

## Sumitomo Chemical Company, Limited Consolidated Financial Results

Sumitomo Chemical Company, Limited today announced that its consolidated net sales for the year ended March 31, 2004 (FY2003) totaled ¥1,158.4 billion (\$10,960 million), a 4.3% increase over the previous year (FY2002). Net income increased 10.2% to ¥34.3 billion (\$325 million).

Sales in the Basic Chemicals segment grew 2.4% compared with FY2002. Methyl methacrylate showed increased sales both in Japan and overseas thanks to favorable demand mainly for optical applications. Shipments of caprolactam increased due to the start-up of an additional production facility based on a new process. The Petrochemicals & Plastics segment saw a drop of 2.5% in sales from the previous year. Domestic sales of plastics performed well, but plastics sales in Southeast Asia were on par with the year prior because the appreciation of the yen pushed down overseas sales amount on a yen basis. Sales of propylene oxide increased thanks to the launch of full-scale operation at a new production facility based on a novel oxidation process. Since Nihon Oxirane Co., Ltd. (NOC) has been added as a consolidated subsidiary, as of FY2003 results no longer include sales of feedstock to NOC. Sales of Fine Chemicals were 3.9% lower than the previous year. Pharmaceutical intermediates grew in sales, primarily in overseas markets, while those of specialty products, such as adhesives raw materials, and dyestuffs remained at a low level. IT-related Chemicals showed strong growth continuously, with sales rising 49.7%. Sales of polarizing film for LCDs expanded, supported by strong demand in LCD market. Semiconductor process materials also kept steady shipments. In addition, a new LCD color filter production facility started operation at Dongwoo STI Co., Ltd. in Korea, and SC-IK Technology Co., Ltd., a Taiwanese LCD optical film producer and processor which became a consolidated subsidiary in the second half of last year, contributed to improved sales and operating income throughout the year. The Agricultural Chemicals segment performed well, with sales exceeding last year's record by 5.3%. Among others, sales of plant protection chemicals grew strongly thanks to the contribution of Sumitomo Chemical Takeda Agro Company throughout the year. Moreover, shipments of household insecticide increased both in Japan and overseas. However, sales of feed additives declined owing to lower prices in overseas markets. Sales in the Pharmaceuticals segment decreased by 1.1% from FY2002. *Amlodin* (therapeutic agent for hypertension and angina pectoris) and *Meropen* (carbapenem antibiotic) posted strong sales. On the other hand, sales of products manufactured on a consignment basis decreased. Sales of the Others segment increased by 14.7% from the previous year.

Total operating income was ¥66.6 billion (\$630 million), a 9.4% decrease from FY2002 due to the stronger yen and increased amortization of the actuarial loss of employees' retirement benefit plan. IT-related Chemicals and Others both showed increases in operating income to ¥14.3 billion (\$136 million) and ¥4.9 billion (\$46 million), respectively. Operating income for Pharmaceuticals, Agricultural Chemicals, Fine Chemicals, and Basic Chemicals decreased to ¥27.8 billion (\$263 million), ¥10.7 billion (\$101 million), ¥8.8 billion (\$83 million), and ¥2.6 billion (\$24 million), respectively. Petrochemicals & Plastics had an operating loss of ¥1.6 billion (\$16 million).

Gain on sales of property, plant and equipment increased to ¥9.1 billion (\$86 million) from ¥2.2 billion in the previous year. Restructuring charges decreased to ¥4.5 billion (\$42 million) compared to ¥6.4 billion in FY2002. The Company recorded losses of ¥2.5 billion (\$23 million) associated with lease contract cancellation.

Net cash provided by operating activities was ¥97.0 billion (\$918 million), while net cash used in investing activities was ¥103.2 billion (\$977 million). Free cash flow was an expenditure of ¥6.2 billion (\$59 million).

For the year ending March 31, 2005, the Company estimates that consolidated net sales will be ¥1,200 billion (\$11,354 million), a 4% increase from FY2003, and that consolidated net income will be ¥42 billion (\$397 million), a 22% rise. Annual dividends per 1,000 shares will be kept at the same rate, ¥6,000 (\$56.76).

(Note) \*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69= \$1 prevailing on March 31, 2004.

**Consolidated Statements of Income**  
**Years ended March 31, 2004(FY2003) and 2003(FY2002)**

|   | FY2003      |               | FY2002      |
|---|-------------|---------------|-------------|
|   | (¥Million)  | (US\$1,000)*  | (¥Million)  |
| Sales   | ¥ 1,158,402 | \$ 10,960,375 | ¥ 1,111,128 |
| Cost of sales                                     | 850,188     | 8,044,167     | 798,001     |
| Selling, general and administrative expenses      | 241,594     | 2,285,874     | 239,607     |
| Operating income                                  | 66,620      | 630,334       | 73,520      |
| Other income (expenses):                          |             |               |             |
| Interest and dividend income                      | 4,962       | 46,949        | 3,986       |
| Interest expense                                  | (7,808)     | (73,876)      | (9,305)     |
| Equity in earnings of affiliates                  | 8,596       | 81,332        | 2,590       |
| Gain on sales of property, plant and equipment    | 9,060       | 85,722        | 2,189       |
| Net gain on sales of investment securities        | 3,138       | 29,691        | 1,268       |
| Restructuring charges                             | (4,486)     | (42,445)      | (6,423)     |
| Loss associated with lease contract cancellation  | (2,451)     | (23,190)      | -           |
| Other, net  | (5,322)     | (50,356)      | (4,611)     |
| Income before income taxes and minority interests | 72,309      | 684,161       | 63,214      |
| Income taxes, net of tax effect                   | 30,968      | 293,008       | 25,761      |
| Minority interests                                | 7,023       | 66,449        | 6,319       |
| Net income  | ¥ 34,318    | \$ 324,704    | ¥ 31,134    |

|                             | FY2003   |              | FY2002   |
|-----------------------------|----------|--------------|----------|
|                             | (Yen)    | (US dollar)* | (Yen)    |
| Net income per 1,000 shares | ¥ 20,715 | \$ 196.00    | ¥ 18,742 |
| Dividends per 1,000 shares: |          |              |          |
| Interim dividends           | ¥ 3,000  | \$ 28.38     | ¥ 3,000  |
| Year-end dividends          | 3,000    | 28.38        | 3,000    |
| For the year                | ¥ 6,000  | \$ 56.76     | ¥ 6,000  |

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69= \$1 prevailing on March 31, 2004.

**Industry Segment Results**  
Years ended March 31, 2004(FY2003) and 2003(FY2002)

|                               |     | Basic<br>Chemicals | Petro-<br>chemicals<br>& Plastics | Fine<br>Chemicals | IT-related<br>Chemicals | Agricultural<br>Chemicals | Pharma-<br>ceuticals | Others    | Adjustments<br>&<br>Elimination | (¥Million)<br>Consoli-<br>dated |
|-------------------------------|-----|--------------------|-----------------------------------|-------------------|-------------------------|---------------------------|----------------------|-----------|---------------------------------|---------------------------------|
| <b>FY2003</b>                 |     |                    |                                   |                   |                         |                           |                      |           |                                 |                                 |
| Sales                         | [a] | ¥ 199,050          | ¥ 362,411                         | ¥ 80,594          | ¥ 123,525               | ¥ 167,105                 | ¥ 166,561            | ¥ 59,156  |                                 | ¥ 1,158,402                     |
| (Share)                       |     | (17.2%)            | (31.3%)                           | (6.9%)            | (10.7%)                 | (14.4%)                   | (14.4%)              | (5.1%)    |                                 | (100.0%)                        |
| (Growth)                      |     | (2.4%)             | (-2.5%)                           | (-3.9%)           | (49.7%)                 | (5.3%)                    | (-1.1%)              | (14.7%)   |                                 | (4.3%)                          |
| Operating<br>income (loss)[b] |     | ¥ 2,580            | ¥ (1,639)                         | ¥ 8,812           | ¥ 14,335                | ¥ 10,719                  | ¥ 27,839             | ¥ 4,892   | ¥ (918)                         | ¥ 66,620                        |
| [b] / [a]                     |     | (1.3%)             | (-0.5%)                           | (10.9%)           | (11.6%)                 | (6.4%)                    | (16.7%)              | (8.3%)    |                                 | (5.8%)                          |
| Total assets                  |     | ¥ 185,530          | ¥ 346,419                         | ¥ 94,307          | ¥ 164,418               | ¥ 210,610                 | ¥ 248,764            | ¥ 213,047 | ¥ 86,196                        | ¥ 1,549,291                     |
| Depreciation                  |     | 11,349             | 18,241                            | 6,821             | 10,471                  | 11,861                    | 12,153               | 8,366     | 3,220                           | 82,482                          |
| Capital<br>expenditures       |     | 13,268             | 11,736                            | 6,954             | 37,194                  | 5,685                     | 21,692               | 4,742     | 8,921                           | 110,192                         |
| <b>FY2002</b>                 |     |                    |                                   |                   |                         |                           |                      |           |                                 |                                 |
| Sales                         | [a] | ¥ 194,388          | ¥ 371,630                         | ¥ 83,859          | ¥ 82,516                | ¥ 158,712                 | ¥ 168,446            | ¥ 51,577  |                                 | ¥ 1,111,128                     |
| (Share)                       |     | (17.5%)            | (33.4%)                           | (7.5%)            | (7.4%)                  | (14.3%)                   | (15.2%)              | (4.7%)    |                                 | (100.0%)                        |
| (Growth)                      |     | (10.9%)            | (9.7%)                            | (4.5%)            | (38.0%)                 | (17.2%)                   | (-3.2%)              | (-6.0%)   |                                 | (9.1%)                          |
| Operating<br>income (loss)[b] |     | ¥ 5,731            | ¥ 5,017                           | ¥ 9,274           | ¥ 474                   | ¥ 16,685                  | ¥ 32,299             | ¥ 4,191   | ¥ (151)                         | ¥ 73,520                        |
| [b] / [a]                     |     | (2.9%)             | (1.3%)                            | (11.1%)           | (0.6%)                  | (10.5%)                   | (19.2%)              | (8.1%)    |                                 | (6.6%)                          |
| Total assets                  |     | ¥ 176,493          | ¥ 341,384                         | ¥ 109,511         | ¥ 129,909               | ¥ 219,359                 | ¥ 228,497            | ¥ 235,820 | ¥ 43,302                        | ¥ 1,484,275                     |
| Depreciation                  |     | 9,307              | 13,925                            | 8,857             | 7,390                   | 11,569                    | 9,535                | 6,350     | 2,093                           | 69,026                          |
| Capital<br>expenditures       |     | 19,587             | 26,079                            | 6,688             | 29,831                  | 26,546                    | 13,527               | 22,575    | 7,168                           | 152,001                         |

(Note) Beginning this fiscal year, the Company has reclassified certain subsidiaries and affiliates in terms of business segments to which they belong. Prior period statement has been restated to conform to the current period.

**Overseas Operations**  
Years ended March 31, 2004(FY2003) and 2003(FY2002)

|                        | FY2003     |              |              |               | FY2002     |
|------------------------|------------|--------------|--------------|---------------|------------|
|                        | (¥Million) | (\$1,000)*   | Share<br>(%) | Growth<br>(%) | (¥Million) |
| Overseas<br>operations | ¥ 364,107  | \$ 3,445,047 | 31.4         | 11.2          | ¥ 327,427  |

(Note) \*U. S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69= \$1 prevailing on March 31 2004.

**Consolidated Statements of Cash Flows**  
**Years ended March 31, 2004(FY2003) and 2003(FY2002)**

|   | FY2003     |              | FY2002     |
|---|------------|--------------|------------|
|   | (¥Million) | (US\$1,000)* | (¥Million) |
| <b>Cash flows from operating activities:</b>  |            |              |            |
| Income before income taxes and minority interests   | ¥ 72,309   | \$ 684,161   | ¥ 63,214   |
| Depreciation  | 82,482     | 780,414      | 69,026     |
| Other, net  | (57,739)   | (546,305)    | 9,440      |
| Net cash provided by operating activities   | 97,052     | 918,270      | 141,680    |
| <b>Cash flows from investing activities:</b>  |            |              |            |
| Acquisition of property, plant and equipment  | (132,868)  | (1,257,148)  | (90,984)   |
| Other, net  | 29,628     | 280,329      | (38,211)   |
| Net cash used in investing activities   | (103,240)  | (976,819)    | (129,195)  |
| <b>Cash flows from financing activities:</b>  |            |              |            |
| Dividends paid  | (9,925)    | (93,907)     | (9,931)    |
| Net increase in short-term debt   | 2,438      | 23,067       | 10,068     |
| Net increase (decrease) in long-term debt   | 1,359      | 12,858       | (8,634)    |
| Other, net  | (3,187)    | (30,153)     | 3,341      |
| Net cash used in financing activities   | (9,315)    | (88,135)     | (5,156)    |
| Effect of exchange rate changes on cash and cash equivalents                                  | (2,007)    | (18,989)     | (643)      |
| Net (decrease) increase in cash and cash equivalents  | (17,510)   | (165,673)    | 6,686      |
| Increase in cash due to merger of consolidated subsidiaries                                   | 58         | 548          | -          |
| Increase (decrease) in cash resulting from changes in the number of consolidated subsidiaries | (44)       | (416)        | (97)       |
| Cash and cash equivalents at beginning of year  | 61,891     | 585,590      | 55,302     |
| Cash and cash equivalents at end of year  | ¥ 44,395   | \$ 420,049   | ¥ 61,891   |

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69= \$1 prevailing on March 31, 2004.

**Non-consolidated Statements of Income**  
**Years ended March 31, 2004(FY2003) and 2003(FY2002)**

|  | <u>FY2003</u>     |                     | <u>FY2002</u>     |
|--|-------------------|---------------------|-------------------|
|  | <u>(¥Million)</u> | <u>(US\$1,000)*</u> | <u>(¥Million)</u> |
| Sales  | ¥ 600,797         | \$ 5,684,521        | ¥ 637,221         |
| Cost of sales                                | 496,340           | 4,696,187           | 520,666           |
| Selling, general and administrative expenses | <u>96,375</u>     | <u>911,865</u>      | <u>99,369</u>     |
| Operating income                             | 8,082             | 76,469              | 17,186            |
| Other income                                 | 21,637            | 204,721             | 20,481            |
| Other expenses                               | <u>10,282</u>     | <u>97,284</u>       | <u>9,928</u>      |
| Ordinary income                              | 19,437            | 183,906             | 27,739            |
| Special gains                                | 6,642             | 62,844              | 7,891             |
| Special losses                               | <u>5,225</u>      | <u>49,437</u>       | <u>10,441</u>     |
| Income before income taxes                   | 20,854            | 197,313             | 25,189            |
| Income taxes                                 | <u>4,822</u>      | <u>45,624</u>       | <u>5,824</u>      |
| Net income                                   | <u>¥ 16,032</u>   | <u>\$ 151,689</u>   | <u>¥ 19,365</u>   |

(Note)

\*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69= \$1 prevailing on March 31, 2004.

**(Cautionary Statement)**

Statements made in this release with respect to the Company'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.