

# Consolidated Financial Results for Fiscal Year 2014

May 12, 2015

Sumitomo Seika Chemicals Company, Limited

During the twelve months ended March 31, 2015 (fiscal 2014), Japan's economic recovery continued to run short of powerful momentum, affected by sluggish consumer spending as a result of a raise in the consumption tax rate at the beginning of the fiscal year, a sharp drop in crude oil price in the latter half of the fiscal year, etc., although the corporate sector saw a trend for improvement in financial performance owing to the yen's further depreciation having taken place with enhanced monetary easing measures taken by the Japanese government and the Bank of Japan. Globally, there generally lingered an unremoved concern over a possible business downturn, given such developments as a reinforced mood of stagnation in European economies for reasons including geopolitical factors as well as an economic slowdown in China and other emerging countries, although the U.S. economy stayed solid in performance.

Under these circumstances, the Sumitomo Seika Group's financial results for fiscal year 2014 were as follows:

Net sales posted 92.698 billion yen, a 2.3% decrease compared with the previous fiscal year;  
Operating income was 7.252 billion yen, a 10.0% decline from the previous fiscal year;  
Ordinary income remained at 8.265 billion yen, 6.2% lower than the previous fiscal year;  
and Net income amounted to 5.543 billion yen, down 2.0% 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, 2014 through March 31, 2015 were consolidated for three of our subsidiaries in the previous fiscal year and two subsidiaries in the current fiscal year.

If an impact attributable to difference in a consolidation term for these overseas consolidated subsidiaries was removed from our financial results, net sales would increase by 2.276 billion yen (+2.5%), operating income would decrease by 0.277 billion yen (-3.7%) and ordinary income would increase by 0.040 billion yen (+0.5%), all compared with the previous fiscal year.

## **Chemicals**

As a result of sales increase in industrial chemicals, fine particulate polymers, etc., this segment reported a 7.0% increase in net sales over the previous fiscal year, amounting to 20.528 billion yen. Operating income improved by 1.636 billion yen to 1.553 billion yen owing to an increase in sales volume, reduction in cost, etc. The impact of a change in the fiscal closing date with respect to overseas consolidated subsidiaries was minimal for this segment.

## **Super Absorbent Polymers**

Net sales were 58.870 billion yen, a 7.0% decrease from the previous fiscal year, and operating income was 4.812 billion yen, a 35.1% decline from the previous fiscal year.

If necessary adjustments were made to make a fair comparison in financial results for the same period between the current fiscal year and the previous fiscal year by excluding the impact of a change in the fiscal closing date for relevant overseas consolidated subsidiaries, net sales would increase by 0.129 billion yen, staying flat, and operating income would decrease by 2.022 billion yen, down 29.6%. This outcome is attributable to selling prices having been reduced in light of the circumstances where super absorbent polymers in the market increased sharply in supply owing to capacity expansions at fellow producers' production facilities as well as market pressures bringing product selling prices down in tune with a drop in crude oil price. In addition, with a certain expanded production facility of ours to become operational in 2015, adjustment was carried out to reduce inventories to an appropriate level. As a result, operating income declined despite the sales volume having grown larger than the previous fiscal year.

## **Gases and Engineering**

While the engineering business continued to face challenges, sales of electronic gases stayed solid. As a result, this segment's net sales increased by 7.0 % to 13.299 billion yen over the previous fiscal year, and operating income increased by 24.7% to 0.896 billion yen from the previous fiscal year. The impact of a change in the fiscal closing date with respect to certain overseas consolidated subsidiaries was minimal for this segment.

## **Forecast for Fiscal Year 2015**

As far as Japan's economy is concerned, it remains yet to be seen whether or not effects accruing from the monetary easing program undertaken by the Japanese government and the Bank of Japan will last until the growth strategy currently underway by the promotion of the administrative and budgetary reform comes to yield any tangible benefit, thereby realizing a virtuous cycle of economic upturn. In the rest of the world, the situation will continue to be uncertain, such as a perceived anxiety about the U.S. monetary policy normalization process, instability associated with banking systems and public financing in emerging countries and growing geopolitical risks.

Under the circumstances, the Sumitomo Seika Group forecasts its financial performance for fiscal year 2015 as follows:

	(in million yen)
Sales	100,000
Operating Income	9,000
Ordinary Income	8,800
Net Income	5,700

\*based on the assumption that exchange rate is 115 yen per dollar  
and domestic naphtha price is 50,000 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 2014

May 12, 2015

Sumitomo Seika Chemicals Company, Limited

## 1. Consolidated Results

		Fiscal year ended March 31		Y-o-y change	FY 2015 ending March 31, 2016
		2013	2014		
Net Sales	Million ¥	94,911	92,698	(2,212)	100,000
Operating Income	Million ¥	8,056	7,252	(803)	9,000
Ordinary Income	Million ¥	8,815	8,265	(550)	8,800
Net Income	Million ¥	5,656	5,543	(113)	5,700
Net Income Per Share for the Term	¥	80.02	80.37	(1.65)	82.65
Shareholder Return on Equity for the Term	%	13.5	11.2	(2.3)	10.0
Average Exchange Rate	¥/USD	100.24	109.93	-	115.00
Naphtha Price	¥/KL	57,500	63,500	-	50,000

(\*) For some of our overseas consolidated subsidiaries, their fiscal year closing date was changed in the previous year or in the current fiscal year. If an impact due to the fiscal closing date changes was removed from our financial results, net sales would increase 2.276 billion yen (+2.5%), operating income would decrease by 0.277 billion yen (-3.7%) and ordinary income would increase 0.040 billion yen (+0.5%), all compared with the previous fiscal year.

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

		Fiscal year ended March 31		Y-o-y change	FY 2015 ending March 31, 2016
		2013	2014		
<b>Chemicals</b>					
Net Sales	Million ¥	16,581	17,825	+1,243	18,800
Operating Income	Million ¥	37	1,549	+1,512	2,300
<b>Super Absorbent Polymers</b>					
Net Sales	Million ¥	63,293	58,870	(4,422)	64,400
Operating Income	Million ¥	7,410	4,812	(2,597)	6,000
<b>Gases and Engineering</b>					
Net Sales	Million ¥	15,037	16,002	+965	16,800
Operating Income	Million ¥	598	899	+301	700
<b>(Elimination) Offsetting</b>					
Net Sales	Million ¥	-	-	-	-
Operating Income	Million ¥	10	(9)	(20)	-
<b>Total</b>					
Net Sales	Million ¥	94,911	92,698	(2,212)	100,000
Operating Income	Million ¥	8,056	7,252	(803)	9,000

(\*) On April 1, 2015, Industrial Chemicals business of Chemicals segment was transferred to Gases and Engineering segment, so that financial results of fiscal year ended March 31, 2014 and 2015 were reclassified for the purpose of comparison.