



FY2008 Financial Results and Outlook for FY2009



June 2009

Today's Agenda

- **FY2008 Financial Results**
- **Outlook for FY2009**
- **Rabigh Project**
- **Lurasidone for Schizophrenia & Bipolar Disorder**
- **Polymer Organic LEDs**
- **Battery-related Materials**

FY2008 Financial Results

FY2008 Financial Results

| | FY2007 | FY2008 | Change |
|-----------------------------------|--------------|--------------|-------------|
| Sales | ¥1,896.5 Bn | ¥1,788.2 Bn | - ¥108.3 Bn |
| Operating income | ¥102.4 Bn | ¥2.1 Bn | - ¥100.3 Bn |
| Ordinary income | ¥92.8 Bn | - ¥32.6 Bn | - ¥125.4 Bn |
| Net income | ¥63.1 Bn | - ¥59.2 Bn | - ¥122.2 Bn |
| Net income excl. one-time factors | ¥34.3 Bn | - ¥45.3 Bn | - ¥79.6 Bn |
| Dividend per share | ¥12 | ¥9 | |
| Naphtha price | ¥61,500/kl | ¥58,900/kl | |
| Exchange rate | ¥114.44/US\$ | ¥100.71/US\$ | |

FY2008 Sales by Segment

Unit: Billions of yen

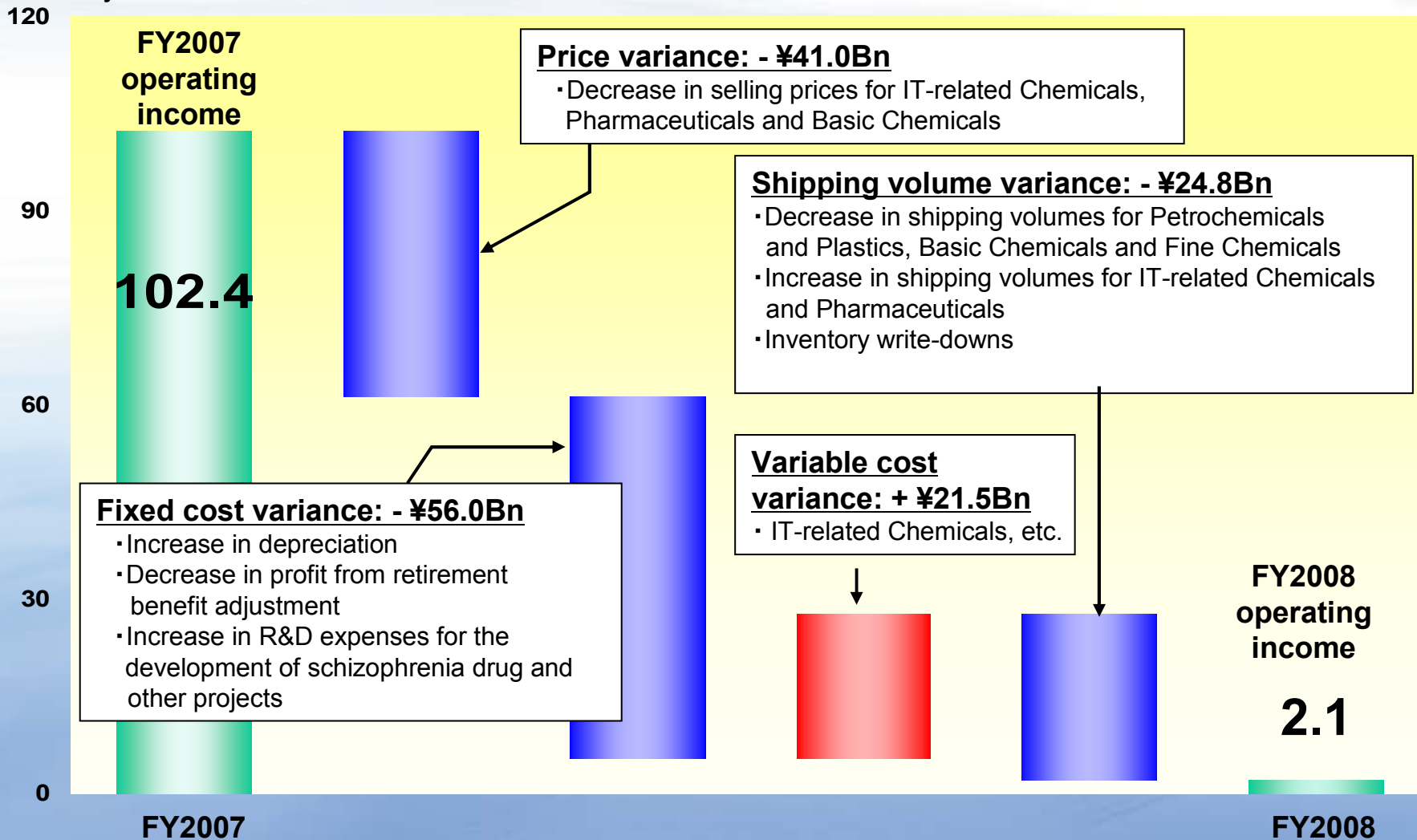
| | FY2007 | FY2008 | Change | Sales price variance | Shipping volume variance |
|---------------------------|----------------|----------------|---------------|----------------------|--------------------------|
| Basic Chemicals | 314.7 | 240.0 | -74.7 | -18.0 | -56.7 |
| Petrochemicals & Plastics | 603.3 | 553.0 | -50.4 | +11.0 | -61.4 |
| Fine Chemicals | 92.9 | 80.8 | -12.2 | +2.0 | -14.2 |
| IT-related Chemicals | 297.5 | 307.1 | +9.6 | -21.0 | +30.6 |
| Agricultural Chemicals | 200.4 | 222.2 | +21.8 | +9.0 | +12.8 |
| Pharmaceuticals | 237.6 | 235.6 | -2.0 | -10.5 | +8.5 |
| Others | 150.1 | 149.5 | -0.5 | 0 | -0.5 |
| Total | 1,896.5 | 1,788.2 | -108.3 | -27.5 | -80.8 |

| | | | |
|--------------------------------------|-------|-------|-------|
| Sales outside of Japan | 788.8 | 749.8 | -39.0 |
| Percentage of sales outside of Japan | 42% | 42% | - |

Change in Operating Income FY2007/2008

FY2007 ¥102.4Bn → FY2008 ¥2.1Bn (- ¥100.3Bn)

(Billions of yen)



FY2008 Operating Income by Segment

(Unit: Billions of yen)

| | FY2007 | FY2008 | Change |
|---------------------------|--------------|------------|---------------|
| Basic Chemicals | 10.6 | -15.3 | -25.9 |
| Petrochemicals & Plastics | 4.5 | -30.3 | -34.9 |
| Fine Chemicals | 11.4 | 1.6 | -9.8 |
| IT-related Chemicals | 6.3 | -1.0 | -7.3 |
| Agricultural Chemicals | 20.9 | 24.4 | +3.5 |
| Pharmaceuticals | 46.5 | 32.4 | -14.1 |
| Others | 2.2 | -9.7 | -11.8 |
| Total | 102.4 | 2.1 | -100.3 |

| Major factors for changes in profit |
|--|
| <ul style="list-style-type: none"> • Significant decline in demand • Lower market prices |
| <ul style="list-style-type: none"> • Significant decline in demand • Inventory write-downs |
| <ul style="list-style-type: none"> • Decrease in sales volumes • Stronger yen |
| <ul style="list-style-type: none"> • Lower selling prices • Temporary increase in R&D expenses |
| <ul style="list-style-type: none"> • Increase in sales volumes • Higher selling price for feed additives |
| <ul style="list-style-type: none"> • NHI drug price revision • Increase in R&D expenses |
| <ul style="list-style-type: none"> • Increase in R&D expenses |

FY2008 Financial Results

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One-time Factors

| | Before taxes | After taxes |
|---|------------------|------------------|
| Extraordinary gains and losses | | |
| Gain on contribution of securities to retirement benefit trust | +¥14.8 Bn | +¥8.9 Bn |
| Impairment losses on fixed assets | -¥20.8 Bn | -¥12.5 Bn |
| Deferred taxes | | |
| Reversal of deferred tax assets | — | -¥19.6 Bn |
| Reversal of deferred tax debts | — | +¥9.3 Bn |
| Total | -¥6.1 Bn | -¥13.9 Bn |

Outlook for FY2009

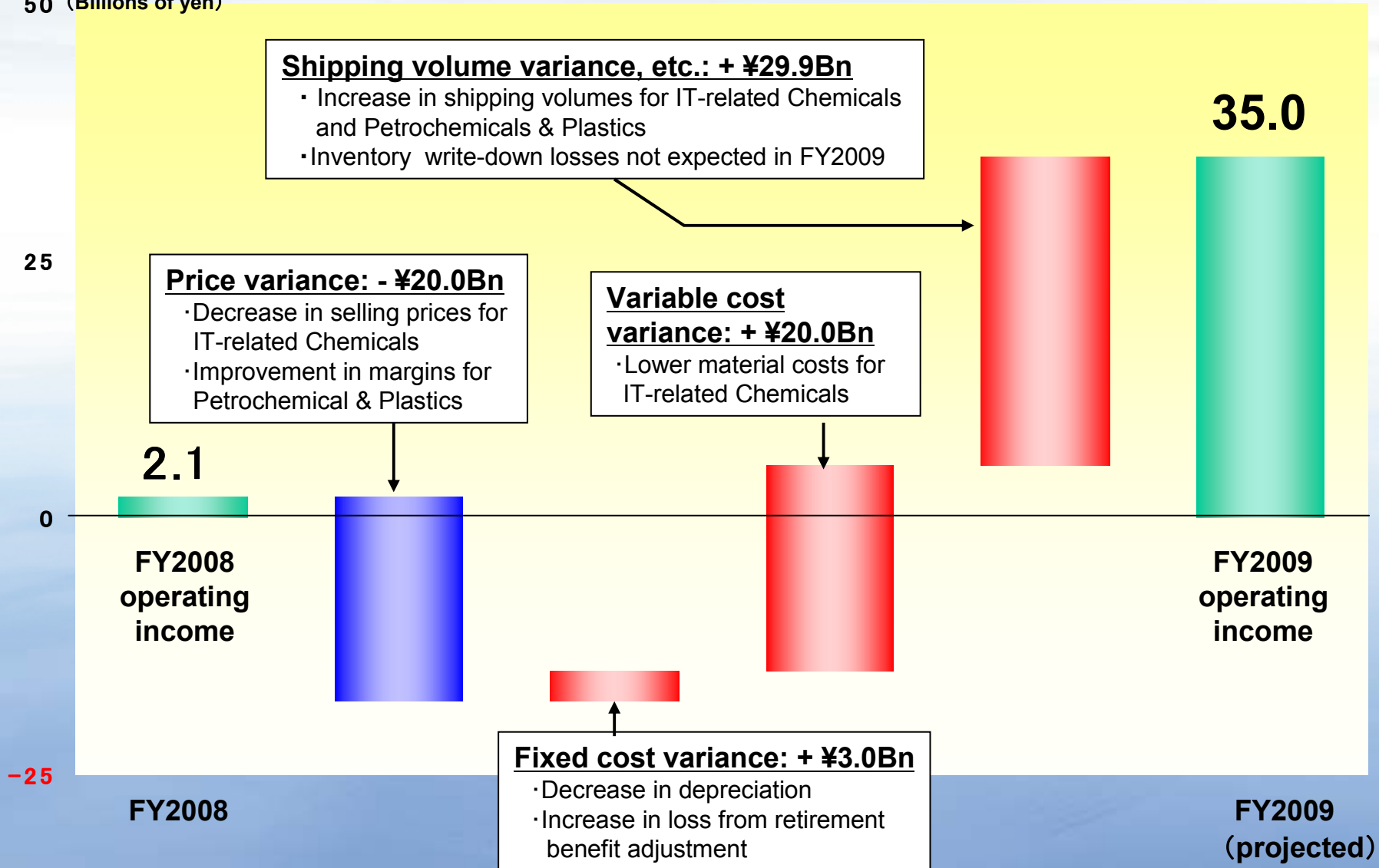
Outlook for FY2009

| | FY2008 | FY2009 | Change |
|-----------------------------------|--------------|----------------|-------------|
| Sales | ¥1,788.2 Bn | ¥1,620.0 Bn | - ¥168.2 Bn |
| Operating income | ¥2.1 Bn | ¥35.0 Bn | + ¥32.9 Bn |
| Ordinary income | - ¥32.6 Bn | ¥30.0 Bn | + ¥62.6 Bn |
| Net income | - ¥59.2 Bn | ¥10.0 Bn | + ¥69.2 Bn |
| Net income excl. one-time factors | - ¥45.3 Bn | ¥10.0 Bn | + ¥55.3 Bn |
| Dividend per share | ¥9 | Not determined | |
| Naphtha price | ¥58,900/kl | ¥35,000/kl | |
| Exchange rate | ¥100.71/US\$ | ¥95.00/US\$ | |

Change in Operating Income FY2008/2009

FY2008 ¥2.1Bn → FY2009 ¥35.0Bn (+¥32.9Bn)

50 (Billions of yen)



FY2009 Sales and Operating Income by Segment

(Unit: Billions of Yen)

| | | FY2008 | FY2009 | Change | Major factors for changes in profit |
|--------------------------|-------|---------|---------|--------|---|
| Basic Chemicals | Sales | 240.0 | 200.0 | -40.0 | No inventory write-downs expected, improvement in margins |
| | OI | -15.3 | -8.5 | +6.8 | |
| Petrochemical & Plastics | Sales | 553.0 | 505.0 | -48.0 | No inventory write-downs expected, increase in shipping volumes, improvement in margins |
| | OI | -30.3 | 2.0 | +32.3 | |
| Fine Chemicals | Sales | 80.8 | 75.0 | -5.8 | No inventory write-downs expected, increase in shipping volumes |
| | OI | 1.6 | 4.0 | +2.4 | |
| IT-related Chemicals | Sales | 307.1 | 255.0 | -52.1 | Increase in shipping volumes, rationalization, decrease in depreciation, lower selling prices |
| | OI | -1.0 | 0 | 1.0 | |
| Agricultural Chemicals | Sales | 222.2 | 210.0 | -12.2 | Increase in shipping volumes, stronger yen |
| | OI | 24.4 | 25.0 | 0.6 | |
| Pharmaceuticals | Sales | 235.6 | 230.0 | -5.6 | Increase in loss from retirement benefit adjustment, increase in R&D expenses |
| | OI | 32.4 | 17.0 | -15.4 | |
| Others | Sales | 149.5 | 145.0 | -4.5 | Decrease in depreciation |
| | OI | -9.7 | -4.5 | +5.1 | |
| Total | Sales | 1,788.2 | 1,620.0 | -168.2 | |
| | OI | 2.1 | 35.0 | +32.9 | |

Outlook for FY2009

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| Sales | ¥1,788.2 Bn | ¥1,620.0 Bn | - ¥168.2 Bn |
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| Dividend per share | ¥9 | Not determined | |
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Financial Position Outlook

(Unit: Billions of yen)

- **Capital investments**

FY2008: ¥134.1Bn

FY2009: ¥110.0Bn (-¥24.1Bn from FY2008)

- **Inventories**

End of Dec 2008: ¥370.4Bn

End of Mar 2009: ¥335.7Bn (-¥34.7Bn from End of Dec 2008)

End of FY2009: Increase in inventories expected because of the start up of Rabigh complex

- **Interest-bearing debt**

End of Mar 2008: ¥673.9Bn

End of Mar 2009: ¥795.4Bn (+¥121.5Bn from end of Mar 2008)

End of Mar 2010: ¥850.0Bn (+¥54.6Bn from end of Mar 2009)

Increase in working capital due to the start up of the Rabigh complex

Progress on the Rabigh Project

Production

- Commenced commercial operation
- Ramping up production and expecting to achieve full capacity production shortly



Sales

- Petrochemical products being shipped out to Sumitomo Chemical Asia
- Sumitomo Chemical Asia's sales expected to get into full swing in Q3 2009

Rabigh Phase II Project

- **Conducting feasibility study for Phase II with Saudi Aramco**
- **Feasibility study to be complete by Q3 2010**

Planned feedstocks

Ethane: 30M standard cubic feet per day (newly allocated)

Naphtha: 3M tons per year (to be supplied from Phase I complex)

Planned products

Ethylene propylene rubber, thermo plastic olefin, methyl methacrylate monomer & polymer, low-density polyethylene, ethylene vinyl acetate, caprolactam, polyols, cumene, phenol, acetone, acrylic acid, superabsorbent polymer and Nylon-6

- **When its viability confirmed, Phase II to be implemented with a plan to start up by Q3 2014**

Research and Development

Lurasidone for Schizophrenia & Bipolar Disorder

- Phase III clinical trials underway globally, in US, EU, Japan and other countries for schizophrenia
 - Anticipating efficacy & safety matching or exceeding current major products on the market
 - In May 2009 DSP announced positive results in the first Phase III clinical trials:
 - In 6-week, double-blind, placebo-controlled trial, significantly more effective than placebo for acute schizophrenia
 - Well-tolerated and a relatively low discontinuation rate
 - Expected to be launched in US in 2011
 - US schizophrenia and bipolar disorder drug market:
US\$13.9 bn (2008)
 - DSP expanding development capabilities and planning to build its own sales operations in US
-
- Global Phase III for bipolar disorder started in December 2008

Polymer Organic LEDs

● PLEDs' advantages over LCDs

- ◆ Superior contrast, resolution, response speeds & viewing angle
- ◆ Lower energy consumption
- ◆ Self-luminescent and simpler display structure, no backlights required
- ◆ Flexible displays and roll to roll processing under development

● PLEDs' advantages over Small Molecular LEDs

- ◆ Greater potential to realize more cost-effective production, particularly when applied to large displays
 - “printing methods” vs. “vacuum deposition method”

Polymer Organic LEDs

Efforts toward commercialization

- ◆ Acquired Cambridge Display Technology in 2007
- ◆ Established Device Development Center in 2008
- ◆ Accelerating development of PLED panel manufacturing technologies
- ◆ Light emitting materials improving significantly in lifetime & efficacy
- ◆ Projects underway with partners to develop PLED displays & lighting



Battery-related Materials

- **Heat-resistant separators for lithium-ion secondary batteries**
 - ◆ Outstanding safety and durability
 - ◆ Growing demand for applications in mobile devices
 - ◆ Expanded capacity to 16 mil m² in FY08, and will further expand to 25 mil m² during FY09
 - ◆ Established Battery Materials Division in IT-related Chemicals Sector, Jan 2009
 - ◆ Accelerating development targeting automotive applications



- **Cobalt-free cathode material for lithium-ion secondary batteries**
 - ◆ Higher output than conventional materials, suitable for applications in hybrid and electric vehicles
 - ◆ Achieved high performance without using cobalt, which is in short supply worldwide
 - ◆ Evaluation by customers underway
 - ◆ Planning to start commercial production in fiscal 2009



Formulating New Business Strategies

- **Analyzing business climate and developing our long-term corporate vision**
- **To formulate a medium-term corporate business plan for FY2010 and onward based on new corporate vision**
- **To formulate new business strategies to improve our competitive position**
 - ◆ **Restructure business portfolio**
 - ◆ **Improve production technologies**
 - ◆ **Develop energy and environmental strategy**
 - ◆ **Accelerate R&D projects in priority areas by taking full advantage of “Creative Hybrid Chemistry”**

Reaching New Heights as a Global Company



Cautionary Statement

Statements made in this document with respect to the 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.