

Sumitomo Chemical Company, Limited Interim Consolidated Financial Results

Sumitomo Chemical Company, Limited announced today its interim consolidated financial results for the six months ended September 30, 1999. Net sales for the period totaled ¥468.0 billion (\$4,376 million), a decrease of 4.8% from the previous year's corresponding period. Operating income decreased 6.0% to ¥32.2 billion (\$301 million). Net income also decreased 5.0% to ¥8.9 billion (\$83 million).

The Basic Chemicals & Petrochemicals segment showed an increase in sales by 1.3% from the first half of the last year. The commencement of commercial operation of acrylic acid and MMA in the Singapore plants contributed to this increase, while plastic sales in Japanese market decreased owing to weak demand and the sales of VCM ceased due to shutdown of plants related to the business. The sales of the Specialty Chemicals segment and Others segment declined 9.4% and 32.0%, respectively. In the Specialty Chemicals segment, the fine chemicals sales and the agricultural chemicals sales came down primarily because sales decreased by the appreciation of yen against US dollar as well as by the intensifying competition in the international markets. Also, pharmaceuticals showed a decrease in sales, which was attributable to the expiration of distribution arrangements in Japan with Nippon Wellcome (currently Glaxo Wellcome) and Pharmacia & Upjohn.

The operating income of the Basic Chemicals & Petrochemicals segment was ¥5.3 billion (\$49 million) with the operating income ratio of 2.1%. Its operating income ratio decreased slightly from the first half of the previous year due mainly to reduced sales prices in Japanese markets. The operating income of the Specialty Chemicals segment was ¥25.4 billion (\$237 million), with its operating income ratio to increase to 12.2% from the last year's 11.9%, despite a decline in export sales caused by the appreciated yen against US dollar.

Interest and dividend income was ¥2.9 billion (\$27 million) and interest expense was ¥7.4 billion (\$69 million). Gain on sale of securities was ¥4.3 billion (\$40 million). As a special loss, retirement benefit liability charge amounted to ¥11.1 billion (\$104 million), the majority of which consists of those for Sumitomo Chemical and Sumitomo Pharmaceuticals. These two companies charged one-half of the total liability of ¥19.3 billion (\$180 million) to income in the first half of this fiscal year and the other half in the latter half year. The liability was incurred by the adoption of a new Japanese accounting standard for retirement benefit from this fiscal year, which has been adopted one year earlier than the mandatory introduction. A restructuring charge, as another special loss, was ¥4.5 billion (\$42 million). As a result, net income after tax was ¥8.9 billion (\$83 million) as compared with the last year's ¥9.4 billion (\$88 million).

Operating activities provided ¥50.2 billion (\$470 million) in cash compared to the previous year's ¥39.0 billion (\$365 million). Investing activities used ¥26.7 billion (\$250 million) in cash, a ¥2.9 billion (\$27 million) smaller than the first half of the last year because of decrease in acquisition of fixed assets. Financing activities used ¥36.1 billion (\$338 million) in cash for this period due principally to reduction of short-term loans and commercial paper. As a result, cash and cash investments became smaller by ¥3.8 billion (\$35 million) than the amount at the end of the last fiscal year, amounting to ¥59.8 billion (\$559 million).

For the year ending March 31, 2000, the Company estimates that the consolidated net sales will be ¥920 billion (\$8,602 million) and the consolidated net income will be ¥17 billion (\$159 million).

(Note)

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.95 = \$1 prevailing on September 30, 1999.

Interim Consolidated Statements of Income
Six Months ended September 30, 1999 and 1998

	1999		1998
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 468,033	\$ 4,376,185	¥ 491,655
Cost of sales	335,075	3,133,006	360,442
Selling, general and administrative expenses	100,759	942,113	96,974
Operating income	32,199	301,066	34,239
Other income (expenses):			
Interest and dividend income	2,890	27,022	2,811
Interest expense	(7,389)	(69,088)	(7,571)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,840	17,204	614
Gain on sale of securities	4,289	40,103	-
Retirement benefit liability charge	(11,134)	(104,105)	-
Restructuring charge	(4,452)	(41,627)	(931)
Other-net	564	5,273	(1,200)
Income before income taxes	18,807	175,848	27,962
Income taxes:			
Current	19,176	179,299	18,811
Deferred	(9,258)	(86,564)	(210)
	9,918	92,735	18,601
Net income	¥ 8,889	\$ 83,113	¥ 9,361

	1999		1998
	(Yen)	(US dollar)*	(Yen)
Net interim income per 1,000 shares	¥ 5,481	\$ 51.25	¥ 5,772

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Industry Segment Results
Six Months ended September 30, 1999 and 1998

	Basic Chemicals & Petro- chemicals	Specialty Chemicals	Others	Adjustment & Elimination	(¥Million) Consolidated
Six Months ended September 30, 1999					
Sales	¥ 249,244	¥ 207,513	¥ 11,276		¥ 468,033
<i>(Percentage of sales)</i>	<i>(53.3%)</i>	<i>(44.3%)</i>	<i>(2.4%)</i>		<i>(100.0%)</i>
<i>(Sales growth)</i>	<i>(1.3%)</i>	<i>(-9.4%)</i>	<i>(-32.0%)</i>		<i>(-4.8%)</i>
Operating income	¥ 5,281	¥ 25,397	¥ 1,487	¥ 34	¥ 32,199
<i>(Operating income ratio)</i>	<i>(2.1%)</i>	<i>(12.2%)</i>	<i>(13.2%)</i>		<i>(6.9%)</i>
Total assets	¥ 550,307	¥ 519,197	¥ 125,182	¥ 111,155	¥ 1,305,841
Depreciation	13,690	19,064	2,422	1,497	36,673
Capital expenditure	14,104	12,411	1,692	1,517	29,724
Six Months ended September 30, 1998					
Sales	¥ 246,157	¥ 228,927	¥ 16,571		¥ 491,655
<i>(Percentage of sales)</i>	<i>(50.1%)</i>	<i>(46.6%)</i>	<i>(3.3%)</i>		<i>(100.0%)</i>
Operating income	¥ 6,473	¥ 27,335	¥ 497	¥ -66	¥ 34,239
<i>(Operating income ratio)</i>	<i>(2.6%)</i>	<i>(11.9%)</i>	<i>(3.0%)</i>		<i>(7.0%)</i>
Total assets	¥ 583,289	¥ 543,439	¥ 143,578	¥ 62,161	¥ 1,332,467
Depreciation	12,623	16,469	2,433	1,357	32,882
Capital expenditure	14,348	18,051	2,300	2,610	37,309

Overseas Operations
Six Months ended September 30, 1999 and 1998

	1999			1998	
	(¥Million)	(\$1,000)*	Share (%)	(¥Million)	Share (%)
Overseas operations	¥ 116,947	\$1,093,474	25.0	¥ 138,041	28.1

(Note)

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Interim Consolidated Statements of Cash Flows
Six Months ended September 30, 1999 and 1998

	1999		1998
	(¥Million)	(US\$1,000)	(¥Million)
Cash flows from operating activities:			
Net income before income tax	¥18,807	\$175,848	¥27,962
Depreciation	36,673	342,899	32,882
Other-net	(5,231)	(48,911)	(21,836)
Net cash provided by operating activities	50,249	469,836	39,008
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(30,722)	(287,255)	(40,133)
Other-net	3,999	37,391	10,528
Net cash used in investing activities	(26,723)	(249,864)	(29,605)
Cash flows from financing activities:			
Net decrease in short-term debt	(31,522)	(294,736)	(19,641)
Net increase in long-term debt	4,718	44,114	31,604
Other-net	(9,300)	(86,956)	(8,850)
Net cash (used in) provided by financing activities	(36,104)	(337,578)	3,113
Effect of exchange rate changes on cash and cash investments	609	5,694	474
Net (decrease) increase in cash and cash investments	(11,969)	(111,912)	12,990
Cash and cash investments at beginning of period	63,580	594,483	50,793
Increase in cash from addition of consolidated subsidiaries	8,176	76,447	801
Cash and cash investments at end of period	¥59,787	\$559,018	¥64,584

(Note)

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