends | 0.00 | 0.00 | 3.00 |
| For the year | 6.00 | 0.06 | 9.00 |

(Note)

*1:U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥94.05= \$1 prevailing on March 31, 2013.

*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, 2013(FY2012) and 2012(FY2011)

| | FY2012 | | FY2011 |
|--|----------------|------------------|----------------|
| | Yen (Millions) | USD (Thousands)* | Yen (Millions) |
| (Loss) Income before minority interests | (40,404) | (429,601) | 15,647 |
| Other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 9,470 | 100,691 | 117 |
| Deferred gains on hedges | 194 | 2,063 | 730 |
| Foreign currency translation adjustment | 58,558 | 622,626 | (20,929) |
| Share of other comprehensive income of associates accounted for using the equity method | 21,921 | 233,078 | (6,041) |
| Total other comprehensive income | 90,143 | 958,458 | (26,123) |
| Comprehensive income | 49,739 | 528,857 | (10,476) |
| (Comprehensive income attributable to) | | | |
| Comprehensive income attributable to owners of the parent | 23,166 | 246,316 | (16,374) |
| Comprehensive income attributable to minority interests | 26,573 | 282,541 | 5,898 |

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of
¥94.05= \$1 prevailing on March 31, 2013.

Consolidated Statements of Cash Flows
Years ended March 31, 2013(FY2012) and 2012(FY2011)

| | FY2012 | | FY2011 |
|---|----------------|------------------|----------------|
| | Yen (Millions) | USD (Thousands)* | Yen (Millions) |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | 12,342 | 131,228 | 23,946 |
| Depreciation and amortization | 115,483 | 1,227,889 | 114,890 |
| Income taxes paid | (22,386) | (238,022) | (31,515) |
| Other, net | 66,156 | 703,413 | 17,170 |
| Net cash provided by operating activities | 171,595 | 1,824,508 | 124,491 |
| Cash flows from investing activities: | | | |
| Acquisition of securities | (55,920) | (594,577) | (46,815) |
| Proceeds from sale and redemption of securities | 47,758 | 507,794 | 57,586 |
| Acquisition of property, plant and equipment | (121,810) | (1,295,162) | (136,580) |
| Other, net | (35,800) | (380,649) | 1,834 |
| Net cash used in investing activities | (165,772) | (1,762,594) | (123,975) |
| Cash flows from financing activities: | | | |
| Net (decrease) increase in short-term debt | (18,379) | (195,417) | (17,107) |
| Net increase (decrease) in long-term debt | 5,066 | 53,865 | 43,318 |
| Cash dividends paid | (14,720) | (156,512) | (19,628) |
| Other, net | (7,976) | (84,807) | (4,529) |
| Net cash provided by financing activities | (36,009) | (382,871) | 2,054 |
| Effect of exchange rate changes on cash and cash equivalents | 8,926 | 94,907 | (2,969) |
| Net change in cash and cash equivalents | (21,260) | (226,050) | (399) |
| Net (decrease) increase in cash and cash equivalents resulting from changes in scope of consolidation | - | - | (4,088) |
| Net increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries | 1,158 | 12,312 | (71) |
| Cash and cash equivalents at beginning of year | 147,051 | 1,563,541 | 151,609 |
| Cash and cash equivalents at end of year | 126,949 | 1,349,803 | 147,051 |

(Note)

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¥94.05= \$1 prevailing on March 31, 2013.

Segment Information
Years ended March 31, 2013(FY2012) and 2012(FY2011)

Yen (Millions)

| | | Basic Chemicals | Petro- chemicals& Plastics | IT-related Chemicals | Health & Crop Sciences | Pharma- ceuticals | Subtotal | Others | Adjustments | Consoli- dated |
|--|-----|--------------------|----------------------------------|-------------------------|------------------------------|----------------------|-----------|---------|-------------|-------------------|
| FY2012 | | | | | | | | | | |
| Net Sales | [a] | 263,522 | 693,859 | 299,968 | 262,580 | 378,595 | 1,898,524 | 53,968 | - | 1,952,492 |
| (Share) | | (13.5%) | (35.5%) | (15.4%) | (13.4%) | (19.4%) | (97.2%) | (2.8%) | - | (100.0%) |
| (Growth) | | (-7.3%) | (3.2%) | (2.4%) | (-0.6%) | (-0.5%) | (0.2%) | (1.1%) | - | (0.2%) |
| Operating income | [b] | (6,391) | (3,232) | 11,703 | 26,272 | 30,857 | 59,209 | 7,963 | (22,156) | 45,016 |
| [b] / [a] | | (-2.4%) | (-0.5%) | (3.9%) | (10.0%) | (8.2%) | (3.1%) | (14.8%) | | (2.3%) |
| Total assets | | 309,717 | 555,074 | 280,806 | 406,779 | 677,340 | 2,229,716 | 195,481 | 46,894 | 2,472,091 |
| Depreciation and amortization | | 15,478 | 13,388 | 17,926 | 13,601 | 33,369 | 93,762 | 6,179 | 8,916 | 108,857 |
| Amortization of goodwill | | 30 | 302 | 7 | 1,742 | 3,773 | 5,854 | 5 | 767 | 6,626 |
| Investment on affiliates applied to equity methods | | 12,454 | 89,257 | 3,201 | 30,437 | 10,368 | 145,717 | 66,934 | - | 212,651 |
| Capital expenditures | | 32,981 | 14,080 | 18,690 | 25,149 | 14,634 | 105,534 | 4,497 | 6,116 | 116,147 |
| FY2011 | | | | | | | | | | |
| Net 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%) |
| 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 |

Overseas Operations

Years ended March 31, 2013(FY2012) and 2012(FY2011)

| | FY2012 | | | | FY2011 |
|------------------------|----------------|----------------|-----------|------------|----------------|
| | Yen (Millions) | USD(Thousands) | Share (%) | Growth (%) | Yen (Millions) |
| Overseas operations | 1,043,830 | 11,098,671 | 53.5 | 3.5 | 1,008,969 |

(Note)

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¥94.05= \$1 prevailing on March 31, 2013.

(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.