

Sumitomo Chemical Reports Consolidated Financial Results For the Three Months Ended June 30, 2009

During the first quarter ended June 30, 2009, the Japanese economy remained sluggish. While there were signs that the economic recession was bottoming out such as a recovery in exports, capital expenditure fell sharply due to lower corporate profits, and consumer spending continued to be weak amid worsening employment conditions. In this operating environment, the Sumitomo Chemical Group reported sales of ¥340.8 billion for the first quarter, a decrease of ¥155.6 billion over the same period of the previous year, operating income of ¥2.3 billion, ordinary income of ¥3.2 billion, and net loss of ¥1.5 billion, all of which were lower than the levels for the same period of the previous year.

The Sumitomo Chemical Group's financial results by business segment for the first quarter are as follows.

Basic Chemicals

Sales of aluminum and raw materials for synthetic fibers declined because of a decrease in demand for construction materials and textile fibers, as well as a sharp drop in market prices. Sales of methyl methacrylate decreased due to sluggish shipments in domestic and overseas markets. As a result, the segment's sales fell by ¥33.2 billion over the same period of the previous year, to ¥42.4 billion, and operating income decreased by ¥4.4 billion, recording a loss of ¥2.8 billion.

Petrochemicals & Plastics

Sales of petrochemical products, such as styrene monomer and propylene oxide, were down because of a steep drop in market prices coupled with declining prices for naphtha and other feedstocks. Sales of synthetic resins decreased on account of a drop-off in selling prices, as well as weaker demand from automotive and other customer industries. As a result, the segment's sales declined by ¥68.7 billion from the same period of the previous year, to ¥96.1 billion, and operating income decreased by ¥4.9 billion, to a loss of ¥5.6 billion.

Fine Chemicals

Sales of pharmaceutical chemicals and specialty chemicals contracted due to a decline in shipments and the effects of the stronger yen. As a result, the segment's sales decreased by ¥9.5 billion from the same period of the previous year, to ¥14.8 billion, and operating income fell by ¥1.4 billion, to a loss of ¥0.1 billion.

IT-related Chemicals

Sales of polarizing film and color filters used in liquid crystal displays (LCD) declined because of decreased shipments and lower selling prices stemming from LCD panel manufacturers' production cutbacks. In addition, owing to the appreciation of the yen, the value of the sales of the segment's foreign subsidiaries contracted in terms of the yen. As a result, the segment's sales fell by ¥31.8 billion, to ¥46.0 billion, and operating income decreased by ¥10.4 billion, to a loss of ¥3.1 billion, compared with the same period of the previous year.

Agricultural Chemicals

Sales of feed additives increased because of a rise in selling prices on the back of growing demand. Sales of crop protection chemicals grew, thanks to strong shipments mainly in overseas markets. Owing to the appreciation of the yen, however, the value of the sales of the segment's foreign subsidiaries contracted in yen terms. Consequently, the segment's sales and operating income remained almost unchanged from the same period of the previous year at ¥54.2 billion and ¥5.8 billion respectively.

Pharmaceuticals

Sales of *Amlodin* (therapeutic agent for hypertension and angina pectoris) decreased because its patent expired. Despite continued efforts to expand sales of *Gasmotin* (gastroprokinetic), *Meropen* (carbapenem antibiotic) and *Prorenal* (vasodilator), as well as *Lonasen* (agent for the treatment of schizophrenia), which was launched last year, the segment's sales decreased by ¥3.5 billion from the same period of the previous year, to ¥59.4 billion. Operating income decreased by ¥1.2 billion, to ¥9.8 billion, partly due to an increase in the expenses for amortization of actuarial differences for employees' retirement benefits.

Others

In addition to the above six segments, the Sumitomo Chemical Group engages in supplying electrical power and steam, providing services for the design, engineering and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The Group also conducts development and sale activities in new business fields, such as polymer organic light emitting diodes. The segment's sales decreased by ¥8.8 billion from the same period of the previous year, to ¥27.8 billion, and operating income fell by ¥0.5 billion, resulting in a loss of ¥2.0 billion.

Summary of Consolidated Results

(1) Results of Operations:

	3 Months ended June 30, 2009		3 Months ended June 30, 2008
	(¥ Million)	(US\$ 1,000)	(¥ Million)
Net sales	¥ 340,771	\$ 3,549,328	¥ 496,349
Operating income	2,303	23,987	24,656
Ordinary income	3,205	33,382	25,337
Income before income taxes and minority interests	3,009	31,340	26,858
Net (loss) income	(1,508)	(15,707)	15,077
	(Yen)	(US\$)	(Yen)
Net income per 1,000 shares	¥ (913)	\$ (10)	¥ 9,132

(2) Financial Position:

	As of June 30, 2009		As of March 31, 2009
	(¥ Million)	(US\$ 1,000)	(¥ Million)
Total assets	¥ 2,057,757	\$ 21,432,736	¥ 2,022,553
Total net asset	803,785	8,371,888	775,628
	(Yen)	(US\$)	(Yen)
Book value per 1,000 shares	¥ 344,491	\$ 3,588	¥ 329,744

(3) Cash Flows:

	3 Months ended June 30, 2009		3 Months ended June 30, 2008
	(¥ Million)	(US\$ 1,000)	(¥ Million)
Cash flows from operating activities	¥ (3,995)	\$ (41,610)	¥ 6,325
Cash flows from investing activities	(13,954)	(145,339)	(38,030)
Cash flows from financing activities	21,955	228,674	23,886
Cash and cash equivalents at end of period	91,544	953,484	98,434

(4) Results of Operations by Business Segment:

	3 Months ended June 30, 2009		3 Months ended June 30, 2008
	(¥ Million)	(US\$ 1,000)	(¥ Million)
Net sales			
Basic Chemicals	¥ 42,437	\$ 442,006	¥ 75,670
Petrochemicals & Plastics	96,137	1,001,323	164,820
Fine Chemicals	14,797	154,119	24,338
IT-related Chemicals	45,986	478,971	77,827
Agricultural Chemicals	54,234	564,879	54,233
Pharmaceuticals	59,411	618,800	62,902
Others	27,769	289,230	36,559
	¥ 340,771	\$ 3,549,328	¥ 496,349
Operating (loss) income			
Basic Chemicals	¥ (2,843)	\$ (29,611)	¥ 1,589
Petrochemicals & Plastics	(5,620)	(58,536)	(711)
Fine Chemicals	(108)	(1,125)	1,253
IT-related Chemicals	(3,123)	(32,528)	7,245
Agricultural Chemicals	5,809	60,504	5,794
Pharmaceuticals	9,774	101,802	11,019
Others	(1,975)	(20,571)	(1,487)
Elimination	389	4,052	(46)
	¥ 2,303	\$ 23,987	¥ 24,656

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥96.01= \$1 prevailing on June 30, 2009.