

Sumitomo Chemical Company, Limited Announces Consolidated Financial Results

During fiscal 2008, the turmoil in global financial markets had a far-reaching impact on the real economies of the U.S. and other countries worldwide. Japan entered a severe recession. Exports decreased substantially because of a decline in demand and the appreciation of the yen. Furthermore, amid a sharp deterioration in corporate earnings, capital expenditure fell significantly, and consumer spending became sluggish. The Company also faced an extremely challenging operating environment. Prices of feedstocks surged during the first half of fiscal 2008 while the yen appreciated and the automobile and electronics industries implemented massive production cutbacks in the second half.

Under these circumstances, the Company undertook companywide efforts to improve earnings, endeavoring to maintain selling prices and expand sales volumes and engaging in cost reductions through the thorough streamlining of operations. In spite of these efforts, however, earnings for fiscal 2008 fell significantly below the levels of the previous year. Consolidated net sales decreased by ¥108.3 billion compared with the previous year to ¥1,788.2 billion, with operating income of ¥2.1 billion, ordinary loss of ¥32.6 billion, and net loss of ¥59.2 billion.

For fiscal 2008, impairment loss of ¥20.8 billion on a portion of business assets whose profitability declined was booked as an other expenses, and ¥19.6 billion in deferred tax assets determined to be unrecoverable were reversed and booked under Income taxes, net of tax effect.

The Company's consolidated financial performance by segment is as follows.

In the Basic Chemicals segment, sales of aluminum and raw materials for synthetic fibers decreased because of a significant decline in demand for building materials and textiles and a sharp drop in prices in the second half of fiscal 2008. Meanwhile, sales of methyl methacrylate contracted because of a slowdown in shipments, primarily in Japan. As a result, sales for this segment decreased by ¥74.7 billion compared with the previous year to ¥240.0 billion while operating income fell by ¥25.9 billion, resulting in a loss of ¥15.3 billion.

In the Petrochemicals and Plastics segment, shipments of petrochemical products, such as styrene monomer and propylene oxide, as well as synthetic resins fell substantially in both Japan and overseas markets owing to a downturn in demand in the automotive and other related industries in the second half of fiscal 2008. As a result, sales for this segment decreased by ¥50.4 billion compared with the previous year to ¥553.0 billion. Meanwhile, operating income declined by ¥34.9 billion, resulting in a loss of ¥30.3 billion, due in part to a loss on the write-down of inventories stemming from lower market prices toward the end of fiscal 2008.

In the Fine Chemicals segment, sales of pharmaceutical chemicals and raw materials for adhesives declined because of a drop-off in shipments and the appreciation of the yen. Consequently, sales for this segment contracted by ¥12.2 billion compared with the previous year to ¥80.8 billion, and operating income decreased by ¥9.8 billion to ¥1.6 billion.

In the IT-related Chemicals segment, sales volumes of polarizing film, a material for liquid crystal displays (LCDs), increased thanks to production capacity expansions

and productivity improvement in response to demand growth primarily in Asia. This business, however, was affected by production cutbacks by LCD manufacturers toward the end of fiscal 2008. As a result, sales for this segment increased by ¥9.6 billion compared with the previous year to ¥307.1 billion, but operating income decreased by ¥7.3 billion to record a loss of ¥1.0 billion because of a decline in selling prices and a temporary rise in research and development expenses in the second half of fiscal 2008.

In the Agricultural Chemicals segment, despite the effects of an appreciating yen, sales of agrochemicals expanded, bolstered by strong demand mainly in overseas markets, and sales of feed additives also increased thanks to higher selling prices on the back of growth in worldwide demand. Sales of OLYSET Net, a long-lasting insecticidal mosquito net, expanded steadily. Consequently, sales for this segment increased by ¥21.8 billion over the previous year to ¥222.2 billion while operating income rose by ¥3.5 billion to ¥24.4 billion.

In the Pharmaceuticals segment, sales of Amlodin (therapeutic agent for hypertension and angina pectoris) decreased because of Japan's National Health Insurance (NHI) drug price revisions and patent expiration. Although affected by NHI drug price revisions, sales of Gasmotin (gastroprokinetic), Meropen (carbapenem antibiotic), and Prorenal (vasodilator) rose as a result of the Company's continued marketing efforts. While sales of new products, Lonasen (agent for the treatment of schizophrenia) and Avapro (agent for the treatment of hypertension) increased, sales for this segment decreased by ¥2.0 billion year on year to ¥235.6 billion. Operating income declined by ¥14.1 billion to ¥32.4 billion because of an increase in research and development and other expenses.

In the Others segment, the Company provides electrical power and steam, and 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. Sales for this segment fell by ¥0.5 billion compared with the previous year to ¥149.5 billion, and operating income decreased by ¥11.6 billion owing to an increase in research and development and other expenses to record a loss of ¥7.9 billion.

With respect to the year-end dividend for fiscal 2008, based on the disappointing earnings for fiscal 2008, as mentioned above, and the outlook for continuing difficulties in the business environment, the Company, regrettably, has decided to pay ¥3 per share. When the interim dividend of ¥6 per share is included, the annual dividend for fiscal 2008 will be ¥9 per share, a decrease of ¥3 from ¥12 per share for fiscal 2007.

Operating cash flow in fiscal 2008 decreased by ¥78.2 billion year on year to ¥78.4 billion because of deterioration in income, among other factors. Cash flow from investing activities decreased by ¥23.6 billion to negative ¥206.2 billion. This resulted in a free cash flow of negative ¥127.8 billion compared with negative ¥26.1 billion for the previous year.

As for fiscal 2009, the Company forecasts that although sales will decrease by 9.4 percent from fiscal 2008 to ¥1,620.0 billion, operating income will increase by ¥32.9 billion to ¥35.0 billion and net income will rise by ¥69.2 billion to ¥10.0 billion supported by improved margins in the Basic Chemicals and Petrochemicals and Plastics segments, as well as commercial operation of the Rabigh Project.

Consolidated Statements of Income
Years ended March 31, 2009(FY2008) and 2008(FY2007)

	FY2008		FY2007
	(¥Million)	(US\$,1,000)*	(¥Million)
Sales	¥1,788,223	\$ 18,204,449	¥1,896,539
Cost of sales	1,412,613	14,380,668	1,454,416
Selling, general and administrative expenses	373,496	3,802,260	339,726
Operating income (loss)	2,114	21,521	102,397
Other income (expenses):			
Interest and dividend income	9,599	97,720	9,250
Interest expenses	(12,272)	(124,931)	(12,004)
Equity in (losses) earnings of affiliates	(12,811)	(130,418)	11,161
Gain on contribution of securities to retirement benefit trust	14,772	150,382	-
Reversal of provision for loss on litigation	1,054	10,730	-
Gain on sales of property, plant and equipment	989	10,068	4,734
Gain on sales of investment securities	858	8,735	6,719
Gain on change in equity by affiliate stock offering	-	-	28,767
Impairment loss on fixed assets	(20,848)	(212,237)	-
Foreign exchange losses	(14,659)	(149,231)	(7,093)
Restructuring charges	(8,803)	(89,616)	(4,766)
Loss on valuation of investment securities	(4,138)	(42,126)	-
Other, net	(4,595)	(46,779)	(10,921)
Income before income taxes and minority interests (loss)	(48,740)	(496,182)	128,244
Income taxes, net of tax effect	(1,597)	(16,258)	44,133
Minority interests	12,021	122,377	21,028
Net (loss) income	¥ (59,164)	\$ (602,301)	¥ 63,083

	FY2008		FY2007
	(Yen)	(US dollar)*	(Yen)
Net (loss) income per share	¥ (35.84)	\$ (0.36)	¥ 38.20
Dividends per share:			
Interim dividends	¥ 6.00	\$ 0.06	¥ 6.00
Year-end dividends	¥ 3.00	\$ 0.03	¥ 6.00
For the year	¥ 9.00	\$ 0.09	¥ 12.00

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of
¥98.23= \$1 prevailing on March 31, 2009.

Consolidated Statements of Cash Flows
Years ended March 31, 2009(FY2008) and 2008(FY2007)

	FY2008		FY2007
	(¥Million)	(US\$1,000)*	(¥Million)
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (48,740)	\$ (496,182)	¥128,244
Depreciation and amortization	140,707	1,432,424	124,980
Impairment loss on fixed assets	20,848	212,237	-
Gain on securities contribution to employees' retirement benefits trust	(14,772)	(150,382)	-
Gain on change in equity by affiliate stock offering	-	-	(28,767)
Income taxes paid	(30,013)	(305,538)	(50,278)
Other, net	10,398	105,853	(17,601)
Net cash provided by operating activities	78,428	798,412	156,578
Cash flows from investing activities:			
Acquisition of securities	(19,102)	(194,462)	(27,659)
Acquisition of property, plant and equipment	(138,739)	(1,412,389)	(127,083)
Payments of loans receivable	(67,087)	(682,958)	(2,830)
Acquisition of shares of newly consolidated subsidiaries	(135)	(1,374)	(30,561)
Other, net	18,826	191,651	5,454
Net cash used in investing activities	(206,237)	(2,099,532)	(182,679)
Cash flows from financing activities:			
Dividends paid	(19,826)	(201,832)	(21,482)
Net increase in short-term debt	84,485	860,073	14,417
Net increase in long-term debt	53,635	546,014	22,745
Other, net	(5,755)	(58,587)	(8,590)
Net cash provided by (used in) financing activities	112,539	1,145,668	7,090
Effect of exchange rate changes on cash and cash equivalents	(6,336)	(64,501)	252
Net increase(Decrease) in cash and cash equivalents	(21,606)	(219,953)	(18,759)
Increase in cash due to merger of consolidated subsidiaries	-	-	98
Net increase (Decrease) in cash resulting from changes in the number of consolidated subsidiaries	-	-	79
Cash and cash equivalents at beginning of year	107,408	1,093,434	125,990
Cash and cash equivalents at end of year	¥ 85,802	\$ 873,481	¥107,408

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98.23= \$1 prevailing on March 31, 2009.

Industry Segment Results
Years ended March 31, 2009(FY2008) and 2008(FY2007)

									(¥Million)	
		Basic Chemicals	Petro- chemicals& Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Others	Adjustments & Elimination	Consoli- dated
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	¥ 497,337	¥ 101,484	¥ 220,875	¥ 224,591	¥ 442,068	¥ 277,413	¥ 58,607	¥ 2,022,553
Depreciation Impairment loss		17,168	20,943	6,256	39,816	13,054	14,489	20,459	8522	140,707
Capital expenditures		6,059	3,575	-	11,215	-	-	-	-	20,848
		14,698	17,550	7,738	50,625	11,275	12,658	13,739	5,817	134,100
FY2007										
Sales	[a]	¥ 314,718	¥ 603,326	¥ 92,937	¥ 297,515	¥ 200,378	¥ 237,592	¥ 150,073		¥ 1,896,539
(Share)		(16.6%)	(31.8%)	(4.9%)	(15.7%)	(10.6%)	(12.5%)	(7.9%)		(100.0%)
(Growth)		(0.2%)	(11.9%)	(2.3%)	(11.7%)	(1.0%)	(1.3%)	(2.2%)		(6.0%)
Operating income (loss)	[b]	¥ 10,559	¥ 4,518	¥ 11,430	¥ 6,290	¥ 20,914	¥ 46,464	¥ 3,688	¥ (1,466)	¥ 102,397
[b] / [a]		(3.4%)	(0.7%)	(12.3%)	(2.1%)	(10.4%)	(19.6%)	(2.5%)		(5.4%)
Total assets		¥ 257,102	¥ 591,226	¥ 102,930	¥ 299,498	¥ 240,398	¥ 449,496	¥ 337,518	¥ 80,761	¥ 2,358,929
Depreciation		13,305	18,377	6,080	42,190	12,791	15,370	11,064	5,803	124,980
Capital expenditures		27,646	21,199	6,929	33,355	8,451	18,283	18,448	8,210	142,521

Overseas Operations
Years ended March 31, 2009(FY2008) and 2008(FY2007)

	FY2008				FY2007
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 749,811	\$7,633,218	41.9	-4.9	¥ 788,804

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of
¥98.23= \$1 prevailing on March 31, 2009.

Non-consolidated Statements of Income
Years ended March 31, 2009(FY2008) and 2008(FY2007)

	FY2008		FY2007
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 811,311	\$ 8,259,300	¥ 933,291
Cost of sales	728,010	7,411,280	805,079
Selling, general and administrative expenses	133,494	1,358,994	113,921
Operating income (loss)	(50,193)	(510,974)	14,292
Other income	40,661	413,937	37,142
Other expenses	16,812	171,149	21,151
Ordinary income (loss)	(26,344)	(268,187)	30,283
Special gains	14,772	150,382	7,169
Special losses	30,508	310,577	8,211
Income before income taxes	(42,080)	(428,382)	29,241
Income taxes	(4,379)	(44,579)	5,875
Net income (loss)	¥ (37,701)	\$ (383,803)	¥ 23,366

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98.23= \$1 prevailing on March 31, 2009.

(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.