SUMITOMO CHEMICAL

Annual Report 2010

Profile

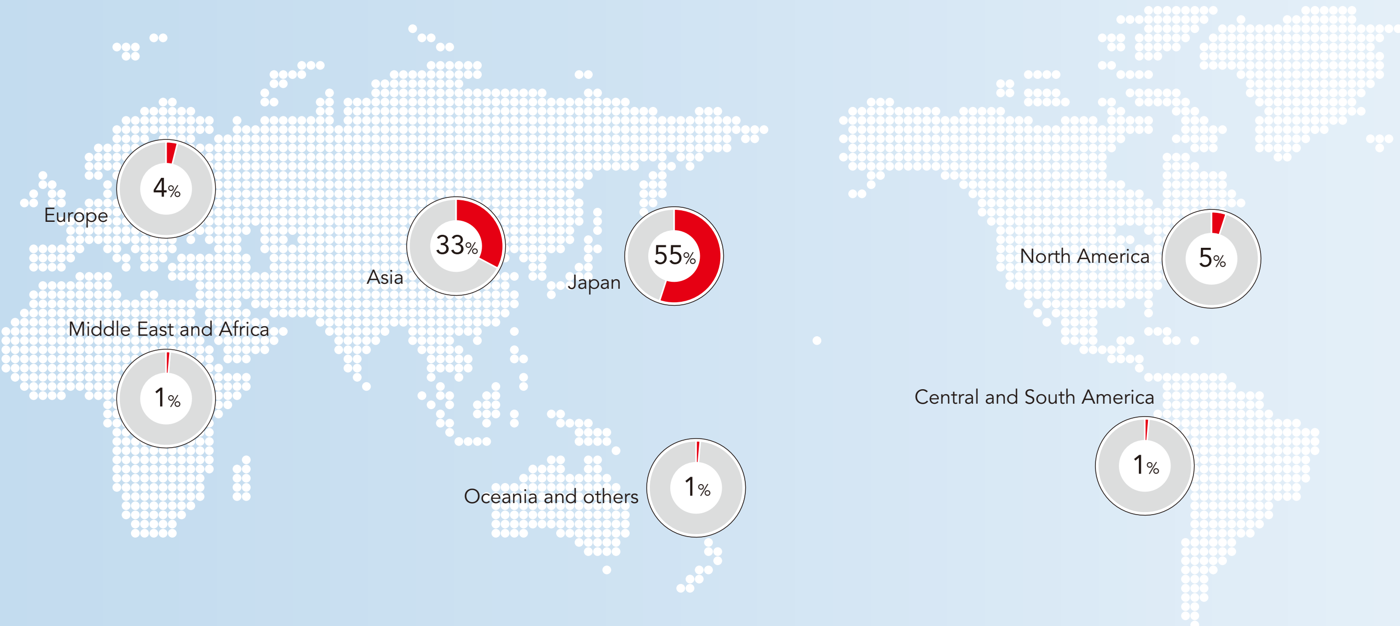
Sumitomo Chemical is one of Japan's leading chemical companies, offering a diverse range of products in the fields of basic chemicals, petrochemicals, fine chemicals, IT-related chemicals and materials, agricultural chemicals, and pharmaceuticals.

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.

Consolidated Subsidiaries
143

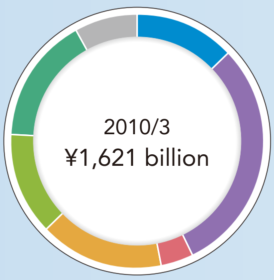
Founded
1913

Sales by Area



Sales by Sector

Basic Chemicals	13%
Petrochemicals & Plastics	30%
Fine Chemicals	4%
IT-related Chemicals	16%
Agricultural Chemicals	13%
Pharmaceuticals	16%
Others	8%



Operating Income by Sector

Basic Chemicals	-5%
Petrochemicals & Plastics	-10%
Fine Chemicals	3%
IT-related Chemicals	6%
Agricultural Chemicals	50%
Pharmaceuticals	57%
Others	-1%

As of March 31, 2010

Sumitomo Chemical's Business Philosophy

1 We commit ourselves to creating new value by building on innovation.

2 We work to contribute to society through our business activities.

3 We develop a vibrant corporate culture and continue to be a company that society can trust.

◆ Slogan ◆

Creative Hybrid Chemistry
For a Better Tomorrow

Contents

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.

History of Sumitomo Chemical

The Sumitomo Chemical Group aims to achieve further growth as a global company by capitalizing on our creative R&D capabilities and meeting people's needs.

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

1988 Establishes base for development and sales of agrochemicals in the US

1984 Establishes Sumitomo Pharmaceuticals Co., Ltd. with Inabata & Co., Ltd.

Starts operation of petrochemical complex in Singapore

1965 Establishes Sumitomo Chiba Chemical Co., Ltd. (Acquired in 1975, present-day Chiba Works)

Chiba Works

1958 Starts production of ethylene and its derivatives at Ehime Works and enters into petrochemical business

Ehime Works

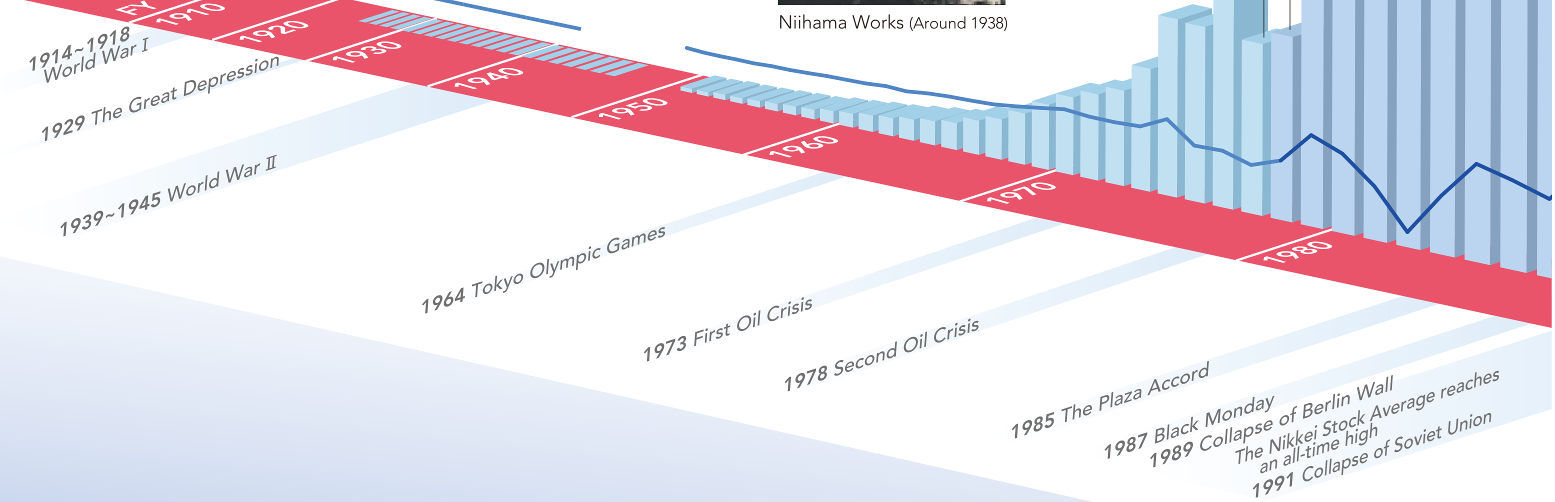
Besshi Copper Mine (Image data provided by the Sumitomo Historical Archives)

1944 Acquires Japan Dyestuff Manufacturing Company and expands into the dyestuff and pharmaceutical businesses

1913 Founded

The House of Sumitomo establishes fertilizer plant in Niihama, Ehime prefecture

Niihama Works (Around 1938)



Sumitomo Chemical's history since its founding

Petro Rabigh

Dongwoo Fine-Chem

Agricultural Chemicals Research Laboratory

MMA plant in Singapore

2009 Starts operation of integrated refining and petrochemical complex in Rabigh, Saudi Arabia

Acquires US pharmaceutical company Sepracor

2007 Acquires Cambridge Display Technology, a pioneer in the development of polymer organic light emitting diodes

2005 Sumitomo Pharmaceuticals and Dainippon Pharmaceuticals merge to form Dainippon Sumitomo Pharma

2003 Starts production of polarizing films and color filters in Korea

2002 Forms JV in agrochemical business with Takeda Pharmaceutical (JV integrated into Sumitomo Chemical in 2007)

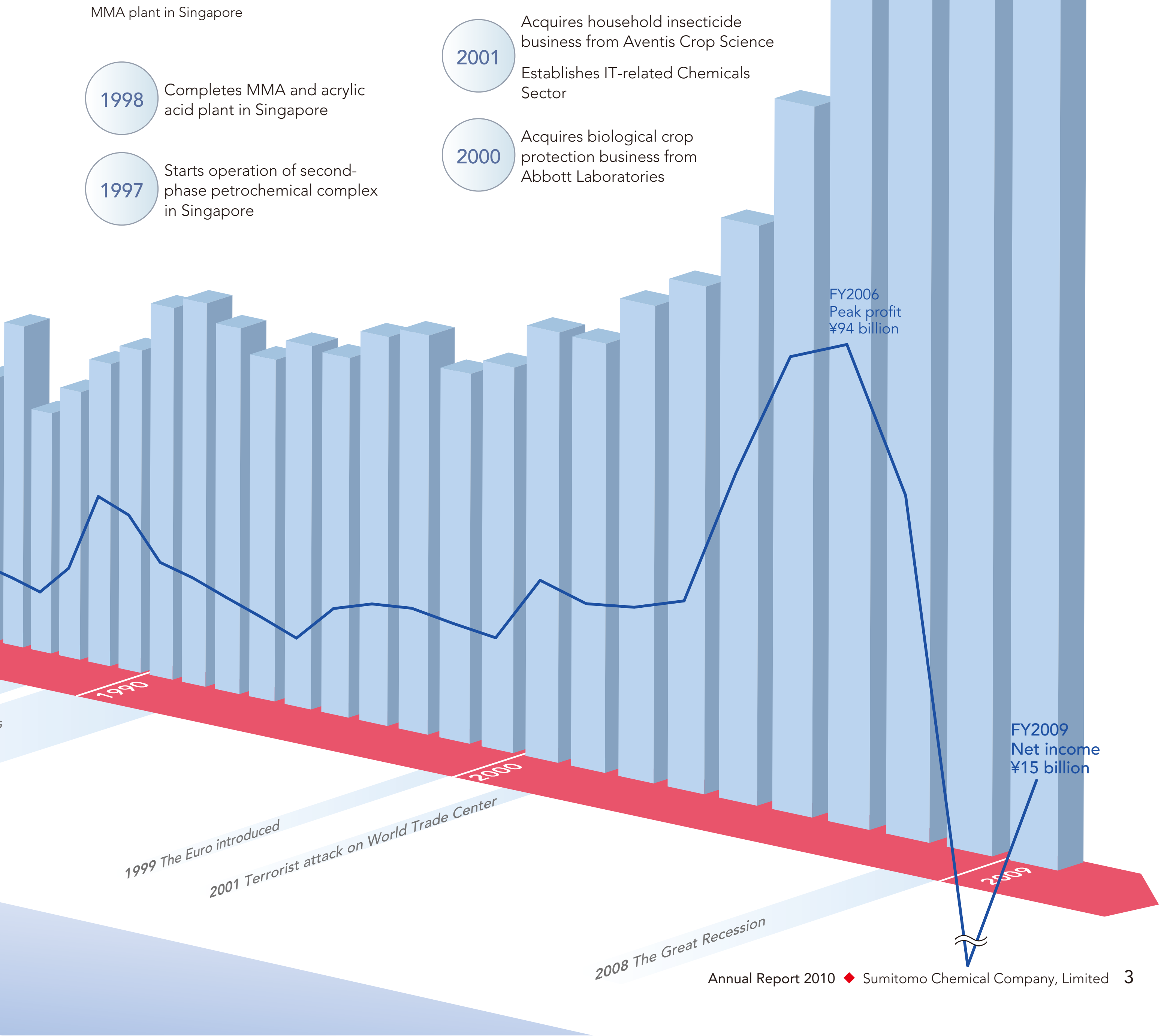
2001 Acquires household insecticide business from Aventis Crop Science

Establishes IT-related Chemicals Sector

2000 Acquires biological crop protection business from Abbott Laboratories

1998 Completes MMA and acrylic acid plant in Singapore

1997 Starts operation of second-phase petrochemical complex in Singapore



Consolidated Financial Highlights

Sumitomo Chemical Company, Limited and Subsidiaries

Overview of Fiscal 2009 (twelve months ended March 31, 2010) Financial Results

Net Sales
¥1,621 billion
-¥167 billion

- Net sales declined for the second consecutive year. Higher shipping volumes increased sales by ¥51.7 billion, but lower selling prices for petrochemicals and other products decreased sales by ¥219.0 billion.
- The value of overseas sales decreased by ¥20.9 billion to ¥728.9 billion because of the effects of a stronger yen. The ratio of overseas sales rose two points to 45%.

Operating Income
¥51 billion
+¥49 billion

Operating income improved for the first time in three years for the following reasons.

- Margins: Lower margins, mainly due to selling price declines in the IT-related Chemicals Sector, reduced operating income by ¥35.0 billion.
- Rationalization: Rationalization measures, mostly in the IT-related Chemicals Sector, increased operating income by ¥20.0 billion.
- Fixed costs: While we stepped up our efforts to cut fixed costs, increased costs for the amortization of actuarial differences in retirement benefits and fixed costs associated with the acquisition of Sepracor led to a ¥5.0 billion decline in operating income.
- Shipping volumes & others: Higher shipping volumes in the Petrochemicals & Plastics and IT-related Chemicals Sectors and the absence of inventory write-downs recorded in the Basic Chemicals and Petrochemicals & Plastics Sectors in fiscal 2008 increased operating income by ¥69.3 billion.

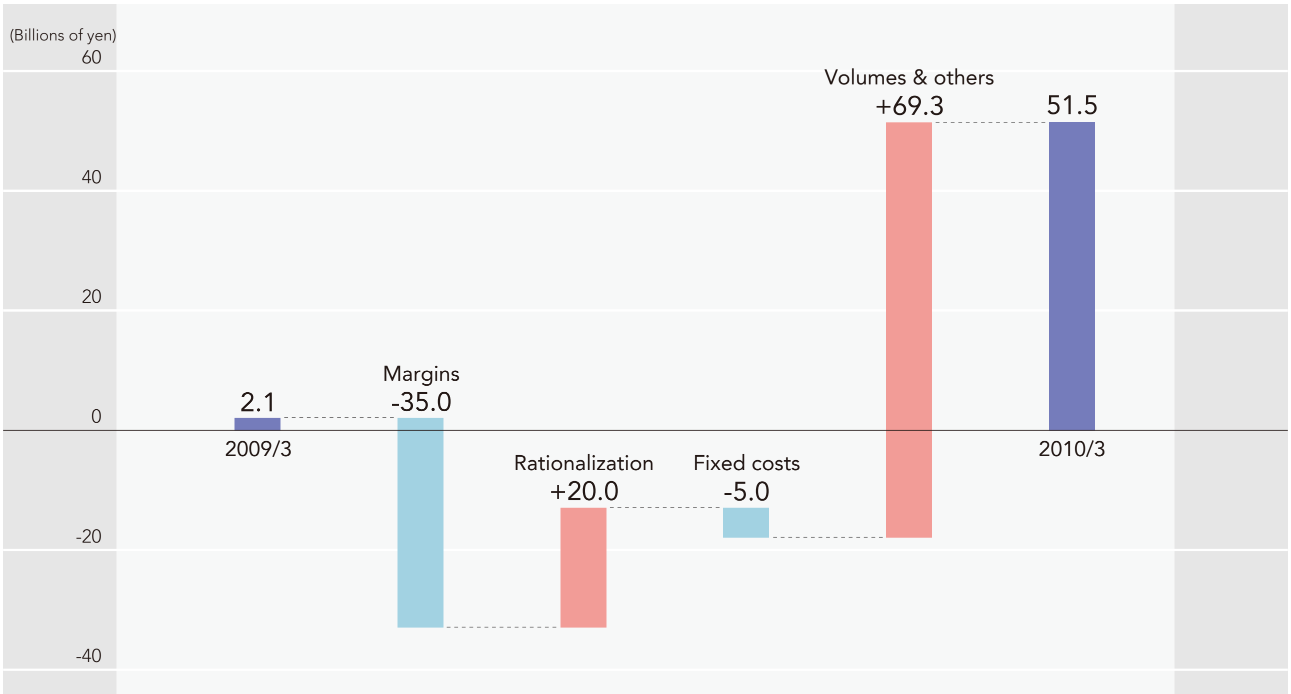
Net Income
¥15 billion
+¥74 billion

- Net income increased significantly because of the increase in operating income coupled with reduced foreign exchange losses, improved equity in earnings of affiliates, and the absence of impairment and other extraordinary losses recorded in fiscal 2008.

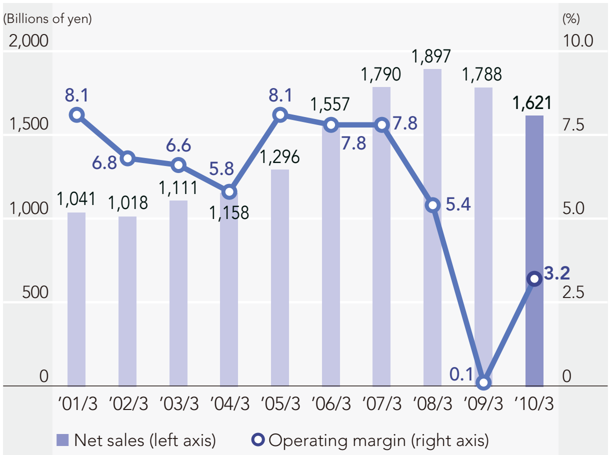
Interest-bearing Liabilities and D/E Ratio

- Interest-bearing liabilities increased to ¥997.9 billion mainly because of funding for the acquisition of Sepracor, bringing the debt-to-equity ratio to 1.2.

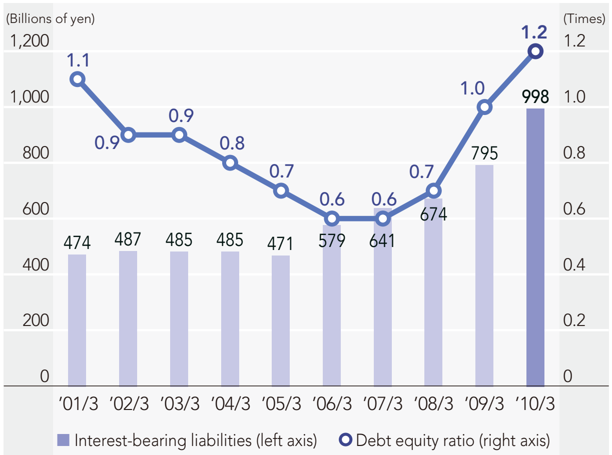
Change in Operating Income



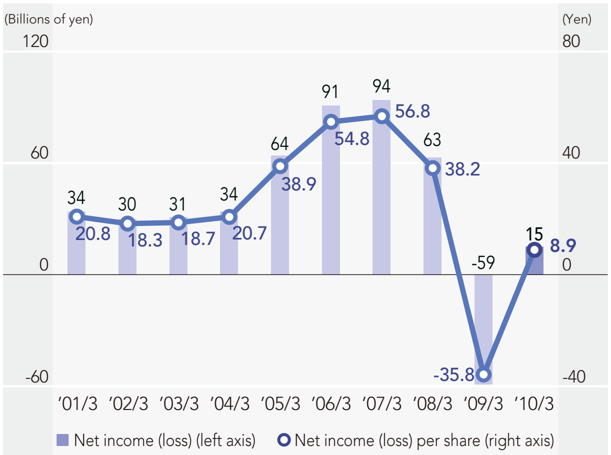
Net Sales & Operating Margin



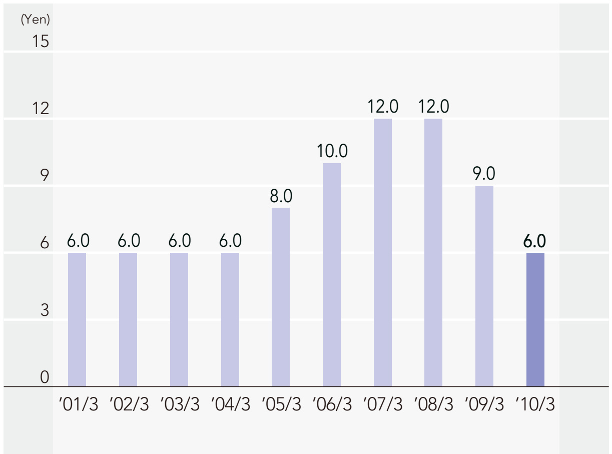
Interest-bearing Liabilities & Debt Equity Ratio



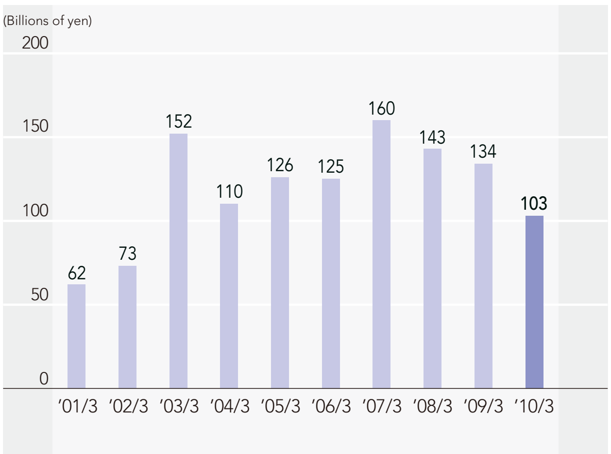
Net Income (Loss) & Net Income (Loss) per Share



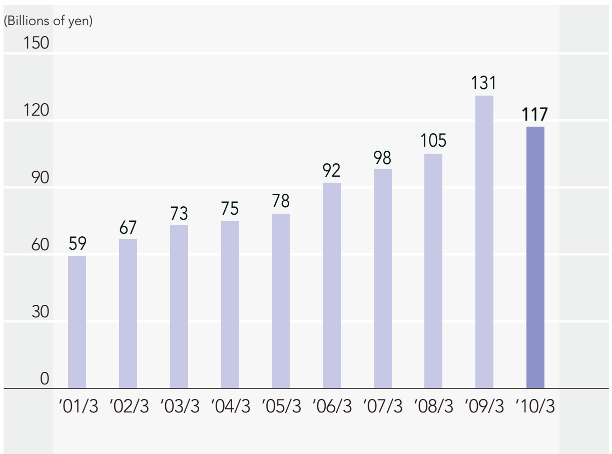
Dividends per Share



Capital Expenditures



Research and Development Expenses



	'01/3	'02/3	'03/3	'04/3
Income statement				
Net sales	¥ 1,041.0	¥ 1,018.4	¥ 1,111.1	¥ 1,158.4
Net sales from overseas operations	276.5	287.2	327.4	364.1
Operating income	84.7	68.8	73.5	66.6
Net interest expenses	(8.5)	(7.4)	(5.3)	(2.8)
Equity in (losses) earnings of affiliates	11.0	6.7	2.6	8.6
Income (loss) before income taxes and minority interests	64.4	57.8	63.2	72.3
Net income (loss)	34.1	30.2	31.1	34.3
Capital expenditures	62.1	73.0	152.0	110.2
Depreciation and amortization expenses	64.6	79.2	69.0	82.5
Research and development expenses	59.1	66.6	72.8	75.2
Cash flows				
Cash flows from operating activities	94.7	62.9	141.7	97.1
Cash flows from investing activities	(54.9)	(57.2)	(129.2)	(103.2)
Free cash flows	39.8	5.6	12.5	(6.2)
Cash flows from financing activities	(62.6)	(8.8)	(5.2)	(9.3)
Balance sheet				
Current assets	596.5	595.7	634.8	628.3
Net property, plant and equipment	400.7	401.7	465.6	481.9
Investments and other assets	458.2	395.7	383.9	439.1
Total assets	1,455.4	1,393.2	1,484.3	1,549.3
Total shareholders' equity / Net assets*3	451.8	444.6	444.3	506.1
Interest-bearing liabilities	474.2	487.3	485.2	485.3
Others				
Number of employees	17,392	17,016	17,906	19,036
Number of consolidated subsidiaries	98	102	110	110
Number of shareholders	129,835	130,176	124,281	125,463
Per share (yen, US dollars)				
Net income (loss)	20.76	18.25	18.74	20.72
Total shareholders' equity / Net assets*3	272.90	268.57	268.62	306.05
Cash dividends	6.00	6.00	6.00	6.00
Ratios				
ROA (%)*4	6.1	4.8	5.1	4.4
ROE (%)*5	7.6	6.7	7.0	7.2
Debt equity ratio (times)	1.1	0.9	0.9	0.8
Shareholders' equity ratio (%)	31.0	31.9	29.9	32.7

*1 Unless otherwise specified.

*2 US dollar amounts are translated from yen, for reference only, at ¥93.04 = $1, the prevailing rate on March 31, 2010.

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

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

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

					Billions of yen*1		Thousands of US dollars*2
'05/3	'06/3	'07/3	'08/3	'09/3	'10/3	'09/3 vs. '10/3	'10/3
¥ 1,296.3	¥ 1,556.6	¥ 1,790.0	¥ 1,896.5	¥ 1,788.2	¥ 1,620.9	-9.4%	$17,421,700
486.2	611.0	747.8	788.8	749.8	728.9	-2.8	7,834,147
105.2	120.8	139.6	102.4	2.1	51.5	x24.3	553,042
(3.0)	(2.2)	(3.9)	(2.8)	(2.7)	(5.0)	—	(54,328)
26.7	26.8	23.6	11.2	(12.8)	(7.0)	—	(75,258)
121.7	158.6	181.1	128.2	(48.7)	41.3	—	443,863
64.5	90.7	93.9	63.1	(59.2)	14.7	—	158,244
125.8	124.9	159.8	142.5	134.1	103.2	-23.0	1,109,706
88.2	104.9	113.9	125.0	140.7	116.1	-17.5	1,247,958
78.2	91.9	97.7	105.4	131.1	117.3	-10.5	1,261,049
159.8	122.8	142.9	156.6	78.4	132.9	+69.4	1,428,117
(118.0)	(180.7)	(164.2)	(182.7)	(206.2)	(269.4)	—	(2,895,550)
41.9	(57.9)	(21.3)	(26.1)	(127.8)	(136.5)	—	(1,467,433)
(31.2)	70.6	35.6	7.1	112.5	168.7	+49.9	1,813,295
694.6	946.6	995.9	1,003.2	838.1	1,013.5	+20.9	10,892,734
515.9	570.3	623.5	636.5	567.8	581.8	+2.5	6,253,687
438.3	661.5	705.5	719.3	616.6	788.6	+27.9	8,475,957
1,648.8	2,178.4	2,324.9	2,358.9	2,022.6	2,383.9	+17.9	25,622,378
569.6	719.8	1,030.5	1,006.0	775.6	821.4	+5.9	8,828,848
470.7	578.6	641.0	673.9	795.4	997.9	+25.5	10,725,892
20,195	24,160	24,691	25,588	26,902	27,828	+3.4	—
104	105	105	116	126	143	+13.5	—
121,349	116,509	115,249	108,027	118,636	118,600	-0.0	—
38.94	54.80	56.82	38.20	(35.84)	8.92	—	0.096
344.58	435.51	479.87	465.21	329.74	348.52	+5.7	3.746
8.00	10.00	12.00	12.00	9.00	6.00	-33.3	0.064
6.6	6.3	6.2	4.4	0.1	2.3	—	—
12.0	14.1	12.4	8.1	(9.0)	2.6	—	—
0.7	0.6	0.6	0.7	1.0	1.2	—	—
34.5	33.0	34.1	32.6	26.9	24.1	—	—

To Our Shareholders, Customers and Partners

Hiromasa Yonekura
Chairman

Hiroshi Hirose
President

Performance for Fiscal 2009

In fiscal 2009, thanks to the stimulus measures implemented worldwide in the wake of the economic crisis, the global economy headed toward a modest recovery. Demand bounced back in the second half, but the overall business environment remained challenging throughout the year. Net sales of the Sumitomo Chemical Group for fiscal 2009 were ¥1,620.9 billion, a decline of ¥167.3 billion from the previous fiscal year due to lower selling prices and the effect of yen appreciation. While we reported lower sales for the Group, our Pharmaceuticals Sector achieved higher sales because of the contribution of Sepracor Inc., a US pharmaceutical company acquired in October 2009.

Our operating income for fiscal 2009 rose sharply to ¥51.5 billion from ¥2.1 billion for fiscal 2008, when our performance was seriously affected by the financial crisis. Operating income for our Basic Chemicals and Petrochemicals & Plastics Sectors significantly improved due to higher sales volumes and the absence of the inventory write-downs recorded in fiscal 2008.

We posted net income of ¥14.7 billion for fiscal 2009, an improvement of ¥73.9 billion from the net loss of ¥59.2 billion for the previous fiscal year. The significant turnaround reflects the higher operating income, a considerable decrease in foreign currency exchange losses, and higher equity in earnings of our affiliate Petrochemical Corporation of Singapore, as well as the absence of the impairment losses and other extraordinary expenses recorded in fiscal 2008.

Given these results, we have declared a year-end dividend of ¥6 per share, which, with no interim dividend paid, makes our annual dividend for fiscal 2009 ¥6 per share.

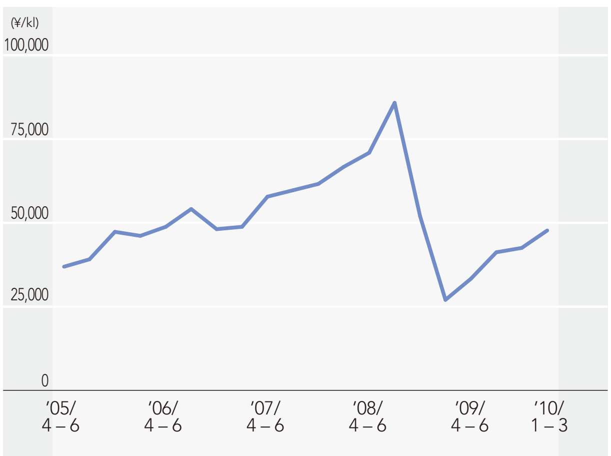
Results of Corporate Business Plan for Fiscal 2007 to Fiscal 2009

Under our Corporate Business Plan for the three years from fiscal 2007, we carried out a range of investments and initiatives in our priority areas, with the aim of reaching new heights as a global company and paving the way for further growth. We successfully completed the Rabigh Project with Saudi Aramco in Saudi Arabia and started the operation of our world-scale integrated oil refining and petrochemical complex in April 2009. In life sciences, our consolidated subsidiary Dainippon Sumitomo Pharma (DSP) made great progress in the Phase Ⅲ global clinical trials of its antipsychotic agent lurasidone for the treatment of schizophrenia and bipolar disorder. DSP filed a new drug application with the US Food and Drug Administration for the use of lurasidone in the treatment of schizophrenia in December 2009, nine months earlier than planned. In addition, DSP acquired US pharmaceutical company Sepracor Inc., which is an important step forward in building a presence in North America, the world's largest pharmaceutical market. We also stepped up investments to spur the development of innovative technologies that we expect to become our future growth engines, such as polymer organic light emitting diodes (PLEDs), a next-generation display technology that is attracting global attention. Despite the successful implementation of these initiatives, however, our financial performance for fiscal 2009, the final year of the Corporate Business Plan, ended far below our target due to the lingering effects of the Great Recession.

New Corporate Vision and Corporate Business Plan for Fiscal 2010 to Fiscal 2012

We started fiscal 2010 by launching our new Corporate Vision and Corporate Business Plan for fiscal 2010 to fiscal 2012. In our Corporate Vision, we have set out Sumitomo Chemical's long-term direction and intentions for the next ten to twenty years. First, we will aim to achieve sustainable growth as a stronger, more innovative global company by capitalizing on our creative R&D capabilities and meeting the evolving needs of both developed and emerging markets around the world. Second, we will aim to contribute to the sustainable development of the global community by helping address pressing global challenges, from improving people's health and lives to increasing energy and food security and building a low-carbon society. Third, we will aim to continuously enhance our corporate value and meet the expectations of our shareholders over the

Naphtha Price



Foreign Exchange Rate

long term. We will direct our resources to three high-growth areas in which we see ourselves having a distinct competitive advantage — environment and energy, life sciences, and information and communication technology (ICT) — with the goal of building a well-balanced business portfolio that will enable bulk chemicals, ICT, and life sciences to each account for 30% of the Group sales in fiscal 2020.

Our Corporate Business Plan for fiscal 2010 to fiscal 2012 represents the vital first phase of our effort to accomplish our Corporate Vision. Our first priority is to achieve as soon as possible maximum return on the investments that we have implemented. We expect our Rabigh complex in Saudi Arabia to contribute significantly in fiscal 2010 and beyond, and DSP is now preparing to start marketing lurasidone for the treatment of schizophrenia in the US in the first calendar quarter of 2011. In the Agricultural Chemicals Sector, we have made a strategic investment to acquire a 20% stake in Nufarm Limited and have begun to work with the Australian agrochemicals company to build a comprehensive alliance, from R&D to manufacturing, logistics, and sales and marketing, with the aim of further expanding and strengthening our crop protection business overseas.

In addition, we will work to accelerate our growth by developing innovative products and creating new businesses in the three high-growth areas of environment and energy, life sciences, and ICT. In particular, we are aiming to complete by the end of fiscal 2010 the development of high-performance PLED materials that will enable the production of PLED display panels for large-screen televisions.

During fiscal 2010, the first year of the new Corporate Business Plan, we must brace ourselves for some major challenges, such as competition with new petrochemical plants in the Middle East and Asia, as well as the burden of patent amortization expenses arising from the acquisition of Sepracor Inc. We are determined, however, to put our initiatives into action and achieve our performance targets for fiscal 2012 — net sales of ¥2,400 billion, operating income ¥190 billion, ordinary income of ¥220 billion, and net income of ¥140 billion, assuming an exchange rate of ¥90/US$, a price of naphtha in Japan of ¥50,000/kl, and a WTI crude oil price of US$85/bbl. We will also take measures to enhance our financial strength, such as controlling capital expenditures within the amount of cash flows from operating activities and maintaining the current level of interest-bearing liabilities so that our debt-to-equity ratio will improve to 1.0 at the end of fiscal 2012, from 1.2 at the end of fiscal 2009.

We the Sumitomo Chemical Group will work as one to become a stronger, more innovative global company. We will all strive together to deliver creative solutions to the challenges facing people around the world and contribute through our businesses to the sustainable development of the global community. And together we will all strive to enhance our corporate value and meet your expectations over the long term.

We thank you very much for your continued encouragement, support and cooperation.

July 2010

米倉弘昌

Hiromasa Yonekura
Chairman

廣瀬 博

Hiroshi Hirose
President

Corporate Business Plan

FY2010 – FY2012

The Sumitomo Chemical Group commenced its new Corporate Business Plan FY2010 – FY2012 in April 2010.

The new Corporate Business Plan is the first step toward realizing our Corporate Vision, which was formulated on the basis of long-term market prospects and our business portfolio. Under the Plan, we aim to quickly maximize profits and cash flows from the major investments that we have implemented.

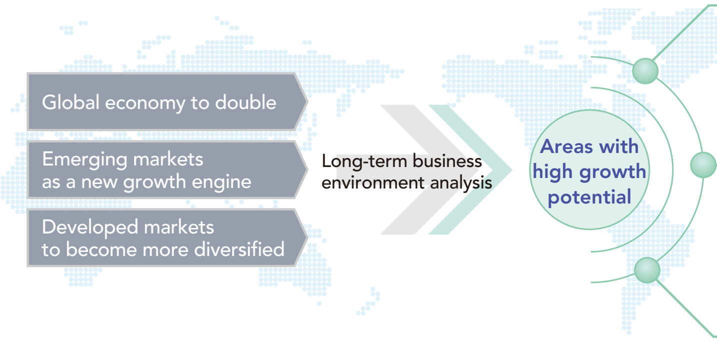
I High growth expected in the areas of environment and energy, life sciences, and ICT

Long-term Business Environment Outlook and Corporate Vision

In formulating our new Corporate Business Plan, amid major changes in the economic environment, we made long-term forecasts, based on our own perspectives, on the prospects of the international community and the global economy, as well as the business environment surrounding the chemical industry over the next 20 years. We anticipate that emerging countries will see rapid population increases and will take the place of developed countries as an engine of growth for the global economy, which is expected to double by 2030. Furthermore, we expect that while huge mass production-oriented markets will be created in emerging countries, developed markets will become more highly segmented with an increasing diversification of consumer tastes. Given these long-term prospects, we have identified the fields of environment and energy, life sciences, and ICT (information and communication technology) as business areas with high growth potential.

Based on our long-term market forecasts and our business portfolio, we formulated our Corporate Vision that expresses what we aim to achieve in the future, as well as three strategies for realizing this Corporate Vision.

Global Economy & Business Environment in the Next 20 Years



Environment & Energy

- Demand for renewable energy, advanced power storage, and resource-saving technologies will grow in both developed countries and emerging countries.
- Demand for lightweight automobile materials and insulation materials will increase.

Life Sciences

- Demand for pharmaceuticals and medical care will grow in developed countries for major diseases afflicting elderly patients. In emerging countries, it will also grow in general along with rising income levels.
- Food production needs to be increased as the world population grows steadily.

ICT

- ICT will play an increasing role in meeting customer needs for greater comfort and convenience in developed countries. In emerging economies, it will help to promote industrial development and improve living standards.
- Innovative new technologies, such as printable electronics, will emerge.

Corporate Vision

- Achieve sustainable strong growth as a stronger, more innovative global company
- Contribute to sustainable development of the global community
- Continuously enhance the value of the company

Strategies to Realize Corporate Vision

1 Technology Strategy

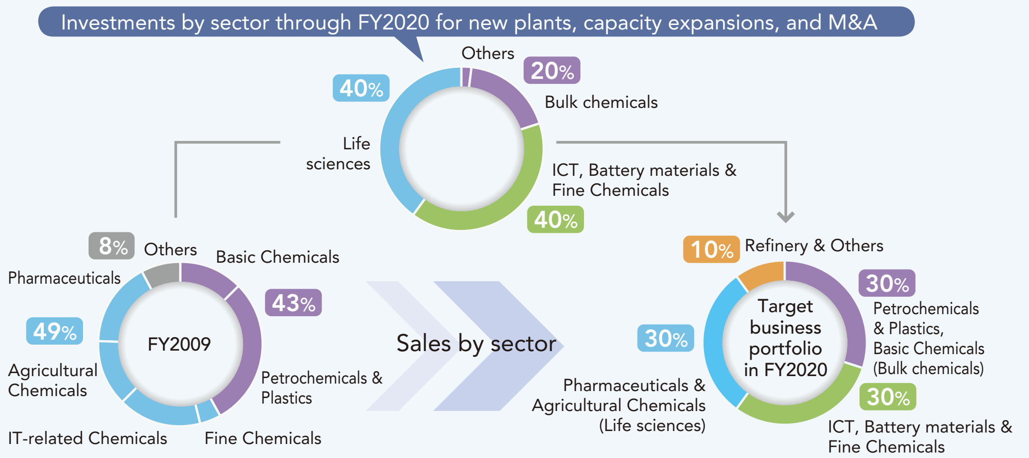
- Focus R&D resources on the three high-growth areas
- Continue Creative Hybrid Chemistry
- Pursue Green Sustainable Chemistry
- Accelerate R&D in downstream applications
- Strengthen basic research

2 Climate Change Strategy

Basic Policy	Help solve pressing global issues of resources, energy and the environment
Priority Climate Change Initiatives	Achieve the world's highest level of energy efficiency Develop products and technologies that will contribute to CO_2 emissions reduction
CO_2 Emissions Reduction Measures	Enhance carbon management and implement proactive, effective and coordinated measures throughout the Sumitomo Chemical Group

3 Business Portfolio Strategy

Build a well-balanced business portfolio that will enable bulk chemicals, ICT, and life sciences to each account for 30% of the Group's sales in fiscal 2020.



II Overview of the New Corporate Business Plan

Pursuing seven priority initiatives to realize our Corporate Vision

Our new Corporate Business Plan, which commenced in April 2010, is a three-year plan ending in fiscal 2012, and is the first step toward realizing our Corporate Vision mentioned above. The global economy is starting to show some signs of recovery, partly as a result of the economic stimulus measures implemented in major economies. Furthermore, demand for polyolefins and flat panel displays is increasing because of the strong growth of Asian markets, primarily China. Nevertheless, there are concerns about deterioration in the supply and demand balance of petrochemical products because several large-scale petrochemical plants in the Middle East and China, including our Rabigh complex, are coming on stream between 2009 and 2011.

In this challenging business environment, we will pursue the seven basic initiatives described below.

Seven Basic Initiatives

1 Quickly maximize profits and cash flows from major investments

- Maximize profits from the Rabigh Project
- Successfully launch US sales of lurasidone upon FDA approval and maximize the value of lurasidone, leveraging Sepracor's strengths
- Establish competitive position in LCD materials business by building on economies of scale and technological innovation
- Achieve full operation of new resorcinol and DL-methionine plants immediately after completion of the facilities
- Increase sales of battery materials and ArF photoresist

2 Enhance financial strength

- Enhance financial strength by strengthening cash flow management, while implementing investments for future growth
- Build a business structure that is more resilient to currency exchange rate fluctuations

3 Strengthen cost competitiveness of core and commodity businesses

- Establish optimal global production and sales operations as soon as possible
- Strengthen cost competitiveness through thorough rationalization to build a greater presence in emerging markets, where competition is intensifying

4 Accelerate business growth

- Develop new businesses in the three high-growth areas: environment and energy, life sciences, and ICT
- Promote cross-sectoral projects within the Sumitomo Chemical Group for development of new products & businesses

5 Implement Climate Change Strategy

6 Strengthen global management system

- Reengineer work processes globally and upgrade management information system
- Develop human resources to drive the globalization of business

7 Ensure full and strict compliance; maintain safe and stable operations

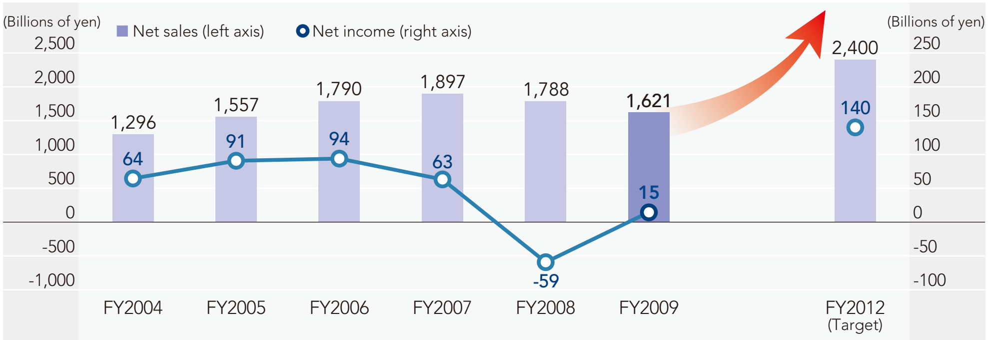
III Performance Targets of the New Corporate Business Plan

We anticipate that the global economy will return to a track toward growth, and supply and demand conditions for petrochemical products will improve by fiscal 2012, the final year of the Plan. Assuming an exchange rate of ¥90 per dollar, a naphtha price of ¥50,000 per kiloliter and a crude oil (WTI) price of $85 per barrel, the Company seeks to achieve sales of ¥2,400 billion, operating income of ¥190 billion, ordinary income of ¥220 billion, net profit of ¥140 billion and return on equity of 20.8%. The Company expects equity in earnings of affiliates to increase to ¥40 billion because of the stronger performance of Petro Rabigh and other affiliates.

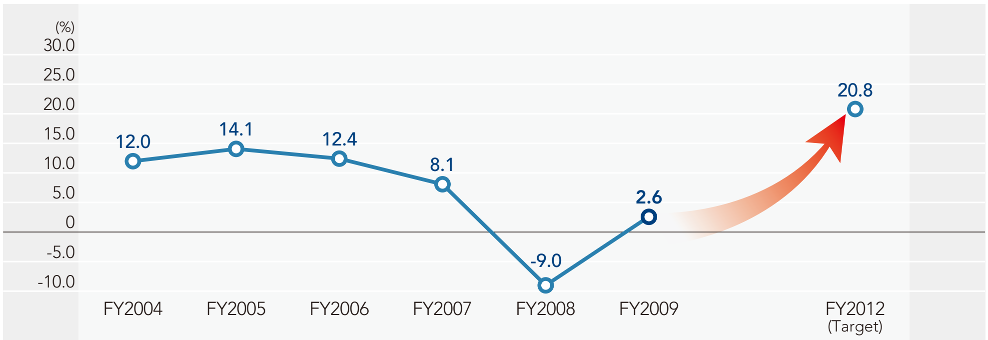
Net Sales	¥2.4 trillion
Operating Income	¥190 billion
Ordinary Income	¥220 billion
(Including equity in earnings of affiliates of ¥40 billion)	
Net Income	¥140 billion

Assumptions: Exchange rate: ¥90/US$
Naphtha: ¥50,000/kl
Crude oil: US$85/bbl

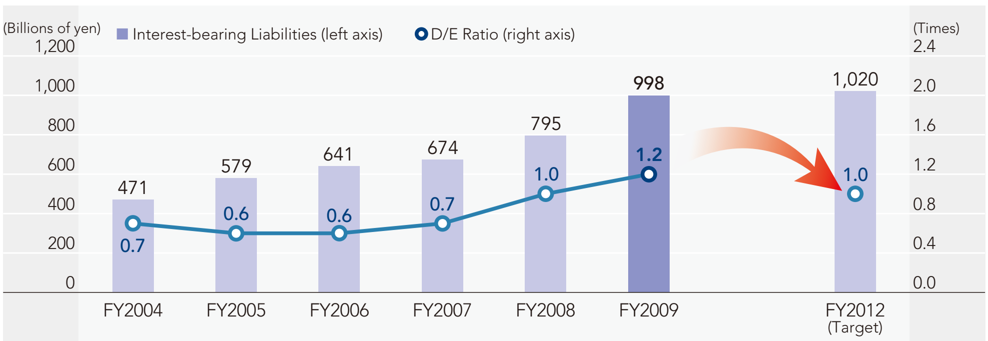
Net Sales & Net Income



Return on Equity



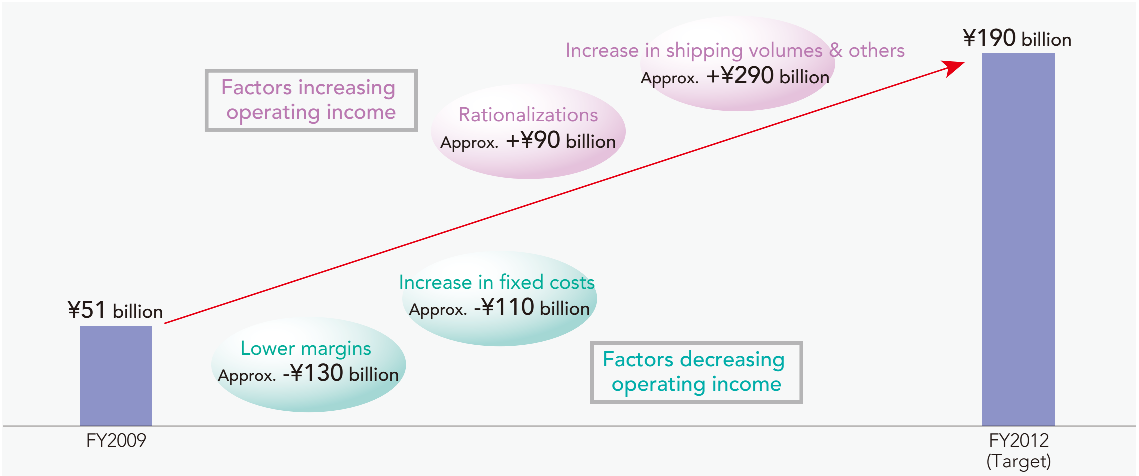
Interest-bearing Liabilities & D/E Ratio



Factors Contributing to Change in Operating Income

We are aiming to significantly increase operating income by ¥139 billion, from ¥51 billion in fiscal 2009 to ¥190 billion in fiscal 2012. Although we expect a decline in the price of liquid crystal display (LCD) materials, a reduction in the price of pharmaceuticals due to the revision of national health insurance drug prices, and an increase in fixed costs owing to the acquisition of Sepracor Inc., a US pharmaceutical company, we are aiming to achieve substantial income growth through increased shipments and rationalization efforts. Sales in the Pharmaceuticals Sector are projected to grow substantially thanks to the acquisition of Sepracor Inc. and the launch of lurasidone. In the IT-related Chemicals Sector and the Agricultural Chemicals Sector, sales of LCD materials and feed additives are anticipated to increase. In addition, the Company will continue to pursue cost rationalization through measures such as low-cost procurement of feedstocks used for LCD materials.

Change in Operating Income: FY2009 vs. FY2012



Cash Flows and Interest-bearing Liabilities Balance

Under the new Corporate Business Plan, we aim to enhance our performance while also improving our financial strength. Cumulative cash flows from operating activities for the three years of the new Corporate Business Plan are anticipated to increase to ¥510 billion thanks to improved performance. Meanwhile, the three-year cumulative cash flows from investing activities, such as capital investment and M&A, are expected to decrease to ¥510 billion due to focused investments. As a result, interest-bearing liabilities, which had been on the increase in recent years, are projected to be maintained at ¥1,020 billion at the end of fiscal 2012, almost equivalent to the current level. Although interest-bearing liabilities will not decrease, the Company anticipates the debt-equity ratio to improve from 1.2 at the end of fiscal 2009 to 1.0 at the end of fiscal 2012 because of an increase in retained earnings.

(Billions of yen)

	Corporate Business Plan FY2007 – FY2009	Corporate Business Plan FY2010 – FY2012 (Target)
Cash flows from operating activities	368	510
Cash flows from investing activities	-658	-510
Free cash flows	-290	0

Hold new cash investments to within the level of operating cash flows

	End of FY2009	End of FY2012 (Target)
Interest-bearing liabilities	998	1,020

Maintain the current level of interest-bearing liabilities

Summary of Corporate Business Plan FY2007 – FY2009

Under our previous Corporate Business Plan, which spanned fiscal 2007 through fiscal 2009, we undertook a variety of initiatives, such as the Rabigh Project, with the aim of "Reaching New Heights as a Global Company."

The Rabigh Project, a world-scale oil refining and petrochemical complex, was constructed during the period of the Plan and started operation in 2009. We also made steady investments in business areas with high growth potential. We acquired Sepracor Inc., a US pharmaceutical company, and made progress in R&D projects such as polymer organic light emitting diodes. At the same time, we implemented major investments overseas and progressed further in the globalization of our business, which has been a major focus of the Company.

Despite the successful implementation of these initiatives, however, our financial performance for fiscal 2009, the final year of the Corporate Business Plan, ended far below our target due to the lingering effects of the Great Recession.

Measures Implemented in Priority Areas to Pave the Way for Further Growth

Basic Chemicals	• MMA production capacity expanded in Korea (2007) and in Singapore (Phase Ⅲ) (2008)
Petrochemicals & Plastics	• The Rabigh complex completed and started (2009) • Logistics & marketing network for Rabigh petrochemicals built in Asia & Europe (2009) • PP compound operations established in UK & France (2007), Thailand (2009) and the US (2009); expanded in China (2009)
Fine Chemicals	• Resorcinol production capacity expanded in Chiba (2007) and in Oita (start up in 2010)
IT-related Chemicals	• Polarizing film production capacity expanded in Korea (2008) and Ehime (2009) • Color filter production capacity expanded in Korea (2007 & 2008) • ArF photoresist production capacity expanded (2009)
Agricultural Chemicals	• Integrated crop protection chemicals JV Sumitomo Chemical Takeda Agro (2007) • Invested in Australian agrochemicals company Nufarm (2009) • OLYSET® Net anti-malarial insecticidal bed net capacity expanded (2007 – 2009) • DL-methionine production capacity expanded in Ehime (start up in 2010)
Pharmaceuticals	• Global Phase Ⅲ clinical trials of lurasidone, with targeted launch in US in 2011 • Acquired US pharmaceutical company Sepracor Inc. (2009)
Others	• Acquired UK PLED venture Cambridge Display Technology (2007)

Major investments implemented overseas to pursue our globalization initiatives

Sector Overview

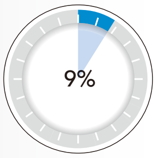
Sumitomo Chemical at a Glance

FY2009	Net Sales	Operating Income (Loss)	Major Factors for Change in Operating Income
 Basic Chemicals page 22	¥203.3 billion 13% (-¥36.7 billion)	-¥2.7 billion -5% (+¥12.7 billion)	• Improvement in inventory valuation gains and losses • Lower fixed costs in our methyl methacrylate (MMA) plant in Singapore
 Petrochemicals & Plastics page 24	¥481.5 billion 30% (-¥71.4 billion)	-¥5.3 billion -10% (+¥25.0 billion)	• Improvement in inventory valuation gains and losses • Increase in shipping volumes of synthetic resins and other products
 Fine Chemicals page 26	¥67.6 billion 4% (-¥13.2 billion)	¥1.5 billion 3% (-¥0.1 billion)	• Decrease in shipping volumes
 IT-related Chemicals page 28	¥265.2 billion 16% (-¥41.9 billion)	¥3.3 billion 6% (+¥4.3 billion)	• Progress in rationalization • Increase in shipping volumes of polarizing films and other products
 Agricultural Chemicals page 30	¥211.5 billion 13% (-¥10.7 billion)	¥25.9 billion 50% (+¥1.5 billion)	• Increase in shipping volumes of herbicides and feed additives
 Pharmaceuticals page 32	¥267.5 billion 16% (+¥31.9 billion)	¥29.3 billion 57% (-¥3.0 billion)	• Increase in loss from retirement benefit adjustment • Increase in amortization and other costs following the acquisition of Sepracor

* Figures in parentheses show changes from FY2008.

Assets	Major Products

¥218.2 billion



(+¥18.0 billion)

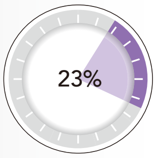
- Acrylonitrile • Caprolactam
- Aniline • Methanol
- Methyl methacrylate monomer and polymer
- Nitric acid • Caustic soda
- Aluminum hydroxide • Alumina
- High-purity aluminum • Aluminum


Products made of MMA


Caprolactam and nylon 6 products


Alumina powder and alumina products

¥549.7 billion



(+¥50.5 billion)

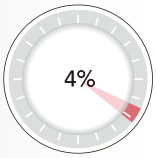
- Ethylene • Propylene
- Styrene monomer • Propylene oxide
- Polyethylene • Polypropylene
- Ethylene-vinyl acetate copolymer
- Thermoplastic elastomer
- Ethylene-propylene rubber
- Acrylonitrile butadiene styrene copolymer
- Agricultural films
- Polypropylene sheets


Polyethylene products


Automotive components made of polypropylene


Tire made of synthetic rubber

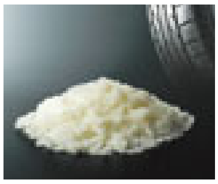
¥102.8 billion



(+¥1.3 billion)

- Resorcinol
- Active pharmaceutical ingredients
- Pharmaceutical intermediates
- Polymer additives
- Photo and imaging chemicals
- Organic rubber chemicals
- Dyestuffs
- Ethylene-vinylacetate copolymer emulsions


Polymer additives

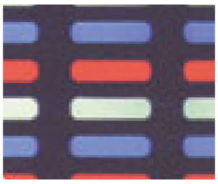

Resorcinol


Pharmaceutical chemical products

¥241.4 billion

(+¥20.6 billion)

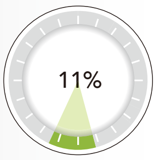
- Optical functional films
- Pigment dispersed color filters
- Light diffusion plates
- Light guide plates
- Photoresists • High-purity chemicals
- Sputtering targets
- Super engineering plastics
- MOEPI wafers • Metal organics
- High-purity gallium


Color filters


Polarizing film for LCDs


Electronic component made of liquid crystal polymer

¥251.9 billion



(+¥27.3 billion)

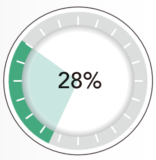
- Crop protection products (insecticides, fungicides, herbicides and plant growth regulators)
- Household insecticides
- Public hygiene insecticides
- Long-lasting insecticidal nets
- Animal health products
- Feed additives • Fertilizers


Crop protection products


Products using our household insecticides


DL-methionine

¥673.7 billion



(+¥231.6 billion)

- Ethical pharmaceuticals
- Radiopharmaceuticals
- Radiation therapy equipment


AVAPRO®


LONASEN®


FDGScan injectable

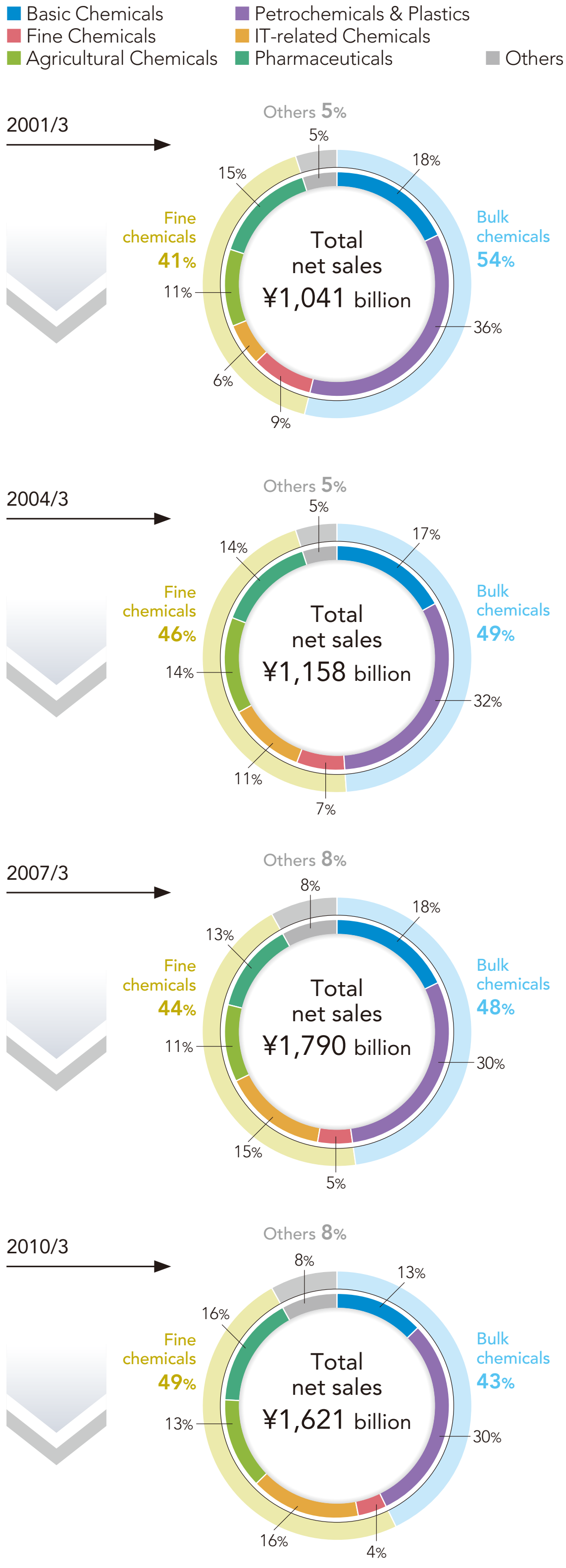
Business Sector Highlights

	'01/3	'02/3	'03/3	'04/3	'05/3	'06/3	'07/3
Net sales							
Basic Chemicals	¥ 182.8	¥ 175.2	¥ 194.4	¥ 199.1	¥ 225.8	¥ 252.4	¥ 314.0
Petrochemicals & Plastics	375.5	338.9	371.6	362.4	412.6	486.1	539.1
Fine Chemicals	91.7	80.2	83.9	80.6	84.1	79.0	90.9
IT-related Chemicals	60.2	59.8	82.5	123.5	174.8	229.2	266.4
Agricultural Chemicals	122.2	135.4	158.7	167.1	171.6	186.2	198.3
Pharmaceuticals	156.7	174.0	168.4	166.6	170.7	233.1	234.5
Others	51.8	54.9	51.6	59.2	56.8	90.6	146.8
Total	1,041.0	1,018.4	1,111.1	1,158.4	1,296.3	1,556.6	1,790.0
Operating income (loss)							
Basic Chemicals	5.0	3.5	5.7	2.6	5.2	10.0	13.5
Petrochemicals & Plastics	7.4	(0.4)	5.0	(1.6)	15.0	17.9	23.6
Fine Chemicals	6.5	8.9	9.3	8.8	11.5	9.8	13.1
IT-related Chemicals	3.1	(6.3)	0.5	14.3	18.7	21.7	3.5
Agricultural Chemicals	19.5	17.9	16.7	10.7	14.8	16.6	23.3
Pharmaceuticals	38.8	42.0	32.3	27.8	34.4	38.3	56.2
Others	4.4	3.3	4.2	4.9	5.7	5.8	8.0
Elimination	0.1	(0.2)	(0.2)	(0.9)	(0.3)	0.7	(1.5)
Total	84.7	68.8	73.5	66.6	105.2	120.8	139.6
Capital expenditures							
Basic Chemicals	6.7	10.7	19.6	13.3	18.2	20.7	24.6
Petrochemicals & Plastics	9.5	12.3	26.1	11.7	13.7	16.1	16.9
Fine Chemicals	10.7	9.6	6.7	7.0	7.5	7.0	4.6
IT-related Chemicals	5.2	8.4	29.8	37.2	40.2	44.0	72.0
Agricultural Chemicals	4.4	19.2	26.5	5.7	18.0	8.8	10.1
Pharmaceuticals	19.1	5.0	13.5	21.7	19.1	10.6	12.5
Others	6.5	7.8	29.7	13.7	9.0	17.7	19.1
Total	62.1	73.0	152.0	110.2	125.8	124.9	159.8
Research and development expenses							
Basic Chemicals	3.1	3.1	2.8	4.6	5.1	5.3	5.7
Petrochemicals & Plastics	7.3	7.4	7.8	11.0	10.9	11.4	11.3
Fine Chemicals	6.1	5.5	5.3	4.0	4.4	4.4	4.2
IT-related Chemicals	5.0	5.6	6.3	7.7	9.7	12.8	12.6
Agricultural Chemicals	10.7	10.9	13.1	17.9	18.6	19.4	18.7
Pharmaceuticals	20.1	24.4	28.1	28.3	28.1	36.7	42.5
Others	6.6	9.3	9.3	1.7	1.4	1.9	2.6
Total	59.1	66.6	72.8	75.2	78.2	91.9	97.7

* US dollar amounts are translated from yen, for reference only, at ¥93.04 = $1, the prevailing rate on March 31, 2010.

'08/3	'09/3	'10/3 (Billions of yen)	'10/3 (Thousands of US dollars*)
¥ 314.7	¥ 240.0	¥ 203.3	$ 2,185,017
603.3	553.0	481.5	5,175,505
92.9	80.8	67.6	726,225
297.5	307.1	265.2	2,850,666
200.4	222.2	211.5	2,273,710
237.6	235.6	267.5	2,874,721
150.1	149.5	124.3	1,335,856
1,896.5	1,788.2	1,620.9	17,421,700
10.6	(15.3)	(2.7)	(28,568)
4.5	(30.3)	(5.3)	(57,169)
11.4	1.6	1.5	16,079
6.3	(1.0)	3.3	35,512
20.9	24.4	25.9	278,547
46.5	32.4	29.3	315,434
3.7	(7.9)	(0.5)	(4,901)
(1.5)	(1.7)	(0.2)	(1,892)
102.4	2.1	51.5	553,042
27.6	14.7	12.4	132,932
21.2	17.6	14.4	154,267
6.9	7.7	14.3	153,848
33.4	50.6	11.5	123,914
8.5	11.3	23.2	248,914
18.3	12.7	7.8	83,932
26.7	19.6	19.7	211,899
142.5	134.1	103.2	1,109,706
6.1	6.4	5.8	61,834
11.1	12.0	11.4	122,163
4.1	4.2	4.3	45,916
13.7	21.2	13.0	139,822
19.4	20.7	19.5	209,071
47.7	55.0	55.6	597,399
3.3	11.6	7.9	84,845
105.4	131.1	117.3	1,261,049

Sales by Sector



Basic Chemicals

FY2009 Performance	Sales	Operating Income	Operating Margin
	¥203.3 billion	-¥2.7 billion	-1.3 %
	-15.3%	— %	+5.1 points

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

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. With the economic expansion in Asian countries, particularly China and India, demand in Asia for MMA polymer is expected to grow at an annual rate of about 8% from the current 600,000 tons per year.

As Asia's leading MMA producer, we continue to enhance the competitiveness of our entire MMA product chain, from monomer and polymer to finished sheets. We produce monomer and polymer in Singapore, Japan and South Korea with a combined annual production capacity of 489,000 tons for monomer and 235,000 tons for polymer. We manufacture and sell acrylic sheet in Japan, Thailand and Taiwan. 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.

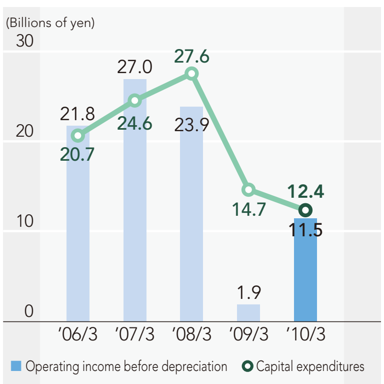
Caprolactam Business

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 extremely strong for applications in clothing, engineering plastics and tire cords, and demand for caprolactam in the region is expected to grow at an annual rate of 5% from the current 2 million tons per year. We produce caprolactam using the conventional liquid-phase process as well as our proprietary energy- and resource-efficient vapor-phase process. We are working constantly to improve both of these processes in order to provide our customers with cost-competitive, high quality caprolactam.

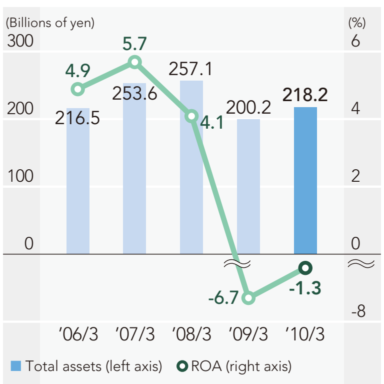
Inorganic Materials Business

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

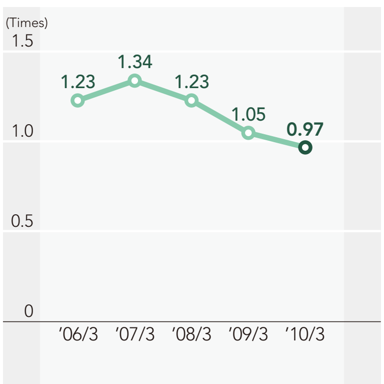
Operating Income before Depreciation & Capital Expenditures

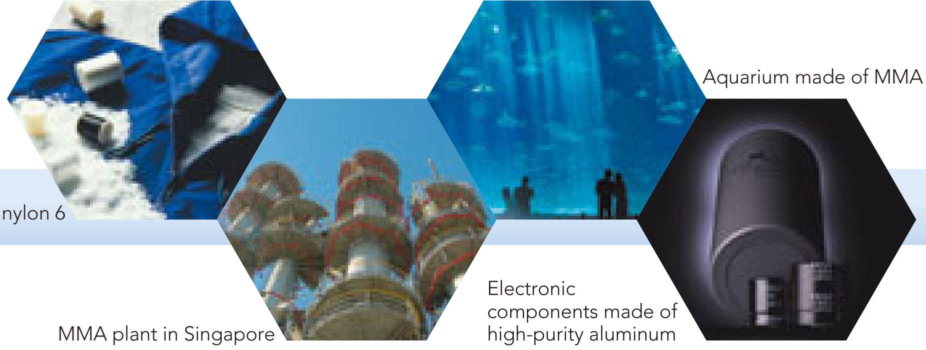


Total Assets & ROA



Asset Turnover





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 quality and 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 battery materials and high thermal conductive fillers.

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, and also for our high-performance visible-light sensitive photocatalysts, which eliminate odors and dirt by reacting to indoor light.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales
¥270 billion

Operating Income
¥17 billion

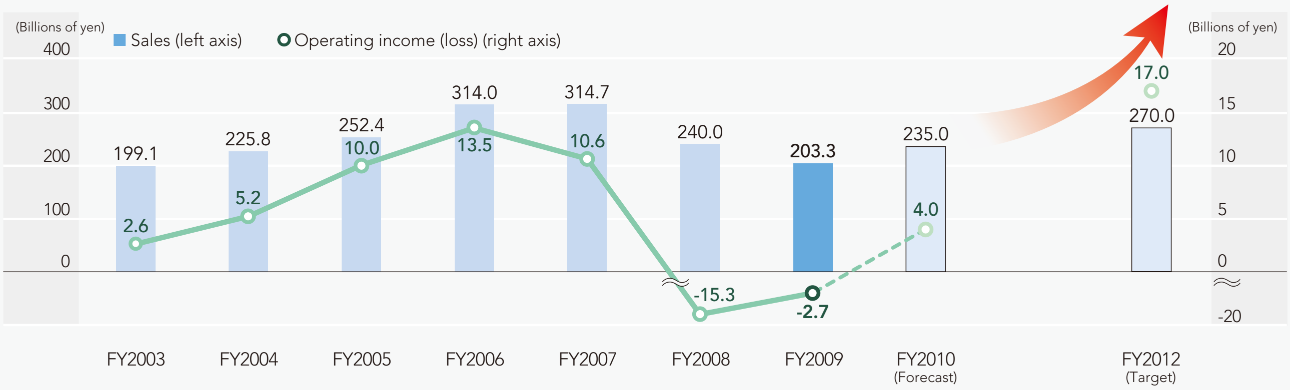
Basic Policy

Reform business structure, strengthen profitability, and build the foundation for future growth

Priority Initiatives

1. Strengthen core businesses
2. Accelerate R&D and commercialization of new products and technologies
3. Implement measures for improving profitability and streamlining of existing businesses
4. Implement effective pricing to quickly meet the fluctuations in raw material prices

Sales & Operating Income (Loss)



Priority Initiatives

Corporate Business Plan FY2004 – FY2006	Corporate Business Plan FY2007 – FY2009	Corporate Business Plan FY2010 – FY2012
Expanded MMA and caprolactam production capacity	Expanded MMA production capacity	Strengthen core businesses: MMA, caprolactam, inorganic materials

Petrochemicals & Plastics

FY2009 Performance	Sales	Operating Income	Operating Margin
	¥481.5 billion	-¥5.3 billion	-1.1 %
	-12.9%	— %	+4.4 points

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

Polyethylene Business

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

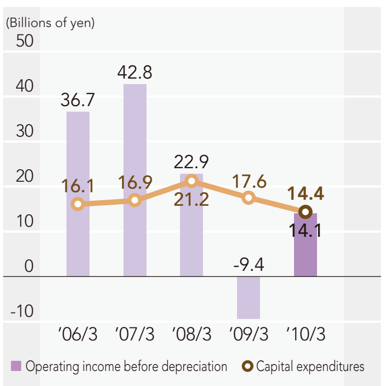
Polypropylene Business

Global PP demand is estimated at 43 million tons per year and is expected to grow at an annual rate of 4%. We operate PP manufacturing facilities in Japan, Singapore, North America and Saudi Arabia with a combined production capacity of 2.0 million tons per year. We are redoubling our efforts to strengthen our high value-added PP business globally for products such as PP compounds for use in automotive components, high-quality film materials for electronics components, and film materials for food packaging.

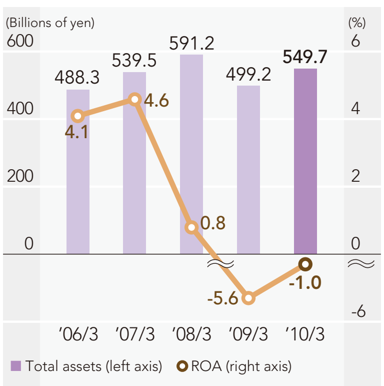
Propylene Oxide Business

PO is used mainly as a raw material for polyurethanes. Global PO demand is estimated at 6.8 million tons per year, and is expected to grow at an annual rate of 6%. We operate PO manufacturing facilities in Japan and Saudi Arabia with a combined production capacity of 580 thousand tons per year. We will continue our efforts to further consolidate our position as the top PO supplier in Asia.

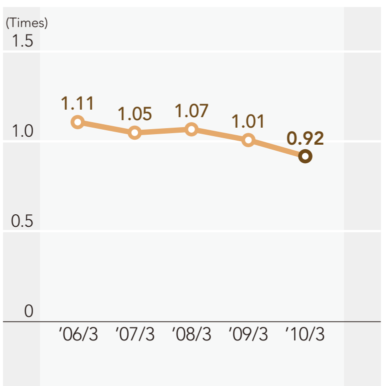
Operating Income before Depreciation & Capital Expenditures

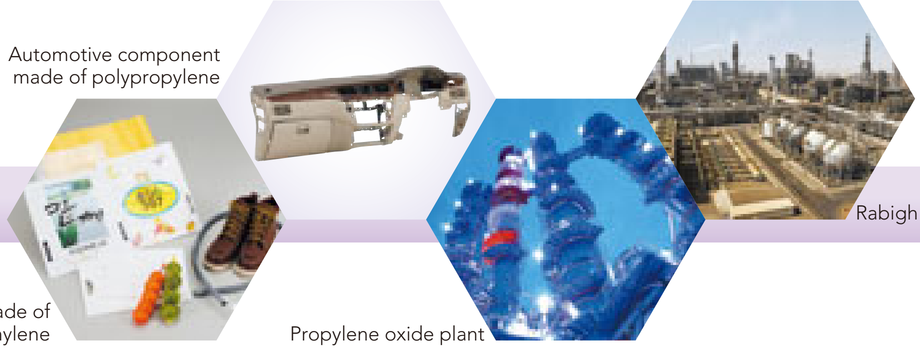


Total Assets & ROA



Asset Turnover





Automotive component made of polypropylene

Products made of polyethylene

Propylene oxide plant

Rabigh complex

Rabigh Project

The Rabigh Phase I Project, our joint undertaking to establish a world-scale integrated oil refining and petrochemical complex in Saudi Arabia, had its inauguration ceremony in November 2009 and is now operating smoothly. We are presently conducting a feasibility study of the Rabigh Phase II Project, scheduled to be completed by the third quarter of 2010. The Phase II Project will involve the expansion of the Phase I complex's ethane cracker in order to process an additional 30 million standard cubic feet per day of ethane feedstock and the construction of a new aromatics complex using approximately 3 million tons of naphtha produced each year from the Phase I complex. The Phase II Project is expected to further reinforce the competitiveness of the Rabigh complex by adding diverse high value-added petrochemical products to its product line. Once its viability is confirmed, the Phase II Project will be implemented with a targeted start up by the third quarter of 2014.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales
¥785 billion

Operating Income
¥30 billion

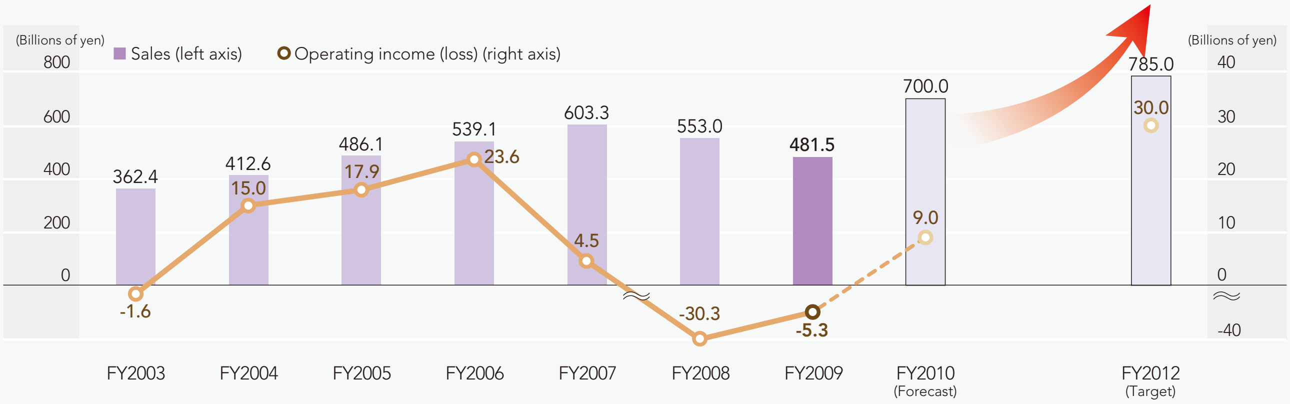
Basic Policy

Achieve sustainable profitability by establishing global operations

Priority Initiatives

1. Establish global operations
   - Establish worldwide marketing operations built on globally standardized products
   - Achieve sustained profitability of Petro Rabigh
2. Strengthen the profitability of operations in Japan
3. Accelerate R&D to further enhance high value-added businesses

Sales & Operating Income (Loss)



Priority Initiatives	Corporate Business Plan FY2004 – FY2006	Corporate Business Plan FY2007 – FY2009	Corporate Business Plan FY2010 – FY2012
	Expanded PO production, plant renovation for shift to higher value-added products	Rabigh Phase I Project	Strengthen profitability of existing businesses by establishing global business capabilities

Fine Chemicals

FY2009 Performance	Sales	Operating Income	Operating Margin
	¥67.6 billion	¥1.5 billion	2.2 %
	-16.3%	-8.2%	+0.2 point

We have positioned resorcinol, pharmaceutical chemicals and polymer additives as core businesses of the Fine Chemicals Sector. We will expand our business by providing new products that match customer needs in a timely manner.

Resorcinol Business

Resorcinol is primarily used as a raw material for adhesives for bonding tire rubber with reinforcing material and for wood used in construction applications. The worldwide demand for resorcinol in 2009 is estimated at 43,000 tons per year. Demand for resorcinol is anticipated to grow by an average of 6 to 7% annually over the long term because of an expected increase in demand for automobiles in emerging markets, particularly in Asia.

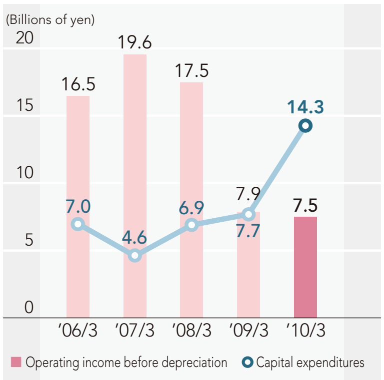
We supply highly cost-competitive resorcinol by taking advantage of our outstanding manufacturing technology and world-scale production capacity in Chiba, Japan. We aim to expand our resorcinol business and further enhance its profitability as the main engine driving long-term growth for the Sector. Anticipating continued demand growth, we commenced operation of a new resorcinol plant in Oita, Japan in early fiscal 2010. The new plant has increased our production capacity from 20,000 tons to 30,000 tons annually, making us the world's top manufacturer. Along with these capacity expansions, we are strengthening our sales activities in Asia.

Polymer Additives Business

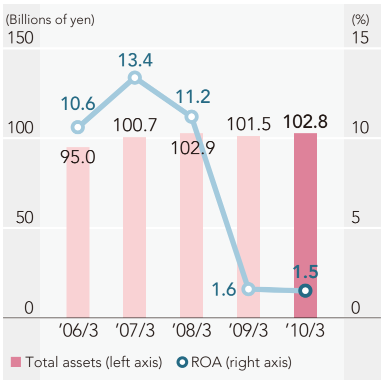
Polymer additives are specialty chemicals added to synthetic resins and synthetic rubber to inhibit their deterioration during manufacturing, processing and use. Our main products are SUMILIZER® GP, used in processing synthetic resins to improve their stability, and SUMILIZER® GA-80, used to inhibit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

Capitalizing on our outstanding R&D capabilities, we have been providing high-performance polymer additives that outperform competing products. With competition in the synthetic resin business becoming increasingly intense in recent years, resin manufacturers have been 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.

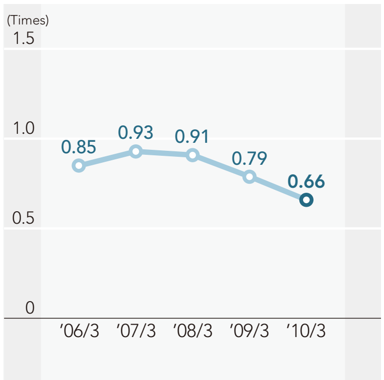
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



Pharmaceutical Chemicals Business

In our pharmaceutical chemicals business, we supply pharmaceutical manufacturers with active pharmaceutical ingredients (APIs) and their intermediates. The global market for pharmaceuticals is estimated at ¥70 – 80 trillion and is forecast to see sustained solid growth.

Facing intense competition, major global pharmaceutical companies are concentrating their resources on R&D and the marketing of new drugs and are outsourcing 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, advanced organic synthesis technologies and expertise in scaling-up processes for industrial production. By building on our accumulated technology and expertise, and fully integrating our research and development, manufacturing and sales capabilities, we meet the needs of pharmaceutical manufacturers in terms of both precision and speed, and deliver a reliable supply of high quality APIs and pharmaceutical intermediates.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales
¥135 billion

Operating Income
¥16 billion

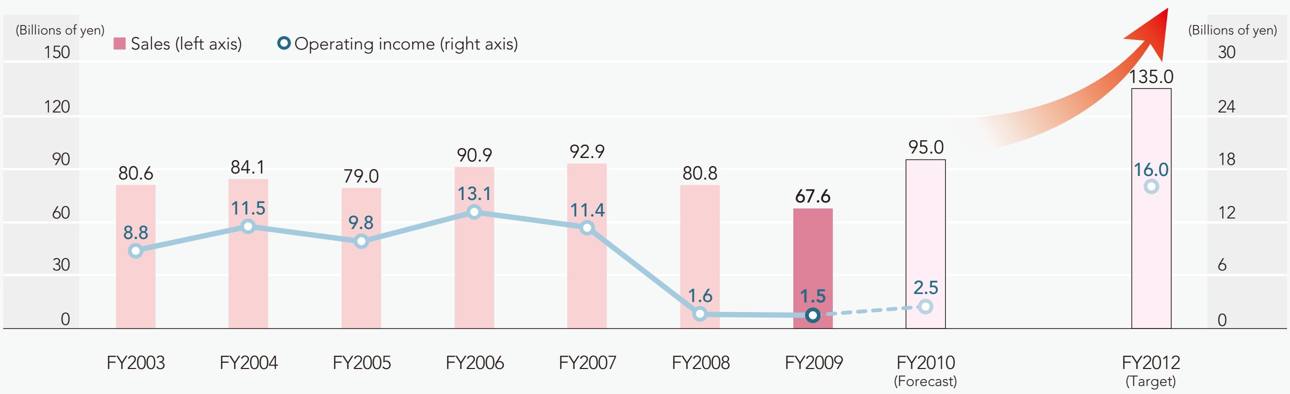
Basic Policy

Develop sustainable new businesses by further pursuing the total solution provider business model

Priority Initiatives

1. Strengthen and expand rubber chemical business
2. Enhance high-function resin business and performance chemical business
3. Reinforce the pharmaceutical chemicals business to achieve sustainable high profitability

Sales & Operating Income



Priority Initiatives

Corporate Business Plan FY2004 – FY2006
Restructured pharmaceutical chemicals business; withdrew from unprofitable businesses

Corporate Business Plan FY2007 – FY2009
Expanded resorcinol production capacity

Corporate Business Plan FY2010 – FY2012
Develop new core businesses

IT-related Chemicals

FY2009 Performance	Sales	Operating Income	Operating Margin
	¥265.2 billion	¥3.3 billion	1.2 %
	-13.6%	— %	+1.6 points

We have positioned polarizing film and other liquid crystal display (LCD)-related materials as the core business of the IT-related Chemicals Sector. We also seek to achieve further business expansion by focusing our business resources on key areas such as photoresists and battery materials, where we expect high market growth.

LCD-related Materials Business

Our polarizing film business is the mainstay of the Sector's core LCD-related materials business. According to projections by DisplaySearch, a well-known marketing research company, worldwide demand for LCD televisions will increase 29%, from 145 million units in 2009 to 188 million units in 2010.

Sumitomo Chemical currently boasts the second largest market share globally for polarizing film, a key material used in LCDs. 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. We will remain committed to promptly and flexibly meeting the needs of LCD panel manufacturers worldwide by fully capitalizing on our five manufacturing bases.

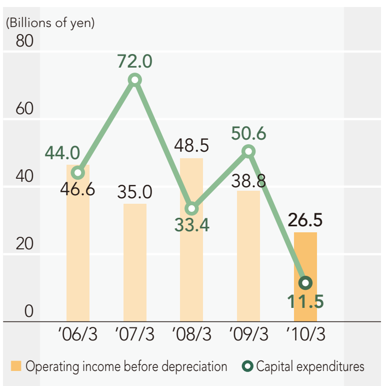
On the development front, we are working to expand our polarizing film product line to satisfy diverse customer needs. We are developing high-performance materials with high contrast and excellent visibility from wider viewing angles for high-end LCD televisions, while introducing cost-competitive materials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

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

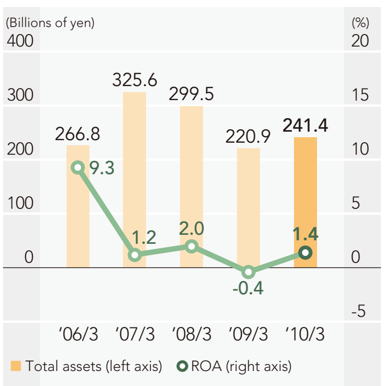
Photoresists Business

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 the requirements of 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.

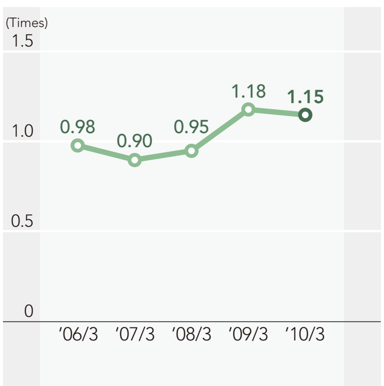
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



Separators for lithium-ion secondary batteries

Photoresists

Color filter plant

Polarizing film plant

Major industry users have adopted this product, and we anticipate broad acceptance of the product in the industry. Sumitomo Chemical will continue to develop and launch advanced photoresists, including next-generation extreme ultra-violet exposure (EUV) resists, in a timely manner in response to further advances in semiconductor manufacturing processes.

Lithium-ion Secondary Battery Materials Business

In the lithium-ion secondary battery materials business, we are engaged in the manufacture and sale of separators and are also developing cathode materials. Our separators have higher heat-resistance than conventional products, and their reliability has been evaluated favorably by battery manufacturers. Moreover, our cobalt-free cathode material does not use cobalt, which is in short supply worldwide, but it has achieved higher output and the same level of capacity as conventional cathodes made using cobalt. We are developing battery materials with the aim of expanding their use in lithium-ion secondary batteries for mobile and automotive applications.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales
¥395 billion

Operating Income
¥44 billion

Basic Policy

Establish the foundation for sustainable profitability through technological innovation

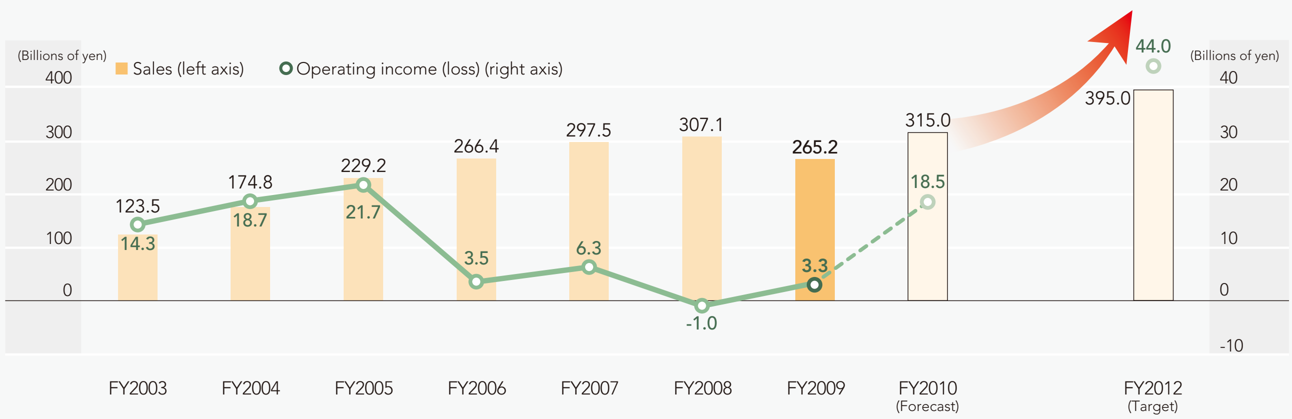
Priority Initiatives

1 Strengthen existing businesses

- Establish a more competitive position in LCD-related material business
- Strengthen photoresist business
- Enhance overseas operations

2 Expand business scope and develop new businesses

Sales & Operating Income (Loss)



Priority Initiatives

Corporate Business Plan FY2004 – FY2006
Expanded production capacity for polarizing film and color filters

Corporate Business Plan FY2007 – FY2009
Expanded production capacity for polarizing film, color filters and ArF photoresist

Corporate Business Plan FY2010 – FY2012
Strengthen profitability of existing businesses, develop new businesses

Agricultural Chemicals

FY2009 Performance	Sales	Operating Income	Operating Margin
	¥211.5 billion	¥25.9 billion	12.3 %
	-4.8%	+6.1%	+1.3 points

The Agricultural Chemicals Sector engages in the development, manufacture and sale of agrochemicals and fertilizers; household and public hygiene insecticides; long-lasting insecticidal mosquito nets; and feed additives. We are working to further globalize our business and contribute to increased food production, the promotion of health, better sanitation and the improvement of the environment.

Crop Protection Business

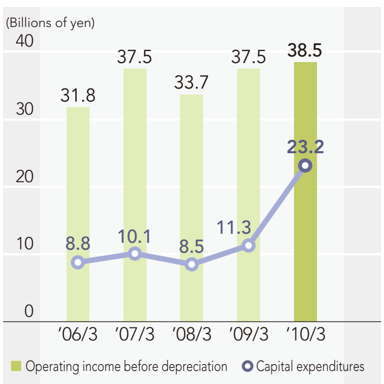
In our crop protection business in Japan, we are aiming to increase our market share and broaden the scope of our business by developing attractive new products in-house, in-licensing new products and pursuing partnerships. As a total solutions partner, we support farmers by supplying agrochemicals, fertilizers, irrigation equipment, coated seeds and other agricultural materials, and by providing such services as pest management, soil analysis, and instruction in fertilizer application and cultivation techniques.

Our overseas crop protection business has continued to face intense competition from major multinational corporations 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 April 2010 we acquired 20% of the outstanding shares of the Australian agrochemicals company Nufarm Limited. We will further globalize our crop protection chemicals business through an alliance with Nufarm in the areas of sales, research and development, procurement, manufacturing and distribution.

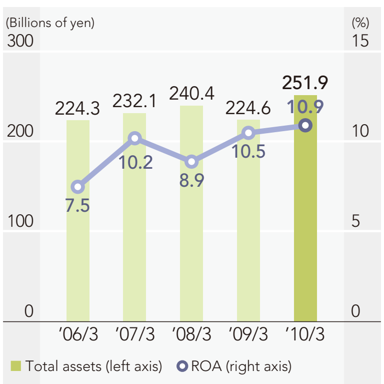
Environmental Health Business

Our environmental health business contributes to healthy living environments through its worldwide businesses in household insecticides for public hygiene and professional pest control, as well as 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, because our Eminence®/SumiOne® evaporates at room temperature, products using Eminence®/SumiOne® do not require the application of heat. We are making use of this property to create new products that can be used outdoors, such as mosquito nets made of resin impregnated with the insecticide and granules that disperse the insecticide into the air and prevent mosquitoes from approaching.

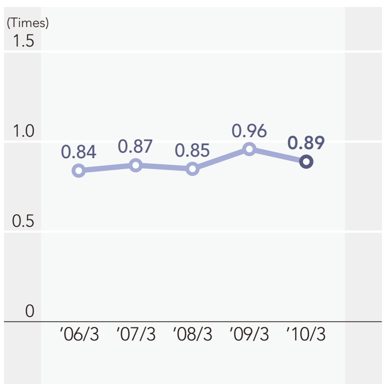
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



US crop protection chemicals subsidiary Valent U.S.A.

Crop protection products

Products using our household insecticides

OLYSET® Net

Vector Control Business

Controlling malaria is one of the global priority issues under the United Nations Millennium Development Goals. Given the increasing demand for long-lasting insecticidal bed nets for controlling malaria, we are rapidly expanding our business in the area of controlling infectious tropical diseases through the sale of our 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 chicken and other poultry farming. The methionine market is expected to record high growth supported by an increasing demand for meat due to the economic growth of developing and emerging countries, and a tendency to prefer chicken as a healthy meat, among other factors. We expanded the annual production capacity at our Ehime Works by 40,000 tons in February 2010, boosting our total methionine production capacity to 140,000 tons per year. We also plan to construct a new plant in Dalian, China with an annual production capacity of 20,000 tons to consolidate our position as Asia's top producer.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales
¥270 billion

Operating Income
¥48 billion

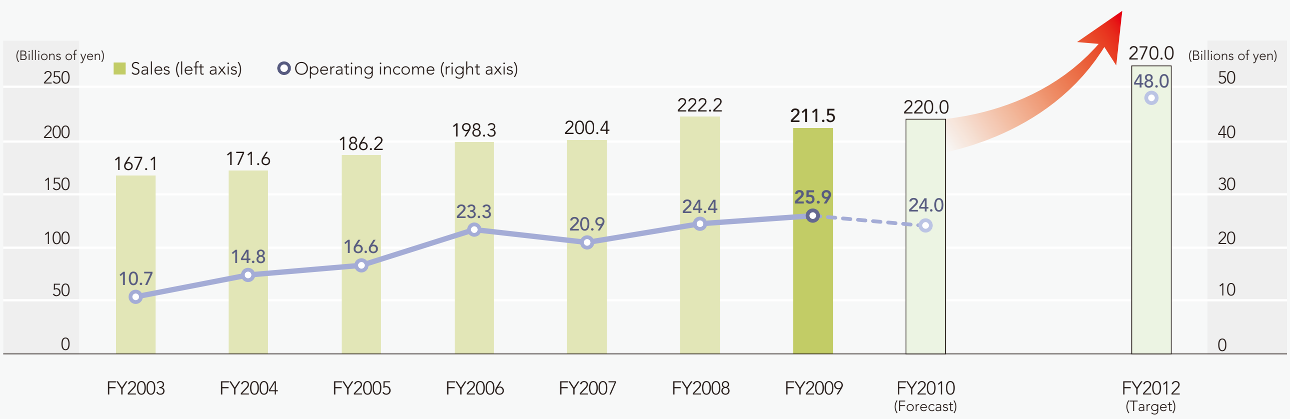
Basic Policy

Aggressively pursue strategic investments to expand business globally, strengthen high-profitability businesses, and contribute to enhancing food security and improving public health and hygiene and the environment

Priority Initiatives

1. Develop differentiated businesses
2. Develop new businesses in downstream and related areas
3. Build new business models
4. Strengthen and expand sales channels
5. Pursue innovation in R&D and all aspects of business activities

Sales & Operating Income



Priority Initiatives	Corporate Business Plan FY2004 – FY2006	Corporate Business Plan FY2007 – FY2009	Corporate Business Plan FY2010 – FY2012
	Expanded methionine production capacity; introduced new agrochemicals	Integrated Sumitomo Chemical Takeda Agro Co. Ltd.	Expand methionine production capacity; invest in Nufarm Limited; launch three new agrochemicals

Pharmaceuticals

FY2009 Performance	Sales	Operating Income	Operating Margin
	¥267.5 billion	¥29.3 billion	11.0 %
	+13.5%	-9.3%	-2.8 points

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

Dainippon Sumitomo Pharma

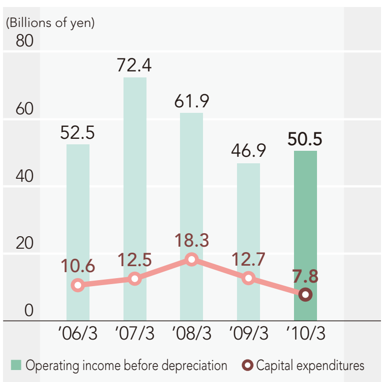
Dainippon Sumitomo Pharma (DSP), under its Mid- to Long-term Vision, is seeking to become a research-driven pharmaceutical company capable of competing globally by transforming its domestic business structure, expanding sales in North America, and enriching its product pipeline.

(1) Transforming domestic business structure
With changes in the national health insurance drug pricing system in Japan, maintaining and expanding sales of off-patent drugs will become increasingly difficult. For this reason, sales of new drugs must be expanded to maintain and improve the performance of our domestic business. DSP is working to expand new drug sales in the three therapeutic areas of cardiovascular diseases and diabetes, central nervous system (CNS) disorders, as well as cancer and immunology. In particular, the company is focusing on expanding sales of its three main products: AVAPRO® (agent for the treatment of hypertension), LONASEN® (agent for the treatment of schizophrenia) and PRORENAL® (vasolidator), as well as newly launched products such as TRERIEF® (agent for the treatment of Parkinson's disease) and MIRIPLA® (agent for the treatment of hepatocellular carcinoma).

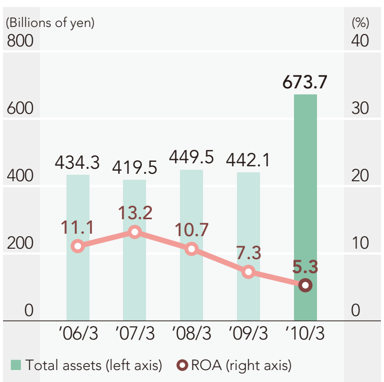
(2) Expanding sales in North America
Overseas, DSP will make use of the development capabilities and sales network of Sepracor, which it acquired in 2009, to increase its North American sales through the launch of the new drugs lurasidone (agent for the treatment of schizophrenia and bipolar disorder) and STEDESA™ (agent for the treatment of epilepsy). Due to the expected increase in sales, mainly in North America, the company's overseas sales ratio is projected to reach 50% in FY2014.

(3) Enriching the pipeline for continuous creation of new drugs
DSP is giving priority in its R&D efforts to the development of new drugs for CNS disorders, and is also taking on the challenge of developing new drugs in specialty areas such as cancer and immunology, where patients' needs are highly specialized and largely unmet. In addition to the in-house development of new drugs, DSP will actively in-license drugs that are close to market launch to enrich its product pipeline and continuously release new drugs on the market.

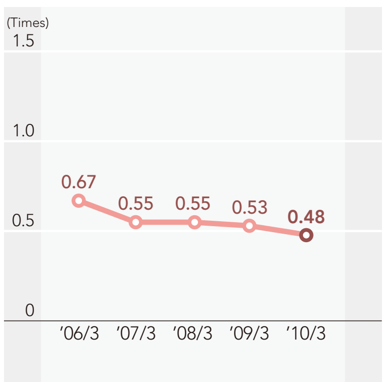
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



Nihon Medi-Physics

Nihon Medi-Physics (NMP) is engaged 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 market share in Japan.

NMP has been actively 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. NMP will raise awareness of the efficacy of PET to promote the installation of PET scan equipment in hospitals and encourage checkups in order to expand sales of its diagnostics agent.

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 its Metastron injection, a therapeutic radiopharmaceutical that provides pain relief for cancer patients suffering from bone metastasis. Furthermore, in 2009, they launched SentiProbe®, a medical device used to confirm presence of lymph node metastasis in early breast cancer and malignant melanoma. This device is expected to further contribute to the medical care of malignant tumors.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales
¥390 billion

Operating Income
¥38 billion

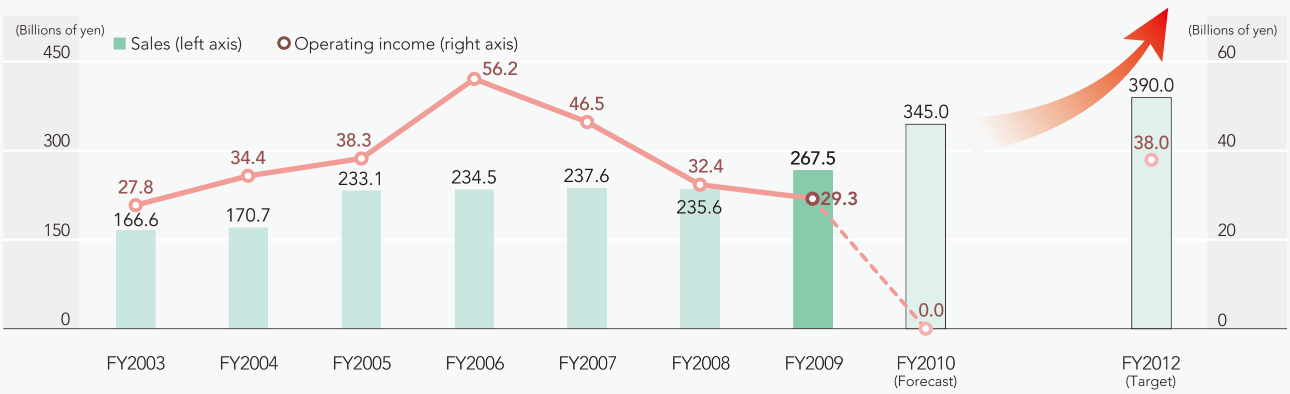
Basic Policy

Aggressively invest resources and expand global operations, capitalizing on the strengths of the entire Sumitomo Chemical Group

Priority Initiatives

1. Further strengthen revenue base in domestic business
2. Enrich product pipeline to achieve sustained development of new products
3. Expand overseas operations
4. Enhance the profitability of diagnostic radiopharmaceutical business and expand therapeutic radiopharmaceutical business

Sales & Operating Income



Priority Initiatives

Corporate Business Plan FY2004 – FY2006
Merged Sumitomo Pharmaceuticals Co. Ltd. and Dainippon Pharmaceutical Co. Ltd. to form DSP

Corporate Business Plan FY2007 – FY2009
Acquired the US pharmaceuticals manufacturer Sepracor Inc.

Corporate Business Plan FY2010 – FY2012
Market release of lurasidone; expand sales in North America

DSP's Product Pipeline

(As of May 10, 2010)

	Brand Name/ Product Code	Generic Name	Formulation	Efficacy or New Indication	Development Location	Development Stage (Phase I / Phase II / Phase III / NDA Filed)	Remarks
	Diabetes/Cardiovascular						
	SMP-508	repaglinide	Oral	Diabetes	Japan	NDA Filed	In-licensed from Novo Nordisk A/S NDA filed in Sep. 2009
■	AS-3201	ranirestat	Oral	Diabetic neuropathy	Japan	Phase II	Developed in-house; co-developed with Kyorin Pharmaceutical Co., Ltd.
				Diabetic neuropathy	US, Canada and Europe	Phase III	Licensed to Eisai Co., Ltd.
■	DSP-8153	amlodipine besilate/ irbesartan	Oral	Hypertension	Japan	Phase II	Developed in-house
	DSP-3235	Not determined	Oral	Diabetes	Japan	Phase I	In-licensed from Kissei Pharmaceutical
■	DSP-8658	Not determined	Oral	Diabetes	US	Phase I	Developed in-house
■	DSP-7238	Not determined	Oral	Diabetes	Europe	Phase I	Developed in-house
	Central Nervous System Disorders						
■	SM-13496	lurasidone hydrochloride	Oral	Schizophrenia	Japan, Korea and Taiwan	Phase III	Developed in-house
			Oral	Schizophrenia	US	NDA Filed	Developed in-house NDA submitted in Dec. 2009
			Oral	Bipolar disorder	US/Europe, etc.	Phase III	Developed in-house
■	STEDESA™	eslicarbazepine acetate	Oral	Epilepsy-Adjunct	US	NDA Filed	In-licensed from BIAL NDA submitted in Mar. 2009
			Oral	Epilepsy-Adult monotherapy	US	Phase III	In-licensed from BIAL
■	SEP-227900	Not determined	Oral	Cognition, Pain Alzheimer's	US	Phase I	Developed in-house
■	SEP-228432	Not determined	Oral	Attention-deficit hyperactivity disorder	US	Phase I	Developed in-house
	Inflammation and Allergy						
■	SMP-028	Not determined	Oral	Bronchial asthma	Japan	Phase I	Developed in-house
			Oral	Bronchial asthma	US/Europe	Phase I	Developed in-house
■	DSP-3025	Not determined		Bronchial asthma, Allergic rhinitis	Japan	Phase I	Developed in-house
				Bronchial asthma, Allergic rhinitis	Europe	Phase II	Licensed to AstraZeneca
■	OMNARIS® HFA Nasal MDI	ciclesonide	Collunarium	(New Formulation) Allergic rhinitis	US	Phase III	In-licensed from Nycomed
■	ALVESCO® HFA Inhaler	ciclesonide	Inhaler	(New Indication) Asthma-Pediatric (age range TBD)	US	Phase II	In-licensed from Nycomed
	Others						
■	SMP-986	Not determined	Oral	Overactive bladder	Japan	Phase I	Developed in-house
			Oral	Overactive bladder	US/Europe	Phase II	Developed in-house
■	DOPS®*	droxidopa	Oral	Neurogenic orthostatic hypotension	US/Europe	Phase III	Licensed to Chelsea
			Oral	Fibromyalgia	UK	Phase II	Licensed to Chelsea
			Oral	Intradialytic hypotension	US	Phase II	Licensed to Chelsea
■	AG-7352	Not determined	Injection	Cancer	North America	Phase II	Licensed to Sunesis Pharmaceuticals Inc.
■	SMP-601	Not determined	Injection	Life-threatening infection	US	Phase II	Licensed to Protez Pharmaceuticals Inc.
■	CALSED®*	amrubicin hydrochloride	Injection	Small cell lung cancer	China	Phase III	Developed in-house
			Injection	Small cell lung cancer	US/Europe	Phase III	Licensed to Celgene (former Pharmion)
	LUNESTA®	eszopiclone		Insomnia	Japan		Licensed to Eisai Co., Ltd.

Note: Pipeline candidates from Sepracor have been added.
* Domestic brand name
■ Discovered by DSP
■ Developed by Sepracor

Research and Development

Focus Areas of R&D

Our Corporate Vision positions the environment and energy, life sciences, and information and communication technology (ICT) as business areas with high growth potential. We are focusing our R&D resources on these areas to achieve strong growth by developing and fostering new businesses.

Environment and Energy

In the area of environment and energy, we are developing a wide range of products such as separators, cathode materials and other lithium-ion secondary battery materials, photovoltaic cell materials, light-weight automobile components, and insulation for housing. Along with hybrids and electric vehicles, clean diesel vehicles are now attracting attention as eco-cars. We are focusing on the development of a diesel particulate filter (DPF) for diesel engine passenger vehicles, for which demand is expected to grow with the tightening of exhaust gas emissions regulations.

Development of a Diesel Particulate Filter

Clean diesel vehicles must be equipped with DPFs

Because vehicles with diesel engines have better fuel efficiency and lower CO_2 emissions compared to vehicles with gasoline engines, approximately half of the vehicles registered in Europe in 2009 had diesel engines. In Europe, the Euro 6 exhaust gas emissions regulation, one of the strictest standards in the world, will take effect in 2014. Once the regulation is introduced, DPFs are expected to become necessary on diesel-powered passenger vehicles, because the standards for soot emissions under the new regulation will become more stringent than at present.

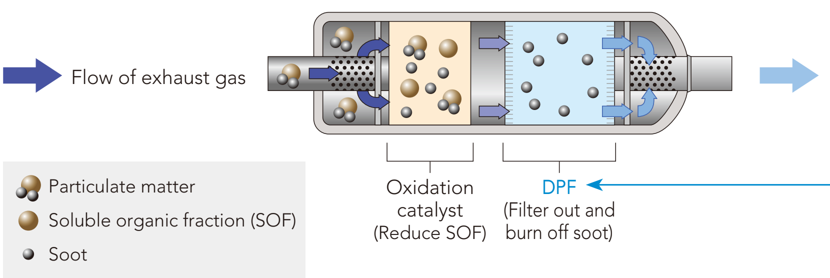
Development of a high-performance aluminum titanate DPF

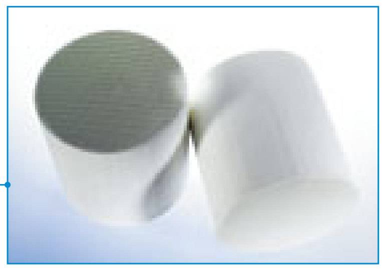
In 2009, we developed an aluminum titanate DPF, taking advantage of the technologies we have cultivated in our alumina and other inorganic materials business. DPFs are designed to filter out soot as the exhaust gas of diesel engines is emitted through micro pores. The soot that accumulates in the filters is burned off at high temperatures with fuel. In addition to the maximum amount of soot that can be held until burning off, the ability to withstand the sudden temperature changes during soot combustion is also important for DPFs. The aluminum titanate DPF we have developed is superior to existing silicon carbide DPFs in terms of both of these properties — the soot mass limit and the thermal shock resistance.

Mass production timed to meet tighter European standards

We will begin providing samples of our aluminum titanate DPF to automobile manufacturers in 2010. We plan to commence full-scale commercial production in 2015, when DPFs are expected to become widely used on diesel powered vehicles in Europe.

Continuously Regenerating DPF




High-performance aluminum titanate DPF

Life Sciences

In the area of life sciences, we are developing a variety of pharmaceuticals and agricultural chemicals. Among these, we expect lurasidone, an agent for the treatment of schizophrenia and bipolar disorder being developed by Dainippon Sumitomo Pharma (DSP), to make a major contribution to our performance.

Development of lurasidone

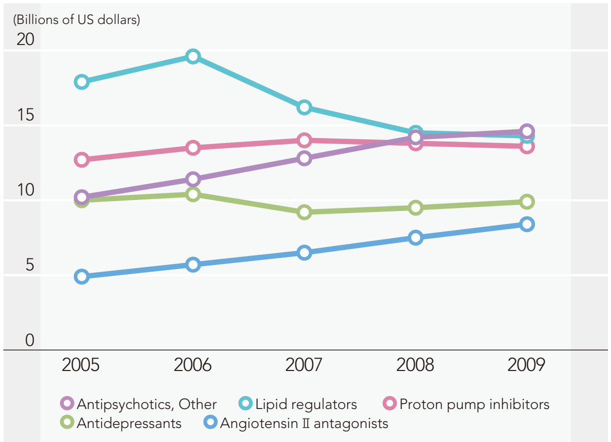
Antipsychotic drugs: large market potential

Schizophrenia is a serious chronic illness that hinders everyday life. The potential patient population is approximately 0.8% of the global population, and there are said to be 2.0 – 3.0 million persons suffering from schizophrenia in the United States alone. The symptoms of schizophrenia include hallucinations, delusions, dyslogia, loss of motivation and loss of emotion, as well as cognitive disorders affecting memory, attention and the ability to solve problems. Bipolar disorder is a psychological illness characterized by repeated mood swings between mania and depression, which is recognized in almost 2% of the US population. Patients with bipolar disorder exhibit symptoms that hinder social activities, such as delusions of grandeur, excessive loquacity and reduced motivation and concentration. Schizophrenia and bipolar disorder are considered to be two of the major psychological disorders. According to IMS Health Incorporated, the antipsychotic drug market for schizophrenia, bipolar disorder and other psychoneuroses, at US$14.6 billion, was the largest segment of the US pharmaceuticals market in 2009.

New drug application to FDA completed

DSP has submitted a New Drug Application to the US Food and Drug Administration (FDA) for approval of lurasidone as a therapeutic agent for schizophrenia, which it is aiming to launch in the first calender quarter of 2011. Phase Ⅲ clinical trials for schizophrenia are being carried out globally, in the US, Europe, Asia and other countries. The results to date indicate that lurasidone was significantly more effective than placebo, and was generally well tolerated with fewer and more minor side effects, such as limited weight gain. DSP has also begun Phase Ⅲ clinical trials of lurasidone in the US and other countries for the treatment of bipolar disorder globally.

Top 5 Therapeutic Classes by US Sales



Copyright IMS HEALTH, a healthcare information company
(Source) IMS National Sales Perspectives™

Development of lurasidone

(As of May 10, 2010)

Brand Name/ Product Code	Generic Name	Formulation	Efficacy or New Indication	Development Location	Development Stage: Phase Ⅰ – Phase Ⅱ – Phase Ⅲ – NDA Filed	Remarks
SM-13496	lurasidone hydrochloride	Oral	Schizophrenia	Japan, Korea and Taiwan	Phase Ⅲ	Developed in-house
			Schizophrenia	US	NDA Filed	Developed in-house NDA submitted in Dec. 2009
			Bipolar disorder	US/Europe, etc.	Phase Ⅲ	Developed in-house

DSP acquires Sepracor, with its strong US sales network

DSP acquired Sepracor Inc., a US pharmaceuticals company, in October 2009. Sepracor specializes in the treatment of central nervous system and respiratory disorders, and has a strong sales network covering both primary care physicians and specialists. DSP expects lurasidone to quickly penetrate the market through use of Sepracor's strong franchise in the US market. By differentiating lurasidone from current drugs on the market, emphasizing its efficacy, safety, tolerability and other advantages, DSP is aiming at lurasidone sales of approximately ¥25 billion in FY2012 and ¥70 billion in FY2014 in the US market.

Headquarters of Sepracor Inc. in Marlborough, Massachusetts, US

Information and Communication Technology

In the area of ICT, display-related products, such as materials for liquid crystal displays (LCDs) and polymer organic light emitting diodes (PLEDs), is one of the major areas in which we are stepping up our development efforts. PLEDs are attracting attention as a next-generation display technology, for which we are developing wide range of technologies from materials to devices.

Development of PLEDs

The competitive advantages of PLEDs

PLEDs have numerous advantages over LCDs, such as higher contrast, higher resolution, wider viewing angles, higher response speeds, and lower energy consumption. Displays using PLEDs also have a simpler structure than LCDs, enabling the manufacture of 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 production of large-screen displays. The manufacture of SMOLEDs requires a complicated and expensive deposition method using masks to form the light-emitting layer on each pixel of the display panel. PLEDs, by contrast, allow the light emitting layer to be formed using printing methods, such as inkjet printing. Thus, PLEDs do not require a complicated vacuum deposition method using masks, reducing the cost of production.

Development underway in Japan and UK

We began developing of PLEDs in the late 1980s, and since then have accumulated a wealth of technologies in this field. In 2005, we acquired Dow Chemical's PLED business. We accelerated our initiatives toward the commercialization of PLEDs by acquiring Cambridge Display Technology (CDT), a pioneer in PLED development, in 2007. In 2009, we established our Device Development Center in Ehime, Japan, for developing manufacturing technologies for PLED panels. We are currently operating a pilot plant for establishing manufacturing process and quality control technologies for the commercial scale production of PLED panels, where we are working on the formation of a display's light-emitting layer using printing methods, the formation of electrodes, and the sealing of display elements. We currently have five R&D facilities for PLEDs, comprising three in Japan and two in the UK, with more than 200 researchers engaged in development.

Our PLED History

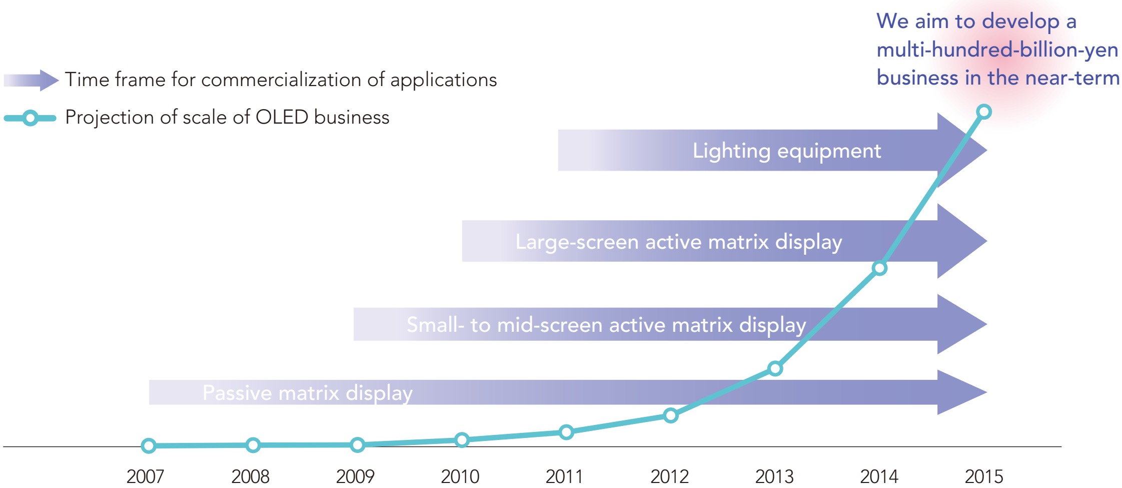
1989	Discovered the electroluminescence of a polymer material emitting dim light in a dark room Started R&D for PLED materials
1992	CDT established
2001	Started joint research of PLED materials with CDT
2002	Invested in the equity of CDT
2005	Acquired Dow Chemical's PLED business Formed a joint venture with CDT for the development, production and sales of PLED materials
2007	Acquired CDT
2008	Established Device Development Center

Stepping up efforts to commercialize PLEDs for large-screen televisions

We are stepping up our efforts to commercialize PLEDs for applications in large-screen televisions. Specifically, we are aiming to complete by the end of fiscal 2010 the development of high-performance PLED materials that will enable the production of PLED panels for large-screen televisions.

PLED panel

Future Prospect of Organic Light Emitting Diode (OLED) Business



Our CSR Activities

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. In November 2004, we developed our "Basic CSR Policy," reflecting our business philosophy, management principles, and Charter for Business Conduct, and will continue to strengthen our CSR initiatives based on this policy.

Basic CSR Policy

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

In order to accomplish this, the Company will work to achieve a balance of profitable business operations, 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. As a member of the chemical industry, we seek to realize "sustainable chemistry."

Sustainable Chemistry

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

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

Further Strengthening CSR Activities

Today, it is essential for corporations to make positive contributions to society and address environmental issues. Sumitomo Chemical established two new organizations on January 1, 2010 to actively promote these activities: the CSR Department will step up our CSR activities, which are of growing interest to our stakeholders, while the Energy & Climate Change Office will formulate our comprehensive energy and environmental strategy and support the implementation of this strategy. Going forward, we will strengthen our social contribution activities and efforts to resolve global warming, centering on these two organizations.

Responsible Care Activities

In our effort to realize sustainable chemistry, we actively engage in Responsible Care activities that aim to protect the environment, ensure health and safety, and maintain high product quality throughout the entire life cycle of our products. In order to conduct our Responsible Care activities efficiently and comprehensively from a long-term perspective, we have established the Responsible Care Committee, consisting of the Executive Officers in charge of our Business Sectors, Executive Officers in charge of our corporate departments, and the General Managers of our Works. We segment our Responsible Care activities into areas such as environmental protection and chemical safety, and set individual targets for each of these areas. In working to achieve these targets, we seek to gain the further trust of society.

We have also been providing strong support for the chemical industry's efforts to achieve sustainable development led by the International Council of Chemical Associations (ICCA), the global organization of 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 priorities for the global chemical industry. Our top management played a leading role in compiling the 2009 ICCA report "Innovations for Greenhouse Gas Emission Reductions." This report notes how Carbon Life Cycle Analysis — an assessment method for calculating CO_2 equivalent emissions throughout product life cycles from production through disposal — is appropriate for evaluating the chemical industry's contribution to the reduction of CO_2 emissions because, although the industry emits CO_2 when products are manufactured, it makes major contributions to reducing CO_2 emissions when products are used.

Environmental Preservation Initiatives

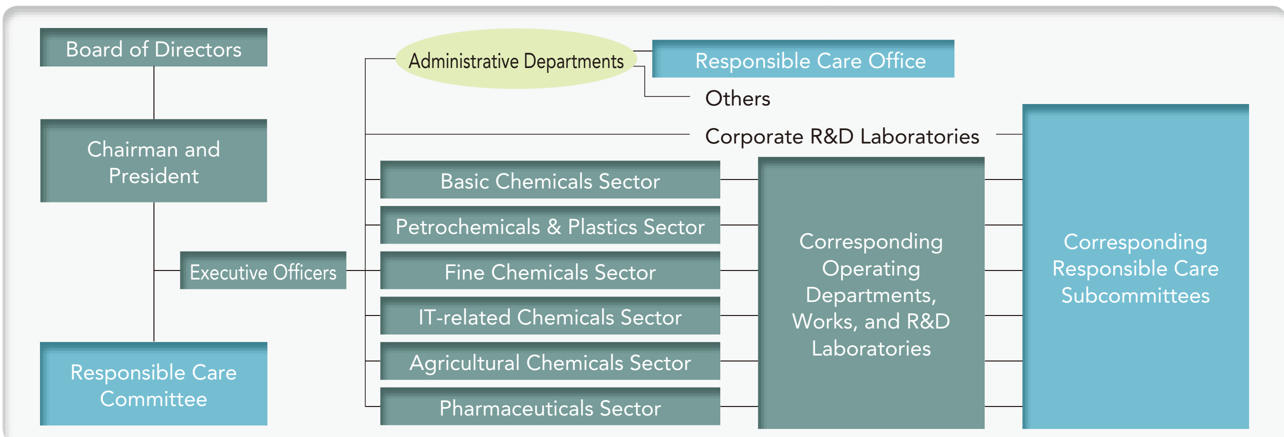
Sumitomo Chemical and its 15 major Group companies in Japan have determined reduction targets by FY2010 of unit energy consumption, unit CO_2 emissions, release amounts of PRTR (Pollutant Release and Transfer Register) controlled substances, and the volume of landfill waste, and are working to achieve these reductions. Every year, we follow up on these companies' 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.

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 entire 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 out a vast array of measures for meeting the requirements of REACH,

Responsible Care Organization

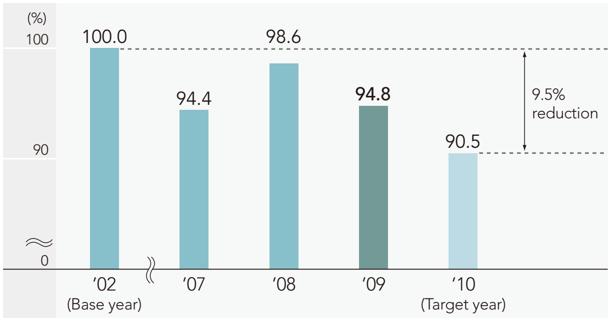


which include the timely filing of risk information with the regulatory authorities and providing customers with risk information.

Responsible Care Auditing Activities

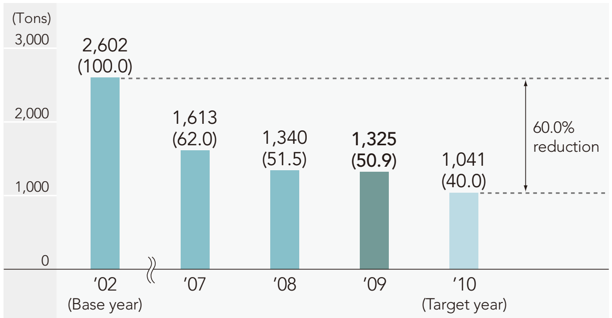
In order to ensure that our Responsible Care activities are conducted appropriately, Responsible Care audits are conducted for Sumitomo Chemical and our major Group companies in Japan and overseas. Responsible Care audits consist of specialized audits, in which specialists conduct audits after pre-audit evaluations using checklists, and management audits, in which Responsible Care Committee members led by the Executive Officer in

Energy Consumption Rate Index



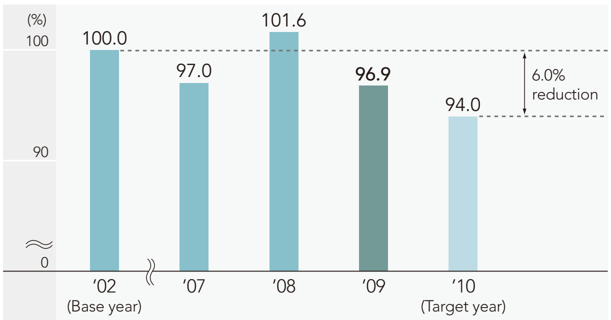
Note: Figures are index values ('02=100)
* Data reflect the totals of Sumitomo Chemical and its 15 domestic Group companies.

PRTR Emissions (Air and Water)



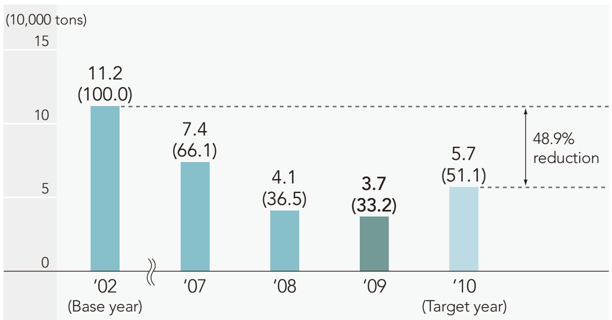
Note: Figures in parentheses are index values ('02=100)
* Data reflect the totals of Sumitomo Chemical and its 15 domestic Group companies.

CO_2 Emission Rate Index



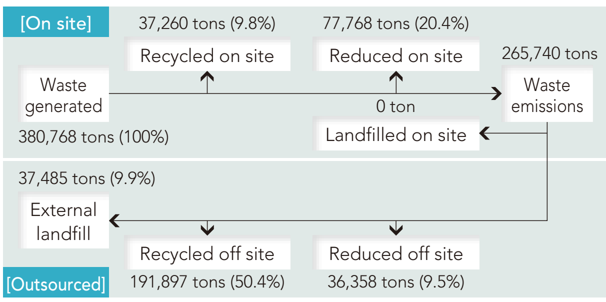
Note: Figures are index values ('02=100)
* Data reflect the totals of Sumitomo Chemical and its 15 domestic Group companies.

Landfill Disposal Volume



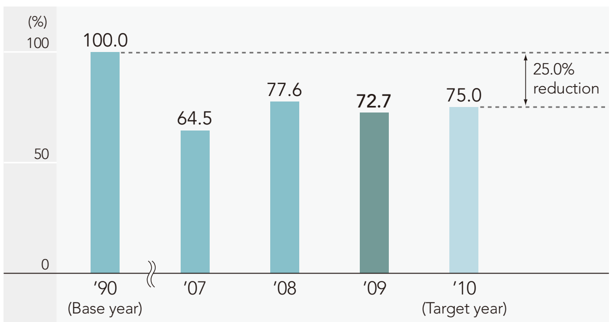
Note: Figures in parentheses are index values ('02=100)
* Data reflect the totals of Sumitomo Chemical and its 15 domestic Group companies.

Waste Disposal Flow Chart and Results (FY2009)



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.

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 continually to 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.

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.

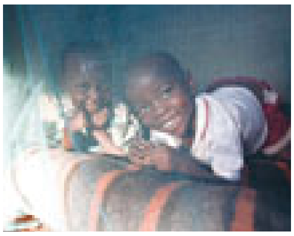
Malaria Control Initiatives

Every year, roughly three hundred million people worldwide become infected with malaria, with over a million people dying from the disease. The disease continues to inflict serious damage, and 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 many 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 insecticide gradually migrates to the surface of the fibers, giving the net the unique characteristic of retaining its effectiveness over five years, even after repeated washings. In 2001, our OLYSET® Net was recommended by the WHO as a Long-Lasting Insecticidal Net (LLIN), and it has been contributing to the prevention of malaria worldwide, particularly in Africa.

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, 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. To respond to further increases in demand, we plan to expand our annual production capacity in Tanzania from the present 18.7 million nets to 29.0 million nets annually in the middle of 2010 and raise the number of employees to approximately 7,000 people. We are contributing to local economic development and the creation of employment opportunities through these business activities.


OLYSET® Net in use


OLYSET® Net production in Tanzania

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 conducted projects to build nine schools in five African countries, and are donating educational materials and providing other support.


School in Tanzania


Magadani primary school in Tanzania

Corporate Governance

Our 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. In our efforts to further bolster our corporate governance, we will make continuous efforts to promote sound decision-making, ensure accountability in the execution of business duties, and enhance and strengthen our internal control system, risk management capabilities, internal audit functions, and promote the timely disclosure of information.

The Board of Directors

Our Board of Directors sets basic policies and strategies for the management of the Sumitomo Chemical Group and its oversees business activities. The Articles of Incorporation stipulates that the number of Directors should be 15 persons or less, and the Board consists of 10 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 the Board of Corporate Auditors play a vital role in our corporate governance by auditing the discharge of duties by Directors in accordance with the law and the Articles of Incorporation. The Board of Corporate Auditors convenes once a month as a rule, sharing amongst themselves the information they obtain from within the Company and from accounting auditors, and exchanging opinions amongst themselves in order to carry out effective audits. An auditing office has been established as the organization that provides assistance in 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 with the basic principles determined by the Board of Directors. We have 32 Executive Officers, with 10 acting in dual capacity as Directors, with the term of office for Executive Officers being 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 have established the Internal Control Committee to deliberate on various measures for strengthening the internal control system for the entire Sumitomo Chemical Group and submitting 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 & Audit Department act as the Committee's Vice-Chairmen. The Executive Officers in charge of each business Sector and the Executive Officers in charge of administrative departments make up the Committee's membership. In addition, the Internal Control & Audit Department is established to formulate and promote the various measures deliberated by the Internal Control Committee.

Risk Management

We continuously review and update internal regulations for detecting risk early in order to prevent the actualization of risk and respond when risks are actualized. Each fiscal year, the Internal Control Committee drafts a basic policy on Group-wide risk management. We also established a Risk Crisis Management Committee for swift response when significant risks do emerge.

Internal Auditing

The Internal Control & Audit Department conducts audits of Sumitomo Chemical and Group companies to verify that officers and employees perform their duties efficiently and effectively and that internal control for compliance with related laws and regulations is performed appropriately and is functioning properly. The Internal Control & Audit Department reports the results of audits to the Internal Control Committee.

Internal Control Reporting System

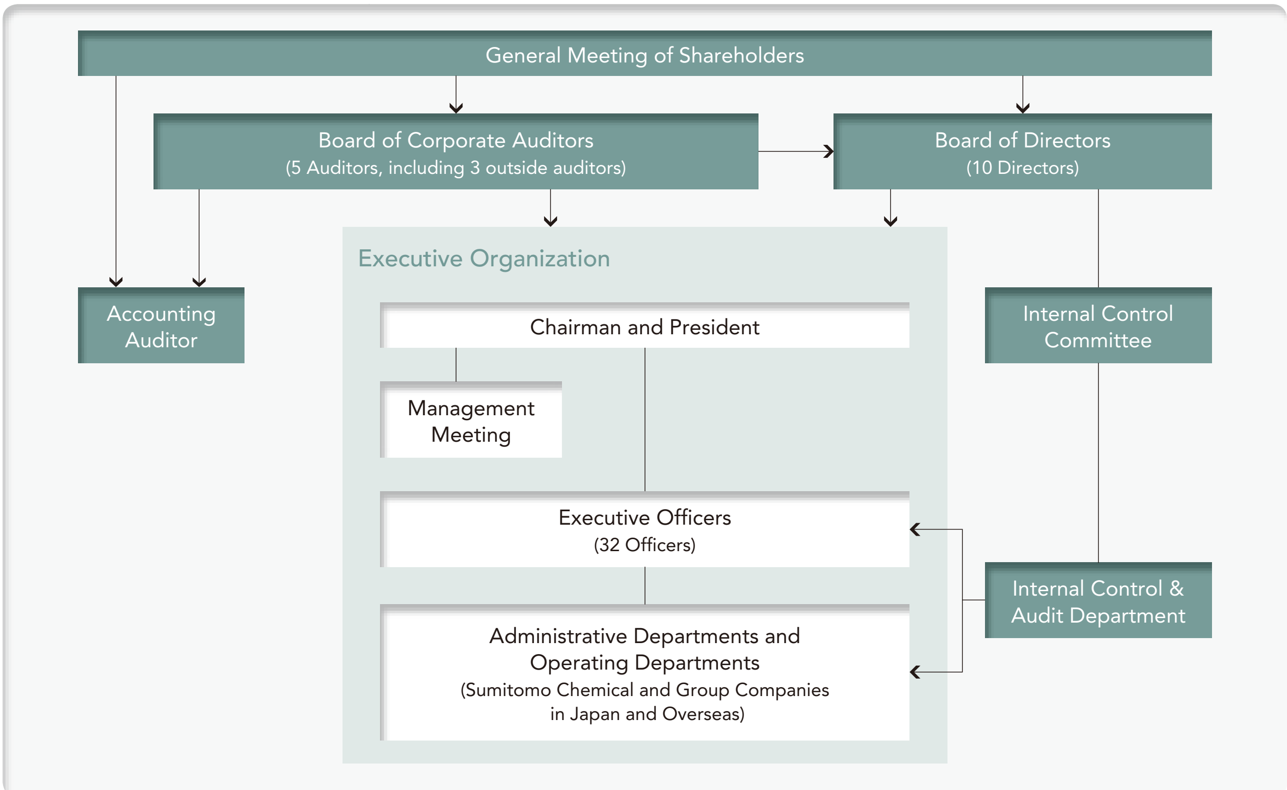
We are working continuously to improve the reliability of financial reporting for Sumitomo Chemical, as well as for our major domestic and overseas Group companies, by evaluating and implementing the internal control system for financial reporting in accordance with the internal control reporting system under Japan's Financial Instruments and Exchange Act.

Timely Disclosure

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

Corporate Governance Organization

(As of July 1, 2010)



Compliance

Sumitomo Chemical Attaches Profound Importance to Legal and Ethical Compliance

The Sumitomo Chemical Group attaches profound importance to ensuring legal and ethical compliance in conducting business around the world. All persons working for the Sumitomo Chemical Group are expected to conduct business with integrity and the highest ethical standards. The "Sumitomo Chemical Charter for Business Conduct" states our fundamental commitment to engaging in business as a responsible corporate citizen, whereas the "Sumitomo Chemical Business Conduct Manual" (commonly known as the "Compliance Manual"), which builds on the Charter, provides general guidelines for our employees, officers and Board members to follow in performing their day-to-day activities vis-à-vis customers, business partners, and competitors as well as shareholders, investors, or society at large. To achieve and sustain compliance-oriented management properly, Sumitomo Chemical's Compliance Committee is responsible for overseeing the Group's compliance situation across the board to ensure legal and ethical conduct of business by each member of the Group. The Committee's initiatives are supported effectively by a number of special committees established under the Committee, including the Responsible Care Committee, the Antitrust Law Compliance Committee, and the Internal Audit Reporting Meeting, all of which work individually or in concert to implement compliance-related activities in their respective fields of discipline.

Speak-up System in Operation

We have in place a "Speak-up System" for our compliance program, under which employees can report any incident of compliance violations or suspected violations to either of the two help-lines of their choice: the Compliance Committee or designated outside lawyers. The Speak-up System is useful when an informant believes that immediate resolution of violations or suspected violations through the ordinary channel of reporting to superiors is unlikely. All information provided by an employee is kept strictly confidential, and the employee does not risk unfair treatment such as dismissal, transfer or discrimination for reporting incidents. We expect that the Speak-up System provides a self-cleansing mechanism to ensure the prompt and effective resolution of any violations or suspected violations. The System is available for use not only by employees, officers, and Board members of Sumitomo Chemical, but also by anyone involved in the business activities of Sumitomo Chemical.

Sumitomo Chemical Promotes Group-wide Compliance Efforts

In aiming to build effective internal control structures and enhance compliance-oriented management for the Group, Sumitomo Chemical is working closely with each of the Group companies worldwide (currently approximately 100 companies in total). Among other things, each consolidated Group company is requested to build and sustain a proper compliance system equivalent to that of Sumitomo Chemical, including adoption of its compliance manual and speak-up system. Sumitomo Chemical's Compliance Committee oversees the legal and ethical compliance situation of each company and, if and when needed, investigates the situation and calls for appropriate corrective action to be taken without delay.

With respect to consolidated Group companies worldwide, each of them prepares and adopts its Code of Ethics, which serves as a basic platform for operating a company's compliance system. The Code of Ethics is prepared with the professional support of an external lawyer each company retains, reflecting relevant laws, regulations and business practices legitimately followed in the countries in which it operates.

Sumitomo Chemical will continue to support and cooperate closely with these Group companies in further enhancing their compliance-oriented management so that all of our companies, both individually and as a Group, will be able to gain the greater trust and confidence of society as we expand activities as a global company in the years ahead.

Recent Initiatives

Sumitomo Chemical is constantly stepping up efforts to establish viable compliance structures throughout the Group by undertaking a variety of specific initiatives. Among the recent initiatives is, firstly, our joint project with the consolidated Group companies both in Japan and elsewhere worldwide that aims to help them operate their compliance systems most effectively as well as building them. We have provided the companies with concrete guidelines that they can use to re-assess the effectiveness of their existing compliance organizations and work to reinforce them for better and operationally sustainable compliance management. Second, we are constantly looking into whether or not our compliance system is adequately understood and effectively utilized by each and every employee as intended. As part of our efforts to this end, Sumitomo Chemical conducts an "Employee Compliance Awareness Survey" from time to time by sending a questionnaire to a good number of arbitrarily-chosen employees. The latest survey of its kind, which was conducted in early 2010 for approximately 1,000 employees, focused in particular on how well employees are kept informed of the Speak-Up System and whether or not they are doing their day-to-day work with the highest sense of business and professional integrity. The survey results have provided valuable new insight into how we can redouble our efforts toward further enhancing compliance initiatives. These findings will be thoroughly reflected in designing our future educational programs for employees, which encompass extensive compliance-related subjects, including the newest developments in relevant antitrust laws. We are extending our educational efforts not only to employees at Sumitomo Chemical's head offices and manufacturing and research units, but also to those at its consolidated Group companies.

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 and Corporate Auditors (As of July 1, 2010)

Board of Directors

Hiromasa Yonekura
Chairman

Hiroshi Hirose
President

Naoya Kanda
Executive Vice President
New Business Development, Process & Production Technology Planning & Support, Intellectual Property, Responsible Care, Energy & Climate Change, Research & Development

Osamu Ishitobi
Executive Vice President
Rabigh Project, Petrochemicals & Plastics Sector

Takatsugu Enami
Director & Senior Managing Executive Officer
Fine Chemicals Sector

Kiyohiko Nakae
Director & Senior Managing Executive Officer
Corporate Planning & Coordination (Technology, Research & Development), New Business Development

Yoshimasa Takao
Director & Senior Managing Executive Officer
General Affairs, Secretarial, Legal, Human Resources, Human Resources Development, Procurement, Logistics, CSR, Petrochemicals & Plastics Sector

Masakazu Tokura
Director & Senior Managing Executive Officer
IT-related Chemicals Sector

Kenjiro Fukubayashi
Director & Senior Managing Executive Officer
Agricultural Chemicals Sector

Kenichi Hatano
Director & Senior Managing Executive Officer
Basic Chemicals Sector

Executive Officers

Senior Managing Executive Officer

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

Managing Executive Officer

Yoshihiko Okamoto
Basic Chemicals Sector-Planning & Coordination Office, Industrial Chemicals Div., Inorganic Materials Div.

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

Ryuhei Tamamura
Internal Control & Audit Dept., Fine Chemicals Sector-Speciality Chemicals Div.

Kunio Nozaki
Corporate Communication Dept., Finance & Accounting Office

Hisashi Shimoda
Corporate Planning & Coordination Office (Corporate Planning, IT Management), New Business Development Office

Shigeyuki Yoneda
Rabigh Project Office, Rabigh Project-Planning & Coordination Office

Yasumi Shiozaki
Intellectual Property Dept., Responsible Care Office, Energy & Climate Change Office

Executive Officer

Masaki Morimoto
Procurement Office, Logistics Dept.

Tomohisa Oono
Petrochemicals & Plastics Sector-Planning & Coordination Office, Polyethylene Div., Polypropylene Div., Advanced Polymers Div.

Kazumune Yamamoto
Fine Chemicals Sector-Planning & Coordination Office, Quality Assurance Office, Pharmaceutical Chemicals Div.

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

Rei Nishimoto
Agricultural Chemicals Sector-Planning & Coordination Office, Crop Protection Div., Crop Protection Div.-International, Vector Control Div.

Tsutomu Konaka
Ehime Works

Ikuzo Ogawa
Corporate Planning & Coordination Office (Technology, Research & Development), New Business Development Office

Yoshiyuki Shimizu
Secretarial Dept., CSR Dept.

Hiroshi Niinuma
General Affairs Dept., Human Resources Development Dept.

Keiichi Iwata
IT-related Chemicals Sector-Planning & Coordination Office, Quality Assurance Office

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

Heechul Moon
Dongwoo Fine-Chem Co., Ltd.

Noriaki Takeshita
Rabigh Refining & Petrochemical Company

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

Corporate Auditors

Hiroaki Ninomiya
Standing Corporate Auditor

Takao Akasaka
Standing Corporate Auditor

Hiroshi Hayasaki
Corporate Auditor

Yoji Arakawa
Corporate Auditor

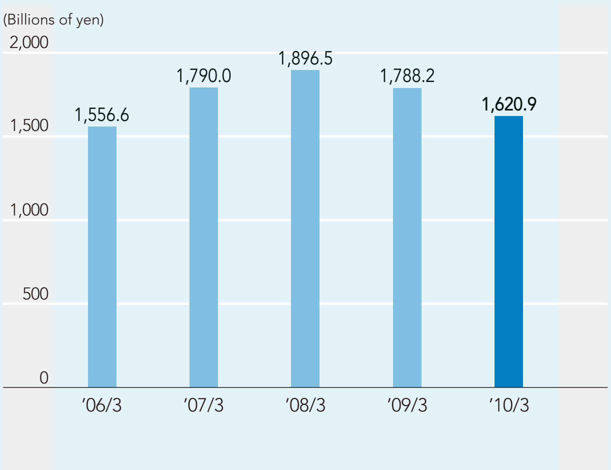
Shinichi Yokoyama
Corporate Auditor

Financial Section

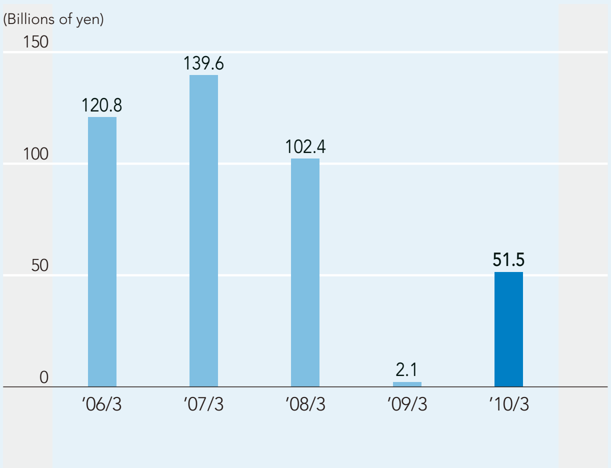
For the ten year financial summary spanning fiscal 2000 through fiscal 2009, please refer to the Consolidated Financial Highlights at page 6 – 7 and Business Sector Highlights at page 20 – 21.

Financial Review

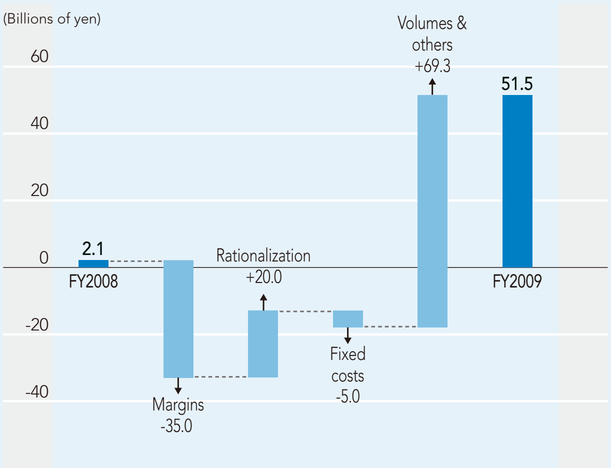
Net Sales



Operating Income



Change in Operating Income: FY2008 vs. FY2009



1 Results of Operations

(1) Net sales and operating income

Net sales in the fiscal year ended March 31, 2010 totaled ¥1,620.9 billion (US$17,422 million), a 9.4% decrease from ¥1,788.2 billion for the previous fiscal year. Although sales were lower for the entire Group due to a drop in selling prices and appreciation of the yen, the Pharmaceuticals segment achieved sales growth thanks to the acquisition of Sepracor Inc., a U.S. pharmaceutical company, and other initiatives.

Cost of sales was ¥1,192.3 billion (US$12,815 million) compared with ¥1,412.6 billion for the previous fiscal year. The ratio of cost of sales was 73.6%, 5.4% lower than the previous fiscal year. Selling, general and administrative expenses were ¥377.1 billion (US$4,053 million), and remained flat from the previous fiscal year.

Research and development expenses for the fiscal year ended March 31, 2010 were ¥117.3 billion (US$1,261 million), 10.5% lower than the previous fiscal year's ¥131.1 billion, mainly decreased in the IT-related Chemicals segment. Annual depreciation and amortization expenses were ¥116.1 billion (US$1,248 million), a decrease of 17.5% compared with the previous fiscal year's ¥140.7 billion.

Operating income was ¥51.5 billion (US$553 million), rising sharply, compared with ¥2.1 billion for the previous fiscal year. The ratio of operating income to net sales was 3.2%, a 3.1% improvement from the previous fiscal year.

(2) Non-operating expenses and net income

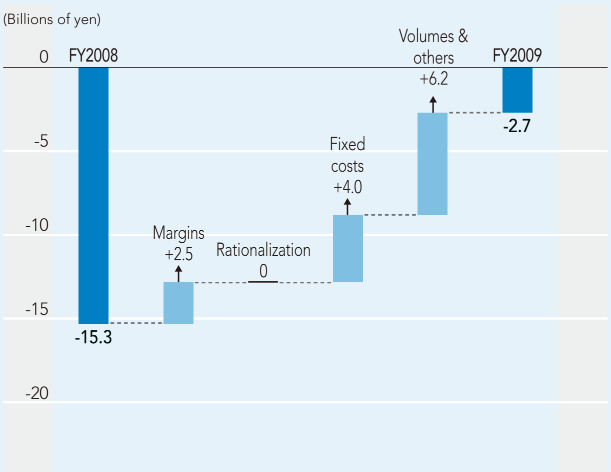
Interest expenses, net of interest and dividend income, were ¥5.0 billion (US$53 million), an 86.0% increase compared with ¥2.7 billion for the previous fiscal year. Equity in losses of affiliates decreased by 45.3% to ¥7.0 billion (US$75 million) mainly due to the improved performance of Petrochemical Corporation of Singapore. Net loss on foreign currency transactions was ¥0.5 billion (US$5 million), decreased by 96.7% compared with ¥14.7 billion for the previous fiscal year due to the comparatively stable foreign exchange fluctuation.

The Company recorded ¥9.5 billion (US$102 million) net gain on sale of securities and ¥1.1 billion (US$12 million) net gain on sale of property, plant and equipment. The Company also recorded ¥2.7 billion (US$29 million) loss on disposing of inactive property, plant and equipment as restructuring charges and ¥1.6 billion (US$17 million) compensation for revision of personnel system.

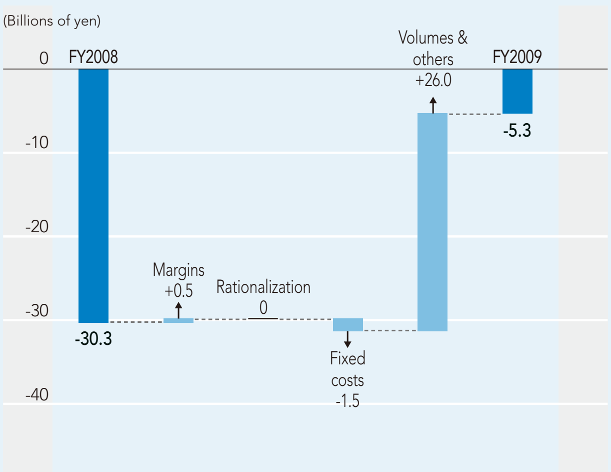
As a result, income before income taxes and minority interests for the fiscal year ended March 31, 2010 was ¥41.3 billion (US$444 million). Income taxes for the fiscal year ended March 31, 2010 were ¥11.3 billion (US$122 million).

Net income for the fiscal year ended March 31, 2010 was ¥14.7 billion (US$158 million), improved by ¥73.9 billion from a loss of ¥59.2 billion in the previous fiscal year. Return on

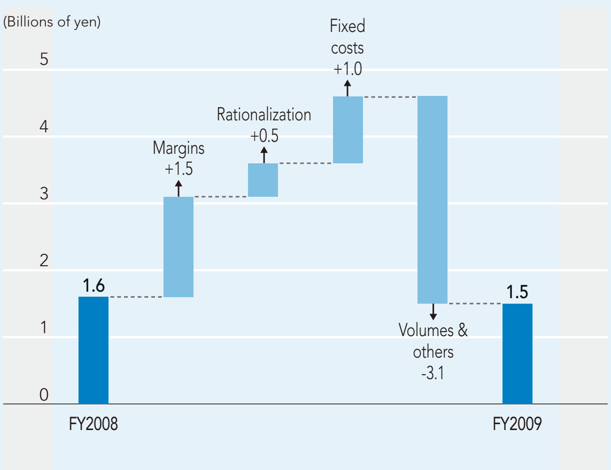
Basic Chemicals
Change in Operating Income: FY2008 vs. FY2009



Petrochemicals & Plastics
Change in Operating Income: FY2008 vs. FY2009



Fine Chemicals
Change in Operating Income: FY2008 vs. FY2009



Equity (ROE) was 2.6%, up 11.6 percentage points from the previous fiscal year's negative 9.0%. Net income per share, based on the weighted average number of shares outstanding during the fiscal year ended March 31, 2010 was ¥8.92 (US$0.096), compared with negative ¥35.84 for the previous fiscal year.

(3) Dividends

The Company paid a year-end dividend of ¥6 per share. Since an interim dividend was not paid, the annual dividend was ¥6 per share, decreased from ¥9 per share for the previous fiscal year.

2 Segment Information

(1) Basic Chemicals

Sales of aluminum declined because of lower market prices and appreciation of the yen. Shipments of Methyl methacrylate increased because of a recovery in demand, but sales were down with a fall in market prices along with a decrease in raw materials prices. Sales of caprolactam and other raw materials for synthetic fibers remained flat on increased shipments but a stronger yen. As a result, the segment's sales decreased by ¥36.7 billion (US$395 million) compared with the previous fiscal year, to ¥203.3 billion (US$2,185 million). Operating income, however, rose by ¥12.7 billion (US$136 million), resulting in a loss of ¥2.7 billion (US$29 million), owing to improved margins and large inventory write-downs posted during the previous fiscal year.

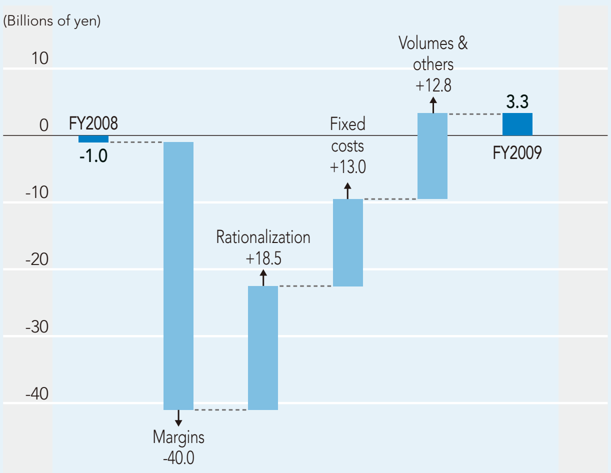
(2) Petrochemicals & Plastics

Sales of synthetic resins and petrochemical products declined because of a drop in market prices in Asia and selling prices in Japan resulting from lower prices for naphtha and other feedstocks, although shipments commenced at sales subsidiaries following the start of operations of Petro Rabigh. As a result, the segment's sales declined by ¥71.4 billion (US$768 million) compared with the previous fiscal year, to ¥481.5 billion (US$5,176 million). Operating income rose by ¥25.0 billion (US$269 million), to a loss of ¥5.3 billion (US$57 million), because of increased shipments and large inventory write-downs posted during the previous fiscal year.

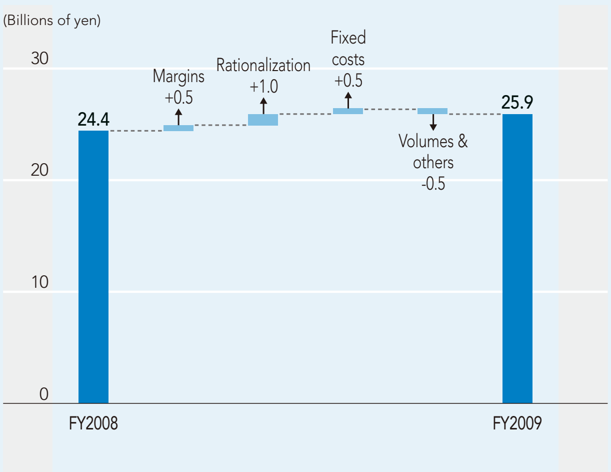
(3) Fine Chemicals

Sales of pharmaceutical chemicals and specialty chemicals decreased because of a contraction in shipments and the effects of a stronger yen. As a result, the segment's sales fell by ¥13.2 billion (US$142 million) compared with the previous fiscal year, to ¥67.6 billion (US$726 million), while operating income remained flat from the previous fiscal year at ¥1.5 billion (US$16 million).

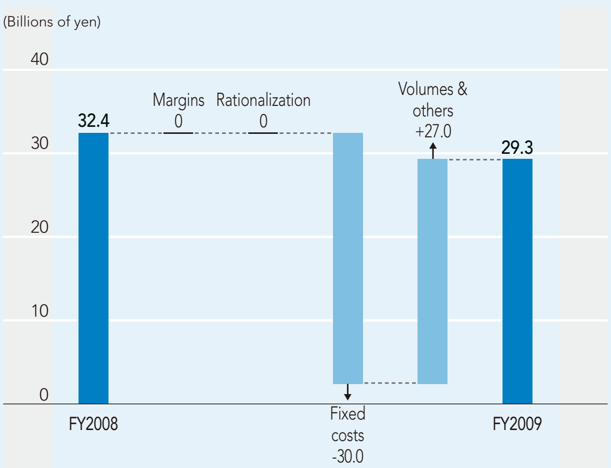
IT-related Chemicals
Change in Operating Income: FY2008 vs. FY2009



Agricultural Chemicals
Change in Operating Income: FY2008 vs. FY2009



Pharmaceuticals
Change in Operating Income: FY2008 vs. FY2009



(4) IT-related Chemicals

In spite of strong shipments thanks to a recovery in demand in Korea, Taiwan and China, sales of polarizing film and color filters used in liquid crystal displays were down because selling prices fell below the levels of the previous year. In addition, the value of sales of overseas subsidiaries decreased in yen terms because of the effects of a stronger yen. As a result, the segment's sales fell by ¥41.9 billion (US$450 million) compared with the previous fiscal year, to ¥265.2 billion (US$2,851 million). Operating income improved by ¥4.3 billion (US$46 million), to ¥3.3 billion (US$36 million), because of increased shipments and the one-time research and development expenses posted during the previous fiscal year.

(5) Agricultural Chemicals

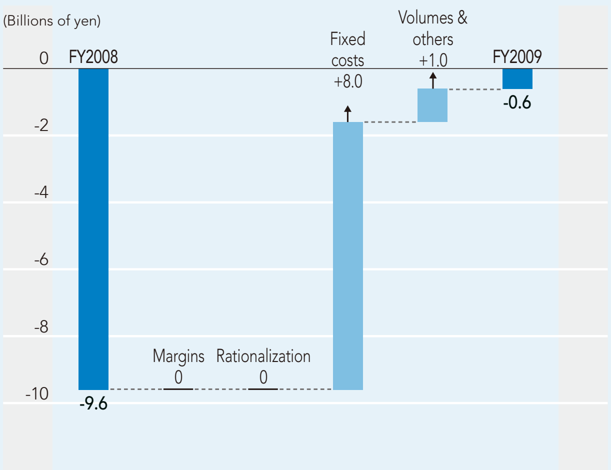
Shipments of feed additives and herbicides remained solid. Sales of fertilizers declined because of lower selling prices as well as a decrease in shipments resulting from customers' efforts to reduce inventories. The value of export sales and sales of overseas subsidiaries decreased in yen terms because of appreciation of the yen. As a result, the segment's sales fell by ¥10.7 billion (US$115 million), to ¥211.5 billion (US$2,274 million), while operating income increased by ¥1.5 billion (US$16 million), to ¥25.9 billion (US$279 million), compared with the previous fiscal year.

(6) Pharmaceuticals

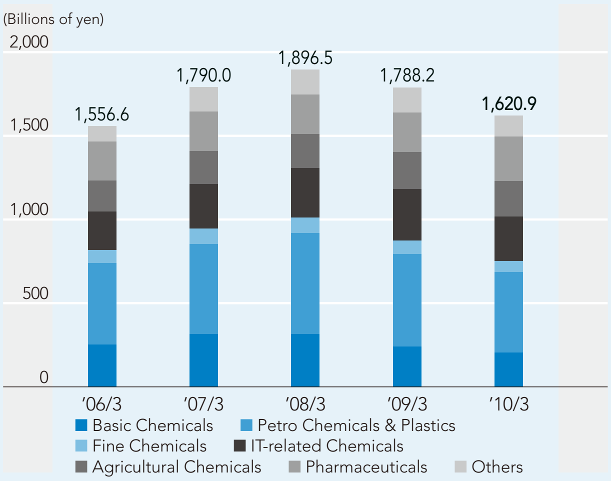
Sales of Amlodin (therapeutic agent for hypertension and angina pectoris) decreased from the effects of patent expiration. Sales of Gasmotin (gastroprokinetic), Prorenal (vasodilator) and Lonasen (therapeutic agent for schizophrenia) increased as a result of continued sales promotions. Owing to these factors as well as the contributions of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., which has been consolidated since the beginning of fiscal 2009, and the fourth quarter performance of Sepracor Inc. and other U.S. subsidiaries, the segment's sales rose by ¥31.9 billion (US$343 million) compared with the previous year, to ¥267.5 billion (US$2,875 million). Operating income fell by ¥3.0 billion (US$32 million), to ¥29.3 billion (US$315 million), because of increased expenses for the amortization of patents and other intangible assets accepted in the acquisition of Sepracor Inc. and increased expenses for the amortization of actuarial differences in employees' retirement benefits.

Others

Change in Operating Income: FY2008 vs. FY2009



Breakdown of Sales by Business Segment



(7) Others

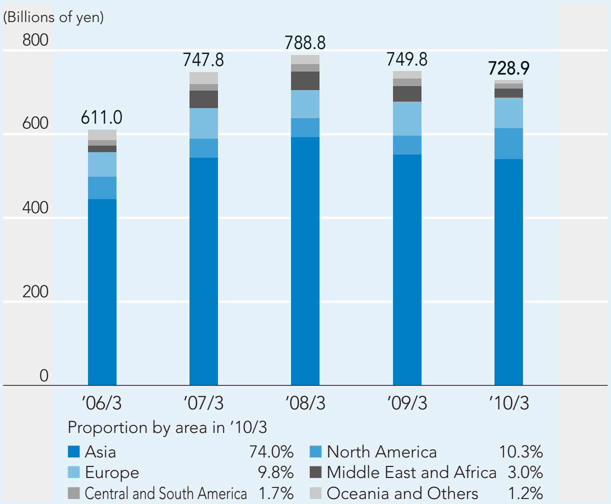
In addition to the above six segments, the Sumitomo Chemical Group engages in supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The Group also conducts development and sales activities in new business fields, such as polymer organic light-emitting diodes. The segment's sales declined by ¥25.3 billion (US$271 million) from the previous fiscal year, to ¥124.3 billion (US$1,336 million), while operating income improved by ¥7.4 billion (US$80 million), to a loss of ¥0.5 billion (US$5 million), because of reduced R&D and other expenses.

Results by Business Segment

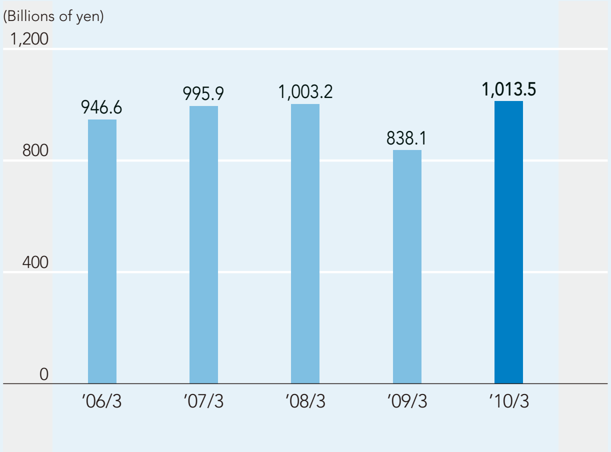
Fiscal years ended March 31, 2010 and 2009

	Millions of yen								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2010									
Sales to unaffiliated customers	¥203,294	¥481,529	¥67,568	¥265,226	¥211,546	¥267,464	¥124,288	¥ —	¥1,620,915
Operating income (loss)	(2,658)	(5,319)	1,496	3,304	25,916	29,348	(456)	(176)	51,455
Operating income ratio (%)	(1.3)	(1.1)	2.2	1.2	12.3	11.0	(0.4)	—	3.2
Operating income growth (decrease) (%)	—	—	(8.2)	—	6.1	(9.3)	—	—	—
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 (loss)	(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)

Breakdown of Overseas Operations



Total Current Assets



3 Overseas Operations

Revenue from overseas operations, including both sales by overseas subsidiaries and exports from Japan, for the fiscal year ended March 31, 2010, were ¥728.9 billion (US$7,834 million), 2.8% lower than the figure of ¥749.8 billion for the previous fiscal year, due principally to the decrease in value of sales of overseas subsidiaries in yen terms because of the effects of the stronger yen, while sales increased in the Pharmaceuticals segment due to newly consolidated companies and shipments commenced at sales subsidiaries following the start of operations of Petro Pabigh in the year ended March 31, 2010. The ratio of revenue from overseas operations to net sales was 45.0%, compared with 41.9% for the previous fiscal year.

4 Geographic Information

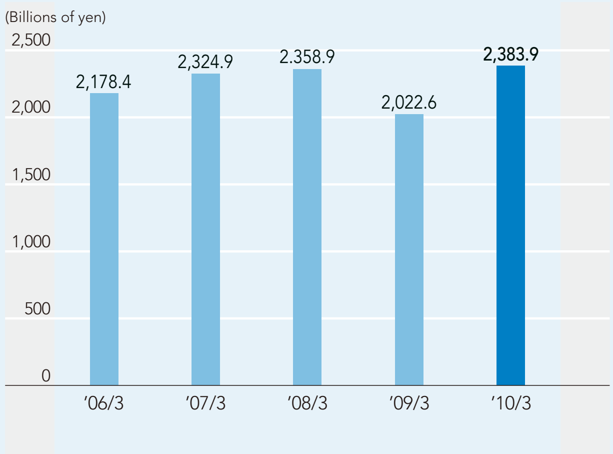
Net sales from operations outside Japan amounted to ¥549.8 billion (US$5,909 million) and ¥573.1 billion for the years ended March 31, 2010 and 2009, respectively, and accounted for 33.9% and 32.0% of the respective consolidated total sales. Net sales in Asia were ¥423.7 billion (US$4,554 million), a 7.3% decrease from ¥457.1 billion for the previous fiscal year. Net sales in North America were ¥74.8 billion (US$804 million), a 53.3% increase from ¥48.8 billion for the previous fiscal year.

Operating income from operations outside Japan for the fiscal year ended March 31, 2010 came to ¥8.1 billion (US$87 million), a 27.0% decrease from ¥11.1 billion for the previous fiscal year. Operating income in Asia was ¥12.3 billion (US$132 million), a 16.3% increase from ¥10.6 billion for the previous fiscal year. Operating income in North America was ¥1.4 billion (US$15 million), a 68.2% decrease from ¥4.4 billion for the previous fiscal year.

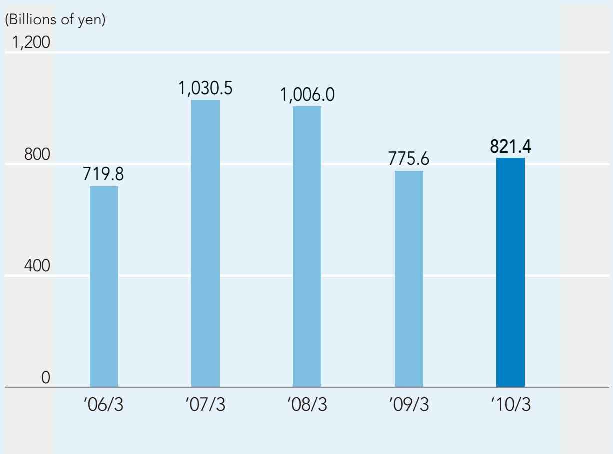
Overseas assets as of March 31, 2010 amounted to ¥701.4 billion (US$7,539 million), 91.1% higher than the previous fiscal year's figure of ¥367.0 billion. Assets in Asia as of March 31, 2010 amounted to ¥304.8 billion (US$3,276 million), 22.4% higher than the previous fiscal year's ¥249.1 billion. Assets in North America amounted to ¥326.6 billion (US$3,510 million), increased by ¥284.4 billion from the previous fiscal year's ¥42.2 billion, in accordance with the acquisition of Sepracor Inc.

The ratio of overseas assets to total assets for the fiscal year ended March 31, 2010 stood at 29.4%, up 11.3 percentage points from the previous fiscal year.

Total Assets



Shareholders' Equity / Net Assets*



* From the fiscal year ended March 31, 2007, the Companies 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.

5 Financial Position

Total assets as of March 31, 2010 increased by ¥361.4 billion to ¥2,383.9 billion (US$25,622 million) from ¥2,022.6 billion as of March 31, 2009. Current assets as of March 31, 2010 amounted to ¥1,013.5 billion (US$10,893 million), up 20.9% from ¥838.1 billion as of March 31, 2009 because of an increase in accounts receivable. Non-Current Assets as of March 31, 2010 amounted to ¥1,370.4 billion (US$14,730 million), up 15.7% from ¥1,184.4 billion as of March 31, 2009, mainly because patents and goodwill increased in accordance with acquisition of Sepracor Inc.

Current liabilities were ¥867.6 billion (US$9,325 million), up 29.9% from ¥668.1 billion as of March 31, 2009 mainly because of increases in short-term debt and accounts payable. The current ratio was 116.8% compared with 125.5% as of March 31, 2009.

Long-term liabilities increased to ¥694.9 billion (US$7,468 million), up 20.1% from ¥578.8 billion as of March 31, 2009, mainly due to an increase in long-term debt.

Interest-bearing liabilities (short-term and long-term borrowings from banks, debt on bonds and notes, and commercial paper) as of March 31, 2010 amounted to ¥997.9 billion (US$10,726 million), 25.5% higher than ¥795.4 billion as of March 31, 2009, primarily due to the borrowing of funds for the acquisition of Sepracor Inc.

Net assets were ¥821.4 billion (US$8,829 million) as of March 31, 2010, a 5.9% increase from ¥775.6 billion as of March 31, 2009. The ratio of net assets to total assets stood at 24.1% as of March 31, 2010, compared with 26.9% as of March 31, 2009. Minority interests were ¥246.1 billion (US$2,645 million), compared with ¥231.3 billion as of March 31, 2009. Unrealized gains on investment securities amounted to ¥54.6 billion (US$587 million), compared with ¥45.7 billion as of March 31, 2009. Foreign currency translation adjustments amounted to negative ¥84.6 billion (negative US$909 million), compared with negative ¥95.7 billion as of March 31, 2009.

The number of shares issued and outstanding as of March 31, 2010 was 1,650,867,549 shares. Retained earnings amounted to ¥490.9 billion (US$5,276 million), a 2.0% increase from ¥481.5 billion as of March 31, 2009.

6 Cash Flows

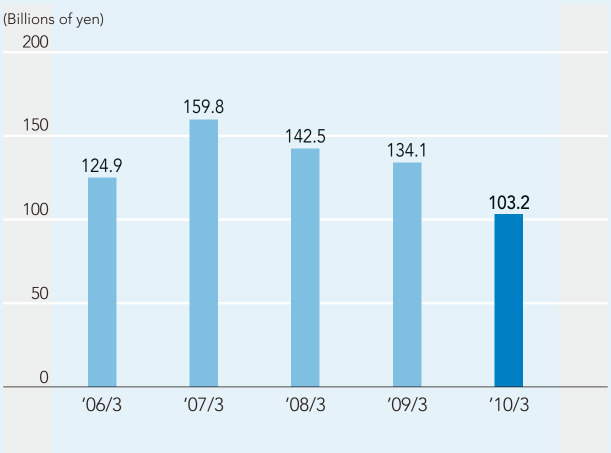
Net cash provided by operating activities for the year ended March 31, 2010 was ¥132.9 billion (US$1,428 million), 69.4% higher than ¥78.4 billion for the previous fiscal year. Recovery of net income contributed to the improvement in operating cash flows.

Net cash used in investing activities for the year ended March 31, 2010 was ¥269.4 billion (US$2,896 million), which was higher by ¥63.2 billion than the previous fiscal year.

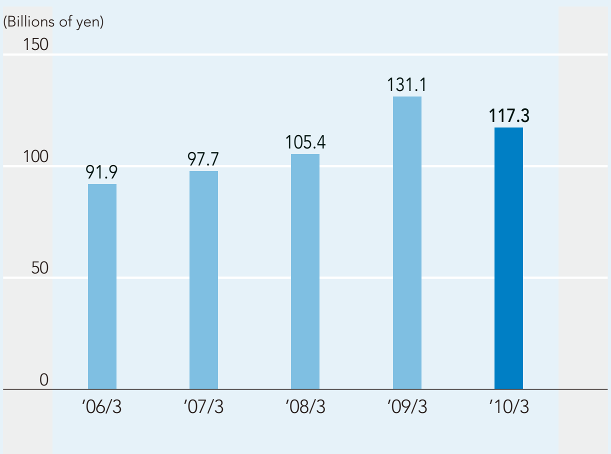
Breakdown of Capital Expenditures

Years ended March 31	Billions of yen, % 2005		2006		2007		2008		2009		2010	
New plants and expansions:												
Basic Chemicals	¥ 10.2	8%	¥ 11.4	9%	¥ 18.7	12%	¥ 13.1	9%	¥ 10.3	8%	¥ 7.6	7%
Petrochemicals & Plastics	5.7	5	4.2	3	4.3	3	1.3	1	9.3	7	6.6	6
Fine Chemicals	3.7	3	1.9	2	1.9	1	3.1	2	5.5	4	12.9	13
IT-related Chemicals	36.5	29	34.8	28	66.6	42	27.6	19	48.8	36	9.8	10
Agricultural Chemicals	14.0	11	4.0	3	4.7	3	2.1	1	4.1	3	20.0	19
Pharmaceuticals	1.0	1	0.7	1	1.9	1	11.2	8	5.4	4	4.0	4
Others	1.2	1	3.0	2	5.5	3	3.2	2	10.7	8	10.6	10
Total	72.3	58	60.0	48	103.6	65	61.6	42	94.1	70	71.6	69
Rationalization of production processes	7.4	6	6.2	5	6.8	4	5.1	4	6.0	4	5.4	5
Research and development	7.3	6	9.0	7	7.1	4	6.5	5	9.6	7	7.7	8
Others	38.8	31	49.7	40	42.3	27	69.3	49	24.4	19	18.6	18
Total	¥125.8	100%	¥124.9	100%	¥159.8	100%	¥142.5	100%	¥134.1	100%	¥103.2	100%

Capital Expenditures



Research and Development Expenses



Acquisition of shares of Sepracor Inc. was a main factor of this increase.

As a result, free cash flow, which consists of cash flows provided by operating activities and those used in investing activities, was negative ¥136.5 billion (negative US$1,467 million) for the year ended March 31, 2010, compared with negative ¥127.8 billion for the previous fiscal year.

Net cash acquired in financing activities was positive ¥168.7 billion (US$1,813 million), because of an increase in proceeds from short-term debt for acquisition of Sepracor Inc.

7 Capital Expenditures

In the year ended March 31, 2010, the Companies' capital investments totaled ¥103.2 billion (US$1,110 million), which includes investments for new installations and expansions of manufacturing facilities as well as those for streamlining of existing facilities.

Major investments made in the fiscal year ended March 31, 2010 were the expansion of manufacturing facilities of feed additive methionine in the Agricultural Chemicals segment and expansion of manufacturing facilities of resorcinol, which is used as a raw material of adhesives for rubber, etc., in the Fine Chemicals segment.

Each segment's capital investments were ¥12.4 billion (US$133 million) in the Basic Chemicals segment, ¥14.4 billion (US$154 million) in the Petrochemicals & Plastics segment, ¥14.3 billion (US$154 million) in the Fine Chemicals segment, ¥11.5 billion (US$124 million) in the IT-related Chemicals segment, ¥23.2 billion (US$249 million) in the Agricultural Chemicals segment, ¥7.8 billion (US$84 million) in the Pharmaceuticals segment and ¥14.1 billion (US$152 million) in the Others segment.

8 Research and Development

The Company's basic R&D policy is to develop superior proprietary technologies that will contribute to higher profitability and expanded business operations. The Company is promoting R&D proactively through close collaboration between a number of corporate laboratories and business segment laboratories to generate best possible overall achievements in both efficiency and technology synergies.

R&D expenses were ¥117.3 billion (US$1,261 million), down 10.5% from the fiscal year ended March 31, 2009. A decrease of depreciation expense for our testing facilities for ArF immersion photoresists in the IT-related Chemicals segment was a main factor for the variance.

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 the Petrochemicals and Plastics segments 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 standings 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 Petrochemical 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 other raw materials is dependent on particular geographical areas or suppliers. Although the Companies are seeking to reduce the risk associated with their inability to procure major raw materials by developing multiple supply sources, there is no guarantee that supply shortages of such major raw materials will not occur. In the event that the Companies cannot procure necessary major raw materials on their own, such circumstances may have an adverse effect on the operational results of the Companies.

(e) Since the speed of technical innovation for products in the IT-related Chemicals segment is extremely 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 future may increase, which may have an adverse effect on the operational results and the financial conditions of the Companies.

(6) Impairment loss

The Companies have adopted accounting standards for impairment of fixed assets. If the business environment deteriorates significantly or the market value of land and other fixed assets decline drastically, impairment loss may have an adverse effect on the operational results and financial conditions of the Companies.

(7) 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 reduced, which is determined unrecoverable, and it may have an adverse effect on the operational results and financial conditions of the Companies.

(8) 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, funds for US$5.8 billion out of the total project cost are 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 effectively prevent 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 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 operation 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 therefrom 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 future, there is a possibility that they may adversely affect the operational results and the financial conditions of the Companies.

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Subsidiaries
March 31, 2010 and 2009

	Millions of yen		Thousands of US dollars (Note 1)
	2010	2009	2010
Assets			
Current assets:			
Cash and cash equivalents (Notes 4, 5 and 17)	¥ 120,660	¥ 85,802	$ 1,296,862
Short-term investments (Note 4)	3,179	4,517	34,168
Securities (Notes 4 and 5)	10,251	7,030	110,178
Trade notes and accounts receivable (Note 4)	382,477	294,316	4,110,888
Inventories (Note 3)	355,667	335,715	3,822,732
Deferred tax assets (Note 13)	49,462	34,659	531,621
Other	93,728	78,232	1,007,394
Allowance for doubtful accounts	(1,964)	(2,135)	(21,109)
Total current assets	1,013,460	838,136	10,892,734
Property, plant and equipment (Notes 3, 7 and 10):			
Land	77,115	77,038	828,838
Buildings and structures	531,637	509,170	5,714,069
Machinery and equipment	1,427,937	1,358,667	15,347,560
Construction in progress	51,949	46,681	558,351
	2,088,638	1,991,556	22,448,818
Less accumulated depreciation	(1,506,795)	(1,423,736)	(16,195,131)
Net property, plant and equipment	581,843	567,820	6,253,687
Investments and other assets:			
Investment securities (Notes 4, 5, 6 and 7)	394,512	384,647	4,240,241
Long-term loans (Notes 4 and 18)	57,489	60,701	617,896
Deferred tax assets (Note 13)	14,827	13,332	159,362
Goodwill (Note 21)	94,737	12,949	1,018,239
Patents	128,128	27,254	1,377,128
Software	13,018	13,062	139,918
Other (Notes 6, 11 and 18)	87,712	105,824	942,734
Allowance for doubtful accounts	(1,820)	(1,172)	(19,561)
Total investments and other assets	788,603	616,597	8,475,957
Total assets	¥2,383,906	¥2,022,553	$25,622,378

See accompanying notes.

	Millions of yen		Thousands of US dollars (Note 1)
	2010	2009	2010
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 4 and 7)	¥ 349,486	¥ 277,299	$ 3,756,298
Long-term debt due within one year (Notes 4 and 7)	55,694	41,177	598,603
Trade notes and accounts payable (Note 4)	214,614	151,519	2,306,685
Income taxes payable	15,595	13,265	167,616
Other (Note 13)	232,217	184,840	2,495,884
Total current liabilities	867,606	668,100	9,325,086
Long-term liabilities:			
Long-term debt (Notes 4 and 7)	592,757	476,891	6,370,991
Deferred tax liabilities (Note 13)	29,111	31,496	312,887
Retirement benefits (Notes 3 and 11)	29,565	29,613	317,767
Other	43,431	40,825	466,799
Total long-term liabilities	694,864	578,825	7,468,444
Contingent liabilities (Notes 15 and 18)			
Net assets (Note 14):			
Common stock,			
Authorized — 5,000,000,000 shares			
Issued — 1,655,446,177 shares at March 31, 2010			
1,655,446,177 shares at March 31, 2009	89,699	89,699	964,091
Capital surplus	23,725	23,719	254,998
Retained earnings	490,858	481,459	5,275,774
Treasury stock, at cost			
4,578,628 shares at March 31, 2010			
4,572,036 shares at March 31, 2009	(2,760)	(2,754)	(29,665)
Unrealized gains on investment securities	54,636	45,743	587,231
Unrealized gains (losses) on hedging derivatives	6	(1,684)	64
Land revaluation reserve (Note 16)	3,815	3,811	41,004
Foreign currency translation adjustments	(84,611)	(95,627)	(909,404)
Minority interests	246,068	231,262	2,644,755
Total net assets	821,436	775,628	8,828,848
Total liabilities and net assets	¥2,383,906	¥2,022,553	$25,622,378

See accompanying notes.

Consolidated Statements of Operations

Sumitomo Chemical Company, Limited and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of US dollars (Note 1)
	2010	2009	2008	2010
Net sales	¥1,620,915	¥1,788,223	¥1,896,539	$17,421,700
Cost of sales	1,192,341	1,412,613	1,454,416	12,815,358
Selling, general and administrative expenses	377,119	373,496	339,726	4,053,300
Operating income	51,455	2,114	102,397	553,042
Other income (expenses):				
Interest and dividend income (Note 18)	7,102	9,599	9,250	76,333
Interest expenses	(12,073)	(12,272)	(12,004)	(129,761)
Equity in (losses) earnings of affiliates	(7,002)	(12,811)	11,161	(75,258)
Gain on sale of investment securities	9,507	858	6,719	102,182
Gain on sale of property, plant and equipment	1,074	989	4,734	11,543
Restructuring charges (Note 12)	(2,671)	(8,803)	(4,766)	(28,708)
Expenses incurred as a result of the revision of personnel plans	(1,570)	—	—	(16,874)
Loss on foreign currency transactions	(478)	(14,659)	(7,093)	(5,138)
Gain on contribution of securities to retirement benefit trust	—	14,772	—	—
Reversal of provision for loss on litigation	—	1,054	—	—
Impairment loss (Note 10)	—	(20,848)	—	—
Loss on valuation of investment securities	—	(4,138)	—	—
Gain on change in equity by affiliate stock offering	—	—	28,767	—
Loss on disposal of inventories	—	—	(10,678)	—
Other, net	(4,047)	(4,595)	(243)	(43,498)
Income (loss) before income taxes and minority interests	41,297	(48,740)	128,244	443,863
Income taxes (Note 13):				
Current	25,518	26,768	29,993	274,269
Deferred	(14,177)	(28,365)	14,140	(152,375)
	11,341	(1,597)	44,133	121,894
Minority interests	15,233	12,021	21,028	163,725
Net income (loss)	¥ 14,723	¥ (59,164)	¥ 63,083	$ 158,244

	Yen			US dollars (Note 1)
	2010	2009	2008	2010
Net income (loss) per share (Note 19)	¥8.92	¥(35.84)	¥38.20	$0.096
Dilutive net income per share (Note 19)	—	—	—	—

Dilutive net income per share in 2010 is not disclosed because there are no shares that are dilutive.
Dilutive net income per share in 2009 and 2008 are not disclosed because they are anti-dilutive.

	Yen			US dollars (Note 1)
	2010	2009	2008	2010
Cash dividends per share (applicable to the year)	¥6.00	¥9.00	¥12.00	$0.064

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Chemical Company, Limited and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Shares of common stock (thousands)	Millions of yen Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Unrealized gains (losses) on hedging derivatives	Land revaluation reserve	Foreign currency translation adjustments	Minority interests	Total net assets
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 ¥13.00 per share				(21,482)							(21,482)
Decrease due to changes in scope of consolidation and equity method				(801)							(801)
Surplus from sales of treasury stock			14								14
Net increase in treasury stock					(381)						(381)
Other						(55,130)	158		(9,889)	(47)	(64,908)
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				(59,164)							(59,164)
Cash dividends at ¥12.00 per share				(19,826)							(19,826)
Surplus from sales of treasury stock			(58)								(58)
Net increase in treasury stock					(80)						(80)
Other						(45,428)	459		(97,863)	(6,674)	(149,506)
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
Net income				14,723							14,723
Cash dividends at ¥3.00 per share				(4,956)							(4,956)
Decrease due to changes in scope of consolidation and equity method				(367)							(367)
Reversal of land revaluation reserve				(1)							(1)
Surplus from sales of treasury stock			6								6
Net increase in treasury stock					(6)						(6)
Other						8,893	1,690	4	11,016	14,806	36,409
Balance at March 31, 2010	1,655,446	¥89,699	¥23,725	¥490,858	¥(2,760)	¥ 54,636	¥ 6	¥3,815	¥(84,611)	¥246,068	¥ 821,436

	Thousands of US dollars (Note 1) Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Unrealized gains (losses) on hedging derivatives	Land revaluation reserve	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	$964,091	$254,933	$5,174,753	$(29,600)	$491,649	$(18,100)	$40,961	$(1,027,805)	$2,485,619	$8,336,501
Net income			158,244							158,244
Cash dividends at ¥3.00 (US$0.03) per share			(53,267)							(53,267)
Decrease due to changes in scope of consolidation and equity method			(3,945)							(3,945)
Reversal of land revaluation reserve			(11)							(11)
Surplus from sales of treasury stock		65								65
Net increase in treasury stock				(65)						(65)
Other					95,582	18,164	43	118,401	159,136	391,326
Balance at March 31, 2010	$964,091	$254,998	$5,275,774	$(29,665)	$587,231	$ 64	$41,004	$ (909,404)	$2,644,755	$8,828,848

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of US dollars (Note 1)
	2010	2009	2008	2010
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 41,297	¥ (48,740)	¥128,244	$ 443,863
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—				
Depreciation and amortization	116,110	140,707	124,980	1,247,958
Impairment loss	—	20,848	—	—
Equity in losses (earnings) of affiliates	11,501	15,495	(1,793)	123,613
(Decrease) increase in provision for retirement benefits and others	(3,404)	6,270	(5,305)	(36,586)
Interest and dividend income	(7,102)	(9,599)	(9,250)	(76,333)
Interest expenses	12,073	12,272	12,004	129,761
Gain on sale of investment securities	(9,507)	(858)	(6,719)	(102,182)
Loss on valuation of investment securities	—	4,138	—	—
Restructuring charges	1,206	6,539	4,030	12,962
Gain on change in equity by affiliate stock offering	—	—	(28,767)	—
Gain on contribution of securities to retirement benefit trust	—	(14,772)	—	—
Gain on sale of property, plant and equipment	(1,074)	(989)	(4,734)	(11,543)
(Increase) decrease in notes and accounts receivable	(69,706)	110,404	(15,463)	(749,205)
Increase in inventories	(4,212)	(16,907)	(10,555)	(45,271)
Increase (decrease) in notes and accounts payable	60,409	(106,095)	21,362	649,280
Other, net	12,812	(6,797)	1,147	137,705
Subtotal	160,403	111,916	209,181	1,724,022
Interest and dividends received	5,407	8,562	9,523	58,115
Interest paid	(12,103)	(12,037)	(11,848)	(130,084)
Income taxes paid	(20,835)	(30,013)	(50,278)	(223,936)
Net cash provided by operating activities	132,872	78,428	156,578	1,428,117
Cash flows from investing activities:				
Acquisition of securities	(6,158)	(3,523)	—	(66,187)
Proceeds from sale and redemption of securities	29,601	1,984	2,006	318,153
Acquisition of investment securities	(9,643)	(15,579)	(27,659)	(103,643)
Proceeds from sale and redemption of investment securities	32,038	1,637	13,463	344,347
Acquisition of other investments	(166)	(2,078)	(22,319)	(1,784)
Acquisition of property, plant and equipment	(119,522)	(138,739)	(127,083)	(1,284,630)
Proceeds from sale of property, plant and equipment	1,389	3,317	7,166	14,929
Payments of loans receivable	(2,287)	(67,087)	(2,830)	(24,581)
Collection of loans receivable	2,263	4,542	2,611	24,323
Acquisition of shares of newly consolidated subsidiaries (Note 17)	(202,044)	(135)	(30,561)	(2,171,582)
Other, net	5,127	9,424	2,527	55,105
Net cash used in investing activities	(269,402)	(206,237)	(182,679)	(2,895,550)
Cash flows from financing activities:				
(Decrease) increase in commercial paper	(49,000)	35,000	38,000	(526,655)
Increase (decrease) in other short-term debt	119,111	49,485	(23,583)	1,280,213
Proceeds from long-term debt	184,151	144,761	68,982	1,979,267
Repayments of long-term debt	(76,052)	(91,126)	(46,237)	(817,412)
Repayments of finance lease obligations	(1,170)	—	—	(12,576)
Purchase of treasury stocks	(40)	(69)	(309)	(430)
Proceeds from sales of treasury stocks	40	—	—	430
Cash dividends paid	(4,956)	(19,826)	(21,482)	(53,267)
Cash dividends paid to minority shareholders	(5,334)	(6,750)	(9,903)	(57,330)
Capital contributions from minority shareholders	1,959	1,064	1,622	21,055
Net cash provided by financing activities	168,709	112,539	7,090	1,813,295
Effect of exchange rate changes on cash and cash equivalents	1,224	(6,336)	252	13,156
Net change in cash and cash equivalents	33,403	(21,606)	(18,759)	359,018
Increase in cash and cash equivalents due to merger of consolidated subsidiaries	—	—	98	—
Increase in cash and cash equivalents resulting from changes in scope of consolidation	1,455	—	79	15,638
Cash and cash equivalents at beginning of year	85,802	107,408	125,990	922,206
Cash and cash equivalents at end of year (Note 17)	¥120,660	¥ 85,802	¥107,408	$1,296,862

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

1 Basis of Financial Statements

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

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries and affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and make necessary amendments for consolidated financial statements. As discussed in Note 3 *(e)*, effective from the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries 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.

(b) The translations of Japanese yen amounts into US dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to US$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into US dollars at this or any other rate of exchange.

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

2 Significant Accounting Policies

(a) Consolidation

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

The consolidated financial statements include the accounts of the Company and 143, 126 and 116 significant subsidiaries for the years ended March 31, 2010, 2009 and 2008, 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 37, 38, and 36 significant affiliates for the years ended March 31, 2010, 2009 and 2008, 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. 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.

(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 *(g)*, 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) Securities

The Companies have no trading securities.

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

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

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

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

(d) Derivatives and hedge accounting

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

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

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

(e) 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 *(d)*, effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted a new accounting standard for measurement of inventories and stated the inventories mainly at cost determined by Last-in, First-out method with book value written down to the lower profitability.

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

(f) Property, plant and equipment

Property, plant and equipment are 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.

(g) Intangible assets

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

(h) Lease assets

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 *(f)*, 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.

Property, plant and equipment capitalized under finance leases arrangements is depreciated over the estimated useful lives or the lease terms of the respective assets.

(i) Research and development

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses were ¥117,328 million (US$1,261,049 thousand), ¥131,123 million and ¥105,404 million for the years ended March 31, 2010, 2009 and 2008, respectively.

(j) Bond issue expenses

Bond issue expenses are charged to income as incurred.

(k) 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.

(l) 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.

(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 ¥1,040 million (US$11,178 thousand) and ¥1,057 million were included in the other long-term liabilities at March 31, 2010 and 2009, respectively.

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

(n) Reserve for bonuses
To provide for payments for bonuses subsequent to the consolidated year-end date, reserves for bonuses were recorded based on the amounts expected to be paid. ¥21,843 million (US$234,770 thousand) and ¥22,290 million were included in the other current liabilities at March 31, 2010 and 2009, respectively.

(o) 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 ¥7,795 million (US$83,781 thousand) and ¥7,464 million were included in "other current liabilities" and "other long-term liabilities" at March 31, 2010 and 2009, respectively.

(p) Reserve for sales rebates
The reserve for sales rebates mainly related to public programs and contracts with wholesalers is provided based on the amounts expected to be paid subsequent to the consolidated year-end date. ¥15,710 million (US$168,852 thousand) and ¥412 million were included in the other current liabilities at March 31, 2010 and 2009, respectively.

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

(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 standards for retirement benefits
Effective from the fiscal year ended March 31, 2010, the Company and consolidated domestic subsidiaries adopted the "Partial Amendment to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No.19, issued on July 31, 2008).

The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined taking into consideration fluctuations in the yield of long-term government and gilt-edged bonds over a certain period.

The effect of this change on operating income, and income before income taxes and minority interests was immaterial.

There is no balance of unrecognized net actuarial gain or loss arising with application of this accounting standard at March 31, 2010.

Supplementary information
The Company reviewed the discount rate in accordance with extension of average remaining working lives of the employees and changed the discount rate from 1.2% to 2.1% from the fiscal year ended March 31, 2010. As a consequence, operating income, and income before income taxes and minority interests increased by ¥6,290 million (US$67,605 thousand), compared to the case in which the previous method is applied.

(b) Change in accounting standard for construction contracts and its implementation guidance
The Companies previously used the percentage-of-completion method for accounting revenues associated with construction contracts with a contract amount of five billion yen or more and a construction period of over two years, and other construction work was accounted for using the completed-contract method.

Effective from the year ended March 31, 2010, the domestic companies adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued on December 27, 2007).

Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work commencing in the year ended March 31, 2010, otherwise the completed-contract method is applied. The percentage/stage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost. The effect of this change is immaterial.

(c) Application of accounting standard for business combinations and others

As "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 (Revised 2008), December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 (Revised 2008), released on December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 (Revised 2008), December 26, 2008) can be applied for the first business combination and business divestitures conducted in the fiscal year beginning on or after April 1, 2009. The Company and its domestic subsidiaries has applied these accounting standards and others beginning with this fiscal year.

(d) 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, in the fiscal year ended March 31, 2009, operating income decreased ¥6,875 million and loss before income taxes and minority interests increased ¥2,903 million. The effects on segment information are described in the relevant notes.

(e) 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 revaluation 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.

(f) 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 in the fiscal year ended on March 31, 2009 by this change.

(g) 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, in the fiscal year ended March 31, 2009, net sales increased by ¥95,970 million, operating income increased by ¥2,964 million, and loss before income taxes and minority interests increased by ¥1,619 million. The effects on segment information are described in the relevant notes.

(h) 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.

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.

4 Financial Instruments

Supplementary information

Effective from the fiscal year ended March 31, 2010, the Companies adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008). Information on financial instruments for the fiscal year ended March 31, 2010 required pursuant to the revised accounting standards was as follows.

1) Status of financial instruments

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

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

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

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

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

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

The Companies utilize derivative transactions only for risk hedging purpose and limit the amount to actual demand. Also, the Companies establish the company regulation which stipulate the utilization purpose, policy, authorization and procedure of the derivative transactions, and manage the risk arisen from the derivative transactions by primarily assessing compliance to the company regulation and effectiveness of the hedge transactions.

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

2) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2010 were as follows. Certain financial instruments were excluded from the following table as the fair values were not available (see Note 2 below).

	Millions of yen		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 120,660	¥ 120,660	¥ —
Short-term investments	3,179	3,179	—
Trade notes and accounts receivable	382,477	382,477	—
Securities and investment securities			
Held-to-maturity debt securities	5,054	5,076	22
Investment in non-consolidated subsidiaries and affiliates	126,056	323,406	197,350
Available-for-sale securities	183,695	183,695	—
Long-term loans*1	57,614	57,614	—
Assets total	¥ 878,735	¥1,076,107	¥197,372
Short-term debt	349,486	349,486	—
Trade notes and accounts payable	214,614	214,614	—
Long-term debt*1	648,451	658,602	10,151
Liabilities total	¥1,212,551	¥1,222,702	¥ 10,151
Derivative transactions*2	¥ 616	¥ (161)	¥ (777)

	Thousands of US dollars		
	Book value	Fair value	Difference
Cash and cash equivalents	$ 1,296,862	$ 1,296,862	$ —
Short-term investments	34,168	34,168	—
Trade notes and accounts receivable	4,110,888	4,110,888	—
Securities and investment securities			
Held-to-maturity debt securities	54,321	54,557	236
Investment in non-consolidated subsidiaries and affiliates	1,354,858	3,475,989	2,121,131
Available-for-sale securities	1,974,366	1,974,366	—
Long-term loans*1	619,239	619,239	—
Assets total	$ 9,444,702	$11,566,069	$2,121,367
Short-term debt	3,756,298	3,756,298	—
Trade notes and accounts payable	2,306,685	2,306,685	—
Long-term debt*1	6,969,594	7,078,697	109,103
Liabilities total	$13,032,577	$13,141,680	$ 109,103
Derivative transactions*2	$ 6,621	$ (1,730)	$ (8,351)

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

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

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

Assets

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

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

Securities and investment securities

The market prices and quoted prices were used for shares and bonds except certain deposits with short-term maturity, which were at the book values.

See the notes on "5 Securities."

Long-term loans

The discounted cash flow method was used to estimate fair values, based on discount rates calculated as totals of appropriate baseline rates and credit risk spreads.

Liabilities

Short-term debt, Trade notes and accounts payable

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

Long-term debt

The discounted cash flow method was used to estimate fair values, based on marginal borrowing rates as discount rates.

Derivative transactions

See the notes on "9 Derivative Transactions and Hedge Accounting."

(Note 2): The financial instruments excluded from the table were as follows:

	Millions of yen	Thousands of US dollars
Non-listed equity securities	¥74,939	$805,449
Preferred securities	13,001	139,736
Other	2,018	21,690

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

(Note 3): The aggregate maturities subsequent to March 31, 2010 for financial assets with maturity were as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over 10 years
Cash and cash equivalents	¥104,804	¥ —	¥ —	¥ —
Short-term investments	3,179	—	—	—
Trade notes and accounts receivable	381,103	1,374	—	—
Securities and investment securities				
Held-to-maturity debt securities				
Government bonds	60	—	—	—
Bonds	2,003	2,991	—	—
Available-for-sale securities				
Government bonds and local government bonds	115	488	—	—
Bonds	4,751	10,430	—	—
Other bonds	—	—	—	6,600
Other	3,320	—	—	—
Long-term loans*	125	495	105	135
Total	¥499,460	¥15,778	¥105	¥6,735

	Thousands of US dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over 10 years
Cash and cash equivalents	$1,126,440	$ —	$ —	$ —
Short-term investments	34,168	—	—	—
Trade notes and accounts receivable	4,096,120	14,768	—	—
Securities and investment securities				
Held-to-maturity debt securities				
Government bonds	645	—	—	—
Bonds	21,528	32,147	—	—
Available-for-sale securities				
Government bonds and local government bonds	1,236	5,245	—	—
Bonds	51,064	112,102	—	—
Other bonds	—	—	—	70,937
Other	35,684	—	—	—
Long-term loans*	1,344	5,320	1,128	1,451
Total	$5,368,229	$169,582	$1,128	$72,388

* Long-term loan of ¥56,754 million (US$ 609,996) to Rabigh Refining and Petrochemical Company (an affiliated company of the Company) was a subordinated loan subject to the terms and conditions stipulated in project finance agreement concerning "The Rabigh Project." The loan was not included in the above schedule, because the future cash flows of the said company was uncertain and the repayment schedule could not be determined at the consolidated year-end date.

(Note 4): See the notes on "7 Short-term Debt and Long-term Debt" for the aggregate annual maturities of long-term debt after the consolidated year-end date.

5 Securities

Securities with available fair values included in securities and investment securities as of March 31, 2010 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	¥3,991	¥4,017	¥26

(b) Securities with available fair value not exceeding their book value

	Millions of yen		
	Book value	Fair value	Difference
Government bonds	¥ 60	¥ 60	—
Bonds	1,003	999	(4)
Total	¥1,063	¥1,059	¥ (4)

Held-to-maturity debt securities

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

	Thousands of US dollars		
	Book value	Fair value	Difference
Bonds	$42,896	$43,175	$279

(b) Securities with available fair value not exceeding their book value

	Thousands of US dollars		
	Book value	Fair value	Difference
Government bonds	$ 645	$ 645	—
Bonds	10,780	10,737	(43)
Total	$11,425	$11,382	$(43)

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥149,520	¥40,324	¥109,196
Other securities	13,240	13,167	73
Total	¥162,760	¥53,491	¥109,269

(b) Securities with book values not exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 7,976	¥ 9,408	¥(1,432)
Other securities	9,144	9,173	(29)
Other	3,815	3,820	(5)
Total	¥20,935	¥22,401	¥(1,466)

Available-for-sale securities

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

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	$1,607,051	$433,405	$1,173,646
Other securities	142,304	141,520	784
Total	$1,749,355	$574,925	$1,174,430

(b) *Securities with book values not exceeding acquisition cost*

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	$ 85,727	$101,118	$(15,391)
Other securities	98,280	98,592	(312)
Other	41,004	41,058	(54)
Total	$225,011	$240,768	$(15,757)

Total sales of available-for-sales securities

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	¥17,783	¥9,506	¥(52)
Other securities	3,001	1	(0)
Other	16,880	—	—
Total	¥37,664	¥9,507	¥(52)

	Thousands of US dollars		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	$191,133	$102,182	$(559)
Other securities	32,255	11	(0)
Other	181,427	—	—
Total	$404,815	$102,193	$(559)

Securities with available fair values included in 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)

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)

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

	Millions of yen
Held-to-maturity debt securities	
Local government bonds and other	¥ 84
Commercial paper	2,990
Available-for-sale securities	
Non-listed equity securities	11,953
Preferred securities	23,001
Negotiable certificates of deposit	27,520
Other	1,221
Investment in non-consolidated subsidiaries and affiliates	190,653
Total	¥257,422

Available-for-sale securities with maturities and held-to-maturity debt securities as of 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	¥ —

Total sales of available-for-sale securities in the year ended March 31, 2009 amounted to ¥1,461 million and the related gains and losses amounted to ¥1,027 million and ¥37 million, respectively.

6 Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the consolidated balance sheet as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Investment securities	¥184,305	¥190,653	$1,980,922
Other non-current assets	6,670	9,066	71,690
Total	¥190,975	¥199,719	$2,052,612

7 Short-term Debt and Long-term Debt

Interest rates on short-term bank loans ranged from 0.35% to 11.02% and from 0.60% to 15.75% as of March 31, 2010 and 2009, respectively.

Short-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Bank loans	¥271,486	¥150,299	$2,917,949
Commercial paper	78,000	127,000	838,349
Total	¥349,486	¥277,299	$3,756,298

Long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
0.88-1.14% Euro notes under medium-term note programs due through 2010	¥ 2,499	¥ 979	$ 26,859
0.44%-2.14% debentures due through 2019	312,118	297,180	3,354,665
0.50%-7.13% long-term bank loans payable due through 2024	333,834	219,909	3,588,070
Subtotal	648,451	518,068	6,969,594
Less amounts due within one year	(55,694)	(41,177)	(598,603)
Total	¥592,757	¥476,891	$6,370,991

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 were as follows:

Year ending March 31	Millions of yen	Thousands of US dollars
2011	¥ 55,694	$ 598,603
2012	62,013	666,520
2013	112,952	1,214,015
2014	93,250	1,002,257
2015	89,225	958,996
2016 and thereafter	235,317	2,529,203
Total	¥648,451	$6,969,594

As of March 31, 2010, 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	¥23,822	$ 256,040
Investment securities	69,799	750,204
	¥93,621	$1,006,244
Liabilities secured thereby	¥15,280	$ 164,230

8 Leases

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

Assumed amounts of acquisition cost and accumulated depreciation as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Machinery and equipment	¥3,269	¥5,485	$35,136
Less accumulated depreciation and amortization	(2,486)	(3,772)	(26,720)
Total	¥ 783	¥1,713	$ 8,416

Assumed depreciation charges of ¥906 million (US$9,738 thousand) and ¥1,462 million for the years ended March 31, 2010 and 2009, respectively, are computed by the straight-line method over the lease terms assuming no residual value.

Lease payment in the years ended March 31, 2010 and 2009 were ¥926 million (US$9,953 thousand) and ¥1,491 million, respectively.

Obligations under non-capitalized finance leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Due within one year	¥512	¥ 888	$5,503
Due after one year	279	831	2,999
Total	¥791	¥1,719	$8,502

Finance lease started on and after April 1, 2008 were as follows.

(a) Lease assets

Property, plant and equipment: Mainly vessels for transportation (machinery and equipment)

(b) Depreciation method for lease assets

Straight-line method over the lease terms with no residual value

Obligations under operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Due within one year	¥ 1,789	¥ 1,479	$ 19,228
Due after one year	12,566	17,654	135,060
Total	¥14,355	¥19,133	$154,288

9 Derivative Transactions and Hedge Accounting

The contract amounts, fair values, unrealized gains (losses) of derivative transactions as of March 31, 2010 were as follows:

Hedge accounting applied

(a) Currency related derivative transactions

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

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥17,521	¥ —	¥ 64
EUR	380	—	(13)
Other	239	—	1
Buy contracts			
NZD	1,817	—	(7)
USD	1,273	13	20
Other	7,990	—	(10)
Currency swap contract			
Pay USD, receive JPY	1,043	—	(10)
Currency option contracts			
Buy contracts			
AUD	50,684	—	874
<Option fee for the above>	<532>	<—>	
Total	¥80,947	¥ 13	¥919

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	$188,317	$ —	$ 688
EUR	4,084	—	(140)
Other	2,569	—	11
Buy contracts			
NZD	19,529	—	(75)
USD	13,682	140	215
Other	85,877	—	(108)
Currency swap contract			
Pay USD, receive JPY	11,210	—	(108)
Currency option contracts			
Buy contracts			
AUD	544,755	—	9,394
<Option fee for the above>	<5,718>	<—>	
Total	$870,023	$140	$9,877

The following foreign exchange forward contracts meet certain conditions and their corresponding hedged items are stated by the forward exchange contract rates. Main items hedged are trade accounts receivable and payable, and their fair values are included in those of their hedged items on the notes of "4 Financial Instruments."

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥29,737	¥ —	¥ —
EUR	4,303	—	—
Other	168	—	—
Buy contracts			
USD	4,990	—	—
Total	¥39,198	¥ —	¥ —

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	$319,615	$ —	$ —
EUR	46,249	—	—
Other	1,806	—	—
Buy contracts			
USD	53,633	—	—
Total	$421,303	$ —	$ —

(b) Interest related derivative transactions

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

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥83,791	¥73,341	¥(777)

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	$900,591	$788,274	$(8,351)

(c) Commodity related derivative transactions

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

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	¥11,774	¥4,485	¥(361)
Buy contracts			
Metals	5,156	879	64
Total	¥16,930	¥5,364	¥(297)

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	$126,548	$48,205	$(3,880)
Buy contracts			
Metals	55,417	9,448	688
Total	$181,965	$57,653	$(3,192)

(d) Other derivative transactions

Main items hedged are corporate bonds.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Currency and interest swap contracts			
Receive fixed rate in JPY, Pay floating rate in USD	¥2,485	¥ —	¥(6)

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Currency and interest swap contracts			
Receive fixed rate in JPY, Pay floating rate in USD	$26,709	$ —	$(64)

The fair values of derivative transactions are calculated as the prices indicated by the applicable financial trading institutions. The contract amounts etc. of derivative transactions do not represent the market risks associated with respective transactions.

10 Impairment Loss

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

Location	Usage purpose	Type of assets	Millions of yen
			2009
Ehime, Japan	Lithium ion secondary battery separator production facilities	Buildings, structures, machinery and equipment, etc.	¥11,215
Ehime, Japan	Caprolactam production facilities	Buildings, structures, machinery and equipment, etc.	6,059
Chiba, Japan	Propylene oxide production facilities	Machinery and equipment, etc.	3,575
Total			¥20,848

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 lowered 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%.

11 Retirement Benefits

The liabilities for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Projected retirement benefit obligation	¥(266,908)	¥(286,520)	$(2,868,745)
Plan assets	270,531	246,535	2,907,685
Funded status (Unfunded retirement benefit obligation)	3,623	(39,985)	38,940
Unrecognized actuarial differences	6,301	67,257	67,724
Unrecognized prior service cost	(409)	(720)	(4,396)
Net amount recognized	9,515	26,552	102,268
Prepaid pension expense	39,080	56,165	420,035
Provision for employees' retirement benefits	¥ (29,565)	¥ (29,613)	$ (317,767)

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

Net periodic costs for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of US dollars
	2010	2009	2008	2010
Service cost	¥10,727	¥10,817	¥11,587	$115,294
Interest cost	4,174	4,099	4,111	44,862
Expected return on retirement benefit plan assets	(3,442)	(3,908)	(4,187)	(36,995)
Amortization of prior service cost	(309)	(143)	328	(3,321)
Amortization of actuarial differences	19,095	(1,718)	(16,685)	205,235
Net periodic cost	¥30,245	¥ 9,147	¥ (4,846)	$325,075
Other	726	516	502	7,803
Total	¥30,971	¥ 9,663	¥ (4,344)	$332,878

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

	2010	2009	2008
Discount rate	2.1%	1.2%	1.2%
Expected return rate for plan assets	1.2%	1.2%	1.2%
Amortization period for actuarial differences	3 years	3 years	3 years
Amortization period for prior service cost	3 years	3 years	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.

12 Restructuring Charges

Restructuring charges for the years of 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of US dollars
	2010	2009	2008	2010
Loss on disposal of property, plant and equipment	¥2,671	¥5,399	¥4,766	$28,708
Loss on investments in and loans to related companies	—	3,404	—	—
Total	¥2,671	¥8,803	¥4,766	$28,708

13 Deferred Taxes

Main components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Tax loss carryforwards	¥ 72,723	¥ 44,551	$ 781,632
Depreciation and amortization	26,703	18,049	287,006
Retirement benefits	17,927	17,932	192,681
Prepaid Research and development expenses	14,065	9,669	151,172
Tax credit for Research and development expenses	10,793	419	116,004
Accrued bonuses	8,050	8,414	86,522
Impairment loss on fixed assets	7,056	8,339	75,838
Inventories	6,939	5,550	74,581
Unrealized intercompany profit	4,401	4,900	47,302
Accrued repairs costs	3,024	2,860	32,502
Other	30,156	21,298	324,118
Subtotal	201,837	141,981	2,169,358
(Valuation allowance)	(44,817)	(45,770)	(481,696)
Total deferred tax assets	157,020	96,211	1,687,662
Valuation differences due to an application of purchase accounting method	(46,344)	(6,159)	(498,108)
Unrealized gains on investment securities	(42,081)	(36,217)	(452,289)
Prepaid pension expenses	(14,885)	(21,920)	(159,985)
Deferred gain on property, plant and equipment	(6,376)	(6,424)	(68,530)
Gain on contribution of securities to retirement benefit trust	(5,909)	(5,909)	(63,510)
Other	(7,075)	(3,810)	(76,043)
Total deferred tax liabilities	(122,670)	(80,439)	(1,318,465)
Net deferred tax assets	¥ 34,350	¥ 15,772	$ 369,197

Main items in the reconciliations of the normal income tax rate to the effective income tax rate for the years ended March 31, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
Statutory income tax rate in Japan	40.7%	—	40.7%
Permanently non-deductible expenses	4.9	—	1.8
Permanently non-taxable dividends received	(2.0)	—	(0.9)
R&D expenses deductible from income taxes	(9.6)	—	(2.4)
Equity in losses (earnings) of affiliates	6.9	—	(3.5)
Change in valuation allowance	(11.8)	—	—
Other	(1.6)	—	(1.3)
Effective income tax rate	27.5%	—	34.4%

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 was reported in the consolidated statement of operations.

14 Net Assets

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

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

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

At the Board of Directors meeting of the Company held on May 10, 2010, year-end cash dividends amounting to ¥9,912 million (US$106,535 thousand) were resolved. Such appropriations were not accrued in the consolidated financial statements as of March 31, 2010 and recognized in the period in which they were resolved.

15 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.

As of March 31, 2010 and 2009, the Companies were contingently liable as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
As guarantor of project completion	¥272,349	¥288,733	$2,927,225
As guarantor of indebtedness	5,920	7,983	63,628
Total	¥278,269	¥296,716	$2,990,853

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 ¥272,275 million (US$2,926,430 thousand) and ¥288,729 million for the years ended March 31, 2010 and 2009, respectively. The Company also guaranteed payment to the EPC contractors for construction regarding "The Rabigh Project." The amount guaranteed were ¥74 million (US$795 thousand) and ¥3 million for the years ended March 31, 2010 and 2009, respectively.

16 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.

17 Supplementary Cash Flow Information

1) Cash and cash equivalents

As of March 31, 2010, 2009 and 2008, cash and cash equivalents were as follows:

	Millions of yen			Thousands of US dollars
	2010	2009	2008	2010
Cash	¥ 67,746	¥56,310	¥ 75,678	$ 728,139
Cash equivalents	52,914	29,492	31,730	568,723
Total	¥120,660	¥85,802	¥107,408	$1,296,862

2) Significant non-cash transaction

As a result of the acquisition of Sepracor Inc. dated October 15, 2009, the Companies increased assets and liabilities in the amount of ¥236,838 million (US$2,545,550 thousand) and ¥92,210 million (US$991,079 thousand), 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 Sepracor Inc., net of cash acquired, respectively.

	Millions of yen	Thousands of US dollars
Current assets	¥ 93,392	$1,003,783
Non-current assets	143,446	1,541,767
Goodwill	82,986	891,939
Current liabilities	(83,182)	(894,046)
Long-term liabilities	(9,028)	(97,033)
Net assets acquired	227,614	2,446,410
Cash and cash equivalent of Sepracor Inc.	(26,965)	(289,822)
Payment for acquisition of Sepracor Inc., net of cash acquired	¥200,649	$2,156,588

As a result of the acquisition of Cambridge Display Technology Inc. ("CDT") dated September 19, 2007, the Companies 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

18 Related Party Transactions

Major transactions of the Company with Rabigh Refining and Petrochemical Company (an affiliated company of the Company) for the years ended March 31, 2010, 2009 and 2008 were summarized as follows.

	Millions of yen			Thousands of US dollars
	2010	2009	2008	2010
Payments of long-term loans	¥ —	¥59,920	¥ —	$ —
Interest and dividend income	1,416	1,093	—	15,219
Capital increase / investment	—	—	20,939	—

The balances due to or from the said company as of March 31, 2010 and 2009 were as follows.

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Contingent liabilities	¥272,349	¥288,733	$2,927,225
Pledged assets	272,275	288,729	2,926,429
Long-term loans	56,754	59,920	609,996
Accrued interest receivable	2,464	1,106	26,483

Financial summary of Rabigh Refining and Petrochemical Company, a significant affiliated company, for the year ended March 31, 2010 and 2009 were as follows:

Balance Sheets	Millions of yen 2010	Millions of yen 2009	Thousands of US dollars 2010
Current assets	¥ 220,199	¥ 122,809	$ 2,366,713
Non-current assets	1,063,119	1,040,947	11,426,472
Current liabilities	279,019	174,864	2,998,914
Long-term liabilities	811,588	763,872	8,723,001
Net assets	¥ 192,711	¥ 225,020	$ 2,071,270

Statements of Operations	Millions of yen 2010	Millions of yen 2009	Thousands of US dollars 2010
Net sales	¥736,156	¥180,727	$7,912,253
Loss before income taxes	(35,858)	(34,697)	(385,404)
Net loss	(35,858)	(34,697)	(385,404)

19 Net Income (loss) Per Share

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share computations for the years ended March 31, 2010, 2009 and 2008 were as follows:

Income (Numerator)	Millions of yen 2010	Millions of yen 2009	Millions of yen 2008	Thousands of US dollars 2010
Net income (loss) – basic	¥14,723	¥(59,164)	¥63,083	$158,244
Net income – diluted	—	—	—	—

Shares (Denominator)	Number of shares 2010	Number of shares 2009	Number of shares 2008
Average shares – basic	1,650,888,664	1,650,906,512	1,651,254,850
Average shares – diluted	—	—	—

Net income (loss) per share	Yen 2010	Yen 2009	Yen 2008	US dollars 2010
Basic	¥8.92	¥(35.84)	¥38.20	$0.096
Diluted	—	—	—	—

20 Segment Information

The operations of the Companies for the years ended March 31, 2010, 2009 and 2008 summarized by product group and geographic area were as follows:

	Millions of yen								
Segment information by product group	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2010									
Sales to unaffiliated customers	¥203,294	¥481,529	¥ 67,568	¥265,226	¥211,546	¥267,464	¥124,288		¥1,620,915
Inter-segment transfers	7,782	9,160	9,993	5,202	1,681	20	61,850	(95,688)	
Total sales	211,076	490,689	77,561	270,428	213,227	267,484	186,138	(95,688)	1,620,915
Operating cost	213,734	496,008	76,065	267,124	187,311	238,136	186,594	(95,512)	1,569,460
Operating income (loss)	¥ (2,658)	¥ (5,319)	¥ 1,496	¥ 3,304	¥ 25,916	¥ 29,348	¥ (456)	¥ (176)	¥ 51,455
Assets	¥218,174	¥549,678	¥102,798	¥241,433	¥251,884	¥673,665	¥281,466	¥64,808	¥2,383,906
Depreciation and amortization	14,153	19,380	5,969	23,160	12,586	21,185	14,688	4,989	116,110
Capital expenditure	12,368	14,353	14,314	11,529	23,159	7,809	14,097	5,618	103,247

Segment information by product group	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
	Millions of yen								
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 income (loss)	¥ (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	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
	Millions of yen								
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	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
	Thousands of US dollars								
Year ended March 31, 2010									
Sales to unaffiliated customers	$2,185,017	$5,175,505	$ 726,225	$2,850,666	$2,273,710	$2,874,721	$1,335,856		$17,421,700
Inter-segment transfers	83,642	98,452	107,406	55,912	18,068	215	664,766	(1,028,461)	
Total sales	2,268,659	5,273,957	833,631	2,906,578	2,291,778	2,874,936	2,000,622	(1,028,461)	17,421,700
Operating cost	2,297,227	5,331,126	817,552	2,871,066	2,013,231	2,559,502	2,005,523	(1,026,569)	16,868,658
Operating income (loss)	$ (28,568)	$ (57,169)	$ 16,079	$ 35,512	$ 278,547	$ 315,434	$ (4,901)	$ (1,892)	$ 553,042
Assets	$2,344,948	$5,907,975	$1,104,880	$2,594,938	$2,707,266	$7,240,595	$3,025,214	$ 696,562	$25,622,378
Depreciation and amortization	152,117	208,298	64,155	248,925	135,275	227,698	157,868	53,622	1,247,958
Capital expenditure	132,932	154,267	153,848	123,914	248,914	83,932	151,516	60,383	1,109,706

(a) As supplementary information in "Note 3 *(a)* Changes in Accounting Policies," shows, the Company reviewed the discount rate in accordance with extension of average remaining working lives of the employees and changed the discount rate from 1.2% to 2.1% from the fiscal year ended March 31, 2010. As a consequence, operating income in this fiscal year increased by ¥911 million (US$9,791 thousand) in Fine Chemicals, ¥892 million (US$9,587 thousand) in IT-related Chemicals, ¥1,315 million (US$14,134 thousand) in Agricultural Chemicals, ¥259 million (US$2,784 thousand) in Pharmaceuticals, and operating loss in this fiscal year decreased by ¥1,131 million (US$12,156 thousand) in Basic Chemicals, ¥1,782 million (US$19,153 thousand) in Petrochemicals & Plastics, compared to the case in which the previous method is applied.

(b) As described in "Note 3 *(d)* 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 the fiscal year ended March 31, 2009, decreased by ¥871 million in Basic Chemicals, ¥902 million in Petrochemicals & Plastics, ¥313 million in Fine Chemicals, ¥2,038 million in IT-related Chemicals, ¥992 million in Agricultural Chemicals, ¥1,236 million in Pharmaceuticals, ¥523 million in Others segment, compared to the case in which the previous measurement method is applied.

(c) As described in "Note 3 *(g)* 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 the fiscal year ended March 31, 2009, increased by ¥4,130 million in Basic Chemicals, ¥15,998 million in Petrochemicals & Plastics, ¥3,243 million in Fine Chemicals, ¥56,938 million in IT-related Chemicals, ¥15,590 million in Agricultural Chemicals, ¥71 million in Others segment, compared to the case in which the previous translation method is applied. Besides, operating income in the fiscal year ended March 31, 2009, increased by ¥73 million in Fine Chemicals, ¥1,142 million in Agricultural Chemicals, operating loss in the fiscal year ended March 31, 2009, increased ¥562 million in Basic Chemicals, ¥669 million in Petrochemicals & Plastics, ¥577 million in Others segment, decreased by ¥3,557 million in IT-related Chemicals.

(d) Corporate assets of ¥171,520 million (US$1,843,508 thousand), ¥181,807 million and ¥217,843 million, included in the adjustments and elimination column for the years ended March 31, 2010, 2009 and 2008, respectively, consisted mainly of cash and cash equivalents, investment securities, deferred tax assets, and shared research facilities of the Company.

	Millions of yen					
Segment information by geographic area	Japan	Asia	North America	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2010						
Sales to unaffiliated customers	¥1,071,115	¥423,706	¥ 74,836	¥51,258		¥1,620,915
Inter-segment transfers	141,144	12,646	5,941	13,241	(172,972)	
Total sales	1,212,259	436,352	80,777	64,499	(172,972)	1,620,915
Operating cost	1,167,355	424,030	79,385	70,124	(171,434)	1,569,460
Operating income (loss)	¥ 44,904	¥ 12,322	¥ 1,392	¥ (5,625)	¥ (1,538)	¥ 51,455
Assets	¥2,049,951	¥304,762	¥326,598	¥70,029	¥(367,434)	¥2,383,906

	Millions of yen					
Segment information by geographic area	Japan	Asia	North America	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2009						
Sales to unaffiliated customers	¥1,215,123	¥457,087	¥48,807	¥67,206		¥1,788,223
Inter-segment transfers	133,755	15,244	5,684	19,723	(174,406)	
Total sales	1,348,878	472,331	54,491	86,929	(174,406)	1,788,223
Operating cost	1,358,359	461,737	50,120	90,813	(174,920)	1,786,109
Operating income (loss)	¥ (9,481)	¥ 10,594	¥ 4,371	¥ (3,884)	¥ 514	¥ 2,114
Assets	¥1,731,101	¥249,073	¥42,213	¥75,711	¥ (75,545)	¥2,022,553

	Millions of yen					
Segment information by geographic area	Japan	Asia	North America	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2008						
Sales to unaffiliated customers	¥1,344,571	¥452,354	¥46,062	¥53,552		¥1,896,539
Inter-segment transfers	131,102	9,971	5,491	27,118	(173,682)	
Total sales	1,475,673	462,325	51,553	80,670	(173,682)	1,896,539
Operating cost	1,406,095	434,988	48,467	77,101	(172,509)	1,794,142
Operating income	¥ 69,578	¥ 27,337	¥ 3,086	¥ 3,569	¥ (1,173)	¥ 102,397
Assets	¥1,871,025	¥334,107	¥51,982	¥96,903	¥ 4,912	¥2,358,929

	Thousands of US dollars					
Segment information by geographic area	Japan	Asia	North America	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2010						
Sales to unaffiliated customers	$11,512,414	$4,554,020	$ 804,342	$550,924		$17,421,700
Inter-segment transfers	1,517,025	135,920	63,854	142,315	(1,859,114)	
Total sales	13,029,439	4,689,940	868,196	693,239	(1,859,114)	17,421,700
Operating cost	12,546,808	4,557,502	853,235	753,697	(1,842,584)	16,868,658
Operating income (loss)	$ 482,631	$ 132,438	$ 14,961	$ (60,458)	$ (16,530)	$ 553,042
Assets	$22,033,007	$3,275,602	$3,510,297	$752,676	$(3,949,204)	$25,622,378

(a) As supplementary information in "Note 3 *(a)* Changes in Accounting Policies," shows, the Company reviewed the discount rate in accordance with extension of average remaining working lives of the employees and changed the discount rate from 1.2% to 2.1% from the fiscal year ended March 31, 2010. As a consequence, operating income in this fiscal year increased by ¥6,290 million (US$67,605 thousand) in Japan, compared to the case in which the previous method is applied.

(b) The Companies changed the segmentation by geographic area taking into account the acquisition of Sepracor Inc. and "North America" was separately disclosed for the year ended March 31, 2010. The reclassification for the previous years was made to conform to the current segmentation.

(c) As described in "Note 3 *(d)* 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 in the fiscal year ended March 31, 2009, increased by ¥6,875 million in Japan.

(d) As described in "Note 3 *(g)* 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 the fiscal year ended March 31, 2009, increased by ¥77,564 million in Asia, ¥5,889 million in North America, ¥12,517 million in Others, and operating income increased by ¥3,315 million in Asia, ¥554 million in North America, operating loss increased ¥905 million in Others.

(e) Corporate assets of ¥171,520 million (US$1,843,508 thousand), ¥181,807 million and ¥217,843 million, included in the adjustments and elimination column for the years ended March 31, 2010, 2009 and 2008, 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 ¥728,889 million (US$7,834,147 thousand), ¥749,811 million and ¥788,804 million and accounted for 45.0%, 41.9% and 41.6% of the total sales to unaffiliated customers for the years ended March 31, 2010, 2009 and 2008, respectively. Overseas operations in the Asian region were ¥539,464 million (US$5,798,194 thousand), ¥550,532 million and ¥591,677 million for the years ended March 31, 2010, 2009 and 2008, respectively.

As described in "Note 3 *(g)* 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, in the year ended March 31, 2009, net sales increased by ¥75,356 million in Asia and ¥19,535 million in Others.

21 Business Combination

1) Acquisition of Sepracor Inc.

On October 15, 2009, the domestic consolidated subsidiary of the Company, Dainippon Sumitomo Pharma Co., Ltd. acquired 100% of the shares of Sepracor Inc. This legal form of business combination was acquisition of shares for cash consideration.

This acquisition was to establish a sales force in the United States, facilitate early market penetration for lurasidone, promptly maximize sales, hugely expand our overseas operations, and further fortify our development pipeline in the United States.

The consolidated financial statement for the year ended March 31, 2010 included the operating results of Sepracor Inc. from October 15, 2009 to December 31, 2009 (fiscal year-end).

The costs of the acquisition were US$2,506 million. In these, ¥108,654 million (US$1,167,820 thousand) was for intangible assets of patents with the amortization period of 1 to 10 years, and ¥5,357 million was for intangible assets of in-process research and development amortized over useful lives. ¥82,986 million was for goodwill with a 20 year amortization period by the straight-line method, which was the difference between the net assets at fair value at the date of acquisition and the acquisition cost.

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

	Millions of yen	Thousands of US dollars
Current assets	¥ 93,392	$1,003,783
Non-current assets	226,432	2,433,706
Current liabilities	(83,182)	(894,046)
Long-term liabilities	(9,028)	(97,033)
Net assets acquired	¥227,614	$2,446,410

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

	Millions of yen	Thousands of US dollars
Net sales	¥96,700	$1,039,338
Income before income taxes and minority interests	(14,700)	(157,997)
Net income	(7,900)	(84,910)
	Yen	US dollars
Net income per share	¥(4.79)	$(0.051)

The pro forma information disclosed in the above table expressed the difference between the estimated sales and earnings assuming that the business combination had been completed at the beginning of the current fiscal year and the actual sales and earnings presented in the consolidated statements of income of the acquiring company.

These amounts were not audited by the independent auditor.

2) Acquisition of Cambridge Display Technology Inc.

On September 19, 2007, the Companies acquired 100% of the issued common stocks 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 included 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 for intangible assets of patents with a thirteen year amortization period, ¥628 million was for selling, general and administrative expenses and ¥525 million was for intangible assets of customer relationships with a five year amortization period. ¥7,445 million was for 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 the fiscal year ended March 31, 2008.

	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

The pro forma information disclosed in the above table expressed the difference between the estimated sales and earnings assuming that the business combination had been completed at the beginning of the current fiscal year and the actual sales and earnings presented in the consolidated statements of operations of the Company.

These amounts were not audited by the independent auditor.

22 Subsequent Events

1) Acquisition of 20% of outstanding shares of Nufarm Limited

On January 22, 2010, the Company's Board of Directors approved comprehensive business capital tie-up with Nufarm Limited ("Nufarm"), Australian agrochemicals company.

On March 2, 2010, shareholders of Nufarm approved the Company's tender offer for 20% of outstanding shares at its general meeting of shareholders.

On April 9, 2010, the Company acquired 20% of outstanding shares as a result of tender offer and Nufarm became the Company's affiliate.

The Companies' crop protection business is one of its core businesses in its focused areas of life science, in which it continues to pursue further growth opportunities. The Company decided to enter into the comprehensive business capital tie-up with Nufarm, which is in line with the Companies' long-term strategy, to strengthen its crop protection business.

(a) Overview of Nufarm Limited

Trade name:	Nufarm Limited
Location:	Melbourne, Commonwealth of Australia
Name and title of representative:	CEO Doug Rathbone
Number of employees:	3,155 persons (as of July 2009)
Capital:	AU$813 million (as of July 31, 2009)
Total number of shares outstanding:	218 million shares (as of March 31, 2010)
Exchange of the stock listed:	Australian Stock Exchange
Description of business:	Production and sales of crop protection chemicals

(b) Tender offer period

From March 12, 2010 through April 9, 2010 (Australia standard time)

(c) Tender offer purchase price

AU$14 per share

(d) Ownership percentage of shares after the tender offer

Share holding percentage prior to the tender offer 0%

Share holding percentage after the tender offer 20%

(e) Funds required for tender offer

AU$611 million

(f) Method of funding

Mainly by bank loan

2) Dividend declaration

At the Board of Directors meeting of the Company held on May 10, 2010, year-end cash dividends were resolved as follows:

	Millions of yen	Thousands of US dollars
Cash dividends at ¥6.00 (US$0.064) per share	¥9,912	$106,535

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, 2010 and 2009, 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, 2010, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, 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(c) to the consolidated financial statements, effective from the year ended March 31, 2010, Sumitomo Chemical Company, Limited and consolidated domestic subsidiaries adopted early the new accounting standards for business combinations and others.
(2) As discussed in Note 22 to the consolidated financial statements, Sumitomo Chemical Company, Limited acquired outstanding shares of Nufarm Limited through tender offer, and Nufarm Limited became an affiliate of Sumitomo Chemical Company, Limited.
(3) As discussed in Note 3(d) 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.
(4) As discussed in Note 3(g) 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, 2010 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.

Tokyo, Japan
June 22, 2010

Subsidiaries and Affiliates

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
Japan					
	AstraZeneca K.K.	Pharmaceuticals	20.0	+81-6-6453-7500	+81-6-6453-7894
	Asahi Chemical Co., Ltd.	Inorganics	100.0	+81-6-6220-8795	+81-6-6220-8799
	Ceratec Co., Ltd.	Alumina and catalyst	100.0	+81-897-33-8541	+81-897-33-6005
	Chiba Styrene Monomer Limited Company	Styrene monomer	40.0	+81-3-5290-5310	+81-3-5290-5083
	Dainippon Sumitomo Pharma Co., Ltd.*	Ethical pharmaceuticals	50.2	+81-6-6203-5321	+81-6-6202-6028
	Dow Kakoh K.K.	Extruded polystyrene foam	35.0	+81-3-5460-2351	+81-3-5460-2390
	Inabata & Co., Ltd.*	Trading in industrial chemicals, fine chemicals, and plastics	21.3	+81-6-6267-6051	+81-6-6267-6042
	Japan Aldehyde Co., Ltd.	Acetaldehyde	60.0	+81-3-5543-5319	+81-3-5543-5911
	Japan Exlan Co., Ltd.	Functional acrylic fibers	20.0	+81-6-6348-3431	+81-6-6348-4170
	Japan-Singapore Petrochemicals Co., Ltd.	Equity holder in Petrochemical Corporation of Singapore (Pte.) Ltd.	58.6	+81-3-5543-5867	+81-3-5543-5519
	Keiyo Ethylene Co., Ltd.	Ethylene and propylene	22.5	+81-3-3552-9373	—
	Koei Chemical Co., Ltd.*	Formaldehydes and pyridines	56.1**	+81-3-6667-8280	+81-3-6667-8287
	Kyoyu Agri Co., Ltd.	Crop protection chemicals	36.6	+81-44-813-4200	+81-44-813-5299
	Nihon Ecoagro Co., Ltd.	Agricultural materials & produce, support for farmers	100.0	+81-3-5651-0873	+81-3-5651-0874
	Nihon Green & Garden Corporation	Agrochemicals for non-crop use and horticultural materials	73.8	+81-3-3669-5888	+81-3-3669-5889
	Nihon Methacryl Monomer Co., Ltd.	MMA monomer and methacrylic acid	64.0	+81-3-5543-5302	+81-3-5543-5907
	Nihon Medi-Physics Co., Ltd.	Radiopharmaceuticals	50.0	+81-3-5634-7006	+81-3-5634-5170
	Nihon Oxirane Co., Ltd.	Propylene oxide and styrene monomer	60.0	+81-3-5159-1601	+81-3-5195-1605
	Nihon Singapore Polyolefin Co., Ltd.	Equity holder in The Polyolefin Company (Singapore) Pte. Ltd.	95.7	+81-3-5543-5319	+81-3-5543-5911
	Nippon A&L Inc.	ABS resin and SBR latex	85.2	+81-6-6220-3633	+81-6-6220-3699
	O.L.S. Corp.	Polarizing film	50.0	+81-3-5543-5820	+81-3-5543-5919
	Rainbow Chemical Co., Ltd.	Horticultural materials and pet medicines	87.1	+81-3-6740-7777	+81-3-6740-7000
	SanTerra Co., Ltd.	Films for agricultural use	87.3**	+81-3-5632-3130	+81-3-5632-3131
	Shinto Paint Co., Ltd.*	Paints	45.2**	+81-6-6426-3355	+81-6-6429-6188
	Sumation Co., Ltd.	PLEDs	100.0	+81-3-5543-5141	+81-3-5543-5966
	Sumika Acryl Co., Ltd.	Sales of acrylic sheet	100.0	+81-3-5542-8630	+81-3-5542-8640
	Sumika Agrotech Co., Ltd.	Agricultural and horticultural materials and seeding	100.0	+81-6-6204-1245	+81-6-6204-1207
	Sumika Bayer Urethane Co., Ltd.	Polyurethane raw materials	40.0	+81-6-6133-6100	+81-6-6344-2730
	Sumika Chemical Analysis Service, Ltd.	Analytical services for environmental, electronic, and pharmaceutical sectors	100.0	+81-6-6202-1810	+81-6-6202-0115
	Sumika Chemtex Co., Ltd.	Dyestuffs and functional chemicals	100.0	+81-6-6466-5146	+81-6-6466-5457
	Sumika Color Co., Ltd.	Organic pigments, color compounds for various polymers	88.0**	+81-6-6205-4300	+81-6-6205-4301
	Sumika Enviro-Science Co., Ltd.	Public hygiene materials	70.6	+81-798-38-2330	+81-798-38-2325
	Sumika Finance Co., Ltd.	Financing	100.0	+81-3-5543-5163	+81-3-5543-5905
	Sumika Fukuei Agro K.K.	Fertilizers	50.0	+81-6-6412-5251	+81-6-6413-1333
	Sumika High-purity Gas Company	Oxygen, nitrogen, and argon	60.0	+81-897-37-1716	+81-897-32-2273
	Sumika-Kakoushi Co., Ltd.	Release paper	100.0	+81-3-3663-8376	+81-3-3663-7365
	Sumika-Life Tech Co., Ltd.	Household and public hygiene materials	100.0	+81-6-6220-3640	+81-6-6220-3644

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 Plastech Co., Ltd.	Industrial and housing materials	100.0	+81-3-5543-5438	+81-3-5543-5935
	Sumika Real Estate Co., Ltd.	Estate and insurance agency	100.0	+81-6-6220-3263	+81-6-6220-3267
	Sumika Technical Information Service, inc.	Information service relating to the chemical industry	100.0	+81-6-6220-3364	+81-6-6220-3361
	Sumitomo Chemical Garden Products Co., Ltd.	Horticultural chemicals	100.0	+81-3-3270-9758	+81-3-3270-9779
	Sumitomo Bakelite Co., Ltd.*	Resins and resin products	21.8	+81-3-5462-4111	+81-3-5462-4874
	Sumitomo Chemical Engineering Co., Ltd.	Engineering, procurement, maintenance and construction for chemical plants	100.0	+81-43-299-0200	+81-43-299-0210
	Sumitomo Chemical System Service Co., Ltd.	Information system consultant, development, operation, and maintenance	100.0	+81-3-5543-5201	+81-3-5543-5997
	Sumitomo Dow Ltd.	Polycarbonates	50.0	+81-3-5644-4750	+81-3-5644-4821
	Sumitomo Joint Electric Power Co., Ltd.	Supply of electricity	52.5	+81-897-37-2142	+81-897-32-9862
	Sumitomo Seika Chemicals Co., Ltd.*	Industrial chemicals and organic sulfur compounds	30.6**	+81-6-6220-8508	+81-6-6220-8541
	Taoka Chemical Co., Ltd.*	Pharmaceutical intermediates, adhesives, and dyestuffs	51.0**	+81-6-6394-1221	+81-6-6394-1658
	Thermo Co., Ltd.	Polyethylene and polypropylene film	100.0	+81-3-5825-7737	+81-3-5825-7866
	Tobu Butadiene Co., Ltd.	Butadiene	50.0	+81-3-6218-3541	+81-3-6218-3686
	T.S. Agro Co., Ltd.	Fertilizers	50.0	+81-79-436-0222	+81-79-436-7030
	Yashima Sangyo Co., Ltd.	Agrochemicals for non-crop use	88.5**	+81-44-833-2211	+81-44-833-1152
Singapore					
	Chevron Phillips Singapore Chemicals (Pte.) Ltd.	High-density polyethylene	20.0	+65-6517-3239	+65-6511-3270
	Petrochemical Corporation of Singapore (Pte.) Ltd.	Ethylene and propylene	29.3**	+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	+65-6295-2765
	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
	Dalian Sumika Jingang Chemicals Co., Ltd.	Methionine and high-performance greenhouse films	80.0	—	—
	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	100.0	+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	+86-21-3250-6600	+86-21-3250-5756
	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					
Agricultural Chemicals	SC Enviro Agro India Private Limited	Crop protection chemicals and household insecticides	90.0	+91-25-2527-2172	+91-25-2527-2158
Agricultural Chemicals	Sumitomo Chemical India Private Limited	Crop protection chemicals and household insecticides	100.0	+91-22-2289-2610	+91-22-2289-2600
South Korea					
IT-related Chemicals	Dongwoo Fine-Chem Co., Ltd.	Fine and IT-related chemicals	94.6	+82-2-6250-1110	+82-2-6250-1198
Basic Chemicals	LG MMA Corp.	MMA monomer and polymer	25.0	+82-3-3770-1201	+82-3-3770-1209
Agricultural Chemicals	Sumitomo Chemical Agro Seoul, Ltd.	Crop protection chemicals	100.0	+82-2-558-4814	+82-2-558-5471
Malaysia					
Agricultural Chemicals	Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.	Crop protection chemicals	100.0	+60-6-679-3711	+60-6-679-3698
Taiwan					
IT-related Chemicals	Sumika Technology Co., Ltd.	Polarizing film	85.0	+886-6-505-3456	+886-6-505-2521
Basic Chemicals	Sumipex TechSheet Co., Ltd.	MMA sheet	100.0	+886-7-365-8126	+886-7-365-8136
Agricultural Chemicals	Sumitomo Chemical Taiwan Co., Ltd.	Crop protection chemicals	100.0	+886-2-2506-4528	+886-2-2506-4551
Thailand					
Fine Chemicals	Bara Chemical Co., Ltd.	Resins and rubber chemicals	55.0	+66-2-709-4598	+66-2-323-9997
Basic Chemicals	Sumipex (Thailand) Co., Ltd.	MMA sheet	51.0	+66-2-632-1820	+66-2-632-1831
Australia					
Agricultural Chemicals	Sumitomo Chemical Australia Pty. Ltd.	Crop protection chemicals and environment health products	100.0	+61-2-8752-9000	+61-2-8752-9099
New Zealand					
Basic Chemicals	New Zealand Aluminium Smelters Ltd.	Aluminum ingots	20.6	+64-4-471-1527	+64-4-472-8041
United States					
Pharmaceuticals	Dainippon Sumitomo Pharma America Holdings, Inc.	Equity holder in Sepracor Inc.	100.0**	+1-201-592-2050	+1-201-592-6107
Agricultural Chemicals	McLaughlin Gormley King Company	Marketing of household insecticides	32.9	+1-763-544-0341	+1-763-544-6437
Petrochemicals & Plastics	Phillips Sumika Polypropylene Co.	Polypropylene	40.2**	+1-832-813-4846	+1-832-813-4175
Pharmaceuticals	Sepracor Inc.	Ethical pharmaceuticals	100.0**	+1-508-481-6700	+1-508-481-7683
Others	Sumitomo Chemical America, Inc.	Chemical products	100.0	+1-212-572-8200	+1-212-572-8234
Others	Sumitomo Chemical Capital America, Inc.	Financing	100.0	—	—
IT-related Chemicals	Sumika Electronic Materials, Inc.	MOEPI wafers and other IT-related materials	100.0	+1-602-659-2500	+1-602-438-2277
Petrochemicals & Plastics	Sumika Polymers America Corp.	Equity holder in Phillips Sumika Polypropylene Co.	100.0**	+1-212-207-0600	+1-212-207-0607
Petrochemicals & Plastics	Sumika Polymer Compounds America, Inc.	Polypropylene compounds	55.0	+1-770-227-6400	+1-770-227-6411
Agricultural Chemicals	Valent Biosciences Corp.	Crop protection chemicals	100.0**	+1-847-968-4700	+1-847-968-4802
Agricultural Chemicals	Valent U.S.A. Corp.	Crop protection chemicals	100.0	+1-925-256-2700	+1-925-256-2776
Mexico					
Agricultural Chemicals	Valent de Mexico, S.A. de C.V.	Crop protection chemicals	100.0**	+52-333-110-01-62	+52-333-110-17-54
Brazil					
Agricultural Chemicals	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					
■	Rabigh Conversion Industry Management Services Company	Management of industrial park	100.0**	+966-2-284-6025	+966-2-284-6015
■	Rabigh Refining and Petrochemical Company (Petro Rabigh)	Refined petroleum products and petrochemicals	37.5	+966-2-425-8801	+966-2-425-8802
Belgium					
■	Sumitomo Chemical Europe S.A./N.V.	Chemical products	100.0**	+32-2-251-0650	+32-2-251-2991
France					
■	Philagro France S.A.S.	Crop protection chemicals	100.0**	+33-4-78-32-64	+33-4-72-53-04-58
■	Philagro Holding S.A.	Equity holder in Philagro France S.A.S.	60.0	+33-4-78-64-32-64	+33-4-72-53-04-58
■	Sumitomo Chemical Agro Europe S.A.S.	Crop protection chemicals	100.0	+33-478-64-32-60	+33-478-47-25-45
Italy					
■	Isagro Italia S.r.l.	Crop protection chemicals	50.0	+39-02-45280-1	+39-02-45280-350
Slovakia					
■	Dongwoo Fine-Chem Slovakia s.r.o.	IT-related chemicals	100.0	+421-33-593-6537	—
Spain					
■	Kenogard S.A.	Crop protection chemicals	75.0	+34-93-4881270	+34-93-4873845
United Kingdom					
■	Cambridge Display Technology, Ltd.	R&D and licenses in PLED displays and materials	100.0**	+44-19-5471-3600	+44-19-5471-3620
■	CDT Holdings Ltd.	Equity holder in Cambridge Display Technology, Ltd.	100.0	+44-19-5471-3600	+44-19-5471-3620
■	Sumika Polymer Compounds Europe Ltd.	Polypropylene compounds	50.0	+44-2392-486350	+44-2392-472388
■	Sumitomo Chemical (U.K.) plc.	Chemicals and financing	100.0	+44-20-8600-7700	+44-20-8600-7717
Poland					
■	Sumika Electronic Materials Poland Sp. zo.o.	Polarizing film and light diffusion plates	100.0	+48-56-621-4320	+48-56-621-9122
Tanzania					
■	Vector Health International Ltd.	OLYSET® Net	50.0	+255-27-254-8895	+255-27-254-8-8235
South Africa					
■	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

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Investor Information and Corporate Information (As of March 31, 2010)

Paid-In Capital:
¥89.7 billion

Number of Employees:
Non-consolidated: 5,954
Consolidated: 27,828

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:
118,600

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,
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Independent Certified Public Accountants:
KPMG AZSA & Co.

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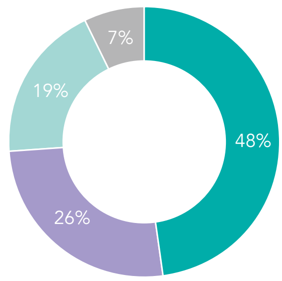
Fax: +81-3-5543-5901

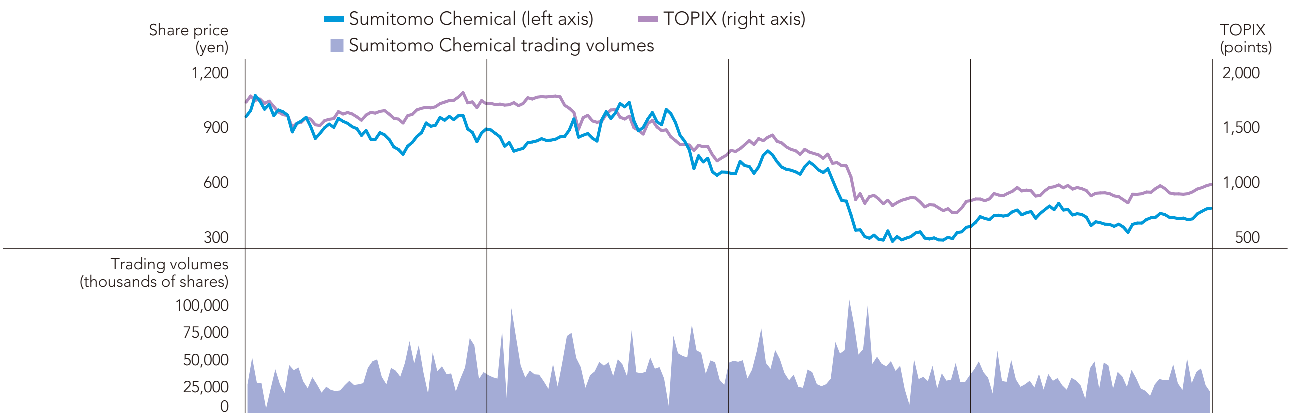
Distribution of Shareholders



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

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	117,330	7.09
Japan Trustee Services Bank, Ltd. (Trust Account)	110,938	6.70
Sumitomo Life Insurance Company	71,000	4.29
Nippon Life Insurance Company	61,516	3.72
Sumitomo Mitsui Banking Corporation	38,453	2.32
The Sumitomo Trust & Banking Co., 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
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	28,765	1.74
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	27,894	1.68
State Street Bank and Trust Company 505225	24,123	1.46

Stock Performance



	FY2006	FY2007	FY2008	FY2009
Share price high (yen)	1,079	1,064	788	487
Share price low (yen)	738	603	256	322
Share price at year-end	890	638	333	457
Cumulative trading volume (thousands)	1,863,620	2,371,156	2,315,770	1,712,557

Responsible Care®

As a Responsible Care company, Sumitomo Chemical voluntarily implements policies that take safety, the environment, and health into consideration in all processes, from chemical substance development to disposal. The Responsible Care mark and logo may only be used by companies that are members of the Japan Responsible Care Council.

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