

Sumitomo Chemical Reports Consolidated Financial Results For the Three Months Ended June 30, 2011

The Sumitomo Chemical Group's consolidated financial results for the first quarter ended June 30, 2011 were as follows. Sales rose by ¥10.7 billion year-on-year, to ¥501.9 billion, with operating income of ¥34.8 billion and ordinary income of ¥38.9 billion both higher compared with the same period of the previous fiscal year. However, the Group posted a quarterly net loss of ¥9.8 billion, representing a deterioration in performance compared to the same period of the previous fiscal year, because the Group posted an extraordinary loss of ¥29.0 billion from a one-time amortization of goodwill related to its investment in an affiliate, the fair value of which has significantly declined.

The Sumitomo Chemical Group's financial results by business segment for the first quarter ended June 30, 2011 were as follows.

Basic Chemicals

Sales of methyl methacrylate increased due to a rise in overseas market prices. While market prices of raw materials for synthetic fibers rose, shipments contracted as a result of the earthquake. Aluminum sales also declined because of the impact of the earthquake. 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 declined by ¥1.0 billion compared with the same period of the previous fiscal year, to ¥75.3 billion, while operating income improved by ¥1.0 billion, to ¥7.0 billion, thanks to higher market prices.

Petrochemicals & Plastics

While domestic shipments of some synthetic resins and petrochemical products declined as a result of the impact of the earthquake, sales increased overall due to higher market prices overseas and higher selling prices in Japan, with a sharp rise in the prices of naphtha and other feedstocks. As a result, the segment's sales rose by ¥13.8 billion compared with the same period of the previous fiscal year, to ¥170.0 billion, and operating income improved by ¥2.2 billion, to ¥5.8 billion.

IT-related Chemicals

Shipments of polarizing film used in liquid crystal displays (LCDs) rose thanks to higher demand, but shipments of color filters decreased. In addition to lower sales prices of both polarizing film and color filters, 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 declined by ¥6.6 billion compared with the same period of the previous fiscal year, to ¥71.4 billion, and operating income decreased by ¥3.9 billion, to ¥4.1 billion.

Health & Crop Sciences

Sales of the feed additive methionine increased steadily. In the area of crop protection chemicals, shipments of herbicides remained strong in overseas markets. Despite the decrease in the value of sales of overseas subsidiaries in yen terms because of the effects of a stronger yen, the segment's sales rose by ¥8.8 billion compared with the same period of the previous fiscal year, to ¥71.5 billion, and operating income improved by ¥1.2 billion, to ¥8.1 billion.

Pharmaceuticals

The Sumitomo Chemical Group initiated US sales of Latuda® (atypical antipsychotic) in February 2011. Sales of Avapro® (therapeutic agent for hypertension), Lonasen® (atypical antipsychotic), and the new drugs Trerief® (therapeutic agent for Parkinson's disease) and Metgluco® (biguanide oral hypoglycemic) increased as a result of continued sales promotion activities. Sales of Amlodin® (therapeutic agent for hypertension and angina pectoris), however, declined because of competition with generic drugs. 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 declined by ¥7.4 billion compared with the same period of the previous fiscal year, to ¥102.5 billion, and operating income decreased by ¥1.5 billion, to ¥13.5 billion.

Others

In addition to the above five 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 segment's sales rose by ¥3.0 billion compared with the same period of the previous fiscal year, to ¥11.2 billion, and operating income improved by ¥1.8 billion, to a profit of ¥1.2 billion.

(Note) Changes in Reported Segments Classification Methods

As of April 1, 2011, the Fine Chemicals Segment was eliminated, and functional materials, additives, and dyes that had been included in this segment were transferred to the Basic Chemicals Segment. In addition, pharmaceutical chemicals, which had also been included in this segment, were transferred to the Agricultural Chemicals Segment. Following this change, the Agricultural Chemicals Segment changed its name to the Health & Crop Sciences Segment. The businesses of consolidated subsidiaries in the Pharmaceuticals Segment that had been included in the Others segment were transferred to the Pharmaceuticals Segment.

The Company has revised its consolidated financial forecast of fiscal 2011 announced on May 11, 2011. It now projects its consolidated financial forecast to sales of ¥1,000.0 billion, operating income of ¥50.0 billion, ordinary income of ¥51.0 billion and net income of nil for the half-year ending September 30, 2011, and to net income of ¥21.0 billion for the full-year ending March 31, 2012.

For further details, please refer to today's release titled "Sumitomo Chemical Announces Revisions to its Consolidated Financial Forecast."

Summary of Consolidated Results

(1) Results of Operation:

	3 Months ended June 30, 2011		3 Months ended June 30, 2010	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	(US\$ 1,000) ^{*1}
Net sales	¥ 501,902	\$ 6,217,044	¥ 491,243	
Operating income	34,756	430,521	34,042	
Ordinary income	38,911	481,989	36,004	
Income before income taxes and minority interests	9,295	115,137	35,676	
Net (loss) income	(9,752)	(120,798)	17,971	
Net income per 1,000 shares	(¥) ¥ (5,966)	(US\$) \$ (74)	(Yen) ¥ 10,885	
Comprehensive income	(¥ Million) ¥ 11,052	(US\$ 1,000) ^{*1} \$ 136,901	(¥ Million) ¥ 22,742	

(2) Financial Position:

	As of June 30, 2011		As of March 31, 2011	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	(US\$ 1,000) ^{*1}
Total assets	¥ 2,402,770	\$ 29,763,037	¥ 2,367,314	
Total net asset	757,803	9,386,882	758,886	

(3) Cash Flows:

	3 Months ended June 30, 2011		3 Months ended June 30, 2010	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	(US\$ 1,000) ^{*1}
Cash flows from operating activities	¥ 23,950	\$ 296,668	¥ 28,137	
Cash flows from investing activities	(23,372)	(289,508)	(70,379)	
Cash flows from financing activities	4,269	52,880	55,387	
Cash and cash equivalents at the end of the period	157,809	1,954,775	134,399	

(4) Results of Operation by Business Segments:

	3 Months ended June 30, 2011		3 Months ended June 30, 2010	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million) ^{*2}	(US\$ 1,000) ^{*1}
Net sales				
Basic Chemicals	¥ 75,328	\$ 933,086	¥ 76,304	
Petrochemicals & Plastics	169,959	2,105,277	156,153	
IT-related Chemicals	71,446	884,999	78,065	
Health & Crop Sciences	71,503	885,705	62,667	
Pharmaceuticals	102,470	1,269,293	109,866	
Others	11,196	138,685	8,188	
	¥ 501,902	\$ 6,217,044	¥ 491,243	
Operating (loss) income				
Basic Chemicals	¥ 6,987	\$ 86,548	¥ 5,993	
Petrochemicals & Plastics	5,805	71,906	3,601	
IT-related Chemicals	4,059	50,279	8,003	
Health & Crop Sciences	8,076	100,037	6,879	
Pharmaceuticals	13,464	166,778	14,968	
Others	1,229	15,224	(526)	
Adjustments	(4,864)	(60,250)	(4,876)	
	¥ 34,756	\$ 430,521	¥ 34,042	

(Note)

*1:U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥80.73= \$1 prevailing on June 30, 2011.

*2:New business segmentation is applied to consolidated results of previous year.