
First Half Financial Results & Outlook for FY2007



Sumitomo Chemical Co., Ltd.



(Cautionary Statement)

Statements made in this material with respect to Sumitomo Chemical'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.



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1.Consolidated Financial Results for First Half of FY2007 Ending March 31, 2008





Financial Summary

Unit; billions of yen

	1st Half of FY2007	1st Half of FY2006	Difference	Growth
Net Sales	931.9	854.6	77.3	9.0%
Operating Income	48.4	68.2	△19.9	△29.1%
(Equity in earnings of affiliates, included in ordinary income)	(9.4)	(8.2)	(1.2)	(15.1%)
Ordinary Income	57.7	75.9	△18.3	△24.0%
Net Income	26.4	53.3	△26.9	△50.5%
ROE	3.3%	7.3%		
Naphtha Price (yen/KL)	58,800	51,500		
Exchange Rate (yen/US\$)	119.40	115.38		



Net Sales by Segment

Unit; billions of yen

	1st Half of FY2007	1st Half of FY2006	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	159.8	149.5	10.3	6.9%	17.5	△7.2
Petrochemicals	290.6	260.4	30.2	11.6%	30.5	△0.3
Fine Chemicals	47.5	47.1	0.4	0.8%	-	0.4
IT-related Chemicals	137.7	128.7	9.0	7.0%	△19.5	28.5
Agricultural Chemicals	100.6	95.3	5.4	5.6%	-	5.4
Pharmaceuticals	116.4	114.5	1.8	1.6%	-	1.8
Others	79.4	59.2	20.2	34.1%	-	20.2
Total	931.9	854.6	77.3	9.0%	28.5	48.8
Overseas Operations	404.6	349.6	55.0	15.7%		



Operating Income by Segment

Unit; billions of yen

	Basic Chemicals	Petrochemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Total
Operating Income								
1st Half ofFY2007	7.9	2.0	6.1	△6.3	10.8	26.0	1.8	48.4
1st Half ofFY2006	5.9	7.4	7.3	6.3	12.2	26.2	2.8	68.2
Difference	2.0	△5.4	△1.1	△12.6	△1.4	△0.3	△1.0	△19.9

Price Variance	2.0	△ 3.0	△0.5	△19.5	△0.5	-	-	△21.5
Sales Price Variance	17.5	30.5	-	△19.5	-	-	-	28.5
Purchase Price Variance	△15.5	△33.5	△0.5	-	△0.5	-	-	△50.0
Cost Variance	△1.0	△0.5	-	2.0	0.5	△1.5	△1.5	△2.0
VC	0.5	1.0	-	10.5	0.5	-	-	12.5
FC	△1.5	△1.5	-	△8.5	-	△1.5	△1.5	△14.5
Shipping Volume Variance	1.0	△1.9	△0.6	4.9	△1.4	1.2	0.5	3.7
Total	2.0	△5.4	△1.1	△12.6	△1.4	△0.3	△1.0	△19.9



Elements of Major Costs

Unit; billions of yen

	1st Half of FY2007	1st Half of FY2006	Difference
Labor Costs	107.3	100.1	7.2
Maintenance Costs	24.1	23.0	1.0
Depreciation and Amortization	59.1	51.5	7.6
Research & Development Expenses	48.4	48.1	0.3
Capital Expenditures	62.0	83.6	△21.6
Number of employees (at September 30)	25,162	24,773	389



Special Gains / Losses

Unit; billions of yen

	1st Half of FY2007	1st Half of FY2006	Difference
Gain on sale of investment securities	0.9	23.1	△22.2
Special Gains	0.9	23.1	△22.2
Restructuring charges	0.6	3.7	△3.0
Loss on reform of retirement benefits plan	-	0.6	△0.6
Special Losses	0.6	4.3	△3.6
Special Gains / Losses	0.3	18.8	△18.5



Consolidated Balance Sheets

Unit; billions of yen

	30-Sep-07	31-Mar-07		30-Sep-07	31-Mar-07
Current Assets	972.1	995.9	Liabilities	1,324.6	1,294.4
Cash and cash equivalents	90.5	126.0	Trade notes and accounts	257.0	261.9
Trade notes and accounts	410.3	407.6	Short-term debt	245.7	190.4
Inventories	336.2	327.7	Long-term debt due within one year	66.3	43.2
Others	135.0	134.6	Long-term debt due after one year	384.0	407.4
Non-current Assets	1,408.2	1,329.0	Others	371.6	391.5
Property, plant and equipment	637.7	623.5	Net Assets	1,055.7	1,030.5
Intangible assets	75.0	42.8	Shareholders' equity	647.2	632.6
Investment securities	484.6	486.1	Valuation and translation adjustments	165.9	159.9
Others	210.9	176.6	Minority interests	242.7	238.0
Total	2,380.3	2,324.9	Total	2,380.3	2,324.9
			Interest-bearing debt balance	696.0	641.0



Consolidated Statements of Cash Flows

Unit; billions of yen

	1st Half of FY2007	1st Half of FY2006	Difference
Cash flows from operating activities	64.5	57.0	7.5
Cash flows from investing activities	△135.1	△57.2	△77.9
Free cash flows	△70.6	△0.2	△70.4
Cash flows from financing activities	33.8	7.4	26.5
Effect of exchange rate changes on cash and cash equivalents	1.2	△0.0	1.2
Net increase (decrease) in cash and cash equivalents	△35.7	7.1	△42.7
Increase in cash due to merger of consolidated subsidiaries	0.1	-	0.1
Net increase in cash resulting from changes in the number of consolidated subsidiaries	0.1	△0.1	0.2
Cash and cash equivalents at end of year	90.5	118.0	△27.4



Major Subsidiaries

Unit; billions of yen

Company	Net Sales		Operating Income Status
	1st Half of FY2007	1st Half of FY2006	
The Polyolefin Company (Singapore)	69.5	56.5	Profits remained unchanged because of stable spreads between polyolefin prices and feedstock costs.
Petrochemical Corporation of Singapore	175.2	138.1	Profits increased thanks to rise in market prices for petrochemicals.
Dongwoo Fine-Chem	86.1	75.7	Profits decreased because of declines in product prices.
Valent U.S.A. and Subsidiaries	26.9	25.5	Profits declined slightly because of increased development and other costs.

2. Outlook for FY2007



Financial Summary

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference	Growth
Net Sales	1,940.0	1,790.0	150.0	8.4%
Operating Income	120.0	139.6	△19.6	△14.1%
(Equity in earnings of affiliates, included in ordinary income)	(17.0)	(23.6)	(△6.6)	(△28.0%)
Ordinary Income	125.0	158.0	△33.0	△20.9%
Net Income	70.0	93.9	△23.9	△25.4%
ROE	8.6%	12.4%		
Exchange Rate (yen/US\$)	117.20	116.97		
Naphtha Price (yen/KL)	60,400	50,000		



Net Sales by Segment

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	320.0	314.0	6.0	1.9%	16.0	△10.0
Petrochemicals	615.0	539.1	75.9	14.1%	61.0	14.9
Fine Chemicals	95.0	90.9	4.1	4.5%	-	4.1
IT-related Chemicals	320.0	266.4	53.6	20.1%	△40.0	93.6
Agricultural Chemicals	200.0	198.3	1.7	0.9%	△0.5	2.2
Pharmaceuticals	240.0	234.5	5.5	2.3%	-	5.5
Others	150.0	146.8	3.2	2.2%	-	3.2
Total	1,940.0	1,790.0	150.0	8.4%	36.5	113.5



Operating Income by Segment

Unit; billions of yen

	Basic Chemicals	Petrochemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Total
Operating Income								
FY2007(estimated)	17.0	10.0	13.0	11.0	21.0	47.0	1.0	120.0
FY2006	13.5	23.6	13.1	3.5	23.3	56.2	6.5	139.6
Difference	3.5	△13.6	△0.1	7.5	△2.3	△9.2	△5.5	△19.6

Price Variance	2.5	△10.0	△1.5	△40.0	△2.0	-	-	△51.0
Sales Price Variance	16.0	61.0	-	△40.0	△0.5	-	-	36.5
Purchase Price Variance	△13.5	△71.0	△1.5	-	△1.5	-	-	△87.5
Cost Variance	△1.0	△0.5	-	16.0	△4.0	△13.0	△6.5	△9.0
VC	1.0	2.0	0.5	31.5	1.5	-	-	36.5
FC	△2.0	△2.5	△0.5	△15.5	△5.5	△13.0	△6.5	△45.5
Shipping Volume Variance	2.0	△3.1	1.4	31.5	3.7	3.8	1.0	40.3
Total	3.5	△13.6	△0.1	7.5	△2.3	△9.2	△5.5	△19.6



Elements of Major Costs

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Labor Costs	217.0	205.6	11.4
Maintenance Costs	52.0	51.5	0.5
Depreciation and Amortization	130.0	113.9	16.1
Research & Development Expenses	110.0	97.7	12.3
Capital Expenditures	138.0	159.8	△21.8
Number of Employees (at March 31)	26,100	24,691	1,409



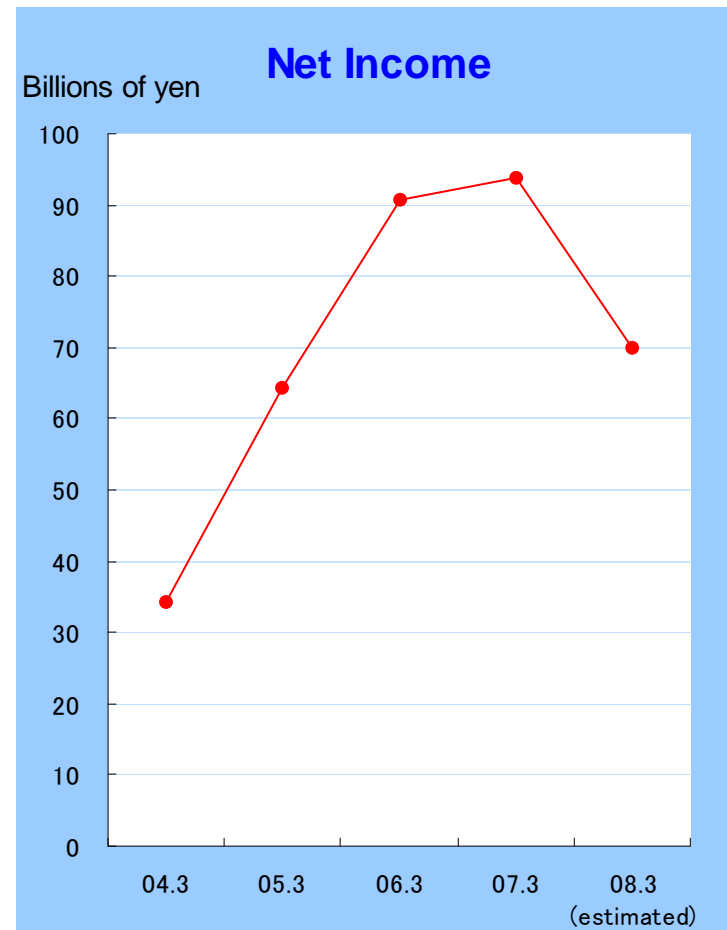
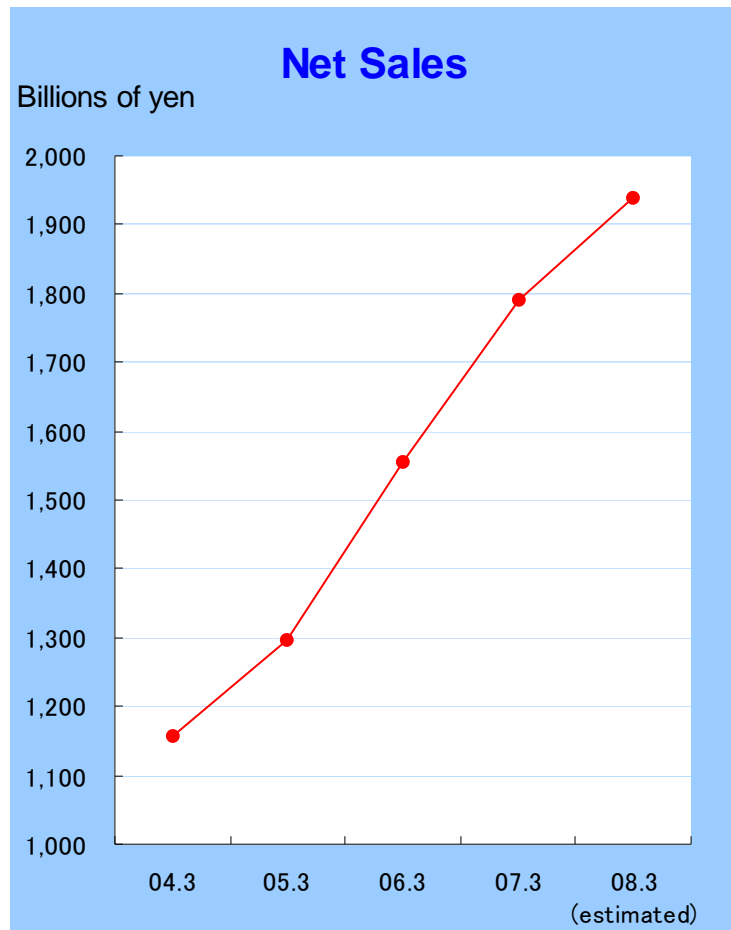
Consolidated Statements of Cash Flows

Unit; billions of yen

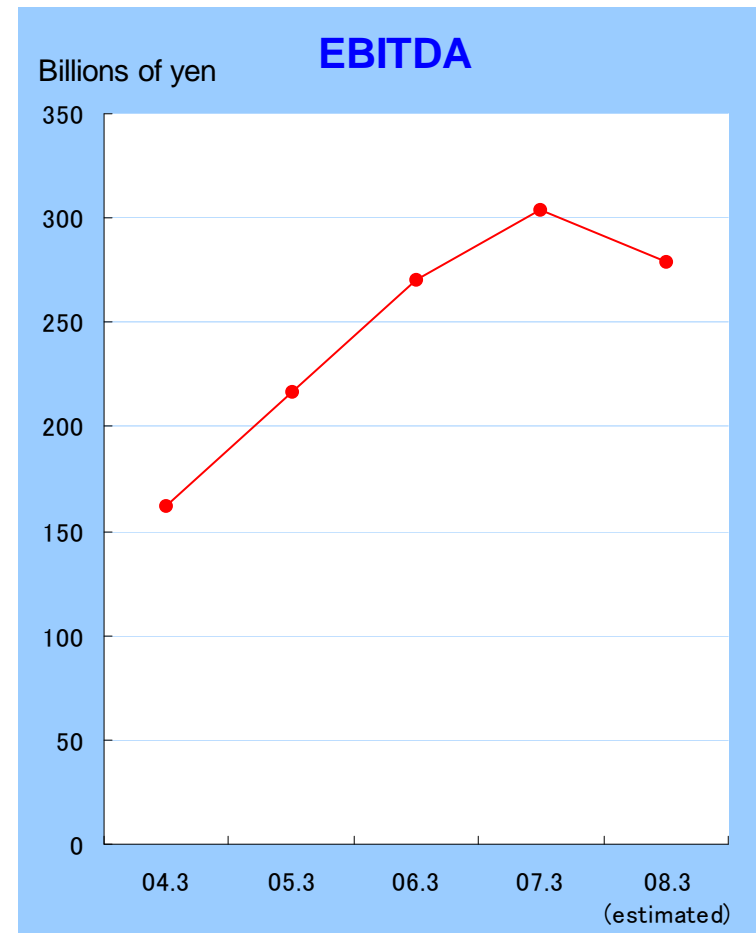
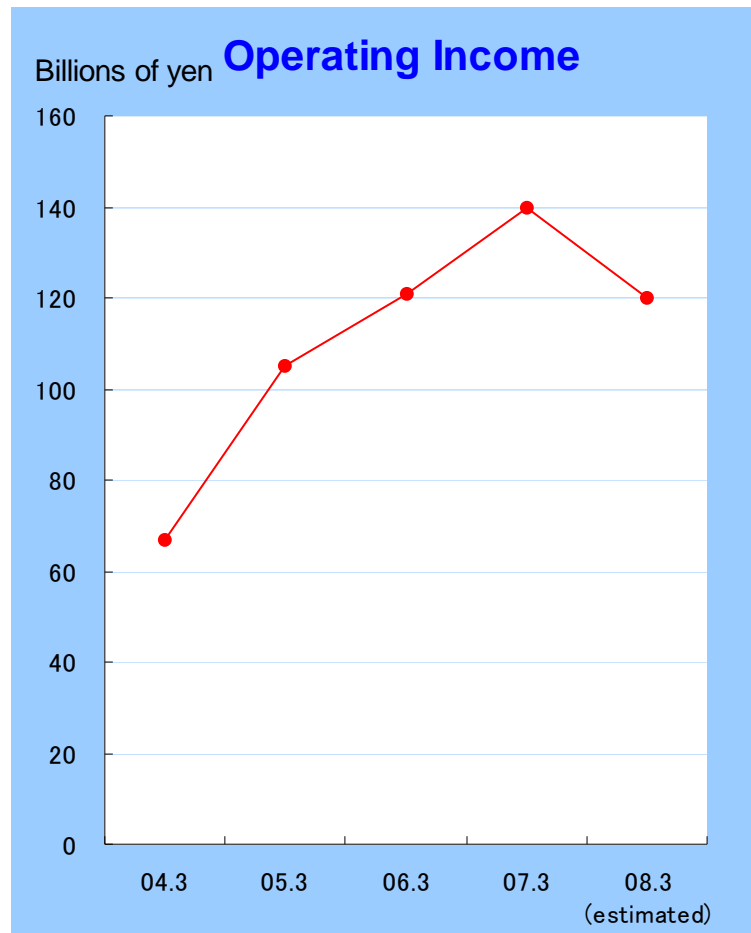
	FY2007 (estimated)	FY2006	Difference
Cash flows from operating activities	170.0	142.9	27.1
Cash flows from investing activities	△220.0	△164.2	△55.8
Free cash flows	△50.0	△21.3	△28.7
Cash flows from financing activities	20.0	35.6	△15.6
Effect of exchange rate changes on cash and cash equivalents	-	0.8	△0.8
Net increase (decrease) in cash and cash equivalents	△30.0	15.0	△45.0
Interest-Bearing Debt Balance	690.0	641.0	49.0

3. Financial Analysis

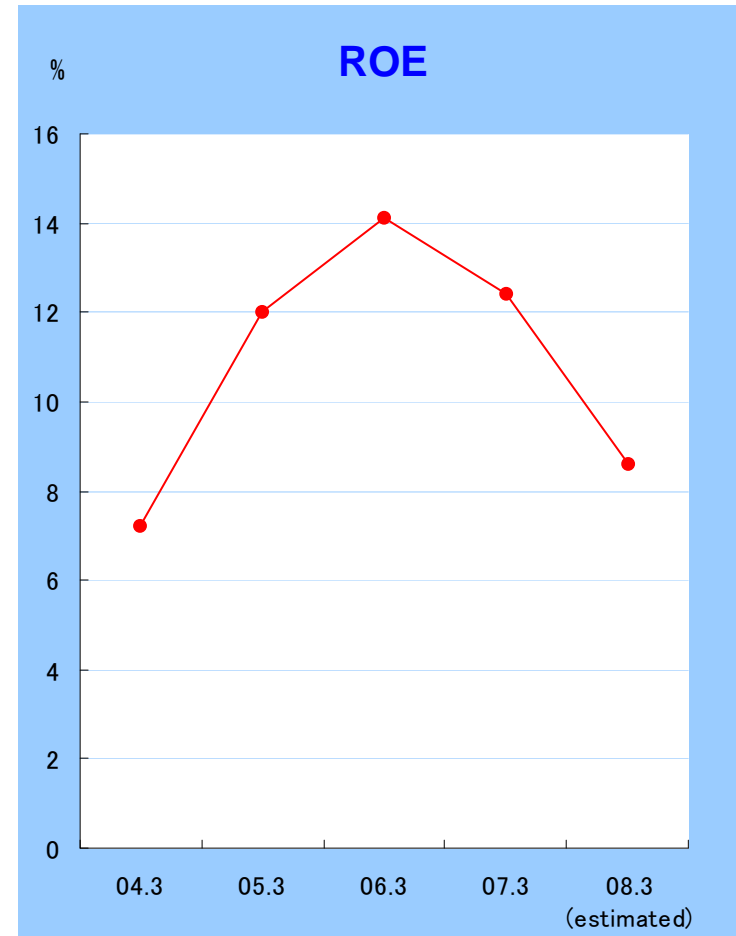
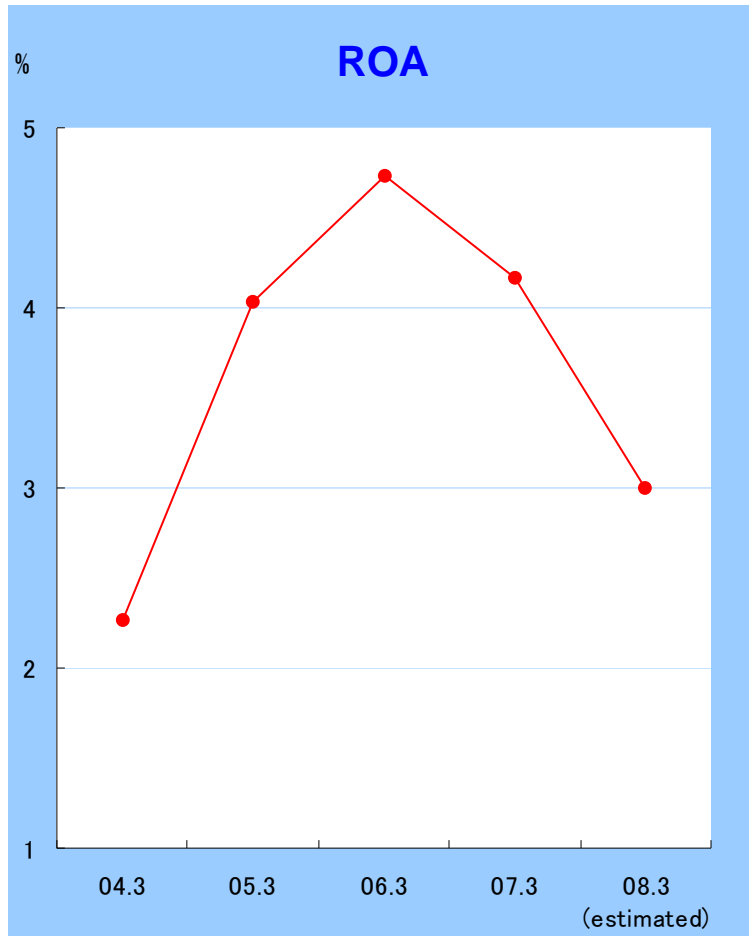
Financial Analysis - 1



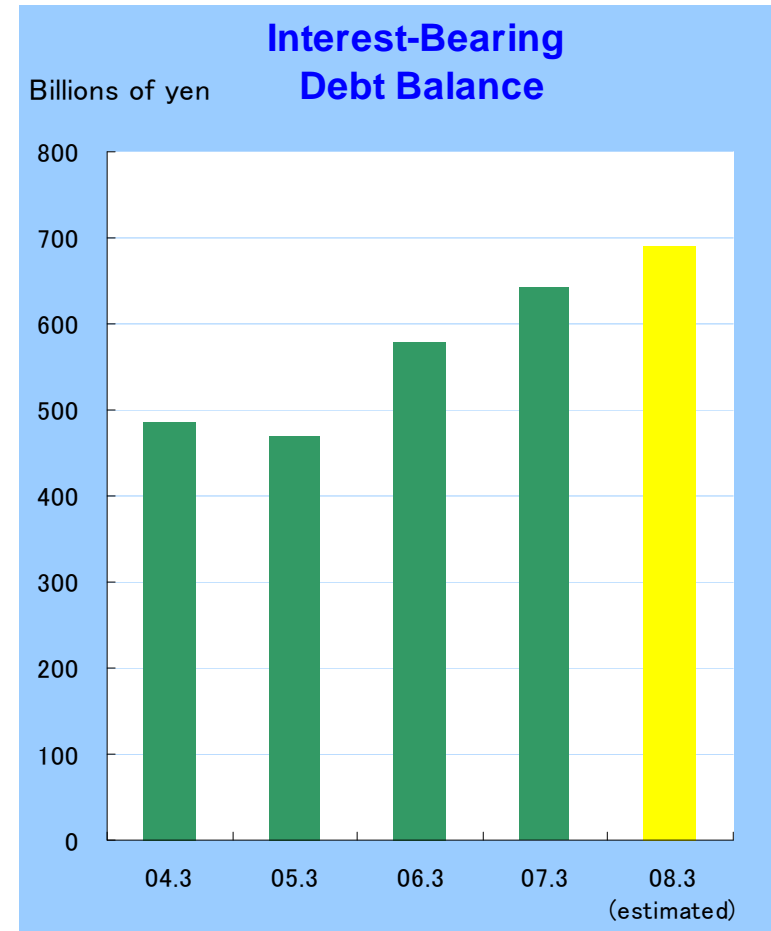
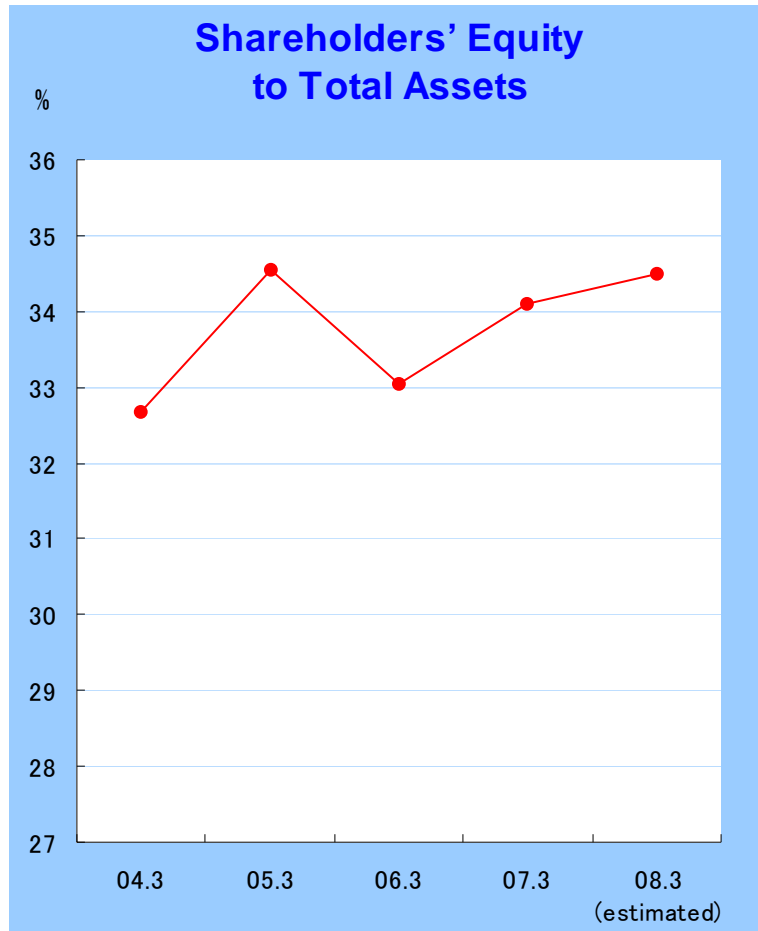
Financial Analysis - 2



Financial Analysis - 3



Financial Analysis - 4



(Reference; Segment Information)



Capital Expenditures by Segment

Unit; billions of yen

	1st Half of FY2007	1st Half of FY2006	Difference
Basic Chemicals	12.8	11.2	1.7
Petrochemicals	6.9	7.1	△0.2
Fine Chemicals	2.9	2.2	0.7
IT-related Chemicals	14.6	39.9	△25.3
Agricultural Chemicals	3.9	4.3	△0.4
Pharmaceuticals	6.0	6.7	△0.8
Others	14.8	12.2	2.6
Total	62.0	83.6	△21.6



Depreciation and Amortization by Segment

Unit; billions of yen

	1st Half of FY2007	1st Half of FY2006	Difference
Basic Chemicals	6.4	6.3	0.1
Petrochemicals	8.6	8.9	△0.4
Fine Chemicals	2.8	3.1	△0.3
IT-related Chemicals	21.9	12.5	9.4
Agricultural Chemicals	5.7	6.8	△1.1
Pharmaceuticals	7.4	7.7	△0.3
Others	6.4	6.2	0.2
Total	59.1	51.5	7.6



Research & Development Expenses by Segment

Unit; billions of yen

	1st Half of FY2007	1st Half of FY2006	Difference
Basic Chemicals	2.9	2.6	0.3
Petrochemicals	5.5	5.6	△0.1
Fine Chemicals	2.0	1.9	0.1
IT-related Chemicals	6.7	6.0	0.7
Agricultural Chemicals	9.4	8.8	0.7
Pharmaceuticals	20.4	21.8	△1.4
Others	1.4	1.5	△0.1
Total	48.4	48.1	0.3

Corporate R&D expenses are allocated to each business segment.



Estimated Capital Expenditures by Segment

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Basic Chemicals	28.0	24.6	3.4
Petrochemicals	21.0	16.9	4.1
Fine Chemicals	6.5	4.6	1.9
IT-related Chemicals	25.0	72.0	△47.0
Agricultural Chemicals	7.0	10.1	△3.1
Pharmaceuticals	22.0	12.5	9.5
Others	28.5	19.1	9.4
Total	138.0	159.8	△21.8

Estimated Depreciation and Amortization by Segment

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Basic Chemicals	14.0	13.5	0.5
Petrochemicals	19.0	19.2	$\Delta 0.2$
Fine Chemicals	6.5	6.5	$\Delta 0.0$
IT-related Chemicals	45.5	31.5	14.0
Agricultural Chemicals	13.0	14.2	$\Delta 1.2$
Pharmaceuticals	15.5	16.2	$\Delta 0.7$
Others	16.5	12.8	3.7
Total	130.0	113.9	16.1



Estimated Research & Development Expenses by Segment

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Basic Chemicals	6.5	5.7	0.8
Petrochemicals	12.0	11.3	0.7
Fine Chemicals	4.5	4.2	0.3
IT-related Chemicals	14.5	12.6	1.9
Agricultural Chemicals	20.5	18.7	1.8
Pharmaceuticals	49.0	42.5	6.5
Others	3.0	2.6	0.4
Total	110.0	97.7	12.3

Corporate R&D expenses are allocated to each business segment.