

For Immediate Release

May 12, 2014

## **Sumitomo Chemical Announces Consolidated Financial Results for FY2013**

During the twelve months ended March 31, 2014 (Fiscal 2013), economic conditions in Japan and overseas were generally on a recovery track. The Japanese economy showed a recovery trend due to the correction of the yen's appreciation and the government's economic stimulus package. Although the pace of economic growth slowed down in China and other emerging countries, the U.S. economy continued a solid recovery. In the second half of the fiscal year, Europe also began to show signs of economic recovery, though at a slow pace.

The business environment surrounding the Sumitomo Chemical Group improved as a whole, although there were areas that remained challenging, with sluggish market conditions and weak shipment volumes.

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 thorough streamlining.

As a result, the Group's sales for fiscal 2013 increased by ¥291.3 billion compared with the previous fiscal year, to ¥2,243.8 billion. The Group posted operating income of ¥100.8 billion, ordinary income of ¥111.1 billion and net income of ¥37.0 billion, all representing improves from the previous fiscal year.

The Sumitomo Chemical Group's financial results by business segment for fiscal 2013 are 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. On the other hand, the correction of the yen's appreciation had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥23.4 billion compared with the previous fiscal year, to ¥286.9 billion. Operating income, however, declined by ¥4.5 billion, to a loss of ¥10.9 billion.

### Petrochemicals & Plastics

Market prices for synthetic resins and petrochemical products rose due to higher feedstock prices, but shipments from overseas subsidiaries decreased due to maintenance work at Petro Rabigh. The correction of the yen's appreciation had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥98.2 billion compared with the previous fiscal year, to ¥792.0 billion, and operating income improved by ¥8.2 billion, to ¥4.9 billion.

### IT-related Chemicals

Sales of polarizing film used in liquid crystal displays (LCDs) increased due to growth in demand. A newly-built touchscreen panel facility in South Korea that began operations in the previous fiscal year contributed to sales throughout the year. As a result, including the positive effect of the correction of the yen's appreciation, the segment's sales increased by ¥62.3 billion compared with the previous fiscal year, to ¥362.3 billion, and operating income grew by ¥23.2 billion, to ¥34.9 billion.

### Health & Crop Sciences

In the area of crop protection chemicals, shipments of herbicides and other products rose in overseas markets due to increased production capacity and expanded sales. Market prices of the feed additive methionine declined but shipments increased due to sales expansion. The correction of the yen's appreciation had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥64.4 billion compared with the previous fiscal year, to ¥327.0 billion, and operating income grew by ¥11.9 billion, to ¥38.2 billion.

### Pharmaceuticals

In Japan, sales of Aimix® (anti-hypertension drug), Metgluco® (biguanide oral hypoglycemic) and Trerief® (therapeutic agent for Parkinson's disease) significantly increased, but overall sales decreased as a result of a decline in shipments of other existing products due to patent expirations, and a decrease in commissioned manufacturing. In North America, shipments of Xopenex® (short-acting beta-agonist) fell sharply as marketing exclusivity ended, but shipments of Latuda® (atypical antipsychotic) significantly increased, and the correction of the yen's appreciation had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥40.2 billion compared with the previous fiscal year, to ¥418.8 billion, and operating income grew by ¥16.2 billion, to ¥47.1 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 increased by ¥2.9 billion compared with the previous fiscal year, to ¥56.8 billion, and operating income rose by ¥0.4 billion, to ¥8.4 billion.

The Company decided to pay a year-end dividend of ¥3 per share. As a result, the Company's annual dividend for fiscal 2013 was ¥9 per share, including an interim dividend of ¥6 per share, up ¥3 per share from the previous year's level.

Operating cash flow in fiscal 2013 increased by ¥22.8 billion compared with the previous fiscal year, to ¥194.4 billion, due to an increase in income before income taxes and an improvement in working capital. Cash flow from investing activities was negative ¥135.2 billion, a decrease in cash outflows of ¥30.6 billion compared to the previous fiscal year, due to acquisitions in the previous fiscal year of two U.S. companies, Boston Biomedical Inc. and Elevation Pharmaceuticals Inc. (now Sunovion Respiratory Development Inc.). This resulted in free cash flow of ¥59.2 billion for fiscal 2013, compared with ¥5.8 billion for the previous fiscal year. Cash flow from financing activities was negative ¥59.1 billion. The balance of cash and cash equivalents at the end of the fiscal year increased by ¥5.4 billion over the previous year, to ¥132.3 billion.

For fiscal 2014, the Company forecasts that sales will increase by 3.4%, to ¥2,320.0 billion, while operating income and ordinary income are projected to be ¥105.0 billion and ¥120.0 billion respectively and net income to be ¥45.0 billion, assuming an exchange rate of ¥100.0/US\$ and a naphtha price of ¥70,000/kl. For fiscal 2014, the Company plans to pay an interim dividend of ¥6 per share and a year-end dividend of ¥3 per share, resulting in an annual dividend of ¥9 per share, the same level as for fiscal 2013.

**Consolidated Statements of Income**  
**Years ended March 31, 2014(FY2013) and 2013(FY2012)**

	FY2013		FY2012
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Net sales	2,243,794	21,801,341	1,952,492
Cost of sales	1,639,649	15,931,296	1,449,549
Selling, general and administrative expenses	503,303	4,890,235	457,927
Operating income	100,842	979,810	45,016
Other income (expenses):			
Interest and dividend income	7,956	77,303	7,556
Interest expenses	(12,837)	(124,728)	(12,952)
Equity in earnings of affiliates	12,027	116,858	5,436
Gain on foreign currency transactions	4,837	46,998	6,757
Cost of inactive facilities	(2,462)	(23,921)	(2,797)
Gain on sale of investment securities	3,414	33,171	-
Gain on sale of property, plant and equipment	2,586	25,126	-
Gain on bargain purchase	1,740	16,906	-
Fair value adjustment of contingent consideration	1,284	12,476	-
Gain on step acquisitions	-	-	1,538
Impairment loss	(21,823)	(212,038)	(22,875)
Restructuring charges	(10,648)	(103,459)	(10,777)
Loss on valuation of investment securities	(1,462)	(14,205)	(4,706)
Loss on litigation	-	-	(1,090)
Other, net	746	7,247	1,236
Income before income taxes and minority interests	86,200	837,544	12,342
Income taxes,	31,240	303,537	52,746
Income (Loss) before minority interests	54,960	534,007	(40,404)
Minority interests	17,983	174,728	10,672
Net income (loss)	36,977	359,279	(51,076)

	FY2013		FY2012
	Yen	USD*	Yen
Net income (loss) per share	22.62	0.22	(31.25)
Dividends per share:			
Interim dividends	6.00	0.06	6.00
Year-end dividends	3.00	0.03	0.00
For the year	9.00	0.09	6.00

**(Note)**

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of  
¥102.92= \$1 prevailing on March 31, 2014.

**Consolidated Statements of Comprehensive Income**  
**Years ended March 31, 2014(FY2013) and 2013(FY2012)**

	FY2013		FY2012
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Income (Loss) before minority interests	54,960	534,007	(40,404)
Other comprehensive income			
Valuation difference on available-for-sale securities	17,771	172,668	9,470
Deferred (losses) gains on hedges	(592)	(5,752)	194
Foreign currency translation adjustment	54,260	527,206	58,558
Share of other comprehensive income of associates accounted for using the equity method	29,181	283,531	21,921
Total other comprehensive income	<u>100,620</u>	<u>977,653</u>	<u>90,143</u>
Comprehensive income	<u>155,580</u>	<u>1,511,660</u>	<u>49,739</u>
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	121,747	1,182,928	23,166
Comprehensive income attributable to minority interests	33,833	328,732	26,573

**(Note)**

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**Consolidated Statements of Cash Flows**  
**Years ended March 31, 2014(FY2013) and 2013(FY2012)**

	FY2013		FY2012
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	86,200	837,544	12,342
Depreciation and amortization	115,734	1,124,504	115,483
Income taxes paid	(20,742)	(201,536)	(22,386)
Other, net	13,170	127,964	66,156
<b>Net cash provided by operating activities</b>	<b>194,362</b>	<b>1,888,476</b>	<b>171,595</b>
<b>Cash flows from investing activities:</b>			
Acquisition of securities	(58,792)	(571,240)	(55,920)
Proceeds from sale and redemption of securities	71,259	692,373	47,758
Acquisition of property, plant and equipment	(153,913)	(1,495,462)	(121,810)
Other, net	6,269	60,911	(35,800)
<b>Net cash used in investing activities</b>	<b>(135,177)</b>	<b>(1,313,418)</b>	<b>(165,772)</b>
<b>Cash flows from financing activities:</b>			
Net decrease in short-term debt	(59,939)	(582,385)	(18,379)
Net increase in long-term debt	13,635	132,482	5,066
Cash dividends paid	(9,813)	(95,346)	(14,720)
Other, net	(2,967)	(28,828)	(7,976)
<b>Net cash used in financing activities</b>	<b>(59,084)</b>	<b>(574,077)</b>	<b>(36,009)</b>
Effect of exchange rate changes on cash and cash equivalents	14,696	142,791	8,926
<b>Net change in cash and cash equivalents</b>	<b>14,797</b>	<b>143,772</b>	<b>(21,260)</b>
<b>Net decrease in cash and cash equivalents resulting from changes in scope of consolidation</b>	<b>(36)</b>	<b>(350)</b>	<b>-</b>
<b>Net (decrease) increase in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries</b>	<b>(9,389)</b>	<b>(91,227)</b>	<b>1,158</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>126,949</b>	<b>1,233,473</b>	<b>147,051</b>
<b>Cash and cash equivalents at end of year</b>	<b>132,321</b>	<b>1,285,668</b>	<b>126,949</b>

**(Note)**

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**Segment Information**  
**Years ended March 31, 2014(FY2013) and 2013(FY2012)**

Yen (Millions)

		Basic Chemicals	Petro- chemicals& Plastics	IT-related Chemicals	Health & Crop Sciences	Pharma- ceuticals	Subtotal	Others	Adjustments	Consoli- dated
<b>FY2013</b>										
Net Sales	[a]	286,898	792,021	362,255	326,967	418,809	2,186,950	56,844	-	2,243,794
(Share)		(12.8%)	(35.3%)	(16.1%)	(14.6%)	(18.7%)	(97.5%)	(2.5%)	-	(100.0%)
(Growth)		(8.9%)	(14.1%)	(20.8%)	(24.5%)	(10.6%)	(15.2%)	(5.3%)	-	(14.9%)
Operating income	[b]	(10,867)	4,942	34,898	38,184	47,079	114,236	8,373	(21,767)	100,842
[b] / [a]		(-3.8%)	(0.6%)	(9.6%)	(11.7%)	(11.2%)	(5.2%)	(14.7%)		(4.5%)
Total assets		319,156	637,026	365,805	450,740	721,649	2,494,376	226,361	67,770	2,788,507
Depreciation and amortization		17,972	12,415	24,981	16,006	23,045	94,419	5,176	8,955	108,550
Amortization of goodwill		30	404	42	1,652	5,054	7,182	2	-	7,184
Investment on affiliates applied to equity methods		14,938	117,409	488	31,135	-	163,970	79,716	-	243,686
Capital expenditures		22,678	16,975	51,515	17,515	28,673	137,356	4,755	1,338	143,449
<b>FY2012</b>										
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%)
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

**Overseas Operations**

Years ended March 31, 2014(FY2013) and 2013(FY2012)

	FY2013				FY2012
	Yen (Millions)	USD(Thousands)*	Share (%)	Growth (%)	Yen (Millions)
Overseas operations	1,292,870	12,561,893	57.6	23.9	1,043,830

**(Note)**

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¥102.92= \$1 prevailing on March 31, 2014.

**(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.