SUMITOMO CHEMICAL

Change and Innovation

Create New Value

Annual Report 2016

Creative Hybrid Chemistry For a Better Tomorrow

Sumitomo Chemical started business in 1913 as a producer of fertilizers from sulfur dioxide gas emitted by copper smelters. This business, which solved the environmental problem of air pollution while meeting the social demand for more agricultural production, embodied the business philosophy of the Sumitomo family handed down from the 17th century.

"Our business must benefit society, not just our interests." Throughout our history of almost a century, we at Sumitomo Chemical have lived by this credo. We have worked to build better lives by developing various businesses that meet people's evolving needs. At the same time, we have continuously delivered technological innovation while paying special attention to product quality, safety and the environment.

Looking to the future, we will create new value beyond the boundaries of chemistry by combining a variety of ideas, views and technologies. We will also continue to take up the challenges facing the globe, from meeting basic needs, to protecting the environment, to addressing the issues of adequate supplies of food, energy, and other resources.

In this endeavor, each of us at Sumitomo Chemical will work together to enhance our capabilities, explore new possibilities every day, and overcome the challenges lying ahead with enthusiasm and a strong sense of mission.

Sumitomo Chemical will seek to continue to build trust and bring joy to people across the world through constant innovation.

Sumitomo's Business Principles

1. **Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.**
2. **Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.**

Business Philosophy

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.**

Sumitomo Chemical Charter for Business Conduct

1. We will respect Sumitomo's business philosophy and act as highly esteemed "good citizens."
2. We will observe national and international laws and regulations and will carry out activities according to our corporate rules.
3. We will develop and supply useful, safe products and technologies that will contribute extensively to the progress of society.
4. We will take voluntary and active initiatives to achieve zero-accident and zero-injury operations and to preserve the global environment.
5. We will conduct business transactions based on fair and free competition.
6. We will endeavor to make our workplaces sound and energetic.
7. Every one of us will make efforts to become a professional who has advanced skills and expertise in his or her field of responsibility.
8. We will actively communicate with our various stakeholders such as shareholders, customers, and regional communities.
9. We, as a corporate member of an international society, will esteem the culture and customs of each region around the world and contribute to the development of those regions.
10. We will strive for the sound development of our Company through business activities conducted in accordance with the guiding principles stipulated hereinabove.

Responding to the Changing Times with Innovative Technologies and Products

1944

Japan Dyestuff Manufacturing Company Kasugade Works

Enters fine chemicals business

Acquires Japan Dyestuff Manufacturing Company engaged in dyes, pharmaceuticals, and other fine chemicals business

1915

The Sumitomo Fertilizer Manufactory

Start of business by establishing the Sumitomo Fertilizer Manufactory to prevent pollution caused by gas emissions from copper smelting

Initially produces sulfuric acid and calcium superphosphate and later expands business into production of ammonia, nitric acid and other industrial chemicals

1958

Ethylene Plant (Ohe, Ehime)

Enters petrochemical business

Ethylene plant is completed in Ohe, Ehime
Starts production of ethylene and its derivatives

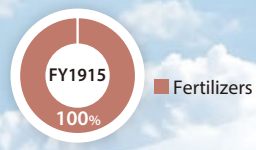
1953

Pynamin Plant (Torishima, Osaka)

Enters agricultural chemicals business

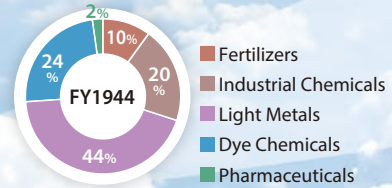
Starts selling household insecticide Pynamin®

Composition of Sales

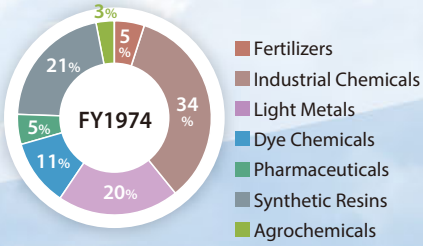


Sales

¥120,000
(Non-consolidated sales)



¥100 million
(Non-consolidated sales)



¥482.1 billion
(Non-consolidated sales)
Export ratio **11%**

History of Sumitomo Chemical

1915-1944 Building the Foundation of a Chemical Company

1945-1974 Diversifying into Petrochemicals and Fine Chemicals

1910 1920 1930 1940 1950 1960 1970

Social Trends

- 1914-1918 World War I
- 1929 Great Depression
- 1939-1945 World War II
- 1954-1973 High Economic Growth Period
- 1964 Tokyo Olympic Games
- 1973 First Oil Shock

2015
Establishes
Energy & Functional Materials Sector

2009


Sepracor (present Sunovion Pharmaceuticals) of the United States

2009


Petro Rabigh (Saudi Arabia)

Aims to become a truly global chemical company amid intensified megacompetition

Starts operation of Petro Rabigh's world-scale integrated oil refining and petrochemical complex and acquires U.S. pharmaceutical company Sepracor

Further promotes globally integrated management by expanding overseas production bases

2001
Establishes
IT-related Chemicals Sector

1991


Dongwoo Pure Chemicals (present Dongwoo Fine-Chem) of South Korea

1984


Petrochemical complex in Singapore

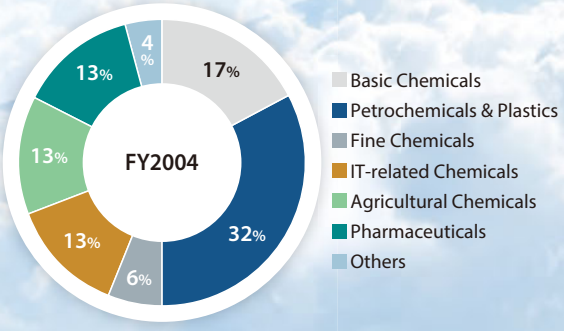
1988


Valent U.S.A.

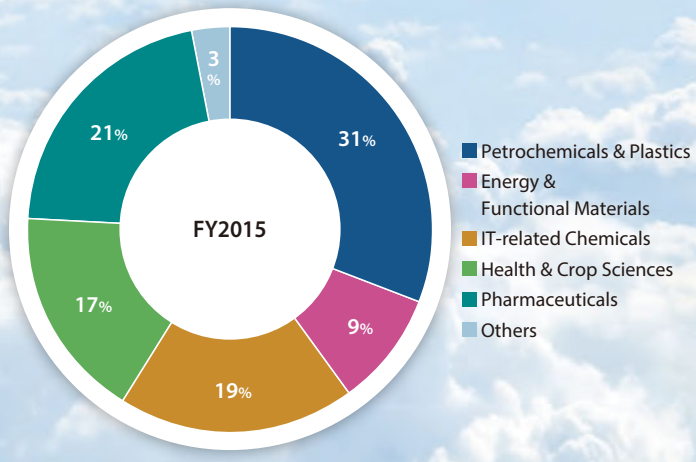
Promotes global business to respond to rapid changes in society

Enters the petrochemical business in Singapore and expands specialty chemical businesses overseas, such as agricultural chemicals and IT-related materials

1984
Establishes Sumitomo Pharmaceuticals



¥1,296.3 billion
Overseas sales to total sales **38%**



¥2,101.8 billion
Overseas sales to total sales **61%**

1975-2004
Actively Promoting Global Business

2005-
Becoming a Truly Global Chemical Company

1980 **1990** **2000** **2010**

1978
Second Oil Shock

1985
Plaza Accord

1987
Black Monday

1989
Fall of the Berlin Wall

Nikkei Stock Average Hits All-time High

1999
Introduction of Europe's Single Currency, the euro

2001
September 11 Terrorist Attacks

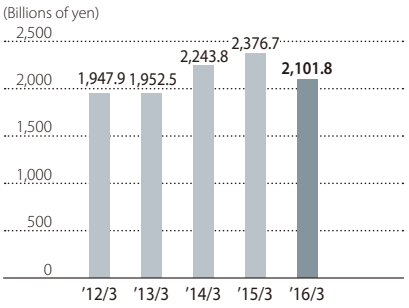
2008
Lehman Shock

2012
Europe's Debt Crisis

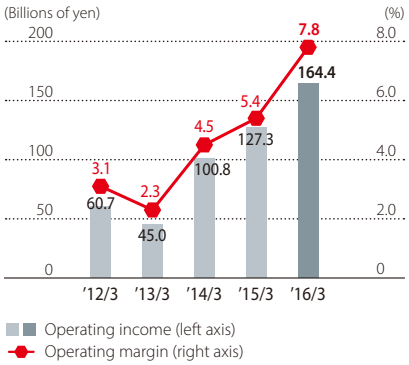
Group Highlights

Financial Highlights

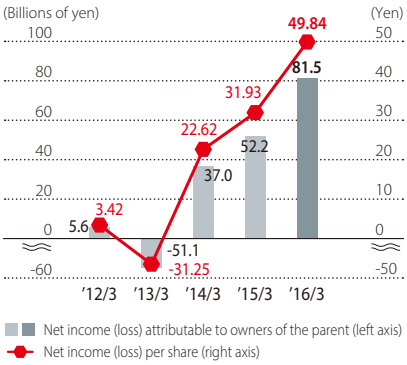
Net Sales



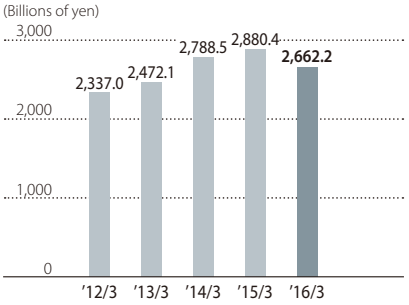
Operating Income / Operating Margin



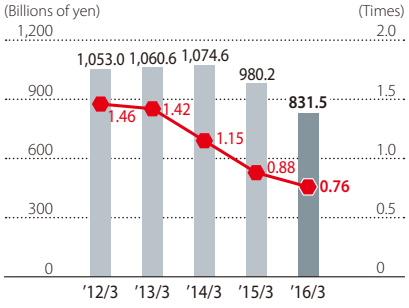
Net Income (Loss) Attributable to Owners of the Parent / Net Income (Loss) per Share



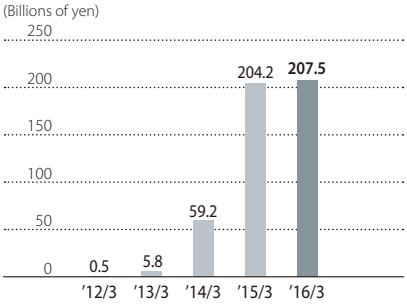
Total Assets



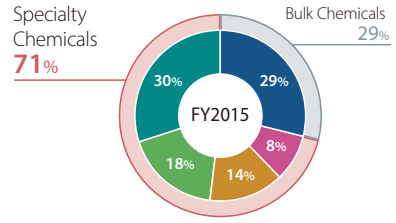
Interest-bearing Liabilities / D/E Ratio



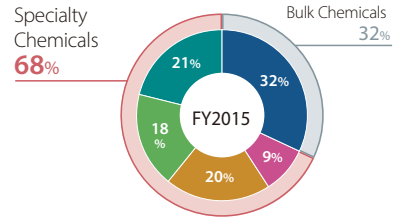
Free Cash Flows



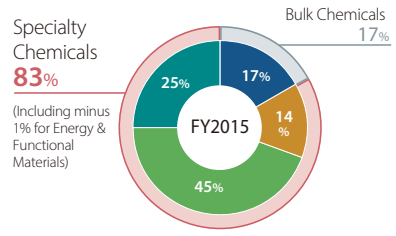
Invested Capital by Business Sector*



Sales by Business Sector*



Operating Income by Business Sector*

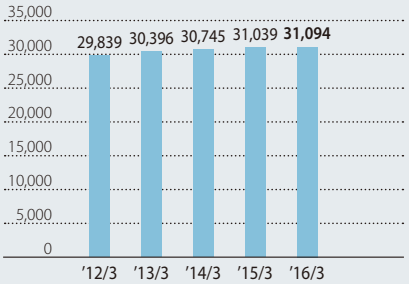


Petrochemicals & Plastics Energy & Functional Materials IT-related Chemicals Health & Crop Sciences Pharmaceuticals

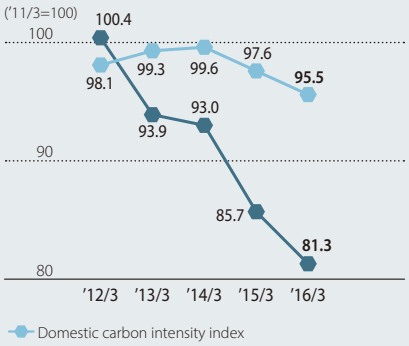
* Excluding the "Others" sector and elimination

Sustainability Highlights

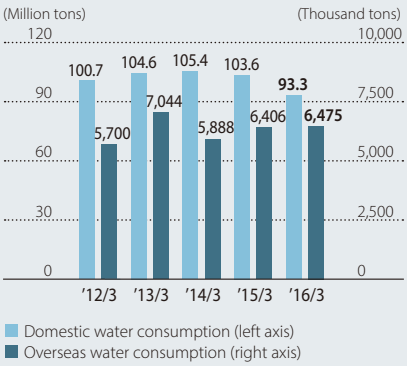
Number of Employees



Domestic Carbon Intensity Index / Overseas Carbon Intensity Index

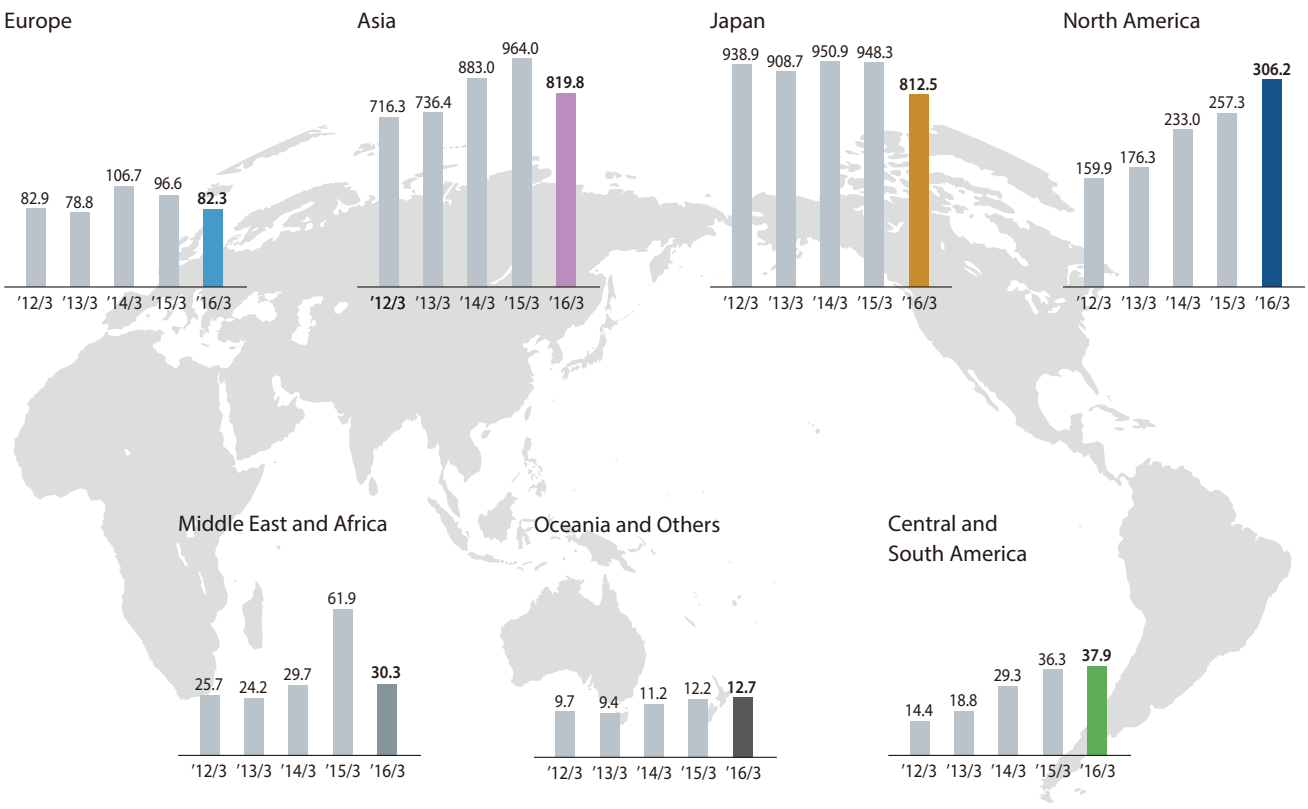


Domestic Water Consumption / Overseas Water Consumption

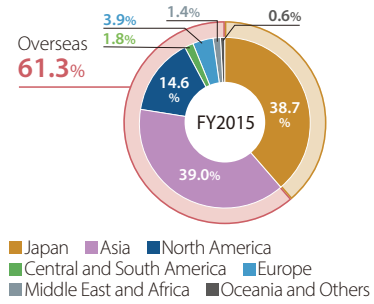


Overseas Business Development

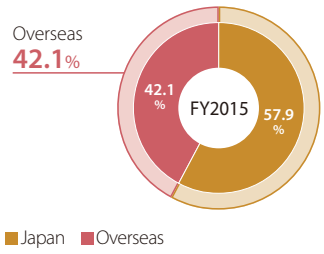
Sales by Region (Billions of yen)



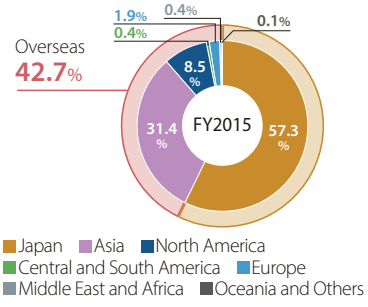
Sales by Region



Production by Region



Employees by Region



External Evaluation

Sumitomo Chemical has been selected for a socially responsible investing (SRI) index and others.

CDP CLIMATE DISCLOSURE LEADER 2015

For the fourth consecutive year, Sumitomo Chemical has been selected by CDP, an international non-profit organization, for inclusion in CDP's Climate Disclosure Leadership Index in recognition of its excellent disclosure of climate change information.

FTSE4Good

Sumitomo Chemical has been chosen as a component of the FTSE4Good Index, a key global SRI index that serves as an important criterion used by investors who are interested in corporate social responsibility to make decisions.

DBJ 環境格付 2014

In May 2014, Sumitomo Chemical received a Development Bank of Japan loan under the DBJ Environmentally Rated Loan Program, having obtained the highest rating as a "company with particularly advanced environmental programs" and DBJ's commendation as a "model company."

Contents

Editorial Policy

Sumitomo Chemical makes this report available to provide shareholders, investors and a wide range of other stakeholders with a comprehensive summary of non-financial and financial information, including the Company's unique strengths, management strategy, and business results, as well as our approach to corporate governance, the environment, and society, thereby making known our management and corporate activities. It is our hope that this report, as a tool for communicating with shareholders, investors and other stakeholders, will help you get to know Sumitomo Chemical. By continuing through our business activities to contribute toward the sustainable development of society, we will endeavor to achieve sustained growth and to raise our corporate value.

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.

Change and Innovation – Create New Value

Beyond our Quest, the New Frontier

In 2015, Sumitomo Chemical celebrated the 100th anniversary of the commencement of its operations. The design of the cover illustration is meant to depict our determination, based on the foundation of our hundred-year history, to set off on our voyage to take on the next set of challenges in the next stage of our growth. On top of the ship is the Besshi Copper Mine, depicting our roots, and various facilities of Sumitomo Chemical, and it is meant to express our stance of wanting to be a company that, as stated in our Corporate Statement, seeks to "build trust and bring joy to people across the world." We want to continue to help resolve the problems facing humanity through the power of chemistry and, like this ship, boldly pioneer new frontiers for a brighter tomorrow.

To Our Stakeholders

Osamu Ishitobi
Chairman

Masakazu Tokura
President

We will Continue to Create New Value, Contribute to Society and Achieve Strong Growth over the Next 100 Years.

Performance during Fiscal 2015

Looking at the global economy in fiscal 2015, the pace of economic growth in China declined, and some emerging market economies, including resource-rich ones, also slowed down. Meanwhile, the United States—which maintained solid job growth—and other developed economies stayed on a modest recovery path. In Japan, although consumer spending was sluggish, corporate earnings and the employment situation continued to improve, backed by a weak yen and declining oil prices. Against this backdrop, the business environment for the Sumitomo Chemical Group generally remained favorable, except for some of our businesses that faced soft market conditions and reported lower shipment volumes.

The Group's consolidated net sales for fiscal 2015 were ¥2,101.8 billion, ¥274.9 billion less than the previous year. This decrease resulted from a large drop in sales volumes in the Petrochemicals & Plastics Sector due to the restructuring of the Chiba Works and scheduled maintenance work at the Petro Rabigh facilities, as well as declines in selling prices for products in the Petrochemicals & Plastics Sector and the IT-related Chemicals Sector, among other factors.

Operating income increased by ¥37.1 billion from the previous year, to ¥164.4 billion, thanks to improved margins in the Petrochemicals & Plastics Sector and higher market prices and increased sales volumes in the Health & Crop Sciences Sector.

Due to the significant growth in operating income, though

extraordinary losses associated with business restructuring and foreign exchange losses were posted, net income attributable to owners of the parent was ¥81.5 billion, up ¥29.3 billion from the previous year.

We have declared a year-end dividend of ¥6 per share. Combined with the interim dividend and commemorative dividend, our dividend for fiscal 2015 totaled ¥14 per share, a ¥5 increase from the previous year.

Enhancing Financial Strength and Restructuring Businesses

The year 2015 marked the 100th anniversary of the commencement of Sumitomo Chemical's operations. In the Corporate Business Plan started in fiscal 2013, we defined the ensuing three years through fiscal 2015 as the period in which to strengthen the foundations of our business and prepare to set out on our journey toward achieving sustained growth over the next 100 years. In particular, we devoted our efforts to enhancing our financial strength and restructuring our businesses.

On the financial front, we achieved significant improvement in profits while also reducing working capital, rigorously selecting investments, and selling off underperforming assets. As a result, our interest-bearing liabilities decreased by ¥229.1 billion from the end of fiscal 2012, to ¥831.5 billion at the end of fiscal 2015. Our D/E ratio improved dramatically, from 1.42 times to 0.76 times, over the same period.

Our business restructuring efforts featured the strengthening and expansion of our specialty chemicals business and the restructuring of the bulk chemicals business. Specifically, we expanded the product lineup and increased production capacity for our touchscreen sensor panels. In the crop protection chemicals area, we strengthened our alliances with leading overseas manufacturers and invested in niche businesses, such as biorationals. In pharmaceuticals, we worked to expand approved indications for our atypical antipsychotic agent LATUDA®. These initiatives resulted in significant growth in our earnings in the specialty chemicals field. For the bulk chemicals business in Japan, which faces an extremely difficult business environment, we carried out significant restructuring measures. We shut down the facilities in the Chiba Works for producing ethylene and derivatives—styrene monomer, propylene oxide, and propylene glycol—to rationalize our production capacity in Japan. Meanwhile, in Saudi Arabia, we launched our Phase Ⅱ Project for expansion of the highly cost-competitive Rabigh complex. Plant construction is now under way, and ethylene production has begun at the expanded ethane cracker. Production facilities for derivatives will come on stream in stages over time.

Through these aggressive business restructuring initiatives, we achieved record high operating income and ordinary income in fiscal 2015, the final year of the previous Corporate Business Plan. Moreover, the ratio of operating income from our specialty chemicals business to the Group's total operating income significantly increased, from 72% in fiscal 2006, the year when we reported record high operating income, to 83% in fiscal 2015. This represents solid progress on our efforts to shift our business portfolio to specialty chemicals.

Creating New Value

In fiscal 2016 we started our new Corporate Business Plan, with the slogan, "Change and Innovation—Create New Value." Building upon the financial strength enhanced under the previous Plan, we are committed to aggressively pursuing growth opportunities, creating new value, and further accelerating our transformation into a more resilient Sumitomo Chemical that continues to grow.

Capabilities to develop innovative solutions by leveraging extensive technological expertise, global market reach, and highly loyal employees—these are Sumitomo Chemical's core competencies, which we have built up through our operations spanning over a century. Going forward, by making full use of these strengths, we will continue to strive to solve problems that society faces in the areas of the environment, food, resources, and energy, and contribute to promoting health, building comfortable societies, and improving the quality of life for people around the world.

Thank you very much for your continued support and cooperation.

July 2016

Osamu Ishitobi
Chairman

Masakazu Tokura
President

Interview with the President

A More Resilient Sumitomo Chemical that Continues to Grow

Masakazu Tokura
President

Corporate Business Plan FY2016 – FY2018

Change and Innovation
Create New Value

Sumitomo Chemical, which last year marked the 100th anniversary of the commencement of its operations, has launched its new Corporate Business Plan for the three years starting this fiscal 2016, with the aim of achieving sustained growth over the next 100 years. Drawing on the robust financial strength built up in the previous Corporate Business Plan period, under the current Plan the Company is committed to aggressively pursuing growth opportunities and further accelerating its transformation into a more resilient Sumitomo Chemical that continues to grow. President Masakazu Tokura shares his thoughts on the new Corporate Business Plan.

Q **The previous Corporate Business Plan period, which started in fiscal 2013, ended in March 2016. What is your evaluation of the results of the Company's efforts under the plan?**

A **Overall, the results were satisfactory. We achieved solid progress on initiatives to enhance our financial strength and improve our business structure.**

In the beginning of the 21st century, we made some large-scale investments with a view to radically improving the competitiveness of our petrochemical business, gaining critical mass in life science businesses, and developing new businesses that have the potential to become core businesses in the future. The Great Recession and the prolonged appreciation of the yen, however, severely impacted our businesses. As a result, it took more time than planned to recoup those major investments, and our financial position weakened.

Under these difficult circumstances, in fiscal 2013 we launched the previous Corporate Business Plan. Throughout the ensuing three years, all of us at the Sumitomo Chemical Group worked together as one to execute it with a single-minded determination and a strong sense of urgency. Under the slogan, "Change and Innovation," we devoted our efforts to strengthening the foundations of our business, and completed various initiatives with the aim of becoming a resilient Sumitomo Chemical.

One of our priority management initiatives was enhancing our financial strength. To this end, we carried out thorough cost reductions, rigorously selected investment opportunities, and sought to improve our asset efficiency by shortening the cash conversion cycle (CCC) and selling off underperforming assets. As a result, in three years we created a cumulative total of 716.4 billion yen in cash flows from operating activities and 470.9 billion yen in free cash flows. Meanwhile, the balance of our interest-bearing liabilities decreased by 229.1 billion yen, from 1,060.6 billion yen at the end of fiscal 2012 to 831.5 billion yen at the end of fiscal 2015, and our D/E ratio improved significantly, from 1.42 times to 0.76 times over the same period.

In addition, we took bold steps toward improving our business structure. We enhanced our specialty chemicals business by broadening the product lineup and increasing production capacity for our touchscreen panels, and in our overseas crop protection chemicals business by forming alliances with major overseas manufacturers and fostering the development of niche businesses. We also developed the atypical antipsychotic agent LATUDA® into a blockbuster. In the bulk chemicals area, we closed down the ethylene plant at our Chiba Works and took other measures to downsize and optimize the production scale of our domestic businesses that have been facing a difficult environment. Meanwhile, we started plant construction in the Rabigh Phase Ⅱ Project in Saudi Arabia and resolutely pressed ahead with business restructuring.

In fiscal 2015, the final year of the plan period, we largely achieved our performance targets. In fact, our operating income and ordinary income were the highest ever. Therefore, I would say that, overall, the results of the previous Corporate Business Plan were satisfactory.

Previous Corporate Business Plan

(Billions of yen)	FY2015 Target	FY2015	Change
Net sales	2,400.0	2,101.8	-298.2
Operating income	140.0	164.4	+24.4
(Equity in earnings of affiliates)	25.0	20.2	-4.8
Ordinary income	150.0	171.2	+21.2
Net income	90.0	81.5	-8.5
Naphtha price (yen/KL)	60,000	42,800	
Exchange rate (yen/US$)	80.0	120.15	

Enhance Financial Strength

(Billions of yen)	FY2010-FY2012	FY2013-FY2015 Target	FY2013-FY2015
Cash flows from operating activities	472.3	Approx. 540.0	716.4
Cash flows from investing activities	-445.7	Below -400.0*1	-245.5
Free cash flows	26.6	Over 200.0*2	470.9

	End of FY2012	End of FY2015 Target	End of FY2015
Interest-bearing liabilities	1,060.6	900.0*3	831.5

*1 Including investment of 100 billion yen in Rabigh Phase Ⅱ Project *2 Including decreases in cash and cash equivalents
*3 After spending 100 billion yen for investment in Rabigh Phase Ⅱ Project

Corporate Business Plan FY2016 – FY2018

Slogan

Change and Innovation
Create New Value

Basic Policy

1 Further improve business portfolio
- Identify areas where we have competitive advantage
- Allocate resources to prioritized area

2 Generate more cash flow
- Increase profit above the cost of capital
- Make active and disciplined investments
- Streamline balance sheet

3 Accelerate the launch of next-generation businesses
- Focus on the development of solutions in the fields where the domains of ICT, Life Sciences, and Environment & Energy overlap
- Accelerate the development of next-generation businesses by using open innovation and other outside resources

4 Promote globally integrated management

5 Ensure full and strict compliance, establish and maintain safe and stable operations

Performance Targets

(Billions of yen)	FY2018 Target	Change (Comparison with FY2015)
Net sales	**2,540.0**	+438.2
Operating income	**200.0**	+35.6
(Equity in earnings of affiliates)	29.0	+8.8
Ordinary income	**210.0**	+38.8
Net income	**110.0**	+28.5
ROE	**12%**	+1.5pt
ROI	**7%**	+1.1pt
D/E ratio	**0.6-0.7**times*2	-0.1-0.2pt
Dividend payout ratio	Non-disclosure	–
Profit growth*1	**11**% per year	–

Reference:

Brent crude oil prices	55 ($/bbl)
Naphtha price	45,000 (yen/KL)
Exchange rate	120.0 (yen/$)

Medium- to Long-term Targets
Over 10%
Over 7%
Approx. 0.7 times
Approx. 30%
Over 7% per year

*1 Compounded annual growth rate of net income from the last year of the previous Corporate Business Plan
*2 Including the effects of investments in strategic M&A

Q Could you provide an overview of the new Corporate Business Plan?

A Under the new Plan, we will work on our initiatives for further improving our business portfolio, generating more cash flow, and accelerating the launch of next-generation businesses, with the goal of achieving sustained growth.

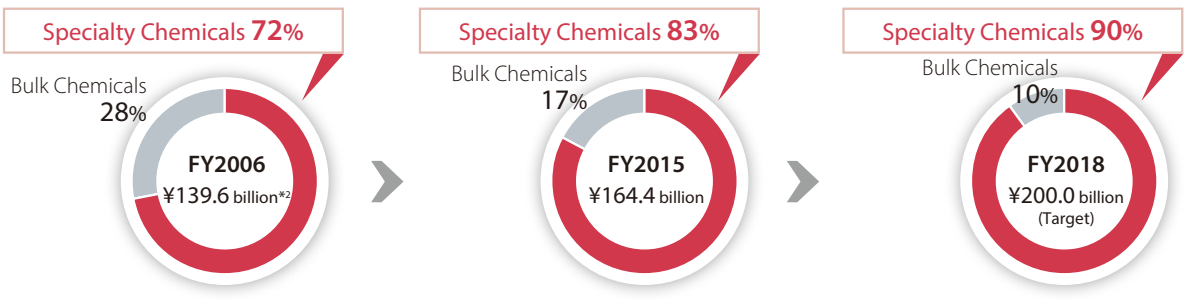
We will aim to achieve sustained growth by creating new value with innovative technologies. We will particularly work toward consistently achieving our medium- to long-term targets of ROE of 10% or higher, ROI of 7% or above, and a D/E ratio of around 0.7 times, along with a dividend payout ratio of approximately 30% and an annual profit growth rate of over 7%.

In October of last year, we reached the major milestone of the 100th anniversary of the start of our operations. 2016 is a year in which we set sail on the journey for our next century. In the new Corporate Business Plan that starts this fiscal year, we reaffirm our commitment to "creating new value by building on innovation," our basic principle set out in our Business Philosophy, and we are stepping up efforts to develop innovative technologies and business processes for creating new value. Our new slogan, "Create New Value," represents the second stage of our "Change and Innovation" efforts. Capitalizing on the robust financial strength we built in the previous Corporate Business Plan period, we are going to aggressively pursue growth opportunities and further spur our transformation into a more resilient Sumitomo Chemical that continues to grow regardless of changes in the business environment.

The basic policy of the new Corporate Business Plan includes further improving our business portfolio, generating more cash flow, and accelerating the launch of next-generation businesses. As an initiative for improving our business portfolio, we will invest our resources and expand businesses in fields where we can leverage our technological advantages, and will strive to establish a business portfolio that consistently yields profit above the cost of capital. We will also work to build and maintain robust earnings power to consistently generate strong cash flow and take advantage of large-scale investment opportunities when they arise. In addition, we will further accelerate the launch of next-generation businesses with the goal of achieving sustained growth through continual creation of new businesses.

For fiscal 2018, the final year of the new Plan, assuming an exchange rate of 120 yen/$ and a naphtha price of 45,000 yen/KL, we anticipate net sales of 2,540 billion yen, operating income of 200 billion yen, ordinary income of 210 billion yen, and net income attributable to owners of the parent of 110 billion yen, with an ROE of 12%, ROI of 7%, and a D/E ratio of 0.7 times.

Change in Business Portfolio (The Composition of Operating Income*1)



*1 The composition of operating income excludes the "Others" sector and elimination. *2 All-time high until fiscal 2014

Q Could you elaborate on how to achieve further improvements in your business portfolio?

A We will identify areas where we can leverage our technological advantages, and aggressively focus our resources on these areas.

Under the previous Corporate Business Plan, business restructuring was one of our priority initiatives. We restructured the businesses where there was concern about future profitability, while also directing our resources into areas where we had distinct competitive advantages. Now that we achieved as much progress as planned on the business restructuring efforts during the previous Plan period, under the new Corporate Business Plan we will step up efforts to further improve our business portfolio.

In particular, we will focus on the fields of environment and energy, ICT (Information and Communication Technology), and life sciences, identify areas in these fields where we can leverage our technological advantages, and concentrate our resources on these target areas to expand our businesses. Meanwhile, regarding areas where it is difficult to achieve differentiation based on technology, we will seek to enhance cost competitiveness and pursue asset efficiency with the aim of maximizing return on investment and mitigating risk from profit fluctuations.

During the new Plan period, we will consider investing a maximum of 400 billion yen, mainly in the businesses of battery materials, flexible display materials, methionine feed additive, and crop protection chemicals. In addition, if conditions are met, we will also consider spending up to 300 billion yen in strategic M&A to accelerate the expansion of our specialty chemicals business. At the same time, over the three-year period, we are going to invest 510 billion yen in R&D, primarily in the life science fields, such as the development of cancer stem cell inhibitors and next-generation blockbuster crop protection chemicals.

In this way, by aggressively investing our resources in areas where we have technological advantages, we will strive to further improve our business portfolio.

Further Improve Business Portfolio

Identify areas where we have distinct strength and competitive advantage

Areas for aggressive investment and expansion
- Where we have technological advantages
- Where we have market access advantages

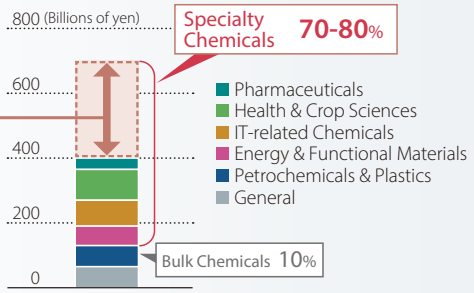
Focus resources on these areas (including M&A) → Expand businesses that consistently yield profit above the cost of capital

Areas for efficiency improvement
- Where it is difficult to achieve technological differentiation
- Where demand significantly fluctuates

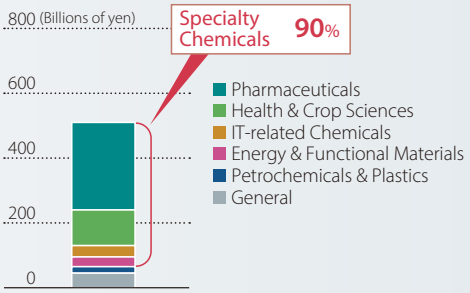
Enhance cost competitiveness and pursue asset efficiency → Achieve profit above the cost of capital
Maximize return on investment

Capital Expenditures and Investments (FY2016 – FY2018)

Strategic M&A
Decide on capital expenditures and investments totaling 400 billion to 700 billion yen in three years



R&D Expenses (FY2016 – FY2018)



Q Could you describe in greater detail your initiatives for strengthening the Company's ability to generate cash flow?

A We will step up efforts to enhance competitiveness and further reduce costs in our existing businesses, while also rigorously scrutinizing investment opportunities for risks and future cash flows.

Based on the robust financial strength built up under the previous Corporate Business Plan, we will work to boost competitiveness and implement further cost reductions in our existing businesses, make active and disciplined investments, and continue to streamline our balance sheet. And by doing so, we will develop robust earnings power to consistently generate strong cash flow and build sufficient cash reserves for seizing large-scale investment opportunities when they emerge.

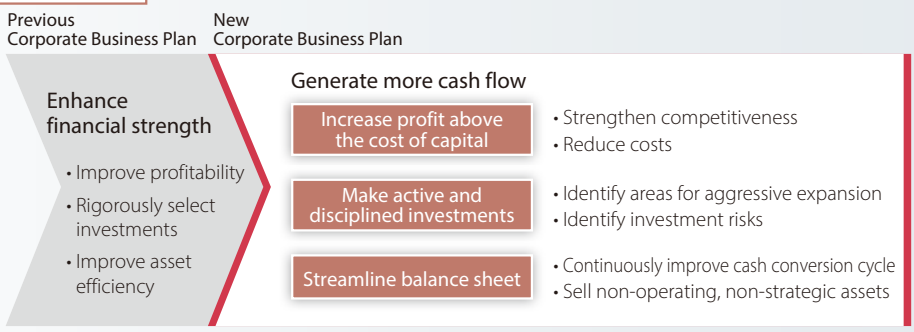
Our initiatives for increasing cost competitiveness include changing our work processes and styles so that they will be better suited to the IoT age, and thereby streamlining operations and raising productivity. We will also strive for a compact and strong headquarters and pursue further cost reductions across all our business activities. Meanwhile, we will make active investments while giving more rigorous scrutiny to new investment opportunities in terms of risks and expected future cash flows. In addition, to make our balance sheet leaner, we will work to further shorten the CCC and more closely examine our assets to identify underperforming assets that should be sold.

We will aim to generate cumulative cash flows from operating activities of 680 billion yen and free cash flows of 140 billion yen in the three years of the new Plan. We will also strive to reduce our interest-bearing liabilities to 850 billion yen and decrease the D/E ratio to 0.6 times as of the end of fiscal 2018. All these targets are based on our projected portfolio prior to carrying out any investment in strategic M&A that I have mentioned.

If we see free cash flows being created according to plan, we will consider implementing strategic M&A to accelerate the expansion of our specialty chemicals business and significantly improve our business portfolio. Even if we invest up to 300 billion yen in the strategic M&A, we will make use of cash on hand and accelerate asset sales to maintain a sound financial structure, with target levels for interest-bearing liabilities of one trillion yen or less and a D/E ratio of around 0.7 times as of the end of fiscal 2018.

Generate More Cash Flow

Build and maintain robust earnings power to consistently generate strong cash flow that allows us to take advantage of large-scale investment opportunities when they arise



Cash Flow Target

(Billions of yen)	FY2010-FY2012	FY2013-FY2015	FY2016-FY2018 Target*1
Cash flows from operating activities	472.3	716.4	680.0
Cash flows from investing activities	-445.7	-245.5	-540.0
Free cash flows	26.6	470.9	140.0

(Billions of yen)	End of FY2012	End of FY2015	End of FY2018 Target
Interest-bearing liabilities	1,060.6	831.5	850.0
D/E ratio (times)	1.4	0.8	0.6
Interest-bearing liabilities*2	—	—	Below 1,000.0
D/E ratio*2 (times)	—	—	Approx. 0.7

*1 Including investment in Rabigh Phase Ⅱ Project; not including investments in strategic M&A
*2 including the effects of investments in strategic M&A

Q What are the major next-generation businesses that you are developing as Sumitomo Chemical's future growth drivers?

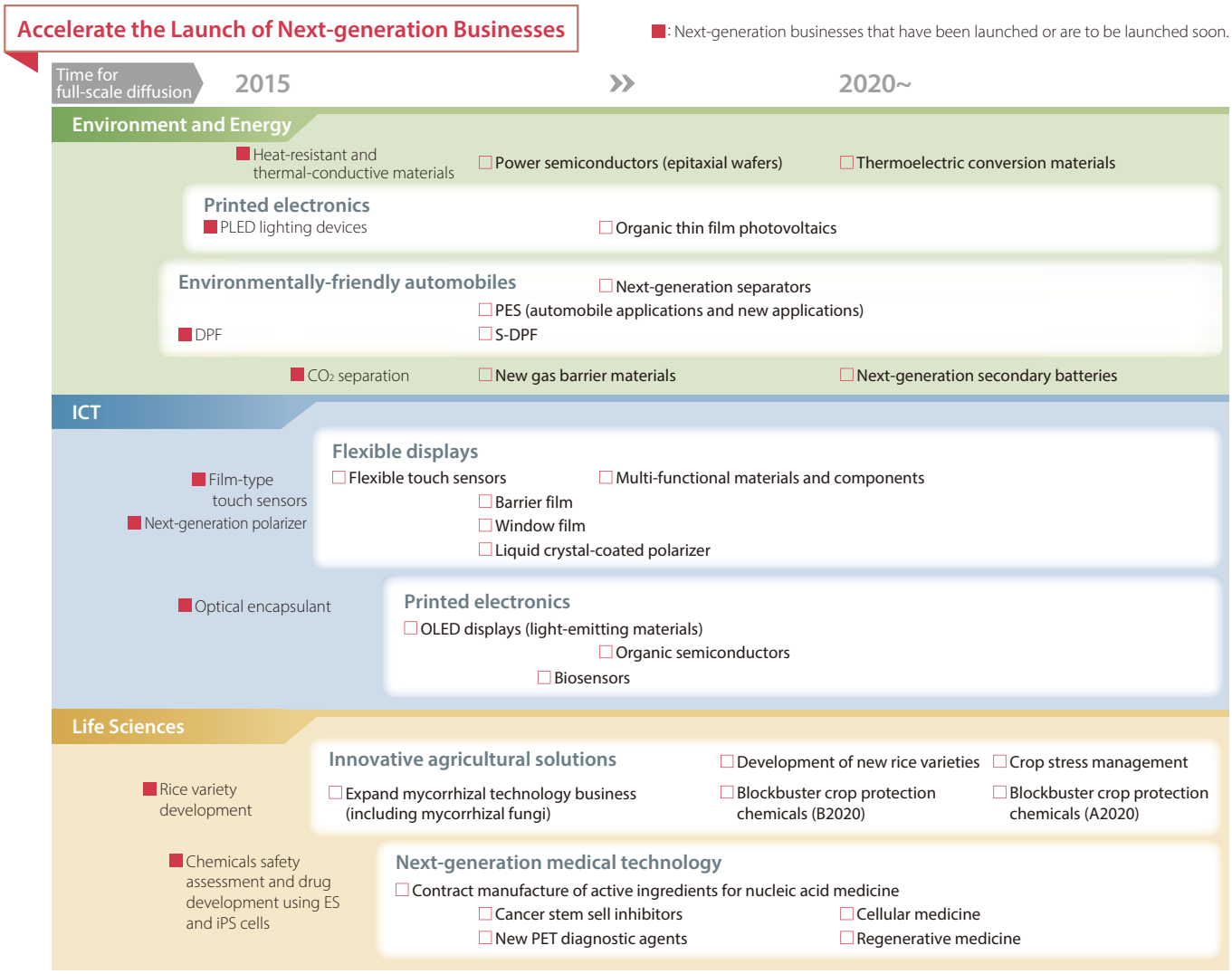
A

We are focusing on new product development in the fields of environment and energy, ICT and life sciences.

We are aggressively pursuing the development of next-generation businesses in the fields of environment and energy, ICT and life sciences, as well as in areas where these focus fields overlap. We see these as domains where strong growth is anticipated and where we can take advantage of our distinct strengths as a diversified chemical company.

In the environment and energy field, we are working to expand the use of super engineering plastics in automotive materials, while also developing new products, such as S-DPF for removing not only soot but nitrogen oxide from exhaust gas of diesel vehicles, as well as next-generation separators for batteries used in electric vehicles. To bring these newly developed products to market as soon as possible, we are stepping up our marketing efforts in the Energy & Functional Materials Sector established in fiscal 2014.

Our new business development efforts in the ICT field are focused on flexible displays and printed electronics. We particularly consider flexible touchscreen sensors, barrier films, window films and other flexible display materials as promising targets for which we can demonstrate our



broad technological capabilities, including our capabilities in developing new materials.

In the life science field, we are focusing on the development of new agricultural solutions, such as crop stress management technologies and next-generation blockbuster crop protection chemicals, as well as next-generation medical technologies, including cancer stem cell inhibitors, cell therapy medicine, and regenerative medicine.

As we work on the development of next-generation businesses, we will actively engage in open innovation with universities and emerging companies, and utilize alliances and M&A, in order to leverage external resources where needed and accelerate the development and commercialization of new products and technologies.

Q Are you working on any other initiatives to achieve sustained growth?

A We are working to further strengthen our corporate governance and are implementing various initiatives to enhance management oversight functions and improve transparency.

We at Sumitomo Chemical have a firm conviction that strong corporate governance is essential to ensuring that the Company stays on the path to sustained growth and improves its corporate value over the medium to long term.

To strengthen the oversight functions and improve transparency of the Company's Board of Directors, at the general shareholders meeting in June 2015 we increased the number of outside directors from one to three and appointed an accounting specialist as an outside corporate auditor. In October 2015 we established two non-mandatory committees, a director nomination committee and a remuneration committee, both made up of a majority of independent outside directors.

In addition, seeking to revitalize Board of Directors meetings, we have enhanced the reporting to the Board on the status of our business activity, raised the monetary threshold for referral to the Board for deliberation, and encouraged the Board to make full use of the monitoring, oversight, and advisory functions of outside directors. These measures have made our Board of Directors meetings considerably more active, promoting open and constructive discussions, and allowing the Board to devote more time than previous years to deliberating on each proposal or report.

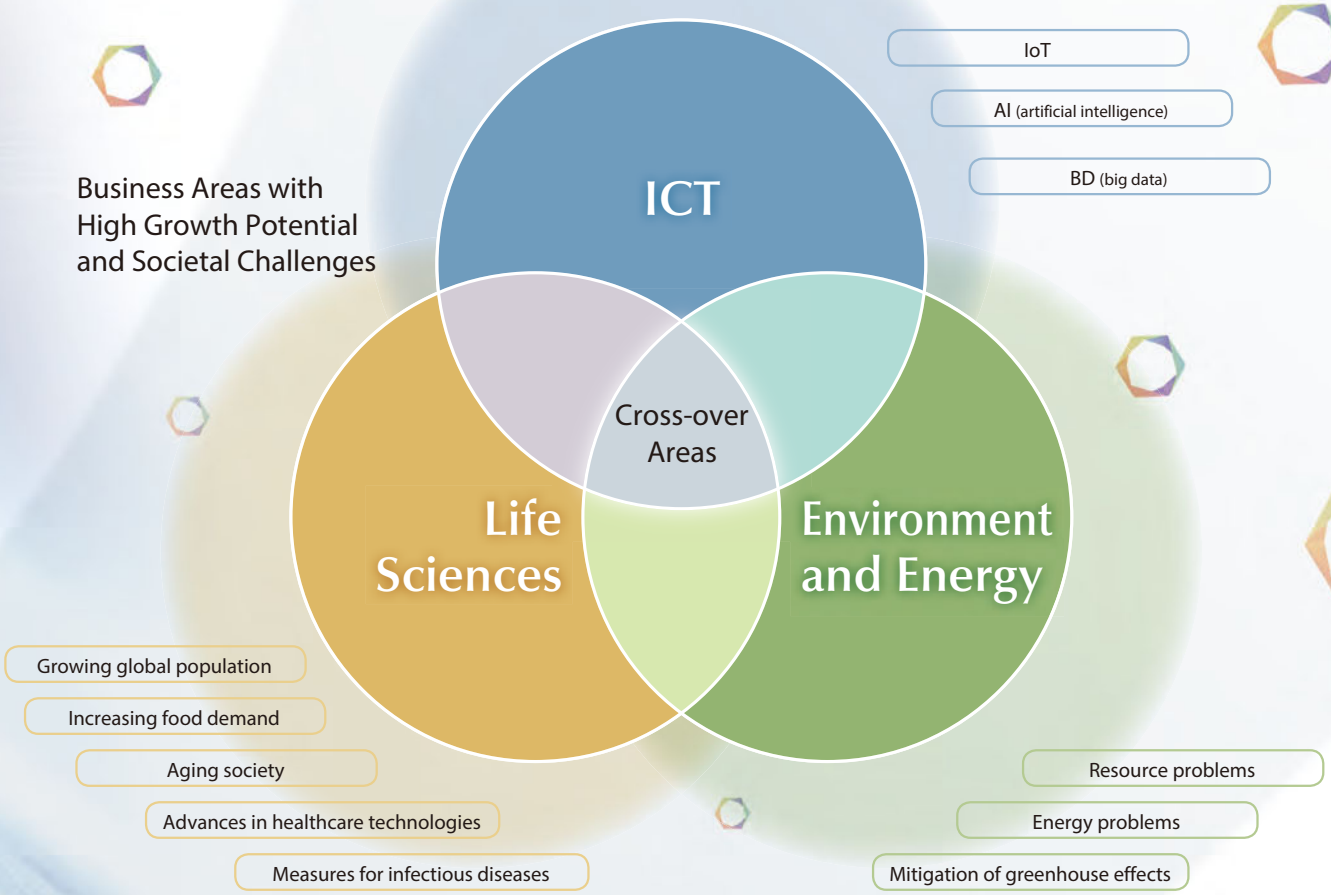
In February 2016, the outside directors met to assess the effectiveness of the Board, exchanging views regarding the configuration of the Board as well as how the Board of Directors meetings were administered and the effectiveness of Board deliberations. The outside directors gave this initiative a high mark. To achieve more effective corporate governance, we will continue to vigorously work on these initiatives.

Going forward we will step up efforts to further strengthen our corporate governance and strive hard for sustained growth. We would appreciate our stakeholders' continued support for Sumitomo Chemical.

Creating the Future

◯ Next-generation Core Technologies

Meeting Societal Challenges through Creative Hybrid Chemistry



Drawing on a Wide Range of Technologies to Develop Solutions

The mission of Sumitomo Chemical is the wide provision to the world of innovative technologies and products that take maximum advantage of the creative power of chemistry, contributing to the advance of human society and achieving sustained growth.

Sumitomo Chemical has established six core technologies by enhancing the technologies accumulated through a broad range of research activities over many years: Catalyst Design, Precision Processing, Organic & Polymer Material Function Design, Inorganic Material Function Design, Device Design, and Biological Mechanism Analysis. Our fundamental R&D strategy is to create innovative products and technologies by combining these core technologies and by merging technologies inside and outside the Company through open innovation, a process we call Creative Hybrid Chemistry.

Based on medium- to long-term economic and business environment forecasts, we anticipate strong growth in the three fields of Environment and Energy, ICT, and Life Sciences, and have chosen these as areas for best leveraging our strengths. Moreover, in areas where two or more of these three fields overlap, we believe we have an even greater advantage as a comprehensive chemicals manufacturer. By focusing R&D and other management resources on these three fields and areas of overlap, we plan to develop next-generation businesses that contribute to solving issues faced by society. We also aim to establish new core technologies resulting from the development of next-generation businesses in these three fields.

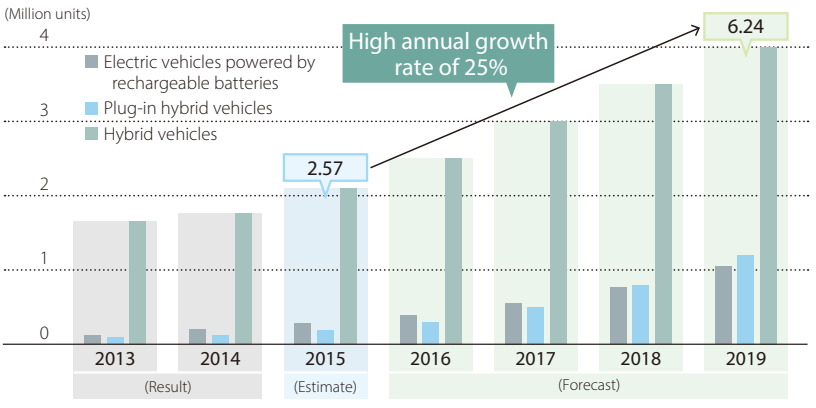
Focus

Environment and Energy

Taking on Environment and Energy Problems by Developing and Providing Advanced Materials

Eco-Car Demand Outlook

Demand for environmentally friendly vehicles is on the rise. The market for electric vehicles powered by rechargeable batteries, plug-in hybrids, and hybrid vehicles is forecast to increase from 2.57 million vehicles in 2015 to 6.24 million by 2019, as growth is expected to continue at a high annual rate of 25 percent.



(Source) "Battery-Related Market Survey 2015 Vol. 1" by Fuji Keizai


S-SBR


Separators


DPF

Development of Eco-Car Materials

Sumitomo Chemical develops, manufactures, and sells a variety of products in the environment and energy field. Among these, a major effort is being made to expand our eco-car materials business. Here we provide a broad lineup, including plastics that substitute for glass and metal to make vehicles lighter, solution styrene-butadiene rubber (S-SBR) for fuel-efficient tires, diesel particulate filters (DPF), and materials used in the lithium-ion secondary batteries that power electric vehicles.

For further contribution to lighter-weight vehicles, we are also developing structural materials using liquid crystal polymer, a super engineering plastic with outstanding thermal resistance, and S-DPF, a filter that removes nitrogen oxides as well as particulate matter. For electric vehicles, expected to see rapid demand growth, we are developing materials such as next-generation separators and cathode materials, for use in lithium-ion secondary batteries. Through ongoing provision of advanced functional materials and components as a materials manufacturer, we intend to contribute toward the development of automotive vehicles that are compatible with the environment.

Case

Meeting Increased Demand for Lithium-ion Secondary Battery Separators

Sumitomo Chemical separators achieve high thermal resistance, thanks to original technology for aramid coating of polyolefin film. Use of our separators makes it possible to manufacture larger-capacity batteries, increasing the range of electric vehicles between charges.

To meet the growing demand for application to electric vehicles, we have been steadily increasing production capacity at our existing Ohe Works (Ehime) and are building a new plant in South Korea. Completion of the South Korea plant in fall of 2016 is expected to double our separator production capacity from the level at the beginning of fiscal 2015, and further capacity boosts are being considered.

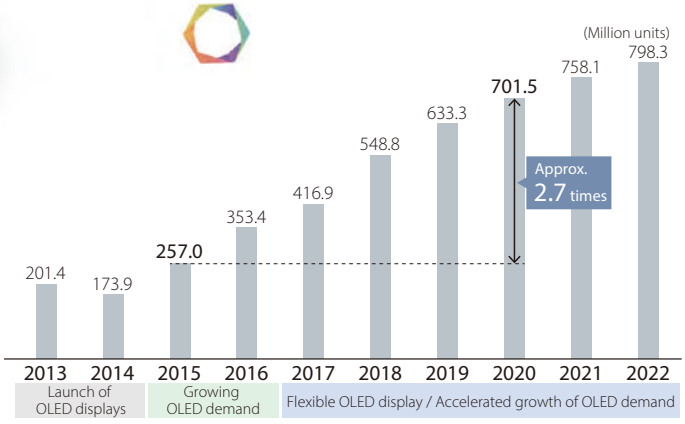

Separator plant under construction in Daegu, South Korea

Focus
ICT

Improving the Comfort of Life with Leading-edge Technologies

Demand Outlook for Smartphone OLED Displays

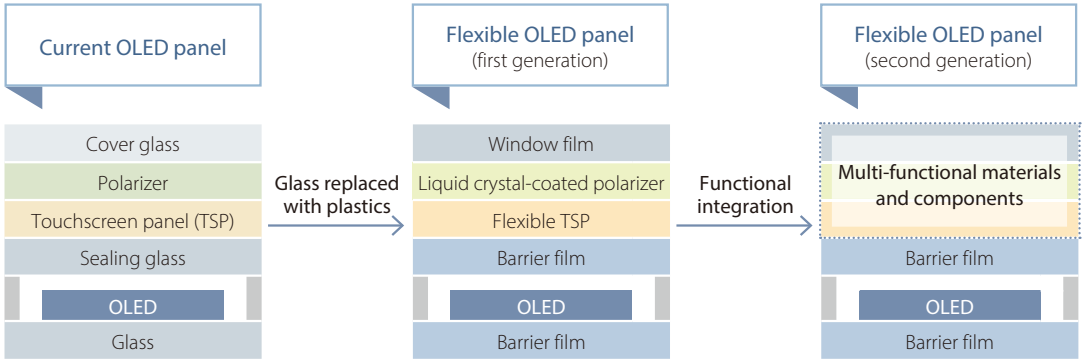
OLED (organic light-emitting diode) displays are drawing interest for their brilliant natural images, adaptability to flexible screens, and other advantages. Smartphones equipped with OLED displays are expected to increase greatly, from 257 million units in 2015 to 701.5 million in 2020.



(Source) IHS Technology "Results based on IHS Technology Display Long Term Demand Forecast Tracker - Q1 2016*"

* Results based on IHS Technology Display Long Term Demand Forecast Tracker - Q1 2016. Results are not an endorsement of Sumitomo Chemical. Any reliance on these results is at the third party's own risk. Visit www.technology.ihs.com for more details.

Commercialize Flexible Display Materials and Components



Development and Marketing of Organic Electroluminescent Materials

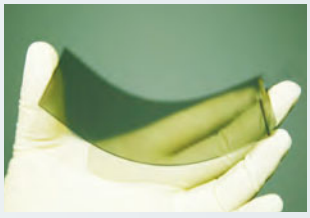
OLED displays are forecast to see growing demand for next-generation displays. Sumitomo Chemical develops, manufactures, and sells a variety of materials used in these displays. Sales of touchscreen panels for OLED screens, used for smartphone input, have grown rapidly in recent years, as have sales of polarizing films for OLED displays.

Today, flexible OLED display screens are being developed, capable of bending and folding. Our Company is carrying out development of various materials and parts for these flexible displays, including window film, liquid crystal-coated polarizer, flexible touchscreen panels, and barrier films. Drawing on our materials development capability as a comprehensive chemicals manufacturer, and the fabrication technology from our display materials business, we intend to contribute toward the realization of flexible displays and other unprecedented devices.

Case **Film-based Touchscreen Panel (TSP)**

Sumitomo Chemical got started in the business of touchscreen panels for OLED use in 2012, applying technologies from the manufacturing of color filters.

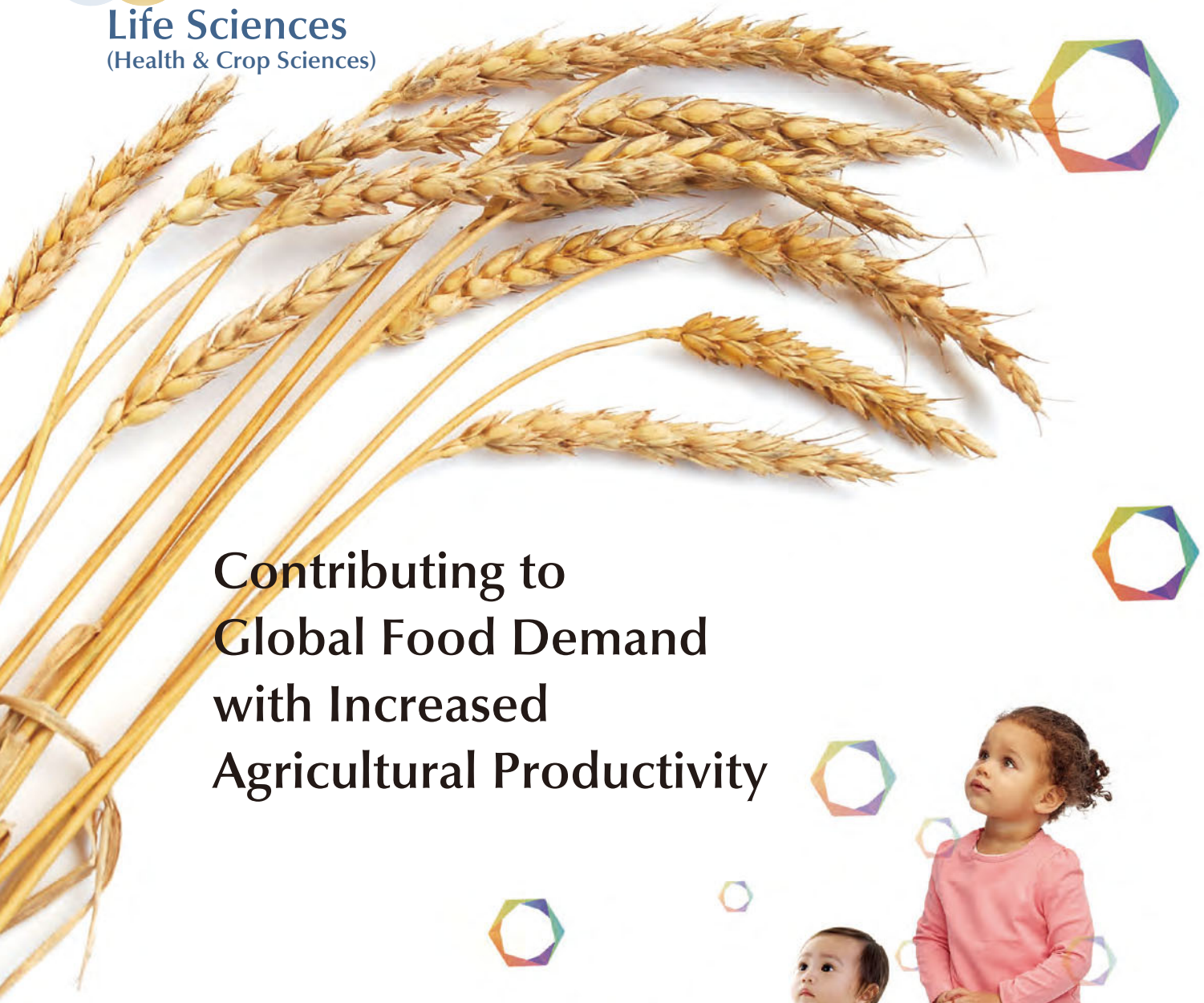
In 2015, we brought to the market a new product using film in place of glass for the substrate. Since TSP with film substrates can bend, they are being adopted in displays with curved edges, and are seeing increased demand for high-end smartphones. Currently we are conducting R&D on foldable TSPs as the next-generation product.



Film-based touchscreen panel (TSP)

Focus

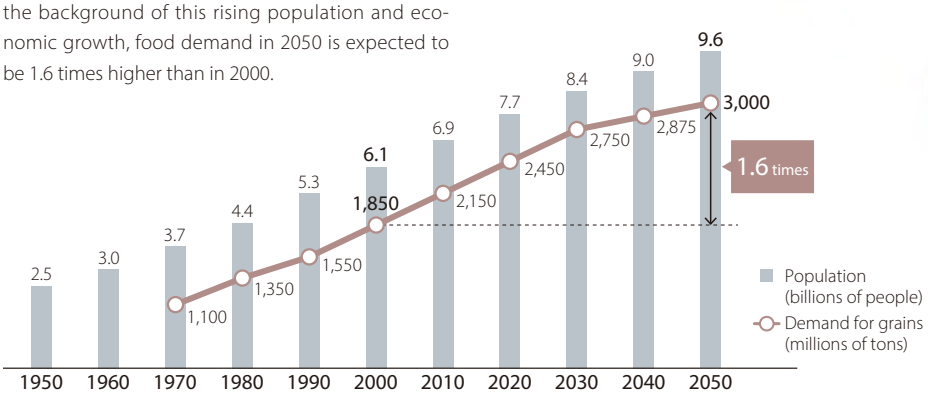
Life Sciences
(Health & Crop Sciences)



Contributing to Global Food Demand with Increased Agricultural Productivity

World Population and Grain Demand

By 2050 the world population is forecast to reach 9.6 billion, an increase by 3.4 billion from 2000. Against the background of this rising population and economic growth, food demand in 2050 is expected to be 1.6 times higher than in 2000.



(Source) FAO, "World agriculture: towards 2030/50"; UN Population Fund

Overview of Biorationals Products

Microbial pesticides	Plant growth regulators	Microbial agricultural materials
Natural, microbially derived pesticides applicable to organic farming	Crop protection products improving crop yield and quality	Soil improvement and crop enhancement products based on mycorrhizal fungi, micro-organism symbiotic with crop roots, enabling water and nutrient uptake to be more effective.
Our strengths ● Superior BT (Bacillus thuringiensis) strains ● Outstanding production (fermentation) expertise	**Our strengths** ● Pioneer of the plant growth regulator business ● Selling a wide range of plant growth regulators in more than 90 countries ● Capabilities to develop new markets by creating new solutions	**Our strengths** ● Technology for mass production of mycorrhizal fungi ● Expertise and proven track record for applying mycorrhizal fungi for a wide range of crops

Expansion of Biorational Business

Sumitomo Chemical, by providing crop protection products and biorational products globally, is helping to meet the growing worldwide demand for reliable supply of safe food. Biorational products and solutions, derived from natural sources, include microbial pesticides that protect crops from pests, and plant growth regulators and microbial agricultural materials that improve crop quality and yields. Sales of microbial pesticides should grow with rising demand for organic foods in developed countries, while sales of plant growth regulators are expected to benefit from increased demand for high-quality fruits and vegetables.

To expand business in this area, in July 2014 we built a new plant for producing active ingredients for microbial pesticides; and in March 2015 we acquired Mycorrhizal Applications, a company that develops microorganism-based crop enhancement products. In April 2015 we began taking steps to integrate the crop protection chemicals business operations with the biorational business operations, from research to marketing, and completed this integration in April 2016. Leveraging the synergies between chemical and biorational products, we will seek to develop unique, innovative solutions that contribute to increased food production and the reliable production of safe agricultural crops.

Case

Acquisition of US Microorganism-based Crop Enhancement Products Firm

In March 2015 we acquired Mycorrhizal Applications, a US company that manufactures and sells products using mycorrhizal fungal inoculum for soil improvement and plant growth enhancement. Mycorrhizal fungi are effective microorganisms in soil that colonize plant roots and enable plants to absorb water and nutrients more efficiently. Mycorrhizal fungi can reduce the need for irrigation and fertilization, which leads to crop production at lower cost. Mycorrhizal fungal inoculum products are especially effective under abiotic stress condition and help secure a stable supply of farm products. Less fertilizer use also means reduced phosphorus leaching to rivers, which is beneficial from an environmental standpoint.

Spreading plant roots

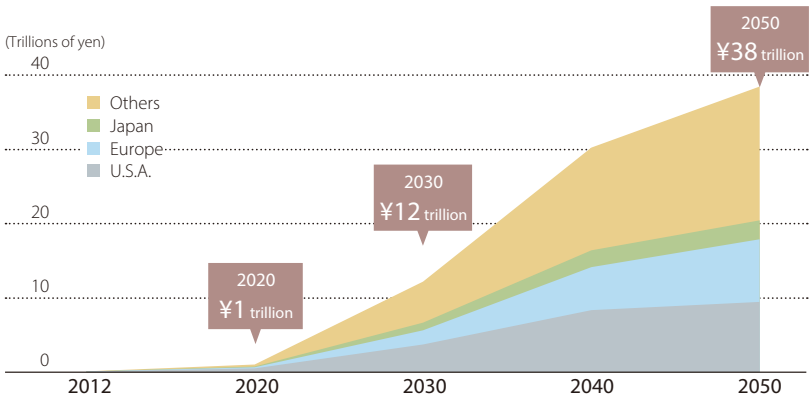
Focus

Life Sciences
(Pharmaceuticals)

Applying Leading-edge Science to Drug Discovery for Better Quality of Life

Market Scale Forecasts for Regenerative Medicine (Worldwide)

Regenerative medicine, using cultured cells to restore the functioning of human organs or tissue lost to illness or injury, has only recently started to become commercially viable. The worldwide market scale, however, is forecasted to reach ¥12 trillion by 2030 and ¥38 trillion by 2050.



(Source) Seed Planning, Inc.

Regenerative Medicine / Cell Therapy Business Plan (As of May 2016)

	Partnering	Target market	Cell type	Schedule for practical use (calendar year) 2016	2017	2018	2019	2020
Chronic Stroke	SanBio	North America	Allogeneic Mesenchymal stem cells	Ph Ⅱb			Ph Ⅲ	Approval (target)
Age-related macular degeneration	Healios RIKEN	Japan	Allogeneic iPS cell	Clinical research		Investigator-initiated clinical trial		Approval (target)
Parkinson's disease	Kyoto University CiRA	Global	Allogeneic iPS cell	Clinical research or clinical trial				
Retinitis pigmentosa	RIKEN	Global	Allogeneic iPS cell			Investigator-initiated clinical trial		
Spinal cord injury	Keio University, Osaka National Hospital	Global	Allogeneic iPS cell				Clinical research	

Early Commercialization of Regenerative Medicine / Cell Therapy

The Sumitomo Chemical Group is applying induced pluripotent stem cells (iPS cells) and other leading-edge science to drug discovery, and strengthening our engagement in regenerative medicine and cell therapy medicine, as we take on the challenge of developing therapeutic drugs for treatment of incurable diseases.

Subsidiary Sumitomo Dainippon Pharma, at its Kobe Regenerative & Cellular Medicine Center, is carrying out research on induced differentiation of iPS cells and on efficient methods for producing induced cells of various kinds. Research is also being conducted at our Environmental Health Science Laboratory on induced differentiation techniques related to ES and iPS cells. We are further tying up with academia and venture firms toward early commercialization of regenerative and cell therapy medicine.

Clinical trials of a therapeutic drug for chronic stroke are under way in the US aimed at obtaining approval by 2020. In Japan, meanwhile, RIKEN is conducting clinical research for age-related macular degeneration. Making use of leading-edge medical technology and new treatment methods, our goal is to help raise the quality of life.

Case **Engagement in Regenerative Medicine / Cell Therapy Area**

At a cell processing center in its Kobe Regenerative & Cellular Medicine Center, Sumitomo Dainippon Pharma will create cell banks of iPS cells (stocks of iPS cells for use in manufacturing investigational drugs and trying out production methods). The iPS cells in the manufactured cell banks will be used to develop therapeutic drugs for diseases such as spinal cord injury, age-related macular degeneration, Parkinson's disease, and retinitis pigmentosa. The cell processing center is currently being readied, on the way to full operation by the end of fiscal 2017. By coming up with efficient methods for producing cells, we are looking to get into the regenerative medicine / cell therapy area.

Working on cell production equipment

At a Glance

◆ Petrochemicals & Plastics

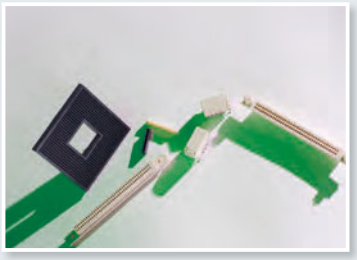
» page 32

Petro Rabigh's integrated refining and petrochemical complex

Polypropylene bumper

◆ Energy & Functional Materials

» page 34

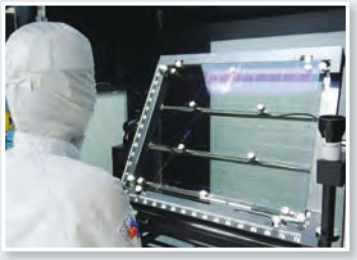


Super engineering plastics

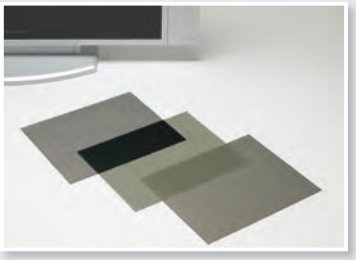
High-purity alumina products

◆ IT-related Chemicals

» page 36



Touchscreen panels



Polarizing films

◆ Health & Crop Sciences

» page 38

Crop protection products

DL-methionine and methionine hydroxy analog

◆ Pharmaceuticals

» page 40

Atypical antipsychotic LATUDA®

PET procedure

Business Summary	Major Products	Creating Value for Society

Petrochemicals & Plastics

Sumitomo Chemical's Petrochemicals & Plastics Sector engages in the development, manufacture and sale of polyethylene (PE), polypropylene (PP) and methyl methacrylate (MMA). We are working to strengthen our competitiveness and profitability by further globalizing and shifting toward higher value-added applications.

- Acrylonitrile
- Caprolactam
- Aniline
- Methanol
- Methyl methacrylate monomer and polymer
- Nitric acid
- Caustic soda
- Ethylene
- Propylene
- Propylene oxide
- Polyethylene
- Polypropylene
- Ethylene-vinyl acetate copolymer
- Acrylonitrile butadiene styrene copolymer
- Polypropylene sheets
- Polypropylene compounds

Supporting people's daily lives

Energy & Functional Materials

Sumitomo Chemical's Energy & Functional Materials Sector engages in the development, manufacture and sale of high-purity alumina, diesel particulate filters (DPF), resorcinol, solution styrene-butadiene rubber (S-SBR), super engineering plastics, heat-resistant separators and other products. We are speeding up business development by making clear our customer-oriented mindset, and by creating markets ourselves.

- Aluminum hydroxide
- Alumina
- Styrene-butadiene rubber
- Ethylene-propylene-diene rubber
- High-purity aluminum
- Resorcinol
- Aluminum
- Polymer additives
- High-purity alumina
- Organic rubber chemicals
- Dyestuffs
- Ethylene-vinyl acetate copolymer emulsions
- Super engineering plastics
- Heat-resistant separators

Addressing environmental and energy problems

IT-related Chemicals

Sumitomo Chemical's IT-related Chemicals Sector seeks to achieve further business expansion by developing innovative technologies in key areas, such as polarizing films and other liquid crystal display (LCD)-related materials, touchscreen panels and photoresists.

- Polarizing films
- Color filters
- Color resists
- Light-guide plates
- Processing chemicals for LCD panels
- Touchscreen panels
- Photoresists
- High-purity chemicals
- Sputtering targets
- Compound semiconductors

Developing the ICT industry

Health & Crop Sciences

Sumitomo Chemical's Health & Crop Sciences Sector engages in the development, manufacture and sale of crop protection products and fertilizers, household and public hygiene insecticides, products for controlling tropical infectious diseases, feed additives for poultry, and pharmaceutical chemicals. We make strategic investments to further globalize our business and contribute to increased food production, the promotion of health, better sanitation and the improvement of the environment.

- Crop protection products (insecticides, fungicides, herbicides and plant growth regulators)
- Biorational crop protection products
- Biorational crop enhancement products
- Fertilizers
- Household insecticides
- Public hygiene insecticides
- Products for controlling tropical infectious diseases
- Ectoparasiticides for use in the animal health field
- Feed additives
- Active pharmaceutical ingredients
- Pharmaceutical intermediates
- Rice

Contribute to solving global issues related to food, health, hygiene, and the environment

Pharmaceuticals

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

- Ethical pharmaceuticals
- Radiopharmaceuticals
- RI therapy products

Improving people's quality of life

At a Glance

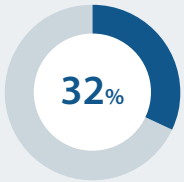
Composition of Sales*

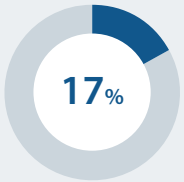
Composition of Operating Income*

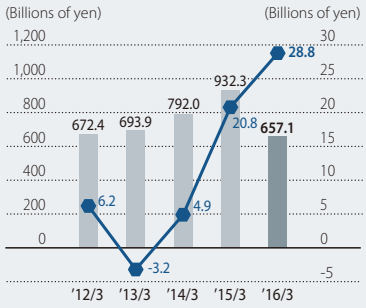
Sales (left axis)
Operating Income (Loss) (right axis)

◆ Petrochemicals & Plastics

» page 32







◆ Energy & Functional Materials

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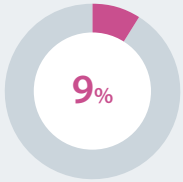
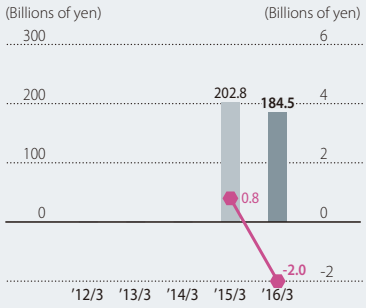
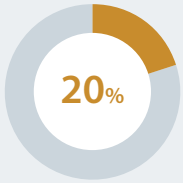
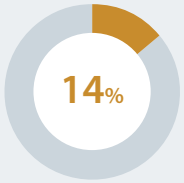


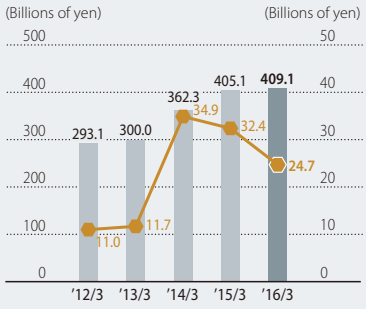


◆ IT-related Chemicals

» page 36







◆ Health & Crop Sciences

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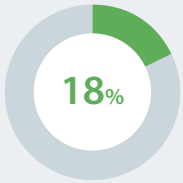

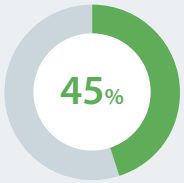

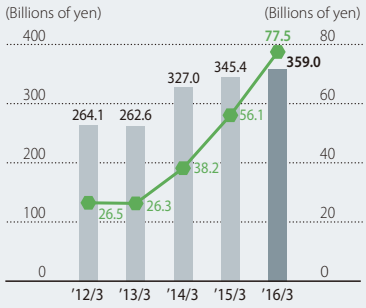

◆ Pharmaceuticals

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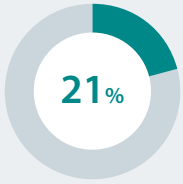
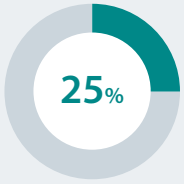
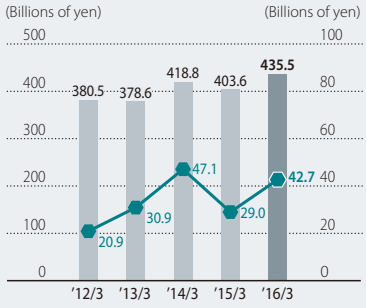
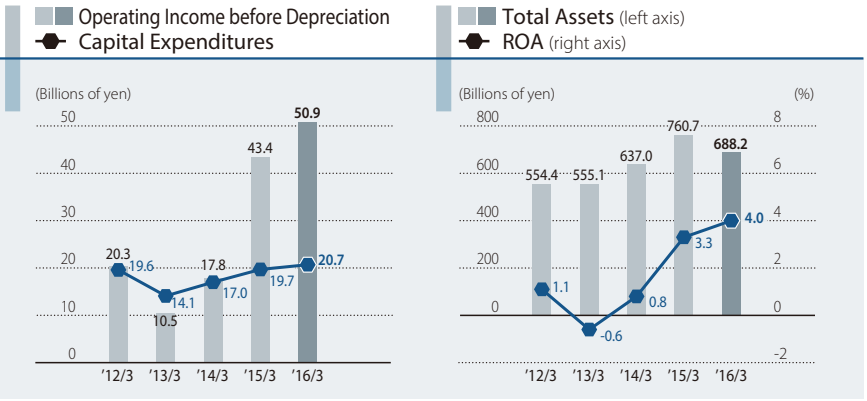
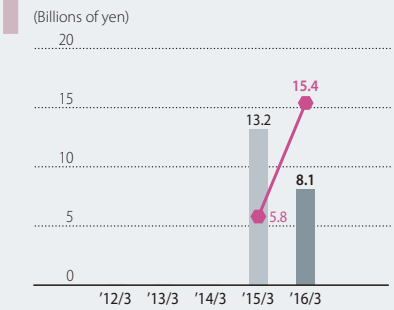
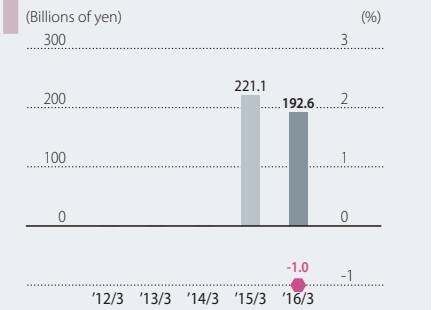


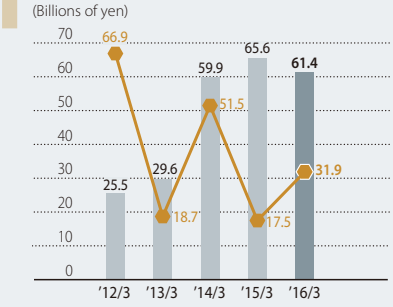


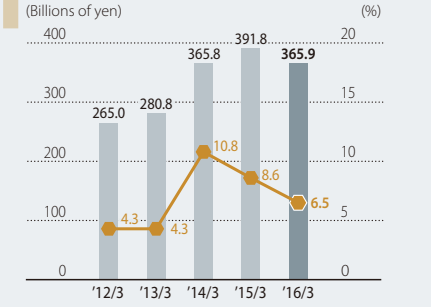


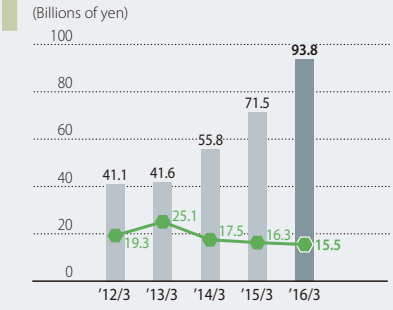


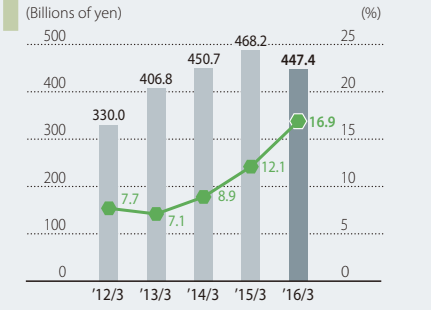


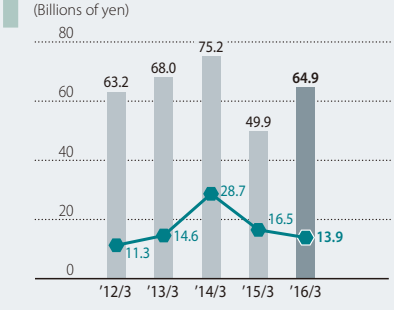


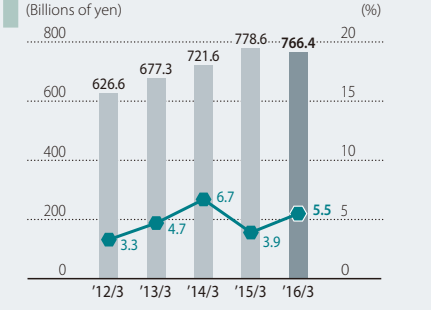






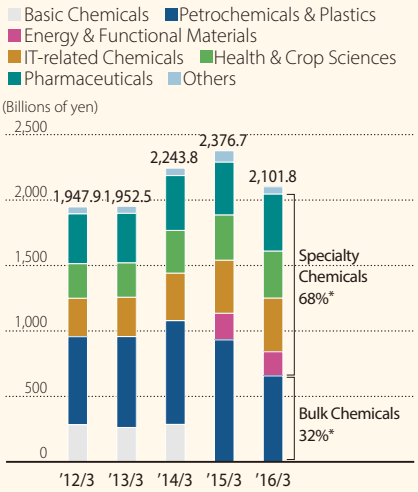




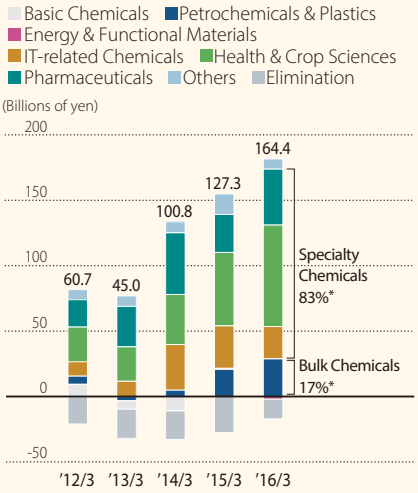


* Excluding "Others" and adjustment amount

Sales by Business Sector



Operating Income by Business Sector



Change in Business Sector Classification Methods

As of April 1, 2015, the Basic Chemicals Sector was eliminated and businesses in this sector were split and transferred to the Petrochemicals & Plastics Sector and the Energy Functional Materials Sector that was established as a new business sector. In addition, a part of businesses in the Petrochemicals & Plastics Sector was transferred to the Energy & Functional Materials Sector. Inorganic chemicals, raw materials for synthetic fibers, organic chemicals, and methyl methacrylate that had been included in the Basic Chemicals Sector were transferred to the Petrochemicals & Plastics Sector. Alumina products, aluminum, functional materials, additives, and dyes that had also been included in the Basic Chemicals Sector were transferred to the Energy & Functional Materials Sector. In addition, synthetic rubber that had been included in the Petrochemicals & Plastics Sector was transferred to the Energy & Functional Materials Sector. The business sector categorization of one of consolidated subsidiaries has been changed. For comparison, the figures for fiscal 2014 have been adjusted to reflect the organizational revision as of April 1, 2015, except for return on assets in the Petrochemicals & Plastics Sector, the Energy & Functional Materials Sector, and the Health & Crop Sciences Sector.

To further strengthen the Energy & Functional Materials business, as of April 1, 2016, battery materials and engineering plastics that had been included in the IT-related Chemicals Sector were transferred to the Energy & Functional Materials Sector. The presentations in this chapter (pages 28-29, 32-43) assume the division into sectors following the changes on April 1, 2016 to aid in understanding of business strategy under the new sectors.

◆ Petrochemicals & Plastics

Long-term Goal

Provide Customers with New Solutions Based on High Value-added Products

Tomohisa Ohno
Representative Director & Senior Managing Executive Officer,
Rabigh Project, Petrochemicals & Plastics Sector

Corporate Business Plan: Business Strategy

FY2018 Target

Net Sales	¥800 billion
Comparison with FY2015	+¥142.9 billion
Operating Income	¥21 billion
Comparison with FY2015	–¥7.8 billion

Action Plan

- Further increase the efficiency of the plants in Japan
- Enhance the supply of high value-added products from the Singapore complex
- Maintain stable operation at Petro Rabigh and promptly start up the Rabigh Phase Ⅱ Project

Major Issues

- Assess the competitiveness of vapor-phase process caprolactam plant
- Develop drastic profit improvement measures for the MMA business, including possible shift of raw materials

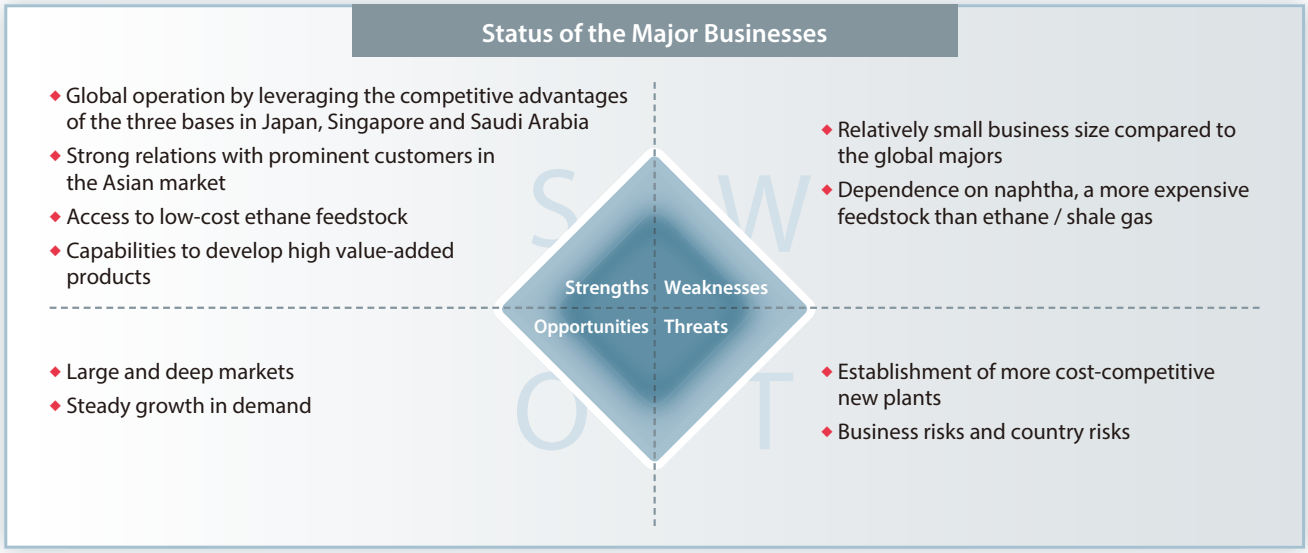
Sumitomo Chemical's Petrochemicals & Plastics Sector engages in the global development, manufacture, and sale of polyethylene (PE), polypropylene (PP), methyl methacrylate (MMA) and other products with manufacturing bases in Saudi Arabia, Singapore, and Japan.

The Company got started in the petrochemical business in 1958. Responding to customer demands, we developed new products and new processes while boosting production capacity, and have succeeded in expanding our business ever since. Over the years since starting operation of ASEAN's first petrochemical complex in Singapore in 1984, we have built up excellent relations with blue chip customers in the Asian region. Since 2009, we have also been producing highly cost-competitive petrochemical products in Saudi Arabia, taking advantage of the low prices of raw materials and fuel in that region. In such ways, our petrochemical business has made major advances at intervals of approximately 25 years. Among the advantages we bring to the petrochemical business are the ability to develop high value-added products, our excellent customer assets in the Asian markets, and our access to low-cost resources in Saudi Arabia.

Global demand for petrochemical products is expected to expand steadily with economic growth. Based on the Corporate Business Plan starting this fiscal year, we are taking steps to strengthen efficient plant operations in Japan, expand the supply of high value-added products from Singapore, and maintain stable operation of facilities in Saudi Arabia while achieving the early startup of the Rabigh Phase Ⅱ Project there. At the same time, we are reviewing the competitiveness of the caprolactam business, faced with deteriorating supply-demand conditions, and plan to study measures for fundamentally improving profitability of the methyl methacrylate (MMA) business, currently suffering from reduced cost-competitiveness.

We will continue operations in Saudi Arabia, Singapore, and Japan that draw on the particular strengths of each base, seeking to maximize earnings.

Status of the Major Businesses



Polyolefin Business (Polyethylene and Polypropylene)

Global PE demand is estimated at 85 million tons per year, and is expected to grow at an annual rate of 3%. Global PP demand is estimated at 58 million tons per year, and is expected to grow at an annual rate of 5%. We operate PE and PP manufacturing facilities in Japan, Singapore and Saudi Arabia with a combined production capacity of 1.51 million tons per year for PE and 1.68 million tons per year for PP. 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, as well as PE for protective films, both of 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. As for PP, 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.

MMA Business

MMA polymer, which offers outstanding transparency and weather resistance, is an excellent material for a broad range of uses, such as light-guide plates for LED televisions and other optical components, as well as automotive applications, showcases, and outdoor signboards. With the economic expansion in Asian countries, particularly China and India, demand in Asia for MMA polymer is estimated at 700,000 to 800,000 tons per year, and is expected to grow at an annual rate of 3 to 4%. As Asia's major MMA producer, we continue to enhance the competitiveness of our entire MMA product chain, from monomer and polymer to finished sheets.

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. In the Rabigh Phase I Project, the complex utilizes crude oil and highly cost-competitive ethane as primary feedstocks to produce a variety of refined petroleum products and petrochemical products. In addition, production facilities of the Rabigh Phase Ⅱ Project are now under construction to produce a variety of high value-added petrochemical products and further strengthen the competitiveness of the Rabigh complex. Some facilities of the Rabigh Phase Ⅱ Project such as utility facilities and an upgraded ethane cracker have already started operations.

◆ Energy & Functional Materials

Long-term Goal

Contribute to Solving Environmental and Energy Issues on a Global Scale, with the Customer-oriented Mindset and Commitment to "Offering Materials that are Sought after"

Hiroshi Ueda
Representative Director & Senior Managing Executive Officer,
Energy & Functional Materials Sector

Corporate Business Plan: Business Strategy

FY2018 Target

Net Sales	¥260 billion
Comparison with FY2015	+¥51 billion
Operating Income	¥18 billion
Comparison with FY2015	+¥15.2 billion

Action Plan

- Promptly make the major investment projects profitable
- Shift to high value-added products
- Accelerate the launch of new products and promptly make them profitable

Major Issue

- Develop new businesses in the environment, energy, high-functional material areas

The Energy & Functional Materials Sector of Sumitomo Chemical develops, manufactures, and sells high-purity alumina, resorcinol, solution styrene-butadiene rubber (S-SBR), super engineering plastics, battery materials, and other products.

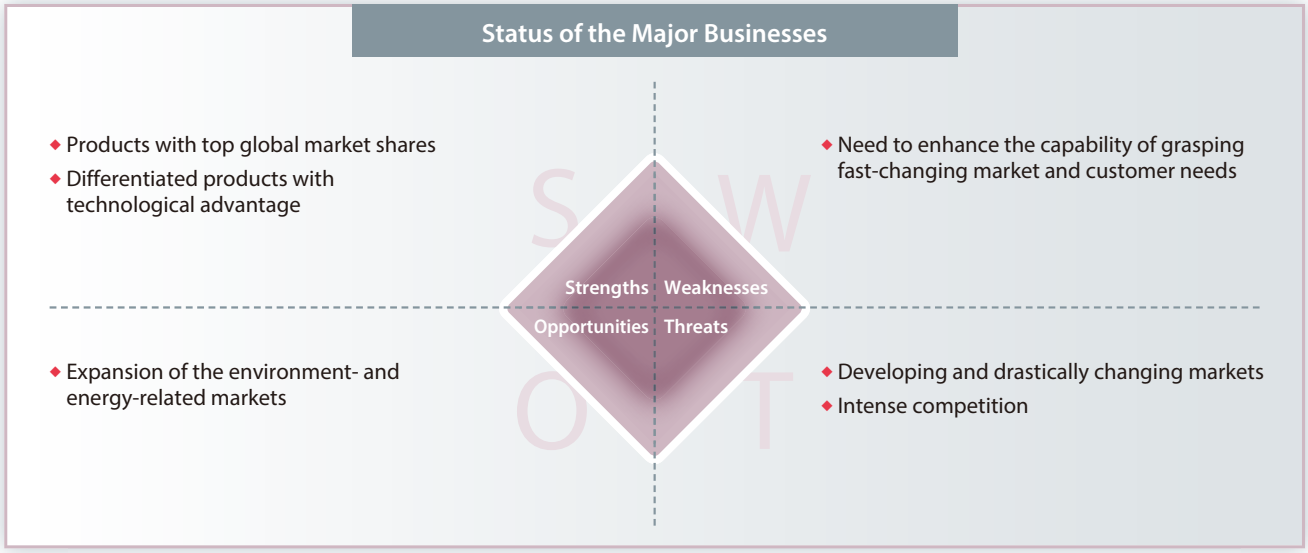
The Company established this sector in April 2015 with the aim of developing business in the environment and energy field, where we see high growth potential. To further strengthen the business base and accelerate the development of this sector, we transferred engineering plastics and battery materials, including separators, to this sector from the IT-related Chemicals Sector in April 2016. This sector boasts products with top global market shares, among them high-purity alumina and resorcinol. It also has various products with unique advantages over competing products, such as the high thermal resistance of our separators. The strength of this sector comes from our product development ability and manufacturing technologies for such standout products.

The environment and energy field has the promise of strong market growth; but as the markets for many products in this field are still in their infancy, it is also a field that can expect sudden market changes and fierce competition.

Based on the Corporate Business Plan that starts this fiscal year, we intend to strengthen our marketing efforts, adopting a mindset of paying close attention to customer needs, so that we can expand product sales, realize an early return on past large investments, and engage in developing highly competitive new products with high added value so as to enhance profitability.

The way we will expand the business scale of this sector is by creating new value through timely provision to customers of the materials they need and by helping to solve global environmental and energy problems.

Status of the Major Businesses



Advanced Polymers Business

We manufacture and sell super engineering plastics including liquid crystal polymer (LCP) and polyethersulfone (PES). LCP is used mainly in connectors and other electronic parts, taking advantage of its outstanding thermal resistance, flowability, and dimensional stability. PES, with excellent flame resistance, thermal resistance, and dimensional stability, is used mainly in carbon fiber composite materials in aircraft. Use of both polymers in automotive components is expected to grow, as both feature light weight and make possible lower processing costs. By developing new applications for polymers that can benefit from their superior properties, we hope to expand sales of these products.

Resorcinol Business

We manufacture and sell various chemical products such as resorcinol and polymer additives. Resorcinol is primarily used as a raw material for adhesives for bonding tire rubber with reinforcing material and for wood used in construction applications. Worldwide demand for resorcinol is estimated at 60,000 tons. As the world's top manufacturer of resorcinol, we have an annual production capacity of 30,000 tons and supply highly cost-competitive resorcinol by taking advantage of our outstanding manufacturing technology and production capacity.

Inorganic Materials Business

We provide distinctive high-performance inorganic materials using our advanced technologies for precisely controlling such physical properties as particle size and form. Sumitomo Chemical is the world's leading manufacturer of high-purity alumina. In recent years, there has been increasing demand for our alumina products for use in new applications, such as lithium-ion secondary battery materials, sapphire substrates for LEDs, and high thermal conductive fillers.

We also manufacture and sell diesel particulate filters (DPF) for diesel engine passenger vehicles, fine alumina for glass substrates used in such products as liquid crystal displays (LCDs), as well as aluminum hydroxide for artificial marble and other products.

Battery Materials Business

We manufacture and sell separators for lithium-ion secondary batteries and are also developing cathode materials. Our heat-resistant separators are highly valued by battery manufacturers for their high heat resistance, reliability and safety, and are used in a wide range of applications. As high-capacity lithium-ion secondary batteries can be produced by the use of our separators, demand for our separators is rising sharply for use in high-capacity batteries for eco-cars such as electric vehicles. Our new plant, now under construction in South Korea, is scheduled to start producing separators in the autumn of 2016. We are also considering further expanding production capacity to meet growth in demand.

We are also developing low-resistance, high-capacity cathode materials targeting automotive applications.

◆ IT-related Chemicals

Long-term Goal

Deliver New Value that Responds to the Changes in the ICT Industry by Leveraging Our Material Development Capabilities in Collaborative Development with Customers

Toshihisa Deguchi
Representative Director & Senior Managing Executive Officer,
IT-related Chemicals Sector

Corporate Business Plan: Business Strategy

FY2018 Target

Net Sales	¥490 billion
Comparison with FY2015	+¥105.5 billion
Operating Income	¥34 billion
Comparison with FY2015	+¥14.1 billion

Action Plan

- Secure sustainability of the polarizer business
- Expand the touch sensor business
- Expand the semiconductor materials business

Major Issue

- Develop a new core business in addition to the polarizer and touch sensor businesses

The IT-related Chemicals Sector of Sumitomo Chemical develops, manufactures, and sells polarizing films, touchscreen panels and other display components as well as products such as photoresists and compound semiconductors.

This sector was created in 2001, bringing together the information electronics-related operations that were scattered in various divisions up to that time, in order to build up IT-related chemicals business into a future pillar supporting the Company. Since that time, the business scale has expanded in parallel with growth of the liquid crystal display market.

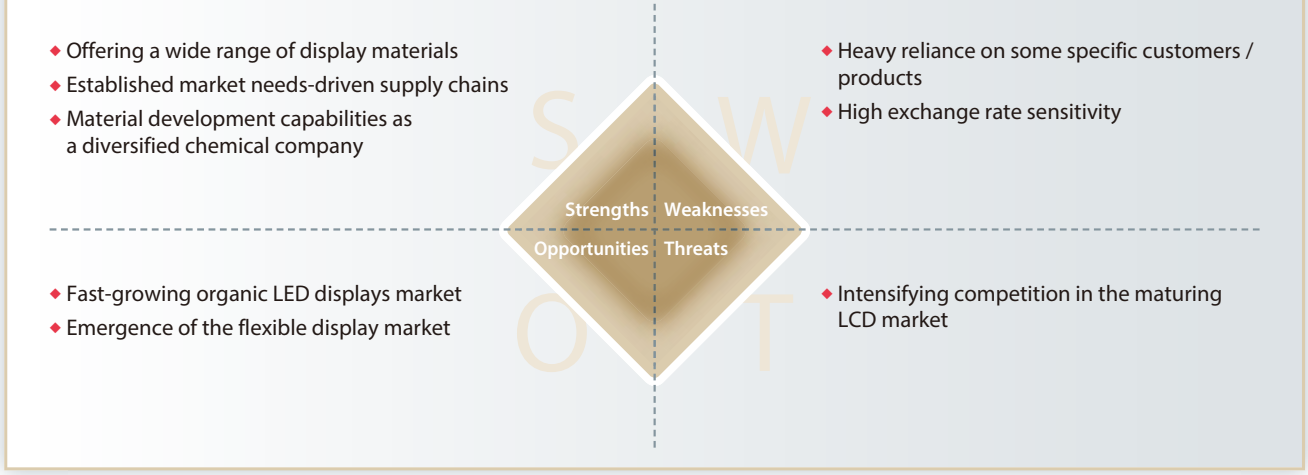
In this field, where technical innovation proceeds daily, the key to success is how quickly products needed by customers can be developed and supplied. Locating our production centers near customer manufacturing sites, we strive to foster good relationships with customers, to be quick to determine their needs, and to build market needs-driven supply chains that reflects these needs in product development and supply. The advantages our Company brings to this field are this development and supply approach and the solution provision capability built up in a wide range of areas as a comprehensive chemicals manufacturer.

Competition in the IT-related chemicals business will be even more intense as the LCD market has matured. At the same time, the spread of organic LED displays (OLED) and rising demand for flexible displays are creating new business opportunities.

The Corporate Business Plan starting this fiscal year calls for achieving sustainability of the polarizing films business by adapting to the maturing of the LCD market, and for expanding touchscreen panel business as demand grows for OLED displays. We further plan to continue the search for new core businesses beyond polarizing films and touchscreen panels.

By quickly responding to changes in the ICT industry and providing new value to customers, we intend to stay on a path of sustained growth.

Status of the Major Businesses



LCD-related Materials Business

We supply a variety of LCD-related materials, such as color filters, color resists, and process chemicals to LCD panel manufacturers. Our polarizing film business is the mainstay of the LCD-related materials business. Worldwide demand for LCD televisions is expected to remain flat from the previous year at 224.4 million units in 2016. According to GfK, worldwide demand for smartphones is expected to rise 4% from the previous year to 1,402 million units in 2016.

Sumitomo Chemical is one of the world's leading manufacturers of polarizing film, a key material used in LCDs. We operate production facilities in Japan and other countries in East Asia and have forged strategic partnerships as a prime supplier with major LCD panel manufacturers. The environment surrounding the LCD-related materials business has changed significantly, with display production increasing in China while the display market is maturing. We aim to ensure sustainability of our LCD-related materials business by rebuilding a supply system.

Touchscreen Panels Business

Touchscreen panels are input devices used in smartphones, tablet PCs, and other products. We began production of touchscreen panels for OLED displays by utilizing our accumulated technology for the production of color filters. As the adoption of OLED displays for smartphones is expanding, there has been a growing demand for our glass-type touchscreen panels. We plan to increase production capacity by about 40% in October 2016.

In addition to glass-type touchscreen panels, we are working to broaden our product range and have successfully commercialized film-type touchscreen panels for use in curved-edge AMOLED displays. We will continue to focus on the development of flexible touchscreen panels and other new products to expand our OLED-related materials business.

Semiconductor Processing Materials Business

We provide a wide range of semiconductor processing materials, such as photoresists, aluminum sputtering targets, and high-purity chemicals like hydrogen peroxide solution and ammonia water used for semiconductor manufacturing. Photoresists are photosensitive resins used in semiconductor manufacturing processes. As semiconductor manufacturers are adopting processes to etch finer circuits, we are working to develop cutting-edge ArF immersion resists and have the largest share of the global market for this product. We will expand the business by quickly developing state-of-the-art materials that meet customer needs.

◆ Health & Crop Sciences

Long-term Goal

Contribute to Solving Global Issues related to Food, Health, Hygiene, and the Environment by Leveraging Our Excellent Research and Development Capabilities

Ray Nishimoto
Representative Director & Senior Managing Executive Officer,
Health & Crop Sciences Sector

Corporate Business Plan: Business Strategy

FY2018 Target

Net Sales	¥440 billion
Comparison with FY2015	+¥81 billion
Operating Income	¥86 billion
Comparison with FY2015	+¥8.5 billion

Action Plan

- Strengthen alliances in crop protection chemicals business
- Expand new businesses such as biorationals
- Develop the rice business
- Expand methionine sales
- Accelerate the global expansion of the public health business

Major Issues

- Establish a global footprint in the crop protection chemicals business
- Expand methionine production capacity

Sumitomo Chemical's Health & Crop Sciences Sector develops, manufactures, and sells crop protection products and fertilizers, household and public hygiene insecticides, products for controlling tropical infectious diseases, methionine feed additives, and pharmaceutical chemicals.

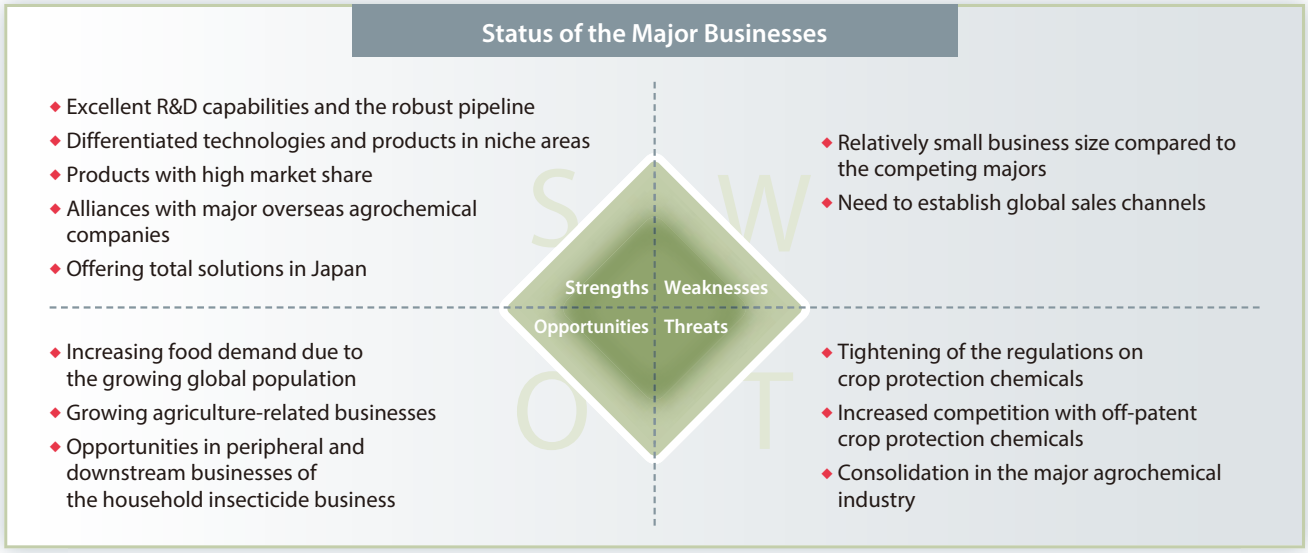
The business of the Health & Crop Sciences Sector traces all the way back to the founding of the Company in 1915 as a manufacturer of fertilizer. In the 1950s, the Company started making feed additives, household and agricultural chemicals and other products that are the foundation for today's extensive operations. In the 1960s, the Company began exporting in-house developed crop protection chemicals with outstanding effectiveness and safety. By the 1980s, we were becoming well-established overseas, where we set up our own development and sales centers. Along with global structure of development and sales, we have advantages from superior R&D capability and advanced production engineering, giving us many products that boast top-class market shares globally in niche fields.

As the world's population grows and food demand continues to rise, we expect the demand for crop protection products to continue increasing. At the same time, however, we face tightening regulations on crop protection product use and growing competition with off-patent products.

Under the Corporate Business Plan starting this fiscal year, we will be strengthening alliances with leading overseas manufacturers of crop protection products and working to further expand our global footprint in the crop protection business field. In addition, we will seek to expand sales of niche business such as biorational products, where we have a high share, and to expand our capacity for producing methionine, expecting high demand growth. We have a number of candidate compounds in the crop protection products development pipeline that we plan to bring to market around 2020. We will also attempt to accelerate development of these candidate compounds that have large potential demand.

By continuing with aggressive investment of management resources, we intend to expand our business globally and to contribute toward increasing food production, promoting and improving health and hygiene, and raising the quality of living environments.

Status of the Major Businesses



AgroSolutions Business

In our crop protection and fertilizer 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. We also offer a comprehensive support for farmers' operations, from production to sale, by providing a wide range of agriculture-related supplies, technologies and know-how. As part of our business as a total solutions provider, we conduct the rice business to produce and sell rice.

Meanwhile, we are enhancing collaboration and increasing investments to expand our overseas crop protection business. In our alliance with the Australian agrochemicals company, Nufarm Limited, in which Sumitomo Chemical has a 23% stake, Nufarm and Sumitomo Chemical mutually distribute crop protection products in 30 countries. Through our collaboration with Monsanto Company in the crop protection business, sales of our herbicide flumioxazin have increased. Moreover, we reached an agreement in June 2016 to acquire a stake in Excel Crop Care Ltd., an Indian agrochemicals company, to strengthen our business foundation in India. We also aim to expand our business of biorational crop protection products in which we are leading the world, and to strengthen our product lineup of microbial agricultural materials through corporate acquisitions, tie-ups and licensing-in.

Environmental Health Business

Our environmental health business contributes to safe and comfortable living environments through its worldwide businesses in household and public hygiene insecticides, products for controlling tropical infectious diseases, and ecto-parasiticides for use in the animal health field. Our long-lasting insecticidal mosquito net, Olyset™ Net, helps reduce the risk of tropical infectious diseases carried by mosquitoes.

Feed Additives Business

Our feed additives business engages in the manufacture and sale of DL-methionine and methionine hydroxyl analog, which are essential amino acid feed additives used primarily in chicken and other poultry farming. The global methionine market is estimated at 1.1 million tons annually, and is expected to grow at an annual rate of about 6% due to the growth of the world population and the spread of meat-eating culture in emerging countries. To consolidate our position as Asia's top producer, we will increase our production capacity for methionine by 100,000 tons to 250,000 tons a year in 2018.

Pharmaceutical Chemicals Business

We supply pharmaceutical companies in Japan and overseas with APIs and their intermediates. Nucleic acid medicines, a new business area for us, are next-generation pharmaceuticals, utilizing functions of oligonucleotides which act on genes and proteins that cause disease. We aim to further expand the size of our business by entering the contract manufacturing market for oligonucleotide APIs for pharmaceutical companies at home and abroad.

◆ Pharmaceuticals

Long-term Goal

Contribute to the Improvement of People's Quality of Life through R&D-oriented Innovative Drug Development

Corporate Business Plan: Business Strategy

FY2018 Target

Net Sales	¥490 billion
Comparison with FY2015	+¥54.5 billion
Operating Income	¥54 billion
Comparison with FY2015	+¥11.3 billion

Action Plan

- Concentrate resources on the fields where there are high unmet medical needs
- Take measures against generics and strengthen the earnings power in Japan
- Accelerate the development of regenerative medicine and cell therapy
- Expand the diagnostic radiopharmaceuticals business and enhance its profitability

Major Issue

- Measures to maintain earnings after the expiration of LATUDA® patents

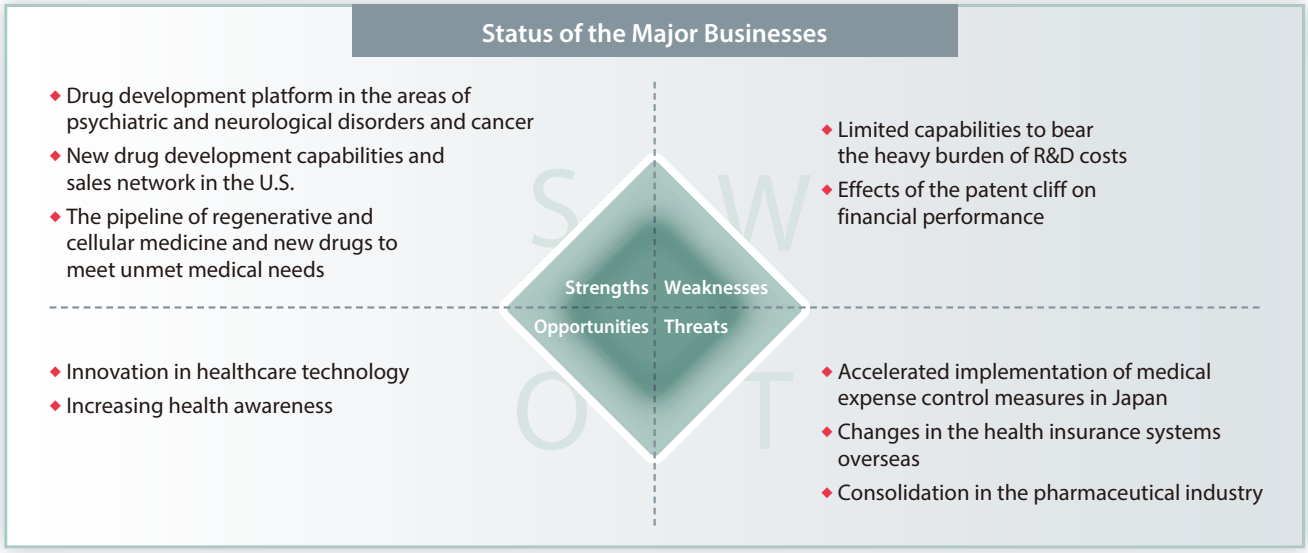
Sumitomo Dainippon Pharma

Under its five-year mid-term business plan starting in fiscal 2013, Sumitomo Dainippon Pharma Co., Ltd. is working to realize its vision of "Aspire to be a globally active R&D-based company" and "Contribute to medical care through leading-edge technologies." Driven by new drugs, Sumitomo Dainippon Pharma is seeking to enhance performance through global business expansion.

As for the atypical antipsychotic LATUDA®, launched in the United States in February of 2011 for the treatment of schizophrenia, the Company obtained approval for the additional indication for bipolar I disorder (depression) in June of 2013. Sales of LATUDA® have been growing steadily in North America. The Company utilized sales resources effectively and sales of LATUDA® exceeded one billion dollars in fiscal 2015.

In the development of new drugs, Sumitomo Dainippon Pharma is actively investing research and development resources to develop innovative new drugs in the areas of psychiatry & neurology and oncology, where patients' needs are largely unmet. The Company also aims to develop business with its world-class leading-edge medical technologies in the field of intractable diseases for which there are presently no drugs available and the new areas of regenerative medicine and cell therapy, by taking various approaches such as in-house development, licensing-in of technologies, and joint research with venture companies and academia.

Sumitomo Dainippon Pharma is also developing anticancer drugs napabucasin and amcasertib, which were added to the Company's pipeline by the 2012 acquisition of Boston Biomedical, Inc. Commercialization of napabucasin is expected in fiscal 2017 and amcasertib in fiscal 2019. Napabucasin and amcasertib are targeting cancer stem cell pathways. They may provide a new therapeutic option against the challenges in cancer treatment such as treatment resistance, recurrence and metastasis. In fiscal 2015, Sumitomo Dainippon Pharma expanded the scope of clinical development of these drugs to



cover a wider range of cancers, while accelerating the development of the drugs for early commercialization. In addition, the Company plans to launch SUN-101, a drug for chronic obstructive pulmonary disease (COPD), and dasotraline, a drug for attention deficit hyperactivity disorder (ADHD) and other drugs, from fiscal 2017 to fiscal 2018. These drugs are expected to generate large sales. The Company also plans to promote new licensing-in.

Moreover, Sumitomo Dainippon Pharma will apply leading-edge science, such as iPS cells, to drug discovery, while working in research and development of regenerative medicine and cell therapy. Sumitomo Dainippon Pharma is working with SanBio, Inc. to conduct a Phase Ⅱb clinical trial of a cell therapy product for chronic stroke in the United States. Under the cooperation of the RIKEN research institute, the Company is also working with Healios K.K. on joint development of a cell therapy product for age-related macular degeneration. Sumitomo Dainippon Pharma aims to obtain approval for these cell therapy products in 2020. The Company is also working with universities and research institutes to develop cell therapy products for Parkinson's disease, retinitis pigmentosa, and spinal cord injury. Construction of the production facilities already began to produce cells for use in the production of experimental cells and initial commercial products of regenerative medicine and cell therapy. The production facilities are slated to begin full-fledged operations in fiscal 2017. The enforcement of the Pharmaceutical Affairs Law in 2014 creates a business environment in Japan that allows regenerative medicine products to be approved for the first time in the world. Sumitomo Dainippon Pharma is taking on the challenge of developing products in these new areas where Japan can lead the world and address unmet medical needs.

Nihon Medi-Physics

Nihon Medi-Physics Co., Ltd. (NMP) is a leading company in Japan in the highly specialized field of nuclear medicine. NMP engages in the development, manufacture and sale of radiopharmaceuticals, which are used for diagnosis of disease conditions and post-therapy surveillance, chiefly for malignant tumors and brain and heart diseases. In addition to diagnostic pharmaceuticals, NMP also offers therapeutic products, such as a medical device for brachytherapy for prostate cancer, and a radiopharmaceutical that provides pain relief for cancer patients suffering from bone metastasis.

The Company's main product is FDGscan Injectable for PET (positron emission tomography) procedures, which are effective in the early detection of malignant tumors. NMP has production bases nationwide to ensure a prompt and stable supply of FDGscan Injectable that uses a radioisotope (^{18}F) with a very short half-life of about two hours. The tenth production base started operation in Gunma Prefecture in 2015.

In 2014, NMP launched DaTSCAN Injectable, a diagnostic agent for brain diseases such as Parkinson's syndrome and dementia with Lewy bodies. The agent is expected to help improve accuracy of diagnosis and decision-making on appropriate treatment. NMP has also started the contracted business of PET imaging for both nonclinical and clinical studies for drug development by using its expertise and experience accumulated in the manufacture and supply of radiopharmaceuticals. To cement its position as a leading company in the field of nuclear medicine, NMP is also developing diagnostic agents that allow the diagnosis of Alzheimer's disease and new tumors by PET procedures.

Sumitomo Dainippon Pharma's Development Pipeline

(As of May 11, 2016)

Japan included in development locations　Japan not included in development locations

Brand name / Product code	Generic name	Developer	Formulation	Proposed indications	Development location	Development stage
						Phase Ⅰ / Phase Ⅱ / Phase Ⅲ / NDA submitted / Approved
Psychiatry & Neurology						
APTIOM® (SEP-0002093)	eslicarbazepine acetate	Allogeneic*1	Oral	Epilepsy (Monotherapy)(New indication)	Canada	
LONASEN®	blonanserin	Developed in-house	Oral	Schizophrenia	China	
				Schizophrenia (Addition of pediatric usage)	Japan	
				Schizophrenia (New formulation: Transdermal patch)	Japan	
LATUDA® (SM-13496)	lurasidone hydrochloride	Developed in-house	Oral	Schizophrenia	China	
				Schizophrenia	Japan	
				Bipolar I depression, Bipolar maintenance	Japan	
EPI-743	vatiquinone	Allogeneic*2	Oral	Leigh syndrome	Japan	*3
SEP-225289	dasotraline	Developed in-house	Oral	Adult attention-deficit hyperactivity disorder (ADHD)	U.S.	
				Pediatric attention-deficit hyperactivity disorder (ADHD)	U.S.	*4
				Binge eating disorder (BED)	U.S.	*4
TRERIEF®	zonisamide	Developed in-house	Oral	Parkinsonism in Dementia with Lewy Bodies (DLB) (New indication)	Japan	
SB623	TBD	Allogeneic*5	Injection	Chronic stroke	U.S.	
EPI-589	TBD	Allogeneic*2	Oral	Parkinson's disease	U.S.	
				Amyotrophic lateral sclerosis (ALS)	U.S.	
DSP-2230	TBD	Developed in-house	Oral	Neuropathic pain	U.K., U.S. and Japan	
SEP-363856	TBD	Developed in-house	Oral	Schizophrenia	U.S.	
DSP-3748	TBD	Developed in-house	Oral	Cognitive Impairment Associated with Schizophrenia	U.S.	
DSP-1200	TBD	Developed in-house	Oral	Treatment-resistant depression	U.S.	

*1 In-licensed from BIAL

*2 In-licensed from Edison

*3 A Phase Ⅱ / Ⅲ study completed, development strategy under consideration

*4 Phase Ⅱ / Ⅲ study

*5 In-licensed from SanBio, Inc., Co-developed with SanBio, Inc.

Japan included in development locations　Japan not included in development locations

Brand name / Product code	Generic name	Developer	Formulation	Proposed indications	Development location	Development stage
						Phase Ⅰ / Phase Ⅱ / Phase Ⅲ / NDA submitted / Approved
Cancer						
BBI608	napabucasin	Developed in-house	Oral	Colorectal cancer (Monotherapy) (Global clinical trial)	U.S., Canada and Japan, etc.	Accrual of new patients has been stopped
				Gastric and Gastro-esophageal junction adenocarcinoma (Combination therapy) (Global clinical trial)	U.S., Canada and Japan, etc.	
				Colorectal cancer (Combination therapy) (Global clinical trial)	U.S.	
				Colorectal cancer (Combination therapy)	U.S. and Canada	
				Solid tumors (Ovarian cancer, Breast cancer, Non-small cell lung cancer, Melanoma, etc.) (Combination therapy)	U.S. and Canada	*1
				Malignant pleural mesothelioma (Combination therapy)	Japan	*1
				Solid tumors (Combination therapy)*2, Hematologic malignancies (Monotherapy/Combination therapy)	U.S. and Canada	
				Solid tumors (Combination therapy)*3	Japan	
BBI503	amcasertib	Developed in-house	Oral	Solid tumors (Colorectal cancer, Head and Neck cancer, Ovarian cancer, etc.) (Monotherapy)	U.S. and Canada	*1
				Solid tumors (Renal cell carcinoma, Urothelial carcinoma, Hepatocellular carcinoma, Cholangiocarcinoma, Gastrointestinal stromal tumor) (Monotherapy)	Canada	
				Ovarian cancer (Monotherapy)	U.S.	
				Hepatocellular carcinoma (Combination therapy)	U.S.	*4
				Solid tumors (Combination therapy)	U.S. and Canada	
				Solid tumors (Monotherapy), Hepatocellular carcinoma (Combination therapy)	Japan	
BBI608+ BBI503	—	Developed in-house	Oral	Solid tumors (Combination therapy)	U.S.	
DSP-7888	TBD	Developed in-house	Injection	Myelodysplastic syndromes	Japan	*1
				Solid tumors, Hematologic malignancies	U.S.	
				Prdiatric malignant glioma	Japan	*4
WT4869	TBD	Developed in-house*5	Injection	Myelodysplastic syndromes	Japan	*4
				Solid tumors	Japan	
WT2725	TBD	Developed in-house*5	Injection	Solid tumors, Hematologic malignancies	U.S.	
				Solid tumors	Japan	
Respiratory						
SUN-101	glycopyrronium bromide	Developed in-house	Inhapant	Chronic obstructive pulmonary disease (COPD)	U.S.	
Others						
DSP-1747	obeticholic acid	Allogeneic*6	Oral	Non-alcoholic steatohepatitis (NASH)	Japan	
DSP-6952	TBD	Developed in-house	Oral	IBS with constipation, Chronic idiopathic constipation	Japan	

*1 Phase Ⅱ of Phase Ⅰ / Ⅱ study　*2 A number of tumor type-specific studies (Gastrointestinal cancer, Hepatocellular carcinoma, Glioblastoma, Pancreatic cancer)
*3 A number of tumor type-specific studies (Hepatocellular carcinoma, Colorectal cancer)　*4 Phase Ⅰ of Phase Ⅰ / Ⅱ study
*5 Co-research with Chugai Pharmaceutical Co., Ltd.　*6 In-licensed from Intercept Pharmaceuticals

Intellectual Property

Basic Policy on Intellectual Property Activities

Sumitomo Chemical's intellectual property (IP) activities are aimed at contributing to the creation, maintenance and increase of the Company's business value through unified efforts by business sectors, research laboratories and the IP Department.

While respecting the others' valid patents after conducting comprehensive IP search and analysis, we endeavor to acquire and protect "wider, stronger, faster-registered and longer-lasting" patents from the results of our research and technology development, and then promote and operate our businesses strategically. By effectively utilizing the patents so obtained for the businesses of Sumitomo Chemical and Group companies and further in the third-party licenses, we will maximize the Company's business value.

As our businesses have developed more globally, it becomes more important for us to share the basic policy of IP activities with Group companies and work coordinately with them for the patent application / prosecution in a respective business. We then hold the annual Global IP Meeting where our IP-related colleagues from Group companies can get together.

Based on these perspectives, Sumitomo Chemical has set the basic policy on IP activities as follows.

Basic Policy on Intellectual Property Activities

1. Intellectual property strategy that is unified with business strategy
2. Intellectual property activities that create global business value
3. Intellectual property activities that work for the utilization of all results of research and technology development
4. Intellectual property activities that observe the law and respect rights

Global Intellectual Property Meeting

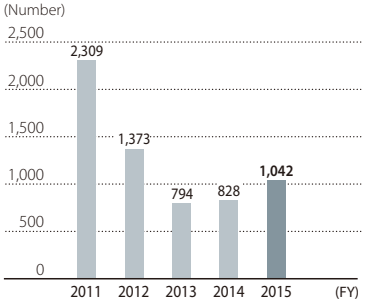
Enhancing IP Search & Analysis Capability, Improving Patent Quality and Supporting Global Business Development

IP search and analysis is essential to the performance of businesses. We are in active use of such IP search and analysis software with AI functions as concept search and text mining, which leads to improvement of work efficiency at the IP Department and R&D organizations.

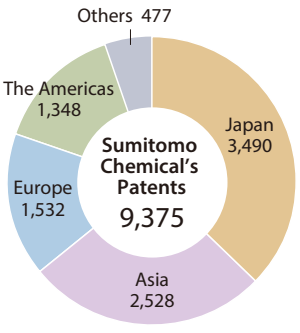
We have been also working on improvement in the quality of patents. In order to acquire higher-quality patents that contribute to the creation and performance of businesses, we have assigned the Intellectual Property Strategy Managers (ISMs) at the IP Department. Promoting mutual collaboration between business sectors, research laboratories and the IP Department, ISMs have been coordinating to apply for useful and effective patents fitted to business strategy and building a portfolio of quality patents. Since fiscal 2012 there has been a particular emphasis on careful selection of patent applications.

We have been pursuing registration of patents abroad including Asia, Americas and Europe as well as Japan and it has supported our global business development.

Number of Domestic Patent Applications



Number of Patents Held per Region
(As of April 2016)



Change and Innovation – Create New Value

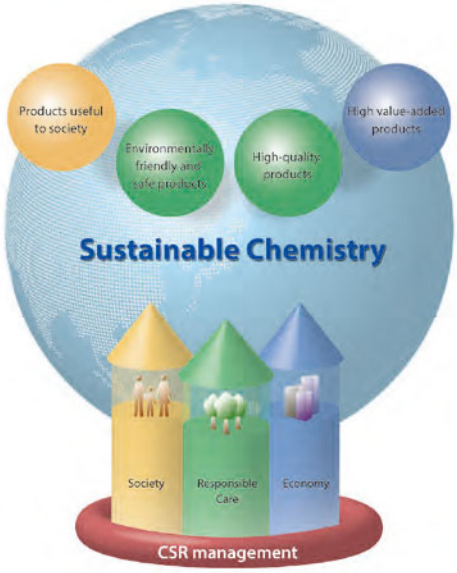
Ideals to be Preserved, and Passed on to the Future

"Contributing to society through our business activities" is the spirit of Sumitomo Chemical passed down to this day. Our wish is to use the power of chemistry to bring joy to people all over the world. Based on this desire, we are providing products and technologies in forms ideal for the environment and society, contributing to economic growth and the sustained advance of society. This is the future we at Sumitomo Chemical are seeking to realize.

The photo shows a typical use of Olyset™ Net (Pramex net), a mosquito bed net we developed with original technology. Olyset™ Net is a product developed to protect from malaria-carrying mosquitos, providing environments where people can live in peace of mind. Currently these are being provided worldwide especially to African countries, where they are helping greatly in the fight against malaria. In Tanzania, where the nets are made, they provide employment opportunities and are contributing to the development of the local economy.

Corporate Social Responsibility

Contributing to the Sustainable Development of Society with the Power of Chemistry



Society
Benefiting customers, local communities, and the world while abiding by the rules of society

Responsible Care
(Safety, environment, product quality)
Eliminating accidents and disasters, protecting the environment by most effectively using natural resources and energy, producing safe products, and protecting the health of customers and employees

Economy
Maximizing corporate value by continually providing better products

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 toxic gas emissions from smelting operations at the Besshi Copper Mine in Niihama, Ehime Prefecture. The Company got its start by using the gas to produce fertilizers. Thus Sumitomo Chemical was founded to mitigate an environmental problem while also helping to further agriculture by providing fertilizers. The belief that we have a corporate social responsibility (CSR) to contribute to the sustainable development of society through our business activities remains deeply rooted in the Company's DNA.

We have developed a "Basic CSR Policy," which reflects our business philosophy, management principles, and Charter for Business Conduct, and we implement CSR initiatives based on this policy.

Basic CSR Policy

By continuously creating and providing new value for our stakeholders, the Sumitomo Chemical Group will build the corporate worth, contribute to solving the problems facing society and our environment while enriching people's lives.

In order to accomplish this, the Sumitomo Chemical Group will proactively work for profitable business operations, preservation of the environment, safety, product quality and positive social activity. We will 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 helping to build a sustainable society, while continuing to grow our business in order to achieve 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 contribution activities. As a member of the chemical industry, we seek to bring about "sustainable chemistry."

Sustainable Chemistry

Sumitomo Chemical is working to bring about sustainable chemistry—contributing to the betterment and comfort of people's lives, and to 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, while generating 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.

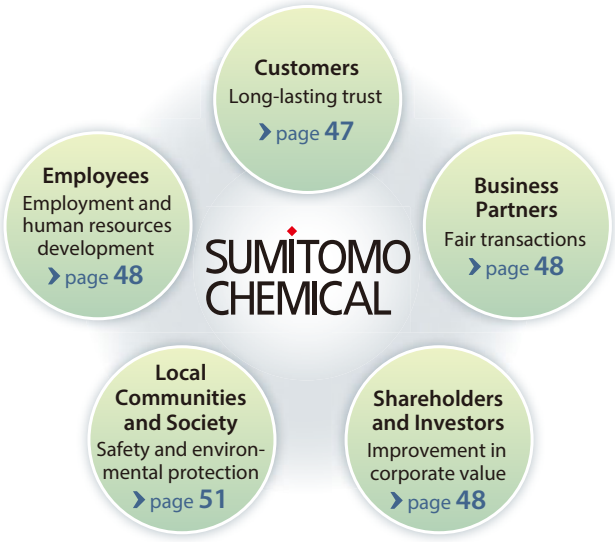
ESG (Environment, Social, and Governance) Issues

Sumitomo Chemical takes on ESG (Environment, Social, and Governance) issues from various approaches, toward sustained growth in the medium to long term.

Issues	Major Initiatives	Reference Pages
Environment	The Company is aggressively investing management resources in businesses in the environment and energy fields, seeing these as high-growth areas where we can leverage our strengths.	› page 18-21 › page 34-35
	We engage in Responsible Care activities aimed at ensuring safety, protecting the environment and health, and maintaining high product quality throughout the entire life cycle of our products.	› page 51-53
Social	We carry out many different initiatives to build friendly relations with stakeholders, seeing this as essential to long-term business growth.	› page 47-50 › page 54
Governance	To realize highly effective corporate governance, we take various measures designed to strengthen and enhance governance.	› page 58-68

Relations with Stakeholders

As a member of society, Sumitomo Chemical actively works to build up good relationships with our customers, business partners, shareholders and investors, and with local communities and society.



Customers

Building Better Relations with Customers

Throughout the entire Group, Sumitomo Chemical is committed to supplying high-quality products and services that satisfy customer needs and ensuring safety in their use, and the departments in charge of sales and quality assurance provide support for products and customer inquiries. Sumitomo Chemical operates a product quality information management system that swiftly and accurately incorporates complaints and requests made by customers regarding Company products into its quality assurance activities.

Each business sector of the Company analyzes the information registered with the system and implements measures to prevent the reoccurrence of similar problems. Also, the Works, Research Laboratories, and sales personnel share information regarding customer complaints and requests for improvements in product quality, and this data is utilized to determine how the entire organization should respond to the issues raised by customers.

Business Partners

Building Better Relations with Business Partners

Sumitomo Chemical is committed to building mutually beneficial and sound relationships with business partners in accordance with our Basic Procurement Principles.

Besides choosing suppliers by optimal, economically rational means, we ourselves ensure fairness, equitability, and transparency in transactions with them. We also promote responsible procurement in order to encourage them to carry out CSR activities.

Our CSR procurement approach is detailed in the Basic Procurement Principles and in the Group Business Standards of Procurement, which provide guidelines for procurement activities by Group companies in and outside Japan.

In addition, we drew up the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook, explaining CSR items the Company asks suppliers to follow, and we provide Sumitomo Chemical Supply-Chain CSR Deployment Check Sheets enabling suppliers to conduct self-evaluations. We further support and promote CSR activities by suppliers through a monitoring program.

Details of Sumitomo Chemical CSR procurement are given below.
http://www.sumitomo-chem.co.jp/english/company/purchasing/

Shareholders and Investors

Building Better Relations with Shareholders and Investors

The basic policy guiding Sumitomo Chemical IR activities are to provide planned, effective and strategic communication with shareholders and investors regarding our management policies, business strategies, and performance trends, so as to fulfill our accountability to shareholders and maintain and raise market confidence, while endeavoring to obtain an accurate understanding of the Company that will be reflected properly in stock prices and in higher corporate value.

In accordance with our Basic Policies and under the direction of the Executive Officer for Corporate Communications, the Corporate Communications Department is responsible, with the cooperation of other related departments, for appropriate information gathering and for arranging and utilizing opportunities for dialog between management and our shareholders and investors.

Through general shareholders meetings and other meetings for briefings by management, publishing of annual reports, and individual meetings, we endeavor to ensure ample constructive engagement takes place with shareholders and investors.

In recognition of these initiatives, Sumitomo Chemical won the IR Prime Business Award from the Japan Investor Relations Association in November 2015, given to companies with unique IR practices, including those that consistently improve the level of those practices.

Winning the IR Prime Business Award

Summary of IR Activities (Fiscal 2015)

Briefing Sessions

Times held	Attendees
4	478

Online Conferences

Times held	Attendees
4	524

Investor Visits

Times held			
Overseas	6	Japan	2

Individual Meetings

Total meetings (number of persons): 394

Briefing Sessions for Individual Investors

Times held	Attendees
7	Approx. 420

Employees

Building Better Relations with Employees

Sumitomo Chemical is actively introducing HR development plan and job rotation tailored to the motivation and abilities of each employee. The goals are to make the most of the capabilities of diverse human resources and to create a workplace that is both motivating and stimulating. The Company also designs and implements various human resource programs, keeping them up to date as conditions change.

The Company is taking steps to further bolster its global HR initiatives in order to strengthen its global management endeavors from a human resource perspective, and carries out workforce management in line with business expansion.

HR System Drawing the Best from Employees

The Company has introduced HR system for both managerial and non-managerial employees based on roles, enabling everyone with the will and ability to try their hand at a wide range of jobs, without regard to age, nationality, or gender, and ensuring that those who contribute are treated properly for their efforts.

The performance appraisal system, for both managerial and non-managerial employees, assesses not just results but the behavior by which those results were achieved, evaluating the work process and attitude. Looking beyond the pursuit of short-term results, this approach supports personnel in their efforts to contribute to the medium- to long-term growth of the Company, and leads to employee development.

Personal interviews with supervisors have been systematized, for notifying the results of performance appraisals and making sure that the employee and the supervisor share the same awareness of matters to be addressed in the fiscal year. In addition to feedback from the head of the organization, praising positive behavior and suggesting areas for improvement, matters discussed include the workplace objectives, expectations of the individual, and career plans. These interviews help raise the ability and motivation of employees.

A performance-based bonus system is adopted for the purpose of raising employee awareness of Company performance and increasing their desire to improve it. In fiscal 2015, the average bonus paid to labor union members was ¥1,685,000 (summer bonus ¥815,000, winter bonus ¥870,000).

Human Resources Development

Sumitomo Chemical devotes an appropriate amount of funding to implementing job rotations, a variety of training programs, and other measures with a view to enabling motivated personnel to fully demonstrate their abilities as world-class professionals who can contribute to the Company's further global expansion.

Leader Training

Trainings and Systems

Trainings and Systems	Eligible Persons	Contents / Results (Fiscal 2015)
Career Development System (CDS)	Non-managerial employees Managerial employees	A job rotation-based career development system is provided for all non-managerial employees and some managerial employees, using the development plans made by their managers based on the preferences submitted by employees and personal interviews, to help employees plan and develop their ideal careers. The objective is to enable individuals to find a future field suited to them and in which they can thrive. Rotation plans were formulated for 797 employees in fiscal 2014 and 748 employees in fiscal 2015 and implemented sequentially.
(1) Trainer System (2) Full-time Instructor System	(1) Veteran employees (2) Supervisors and supervisor candidates	A training system was introduced under which highly skilled veteran employees provide instruction and advice to junior employees, facilitating their development and ensuring that skills are passed down from one generation to the next. We also introduced a mentor system to give on-the-job training to supervisors and potential supervisors. We are using this system to develop core human resources in manufacturing divisions. As of April 2016, a total of 65 trainers and 5 instructors were accredited throughout the Company.
Development of Global Talent		The Company offers a variety of training programs aimed at the creation of global leaders who will play a central role in the Company's management, and at development of human resources supporting the global expansion of business.
(1) Global Leader Training	Executive candidates	Global leader training includes a training program centering on the Action Learning approach. In fiscal 2015, 24 persons received this training.
(2) Leader Training	Executive candidates	Starting in fiscal 2014, we have been offering English language training programs in Singapore to develop the next generation of leaders. In fiscal 2015, 26 persons received this training.
(3) Training of Local Managers of Overseas Group Companies	Managers of overseas group companies	In a training program whose main aim is to promote understanding and implementation of the Business Philosophy and Corporate Values, the local managers at overseas Sumitomo Chemical Group companies look back on the Company's history to share the Business Philosophy and undergo training that helps them to implement their individual responsibilities under the Corporate Business Plan. In fiscal 2015, 258 persons underwent this training.
(4) Global Business Communication Skills Training	Junior employees	For junior employees expected to become active as global human resources, training is provided to foster and improve their business communication skills in English. In fiscal 2015, 71 persons received this training.

Labor-management Relations

Sumitomo Chemical and the Sumitomo Chemical Labor Union continue to cooperate as good partners to meet challenges and achieve goals, based on the mutual understanding and trust built up through the years. Twice-annual central labor-management meetings, along with twice-annual regional labor-management meetings at each work site, provide opportunities to exchange views.

A Labor-Management Committee for Diversity and Work-Life Balance meeting was held in fiscal 2015 to share ideas and reach a consensus on current efforts and remaining issues in this area. Labor and management are united in our commitment to creating a company where work is a fulfilling experience.

Use of Diversified Human Resources

Developing Potential of Female Employees

We are 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. In fiscal 2015, the Company recruited 32 female employees. To further develop the potential of female employees, we promote the appointment of women to managerial positions in a systematic way by setting numerical targets for the ratio of female managers. We implement various action plans, such as a mentoring system, and training for female employees to become leaders where they learn an attitude and mindset as managers, how to build their career, and to gain leadership skills.

Numerical Targets for
the Ratio of Female Managerial Employee* (by 2020)

Female section chiefs or above	10% or more (current 4.3%)
Female subsection chiefs	15% or more (current 13.0%)

* As of April 1, 2016

Number of Female Employees

Fiscal year	2011	2012	2013	2014	2015
Female employees recruited	76	71	64	18	32
Percentage of female employees among new employees (%)	17.3	17.0	22.9	15.7	19.6

Number of Female Managers*

Fiscal year	2011	2012	2013	2014	2015
Number of female managers	161	174	191	205	222
Percentage of female managers among managers (%)	5.3	5.8	6.4	6.8	7.4

* Number and percentage of female subsection chiefs and section chiefs or above as of April 1 of each fiscal year

Employment of People with Disabilities

Sumitomo Chemical has been actively employing people with disabilities. When hiring them, we assign suitable work taking into account the extent of their disability, and implement workplace accommodations where necessary allowing them to make the most of their abilities. Since 2013, employees with disabilities have been baking and selling bread in the cafeteria at our Tokyo head office, as we look for ways to create and expand work opportunities for the disabled.

Employment Rate of People with Disabilities*

Fiscal year	2011	2012	2013	2014	2015
Employment rate (%)	1.87	1.93	2.12	2.26	2.23

* Annual average for each fiscal year

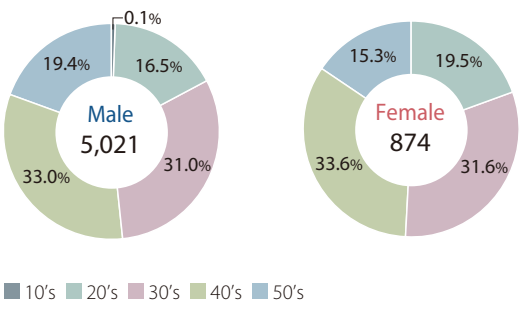
Reemployment of Retirees

The Company introduced a new reemployment system in fiscal 2006 to enable retired employees to continue demonstrating the skills and expertise they have gained through working for the Company. We reviewed the reemployment system in April 2013 following the revision of the Japanese Act on Concerning Stabilization of Employment of Elderly Persons. In fiscal 2015, 99 (83.9%) of 118 retirees were reemployed by the Company or its Group companies.

Reemployment of Retirees

Fiscal year	2011	2012	2013	2014	2015
Retirees	139	154	153	105	118
Reemployed	93	102	138	91	99
Reemployment rate (%)	66.9	66.2	90.2	86.7	83.9

Age Distribution of Employees (Fiscal 2015)



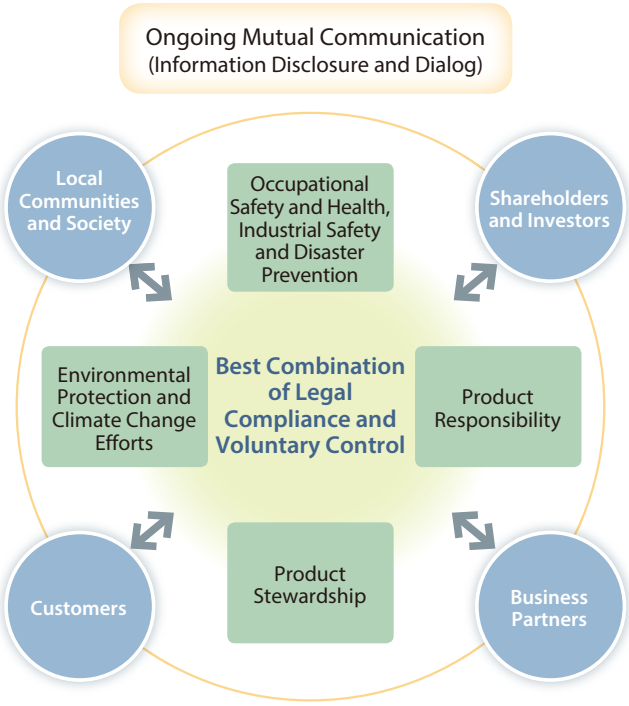
Local Communities and Society

Responsible Care Activities

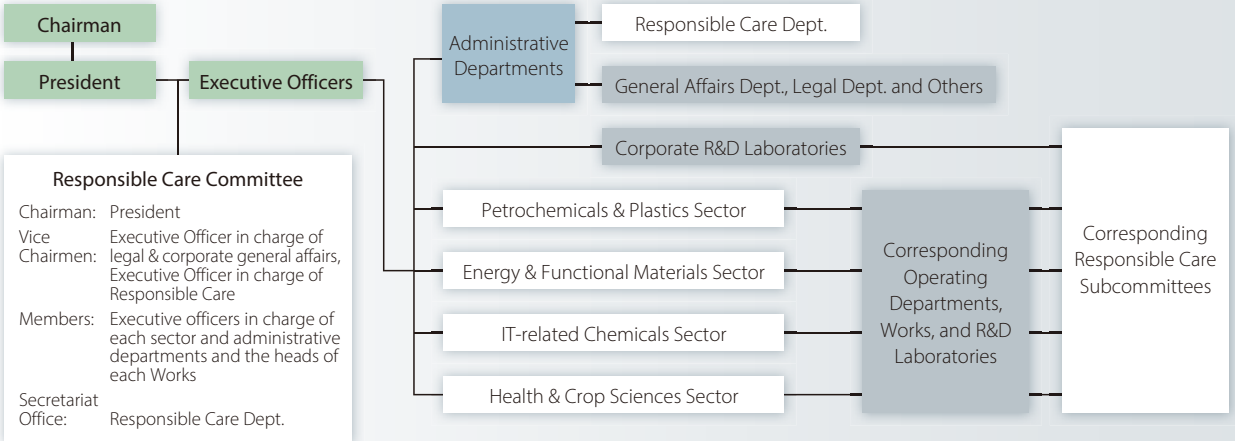
Sumitomo Chemical is strongly committed to ensuring safety, protecting the environment and health, and maintaining high product quality, throughout the entire life cycle of our products. To these ends we engage in Responsible Care activities, and seek to gain the trust of society through ongoing dialog. To promote Responsible Care activities comprehensively from a long-term perspective, we have established the Responsible Care Committee, chaired by the President and consisting of the Executive Officers in charge of our business sectors, Executive Officers in charge of corporate divisions, and the General Managers of our Works. Setting targets for each area, we carry out these voluntary activities globally to include Group companies in and outside Japan. By working hard to achieve these targets, we seek to gain the further trust of society.

Moreover, by having Responsible Care activities carried out by the entire Group, we are looking to achieve high performance in each area. In 2010 we drew up the Sumitomo Chemical Group Responsible Care Operation Standards, detailing the specific requirements of Group companies. These are implemented while updating as needed. We also issue RC newsletters, hold meetings, offer an RC Award for outstanding Responsible Care activities, and in other ways support Group companies in their RC efforts.

The main areas of our Responsible Care activities are occupational safety and health, industrial safety and disaster prevention, environmental protection and climate change efforts, product stewardship, and product responsibility. In each of these areas, while properly observing laws and regulations, we are further strengthening risk management. Conducting actions to gain the trust of society through dialog is also a major management pillar. We therefore promote ongoing mutual communication such as information disclosure and dialog in order to further stakeholder understanding of our initiatives.



Responsible Care Organization (Non-consolidated)



Major Activities

Occupational Safety and Health, Industrial Safety and Disaster Prevention

Maintaining Safe and Stable Operations

Having made "maintaining safe and stable operations" a priority management issue in the Corporate Business Plan, we take steps to further raise safety levels. To enhance our safety culture, we seek to learn from major accidents in other companies and to reflect on our own past industrial accidents. The emphasis is on assessing each employee's awareness of safety and giving individual instructions, as well as improving our employees' ability to foresee danger. To enhance our ability to maintain safety, we continue to assess risks from out-of-the-ordinary conditions and risks from problems with safety equipment, while studying more effective and efficient risk assessment methods. To meet stricter requirements for earthquake resistance, we continue to carry out voluntary measures.

Industrial Accident Frequency* (%)

Fiscal year	2011	2012	2013	2014	2015
All industries in Japan	1.62	1.59	1.58	1.66	1.61
Sumitomo Chemical	0.00	0.30	0.36	0.15	0.00

* Indicates the frequency of industrial accidents as the number of deaths and injuries per one million hours of total work time.

Environmental Protection and Climate Change Efforts

Reducing Greenhouse Gas and Other Emissions

We are engaged in environmental protection initiatives aimed at bringing about a low-carbon society and material-cycle society. Sumitomo Chemical and our major Group companies in Japan and overseas have set targets and launched efforts toward reducing energy use and reducing our environmental impact. To combat climate change, our goals are to achieve the world's highest level of energy efficiency and to develop processes and products that help reduce greenhouse gas emissions. As of fiscal 2015, we have so far improved energy efficiency of our production processes by around 16%, and reduced CO_2 emissions per unit production by around 12%, compared to fiscal 2005 levels. Along with these efforts, we are developing products that contribute to lower CO_2 emissions and more efficient energy use. We also developed our own assessment tools, such as guidelines for estimating the extent to which the use of our products reduces CO_2 emissions, and are using these tools to develop new manufacturing processes and products that will help reduce CO_2 emissions.

Product Stewardship

Risk-based Management of Chemicals

To achieve the 2020 target* proposed at the World Summit on Sustainable Development (WSSD) in 2002, Sumitomo Chemical is promoting its risk-based management of chemicals by both regulatory compliance and voluntary measures. As for regulatory compliance, Sumitomo Chemical acts proactively to fully meet domestic and overseas regulations that are being established, revised or tightened. Regarding voluntary measures, Sumitomo Chemical implements risk-based chemicals management throughout the life cycle of its products. Moreover, the Company makes use of its own comprehensive chemical management system to manage necessary information effectively and properly. We are also introducing this system to Group companies to strengthen ties with them.

* Ensure that chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment by 2020.

Product Responsibility

Improving Customer Satisfaction and Quality Assurance

Sumitomo Chemical is committed to supplying high-quality products and services that satisfy customers' needs and ensure safety in their use, based on the Corporate Policy on Safety, the Environment and Product Quality. The Company conducts risk assessments on supplied products, taking into account not only their use by our direct customers, but also the use and disposal of such products by their customers as well (the so-called end-users). We are also committed to the transfer of necessary information about chemical substances contained in our products based on the results of safety tests and studies regarding these substances. To supply products and services of stable quality to our customers, we maintain our commitment to further improving product quality and are continually enhancing our quality assurance system.

Responsible Care Auditing Activities

We conduct Responsible Care audits for the above-mentioned major activities of 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 team for technical reliability audits. For overseas audits, we also get help from consultants with knowledge of local regulations.

Primary Environmental Performance (Fiscal 2015)

Sumitomo Chemical Group*1 | Sumitomo Chemical

INPUT ›› Energy and Resources

Energy (Thousands of kl)

(Calculated as kl of crude oil)

	Sumitomo Chemical Group*1	Sumitomo Chemical
Energy	1,159	906

Exhaustible resources (Thousands of tons)

	Sumitomo Chemical Group*1	Sumitomo Chemical
Hydrocarbon compounds	1,940	1,553
Metals (excluding rare metals)	123	117
Rare metals	0.08	0.02

Water (Millions of tons)

	Sumitomo Chemical Group*1	Sumitomo Chemical
Water	1,042.5	282.2
Industrial water	67.5	61.2
Drinking water	0.9	0.4
Seawater	949.8	199.1
Groundwater	22.0	19.1
Other water	2.3	2.3

Sumitomo Chemical Group's Plants

Sumitomo Chemical Group

Use of PCBs / CFCs

	Sumitomo Chemical Group*1	Sumitomo Chemical
No. of electrical devices containing PCBs	51	17
PCB volume (Pure content conversion)	1.0 kl	0.1 kl
No. of refrigeration units using specified CFCs as coolant	47	12
No. of refrigeration units using specified HCFCs as coolant	340	145

OUTPUT ›› Product Manufacturing and Environmental Impact

Products (Thousands of tons)

	Sumitomo Chemical Group*1	Sumitomo Chemical
(Calculated on the basis of ethylene production)	1,582	1,306

Water pollutant emissions (Tons)

	Sumitomo Chemical Group*1	Sumitomo Chemical
COD*	1,145	943
Nitrogen	1,346	1,252
Phosphorus	38	34
Substances subject to the PRTR Act	55	54

* Chemical oxygen demand

Waste material (Thousands of tons)

	Sumitomo Chemical Group*1	Sumitomo Chemical
Waste generated	261	54
Landfill	23	1.4
(final disposal)		
On-site landfill	0	0
External landfill	23	1.4

Atmospheric emissions (Thousands of tons of CO_2)*2

	Sumitomo Chemical Group*1	Sumitomo Chemical
Greenhouse gases		
Emissions from energy use (CO_2)	3,261	2,560
Emissions from nonenergy use (CO_2)	66	55
N_2O (CO_2 conversion)	150	65
Others (Tons)		
NOx	4,896	1,910
SOx	5,281	1,268
Soot and dust	209	72
Substances subject to the PRTR Act	505	289

Fiscal year		2011	2012	2013	2014	2015	2015 (Target)*5
Japan*3	Energy Consumption Rate Index (FY2010=100)	99.3	99.8	97.4	95.4	88.1	95.0
	Carbon Intensity Index (FY2010=100)	98.1	99.3	99.6	97.6	95.5	95.0
	PRTR Substances Released into the Air and Water (Tons)	715	694	587	620	560	709
	Landfill Disposal Volume (Tons)	5,942	5,312	3,624	2,772	2,106	5,399
	Percentage of Recycled Industrial Wastes (%)	60.7	63.5	65.8	66.0	66.5	—
Overseas*4	Energy Consumption (Crude oil conversion, thousand kl)	430	434	411	446	441	—
	Energy Efficiency Index (FY2010=100)	100.7	93.9	92.8	85.5	81.0	92.3
	CO_2 Emissions (Thousand tons-CO_2)	915	918	867	938	928	—
	Carbon Intensity Index (FY2010=100)	100.4	93.9	93.0	85.7	81.3	92.1
	Water Usage (Thousand tons)	5,700	7,044	5,888	6,406	6,475	—
	Unit Water Usage Rate Index (FY2010=100)	102.9	111.6	93.1	85.3	81.5	88.5

*1 This grouping consists of the manufacturing facilities of Sumitomo Chemical and of the following domestic Group companies (See page 34 of the CSR Report 2016 for details of the data aggregation methodology). 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 Covestro Urethane Company, Ltd.; and Sumika Agrotech Co., Ltd.

*2 HFC, PFC, methane, sulfur hexafluoride, and NF3 are below the reporting threshold under the Act on Promotion of Global Warming Countermeasures.

*3 Data reflect the total of Sumitomo Chemical and its major Group companies in Japan.

*4 Data reflect the total of major overseas Group companies.

*5 The Company's targets for fiscal 2015 with fiscal 2010 as the base year

Economic Effects (Consolidated)

(Billions of yen)

Fiscal year	2011	2012	2013	2014	2015
Cost savings from energy efficiency	1.1	0.9	1.1	0.7	0.6
Cost savings from resource use efficiency	0.3	0.6	0.7	0.6	2.0
Cost savings from recycling efforts	3.3	3.1	3.7	3.6	3.1

Local Communities and Society

Contributions to Society

At each of the Sumitomo Chemical operating sites and Group companies, we contribute actively to local society based on the needs of each community, endeavoring to build and maintain friendly relations as members of society.

Examples of Actions

- Plant and research facility tours
- Beautification of the local environment
- Participation in and cooperation with community events
- Accommodation of student interns
- Special lectures at elementary and junior high schools
- Sports promotion

"Centennial Give Back" by 30,000 employees of Group companies

Sumitomo Chemical celebrated 100 years of operations on October 4, 2015. In commemoration of this milestone, a "Centennial Give Back" was held from June 26 to October 3, 2015 across the entire Group. The more than 30,000 Group employees around the world each made individual efforts to contribute to society, showing their gratitude for the support received up to this point.

A special website was set up for this initiative, where Group personnel of all different nationalities could post descriptions of their own actions; and a cartoon translated into 10 languages invited participation. Group personnel posted a total of 31,858 messages to the site describing their social contributions in such forms as local clean-up campaigns, tree-planting, blood donation, and fundraising. These messages, in a variety of languages and illustrated with photos, had a positive impact throughout the world, as they shared with the entire Group the importance of each employee doing whatever he or she can.

"Centennial Give Back" poster

Newsletter

Educational Support Initiatives

While education is a worldwide theme, the issues faced by each region are different. We therefore try to match our support to local needs.

The science experiment workshops we started in Japan, which let children experience the wonders and joy of chemistry, are being expanded to Group companies abroad. In 2015, these workshops were held in China, Singapore, and Belgium.


Science workshop class in Singapore

In Africa, we consider it important to create learning environments that will help toward realizing self-starting economic development. To that end, since 2005 we have been providing educational support mainly for elementary and junior high school construction, using part of the proceeds from sales of Olyset® Net mosquito bed nets. In the past 11 years we have supported 20 projects in 11 African countries, benefitting a total of more than 10,000 people.


Production of Olyset™ Net in Tanzania
(Photograph © M. Hallahan)

In keeping with our Basic CSR Policy of "playing a significant role in helping to build a sustainable society," we intend to continue with initiatives for supporting education of the children who will shoulder the responsibilities of the next generation.

Our CSR Report

Please see the CSR Report 2016 for details of Sumitomo Chemical's CSR efforts.

http://www.sumitomo-chem.co.jp/english/csr/report/

Corporate Governance

Management Team

(Front row, from left)

Hiroshi Tomono
Outside Director

Koichi Ikeda
Outside Director

Kunio Ito
Outside Director

Osamu Ishitobi
Chairman of the Board & Executive Chairman

Masakazu Tokura
Representative Director & President

Shinichi Yokoyama
Corporate Auditor

Mitsuhiro Aso
Corporate Auditor

Yoshitaka Kato
Corporate Auditor

(Back row, from left)

Hiroshi Ueda
Representative Director & Senior Managing Executive Officer

Kunio Nozaki
Representative Director & Senior Managing Executive Officer

Yoshihiko Okamoto
Representative Director & Senior Managing Executive Officer

Toshihisa Deguchi
Representative Director & Senior Managing Executive Officer

Tomohisa Ohno
Representative Director & Senior Managing Executive Officer

Ray Nishimoto
Representative Director & Senior Managing Executive Officer

Kenya Nagamatsu
Standing Corporate Auditor

Hiroaki Yoshida
Standing Corporate Auditor

Board of Directors and Corporate Auditors

(As of June 21, 2016)

Board of Directors

Osamu Ishitobi
Chairman of the Board & Executive Chairman

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
2006 Representative Director & Senior Managing Executive Officer
2008 Representative Director & Executive Vice President
2012 Representative Director & Vice Chairman
2014- Chairman of the Board & Executive Chairman

Masakazu Tokura
Representative Director & President

1974 Joined Sumitomo Chemical Co., Ltd.
1998 General Manager, Planning & Coordination Office, Fine Chemicals Sector
2000 General Manager, Corporate Planning & Coordination Office
2003 Executive Officer
2006 Managing Executive Officer
2008 Representative Director & Managing Executive Officer
2009 Representative Director & Senior Managing Executive Officer
2011- Representative Director & President

Toshihisa Deguchi
Representative Director & Senior Managing Executive Officer

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 Representative Director & Managing Executive Officer
2012- Representative Director & Senior Managing Executive Officer

Tomohisa Ohno
Representative Director & Senior Managing Executive Officer

Rabigh Project, 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
2014 Director & Senior Managing Executive Officer
2014- Representative Director & Senior Managing Executive Officer

Yoshihiko Okamoto
Representative Director & Senior Managing Executive Officer

Corporate Business Development, Corporate Planning, IT Innovation

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- Representative Director & Senior Managing Executive Officer

Ray Nishimoto
Representative Director & Senior Managing Executive Officer

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 Representative Director & Managing Executive Officer
2015- Representative Director & Senior Managing Executive Officer

2009- Chairman, Dalian Sumika Chemphy Chemical Co., Ltd.
2010- Chairman, Vector Health International Ltd.
2013- Chairman, Valent U.S.A. Corp.
Chairman, Valent BioSciences Corp.
Chairman, Dalian Sumika Jingang Chemicals Co., Ltd.

Kunio Nozaki
Representative Director & Senior Managing Executive Officer

Corporate Communications, Finance & Accounting, Procurement, Logistics

1979 Joined Sumitomo Chemical Co., Ltd.
2002 General Manager, Finance & Accounting Office
2007 Executive Officer
2009 Managing Executive Officer
2014 Senior Managing Executive Officer
2014- Representative Director & Senior Managing Executive Officer

2009- President, Sumika Finance Co., Ltd.
2015- Director, Sumitomo Seika Chemicals Co., Ltd.

Hiroshi Ueda
Representative Director & Senior Managing Executive Officer

Energy & Functional Materials Sector

1982 Joined Sumitomo Chemical Co., Ltd.
2006 Director, Process & Production Technology Center
2008 Associate Officer
2009 Executive Officer
2011 Managing Executive Officer
2016 Senior Managing Executive Officer
2016- Representative Director & Senior Managing Executive Officer

2013- Representative Director, CO2 M-Tech Co., Ltd.
2015- Director, Taoka Chemical Co., Ltd.

Kunio Ito
Director

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
2012- Outside Director, Sumitomo Chemical Co., Ltd.
2013- Outside Director, Kobayashi Pharmaceutical Co., Ltd.
2014- Outside Director, Seven & i Holdings Co., Ltd.
2014- Outside Director of Toray Industries, Inc.
2015- Research Professor in Postgraduate School of Hitotsubashi University's Department of Commerce and Management

Koichi Ikeda
Director

Outside Director

1963 Joined Asahi Breweries, Ltd.
2002 Representative Director & President & COO of Asahi Breweries, Ltd.
2006 Representative Director & Chairman & CEO of Asahi Breweries, Ltd.
2010- Advisor of Asahi Breweries, Ltd. (present Asahi Group Holdings, Ltd.)
2010- Outside Director, Komatsu Ltd.
2011 Corporate Auditor, Sumitomo Chemical Co., Ltd.
2015- Outside Director, Sumitomo Chemical Co., Ltd.
2015- Outside Director, Toshiba Corporation

Hiroshi Tomono
Director

Outside Director

1971 Joined Sumitomo Metal Industries, Ltd.
2005 Representative Director & Vice President of Sumitomo Metal Industries, Ltd.
2012 Representative Director & President & COO of Nippon Steel & Sumitomo Metal Corporation
2014 Representative Director & Vice Chairman of Nippon Steel & Sumitomo Metal Corporation
2015 Director & Adviser of Nippon Steel & Sumitomo Metal Corporation
2015- Outside Director, Konica Minolta, Inc.
2015- Outside Director, Sumitomo Chemical Co., Ltd.
2015- Advisor of Nippon Steel & Sumitomo Metal Corporation

Corporate Auditors

Kenya Nagamatsu
Standing Corporate Auditor

1975 Joined Sumitomo Chemical Co., Ltd.
2009 Deputy General Manager, Ehime Works
2011- Corporate Auditor
2015- Corporate Auditor, Sumitomo Seika Chemicals Co., Ltd.

Hiroaki Yoshida
Standing Corporate Auditor

1980 Joined Sumitomo Chemical Co., Ltd.
2012 General Manager, Planning & Coordination Office, Rabigh Project & General Manager, Planning & Coordination Office, Petrochemicals & Plastics Sector
2015- Corporate Auditor

Shinichi Yokoyama
Corporate Auditor

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.
2014 Director, Senior Advisor to the Board, Sumitomo Life Insurance Company
2014- Audit & Supervisory, Rengo Co., Ltd.
2014- Honorary Advisor, Sumitomo Life Insurance Company

Mitsuhiro Aso
Corporate Auditor

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.
2014- Outside Director, USS Co., Ltd.
2015- Outside Director, Nojima Corporation

Yoshitaka Kato
Corporate Auditor

1978- Registered as a certified public accountant
2008 CEO of Ernst & Young ShinNihon LLC
2014 Left Ernst & Young ShinNihon LLC
2015- Corporate Auditor, Sumitomo Chemical Co., Ltd.
2015- Corporate Auditor, Mitsui Fudosan Co., Ltd.

Senior Managing Executive Officer

Ikuzo Ogawa

Research Planning and Coordination, Intellectual Property, Industrial Technology & Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory

Managing Executive Officers

Shigeyuki Yoneda
Sumika Middle East Co., Ltd., Rabigh Project Office

Hiroshi Niinuma
General Affairs Dept., Legal Dept., CSR Dept., Internal Control & Audit Dept., Human Resources Dept., Osaka Office Administration Dept.

Keiichi Iwata
Energy & Functional Materials Sector - Planning & Coordination Office, Battery Materials Div., PLED Business Planning Office, IT-related Chemicals Sector - Electronic Materials Div.

Noriaki Takeshita
Petrochemicals & Plastics Sector - Planning & Coordination Office, Petrochemicals Div., Industrial Chemicals Div.

Kazushi Tan
Ehime Works

Satoshi Takazawa
Sumitomo Chemical (Asia Pacific) Pte. Ltd., Sumitomo Chemical Asia Pte Ltd

Marc Vermeire
Sumitomo Chemical Europe S.A./N.V., Special mission related to the Corporate Business Development Dept. and the Corporate Planning Dept.

Yasuhiko Kitaura
Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center, Responsible Care Dept.

Takashi Shigemori
Rabigh Refining and Petrochemical Company

Executive Officers

Kazuyuki Nuki
Health & Crop Sciences Sector - AgroSolutions Div.- Japan, Environmental Health Div.

Masaki Matsui
IT-related Chemicals Sector - Planning & Coordination Office, Optical Materials Div.

Toshiro Ohtsubo
Health & Crop Sciences Sector - Planning & Coordination Office, Quality Assurance Office, Pharmaceutical Chemicals Div.

Keiichi Sakata
Health & Crop Sciences Sector - Planning & Coordination Office, AgroSolutions Div.- International

Motoyuki Sakai
Corporate Planning Dept., Energy & Functional Materials Sector - Planning & Coordination Office

Hajime Tsukimori
PLED Business Planning Office, Electronic Devices Development Center, IT-related Chemicals Sector - Planning & Coordination Office, Quality Assurance Office

Yoshiaki Oda
Research Planning and Coodination Dept., Advanced Materials Development Laboratory

Nobuaki Mito
Corporate Business Development Dept., Intellectual Property Dept.

Atsuko Hirooka
Health & Crop Sciences Sector - Environmental Health Div., Animal Nutrition Div.

Kingo Akahori
Energy & Functional Materials Sector - Advanced Polymers Div., Battery Materials Div.

Seiji Takeuchi
Rabigh Refining and Petrochemical Company

Hwang Inwoo
Dongwoo Fine-Chem Co., Ltd.

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

Soji Sakamoto
Petrochemicals & Plastics Sector - Resin-related Business Development Dept., Polyolefins Div., Methacrylates Div.

Naoyuki Inoue
Rabigh Refining and Petrochemical Company

Yasuaki Sasaki
Human Resources Dept., Osaka Office Administration Dept.

Keigo Sasaki
Accounting Dept., Finance Dept.

Kenji Oono
General Affairs Dept., Legal Dept., CSR Dept.

Corporate Governance

Corporate Governance Initiatives

Sumitomo Chemical has been committed to continual efforts to improve corporate governance. In response to demands for further raising the governance level, including application of the Corporate Governance Code, we are taking measures to achieve the optimal governing structure and decision-making processes, while remaining faithful to the intent and spirit of the Code.

Basic Stance

Under the philosophy of "our business must benefit society, not just our interests," we develop a vibrant corporate culture and continue to be a company that society can trust, and commit ourselves to creating new value by building on innovation, in order to achieve sustained growth. Aware of the importance of effective corporate governance toward these ends, we are enhancing governance in accordance with the following principles. Basic to these are cooperation with shareholders and various other stakeholders, faster decision-making, proper oversight of the management, enhancement and strengthening of the compliance organizational structure and internal control system, and active dialog with stakeholders.

- Sumitomo Chemical shall respect the rights of shareholders, and shall strive to develop an environment facilitating the exercise of those rights and to ensure effectively equal treatment of shareholders.

- Recognizing that the cooperation with various stakeholders, including employees, customers, business partners, creditors, and local communities, is essential to sustained growth, Sumitomo Chemical shall actively fulfill its corporate social responsibility and strive to cultivate a corporate culture that earns the trust of society.

- As part of building a foundation for constructive dialog with stakeholders, Sumitomo Chemical shall endeavor to provide information that is highly reliable and useful to the recipients.

- Sumitomo Chemical's Board of Directors, based on their fiduciary responsibilities and accountability to shareholders, and recognizing the important role of outside directors, shall present effective management policies and business strategies that take into account changing social and economic conditions, and shall implement highly effective oversight of the management, in these ways properly fulfilling the role of Directors.

- Sumitomo Chemical shall endeavor to engage in constructive dialog with stakeholders who share the desire to achieve sustained growth and increased value of the Company in the medium to long term.

Measures to Date for Strengthening Corporate Governance

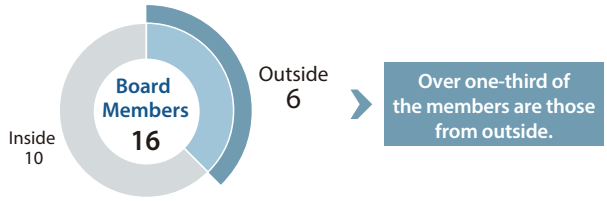
Date		Major Initiatives	Board Composition	Appointment of Board Members	Executive Compensation	Other
2002	December	Established Risk Crisis Management Committee				●
2003	June	Introduced Executive Officer system (reduced number of Directors from 25 to 10)	●			●
	July	Established Compliance Committee				●
2004	June	Eliminated system of retirement benefits for Directors and Corporate Auditors			●	
2007	May	Established Internal Control Committee				●
	September	Established Compensation Advisory Group			●	
2010	September	Established Nomination Advisory Group		●		
2011	November	Drew up standards for appointment of independent outside directors	●	●		
2012	June	Appointed 1 outside director	●			
2015	June	Selected 3 outside directors (increased by 2)	●			
	October	Established Compensation Advisory Committee in place of Compensation Advisory Group			●	
		Established Nomination Advisory Committee in place of Director Nomination Advisory Group		●		

Recent Initiatives to Strengthen Corporate Governance

Composition of Board of Directors

In June 2015, we added two outside directors to the Board of Directors, raising their number to three, in order to strengthen the oversight functions of the Board and to increase the transparency and objectivity of management. Moreover, we appointed accounting specialists as outside corporate auditors to further enhance the oversight and management functions of the Board of Directors.

Board Composition (As of June 21, 2016)



	Inside	Outside
Director	8	3
Corporate Auditor	2	3

Changes in Board of Directors Administration

In 2015 we reviewed the way the Board of Directors is administered, making changes that put more focus on deliberating management policies, business strategy, and important matters for carrying out operations, and on oversight of those operations. The changes also expand the scope of decision-making delegated to Executive Officers with the aim of speeding up execution of operations. At board meetings, reporting on the performance of duties by each Director has been enhanced, and three types of reports are defined based on the contents, aiming for effective reporting. Along with enhanced reporting, the monetary threshold the Board of Directors to resolve has been raised, faster decision-making has been achieved, and the monitoring functions of the Board of Directors have been strengthened.

Establishment of Nomination Advisory Committee and Compensation Advisory Committee

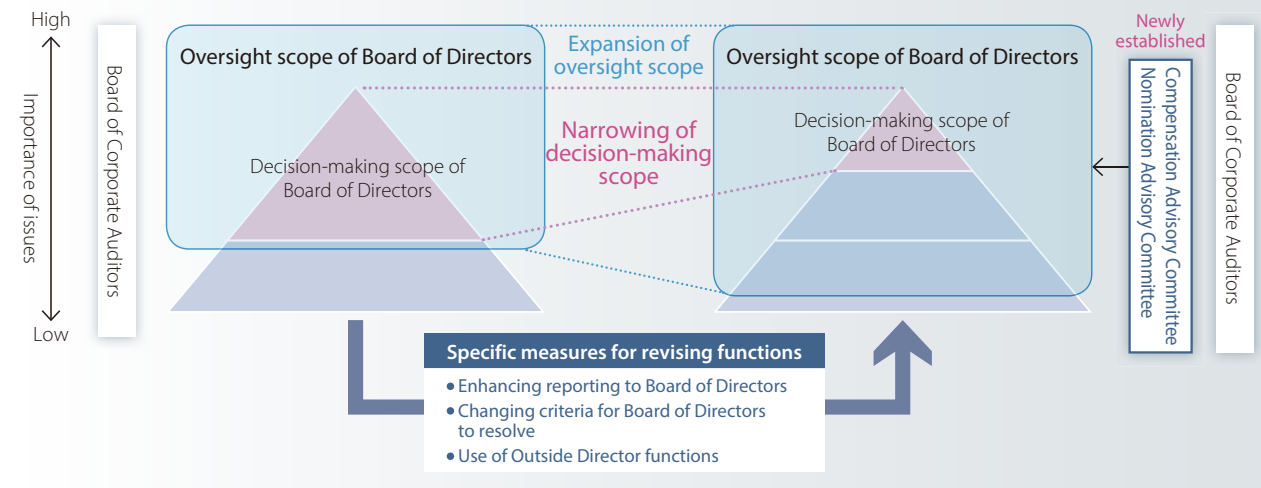
A nomination advisory committee and a compensation advisory committee were created in October 2015. Currently both committees are made up of a majority of independent outside directors. By nominating members of the Board of Directors and advising on compensation, they are helping to make the decision-making process more transparent, fair, and open.

Use of Outside Director Functions

To make maximum use of the oversight and advisory functions of the outside directors, the relevant organizations provide outside directors with detailed explanations of agenda items before they are deliberated in the Board. Important matters such as management policy, M&A, and large-scale projects are explained to the Board of Directors in advance so that the views of Directors can be reflected; and advice is given by outside directors and others based on their expert knowledge.

For further understanding of Sumitomo Chemical business, outside directors are taken on tours of operating sites, informal meetings with outside directors and lunch meetings with

Changes in Board of Directors Functions



directors (including Executive Officers) are held, and other steps are taken to create an environment conducive to proper fulfilment of roles.

Assessing the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors is assessed each year. The assessment method and results for fiscal 2015 are summarized below.

Assessment Methods

2015	December	Questionnaire survey
2016	January	Compiled views of Board of Corporate Auditors
	February	Exchanged views at informal meetings of outside directors
		Exchanged views at Management Meeting
	March	Board of Directors (analyzed and summarized assessment results)

Assessment Results

The assessment confirmed that the effectiveness of the Board of Directors is mostly achieved with regard to its composition (size, membership, etc.), administration (frequency and length of meetings, substance and quality of explanatory documents, advance explanation, etc.), deliberation and reporting in Board of Directors meetings (level of criteria for referring matters for discussion, whether constructive discussions are carried on freely and frankly, etc.), and oversight of the performance of duties (oversight from independent and objective standpoint, proper risk-taking, etc.).

Some measures for improvement were also pointed out for the sake of further raising the effectiveness of the Board of Directors. The assessment confirmed that Board of Directors deliberations could be further energized by disclosure of discussions held before the Board of Directors meeting and by improving the way of regular reports of performance of duties in the Board.

Current Corporate Governance Organization

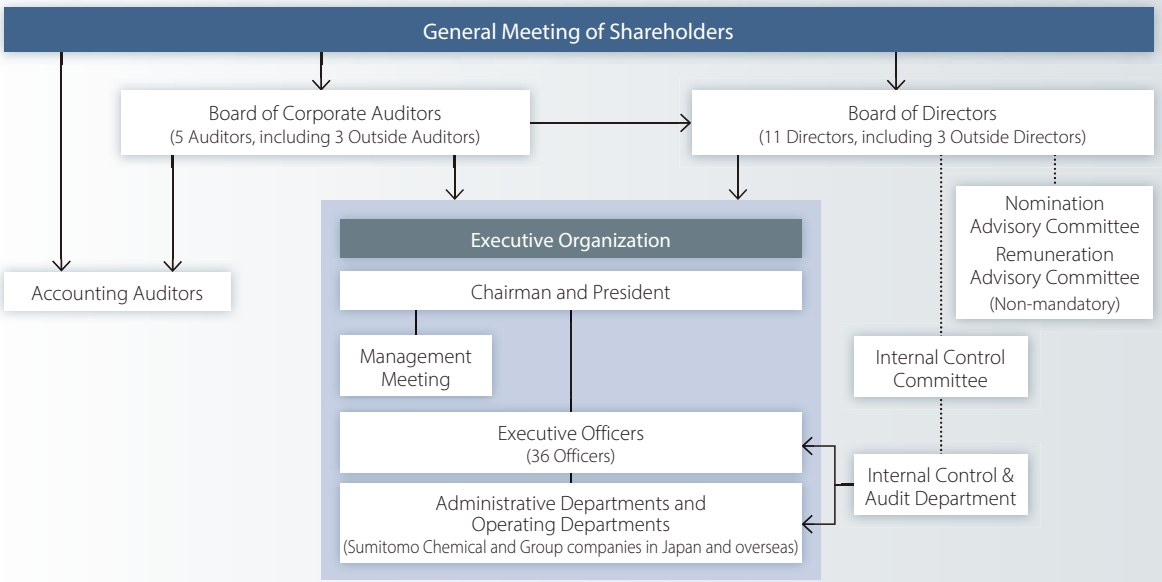
Organizational Structure

Board of Directors

The Sumitomo Chemical Board of Directors decides important matters concerning the Company's management, including management policy and business strategies, in accordance with the law, the Articles of Incorporation, and Board of Directors regulations. It also receives reports from Directors and others on the performance of duties, financial situation, and operating results, and oversees the performance of duties by each Director.

The Board currently consists of 11 Directors, three of whom are independent outside directors having no conflict of interest with general shareholders. The term of office of Directors is one year, in order to make the administrative organization responsive to changes in the business environment and to establish clear administrative responsibility and roles of Directors.

Corporate Governance Organization (As of June 21, 2016)



Board of Directors meetings are held monthly as a rule, with special meetings convened as needed. To ensure the effectiveness of the Board of Directors, assessments and analyses are conducted annually and the results are fed back to members.

Corporate Auditors and Board of Corporate Auditors

We have a Corporate Auditor System, with a Board of Corporate Auditors consisting of five Corporate Auditors including three outside corporate auditors.

The Corporate Auditors and the Board of Corporate Auditors play a vital role in our corporate governance, by auditing the performance of duties by Directors in accordance with the law and the Articles of Incorporation. The Board of Corporate Auditors meets once a month as a rule.

Standing Corporate Auditors and outside auditors attend meetings of the Board of Directors and the Board of Corporate Auditors. In conducting their audits, they receive reports and explanations as needed from the Internal Control & Audit Department, operating divisions, and accounting auditors. In addition, Standing Corporate Auditors attend meetings of the Internal Control Committee and other important company meetings.

The results of audits and the objective views of outside auditors are appropriately reflected in internal audits, corporate auditors' audits, and accounting audits, so as to raise the effectiveness and efficiency of auditing.

The Corporate Auditors' Office has been established with staff dedicated to providing assistance in auditing functions under the direction of Corporate Auditors.

Management Organizations for Decision-making, Execution, and Auditing

Executive Officers

We have appointed Executive Officers to expedite the implementation of business operations. Executive Officers are responsible for carrying out operations in accordance with the policies adopted by the Board of Directors. We have 36 Executive Officers, with 8 acting in dual capacity as Directors. The Executive Officers are 33 Japanese and three non-Japanese, consisting of 35 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, including matters to be deliberated in the Board of Directors for discussion and reports to be made to the Board. The Management Meeting consists of all the Directors (excluding outside directors), some of the Executive Officers of corporate divisions, and one Standing Corporate Auditor. Meetings are held 24 times a year as a rule.

Independent Director

Title	Name	Reason for Appointment	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 of other companies.	Attended all 13 meetings of the Board of Directors held in fiscal 2015, contributing mainly from his specialist standpoint as a university professor with expertise in accounting, business administration and other areas.
	Koichi Ikeda	The Company has elected Mr. Ikeda as an outside director, anticipating that he will oversee its management by utilizing a wealth of experience and extensive insight as a management executive of a major corporation.	Following his appointment as director in June 2015, attended all 10 meetings of the Board of Directors held thereafter, contributing his views as appropriate from his standpoint as a highly experienced management executive.
	Hiroshi Tomono	The Company has elected Mr. Tomono as an outside director, anticipating that he will oversee its management by utilizing a wealth of experience and extensive insight as a management executive of a major corporation.	Following his appointment as director in June 2015, attended all 10 meetings of the Board of Directors held thereafter, contributing his views as appropriate from his standpoint as a highly experienced management executive.
Outside Corporate Auditor	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 a management executive of a business corporation.	Attended 12 out of 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held in fiscal 2015, contributing from his standpoint as an experienced management executive.
	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 and a lawyer.	Attended all 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held in fiscal 2015, contributing mainly from his specialist standpoint as a lawyer.
	Yoshitaka Kato	The Company has elected Mr. Kato as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing his ample experience and expertise in finance and accounting as a certified public accountant.	Following his appointment as corporate auditor in June 2015, attended 9 of the 10 meetings of the Board of Directors and all 10 meetings of the Board of Corporate Auditors held thereafter, contributing his views as appropriate from his specialist standpoint as a certified public accountant.

(Note) All the outside directors are independent directors having no conflict of interest with general shareholders.

Committees

We enhance 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 and the Responsible Care Committee and others are attended by Directors and others, as well as the Standing Corporate Auditor, who serves as an observer.

Internal Committees

Name	Purpose	Number of Meetings in Fiscal 2015
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 large scale disasters, pandemics, and a decline in public security	3*
Responsible Care Committee	Comprehensively promote responsible care activities from a longterm viewpoint	1
Compliance Committee	Promote compliance-oriented business management	1

* Subcommittee meetings on specific key themes

Executive Nomination and Compensation

Nomination Advisory Committee

The Nomination Advisory Committee was created in October 2015 to act as an advisory body to the Board of Directors on selection of top management and on appointment of directors and auditors. The committee is made up of outside directors and Sumitomo Chemical representative directors. Regular meetings are held annually and ad hoc meetings are convened as needed. With a majority of members being outside directors, the committee advises the Board of Directors on appointment of officers, with the purpose of ensuring more transparency, fairness, and openness in the process of appointing officers and bringing greater clarity to the process.

Compensation System

Compensation for top management and Directors consists of basic compensation and bonuses. Basic compensation is paid as fixed compensation assigned to each rank, reflecting the duties of Directors and the Company's medium- to long-term performance. The intention is that directors will not take actions having only short-term effect or be content with less than full optimization. Bonuses are paid to heighten incentive to meet the business plans for each year, with the amount being determined based on consolidated performance for the fiscal year.

Compensation Levels

To ensure objectivity and appropriateness of compensation, levels are set by an outside third party based on the results in a database relating to executive pay, comparison with pay levels of the Company's employees, past amounts paid, and other data.

Compensation Advisory Committee

In September 2007, the Company established a Compensation Advisory Group as a body that reports to the Chairman about policy and concrete plans concerning the officer compensation system, compensation levels, and other benefits. It includes academic, legal and other outside experts, who provide their informed viewpoints to raise the objectivity of decisions on compensation systems and levels.

The Compensation Advisory Group was replaced in October 2015 with a Compensation Advisory Committee, as an advisory body to the Board of Directors on the compensation system for directors, compensation levels, and other related matters. The committee is made up of outside directors and Sumitomo Chemical representative directors. It holds regular meetings annually and convenes ad hoc meetings as needed. With a majority of members being outside directors, the committee advises the Board of Directors in deciding the officer compensation system and levels, in order to achieve greater transparency, fairness and openness.

Directors' and Corporate Auditors' Compensation in Fiscal 2015

(Millions of yen)

Title	Eligible Persons	Basic Compensation	Bonuses	Total
Directors (excluding Outside Directors)	8	¥465	¥131	¥596
Standing Corporate Auditors	3	¥ 78	—	¥ 78
Outside Directors and Corporate Auditors	6	¥ 75	¥ 10	¥ 84
Total	17	¥618	¥141	¥759

(Note) The above numbers include one director and one corporate auditor who retired from their positions during the fiscal year.

Internal Control / Risk Management

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 (revised in March 2015) established by the Board of Directors, 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 (chaired by the President) to inspect and maintain the system in response to changing circumstances. This committee is organized by the Internal Control & Audit Department, which promotes and coordinates various measures for improving the internal control system and monitors their implementation.

Internal Auditing

Sumitomo Chemical's internal auditing is conducted on Sumitomo Chemical and major Group companies by the Internal Control & Audit Department which is organized especially for the function. The Department carries out internal auditing to evaluate and ascertain designs, operations, and effective functioning of internal controls from the following perspectives 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) compliance with relevant laws and statutes in all business activities.

In addition, the Internal Control & Audit Department regularly holds meetings of the Internal Audit Coordination Board to share with relevant departments the information of deficiencies detected by internal auditing and progress on their countermeasures in order to enhance the effectiveness and efficiency of internal auditing throughout Sumitomo Chemical and all Group companies. The Department also evaluates the effectiveness of Sumitomo Chemical's internal control over financial reporting, in accordance with Japan's Financial Instruments and Exchange Act.

Timely Disclosure

The Corporate Communications Department 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 website of Japan Exchange Group Inc.

Risk Management

We seek to strengthen our risk management system to prevent materialization of risks that may hinder the achievement of business objectives as well as to mitigate damage on the occurrence of the risks.

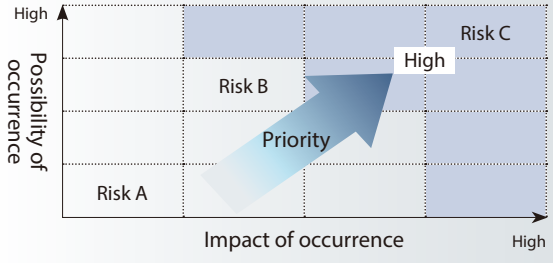
Each organization of the Sumitomo Chemical Group takes various measures in day-to-day operations to detect risks at early stage, to prevent risks from materializing, and to respond promptly and appropriately on the occurrence of the risks.

To support and ensure the risk management measures of each organization, the Internal Control Committee determines Group-wide risk management policy and deliberates initiatives pertaining to collection of risk information and its dissemination throughout the Group.

For enhancing the risk management system, each organization of Sumitomo Chemical Group including group companies both in Japan and abroad conducts a risk assessment every fiscal year in terms of the probability of risk occurrence and its possible impact, and the Internal Control Committee determines Group-wide priority risks which are to be implemented across the group. Each organization takes appropriate measures based on the Group-wide risk response plans, which are developed by Sumitomo Chemical's risk response coordination departments designated for each priority risk.

We also establish a Risk Crisis Management Committee to deliberate the Group's response policies and plans, pertaining to the individual risk crisis in order to make prompt responses in the event that a significant risk is realized, such as large-scale disasters (earthquakes, storms, floods and other), pandemics and a deterioration in security (terrorism, riots and wars and other).

Risk Map



Compliance

Compliance-Focused Business Management Underlies Time-Honored History of Sumitomo Chemical Group

Sumitomo Chemical places "compliance" at the bedrock of corporate management. As we engage in business in many parts of the world, all companies of Sumitomo Chemical Group are devoting earnest efforts to stay in strict compliance with not only laws and regulations, but also ethical principles in a business environment.

The spirit and letter of ensuring compliance in our business activities has been enshrined at Sumitomo Chemical ever since the company was founded. This unwavering resolve towards compliance is embodied succinctly in the "Sumitomo Chemical Charter for Business Conduct" which serves as the guideline of conduct for every employee to abide by, constituting the backbone of our day-to-day compliance activities. As business operations continue to globalize across national borders, laws and regulations governing them are increasingly tightened and their enforcement becomes more rigorous. Accordingly, the importance of ensuring compliance grows even further. At Sumitomo Chemical Group which operates globally, all companies are firmly united in achieving full and strict compliance as they expand and diversify business activities.

Fine-tuning a compliance system to individual Group companies

Sumitomo Chemical's Compliance Committee is the linchpin of our activities to attain compliance throughout Sumitomo Chemical Group. The Compliance Committee establishes overarching principles of compliance from a global perspective, according to which it not only supervises compliance activities of Sumitomo Chemical itself, but also works with every Group company in Japan and abroad in building and operating their compliance systems in a manner desired.

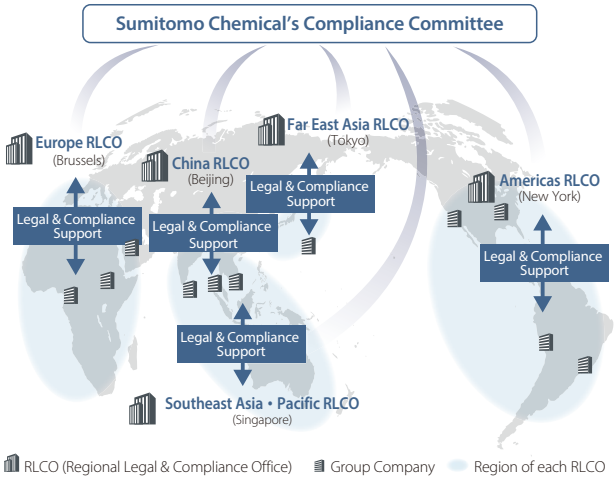
As our business globalization advances, it becomes increasingly crucial that each company's compliance system be fine-tuned, in both structure and operation, to a specific situation of the company as well as legal or other requirements of a country where it operates. For this reason, under the guiding principle of "Think globally, Manage regionally, Act locally", we have a network of regional units, each called Regional Legal & Compliance Office (RLCO), in our major business regions around the world. RLCOs actively work with respective Group companies in promoting their compliance activities as well as providing legal support services to them.

As far as compliance management is concerned, RLCOs hold close and direct dialogue with Group companies, thereby grasping their specific needs and challenges and working together in preparing and implementing concrete compliance measures as well as supporting generally in building and operating desired compliance systems.

Providing education and trainings periodically is vital for realizing compliance. RLCOs provide programs of compliance trainings tailored to a particular situation of each company, whether it be face-to-face lecture session or E-learning. Among a variety of compliance issues, a focus of RLCOs' recent support to Group companies is particularly on building and operating compliance systems geared to preventing corruption, ensuring observance of competition laws, and preventing leakage of confidential information, which are the areas where Sumitomo Chemical Group has been enhancing activities in recent years.

As Sumitomo Chemical reinforces its Group-wide compliance activities in the years ahead, RLCOs will play an even greater role by promoting closer cooperation with Group companies to make their supportive services more "tangible, practical and visible."

Compliance System



To realize full and strict compliance, it is essential that every employee be motivated to have a strong compliance-focused mindset and make unabated efforts voluntarily to ensure compliance at the workplace. A beacon to guide such efforts is the "Sumitomo Chemical Charter for Business Conduct" and a "Code of Ethics" or its equivalent. Every employee must make an independent and proactive effort to understand correctly and thoroughly the basics of behavior and conduct outlined in these guidelines. In addition, it is important that the company provide education to its employees, by way of trainings and the like, to help them deepen such understanding. This is true of all companies in the Group. In fact, every company is working to take as many occasions a possible to provide its employees with trainings or other educational initiatives on compliance.

Speak-Up hotline

Equally important for ensured compliance is building an internal system whereby any sign of compliance violation is detected in its early stage and removed promptly, or appropriate measures are

taken swiftly should there actually be any violation. This thought has led us to adopt a dual-channel Speak-Up System equipped with an internal Speak-Up hotline and an external Speak-Up hotline, at not just Sumitomo Chemical, but all Group companies as far as relevant laws of their respective countries permit it. Under the System, an employee can report any violation or suspected violation of compliance to his or her company's Compliance Committee or other organization of the same nature via either its internal hotline, or an external hotline which is usually an outside lawyer designated by the company. Annually, Sumitomo Chemical Company and its Group companies, all combined, receive approximately 40 cases of speak-up reporting in total.

Operating Compliance System More Effectively

Sumitomo Chemical's support, through its Compliance Committee, to Group companies begins with working on introducing their compliance systems in accordance with Group's certain common standards. To realize strict compliance at a Group company, however, the proper operation of the introduced compliance system is most important. Ensuring compliance is tantamount to conducting compliance-related risk management adequately, which means detecting compliance risks in their early stage and nip them in the bud. Sharing this understanding together, all Group companies are re-doubling their efforts toward achieving effective risk management through assessing compliance risks that their business activities might carry, and then preparing and implementing appropriate measures against the risks.

For such risk management to be conducted properly, it is essential that compliance risks lying hidden in day-to-day business activities be looked into from as objective a viewpoint as possible and assessed appropriately. What a single Group company can do by itself in the risk assessment would naturally be limited. This is where RLCOs can contribute much, fully utilizing their diverse knowledge and on-the-ground experiences gained from working with various companies locally in a relevant region. RLCOs will support proactively or cooperate closely with Group companies to help them conduct risk management as well as a risk assessment more effectively and efficiently.

All Group companies growing together as a responsible corporate citizen

Going forward, the Compliance Committee of Sumitomo Chemical, RLCOs and all Group companies will work more cohesively and grow together to make our compliance activities more effective. Through such a cooperative endeavor, Sumitomo Chemical will fulfill its responsible corporate citizenship as a globally operating enterprise.

Topics

Initiating "Compliance Promotion Month"

On the auspicious occasion of Sumitomo Chemical's 100th anniversary and in tune with the "Corporate Ethics Promotion Month" established by Keidanren (Japan Business Federation), Sumitomo Chemical and some of its Group companies have decided to designate the month of October every year as "Compliance Promotion Month," in which the companies will run a special campaign aimed at raising compliance awareness of their employees.

In FY2015, as part of efforts to reduce compliance risks at the workplace, Sumitomo Chemical conducted company-wide initiatives at every workplace with all employees participating in them. They held active discussions to identify compliance-related risks at their own workplace, and then examined or prepared possible measures that could be taken to prevent the risks from manifesting themselves. For those preventive measures that were already in place, they re-examined whether they would be effective enough or not.

Second Global Conference Held on Group-wide Legal and Compliance Initiatives

Following last year, we held the second Global Legal and Compliance Conference on March 7 and 8 in Tokyo, attended by representatives of each Regional Legal and Compliance Office (RLCO), and managers of certain Group companies in charge of legal and compliance affairs.

The conference was intended, as in the previous year, to serve two objectives, i.e. further promoting activities to ensure strict compliance at every Sumitomo Chemical Group company, and enhancing the companies' capabilities in handling legal aspects of their day-to-day business operations. Participants from respective Regions reported their activities over the past year, briefing on how they have specifically been working with Group companies. The activities included supporting in contract drafting and negotiation for legal matters, and undertaking risk assessment/management for priority compliance risks in such fields as competition law observance and corruption prevention. The conference then discussed, through a candid exchange of views, concrete measures to be taken going forward to make the RLCO's initiatives a more effective one.

Business Risks

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 operational results and financial conditions of the Companies.

(b) Overseas sales of the Companies account for more than 60% of total sales, and sales in the Petrochemicals & Plastics Segment and other 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 Petrochemical & 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, the precipitous decline in Japan's birthrate and the rapid rise in the country's elderly population are the prime factors causing the financial state of Japan's healthcare insurance system to deteriorate. In this climate, measures continue to emerge aimed at curbing healthcare costs by price restraint of branded prescription drug and promotion of generic drug use, and how to best reform the country's healthcare system continues to be debated. The direction that any healthcare system reforms might take, could ultimately have a significant and negative impact on the Group's operating results and financial position. Pharmaceutical products are subject to various kinds of regulations in foreign countries as well. The Group's operating results and financial position may be significantly affected, depending on the future courses of the U.S. healthcare system reform and other administrative measures overseas.

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 statement. 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 of 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.

For carrying out the Rabigh Phase Ⅱ Petrochemical Project, an expansion of the Rabigh Phase I Project, Petro Rabigh has signed project financing agreements with a syndicate of financial institutions. The agreements cover loans of approximately US$5.2 billion, more than 60% of the total cost of approximately US$8.1 billion specified for the project. Sumitomo Chemical is providing a completion guarantee covering 50% of the financed amount. Sumitomo Chemical is also serving as guarantor for some of the other loans taken out by Petro Rabigh.

Note that the performance of these guarantee obligations has the potential to impact Sumitomo Chemical's operating results and financial condition. As with Rabigh Phase I, Sumitomo Chemical has taken out overseas investment insurance for Rabigh Phase Ⅱ in accordance with the provisions and limits set by Nippon Export and Investment Insurance (NEXI).

(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 acquisition 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 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.

Change and Innovation – Create New Value

The Dream of Chemistry in Your Life

The products and technologies of Sumitomo Chemical are found in many aspects of daily life. In unseen ways, like the air we breathe, they are strongly supporting us day after day. Our desire is to continue being a familiar presence that helps people live fulfilling, enjoyable lives.

Financial Highlights

	'07/3	'08/3	'09/3	'10/3	'11/3
Income statement					
Net sales	¥ 1,790.0	¥ 1,896.5	¥ 1,788.2	¥ 1,620.9	¥ 1,982.4
Net sales from overseas operations	747.8	788.8	749.8	728.9	1,056.7
Operating income	139.6	102.4	2.1	51.5	88.0
Net interest expenses	(3.9)	(2.8)	(2.7)	(5.0)	(6.3)
Equity in earnings (losses) of affiliates	23.6	11.2	(12.8)	(7.0)	10.8
Income (loss) before income taxes and non-controlling interests	181.1	128.2	(48.7)	41.3	75.7
Net income (loss) attributable to owners of the parent*3	93.9	63.1	(59.2)	14.7	24.4
Capital expenditures	159.8	142.5	134.1	103.2	98.7
Depreciation and amortization expenses	113.9	125.0	140.7	116.1	147.0
Research and development expenses	97.7	105.4	131.1	117.3	138.1
Cash flows					
Cash flows from operating activities	142.9	156.6	78.4	132.9	176.2
Cash flows from investing activities	(164.2)	(182.7)	(206.2)	(269.4)	(156.0)
Free cash flows	(21.3)	(26.1)	(127.8)	(136.5)	20.2
Cash flows from financing activities	35.6	7.1	112.5	168.7	18.0
Balance sheet					
Current assets	995.9	1,003.2	838.1	1,013.5	1,098.3
Net property, plant and equipment	623.5	636.5	567.8	581.8	552.5
Investments and other assets	705.5	719.3	616.6	788.6	716.4
Total assets	2,324.9	2,358.9	2,022.6	2,383.9	2,367.3
Net assets	1,030.5	1,006.0	775.6	821.4	758.9
Interest-bearing liabilities	641.0	673.9	795.4	997.9	1,040.3
Others					
Number of employees	24,691	25,588	26,902	27,828	29,382
Number of consolidated subsidiaries	105	116	126	143	146
Number of shareholders	115,249	108,027	118,636	118,600	116,619
Per share data					
Net income (loss)	56.82	38.20	(35.84)	8.92	14.86
Net assets	479.87	465.21	329.74	348.52	319.61
Cash dividends	12.00	12.00	9.00	6.00	9.00
Ratios					
Operating margin (%)	7.8	5.4	0.1	3.2	4.4
Asset turnover (times)*4	0.8	0.8	0.8	0.7	0.8
ROA (%)*5	6.2	4.4	0.1	2.3	3.7
ROE (%)*6	12.4	8.1	(9.0)	2.6	4.5
D/E ratio (times)*7	0.6	0.7	1.0	1.2	1.4
Shareholders' equity ratio (%)	34.1	32.6	26.9	24.1	22.1

*1 Unless otherwise specified.

*2 US dollar amounts are translated from yen, for reference only, at ¥112.68=US$1.00, the prevailing rate on March 31, 2016.

*3 With the revisions to the Accounting Standards for Business Combinations and other matters, changed the representation of "Net income (loss)" to "Net income (loss) attributable to owners of the parent."

				(Billions of yen)*1	(%)	(Thousands of US dollars)*2
'12/3	'13/3	'14/3	'15/3	'16/3	'15/3 vs. '16/3	'16/3
¥ 1,947.9	¥ 1,952.5	¥ 2,243.8	¥2,376.7	**¥2,101.8**	–11.6%	**$18,652,503**
1,009.0	1,043.8	1,292.9	1,428.4	**1,289.2**	–9.7	**11,441,534**
60.7	45.0	100.8	127.3	**164.4**	+29.1	**1,459,407**
(4.7)	(5.4)	(4.9)	0.7	**(2.7)**	—	**(23,562)**
2.0	5.4	12.0	23.9	**20.2**	–15.4	**179,624**
23.9	12.3	86.2	116.7	**157.6**	+35.0	**1,398,376**
5.6	(51.1)	37.0	52.2	**81.5**	+56.1	**722,852**
155.1	116.1	143.4	84.2	**103.8**	+23.3	**920,776**
114.9	115.5	115.7	119.2	**116.6**	–2.2	**1,034,807**
122.3	125.0	141.3	147.9	**155.8**	+5.3	**1,382,419**
124.5	171.6	194.4	260.9	**261.2**	+0.1	**2,317,820**
(124.0)	(165.8)	(135.2)	(56.6)	**(53.7)**	—	**(476,376)**
0.5	5.8	59.2	204.2	**207.5**	+1.6	**1,841,444**
2.1	(36.0)	(59.1)	(151.5)	**(178.0)**	—	**(1,579,304)**
1,102.1	1,108.8	1,242.5	1,260.9	**1,187.9**	–5.8	**10,542,501**
594.9	640.2	722.8	694.4	**642.2**	–7.5	**5,699,023**
640.0	723.1	823.1	925.1	**832.1**	–10.1	**7,384,230**
2,337.0	2,472.1	2,788.5	2,880.4	**2,662.2**	–7.6	**23,625,754**
720.9	747.5	934.5	1,118.2	**1,090.8**	–2.5	**9,680,229**
1,053.0	1,060.6	1,074.6	980.2	**831.5**	–15.2	**7,379,349**
29,839	30,396	30,745	31,039	**31,094**	+0.2	—
145	162	164	167	**160**	–4.2	—
118,107	121,619	107,939	96,826	**96,316**	–0.5	—

				(Yen)*1	(%)	(US cents)*2
3.42	(31.25)	22.62	31.93	**49.84**	+56.1	**44.23**
297.45	303.74	393.58	484.17	**469.25**	–3.1	**416.44**
9.00	6.00	9.00	9.00	**14.00**	+55.6	**12.42**
3.1	2.3	4.5	5.4	**7.8**	—	—
0.8	0.8	0.9	0.8	**0.8**	—	—
2.6	1.9	3.8	4.5	**5.9**	—	—
1.1	(10.4)	6.5	7.3	**10.5**	—	—
1.5	1.4	1.1	0.9	**0.8**	—	—
20.8	20.1	23.1	27.5	**28.8**	—	—

*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 attributable to owners of the parent / average of total net assets less non-controlling interests as of the beginning and the end of each fiscal year
*7 D/E ratio = interest-bearing liabilities / net assets

Financial Highlights (by Business Sector)

	'07/3	'08/3	'09/3	'10/3	'11/3*2	'12/3*3
Net sales						
Basic Chemicals	¥ 314.0	¥ 314.7	¥ 240.0	¥ 203.3	¥ 302.3	¥ 284.3
Petrochemicals & Plastics	539.1	603.3	553.0	481.5	649.9	672.4
Energy & Functional Materials	—	—	—	—	—	—
Fine Chemicals	90.9	92.9	80.8	86.7	—	—
IT-related Chemicals	266.4	297.5	307.1	265.2	322.3	293.1
Health & Crop Sciences	198.3	200.4	222.2	211.5	250.8	264.1
Pharmaceuticals	234.5	237.6	235.6	267.5	410.6	380.5
Others	146.8	150.1	149.5	105.1	46.6	53.4
Total	1,790.0	1,896.5	1,788.2	1,620.9	1,982.4	1,947.9
Operating income (loss)						
Basic Chemicals	13.5	10.6	(15.3)	1.3	20.6	9.3
Petrochemicals & Plastics	23.6	4.5	(30.3)	(0.2)	11.1	6.2
Energy & Functional Materials	—	—	—	—	—	—
Fine Chemicals	13.1	11.4	1.6	3.6	—	—
IT-related Chemicals	3.5	6.3	(1.0)	6.3	26.1	11.0
Health & Crop Sciences	23.3	20.9	24.4	29.3	23.3	26.5
Pharmaceuticals	56.2	46.5	32.4	29.9	28.7	20.9
Others	8.0	3.7	(7.9)	6.7	4.1	7.7
Elimination	(1.5)	(1.5)	(1.7)	(25.4)	(26.0)	(20.9)
Total	139.6	102.4	2.1	51.5	88.0	60.7
Capital expenditures						
Basic Chemicals	24.6	27.6	14.7	12.4	16.6	24.5
Petrochemicals & Plastics	16.9	21.2	17.6	14.4	13.7	19.6
Energy & Functional Materials	—	—	—	—	—	—
Fine Chemicals	4.6	6.9	7.7	17.8	—	—
IT-related Chemicals	72.0	33.4	50.6	11.5	27.7	66.9
Health & Crop Sciences	10.1	8.5	11.3	23.2	15.6	19.3
Pharmaceuticals	12.5	18.3	12.7	7.8	10.5	11.3
Others	19.1	26.7	19.6	16.3	14.6	13.5
Total	159.8	142.5	134.1	103.2	98.7	155.1
Research and development expenses						
Basic Chemicals	5.7	6.1	6.4	3.5	5.1	5.2
Petrochemicals & Plastics	11.3	11.1	12.0	8.3	7.6	7.2
Energy & Functional Materials	—	—	—	—	—	—
Fine Chemicals	4.2	4.1	4.2	4.2	—	—
IT-related Chemicals	12.6	13.7	21.2	11.0	11.6	11.7
Health & Crop Sciences	18.7	19.4	20.7	17.2	21.6	19.7
Pharmaceuticals	42.5	47.7	55.0	54.9	71.2	59.0
Others	2.6	3.3	11.6	18.1	21.1	19.5
Total	97.7	105.4	131.1	117.3	138.1	122.3

*1 US dollar amounts are translated from yen, for reference only, at ¥112.68 = US$1.00, the prevailing rate on March 31, 2016.

*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 fiscal2010. 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.

*3 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.

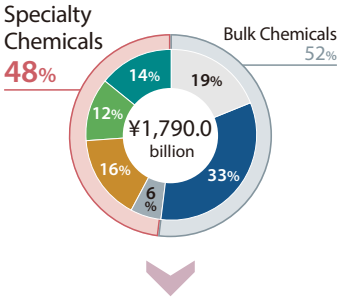
			(Billions of yen)	(Thousands of US dollars)*1
'13/3	'14/3	'15/3	'16/3*4	'16/3*4
¥ 263.5	¥ 286.9	¥ —	¥ —	$ —
693.9	792.0	932.3	657.1	5,831,496
—	—	202.8	184.5	1,637,140
—	—	—	—	—
300.0	362.3	405.1	409.1	3,630,334
262.6	327.0	345.4	359.0	3,186,129
378.6	418.8	403.6	435.5	3,864,732
54.0	56.8	87.5	56.6	502,672
1,952.5	2,243.8	2,376.7	2,101.8	18,652,503
(6.4)	(10.9)	—	—	—
(3.2)	4.9	20.8	28.8	255,298
—	—	0.8	(2.0)	(18,095)
—	—	—	—	—
11.7	34.9	32.4	24.7	219,391
26.3	38.2	56.1	77.5	687,948
30.9	47.1	29.0	42.7	378,825
8.0	8.4	15.7	7.8	69,489
(22.2)	(21.8)	(27.4)	(15.0)	(133,449)
45.0	100.8	127.3	164.4	1,459,407
33.0	22.7	—	—	—
14.1	17.0	19.7	20.7	183,724
—	—	5.8	15.4	136,545
—	—	—	—	—
18.7	51.5	17.5	31.9	283,129
25.1	17.5	16.3	15.5	137,966
14.6	28.7	16.5	13.9	123,119
10.6	6.1	8.3	6.3	56,293
116.1	143.4	84.2	103.8	920,776
5.8	6.4	—	—	—
7.1	7.6	6.7	6.2	54,579
—	—	8.2	6.1	54,189
—	—	—	—	—
12.3	15.0	16.5	18.5	163,969
20.6	22.9	24.9	26.8	237,478
61.1	71.9	72.9	83.7	743,149
18.1	17.6	18.7	14.5	129,073
125.0	141.3	147.9	155.8	1,382,419

*4 As of fiscal 2015, the Basic Chemicals Sector was eliminated and businesses in this sector were split and transferred to the Petrochemicals & Plastics Sector and Energy & Functional Materials Sector that was established as a new business sector. In addition, a part of businesses in the Petrochemicals & Plastics Sector was transferred to the Energy & Functional Materials Sector. For the purpose of comparison, the figures for fiscal 2014 have also been adjusted to reflect these accounting changes.

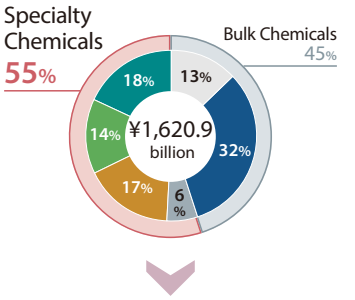
Sales by Business Sector

Basic Chemicals
Petrochemicals & Plastics
Energy & Functional Materials
Fine Chemicals
IT-related Chemicals
Health & Crop Sciences
Pharmaceuticals

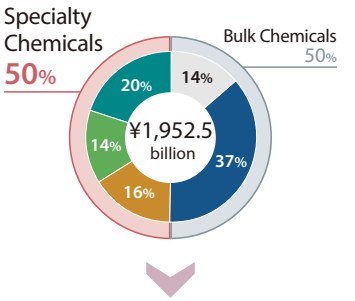
Year ended March 31, 2007



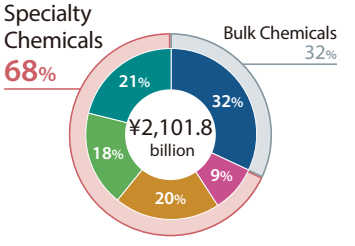
Year ended March 31, 2010



Year ended March 31, 2013



Year ended March 31, 2016



(Note) The composition of sales excludes the "Others" sector.

Financial Review

1 Results of Operations

(1) Net sales and operating income

Net sales in the fiscal year ended March 31, 2016 totaled ¥2,101.8 billion (US$18,653 million), an 11.6% decrease from ¥2,376.7 billion for the previous fiscal year. Sales in the Petrochemicals & Plastics Segment declined due to lower market price and lower sales volume, although the weaker yen had a positive effect on sales from overseas subsidiaries.

Revenue from overseas operations, including both sales by overseas subsidiaries and exports from Japan, for the fiscal year ended March 31, 2016 was ¥1,289.2 billion (US$11,442 million). The ratio of revenue from overseas operations to net sales was 61.3%, compared with 60.1% for the previous fiscal year.

Cost of sales was ¥1,404.8 billion (US$12,467 million), compared with ¥1,727.8 billion for the previous fiscal year. The gross margin was 33.2%, 5.9 percentage points higher than the previous fiscal year. Selling, general and administrative expenses were ¥532.5 billion (US$4,726 million), compared with ¥521.5 billion for the previous fiscal year.

Research and development expenses for the fiscal year ended March 31, 2016 were ¥155.8 billion (US$1,383 million), 5.3% higher than the previous fiscal year's ¥147.9 billion, with the increase concentrated in the Pharmaceuticals Segment. Annual depreciation and amortization expenses were ¥116.6 billion (US$1,035 million), a decrease of 2.2% compared with the previous fiscal year's ¥119.2 billion.

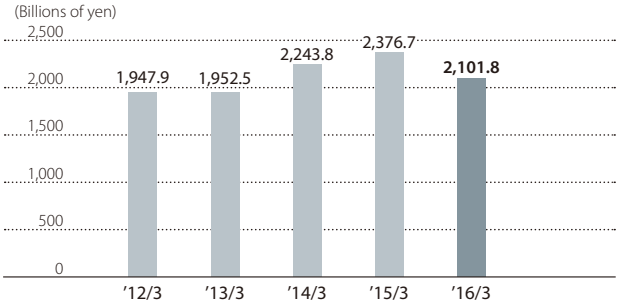
Consequently, operating income was ¥164.4 billion (US$1,459 million), a 29.1% increase from ¥127.3 billion for the previous fiscal year. The ratio of operating income to net sales was 7.8%, an improvement of 2.5 percentage points from the previous fiscal year.

(2) Non-operating expenses and net income

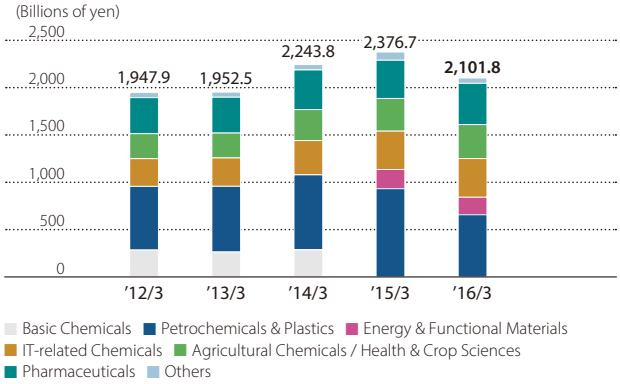
Interest expenses, net of interest and dividend income, were ¥2.7 billion (US$23.6 million), compared with interest and dividend income, net of interest expenses of ¥0.7 billion for the previous fiscal year.

Equity in earnings of affiliates was ¥20.2 billion (US$180 million), a ¥3.7 billion decrease from the previous fiscal year, primarily because of lower earnings of Rabigh Refining and Petrochemical Company. The net loss on foreign currency

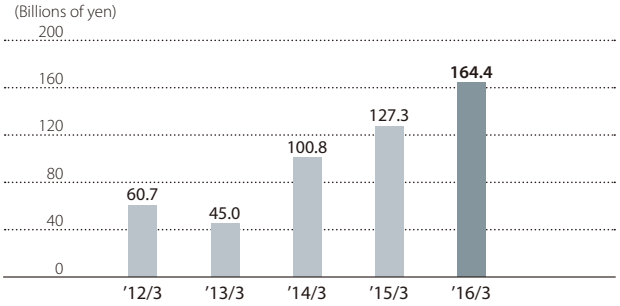
Net Sales



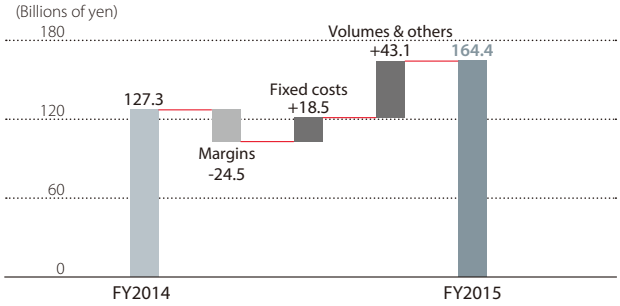
Breakdown of Sales by Business Segment



Operating Income



Change in Operating Income: FY2014 vs. FY2015



transactions was ¥8.5 billion (US$76 million), compared with the net gain on foreign currency transactions of ¥10.0 billion for the previous fiscal year.

The Companies recorded a ¥15.8 billion (US$140 million) gain on sale of investment securities. The Companies posted a ¥24.7 billion (US$219 million) impairment loss mainly on production facilities with decreased profitability and a ¥4.8 billion (US$43 million) loss for restructuring charges mainly on the disposal of property, plant and equipment.

As a result, income before income taxes and non-controlling interests for the fiscal year ended March 31, 2016 was ¥157.6 billion (US$1,398 million). Income taxes for the fiscal year ended March 31, 2016 were ¥45.2 billion (US$401 million).

Net income attributable to owners of the parent for the fiscal year ended March 31, 2016 was ¥81.5 billion (US$723 million), an increase of ¥29.3 billion over the ¥52.2 billion recorded in the previous fiscal year. Return on Equity (ROE) was 10.5%, up 3.2 percentage points from the previous fiscal year's 7.3%.

Net income per share, based on the weighted average number of shares outstanding during the fiscal year ended March 31, 2016, was ¥49.84 (US$0.442), compared with ¥31.93 for the previous fiscal year.

(3) Dividends

The Company paid a year-end dividend of ¥6 per share, which, when combined with the interim dividend of ¥8 per share, makes an annual dividend of ¥14 per share for the fiscal year ended March 31, 2016, up ¥5 per share from the previous fiscal year.

2 Segment Information

(1) Petrochemicals & Plastics

Market prices of petrochemical products and synthetic resins declined because of lower feedstock prices. Shipments of petrochemical products and synthetic resins decreased due to the restructuring of the petrochemical business at the Chiba Works as well as periodic plant maintenance at Rabigh Refining and Petrochemical Company (Petro Rabigh). The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales decreased by ¥275.2 billion (US$2,442 million), compared with the previous fiscal year, to ¥657.1 billion (US$5,831 million). Operating income increased by ¥8.0 billion (US$71 million), to ¥28.8 billion (US$255 million), due to higher profit margins and temporary licensing revenues.

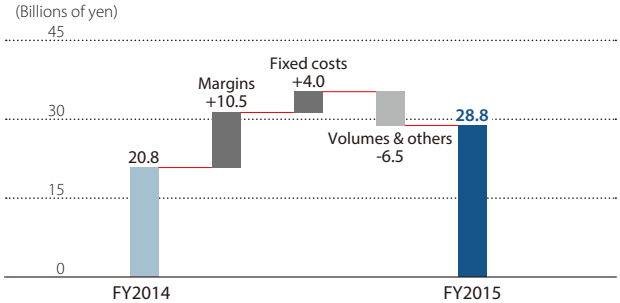
Results by Business Segment

Fiscal years ended March 31, 2016 and 2015

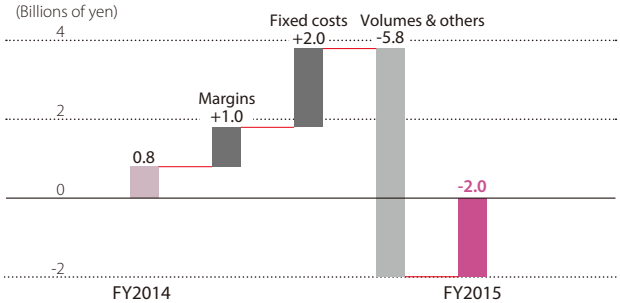
(Millions of yen)

	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2016								
Revenue from customers	¥657,093	¥184,473	¥409,066	¥359,013	¥435,478	¥56,641	¥ —	¥2,101,764
Segment profit (loss)	28,767	(2,039)	24,721	77,518	42,686	7,830	(15,037)	164,446
Segment profit ratio (%)	4.4	(1.1)	6.0	21.6	9.8	13.8	—	7.8
Segment profit growth (%)	38.2	(360.4)	(23.7)	38.1	47.1	(50.0)	—	29.1
Year ended March 31, 2015								
Revenue from customers	¥932,294	¥202,844	¥405,126	¥345,383	¥403,562	¥87,488	¥ —	¥2,376,697
Segment profit (loss)	20,809	783	32,408	56,117	29,024	15,653	(27,448)	127,346
Segment profit ratio (%)	2.2	0.4	8.0	16.2	7.2	17.9	—	5.4

Petrochemicals & Plastics
Change in Operating Income: FY2014 vs. FY2015



Energy & Functional Materials
Change in Operating Loss: FY2014 vs. FY2015



(2) Energy & Functional Materials

Market prices of aluminum fell sharply. Market prices of synthetic rubber also declined due to lower raw materials prices. Shipments of resorcinol, a raw material for adhesives, decreased due to sluggish demand. As a result, the segment's sales declined by ¥18.4 billion (US$163 million), compared with the previous fiscal year, to ¥184.5 billion (US$1,637 million), and operating income decreased by ¥2.8 billion (US$25 million), to a loss of ¥2.0 billion (US$18 million).

(3) IT-related Chemicals

Although selling prices of touchscreen panels declined, shipments increased due to growth in demand. Selling prices of polarizing film also dropped. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥3.9 billion (US$35 million), compared with the previous fiscal year, to ¥409.1 billion (US$3,630 million). Operating income decreased by ¥7.7 billion (US$68 million), to ¥24.7 billion (US$219 million), as it was adversely affected by lower selling prices.

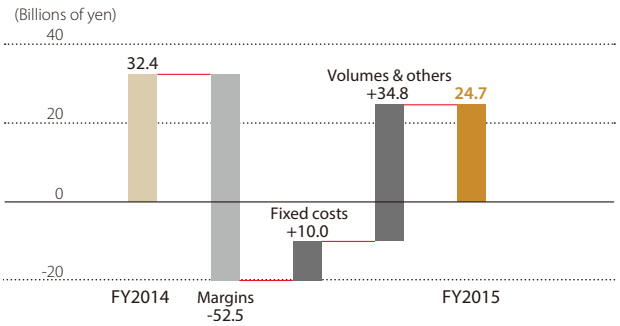
(4) Health & Crop Sciences

Sales of the feed additive methionine rose sharply due to higher market prices. Sales of crop protection chemicals grew due to increased shipments overseas. The weaker yen also had a positive effect on sales. As a result, the segment's sales rose by ¥13.6 billion (US$121 million), compared with the previous fiscal year, to ¥359.0 billion (US$3,186 million), and operating income grew by ¥21.4 billion (US$190 million), to ¥77.5 billion (US$688 million).

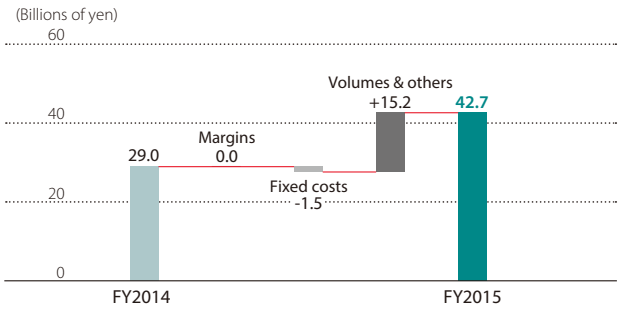
(5) Pharmaceuticals

In Japan, although sales of Aimix® (anti-hypertension drug) and other drugs grew, overall sales declined due largely to a decrease in shipments of patent-expired originator drugs. In North America, sales of Latuda® (atypical antipsychotic) rose sharply, and sales of Aptiom® (antiepileptic drug) expanded. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥31.9 billion (US$283 million), compared with the previous fiscal year, to ¥435.5 billion (US$3,865 million), and operating income grew by ¥13.7 billion (US$121 million), to ¥42.7 billion (US$379 million).

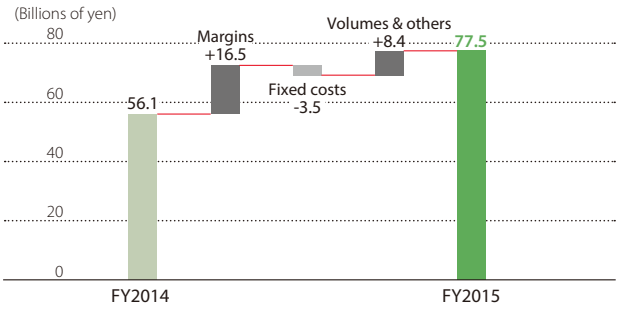
IT-related Chemicals
Change in Operating Income: FY2014 vs. FY2015



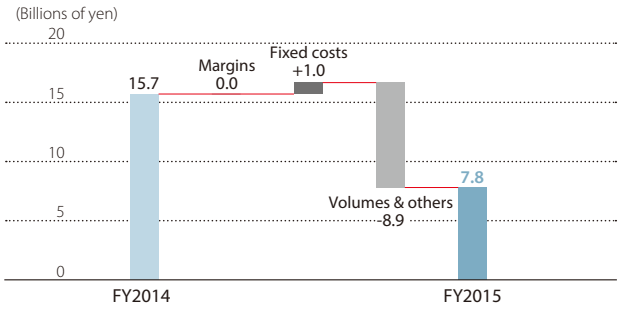
Pharmaceuticals
Change in Operating Income: FY2014 vs. FY2015



Health & Crop Sciences
Change in Operating Income: FY2014 vs. FY2015



Others
Change in Operating Income: FY2014 vs. FY2015



(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. Besides these, this segment's figures in the previous fiscal year included services provided to Petro Rabigh. As a result, the segment's sales decreased by ¥30.8 billion (US$274 million), compared with the previous fiscal year, to ¥56.6 billion (US$503 million). Operating income declined by ¥7.8 billion (US$69 million), to ¥7.8 billion (US$69 million).

3 Financial Position

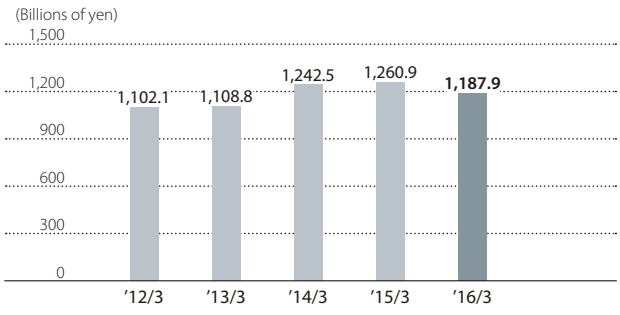
Total assets as of March 31, 2016 decreased by ¥218.2 billion, to ¥2,662.2 billion (US$23,626 million) from ¥2,880.4 billion as of March 31, 2015, mainly as a result of the yen's appreciation toward the end of the fiscal year. Current assets as of March 31, 2016 amounted to ¥1,187.9 billion (US$10,543 million), a 5.8% decrease from ¥1,260.9 billion as of March 31, 2015. Non-current assets as of March 31, 2016 amounted to ¥1,474.2 billion (US$13,083 million), a 9.0% decrease from ¥1,619.5 billion as of March 31, 2015, mainly because investment securities decreased.

Current liabilities as of March 31, 2016 were ¥789.4 billion (US$7,006 million), a 9.2% decrease from ¥869.8 billion as of March 31, 2015. The current ratio was 150.5%, compared with 145.0% as of March 31, 2015.

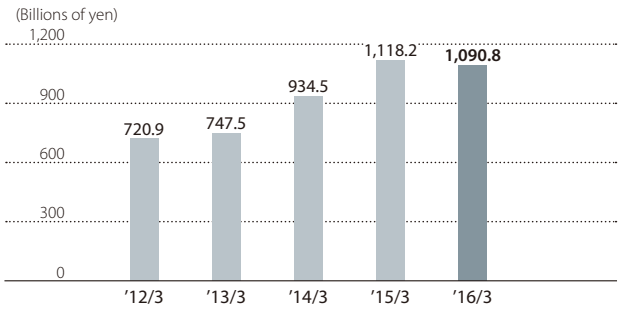
Long-term liabilities decreased to ¥781.9 billion (US$6,940 million), a 12.4% decrease from ¥892.3 billion as of March 31, 2015.

Interest-bearing liabilities (short-term and long-term bank loans, corporate bonds, and commercial paper) as of March 31, 2016 amounted to ¥831.5 billion (US$7,379 million), compared with ¥980.2 billion as of March 31, 2015.

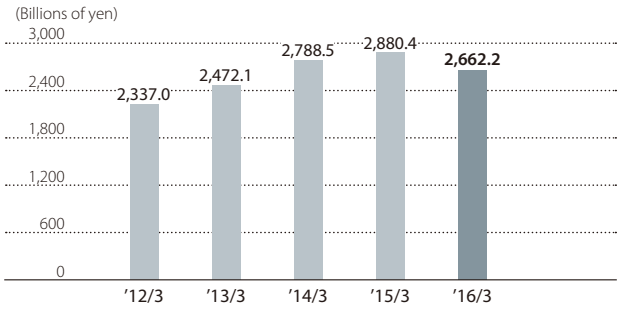
Total Current Assets



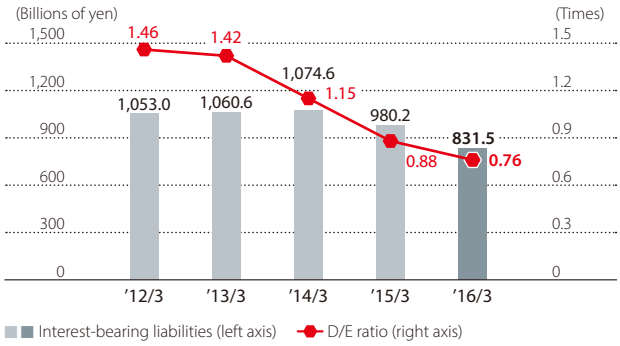
Net Assets



Total Assets



Interest-bearing Liabilities / D/E Ratio



Net assets were ¥1,090.8 billion (US$9,680 million) as of March 31, 2016, a 2.5% decrease from ¥1,118.2 billion as of March 31, 2015, mainly because accumulated other comprehensive income, including favorable foreign currency translation adjustment decreased. The ratio of net worth to total assets stood at 28.8% as of March 31, 2016, compared with 27.5% as of March 31, 2015.

There were 1,634,240,112 shares issued and outstanding as of March 31, 2016. Retained earnings amounted to ¥539.5 billion (US$4,788 million), a 13.0% increase from ¥477.4 billion as of March 31, 2015.

4 Cash Flows

Although the net cash provided by operating activities for the year ended March 31, 2016 was ¥261.2 billion (US$2,318 million), it only increased by ¥0.3 billion compared with the previous fiscal year. The reason is that the increase in income before income taxes and collection of advances paid relating to Rabigh Refining and Petrochemical Company's Rabigh Phase Ⅱ Project contributed to the increase in operating cash flows in the previous year.

Net cash used in investing activities for the year ended March 31, 2016 was ¥53.7 billion (US$476 million), a decrease of ¥3.0 billion compared with the previous fiscal year, due to a decrease in investment activities.

As a result, free cash flow, which consists of cash flows provided by operating activities and those used in investing activities, was positive ¥207.5 billion (US$1,841 million) for the year ended March 31, 2016, compared with positive ¥204.2 billion for the previous fiscal year.

Net cash used in financing activities was ¥178.0 billion (US$1,579 million).

5 Capital Expenditures

In the year ended March 31, 2016, the Companies' capital expenditures totaled ¥103.8 billion (US$921 million), which includes investments for new installations and the expansion of manufacturing facilities as well as investments for streamlining existing facilities.

Major facilities completed in the fiscal year ended March 31, 2016 included the manufacturing facility for new types of polarizing films in the IT-related Chemicals Segment and various facilities for the restructuring of the Chiba Works in the Petrochemicals & Plastics Segment. Major facilities under construction in the fiscal year ended March 31, 2016 included the manufacturing facility for lithium-ion secondary battery

Breakdown of Capital Expenditures

(Billions of yen, %)

Years ended March 31	2011		2012		2013		2014		2015		2016	
New plants and expansions:												
Basic Chemicals	¥ 3.4	3%	¥ 6.9	4%	¥ 18.1	16%	¥ 4.0	3%	¥ —	—%	¥ —	—%
Petrochemicals & Plastics	2.3	2	6.1	4	6.8	6	10.2	7	2.5	3	1.8	2
Energy & Functional Materials	—	—	—	—	—	—	—	—	1.1	1	5.2	5
IT-related Chemicals	23.9	24	62.2	40	15.8	14	48.1	34	12.9	15	26.9	26
Agricultural Chemicals / Health & Crop Sciences	7.8	8	9.2	6	15.4	13	8.6	6	10.6	13	6.4	6
Pharmaceuticals	0.7	1	1.7	1	1.6	1	1.9	1	1.6	2	1.9	2
Others	5.7	6	1.0	1	2.6	2	0.6	0	0.9	1	0.8	1
Total	¥43.8	44%	¥ 87.1	56%	¥ 60.3	52%	¥ 73.4	51%	¥29.6	35%	¥ 43.0	41%
Rationalization of production processes	4.6	5	3.9	3	3.1	3	4.8	3	4.5	5	8.3	8
Research and development	6.7	7	10.6	7	12.9	11	13.0	9	8.3	10	7.4	7
Maintenance and renewal	23.7	24	30.3	20	22.4	19	27.2	19	22.7	27	21.7	21
Others	19.9	20	23.2	15	17.4	15	25.0	17	19.1	23	23.4	23
Total	¥98.7	100%	¥155.1	100%	¥116.1	100%	¥143.4	100%	¥84.2	100%	¥103.8	100%

separators and the expansion of the production facility for touchscreen panels for organic LED (OLED) display panels in South Korea in the IT-related Chemicals Segment.

Broken down by segment, capital expenditures in the Petrochemicals & Plastics Segment were ¥20.7 billion (US$184 million), ¥15.4 billion (US$137 million) in the Energy & Functional Materials Segment, ¥31.9 billion (US$283 million) in the IT-related Chemicals Segment, ¥15.5 billion (US$138 million) in the Health & Crop Sciences Segment, ¥13.9 billion (US$123 million) in the Pharmaceuticals Segment, and ¥6.3 billion (US$56 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.

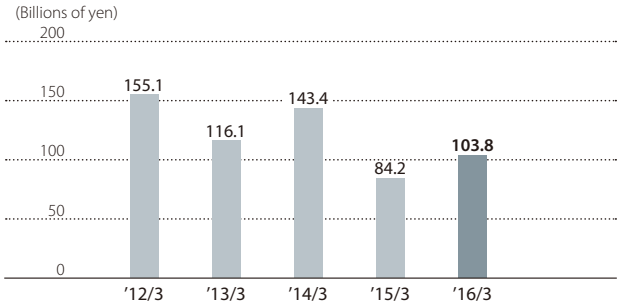
Due to the company's organizational reform as of April 1, 2015, the Basic Chemicals Research Laboratory and the Petrochemicals Research Laboratory were restructured and the Energy & Functional Materials Research Laboratory was newly established. To more flexibly utilize our organic synthesis technology, one of our core technologies, and to meet our needs to accelerate efforts toward commercialization, apply our technologies to downstream products and advance organic-inorganic hybrid technology, the Organic Synthesis Research Laboratory was dissolved, and research and development functions closely linked to our individual business sector were transferred or merged to the related Research Laboratories of each business sector. The R&D functions for organic synthesis technology in the fields with future business potential were integrated into the Tsukuba Material Development Laboratory and the Advanced Materials Research Laboratory. These two laboratories were later integrated into the Advanced Materials Development Laboratory.

In the fiscal year ended March 31, 2016, the Companies focused R&D resources on 1) Environment and Energy; 2) Life Science; and 3) ICT (Information & Communication Technology) as part of the 2013-2015 Corporate Business Plan.

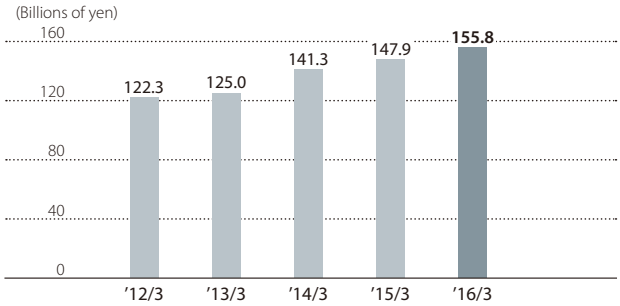
In addition, the Companies are promoting cross-sectoral projects for the development of new businesses.

R&D expenses were ¥155.8 billion (US$1,383 million), up 5.3% from the fiscal year ended March 31, 2015.

Capital Expenditures



Research and Development Expenses



Consolidated Financial Statements

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Assets			
Current assets:			
Cash and cash equivalents	¥ 215,592	¥ 201,997	$ 1,913,312
Short-term investments	2,001	3,013	17,758
Securities	2	18,549	18
Trade notes and accounts receivable	414,809	456,054	3,681,301
Inventories	402,255	439,880	3,569,888
Deferred tax assets	86,369	60,526	766,498
Other	68,520	82,804	608,094
Allowance for doubtful accounts	(1,619)	(1,917)	(14,368)
Total current assets	1,187,929	1,260,906	10,542,501
Property, plant and equipment:			
Land	82,982	82,765	736,439
Buildings and structures	651,675	660,694	5,783,413
Machinery and equipment	1,732,483	1,833,432	15,375,249
Construction in progress	34,263	44,342	304,073
	2,501,403	2,621,233	22,199,174
Less accumulated depreciation	(1,859,237)	(1,926,798)	(16,500,151)
Net property, plant and equipment	642,166	694,435	5,699,023
Investments and other assets:			
Investment securities	469,319	518,800	4,165,060
Long-term loans	70,107	74,766	622,178
Net defined benefit asset	53,800	68,276	477,458
Deferred tax assets	13,581	17,701	120,527
Goodwill	82,647	95,249	733,466
Patents	4,511	5,200	40,034
Software	11,620	12,204	103,124
In-process research and development	60,145	64,456	533,768
Other	67,186	69,262	596,256
Allowance for doubtful accounts	(861)	(859)	(7,641)
Total investments and other assets	832,055	925,055	7,384,230
Total assets	¥2,662,150	¥2,880,396	$23,625,754

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Liabilities and Net assets			
Current liabilities:			
Short-term debt	¥ 126,659	¥ 147,805	$ 1,124,059
Long-term debt due within one year	100,576	138,736	892,581
Trade notes and accounts payable	205,188	258,161	1,820,980
Income taxes payable	42,220	14,357	374,689
Reserve for sales rebates	49,224	36,352	436,848
Reserve for bonuses	31,045	29,236	275,515
Other	234,518	245,198	2,081,273
Total current liabilities	789,430	869,845	7,005,945
Long-term liabilities:			
Long-term debt	604,270	693,632	5,362,709
Deferred tax liabilities	75,490	96,253	669,950
Net defined benefit liability	35,824	34,178	317,927
Other	66,360	68,272	588,924
Total long-term liabilities	781,944	892,335	6,939,510
Contingent liabilities			
Net assets:			
Common stock:			
Authorized — 5,000,000,000 shares			
Issued — 1,655,446,177 shares at March 31, 2016			
1,655,446,177 shares at March 31, 2015	89,699	89,699	796,051
Capital surplus	23,475	23,695	208,333
Retained earnings	539,490	477,445	4,787,806
Treasury stock, at cost			
21,206,065 shares at March 31, 2016			
21,075,315 shares at March 31, 2015	(8,953)	(8,870)	(79,455)
Shareholders' equity	643,711	581,969	5,712,735
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	84,901	104,841	753,470
Deferred losses on hedges	(702)	(97)	(6,230)
Land revaluation reserve	4,472	4,363	39,688
Foreign currency translation adjustment	34,772	82,284	308,591
Remeasurements of defined benefit plans	(280)	17,959	(2,485)
Total accumulated other comprehensive income	123,163	209,350	1,093,034
Non-controlling interests	323,902	326,897	2,874,530
Total net assets	1,090,776	1,118,216	9,680,299
Total liabilities and net assets	¥2,662,150	¥2,880,396	$23,625,754

Consolidated Statements of Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Net sales	¥2,101,764	¥2,376,697	$18,652,503
Cost of sales	1,404,801	1,727,803	12,467,173
Selling, general and administrative expenses	532,517	521,548	4,725,923
Operating income	164,446	127,346	1,459,407
Other income (expenses):			
Interest and dividend income	9,321	14,141	82,721
Interest expenses	(11,976)	(13,483)	(106,283)
Equity in earnings of affiliates	20,240	23,931	179,624
Net (loss) gain on foreign currency transactions	(8,518)	9,957	(75,595)
Cost of inactive facilities	(3,209)	(3,296)	(28,479)
Gain on sale of investment securities	15,831	4,090	140,495
Gain on sale of property, plant and equipment	—	16,241	—
Compensation income	—	2,700	—
Compensation income for damage	—	1,711	—
Impairment loss	(24,688)	(33,258)	(219,098)
Restructuring charges	(4,791)	(32,196)	(42,519)
Other, net	913	(1,182)	8,103
Income before income taxes and non-controlling interests	157,569	116,702	1,398,376
Income taxes:			
Current	67,640	37,772	600,284
Deferred	(22,469)	7,826	(199,405)
Total income taxes	45,171	45,598	400,879
Net income	112,398	71,104	997,497
Net income attributable to non-controlling interests	30,947	18,912	274,645
Net income attributable to owners of the parent	¥ 81,451	¥ 52,192	$ 722,852

	Yen		US dollars
	2016	2015	2016
Net income per share	¥49.84	¥31.93	$0.442
Diluted net income per share	49.78	31.84	0.442

	Yen		US dollars
	2016	2015	2016
Cash dividends per share (applicable to the year)	¥14.00	¥9.00	$0.124

Consolidated Statements of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Net income	¥112,398	¥ 71,104	$997,497
Other comprehensive income:			
Valuation difference on available-for-sale securities	(19,852)	29,211	(176,180)
Deferred losses on hedges	(494)	(15)	(4,384)
Foreign currency translation adjustment	(52,613)	84,998	(466,925)
Remeasurements of defined benefit plans	(19,493)	3,110	(172,994)
Share of other comprehensive income of associates accounted for using equity method	(9,031)	26,051	(80,147)
Total other comprehensive income	(101,483)	143,355	(900,630)
Comprehensive income	¥ 10,915	¥214,459	$ 96,867
Comprehensive income attributable to:			
Owners of the parent	¥ (4,667)	¥167,513	$ (41,418)
Non-controlling interests	15,582	46,946	138,285

Consolidated Statements of Changes in Net Assets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

Millions of yen

	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation reserve	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2014	1,655,446	¥89,699	¥23,695	¥444,671	¥(8,816)	¥ 78,604	¥(358)	¥4,130	¥ (1,420)	¥13,092	¥291,209	¥ 934,506
Cumulative effects of changes in accounting policies				(3,636)								(3,636)
Restated balance at April 1, 2014	1,655,446	89,699	23,695	441,035	(8,816)	78,604	(358)	4,130	(1,420)	13,092	291,209	930,870
Net income attributable to owners of the parent				52,192								52,192
Cash dividends at ¥9.00 per share				(14,719)								(14,719)
Decrease due to changes in scope of consolidation and equity method				(157)								(157)
Loss on sale of treasury stock				(0)								(0)
Net increase in treasury stock					(54)							(54)
Decrease due to change in fiscal period of consolidated subsidiaries				(906)								(906)
Other						26,237	261	233	83,704	4,867	35,688	150,990
Balance at April 1, 2015	1,655,446	¥89,699	¥23,695	¥477,445	¥(8,870)	¥104,841	¥ (97)	¥4,363	¥82,284	¥17,959	¥326,897	¥1,118,216
Net income attributable to owners of the parent				81,451								81,451
Cash dividends at ¥11.00 per share				(17,988)								(17,988)
Decrease due to changes in scope of consolidation and equity method				(3)								(3)
Gain on sale of treasury stock			1									1
Net increase in treasury stock					(83)							(83)
Decrease due to change in fiscal period of consolidated subsidiaries				(1,418)								(1,418)
Other			(221)	3		(19,940)	(605)	109	(47,512)	(18,239)	(2,995)	(89,400)
Balance at March 31, 2016	1,655,446	¥89,699	¥23,475	¥539,490	¥(8,953)	¥ 84,901	¥(702)	¥4,472	¥34,772	¥ (280)	¥323,902	¥1,090,776

Thousands of US dollars

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation reserve	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2015	$796,051	$210,286	$4,237,176	$(78,718)	$930,431	$ (861)	$38,720	$730,245	$159,381	$2,901,109	$9,923,820
Net income attributable to owners of the parent			722,852								722,852
Cash dividends at ¥11.00 (US$0.10) per share			(159,638)								(159,638)
Decrease due to changes in scope of consolidation and equity method			(27)								(27)
Gain on sale of treasury stock		9									9
Net increase in treasury stock				(737)							(737)
Decrease due to change in fiscal period of consolidated subsidiaries			(12,584)								(12,584)
Other		(1,962)	27		(176,961)	(5,369)	968	(421,654)	(161,866)	(26,579)	(793,396)
Balance at March 31, 2016	$796,051	$208,333	$4,787,806	$(79,455)	$753,470	$(6,230)	$39,688	$308,591	$ (2,485)	$2,874,530	$9,680,299

Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

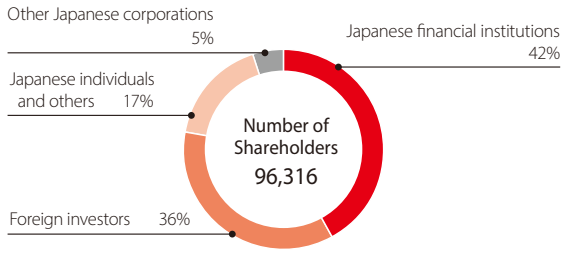
	Millions of yen		Thousands of US dollars
	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥157,569	¥116,702	$1,398,376
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities—			
Depreciation and amortization	108,094	111,502	959,301
Amortization of goodwill	8,508	7,675	75,506
Impairment loss	24,688	33,258	219,098
Equity in losses (earnings) of affiliates	6,364	(15,950)	56,479
Increase in provision	17,020	5,235	151,047
Interest and dividend income	(9,321)	(14,141)	(82,721)
Interest expenses	11,976	13,483	106,283
Gain on sale of investment securities	(15,831)	(4,090)	(140,495)
Restructuring charges	991	30,021	8,795
Gain on sale of property, plant and equipment	—	(16,241)	—
Decrease in notes and accounts receivable	24,028	16,298	213,241
Decrease in inventories	20,774	8,072	184,363
Decrease in notes and accounts payable	(35,723)	(57,667)	(317,031)
Other, net	(14,337)	70,778	(127,237)
Subtotal	304,800	304,935	2,705,005
Interest and dividends received	9,167	13,268	81,354
Interest paid	(11,568)	(13,708)	(102,662)
Income taxes paid	(41,227)	(43,641)	(365,877)
Net cash provided by operating activities	261,172	260,854	2,317,820
Cash flows from investing activities:			
Acquisition of securities	—	(34,360)	—
Proceeds from sale and redemption of securities	18,499	49,620	164,173
Acquisition of investment securities	(1,290)	(12,126)	(11,448)
Proceeds from sale and redemption of investment securities	16,752	13,539	148,669
Acquisition of property, plant and equipment	(89,765)	(93,066)	(796,636)
Proceeds from sale of property, plant and equipment	1,115	22,661	9,895
Acquisition of shares of newly consolidated subsidiaries	(3,390)	(4,301)	(30,085)
Payments for sales of subsidiaries' shares resulting in changes in scope of consolidation	(780)	—	(6,922)
Other, net	5,181	1,405	45,978
Net cash used in investing activities	(53,678)	(56,628)	(476,376)
Cash flows from financing activities:			
Net decrease in short-term debt	(19,404)	(85,336)	(172,204)
Proceeds from long-term debt	19,759	98,627	175,355
Repayments of long-term debt	(142,180)	(138,599)	(1,261,803)
Repayments of finance lease obligations	(992)	(1,295)	(8,804)
Purchase of treasury stock	(82)	(54)	(728)
Cash dividends paid	(17,988)	(14,719)	(159,638)
Cash dividends paid to non-controlling interests	(17,898)	(11,768)	(158,839)
Proceeds from share issuance to non-controlling shareholders	1,447	1,679	12,842
Payments from changes in ownership interests in subsidiaries that do not result in changes in scope of consolidation	(618)	—	(5,485)
Net cash used in financing activities	(177,956)	(151,465)	(1,579,304)
Effect of exchange rate changes on cash and cash equivalents	(14,252)	16,302	(126,482)
Net change in cash and cash equivalents	15,286	69,063	135,658
Increase in cash and cash equivalents resulting from changes in scope of consolidation	—	754	—
Decrease in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(1,691)	(141)	(15,007)
Cash and cash equivalents at beginning of year	201,997	132,321	1,792,661
Cash and cash equivalents at end of year	¥215,592	¥201,997	$1,913,312

Corporate and Investor Information

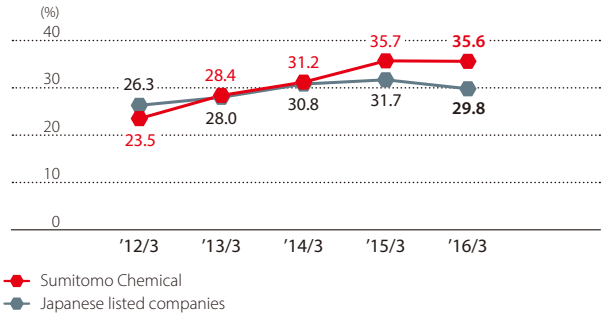
(As of March 31, 2016)

Paid-in Capital	¥89.7 billion
Number of Employees	Non-consolidated: 5,895 Consolidated: 31,094
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	96,316
Listings	Tokyo
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Division 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan
Independent Certified Public Accountants	KPMG AZSA LLC

Distribution of Shareholders



Ownership of Foreign Investors



Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	91,149	5.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	88,606	5.35
Sumitomo Life Insurance Company	71,000	4.29
Nippon Life Insurance Company	41,031	2.48
Sumitomo Mitsui Banking Corporation	38,453	2.32
Japan Trustee Service Bank, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.75
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	27,644	1.67
STATE STREET BANK AND TRUST COMPANY 505225	25,455	1.54
STATE STREET BANK WEST CLIENT–TREATY 505234	22,794	1.38
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 2015 was ¥14 per share, an increase of ¥5 per share (including commemorative dividend of ¥2) from the previous fiscal year.

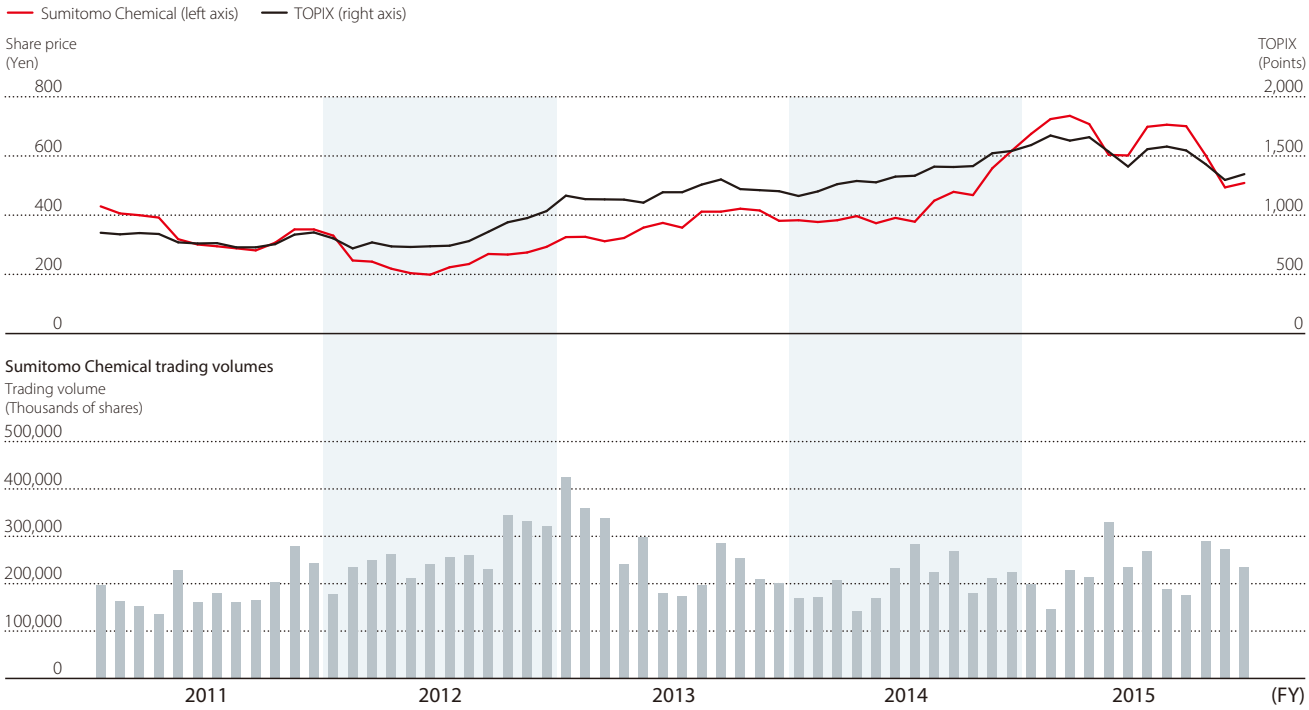
IR Calendar

Fiscal 2015 (Year ended March 31, 2016)	
May 2016	Fiscal 2015 Financial Results
June 2016	135th Ordinary General Meeting of Shareholders

Fiscal 2016 (Year ending March 31, 2017)	
July 2016	1st Quarter Financial Results
October 2016	2nd Quarter Financial Results
January 2017	3rd Quarter Financial Results
May 2017	Fiscal 2016 Financial Results
June 2017	136th Ordinary General Meeting of Shareholders

(Note) This schedule is subject to change.

Stock Performance

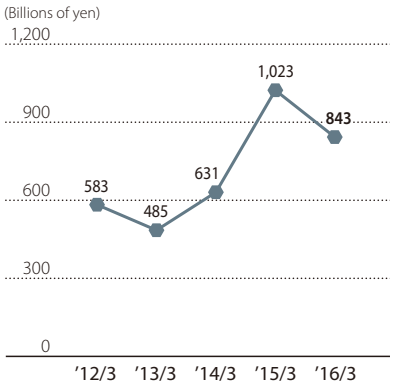


Fiscal year	2011	2012	2013	2014	2015
Share price high (yen)	446	360	458	631	792
Share price low (yen)	254	186	250	333	443
Share price at year-end (yen)	352	293	381	618	509
Cumulative trading volume (thousands)	2,272,064	3,126,372	3,164,352	2,489,166	2,785,335

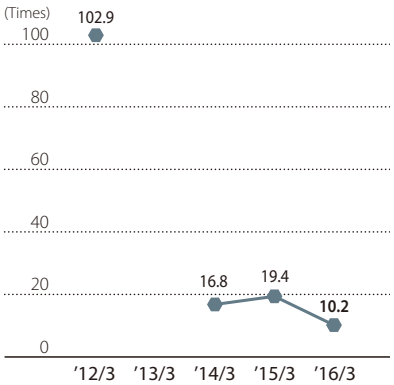
Fiscal year	2011	2012	2013	2014	2015
Shares outstanding* (thousands)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,446
Market capitalization* (billions of yen)	583	485	631	1,023	843
Price earnings ratio* (times)	102.9	—	16.8	19.4	10.2
Price book-value ratio* (times)	1.2	1.0	1.0	1.3	1.1
Ratio of shares owned by foreign investors to shares outstanding* (%)	23.5	28.4	31.2	35.7	35.6

* Figures are for the end of each fiscal year.

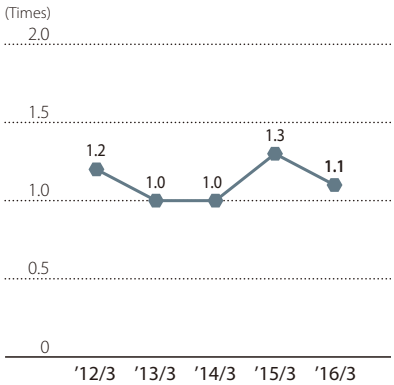
Market Capitalization



Price Earnings Ratio



Price Book-value Ratio



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