

Sumitomo Chemical Reports Consolidated Financial Results For the Nine Months Ended December 31, 2010

The Sumitomo Chemical Group's sales for the nine months ended December 31, 2010 were ¥1,466.6 billion, an increase of ¥323.9 billion compared with the same period of the previous year. The Group's operating income was ¥79.3 billion, ordinary income was ¥76.4 billion and net income was ¥14.1 billion, all representing year-on-year increases.

During the nine months ended December 31, 2010, the Group posted an extraordinary loss of ¥32.5 billion due mainly to a one-time amortization of goodwill at the end of the second quarter related to its investment in an affiliate, the fair value of which significantly declined.

The Sumitomo Chemical Group's financial results by business segment for the nine month period 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 in Asia. Sales of aluminum increased due to higher market prices and a recovery in demand. As a result, the segment's sales expanded by ¥39.3 billion over the same period of the previous year, to ¥182.9 billion, and operating income improved by ¥16.5 billion, to a profit of ¥15.9 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 ¥140.2 billion over the same period of the previous year, to ¥477.8 billion, and operating income improved by ¥13.8 billion, to a profit of ¥10.0 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 ¥4.4 billion over the same period of the previous year, to ¥66.9 billion, and operating income improved by ¥0.6 billion, to ¥1.5 billion.

IT-related Chemicals

Sales of polarizing film used in liquid crystal displays 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 ¥58.2 billion from the same period of the previous year, to ¥247.6 billion, and operating income improved by ¥24.5 billion, to ¥25.9 billion.

Agricultural Chemicals

Shipments of feed additive methionine and of the long-lasting insecticidal mosquito net, OLYSET® Net, increased steadily. In the area of crop protection chemicals, shipments of herbicides continued to be solid in overseas markets. As a result, the segment's sales increased by ¥3.0 billion from the same period of the previous year, to ¥153.1 billion. Operating income, however, declined by ¥2.6 billion, to ¥15.6 billion, owing to a decrease in export sales in yen terms due to the appreciation of the yen and increased fixed costs resulting from capacity expansion.

Pharmaceuticals

Sales of Amlodin® (therapeutic agent for hypertension and angina pectoris) declined because of Japanese National Health Insurance drug price revisions and competition with generic drugs. 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. (Sunovion changed its name from Sepracor Inc. in October 2010) 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 increased by ¥88.3 billion from the same period of the previous year, to ¥270.1 billion. Operating income declined by ¥3.1 billion, to ¥24.8 billion, because of amortization expenses of patent rights and other intangible assets associated with the acquisition of Sunovion.

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 ¥9.5 billion from the same period of the previous year, to ¥68.2 billion, but operating income remained flat at ¥3.2 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 21, 2008) from the nine months ended December 31, 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 nine months ended December 31, 2009 have also been adjusted to reflect these accounting changes.

Summary of Consolidated Results

(1) Results of Operations:

	9 Months ended December 31, 2010		9 Months ended December 31, 2009
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)
Net sales	¥ 1,466,554	\$ 17,996,736	¥ 1,142,661
Operating income	79,266	972,708	29,833
Ordinary income	76,352	936,949	19,646
Income before income taxes and minority interests	43,870	538,348	24,016
Net income	14,135	173,457	1,226
	(Yen)	(US\$) ^{*1}	(Yen)
Net income per 1,000 shares	¥ 8,580	\$ 105	¥ 743

(2) Financial Position:

	As of December 31, 2010		As of March 31, 2010
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)
Total assets	¥ 2,304,443	\$ 28,278,844	¥ 2,383,906
Total net asset	758,568	9,308,725	821,436
	(Yen)	(US\$) ^{*1}	(Yen)
Book value per 1,000 shares	¥ 317,818	\$ 3,900	¥ 348,525

(3) Cash Flows:

	9 Months ended December 31, 2010		9 Months ended December 31, 2009
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)
Cash flows from operating activities	¥ 116,058	\$ 1,424,199	¥ 83,373
Cash flows from investing activities	(121,057)	(1,485,544)	(268,057)
Cash flows from financing activities	31,072	381,298	236,902
Cash and cash equivalents at end of period	140,503	1,724,175	139,041

(4) Results of Operations by Business Segment:

	9 Months ended December 31, 2010		9 Months ended December 31, 2009
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million) ^{*2}
Net sales			
Basic Chemicals	¥ 182,946	\$ 2,245,012	¥ 143,633
Petrochemicals & Plastics	477,816	5,863,492	337,592
Fine Chemicals	66,853	820,383	62,423
IT-related Chemicals	247,590	3,038,287	189,437
Agricultural Chemicals	153,080	1,878,513	150,075
Pharmaceuticals	270,092	3,314,419	181,797
Others	68,177	836,630	77,704
	¥ 1,466,554	\$ 17,996,736	¥ 1,142,661
Operating income			
Basic Chemicals	¥ 15,890	\$ 194,993	¥ (647)
Petrochemicals & Plastics	9,996	122,665	(3,783)
Fine Chemicals	1,537	18,861	915
IT-related Chemicals	25,930	318,199	1,421
Agricultural Chemicals	15,595	191,373	18,209
Pharmaceuticals	24,835	304,761	27,927
Others	3,192	39,170	3,219
Adjustments	(17,709)	(217,314)	(17,428)
	¥ 79,266	\$ 972,708	¥ 29,833

(Note)

*1:U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥81.49= \$1 prevailing on December 31, 2010.

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