

Sumitomo Chemical Reports Interim Consolidated Financial Results

Sumitomo Chemical Company, Limited today announced that its consolidated net sales for the six months ended September 30, 2005, totaled ¥688.4 billion (\$6,082 million), an increase of 11.1% over the first half of FY2004. Interim net income increased 28.8% to ¥39.4 billion (\$348 million). Each of these interim results is a record high for the Company.

Sales in the Basic Chemicals segment increased 4.9% over the comparable period in FY2004 to ¥116.9 billion. The increased sales were due to improved market conditions in Asia for caprolactam and acrylonitrile, the raw material for synthetic textile fibers. The Petrochemicals & Plastics segment saw sales rise by 18.8% over the same period last year to ¥229.7 billion, bolstered by firm demand in Asia for plastics. Sales of styrene monomer, propylene oxide, and other petrochemical products also increased, thanks to favorable market conditions driven by a sharp increase in the price of the feedstock, such as naphtha. Sales of Fine Chemicals segment fell to ¥37.2 billion, a 10.4% decline compared with the same period in the previous year. Sales of pharmaceutical active ingredients decreased owing to intensifying competition, while sales of raw materials for adhesives and rubber antioxidants firmed up. Sales in the IT-related Chemicals segment rose 19.1% on the previous year to ¥100.3 billion. Capacity expansion in Korea and Taiwan helped drive an increase in shipments of color filters and polarizing film, materials for liquid crystal displays, although selling prices for these materials declined. Meanwhile, sales of liquid crystal polymers and photoresists for semiconductor processing also increased. Sales in the Agricultural Chemicals segment increased 9.6% over the previous year to ¥90.4 billion. Expanded sales of herbicide in North America and the marketing of new products contributed to this increase. Shipments of feed additives also increased as a result of enhanced sales. Sales in the Pharmaceuticals segment rose 4.6% compared with last year to ¥86.5 billion. Sales of *Amlodin* (a therapeutic agent for hypertension and angina pectoris) and *Meropen* (a carbapenem antibiotic) showed steady improvement. Revenue of an initial payment from a licensee for the schizophrenia drug under development was also a factor in the improved results. Sales of the Others segment increased 15.5% over the same period for the previous year to ¥27.6 billion.

Total Operating Income increased 4.5% over the same period for the previous year to ¥56.6 billion. The Basic Chemicals segment and the Petrochemicals and Plastics segment both posted an increase in operating income against last year, by 162.8% to ¥5.9 billion, and by 98.9% to ¥8.9 billion, respectively, buoyed by favorable market conditions in Asia. The Agricultural Chemicals segment's operating income saw an 27.7% increase to ¥8.3 billion on the strength of expanded sales mainly in North America. The Pharmaceuticals segment was on par with last year of ¥18.6 billion. IT-related Chemicals segment and the Fine Chemicals segment saw decreases in operating income of 32.9% and 31.6% to ¥8.8 billion and ¥4.7 billion respectively, as a result of lower sales prices and intensifying competition.

Net income increased to a record high of ¥39.4 billion due to profits from equity in earnings of affiliates and gains on business transfer in addition to the growth in operating income.

The Company plans to pay an interim dividend of ¥4,000 per 1,000 shares.

Interim net cash provided by operating activities was ¥52.1 billion (\$460 million), while net cash used in investing activities was ¥76.6 billion (\$677 million). Interim free cash flow decreased to negative ¥24.6 billion (\$217 million).

For the fiscal year ending March 31, 2006, the Company estimates that consolidated net sales will be 1,540 billion (\$13,605 million), an 18.8% increase from FY2004, and that consolidated net income will be ¥79 billion (\$698 million), an 22.6% increase from last year.

(Note)

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥113.19= \$1 prevailing on September 30, 2005.

Interim Consolidated Statements of Income
Six Months ended September 30, 2005 and 2004

	2005		2004
	(¥Million)	(US\$1,000)*	(¥Million)
Sales	¥ 688,432	\$ 6,082,092	¥ 619,476
Cost of sales	502,400	4,438,555	443,854
Selling, general and administrative expenses	129,407	1,143,272	121,411
Operating income	56,625	500,265	54,211
Other income (expenses):			
Interest and dividend income	3,250	28,713	2,770
Interest expenses	(3,650)	(32,247)	(3,633)
Equity in earnings of affiliates	14,932	131,920	9,509
Foreign exchange gain	3,251	28,722	3,742
Expenses for subsidiary merger	(2,429)	(21,459)	-
Gain on sale of investment securities	1,893	16,724	585
Reversal of allowance for doubtful receivables	-	-	2,272
Gain on business transfer	4,516	39,898	-
Restructuring charges	(3,257)	(28,775)	(1,726)
Impairment loss on fixed assets	-	-	(2,095)
Other, net	(2,373)	(20,966)	(2,696)
Income before income taxes and minority interests	72,758	642,795	62,939
Income taxes, net of tax effect	27,167	240,012	28,233
Minority interests	6,241	55,137	4,158
Net income	¥ 39,350	\$ 347,646	¥ 30,548

	2005		2004
	(Yen)	(US dollar)*	(Yen)
Net income per 1,000 shares	¥ 23,809	\$ 210.35	¥ 18,475
Dividends per 1,000 shares:			
Interim dividends	¥ 4,000	\$ 35.34	¥ 3,000

(Note)

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Industry Segment Results
Six Months ended September 30, 2005 and 2004

									(¥Million)	
		Basic Chemicals	Petro- chemicals& Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma- ceuticals	Others	Adjustments & Elimination	Consoli- dated
2005										
Sales	[a]	¥ 116,856	¥ 229,705	¥ 37,164	¥ 100,255	¥ 90,361	¥ 86,486	¥ 27,605		¥ 688,432
(Share)		(17.0%)	(33.4%)	(5.4%)	(14.6%)	(13.1%)	(12.6%)	(3.9%)		(100.0%)
(Growth)		(4.9%)	(18.8%)	(-10.4%)	(19.1%)	(9.6%)	(4.6%)	(15.5%)		(11.1%)
Operating income (loss)[b]		¥ 5,873	¥ 8,858	¥ 4,714	¥ 8,803	¥ 8,301	¥ 18,596	¥ 1,398	¥ (-82)	¥ 56,625
[b] / [a]		(5.0%)	(3.9%)	(12.7%)	(8.8%)	(9.2%)	(21.5%)	(5.1%)		(8.2%)
Total assets		¥ 199,659	¥ 389,946	¥ 91,079	¥ 223,690	¥ 224,918	¥ 256,677	¥ 229,155	¥ 151,363	¥ 1,766,487
Depreciation		5,409	8,393	3,109	9,833	7,310	5,542	3,282	2,945	45,823
Capital expenditures		6,210	7,477	3,136	14,700	5,920	4,245	3,896	6,154	51,738
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

Overseas Operations
Six Months ended September 30, 2005 and 2004

	2005				2004
	(¥Million)	(\$1,000)*	Share (%)	Growth (%)	(¥Million)
Overseas operations	¥ 276,533	\$ 2,443,087	40.2	19.2	¥ 232,057

(Note) *U. S. dollar amounts are translated from yen, for convenience only, at the rate of ¥113.19 = \$1 prevailing on September 30, 2005.

Interim Consolidated Statements of Cash Flows
Six Months ended September 30, 2005 and 2004

	2005		2004
	(¥Million)	(US\$1,000)*	(¥Million)
Cash flows from operating activities:			
Income before income taxes	¥ 72,758	\$ 642,795	¥ 62,939
Depreciation and amortization	45,823	404,833	39,800
Income taxes paid	(25,909)	(228,898)	(14,822)
Other, net	(40,605)	(358,733)	(23,849)
Net cash provided by operating activities	52,067	459,996	64,068
Cash flows from investing activities:			
Acquisition of investment securities	(19,621)	(173,346)	(461)
Acquisition of property, plant and equipment	(49,533)	(437,609)	(64,991)
Other, net	(7,471)	(66,004)	9,076
Net cash used in investing activities	(76,625)	(676,959)	(56,376)
Cash flows from financing activities:			
Dividends paid	(8,267)	(73,036)	(4,962)
Net increase (decrease) in short-term debt	20,384	180,087	(15,093)
Net increase (decrease) in long-term debt	43,700	386,077	10,131
Other, net	(7,553)	(66,729)	(2,596)
Net cash provided by (used in) financing activities	48,264	426,398	(12,520)
Effect of exchange rate changes on cash and cash equivalents	801	7,077	10
Cash and cash equivalents at beginning of period	55,242	488,047	44,395
Net increase (decrease) in cash resulting from changes in the number of consolidated subsidiaries	(41)	(363)	-
Cash and cash equivalents at end of period	¥ 79,708	\$ 704,196	¥ 39,577

(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.