



# First Half Financial Results & Outlook for FY2011



**Oct 31, 2011**



**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 FY2011 Ending March 31, 2012



# Financial Summary

Unit: billions of yen

	1st Half of FY2010	1st Half of FY2011	Difference	Growth
Net Sales	989.2	998.3	9.0	0.9%
Operating Income	53.0	54.0	1.0	1.9%
(Equity in earnings of affiliates, included in ordinary income)	(7.5)	(1.0)	( $\Delta$ 6.5)	( $\Delta$ 86.3%)
(Net loss on foreign currency transactions in ordinary income)	( $\Delta$ 6.4)	( $\Delta$ 3.8)	(2.6)	-
Ordinary Income	52.1	49.0	$\Delta$ 3.1	$\Delta$ 6.0%
Net Income	2.5	$\Delta$ 2.7	$\Delta$ 5.2	-
ROE	0.5%	$\Delta$ 0.5%		
Naphtha Price (yen/KL)	46,200	57,000		
Exchange Rate (yen/US\$)	88.91	79.75		



## Net Sales by Business Segments

Unit; billions of yen

	1st Half of FY2010	1st Half of FY2011	Difference	Growth	Sales Price Variance	Shipping Volume Variance	Foreign Currency Conversion Variance
Basic Chemicals	152.7	152.3	Δ0.4	Δ0.2%	12.0	Δ9.5	Δ2.9
Petrochemicals	317.5	341.0	23.5	7.4%	48.0	Δ8.2	Δ16.3
IT-related Chemicals	163.9	148.6	Δ15.4	Δ9.4%	Δ17.5	9.2	Δ7.1
Health & Crop Sciences	125.8	138.5	12.7	10.1%	Δ1.0	19.9	Δ6.2
Pharmaceuticals	204.6	193.2	Δ11.5	Δ5.6%	0	Δ5.1	Δ6.4
Others	24.7	24.7	Δ0	Δ0.1%	0	Δ0	0
<b>Total</b>	<b>989.2</b>	<b>998.3</b>	<b>9.0</b>	<b>0.9%</b>	<b>41.5</b>	<b>6.4</b>	<b>Δ38.8</b>
<b>Overseas Operations</b>	<b>529.4</b>	<b>533.8</b>	<b>4.4</b>	<b>0.8%</b>			

\*With the changes in reported segments classification methods as of April 1,2011,the amount of the previous period has been modified for the purpose of reader's comparison. (All the segment information are modified in the same manner)

# Results of Operations by Business Segments

Unit; billions of yen

	Basic Chemicals	Petrochemicals	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Adjustments	Total
<b>Operating Income</b>								
1st Half of FY2010	11.8	5.8	17.1	14.4	14.7	0.9	△11.5	53.0
1st Half of FY2011	12.5	7.8	10.1	14.8	15.5	3.5	△10.1	54.0
<b>Difference</b>	<b>0.8</b>	<b>2.0</b>	<b>△7.1</b>	<b>0.4</b>	<b>0.8</b>	<b>2.6</b>	<b>1.4</b>	<b>1.0</b>
<b>Price Variance</b>	<b>1.0</b>	<b>4.5</b>	<b>△18.5</b>	<b>△2.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>△15.5</b>
Sales Price Variance	12.0	48.0	△17.5	△1.0	0.0	0.0	0.0	41.5
Purchase Price Variance	△11.0	△43.5	△1.0	△1.5	0.0	0.0	0.0	△57.0
<b>Cost Variance</b>	<b>2.0</b>	<b>1.0</b>	<b>8.5</b>	<b>2.5</b>	<b>△2.5</b>	<b>0.0</b>	<b>1.0</b>	<b>12.5</b>
VC	0.0	0.0	7.0	0.0	0.0	0.0	0.0	7.0
FC	2.0	1.0	1.5	2.5	△2.5	0.0	1.0	5.5
<b>Shipping Volume Variance</b>	<b>△2.2</b>	<b>△3.5</b>	<b>2.9</b>	<b>0.4</b>	<b>3.3</b>	<b>2.6</b>	<b>0.4</b>	<b>4.0</b>
<b>Total</b>	<b>0.8</b>	<b>2.0</b>	<b>△7.1</b>	<b>0.4</b>	<b>0.8</b>	<b>2.6</b>	<b>1.4</b>	<b>1.0</b>



## Extraordinary Gains / Losses

Unit; billions of yen

	1st Half of FY2010	1st Half of FY2011	Difference
Gain on sale of property, plant and equipment	-	1.2	1.2
Gain on sale of investment securities	-	0.2	0.2
<b>Extraordinary Gains</b>	-	<b>1.5</b>	<b>1.5</b>
Equity in losses of affiliates	28.7	28.9	0.1
Restructuring charges	0.9	1.0	0.1
<b>Extraordinary Losses</b>	<b>29.6</b>	<b>29.8</b>	<b>0.3</b>
<b>Extraordinary Gains / Losses</b>	<b>△29.6</b>	<b>△28.4</b>	<b>1.2</b>





# Consolidated Balance Sheets

Unit; billions of yen

	31-Mar-11	30-Sep-11		31-Mar-11	30-Sep-11
<b>Current Assets</b>	<b>1,098.3</b>	<b>1,100.8</b>	<b>Liabilities</b>	<b>1,608.4</b>	<b>1,588.5</b>
Cash and cash equivalents	151.6	146.4	Trade notes and accounts	228.0	219.0
Trade notes and accounts	413.8	402.9	Interest-bearing Liabilities	1,040.3	1,045.4
Inventories	358.1	380.8	Others	340.1	324.0
Others	174.8	170.7	<b>Net Assets</b>	<b>758.9</b>	<b>751.9</b>
<b>Non-current Assets</b>	<b>1,269.0</b>	<b>1,239.6</b>	Shareholders' equity	603.9	591.2
Property, plant and equipment	552.5	574.8	Accumulated other comprehensive income	Δ81.5	Δ82.6
Intangible assets	184.8	165.8	Minority interests	236.4	243.3
Investment and other assets	531.7	499.0			
<b>Total</b>	<b>2,367.3</b>	<b>2,340.4</b>	<b>Total</b>	<b>2,367.3</b>	<b>2,340.4</b>
			<b>Shareholders' equity ratio</b>	<b>22.1%</b>	<b>21.7%</b>



## Consolidated Statements of Cash Flows

Unit; billions of yen

	1st Half of FY2010	1st Half of FY2011	Difference
Cash flows from operating activities	74.8	57.2	<b>Δ17.6</b>
Cash flows from investing activities	<b>Δ93.2</b>	<b>Δ60.1</b>	33.1
Free cash flows	<b>Δ18.5</b>	<b>Δ3.0</b>	15.5
Cash flows from financing activities	49.4	<b>Δ2.6</b>	<b>Δ51.9</b>
Effect of exchange rate changes on cash and cash equivalents	<b>Δ3.8</b>	0.4	4.2
Net change in cash and cash equivalents	27.1	<b>Δ5.2</b>	<b>Δ32.3</b>
Cash and cash equivalents at end of year	147.8	146.4	<b>Δ1.4</b>



## Major Subsidiaries

Unit; billions of yen

Company	Net Sales		Operating Income Status
	1st Half of FY2010	1st Half of FY2011	
The Polyolefin Company (Singapore)	59.1	64.4	Increased due to improved margins
Petrochemical Corporation of Singapore	137.8	157.0	Decreased because of margin erosion caused by higher naphtha prices
Rabigh Refining and Petrochemical Company	553.3	496.7	Increased because of operational stability
Dongwoo Fine-Chem	86.9	81.0	Decreased due to lower selling prices and unfavorable currency-exchange trends
Valent U.S.A. and Subsidiaries	29.8	28.0	Decreased due to lower selling prices and yen appreciation, despite increased shipments



## 2. Outlook for FY2011

# Financial Summary

Unit; billions of yen

	FY2010	FY2011 (estimated)	Difference	Growth
Net Sales	1,982.4	2,020.0	37.6	1.9%
Operating Income	88.0	75.0	<b>Δ13.0</b>	<b>Δ14.7%</b>
(Equity in earnings of affiliates, included in ordinary income)	(10.8)	(8.0)	<b>(Δ2.8)</b>	<b>(Δ26.1%)</b>
Ordinary Income	84.1	72.0	<b>Δ12.1</b>	<b>Δ14.4%</b>
Net Income	24.4	10.0	<b>Δ14.4</b>	<b>Δ59.1%</b>
ROE	4.5%	2.0%		
Naphtha Price (yen/KL) (Second half)	47,500	55,500 (54,000)		
Exchange Rate (yen/US\$) (Second half)	85.74	79.00 (77.50)		

# Net Sales and Operating Income by Business Segments

Unit; billions of yen

	Net Sales			Operating Income		
	FY2010	FY2011 (estimated)	Difference	FY2010	FY2011 (estimated)	Difference
Basic Chemicals	302.3	300.0	$\Delta 2.3$	20.6	17.0	$\Delta 3.6$
Petrochemicals	649.9	710.0	60.1	11.1	15.0	3.9
IT-related Chemicals	322.3	300.0	$\Delta 22.3$	26.1	13.0	$\Delta 13.1$
Health & Crop Sciences	250.8	275.0	24.2	23.3	29.0	5.7
Pharmaceuticals	410.6	385.0	$\Delta 25.6$	28.7	20.0	$\Delta 8.7$
Others & Adjustments	46.6	50.0	3.4	$\Delta 21.9$	$\Delta 19.0$	2.9
<b>Total</b>	<b>1,982.4</b>	<b>2,020.0</b>	<b>37.6</b>	<b>88.0</b>	<b>75.0</b>	<b><math>\Delta 13.0</math></b>



(Reference Materials)



## Elements of Major Costs

Unit; billions of yen

	1st Half of FY2010	1st Half of FY2011	Difference
Depreciation and Amortization	72.0	56.6	<b>Δ15.5</b>
Research & Development Expenses	64.8	58.1	<b>Δ6.6</b>
Capital Expenditures	43.3	59.1	15.8
Number of employees (at September 30)	28,480	30,404	1,924





## Capital Expenditures by Business Segments

Unit; billions of yen

	1st Half of FY2010	1st Half of FY2011	Difference
<b>Basic Chemicals</b>	8.1	8.4	0.3
<b>Petrochemicals</b>	8.0	4.6	<b>Δ3.5</b>
<b>IT-related Chemicals</b>	9.8	27.2	17.3
<b>Health &amp; Crop Sciences</b>	7.8	8.2	0.4
<b>Pharmaceuticals</b>	4.2	5.3	1.1
<b>Others</b>	2.4	1.7	<b>Δ0.7</b>
<b>Adjustments</b>	2.9	3.7	0.8
<b>Total</b>	43.3	59.1	15.8



## Depreciation and Amortization by Business Segments

Unit; billions of yen

	1st Half of FY2010	1st Half of FY2011	Difference
Basic Chemicals	9.8	7.1	<b>Δ2.7</b>
Petrochemicals	9.0	6.9	<b>Δ2.1</b>
IT-related Chemicals	10.7	6.8	<b>Δ3.9</b>
Health & Crop Sciences	10.3	6.9	<b>Δ3.3</b>
Pharmaceuticals	23.9	21.4	<b>Δ2.5</b>
Others	3.5	3.3	<b>Δ0.2</b>
Adjustments	4.9	4.2	<b>Δ0.7</b>
<b>Total</b>	<b>72.0</b>	<b>56.6</b>	<b>Δ15.5</b>



# Research & Development Expenses by Business Segments

Unit; billions of yen

	1st Half of FY2010	1st Half of FY2011	Difference
Basic Chemicals	2.3	2.5	0.1
Petrochemicals	3.7	3.6	<b>Δ0.2</b>
IT-related Chemicals	5.1	5.3	0.2
Health & Crop Sciences	9.5	9.2	<b>Δ0.3</b>
Pharmaceuticals	34.3	28.3	<b>Δ6.1</b>
Others	0.2	0.2	<b>Δ0.0</b>
Adjustments	9.6	9.1	<b>Δ0.5</b>
<b>Total</b>	<b>64.8</b>	<b>58.1</b>	<b>Δ6.6</b>