

**Sumitomo Chemical Announces Revisions to its Financial Forecast and Projected Dividend for Fiscal 2012 and an Extraordinary Loss and Reversal of Deferred Tax Assets**

Based on recent performance trends, Sumitomo Chemical Co., Ltd. (“the Company”) has revised its consolidated financial forecast for the full-year ending March 31, 2013, previously announced on October 31, 2012, as detailed below. The Company also announced that it has recorded an extraordinary loss and a reversal of deferred tax assets for the nine months ended December 31, 2012. As a result, the Company has revised its projected year-end dividend as detailed below.

1. Revisions to Consolidated Financial Forecast for the Full-Year Ending March 31, 2013

(Millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income	Earnings per Share (yen)
Previous Forecast (A)	2,020,000	65,000	62,000	10,000	6.12
Revised Forecast (B)	1,970,000	50,000	45,000	-50,000	-30.59
Variance in Amount (B-A)	-50,000	-15,000	-17,000	-60,000	
Variance in Percentage (%)	-2.5	-23.1	-27.4	—	
Results for Full-Year ended March 31, 2012	1,947,884	60,688	50,714	5,587	3.42

(Reasons for the Revisions)

Sales and operating income are expected to be lower than previously forecast due to margin erosion in the Basic Chemicals segment and weak demand for products in the Petrochemicals & Plastics segment in the face of lingering economic stagnation in Europe and the continued economic slowdown in emerging market countries. Net income is also expected to fall far below the previous forecast. The Company is expected to post a net loss as the impact of restructuring measures, stated in today’s release titled “Restructuring of Petrochemical Business at the Chiba Works,” was factored into the Company’s financial forecast, based on certain assumptions, along with an extraordinary loss and a reversal of deferred tax assets as detailed below.

## 2. Extraordinary Loss

A subsidiary has decided to discontinue operation, after consideration of the recoverability of a portion of operating assets, the Company recorded an extraordinary loss of ¥2.6 billion as impairment losses for the third quarter of the current fiscal year.

On an unconsolidated basis, the Company recorded a loss of ¥9.6 billion on a write-down of its investment in that subsidiary. This write-down did not affect the Company's results on a consolidated basis.

## 3. Reversal of Deferred Tax Assets

The Company recorded an additional corporate tax adjustment of ¥32.4 billion on a consolidated basis and ¥30.6 billion on an unconsolidated basis as a reversal of deferred tax assets based on its financial forecast for the current fiscal year and subsequent years.

## 4. Revision to Projected Dividend for Fiscal 2012

	Dividend per Share		
	Dividend at End of First Half of Fiscal 2012	Dividend at End of Fiscal 2012	Total
	Yen	Yen	Yen
Previous Estimates	—	not decided	not decided
Revised Estimates	—	0.00	6.00
Dividend Paid	6.00	—	—
Dividend for Fiscal 2011	6.00	3.00	9.00

### (Reasons for the Revision)

The Company places a high priority on shareholder return and makes it a policy to maintain a stable dividend while comprehensively taking into consideration financial results for each fiscal year, its dividend payout ratio and the amount of retained earnings necessary for business development.

The Company regrets that it will not pay a year-end dividend as it is expected to post a large net loss for the full year. As a result, the Company's annual dividend will be ¥6 per share for the current fiscal year.

While revising downward its financial forecast and projected dividend, the Company has launched the following cost-cutting measures.

1) Reductions in executive compensation and managers' salaries

The Company has already cut compensation for Directors, Corporate Auditors, and Executive Officers by 5 to 15 percent and managers' salaries by 2 to 5 percent.

2) Revision of retirement pension plan

From April 1, 2013, the Company expects to make a downward revision to the pension benefit rate used to calculate retiree benefits in its defined benefit pension plan, which is the funding source for up to 80 percent of retirees' retirement allowances. In addition, for the remaining 20 percent of retirees' retirement allowances, the Company will introduce a defined contribution pension plan on April 1, 2013. With the revision of the current plan and the introduction of the new plan, the Company aims to stabilize and improve the management of its pension assets.

3) Freeze on hiring of experienced personnel

The Company initially planned to hire a certain number of experienced personnel by the end of March this year, but the Company has suspended the hiring of experienced personnel since September 2012, except for employees required for the Rabigh Project. The freeze on the hiring of experienced personnel will continue from April 2013, excluding necessary plant employees.

4) Drastic reduction of head-office fixed costs

With the aim of reducing indirect costs by ¥15 billion by fiscal 2015, the Company has been fundamentally streamlining head-office fixed costs by improving the efficiency of research operations, administrative functions, and other overall business operations conducted by the head office. The Company is working to quickly achieve results from its streamlining efforts by accelerating initiatives to generate greater efficiencies and thoroughly reducing expenses.

### **Cautionary Statement**

Statements made in this document with respect to Sumitomo Chemical'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.