

Sumitomo Chemical Reports Consolidated Financial Results For the Three Months Ended June 30, 2008

During the first quarter ended June 30, 2008, Japan's economy remained at a standstill, as corporate profit growth and capital investment slowed down against the backdrop of increasing prices for raw materials and concerns about a possible recession in the United States.

Under these circumstances, the Sumitomo Chemical Group posted sales of ¥496.3 billion for the first quarter, an increase of ¥57.1 billion over the same period the previous year. Operating income was ¥24.7 billion and ordinary income was ¥25.3 billion, both of which represent a decrease compared with the previous year. Net income was ¥15.1 billion, about the same level as last year.

The Company's first-quarter financial performance by segment is as follows.

In the Basic Chemicals segment, sales of aluminum declined mainly because of lower selling prices due to a stronger yen, although overseas market prices were higher. While market prices rose with an increase in feedstock prices, sales of caprolactam and other raw materials for synthetic fibers remained at the same level as the corresponding period the previous year because of the impact of the stronger yen. As a result, sales decreased by ¥1.6 billion compared with the previous year to ¥75.7 billion. Operating income decreased by ¥2.7 billion to ¥1.6 billion, affected by higher feedstock prices.

In the Petrochemicals & Plastics segment, sales of synthetic resins and petrochemical products such as propylene oxide increased because of the Company's selling price increases in Japan that reflected the rising prices for naphtha and other feedstocks, as well as higher market prices in Asia. As a result, sales increased by ¥21.0 billion over the same period last year to ¥164.8 billion. However, operating income decreased by ¥3.0 billion to post a loss of ¥0.7 billion because the impact of rising feedstock prices exceeded the effects of rising market prices for products.

In the Fine Chemicals segment, moderate growth in shipments of pharmaceutical intermediates and adhesives raw materials helped increase sales by ¥1.2 billion over the same period last year to ¥24.3 billion, while operating income declined by ¥2.1 billion to ¥1.3 billion because of the strong yen and rising feedstock prices.

In the IT-related Chemicals segment, sales of LCD display materials such as polarizing film and color filters increased substantially, supported by production capacity increases and productivity enhancements that were undertaken to meet the booming demand. As a result, sales rose by ¥16.5 billion over the same period last year to ¥77.8 billion. Operating income increased by ¥11.3 billion to ¥7.2 billion.

In the Agricultural Chemicals segment, sales of agricultural chemicals grew thanks to solid demand primarily in overseas markets. Sales of feed additives increased because of rising selling prices spurred by expanding global demand. Sales of Olyset Nets posted solid growth. As a result, sales increased by ¥7.1 billion over the same period the previous year to ¥54.2 billion. Operating income increased by ¥0.4 billion to ¥5.8 billion.

In the Pharmaceuticals segment, despite the Japanese government's revision of reimbursement prices for pharmaceuticals this year, sales of the segment's four main products, *Amlodin* (therapeutic agent for hypertension and angina pectoris), *Gasmotin* (gastroprokinetic), *Meropen* (carbapenem antibiotic), and *Prorenal* (vasodilator) increased, driven by marketing efforts. Also, supported by sales of new products *Lonasen* (agent for the treatment of schizophrenia) and *Avapro* (agent for the treatment of hypertension), sales grew by ¥4.5 billion over the same period last year to ¥62.9 billion. Operating income decreased by ¥2.9 billion to ¥11.0 billion, primarily because of increased research and development expenses.

In the Others segment, the Company supplies electrical power and steam as well as providing services for chemical plant design, engineering and construction management, transport and warehousing, and materials and environmental analysis. The Company also conducts development and sales activities in new business fields such as polymer organic light emitting diodes. Revenues from design, engineering and construction management services increased with progress on the Rabigh Project, the Company's joint project with Saudi Aramco for the establishment of an integrated refining and petrochemical complex in Rabigh, Saudi Arabia. As a result, sales rose by ¥8.4 billion over the same period last year to ¥36.6 billion. However, operating income declined by ¥1.9 billion to post a loss of ¥1.5 billion because of increased research and development expenses associated with new business development.

Summary of Consolidated Results

(1) Results of operations:

	3 Months ended June 30, 2008		3 Months ended June 30, 2007	
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)	
Net Sales	¥ 496,349	\$ 4,664,058	¥ 439,222	
Operating Income	24,656	231,686	25,634	
Ordinary Income	25,337	238,085	34,438	
Income Before Income Taxes and Minority Interests	26,858	252,377	34,685	
Net Income	15,077	141,674	14,776	
	(Yen)	(US\$) [*]	(Yen)	
Net income per 1,000 shares	¥ 9,132	\$ 86	¥ 8,947	

(2) Financial Position:

	As of June 30, 2008		As of March 31, 2008	
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)	
Total Assets	¥ 2,311,494	\$ 21,720,485	¥ 2,358,929	
Total Net Asset	968,607	9,101,738	1,006,046	
	(Yen)	(US\$) [*]	(Yen)	
Book Value per 1,000 shares	¥ 443,568	\$ 4,168	¥ 465,213	

(3) Cash flows:

	3 Months ended June 30, 2008		3 Months ended June 30, 2007	
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)	
Cash flows from operating activities	¥ 6,325	\$ 59,434	¥ 19,073	
Cash flows from investing activities	(38,030)	(357,358)	(62,526)	
Cash flows from financing activities	23,886	224,450	14,784	
Cash and cash equivalents at end of period	98,434	924,958	97,811	

(4) Results of Operations by Business Segment:

	3 Months ended June 30, 2008		3 Months ended June 30, 2007	
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)	
Net Sales				
Basic Chemicals	¥ 75,670	\$ 711,051	¥ 77,248	
Petrochemicals & Plastics	164,820	1,548,769	143,862	
Fine Chemicals	24,338	228,698	23,105	
IT-related Chemicals	77,827	731,319	61,299	
Agricultural Chemicals	54,233	509,613	47,166	
Pharmaceuticals	62,902	591,073	58,398	
Others	36,559	343,535	28,144	
	¥ 496,349	\$ 4,664,058	¥ 439,222	
Operating Income				
Basic Chemicals	¥ 1,589	\$ 14,931	¥ 4,291	
Petrochemicals & Plastics	(711)	(6,681)	2,317	
Fine Chemicals	1,253	11,774	3,354	
IT-related Chemicals	7,245	68,079	(4,069)	
Agricultural Chemicals	5,794	54,445	5,405	
Pharmaceuticals	11,019	103,543	13,940	
Others	(1,487)	(13,973)	419	
Elimination	(46)	(432)	(23)	
	¥ 24,656	\$ 231,686	¥ 25,634	

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.42= \$1 prevailing on June 30, 2008.