

Sumitomo Chemical Reports Consolidated Financial Results For the Half-Year Ended September 30, 2011

The Sumitomo Chemical Group's sales for the half-year ended September 30, 2011 were ¥998.3 billion, an increase of ¥9.0 billion compared with the same period of the previous fiscal year. Operating income was ¥54.0 billion, representing an increase from the first half of the previous fiscal year, but ordinary income, at ¥49.0 billion, declined from the same period of the previous fiscal year because of lower equity in earnings of affiliates. The Group recorded a net loss of ¥2.7 billion, representing a decline from the first half of the previous year, because of large extraordinary losses in addition to the decline in ordinary income.

Sumitomo Chemical decided to pay an interim dividend of ¥6 per share.

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

Basic Chemicals

Sales of methyl methacrylate increased due to a rise in overseas market prices. While market prices rose, sales of raw materials for synthetic fibers declined due to decrease in shipments as a result of the impact of the earthquake. As a result, the segment's sales were unchanged from the same period of the previous fiscal year at ¥152.3 billion, and operating income improved by ¥0.8 billion, to ¥12.5 billion.

Petrochemicals & Plastics

While domestic shipments of some synthetic resins and petrochemical products declined as a result of the impact of the earthquake, sales increased overall due to higher market prices overseas and higher selling prices in Japan, with a sharp rise in prices of naphtha and other feedstocks. As a result, the segment's sales rose by ¥23.5 billion compared with the same period of the previous fiscal year, to ¥341.0 billion, and operating income grew by ¥2.0 billion, to ¥7.8 billion.

IT-related Chemicals

Shipments of polarizing film used in liquid crystal displays (LCDs) rose thanks to higher demand, but shipments of color filters decreased. In addition to lower sales prices of both polarizing film and color filters, the value of sales of overseas subsidiaries decreased in yen terms because of the effects of a stronger yen. As a result, the segment's sales declined by ¥15.4 billion compared with the same period of the previous fiscal year, to ¥148.6 billion, and operating income decreased by ¥7.1 billion, to ¥10.1 billion.

Health & Crop Sciences

Sales of the feed additive methionine increased steadily. In the area of crop protection chemicals, shipments of herbicides remained strong in overseas markets. Despite the decrease in the value of sales of overseas subsidiaries in yen terms because of the effects of a stronger yen, the segment's sales rose by ¥12.7 billion compared with the same period of the previous fiscal year, to ¥138.5 billion, and operating income improved by ¥0.4 billion, to ¥14.8 billion.

Pharmaceuticals

The Sumitomo Chemical Group initiated US sales of Latuda® (atypical antipsychotic) in February 2011. Sales of Avapro® (therapeutic agent for hypertension), Lonasen® (atypical antipsychotic), and the new drugs Trerief® (therapeutic agent for Parkinson's disease) and Metgluco® (biguanide oral hypoglycemic) increased as a result of continued sales promotion activities. Sales of Amlodin® (therapeutic agent for hypertension and angina pectoris), however, declined because of competition with generic drugs. In addition, the value of sales of overseas subsidiaries decreased in yen terms because of the effects of a stronger yen. As a result, the segment's sales declined by ¥11.5 billion compared with the same period of the previous fiscal year, to ¥193.2 billion, and operating income increased by ¥0.8 billion, to ¥15.5 billion.

Others

In addition to the above five 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 were the same as those for the same period of the previous fiscal year, at ¥24.7 billion, and operating income improved by ¥2.6 billion, to ¥3.5 billion.

(Note) Change in Reported Segments Classification Methods

As of April 1, 2011, the Fine Chemicals Segment was eliminated, and functional materials, additives, and dyes that had been included in this segment were transferred to the Basic Chemicals Segment. In addition, pharmaceutical chemicals, which had also been included in this segment, were transferred to the Agricultural Chemicals Segment. Following this change, the Agricultural Chemicals Segment changed its name to the Health & Crop Sciences Segment. The businesses of consolidated subsidiaries in the Pharmaceuticals Segment that had been included in the Others Segment were transferred to the Pharmaceuticals Segment.

The Company has revised its consolidated financial forecast of fiscal 2011 announced on July 29, 2011. It now projects its consolidated financial forecast of fiscal 2011 to sales of ¥2,020.0 billion, operating income of ¥75.0 billion, ordinary income of ¥72.0 billion, and net income of ¥10.0 billion. This forecast is based on the assumptions of a foreign exchange rate of ¥77.5/US\$ and a naphtha price of ¥54,000/kl for the half-year ending March 31, 2012.

For further details, please refer to today's release titled "Sumitomo Chemical Announces Variances between its Financial Forecast and Actual Results for the Half-year Ended September 30, 2011 and Revisions to its Financial Forecast for the Year Ending March 31, 2012."

Summary of Consolidated Results

(1) Results of Operations:

	6 Months ended September 30, 2011		6 Months ended September 30, 2010	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	(¥ Million)
Net sales	¥ 998,281	\$ 13,023,888	¥ 989,245	
Operating income	54,035	704,958	53,043	
Ordinary income	48,993	639,178	52,107	
Income before income taxes and minority interests	20,636	269,224	22,527	
Net (loss) income	(2,713)	(35,395)	2,515	
	(Yen)	(US\$) ^{*1}	(Yen)	
Net (loss) income per 1,000 shares	¥ (1,660)	\$ (22)	¥ 1,523	
Dividends per 1,000 shares:				
Interim dividends	¥ 6,000	\$ 78	¥ 3,000	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	
Comprehensive income	¥ 4,653	\$ 60,705	¥ (35,014)	

(2) Financial Position:

	As of September 30, 2011		As of March 31, 2011	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	(¥ Million)
Total assets	¥ 2,340,351	\$ 30,532,955	¥ 2,367,314	
Total net asset	751,870	9,809,132	758,886	

(3) Cash Flows:

	6 Months ended September 30, 2011		6 Months ended September 30, 2010	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million)	(¥ Million)
Cash flows from operating activities	¥ 57,162	\$ 745,753	¥ 74,757	
Cash flows from investing activities	(60,115)	(784,279)	(93,208)	
Cash flows from financing activities	(2,578)	(33,633)	49,359	
Cash and cash equivalents at end of period	146,383	1,909,759	147,772	

(4) Results of Operations by Business Segment:

	6 Months ended September 30, 2011		6 Months ended September 30, 2010	
	(¥ Million)	(US\$ 1,000) ^{*1}	(¥ Million) ^{*2}	(¥ Million)
Net sales				
Basic Chemicals	¥ 152,320	\$ 1,987,215	¥ 152,681	
Petrochemicals & Plastics	340,993	4,448,702	317,454	
IT-related Chemicals	148,588	1,938,526	163,948	
Health & Crop Sciences	138,521	1,807,189	125,829	
Pharmaceuticals	193,181	2,520,300	204,641	
Others	24,678	321,956	24,692	
	¥ 998,281	\$ 13,023,888	¥ 989,245	
Operating income				
Basic Chemicals	¥ 12,524	\$ 163,392	¥ 11,771	
Petrochemicals & Plastics	7,795	101,696	5,763	
IT-related Chemicals	10,083	131,546	17,146	
Health & Crop Sciences	14,778	192,798	14,366	
Pharmaceuticals	15,456	201,644	14,663	
Others	3,502	45,688	856	
Adjustments	(10,103)	(131,806)	(11,522)	
	¥ 54,035	\$ 704,958	¥ 53,043	

(Note)

*1:U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥76.65= \$1 prevailing on September 30, 2011.

*2:New business segmentation is applied to consolidated financial results of the previous fiscal year.