

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, 2003, totaled ¥563.4 billion (\$5,064 million), an increase of 6.0% over the first half of FY2002. However, interim net income decreased 31.4% to total ¥10.7 billion (\$96 million).

Sales in the Basic Chemicals segment grew 4.7% compared with the first half of FY2002. Sales of methyl methacrylate performed strongly on improved market conditions, supported by favorable demand both in Japan and overseas for optical applications such as light-guide panels used in LCD backlights. Shipments of caprolactam increased, thanks to operational start-up at an additional production facility using a new production process. The Petrochemicals & Plastics segment saw a drop of 1.7% in sales from last year. Domestic sales of plastics were on par with the year prior, but plastics sales in Southeast Asia increased owing to the improved conditions of the market. Sales of propylene oxide increased, thanks to operational start-up at a new production facility based on a novel production process. However, with the additional acquisition of Nihon Oxirane Co., Ltd. (NOC) shares at the end of FY2002 making that company a consolidated subsidiary, sales of feedstock to NOC are now eliminated as inter-company transaction. Sales of Fine Chemicals were 5.0% lower than the same period a year ago. Sales of pharmaceutical intermediates grew, primarily in overseas markets, while sales of adhesives raw materials remained level with the first half of FY2002. However, overall segment net sales dropped since one of the subsidiaries has been excluded from consolidation. IT-related Chemicals showed strong growth again, with sales rising 41.3%. Sales of polarizing film for LCDs expanded, supported by robust demand. A new LCD color filter production facility came on stream at Dongwoo STI Co., Ltd. in Korea, and Taiwanese LCD optical film producer and processor SC-1K Technology Co., Ltd. became a consolidated subsidiary at the end of the first half of FY2002. As a result of these and other contributing factors, net sales increased greatly over last year. The Agricultural Chemicals segment also performed well, with sales topping last year by 18.2%. Sales of feed additives were down owing to fierce price competition overseas, and household insecticide sales also decreased. However, with overseas sales performing well and with Sumitomo Chemical Takeda Agro Company contributing throughout the term, sales of plant protection chemicals grew substantially. Sales in the Pharmaceuticals segment were roughly equal to those in the first half of FY2002. With reform of the Japanese healthcare system, growth in the pharmaceuticals market remained weak. Nevertheless, *Amlodin* (therapeutic agent for hypertension and angina pectoris) and *Meropen* (carbapenem antibiotic) managed strong sales although sales of *Didronel* (drug for bone disorders), *Tagamet* (H2 receptor antagonist) and others were sluggish. Sales of the Others segment increased 13.7% from the same period last year.

Total operating income was ¥24.4 billion (\$219 million), a 30.0% decrease from the first half of FY2002 due to increased depreciation costs associated with the start-up of new production facilities as well as stagnant market conditions. IT-related Chemicals returned to the black this year, with an operating income totaling ¥3.4 billion (\$30 million). Agricultural Chemicals and Petrochemicals & Plastics, on the other hand, saw decreases from last year, with an operating income totaling ¥2.7 billion (\$24 million) and an operating loss of ¥1.4 billion (\$12 million) respectively.

Interim net cash provided by operating activities was ¥41.7 billion (\$374 million), while net cash used in investing activities was ¥55.4 billion (\$498 million). Interim free cash flow was an expenditure of ¥13.7 billion (\$123 million).

For FY2003 ending March 31, 2004, the Company estimates that consolidated net sales will be ¥1,160 billion (\$10,427 million), a 4% increase from FY2002, and that consolidated net income will be ¥33 billion (\$297 million), a 6% increase. Annual dividends per 1,000 shares will be kept at the same rate, ¥6,000 (\$53.93).

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111.25= \$1 prevailing on September 30, 2003.

Interim Consolidated Statements of Income
Six Months ended September 30, 2003 and 2002

	<u>2003</u>		<u>2002</u>
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 563,366	\$ 5,063,964	¥ 531,641
Cost of sales	414,233	3,723,443	380,943
Selling, general and administrative expenses	<u>124,780</u>	<u>1,121,618</u>	<u>115,896</u>
Operating income	24,353	218,903	34,802
Other income (expenses):			
Interest and dividend income	2,569	23,092	2,512
Interest expenses	(4,274)	(38,418)	(4,700)
Equity in earnings of affiliates	2,659	23,901	1,222
Gain on sale of property, plant and equipment	3,275	29,438	351
Gain on sale of investment securities	1,342	12,063	1,857
Reversal of allowance for doubtful receivables	942	8,467	2,255
Loss associated with lease contract cancellation	(2,451)	(22,031)	-
Restructuring charges	(944)	(8,485)	(4,008)
Other, net	<u>(2,666)</u>	<u>(23,964)</u>	<u>(1,661)</u>
Income before income taxes and minority interests	24,805	222,966	32,630
Income taxes, net of tax effect	<u>12,494</u>	<u>112,306</u>	<u>14,043</u>
Minority interests	<u>1,660</u>	<u>14,921</u>	<u>3,055</u>
Net income	<u>¥ 10,651</u>	<u>\$ 95,739</u>	<u>¥ 15,532</u>

	<u>2003</u>		<u>2002</u>
	(Yen)	(US dollar)*	(Yen)
Net income per 1,000 shares	¥ 6,441	\$ 57.90	¥ 9,387
Dividends per 1,000 shares:			
Interim dividends	¥ 3,000	\$ 26.97	¥ 3,000

(Note)

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Industry Segment Results
Six Months ended September 30, 2003 and 2002

									(¥Million)	
		Basic Chemicals	Petro- chemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Others	Adjustments & Elimination	Consoli- dated
2003										
Sales	[a]	¥ 98,202	¥ 177,215	¥ 39,592	¥ 55,797	¥ 82,675	¥ 80,438	¥ 29,447		¥ 563,366
(Share)		(17.4%)	(31.5%)	(7.0%)	(9.9%)	(14.7%)	(14.3%)	(5.2%)		(100.0%)
(Growth)		(4.7%)	(-1.7%)	(-5.0%)	(41.3%)	(18.2%)	(-0.0%)	(13.7%)		(6.0%)
Operating income (loss)	[b]	¥ 1,484	¥ (1,380)	¥ 3,061	¥ 3,392	¥ 2,657	¥ 13,759	¥ 1,686	¥ (306)	¥ 24,353
[b] / [a]		(1.5%)	(-)	(7.7%)	(6.1%)	(3.2%)	(17.1%)	(5.7%)		(4.3%)
Total assets		¥ 179,119	¥ 343,556	¥ 97,607	¥ 146,840	¥ 219,650	¥ 235,289	¥ 239,259	¥ 58,455	¥ 1,519,775
Depreciation		5,413	8,840	3,166	5,176	5,863	5,623	4,139	1,404	39,624
Capital expenditures		5,316	5,087	4,226	15,445	2,508	8,068	2,247	6,964	49,861
2002										
Sales	[a]	¥ 93,795	¥ 180,364	¥ 41,670	¥ 39,490	¥ 69,972	¥ 80,453	¥ 25,897		¥ 531,641
(Share)		(17.7%)	(33.9%)	(7.8%)	(7.4%)	(13.2%)	(15.1%)	(4.9%)		(100.0%)
(Growth)		(4.8%)	(4.7%)	(4.7%)	(49.0%)	(11.3%)	(-4.8%)	(5.6%)		(6.3%)
Operating income (loss)	[b]	¥ 1,195	¥ 3,774	¥ 3,458	¥ (173)	¥ 8,211	¥ 16,710	¥ 1,775	¥ (148)	¥ 34,802
[b] / [a]		(1.3%)	(2.1%)	(8.3%)	(-)	(11.7%)	(20.8%)	(6.9%)		(6.5%)
Total assets		¥ 165,621	¥ 330,324	¥ 118,853	¥ 102,245	¥ 177,803	¥ 219,073	¥ 221,543	¥ 74,601	¥ 1,410,063
Depreciation		4,357	6,546	3,442	3,329	4,429	4,515	3,150	996	30,764
Capital expenditures		7,735	11,153	2,545	7,934	1,896	7,163	3,193	1,221	42,840

(Note) Beginning this period, 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
Six Months ended September 30, 2003 and 2002

	2003				2002
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 180,744	\$ 1,624,665	32.1	13.5	¥ 159,195

(Note) *U. S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111.25 = \$1 prevailing on September 30, 2003.

Interim Consolidated Statements of Cash Flows
Six Months ended September 30, 2003 and 2002

	2003		2002
	(¥Million)	(US\$1,000)*	(¥Million)
Cash flows from operating activities:			
Income before income taxes	¥ 24,805	\$ 222,966	¥ 32,630
Depreciation and amortization	39,624	356,171	30,764
Income taxes paid	(20,719)	(186,238)	(10,634)
Other, net	(2,056)	(18,481)	18,523
Net cash provided by operating activities	41,654	374,418	71,283
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(60,629)	(544,980)	(33,193)
Other, net	5,247	47,164	(6,974)
Net cash used in investing activities	(55,382)	(497,816)	(40,167)
Cash flows from financing activities:			
Dividends paid	(4,963)	(44,611)	(4,966)
Net increase (decrease) in short-term debt	1,509	13,564	(20,386)
Net increase (decrease) in long-term debt	16,547	148,737	(2,443)
Other, net	(1,098)	(9,870)	(1,523)
Net cash provided by (used in) financing activities	11,995	107,820	(29,318)
Effect of exchange rate changes on cash and cash equivalents	271	2,436	(956)
Cash and cash equivalents at beginning of period	61,891	556,324	55,302
Increase in cash due to merger of consolidated subsidiaries	58	522	-
Decrease in cash resulting from changes in the number of consolidated subsidiaries	(44)	(396)	(73)
Cash and cash equivalents at end of period	¥ 60,443	\$ 543,308	¥ 56,071

(Note)

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(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.