

SUMITOMO CHEMICAL

ANNUAL REPORT 2002

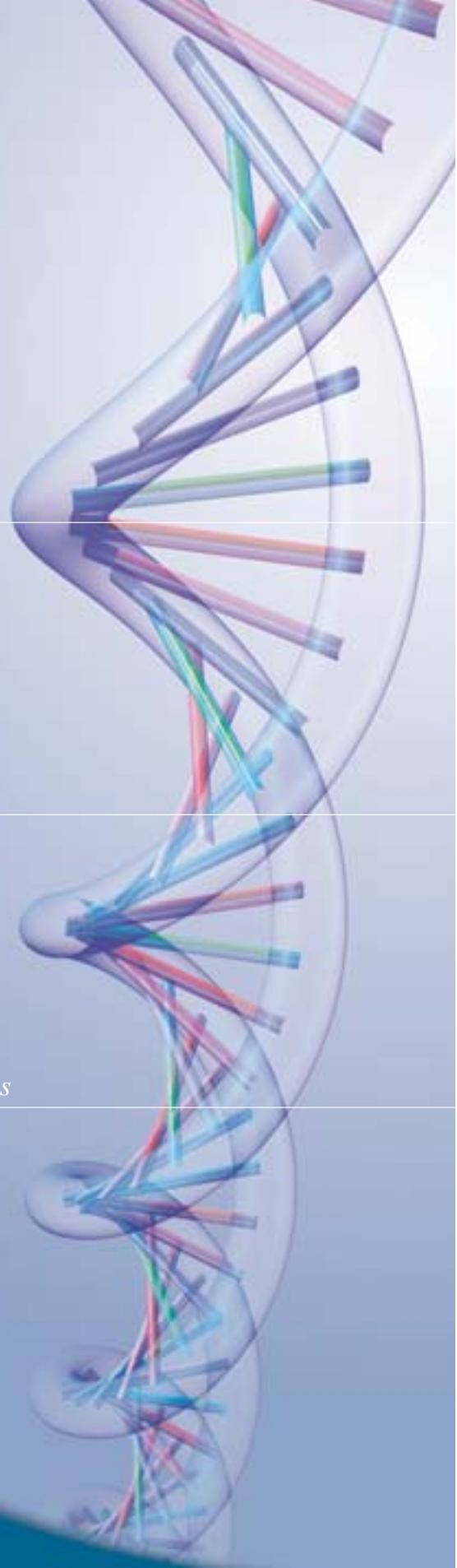
Year Ended March 31, 2002

*P*olyolefin

*L*ife *S*cience

*I*T & *E*lectronic *M*aterials

*C*reative *H*ybrid *C*hemistry



Profile

Established in 1913, Sumitomo Chemical Co., Ltd. is one of Japan's leading chemical manufacturers, offering a diverse range of products, including basic chemicals, petrochemicals, fine chemicals, IT-related chemicals, agricultural chemicals, and pharmaceuticals.

While expanding our business activities worldwide, we are constantly conducting vigorous research into state-of-the-art technologies and fulfilling our responsibility to ensure product quality, safety, and environmental protection.

Visions and Basic Policies of Three-year Corporate Business Plan (FY2001~2003)

Three Visions

To use our expertise in chemistry and life sciences to develop and commercialize innovative manufacturing technologies and new generations of products

To expand our business globally, with particular focus on Asia during the three-year period

To establish a dynamic and innovative corporate culture imbued with an "entrepreneurial mind set"

Eight Basic Policies

- 1) Achieving stable growth through "Creative Hybrid Chemistry"
- 2) Making commitment to stronger operations and growth
- 3) Making commitment to Asia
- 4) Taking strategic steps toward long-term growth
- 5) Strengthening consolidated management
- 6) Innovating job administration and establishing a new business model
- 7) Coexisting with the Earth's environment
- 8) Making active investment of corporate resources and improving financial structure

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Forward-looking Statements

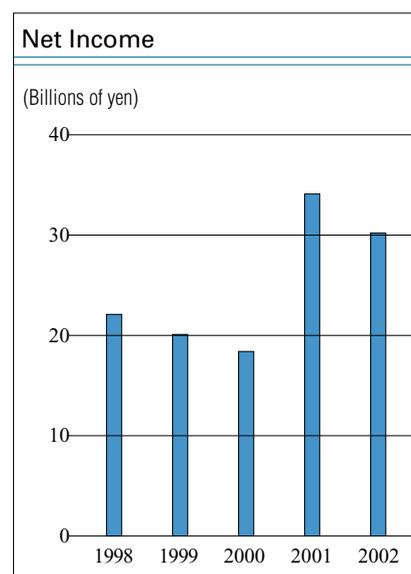
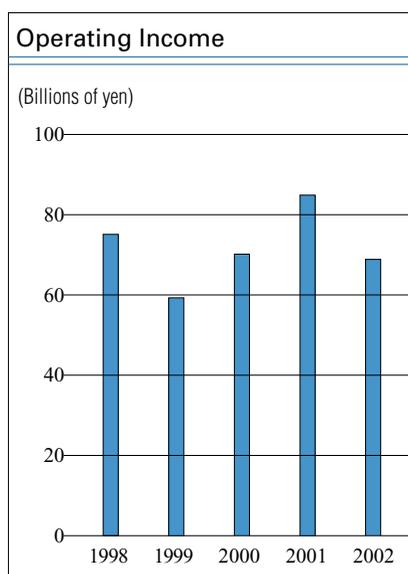
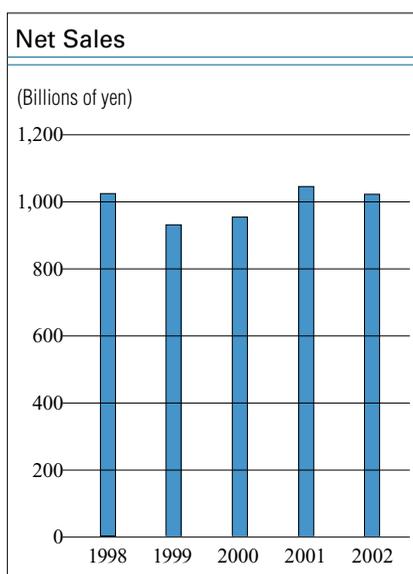
Statements made in this annual report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Sumitomo Chemical cautions that a number of factors could cause actual results to differ materially from such 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.

Consolidated Financial Highlights

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Operating results:			
Net sales	¥1,018,352	¥1,040,950	\$ 7,642,417
Operating income	68,836	84,673	516,593
Net income	30,211	34,079	226,724
Capital expenditures	72,983	62,138	547,715
Research and development expenses	66,670	59,127	500,338
Financial position (at year-end):			
Total assets	1,393,159	1,455,397	10,455,227
Total shareholders' equity	444,579	451,779	3,336,428
Ratio(%)			
ROE	6.7%	7.6%	
Equity ratio	31.9%	31.0%	

Data per 1,000 shares:	Yen		U.S. dollars
	2002	2001	2002
Net income	¥ 18,250	¥ 20,756	\$ 136.96
Cash dividends	6,000	6,000	45.03

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133.25=US\$1, the rate prevailing on March 29, 2002.



Note: 2002 refers to the year ended March 31, 2002.

To Our Shareholders and Customers

Fiscal 2001 Results

The business conditions in fiscal 2001, ended March 31, 2002, remained challenging, with a fall in demand for information technology (IT)-related products, a slowdown in the petrochemicals market, and the intensified competition as a result of the worldwide realignment in the pharmaceuticals and agricultural chemicals industries. We made intensive efforts to promote sales and reduce costs, and to strengthen our business portfolio through acquisitions. Thanks to these efforts, we were able to keep the decline in net sales to a minimum. Net sales in fiscal 2001 decreased 2.2% from the previous fiscal year to ¥1,018.4 billion, while operating income decreased 18.7% to ¥68.8 billion, and net income 11.4% to ¥30.2 billion.

Corporate Business Plan: A Road Map for Future Growth

In April 2001 we embarked on a new three-year Corporate Business Plan. It is designed as a new road map for future growth that aims to make Sumitomo Chemical a leader in the global chemical industry. The plan is to improve our earnings and maximize the corporate value of the Company by capitalizing on the achievements made under the previous corporate business plan. Over the three-year period through fiscal 2000, we were able to lay the foundation for success in the 21st century. We strengthened our earnings base by streamlining our operations and pursuing synergistic effects among the companies belonging to Sumitomo Chemical Group.

The goal of our current corporate business plan is to put the Company on a new level of sustained growth. More specifically, we have set out three visions for ourselves: a) to develop innovative technologies and products based on chemistry and life sciences; b) to globalize our businesses with initial focus on Asia; and c) to nurture an open-minded entrepreneurial corporate culture. In pursuit of these visions, we seek to achieve “stable growth through creative hybrid chemistry.” We believe there are plenty of synergistic benefits to be gained from the diversified operations of our six business sectors: Basic Chemicals, Petrochemicals and Plastics, Fine Chemicals, IT-related Chemicals, Agricultural Chemicals, and Pharmaceuticals.

Our basic strategy is to promote high-return life science businesses and foster IT-related activities as core business areas for the future while generating stable cash flow from our petrochemical operations. In implementing this strategy, we are placing special priority on three areas: polyolefins; life sciences, consisting of agricultural chemicals and pharmaceuticals; and IT-related chemicals. We are stepping up efforts to reinforce our activities in these key areas.

Strategies for the Three Priority Areas

In polyolefins, we intend to improve the cost-competitiveness of our production facilities in Japan by promoting scrap-and-build projects, which will be implemented through Sumitomo Mitsui Polyolefin Company. Established in April 2002, this is an equally owned joint venture between Sumitomo Chemical and Mitsui Chemicals, which combines, for the time being, the polyolefins-



Hiromasa Yonekura, President

Akio Kosai, Chairman

related research and development (R&D) and sales activities of both companies. The new plants will incorporate the most up-to-date fruits of our process-improvement and catalyst-development activities. When the planned consolidation of all Sumitomo and Mitsui operations takes place, the polyolefin joint venture will be folded back into the new combined corporate entity. Overseas, we are considering expanding our petrochemical complex in Singapore with the aim of solidifying our position in the rapidly growing Asian market. The planned expansion would not only raise the Singapore plant's production capacity for existing polyolefin products, but also add a number of new petrochemicals to the plant's product mix. This expansion would also substantially differentiate the plant's offerings from other petrochemical complexes in the region and make it internationally competitive.

Along with these expansion plans in Japan and abroad, we are adding high performance, high value-added petrochemical products to our product pipeline. Examples include polyethylene for functional film use, flexible-type specialty polymers, olefin-based thermoplastic elastomers, and resin modifier plastomers.

In pharmaceuticals, we will pursue growth as R&D-based manufacturer with a steady stream of new products serving the world market. In particular, our R&D efforts will be focused in the areas of cardiovascular disease, immunology, neurology, and diabetes. Meanwhile, the capital

requirement for new drug development has increased dramatically. To achieve optimal results in our pharmaceuticals business, we will actively seek opportunities for strategic alliances and mergers and acquisitions (M&A), and at the same time take measures to shorten the R&D period as much as possible. Our strategy for the use of genome information is one example. At our Genomic Science Laboratories, research scientists from both Sumitomo Chemical and Sumitomo Pharmaceuticals, our subsidiary, have been working together and have produced encouraging findings showing that genomic approaches are effective during the multiple phases of pharmaceutical R&D.

Our genomics research is supported by database access agreements with a number of overseas venture companies, including Gene Logic Inc., Incyte Genomics, Inc., and LifeSpan BioSciences, Inc. We have a similar agreement with Japan's TransGenic Inc., a venture company known for its world-leading technology for large-scale production of "knock-out mice," a special species of mice used for drug testing. Availability of these databases has led to the discovery of a number of genes linked to various disorders, including some very likely associated with certain types of diabetes and other lifestyle-related diseases.

In agricultural chemicals, our growth strategy is to strengthen our overseas operations and develop new markets in Japan. Over the years, we have expanded our overseas business by establishing local subsidiaries in the United States, France, Spain, Brazil, Australia, China, and more recently, Italy. Also, a production facility for crop protection chemicals has been added to our household insecticides plant in India. In May 2001, we acquired the entire household insecticides operations of Aventis Environmental Sciences. Our task now is to raise the competitiveness of these international operations in crop protection chemicals and household insecticides.

On the domestic front, we intend to increase our presence in the fruit and vegetable market. At the same time, we are entering non-traditional areas such as gardening and eco-friendly agriculture. To efficiently achieve these goals, we will continue to promote M&A and strategic business alliances, such as the April 2001 establishment of Nihon EcoAgro Co., Ltd. and the January 2002 acquisition of Rainbow Chemical Co., Ltd. More recently, we have concluded an agreement with Takeda Chemical Industries Ltd. to form a joint venture company that will take over Takeda's entire agrochemicals business within five years.

The IT-related chemicals business is an area that we expect will see the fastest growth in the long term. To capture more effectively the business opportunity presented by the dramatic growth in demand for mobile phones, personal computers and other information technology products, we regrouped our relevant activities and products, and established "IT-related Chemicals Sector" in October 2001. We have been actively developing our business in this field, for example through establishment of production facilities for polarizing films for liquid crystal displays (LCDs) and other products in South Korea, Taiwan, and China in response to the expansion of LCD production in the region. We will continue to allocate our management resources to this field.

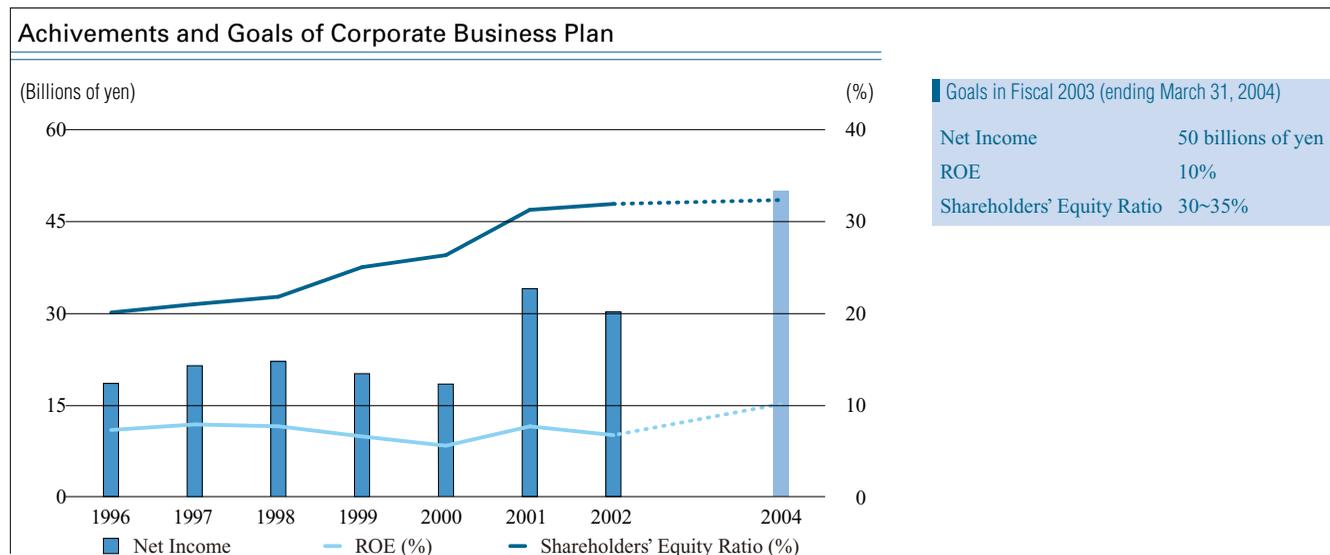
Promotion of R&D

A strong commitment to R&D has always been the key driving force of our business growth. As a part of this commitment, we have been promoting the same “creative hybrid chemistry” concept in our R&D operations as we do in our other areas of business. To give a few practical examples of this orientation, a biotechnology-based catalyst may very well contribute to the process development for a basic chemical. An innovative material may result from the fusion of organic polymer and inorganic technologies. And findings of an agrochemical research project may provide clues for a breakthrough in catalyst development for petrochemicals.

The First Year Progress in the Corporate Business Plan

Concrete results have been achieved in the first year of the current Corporate Business Plan. The attached list summarizes the major projects that each sector has initiated or completed. This comprehensive road map will continue to show us the way for the Company’s growth in the years ahead. At the same time, we will continue our efforts to reduce costs and increase the share of high value-added products in our product portfolio. We are determined to realize ¥50 billion in net income and 10% ROE in fiscal 2003, ending March 31, 2004.

We are also committed to improving the overall financial position of the Company. The introduction of new accounting standards in Japan in fiscal 2000 resulted in an additional reserve requirement for retirement benefit liabilities. We have already written off the entire amount required of us. The Company is expediting the amortization of the unfunded pension liabilities that were caused by Japan’s stagnant financial market conditions. We intend to intensify our efforts to improve the Company’s balance sheet in order to maintain the level of shareholders’ equity ratio in the range of 30-35%.



Planned Consolidation with Mitsui Chemicals

Since Sumitomo Chemical and Mitsui Chemicals, Inc. agreed on a plan to consolidate their businesses by October 2003, both companies have been working on streamlining and rationalizing their respective operations based on an agreed-upon agenda being followed prior to the consolidation. We share the common understanding that synchronizing operations is a necessary step in order to give the new company a fresh start as a strong organization.

Preparations for consolidation are progressing energetically. Our team of system experts is busy implementing a new enterprise resource planning (ERP) system to be used by the new company. To ensure a smooth transition, the new system will be introduced first in Sumitomo Chemical in April 2003.

In addition to these preparations, studies are underway on such matters as the consolidation ratio, capital structure, composition of senior management, and other details of the consolidation project that we hope to announce in the near future.

Future Outlook

In fiscal 2002, the business environment continues to be challenging. We expect higher capacity utilization in the IT-related Chemicals Sector, reflecting an anticipated recovery of IT-related industries. There are, however, uncertainties with respect to the price of naphtha and other feedstock, and the further intensification of competition in the Asian market. Nevertheless, Sumitomo Chemical is committed to achieving the objectives of our Corporate Business Plan.

Sumitomo's basic business principles place a great deal of importance on "trust and steadiness" and reject the merely expedient or opportunistic "pursuit of easy gains." Guided by these time-honored principles laid down by our predecessors, we will redouble our efforts to make Sumitomo Chemical a respected leading player in the world chemical industry.

We would like to express our sincere appreciation to our shareholders and customers for your continued support and understanding.

July 2002

香西昭夫

Akio Kosai, Chairman

米倉弘昌

Hiromasa Yonekura, President

First Year Progress of the Corporate Business Plan

Basic Chemicals Sector

- **Streamlining of MMA/Acrylic Acid Business Structures**
In April 2002, we took over virtually all of Nippon Shokubai's stake in the two MMA monomer joint ventures that we have with the company. In exchange, we transferred to Nippon Shokubai an acrylic acid plant in Ehime. This business realignment will allow both companies to concentrate more on their respective business strengths.
- **New Caprolactam Facility Using a New Process**
In January 2002, we started the construction of a new caprolactam production facility at our Ehime Works which will use a new production process. Thanks to the new catalyst developed in-house and to technical collaboration with EniChem of Italy, the new plant will produce no ammonium sulfate, an inevitable by-product under conventional processes. It is due for completion in spring 2003.
- **New Hydrochloric Acid Oxidation Process**
We have succeeded in developing a new technology to efficiently convert hydrochloric acid back to chlorine. Hydrochloric acid is produced in many cases as an inevitable by-product of various chlorinated chemicals. This new technology makes it possible to recycle chlorine in the reaction loop and therefore bring down the cost of the final product. We are pursuing the licensing of this innovative technology.

Petrochemicals & Plastics Sector

- **New Propylene Oxide (PO) Plant by a Novel Process**
In October 2001, construction of a new propylene oxide plant began at our Chiba Works. The new plant will be based on a novel processing technology that does not co-produce styrene monomer, and will be therefore immune to the rather-volatile market conditions of styrene monomer. Operations are expected to begin in 2003.

Fine Chemicals Sector

- **Majority Ownership in a Thai Subsidiary**
In May 2002, we increased our stake in Bara Chemical Co., Ltd. to 55%. The Thai subsidiary plays a pivotal role in our growth strategy for the local production and marketing of fine chemicals in Southeast Asia.

IT-related Chemicals Sector (newly-established)

- **High-Purity Gallium Production in China**
In July 2001, we established a new subsidiary company in Shanghai for the production of high-purity gallium, an essential component of semiconductor substrate that is used for mobile phones and other electronic products. The plant has been operating since June 2002. As the top maker of this material, we have increased production to ensure a stable supply that will meet the growing demand in the world market.
- **Color Filters Production in South Korea**
To fulfill the growing demand for color filters used in LCDs, we started construction of a new facility at Dongwoo Fine-Chem Co., Ltd., our subsidiary in South Korea. Commercial production will begin in the spring of 2003.
- **Production of Polarizing Film in South Korea, Taiwan, and China**
In addition to our existing facilities for the fabrication of LCD

polarizing films in South Korea, Taiwan, and China (Shanghai), new facilities for the production of raw material roll are being constructed in South Korea and Taiwan. They are scheduled to be fully operational in the spring and at the end of 2003, respectively.

- **Technology Agreement in Organic Light-Emitting Polymer**
To accelerate the commercialization of polymer organic light-emitting diodes (LEDs), we have entered into a licensing and technical assistance agreement with Cambridge Display Technology (CDT), a pioneer in the R&D of this technology. We have also made an equity participation in this U.K. venture company.

Agricultural Chemicals Sector

- **Acquisition of Aventis' Household Insecticide Operations**
We acquired the global household insecticides operations of France-based Aventis Environmental Sciences in May 2001.
- **Production of Crop Protection Chemicals in India**
The household insecticide plant of the Indian subsidiary we acquired in 2000 has been expanded, so as to be capable of producing crop protection chemicals as well.
- **Establishment of Nihon EcoAgro Co., Ltd.**
In April 2001, we established Nihon EcoAgro Co., Ltd. to support eco-friendly agriculture.
- **Acquisition of Stake in Rainbow Chemical Co., Ltd.**
In January 2002, we acquired a 60% stake in Rainbow Chemical Co., Ltd. expanding our Agricultural Chemicals Sector to include home and garden use.
- **Integration of the Crop Protection Chemicals Subsidiary, Agros**
In October 2001, we combined the business of Agros Co., Ltd. with our Plant Protection Division in order to be one step closer to the end-user farmers.

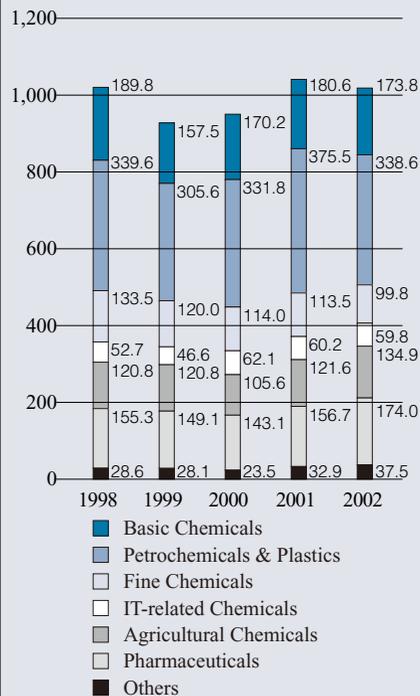
Pharmaceuticals Sector

- **New Production Facilities at Oita Works**
The construction of a new plant for pharmaceutical bulk substances and another plant for the production of Meropen, one of our antibiotics, has begun at our Oita Works. Both facilities are due for completion by the fall of 2003.
- **Agreement with TransGenic Inc.**
We aim to strengthen genome research through a database access agreement with TransGenic Inc., which is recognized as the leader in large-scale production of knockout mice.
- **License from GlaxoSmithKline on a Migraine Headache Drug**
In April 2002, we entered into a development and sales license agreement for a migraine headache drug of GlaxoSmithKline. Neurology is one of our strategic areas for development.
- **Transfer of Japan Energy Corporation's Pharmaceutical Business**
In June 2002, we agreed with Japan Energy Corporation to take over its pharmaceutical businesses, including R&D. The business transfer has enhanced our R&D base, particularly in the immunology area.

Sumitomo Chemical At a Glance

Net Sales

(Billions of yen)



Basic Chemicals Sector



Petrochemicals & Plastics Sector



Fine Chemicals Sector



IT-related Chemicals Sector



Agricultural Chemicals Sector



Pharmaceuticals Sector



Major Product Lines

Organics
Methyl methacrylate(MMA)
Inorganics
Aluminum

Organics
Plastics
Elastomers and Synthetic rubber
Processed products

Specialty chemicals
Functional chemicals

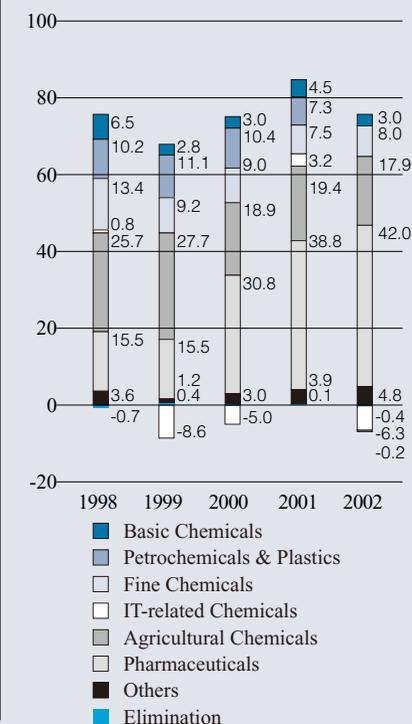
Optical materials
Semiconductor process materials
Electronic materials
Compound semiconductor materials

Plant protection chemicals
Environmental health chemicals
Farm chemicals and materials

Pharmaceuticals

Operating Income

(Billions of yen)



Note: Operations not covered in the above six sectors are classified as Others. Chemical engineering and construction, chemical analysis, electric power supply, and physical distribution and trading activities are included in this category.

Major Products	Works and Laboratories	Major Subsidiaries and Affiliates
Acrylonitrile, Caprolactam, Aniline, Methanol, MMA monomer, Polymethyl methacrylate (pellet, sheet), Nitric acid, Caustic soda, Aluminum hydroxide, Alumina, High-purity alumina	Ehime Works Basic Chemicals Research Laboratory	Sumitomo Chemical Singapore Pte. Ltd. Singapore MMA Monomer Pte.Ltd. Sumika MMA Polymer Pte.Ltd. Sumika Glacial Acrylic Pte.Ltd. Asahi Chemical Co., Ltd. Sumika-Bayer Urethane Co., Ltd. Ceratec Co., Ltd.
Ethylene, Propylene, Styrene monomer, Propylene oxide Polyethylene, Polypropylene, Ethylene-vinyl acetate copolymer, Thermoplastic elastomer, Ethylene-propylene rubber, Acrylonitrile butadiene styrene copolymer, Polystyrene Agricultural films, Corrugated polypropylene sheets, Gas-barrier films	Chiba Works Ehime Works (Petrochemicals & Plastics) Petrochemicals Research Laboratory Plastics Technical Center	Petrochemical Corporation of Singapore(Pte.)Ltd. The Polyolefin Company (Singapore) Pte.Ltd. Phillips Sumika Polypropylene Company Sumitomo Mitsui Polyolefin Co., Ltd. Nihon Oxirane Co., Ltd. Japan Polystyrene Inc. Nippon AL Inc. Sumitomo Dow Ltd. Sumika Plastech Co., Ltd.
Organic intermediates, Bulk pharmaceuticals, Polymer additives, Organic rubber chemicals Dyestuffs, Paper-finishing resins, Textile-finishing resins, Ethlene-vinylacetate copolymer emulsions	Osaka Works Ehime Works (Fine Chemicals) Chiba Works (Fine Chemicals) Oita Works (Fine Chemicals)	Sumika Chemtex Co.,Ltd. Sumika Fine Chemicals Co.,Ltd. Sumika-Merisol Co.,Ltd. Taoka Chemical Co., Ltd. Sumitomo Chemical Belgium S.A./N.V. Bara Chemical Co., Ltd.
Optically functional films, Pigment dispersion color filters, Surface Protection sheets for PDP Photoresists, High-purity chemicals, Sputtering targets Epoxy resins, Super engineering plastics MOEPI wafer, Metal organics, High-purity gallium	Ehime Works (IT-related Chemicals) Chiba Works (IT-related Chemicals) Osaka Works (IT-related Chemicals) IT-related Chemicals Research Laboratory	New STI Technology, Inc. O.L.S. Corp. Dongwoo Fine-Chem Co., Ltd. Shanghai KSC Optical Device Co., Ltd. Shanghai Sumika High Purity Metal, Ltd. SC-IK Technology Co., Ltd. Sumika-Merisol RSA
Agricultural insecticides, Agricultural fungicides, Agricultural herbicides, Plant growth regulators Household insecticides, Public hygiene insecticides Animal health products, Feed additives, Fertilizers	Oita Works Misawa Works Ehime Works (Agricultural Chemicals) Agricultural Chemicals Research Laboratory	Shinto Fine Co., Ltd., Sumika Agrotech Co.,Ltd. Sumika Life Tech Co.,Ltd., Nihon EcoAgro Co.,Ltd. Rainbow Chemical Co.,Ltd. SC Enviro Agro India Private Ltd. KenoGard S.A. Sumitomo Chemical Agro Europe S.A. Sumitomo Chemical India Private Limited Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd. Sumitomo Chemical Australia Pty.Ltd. Sumitomo Chemical Shanghai Co.,Ltd. Philagro South Africa (Pty) Ltd., Philagro France S.A. Valent U.S.A. Corp., Valent Biosciences Corp.
Pharmaceuticals, Diagnostic reagents, Health care products, Biomaterials, Radio-diagnostic reagents (in vivo products), Radio-diagnostic reagents (in vitro products)	Oita Works (Pharmaceuticals) Genomic Science Laboratories	Sumitomo Pharmaceuticals Co., Ltd. Nihon Medi-Physics Co.,Ltd.

Basic Chemicals Sector

The Basic Chemicals Sector focuses on caprolactam and methyl methacrylate (MMA) as its two core businesses, and strives to strengthen its presence in the rapidly growing Asian market to achieve growth and improve profitability. Also, the Sector concentrates on developing new catalysts and processes, and promptly commercializing the fruits of such R&D. For example, we are constructing at our Ehime Works a new caprolactam production line, based on a newly-developed proprietary catalyst.

Upon the creation of IT-related Chemicals Sector in October 2001, the optical functional materials business of our Sector, including polarizing film, was transferred to the new Sector.

Business Performance in Fiscal 2001

Sales in the Sector decreased ¥6.8 billion to ¥173.8 billion, and operating income decreased ¥1.5 billion to ¥3 billion, mainly due to decline in sales of raw materials for synthetic fibers caused by weak market conditions, although sales of aluminum, Singapore-based MMA and the acrylic acid increased slightly.

Core Business Strategies in Fiscal 2002

Reinforcing MMA Monomer Business through Business Exchange with Nippon Shokubai and Increasing Capacity in Asia

At the end of March 2002, the Company and Nippon Shokubai Co., Ltd. integrated MMA monomer business into the Company and acrylic acid business into Nippon Shokubai, respectively. Each business was worth approximately ¥5 billion.

Before the rearrangement, our MMA had been produced by two joint venture companies with Nippon Shokubai, one in Singapore and the other in Japan. After the rearrangement, the Company's MMA monomer capacity increased 48,000 tons to 125,000 tons per year. The aggregate capacity makes Sumitomo Chemical the fifth largest producer of MMA monomer in the world, with production capacities of 72,000 tons and 53,000 tons per year in Japan and Singapore, respectively.

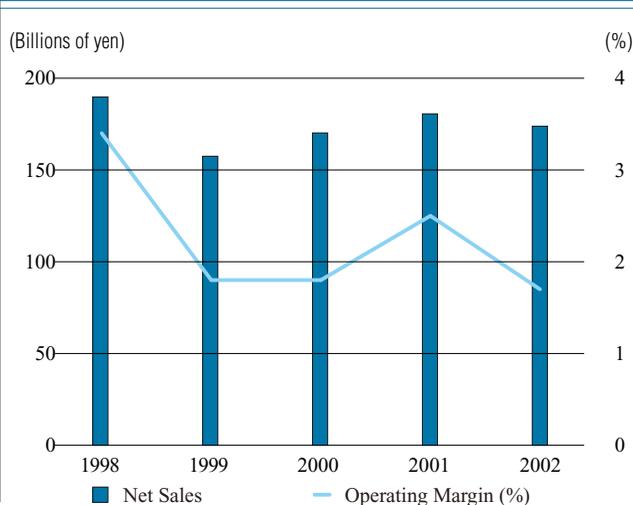
MMA monomer is the raw material for polymethyl methacrylate (PMMA) which is used in a variety of applications including automotive parts and liquid crystal displays (LCDs). Demand for MMA monomer is rapidly expanding, especially in Asia. To better serve the Chinese market, we plan to install a local storage terminal. Our immediate target is to double the sales there to 10,000 tons per year.

Since a global shortage of supply is forecasted, Europe- and U.S.-based producers are making large investments and creating business alliances. With the business rearrangement with Nippon Shokubai, the Company has secured a world-class production capacity to cope with the intensifying global competition.

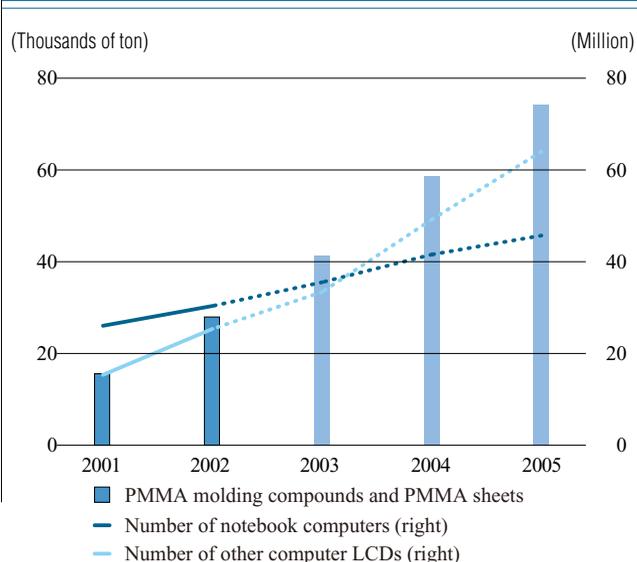
Furthermore, we plan to add 50,000 tons per year capacity at our joint venture plant in South Korea by the summer 2003. We are also considering a 70,000 - 80,000 ton per year capacity increase at the Company's complex in Singapore in a few years. When both projects are materialized, our total capacity will be approximately twice as much as what we have today.

Demand for PMMA, as the lightguide panel for the backlight of LCDs, is increasing fast. We will add 5,000 tons per year capacity of MMA sheets to our Ehime Plant to reach a total capacity of 20,000 tons per year, as the top manufacturer of the PMMA for this application, with an estimated world market share of nearly 40%.

Net Sales and Operating Margin



Growing Demand of PMMA for Lightguide Panels and LCDs



Also, we have successfully developed a new technology, called “Sumitomo Light Guide (SLG) molding technology,” to make thick and large size lightguide panels by molding. Its license is available to the molders interested in this technology.

Increasing Capacity of Caprolactam with a New Production Process

The Company has developed the world’s first caprolactam production process that does not produce ammonium sulfate as by-product.

Caprolactam is a key raw material to make various types of polyamides (also known by Du Pont’s trademark Nylon). In the conventional production processes, 1.6 to 4 times as much ammonium sulfate as caprolactam is inevitably produced using large amounts of sulfuric acid. Because ammonium sulfate has only low value, this was a major constraint in the cost structure of caprolactam.

The new process, however, neither requires sulfuric acid nor produces ammonia sulfate, as a by-product, thus contributing to the cost-competitive production of caprolactam. We are adding 65,000 tons per year capacity using this process in the Ehime Works, and will reach a capacity of 160,000 tons per year by spring 2003.

The world demand for caprolactam is estimated at 3.6 million tons per year, out of which 1.2 million tons per year is in Asia. The demand in Asia is expected to grow both for synthetic fiber applications and synthetic resin applications such as engineering plastics at the annual rates of 4% and 7%, respectively. In other words, the Asian market will expand by 60,000-70,000 tons every year. We plan to seize this opportunity for enlarging our business by building a large-scale caprolactam plant with the above mentioned new technology at an appropriate location in Asia, and use it as the base for our caprolactam business development for the region and the world.

Sumitomo Light Guide (SLG) Molding Technology

As the top manufacturer of polymethyl methacrylate (PMMA) molding compounds and PMMA sheets, the Company supplies these materials to lightguide panel manufacturers. The market for lightguide panels made from PMMA has been growing rapidly in the recent years due to expanding demands for LCDs.

The thick lightguide panels used for large LCDs are usually manufactured by cutting PMMA sheets, due to the difficulty in molding thick lightguide panels with a large surface. However, this method may cause problems, such as changes in sheet dimensions due to moisture absorption in storage and scratches from the cutting procedure.

The Company has developed a new molding technology, Sumitomo Light Guide (SLG) molding, which eliminates these problems. Through this technology, thick and large lightguide panels can be molded by a simple retooling of regular injection machine and can achieve superior quality with fewer molding residual stress and yellowing.

The Company plans to license the technology to lightguide panel manufacturers. Our sales target is 4,000 tons of PMMA molding compounds for this application in fiscal 2003.

Developed New Hydrochloric Acid Oxidation Process with High-Activity Catalyst

The Company has developed a new technology to convert hydrochloric acid to chlorine at high efficiencies. Hydrochloric acid is obtained as a by-product of various chlorinated chemicals, such as urethane raw materials. Commercially, its low sales price undermines the overall profitability for these chlorinated chemical products.

Catalytic cracking and other conventional methods to convert hydrochloric acid into chlorine, water and oxygen are used on a limited basis only due to high investment and operating costs. The Company’s new oxidation catalyst based on a precious metal eliminates the use of sophisticated plant equipment and hence lowers the required capital investment. In addition, its high activity permits an overall conversion rate of up to 99%.

It has not been easy to dispose of the by-product, hydrochloric acid, not to mention to reuse it. The new technology reduces the environmental load by converting hydrochloric acid to chlorine that can be used again as a raw material. The Company has granted a license on this technology to a Japanese chemical manufacturer and has received a number of inquiries from others, both in Japan and abroad.

Petrochemicals & Plastics Sector

Following the launch of Sumitomo Mitsui Polyolefin Co., Ltd. in April 2002, we have been strengthening the profit base of our polyolefin business. We intend to enhance our overseas presence with emphasis on the fast-growing Asian market by strengthening the operations of our petrochemical complex in Singapore. In addition, we will accelerate the business expansion of high value-added functional polymers including elastomers, plastomers, special copolymers, and *SEVIX*, an olefin-based packaging film for food and medical applications.

Business Performance in Fiscal 2001

Sales in the Sector decreased ¥36.9 billion to ¥338.6 billion, and operating income also decreased ¥7.7 billion to minus ¥400 million due to reduced shipping volume and lower market prices. All major products of the Sector were affected: styrene monomer sales decreased because of lower market prices and declining demand, and synthetic resin sales also decreased reflecting price erosion in overseas market and reduced shipping volume.

Core Business Strategies in Fiscal 2002

Strengthening Polyolefin Business through Consolidation with Mitsui Chemicals

Polyolefins is the area where the largest immediate synergy is expected in the Company's planned consolidation with Mitsui Chemicals. In advance of entire consolidation, therefore, we launched a new joint venture, Sumitomo Mitsui Polyolefin Co., Ltd. in April 2002 merging the polyolefins sales and R&D operations of both companies.

Taking advantage of the expected synergy between the two

companies' production technology and catalyst development capability, we will work aggressively on the new products development to meet the needs of the customer through technological innovations and improvement. At the same time, we will enhance our worldwide business by utilizing our polymer and compound production bases in Japan, Singapore, the U.S. and Europe. Furthermore, we will implement various rationalization measures including replacement of old production lines and optimization of production schemes, thus making it possible to save as much as ¥26 billion through the polyolefins consolidation by fiscal 2004.

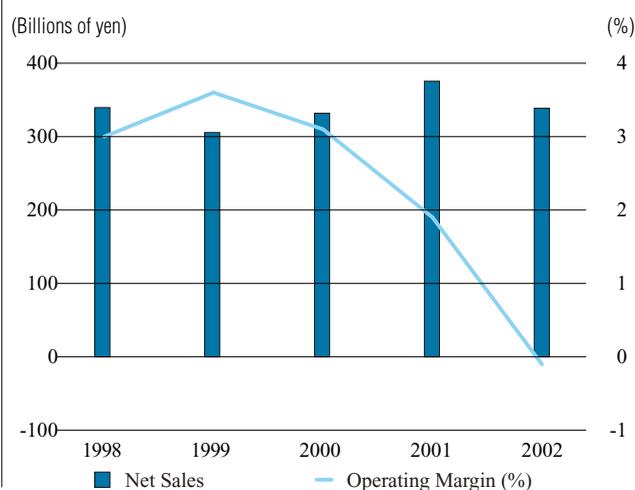
Expanding High Value-Added Products to Achieve Profitable Business Base

Another important strategy to strengthen our polyolefin business is the shift to high value-added products to raise business profitability. In order to accelerate the change, we started the Polyolefin Advanced Polymers Division in April 2002. The Division plans to expand its current sales from ¥13 billion to ¥25 billion in fiscal 2005 with elastomers, plastomers and special copolymers as its core products.

As for polyolefin thermoplastic elastomers, demand is expanding for automobile airbag covers, body seals and other applications. We plan to start local production in the U.S.

Espolex, olefinic polymer powder for slush molding which we commercialized, can produce excellent surface appearance like grain or stich patterns. *Espolex* is expected to be used extensively for the skin of instrumental pannels in automobiles, replacing PVC powders.

Net Sales and Operating Margin



SEVIX, a Functional Packaging Film for Food and Medical Uses

The Company has developed a new functional film, *SEVIX*, for food packaging and medical applications, and started sales in August 2001. It is a chlorine-free film with excellent gas barrier properties.

SEVIX film has both oxygen-barrier properties and strength, thanks to the 1 nanometer-thick layer that is formed on the surface by the use of nanotechnology. There is an increasing demand for olefin-based films like *SEVIX* as substitutes for polyvinylidene chloride that is becoming less preferred for environmental consideration. We are in business cooperation with Okura Industrial Co., Ltd., a major film manufacturer, with an estimate of prospective sales at ¥1.5 billion in fiscal 2004.

* 1 nanometer = one to 1 billion of 1 meter

Construction of Propylene Oxide (PO) Plant Employing New PO-Only Process

The Company started construction of a 200,000 tons per year propylene oxide (PO) plant in Chiba Prefecture, based on a new PO-only process. The plant will start its operation in 2003.

The new PO-only process developed in 2000 has the advantage of lower plant capital investment owing to a high-activity catalyst, and allows stable supply of PO without being affected by the price fluctuations of SM (styrene monomer).

The PO demand is expected to grow in Asia in light of demand increase for sealant, coating and other applications. We will consider new plant construction overseas following the coming-on-stream of our Chiba Plant, by assessing global supply and demand.

Strengthening Asian Business Base in Singapore

Economic recovery in Asia will probably require more petrochemical capacities in a few years. We are considering strengthening our business base in Singapore by capacity expansion after 2006.

Our derivatives will not be so much focused on commodities but rather on high value-added or technologically superior products such as functional films and flexible-type specialty polymers. In addition, we will most likely introduce advanced elastomers and phenol in which Mitsui Chemicals has expertise. Our aim is to establish a unique and competitive petrochemical complex by integrating outstanding technologies from both companies.

Polyolefin Production Capacity including Overseas Operations of Sumitomo Chemical and Mitsui Chemicals

(Unit: Thousand tons per year)

Product	Domestic	Overseas		Global Total
	Capacity		Capacity	Capacity
LDPE (Low-density polyethylene)	340		230	570
LLDPE (Linear low-density polyethylene)	400		150	550
HDPE (High-density polyethylene)	210		—	210
PP (Polypropylene)	1,000		720	1,720

Fine Chemicals Sector

The Fine Chemicals Sector reinforces its core products such as resorcinol, a chemical intermediate mainly used in adhesives, and further enhances their presence in the market. In addition, the Sector promotes the high performance polymer additives and “custom synthesis” of pharmaceutical intermediates and photo-chemicals through prompt product development and commercialization.

We will consolidate our business foundation through reorganization to achieve an efficient sales system and adopt an e-commerce system to meet the latest needs.

In October 2001, our electronic materials business was integrated into the newly created IT-related Chemicals Sector.

Business Performance in Fiscal 2001

Sales of resorcinol remained at the same level as the previous fiscal year. Sales of pharmaceutical intermediates, dyestuffs and functional materials decreased due to a decline in demand. As a result, sales of the Sector decreased ¥13.7 billion to ¥99.8 billion. Its operating income was ¥8 billion, almost the same level as the previous fiscal year, due to an improved profit structure by streamlining unprofitable products, restructuring production facilities, and reorganizing distribution systems.

Core Business Strategies in Fiscal 2002

Promoting Prompt Launch and Steady Growth of Custom Synthesis and High Performance Polymer Additives

In our custom synthesis business, we offer tailored specialty

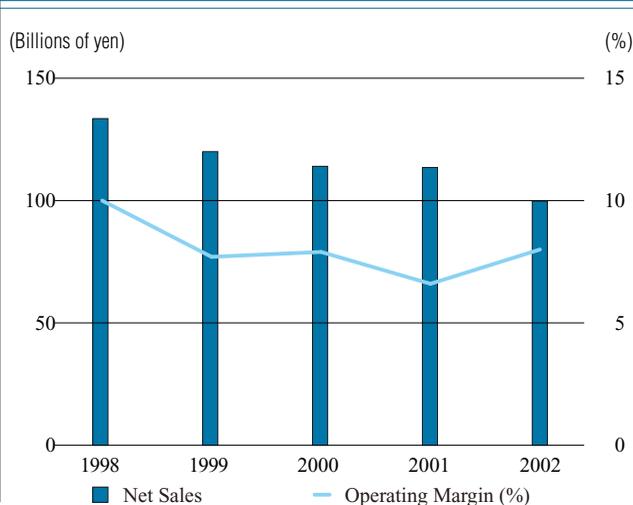
chemicals that meet specific demands of customers. The Sumitomo Chemical Group possesses expertise in special materials such as cyanogens and phosgene and in chiral synthesis technology. We are also proud of diversified production facilities following GMP (Good Manufacturing Practice) at Sumika Fine Chemicals Co., Ltd., a Group company, and in nitrogen compounds at Koei Chemical Co., Ltd., another Group company. By taking advantage of the Group’s expertise in synthesis technology and production facilities, we offer products to customers with great satisfaction.

In fiscal 2000, we launched *Sumilizer GP*, a new product of Sumilizer G series, polymer additives with unique features. Its stability in processing polyethylene resin is highly valued as demonstrated by increased sales. We are considering construction of full-scale production facility for this product.

Reinforcing Asian Business by Increasing Stake in Bara Chemical in Thailand

We increased our stake in Bara Chemical Co., Ltd. in Thailand to 55%. Bara Chemical, a center for our fine chemicals business in Southeast Asia, is engaged in manufacturing and sales of textile-finishing resins and auxiliaries. Recently, Bara Chemical has expanded its business and increased sales in the products such as fluorescent dyestuffs and paper finishing resins. It is one of Sumitomo’s visions to strengthen presence in Asia as stated in its Three-Year Corporate Business Plan. In line with this guiding principle, Sumitomo Chemical will further enhance the operation of Bara Chemical as one of its strategically important subsidiaries.

Net Sales and Operating Margin



Operations in Asia



IT-related Chemicals Sector

In October 2001, we established the “IT-related Chemicals Sector,” by integrating the IT-related electronic materials operations that formerly belonged to the Basic Chemicals Sector and the Fine Chemicals Sector. We aim to expand our IT-related business by providing comprehensive solutions to meet diverse customer demands swiftly and properly.

Recently we made a decision to invest on a large scale in building a new production facility in South Korea for next-generation color filters for LCDs. In the rapidly growing Asian market, the Company has already established a business base in South Korea and Taiwan. In this region, we are determined to meet the growing demand and expand our business to get ahead in the competition.

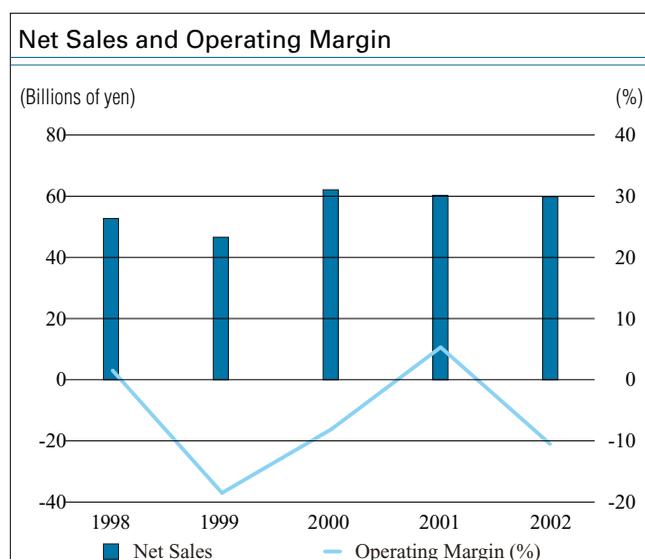
Business Performance in Fiscal 2001

We had sales of ¥59.8 billion in the Sector, nearly the same level as the previous fiscal year. Operating income decreased ¥9.5 billion with a ¥6.3 billion deficit. Despite the addition of sales from the newly consolidated subsidiary, New STI Technology, Inc., sales volume dropped for epoxy resin as encapsulation materials, photo-resists and functional films for LCDs due to significantly depressed demand for IT-related products.

Core Business Strategies in Fiscal 2002

Expanding Production of Color Filters for LCDs in Korea

In South Korea, ranked as a world production center of LCDs along with Taiwan, we plan to expand production of LCD-related materials with approximately ¥35 billion in capital investment in the next two years.



In Asia, the LCD-related materials market is forecasted to expand at the growth rate of 13% per year from 2001 to 2005. We plan to strengthen its production in the region to make the most of the increasing demand.

We have established Dongwoo STI Co., Ltd. with ¥10 billion in capital, jointly with New STI Technology, Inc., a subsidiary in Japan, and Dongwoo Fine-Chem Co., Ltd., a subsidiary in South Korea. Dongwoo STI will specialize in production of fifth-generation color filters for LCDs at a production level of 500,000 filters per year from spring of 2003. Following this, we will continue to expand production to other LCD-related materials, such as polarizers and polymethyl methacrylate-extruded sheets for lightguide panels.

In polarizer production, Dongwoo Fine-Chem has started a chip-cutting process for polarizing films. In addition, we will establish production facilities for raw material roll and integrate our polarizer production system.

Dongwoo Fine-Chem will also be a distribution center in Asia for South Korea, China and Taiwan for these LCD-related products.

Increasing Production Capacity of High-Purity Gallium in China

The Company expanded its production of high-purity gallium, a base material for compound semiconductors, by establishing a manufacturing plant in Shanghai, China, through a joint venture in which we have a 70% equity. The joint venture has a production capacity of up to 40 tons per year. All gallium produced by the joint venture is supplied to the Company. Also, we expanded our existing gallium-refining capacity in our Ehime Works in Japan, from 40 to 60 tons per year. As a result, we have achieved a capacity of 100 tons per year of high-purity gallium.

High-purity gallium is indispensable for compound semiconductors used in cellular phones and other devices. As the top maker of this material, we will continue to strengthen the business to ensure a stable supply at home and abroad.

Accelerating Organic Light-Emitting Polymer Development

We will accelerate the commercialization of organic polymer light-emitting diodes (LEDs) by acquiring a license and technical assistance from Cambridge Display Technology (CDT) of the United Kingdom, the pioneer company in research and development of this technology.

LEDs are promising devices to make next-generation flat display panels. Unlike LCDs, they do not need ambient light to be viewable and enable a wider viewing angle and higher contrast. Through collaboration with CDT, we are working intensively on the development of technologically difficult blue-light LED. We intend to reach annual sales of ¥10 billion from this business in the future.

Agricultural Chemicals Sector

Agricultural chemicals is one of the Company's core fields. Its Sector has focused on overseas markets since its early days of formation, mainly in products development and sales. As a result, its overseas sales today account for more than 60% of the total sales of the Sector.

In the crop protection chemicals market in Japan, which has already matured, we have been expanding our business to non-traditional areas, including home and garden and non-farming products, and moving into the high value-added downstream area to offer user-oriented solution services. Overseas, we are reinforcing our business by concentrating further on the selective markets and products where we secure the advantages and competitiveness. The U.S. and Europe are our targeted markets and we are focusing on special crop fields such as fruits and vegetables while maintaining our position in the conventional grain markets.

In the field of environmental health including household insecticides, we acquired the corresponding businesses of Aventis Environmental Sciences and further strengthened our position in this field. We also produce cost-competitive products at our manufacturing base in India to promote sales in that part of the world. As in the crop protection field, we intend to enlarge the scope of our environmental health business from sales of active ingredients to downstream areas and related markets.

Business Performance in Fiscal 2001

Sales of the Sector increased ¥13.3 billion to ¥134.9 billion, reflecting an increase in the crop protection chemicals business due to additional sales from the newly consolidated Rainbow

Chemical Co., Ltd. Also a lower yen contributed to the increase in yen-based sales of overseas subsidiaries. The acquisition of related operations from Aventis Environmental Sciences is another contributing factor to the sales increase. Operating income decreased ¥1.5 billion to ¥17.9 billion.

Core Business Strategies in Fiscal 2002

Expanding Domestic Sales in Crop Protection Chemicals

In October 2001, we consolidated the operation of Agros Corp., our wholly-owned subsidiary engaged in formulation and sales of crop protection chemicals, and expanded direct sales to distributors and wholesalers. Our sales activities of crop protection chemicals were originally centered on pesticides formulating companies to which we provided the active ingredients. Through this consolidation, we aim to achieve efficiency by integrating the functions of both companies and eliminating duplication.

In July 2002, we reached agreement with Takeda Chemical Industries Ltd. to establish a joint venture company that takes over Takeda's entire agrochemicals business. The joint venture is to become Sumitomo's wholly-owned subsidiary within five years.

Promoting Peripheral Business and Solution Business

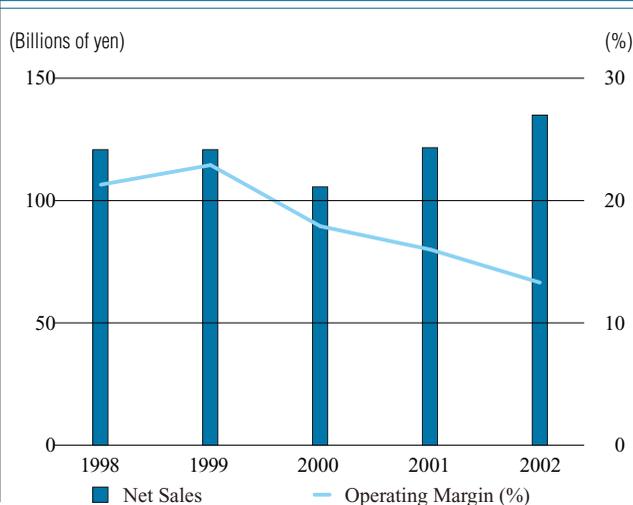
To expand our non-traditional business in the domestic market, the Sector acquired a 60% stake in Rainbow Chemical Co., Ltd., a top-line supplier of plant protection chemicals for home and garden use. In Japan's plant protection chemicals market, demand for farm applications is adversely affected by the shrinking rice cultivation acreage. On the other hand, home and garden usage is growing at 5% per year. We will promote the non-traditional business where stable growth is anticipated, and reinforce marketing of proprietary plant protection chemicals and fertilizers, further downstream to end users. Rainbow aims to increase its sales by 10% per year from ¥4.3 billion in fiscal 2001.

It is also noteworthy that, in April 2001, we established Nihon EcoAgro Co., Ltd. to support eco-friendly agriculture. Through Nihon EcoAgro, we promote effective reuse of foodstuff-related organic waste disposed from wholesale markets as fertilizers, by taking advantage of our experience gained in this field. Also, we will help solve problems among domestic farmers implementing organic farming and reduced usage of agricultural chemicals, by developing and organizing a distribution route for their products and offering other solutions.

Acquired Household Insecticide Operation of Aventis Environmental Sciences

We further strengthened our position in the household insecticide business worldwide by acquiring related operations

Net Sales and Operating Margin



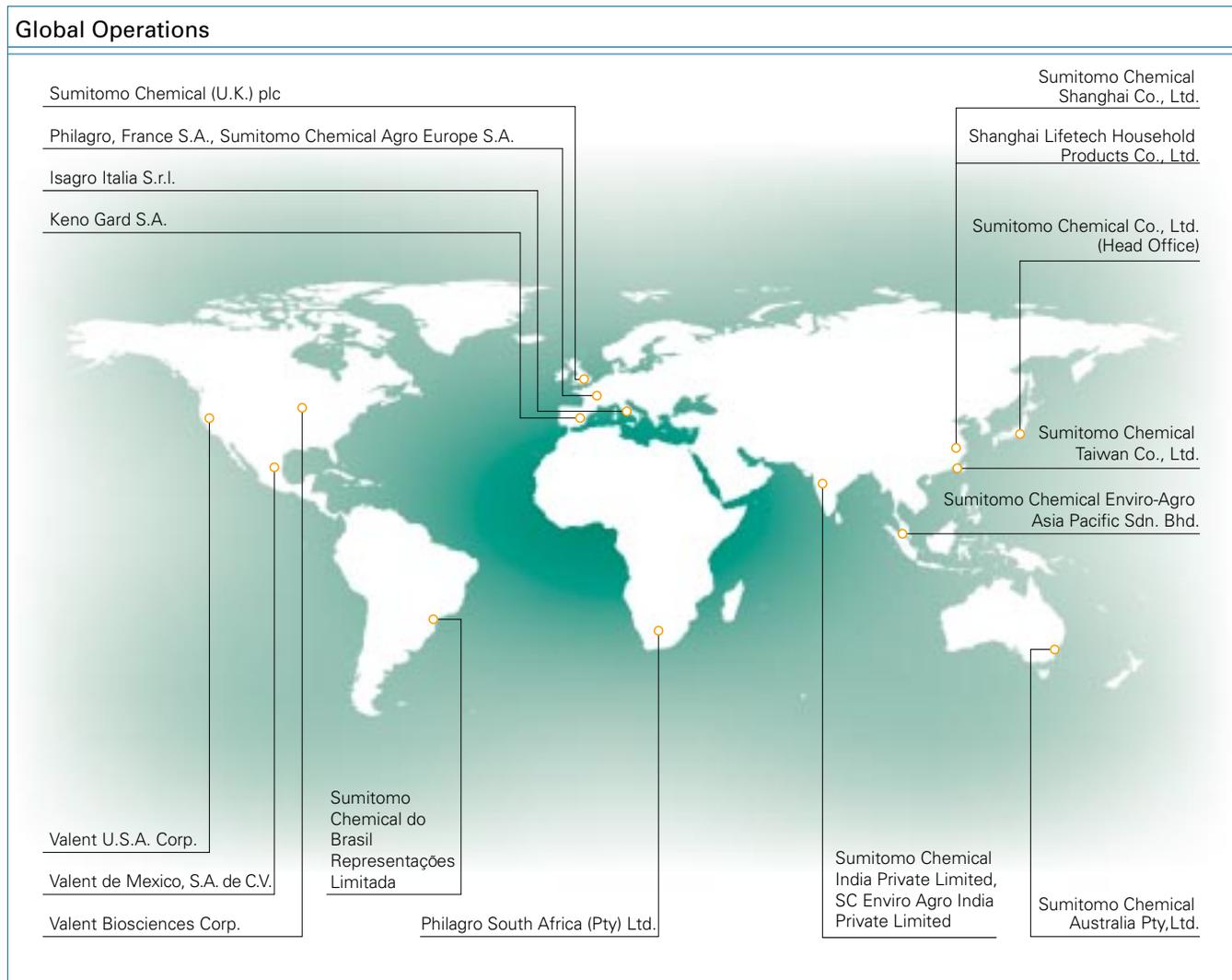
in May 2001 from Aventis Environmental Sciences which is a unit of Aventis CropScience of France, a major agricultural chemical company. We will further promote our sales in the rapidly growing markets of Asia and Americas by utilizing Aventis's stronghold in Europe and North America.

Reinforcing Overseas Operations

In our agricultural chemicals business overseas, we have been developing a wide range of operations worldwide, ranging from research and development to sales and manufacturing. In India, in 2000, we established SC Enviro Agro India Private Limited,

through acquisition of a local chemical company, and began the production of household insecticides. After further modification of the manufacturing facilities, we also started the production of crop protection chemicals in the spring of 2002. We will expand sales of these products in India and neighboring countries.

In May 2002, we acquired a 50% stake in Isagro Italia S.r.l., which has a 15% market share of the agrochemical business in Italy, the third largest agricultural country in Europe. This acquisition enabled us to establish a sales base next to France and Spain in the European market, and further strengthened our presence in Europe, a key market.



Pharmaceuticals Sector

Pharmaceuticals business is one of the core fields of Sumitomo Chemical. The Pharmaceuticals Sector develops ethical drugs business primarily at its subsidiary, Sumitomo Pharmaceuticals Co., Ltd., and the radiopharmaceuticals business through Nihon Medi-Physics Co., Ltd., a joint venture company with the U.K.-based Amersham Group. The operations of these pharmaceuticals subsidiaries in the Sector are supported by the Company's researches and expertise in safety assessment, organic synthesis, production technologies and the like that derive from its chemical operations.

As an R&D-oriented pharmaceuticals company creating new drugs, Sumitomo Pharmaceuticals focuses on disorders in neurology, immunology, cardiovascular system, and diabetes-related fields.

The pharmaceuticals industry in Japan is faced with many challenges. The National Health Insurance prices have been reduced repeatedly in recent years. It is often said that a more comprehensive reform of the entire medical system is imminent in addition to drug price reductions; besides, competition with big European and U.S. pharmaceuticals companies is intensifying in what was once considered a "home" market. To address ourselves to these challenges, we will continue our efforts to expand sales of our core products, by promoting the efficiency of sales activities through the use of area marketing method and IT tools and by reinforcing the size and quality of our sales force. Also, we will work hard to launch new drugs constantly to the market by speeding up the drug discovery with focused researches and utilization of genome technology. Moreover, we actively seek M&A opportunities with a view to expanding our business size.

At Nihon Medi-Physics, we aim to strengthen existing radio-isotopic diagnosis business by promoting the mega study and try to make an earlier entry into the fields of the radio isotopic therapeutics and non-radio isotopic imaging agents.

Business Performance in Fiscal 2001

Sales in this Sector increased to ¥174.0 billion, up ¥17.3 billion from the previous fiscal year. The continued sales growth of *Amlodin* (a drug for hypertension and angina pectoris) contributed to the increase, and so did full-year sales growth of *Hibitane* (a disinfectant) and *Tagamet* (a H2 receptor antagonist), launched to market during the second half of fiscal 2000. Operating income also increased ¥3.2 billion from the year before to ¥42.0 billion.

Core Business Strategies in Fiscal 2002

Approach to Genomic Drug Discovery

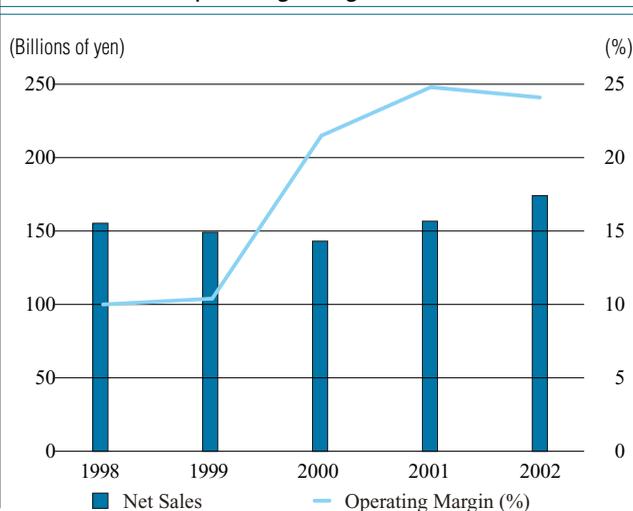
The Company established the Genomic Science Laboratories early in the year 2000, drawing the expertise of Sumitomo Chemical and Sumitomo Pharmaceutical research scientists together for promotion of research on genomic drug discovery. We have been also active in creating alliances with overseas biotechnology ventures with the aim of strengthening our presence in this field. We have entered into agreements with U.S. venture companies, such as Gene Logic Inc., Incyte Genomics, Inc. and LifeSpan BioSciences Inc., for the use of their gene information databases. Furthermore, the Company signed an agreement with TransGenic Inc. of Japan, a biotechnology venture firm conducting post-genome research, with exclusive access to gene function information that the firm has obtained from 500 different knockout mice.

The Company is conducting intensive and high-level research in neurology, immunology, cardiovascular system and diabetes-related fields. The Company puts emphasis on analysis of gene functions related to these areas to make drugs with high probability of commercialization.

Alliance with TransGenic Inc.

The Company is striving to discover genomic drug targets quicker than ever by working with TransGenic Inc., a top company in large-scale production of knockout mice, a research-purpose mouse in which expression of specific functional gene is interfered. TransGenic Inc. will provide us with 500 to 1,000 knockout mice and their gene function information for three years. It is believed that mice and human beings share more than 95% of the same gene structures. Such information, therefore, is expected to be a key factor in the analysis of human gene functions and lead to discoveries of unknown disease-related genes.

Net Sales and Operating Margin



Strategic Business Alliances

The Company is open to introduction, by outside parties, of a number of quality products that will complement its product line.

In March 2002, an agreement was signed with GlaxoSmithKline K.K. (GSK) on *Naratriptan*, a 5-HT_{1B/1D} receptor agonist for the treatment of migraine headaches. It is characterized by long duration of action and less recurrence of the symptoms. The drug has already been approved in 76 overseas countries. The number of patients suffering from migraine headaches is estimated to be 6 to 8.4 million in Japan. The stage of its research and development, conducted by GSK in Japan, was phase II when the agreement was signed. The Company has acquired the right to co-develop it with GSK and market it in Japan.

In addition, the Company signed a business transfer agreement with Japan Energy Corporation in June, 2002. The Company agreed to take over as of October 1, 2002, essentially all of the pharmaceutical business of Japan Energy Corporation including the results of research and development. The core research themes of Japan Energy Corporation were immune diseases such as cancer, rheumatism and allergies. The Company has enhanced its research resources in its priority areas and will carry out further development, as the result of the business transfer.

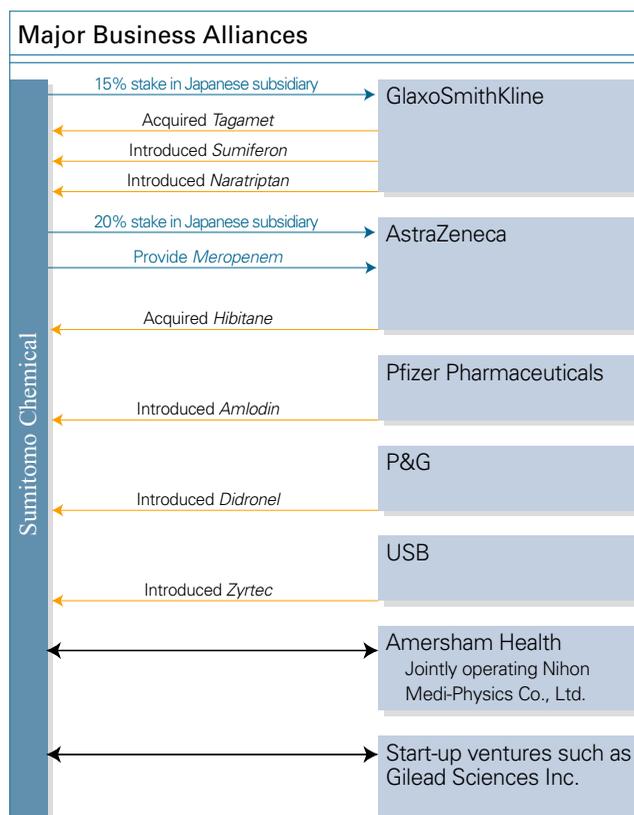
On the other hand, the Company promotes acquisition of business rights, including even those of established drugs that will ensure a certain level of sales. It acquired the marketing right of *Tagamet* from SmithKline Beecham Pharmaceuticals of the U.K. and introduced *Hibitane* from AstraZeneca.

Reinforced Production at Oita Works for Bulk Substances

The Company has initiated an investment project of approximately ¥10 billion to improve the chemical/pharmaceutical production facilities at its Oita Works.

We will not only increase the capacity of existing facilities but also construct new ones for bulk pharmaceuticals, because domestic and overseas sales expansion and commercialization of new drugs

have brought about the situation where the demand on the exiting facilities is almost beyond their capacity. At the same time, those already existing facilities are going to be upgraded to be in conformity with the internationally accepted GMP (Good Manufacturing Practice).



Major Pharmaceutical Products

Brand Name	Common Name	Therapeutic Category	Launch	Sales in FY2001 (Billions of Yen)
<i>Almarl</i>	Arotinolol	Hypertension and angina pectoris	1985	4.5
<i>Sumiferon</i>	α -Interferon	Natural alpha interferon	1987	12.6
<i>DOPS</i>	Droxidopa	Antispasmodics (Parkinson's disease drug)	1989	5.0
<i>Didronel</i>	Etidronate	Osteoporosis (Bone disorder drug)	1990	4.2
<i>Amlodin</i>	Amlodipine	Hypertension and angina pectoris	1993	36.7
<i>Meropen</i>	Meropenem	Carbepenem antibiotics	1995	7.6
<i>Sediel</i>	Tandospirone	Anxiety	1996	3.3
<i>Zyrtec</i>	Cetirizine	Allergic rhinitis	1998	10.0
<i>Lullan</i>	Perospirone	Neuroleptics	2001	1.1

Board of Directors and Statutory Auditors



Satoshi Kawachi
Senior Managing Director

Mitsuhiro Moroishi
Senior Managing Director

Ryuichi Sonoda
Senior Managing Director

Masami Nakamoto
Senior Managing Director

Shigehiro Oba
Senior Managing Director

Akio Kosai
Chairman

Hiromasa Yonekura
President

Chairman

Akio Kosai

President

Hiromasa Yonekura

Senior Managing Directors

Ryuichi Sonoda
Petrochemicals & Plastics Sector

Mitsuhiro Moroishi
General Affairs, Personnel, Legal,
Sumitomo Mitsui Alliance Promotion,
Intellectual Property

Masami Nakamoto
IT-related Chemicals Sector

Satoshi Kawachi
Technology, Research & Development

Shigehiro Oba
Agricultural Chemicals Sector

Managing Directors

Masaaki Nagao
Fine Chemicals Sector

Ichiro Miyawaki
Basic Chemicals Sector

Hideaki Watanabe
Personnel Office, Procurement &
Logistics Office

Naoya Kanda
IT-related Chemicals Sector - Optical
Materials Div. / Semiconductor
Process Materials Div. / Electronic
Materials Div. / Compound
Semiconductor Materials Div.

Yuji Ito
Finance & Accounting Office, Internal
Audit Dept.

Osamu Ishitobi
Petrochemicals & Plastics Sector -
Planning & Coordination Office /
Petrochemicals Div. / Polyethylene &
Polypropylene Dept.

Masayo Tada
Agricultural Chemicals Sector - Plant
Protection Div.

Toshiro Kato
Agricultural Chemicals Sector -
Planning & Coordination Office /
Farm Chemicals & Materials Div.

Masashi Araki

Chiba Works, Petrochemicals
Research Laboratory, Plastics
Technical Center

Directors

Masanori Hayashi

Basic Chemicals Sector - Planning &
Coordination Office, Industrial
Chemicals Div. / Inorganic Materials
Div. / Aluminium Div.

Yasuo Kamei

Corporate Planning & Coordination,
Sumitomo Mitsui Alliance Promotion
Office

Hiroshi Hirose

General Affairs Dept.

Hirokazu Hosaka

Fine Chemicals Sector - Specialty
Chemicals Div. / Functional
Chemicals Div.

Iwao Nakatsuka

Responsible Care Office, Organic
Synthesis Research Laboratory,
Environmental Health Science
Laboratory

Takatsugu Enami

Environmental Health Div.

Kiyohiko Nakae

Tsukuba Research Laboratory,
Corporate Planning & Coordination
Office (Technology, Research &
Development)

Masaaki Yokotsuka

Pharmaceuticals (President, Sumitomo
Pharmaceuticals Co., Ltd.)

Yasuo Okamoto

Pharmaceuticals (Executive Vice
President, Sumitomo Pharmaceuticals
Co., Ltd.)

Statutory Auditors

Kunio Matsura

Hiroaki Ninomiya

Hiroshi Hayasaki

Yoji Arakawa

Financial Section

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Consolidated Financial Summary

Sumitomo Chemical Company, Limited

	Billions of yen (except per 1,000 shares)					
	Years ended March 31,					
	1997	1998	1999	2000	2001	2002
Results of operations:						
Sales by business segment:						
Basic Chemicals	¥ 179.9	¥ 189.8	¥ 157.5	¥ 170.2	¥ 180.6	¥ 173.8
Petrochemicals	325.8	339.6	305.6	331.8	375.5	338.6
Fine Chemicals	160.8	133.5	120.0	114.0	113.5	99.8
IT-related Chemicals	45.9	52.7	46.6	62.1	60.2	59.8
Agricultural Chemicals	109.5	120.8	120.8	105.6	121.6	134.9
Pharmaceuticals	156.9	155.3	149.1	143.1	156.7	174.0
Others	32.8	28.6	28.1	23.5	32.9	37.5
Net sales	¥ 1,011.6	¥ 1,020.3	¥ 927.7	¥ 950.3	¥ 1,041.0	¥ 1,018.4
Overseas operations	¥ 203.8	¥ 238.2	¥ 232.1	¥ 227.5	¥ 276.5	¥ 287.2
Operating income (loss) by business segment:						
Basic Chemicals	¥ 5.0	¥ 6.5	¥ 2.8	¥ 3.0	¥ 4.5	¥ 3.0
Petrochemicals	9.2	10.2	11.1	10.4	7.3	(0.4)
Fine Chemicals	7.1	13.4	9.2	9.0	7.5	8.0
IT-related Chemicals	(3.4)	0.8	(8.6)	(5.0)	3.2	(6.3)
Agricultural Chemicals	24.5	25.7	27.7	18.9	19.4	17.9
Pharmaceuticals	13.1	15.5	15.5	30.8	38.8	42.0
Others	5.6	3.6	1.2	3.0	3.9	4.8
Elimination	1.7	(0.7)	0.4	(0.0)	0.1	(0.2)
Operating income	¥ 62.8	¥ 75.0	¥ 59.3	¥ 70.1	¥ 84.7	¥ 68.8
Income before income taxes and minority interests						
	¥ 54.4	¥ 45.9	¥ 36.3	¥ 32.0	¥ 64.4	¥ 57.8
Net income	21.5	22.1	20.1	18.4	34.1	30.2
Net income per 1,000 shares (yen)	¥ 13,239	¥ 13,637	¥ 12,406	¥ 11,329	¥ 20,756	¥ 18,250
Financial position (at year-end):						
Total current assets	¥ 624.8	¥ 630.7	¥ 591.8	¥ 584.4	¥ 596.5	¥ 595.7
Net property, plant and equipment	493.5	475.6	428.1	409.7	400.7	401.7
Investments and other non-current assets	235.1	261.9	266.7	272.7	406.4	342.7
Total assets	1,358.2	1,375.9	1,310.9	1,322.4	1,455.4	1,393.2
Total shareholders' equity	282.7	296.7	325.1	345.0	451.8	444.6
Book value per 1,000 shares (yen)	¥174,356	¥182,931	¥200,485	¥210,965	¥272,905	¥268,573
General:						
For the year:						
Capital expenditures	¥ 72.0	¥ 82.9	¥ 67.6	¥ 81.6	¥ 62.1	¥ 73.0
Depreciation and amortization	62.4	58.4	68.4	75.4	64.6	79.2
Research and development expenses	54.9	54.9	59.5	59.3	59.1	66.7
Dividends per 1,000 shares (yen)	¥ 5,000	¥ 5,000	¥ 5,000	¥ 5,000	¥ 6,000	¥ 6,000
At year-end:						
Employees	16,262	15,918	15,778	17,474	17,392	17,016
Shareholders of record	147,300	144,381	140,257	134,705	129,835	130,176
Consolidated subsidiaries	62	64	67	92	98	102

Financial Review

The following comments should be read in conjunction with “To Our Shareholders and Customers” (pages 2-7), “Review of Operations” (pages 10-19) and the consolidated financial statements (pages 28-46). U. S. dollar amounts are translated from yen, for convenience only, at ¥133.25= \$1, the rate prevailing on March 29, 2002.

Results of Operations

Net sales for the fiscal year ended March 31, 2002, totaled ¥1,018.4 billion (US\$7,642 million), a 2.2% decrease from ¥1,041.0 billion for the previous fiscal year.

Cost of sales was ¥724.9 billion (US\$5,441 million), compared with ¥746.7 billion for the previous fiscal year. The cost of sales ratio was 71%, the same level as the previous fiscal year. Selling, general and administrative expenses were ¥224.6 billion (US\$1,685 million), a 7.1% increase over the previous fiscal year. Operating income amounted to ¥68.8 billion (US\$517 million), down 18.7% from ¥84.7 billion for the previous fiscal year. The ratio of operating income to net sales was 6.8%, as compared with the previous year's 8.1%.

Research and development expenses for the fiscal year ended March 31, 2002 were ¥66.7 billion (US\$500 million), 12.8% higher than the previous fiscal year's ¥59.1 billion. Annual depreciation and amortization expenses were ¥79.2 billion (US\$595 million), an increase of 23% compared with the last fiscal year's ¥64.6 billion.

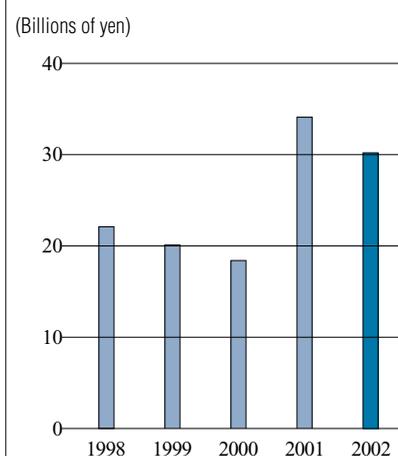
Interest expense, net of interest and dividend income was ¥7.4 billion (US\$56 million), compared with ¥8.5 billion for the previous fiscal year. Equity in earnings of non-consolidated subsidiaries and affiliates amounted to ¥6.7 billion (US\$50 million), compared with ¥11.0 billion for the previous fiscal year.

The gain on sale of securities was ¥13.3 billion (US\$100 million), compared with ¥9.6 billion for the previous fiscal year. The goodwill of ¥11.3 billion (US\$85 million) mainly arising from the acquisition of household insecticides business in the year was fully amortized. The company paid ¥6.1 billion (US\$46 million) for the settlement of a legal dispute over a certain U.S. patent regarding the production method of epoxy resins. There was no special loss related to employees' retirement benefits in the fiscal year ended March 31, 2002. A loss of ¥ 5.0 billion (US\$38 million) was recorded as restructuring charges, which mainly consisted of loss on investments in and loans to related companies, loss on disposal of property, plant and equipment, and special severance benefits.

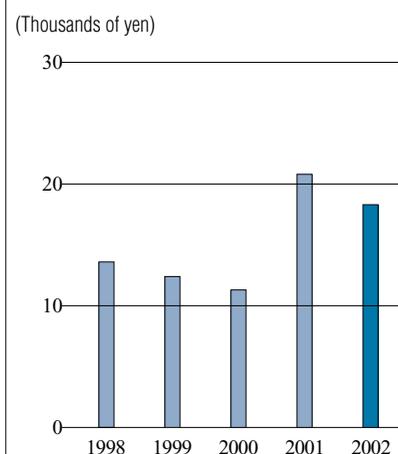
Income before income taxes and minority interests for the fiscal year ended March 31, 2002 was ¥57.8 billion (US\$434 million) compared with the ¥64.4 billion for the previous fiscal year. Income taxes were ¥23.3 billion (US\$175 million), down 6% from ¥24.8 billion for the previous fiscal year.

Net income was ¥30.2 billion (US\$227 million), an 11.4% decrease from ¥34.1 billion for the previous fiscal year. Return on equity (ROE) was 6.7%, down 0.9 percentage point from the previous fiscal year's 7.6%. Net income per 1,000 shares, based on the weighted average number of shares outstanding during the fiscal year ended March 31, 2002, was ¥18,250 (US\$136.96), compared with ¥20,756 for the previous fiscal year. Annual dividends for the fiscal year ended March 31, 2002 were ¥6,000 (US\$45.03) per 1,000 shares, the same as for the previous fiscal year.

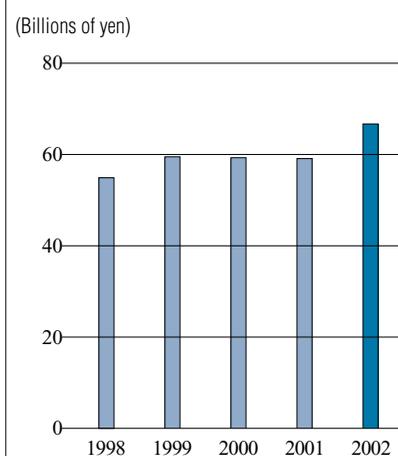
Net Income



Net Income per 1,000 Shares



Research and Development Expenses



Segment Information

Sumitomo Chemical changed its industry segmentation from the three groups (“Basic Chemicals & Petrochemicals”, “Specialty Chemicals”, and “Others”) to seven segments, namely “Basic Chemicals”, “Petrochemicals”, “Fine Chemicals”, “IT-related Chemicals”, “Agricultural Chemicals”, “Pharmaceuticals”, and “Others”. Effective October 1, 2001, IT-related Chemicals Sector was newly established to integrate the operations in the IT and electronics related chemicals fields formerly undertaken by the Optical Materials Division of the Basic Chemicals Sector and the Electronic Materials Division and Functional Chemicals Division of the Fine Chemicals Sector. Prior periods information has been reclassified to conform to the current period.

Basic Chemicals;

The sales of the Basic Chemicals segment decreased 3.8% to ¥173.8 billion (US\$1,305 million), compared with ¥180.6 billion for the previous fiscal year. Aluminum sales increased due mainly to a higher price in the domestic market, while the sales of raw materials for synthetic fibers decreased under weak market conditions. The sale of methacrylate and acrylic acid from the Singapore operation slightly increased from a year earlier, reflecting a higher market price.

The operating income of Basic Chemicals decreased 33.6% to ¥3.0 billion (US\$23 million), from ¥4.5 billion for the previous fiscal year and, due to a decrease in sales volume and an increase in fixed costs. The operating income ratio of Basic Chemicals was 1.7%, compared with 2.5% for the previous fiscal year.

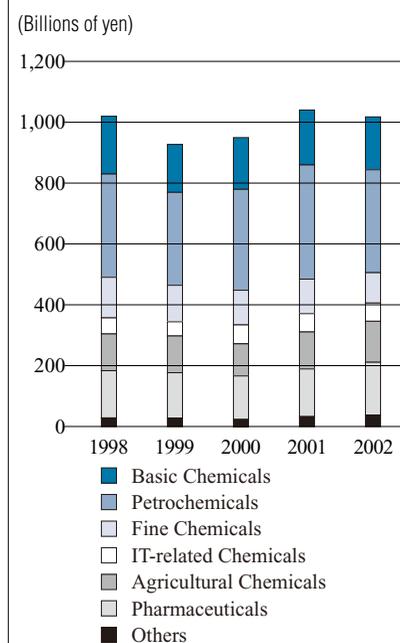
Major consolidated subsidiaries of this segment include Sumitomo Chemical Singapore Pte. Ltd and its subsidiaries, which engage in the MMA and acrylic acid businesses in Singapore.

Petrochemicals;

The sales of the Petrochemicals segment decreased 9.8% to ¥338.6 billion (US\$2,541 million) from ¥375.5 billion for the previous fiscal year. Styrene monomer sales declined because of a lower market price and a reduced shipping volume, and plastics sales also decreased due to lower market prices and a declined demand in markets outside Japan.

As a result, Petrochemicals showed the operating loss of ¥0.4 billion (US\$3 million)

Breakdown of Sales by Product



Industry Segment Results

Fiscal years ended March 31, 2002 and 2001

Segment information by product group	Millions of yen								
	Basic Chemicals	Petrochemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2002									
Sales to unaffiliated customers	¥173,836	¥338,556	¥99,765	¥59,799	¥134,867	¥173,982	¥37,547		¥1,018,352
Operating income (loss)	3,012	(442)	8,032	(6,307)	17,909	42,017	4,786	¥(171)	68,836
Operating income (loss) ratio	1.7%	(0.1)%	8.1%	(10.5)%	13.3%	24.2%	12.7%		6.8%
Operating income growth (decrease)	(33.6)%	—	6.6%	—	(7.7)%	8.4%	24.1%		(18.7)%
Year ended March 31, 2001									
Sales to unaffiliated customers	¥180,609	¥375,471	¥113,499	¥60,199	¥121,585	¥156,748	¥32,839		¥1,040,950
Operating income	4,536	7,318	7,537	3,145	19,408	38,760	3,857	¥ 112	84,673
Operating income ratio	2.5%	1.9%	6.6%	5.2%	16.0%	24.7%	11.7%		8.1%
Operating income growth (decrease)	49.2%	(29.5)%	(16.5)%	—	2.6%	25.8%	28.5%		20.7%

compared to ¥7.3 billion of income for the previous fiscal year. The operating income ratio of Petrochemicals, which was 1.9% for the previous fiscal year, fell to a loss of 0.1% for the fiscal year ended March 31, 2002.

Major consolidated subsidiaries of this segment include The Polyolefin Company (Singapore) Pte. Ltd., a producer of low-density polyethylene and polypropylene.

Fine Chemicals;

The sales of Fine Chemicals segment decreased 12.1% to ¥99.8 billion (US\$749 million) from ¥113.5 billion for the previous fiscal year. Resorcinol (a raw material for adhesives) sales stayed at the same level as the previous fiscal year. However, the sales of pharmaceutical intermediates, dyestuffs and functional materials decreased due to a weak demand in respective markets.

The operating income of Fine Chemicals was ¥8.0 billion (US\$60 million), 6.6% up over the previous fiscal year's ¥7.5 billion. A reduction in costs offset the effect of a decline in shipping volume. The operating income ratio of Fine Chemicals was 8.1%, compared with 6.6% for the previous fiscal year.

Major consolidated subsidiaries of this segment include Koei Chemical Co., Ltd., engaged principally in manufacturing and selling intermediates for pharmaceuticals, agricultural chemicals intermediates, dyes, etc.

IT-related Chemicals;

The sales volume of epoxy resins, photoresists, and functional films for LCDs all dropped due to depressed demand in the IT and electronics related industry. However, the IT-related Chemicals segment posted the sales of ¥59.8 billion (US\$449 million) that is almost at the same level as the previous year's ¥60.2 billion because the new consolidation of New STI Technology Inc., a manufacturer of color filter for TFT-type LCDs, added to the sales of this segment.

IT-related Chemicals recorded the operating loss of ¥6.3 billion (US\$47 million) compared to ¥3.2 billion of income for the previous fiscal year owing to a decrease in a shipping volume and an increase in fixed costs. The operating income ratio of IT-related Chemicals, which was 5.2% for the previous fiscal year, fell to a loss of 10.5% for the fiscal year ended March 31, 2002.

Major consolidated subsidiaries of this segment include Dongwoo Fine-Chem Co., Ltd., engaged in manufacturing and selling IT related products.

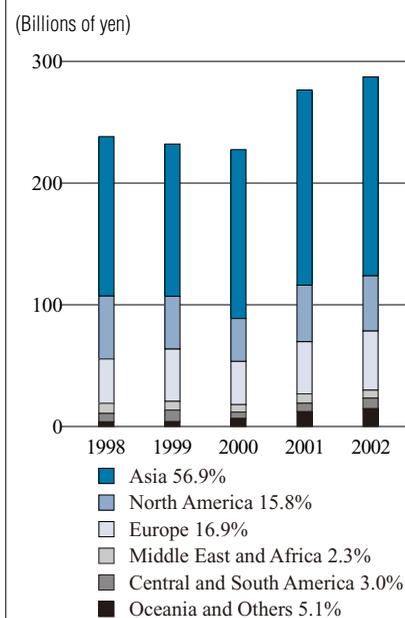
Agricultural Chemicals;

The Agricultural Chemicals segment showed the sales growth of 10.9% to ¥134.9 billion (US\$1,012 million) from ¥121.6 billion for the previous fiscal year, reflecting an increase in the sales volume of feed additives in markets outside Japan and contributions from the new household insecticide products acquired from Aventis CropScience in May 2001. Pesticide sales increased owing to the new acquisition of Rainbow Chemical (a Japanese supplier of materials for home and garden uses) as well as to the sales increase of overseas subsidiaries under the weaker Japanese yen.

The operating income of Agricultural Chemicals decreased 7.7% to ¥17.9 billion (US\$134 million) compared to ¥19.4 billion for the previous fiscal year because an increase in sales volume did not fully offset the effect of an increase in fixed costs. The operating income ratio of Agricultural Chemicals was 13.3%, compared with 16.0% for the previous fiscal year.

Major consolidated subsidiaries of this segment include: Valent U.S.A. Corporation, a U.S.-based subsidiary for the development and marketing of plant protection chemicals in the North America; Valent Biosciences Corporation, a subsidiary of Valent U.S.A. Corporation, for the development and marketing of biological pesticides.

Breakdown of Overseas Operation



Note: Percentages are for the fiscal year ended March 31, 2002

Pharmaceuticals;

The sales of Pharmaceuticals segment rose 11.0% to ¥174.0 billion (US\$1,306 million) compared to ¥156.7 billion for the previous fiscal year thanks to the sales expansion of Amlodin (a drug for hypertension and angina pectoris) in addition to the shipping volume increase of Hibitane (disinfectant) and Tagamet (an anti-ulcer drug).

Pharmaceuticals showed an 8.4% increase in operating income to ¥42.0 billion (US\$315 million) from ¥38.8 billion for the previous fiscal year due mainly to the aforementioned sales increase. The operating income ratio of Pharmaceuticals was 24.2%, compared with 24.7% for the previous fiscal year.

Major consolidated subsidiaries of this segment include: Sumitomo Pharmaceuticals Co., Ltd., a core entity of the pharmaceuticals business; and Nihon Medi-Physics Co., Ltd., a joint venture with Nycomed Amersham plc, of the United Kingdom, engaged in manufacturing and selling in vivo and in vitro radioactive diagnostics and related products.

Others;

The sales of the Others segment increased 14.3% to ¥37.5 billion (US\$282 million) from the previous fiscal year's ¥32.9 billion. Others posted a 24.1% increase in operating income to ¥4.8 billion (US\$36 million) compared with ¥3.9 billion for the previous fiscal year. The operating income ratio of this segment was 12.7%, compared with 11.7% for the previous fiscal year.

This segment encompasses electricity power supply by Sumitomo Joint Electric Power Co., Ltd., engineering services for plant construction by Sumitomo Chemical Engineering Co., Ltd., and chemical and mechanical analysis services by Sumika Chemical Analysis Service, Ltd.

Overseas Operations

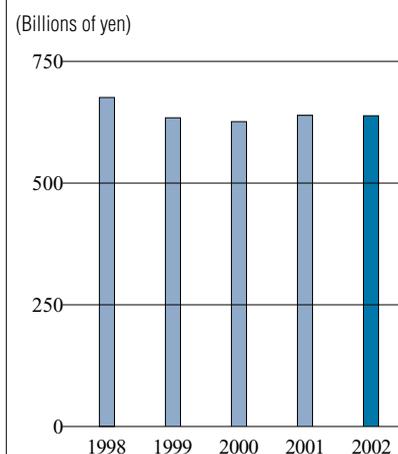
Revenues from overseas operations, including both sales by overseas subsidiaries and exports from Japan, for the fiscal year ended March 31, 2002 were ¥287.2 billion (US\$2,155 million), 3.9% higher than the ¥276.5 billion in the previous fiscal year, due mainly to the expanded overseas operations of IT-related Chemicals and Agricultural Chemicals. The ratio of revenues from overseas operations to net sales was 28.2%, compared with 26.6% for the previous fiscal year.

Financial Position

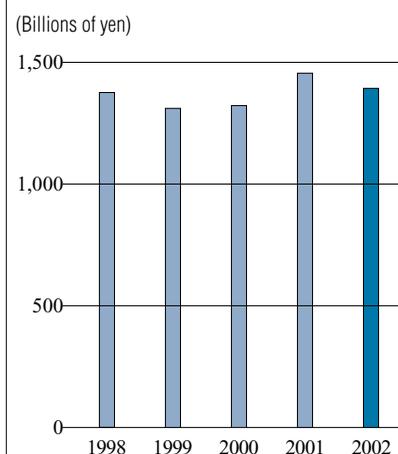
Current assets as of March 31, 2002 amounted to ¥595.7 billion (US\$4,471 million), almost the same level as ¥596.5 billion as of March 31, 2001. Current liabilities were ¥472.6 billion (US\$3,546 million), up 0.4% from ¥470.7 billion at the end of the previous fiscal year. The current ratio was 126.1%, compared with 126.7% as of March 31, 2001. Investments and other non-current assets as of March 31, 2002 totaled ¥342.7 billion (US\$2,572 million), compared with ¥406.4 billion as of March 31, 2001. The total value of property, plant and equipment was ¥401.7 billion (US\$3,015 million), compared with ¥400.7 billion at the end of the previous fiscal year. Total assets were ¥1,393.2 billion (US\$10,455 million) and ¥1,455.4 billion at March 31, 2002 and March 31, 2001, respectively. Foreign currency translation adjustments amounting to ¥10.7 billion (US\$80 million), compared with ¥21.3 billion as of March 31, 2001. Unrealized gains on investment securities amounted to ¥60.2 billion (US\$452 million), compared with ¥98.2 billion as of March 31, 2001.

Total debt (short-term and long-term borrowings from banks, debt on bonds and notes, commercial paper, and trade notes discounted) as of March 31, 2002 amounted to ¥487.6 billion (US\$3,659 million), a 2.7% increase from ¥474.8 billion as of March 31, 2001. Shareholders' equity was ¥444.6 billion (US\$3,336 million) at March 31, 2002, 1.6% lower than ¥451.8 billion at the end of the previous fiscal year. The ratio of shareholders' equity to total assets was 31.9% as of March 31, 2002, compared with 31.0% as of March 31, 2001. The

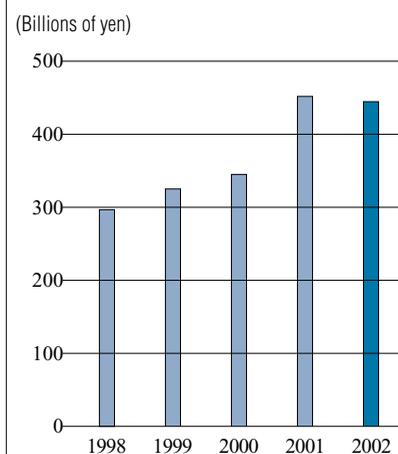
Total Current Assets



Total Assets



Shareholders' Equity



number of shares issued and outstanding as of March 31, 2002 was 1,655,446,177 shares. Retained earnings amounted to ¥280.0 billion (US\$2,102 million), a 7.9% increase from ¥259.5 billion as of March 31, 2001.

Geographic Information

Net sales from operations outside Japan were ¥161.2 billion (US\$1,210 million) and ¥151.6 billion for the years ended March 31, 2002 and 2001, respectively, and accounted for 15.8% and 14.6% of the respective consolidated total sales. Net sales from operations outside Japan increased 6.3% from the previous fiscal year. Operating income from operations outside Japan for the fiscal year ended March 31, 2002 was ¥7.2 billion (US\$54 million), down 7.9% from ¥7.8 billion for the previous fiscal year. Overseas assets as of March 31, 2002 amounted to ¥175.8 billion (US\$1,319 million), 7.7% higher than the previous fiscal year's ¥163.3 billion. The ratio of overseas assets to total assets for the fiscal year ended March 31, 2002 was 12.6%, up 1.4 percentage point from the previous fiscal year.

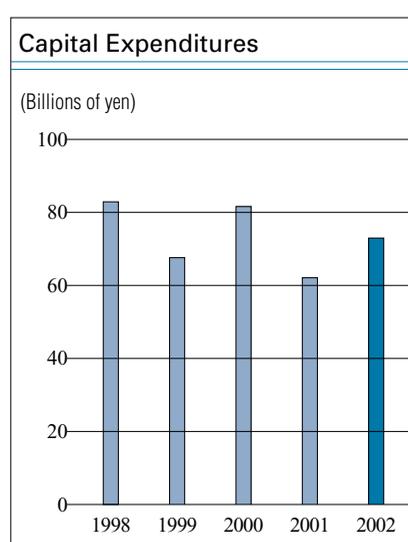
Cash Flows

Net cash provided from operating activities for the year ended March 31, 2002 was ¥62.9 billion (US\$471.7 million), down 33.6% from ¥94.7 billion for the previous fiscal year. Net cash used for investing activities for the year ended March 31, 2002 was ¥57.2 billion (US\$429 million), a 4.2% increase from ¥54.9 billion for the previous fiscal year. As a result, free cash flow for the year ended March 31, 2002 was ¥5.6 billion (US\$42 million), down 85.8% from ¥39.8 billion for the previous fiscal year.

Capital Expenditures

Capital expenditures for the fiscal year ended March 31, 2002 increased 17.5% to ¥73.0 billion (US\$548 million) from ¥62.1 billion for the fiscal year ended March 31, 2001.

Expenditures for new plants and expansions accounted for 50% of the total outlays for the fiscal year ended March 31, 2002 and 34% for the fiscal year ended March 31, 2001. The breakdown of capital expenditures is shown below.



Breakdown of Capital Expenditures

	Billions of yen, %											
	1997		1998		1999		2000		2001		2002	
New plants and expansions*:												
Basic Chemicals	¥ 1.2	2%	¥14.3	17%	¥12.8	19%	¥ 6.1	7%	¥ 2.8	4%	¥ 2.3	3%
Petrochemicals	27.1	38	13.0	16	2.2	3	6.7	8	3.2	5	6.3	9
Fine Chemicals	6.4	9	6.0	7	4.7	7	5.4	7	5.8	9	4.2	6
IT-related Chemicals	2.4	3	12.8	16	6.4	10	3.0	4	3.3	5	6.1	8
Agricultural Chemicals	3.6	5	6.1	7	2.6	4	24.4	30	1.7	3	16.4	22
Pharmaceuticals	1.3	2	2.1	2	1.0	1	0.5	1	3.4	6	0.5	1
Others	1.1	1	0.8	1	1.4	2	0.8	1	1.2	2	1.0	1
Subtotal	43.1	60	55.1	66	31.1	46	46.9	58	21.4	34	36.8	50
Rationalization of production processes	5.1	7	3.8	5	2.9	4	4.1	5	3.5	6	5.7	8
Research and development	3.7	5	5.1	6	13.0	19	6.8	8	6.6	11	6.5	9
Others	20.1	28	18.9	23	20.6	31	23.8	29	30.6	49	24.0	33
Total	72.0	100	82.9	100	67.6	100	81.6	100	62.1	100	73.0	100

*Includes acquisition

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited

March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Assets			
Current assets:			
Cash and cash equivalents	¥ 55,302	¥ 56,569	\$415,024
Short-term investments	338	181	2,536
Marketable securities (Note 3)	22	1,026	165
Receivables—			
Trade notes and accounts	293,094	306,511	2,199,580
Other	31,705	28,338	237,936
Allowance for doubtful receivables	(6,192)	(4,513)	(46,469)
	318,607	330,336	2,391,047
Inventories	198,726	185,952	1,491,377
Deferred tax assets (Note 9)	16,889	19,018	126,747
Other	5,858	3,466	43,963
Total current assets	595,742	596,548	4,470,859
Investments and other non-current assets:			
Investment securities (Notes 3, 4 and 5)	311,664	376,213	2,338,941
Other	32,548	31,443	244,263
Allowance for doubtful receivables	(1,471)	(1,300)	(11,039)
	342,741	406,356	2,572,165
Property, plant and equipment (Note 5):			
Land	74,177	73,410	556,676
Buildings and structures	376,473	368,353	2,825,313
Machinery and equipment	960,844	933,749	7,210,837
Construction in progress	14,996	15,039	112,540
	1,426,490	1,390,551	10,705,366
Less accumulated depreciation	(1,024,795)	(989,874)	(7,690,769)
	401,695	400,677	3,014,597
Other assets:			
Excess of cost over equity in net assets acquired	1,792	1,214	13,448
Deferred tax assets (Note 9)	16,588	15,122	124,488
Goodwill	14,953	12,329	112,218
Facilities rights and others	15,634	15,609	117,328
Products registration rights	4,014	7,542	30,124
	52,981	51,816	397,606
	¥1,393,159	¥1,455,397	\$10,455,227

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term debt (Note 5)	¥ 127,102	¥ 118,636	\$ 953,861
Long-term debt due within one year (Note 5)	70,443	49,014	528,653
Payables—			
Trade notes and accounts	162,764	177,125	1,221,494
Other	22,452	24,228	168,495
	185,216	201,353	1,389,989
Accrued expenses	20,622	21,538	154,762
Income taxes payable	15,642	19,665	117,388
Deferred tax liabilities (Note 9)	34	27	255
Other	53,491	60,510	401,433
Total current liabilities	472,550	470,743	3,546,341
Long-term debt due after one year (Note 5)	289,773	306,569	2,174,657
Deferred tax liabilities (Note 9)	16,740	45,792	125,628
Retirement benefits (Note 7)	57,904	70,091	434,552
Other non-current liabilities	29,151	26,079	218,769
Minority interests in consolidated subsidiaries	82,462	84,344	618,852
Contingent liabilities (Note 11)			
Shareholders' equity:			
Common stock,			
Authorized —5,000,000,000 shares			
Issued —1,655,446,177 shares at March 31, 2002			
1,655,446,177 shares at March 31, 2001	89,699	89,699	673,163
Capital surplus	21,411	21,411	160,683
Revaluation reserve (Note 12)	3,916	4,345	29,388
Retained earnings	280,042	259,464	2,101,629
Unrealized gains on investment securities	60,220	98,155	451,933
Foreign currency translation adjustments	(10,658)	(21,293)	(79,985)
Treasury stock, at cost	(51)	(2)	(383)
Total shareholders' equity	444,579	451,779	3,336,428
	¥1,393,159	¥1,455,397	\$10,455,227

Consolidated Statements of Income

Sumitomo Chemical Company, Limited
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Net sales	¥1,018,352	¥1,040,950	¥ 950,339	\$7,642,417
Cost of sales	724,947	746,651	684,627	5,440,503
Selling, general and administrative expenses	224,569	209,626	195,563	1,685,321
Operating income	68,836	84,673	70,149	516,593
Other income (expenses):				
Interest and dividend income	4,530	5,485	4,875	33,996
Interest expense	(11,940)	(13,984)	(13,598)	(89,606)
Equity in earnings of non-consolidated subsidiaries and affiliates	6,660	11,015	6,034	49,981
Gain on sale of securities	13,317	9,594	13,952	99,940
Amortization of goodwill	(11,294)	—	—	(84,758)
Loss on settlement of patent dispute	(6,111)	—	—	(45,861)
Restructuring charges (Note 8)	(5,039)	(11,317)	(24,761)	(37,816)
Past period service costs of employees' retirement plan (Note 7)	—	(14,338)	(1,209)	—
Effect of change of accounting for employees' retirement plan	—	—	(21,238)	—
Other—net	(1,194)	(6,753)	(2,165)	(8,961)
Income before income taxes and minority interests	57,765	64,375	32,039	433,508
Income taxes (Note 9):				
Current	24,912	34,966	34,533	186,957
Deferred	(1,589)	(10,130)	(17,799)	(11,925)
	23,323	24,836	16,734	175,032
Minority interests	4,231	5,460	(3,120)	31,752
Net income	¥ 30,211	¥ 34,079	¥ 18,425	\$ 226,724

	Yen			U.S. dollars (Note 1)
	2002	2001	2000	2002
Net income per 1,000 shares	¥ 18,250	¥ 20,756	¥ 11,329	\$ 136.96
Dilutive net income per 1,000 shares	18,047	20,420	11,261	135.44

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Sumitomo Chemical Company, Limited
Years ended March 31, 2002, 2001 and 2000

	Millions of yen							
	Shares of common stock (thousands)	Common stock	Capital surplus	Revaluation reserve	Retained earnings	Unrealized gains on investment securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 1999	1,621,699	¥81,465	¥13,211	¥ —	¥230,454	¥ —	¥ —	¥ (3)
Net income					18,425			
Cash dividends at ¥5.0 per share					(8,108)			
Bonuses to directors and statutory auditors					(112)			
Conversion of convertible bonds	13,456	3,283	3,269					
Revaluation of land by certain affiliates, net of tax (Note 12)				4,345				
Adjustment for increase in consolidated subsidiaries and affiliates accounted for by the equity method					(1,262)			
Net increase in treasury stock								(6)
Balance at March 31, 2000	1,635,155	84,748	16,480	4,345	239,397	—	—	(9)
Net income					34,079			
Cash dividends at ¥8.0 per share					(13,081)			
Bonuses to directors and statutory auditors					(112)			
Conversion of convertible bonds	20,291	4,951	4,931					
Unrealized gains on investment securities, net of tax						98,155		
Foreign currency translation adjustments							(21,293)	
Revaluation of property, plant and equipment by an affiliate, net of tax					675			
Adjustment for changes in affiliates accounted for by the equity method					(1,494)			
Net decrease in treasury stock								7
Balance at March 31, 2001	1,655,446	89,699	21,411	4,345	259,464	98,155	(21,293)	(2)
Net income					30,211			
Cash dividends at ¥6.0 per share					(9,933)			
Bonuses to directors and statutory auditors					(129)			
Net decrease in unrealized gains on investment securities, net of tax						(37,935)		
Revaluation of land by certain affiliates, net of tax				(429)	429			
Foreign currency translation adjustments							10,635	
Net increase in treasury stock								(49)
Balance at March 31, 2002	1,655,446	¥89,699	¥21,411	¥3,916	¥280,042	¥60,220	¥(10,658)	¥(51)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Revaluation reserve	Retained earnings	Unrealized gains on investment securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	\$673,163	\$160,683	\$32,608	\$1,947,197	\$736,623	\$(159,797)	\$ (15)
Net income				226,724			
Cash dividends at ¥6.0 (US\$0.045) per share				(74,544)			
Bonuses to directors and statutory auditors				(968)			
Net decrease in unrealized gains on investment securities, net of tax					(284,690)		
Revaluation of land by certain affiliates, net of tax			(3,220)	3,220			
Foreign currency translation adjustments						79,812	
Net increase in treasury stock							(368)
Balance at March 31, 2002	\$673,163	\$160,683	\$29,388	\$2,101,629	\$451,933	\$ (79,985)	\$ (383)

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 57,765	¥ 64,375	¥ 32,039	\$ 433,508
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—				
Depreciation and amortization	79,247	64,609	75,362	594,724
Equity in earnings of non-consolidated subsidiaries and affiliates	(2,686)	633	12,677	(20,158)
Interest and dividend income	(4,530)	(5,485)	(4,875)	(33,996)
Interest expense	11,940	13,984	13,598	89,606
Gain on sale of securities	(13,317)	(9,594)	(13,952)	(99,940)
Gain on sale of property, plant and equipment	(1,937)	—	(1,844)	(14,537)
Restructuring charges	2,541	10,845	22,213	19,069
(Decrease) increase of provision for retirement benefits and others	(10,660)	14,304	11,155	(80,000)
Decrease (increase) in notes and accounts receivable	20,481	(21,414)	(3,332)	153,704
(Increase) decrease in inventories	(6,450)	(8,172)	3,679	(48,405)
(Decrease) increase in notes and accounts payable	(21,110)	7,569	7,486	(158,424)
Other-net	(7,103)	9,041	2,083	(53,305)
Subtotal	104,181	140,695	156,289	781,846
Interest and dividends received	4,191	6,079	4,888	31,452
Interest paid	(12,081)	(14,070)	(13,730)	(90,664)
Income taxes paid	(33,436)	(38,008)	(27,141)	(250,927)
Net cash provided by operating activities	62,855	94,696	120,306	471,707
Cash flows from investing activities:				
Acquisition of securities	(3,616)	(9,098)	(3,353)	(27,137)
Proceeds from sale of securities	19,914	16,908	16,171	149,449
Acquisition of property, plant and equipment	(71,943)	(70,690)	(70,215)	(539,910)
Proceeds from sale of property, plant and equipment	3,073	3,853	3,505	23,062
Advance of long-term loans receivable	(6,586)	(2,261)	(2,088)	(49,426)
Collection of long-term loans receivable	3,408	4,122	3,979	25,576
Time deposits, maturing after three months and other, net	(1,466)	2,254	2,497	(11,002)
Net cash used in investing activities	(57,216)	(54,912)	(49,504)	(429,388)
Cash flows from financing activities:				
Dividends paid	(9,933)	(13,081)	(8,108)	(74,544)
Net increase (decrease) in commercial paper	—	17,000	(53,013)	—
Proceeds from other short-term debt	141,641	146,909	138,518	1,062,972
Repayments of other short-term debt	(132,381)	(189,112)	(133,385)	(993,478)
Proceeds from long-term debt	93,732	56,866	86,299	703,430
Repayments of long-term debt	(96,606)	(75,321)	(87,565)	(724,998)
Distributions to minority shareholders	(5,841)	(5,989)	(6,944)	(43,835)
Capital contributions from minority shareholders	589	79	1,989	4,420
Other-net	(47)	—	—	(353)
Net cash used in financing activities	(8,846)	(62,649)	(62,209)	(66,386)
Effect of exchange rate changes on cash and cash equivalents	1,874	1,581	(2,514)	14,063
Net (decrease) increase in cash and cash equivalents	(1,333)	(21,284)	6,079	(10,004)
Increase in cash and cash equivalents by				
newly consolidated subsidiaries	66	18	8,176	495
Cash and cash equivalents at beginning of year	56,569	77,835	63,580	424,533
Cash and cash equivalents at end of year	¥ 55,302	¥ 56,569	¥ 77,835	\$ 415,024
Supplemental schedule of non-cash transactions				
Conversion of convertible bonds	¥ —	¥ 9,882	¥ 6,553	\$ —

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited
Years ended March 31, 2002, 2001 and 2000

1. Basis of Financial Statements

(a) The Company and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan (“Japanese GAAP”). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders’ equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

Certain reclassifications have been made in the previous financial statements to conform to the presentation for the current year.

(b) The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 29, 2002, which was ¥133.25 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(c) In these notes, the “Company” means Sumitomo Chemical Company, Limited and the “Companies” means the Company and its consolidated subsidiaries.

2. Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and 102 significant subsidiaries for the year ended March 31, 2002, 98 significant subsidiaries for the year ended March 31, 2001 and 92 significant subsidiaries for the year ended March 31, 2000. All significant intercompany

transactions and accounts have been eliminated. Accounts of subsidiaries whose business year-ends precede that of the Company by more than three months have been included using appropriate interim financial information.

The Company prepares the consolidated financial statements in accordance with the revised Accounting Principles for Consolidated Financial Statements effective April 1, 1999. The accompanying consolidated financial statements include the accounts of the Company and significant companies, over which the Company has control through majority voting right or certain other conditions evidencing control by the Company.

Investments in non-consolidated subsidiaries and affiliates (generally 20% - 50% ownership), over which the Company has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method.

Excess of cost over equity in net assets acquired after March 31, 1999 is amortized within twenty years (over five years for assets acquired in prior years).

(b) Foreign currency translation

Foreign currency monetary assets and liabilities are translated into Japanese yen at the current rate at the end of the year and the resulting translation gains or losses are included in earnings currently, although prior to April 1, 2000, long-term receivables and payables denominated in foreign currencies were translated at historical rates.

All assets, liabilities, revenues and expenses of foreign subsidiaries and affiliates are translated into Japanese yen at the current rate at the end of the year and shareholders’ equity at historical rates.

Effective April 1, 2000, the Companies adopted the revised accounting standard for foreign currency translation (“Opinion Concerning Revision of Accounting Standard for Foreign Currency Transactions” issued by the Business Accounting Deliberation Council on October 22, 1999). The adoption had no significant effect on net income. Due to the accounting standard, foreign currency translation adjustments at March 31, 2002 and 2001 are included in shareholders’ equity and in minority interests. The prior year’s amount, which was included in investments and other non current assets, has not been reclassified.

(c) Allowance for doubtful receivables

The Companies provide for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts based on the analysis of certain individual receivables.

(d) Securities

Prior to April 1, 2000, except for investments accounted for by

the equity method, listed securities in both current assets and investments were stated at the lower of moving average cost or market. Other securities were stated at moving average cost.

Effective April 1, 2000, the Company and its domestic subsidiaries adopted a new accounting standard for financial instruments (“Opinion Concerning Establishment of Accounting Standard for Financial Instrument” issued by the Business Accounting Deliberation Council on January 22, 1999). Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as 1) securities held for trading purposes (“trading securities”), 2) debt securities intended to be held to maturity (“held-to-maturity debt securities”), 3) equity securities issued by subsidiaries and affiliates, and 4) for all other securities that are not classified in any of the above categories (“available-for-sale securities”).

The Companies have no trading securities.

Held-to maturity debt securities are stated at amortized cost.

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale securities whose fair value is readily determinable are stated at fair value as of the end of the year with unrealized gains and losses, net of applicable deferred tax assets/liabilities and minority interests, not reflected in earnings but directly reported as a separate component of shareholders’ equity. Realized gains or losses on sales of such securities are computed using moving-average cost. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving average cost.

If a decline in fair value below cost of an individual security is judged to be material and other than temporary, the carrying value of the individual security is written down.

(e) Derivatives and hedge accounting

The Companies enter into forward exchange contracts and currency swaps to hedge exchange rate risk associated with monetary items receivable and payable denominated in foreign currencies, interest rate swaps to hedge the risk related to interest on borrowings and reduce financing costs, and commodity forward contracts to manage exposures to fluctuations in market prices of aluminum. The Companies use derivative transactions for hedging market risk and not for speculation or dealing purposes. The Companies have established policies to manage both market and credit risk. In accordance with these policies, the Companies use highly-rated financial institutions and trading companies as counterparties, limit transaction types and amounts and report to the Board of Directors. The Companies evaluate

hedge effectiveness by comparing total cash flow of hedging instruments and hedged items.

The new accounting standard for financial instruments, effective April 1, 2000, required companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative instruments are used for hedging purposes. In accordance with the new accounting standard for financial instruments stated above, the Companies adopted the method which defers gains and losses resulting from changes in fair value of derivative financial instruments until the hedged transactions occur. When a foreign exchange forward contract or foreign currency swap contract meets certain conditions, the hedged item is stated by the forward exchange contract rate. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(f) Inventories

The Companies’ inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method. Inventories of certain consolidated subsidiaries are stated at average cost.

(g) Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated by the declining balance method (straight-line method for certain subsidiaries) over estimated useful lives.

(h) Intangible assets

Goodwill, products registration rights and other intangible assets are amortized on the straight-line method over the estimated useful lives. However, goodwill of the Company is fully amortized at the time of acquisition.

(i) Finance leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases in accordance with Japanese GAAP. Under Japanese accounting policies for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

(j) Research and development

Expenses relating to research and development activities are charged to income as incurred. Research and development

expenses were ¥66,670 million (US\$500,338 thousand), ¥59,127 million and ¥ 59,344 million for the years ended March 31, 2002, 2001 and 2000, respectively.

(k) Bond issue expenses

Bond issue expenses are charged to income as incurred.

(l) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax.

Deferred taxes are accounted for using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amount and tax basis of assets and liabilities using enacted tax rates.

(m) Retirement benefits

(i) Employees: The Company has two retirement plans in effect, a lump-sum benefit plan and a defined benefit pension plan. Under the terms of the lump-sum benefit plan, generally all employees are entitled, upon mandatory retirement or earlier voluntary severance, to indemnities based on compensation at the time of severance, and years of service. The Company's defined benefit plan is funded through outside trustees and covers all eligible employees. Certain consolidated subsidiaries also have similar plans.

Through the year ended March 31, 1999, the liability for lump-sum payments was provided at 40% of the amount which would be required if all employees mandatorily retired as of the balance sheet date. For the defined benefit pension plan the current period cost was funded through outside trustees and amortization of past period service costs arising from changes of the discount rates were charged to expenses by the 50% declining balance method. However, the Company and some of its consolidated subsidiaries adopted a new accounting method from the year ended March 31, 2000. Under this method, the provision for employees' retirement benefits is calculated by subtracting the current value of pension assets from the present value of employees' future retirement benefits, i.e., projected benefit obligation for services rendered to the balance sheet date. Effective April 1, 2000 the Company and its domestic consolidated subsidiaries adopted the new accounting standard "Accounting for Retirement Benefits" ("Opinion Concerning the Establishment of Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council on June 16, 1998), which is similar to the method the Company and some of its consolidated subsidiaries already adopted in the year ended March 31, 2000.

(ii) Directors and statutory auditors: The liability for directors' and statutory auditors' retirement benefits of the Company and certain subsidiaries is provided based on the Companies' standards and ¥2,747 million (US\$20,615 thousand) and ¥2,302 million were included in the other non-current liabilities at March 31, 2002 and 2001, respectively.

(n) Net income per 1,000 shares

The computation of net income per 1,000 shares of common stock shown in the consolidated statements of income is based on the weighted average number of shares outstanding during the period. The computation of dilutive net income per 1,000 shares of common stock is based on the weighted average number of shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the conversion of outstanding dilutive bonds at the beginning of the period. The related interest expense, net of income taxes, has been eliminated for the purposes of this calculation.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily-available deposits and short-term investments, which are easily convertible into cash and present insignificant risk of changes in value, with original maturities of three months or less.

3. Securities

The following tables summarize acquisition costs and book values (fair values) of securities with available fair values as of March 31, 2002.

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥43,859	¥153,564	¥109,705
Bonds	124	142	18
Total	¥43,983	¥153,706	¥109,723

(b) Other securities

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥13,783	¥10,822	¥(2,961)
Bonds and other	15	15	(0)
Total	¥13,798	¥10,837	¥(2,961)

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	\$329,148	\$1,152,450	\$823,302
Bonds	931	1,066	135
Total	\$330,079	\$1,153,516	\$823,437

(b) Other securities

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	\$103,437	\$81,215	\$(22,222)
Bonds and other	113	113	(0)
Total	\$103,550	\$81,328	\$(22,222)

The following table summarizes book values of securities with no available fair values as of March 31, 2002.

	Millions of yen	Thousands of U.S. dollars
Held-to-maturity debt securities:		
Subordinated bonds and other	¥ 2,308	\$ 17,321
Available-for-sale securities:		
Non-listed equity securities	14,340	107,617
Preferred securities	18,009	135,152
Public and corporate bond investment trusts and other	70	525
Investment securities in non-consolidated subsidiaries and affiliates	112,474	844,083
Total	¥147,201	\$1,104,698

Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2002 mature as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Bonds	¥157	¥131	¥ 106	¥21
Subordinated bonds and other	20	22	2,000	—
Total	¥177	¥153	¥2,106	¥21

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Bonds	\$1,178	\$ 983	\$ 796	\$158
Subordinated bonds and other	150	165	15,009	—
Total	\$1,328	\$1,148	\$15,805	\$158

Total sales of available-for-sale securities in the year ended March 31, 2002 amounted to ¥18,033 million (US\$135,332 thousand) and the related gains and losses amounted to ¥13,082 million (US\$98,176 thousand) and ¥10 million (US\$75 thousand), respectively.

The following tables summarize acquisition costs and book values (fair values) of securities with available fair values as of March 31, 2001.

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥57,323	¥231,832	¥174,509
Bonds	119	142	23
Total	¥57,442	¥231,974	¥174,532

(b) Other securities

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥3,919	¥3,211	¥(708)
Bonds and other	41	30	(11)
Total	¥3,960	¥3,241	¥(719)

The following table summarizes book values of securities with no available fair values as of March 31, 2001.

	Millions of yen
Held-to-maturity debt securities:	
Subordinated bonds and other	¥ 2,330
Available-for-sale securities:	
Non-listed equity securities	13,959
Preferred securities	18,009
Commercial paper	7,289
Money management fund and other	3,323
Investment securities in non-consolidated subsidiaries and affiliates	106,738
Total	¥151,648

Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2001 mature as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Bonds	¥ 21	¥271	¥ 104	¥46
Commercial paper	7,289	—	—	—
Subordinated bonds and other	1,026	22	2,000	—
Total	¥8,336	¥293	¥2,104	¥46

Total sales of available-for-sale securities in the year ended March 31, 2001 amounted to ¥12,385 million and the related gains and losses amounted to ¥10,071 million and ¥24 million, respectively.

4. Investments in related companies

Investments in non-consolidated subsidiaries and affiliates included in the balance sheet at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Investment securities	¥112,474	¥106,738	\$844,083
Other non-current assets	4,004	6,946	30,049

5. Short-term Debt and Long-term Debt

Interest rates of short-term bank loans ranged from 0.33% to 13.75% and from 0.437% to 18.5% at March 31, 2002 and 2001, respectively. Short-term debt at March 31, 2002 and 2001, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Bank loans	¥110,102	¥101,636	\$826,281
Commercial paper	17,000	17,000	127,580
	¥127,102	¥118,636	\$953,861

Long-term debt at March 31, 2002 and 2001, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
1.7% convertible bonds due 2003, convertible into shares of the Company's common stock at a price of ¥983.20 per share	¥ 19,548	¥19,548	\$ 146,702
1.6% convertible bonds due 2004, convertible into shares of the Company's common stock at a price of ¥965.80 per share	19,914	19,914	149,448
0.06%-1.9301% Euro notes under medium-term note programs due 2002-2006	25,974	27,705	194,927
0.83%-3.25% debentures due 2002-2011	197,000	187,000	1,478,424
0.264%-7.5% long-term bank loans payable, maturing serially through 2036	60,573	64,856	454,582
1.997%-13.5% long-term bank loans payable in foreign currencies due through 2007	37,207	36,560	279,227
	360,216	355,583	2,703,310
Less amounts due within one year	(70,443)	(49,014)	(528,653)
	¥289,773	¥306,569	\$2,174,657

The aggregate annual maturities of long-term debt subsequent to March 31, 2002, were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 70,443	\$ 528,653
2004	67,798	508,803
2005	54,321	407,663
2006	34,465	258,649
2007	19,945	149,681
2008 and thereafter	113,244	849,861
	¥360,216	\$2,703,310

At March 31, 2002, assets pledged as collateral for short-term debt and long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥45,805	\$343,752
Investment securities and other	9,495	71,257
	¥55,300	\$415,009
Liabilities secured thereby	¥23,498	\$176,345

6. Leases

At March 31, 2002 and 2001, assets leased under non-capitalized financial leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Machinery and equipment	¥8,696	¥15,060	\$65,261
Buildings and structures	27	31	203
Less accumulated depreciation and amortization	(4,897)	(10,076)	(36,751)
Total	¥3,826	¥ 5,015	\$28,713

The above “as if capitalized” depreciation and amortization is calculated on the straight line method over lease terms. If the above leases were capitalized, interest of ¥119 million (US\$893 thousand) and ¥162 million and depreciation and amortization of ¥2,043 million (US\$15,332 thousand) and ¥2,827 million would have been recorded for the years ended March 31, 2002 and 2001, respectively.

Total lease payments under non-capitalized finance leases were ¥2,282 million (US\$17,126 thousand), ¥3,335 million and ¥3,674 million for the years ended March 31, 2002, 2001 and 2000, respectively.

Obligations under finance leases at March 31, 2002 and 2001, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥1,681	¥2,505	\$12,616
Due after one year	2,182	2,727	16,375
Total	¥3,863	¥5,232	\$28,991

Obligations under operating leases at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥ 1,610	¥1,754	\$12,083
Due after one year	9,672	7,401	72,585
Total	¥11,282	¥9,155	\$84,668

7. Retirement Benefits

The liabilities for retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2002 and 2001 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Projected retirement benefit obligation	¥(248,446)	¥(246,241)	\$(1,864,510)
Plan assets	172,450	160,167	1,294,184
Unfunded retirement benefit obligation	(75,996)	(86,074)	(570,326)
Unrecognized actuarial changes in assumption	18,151	16,038	136,217
Unrecognized past period service cost	(59)	(55)	(443)
Provision for employees' retirement benefits	¥ (57,904)	¥ (70,091)	\$ (434,552)

Net periodic costs for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥ 9,268	¥ 9,523	\$ 69,553
Interest cost	4,254	4,121	31,925
Expected return on retirement benefit plan assets	(2,752)	(2,654)	(20,653)
Net transition obligation	—	14,338	—
Amortization of actuarial loss	5,993	3,328	44,976
Net periodic cost	¥16,763	¥28,656	\$125,801

The assumptions and basis used for the calculation of retirement benefit obligation are as follows:

Discount rate	mainly 1.7%
Expected return rate for plan assets	mainly 1.7%
Amortization period for actuarial changes	mainly 3 years

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years.

8. Restructuring Charges

Restructuring charges consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Loss on investments in and loans to related companies	¥2,130	¥ 6,892	¥ 5,048	\$15,985
Loss on disposal of property, plant and equipment	1,897	4,425	17,161	14,236
Special severance benefits	927	—	2,552	6,957
Others	85	—	—	638
	¥5,039	¥11,317	¥24,761	\$37,816

9. Deferred Taxes

Significant components of deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Depreciation and amortization	¥17,260	¥11,196	\$129,531
Retirement benefits	16,301	18,897	122,334
Inventories	3,597	4,132	26,994
Intercompany profit	2,617	2,769	19,640
Investment securities	1,887	2,407	14,161
Tax deductible reserves	(3,824)	(3,937)	(28,698)
Unrealized gain on investment securities	(42,076)	(68,786)	(315,767)
Other	20,941	21,643	157,156
Net deferred tax assets (liabilities)	¥16,703	¥(11,679)	\$125,351

Significant items in the reconciliations of the normal income tax rate to the effective income tax rate for the years ended March 31, 2002, 2001 and 2000 were as follows:

	2002	2001	2000
Normal income tax rate in Japan	40.9 %	40.9 %	40.9 %
Permanently non-deductible expenses	3.1	2.9	5.8
Permanently non-taxable dividends received	(1.8)	(1.4)	(3.6)
Other	(1.8)	(3.8)	9.1
Effective income tax rate	40.4 %	38.6 %	52.2 %

10. Shareholders' Equity

Under the Japanese Commercial Code, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as capital surplus.

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and capital surplus equals 25% of common stock. The legal reserve is not available for dividends unless the total amount of legal reserve and capital surplus exceeds 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. Legal reserve is included in retained earnings.

11. Contingent Liabilities

At March 31, 2002, the Companies were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted or endorsed	¥ 268	\$ 2,011
As guarantor of indebtedness	21,639	162,394
As issuer of letters of comfort	10,013	75,144
	¥31,652	\$237,538

The Companies' share of the above liabilities was ¥ 30,327 million (US\$227,595 thousand).

12. Revaluation Reserve

In the year ended March 31, 2000, certain affiliates, accounted for by the equity method, revalued land under the Land Revaluation Law and recorded unrealized gains on revaluation, net of tax, as a revaluation reserve directly in shareholders' equity. Investments in these affiliates increased in an amount equal to the Companies' equity in their reserves, as presented as Revaluation reserve.

13. Segment Information

The operations of the Companies for the years ended March 31, 2002, 2001 and 2000 are summarized by product group and geographic area as follows.

So as to present more useful segment information, the Companies have changed the product group segmentation from the three groups (“Basic Chemicals & Petrochemicals”, “Specialty Chemicals”, “Others”) to seven segments (“Basic Chemicals”, “Petrochemicals”, “Fine Chemicals”, “IT-related Chemicals (newly established business group)”, “Agricultural Chemicals”, “Pharmaceuticals”, “Others”).

Prior period statements have been reclassified to conform to the current period.

Segment information by product group	Millions of yen								Consolidated
	Basic Chemicals	Petrochemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	
Year ended March 31, 2002									
Sales to unaffiliated customers	¥173,836	¥338,556	¥ 99,765	¥ 59,799	¥134,867	¥173,982	¥ 37,547	¥ —	¥1,018,352
Inter-segment transfers	5,375	3,033	13,582	29	1,304	77	80,423	(103,823)	—
Total sales	179,211	341,589	113,347	59,828	136,171	174,059	117,970	(103,823)	1,018,352
Operating cost	176,199	342,031	105,315	66,135	118,262	132,042	113,184	(103,652)	949,516
Operating income (loss)	¥ 3,012	¥ (442)	¥ 8,032	¥ (6,307)	¥ 17,909	¥ 42,017	¥ 4,786	¥ (171)	¥ 68,836
Assets	¥157,058	¥314,039	¥153,992	¥108,020	¥184,018	¥215,129	¥154,745	¥ 106,158	¥1,393,159
Depreciation and amortization	8,964	14,204	11,105	7,316	20,048	9,462	4,938	3,210	79,247
Capital expenditure	10,564	12,306	10,644	8,414	19,164	4,981	4,846	2,064	72,983

Segment information by product group	Millions of yen								Consolidated
	Basic Chemicals	Petrochemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	
Year ended March 31, 2001									
Sales to unaffiliated customers	¥180,609	¥375,471	¥113,499	¥60,199	¥121,585	¥156,748	¥ 32,839	¥ —	¥1,040,950
Inter-segment transfers	5,954	1,726	10,865	—	755	108	81,558	(100,966)	—
Total sales	186,563	377,197	124,364	60,199	122,340	156,856	114,397	(100,966)	1,040,950
Operating cost	182,027	369,879	116,827	57,054	102,932	118,096	110,540	(101,078)	956,277
Operating income	¥ 4,536	¥ 7,318	¥ 7,537	¥ 3,145	¥ 19,408	¥ 38,760	¥ 3,857	¥ 112	¥ 84,673
Assets	¥165,569	¥326,786	¥162,471	¥97,659	¥160,331	¥201,672	¥164,720	¥ 176,189	¥1,455,397
Depreciation and amortization	7,961	14,343	11,364	6,159	8,712	7,958	5,273	2,839	64,609
Capital expenditure	6,710	9,481	10,749	5,169	4,393	19,105	3,926	2,605	62,138

Due to the new accounting standard, foreign currency translation adjustments, included in assets of the adjustments and elimination column in prior years, are presented in the shareholders' equity at March 31, 2002 and 2001. For the year ended March 31, 2000, foreign currency translation adjustments amounting to ¥30,805 million were included in assets of the adjustments and elimination column.

Segment information by product group	Millions of yen								Consolidated
	Basic Chemicals	Petro-chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	
Year ended March 31, 2000									
Sales to unaffiliated customers	¥170,195	¥331,794	¥113,995	¥62,134	¥105,617	¥143,095	¥ 23,509	¥ —	¥ 950,339
Inter-segment transfers	6,156	2,005	8,950	—	745	319	87,319	(105,494)	—
Total sales	176,351	333,799	122,945	62,134	106,362	143,414	110,828	(105,494)	950,339
Operating cost	173,310	323,422	113,914	67,108	87,452	112,600	107,826	(105,442)	880,190
Operating income (loss)	¥ 3,041	¥ 10,377	¥ 9,031	¥ (4,974)	¥ 18,910	¥ 30,814	¥ 3,002	¥ (52)	¥ 70,149
Assets	¥156,908	¥347,325	¥155,437	¥93,624	¥150,797	¥185,216	¥133,046	¥ 100,025	¥1,322,378
Depreciation and amortization	10,197	16,019	11,783	7,502	7,046	15,395	4,674	2,746	75,362
Capital expenditure	10,420	14,686	10,591	5,627	27,442	4,697	5,284	2,867	81,614

Segment information by product group	Thousands of U.S. dollars								Consolidated
	Basic Chemicals	Petro-chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	
Year ended March 31, 2002									
Sales to unaffiliated customers	\$1,304,585	\$2,540,758	\$ 748,705	\$448,773	\$1,012,135	\$1,305,681	\$ 281,780	\$ —	\$ 7,642,417
Inter-segment transfers	40,338	22,762	101,929	218	9,786	578	603,548	(779,159)	—
Total sales	1,344,923	2,563,520	850,634	448,991	1,021,921	1,306,259	885,328	(779,159)	7,642,417
Operating cost	1,322,319	2,566,837	790,356	496,323	887,519	990,934	849,412	(777,876)	7,125,824
Operating income (loss)	\$ 22,604	\$ (3,317)	\$ 60,278	\$ (47,332)	\$ 134,402	\$ 315,325	\$ 35,916	\$ (1,283)	\$ 516,593
Assets	\$1,178,672	\$2,356,765	\$1,155,662	\$810,657	\$1,380,998	\$1,614,477	\$1,161,313	\$ 796,683	\$10,455,227
Depreciation and amortization	67,272	106,597	83,340	54,904	150,454	71,009	37,058	24,090	594,724
Capital expenditure	79,280	92,353	79,880	63,144	143,820	37,381	36,367	15,490	547,715

Segment information by geographic area	Millions of yen			
	Domestic Companies	Overseas Companies	Adjustments & Elimination	Consolidated
Year ended March 31, 2002				
Sales to unaffiliated customers	¥ 857,134	¥161,218	¥ —	¥1,018,352
Inter-segment transfers	41,486	17,869	(59,355)	—
Total sales	898,620	179,087	(59,355)	1,018,352
Operating cost	835,497	171,920	(57,901)	949,516
Operating income	¥ 63,123	¥ 7,167	¥ (1,454)	¥ 68,836
Assets	¥1,094,292	¥175,803	¥123,064	¥1,393,159

Segment information by geographic area	Millions of yen			
	Domestic Companies	Overseas Companies	Adjustments & Elimination	Consolidated
Year ended March 31, 2001				
Sales to unaffiliated customers	¥ 889,332	¥151,618	¥ —	¥1,040,950
Inter-segment transfers	31,874	15,729	(47,603)	—
Total sales	921,206	167,347	(47,603)	1,040,950
Operating cost	844,913	159,569	(48,205)	956,277
Operating income	¥ 76,293	¥ 7,778	¥ 602	¥ 84,673
Assets	¥1,097,843	¥163,300	¥194,254	¥1,455,397

Due to the new accounting standard, foreign currency translation adjustments, included in assets of the adjustments and elimination column in prior years, are presented in the shareholders' equity at March 31, 2002 and 2001. For the year ended March 31, 2000, foreign currency translation adjustments amounting to ¥30,805 million were included in assets of the adjustments and elimination column.

Segment information by geographic area	Millions of yen			
	Domestic Companies	Overseas Companies	Adjustments & Elimination	Consolidated
Year ended March 31, 2000				
Sales to unaffiliated customers	¥ 841,890	¥108,449	¥ —	¥ 950,339
Inter-segment transfers	28,006	13,454	(41,460)	—
Total sales	869,896	121,903	(41,460)	950,339
Operating cost	804,129	117,079	(41,018)	880,190
Operating income	¥ 65,767	¥ 4,824	¥ (442)	¥ 70,149
Assets	¥1,055,228	¥155,802	¥111,348	¥1,322,378

Segment information by geographic area	Thousands of U.S. dollars			
	Domestic Companies	Overseas Companies	Adjustments & Elimination	Consolidated
Year ended March 31, 2002				
Sales to unaffiliated customers	\$6,432,525	\$1,209,892	\$ —	\$ 7,642,417
Inter-segment transfers	311,340	134,101	(445,441)	—
Total sales	6,743,865	1,343,993	(445,441)	7,642,417
Operating cost	6,270,146	1,290,207	(434,529)	7,125,824
Operating income	\$ 473,719	\$ 53,786	\$ (10,912)	\$ 516,593
Assets	\$8,212,323	\$1,319,347	\$ 923,557	\$10,455,227

Corporate assets of ¥187,440 million (US\$1,406,679 thousand), ¥251,907 million and ¥168,933 million, included in the adjustments and elimination column for the years ended March 31, 2002, 2001 and 2000, respectively, consist mainly of cash and cash equivalents, investment securities, deferred tax assets, and shared research facilities of the Company.

Overseas operations, which represent sales to unaffiliated customers outside Japan, of the Companies totaled ¥287,191 million (US\$2,155,280 thousand), ¥276,500 million and ¥227,450 million and accounted for 28.2%, 26.6% and 23.9% of the total sales to unaffiliated customers for the years ended March 31, 2002, 2001 and 2000, respectively. Overseas operations in the Asian region were ¥163,388 million (US\$1,226,176 thousand), ¥160,447 million and ¥138,691 million for the years ended March 31, 2002, 2001 and 2000, respectively.

14. Subsequent Events

At the ordinary shareholders' meeting of the Company held on June 27, 2002, the appropriation of retained earnings at March 31, 2002 will be proposed as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥3.0 (US\$0.023) per share	¥4,966	\$37,268
Bonuses to directors and statutory auditors	129	968

Report of Independent Certified Public Accountants

To the Board of Directors of
Sumitomo Chemical Company, Limited:

We have audited the accompanying consolidated balance sheets of Sumitomo Chemical Company, Limited and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Sumitomo Chemical Company, Limited and subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraphs.

As explained in Note 13, in the year ended March 31, 2002, Sumitomo Chemical Company, Limited and subsidiaries changed the product group segmentation from the three groups to seven segments.

As described in Note 2 (b), (d), (e) and (m), in the year ended March 31, 2001, Sumitomo Chemical Company, Limited and some of its subsidiaries adopted new accounting standards for foreign currency translation, financial instruments and retirement benefits.

As explained in Note 2 (a), in the year ended March 31, 2000, Sumitomo Chemical Company, Limited prospectively adopted the new Japanese accounting standard for consolidation and equity method of accounting. Also Sumitomo Chemical Company, Limited and some of its consolidated subsidiaries changed their method of accounting for retirement benefits, effective April 1, 1999, as described in Note 2 (m).

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.



Asahi & Co
Osaka, Japan
June 27, 2002

Subsidiaries and Affiliates

Company Name	Major Business Fields	The Company's Share (%)	Telephone	Facsimile
JAPAN				
»AstraZeneca K.K.	Pharmaceuticals	20.0	(6) 6453-7500	(6) 6453-7894
»Dow Kakoh K.K.	Formed polystyrene	35.0	(3) 5460-2351	(3) 5460-6288
»GlaxoSmithKline K.K.	Pharmaceuticals	15.0	(3) 5786-5000	(3) 5786-5200
»Inabata & Co., Ltd.*	Trading in industrial chemicals, fine chemicals, and plastics	24.6	(6) 6267-6051	(6) 6267-6042
»Japan-Singapore Petrochemicals Co., Ltd.	Equity holder in Petrochemical Corporation of Singapore (Pte) Ltd.	53.9	(3) 5543-5867	(3) 5543-5947
»Keiyo Ethylene Co., Ltd.	Ethylene and propylene	22.5	(3) 3552-9373	(3) 3552-9443
»Koei Chemical Co., Ltd.*	Formaldehydes and pyridines	56.1	(6) 6204-1515	(6) 6204-1530
»New STI Technology, Inc.	Color filters for LCDs	90.0	(3) 5543-5861	(3) 5543-5937
»Nihon Methacryl Monomer Co., Ltd.	Methyl methacrylate monomer and methacrylic acid	80.0	(3) 5543-5302	(3) 5543-5907
»Nihon Medi-Physics Co., Ltd.	Radiopharmaceuticals	50.0	(3) 3234-2910	(3) 3264-6749
»Nihon Oxirane Co., Ltd.	Propylene oxide and styrene monomer	50.0	(3) 3272-0401	(3) 3271-6050
»Nihon Singapore Polyolefin Co., Ltd.	Equity holder in The Polyolefin Company (Singapore) Pte. Ltd.	95.7	(3) 5543-5309	(3) 5543-5911
»Nippon A&L Inc.	ABS resin and SBR latex	67.0	(6) 6220-3633	(6) 6220-3699
»Shinto Paint Co., Ltd.*	Paints	45.2	(6) 6426-3355	(6) 6429-6188
»Sumika Chemtex Co., Ltd.	Dyestuffs and functional chemicals	100.0	(6) 6466-5146	(6) 6466-5457
»Sumika Fine Chemicals Co., Ltd.	Pharmaceutical intermediates, organic rubber chemicals, agricultural chemicals, photographic chemicals, and information storage media	100.0	(6) 6473-0331	(6) 6474-2468
»Sumika Plastech Co., Ltd.	Plastic sheets and films	100.0	(3) 5543-5438	(3) 5543-5935
»Sumitomo Bakelite Co., Ltd.*	Resins and resin products	20.8	(3) 5462-4111	(3) 5462-4874
»Sumika Bayer Urethane Co., Ltd.	Polyurethane raw materials	40.0	(6) 6497-2151	(6) 6499-9461
»Sumitomo Chemical Engineering Co., Ltd.	Engineering, procurement, and maintenance and construction for chemical plants	100.0	(43) 299-0200	(43) 299-0210
»Sumitomo Dow Ltd.	Polycarbonates	50.0	(3) 3231-0405	(3) 3231-0406
»Sumitomo Joint Electric Power Co., Ltd.	Supply of electricity	52.5	(897) 37-2142	(897) 32-9862
»Sumitomo Mitsui Polyolefin Co., Ltd.	Polyethylene and polypropylene	50.0	(3) 5543-5400	(3) 5543-5994
»Sumitomo Pharmaceuticals Co., Ltd.	Pharmaceuticals	77.8	(6) 6229-5711	(6) 6233-2288
»Sumitomo Seika Chemicals Co., Ltd.*	Industrial chemicals and organic sulfur compounds	30.2	(6) 6220-8508	(6) 6220-8541
»Taoka Chemical Co., Ltd.*	Dyestuffs, industrial chemicals and adhesives	50.7	(6) 6394-1221	(6) 6394-1658

Notes: 1. Colors indicate the following sectors: » The Basic Chemicals, Petrochemicals & Plastics » Fine Chemicals, IT-related Chemicals, Agricultural Chemicals, Pharmaceuticals » The Others

2. Companies indicated by an asterisk are those listed on stock exchange markets in Japan.

Company Name	Major Business Fields	The Company's Share (%)	Telephone	Facsimile
SINGAPORE				
»Petrochemical Corporation of Singapore (Pte) Ltd.	Ethylene and propylene	50.0	6291-0911	6291-7661
»Chevron Phillips Singapore Chemicals (Pte) Ltd	High-density polyethylene	20.0	6337-9700	6337-9619
» Sumitomo Chemical Singapore Pte Ltd	Crude acrylic acid, acrylic ester, glacial acrylic acid, super-absorbent polymer, MMA monomer, MMA polymer, household insecticides, dyestuffs and other products.	100.0	6291-2968	6296-3779
»Singapore Acrylic Ester Pte Ltd	Acrylic ester	25.0	–	–
»Singapore Acrylic Pte Ltd	Crude acrylic acid	60.0	–	–
»Singapore MMA Monomer Pte Ltd	Methyl methacrylate monomer	100.0	–	–
»Sumika Glacial Acrylic Pte Ltd	Glacial acrylic acid	100.0	–	–
»Sumika MMA Polymer Pte Ltd	Methyl methacrylate polymer	100.0	–	–
»Sumitomo Seika Singapore Pte. Ltd.	Super water-absorbent polymer	20.0	–	–
»The Polyolefin Company (Singapore) Pte. Ltd.	Polyethylene and polypropylene	70.0	6292-9622	6293-8890
ASIA AND OCEANIA				
CHINA				
»Shanghai Lifetech Household Products Co., Ltd.	Products relating to household insecticides	80.0	(21) 6463-4779	(21) 6463-4778
»Shanghai KSC Optical Device Co., Ltd.	Optical functional film	60.0	(21) 5046-2296	(21) 5046-3133
»Shanghai Sumika High Purity Metal, Limited	High purity gallium	70.0	–	–
» Sumitomo Chemical Shanghai Co., Ltd.	Plant protection chemicals and household insecticides	100.0	(21) 5885-7700	(21) 5852-8191
INDIA				
»SC Enviro Agro India Private Limited	Household insecticides	90.0	(25) 25-72172	(25) 25-73332
» Sumitomo Chemical India Private Limited	Chemical products	100.0	(22) 204-0730	(22) 204-0722
KOREA				
»Dongwoo Fine-Chem Co., Ltd.	Fine chemicals	90.0	(2) 6250-1100	(2) 6250-1198
»LG MMA Corp.	Methyl methacrylate	25.0	(2) 3770-1220	(2) 3770-1209
MALAYSIA				
» Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.	Household insecticides	100.0	(6) 679-3711	(6) 679-3698
TAIWAN				
»SC-IK Technology Co., Ltd.	Optical functional film	50.0	(7) 364-1316	(7) 364-6994
» Sumitomo Chemical Taiwan Co., Ltd.	Plant protection chemicals	100.0	(2) 2545-6345	(2) 2545-6333
THAILAND				
»Bara Chemical Co., Ltd.	Resins, optical brightening agents, and adhesives	55.0	(2) 709-4598	(2) 323-9997
AUSTRALIA				
» Sumitomo Chemical Australia Pty. Ltd.	Plant protection chemicals and household insecticides	100.0	(2) 9904-6499	(2) 9904-7499
NEW ZEALAND				
»New Zealand Aluminium Smelters Ltd.	Aluminum ingots	20.6	(3) 218-5999	(3) 218-9747

Notes: 1. Colors indicate the following: » The Basic Chemicals, Petrochemicals & Plastics » Fine Chemicals, IT-related Chemicals, Agricultural Chemicals, Pharmaceuticals » The Others

2. For those companies in bold type, office addresses, phone numbers, and other information can be found on page 50.

3. For those companies with underlined company shares, the underline indicates the ratio of shares owned by the following companies: Petrochemical Corporation of Singapore (Pte) Ltd. shares that are owned by Japan-Singapore Petrochemicals Co., Ltd.; The Polyolefin Company (Singapore) Pte. Ltd. shares that are owned by Nihon Singapore Polyolefin Co., Ltd.; and the shares of Singapore Acrylic Ester Pte Ltd, Singapore Acrylic Pte Ltd, Singapore MMA Monomer Pte Ltd, Sumika MMA Polymer Pte Ltd, Sumika Glacial Acrylic Pte Ltd, and Sumitomo Seika Singapore Pte. Ltd. that are owned by Sumitomo Chemical Singapore Pte Ltd.

Company Name	Major Business Fields	The Company's Share (%)	Telephone	Facsimile
AMERICAS				
UNITED STATES				
»Phillips Sumika Polypropylene Co.	Polypropylene	40.2	(713) 289-4847	(713) 289-4175
»Sumika Polymers America Corp.	Plastics	100.0	(212) 572-8200	(212) 572-8234
» Sumitomo Chemical America, Inc.	Chemical products	100.0	(212) 572-8200	(212) 572-8234
» Sumitomo Chemical Capital America, Inc.	Financing	100.0	–	–
»Valent Biosciences Corp.	Plant protection chemicals	100.0	(847) 968-4700	(847) 968-4802
»Valent U.S.A. Corp.	Plant protection chemicals	100.0	(925) 256-2700	(925) 256-2776
MEXICO				
»Valent de Mexico, S.A. de C.V.	Plant protection chemicals	100.0	(3) 110-01-62	(3) 110-17-54
BRAZIL				
» Sumitomo Chemical do Brasil Representações Limitada	Plant protection chemicals and household insecticides	100.0	(11) 3174-0355	(11) 3174-0377
EUROPE AND AFRICA				
BELGIUM				
» Sumitomo Chemical Belgium S.A./N.V.	Chemical products	100.0	(2) 251-0650	(2) 251-2991
FRANCE				
»Philagro France S.A.	Plant protection chemicals	100.0	(478) 64-3227	(478) 47-7128
»Philagro Holding S.A.	Holding company for Philagro France S.A.	60.0	(478) 64-3227	(478) 47-7128
» Sumitomo Chemical Agro Europe S.A.	Plant protection chemicals	100.0	(478) 64-32-60	(478) 47-25-45
GERMANY				
» Sumitomo Chemical Deutschland GmbH	Chemical products	100.0	(211) 518791-0	(211) 518791-40
ITALY				
»Isagro Italia S.r.l.	Plant protection chemicals	50.0	(02) 45280-1	(02) 45280-350
SPAIN				
»Keno Gard S.A.	Plant protection chemicals	65.0	(93) 4481270	(93) 4881889
UNITED KINGDOM				
» Sumitomo Chemical (U.K.) plc	Household insecticides and financing	100.0	(20) 8600-7700	(20) 8600-7717
SOUTH AFRICA				
»Philagro South Africa (Pty) Ltd.	Plant protection chemicals and household insecticides	80.0	(12) 348-8808	(12) 348-3500
»Sumika-Merisol RSA (Pty) Ltd.	Ortho-cresol novolac resins	80.0	(16) 960-3130	(16) 960-3732

Notes: 1. Colors indicate the following: » The Basic Chemicals, Petrochemicals & Plastics » Fine Chemicals, IT-related Chemicals, Agricultural Chemicals, Pharmaceuticals » The Others

2. For those companies in bold type, office addresses, phone numbers, and other information can be found on page 50.

3. For those companies with underlined company shares, the underline indicates the ratio of shares owned by the following companies:

Sumika Polymers America Corp. shares that are owned by Sumitomo Chemical America, Inc.; Phillips Sumika Polypropylene Co. shares that are owned by Sumika Polymers America Corp.; Valent Biosciences Corp. shares and Valent de Mexico, S.A. de C.V. shares that are owned by Valent U.S.A. Corp.; Sumitomo Chemical Belgium S.A./N.V. shares that are owned by Sumitomo Chemical Deutschland GmbH; and Philagro France S.A. shares that are owned by Philagro Holding S.A.

Principal Overseas Operational Headquarters and Offices

Sumitomo Chemical Singapore Pte Ltd

150 Beach Road
#19-05 Gateway West
Singapore 189720
Tel: 6291-2968
Fax: 6296-3779

Sumitomo Chemical Co., Ltd. Beijing Office

1012, Beijing Fortune Bldg.
5 Dong San Huan Bei Lu
Chaoyang District, Beijing 100004
People's Republic of China
Tel: (10) 6590-8542
Fax: (10) 6590-8540

Sumitomo Chemical Shanghai Co., Ltd.

204, CITIC Plaza Pent-Ox Metropolis
1085 Pudong Ave., Shanghai 200135
People's Republic of China
Tel: (21) 5885-7700
Fax: (21) 5852-8191

Sumitomo Chemical Taiwan Co., Ltd.

6F-3, No. 369, Fu-Shing North Road
Taipei, Taiwan, R.O.C.
Tel: (2) 2545-6345
Fax: (2) 2545-6333

Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.

Lot 62A, Persiaran Bunga Tanjung 1
Senawang Industrial Park 70400
Seremban Negeri Sembilan Darul Khusus
Malaysia
Tel: (6) 679-3711
Fax: (6) 679-3698

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Investor Information

(As of March 31, 2002)

Common Stock:

Authorized: 5,000,000 thousand shares
 Issued: 1,655,446 thousand shares
 (Book value: ¥89,699 million)

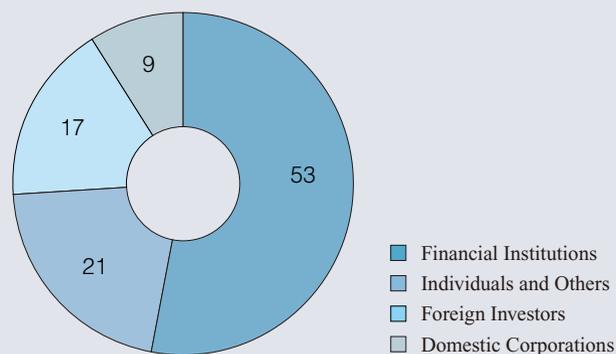
Transfer Agent and Registrar:

Sumitomo Trust & Banking Co., Ltd.
 Stock Transfer Agency Division
 Sumitomo Building, 5-33, Kitahama 4-chome
 Chuo-ku, Osaka 541-0041, Japan

Number of Shareholders: 130,176

Independent Certified Public Accountants: Asahi & Co.

Distribution of Shareholders



Share Performance of Sumitomo Chemical



Share price on April 2, 2001 (¥605)= 100%



レスポンシブル・ケア®

Responsible Care

Sumitomo Chemical is a
Responsible Care company.

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