

# Financial Results of FY2005 First Quarter



**August 4, 2005**



**Sumitomo Chemical Co., Ltd.**



### **(Cautionary Statement)**

*Statements made in this material with respect to Sumitomo Chemical'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.*



# Contents

## Consolidated Financial Results of FY2005 First Quarter

|  |   |
|--|---|
| ■ Financial Summary .....                | 1 |
| ■ Net Sales by Segment .....             | 2 |
| ■ Operating Income by Segment .....      | 3 |
| ■ Special Gains / Losses .....           | 4 |
| ■ Consolidated Balance Sheets .....      | 5 |
| ■ Major Subsidiaries .....               | 6 |
| ■ Financial Estimates for 1st Half ..... | 7 |



# Financial Summary

Unit; billions of yen

|  | FY2005<br>1st Quarter | FY2004<br>1st Quarter | Difference | Growth  |
|--|-----------------------|-----------------------|------------|---------|
| <b>Net Sales</b>   | 336.1                 | 299.9                 | 36.2       | 12.1%   |
| <b>Operating Income</b>  | 29.7                  | 24.1                  | 5.6        | 23.1%   |
| <b>Ordinary Income</b>   | 39.6                  | 30.1                  | 9.5        | 31.7%   |
| (Equity in earnings of affiliates,<br>included in ordinary income) | (8.1)                 | (4.4)                 | (3.7)      | (85.3%) |
| <b>Net Income</b>  | 21.7                  | 16.7                  | 5.0        | 29.6%   |
| <b>Naphtha Price (yen/KL)</b>                                      | 36,900                | 29,100                |            |         |
| <b>Exchange Rate (yen/US\$)</b>                                    | 107.73                | 109.63                |            |         |



# Net Sales by Segment

Unit; billions of yen

|                        | FY2005<br>1st Quarter | FY2004<br>1st Quarter | Difference  | Growth       | Sales Price<br>Variance | Shipping<br>Volume<br>Variance |
|------------------------|-----------------------|-----------------------|-------------|--------------|-------------------------|--------------------------------|
| Basic Chemicals        | 57.4                  | 54.0                  | 3.4         | 6.3%         | 6.5                     | -3.1                           |
| Petrochemicals         | 114.5                 | 91.9                  | 22.6        | 24.6%        | 20.0                    | 2.6                            |
| Fine Chemicals         | 18.7                  | 20.5                  | -1.7        | -8.5%        | 0.5                     | -2.2                           |
| IT-related Chemicals   | 47.5                  | 39.9                  | 7.5         | 18.9%        | -4.0                    | 11.5                           |
| Agricultural Chemicals | 40.0                  | 39.8                  | 0.2         | 0.4%         | -0.5                    | 0.7                            |
| Pharmaceuticals        | 46.3                  | 42.6                  | 3.6         | 8.5%         | 0.0                     | 3.6                            |
| Others                 | 11.7                  | 11.2                  | 0.5         | 4.6%         | 0.0                     | 0.5                            |
| <b>Total</b>           | <b>336.1</b>          | <b>299.9</b>          | <b>36.2</b> | <b>12.1%</b> | <b>22.5</b>             | <b>13.7</b>                    |



# Operating Income by Segment

Unit; billions of yen

|                         | Basic Chemicals | Petrochemicals | Fine Chemicals | IT-related Chemicals | Agricultural Chemicals | Pharmaceuticals | Others | Total |
|-------------------------|-----------------|----------------|----------------|----------------------|------------------------|-----------------|--------|-------|
| <b>Operating Income</b> |                 |                |                |                      |                        |                 |        |       |
| FY2005 1st Quarter      | 3.1             | 5.8            | 2.5            | 3.8                  | 2.3                    | 12.0            | 0.2    | 29.7  |
| FY2004 1st Quarter      | 1.0             | 0.6            | 2.6            | 7.0                  | 2.0                    | 9.9             | 1.0    | 24.1  |
| <b>Difference</b>       | 2.1             | 5.2            | -0.2           | -3.2                 | 0.3                    | 2.2             | -0.8   | 5.6   |

|                                 |        |         |      |         |      |     |      |       |
|---------------------------------|--------|---------|------|---------|------|-----|------|-------|
| <b>Price Variance</b>           | 3.5    | 3.0     | 0.0  | -4.0    | -0.5 | 0.0 | 0.0  | 2.0   |
| Sales Price Variance            | *1 6.5 | *2 20.0 | 0.5  | -4.0    | -0.5 | 0.0 | 0.0  | 22.5  |
| Purchase Price Variance         | -3.0   | -17.0   | -0.5 | 0.0     | 0.0  | 0.0 | 0.0  | -20.5 |
| <b>Cost Variance</b>            | 0.0    | 1.0     | 0.0  | -0.5    | -1.0 | 0.0 | 0.0  | -0.5  |
| VC                              | 0.0    | 1.0     | 0.0  | 1.5     | 0.0  | 0.0 | 0.0  | 2.5   |
| FC                              | 0.0    | 0.0     | 0.0  | *3 -2.0 | -1.0 | 0.0 | 0.0  | -3.0  |
| <b>Shipping Volume Variance</b> | -1.4   | 1.2     | -0.2 | 1.3     | 1.8  | 2.2 | -0.8 | 4.1   |
| <b>Total</b>                    | 2.1    | 5.2     | -0.2 | -3.2    | 0.3  | 2.2 | -0.8 | 5.6   |

Main factors for variance in operating income;

- \*1 Favorite market conditions for caprolactam and acrylonitrile
- \*2 Improved market conditions for polyolefin in Asia, and those for petrochemical products
- \*3 Increase in depreciation due to expanded production capacity



# Special Gains / Losses

Unit; billions of yen

|  | FY2005<br>1st Quarter | FY2004<br>1st Quarter | Difference  |
|--|-----------------------|-----------------------|-------------|
| Gain on business transfer                      | 4.3                   | -                     | 4.3         |
| Reversal of allowance for doubtful receivables | -                     | 2.2                   | -2.2        |
| Gain on sale of securities                     | -                     | 0.6                   | -0.6        |
| <b>Special Gains</b>                           | <b>4.3</b>            | <b>2.8</b>            | <b>1.4</b>  |
| Expenses for subsidiary merger                 | 0.4                   | -                     | 0.4         |
| Restructuring charges                          | 0.1                   | 0.7                   | -0.6        |
| <b>Special Losses</b>                          | <b>0.5</b>            | <b>0.7</b>            | <b>-0.2</b> |
| <b>Special Gains / Losses</b>                  | <b>3.7</b>            | <b>2.1</b>            | <b>1.6</b>  |



# Consolidated Balance Sheets

Unit ; billions of yen

|                               | 30-Jun-05      | 31-Mar-05      |   | 30-Jun-05      | 31-Mar-05      |
|-------------------------------|----------------|----------------|---|----------------|----------------|
| <b>Current Assets</b>         | <b>717.3</b>   | <b>694.6</b>   | <b>Liabilities</b>                              | <b>1,013.1</b> | <b>971.9</b>   |
| Cash and cash equivalents     | 53.9           | 55.2           | Trade notes and accounts                        | 202.2          | 202.3          |
| Trade notes and accounts      | 305.1          | 306.1          | Short-term debt                                 | 166.3          | 120.2          |
| Inventories                   | 251.2          | 234.6          | Long-term debt due within one year              | 34.3           | 43.5           |
| Others                        | 107.1          | 98.7           | Long-term debt due after one year               | 329.0          | 307.0          |
| <b>Non-current Assets</b>     | <b>972.9</b>   | <b>954.2</b>   | Others  | 281.3          | 298.9          |
| Property, plant and equipment | 525.8          | 515.9          | Minority interests in consolidated subsidiaries | 95.3           | 107.3          |
| Intangible assets             | 49.7           | 41.1           | <b>Shareholders' equity</b>                     | <b>581.8</b>   | <b>569.6</b>   |
| Investment securities         | 345.3          | 349.0          | Common stock                                    | 89.7           | 89.7           |
| Others                        | 52.1           | 48.2           | Capital surplus                                 | 23.7           | 23.7           |
|                               |                |                | Retained earnings                               | 383.7          | 374.2          |
|                               |                |                | Revaluation reserve                             | 3.8            | 3.8            |
|                               |                |                | Unrealized gains on investment securities       | 93.5           | 96.1           |
|                               |                |                | Foreign currency translation adjustments        | -11.3          | -16.7          |
|                               |                |                | Treasury stock, at cost                         | -1.3           | -1.2           |
| <b>Total</b>                  | <b>1,690.2</b> | <b>1,648.8</b> | <b>Total</b>                                    | <b>1,690.2</b> | <b>1,648.8</b> |

|                               |       |       |
|-------------------------------|-------|-------|
| Interest-bearing debt balance | 529.5 | 470.7 |
|-------------------------------|-------|-------|





# Major Subsidiaries

Unit; billions of yen

| Company                                | Net Sales |         | Operating Income Status                             |
|--|-----------|---------|---|
|  | FY05.1Q   | FY04.1Q |   |
| The Polyolefin Company (Singapore)     | 25.5      | 17.9    | Significantly improved due to higher market price   |
| Petrochemical Corporation of Singapore | 56.2      | 41.2    | Substantially improved owing to higher market price |
| Dongwoo Fine-Chem                      | 25.2      | 17.8    | Slightly decreased due to lower sales price         |
| Dongwoo STI                            | 11.7      | 7.9     |   |
| Dongwoo Optical Materials              | 5.6       | 4.6     |   |
| Valent U.S.A. and Subsidiaries         | 8.5       | 9.0     | Almost same level as the previous year              |



# Financial Estimates for 1st Half

Unit; billions of yen

|                         | <b>Revised<br/>Estimates</b> | <b>Estimates<br/>as of<br/>May-2005</b> | <b>Difference</b> | <b>Growth</b> |
|-------------------------|------------------------------|---|-------------------|---------------|
| <b>Net Sales</b>        | 700.0                        | 670.0                                   | 30.0              | 4.5%          |
| <b>Operating Income</b> | 48.0                         | 38.0                                    | 10.0              | 26.3%         |
| <b>Ordinary Income</b>  | 58.0                         | 44.0                                    | 14.0              | 31.8%         |
| <b>Net Income</b>       | 32.0                         | 24.0                                    | 8.0               | 33.3%         |