

## Sumitomo Chemical Company, Limited Interim Consolidated Financial Results

Sumitomo Chemical Company, Limited today announced that its consolidated net sales for the six months ended September 30, 2002 totaled ¥531.6 billion (\$4,336 million), a 6.3% increase from the previous year's corresponding period, while net income decreased 6.8% to ¥15.5 billion (\$127 million).

The Basic Chemicals segment showed a 5.5% growth in sales over the same period of last year. Sales volume of aluminum and methyl methacrylate increased mainly in the Japanese market. Sales of the Petrochemicals segment increased 4.7% compared with the first half of the previous year. Styrene monomer sales increased due to a higher market price and an increased shipping volume. Plastics sales also increased due to a strong demand both in Japan and overseas. The Fine Chemicals segment saw a 3.6% rise in sales thanks to increased exports of pharmaceutical intermediates and resorcinol (a raw material for adhesives). The IT-related Chemicals segment had a drastic sales recovery of 49.0% compared with the same period of last year. Sales volume of functional films for LCDs, epoxy resins, and photoresists all increased owing to recovery of demand in the IT and electronics related industry. In addition, sales of New STI Technology (a manufacturer of color filter for LCDs), which had been consolidated since the second half of last year, contributed to the increase of sales. The Agricultural Chemicals segment showed the sales growth of 11.4% from the first half of the previous year. The sales volume of feed additives increased in overseas markets. Sales of crop protection chemicals increased thanks to the sales increase of overseas subsidiaries. The acquisition of Rainbow Chemical (a supplier of materials for home & garden uses in the Japanese market) in the second half of last year helped increase the sales of the segment. Sales of household insecticide decreased because of lower prices and decreased shipping volumes. Sales of the Pharmaceuticals segment decreased 4.8% from the previous year's corresponding period due to significant price reduction of *Sumiferon* (natural alpha interferon) although sales of *Amlodin* (therapeutic agent for hypertension and angina pectoris) and *Meropen* (carbapenem antibiotic) expanded. Sales of the Others segment increased 5.8% from the same period of last year.

Total operating income was ¥34.8 billion (\$284 million), a 2.1% decline from the same period of last year. IT-related Chemicals recorded the operating losses of ¥0.2 billion (\$1 million) although the losses decreased compared with the previous year's corresponding period. Operating income of Basic Chemicals, Fine Chemicals and Pharmaceuticals decreased to ¥1.0 billion (\$8 million), ¥3.3 billion (\$27 million) and ¥16.7 billion (\$136 million), respectively. Petrochemicals, Agricultural Chemicals and Others all showed an increase in operating income to ¥3.8 billion (\$31 million), ¥8.1 billion (\$66 million) and ¥2.3 billion (\$19 million), respectively.

The restructuring charges increased to ¥4.0 billion (\$33 million) compared to ¥0.5 billion in the same period of last year. The major items of extraordinary gains were reversal of allowance for doubtful receivables and gain on sales of securities, which amounted to ¥2.3 billion (\$18 million) and ¥1.9 billion (\$15 million), respectively.

Net cash provided by operating activities was ¥71.3 billion (\$581 million). Free cash flow increased to ¥31.1 billion (\$254 million).

For the year ending March 31, 2003, the Company estimates that consolidated net sales will be ¥1,090 billion (\$8,891 million), a 7% increase from the previous year and that consolidated net income will be ¥35 billion (\$285 million), a 16% increase over the last year. Annual dividends per 1,000 shares will be kept at the same rate as the previous year's ¥6,000 (\$48.94).

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥122.60= \$1 prevailing on September 30, 2002.

**Interim Consolidated Statements of Income**  
**Six Months ended September 30, 2002 and 2001**

	2002		2001
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 531,641	\$ 4,336,387	¥ 500,019
Cost of sales	380,943	3,107,202	355,809
Selling, general and administrative expenses	115,896	945,319	108,648
Operating income	34,802	283,866	35,562
Other income (expenses):			
Interest and dividend income	2,512	20,489	2,876
Interest expenses	(4,700)	(38,336)	(6,513)
Equity in earnings of affiliates	1,222	9,967	6,195
Reversal of allowance for doubtful receivables	2,255	18,393	-
Gain on sales of securities	1,857	15,147	7,824
Restructuring charges	(4,008)	(32,692)	(466)
Amortization of goodwill	-	-	(10,643)
Other-net	(1,310)	(10,684)	(3,530)
Income before income taxes and minority interests	32,630	266,150	31,305
Income taxes, net of tax effect	14,043	114,543	12,058
Minority interests' share in income	3,055	24,919	2,588
Net income	¥ 15,532	\$ 126,688	¥ 16,659

	2002		2001
	(Yen)	(US dollar)*	(Yen)
Net income per 1,000 shares	¥ 9,387	\$ 76.57	¥ 10,063
Dividends per 1,000 shares:			
Interim dividends	¥ 3,000	\$ 24.47	¥ 3,000

(Note)

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**Industry Segment Results**  
**Six Months ended September 30, 2002 and 2001**

									(¥Million)	
		Basic Chemicals	Petrochemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
<b>2002</b>										
Sales	[a]	¥ 93,335	¥ 180,339	¥ 51,100	¥ 39,490	¥ 69,678	¥ 80,453	¥ 17,246		¥ 531,641
(Share)		(17.6%)	(33.9%)	(9.6%)	(7.4%)	(13.1%)	(15.1%)	(3.3%)		(100.0%)
(Growth)		(5.5%)	(4.7%)	(3.6%)	(49.0%)	(11.4%)	(-4.8%)	(5.8%)		(6.3%)
Operating income (loss)[b]		¥ 979	¥ 3,745	¥ 3,275	¥ (173)	¥ 8,125	¥ 16,710	¥ 2,289	¥ (148)	¥ 34,802
[b] / [a]		(1.0%)	(2.1%)	(6.4%)	(-)	(11.7%)	(20.8%)	(13.3%)		(6.5%)
Total assets		¥ 163,861	¥ 330,165	¥ 154,013	¥ 126,726	¥ 177,492	¥ 219,059	¥ 163,370	¥ 75,377	¥ 1,410,063
Depreciation		4,314	6,543	4,925	3,329	4,417	3,772	2,468	996	30,764
Capital expenditures		7,709	11,146	4,094	7,934	1,889	6,045	2,802	1,221	42,840
<b>2001</b>										
Sales	[a]	¥ 88,446	¥ 172,315	¥ 49,338	¥ 26,509	¥ 62,560	¥ 84,548	¥ 16,303		¥ 500,019
(Share)		(17.7%)	(34.5%)	(9.9%)	(5.3%)	(12.5%)	(16.9%)	(3.2%)		(100.0%)
(Growth)		(2.5%)	(-5.9%)	(-11.7%)	(-5.9%)	(1.3%)	(11.9%)	(0.5%)		(-1.4%)
Operating income (loss)[b]		¥ 1,696	¥ (1,707)	¥ 4,367	¥ (909)	¥ 7,150	¥ 22,776	¥ 2,001	¥ 188	¥ 35,562
[b] / [a]		(1.9%)	(-)	(8.9%)	(-)	(11.4%)	(26.9%)	(12.3%)		(7.1%)
Total assets		¥ 155,476	¥ 317,100	¥ 153,394	¥ 99,472	¥ 183,755	¥ 207,327	¥ 164,175	¥ 129,282	¥ 1,409,981
Depreciation		4,379	6,689	4,800	2,958	14,885	4,242	2,379	1,355	41,687
Capital expenditures		4,178	4,932	5,457	3,548	17,029	1,854	2,840	1,377	41,215

(Note) The Company changed its industry segmentation, from the former three groups ("Basic Chemicals & Petrochemicals", "Specialty Chemicals", "Others") to the current seven segments in the second half of last year. Prior period statement has been reclassified to conform to the current period.

**Overseas Operations**  
**Six Months ended September 30, 2002 and 2001**

	2002				2001
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 159,195	\$ 1,298,491	29.9	18.0	¥ 134,931

(Note) \*U. S. dollar amounts are translated from yen, for convenience only, at the rate of ¥122.60 = \$1 prevailing on September 30, 2002.

**Interim Consolidated Statements of Cash Flows**  
**Six Months ended September 30, 2002 and 2001**

	2002		2001
	(¥Million)	(US\$1,000)*	(¥Million)
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 32,630	\$ 266,150	¥ 31,305
Depreciation and amortization	30,764	250,930	41,687
Other-net	7,889	64,347	(51,595)
<b>Net cash provided by operating activities</b>	<b>71,283</b>	<b>581,427</b>	<b>21,397</b>
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment	(33,193)	(270,742)	(43,678)
Other-net	(6,974)	(56,884)	7,631
<b>Net cash used in investing activities</b>	<b>(40,167)</b>	<b>(327,626)</b>	<b>(36,047)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	(4,966)	(40,506)	(4,966)
Net (decrease) increase in short-term debt	(20,386)	(166,281)	17,089
Net decrease in long-term debt	(2,443)	(19,927)	(131)
Other-net	(1,523)	(12,421)	(2,533)
<b>Net cash provided in financing activities</b>	<b>(29,318)</b>	<b>(239,135)</b>	<b>9,459</b>
Effect of exchange rate changes on cash and cash investments	(956)	(7,798)	710
<b>Cash and cash investments at beginning of period</b>	<b>55,229</b>	<b>450,481</b>	<b>56,569</b>
<b>Increase in cash from addition of consolidated subsidiaries</b>	<b>-</b>	<b>-</b>	<b>66</b>
<b>Cash and cash investments at end of period</b>	<b>¥ 56,071</b>	<b>\$ 457,349</b>	<b>¥ 52,154</b>

(Note)

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