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# First Half Financial Results & Outlook for FY2008



**Oct. 31, 2008**



**Sumitomo Chemical Co., Ltd.**



(Cautionary Statement)

*Statements made in this material 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.*



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# 1.Consolidated Financial Results for First Half of FY2008 Ending March 31, 2009





## Financial Summary

Unit; billions of yen

	1st Half of FY2008	1st Half of FY2007	Difference	Growth
Net Sales	1,009.2	931.9	77.3	8.3%
Operating Income	31.0	48.4	△17.4	△35.9%
(Equity in earnings of affiliates, included in ordinary income)	(△2.9)	(9.4)	(△12.3)	-
Ordinary Income	23.0	57.7	△34.7	△60.2%
Net Income	6.3	26.4	△20.1	△76.2%
ROE	0.8%	3.3%		
Naphtha Price (yen/KL)	78,200	58,800		
Exchange Rate (yen/US\$)	106.12	119.40		



## Net Sales by Segment

Unit; billions of yen

	1st Half of FY2008	1st Half of FY2007	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	153.9	159.8	△5.9	△3.7%	1.5	△7.4
Petrochemicals	334.1	290.6	43.4	15.0%	44.0	△0.6
Fine Chemicals	46.7	47.5	△0.7	△1.5%	1.5	△2.2
IT-related Chemicals	162.5	137.7	24.9	18.1%	△10.0	34.9
Agricultural Chemicals	113.6	100.6	13.0	12.9%	4.5	8.5
Pharmaceuticals	120.7	116.4	4.3	3.7%	△5.5	9.8
Others	77.6	79.4	△1.7	△2.2%	0.0	△1.7
<b>Total</b>	<b>1,009.2</b>	<b>931.9</b>	<b>77.3</b>	<b>8.3%</b>	<b>36.0</b>	<b>41.3</b>
Overseas Operations	425.0	404.6	20.5	5.1%		

## Operating Income by Segment

Unit; billions of yen

	Basic Chemicals	Petrochemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Total
<b>Operating Income</b>								
1st Half of FY2008	△1.2	△10.1	2.2	12.3	12.3	19.2	△3.7	31.0
1st Half of FY2007	7.9	2.0	6.1	△6.3	10.8	26.0	1.8	48.4
<b>Difference</b>	<b>△9.1</b>	<b>△12.2</b>	<b>△4.0</b>	<b>18.6</b>	<b>1.4</b>	<b>△6.7</b>	<b>△5.4</b>	<b>△17.4</b>
<b>Price Variance</b>	<b>△5.5</b>	<b>△12.5</b>	<b>△2.0</b>	<b>△11.5</b>	<b>0.5</b>	<b>△5.5</b>	<b>0.0</b>	<b>△36.5</b>
Sales Price Variance	1.5	44.0	1.5	△10.0	4.5	△5.5	0.0	36.0
Purchase Price Variance	△7.0	△56.5	△3.5	△1.5	△4.0	0.0	0.0	△72.5
<b>Cost Variance</b>	<b>△3.0</b>	<b>△2.0</b>	<b>△1.5</b>	<b>12.0</b>	<b>△2.5</b>	<b>△8.0</b>	<b>△7.5</b>	<b>△12.5</b>
VC	1.5	0.5	0.0	12.0	0.5	0.0	0.0	14.5
FC	△4.5	△2.5	△1.5	0.0	△3.0	△8.0	△7.5	△27.0
<b>Shipping Volume Variance</b>	<b>△0.6</b>	<b>2.3</b>	<b>△0.5</b>	<b>18.1</b>	<b>3.4</b>	<b>6.8</b>	<b>2.1</b>	<b>31.6</b>
<b>Total</b>	<b>△9.1</b>	<b>△12.2</b>	<b>△4.0</b>	<b>18.6</b>	<b>1.4</b>	<b>△6.7</b>	<b>△5.4</b>	<b>△17.4</b>



## Elements of Major Costs

Unit; billions of yen

	1st Half of FY2008	1st Half of FY2007	Difference
<b>Labor Costs</b>	114.2	107.3	6.9
<b>Maintenance Costs</b>	25.7	24.1	1.7
<b>Depreciation and Amortization</b>	61.5	59.1	2.4
<b>Research &amp; Development Expenses</b>	56.5	48.4	8.1
<b>Capital Expenditures</b>	72.9	62.0	10.9
<b>Number of employees (at September 30)</b>	28,118	25,162	2,956





## Special Gains / Losses

Unit; billions of yen

	1st Half of FY2008	1st Half of FY2007	Difference
Gain on sale of investment securities	0.9	0.9	△0.0
Gain on sale of property, plant and equipment	0.9	-	0.9
<b>Special Gains</b>	<b>1.8</b>	<b>0.9</b>	<b>0.9</b>
Restructuring charges	2.3	0.6	1.6
<b>Special Losses</b>	<b>2.3</b>	<b>0.6</b>	<b>1.6</b>
<b>Special Gains / Losses</b>	<b>△0.5</b>	<b>0.3</b>	<b>△0.8</b>



## Consolidated Balance Sheets

Unit; billions of yen

	30-Sep-08	31-Mar-08		30-Sep-08	31-Mar-08
<b>Current Assets</b>	<b>1,065.8</b>	<b>1,003.2</b>	<b>Liabilities</b>	<b>1,442.0</b>	<b>1,352.9</b>
Cash and cash equivalents	98.7	107.4	Trade notes and accounts	307.4	282.7
Trade notes and accounts	458.3	423.8	Short-term debt	288.3	202.6
Inventories	357.9	338.2	Long-term debt due within one year	56.6	85.6
Others	150.9	133.8	Long-term debt due after one year	418.2	385.7
<b>Non-current Assets</b>	<b>1,335.5</b>	<b>1,355.8</b>	Others	371.4	396.3
Property, plant and equipment	631.0	636.5	<b>Net Assets</b>	<b>959.3</b>	<b>1,006.0</b>
Intangible assets	73.8	83.9	Shareholders' equity	667.5	673.0
Investment securities	484.9	518.9	Valuation and translation adjustments	54.1	95.1
Others	145.8	116.5	Minority interests	237.6	237.9
<b>Total</b>	<b>2,401.3</b>	<b>2,358.9</b>	<b>Total</b>	<b>2,401.3</b>	<b>2,358.9</b>
			<b>Interest-bearing debt balance</b>	<b>763.1</b>	<b>673.9</b>



## Consolidated Statements of Cash Flows

Unit; billions of yen

	1st Half of FY2008	1st Half of FY2007	Difference
Cash flows from operating activities	17.1	64.5	△47.3
Cash flows from investing activities	△105.5	△135.1	29.6
Free cash flows	△88.3	△70.6	△17.7
Cash flows from financing activities	80.8	33.8	47.0
Others	△1.2	1.3	△2.5
Net decrease in cash and cash equivalents	△8.7	△35.5	26.8
Cash and cash equivalents (at September 30)	98.7	90.5	8.2



## Major Subsidiaries

Unit; billions of yen

Company	Net Sales		Operating Income Status
	1st Half of FY2008	1st Half of FY2007	
The Polyolefin Company (Singapore)	75.4	69.5	Decreased owing to margin compression for polypropylene.
Petrochemical Corporation of Singapore	189.9	175.2	Decreased because of product margins squeezed by soaring naphtha price.
Dongwoo Fine-Chem	96.8	86.1	Increased thanks to boost in shipments and cost reductions exceeding declines in selling prices.
Valent U.S.A. and Subsidiaries	26.2	26.9	Increased slightly due to strong sales. (Decreased slightly on a yen basis because of the stronger yen)

## 2. Outlook for FY2008



## Financial Summary

Unit; billions of yen

	FY2008 (estimated)	FY2007	Difference	Growth
Net Sales	2,010.0	1,896.5	113.5	6.0%
Operating Income	70.0	102.4	△32.4	△31.6%
(Equity in earnings of affiliates, included in ordinary income)	(0.0)	(11.2)	(△11.2)	-
Ordinary Income	60.0	92.8	△32.8	△35.3%
Net Income	15.0	63.1	△48.1	△76.2%
ROE	2.0%	8.1%		
Naphtha Price (yen/KL) (Second half)	66,100 (54,000)	61,500		
Exchange Rate (yen/US\$) (Second half)	104.00 (100.00)	114.44		

## Net Sales by Segment

Unit; billions of yen

	FY2008 (estimated)	FY2007	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	300.0	314.7	△14.7	△4.7%	△6.5	△8.2
Petrochemicals	650.0	603.3	46.7	7.7%	48.0	△1.3
Fine Chemicals	100.0	92.9	7.1	7.6%	3.0	4.1
IT-related Chemicals	335.0	297.5	37.5	12.6%	△26.0	63.5
Agricultural Chemicals	230.0	200.4	29.6	14.8%	10.5	19.1
Pharmaceuticals	240.0	237.6	2.4	1.0%	△10.5	12.9
Others	155.0	150.1	4.9	3.3%	0.0	4.9
<b>Total</b>	<b>2,010.0</b>	<b>1,896.5</b>	<b>113.5</b>	<b>6.0%</b>	<b>18.5</b>	<b>95.0</b>

## Operating Income by Segment

Unit; billions of yen

	Basic Chemicals	Petro-chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Total
<b>Operating Income</b>								
FY2008(estimated)	△2.0	2.5	7.5	15.5	23.5	31.0	△8.0	70.0
FY2007	10.6	4.5	11.4	6.3	20.9	46.5	2.2	102.4
<b>Difference</b>	△12.6	△2.0	△3.9	9.2	2.6	△15.5	△10.2	△32.4
<b>Price Variance</b>	△7.5	△0.5	△1.0	△34.0	1.5	△10.5	0.0	△52.0
Sales Price Variance	△6.5	48.0	3.0	△26.0	10.5	△10.5	0.0	18.5
Purchase Price Variance	△1.0	△48.5	△4.0	△8.0	△9.0	0.0	0.0	△70.5
<b>Cost Variance</b>	△5.5	△3.5	△2.0	14.0	△2.5	△14.5	△15.0	△29.0
VC	3.0	1.5	0.0	18.0	1.0	0.0	0.0	23.5
FC	△8.5	△5.0	△2.0	△4.0	△3.5	△14.5	△15.0	△52.5
<b>Shipping Volume Variance</b>	0.4	2.0	△0.9	29.2	3.6	9.5	4.8	48.6
<b>Total</b>	△12.6	△2.0	△3.9	9.2	2.6	△15.5	△10.2	△32.4





## Elements of Major Costs

	Unit; billions of yen		
	FY2008 (estimated)	FY2007	Difference
<b>Labor Costs</b>	229.0	216.2	12.8
<b>Maintenance Costs</b>	53.0	50.2	2.8
<b>Depreciation and Amortization</b>	140.0	125.0	15.0
<b>Research &amp; Development Expenses</b>	130.0	105.4	24.6
<b>Capital Expenditures</b>	150.0	142.5	7.5
<b>Number of Employees (at March 31)</b>	28,000	25,588	2,412



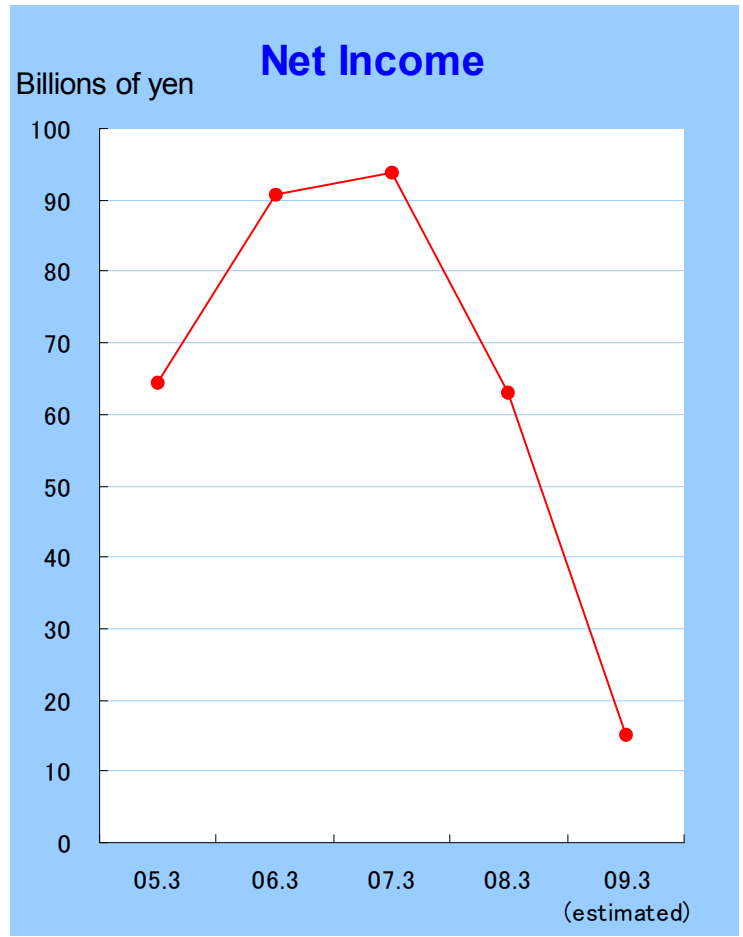
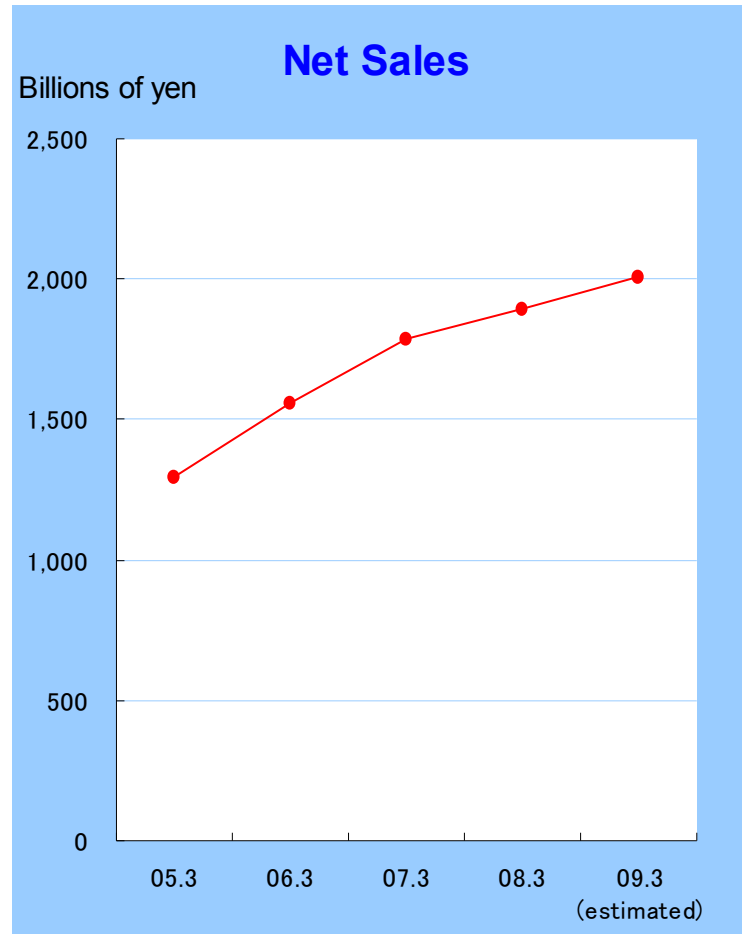
## Consolidated Statements of Cash Flows

Unit; billions of yen

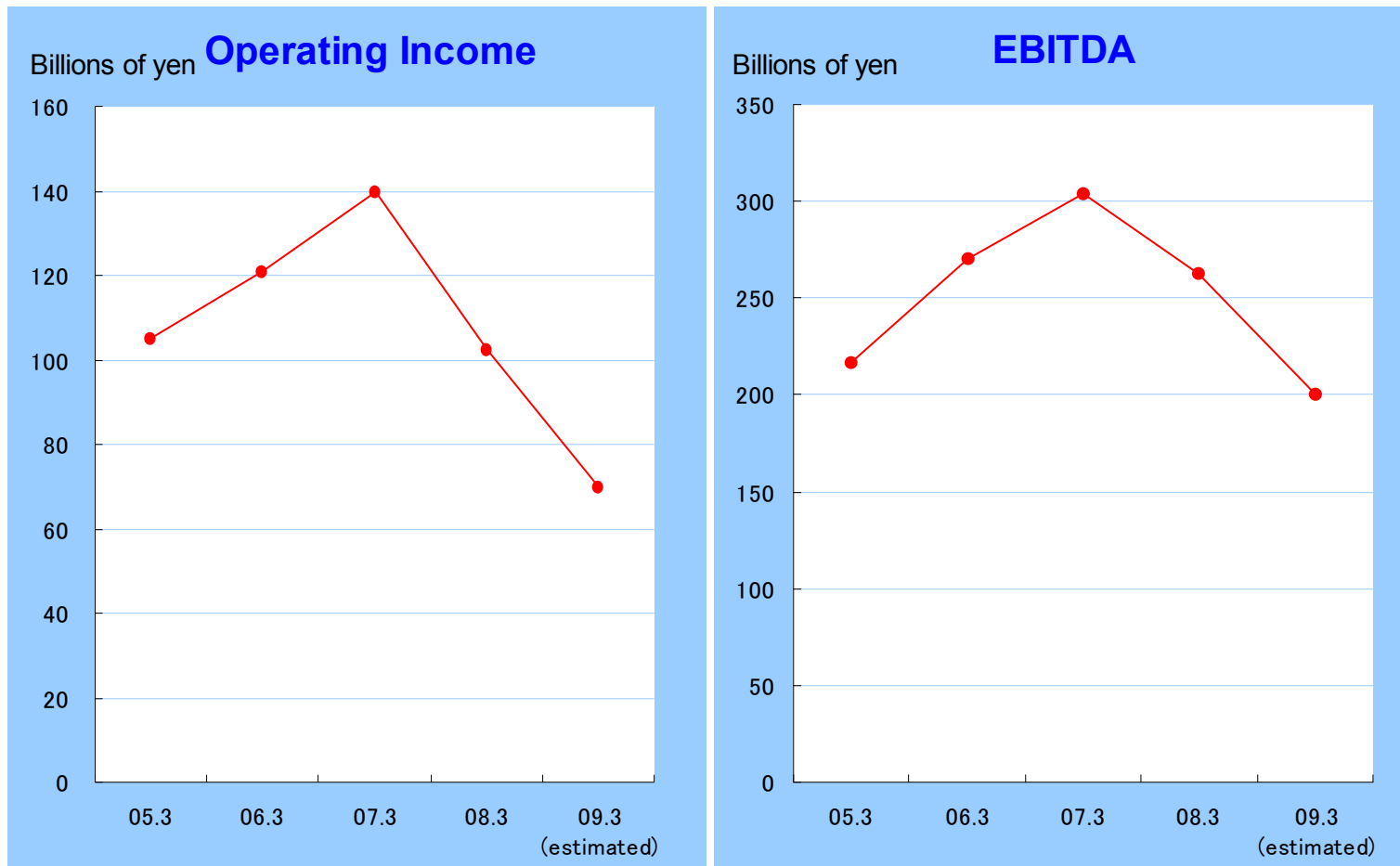
	FY2008 (estimated)	FY2007	Difference
Cash flows from operating activities	110.0	156.6	△46.6
Cash flows from investing activities	△210.0	△182.7	△27.3
Free cash flows	△100.0	△26.1	△73.9
Cash flows from financing activities	80.0	7.1	72.9
Others	-	0.4	△0.4
Net decrease in cash and cash equivalents	△20.0	△18.6	△1.4
Interest-Bearing Debt Balance	780.0	673.9	106.1

## 3. Financial Analysis

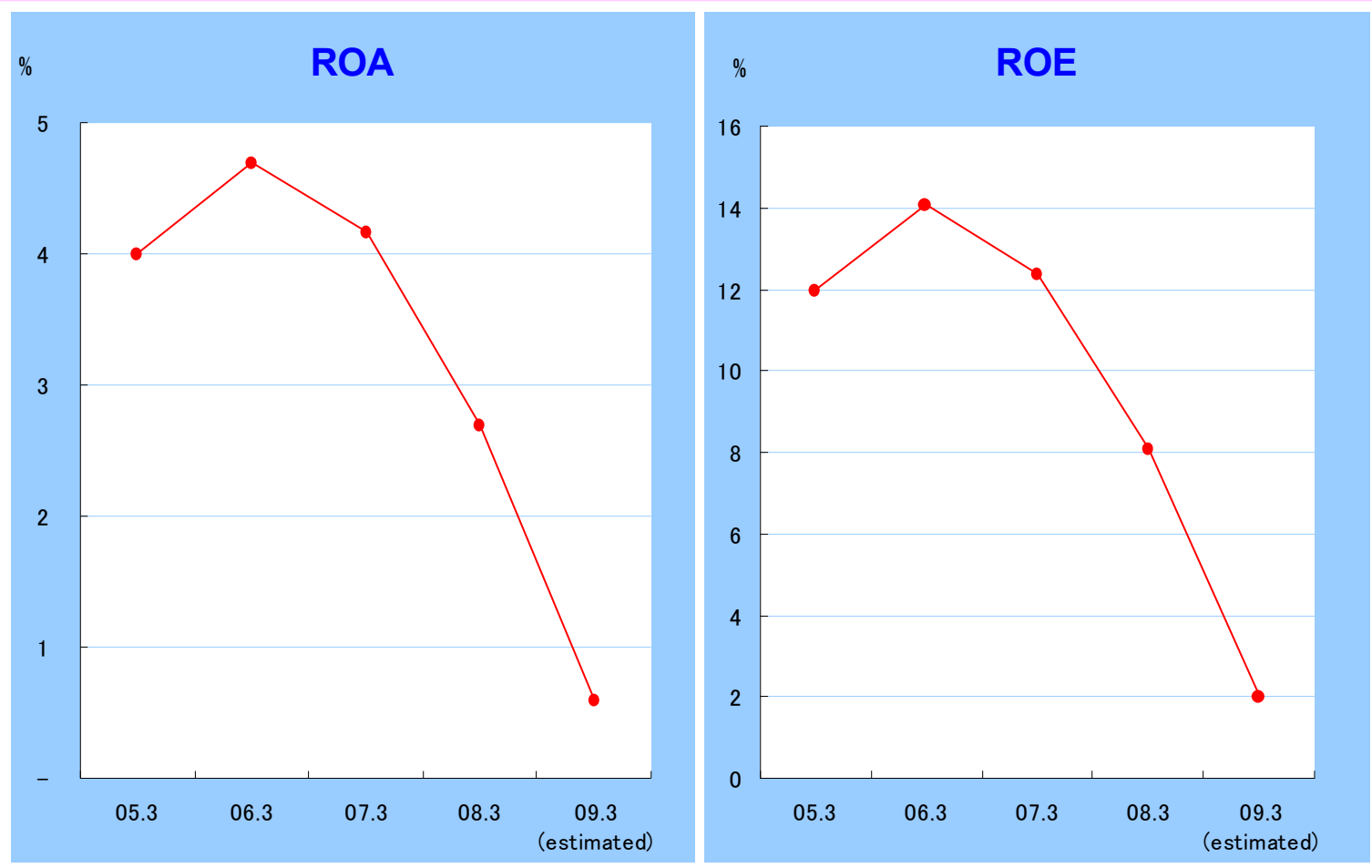
# Financial Analysis - 1



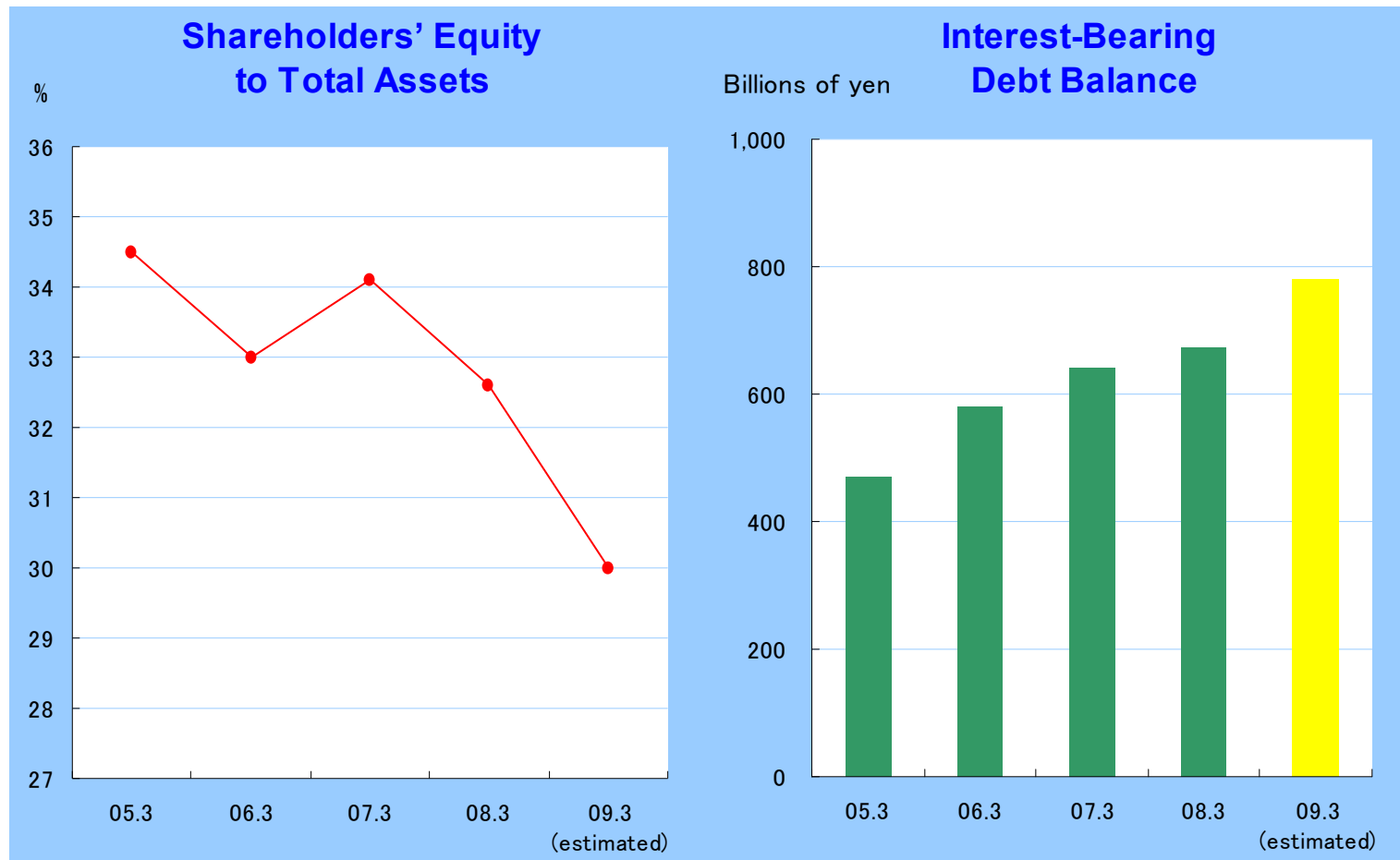
## Financial Analysis - 2



# Financial Analysis - 3



## Financial Analysis - 4



(Reference; Segment Information)



## Capital Expenditures by Segment

Unit; billions of yen

	1st Half of FY2008	1st Half of FY2007	Difference
<b>Basic Chemicals</b>	6.8	12.8	<b>△6.0</b>
<b>Petrochemicals</b>	7.8	6.9	<b>0.8</b>
<b>Fine Chemicals</b>	3.3	2.9	<b>0.5</b>
<b>IT-related Chemicals</b>	24.2	14.6	<b>9.6</b>
<b>Agricultural Chemicals</b>	4.7	3.9	<b>0.8</b>
<b>Pharmaceuticals</b>	8.0	6.0	<b>2.0</b>
<b>Others</b>	18.0	14.8	<b>3.2</b>
<b>Total</b>	<b>72.9</b>	<b>62.0</b>	<b>10.9</b>



## Depreciation and Amortization by Segment

Unit; billions of yen

	1st Half of FY2008	1st Half of FY2007	Difference
<b>Basic Chemicals</b>	8.2	6.4	1.8
<b>Petrochemicals</b>	9.3	8.6	0.7
<b>Fine Chemicals</b>	2.9	2.8	0.1
<b>IT-related Chemicals</b>	16.1	21.9	<b>△5.8</b>
<b>Agricultural Chemicals</b>	6.4	5.7	0.7
<b>Pharmaceuticals</b>	6.9	7.4	<b>△0.5</b>
<b>Others</b>	11.6	6.4	5.3
<b>Total</b>	<b>61.5</b>	<b>59.1</b>	<b>2.4</b>



## Research & Development Expenses by Segment

Unit; billions of yen

	1st Half of FY2008	1st Half of FY2007	Difference
<b>Basic Chemicals</b>	2.9	2.9	<b>△0.0</b>
<b>Petrochemicals</b>	5.6	5.5	<b>0.1</b>
<b>Fine Chemicals</b>	2.0	2.0	<b>△0.0</b>
<b>IT-related Chemicals</b>	6.4	6.7	<b>△0.3</b>
<b>Agricultural Chemicals</b>	9.7	9.4	<b>0.3</b>
<b>Pharmaceuticals</b>	25.8	20.4	<b>5.4</b>
<b>Others</b>	4.0	1.4	<b>2.6</b>
<b>Total</b>	<b>56.5</b>	<b>48.4</b>	<b>8.1</b>

Corporate R&D expenses are allocated to each business segments.



## Estimated Capital Expenditures by Segment

Unit; billions of yen

	FY2008 (estimated)	FY2007	Difference
<b>Basic Chemicals</b>	20.5	27.6	<b>△7.1</b>
<b>Petrochemicals</b>	19.0	21.2	<b>△2.2</b>
<b>Fine Chemicals</b>	7.0	6.9	<b>0.1</b>
<b>IT-related Chemicals</b>	39.0	33.4	<b>5.6</b>
<b>Agricultural Chemicals</b>	9.0	8.5	<b>0.5</b>
<b>Pharmaceuticals</b>	14.5	18.3	<b>△3.8</b>
<b>Others</b>	41.0	26.7	<b>14.3</b>
<b>Total</b>	<b>150.0</b>	<b>142.5</b>	<b>7.5</b>



## Estimated Depreciation and Amortization by Segment

Unit; billions of yen

	FY2008 (estimated)	FY2007	Difference
<b>Basic Chemicals</b>	18.0	13.3	4.7
<b>Petrochemicals</b>	20.0	18.4	1.6
<b>Fine Chemicals</b>	6.5	6.1	0.4
<b>IT-related Chemicals</b>	36.5	42.2	<b>△5.7</b>
<b>Agricultural Chemicals</b>	13.0	12.8	0.2
<b>Pharmaceuticals</b>	15.0	15.4	<b>△0.4</b>
<b>Others</b>	31.0	16.9	14.1
<b>Total</b>	140.0	125.0	15.0



## Estimated Research & Development Expenses by Segment

Unit; billions of yen

	FY2008 (estimated)	FY2007	Difference
<b>Basic Chemicals</b>	6.5	6.1	0.4
<b>Petrochemicals</b>	12.0	11.1	0.9
<b>Fine Chemicals</b>	4.0	4.1	△0.1
<b>IT-related Chemicals</b>	15.5	13.7	1.8
<b>Agricultural Chemicals</b>	21.5	19.4	2.1
<b>Pharmaceuticals</b>	58.0	47.7	10.3
<b>Others</b>	12.5	3.3	9.2
<b>Total</b>	<b>130.0</b>	<b>105.4</b>	<b>24.6</b>

Corporate R&D expenses are allocated to each business segments.