

Sumitomo Chemical Reports Consolidated Financial Results For The Nine Months Ended December 31, 2007

During the 9 months ending December 31, Japan's economy continued its moderate growth supported by improved corporate income spurring increased capital expenditures as well as increased exports thanks to economic expansion in Asia, particularly China. However, in addition to sustained high prices for crude oil from the latter half of the year, the risk of a slowdown in the US economy stemming from the sub-prime loan problem has heightened concerns about its possible effect on the global economy.

Under these circumstances, the Sumitomo Chemical Group posted sales for the 9 months ending December 31 of ¥1,391.0 billion, an increase of ¥94.8 billion over the previous year. Operating income was ¥75.9 billion, ordinary income was ¥85.5 billion, and net income was ¥40.5 billion, all of which represent a decrease compared with the previous year owing to increased raw materials costs as well as increased fixed costs such as depreciation costs and R&D expenditures.

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

In the Basic Chemicals segment, sales for caprolactam and acrylonitrile, raw materials for synthetic textile fibers increased thanks to improved market conditions. Sales of methyl methacrylate and other products also saw a rise because of higher selling prices. As a result, sales increased ¥5.8 billion over the previous year to ¥234.0 billion, while operating income remained almost flat year on year at ¥9.6 billion because of increased raw material and fixed costs that offset improved margins for methyl methacrylate and other products on the back of a market rise.

In the Petrochemicals & Plastics segment, sales of synthetic resins increased as a result of domestic selling price increases taken in response to the rising prices of feedstocks such as naphtha. Sales of petrochemical products also increased with higher market prices reflecting high feedstock costs. Sales increased ¥43.1 billion over the same period last year to ¥440.9 billion, while operating income decreased by ¥13.2 billion to ¥4.3 billion, showing the effects of rising prices for raw materials exceeding selling price increases as well as a large scale periodical maintenance shutdown of manufacturing plants occurring once in four years.

The Fine Chemicals segment saw sales increases due to marketing drives for pharmaceutical intermediates. Sales increased ¥0.6 billion year on year to ¥69.6 billion, while operating income decreased ¥0.9 billion to ¥9.1 billion because of high feedstock prices.

In the IT-related Chemicals segment, sales increased thanks to higher sales volumes for polarizing film and color filters, materials for liquid crystal displays (LCDs), driven by a production capacity increase in Korea. Though the decline in selling prices moderated somewhat starting this fiscal year, it represented a considerable decrease compared with the same period the previous year. Shipments of light diffusion sheets, liquid crystal polymers and other materials remained firm, boosting sales. Sales increased ¥15.8 billion year on year to ¥214.0 billion, and although operating income has begun to recover considerably heading into the second half, it declined year on year by ¥8.4 billion to ¥0.2 billion because of depressed selling prices for polarizing film along with increased fixed costs caused by capacity expansions.

In the Agricultural Chemicals segment, feed additives saw an increase in sales owing to increases in selling prices and active marketing drives, and firm overseas shipments of household insecticides boosted overall sales. Meanwhile, domestic shipments of agrochemicals in the second half showed a recovery. Sales increased ¥4.3 billion over the same period last year to ¥142.6 billion, while operating income decreased by ¥1.7 billion to ¥11.4 billion owing to high raw material prices as well as one-time costs associated with the integration of Sumitomo Chemical Takeda Agro Co., Ltd.

In the Pharmaceuticals segment, sales of Dainippon Sumitomo Pharma's four main products, *Amlodin* (therapeutic agent for hypertension and angina), *Gasmotin* (gastroprokinetic), *Meropen* (carbapenem antibiotic), and *Prorenal* (vasodilator) remained firm. Sales increased ¥3.8 billion year on year to ¥179.2 billion, while operating income decreased by ¥4.1 billion to ¥38.6 billion because of increased fixed costs such as R&D expenditures.

In the Others segment, the Company provides electrical power and steam, services for chemical plant engineering and design, transport and warehousing, and materials and environmental analysis. Sales in our chemical plant engineering and design services subsidiary increased with progress on the Rabigh Project, a project for the construction of an integrated refinery and petrochemical complex in Saudi Arabia. Sales increased ¥21.3 billion over the previous year to ¥110.6 billion, while operating income declined ¥1.5 billion to ¥3.4 billion.

In addition to the decrease in operating income, extraordinary gains on the sale of securities decreased from the same period last year. As a result, net income decreased by ¥32.4 billion compared with the same period over the previous year, to ¥40.5 billion.

Summary of Consolidated Results

(1) Results of operations:

	9 Months ended December 31, 2007		9 Months ended December 31, 2006	
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)	
Net Sales	¥ 1,390,983	\$ 12,185,572	¥ 1,296,206	
Operating Income	75,944	665,300	105,404	
Income Before Income Taxes and Minority Interests	89,768	786,404	140,567	
Net Income	40,483	354,647	72,914	
	(Yen)	(US\$) [*]	(Yen)	
Net income per 1,000 shares	¥ 24,516	\$ 215	¥ 44,142	

(2) Financial Position:

	As of December 31, 2007		As of March 31, 2007	
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)	
Total Assets	¥ 2,362,641	\$ 20,697,687	¥ 2,324,906	
Total Net Asset	1,016,234	8,902,619	1,030,521	
	(Yen)	(US\$) [*]	(Yen)	
Book Value per 1,000 shares	¥ 471,225	\$ 4,128	¥ 479,872	

(3) Cash flows:

	9 Months ended December 31, 2007		9 Months ended December 31, 2006	
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)	
Cash flows from operating activities	¥ 105,141	\$ 921,078	¥ -	
Cash flows from investing activities	(173,626)	(1,521,034)	-	
Cash flows from financing activities	41,132	360,333	-	
Cash and cash equivalents at end of period	¥ 99,200	\$ 869,032	¥ -	

(4) Results of Operations by Business Segment:

	9 Months ended December 31, 2007		9 Months ended December 31, 2006	
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)	
Net Sales				
Basic Chemicals	¥ 234,028	\$ 2,050,180	¥ 228,195	
Petrochemicals & Plastics	440,867	3,862,173	397,768	
Fine Chemicals	69,571	609,470	68,962	
IT-related Chemicals	214,030	1,874,989	198,213	
Agricultural Chemicals	142,595	1,249,190	138,246	
Pharmaceuticals	179,249	1,570,293	175,475	
Others	110,643	969,277	89,347	
	¥ 1,390,983	\$ 12,185,572	¥ 1,296,206	
Operating Income				
Basic Chemicals	¥ 9,646	\$ 84,503	¥ 9,501	
Petrochemicals & Plastics	4,292	37,600	17,483	
Fine Chemicals	9,085	79,588	9,984	
IT-related Chemicals	178	1,559	8,590	
Agricultural Chemicals	11,433	100,158	13,162	
Pharmaceuticals	38,580	337,976	42,696	
Others	3,413	29,899	4,912	
Elimination	(683)	(5,983)	(924)	
	¥ 75,944	\$ 665,300	¥ 105,404	

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥114.15= \$1 prevailing on December 31, 2007.