SUMITOMO CHEMICAL

Reaching New Heights as a Global Company

Profile

Sumitomo Chemical is one of Japan's leading chemical companies, offering a diverse range of products in the fields of basic chemicals, petrochemicals, fine chemicals, IT-related chemicals and materials, agricultural chemicals, and pharmaceuticals.

We continue our efforts to expand our business globally and achieve higher profitability in order to enhance value for our shareholders and other stakeholders. At the same time, we remain dedicated to the sustainable development of society by continually delivering innovative products and technologies and committing ourselves to quality, health, safety and the environment in all aspects of business.

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.

Contents

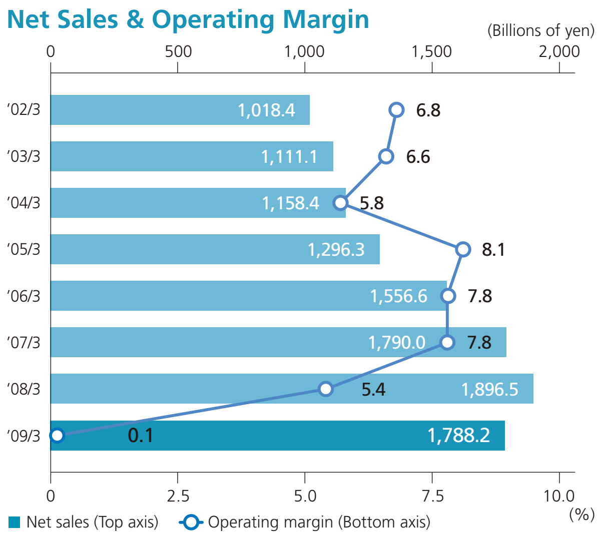
Consolidated Financial Highlights

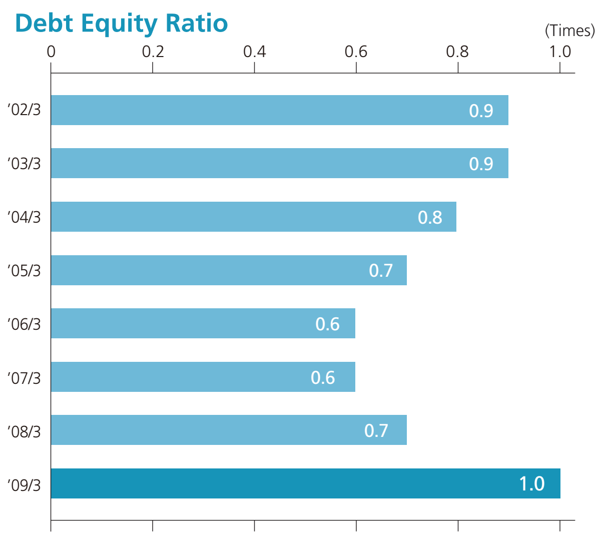
Sumitomo Chemical Company, Limited and Subsidiaries

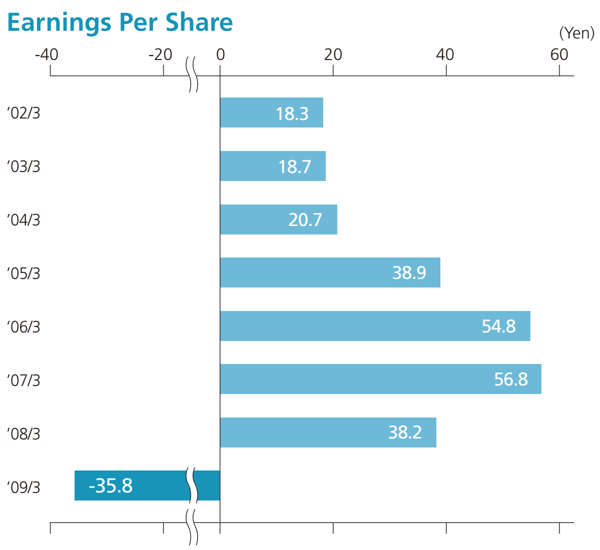
*Unless otherwise specified

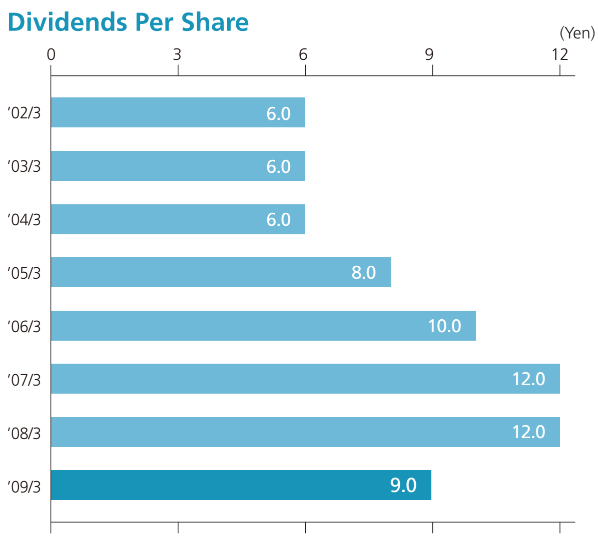
Years ended March 31	Billions of yen* 2005	2006	2007	2008	2009	Thousands of US dollars* 2009
Income statement						
Net sales	¥ 1,296.3	¥ 1,556.6	¥ 1,790.0	¥ 1,896.5	¥ 1,788.2	$18,204,449
Net sales from overseas operations	486.2	611.0	747.8	788.8	749.8	7,633,218
Operating income (loss)	105.2	120.8	139.6	102.4	2.1	21,521
Net interest expenses	(3.0)	(2.2)	(3.9)	(2.8)	(2.7)	(27,212)
Equity in earnings of affiliates	26.7	26.8	23.6	11.2	(12.8)	(130,418)
Net income (loss)	64.5	90.7	93.9	63.1	(59.2)	(602,301)
Depreciation and amortization expenses	88.2	104.9	113.9	125.0	140.7	1,432,424
Research and development expenses	78.2	91.9	97.7	105.4	131.1	1,334,857
Cash flows						
Cash flows from operating activities	159.8	122.8	142.9	156.6	78.4	798,412
Cash flows from investing activities	(118.0)	(180.7)	(164.2)	(182.7)	(206.2)	(2,099,532)
Free cash flows	41.8	(57.9)	(21.3)	(26.1)	(127.8)	(1,301,120)
Cash flows from financing activities	(31.2)	70.6	35.6	7.1	112.5	1,145,668
Balance sheet						
Total assets	1,648.8	2,178.4	2,324.9	2,358.9	2,022.6	20,589,973
Total net assets	569.6	719.8	1,030.5	1,006.0	775.6	7,896,040
Interest-bearing liabilities	470.7	578.6	641.0	673.9	795.4	8,096,987
Others						
Capital expenditures	125.8	124.9	159.8	142.5	134.1	1,365,163
Number of employees	20,195	24,160	24,691	25,588	26,902	—
Per share (yen, US dollars)						
Earnings	38.9	54.8	56.8	38.2	(35.8)	(0.365)
Book-value	344.6	435.5	479.9	465.2	329.7	3.357
Dividends	8.0	10.0	12.0	12.0	9.0	0.092
Ratios						
ROA (%)	6.6	6.3	6.2	4.4	0.1	—
ROE (%)	12.0	14.1	12.4	8.1	(9.0)	—
Debt equity ratio (times)	0.70	0.61	0.62	0.67	1.03	—
Shareholders' equity ratio (%)	34.5	33.0	34.1	32.6	26.9	—

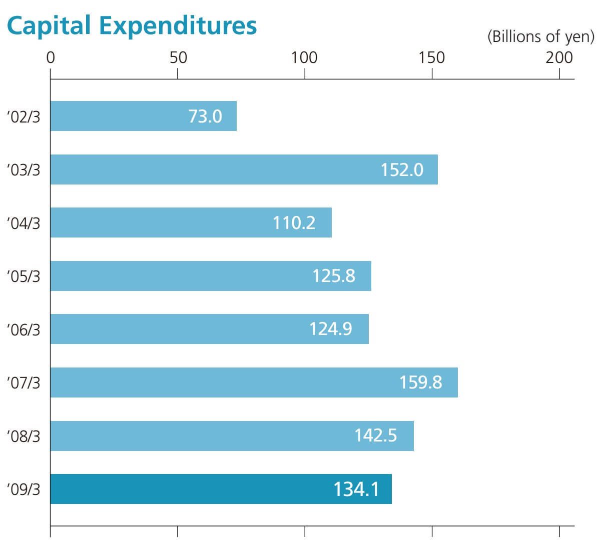
Note: US dollar amounts are translated from yen, for convenience only, at ¥98.23 = $1, the rate prevailing on March 31, 2009.
ROA = operating income / average of total assets as of the begining and the end of each fiscal year
ROE = net income / average of total net assets less minority interests as of the begining and the end of each fiscal year

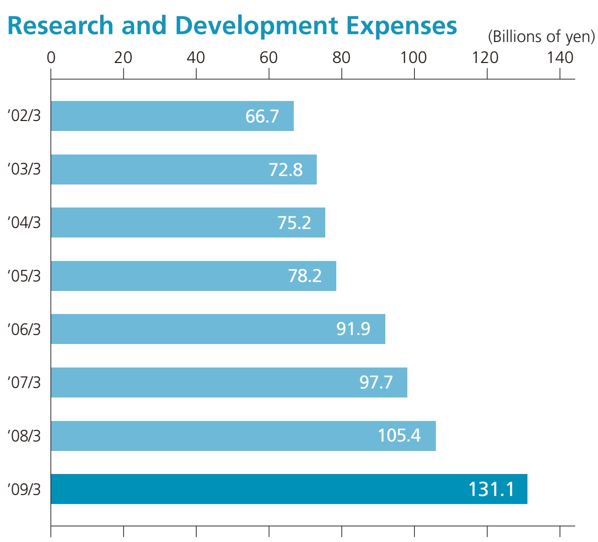

Net Sales & Operating Margin
(Billions of yen)
0 500 1,000 1,500 2,000
'02/3 1,018.4 6.8
'03/3 1,111.1 6.6
'04/3 1,158.4 5.8
'05/3 1,296.3 8.1
'06/3 1,556.6 7.8
'07/3 1,790.0 7.8
'08/3 5.4 1,896.5
'09/3 0.1 1,788.2
0 2.5 5.0 7.5 10.0
(%)
Net sales (Top axis)
Operating margin (Bottom axis)


Debt Equity Ratio
(Times)
0 0.2 0.4 0.6 0.8 1.0
'02/3 0.9
'03/3 0.9
'04/3 0.8
'05/3 0.7
'06/3 0.6
'07/3 0.6
'08/3 0.7
'09/3 1.0


Earnings Per Share
(Yen)
-40 -20 0 20 40 60
'02/3 18.3
'03/3 18.7
'04/3 20.7
'05/3 38.9
'06/3 54.8
'07/3 56.8
'08/3 38.2
'09/3 -35.8


Dividends Per Share
(Yen)
0 3 6 9 12
'02/3 6.0
'03/3 6.0
'04/3 6.0
'05/3 8.0
'06/3 10.0
'07/3 12.0
'08/3 12.0
'09/3 9.0


Capital Expenditures
(Billions of yen)
0 50 100 150 200
'02/3 73.0
'03/3 152.0
'04/3 110.2
'05/3 125.8
'06/3 124.9
'07/3 159.8
'08/3 142.5
'09/3 134.1


Research and Development Expenses
(Billions of yen)
0 20 40 60 80 100 120 140
'02/3 66.7
'03/3 72.8
'04/3 75.2
'05/3 78.2
'06/3 91.9
'07/3 97.7
'08/3 105.4
'09/3 131.1

To Our Shareholders, Customers and Partners

Hiromasa Yonekura
Chairman

Hiroshi Hirose
President

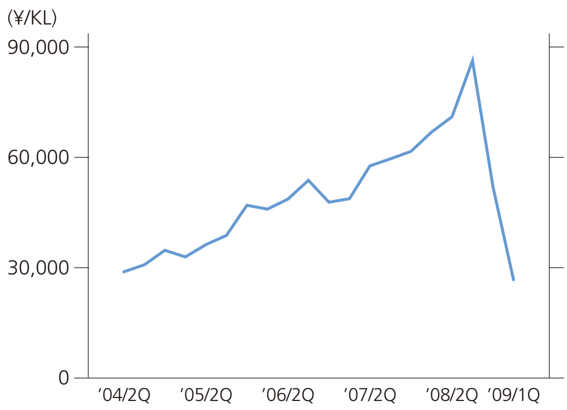
Performance for Fiscal 2008

Amid a global economic crisis that is being called a "once-in-a-century tsunami," the Sumitomo Chemical Group experienced a challenging year in fiscal 2008. We posted net sales of ¥1,788.2 billion, ¥108.3 billion lower than the previous year and the first time in seven years that we have recorded a decrease in net sales. Sales for the Basic Chemicals and Petrochemicals & Plastics Sectors significantly decreased because of a sharp fall in demand and a decline in selling prices in the second half of fiscal 2008, while we achieved higher sales in the IT-related Chemicals and Agricultural Chemicals Sectors.

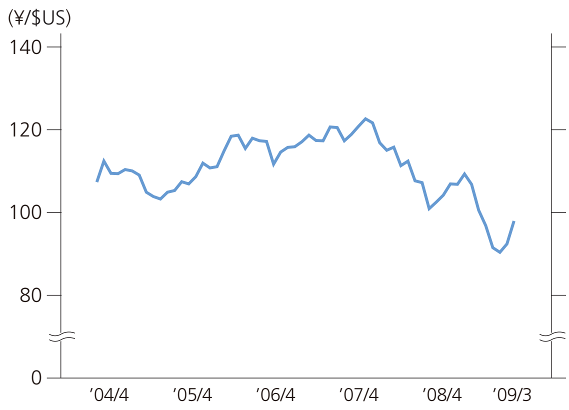
Our operating income fell to ¥2.1 billion, compared to ¥102.4 billion for the previous year. The Basic Chemicals, Petrochemicals & Plastics, and Fine Chemicals Sectors reported significant declines in operating income due to lower sales volumes and prices, in addition to the impact of inventory write-downs resulting from the valuation by the lower-of-cost-or-market method in view of the deterioration of market prices toward the end of fiscal 2008. Ordinary income decreased to a loss of ¥32.6 billion because of a decline in equity in earnings of affiliates by ¥24.0 billion from a year earlier, owing to lower earnings of Petrochemical Corporation of Singapore, and an increase in foreign exchange losses by ¥7.6 billion, in addition to lower operating income. We also posted extraordinary items such as impairment losses of ¥20.8 billion and expenses of ¥19.6 billion for reversal of deferred tax assets. As a result, we reported a net loss of ¥59.2 billion for fiscal 2008, compared to net income of ¥63.1 billion for the previous year.

Given these results, we have declared a year-end dividend of ¥3 per share. When the interim dividend of ¥6 per share is included,

Naphtha Price



Foreign Exchange Rate



the annual dividend for fiscal 2008 is ¥9 per share. Although the business environment remains difficult, we are determined to turn around our performance during fiscal 2009 by thoroughly streamlining operations and achieving greater efficiency across all Sectors while strictly controlling expenditures and to enhance value for our shareholders and other stakeholders.

Progress on Initiatives under the Three-Year Corporate Business Plan

During fiscal 2008, we made further progress in the major initiatives under our Corporate Business Plan for the three years from fiscal 2007 through 2009.

The Rabigh Project

The Rabigh Project, our joint undertaking with Saudi Aramco, the world's largest oil company, to build a world-scale integrated oil refining and petrochemical complex in Rabigh, Saudi Arabia, started up its operation in April 2009. Our subsidiary Sumitomo Chemical Asia, which is in charge of marketing the petrochemical products produced in the Rabigh complex, is expecting its sales to get into full swing in the third quarter of 2009. We are confident that, fortified by a stable supply of feedstock with a significant cost advantage, this flagship project will deliver outstanding competitiveness, making for a robust and resilient business in the face of an increasingly volatile market environment.

In the same month as Petro Rabigh began its operation, Sumitomo Chemical, Saudi Aramco and Petro Rabigh signed a Memorandum of Understanding to commence a feasibility study for developing the Rabigh Phase II Project, an expansion of the Rabigh complex. The Phase II Project is designed to expand Petro Rabigh's existing ethane cracker and construct new production facilities for aromatics and various other petrochemicals. We will complete the study by the third quarter of 2010, and once its viability is confirmed, the Phase II Project will be implemented with a targeted start up by the third quarter of 2014.

Progress on Major Research and Development Projects

We at Sumitomo Chemical have a strong conviction that research and development is the major engine of our future business growth. We are concentrating R&D resources on our priority areas of IT-related materials, energy-related materials and life sciences. Our primary focus in the field of IT-related materials is on the development of polymer organic light emitting diodes (PLEDs), which are gaining global attention as a next-generation display technology. During fiscal 2008, we established our Device Development Center in Japan in order to accelerate the development of manufacturing technologies for PLED display panels. Partnering with display manufacturers, we are aiming to commercialize our PLED technology in two to three years for large-screen televisions, the application where we expect PLEDs to be best able to demonstrate their distinctive advantages, such as their competitive production cost and excellent picture quality. In addition, we are developing flexible displays and interior lighting devices, capitalizing on the characteristics of PLEDs that make possible the production of thin, light and flexible panels.

In the area of energy-related materials, we have commercialized high-performance separators for lithium-ion secondary batteries. Our separator, Pervio®, which demonstrates greater heat resistance than conventional products and has received high praise from battery manufacturers for its reliability, is enjoying growing demand for use in mobile devices. We are currently accelerating the development of heat-resistant separators for lithium-ion secondary batteries for use in hybrid vehicles. We are also developing cathode materials for lithium-ion secondary batteries. Compared to conventional materials, our cobalt-free cathode material has achieved higher output and an equivalent level of capacity without using cobalt, a rare metal that is in short supply worldwide. Our cobalt-free cathode material is currently being evaluated by automobile and battery manufacturers for commercial use in hybrid vehicles and industrial applications.

In the life science field, the development of *lurasidone*, an agent for the treatment of schizophrenia and bipolar disorder, has made remarkable advances. Our subsidiary Dainippon Sumitomo Pharma (DSP) has been working on Phase III clinical trials of *lurasidone* in the US, Europe, Japan and other countries. In May 2009, DSP announced that *lurasidone* achieved positive results in its first Phase III clinical trial for the treatment of patients with schizophrenia. *Lurasidone* has the potential to achieve higher efficacy and fewer side effects than current major schizophrenia drugs on the market, and DSP is planning to launch *lurasidone* in 2011 in the US, the world's largest schizophrenia drug market.

Turning Challenges into Opportunities

According to an old proverb, when a strong wind blows, you can tell which grasses are the strongest. Strong winds are still blowing in all parts of the world, but we are firmly determined to turn these challenges into opportunities and propel Sumitomo Chemical to new heights as a global company. In addition to taking bold steps to restore our short-term performance during fiscal 2009, we are also working to formulate our new long-term corporate strategy that sets out where we aim to go in ten to twenty years' time beyond this current storm. Based on this long-term strategy, we will develop our corporate business plan for fiscal 2010 through 2012 as well as business strategies that will enable us to achieve sustainable growth and greater value for our shareholders and other stakeholders.

We would like to express our heartfelt gratitude to you for all of the encouragement and support you have shown during this challenging time, and would greatly appreciate your continued assistance and cooperation.

July 2009

米倉弘昌

Hiromasa Yonekura
Chairman

廣瀬 博

Hiroshi Hirose
President

Special Feature: The Rabigh Project

Special Feature: The Rabigh Project

The Rabigh Project—our joint undertaking in Saudi Arabia with Saudi Aramco, the world's largest oil company, to establish a world-scale integrated oil refining and petrochemical complex—started operations in April 2009. This massive project not only considerably strengthens the competitiveness of our petrochemical business, but also represents a major step in the further globalization of the Sumitomo Chemical Group.

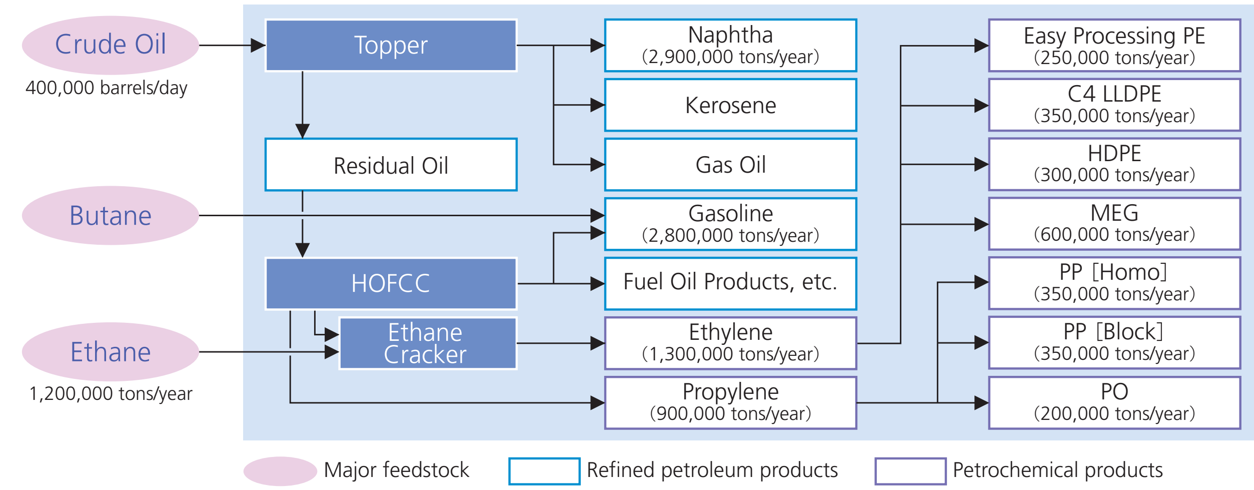
Rabigh complex

History of the Rabigh Project

Sumitomo Chemical and Saudi Aramco started the Rabigh Project with the aim of building integrated oil refining and petrochemical operations by upgrading Saudi Aramco's oil refinery and constructing a new petrochemical complex. We concluded a joint venture agreement with Saudi Aramco in August 2005 and established Petro Rabigh, an equally-owned joint venture to run the Rabigh complex, in September of the same year. Construction commenced in March 2006, with a planned investment totaling US$9.8 billion—approximately 60% of which, or US$5.8 billion, was procured through project finance.

In January 2008, Petro Rabigh had its initial public offering (IPO) on the Saudi Arabian stock exchange, and this changed the ownership of the company by Sumitomo Chemical and Saudi Aramco to 37.5% each. In October 2008, Saudi Aramco transferred its oil refinery to Petro Rabigh, and the newly completed Rabigh complex began operations in April 2009.

Overview of the Rabigh Complex



Overview of Complex and Main Products

The Rabigh complex utilizes 400,000 barrels per day of crude oil and 1.2 million tons per year of ethane as primary feedstocks to produce a variety of refined petroleum products and petrochemical products. The refinery transferred from Saudi Aramco to Petro Rabigh has mainly been producing 8 million tons of heavy oil, 5.3 million tons of light oil, 3 million tons of naphtha and 2.6 million tons of kerosene annually. This refinery was upgraded to include a high olefin fluid catalytic cracking unit (HOFCC) for converting heavy and light oils to gasoline and other distillates, which added new annual capacities of 2.8 million tons of gasoline and 900,000 tons of propylene, a feedstock for petrochemical products.

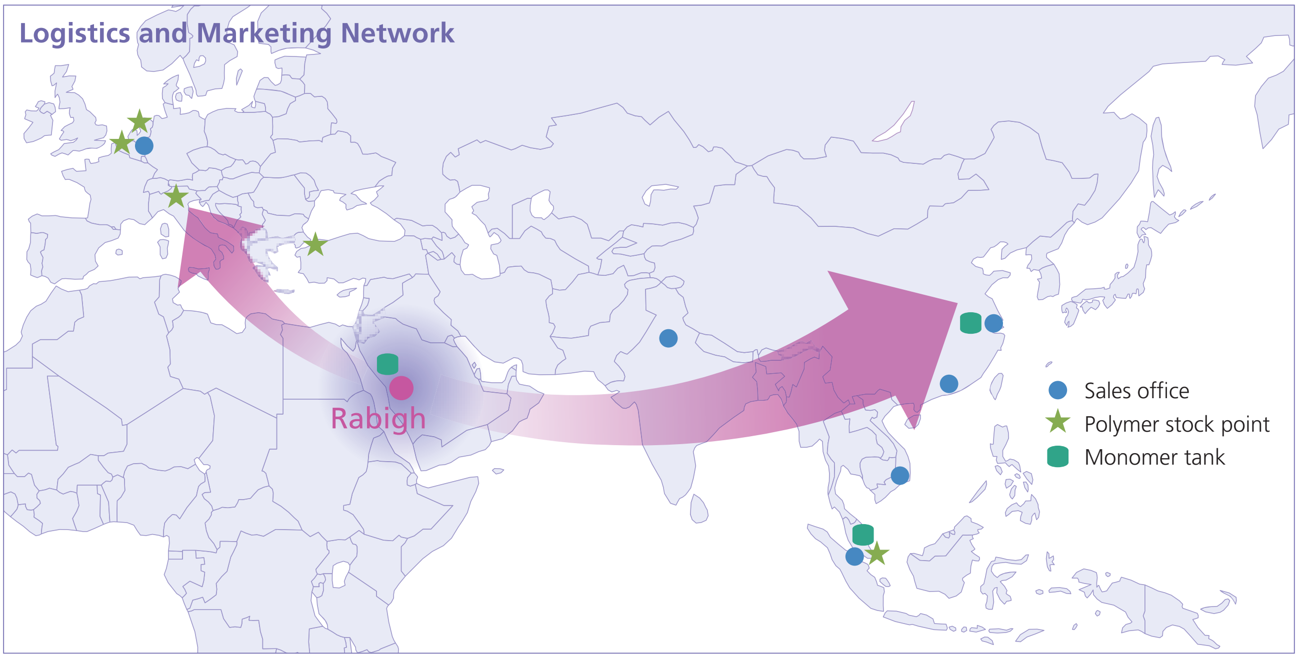
Petro Rabigh converts ethane gas with its world-scale ethane cracker to 1.3 million tons of ethylene per year. It then uses this ethylene to produce easy processing polyethylene (EPPE), linear low-density polyethylene (LLDPE), high-density polyethylene (HDPE) and mono ethylene glycol (MEG). In addition, homo polypropylene (PP), block PP, and propylene oxide (PO), a raw material for urethane, are produced from propylene made by the HOFCC.

We expect the Rabigh complex to achieve significant operational efficiency and realize economies of scale through the full integration of its oil refining and petrochemical operations. Its ethane feedstock, procured at the official price under an agreement concluded with the Saudi government, has a significant cost advantage over naphtha or ethane available on US and European markets. This complex also takes full advantage of the expertise and cutting-edge technologies for petrochemical production and oil refining that Sumitomo Chemical and Saudi Aramco have cultivated over many years. Capitalizing on these strengths, the complex promises outstanding competitiveness and resilience in the face of increasing market fluctuations.

Logistics and Marketing Network

Petro Rabigh's refined petroleum products are marketed by Saudi Aramco, and Petro Rabigh's petrochemical products are marketed mainly by Sumitomo Chemical Asia. In addition to its home base in Singapore, Sumitomo Chemical Asia has established a total of 5 sales offices in China, Belgium, India and Vietnam and has engaged a staff of approximately 100 people to market these petrochemical products in Asia and Europe.

Furthermore, in order to support the marketing, we have built a new, broad logistics network extending from Europe to East Asia. We have established stock points for PE and PP in Singapore, Belgium, the Netherlands, Italy and Turkey and storage tanks for MEG and PO in Singapore and China.



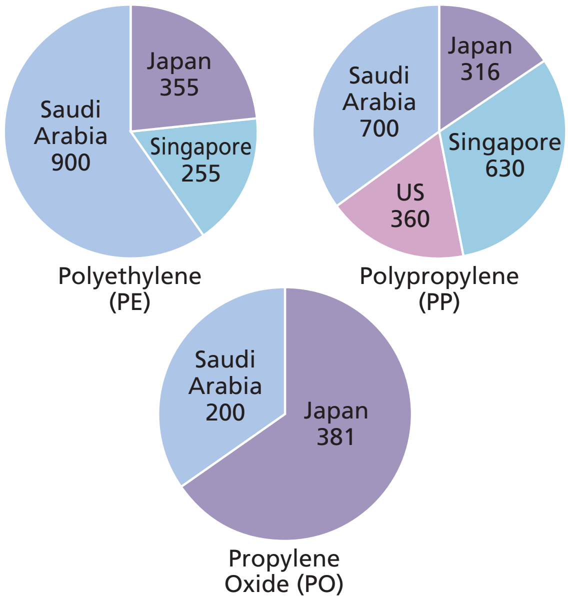
The Rabigh Project's Position in Our Petrochemical Business

We have been producing petrochemical products at our bases of operation in Japan, Singapore and North America. The establishment of our new base in Saudi Arabia with best-in-class cost competitiveness has enabled us to tremendously strengthen our petrochemical business.

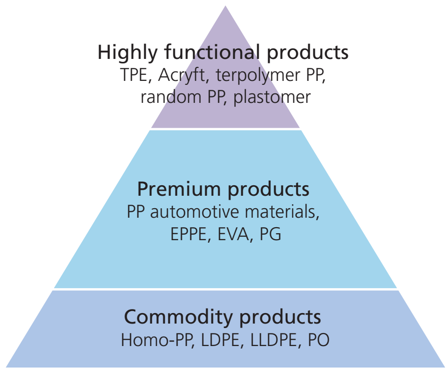
Each of our four bases of operation serves markets by utilizing its own distinctive competitive advantage. The Rabigh complex in Saudi Arabia takes full advantage of its overwhelming cost competitiveness to produce large volumes of commodity petrochemicals. These products are being marketed primarily in China and other Asian markets where strong medium- to long-term demand growth is expected, while we are also increasing our marketing efforts in European markets. In our Singapore and US bases, we are producing premium products, such as PP for the automotive industry, that are tailored to the needs of local customers in the markets of Asia and North America. In the field of premium products, we are working to effectively meet local customers' exacting needs by utilizing our robust product development capabilities and advanced production technologies, thus differentiating ourselves from newly built petrochemical plants in the Middle East and China. In Japan, we will continue to focus on the development and production of innovative, high-end functional products and make full use of our R&D capabilities cultivated through many years of efforts to satisfy the sophisticated needs of local customers.

Sumitomo Chemical's Production Capacity by Area

(Unit: Thousand tons)



Structure of Sumitomo Chemical's Petrochemical Business



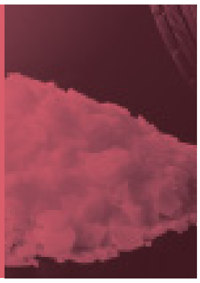
Feasibility Study for Phase II of the Rabigh Project

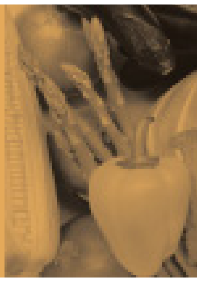
In April 2009, Sumitomo Chemical, Saudi Aramco and Petro Rabigh signed a Memorandum of Understanding to launch a feasibility study for development of the Rabigh Phase II Project. The Phase II Project will include expansion of Petro Rabigh's ethane cracker for processing an additional 30 million standard cubic feet per day of ethane feedstock; construction of a new aromatics complex using approximately 3 million tons of naphtha annually; and construction of new facilities for production of various petrochemical products, including ethylene propylene rubber (EPR), thermoplastic olefin (TPO), methyl methacrylate monomer and polymer (MMA and PMMA), low-density polyethylene (LDPE), ethylene vinyl acetate (EVA), caprolactam, polyols, cumene, phenol, acetone, acrylic acid, superabsorbent polymer (SAP) and nylon 6. Saudi Aramco and Sumitomo Chemical will complete the feasibility study by the third quarter of 2010. Once its viability is confirmed, the Rabigh Phase II Project will be implemented with a targeted start up by the third quarter of 2014.

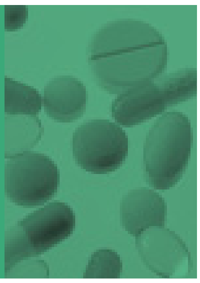
The Conversion Industry

In order to further enhance the resilience and competitiveness of Petro Rabigh's operations in an increasingly volatile business environment, Sumitomo Chemical and Saudi Aramco are developing an industrial park on the land adjacent to the Rabigh complex and working to attract plastics-processing and other conversion industry businesses. Currently, an industrial site that includes facilities for electrical power, water supply and drainage, and communications is being built on the 240-hectare site. This industrial park offers several unique advantages, such as a stable supply of resins from Petro Rabigh, low-cost electrical power, and easy access to the markets of the Middle East and North Africa, where robust growth is expected, as well as Europe. Furthermore, we plan to establish a technical center to provide technical support for the tenants in the industrial park, some of whom are expected to start commercial operations as early as 2010.

Sumitomo Chemical at a Glance







	Net Sales		Operating Income	
	FY2008	%	FY2008	
Basic Chemicals	¥240.0 Billion	13%	-¥15.3 Billion	¥0
	[FY2007 ¥314.7 Billion]		[FY2007 ¥10.6 Billion]	
Petrochemicals & Plastics	¥553.0 Billion	31%	-¥30.3 Billion	¥0
	[FY2007 ¥603.3 Billion]		[FY2007 ¥4.5 Billion]	
Fine Chemicals	¥80.8 Billion	5%	¥1.6 Billion	¥0
	[FY2007 ¥92.9 Billion]		[FY2007 ¥11.4 Billion]	
IT-related Chemicals	¥307.1 Billion	17%	-¥1.0 Billion	¥0
	[FY2007 ¥297.5 Billion]		[FY2007 ¥6.3 Billion]	
Agricultural Chemicals	¥222.2 Billion	12%	¥24.4 Billion	¥0
	[FY2007 ¥200.4 Billion]		[FY2007 ¥20.9 Billion]	
Pharmaceuticals	¥235.6 Billion	13%	¥32.4 Billion	¥0
	[FY2007 ¥237.6 Billion]		[FY2007 ¥46.5 Billion]	

Capital Expenditures	Research and Development Expenses	Major Products	Page
FY2008 ¥14.7 Billion 11% [FY2007 ¥27.6 Billion]	FY2008 ¥6.4 Billion 5% [FY2007 ¥6.1 Billion]	Acrylonitrile, Caprolactam, Aniline, Methanol, Methyl methacrylate monomer and polymer, Nitric acid, Caustic soda, Aluminum hydroxide, Alumina, High-purity aluminum, Aluminum	P 16
FY2008 ¥17.6 Billion 13% [FY2007 ¥21.2 Billion]	FY2008 ¥12.0 Billion 9% [FY2007 ¥11.1 Billion]	Ethylene, Propylene, Styrene monomer, Propylene oxide, Polyethylene, Polypropylene, Ethylene-vinyl acetate copolymer, Thermoplastic elastomer, Ethylene-propylene rubber, Acrylonitrile butadiene styrene copolymer, Polycarbonate, Agricultural films, Polypropylene sheets	P 18
FY2008 ¥7.7 Billion 6% [FY2007 ¥6.9 Billion]	FY2008 ¥4.2 Billion 3% [FY2007 ¥4.1 Billion]	Organic intermediates, Active pharmaceutical ingredients, Pharmaceutical intermediates, Polymer additives, Photo and imaging chemicals, Organic rubber chemicals, Dyestuffs, Ethylene-vinylacetate copolymer emulsions	P 20
FY2008 ¥50.6 Billion 38% [FY2007 ¥33.4 Billion]	FY2008 ¥21.2 Billion 16% [FY2007 ¥13.7 Billion]	Optical functional films, Pigment dispersed color filters, Light diffusion plates, Light guide plates, Photoresists, High-purity chemicals, Sputtering targets, Super engineering plastics, MOEPI wafers, Metal organics, High-purity gallium	P 22
FY2008 ¥11.3 Billion 8% [FY2007 ¥8.5 Billion]	FY2008 ¥20.7 Billion 16% [FY2007 ¥19.4 Billion]	Crop protection products (Insecticides, Fungicides, Herbicides and Plant growth regulators), Household insecticides, Public hygiene insecticides, Long-lasting insecticidal nets, Animal health products, Feed additives, Fertilizers	P 24
FY2008 ¥12.7 Billion 9% [FY2007 ¥18.3 Billion]	FY2008 ¥55.0 Billion 42% [FY2007 ¥47.7 Billion]	Ethical pharmaceuticals, Radiopharmaceuticals, Radiation therapy equipment	P 26

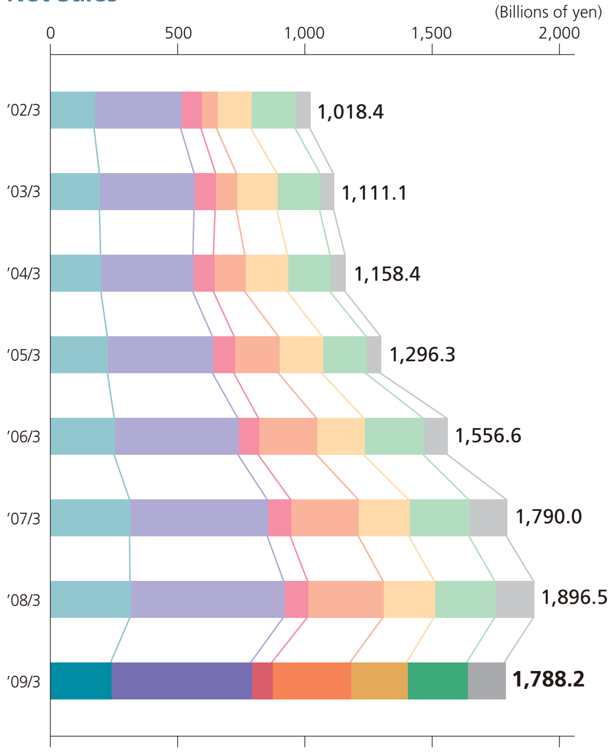
Business Sector Highlights

*Unless otherwise specified

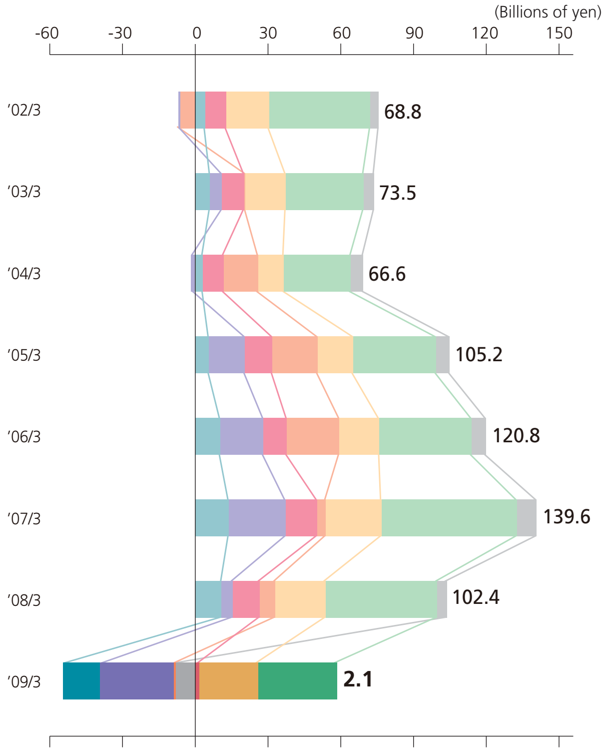
	Billions of yen*					Thousands of US dollars*
Years ended March 31	2005	2006	2007	2008	2009	2009
Net sales						
Basic Chemicals	¥ 225.8	¥ 252.4	¥ 314.0	¥ 314.7	¥ 240.0	$ 2,443,551
Petrochemicals & Plastics	412.6	486.1	539.1	603.3	553.0	5,629,380
Fine Chemicals	84.1	79.0	90.9	92.9	80.8	822,183
IT-related Chemicals	174.8	229.2	266.4	297.5	307.1	3,126,550
Agricultural Chemicals	171.6	186.2	198.3	200.4	222.2	2,262,058
Pharmaceuticals	170.7	233.1	234.5	237.6	235.6	2,398,351
Others	56.7	90.6	146.8	150.1	149.5	1,522,376
Total	1,296.3	1,556.6	1,790.0	1,896.5	1,788.2	18,204,449
Operating income (loss)						
Basic Chemicals	5.2	10.0	13.5	10.6	(15.3)	(156,103)
Petrochemicals & Plastics	15.0	17.9	23.6	4.5	(30.3)	(308,836)
Fine Chemicals	11.5	9.8	13.1	11.4	1.6	16,583
IT-related Chemicals	18.7	21.7	3.5	6.3	(1.0)	(10,139)
Agricultural Chemicals	14.8	16.6	23.3	20.9	24.4	248,692
Pharmaceuticals	34.4	38.3	56.2	46.5	32.4	329,329
Others	5.7	5.8	8.0	3.7	(7.9)	(80,331)
Elimination	(0.1)	0.7	(1.5)	(1.5)	(1.7)	(17,674)
Total	105.2	120.8	139.6	102.4	2.1	21,521
Capital expenditures						
Basic Chemicals	18.2	20.7	24.6	27.6	14.7	149,628
Petrochemicals & Plastics	13.7	16.1	16.9	21.2	17.6	178,662
Fine Chemicals	7.5	7.0	4.6	6.9	7.7	78,774
IT-related Chemicals	40.2	44.0	72.0	33.4	50.6	515,372
Agricultural Chemicals	18.0	8.8	10.1	8.5	11.3	114,782
Pharmaceuticals	19.1	10.6	12.5	18.3	12.7	128,861
Others	9.1	17.7	19.1	26.7	19.6	199,084
Total	125.8	124.9	159.8	142.5	134.1	1,365,163
Research and development expenses						
Basic Chemicals	5.1	5.3	5.7	6.1	6.4	64,868
Petrochemicals & Plastics	10.9	11.4	11.3	11.1	12.0	122,386
Fine Chemicals	4.4	4.4	4.2	4.1	4.2	42,991
IT-related Chemicals	9.7	12.8	12.6	13.7	21.2	215,800
Agricultural Chemicals	18.6	19.4	18.7	19.4	20.7	210,832
Pharmaceuticals	28.1	36.7	42.5	47.7	55.0	559,666
Others	1.4	1.9	2.6	3.3	11.6	118,314
Total	78.2	91.9	97.7	105.4	131.1	1,334,857

Note: US dollar amounts are translated from yen, for convenience only, at ¥98.23 = $1, the rate prevailing on March 31, 2009.

Net Sales

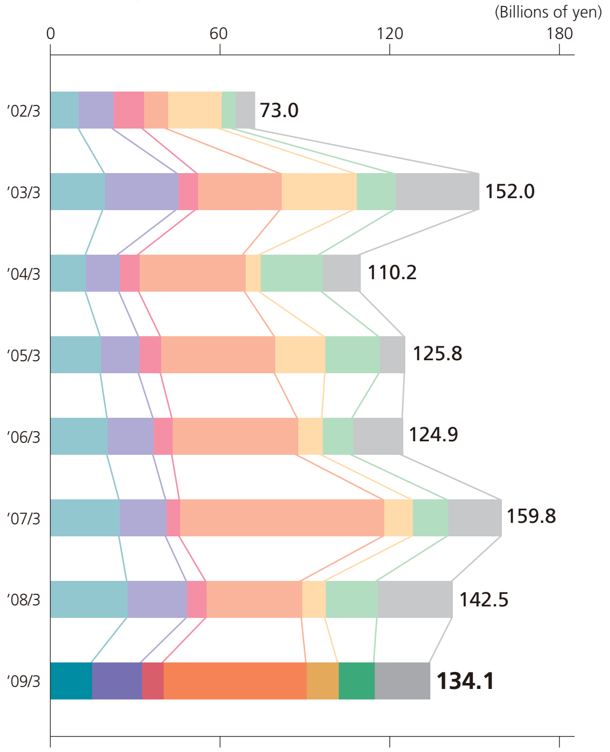


Operating Income

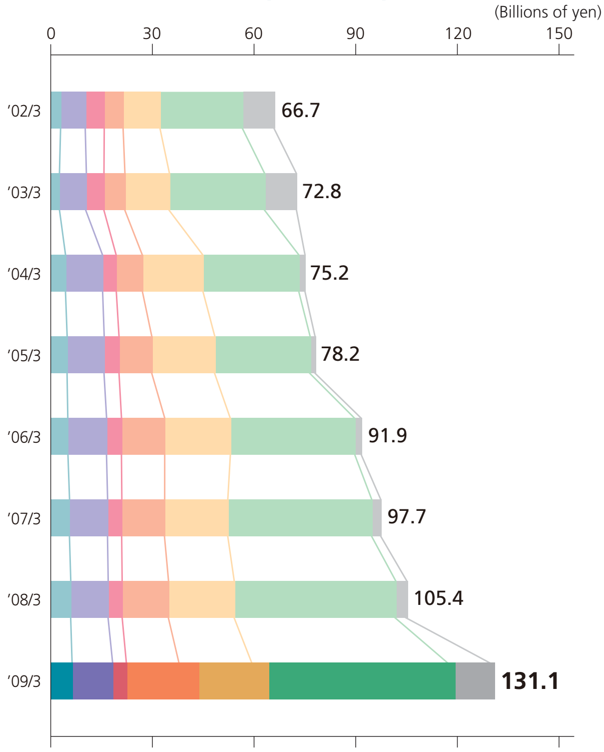


Basic Chemicals Petrochemicals & Plastics Fine Chemicals IT-related Chemicals
Agricultural Chemicals Pharmaceuticals Others

Capital Expenditures



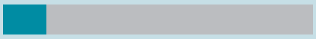
Research and Development Expenses



Basic Chemicals

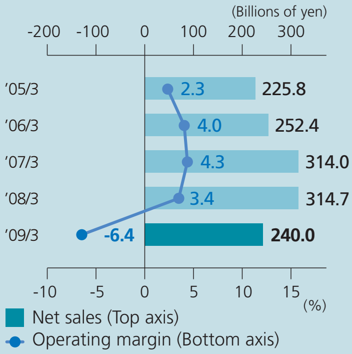
Net Sales

FY2008
¥240.0 Billion

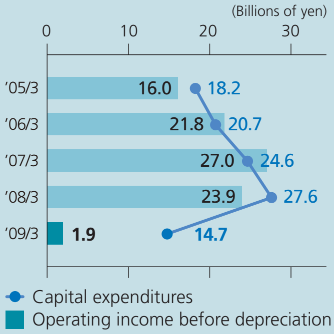


13%
[FY2007 ¥314.7 Billion]

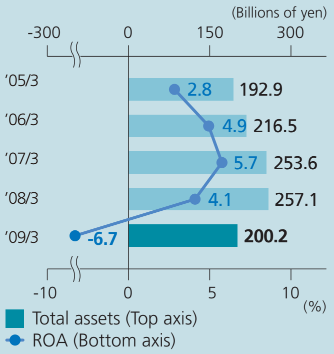
Net Sales & Operating Margin



Capital Expenditures & Operating Income before Depreciation



Total Assets & ROA



The Basic Chemicals Sector engages in the development, manufacture and sale of methyl methacrylate (MMA) monomer and polymer, raw materials for synthetic textile fibers such as caprolactam, and a wide variety of basic chemicals used in various manufacturing industries, as well as alumina and other inorganic materials and aluminum.

We have positioned MMA, caprolactam and inorganic materials as the core businesses of the Sector. We are working to strengthen the profitability of these businesses and continue expanding them globally with a focus on Asia, where demand growth is expected to remain high.

Performance for Fiscal 2008

In fiscal 2008, sales of aluminum and raw materials for synthetic fibers decreased because of a significant decline in demand for building materials and textiles and a sharp drop in prices in the second half of fiscal 2008. Meanwhile, sales of methyl methacrylate contracted because of a slowdown in shipments, primarily in Japan. As a result, sales for this Sector decreased by ¥74.7 billion compared with the previous year to ¥240.0 billion while operating income fell by ¥25.9 billion, resulting in a loss of ¥15.3 billion.

MMA Business

MMA polymer, which offers outstanding transparency and weather resistance, is an excellent material for a broad range of uses, such as in optical components for liquid crystal displays (LCDs), automotive applications, showcases, and outdoor signboards. Asia's demand for MMA polymer decreased during fiscal 2008 because of lower production levels in the LCD panel and automotive segments, but is expected to grow over the long term by as much as 5% per year with economic expansion in Asian

Products made of MMA

countries, particularly China and India.

As Asia's leading MMA producer, we continue to enhance the competitiveness of our entire MMA product chain, from monomer and polymer to finished sheets. During fiscal 2008, our Singapore subsidiary completed its Phase III capacity expansion, increasing its capacities for MMA monomer by 90,000 tons to 223,000 tons per year and for MMA polymer by 50,000 tons to 100,000 tons per year. Our current overall annual MMA capacities, combining our operations in Singapore, Japan and Korea, totaled 489,000 tons for monomer and 262,000 tons for polymer.

MMA plant in Singapore

In April 2008, we established the acrylic sheet sales company Sumika Acryl Co., Ltd. in Japan in order to meet the needs of our domestic customers in a more prompt and flexible manner. Also, in January 2009, our Taiwan subsidiary Sumipex TechSheet Co., Ltd. acquired a local acrylic sheet business and started operations. The Taiwan subsidiary gives us a third base in the Asian region for the manufacture and sale of acrylic sheets in addition to Sumitomo Chemical and Sumika Acryl in Japan and Sumipex (Thailand) Co., Ltd. in Thailand, established in 2002. We will continue to develop acrylic sheet products with new functions by capitalizing on our advanced MMA processing technologies and expertise accumulated over many years.

Caprolactam Business

Caprolactam is a raw material for nylon 6, which is used in synthetic fibers, films and engineering plastics. Demand for nylon 6 in Asia, particularly China, is very strong for applications in clothing textiles, engineering plastics and tire cords, and demand for caprolactam in the region has been growing at 4% to 5% annually in recent years. Demand for caprolactam declined considerably in the second half of fiscal 2008 due to the global economic downturn, but is expected to resume its strong growth when the world economy begins to recover. We produce caprolactam using the conventional liquid-phase process as well as our proprietary energy- and resource-efficient vapor-phase process. We are working constantly to improve both of these processes in order to provide our customers with cost-competitive, high quality caprolactam.

Caprolactam for nylon 6

Inorganic Materials Business

We provide distinctive high performance inorganic materials using our advanced technologies for controlling such physical properties as particle size and form. Sumitomo Chemical is the world's leading manufacturer of high-purity alumina. We launched high-purity alumina in 1981, and we have since been working to develop high-purity alumina products using our high-purity aluminum to fulfill the needs for advanced applications. In recent years, our alumina products have enjoyed increasing demand for use in new applications such as sapphire glass for LED substrates, lithium-ion secondary battery materials and high thermal conductive fillers for electronic materials. We also manufacture and sell fine alumina for LCD and solar cell glass substrates, as well as aluminum hydroxide for artificial marble and halogen-free flame-retardants. In addition, we are working to develop new applications for our ultraviolet-sensitive photocatalysts for outdoor use and also for our high-performance visible-light sensitive photocatalysts, which eliminate odors and dirt by reacting to indoor light.

Alumina powder for ceramic products

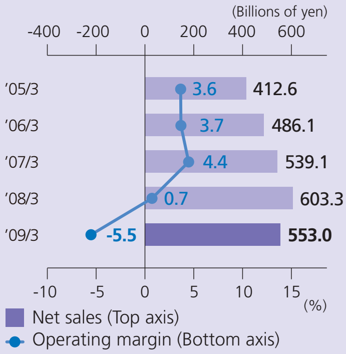
Petrochemicals & Plastics

Net Sales

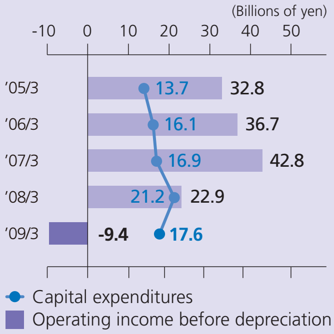
FY2008
¥553.0 Billion

31%
[FY2007 ¥603.3 Billion]

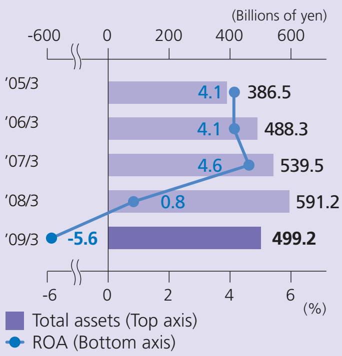
Net Sales & Operating Margin



Capital Expenditures & Operating Income before Depreciation



Total Assets & ROA



The Petrochemicals & Plastics Sector engages in the development, manufacture and sale of a wide range of petrochemical products, including synthetic resins such as polyethylene and polypropylene, synthetic rubber and organic chemicals such as propylene oxide. Positioning polyethylene, polypropylene and propylene oxide as the core businesses of this Sector, we are actively investing to expand these businesses and enhance their profitability. We are also working to further globalize our petrochemical business by capitalizing on the individual strengths of our four bases of operation, located in Japan, Singapore, North America and Saudi Arabia. At each of these bases, we seek to enhance our competitiveness by increasing our efforts to procure lower-cost feedstocks and reduce manufacturing costs. Meanwhile, in order to shift toward higher value-added business, we are continually improving manufacturing processes, enhancing the performance of our existing materials and developing new products. We are making solid progress in these efforts, and for polyethylene, we have improved productivity of our easy processing polyethylene (EPPE) and developed higher value-added applications for this material. For polypropylene, we are developing new materials and molding technologies that contribute to reducing the weight of car components.

Performance for Fiscal 2008

In fiscal 2008, shipments of petrochemical products, such as styrene monomer and propylene oxide, as well as synthetic resins fell substantially in both Japan and overseas markets owing to a downturn in demand in the automotive and other related industries in the second half of fiscal 2008. As a result, sales for this Sector decreased by ¥50.4 billion compared with the previous year to ¥553.0 billion. Meanwhile, operating income declined by ¥34.9 billion, resulting in a loss of ¥30.3 billion, due in part to a loss on the write-downs of inventories stemming from lower market prices toward the end of fiscal 2008.

Polyethylene Business

We operate polyethylene (PE) manufacturing facilities in Japan, Singapore and Saudi Arabia. With the aim of further enhancing the profitability of the business, we are stepping up marketing efforts for our EPPE, which combines high strength and ease of processing. We are also actively working to expand our low-density polyethylene (LDPE) business in the area of high value-added applications, such as waterproof laminates for paper and surface protection films for electronic products.

Products made of polyethylene

Polypropylene Business

We have polypropylene (PP) production facilities in Japan, Singapore, North America and Saudi Arabia. The start of commercial operations of the new facilities at Petro Rabigh, our affiliate founded with Saudi Aramco in Saudi Arabia, has brought our global production capacity for PP to 2 million tons annually. We are redoubling our efforts to strengthen our high value-added PP businesses globally, such as PP compounds for use in automotive components. Since last year, the global financial crisis triggered by the sub-prime mortgage problems in the US has had a significant impact on the automotive industry, but the industry's growth potential remains high. We therefore started operation of our new PP compound plants near Atlanta, Georgia, in the US and near Bangkok, Thailand, as planned. This gives us a total of five overseas plants for PP compound production in five countries, including our plant in Zhuhai, China, and our European plants in the UK and France. In fiscal 2008, we doubled production capacity at the Zhuhai plant, which started operation in 2006, and we are also undertaking studies on capacity expansions for the European plants.

Polypropylene compound plant in France

Propylene Oxide Business

Propylene oxide (PO) is used mainly as a raw material for polyurethanes. In Japan, Sumitomo Chemical has a PO production capacity of 200,000 tons per year using its PO-only process, and Nihon Oxirane, our joint venture with LyondellBasell, has a production capacity of 181,000 tons per year utilizing the PO/SM (styrene monomer) process. In fiscal 2008, our affiliate Petro Rabigh completed a new PO plant in Saudi Arabia that produces 200,000 tons per year using Sumitomo Chemical's PO-only process. We will continue our efforts to further consolidate our position as the top PO supplier in Asia.

Propylene oxide plant

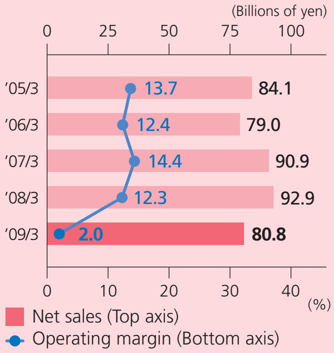
Fine Chemicals

Net Sales

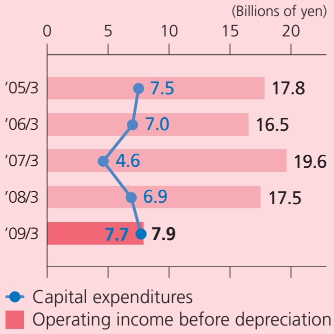
FY2008
¥80.8 Billion

5%
[FY2007 ¥92.9 Billion]

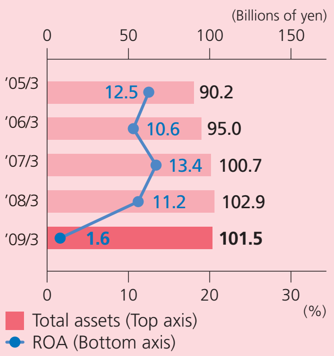
Net Sales & Operating Margin



Capital Expenditures & Operating Income before Depreciation



Total Assets & ROA



The Fine Chemicals Sector engages in the development, manufacture and sale of resorcinol, pharmaceutical chemicals and polymer additives—which comprise its core businesses—as well as rubber chemicals and other specialty chemicals. We are working to expand the scale of the Sector's business while maintaining high profitability.

Performance for Fiscal 2008

In fiscal 2008, sales of pharmaceutical chemicals and raw materials for adhesives declined because of a drop-off in shipments and the appreciation of the yen. Consequently, sales for this Sector contracted by ¥12.2 billion compared with the previous year to ¥80.8 billion, and operating income decreased by ¥9.8 billion to ¥1.6 billion.

Resorcinol Business

Resorcinol is used as a raw material for adhesives for bonding tire rubber with reinforcing material and for adhesives for wood used in construction applications. It is also used as a raw material for such functional chemicals as flame-retardants and ultra-violet absorbents. The worldwide demand for resorcinol in 2008 is estimated at 48,000 tons per year. Although the market for resorcinol is in a temporary downturn owing to the impact of the global economic crisis, demand is expected to grow by an average of 3% annually over the long term, supported by an increase in demand for automobiles in emerging markets, particularly in Asia.

We are supplying highly cost-competitive resorcinol by taking advantage of our outstanding manufacturing technology and world-scale production capacity in Chiba, Japan. We aim to expand our resorcinol business and further enhance its profitability as the main engine of

Resorcinol plant

long-term growth for the Sector. Anticipating that demand will continue to grow, we will start operation of a new resorcinol plant in Oita, Japan, in early 2010 as planned, using our highly competitive production process. The new plant will boost our production capacity from 20,000 tons to 30,000 tons annually. Along with these capacity expansions, we are stepping up our sales activities in Asia.

Polymer Additives Business

Polymer additives are specialty chemicals added to synthetic resins and synthetic rubber to inhibit their deterioration during the manufacture, processing and use of the resins and rubber. Our main products are Sumilizer GP, used in processing synthetic resins to improve their stability, and Sumilizer GA-80, used to inhibit the deterioration of synthetic resins resulting from oxidation.

Polymer additives

Capitalizing on our outstanding R&D capabilities, we have been providing high-performance polymer additives that outperform competing products. As competition in the synthetic resin business has become increasingly intense in recent years, resin manufacturers are striving to differentiate their products. By providing high-performance products that satisfy our customers' growing needs for differentiation, we will continue to expand our polymer additives business.

Pharmaceutical Chemicals Business

In our pharmaceutical chemicals business, we supply pharmaceutical manufacturers with active pharmaceutical ingredients (APIs) and pharmaceutical intermediates. The global market for pharmaceuticals is estimated at ¥60 to 70 trillion and is forecast to see sustained solid growth. The global market for APIs and pharmaceutical intermediates is estimated at ¥3 trillion.

Facing intense competition, major global pharmaceutical manufacturers are concentrating their resources on R&D and marketing of new drugs while outsourcing non-core activities, in particular production of APIs and their intermediates, in order to boost their competitiveness. We expect that this trend will open up more opportunities for our pharmaceutical chemicals business.

We are one of the world's top manufacturers of pharmaceutical chemicals and possess the current GMP-compliant quality assurance capabilities as well as advanced organic synthesis technologies and expertise in scaling up processes for industrial production. By building on our accumulated technology and expertise and fully integrating research and development,

Pharmaceutical chemical products

manufacturing and sales capabilities, we are meeting the needs of pharmaceutical manufacturers precisely and promptly and providing a reliable supply of high quality APIs and pharmaceutical intermediates.

Working with our subsidiaries Sumitomo Chemical Europe and Sumitomo Chemical America, we are undertaking various initiatives to seize new business opportunities in the pharmaceutical chemicals business in Europe and the US. For example, we are increasing our sales force in those regions and expanding our local GMP-compliant warehouses to enhance our logistics capabilities. We are also collaborating more closely with major European and US pharmaceutical manufacturers to identify promising projects.

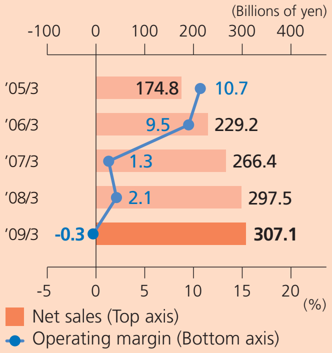
IT-related Chemicals

Net Sales

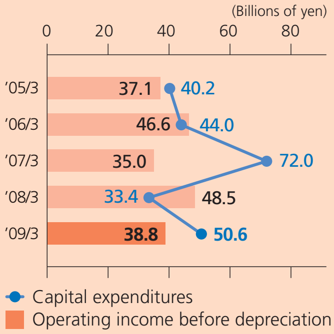
FY2008
¥307.1 Billion

17%
[FY2007 ¥297.5 Billion]

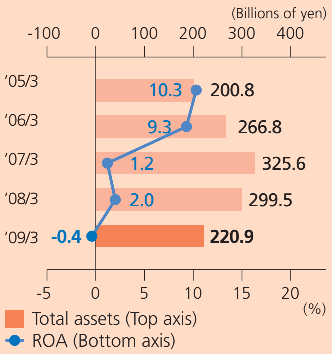
Net Sales & Operating Margin

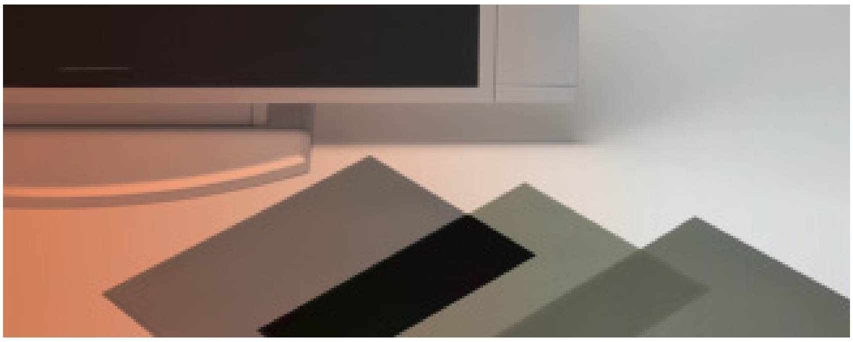


Capital Expenditures & Operating Income before Depreciation



Total Assets & ROA





The IT-related Chemicals Sector engages in the development, manufacture and sale of polarizing film, color filters and other materials for liquid crystal displays (LCDs), photoresists used in the manufacture of semiconductors, super engineering plastics and other materials for IT-related products, as well as heat-resistant separators for lithium-ion secondary batteries.

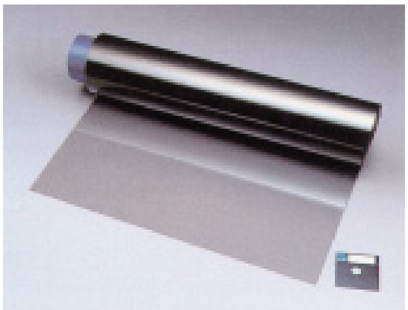
The Sector seeks to achieve further growth by focusing its business resources on the three key areas of polarizing film, super engineering plastics, and photoresists.

Performance for Fiscal 2008

In fiscal 2008, sales for this Sector increased by ¥9.6 billion compared with the previous year to ¥307.1 billion. Sales volumes of polarizing film, a key material for LCDs, increased backed by production capacity expansions and productivity improvement in response to demand growth primarily in Asia. Toward the end of fiscal 2008, however, this business was affected by production cutbacks by LCD manufacturers. Operating income decreased by ¥7.3 billion to record a loss of ¥1.0 billion because of a decline in selling price and a temporary rise in research and development expenses in the second half of fiscal 2008.

Polarizing Film Business

Our polarizing film business is the mainstay of the Sector's core LCD-related materials business. According to projections by DisplaySearch, a well-known marketing research company, in spite of the global economic recession, worldwide demand for LCD televisions will increase over 20%, from 105 million units in 2008 to 127 million units in 2009.



Polarizing film

Sumitomo Chemical currently boasts the second largest market share globally for polarizing film. We operate production facilities in Japan, Taiwan, Korea, China and Poland, and we have forged strategic partnerships as a prime supplier with major LCD panel manufacturers in Korea and Taiwan. Demand for polarizing films has been slowing down since the latter half of fiscal 2008 due to the recession, but is expected to continue to grow in the medium- to long-term, with large-screen LCD televisions becoming more widely used in global markets, especially in emerging economies. We will remain committed to promptly and flexibly meeting the needs of LCD panel manufacturers worldwide by fully capitalizing on our five manufacturing bases.

On the development front, we are working to expand our polarizing film product line to satisfy diverse customer needs. We are developing high-performance materials with high contrast and excellent visibility from wider viewing angles for high-end LCD televisions, while introducing cost competitive materials for high-volume, low-end LCD televisions.

Color Filter Business

In our LCD-related materials business, we are also supplying 5th-generation color filters from our plant in Korea for displays used in desk-top and note-book computers. We are working vigorously for productivity improvement and cost reduction in order to enhance the profitability of this business.

Electronic component made of liquid crystal polymer

Super Engineering Plastics Business

Sumitomo Chemical engages in the development, manufacture and sale of super engineering plastics such as liquid crystal polymer (LCP) and polyethersulfone (PES). LCP is a high-strength, heat-resistant and chemical-resistant resin used in such applications as electronics components and parts for office automation equipment. PES is a heat-resistant, impact-resistant resin with a high degree of dimensional accuracy and is used in composite materials for aircraft, components in hard disk drives and other applications. We expect high growth in global demand for both LCP and PES for use in electronic equipment and aircraft. In order to better serve our LCP customers, we have not only expanded production capacity, but have also established a customer support center in Shanghai, China, which enables us to provide effective and prompt technical support directly to major global customers who locate production bases in China.

Photoresists Business

Photoresists are photosensitive resins used in semiconductor manufacturing processes. Semiconductor manufacturers are vying to develop new manufacturing processes to further miniaturize circuits, which require more advanced lithographic technologies to pattern finer circuit lines. Sumitomo Chemical has been developing high-performance photoresists to satisfy requirements for advanced lithographic technologies that continue to rapidly evolve. At present, in addition to the conventional dry argon fluoride (ArF) exposure process, the semiconductor industry is beginning to adopt the new ArF immersion exposure process. Through focused R&D efforts, we have developed a photoresist for this cutting-edge semiconductor manufacturing process. Major industry users have adopted this product, and we anticipate broad acceptance of the product in the industry. We constructed a new dedicated production facility in Osaka equipped with devices for performance evaluation, including the latest ArF immersion scanner. We will continue to develop and launch advanced photoresists, including next-generation extreme ultra-violet exposure (EUV) photoresists, in a timely manner in response to further advances in semiconductor manufacturing processes.

Photoresists

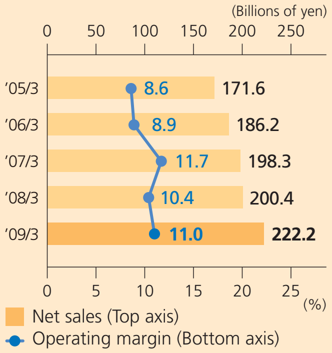
Agricultural Chemicals

Net Sales

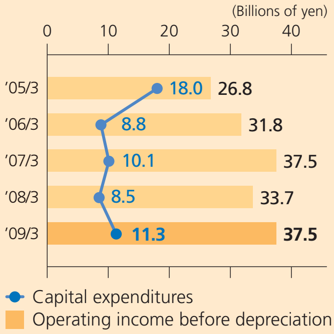
FY2008
¥222.2 Billion

12%
[FY2007 ¥200.4 Billion]

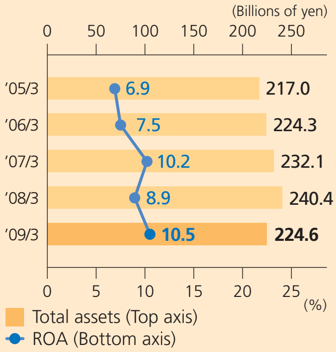
Net Sales & Operating Margin



Capital Expenditures &
Operating Income before Depreciation



Total Assets & ROA



The Agricultural Chemicals Sector engages in the development, manufacture and sale of agrochemicals, such as insecticides, fungicides, herbicides and plant growth regulators; fertilizers; household and public hygiene insecticides; long-lasting insecticidal mosquito nets for controlling tropical infectious diseases; and feed additives for poultry and other livestock.

The Sector has operational bases not only in the major markets of Japan, the US, Europe and Asia, but also in the growing markets of Africa, South America and Oceania, and earns more than 60% of its revenues in overseas markets. We in the Sumitomo Chemical Group consider R&D to be vital for achieving sustainable business growth. We have established R&D capabilities in the major markets, with our Agricultural Research Laboratory in Takarazuka, Japan, and research centers in the US, France and Malaysia, and we are continuing coordinated, long-term efforts to develop innovative agrochemical products. In particular, we are focusing on discovering and developing novel agrochemicals as well as developing new applications for our existing products.

Performance for Fiscal 2008

In fiscal 2008, despite the effects of an appreciating yen, sales of agrochemicals expanded, bolstered by strong demand mainly in overseas markets, and sales of feed additives also increased thanks to higher selling prices on the back of growth in worldwide demand. Sales of OLYSET® Net, a long-lasting insecticidal mosquito net, expanded steadily. Consequently, sales for this Sector increased by ¥21.8 billion over the previous year to ¥222.2 billion while operating income rose by ¥3.5 billion to ¥24.4 billion.

Crop Protection Business

In our crop protection business in Japan, we are aiming to increase our market share and broaden the scope of our business by developing attractive new products in-house as well as by pursuing acquisitions and partnerships. We are also seeking to strengthen our crop protection business as a total solutions provider for the farming

Crop protection products

community. We support farmers by supplying agrochemicals, fertilizers, and agricultural materials such as irrigation materials and coated seeds, in addition to providing various kinds of technical services such as pest management, soil analysis, fertilizer application and instruction in cultivation techniques. In 2008, we formed a joint venture for manufacturing controlled release fertilizers in Japan. Our controlled release fertilizers are expected to see growing demand in the future, because they enable Japan's farmers, facing an aging and declining workforce, to save labor in applying fertilizers and improve efficiency in farming.

Our overseas crop protection business has continued to face intense competition from multinational majors and generic manufacturers. Responding to this situation, we are focusing our business resources on product areas and regions where we possess competitive strengths. Our current areas of focus are insecticides and fungicides for fruits and vegetables as well as plant growth regulators. In addition, the field of non-crop use of agrochemicals is where we can demonstrate our advantage of engaging in both the agricultural chemicals and environmental health chemicals businesses. In 2008, our subsidiary Valent U.S.A. Corp. acquired a US company, marking its entry into the home gardening business in the US.

Products using our household insecticides

Environmental Health Business

Our environmental health business contributes to healthy living environments through its worldwide businesses in household insecticides for public hygiene, professional pest control, pets and other non-crop applications. In this business, we have been actively developing new applications of our active insecticidal ingredient Eminence®/SumiOne®. Conventional household insecticidal products require heating, using either electricity or flame, to disperse insecticidal agents. By contrast, products using our Eminence®/SumiOne® do not require the application of heat, because Eminence®/SumiOne® evaporates at room temperature. This active insecticidal ingredient is seeing an increase in applications and expanding sales.

OLYSET® Net

Vector Control Business

Controlling malaria is one of the global priority issues under the United Nations Millennium Development Goals. Our vector control business developed the OLYSET® Net, a long-lasting insecticidal bed net for the control of malaria, and engages in the sale of these nets, primarily in Africa. We established our Vector Control Division in 2008 for the purpose of strengthening our business in the control of infectious tropical diseases through use of the OLYSET® Net.

Feed Additives Business

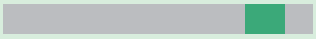
Our feed additives business engages in the manufacture and sale of DL-methionine and methionine hydroxy analog, essential amino acid feed additives used primarily in poultry farming. Methionine is expected to see continuing high demand growth in Asia, particularly China. In order to meet growing demand, we have recently decided to expand our production capacity from approximately 100,000 tons per year to 140,000 tons per year. The new plant is scheduled to start operation in the first quarter of 2010. We will continue to consolidate our position as Asia's top producer by meeting our customers' needs in a prompt and flexible manner.

DL-methionine

Pharmaceuticals

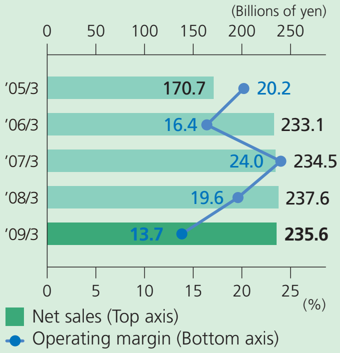
Net Sales

FY2008
¥235.6 Billion

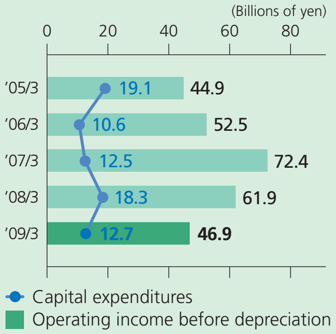


[FY2007 ¥237.6 Billion]

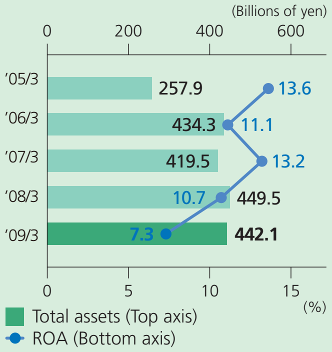
Net Sales & Operating Margin



Capital Expenditures & Operating Income before Depreciation



Total Assets & ROA



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

Performance for Fiscal 2008

In fiscal 2008, sales of *Amlodin* (therapeutic agent for hypertension and angina pectoris) decreased because of Japan's National Health Insurance (NHI) drug price revisions and patent expiration. Although affected by NHI drug price revisions, sales of *Gasmotin* (gastroprokinetic), *Meropen* (carbapenem antibiotic), and *Prorenal* (vasodilator) rose as a result of Dainippon Sumitomo Pharma's continued marketing efforts. Despite the contribution of new products, *Lonasen* (agent for the treatment of schizophrenia) and *Avapro* (agent for the treatment of hypertension), sales for this Sector decreased by ¥2.0 billion from the previous year to ¥235.6 billion. Operating income declined by ¥14.1 billion to ¥32.4 billion because of a decline in selling prices and an increase in research and development and other expenses.

Dainippon Sumitomo Pharma

Dainippon Sumitomo Pharma (DSP) is seeking, under its Mid- to Long-term Vision, to become a research-driven pharmaceuticals company that can compete globally by further strengthening the revenue base of its domestic operations, developing overseas sales capabilities and enriching its product pipeline.

(1) Establish Stronger Revenue Base in Domestic Business

In order to further strengthen the revenue base of its domestic business, DSP is continuing its efforts to expand the sales of its four main products *Amlodin*, *Gasmotin*, *Prorenal* and *Meropen*, and accelerate market development for its new products, *Lonasen* and *Avapro*,

Amlodin OD tablet

both launched in fiscal 2008. Highly effective in treating positive symptoms of schizophrenia such as hallucinations and delusions, and causing very few side effects, DSP's proprietary product *Lonasen* has achieved higher sales than initially estimated. In addition, DSP is actively utilizing web-based marketing support systems to provide healthcare professionals with updated information about its products in a timely and effective manner.

(2) Develop Overseas Business

DSP is working on Phase III clinical trials for *lurasidone*, an antipsychotic agent for the treatment of schizophrenia in major global markets, such as the US—the world's largest schizophrenia drug market—as well as the EU, Japan and other countries. These trials have seen steady progress. *Lurasidone* has the potential to achieve higher efficacy and fewer side effects than current major schizophrenia drugs on the market. DSP has also begun Phase III clinical trials of *lurasidone* for the treatment of bipolar disorder in the US and other countries. This additional indication will expand the potential market for *lurasidone*. DSP is stepping up efforts to enhance its development capabilities in the US by increasing its local staff, and is also preparing for developing its own sales operations in the country. DSP is planning to launch *lurasidone* in the US in 2011. We expect *lurasidone* to become a foundation for the expansion of DSP's business in the US market and also a driving force for the growth of our Pharmaceuticals Sector.

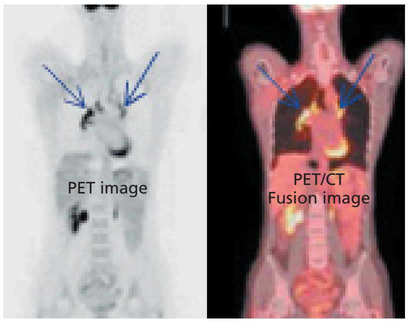
(3) Enrich Product Pipeline

In order to develop a strong product pipeline, DSP is taking various initiatives to improve the efficiency of its research activities. The company is implementing focused R&D investment into priority research areas, such as diabetes and cardiovascular diseases, central nervous system disorders, as well as inflammation and allergies. DSP is also collaborating with outside research organizations in exploring promising drug leads, while engaging in in-licensing to enhance its pipeline. At present, DSP is conducting Phase II clinical trials in Japan for ranirestat, an agent for the treatment of diabetic neuropathy, while in the US, its licensee, Eisai Co., Ltd is planning Phase III clinical trials for the agent.

Nihon Medi-Physics

Nihon Medi-Physics (NMP) engages in the research and development, manufacture and supply of radiopharmaceuticals, which are effective in the early detection of brain and heart diseases and malignant tumors. NMP's major business is diagnostic radiopharmaceuticals for in vivo administration, where NMP holds the largest share in the Japanese market.

NMP has actively been promoting FDGScan Injectable, its radiopharmaceutical for PET (positron emission tomography). PET is an innovative diagnostic imaging procedure that utilizes a tiny amount of radiopharmaceutical as a tracer. It is useful in the early diagnosis of diseases, such as in detecting malignant tumors. By injecting the radiopharmaceutical agent into



PET images of breast cancer (lung metastasis)

a patient's body and taking an image of the agent accumulating in the targeted organ or lesion from outside the body, the PET procedure is able to provide vital diagnostic information about the condition of diseases. NMP's PET diagnostic agents are produced at a total of 10 manufacturing facilities throughout Japan, including a facility of the company's co-development partner, enabling stable and timely supply of the agents.

Metastron injectable

Beyond the diagnostic field, NMP is selling its OncoSeed implantation seeds used in brachytherapy, also known as sealed source radiotherapy, for prostate cancer as well as Metastron injection, a therapeutic radiopharmaceutical that provides pain relief for cancer patients suffering from bone metastasis.

DSP's Product Pipeline

Brand Name/ Product Code	Generic Name	Formu-lation	Efficacy or New Indication	Development Location	Development Stage				Remarks
					Phase I	Phase II	Phase III	NDA Filed	
Diabetes/Cardiovascular									
SMP-508	repaglinide	Oral	Diabetes	Japan	■	■	■		In-licensed from Novo Nordisk A/S
AS-3201	ranirestat	Oral	Diabetic neuropathy	Japan	■	■			Developed in-house; co-developed with Kyorin Pharmaceutical Co., Ltd.
				US	■	■	■		Licensed to Eisai Co., Ltd.
SMP-862	metformin hydrochloride	Oral	Diabetes	Japan	■	■	■	■	In-licensed from Merck Santé SAS
DSP-8153	amlodipine besilate/ irbesartan	Oral	Hypertension	Japan	■	■			Developed in-house
DSP-3235	Not determined	Oral	Diabetes	Japan	■				In-licensed from Kissei Pharmaceutical
DSP-7238	Not determined	Oral	Diabetes	Europe	■				Developed in-house
DSP-8658	Not determined	Oral	Diabetes	US	■				Developed in-house
Central Nervous System Disorders									
SM-13496	lurasidone	Oral	Schizophrenia	Japan, Korea and Taiwan	■	■	■		Developed in-house
			Schizophrenia Bipolar disorder	US/ Europe, etc.	■	■	■		
Inflammation and Allergy									
SMP-028	Not determined	Oral	Bronchial asthma	US	■				Developed in-house
DSP-3025	Not determined		Bronchial asthma, allergic rhinitis	Japan	■				Developed in-house
				Europe	■				Licensed to AstraZeneca
Others									
SM-11355	miriplatin hydrate	Injection	Hepatocellular carcinoma	Japan	■	■	■	■	Developed in-house
MEROPEN®	meropenem hydrate	Injection	Febrile neutropenia (new indication)	Japan	■	■	■	■	Developed in-house
SMP-986	Not determined	Oral	Overactive bladder	Japan	■				Developed in-house
				US/Europe	■	■			
CALSED®*	amrubicin hydrochloride	Injection	Small cell lung cancer	US/Europe	■	■	■		Licensed to Celgene (Former Pharmion)
				China	■	■	■		Developed in-house
DOPS®*	droxidopa	Oral	Intradialytic hypotension, neurogenic orthostatic hypotention	US/Europe	■	■	■		Licensed to Chelsea
AG-7352	Not determined	Injection	Cancer	North America	■	■			Licensed to Sunesis Pharmaceuticals Inc.
SMP-601	Not determined	Injection	Life-threatening infection	US	■	■			Licensed to Protez Pharmaceuticals Inc.
AmBisome®	amphotericin B	Injection	Fungal species (new indication)	Japan	■	■	■	■	In-licensed from Gilead Sciences

* Domestic brand name

(As of May 11, 2009)

Research and Development

Focus Areas of R&D

R&D is a vital engine of our future growth. Our basic policy for R&D under our Three-Year Corporate Business Plan is to focus our efforts on developing and fostering new businesses that will be the source of our further growth, and we have selected IT-related materials, energy-related materials and life sciences as focus areas for R&D. We believe R&D is particularly important in raising our competitiveness in order to overcome the challenges of the current business climate. We are concentrating our R&D resources on major projects, such as polymer organic light emitting diodes, high-performance materials for lithium-ion secondary batteries and *lurasidone*, our agent for the treatment of schizophrenia and bipolar disorder, which are areas that we expect to contribute to our profitability in the near future. At the same time, we are continuing our efforts to strictly control R&D expenditures by clearly prioritizing our projects in other areas.

Polymer Organic Light Emitting Diodes (PLEDs)

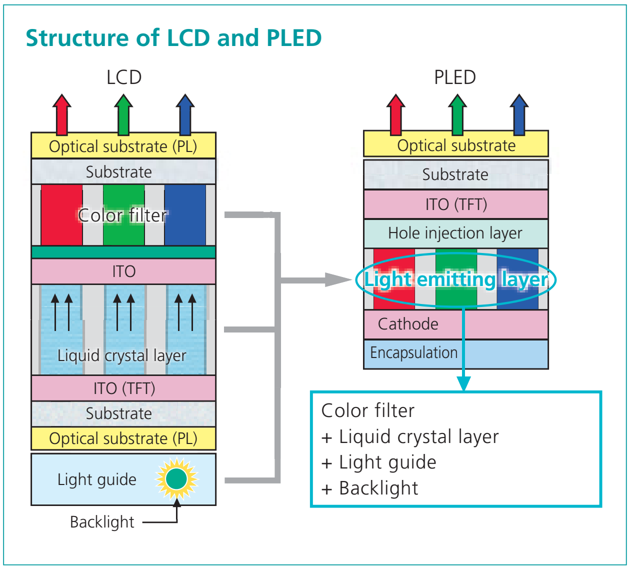
The Competitive Advantages of PLEDs

Polymer organic light emitting diodes (PLEDs) are gaining global attention as a next-generation display technology. PLEDs have numerous advantages over LCDs, such as higher contrast, higher resolution, wider viewing angles, higher response speeds, and lower energy consumption. In addition, displays using PLEDs have a simpler structure than LCDs, making it possible to manufacture thinner, lighter displays.

Furthermore, in comparison with small-molecule organic light emitting diodes (SMOLEDs), PLEDs are expected to demonstrate significant cost advantages, particularly in the manufacture of large-screen displays. SMOLEDs use the vacuum deposition method to form the light-emitting layer on each pixel of the display panel, a process that requires complex facilities and equipment. PLEDs, on the other hand,

PLED display

enable the light-emitting layer to be formed using printing methods, such as ink jet printing. Therefore, PLEDs do not require costly vacuum processing equipment, reducing the cost of investment in production facilities.



Initiatives for the Development of PLED Business

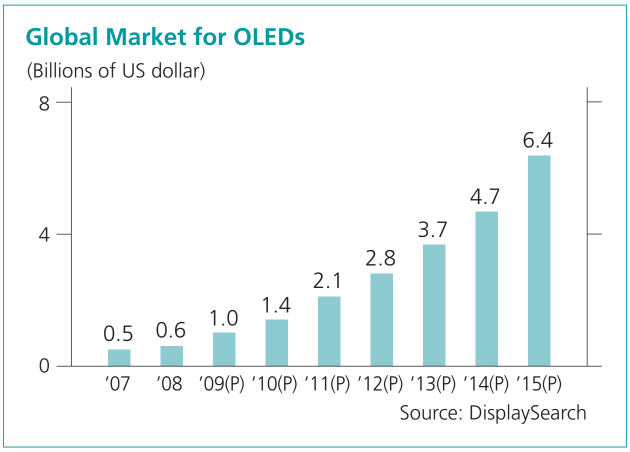
We began development of PLEDs in the late 1980s, and since then have accumulated a wealth of technologies in this field. In 2005, we established the joint venture SUMATION together with Cambridge Display Technology (CDT), a pioneer in PLED development, for the development, production and sales of PLED materials. In that same year, we acquired Dow Chemical's PLED business. We further accelerated our initiatives toward commercializing PLEDs by acquiring CDT in 2007. We currently have five R&D facilities for PLEDs including three in Japan and two in the UK, with more than 200 researchers engaged in development.

PLED Device Development

In 2009, we established our Device Development Center in Ehime, Japan, for developing manufacturing technologies for PLED panels. Combining CDT's process technologies for device manufacture, SUMATION's luminescence materials technologies, and Sumitomo Chemical's manufacturing technologies and engineering expertise accumulated through the business of color filters and other IT-related materials, the Device Development Center is establishing process technologies and quality assurance technologies for the commercial scale production of PLED panels. Specifically, the Center is working on the formation of a display's light-emitting layer using printing methods, the formation of electrodes on glass substrates and the sealing of display elements at a pilot plant.

Commercialization

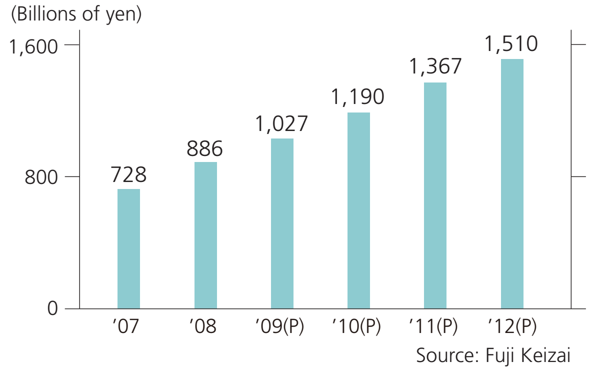
DisplaySearch, a major market research company, in a report published in January 2009, forecasts rapid growth of the global market for organic LEDs, including both PLEDs and SMOLEDs, from an estimated US$500 million in 2007 to US$1 billion in 2010 and US$6 billion in 2015. We are working on the commercialization of a variety of applications, from small displays for mobile phones to large displays for high-definition televisions, and are currently undertaking joint development with display manufacturers targeting these applications. Particulary, we are stepping up efforts to commercialize PLEDs for applications in large-screen televisions. In other applications, we are developing flexible displays and interior lighting devices, taking advantage of the characteristics of PLEDs that make possible the production of thin, light, flexible panels.



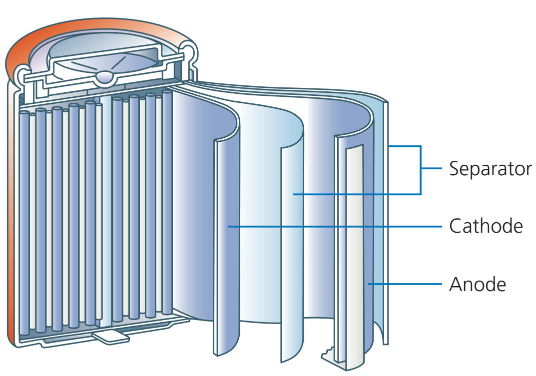
Lithium-ion Secondary Battery Materials

We have developed heat-resistant separators as well as cathode materials, which are the main materials of lithium-ion secondary batteries. The market for lithium-ion secondary batteries is anticipated to expand because demand in mobile applications, such as cellular phones and notebook computers, continues to grow. Their application to hybrid automobiles is expected to begin on a large scale from 2010 onward. It is projected that, within ten years, sales of hybrid automobiles will exceed 5 million units, and demand for lithium-ion secondary batteries for use in hybrid cars will grow in tandem. Market research published in October 2008 forecasts that the global market for lithium-ion secondary batteries will increase from ¥886 billion in 2008 to ¥1,510 billion in 2012.

Global Market for Lithium-ion Secondary Batteries



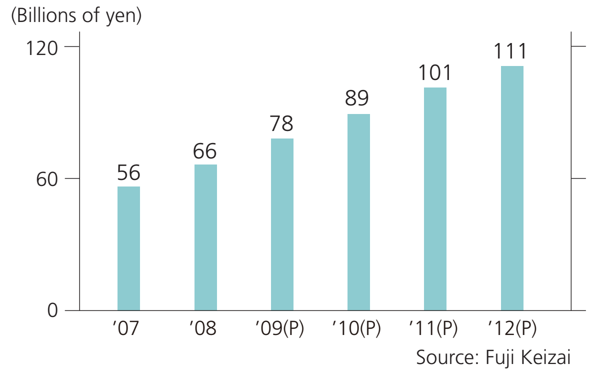
Structure of Lithium-ion Secondary Battery



Heat-resistant Separator

According to market research, the global market for heat-resistant separators for lithium-ion secondary batteries is expected to grow from ¥66 billion in 2008 to ¥111 billion in 2012. Because customers are seeking longer life and higher capacity in lithium-ion secondary batteries, safety and durability have become increasingly important performance requirements for separators. Our high-performance separator, Pervio®, composed of an aramid layer and a polyolefin substrate, exhibits greater heat resistance than conventional products, and has been evaluated favorably by battery manufacturers for its safety and reliability. From the middle of 2008 to the beginning of 2009, we expanded our production capacity for Pervio® in stages to 25 million square meters per year in order to meet the demand for lithium-ion secondary batteries used in mobile devices. We will step up our development efforts on separators for lithium-ion secondary batteries for use in hybrid automobiles. In January 2009, we established the Battery Materials Division as part of our IT-related Chemicals Sector, and transferred the functions of R&D, manufacture and sales of our heat-resistant separators from our headquarters to this new organization.

Global Market for Heat-resistant Separators

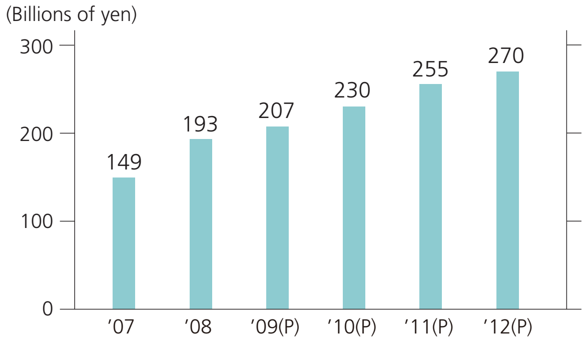


Heat-resistant separator Pervio®

Cathode Materials

Cathode materials are one of the main materials that determine the performance of lithium-ion secondary batteries. According to market research, the global market for cathode materials is projected to grow from ¥193 billion in 2008 to ¥270 billion in 2012. In this area, we have developed an innovative cobalt-free cathode material.

Global Market for Cathode Materials



Source: Fuji Keizai

Our cobalt-free cathode material for lithium-ion secondary batteries has attracted attention in related industries. It was thought to be difficult to manufacture high performance cathodes without using the rare metal cobalt, which is in short supply worldwide. Our cobalt-free cathode material does not use cobalt, but it has achieved a higher output and the same level of capacity compared with conventional cathodes that include cobalt. Our cobalt-free cathode material is expected to find applications in lithium-ion secondary batteries for use in hybrid automobiles, which are forecast to see rapid demand growth from 2010 onward, and we have received praise for the performance of this material from a number of automobile and battery manufacturers. In addition to use in automobiles, customers are evaluating our cobalt-free cathode material for use in lithium-ion secondary batteries for industrial applications. We are continuing development to further improve the output and capacity of our cobalt-free cathode material. At the same time, we are conducting studies on commercial production for this material.

Cobalt-free cathode material

Corporate Social Responsibility

Our Corporate Social Responsibility

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

Since then, we have been working toward building better lives for people and remain committed to addressing environmental issues and making positive contributions to society. This commitment constitutes the core principles of our corporate social responsibility (CSR). CSR helps foster the trust and support of society that is essential to the conduct of sound business. We developed our "Basic CSR Policy" in 2004, reflecting our business philosophy, management principles and Charter for Business Conduct, and are continuing efforts to strengthen our CSR initiatives based on this policy.

Basic CSR Policy

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

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

CSR Management

We consider CSR a form of contribution to the sustainable development of society through our business activities. In our operations, we seek to realize "sustainable chemistry," continually providing useful products and technologies through innovation in a manner more beneficial to society and the environment while balancing the pursuit of business growth with both Responsible Care and social action.

Sustainable Chemistry

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

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

Responsible Care Activities

In our effort to realize sustainable chemistry, we actively engage in Responsible Care activities that aim to protect the environment, ensure safety and health, and maintain high product quality throughout the entire life cycle of our products. In order to conduct our Responsible Care activities efficiently and comprehensively with a long-term perspective, we have established the Responsible Care Committee, consisting of the Executive Officers in charge of our Business Sectors, Executive Officers in charge of our corporate departments, and the General Managers of our Works. These voluntary activities are undertaken not only at Sumitomo Chemical but also extend globally to include our Group companies both in Japan and overseas. We segment our Responsible Care activities into such areas as environmental protection and chemical safety, and set targets individually for each of these areas. In working to achieve these targets, we seek to gain the further trust of society. We are also strongly supporting the chemical industry's efforts to realize sustainable development that are being led by the International Council of Chemical Associations (ICCA), the global organization of the world's major chemical industry associations representing chemical manufacturers and producers worldwide. The ICCA has set "Climate Change and Energy," "Chemical Policy and Health" and "Responsible Care" as the global priorities for the chemical industry. Our top management plays a leadership role in ICCA's working groups for Climate Change and Energy and for Responsible Care, and through these activities, continues to contribute to the development of a sustainable society.

Environmental Preservation Initiatives

Sumitomo Chemical and its 15 major Group companies in Japan have determined targets for reductions by 2010 of unit energy consumption, unit CO_2 emissions, release amounts of PRTR (Pollutant Release and Transfer Register) controlled substances and volumes of landfilled wastes, and are working to achieve these reductions. Every year, we follow up on their initiatives and provide instruction and advice on any inadequacies with the aim of achieving the targets. We are also working on the same initiatives with 9 of our overseas Group companies.

Chemical Safety Initiatives

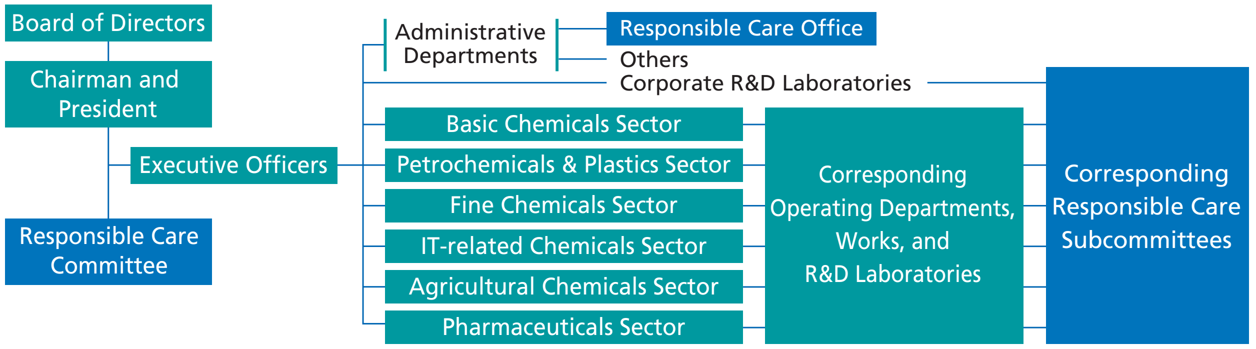
As one of our chemical safety initiatives, we are stepping up our efforts to compile chemical substance safety information and achieve more effective management of this information. These efforts are growing in importance in recent years, as the risk-based approach has become the global mainstream of chemical substance management. We have built a next-generation comprehensive chemical management system in order to properly manage and use more effectively the safety information for chemical substances we manufacture, which comprises the internal information we have produced and the published information we have collected.

In terms of regulations for chemical substance management, the EU's REACH legislation (Registration, Evaluation, Authorization and Restriction of Chemical Substances) was adopted in 2006 and took effect in 2007. Under REACH, stringent risk assessment and management are required throughout the chemical supply chain, from upstream suppliers to final consumers. We will make full use of our extensive safety assessment expertise and cutting-edge technologies to carry through a vast array of measures for meeting the requirements of REACH, which include filing of risk information with the regulatory authorities by the deadline and providing customers with risk information.

Responsible Care Auditing Activities

In order to ensure that our Responsible Care activities are conducted appropriately, Responsible Care audits are conducted for Sumitomo Chemical and our major Group companies in Japan and overseas. Responsible Care audits consist of specialized audits, in which specialists conduct audits after pre-audit evalua-

Responsible Care Organization

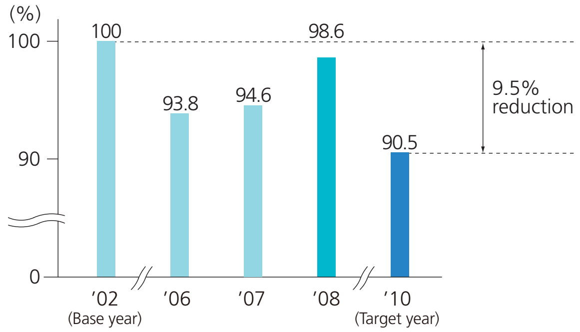


tions using checklists, and management audits, in which Responsible Care Committee members led by the Executive Officer in charge of Responsible Care participate. Both types of audits are conducted for Sumitomo Chemical and specialized audits are conducted for Group companies.

Promoting Responsible Care Activities in Full Coordination with Group Companies

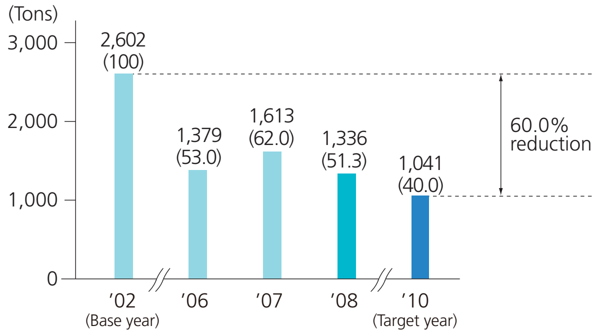
Sumitomo Chemical holds meetings with Responsible Care managers and staff from each Group company in Japan and overseas to discuss various Responsible Care issues. These meetings are held in Japan, twice a year for Group companies in Japan and once a year for overseas Group companies. The meetings seek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

Energy Consumption Rate Index



Note: Figures are index values ('02=100)
*Data reflect the totals of Sumitomo Chemical and its 15 domestic Group companies.

PRTR Emissions (Air and Water)



Note: Figures in parentheses are index values ('02=100)
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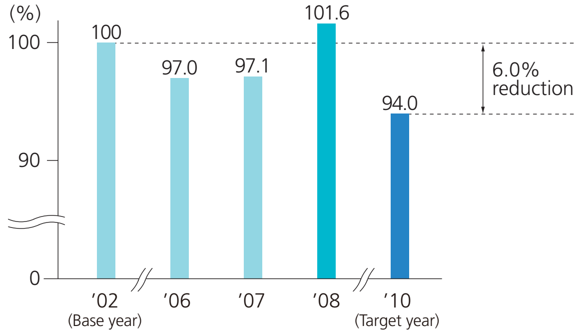
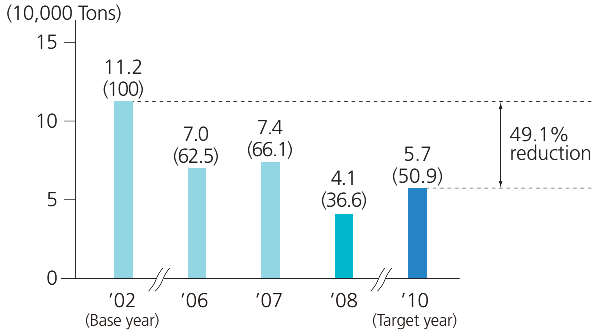
CO_2 Emission Rate Index



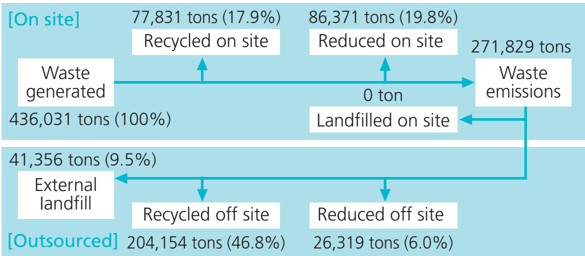
Note: Figures are index values ('02=100)
*Data reflect the totals of Sumitomo Chemical and its 15 domestic Group companies.

Landfill Disposal Volume



Note: Figures in parentheses are index values ('02=100)
*Data reflect the totals of Sumitomo Chemical and its 15 domestic Group companies.

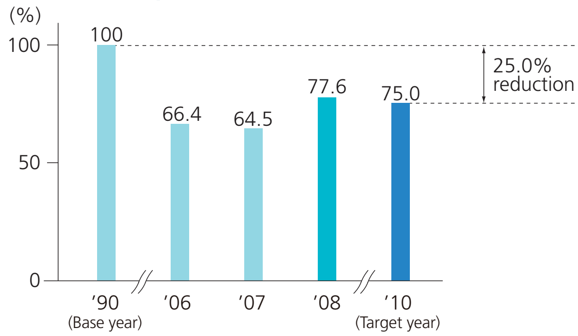
Waste Disposal Flow Chart and Results (FY 2008)



Waste recycled: Total amount of waste that was reused, recycled, or thermally recycled.
Waste reduced: Total amount of waste reduced through incineration, etc.

*Data reflect the totals of Sumitomo Chemical and its 15 domestic Group companies.

Water Consumption Rate



Note: Figures are index values ('90=100)
*Data reflect the total of Sumitomo Chemical

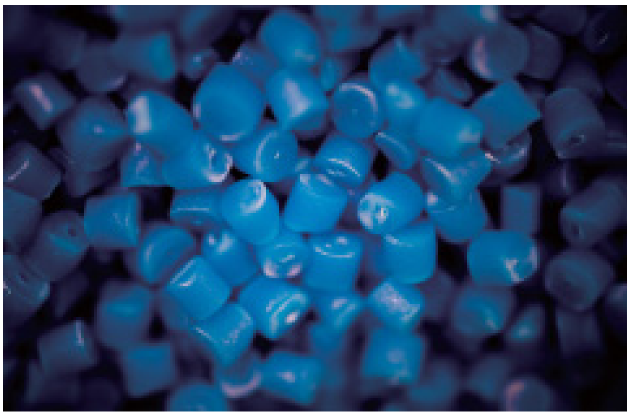
Social Actions—Support for Africa

As part of our CSR activities, we are also working on a variety of social action programs, including efforts centering on malaria prevention, to provide support for Africa.

Malaria Control Initiatives

Every year three hundred million people worldwide become infected with malaria, with over a million people dying from the disease, and it continues to inflict serious damage. The majority of fatalities from malaria are concentrated in Sub-Saharan Africa. Efforts to control malaria have not been effective in the region, which suffers from some of the worst poverty in the world today.

Because malaria is carried by mosquitoes, the most effective form of prevention is to protect people from mosquitoes. Capitalizing on our long years of expertise in the development and production of plastics and active ingredients for household insecticides, we developed the OLYSET® Net insecticidal mosquito net for malaria control. OLYSET® Net is woven with fibers made of polyethylene resin kneaded together with a household insecticide. The household insecticide migrates to the surface of the fibers, giving the net the unique characteristic of retaining its effectiveness over an extended period, even after repeated washings. In 2001, our OLYSET® Net was endorsed by the WHO as a Long-Lasting Insecticidal Net (LLIN), and it has been contributing to the prevention of malaria worldwide, particularly in Africa.



Polyethylene pellets for OLYSET® Net

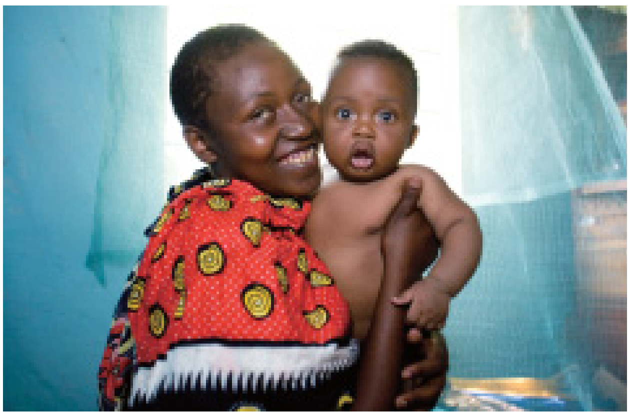
In order to meet the increasing demand for our OLYSET® Net, we licensed our production technology free of charge to A to Z Textile Mills Limited, a mosquito net manufacturer in Tanzania, to establish local production capabilities. In addition,

OLYSET® Net production in Tanzania

we started operation of a new factory in the country, partnering with A to Z Textile Mills to form the joint venture Vector Health International Limited. Our OLYSET® Net operations in Tanzania now employ as many as 4,000 people, contributing to local economic development and the creation of employment opportunities. Furthermore, we are moving forward with a plan to establish a new production base in Nigeria. Operation of the new production base in West Africa is expected to create local employment opportunities for over 5,000 people.

Support for Education in Africa

We have been returning a portion of the revenues from our OLYSET® Net business to African communities by supporting education in Africa in collaboration with the NPO World Vision Japan. To date, we have been involved in eight projects in five countries to build schools and cafeterias and also have been providing educational materials. Moreover, we donated 1,000 of our used personal computers to Tanzania as part of our initiative to support education in Africa.



OLYSET® Net in use

Corporate Governance

Serving the interests of shareholders and other stakeholders in the midst of changing social and economic conditions is the very foundation of our corporate governance. To further bolster our corporate governance, we will make continuous efforts to promote sound decision-making, ensure accountability in the execution of business duties, and enhance and strengthen the compliance system, internal audit functions, and internal control system.

The Board of Directors

Our Board of Directors sets basic policies and strategies for management of the Sumitomo Chemical Group and oversees business activities. The Articles of Incorporation stipulates that the number of Directors should be 15 persons or less, and the Board consists of 11 members. Regular Board meetings are convened once a month as a rule, with extraordinary Board meetings being convened as necessary. The term of office for Directors is limited to one year in order to clarify their duties and responsibilities.

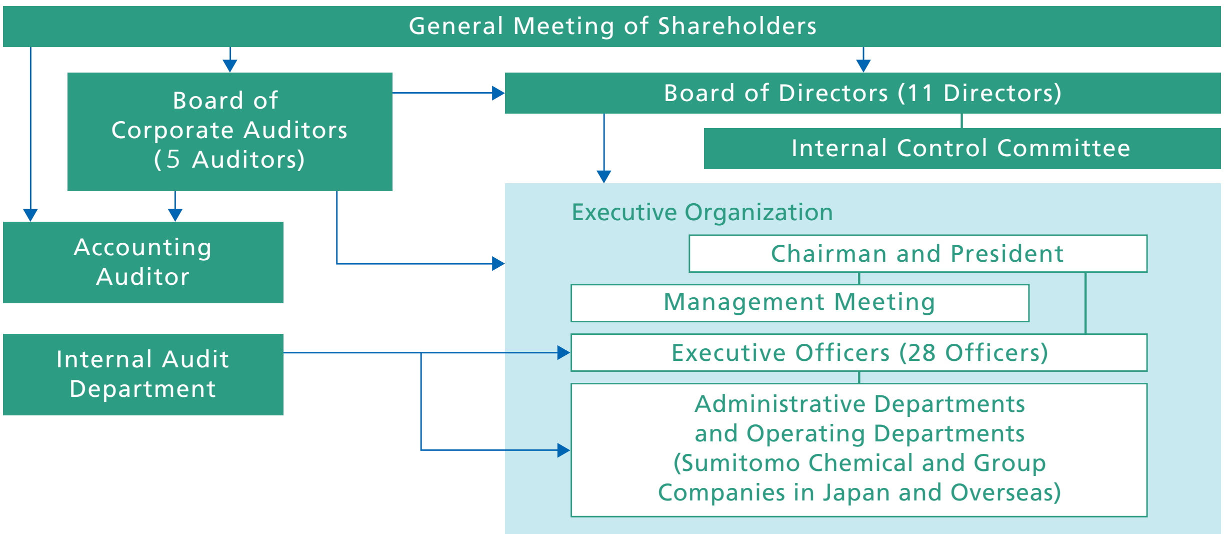
The Board of Corporate Auditors

In compliance with the Companies Act of Japan, we have a Board of Corporate Auditors, which consists of 5 auditors, including 3 outside auditors. The Corporate Auditors and their Board play a vital role in our corporate governance by auditing the discharge of duties by Directors in accordance with the law as well as with the Articles of Incorporation and internal regulations. The Board of Corporate Auditors convenes once a month as a rule, sharing among themselves the information they obtain from divisions and departments and from accounting auditors and exchanging opinions amongst themselves in order to carry out effective audits. An auditing office has been established with the aim of facilitating efficient auditing functions.

Executive Officers

We have appointed Executive Officers to expedite the execution of strategies and business plans. Executive Officers assume responsibility for conducting business in accordance

Corporate Governance Organization



with the basic principles determined by the Board of Directors. We have 28 Executive Officers, with 11 acting in dual capacity as Directors and the term of office for Executive Officers is one year.

Management Meeting

The Management Meeting supports the decision-making of our management by providing a forum for deliberation on such vital matters as corporate strategy and capital investment. The Management Meeting convenes twice a month and as a rule is composed of Directors.

Internal Control

We established our Internal Control Promotion Department in April 2007 with the aim of formulating and implementing various measures for enhancing our internal control system. In addition, in May 2007, we established the Internal Control Committee, which deliberates on measures for strengthening the internal control system for the entire Sumitomo Chemical Group and submits proposals for such measures to the Board of Directors. The President acts as Chairman of the Internal Control Committee, while the Executive Vice President and the Executive Officer in charge of the Internal Control Promotion Department act as the Committee's Vice-Chairmen. The Executive Officers in charge of each Sector and the Executive Officers in charge of administrative departments make up the Committee's membership. At present, related departments are implementing the measures proposed by the Internal Control Committee, including initiatives to enhance corporate management systems for Group companies.

The standards for internal control over financial reporting system under Japan's Financial Instruments and Exchange Law (J-SOX) came into effect In April 2008. Aiming to build a Group-wide system in line with the requirements of this financial reporting system, we have undertaken efforts targeting Sumitomo Chemical as well as our major domestic and overseas Group companies to make documentation for risk and business operations more transparent, evaluate the effectiveness of their financial reporting systems and remedy any deficiencies. In June 2009, we published the results in our Internal Control Report.

Internal Auditing

Internal auditing is conducted by the Internal Audit Department, which functions independently of our operating departments. The Internal Audit Department consists of 22 staff members, working both in Japan and overseas. The department conducts audits for Sumitomo Chemical and Group companies to ensure the reliability of financial reporting, that officers and employees perform their duties efficiently and effectively as well as in accordance with rules and that internal control for compliance with related laws and regulations is performed appropriately and is functioning properly. The Internal Audit Department provides the outline of annual results of audits conducted for Sumitomo Chemical and Group companies to the Internal Control Committee, and also reports the results of audits to the Internal Audit Reporting Meeting.

Compliance

We conduct our business with the strong belief that compliance should constitute the cornerstone of corporate management and that we must not violate ethics or the rules of society in any aspect of operations. In 2003, in order to ensure the lawful and ethical conduct of business throughout our Company, we created the "Sumitomo Chemical Charter of Business Conduct," which codifies the basic criteria for business conduct, and the "Sumitomo Chemical Business Conduct Manual," commonly called the "Compliance Manual," which sets forth concrete guidelines for all our employees, officers and Board members to follow. In order to achieve effective compliance management, we have established the Compliance Committee, which monitors and supports overall day-to-day compliance activities. For individual compliance items outlined in the Compliance Manual, special committees such as the Responsible Care Committee, the Antitrust Law Compliance Committee and the Internal Audit Reporting Meeting are working to ensure the compliance by our employees and others.

In addition, from the standpoint of strengthening consolidated management of Sumitomo Chemical Group companies and as part of our initiatives to establish solid internal control systems, we have been putting forth efforts to build and strengthen compliance systems in our consolidated Group companies operating both in Japan and overseas. We will continue to work in close cooperation with each of the companies to further enhance the compliance systems of the entire Group so that we will be able to gain the greater trust and confidence of society as a global company.

Sumitomo Chemical Charter for Business Conduct and Business Conduct Manual

We believe it is our social responsibility to conduct business to the highest ethical standards and act on our own responsibility. The "Sumitomo Chemical Charter for Business Conduct" spells out the basic guiding principles on which our compliance system is built. And the "Sumitomo Chemical Business Conduct Manual" has been developed on the basis of the Charter to provide specific rules for all our Board members, officers and employees to abide by in the performance of their respective activities, with a focus on our relations with society, customers, business partners, competitors, shareholders and investors, and employees.

Organizations for Compliance Management

The Compliance Committee monitors and supports the activities of the Company in ensuring that compliance-based management is always promoted in all operations throughout the Company. The Committee has the duty and authority to investigate and supervise legal and ethical compliance and call for corrective action as needed not only in Sumitomo Chemical itself but also in our consolidated Group companies both in Japan and overseas, currently totaling approximately 100 companies.

Speak-Up System

With the aim of preventing and resolving any violations of compliance, we have adopted an "open-door policy" that will help promote free and direct communication between superiors and subordinates in workplaces. There may be cases, however, where their immediate resolution through the ordinary channel of reporting to superiors appears difficult or impractical. In light of this, we have in place a "Speak-Up System" for our compliance program that enables employees and others working at our Company to report to the Compliance Committee or designated outside lawyers any violations or suspected violations of laws, regulations or Company rules. All information provided by an informant is kept strictly confidential, and the informant does not risk unfair treatment, such as dismissal, transfer or discrimination, for reporting incidents. The Speak-Up System aims at restraining illegal or unethical behavior as well as stimulating self-regulation against such behavior. In fact, we have been responding to each of the reports from informants promptly and in good faith in strict accordance with the purpose, objectives and procedures of this reporting system, thereby seeking further enhanced compliance management.

Promoting Compliance throughout the Sumitomo Chemical Group

We require consolidated Group companies to adopt compliance systems comparable to those of the Company, including the Compliance Manual and the Speak-Up System, in order to promote compliance-based management throughout the Group. With respect to overseas consolidated Group companies, we request each of them to create and adopt a Code of

Ethics in place of the Company's Compliance Manual that reflects relevant laws, regulations and business practices legitimately followed in the countries in which they operate, and to build and establish an effective compliance system based on this Code. Nearly all of our current consolidated Group companies have introduced compliance systems. In order to further strengthen their compliance management, we are providing each of our consolidated Group companies with a variety of support, including those for educational programs, which we consider appropriate according to the status of operation of their respective compliance systems.

Recent Initiatives

In April 2008, we updated the Company's Compliance Manual to reflect legislative and other changes such as amendments to or new enactment of Japan's various laws, revisions of our Company rules, and society's greater emphasis on compliance. In order to ensure that our employees and others are fully informed of the updates and further raise awareness of compliance, we conducted basic compliance educational seminars throughout Sumitomo Chemical, including at our Works and Laboratories. In addition, we are supporting our consolidated Group companies in their efforts to enhance their compliance management, such as building systems that enable the timely updating of their Compliance Manuals for domestic companies or their Codes of Ethics for overseas companies in response to changes in laws, regulations and social conditions by means of, in the case of overseas companies, networking with local lawyers to acquire and examine the latest information on laws and regulations in their countries.

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 laws and regulations, both at home and abroad, and will carry out activities in accordance with our corporate rules.
3. We will develop and supply useful and safe products and technologies that will contribute significantly to the progress of society.
4. We will engage in voluntary and active initiatives to achieve zero-accident and zero-injury operations and 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 strive to become a professional and achieve advanced skills and expertise in our field of responsibility.
8. We will actively communicate with our various stakeholders, including shareholders, customers, and local communities.
9. As a corporate member of an international society, we will respect the culture and customs of every region of the world and contribute to the development of those regions.
10. We will strive for the continued development of our Company through business activities conducted in accordance with the guiding principles described herein.

Board of Directors & Corporate Auditors (As of June 23, 2009)


Hiromasa Yonekura
Chairman


Hiroshi Hirose
President


Naoya Kanda
Executive Vice President


Osamu Ishitobi
Executive Vice President


Takatsugu Enami
Director & Senior Managing Executive Officer


Kiyohiko Nakae
Director & Senior Managing Executive Officer


Yoshitsugu Sakamoto
Director & Senior Managing Executive Officer


Yoshimasa Takao
Director & Senior Managing Executive Officer


Masakazu Tokura
Director & Senior Managing Executive Officer


Kenjiro Fukubayashi
Director & Senior Managing Executive Officer


Kenichi Hatano
Director & Managing Executive Officer

Board of Directors

Chairman

Hiromasa Yonekura

President

Hiroshi Hirose

Executive Vice President

Naoya Kanda
New Business Development, Process & Production Technology Planning & Support, Intellectual Property, Responsible Care, Research & Development

Osamu Ishitobi
Rabigh Project

Director & Senior Managing Executive Officer

Takatsugu Enami
Fine Chemicals Sector

Kiyohiko Nakae
Corporate Planning & Coordination Office (Technology, Research & Development), New Business Development

Yoshitsugu Sakamoto
Petrochemicals & Plastics Sector

Yoshimasa Takao
General Affairs, Secretarial, Legal, Internal Control Promotion, Human Resources, Human Resource Development, Procurement Office, Logistics, CSR

Masakazu Tokura
IT-related Chemicals Sector

Kenjiro Fukubayashi
Agricultural Chemicals Sector

Director & Managing Executive Officer

Kenichi Hatano
Basic Chemicals Sector

Executive Officers

Managing Executive Officer

Makoto Hara
Rabigh Project Office, Rabigh Project - Planning & Coordination Office

Yoshihiko Okamoto
Agricultural Chemicals Sector - Environmental Health Div., Vector Control Div., Animal Nutrition Div.

Toshihisa Deguchi
IT-related Chemicals Sector - Optical Materials Div., Battery Materials Div., Ohe Works

Minou Uemura
Ehime Works

Ryuhei Tamamura
General Affairs Dept., Secretarial Dept., Human Resources Dept., Human Resource Development Dept., Internal Audit Dept.

Kunio Nozaki
Finance & Accounting Office

Hisashi Shimoda
Corporate Communications Dept., Corporate Planning & Coordination Office (Corporate Planning, IT Management), New Business Development Office, Corporate Strategy Group

Executive Officer

Shigeyuki Yoneda
Rabigh Refining and Petrochemical Company, Rabigh Project Office

Toshio Sasaki
Corporate Planning & Coordination Office (Technology, Research & Development)

Yasumi Shiozaki
Responsible Care Office, Corporate Strategy Group

Masataka Morimoto
Procurement Office, Logistics Dept.

Tomohisa Ohno
Petrochemicals & Plastics Sector - Polyethylene Div., Advanced Polymers Div., Polypropylene Div.

Kazumine Yamamoto
Fine Chemicals Sector - Planning & Coordination Office, Quality Assurance Office, Osaka Works

Hiroshi Ueda
New Business Development Office, Process & Production Technology Planning & Support Dept., Corporate Strategy Group

Rei Nishimoto
Agricultural Chemicals Sector - Planning & Cordination Office, Quality Assurance Dept.

Takatoshi Suzuki
Petrochemical Corporation of Singapore (Pte.) Ltd.

Heechul Moon
Dongwoo Fine-Chem Co., Ltd.

Corporate Auditors

Hiroaki Ninomiya
Standing Corporate Auditor

Takao Akasaka
Standing Corporate Auditor

Hiroshi Hayasaki
Corporate Auditor

Yoji Arakawa
Corporate Auditor

Toshiomi Uragami
Corporate Auditor

Financial Section

Consolidated Financial Summary

Sumitomo Chemical Company, Limited and Subsidiaries

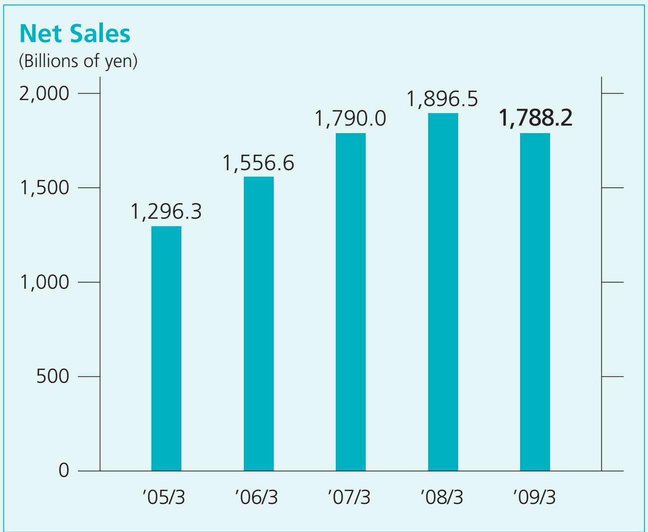
	Billions of yen (unless otherwise specified)			
Years ended March 31	1999	2000	2001	2002
For the year:				
Sales by business segment:				
Basic Chemicals	¥ 157.5	¥ 172.0	¥ 182.8	¥ 175.2
Petrochemicals & Plastics	305.6	331.8	375.5	338.9
Fine Chemicals	96.7	90.6	91.7	80.2
IT-related Chemicals	46.6	62.1	60.2	59.8
Agricultural Chemicals	120.8	106.1	122.2	135.4
Pharmaceuticals	149.1	143.1	156.7	174.0
Others	51.4	44.6	51.9	54.9
Net sales	927.7	950.3	1,041.0	1,018.4
Overseas operations	232.1	227.5	276.5	287.2
Operating income (loss) by business segment:				
Basic Chemicals	2.7	3.3	5.0	3.5
Petrochemicals & Plastics	11.1	10.4	7.4	(0.4)
Fine Chemicals	7.3	7.2	6.5	8.9
IT-related Chemicals	(8.6)	(5.0)	3.1	(6.3)
Agricultural Chemicals	27.7	18.9	19.5	17.9
Pharmaceuticals	15.5	30.8	38.8	42.0
Others	3.2	4.5	4.4	3.3
Elimination	0.4	0.0	0.0	(0.1)
Operating income	59.3	70.1	84.7	68.8
Net interest expense	(9.5)	(8.7)	(8.5)	(7.4)
Equity in earnings of affiliates	1.6	6.0	11.0	6.7
Income before income taxes and minority interests	36.3	32.0	64.4	57.8
Net income	20.1	18.4	34.1	30.2
Capital expenditures	67.6	81.6	62.1	73.0
Depreciation and amortization	68.4	75.4	64.6	79.2
Research and development expenses	59.5	59.3	59.1	66.7
Net cash provided by operating activities	—	156.3	94.7	62.9
Net cash used in investing activities	—	(49.5)	(54.9)	(57.2)
Net cash used in financing activities	—	(62.2)	(62.6)	(8.8)
At year-end:				
Total current assets	591.8	584.4	596.5	595.7
Net property, plant and equipment	428.1	409.7	400.7	401.7
Investments and other non-current assets	266.7	272.7	406.4	342.7
Total assets	1,310.9	1,322.4	1,455.4	1,393.2
Total shareholders' equity / Net assets*	325.1	345.0	451.8	444.6
Interest-bearing liabilities	585.1	530.5	474.2	487.3
Number of employees	15,778	17,474	17,392	17,016
Number of consolidated subsidiaries	67	92	98	102
Number of shareholders	140,257	134,705	129,835	130,176
Per share (yen):				
Net income	12.41	11.33	20.76	18.25
Total shareholders' equity	200.49	210.97	272.91	268.57
Cash dividends	5.0	5.0	6.0	6.0

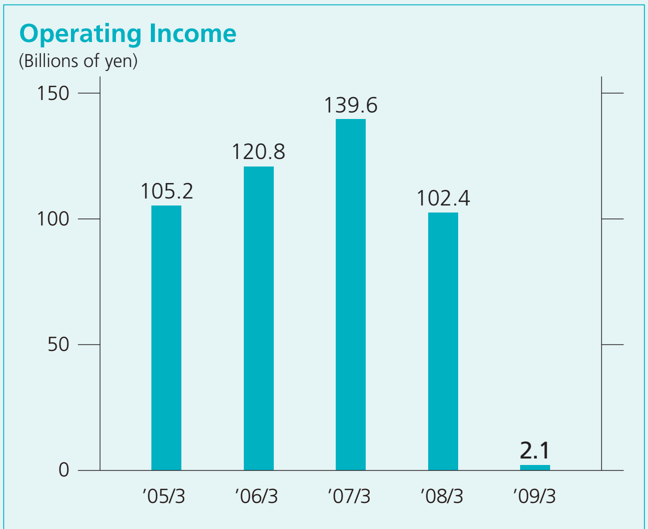
* As of May 1, 2006, the Companies adopted ASBJ statement No.5, *Accounting Standard for Presentation of Net Assets in the Balance Sheet, and ASBJ Guidance No.8, Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet,* which require the Companies to divide the balance sheet into sections on assets, liabilities and net assets and certain accounts, such as minority interests, are reclassified to net assets.

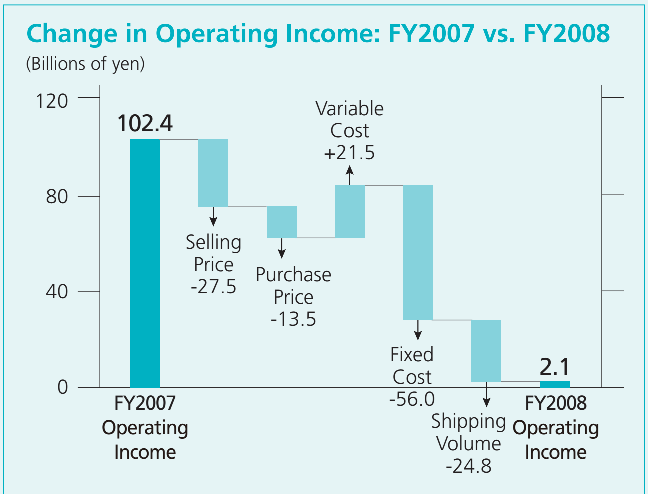
Billions of yen (unless otherwise specified)						
2003	2004	2005	2006	2007	2008	2009
¥ 194.4	¥ 199.1	¥ 225.8	¥ 252.4	¥ 314.0	¥ 314.7	¥ 240.0
371.6	362.4	412.6	486.1	539.1	603.3	553.0
83.9	80.6	84.1	79.0	90.9	92.9	80.8
82.5	123.5	174.8	229.2	266.4	297.5	307.1
158.7	167.1	171.6	186.2	198.3	200.4	222.2
168.4	166.6	170.7	233.1	234.5	237.6	235.6
51.6	59.1	56.7	90.6	146.8	150.1	149.5
1,111.1	1,158.4	1,296.3	1,556.6	1,790.0	1,896.5	1,788.2
327.4	364.1	486.2	611.0	747.8	788.8	749.8
5.7	2.6	5.2	10.0	13.5	10.6	(15.3)
5.0	(1.6)	15.0	17.9	23.6	4.5	(30.3)
9.3	8.8	11.5	9.8	13.1	11.4	1.6
0.5	14.3	18.7	21.7	3.5	6.3	(1.0)
16.7	10.7	14.8	16.6	23.3	20.9	24.4
32.3	27.8	34.4	38.3	56.2	46.5	32.4
4.2	4.9	5.7	5.8	8.0	3.7	(7.9)
(0.2)	(0.9)	(0.1)	0.7	(1.5)	(1.5)	(1.7)
73.5	66.6	105.2	120.8	139.6	102.4	2.1
(5.3)	(2.9)	(3.0)	(2.2)	(3.9)	(2.8)	(2.7)
2.6	8.6	26.7	26.8	23.6	11.2	(12.8)
63.2	72.3	121.7	158.6	181.1	128.2	(48.7)
31.1	34.3	64.5	90.7	93.9	63.1	(59.2)
152.0	110.2	125.8	124.9	159.8	142.5	134.1
69.0	82.5	88.2	104.9	113.9	125.0	140.7
72.8	75.2	78.2	91.9	97.7	105.4	131.1
141.7	97.1	159.8	122.8	142.9	156.6	78.4
(129.2)	(103.2)	(118.0)	(180.7)	(164.2)	(182.7)	(206.2)
(5.2)	(9.3)	(31.2)	70.6	35.6	7.1	112.5
634.8	628.3	694.6	946.6	995.9	1,003.2	838.1
465.6	481.9	515.9	570.3	623.5	636.5	567.8
307.0	373.1	377.9	600.4	651.9	622.8	539.9
1,484.3	1,549.3	1,648.8	2,178.4	2,324.9	2,358.9	2,022.6
444.3	506.1	569.6	719.8	1,030.5	1,006.0	775.6
485.2	485.3	470.7	578.6	641.0	673.9	795.4
17,906	19,036	20,195	24,160	24,691	25,588	26,902
110	110	104	105	105	116	128
124,281	125,463	121,349	116,509	115,249	108,027	118,636
18.74	20.72	38.94	54.80	56.82	38.20	(35.84)
268.62	306.05	344.58	435.51	479.87	465.21	329.74
6.0	6.0	8.0	10.0	12.0	12.0	9.0

Financial Section

Financial Review







(Note) "Shipping Volume" includes inventory write-downs.

1. Results of Operations

(1) Net Sales and Operating Income

In fiscal 2008, our sales decreased from the previous year by ¥108.3 billion (US$1,103 million) to ¥1,788.2 billion (US$18,204 million). Sales declined significantly in the Basic Chemicals, Petrochemicals & Plastics, and Fine Chemicals segments, affected by a sharp fall in demand and a decline in selling prices in the second half. Sales increased over a year earlier in the IT-related Chemicals segment, which saw expanded sales volumes for polarizing film, and in the Agricultural Chemicals segment, which posted higher sales for crop protection chemicals and feed additives.

Operating income for fiscal 2008 decreased from the previous year by ¥100.3 billion (US$1,021 million) to ¥2.1 billion (US$22 million). The Basic Chemicals, Petrochemicals & Plastics, and Fine Chemicals segments reported a considerable decline in operating income due to lower sales volumes and prices, and inventory write-downs resulting from the valuation by the lower-of-cost-or-market method amid deteriorating market prices toward the end of fiscal 2008. In the IT-related Chemicals segment, sales volumes grew but operating income shrank because of a decline in selling prices and a temporary increase in R&D expenses. For the Agricultural Chemicals segment, operating income increased thanks to higher selling prices for our feed additives. The Pharmaceuticals segment reported lower operating income because of revisions to Japan's national health insurance (NHI) drug prices and increased R&D expenses. Operating income for the Others segment also declined owing to higher R&D expenses. Another factor causing lower performance across all segments was lower gains on amortization of actuarial differences in retirement benefits.

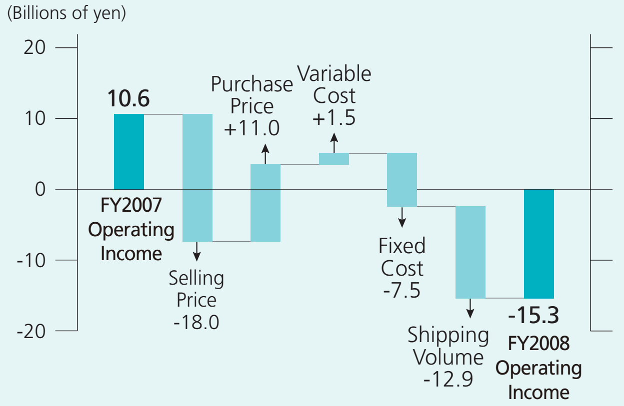
(2) Non-Operating Expenses and Net Income

Net income for fiscal 2008 fell by ¥122.2 billion (US$1,244 million) from the previous year, resulting in a ¥59.2 billion (US$602 million) loss. In addition to the decline in operating income, equity in earnings of affiliates decreased by ¥24.0 billion (US$244 million) from a year earlier primarily because of lower earnings of Petrochemical Corporation of Singapore, and unfavorable exchange rates had a negative impact of ¥7.6 billion (US$77 million) on earnings. We also posted an impairment loss of ¥20.8 billion (US$212 million) with respect to facilities for our heat-resistant separator and other products impacted by the deteriorating business environment, and reversed deferred tax assets of ¥19.6 billion (US$200 million) after examining their recoverability.

(3) Dividends

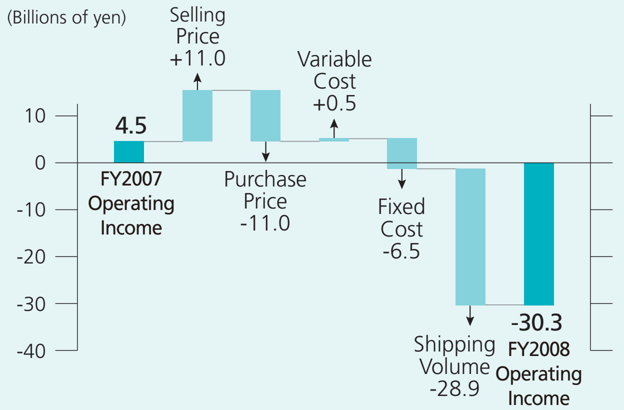
With regard to the year-end dividend for fiscal 2008, based on the disappointing earnings for fiscal 2008, as mentioned above, and the outlook for continuing difficulties in the business environment, we, regrettably,

Basic Chemicals
Change in Operating Income: FY2007 vs. FY2008



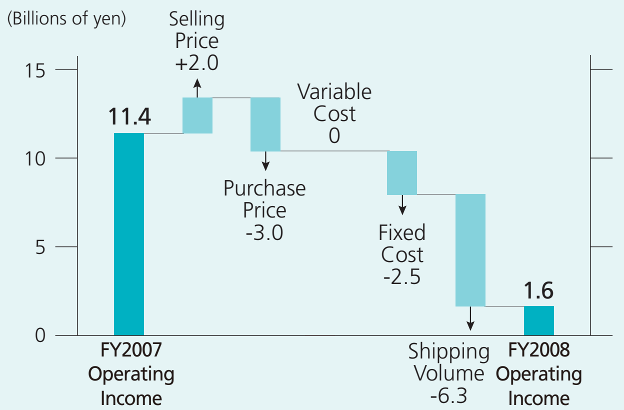
(Note) "Shipping Volume" includes inventory write-downs.

Petrochemicals & Plastics
Change in Operating Income: FY2007 vs. FY2008



(Note) "Shipping Volume" includes inventory write-downs.

Fine Chemicals
Change in Operating Income: FY2007 vs. FY2008



(Note) "Shipping Volume" includes inventory write-downs.

have decided to pay ¥3 per share. When the interim dividend of ¥6 per share is included, the annual dividend for fiscal 2008 will be ¥9 per share, a decrease of ¥3 from the ¥12 per share for fiscal 2007.

2. Segment Information

(1) Basic Chemicals

In the Basic Chemicals segment in fiscal 2008, sales of aluminum and raw materials for synthetic fibers decreased because of a significant decline in demand for building materials and textiles and a sharp drop in prices in the second half. Meanwhile, sales of methyl methacrylate (MMA) contracted because of a slowdown in shipments, primarily in Japan. As a result, sales for this segment decreased by ¥74.7 billion (US$760 million) to ¥240.0 billion (US$2,444 million) compared with the previous year. Operating income fell by ¥25.9 billion (US$264 million), resulting in a loss of ¥15.3 billion (US$156 million), because of reduced shipments, lower margins for MMA and caprolactam, and higher depreciation expenses associated with the start of operations of our new MMA plant in Singapore.

(2) Petrochemicals & Plastics

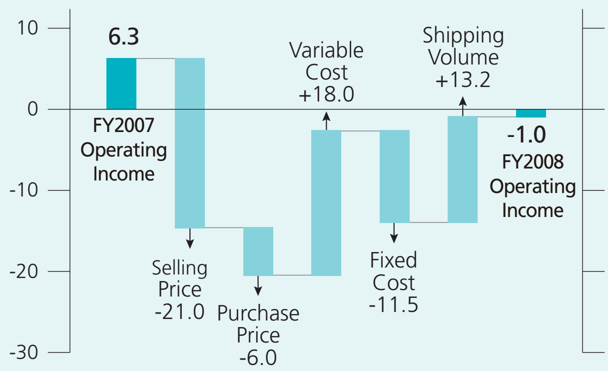
In the Petrochemicals and Plastics segment in fiscal 2008, shipments of petrochemical products, such as styrene monomer (SM) and propylene oxide (PO), as well as synthetic resins fell substantially in both Japan and overseas markets owing to a downturn in demand in the automotive and other related industries in the second half. As a result, sales for this segment decreased by ¥50.4 billion (US$513 million) to ¥553.0 billion (US$5,629 million) compared with the previous year. Operating income declined by ¥34.9 billion (US$355 million), resulting in a loss of ¥30.3 billion (US$309 million). While shipments decreased, we also posted write-downs of inventory assets because of a market downturn toward the end of the fiscal year. In addition, gains on amortization of actuarial differences in retirement benefits declined.

(3) Fine Chemicals

In the Fine Chemicals segment in fiscal 2008, sales of pharmaceutical chemicals and raw materials for adhesives declined because of a drop-off in shipments and appreciation of the yen. Consequently, sales for this segment contracted by ¥12.2 billion (US$124 million) to ¥80.8 billion (US$822 million) compared with the previous year. Operating income decreased by ¥9.8 billion (US$100 million) to ¥1.6 billion (US$17 million), affected by reduced shipments and lower gains on amortization of actuarial differences in retirement benefits.

IT-related Chemicals
Change in Operating Income: FY2007 vs. FY2008

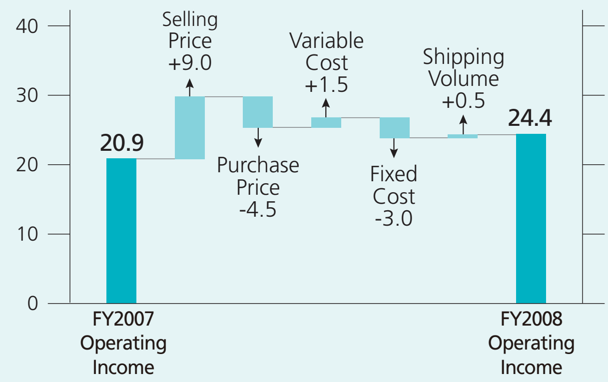
(Billions of yen)



(Note) "Shipping Volume" includes inventory write-downs.

Agricultural Chemicals
Change in Operating Income: FY2007 vs. FY2008

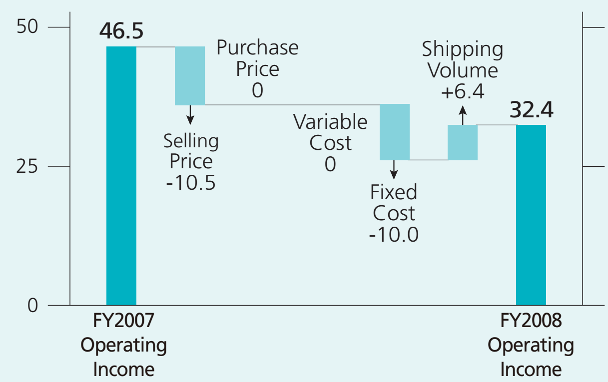
(Billions of yen)



(Note) "Shipping Volume" includes inventory write-downs.

Pharmaceuticals
Change in Operating Income: FY2007 vs. FY2008

(Billions of yen)



(Note) "Shipping Volume" includes inventory write-downs.

(4) IT-related Chemicals

In the IT-related Chemicals segment in fiscal 2008, sales volumes of polarizing film, a material for liquid crystal displays (LCDs), increased backed by production capacity expansions and productivity improvement in response to demand growth primarily in Asia. This segment, however, was affected by production cutbacks by LCD manufacturers toward the end of fiscal 2008. As a result, sales for this segment increased by ¥9.6 billion (US$98 million) to ¥307.1 billion (US$3,127 million) compared with the previous year. Operating income however decreased by ¥7.3 billion (US$74 million) to post a loss of ¥1.0 billion (US$10 million) because of a decline in selling prices and a temporary rise in research and development expenses in the second half of fiscal 2008.

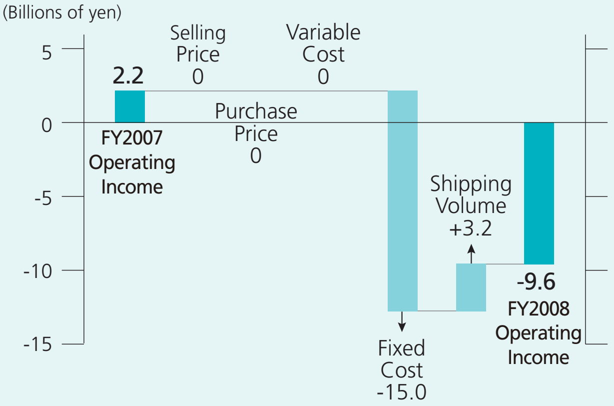
(5) Agricultural Chemicals

In the Agricultural Chemicals segment in fiscal 2008, despite the effects of an appreciating yen, sales of crop-protection chemicals expanded, bolstered by strong demand mainly in overseas markets, and sales of methionine, a feed additive, also increased thanks to higher selling prices on the back of growth in worldwide demand. Sales of Olyset® Net, a long-lasting insecticidal mosquito net, expanded steadily. As a result, sales for this segment increased by ¥21.8 billion (US$222 million) over the previous year to ¥222.2 billion (US$2,262 million). Operating income rose by ¥3.5 billion (US$36 million) to ¥24.4 billion (US$249 million).

(6) Pharmaceuticals

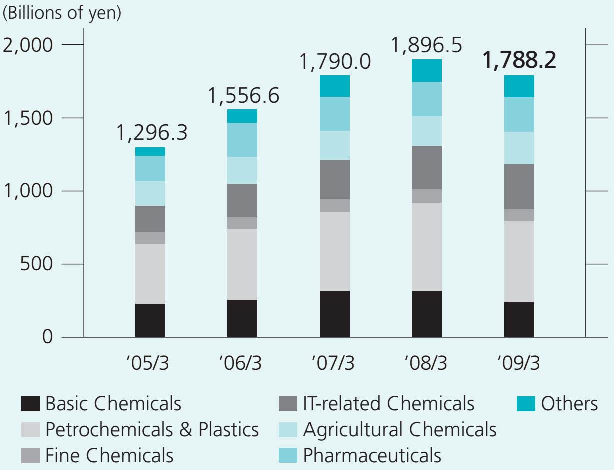
In the Pharmaceuticals segment in fiscal 2008, sales of Amlodin (therapeutic agent for hypertension and angina pectoris) decreased because of Japan's NHI drug price revisions as well as patent expiration. Although affected by NHI drug price revisions, sales of Gasmotin (gastroprokinetic), Meropen (carbapenem antibiotic), and Prorenal (vasodilator) rose as a result of the Company's continued marketing efforts. Despite the contribution of new products, Lonasen (agent for the treatment of schizophrenia) and Avapro (agent for the treatment of hypertension), sales for this segment decreased by ¥2.0 billion (US$20 million) from the previous year to ¥235.6 billion (US$2,398 million). Operating income decreased by ¥14.1 billion (US$144 million) to ¥32.4 billion (US$329 million) because selling prices declined owing to the NHI drug price revisions and fixed costs such as R&D expenses and expenses for amortization of actuarial differences in retirement benefits increased.

Others
Change in Operating Income: FY2007 vs. FY2008



(Note) "Shipping Volume" includes inventory write-downs.

Breakdown of Sales by Business Segment



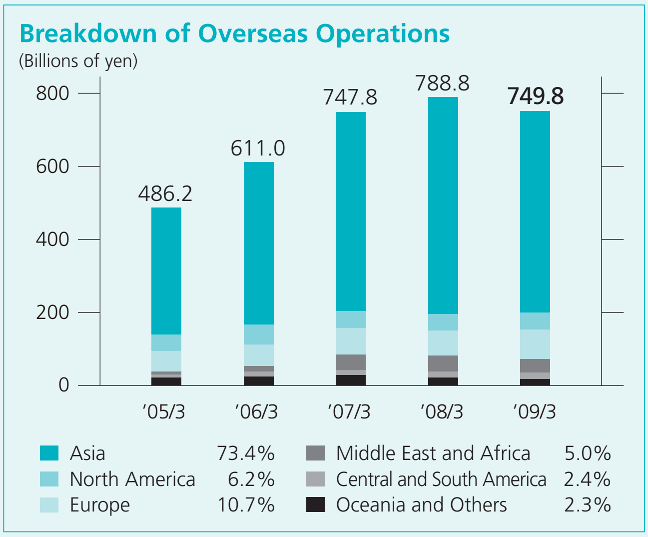
(7) Others

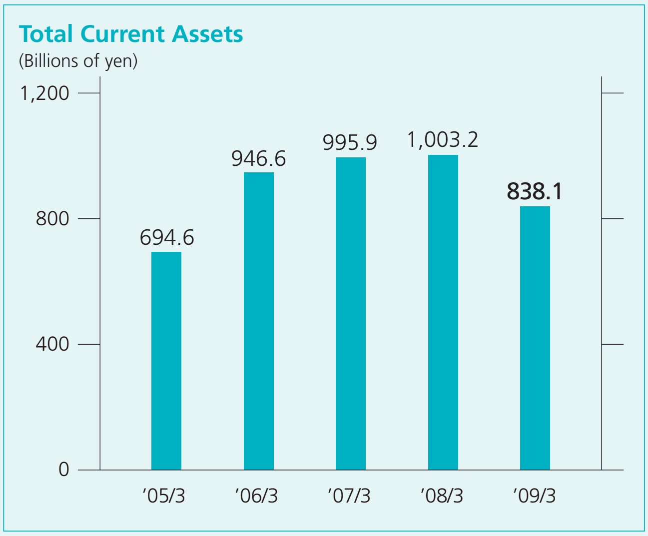
In the Others segment, we provide electrical power and steam, and services for chemical plant design, engineering and construction management, transport and warehousing, and materials and environmental analysis. We also conduct development and sales activities in new business fields such as polymer organic light emitting diodes (PLEDs). In fiscal 2008, sales for this segment fell by ¥0.5 billion (US$5 million) to ¥149.5 billion (US$1,522 million) compared with the previous year, and operating income decreased by ¥11.8 billion (US$120 million) owing to an increase in R&D and other expenses to post a loss of ¥9.6 billion (US$98 million).

Results by Business Segments

Fiscal years ended March 31, 2009 and 2008

	Millions of yen								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma-ceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2009									
Sales to unaffiliated customers	¥240,030	¥552,974	¥ 80,763	¥307,121	¥222,202	¥235,590	¥149,543	¥ —	¥1,788,223
Operating income	(15,334)	(30,337)	1,629	(996)	24,429	32,350	(7,891)	(1,736)	2,114
Operating income ratio	(6.4)%	(5.5)%	2.0%	(0.3)%	11.0%	13.7%	(5.3)%	—	0.1%
Operating income growth (decrease)	—	—	(85.7)%	—	16.8%	(30.4)%	—	—	(97.9)%
Year ended March 31, 2008									
Sales to unaffiliated customers	¥314,718	¥603,326	¥92,937	¥297,515	¥200,378	¥237,592	¥150,073	¥ —	¥1,896,539
Operating income	10,559	4,518	11,430	6,290	20,914	46,464	3,688	(1,466)	102,397
Operating income ratio	3.4%	0.7%	12.3%	2.1%	10.4%	19.6%	2.5%	—	5.4%
Operating income growth (decrease)	(21.7)%	(80.9)%	(12.6)%	81.9%	(10.1)%	(17.4)%	(54.0)%	—	(26.7)%





3. Overseas Operations

Revenues from overseas operations, including both sales by overseas subsidiaries and exports from Japan, for the fiscal year ended March 31, 2009, were ¥749.8 billion (US$7,633 million), 4.9% lower than the figure of ¥788.8 billion for the previous fiscal year, due principally to the effects of production cutbacks by LCD manufacturers and currency volatility in the IT-related Chemicals segment, as well as a decrease in shipments of petrochemical products caused by a downturn in the automotive and other related industries.

The ratio of revenues from overseas operations to net sales was 41.9%, compared with 41.6% for the previous fiscal year.

4. Geographic Information

Net sales from operations outside Japan amounted to ¥573.1 billion (US$5,834 million) and ¥552.0 billion for the year ended March 31, 2009 and the year ended March 31, 2008, respectively, and accounted for 32.0% and 29.1% of the respective consolidated total sales. Net sales in Asia were ¥457.1 billion (US$4,653 million), a 1.0% increase from ¥452.4 billion for the previous fiscal year.

Operating income from operation outside Japan for the fiscal year ended March 31, 2009 came to ¥11.1 billion (US$113 million), a 67.4% decrease from ¥33.9 billion for the previous fiscal year. Operating income in Asia was ¥105.9 billion (US$1,078 million), a 61.2% decrease from ¥273.4 billion for the previous fiscal year.

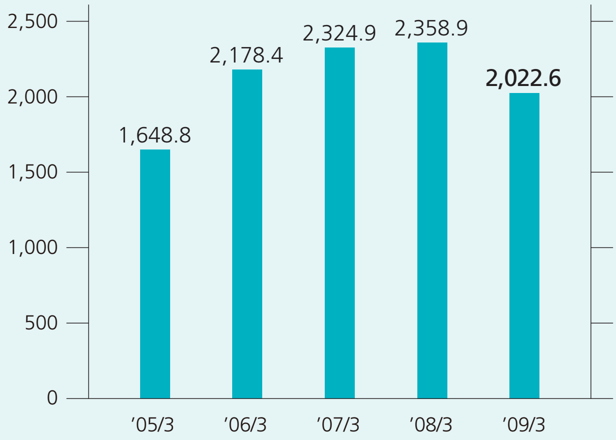
Overseas assets as of March 31, 2009 amounted to ¥361.5 billion (US$3,680 million), 24.1% lower than the previous fiscal year's figure of ¥475.9 billion, while assets in Asia as of March 31, 2009 amounted to ¥249.1 billion (US$2,536 million), 25.5% lower than the previous fiscal year's figure of ¥334.1 billion.

The ratio of overseas assets to total assets for the fiscal year ended March 31, 2009 stood at 17.9%, down 2.3 percentage points from the previous fiscal year and the ratio of assets in Asia to total assets for the fiscal year ended March 31, 2009 was 12.3%, down 1.9 percentage points from the previous fiscal year.

5. Financial Position

Total assets as of March 31, 2009 decreased by ¥336.4 billion to ¥2,022.6 billion (US$20,590 million) from ¥2,358.9 billion as of March 31, 2008. Current assets as of March 31, 2009 amounted to ¥838.1 billion (US$8,532 million), down 16.5% from ¥1,003.2 billion as of March 31, 2008 because of a decrease in accounts receivable. Non-Current Assets as of March 31, 2009 fell to ¥1,184.4 billion (US$12,058 million), down 12.6% from ¥1,355.8 billion as of March 31, 2008, mainly because investment securities decreased due to a decline in stock market prices.

Total Assets
(Billions of yen)



Shareholders' Equity / Net Assets*
(Billions of yen)

* From the fiscal year ended March 31, 2007, the Campanies adopted the accounting standards for the presentation of net assets in the balance sheet and certain accounts, such as minority interests, are reclassified to net assets.

Current liabilities were ¥668.1 billion (US$6,801 million) as of March 31, 2009, down 17.1% from ¥805.5 billion as of March 31, 2008 because of decreases in accounts payable. The current ratio was 124.5% compared with 125.5% as of March 31, 2008.

Long-term liabilities increased to ¥578.8 billion (US$5,893 million), up 5.8% from ¥547.3 billion as of March 31, 2008 mainly due to an increase in long-term debt although deferred tax liabilities declined.

Investments and other non-current assets as of March 31, 2009 totaled ¥539.9 billion (US$5,496 million), compared with ¥622.8 billion as of March 31, 2008.

Interest-bearing liabilities (short-term and long-term borrowings from banks, debt on bonds and notes, and commercial paper) as of March 31, 2009 amounted to ¥795.4 billion (US$8,097 million), 18.0% higher than the figure of ¥673.9 billion as of March 31, 2008.

Net assets were ¥775.6 billion (US$7,896 million) as of March 31, 2009, a 22.9% decrease from ¥1,006.0 billion, as of March 31, 2008. The ratio of net assets to total assets stood at 26.9% as of March 31, 2009, compared with 32.6% as of March 31, 2008. Minority interests were ¥231.3 billion (US$2,354 million), compared with ¥237.9 billion as of March 31, 2008. Unrealized gains on investment securities amounted to ¥45.7 billion (US$466 million), compared with ¥91.2 billion as of March 31, 2008. Foreign currency translation adjustments amounted to negative ¥95.6 billion (US$negative 974 million), compared with ¥2.2 billion as of March 31, 2008.

The number of shares issued and outstanding as of March 31, 2009 was 1,650,874,141 shares. Retained earnings came to ¥481.5 billion (US$4,901 million), a 14.4% decrease from ¥562.2 billion as of March 31, 2008.

6. Cash Flows

Because of a net loss we posted operating cash flow in fiscal 2008 declined by ¥78.2 billion (US$796 million) from the previous year to ¥78.4 billion (US$798 million). Cash flow for investing activities increased over the previous year by ¥23.6 billion (US$240 million) to ¥206.2 billion (US$2,100 million) because of a high level of payments for past capital expenditures, loans to Petro Rabigh, and a decrease in proceeds from sales of investment securities. As a result, free cash flow in fiscal 2008 was negative ¥127.8 billion (US$1,301 million), and interest-bearing debt at the year's end was ¥795.4 billion (US$8,097 million), ¥121.5 billion (US$1,237 million) higher than a year earlier.

Breakdown of Capital Expenditures

	2004		2005		2006		2007		2008		2009	
Billions of yen, % / Years ended March 31												
New plants and expansions:												
Basic Chemicals	¥ 5.4	5%	¥ 10.2	8%	¥ 11.4	9%	¥ 18.7	12%	¥ 13.1	9%	¥ 10.3	8%
Petrochemicals & Plastics	3.6	3	5.7	5	4.2	3	4.3	3	1.3	1	9.3	7
Fine Chemicals	3.6	3	3.7	3	1.9	2	1.9	1	3.1	2	5.5	4
IT-related Chemicals	34.6	31	36.5	29	34.8	28	66.6	42	27.6	19	48.8	36
Agricultural Chemicals	1.7	2	14.0	11	4.0	3	4.7	3	2.1	1	4.1	3
Pharmaceuticals	8.0	7	1.0	1	0.7	1	1.9	1	11.2	8	5.4	4
Others	1.4	2	1.2	1	3.0	2	5.5	3	3.2	2	10.7	8
Total	58.3	53	72.3	58	60.0	48	103.6	65	61.6	42	94.1	70
Rationalization of production processes	4.7	4	7.4	6	6.2	5	6.8	4	5.1	4	6.0	4
Research and development	9.8	9	7.3	6	9.0	7	7.1	4	6.5	5	9.6	7
Others	37.4	34	38.8	31	49.7	40	42.3	27	69.3	49	24.4	19
Total	¥110.2	100%	¥125.8	100%	¥124.9	100%	¥159.8	100%	¥142.5	100%	¥134.1	100%

Capital Expenditures

(Billions of yen)

Research and Development Expenses

(Billions of yen)

7. Capital Expenditures

Capital expenditures in fiscal 2008 decreased from the previous year by ¥8.4 billion (US$85.5 million) to ¥134.1 billion (US$1,365 million). In the IT-related Chemicals segment, we constructed testing facilities and a dedicated plant for ArF immersion photoresists and expanded production capacity for heat-resistant separators for lithium-ion secondary batteries, and consequently, capital expenditures for this segment increased by ¥17.3 billion (US$176 million) to ¥50.6 billion (US$515 million). In the Basic Chemicals segment, however, capital expenditures decreased by ¥12.9 billion (US$131 million) because there were no major projects in fiscal 2008, such as the Phase III capacity expansion for MMA monomer in Singapore undertaken in fiscal 2007. Capital expenditures also declined by ¥5.6 billion (US$57 million) in the Pharmaceuticals segment, and by ¥3.6 billion (US$37 million) in the Petrochemicals & Plastics segment. Our overall depreciation expenses increased by ¥15.7 billion (US$160 million), mainly in the Others and Basic Chemicals segments, to total ¥140.7 billion (US$1,432 million).

8. Research and Development

Research and development expenses in fiscal 2008 totaled ¥131.1 billion (US$1,335 million), an increase of ¥25.7 billion (US$262 million) over the previous year. We continued to boost investment in key projects in IT and life sciences, which we regard as growth areas. In the Pharmaceuticals segment, R&D expenses increased by ¥7.3 billion (US$74 million) over the previous year to ¥55.0 billion (US$560 million), because of increased expenses for Phase III clinical trials of lurasidone, an agent for the treatment of schizophrenia and bipolar disorders. In the IT-related Chemicals segment, R&D expenses rose by ¥7.5 billion (US$76 million) over the previous year to ¥21.2 billion

(US$216 million) because of depreciation expenses for our testing facilities for ArF immersion photoresists. In the Others segment, we stepped up our efforts to speed up the development of polymer organic light emitting diodes (PLED), including the establishment of a device development center, and as a result, R&D expenses for this segment totaled ¥11.6 billion (US$118 million), ¥8.3 billion (US$84 million) higher than the previous year.

9. 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

The Companies engage in a wide range of businesses, including Basic Chemicals, Petrochemicals and Plastics, Fine Chemicals, IT-related Chemicals, Agricultural Chemicals, and Pharmaceuticals. Accordingly, the Companies face a wide variety of risks in conducting their businesses. Risks associated with market volatility and feedstock supply shortage 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 reductions in tariffs, and the increasing market entry of generic products. Although the Companies are seeking to reduce costs, failure to overcome the price competition may have an adverse effect on operational results and the financial conditions of the Companies.

(b) Overseas sales of the Companies account for more than 40% of total sales, and sales volume in the Basic Chemicals and Petrochemicals and Plastics segment is large especially in the Asian market. Furthermore, a large proportion of sales in the IT-related Chemicals segment depends on specific customers in Korea and Taiwan, and some of the products in the Fine Chemicals segment are being supplied to specific customers under the custom manufacturing arrangement. 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 situation of client enterprises, such circumstances may have an adverse effect on the operational results and the financial conditions of the Companies.

(c) Naphtha, a main feedstock for the Petrochemicals and Plastics segment, is sometimes subjected to radical price fluctuations that could take place for various reasons, including public security problems in the Middle East or economic situations in the world. 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 of the 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 no supply shortage of such major raw materials will occur. In the event that the Companies cannot procure necessary major raw materials on its 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 fast, 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 ahead of them, the business results and the financial conditions of the Companies may be adversely affected.

(f) With respect to agrochemicals and household insecticides in the Agricultural Chemicals segment, the shipments of these products are affected by the cultivation status of target crops, outbreak of crop diseases or infestation of pests, factors dependent on abnormal climate in various parts of the world, etc. 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 the financial conditions of the Companies.

(g) In the Pharmaceuticals segment, healthcare insurance reforms are in progress in Japan with a rapidly aging population combined with the declining birthrate. As a part of such reforms, there are ongoing arguments concerning a review of the system of medical treatment fees and reformation of the drug price system. The medical expenses reduction policy by the government, including revision of medical treatment fees, may have an adverse effect on the operational results and the financial conditions of the Companies.

(2) Exchange rate fluctuations

The Company and its domestic consolidated subsidiaries import raw materials from overseas and export finished products manufactured in Japan; the export value of finished products is higher than 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 will become greater than the reduction in the 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 the financial conditions 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 the financial conditions 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 fluctuations in the interest rate in the future, the Companies raise funds by combining, as applicable, both fixed interest rates and floating interest rates; however, if the interest rate rises, the increase in interest expenses may have an adverse effect on the operational results and the financial conditions 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 the financial conditions of the Companies.

(5) Liability for retirement benefits

The expenses and obligations with regard to retirement benefits for employees of the Companies are calculated on the basis of the investment earning rate and discount factors for pension assets. However, in the event of any deterioration in the environment of pension assets management that disrupts assumption and performance, the retirement benefit expenses in the future may increase, which may have an adverse effect on the operational results and the financial conditions of the Companies.

(6) Overall management

(a) Overseas business expansion

The Companies intend to expand their business operations in overseas markets including the Middle East and Asia in the future. In conducting 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, 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 the financial conditions of the Companies.

In the case of the Rabigh Project the total project cost is expected to be around US$10.1 billion of this total project cost, and funds for US$5.8 billion will be raised by Rabigh Refining and Petrochemical Company through bank loans based on the execution of the Project Financing Agreement with the banking syndicate that includes the Japan Bank for International Cooperation. The Company guarantees the payment of 50% of these raised funds upon completion of the plant, and in the event that the plant cannot satisfy the prescribed performance conditions following the plant start-up, the execution of such guarantee might adversely affect the operational results and the financial conditions of the Company. In case the Company should become liable for damage resulting from contingent circumstances, it has obtained overseas investment insurance covering the total investment, including the said guaranteed amount, in accordance with the rules and maximum insurance amount of Independent Administrative Institute Nippon Export and Investment Insurance.

(b) 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 extremely delayed or abandoned, the competitiveness of the Companies will be diminished, which may have an adverse effect on operational results and the financial conditions of the Companies.

(c) Intellectual property rights

The Companies have been strengthening 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 leaked out to others under unexpected circumstances. These intellectual properties may not be completely protected in particular geographical areas, especially where there is a possibility that the Companies are unable to prevent effectively a third party from manufacturing similar products that are covered by the Companies' intellectual property rights. Furthermore, the Companies may be involved in a dispute about intellectual property rights in the future, which might result in an outcome against the interests of the Companies.

(d) 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 the future. Large-scale product liability lawsuits will be extremely costly and have a significant influence on the appraisal of the Companies, which in turn may adversely affect the operational results and the financial conditions of the Companies.

Although our Agricultural Chemicals and Pharmaceuticals which 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 experiences. If such unexpected quality problems or side effects are discovered after products have been placed on the market, there is a possibility that such circumstances may adversely affect the operational results and the financial conditions of the Companies.

(e) 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. Also, the business activities of the Companies are increasing their dependence on the computer network system year by year, 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 business activities, involve major costs and have a significant impact on the appraisal of the Companies, which in turn may adversely affect the operational results and the financial conditions of the Companies.

(f) Change in regulations

The Companies are carrying out 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 situations resulting there from may have adverse effects on the operational results and the financial conditions of the Companies. Moreover, there is a possibility that legal restrictions on environment and safety for chemicals may be tightened in the future and additional cost may become necessary to take new measures against the tightened situation.

(g) 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, and in the event of any significant lawsuits filed against the Companies in the future, there is a possibility that they may adversely affect the operational results and the financial conditions of the Companies.

(7) Impairment loss

The Companies have adopted accounting standards for impairment of fixed assets. Impairment loss may affect the operational results and financial conditions of the Companies, in the event of a significant deterioration in the business environment or a decline in the market value of land and other fixed assets.

(8) Deferred tax assets

The companies recognize deferred tax assets based on projections for future taxable income. In case projections for future taxable income change, all or a part of deferred tax assets may be determined unrecoverable, and the operational results and financial conditions may be impacted because of the reduction of the deferred tax assets.

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of US dollars (Note 1)
	2009	2008	2009
Assets			
Current assets:			
Cash and cash equivalents (Notes 4 and 16)	¥ 85,802	¥ 107,408	$ 873,481
Short-term investments	4,517	1,832	45,984
Marketable securities (Note 4)	7,030	1,996	71,567
Receivables—			
Trade notes and accounts	294,316	423,827	2,996,193
Other	56,659	80,548	576,799
Allowance for doubtful receivables	(2,135)	(1,783)	(21,735)
	348,840	502,592	3,551,257
Inventories	335,715	338,159	3,417,642
Deferred tax assets (Note 12)	34,659	33,392	352,835
Other	21,573	17,776	219,618
Total current assets	838,136	1,003,155	8,532,384
Investments and other non-current assets:			
Investment securities (Notes 4, 5 and 6)	384,647	518,870	3,915,779
Long-term loans (Note 17)	60,701	902	617,948
Other (Notes 5 and 10)	95,731	104,386	974,559
Allowance for doubtful receivables	(1,172)	(1,328)	(11,931)
	539,907	622,830	5,496,355
Property, plant and equipment (Notes 3, 6 and 9):			
Land	77,038	80,065	784,262
Buildings and structures	509,170	508,011	5,183,447
Machinery and equipment	1,358,667	1,346,449	13,831,487
Construction in progress	46,681	84,305	475,221
	1,991,556	2,018,830	20,274,417
Less accumulated depreciation	(1,423,736)	(1,382,353)	(14,493,902)
	567,820	636,477	5,780,515
Other assets:			
Deferred tax assets (Note 12)	13,332	12,541	135,722
Goodwill (Note 20)	12,949	20,463	131,823
Patents	27,254	36,953	277,451
Software	13,062	12,513	132,974
Other	10,093	13,997	102,749
	76,690	96,467	780,719
	¥ 2,022,553	¥ 2,358,929	$ 20,589,973

See accompanying notes.

	Millions of yen		Thousands of US dollars (Note 1)
	2009	2008	2009
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Note 6)	¥ 277,299	¥ 202,649	$ 2,822,956
Long-term debt due within one year (Note 6)	41,177	85,555	419,190
Payables—			
Trade notes and accounts	151,519	282,662	1,542,492
Other	105,435	123,402	1,073,349
	256,954	406,064	2,615,841
Accrued expenses	25,148	29,524	256,012
Income taxes payable	13,265	18,993	135,040
Deferred tax liabilities (Note 12)	723	1,232	7,360
Reserve for litigation	—	1,054	—
Other	53,534	60,476	544,986
Total current liabilities	668,100	805,547	6,801,385
Long-term liabilities:			
Long-term debt due after one year (Note 6)	476,891	385,678	4,854,841
Deferred tax liabilities (Note 12)	31,496	89,300	320,635
Retirement benefits (Note 10)	29,613	43,660	301,466
Other	40,825	28,698	415,606
Total long-term liabilities	578,825	547,336	5,892,548
Contingent liabilities (Note 14)			
Net assets (Note 13):			
Common stock,			
Authorized —5,000,000,000 shares			
Issued —1,655,446,177 shares at March 31, 2009			
1,655,446,177 shares at March 31, 2008	89,699	89,699	913,153
Capital surplus	23,719	23,777	241,464
Retained earnings	481,459	562,233	4,901,344
Treasury stock, at cost			
4,572,036 shares at March 31, 2009			
4,354,136 shares at March 31, 2008	(2,754)	(2,674)	(28,036)
Unrealized gains on investment securities	45,743	91,171	465,672
Unrealized losses on hedging derivatives, net of taxes	(1,684)	(2,143)	(17,143)
Land revaluation reserve (Note 15)	3,811	3,811	38,797
Foreign currency translation adjustments	(95,627)	2,236	(973,502)
Minority interests	231,262	237,936	2,354,291
Total net assets	775,628	1,006,046	7,896,040
	¥ 2,022,553	¥ 2,358,929	$ 20,589,973

See accompanying notes.

Consolidated Statements of Operations

Sumitomo Chemical Company, Limited and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of US dollars (Note 1)
	2009	2008	2007	2009
Net sales	¥ 1,788,223	¥ 1,896,539	¥ 1,790,026	$18,204,449
Cost of sales	1,412,613	1,454,416	1,338,142	14,380,668
Selling, general and administrative expenses	373,496	339,726	312,261	3,802,260
Operating income	2,114	102,397	139,623	21,521
Other income (expenses):				
Interest and dividend income (Note 17)	9,599	9,250	7,137	97,720
Interest expenses	(12,272)	(12,004)	(11,034)	(124,931)
Equity in (losses) earnings of affiliates	(12,811)	11,161	23,607	(130,418)
Gain on contribution of securities to retirement benefit trust	14,772	—	—	150,382
Reversal of provision for loss on litigation	1,054	—	—	10,730
Net gain on sale of property, plant and equipment	989	4,734	299	10,068
Net gain on sale of securities	858	6,719	31,079	8,735
Impairment loss on fixed assets (Note 9)	(20,848)	—	—	(212,237)
Net (loss) gain on foreign currency transactions	(14,659)	(7,093)	6,319	(149,231)
Restructuring charges (Note 11)	(8,803)	(4,766)	(6,378)	(89,616)
Loss on valuation of investment securities	(4,138)	—	—	(42,126)
Gain on change in equity by affiliate stock offering	—	28,767	—	—
Loss on disposal of inventories	—	(10,678)	(5,423)	—
Expenses related to litigation	—	—	(1,010)	—
Loss on reform of retirement benefits plan	—	—	(611)	—
Other, net	(4,595)	(243)	(2,547)	(46,779)
(Loss) Income before income taxes and minority interests	(48,740)	128,244	181,061	(496,182)
Income taxes (Note 12):				
Current	26,768	29,993	51,772	272,503
Deferred	(28,365)	14,140	14,144	(288,761)
	(1,597)	44,133	65,916	(16,258)
Minority interests	12,021	21,028	21,285	122,377
Net (loss) income	¥ (59,164)	¥ 63,083	¥ 93,860	$ (602,301)

	Yen			US dollars (Note 1)
	2009	2008	2007	2009
Net (loss) income per share (Note 18)	¥ (35.84)	¥ 38.20	¥ 56.82	$ (0.365)
Dilutive net income per share (Note 18)	—	—	56.81	—

Dilutive net income per share in 2008 and 2009 are not disclosed because they are anti-dilutive.

	Yen			US dollars (Note 1)
	2009	2008	2007	2009
Cash dividends per share (applicable to the year)	¥ 9.00	¥ 12.00	¥ 12.00	$ 0.092

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Chemical Company, Limited and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen										
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Unrealized gains on hedging derivatives, net of taxes	Land revaluation reserve	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	1,655,446	¥ 89,699	¥ 23,754	¥ 445,915	¥ (1,466)	¥ 155,856	¥ —	¥ 3,811	¥ 2,191	¥ —	¥ 719,760
Reclassification due to adoption of new accounting standards (Note 1)										224,464	224,464
Net income				93,860							93,860
Cash dividends at ¥11.0 per share				(18,182)							(18,182)
Bonuses to directors and statutory auditors				(109)							(109)
Adjustment for changes in consolidated subsidiaries and affiliates accounted for by the equity method				(51)							(51)
Net decrease in unrealized gains on investment securities, net of tax						(9,555)					(9,555)
Foreign currency translation adjustments									9,934		9,934
Surplus from sales of treasury stock			9								9
Net increase in treasury stock					(827)						(827)
Other							(2,301)			13,519	11,218
Balance at March 31, 2007	1,655,446	¥ 89,699	¥ 23,763	¥ 521,433	¥ (2,293)	¥ 146,301	¥ (2,301)	¥ 3,811	¥ 12,125	¥ 237,983	¥ 1,030,521
Net income				63,083							63,083
Cash dividends at ¥13.0 per share				(21,482)							(21,482)
Adjustment for changes in consolidated subsidiaries and affiliates accounted for by the equity method				(801)							(801)
Net decrease in unrealized gains on investment securities, net of tax						(55,130)					(55,130)
Foreign currency translation adjustments									(9,889)		(9,889)
Surplus from sales of treasury stock			14								14
Net increase in treasury stock					(381)						(381)
Other							158			(47)	111
Balance at March 31, 2008	1,655,446	¥ 89,699	¥ 23,777	¥ 562,233	¥ (2,674)	¥ 91,171	¥ (2,143)	¥ 3,811	¥ 2,236	¥ 237,936	¥ 1,006,046
Decrease due to changes in accounting policies applied to foreign subsidiaries (Note 3)				(1,784)							(1,784)
Net (loss) income				(59,164)							(59,164)
Cash dividends at 12.00 per share				(19,826)							(19,826)
Net decrease in unrealized gains on investment securities, net of tax						(45,428)					(45,428)
Foreign currency translation adjustments									(97,863)		(97,863)
Surplus from sales of treasury stock			(58)								(58)
Net increase in treasury stock					(80)						(80)
Other							459			(6,674)	(6,215)
Balance at March 31, 2009	1,655,446	¥ 89,699	¥ 23,719	¥ 481,459	¥ (2,754)	¥ 45,743	¥ (1,684)	¥ 3,811	¥ (95,627)	¥ 231,262	¥ 775,628

	Thousands of US dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Unrealized gains on hedging derivatives, net of taxes	Land revaluation reserve	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	$ 913,153	$ 242,054	$5,723,638	$ (27,222)	$ 928,138	$ (21,816)	$ 38,797	$ 22,763	$ 2,422,234	$10,241,739
Decrease due to changes in accounting policies applied to foreign subsidiaries (Note 3)			(18,161)							(18,161)
Net (loss) income			(602,301)							(602,301)
Cash dividends at 12.00 (US$0.12) per share			(201,832)							(201,832)
Net decrease in unrealized gains on investment securities, net of tax					(462,466)					(462,466)
Foreign currency translation adjustments								(996,265)		(996,265)
Surplus from sales of treasury stock		(590)								(590)
Net increase in treasury stock				(814)						(814)
Other						4,673			(67,943)	(63,270)
Balance at March 31, 2009	$ 913,153	$ 241,464	$4,901,344	$ (28,036)	$ 465,672	$ (17,143)	$ 38,797	$(973,502)	$ 2,354,291	$ 7,896,040

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of US dollars (Note 1)
	2009	2008	2007	2009
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ (48,740)	¥ 128,244	¥ 181,061	$ (496,182)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—				
Depreciation and amortization	140,707	124,980	113,870	1,432,424
Impairment loss on fixed assets	20,848	—	—	212,237
Equity in losses (earnings) of affiliates	15,495	(1,793)	(2,969)	157,742
Increase (decrease) of provision for retirement benefits and others	6,270	(5,305)	(2,209)	63,830
Interest and dividend income	(9,599)	(9,250)	(7,137)	(97,720)
Interest expenses	12,272	12,004	11,034	124,931
Gain on sale of securities	(858)	(6,719)	(31,079)	(8,735)
Loss on valuation of investment securities	4,138	—	—	42,126
Restructuring charges	6,539	4,030	1,986	66,568
Gain on change in equity by affiliate stock offering	—	(28,767)	—	—
Gain on contribution of securities to retirement benefit trust	(14,772)	—	—	(150,382)
Gain on sale of property, plant and equipment	(989)	(4,734)	(299)	(10,068)
Decrease (increase) in notes and accounts receivable	110,404	(15,463)	(5,714)	1,123,934
Increase in inventories	(16,907)	(10,555)	(30,308)	(172,116)
(Decrease) increase in notes and accounts payable	(106,095)	21,362	(6,953)	(1,080,067)
Other, net	(6,797)	1,147	(35,244)	(69,196)
Subtotal	111,916	209,181	186,039	1,139,326
Interest and dividends received	8,562	9,523	6,967	87,163
Interest paid	(12,037)	(11,848)	(10,722)	(122,539)
Income taxes paid	(30,013)	(50,278)	(39,367)	(305,538)
Net cash provided by operating activities	78,428	156,578	142,917	798,412
Cash flows from investing activities:				
Acquisition of investment securities	(19,102)	(27,659)	(10,188)	(194,462)
Proceeds from sale of securities	3,621	15,469	44,557	36,862
Acquisition of other investments	(2,078)	(22,319)	(33,212)	(21,154)
Acquisition of property, plant and equipment	(138,739)	(127,083)	(156,924)	(1,412,389)
Proceeds from sale of property, plant and equipment	3,317	7,166	571	33,768
Advance of loans receivable	(67,087)	(2,830)	(4,210)	(682,958)
Collection of loans receivable	4,542	2,611	5,628	46,238
Acquisition of shares of newly consolidated subsidiaries (Note 16)	(135)	(30,561)	—	(1,374)
Other, net	9,424	2,527	(10,461)	95,937
Net cash used in investing activities	(206,237)	(182,679)	(164,239)	(2,099,532)
Cash flows from financing activities:				
Increase (decrease) in commercial paper	35,000	38,000	(6,000)	356,307
Increase (decrease) in other short-term debt	49,485	(23,583)	37,108	503,767
Proceeds from long-term debt	144,761	68,982	94,025	1,473,694
Repayments of long-term debt	(91,126)	(46,237)	(64,042)	(927,680)
Purchase of treasury stocks and other, net	(69)	(309)	(365)	(704)
Dividends paid	(19,826)	(21,482)	(18,182)	(201,832)
Distributions to minority shareholders	(6,750)	(9,903)	(8,462)	(68,716)
Capital contributions from minority shareholders	1,064	1,622	1,476	10,832
Net cash provided by financing activities	112,539	7,090	35,558	1,145,668
Effect of exchange rate changes on cash and cash equivalents	(6,336)	252	781	(64,501)
Net change in cash and cash equivalents	(21,606)	(18,759)	15,017	(219,953)
Increase in cash due to merger of consolidated subsidiaries	—	98	—	—
Increase in cash resulting from changes in the number of consolidated subsidiaries	—	79	1	—
Cash and cash equivalents at beginning of year	107,408	125,990	110,972	1,093,434
Cash and cash equivalents at end of year (Note 16)	¥ 85,802	¥ 107,408	¥ 125,990	$ 873,481

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

1. Basis of Financial Statements

(a) The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 3(b), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009 are prepared in accordance with either International Financial Reporting Standards or US generally accepted accounting principles, with adjustments for the specified six items as applicable.

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

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

Effective from the year ended March 31, 2007, the Companies adopted the accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005) and "Implementation Guidance on Accounting Standard for Statement of Changes in Net Assets" (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005).

(b) The translation of Japanese yen amounts into US dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to US$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into US dollars at this or any other rate of exchange.

(c) In these notes, the "Company" refers to Sumitomo Chemical Company, Limited and the "Companies" means the Company and its consolidated subsidiaries.

2. Significant Accounting Policies

(a) Consolidation

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

The consolidated financial statements include the accounts of the Company and 126, 116 and 105 significant subsidiaries for the years ended March 31, 2009, 2008 and 2007, respectively. Investments in non-consolidated subsidiaries and affiliates (generally 20%-50% ownership) over which the Company has the ability to exercise significant influence in operating and financial policies are accounted for by the equity method. The equity method is applied to 38, 36, and 36 significant affiliates for the years ended March 31, 2009, 2008 and 2007, respectively. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries whose business year-ends precede that of the Company by more than three months have been included using appropriate interim financial information. Some subsidiaries and affiliates are consolidated with year-ends that differ from that of the Company. However, necessary adjustments have been made if the effect of the difference is material.

Excess of cost over equity in net assets acquired is amortized within twenty years on the straight-line method and is presented as goodwill.

(b) Foreign currency translation

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

Prior to April 1, 2008, all assets, liabilities, revenues and expenses of foreign subsidiaries and affiliates were translated into Japanese yen at the current rate at the end of the year, and equity was translated at historical rates. The resulting foreign currency translation adjustments were included in net assets. As described in Note 3(d), effective from the year ended March 31, 2009, revenues and expenses are translated into Japanese yen at the average rate during the fiscal period.

(c) Allowance for doubtful receivables

The Companies provide the allowance for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts based on the analysis of certain individual receivables.

(d) Securities

The Companies are required to examine the intent of holding each security and classify those securities as 1) securities held for trading purposes ("trading securities"), 2) debt securities intended to be held to maturity ("held-to-maturity debt securities"), 3) equity securities issued by subsidiaries and affiliates, and 4) all other securities that are not classified in any of the above categories ("available-for-sale securities").

The Companies have no trading securities.

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

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

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

If a decline in fair value below cost of an individual security is judged to be material and other than temporary, the carrying value of the individual security is written down to its fair value.

(e) Derivatives and hedge accounting

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

(f) Inventories

Prior to April 1, 2008, inventories of the Company and most of the consolidated subsidiaries were stated at the lower of cost (on the Last-in, First-out method) or market. As discussed in Note 3(a), effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted a new accounting standard for measurement of inventories and stated the inventories at the lower of cost (on the Last-in, First-out method) or net realizable value at March 31, 2009.

Inventories of certain consolidated subsidiaries are stated at the lower of average cost or market.

(g) Property, plant and equipment

Property, plant and equipment is carried at cost and depreciated by the declining balance method (straight-line method for certain consolidated subsidiaries) over estimated useful lives. Useful lives are based on Japanese tax laws. Property, plant and equipment capitalized under finance leases arrangements is depreciated over the estimated useful lives or the lease terms of the respective assets.

(h) Intangible assets

Goodwill is amortized on the straight-line method within twenty years. Patents, software and other intangible assets are amortized on the straight-line method over the estimated useful lives.

(i) Impairment of fixed assets

"Accounting Standard for Impairment of Fixed Assets" and "Implementation Guidance on Accounting Standard for Impairment of Fixed Assets" require that fixed assets be reviewed and evaluated for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. If a fixed asset is considered impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the fixed asset exceeds the recoverable amount.

Recognized impairment losses, except for those to be deducted directly from acquisition costs of corresponding fixed assets, are included in accumulated depreciation on the consolidated balance sheets.

(j) Finance leases

The Company and consolidated domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer the ownership of the leased property to the lessee as operating leases with disclosures of certain "as if capitalized" information. As discussed in Note 3(c), the Company and consolidated domestic subsidiaries adopted a new accounting standards and capitalized finance leases which commenced after March 31, 2008 except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

(k) Research and development

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses were ¥131,123 million (US$1,334,857 thousand), ¥105,404 million and ¥97,715 million for the years ended March 31, 2009, 2008 and 2007, respectively.

(l) Bond issue expenses
Bond issue expenses are charged to income as incurred.

(m) Income taxes
Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax.

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

(n) Retirement benefits
(i) Employees: The Company and certain consolidated subsidiaries have two retirement plans in effect, a lump-sum benefit plan and a defined benefit pension plan. Under the terms of the lump-sum benefit plan, generally, all employees are entitled upon mandatory retirement or earlier voluntary severance to indemnities based on compensation at the time of severance and years of service. The Company's defined benefit plan is funded through outside trustees and covers all eligible employees. A certain consolidated subsidiary has a defined contribution pension plan.

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

The unrecognized net actuarial gain or loss is amortized mainly over three years commencing with the following fiscal year. Prior service costs are amortized mainly over three years.

A certain domestic consolidated subsidiary made a transfer from a tax-qualified benefit plan to a defined benefit plan after returning individual contributions to employees, and had a portion of a lump-sum benefit plan transferred to a defined contribution benefit plan. It thereby recognized ¥611 million for the year ended March 31, 2007 as "Loss on reform of retirement benefits plan," which led to an increase in liabilities for retirement benefits by the same amount in accordance with "Accounting for the Transfer between Retirement Benefit Plans" (the Financial Accounting Standard Implementation Guidance No.1 issued by the Accounting Standards Board of Japan on January 31, 2002).
(ii) Directors and statutory auditors: The liability for directors' and statutory auditors' retirement benefits of certain subsidiaries is provided based on the companies' standards and ¥1,057 million (US$10,760 thousand) and ¥1,086 million were included in the other long-term liabilities at March 31, 2009 and 2008, respectively.

(0) Reserve for periodic repairs
The Company and several consolidated subsidiaries provide for the costs of periodic repairs of production facilities at plants. In the consolidated balance sheets ¥7,464 million (US$75,985 thousand) and ¥4,912 million were included in "other current liabilities" and "other long-term liabilities" at March 31, 2009 and 2008, respectively.

(p) Reserve for litigation
A certain subsidiary provided a reserve for anticipated costs, including the payment of compensation, associated with litigation.

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

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

3. Changes in Accounting Policies

(a) New accounting standard for inventories
On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". Prior to April 1, 2008, the Company and consolidated domestic subsidiaries stated inventories at the lower of market or cost determined by Last-in, First-out method. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Replacement cost may be used in lieu of the net realizable value, if appropriate.

Further, loss on disposal of inventories using the previous method were recorded under non-operating expenses, whereas loss on disposal of inventories are now recorded under cost of sales. As a result, operating income decreased ¥6,875 million (US$69,989 thousand), and loss before income taxes and minority interests increased ¥2,903 million (US$29,553 thousand). The effects on segment information are described in the relevant notes.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued ASBJ Practical Issues Task Force No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No.18"). PITF No.18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No.18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or US generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subjected to amortization
(b) Actuarial gains and losses of defined benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and reval uation of property, plant and equipment, and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

There were no material effects as a result of the adoption of PITF No.18 on the consolidated financial statements for the year ended March 31, 2009.

(c) New accounting standards for lease transactions as lessee

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in the note to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of "as if capitalized" information. There was no effect on income by this change.

(d) Change in translation method of revenues and expenses of foreign subsidiaries and affiliates

Effective from the year ended March 31, 2009, the method for translation of revenues and expenses of foreign subsidiaries and affiliates to yen was changed from translation at the current rate at the end of the year to translation at the average rate during the fiscal period. This change was made to report more appropriate revenues and expenses by eliminating unusual effects resulting from sudden exchange rate changes around the fiscal year end.

As a result, net sales increased by ¥95,970 million (US$ 976,993 thousand), operating income increased by ¥2,964 million (US$30,174 thousand), and loss before income taxes and minority interests increased by ¥1,619 million (US$16,482 thousand). The effects on segment information are described in the relevant notes.

(e) Change in depreciation method for Property, Plant and Equipment

Effective from the fiscal year beginning April 1, 2007, the Company and its consolidated domestic subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 in accordance with the revised Corporate Tax Law of Japan. As a result, in the fiscal year ended March 31, 2008, operating income decreased by ¥2,130 million, and income before income taxes and minority interests decreased by ¥2,444 million. The effects on segment information are described in the relevant notes.

Supplementary information

As for property, plant and equipment acquired before April 1, 2007, the Company and its consolidated domestic subsidiaries applied the pre-revised depreciation method during the fiscal year beginning April 1, 2007. Among these, property, plant and equipment for which the allowable limit on the depreciable amount (95% of the acquisition cost) has been reached are to be depreciated evenly over five years beginning from the following fiscal year. As a result, operating income decreased by ¥1,660 million, and income before income taxes and minority interests decreased by ¥2,226 million.

The effects on segment information are described in the relevant notes.

4. Securities

Securities with available fair values included in marketable securities and investment securities as of March 31, 2009 were as follows:

Held-to-maturity debt securities

(a) Securities with available fair value exceeding their book value

	Millions of yen		
	Book value	Fair value	Difference
Local government bonds	¥ 1,011	¥ 1,013	¥ 2
Bonds	4,500	4,522	22
Total	¥ 5,511	¥ 5,535	¥ 24

(b) Other held-to-maturity debt securities

	Millions of yen		
	Book value	Fair value	Difference
Bonds	¥ 7,492	¥ 7,253	¥ (239)

Held-to-maturity debt securities

(a) Securities with available fair value exceeding their book value

	Thousands of US dollars		
	Book value	Fair value	Difference
Local government bonds	$ 10,292	$ 10,312	$ 20
Bonds	45,811	46,035	224
Total	$ 56,103	$ 56,347	$ 244

(b) Other held-to-maturity debt securities

	Thousands of US dollars		
	Book value	Fair value	Difference
Bonds	$ 76,270	$ 73,837	$ (2,433)

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 43,011	¥ 137,252	¥ 94,241

(b) Other securities

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 15,132	¥ 13,013	¥ (2,119)
Other	510	479	(31)
Total	¥ 15,642	¥ 13,492	¥ (2,150)

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Thousands of US dollars		
	Acquisition cost	Book value	Difference
Equity securities	$ 437,860	$1,397,251	$ 959,391

(b) Other securities

	Thousands of US dollars		
	Acquisition cost	Book value	Difference
Equity securities	$ 154,047	$ 132,475	$ (21,572)
Other	5,192	4,876	(316)
Total	$ 159,239	$ 137,351	$ (21,888)

Securities with no available fair values included in cash equivalents, marketable securities and investment securities as of March 31, 2009 were as follows:

	Millions of yen	US dollars
Held-to-maturity debt securities		
Local government bonds and other	¥ 84	$ 855
Commercial paper	2,990	30,439
Available-for-sale securities		
Non-listed equity securities	11,953	121,684
Preferred securities	23,001	234,155
Negotiable certificates of deposit	27,520	280,159
Other	1,221	12,429
Investment in non-consolidated subsidiaries and affiliates	190,653	1,940,884
Total	¥ 257,422	$2,620,605

Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2009 were as follows:

	Millions of yen		
	Within one year	Over one year but within five years	Over five years but within ten years
Local government bonds	¥ 1,013	¥ 82	¥ —
Bonds	4,999	6,993	—
Commercial paper	2,990	—	—
Negotiable certificates of deposit	27,520	—	—
Total	¥ 36,522	¥ 7,075	¥ —

	Thousands of US dollars		
	Within one year	Over one year but within five years	Over five years but within ten years
Local government bonds	$ 10,313	$ 835	$ —
Bonds	50,891	71,190	—
Commercial paper	30,438	—	—
Negotiable certificates of deposit	280,159	—	—
Total	$ 371,801	$ 72,025	$ —

Total sales of available-for-sale securities in the year ended March 31, 2009 amounted to ¥1,461 million (US$14,873 thousand) and the related gains and losses amounted to ¥1,027 million (US$10,455 thousand) and ¥37 million (US$377 thousand), respectively.

Securities with available fair values included in marketable securities and investment securities as of March 31, 2008 were as follows:

Held-to-maturity debt securities

(a) Securities with available fair value exceeding their book value

	Millions of yen		
	Book value	Fair value	Difference
Bonds	¥ 1,998	¥ 2,011	¥ 13

(b) Other held-to-maturity debt securities

	Millions of yen		
	Book value	Fair value	Difference
Bonds	¥ 6,987	¥ 6,940	¥ (47)

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 50,278	¥ 222,686	¥ 172,408

(b) Other securities

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 13,663	¥ 11,036	¥ (2,627)
Other	500	495	(5)
Total	¥ 14,163	¥ 11,531	¥ (2,632)

Securities with no available fair values included in cash equivalents, marketable securities and investment securities as of March 31, 2008 were as follows:

	Millions of yen
Held-to-maturity debt securities	
Local government bonds and other	¥ 106
Commercial paper	6,990
Available-for-sale securities	
Non-listed equity securities	12,620
Preferred securities	13,001
Negotiable certificates of deposit	24,740
Other	1,224
Investment in non-consolidated subsidiaries and affiliates	250,713
Total	¥ 309,394

Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2008 were as follows:

	Millions of yen		
	Within one year	Over one year but within five years	Over five years but within ten years
Local government bonds	¥ —	¥ 106	¥ —
Bonds	1,996	6,989	—
Commercial paper	6,990	—	—
Negotiable certificates of deposit	24,740	495	—
Total	¥ 33,726	¥ 7,590	¥ —

Total sales of available-for-sale securities in the year ended March 31, 2008 amounted to ¥8,801 million and the related gains and losses amounted to ¥6,650 million and ¥2 million, respectively.

5. Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the consolidated balance sheet at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
Investment securities	¥ 190,653	¥ 250,713	$1,940,884
Other non-current assets	9,066	8,794	92,293
Total	¥ 199,719	¥ 259,507	$2,033,177

6. Short-term Debt and Long-term Debt

Interest rates on short-term bank loans ranged from 0.60% to 15.75% and from 0.62% to 10.5% at March 31, 2009 and 2008, respectively.

Short-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
Bank loans	¥ 150,299	¥ 110,649	$1,530,072
Commercial paper	127,000	92,000	1,292,884
	¥ 277,299	¥ 202,649	$2,822,956

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
1.88%-2.40% Euro notes under medium-term note programs due through 2008	¥ 979	¥ 6,298	$ 9,967
0.44%-2.75% debentures due through 2018	297,180	298,020	3,025,349
0.06%-4.00% long-term bank loans payable due through 2021	219,909	166,915	2,238,715
	518,068	471,233	5,274,031
Less amounts due within one year	(41,177)	(85,555)	(419,190)
	¥ 476,891	¥ 385,678	$4,854,841

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 were as follows:

Year ending March 31	Millions of yen	Thousands of US dollars
2010	¥ 41,177	$ 419,190
2011	52,196	531,365
2012	60,164	612,481
2013	64,931	661,010
2014	75,088	764,410
2015 and thereafter	224,512	2,285,575
	¥ 518,068	$5,274,031

At March 31, 2009, assets pledged as collateral for short-term debt, long-term debt and others were as follows:

	Millions of yen	Thousands of US dollars
Property, plant and equipment, net of accumulated depreciation	¥ 26,486	$ 269,632
Investment securities	83,881	853,925
	¥ 110,367	$1,123,557
Liabilities secured thereby	¥ 17,969	$ 182,928

7. Information on Certain Leases as Lessee

As discussed in Note 3(c), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
Machinery and equipment	¥ 5,485	¥ 8,145	$ 55,838
Buildings and structures	—	15	—
Less accumulated depreciation and amortization	(3,772)	(4,566)	(38,399)
Total	¥ 1,713	¥ 3,594	$ 17,439

Assumed depreciation charges of ¥1,483 million (US$15,097 thousand) and ¥1,963 million for the years ended march 31, 2009 and 2008, respectively, are computed by the straight-line method over the lease terms assuming no residual value.

Lease payment in the years ended March 31, 2009 and 2008 were ¥1,512 million (US$15,392 thousand) and ¥2,003 million, respectively.

Obligations under non-capitalized finance leases at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
Due within one year	¥ 888	¥ 1,595	$ 9,040
Due after one year	831	2,007	8,460
Total	¥ 1,719	¥ 3,601	$ 17,500

Obligations under operating leases at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
Due within one year	¥ 1,479	¥ 1,741	$ 15,057
Due after one year	17,654	11,025	179,721
Total	¥ 19,133	¥ 12,766	$194,778

8. Derivative Transactions and Hedge Accounting

The Companies enter into forward foreign exchange contracts and currency swap contracts to hedge exchange rate risk associated with monetary items receivable and payable denominated in foreign currencies, interest rate swaps to hedge the risk related to interest on borrowings and reduce financing costs, and commodity forward contracts to manage exposure to fluctuations in the market price of aluminum. The Companies use derivative transactions for hedging market risk and not for speculation or dealing purposes. The Companies have established policies to manage both market and credit risk. In accordance with these policies, the Companies use highly-rated financial institutions and trading companies as counterparties, limit transaction types and amounts and require reporting to the Board of Directors.

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

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

The Companies evaluate hedge effectiveness by comparing total cash flow of hedging instruments and items hedged.

9. Impairment Loss

The Companies recognized impairment losses on fixed assets for the year ended March 31, 2009 as follows:

			Millions of yen	Thousands of US dollars
Location	Usage purpose	Type of assets	2009	2009
Ehime, Japan	Lithium ion secondary battery separator production facilities	Buildings, structures, machinery and equipment, etc.	¥ 11,215	$ 114,166
Ehime, Japan	Caprolactam production facilities	Buildings, structures, machinery and equipment, etc.	6,059	61,677
Chiba, Japan	Propylene oxide production facilities	Machinery and equipment, etc.	3,575	36,394
			¥ 20,848	$ 212,237

The Companies group business assets based on business units, idle assets and assets for lease based on each asset. The Company recognized impairment losses on the production facilities of business with decreased profitability, writing them down to the recoverable amounts. The recoverable amounts of these assets were measured at its value in use and the discount rate used for computation of the present value of future cash flows was 5.6%.

10. Retirement Benefits

The liabilities for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
Projected retirement benefit obligation	¥ (286,520)	¥ (289,703)	$(2,916,828)
Plan assets	246,535	276,365	2,509,773
Funded status (Unfunded retirement benefit obligation)	(39,985)	(13,338)	(407,055)
Unrecognized actuarial differences	67,257	19,318	684,689
Unrecognized prior service cost	(720)	996	(7,330)
Net amount recognized	26,552	6,976	270,304
Prepaid pension expense	56,165	50,636	571,770
Provision for employees' retirement benefits	¥ (29,613)	¥ (43,660)	$ (301,466)

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

Net periodic costs for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of US dollars
	2009	2008	2007	2009
Service cost	¥ 10,817	¥ 11,587	¥ 10,943	$ 110,119
Interest cost	4,099	4,111	4,599	41,729
Expected return on retirement benefit plan assets	(3,908)	(4,187)	(4,702)	(39,784)
Amortization of prior service cost	(143)	328	(997)	(1,456)
Amortization of actuarial differences	(1,718)	(16,685)	(24,834)	(17,490)
Net periodic cost	¥ 9,147	¥ (4,846)	¥ (14,991)	$ 93,118
Loss on reform of retirement benefits plan	—	—	611	—
Other	516	502	348	5,253
Total	¥ 9,663	¥ (4,344)	¥ (14,032)	$ 98,371

In addition to the above cost, a certain domestic subsidiary expensed ¥2,939 million as special retirement benefit, which was recorded as "Restructuring Charges" in the consolidated statements of operations for the year ended March 31, 2007.

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

	2009	2008	2007
Discount rate	mainly 1.2%	mainly 1.2%	mainly 1.2%
Expected return rate for plan assets	mainly 1.2%	mainly 1.2%	mainly 1.5%
Amortization period for actuarial differences	mainly 3 years	mainly 3 years	mainly 3 years
Amortization period for prior service cost	mainly 3 years	mainly 3 years	mainly 3 years

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

11. Restructuring Charges

Restructuring charges for the years of 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of US dollars
	2009	2008	2007	2009
Loss on disposal of property, plant and equipment	¥ 5,399	¥ 4,766	¥ 3,439	$54,963
Loss on investments in and loans to related companies	3,404	—	—	34,653
Special severance benefits	—	—	2,939	—
	¥ 8,803	¥ 4,766	¥ 6,378	$89,616

12. Deferred Taxes

Significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
Tax loss carryforwards	¥ 44,551	¥ 3,918	$ 453,538
Depreciation and amortization	18,049	16,333	183,742
Retirement benefits	17,932	17,321	182,551
Accrued Research and development costs	9,669	5,019	98,432
Accrued bonuses	8,414	8,539	85,656
Impairment loss on fixed assets	8,339	—	84,893
Inventories	5,550	7,784	56,500
Unrealized intercompany profit	4,900	3,807	49,883
Other	24,577	18,563	250,198
Subtotal	141,981	81,284	1,445,393
(Valuation allowance)	(45,770)	—	(465,947)
Total deferred tax assets	96,211	81,284	979,446
Unrealized gains on investment securities	(36,217)	(66,829)	(368,696)
Prepaid pension expenses	(21,920)	(20,278)	(223,150)
Deferred gain on property, plant and equipment	(6,424)	(6,838)	(65,398)
Valuation differences due to application of purchase accounting method	(6,159)	(8,417)	(62,700)
Gain on contribution of securities to retirement benefit trust	(5,909)	—	(60,155)
Other	(3,810)	(23,521)	(38,785)
Total deferred tax liabilities	(80,439)	(125,883)	(818,884)
Net deferred tax assets (liabilities)	¥ 15,772	¥ (44,599)	$ 160,562

Significant items in the reconciliations of the normal income tax rate to the effective income tax rate for the years ended March 31, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Statutory income tax rate in Japan	—	40.7%	40.7%
Permanently non-deductible expenses	—	1.8	1.4
Permanently non-taxable dividends received	—	(0.9)	(1.1)
R&D expenses deductible from income taxes	—	(2.4)	(3.4)
Gain on change in equity by affiliate stock offering	—	(9.1)	—
Other	—	4.3	(1.2)
Effective income tax rate	—	34.4%	36.4%

Reconciliation of the difference between the normal effective statutory tax rate and the effective income tax rate for the year ended March 31, 2009 is not presented, since the net loss is reported in the consolidated statement of operations.

13. Net Assets

Through May 1, 2006, Japanese companies were subject to the Japanese Commercial Code.

Under the Japanese Commercial Code, the entire amount of the issue price of shares was required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital which is included in capital surplus.

The Japanese Commercial Code provided that an amount equal to at least 10% of cash dividends and other cash appropriations should be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital were not available for dividends unless the total amount of legal reserve and additional paid-in capital exceeds 25% of common stock. The legal reserve and additional paid-in capital might be used to eliminate or reduce a deficit by resolution of the stockholders or might be capitalized by resolution of the Board of Directors. Legal reserve is included in retained earnings.

On May 1, 2006, a new Corporate Law became effective, and replaced the Japanese Commercial Code with various revisions that would, for the most part, be applicable to events or transactions which occurred on or after May 1, 2006.

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

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

14. Contingent Liabilities

The Companies guaranteed debt of affiliated companies and third parties in the ordinary course of business. Should the guaranteed parties fail to make payments, the Companies would be required to make such payments under those guarantees.

At March 31, 2009 and 2008, the Companies were contingently liable as follows:

	Millions of yen		Thousands of US dollars
	2009	2008	2009
As guarantor of project completion	¥ 288,733	¥ 272,065	$2,939,357
As guarantor of indebtedness	7,983	10,882	81,268
As issuer of letters of comfort	—	86	—
	¥ 296,716	¥ 283,033	$3,020,625

The Company guaranteed debt of its affiliated company, Rabigh Refining and Petrochemical Company, concerning "The Rabigh Project" in Saudi Arabia and the amount of the contingent liability were ¥288,729 million (US$2,939,326 thousand) and ¥271,489 million for the years ended March 31, 2009 and 2008, respectively. The Company also guaranteed payment to the EPC contractors for construction regarding "The Rabigh Project." The amount guaranteed were ¥3 million (US$31 thousand) and ¥576 million for the years ended March 31, 2009 and 2008, respectively.

15. Land Revaluation Reserve

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

16. Supplementary Cash Flow Information

1) Cash and cash equivalents

At March 31, 2009, 2008 and 2007, cash and cash equivalents were as follows:

	Millions of yen			Thousands of US dollars
	2009	2008	2007	2009
Cash	¥ 56,310	¥ 75,678	¥ 100,033	$ 573,247
Cash equivalents	29,492	31,730	25,957	300,234
	¥ 85,802	¥ 107,408	¥ 125,990	$ 873,481

2) Significant non-cash transaction

As a result of the acquisition of Cambridge Display Technology Inc. ("CDT") dated September 19, 2007, the Companies have increased assets and liabilities in the amount of ¥37,224 million and ¥11,092 million, respectively. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the end of acquisition and payment for acquisition of CDT, net of cash acquired, respectively.

	Millions of yen
Current Assets	¥ 3,403
Non-current Assets	33,821
Goodwill	7,445
Current Liabilities	(3,041)
Long-term Liabilities	(8,051)
Net assets acquired	33,577
Cash and cash equivalent of CDT	(3,036)
Payment for acquisition of CDT, net of cash acquired	30,541

17. Related Party Transactions

Information on related party transactions for the years ended March 31, 2009 and 2008 and the related amounts as of those dates is summarized as follows.

	Millions of yen		Thousands of US dollars
	2009	2008	2009
Rabigh Refining and Petrochemical Company (an affiliated company)			
Contingent liabilities	¥ 288,733	¥ 272,065	$ 2,939,357
Pledged assets	288,729	271,489	2,939,316
Capital increase / Investment	—	20,939	—
Long-term loans	59,920	—	609,997
Interest and dividend income	1,093	—	11,127

Supplementary information

ASBJ Statement No.11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No.13, "Guidance on Accounting Standard for Related Party Disclosures" issued by the Accounting Standards Board of Japan on October 17, 2006, require certain additional related party disclosures effective from the year beginning on or after April 1, 2008. Pursuant to the new accounting standards, information on Financial summary of Rabigh Refining and Petrochemical Company, a significant affiliated company, is disclosed for the year ended March 31, 2009.

Summary of Financial Statements of Rabigh Refining and Petrochemical Company was as follows:

Balance Sheets	Millions of yen	Thousands of US dollars
Current Assets	¥ 122,809	$ 1,250,219
Non-current Assets	1,040,947	10,597,037
Current Liabilities	¥ 174,864	$ 1,780,149
Long-term Liabilities	763,872	7,776,361
Net assets	225,020	2,290,746

Statements of Operations	Millions of yen	Thousands of US dollars
Net Sales	¥ 180,727	$ 1,839,835
Loss before income taxes	(34,697)	(353,222)
Net Loss	(34,697)	(353,222)

18. Net (loss) Income Per Share

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the years ended March 31, 2009, 2008 and 2007 were as follow:

Income (Numerator)	Millions of yen			Thousands of US dollars
	2009	2008	2007	2009
Net (loss) income	¥ (59,164)	¥ 63,083	¥ 93,860	$(602,301)
Bonuses to directors and statutory auditors	—	—	—	
Net (loss) income - basic	(59,164)	63,083	93,860	(602,301)
Effect of dilutive securities:				
Share subscription rights issued by a consolidated subsidiary	—	—	(30)	—
Net income - diluted	¥ —	¥ —	¥ 93,830	$ —

Shares (Denominator)	Number of shares		
	2009	2008	2007
Average shares - basic	1,650,906,512	1,651,254,850	1,651,757,344
Average shares - diluted	—	—	1,651,757,344

Net (loss) income per share	Yen			US dollars
	2009	2008	2007	2009
Basic	¥(35.84)	¥38.20	¥56.82	$(0.365)
Diluted	—	—	56.81	—

19. Segment Information

The operations of the Companies for the years ended March 31, 2009, 2008 and 2007 were summarized by product group and geographic area as follows:

Segment information by product group	Millions of yen								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma-ceuticals	Other	Adjustments & Elimination	Consolidated
Year ended March 31, 2009									
Sales to unaffiliated customers	¥ 240,030	¥ 552,974	¥ 80,763	¥ 307,121	¥ 222,202	¥ 235,590	¥ 149,543	¥ —	¥1,788,223
Inter-segment transfers	10,475	9,811	12,073	3,578	1,650	26	60,992	(98,605)	
Total sales	250,505	562,785	92,836	310,699	223,852	235,616	210,535	(98,605)	1,788,223
Operating cost	265,839	593,122	91,207	311,695	199,423	203,266	218,426	(96,869)	1,786,109
Operating (loss) income	¥ (15,334)	¥ (30,337)	¥ 1,629	¥ (996)	¥ 24,429	¥ 32,350	¥ (7,891)	¥ (1,736)	¥ 2,114
Assets	¥ 200,178	¥ 499,172	¥ 101,484	¥ 220,875	¥ 224,591	¥ 442,068	¥ 277,413	¥ 56,772	¥2,022,553
Depreciation and amortization	17,168	20,943	6,256	39,816	13,054	14,489	20,459	8,522	140,707
Impairment loss on fixed assets	6,059	3,575	—	11,215	—	—	—	—	20,848
Capital expenditure	14,698	17,550	7,738	50,625	11,275	12,658	13,739	5,817	134,100

Segment information by product group	Millions of yen								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma-ceuticals	Other	Adjustments & Elimination	Consolidated
Year ended March 31, 2008									
Sales to unaffiliated customers	¥ 314,718	¥ 603,326	¥ 92,937	¥ 297,515	¥ 200,378	¥ 237,592	¥ 150,073	¥ —	¥1,896,539
Inter-segment transfers	11,962	10,533	8,521	5,925	1,786	17	62,007	(100,751)	—
Total sales	326,680	613,859	101,458	303,440	202,164	237,609	212,080	(100,751)	1,896,539
Operating cost	316,121	609,341	90,028	297,150	181,250	191,145	208,392	(99,285)	1,794,142
Operating income	¥ 10,559	¥ 4,518	¥ 11,430	¥ 6,290	¥ 20,914	¥ 46,464	¥ 3,688	¥ (1,466)	¥ 102,397
Assets	¥ 257,102	¥ 591,226	¥ 102,930	¥ 299,498	¥ 240,398	¥ 449,496	¥ 337,518	¥ 80,761	¥2,358,929
Depreciation and amortization	13,305	18,377	6,080	42,190	12,791	15,370	11,064	5,803	124,980
Capital expenditure	27,646	21,199	6,929	33,355	8,451	18,283	18,448	8,210	142,521

Segment information by product group	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma-ceuticals	Other	Adjustments & Elimination	Consolidated
	Millions of yen								
Year ended March 31, 2007									
Sales to unaffiliated customers	¥ 314,004	¥ 539,065	¥ 90,882	¥ 266,436	¥ 198,310	¥ 234,546	¥ 146,783	¥ —	¥1,790,026
Inter-segment transfers	11,788	10,887	7,699	6,328	1,853	13	59,271	(97,839)	—
Total sales	325,792	549,952	98,581	272,764	200,163	234,559	206,054	(97,839)	1,790,026
Operating cost	312,309	526,356	85,496	269,307	176,912	178,328	198,042	(96,347)	1,650,403
Operating income	¥ 13,483	¥ 23,596	¥ 13,085	¥ 3,457	¥ 23,251	¥ 56,231	¥ 8,012	¥ (1,492)	¥ 139,623
Assets	¥ 253,604	¥ 539,466	¥ 100,697	¥ 325,647	¥ 232,120	¥ 419,526	¥ 281,380	¥ 172,466	¥2,324,906
Depreciation and amortization	13,515	19,156	6,538	31,453	14,213	16,207	6,740	6,048	113,870
Capital expenditure	24,633	16,878	4,635	72,034	10,122	12,496	13,697	5,354	159,849

Segment information by product group	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharma-ceuticals	Other	Adjustments & Elimination	Consolidated
	Thousands of US dollars								
Year ended March 31, 2009									
Sales to unaffiliated customers	$2,443,551	$5,629,380	$ 822,183	$3,126,550	$2,262,058	$2,398,351	$1,522,376	$ —	$18,204,449
Inter-segment transfers	106,637	99,878	122,905	36,425	16,798	264	620,911	(1,003,818)	—
Total sales	2,550,188	5,729,258	945,088	3,162,975	2,278,856	2,398,615	2,143,287	(1,003,818)	18,204,449
Operating cost	2,706,291	6,038,094	928,505	3,173,114	2,030,164	2,069,286	2,223,618	(986,144)	18,182,928
Operating (loss) income	$ (156,103)	$ (308,836)	$ 16,583	$ (10,139)	$ 248,692	$ 329,329	$ (80,331)	$ (17,674)	$ 21,521
Assets	$2,037,850	$5,081,665	$1,033,126	$2,248,549	$2,286,379	$4,500,336	$2,824,117	$ 577,951	$20,589,973
Depreciation and amortization	174,773	213,204	63,687	405,334	132,892	147,501	208,276	86,757	1,432,424
Impairment loss on fixed assets	61,679	36,392	—	114,166	—	—	—	—	212,237
Capital expenditure	149,628	178,662	78,774	515,372	114,782	128,861	139,866	59,218	1,365,163

(a) As described in "Note 3(a) Changes in accounting policies," the Company and consolidated domestic subsidiaries adopted the new accounting standard for inventories in the year ended March 31, 2009.

As a consequence, operating income in this fiscal year decreased by ¥871 million (US$8,867 thousand) in Basic Chemicals, ¥902 million (US$9,183 thousand) in Petrochemicals & Plastics, ¥313 million (US$3,186 thousand) in Fine Chemicals, ¥2,038 million (US$20,747 thousand) in IT-related Chemicals, ¥992 million (US$10,099 thousand) in Agricultural Chemicals, ¥1,236 million (US$12,583 thousand) in Pharmaceuticals, ¥523 million (US$5,324 thousand) in Others segment, compared to the case in which the previous measurement method is applied.

(b) As described in "Note 3(d) Changes in accounting policies," Effective from the year ended March 31, 2009, the Company changed the translation method of revenues and expenses of foreign subsidiaries and affiliates.

As a result, Net sales in this fiscal year increased by ¥4,130 million (US$42,044 thousand) in Basic Chemicals, ¥15,998 million (US$162,863 thousand) in Petrochemicals & Plastics, ¥3,243 million (US$33,014 thousand) in Fine Chemicals, ¥56,938 million (US$579,640 thousand) in IT-related Chemicals, ¥15,590 million (US$158,709 thousand) in Agricultural Chemicals, ¥71 million (US$723 thousand) in Others segment, compared to the case in which the previous translation method is applied. Besides, operating income in this fiscal year increased by ¥73 million in (US$743 thousand) in Fine Chemicals, ¥1,142 million (US$11,626 thousand) in Agricultural Chemicals, operating loss in this fiscal year increased ¥562 million (US$5,721 thousand) in Basic Chemicals, ¥669 million (US$6,811 thousand) in Petrochemicals & Plastics, ¥577 million (US$5,874 thousand) in Others segment, decreased by ¥3,557 million (US$36,211 thousand) in IT-related Chemicals.

(c) As described in "Note 3(e) Changes in accounting policies," effective from the fiscal year beginning April 1, 2007, the Company and its consolidated domestic subsidiaries have changed depreciation method. As a consequence, operating income in the fiscal year ended March 31, 2008, decreased by ¥244 million in Basic Chemicals, ¥444 million in Petrochemicals & Plastics, ¥152 million in Fine Chemicals, ¥171 million in IT-related Chemicals, ¥157 million in Agricultural Chemicals, ¥360 million in Pharmaceuticals, ¥602 million in Others segment, compared to the case in which the previous depreciation method is applied.

(d) As supplementary information in "Note 3(e) Changes in Accounting Policies" shows, with regard to property, plant and equipment acquired before April 1, 2007, the Company and its consolidated domestic subsidiaries applied the pre-revised depreciation method during the fiscal year beginning April 1, 2007. Among these, property, plant and equipment for which the allowable limit on the depreciable amount (95% of acquisition cost) has been reached are to be depreciated evenly over five years beginning from the following fiscal year. As a result, operating income in the fiscal year ended March 31, 2008, decreased by ¥191 million in Basic Chemicals, ¥312 million in Petrochemicals & Plastics, ¥41 million in Fine Chemicals, ¥86 million in IT-related Chemicals, ¥127 million in Agricultural Chemicals, ¥301 million in Pharmaceuticals, ¥602 million in Others segment.

	Millions of yen				
Segment information by geographic area	Japan	Asia	Other	Adjustments & Elimination	Consolidated
Year ended March 31, 2009					
Sales to unaffiliated customers	¥1,215,123	¥ 457,087	¥ 116,013	¥ —	¥1,788,223
Inter-segment transfers	133,755	15,244	20,857	(169,856)	—
Total sales	1,348,878	472,331	136,870	(169,856)	1,788,223
Operating cost	1,358,359	461,737	136,392	(170,379)	1,786,109
Operating (loss) income	¥ (9,481)	¥ 10,594	¥ 478	¥ 523	¥ 2,114
Assets	¥1,731,101	¥ 249,073	¥ 112,378	¥ (69,999)	¥2,022,553

	Millions of yen				
Segment information by geographic area	Japan	Asia	Other	Adjustments & Elimination	Consolidated
Year ended March 31, 2008					
Sales to unaffiliated customers	¥1,344,571	¥ 452,354	¥ 99,614	¥ —	¥1,896,539
Inter-segment transfers	131,102	9,971	27,927	(169,000)	—
Total sales	1,475,673	462,325	127,541	(169,000)	1,896,539
Operating cost	1,406,095	434,988	120,958	(167,899)	1,794,142
Operating income	¥ 69,578	¥ 27,337	¥ 6,583	¥ (1,101)	¥ 102,397
Assets	¥1,871,025	¥ 334,107	¥ 141,839	¥ 11,958	¥2,358,929

	Millions of yen				
Segment information by geographic area	Japan	Asia	Other	Adjustments & Elimination	Consolidated
Year ended March 31, 2007					
Sales to unaffiliated customers	¥1,294,827	¥ 393,086	¥ 102,113	¥ —	¥1,790,026
Inter-segment transfers	128,057	11,849	23,267	(163,173)	—
Total sales	1,422,884	404,935	125,380	(163,173)	1,790,026
Operating cost	1,315,532	384,163	113,449	(162,741)	1,650,403
Operating income	¥ 107,352	¥ 20,772	¥ 11,931	¥ (432)	¥ 139,623
Assets	¥1,796,836	¥ 336,750	¥ 93,636	¥ 97,684	¥2,324,906

	Thousands of US dollars				
Segment information by geographic area	Japan	Asia	Other	Adjustments & Elimination	Consolidated
Year ended March 31, 2009					
Sales to unaffiliated customers	$12,370,182	$ 4,653,232	$ 1,181,035	$ —	$18,204,449
Inter-segment transfers	1,361,651	155,187	212,328	(1,729,166)	—
Total sales	13,731,833	4,808,419	1,393,363	(1,729,166)	18,204,449
Operating cost	13,828,352	4,700,570	1,388,496	(1,734,490)	18,182,928
Operating (loss) income	$ (96,519)	$ 107,849	$ 4,867	$ 5,324	$ 21,521
Assets	$17,622,936	$ 2,535,610	$ 1,144,029	$ (712,602)	$20,589,973

(a) As described in "Note 3(a) changes in accounting policies" the Company and consolidated domestic subsidiaries adopted the new accounting standard for inventories in the year ended March 31, 2009.

As a result, operating loss increased ¥6,875 million (US$69,989 thousand) in Japan.

(b) As described in "Note 3(d) changes in accounting policies" effective from the year ended March 31, 2009, the Company changed the translation method of revenues and expenses of foreign subsidiaries and affiliates.

As a result, net sales increased ¥77,564 million (US$789,616 thousand) in Asia, ¥18,406 million (US$187,377 thousand) in other, and operating income increased ¥3,315 million (US$33,747 thousand) in Asia, but decreased ¥351 million (US$3,573 thousand) in other.

(c) As described in "Note 3(e) Changes in accounting policies," effective from the fiscal year beginning April 1, 2007, the Company and its consolidated domestic subsidiaries have changed the depreciation method. As a consequence, operating income in the fiscal year ended March 31, 2008, decreased by ¥2,130 million in Japan, compared to the case in which the previous depreciation method is applied.

(d) As supplementary information in "Note 3(e) Changes in accounting policies," shows, with regard to property, plant and equipment acquired before April 1, 2007, the Company and its consolidated domestic subsidiaries applied the pre-revised depreciation method during the fiscal year beginning April 1, 2007. Among these, property, plant and equipment for which the allowable limit on the depreciable amount (95% of acquisition cost) has been reached are to be depreciated evenly over five years beginning from the following fiscal year. As a result, operating income in the fiscal year ended March 31, 2008, decreased by ¥1,660 million in Japan.

(e) Corporate assets of ¥181,807 million (US$1,850,830 thousand), ¥217,843 million and ¥266,035 million, included in the adjustments and elimination column for the years ended March 31, 2009, 2008 and 2007, respectively, consisted mainly of cash and cash equivalents, investment securities, deferred tax assets, and shared research facilities of the Company.

Overseas operations, which represent sales to unaffiliated customers outside Japan, of the Companies totaled ¥749,811 million (US$7,633,218 thousand), ¥788,804 million and ¥747,770 million and accounted for 41.9%, 41.6% and 41.8% of the total sales to unaffiliated customers for the years ended March 31, 2009, 2008 and 2007, respectively. Overseas operations in the Asian region were ¥550,532 million (US$5,604,520 thousand), ¥591,677 million and ¥543,310 million for the years ended March 31, 2009, 2008 and 2007, respectively.

As described in "Note 3(d) changes in accounting policies" effective from the year ended March 31, 2009, the Company changed the translation method of revenues and expenses of foreign subsidiaries and affiliates.

As a result, net sales increased ¥75,356 million (US$767,138 thousand) in Asia, ¥19,535 million (US$198,870 thousand) in other.

20. Business Combination

On September 19, 2007, the Companies acquired 100% of the issued common stock of Cambridge Display Technology Inc. ("CDT"). This legal form of business combination was reverse triangular cash-out merger, and surviving company and extinguished company were CDT and Rosy future Inc. which was wholly owned subsidiary, respectively. This acquisition was to promote the commercialization of Polymer Organic Light Emitting Diodes (PLEDs).

The consolidated financial statement for the year ended March 31, 2008 include the operating results of CDT from September 20, 2007 to December 31, 2007 (fiscal year-end).

In connection with this acquisition, the Companies acquired net assets as ¥33,577 million. In these, ¥30,599 million was assigned to intangible assets of patents with a thirteen year amortization period, ¥628 million was assigned to sales, general and administrative expenses and ¥525 million was assigned to intangible assets of customer relationships with a five year amortization period. ¥7,445 million was assigned to goodwill with a five year amortization period by the straight-line method, which was the difference between the net assets at fair value at the date of acquisition and the acquisition cost.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Millions of yen
Current Assets	¥ 3,403
Non-current Assets	33,821
Goodwill	7,445
Current Liabilities	(3,041)
Long-term Liabilities	(8,051)
Net assets acquired	¥ 33,577

Pro forma information of the Companies' consolidated operating results and net income per share, which would have been recorded if the acquisition of CDT had taken place at the beginning of this fiscal year.

	Millions of yen
Net sales	¥1,897,508
Operating income	96,040
Income before income taxes and minority interests	121,445
Net income	56,846

	Yen
Net income per share	¥ 34.43

Pro forma information has been prepared for comparative purpose only and is not intended to be indicative of what the Companies' results would have been had the acquisition occurred as the periods presented or the results which may occur in the future.

These amounts have not been audited by the independent auditor as allowed under the relevant accounting standards and auditing guidance.

21. Subsequent Events

At the Board of Directors meeting of the Company held on May 11, 2009, year-end cash dividends were resolved as follows:

	Millions of yen	Thousands of US dollars
Cash dividends at ¥3.00 (US$0.031) per share	¥ 4,956	$ 50,453

Independent Auditors' Report

To the Board of Directors of
Sumitomo Chemical Company, Limited:

We have audited the accompanying consolidated balance sheets of Sumitomo Chemical Company, Limited and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended March 31, 2009, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Chemical Company, Limited and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
(1) As discussed in Note 3(a) to the consolidated financial statements, effective April 1, 2008, Sumitomo Chemical Company, Limited and consolidated domestic subsidiaries adopted the new accounting standards for measurement of inventories.
(2) As discussed in Note 3(d) to the consolidated financial statements, effective from the year ended March 31, 2009, Sumitomo Chemical Company, Limited changed the translation method of revenues and expenses of foreign subsidiaries and affiliates.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(b) to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 23, 2009

Subsidiaries and Affiliates

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
Japan					
Pharmaceuticals	AstraZeneca K.K.	Pharmaceuticals	20.0	(6) 6453-7500	(6) 6453-7894
Basic Chemicals	Asahi Chemical Co., Ltd.	Inorganics	100.0	(6) 6220-8796	(6) 6220-8799
Basic Chemicals	Ceratec Co., Ltd.	Alumina	100.0	(897) 33-8541	(897) 33-6005
Petrochemicals & Plastics	Chiba Styrene Monomer Limited Company	Styrene monomer	40.0	(3) 5290-5310	(3) 5290-5083
Pharmaceuticals	Dainippon Sumitomo Pharma Co., Ltd.*	Pharmaceuticals	50.2	(6) 6203-5321	(6) 6202-6028
Petrochemicals & Plastics	Dow Kakoh K.K.	Extruded polystyrene foam	35.0	(3) 5460-2351	(3) 5460-2390
Others	Inabata & Co., Ltd.*	Trading in industrial chemicals, fine chemicals, and plastics	21.3	(6) 6267-6051	(6) 6267-6042
Petrochemicals & Plastics	Japan Aldehyde Co., Ltd.	Acetaldehyde	60.0	(3) 5543-5319	—
Basic Chemicals	Japan Exlan Co., Ltd.	Functional acrylic fibers	20.0	(6) 6348-4327	(6) 6348-4168
Petrochemicals & Plastics	Japan-Singapore Petrochemicals Co., Ltd.	Equity holder in Petrochemical Corporation of Singapore (Pte.) Ltd.	58.4	(3) 5543-5867	(3) 5543-5519
Petrochemicals & Plastics	Keiyo Ethylene Co., Ltd.	Ethylene and propylene	22.5	(3) 3552-9361	—
Others	Koei Chemical Co., Ltd.*	Formaldehydes and pyridines	56.1	(3) 6667-8280	(3) 6667-8287
Agricultural Chemicals	Kyoyu Agri Co., Ltd.	Crop protection chemicals	34.6	(44) 813-4200	(44) 813-5299
Agricultural Chemicals	Nihon EcoAgro Co., Ltd.	Environmentally-friendly farm materials	100.0	(3) 5543-5686	(3) 5543-5929
Agricultural Chemicals	Nihon Green & Garden Corporation	Agrochemicals for non-crop use and horticultural materials	73.8	(3) 3669-5888	(3) 3669-5889
Basic Chemicals	Nihon Methacryl Monomer Co., Ltd.	MMA monomer and methacrylic acid	64.0	(3) 5543-5302	(3) 5543-5907
Pharmaceuticals	Nihon Medi-Physics Co., Ltd.	Radiopharmaceuticals	50.0	(3) 5634-7006	(3) 5634-5170
Petrochemicals & Plastics	Nihon Oxirane Co., Ltd.	Propylene oxide and styrene monomer	60.0	(3) 5159-1601	(3) 5195-1605
Petrochemicals & Plastics	Nihon Singapore Polyolefin Co., Ltd.	Equity holder in The Polyolefin Company (Singapore) Pte. Ltd.	95.7	(3) 5543-5319	(3) 5543-5911
Petrochemicals & Plastics	Nippon A&L Inc.	ABS resin and SBR latex	85.2	(6) 6220-3633	(6) 6220-3699
IT-related Chemicals	O.L.S. Corp., Ltd.	Polarizing film	50.0	(3) 5543-5820	(3) 5543-5919
Agricultural Chemicals	Rainbow Chemical Co., Ltd.	Horticultural materials and pet medicines	87.1	(3) 6740-7777	(3) 6740-7000
Petrochemicals & Plastics	SanTerra Co., Ltd.	Films for agricultural use	87.3	(3) 5632-3130	(3) 5632-3131
Others	Shinto Paint Co., Ltd.*	Paints	45.2	(6) 6426-3355	(6) 6429-6188
Others	Sumation Co., Ltd.	PLEDs	100.0	(3) 5543-5141	(3) 5543-5966
Basic Chemicals	Sumika Acryl Co., Ltd.	Sales of acrylic sheet	100.0	(3) 5542-8620	(3) 5542-8640
Agricultural Chemicals	Sumika Agrotech Co., Ltd.	Agricultural marerials and seeding	100.0	(6) 6204-1245	(6) 6204-1207
Basic Chemicals	Sumika Bayer Urethane Co., Ltd.	Polyurethane raw materials	40.0	(6) 6133-6100	(6) 6344-2730
Others	Sumika Chemical Analysis Service, Ltd.	Analytical services for environmental, electronic, and pharmaceutical sectors	100.0	(6) 6202-1810	(6) 6202-0115
Fine Chemicals	Sumika Chemtex Co., Ltd.	Dyestuffs and functional chemicals	100.0	(6) 6466-5146	(6) 6466-5457
Petrochemicals & Plastics	Sumika Color Co., Ltd.	Organic pigments, color compounds for various polymers	88.0	(6) 6205-4300	(6) 6205-4301
Agricultural Chemicals	Sumika Enviro-Science Co., Ltd.	Public hygiene materials	70.6	(798) 38-2330	(798) 38-2325
Others	Sumika Finance Co., Ltd.	Financing	100.0	(3) 5543-5163	(3) 5543-5905
Agricultural Chemicals	Sumika Fukuei Agro K.K.	Fertilizers	50.0	(6) 6412-5251	(6) 6413-1333
Basic Chemicals	Sumika High-purity Gas Company	Oxygen, nitrogen, and argon	60.0	(897) 37-1716	—
Petrochemicals & Plastics	Sumika Kakoushi Co., Ltd.	Release paper	100.0	(3) 3663-8376	(3) 3663-7365

Sector : Basic Chemicals, Petrochemicals & Plastics, Fine Chemicals, IT-related Chemicals, Agricultural Chemicals, Pharmaceuticals, Others

* : Companies listed on the stock exchange
** : This ratio includes shares held by our subsidiaries

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
	Sumika Life Tech Co., Ltd.	Household and public hygiene materials	100.0	(6) 6220-3640	(6) 6220-3644
	Sumika Plastech Co., Ltd.	Industrial and housing materials	100.0	(3) 5543-5438	(3) 5543-5935
	Sumika Real Estate Co., Ltd.	Estate and insurance agency	100.0	(6) 6220-3260	(6) 6220-3267
	Sumika Technical Information Service	Information service relating to the chemical industry	100.0	(6) 6220-3364	(6) 6220-3361
	Sumitomo Chemical Garden Products Co., Ltd.	Horticultural chemicals	100.0	(3) 3270-9758	(3) 3270-9779
	Sumitomo Bakelite Co., Ltd.*	Resins and resin products	21.8	(3) 5462-4111	(3) 5462-4874
	Sumitomo Chemical Engineering Co., Ltd.	Engineering, procurement, maintenance and construction for chemical plants	100.0	(43) 299-0200	(43) 299-0210
	Sumitomo Chemical System Service Co., Ltd.	Computer-system development, information processing	100.0	(3) 5543-5201	(3) 5543-5997
	Sumitomo Dow Ltd.	Polycarbonates	50.0	(3) 5644-4750	(3) 5644-4821
	Sumitomo Joint Electric Power Co., Ltd.	Supply of electricity	52.5	(897) 37-2142	(897) 32-9862
	Sumitomo Seika Chemicals Co., Ltd.*	Industrial chemicals and organic sulfur compounds	30.6	(6) 6220-8508	(6) 6220-8541
	Taoka Chemical Co., Ltd.*	Pharmaceutical intermediates, adhesives and dyes	51.0	(6) 6394-1221	(6) 6394-1658
	Thermo Co., Ltd.	Polyethylene and polypropylene film	100.0	(3) 5825-7737	(3) 5825-7866
	Tobu Butadiene Co., Ltd.	Butadiene	50.0	(3) 6218-3541	(3) 6218-3686
	T.S. Agro Co., Ltd.	Fertilizers	50.0	(79) 436-0222	—
	Yashima Sangyo Co., Ltd.	Agrochemicals for non-crop use	88.5	(44) 833-2211	(44) 833-1152
Singapore					
	Chevron Phillips Singapore Chemicals (Pte.) Ltd.	High-density polyethylene	20.0	+65-6517-3239	+1-(770)227-6411
	Petrochemical Corporation of Singapore (Pte.) Ltd.	Ethylene and propylene	29.2	+65-6867-2000	+65-6867-9274
	Sumitomo Chemical Asia Pte. Ltd.	Sales of petrochemical products	100.0	+65-6303-5188	+65-6298-9621
	Sumitomo Chemical Singapore Pte. Ltd.	MMA monomer and polymer, crop protection chemicals, IT-related chemicals and other products	100.0	+65-6296-8183	+65-6295-2765
	Singapore Methyl Methacrylate Pte. Ltd.	MMA monomer and polymer	100.0	+65-6296-8183	+65-6296-8938
	The Polyolefin Company (Singapore) Pte. Ltd.	Polyethylene and polypropylene	67.0	+65-6292-9622	+65-6293-8890
China					
	Dalian Sumika Chemphy Chemical Co., Ltd.	Crop protection chemical intermediates	60.0	+86-(411) 8751-6068	+86-(411) 8751-6038
	Shanghai Lifetech Household Products Co., Ltd.	Products relating to household insecticides	100.0	+86-(21) 5159-3281	+86-(21) 5159-3282
	Sumitomo Chemical Shanghai Co., Ltd.	Crop protection chemicals, feed additives and environment health products	100.0	+86-(21) 6881-7700	+86-(21) 6880-0188
	Sumika Electronic Materials (Shanghai) Co., Ltd.	Polarizing film	90.0	+86-(21) 5046-2296	+86-(21) 5046-3133
	Sumika Electronic Materials (Wuxi) Co., Ltd.	Polarizing film and light diffusion plates	100.0	+86-(510)-8532-2688	+86-(510)-8532-2788
	Sumika Electronic Materials Trading (Shanghai) Co., Ltd.	Sales of IT-related chemicals	100.0	+86-(21) 5046-2296	+86-(21) 5046-3989
	Zhuhai Sumika Polymer Compounds Co., Ltd.	Polypropylene compounds	55.0	+86-(756) 5655-689	+86-(756) 5655-690

Sector : Basic Chemicals Petrochemicals & Plastics Fine Chemicals IT-related Chemicals Agricultural Chemicals Pharmaceuticals Others

* : Companies listed on the stock exchange

** : This ratio includes shares held by our subsidiaries

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
India					
	SC Enviro Agro India Private Limited	Crop protection chemicals and household insecticides	90.0	+91-(25) 25-272172	+91-(25) 25-272158
	Sumitomo Chemical India Private Limited	Crop protection chemicals and household insecticides	100.0	+91-(22) 2289-2610	+91-(22) 2289-2600
South Korea					
	Dongwoo Fine-Chem Co., Ltd.	Fine and IT-related chemicals	95.2	+82-(2) 6250-1110	+82-(2) 6250-1198
	LG MMA Corp.	MMA monomer and polymer	25.0	+82-(2) 3770-1201	+82-(2) 3770-1209
	Sumitomo Chemical Agro Seoul, Ltd.	Crop protection chemicals	100.0	+82-(2) 558-4814	+82-(2) 558-5471
Malaysia					
	Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.	Crop protection chemicals	100.0	+60-(6) 679-3711	+60-(6) 679-3698
Taiwan					
	Sumika Technology Co., Ltd.	Polarizing film	85.0	+886-(6) 505-3456	+886-(6) 505-2521
	Sumipex TechSheet Co., Ltd.	MMA sheets	100.0	+886-(7) 365-8126	+886-(7) 365-8136
	Sumitomo Chemical Taiwan Co., Ltd.	Crop protection chemicals	100.0	+886-(2) 2506-4528	+886-(2) 2506-4551
Thailand					
	Bara Chemical Co., Ltd.	Resins, optical brightening agents, and adhesives	55.0	+66-(2) 709-4598	+66-(2) 323-9997
	Sumipex (Thailand) Co., Ltd.	MMA sheets	51.0	+66-(2) 632-1820	+66-(2) 632-1831
Australia					
	Sumitomo Chemical Australia Pty. Ltd.	Crop protection chemicals and environment health products	100.0	+61-(2) 9904-6499	+61-(2) 9904-7499
New Zealand					
	New Zealand Aluminium Smelters Ltd.	Aluminum ingots	20.6	+643-(3) 218-5999	+643-(3) 218-9747
United States					
	McLaughlin Gormley King Company	Marketing of household insecticides	32.9	+1-(612) 544-0341	—
	Phillips Sumika Polypropylene Co.	Polypropylene	40.2**	+1-(832) 813-4847	+1-(832) 813-4175
	Sumitomo Chemical America, Inc.	Chemical products	100.0	+1-(212) 572-8200	+1-(212) 572-8234
	Sumitomo Chemical Capital America, Inc.	Financing	100.0	—	—
	Sumika Electronic Materials, Inc.	MOEPI wafers and other IT-related materials	100.0	+1-(602) 659-2500	+1-(602) 438-2277
	Sumika Polymers America Corp.	Equity holder in Phillips Sumika Polypropylene Co.	100.0	+1-(212) 207-0600 —	+1-(212) 207-0607
	Sumika Polymer Compounds America, Inc.	Polypropylene compounds	55.0	+1-(770) 227-6400	—
	Valent Biosciences Corp.	Crop protection chemicals	100.0**	+1-(847) 968-4700	+1-(847) 968-4802
	Valent U.S.A. Corp.	Crop protection chemicals	100.0	+1-(925) 256-2700	+1-(925) 256-2776
Mexico					
	Valent de Mexico, S.A. de C.V.	Crop protection chemicals	100.0**	+52-(333)-110-01-62	+52-(333)-110-17-54
Brazil					
	Sumitomo Chemical do Brasil Representações Limitada	Crop protection chemicals, household insecticides, and feed additives	100.0	+55-(11) 3174-0355	+55-(11) 3174-0377

Sector : Basic Chemicals, Petrochemicals & Plastics, Fine Chemicals, IT-related Chemicals, Agricultural Chemicals, Pharmaceuticals, Others

* : Companies listed on the stock exchange
** : This ratio includes shares held by our subsidiaries

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
Saudi Arabia					
Petrochemicals & Plastics	Rabigh Conversion Industry Management Services Company	Management of industrial park	100.0	+966-(2)-284-6025	+966-(2)-284-6015
Petrochemicals & Plastics	Rabigh Refining and Petrochemical Company (Petro Rabigh)	Refined petroleum products and petrochemicals	37.5	+966-(2) 425-1855	+966-(2) 425-2732
Belgium					
Fine Chemicals	Sumitomo Chemical Europe S.A./N.V.	Chemical products	100.0	+32-(2) 251-0650	+32-(2) 251-2991
France					
Agricultural Chemicals	Philagro France S.A.S.	Crop protection chemicals	60.0**	+33-(478) 64-3227	+33-(478) 47-7128
Agricultural Chemicals	Philagro Holding S.A.	Equity holder in Philagro France S.A.S.	60.0	+33-(478) 64-3227	+33-(478) 47-7128
Agricultural Chemicals	Sumitomo Chemical Agro Europe S.A.S.	Crop protection chemicals	100.0	+33-(478) 64-32-60	+33-(478) 47-25-45
Italy					
Agricultural Chemicals	Isagro Italia S.r.l.	Crop protection chemicals	50.0	+39-(02) 45280-1	+39-(02) 45280-210
Slovakia					
IT-related Chemicals	Dongwoo Fine-Chem Slovakia s.r.o.	IT-related chemicals	100.0	+421-33-593-6537	—
Spain					
Agricultural Chemicals	Kenogard S.A.	Crop protection chemicals	75.0	+34-(93) 4881270	+34-(93) 4881889
United Kingdom					
Others	Cambridge Display Technology, Inc.	R&D and licenses in PLED displays and materials	100.0	+44-1954-713-600	+44-1954-713-620
Petrochemicals & Plastics	Sumika Polymer Compounds Europe Ltd.	Polypropylene compounds	50.0	+44-2392-486350	+44-2392-472388
Others	Sumitomo Chemical (U.K.) plc.	Chemicals and financing	100.0	+44-(20) 8600-7700	+44-(20) 8600-7717
Poland					
IT-related Chemicals	Sumika Electronic Materials Poland Sp. Z o.o.	Polarizing film and light diffusion plates	100.0	+48-(56) 612-02-32	+48-(56) 612-91-22
Tanzania					
Agricultural Chemicals	Vector Health International Ltd.	OLYSET® Net	50.0	—	—
South Africa					
Agricultural Chemicals	Philagro South Africa (Pty) Ltd.	Crop protection chemicals	51.0	+27-(12) 348-8808	+27-(12) 348-3500

Sector : Basic Chemicals, Petrochemicals & Plastics, Fine Chemicals, IT-related Chemicals, Agricultural Chemicals, Pharmaceuticals, Others

* : Companies listed on the stock exchange

** : This ratio includes shares held by our subsidiaries

Sumitomo Chemical Singapore Pte. Ltd.
150 Beach Road
#19-05 Gateway West
Singapore 189720
Tel: +65-6296-8183
Fax: +65-6295-2765

Sumitomo Chemical Co., Ltd. Beijing Office
1012, Beijing Fortune Bldg.
5 Dong San Huan Bei Lu
Chaoyang District, Beijing 100004
People's Republic of China
Tel: +86-(10) 6590-8542
Fax: +86-(10) 6590-8540

Sumitomo Chemical Shanghai Co., Ltd.
Room S2402-2403
Shanghai Stock Exchange Building
No. 528 South Pudong Road
Shanghai 200120
People's Republic of China
Tel: +86-(21) 6881-7700
Fax: +86-(21) 6880-0188

Sumitomo Chemical India Private Limited
Moti Mahl, 7th Floor195, J. Tata Road
Churchgate, Mumbai 400 020, India
Tel: +91-(22) 2289-2610
Fax: +91-(22) 2289-2600

Sumitomo Chemical Agro Seoul, Ltd.
2F KTF Tower, 890-20, Doechi-doug
Kangnam-ku, Seoul, 135-737
Korea
Tel: +82-(2) 558-4814
Fax: +82-(2) 558-5471

Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.
Lot 62A, Persiaran Bunga Tanjung 1
Senawang Industrial Park 70400
Seremban, Negeri Sembilan Darul
Khusus, Malaysia
Tel: +60-(6) 679-3711
Fax: +60-(6) 679-3698

Sumitomo Chemical Taiwan Co., Ltd.
13/F-4, 206, Nanjing East Rd., Sec.2
Taipei 104, Taiwan
Tel: +886-(2) 2506-4528
Fax: +886-(2) 2506-4551

Sumitomo Chemical Australia Pty. Ltd.
501 Victoria Ave.
Chatswood NSW 2067
Australia
Tel: +61-(2) 9904-6499
Fax: +61-(2) 9904-7499

Sumitomo Chemical Co., Ltd. Wellington Office
Level 16, ASB Bank Tower
2 Hunter Street, PO Box 2278
Wellington
New Zealand
Tel: +64-(4) 472-4512
Fax: +64-(4) 473-1123

Sumitomo Chemical America, Inc.

New York Head Office
335 Madison Avenue, Suite 830
New York, NY 10017, US
Tel: +1-(212) 572-8200
Fax: +1-(212) 572-8234

Edison Office
379 Thornall Street, 7th Floor
Edison, NJ 08837, US
Tel: +1-(732) 205-1520
Fax: +1-(732) 205-1524

Sumitomo Chemical Capital America, Inc.
1013 Centre Road
Wilmington, DE 19805, US

Sumitomo Chemical do Brasil Representações Limitada
Av. Paulista 854, 11° ander conj. 112
Edificio Top Center, São Paulo, SP
CEP 01310-913, Brazil
Tel: +55-(11) 3174-0355
Fax: +55-(11) 3174-0377

Sumitomo Chemical Europe S.A./N.V.
Woluwelaan 57
B-1830 Machelen
Belgium
Tel: +32-(2) 251-0650
Fax: +32-(2) 251-2991

Sumitomo Chemical Agro Europe S.A.S.
Parc d'Affaires de Crecy
2, Rue Claud Chappe
69771 Saint Didier au Mont d'Or
France
Tel: +33-(478) 64-32-60
Fax: +33-(478) 47-25-45

Sumitomo Chemical (U.K.) plc.
Horatio House
77-85 Fulham Palace Road
London W6 8JA, UK
Tel: +44-(20) 8600-7700
Fax: +44-(20) 8600-7717

Investor Information and Corporate Information (As of March 31, 2009)

Paid-In Capital:
¥89.7 billion

Number of Employees:
Non-consolidated: 6,231
Consolidated: 26,902

Common Stock:
Authorized: 5,000,000,000 shares
Issued: 1,655,446,177 shares
(Book value: ¥89.7 billion)

Stock Transaction Units:
1,000 - share units

Number of Shareholders:
118,635

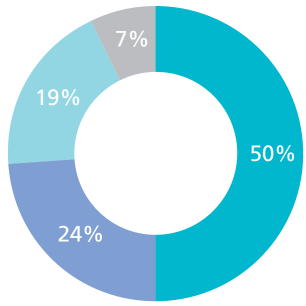
Listings:
Tokyo and Osaka

Transfer Agent and Registrar:
The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Division
4-4, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8233, Japan

Independent Certified Public Accountants:
KPMG AZSA&Co.

Contact Information:
Corporate Communications Dept.
Tel: +81-3-5543-5102
Fax: +81-3-5543-5901

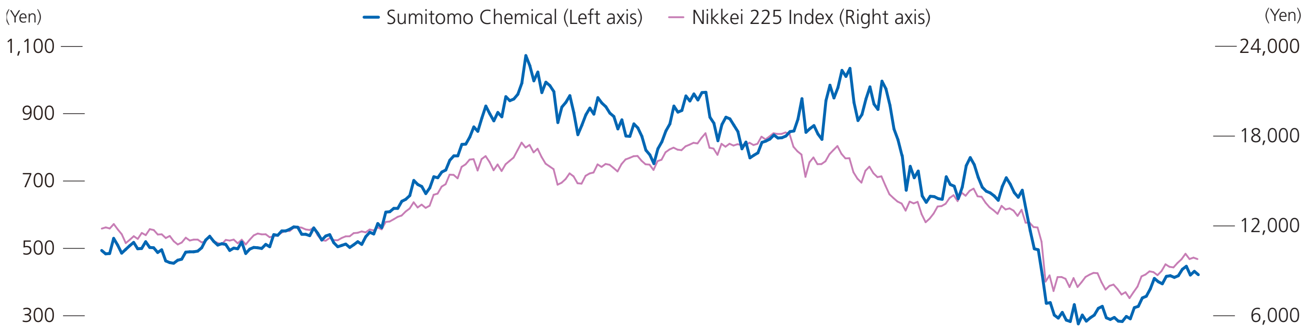
Distribution of Shareholders



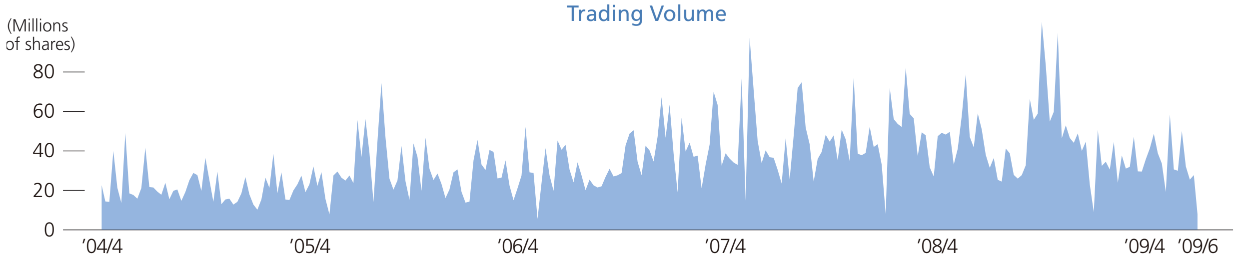
Japanese financial institutions
Foreign investors
Japanese individuals and others
Other Japanese corporations

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	123,220	7.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	122,035	7.37
Japan Trustee Services Bank, Ltd. (Trust Account No.4G)	97,334	5.88
Sumitomo Life Insurance Company	71,000	4.29
Nippon Life Insurance Company	61,516	3.72
Sumitomo Mitsui Banking Corporation	38,453	2.32
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	32,598	1.97
The Sumitomo Trust & Banking Company, Ltd.	31,007	1.87
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.75
BBH / BlackRock Global Allocation Fund, Inc.	24,500	1.48

Stock Performance



Trading Volume



Responsible Care

Sumitomo Chemical is a Responsible Care company.

SUMITOMO CHEMICAL COMPANY, LIMITED

27-1, Shinkawa 2-chome, Chuo-ku, Tokyo 104-8260, Japan
Tel: +81(3) 5543-5102 Fax: +81(3) 5543-5901

URL: http://www.sumitomo-chem.co.jp

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