

Sumitomo Chemical Company, Limited Announces Consolidated Financial Results

Sumitomo Chemical Company, Limited today announced that its consolidated net sales for the year ended March 31, 2007 (FY 2006) totaled ¥1,790.0 billion (\$15,163 million), an increase of 15.0% over FY 2005. The Company posted operating income of ¥139.6 billion (\$1,183 million) and net income of ¥93.9 billion (\$795 million). Each of these results is a record high for the Company. The Company decided to pay year-end dividends of ¥7 per share, thereby raising the annual dividend from ¥10 per share for FY2005 to ¥12 for FY2006.

Sales in the Basic Chemicals segment increased by ¥61.6 billion over last year to ¥314.0 billion. The increase was due to a substantial increase in sales of aluminum because of a rise in the market price compared with last year. Also production capacity expansions for both methyl methacrylate (MMA) and caprolactam, the raw material for synthetic fibers, contributed to the sales growth. The Petrochemicals & Plastics segment saw sales rise by ¥53.0 billion over last year to ¥539.1 billion. Sales of styrene monomer and other petrochemicals increased on the back of favorable market conditions that supported price increases taken in response to the rising prices of feedstocks such as naphtha. Firm sales of synthetic resins also contributed to the segment's improved year-on-year performance. Sales in the Fine Chemicals segment increased by ¥11.9 billion year on year to ¥90.9 billion. The increase was due to favorable sales of adhesives raw materials driven by firm demand as well as increased sales of pharmaceutical chemicals thanks to an increase in shipments of pharmaceutical intermediates. Although sales prices for optical materials fell, total sales in the IT-related Chemicals segment increased by ¥37.2 billion over last year to ¥266.4 billion as a result of capacity expansions in Korea etc, for polarizing films, a primary material for liquid crystal displays. Sales in the Agricultural Chemicals segment increased by ¥12.1 billion over last year to ¥198.3 billion. Feed additives and household insecticides saw increases in overseas sales owing to active marketing drives. Production capacity expansion contributed to an increase in OLYSET®NET shipments. Sales of agrochemicals declined because of weak demand in the Japanese market, while overseas sales of herbicides remained firm thanks to solid shipments. Sales in the Pharmaceuticals segment increased by ¥1.4 billion over the previous year to ¥234.5 billion. In spite of NHI drug price reduction in April of last year, sales of Dainippon Sumitomo Pharma Co., Ltd. (DSP)'s four main products, *Amlodin* (therapeutic agent for hypertension and angina), *Gasmotin* (gastroprokinetic), *Meropen* (carbapenem antibiotic), and *Prorenal* (vasodilator) remained firm.

Total operating income increased by ¥18.8 billion to ¥139.6 billion. Operating income in the Basic Chemicals segment increased by ¥3.5 billion year on year to ¥13.5 billion, and in the Petrochemicals & Plastics segment it increased by ¥5.7 billion year on year to ¥23.6 billion. Operating income in the Fine Chemicals segment increased by ¥3.3 billion to ¥13.1 billion, while in the IT-related Chemicals segment, it declined year on year by ¥18.2 billion to ¥3.5 billion because of decreasing selling prices as well as increases in depreciation and various fixed costs. In the Agricultural Chemicals segment, operating income increased by ¥6.7 billion to ¥23.3 billion, and in the Pharmaceuticals segment it increased by ¥17.9 billion to ¥56.2 billion. The merger of the Company's pharmaceutical subsidiary, Sumitomo Pharmaceuticals Co., Ltd., with Dainippon Pharmaceutical Co., Ltd. in October 2005 to form DSP increased the scale of the Pharmaceuticals segment's operations.

Net income also increased over the previous year by 3.5% to ¥93.9 billion, due mainly to an extraordinary gain on sale of investment securities, including shares of GlaxoSmithKline K.K., in addition to the growth in operating income.

Net cash provided by operating activities was ¥142.9 billion (\$1,211 million), and net cash used for investing activities totaled ¥164.2 billion (\$1,391 million), involving expenditures in the IT-related Chemicals segment, the Rabigh project in Saudi Arabia and other areas. Free cash flow improved by ¥36.6 billion from a year before to negative ¥21.3 billion (\$181 million), as a result of an increase in net cash provided by operating activities.

For FY 2007, consolidated sales of ¥1,910 billion (\$16,180 million) are projected, an increase of 6.7% over FY2006. Operating income is anticipated to be ¥130 billion (\$1,101 million), a 6.9% decrease due to scheduled maintenance shutdown in our petrochemical plants, among other reasons. And as we expect no extraordinary profit from gain on sales of securities, net income is anticipated to be ¥70 billion (\$593 million), a decrease of 25.4%. The estimated dividend for FY2007 is ¥12 per share staying at the same level as FY 2006 Dividend.

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.05 = \$1 prevailing on March 31, 2007.

Consolidated Statements of Income
Years ended March 31, 2007(FY2006) and 2006(FY2005)

	FY2006		FY2005
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 1,790,026	\$15,163,287	¥ 1,556,606
Cost of sales	1,338,142	11,335,383	1,138,536
Selling, general and administrative expenses	312,261	2,645,159	297,280
Operating income	139,623	1,182,745	120,790
Other income (expenses):			
Interest and dividend income	7,137	60,457	5,698
Interest expense	(11,034)	(93,469)	(7,917)
Equity in earnings of affiliates	23,607	199,975	26,815
Gain on sale of securities	31,079	263,270	8,276
Restructuring charges	(6,378)	(54,028)	(5,853)
Expenses related to litigation	(1,010)	(8,556)	-
Loss on reform of retirement benefits plan	(611)	(5,176)	-
Gain on change in interests in consolidated subsidiary	-	-	14,273
Gain on business transfer	-	-	4,516
Gain on sale of property, plant and equipment	-	-	2,368
Expenses for subsidiary merger	-	-	(6,116)
Other, net	(1,352)	(11,453)	(4,259)
Income before income taxes and minority interests	181,061	1,533,765	158,591
Income taxes, net of tax effect	65,916	558,374	51,525
Minority interests	21,285	180,305	16,401
Net income	¥ 93,860	\$ 795,087	¥ 90,665

	FY2006		FY2005
	(Yen)	(US dollar)*	(Yen)
Net income per share	¥ 56.82	\$ 0.48	¥ 54.80
Dividends per share:			
Interim dividends	¥ 5.00	\$ 0.04	¥ 4.00
Year-end dividends	¥ 7.00	\$ 0.06	¥ 6.00
For the year	¥ 12.00	\$ 0.10	¥ 10.00

(Note)

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Industry Segment Results
Years ended March 31, 2007(FY2006) and 2006(FY2005)

									(¥Million)	
		Basic Chemicals	Petro- chemicals& Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Others	Adjustments & Elimination	Consoli- dated
FY2006										
Sales	[a]	¥ 314,004	¥ 539,065	¥ 90,882	¥ 266,436	¥ 198,310	¥ 234,546	¥ 146,783		¥ 1,790,026
(Share)		(17.5%)	(30.1%)	(5.1%)	(14.9%)	(11.1%)	(13.1%)	(8.2%)		(100.0%)
(Growth)		(24.4%)	(10.9%)	(15.0%)	(16.2%)	(6.5%)	(0.6%)	(62.1%)		(15.0%)
Operating income (loss)	[b]	¥ 13,483	¥ 23,596	¥ 13,085	¥ 3,457	¥ 23,251	¥ 56,231	¥ 8,012	¥ (1,492)	¥ 139,623
[b] / [a]		(4.3%)	(4.4%)	(14.4%)	(1.3%)	(11.7%)	(24.0%)	(5.5%)		(7.8%)
Total assets		¥ 253,604	¥ 539,466	¥ 100,697	¥ 325,647	¥ 232,120	¥ 419,526	¥ 281,380	¥ 172,466	¥ 2,324,906
Depreciation		13,515	19,156	6,538	31,453	14,213	16,207	6,740	6,048	113,870
Capital expenditures		24,633	16,878	4,635	72,034	10,122	12,496	13,697	5,354	159,849
FY2005										
Sales	[a]	¥ 252,399	¥ 486,054	¥ 79,011	¥ 229,240	¥ 186,232	¥ 233,101	¥ 90,569		¥ 1,556,606
(Share)		(16.2%)	(31.2%)	(5.1%)	(14.7%)	(12.0%)	(15.0%)	(5.8%)		(100.0%)
(Growth)		(11.8%)	(17.8%)	(-6.0%)	(31.2%)	(8.5%)	(36.6%)	(59.5%)		(20.1%)
Operating income (loss)	[b]	¥ 9,994	¥ 17,918	¥ 9,826	¥ 21,704	¥ 16,578	¥ 38,286	¥ 5,762	¥ (722)	¥ 120,790
[b] / [a]		(4.0%)	(3.7%)	(12.4%)	(9.5%)	(8.9%)	(16.4%)	(6.4%)		(7.8%)
Total assets		¥ 216,480	¥ 488,343	¥ 95,046	¥ 266,789	¥ 224,339	¥ 434,329	¥ 266,072	¥ 186,979	¥ 2,178,377
Depreciation		11,823	18,776	6,729	24,934	15,209	14,187	6,980	6,268	104,906
Capital expenditures		20,730	16,102	7,007	43,990	8,843	10,566	7,978	9,709	124,925

Overseas Operations
Years ended March 31, 2007(FY2006) and 2006(FY2005)

	FY2006				FY2005
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 747,770	\$6,334,350	41.8	22.4	¥ 610,951

(Note)

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Consolidated Statements of Cash Flows
Years ended March 31, 2007(FY2006) and 2006(FY2005)

	FY2006		FY2005
	(¥Million)	(US\$1,000)*	(¥Million)
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 181,061	\$ 1,533,765	¥ 158,591
Depreciation and amortization	113,870	964,591	104,906
Income taxes paid	(39,367)	(333,477)	(50,296)
Other, net	(112,647)	(954,231)	(90,418)
Net cash provided by operating activities	142,917	1,210,648	122,783
Cash flows from investing activities:			
Acquisition of securities	(10,188)	(86,302)	(30,384)
Acquisition of investments	(33,212)	(281,338)	(41,983)
Acquisition of property, plant and equipment	(156,924)	(1,329,301)	(121,601)
Other, net	36,085	305,675	13,289
Net cash used in investing activities	(164,239)	(1,391,266)	(180,679)
Cash flows from financing activities:			
Dividends paid	(18,182)	(154,019)	(14,880)
Net increase in short-term debt	31,108	263,515	38,184
Net increase in long-term debt	29,983	253,986	57,831
Other, net	(7,351)	(62,271)	(10,554)
Net cash provided by (used in) financing activities	35,558	301,211	70,581
Effect of exchange rate changes on cash and cash equivalents	781	6,616	1,002
Net increase in cash and cash equivalents	15,017	127,209	13,687
Increase in cash due to merger of consolidated subsidiaries	-	-	42,121
Net increase (Decrease) in cash resulting from changes in the number of consolidated subsidiaries	1	9	(78)
Cash and cash equivalents at beginning of year	110,972	940,042	55,242
Cash and cash equivalents at end of year	¥ 125,990	\$ 1,067,260	¥ 110,972

(Note)

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Non-consolidated Statements of Income
Years ended March 31, 2007(FY2006) and 2006(FY2005)

	FY2006		FY2005
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 885,557	\$ 7,501,542	¥ 755,037
Cost of sales	738,224	6,253,486	623,916
Selling, general and administrative expenses	101,405	859,000	100,325
Operating income	45,928	389,055	30,795
Other income	38,509	326,209	43,896
Other expenses	13,841	117,247	12,532
Ordinary income	70,595	598,009	62,159
Special gains	43,301	366,802	7,980
Special losses	2,197	18,611	3,737
Income before income taxes	111,699	946,201	66,402
Income taxes	27,988	237,086	15,446
Net income	¥ 83,711	\$ 709,115	¥ 50,956

(Note)

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(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.