

Sumitomo Chemical Company, Limited Announces Consolidated Financial Results

During the twelve months ended March 31, 2010 (Fiscal 2009), the global economy headed for a modest recovery thanks to stimulus measures implemented in major economies. The Japanese economy showed signs of improvement, with exports rebounding and personal consumption picking up, but did not see a full-scale recovery, with perceptions of excess capacity and employment remaining. Demand from customers in the automotive, electronics and other industries showed some signs of improvement during the second half of fiscal 2009, but the business conditions surrounding the Sumitomo Chemical Group for the full fiscal year remained challenging because of the difficult business environment in the first half.

Under these circumstances, the Sumitomo Chemical Group undertook group-wide efforts to improve business performance by increasing selling prices and expanding sales volumes, as well as cutting costs through the thorough rationalization of operations. Consequently, the group's sales for fiscal 2009 were ¥1,620.9 billion, a decrease of ¥167.3 billion compared with fiscal 2008. The group's operating income was ¥51.5 billion, ordinary income was ¥35.0 billion and net income was ¥14.7 billion, all of which were above fiscal 2008 levels.

The Sumitomo Chemical Group's financial results by business segment for fiscal 2009 are as follows.

Basic Chemicals

Sales of aluminum declined because of lower market prices and appreciation of the yen. Shipments of Methyl methacrylate increased because of a recovery in demand, but sales were down with a fall in market prices along with a decrease in raw materials prices. Sales of caprolactam and other raw materials for synthetic fibers remained flat on increased shipments but a stronger yen. As a result, the segment's sales decreased by ¥36.7 billion compared with the previous fiscal year, to ¥203.3 billion. Operating income, however, rose by ¥12.7 billion, resulting in a loss of ¥2.7 billion, owing to improved margins and large inventory write-downs posted during the previous fiscal year.

Petrochemicals & Plastics

Sales of synthetic resins and petrochemical products declined because of a drop in market prices in Asia and selling prices in Japan resulting from lower prices for naphtha and other feedstocks, although shipments commenced at sales subsidiaries following the start of operations of Petro Rabigh. As a result, the segment's sales declined by ¥71.4 billion compared with the previous fiscal year, to ¥481.5 billion. Operating income rose by ¥25.0 billion, to a loss of ¥5.3 billion, because of increased shipments and large inventory write-downs posted during the previous fiscal year.

Fine Chemicals

Sales of pharmaceutical chemicals and specialty chemicals decreased because of a contraction in shipments and the effects of a stronger yen. As a result, the segment's sales fell by ¥13.2 billion compared with the previous fiscal year, to ¥67.6 billion, while operating income remained flat from the previous fiscal year at ¥1.5 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 were down because selling prices fell below the levels of the previous year. In addition, the value of sales of overseas subsidiaries decreased in yen terms because of the effects of a stronger yen. As a result, the segment's sales fell by ¥41.9 billion compared with the previous fiscal year, to ¥265.2 billion. Operating income improved by ¥4.3 billion, to ¥3.3 billion, because of increased shipments and the one-time research and development expenses posted during the previous fiscal year.

Agricultural Chemicals

Shipments of feed additives and herbicides remained solid. Sales of, fertilizers declined because of lower selling prices as well as a decrease in shipments resulting from customers' efforts to reduce inventories. The value of export sales and sales of overseas subsidiaries decreased in yen terms because of appreciation of the yen. As a result, the segment's sales fell by ¥10.7 billion, to ¥211.5 billion, while operating income increased by ¥1.5 billion, to ¥25.9 billion, compared with the previous fiscal year.

Pharmaceuticals

Sales of Amlodin (therapeutic agent for hypertension and angina pectoris) decreased from the effects of patent expiration. Sales of Gasmotin (gastroprokinetic), Prorenal (vasodilator) and Lonasen (therapeutic agent for schizophrenia) increased as a result of continued sales promotions. Owing to these factors as well as the contributions of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., which has been consolidated since the beginning of fiscal 2009, and the fourth quarter performance of Sepracor Inc. and other U.S. subsidiaries, the segment's sales rose by ¥31.9 billion compared with the previous year, to ¥267.5 billion. Operating income fell by ¥3.0 billion, to ¥29.3 billion, because of increased expenses for the amortization of patents and other intangible assets acquired in the acquisition of Sepracor and increased expenses for the amortization of actuarial differences in 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 sales activities in new business fields, such as polymer organic light emitting diodes. The segment's sales declined by ¥25.3 billion from the previous fiscal year, to ¥124.3 billion, while operating income improved by ¥7.4 billion, to a loss of ¥0.5 billion, because of reduced R&D and other expenses.

Net income rose by ¥73.9 billion, to ¥14.7 billion, as a result of an improvement in foreign currency exchange losses and the significant impairment losses posted during the previous fiscal year.

With respect to the year-end dividend for fiscal 2009, the company has decided to pay ¥6 per share.

Operating cash flow in fiscal 2009 was ¥132.9 billion. Cash flow from investing activities was a negative ¥269.4 billion, reflecting the acquisition of Sepracor Inc. by our subsidiary Dainippon Sumitomo Pharma Co., Ltd. (DSP). This resulted in a free cash flow of negative ¥136.5 billion compared with negative ¥127.8 billion for the previous fiscal year.

For fiscal 2010, the Company forecasts that consolidated net sales will increase by ¥379.1 billion, to ¥2,000.0 billion, while operating income is expected to decrease by

¥16.5 billion, to ¥35.0 billion, primarily because of increased expenses for the amortization of patents and other intangible assets acquired in the acquisition of Sepracor by DSP. Net income is projected to rise by ¥10.3 billion, to ¥25.0 billion, supported mainly by the improved performance of Petro Rabigh.

Consolidated Statements of Income
Years ended March 31, 2010(FY2009) and 2009(FY2008)

	FY2009		FY2008
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 1,620,915	\$ 17,421,700	¥ 1,788,223
Cost of sales	1,192,341	12,815,359	1,412,613
Selling, general and administrative expenses	377,119	4,053,299	373,496
Operating income (loss)	51,455	553,042	2,114
Other income (expenses):			
Interest and dividend income	7,102	76,333	9,599
Interest expenses	(12,073)	(129,761)	(12,272)
Equity in losses of affiliates	(7,002)	(75,258)	(12,811)
Foreign exchange losses	(478)	(5,138)	(14,659)
Gain on sales of investment securities	9,507	102,182	858
Gain on sales of property, plant and equipment	1,074	11,543	989
Gain on contribution of securities to retirement benefit trust	-	-	14,772
Reversal of provision for loss on litigation	-	-	1,054
Restructuring charges	(2,671)	(28,708)	(8,803)
Compensation for revision of personnel system	(1,570)	(16,874)	-
Impairment loss on fixed assets	-	-	(20,848)
Loss on valuation of investment securities	-	-	(4,138)
Other, net	(4,047)	(43,498)	(4,595)
Income before income taxes and minority interests (loss)	41,297	443,863	(48,740)
Income taxes, net of tax effect	11,341	121,894	(1,597)
Minority interests	15,233	163,725	12,021
Net (loss) income	¥ 14,723	\$ 158,244	¥ (59,164)

	FY2009		FY2008
	(Yen)	(US dollar)*	(Yen)
Net (loss) income per share	¥ 8.92	\$ 0.10	¥ (35.84)
Dividends per share:			
Interim dividends	¥ -	\$ -	¥ 6.00
Year-end dividends	¥ 6.00	\$ 0.06	¥ 3.00
For the year	¥ 6.00	\$ 0.06	¥ 9.00

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of

¥93.04= \$1 prevailing on March 31, 2010.

Consolidated Statements of Cash Flows
Years ended March 31, 2010(FY2009) and 2009(FY2008)

	FY2009		FY2008
	(¥Million)	(US\$1,000)*	(¥Million)
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 41,297	\$ 443,863	¥ (48,740)
Depreciation and amortization	116,110	1,247,958	140,707
Impairment loss on fixed assets	-	-	20,848
Gain on securities contribution to employees' retirement benefits trust	-	-	(14,772)
Income taxes paid	(20,835)	(223,936)	(30,013)
Other, net	(3,700)	(39,768)	10,398
Net cash provided by operating activities	132,872	1,428,117	78,428
Cash flows from investing activities:			
Acquisition of securities	(15,801)	(169,830)	(19,102)
Acquisition of property, plant and equipment	(119,522)	(1,284,630)	(138,739)
Proceeds from sales and redemption of securities	61,639	662,500	3,621
Payments of loans receivable	(2,287)	(24,581)	(67,087)
Acquisition of shares of newly consolidated subsidiaries	(202,044)	(2,171,582)	(135)
Other, net	8,613	92,573	15,205
Net cash used in investing activities	(269,402)	(2,895,550)	(206,237)
Cash flows from financing activities:			
Dividends paid	(4,956)	(53,267)	(19,826)
Net increase in short-term debt	70,111	753,558	84,485
Net increase in long-term debt	108,099	1,161,855	53,635
Other, net	(4,545)	(48,851)	(5,755)
Net cash provided by (used in) financing activities	168,709	1,813,295	112,539
Effect of exchange rate changes on cash and cash equivalents	1,224	13,156	(6,336)
Net increase(Decrease) in cash and cash equivalents	33,403	359,018	(21,606)
Net increase (Decrease) in cash resulting from changes in the number of consolidated subsidiaries	1,455	15,638	-
Cash and cash equivalents at beginning of year	85,802	922,206	107,408
Cash and cash equivalents at end of year	¥ 120,660	\$ 1,296,862	¥ 85,802

(Note)

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Industry Segment Results
Years ended March 31, 2010(FY2009) and 2009(FY2008)

									(¥Million)	
		Basic Chemicals	Petro- chemicals& Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Others	Adjustments & Elimination	Consoli- dated
FY2009										
Sales	[a]	¥ 203,294	¥ 481,529	¥ 67,568	¥ 265,226	¥ 211,546	¥ 267,464	¥ 124,288		¥ 1,620,915
(Share)		(12.5%)	(29.7%)	(4.2%)	(16.4%)	(13.1%)	(16.5%)	(7.7%)		(100.0%)
(Growth)		(-15.3%)	(-12.9%)	(-16.3%)	(-13.6%)	(-4.8%)	(13.5%)	(-16.9%)		(-9.4%)
Operating income (loss)	[b]	¥ (2,658)	¥ (5,319)	¥ 1,496	¥ 3,304	¥ 25,916	¥ 29,348	¥ (456)	¥ (176)	¥ 51,455
[b] / [a]		(-1.3%)	(-1.1%)	(2.2%)	(1.2%)	(12.3%)	(11.0%)	(-0.4%)		(3.2%)
Total assets		¥ 218,174	¥ 549,678	¥ 102,798	¥ 241,433	¥ 251,884	¥ 673,665	¥ 281,466	¥ 64,808	¥ 2,383,906
Depreciation		14,153	19,380	5,969	23,160	12,586	21,185	14,688	4,989	116,110
Capital expenditures		12,368	14,353	14,314	11,529	23,159	7,809	14,097	5,618	103,247
FY2008										
Sales	[a]	¥ 240,030	¥ 552,974	¥ 80,763	¥ 307,121	¥ 222,202	¥ 235,590	¥ 149,543		¥ 1,788,223
(Share)		(13.4%)	(30.9%)	(4.5%)	(17.2%)	(12.4%)	(13.2%)	(8.4%)		(100.0%)
(Growth)		(-23.7%)	(-8.3%)	(-13.1%)	(3.2%)	(10.9%)	(-0.8%)	(-0.4%)		(-5.7%)
Operating income (loss)	[b]	¥ (15,334)	¥ (30,337)	¥ 1,629	¥ (996)	¥ 24,429	¥ 32,350	¥ (7,891)	¥ (1,736)	¥ 2,114
[b] / [a]		(-6.4%)	(-5.5%)	(2.0%)	(-0.3%)	(11.0%)	(13.7%)	(-5.3%)		(0.1%)
Total assets		¥ 200,178	¥ 499,172	¥ 101,484	¥ 220,875	¥ 224,591	¥ 442,068	¥ 277,413	¥ 56,772	¥ 2,022,553
Depreciation		17,168	20,943	6,256	39,816	13,054	14,489	20,459	8,522	140,707
Impairment loss		6,059	3,575	-	11,215	-	-	-	0	20,848
Capital expenditures		14,698	17,550	7,738	50,625	11,275	12,658	13,739	5,817	134,100

Overseas Operations
Years ended March 31, 2010(FY2009) and 2009(FY2008)

	FY2009				FY2008
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 728,889	\$7,834,147	45.0	-2.8	¥ 749,811

(Note)

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Non-consolidated Statements of Income
Years ended March 31, 2010(FY2009) and 2009(FY2008)

	FY2009		FY2008
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 719,115	\$ 7,729,095	¥ 811,311
Cost of sales	607,207	6,526,301	728,010
Selling, general and administrative expenses	118,695	1,275,741	133,494
Operating loss	(6,787)	(72,947)	(50,193)
Other income	41,432	445,314	40,661
Other expenses	14,237	153,020	16,812
Ordinary income (loss)	20,408	219,347	(26,344)
Special gains	9,507	102,182	14,772
Special losses	9,549	102,623	30,508
Income before income taxes	20,367	218,906	(42,080)
Income taxes	(5,758)	(61,887)	(4,379)
Net income (loss)	¥ 26,125	\$ 280,793	¥ (37,701)

(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.