

Sumitomo Chemical Reports Consolidated Financial Results For The Nine Months Ended December 31, 2008

Toward the end of the nine months ended December 31 2008, as the turmoil in global financial markets seriously affected the real economies of the U.S. and other countries worldwide, the Japanese economy was in a worsening recession. Exports decreased considerably owing to falling demand and the strong yen, and capital investment and consumer spending declined. Under these circumstances, the Sumitomo Chemical Group's consolidated sales for the nine-month period increased over the same period the previous year by ¥61.6 billion to ¥1,452.6 billion. However, high prices for raw materials during the second fiscal quarter, in addition to factors such as rapidly decreasing demand, falling market prices and the stronger yen from the beginning of the third fiscal quarter, caused operating income, ordinary income and net income to decline from the same period last year to ¥42.3 billion, ¥26.2 billion and ¥0.8 billion respectively.

The Company's consolidated nine-month financial results by business segment are as follows.

In the Basic Chemicals segment, sales of aluminum and raw materials for synthetic fibers decreased with declining shipments and falling market prices during the third fiscal quarter. Sales of methyl methacrylate (MMA) were at the same level as the corresponding period last year because overseas shipments increased but domestic sales remained weak. Consequently, the segment's sales declined year on year by ¥27.9 billion to ¥206.1 billion and operating income declined by ¥17.3 billion to a loss of ¥7.7 billion.

In the Petrochemicals & Plastics segment, shipments of synthetic resins and petrochemical products such as propylene oxide saw a decrease going into the third fiscal quarter. However, sales increased because of the Company's selling price increases in Japan that reflected the rise in feedstock prices until the second fiscal quarter as well as higher market prices in Asia. As a result, sales for the segment increased by ¥25.5 billion over the same period the previous year to ¥466.4 billion, and operating income decreased by ¥14.9 billion year on year to a loss of ¥10.6 billion.

In the Fine Chemicals segment, sales of products such as pharmaceutical chemicals and adhesives raw materials decreased because of weaker shipments and the stronger yen. Consequently, the segment's sales decreased by ¥3.3 billion compared with the same period the previous year to ¥66.2 billion, and operating income decreased by ¥5.5 billion to ¥3.6 billion.

In the IT-related Chemicals segment, sales of polarizing film, a material for liquid crystal displays, increased supported by the Company's production capacity increases and productivity improvement implemented to meet increasing demand in Korea, Taiwan and China. Shipments of color filters also grew steadily. As a result, the segment's sales increased over the same period the previous year by ¥40.8 billion to ¥254.9 billion, and operating income increased by ¥17.5 billion to ¥17.7 billion.

In the **Agricultural Chemicals segment**, sales of agrochemicals increased thanks to strong demand mainly in overseas markets, and sales of feed additives rose with higher selling prices on the back of robust demand, in spite of the effects of the stronger yen. Sales of Olyset Nets also posted strong growth. As a result, sales for the segment increased by ¥22.7 billion over the same period last year to ¥165.3 billion, and operating income increased by ¥4.0 billion to ¥15.5 billion.

In the **Pharmaceuticals segment**, sales of *Amlodin* (therapeutic agent for hypertension and angina pectoris) decreased owing to the expiration of its patent, in addition to the Japanese government's revision of reimbursement prices for pharmaceuticals. Sales of *Gasmotin* (gastroprokinetic), *Meropen* (carbapenem antibiotic), and *Prorenal* (vasodilator) were affected by the price revisions but remained at the same levels as the corresponding period last year, supported by continued marketing efforts. In addition, sales of new products *Lonasen* (agent for the treatment of schizophrenia) and *Avapro* (agent for the treatment of hypertension) contributed to sales for the segment. As a result, the segment's sales were ¥179.9 billion, on par with the same period last year. Operating income decreased by ¥9.7 billion to ¥28.9 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 increased by ¥3.2 billion over the same period the previous year to ¥113.9 billion. Operating income decreased year on year by ¥6.6 billion to a loss of ¥3.2 billion mainly because of increased research and development expenses associated with new businesses.

The Company's consolidated **net income** decreased by ¥39.7 billion from the same period last year to ¥0.8 billion, mainly because of the lower operating income, a significant loss from foreign currency exchange and a steep decline in equity earnings from affiliates.

Because of lower sales volumes due to worsening global economic conditions and the effects of a stronger yen, the Company has revised its **financial forecast** for the full year ending March 31, 2009 downward to sales of ¥1,820.0 billion, operating income of ¥30.0 billion, ordinary income of ¥0, and a net loss of ¥15.0 billion.

The Company has also revised its **projected year-end dividend** from ¥6 per share to ¥3 per share. As a result, the Company's projected dividend will be ¥9 per share on a full-year basis.

Summary of Consolidated Results

(1) Results of operations:

	9 Months ended December 31, 2008		9 Months ended December 31, 2007
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)
Net Sales	¥ 1,452,626	\$ 15,957,662	¥ 1,390,983
Operating Income	42,284	464,506	75,944
Ordinary Income	26,169	287,477	85,483
Income Before Income Taxes and Minority Interests	21,560	236,845	89,768
Net Income	758	8,327	40,483
	(Yen)	(US\$) [*]	(Yen)
Net income per 1,000 shares	¥ 459	\$ 5	¥ 24,516

(2) Financial Position:

	As of December 31, 2008		As of March 31, 2008
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)
Total Assets	¥ 2,257,578	\$ 24,800,374	¥ 2,358,929
Total Net Asset	897,492	9,859,299	1,006,046
	(Yen)	(US\$) [*]	(Yen)
Book Value per 1,000 shares	¥ 400,242	\$ 4,397	¥ 465,213

(3) Cash flows:

	9 Months ended December 31, 2008		9 Months ended December 31, 2007
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)
Cash flows from operating activities	¥ 29,971	\$ 329,243	¥ 105,141
Cash flows from investing activities	(154,897)	(1,701,604)	(173,626)
Cash flows from financing activities	113,232	1,243,898	41,132
Cash and cash equivalents at end of period	92,447	1,015,566	99,200

(4) Results of Operations by Business Segment:

	9 Months ended December 31, 2008		9 Months ended December 31, 2007
	(¥ Million)	(US\$ 1,000) [*]	(¥ Million)
Net Sales			
Basic Chemicals	¥ 206,089	\$ 2,263,968	¥ 234,028
Petrochemicals & Plastics	466,362	5,123,168	440,867
Fine Chemicals	66,224	727,496	69,571
IT-related Chemicals	254,876	2,799,912	214,030
Agricultural Chemicals	165,285	1,815,720	142,595
Pharmaceuticals	179,901	1,976,283	179,249
Others	113,889	1,251,115	110,643
	¥ 1,452,626	\$ 15,957,662	¥ 1,390,983
Operating Income			
Basic Chemicals	¥ (7,665)	\$ (84,203)	¥ 9,646
Petrochemicals & Plastics	(10,579)	(116,214)	4,292
Fine Chemicals	3,583	39,361	9,085
IT-related Chemicals	17,674	194,156	178
Agricultural Chemicals	15,452	169,746	11,433
Pharmaceuticals	28,901	317,489	38,580
Others	(3,191)	(35,054)	3,413
Elimination	(1,891)	(20,773)	(683)
	¥ 42,284	\$ 464,506	¥ 75,944

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥91.03= \$1 prevailing on December 31, 2008.