

May 11, 2016

Sumitomo Chemical Announces Consolidated Financial Results for FY2015

During the twelve months ended March 31, 2016 (Fiscal 2015), economies in developed countries remained on a gradual recovery path, led by the United States, where employment growth was solid, although the pace of economic growth slowed in China and some other emerging market countries, including resource-rich nations. In Japan, despite weak consumer spending, corporate profits and the employment situation continued to improve due mainly to the positive effects of the weaker yen and lower crude oil prices.

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 2015 decreased by ¥274.9 billion compared with the previous fiscal year, to ¥2,101.8 billion. The Group posted operating income of ¥164.4 billion, ordinary income of ¥171.2 billion and net income attributable to owners of the parent of ¥81.5 billion, all representing increases from the previous fiscal year.

The Sumitomo Chemical Group's financial results by business segment for fiscal 2015 are as follows.

Petrochemicals & Plastics

Market prices of petrochemical products and synthetic resins declined because of lower feedstock prices. Shipments of petrochemical products and synthetic resins decreased due to the restructuring of the petrochemical business at the Chiba Works as well as periodic plant maintenance at Rabigh Refining and Petrochemical Company (Petro Rabigh). The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales decreased by ¥275.2 billion compared with the previous fiscal year, to ¥657.1 billion. Operating income increased by ¥8.0 billion, to ¥28.8 billion, due to higher profit margins and temporary licensing revenues.

Energy & Functional Materials

Market prices of aluminum fell sharply. Market prices of synthetic rubber also declined due to lower raw materials prices. Shipments of resorcinol, a raw material for adhesives, decreased due to sluggish demand. As a result, the segment's sales declined by ¥18.4 billion compared with the previous fiscal year, to ¥184.5 billion, and operating income decreased by ¥2.8 billion, to a loss of ¥2.0 billion.

IT-related Chemicals

Although selling prices of touchscreen panels declined, shipments increased due to growth in demand. Selling prices of polarizing film also dropped. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥3.9 billion compared with the previous fiscal year, to ¥409.1 billion. Operating income decreased by ¥7.7 billion, to ¥24.7 billion, as it was adversely affected by lower selling prices.

Health & Crop Sciences

Sales of the feed additive methionine rose sharply due to higher market prices. Sales of crop protection chemicals grew due to increased shipments overseas. The weaker yen also had a positive effect on sales. As a result, the segment's sales rose by ¥13.6 billion compared with the previous fiscal year, to ¥359.0 billion, and operating income grew by ¥21.4 billion, to ¥77.5 billion.

Pharmaceuticals

In Japan, although sales of Aimix® (anti-hypertension drug) and other drugs grew, overall sales declined due largely to a decrease in shipments of patent-expired originator drugs. In North America, sales of Latuda® (atypical antipsychotic) rose sharply, and sales of Aptiom® (antiepileptic drug) expanded. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥31.9 billion compared with the previous fiscal year, to ¥435.5 billion, and operating income grew by ¥13.7 billion, to ¥42.7 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. Besides these, this segment's figures in the previous fiscal year included services provided to Petro Rabigh. As a result, the segment's sales decreased by ¥30.8 billion compared with the previous fiscal year, to ¥56.6 billion. Operating income declined by ¥7.8 billion, to ¥7.8 billion.

Equity in earnings of affiliates decreased by ¥3.7 billion compared with the previous fiscal year, to ¥20.2 billion. Earnings of Petrochemical Corporation of Singapore improved due to higher profit margins, while Petro Rabigh's earnings deteriorated due chiefly to periodic plant maintenance.

(Note) Change in Business Segment Classification

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, which 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 the Basic Chemicals Segment, were transferred to the Energy & Functional Materials Segment. In addition, synthetic rubber, which had been included in the Petrochemicals & Plastics Segment, was transferred to the Energy & Functional Materials Segment. One of the Company's consolidated subsidiaries, formerly categorized under the Health & Crop Sciences Segment, has been categorized into the Energy & Functional Materials Segment.

As of April 1, 2016, battery materials and engineering plastics, which had been included in the IT-related Chemicals Segment, were transferred to the Energy & Functional Materials Segment.

The Company decided to pay a year-end dividend of ¥6 per share. As a result, the Company's annual dividend for fiscal 2015 is ¥14 per share, including an interim dividend of ¥8 per share. The interim dividend consisted of an ordinary dividend of ¥6 per share and a commemorative dividend of ¥2 per share to celebrate the 100th anniversary of the commencement of the Company's operations.

Net cash provided by operating activities in fiscal 2015 was ¥261.2 billion, essentially unchanged from the previous fiscal year, as income before income taxes increased, while in the previous fiscal year there was the collection of money advanced relating to the Rabigh Phase II Project. Net cash used in investing activities was ¥53.7 billion, a decrease in cash outflows of ¥3.0 billion compared to the previous fiscal year, due to an increase in proceeds from the sale of investment securities despite a decrease in proceeds from the sale of property, plant and equipment. This resulted in free cash flow of ¥207.5 billion for fiscal 2015, compared with ¥204.2 billion for the previous fiscal year. Net cash used in financing activities was ¥178.0 billion. The balance of cash and cash equivalents at the end of the fiscal year increased by ¥13.6 billion over the previous fiscal year, to ¥215.6 billion.

For fiscal 2016, the Company forecasts that sales will decrease by 3.4%, to ¥2,030.0 billion, while operating income and ordinary income are projected to be ¥140.0 billion and ¥150.0 billion, respectively, and net income attributable to owners of the parent to be ¥80.0 billion, assuming an exchange rate of ¥110.0/US\$ and a naphtha price of ¥36,000/kl.

The Company plans to pay an interim dividend of ¥7 per share and a year-end dividend of ¥7 per share, making the Company's annual dividend for fiscal 2016 ¥14 per share, unchanged from the previous fiscal year.

Consolidated Statements of Income
Years ended March 31, 2016(FY2015) and 2015(FY2014)

	FY2015		FY2014
	Yen (Millions)	USD (Thousands) ^{*1}	Yen (Millions)
Net sales	2,101,764	18,652,503	2,376,697
Cost of sales	1,404,801	12,467,173	1,727,803
Selling, general and administrative expenses	532,517	4,725,923	521,548
Operating income	164,446	1,459,407	127,346
Other income (expenses):			
Interest and dividend income	9,321	82,721	14,141
Interest expenses	(11,976)	(106,283)	(13,483)
Equity in earnings of affiliates	20,240	179,624	23,931
(Loss) gain on foreign currency transactions	(8,518)	(75,595)	9,957
Cost of inactive facilities	(3,209)	(28,479)	(3,296)
Gain on sale of investment securities	15,831	140,495	4,090
Gain on sale of property, plant and equipment	-	-	16,241
Compensation income	-	-	2,700
Compensation income for damage	-	-	1,711
Impairment loss	(24,688)	(219,098)	(33,258)
Restructuring charges	(4,791)	(42,519)	(32,196)
Other, net	913	8,103	(1,182)
Income before income taxes and non-controlling interests	157,569	1,398,376	116,702
Income taxes	45,171	400,879	45,598
Net income	112,398	997,497	71,104
Net income attributable to non-controlling interests	30,947	274,645	18,912
Net income attributable to owners of the parent	81,451	722,852	52,192
	FY2015		FY2014
	Yen	USD ^{*1}	Yen
Net income per share	49.84	0.44	31.93
Dividends per share:			
Interim dividends	8.00 ^{*2}	0.07	6.00
Year-end dividends	6.00	0.05	3.00
For the year	14.00	0.12	9.00

(Note)

*1 U.S. dollar amounts are translated from yen, for convenience only, at the rate of
¥112.68= \$1 prevailing on March 31, 2016.

*2 Interim dividends include an ordinary dividend of ¥6 per share and a commemorative dividend of ¥2 per share.

Consolidated Statements of Comprehensive Income
Years ended March 31, 2016(FY2015) and 2015(FY2014)

	FY2015		FY2014
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Net income	112,398	997,497	71,104
Other comprehensive income:			
Valuation difference on available-for-sale securities	(19,852)	(176,180)	29,211
Deferred losses on hedges	(494)	(4,384)	(15)
Foreign currency translation adjustment	(52,613)	(466,925)	84,998
Remeasurements of defined benefit plans	(19,493)	(172,994)	3,110
Share of other comprehensive income of associates accounted for using the equity method	(9,031)	(80,147)	26,051
Total other comprehensive income	(101,483)	(900,630)	143,355
Comprehensive income	10,915	96,867	214,459
Comprehensive income attributable to:			
Owners of the parent	(4,667)	(41,418)	167,513
Non-controlling interests	15,582	138,285	46,946

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of
¥112.68= \$1 prevailing on March 31, 2016.

Consolidated Statements of Cash Flows
Years ended March 31, 2016(FY2015) and 2015(FY2014)

	FY2015		FY2014
	Yen (Millions)	USD (Thousands)*	Yen (Millions)
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	157,569	1,398,376	116,702
Depreciation and amortization	116,602	1,034,807	119,177
Income taxes paid	(41,227)	(365,877)	(43,641)
Other, net	28,228	250,514	68,616
Net cash provided by operating activities	261,172	2,317,820	260,854
Cash flows from investing activities:			
Acquisition of securities	(1,290)	(11,448)	(46,486)
Proceeds from sale and redemption of securities	35,251	312,842	63,159
Acquisition of property, plant and equipment	(89,765)	(796,636)	(93,066)
Other, net	2,126	18,866	19,765
Net cash used in investing activities	(53,678)	(476,376)	(56,628)
Cash flows from financing activities:			
Net decrease in short-term debt	(19,404)	(172,204)	(85,336)
Net decrease in long-term debt	(122,421)	(1,086,448)	(39,972)
Cash dividends paid	(17,988)	(159,638)	(14,719)
Other, net	(18,143)	(161,014)	(11,438)
Net cash used in financing activities	(177,956)	(1,579,304)	(151,465)
Effect of exchange rate changes on cash and cash equivalents	(14,252)	(126,482)	16,302
Net change in cash and cash equivalents	15,286	135,658	69,063
Net increase in cash and cash equivalents resulting from changes in scope of consolidation	-	-	754
Net decrease in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(1,691)	(15,007)	(141)
Cash and cash equivalents at beginning of year	201,997	1,792,661	132,321
Cash and cash equivalents at end of year	215,592	1,913,312	201,997

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of

¥112.68= \$1 prevailing on March 31, 2016.

Segment Information
Years ended March 31, 2016(FY2015) and 2015(FY2014)

Yen (Millions)

		Petro-chemicals& Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharma-ceuticals	Subtotal	Others	Adjustments	Consoli-dated
FY2015										
Net Sales	[a]	657,093	184,473	409,066	359,013	435,478	2,045,123	56,641	-	2,101,764
(Share)		(31.3%)	(8.8%)	(19.5%)	(17.1%)	(20.7%)	(97.3%)	(2.7%)	-	(100.0%)
(Growth)		(-29.5%)	(-9.1%)	(1.0%)	(3.9%)	(7.9%)	(-10.7%)	(-35.3%)	-	(-11.6%)
Operating income	[b]	28,767	(2,039)	24,721	77,518	42,686	171,653	7,830	(15,037)	164,446
[b] / [a]		(4.4%)	(-1.1%)	(6.0%)	(21.6%)	(9.8%)	(8.4%)	(13.8%)		(7.8%)
Total assets		688,186	192,617	365,899	447,357	766,357	2,460,416	254,275	(52,541)	2,662,150
Depreciation and amortization		21,776	10,101	36,579	14,217	16,258	98,931	5,280	3,883	108,094
Amortization of goodwill		402	15	73	2,037	5,980	8,507	1	-	8,508
Investment on affiliates applied to equity methods		145,010	0	480	24,216	772	170,478	91,780	-	262,258
Capital expenditures		20,702	15,386	31,903	15,546	13,873	97,410	3,667	2,676	103,753
FY2014 *										
Net Sales	[a]	932,294	202,844	405,126	345,383	403,562	2,289,209	87,488	-	2,376,697
(Share)		(39.2%)	(8.5%)	(17.0%)	(14.5%)	(17.0%)	(96.3%)	(3.7%)	-	(100.0%)
Operating income	[b]	20,809	783	32,408	56,117	29,024	139,141	15,653	(27,448)	127,346
[b] / [a]		(2.2%)	(0.4%)	(8.0%)	(16.2%)	(7.2%)	(6.1%)	(17.9%)	-	(5.4%)
Total assets		760,658	221,136	391,841	468,191	778,575	2,620,401	254,045	5,950	2,880,396
Depreciation and amortization		22,171	12,423	32,929	13,815	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		152,716	2,243	462	30,520	482	186,423	90,979	-	277,402
Capital expenditures		19,741	5,826	17,498	16,263	16,534	75,862	5,086	3,202	84,150

(Note)

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

Overseas Operations
Years ended March 31, 2016(FY2015) and 2015(FY2014)

	FY2015				FY2014
	Yen (Millions)	USD(Thousands)*	Share (%)	Growth (%)	Yen (Millions)
Overseas operations	1,289,232	11,441,534	61.3	-9.7	1,428,419

(Note)

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¥112.68= \$1 prevailing on March 31, 2016.

(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.