

## **Sumitomo Chemical Reports Consolidated Financial Results For the Half-Year Ended September 30, 2008**

Japan's economy remained sluggish during the first half of fiscal 2008. High prices for crude oil and other raw materials, together with weak export growth due to the slowing US economy and the stronger yen, resulted in lower corporate earnings, while capital investment and consumer spending slowed.

The Sumitomo Chemical Group faced challenging business conditions such as sustained high prices for naphtha and other feedstocks and the strengthening yen.

Under these circumstances, the Sumitomo Chemical Group worked to improve business performance by increasing sales prices, expanding sales through marketing drives and cutting costs by streamlining. As a result, consolidated sales for the half-year ended September 30, 2008 increased by ¥77.3 billion over the same period of the previous year to ¥1,009.2 billion, while operating income, ordinary income and net income declined to ¥31.0 billion, ¥23.0 billion and ¥6.3 billion respectively owing to factors such as the impact of higher prices for raw materials.

Sumitomo Chemical declared an interim dividend of ¥6 per share, the same as for the corresponding period last year.

Consolidated half-year financial results by business segment are as follows.

In the Basic Chemicals segment, despite higher market prices, sales of aluminum and raw materials for synthetic fibers decreased because of the stronger yen and lower shipment volumes. Methyl methacrylate (MMA) sales remained at the same level as the previous year because shipments increased in overseas markets but demand in Japan was weak. Consequently, sales for the segment decreased by ¥5.9 billion to ¥153.9 billion year on year. Operating income for the segment declined by ¥9.1 billion to a ¥1.2 billion loss.

In the Petrochemicals & Plastics segment, sales prices for synthetic resins and petrochemical products such as propylene oxide and styrene monomer 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 for the segment increased by ¥43.4 billion over the same period of the previous year to ¥334.1 billion. However, the impact of higher feedstock costs and the stronger yen caused operating income to decrease by ¥12.2 billion to a loss of ¥10.1 billion.

In the Fine Chemicals segment, sales of products such as organic intermediates and polymer additives increased, reflecting the Company's selling price increases taken in response to higher feedstock costs, while shipments of pharmaceutical chemicals temporarily decreased. The segment's sales declined by ¥0.7 billion from the same period of the previous year to ¥46.7 billion, and operating income also decreased by ¥4.0 billion to ¥2.2 billion owing to the higher feedstock costs.

In the IT-related Chemicals segment, sales of LCD related materials such as polarizing film and color filters increased substantially, supported by production

capacity increases and productivity enhancements that were undertaken to meet the strong demand in Korea, Taiwan and China. As a result, sales rose by ¥24.9 billion over the same period last year to ¥162.5 billion and operating income increased by ¥18.6 billion to ¥12.3 billion.

In the Agricultural Chemicals segment, sales of agrochemicals 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 continued growth. As a result, sales for the segment increased by ¥13.0 billion over the same period of the previous year to ¥113.6 billion and operating income increased by ¥1.4 billion to ¥12.3 billion.

In the Pharmaceuticals segment, despite the effect of the Japanese government's revision of reimbursement prices for pharmaceuticals, sales of the segment's four main products, *Amlodin* (therapeutic agent for hypertension and angina pectoris), *Gasmotin* (gastroprokinetic), *Meropen* (carbapenem antibiotic), and *Prorenal* (vasodilator) remained at the same level as the corresponding period last year, supported by continued marketing efforts. With additional sales of new products *Lonasen* (agent for the treatment of schizophrenia) and *Avapro* (agent for the treatment of hypertension), sales for the segment grew by ¥4.3 billion over the same period last year to ¥120.7 billion. Operating income decreased by ¥6.7 billion to ¥19.2 billion, primarily because of increased research and development 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 the segment decreased by ¥1.7 billion from the same period of the previous year to ¥77.6 billion. Operating income decreased by ¥5.8 billion to a loss of ¥3.6 billion mainly because of increased research and development expenses associated with new businesses.

## (2) Full-year forecast

Japan's economy will continue to be highly susceptible to downside risk from a slowdown in the US and other economies, volatile raw material prices, as well as prolonged turmoil in global financial markets. The Sumitomo Chemical Group will continue to face challenging business conditions.

Assuming an exchange rate of ¥100/USD and a naphtha price of ¥54,000/kl during the second half of the fiscal year, the Company's full-year sales is forecast to increase by ¥113.5 billion over the previous year to ¥2,010.0 billion. Operating income, ordinary income and net income are forecast to be ¥70.0 billion, ¥60.0 billion and ¥15.0 billion respectively.

## Summary of Consolidated Results

### (1) Results of operations:

	6 Months ended September 30, 2008		6 Months ended September 30, 2007	
	( ¥ Million )	( US\$ 1,000 )*	( ¥ Million )	( Yen )
Net Sales	¥ 1,009,207	\$ 9,744,202	¥ 931,896	
Operating Income	31,009	299,401	48,364	
Ordinary Income	22,973	221,811	57,664	
Income Before Income Taxes and Minority Interests	22,491	217,157	57,933	
Net Income	6,288	60,713	26,396	
	( Yen )	( US\$ )*	( Yen )	
Net income per 1,000 shares	¥ 3,809	\$ 37	¥ 15,984	
Dividends per 1,000 shares:				
Interim dividends	¥ 6,000	\$ 58	¥ 6,000	

### (2) Financial Position:

	As of September 30, 2008		As of March 31, 2008	
	( ¥ Million )	( US\$ 1,000 )*	( ¥ Million )	( Yen )
Total Assets	¥ 2,401,262	\$ 23,184,918	¥ 2,358,929	
Total Net Asset	959,253	9,261,881	1,006,046	
	( Yen )	( US\$ )*	( Yen )	
Book Value per 1,000 shares	¥ 437,121	\$ 4,221	¥ 465,213	

### (3) Cash flows:

	6 Months ended September 30, 2008		6 Months ended September 30, 2007	
	( ¥ Million )	( US\$ 1,000 )*	( ¥ Million )	( Yen )
Cash flows from operating activities	¥ 17,144	\$ 165,531	¥ 64,493	
Cash flows from investing activities	(105,480)	(1,018,442)	(135,112)	
Cash flows from financing activities	80,828	780,419	33,803	
Cash and cash equivalents at end of period	98,696	952,940	90,511	

### (4) Results of Operations by Business Segment:

	6 Months ended September 30, 2008		6 Months ended September 30, 2007	
	( ¥ Million )	( US\$ 1,000 )*	( ¥ Million )	( Yen )
Net Sales				
Basic Chemicals	¥ 153,946	\$ 1,486,396	¥ 159,809	
Petrochemicals & Plastics	334,056	3,225,413	290,608	
Fine Chemicals	46,731	451,202	47,461	
IT-related Chemicals	162,549	1,569,460	137,670	
Agricultural Chemicals	113,612	1,096,959	100,623	
Pharmaceuticals	120,679	1,165,193	116,350	
Others	77,634	749,580	79,375	
	¥ 1,009,207	\$ 9,744,202	¥ 931,896	
Operating Income				
Basic Chemicals	¥ (1,183)	\$ (11,422)	¥ 7,910	
Petrochemicals & Plastics	(10,126)	(97,770)	2,044	
Fine Chemicals	2,173	20,981	6,141	
IT-related Chemicals	12,307	118,828	(6,279)	
Agricultural Chemicals	12,264	118,413	10,815	
Pharmaceuticals	19,240	185,768	25,980	
Others	(3,572)	(34,489)	2,205	
Elimination	(94)	(908)	(452)	
	¥ 31,009	\$ 299,401	¥ 48,364	

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥103.57= \$1 prevailing on September 30, 2008.