

Financial Results & Outlook for FY2007



May 10, 2007



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 FY 2006 Ended March 31, 2007





Financial Summary

Unit; billions of yen

	FY2006	FY2005	Difference	Growth
Net Sales	1,790.0	1,556.6	233.4	15.0%
Operating Income	139.6	120.8	18.8	15.6%
(Equity in earnings of affiliates, included in ordinary income)	(23.6)	(26.8)	(3.2)	(12.0%)
Ordinary Income	158.0	141.1	16.9	11.9%
Net Income	93.9	90.7	3.2	3.5%
ROE	12.4%	14.1%		
Naphtha Price (yen/KL)	50,000	42,400		
Exchange Rate (yen/US\$)	116.97	113.32		



Net Sales by Segment

Unit; billions of yen

	FY2006	FY2005	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	314.0	252.4	61.6	24.4%	41.5	20.1
Petrochemicals	539.1	486.1	53.0	10.9%	58.5	5.5
Fine Chemicals	90.9	79.0	11.9	15.0%	2.5	9.4
IT-related Chemicals	266.4	229.2	37.2	16.2%	45.0	82.2
Agricultural Chemicals	198.3	186.2	12.1	6.5%	3.0	9.1
Pharmaceuticals	234.5	233.1	1.4	0.6%	13.5	14.9
Others	146.8	90.6	56.2	62.1%	-	56.2
Total	1,790.0	1,556.6	233.4	15.0%	47.0	186.4
Overseas Operations	747.8	611.0	136.8	22.4%		



Operating Income by Segment

Unit; billions of yen

	Basic Chemicals	Petro-Chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Total
Operating Income								
FY2006	13.5	23.6	13.1	3.5	23.3	56.2	6.5	139.6
FY2005	10.0	17.9	9.8	21.7	16.6	38.3	6.5	120.8
Difference	3.5	5.7	3.3	18.2	6.7	17.9	0.0	18.8

Price Variance	3.0	6.5	0.5	45.0	0.5	13.5	-	55.0
Sales Price Variance	41.5	58.5	2.5	45.0	3.0	13.5	-	47.0
Purchase Price Variance	44.5	52.0	3.0	-	2.5	-	-	102.0
Cost Variance	2.0	0.5	3.0	8.0	4.0	11.5	5.5	4.5
VC	1.0	1.5	0.5	28.5	1.0	-	-	32.5
FC	3.0	2.0	2.5	20.5	3.0	11.5	5.5	37.0
Shipping Volume Variance	8.5	0.3	0.8	18.8	2.2	42.9	5.5	78.3
Total	3.5	5.7	3.3	18.2	6.7	17.9	0.0	18.8



Elements of Major Costs

Unit; billions of yen

	FY2006	FY2005	Difference
Labor Costs	205.6	196.8	8.8
Maintenance Costs	51.5	42.8	8.7
Depreciation and Amortization	113.9	104.9	9.0
Research & Development Expenses	97.7	91.9	5.8
Capital Expenditures	159.8	124.9	34.9
Number of employees (at March 31)	24,691	24,160	531



Special Gains / Losses

Unit; billions of yen

	FY2006	FY2005	Difference
Gain on sale of investment securities	31.1	8.3	22.8
Gain on change in interests in consolidated subsidiary	-	14.3	14.3
Gain on business transfer	-	4.5	4.5
Gain on sale of property, plant and equipment	-	2.4	2.4
Special Gains	31.1	29.4	1.6
Restructuring charges	6.4	5.9	0.5
Expenses related to litigation	1.0	-	1.0
Loss on reform of retirement benefits plan	0.6	-	0.6
Expenses for subsidiary merger	-	6.1	6.1
Special Losses	8.0	12.0	4.0
Special Gains / Losses	23.1	17.5	5.6



Consolidated Balance Sheets

Unit; billions of yen

	31-Mar-07	31-Mar-06		31-Mar-07	31-Mar-06
Current Assets	995.9	946.6	Liabilities	1,294.4	1,234.2
Cash and cash equivalents	126.0	111.0	Trade notes and accounts	261.9	265.2
Trade notes and accounts	407.6	399.3	Short-term debt	190.4	159.2
Inventories	327.7	294.8	Long-term debt due within one year	43.2	44.6
Others	134.6	141.5	Long-term debt due after one year	407.4	374.7
Non-current Assets	1,329.0	1,231.8	Others	391.5	390.4
Property, plant and equipment	623.5	570.3	Net Assets	1,030.5	944.2
Intangible assets	42.8	45.2	Shareholders' equity	632.6	557.9
Investment securities	486.1	503.0	Valuation and translation adjustments	159.9	161.9
Others	176.6	113.3	Minority interests	238.0	224.5
Total	2,324.9	2,178.4	Total	2,324.9	2,178.4

Interest-bearing debt balance	641.0	578.6
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Consolidated Statements of Cash Flows

Unit; billions of yen

	FY2006	FY2005	Difference
Cash flows from operating activities	142.9	122.8	20.1
Cash flows from investing activities	164.2	180.7	16.4
Free cash flows	21.3	57.9	36.6
Cash flows from financing activities	35.6	70.6	35.0
Effect of exchange rate changes on cash and cash equivalents	0.8	1.0	0.2
Net increase (decrease) in cash and cash equivalents	15.0	13.7	1.3

Increase in cash due to merger of consolidated subsidiaries	-	42.1	42.1
Cash and cash equivalents at end of year	126.0	111.0	15.0



Major Subsidiaries

Unit; billions of yen

Company	Net Sales		Operating Income Status
	FY2006	FY2005	
The Polyolefin Company (Singapore)	114.7	112.5	Slightly decreased because of the products margins down by rises in feedstock prices
Petrochemical Corporation of Singapore	290.6	248.7	Decreased because of the products margins down by rises in feedstock prices
Dongwoo Fine-Chem	159.4	132.2	Increased because of increase in shipments led by expanded production capacity
Valent U.S.A. and Subsidiaries	39.0	38.8	Decreased because of increased R&D expenses



2. Outlook for FY2007



Financial Summary

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference	Growth
Net Sales	1,910.0	1,790.0	120.0	6.7%
Operating Income	130.0	139.6	9.6	6.9%
(Equity in earnings of affiliates, included in ordinary income)	(16.0)	(23.6)	(7.6)	(32.2%)
Ordinary Income	130.0	158.0	28.0	17.7%
Net Income	70.0	93.9	23.9	25.4%
ROE	8.6%	12.4%		
Naphtha Price (yen/KL)	56,000	50,000		
Exchange Rate (yen/US\$)	115.00	116.97		



Net Sales by Segment

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference	Growth	Sales Price Variance	Shipping Volume Variance
Basic Chemicals	310.0	314.0	4.0	1.3%	2.0	6.0
Petrochemicals	580.0	539.1	40.9	7.6%	19.0	21.9
Fine Chemicals	90.0	90.9	0.9	1.0%	1.0	0.1
IT-related Chemicals	335.0	266.4	68.6	25.7%	46.5	115.1
Agricultural Chemicals	200.0	198.3	1.7	0.9%	2.0	3.7
Pharmaceuticals	245.0	234.5	10.5	4.5%	-	10.5
Others	150.0	146.8	3.2	2.2%	-	3.2
Total	1,910.0	1,790.0	120.0	6.7%	28.5	148.5



Operating Income by Segment

Unit; billions of yen

	Basic Chemicals	Petro-chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Total
Operating Income								
FY2007(estimated)	18.0	11.0	12.0	16.0	19.0	51.0	3.0	130.0
FY2006	13.5	23.6	13.1	3.5	23.3	56.2	6.5	139.6
Difference	4.5	12.6	1.1	12.5	4.3	5.2	3.5	9.6
Price Variance	6.0	6.0	2.0	46.5	3.0	-	-	51.5
Sales Price Variance	2.0	19.0	1.0	46.5	2.0	-	-	28.5
Purchase Price Variance	4.0	25.0	1.0	-	1.0	-	-	23.0
Cost Variance	2.0	2.0	0.5	20.5	5.0	14.5	4.0	7.5
VC	0.5	1.5	0.5	35.0	1.0	-	-	38.5
FC	2.5	3.5	1.0	14.5	6.0	14.5	4.0	46.0
Shipping Volume Variance	0.5	4.6	1.4	38.5	3.7	9.3	0.5	49.4
Total	4.5	12.6	1.1	12.5	4.3	5.2	3.5	9.6



Elements of Major Costs

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Labor Costs	215.0	205.6	9.4
Maintenance Costs	53.0	51.5	1.5
Depreciation and Amortization	128.0	113.9	14.1
Research & Development Expenses	110.0	97.7	12.3
Capital Expenditures	140.0	159.8	19.8
Number of employees (at March 31)	26,500	24,691	1,809



Consolidated Statements of Cash Flows

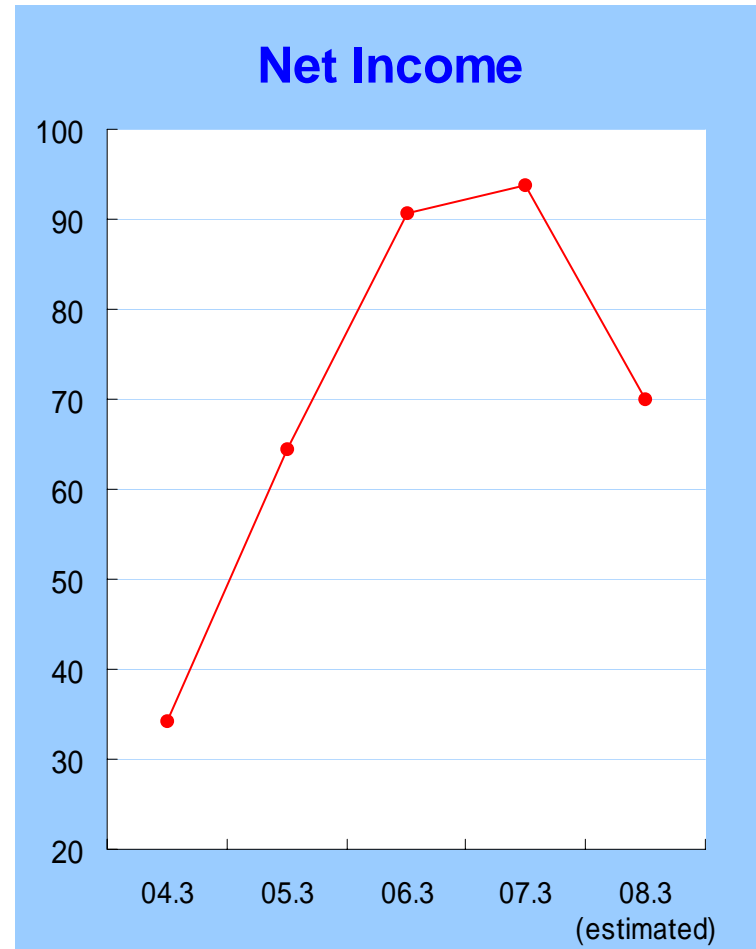
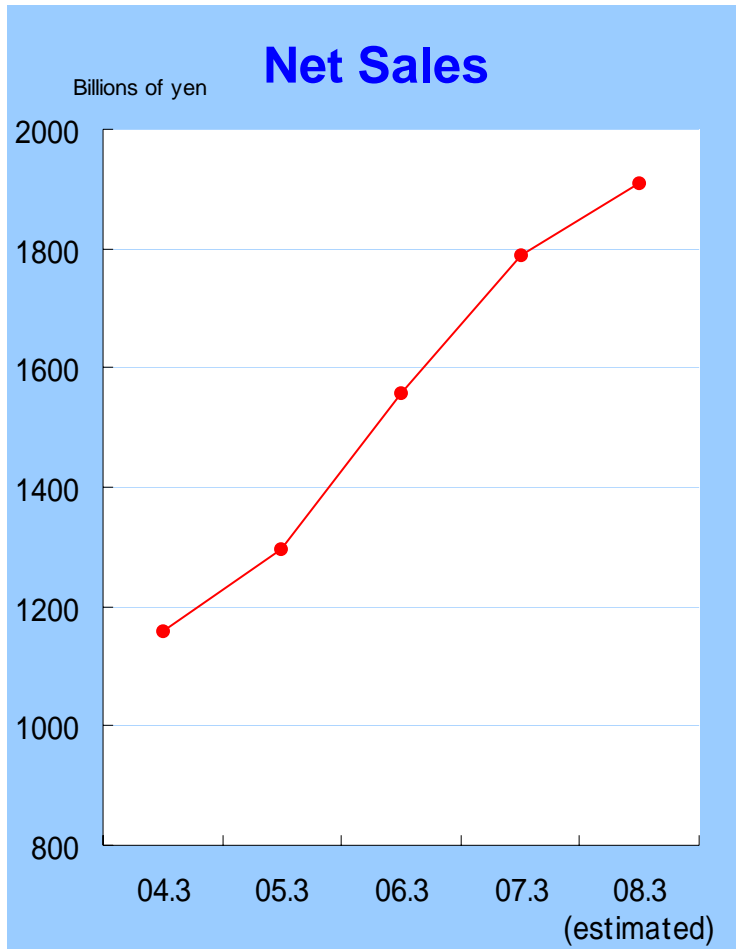
Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Cash flows from operating activities	180.0	142.9	37.1
Cash flows from investing activities	190.0	164.2	25.8
Free cash flows	10.0	21.3	11.3
Cash flows from financing activities	30.0	35.6	65.6
Effect of exchange rate changes on cash and cash equivalents	-	0.8	0.8
Net increase (decrease) in cash and cash equivalents	40.0	15.0	55.0
Interest-Bearing Debt Balance	640.0	641.0	1.0

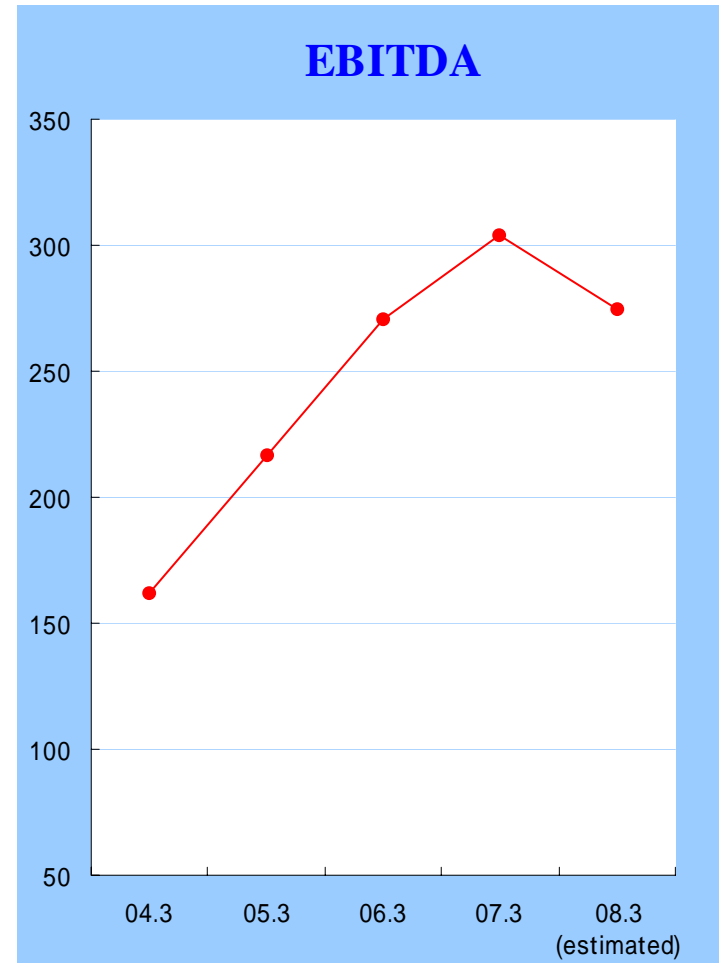
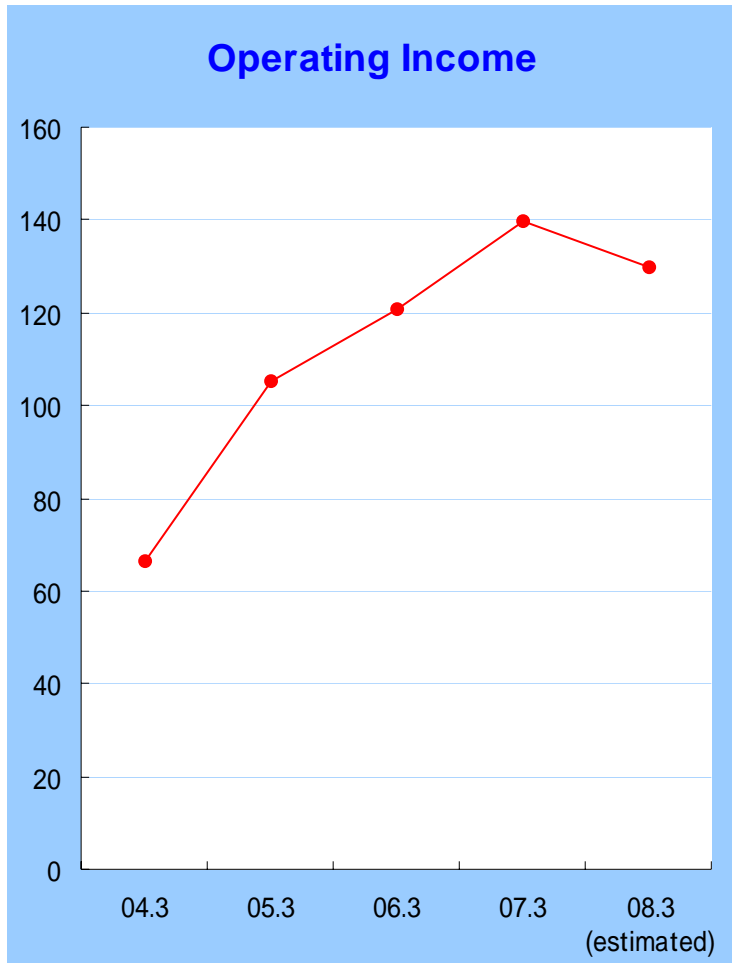


3. Financial Analysis

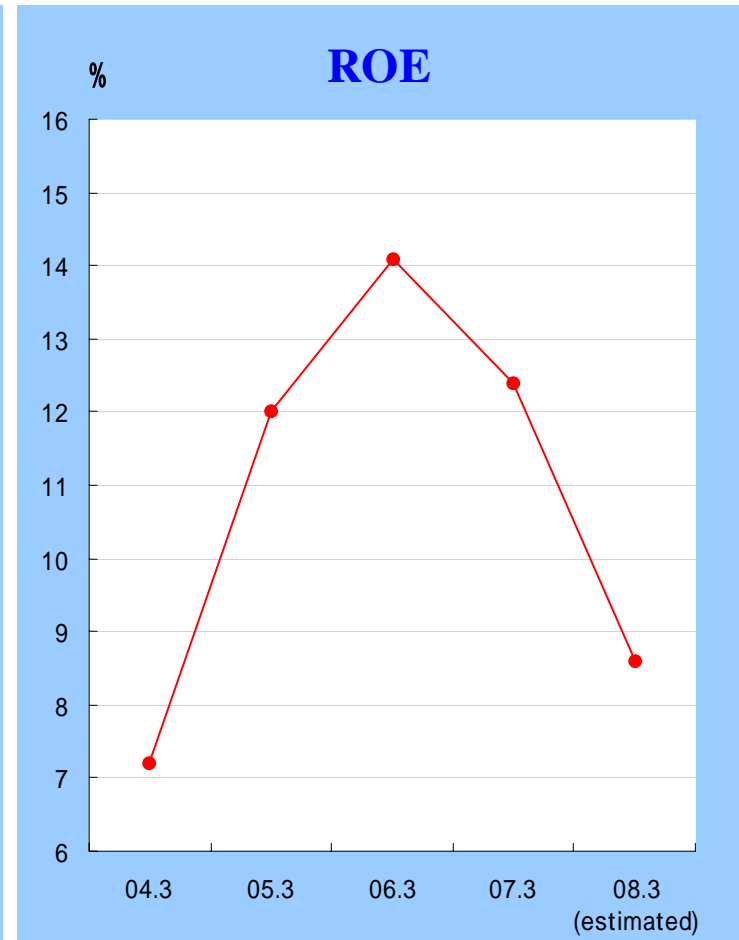
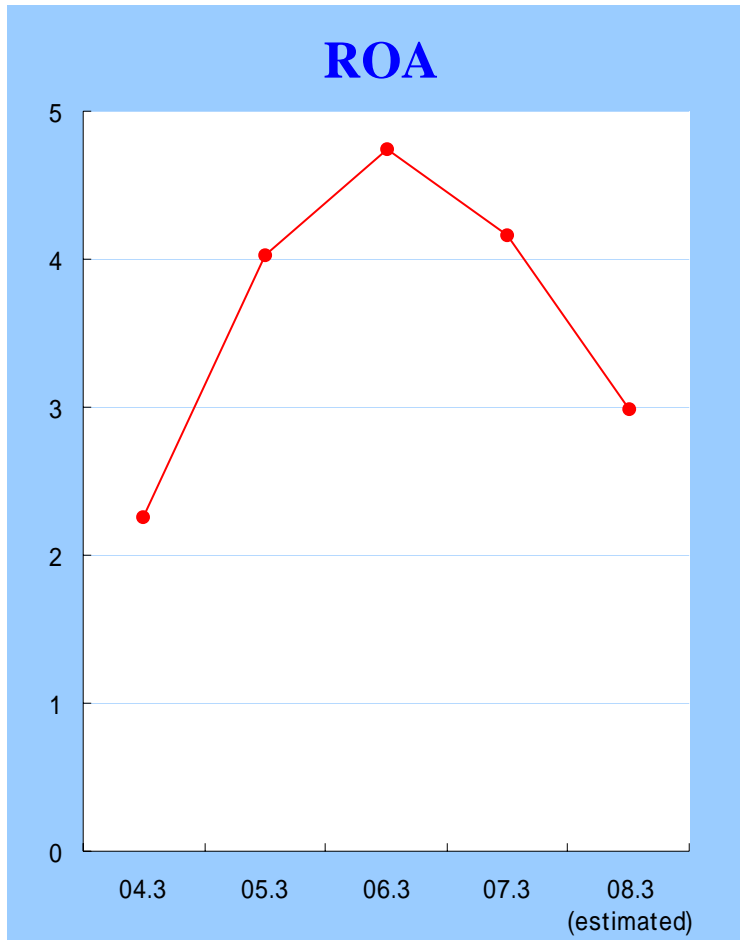
Financial Analysis - 1



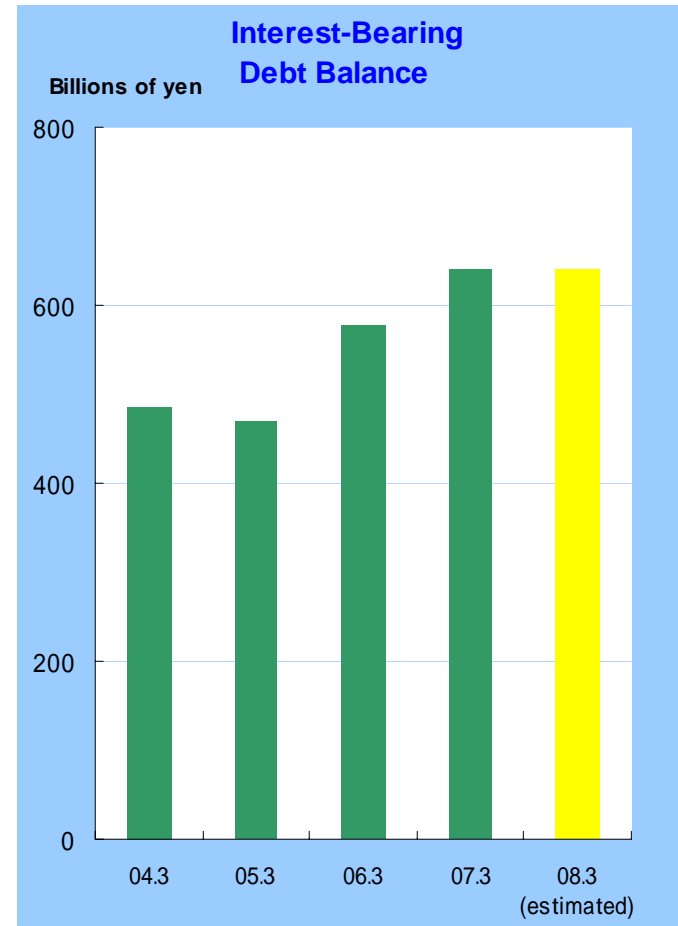
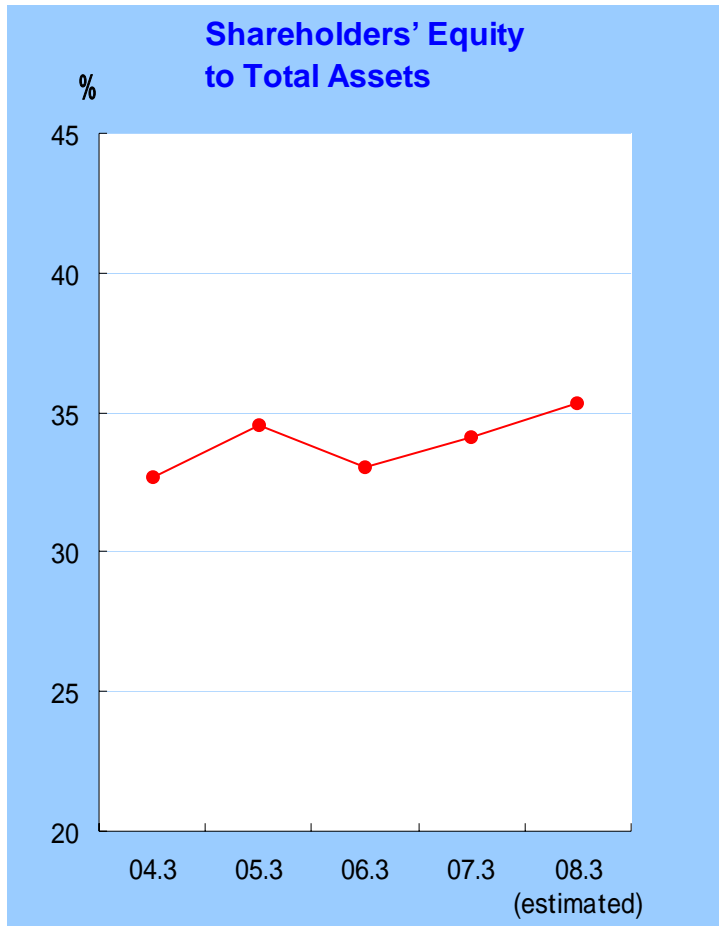
Financial Analysis - 2



Financial Analysis - 3



Financial Analysis - 4





(Reference; Segment Information)



Capital Expenditures by Segment

Unit; billions of yen

	FY2006	FY2005	Difference
Basic Chemicals	24.6	20.7	3.9
Petrochemicals	16.9	16.1	0.8
Fine Chemicals	4.6	7.0	2.4
IT-related Chemicals	72.0	44.0	28.0
Agricultural Chemicals	10.1	8.8	1.3
Pharmaceuticals	12.5	10.6	1.9
Others	19.1	17.7	1.4
Total	159.8	124.9	34.9



Depreciation and Amortization by Segment

Unit; billions of yen

	FY2006	FY2005	Difference
Basic Chemicals	13.5	11.8	1.7
Petrochemicals	19.2	18.8	0.4
Fine Chemicals	6.5	6.7	0.2
IT-related Chemicals	31.5	24.9	6.5
Agricultural Chemicals	14.2	15.2	1.0
Pharmaceuticals	16.2	14.2	2.0
Others	12.8	13.2	0.5
Total	113.9	104.9	9.0



Research & Development Expenses by Segment

Unit; billions of yen

	FY2006	FY2005	Difference
Basic Chemicals	5.7	5.3	0.4
Petrochemicals	11.3	11.4	0.1
Fine Chemicals	4.2	4.4	0.2
IT-related Chemicals	12.6	12.8	0.1
Agricultural Chemicals	18.7	19.4	0.6
Pharmaceuticals	42.5	36.7	5.8
Others	2.6	1.9	0.7
Total	97.7	91.9	5.8

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



Estimated Capital Expenditures by Segment

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Basic Chemicals	28.0	24.6	3.4
Petrochemicals	21.0	16.9	4.1
Fine Chemicals	6.5	4.6	1.9
IT-related Chemicals	36.5	72.0	35.5
Agricultural Chemicals	5.5	10.1	4.6
Pharmaceuticals	22.0	12.5	9.5
Others	20.5	19.1	1.4
Total	140.0	159.8	19.8



Estimated Depreciation and Amortization by Segment

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Basic Chemicals	14.0	13.5	0.5
Petrochemicals	19.0	19.2	0.2
Fine Chemicals	6.5	6.5	0.0
IT-related Chemicals	45.5	31.5	14.0
Agricultural Chemicals	13.0	14.2	1.2
Pharmaceuticals	15.5	16.2	0.7
Others	14.5	12.8	1.7
Total	128.0	113.9	14.1



Estimated Research & Development Expenses by Segment

Unit; billions of yen

	FY2007 (estimated)	FY2006	Difference
Basic Chemicals	6.5	5.7	0.8
Petrochemicals	12.5	11.3	1.2
Fine Chemicals	4.5	4.2	0.3
IT-related Chemicals	14.5	12.6	1.9
Agricultural Chemicals	19.5	18.7	0.8
Pharmaceuticals	50.0	42.5	7.5
Others	2.5	2.6	0.1
Total	110.0	97.7	12.3

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