

Sumitomo Chemical Company, Limited Announces Consolidated Financial Results

Sumitomo Chemical Company, Limited today announced that its consolidated net sales for the year ended March 31, 2006 (FY 2005) totaled ¥1,556.6 billion (\$13,251 million), an increase of 20.1% over FY 2004. The Company posted operating income of ¥120.8 billion (\$1,028 million) and net income of ¥90.7 billion (\$772 million), both record levels.

Sales in the Basic Chemicals Segment rose by 11.8% over last year to ¥252.4 billion. Growth in sales of caprolactam and acrylonitrile (raw materials for synthetic fiber) was driven by favorable market conditions. Sales of aluminum expanded considerably thanks to price increases in the second half. The Petrochemicals & Plastics Segment saw a sales increase of 17.8% to ¥486.1 billion. Sales of synthetic resins grew significantly, thanks to solid demand in Asia. Sales of petrochemical products such as styrene monomer and propylene oxide grew as market conditions became more favorable due to price hikes for feedstocks like naphtha. Sales in the Fine Chemicals Segment decreased by 6.0% to ¥79.0 billion. Sales of adhesives raw materials firmed up, while intensifying competition caused a decrease in sales of bulk pharmaceuticals. Sales in the IT-related Chemicals Segment rose by 31.2% to ¥229.2 billion. Although selling prices of color filters and polarizing film, materials for liquid crystal displays, decreased, shipments of these products increased significantly as a result of production capacity expansion, most notably in Korea. Sales in the Agricultural Chemicals Segment improved by 8.5% over the previous year to ¥186.2 billion. Overseas sales of agrochemicals were favorable, driven especially by expanded sales of herbicides in the North American market. In addition, shipments of feed additives increased as a result of expanded sales promotion.

Sales in the Pharmaceutical Segment expanded by 36.6% over the previous year to ¥233.1 billion. In October of last year, Sumitomo Pharmaceuticals Co., Ltd. and Dainippon Pharmaceutical Co. Ltd. merged to form Dainippon Sumitomo Pharma Co. Ltd. Each of the major products in the segment, including former Sumitomo Pharmaceuticals' products, *Amlodin* (therapeutic agent for hypertension and angina pectoris) and *Meropen* (carbapenem antibiotic), and products of the former Dainippon Pharmaceutical, *Gasmotin* (gastroprokinetic agent) and *Prorenal* (peripheral circulation improvement agent), posted firm sales. Sales in the Others Segment increased 59.5% over the previous year to ¥90.6 billion.

Total operating income increased 14.8% over FY 2004 to ¥120.8 billion. Basic Chemicals jumped by 91.7% to ¥10.0 billion and Petrochemicals and Plastics improved by 19.5% to ¥17.9 billion, buoyed by favorable market conditions in Asia. IT-related Chemicals increased by 15.8% to ¥21.7 billion and Agricultural Chemicals by 11.8% to ¥16.6 billion thanks to an increase in shipments. Pharmaceuticals saw an increase of 11.2% to ¥38.3 billion as a result of the merger of Sumitomo Pharmaceuticals and Dainippon Pharmaceutical. Fine Chemicals showed a decrease of 14.9% to ¥9.8 billion because of intensifying competition in the area of bulk pharmaceuticals.

Net income also increased over the previous year by 40.7% to ¥90.7 billion, boosted by an extraordinary gain from the merger of Sumitomo Pharmaceuticals and Dainippon Pharmaceutical. Net cash provided by operating activities was ¥122.8 billion (\$1,045 million), and net cash used in investing activities totaled ¥180.7 billion (\$1,538 million), reflecting expenditures for the Rabigh project in Saudi Arabia, the IT-related Chemicals Segment and other areas. Free cash flow was negative ¥57.9 billion (\$493 million).

For FY 2006, consolidated sales of ¥1,770 billion (\$15,068 million) are projected, an increase of 13.7% over the FY2005 level, while net income is anticipated to be ¥80 billion (\$681 million), a decrease of 11.8%. Excluding the above-mentioned extraordinary gain included in the figures for FY 2005, net income in FY 2006 will post a real growth of 4.7%. The estimated dividend for FY2006 is ¥10,000 per 1,000 shares, the same amount as for FY2005, which will be higher by ¥2,000 per 1,000 shares than in FY2004 as announced by the Company's revised forecast dated 26 April 2006.

(Note) *U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥117.47= \$1 prevailing on March 31, 2006.

Consolidated Statements of Income
Years ended March 31, 2006(FY2005) and 2005(FY2004)

	FY2005		FY2004
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 1,556,606	\$13,251,094	¥ 1,296,315
Cost of sales	1,138,536	9,692,143	933,892
Selling, general and administrative expenses	297,280	2,530,688	257,241
Operating income	120,790	1,028,263	105,182
Other income (expenses):			
Interest and dividend income	5,698	48,506	4,206
Interest expense	(7,917)	(67,396)	(7,197)
Equity in earnings of affiliates	26,815	228,271	26,696
Gain on change in interests in consolidated subsidiary	14,273	121,503	-
Gain on sale of securities	8,276	70,452	1,718
Foreign exchange gain	5,746	48,915	5,820
Gain on business transfer	4,516	38,444	-
Gain on sale of property, plant and equipment	2,368	20,158	-
Expenses for subsidiary merger	(6,116)	(52,064)	-
Restructuring charges	(5,853)	(49,825)	(3,436)
Reversal of allowance for doubtful receivables	-	-	2,417
Impairment loss on fixed assets	-	-	(2,515)
Other, net	(10,005)	(85,172)	(11,231)
Income before income taxes and minority interests	158,591	1,350,055	121,660
Income taxes, net of tax effect	51,525	438,622	43,602
Minority interests	16,401	139,619	13,606
Net income	¥ 90,665	\$ 771,814	¥ 64,452

	FY2005		FY2004
	(Yen)	(US dollar)*	(Yen)
Net income per 1,000 shares	¥ 54,796	\$ 466.47	¥ 38,938
Dividends per 1,000 shares:			
Interim dividends	¥ 4,000	\$ 34.05	¥ 3,000
Year-end dividends	6,000	\$ 51.08	5,000
For the year	¥ 10,000	\$ 85.13	¥ 8,000

(Note)

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Industry Segment Results
Years ended March 31, 2006(FY2005) and 2005(FY2004)

									(¥Million)	
		Basic Chemicals	Petro- chemicals& Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Others	Adjustments & Elimination	Consoli- dated
FY2005										
Sales	[a]	¥ 252,399	¥ 486,054	¥ 79,011	¥ 229,240	¥ 186,232	¥ 233,101	¥ 90,569		¥ 1,556,606
(Share)		(16.2%)	(31.2%)	(5.1%)	(14.7%)	(12.0%)	(15.0%)	(5.8%)		(100.0%)
(Growth)		(11.8%)	(17.8%)	(-6.0%)	(31.2%)	(8.5%)	(36.6%)	(59.5%)		(20.1%)
Operating income (loss)	[b]	¥ 9,994	¥ 17,918	¥ 9,826	¥ 21,704	¥ 16,578	¥ 38,286	¥ 5,762	¥ (722)	¥ 120,790
[b] / [a]		(4.0%)	(3.7%)	(12.4%)	(9.5%)	(8.9%)	(16.4%)	(6.4%)		(7.8%)
Total assets		¥ 216,480	¥ 488,343	¥ 95,046	¥ 266,789	¥ 224,339	¥ 434,329	¥ 266,072	¥ 186,979	¥ 2,178,377
Depreciation		11,823	18,776	6,729	24,934	15,209	14,187	6,980	6,268	104,906
Capital expenditures		20,730	16,102	7,007	43,990	8,843	10,566	7,978	9,709	124,925
FY2004										
Sales	[a]	¥ 225,765	¥ 412,576	¥ 84,059	¥ 174,792	¥ 171,644	¥ 170,707	¥ 56,772		¥ 1,296,315
(Share)		(17.4%)	(31.8%)	(6.5%)	(13.5%)	(13.2%)	(13.2%)	(4.4%)		(100.0%)
(Growth)		(13.4%)	(13.8%)	(4.3%)	(41.5%)	(2.7%)	(2.5%)	(-4.0%)		(11.9%)
Operating income (loss)	[b]	¥ 5,212	¥ 14,992	¥ 11,545	¥ 18,742	¥ 14,828	¥ 34,440	¥ 5,705	¥ (282)	¥ 105,182
[b] / [a]		(2.3%)	(3.6%)	(13.7%)	(10.7%)	(8.6%)	(20.2%)	(10.0%)		(8.1%)
Total assets		¥ 192,904	¥ 386,509	¥ 90,167	¥ 200,759	¥ 217,000	¥ 257,929	¥ 230,063	¥ 73,465	¥ 1,648,796
Depreciation		10,779	17,823	6,328	18,363	12,049	10,476	7,033	5,315	88,166
Impairment loss		-	420	-	-	-	-	2,095	-	2,515
Capital expenditures		18,163	13,714	7,532	40,237	17,986	19,115	4,945	4,093	125,785

Overseas Operations
Years ended March 31, 2006(FY2005) and 2005(FY2004)

	FY2005				FY2004
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 610,951	\$5,200,911	39.2	25.7	¥ 486,195

(Note)

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Consolidated Statements of Cash Flows
Years ended March 31, 2006(FY2005) and 2005(FY2004)

	FY2005		FY2004
	(¥Million)	(US\$1,000)*	(¥Million)
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 158,591	\$ 1,350,055	¥ 121,660
Depreciation and amortization	104,906	893,045	88,166
Income taxes paid	(50,296)	(428,160)	(29,122)
Other, net	(90,418)	(769,711)	(20,885)
Net cash provided by operating activities	122,783	1,045,229	159,819
Cash flows from investing activities:			
Acquisition of securities	(30,384)	(258,653)	(1,200)
Acquisition of investments	(41,983)	(357,393)	(188)
Acquisition of property, plant and equipment	(121,601)	(1,035,166)	(133,796)
Other, net	13,289	113,126	17,231
Net cash used in investing activities	(180,679)	(1,538,086)	(117,953)
Cash flows from financing activities:			
Dividends paid	(14,880)	(126,671)	(9,924)
Net increase (decrease) in short-term debt	38,184	325,053	(20,354)
Net increase in long-term debt	57,831	492,304	4,951
Other, net	(10,554)	(89,843)	(5,877)
Net cash provided by (used in) financing activities	70,581	600,843	(31,204)
Effect of exchange rate changes on cash and cash equivalents	1,002	8,529	190
Net increase in cash and cash equivalents	13,687	116,515	10,852
Increase in cash due to merger of consolidated subsidiaries	42,121	358,568	45
Net (Decrease) in cash resulting from changes in the number of consolidated subsidiaries	(78)	(664)	(50)
Cash and cash equivalents at beginning of year	55,242	470,265	44,395
Cash and cash equivalents at end of year	¥ 110,972	\$ 944,684	¥ 55,242

(Note)

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Non-consolidated Statements of Income
Years ended March 31, 2006(FY2005) and 2005(FY2004)

	FY2005		FY2004
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 755,037	\$ 6,427,485	¥ 667,698
Cost of sales	623,916	5,311,282	543,406
Selling, general and administrative expenses	100,325	854,051	98,299
Operating income	30,795	262,152	25,993
Other income	43,896	373,677	29,169
Other expenses	12,532	106,679	12,922
Ordinary income	62,159	529,151	42,240
Special gains	7,980	67,931	5,210
Special losses	3,737	31,809	3,828
Income before income taxes	66,402	565,272	43,622
Income taxes	15,446	131,489	8,755
Net income	¥ 50,956	\$ 433,783	¥ 34,867

(Note)

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¥117.47= \$1 prevailing on March 31, 2006.

(Cautionary Statement)

Statements made in this release with respect to the Company's current plans, estimates, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of Sumitomo Chemical. These statements are based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties. The important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, general economic conditions in Sumitomo Chemical's markets; demand for, and competitive pricing pressure on, Sumitomo Chemical's products in the marketplace; Sumitomo Chemical's ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.