

Sumitomo Chemical Reports Consolidated Financial Results For the Half-Year Ended September 30, 2009

During the half-year ended September 30, 2009, the Japanese economy showed some signs of recovery, such as a rebound in exports resulting from the economic stimulus measures implemented at home and abroad in major economies, but capital investment decreased sharply against the backdrop of weak corporate earnings, while consumer spending continued to be sluggish amid worsening employment conditions.

As challenging business conditions continued, the Sumitomo Chemical Group made all-out efforts to improve business performance by increasing selling prices and expanding sales volumes, as well as cutting costs substantially through streamlining. Consequently, the Group's sales for the half-year ended September 30, 2009 were ¥735.2 billion, a decrease of ¥274.0 billion compared with the same period the previous year, with operating income of ¥11.2 billion, ordinary income of ¥7.8 billion, and net loss of ¥3.5 billion, all of which were lower than the levels of a year earlier.

Because the financial performance for this half-year was lower than the same period the previous year, Sumitomo Chemical has decided not to pay an interim dividend.

The Sumitomo Chemical Group's financial results by business segment for the half-year are as follows.

Basic Chemicals

Sales of aluminum and raw materials for synthetic textile fibers declined because of a sharp drop in market prices caused by a decrease in demand for construction materials and textile fibers, as well as a sharp drop in market prices. Sales of methyl methacrylate contracted due to sluggish shipments in domestic and overseas markets. As a result, the segment's sales fell by ¥60.0 billion compared with the same period the previous year, to ¥94.0 billion, and operating income decreased by ¥2.6 billion, to a loss of ¥3.8 billion.

Petrochemicals & Plastics

Sales of petrochemical products, such as styrene monomer and propylene oxide, fell 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 lower selling prices, as well as a decline and a prolonged recovery in demand from automotive and other customer industries. As a result, the segment's sales decreased by ¥122.9 billion compared with the same period the previous year, to ¥211.2 billion. Meanwhile, as a result of better margins for both synthetic resins and petrochemical products thanks to lower feedstock prices, operating income improved by ¥3.8 billion, to a loss of ¥6.3 billion.

Fine Chemicals

Sales of pharmaceutical chemicals and specialty chemicals contracted because of a drop in shipments and the effects of a stronger yen. Consequently, the segment's sales decreased by ¥14.3 billion compared with the same period the previous year, to ¥32.5 billion, and operating income fell by ¥2.1 billion, to ¥0.1 billion.

IT-related Chemicals

Despite a recovery in demand in Korea, Taiwan and China, sales of polarizing film and color filters used in liquid crystal displays (LCD) decreased because selling prices declined compared with the same period the previous year, affected by softening market conditions since the end of last year. In addition, owing to the appreciation of the yen, the value of sales of the segment's foreign subsidiaries contracted in yen terms. As a result, the segment's sales fell by ¥50.9 billion, to ¥111.7 billion, and operating income dropped by ¥18.0 billion, to a loss of ¥5.7 billion, compared with the same period the previous year.

Agricultural Chemicals

Shipments of feed additives and Olyset Net, a long-lasting insecticidal mosquito net, remained solid. In the crop protection chemicals business, shipments of herbicides continued to be strong in overseas markets. Fertilizers sales fell due to a decline in prices as well as a decrease in volumes resulting from the effort to reduce inventories in the market. In addition, owing to the appreciation of the yen, the value of sales of the segment's foreign subsidiaries decreased in yen terms. Consequently, the segment's sales contracted by ¥5.3 billion, to ¥108.3 billion, and operating income increased by ¥0.5 billion, to ¥12.8 billion, compared with the same period the previous year.

Pharmaceuticals

Sales of *Amlodin* (therapeutic agent for hypertension and angina pectoris) decreased because of the effects from the expiration of its patent. 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 ¥2.1 billion from the same period the previous year, to ¥118.6 billion. Operating income fell by ¥3.4 billion, to ¥15.8 billion, partly owing to an increase in expenses for the 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 contracted by ¥ 18.6 billion from the same period the previous year, to ¥ 59.0 billion, and operating income improved by ¥1.5 billion, to a loss of ¥2.0 billion.

The outlook for the business climate for the Sumitomo Chemical Group remains uncertain. While the economies of other countries, particularly China and the U.S., are on track for a recovery, demand in Japan is lacking in strength to make a solid recovery and trends in feedstock prices and foreign exchange rates continue to be unpredictable.

Assuming an exchange rate of ¥90/US\$ and a naphtha price of ¥43,000/kl for the half-year ending March 31, 2010, the Company forecasts that its full-year sales will decline by 9.4% compared with the previous year, to ¥1,620.0 billion, with operating income of ¥35.0 billion, ordinary income of ¥20.0 billion, and net income of ¥10.0 billion.

The Company's forecast does not reflect the financial results of Sepracor Inc., recently acquired by our consolidated subsidiary Dainippon Sumitomo Pharma. Goodwill and in-process R&D, etc. arising from the acquisition are under measurement at present. When the effects of these items on the Company's financial results have been determined, any items requiring disclosure will be announced promptly.

Continuing its effort to achieve the forecast levels of financial performance, the Company plans to pay a year-end dividend of ¥6 per share.

Summary of Consolidated Results

(1) Results of Operations:

	6 Months ended September 30, 2009		6 Months ended September 30, 2008	
	(¥ Million)	(US\$ 1,000)*	(¥ Million)	(Yen)
Net sales	¥ 735,205	\$ 8,149,928	¥ 1,009,207	
Operating income	11,172	123,844	31,009	
Ordinary income	7,788	86,332	22,973	
Income before income taxes and minority interests	7,331	81,266	22,491	
Net (loss) income	(3,485)	(38,632)	6,288	
	(Yen)	(US\$)*	(Yen)	
Net (loss) income per 1,000 shares	¥ (2,111)	\$ (23)	¥ 3,809	
Dividends per 1,000 shares:				
Interim dividends	¥ —	\$ —	¥ 6,000	

(2) Financial Position:

	As of September 30, 2009		As of March 31, 2009	
	(¥ Million)	(US\$ 1,000)*	(¥ Million)	(Yen)
Total assets	¥ 2,094,014	\$ 23,212,659	¥ 2,022,553	
Total net asset	801,281	8,882,397	775,628	
	(Yen)	(US\$)*	(Yen)	
Book Value per 1,000 shares	¥ 340,984	\$ 3,780	¥ 329,744	

(3) Cash Flows:

	6 Months ended September 30, 2009		6 Months ended September 30, 2008	
	(¥ Million)	(US\$ 1,000)*	(¥ Million)	(Yen)
Cash flows from operating activities	¥ 57,690	\$ 639,508	¥ 17,144	
Cash flows from investing activities	(43,774)	(485,246)	(105,480)	
Cash flows from financing activities	10,326	114,466	80,828	
Cash and cash equivalents at end of period	112,027	1,241,847	98,696	

(4) Results by Business Segments:

	6 Months ended September 30, 2009		6 Months ended September 30, 2008	
	(¥ Million)	(US\$ 1,000)*	(¥ Million)	(Yen)
Net sales				
Basic Chemicals	¥ 93,978	\$ 1,041,769	¥ 153,946	
Petrochemicals & Plastics	211,160	2,340,760	334,056	
Fine Chemicals	32,475	359,993	46,731	
IT-related Chemicals	111,663	1,237,812	162,549	
Agricultural Chemicals	108,310	1,200,643	113,612	
Pharmaceuticals	118,591	1,314,610	120,679	
Others	59,028	654,341	77,634	
	¥ 735,205	\$ 8,149,928	¥ 1,009,207	
Operating (loss) income				
Basic Chemicals	¥ (3,817)	\$ (42,312)	¥ (1,183)	
Petrochemicals & Plastics	(6,347)	(70,358)	(10,126)	
Fine Chemicals	69	765	2,173	
IT-related Chemicals	(5,680)	(62,964)	12,307	
Agricultural Chemicals	12,766	141,514	12,264	
Pharmaceuticals	15,799	175,136	19,240	
Others	(2,042)	(22,636)	(3,572)	
Elimination	424	4,699	(94)	
	¥ 11,172	\$ 123,844	¥ 31,009	

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥90.21= \$1 prevailing on September 30, 2009.