

# FY2007 Financial Results and Outlook for FY2008

 **SUMITOMO CHEMICAL**

**May - June 2008**

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# **FY2007 Financial Results**

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# FY2007 Financial Results

Sales increased, but all income figures declined

	FY2006	FY2007	FY07 vs. FY06
Sales	¥1,790.0 Billion	¥1,896.5 Billion	+6.0%
Operating Income	¥139.6 Billion	¥102.4 Billion	-26.7%
Ordinary Income	¥158.0 Billion	¥92.8 Billion	-41.3%
Net Income	¥93.9 Billion	¥63.1 Billion	-32.8%
Net Income without one-time gains	(¥75.2 Billion)	(¥34.3 Billion)	(-54.4%)

Dividend per share

FY2006 ¥12 → FY2007 ¥12

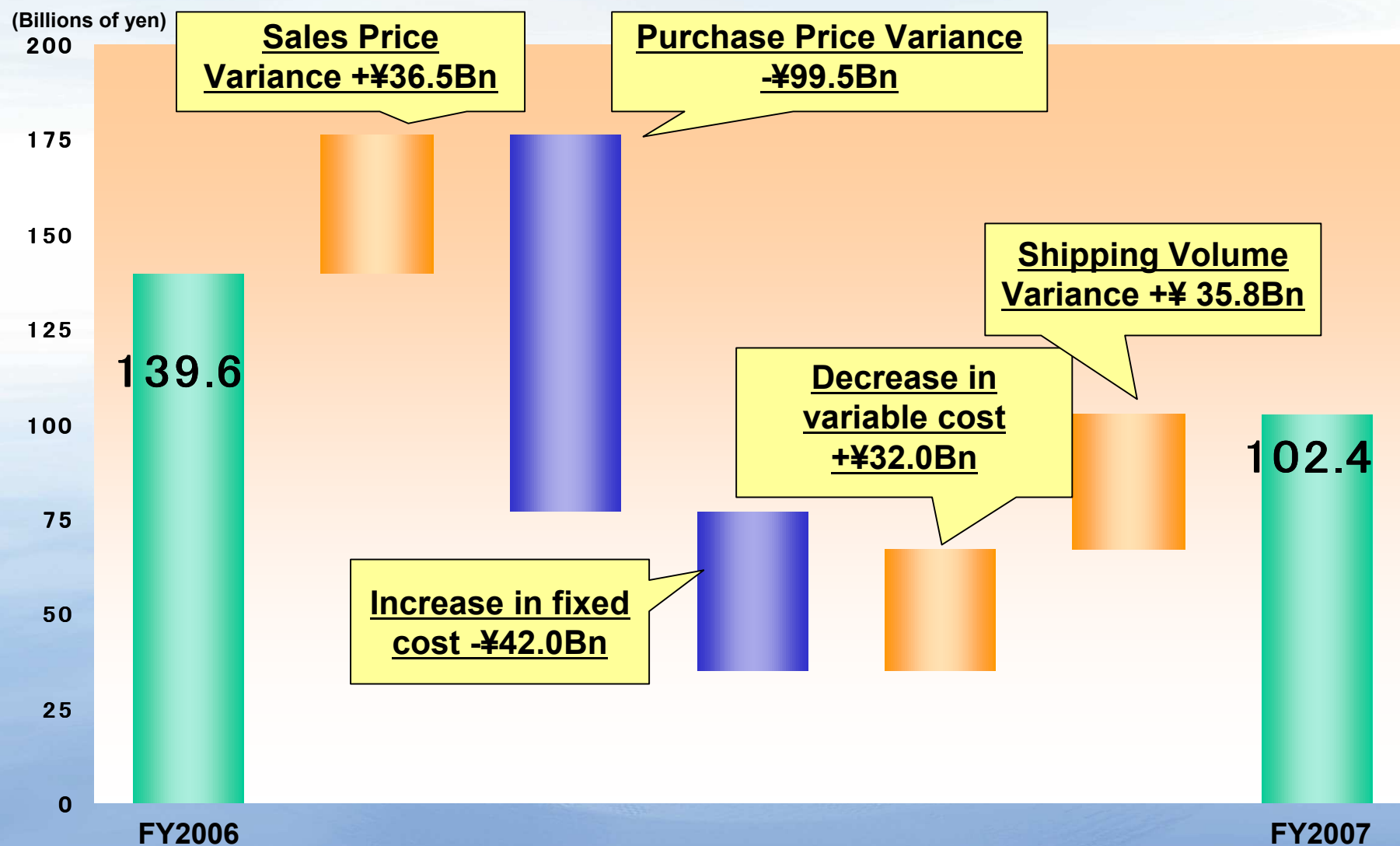
## FY2007 Net Sales by Segment

	FY2006	FY2007	FY07 vs. FY06	Unit: billions of yen	
				Sales Price Variance	Shipping Volume Variance
Basic Chemicals	314.0	314.7	+0.7	16.0	-15.3
Petrochemicals & Plastics	539.1	603.3	+64.3	60.0	4.3
Fine Chemicals	90.9	92.9	+2.1	0.0	2.1
IT-related Chemicals	266.4	297.5	+31.1	-40.0	71.1
Agricultural Chemicals	198.3	200.4	+2.1	0.5	1.6
Pharmaceuticals	234.5	237.6	+3.0	0.0	3.0
Others	146.8	150.1	+3.3	0.0	3.3
<b>Total</b>	<b>1,790.0</b>	<b>1,896.5</b>	<b>+106.5</b>	<b>36.5</b>	<b>70.0</b>

Sales outside of Japan	747.8	788.8	+41.0
Percentage of sales outside of Japan	42%	42%	0%

# FY2007 Change in Operating Income

**FY2006 ¥139.6Bn → FY2007 ¥102.4Bn (-¥37.2Bn)**

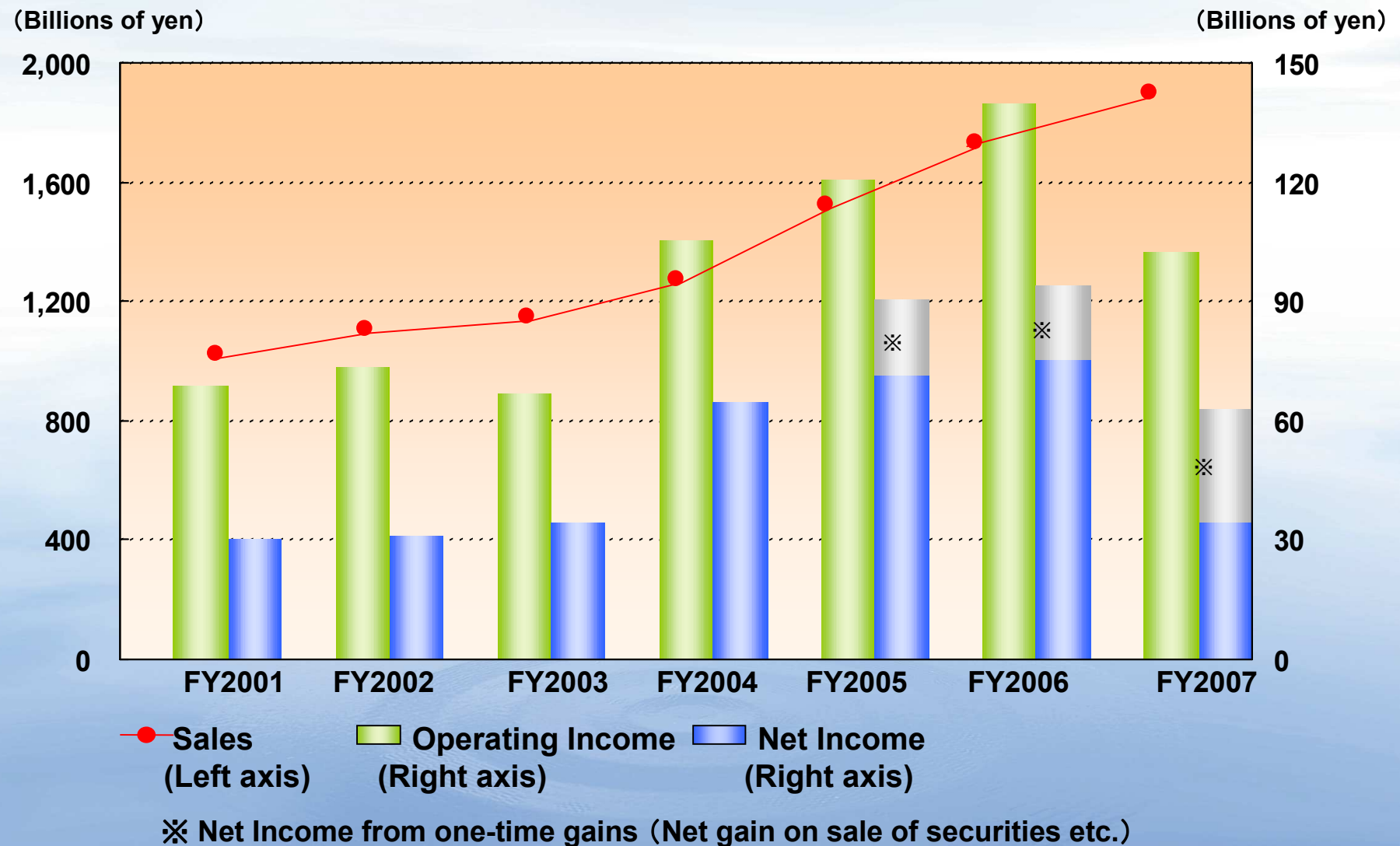


# FY2007 Operating Income by Segment

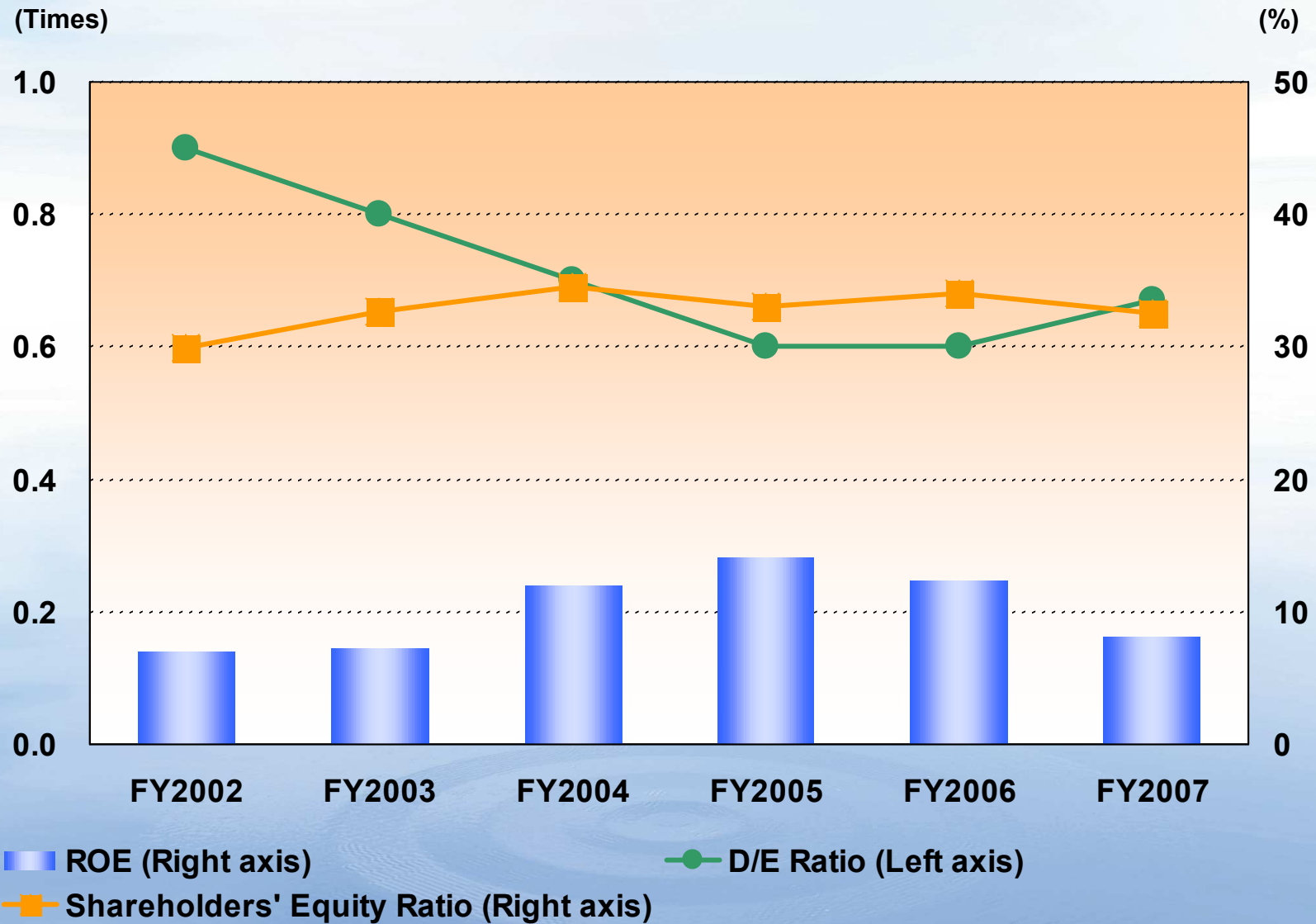
Unit: Billions of yen

	FY2006	FY2007	FY07 vs. FY06	Major factors for changes in profit
Basic Chemicals	13.5	10.6	-2.9	<ul style="list-style-type: none"> <li>Increased feedstock costs</li> </ul>
Petrochemicals & Plastics	23.6	4.5	-19.1	<ul style="list-style-type: none"> <li>Increased feedstock costs</li> <li>Periodic maintenance shutdown at Chiba Works</li> </ul>
Fine Chemicals	13.1	11.4	-1.7	<ul style="list-style-type: none"> <li>Increased feedstock costs</li> </ul>
IT-related Chemicals	3.5	6.3	+2.8	<ul style="list-style-type: none"> <li>Increased sales volume</li> <li>Rationalization</li> </ul>
Agricultural Chemicals	23.3	20.9	-2.3	<ul style="list-style-type: none"> <li>Cost of Integration of Sumitomo Chemical Takeda Agro Co., Ltd.</li> <li>Increased feedstock costs</li> </ul>
Pharmaceuticals	56.2	46.5	-9.8	<ul style="list-style-type: none"> <li>Increased R&amp;D costs</li> <li>Decreased profit from retirement benefit adjustment</li> </ul>
Others	6.5	2.2	-4.3	<ul style="list-style-type: none"> <li>Cost of Acquisition of CDT</li> </ul>
<b>Total</b>	<b>139.6</b>	<b>102.4</b>	<b>-37.2</b>	

# Long Term Trends in Earnings



# Trends in Financial Ratios



(Note: D/E ratio includes minority interests in equity)



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# Outlook for FY2008

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## Outlook for FY2008

	<b>FY2007</b>	<b>FY2008</b> (Projected)	<b>FY08 vs. FY07</b>
<b>Sales</b>	<b>¥1,896.5 Billion</b>	<b>¥2,080.0 Billion</b>	<b>+9.7%</b>
<b>Operating Income</b>	<b>¥102.4 Billion</b>	<b>¥95.0 Billion</b>	<b>-7.2%</b>
<b>Ordinary Income</b>	<b>¥92.8 Billion</b>	<b>¥100.0 Billion</b>	<b>+7.8%</b>
<b>Net Income</b>	<b>¥63.1 Billion</b>	<b>¥55.0 Billion</b>	<b>-12.8%</b>
<b>Net Income without one-time gains</b>	<b>(¥34.3 Billion)</b>	<b>(¥55.0 Billion)</b>	<b>(+60.3%)</b>

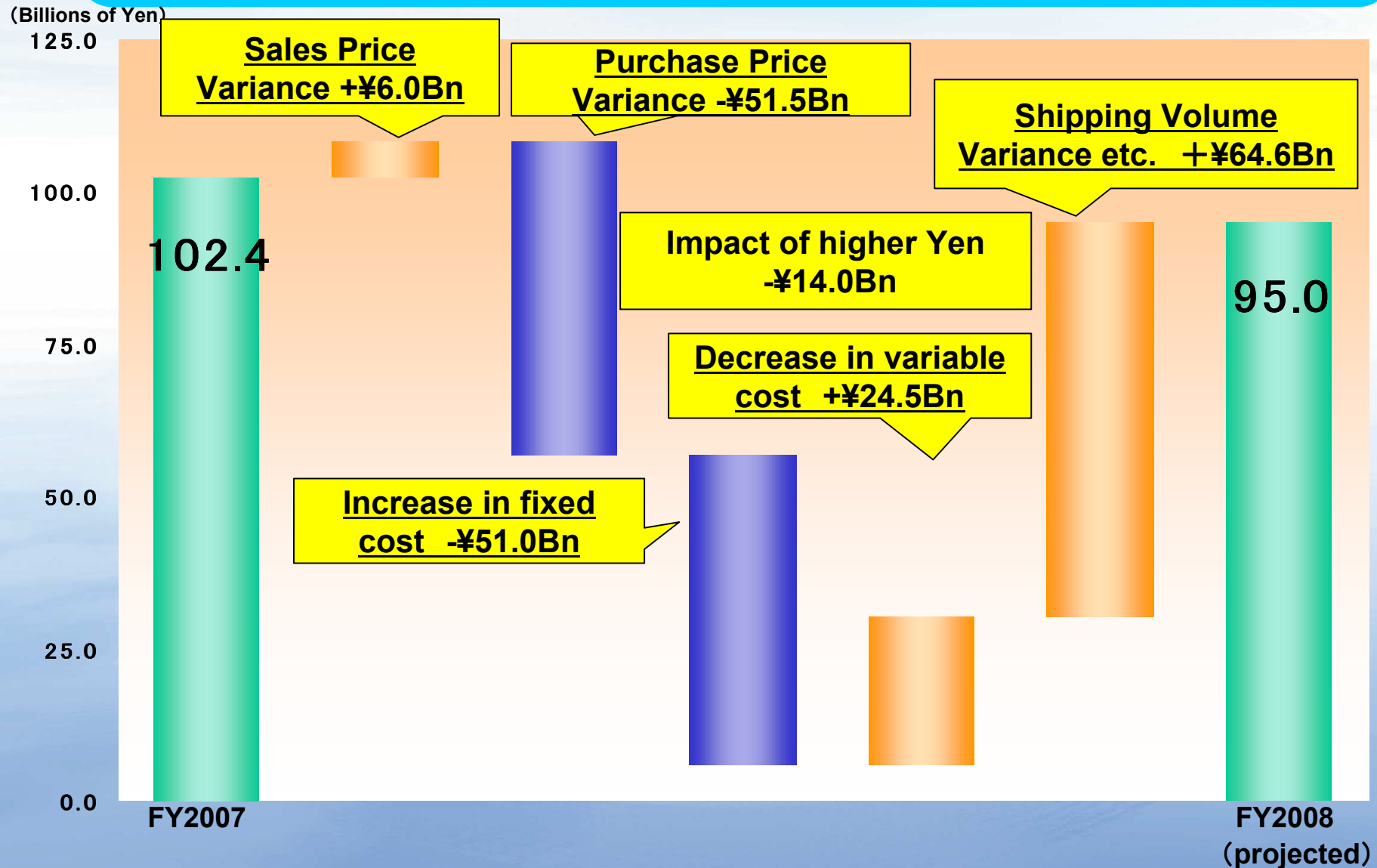
**FY2008 ¥100.0/US\$ Naphtha Price ¥67,000/kl**

**Dividend per share**

**FY2007 ¥12 → FY2008 ¥12**  
(projected)

# FY2008 Change in Operating Income

**FY2007 ¥102.4Bn → FY2008 ¥95.0Bn (-¥7.4Bn)**



# FY2008 Sales and Operating Income by Segment

Unit: Billions of yen

		FY2007	FY2008	Y-o-Y	Major factors for changes in profit
Basic Chemicals	Sales	314.7	325.0	+3%	<ul style="list-style-type: none"> <li>Increased feedstock costs, higher yen</li> <li>Improved margins for caprolactam</li> </ul>
	OP	10.6	10.0	-6%	
Petrochemicals & Plastics	Sales	603.3	720.0	+19%	<ul style="list-style-type: none"> <li>Improved margins for Plastics in Japan</li> <li>Periodic maintenance shutdown in Chiba Works in FY2007</li> </ul>
	OP	4.5	11.0	+144%	
Fine Chemicals	Sales	92.9	100.0	+8%	<ul style="list-style-type: none"> <li>Increased feedstock costs, higher yen</li> </ul>
	OP	11.4	9.0	-21%	
IT-related Chemicals	Sales	297.5	340.0	+14%	<ul style="list-style-type: none"> <li>Increased sales volume</li> <li>Rationalization</li> </ul>
	OP	6.3	22.5	+257%	
Agricultural Chemicals	Sales	200.4	205.0	+2%	<ul style="list-style-type: none"> <li>Increased sales volume</li> <li>Increased feedstock costs, higher yen</li> </ul>
	OP	20.9	16.5	-21%	
Pharmaceuticals	Sales	237.6	240.0	+1%	<ul style="list-style-type: none"> <li>Drug price reduction</li> <li>Increased development costs for Lurasidone</li> <li>Decreased profit from retirement benefit adjustment</li> </ul>
	OP	46.5	31.0	-33%	
Others	Sales	150.1	150.0	0%	<ul style="list-style-type: none"> <li>Increased development cost for OLED</li> <li>Increased costs for lithium-ion secondary battery separator</li> </ul>
	OP	2.2	-5.0	—	
Total	Sales	1,896.5	2,080.0	+10%	
	OP	102.4	95.0	-7%	

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## **Progress in FY2007-2009 Corporate Business Plan**

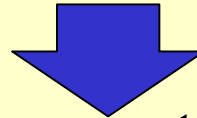
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- ◆ **The Rabigh Project**
- ◆ **Expanding our core businesses and strengthening their competitiveness**
- ◆ **Paving the Way for Further Growth**

# The Rabigh Project

## Progress on construction

**40,000 construction workers on site**  
**95% of the EPC completed as of March 31, 2008**  
**Operation started in part of the plants**



**Commercial operations planned to start by 4<sup>th</sup> quarter of 2008**

## Sales network

- Sumitomo Chemical Asia Pte Ltd.(Singapore)**
- **Established a global sales network**
  - **Pre-marketing progressing smoothly**

# Expanding our existing core businesses and strengthening their competitiveness

SUMITOMO CHEMICAL

- **Basic Chemicals :**

- Capacity expansions of MMA

(Completed the phase three capacity expansions of MMA plants in Singapore and achieved full capacity production)

- Strengthen the cost competitiveness of caprolactam business

- **Petrochemicals and Plastics :**

- Optimize our global production system leveraging the advantages of our production base in Japan, Singapore and Saudi Arabia

- Establish and expand our global production bases for polypropylene compounds

- **Fine Chemicals :**

- Strengthen the competitiveness of resorcinol and pharmaceutical chemicals business

# Expanding our existing core businesses SUMITOMO CHEMICAL and strengthening their competitiveness

## ◆ **IT-related Chemicals :**

- Expand production capacity and sales, as well as rationalize LCD materials business
- Develop new materials

## ◆ **Agricultural Chemicals :**

- Enhance marketing activity to expand the sales of our growth products (DL-methionine, SUMISOYA, OLYSET NET, etc.)
- Integrated Sumitomo Chemical Takeda Agro with Sumitomo Chemical to pursue further synergies

## ◆ **Pharmaceuticals:**

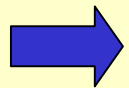
- Expand sales of major products
- Maximize new product sales as early as possible



## Paving the Way for Further Growth

### Polymer-OLED

2008 Performance of polymer light emitting materials expected to reach the level suitable for large screen displays



2010 Commercialize large screen TV

### Energy related materials

#### Lithium-ion secondary battery separator

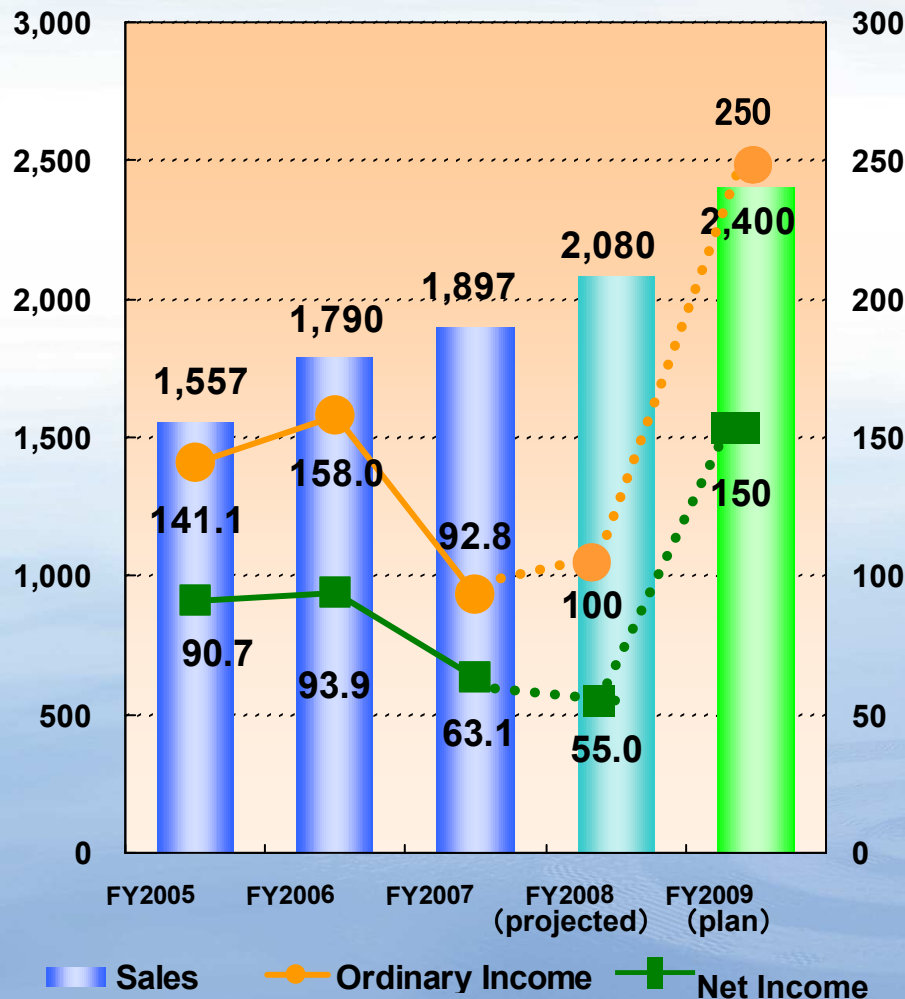
2009 Expand production capacity to 25 Million m<sup>2</sup>

#### Material for cathode

2008 Developed Cobalt-free cathode material for hybrid-automobiles

# Towards achieving our Performance Targets

**Financial Performance**  
(Billions of yen)



## Business Environment

- Feedstock costs remaining high
- Rising yen
- Increase in expenses associated with retirement benefits
- Change in depreciation method

## Speedy execution of our Corporate Business Plan's initiatives

- Expanding our core businesses and strengthening their competitiveness
- Enhance thorough rationalization throughout our business
- Accelerate research and development
  - Pharmaceuticals
  - Polymer-OLED
  - Energy related materials

## Investments for achieving great growth

during our next corporate business plan  
(Utilize strategic investment fund for future growth)

# Reaching New Heights as a Global Company

FY2007-2009

**Achieve and consolidate high profitability and secure sustained growth**

FY2004-2006

**Enlarge the scale of our business and grow profits**

FY2001-2003

**Establish a basis for growth**

**Toward a New Path for Growth**

**Becoming a Truly Global Chemical Company**

**Reaching New Heights as a Global Company**



**SUMITOMO CHEMICAL**

## Cautionary Statement

Statements made in this document with respect to the 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.