

First Half Financial Results & Outlook for FY2005



Nov 10, 2005



Sumitomo Chemical Co., Ltd.



(Cautionary Statement)

Statements made in this material with respect to 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.



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1. Consolidated Financial Results for First Half of FY 2005 Ending March 31, 2006





Financial Summary

Unit; billions of yen

| | 1st Half of FY2005 | 1st Half of FY2004 | Difference | Growth |
|--|-----------------------|-----------------------|------------|---------|
| Net Sales | 688.4 | 619.5 | 69.0 | 11.1% |
| Operating Income | 56.6 | 54.2 | 2.4 | 4.5% |
| (Equity in earnings of affiliates, included in ordinary income) | (14.9) | (9.5) | (5.4) | (57.0%) |
| Ordinary Income | 72.0 | 63.9 | 8.1 | 12.7% |
| Net Income | 39.4 | 30.5 | 8.8 | 28.8% |
| ROE | 6.6% | 5.9% | | |
| Exchange Rate (yen/US\$) | 109.52 | 109.80 | | |
| Naphtha Price (yen/KL) | 38,000 | 30,200 | | |



Net Sales by Segment

Unit; billions of yen

| | 1st Half of FY2005 | 1st Half of FY2004 | Difference | Growth | Sales Price Variance | Shipping Volume Variance |
|------------------------|-----------------------|-----------------------|-------------|--------------|-------------------------|--------------------------------|
| Basic Chemicals | 116.9 | 111.4 | 5.5 | 4.9% | 11.0 | -5.5 |
| Petrochemicals | 229.7 | 193.3 | 36.4 | 18.8% | 33.0 | 3.4 |
| Fine Chemicals | 37.2 | 41.5 | -4.3 | -10.4% | 0.5 | -4.8 |
| IT-related Chemicals | 100.3 | 84.2 | 16.1 | 19.1% | -10.0 | 26.1 |
| Agricultural Chemicals | 90.4 | 82.5 | 7.9 | 9.6% | -1.0 | 8.9 |
| Pharmaceuticals | 86.5 | 82.7 | 3.8 | 4.6% | 0.0 | 3.8 |
| Others | 27.6 | 23.9 | 3.7 | 15.5% | 0.0 | 3.7 |
| Total | 688.4 | 619.5 | 69.0 | 11.1% | 33.5 | 35.5 |

| | | | | |
|---------------------|-------|-------|------|-------|
| Overseas Operations | 276.5 | 232.1 | 44.5 | 19.2% |
|---------------------|-------|-------|------|-------|



Operating Income by Segment

Unit ; billions of yen

| | Basic Chemicals | Petro-chemicals | Fine Chemicals | IT-related Chemicals | Agricultural Chemicals | Pharmaceuticals | Others | Total |
|-------------------------|-----------------|-----------------|----------------|----------------------|------------------------|-----------------|-------------|------------|
| Operating Income | | | | | | | | |
| 1st Half of FY2005 | 5.9 | 8.9 | 4.7 | 8.8 | 8.3 | 18.6 | 1.5 | 56.6 |
| 1st Half of FY2004 | 2.2 | 4.5 | 6.9 | 13.1 | 6.5 | 18.1 | 2.9 | 54.2 |
| Difference | 3.6 | 4.4 | -2.2 | -4.3 | 1.8 | 0.5 | -1.4 | 2.4 |

| | | | | | | | | |
|---------------------------------|------------|------------|-------------|-------------|------------|------------|-------------|------------|
| Price Variance | 6.0 | 3.0 | -0.5 | -10.0 | -1.0 | 0.0 | 0.0 | -2.5 |
| Sales Price Variance | 11.0 | 33.0 | 0.5 | -10.0 | -1.0 | 0.0 | 0.0 | 33.5 |
| Purchase Price Variance | -5.0 | -30.0 | -1.0 | 0.0 | 0.0 | 0.0 | 0.0 | -36.0 |
| Cost Variance | -1.0 | 0.5 | 1.0 | -0.5 | -2.0 | -2.0 | 0.0 | -4.0 |
| VC | 0.0 | 1.0 | 1.0 | 5.0 | 0.0 | 0.0 | 0.0 | 7.0 |
| FC | -1.0 | -0.5 | 0.0 | -5.5 | -2.0 | -2.0 | 0.0 | -11.0 |
| Shipping Volume Variance | -1.4 | 0.9 | -2.7 | 6.2 | 4.8 | 2.5 | -1.4 | 8.9 |
| Total | 3.6 | 4.4 | -2.2 | -4.3 | 1.8 | 0.5 | -1.4 | 2.4 |



Elements of Major Costs

Unit ; billions of yen

| | 1st Half of FY2005 | 1st Half of FY2004 | Difference |
|---------------------------------|-----------------------|-----------------------|------------|
| Labor Costs | 89.5 | 87.5 | 2.0 |
| Maintenance Costs | 20.6 | 18.5 | 2.1 |
| Depreciation and Amortization | 45.8 | 39.8 | 6.0 |
| Research & Development Expenses | 39.1 | 37.5 | 1.6 |
| Capital Expenditures | 51.7 | 53.2 | -1.5 |
| Employees (at September 30) | 20,632 | 19,935 | 697 |



Special Gains / Losses

Unit; billions of yen

| | 1st Half of FY2005 | 1st Half of FY2004 | Difference |
|--|-----------------------|-----------------------|-------------|
| Gain on business transfer | 4.5 | - | 4.5 |
| Gain on sale of investment securities | 1.9 | 0.6 | 1.3 |
| Reversal of allowance for doubtful receivables | - | 2.3 | -2.3 |
| Special Gains | 6.4 | 2.9 | 3.6 |
| Restructuring charges | 3.3 | 1.7 | 1.5 |
| Expenses for subsidiary merger | 2.4 | - | 2.4 |
| Impairment loss on fixed assets | - | 2.1 | -2.1 |
| Special Losses | 5.7 | 3.8 | 1.9 |
| Special Gains / Losses | 0.7 | -0.9 | 1.7 |



Consolidated Balance Sheets

Unit ; billions of yen

| | 30-Sep-05 | 31-Mar-05 | | 30-Sep-05 | 31-Mar-05 |
|-------------------------------|----------------|----------------|---|----------------|----------------|
| Current Assets | 733.6 | 694.6 | Liabilities | 1,039.9 | 971.9 |
| Cash and cash equivalents | 79.7 | 55.2 | Trade notes and accounts | 192.0 | 202.3 |
| Trade notes and accounts | 299.5 | 306.1 | Short-term debt | 140.5 | 120.2 |
| Inventories | 244.1 | 234.6 | Long-term debt due within one year | 38.7 | 43.5 |
| Others | 110.3 | 98.7 | Long-term debt due after one year | 355.8 | 307.0 |
| Non-current Assets | 1,032.9 | 954.2 | Others | 312.8 | 298.9 |
| Property, plant and equipment | 525.1 | 515.9 | Minority interests in consolidated subsidiaries | 98.1 | 107.3 |
| Intangible assets | 49.8 | 41.1 | Shareholders' equity | 628.5 | 569.6 |
| Investment securities | 394.3 | 349.0 | Common stock | 89.7 | 89.7 |
| Others | 63.6 | 48.2 | Capital surplus | 23.7 | 23.7 |
| | | | Retained earnings | 401.4 | 374.2 |
| | | | Revaluation reserve | 3.8 | 3.8 |
| | | | Unrealized gains on investment securities | 119.6 | 96.1 |
| | | | Foreign currency translation adjustments | -8.4 | -16.7 |
| | | | Treasury stock, at cost | -1.3 | -1.2 |
| Total | 1,766.5 | 1,648.8 | Total | 1,766.5 | 1,648.8 |

| | | |
|-------------------------------|-------|-------|
| Interest-bearing debt balance | 535.1 | 470.7 |
|-------------------------------|-------|-------|



Consolidated Statements of Cash Flows

Unit; billions of yen

| | 1st Half of FY2005 | 1st Half of FY2004 | Difference |
|--|-----------------------|-----------------------|------------|
| Cash flows from operating activities | 52.1 | 64.1 | -12.0 |
| Cash flows from investing activities | -76.6 | -56.4 | -20.2 |
| Free cash flows | -24.6 | 7.7 | -32.3 |
| Cash flows from financing activities | 48.3 | -12.5 | 60.8 |
| Effect of exchange rate changes on cash and cash equivalents | 0.8 | 0.0 | 0.8 |
| Net increase (decrease) in cash and cash equivalents | 24.5 | -4.8 | 29.3 |
| Cash and cash equivalents at end of year | 79.7 | 39.6 | 40.1 |



Major Subsidiaries

Unit; billions of yen

| Company | Net Sales | | Operating Income Status |
|---|--------------|-------------|---|
| | FY05.1H | FY04.1H | |
| The Polyolefin Company (Singapore) | 52.4 | 37.8 | Significantly improved due to higher market price |
| Petrochemical Corporation of Singapore | 116.6 | 87.2 | Substantially improved owing to higher market price |
| Dongwoo Fine-Chem | 54.3 | 40.3 | Slightly decreased due to lower sales prices although shipments increased |
| Dongwoo STI | 25.6 | 18.4 | |
| Dongwoo Optical Materials | 11.2 | 9.4 | |
| Valent U.S.A. and Subsidiaries | 25.8 | 21.9 | Improved owing to increased shipments |



2. Outlook for FY2005



Financial Summary

Unit; billions of yen

| | FY2005 (estimated) | FY2004 | Difference | Growth |
|--|-----------------------|---------|------------|----------|
| Net Sales | 1,540.0 | 1,296.3 | 243.7 | 18.8% |
| Operating Income | 110.0 | 105.2 | 4.8 | 4.6% |
| (Equity in earnings of affiliates, included in ordinary income) | (23.0) | (26.7) | -3.7 | (-13.8%) |
| Ordinary Income | 125.0 | 123.5 | 1.5 | 1.2% |
| Net Income | 79.0 | 64.5 | 14.5 | 22.6% |
| ROE | 12.8% | 12.0% | | |
| Exchange Rate (yen/US\$) | 109.76 | 107.55 | | |
| Naphtha Price (yen/KL) | 42,500 | 32,200 | | |



Net Sales by Segment

Unit; billions of yen

| | FY2005 (estimated) | FY2004 | Difference | Growth | Sales Price Variance | Shipping Volume Variance |
|------------------------|-----------------------|----------------|--------------|--------------|-------------------------|-----------------------------|
| Basic Chemicals | 240.0 | 225.8 | 14.2 | 6.3% | 11.5 | 2.7 |
| Petrochemicals | 475.0 | 412.6 | 62.4 | 15.1% | 57.0 | 5.4 |
| Fine Chemicals | 78.0 | 84.1 | -6.1 | -7.2% | 0.5 | -6.6 |
| IT-related Chemicals | 235.0 | 174.8 | 60.2 | 34.4% | -33.0 | 93.2 |
| Agricultural Chemicals | 185.0 | 171.6 | 13.4 | 7.8% | 0.0 | 13.4 |
| Pharmaceuticals | 230.0 | 170.7 | 59.3 | 34.7% | 0.0 | 59.3 |
| Others | 97.0 | 56.7 | 40.2 | 70.9% | 0.0 | 40.2 |
| Total | 1,540.0 | 1,296.3 | 243.7 | 18.8% | 36.0 | 207.7 |



Operating Income by Segment

Unit; billions of yen

| | Basic Chemicals | Petro-chemicals | Fine Chemicals | IT-related Chemicals | Agricultural Chemicals | Pharmaceuticals | Others | Total |
|--------------------|-----------------|-----------------|----------------|----------------------|------------------------|-----------------|--------|-------|
| Operating Income | | | | | | | | |
| FY2005 (estimated) | 11.0 | 15.0 | 9.0 | 23.0 | 17.0 | 31.0 | 4.0 | 110.0 |
| FY2004 | 5.2 | 15.0 | 11.5 | 18.7 | 14.8 | 34.4 | 5.6 | 105.2 |
| Difference | 5.8 | 0.0 | -2.5 | 4.3 | 2.2 | -3.4 | -1.6 | 4.8 |

| | | | | | | | | |
|--------------------------|------|-------|------|-------|------|-------|------|-------|
| Price Variance | 7.0 | -3.5 | -1.0 | -33.0 | 0.0 | 0.0 | 0.0 | -30.5 |
| Sales Price Variance | 11.5 | 57.0 | 0.5 | -33.0 | 0.0 | 0.0 | 0.0 | 36.0 |
| Purchase Price Variance | -4.5 | -60.5 | -1.5 | 0.0 | 0.0 | 0.0 | 0.0 | -66.5 |
| Cost Variance | -2.0 | 1.0 | 1.0 | 5.0 | -3.0 | -41.0 | 0.0 | -39.0 |
| VC | 0.5 | 2.5 | 1.0 | 13.0 | 1.0 | 0.0 | 0.0 | 18.0 |
| FC | -2.5 | -1.5 | 0.0 | -8.0 | -4.0 | -41.0 | 0.0 | -57.0 |
| Shipping Volume Variance | 0.8 | 2.5 | -2.5 | 32.3 | 5.2 | 37.6 | -1.6 | 74.3 |
| Total | 5.8 | 0.0 | -2.5 | 4.3 | 2.2 | -3.4 | -1.6 | 4.8 |



Elements of Major Costs

Unit ; billions of yen

| | FY2005 (estimated) | FY2004 | Difference |
|---------------------------------|--------------------|--------|------------|
| Labor Costs | 193.0 | 179.1 | 13.9 |
| Maintenance Costs | 43.0 | 37.6 | 5.4 |
| Depreciation and Amortization | 102.0 | 88.2 | 13.8 |
| Research & Development Expenses | 96.0 | 78.2 | 17.8 |
| Capital Expenditures | 120.0 | 125.8 | -5.8 |
| Employees (at March 31) | 23,900 | 20,195 | 3,705 |



Consolidated Statements of Cash Flows

Unit; billions of yen

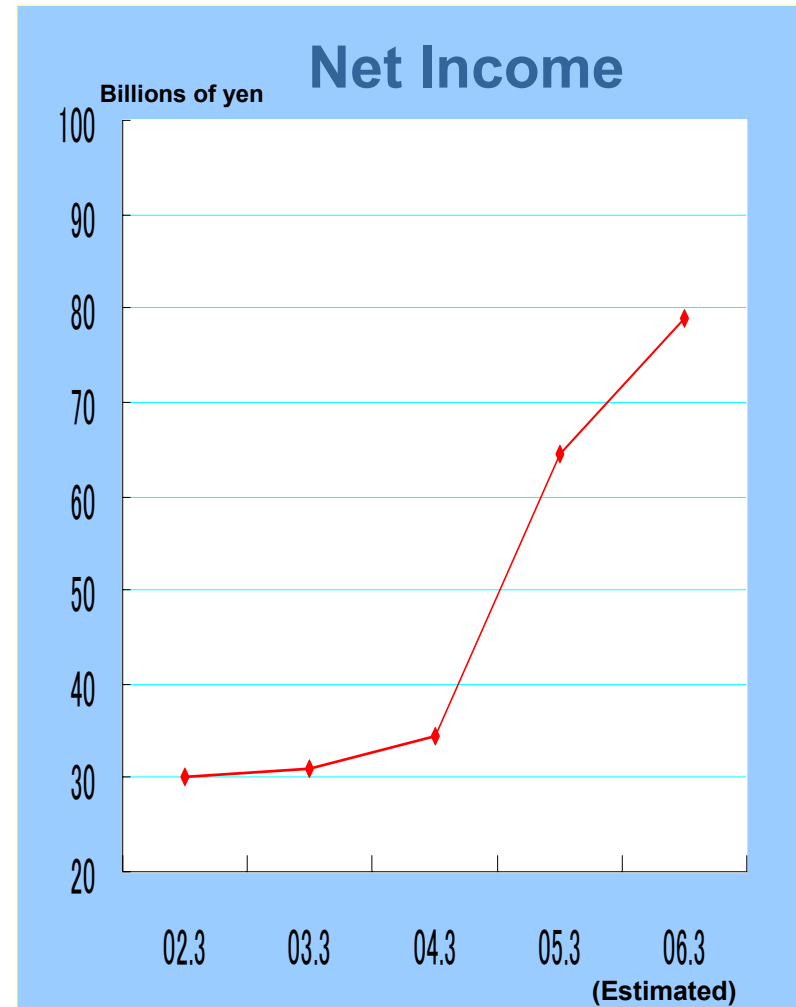
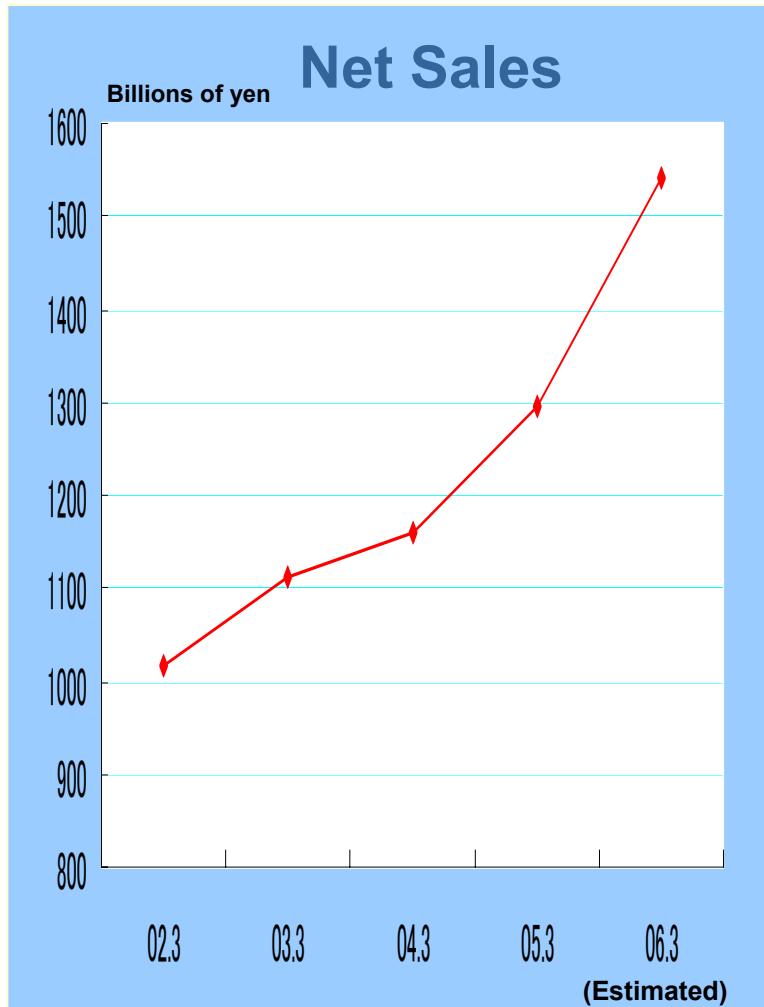
| | FY2005 (estimated) | FY2004 | Difference |
|--|-----------------------|--------|------------|
| Cash flows from operating activities | 160.0 | 159.8 | 0.2 |
| Cash flows from investing activities | -200.0 | -117.9 | -82.0 |
| Free cash flows | -40.0 | 41.9 | -81.9 |
| Cash flows from financing activities | 70.0 | -31.2 | 101.2 |
| Effect of exchange rate changes on cash and cash equivalents | - | 0.2 | -0.2 |
| Net increase (decrease) in cash and cash equivalents | 30.0 | 10.9 | 19.1 |
| Interest-Bearing Debt Balance | 570.0 | 470.7 | 99.3 |



3. Financial Analysis

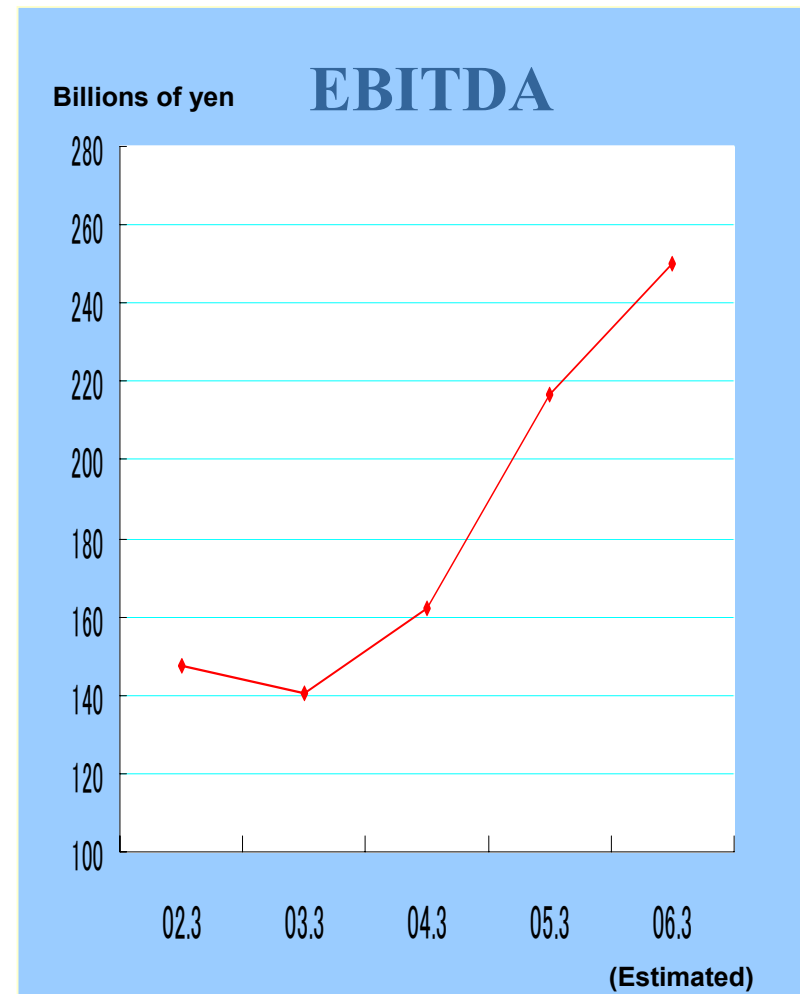
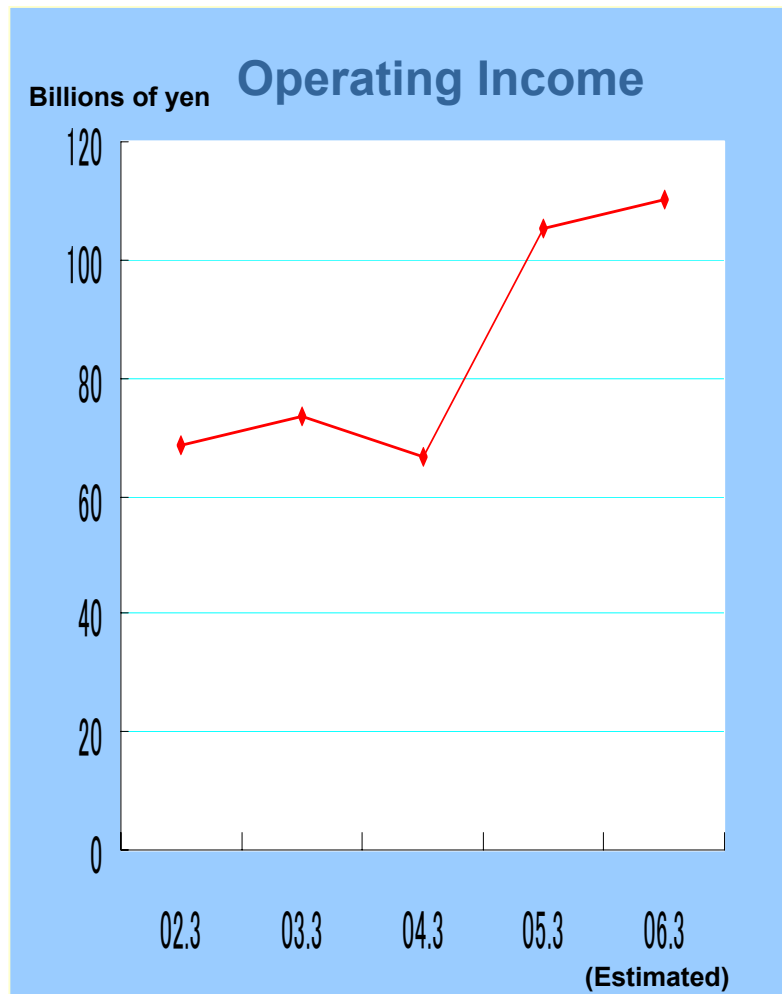


Financial Analysis - 1



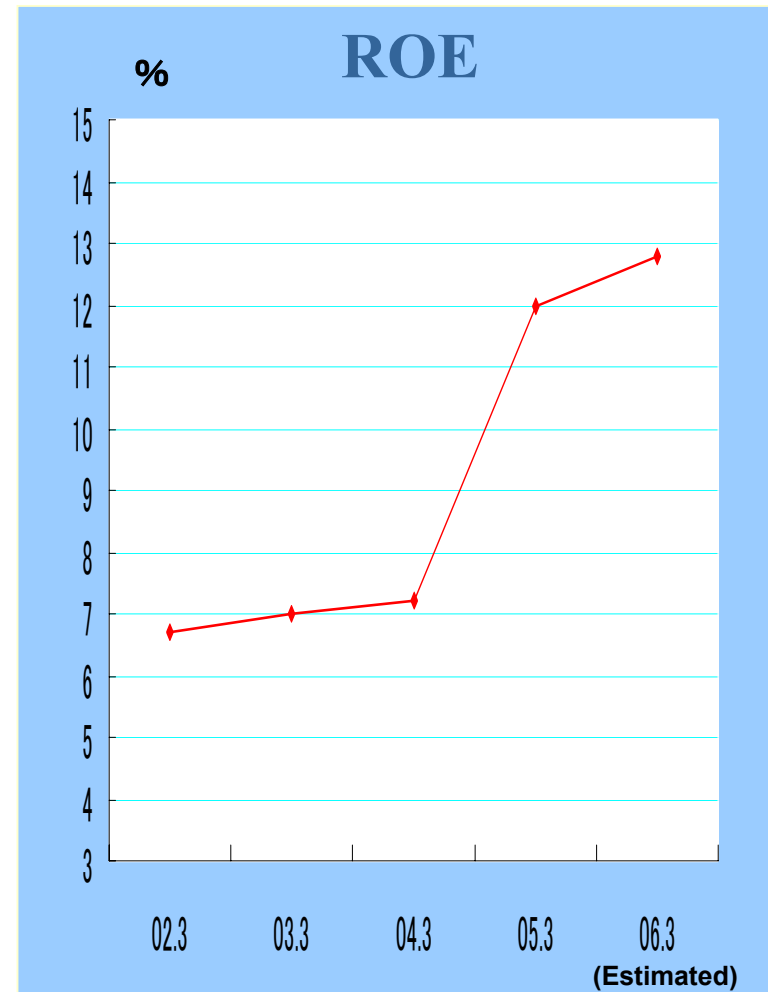
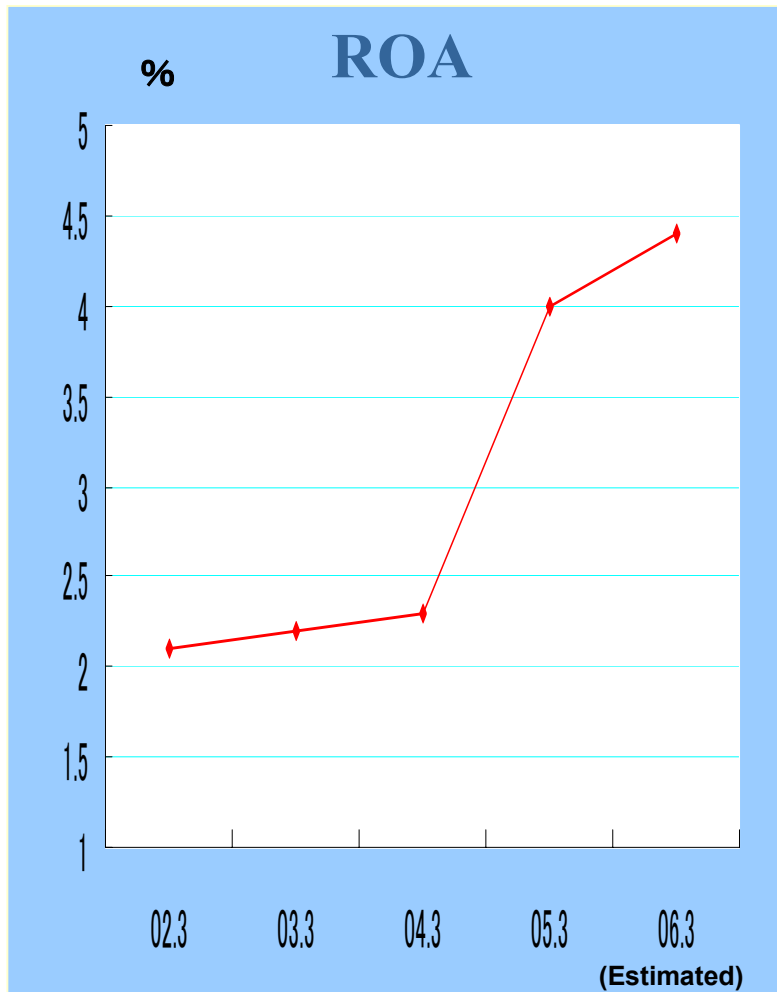


Financial Analysis - 2



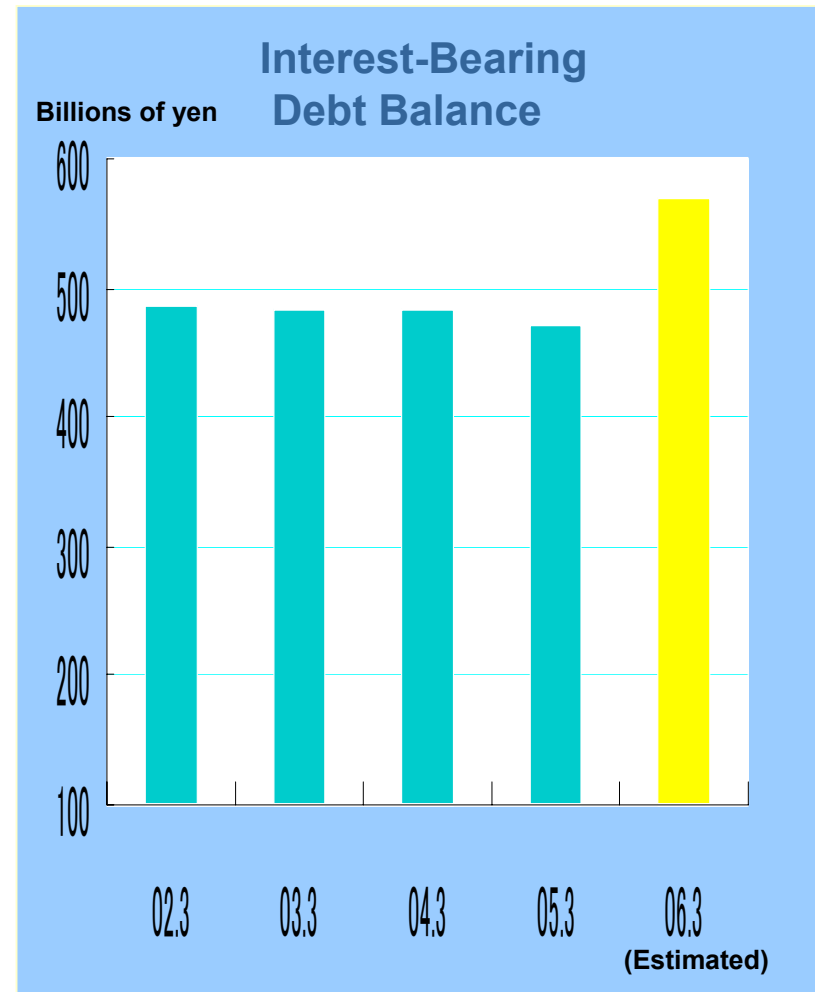
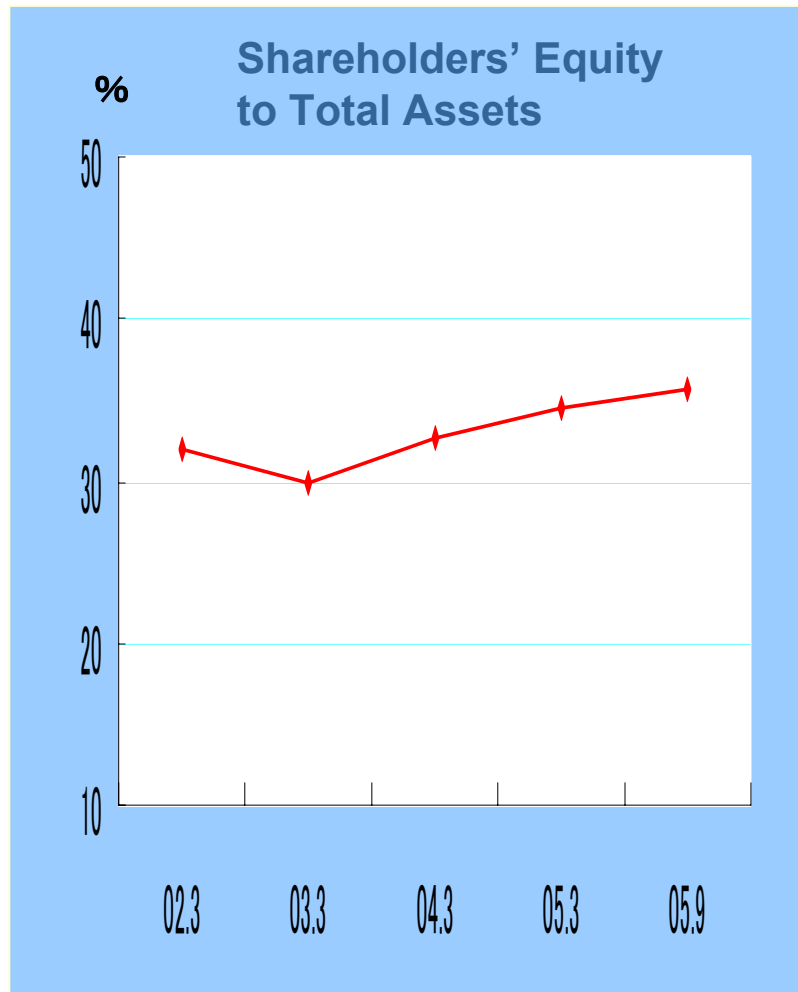


Financial Analysis - 3





Financial Analysis - 4





(Reference; Segment Information)



Capital Expenditures by Segment

Unit; billions of yen

| | 1st Half of FY2005 | 1st Half of FY2004 | Difference |
|-------------------------------|-----------------------|-----------------------|-------------|
| Basic Chemicals | 6.2 | 4.1 | 2.1 |
| Petrochemicals | 7.5 | 4.8 | 2.6 |
| Fine Chemicals | 3.1 | 3.3 | -0.2 |
| IT-related Chemicals | 14.7 | 21.2 | -6.5 |
| Agricultural Chemicals | 5.9 | 6.2 | -0.2 |
| Pharmaceuticals | 4.2 | 10.2 | -6.0 |
| Others | 10.1 | 3.4 | 6.5 |
| Total | 51.7 | 53.2 | -1.5 |



Depreciation and Amortization by Segment

Unit; billions of yen

| | 1st Half of FY2005 | 1st Half of FY2004 | Difference |
|------------------------|-----------------------|-----------------------|------------|
| Basic Chemicals | 5.4 | 5.5 | -0.1 |
| Petrochemicals | 8.4 | 8.4 | 0.0 |
| Fine Chemicals | 3.1 | 2.9 | 0.2 |
| IT-related Chemicals | 9.8 | 7.4 | 2.4 |
| Agricultural Chemicals | 7.3 | 5.8 | 1.5 |
| Pharmaceuticals | 5.5 | 4.4 | 1.2 |
| Others | 6.2 | 5.4 | 0.9 |
| Total | 45.8 | 39.8 | 6.0 |



Research & Development Expenses by Segment

Unit; billions of yen

| | 1st Half of FY2005 | 1st Half of FY2004 | Difference |
|-------------------------------|-----------------------|-----------------------|-------------|
| Basic Chemicals | 2.6 | 2.4 | 0.2 |
| Petrochemicals | 5.5 | 5.2 | 0.3 |
| Fine Chemicals | 2.2 | 2.0 | 0.2 |
| IT-related Chemicals | 6.0 | 4.3 | 1.8 |
| Agricultural Chemicals | 8.6 | 8.8 | -0.2 |
| Pharmaceuticals | 13.4 | 14.1 | -0.7 |
| Others | 0.8 | 0.7 | 0.1 |
| Total | 39.1 | 37.5 | 1.6 |

Corporate R&D expenses are allocated to each business segments.



Estimated Capital Expenditures by Segment

Unit; billions of yen

| | FY2005 (estimated) | FY2004 | Difference |
|-------------------------------|-------------------------------|---------------|-------------------|
| Basic Chemicals | 19.0 | 18.2 | 0.8 |
| Petrochemicals | 17.0 | 13.7 | 3.3 |
| Fine Chemicals | 6.0 | 7.5 | -1.5 |
| IT-related Chemicals | 41.5 | 40.2 | 1.3 |
| Agricultural Chemicals | 8.5 | 18.0 | -9.5 |
| Pharmaceuticals | 12.5 | 19.1 | -6.6 |
| Others | 15.5 | 9.1 | 6.4 |
| Total | 120.0 | 125.8 | -5.8 |



Estimated Depreciation and Amortization by Segment

Unit; billions of yen

| | FY2005 (estimated) | FY2004 | Difference |
|-------------------------------|-------------------------------|---------------|-------------------|
| Basic Chemicals | 13.5 | 10.8 | 2.7 |
| Petrochemicals | 19.0 | 17.8 | 1.2 |
| Fine Chemicals | 7.0 | 6.3 | 0.7 |
| IT-related Chemicals | 24.0 | 18.4 | 5.6 |
| Agricultural Chemicals | 14.0 | 12.1 | 1.9 |
| Pharmaceuticals | 13.5 | 10.5 | 3.0 |
| Others | 11.0 | 12.3 | -1.3 |
| Total | 102.0 | 88.2 | 13.8 |



Estimated Research & Development Expenses by Segment

Unit; billions of yen

| | FY2005 (estimated) | FY2004 | Difference |
|-------------------------------|-------------------------------|---------------|-------------------|
| Basic Chemicals | 6.0 | 5.1 | 0.9 |
| Petrochemicals | 12.0 | 10.9 | 1.1 |
| Fine Chemicals | 4.0 | 4.4 | -0.4 |
| IT-related Chemicals | 13.0 | 9.7 | 3.3 |
| Agricultural Chemicals | 19.0 | 18.6 | 0.4 |
| Pharmaceuticals | 41.0 | 28.1 | 12.9 |
| Others | 1.0 | 1.4 | -0.4 |
| Total | 96.0 | 78.2 | 17.8 |

Corporate R&D expenses are allocated to each business segments.