

Sumitomo Chemical Reports Consolidated Financial Results For the Nine Months Ended December 31, 2009

During the nine months ended December 31, 2009, the Japanese economy showed some signs of recovery, including a rebound in exports to Asia, but consumer spending remained sluggish amid worsening employment conditions and capital investment fell substantially against the backdrop of depressed corporate earnings. Accordingly, the Sumitomo Chemical Group continued to face a challenging business environment throughout the period.

Under these circumstances, the Sumitomo Chemical Group's sales for the nine months ended December 31, 2009 were ¥1,142.7 billion, a decrease of ¥310.0 billion compared with the same period the previous year. The Group's operating income was ¥29.8 billion and ordinary income was ¥19.6 billion, both of which were below the levels of the same period the previous year, but net income increased to ¥1.2 billion due to an improvement in extraordinary gains and losses.

The Sumitomo Chemical Group's financial results by business segment for the nine month period are as follows.

Basic Chemicals

Sales of raw materials for synthetic fibers, such as caprolactam, contracted as a result of a sharp decline in market prices coupled with a drop in feedstock prices. Sales of aluminum and methyl methacrylate decreased because of a downturn in market prices as well as a decrease in shipments. As a result, the segment's sales fell by ¥62.5 billion compared with the same period the previous year, to ¥143.6 billion. On the other hand, thanks to better margins, operating income improved by ¥4.1 billion to a loss of ¥3.5 billion yen.

Petrochemicals & Plastics

Sales of synthetic resins and petrochemical products decreased because of a sharp drop in market prices in Asia and selling prices in Japan resulting from a fall in prices for naphtha and other feedstocks, even though shipment commenced at sales subsidiaries following the start of operation of Petro Rabigh. Consequently, the segment's sales contracted by ¥128.8 billion compared with the same period the previous year, to ¥337.6 billion. Operating income improved by ¥3.0 billion, to a loss of ¥7.5 billion, due in part to the inventory write-downs posted in the same period the previous year to reflect the impact of a market price downturn.

Fine Chemicals

Sales of pharmaceutical chemicals and specialty chemicals decreased due to a contraction in shipments and the effects of a stronger yen. As a result, the segment's sales fell by ¥16.5 billion compared with the same period the previous year, to ¥49.7 billion, and operating income declined by ¥3.8 billion, to a loss of ¥0.2 billion.

IT-related Chemicals

In spite of strong shipments thanks to a recovery in demand in Korea, Taiwan and China, sales of polarizing film and color filters used in liquid crystal displays (LCD) were down because selling prices fell below the level of a year earlier. In addition, the

value of the sales of overseas subsidiaries decreased in yen terms because of the effects of a stronger yen. As a result, the segment's sales contracted by ¥65.4 billion, to ¥189.4 billion, and operating income declined by ¥18.5 billion, to a loss of ¥0.8 billion, compared with the same period the previous year.

Agricultural Chemicals

Shipments of feed additives and Olyset Net, a long-lasting insecticidal mosquito net, remained solid. As for crop protection chemicals, shipments of herbicides continued to be strong in overseas markets. Fertilizer sales, however, declined because of a drop in selling prices as well as a decrease in shipments resulting from the effort to reduce inventories in the market. The value of the sales of overseas subsidiaries decreased owing to the appreciation of the yen. Consequently, the segment's sales were down by ¥15.2 billion, to ¥150.1 billion, while operating income increased by ¥0.5 billion, to ¥15.9 billion, compared with the same period the previous year.

Pharmaceuticals

Sales of *Amlodin* (therapeutic agent for hypertension and angina pectoris) fell due to the effects from the expiration of its patent. Sales of *Gasmotin* (gastroprokinetic) and *Prorenal* (vasodilator) as well as of *Lonasen* (agent for the treatment of schizophrenia), which was launched last year, increased as a result of continued sales promotion efforts. Owing to these factors as well as the contribution of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., which has been consolidated since the beginning of the current nine month reporting period, the segment's sales increased by ¥1.9 billion from the same period the previous year, to ¥181.8 billion. Operating income contracted by ¥1.3 billion, to ¥27.6 billion, due to an increase in expenses for the amortization of actuarial differences for employees' retirement benefits.

Others

In addition to the above six segments, the Sumitomo Chemical Group engages in supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The Group also conducts development and sale activities in new business fields, such as polymer organic light emitting diodes. The segment's sales decreased by ¥23.5 billion from the same period the previous year, to ¥90.4 billion, and operating income improved by ¥1.0 billion, to a loss of ¥2.2 billion.

Despite a decline in operating income as well as an increase in equity in losses of affiliates, net income rose by ¥0.5 billion, to ¥1.2 billion, as a result of an improvement in foreign currency exchange losses and gains from the sale of investment securities.

With the acquisition in October 2009 of the US firm Sepracor Inc. by our subsidiary Dainippon Sumitomo Pharma Co., Ltd. (DSP), Sepracor Inc. and DSP's US subsidiaries have been consolidated since the three-month reporting period ended December 31, 2009. Revenues and expenses of Sepracor Inc. will be reflected in the financial results of the Group starting in the three-month reporting period ending March 31, 2010, in accordance with accounting principles generally accepted in Japan.

Summary of Consolidated Results

(1) Results of operations:

	9 Months ended December 31, 2009		9 Months ended December 31, 2008	
	(¥ Million)	(US\$ 1,000)*	(¥ Million)	(¥ Million)
Net Sales	¥ 1,142,661	\$ 12,406,743	¥ 1,452,626	
Operating Income	29,833	323,920	42,284	
Ordinary Income	19,646	213,312	26,169	
Income Before Income Taxes and Minority Interests	24,016	260,760	21,560	
Net Income	1,226	13,312	758	
	(Yen)	(US\$)*	(Yen)	
Net income per 1,000 shares	¥ 743	\$ 8	¥ 459	

(2) Financial Position:

	As of December 31, 2009		As of March 31, 2009	
	(¥ Million)	(US\$ 1,000)*	(¥ Million)	(Yen)
Total Assets	¥ 2,390,013	\$ 25,950,195	¥ 2,022,553	
Total Net Asset	790,395	8,581,922	775,628	
	(Yen)	(US\$)*	(Yen)	
Book Value per 1,000 shares	¥ 332,314	\$ 3,608	¥ 329,744	

(3) Cash flows:

	9 Months ended December 31, 2009		9 Months ended December 31, 2008	
	(¥ Million)	(US\$ 1,000)*	(¥ Million)	(¥ Million)
Cash flows from operating activities	¥ 83,373	\$ 905,244	¥ 29,971	
Cash flows from investing activities	(268,057)	(2,910,499)	(154,897)	
Cash flows from financing activities	236,902	2,572,226	113,232	
Cash and cash equivalents at end of period	139,041	1,509,674	92,447	

(4) Results of Operations by Business Segment:

	9 Months ended December 31, 2009		9 Months ended December 31, 2008	
	(¥ Million)	(US\$ 1,000)*	(¥ Million)	(¥ Million)
Net Sales				
Basic Chemicals	¥ 143,633	\$ 1,559,533	¥ 206,089	
Petrochemicals & Plastics	337,592	3,665,494	466,362	
Fine Chemicals	49,712	539,761	66,224	
IT-related Chemicals	189,437	2,056,862	254,876	
Agricultural Chemicals	150,075	1,629,479	165,285	
Pharmaceuticals	181,797	1,973,909	179,901	
Others	90,415	981,705	113,889	
	¥ 1,142,661	\$ 12,406,743	¥ 1,452,626	
Operating Income				
Basic Chemicals	¥ (3,538)	\$ (38,415)	¥ (7,665)	
Petrochemicals & Plastics	(7,547)	(81,944)	(10,579)	
Fine Chemicals	(243)	(2,638)	3,583	
IT-related Chemicals	(835)	(9,066)	17,674	
Agricultural Chemicals	15,907	172,714	15,452	
Pharmaceuticals	27,576	299,414	28,901	
Others	(2,207)	(23,963)	(3,191)	
Elimination	720	7,818	(1,891)	
	¥ 29,833	\$ 323,920	¥ 42,284	

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥92.10= \$1 prevailing on December 31, 2009.