



# Financial Results & Outlook for FY2010



**May 10, 2010**



**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 FY2009 Ended March 31, 2010





## Financial Summary

Unit; billions of yen

	FY2008	FY2009	Difference	Growth
Net Sales	1,788.2	1,620.9	<b>Δ167.3</b>	<b>Δ9.4%</b>
Operating Income	2.1	51.5	49.3	-
(Equity in earnings of affiliates, included in ordinary income)	<b>(Δ12.8)</b>	<b>(Δ7.0)</b>	(5.8)	-
(Net loss on foreign currency transactions in ordinary income)	<b>(Δ14.7)</b>	<b>(Δ0.5)</b>	(14.2)	-
Ordinary Income	<b>Δ32.6</b>	35.0	67.6	-
Net Income	<b>Δ59.2</b>	14.7	73.9	-
ROE	<b>Δ9.0%</b>	2.6%		
Naphtha Price (yen/KL)	58,900	41,200		
Exchange Rate (yen/US\$)	100.71	92.89		



## Net Sales by Business Segments

Unit; billions of yen

	FY2008	FY2009	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	240.0	203.3	Δ36.7	Δ15.3%	Δ41.0	4.3
Petrochemicals	553.0	481.5	Δ71.4	Δ12.9%	Δ127.0	55.6
Fine Chemicals	80.8	67.6	Δ13.2	Δ16.3%	Δ4.0	Δ9.2
IT-related Chemicals	307.1	265.2	Δ41.9	Δ13.6%	Δ40.0	Δ1.9
Agricultural Chemicals	222.2	211.5	Δ10.7	Δ4.8%	Δ7.0	Δ3.7
Pharmaceuticals	235.6	267.5	31.9	13.5%	0.0	31.9
Others	149.5	124.3	Δ25.3	Δ16.9%	0.0	Δ25.3
<b>Total</b>	<b>1,788.2</b>	<b>1,620.9</b>	<b>Δ167.3</b>	<b>Δ9.4%</b>	<b>Δ219.0</b>	<b>51.7</b>
Overseas Operations	749.8	728.9	Δ20.9	Δ2.8%		



## Results of Operations by Business Segments

Unit; billions of yen

	Basic Chemicals	Petro-Chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Total
<b>Operating Income</b>								
FY2008	<b>Δ15.3</b>	<b>Δ30.3</b>	1.6	<b>Δ1.0</b>	24.4	32.4	<b>Δ9.6</b>	2.1
FY2009	<b>Δ2.7</b>	<b>Δ5.3</b>	1.5	3.3	25.9	29.3	<b>Δ0.6</b>	51.5
<b>Difference</b>	12.7	25.0	<b>Δ0.1</b>	4.3	1.5	<b>Δ3.0</b>	9.0	49.3
<b>Price Variance</b>	2.5	0.5	1.5	<b>Δ40.0</b>	0.5	0.0	0.0	<b>Δ35.0</b>
Sales Price Variance	<b>Δ41.0</b>	<b>Δ127.0</b>	<b>Δ4.0</b>	<b>Δ40.0</b>	<b>Δ7.0</b>	0.0	0.0	<b>Δ219.0</b>
Purchase Price Variance	43.5	127.5	5.5	0.0	7.5	0.0	0.0	184.0
<b>Cost Variance</b>	4.0	<b>Δ1.5</b>	1.5	31.5	1.5	<b>Δ30.0</b>	8.0	15.0
VC	0.0	0.0	0.5	18.5	1.0	0.0	0.0	20.0
FC	4.0	<b>Δ1.5</b>	1.0	13.0	0.5	<b>Δ30.0</b>	8.0	<b>Δ5.0</b>
<b>Shipping Volume Variance</b>	6.2	26.0	<b>Δ3.1</b>	12.8	<b>Δ0.5</b>	27.0	1.0	69.3
<b>Total</b>	12.7	25.0	<b>Δ0.1</b>	4.3	1.5	<b>Δ3.0</b>	9.0	49.3

## Elements of Major Costs

Unit; billions of yen

	FY2008	FY2009	Difference
Labor Costs	229.5	242.9	13.4
Maintenance Costs	52.5	48.8	<b>Δ3.7</b>
Depreciation and Amortization	140.7	116.1	<b>Δ24.6</b>
Research & Development Expenses	131.1	117.3	<b>Δ13.8</b>
Capital Expenditures	134.1	103.2	<b>Δ30.9</b>
Number of employees (at March 31)	26,902	27,828	926





## Extraordinary Gains / Losses

Unit; billions of yen

	FY2008	FY2009	Difference
Gain on sales of investment securities	0.9	9.5	8.6
Gain on sales of property, plant and equipment	1.0	1.1	0.1
Gain on contribution of securities to retirement benefit trust	14.8	-	<b>Δ14.8</b>
Reversal of provision for loss on litigation	1.1	-	<b>Δ1.1</b>
<b>Extraordinary Gains</b>	<b>17.7</b>	<b>10.6</b>	<b>Δ7.1</b>
Restructuring charges	8.8	2.7	<b>Δ6.1</b>
Compensation for revision of personnel system	-	1.6	1.6
Impairment loss on fixed assets	20.8	-	<b>Δ20.8</b>
Loss on valuation of investment securities	4.1	-	<b>Δ4.1</b>
<b>Extraordinary Losses</b>	<b>33.8</b>	<b>4.2</b>	<b>Δ29.5</b>
<b>Extraordinary Gains / Losses</b>	<b>Δ16.1</b>	<b>6.3</b>	<b>22.5</b>



## Consolidated Balance Sheets

Unit; billions of yen

	31-Mar-09	31-Mar-10		31-Mar-09	31-Mar-10
<b>Current Assets</b>	<b>838.1</b>	<b>1,013.5</b>	<b>Liabilities</b>	<b>1,246.9</b>	<b>1,562.5</b>
Cash and cash equivalents	85.8	120.7	Trade notes and accounts	151.5	214.6
Trade notes and accounts	294.3	382.5	Short-term debt	277.3	349.5
Inventories	335.7	355.7	Long-term debt due within one year	41.2	55.7
Others	122.3	154.7	Long-term debt due after one year	476.9	592.8
<b>Non-current Assets</b>	<b>1,184.4</b>	<b>1,370.4</b>	Others	300.0	349.9
Property, plant and equipment	567.8	581.8	<b>Net Assets</b>	<b>775.6</b>	<b>821.4</b>
Intangible assets	63.4	249.7	Shareholders' equity	592.1	601.5
Investment securities	384.6	394.5	Valuation and translation adjustments	<b>Δ47.8</b>	<b>Δ26.2</b>
Others	168.6	144.3	Minority interests	231.3	246.1
<b>Total</b>	<b>2,022.6</b>	<b>2,383.9</b>	<b>Total</b>	<b>2,022.6</b>	<b>2,383.9</b>

Interest-bearing debt balance	795.4	997.9
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## Consolidated Statements of Cash Flows

Unit; billions of yen

	FY2008	FY2009	Difference
Cash flows from operating activities	78.4	132.9	54.4
Cash flows from investing activities	$\Delta 206.2$	$\Delta 269.4$	$\Delta 63.2$
Free cash flows	$\Delta 127.8$	$\Delta 136.5$	$\Delta 8.7$
Cash flows from financing activities	112.5	168.7	56.2
Effect of exchange rate changes on cash and cash equivalents	$\Delta 6.3$	1.2	7.6
Net increase (decrease) in cash and cash equivalents	$\Delta 21.6$	33.4	55.0
Cash and cash equivalents at end of year	85.8	120.7	34.9



## Major Subsidiaries

Unit: billions of yen

Company	Net Sales		Operating Income Status
	FY2008	FY2009	
<b>The Polyolefin Company (Singapore)</b>	<b>126.9</b>	<b>90.6</b>	Increased because of improved margins, inventory valuation gains and stronger shipments.
<b>Petrochemical Corporation of Singapore</b>	<b>306.4</b>	<b>205.0</b>	Increased because of stronger shipments and improved margins resulting from lower feedstock prices.
<b>Dongwoo Fine-Chem</b>	<b>180.2</b>	<b>142.4</b>	Decreased because increased shipments were insufficient to offset lower selling prices.
<b>Valent U.S.A. and Subsidiaries</b>	<b>42.7</b>	<b>42.6</b>	Increased because of strong shipments. (Value of sales decreased in yen terms because of appreciation of the yen.)

## 2. Outlook for FY2010



## Financial Summary

Unit; billions of yen

	FY2009	FY2010 (estimated)	Difference	Growth
Net Sales	1,620.9	2,000.0	379.1	23.4%
Operating Income	51.5	35.0	<b>Δ16.5</b>	<b>Δ32.0%</b>
(Equity in earnings of affiliates, included in ordinary income)	<b>(Δ7.0)</b>	(16.0)	(23.0)	-
Ordinary Income	35.0	35.0	0.0	0.1%
Net Income	14.7	25.0	10.3	69.8%
ROE	2.6%	4.3%		
Naphtha Price (yen/KL)	41,200	50,000		
Exchange Rate (yen/US\$)	92.89	90.00		



## Net Sales by Business Segments

Unit: billions of yen

	FY2009	FY2010 (estimated)	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	203.3	235.0	31.7	15.6%	14.5	17.2
Petrochemicals	481.5	700.0	218.5	45.4%	88.0	130.5
Fine Chemicals	67.6	95.0	27.4	40.6%	0.0	27.4
IT-related Chemicals	265.2	315.0	49.8	18.8%	Δ29.0	78.8
Agricultural Chemicals	211.5	220.0	8.5	4.0%	Δ2.0	10.5
Pharmaceuticals	267.5	345.0	77.5	29.0%	Δ15.0	92.5
Others	124.3	90.0	Δ34.3	Δ27.6%	0.0	Δ34.3
<b>Total</b>	<b>1,620.9</b>	<b>2,000.0</b>	<b>379.1</b>	<b>23.4%</b>	<b>56.5</b>	<b>322.6</b>



## Results of Operations by Business Segments

Unit; billions of yen

	Basic Chemicals	Petro-chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Corporate	Total
<b>Operating Income</b>									
FY2009	Δ2.7	Δ5.3	1.5	3.3	25.9	29.3	Δ0.5	Δ0.2	51.5
FY2010(estimated)	4.0	9.0	2.5	18.5	24.0	0.0	1.0	Δ24.0	35.0
<b>Difference</b>	6.7	14.3	1.0	15.2	Δ1.9	Δ29.3	1.5	Δ23.8	Δ16.5
<b>Price Variance</b>	1.0	5.0	Δ1.0	Δ29.0	Δ4.5	Δ15.0	0.0	0.0	Δ43.5
Sales Price Variance	14.5	88.0	0.0	Δ29.0	Δ2.0	Δ15.0	0.0	0.0	56.5
Purchase Price Variance	Δ13.5	Δ83.0	Δ1.0	0.0	Δ2.5	0.0	0.0	0.0	Δ100.0
<b>Cost Variance</b>	2.0	5.5	Δ1.5	27.0	Δ4.5	Δ93.0	6.5	Δ24.0	Δ82.0
VC	0.0	0.0	0.5	21.0	0.5	0.0	0.0	0.0	22.0
FC	2.0	5.5	Δ2.0	6.0	Δ5.0	Δ93.0	6.5	Δ24.0	Δ104.0
<b>Shipping Volume Variance</b>	3.7	3.8	3.5	17.2	7.1	78.7	Δ5.0	0.2	109.0
<b>Total</b>	6.7	14.3	1.0	15.2	Δ1.9	Δ29.3	1.5	Δ23.8	Δ16.5
<b>Impact of revision</b>	4.0	5.1	2.1	3.0	3.3	0.5	7.2	Δ25.2	0.0
<b>Change before revision</b>	2.7	9.2	Δ1.1	12.2	Δ5.2	Δ29.8	Δ5.7	1.4	Δ16.5

\* Management accounting system and other were revised at the start of FY2010.





## Elements of Major Costs

Unit: billions of yen

	FY2009	FY2010 (estimated)	Difference
<b>Labor Costs</b>	242.9	273.0	30.1
<b>Maintenance Costs</b>	48.8	51.0	2.2
<b>Depreciation and Amortization</b>	116.1	152.0	35.9
<b>Research &amp; Development Expenses</b>	117.3	137.5	20.2
<b>Capital Expenditures</b>	103.2	116.0	12.8
<b>Number of employees (at March 31)</b>	27,828	29,000	1,172



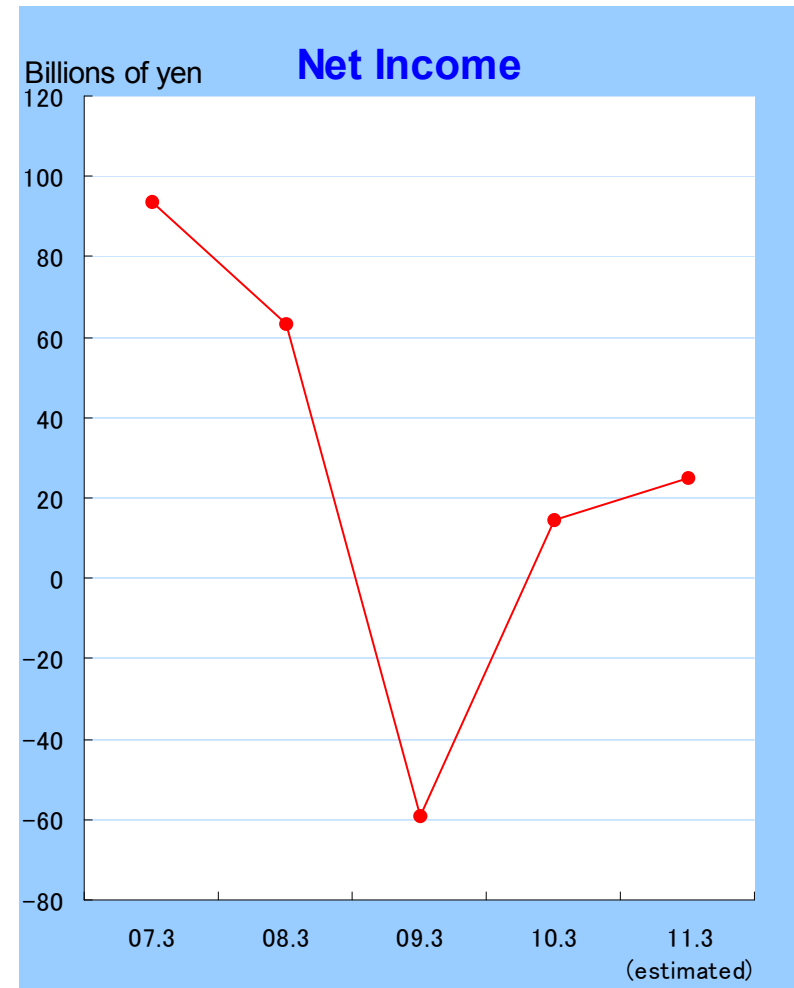
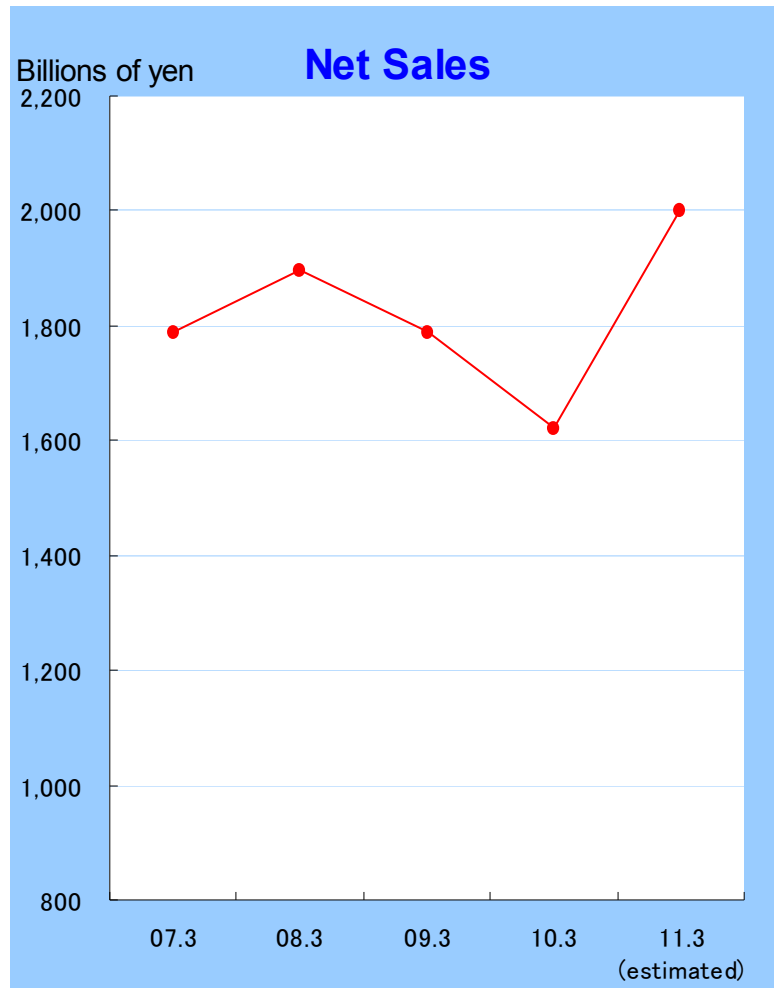
## Consolidated Statements of Cash Flows

Unit; billions of yen

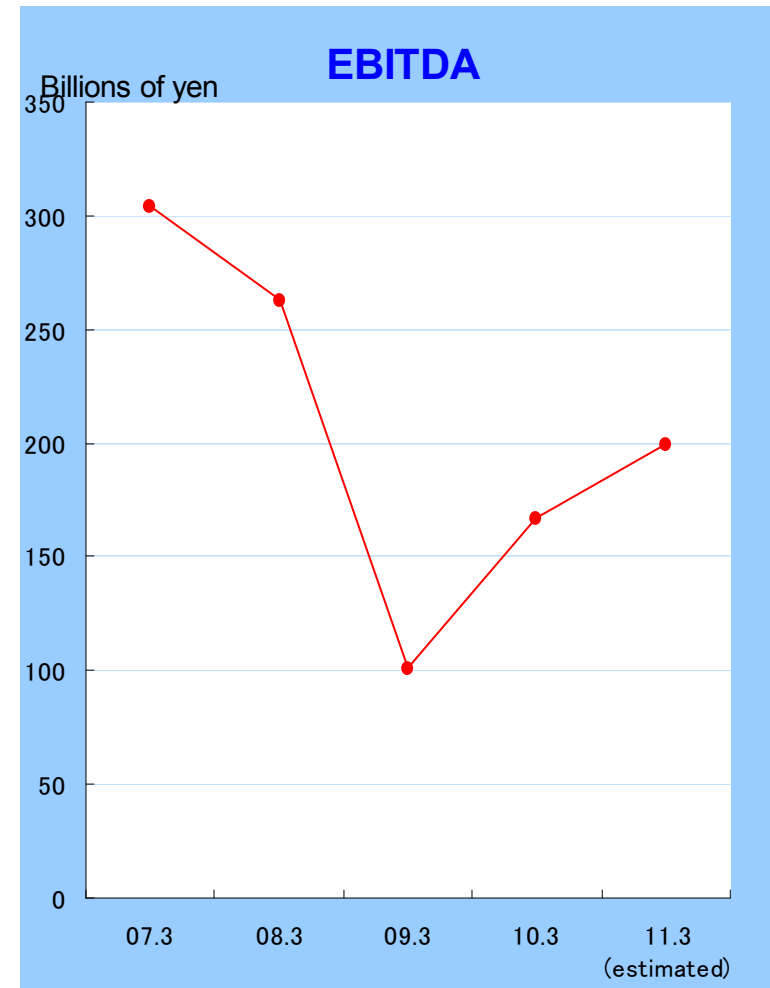
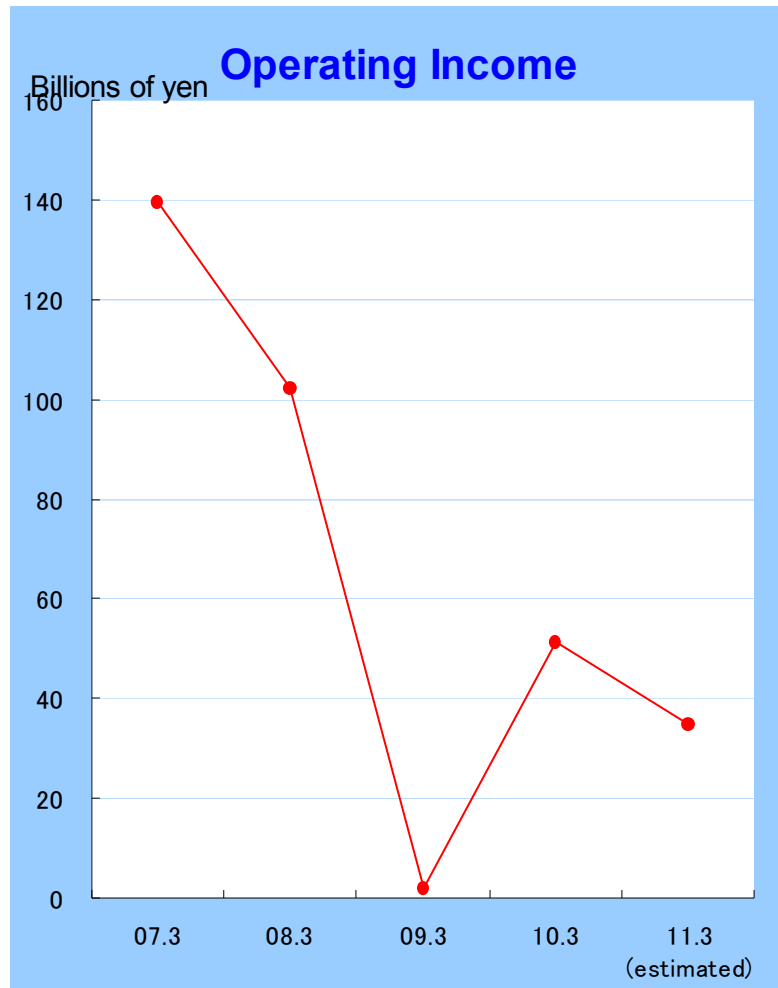
	FY2009	FY2010 (estimated)	Difference
Cash flows from operating activities	132.9	120.0	<b>Δ12.9</b>
Cash flows from investing activities	<b>Δ269.4</b>	<b>Δ180.0</b>	89.4
Free cash flows	<b>Δ136.5</b>	<b>Δ60.0</b>	76.5
Cash flows from financing activities	168.7	60.0	<b>Δ108.7</b>
Effect of exchange rate changes on cash and cash equivalents	1.2	-	<b>Δ1.2</b>
Net increase (decrease) in cash and cash equivalents	33.4	-	<b>Δ33.4</b>
Interest-Bearing Debt Balance	997.9	1,080.0	82.1

## 3. Financial Analysis

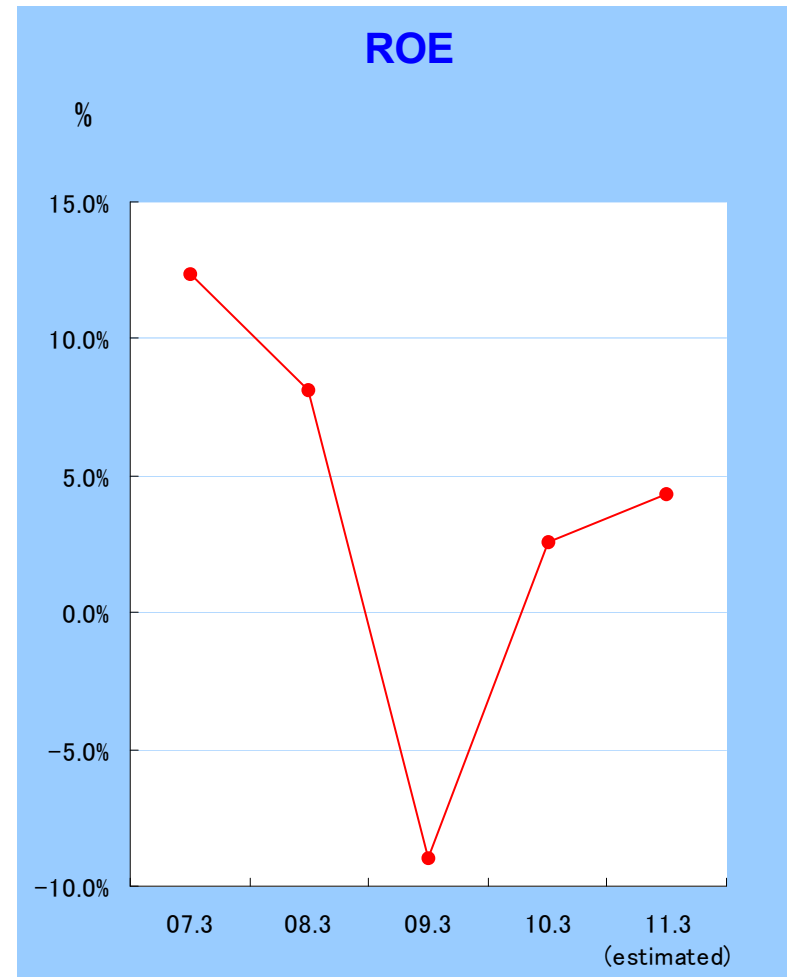
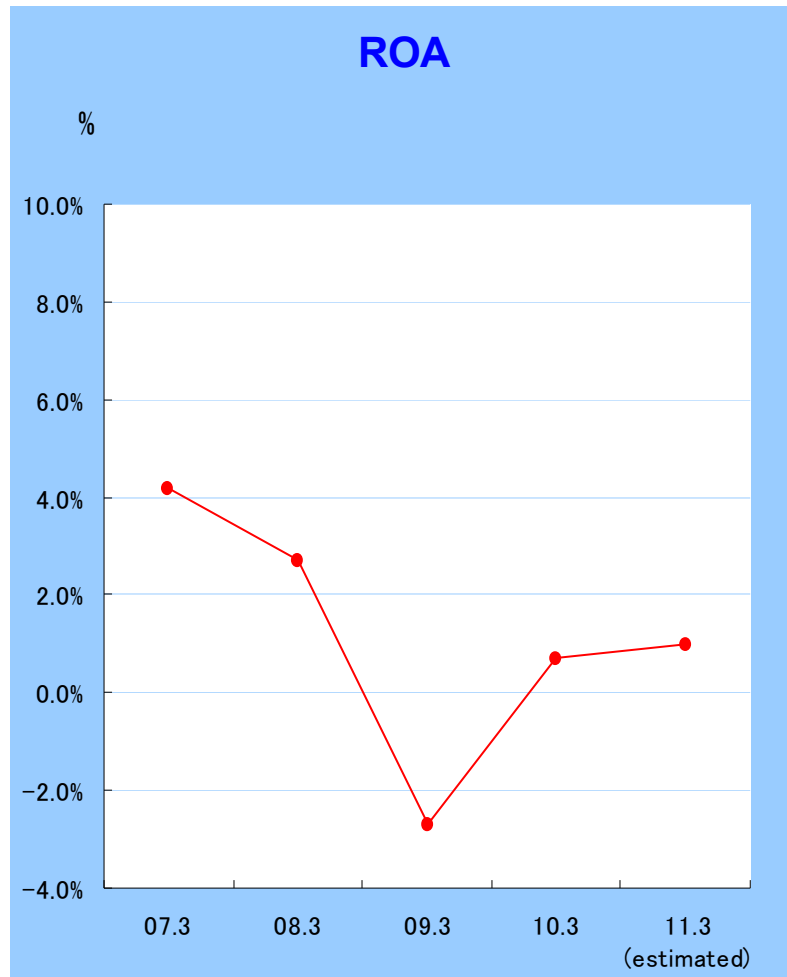
# Financial Analysis - 1



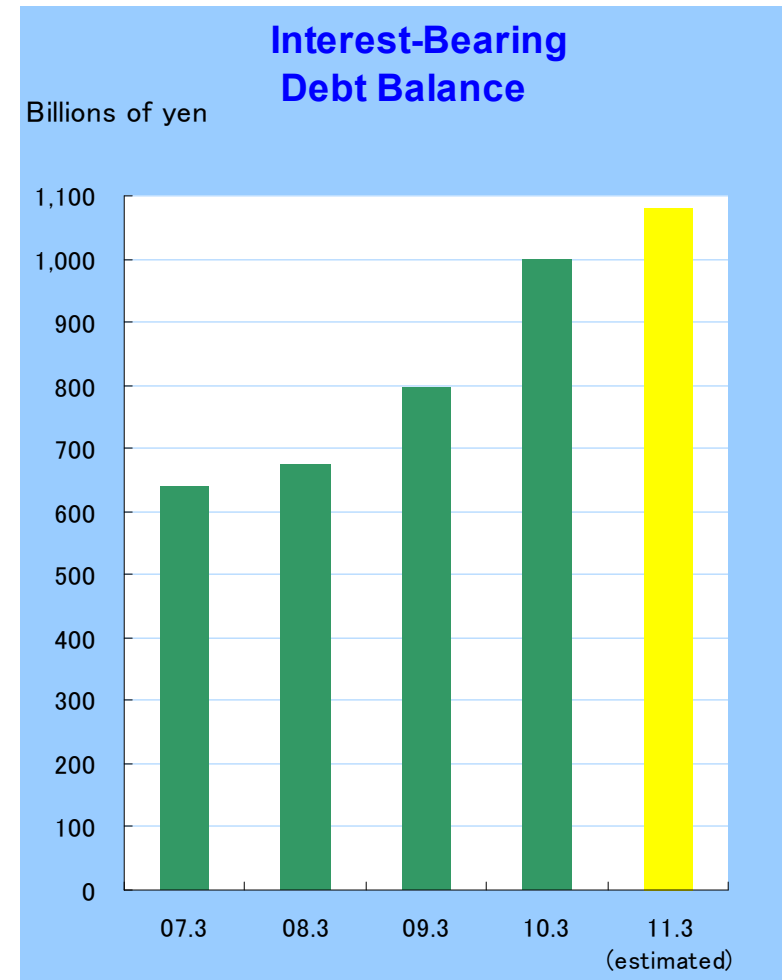
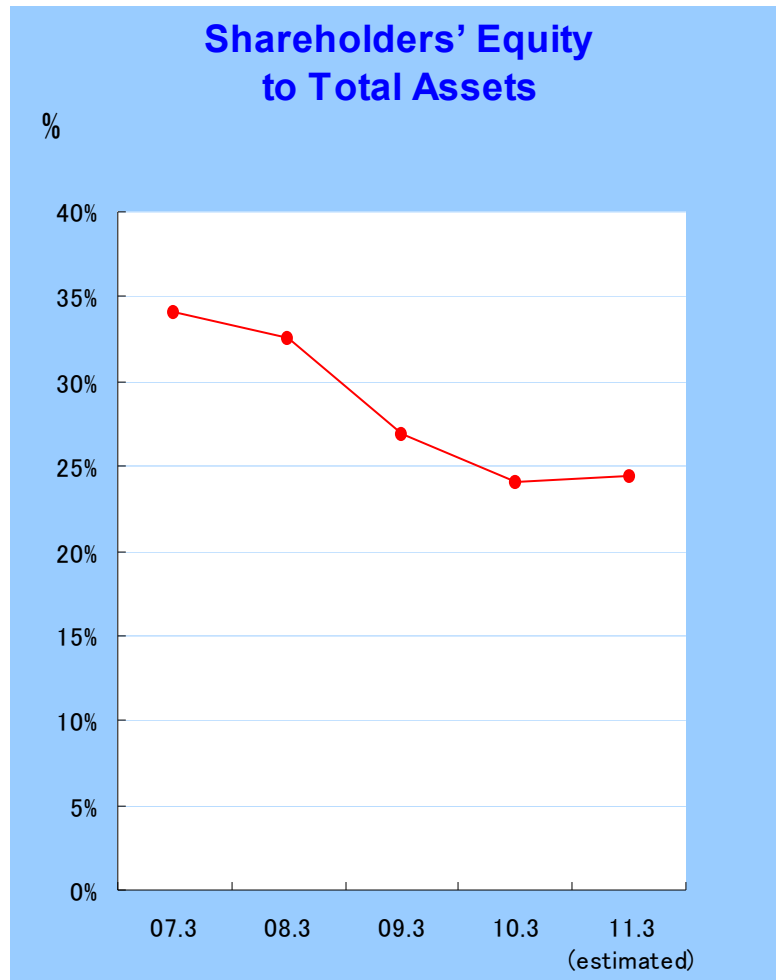
## Financial Analysis - 2



## Financial Analysis - 3



## Financial Analysis - 4



(Reference; Segment Information)





## Capital Expenditures by Business Segments

Unit; billions of yen

	FY2008	FY2009	Difference
Basic Chemicals	14.7	12.4	$\Delta 2.3$
Petrochemicals	17.6	14.4	$\Delta 3.2$
Fine Chemicals	7.7	14.3	6.6
IT-related Chemicals	50.6	11.5	$\Delta 39.1$
Agricultural Chemicals	11.3	23.2	11.9
Pharmaceuticals	12.7	7.8	$\Delta 4.8$
Others	19.6	19.7	0.2
<b>Total</b>	<b>134.1</b>	<b>103.2</b>	<b><math>\Delta 30.9</math></b>



## Depreciation and Amortization by Business Segments

Unit; billions of yen

	FY2008	FY2009	Difference
Basic Chemicals	17.2	14.2	<b>Δ3.0</b>
Petrochemicals	20.9	19.4	<b>Δ1.6</b>
Fine Chemicals	6.3	6.0	<b>Δ0.3</b>
IT-related Chemicals	39.8	23.2	<b>Δ16.7</b>
Agricultural Chemicals	13.1	12.6	<b>Δ0.5</b>
Pharmaceuticals	14.5	21.2	6.7
Others	29.0	19.7	<b>Δ9.3</b>
<b>Total</b>	<b>140.7</b>	<b>116.1</b>	<b>Δ24.6</b>



## Research & Development Expenses by Business Segments

Unit; billions of yen

	FY2008	FY2009	Difference
<b>Basic Chemicals</b>	6.4	5.8	<b>Δ0.6</b>
<b>Petrochemicals</b>	12.0	11.4	<b>Δ0.7</b>
<b>Fine Chemicals</b>	4.2	4.3	<b>0.0</b>
<b>IT-related Chemicals</b>	21.2	13.0	<b>Δ8.2</b>
<b>Agricultural Chemicals</b>	20.7	19.5	<b>Δ1.3</b>
<b>Pharmaceuticals</b>	55.0	55.6	<b>0.6</b>
<b>Others</b>	11.6	7.9	<b>Δ3.7</b>
<b>Total</b>	<b>131.1</b>	<b>117.3</b>	<b>Δ13.8</b>

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



## Estimated Capital Expenditures by Business Segments

Unit; billions of yen

	FY2009	FY2010 (estimated)	Difference
Basic Chemicals	12.4	17.5	5.1
Petrochemicals	14.4	13.0	<b>Δ1.4</b>
Fine Chemicals	14.3	6.5	<b>Δ7.8</b>
IT-related Chemicals	11.5	37.0	25.5
Agricultural Chemicals	23.2	13.0	<b>Δ10.2</b>
Pharmaceuticals	7.8	13.0	5.2
Others	19.7	16.0	<b>Δ3.7</b>
<b>Total</b>	<b>103.2</b>	<b>116.0</b>	<b>12.8</b>



## Estimated Depreciation and Amortization by Business Segments

Unit; billions of yen

	FY2009	FY2010 (estimated)	Difference
Basic Chemicals	14.2	15.5	1.3
Petrochemicals	19.4	19.0	<span style="color: red;">Δ0.4</span>
Fine Chemicals	6.0	11.0	5.0
IT-related Chemicals	23.2	20.5	<span style="color: red;">Δ2.7</span>
Agricultural Chemicals	12.6	18.0	5.4
Pharmaceuticals	21.2	49.5	28.3
Others	19.7	18.5	<span style="color: red;">Δ1.2</span>
<b>Total</b>	<b>116.1</b>	<b>152.0</b>	<b>35.9</b>



## Estimated Research & Development Expenses by Business Segments

Unit; billions of yen

	FY2009	FY2010 (estimated)	Difference
<b>Basic Chemicals</b>	5.8	3.5	Δ2.3
<b>Petrochemicals</b>	11.4	8.0	Δ3.4
<b>Fine Chemicals</b>	4.3	4.5	0.2
<b>IT-related Chemicals</b>	13.0	11.0	Δ2.0
<b>Agricultural Chemicals</b>	19.5	19.5	0.0
<b>Pharmaceuticals</b>	55.6	70.5	14.9
<b>Others</b>	7.9	20.5	12.6
<b>Total</b>	117.3	137.5	20.2

\* Corporate R&D expenses are allocated to each business segment for FY2009, and are included in "Others" from the start of FY2010.