

Sumitomo Chemical Company, Limited Consolidated Financial Results

Sumitomo Chemical Company, Limited today announced that its consolidated net sales for the year ended March 31, 2003 (FY2002) totaled ¥1,111.1 billion (\$9,244million), a 9.1% increase from the previous year (FY2001). Net income increased 3.1% to ¥31.1 billion (\$259 million).

The Basic Chemicals segment showed an 11.1% growth in sales over the previous year. Sales of aluminum and methyl methacrylate grew thanks to increased demand in Japan. In addition, methyl methacrylate sales in overseas markets rose due to increased shipping volume. Sales of the Petrochemicals segment improved 9.8% compared with FY2001. Styrene monomer sales increased owing to a higher market price and increased shipping volume. Plastics sales also grew due to strong demand both in Japan and overseas. The Fine Chemicals segment saw a 3.8% rise in sales. Exports of pharmaceutical intermediates and resorcinol (a raw material for adhesives) increased. The IT-related Chemicals segment had a drastic sales recovery of 38.0% compared with FY2001. Sales volumes of functional films for LCDs, photoresists and epoxy resins all increased owing to recovery of demand in the IT and electronics related industry. The Agricultural Chemicals segment showed sales growth of 17.2% from the previous year. Sales of crop protection chemicals increased because of the sales increase in both Japanese and overseas markets. Moreover, acquisition of agrochemical business from Takeda Chemical Industries, Limited helped increase the sales of the segment. Sales of household insecticides and feed additives declined because of lower prices and decreased shipping volumes. Sales of the Pharmaceuticals segment decreased 3.2% from FY2001 due to a significant price reduction of *Sumiferon* (natural alpha interferon), although sales of *Amlodin* (therapeutic agent for hypertension and angina pectoris) and *Meropen* (carbapenem antibiotic) expanded. Sales of the Others segment decreased 10.3% from the previous year.

Total operating income was ¥73.5 billion (\$612 million), a 6.8% increase from FY2001. Petrochemicals and IT-related Chemicals recorded operating incomes of ¥4.9 billion (\$41 million) and ¥0.5 billion (\$4 million), marking a turnaround from operating losses in FY2001. Fine Chemicals, Basic Chemicals and Others all showed an increase in operating income to ¥9.2 billion (\$76 million), ¥5.3 billion (\$44 million), and ¥4.9 billion (\$41 million), respectively. Operating income of Pharmaceuticals and Agricultural Chemicals decreased to ¥32.3 billion (\$269 million) and ¥16.6billion (\$138 million), respectively.

Restructuring charges increased to ¥6.4 billion (\$53 million) compared to ¥5.0 billion in FY2001. The Company recorded loss on write-down of investment securities of ¥4.0 billion (\$34 million), mainly due to the stock market slump. Net gain on sales of investment securities decreased to ¥1.3billion (\$11 million) from ¥13.3 billion in the previous year.

Net cash provided by operating activities was ¥141.7 billion (\$1,179 million), while net cash used in investing activities was ¥129.2 billion (\$1,075 million). Free cash flow increased to ¥12.5 billion (\$104 million).

For the year ending March 31, 2004, the Company estimates that consolidated net sales will be ¥1,160 billion (\$9,651million), a 4% increase from FY2002, and that consolidated net income will be ¥35 billion (\$291 million), a 12% increase. Annual dividends per 1,000 shares will be kept at the same rate, ¥6,000 (\$49.92).

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120.20= \$1 prevailing on March 31, 2003.

Consolidated Statements of Income
Years ended March 31, 2003(FY2002) and 2002(FY2001)

	FY2002		FY2001
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 1,111,128	\$ 9,243,993	¥ 1,018,352
Cost of sales	798,001	6,638,943	724,947
Selling, general and administrative expenses	239,607	1,993,403	224,569
Operating income	73,520	611,647	68,836
Other income (expenses) :			
Interest and dividend income	3,986	33,161	4,530
Interest expense	(9,305)	(77,413)	(11,940)
Equity in earnings of affiliates	2,590	21,547	6,660
Gain on sales of property, plant and equipment	2,189	18,211	1,937
Reversal of allowance for doubtful receivables	2,185	18,178	-
Net gain on sales of investment securities	1,268	10,549	13,317
Restructuring charges	(6,423)	(53,436)	(5,039)
Loss on write-down of investment securities	(4,042)	(33,627)	-
Amortization of goodwill	-	-	(11,294)
Loss on settlement of patent dispute	-	-	(6,111)
Other-net	(2,754)	(22,910)	(3,131)
Income before income taxes and minority interests	63,214	525,907	57,765
Income taxes, net of tax effect	25,761	214,318	23,323
Minority interests	6,319	52,571	4,231
Net income	¥ 31,134	\$ 259,018	¥ 30,211

	FY2002		FY2001
	(Yen)	(US dollar)*	(Yen)
Net income per 1,000 shares	¥ 18,742	\$ 155.92	¥ 18,250
Dividends per 1,000 shares :			
Interim dividends	¥ 3,000	\$ 24.96	¥ 3,000
Year-end dividends	3,000	24.96	3,000
For the year	¥ 6,000	\$ 49.92	¥ 6,000

(Note)

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Industry Segment Results
Years ended March 31, 2003(FY2002) and 2002(FY2001)

									(¥Million)	
		Basic Chemicals	Petro- chemicals	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Others	Adjustments & Elimination	Consoli- dated
FY2002										
Sales	[a]	¥ 193,217	¥ 371,597	¥ 103,532	¥ 82,516	¥ 158,131	¥ 168,446	¥ 33,689		¥1,111,128
(Share)		(17.4%)	(33.4%)	(9.3%)	(7.4%)	(14.2%)	(15.2%)	(3.1%)		(100.0%)
(Growth)		(11.1%)	(9.8%)	(3.8%)	(38.0%)	(17.2%)	(-3.2%)	(-10.3%)		(9.1%)
Operating income (loss)[b]		¥ 5,308	¥ 4,911	¥ 9,166	¥ 474	¥ 16,564	¥ 32,299	¥ 4,949	¥ (151)	¥ 73,520
[b] / [a]		(2.7%)	(1.3%)	(8.9%)	(0.6%)	(10.5%)	(19.2%)	(14.7%)		(6.6%)
Total assets		¥ 174,566	¥ 341,216	¥ 145,284	¥ 153,247	¥ 218,993	¥ 228,483	¥ 178,607	¥ 43,879	¥1,484,275
Depreciation		9,217	13,917	10,421	7,390	11,543	9,535	4,910	2,093	69,026
Capital expenditures		19,528	26,069	8,280	29,831	26,526	13,527	21,072	7,168	152,001
FY2001										
Sales	[a]	¥ 173,836	¥ 338,556	¥ 99,765	¥ 59,799	¥ 134,867	¥ 173,982	¥ 37,547		¥1,018,352
(Share)		(17.1%)	(33.2%)	(9.8%)	(5.9%)	(13.2%)	(17.1%)	(3.7%)		(100.0%)
(Growth)		(-3.8%)	(-9.8%)	(-12.1%)	(-0.7%)	(10.9%)	(11.0%)	(14.3%)		(-2.2%)
Operating income (loss)[b]		¥ 3,012	¥ (442)	¥ 8,032	¥ (6,307)	¥ 17,909	¥ 42,017	¥ 4,786	¥ (171)	¥ 68,836
[b] / [a]		(1.7%)	(-)	(8.1%)	(-)	(13.3%)	(24.2%)	(12.7%)		(6.8%)
Total assets		¥ 157,058	¥ 314,039	¥ 153,992	¥ 108,020	¥ 184,018	¥ 215,129	¥ 154,745	¥ 106,158	¥1,393,159
Depreciation		8,964	14,204	11,105	7,316	20,048	9,462	4,938	3,210	79,247
Capital expenditures		10,564	12,306	10,644	8,414	19,164	4,981	4,846	2,064	72,983

Overseas Operations
Years ended March 31, 2003(FY2002) and 2002(FY2001)

	FY2002				FY2001
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 327,427	\$ 2,724,018	29.5	14.0	¥ 287,191

(Note) *U. S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120.20= \$1 prevailing on March 31 2003.

Consolidated Statements of Cash Flows
Years ended March 31, 2003(FY2002) and 2002(FY2001)

	FY2002		FY2001
	(¥Million)	(US\$1,000)*	(¥Million)
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 63,214	\$ 525,907	¥ 57,765
Depreciation and amortization	69,026	574,260	79,247
Other-net	9,440	78,535	(74,157)
Net cash provided by operating activities	141,680	1,178,702	62,855
Cash flows from investing activities :			
Acquisition of property, plant and equipment	(90,984)	(756,938)	(71,943)
Acquisition of business, net of cash acquired	(36,363)	(302,521)	-
Other-net	(1,848)	(15,375)	14,727
Net cash used in investing activities	(129,195)	(1,074,834)	(57,216)
Cash flows from financing activities :			
Dividends paid	(9,931)	(82,621)	(9,933)
Net increase in short-term debt	10,068	83,760	9,260
Net decrease in long-term debt	(8,634)	(71,830)	(2,874)
Other-net	3,341	27,796	(5,299)
Net cash used in financing activities	(5,156)	(42,895)	(8,846)
Effect of exchange rate changes on cash and cash equivalents	(643)	(5,349)	1,874
Cash and cash equivalents at beginning of year	55,302	460,083	56,569
(Decrease) increase in cash resulting from changes in the number of consolidated subsidiaries	(97)	(807)	66
Cash and cash equivalents at end of year	¥ 61,891	\$ 514,900	¥ 55,302

(Note)

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Non-consolidated Statements of Income
Years ended March 31, 2003(FY2002) and 2002(FY2001)

	<u>FY2002</u>		<u>FY2001</u>
	<u>(¥Million)</u>	<u>(US\$1,000)*</u>	<u>(¥Million)</u>
Sales	¥ 637,221	\$ 5,301,343	¥ 577,784
Cost of sales	520,666	4,331,664	466,449
Selling, general and administrative expenses	99,370	826,701	96,498
Operating income	17,185	142,978	14,837
Other income	20,481	170,391	26,366
Other expenses	9,928	82,596	10,618
Ordinary income	27,738	230,773	30,585
Special gains	7,891	65,644	14,623
Special losses	10,441	86,860	28,048
Income before income taxes	25,188	209,557	17,160
Income taxes	5,824	48,453	418
Net income	<u>¥ 19,364</u>	<u>\$ 161,104</u>	<u>¥ 16,742</u>

(Note)

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(Cautionary Statement)

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