



SUMITOMO CHEMICAL

# Change and Innovation

Annual Report 2013



# Creative Hybrid Chemistry For a Better Tomorrow

Sumitomo Chemical is a chemical company that offers a diverse range of products in the fields of basic chemicals, petrochemicals, IT-related chemicals and materials, health and crop science products, and pharmaceuticals. We pursue our “Creative Hybrid Chemistry” strategy to create innovative new products and technologies by utilizing our core technologies, cultivated in a wide range of fields over many years, as well as technologies outside the company.

With the aim of accomplishing robust growth over the next 100 years, we are committed under our new Corporate Business Plan, launched in fiscal 2013, to strengthening the foundations of our business during the three years concluding in fiscal 2015. With the slogan “Change and Innovation,” we will pursue bold transformations in the three areas of business structure, business development and corporate culture to significantly improve profitability and boost our *resilience* to changes in the business environment.

## Business Philosophy

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- 1 We commit ourselves to creating new value by building on innovation.
  - 2 We work to contribute to society through our business activities.
  - 3 We develop a vibrant corporate culture and continue to be a company that society can trust.
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## Contents

### 2 Overview

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- 2 Sumitomo Chemical at a Glance
- 4 Fiscal 2012 Highlights

### 7 Management Strategy

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- 8 To Our Shareholders, Customers and Partners
- 10 Corporate Business Plans
- 12 Interview with the President

### 18 Special Feature

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#### Change and Innovation

—Initiatives by business area

- 18 1. Bulk Chemicals Business
- 20 2. ICT Business
- 22 3. Life Sciences Business

### 25 Our Operations

---

- 26 Sector Overview
- 28 Basic Chemicals
- 30 Petrochemicals & Plastics
- 32 IT-related Chemicals
- 34 Health & Crop Sciences
- 36 Pharmaceuticals
- 40 Research and Development

### 43 CSR & Governance

---

- 44 Corporate Social Responsibility
- 52 Board of Directors and Corporate Auditors
- 54 Corporate Governance
- 58 Compliance

### 61 Corporate Data

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- 62 Ten-Year Summary
- 64 Business Sector Highlights
- 66 Corporate and Investor Information
- 68 Subsidiaries and Affiliates
- 72 History of Sumitomo Chemical

### 73 Financial Section

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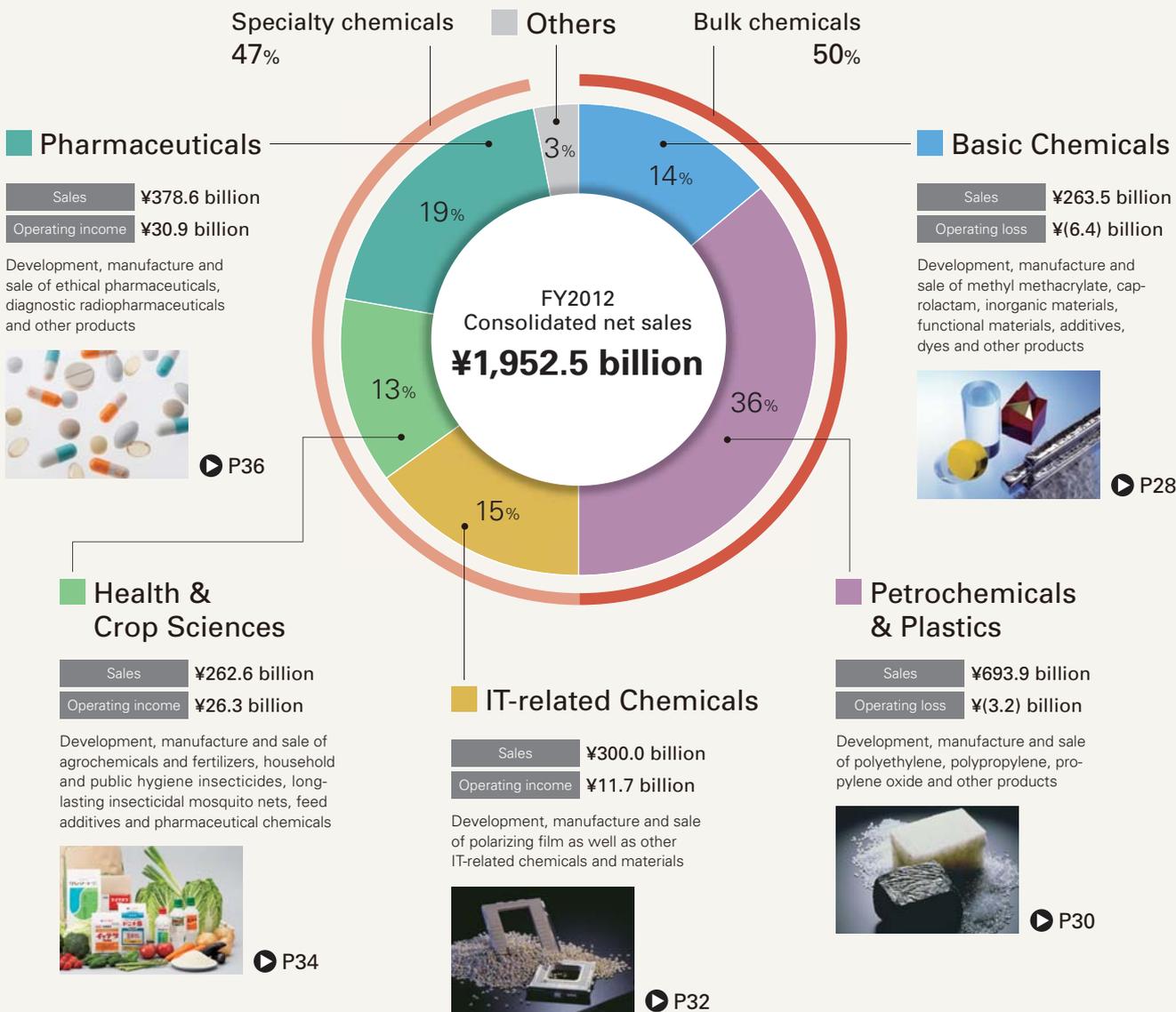
#### Forward-looking Statements

Statements made in this annual report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Sumitomo Chemical cautions that a number of factors could cause actual results to differ materially from such statements including, but 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.

# Sumitomo Chemical at a Glance

## Business Areas

Sumitomo Chemical conducts business in five business sectors—Basic Chemicals, Petrochemicals & Plastics, IT-related Chemicals, Health & Crop Sciences, and Pharmaceuticals. We offer a diverse range of innovative products and technologies globally.



## Sumitomo Chemical in Numbers

Founded

**1913**

Total assets

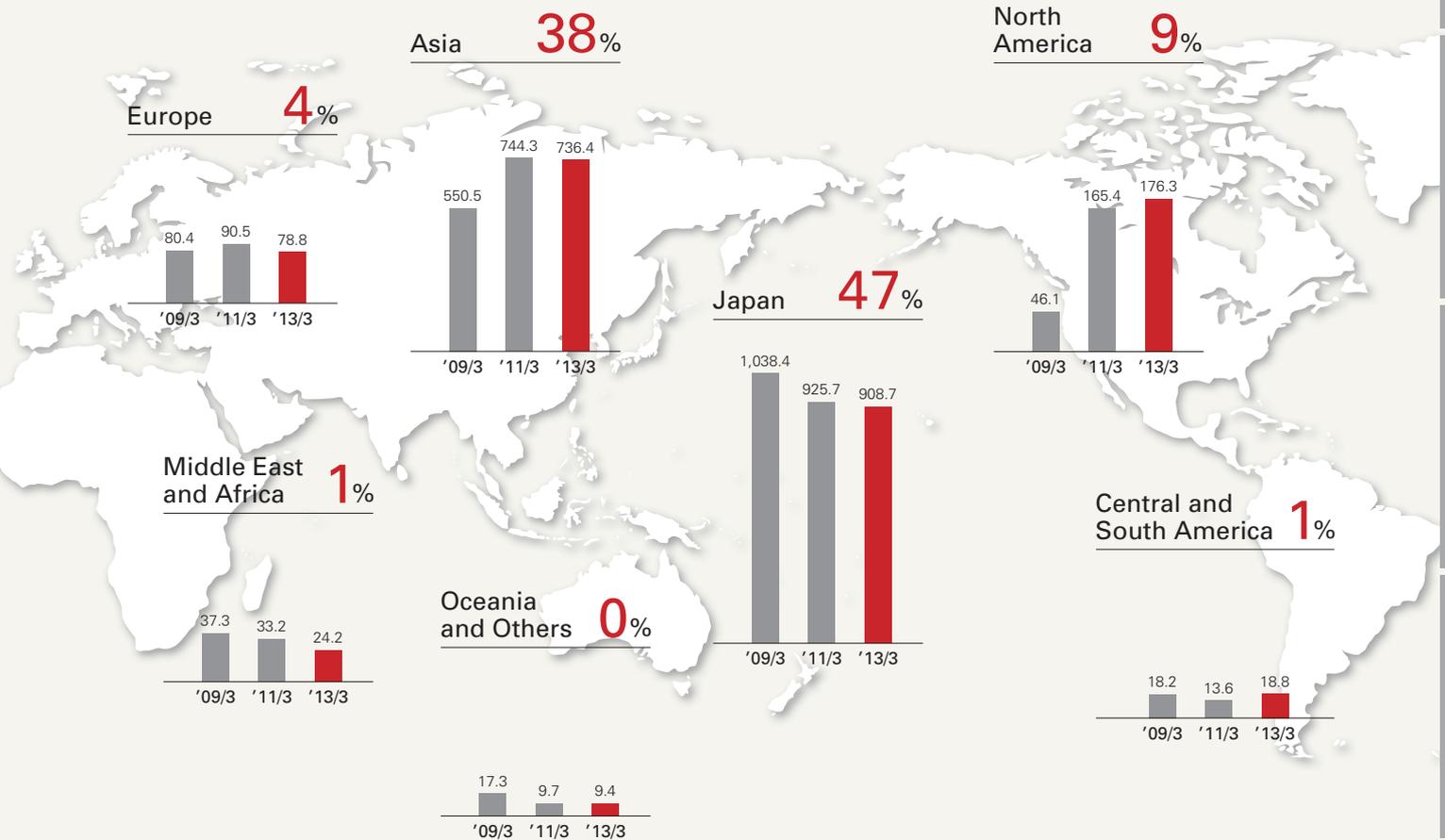
**¥2,472.1 billion**

Number of consolidated subsidiaries

**162**

### Overseas Business Development

The Sumitomo Chemical Group has been expanding business with an eye toward the global market. In the early 1980s, the Group established a petrochemical complex overseas, becoming the first Japanese chemical manufacturer to do so. In fiscal 2012, the ratio of the Company's overseas sales to total sales was 53% and the ratio of overseas production to total production was 41%.



■ Sales by region (billions of yen)  
 Percentage figures show composition of sales by region for the fiscal year ended March 31, 2013.

Number of employees (consolidated)

**30,396**

Ratio of R&D expenses to net sales

**6%**

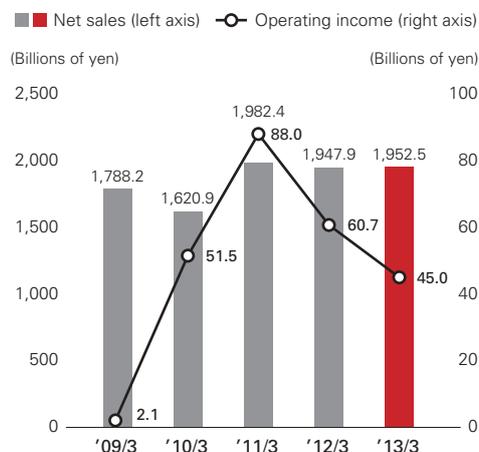
Overseas sales ratio

**53%**

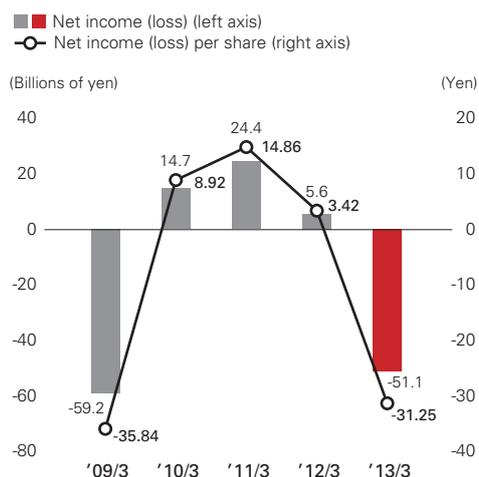
# Fiscal 2012 Highlights

## Key Figures

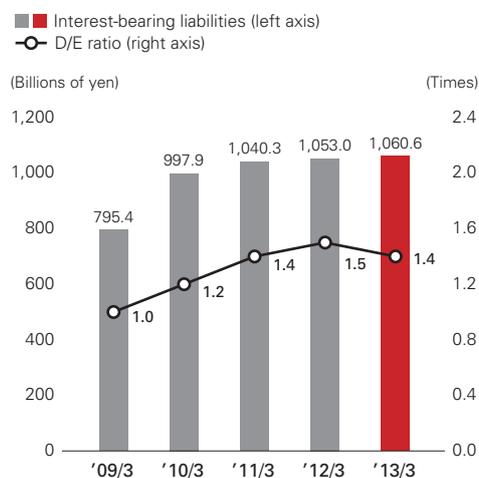
### Net Sales & Operating Income



### Net Income (Loss) & Net Income (Loss) per Share



### Interest-bearing Liabilities & D/E Ratio



Please see pages 62–63 for ten-year summary.

	Billions of yen*1		
	FY2011	FY2012	Year on Year
	'12/3	'13/3	'12/3 vs. '13/3
1 Net sales	¥1,947.9	¥1,952.5	+0.2%
2 Operating income	60.7	45.0	-25.9
3 Net income (loss)	5.6	(51.1)	—
Capital expenditures	155.1	116.1	-25.1
Research and development expenses	122.3	125.0	+2.2
Free cash flows	0.5	5.8	+1,060.0
Total assets	2,337.0	2,472.1	+5.8
Total net assets	720.9	747.5	+3.7
4 Interest-bearing liabilities	1,053.0	1,060.6	+0.7
Net income (loss) per share (yen)	3.42	(31.25)	—
Cash dividends per share (yen)	9.00	6.00	-33.3
<b>Ratios</b>			
Operating margin (%)	3.1	2.3	-0.8pt
ROA*2 (%)	2.6	1.9	-0.7
ROE*3 (%)	1.1	(10.4)	—
4 D/E ratio (times)	1.5	1.4	-0.1

### Sustainability data

Number of employees	29,839	30,396	+1.9%
Domestic CO <sub>2</sub> emission rate index*4	98.0	99.3	+1.3pt
Overseas CO <sub>2</sub> emission rate index*5	99.2	97.4	-1.8pt
Domestic water consumption (million tons)*6	1,372.9	1,429.7	+4.1%
Overseas water consumption (thousand tons)*7	5,873	7,201	+22.6%

\*1 Unless otherwise specified.

\*2 ROA = operating income / average of total assets as of the beginning and the end of each fiscal year

\*3 ROE = net income / average of total net assets less minority interests as of the beginning and the end of each fiscal year

\*4 Figures are index values (FY2010=100) and data reflect the total of Sumitomo Chemical and its 16 Group companies in Japan.

\*5 Figures are index values (FY2010=100) and data reflect the total of 10 major overseas Group companies.

\*6 Data reflect the total of Sumitomo Chemical and its 16 Group companies in Japan.

\*7 Data reflect the total of 10 major overseas Group companies.

## 1 Net Sales

Compared with the previous fiscal year, lower sales prices had a negative impact of ¥74.0 billion, and the appreciation of the yen had a negative impact of ¥6.7 billion on sales in yen terms, but higher sales volumes had a positive impact of ¥85.3 billion. As a result, sales increased by ¥4.6 billion from the previous fiscal year.

- Sales prices: Price decline for polarizing films, lower market prices for synthetic resins overseas, a fall in drug prices due to Japanese National Health Insurance drug price revision, and other factors had a negative impact.
- Shipping volumes: Higher sales of synthetic resins, polarizing films, agrochemicals and other products mainly in overseas markets had a positive impact.

Factors for Change (Billions of yen)

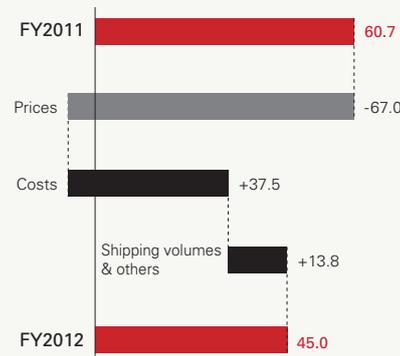


## 2 Operating Income

Compared with the previous fiscal year, cost reductions had a positive impact of ¥37.5 billion, and higher sales volumes and other factors had a positive impact of ¥13.8 billion, but lower prices had a negative impact of ¥67.0 billion. As a result, operating income decreased by ¥15.7 billion from the previous fiscal year.

- Prices: Lower profit margins for basic chemicals and petrochemicals, lower sales prices for polarizing films, Japanese National Health Insurance drug price revision and other factors had a negative impact of ¥67.0 billion on operating income.
- Costs: Rationalization in the IT-related Chemicals Sector, reduction of fixed costs in the Pharmaceuticals Sector and other factors had a positive impact of ¥37.5 billion.
- Shipping volumes and others: Higher sales of touchscreen panels and LATUDA® and other drugs had a positive impact of ¥13.8 billion.

Factors for Change (Billions of yen)



## 3 Net Loss

- Lower operating income, large extraordinary losses, and an additional corporate tax adjustment with a reversal of deferred tax assets caused a serious deterioration in net income.

## 4 Interest-bearing Liabilities and D/E Ratio

- Interest-bearing liabilities increased by ¥7.6 billion, to ¥1,060.6 billion.
- Despite an increase in interest-bearing liabilities, an increase in net assets due to a weak yen improved the D/E ratio to 1.4.

## Achievements in Fiscal 2012

2012

May

Petrochemicals & Plastics

- Decides to implement Rabigh Phase II Project with Saudi Aramco

IT-related Chemicals

- Starts production of next-generation touchscreen panels in South Korea



A touchscreen panel

June

Health & Crop Sciences

- Wins a 2012 GBCHealth Business Action on Health Award

September

Pharmaceuticals

- Files supplemental New Drug Application in the US seeking approval for the use of LATUDA® as a therapy for bipolar I disorder

October

- Decides to form a joint venture to enter the CO<sub>2</sub> separation business using CO<sub>2</sub> permselective membrane technology



A CO<sub>2</sub> separation membrane module

November

- Sumitomo Chemical is recognized by the Carbon Disclosure Project as a climate change disclosure leader

December

Basic Chemicals

- Announces production of high-purity alumina used for lithium-ion secondary batteries in South Korea

Health & Crop Sciences

- Acquires a majority stake in US-based McLaughlin Gormley King Company, a company engaged in the insect control business
- Valent BioSciences Corporation, a subsidiary of Sumitomo Chemical, acquires Pace International, LLC, a company engaged in the post-harvest business



Products made using alumina

2013

January

Pharmaceuticals

- Begins a Phase III clinical trial in North America for BBI608, an innovative anticancer drug targeting cancer stem cells in addition to heterogeneous cancer cells

February

- Announces new Corporate Business Plan for FY2013 – FY2015

Petrochemicals & Plastics

- Decides to restructure petrochemical business at Chiba Works

March

- Establishes Business Support Regional Headquarters for the Southeast Asia, India and Oceania region



# Management Strategy

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To Our Shareholders, Customers and Partners	8
Corporate Business Plans	10
Interview with the President	12

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# To Our Shareholders, Customers and Partners



**Hiromasa Yonekura**  
Chairman

**Masakazu Tokura**  
President

## Performance during Fiscal 2012

During fiscal 2012, the Sumitomo Chemical Group faced a challenging business environment. The world economy slowed as European economies contracted amid sovereign debt problems and the pace of growth slackened in emerging economies. Meanwhile, the yen remained strong throughout most of the fiscal year.

Consolidated net sales of the Group for fiscal 2012 were ¥1,952.5 billion, ¥4.6 billion higher compared with a year earlier. Although selling prices decreased for products in the Basic Chemicals Sector and the Petrochemicals & Plastics Sector, net sales increased because of higher sales volumes in the Petrochemicals & Plastics Sector.

Operating income fell by ¥15.7 billion, to ¥45.0 billion, however, due mainly to lower profit margins in the Basic

Chemicals Sector and the Petrochemicals & Plastics Sector.

For fiscal 2012, extraordinary, non-cash expenses were posted, including impairment losses on production facilities associated with the restructuring of our Chiba Works—an initiative to reduce downside risks to our future performance and revitalize our petrochemical businesses—and an additional corporate tax adjustment in conjunction with a reversal of deferred tax assets. As a result, we recorded a net loss of ¥51.1 billion.

Given these results, we decided to forgo paying a year-end dividend, and our total dividend for fiscal 2012 came to ¥6 per share, a decrease of ¥3 from the previous year.

To immediately turn around our performance and enhance shareholder value, we at the Sumitomo Chemical Group will further accelerate efforts to improve asset efficiency and streamline operations across the board.

## Progress on priority management initiatives during Fiscal 2012

Since 2000, the Sumitomo Chemical Group has been working on three priority management initiatives: radically strengthening the competitiveness of our petrochemicals business; gaining critical mass in our life sciences business; and developing new businesses that have the potential to become core growth engines for the Group. In fiscal 2012 we made further progress in all of these areas.

In the Rabigh Phase II Project, an expansion of our integrated oil refining and petrochemical complex operating in Saudi Arabia to produce a range of high value-added petrochemical products, we achieved important steps towards finalizing the project plan, including the conclusion of engineering, procurement and construction (EPC) contracts. In addition, to streamline operations at the Chiba Works, our petrochemical production center in Japan, we decided to close an ethylene production plant by September 2015. In the Petrochemicals & Plastics Sector, we will continue to strive to reduce costs and enhance high value-added business in Japan, while further expanding our overseas business.

In life sciences, our efforts to develop the atypical anti-psychotic agent LATUDA® into a blockbuster drug continued to progress. A supplemental New Drug Application was filed in the United States for a new indication for the treatment of bipolar I depression, which was approved in June 2013, and in Europe, a Marketing Authorization Application was submitted for the treatment of schizophrenia. Meanwhile, phase III clinical trials for BBI608, an innovative anticancer agent that targets cancer stem cells, began in the United States in fiscal 2012. The agent is expected to become a core product of our Pharmaceuticals Sector, following the success of LATUDA®.

As an initiative to develop new businesses, we began production of touchscreen panels. Demand is increasing rapidly for touch sensor panels used in smartphones and tablet computers, and we will make further investments in this business during fiscal 2013, with the aim of growing it into a new core business in the area of information and communication technology (ICT).

### “Change and Innovation”

In 2015, we will celebrate the 100th anniversary of the start of our business. Sumitomo Chemical’s origin lies in a fertilizer plant that the House of Sumitomo built to manufacture

fertilizers from harmful gas emitted from its copper smelting operations, thereby resolving an environmental problem while helping to increase agricultural productivity. The company has thus held a strong conviction, ever since its beginning, that contributing to the sustainable development of society through its business activities is the essence of corporate social responsibility.

Mankind now faces a range of challenges that threaten our sustainable development, including issues related to the environment, resources, energy, and food. Often called a form of “modern alchemy,” chemistry has virtually unlimited potential to create solutions to these global challenges. By making full use of the creative power of chemistry, we at Sumitomo Chemical will continue to provide innovative technologies and products around the world that help the development of society, while endeavoring to become a global company that can achieve strong, sustainable growth.

With the aim of accomplishing robust growth over the next 100 years, we are committed under our new Corporate Business Plan, launched in fiscal 2013, to strengthening the foundations of our business during the three years concluding in fiscal 2015. With the slogan “*Change and Innovation*,” we will pursue bold transformations in the three areas of business structure, business development and corporate culture to significantly improve profitability and boost our *resilience* to changes in the business environment. We, at the same time, will maintain safe and stable operations and ensure strict compliance in all aspects of our activities to grow in a sustainable and responsible way.

Thank you very much for your continued support and cooperation.

August 2013

米倉弘昌

Hiromasa Yonekura  
Chairman

十倉雅和

Masakazu Tokura  
President

# Corporate Business Plans

Since 2000, the Sumitomo Chemical Group has been working on three priority management initiatives: radically strengthening the competitiveness of its petrochemicals business, gaining critical mass in its life sciences business, and developing new businesses that have the potential to become core growth engines. Under its new Corporate Business Plan that started in April 2013, Sumitomo Chemical will commit itself to strengthening the

## Corporate Business Plan FY2004 – FY2006

### Becoming a Truly Global Chemical Company

- 1 Focusing on core competencies through “selection and concentration”
- 2 Shifting to higher value-added products
- 3 Extending our global presence

#### Major achievements

- Signs agreement with Saudi Aramco for the construction of an integrated refining and petrochemical complex in Rabigh, Saudi Arabia, establishing Petro Rabigh
- Expands production capacity for LCD-related materials such as polarizing film and color filters
- Sumitomo Pharmaceuticals and Dainippon Pharmaceutical merge to form Dainippon Sumitomo Pharma (DSP)

	2007/3
Net sales	¥1,790.0 billion
Operating income	¥139.6 billion
Equity in earnings of affiliates	¥23.6 billion
Net income	¥93.9 billion
Interest-bearing liabilities	¥641.0 billion
D/E ratio	0.6 times

## Corporate Business Plan FY2007 – FY2009

### Reaching New Heights as a Global Company

- 1 Completion of the Rabigh Project on schedule
- 2 Enhancing global management
- 3 Enlarging the economic value added of each sector's business
- 4 Expanding life sciences and IT-related materials businesses
- 5 Paving the way for further growth

#### Major achievements

- Completes and starts operation of Rabigh complex
- Acquires Cambridge Display Technology, a pioneer in the development of polymer organic light emitting diodes
- Expands production capacity for polarizing film, color filters and ArF photoresist
- Integrates Sumitomo Chemical Takeda Agro within Sumitomo Chemical
- Acquires US pharmaceutical company Sepracor (Sunovion)

	2010/3
Net sales	¥1,620.9 billion
Operating income	¥51.5 billion
Equity in losses of affiliates	¥(7.0) billion
Net income	¥14.7 billion
Interest-bearing liabilities	¥997.9 billion
D/E ratio	1.2 times

## Corporate Business Plan FY2010 – FY2012

### Seven Basic Initiatives

- 1 Quickly maximize profits and cash flows from major investments
- 2 Enhance financial strength
- 3 Strengthen cost competitiveness of core and commodity businesses
- 4 Accelerate business growth
- 5 Implement Climate Change Strategy
- 6 Strengthen global management system
- 7 Ensure full and strict compliance; maintain safe and stable operations

#### Major achievements

- Launches Rabigh Phase II Project in Saudi Arabia
- Enters touchscreen panel business
- Acquires stake in Australian agrochemicals company Nufarm
- Establishes business alliances with Nufarm and Monsanto
- Launches the atypical antipsychotic LATUDA® for the treatment of schizophrenia in North America
- Acquires US pharmaceutical company Boston Biomedical

	2013/3
Net sales	¥1,952.5 billion
Operating income	¥45.0 billion
Equity in earnings of affiliates	¥5.4 billion
Net loss	¥(51.1) billion
Interest-bearing liabilities	¥1,060.6 billion
D/E ratio	1.4 times

foundations of its business, aiming to achieve sustained growth over the next 100 years. With the plan's slogan of "Change and Innovation," Sumitomo Chemical is working on five priority management issues: enhancing financial strength, restructuring its businesses, developing next-generation businesses, promoting globally integrated management, and ensuring full and strict compliance and maintaining safe and stable operations.

## Corporate Business Plan FY2013 – FY2015 ▶ P14

# Strengthening the Foundations of Our Business, with the Aim of Achieving Sustained Growth over the Next 100 Years

### Corporate Vision

- 1 Create new value based on technologies accumulated over the years
- 2 Through the power of chemistry, help solve global challenges (e.g. problems related to energy, the environment and food)
- 3 Develop a corporate culture full of "can-do" spirit and always be a company that society can trust

### Slogan

# Change and Innovation

### Change & Innovation for Business Structure

- Downsize/exit underperforming businesses
- Improve business portfolio

### Change & Innovation for Business Development

- Develop next-generation businesses
- Accelerate the development of printed electronics
- Develop new businesses in the area of life sciences

### Change & Innovation for Corporate Culture

- Demonstrate "can-do" spirit
- See what's happening on the ground and be proactive and pragmatic
- Promote diversity

### Performance Targets

	2016/3
Net sales	¥2,400 billion
Operating income	¥140 billion
Ordinary income	¥150 billion
Equity in earnings of affiliates	¥25 billion
Net income	¥90 billion
Interest-bearing liabilities	Below ¥900 billion

(Assumptions) Exchange rate: ¥80/US\$, naphtha price: ¥60,000/kl



Masakazu Tokura  
President

## Results of Corporate Business Plan FY2010 – FY2012

### Q1

**The Corporate Business Plan that was launched in fiscal 2010 concluded in fiscal 2012. What is your evaluation of the results?**

**A1** **Although we carried out the measures set out in the plan, we were not able to achieve our targets because the business environment deteriorated to a greater extent than we had anticipated.**

Throughout the plan period, we faced an extremely challenging business environment. The yen appreciated more than we had expected and continued to be strong. European economies, beset by prolonged sovereign debt problems, remained stagnant and the economic growth in emerging countries slowed down.

Our results for fiscal 2012, the final year of the plan period, were a net loss of ¥51.1 billion, way off our target. Major factors included the extraordinary and non-cash expenses associated with a reversal of deferred tax assets and the restructuring of unprofitable businesses, which we posted with an eye toward starting out in leaner shape under our new Corporate Business Plan, launched in fiscal 2013.

Since early in the 21st century, we have been working on a *ten-year undertaking* to address three major strategic challenges: radically strengthening the competitiveness of our petrochemicals business, gaining critical mass in our life sciences business, and developing new businesses that have the potential to become core

**// We will devote ourselves to strengthening our business foundations and transforming Sumitomo Chemical into a more powerful and *resilient* company that will be able to thrive even in a challenging business environment. //**

growth engines. Under the Corporate Business Plan for fiscal 2010 to fiscal 2012, we pushed various strategic projects forward to achieve these goals.

In our petrochemicals business, we signed engineering, procurement and construction (EPC) contracts for the Rabigh Phase II Project and made progress toward finalizing the project plan. This project aims to broaden our product line by producing high value-added products from cost competitive raw materials such as ethane. It will enhance the competitiveness and help to accelerate the globalization of our petrochemical business.

In our life sciences business, we expanded our overseas crop protection business through alliances with Nufarm Limited and Monsanto Company. In addition, Dainippon Sumitomo Pharma Co., Ltd. (DSP), a consolidated pharmaceutical subsidiary, launched in the North American market the atypical antipsychotic agent LATUDA®, which is expected to grow into a blockbuster drug. DSP also acquired the US company Boston Biomedical, Inc. (BBI) to strengthen its development pipeline of anti-cancer drugs.

As for our new business development initiatives, we launched high-performance, specialty polarizing film used in displays for mobile devices, an application that has shown remarkable growth in recent years. In turn, this new film has achieved significant sales growth. We have also entered the touchscreen panel business, capitalizing on our technologies and know-how accumulated through the production of color filters for liquid crystal displays (LCDs).

#### Priority Management Issues & Business Strategy since the Beginning of the Century

Priority Issues	Radically improve competitiveness of petrochemicals business	Gain critical mass in life sciences business to achieve strong growth	Develop new businesses with potential to become core growth engines
Major Projects	Implementation of Rabigh Project Approx. ¥266.0bn (equity investment and lending including investment of ¥100.0bn for Phase II)	Launch of Dainippon Sumitomo Pharma Acquisition of Sepracor (Sunovion) and BBI Approx. ¥236.0bn (increased shareholding and acquisition)	Establishment and expansion of IT-related Chemicals Sector Approx. ¥440.0bn (cumulative capital expenditures in 12 years since inception)
Results: Sales Increase FY2000 vs. FY2012	Petrochemicals & Plastics Sector (¥375.5bn→¥693.9bn) Approx. 1.8 times	Pharmaceuticals Sector (¥156.7bn→¥378.6bn) Approx. 2.4 times	IT-related Chemicals Sector (¥60.2bn→¥300.0bn) Approx. 5.0 times

# Overview of Corporate Business Plan FY2013 – FY2015

## Q2

**Can you provide an overview of the new Corporate Business Plan that started in April 2013?**

## A2

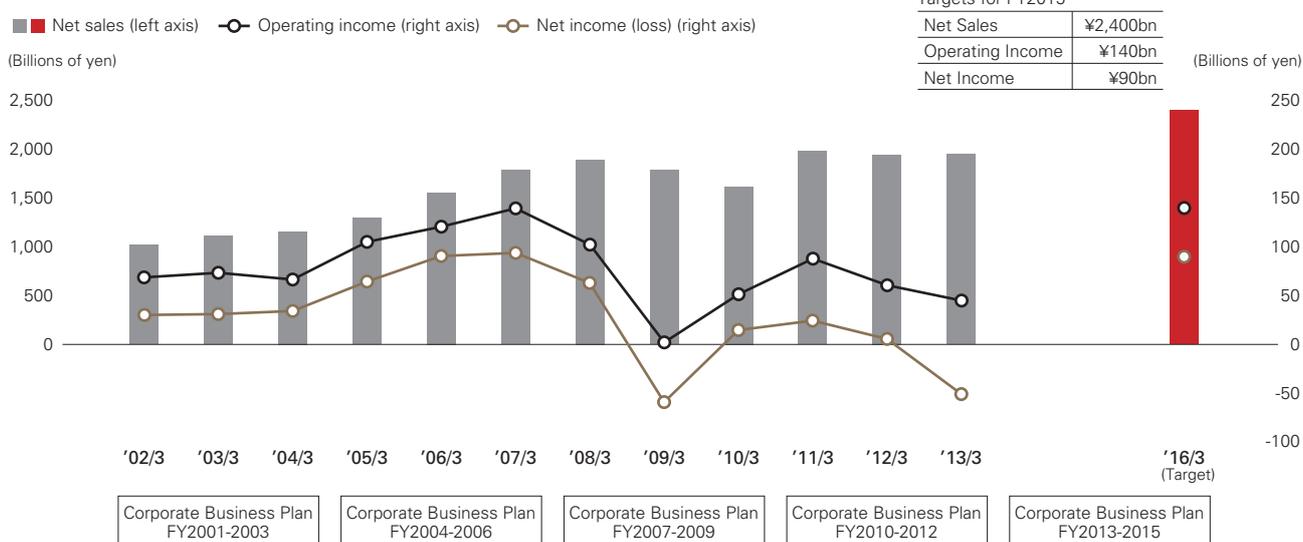
**We have defined the three years through fiscal 2015 as a period in which to strengthen the foundations of our business. We will tackle five priority management issues, including enhancing financial strength and restructuring our businesses. And for fiscal 2015, the final year of the plan, we have set forth targets of achieving net sales of ¥2,400 billion, operating income of ¥140 billion and net income of ¥90 billion.**

Sumitomo Chemical will celebrate the 100th anniversary of the start of its business in 2015. Aiming to achieve sustained growth over the next 100 years, we will devote ourselves, during the plan period of fiscal 2013 to fiscal 2015, to strengthening our business foundations and transforming Sumitomo Chemical into a more powerful and *resilient* company that will be able to thrive even in a challenging business environment.

More specifically, under the plan's slogan "*Change and Innovation*," we will work on five priority management issues: enhancing financial strength; restructuring our businesses; developing next-generation businesses; promoting globally integrated management; and ensuring full and strict compliance and maintaining safe and stable operations.

Of these five issues, the highest priority will be placed on the enhancement of our financial strength and business restructuring. By boosting the returns from our major projects while reducing interest-bearing liabilities, we will strive to revitalize our financial strength and aim to gain greater strategic freedom in anticipation of the next Corporate Business Plan that will be launched in fiscal 2016. Meanwhile,

### Consolidated Financial Performance Trends



our restructuring efforts will be directed to improving our business portfolio by exiting or downsizing unprofitable businesses and expanding our business in specialty areas, including ICT and life sciences.

We have set forth targets of achieving net sales of ¥2,400 billion, operating income of ¥140 billion and net income of ¥90 billion for fiscal 2015, assuming an exchange rate of ¥80 against the US dollar and a naphtha price of ¥60,000 per kiloliter. We will also aim to reduce interest-bearing liabilities to less than ¥900 billion by the end of fiscal 2015.

## Q3

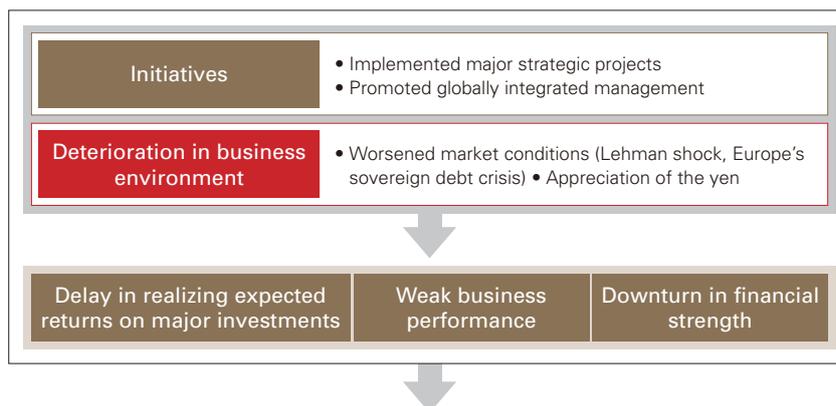
**Please expand on the priority initiative to enhance financial strength.**

## A3 We will work to improve profitability, shorten the cash conversion cycle to increase asset efficiency and reduce interest-bearing liabilities, while more rigorously selecting investments.

As I mentioned earlier, over the past decade we have undertaken several large-scale projects as part of efforts to address our three major strategic challenges, and the scale of our business has dramatically expanded. Our financial position has weakened, however, because of delays in realizing planned returns from these large-scale projects, against the backdrop of the European sovereign debt crisis and the global economic downturn.

During the period of the new Corporate Business Plan, we would like to conclude our *ten-year undertaking* by substantially improving the returns from these large-scale projects.

### Sumitomo Chemical's Current Situation



### Enhance Financial Strength

Improve profitability	<ul style="list-style-type: none"> <li>Maximize profits from Rabigh Project</li> <li>Expand sales of LATUDA®</li> <li>Improve profitability of polarizing film business</li> <li>Rationalization target: ¥80 billion (vs. FY2012)</li> </ul>
Improve asset efficiency	<ul style="list-style-type: none"> <li>Reduce cash conversion cycle by 25% from FY2010 levels by FY2015</li> </ul>
Rigorously select investments	<ul style="list-style-type: none"> <li>Restrict investment cash flow for the three years of fiscal 2013 to fiscal 2015 to less than ¥400 billion</li> </ul>



First, we will improve the performance of the Petrochemicals & Plastics Sector by maintaining stable operation of the Rabigh complex. We will also enhance sales of the atypical antipsychotic agent LATUDA® by obtaining approval for additional indications as well as by launching the drug in new overseas markets. In our crop protection business, we will step up efforts to maximize synergies with Nufarm, and in the area of new businesses, we will continue to develop higher-performance, high added-value polarizing film for mobile device display applications.

Moreover, we will rigorously streamline all business sectors, especially the IT-related Chemicals Sector, to achieve cost reductions of ¥80 billion over the next three years. At the same time, we will further improve asset efficiency and, by the end of fiscal 2015, shorten the cash conversion cycle by 25% from fiscal 2010 levels.

Since fiscal 2012, we have made more rigorous selections of investments. Under the new Corporate Business Plan, we will restrict investment cash flow for the three years of fiscal 2013 to fiscal 2015 to less than ¥400 billion, well below the estimated operating cash flow of ¥540 billion for the same period. We will also enhance cash management efficiency and lower holdings of cash and cash equivalents to reduce interest-bearing liabilities to less than ¥900 billion by the end of fiscal 2015.

#### Cash Flows Targets

	Corporate Business Plan FY2010-FY2012	Corporate Business Plan FY2013-FY2015 (Target)
Cash flows from operating activities	¥472 billion	¥540 billion
Cash flows from investing activities	¥(446) billion	Within ¥(400) billion
Free cash flows	¥27 billion	*Over ¥200 billion
*(Note) Includes decreases in cash and cash equivalents		
	End of FY2012	End of FY2015 (Target)
Interest-bearing liabilities	¥1,061 billion	Below ¥900 billion

## Q4

**How will you approach business restructuring? Specifically, what measures are you going to take?**

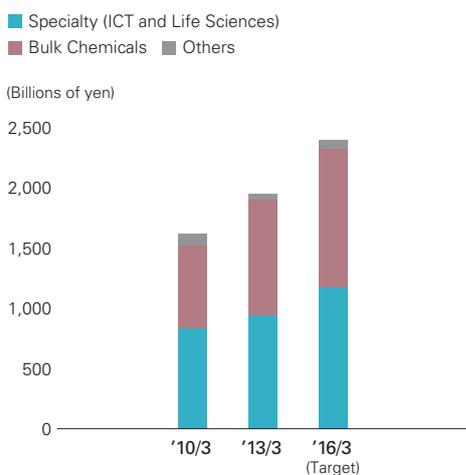
**A4 We will develop a business structure that is highly profitable and *resilient* to changes in the external business environment by exiting or downsizing unprofitable businesses and improving our business portfolio.**

As a major initiative to address unprofitable businesses, we have decided to close down an ethylene plant at the Chiba Works, our sole petrochemical production center in Japan, by September 2015. We are going to accelerate our efforts to reduce costs and enhance high value-added product lines in our petrochemical business in Japan.

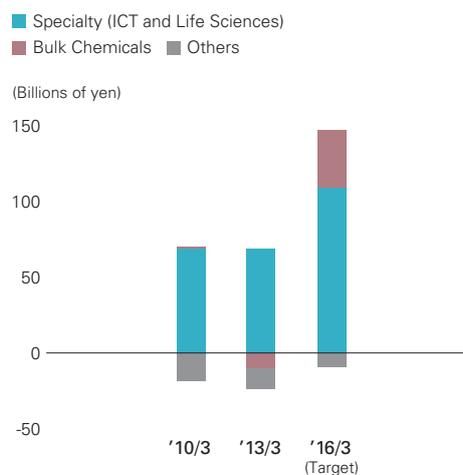
Meanwhile, we will focus our resources on specialty areas where we have distinct competitive advantages, such as ICT and life sciences, in order to strengthen our competitive position and increase the scale of our business.

Through these measures, we will strive to build a highly profitable and *resilient* business structure.

Sales by Business Area



Operating Income by Business Area



## Sumitomo Chemical's Long-Term Vision

### Q5

Finally, please describe the long-term vision of Sumitomo Chemical.

### A5

**Chemistry has virtually unlimited potential to resolve today's pressing global challenges, such as issues relating to the environment, resources, energy and food. By making full use of the creative power of chemistry, Sumitomo Chemical will develop innovative products and technologies and continue to contribute to the sustainable development of society, while striving to achieve strong and sustained growth as a global chemical company.**

Sumitomo Chemical got its start by producing calcium superphosphate fertilizer from harmful sulfur dioxide gas emitted from copper smelters. This business helped to reduce emissions of air pollutants, while contributing to boosting agricultural yields. We have since been working to better people's lives and contribute to the sustainable development of society through our businesses.

Today we supply a wide range of products to meet society's needs, including agricultural chemicals and fertilizers that enhance agricultural productivity and increase food production, synthetic resin that plays an important role in making automobiles lighter and thereby improving their fuel efficiency, and materials for LCDs used widely in televisions and smartphones.

By fully leveraging the creative power of chemistry, we at Sumitomo Chemical will develop and globally supply innovative products and technologies, with a primary focus on the areas of the environment, energy, ICT and life sciences. And we will continue to contribute to the development of society, while striving to achieve strong and sustained growth and enhance our corporate value.

# 1 Bulk Chemicals Business

Amid anticipations of further intensified competition, we will strive to strengthen the competitiveness of our bulk chemicals business by further shifting toward higher value-added products and curtailing costs.

## Overview of Business

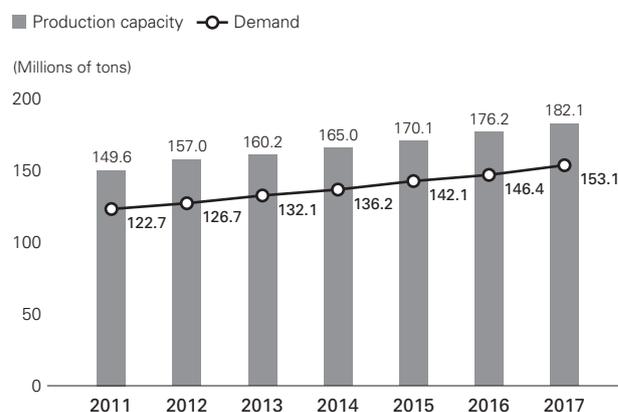
Sales in the bulk chemicals business for fiscal 2012 were ¥957.4 billion, accounting for half of our sales. In this area, the main products are synthetic resins including polypropylene and polyethylene, propylene oxide, methyl methacrylate (MMA), and caprolactam.

Our bulk chemicals business is distinguished from other Japanese chemical companies by the globalization of its operations. In Singapore, we opened an ethylene and synthetic resin plant in 1984 and commenced operations of an MMA plant in 1998. Furthermore, in Saudi Arabia, we launched operations of one of the world's largest integrated oil refining and petrochemical complexes in 2009 to further expand our overseas business. The Group has manufacturing plants for ethylene, a basic petrochemical feedstock, in three countries, namely Japan, Singapore, and Saudi Arabia. The ethylene production capacity at each base is 607,000 tons in Japan, 1.1 million tons in Singapore, and 1.3 million tons in Saudi Arabia. Currently, the production capacity of overseas bases accounts for 80% of our total ethylene production capacity. These bases meet customer needs by leveraging their own distinctive competitive advantages.

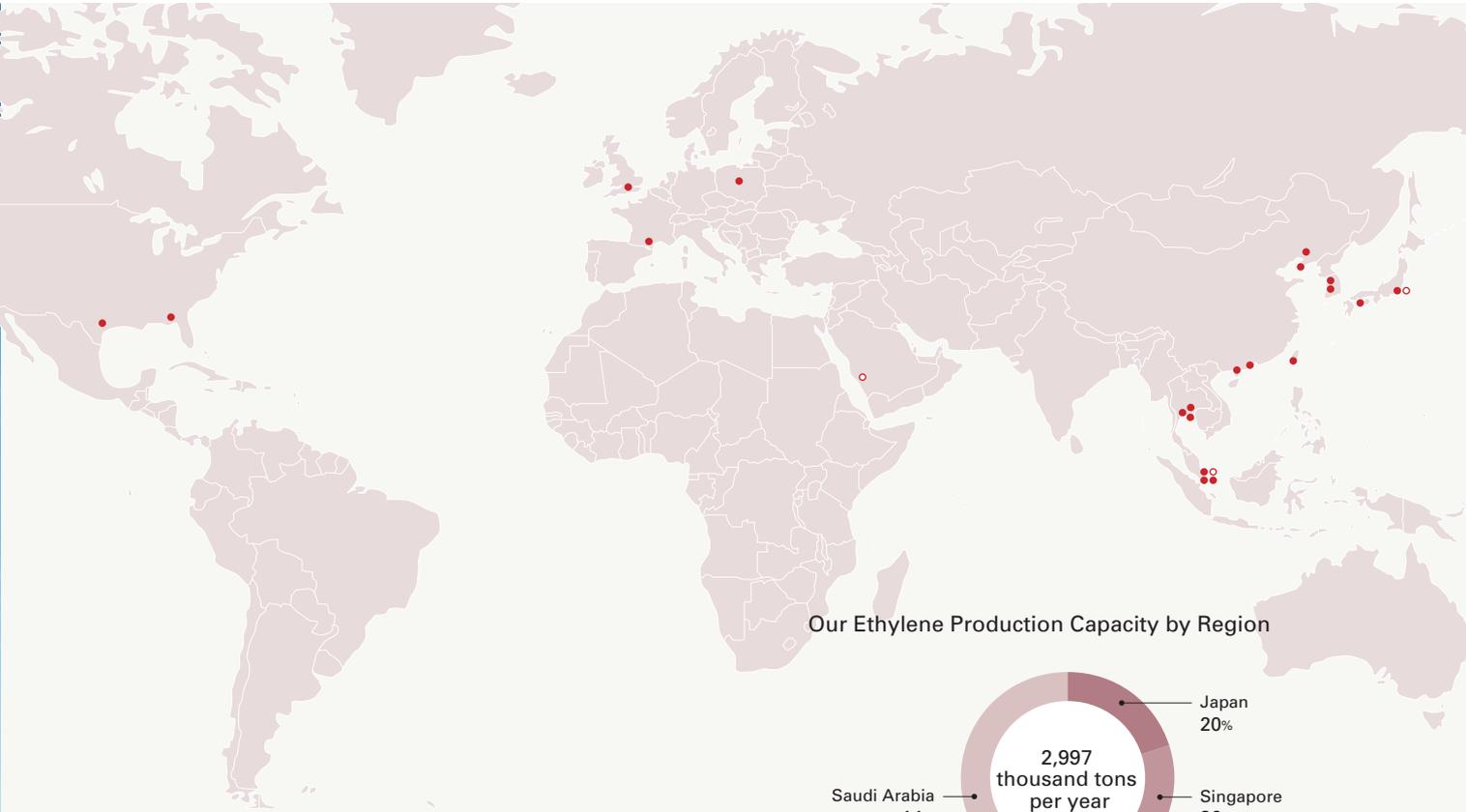
## Market Trends and Business Strategy

Japan's Ministry of Economy, Trade and Industry estimates that worldwide demand for petrochemical products that use ethylene as a primary feedstock will grow about 4% per year from 2012 through 2017. Although demand for petrochemical products is expected to expand stably in the future as well, competition in the petrochemical industry is expected to further intensify on a global scale. This trend can be attributed to factors such as the launch of operations of large eth-

### Demand for and Production Capacity of Ethylene Derivatives



Source: Ministry of Economy, Trade and Industry



## Operating Bases for Bulk Chemicals Business

ylene plants in the Middle East and China and plans to construct ethylene plants using shale gas as a feedstock in the United States.

To strengthen our bulk chemicals business, we believe it will be vital to further shift toward higher value-added products and curtail costs. In light of this, we have decided to close down an ethylene plant at the Chiba Works in or before September 2015 and are considering ways to optimize production facilities at the Chiba Works for some of the derivatives, including the possibility of plant closure. In Japan, where demand is weakening, we will strive to significantly improve profitability by downsizing production scale and exiting unprofitable businesses. In addition, we are enhancing competitiveness by shifting toward higher value-added products to be produced in Singapore and expanding operations through investment in the Rabigh Phase II Project in Saudi Arabia.

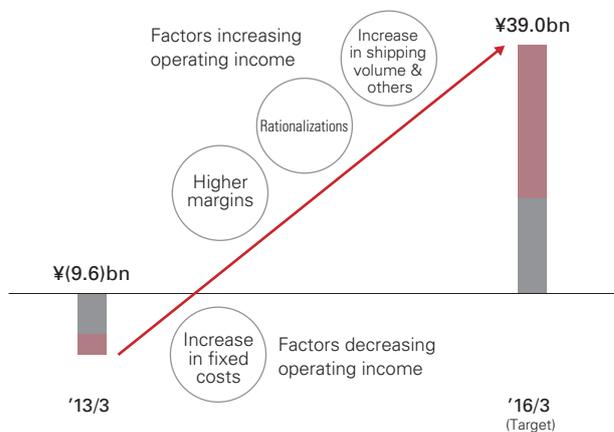
### Performance Targets of the Corporate Business Plan

Under the new Corporate Business Plan, our operating income target for the bulk chemicals field has been set at ¥39.0 billion for fiscal 2015, an increase of ¥48.6 billion from

fiscal 2012. We expect the volume of sales to increase and margins to improve due to a recovery in demand and the impact of cost reductions resulting from business restructuring. In addition, we expect an increase in sales of high purity alumina, diesel particulate filters, S-SBR and other materials for which investments in new plants are being made.

### Change in Operating Income (Loss) for the Bulk Chemicals Business

■ Basic Chemicals ■ Petrochemicals & Plastics



# 2 ICT Business

We will enhance performance by swiftly developing advanced products for applications for which high demand growth is expected, such as smartphones, tablet PCs, and other mobile devices.

## Overview of Business

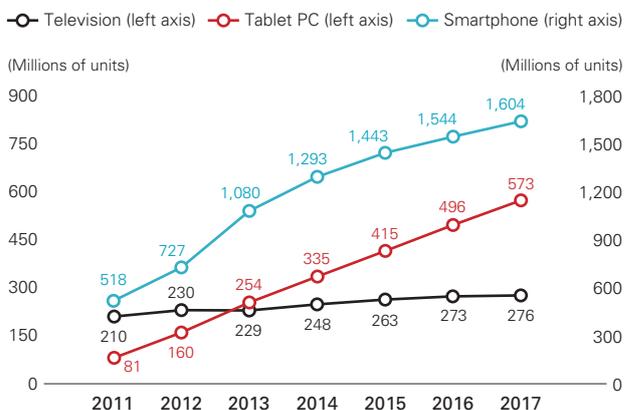
Sales in the ICT (Information & Communication Technology) business for fiscal 2012 were ¥300.0 billion, accounting for over 15% of our sales. Our main products are display materials, such as polarizing films, color filters and touchscreen panels. We also engage in the manufacture and sale of a wide range of products such as photoresists and other semiconductor processing materials.

By establishing our manufacturing bases in close proximity to the manufacturing bases of display manufacturers and semiconductor manufacturers, who are our clients, we seek to swiftly meet customer needs in order to expand our businesses. In the early 2000s, we started production of polarizing films and color filters in South Korea and Taiwan, where many LCD manufacturers are located, and increased production capacity in line with the growth in demand. Our overseas operations have greatly expanded, and 80% of our production capacity for polarizing films, our primary product, is located in South Korea and Taiwan.

## Market Trends and Business Strategy

According to projections by DisplaySearch released in January 2013, worldwide demand for LCD panels for televisions will grow at a rate of approximately 4% per year from 230 million units in 2012 to 276 million units in 2017. Meanwhile, DisplaySearch forecasts that demand for LCD panels for smartphones will increase 17% per year from 727 million units in 2012 to 1,604 million units in 2017, and demand for LCD panels for tablet PCs will grow 29% per year from 160 million units

### Outlook for LCD Panels for Televisions, Smartphones and Tablet PCs



Source: DisplaySearch

## Operating Bases for ICT Business

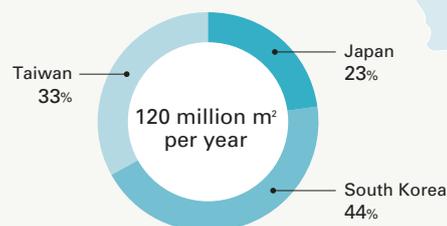
in 2012 to 573 million units in 2017. While the television market, which has driven the display market until now, matures, the smartphone and tablet PC markets are expected to continue rapid growth. We, too, are aiming to enhance performance by focusing on smartphone and tablet PC applications in order to accommodate changes in the display market environment.

As for polarizing films used for LCD televisions, we are improving yields, streamlining production processes and developing polarizing films using self-developed materials to become a low-cost leader in the market. In regard to polarizing films for smartphones and tablet PCs, which continue to achieve rapid market growth, we are seeking to promptly develop products with attractive features, such as lighter and thinner form factors than existing products, in order to expand our business. Moreover, by utilizing technologies cultivated through the manufacture of color filters, in 2012 we entered the touchscreen panel business, a business with rapidly rising demand as a result of the fast growth of the smartphone and tablet PC markets.

### Performance Targets of the Corporate Business Plan

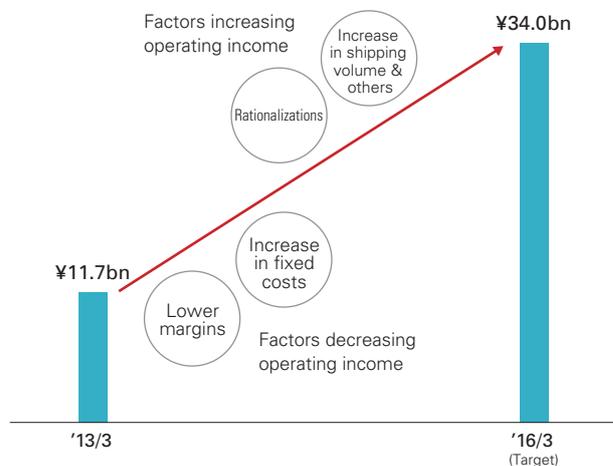
Under the new Corporate Business Plan, our operating

Our Polarizing Film Production Capacity by Region



income target for the ICT business has been set at ¥34.0 billion for fiscal 2015, an increase of ¥22.3 billion from fiscal 2012. We will achieve this plan by increasing the volume of sales of polarizing films and touchscreen panels, mainly for smartphones and tablet PCs, as well as by continuing to enhance our cost competitiveness.

Change in Operating Income for the ICT Business



# 3 Life Sciences Business

We will expand operations globally by developing unprecedented, groundbreaking new products and contributing to the resolution of food-related problems and unmet medical needs.

## Overview of Business

Sales in the life sciences business for fiscal 2012 were ¥641.2 billion, accounting for approximately a third of our sales. In the Health & Crop Sciences Sector, the main products are crop protection chemicals, fertilizers, household and public hygiene insecticides, long-lasting insecticidal mosquito nets for controlling infectious tropical diseases, feed additives for poultry, and pharmaceutical chemicals. In the Pharmaceuticals Sector, the main products are ethical pharmaceuticals and diagnostic pharmaceuticals.

In the Health & Crop Sciences Sector, we have been exporting crop protection chemicals since the 1960s. In this business, we have established subsidiaries that have been fully engaged since the 1980s in the development and sale of crop protection chemicals overseas. At the same time, we have accelerated the expansion of business overseas through equity participation in and the acquisition of businesses from overseas agricultural chemicals companies since the 2000s. Over 60% of crop protection chemical sales for fiscal 2012 were from overseas.

In the ethical pharmaceuticals business, we are rapidly expanding our business overseas through initiatives such as the acquisition of Sepracor Inc (currently Sunovion

Pharmaceuticals Inc.), a US-based pharmaceuticals company, in 2009 and the market launch of LATUDA®, an agent for the treatment of schizophrenia, in the United States in 2011. Overseas sales, primarily in North America, accounted for over 40% of ethical pharmaceutical sales for fiscal 2012.

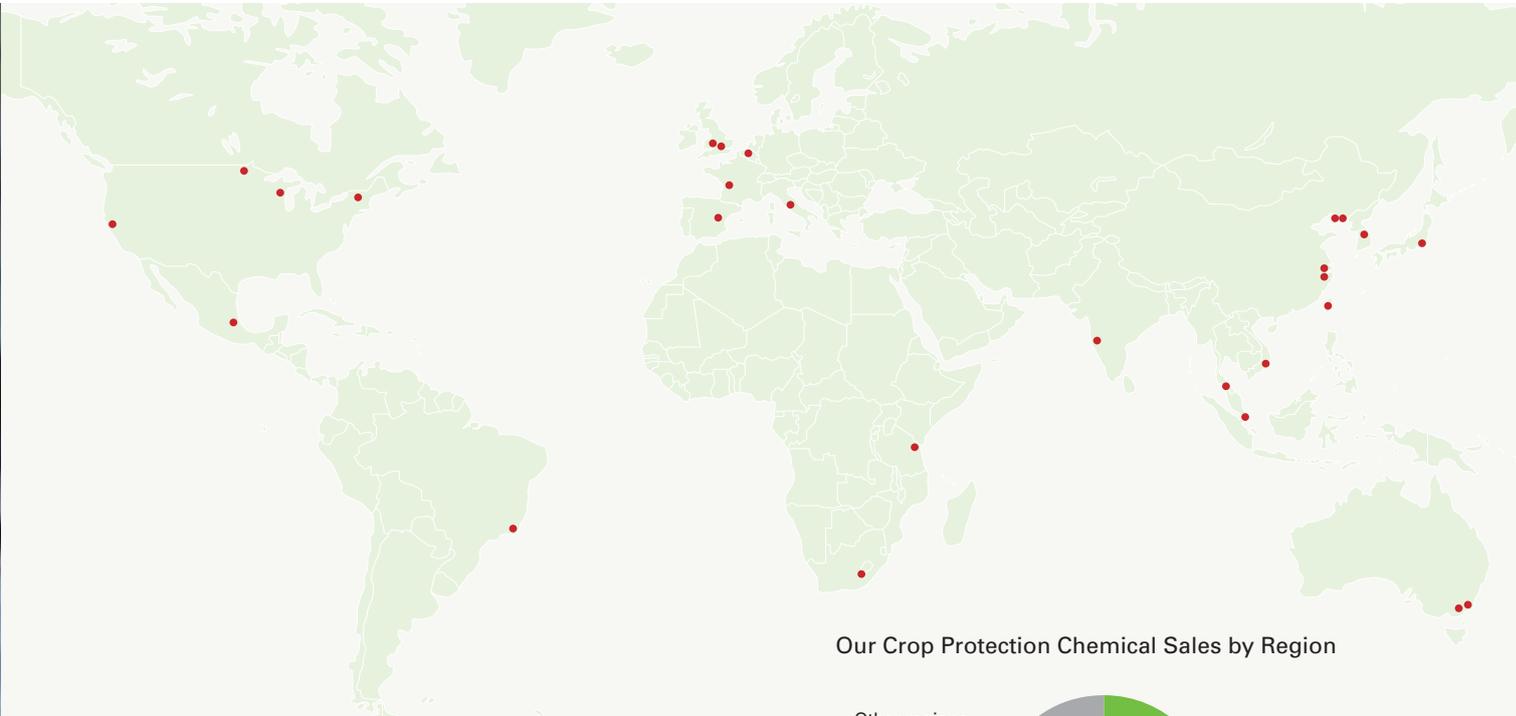
## Market Trends and Business Strategy for Crop Protection Chemicals

According to projections by Phillips McDougall, the worldwide crop protection chemicals market will continue growing at a rate of 2% per year from \$47.4 billion in 2012 to \$53.1 billion in 2017. In 2010, we acquired a stake in the Australian agrochemicals company Nufarm Limited, whose product line-up and sales regions complement ours. At present, the sales arrangement in which we and Nufarm sell each other's crop protection chemicals is steadily producing



VALOR SX (flumioxazin)

results from the alliance. In the future, we will harness the benefits gained from this alliance in logistics and product development in addition to expanding the range of countries in which this sales



## Operating Bases for Crop Protection Chemicals

Our Crop Protection Chemical Sales by Region

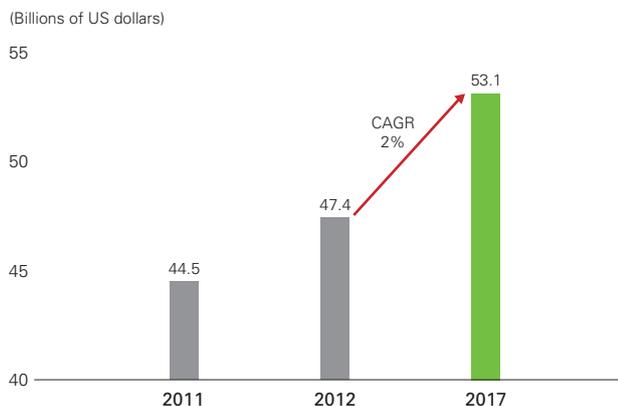


arrangement is applicable. Moreover, we will expand sales of the herbicide flumioxazin, which is sold in collaboration with Monsanto Company, by expanding the region in which we collaborate from the United States to Argentina and Brazil. We will also expand our business into new areas such as the seed treatment business, which enables agricultural products to be protected from the time of seeding by coating seeds with pesticides, fungicides and other crop protection chemicals, as well as the postharvest business, which helps to maintain the quality of crops after harvest.

## Market Trends and Business Strategy for Pharmaceuticals

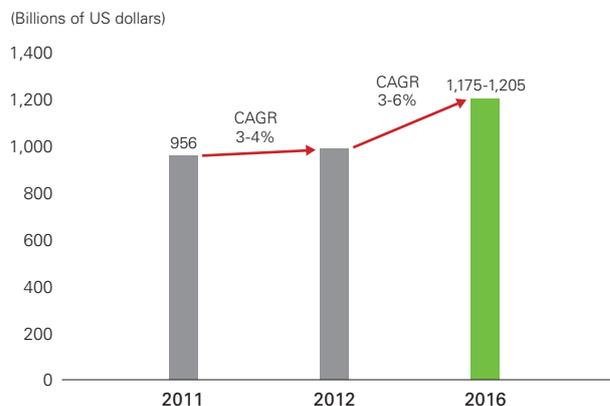
According to projections by IMS Health, the worldwide ethical pharmaceuticals market, which was valued at approximately \$956 billion in 2011, will continue growing at a rate of about 3-6% per year until 2016. A look at the trend by region shows that growth in developed markets is expected to slow down, while growth in emerging markets such as Asia and South America is anticipated to strengthen.

Outlook for Crop Protection Chemical Market

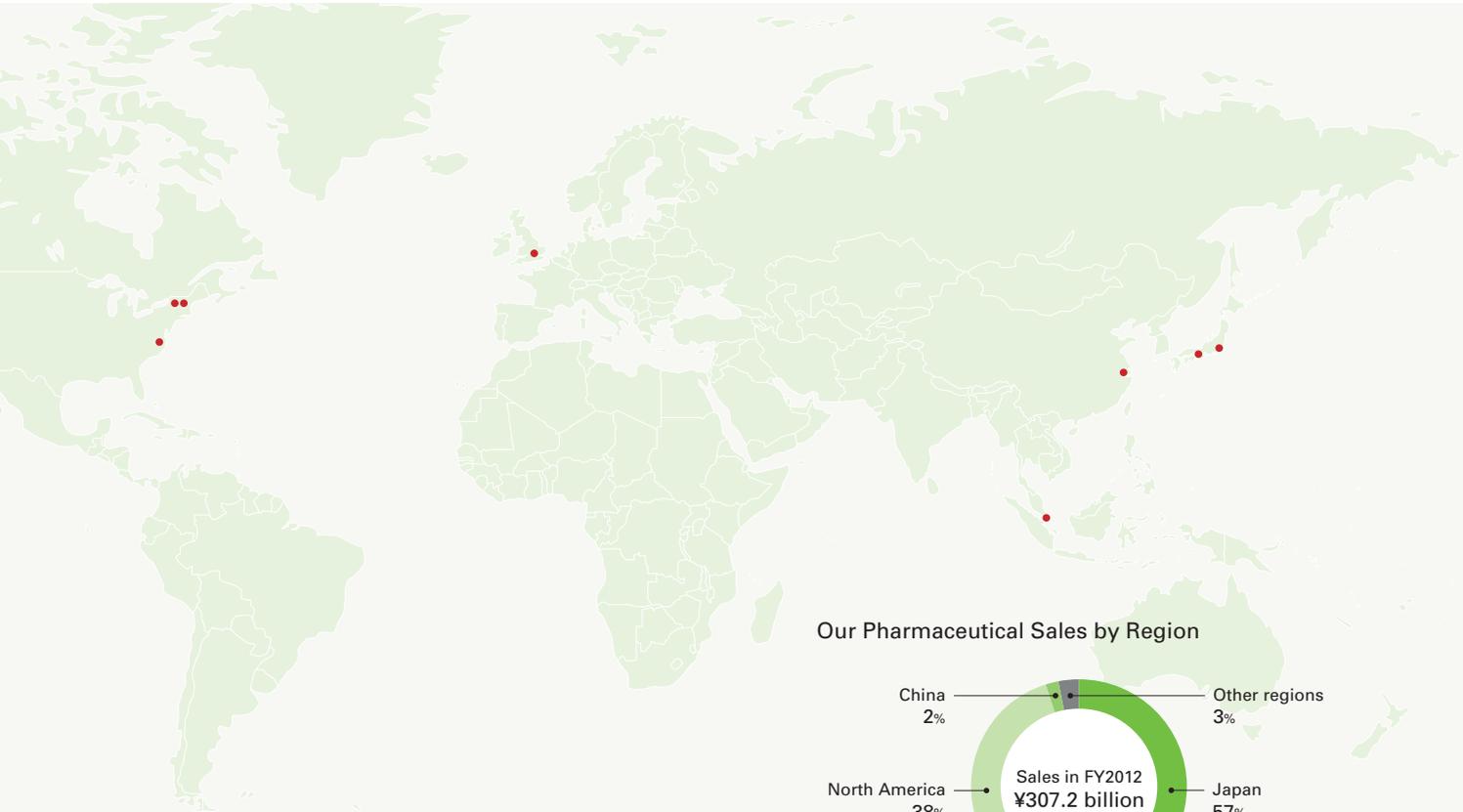


Source: Phillips McDougall

Outlook for Pharmaceutical Market



Source: IMS Health



### Our Pharmaceutical Sales by Region



## Operating Bases for Pharmaceuticals

By therapeutic area, demand for drugs for cancer and other areas with strong unmet medical needs is expected to continue growing.

Dainippon Sumitomo Pharma (DSP) considers psychiatry & neurology and oncology, where patients' needs are largely unmet, to be priority research areas. By focusing research and development and other business resources on these areas, DSP aims to create innovative new drugs. With regard to the atypical antipsychotic LATUDA®, launched in 2011, DSP obtained approval for additional indications and is also working to launch the drug in new regions. DSP is also developing innovative anticancer drugs targeting both cancer cells and cancer stem cells, with plans for a target launch of the first drug in the United States in fiscal 2015.

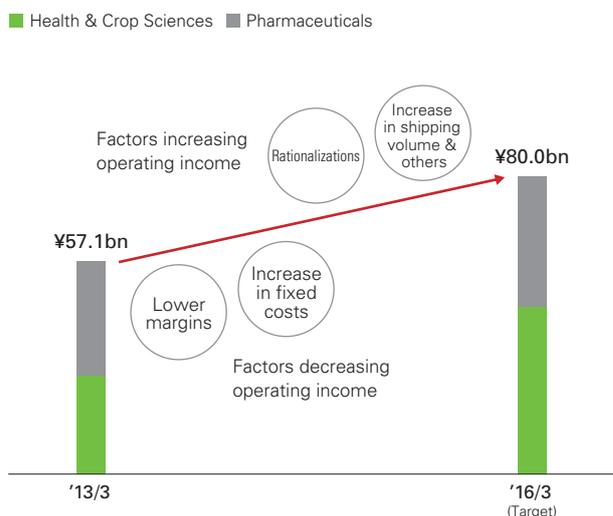


LATUDA®

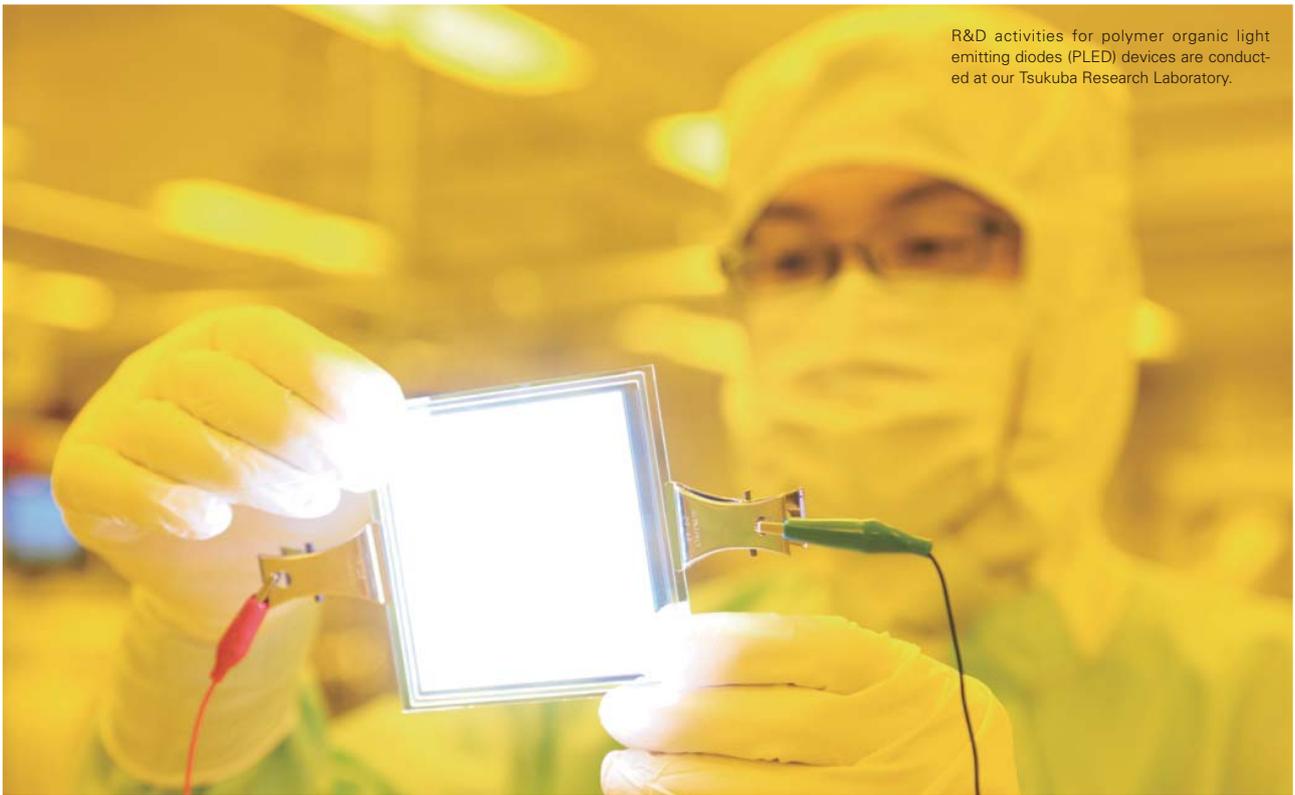
### Performance Targets of the Corporate Business Plan

Under the new Corporate Business Plan, our operating income target for the life sciences business has been set at ¥80.0 billion for fiscal 2015, an increase of ¥22.9 billion from fiscal 2012. We will achieve this plan through initiatives such as increasing the volume of sales of crop protection chemicals and LATUDA® and other drugs while reducing costs, especially fixed costs.

#### Change in Operating Income for the Life Sciences Business



R&D activities for polymer organic light emitting diodes (PLED) devices are conducted at our Tsukuba Research Laboratory.



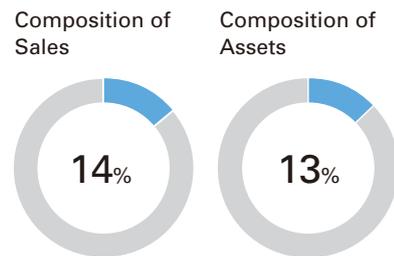
## Our Operations

Sector Overview	26
Basic Chemicals	28
Petrochemicals & Plastics	30
IT-related Chemicals	32
Health & Crop Sciences	34
Pharmaceuticals	36
Research and Development	40

# Sector Overview

(FY2012)

## Basic Chemicals



### Major Products

- Acrylonitrile • Caprolactam
- Aniline • Methanol
- Methyl methacrylate monomer and polymer
- Nitric acid • Caustic soda
- Aluminum hydroxide • Alumina
- High-purity aluminum • Aluminum
- Resorcinol • Polymer additives
- Organic rubber chemicals
- Dyestuffs
- Ethylene-vinylacetate copolymer emulsions

### Sales

¥263.5 billion  
(Year on Year -7.3%)

- Lower market prices and decrease in shipments for raw materials for synthetic fibers
- Lower market prices for methyl methacrylate (MMA) and aluminum

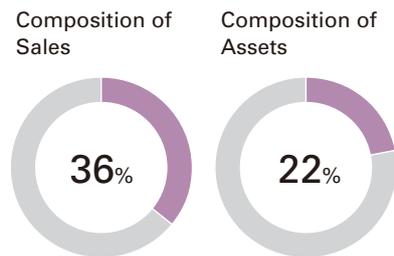
### Operating Loss

¥(6.4) billion  
(Year on Year —%)

- Lower margins for raw materials for synthetic fibers and methyl methacrylate (MMA)

Operating Margin  
(2.4)%

## Petrochemicals & Plastics



### Major Products

- Ethylene • Propylene
- Styrene monomer • Propylene oxide
- Polyethylene
- Polypropylene
- Ethylene-vinyl acetate copolymer
- Thermoplastic elastomer
- Ethylene-propylene rubber
- Acrylonitrile butadiene styrene copolymer
- Agricultural films
- Polypropylene sheets

### Sales

¥693.9 billion  
(Year on Year +3.2%)

- Recovery in shipments of petrochemical products

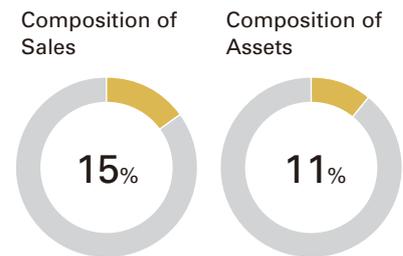
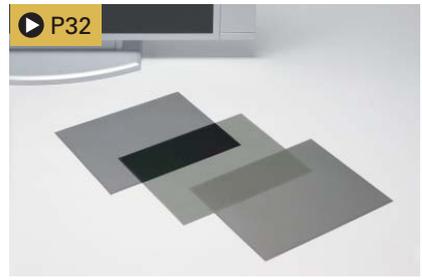
### Operating Loss

¥(3.2) billion  
(Year on Year —%)

- Lower margins for synthetic resins

Operating Margin  
(0.5)%

## IT-related Chemicals



### Major Products

- Optical functional films
- Color filters
- Color resist
- Light-guide plates
- Photoresists
- Touchscreen panels
- High-purity chemicals
- Sputtering targets
- Super engineering plastics
- MOEPI wafers • Metal organics

### Sales

¥300.0 billion  
(Year on Year +2.4%)

- Increase in shipments of polarizing films
- Start of production of touchscreen panels

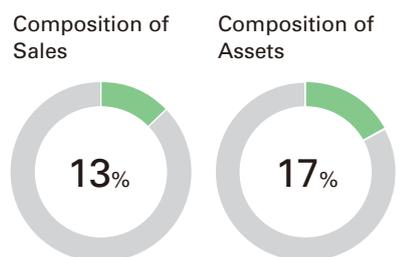
### Operating Income

¥11.7 billion  
(Year on Year +6.7%)

- Increase in shipments of process chemicals and touchscreen panels

Operating Margin  
3.9%

## Health & Crop Sciences



### Major Products

- Crop protection products (insecticides, fungicides, herbicides and plant growth regulators)
- Household insecticides
- Public hygiene insecticides
- Long-lasting insecticidal nets
- Animal health products
- Feed additives • Fertilizers
- Active pharmaceutical ingredients
- Pharmaceutical intermediates

### Sales

**¥262.6 billion**  
(Year on Year -0.6%)

- Decrease in shipments of Olyset™ Net and household insecticides
- Weaker market prices for methionine
- Stronger yen

### Operating Income

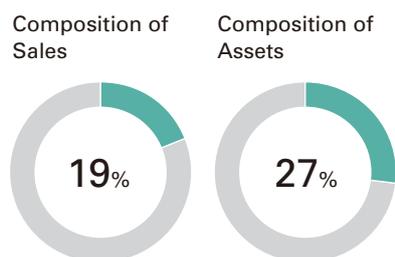
**¥26.3 billion**  
(Year on Year -0.8%)

- Increase in shipments of herbicides and other products in overseas markets
- Stronger yen

### Operating Margin

**10.0%**

## Pharmaceuticals



### Major Products

- Ethical pharmaceuticals
- Radiopharmaceuticals
- Radiation therapy equipment

### Sales

**¥378.6 billion**  
(Year on Year -0.5%)

- Japanese National Health Insurance drug price revision
- Decrease in shipments of product due to loss of exclusivity in US

### Operating Income

**¥30.9 billion**  
(Year on Year +47.5%)

- Reduction of fixed costs in North America and Japan
- Increase in receipt of licensing fees

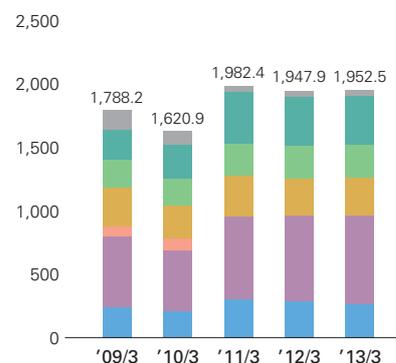
### Operating Margin

**8.2%**

### Sales by Business Sector

- Basic Chemicals
- Petrochemicals & Plastics
- Fine Chemicals
- IT-related Chemicals
- Health & Crop Sciences
- Pharmaceuticals
- Others

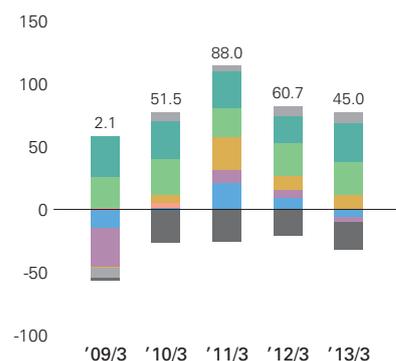
(Billions of yen)



### Operating Income by Business Sector

- Basic Chemicals
- Petrochemicals & Plastics
- Fine Chemicals
- IT-related Chemicals
- Health & Crop Sciences
- Pharmaceuticals
- Others
- Elimination

(Billions of yen)



### Change in Business Sector Classification Methods

As of April 1, 2011, the Fine Chemicals Sector was eliminated, and functional materials, additives, and dyes that had been included in this sector were transferred to the Basic Chemicals Sector. In addition, pharmaceutical chemicals, which had also been included in this sector, were transferred to the Agricultural Chemicals Sector. Following this change, the Agricultural Chemicals Sector changed its name to the Health & Crop Sciences Sector. The businesses of consolidated subsidiaries in the Pharmaceuticals Sector that had been included in the Others Sector were transferred to the Pharmaceuticals Sector. For the purpose of comparison, the figures for fiscal 2010 have also been adjusted to reflect these accounting changes.

# Basic Chemicals



MMA plant in Singapore



Caprolactam and nylon products



DPF for diesel engine passenger vehicles

We have positioned methyl methacrylate (MMA), caprolactam and inorganic materials as the core businesses of the Basic Chemicals Sector. We are working to strengthen the profitability of these businesses and continue expanding them globally with a focus on Asia, where demand growth remains high.

## Corporate Business Plan FY2013 – FY2015

### Basic Policy

- Expand and strengthen businesses through aggressive structural reform

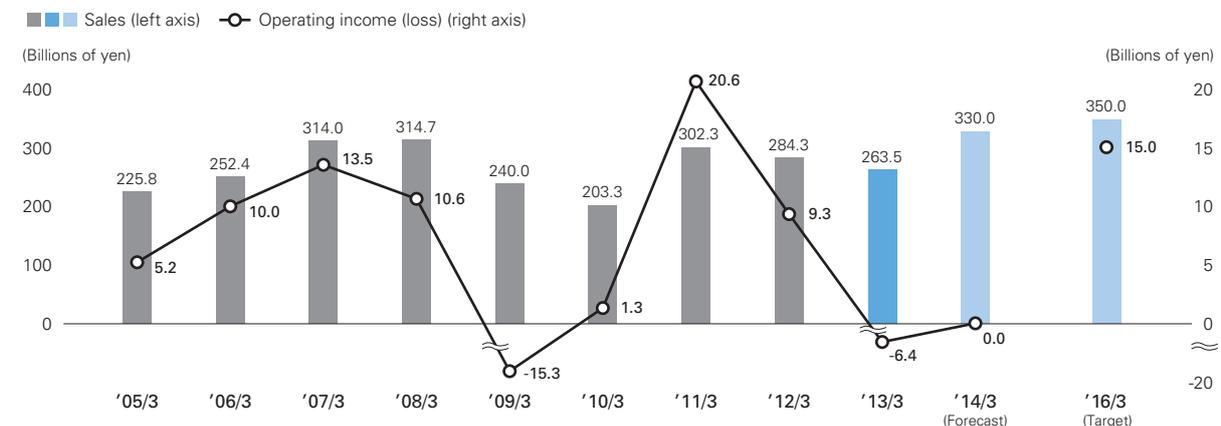
### FY2015 Targets

Sales **¥350** billion      Operating Income **¥15** billion

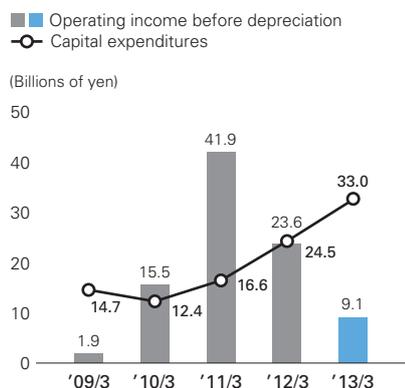
### Change and Innovation

- Quickly develop our environment- and energy-related businesses—including high-purity alumina and ceramic filters for diesel engine exhaust gas (diesel particulate filters (DPF))—into profitable businesses
- Strengthen the foundations of the sector's businesses by stepping up R&D efforts
- Enhance cost competitiveness via thorough rationalization

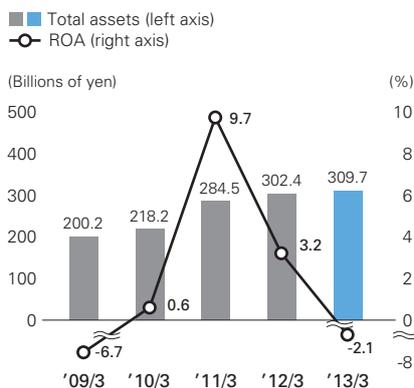
### Sales & Operating Income (Loss)



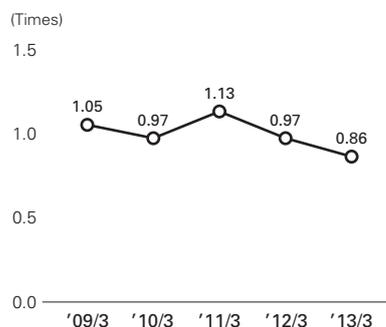
## Operating Income before Depreciation & Capital Expenditures



## Total Assets & ROA



## Asset Turnover



### MMA Business

MMA polymer, which offers outstanding transparency and weather resistance, is an excellent material for a broad range of uses, such as in light-guide plates for LED televisions and other optical components, automotive applications, show-cases, and outdoor signboards. With the economic expansion in Asian countries, particularly China and India, demand in Asia for MMA polymer is expected to grow at an annual rate of 2–3% from the current 690,000 tons per year.

As Asia's leading MMA producer, we continue to enhance the competitiveness of our entire MMA product chain, from monomer and polymer to finished sheets. We produce monomer and polymer in Singapore, Japan and South Korea. Anticipating that MMA polymer demand will expand, we completed our new MMA polymer plant in Singapore in the third quarter of 2012. The plant has an annual production capacity of 50,000 tons. As a result, combined annual production capacity came to 489,000 tons for monomer and 313,000 tons for polymer.

### Caprolactam Business

Caprolactam is a raw material for nylon 6, which is used in synthetic fibers,

films and engineering plastics. Demand for nylon 6 in Asia, particularly China, is extremely strong for applications in clothing, engineering plastics and tire cords, and demand for caprolactam in the region is expected to grow at an annual rate of about 6% from the current 2.8 million tons per year.

We produce caprolactam using the conventional liquid-phase process as well as our proprietary energy- and resource-efficient vapor-phase process. Our product is recommended as the most suitable for high-speed spinning and is highly valued by our customers together with our strong distribution network.

### Inorganic Materials Business

We provide distinctive high-performance inorganic materials using our advanced technologies for precisely controlling such physical properties as purity, particle size and form.

Sumitomo Chemical is the world's leading manufacturer of high-purity alumina. In recent years, our alumina products have enjoyed increasing demand for use in new applications, such as sapphire substrate glass for LEDs, lithium-ion battery materials and high thermal conductive fillers.

A new production facility for high-purity alumina, expanding our annual production capacity from 1,600 tons to 3,200 tons, was completed at the Ehime Works and a completion ceremony was held in November 2012. In South Korea, we will start manufacturing high-purity alumina used for lithium-ion secondary batteries amid rapidly growing demand for batteries for hybrid cars and electric vehicles.

We also manufacture and sell fine alumina for liquid crystal displays (LCDs) and solar cell glass substrates, as well as aluminum hydroxide for artificial marble and halogen-free flame-retardants.

We are also focusing on the development of a diesel particulate filter (DPF) for diesel engine passenger vehicles, for which demand is expected to grow with the tightening of exhaust gas emissions regulations in Europe. Our aluminum titanate DPF is superior to existing silicon carbide DPFs in terms of pressure loss, soot mass limit and thermal shock resistance, which are essential properties for DPFs. We have already started supplying samples of our aluminum titanate DPF to automakers and plan to commence commercial production in 2014.

# Petrochemicals & Plastics



Automobile seats with cushion materials made using propylene oxide as a raw material



Products made of polyethylene



A tire made using synthetic rubber

We have positioned polyethylene (PE), polypropylene (PP) and propylene oxide (PO) as the core businesses of the Petrochemicals & Plastics Sector. We are working to expand our business and strengthen profitability by further globalizing and shifting toward higher value-added applications.

## Corporate Business Plan FY2013 – FY2015

### Basic Policy

- Maximize profits from major investments
- Strengthen business structure, taking account of future changes in business environment

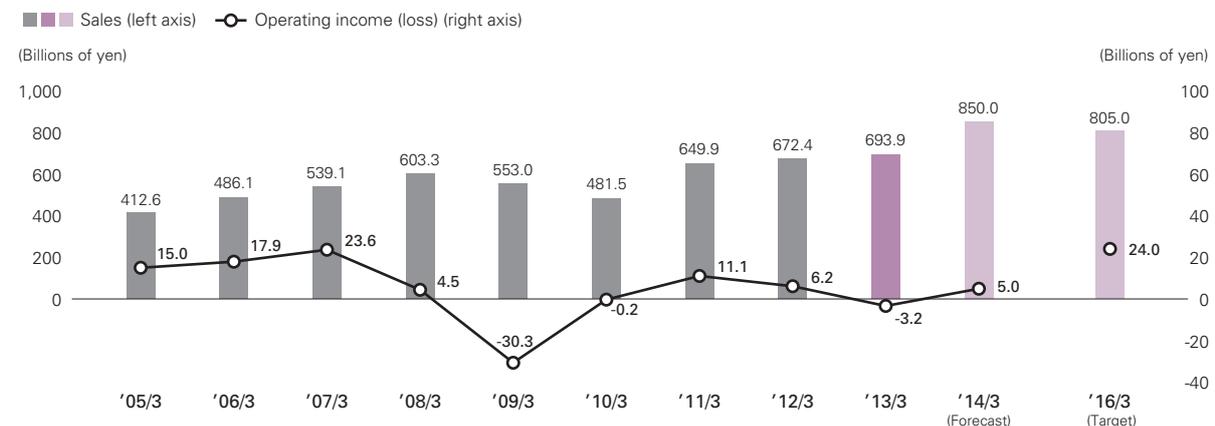
### FY2015 Targets

Sales **¥805** billion      Operating Income **¥24** billion

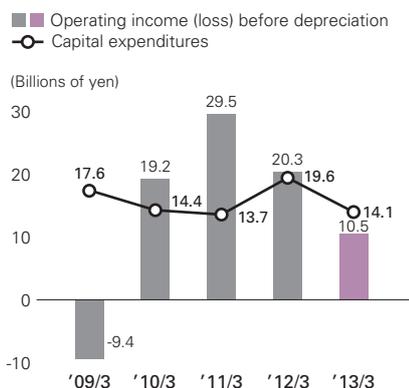
### Change and Innovation

- Restructure domestic operations (exit underperforming businesses, review the management of production operations)
- Strengthen competitiveness of operations in Singapore (shift toward higher value-added products)
- Maximize Petro Rabigh's profitability (achieve more stable operations)

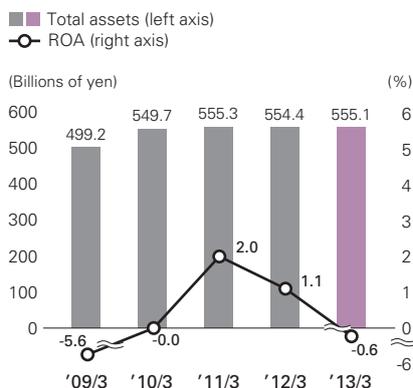
### Sales & Operating Income (Loss)



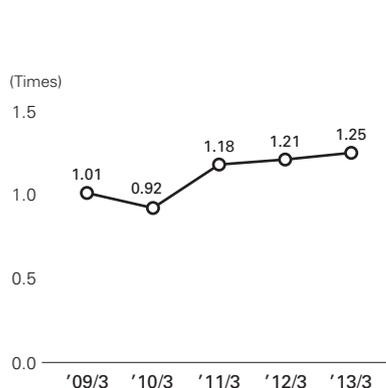
### Operating Income (loss) before Depreciation & Capital Expenditures



### Total Assets & ROA



### Asset Turnover



### Polyethylene Business

Global PE demand is estimated at 63 million tons per year, and is expected to grow at an annual rate of 3%. We operate PE manufacturing facilities in Japan, Singapore and Saudi Arabia with a combined production capacity of 1.5 million tons per year. With the aim of further enhancing the profitability of our PE business, we are stepping up marketing efforts for ethylene vinyl acetate copolymer as an encapsulating material for photovoltaic cells, which are expected to achieve high growth. We are also actively working to expand our low-density polyethylene business in the area of high value-added applications, such as waterproof laminates for paper.

### Polypropylene Business

Global PP demand is estimated at 43 million tons per year and is expected to grow at an annual rate of 4%. We operate PP manufacturing facilities in Japan, Singapore and Saudi Arabia with a combined production capacity of 1.7 million tons per year. We are redoubling our efforts to strengthen our high value-added PP business globally for products such as PP compounds for use in automotive components, high-quality film materials for electronics components, and film materials for food packaging.

### Propylene Oxide Business

PO is used mainly as a raw material for polyurethanes. Global PO demand is estimated at 6.8 million tons per year, and is expected to grow at an annual rate of 6%. We operate PO manufacturing facilities in Japan and Saudi Arabia

with a combined production capacity of 580 thousand tons per year. We will continue our efforts to further consolidate our position as the top PO supplier in Asia.

### Rabigh Project

We and Saudi Arabian Oil Company (Saudi Aramco), the world's largest oil company, each have a 37.5% stake in Rabigh Refining and Petrochemical Company (Petro Rabigh), and support the operation of Petro Rabigh's world-scale integrated oil refinery and petrochemical complex. The complex utilizes 400,000 barrels per day of crude oil and 1.2 million tons per year of ethane as primary feedstocks to produce a variety of refined petroleum products and petrochemical products. Through the full integration of its oil refining and petrochemical operations, this complex takes full advantage of outstanding operational efficiency and significant economies of scale, and also utilizes the highly cost-competitive ethane as a primary feedstock.

We and Saudi Aramco are now working to finalize the plan of the Rabigh Phase II Project. The Rabigh II Project will use 400,000 tons per year of ethane and 3 million tons per year of naphtha as feedstock to produce a variety of high value-added petrochemical products, aiming to further strengthen the competitiveness of the Rabigh complex.

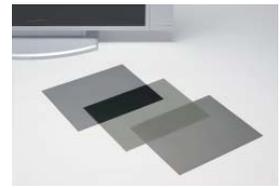
### Restructuring of Chiba Works

We decided to close down an ethylene plant at our Chiba Works by September 2015 to reinforce the competitiveness of our petrochemical operation at the Chiba Works, the Company's stronghold for the petrochemical business in Japan. We will continue to look into ways to optimize production facilities at the Chiba Works for some derivatives, including the possibility of partial plant closures. We will work to strengthen and maintain our petrochemical business through the restructuring of the Chiba Works.

# IT-related Chemicals



Polarizing film plant



Polarizing films



Super engineering plastics



Photoresists

We seek to achieve further business expansion by focusing our business resources on key areas, such as polarizing film and other liquid crystal display (LCD)-related materials, touchscreen panels and photoresists, where we expect high market growth.

## Corporate Business Plan FY2013 – FY2015

### Basic Policy

- Develop innovative new products and technologies
- Respond to changes in market structure through market-oriented approach

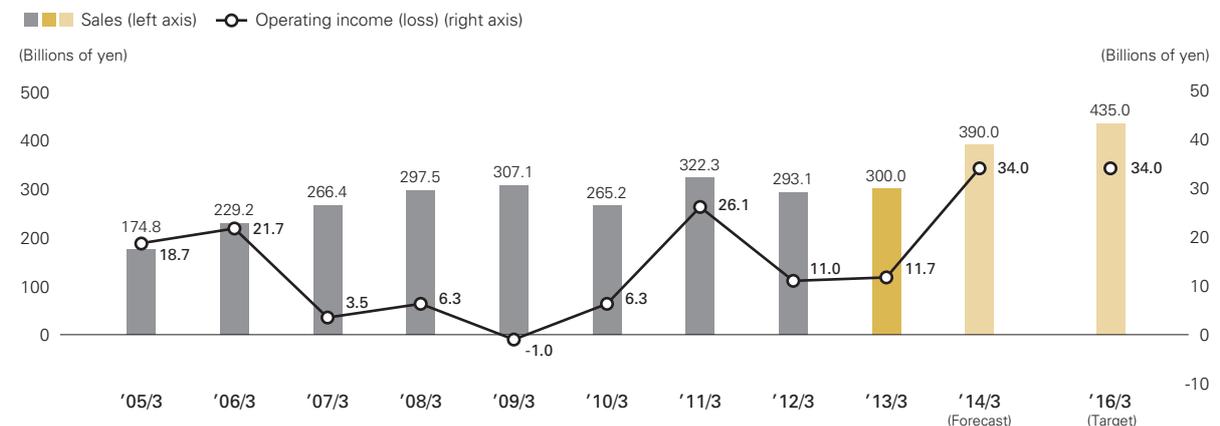
### FY2015 Targets

Sales **¥435** billion      Operating Income **¥34** billion

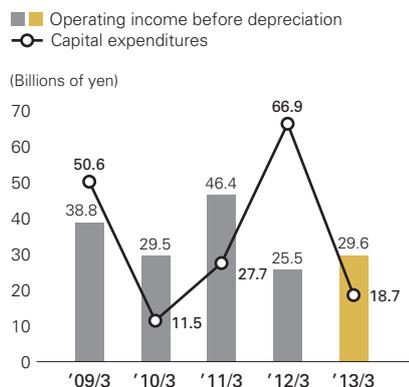
### Change and Innovation

- Develop next-generation businesses (touchscreen panels, PLED-related materials, battery materials and others)
- Develop high-performance polarizing films for smartphones and tablet PCs
- Improve profitability by restructuring photoresist and color resist businesses

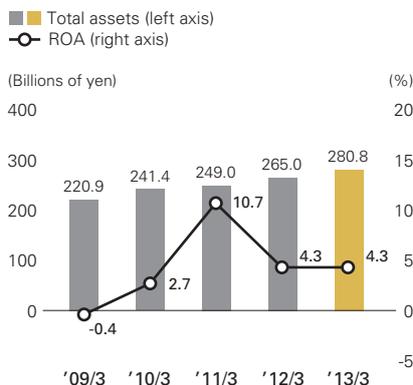
### Sales & Operating Income (Loss)



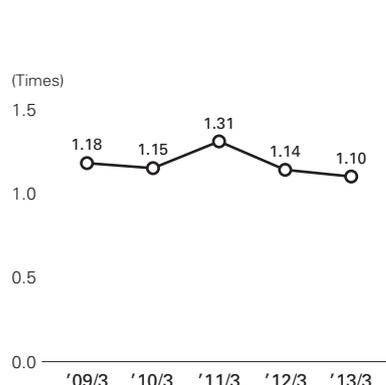
### Operating Income before Depreciation & Capital Expenditures



### Total Assets & ROA



### Asset Turnover



### LCD-related Materials Business

Our polarizing film business is the mainstay of the Sector's core LCD-related materials business. According to projections by DisplaySearch, a market research company, worldwide demand for LCD panels for televisions will remain flat at 2012 levels, with 229 million units in 2013.

Sumitomo Chemical currently is one of the world's leading manufacturers of polarizing film, a key material used in LCDs. We operate production facilities in Japan, Taiwan, South Korea and China, and we have forged strategic partnerships as a prime supplier with major LCD panel manufacturers in South Korea, Taiwan and China.

On the development front, we are introducing cost-competitive materials for LCD televisions, and we are also developing thinner, high-definition polarizing films for smartphones and tablet PCs, for which demand is expanding rapidly.

We also supply a variety of LCD-related materials, such as color filters and color resists, to LCD panel manufacturers.

### Touchscreen Panels Business

Touchscreen panels are input devices used in smartphones and tablet PCs. We began production of touchscreen panels in the first half of 2012 by utilizing our accumulated technology for the production of color filters. According to projections by DisplaySearch, worldwide demand for smartphones will grow 49%, from 727 million units in 2012 to 1.08 billion units in 2013, and demand for tablet PCs will rise 59%, from 160 million units in 2012 to 254 million units in 2013. Amid strong demand for our high-performance touchscreen panels, we plan to make investments twice in 2013 to approximately triple production capacity from the end of 2012.



Touchscreen panel plant

### Photoresists Business

Photoresists are photosensitive resins used in semiconductor manufacturing processes. Semiconductor manufacturers are adopting new manufacturing processes to further miniaturize circuits. In addition to photoresists for the dry argon fluoride (ArF) exposure process, we developed our photoresists with a high-performance photoacid generator for the ArF immersion process to meet semiconductor manufacturers' changing needs. Our ArF immersion resists are evaluated favorably in the market because they can be utilized with or without top-coats. Sumitomo Chemical will continue to develop and launch advanced photoresists in a timely manner in response to further advances in semiconductor manufacturing processes.

# Health & Crop Sciences



DL-methionine and methionine hydroxy analog



Olyset™ Net



Products using our household insecticides

The Health & Crop Sciences Sector engages in the development, manufacture and sale of agrochemicals and fertilizers, household and public hygiene insecticides, long-lasting insecticidal mosquito nets for controlling tropical infectious diseases, feed additives for poultry, and pharmaceutical chemicals. We are working to further globalize our business and contribute to increased food production, the promotion of health, better sanitation and the improvement of the environment.

## Corporate Business Plan FY2013 – FY2015

### Basic Policy

- Further strengthen the foundations of the sector's businesses to pursue globalization
- Strengthen highly-profitable businesses

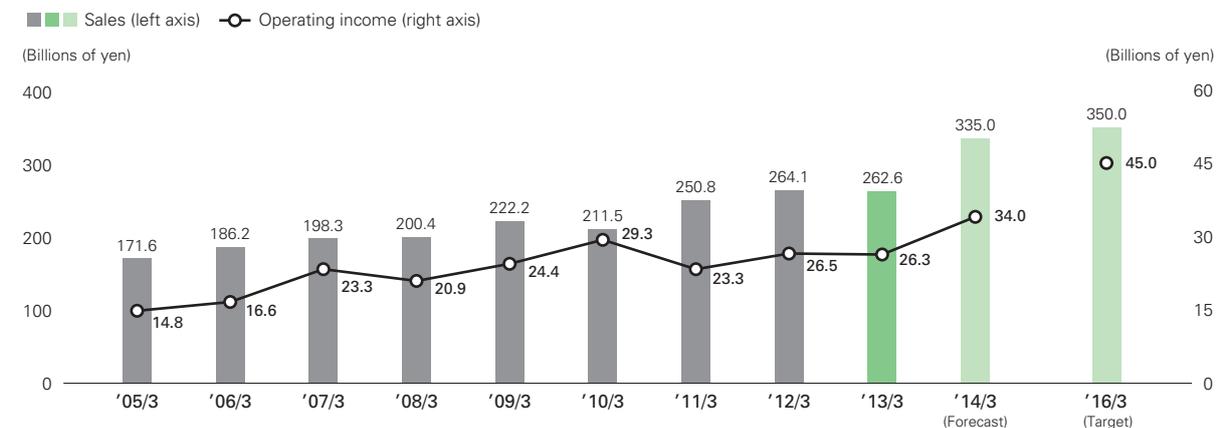
### FY2015 Targets

Sales **¥350** billion      Operating Income **¥45** billion

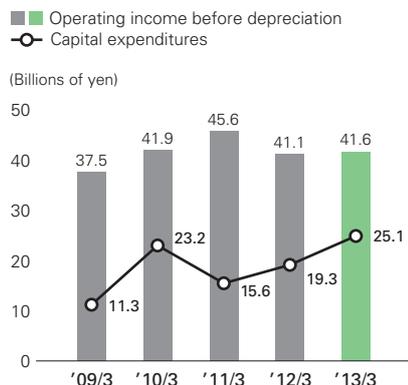
### Change and Innovation

- Pursue synergy with Nufarm and broaden alliance with overseas major company
- Expand into downstream and related areas
- Continuously launch new products
- Commercialize crop stress management technology

### Sales & Operating Income



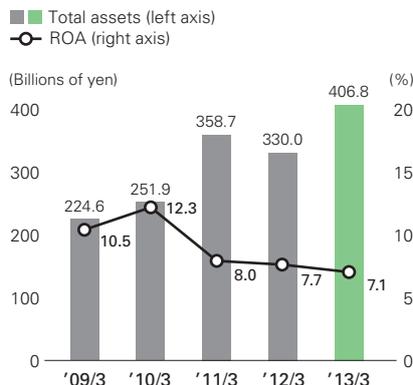
### Operating Income before Depreciation & Capital Expenditures



### Crop Protection Business

In our crop protection business in Japan, we are aiming to increase our market share and broaden the scope of our business by developing attractive new products in-house, in-licensing new products, and pursuing partnerships. From 2010 through 2011, we launched a herbicide for rice farming, a fungicide for rice blight and an insecticide effective against lepidoptera, and sales of these products have grown steadily. Meanwhile, we are increasing investments and enhancing collaboration to expand our overseas crop protection business. Our tie-up with the Australian agrochemicals company Nufarm Limited, in which Sumitomo Chemical has a 23% stake, has produced significant results in broadening our distribution. Nufarm and Sumitomo Chemical have started to mutually distribute products in 20 countries, mainly Brazil and Europe. Also, sales of our herbicide flumioxazin have been increasing in the United States through the distribution channels of Monsanto Company, with which we collaborate in the crop protection business. In anticipation of flumioxazin's further demand growth, we built a new plant in Oita, Japan, to expand production capacity.

### Total Assets & ROA



### Environmental Health Business

Our environmental health business contributes to healthy living environments through its worldwide businesses in household insecticides for public hygiene, professional pest control, and products for pets and other non-crop applications. In this business, we have been actively developing new applications for our active insecticidal ingredient, Eminence®/SumiOne®.

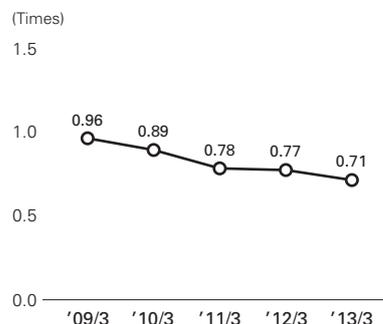
### Vector Control Business

Controlling malaria is one of the global priority issues under the United Nations Millennium Development Goals. Given the growing demand for long-lasting insecticidal bed nets for controlling malaria in Africa and other countries, we rapidly expanded our vector control business, mainly through sale of our Olyset™ Net. We are also developing new products for controlling infectious tropical diseases.

### Feed Additives Business

Our feed additives business engages in the manufacture and sale of DL-methionine and methionine hydroxy analog, which are essential amino acid feed additives used primarily in chicken and other poultry farming. The methio-

### Asset Turnover



nine market is estimated at 1.0 million tons annually and is expected to grow at an annual rate of around 6%, supported by an increasing demand for meat due to the economic growth of developing and emerging countries, and a tendency to prefer chicken as a healthful alternative to red meat, among other factors. We will continue to consolidate our position as Asia's top producer by meeting our customers' needs in a prompt and flexible manner.

### Pharmaceutical Chemicals Business

We are one of the world's top manufacturers of pharmaceutical chemicals, supplying pharmaceutical manufacturers with active pharmaceutical ingredients (APIs) and their intermediates. We possess the current GMP-compliant quality assurance capabilities, advanced organic synthesis technologies and expertise in scaling up processes for industrial production. To further expand the size of our business, we are meeting the needs of pharmaceutical manufacturers promptly and precisely by building on our accumulated technology and expertise and fully integrating our research and development, manufacturing, and sales capabilities.

# Pharmaceuticals



Formulation studies



LATUDA®



PET procedure



<sup>18</sup>F-FDG for PET procedures

**Sumitomo Chemical's Pharmaceuticals Sector is centered on Dainippon Sumitomo Pharma's ethical pharmaceuticals business and Nihon Medi-Physics' diagnostic radiopharmaceuticals business.**

## Corporate Business Plan FY2013 – FY2015

### Basic Policy

- Effectively invest resources and expand global operations

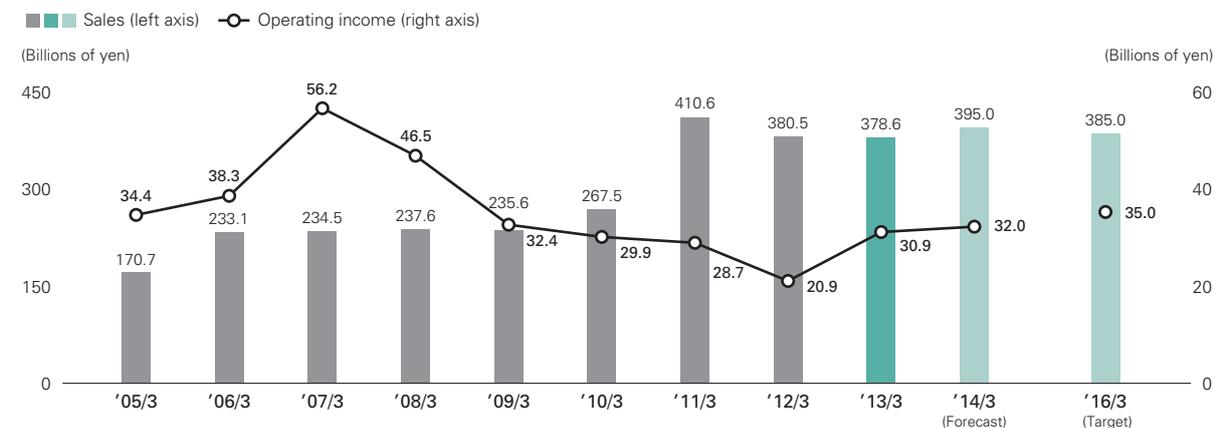
### Change and Innovation

- Establish a robust revenue base in Japan
- Further expand overseas business and maximize earnings
- Expand global pipeline
- Enhance the profitability of diagnostic radiopharmaceutical business

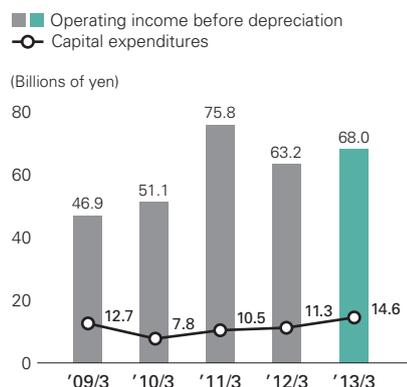
### FY2015 Targets

Sales **¥385 billion**      Operating Income **¥35 billion**

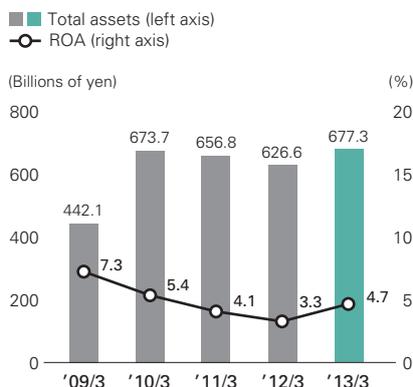
### Sales & Operating Income



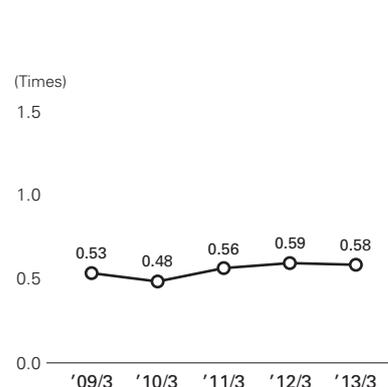
### Operating Income before Depreciation & Capital Expenditures



### Total Assets & ROA



### Asset Turnover



### Dainippon Sumitomo Pharma

Under its five-year medium-term business plan starting fiscal 2013, Dainippon Sumitomo Pharma Co., Ltd. (DSP) is working to realize its vision of becoming a research-driven pharmaceutical company capable of competing globally and contributing to medical care through leading-edge technologies. DSP is seeking to enhance performance through global business expansion driven by new drugs.

As for the atypical antipsychotic LATUDA®, launched in the United States in 2011 for the treatment of schizophrenia, DSP obtained approval for additional indications for bipolar I disorder (depression), and is also working to launch the drug in new areas, such as Europe and Asia. With the additional indications and sales area expansion, DSP aims to increase sales of LATUDA®, including sales by Takeda Pharmaceutical, to more than \$1 billion in fiscal 2017.

DSP is also developing anticancer drugs BBI608 and BBI503, which were added to the company's pipeline by the

2012 acquisition of Boston Biomedical, Inc., with commercialization expected in fiscal 2015 and 2017, respectively. BBI608 and BBI503 affect both cancer cells and cancer stem cells that are resistant to conventional drugs. The two new drug candidates are expected to have dramatic effects by eliminating cancer stem cells that cause a recurrence or metastasis of cancer. DSP expects the combined sales of BBI608 and BBI503 to be second only to LATUDA® in fiscal 2017.

DSP is focusing its research and development efforts on the areas of psychiatry & neurology and oncology, where patients' needs are largely unmet, while actively investing resources in these areas to develop innovative new drugs.

Moreover, DSP will apply leading edge science, such as iPS cells, to drug discovery, while strengthening its efforts in cell therapy and regenerative medicine to develop medicines for refractory diseases.

### Nihon Medi-Physics

Nihon Medi-Physics Co., Ltd. (NMP) is a leading company in the field of radio-pharmaceuticals, which are effective in the early detection of disease, such as brain and heart diseases and malignant tumors. NMP is conducting business in both diagnostic and therapeutic fields with "nuclear medicine" as the keyword.

Specifically, to accommodate rapidly increasing demand for PET (positron emission tomography) in recent years, NMP is contributing to the spread of PET procedures by strengthening production facilities to ensure the stable delivery of <sup>18</sup>F-FDG as a high-quality pharmaceutical product to extensive medical facilities throughout Japan. NMP has decided to build its tenth production base for <sup>18</sup>F-FDG in Gunma Prefecture, with plans to start operation in 2015.

In the therapeutic field, NMP expanded its product lineup by obtaining approval for a new medical device for brachytherapy, also known as sealed source radiotherapy, for prostate cancer.

# DSP's Product Pipeline

(As of May 9, 2013)

## Central Nervous System

Brand Name/ Product Code	Generic Name	Formulation	Proposed Indications	Development Location	Development Stage*1					Remarks
					Phase I	Phase II	Phase III	NDA submitted	Approved*2	
<b>LATUDA®</b> <b>(SM-13496)</b>	lurasidone hydrochloride	Oral	Schizophrenia	Europe	█					Developed in-house
				Australia	█					
				Japan	█					
			Bipolar I depression (New indication)	US and Canada	█					
			Bipolar maintenance (New indication)	US and Europe, etc.	█					
			MDD (New indication)	US and Europe, etc.	█					
<b>STEDESATM</b>	eslicarbazepine acetate	Oral	Epilepsy (Adjunct)	US	█					In-licensed from BIAL
			Epilepsy (Monotherapy)	US	█					
<b>LONASEN®</b>	blonanserin	Oral	Schizophrenia	China	█					Developed in-house
			Schizophrenia (Addition of pediatric usage)	Japan	█					
			Schizophrenia (New formulation: Transdermal tape)	Japan	█					
<b>SEP-225289</b>	TBD	Oral	Attention-deficit hyperactivity disorder (ADHD)	US	█					Developed in-house (by Sunovion)
<b>DSP-8658</b>	TBD	Oral	Alzheimer's disease	US	█					Developed in-house
<b>DSP-1053</b>	TBD	Oral	Depression	US	█					Developed in-house
<b>DSP-2230</b>	TBD	Oral	Neuropathic pain	U.K.	█					Developed in-house
<b>SEP-363856</b>	TBD	Oral	Schizophrenia	US	█					Developed in-house (by Sunovion)

## Cancer

Brand Name/ Product Code	Generic Name	Formulation	Proposed Indications	Development Location	Development Stage*1					Remarks
					Phase I	Phase II	Phase III	NDA submitted	Approved*2	
<b>CALSED®</b>	amrubicin hydrochloride	Injection	Small cell lung cancer	China	█					Developed in-house
<b>BBI608</b>	TBD	Oral	Colorectal cancer (2nd/3rd line, monotherapy)	US and Canada	█					Developed in-house (by BBI)
			Colorectal cancer (3rd/4th line, combination therapy)	US and Canada	█					
			Solid cancer (2nd/3rd line, combination therapy with Paclitaxel)	US and Canada	█*3					
			Solid cancer (Monotherapy)	Japan	█					
<b>WT4869</b>	TBD	Injection	Myelodysplastic syndromes	Japan	█*3					Developed in-house (co-research with Chugai Pharmaceutical Co., Ltd.)
			Solid cancer	Japan	█					
<b>WT2725</b>	TBD	Injection	Solid cancer, Hematologic cancer	US	█					Co-developed with Chugai Pharmaceutical Co., Ltd.
<b>BBI503</b>	TBD	Oral	Solid cancer (Monotherapy)	US and Canada	█					Developed in-house (by BBI)

\*1 █ Development in Japan █ Development in other countries \*2 Approved (awaiting NHI pricing) \*3 On Phase I of Phase I/II study

## Respiratory

Brand Name/ Product Code	Generic Name	Formulation	Proposed Indications	Development Location	Development Stage*1					Remarks
					Phase I	Phase II	Phase III	NDA submitted	Approved*2	
<b>SUN-101</b>	glycopyrronium bromide	Collunarium	Chronic obstructive pulmonary disease (COPD)	US						Developed in-house (by Sunovion)
<b>DSP-3025</b>	TBD	Collunarium	Bronchial asthma, Allergic rhinitis	Japan						Developed in-house

## Cardiovascular/Diabetes

Brand Name/ Product Code	Generic Name	Formulation	Proposed Indications	Development Location	Development Stage*1					Remarks
					Phase I	Phase II	Phase III	NDA submitted	Approved*2	
<b>SUREPOST®</b>	repaglinide	Oral	Type 2 diabetes (New indication, all combination therapies including DPP-IV inhibitors)	Japan						In-licensed from Novo Nordisk A/S
<b>METGLUCO®</b>	metformin hydrochloride	Oral	Type 2 diabetes (Addition of pediatric usage)	Japan						In-licensed from Merck Santé
<b>AS-3201</b>	ranirestat	Oral	Diabetic neuropathy	Japan						Developed in-house
<b>DSP-8658</b>	TBD	Oral	Type 2 diabetes	US						Developed in-house

## Others

Brand Name/ Product Code	Generic Name	Formulation	Proposed Indications	Development Location	Development Stage*1					Remarks
					Phase I	Phase II	Phase III	NDA submitted	Approved*2	
<b>MEROPEN®</b>	meropenem hydrate	Injection	Purulent meningitis (Change of maximum dose: 6g daily)	Japan						Developed in-house
<b>DSP-1747</b>	obeticholic acid	Oral	Nonalcoholic steatohepatitis (NASH)	Japan						In-licensed from Intercept Pharmaceuticals
<b>DSP-6952</b>	TBD	Oral	IBS with constipation, Chronic idiopathic constipation	Japan						Developed in-house
<b>DSP-5990</b>	ceftaroline fosamil	Injection	MRSA infection	Japan						In-licensed from Takeda Pharmaceutical Co., Ltd.

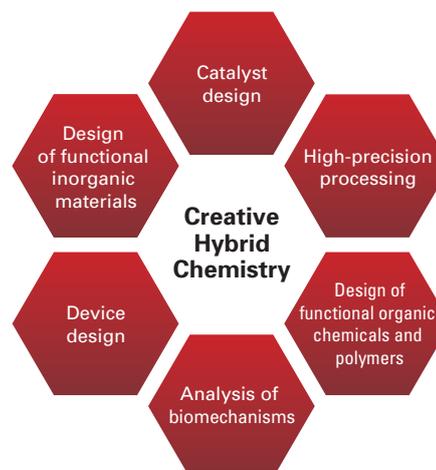
# Research and Development

By making full use of the creative power of chemistry, the Sumitomo Chemical Group will continue to provide innovative technologies and products around the world that assist in the development of society, while also endeavoring to become a global company that achieves strong, sustainable growth.

Sumitomo Chemical is engaged in the development of six core technologies by leveraging the technologies it has accumulated through a broad range of research activities over many years. The six core technologies are catalyst design, high-precision processing, design of functional organic chemicals and polymers, design of functional inorganic materials, device design, and analysis of biomechanisms. Our fundamental R&D strategy is to create innovative products and technologies by combining these core technologies with technologies from outside the company, a process we call Creative Hybrid Chemistry.

Based on economic and business environment forecasts, Sumitomo Chemical anticipates growth in the three fields of environment and energy, life sciences, and ICT. We will develop next-generation businesses by focusing R&D and other management resources on these three fields. In the environment and energy area, we are developing next-generation

## Six Core Technologies



businesses, including CO<sub>2</sub> separation, components for lithium-ion secondary batteries, and components for solar cells. In the ICT area, we foster businesses such as next-generation polarizing films and polymer organic light emitting diodes. Our R&D in the life sciences area concentrates on safety screening using ES and iPS cells as well as drug discoveries including schizophrenia and anticancer drugs.

## Developing New Business

Launch	2011	2015	2020~
Environment and Energy	Silicon solar cells (HEVA, electrode paste, etc.) Lithium-ion secondary batteries (separators)	Ultra-high-efficiency photovoltaic (epitaxial wafer)	Organic thin-film photovoltaics Lithium-ion secondary batteries (cathode materials)
	LED lighting applications (sapphire substrates and alumina, etc.)	PLED lighting Power semiconductors (epitaxial wafers)	
ICT		High heat-resistant and high thermal-conductive resin Diesel particulate filters CO <sub>2</sub> separation	
		PLED (light emitting materials) Next-generation polarizing films Encapsulation material for optical use	Organic semiconductors
Life Sciences	Drug for schizophrenia (LATUDA®)		
	Drug for bipolar disorder (LATUDA®) Anticancer drugs targeting cancer stem cells Screening using ES and iPS cells		Crop stress management Regenerative treatment and cell treatment

## CO<sub>2</sub> Separation Membrane

### Advantages of Membrane Separation Method

Sumitomo Chemical established a joint venture in 2012 together with Sumitomo Corp. and Renaissance Energy Research Corp. to enter the CO<sub>2</sub> separation business using a CO<sub>2</sub> permselective membrane.

CO<sub>2</sub> separation technology is mainly used in hydrogen production and natural gas refining to remove CO<sub>2</sub> from the desired gas. Currently commercialized CO<sub>2</sub> separation technologies, such as chemical absorption and physical absorption methods, require a substantial amount of thermal energy and large-scale facilities, making cost reduction a key challenge.

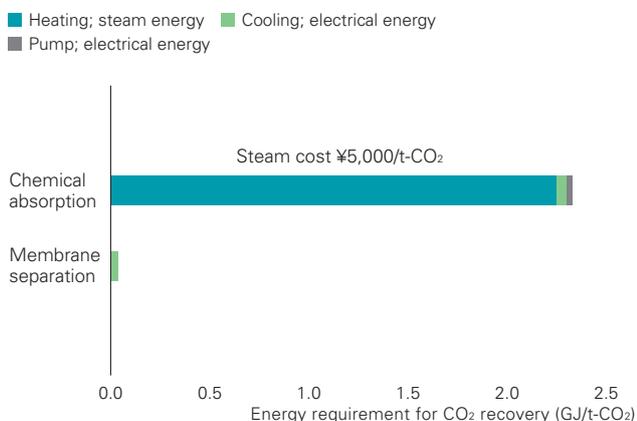
Compared with these chemical absorption and physical absorption methods, membrane separation methods using CO<sub>2</sub> permselective membranes provide reduced energy consumption, a simple separation process, support for small-scale facilities and the flexibility to increase capacity, all while requiring less investment.

### Entry into the CO<sub>2</sub> Separation Business

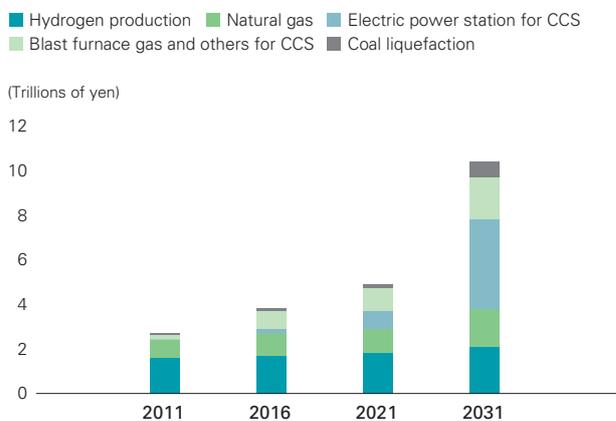
The scale of the worldwide market for the CO<sub>2</sub> separation business is estimated to be ¥3 trillion a year, and it is expected to grow even larger with economic growth in emerging countries and the accelerated development of small- and medium-sized gas fields. Another potential application of CO<sub>2</sub> separation is in carbon capture and storage (CCS) technology, a technology that holds great promise in reducing greenhouse gas emissions. The membrane separation process is viewed as an effective way of reducing CO<sub>2</sub> separation and capture costs, which account for over half of overall CCS costs, and we believe that a newly-developed CO<sub>2</sub> permselective membrane can make a significant contribution to commercializing CCS technology.

Our joint venture company will work on developing membrane technologies suitable for a variety of applications, while also exploring appropriate business models as well as the establishment of mass production capabilities. We also plan to conduct demonstration testing with the membrane and seek to begin full-fledged business operations by the end of this year.

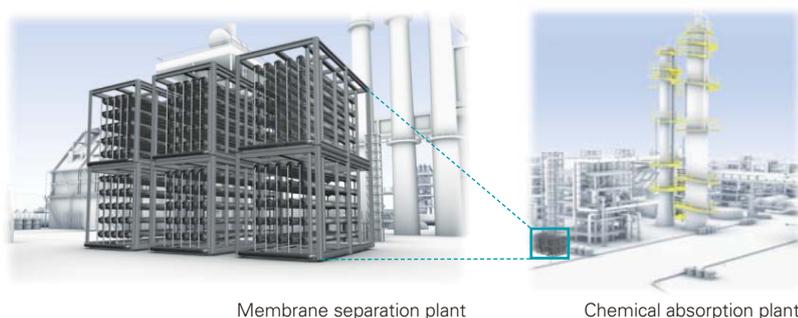
### Comparison of Energy Requirement for CO<sub>2</sub> Recovery



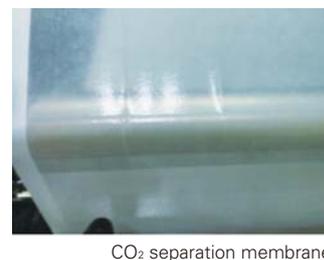
### Market Outlook for CO<sub>2</sub> Separation Business



### Comparison of Plant Size



### CO<sub>2</sub> Separation Membrane



## Human Embryonic Stem Cells

### Self-organized Retinal Tissue from Human Embryonic Stem Cells

In 2012, Sumitomo Chemical and the Riken Center for Developmental Biology succeeded in forming retinal tissue, an optic cup, from human embryonic stem cells for the first time in the world.

We also cultivated this optic cup for weeks or even months and succeeded in producing multilayered retinal tissue containing main cells of neural retina, such as visual cells, ganglion cells and interneurons.

Furthermore, we developed a method that enables en bloc cryopreservation of this multilayered retinal tissue in liquid nitrogen, realizing long-term storage under strict quality control.

Our research results will assist in developing technology to mass-produce human retinal tissue from pluripotent stem cells and also to preserve and supply them. Our findings are a big step toward a new generation of regenerative medicine and also offer potential for applications to safety assessments of chemical substances as well as drug discovery.

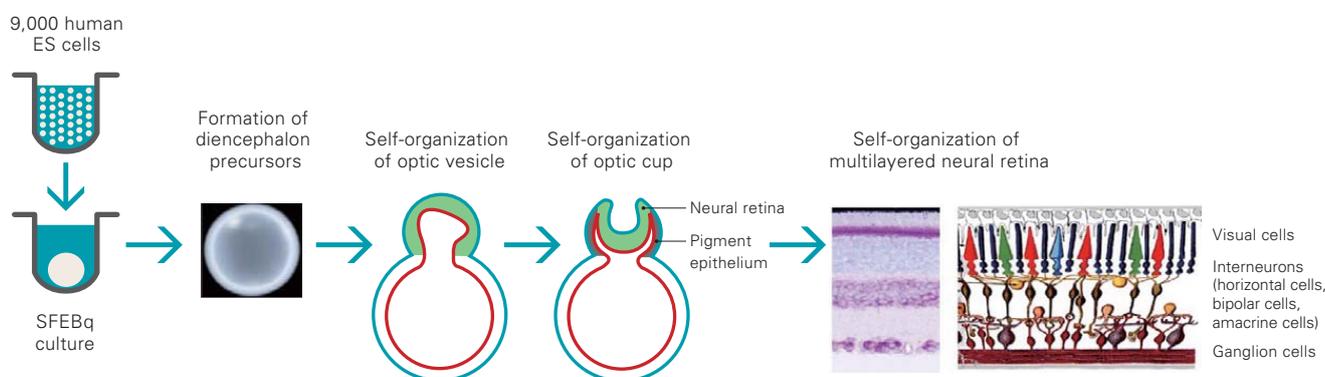
### The Sumitomo Chemical Group's Initiatives

The Sumitomo Chemical Group aims to develop technology that achieves stable production of retina and various other tissues through the cultivation of embryonic stem cells as well as induced pluripotent stem (iPS) cells, and also to develop a method for preserving them. These tissues could be used in safety assessments of chemicals, drug discovery and research on regenerative medicine.

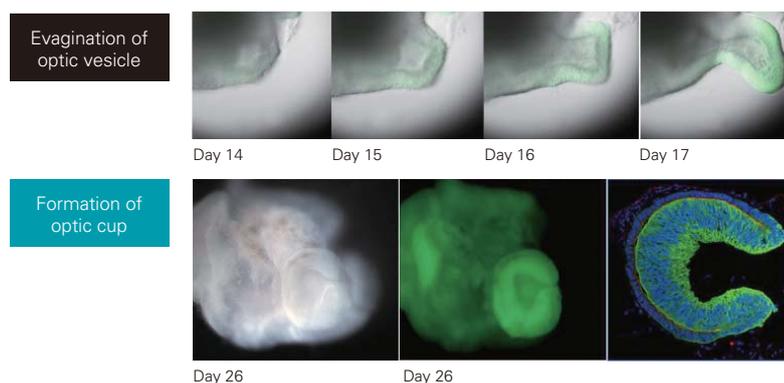
We have so far relied on animal testing in safety assessments of agrochemicals and other chemicals. Our findings will help improve product development efficiency by simplifying safety assessments with the use of cells of human origin. Such safety assessments are expected to become more precise by eliminating species differences between humans and laboratory animals and pinning down the mechanism which determines the toxicity of a chemical substance to humans.

Our subsidiary Dainippon Sumitomo Pharma (DSP) aims to use iPS cell technology to narrow down drug candidates and increase the success rate in clinical trials for new drugs. DSP also intends to apply iPS cell technology to regenerative medicine such as treatments of intractable retinal diseases.

#### Self-organization of Retinal Tissue of Human ES Cell Origin



#### Self-organization of Optic Cup of Human ES Cell Origin





Olyset™ Net manufacturing factory in Tanzania

## CSR & Governance

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Corporate Social Responsibility	44
Board of Directors and Corporate Auditors	52
Corporate Governance	54
Compliance	58

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## Our Corporate Social Responsibility Program

Sumitomo Chemical's business dates back to 1913, when the Company sought to solve the problem of pollution caused by sulfur dioxide emissions from smelting operations at the Besshi Copper Mine in the Shikoku region of Japan. The Company got its start by using the emitted sulfur dioxide to produce calcium superphosphate fertilizers. This not only mitigated an environmental problem by curbing the emission of pollutants, but also helped to increase crop yields by providing useful fertilizers.

Since then, we have been working toward building better lives for people and remain committed to addressing environmental issues and making positive contributions to society. This commitment constitutes the core principle behind our corporate social responsibility (CSR) program. In November 2004, we developed our "Basic CSR Policy," reflecting our business philosophy, management principles, and Charter for Business Conduct, and will continue to strengthen our CSR initiatives based on this policy.

### Basic CSR Policy

By continuously creating and providing useful new technologies and products that have never before existed, Sumitomo Chemical will build corporate value while contributing to both the solution of problems facing our environment and society, and the enrichment of people's lives.

In order to accomplish this, the Company will work to achieve a balance between profitable business operations, the preservation of the environment, safety, health, product quality and social activities. We will also pursue and promote our CSR activities with consideration for the interests of all our stakeholders, including our stockholders, employees, business partners, and the local residents of all regions in which we conduct business. Through our endeavors in these areas, we hope to play a significant role in building a sustainable society, while continuing to grow in order to realize our goal of becoming a truly global chemical company in the 21st century.

### CSR Management

We consider CSR to be a way of contributing to the sustainable development of society through our business activities. In conducting our business, we balance the pursuit of business growth with both responsible care and social action. As a member of the chemical industry, we seek to realize "sustainable chemistry."

### Sustainable Chemistry

Sumitomo Chemical is working to realize sustainable chemistry—contributing to the betterment and comfort of people's lives and the economic growth and sustainable development of society by providing better products and technologies in a more environmentally and socially friendly manner.

While chemical products are used for various applications and support a host of industries, as well as many aspects of people's daily lives, they consume significant quantities of valuable resources and energy and generate effluents, emissions, and solid wastes in their production. Through continuous innovation, we are working to develop "green processes," which minimize the environmental impact of chemical production, as well as "clean products," which are more environmentally friendly, safer and better for human health.



## Social Contribution Activities

As a responsible member of society, Sumitomo Chemical works to build better relations with local communities, global society, business partners and employees.

### Contributions to Local Communities

Sumitomo Chemical's offices, plants and research laboratories are all engaged in various efforts to support the needs of their local communities, starting with day-to-day information disclosure and local communication, as well as efforts to foster the development of children, who will bear responsibility for the future. Our business locations constantly work to foster proper understanding of our corporate activities and to build and maintain good relations with local communities.

#### Activities

- Tours of manufacturing and research facilities
- Community beautification activities
- Participating in and supporting community events
- Accepting student interns
- Giving special lessons at elementary and junior high schools
- Promoting sports

### Contributions to the Global Community

We carry out a variety of activities, such as offering of scholarships, as a way of helping to support the global community. Among these activities, we are focusing on support for Africa, including malaria control activities, and tree-planting activities in Thailand.

#### Malaria Control Initiatives

Together with the eradication of poverty and hunger, malaria control is one of the objectives of the Millennium Development Goals that the United Nations aims to achieve

by 2015. Sumitomo Chemical is making significant contributions to malaria control with Olyset™ Net. Olyset™ Net is an insecticidal mosquito net that was developed by leveraging the many years of expertise we have in the development and production of plastics and active ingredients for household insecticides. Because the Olyset™ Net is made from polyethylene resin-based fibers containing insecticide that is gradually released onto the surface of the net, it retains its insecticidal efficacy for more than five years. We have licensed our Olyset™ Net production technology free of charge to a mosquito net manufacturer in Tanzania. In addition, we have formed a joint venture with the company to establish local production capabilities, thereby contributing to local economic development and the creation of employment opportunities. We have also been supporting education in Africa using a portion of the revenues from our Olyset™ Net business. In collaboration with the international NGOs World Vision Japan and Plan Japan, we have supported 14 projects in 10 African countries to build primary and secondary school buildings, as well as dormitories for teachers and school cafeterias.

#### Mangrove Planting Project in Thailand

Sumitomo Chemical has been supporting the education of children and the tree-planting activities in Thailand since fiscal 2007 under its Matching Gift program, which was jointly implemented by the Company and the Workers' Union. In this program, donations are made by employees and executives of Sumitomo Chemical Group companies, and Sumitomo Chemical matches the collected donation amount. The total is then donated to the organizations selected as recipients.

We have been conducting a mangrove planting project in Thailand jointly with OISCA since fiscal 2008. We have planted

### Europe

- **France**  
Donating blood and donating to people living in poverty
- **Hungary**  
Donating to university scholarship programs

### Africa

- **Mali**  
Constructing school buildings
- **Gambia**  
Donating Olyset™ Nets
- **Malawi**  
Constructing school buildings and donating Olyset™ Nets
- **Democratic Republic of Congo**  
Constructing school buildings
- **Mozambique**  
Constructing school buildings
- **Ethiopia**  
Constructing school buildings and supporting activities to improve the educational environment
- **Senegal**  
Donating Olyset™ Nets

### Asia

- **China**  
Donating to university scholarship programs, tree-planting activities, community cleanup activities, donating to elementary schools and supporting a Japanese speech contest by college students
- **Taiwan**  
Supporting a Japanese speech contest by college students, sponsoring a picture contest by children, interacting with children of child welfare institutions and schools for the handicapped, holding charity bazaars, supporting sales of handmade goods by social welfare facilities and supporting university education
- **South Korea**  
Supporting Japan-South Korea cultural exchanges, supporting a running race for disabled people, donating to junior and senior high school scholarship programs, supporting operation costs to restore visually handicapped persons' eyesight, holding charity bazaars, conducting a blood donation campaign and providing livelihood support to alleviate poverty
- **Singapore**  
Providing support for equipment of facilities for the elderly and assisting with tree-planting activities
- **Thailand**  
Assisting with tree-planting activities and donating recycled wheelchairs

### Oceania

- **Australia**  
Donating to the Red Cross

### America

- **Brazil**  
Providing livelihood support to alleviate poverty and holding a Christmas event for poor children
- **United States of America**  
Raising funds to support cancer patients, donating food for emergencies and supporting an event to celebrate Japan-US friendship

a total of approximately 300,000 mangroves in an area called "Sumitomo Chemical's Forest" that extends over 120 hectares as of the end of fiscal 2012. We have supported local people who plant trees and manage the forest. We also send employee volunteers every year to plant trees with local residents. In fiscal 2012, employee volunteers were sent twice, an increase from a single annual dispatch in previous years. They planted trees, visited local elementary schools and stayed at local homes, interacting closely with the local people.

### Support for the Recovery from the Great East Japan Earthquake

The Sumitomo Chemical Group continues to provide various kinds of support for the recovery of the areas affected by the Great East Japan Earthquake. In fiscal 2012, we sent employee volunteers to provide special lessons for elementary school children with scientific experiments using our products and to help relocate a town office in Otsuchi, Iwate Prefecture. We also held bazaars to sell local specialties from the affected areas at the Tokyo and Osaka Head Offices as well as the Ehime Works. Our company cafeterias serve special meals using ingredients produced in the affected areas and have donated part of the proceeds. The money will be used for a scholarship fund to support children who lost their parents due to the disaster.

### Responsible Care Activities

In our efforts to realize sustainable chemistry, we actively engage in Responsible Care activities that aim to protect the environment, ensure health and safety, and maintain high product quality throughout the entire life cycle of our prod-

ucts. In order to conduct our Responsible Care activities efficiently and comprehensively from a long-term perspective, we have established the Responsible Care Committee, consisting of the Executive Officers in charge of our Business Sectors, Executive Officers in charge of our corporate departments, and the General Managers of our Works. These voluntary activities are undertaken not only at Sumitomo Chemical but also extend globally to include our Group companies both in Japan and overseas. We segment our Responsible Care activities into such areas as environmental protection and chemical safety, and set targets individually for each of these areas. In working to achieve these targets, we seek to gain the further trust of society.

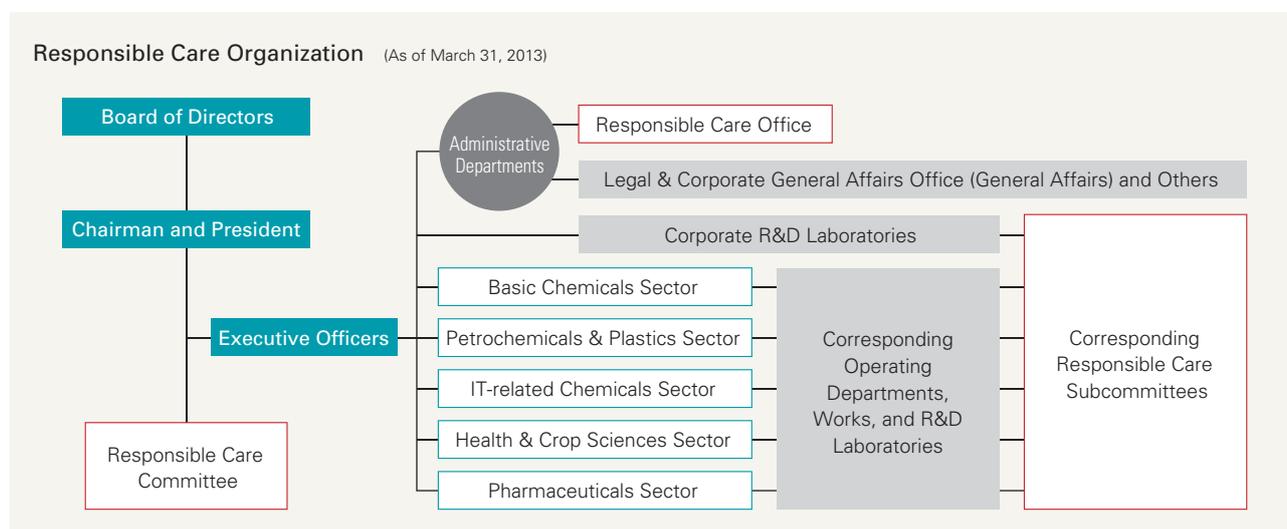
### Improving the Efficiency of Energy Consumption, Resource Utilization and Sumitomo Chemical's Environmental Performance

The Sumitomo Chemical Group is working to promote environmental sustainability in order to bring about a low-carbon society and a recycling-based society. Sumitomo Chemical and 16 major Group companies in Japan, as well as 10 major Group companies overseas, launched renewed efforts to improve their energy efficiency and reduce environmental impact in FY2011 by setting targets for FY2015.

### Working to Reduce CO<sub>2</sub> Emissions

Sumitomo Chemical aims to achieve the world's highest level of energy efficiency and develop processes and products that contribute to the reduction of CO<sub>2</sub> emissions.

We have improved energy efficiency in our production process by about 2.9% between FY2005 and FY2012. We will continue to improve energy efficiency in our production process and also develop products that contribute to the



reduction of CO<sub>2</sub> emissions and the efficient use of energy. We will further focus on developing new manufacturing processes and products that will help reduce CO<sub>2</sub> emissions by making use of effective in-house assessment tools, such as the guidelines we established for estimating the extent to which the use of our products reduces CO<sub>2</sub> emissions.

### Chemical Safety Initiatives

For both regulatory compliance and voluntary measures, we are working to strengthen our risk-based chemicals management and to engage in appropriate risk communication. For regulatory compliance, we promptly and properly take all necessary actions in accordance with the many requirements under domestic and overseas regulations, such as the Japanese Chemical Substances Control Law and the EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals).

Product composition information and safety information, which form the basis for chemicals management, as well as applicable regulatory and other information, are comprehensively and effectively managed by the Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (SuCCESS). Through this system, the latest information is offered throughout the Company and effectively utilized for chemicals management at each site. The system is also used to prepare the Safety Data Sheet in compliance with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and to provide information to customers. We are considering introducing the system to our Group companies in Japan and overseas.

In November 2008, Sumitomo Chemical made its "Eco-First Commitments" to the Japanese Minister of the Environment, including commitments regarding the implementation of advanced environmental preservation measures such as the appropriate management of chemical substances and promotion of anti-global warming measures. In making progress toward the 2020 targets in our "Eco-First Commitments," we gather and review information on our products at each stage of the life cycle and conduct appropriate risk assessments throughout the entire supply chain by making full use of our extensive expertise and cutting-edge technologies. The results of the risk assessments are utilized for appropriate risk management. Moreover, we put the results into the document form of summaries on the safe handling of chemicals and disclose them widely to our stakeholders on the website of GPS/JIPS (Global Product Strategy/Japan Initiative of Product Stewardship), a framework for the chemical industry's voluntary efforts to strengthen chemicals management.

### Responsible Care Auditing Activities

We conduct Responsible Care audits for Sumitomo Chemical and our major Group companies in Japan and overseas. Responsible Care audits are aimed at directly checking whether Responsible Care activities are conducted appropriately through regular visits to the Works and giving advice to promote these activities. In order to conduct Responsible Care audits properly, Sumitomo Chemical has organized a specialized audit team. For overseas audits, we also get help from consultants with knowledge of local regulations.

### Promoting Responsible Care Activities in Full Coordination with Group Companies

Sumitomo Chemical holds meetings with Responsible Care managers and staff members from each Group company in Japan and overseas to share information and discuss various Responsible Care issues. These meetings are held in Japan, twice a year for Group companies in Japan and once a year for overseas Group companies. The meetings seek to continually improve the overall level of Responsible Care activities by sharing the Group's policies and targets and providing a forum for Group companies to exchange information about specific examples of the companies' initiatives and their progress.

#### Sumitomo Chemical Recognized by CDP as Climate Change Disclosure Leader

Sumitomo Chemical has been highly commended by the CDP (Carbon Disclosure Project), an international not-for-profit organization, for its excellent approach to the disclosure of climate change information, and is featured in CDP's "Climate Disclosure Leadership Index."

CDP sends a questionnaire on climate change initiatives to about 5,000 companies worldwide every year. Based on analysis of the responses to the questionnaire, CDP selects companies that display a strong approach to information disclosure for listing in the Climate Disclosure Leadership Index.

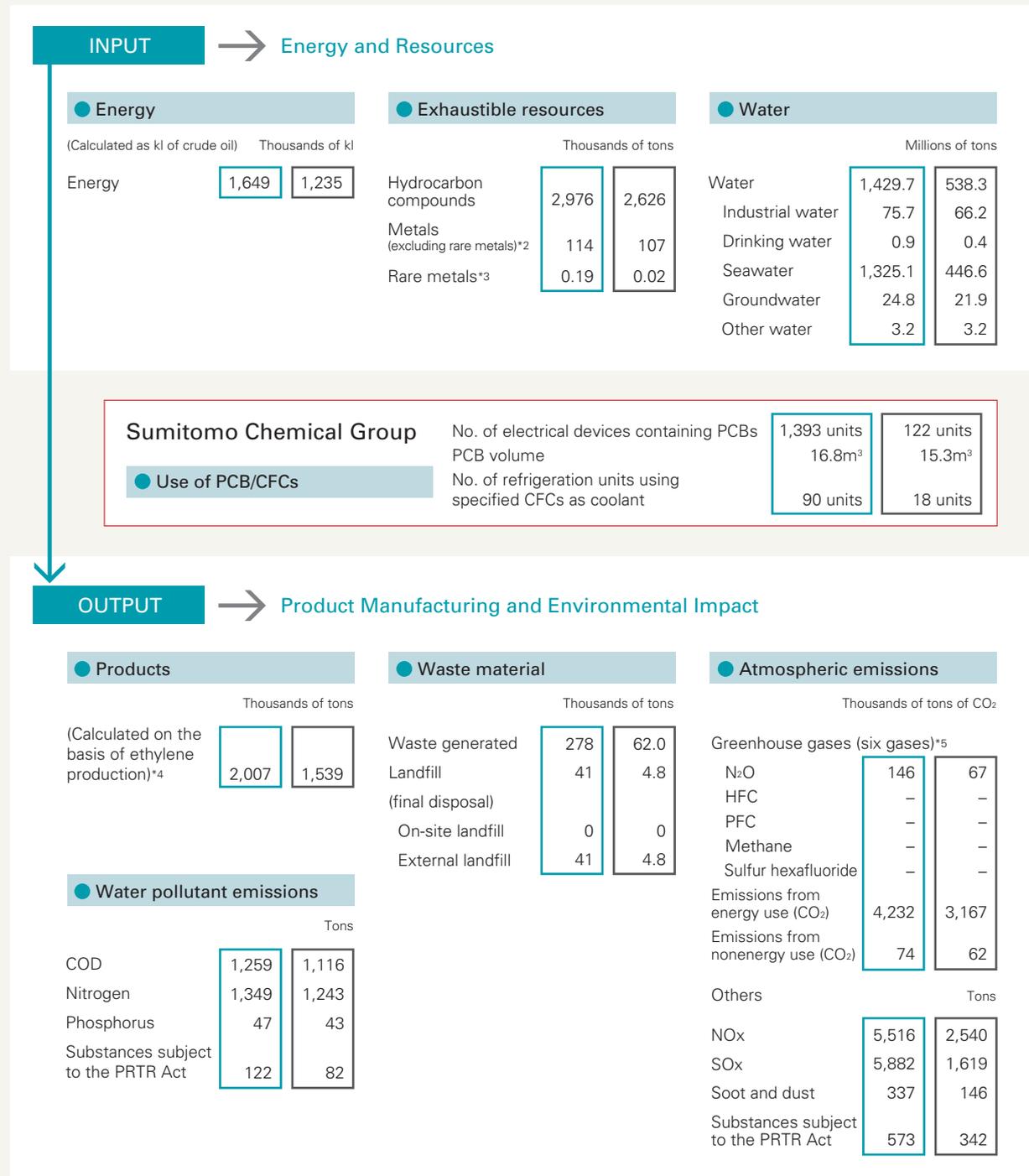
Of 500 major Japanese companies surveyed this year, Sumitomo Chemical is the only one among general chemical companies to have been selected for the Climate Disclosure Leadership Index, with the highest score in the materials sector.

Sumitomo Chemical has constantly made active efforts toward environmental protection and promoted information disclosure. Sumitomo Chemical will continue to strive to gain greater social trust through appropriate information disclosure as it develops Responsible Care activities.



Primary Environmental Performance (Fiscal 2012)

Sumitomo Chemical Group\*1 Sumitomo Chemical



\*1 Sumitomo Chemical and the following 16 domestic Group companies: Dainippon Sumitomo Pharma Co., Ltd., Koei Chemical Co., Ltd., Taoka Chemical Co., Ltd., Sumitomo Joint Electric Power Co., Ltd., Sumika Color Co., Ltd., Nihon Medi-Physics Co., Ltd., Nippon A&L Inc., Thermo Co., Ltd., SanTerra Co., Ltd., Sumika-Kakoushi Co., Ltd., Asahi Chemical Co., Ltd., Shinto Paint Co., Ltd., Sumika Styron Polycarbonate Ltd., Sumika Bayer Urethane Co., Ltd., Nihon Oxirane Co., Ltd., and Sumika Agrotech Co., Ltd.

\*2 Calculations include the following 12 metals: iron, gold, silver, copper, zinc, aluminum, lead, platinum, titanium, palladium, gallium, and lithium.

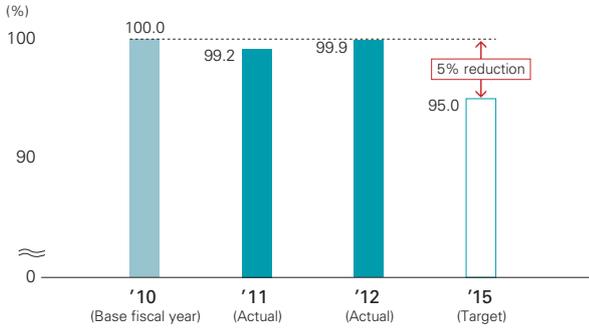
\*3 Calculations include the following seven rare metals: nickel, chromium, tungsten, cobalt, molybdenum, manganese, and vanadium.

\*4 Certain assumptions were made in calculations due to the difficulty of obtaining weight-based figures for some products.

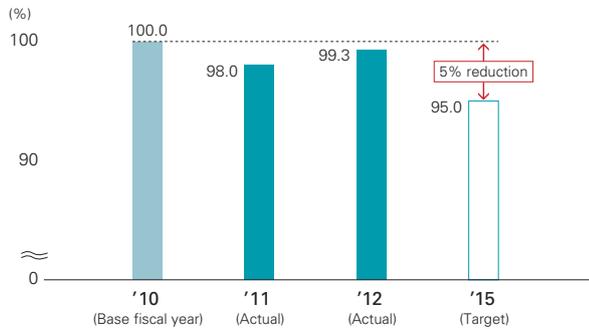
\*5 Until fiscal 2011, indicators of energy (calculated as kiloliters of crude oil) and greenhouse gases (six gases) had been calculated by the same method since the company began compiling environmental performance data. Under this method, energy types for calculation and CO<sub>2</sub> emission factors for sources of greenhouse gases differ slightly from those under the current method. The company adopted the current method in fiscal 2012 that is in line with the Act on the Rational Use of Energy, and the GHG Emissions Accounting, Reporting, and Disclosure System based on the Act on Promotion of Global Warming Countermeasures.

## Japan

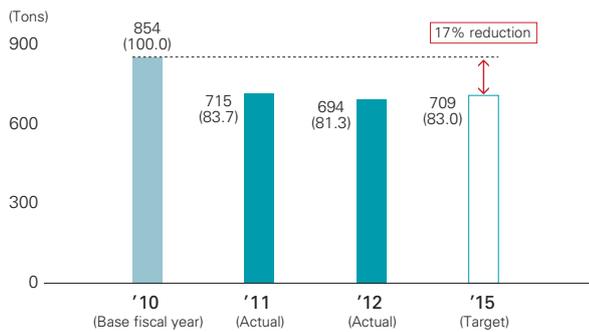
### Energy Consumption Rate Index\*1



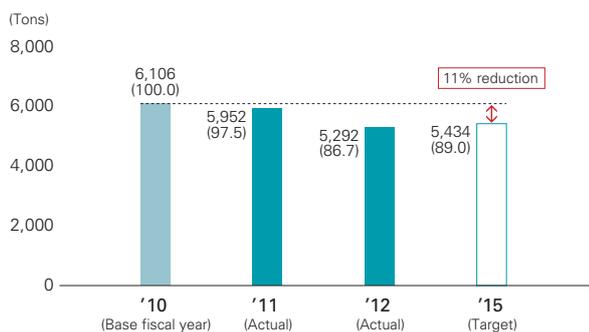
### CO<sub>2</sub> Emission Rate Index\*1



### PRTR Substances Released into the Air and Water\*2

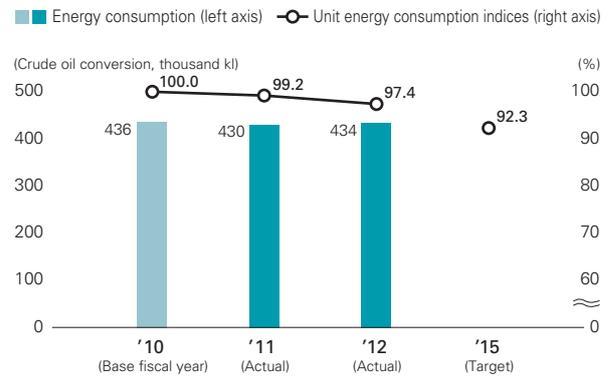


### Landfill Disposal Volume\*2

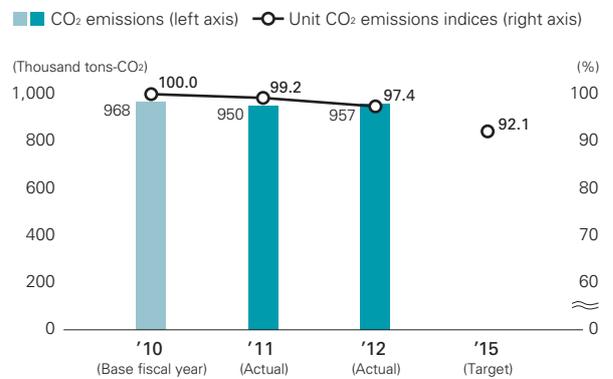


## Overseas

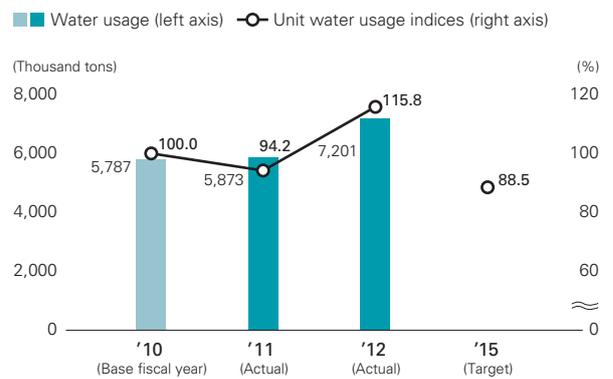
### Energy Consumption & Unit Energy Consumption Rate Index\*3



### CO<sub>2</sub> Emissions (Energy Sources) & Unit CO<sub>2</sub> Emissions Rate Index\*3



### Water Usage & Unit Water Usage Rate Index\*3



\*1 Figures are index values ('10 = 100) and data reflect the total of Sumitomo Chemical and its 16 Group companies in Japan.

\*2 Figures in parentheses are index values ('10 = 100) and data reflect the total of Sumitomo Chemical and its 16 Group companies in Japan.

\*3 Figures are index values ('10 = 100) and data reflect the total of 10 major overseas Group companies.

## Building Better Relations with Business Partners

Sumitomo Chemical is committed to building sound mutual relations with business partners based on our Basic Procurement Principles. In addition to ensuring fairness, equitability, and transparency in our transactions, we are also promoting responsible procurement to our suppliers. Sumitomo Chemical has prepared a CSR Deployment Guidebook which explains our approach to CSR, as well as CSR Deployment Check Sheets for self-evaluation by our suppliers. We support the CSR activities implemented by our suppliers, and monitor the progress of their activities.

For further details on our procurement, see:  
<http://www.sumitomo-chem.co.jp/english/company/purchasing/>

## Building Better Relations with Employees

Sumitomo Chemical is working to create a workplace environment in which individual employees can feel motivated and make the most of their abilities.

### System that Inspires Greater Motivation

Sumitomo Chemical has adopted a job (role)-based human resources system for both managerial and non-managerial employees to provide fair treatment in accordance with individual contributions to the organization. We have introduced the same evaluation standards and systems used at the Company for employees holding important positions at overseas Group companies (Global Position Holders), and are stepping up our efforts to discover and develop talented employees as candidates to become leaders of the next generation. Sumitomo Chemical is now building up a unified HR system for all domestic and overseas Group companies. Both managerial and non-managerial employees are evaluated not only for their performance but also for their competencies, behavioral processes and attitude. The aim of this system is not merely the pursuit of short-term achievements, but rather employee development and medium- to long-term corporate development. The evaluation of non-managerial employees considers their involvement in responsible care activities as well.

## Human Resources Development

Sumitomo Chemical implements training rotations and offers a variety of human resources development programs with a view toward enabling personnel to fully demonstrate their abilities as world-class professionals who can contribute to the Company's global expansion. Under the training rotation system, we use the preferences submitted by employees and the development plans formulated by their managers to help employees plan and develop their ideal careers. We started a new training rotation system in fiscal 2009, expanding the system to include all non-managerial employees regardless of their job categories, as well as some managerial employees. Rotations were conducted for 582 employees in fiscal 2011 and 767 employees in fiscal 2012.

In January 2008, Sumitomo Chemical introduced a Trainer System, under which older employees who are highly skilled and have an aptitude for teaching junior employees are certified as trainers. These trainers provide instruction and advice to employees with little experience to facilitate their development and to ensure the succession of skills from generation to generation. We also introduced a Mentor System from April 2010 to give on-the-job training to supervisors and potential supervisors. We are using this system to enhance the development of core talent for manufacturing departments. As of April 2013, a total of 83 employees were appointed as trainers and nine employees as mentors throughout the Company.



Overseas training

## Promoting Work-Life Balance

Sumitomo Chemical is conducting activities to help employees improve their labor productivity and harmonize work with their personal lives. We encourage employees to take paid holidays. Each of our sites and workplaces designate a “work-life balance day” at least once a week and urge employees not to work overtime on that day. In order to steadily promote work-life balance, we have also designated May and November as “work-life balance promotion months.” During these months, we post awareness-raising posters at each workplace. On the “work-life balance days” in these months, we conduct patrols of the workplaces and urge employees not to work overtime. Moreover, every six months, we review each workplace’s work-life balance indicators, including total overtime work hours, the number of employees who worked longer hours, and the percentage of paid holidays taken by employees. By reviewing these indicators, we are able to assess the work-life balance awareness level of employees and encourage these activities.

## Percentage of Paid Holidays Taken by Employees

Fiscal year	2009	2010	2011	2012
Paid holidays taken	61.5%	63.6%	63.3%	63.1%

## Use of Diversified Human Resources

Sumitomo Chemical looks for and recruits talented people, regardless of age, background, gender or nationality, in a wide range of areas, and a diverse spectrum of people is working at the Company. In fiscal 2012, the Company recruited 71 female employees. We are also committed to providing employees with a workplace in which they feel comfortable working regardless of gender, and many women exercise their talents at the Company.

Sumitomo Chemical has been actively employing people with disabilities. When they are hired, we assign suitable work to them and implement workplace accommodations where necessary so they can make the most of their abilities.

The Company began reemploying retirees in fiscal 2001, and in April 2006 introduced a new reemployment system in response to the revision of the Japanese Act on Stabilization of Employment of Elderly Persons. In fiscal 2012, we reemployed 102 (66.2%) from among 154 retirees (of Sumitomo Chemical). These senior employees are able to continue demonstrating the skills and expertise they have gained through working for the Company.

## Number of Female and non-Japanese Employees Recruited

Fiscal year	2009	2010	2011	2012
Female employees recruited	45	23	76	71
(Percentage of female employees among new employees)	22.4%	8.6%	17.3%	17.0%
Non-Japanese employees recruited	17	19	28	41

\* As of August 1 of each fiscal year

## Number of Female Managers

Fiscal year	2009	2010	2011	2012	2013
Number of female managers*	155	161	173	193	209
(Percentage of female managers among managers)	4.8%	5.1%	5.5%	6.2%	6.7%

\* As of August 1 of each fiscal year, excluding fiscal 2013 with the number estimated as of July 1.

## Employment Rate of People with Disabilities

Fiscal year	2009	2010	2011	2012
Employment rate*	2.01%	1.96%	1.87%	1.93%

\* Annual average for each fiscal year

## Reemployment of Retirees (of Sumitomo Chemical)

Fiscal year	2009	2010	2011	2012
Retirees	176	134	139	154
Reemployed	116	97	93	102
Reemployment rate	65.9%	72.4%	66.9%	66.2%

## Labor-Management Relations

Sumitomo Chemical and its labor union have been cooperating as good management partners to meet challenges and achieve targets based on long-term mutual understanding and trust. Central labor-management meetings and labor-management meetings at each work site are held twice a year, providing opportunities for exchanges. The Company and the labor union also hold meetings to discuss and formulate various programs for non-managerial employees to enable them to increase their morale and motivation at work.

For further details concerning Sumitomo Chemical’s CSR activities, refer to the Sumitomo Chemical CSR Report 2013:  
<http://www.sumitomo-chem.co.jp/english/csr/report/>

## Major SRI Indices Including Sumitomo Chemical



# Board of Directors and Corporate Auditors

(As of June 20, 2013)

## Board of Directors



**Chairman**  
**Hiromasa Yonekura**

1960 Joined Sumitomo Chemical Co., Ltd.  
1986 Manager, Corporate Planning Office  
1991 Director  
1995 Managing Director  
1998 Senior Managing Director  
2000 President  
2009- Chairman

2005- Vice Chairman, Rabigh Refining and Petrochemical Company  
2010- Chairman of Keidanren



**Vice Chairman**  
**Osamu Ishitobi**

Corporate Planning & Coordination (Technology, Research & Development, Business Development), Process & Production Technology & Safety Planning, Production & Safety Fundamental Technology Center, Works (Safety & Environment & Health), Intellectual Property, Responsible Care, Energy & Climate Change, Industrial Technology & Research Laboratory, Organic Synthesis Research Laboratory, Environmental Health Science Laboratory, Tsukuba Material Development Laboratory, Advanced Materials Research Laboratory, Rabigh Project, Petrochemicals & Plastics Sector

1969 Joined Sumitomo Chemical Co., Ltd.  
1994 General Manager, Planning & Coordination Office, Petrochemicals & Plastics Sector  
1998 Director  
2002 Managing Director  
2003 Managing Executive Officer  
2005 Director & Senior Managing Executive Officer  
2008 Executive Vice President  
2012- Vice Chairman

2005- Director, Rabigh Refining and Petrochemical Company  
2010- Director, AOC Holdings, Inc.



**President**  
**Masakazu Tokura**

1974 Joined Sumitomo Chemical Co., Ltd.  
1998 General Manager, Planning & Coordination Office, Fine Chemicals Sector  
2001 General Manager, Alliance Promotion Office  
2003 Executive Officer  
2006 Managing Executive Officer  
2008 Director & Managing Executive Officer  
2009 Director & Senior Managing Executive Officer  
2011- President



**Executive Vice President**  
**Yoshimasa Takao**

Legal & Corporate General Affairs, Secretarial, Internal Control and Audit, Human Resources, Human Resources Development, Corporate Communications (PR), Procurement, Logistics, China Business Office, Asia Business Office, CSR

1973 Joined Sumitomo Chemical Co., Ltd.  
2002 General Manager, Personnel Office (HR)  
2003 Executive Officer  
2006 Managing Executive Officer  
2008 Director & Managing Executive Officer  
2009 Director & Senior Managing Executive Officer  
2012- Executive Vice President



**Director & Senior Managing Executive Officer**  
**Toshihisa Deguchi**

IT-related Chemicals Sector, PLED Business Planning, Electronic Devices Development Center

1990 Joined Sumitomo Chemical Co., Ltd.  
1994 STI Technology, Inc.  
2006 Executive Officer  
2009 Managing Executive Officer  
2011 Director & Managing Executive Officer  
2012- Director & Senior Managing Executive Officer



**Director & Senior Managing Executive Officer**  
**Yoshihiko Okamoto**

Basic Chemicals Sector

1976 Joined Sumitomo Chemical Co., Ltd.  
2004 General Manager, Crop Protection Division  
2005 Executive Officer  
2008 Managing Executive Officer  
2013 Senior Managing Executive Officer  
2013- Director & Senior Managing Executive Officer



**Director & Managing Executive Officer**  
**Ray Nishimoto**

Health & Crop Sciences Sector

1980 Joined Sumitomo Chemical Co., Ltd.  
2006 General Manager, Planning & Coordination Office, Agricultural Chemicals Sector  
2009 Executive Officer  
2011 Managing Executive Officer  
2013- Director & Managing Executive Officer

2013- Chairman, Valent U.S.A. Corp.  
Chairman, Valent BioSciences Corp.  
2013- Chairman, Dalian Sumika Jingang Chemicals Co., Ltd.



**Director & Managing Executive Officer**  
**Tomohisa Ohno**

Petrochemicals & Plastics Sector

1977 Joined Sumitomo Chemical Co., Ltd.  
2006 General Manager, Polypropylene Division  
2008 Executive Officer  
2011 Managing Executive Officer  
2012- Director & Managing Executive Officer

2010- Director, Sumika Middle East Co., Ltd.



**Director**  
**Kunio Ito**

Outside Director

1980 Lecturer in Hitotsubashi University's Department of Commerce and Management  
1984 Associate Professor  
1992 Professor  
2002 Professor in Postgraduate School of Hitotsubashi University, Head of Department of Commerce and Management  
2004 Associate Chancellor and Director, Hitotsubashi University  
2005- Outside Director, Akebono Brake Industry Co., Ltd.  
2006- Professor in Postgraduate School of Hitotsubashi University's Department of Commerce and Management  
2007- Outside Director, Mitsubishi Corporation  
2009- Outside Director, Sharp Corporation  
2009- Outside Director, Tokio Marine Holdings, Inc.  
2012- Outside Director, Sumitomo Chemical Co., Ltd.

## Corporate Auditors

### Standing Corporate Auditor Takao Akasaka

1975 Joined Sumitomo Chemical Co., Ltd.  
2007 General Manager, Internal Control Dept.  
2009- Corporate Auditor  
2011- Corporate Auditor, Sumitomo Seika Chemicals Co., Ltd.

### Corporate Auditor Shinichi Yokoyama

1966 Joined Sumitomo Life Insurance Company  
2001 President and Chief Executive Officer, Sumitomo Life Insurance Company  
2007- Chairman and Representative Director, Sumitomo Life Insurance Company  
2008- Corporate Auditor, Shionogi & Co., Ltd.  
2010- Corporate Auditor, Sumitomo Chemical Co., Ltd.

### Standing Corporate Auditor Kenya Nagamatsu

1975 Joined Sumitomo Chemical Co., Ltd.  
2009 Deputy General Manager, Ehime Works  
2011- Corporate Auditor

### Corporate Auditor Koichi Ikeda

1963 Joined Asahi Breweries, Ltd.  
2002 President and COO, Asahi Breweries, Ltd.  
2006 Chairman of the Board and CEO, Asahi Breweries, Ltd.  
2010- Advisor, Asahi Breweries, Ltd. (present Asahi Group Holdings, Ltd.)  
2010- Outside Director, Komatsu Ltd.  
2011- Corporate Auditor, Sumitomo Chemical Co., Ltd.  
2011- Outside Director, Watabe Wedding Corporation

### Corporate Auditor Mitsuhiro Aso

1975 Prosecutor  
2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office  
2012 Retirement as Prosecutor  
2012- Registration of Attorneys  
2013- Corporate Auditor, Sumitomo Chemical Co., Ltd.

## Managing Executive Officers

### Kunio Nozaki

Corporate Communications Office (IR), Finance & Accounting Office

### Hisashi Shimoda

Basic Chemicals Sector - Planning & Coordination Office, Industrial Chemicals Div., Methacrylates Div.

### Shigeyuki Yoneda

Rabigh Project Office, Rabigh Project - Planning & Coordination Office

### Masaki Morimoto

Human Resources Dept., Procurement Office, Logistics Dept.

### Hiroshi Ueda

Corporate Planning & Coordination Office (Business Development), Process & Production Technology & Safety Planning Office, Production & Safety Fundamental Technology Center, Works (Safety & Environment & Health)

### Ikuzo Ogawa

Corporate Planning & Coordination Office (Technology, Research & Development, Business Development), Intellectual Property Dept., Industrial Technology & Research Laboratory, Organic Synthesis Research Laboratory, Environmental Health Science Laboratory, Tsukuba Material Development Laboratory, Advanced Materials Research Laboratory, PLED Business Planning Office

### Yoshiyuki Shimizu

Secretarial Dept., CSR Office, Corporate Communications Office (PR), China Business Office

### Hiroshi Niinuma

Legal & Corporate General Affairs Office, Internal Control and Audit Dept., Human Resources Development Dept.

### Keiichi Iwata

Corporate Planning & Coordination Office (Corporate Development, Business Development, Corporate Planning, IT Management), Asia Business Office, PLED Business Planning Office

### Noriaki Takeshita

Rabigh Project - Planning & Coordination Office, Petrochemicals & Plastics Sector - Planning & Coordination Office

## Executive Officers

### Hideaki Matsuura

Tsukuba Material Development Laboratory

### Ryo Sato

Health & Crop Sciences Sector - Environmental Health Div., Animal Nutrition Div., Pharmaceutical Chemicals Div.

### Toshiro Kojima

Basic Chemicals Sector - Aluminium Div., Specialty Chemicals Div.

### Kazushi Tan

Electronic Devices Development Center, IT-related Chemicals Sector - Optical Materials Div., Ohe Works

### Tadaki Matsuo

Ehime Works

### Osamu Maruyama

Responsible Care Office

### Shinoi Sakata

Intellectual Property Dept.

### Kazuyuki Nuki

Health & Crop Sciences Sector - Crop Protection Div.

### Masaki Matsui

IT-related Chemicals Sector - Planning & Coordination Office

### Marc Vermeire

Sumitomo Chemical Europe S.A./N.V.

### Satoshi Takazawa

Rabigh Refining & Petrochemical Company

### Sangyoon Kim

Dongwoo Fine-Chem Co., Ltd.

### Michael Donaldson

Valent U.S.A. Corp., Valent BioSciences Corp.

### Takashi Shigemori

Rabigh Refining & Petrochemical Company

### Yasuhiko Kitaura

Rabigh Refining & Petrochemical Company

## 1 Basic Stance

Serving the interests of shareholders and other stakeholders in the midst of the increasingly globalized international community and changing economic conditions is the very foundation of our corporate governance. In our efforts to further bolster our corporate governance, we will make continuous efforts to promote sound decision-making, ensure accountability in the execution of business duties, promote the timely disclosure of information, and enhance and strengthen our internal control system, risk management capabilities, and internal audit functions.

## 2 Corporate Governance Structure

### (1) Bodies

#### The Board of Directors

Our Board of Directors sets basic policies and strategies for management of the Sumitomo Chemical Group and oversees its business activities. The Articles of Incorporation stipulates that the number of Directors should be 15 persons or less, and the Board consists of 9 members, all Japanese males, including one outside director. Regular Board meetings are convened once a month as a rule, with extraordinary Board meetings being convened as necessary. The term of office for Directors is limited to one year in order to clarify their duties and responsibilities.

#### The Board of Corporate Auditors

In compliance with the Companies Act of Japan, we have a Board of Corporate Auditors, which consists of 5 auditors, including 3 outside auditors. The Corporate Auditors and the Board of Corporate Auditors play a vital role in our corporate governance by auditing the discharge of duties by Directors in accordance with the law and the Articles of Incorporation. The Board of Corporate Auditors convenes once a month as a rule.

Two Standing Corporate Auditors (refer to page 53 for brief bios) attend important meetings within the Company, such as meetings of the Board of Directors, the Board of Corporate Auditors, and the Internal Control Committee. To conduct their audits, they also receive reports and explanations from executive departments, including the Internal Control & Audit Department, and accounting auditors.

Three outside auditors (refer to page 53 for brief bios) attend meetings of the Board of Directors and the Board of Corporate Auditors, receive reports on matters covered at important meetings within the Company, such as the Internal Control Committee, and receive reports and explanations from executive departments, including the Internal Control & Audit Department, and accounting auditors, to conduct audits. The results of the relevant audits and the opinions obtained from the objective standpoint of each outside auditor are appropriately reflected in internal audits, corporate auditors' audits and accounting audits, enhancing the effectiveness and efficiency of the audits.

The Corporate Auditors' Office has been established as the organization that provides assistance in auditing functions.

Title	Name	Reason for Appointment	Relations with the Company	Major Activities
Outside Director	 Kunio Ito	The Company has elected Mr. Ito as an outside director, anticipating that he will oversee its management by utilizing his many years of ample expertise in accounting, business administration and other areas as a university professor as well as a wealth of experience as a corporate outside director.	The Company has registered Mr. Ito as Independent Director as specified by the Stock Exchange in Japan.	After becoming an outside director in June 2012, he attended 10 out of 11 meetings of the Board of Directors held in fiscal 2012, contributing mainly from his specialist standpoint as a university professor with expertise in accounting, business administration and other areas.
	 Shinichi Yokoyama	The Company has elected Mr. Yokoyama as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing a wealth of experience and extensive insight as an operating officer of a business corporation.	The Company borrows long-term funds from Sumitomo Life Insurance Co., of which Mr. Yokoyama serves as Chairman of the Board. The borrowing from Sumitomo Life Insurance accounts for about 4% of the total borrowing of the Company.	Attended all 14 meetings of the Board of Directors and 14 out of 15 meetings of the Board of Corporate Auditors held in fiscal 2012, contributing from his standpoint as an experienced corporate manager.
	 Koichi Ikeda	The Company has elected Mr. Ikeda as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing a wealth of experience and extensive insight as a former executive of a major corporation.	The Company has registered Mr. Ikeda as Independent Director as specified by the Stock Exchange in Japan.	Attended 12 out of 14 meetings of the Board of Directors and 14 out of 15 meetings of the Board of Corporate Auditors held in fiscal 2012, contributing from his standpoint as an experienced corporate manager.
Outside Corporate Auditors	 Mitsuhiro Aso	The Company has elected Mr. Aso as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing his many years of ample experience and expertise as a prosecutor.	The Company has registered Mr. Aso as Independent Director as specified by the Stock Exchange in Japan.	He was newly appointed outside auditor on June 20, 2013.

### Enhancing Monitoring and Oversight Function of the Current Structure

The majority of our Corporate Auditors are outside auditors. We are enhancing the function of Corporate Auditors and strengthening their oversight function. They provide valuable insight on the soundness as well as the efficiency of the company management structures and process. We also make use of their opinions in conducting business. In addition, we appointed one outside director in order to strengthen further oversight functions of the Board of Directors and to increase the transparency and objectivity of management.

### (2) Management Organizations for Management Decision-making, Execution, and Auditing

#### Executive Officers

We have appointed Executive Officers to expedite the execution of strategies and business plans. Executive Officers assume responsibility for conducting business in accordance with the basic principles determined by the Board of Directors. We have 33 Executive Officers, with 8 acting in dual capacity as Directors. The Executive Officers are 30 Japanese and 3 non-Japanese, and 32 males and one female. The term of office for Executive Officers is one year.

#### Management Meeting

The Management Meeting supports the decision-making of our management by providing a forum for deliberation on such vital matters as corporate strategy and capital investment. The Management Meeting is composed of all the Directors (excluding an outside director) and one Standing Corporate Auditor, and convenes twice a month as a rule.

#### Management Meeting

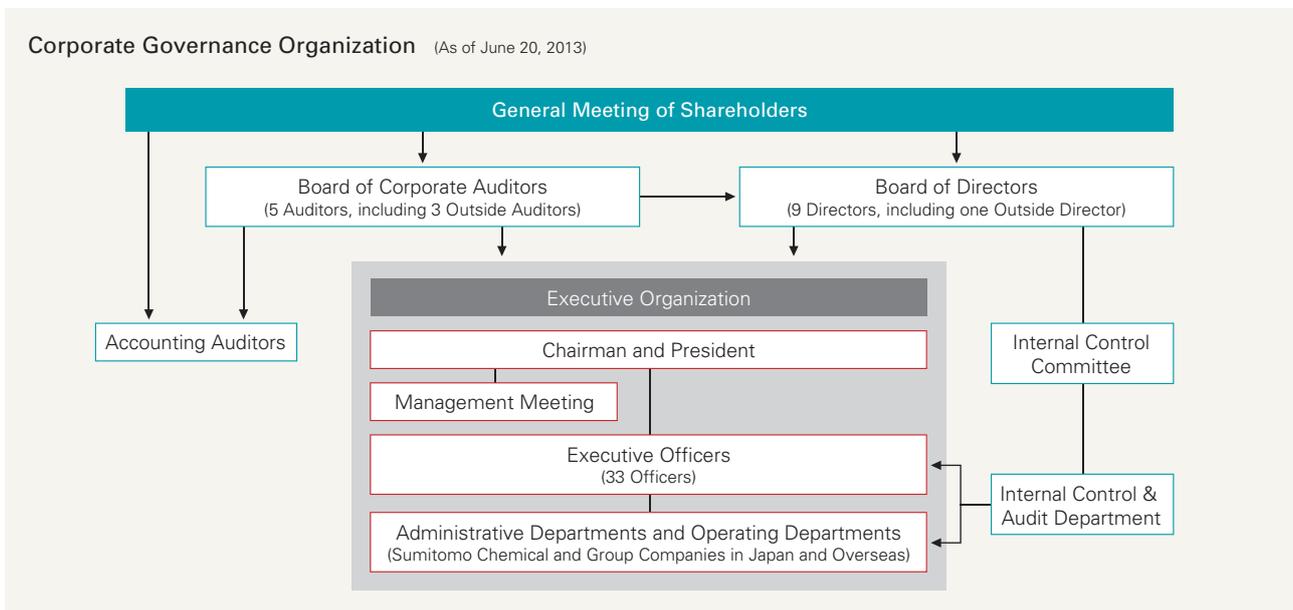
Purpose	Number of Meetings
<ul style="list-style-type: none"> <li>Deliberate on important management issues</li> <li>Body supporting the decision-making of our management</li> </ul>	Twice a month

#### Committees

The Company enhances its business activities and oversight functions by establishing internal meetings (committees) to deliberate on important matters concerning the management of the Company and the Group from broad and diverse viewpoints. Of these committees, the Internal Control Committee, the Compliance Committee (refer to page 59) and the Responsible Care Committee (refer to page 46) convene at least once a year and are attended by Directors and others, as well as the Standing Corporate Auditor, who serves as observer.

#### Internal Committees

Name	Purpose	Number of Meetings in Fiscal 2012
Internal Control Committee	Deliberate on measures to build and improve a proper internal control system	3
Risk Crisis Management Committee	Deliberate on company policy to deal with individual risks such as an earthquake and an infectious disease that affect various divisions	1
Responsible Care Committee	Comprehensively promote responsible care activities from a long-term viewpoint	1
Compliance Committee	Promote awareness of guidelines for business conduct and a Business Conduct Manual	1



### (3) Status of Development of Internal Control System

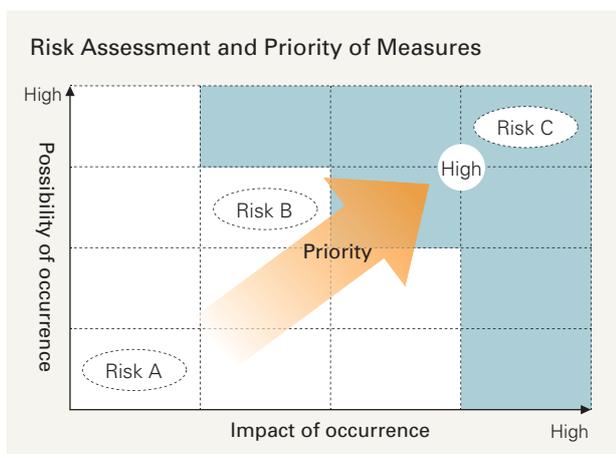
We recognize the continuous development and enhancement of our internal control system as a necessary process in maintaining a sound organization, and believe this system should be actively utilized for the achievement of business objectives.

Based on the Basic Policy for Enhancement of the Internal Control System established by the Board of Directors (revised in March 2012), we have strengthened the internal control system to conduct appropriate business operations throughout the Sumitomo Chemical Group, and have also formed the Internal Control Committee to inspect and maintain the system in response to changing circumstances. This committee is organized by the Internal Control & Audit Department, which proposes and promotes various measures for improving the internal control system and monitors their implementation.

### (4) Risk Management

We seek to strengthen our risk management structure to prevent the emergence of risk that hampers the achievement of business objectives, as well as to mitigate damage when risks emerge.

Each department of the Sumitomo Chemical Group takes various measures in day-to-day operations to detect risk early, prevent risks from materializing, and to respond quickly and appropriately when risks emerge. To support the efforts of each department and raise awareness, the Internal Control Committee drafts a policy on Group-wide risk management, collects risk-related information and makes risk management fully understood by all employees.



To strengthen risk management, the Internal Control Committee conducts Group-wide risk assessment every fiscal year in terms of the possibility of risk occurrence and its estimated impact, sets priorities for coping with risks in the Group, and takes Group-wide measures based on these results.

We also established a Risk Crisis Management Committee to discuss how to deal with various risks to respond quickly when important risks do emerge, such as a large-scale earthquake or the spread of an infectious disease.

### (5) Internal Auditing

The Internal Control & Audit Department conducts internal auditing for the following in the execution of business duties by executives and employees of the Sumitomo Chemical Group: (1) effective and efficient operations; (2) reliability of financial reporting; and (3) design, operation, and effective functioning of internal controls concerning compliance with relevant laws and statutes in all business activities. In addition, the Internal Audit Coordination Board has been established to improve the effectiveness and efficiency of internal audits throughout Sumitomo Chemical and all Group companies.

### (6) Timely Disclosure

The Corporate Communications Office is in charge of working in conjunction with other relevant departments to continually disclose necessary information in a timely manner. In addition to items requiring disclosure under Japan's Financial Instruments and Exchange Act and under stock exchange regulations, we also actively disclose information that may be considered material to the decisions of investors.

We endeavor to build stronger relationships of trust with society and capital markets by publishing documentation in accordance with the rules stipulated by the security exchanges in Japan, including reports on the Company's corporate governance philosophy and system, and notifications showing that independent directors and corporate auditors have no existing conflicts of interest with general shareholders. These documents are available on the websites of the Stock Exchange, where Sumitomo Chemical is listed.

### 3 Directors' and Corporate Auditors' Compensation

#### (1) Basic Stance

The Company's Directors make up the Board of Directors and have the important duty of being in charge of the management decision-making and oversight functions of Sumitomo Chemical and the entire Sumitomo Chemical Group. The appropriate compensation level is commensurate with the responsibility of formulating the Company's management policy and concrete measures. Also, compensation is paid as a results-based distribution based on Company performance.

Since the duty of Corporate Auditors is to audit the execution of duties by Directors in accordance with the provisions of the Companies Act of Japan, the compensation level and compensation system take into consideration the characteristics of this duty. The amount of compensation for each Corporate Auditor is determined by consultation among the Corporate Auditors.

#### (2) Compensation System

Directors' compensation consists of basic compensation and bonuses. Basic compensation is paid as fixed compensation, which reflects the duties of Directors and the Company's medium- to long-term performance. The total amount of bonuses to be paid is determined on the basis of consolidated performance for the applicable fiscal year and is allocated to each Director with due consideration of their respective duties.

With respect to compensation to Corporate Auditors, Corporate Auditors are not paid bonuses and are only paid basic compensation that reflects the value of their duties because they are not involved in the execution of business.

The Company abolished the system of retirement benefits for Directors and Corporate Auditors as of the conclusion of the 123rd ordinary shareholders' meeting held on June 29, 2004. Instead it adopted retirement benefits covering the period of service until such abolition became effective at the 123rd ordinary shareholders' meeting. These benefits are to be paid upon the retirement of Directors and Corporate Auditors.

#### (3) Establishment of Compensation Level

The level of each individual item of compensation is determined in accordance with the basic stance mentioned above. To ensure objectivity and appropriateness of compensation, the appropriate compensation level is determined based on the results of the database relating to compensation by an outside third party, comparisons with compensation for the Company's employees, past payments, and other data.

#### (4) Compensation Advisory Group

The Company established the Compensation Advisory Group as the body that formulates policy and concrete plans concerning the officers' compensation scheme, compensation level and related treatment system, and reports to the Chairman. This body is composed of a few outside experts, including academic experts and legal experts. The opinions of these outside experts are reflected in the recommendations of the Compensation Advisory Group to further enhance objectivity regarding the officers' compensation scheme and level.

The above policy concerning the determination of compensation was formulated after deliberations at the meeting of the Compensation Advisory Group held on May 14, 2010.

#### Directors' and Corporate Auditors' Compensation

Title	Eligible Persons	Basic Compensation	Bonuses	Total
Directors (excluding Outside Directors)	10	¥532 million	—	¥532 million
Standing Corporate Auditors	2	¥70 million	—	¥70 million
Outside Directors and Corporate Auditors	4	¥46 million	—	¥46 million
Total	16	¥648 million	—	¥648 million

\* The numbers of persons specified above include two Directors retiring during FY2012.

## Promoting Compliance Management across the Sumitomo Chemical Group

This year marks the 100th anniversary of the founding of Sumitomo Chemical Company. Over the past century, we have vigorously expanded and diversified business activities worldwide and are thriving today as the global enterprise that operates in more than 20 countries with the total number of employees exceeding 30,000. Concurrently, with the “compliance” (observance of laws and business ethics) placed at the bedrock of corporate management, Sumitomo Chemical has devoted unwavering efforts to enhance compliance-oriented business management throughout the entire Sumitomo Chemical Group. The Company views it vitally important to keep advancing initiatives toward ensuring strict Compliance as its business activities continue to expand into various corners of the world. We have thus far looked at compliance management from the perspective of “Think globally, Act locally,” and, following this key notion, have undertaken concrete activities for promoting compliance management coherently across the Sumitomo Chemical Group.

## Constructing a Group-wide Compliance System in Keeping with Business Globalization

Seeking to promote compliance management in a manner to be coherent throughout the Sumitomo Chemical Group, Sumitomo Chemical’s Compliance Committee set a common standard, i.e. the “Sumitomo Chemical Group Compliance Standards,” following which every Group company in Japan and abroad is operating its compliance system autonomously and by conforming to local laws, regulations and social demands in a country where it does business. Through working closely with the Group companies around the world, the Compliance Committee has learned that some of the needs and challenges to be addressed with respect to compliance management can be shared equally by companies located in the same countries or the same geographical regions. Based on such learning experiences, we have renewed our belief that compliance activities be tailored to situations indigenous to individual countries or regions, particularly those in the field of education and training where a focused approach meeting specific local needs will be most effective in yielding expected outcome.

From this perspective, we have taken a step forward on the notion of “Think globally, Act locally” and have added another element of “Manage regionally.” To translate this notion into practice and make the cooperation between Sumitomo Chemical’s Compliance Committee and each Group company a more effective one, we are working strenuously to establish Regional Headquarters functions regarding compliance in Sumitomo Chemical’s major business regions all over the world. As part of these initiatives, we have set up a new entity to serve these functions in Asia, a region where Sumitomo Chemical’s consolidated net sales account for more than 70% of the total in geographical areas outside Japan. A first concrete move in this connection is the recent appointment of Regional Legal and Compliance Officer based in Singapore to take charge of compliance activities, among others, for the Group companies in the Southeast Asia, India and Oceania region (“the Asia-Pacific Region”). The Regional Officer has a central role to play in promoting the Regional Headquarters functions on compliance to enhance the Group-wide compliance management in the Asia-Pacific Region through supporting the Group companies in Singapore to begin with and those in other countries of the Region. As far as Singapore goes, our latest activities include a seminar on competition laws conducted in July 2012 for all employees of the Group companies headquartered in the country. In addition, given the ever growing importance of intensified initiatives toward bribery prevention globally, we have re-doubled our efforts in this regard by preparing a compliance manual for bribery prevention afresh which will be shared by the Group companies in Singapore for adoption in their respective companies.

Going forward, our Regional Headquarters in Singapore will reinforce their functions and capabilities of overseeing and supervising compliance management at the Group companies in the Asia-Pacific Region as well as providing compliance-related supportive services that they may require. In parallel, the Regional Headquarters will work closely with Sumitomo Chemical’s Compliance Committee in further improving their compliance activities so as to better meet the diverse needs of each Group company, including providing effective programs for education and training. In a longer perspective, Sumitomo Chemical will extend similar initiatives on compliance management to the rest of the Company’s major business regions in the world, based on the same three-pronged notion of the “Global - Regional - Local” scheme.

## Each and Every Employee to Bear Important Responsibility for Compliance

Sumitomo Chemical's Compliance Committee is the linchpin of activities to promote compliance across the entire Sumitomo Chemical Group. The Committee is composed of executive officers in charge of certain departments that are not directly involved in day-to-day business operations so that compliance management will be performed from a global perspective and through a process of unbiased and transparent decision-making, free from the interests of any particular business sector.

The Compliance Committee monitors the situation of compliance at not only Sumitomo Chemical, but also its Group companies in Japan and abroad. In addition, it supervises and supports these companies in building and operating their internal systems for promoting compliance.



Success in these compliance activities hinges crucially on the everyday efforts of every employee of Sumitomo Chemical and its Group companies. Each employee is requested to work with a high consciousness of compliance and takes the initiative on his or her own will in acting to ensure compliance. To help further heighten and develop such consciousness of compliance, we have been carrying out the following activities.

### Upgrading Sumitomo Chemical Company's Compliance Manual

In March 2013, Sumitomo Chemical Company issued a newly revised edition of its Compliance Manual (a code of business conduct), which is one of the Company's internal rules about compliance. The revision purports to serve sev-

eral ends. Firstly, the Manual has been improved in description to help employees understand the Company's diversifying compliance activities with greater ease. Secondly, the Manual has re-iterated and emphasized the importance of every employee being mindful of compliance not only at his or her own workplace, but also at other sections within the Company. Thirdly, to ensure strict compliance across the Sumitomo Chemical Group, the Manual contains a company statement anew that encourages every employee of Sumitomo Chemical to have a heightened awareness about the importance and the need to have compliance attained also at the Group companies in everyday situations where employees of the Company may interact with those of the Group companies in the course of pursuing their business engagements together. In addition, the Manual has been updated to reflect the latest company rules that are intended to tighten the operation of the Company's internal systems for bribery prevention. The new Compliance Manual has been provided to all employees, officers and Board members of Sumitomo Chemical Company. With the use of the Manual as well as other tools, the Compliance Committee will hold compliance education and training with enhanced programs.

### Building and Operating a Bribery Prevention System at Every Group Company

As part of its efforts to strengthen Group-wide activities for bribery prevention, Sumitomo Chemical has provided all Group companies at home and abroad with copies of its "Compliance Manual for Bribery Prevention", which was adopted in January 2012 for its own employees, thereby requesting each Group company to build its own bribery prevention system, including introducing a Manual comparable to Sumitomo Chemical's. On overseas fronts, the Group companies are working to build their internal systems for bribery prevention under the support and guidance of local lawyers or other specialists, including adopting a Manual that is customized to an individual company's specific situation. As stated above, Group companies in the Asia-Pacific Region are working with the Regional Legal and Compliance Officer in Singapore to establish their systems for bribery prevention, including Manuals that meet situations and conditions specific to respective countries. Concerning the Company's major business regions in the rest of the world, Sumitomo Chemical will continue to actively support its Group companies with the aim of establishing an effective bribery prevention system ultimately at every company of the Sumitomo Chemical Group.

## Enhancing Education and Training on Compliance at Sumitomo Chemical and Its Group Companies

Sumitomo Chemical's Compliance Committee periodically provides various opportunities of education and training on compliance to the Group companies in Japan as well as to all sections and departments within Sumitomo Chemical. With respect to overseas companies of the Group, training seminars on competition laws were held in Singapore in July 2012 with attendance of employees of the Group companies operating in the country, followed by a similar session attended by employees of the Group companies in China in December of the same year. The Compliance Committee will provide continued support of this kind that will be conducive to enhancing education and training on compliance not only at Sumitomo Chemical, but also for its Group companies in Japan and abroad. As far as Sumitomo Chemical is concerned, we are looking into developing programs that would make it easier for every employee to receive effective education and training on compliance. Among other things, we are currently working on an e-learning training program where a case-study approach is adopted so that the employees can flexibly schedule their attendance at the training program according to individuals' convenience and also can make the effective use of the lessons learned from the program when fulfilling their day-to-day business duties.



A seminar in Singapore on Competition Laws

## Speak-Up System in Operation

Sumitomo Chemical has a Speak-Up System in place, separately from an ordinary business reporting line to a superior, under which an employee can report any violation or suspected violation of compliance to the Company's Compliance Committee via its internal Speak-Up hotline or external Speak-Up hotline (the external contact being external lawyers designated by the Company). All Group companies in Japan and overseas also have adopted systems of the same scheme, in principle, for Speak-Up reporting. Every year, Sumitomo Chemical receives 20 to 30 Speak-Up reports on average, including general questions about conduct per-

ceived to be compliance violation, to all of which Sumitomo Chemical's Compliance Committee has been responding promptly and in all sincerity.

## Establishing Compliance Systems at Subsidiaries of Sumitomo Chemical's Subsidiaries

Aiming to establish an across-the-board compliance management system embracing all companies of the Group, Sumitomo Chemical's Compliance Committee has requested the Group companies that proper compliance systems be built and operated not only at Sumitomo Chemical's subsidiaries in Japan and abroad, but also at their own subsidiaries located in their home countries and elsewhere in the world. The Compliance Committee is actively supporting the Group companies in these endeavors, too.

## Steering Group Compliance Management in the Years Ahead

Sumitomo Chemical will continue to expand and strengthen its business in various parts of the world. As our activities so globalize, it will become even more important for the Company, as a globally operating enterprise, to promote its initiatives of corporate citizenship toward all stakeholders, including society at large. We will further enhance our Group-wide compliance management from a "global" perspective and by reinforcing the "regional" supervisory and supportive functions in major regions where we do business, as seen in our recent Singapore example, so that compliance systems of individual Group companies are operated in a manner to best meet specific "local" needs and conditions.



Headquarters of Sumitomo Chemical

## Corporate Data

Ten-Year Summary	62
Business Sector Highlights	64
Corporate and Investor Information	66
Subsidiaries and Affiliates	68
History of Sumitomo Chemical	72

# Ten-Year Summary

	'04/3	'05/3	'06/3	'07/3	'08/3
<b>Income statement</b>					
Net sales	¥1,158.4	¥1,296.3	¥1,556.6	¥1,790.0	¥1,896.5
Net sales from overseas operations	364.1	486.2	611.0	747.8	788.8
Operating income	66.6	105.2	120.8	139.6	102.4
Net interest expenses	(2.8)	(3.0)	(2.2)	(3.9)	(2.8)
Equity in earnings (losses) of affiliates	8.6	26.7	26.8	23.6	11.2
Income (loss) before income taxes and minority interests	72.3	121.7	158.6	181.1	128.2
Net income (loss)	34.3	64.5	90.7	93.9	63.1
Capital expenditures	110.2	125.8	124.9	159.8	142.5
Depreciation and amortization expenses	82.5	88.2	104.9	113.9	125.0
Research and development expenses	75.2	78.2	91.9	97.7	105.4
<b>Cash flows</b>					
Cash flows from operating activities	97.1	159.8	122.8	142.9	156.6
Cash flows from investing activities	(103.2)	(118.0)	(180.7)	(164.2)	(182.7)
Free cash flows	(6.2)	41.9	(57.9)	(21.3)	(26.1)
Cash flows from financing activities	(9.3)	(31.2)	70.6	35.6	7.1
<b>Balance sheet</b>					
Current assets	628.3	694.6	946.6	995.9	1,003.2
Net property, plant and equipment	481.9	515.9	570.3	623.5	636.5
Investments and other assets	439.1	438.3	661.5	705.5	719.3
Total assets	1,549.3	1,648.8	2,178.4	2,324.9	2,358.9
Total shareholders' equity / Net assets <sup>*3</sup>	506.1	569.6	719.8	1,030.5	1,006.0
Interest-bearing liabilities	485.3	470.7	578.6	641.0	673.9
<b>Others</b>					
Number of employees	19,036	20,195	24,160	24,691	25,588
Number of consolidated subsidiaries	110	104	105	105	116
Number of shareholders	125,463	121,349	116,509	115,249	108,027
<b>Per share data (Yen, US cents<sup>*2</sup>)</b>					
Net income (loss)	20.72	38.94	54.80	56.82	38.20
Total shareholders' equity/Net assets <sup>*3</sup>	306.05	344.58	435.51	479.87	465.21
Cash dividends	6.00	8.00	10.00	12.00	12.00
<b>Ratios</b>					
Operating margin (%)	5.8	8.1	7.8	7.8	5.4
Asset turnover (times) <sup>*4</sup>	0.8	0.8	0.8	0.8	0.8
ROA (%) <sup>*5</sup>	4.4	6.6	6.3	6.2	4.4
ROE (%) <sup>*6</sup>	7.2	12.0	14.1	12.4	8.1
D/E ratio (times)	0.8	0.7	0.6	0.6	0.7
Shareholders' equity ratio (%)	32.7	34.5	33.0	34.1	32.6

\*1 Unless otherwise specified.

\*2 US dollar amounts are translated from yen, for reference only, at ¥94.05 = US\$1.00, the prevailing rate on March 31, 2013.

\*3 From the fiscal year ended March 31, 2007, the Companies adopted ASBJ Statement No. 5, Accounting Standard for Presentation of Net Assets in the Balance Sheet, and ASBJ Guidance No. 8, Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet, which require the Companies to divide the balance sheet into sections on assets, liabilities and net assets and certain accounts, such as minority interests and net assets per share, are reclassified to net assets.

				Billions of yen*1	Thousands of US dollars*2	
'09/3	'10/3	'11/3	'12/3	'13/3	'12/3 vs. '13/3	'13/3
¥1,788.2	¥1,620.9	¥1,982.4	¥1,947.9	¥1,952.5	+0.2%	\$20,760,149
749.8	728.9	1,056.7	1,009.0	1,043.8	+3.4	11,098,671
2.1	51.5	88.0	60.7	45.0	-25.9	478,639
(2.7)	(5.0)	(6.3)	(4.7)	(5.4)	—	(57,799)
(12.8)	(7.0)	10.8	2.0	5.4	+170.0	57,799
(48.7)	41.3	75.7	23.9	12.3	-48.5	131,228
(59.2)	14.7	24.4	5.6	(51.1)	—	(543,073)
134.1	103.2	98.7	155.1	116.1	-25.1	1,234,949
140.7	116.1	147.0	114.9	115.5	+0.5	1,227,889
131.1	117.3	138.1	122.3	125.0	+2.2	1,329,208
78.4	132.9	176.2	124.5	171.6	+37.8	1,824,508
(206.2)	(269.4)	(156.0)	(124.0)	(165.8)	—	(1,762,594)
(127.8)	(136.5)	20.2	0.5	5.8	+1,060.0	61,914
112.5	168.7	18.0	2.1	(36.0)	—	(382,871)
838.1	1,013.5	1,098.3	1,102.1	1,108.8	+0.6	11,789,654
567.8	581.8	552.5	594.9	640.2	+7.6	6,807,273
616.6	788.6	716.4	640.0	723.1	+13.0	7,687,932
2,022.6	2,383.9	2,367.3	2,337.0	2,472.1	+5.8	26,284,859
775.6	821.4	758.9	720.9	747.5	+3.7	7,947,709
795.4	997.9	1,040.3	1,053.0	1,060.6	+0.7	11,276,629
26,902	27,828	29,382	29,839	30,396	+1.9	—
126	143	146	145	162	+11.7	—
118,636	118,600	116,619	118,107	121,619	+3.0	—
				Yen*1		US cents*2
(35.84)	8.92	14.86	3.42	(31.25)	—	(33.2)
329.74	348.52	319.61	297.45	303.74	+2.1	322.96
9.00	6.00	9.00	9.00	6.00	-33.3	6.38
0.1	3.2	4.4	3.1	2.3	—	—
0.8	0.7	0.8	0.8	0.8	—	—
0.1	2.3	3.7	2.6	1.9	—	—
(9.0)	2.6	4.5	1.1	(10.4)	—	—
1.0	1.2	1.4	1.5	1.4	—	—
26.9	24.1	22.1	20.8	20.1	—	—

\*4 Asset turnover = net sales / average of total assets as of the beginning and the end of each fiscal year

\*5 ROA = operating income / average of total assets as of the beginning and the end of each fiscal year

\*6 ROE = net income / average of total net assets less minority interests as of the beginning and the end of each fiscal year

# Business Sector Highlights

	'04/3	'05/3	'06/3	'07/3	'08/3	'09/3
<b>Net sales</b>						
Basic Chemicals	¥ 199.1	¥ 225.8	¥ 252.4	¥ 314.0	¥ 314.7	¥ 240.0
Petrochemicals & Plastics	362.4	412.6	486.1	539.1	603.3	553.0
Fine Chemicals	80.6	84.1	79.0	90.9	92.9	80.8
IT-related Chemicals	123.5	174.8	229.2	266.4	297.5	307.1
Health & Crop Sciences	167.1	171.6	186.2	198.3	200.4	222.2
Pharmaceuticals	166.6	170.7	233.1	234.5	237.6	235.6
Others	59.2	56.8	90.6	146.8	150.1	149.5
<b>Total</b>	<b>1,158.4</b>	<b>1,296.3</b>	<b>1,556.6</b>	<b>1,790.0</b>	<b>1,896.5</b>	<b>1,788.2</b>

<b>Operating income (loss)</b>						
Basic Chemicals	2.6	5.2	10.0	13.5	10.6	(15.3)
Petrochemicals & Plastics	(1.6)	15.0	17.9	23.6	4.5	(30.3)
Fine Chemicals	8.8	11.5	9.8	13.1	11.4	1.6
IT-related Chemicals	14.3	18.7	21.7	3.5	6.3	(1.0)
Health & Crop Sciences	10.7	14.8	16.6	23.3	20.9	24.4
Pharmaceuticals	27.8	34.4	38.3	56.2	46.5	32.4
Others	4.9	5.7	5.8	8.0	3.7	(7.9)
Elimination	(0.9)	(0.3)	0.7	(1.5)	(1.5)	(1.7)
<b>Total</b>	<b>66.6</b>	<b>105.2</b>	<b>120.8</b>	<b>139.6</b>	<b>102.4</b>	<b>2.1</b>

<b>Capital expenditures</b>						
Basic Chemicals	13.3	18.2	20.7	24.6	27.6	14.7
Petrochemicals & Plastics	11.7	13.7	16.1	16.9	21.2	17.6
Fine Chemicals	7.0	7.5	7.0	4.6	6.9	7.7
IT-related Chemicals	37.2	40.2	44.0	72.0	33.4	50.6
Health & Crop Sciences	5.7	18.0	8.8	10.1	8.5	11.3
Pharmaceuticals	21.7	19.1	10.6	12.5	18.3	12.7
Others	13.7	9.0	17.7	19.1	26.7	19.6
<b>Total</b>	<b>110.2</b>	<b>125.8</b>	<b>124.9</b>	<b>159.8</b>	<b>142.5</b>	<b>134.1</b>

<b>Research and development expenses</b>						
Basic Chemicals	4.6	5.1	5.3	5.7	6.1	6.4
Petrochemicals & Plastics	11.0	10.9	11.4	11.3	11.1	12.0
Fine Chemicals	4.0	4.4	4.4	4.2	4.1	4.2
IT-related Chemicals	7.7	9.7	12.8	12.6	13.7	21.2
Health & Crop Sciences	17.9	18.6	19.4	18.7	19.4	20.7
Pharmaceuticals	28.3	28.1	36.7	42.5	47.7	55.0
Others	1.7	1.4	1.9	2.6	3.3	11.6
<b>Total</b>	<b>75.2</b>	<b>78.2</b>	<b>91.9</b>	<b>97.7</b>	<b>105.4</b>	<b>131.1</b>

\*1 US dollar amounts are translated from yen, for reference only, at ¥94.05 = US\$1.00, the prevailing rate on March 31, 2013.

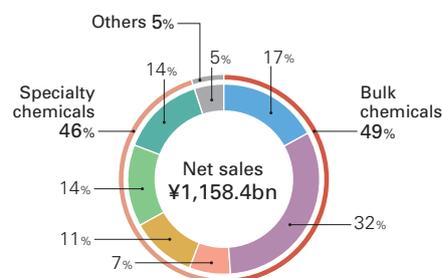
\*2 The Company has been applying the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 of March 27, 2009) and the Implementation Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 of March 21, 2008) from fiscal 2010. Along with this, the method for allocating shared company-wide research expenses and other expenses has been revised, and the business segment categorization of consolidated subsidiaries has been changed. For the purpose of comparison, the figures for fiscal 2009 in this report have also been adjusted to reflect these accounting changes.

			Billions of yen	Thousands of US dollars*1
'10/3	'11/3	'12/3	'13/3	'13/3
¥ 203.3	¥ 302.3	¥ 284.3	¥ 263.5	\$ 2,801,935
481.5	649.9	672.4	693.9	7,377,555
86.7	—	—	—	—
265.2	322.3	293.1	300.0	3,189,452
211.5	250.8	264.1	262.6	2,791,919
267.5	410.6	380.5	378.6	4,025,465
105.1	46.6	53.4	54.0	573,823
1,620.9	1,982.4	1,947.9	1,952.5	20,760,149
1.3	20.6	9.3	(6.4)	(67,953)
(0.2)	11.1	6.2	(3.2)	(34,365)
3.6	—	—	—	—
6.3	26.1	11.0	11.7	124,434
29.3	23.3	26.5	26.3	279,341
29.9	28.7	20.9	30.9	328,091
6.7	4.1	7.7	8.0	84,668
(25.4)	(26.0)	(20.9)	(22.2)	(235,577)
51.5	88.0	60.7	45.0	478,639
12.4	16.6	24.5	33.0	350,675
14.4	13.7	19.6	14.1	149,708
17.8	—	—	—	—
11.5	27.7	66.9	18.7	198,724
23.2	15.6	19.3	25.1	267,400
7.8	10.5	11.3	14.6	155,598
16.3	14.6	13.5	10.6	112,844
103.2	98.7	155.1	116.1	1,234,949
3.5	5.1	5.2	5.8	61,797
8.3	7.6	7.2	7.1	75,577
4.2	—	—	—	—
11.0	11.6	11.7	12.3	130,463
17.2	21.6	19.7	20.6	219,436
54.9	71.2	59.0	61.1	649,506
18.1	21.1	19.5	18.1	192,430
117.3	138.1	122.3	125.0	1,329,209

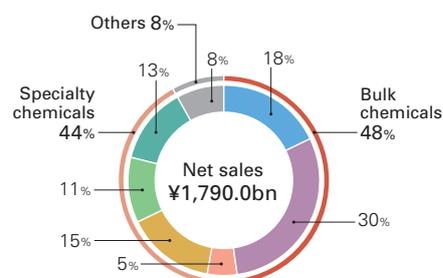
## Sales by Business Sector

- Basic Chemicals
- Petrochemicals & Plastics
- Fine Chemicals
- IT-related Chemicals
- Agricultural Chemicals / Health & Crop Sciences
- Pharmaceuticals
- Others

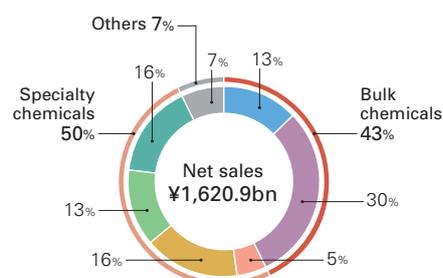
Year ended March 31, 2004



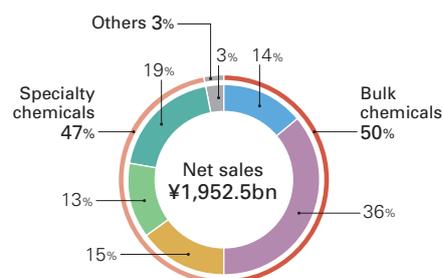
Year ended March 31, 2007



Year ended March 31, 2010



Year ended March 31, 2013



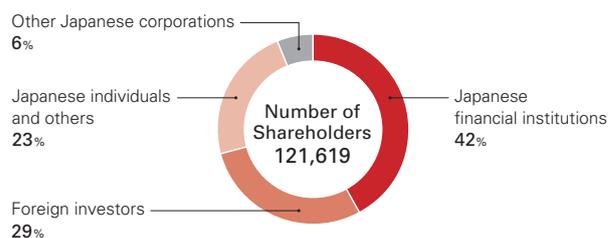
# Corporate and Investor Information

(As of March 31, 2013)

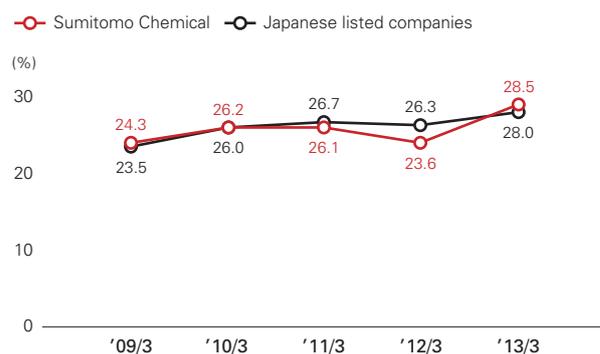
Paid-in Capital	¥89.7 billion
Number of Employees	Non-consolidated: 6,265 Consolidated: 30,396
Common Stock	Authorized: 5,000,000,000 shares Issued: 1,655,446,177 shares (Book value: ¥89.7 billion)
Settlement Date	March 31
Stock Transaction Units	1,000-share units
Ordinary General Meeting of Shareholders	Within three months from the next day of the settlement date
Number of Shareholders	121,619
Listings	Tokyo and Osaka*
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Division 3-1, Yaesu 2-chome, Chuo-ku, Tokyo 100-8233, Japan
Independent Certified Public Accountants	KPMG AZSA LLC

\*The cash equity market at the Osaka Stock Exchange was integrated into the Tokyo Stock Exchange on July 16, 2013.

## Distribution of Shareholders



## Ownership of Foreign Investors



## Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	98,785	5.97
Japan Trustee Services Bank, Ltd. (Trust Account)	91,160	5.51
Sumitomo Life Insurance Company	71,000	4.29
Nippon Life Insurance Company	61,516	3.72
Sumitomo Mitsui Banking Corporation	38,453	2.32
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	32,544	1.97
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited ReTrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.75
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	25,680	1.55
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JAPAN STOCK LEADERS FUND	23,566	1.42
The Norinchukin Bank	21,825	1.32

## Dividend Policy

We consider shareholder return as one of our priority management issues and have made it a policy to maintain stable dividend payments, giving due consideration to our business performance and a dividend payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors.

The full-year dividend for fiscal 2012 was ¥6 per share, a decrease of ¥3 per share from fiscal 2011. Total dividend paid in fiscal 2012 was ¥14.7 billion, a ¥4.9 billion decrease from fiscal 2011.

## IR Calendar

### Fiscal 2012 (Year ended March 31, 2013)

May 2013	Fiscal 2012 Financial Results
June 2013	132nd Ordinary General Meeting of Shareholders

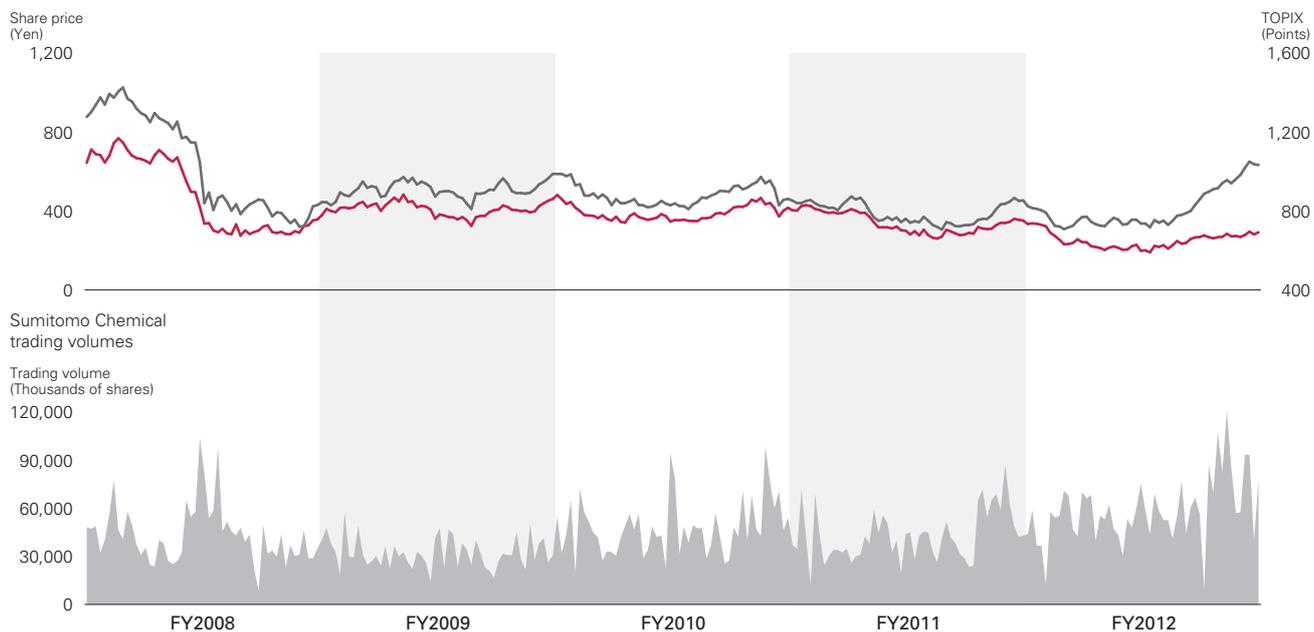
### Fiscal 2013 (Year ending March 31, 2014)

August 2013	1st Quarter Financial Results
October 2013	2nd Quarter Financial Results
February 2014	3rd Quarter Financial Results
May 2014	Fiscal 2013 Financial Results
June 2014	133rd Ordinary General Meeting of Shareholders

Note: This schedule is subject to change.

## Stock Performance

— Sumitomo Chemical (left axis) — TOPIX (right axis)

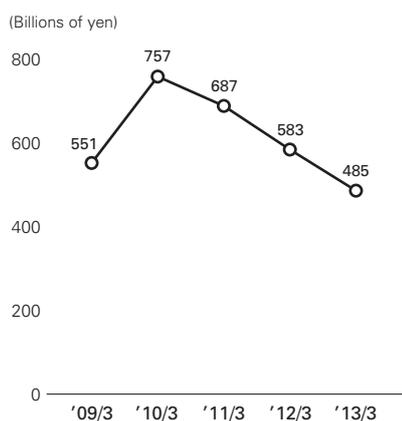


	FY2008	FY2009	FY2010	FY2011	FY2012
Share price high (yen)	788	487	487	446	360
Share price low (yen)	256	322	330	254	186
Share price at year-end (yen)	333	457	415	352	293
Cumulative trading volume (thousands)	2,315,770	1,712,557	2,536,345	2,272,064	3,126,372

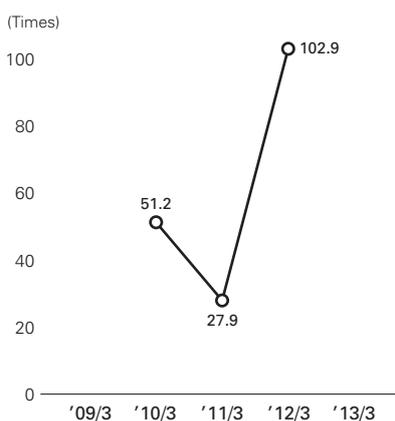
	FY2008	FY2009	FY2010	FY2011	FY2012
Shares outstanding* (thousands)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,446
Market capitalization* (billions of yen)	551	757	687	583	485
Price earnings ratio* (times)	—	51.2	27.9	102.9	—
Price book-value ratio* (times)	1.0	1.3	1.3	1.2	1.0
Ratio of shares owned by foreign investors to shares outstanding* (%)	24.3	26.2	26.1	23.6	28.5

\* Figures are for the end of each fiscal year.

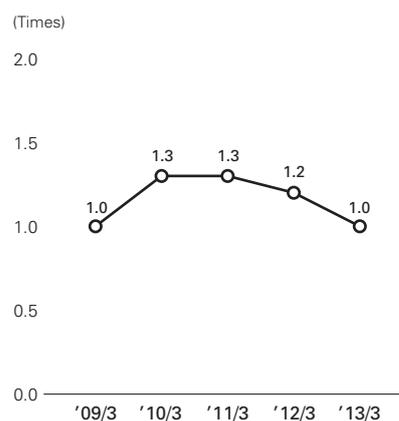
### Market Capitalization



### Price Earnings Ratio



### Price Book-value Ratio



# Subsidiaries and Affiliates

(As of March 31, 2013)

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
<b>Japan</b>					
●	AstraZeneca K.K.	Pharmaceuticals	20.0	+81-6-6453-7500	+81-6-6453-7894
●	Asahi Chemical Co., Ltd.	Inorganics	100.0	+81-6-6220-8795	+81-6-6220-8799
●	Ceratec Co., Ltd.	Alumina products and catalyst	100.0	+81-897-33-8541	+81-897-33-6005
●	Dainippon Sumitomo Pharma Co., Ltd.*1	Ethical pharmaceuticals	50.2	+81-6-6203-5321	+81-6-6202-6028
●	Dow Kakoh K.K.	Extruded polystyrene foam	35.0	+81-3-5460-2351	+81-3-5460-2390
●	Inabata & Co., Ltd.*1	Electronics materials and equipment, chemicals, plastics, etc.	21.8	+81-6-6267-6051	+81-6-6267-6042
●	Japan Exlan Co., Ltd.	Functional acrylic fibers	20.0	+81-6-6348-4327	+81-6-6348-4168
●	Japan-Singapore Petrochemicals Co., Ltd.	Equity holder in Petrochemical Corporation of Singapore (Pte.) Ltd.	78.6	+81-3-5543-5867	+81-3-5543-5519
●	Keiyo Ethylene Co., Ltd.	Ethylene and propylene	22.5	+81-3-3552-9373	—
●	Koei Chemical Co., Ltd.*1	Formaldehydes and pyridines	56.1	+81-3-6667-8280	+81-3-6667-8287
●	Kyoyu Agri Co., Ltd.	Crop protection chemicals	37.7	+81-3-5645-0700	+81-3-3639-5299
●	Nihon Ecoagro Co., Ltd.	Materials for agricultural use, support for farmers	100.0	+81-3-3523-8280	+81-3-3523-8281
●	Nihon Methacryl Monomer Co., Ltd.	MMA monomer and methacrylic acid	64.0	+81-3-5543-5302	+81-3-5543-5907
●	Nihon Medi-Physics Co., Ltd.	Radiopharmaceuticals	50.0	+81-3-5634-7006	+81-3-5634-5170
●	Nihon Oxirane Co., Ltd.	Propylene oxide, propylene glycol and styrene monomer	60.0	+81-3-5159-1601	+81-3-5159-1605
●	Nihon Singapore Polyolefin Co., Ltd.	Equity holder in The Polyolefin Company (Singapore) Pte. Ltd.	95.7	+81-3-5543-5319	+81-3-5543-5911
●	Nippon A&L Inc.	ABS resin and SBR latex	85.2	+81-6-6220-3633	+81-6-6220-3699
●	O.L.S. Corp.	Optical functional films	50.0	+81-3-5543-5820	+81-3-5543-5919
●	Rainbow Chemical Co., Ltd.	Horticultural materials	87.1	+81-3-6740-7777	+81-3-6740-7000
●	SanTerra Co., Ltd.	Films for agricultural use	87.3*2	+81-3-6837-9030	+81-3-6837-9031
●	Shinto Paint Co., Ltd.*1	Paints	45.2	+81-6-6426-3355	+81-6-6429-6188
●	Sumika Acryl Co., Ltd.	Sales of acrylic sheet	100.0	+81-3-5542-8630	+81-3-5542-8640
●	Sumika Agrotech Co., Ltd.	Agricultural and horticultural materials and seeding	100.0	+81-6-6204-1245	+81-6-6204-1207
●	Sumika Bayer Urethane Co., Ltd.	Polyurethane raw materials	40.0	+81-6-6133-6100	+81-6-6344-2730
●	Sumika Chemical Analysis Service, Ltd.	Analysis services of chemical substances, and instrument sales	100.0	+81-6-6202-1810	+81-6-6202-0115
●	Sumika Chemtex Co., Ltd.	Dyestuffs and functional chemicals	100.0	+81-6-6466-5146	+81-6-6466-5457
●	Sumika Color Co., Ltd.	Organic pigments, color compounds for various polymers	88.0*2	+81-6-6205-4300	+81-6-6205-4301
●	Sumika Enviro-Science Co., Ltd.	Public hygiene materials	100.0	+81-798-38-2330	+81-798-38-2325
●	Sumika Finance Co., Ltd.	Financing	100.0	+81-3-6837-9085	+81-3-6837-9087
●	Sumika Fukuei Agro K.K.	Fertilizers	50.0	+81-6-6412-5251	+81-6-6413-1333
●	Sumika Green Co., Ltd.	Crop protection chemicals and fertilizers for non-crop use, and pest control services	100.0	+81-3-3523-8070	+81-3-3523-8071
●	Sumika High-purity Gas Company	Oxygen, nitrogen, and argon	60.0	+81-897-37-1716	+81-897-32-2273
●	Sumika-Kakoushi Co., Ltd.	Release paper	100.0	+81-3-6837-9050	+81-3-6837-9053
●	Sumika Life Tech Co., Ltd.	Environmental hygiene, such as insecticides, insect repellents, and fungicides	100.0	+81-6-6220-3640	+81-6-6220-3644
●	Sumika Middle East Co., Ltd.	Management of Rabigh Plastic Technical Center	100.0	+81-3-5543-5422	+81-3-5543-5911
●	Sumika Plastech Co., Ltd.	Industrial and housing materials	100.0	+81-3-6837-9200	+81-3-6837-9204

Sector: ● Basic Chemicals ● Petrochemicals & Plastics ● IT-related Chemicals ● Health & Crop Sciences ● Pharmaceuticals ● Others

\*1 Companies listed on the stock exchange \*2 This ratio includes shares held by our subsidiaries

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
	Sumika Real Estate Co., Ltd.	Real estate and insurance agency	100.0	+81-6-6220-3263	+81-6-6220-3267
	Sumika Styron Polycarbonate Limited	Polycarbonates	50.0	+81-3-6837-9220	+81-3-6837-9223
	Sumika Technical Information Service, Inc.	Information service relating to the chemical industry	100.0	+81-6-6220-3364	+81-6-6220-3361
	Sumitomo Bakelite Co., Ltd.* <sup>1</sup>	Semiconductors, display materials, etc.	21.8	+81-3-5462-4111	+81-3-5462-4899
	Sumitomo Chemical Garden Products Inc.	Horticultural materials	100.0	+81-3-6222-2800	+81-3-6222-2801
	Sumitomo Chemical Engineering Co., Ltd.	Planning, engineering, procurement, construction, commissioning and maintenance of industrial equipment	100.0	+81-43-299-0200	+81-43-299-0210
	Sumitomo Chemical System Service Co., Ltd.	Information system consultant, development, operation, and maintenance	100.0	+81-3-6837-9100	+81-3-6837-9115
	Sumitomo Joint Electric Power Co., Ltd.	Supply of electricity and steam	52.5	+81-897-37-2142	+81-897-32-9862
	Sumitomo Seika Chemicals Co., Ltd.* <sup>1</sup>	Industrial chemicals and organic sulfur compounds	30.6	+81-6-6220-8508	+81-6-6220-8541
	Taoka Chemical Co., Ltd.* <sup>1</sup>	Pharmaceutical intermediates, adhesives, and dyestuffs	51.1	+81-6-6394-1221	+81-6-6394-1658
	Thermo Co., Ltd.	Polyethylene and polypropylene film	100.0	+81-3-5623-2440	+81-3-5623-2446
	Tobu Butadiene Co., Ltd.	Butadiene	50.0	+81-3-6218-3541	+81-3-6218-3686
	T.S. Agro Co., Ltd.	Fertilizers	50.0	+81-79-436-0222	+81-79-436-7030
<b>Singapore</b>					
	Chevron Phillips Singapore Chemicals (Pte.) Ltd.	High-density polyethylene	20.0	+65-6517-3100	+65-6511-3270
	Petrochemical Corporation of Singapore (Pte.) Ltd.	Ethylene and propylene	39.3* <sup>2</sup>	+65-6867-2000	+65-6867-9274
	Singapore Methyl Methacrylate Pte. Ltd.	MMA monomer and polymer	100.0* <sup>2</sup>	+65-6671-4100	+65-6295-2765
	Sumitomo Chemical Asia Pte. Ltd.	Sales of petrochemical products	100.0	+65-6303-5188	+65-6298-9621
	Sumitomo Chemical Singapore Pte. Ltd.	MMA monomer and polymer, crop protection chemicals, IT-related chemicals, and other products	100.0	+65-6671-4101	+65-6295-2765
	The Polyolefin Company (Singapore) Pte. Ltd.	Polyethylene and polypropylene	67.0* <sup>2</sup>	+65-6292-9622	+65-6293-8890
<b>China</b>					
	Dalian Sumika Chemphy Chemical Co., Ltd.	Crop protection chemical intermediates	60.0	+86-411-8751-1015	+86-411-8751-6038
	Dalian Sumika Jingang Chemicals Co., Ltd.	Methionine and high-performance greenhouse films	80.0	+86-411-8751-1015	+86-411-8751-6038
	Jilin Dongcheng Sumika Polymer Compounds Co., Ltd.	Polypropylene compounds	50.0	+86-434-659-7772	+86-434-659-7772
	NOC Asia Limited	Propylene oxide	60.0	+852-2840-4570	+852-2840-4569
	Shanghai Lifetech Household Products Co., Ltd.	Products relating to household insecticides	100.0* <sup>2</sup>	+86-21-5159-3281	+86-21-5159-3282
	Sumitomo Chemical (China) Co., Ltd.	Information-gathering and business support services to subsidiaries in China	100.0	+86-10-5811-6266	+86-10-5811-6288
	Sumitomo Chemical Shanghai Co., Ltd.	Crop protection chemicals, feed additives, and environmental health products	100.0	+86-21-6881-7700	+86-21-6880-0188
	Sumika Electronic Materials (Hefei) Co., Ltd.	Processing chemicals for LCD panels, other LCD and semiconductor-related materials	100.0	+86-551-6425-5682	+86-551-6519-0908
	Sumika Electronic Materials (Shanghai) Co., Ltd.	Optical functional films	100.0	+86-21-5046-2296	+86-21-5046-3133
	Sumika Electronic Materials (Shenzhen) Co., Ltd.	Business and technical assistance for IT-related materials	100.0	+86-755-2598-1598	+86-755-2598-1597

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
<b>China</b>					
●	Sumika Electronic Materials (Wuxi) Co., Ltd.	Optical functional films and light-diffusion plates	100.0	+86-510-8532-2688	+86-510-8532-2788
●	Sumika Electronic Materials (Xi'an) Co., Ltd.	Processing chemicals for semiconductor	95.4	+86-29-8938-4836	+86-29-8938-3774
●	Sumika Electronic Materials (Shanghai) Corporation	Sales of IT-related chemicals	100.0	+86-21-3250-6600	+86-21-3250-5756
●	Sumika Polymer Compounds Dalian Co., Ltd.	Polypropylene compounds	77.5* <sup>2</sup>	+86-411-3925-3518	+86-411-6677-7785
●	Sumika Huabei Electronic Materials (Beijing) Co., Ltd.	Optical functional films and other components used in LCD panels	100.0	+86-10-8084-9328	+86-10-8084-9324
●	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	Ethical pharmaceuticals	100.0* <sup>2</sup>	+86-512-6283-7896	+86-512-6265-2606
●	Zhuhai Sumika Polymer Compounds Co., Ltd.	Polypropylene compounds	55.0	+86-756-5655-689	+86-756-5655-690
<b>India</b>					
●	Sumitomo Chemical India Private Limited	Crop protection chemicals and household insecticides	93.8	+91-22-2289-2610	+91-22-2289-2600
<b>South Korea</b>					
●	Dongwoo Fine-Chem Co., Ltd.	Fine and IT-related chemicals	92.7	+82-31-659-4000	+82-31-659-4699
●	LG MMA Corp.	MMA monomer and polymer	25.0	+82-2-6930-3800	+82-2-6930-3801
●	SSLM Co., Ltd.	Sapphire substrate	50.0	+82-53-607-8500	+82-53-607-8501
●	Sumitomo Chemical Agro Seoul, Ltd.	Crop protection chemicals, household insecticides, and feed additives	100.0	+82-2-558-4814	+82-2-558-5471
<b>Malaysia</b>					
●	Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.	R&D center for crop protection sector	100.0	+60-6-679-3711	+60-6-679-3698
<b>Taiwan</b>					
●	Sumika Technology Co., Ltd.	Optical functional films	85.0	+886-6-505-3456	+886-6-505-2521
●	Sumipex TechSheet Co., Ltd.	MMA sheets	100.0	+886-7-365-8126	+886-7-365-8136
●	Sumitomo Chemical Taiwan Co., Ltd.	Crop protection chemicals and household insecticides	100.0	+886-2-2506-8180	+886-2-2506-4551
<b>Thailand</b>					
●	Bara Chemical Co., Ltd.	Resins and rubber chemicals	55.0	+66-2-709-4598	+66-2-323-9997
●	Sumika Polymer Compounds (Thailand) Co., Ltd.	Polypropylene compounds	55.0	+66-38-989-174	+66-38-989-178
●	Sumipex (Thailand) Co., Ltd.	MMA sheets	51.0	+66-2-632-1820	+66-2-632-1831
<b>Vietnam</b>					
●	Sumitomo Chemical Vietnam Co., Ltd.	Crop protection chemicals	100.0* <sup>2</sup>	+84-8-3740-7572	+84-8-3740-7573
<b>Australia</b>					
●	Sumitomo Chemical Australia Pty. Ltd.	Crop protection chemicals and environmental health products	100.0	+61-2-8752-9000	+61-2-8752-9099
●	Nufarm Ltd.	Crop protection chemicals	22.9	+61-3-9282-1000	+61-3-9282-1001
<b>New Zealand</b>					
●	New Zealand Aluminium Smelters Ltd.	Aluminum ingots	20.6	+64-4-471-1527	+64-4-472-8041
<b>United States</b>					
●	Boston Biomedical, Inc.	Ethical pharmaceuticals	50.2* <sup>2</sup>	+1-617-674-6800	+1-617-674-8661
●	Dainippon Sumitomo Pharma America Holdings, Inc.	Equity holder in Sunovion Pharmaceuticals Inc.	50.2* <sup>2</sup>	+1-508-481-6700	+1-508-481-7683
●	McLaughlin Gormley King Company	Marketing of household insecticides	76.4	+1-763-544-0341	+1-763-544-6437
●	Pace International, LLC	Post harvest products and processing/analytical services	100.0* <sup>2</sup>	+1-206-331-4717	+1-206-428-7145

Sector: ● Basic Chemicals ● Petrochemicals & Plastics ● IT-related Chemicals ● Health & Crop Sciences ● Pharmaceuticals ● Others

\*1 Companies listed on the stock exchange \*2 This ratio includes shares held by our subsidiaries

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
	 Sunovion Pharmaceuticals Inc.	Ethical pharmaceuticals	50.2 <sup>*2</sup>	+1-508-481-6700	+1-508-481-7683
	 Sumitomo Chemical America, Inc.	Chemical products	100.0	+1-212-572-8200	+1-212-572-8234
	 Sumitomo Chemical Capital America, Inc.	Financing	100.0	—	—
	 Sumika Electronic Materials, Inc.	MOEPI wafers and other IT-related materials	100.0	+1-602-659-2500	+1-602-438-2277
	 Sumika Polymer Compounds America, Inc.	Polypropylene compounds	55.0	+1-770-227-6400	+1-770-227-6411
	 Sumika Polymers North America Inc.	Polypropylene compounds	100.0	+1-770-227-6400	+1-770-227-6411
	 Valent BioSciences Corp.	Crop protection chemicals	100.0 <sup>*2</sup>	+1-847-968-4700	+1-847-968-4806
	 Valent U.S.A. Corp.	Crop protection chemicals	100.0	+1-925-256-2700	+1-925-256-2776
<b>Mexico</b>					
	 Valent de Mexico, S.A. de C.V.	Crop protection chemicals	100.0 <sup>*2</sup>	+52-333-110-01-62	+52-333-110-17-54
<b>Brazil</b>					
	 Sumitomo Chemical do Brasil Representações Limitada	Crop protection chemicals, household insecticides, and feed additives	100.0	+55-11-3174-0355	+55-11-3174-0377
<b>Saudi Arabia</b>					
	 Rabigh Conversion Industry Management Services Company	Management of industrial park	100.0 <sup>*2</sup>	+966-2-284-6025	+966-2-284-6015
	 Rabigh Refining and Petrochemical Company (Petro Rabigh)	Refined petroleum products and petrochemicals	37.5	+966-2-425-8801	+966-2-425-8802
<b>Belgium</b>					
	 Sumitomo Chemical Europe S.A./N.V.	Chemical products	100.0 <sup>*2</sup>	+32-2-251-0650	+32-2-251-6021
<b>France</b>					
	 Philagro France	Crop protection chemicals	60.0 <sup>*2</sup>	+33-4-7864-3264	+33-4-7847-7128
	 Philagro Holding S.A.	Equity holder in Philagro France	60.0	+33-4-7864-3227	+33-4-7847-7128
	 Sumitomo Chemical Agro Europe S.A.S.	Crop protection chemicals	100.0	+33-4-7864-3260	+33-4-7847-2545
<b>Italy</b>					
	 Sumitomo Chemical Italia S.r.l.	Crop protection chemicals	100.0	+390-2-45280-1	+390-2-45280-400
<b>Spain</b>					
	 Kenogard S.A.	Crop protection chemicals	75.0	+34-93-488-1270	+34-93-487-6112
<b>United Kingdom</b>					
	 Cambridge Display Technology, Ltd.	R&D and licenses in PLED displays and materials	100.0 <sup>*2</sup>	+44-19-5471-3600	+44-19-5471-3620
	 CDT Holdings Ltd.	Equity holder in Cambridge Display Technology, Ltd.	100.0	+44-19-5471-3600	+44-19-5471-3620
	 Sumika Polymer Compounds Europe Ltd.	Polypropylene compounds	55.1	+44-2392-486350	+44-2392-472388
	 Sumitomo Chemical (U.K.) plc.	Chemicals and financing	100.0	+44-20-8600-7700	+44-20-8600-7717
<b>Poland</b>					
	 Sumika Ceramics Poland Sp. zo.o.	Diesel Particulate Filters (DPF)	100.0	+48-71-73-52-100	+48-71-73-52-122
	 Sumika Electronic Materials Poland Sp. zo.o.	Optical functional films and light-diffusion panels	100.0	+48-56-621-4320	+48-56-621-9122
<b>Tanzania</b>					
	 Vector Health International Ltd.	Olyset™ Net	50.0	+255-27-254-8895	+255-27-254-8-8235
<b>South Africa</b>					
	 Philagro South Africa (Pty) Ltd.	Crop protection chemicals	51.0	+27-12-348-8808	+27-12-348-3500

# History of Sumitomo Chemical

**Sumitomo Chemical's business dates back to 1913, when the Company sought to solve the problem of pollution from copper smelting operations by producing useful fertilizers from the emissions. Since then, we have expanded our business areas and globalized our operations to meet evolving needs.**

## Sumitomo Chemical's history since its founding

1913	<p><b>Founded</b></p> <ul style="list-style-type: none"> <li>The House of Sumitomo establishes fertilizer plant in Niihama, Ehime prefecture</li> </ul>	 <p>Besshi Copper Mine (Image data provided by the Sumitomo Historical Archives)</p>
1944	<ul style="list-style-type: none"> <li>Acquires Japan Dyestuff Manufacturing Company and expands into the dyestuff and pharmaceutical businesses</li> </ul>	
1958	<ul style="list-style-type: none"> <li>Starts production of ethylene and its derivatives at Ehime Works and enters into petrochemical business</li> </ul>	 <p>Niihama Works (Around 1938)</p>
1965	<ul style="list-style-type: none"> <li>Establishes Sumitomo Chiba Chemical (Acquired in 1975, present-day Chiba Works)</li> </ul>	
1984	<ul style="list-style-type: none"> <li>Establishes Sumitomo Pharmaceuticals with Inabata</li> <li>Starts operation of petrochemical complex in Singapore</li> </ul>	 <p>Ehime Works</p>
1988	<ul style="list-style-type: none"> <li>Establishes base for development and sales of agrochemicals in the US</li> </ul>	
1997	<ul style="list-style-type: none"> <li>Starts operation of second-phase petrochemical complex in Singapore</li> </ul>	 <p>Chiba Works</p>
1998	<ul style="list-style-type: none"> <li>Completes MMA and acrylic acid plant in Singapore</li> </ul>	
2000	<ul style="list-style-type: none"> <li>Acquires biological crop protection business from Abbott Laboratories</li> </ul>	 <p>MMA plant in Singapore</p>
2001	<ul style="list-style-type: none"> <li>Acquires household insecticide business from Aventis Crop Science</li> <li>Establishes IT-related Chemicals Sector</li> </ul>	 <p>Agricultural Chemicals Research Laboratory</p>
2002	<ul style="list-style-type: none"> <li>Forms JV in agrochemical business with Takeda Pharmaceutical</li> </ul>	
2003	<ul style="list-style-type: none"> <li>Starts production of polarizing films and color filters in Korea</li> </ul>	
2005	<ul style="list-style-type: none"> <li>Sumitomo Pharmaceuticals and Dainippon Pharmaceuticals merge to form Dainippon Sumitomo Pharma</li> </ul>	
2007	<ul style="list-style-type: none"> <li>Acquires Cambridge Display Technology, a pioneer in the development of polymer organic light emitting diodes</li> </ul>	
2009	<ul style="list-style-type: none"> <li>Starts operation of integrated refining and petrochemical complex in Rabigh, Saudi Arabia</li> <li>Acquires US pharmaceutical company Sepracor (now Sunovion Pharmaceuticals)</li> </ul>	 <p>Petro Rabigh</p>
2010	<ul style="list-style-type: none"> <li>Acquires 20% stake in Australian agrochemicals company Nufarm</li> </ul>	
2011	<ul style="list-style-type: none"> <li>Launches the atypical antipsychotic LATUDA® for the treatment of schizophrenia in US</li> </ul>	
2012	<ul style="list-style-type: none"> <li>Decides to acquire Boston Biomedical, Inc.</li> <li>Decides to implement Rabigh Phase II project with Saudi Aramco</li> </ul>	

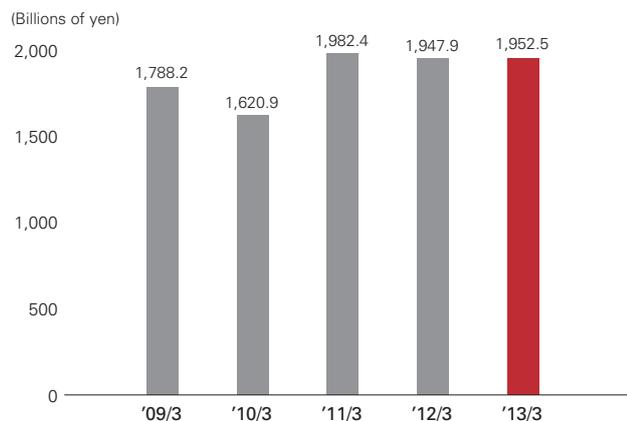
## Financial Section

Financial Review	74
Consolidated Balance Sheets	84
Consolidated Statements of Operations	86
Consolidated Statements of Comprehensive Income	87
Consolidated Statements of Changes in Net Assets	88
Consolidated Statements of Cash Flows	89
Notes to Consolidated Financial Statements	90
Independent Auditors' Report	118

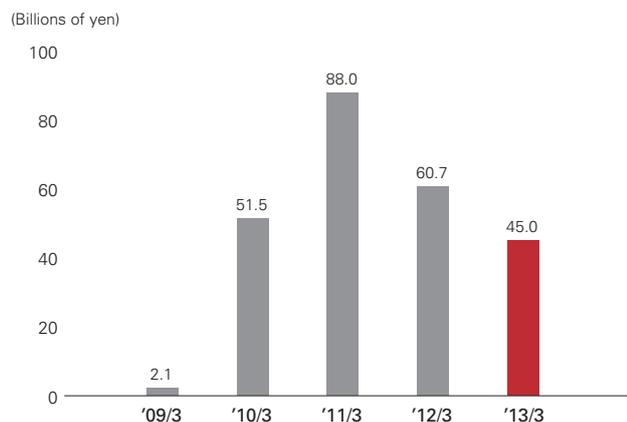
For the 10-year financial summary spanning fiscal 2003 through fiscal 2012, please refer to Ten-Year Summary on pages 62 – 63 and Business Sector Highlights on pages 64 – 65.

In this Financial Section, the "Companies" means the Company and its consolidated subsidiaries.

## Net Sales



## Operating Income



## 1. Results of Operations

### (1) Net sales and operating income

Net sales in the fiscal year ended March 31, 2013 totaled ¥1,952.5 billion (US\$20,760 million), a 0.2% increase from ¥1,947.9 billion for the previous fiscal year. Sales in the Petrochemicals & Plastics Segment and IT-related Chemicals Segment expanded due to higher sales volume, despite lower market prices overseas and lower sales prices.

Revenue from overseas operations, including both sales by overseas subsidiaries and exports from Japan, for the fiscal year ended March 31, 2013 was ¥1,043.8 billion (US\$11,099 million). The ratio of revenue from overseas operations to net sales was 53.5%, compared with 51.8% for the previous fiscal year.

Cost of sales was ¥1,449.5 billion (US\$15,413 million), compared with ¥1,418.5 billion for the previous fiscal year. The gross margin was 25.8%, 1.4 percentage points lower than the previous fiscal year. Selling, general and administrative expenses were ¥457.9 billion (US\$4,869 million), compared with ¥468.7 billion for the previous fiscal year.

Research and development expenses for the fiscal year ended March 31, 2013 were ¥125.0 billion (US\$1,329 million), 2.2% higher than the previous fiscal year's ¥122.3 billion, with the increase concentrated in the Pharmaceuticals Segment. Annual depreciation and amortization expenses were ¥115.5 billion (US\$1,228 million), an increase of 0.5% compared with the previous fiscal year's ¥114.9 billion.

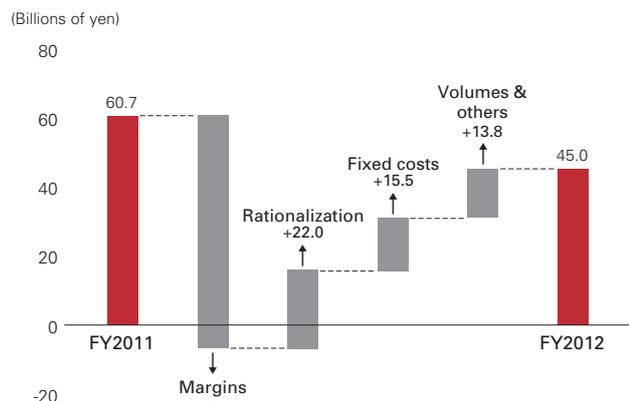
Consequently, operating income was ¥45.0 billion (US\$479 million), a 25.8% decrease from ¥60.7 billion for the previous fiscal year. The ratio of operating income to net sales was 2.3%, a decline of 0.8 of a percentage point from the previous fiscal year.

### (2) Non-operating expenses and net (loss) income

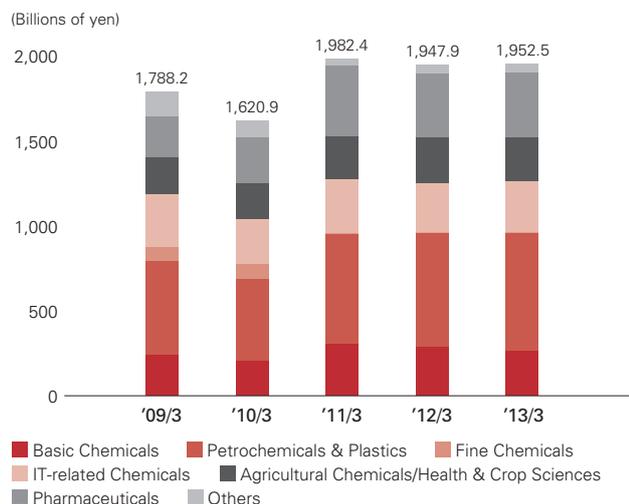
Interest expenses, net of interest and dividend income, were ¥5.4 billion (US\$57 million), a 13.8% increase compared with ¥4.7 billion for the previous fiscal year.

Equity in earnings of affiliates was ¥5.4 billion (US\$58 million), a ¥3.5 billion increase from the previous fiscal year, primarily because of an improvement in earnings of Rabigh Refining and Petrochemical Company (Petro Rabigh) in Saudi Arabia. The net gain on foreign currency transactions was ¥6.8 billion (US\$72 million) compared with the net loss on foreign currency transactions of ¥3.7 billion for the previous fiscal year.

## Change in Operating Income: FY2011 vs. FY2012



## Breakdown of Sales by Business Segment



## Results by Business Segment

Fiscal years ended March 31, 2013 and 2012

Millions of yen

	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
<b>Year ended March 31, 2013</b>								
Revenue from customers	¥263,522	¥693,859	¥299,968	¥262,580	¥378,595	¥53,968	¥ —	¥1,952,492
Segment profit (loss)	(6,391)	(3,232)	11,703	26,272	30,857	7,963	(22,156)	45,016
Segment profit ratio (%)	(2.4)	(0.5)	3.9	10.0	8.2	14.8	—	2.3
Segment profit growth (decrease) (%)	—	—	6.7	(0.8)	47.5	3.1	—	(25.8)
<b>Year ended March 31, 2012</b>								
Revenue from customers	¥284,348	¥672,428	¥293,066	¥264,134	¥380,518	¥53,390	¥ —	¥1,947,884
Segment profit	9,349	6,155	10,968	26,495	20,918	7,720	(20,917)	60,688
Segment profit ratio (%)	3.3	0.9	3.7	10.0	5.5	14.5	—	3.1

The Companies posted a ¥22.9 billion (US\$243 million) impairment loss mainly on production facilities with decreased profitability, a ¥10.8 billion (US\$115 million) loss for restructuring charges mainly on the disposal of property, plant and equipment, a ¥4.7 billion (US\$50 million) loss on valuation of investment securities and a ¥1.1 billion (US\$12 million) loss on litigation.

As a result, income before income taxes and minority interests for the fiscal year ended March 31, 2013 was ¥12.3 billion (US\$131 million). Income taxes for the fiscal year ended March 31, 2013 were ¥52.7 billion (US\$561 million), including a reversal of deferred tax assets of ¥32.4 billion (US\$344 million).

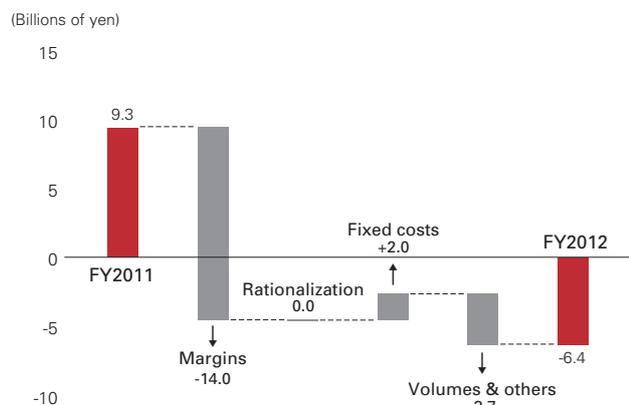
Net loss for the fiscal year ended March 31, 2013 was ¥51.1 billion (US\$543 million), a fall of ¥56.7 billion compared with the previous fiscal year. Return on Equity (ROE) deteriorated from 1.1% to negative 10.4%.

Net loss per share, based on the weighted average number of shares outstanding during the fiscal year ended March 31, 2013, was ¥31.25 (US\$0.332) compared with net income per share of ¥3.42 for the previous fiscal year.

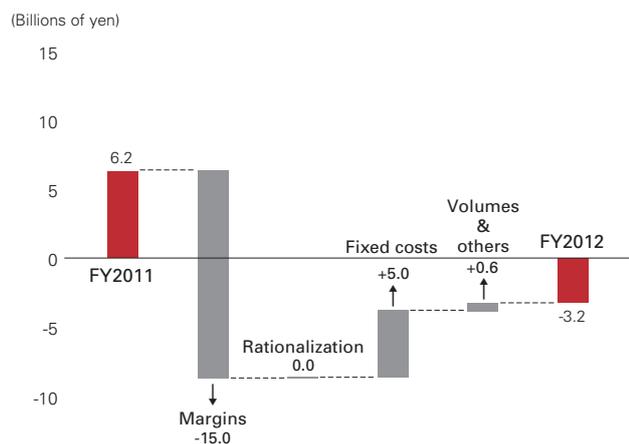
### (3) Dividends

The Company decided not to pay a year-end dividend as it posted a large net loss for the full year. As a result, the Company's annual dividend for the fiscal year ended March 31, 2013 was ¥6 per share, down ¥3 per share from the previous fiscal year.

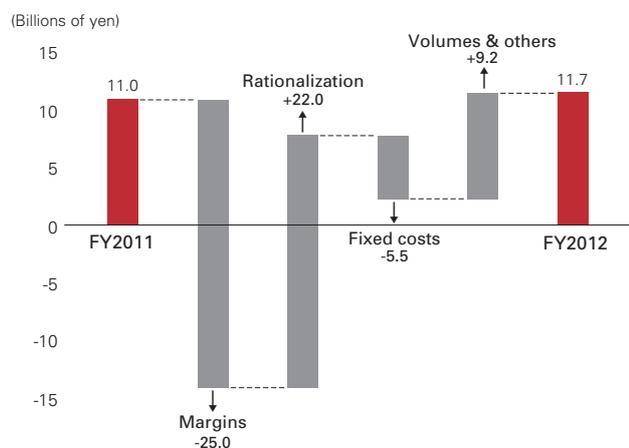
**Basic Chemicals**  
Change in Operating (Loss) Income: FY2011 vs. FY2012



**Petrochemicals & Plastics**  
Change in Operating (Loss) Income: FY2011 vs. FY2012



**IT-related Chemicals**  
Change in Operating Income: FY2011 vs. FY2012



**2. Segment Information**

**(1) Basic Chemicals**

Market prices fell for raw materials for synthetic fibers, and shipments of these products also decreased. Sales of methyl methacrylate and aluminum declined due to lower market prices. As a result, the segment's sales decreased by ¥20.8 billion (US\$221 million) compared with the previous fiscal year, to ¥263.5 billion (US\$2,802 million), and operating income declined by ¥15.7 billion (US\$167 million), to a loss of ¥6.4 billion (US\$68 million).

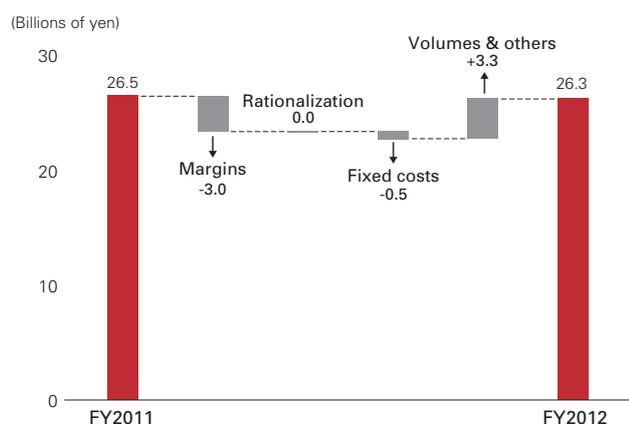
**(2) Petrochemicals & Plastics**

Shipments from a sales subsidiary increased from the previous fiscal year's level, which was low due to periodic maintenance shutdowns at the manufacturing plants of Petro Rabigh in Saudi Arabia. Sales of synthetic resins declined in Singapore due to lower market prices overseas. Sales of petrochemical products and synthetic resins also decreased in Japan due to a decline in domestic demand. As a result, the segment's sales rose by ¥21.4 billion (US\$228 million) compared with the previous fiscal year, to ¥693.9 billion (US\$7,378 million), but operating income decreased by ¥9.4 billion (US\$100 million), to a loss of ¥3.2 billion (US\$34 million).

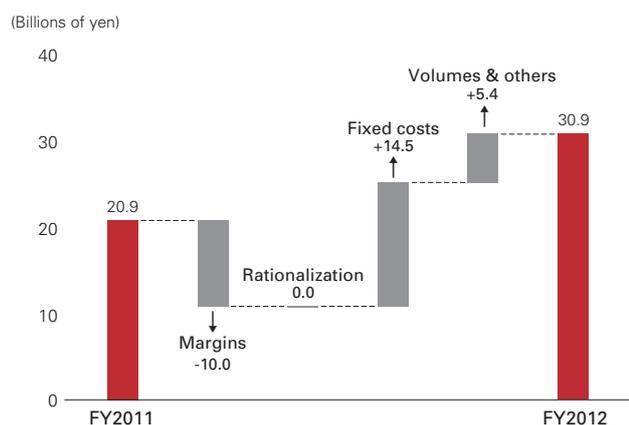
**(3) IT-related Chemicals**

Shipments of polarizing film used in liquid crystal displays (LCDs) rose, but shipments of color filters declined. Sales prices of both polarizing film and color filters fell. Meanwhile, a newly-built touchscreen panel facility in South Korea began full-fledged operation in the 3rd quarter of the fiscal year. As a result, the segment's sales increased by ¥6.9 billion (US\$73 million) compared with the previous fiscal year, to ¥300.0 billion (US\$3,189 million), and operating income rose by ¥0.7 billion (US\$8 million), to ¥11.7 billion (US\$124 million).

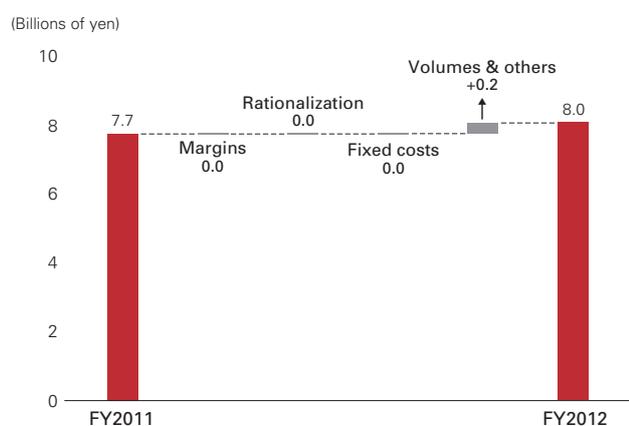
### Health & Crop Sciences Change in Operating Income: FY2011 vs. FY2012



### Pharmaceuticals Change in Operating Income: FY2011 vs. FY2012



### Others Change in Operating Income: FY2011 vs. FY2012



### (4) Health & Crop Sciences

In the area of crop protection chemicals, shipments of herbicides and other products rose, especially in overseas markets, due to increased production capacity and sales expansion. But shipments of household insecticides and the long-lasting insecticidal mosquito net, Olyset™ Net, decreased. Market prices of the feed additive methionine declined. As a result, the segment's sales decreased by ¥1.6 billion (US\$17 million) compared with the previous fiscal year, to ¥262.6 billion (US\$2,792 million), and operating income declined by ¥0.2 billion (US\$2 million), to ¥26.3 billion (US\$279 million).

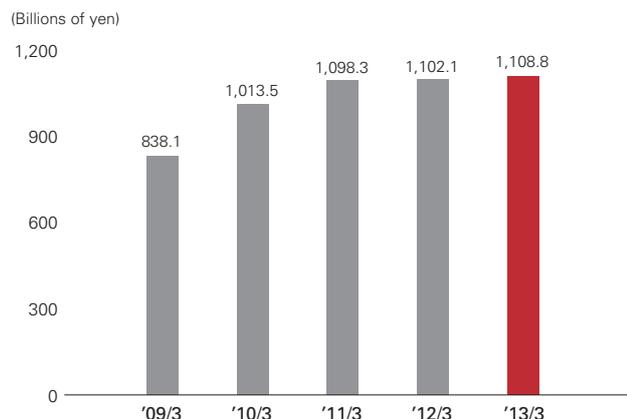
### (5) Pharmaceuticals

In Japan, sales of METGLUCO® (biguanide oral hypoglycemic) and TRERIEF® (therapeutic agent for Parkinson's disease) significantly increased. But overall sales declined, even including sales of newly-marketed AIMIX® (anti-hypertension drug), because of the significant impacts of Japanese National Health Insurance drug price revisions and a decrease in shipments of existing products. In North America, shipments of XOPENEX® (short-acting beta-agonist) decreased as its exclusivity expired, but overall sales rose because of gradually increasing sales of LATUDA® (atypical antipsychotic) and the receipt of milestone payments of licensing fees. As a result, the segment's sales decreased by ¥1.9 billion (US\$20 million) compared with the previous fiscal year, to ¥378.6 billion (US\$4,025 million). Operating income rose by ¥9.9 billion (US\$106 million), to ¥30.9 billion (US\$328 million), due to cost-cutting efforts and a decline in labor costs.

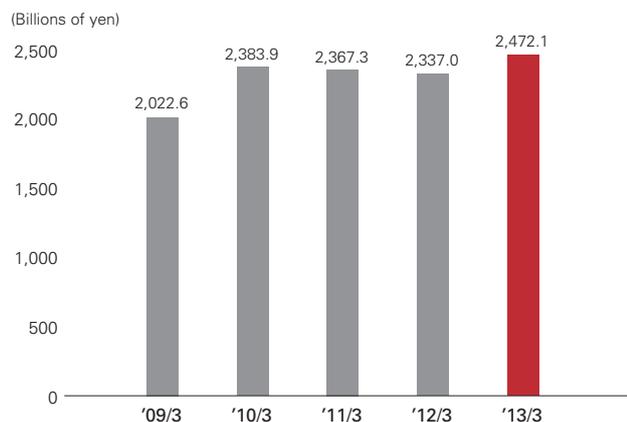
### (6) Others

In addition to the above five segments, the Sumitomo Chemical Group engages in supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The segment's sales increased by ¥0.6 billion (US\$6 million) compared with the previous fiscal year, to ¥54.0 billion (US\$574 million), and operating income rose by ¥0.2 billion (US\$3 million), to ¥8.0 billion (US\$85 million).

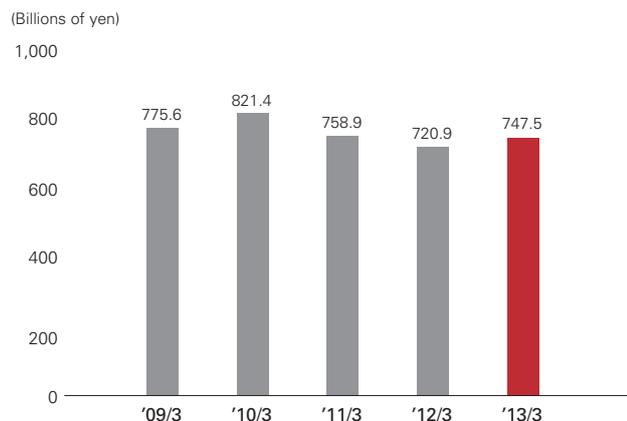
### Total Current Assets



### Total Assets



### Shareholders' Equity / Net Assets



### 3. Financial Position

Total assets as of March 31, 2013 increased by ¥135.1 billion, to ¥2,472.1 billion (US\$26,285 million) from ¥2,337.0 billion as of March 31, 2012, mainly as a result of the correction of the yen's appreciation toward the end of the fiscal year. Current assets as of March 31, 2013 amounted to ¥1,108.8 billion (US\$11,790 million), a 0.6% increase from ¥1,102.1 billion as of March 31, 2012. Non-current assets as of March 31, 2013 amounted to ¥1,363.3 billion (US\$14,495 million), a 10.4% increase from ¥1,234.9 billion as of March 31, 2012, mainly because in-process research and development increased.

Current liabilities as of March 31, 2013 were ¥870.0 billion (US\$9,251 million), a 3.2% increase from ¥842.7 billion as of March 31, 2012. The current ratio was 127.4%, compared with 130.8% as of March 31, 2012.

Long-term liabilities increased to ¥854.6 billion (US\$9,086 million), a 10.5% increase from ¥773.3 billion as of March 31, 2012, mainly because of the correction of the yen's appreciation toward the end of the fiscal year in addition to an increase of deferred tax liabilities.

Interest-bearing liabilities (short-term and long-term bank loans, corporate bonds, and commercial paper) as of March 31, 2013 amounted to ¥1,060.6 billion (US\$11,277 million), compared with ¥1,053.0 billion as of March 31, 2012.

Net assets were ¥747.5 billion (US\$7,948 million) as of March 31, 2013, a 3.7% increase from ¥720.9 billion as of March 31, 2012, mainly because accumulated other comprehensive income, including favorable foreign currency translation adjustment, increased. The ratio of net worth to total assets stood at 20.1% as of March 31, 2013, compared with 20.8% as of March 31, 2012.

There were 1,634,605,705 shares issued and outstanding as of March 31, 2013. Retained earnings amounted to ¥419.9 billion (US\$4,465 million), a 13.4% decrease from ¥485.0 billion as of March 31, 2012.

### 4. Cash Flows

Net cash provided by operating activities for the year ended March 31, 2013 was ¥171.6 billion (US\$1,825 million), an increase of ¥47.1 billion compared with the previous fiscal year, mainly because of improvement in working capital.

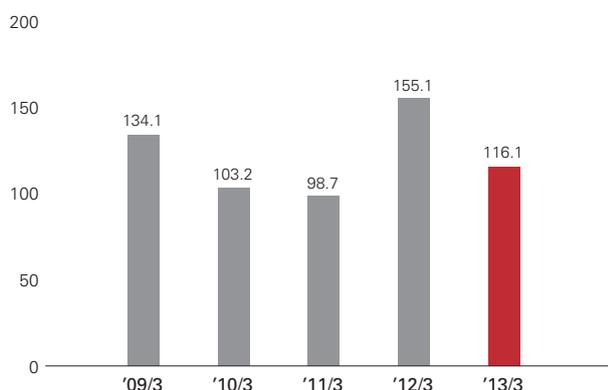
Net cash used in investing activities for the year ended March 31, 2013 was ¥165.8 billion (US\$1,763 million), an increase of ¥41.8 billion compared with the previous fiscal year, mainly because of acquisitions of two US companies, Boston Biomedical, Inc. and Elevation Pharmaceuticals, Inc. (now Sunovion Respiratory Development Inc.).

As a result, free cash flow, which consists of cash flows provided by operating activities and those used in investing activities, was positive ¥5.8 billion (US\$62 million) for the year ended March 31, 2013, compared with positive ¥0.5 billion for the previous fiscal year.

Net cash used in financing activities was ¥36.0 billion (US\$383 million).

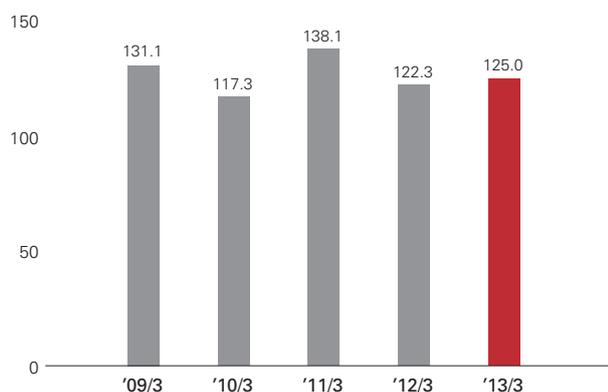
## Capital Expenditures

(Billions of yen)



## Research and Development Expenses

(Billions of yen)



## 5. Capital Expenditures

In the year ended March 31, 2013, the Companies' capital expenditures totaled ¥116.1 billion (US\$1,235 million), which includes investments for new installations and the expansion of manufacturing facilities as well as investments for streamlining existing facilities.

Major investments made in the fiscal year ended March 31, 2013 included the construction of a manufacturing facility for high-purity alumina in the Basic Chemicals Segment.

Broken down by segment, capital expenditures in the Basic Chemicals Segment were ¥33.0 billion (US\$351 million), ¥14.1 billion (US\$150 million) in the Petrochemicals & Plastics Segment, ¥18.7 billion (US\$199 million) in the IT-related Chemicals Segment, ¥25.1 billion (US\$267 million) in the Health & Crop Sciences Segment, ¥14.6 billion (US\$156 million) in the Pharmaceuticals Segment, and ¥10.6 billion (US\$113 million) in the Others Segment.

## 6. Research and Development

The Companies' basic R&D policy is to establish superior proprietary technologies that will contribute to profitability and business expansion. To maximize overall efficiency, the Companies proactively promote collaborative R&D and outsourcing through closer cooperation, while each subsidiary performs its own R&D activities.

In the fiscal year ended March 31, 2013, the Companies focused R&D resources on 1) Environment and Energy; 2) Life Science; and 3) ICT (Information & Communication Technology) as part of the 2010-2012 Corporate Business Plan.

In addition, the Companies are promoting cross-sectoral projects for the development of new businesses.

R&D expenses were ¥125.0 billion (US\$1,329 million), up 2.2% from the fiscal year ended March 31, 2012.

## Breakdown of Capital Expenditures

Years ended March 31	Billions of yen, %										2013	
	2008		2009		2010		2011		2012		2013	%
New plants and expansions:												
Basic Chemicals	¥ 13.1	9%	¥ 10.3	8%	¥ 7.6	7%	¥13.0	13%	¥ 19.9	13%	¥ 26.9	23%
Petrochemicals & Plastics	1.3	1	9.3	7	6.6	6	8.9	9	15.4	10	11.4	10
Fine Chemicals	3.1	2	5.5	4	12.9	13	—	—	—	—	—	—
IT-related Chemicals	27.6	19	48.8	36	9.8	10	25.2	26	64.2	41	16.8	14
Agricultural Chemicals/ Health & Crop Sciences	2.1	1	4.1	3	20.0	19	12.4	12	14.4	9	20.8	18
Pharmaceuticals	11.2	8	5.4	4	4.0	4	3.1	3	3.9	3	5.3	5
Others	3.2	2	10.7	8	10.6	10	8.3	8	3.4	2	5.4	5
<b>Total</b>	<b>¥ 61.6</b>	<b>42%</b>	<b>¥ 94.1</b>	<b>70%</b>	<b>¥ 71.6</b>	<b>69%</b>	<b>¥70.9</b>	<b>71%</b>	<b>¥121.2</b>	<b>78%</b>	<b>¥ 86.6</b>	<b>75%</b>
Rationalization of production processes	5.1	4	6.0	4	5.4	5	4.6	5	3.9	3	3.1	3
Research and development	6.5	5	9.6	7	7.7	8	6.7	7	10.6	7	12.9	11
Others	69.3	49	24.4	19	18.6	18	16.5	17	19.4	12	13.5	11
<b>Total</b>	<b>¥142.5</b>	<b>100%</b>	<b>¥134.1</b>	<b>100%</b>	<b>¥103.2</b>	<b>100%</b>	<b>¥98.7</b>	<b>100%</b>	<b>¥155.1</b>	<b>100%</b>	<b>¥116.1</b>	<b>100%</b>

## 7. Risk Factors

Primary risks that may affect operational results, share prices, and the financial condition of the Companies are described below. Matters concerning the future with regard to the following information were those deemed relevant as of the end of this fiscal year.

### (1) Market and supply

As a chemical manufacturer offering a diverse range of products, the Companies engage in a wide range of businesses which are subject to a number of risks. Risks associated with market volatility and feedstock supply shortages concerning the Companies' businesses are mainly as follows.

- (a) The Companies' businesses are exposed to price competition. It is expected that the product lines of the Companies will be exposed to severe price competition for various reasons, such as the participation of foreign enterprises in the domestic market, the inflow of imported products as a result of tariff reductions, and the increasing market entry of generic products.
- Although the Companies are seeking to reduce costs, failure to address price competition may have an adverse effect on the operational results and financial condition of the Companies.
- (b) Overseas sales of the Companies account for more than 50% of their total sales, and sales in the Basic Chemicals, the Petrochemicals and Plastics Segments are particularly large, in the Asian market accounting for a significant share.
- Furthermore, a large proportion of sales in the IT-related Chemicals Segment depends on specific customers in China, Korea and Taiwan, and some of the products in the Health & Crop Sciences Segment are being supplied to specific customers under custom manufacturing arrangements. Given this situation, in the event that the Companies are required to cut prices due to deteriorating economic conditions in the Asian market or changes in the business standing of client enterprises, such circumstances may have an adverse effect on the operational results and financial condition of the Companies.

(c) Naphtha, a main feedstock for the Petrochemicals and Plastics Segment, is sometimes subject to radical price fluctuations arising from various causes, including public security problems in the Middle East or global economic conditions. If the price of naphtha radically increases, it may have an adverse effect on the operational results of the Companies due to a delay in the reflection of such cost increases in product selling prices.

(d) The supply of naphtha and some other raw materials is dependent on particular geographical areas or suppliers.

Although the Companies are seeking to reduce the risk associated with their inability to procure major raw materials by developing multiple supply sources, there is no guarantee that supply shortages of such major raw materials will not occur. In the event that the Companies cannot procure necessary major raw materials on their own, such circumstances may have an adverse effect on the operational results of the Companies.

(e) Since the speed of technical innovation for products in the IT-related Chemicals Segment is extremely rapid, it is essential that the Companies develop and supply new products to their customers in a timely manner. In the event that the Companies are unable to effectively develop new products that satisfy customer needs, or if an important technical innovation is made by another company in advance, the business results and the financial condition of the Companies may be adversely affected.

(f) With respect to agrochemicals and household insecticides in the Health & Crop Sciences Segment, the shipments of these products are affected by the cultivation status of target crops, the outbreak of crop diseases or pest infestations, and factors relating to the local climate in various parts of the world. With regard to feed additives, drastic price fluctuations may also occur. If the crop growth is not as good as expected, if disease occurrence or pest infestation does not develop as anticipated, or if drastic price fluctuations occur, such circumstances may have an adverse effect on the operational results and financial condition of the Companies.

(g) In the Pharmaceuticals Segment, healthcare insurance reforms are in progress in Japan, which has a rapidly aging population and declining birthrate. As a part of such reforms, there are ongoing discussions concerning potential revisions to medical treatment fees and drug prices. The government's policy of reducing medical expenditures, including the revision of medical treatment fees, may have an adverse effect on the operational results and financial condition of the Companies.

## (2) Exchange rate fluctuations

The Company and its domestic consolidated subsidiaries import raw materials from overseas and export finished products manufactured in Japan, and the export value of finished products exceeds the import value of raw materials.

If the Japanese yen appreciates against foreign currencies, the products will be less competitive in price compared with products made in foreign countries. Moreover, the reduction in the proceeds received from exports could exceed the reduction in payments for imports. In order to cope with these circumstances, the Companies are seeking to minimize the risks by entering into forward-exchange contracts or making export transactions in Japanese yen. However, since it is impossible to completely hedge risks due to the mid- or long-term fluctuations in the currency exchange rate, there is a possibility that the appreciation of the Japanese yen would exert an adverse effect on the operational results and financial condition of the Companies.

Furthermore, the operational results of the consolidated subsidiaries and equity method affiliates in foreign countries are converted into Japanese yen for the purpose of preparing the consolidated financial statements. Depending on the exchange rate at the time of conversion, the values after the conversion into Japanese yen may be potentially impacted and may negatively affect the operational results and financial condition of the Companies.

## (3) Interest volatility

With respect to the demand for finance, the Companies determine the amount, term, and method of fund procurement, taking into consideration the demand for finance, financial position, and financial environment. In preparation for interest rate fluctuations, the Companies raise funds by combining, as applicable, both fixed interest rates and floating interest rates. If, however, interest rates rise, the increase in interest expense may have an adverse effect on the operational results and financial condition of the Companies.

## (4) Fluctuation in stock market prices

Since most of the securities held by the Companies are negotiable securities with market prices, if stock market prices decline drastically, the impairment loss may have an adverse effect on the operational results and financial condition of the Companies.

## (5) Impairment loss

The Companies have adopted accounting standards for the impairment of fixed assets. If a significant deterioration in the business environment causes a drastic decline in the market value and future profitability of the Companies' fixed assets, impairment losses will be recognized and may have an adverse effect on the operational results and financial condition of the Companies.

## (6) Deferred tax assets

The Companies recognize deferred tax assets based on projections for future taxable income. Should projections for future taxable income change, all or part of the deferred tax assets may be deemed unrecoverable, and this could have an adverse effect on the operational results and financial condition of the Companies.

## (7) Liability for retirement benefits

The expenses and obligations with regard to retirement benefits for employees of the Companies are calculated on actuarial assumptions such as expected rate of return on pension plan assets and discount rates.

However, in case a worse environment for pension plan assets management leads the assumptions to differ from actual results, future retirement benefit expenses may increase, which may have an adverse effect on the operational results and financial condition of the Companies.

## **(8) Overall management**

### **(a) Overseas business expansion**

The Companies intend to expand their business operations in overseas markets, including further expansion in the Middle East and Asia. To conduct business activities in foreign countries, the Companies need to address the potential risks of changes in laws and restrictions, disputes stemming from differences in working conditions, difficulties in hiring and procuring human resources, social disorder caused by terrorism or war, and other factors. In the event that these risks materialize, there is a possibility that such events might adversely affect the business results and financial condition of the Companies.

Rabigh Refining and Petrochemical Company (Petro Rabigh), jointly founded by the Company and Saudi Aramco, is operating an integrated refinery and petrochemicals complex (the Rabigh Phase I Project) in Rabigh, Saudi Arabia. In case the Company should become liable for damages resulting from contingent circumstances, it has obtained overseas investment insurance covering the total investment in accordance with the rules and maximum insurance amount of Nippon Export and Investment Insurance, an incorporated administrative agency of the government of Japan.

### **(b) Acquisitions and equity alliances**

The Companies are engaging in domestic and international acquisitions and equity alliances with the aim of expanding their business and enhancing their competitiveness. The Companies, however, may not be able to generate the synergies or other positive effects they originally expected due to changes in the business environment surrounding the Companies or their acquisition.

Moreover, a decline of the corporate value of the acquisitions due to any deterioration in operational results or financial condition of the acquisitions may have an adverse effect on the operational results and financial condition of the Companies.

### **(c) Research and development**

The Companies are vigorously carrying out research and development to rapidly commercialize new technologies and new products that will meet customer needs. The research and development conducted by the Companies may sometimes extend over a long period of time, particularly when it includes discovery research in order to create next-generation businesses. In the event that the subject of such research and development is not put to practical use, or if the development of new products is significantly delayed or abandoned, the competitiveness of the Companies may be diminished, which may have an adverse effect on the operational results and financial condition of the Companies.

### **(d) Intellectual property rights**

The Companies have been strengthening their competitiveness by developing and accumulating proprietary technology and know-how that will differentiate themselves from competitors.

Although such technology and know-how are under strict control by the Companies, there is a possibility that some of the proprietary technologies, products, and know-how of the Companies may be unexpectedly leaked to others. Furthermore, intellectual property may not be completely protected in particular geographical areas. In some areas, there is a possibility that the Companies may be unable to effectively prevent a third party from manufacturing similar products that are covered by the Companies' intellectual property rights. Furthermore, the Companies may become involved in intellectual property rights disputes, which might result in outcomes that run counter to the interests of the Companies.

### **(e) Quality of products**

Although the Companies manufacture a wide variety of products in accordance with globally recognized strict quality control standards, there is no assurance that all the products are free from defects or that no product recall problems will occur in future. Large-scale product liability lawsuits could be extremely costly and have a significant impact on market perceptions of the Companies, which, in turn, may adversely affect the operational results and financial condition of the Companies.

Although our agricultural chemicals and pharmaceuticals that are on the market have been approved in accordance with strict quality examinations in each country, new quality problems or side effects may be identified as a result of progress in science and technology, as well as from accumulated clinical experience. If such unexpected quality problems or side effects are discovered after products have been released onto the market, there is a possibility that such circumstances may adversely affect the operational results and financial condition of the Companies.

**(f) Accidents and disasters**

In order to minimize the potential risks of the shutdown of production facilities or accidents involving the production facilities which will adversely affect the Companies, the Companies conduct periodic inspections for all manufacturing facilities.

However, there is no guarantee that such accidents arising out of production facilities or negative effects caused by natural disasters will be completely prevented or reduced. In addition, the business activities of the Companies are becoming increasingly dependent on computer network systems, and although the Companies are working to protect their systems or data by means of sophisticated security systems, there is still the possibility that system network failures may occur owing to electric power interruptions, natural disasters, or criminal attacks on the system, including computer viruses and hackers.

In the event of an accident that causes property damage and/or human injury near the plant, or a system network failure, such circumstances may, in addition to undermining the Companies' business activities, involve major costs and have a significant impact on market perceptions of the Companies, which, in turn, may adversely affect the operational results and financial condition of the Companies.

**(g) Change in regulations**

The Companies conduct their businesses in accordance with the laws and regulations of each country in which they operate. Changes in laws, regulations, government policies, business customs, interpretations, or other changes, and the resulting implications, may have adverse effects on the operational results and financial condition of the Companies.

Moreover, there is a possibility that legal restrictions on environment and safety for chemicals may be tightened in the future causing the Companies to incur additional costs to comply with tighter regulations.

**(h) Lawsuits**

As the Companies' businesses develop in Japan and elsewhere in the world, they remain exposed to the risks of becoming the target of lawsuits, disputes, or other legal procedures. In the event any significant lawsuits are filed against the Companies, this could adversely affect the operational results and financial condition of the Companies.

# Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries  
March 31, 2013 and 2012

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Notes 5 and 21)	¥ 126,949	¥ 147,051	\$ 1,349,803
Short-term investments (Note 5)	6,816	776	72,472
Securities (Notes 5 and 7)	27,631	22,995	293,791
Trade notes and accounts receivable (Note 5)	404,340	410,906	4,299,203
Inventories (Note 6)	410,469	382,392	4,364,370
Deferred tax assets (Note 16)	45,976	51,012	488,846
Other (Note 5)	88,015	88,187	935,831
Allowance for doubtful accounts	(1,379)	(1,233)	(14,662)
Total current assets	1,108,817	1,102,086	11,789,654
<b>Property, plant and equipment (Notes 9 and 12):</b>			
Land	79,756	77,073	848,017
Buildings and structures	580,204	552,349	6,169,102
Machinery and equipment	1,594,856	1,488,123	16,957,533
Construction in progress	74,888	67,365	796,257
	2,329,704	2,184,910	24,770,909
Less accumulated depreciation	(1,689,480)	(1,590,032)	(17,963,636)
Net property, plant and equipment	640,224	594,878	6,807,273
<b>Investments and other assets:</b>			
Investment securities (Notes 5, 7, 8, 9 and 22)	396,165	364,356	4,212,281
Long-term loans (Notes 5 and 22)	58,484	51,112	621,839
Deferred tax assets (Note 16)	21,426	25,735	227,815
Goodwill	79,223	69,323	842,350
Patents (Note 12)	32,923	49,052	350,058
Software	11,033	10,990	117,310
In-process research and development	50,664	5,659	538,692
Other (Notes 8, 13 and 22)	74,218	64,801	789,134
Allowance for doubtful accounts	(1,086)	(1,039)	(11,547)
Total investments and other assets	723,050	639,989	7,687,932
Total assets	¥2,472,091	¥2,336,953	\$26,284,859

See accompanying notes.

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
<b>Liabilities and Net assets</b>			
<b>Current liabilities:</b>			
Short-term debt (Notes 5 and 9)	¥ 237,786	¥ 239,533	\$ 2,528,293
Long-term debt due within one year (Notes 5 and 9)	115,605	130,693	1,229,187
Trade notes and accounts payable (Note 5)	256,136	227,770	2,723,402
Income taxes payable	8,396	13,998	89,272
Other (Note 16)	252,104	230,723	2,680,531
Total current liabilities	870,027	842,717	9,250,685
<b>Long-term liabilities:</b>			
Long-term debt (Notes 5 and 9)	707,176	682,741	7,519,149
Deferred tax liabilities (Note 16)	64,234	17,001	682,977
Retirement benefits (Note 13)	30,804	31,999	327,528
Other	52,368	41,594	556,811
Total long-term liabilities	854,582	773,335	9,086,465
<b>Contingent liabilities</b> (Notes 18 and 22)			
<b>Net assets</b> (Note 17):			
Common stock:			
Authorized — 5,000,000,000 shares			
Issued — 1,655,446,177 shares at March 31, 2013			
1,655,446,177 shares at March 31, 2012	89,699	89,699	953,737
Capital surplus	23,695	23,695	251,940
Retained earnings	419,893	485,027	4,464,573
Treasury stock, at cost			
20,840,472 shares at March 31, 2013			
20,795,141 shares at March 31, 2012	(8,773)	(8,764)	(93,280)
Shareholders' equity	524,514	589,657	5,576,970
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	60,150	48,922	639,553
Deferred gains on hedges	729	684	7,751
Land revaluation reserve (Note 19)	4,130	4,130	43,913
Foreign currency translation adjustment	(93,023)	(157,158)	(989,080)
Total accumulated other comprehensive income	(28,014)	(103,422)	(297,863)
Minority interests	250,982	234,666	2,668,602
Total net assets	747,482	720,901	7,947,709
Total liabilities and net assets	¥2,472,091	¥2,336,953	\$26,284,859

See accompanying notes.

# Consolidated Statements of Operations

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
<b>Net sales</b>	<b>¥1,952,492</b>	¥1,947,884	<b>\$20,760,149</b>
<b>Cost of sales</b>	<b>1,449,549</b>	1,418,464	<b>15,412,536</b>
<b>Selling, general and administrative expenses</b>	<b>457,927</b>	468,732	<b>4,868,974</b>
Operating income	<b>45,016</b>	60,688	<b>478,639</b>
<b>Other income (expenses):</b>			
Interest and dividend income (Note 22)	<b>7,556</b>	7,654	<b>80,340</b>
Interest expenses	<b>(12,952)</b>	(12,397)	<b>(137,714)</b>
Equity in earnings of affiliates	<b>5,436</b>	1,986	<b>57,799</b>
Net gain (loss) on foreign currency transactions	<b>6,757</b>	(3,675)	<b>71,845</b>
Cost of inactive facilities	<b>(2,797)</b>	(1,216)	<b>(29,740)</b>
Gain on step acquisitions	<b>1,538</b>	—	<b>16,353</b>
Gain on sale of investment securities	—	9,837	—
Gain on sale of property, plant and equipment	—	1,442	—
Impairment loss (Note 12)	<b>(22,875)</b>	(3,595)	<b>(243,222)</b>
Restructuring charges (Note 15)	<b>(10,777)</b>	(6,354)	<b>(114,588)</b>
Loss on valuation of investment securities	<b>(4,706)</b>	—	<b>(50,037)</b>
Loss on litigation	<b>(1,090)</b>	—	<b>(11,590)</b>
Loss of equity method investments (Note 14)	—	(26,005)	—
Environmental expenses	—	(2,093)	—
Other, net	<b>1,236</b>	(2,326)	<b>13,143</b>
Income before income taxes and minority interests	<b>12,342</b>	23,946	<b>131,228</b>
<b>Income taxes (Note 16):</b>			
Current	<b>17,734</b>	27,814	<b>188,559</b>
Deferred	<b>35,012</b>	(19,515)	<b>372,270</b>
	<b>52,746</b>	8,299	<b>560,829</b>
(Loss) income before minority interests	<b>(40,404)</b>	15,647	<b>(429,601)</b>
<b>Minority interests</b>	<b>10,672</b>	10,060	<b>113,472</b>
<b>Net (loss) income</b>	<b>¥ (51,076)</b>	¥ 5,587	<b>\$ (543,073)</b>

	Yen		US dollars (Note 1)
	2013	2012	2013
<b>Net (loss) income per share (Note 23)</b>	<b>¥(31.25)</b>	¥3.42	<b>\$(0.332)</b>
<b>Diluted net income per share (Note 23)</b>	—	—	—

Diluted net income per share in 2013 is not disclosed because of a net loss.

Diluted net income per share in 2012 is not disclosed because there are no shares that are diluted.

	Yen		US dollars (Note 1)
	2013	2012	2013
<b>Cash dividends per share (applicable to the year)</b>	<b>¥6.00</b>	¥9.00	<b>\$0.064</b>

See accompanying notes.

# Consolidated Statements of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
<b>(Loss) income before minority interests</b>	<b>¥(40,404)</b>	¥ 15,647	<b>\$(429,601)</b>
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	<b>9,470</b>	117	<b>100,691</b>
Deferred gains on hedges	<b>194</b>	730	<b>2,063</b>
Foreign currency translation adjustment	<b>58,558</b>	(20,929)	<b>622,626</b>
Share of other comprehensive income of associates accounted for using equity method	<b>21,921</b>	(6,041)	<b>233,078</b>
Total other comprehensive income (Note 20)	<b>90,143</b>	(26,123)	<b>958,458</b>
<b>Comprehensive income</b>	<b>¥ 49,739</b>	¥(10,476)	<b>\$ 528,857</b>
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	<b>¥ 23,166</b>	¥(16,374)	<b>\$ 246,316</b>
Comprehensive income attributable to minority interests	<b>26,573</b>	5,898	<b>282,541</b>

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen										
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available- for-sale securities	Deferred gains (losses) on hedges	Land revaluation reserve	Foreign currency translation adjustment	Minority interests	Total net assets
<b>Balance at April 1, 2011</b>	1,655,446	¥89,699	¥23,695	¥499,287	¥(8,747)	¥49,918	¥ (42)	¥3,815	¥(135,152)	¥236,413	¥758,886
Net income				5,587							5,587
Cash dividends at ¥12.00 per share				(19,628)							(19,628)
Decrease due to changes in scope of consolidation and equity method				(64)							(64)
Loss on sale of treasury stock				(1)							(1)
Net increase in treasury stock					(17)						(17)
Decrease due to change in fiscal period of consolidated subsidiaries				(154)							(154)
Other						(996)	726	315	(22,006)	(1,747)	(23,708)
<b>Balance at April 1, 2012</b>	1,655,446	¥89,699	¥23,695	¥485,027	¥(8,764)	¥48,922	¥684	¥4,130	¥(157,158)	¥234,666	¥720,901
Net loss				(51,076)							(51,076)
Cash dividends at ¥9.00 per share				(14,720)							(14,720)
Loss on sale of treasury stock				(3)							(3)
Net increase in treasury stock					(9)						(9)
Increase due to change in fiscal period of consolidated subsidiaries				665							665
Other						11,228	45		64,135	16,316	91,724
<b>Balance at March 31, 2013</b>	<b>1,655,446</b>	<b>¥89,699</b>	<b>¥23,695</b>	<b>¥419,893</b>	<b>¥(8,773)</b>	<b>¥60,150</b>	<b>¥729</b>	<b>¥4,130</b>	<b>¥(93,023)</b>	<b>¥250,982</b>	<b>¥747,482</b>

	Thousands of US dollars (Note 1)										
<b>Balance at April 1, 2012</b>	\$953,737	\$251,940	\$5,157,119	\$(93,184)	\$520,170	\$7,273	\$43,913	\$(1,671,005)	\$2,495,120	\$7,665,083	
Net loss			(543,073)							(543,073)	
Cash dividends at ¥9.00 (US\$0.10) per share			(156,512)							(156,512)	
Loss on sale of treasury stock			(32)							(32)	
Net increase in treasury stock				(96)						(96)	
Increase due to change in fiscal period of consolidated subsidiaries			7,071							7,071	
Other					119,383	478		681,925	173,482	975,268	
<b>Balance at March 31, 2013</b>	<b>\$953,737</b>	<b>\$251,940</b>	<b>\$4,464,573</b>	<b>\$(93,280)</b>	<b>\$639,553</b>	<b>\$7,751</b>	<b>\$43,913</b>	<b>\$ (989,080)</b>	<b>\$2,668,602</b>	<b>\$7,947,709</b>	

See accompanying notes.

# Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 12,342	¥ 23,946	\$ 131,228
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—			
Depreciation and amortization	108,857	107,348	1,157,438
Amortization of goodwill	6,626	7,542	70,452
Impairment loss	22,875	3,595	243,222
Equity in (earnings) losses of affiliates	(1,225)	30,444	(13,025)
Increase of provision for retirement benefits and others	2,927	1,975	31,122
Interest and dividend income	(7,556)	(7,654)	(80,340)
Interest expenses	12,952	12,397	137,714
Gain on sale of investment securities	—	(9,837)	—
Loss on valuation of investment securities	4,706	—	50,037
Restructuring charges	9,075	3,537	96,491
Gain on sale of property, plant and equipment	—	(1,442)	—
Decrease (increase) in notes and accounts receivable	41,722	(7,810)	443,615
Increase in inventories	(6,309)	(30,616)	(67,081)
Increase in notes and accounts payable	2,073	8,595	22,041
Other, net	(8,845)	19,157	(94,046)
Subtotal	200,220	161,177	2,128,868
Interest and dividends received	6,773	7,066	72,015
Interest paid	(13,012)	(12,237)	(138,352)
Income taxes paid	(22,386)	(31,515)	(238,023)
Net cash provided by operating activities	171,595	124,491	1,824,508
<b>Cash flows from investing activities:</b>			
Acquisition of securities	(46,576)	(38,873)	(495,226)
Proceeds from sale and redemption of securities	44,750	45,471	475,811
Acquisition of investment securities	(9,344)	(7,942)	(99,351)
Proceeds from sale and redemption of investment securities	3,008	12,115	31,983
Acquisition of property, plant and equipment	(121,810)	(136,580)	(1,295,162)
Proceeds from sale of property, plant and equipment	1,284	3,043	13,652
Acquisition of shares of newly consolidated subsidiaries	(30,890)	—	(328,442)
Proceeds from sales of subsidiaries' shares resulting in changes in consolidation	—	287	—
Other, net	(6,194)	(1,496)	(65,859)
Net cash used in investing activities	(165,772)	(123,975)	(1,762,594)
<b>Cash flows from financing activities:</b>			
Decrease in short-term debt	(18,379)	(17,107)	(195,417)
Proceeds from long-term debt	146,732	136,530	1,560,149
Repayments of long-term debt	(141,666)	(93,212)	(1,506,284)
Repayments of finance lease obligations	(1,124)	(1,118)	(11,952)
Purchase of treasury stock	(12)	(17)	(128)
Cash dividends paid	(14,720)	(19,628)	(156,512)
Cash dividends paid to minority shareholders	(7,364)	(8,448)	(78,299)
Capital contributions from minority shareholders	524	5,054	5,572
Net cash (used in) provided by financing activities	(36,009)	2,054	(382,871)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	8,926	(2,969)	94,907
<b>Net change in cash and cash equivalents</b>	(21,260)	(399)	(226,050)
<b>Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries</b>	1,158	(71)	12,312
<b>Decrease in cash and cash equivalents resulting from changes in scope of consolidation</b>	—	(4,088)	—
<b>Cash and cash equivalents at beginning of year</b>	147,051	151,609	1,563,541
<b>Cash and cash equivalents at end of year (Note 21)</b>	¥126,949	¥147,051	\$ 1,349,803

See accompanying notes.

# Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2013 and 2012

## 1. Basis of Financial Statements

(a) The accompanying consolidated financial statements of Sumitomo Chemical Company, Limited ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of foreign consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards or US generally accepted accounting principles with necessary adjustments for consolidated financial reporting.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in these accompanying consolidated financial statements.

Certain reclassifications have been made in the previous consolidated financial statements to conform to the current presentation.

(b) The translations of Japanese yen amounts into US dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to US\$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into US dollars at this or any other rate of exchange.

(c) In these notes, the "Companies" means the Company and its consolidated subsidiaries.

## 2. Significant Accounting Policies

### (a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has control through majority of voting rights or certain other conditions evidencing control by the Company.

The consolidated financial statements include the accounts of the Company and 162 and 145 significant subsidiaries for the years ended March 31, 2013 and 2012, respectively. Investments in non-consolidated subsidiaries and affiliates (generally 20%-50% ownership) over which the Company has the ability to exercise significant influence on operating and financial policies are accounted for by the equity method. The equity method is

applied to 32 and 36 significant affiliates for the years ended March 31, 2013 and 2012, respectively. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. All significant inter-company transactions and accounts have been eliminated. Some subsidiaries and affiliates are consolidated with year-ends that differ from that of the Company. However, necessary adjustments have been made if the effect of the differences is material.

### (b) Foreign currency translation

Foreign currency monetary assets and liabilities are translated into Japanese yen at the current rate at the end of the year, and the resulting translation gains or losses are included in earnings.

The items of financial statements of foreign subsidiaries and affiliates are translated into Japanese yen at the current rate at the end of the year for all assets and liabilities, and at the average rate during the fiscal year for revenues and expenses.

### (c) Securities

The Companies have no trading securities.

Held-to-maturity debt securities are stated at amortized cost.

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities whose fair value is readily determinable are stated at fair value as of the end of the year with unrealized gains and losses, net of applicable deferred tax assets/liabilities and minority interests, not reflected in earnings but directly reported as a separate component of net assets. Realized gains and losses on sales of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

### (d) Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative instruments are used for hedging purposes. If the derivative financial instruments meet certain hedging criteria, the Companies defer gains and losses resulting from changes in fair value of the derivative financial instruments until the hedged transactions occur. When a foreign exchange forward contract or foreign currency swap contract meets certain conditions, the hedged item is stated by the forward exchange contract rate. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the interest rate swap contracts were executed.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments	Items hedged
Forward foreign exchange contracts	Foreign currency receivables and payables
Currency swap contracts	Foreign currency bonds and loans
Interest rate swap contracts	Interest on bonds and loans
Commodity forward contracts	Sales and purchase of aluminum

#### (e) Inventories

Inventories of the Company and consolidated domestic subsidiaries are stated mainly at cost determined by the weighted average method with book value written down to the lower profitability.

Inventories of certain consolidated subsidiaries are stated at the lower of cost (on the First-in, First-out method) or market.

#### (f) Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated by the straight-line method over estimated useful lives. Useful lives are based on Japanese tax laws.

**Change in accounting policies based on other justified reasons than revision of accounting standards or amendment of respective law or regulation that are not distinguishable from change in accounting estimates**

(i) From the fiscal year ended March 31, 2013, certain consolidated subsidiaries changed their depreciation method of property, plant and equipment from the declining-balance method to the straight-line method. As overseas revenue is predicted to rise, this change is being made to standardize the depreciation method with that being used by overseas consolidated subsidiaries, which are expected to be important.

As a result of this change, operating income and income before income taxes and minority interests increased by ¥1,540 million (US\$16,374 thousand) for the year ended March 31, 2013 from the corresponding amounts which would have been recorded under the previous depreciation method.

(ii) From the fiscal year ended March 31, 2012, the Company and certain consolidated subsidiaries changed their depreciation method of property, plant and equipment from the declining-balance method to the straight-line method.

Of major investments in the domestic manufacturing facilities determined based on the Companies' earlier mid-term management plan that started in 2007 and ended in 2009, operations had started by the end of the fiscal year ended March 31, 2011, and stable operation and revenues are anticipated in the future with these investments. In addition, overseas consolidated subsidiaries mainly use the straight-line method. Considering the situations, the Company determined that the straight-line method better reflects the economic reality of property, plant and equipment usage of the Company.

As a result of this change, operating income increased by ¥19,182 million and income before income taxes and minority interests increased by ¥19,807 million for the year ended March 31, 2012 from the corresponding amounts which would have been recorded under the previous depreciation method.

#### (g) Intangible assets

Goodwill is amortized on the straight-line method within 20 years with the exception of minor amounts which are charged to income in the year of acquisition. Patents, software and other intangible assets are amortized on the straight-line method over the estimated useful lives.

#### (h) Lease assets

Lease assets under finance lease arrangements which do not transfer the ownership of the leased property to the lessee are capitalized and depreciated to a residual value of zero by the straight-line method using lease period as the useful life.

Finance leases which commenced prior to March 31, 2008 and do not transfer the ownership to the lessee were accounted for as operating leases.

#### (i) Research and development

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses were ¥125,012 million (US\$1,329,208 thousand) and ¥122,266 million for the years ended March 31, 2013 and 2012, respectively.

#### (j) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitant taxes and enterprise tax.

Deferred taxes are accounted for using the asset and liability method under which deferred tax assets and liabilities are recognized for loss carry forwards and the future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities using enacted tax rates.

#### Application of the consolidated taxation system

(i) From the fiscal year ended March 31, 2013, the Company and certain consolidated subsidiaries apply the consolidated taxation system.

(ii) The Company and certain consolidated subsidiaries have been approved by the Commissioner of the National Tax Agency regarding the application of the consolidated taxation system from the year ended March 31, 2013. Therefore, from the fiscal year ended March 31, 2012, the Company implemented accounting treatment based on the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No.5, issued on March 18, 2011) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ Practical Issues

Task Force No.7, issued on June 30, 2010) under the assumption that they would apply the consolidated taxation system.

#### **(k) Retirement benefits**

##### **(i) Employees:**

The company and certain consolidated subsidiaries have established the following defined pension plans: a lump-sum benefit plan; a defined benefit corporate pension plan; and, a defined contribution pension plan. The defined benefit pension plans of the Company and certain consolidated subsidiaries thereof are funded through outside trusts and cover all eligible employees.

The Company and certain consolidated subsidiaries provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligations and the fair value of the pension assets.

The unrecognized actuarial differences on pension assets are amortized mainly over three years commencing the year following the current fiscal year.

Other unrecognized actuarial differences are amortized in the current fiscal year mainly over three years.

##### **Supplementary Information**

Effective from April 1, 2013, the Company has transferred a portion of its lump-sum retirement benefit plan to a defined contribution plan.

In accordance with the transfer, prior service costs (reduction of liability) are recognized, amortized over 3 years, and recorded as operating expenses starting from the revision date.

The Company adopted "Accounting Treatment Concerning Transfer between Retirement Benefit Plans, etc." (Corporate Accounting Standard Application Guideline No.1) for implementing these accounting treatments.

##### **(ii) Directors and corporate auditors:**

The liability for directors' and corporate auditors' retirement benefits of certain subsidiaries is provided based on the Companies' standards and ¥641 million (US\$6,816 thousand) and ¥663 million were included in the other long-term liabilities at March 31, 2013 and 2012, respectively.

#### **(l) Allowance for doubtful accounts**

Allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. Allowance for doubtful accounts consists of the estimated uncollectible amounts with respect to specific items, and the amount calculated using the actual percentage of collection losses in the past with respect to other items.

#### **(m) Reserve for bonuses**

To provide for payments for bonuses subsequent to the consolidated year-end date, reserves for bonuses were recorded based on the amounts expected to be paid. ¥23,721 million (US\$252,217 thousand) and ¥23,096 million were included in the other current liabilities at March 31, 2013 and 2012, respectively.

#### **(n) Reserve for periodic repairs**

The Company and several consolidated subsidiaries provide for the costs of periodic repairs of production facilities at plants. In the consolidated balance sheets ¥7,991 million (US\$84,965 thousand) and ¥5,812 million were included in "other current liabilities" and "other long-term liabilities" at March 31, 2013 and 2012, respectively.

#### **(o) Reserve for sales rebates**

The reserve for sales rebates mainly related to public programs and contracts with wholesalers is provided based on the amounts expected to be paid subsequent to the consolidated year-end date. ¥19,153 million (US\$203,647 thousand) and ¥18,528 million were included in the other current liabilities at March 31, 2013 and 2012, respectively.

#### **(p) Net income per share**

Computation of net income per share of common stock shown in the consolidated statements of operations is based on the weighted average number of shares of common stock outstanding during the period and net income available to common shareholders. The computation of dilutive net income per share of common stock is based on the weighted average number of shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the translation of outstanding share subscription rights at the beginning of the period. Related interest expenses, net of income taxes, have been eliminated for the purposes of this calculation.

#### **(q) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, readily available deposits and short-term investments, which are easily convertible into cash and present insignificant risk of changes in value, with original maturities of three months or less.

### **3. Accounting Standards Not Yet Applied**

• **Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)**

• **Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)**

(Please also refer to the ASBJ homepage, which has a summary in English of the accounting standard.)

#### **(a) Summary**

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining method of attributing expected benefit to periods, the Standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.

**(b) Effective dates**

Effective for the end of annual periods ending on or after March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

**(c) Effect of application of the standard**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

**4. Supplementary Information****Accounting standard for accounting changes and error corrections and its implementation guidance**

Effective from the fiscal year ended March 31, 2012, the Company and consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year begun on April 1, 2011.

**5. Financial Instruments****(a) Status of financial instruments**

The Companies procure funds that are required in light of investment plans and other determining factors through bank loans and corporate bonds issuance in order to carry out business inside and outside Japan, and procure short-term working funds through bank loans and commercial paper issuance.

Temporary surplus funds are to be utilized only for highly safe financial instruments with fixed yields and low probabilities of losses of principal.

Trade notes and accounts receivable are exposed to the credit risks in relation to customers, and in order to reduce such risks, the Company regularly monitors the business condition, the sales turnover, and the balance of receivables of all business counterparties by business sections of each business segment, reviews the dealing policies according to the company regulation for credit management, and aims at the grasp of customers' credit risks due to deterioration of the financial condition, etc. at the early stage and the reduction of the credit risks. Besides, the Company hedges the exchange rate risks of trade notes and accounts receivable denominated in foreign currencies arisen primarily from exporting by utilizing forward foreign exchange contracts within a certain extent in accordance with the company regulation for management of foreign currency risk.

For securities and investment securities which are mainly shares, the Companies regularly review the fair values or financial positions of the invested companies and revise the portfolio considering the relationship with them.

Among debts, short-term loans payable and commercial paper are primarily for short-term working capital. Long-term loans payable and corporate bonds are primarily for funding related to capital investment & financing and long-term working capital. Long-term loans payable with floating interest rates are exposed to the rising interest rate risks, which are hedged by interest rate swap contracts used within a certain extent.

The Companies enter into currency swap contracts to hedge exchange rate risk associated with loans denominated in foreign currencies, and commodity forward contracts to manage exposure to fluctuations in the market price of aluminum, in addition to forward foreign exchange contracts and interest rate swap contracts as stated above.

The Companies utilize derivative transactions only for risk hedging purposes and limit the amount to actual demand. The Company and certain consolidated subsidiaries establish the company regulation which stipulates the utilization purpose, policy, authorization and procedures of the derivative transactions and manage the risk arisen from the derivative transactions. Also, the Companies assess effectiveness of the hedge transactions by verifying the hedged items and the corresponding derivatives.

Fair values of financial instruments include the values based on market prices, and the values deemed as market prices obtained by the reasonable estimate when the financial instruments do not have market prices. Since certain assumptions and others are adopted for calculating such values, they may differ when adopting different assumptions and others.

**(b) Fair values of financial instruments**

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2013 were as follows. Certain financial instruments were excluded from the following table as the fair values were not available (see Note 2 below).

	Millions of yen		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 126,949	¥ 126,949	¥ —
Short-term investments	6,816	6,816	—
Trade notes and accounts receivable	404,340	404,340	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	159,776	209,199	49,423
Available-for-sale securities	180,229	180,229	—
Long-term loans <sup>*1</sup>	58,556	58,556	—
Assets total	¥ 936,666	¥ 986,089	¥ 49,423
Short-term debt	237,786	237,786	—
Trade notes and accounts payable	256,136	256,136	—
Long-term debt <sup>*1</sup>	822,781	842,332	19,551
Liabilities total	¥ 1,316,703	¥ 1,336,254	¥ 19,551
Derivative transactions <sup>*2</sup>	¥ 1,016	¥ (494)	¥ (1,510)

	Thousands of US dollars		
	Book value	Fair value	Difference
Cash and cash equivalents	\$ 1,349,803	\$ 1,349,803	\$ —
Short-term investments	72,472	72,472	—
Trade notes and accounts receivable	4,299,203	4,299,203	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	1,698,841	2,224,339	525,498
Available-for-sale securities	1,916,310	1,916,310	—
Long-term loans <sup>*1</sup>	622,605	622,605	—
Assets total	\$ 9,959,234	\$ 10,484,732	\$ 525,498
Short-term debt	2,528,293	2,528,293	—
Trade notes and accounts payable	2,723,402	2,723,402	—
Long-term debt <sup>*1</sup>	8,748,336	8,956,216	207,880
Liabilities total	\$ 14,000,031	\$ 14,207,911	\$ 207,880
Derivative transactions <sup>*2</sup>	\$ 10,803	\$ (5,253)	\$ (16,056)

\*1: Long-term loans and long-term debt include those due within one year.

\*2: Net receivables/payables arising from derivative transactions are shown and items that are net payables are shown in parentheses.

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2012 were as follows. Certain financial instruments were excluded from the following table as the fair values were not available (see Note 2 below).

	Millions of yen		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 147,051	¥ 147,051	¥ —
Short-term investments	776	776	—
Trade notes and accounts receivable	410,906	410,906	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	137,946	257,989	120,043
Available-for-sale securities	162,203	162,203	—
Long-term loans <sup>*1</sup>	51,183	51,183	—
Assets total	¥ 910,065	¥1,030,108	¥120,043
Short-term debt	239,533	239,533	—
Trade notes and accounts payable	227,770	227,770	—
Long-term debt <sup>*1</sup>	813,434	830,947	17,513
Liabilities total	¥1,280,737	¥1,298,250	¥ 17,513
Derivative transactions <sup>*2</sup>	¥ 1,114	¥ 124	¥ (990)

\*1: Long-term loans and long-term debt include those due within one year.

\*2: Net receivables/payables arising from derivative transactions are shown and items that are net payables are shown in parentheses.

(Note 1): Fair values of financial instruments, and matters pertaining to securities and derivative transactions

#### Assets

##### *Cash and cash equivalents, Short-term investments and Trade notes and accounts receivable*

The book values approximate the fair values because of short-term maturities of these instruments.

##### *Securities and investment securities*

The market prices and quoted prices were used for shares and bonds except certain short-term deposits, which were recorded at book value.

See the notes on "7. Securities."

##### *Long-term loans*

The discounted cash flow method was used to estimate fair values, with discount rates calculated as the total of the appropriate base-line rate and the credit risk spread.

#### Liabilities

##### *Short-term debt, Trade notes and accounts payable*

The book values approximate the fair values because of short-term settlement of these instruments.

##### *Long-term debt*

The discounted cash flow method was used to estimate fair values of bank loans, with discount rates based on the marginal borrowing rates. Market prices were used for corporate bonds.

##### *Derivative transactions*

See the notes on "11. Derivative Transactions and Hedge Accounting."

(Note 2): The financial instruments excluded from the table as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Unlisted equity securities	<b>¥68,636</b>	¥72,983	<b>\$729,782</b>
Preferred securities	<b>12,346</b>	12,346	<b>131,271</b>
Other	<b>2,809</b>	1,873	<b>29,867</b>

These instruments were not included in securities and investment securities as the fair values were not available.

(Note 3): Financial assets subject to redemption at maturities subsequent to March 31, 2013 were as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within 10 years	Over 10 years
Cash and cash equivalents	<b>¥ 96,620</b>	¥ —	¥ —	¥ —
Short-term investments	<b>6,816</b>	—	—	—
Trade notes and accounts receivable	<b>403,632</b>	<b>708</b>	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	<b>16,648</b>	—	—	—
Bonds	<b>10,983</b>	—	—	—
Other bonds	—	—	—	<b>42</b>
Long-term loans*	<b>72</b>	<b>973</b>	<b>81</b>	<b>59</b>
Total	<b>¥534,771</b>	<b>¥1,681</b>	<b>¥81</b>	<b>¥101</b>

	Thousands of US dollars			
	Within one year	Over one year but within five years	Over five years but within 10 years	Over 10 years
Cash and cash equivalents	<b>\$1,027,326</b>	\$ —	\$ —	\$ —
Short-term investments	<b>72,472</b>	—	—	—
Trade notes and accounts receivable	<b>4,291,675</b>	<b>7,528</b>	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	<b>177,012</b>	—	—	—
Bonds	<b>116,778</b>	—	—	—
Other bonds	—	—	—	<b>447</b>
Long-term loans*	<b>766</b>	<b>10,345</b>	<b>861</b>	<b>627</b>
Total	<b>\$5,686,029</b>	<b>\$17,873</b>	<b>\$861</b>	<b>\$1,074</b>

\*A long-term loan of ¥57,371 million (US\$610,000 thousand) to Rabigh Refining and Petrochemical Company (an affiliated company of the Company) was a subordinated loan subject to the terms and conditions stipulated in the project finance agreement concerning "The Rabigh Phase I Project." The loan was not included in the above schedule, because the future cash flows of the said company were uncertain and the repayment schedule could not be determined at the consolidated year-end date.

Financial assets subject to redemption at maturities subsequent to March 31, 2012 were as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within 10 years	Over 10 years
Cash and cash equivalents	¥113,725	¥ —	¥—	¥ —
Short-term investments	776	—	—	—
Trade notes and accounts receivable	410,025	881	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	2,721	—	—	—
Bonds	17,171	81	—	—
Other bonds	—	—	—	40
Other	3,100	—	—	—
Long-term loans*	71	807	81	88
<b>Total</b>	<b>¥547,589</b>	<b>¥1,769</b>	<b>¥81</b>	<b>¥128</b>

\*A long-term loan of ¥50,136 million to Rabigh Refining and Petrochemical Company (an affiliated company of the Company) was a subordinated loan subject to the terms and conditions stipulated in the project finance agreement concerning "The Rabigh Phase I Project." The loan was not included in the above schedule, because the future cash flows of the said company were uncertain and the repayment schedule could not be determined at the consolidated year-end date.

(Note 4): See the notes on "9. Short-term Debt and Long-term Debt" for the aggregate annual maturities of long-term debt after the consolidated year-end date.

## 6. Inventories

Inventories as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Merchandise and finished goods	<b>¥300,520</b>	¥287,088	<b>\$3,195,322</b>
Work in process	<b>15,093</b>	12,864	<b>160,478</b>
Raw materials and supplies	<b>94,856</b>	82,440	<b>1,008,570</b>
<b>Total</b>	<b>¥410,469</b>	<b>¥382,392</b>	<b>\$4,364,370</b>

## 7. Securities

Securities with available fair values included in securities and investment securities as of March 31, 2013 were as follows:

### Available-for-sale securities

#### (a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	<b>¥147,079</b>	<b>¥40,403</b>	<b>¥106,676</b>
Other securities	<b>14,805</b>	<b>14,787</b>	<b>18</b>
<b>Total</b>	<b>¥161,884</b>	<b>¥55,190</b>	<b>¥106,694</b>

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	<b>\$1,563,839</b>	<b>\$429,591</b>	<b>\$1,134,248</b>
Other securities	<b>157,416</b>	<b>157,225</b>	<b>191</b>
<b>Total</b>	<b>\$1,721,255</b>	<b>\$586,816</b>	<b>\$1,134,439</b>

(b) Securities with book values not exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 5,477	¥ 6,759	¥(1,282)
Other securities	12,868	12,888	(20)
Total	¥18,345	¥19,647	¥(1,302)

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	\$ 58,235	\$ 71,866	\$(13,631)
Other securities	136,821	137,034	(213)
Total	\$195,056	\$208,900	\$(13,844)

Total sales of available-for-sale securities

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	¥ 2,176	¥1,263	¥—
Other securities	40,417	5	—
Total	¥42,593	¥1,268	¥—

	Thousands of US dollars		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	\$ 23,137	\$13,429	\$—
Other securities	429,739	53	—
Total	\$452,876	\$13,482	\$—

The Companies recognized a loss of ¥4,706 million (US\$50,037 thousand) on securities for the year ended March 31, 2013.

Securities with available fair values included in securities and investment securities as of March 31, 2012 were as follows:

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥127,973	¥35,590	¥92,382
Other securities	5,118	5,100	18
Total	¥133,091	¥40,690	¥92,401

(b) Securities with book values not exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥10,634	¥12,161	¥(1,527)
Other securities	14,895	15,059	(164)
Other	3,583	3,600	(17)
Total	¥29,112	¥30,820	¥(1,708)

Total sales of available-for-sale securities

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	¥11,498	¥9,835	¥(1)
Other securities	39,811	118	—
Total	¥51,308	¥9,953	¥(1)

The Companies recognized a loss of ¥895 million on securities for the year ended March 31, 2012.

## 8. Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the consolidated balance sheet as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Investment securities	<b>¥216,805</b>	¥195,709	<b>\$2,305,210</b>
Other non-current assets	<b>2,349</b>	2,060	<b>24,976</b>
Total	<b>¥219,154</b>	¥197,769	<b>\$2,330,186</b>

## 9. Short-term Debt and Long-term Debt

Interest rates on short-term bank loans ranged from 0.26% to 9.65% and from 0.28% to 12.00% as of March 31, 2013 and 2012, respectively.

Short-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Bank loans	<b>¥125,786</b>	¥119,533	<b>\$1,337,437</b>
Commercial paper	<b>112,000</b>	120,000	<b>1,190,856</b>
Total	<b>¥237,786</b>	¥239,533	<b>\$2,528,293</b>

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen	Thousands of US dollars
	2013	2013
0.53%–2.14% debentures due through 2021	<b>¥ 397,000</b>	<b>\$ 4,221,159</b>
0.30%–8.02% long-term bank loans payable due through 2025	<b>425,781</b>	<b>4,527,177</b>
Subtotal	<b>822,781</b>	<b>8,748,336</b>
Less amounts due within one year	<b>(115,605)</b>	<b>(1,229,187)</b>
Total	<b>¥ 707,176</b>	<b>\$ 7,519,149</b>

	Millions of yen
	2012
0.53%–2.14% debentures due through 2021	¥ 397,000
0.30%–8.46% long-term bank loans payable due through 2025	416,434
Subtotal	813,434
Less amounts due within one year	(130,693)
Total	¥ 682,741

Long-term debt with maturities subsequent to March 31, 2013 and 2012 were as follows:

	Millions of yen	Thousands of US dollars
	2013	2013
2014	<b>¥115,605</b>	<b>\$1,229,187</b>
2015	<b>126,147</b>	<b>1,341,276</b>
2016	<b>124,281</b>	<b>1,321,435</b>
2017	<b>92,020</b>	<b>978,416</b>
2018	<b>90,668</b>	<b>964,040</b>
2019 and thereafter	<b>274,060</b>	<b>2,913,982</b>
Total	<b>¥822,781</b>	<b>\$8,748,336</b>

	Millions of yen
	2012
2013	¥130,693
2014	117,142
2015	124,212
2016	103,271
2017	93,657
2018 and thereafter	244,459
Total	¥813,434

As of March 31, 2013 and 2012, assets pledged as collateral for short-term debt, long-term debt and others were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Investment securities	¥67,898	¥57,847	\$721,936
Property, plant and equipment, net of accumulated depreciation	24,087	27,264	256,108
Trade notes and accounts receivable	312	—	3,317
Cash and cash equivalents	281	—	2,988
Total	¥92,578	¥85,111	\$984,349
Liabilities secured thereby	¥14,489	¥18,117	\$154,056

\*¥67,850 million (US\$721,425 thousand) and ¥57,669 million of investment securities pledged as collateral for affiliates' debt amounted to ¥239,120 million (US\$2,542,477 thousand) and ¥226,713 million are subjected to real guarantee as of March 31, 2013 and 2012, respectively.

## 10. Leases

Finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Machinery and equipment	¥ 74	¥ 650	\$ 786
Less accumulated depreciation and amortization	(67)	(583)	(712)
Total	¥ 7	¥ 67	\$ 74

Assumed depreciation charges of ¥56 million (US\$595 thousand) and ¥191 million for the years ended March 31, 2013 and 2012, respectively, are computed by the straight-line method over the lease terms assuming no residual value.

Lease payments in the years ended March 31, 2013 and 2012 were ¥58 million (US\$617 thousand) and ¥201 million, respectively.

Obligations under non-capitalized finance leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Due within one year	¥7	¥57	\$74
Due after one year	1	12	11
Total	¥8	¥69	\$85

Obligations under operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Due within one year	¥ 2,600	¥ 2,203	\$ 27,645
Due after one year	22,610	16,982	240,404
Total	¥25,210	¥19,185	\$268,049

## 11. Derivative Transactions and Hedge Accounting

The contract amounts and fair values of derivative transactions as of March 31, 2013 were as follows:

### Hedge accounting applied

#### (a) Currency-related derivative transactions

Main items hedged by foreign exchange forward contracts and currency swap contracts are trade accounts receivable and payable and loans payable, respectively.

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥ 1,254	¥—	¥ 0
EUR	962	—	(24)
Other	178	—	4
Buy contracts			
USD	5,625	—	6
NZD	2,759	—	25
Other	8,097	—	(502)
Currency swap contract			
Pay USD, receive JPY	1,164	—	0
Total	¥20,039	¥—	¥(491)

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	\$ 13,333	\$—	\$ 0
EUR	10,229	—	(255)
Other	1,893	—	42
Buy contracts			
USD	59,809	—	64
NZD	29,335	—	266
Other	86,093	—	(5,338)
Currency swap contract			
Pay USD, receive JPY	12,376	—	0
Total	\$213,068	\$—	\$(5,221)

The following foreign exchange forward contracts meet certain conditions and their corresponding hedged items are stated by the forward exchange contract rates. Main items hedged are trade accounts receivable and payable, and their fair values are included in those of their hedged items in the notes of "5. Financial Instruments."

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	<b>¥25,007</b>	<b>¥—</b>	<b>¥—</b>
EUR	<b>782</b>	<b>—</b>	<b>—</b>
Buy contracts			
USD	<b>9,651</b>	<b>—</b>	<b>—</b>
Other	<b>138</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>¥35,578</b>	<b>¥—</b>	<b>¥—</b>

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	<b>\$265,890</b>	<b>\$—</b>	<b>\$—</b>
EUR	<b>8,315</b>	<b>—</b>	<b>—</b>
Buy contracts			
USD	<b>102,616</b>	<b>—</b>	<b>—</b>
Other	<b>1,467</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$378,288</b>	<b>\$—</b>	<b>\$—</b>

**(b) Interest-related derivative transactions**

Main items hedged by interest rate swap contracts are loans payable.

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	<b>¥606</b>	<b>¥61</b>	<b>¥(54)</b>

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	<b>\$6,443</b>	<b>\$649</b>	<b>\$(574)</b>

The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are loans payable.

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	<b>¥65,144</b>	<b>¥64,144</b>	<b>¥(1,510)</b>

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	<b>\$692,653</b>	<b>\$682,020</b>	<b>\$(16,055)</b>

### (c) Commodity-related derivative transactions

Main items hedged are trade accounts receivable and payable arising from sales and purchase transactions of aluminum.

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	<b>¥ 7,095</b>	<b>¥1,745</b>	<b>¥1,424</b>
Buy contracts			
Metals	<b>6,722</b>	<b>727</b>	<b>137</b>
Total	<b>¥13,817</b>	<b>¥2,472</b>	<b>¥1,561</b>

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	<b>\$ 75,438</b>	<b>\$18,554</b>	<b>\$15,141</b>
Buy contracts			
Metals	<b>71,473</b>	<b>7,730</b>	<b>1,457</b>
Total	<b>\$146,911</b>	<b>\$26,284</b>	<b>\$16,598</b>

The contract amounts and fair values of derivative transactions as of March 31, 2012 were as follows:

#### Hedge accounting applied

### (a) Currency-related derivative transactions

Main items hedged by foreign exchange forward contracts and currency swap contracts are trade accounts receivable and payable and loans payable, respectively.

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥ 6,923	¥—	¥(13)
EUR	562	—	(21)
Other	152	—	2
Buy contracts			
NZD	2,119	—	12
USD	220	—	(4)
Other	10,610	—	(6)
Currency swap contract			
Pay USD, receive JPY	1,058	—	1
Total	<b>¥21,644</b>	<b>¥—</b>	<b>¥(29)</b>

The following foreign exchange forward contracts meet certain conditions and their corresponding hedged items are stated by the forward exchange contract rates. Main items hedged are trade accounts receivable and payable, and their fair values are included in those of their hedged items in the notes of "5. Financial Instruments."

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥21,851	¥—	¥—
EUR	2,583	—	—
Other	144	—	—
Buy contracts			
USD	5,848	—	—
Other	47	—	—
Total	¥30,473	¥—	¥—

#### (b) Interest-related derivative transactions

The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are loans payable.

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥62,593	¥42,495	¥(990)

#### (c) Commodity-related derivative transactions

Main items hedged are trade accounts receivable and payable arisen from sales and purchase transactions of aluminum.

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	¥12,607	¥4,053	¥1,544
Buy contracts			
Metals	7,840	1,184	(401)
Total	¥20,447	¥5,237	¥1,143

## 12. Impairment Loss

The Companies recognized impairment losses on fixed assets for the year ended March 31, 2013. Main assets for which impairment losses were recognized were as follows:

Location	Usage purpose	Type of assets	Millions of yen	Thousands of US dollars
			2013	2013
Oita, Japan	Resorcinol production facilities	Buildings, structures, machinery and equipment, etc.	¥6,621	\$70,399
Chiba, Japan	Ethylene production facilities, etc.	Buildings, structures, machinery and equipment, etc.	6,305	67,039
China	Polarizing film production facilities	Construction in progress, etc.	5,689	60,489
Poland	Polarizing film production facilities	Buildings, structures, machinery and equipment, etc.	3,165	33,652

The Companies group business assets based on business segments (of these assets, certain intangible assets are grouped individually based on each asset), and idle assets based on each asset.

The Company and certain consolidated subsidiaries recognized impairment losses on the production facilities of businesses with decreased profitability due to a serious deterioration in the business environment of the Oita Works, restructuring of the Petrochemical Business at the Chiba Works, the revision of the business plan of consolidated subsidiaries in China and the closure of business of a consolidated subsidiary in Poland. These were written down to the recoverable amounts. The recoverable amounts of these assets were measured at their net realizable value or their value in use. The net realizable value was based on the estimated sales value. The value in use was calculated by discounting future cash flows with discount rates of 4.3%–15.0%.

The Companies recognized impairment losses on fixed assets for the year ended March 31, 2012 as follows:

Location	Usage purpose	Type of assets	Millions of yen
			2012
U.S.	Exclusive rights with respect to pharmaceuticals	Patents	¥2,338
Chiba, Japan	Propylene oxide production facilities	Buildings, structures, machinery and equipment, etc.	1,257
Total			¥3,595

The Companies group business assets based on business segments (of these assets, certain intangible assets are grouped individually based on each asset), and idle assets based on each asset.

A certain consolidated subsidiary assessed patents, recoverability of which was deemed to be lacking in future profitability, and recognized a part of their unamortized balance as impairment losses. The recoverable amounts of these assets were measured at their value in use and the discount rate used for computation of the present value of future cash flows was 13.0%.

The Company recognized impairment losses on the production facilities of business with decreased profitability, writing them down to the recoverable amounts. The recoverable amounts of these assets were measured at their value in use and the discount rate used for computation of the present value of future cash flows was 4.7%.

### 13. Retirement Benefits

The liabilities for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Projected retirement benefit obligation	¥(273,442)	¥(267,055)	<b>\$(2,907,411)</b>
Plan assets	<b>285,249</b>	264,654	<b>3,032,951</b>
Unfunded retirement benefit obligation	<b>11,807</b>	(2,401)	<b>125,540</b>
Unrecognized actuarial differences	<b>(5,155)</b>	(2,266)	<b>(54,811)</b>
Unrecognized prior service cost	<b>(6,609)</b>	258	<b>(70,272)</b>
Net amount recognized	<b>43</b>	(4,409)	<b>457</b>
Prepaid pension expense	<b>30,847</b>	27,590	<b>327,985</b>
Provision for employees' retirement benefits	<b>¥ (30,804)</b>	¥ (31,999)	<b>\$ (327,528)</b>

The prepaid pension expense is included in other non-current assets.

Net periodic costs for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Service cost	<b>¥10,470</b>	¥ 9,978	<b>\$111,324</b>
Interest cost	<b>5,403</b>	5,387	<b>57,448</b>
Expected return on retirement benefit plan assets	<b>(5,449)</b>	(5,439)	<b>(57,937)</b>
Amortization of actuarial differences	<b>(2,097)</b>	3,660	<b>(22,297)</b>
Amortization of prior service cost	<b>(533)</b>	110	<b>(5,667)</b>
Net periodic cost	<b>¥ 7,794</b>	¥13,696	<b>\$ 82,871</b>
Other	<b>2,624</b>	2,220	<b>27,900</b>
Total	<b>¥10,418</b>	¥15,916	<b>\$110,771</b>

The assumptions and basis used for the calculation of retirement benefit obligation were mainly as follows:

	2013	2012
Discount rate	<b>1.6%</b>	2.1%
Expected return rate for plan assets	<b>2.1%</b>	2.1%
Amortization period for actuarial differences	<b>3 years</b>	3 years
Amortization period for prior service cost	<b>3 years</b>	3 years

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years.

#### 14. Loss of Equity Method Investments

The Company recognized a one-time amortization of goodwill of an affiliate due to a write-down of investment in the affiliate on a non-consolidated basis.

#### 15. Restructuring Charges

Restructuring charges for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Loss on disposal of property, plant and equipment	<b>¥ 5,218</b>	¥3,771	<b>\$ 55,481</b>
Expenses on improving the business structure and organization in subsidiaries	<b>4,762</b>	—	<b>50,633</b>
Loss on business restructuring	<b>797</b>	1,359	<b>8,474</b>
Restructuring expenses of a subsidiary's business operation	<b>—</b>	1,224	<b>—</b>
Total	<b>¥10,777</b>	¥6,354	<b>\$114,588</b>

## 16. Deferred Taxes

Main components of deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Tax loss carryforwards	¥ 65,096	¥ 56,269	\$ 692,142
Depreciation and amortization	21,484	17,824	228,432
Retirement benefits	16,219	16,573	172,451
Tax credit for research and development expenses	11,502	10,446	122,297
Impairment loss on fixed assets	9,820	5,779	104,413
Prepaid research and development expenses	8,877	11,285	94,386
Accrued bonuses	8,095	8,142	86,071
Inventories	6,966	6,631	74,067
Unrealized intercompany profit	2,860	4,518	30,409
Allowance for repairs	2,778	1,505	29,537
Other	30,751	33,016	326,965
Subtotal	184,448	171,988	1,961,170
(Valuation allowance)	(91,472)	(43,822)	(972,589)
Total deferred tax assets	92,976	128,166	988,581
Unrealized gains on investment securities	(36,578)	(31,252)	(388,921)
Valuation differences due to an application of purchase accounting method	(31,076)	(17,882)	(330,420)
Prepaid pension expenses	(10,888)	(9,744)	(115,768)
Gain on contribution of securities to retirement benefit trust	(2,959)	(2,958)	(31,462)
Deferred gain on property, plant and equipment	(1,169)	(1,282)	(12,430)
Other	(7,934)	(5,791)	(84,359)
Total deferred tax liabilities	(90,604)	(68,909)	(963,360)
Net deferred tax assets	¥ 2,372	¥ 59,257	\$ 25,221

Main items in the reconciliations of the normal income tax rate to the effective income tax rate for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Statutory income tax rate in Japan	38.0%	40.7%
Permanently non-deductible expenses	14.5	10.7
Permanently non-taxable dividends received	(9.3)	(6.5)
Equity in (earnings) losses of affiliates	(16.2)	38.8
R&D expenses deductible from income taxes	(14.3)	(17.1)
Change in valuation allowance	391.3	(50.4)
Amortization of goodwill	17.0	12.7
Per capital inhabitant tax	2.7	1.5
Change in income tax rate	—	20.0
Other	3.7	(15.7)
Effective income tax rate	427.4%	34.7%

### Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.0% and 35.6%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥534 million as of March 31, 2012, and deferred income tax expense recognized for the year ended March 31, 2012, valuation difference on available-for-sale securities and deferred gains or losses on hedges as of March 31, 2012 increased by ¥4,778 million, ¥4,221 million and ¥23 million, respectively.

## 17. Net Assets

Under the Companies Act, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital, depending on the equity account charged upon payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of common stock may be made available for dividends by resolution of the shareholders. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

## 18. Contingent Liabilities

The Companies guaranteed debt of affiliated companies and third parties in the ordinary course of business. Should the guaranteed parties fail to make payments, the Companies would be required to make such payments under those guarantees. Also, the Companies sold certain trade receivables to independent third parties, some of which are with recourse. If the collectability of those receivables with recourse becomes irrecoverable, the Companies are obligated to assume the liabilities.

As of March 31, 2013 and 2012, the Companies were contingently liable as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
As guarantor of indebtedness	¥ 8,885	¥ 7,950	\$ 94,471
Repurchase obligation for the securitization of receivables	4,076	—	43,339
As guarantor of project completion	—	226,713	—
Total	¥12,961	¥234,663	\$137,810

The company was released from a financial completion guarantee on "The Rabigh Phase I Project" in Rabigh, effective April 17, 2012.

## 19. Land Revaluation Reserve

Certain affiliates, accounted for by the equity method, revalued land under the Land Revaluation Law and recorded unrealized gains on revaluation, net of tax, as a revaluation reserve directly in net assets. Investments in these affiliates increased in an amount equal to the Companies' equity in their reserves, as presented as land revaluation reserve.

## 20. Supplementary Comprehensive Income Information

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Valuation difference on available-for-sale securities			
Increase during the year	<b>¥16,146</b>	¥ 2,442	<b>\$171,675</b>
Reclassification adjustments	<b>(1,723)</b>	(9,372)	<b>(18,320)</b>
Sub-total, before tax	<b>14,423</b>	(6,930)	<b>153,355</b>
Tax (expense) benefit	<b>(4,953)</b>	7,047	<b>(52,664)</b>
Sub-total, net of tax	<b>9,470</b>	117	<b>100,691</b>
Deferred gains on hedges			
Increase during the year	<b>1,411</b>	782	<b>15,003</b>
Reclassification adjustments	<b>(2,342)</b>	(366)	<b>(24,902)</b>
Adjustments of acquisition cost of assets	<b>1,373</b>	761	<b>14,599</b>
Sub-total, before tax	<b>442</b>	1,177	<b>4,700</b>
Tax expense	<b>(248)</b>	(447)	<b>(2,637)</b>
Sub-total, net of tax	<b>194</b>	730	<b>2,063</b>
Foreign currency translation adjustment			
Increase (decrease) during the year	<b>58,379</b>	(21,327)	<b>620,723</b>
Reclassification adjustments	<b>179</b>	398	<b>1,903</b>
Sub-total, before tax	<b>58,558</b>	(20,929)	<b>622,626</b>
Tax benefit	<b>—</b>	—	<b>—</b>
Sub-total, net of tax	<b>58,558</b>	(20,929)	<b>622,626</b>
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	<b>20,730</b>	(6,162)	<b>220,415</b>
Reclassification adjustments	<b>1,191</b>	121	<b>12,663</b>
Sub-total, before tax	<b>21,921</b>	(6,041)	<b>233,078</b>
<b>Total other comprehensive income</b>	<b>¥90,143</b>	¥(26,123)	<b>\$958,458</b>

## 21. Supplementary Cash Flow Information

### Cash and cash equivalents

As of March 31, 2013 and 2012, cash and cash equivalents were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Cash	<b>¥ 68,116</b>	¥ 67,825	<b>\$ 724,253</b>
Cash equivalents	<b>58,833</b>	79,226	<b>625,550</b>
<b>Total</b>	<b>¥126,949</b>	¥147,051	<b>\$1,349,803</b>

## 22. Related Party Transactions

Major transactions of the Company with Rabigh Refining and Petrochemical Company (an affiliated company of the Company) for the years ended March 31, 2013 and 2012 were summarized as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Interest and dividend income	<b>¥1,132</b>	¥921	<b>\$12,036</b>

The balances of the Company due to or from Rabigh Refining and Petrochemical Company as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Pledged assets	<b>¥239,120</b>	¥226,713	<b>\$2,542,477</b>
Long-term loans	<b>57,371</b>	50,136	<b>610,005</b>
Accrued interest receivable	<b>5,984</b>	4,123	<b>63,626</b>
Contingent liabilities	—	226,713	—

Financial summary of Rabigh Refining and Petrochemical Company, a significant affiliated company, for the years ended March 31, 2013 and 2012 were as follows:

Balance Sheets	Millions of yen		Thousands of US dollars
	2013	2012	2013
Current assets	<b>¥381,332</b>	¥337,652	<b>\$4,054,567</b>
Non-current assets	<b>723,716</b>	697,273	<b>7,695,013</b>
Current liabilities	<b>388,638</b>	368,690	<b>4,132,249</b>
Long-term liabilities	<b>518,397</b>	498,371	<b>5,511,930</b>
Net assets	<b>198,013</b>	167,864	<b>2,105,401</b>

Statements of Operations	Millions of yen		Thousands of US dollars
	2013	2012	2013
Net sales	<b>¥1,321,452</b>	¥1,137,460	<b>\$14,050,526</b>
Income before income taxes	<b>10,418</b>	1,404	<b>110,771</b>
Net income	<b>10,418</b>	1,404	<b>110,771</b>

### 23. Net (Loss) Income per Share

A reconciliation of the numerators and denominators of the basic and diluted net (loss) income per share computations for the years ended March 31, 2013 and 2012 were as follows:

Income (Numerator)	Millions of yen		Thousands of US dollars
	2013	2012	2013
Net (loss) income — basic	<b>¥(51,076)</b>	¥5,587	<b>\$(543,073)</b>
Net income — diluted	—	—	—

Shares (Denominator)	Number of shares	
	2013	2012
Average shares — basic	<b>1,634,629,600</b>	1,634,672,283
Average shares — diluted	—	—

Net (loss) income per share	Yen		US dollars
	2013	2012	2013
Basic	<b>¥(31.25)</b>	¥3.42	<b>\$(0.332)</b>
Diluted	—	—	—

## 24. Segment Information

### (a) General information about reported segments

The reported segments of the Companies refer to business units for which separate financial information is available and are reviewed regularly at the Board of Directors meeting in order to determine distribution of management resources and evaluate business results by each reported segment.

The Companies position segments, identified by products and services, which manage operating, sales and research in an integrated manner. Each business segment proposes comprehensive domestic and overseas strategies with respect to products and services, and operates its business activities.

The Companies consist of five segments identified by products and services, including "Basic Chemicals," "Petrochemicals & Plastics," "IT-related Chemicals," "Health & Crop Sciences" and "Pharmaceuticals."

The major products and services of each reported segment are as follows:

Reported Segments	Major Products and Services
Basic Chemicals	Inorganic chemicals, raw materials for synthetic fibers, organic chemicals, methyl methacrylate products, alumina products, aluminum, functional materials, additives, dyestuffs, etc.
Petrochemicals & Plastics	Petrochemical products, synthetic resins, synthetic rubber, synthetic resin processed products, etc.
IT-related Chemicals	Optical products, color filters, semiconductor processing materials, electronic materials, compound semiconductor materials, battery materials, etc.
Health & Crop Sciences	Crop protection chemicals, fertilizers, agricultural materials, household and public hygiene insecticides, materials for protection against tropical diseases, feed additives, pharmaceutical chemicals, etc.
Pharmaceuticals	Pharmaceuticals for medical treatment, radiopharmaceuticals, etc.

### (b) Basis of measurement about reported segment profit or loss, segment assets and other material items

The accounting methods for each reported segment are almost the same as those set forth in the "Significant Accounting Policies." The segment profit or loss for each reported segment is in conformity with the operating income of consolidated statements of income.

Moreover, inter-segment revenues and transfers are based on market prices.

### Change in the method of depreciation of property, plant and equipment (except for leased assets)

(i) As described in Note 2 (f) (i), certain consolidated subsidiaries have changed their depreciation method of property, plant and equipment (except for leased assets) from the declining-balance method to the straight-line method. As a result of this change, segment profit increased by ¥81 million (US\$861 thousand) in the Health & Crop Sciences Segment and by ¥1,186 million (US\$12,610 thousand) in the Pharmaceuticals Segment, and segment loss decreased by ¥109 million (US\$1,159 thousand) in the Basic Chemicals Segment and by ¥164 million (US\$1,744 thousand) in the Petrochemicals & Plastic Segment for the year ended March 31, 2013 from the corresponding amounts which would have been recorded under the previous method.

(ii) As described in Note 2 (f) (ii), the Company and certain consolidated subsidiaries have changed their depreciation method of property, plant and equipment (except for leased assets) from the declining-balance method to the straight-line method. As a result of this change, segment profit increased by ¥5,418 million in the Basic Chemicals Segment, by ¥2,917 million in the Petrochemicals & Plastics Segment, by ¥4,939 million in the IT-related Chemicals Segment, by ¥3,670 million in the Health & Crop Sciences Segment, by ¥85 million in the Pharmaceuticals Segment and by ¥10 million in the Others Segment for the year ended March 31, 2012 from the corresponding amounts which would have been recorded under the previous method, and corporate expenses unallocated to each reported segment decreased by ¥2,143 million in Adjustments.

(c) Information about reported segment profit or loss, segment assets and other material items

Segment information as of and for the fiscal year ended March 31, 2013 is as follows:

	Millions of yen								
	Segment information by product group								
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others	Adjustments	Consolidated
<b>Year ended March 31, 2013</b>									
Revenue from customers	¥263,522	¥693,859	¥299,968	¥262,580	¥378,595	¥1,898,524	¥ 53,968	¥ —	¥1,952,492
Inter-segment revenues and transfers	15,097	4,856	3,764	5,031	5	28,753	54,369	(83,122)	—
Total sales	278,619	698,715	303,732	267,611	378,600	1,927,277	108,337	(83,122)	1,952,492
Segment profit (loss)	¥ (6,391)	¥ (3,232)	¥ 11,703	¥ 26,272	¥ 30,857	¥ 59,209	¥ 7,963	¥(22,156)	¥ 45,016
Assets	¥309,717	¥555,074	¥280,806	¥406,779	¥677,340	¥2,229,716	¥195,481	¥ 46,894	¥2,472,091
Depreciation and amortization	15,478	13,388	17,926	13,601	33,369	93,762	6,179	8,916	108,857
Amortization of goodwill	30	302	7	1,742	3,773	5,854	5	767	6,626
Investment on affiliates applied to the equity method	12,454	89,257	3,201	30,437	10,368	145,717	66,934	—	212,651
Expenditure for addition to tangible and intangible assets	32,981	14,080	18,690	25,149	14,634	105,534	4,497	6,116	116,147

	Thousands of US dollars								
	Segment information by product group								
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others	Adjustments	Consolidated
<b>Year ended March 31, 2013</b>									
Revenue from customers	\$2,801,935	\$7,377,555	\$3,189,452	\$2,791,919	\$4,025,465	\$20,186,326	\$ 573,823	\$ —	\$20,760,149
Inter-segment revenues and transfers	160,521	51,632	40,022	53,493	53	305,721	578,086	(883,807)	—
Total sales	2,962,456	7,429,187	3,229,474	2,845,412	4,025,518	20,492,047	1,151,909	(883,807)	20,760,149
Segment profit (loss)	\$ (67,953)	\$ (34,365)	\$ 124,434	\$ 279,341	\$ 328,091	\$ 629,548	\$ 84,668	\$ (235,577)	\$ 478,639
Assets	\$3,293,110	\$5,901,903	\$2,985,710	\$4,325,135	\$7,201,914	\$23,707,772	\$2,078,480	\$ 498,607	\$26,284,859
Depreciation and amortization	164,572	142,350	190,601	144,615	354,800	996,938	65,699	94,801	1,157,438
Amortization of goodwill	319	3,211	74	18,522	40,117	62,243	53	8,156	70,452
Investment on affiliates applied to the equity method	132,419	949,038	34,035	323,626	110,239	1,549,357	711,685	—	2,261,042
Expenditure for addition to tangible and intangible assets	350,675	149,708	198,724	267,400	155,598	1,122,105	47,815	65,029	1,234,949

(Note 1): "Others" presents businesses such as supplying electrical power and steam, providing services for the design, engineering and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which are not included in reported segments.

(Note 2): Adjustments amounts were as follows.

- (i) Adjustments amount of ¥(22,156) million (US\$(235,577) thousand) for segment profit (loss) included inter-segment elimination of ¥760 million (US\$8,081 thousand) and corporate expenses of ¥21,396 million (US\$227,496 thousand) unallocated to each reported segment. Corporate expenses were mainly R&D expenses for company-wide research, which are not attributed to reported segments.
- (ii) Adjustments amount of segment assets was ¥46,894 million (US\$498,607 thousand), which included ¥131,156 million (US\$1,394,535 thousand) eliminations of inter-segment receivables and assets, and ¥178,050 million (US\$1,893,142 thousand) of corporate assets unallocated to each reported segment. Corporate assets mainly consist of cash and deposits, investment securities, deferred tax assets and the assets related to R&D activities for company-wide research.
- (iii) Adjustments amount of depreciation and amortization was ¥8,916 million (US\$94,801 thousand), mainly related to the assets arising from R&D activities for company-wide research unallocated to each reported segment.

(iv) Adjustments amount of amortization of goodwill was ¥767 million (US\$8,156 thousand), related to the goodwill arising from R&D activities for company-wide research unallocated to each reported segment.

(v) Adjustments amount of expenditure for addition to tangible and intangible assets was ¥6,116 million (US\$65,029 thousand), mainly contributed in R&D activities for company-wide research unallocated to each reported segment.

(Note 3): Segment profit (loss) is adjusted against operating income of consolidated statements of income.

(Note 4): Depreciation and expenditure of long-term advanced payments are included in depreciation and amortization, and expenditure for addition to tangible and intangible assets, respectively.

Segment information as of and for the fiscal year ended March 31, 2012, is as follows:

	Millions of yen								
	Segment information by product group					Total	Others	Adjustments	Consolidated
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals				
Year ended March 31, 2012									
Revenue from customers	¥284,348	¥672,428	¥293,066	¥264,134	¥380,518	¥1,894,494	¥ 53,390	¥ —	¥1,947,884
Inter-segment revenues and transfers	15,155	7,181	4,390	5,597	13	32,336	58,830	(91,166)	—
Total sales	299,503	679,609	297,456	269,731	380,531	1,926,830	112,220	(91,166)	1,947,884
Segment profit	¥ 9,349	¥ 6,155	¥ 10,968	¥ 26,495	¥ 20,918	¥ 73,885	¥ 7,720	¥(20,917)	¥ 60,688
Assets	¥302,372	¥554,366	¥265,023	¥330,036	¥626,621	¥2,078,418	¥195,626	¥ 62,909	¥2,336,953
Depreciation and amortization	14,094	14,115	14,451	12,126	38,535	93,321	6,945	7,082	107,348
Amortization of goodwill	148	—	81	2,512	3,764	6,505	5	1,032	7,542
Investment on affiliates applied to the equity method	10,581	80,810	3,958	27,915	10,272	133,536	58,619	—	192,155
Expenditure for addition to tangible and intangible assets	24,510	19,584	66,880	19,282	11,340	141,596	3,241	10,240	155,077

(Note 1): "Others" presents businesses such as supplying electrical power and steam, providing services for the design, engineering and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which are not included in reported segments.

(Note 2): Adjustments amounts were as follows.

- (i) Adjustments amount of ¥(20,917) million for segment profit included inter-segment elimination of ¥(469) million and corporate expenses of ¥21,386 million unallocated to each reported segment. Corporate expenses were mainly R&D expenses for company-wide research, which are not attributed to reported segments.
- (ii) Adjustments amount of segment assets was ¥62,909 million, which included ¥115,814 million in eliminations of inter-segment receivables and assets, and ¥178,723 million of corporate assets unallocated to each reported segment. Corporate assets mainly consist of cash and deposits, investment securities, deferred tax assets and the assets related to R&D activities for company-wide research.
- (iii) Adjustments amount of depreciation and amortization was ¥7,082 million, mainly related to the assets arising from R&D activities for company-wide research unallocated to each reported segment.
- (iv) Adjustments amount of amortization of goodwill was ¥1,032 million, related to the goodwill arising from R&D activities for company-wide research unallocated to each reported segment.
- (v) Adjustments amount of expenditure for addition to tangible and intangible assets was ¥10,240 million, mainly contributed in R&D activities for company-wide research unallocated to each reported segment.

(Note 3): Segment profit is adjusted against operating income of consolidated statements of income.

(Note 4): Depreciation and expenditure of long-term advanced payments are included in depreciation and amortization, and expenditure for addition to tangible and intangible assets, respectively.

### Related information

Related information for and as of the fiscal year ended March 31, 2013 is as follows:

#### (a) Information about geographic areas

##### (i) Revenues

	Millions of yen			
	Japan	China	Other	Total
Year ended March 31, 2013	<b>¥908,662</b>	<b>¥302,703</b>	<b>¥741,127</b>	<b>¥1,952,492</b>

	Thousands of US dollars			
	Japan	China	Other	Total
Year ended March 31, 2013	<b>\$9,661,478</b>	<b>\$3,218,533</b>	<b>\$7,880,138</b>	<b>\$20,760,149</b>

(Note): Revenues are classified by country and region based on customer location.

##### (ii) Tangible fixed assets

	Millions of yen			
	Japan	Korea	Other	Total
Year ended March 31, 2013	<b>¥412,278</b>	<b>¥78,534</b>	<b>¥149,412</b>	<b>¥640,224</b>

	Thousands of US dollars			
	Japan	Korea	Other	Total
Year ended March 31, 2013	<b>\$4,383,604</b>	<b>\$835,024</b>	<b>\$1,588,645</b>	<b>\$6,807,273</b>

#### (b) Information about major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated net sales to external customers.

Related information for and as of the fiscal year ended March 31, 2012 is as follows:

#### (a) Information about geographic areas

##### (i) Revenues

	Millions of yen			
	Japan	China	Other	Total
Year ended March 31, 2012	¥938,915	¥280,452	¥728,517	¥1,947,884

(Note): Revenues are classified by country and region based on customer location.

##### (ii) Tangible fixed assets

	Millions of yen			
	Japan	Korea	Other	Total
Year ended March 31, 2012	¥405,027	¥64,038	¥125,813	¥594,878

(Note): From the year ended March 31, 2012, Korea is separately listed as its property, plant and equipment amount accounts for more than 10% of the property, plant and equipment stated in the Consolidated Balance Sheets.

#### (b) Information about major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated net sales to external customers.

### Information about impairment loss of fixed assets by reported segments

Information about impairment loss of fixed assets by reported segments for the fiscal year ended March 31, 2013 is as follows:

	Millions of yen							Total
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	
Year ended March 31, 2013								
Impairment loss	<b>¥7,002</b>	<b>¥5,773</b>	<b>¥8,858</b>	<b>¥676</b>	<b>¥430</b>	<b>¥—</b>	<b>¥136</b>	<b>¥22,875</b>

Thousands of US dollars

	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
<b>Year ended March 31, 2013</b>								
Impairment loss	\$74,450	\$61,382	\$94,184	\$7,188	\$4,572	\$—	\$1,446	\$243,222

(Note): "Corporate & Elimination" presents the amount of impairment loss related to corporate assets unallocated to each reported segment.

Information about impairment loss of fixed assets by reported segments for the fiscal year ended March 31, 2012 is as follows:

Millions of yen

	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
<b>Year ended March 31, 2012</b>								
Impairment loss	¥—	¥1,257	¥—	¥—	¥2,338	¥—	¥—	¥3,595

### Information about unamortized balance of goodwill by reported segments

Information about unamortized balance of goodwill by reported segments as of the fiscal year ended March 31, 2013 is as follows:

Millions of yen

	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
<b>Year ended March 31, 2013</b>								
Unamortized balance of goodwill	¥30	¥1,709	¥—	¥6,188	¥71,294	¥2	¥—	¥79,223

Thousands of US dollars

	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
<b>Year ended March 31, 2013</b>								
Unamortized balance of goodwill	\$319	\$18,171	\$—	\$65,795	\$758,044	\$21	\$—	\$842,350

(Note): "Corporate & Elimination" presents the balance of goodwill related to R&D activities for company-wide research expenses unallocated to each reported segment.

Information about unamortized balance of goodwill by reported segments as of the fiscal year ended March 31, 2012 is as follows:

Millions of yen

	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
<b>Year ended March 31, 2012</b>								
Unamortized balance of goodwill	¥60	¥—	¥—	¥4,198	¥64,311	¥7	¥747	¥69,323

(Note): "Corporate & Elimination" presents the balance of goodwill related to R&D activities for company-wide research expenses unallocated to each reported segment.

## 25. Business Combination

### (a) Acquisition of Boston Biomedical, Inc.

On April 24, 2012, the domestic consolidated subsidiary of the Company, Dainippon Sumitomo Pharma Co., Ltd. acquired 100% of the shares of Boston Biomedical, Inc. (BBI) of the United States. This legal form of business combination was acquisition of shares for cash consideration.

This acquisition was to acquire innovative development pipelines in the area of cancer, as well as to acquire BBI's excellent drug-discovery platforms and development capabilities.

The consolidated financial statements for the year ended March 31, 2013 include the operating results of BBI from April 24, 2012 to December 31, 2012 (fiscal year-end).

The costs of the acquisition were ¥17,270 million (US\$183,626 thousand). In these, ¥28,483 million (US\$302,850 thousand) was for intangible assets of in-process research and development amortized over useful lives. ¥142 million (US\$1,510 thousand) was for goodwill with a 20-year amortization period by the straight-line method, which was the difference between the net assets at fair value at the date of acquisition and the acquisition cost.

The allocation of acquisition cost was not completed at the end of the consolidated financial year ended March 31, 2013 and the cost is provisionally recognized based on reasonable information available at that point of time.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Millions of yen	Thousands of US dollars
Current assets	¥ 283	\$ 3,009
Non-current assets	28,743	305,614
Current liabilities	(158)	(1,680)
Long-term liabilities	(11,598)	(123,317)

Pro forma information of the Companies' consolidated operating results and net loss per share, which would have been recorded if the acquisition of BBI had taken place at the beginning of this fiscal year, is as follows.

	Millions of yen	Thousands of US dollars
Net sales	¥ 24	\$ 255
Income before income taxes and minority interests	(885)	(9,410)
Net loss	(444)	(4,721)

	Yen	US dollars
Net loss per share	¥(0.27)	\$(0.003)

The pro forma information disclosed in the above table expressed the difference between the estimated sales and earnings assuming that the business combination had been completed at the beginning of the current fiscal year and the actual sales and earnings were presented in the consolidated statements of income of the acquiring company.

These amounts were not audited by the independent auditor.

#### (b) Acquisition of Elevation Pharmaceuticals, Inc.

On September 5, 2012, the consolidated subsidiary of the Company, Sunovion Pharmaceuticals Inc., acquired 100% of the shares of Elevation Pharmaceuticals, Inc., which was renamed to Sunovion Respiratory Development Inc. (SRD) after combination. This legal form of business combination was acquisition of shares for cash consideration.

This acquisition was to acquire strong pipelines in the respiratory area.

The consolidated financial statements for the year ended March 31, 2013 included the operating results of SRD from September 5, 2012 to December 31, 2012 (fiscal year-end).

The costs of the acquisition were ¥7,866 million (US\$83,636 thousand). In these, ¥18,415 million (US\$195,800 thousand) was for intangible assets of in-process research and development amortized over useful lives. ¥3,332 million (US\$35,428 thousand) was for goodwill with a 20-year amortization period by the straight-line method, which was the difference between the net assets at fair value at the date of acquisition and the acquisition cost.

The allocation of acquisition cost was not completed at the end of the consolidated financial year ended March 31, 2013 and the cost is provisionally recognized based on reasonable information available at that point of time.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Millions of yen	Thousands of US dollars
Current assets	¥ 132	\$ 1,404
Non-current assets	22,946	243,977
Current liabilities	(49)	(521)
Long-term liabilities	(15,162)	(161,212)

Pro forma information of the Companies' consolidated operating results and net loss per share, which would have been recorded if the acquisition of SRD had taken place at the beginning of this fiscal year, is as follows.

	Millions of yen	Thousands of US dollars
Net sales	¥ —	\$ —
Income before income taxes and minority interests	(1,384)	(14,716)
Net loss	(695)	(7,390)

	Yen	US dollars
Net loss per share	¥(0.43)	\$(0.005)

The pro forma information disclosed in the above table expressed the difference between the estimated sales and earnings assuming that the business combination had been completed at the beginning of the current fiscal year and the actual sales and earnings were presented in the consolidated statements of income of the acquiring company.

These amounts were not audited by the independent auditor.

# Independent Auditors' Report

To the Board of Directors of  
Sumitomo Chemical Company, Limited:

We have audited the accompanying consolidated financial statements of Sumitomo Chemical Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Chemical Company, Limited and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 2(f) (ii) to the consolidated financial statements, from the fiscal year ended March 31, 2012, Sumitomo Chemical Company, Limited and its certain consolidated subsidiaries changed their depreciation method of property, plant and equipment.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 (b) to the consolidated financial statements.

KPMG AZSA LLC

June 20, 2013  
Tokyo, Japan



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