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# First Half Financial Results & Outlook for FY2010



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 FY2010 Ending March 31, 2011



## Financial Summary

Unit; billions of yen

	1st Half of FY2009	1st Half of FY2010	Difference	Growth
Net Sales	735.2	989.2	254.0	34.6%
Operating Income	11.2	53.0	41.9	374.8%
(Equity in earnings of affiliates, included in ordinary income)	(Δ1.4)	(7.5)	(8.9)	-
(Net gain/loss on foreign currency transactions in ordinary income)	(Δ1.1)	(Δ6.4)	(Δ5.3)	-
Ordinary Income	7.8	52.1	44.3	569.1%
Net Income	Δ3.5	2.5	6.0	-
ROE	Δ0.6%	0.5%		
Naphtha Price (yen/KL)	37,300	46,200		
Exchange Rate (yen/US\$)	95.53	88.91		



## Net Sales by Business Segments

Unit; billions of yen

	1st Half of FY2009	1st Half of FY2010	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	94.0	124.4	30.4	32.4%	14.5	15.9
Petrochemicals	211.2	317.5	106.3	50.3%	60.0	46.3
Fine Chemicals	40.7	46.3	5.5	13.6%	0.0	5.5
IT-related Chemicals	111.7	163.9	52.3	46.8%	Δ12.0	64.3
Agricultural Chemicals	108.3	107.9	Δ0.4	Δ0.4%	Δ1.5	1.1
Pharmaceuticals	118.6	180.1	61.5	51.9%	Δ8.5	70.0
Others	50.8	49.2	Δ1.6	Δ3.2%	0.0	Δ1.6
<b>Total</b>	<b>735.2</b>	<b>989.2</b>	<b>254.0</b>	<b>34.6%</b>	<b>52.5</b>	<b>201.5</b>

<b>Overseas Operations</b>	<b>315.5</b>	<b>529.4</b>	<b>213.9</b>	<b>67.8%</b>
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\*The figures for the half-year ended September 30, 2009 and the full-year ending March 30 2010 have been adjusted to reflect accounting changes applied from the beginning of the half-year ended September 30, 2010. The figures shown on the following pages also have been adjusted to reflect the accounting changes.



## Results of Operations by Business Segments

Unit; billions of yen

	Basic Chemicals	Petro-chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments	Total
<b>Operating Income</b>									
1st Half of FY2009	<b>Δ1.8</b>	<b>Δ3.6</b>	0.8	<b>Δ4.1</b>	14.4	16.1	1.4	<b>Δ12.1</b>	11.2
1st Half of FY2010	10.1	5.8	2.0	17.1	13.9	13.7	1.8	<b>Δ11.4</b>	53.0
<b>Difference</b>	<b>11.8</b>	<b>9.4</b>	<b>1.2</b>	<b>21.3</b>	<b>Δ0.5</b>	<b>Δ2.4</b>	<b>0.4</b>	<b>0.7</b>	<b>41.9</b>
<b>Price Variance</b>	5.0	5.0	0.0	<b>Δ12.0</b>	<b>Δ2.0</b>	<b>Δ8.5</b>	0.0	0.0	<b>Δ12.5</b>
Sales Price Variance	14.5	60.0	0.0	<b>Δ12.0</b>	<b>Δ1.5</b>	<b>Δ8.5</b>	0.0	0.0	52.5
Purchase Price Variance	<b>Δ9.5</b>	<b>Δ55.0</b>	0.0	0.0	<b>Δ0.5</b>	0.0	0.0	0.0	<b>Δ65.0</b>
<b>Cost Variance</b>	0.0	1.0	<b>Δ0.5</b>	12.5	<b>Δ2.5</b>	<b>Δ56.5</b>	0.0	0.5	<b>Δ45.5</b>
VC	0.0	0.0	0.0	11.5	0.5	0.0	0.0	0.0	12.0
FC	0.0	1.0	<b>Δ0.5</b>	1.0	<b>Δ3.0</b>	<b>Δ56.5</b>	0.0	0.5	<b>Δ57.5</b>
<b>Shipping Volume Variance</b>	6.8	3.4	1.7	20.8	4.0	62.6	0.4	0.2	99.9
<b>Total</b>	<b>11.8</b>	<b>9.4</b>	<b>1.2</b>	<b>21.3</b>	<b>Δ0.5</b>	<b>Δ2.4</b>	<b>0.4</b>	<b>0.7</b>	<b>41.9</b>



## Elements of Major Costs

Unit; billions of yen

	1st Half of FY2009	1st Half of FY2010	Difference
Depreciation and Amortization	52.3	72.0	19.7
Research & Development Expenses	56.6	64.8	8.2
Capital Expenditures	40.1	43.3	3.2
Number of employees (at September 30)	27,320	28,480	1,160



## Extraordinary Gains / Losses

Unit; billions of yen

	1st Half of FY2009	1st Half of FY2010	Difference
Equity in losses of affiliates	-	28.7	28.7
Restructuring charges	0.5	0.9	0.4
<b>Extraordinary Losses</b>	<b>0.5</b>	<b>29.6</b>	<b>29.1</b>
<b>Extraordinary Gains / Losses</b>	<b>Δ0.5</b>	<b>Δ29.6</b>	<b>Δ29.1</b>



## Consolidated Balance Sheets

Unit; billions of yen

	30-Sep-10	31-Mar-10		30-Sep-10	31-Mar-10
<b>Current Assets</b>	<b>1,060.9</b>	<b>1,013.5</b>	<b>Liabilities</b>	<b>1,587.7</b>	<b>1,562.5</b>
Cash and cash equivalents	147.8	120.7	Trade notes and accounts	225.7	214.6
Trade notes and accounts	397.9	382.5	Short-term debt	384.2	349.5
Inventories	361.5	355.7	Long-term debt due within one year	49.8	55.7
Others	153.7	154.7	Long-term debt due after one year	619.3	592.8
<b>Non-current Assets</b>	<b>1,298.3</b>	<b>1,370.4</b>	Others	308.7	349.9
Property, plant and equipment	564.2	581.8	<b>Net Assets</b>	<b>771.6</b>	<b>821.4</b>
Intangible assets	218.6	249.7	Shareholders' equity	593.1	601.5
Investment securities	382.4	394.5	Valuation and translation adjustments	<b>Δ64.5</b>	<b>Δ26.2</b>
Others	133.2	144.3	Minority interests	243.0	246.1
<b>Total</b>	<b>2,359.2</b>	<b>2,383.9</b>	<b>Total</b>	<b>2,359.2</b>	<b>2,383.9</b>
			<b>Interest-bearing debt balance</b>	<b>1,053.3</b>	<b>997.9</b>



## Consolidated Statements of Cash Flows

Unit; billions of yen

	1st Half of FY2009	1st Half of FY2010	Difference
Cash flows from operating activities	57.7	74.8	17.1
Cash flows from investing activities	<b>Δ43.8</b>	<b>Δ93.2</b>	<b>Δ49.4</b>
Free cash flows	13.9	<b>Δ18.5</b>	<b>Δ32.4</b>
Cash flows from financing activities	10.3	49.4	39.0
Effect of exchange rate changes on cash and cash equivalents	1.5	<b>Δ3.8</b>	<b>Δ5.3</b>
Net change in cash and cash equivalents	25.7	27.1	1.4
Cash and cash equivalents at end of year	112.0	147.8	35.7



## Major Subsidiaries

Unit; billions of yen

Company	Net Sales		Operating Income Status
	1st Half of FY2009	1st Half of FY2010	
The Polyolefin Company (Singapore)	41.9	59.1	Increased because of better margins due to higher market prices
Petrochemical Corporation of Singapore	84.1	137.8	Increased because of better margins due to higher prices, as well as stronger shipments
Dongwoo Fine-Chem	59.6	86.9	Increased because of stronger shipments
Valent U.S.A. and Subsidiaries	27.8	29.8	Increased because of higher sales
Rabigh Refining and Petrochemical Company	300.7	553.3	Increased due to the full-fledged contribution

## 2. Outlook for FY2010

## Financial Summary

Unit; billions of yen

	FY2009	FY2010 (estimated)	Difference	Growth
Net Sales	1,620.9	1,950.0	329.1	20.3%
Operating Income	51.5	72.0	20.5	39.9%
(Equity in earnings of affiliates, included in ordinary income)	(Δ7.0)	(11.0)	(18.0)	-
(Net gain/loss on foreign currency transactions in ordinary income)	(Δ0.5)	(Δ9.5)	(Δ9.0)	-
Ordinary Income	35.0	62.0	27.0	77.4%
Net Income	14.7	10.0	Δ4.7	Δ32.1%
ROE	2.6%	1.8%		
Exchange Rate (yen/US\$)	92.89	84.00		
(Second half)		(80.00)		
Naphtha Price (yen/KL)	41,200	45,100		
(Second half)		(44,000)		



## Net Sales and Operating Income by Business Segments

Unit; billions of yen

		FY2009	FY2010 (estimated)	Difference	Forecasts
Basic Chemicals	Net Sales	203.3	240.0	36.7	Sales and operating income are expected to increase because of a rise in market prices and a recovery in demand of raw materials for synthetic fibers and methyl methacrylate.
	Operating Income	1.3	19.5	18.2	
Petrochemicals	Net Sales	481.5	635.0	153.5	Sales and operating income are expected to increase because of the full-fledged contribution of the Rabigh complex, as well as higher selling prices in Japan and higher market prices overseas.
	Operating Income	Δ0.2	10.5	10.7	
Fine Chemicals	Net Sales	86.7	90.0	3.3	Although sales is expected to increase because of a recovery in demand and sales promotion efforts for resorcinol, operating income is expected to decrease due to depreciation costs for a new plant.
	Operating Income	3.6	1.5	Δ2.1	



## Net Sales and Operating Income by Business Segments

Unit; billions of yen

		FY2009	FY2010 (estimated)	Difference	Forecasts
IT-related Chemicals	Net Sales	265.2	325.0	59.8	Sales and operating income are expected to increase because of a significant increase in shipments of polarizing film and color filters.
	Operating Income	6.3	26.0	19.7	
Agricultural Chemicals	Net Sales	211.5	220.0	8.5	Although sales is expected to increase because of stronger shipments of methionine, herbicides and OLYSET® Net, operating income is expected to decrease due to the appreciation of the yen and depreciation costs for a new plant.
	Operating Income	29.3	22.5	Δ6.8	
Pharmaceuticals	Net Sales	267.5	350.0	82.5	Although sales is expected to increase because of contributions from U.S. subsidiaries, operating income is expected to decrease due to increase in amortization expenses of patent rights and other intangible assets, as well as the impact of drug price revisions.
	Operating Income	29.9	13.5	Δ16.4	



(Reference; Segment Information)



## Capital Expenditures by Business Segments

Unit; billions of yen

	1st Half of FY2009	1st Half of FY2010	Difference
Basic Chemicals	5.9	6.4	0.5
Petrochemicals	5.9	8.0	2.2
Fine Chemicals	6.8	3.7	<b>Δ3.1</b>
IT-related Chemicals	7.7	9.8	2.1
Agricultural Chemicals	4.5	5.7	1.2
Pharmaceuticals	3.8	4.2	0.5
Others	1.5	2.4	0.8
Adjustments	4.0	3.0	<b>Δ1.0</b>
<b>Total</b>	<b>40.1</b>	<b>43.3</b>	<b>3.2</b>



## Depreciation and Amortization by Business Segments

Unit; billions of yen

	1st Half of FY2009	1st Half of FY2010	Difference
Basic Chemicals	6.6	7.2	0.6
Petrochemicals	9.3	9.0	<b>Δ0.3</b>
Fine Chemicals	3.4	4.5	1.1
IT-related Chemicals	10.8	10.7	<b>Δ0.1</b>
Agricultural Chemicals	5.9	8.4	2.5
Pharmaceuticals	6.7	23.9	17.2
Others	4.1	3.5	<b>Δ0.6</b>
Adjustments	5.6	4.9	<b>Δ0.7</b>
<b>Total</b>	<b>52.3</b>	<b>72.0</b>	<b>19.7</b>



## Research & Development Expenses by Business Segments

Unit; billions of yen

	1st Half of FY2009	1st Half of FY2010	Difference
Basic Chemicals	1.8	1.6	<b>Δ0.1</b>
Petrochemicals	4.1	3.7	<b>Δ0.4</b>
Fine Chemicals	2.2	1.9	<b>Δ0.3</b>
IT-related Chemicals	5.5	5.1	<b>Δ0.4</b>
Agricultural Chemicals	7.8	8.4	0.5
Pharmaceuticals	26.0	34.3	8.3
Others	0.3	0.2	<b>Δ0.1</b>
Adjustments	8.8	9.5	0.7
<b>Total</b>	<b>56.6</b>	<b>64.8</b>	<b>8.2</b>