

## **Sumitomo Chemical Company, Limited Announces Consolidated Financial Results**

During the twelve months ended March 31, 2011 (Fiscal 2010), the overall global economy showed stronger signs of a recovery, with China and other emerging economies continuing to expand, and the U.S. economy returning to a recovery course. The Japanese economy, too, showed signs of improvement, particularly in exports and production.

The business conditions surrounding the Sumitomo Chemical Group improved modestly, thanks to an increase in shipments of IT-related products, mainly as a result of growth in emerging countries, and an improvement in profit margins on basic chemical and petrochemical products.

The Great East Japan Earthquake that occurred at the end of fiscal 2010 caused the loss of many precious lives. It also caused a major disruption in the supply chain (the supply system for parts and materials). Although the Sumitomo Chemical Group suffered only slight damage in its facilities as a result of the earthquake, it was affected by reductions and stoppages in the shipment or production of some products and the disposal of inventories, among other factors.

During fiscal 2010, the Sumitomo Chemical Group undertook group-wide efforts to improve business performance by increasing selling prices and expanding sales volumes, as well as by cutting costs through the thorough rationalization of operations. Consequently, the Group's sales for fiscal 2010 were ¥1,982.4 billion, an increase of ¥361.5 billion compared with fiscal 2009. The Group's operating income was ¥88.0 billion, ordinary income was ¥84.1 billion, and net income was ¥24.4 billion, all representing year-on-year increases. After a careful study of the recoverability of its deferred tax assets, the Company reversed a portion of those deferred tax assets and recorded ¥19.1 billion in corporate tax adjustments for fiscal 2010. Also, during the nine months ended December 31, 2010, the Group posted an extraordinary loss due to a one-time amortization of goodwill related to its investment in an affiliate, the fair value of which significantly declined. However, since the fair value recovered, the Group recorded a gain on the reversal of a one-time amortization during the three months ending March 31, 2011.

The Sumitomo Chemical Group's financial results by business segment for fiscal 2010 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 increased by ¥45.2 billion compared with the previous fiscal year, to ¥248.5 billion, and operating income improved by ¥19.9 billion, to ¥21.3 billion.

### Petrochemicals & Plastics

Sales of synthetic resins and petrochemical products increased because of a substantial increase in shipments by sales subsidiaries due to the contribution of the Rabigh complex, which started operation in April 2009. Also contributing to the rise in sales were 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 ¥168.4 billion compared with the previous fiscal year, to ¥649.9 billion, and operating income improved by ¥11.4 billion, to ¥11.1 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 ¥2.2 billion compared with the previous fiscal year, to ¥88.9 billion. Operating income, however, decreased by ¥3.5 billion, to ¥0.1 billion, owing to a decrease in export sales in yen terms due to the appreciation of the yen and higher fixed costs resulting from capacity expansion.

### 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 ¥57.1 billion compared with the previous fiscal year, to ¥322.3 billion, and operating income improved by ¥19.8 billion, to ¥26.1 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, while sales in Japan were adversely affected by the impact of the earthquake. As a result, the segment's sales increased by ¥4.2 billion compared with the previous fiscal year, to ¥215.8 billion. Operating income, however, declined by ¥6.9 billion, to ¥22.4 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 ¥98.4 billion compared with the previous fiscal year, to ¥365.9 billion. Operating income declined by ¥3.0 billion, to ¥26.9 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 ¥13.9 billion compared with the previous fiscal year, to ¥91.2 billion, and operating income declined by ¥0.9 billion, to ¥5.8 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 21, 2008) from the year ended March 31, 2011. 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 year ended March 31, 2010 have also been adjusted to reflect these accounting changes.

\*Owing to the Company's organizational revision as of April 1, 2011, the Fine Chemicals Sector was eliminated, and functional materials, additives, dyes that had been included in this sector were transferred to the Basic Chemicals Sector. In addition, pharmaceutical chemicals, which had also been included in this sector, were transferred to the Agricultural Chemicals Sector. Following this change, the Agricultural Chemicals Sector changed its name to the Health & Crop Sciences Sector.

With respect to the year-end dividend for fiscal 2010, the Company has decided to pay ¥6 per share. When the interim dividend of ¥3 per share is included, the annual dividend for fiscal 2010 will be ¥9 per share, an increase of ¥3 from the previous fiscal year.

Operating cash flow in fiscal 2010 increased by ¥43.4 billion compared with the previous fiscal year, to ¥176.2 billion, as a result of an increase in income before income taxes and minority interests as well as depreciation and amortization. Cash flow from investing activities was negative ¥156.0 billion, a decrease of ¥113.4 billion compared to the previous fiscal year, when our subsidiary Dainippon Sumitomo Pharma acquired Sunovion. This resulted in free cash flow of ¥20.2 billion for fiscal 2010, compared with negative ¥136.5 billion for the previous fiscal year. Cash flow from financing activities, such as the issuance of bonds, was ¥18.0 billion. The balance of cash and cash equivalents at the end of the fiscal year increased by ¥30.9 billion over the previous year, to ¥151.6 billion.

For fiscal 2011, the Company forecasts that sales will increase by 6.9%, to ¥2,120.0 billion, while operating income is expected to be ¥80.0 billion, ordinary income to be ¥87.0 billion, and net income to be ¥50.0 billion, assuming an exchange rate of ¥82.5/US\$ and a naphtha price of ¥61,000/kl. We plan to pay both interim and year-end dividends of ¥6 per share for fiscal 2011. As a result, the total annual dividend is expected to increase to ¥12 yen per share.

Starting fiscal 2011, the Company and some of its consolidated subsidiaries plan to apply the straight-line method instead of the declining balance method for the depreciation and amortization of property, plant and equipment. As a result of this change, depreciation and amortization expenses are expected to decrease by approximately ¥25.0 billion compared to the case in which the declining balance method is applied. Our forecast for fiscal 2011 includes the impact of this change.

**Consolidated Statements of Income**  
**Years ended March 31, 2011(FY2010) and 2010(FY2009)**

	FY2010		FY2009
	(¥Million)	(US\$1,000)*	(¥Million)
<b>Sales</b>	¥ 1,982,435	\$ 23,841,672	¥ 1,620,915
Cost of sales	1,409,520	16,951,533	1,192,341
Selling, general and administrative expenses	484,958	5,832,328	377,119
Operating income	87,957	1,057,811	51,455
<b>Other income (expenses):</b>			
Interest and dividend income	6,697	80,541	7,102
Interest expenses	(13,016)	(156,536)	(12,073)
Equity in earnings (losses) of affiliates	10,824	130,174	(7,002)
Loss on foreign currency transactions	(6,615)	(79,555)	(478)
Gain on sale of investment securities	-	-	9,507
Gain on sale of property, plant and equipment	-	-	1,074
Restructuring charges	(4,067)	(48,912)	(2,671)
Impairment loss	(3,247)	(39,050)	-
Loss on disaster	(1,079)	(12,977)	-
Expenses incurred as a result of the revision of personnel plans	-	-	(1,570)
Other, net	(1,756)	(21,117)	(4,047)
Income before income taxes and minority interests	75,698	910,379	41,297
Income taxes, net of tax effect	34,846	419,074	11,341
Income before minority interests	40,852	491,305	29,956
Minority interests	16,418	197,451	15,233
Net income	¥ 24,434	\$ 293,854	¥ 14,723

	FY2010		FY2009
	(Yen)	(US dollar)*	(Yen)
<b>Net income per share</b>	¥ 14.86	\$ 0.18	¥ 8.92
<b>Dividends per share:</b>			
Interim dividends	¥ 3.00	\$ 0.04	¥ -
Year-end dividends	¥ 6.00	\$ 0.07	¥ 6.00
For the year	¥ 9.00	\$ 0.11	¥ 6.00

**(Note)**

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of

¥83.15= \$1 prevailing on March 31, 2011.

**Consolidated Statement of Comprehensive Income**  
**Year ended March 31, 2011(FY2010)**

	FY2010	
	(¥Million)	(US\$1,000)*
<b>Income before minority interests</b>	<b>¥ 40,852</b>	<b>\$ 491,305</b>
<b>Other comprehensive income:</b>		
Unrealized gains or losses on investment securities	(6,456)	(77,643)
Unrealized gains or losses on hedging derivatives	(55)	(661)
Foreign currency translation adjustments	(49,823)	(599,194)
Share of other comprehensive income of affiliates applied for equity method	(17,360)	(208,780)
<b>Total other comprehensive income</b>	<b>(73,694)</b>	<b>(886,278)</b>
<b>Comprehensive income</b>	<b>¥ (32,842)</b>	<b>\$ (394,973)</b>
<b>(Comprehensive income attributable to)</b>		
Comprehensive income attributable to owners of the parent	¥ (30,739)	\$ (369,681)
Comprehensive income attributable to minority interests	¥ (2,103)	\$ (25,292)

**(Note)**

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**Consolidated Statements of Cash Flows**  
**Years ended March 31, 2011(FY2010) and 2010(FY2009)**

	FY2010		FY2009
	(¥Million)	(US\$1,000)*	(¥Million)
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 75,698	\$ 910,379	¥ 41,297
Depreciation and amortization	147,009	1,767,998	116,110
Income taxes paid	(30,698)	(369,188)	(20,835)
Other, net	(15,781)	(189,790)	(3,700)
<b>Net cash provided by operating activities</b>	<b>176,228</b>	<b>2,119,399</b>	<b>132,872</b>
<b>Cash flows from investing activities:</b>			
Acquisition of securities	(82,999)	(998,184)	(15,801)
Proceeds from sales and redemption of securities	27,676	332,844	61,639
Acquisition of property, plant and equipment	(100,578)	(1,209,597)	(119,522)
Acquisition of shares of newly consolidated subsidiaries	(1,339)	(16,103)	(202,044)
Other, net	1,253	15,069	6,326
<b>Net cash used in investing activities</b>	<b>(155,987)</b>	<b>(1,875,971)</b>	<b>(269,402)</b>
<b>Cash flows from financing activities:</b>			
Net (decrease) increase in short-term debt	(87,764)	(1,055,490)	70,111
Net increase in long-term debt	134,350	1,615,755	108,099
Cash dividends paid	(14,868)	(178,809)	(4,956)
Other, net	(13,733)	(165,160)	(4,545)
<b>Net cash provided by (used in) financing activities</b>	<b>17,985</b>	<b>216,296</b>	<b>168,709</b>
Effect of exchange rate changes on cash and cash equivalents	(7,663)	(92,159)	1,224
<b>Net change in cash and cash equivalents</b>	<b>30,563</b>	<b>367,565</b>	<b>33,403</b>
<b>Net increase in cash and cash equivalents resulting from changes of scope of consolidation</b>	<b>386</b>	<b>4,642</b>	<b>1,455</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>120,660</b>	<b>1,451,112</b>	<b>85,802</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 151,609</b>	<b>\$ 1,823,319</b>	<b>¥ 120,660</b>

**(Note)**

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**Industry Segment Results**  
**Years ended March 31, 2011(FY2010) and 2010(FY2009)**

		Basic Chemicals	Petro- chemicals& Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Total	Others	Adjustments	(¥Million) Consoli- dated
<b>FY2010</b>											
Sales	[a]	¥ 248,498	¥ 649,885	¥ 88,910	¥ 322,287	¥ 215,765	¥ 365,875	¥ 1,891,220	¥ 91,215	-	¥ 1,982,435
(Share)		(12.5%)	(32.8%)	(4.5%)	(16.3%)	(10.9%)	(18.5%)	(95.4%)	(4.6%)	-	(100.0%)
(Growth)		(22.2%)	(35.0%)	(2.5%)	(21.5%)	(2.0%)	(36.8%)	(24.8%)	(-13.2%)	-	(22.3%)
Operating income	[b]	¥ 21,269	¥ 11,130	¥ 90	¥ 26,138	¥ 22,365	¥ 26,939	¥ 107,931	¥ 5,807	¥ (25,781)	¥ 87,957
[b] / [a]		(8.6%)	(1.7%)	(0.1%)	(8.1%)	(10.4%)	(7.4%)	(5.7%)	(6.4%)		(4.4%)
Total assets		¥ 219,905	¥ 555,254	¥ 120,959	¥ 249,005	¥ 304,182	¥ 635,771	¥ 2,085,076	¥ 218,712	¥ 63,526	¥ 2,367,314
Depreciation		14,705	18,396	10,323	20,168	15,431	42,879	121,902	7,451	9,335	138,688
Amortization of goodwill		227	-	-	113	2,805	4,037	7,182	8	1,131	8,321
Investment for affiliates applied for equity methods		9,228	88,464	-	488	54,050	10,176	162,406	57,159	-	219,565
Capital expenditures		13,396	13,719	6,615	27,749	12,237	9,970	83,686	8,383	6,650	98,719
<b>FY2009</b>											
Sales	[a]	¥ 203,294	¥ 481,529	¥ 86,713	¥ 265,226	¥ 211,546	¥ 267,464	¥ 1,515,772	¥ 105,143	-	¥ 1,620,915
(Share)		(12.5%)	(29.7%)	(5.3%)	(16.4%)	(13.1%)	(16.5%)	(93.5%)	(6.5%)	-	(100.0%)
Operating income (loss)	[b]	¥ 1,328	¥ (247)	¥ 3,579	¥ 6,304	¥ 29,264	¥ 29,889	¥ 70,117	¥ 6,714	¥ (25,376)	¥ 51,455
[b] / [a]		(0.7%)	(-0.1%)	(4.1%)	(2.4%)	(13.8%)	(11.2%)	(4.6%)	(6.4%)		(3.2%)
Total assets		¥ 218,174	¥ 549,678	¥ 125,461	¥ 241,433	¥ 251,884	¥ 673,665	¥ 2,060,295	¥ 233,045	¥ 90,566	¥ 2,383,906
Depreciation		13,950	19,370	7,293	23,143	10,594	20,319	94,669	8,263	8,873	111,805
Amortization of goodwill		203	10	-	17	1,992	866	3,088	10	1,207	4,305
Investment for affiliates applied for equity methods		9,263	101,604	-	508	4,283	10,079	125,737	57,802	-	183,539
Capital expenditures		12,368	14,353	17,779	11,529	23,159	7,809	86,997	8,583	7,667	103,247

**Overseas Operations**  
**Years ended March 31, 2011(FY2010) and 2010(FY2009)**

	FY2010				FY2009
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 1,056,718	\$12,708,575	53.3	45.0	¥ 728,889

**(Note)**

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**(Cautionary Statement)**

Statements made in this release with respect to the Company's current plans, estimates, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of Sumitomo Chemical. These statements are based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties. The important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, general economic conditions in Sumitomo Chemical's markets; demand for, and competitive pricing pressure on, Sumitomo Chemical's products in the marketplace; Sumitomo Chemical's ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.