

Sumitomo Chemical Reports Consolidated Financial Results For the Half-Year Ended September 30, 2010

The Sumitomo Chemical Group's sales for the half-year ended September 30, 2010 were ¥989.2 billion, an increase of ¥254.0 billion compared with the same period of the previous year. The Group's operating income was ¥53.0 billion, ordinary income was ¥52.1 billion and net income was ¥2.5 billion, all representing year-on-year increases. The Group posted an extraordinary loss of ¥28.7 billion from a one-time amortization of goodwill related to its investment in an affiliate, the fair value of which has significantly declined.

Sumitomo Chemical decided to pay an interim dividend of ¥3.0 per share.

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

Basic Chemicals

Sales of raw materials for synthetic fibers, such as caprolactam, and methyl methacrylate expanded because of a rise in market prices and an increase in shipments stemming from a recovery in demand in Asia. Sales of aluminum increased due to a recovery in demand and higher market prices. As a result, the segment's sales expanded by ¥30.4 billion over the same period of the previous year, to ¥124.4 billion, and operating income improved by ¥11.8 billion, to a profit of ¥10.1 billion.

Petrochemicals & Plastics

Sales of synthetic resins and petrochemical products increased because of a substantial increase in shipments by sales subsidiaries due to the full-fledged contribution of the Rabigh complex, which started operation in April 2009, as well as higher selling prices in Japan and higher market prices overseas resulting from a rise in prices for naphtha and other feedstocks. Consequently, the segment's sales increased by ¥106.3 billion over the same period of the previous year, to ¥317.5 billion, and operating income improved by ¥9.4 billion, to a profit of ¥5.8 billion.

Fine Chemicals

Sales of raw materials for adhesives increased due to a recovery in demand and sales promotion efforts. As a result, the segment's sales rose by ¥5.5 billion over the same period of the previous year, to ¥46.3 billion, and operating income improved by ¥1.2 billion, to ¥2.0 billion.

IT-related Chemicals

Sales of polarizing film and color filters used in liquid crystal displays (LCDs) grew because of a significant increase in shipments, spurred by strong demand in Korea, Taiwan, and China. As a result, the segment's sales rose by ¥52.3 billion from the same period of the previous year, to ¥163.9 billion, and operating income improved by ¥21.3 billion, to a profit of ¥17.1 billion.

Agricultural Chemicals

Shipments of the feed additive methionine and of the long-lasting insecticidal mosquito net, OLYSET® Net, remained solid. In the area of crop protection chemicals, shipments of herbicides continued to be solid in overseas markets. Export sales and sales by overseas subsidiaries, however, decreased in yen terms because of the appreciation of the yen. As a result, the segment's sales declined by ¥0.4 billion from the same period of the previous year, to ¥107.9 billion, and operating income decreased by ¥0.5 billion, to ¥13.9 billion.

Pharmaceuticals

Sales of Amlodin® (therapeutic agent for hypertension and angina pectoris) declined because of Japanese National Health Insurance drug price revisions. Sales of Avapro® (therapeutic agent for hypertension), Lonasen® (therapeutic agent for schizophrenia), the new drug Trerief® (therapeutic agent for Parkinson's disease), and other new pharmaceuticals increased as a result of continued sales promotion efforts. Sunovion Pharmaceuticals Inc. (the former Sepracor Inc.) and other U.S. subsidiaries, which became consolidated subsidiaries as of the end of the third quarter of the previous fiscal year, also contributed to the segment's performance. As a result, the segment's sales rose by ¥61.5 billion from the same period of the previous year, to ¥180.1 billion. Operating income declined by ¥2.4 billion, to ¥13.7 billion, because of amortization expenses of patent rights and other intangible assets associated with the acquisition of Sunovion Pharmaceuticals Inc.

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 segment's sales decreased by ¥1.6 billion from the same period of the previous year, to ¥49.2 billion, but operating income increased by ¥0.4 billion, to ¥1.8 billion.

(Note) Changes in the operating income calculation and business classification methods

The Company has been applying the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ statement No. 17 of March 27, 2009) and the Implementation Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 of March 31, 2010) from the half-year ended September 30, 2010. Along with this, the method for allocating shared company-wide research expenses and other expenses has been revised, and the business segment categorization of consolidated subsidiaries has been changed. For the purpose of comparison, the figures for the half-year ended September 30, 2009 have also been adjusted to reflect these accounting changes.

The Company has revised its consolidated full-year financial forecast announced on July 30, 2010. It now projects sales of ¥1,950.0 billion, representing a 20.3% increase over the previous year, operating income of ¥72.0 billion, ordinary income of ¥62.0 billion, and net income of ¥10.0 billion. This forecast is based on the assumptions of a foreign exchange rate of ¥80/US\$ and a naphtha price of ¥44,000/kl for the half-year ending March 31, 2011.

For further details, please refer to today's release titled "Sumitomo Chemical Announces Variances between its Financial Forecast and the Actual Results for the Half-Year Ended September 30, 2010 and Revisions to its Financial Forecast for Year Ending March 31, 2011."

Summary of Consolidated Results

(1) Results of Operations:

	6 Months ended September 30, 2010		6 Months ended September 30, 2009	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	
Net sales	¥ 989,245	\$ 11,802,016	¥ 735,205	
Operating income	53,043	632,820	11,172	
Ordinary income	52,107	621,654	7,788	
Income before income taxes and minority interests	22,527	268,754	7,331	
Net (loss) income	2,515	30,005	(3,485)	
	(Yen)	(US\$) ^{*1}	(Yen)	
Net (loss) income per 1,000 shares	¥ 1,523	\$ 18	¥ (2,111)	
Dividends per 1,000 shares:				
Interim dividends	¥ 3,000	\$ 36	¥ —	

(2) Financial Position:

	As of September 30, 2010		As of March 31, 2010	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	
Total assets	¥ 2,359,217	\$ 28,146,230	¥ 2,383,906	
Total net asset	771,564	9,205,011	821,436	
	(Yen)	(US\$) ^{*1}	(Yen)	
Book value per 1,000 shares	¥ 320,144	\$ 3,819	¥ 348,525	

(3) Cash Flows:

	6 Months ended September 30, 2010		6 Months ended September 30, 2009	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	
Cash flows from operating activities	¥ 74,757	\$ 891,875	¥ 57,690	
Cash flows from investing activities	(93,208)	(1,112,002)	(43,774)	
Cash flows from financing activities	49,359	588,869	10,326	
Cash and cash equivalents at end of period	147,772	1,762,968	112,027	

(4) Results of Operations by Business Segment:

	6 Months ended September 30, 2010		6 Months ended September 30, 2009	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million) ^{*2}	
Net sales				
Basic Chemicals	¥ 124,402	\$ 1,484,157	¥ 93,978	
Petrochemicals & Plastics	317,454	3,787,330	211,160	
Fine Chemicals	46,262	551,921	40,729	
IT-related Chemicals	163,948	1,955,953	111,663	
Agricultural Chemicals	107,903	1,287,318	108,310	
Pharmaceuticals	180,115	2,148,831	118,591	
Others	49,161	586,506	50,774	
	¥ 989,245	\$ 11,802,016	¥ 735,205	
Operating (loss) income				
Basic Chemicals	¥ 10,076	\$ 120,210	¥ (1,761)	
Petrochemicals & Plastics	5,763	68,754	(3,590)	
Fine Chemicals	2,038	24,314	825	
IT-related Chemicals	17,146	204,557	(4,124)	
Agricultural Chemicals	13,935	166,249	14,421	
Pharmaceuticals	13,684	163,255	16,092	
Others	1,821	21,725	1,388	
Adjustments	(11,420)	(136,244)	(12,079)	
	¥ 53,043	\$ 632,820	¥ 11,172	

(Note)

*1:U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥83.82= \$1 prevailing on September 30, 2010.

*2:unaudited amount having been reclassified according to new segmentation