

# Consolidated Financial Results for Fiscal Year 2015

May 11, 2016

Sumitomo Seika Chemicals Company, Limited

During the twelve months ended March 31, 2016 (fiscal 2015), Japan's economic recovery ran short of powerful momentum by and large under unfavorable circumstances, including sluggish consumer spending affected by deteriorated consumer confidence and a sharp appreciation of the yen toward the end of the fiscal year, although some improvements were observed in corporate business performance and a general situation of employment. Globally, the U.S. continued to show steady recovery in its economy, and Europe exhibited a moderate economic recovery while bearing structurally destabilizing factors. On the other hand, a slowdown in China's growth rate and an economic stagnation in other emerging countries and resource-rich countries became conspicuous. All in all, a concern mounted over a possible business downturn of the world economy.

Against this backdrop, the Sumitomo Seika Group's financial results for fiscal year 2015 were as follows:

Net sales posted 87.003 billion yen, a 6.1% decrease compared with the previous fiscal year;

Operating income recorded 7.404 billion yen, a 2.1% increase compared to the previous fiscal year;

Ordinary income was 6.329 billion yen, 23.4% lower than the previous fiscal year; and

Net income attributable to owners of the parent amounted to 4.013 billion yen, down 27.6% year-on-year.

## (Note) Change in the fiscal year closing date of consolidate subsidiaries

In order to ensure more appropriate management and information disclosure of Sumitomo Seika Group's financial performance, some of our overseas consolidated subsidiaries have successively changed, starting fiscal year 2013, their fiscal year closing date from December 31 to March 31, the closing date of our consolidated financial statements. As a result, financial results for the fifteen months from January 1, 2015 through March 31, 2016 were consolidated for two of our subsidiaries in the previous fiscal year and one subsidiary in the current fiscal year. The impact of this consolidation on the Group's financial performance was minimal.

Beginning the three-month period ended June 30, 2015, the "industrial chemicals business" formerly included in the "Chemicals" segment was transferred to the "Gases and Engineering" segment owing to the organizational changes that had been made.

## **Chemicals**

As a result of an increase in sales volume of fine particulate polymers and a decline in raw material prices, net sales amounted to 18.607 billion yen, a 4.4% increase, and operating income improved by 65.3% to 2.561 billion yen, both over the previous fiscal year.

## **Super Absorbent Polymers**

Net sales were 53.003 billion yen, a 10.0% decrease from the previous fiscal year, and operating income amounted to 4.086 billion yen, a 15.1% drop from the previous fiscal year. Although the new plant at Himeji Works started its operation early in the current fiscal year and contributed to an increase in sales volume, this decline in performance was attributable mainly to the selling prices having lost ground as market pressures resulting from a drop in crude oil price continued to restrain product selling prices as well as to the slackening supply-demand situation of super absorbent polymers.

## **Gases and Engineering**

This segment's net sales decreased by 3.8 % to 15.393 billion yen from the previous fiscal year. Operating income was 0.735 billion yen, 18.3% lower than the previous fiscal year. The decline in net sales was due to a decrease in sales of industrial chemical products, while the deterioration in operating income derived from a drop in the selling prices of electronic gases, although the sales volume stayed more or less steady.

## **Forecast for Fiscal Year 2016**

As far as Japan's economy is concerned, the outlook remains uncertain, and it is necessary to monitor the impacts on economic circumstances which will be brought by the monetary easing program undertaken by the Bank of Japan, Japanese government's trend in economic policy and hike in consumption tax, and movement of the foreign exchange markets and the stock exchange markets. In the rest of the world, the global economic prospects will continue to be unclear, in light of many risks such as an economic stagnation in China and other emerging countries and countries exporting natural resources, the impact of rise in federal funds rate of the U.S., and growing geopolitical risks.

Under the circumstances, the Sumitomo Seika Group forecasts its financial performance for fiscal year 2016 as follows:

	(in million yen)
Sales	94,000
Operating Income	8,000
Ordinary Income	7,700
Net Income attributable to owners of the parent	5,200

\*based on the assumption that exchange rate is 110 yen per dollar  
and domestic naphtha price is 35,000 yen per kilo liter

### **Cautionary Statement**

Statements made herein 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 Seika Chemicals. 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 Seika Chemical's markets; demand for, and competitive pricing pressure on, Sumitomo Seika Chemicals' products in the marketplace; Sumitomo Seika Chemicals' ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.

# Outline of Consolidated Financial Statement for Fiscal Year 2015

May 11, 2016

Sumitomo Seika Chemicals Company, Limited

## 1. Consolidated Results

		Fiscal year ended March 31		Y-o-y change	FY 2016 ending March 31, 2017
		2014	2015		
Net Sales	Million ¥	92,698	87,003	(5,694)	94,000
Operating Income	Million ¥	7,252	7,404	+152	8,000
Ordinary Income	Million ¥	8,265	6,329	(1,935)	7,700
Net Income attributable to owners of the parent	Million ¥	5,543	4,013	(1,529)	5,200
Net Income Per Share for the Term	¥	80.37	58.20	(22.17)	75.40
Shareholder Return on Equity for the Term	%	11.2	7.5	(3.7)	9.4
Average Exchange Rate	¥/USD	109.93	120.14	-	110.00
Naphtha Price	¥/KL	63,500	42,800	-	35,000

## 2. Net Sales and Operating Income By Business Segment

		Fiscal year ended March 31		Y-o-y change	FY 2016 ending March 31, 2017
		2014	2015		
<b>Chemicals</b>					
Net Sales	Million ¥	17,825	18,607	+782	18,000
Operating Income	Million ¥	1,549	2,561	+1,012	2,000
<b>Super Absorbent Polymers</b>					
Net Sales	Million ¥	58,870	53,003	(5,867)	59,000
Operating Income	Million ¥	4,812	4,086	(726)	5,200
<b>Gases and Engineering</b>					
Net Sales	Million ¥	16,002	15,393	(609)	17,000
Operating Income	Million ¥	899	735	(164)	800
<b>(Elimination) Offsetting</b>					
Net Sales	Million ¥	-	-	-	-
Operating Income	Million ¥	(9)	21	(30)	-
<b>Total</b>					
Net Sales	Million ¥	92,698	87,003	(5,694)	94,000
Operating Income	Million ¥	7,252	7,404	+152	8,000

(\*)Beginning the three-month period ended June 30, 2015, the "industrial chemicals business" of the "Chemicals" segment was transferred to the "Gases and Engineering" segment owing to organizational changes that had been made. The segment information that is disclosed with respect to the previous fiscal year has been prepared in accordance with the new grouping of businesses.