

Sumitomo Chemical Announces Consolidated Financial Results for FY2014

During the twelve months ended March 31, 2015 (Fiscal 2014), economic conditions in Japan and overseas were generally on a gradual recovery path. In Japan, despite weak consumer spending since the consumption tax increase, corporate profits recovered and capital spending and exports increased due to positive effects of the weaker yen and a steep decline in crude oil prices. Meanwhile, economic growth was weak in China and other emerging countries and the economic recovery in Europe also remained weak, but the U.S. economy continued a solid recovery.

The business environment surrounding the Sumitomo Chemical Group was good as a whole, although there were areas 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 2014 increased by ¥132.9 billion compared with the previous fiscal year, to ¥2,376.7 billion. The Group posted operating income of ¥127.3 billion, ordinary income of ¥157.4 billion and net income of ¥52.2 billion, all representing increases from the previous fiscal year.

The Sumitomo Chemical Group's financial results by business segment for fiscal 2014 are as follows.

Basic Chemicals

Sales of methyl methacrylate grew due to an increase in shipments and higher market prices. Sales of aluminum also rose due to higher market prices. However market prices remained low for raw materials for synthetic fibers and shipments of these products decreased. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥25.1 billion compared with the previous fiscal year, to ¥312.0 billion. Operating income improved by ¥10.5 billion, to a loss of ¥0.4 billion.

Petrochemicals & Plastics

Market prices for petrochemical products dropped due to lower feedstock prices in the second half of fiscal 2014. Market prices for synthetic resins also fell, but shipments from Singapore and Japan increased. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥14.1 billion compared with the previous fiscal year, to ¥806.2 billion, and operating income grew by ¥16.3 billion, to ¥21.2 billion.

IT-related Chemicals

Although selling prices of polarizing film used in liquid crystal displays (LCDs) and touchscreen panels declined, shipments of these products increased due to growth in demand. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥42.9 billion compared with the previous fiscal year, to ¥405.1 billion. Operating income decreased by ¥2.5 billion, to ¥32.4 billion, as it was adversely affected by lower selling prices.

Health & Crop Sciences

Sales of the feed additive methionine grew due to a recovery in market prices. In the area of crop protection chemicals, shipments decreased in Japan due mainly to the effects of the consumption tax increase, while shipments rose in overseas markets due to expanded sales. As a result, including the positive effect of the weaker yen, the segment's sales increased by ¥35.4 billion compared with the previous fiscal year, to ¥362.4 billion, and operating income grew by ¥18.7 billion, to ¥56.9 billion.

Pharmaceuticals

In North America, shipments of Lunesta® (sedative hypnotic) decreased sharply as marketing exclusivity ended. But sales increased due to expanded shipments of Latuda® (atypical antipsychotic) and the positive effect of the weaker yen. In China, shipments of Meropen® (carbapenem antibiotic) grew significantly. In Japan, overall sales decreased sharply due to the impacts of Japanese National Health Insurance drug price revisions and competition from generic drugs. As a result, the segment's sales decreased by ¥15.2 billion compared with the previous fiscal year, to ¥403.6 billion, and operating income declined by ¥18.1 billion, to ¥29.0 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. For fiscal 2014, this segment's figures included services provided to Petro Rabigh. The segment's sales increased by ¥30.6 billion compared with the previous fiscal year, to ¥87.5 billion, and operating income rose by ¥7.3 billion, to ¥15.7 billion.

***Due to the Company's organizational reform as of April 1, 2015, the Basic Chemicals Segment was eliminated and businesses in this segment were split up and transferred to the Petrochemicals & Plastics Segment and the Energy & Functional Materials Segment which was established as a new business segment. In addition, a part of businesses in the Petrochemicals & Plastics Segment was transferred to the Energy & Functional Materials Segment.**

Inorganic chemicals, raw materials for synthetic fibers, organic chemicals, and methyl methacrylate that had been included in the Basic Chemicals Segment were transferred to the Petrochemicals & Plastics Segment. Alumina products, aluminum, functional materials, additives, and dyes, which had also been included in this segment, were transferred to the Energy & Functional Materials Segment. In addition, synthetic rubber that had been included in the Petrochemicals & Plastics Segment was transferred to the Energy & Functional Materials Segment.

The Company decided to pay a year-end dividend of ¥3 per share. As a result, the Company's annual dividend for fiscal 2014 was ¥9 per share, including an interim dividend of ¥6 per share, unchanged from the previous fiscal year.

Operating cash flow in fiscal 2014 increased by ¥66.5 billion compared with the previous fiscal year, to ¥260.9 billion, due to an increase in income before income taxes and collection of money advanced relating to Petro Rabigh's Rabigh Phase II Project. Cash flow from investing activities was negative ¥56.6 billion, a decrease in cash outflows of ¥78.5 billion compared to the previous fiscal year, due to a decrease in payments for purchase of fixed asset. This resulted in free cash flow of ¥204.2 billion for fiscal 2014, compared with ¥59.2 billion for the previous fiscal year. Cash flow from financing activities was negative ¥151.5 billion. The balance of cash and cash equivalents at the end of the fiscal year increased by ¥69.7 billion over the previous year, to ¥202.0 billion.

For fiscal 2015, the Company forecasts that sales will decrease by 5.3%, to ¥2,250.0 billion, while operating income and ordinary income are projected to be ¥145.0 billion and ¥160.0 billion respectively and net income to be ¥80.0 billion, assuming an exchange rate of ¥115.0/US\$ and a naphtha price of ¥47,000/kl.

On October 4, 2015, Sumitomo Chemical will celebrate the 100th anniversary of the commencement of its operations. The Company plans to pay a commemorative dividend of ¥2 per share at the time of interim dividend payment for fiscal 2015 to express its gratitude to shareholders.

As a result, the Company will pay an interim dividend of ¥8 per share, including an ordinary dividend of ¥6 per share, and a year-end dividend of ¥6 per share. The Company's annual dividend for fiscal 2015 will be ¥14 per share, up ¥5 per share from the previous fiscal year.

Consolidated Statements of Income
Years ended March 31, 2015(FY2014) and 2014(FY2013)

	FY2014		FY2013
	Yen (Millions)	USD (Thousands) *	Yen (Millions)
Net sales	2,376,697	19,777,790	2,243,794
Cost of sales	1,727,803	14,377,990	1,639,649
Selling, general and administrative expenses	521,548	4,340,085	503,303
Operating income	127,346	1,059,715	100,842
Other income (expenses):			
Interest and dividend income	14,141	117,675	7,956
Interest expenses	(13,483)	(112,199)	(12,837)
Equity in earnings of affiliates	23,931	199,143	12,027
Gain on foreign currency transactions	9,957	82,858	4,837
Cost of inactive facilities	(3,296)	(27,428)	(2,462)
Gain on sale of property, plant and equipment	16,241	135,150	2,586
Gain on sale of investment securities	4,090	34,035	3,414
Compensation income	2,700	22,468	-
Compensation income for damage	1,711	14,238	-
Gain on bargain purchase	-	-	1,740
Fair value adjustment of contingent consideration	-	-	1,284
Impairment loss	(33,258)	(276,758)	(21,823)
Restructuring charges	(32,196)	(267,920)	(10,648)
Loss on valuation of investment securities	-	-	(1,462)
Other, net	(1,182)	(9,836)	746
Income before income taxes and minority interests	116,702	971,141	86,200
Income taxes,	45,598	379,446	31,240
Income before minority interests	71,104	591,695	54,960
Minority interests	18,912	157,377	17,983
Net income	52,192	434,318	36,977

	FY2014		FY2013
	Yen	USD *	Yen
Net income per share	31.93	0.27	22.62
Dividends per share:			
Interim dividends	6.00	0.05	6.00
Year-end dividends	3.00	0.02	3.00
For the year	9.00	0.07	9.00

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of
¥120.17= \$1 prevailing on March 31, 2015.

Consolidated Statements of Comprehensive Income
Years ended March 31, 2015(FY2014) and 2014(FY2013)

	FY2014		FY2013
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Income before minority interests	71,104	591,695	54,960
Other comprehensive income :			
Valuation difference on available-for-sale securities	29,211	243,081	17,771
Deferred losses on hedges	(15)	(125)	(592)
Foreign currency translation adjustment	84,998	707,314	54,260
Remeasurements of defined benefit plans	3,110	25,880	-
Share of other comprehensive income of associates accounted for using the equity method	26,051	216,785	29,181
Total other comprehensive income	143,355	1,192,935	100,620
Comprehensive income	214,459	1,784,630	155,580
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	167,513	1,393,967	121,747
Comprehensive income attributable to minority interests	46,946	390,663	33,833

(Note)

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Consolidated Statements of Cash Flows
Years ended March 31, 2015(FY2014) and 2014(FY2013)

	FY2014		FY2013
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Cash flows from operating activities:			
Income before income taxes and minority interests	116,702	971,141	86,200
Depreciation and amortization	119,177	991,737	115,734
Income taxes paid	(43,641)	(363,161)	(20,742)
Other, net	68,616	570,991	13,170
Net cash provided by operating activities	<u>260,854</u>	<u>2,170,708</u>	<u>194,362</u>
Cash flows from investing activities:			
Acquisition of securities	(46,486)	(386,835)	(58,792)
Proceeds from sale and redemption of securities	63,159	525,580	71,259
Acquisition of property, plant and equipment	(93,066)	(774,453)	(153,913)
Other, net	19,765	164,476	6,269
Net cash used in investing activities	<u>(56,628)</u>	<u>(471,232)</u>	<u>(135,177)</u>
Cash flows from financing activities:			
Net decrease in short-term debt	(85,336)	(710,127)	(59,939)
Net (decrease) increase in long-term debt	(39,972)	(332,629)	13,635
Cash dividends paid	(14,719)	(122,485)	(9,813)
Other, net	(11,438)	(95,182)	(2,967)
Net cash used in financing activities	<u>(151,465)</u>	<u>(1,260,423)</u>	<u>(59,084)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>16,302</u>	<u>135,658</u>	<u>14,696</u>
Net change in cash and cash equivalents	<u>69,063</u>	<u>574,711</u>	<u>14,797</u>
Net increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	754	6,274	(36)
Net decrease in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(141)	(1,173)	(9,389)
Cash and cash equivalents at beginning of year	<u>132,321</u>	<u>1,101,115</u>	<u>126,949</u>
Cash and cash equivalents at end of year	<u>201,997</u>	<u>1,680,927</u>	<u>132,321</u>

(Note)

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Segment Information
Years ended March 31, 2015(FY2014) and 2014(FY2013)

Yen (Millions)

		Basic Chemicals	Petro- chemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharma- ceuticals	Subtotal	Others	Adjustments	Consoli- dated
FY2014										
Net Sales	[a]	311,966	806,151	405,126	362,404	403,562	2,289,209	87,488	-	2,376,697
(Share)		(13.1%)	(33.9%)	(17.0%)	(15.2%)	(17.0%)	(96.3%)	(3.7%)	-	(100.0%)
(Growth)		(8.7%)	(1.8%)	(11.8%)	(10.8%)	(-3.6%)	(4.7%)	(53.9%)	-	(5.9%)
Operating income	[b]	(393)	21,204	32,408	56,906	29,024	139,149	15,653	(27,456)	127,346
[b] / [a]		(-0.1%)	(2.6%)	(8.0%)	(15.7%)	(7.2%)	(6.1%)	(17.9%)		(5.4%)
Total assets		312,745	649,278	391,841	488,120	778,575	2,620,559	254,045	5,792	2,880,396
Depreciation and amortization		18,959	14,168	32,929	15,282	15,470	96,808	5,362	9,332	111,502
Amortization of goodwill		-	402	221	1,605	5,446	7,674	1	-	7,675
Investment on affiliates applied to equity methods		16,340	138,619	462	30,520	482	186,423	90,979	-	277,402
Capital expenditures		11,875	13,219	17,498	16,736	16,534	75,862	5,086	3,202	84,150
FY2013										
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%)
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

Overseas Operations

Years ended March 31, 2015(FY2014) and 2014(FY2013)

	FY2014				FY2013
	Yen (Millions)	USD(Thousands)*	Share (%)	Growth (%)	Yen (Millions)
Overseas operations	1,428,419	11,886,652	60.1	10.5	1,292,870

(Note)

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¥120.17= \$1 prevailing on March 31, 2015.

(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.