

Sumitomo Chemical Interim Financial Results Record High

Sumitomo Chemical Company, Limited today announced that its consolidated net sales for the six months ended September 30, 2004, totaled ¥619.5 billion (\$5,578 million), an increase of 10.0% over the first half of FY2003. Interim net income increased 186.8% to ¥30.5 billion (\$275 million). These interim results are a record high for the Company.

Sales in the Basic Chemicals segment grew 13.4% compared with the first half of FY2003. Sales of aluminum performed well thanks to improved conditions in the market, as did sales of caprolactam reflecting the soaring prices of raw materials. Sales of methyl methacrylate also grew, due primarily to increased shipments, driven by favorable demand. The Petrochemicals & Plastics segment saw a rise of 9.1% in sales over the same period of last year. Sales of plastics experienced a major expansion owing to the recovery of the market, mainly in South East Asia. Sales of petrochemicals also increased due to improved market conditions for styrene monomer and propylene oxide reflecting the elevated prices of raw materials. Sales of Fine Chemicals segment were 4.8% higher than the same period of the previous year. While sales of dyestuffs and adhesives raw materials decreased, pharmaceutical bulk and intermediates saw greater shipments, primarily in overseas markets. IT-related Chemicals segment once again showed strong growth with sales rising 50.9% over the same period of last year. Market conditions for liquid crystal polymer and photo resists remained solid. Sales of polarizing film and color filters saw substantial expansion thanks to the growth of the LCD market as well as to the increased production from the Company's new facility in Korea which came into full-scale operation last year. Sales in the Agricultural Chemicals segment were on par with the previous year's corresponding period. Sales of feed additives declined owing to the continued low price level in overseas markets. On the other hand, shipments of plant protection chemicals and household insecticides performed well both in Japan and abroad. Sales in the Pharmaceuticals segment increased 2.8% over the same period of the previous year. Sales of *Amlodin* (a therapeutic agent for hypertension and angina pectoris) and *Meropen* (carbapenem antibiotic) expanded thanks to vigorous promotion efforts, despite the drug price reduction in April of this year. Sales of the Others segment decreased 18.8% from the same period of last year.

Total Operating Income was ¥54.2 billion (\$488 million), a 122.6% increase on the same period of the previous year thanks mainly to demand expansion in Asia, primarily China, which promoted growth in the market for Basic Chemicals and Petrochemicals and bolstered solid demand for IT-related chemicals, significantly improving the operating climate, amid the sharp upswing in the price of raw materials. Operating income for each segment saw a substantial increase over the same period of last year, Basic chemicals and Fine Chemicals to ¥2.2 billion (\$20 million) and ¥6.9 billion (\$62 million) respectively, Petrochemicals & Plastics to ¥4.5 billion (\$40 million) and Agricultural Chemicals to ¥6.5 billion (\$59 million). The IT-related Chemicals and Pharmaceuticals showed even greater improvements in operating income on the previous year's corresponding period, to ¥13.1 billion (\$118 million) and ¥18.1 billion (\$163 million) respectively.

Interim net cash provided by operating activities was ¥64.1 billion (\$577 million), while net cash used in investing activities was ¥56.4 billion (\$508 million). Interim free cash flow increased to ¥7.7 billion (\$69 million).

For the year ending March 31, 2005, the Company estimates that consolidated net sales will be ¥1,280 billion (\$11,526 million), a 10.5% increase from FY2003, with consolidated net income to increase by ¥15.7 billion to ¥50.0 billion (\$450 million), which would be an all-time high for the Company. Special dividends of ¥2,000 per 1,000 shares will be paid, in addition to ordinary dividends of ¥6,000 per 1,000 shares, thereby raising the annual dividend from ¥6,000 to ¥8,000 per 1,000 shares for FY2004.

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111.05= \$1 prevailing on September 30, 2004.

Interim Consolidated Statements of Income
Six Months ended September 30, 2004 and 2003

	2004		2003
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 619,476	\$ 5,578,352	¥ 563,366
Cost of sales	443,854	3,996,885	414,233
Selling, general and administrative expenses	121,411	1,093,300	124,780
Operating income	54,211	488,167	24,353
Other income (expenses):			
Interest and dividend income	2,770	24,944	2,569
Interest expenses	(3,633)	(32,715)	(4,274)
Equity in earnings of affiliates	9,509	85,628	2,659
Foreign exchange gain	3,742	33,697	-
Gain on sale of property, plant and equipment	-	-	3,275
Gain on sale of investment securities	585	5,268	1,342
Reversal of allowance for doubtful receivables	2,272	20,459	942
Loss associated with lease contract cancellation	-	-	(2,451)
Restructuring charges	(1,726)	(15,543)	(944)
Impairment loss	(2,095)	(18,865)	-
Other, net	(2,696)	(24,277)	(2,666)
Income before income taxes and minority interests	62,939	566,763	24,805
Income taxes, net of tax effect	28,233	254,237	12,494
Minority interests	4,158	37,443	1,660
Net income	¥ 30,548	\$ 275,083	¥ 10,651

	2004		2003
	(Yen)	(US dollar)*	(Yen)
Net income per 1,000 shares	¥ 18,475	\$ 166.37	¥ 6,441
Dividends per 1,000 shares:			
Interim dividends	¥ 3,000	\$ 27.01	¥ 3,000

(Note)

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Industry Segment Results
Six Months ended September 30, 2004 and 2003

									(¥Million)	
		Basic Chemicals	Petro- chemicals& Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Others	Adjustments & Elimination	Consoli- dated
2004										
Sales	[a]	¥ 111,398	¥ 193,294	¥ 41,485	¥ 84,203	¥ 82,468	¥ 82,722	¥ 23,906		¥ 619,476
(Share)		(18.0%)	(31.2%)	(6.7%)	(13.6%)	(13.3%)	(13.4%)	(3.8%)		(100.0%)
(Growth)		(13.4%)	(9.1%)	(4.8%)	(50.9%)	(-0.3%)	(2.8%)	(-18.8%)		(10.0%)
Operating income (loss)[b]		¥ 2,235	¥ 4,454	¥ 6,892	¥ 13,112	¥ 6,502	¥ 18,092	¥ 2,861	¥ (-63)	¥ 54,211
[b] / [a]		(2.0%)	(2.3%)	(16.6%)	(15.6%)	(7.9%)	(21.9%)	(12.0%)		(8.8%)
Total assets		¥ 190,468	¥ 351,786	¥ 91,395	¥ 193,348	¥ 206,566	¥ 243,101	¥ 217,167	¥ 82,113	¥ 1,575,944
Depreciation		5,512	8,388	2,913	7,424	5,810	4,383	3,349	2,021	39,800
Impairment loss		-	-	-	-	-	-	2,095	-	2,095
Capital expenditures		4,083	4,830	3,286	21,155	6,154	10,203	1,992	1,542	53,245
2003										
Sales	[a]	¥ 98,202	¥ 177,215	¥ 39,592	¥ 55,797	¥ 82,675	¥ 80,438	¥ 29,447		¥ 563,366
(Share)		(17.4%)	(31.5%)	(7.0%)	(9.9%)	(14.7%)	(14.3%)	(5.2%)		(100.0%)
(Growth)		(4.7%)	(-1.7%)	(-5.0%)	(41.3%)	(18.2%)	(-0.0%)	(13.7%)		(6.0%)
Operating income (loss)[b]		¥ 1,484	¥ (1,380)	¥ 3,061	¥ 3,392	¥ 2,657	¥ 13,759	¥ 1,686	¥ (306)	¥ 24,353
[b] / [a]		(1.5%)	(-)	(7.7%)	(6.1%)	(3.2%)	(17.1%)	(5.7%)		(4.3%)
Total assets		¥ 179,119	¥ 343,556	¥ 97,607	¥ 146,840	¥ 219,650	¥ 235,289	¥ 239,259	¥ 58,455	¥ 1,519,775
Depreciation		5,413	8,840	3,166	5,176	5,863	5,623	4,139	1,404	39,624
Capital expenditures		5,316	5,087	4,226	15,445	2,508	8,068	2,247	6,964	49,861

Overseas Operations
Six Months ended September 30, 2004 and 2003

	2004				2003
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 232,057	\$ 2,089,662	37.5	28.4	¥ 180,744

(Note) *U. S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111.05 = \$1 prevailing on September 30, 2004.

Interim Consolidated Statements of Cash Flows
Six Months ended September 30, 2004 and 2003

	2004		2003
	(¥Million)	(US\$1,000)*	(¥Million)
Cash flows from operating activities:			
Income before income taxes	¥ 62,939	\$ 566,763	¥ 24,805
Depreciation and amortization	39,800	358,397	39,624
Income taxes paid	(14,822)	(133,471)	(20,719)
Other, net	(23,849)	(214,760)	(2,056)
Net cash provided by operating activities	64,068	576,929	41,654
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(64,991)	(585,241)	(60,629)
Other, net	8,615	77,578	5,247
Net cash used in investing activities	(56,376)	(507,663)	(55,382)
Cash flows from financing activities:			
Dividends paid	(4,962)	(44,683)	(4,963)
Net increase (decrease) in short-term debt	(15,093)	(135,912)	1,509
Net increase (decrease) in long-term debt	10,131	91,229	16,547
Other, net	(2,596)	(23,376)	(1,098)
Net cash provided by (used in) financing activities	(12,520)	(112,742)	11,995
Effect of exchange rate changes on cash and cash equivalents	10	90	271
Cash and cash equivalents at beginning of period	44,395	399,775	61,891
Increase in cash due to merger of consolidated subsidiaries	-	-	58
Decrease in cash resulting from changes in the number of consolidated subsidiaries	-	-	(44)
Cash and cash equivalents at end of period	¥ 39,577	\$ 356,389	¥ 60,443

(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.