

# **FY2009 Financial Results and Outlook for FY2010**



May 2010

# FY2009 Financial Results

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	FY2008	FY2009	Change
<b>Sales</b>	¥1,788.2 bn	¥1,620.9 bn	- ¥167.3 bn
<b>Operating income</b>	¥2.1 bn	¥51.5 bn	+ ¥49.3 bn
<b>Ordinary income</b>	- ¥32.6 bn	¥35.0 bn	+ ¥67.6 bn
<b>Net income</b>	- ¥59.2 bn	¥14.7 bn	+ ¥73.9 bn
<b>Naphtha price</b>	¥58,900/kl	¥41,200/kl	
<b>Exchange rate</b>	¥100.71/US\$	¥92.89/US\$	
<b>Dividend per share</b>	¥9/share	¥6/share	

# FY2009 Sales by Segment

(Billions of yen)

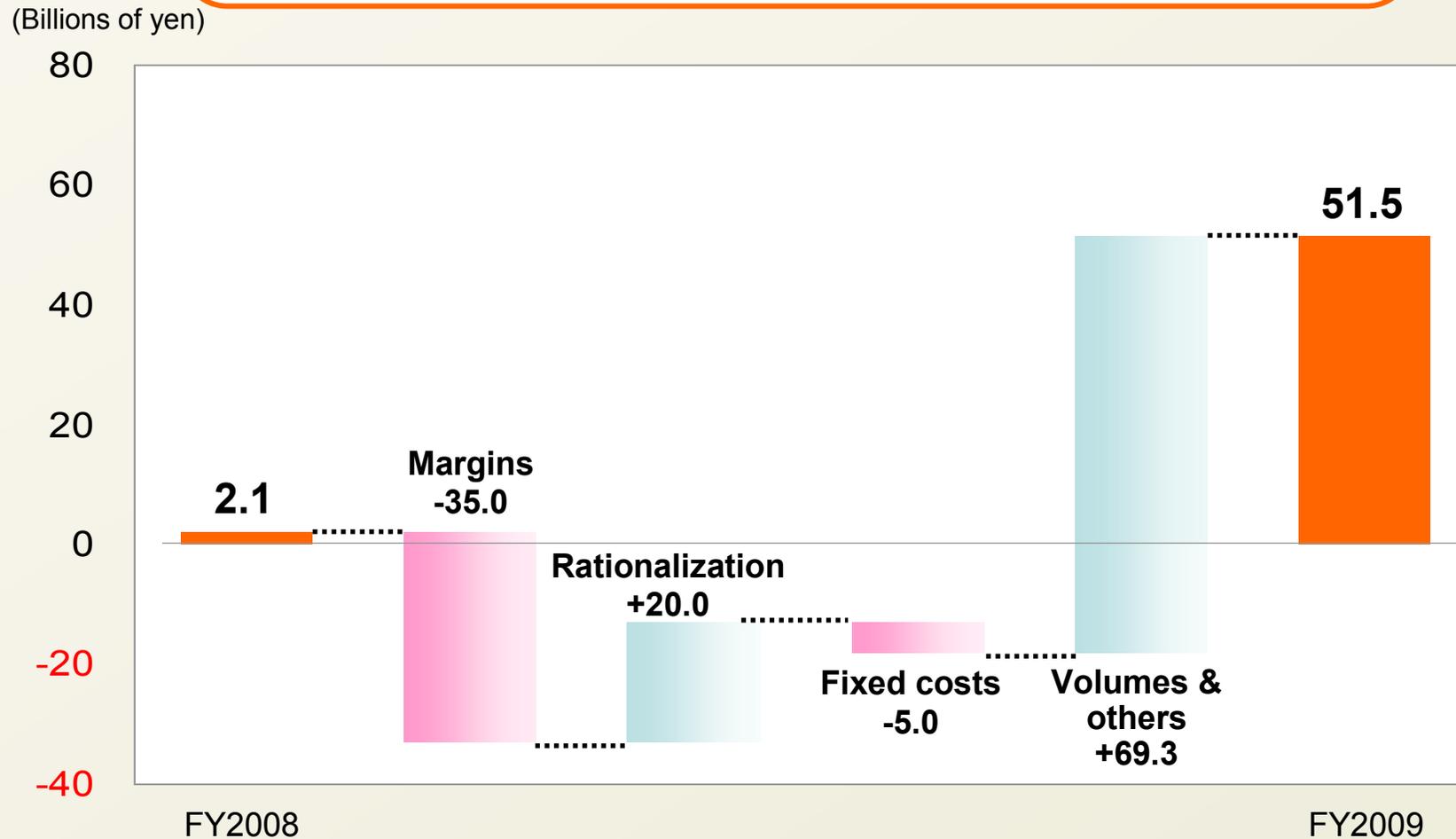
	FY2008	FY2009	Change
Basic Chemicals	240.0	203.3	-36.7
Petrochemicals & Plastics	553.0	481.5	-71.4
Fine Chemicals	80.8	67.6	-13.2
IT-related Chemicals	307.1	265.2	-41.9
Agricultural Chemicals	222.2	211.5	-10.7
Pharmaceuticals	235.6	267.5	+31.9
Others	149.5	124.3	-25.3
<b>Total</b>	<b>1,788.2</b>	<b>1,620.9</b>	<b>-167.3</b>

Sales price variance	Shipping volume variance
-41.0	+4.3
-127.0	+55.6
-4.0	-9.2
-40.0	-1.9
-7.0	-3.7
—	+31.9
—	-25.3
<b>-219.0</b>	<b>+51.7</b>

Sales outside of Japan	749.8	728.9	-20.9
Percentage of sales outside of Japan	42%	45%	—

# Change in Operating Income FY2008/2009

**FY2008 ¥2.1 bn → FY2009 ¥51.5 bn  
(+ ¥49.3 bn)**



# FY2009 Operating Income by Segment

(Billions of yen)

	FY2008	FY2009	Change
<b>Basic Chemicals</b>	<b>-15.3</b>	<b>-2.7</b>	<b>+12.7</b>
<b>Petrochemicals &amp; Plastics</b>	<b>-30.3</b>	<b>-5.3</b>	<b>+25.0</b>
<b>Fine Chemicals</b>	<b>1.6</b>	<b>1.5</b>	<b>-0.1</b>
<b>IT-related Chemicals</b>	<b>-1.0</b>	<b>3.3</b>	<b>+4.3</b>
<b>Agricultural Chemicals</b>	<b>24.4</b>	<b>25.9</b>	<b>+1.5</b>
<b>Pharmaceuticals</b>	<b>32.4</b>	<b>29.3</b>	<b>-3.0</b>
<b>Others</b>	<b>-9.6</b>	<b>-0.6</b>	<b>+9.0</b>
<b>Total</b>	<b>2.1</b>	<b>51.5</b>	<b>+49.3</b>

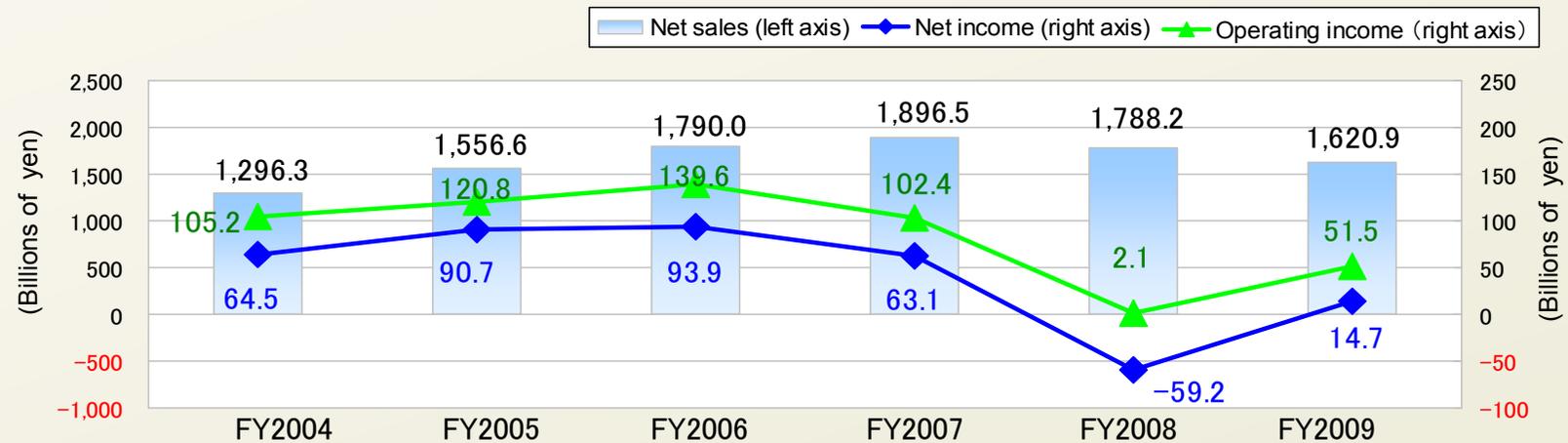
<b>Major factors for changes in profit</b>
<ul style="list-style-type: none"> <li>• Improvement in inventory valuation gains and losses</li> <li>• Lower fixed costs in Singapore operations</li> </ul>
<ul style="list-style-type: none"> <li>• Improvement in inventory valuation gains and losses</li> <li>• Increase in shipping volumes</li> </ul>
<ul style="list-style-type: none"> <li>• Decrease in shipping volumes</li> </ul>
<ul style="list-style-type: none"> <li>• Progress in rationalization</li> <li>• Increase in shipping volumes</li> </ul>
<ul style="list-style-type: none"> <li>• Increase in shipping volumes</li> </ul>
<ul style="list-style-type: none"> <li>• Increase in loss from retirement benefit adjustment</li> <li>• Increase in amortization and other costs following the acquisition of Sepracor</li> </ul>
<ul style="list-style-type: none"> <li>• Decrease in R&amp;D expenses</li> </ul>

# FY2009 Financial Results

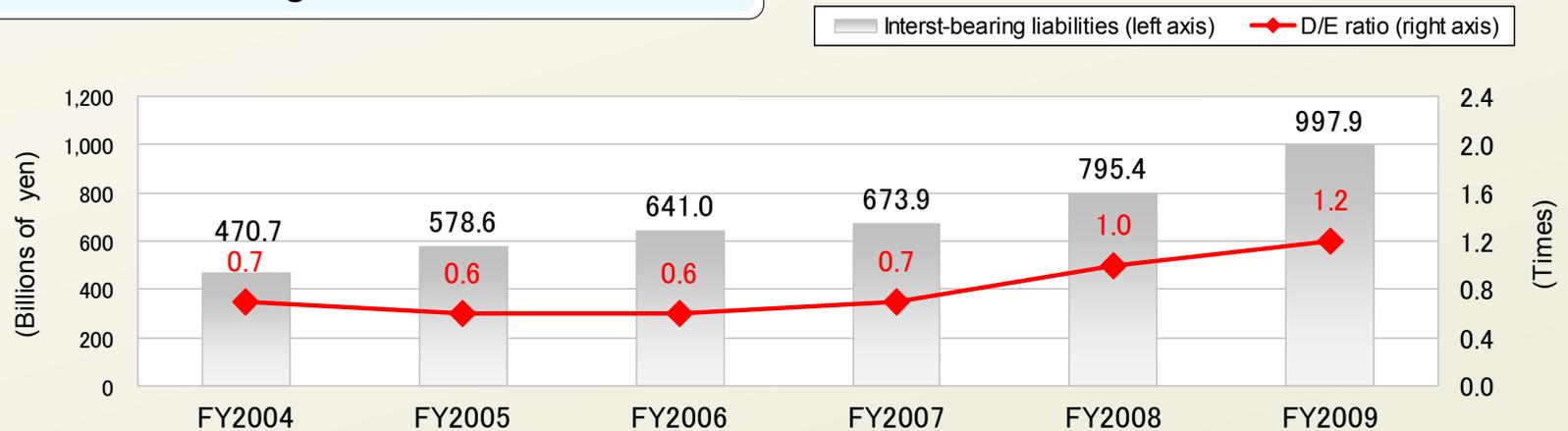
	FY2008	FY2009	Change
<b>Sales</b>	¥1,788.2 bn	¥1,620.9 bn	- ¥167.3 bn
<b>Operating income</b>	¥2.1 bn	¥51.5 bn	+ ¥49.3 bn
<b>Ordinary income</b>	- ¥32.6 bn	¥35.0 bn	+ ¥67.6 bn
<b>Net income</b>	- ¥59.2 bn	¥14.7 bn	+ ¥73.9 bn
<b>Naphtha price</b>	¥58,900/kl	¥41,200/kl	
<b>Exchange rate</b>	¥100.71/US\$	¥92.89/US\$	
<b>Dividend per Share</b>	¥9/share	¥6/share	

# Consolidated Results and Interest-Bearing Liabilities

## Net Sales & Net Income



## Interest-Bearing Liabilities & D/E Ratio



# Outlook for FY2010

# Outlook for FY2010

	FY2009	FY2010 (Forecast)	Change
<b>Sales</b>	¥1,620.9 bn	¥2,000.0 bn	+ ¥379.1 bn
<b>Operating income</b>	¥51.5 bn	¥35.0 bn	- ¥16.5 bn
<b>Ordinary income</b>	¥35.0 bn	¥35.0 bn	± 0.0 bn
<b>Net income</b>	¥14.7 bn	¥25.0 bn	+ ¥10.3 bn
<b>EBITDA</b>	¥167.2 bn	¥200.0 bn	+ ¥32.8 bn
<b>Naphtha price</b>	¥41,200/kl	¥50,000/kl	
<b>Exchange rate</b>	¥92.89/US\$	¥90.00/US\$	
<b>Dividend per share</b>	¥6/share	¥9/share	

# FY2010 Sales by Segment

(Billions of yen)

	FY2009	FY2010 (Forecast)	Change	Sales price variance	Shipping volume variance
Basic Chemicals	203.3	235.0	+31.7	+14.5	+17.2
Petrochemicals & Plastics	481.5	700.0	+218.5	+88.0	+130.5
Fine Chemicals	67.6	95.0	+27.4	0.0	+27.4
IT-related Chemicals	265.2	315.0	+49.8	-29.0	+78.8
Agricultural Chemicals	211.5	220.0	+8.5	-2.0	+10.5
Pharmaceuticals	267.5	345.0	+77.5	-15.0	+92.5
Others	124.3	90.0	-34.3	—	-34.3
<b>Total</b>	<b>1,620.9</b>	<b>2,000.0</b>	<b>+379.1</b>	<b>+56.5</b>	<b>+322.6</b>

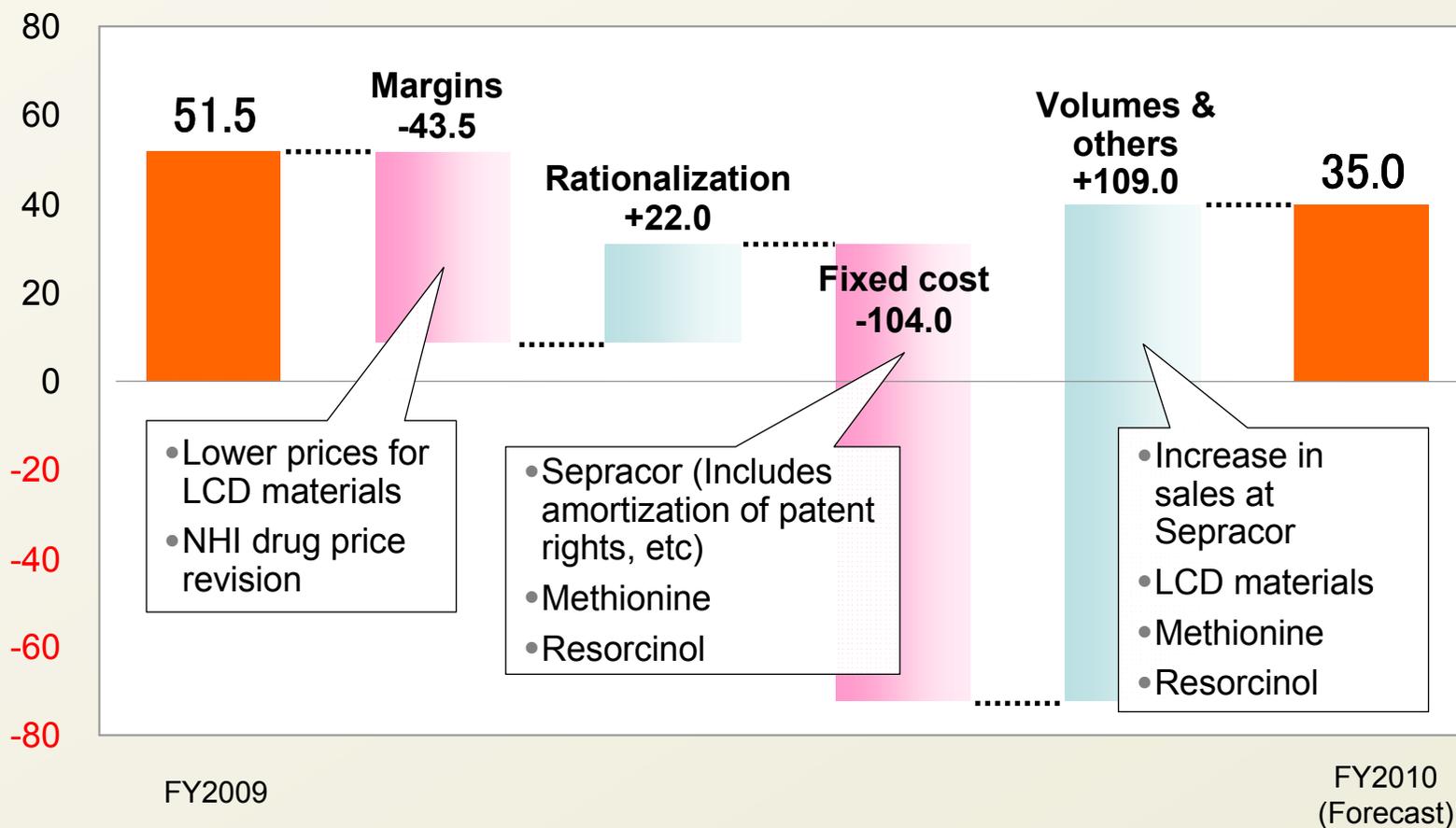
Note: Certain consolidated subsidiaries, formerly categorized under the Others segment, have been recategorized to Fine Chemicals (impact of ¥19.1 bn).

Sales outside of Japan	728.9	1,060.0	+331.1
Percentage of sales outside of Japan	45%	53%	—

# Change in Operating Income FY2009/2010

**FY2009 ¥51.5 bn → FY2010 ¥35.0 bn  
(- ¥16.5 bn)**

(Billions of yen)



# FY2010 Operating Income by Segment

(Billions of yen)

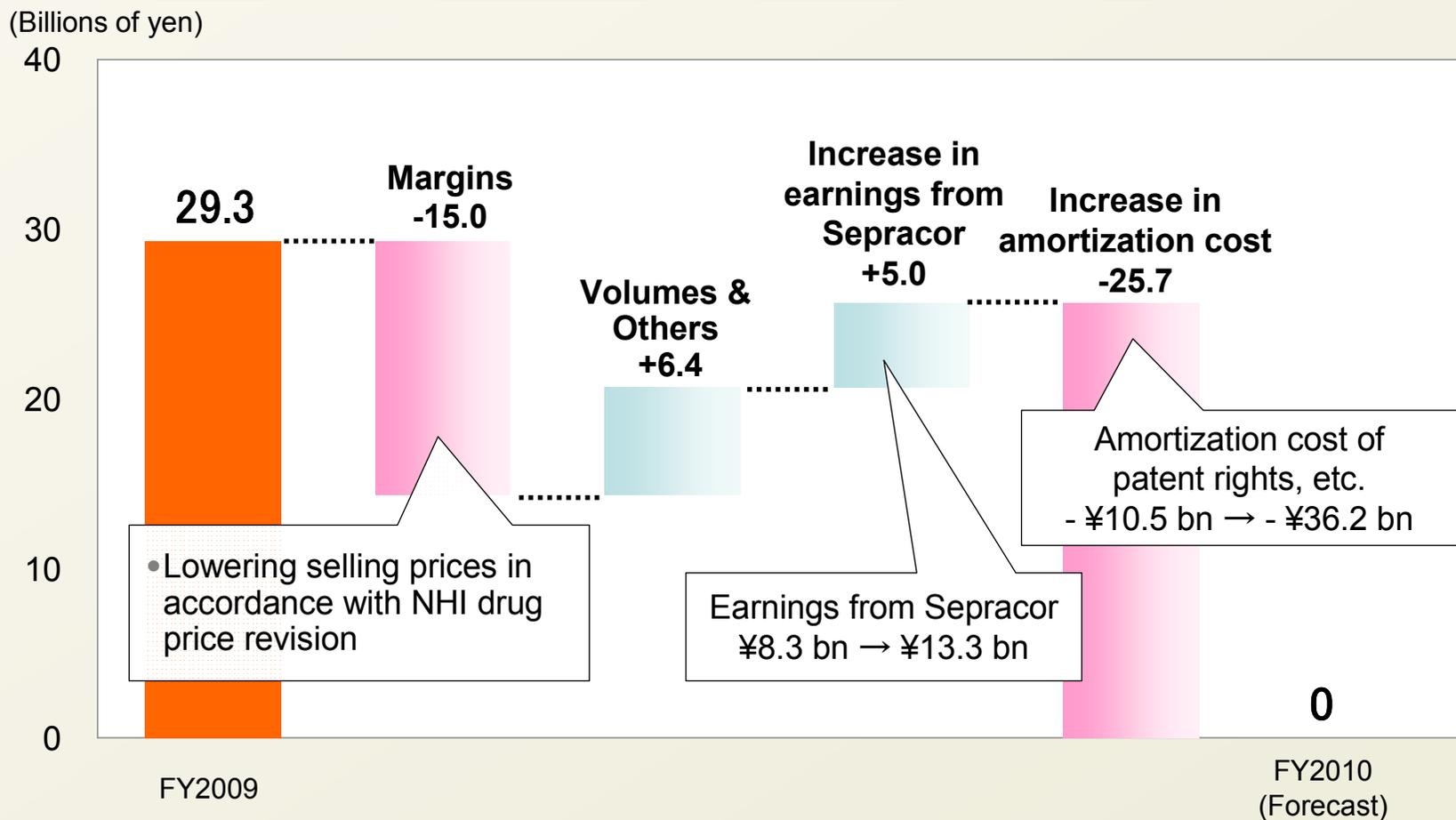
	FY2009	FY2010	Change	Actual difference	Major factors for changes in profit
Basic Chemicals	-2.7	4.0	+6.7	+2.7	<ul style="list-style-type: none"> <li>• Increase in sales volumes</li> <li>• Improvement in margins</li> </ul>
Petrochemicals & Plastics	-5.3	9.0	+14.3	+9.2	<ul style="list-style-type: none"> <li>• Improvement in margins</li> <li>• Increase in sales volumes</li> </ul>
Fine Chemicals	1.5	2.5	+1.0	-1.1	<ul style="list-style-type: none"> <li>• Increase in Resorcinol production capacity</li> <li>• Increase in depreciation</li> </ul>
IT-related Chemicals	3.3	18.5	+15.2	+12.2	<ul style="list-style-type: none"> <li>• Progress in rationalization</li> <li>• Increase in sales volumes</li> </ul>
Agricultural Chemicals	25.9	24.0	-1.9	-5.2	<ul style="list-style-type: none"> <li>• Increase in methionine production capacity</li> <li>• Increase in depreciation</li> </ul>
Pharmaceuticals	29.3	0	-29.3	-29.8	<ul style="list-style-type: none"> <li>• Increase in amortization and other costs following the acquisition of Sepracor</li> <li>• NHI drug price revision</li> </ul>
Others	-0.6	-23.0	-22.4	-4.4	<ul style="list-style-type: none"> <li>• Decrease in operating income in engineering &amp; construction management and power generation businesses</li> </ul>
<b>Total</b>	<b>51.5</b>	<b>35.0</b>	<b>-16.5</b>	<b>-16.5</b>	

Notes 1: From FY2010, we have revised our method of allocation of R&D expenses for companywide projects, etc.

2: Certain consolidated subsidiaries, formerly categorized under the Others, have been recategorized to Fine Chemicals.

# Change in Operating Income FY2009/2010 (Pharmaceuticals)

**FY2009 ¥29.3 bn → FY2010 ¥0.0 bn  
(- ¥29.3 bn)**



# Outlook for FY2010

	FY2009	FY2010 (Forecast)	Change
Sales	¥1,620.9 bn	¥2,000.0 bn	+ ¥379.1 bn
Operating income	¥51.5 bn	¥35.0 bn	- ¥16.5 bn
Ordinary income	¥35.0 bn	¥35.0 bn	± 0.0 bn
Net income	¥14.7 bn	¥25.0 bn	+ ¥10.3 bn
EBITDA	¥167.2 bn	¥200.0 bn	+ ¥32.8 bn
Naphtha price	¥41,200/kl	¥50,000/kl	
Exchange rate	¥92.89/US\$	¥90.00/US\$	
Dividend per share	¥6/share	¥9/share	

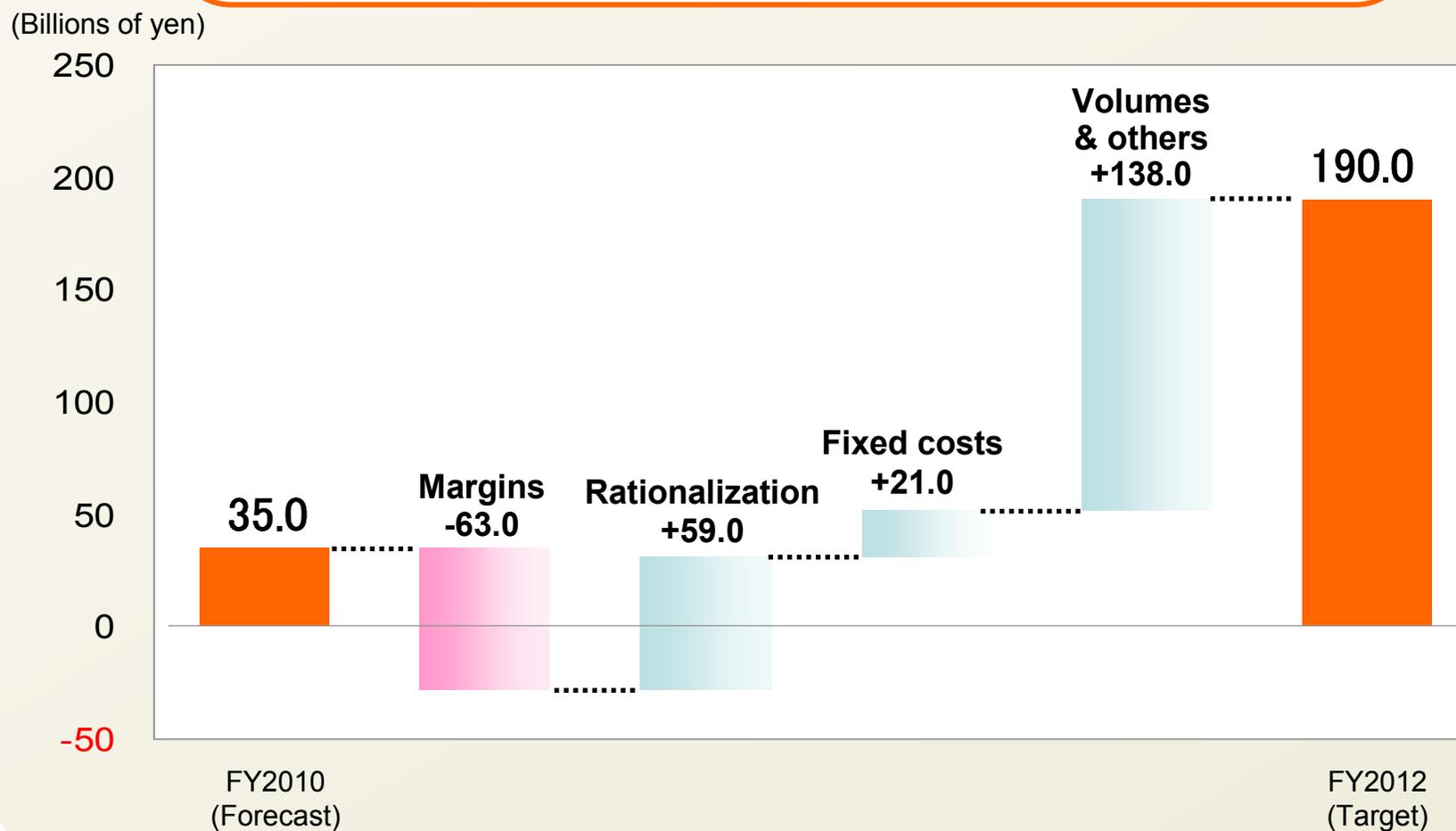
# Achieving the Goals of the Corporate Business Plan

# Forecasts for fiscal 2010 and targets for fiscal 2012

	<b>FY2010 (Forecast)</b>	<b>FY2012 (Target)</b>	<b>Change</b>
<b>Sales</b>	¥2,000.0 bn	¥2,400.0 bn	+ ¥400.0 bn
<b>Operating income</b>	¥35.0 bn	¥190.0 bn	+ ¥155.0 bn
<b>Ordinary income</b>	¥35.0 bn	¥220.0 bn	+ ¥185.0 bn
<b>Net income</b>	¥25.0 bn	¥140.0 bn	+ ¥115.0 bn
<b>Naphtha price</b>	¥50,000/kl	¥50,000/kl	
<b>Exchange rate</b>	¥90.00/US\$	¥90.00/US\$	

# Change in Operating Income FY2010/FY2012

**FY2010 ¥35.0 bn → FY2012 ¥190.0 bn  
(+ ¥155.0 bn)**



# Sales and Operating Income by Segment for FY2010/2012

(Billions of yen)

		FY2010 (Forecast)	FY2012 (Target)	Change	Major factors for changes in profit
Basic Chemicals	Sales	235.0	270.0	+35.0	<ul style="list-style-type: none"> <li>• Increase in sales of PMMA</li> <li>• Develop new applications and increase sales of alumina</li> <li>• Continued rationalization and reduction of procurement costs</li> </ul>
	Operating income	4.0	17.0	+13.0	
Petrochemicals & Plastics	Sales	700.0	785.0	+85.0	<ul style="list-style-type: none"> <li>• Improve margins</li> <li>• Expand business in the area of high value added applications</li> </ul>
	Operating income	9.0	30.0	+21.0	
Fine Chemicals	Sales	95.0	135.0	+40.0	<ul style="list-style-type: none"> <li>• Fully utilize our new resorcinol plant</li> <li>• Expand pharmaceutical chemicals business</li> </ul>
	Operating income	2.5	16.0	+13.5	
IT-related Chemicals	Sales	315.0	395.0	+80.0	<ul style="list-style-type: none"> <li>• Expand and strengthen polarizing film business</li> <li>• Expand photoresists business</li> <li>• Improve the performance of battery materials business in the short-term</li> </ul>
	Operating Income	18.5	44.0	+25.5	
Agricultural Chemicals	Sales	220.0	270.0	+50.0	<ul style="list-style-type: none"> <li>• Expand sales areas and enter new business fields in crop protection business</li> <li>• Expand household insecticides and pest control products in environmental health business</li> <li>• Expand scale of feed additives business</li> </ul>
	Operating income	24.0	48.0	+24.0	
Pharmaceuticals	Sales	345.0	390.0	+45.0	<ul style="list-style-type: none"> <li>• Launch and expand sales of Lurasidone</li> <li>• Decrease in amortization and other costs related to the acquisition of Sepracor</li> </ul>
	Operating income	0.0	38.0	+38.0	
Others	Sales	90.0	155.0	+65.0	<ul style="list-style-type: none"> <li>• Launch polymer organic LED materials</li> </ul>
	Operating income	-23.0	-3.0	+20.0	
Total	Sales	2,000.0	2,400.0	+400.0	
	Operating income	35.0	190.0	+155.0	

# Basic Chemicals Sector

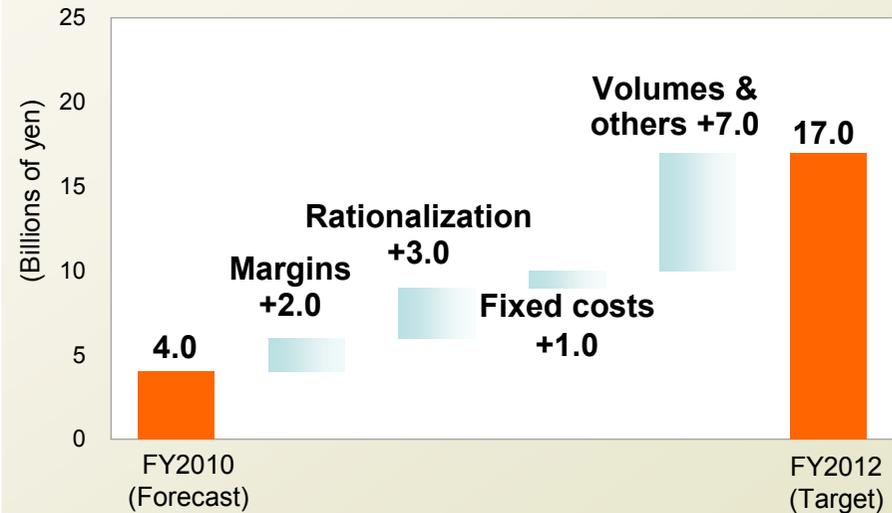
## FY2012 Target

- Sales ¥270.0 billion
- Operating income ¥17.0 billion

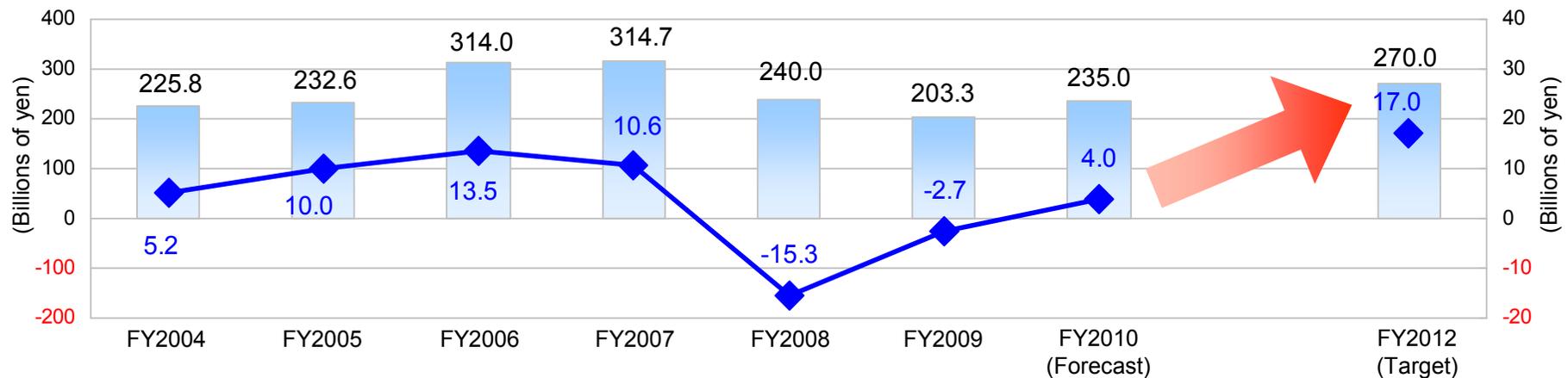
## Assumptions and initiatives for achieving targets

- Increase in sales of PMMA
- Develop new applications and increase sales of alumina
- Continued rationalization and reduction of procurement costs

## Change in Operating Income: FY2010 Forecast vs. FY2012 Target



## Sales & Operating Income



# Petrochemicals & Plastics Sector

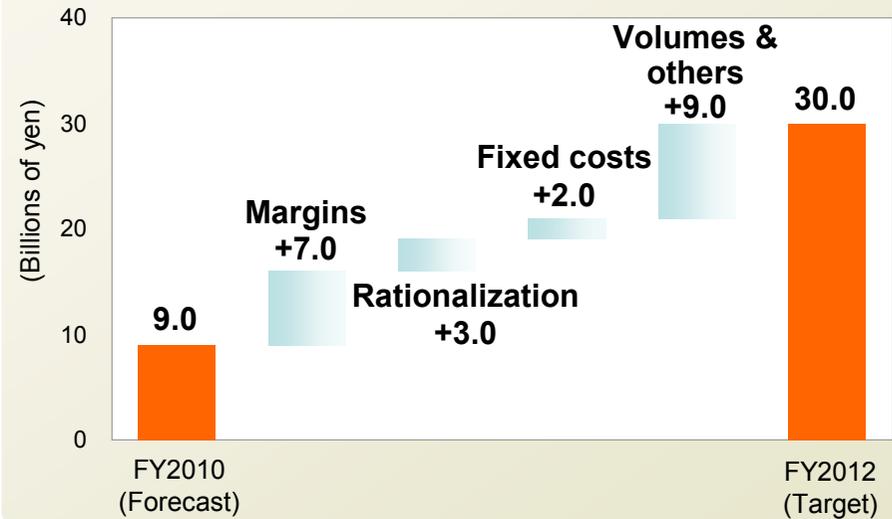
## FY2012 Target

- Sales ¥785.0 billion
- Operating income ¥30.0 billion

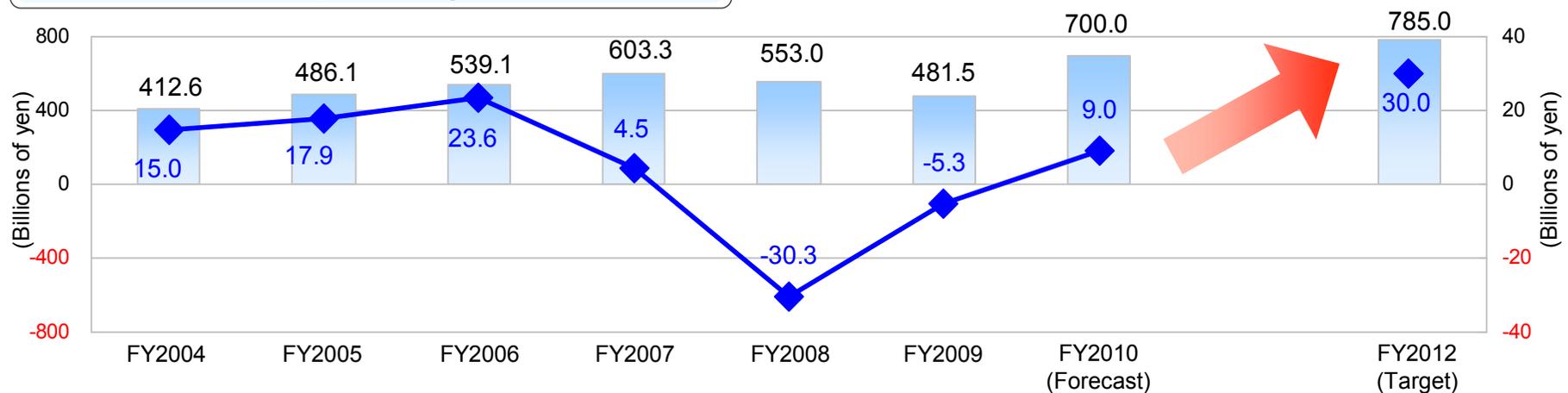
## Assumptions and initiatives for achieving targets

- Improvement in margins
- Expanding our business in the area of high value added applications

## Change in Operating Income: FY2010 Forecast vs. FY2012 Target



## Sales & Operating Income



# Fine Chemicals Sector

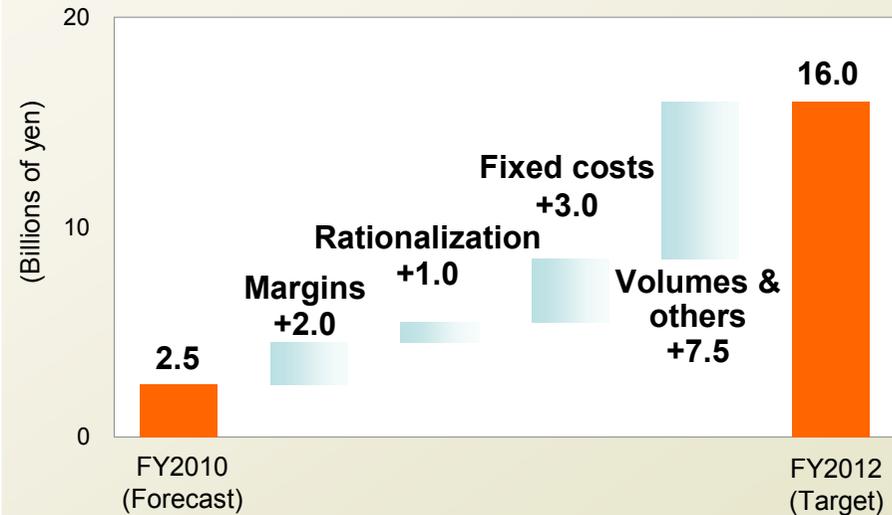
## FY2012 Target

- Sales ¥135.0 billion
- Operating income ¥16.0 billion

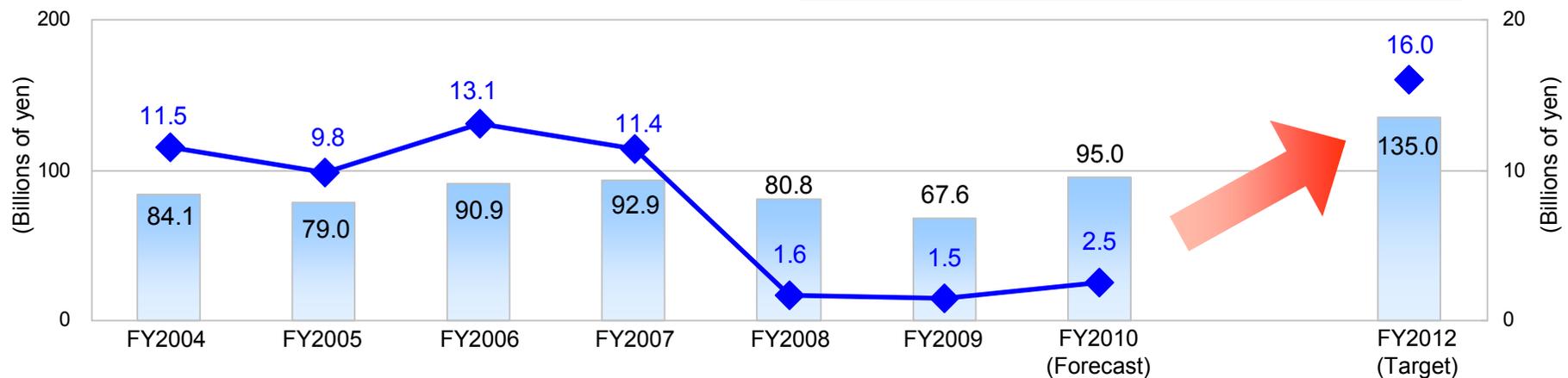
## Assumptions and initiatives for achieving targets

- Fully utilize our new resorcinol plant
- Expand pharmaceutical chemicals business

## Change in Operating Income: FY2010 Forecast vs. FY2012 Target



## Sales & Operating Income



# IT-related Chemicals Sector

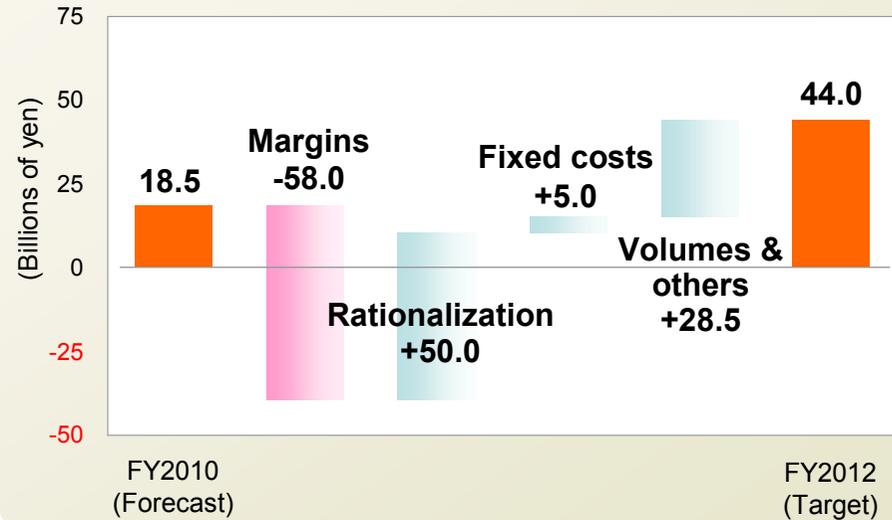
## FY2012 Target

- Sales ¥395.0 billion
- Operating income ¥44.0 billion

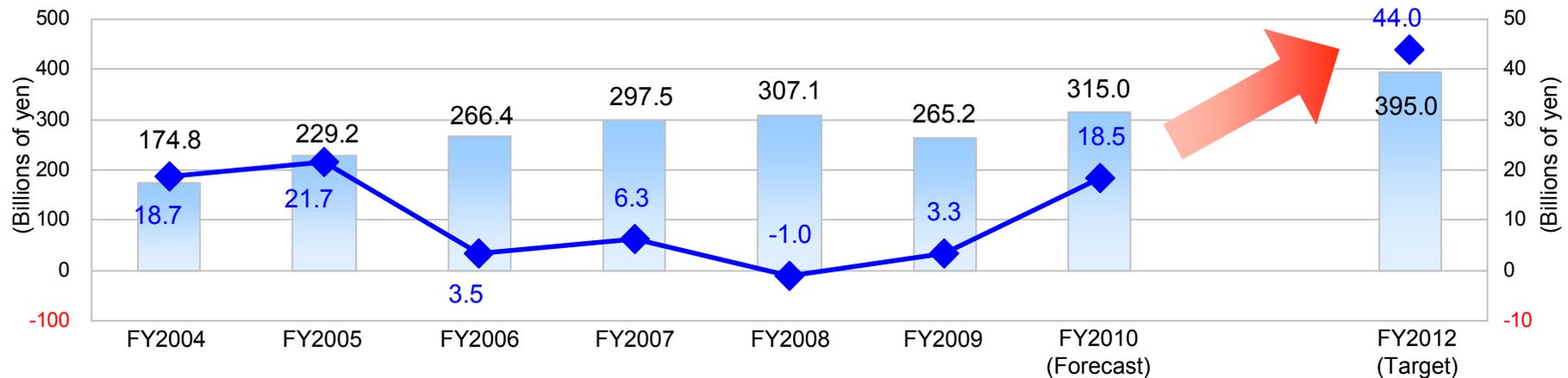
## Assumptions and initiatives for achieving targets

- Expand and strengthen polarizing film business
- Expand photoresists business
- Improve the performance of battery materials business in the short-term

## Change in Operating Income: FY2010 Forecast vs. FY2012 Target



## Sales & Operating Income



# Agricultural Chemicals Sector

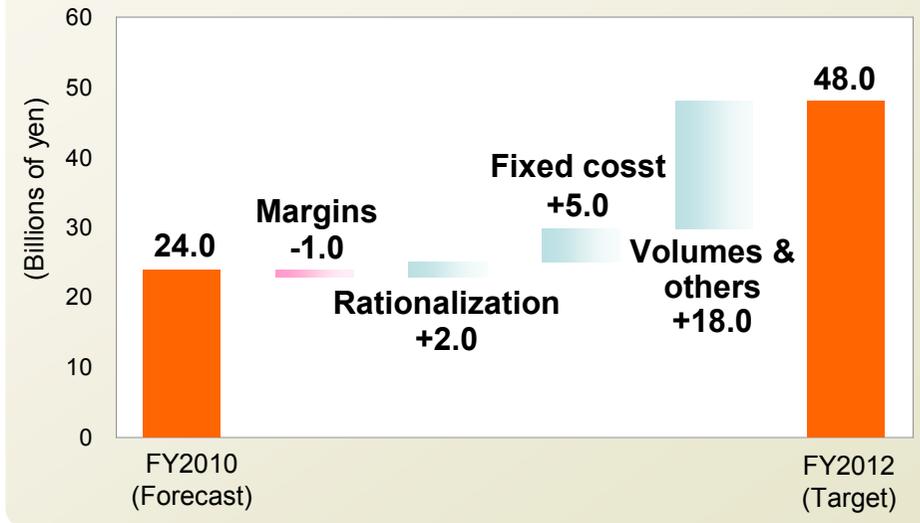
## FY2012 Target

- Sales ¥270.0 billion
- Operating income ¥48.0 billion

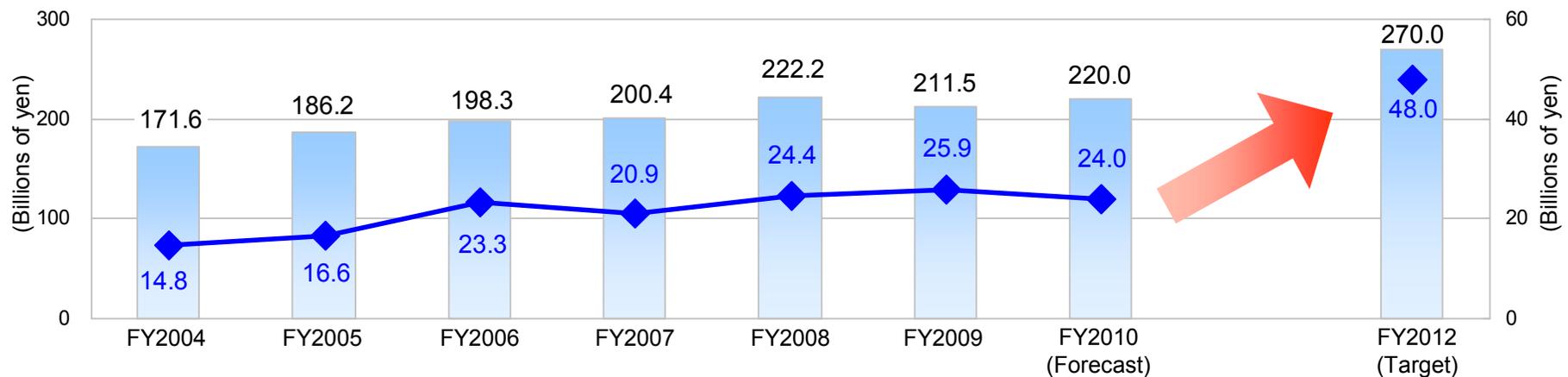
## Assumptions and initiatives for achieving targets

- Expand sales areas and enter new business fields in crop protection business
- Expand household insecticides and pest control products in environmental health business
- Expand scale of feed additives business

## Change in Operating Income: FY2010 Forecast vs. FY2012 Target



## Sales & Operating Income



# Business Tie-up and Strategic Investment in Nufarm

## Overview of Nufarm

1. Company Name: Nufarm Limited
2. Established: 1957
3. Sales: AU\$2,677 million (¥214.2 billion)  
(Results ended July 2009)
4. Headquarters: Melbourne, Australia
5. Employees: 3,155 (as of July 31, 2009)
6. CEO: Doug Rathbone

## Strategic investment

1. Tender Offer Summary
  - Offer period: March 12 - April 9, 2010
  - Offer price: AU\$14 per share
  - Total acquisition cost: AU\$611 million (¥51.3 billion)
  - Payment and share acquisition carried out: April 15, 2010
  - Sumitomo Chemical's stake after acquisition: 20%
2. Equity raising through issuance of new shares
  - Date of settlement: May 5, 2010
  - Amount underwritten by Sumitomo Chemical: AU\$50 million (¥4.3 billion)  
(20% of total raised equity of AU\$250 million)

## Target of the tie-up and strategic investment

Further strengthen and expand agricultural chemicals business through comprehensive business tie-up in marketing, R&D etc.

➔ In FY2012, the final year of the Corporate Business Plan, a ¥10 .0 billion increase in income before income taxes (including income from equity in earnings of affiliate) is factored in.

## Progress in business tie-up

1. Use Nufarm's marketing channels for Sumitomo Chemical products
  - Brazil: Sales agreement completed (February 2010)
    - ➔ Sales to be launched between October and December 2010
  - Indonesia, Central and Eastern Europe, Canada, etc: Sales agreements under negotiation
2. Market Nufarm products through Sumitomo Chemical's marketing channels
  - Launched detailed negotiations
3. Joint R&D
  - Contract negotiations are underway in the following areas:
    1. Product development by sharing each other's knowledge in formulation
    2. Evaluation of Sumitomo Chemical's new products by Nufarm

# Pharmaceuticals Sector

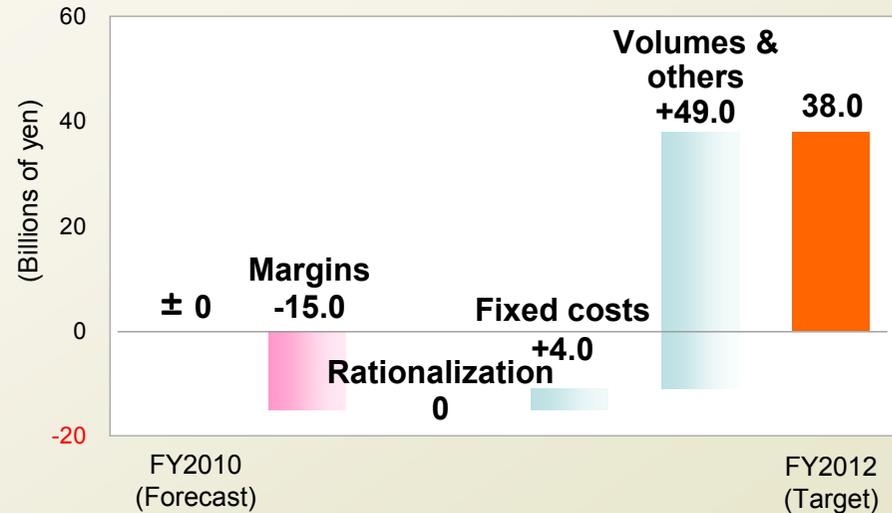
## FY2012 Target

- Sales ¥390.0 billion
- Operating income ¥38.0 billion

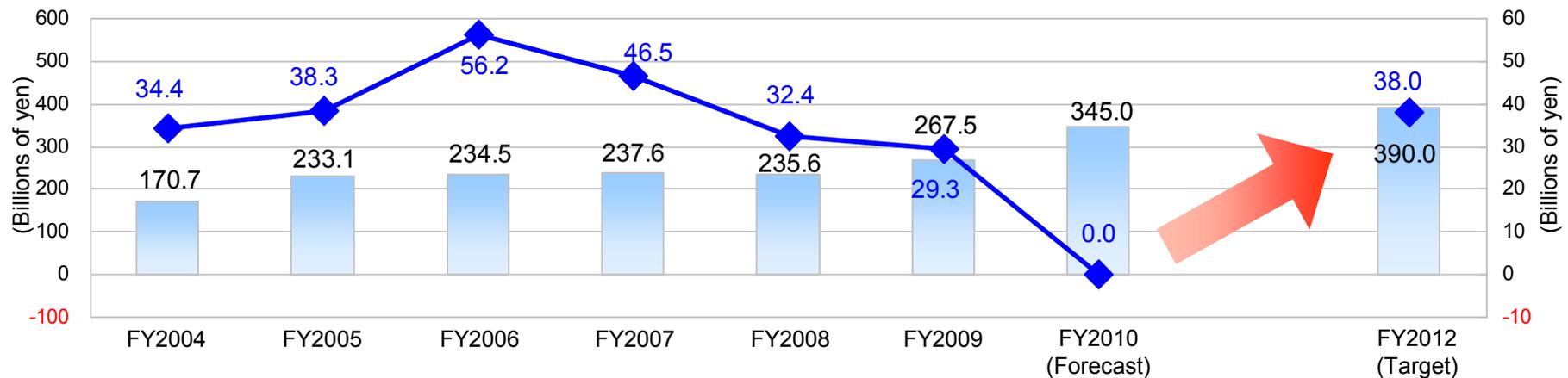
## Assumptions and initiatives for achieving targets

- Launch and expand sales of Lurasidone
- Decrease in amortization and other costs related to the acquisition of Sepracor

## Change in Operating Income: FY2010 Forecast vs. FY2012 Target



## Sales & Operating Income



# Preparation for launch of Lurasidone

## Schizophrenia

- North America
  - December 2009: NDA submitted to FDA (9 months earlier than planned)
  - October 2010: FDA's review results to be obtained
  - First quarter of 2011: Launch expected
- Europe
  - Seeking marketing partners
  - ➔ After the partner is decided, necessary additional trials for European applications will take place before launch (timing of launch undetermined)
- Japan, South Korea, Taiwan
  - 2008: Launched joint trials in Japan, South Korea and Taiwan
  - ➔ Japanese NDA will be submitted based on the results of joint trial

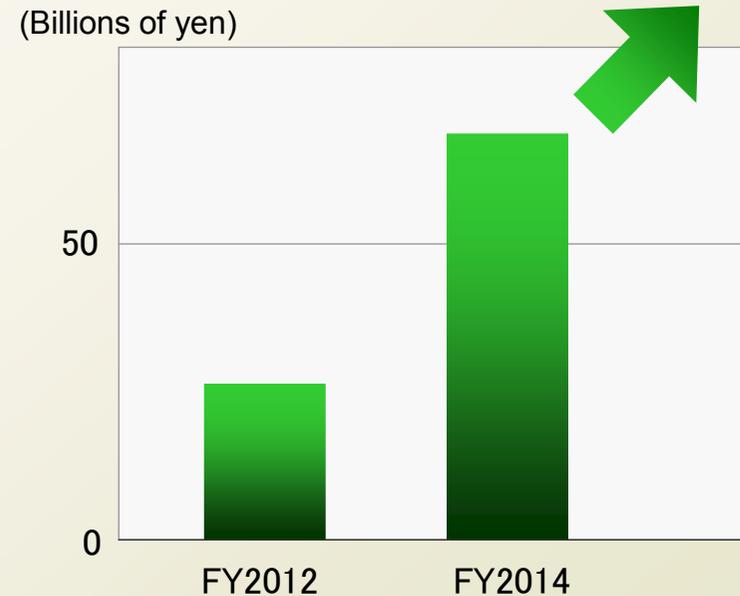
## Bipolar disorder

December 2008: Began Phase III clinical trials  
First half of 2012: FDA application expected in US  
2013: New indication approval expected

## Sales network in North America

- Planned deployment of 300 Medical Representatives at launch (Sepracor personnel and new hires)
  - \*Start recruitment as soon as approval is obtained
- Increase in medical representatives planned after new indication for bipolar disorder is approved

## Sales forecast for Lurasidone



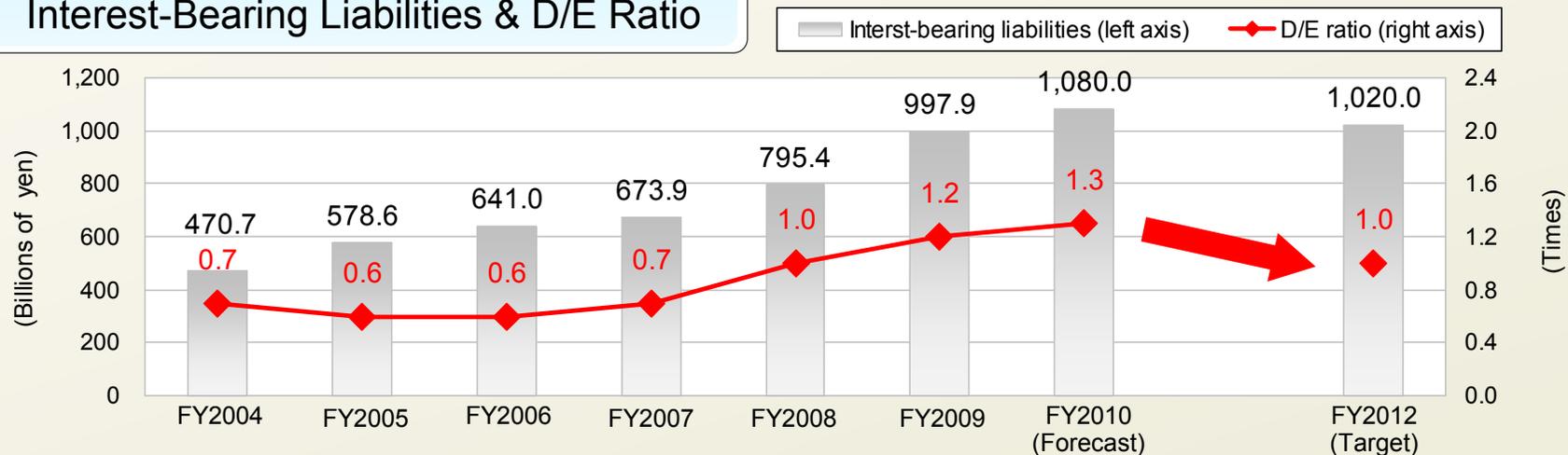
# Improving Financial Structure

## Cash Flows

(Billions of yen)

	FY2007-FY2009	FY2010 (Forecast)	...	Corporate Business Plan FY2010-FY2012 (Target)
Cash flows from operating activities	367.9	120.0	...	510.0
Cash flows from investing activities	-658.3	180.0	...	510.0
Free cash flows	-290.4	-60.0	...	0

## Interest-Bearing Liabilities & D/E Ratio



# Creative Hybrid Chemistry



### Forward-Looking Statements

Statements made in this material with respect to Sumitomo Chemical's plans, projections, strategies, beliefs, and future performance that are not historical facts are forward-looking statements that are based on information available at the time of the preparation of this material and include risks and uncertainties. Factors that could materially affect actual results of Sumitomo Chemical's future performance include, but are not limited to, economic conditions in the areas of Sumitomo Chemical's business, demand for Sumitomo Chemical's products in markets, downward price pressure on Sumitomo Chemical's products resulting from intensifying competition, Sumitomo Chemical's ability to continue to provide products that are accepted by customers in highly-competitive markets, and movements of currency exchange rates.