SUMITOMO CHEMICAL

Creative Hybrid Chemistry For a Better Tomorrow

Annual Report 2011

Creative Hybrid Chemistry
For a Better Tomorrow

Sumitomo Chemical's Business Philosophy is embodied in the following three sentences.

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.

The Sumitomo Spirit

The Sumitomo Spirit has been passed on from generation to generation and is Sumitomo's Business Principle.

The Sumitomo Spirit

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

The first pledge in Sumitomo's Business Principles, advocating integrity and sound management, reflects the importance of maintaining the trust of the Company's business partners and of society as a whole. The second pledge calls for refraining from the pursuit of easy gains—conducting thorough investigations and giving serious thought to business decisions so as not to be blinded by the prospect of immediate gains.

While not expressly stated, another traditional concept applies: harmony between the individual, the nation and society. Sumitomo manifests this concept by seeking to benefit not only its own business, but also both the nation and society, and by the Company's emphasis on the compatibility of its interests with those of the public.

To this day, these principles are strictly applied throughout the various Sumitomo Group companies, including Sumitomo Chemical.

Contents

The Ehime Works

The Ehime Works is located in Ehime, in the Shikoku region of Japan, which is Sumitomo Chemical's place of origin and currently produces caprolactam, methyl methacrylate polymers and monomers, feed additive methionine and various other products.

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.

Snapshot

Profile

Founded	Headquarters	Consolidated Subsidiaries
1913	Tokyo Osaka	146

Net Assets	Number of Shareholders	Employees
¥759 billion	116,619	29,382

(As of March 31, 2011)

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.

Business Areas

Sumitomo Chemical, together with its 146 subsidiaries and 35 affiliates, offers a diverse range of innovative products and technologies, operating globally in six business sectors.

Basic Chemicals

Development, manufacture and sale of methyl methacrylate, caprolactam, inorganic materials and other products.

Petrochemicals & Plastics

Development, manufacture and sale of polyethylene, polypropylene, propylene oxide and other products.

Fine Chemicals

Development, manufacture and sale of resorcinol and other functional materials, pharmaceutical chemicals, polymer additives, dyes and other products.

IT-related Chemicals

Development, manufacture and sale of polarizing film as well as other IT-related chemicals and materials.

Agricultural Chemicals

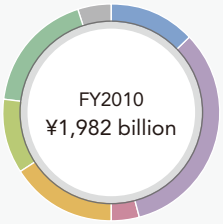
Development, manufacture and sale of agrochemicals and fertilizers, household and public hygiene insecticides, long-lasting insecticidal mosquito nets and feed additives.

Pharmaceuticals

Development, manufacture and sale of ethical pharmaceuticals, diagnostic radiopharmaceuticals and other products.

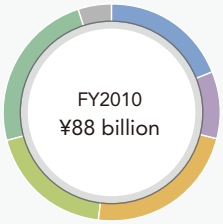
* Owing to the Company's organizational revision as of April 1, 2011, the Fine Chemicals Sector was eliminated, and functional materials, additives, and dyes that had been included in this sector were transferred to the Basic Chemicals Sector. In addition, pharmaceutical chemicals, which had also been included in this sector, were transferred to the Agricultural Chemicals Sector. Following this change, the Agricultural Chemicals Sector changed its name to the Health & Crop Sciences Sector.

Sales by Sector



Basic Chemicals	13%
Petrochemicals & Plastics	33%
Fine Chemicals	4%
IT-related Chemicals	16%
Agricultural Chemicals	11%
Pharmaceuticals	18%
Others	5%

Operating Income by Sector*



Basic Chemicals	19%
Petrochemicals & Plastics	10%
Fine Chemicals	0%
IT-related Chemicals	23%
Agricultural Chemicals	19%
Pharmaceuticals	24%
Others	5%

* Ratio of each segment's operating income to total operating income before eliminating income from intersegment transactions and incurring shared company-wide expenses.

Creative Hybrid Chemistry

We consider research and development to be the engine of our future growth. Over the course of many years, we have cultivated a variety of technologies in a diverse range of fields. Out of this reservoir of expertise and technology, we have identified eight areas as our core technologies. By combining these core technologies, we have created innovative new products and technologies. We call this basic R&D strategy "Creative Hybrid Chemistry."

Eight core technologies

- Catalyst technology
- Functional dyestuff and pigment technology
- Biotechnology
- Crystal structure control technology
- Chiral technology
- Calcination technology
- Polymer functions design technology
- Advanced polymer processing technology

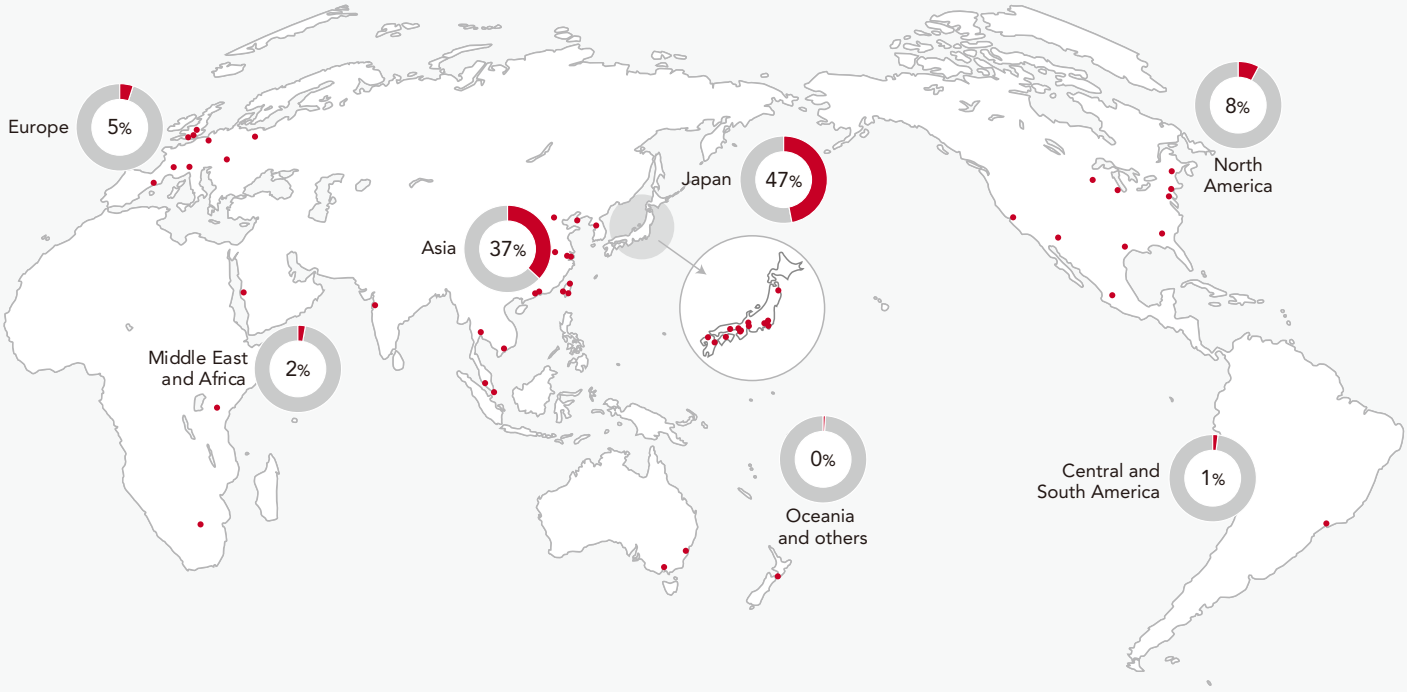
- Organic synthesis
- Inorganic synthesis
- Polymer synthesis
- Physical analysis
- Toxicological safety assessment
- Genomics
- Process development
- Materials & plant engineering technology

Base technologies

Overseas Business Development

The Sumitomo Chemical Group's overseas business development dates back to the early 1960s, when we began to export our insecticide Sumithion. The Group later accelerated overseas business expansion in the area of bulk chemicals from the early 1980s, life sciences from the late 1980s, and information and communication technology from the 2000s. In fiscal 2010, the ratio of the Company's overseas sales to total sales exceeded 50% for the first time, reaching 53%.

Sales by Area



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.

Sumitomo Chemical's history since its founding

1913 Founded
The House of Sumitomo establishes fertilizer plant in Niihama, Ehime prefecture


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


Niihama Works (Around 1938)

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


Ehime Works

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

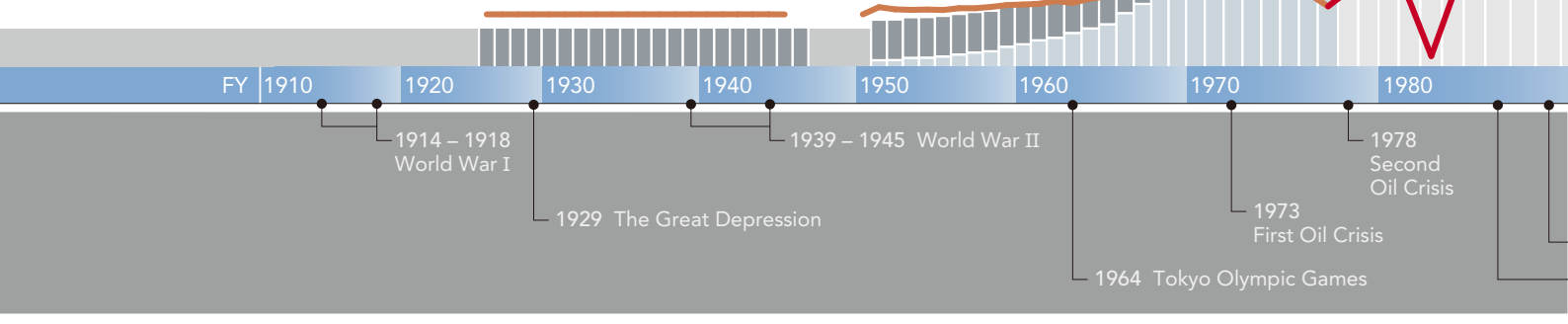
1965 Establishes Sumitomo Chiba Chemical (Acquired in 1975, present-day Chiba Works)


Chiba Works

1984 Establishes Sumitomo Pharmaceuticals with Inabata

Starts operation of petrochemical complex in Singapore

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




Dongwoo Fine-Chem


Petro Rabigh


Agricultural Chemicals Research Laboratory

MMA plant in Singapore

2011 Launches the atypical antipsychotic LATUDA® for the treatment of schizophrenia, in US

2010 Acquires 20% stake in Australian agrochemicals company Nufarm

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

Acquires US pharmaceutical company Sepracor (now Sunovion Pharmaceuticals)

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)

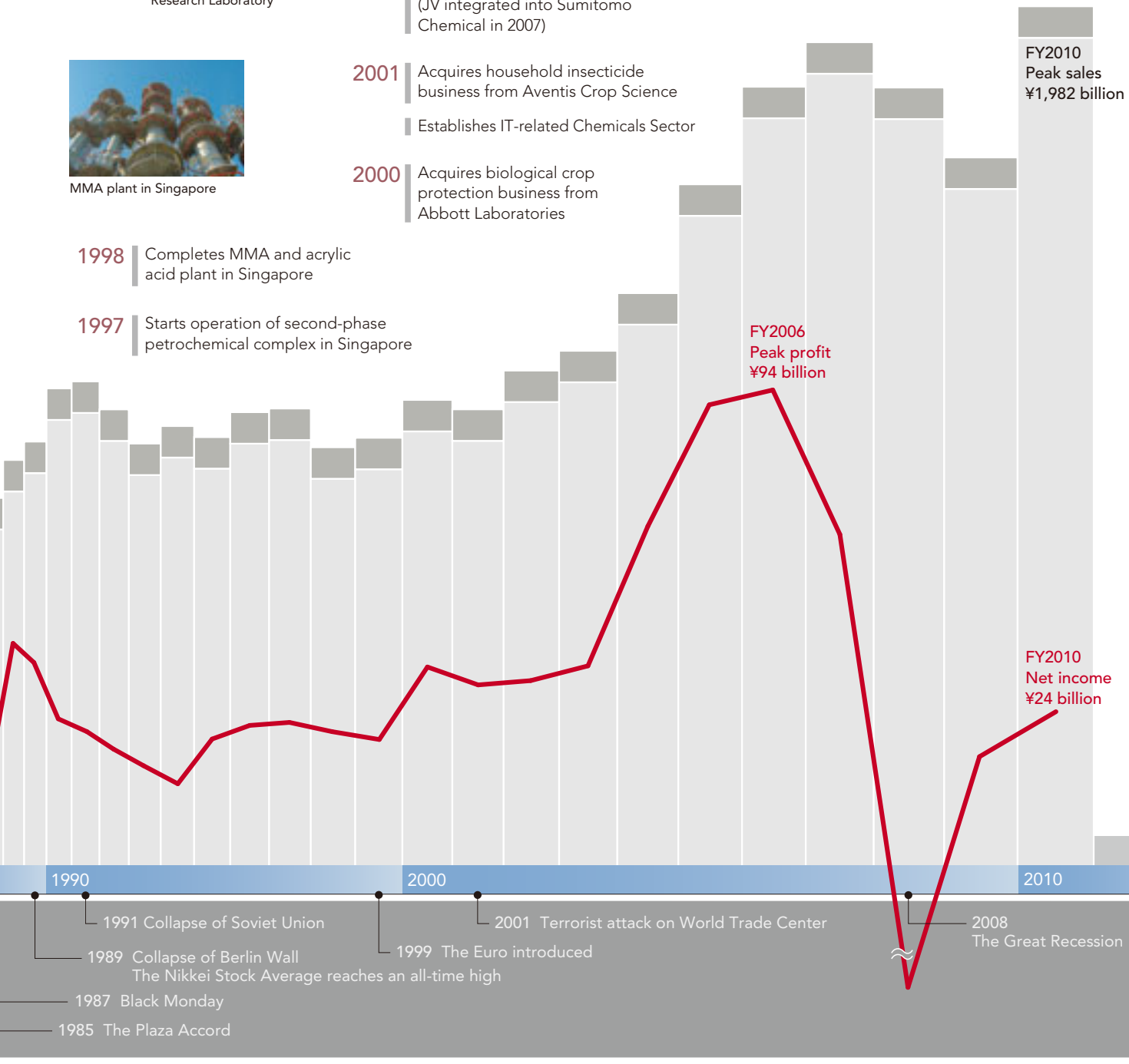
2001 Acquires household insecticide business from Aventis Crop Science

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



Sumitomo Chemical at a Glance

Sumitomo Chemical Company, Limited and Subsidiaries

Overview of Fiscal 2010 (Year ended March 31, 2011) Financial Results

Net Sales

FY2010

¥1,982.4 billion

+22.3%

FY2009 ¥1,620.9 billion

Sales increased for the first time in three years.

- Compared with the previous fiscal year, although the appreciation of the yen had a negative impact of ¥29.6 billion on sales in yen terms, higher sales volumes and sales prices had positive impacts of ¥329.6 billion and ¥61.5 billion, respectively.
- Shipping volumes: The full-year contribution of Sunovion Pharmaceuticals Inc. (Sunovion), a US pharmaceutical company which we acquired in October 2009, stronger sales in sales subsidiaries following the full-fledged operation of Petro Rabigh, and an increase in sales of liquid crystal display (LCD) materials due to strong demand for LCDs, among other things, increased sales volumes.
- Sales prices: Higher market prices for methyl methacrylate (MMA), caprolactam, and synthetic resins overseas as well as increases in selling prices of synthetic resins in Japan increased sales prices.

Operating Income

FY2010

¥88.0 billion

+70.9%

FY2009 ¥51.5 billion

Operating income increased for the second consecutive year.

- Sales prices: Higher market prices for MMA, caprolactam, and overseas synthetic resins and higher selling prices for domestic synthetic resins had a positive impact of ¥61.5 billion on operating income.
- Purchase prices: Higher naphtha prices and other factors had a negative impact of ¥85 billion.
- Rationalizations: Rationalizations mainly in IT-related Chemicals had a positive impact of ¥20 billion.
- Fixed costs: The full-year contribution from Sunovion, and other factors had a negative impact of ¥111.5 billion.
- Shipping volumes & other: The full-year contribution from Sunovion, and stronger sales of LCD materials had a positive impact of ¥151.5 billion.

Net Income

FY2010

¥24.4 billion

+66.0%

FY2009 ¥14.7 billion

Net income increased for the second consecutive year.

- While we reversed ¥19.1 billion in deferred tax assets, higher operating income and significantly improved equity in earnings of Petro Rabigh contributed to the higher net income.

Interest-bearing Liabilities and D/E Ratio

- Interest-bearing liabilities increased by ¥42.4 billion, to ¥1,040.3 billion.
- An increase in interest-bearing liabilities as well as a decrease in net assets due to appreciation of the yen increased D/E ratio to 1.4.

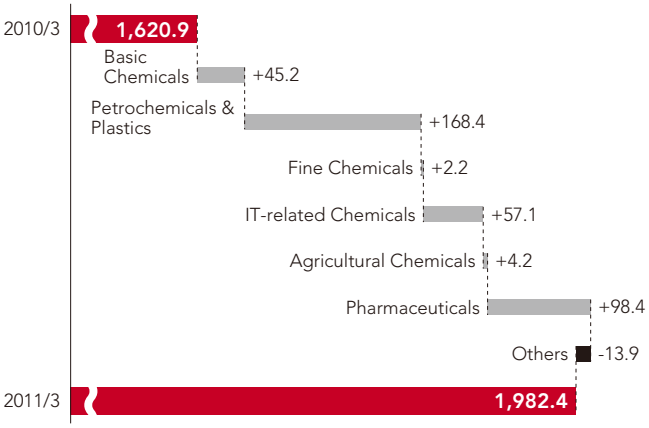
Achievements in Fiscal 2010

2010

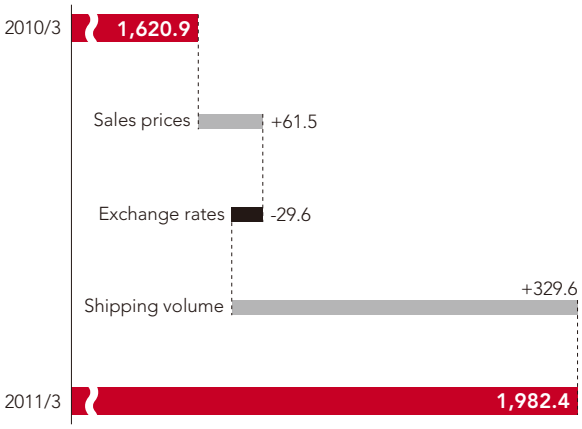
April	Acquires 20% of Australian agrochemicals company Nufarm	July	Starts production of a new resorcinol plant in Oita, Japan
June	Launches new fungicide for rice farming using new ingredient isotianil	October	Decides to expand production of methyl methacrylate polymer in Singapore
			Concludes a long-term agreement on crop protection collaboration with Monsanto

Changes in Net Sales

By Segment (Billions of yen)

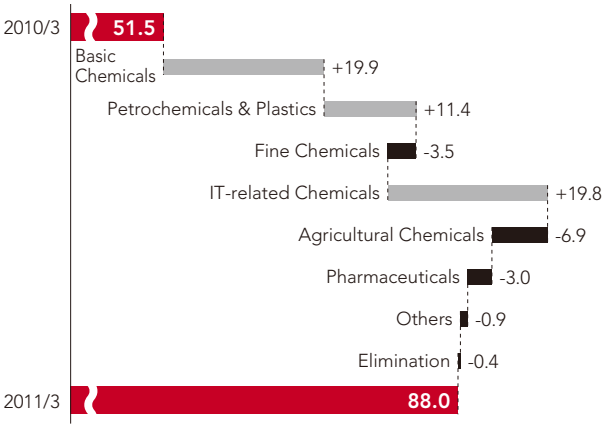


Factors for Change (Billions of yen)

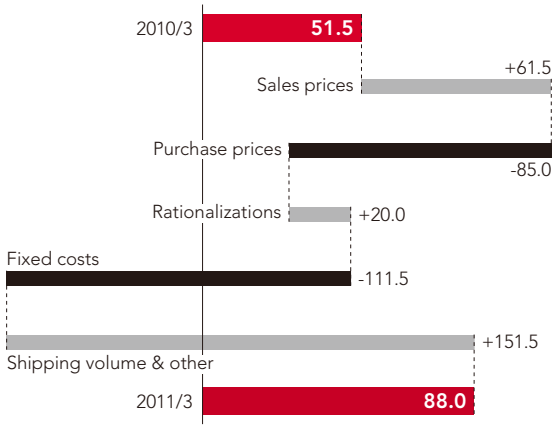


Changes in Operating Income

By Segment (Billions of yen)



Factors for Change (Billions of yen)



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

2011

November
- Decides to build a new solution styrene-butadiene rubber production plant in Singapore

December
- Acquires New Chemi Industries, a manufacturer of crop protection products in India
- Expands production capacity of color filters in Korea

January
- Makes Italian agrochemical distributor Isagro Italia a wholly owned subsidiary

February
- Launches the atypical antipsychotic LATUDA® for the treatment of schizophrenia, in US
- Launches new herbicide for rice farming using new ingredient propyrisulfuron

Consolidated Financial Highlights

	'02/3	'03/3	'04/3	'05/3	'06/3
	FY2001 – FY2003 Corporate Business Plan			FY2004 – FY2006 Corporate	
Income statement					
Net sales	¥ 1,018.4	¥ 1,111.1	¥ 1,158.4	¥ 1,296.3	¥ 1,556.6
Net sales from overseas operations	287.2	327.4	364.1	486.2	611.0
Operating income	68.8	73.5	66.6	105.2	120.8
Net interest expenses	(7.4)	(5.3)	(2.8)	(3.0)	(2.2)
Equity in (losses) earnings of affiliates	6.7	2.6	8.6	26.7	26.8
Income (loss) before income taxes and minority interests	57.8	63.2	72.3	121.7	158.6
Net income (loss)	30.2	31.1	34.3	64.5	90.7
Capital expenditures	73.0	152.0	110.2	125.8	124.9
Depreciation and amortization expenses	79.2	69.0	82.5	88.2	104.9
Research and development expenses	66.6	72.8	75.2	78.2	91.9
Cash flows					
Cash flows from operating activities	62.9	141.7	97.1	159.8	122.8
Cash flows from investing activities	(57.2)	(129.2)	(103.2)	(118.0)	(180.7)
Free cash flows	5.6	12.5	(6.2)	41.9	(57.9)
Cash flows from financing activities	(8.8)	(5.2)	(9.3)	(31.2)	70.6
Balance sheet					
Current assets	595.7	634.8	628.3	694.6	946.6
Net property, plant and equipment	401.7	465.6	481.9	515.9	570.3
Investments and other assets	395.7	383.9	439.1	438.3	661.5
Total assets	1,393.2	1,484.3	1,549.3	1,648.8	2,178.4
Total shareholders' equity / Net assets*3	444.6	444.3	506.1	569.6	719.8
Interest-bearing liabilities	487.3	485.2	485.3	470.7	578.6
Others					
Number of employees	17,016	17,906	19,036	20,195	24,160
Number of consolidated subsidiaries	102	110	110	104	105
Number of shareholders	130,176	124,281	125,463	121,349	116,509
Ratios					
Operating margin (%)	6.8	6.6	5.8	8.1	7.8
Asset turnover (times)*4	0.7	0.8	0.8	0.8	0.8
ROA (%)*5	4.8	5.1	4.4	6.6	6.3
ROE (%)*6	6.7	7.0	7.2	12.0	14.1
Debt equity ratio (times)	0.9	0.9	0.8	0.7	0.6
Shareholders' equity ratio (%)	31.9	29.9	32.7	34.5	33.0

*1 Unless otherwise specified.

*2 US dollar amounts are translated from yen, for reference only, at ¥83.15 = $1, the prevailing rate on March 31, 2011.

*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.

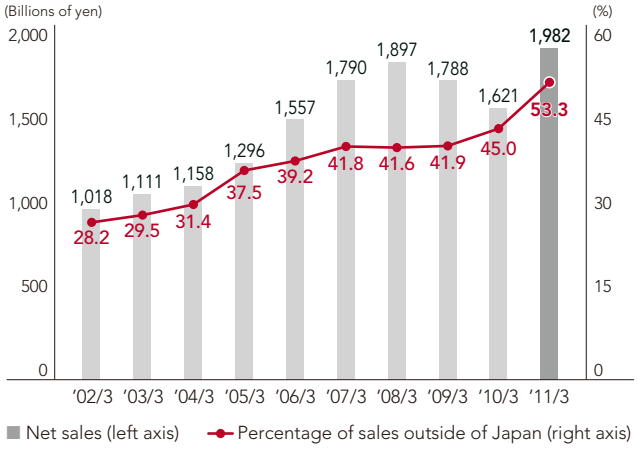
*4 Asset turnover = net sales / average of total assets as of the beginning and the end of each fiscal year

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

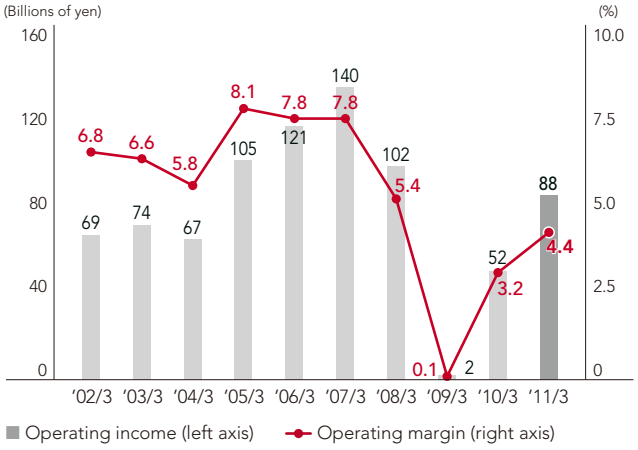
*6 ROE = net income / average of total net assets less minority interests as of the beginning and the end of each fiscal year

				Billions of yen*1		Thousands of US dollars*2
'07/3	'08/3	'09/3	'10/3	'11/3	'10/3 vs. '11/3	'11/3
Business Plan	FY2007 – FY2009 Corporate Business Plan			FY2010 – FY2012 Corporate Business Plan		
¥ 1,790.0	¥ 1,896.5	¥ 1,788.2	¥ 1,620.9	¥ 1,982.4	+22.3%	$23,841,672
747.8	788.8	749.8	728.9	1,056.7	+45.0	12,708,575
139.6	102.4	2.1	51.5	88.0	+70.9	1,057,811
(3.9)	(2.8)	(2.7)	(5.0)	(6.3)	—	(75,995)
23.6	11.2	(12.8)	(7.0)	10.8	—	130,174
181.1	128.2	(48.7)	41.3	75.7	+83.3	910,379
93.9	63.1	(59.2)	14.7	24.4	+66.0	293,854
159.8	142.5	134.1	103.2	98.7	-4.4	1,187,240
113.9	125.0	140.7	116.1	147.0	+26.6	1,767,998
97.7	105.4	131.1	117.3	138.1	+17.7	1,661,383
142.9	156.6	78.4	132.9	176.2	+32.6	2,119,399
(164.2)	(182.7)	(206.2)	(269.4)	(156.0)	—	(1,875,971)
(21.3)	(26.1)	(127.8)	(136.5)	20.2	—	243,428
35.6	7.1	112.5	168.7	18.0	-89.3	216,296
995.9	1,003.2	838.1	1,013.5	1,098.3	+8.4	13,209,188
623.5	636.5	567.8	581.8	552.5	-5.0	6,645,111
705.5	719.3	616.6	788.6	716.4	-9.2	8,616,104
2,324.9	2,358.9	2,022.6	2,383.9	2,367.3	-0.7	28,470,403
1,030.5	1,006.0	775.6	821.4	758.9	-7.6	9,126,711
641.0	673.9	795.4	997.9	1,040.3	+4.2	12,511,533
24,691	25,588	26,902	27,828	29,382	+5.6	—
105	116	126	143	146	+2.1	—
115,249	108,027	118,636	118,600	116,619	-1.7	—
7.8	5.4	0.1	3.2	4.4	—	—
0.8	0.8	0.8	0.7	0.8	—	—
6.2	4.4	0.1	2.3	3.7	—	—
12.4	8.1	(9.0)	2.6	4.5	—	—
0.6	0.7	1.0	1.2	1.4	—	—
34.1	32.6	26.9	24.1	22.1	—	—

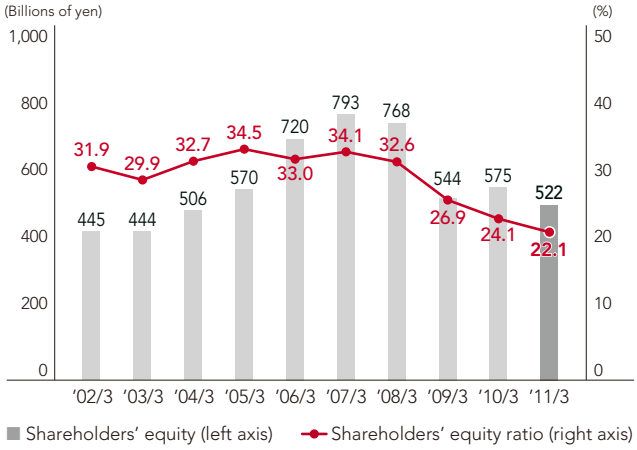
Net Sales & Percentage of Sales Outside of Japan



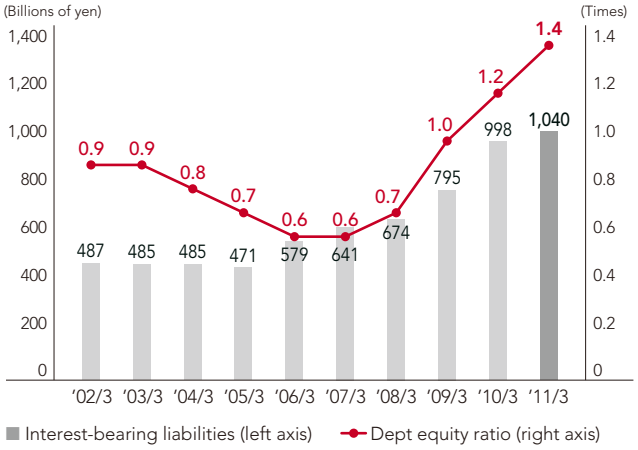
Operating Income & Operating Margin



Shareholders' Equity & Shareholders' Equity Ratio



Interest-bearing Liabilities & Dept Equity Ratio



Ten Year History of Sumitomo Chemical

2001 Sumitomo Chemical acquires the household insecticide business of Aventis CropScience

Sumitomo Chemical establishes IT-related Chemicals Sector

2002 Joint venture Sumitomo Chemical Takeda Agro commences operations after the agrochemicals business was transferred from JV partner Takeda Pharmaceutical

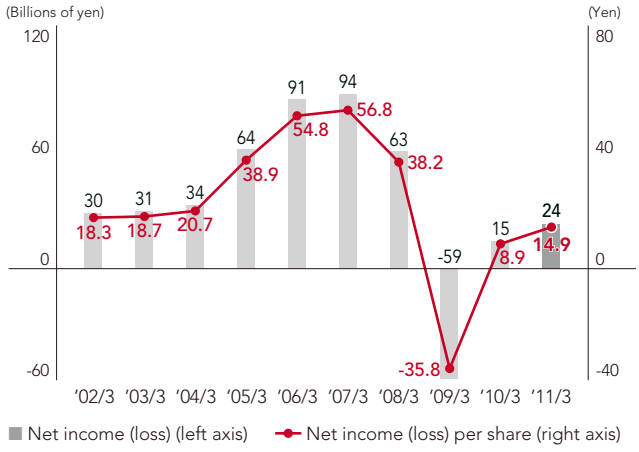
2003 Production of 5th generation liquid crystal display color filters and polarizing film begins in Korea

2004 Subsidiary Sumika Technology begins production of polarizing films in Taiwan

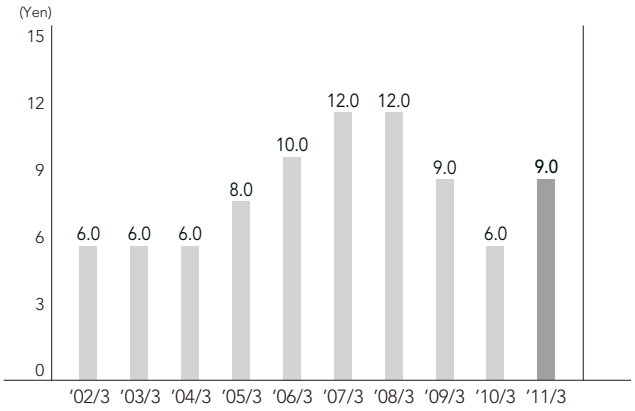
2005 Signs agreement with Saudi Aramco for the construction of an integrated refining and petrochemical complex in Rabigh, Saudi Arabia, establishes Petro Rabigh

Sumitomo Pharmaceuticals and Dainippon Pharmaceutical merge to form Dainippon Sumitomo Pharma (DSP)

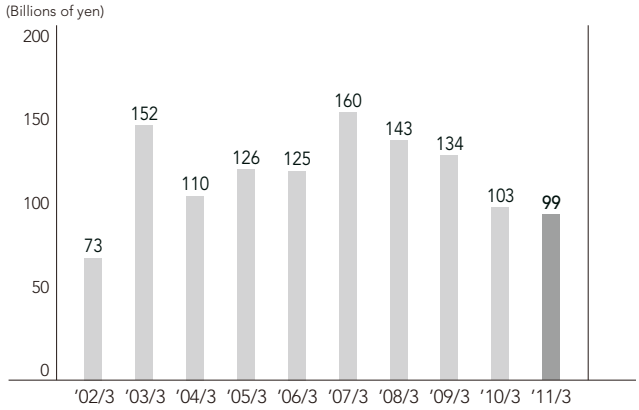
Net Income (Loss) & Net Income (Loss) per Share



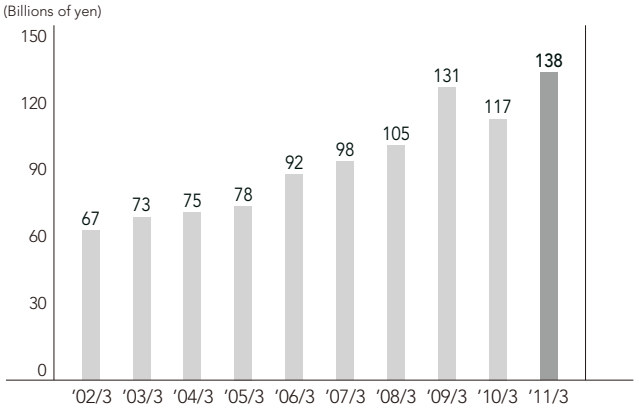
Dividends per Share



Capital Expenditures



Research and Development Expenses



2007 Sumitomo Chemical acquires Cambridge Display Technology, a pioneer in the development of polymer organic light emitting diode displays, as a wholly owned subsidiary

Sumitomo Chemical integrates Sumitomo Chemical Takeda Agro

2008 Petro Rabigh lists its shares on the Saudi Arabian stock exchange

2009 Petro Rabigh starts operations

DSP acquires Sepracor (now Sunovion Pharmaceuticals), a US-based pharmaceutical company

2010 Sumitomo Chemical acquires 20% of issued ordinary shares of Australian agrochemicals company Nufarm

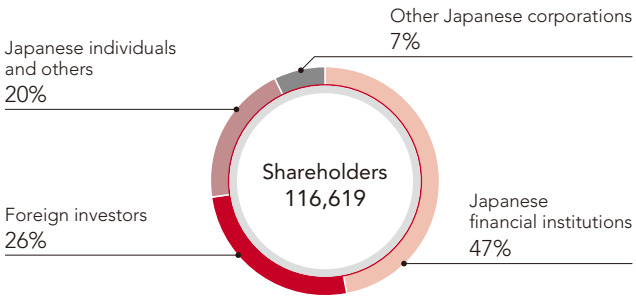
2011 Sunovion Pharmaceuticals launches the atypical antipsychotic LATUDA® for the treatment of schizophrenia, in US

Investor Information and Corporate Information

(As of March 31, 2011)

Paid-In Capital	¥89.7 billion
Number of Employees	Non-consolidated: 6,012 Consolidated: 29,382
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	116,619
Listings	Tokyo and Osaka
Transfer Agent and Registrar	The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Division 3-1, Yaesu 2-chome, Chuo-ku, Tokyo 100-8233, Japan
Independent Certified Public Accountants	KPMG AZSA & Co.

Distribution of Shareholders



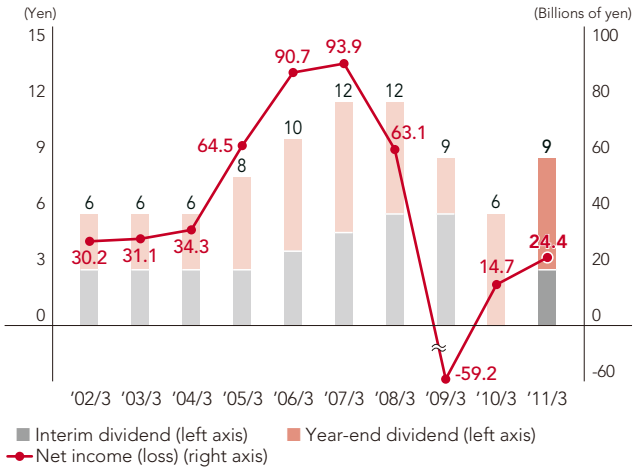
Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	107,416	6.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	104,900	6.34
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)	28,912	1.75
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	28,284	1.71
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	24,864	1.50

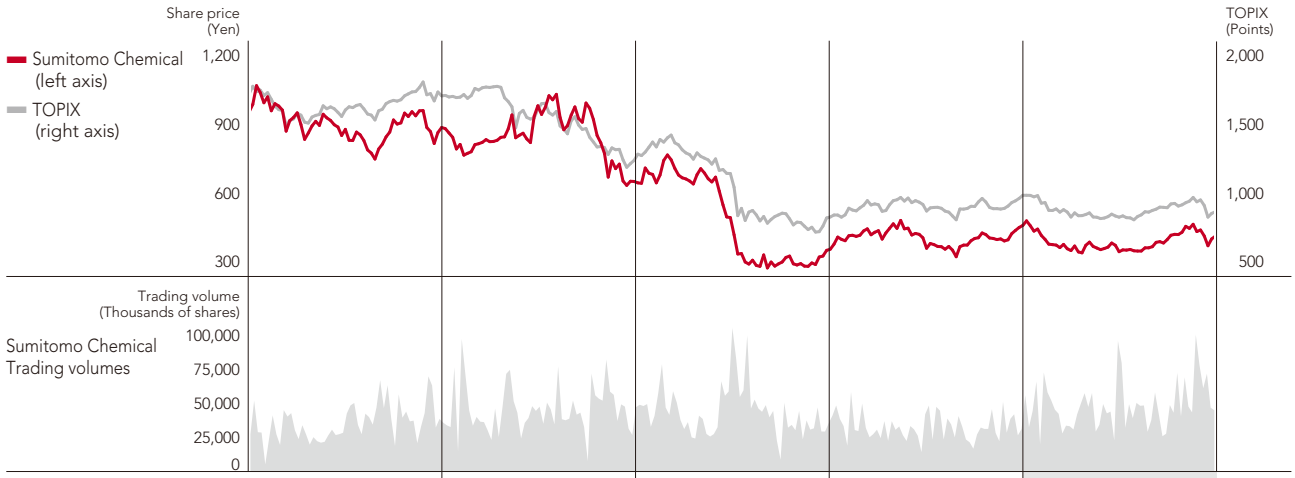
Dividend Policy

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

Dividends per Share & Net Income (Loss)



Stock Performance

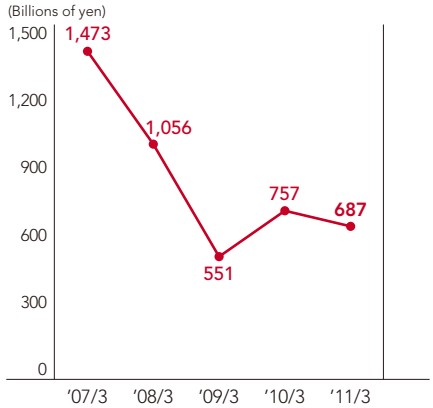


	FY2006	FY2007	FY2008	FY2009	FY2010
Share price high (yen)	1,079	1,064	788	487	487
Share price low (yen)	738	603	256	322	330
Share price at year-end (yen)	890	638	333	457	415
Cumulative trading volume (thousands)	1,863,620	2,371,156	2,315,770	1,712,557	2,536,345

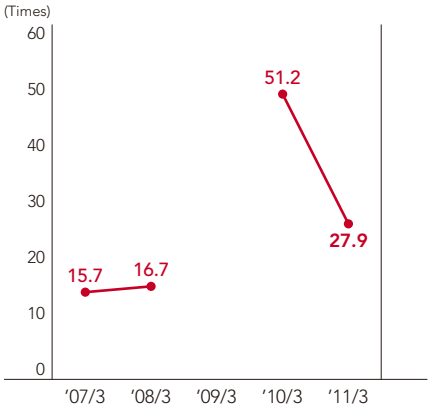
	FY2006	FY2007	FY2008	FY2009	FY2010
Shares outstanding* (thousands)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,446
Market capitalization* (billions of yen)	1,473	1,056	551	757	687
Price earnings ratio* (times)	15.7	16.7	—	51.2	27.9
Price book-value ratio* (times)	1.9	1.4	1.0	1.3	1.3
Ratio of shares owned by foreign investors to shares outstanding* (%)	28	34	24	26	26

* Figures are for the end of each fiscal year.

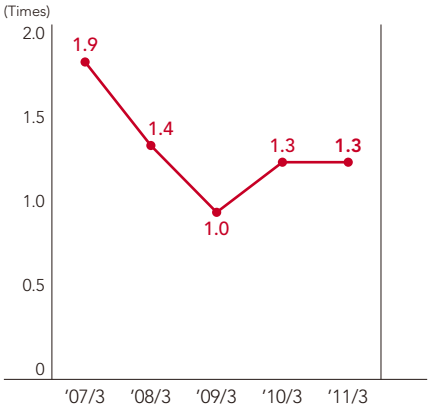
Market Capitalization



Price Earnings Ratio



Price Book-value Ratio



To Our Shareholders, Customers and Partners

Hiromasa Yonekura
Chairman

Masakazu Tokura
President

Performance for Fiscal 2010

The world economy made a solid recovery overall in fiscal 2010, as China and other emerging economies continued to achieve strong growth, while the US recovered at a moderate pace. The Japanese economy was on track for modest recovery as exports and production improved until the Great East Japan Earthquake hit on March 11, 2011. The earthquake and tsunami, which caused massive damage to the Tohoku region in northeast Japan, has significantly affected local economies in the disaster areas and the entire national economy. Its impact on the Sumitomo Chemical Group, however, has been limited on the whole, with minor damages to facilities and temporary interruptions of the production and shipment of certain products.

Under these circumstances, consolidated net sales of the Sumitomo Chemical Group for fiscal 2010 grew ¥361.5 billion from the previous fiscal year, to ¥1,982.4 billion, as a result of higher selling prices and increased shipment volumes and also thanks to the full-year contribution from Sunovion Pharmaceuticals Inc., the former Sepracor Inc., which was acquired in October 2009.

Operating income rose ¥36.5 billion, to ¥88.0 billion, because of improved margins and higher sales volumes in the Basic Chemicals Sector and the Petrochemicals & Plastics Sector, as well as higher sales volumes in the IT-related Chemicals Sector.

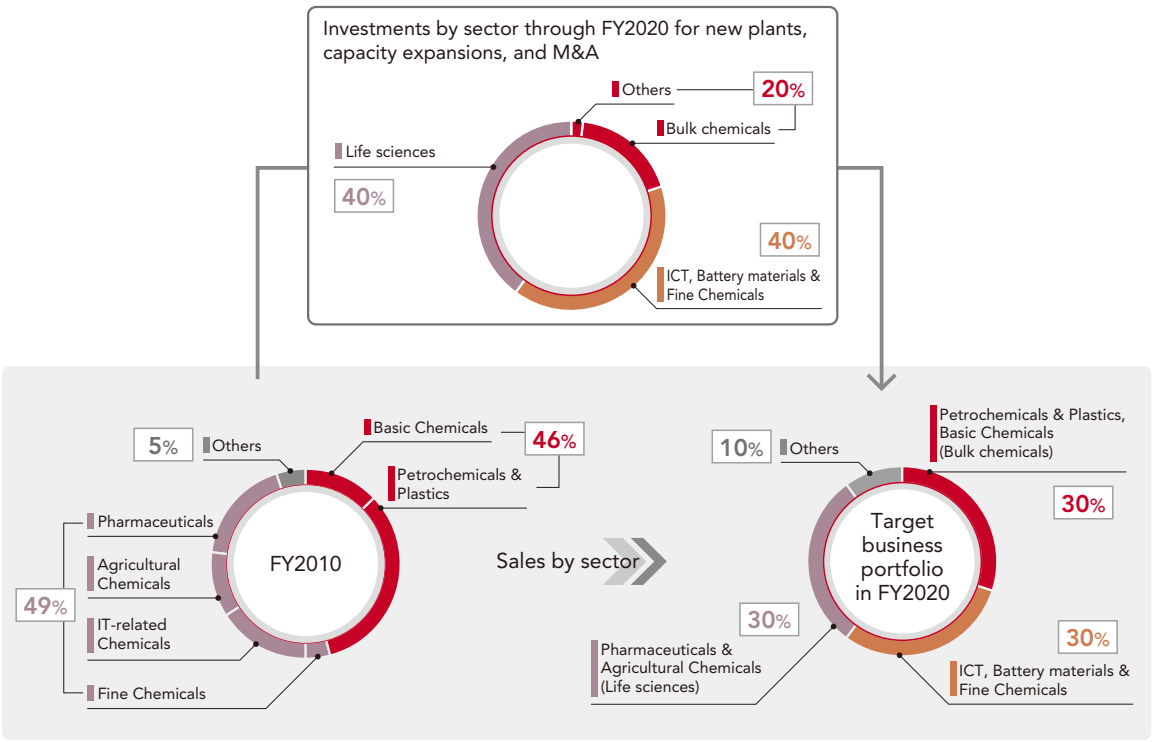
Net income was ¥24.4 billion, an increase of ¥9.7 billion from the previous fiscal year. While we reversed ¥19.1 billion in deferred tax assets, increased operating income and significantly improved equity in earnings of Petro Rabigh contributed to the higher net income.

Given these results, we have declared a year-end dividend of ¥6 per share, which, combined with the interim dividend of ¥3 per share, makes our total dividend for fiscal 2010 ¥9 per share, an increase of ¥3 over the previous fiscal year.

Growth Areas and Target Business Portfolio

We set out our new Corporate Vision last year, which defines the Sumitomo Chemical Group's long-term direction and strategic intentions for the next ten to twenty years. In this Corporate Vision, we have identified environment and energy, life sciences, and information and communication technology (ICT) as three high-growth business areas where we have clear competitive advantages, and we are committed to focusing our resources on these areas. We aim to achieve by fiscal 2020 a well-balanced business portfolio in which bulk chemicals, ICT, and life sciences each represent approximately 30% of Group sales.

Target Business Portfolio



Progress of Fiscal 2010 – Fiscal 2012 Corporate Business Plan

The entire Sumitomo Chemical Group has been working as one to implement our Corporate Business Plan for Fiscal 2010 to Fiscal 2012, which was launched in April 2010 as the initial step toward realizing our Corporate Vision. During fiscal 2010, the plan's first year, we have made solid progress.

In the area of bulk chemicals, profits greatly improved at our affiliate Petro Rabigh, which operates our world-scale integrated oil refining and petrochemical complex in Rabigh, Saudi Arabia.

In life sciences, our subsidiary Dainippon Sumitomo Pharma Co., Ltd. began sales of the antipsychotic agent lurasidone in the US, the world's largest market, under the product name LATUDA® in February 2011. In addition, to further expand and strengthen our crop protection business overseas, we acquired a 20% stake in the Australian agrochemicals company Nufarm Limited in April 2010. Our strategic cooperation with Nufarm in areas from development to procurement, manufacturing, logistics, and distribution, has already begun to produce synergies. We also entered an agreement for long-term collaboration in the crop protection business with Monsanto Company, a leading US seed, biotechnology and chemical manufacturing company, in October 2010.

In the ICT area, we achieved significant improvement in the performance of our polarizing film and other liquid crystal display materials business. Our development of polymer organic light emitting diodes, a next-generation display technology that is attracting attention worldwide, continued to progress, and we established a new business development organization to accelerate the commercialization of the technology.

Under our Corporate Business Plan, we are also working on enhancing the Group's financial strength as a top-priority. We aim at improving the debt to equity ratio by limiting cash flows used in investing activities to the amount of cash flows generated by operating activities, while increasing net assets by boosting operating profits. In fiscal 2010, despite spending ¥55.6 billion on the investment in Nufarm, our strong business performance enabled us to secure positive free cash flow. To further strengthen our financial position, we will continue rigorous selection of investments and step up efforts to improve our asset turnover ratio.

Making a Difference with the Power of Chemistry

Under our corporate slogan, "Creative Hybrid Chemistry For a Better Tomorrow," we will continue to deliver innovative solutions to the pressing challenges facing people around the world, including those related to the environment, resources, energy and food, and achieve growth as a stronger global company. At the same time, we will contribute through our business activities to helping Japan to recover from the disaster and get the economy back on the path toward dynamic, sustainable growth. Sumitomo Chemical will make a difference with the power of chemistry.

Thank you very much for your continued support and cooperation.

July 2011

Hiromasa Yonekura
Chairman

Masakazu Tokura
President

Interview with the President

Masakazu Tokura
President

Q What are your plans as the new president? What will you focus on?

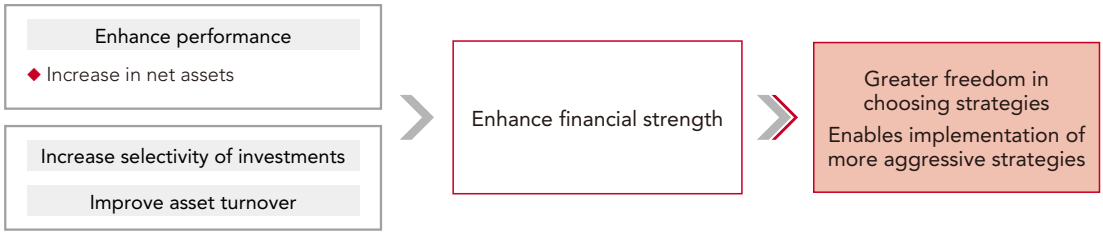
A I will focus on reinforcing our financial position and promoting "Globally Integrated Management."

We will give top priority to enhancing our financial strength and implementing "Globally Integrated Management," while we will also continue to work on the basic strategic initiatives we have pursued, such as the "Globalization of Management," the "Pursuit of Creative Hybrid Chemistry," and the "Promotion of CSR Management."

Looking back at the past decade, Sumitomo Chemical has been dealing with three major strategic challenges. The first is radically strengthening the competitiveness of our petrochemicals business; the second is gaining the critical mass necessary to achieve strong growth in our pharmaceuticals business; and the third is developing new businesses that have the potential to become core profit-drivers of the Company in the future.

And we have taken bold steps to meet these challenges. For the first challenge, we carried out the Rabigh Project, a joint undertaking with Saudi Aramco to build a world-scale integrated oil refining and petrochemical complex in Rabigh, Saudi Arabia. This highly cost-competitive complex, which uses Saudi Arabia's ethane gas as a feedstock, began operations in April 2009. For the second challenge, our subsidiary Sumitomo Pharmaceuticals merged with Dainippon Pharmaceutical to form Dainippon Sumitomo Pharma Co., Ltd. (DSP) in October 2005. In October 2009, DSP acquired the US pharmaceutical firm Sepracor Inc., now Sunovion Pharmaceuticals Inc. Lastly, for the third challenge, we created

Reinforcing Our Financial Position



the IT-related Chemicals Sector in October 2001, bringing together electronic materials businesses that had been separately operated in different sectors in the Company. Thanks to the consolidation, liquid crystal display (LCD)-related materials and other electronic materials businesses have been expanding at a remarkable pace.

As a result of these efforts, the Company has achieved significant growth. But our financial position has weakened because of higher spending on investments for future growth and the effects of the Great Recession. Over the next year or two, we will focus on increasing our returns on the projects that are already underway and prepare for a further leap several years from now.

Our free cash flow in fiscal 2010 was positive, supported by strong business performance. To improve our financial position, we are going to continue to select our investments rigorously and step up efforts to increase our asset turnover ratio.

Globalization has been the backbone of our business strategy, and will continue to be so. The ratio of the Company's overseas sales to total sales exceeded 50% in fiscal 2010, reaching 53%. We are going to promote "Globally Integrated Management," optimizing the functions in each business, from research and development to manufacturing, marketing, sales, and logistics, across the boundaries of nations and nationalities.

Promoting "Globally Integrated Management"

Q What is your evaluation of the Company's fiscal 2010 results?

A We made a great start in fiscal 2010, the first year of our three-year Corporate Business Plan.

We achieved strong results in fiscal 2010, with consolidated net sales of ¥1,982.4 billion, operating income of ¥88 billion, and net income of ¥24.4 billion. The Basic Chemicals, IT-related Chemicals and Petrochemicals & Plastics Sectors contributed to the large increase in operating income.

FY2010 Financial Results

(Billions of yen)

	FY2009	FY2010	Change
Sales	1,620.9	1,982.4	+361.5
Operating income	51.5	88.0	+36.5
Equity in earnings (losses) of affiliates	(7.0)	10.8	+17.8
Net income	14.7	24.4	+9.7

Naphtha price	¥41,200/kl	¥47,500/kl
Exchange rate	¥92.89/US$	¥85.74/US$
Dividend per share	¥6/share	¥9/share

Operating income in Basic Chemicals rose ¥19.9 billion over the previous fiscal year, to ¥21.3 billion, as margins improved and shipment volumes increased for methyl methacrylate, as well as caprolactam and other synthetic fiber materials. In IT-related Chemicals, operating income increased ¥19.8 billion, to ¥26.1 billion, because of larger shipments of polarizing film and other liquid crystal display materials. Operating income in Petrochemicals & Plastics jumped ¥11.4 billion, to ¥11.1 billion, as a result of improved margins in Asian markets. In Pharmaceuticals, although sales significantly increased because of the acquisition of Sepracor, now Sunovion Pharmaceuticals, operating income declined ¥3.0 billion, to ¥26.9 billion, affected by the revision of national health insurance drug prices and increased amortization expenses for intangible fixed assets resulting from the Sunovion acquisition.

Our net income increased ¥9.7 billion, to ¥24.4 billion. While we reversed ¥19.1 billion in deferred tax assets, the increased operating income and improved equity in earnings of Petro Rabigh led to the higher net income.

FY2010 Operating Income (Loss) by Segment

(Billions of yen)

	FY2009	FY2010	Change
Basic Chemicals	1.3	21.3	+19.9
Petrochemicals & Plastics	(0.2)	11.1	+11.4
Fine Chemicals	3.6	0.1	-3.5
IT-related Chemicals	6.3	26.1	+19.8
Agricultural Chemicals	29.3	22.4	-6.9
Pharmaceuticals	29.9	26.9	-3.0
Others	(18.7)	(20.0)	-1.3
Total	51.5	88.0	+36.5

Q Please tell us about the progress on the Corporate Business Plan.

A We have made solid progress on our major projects in fiscal 2010.

Let me start with petrochemicals. The performance of Petro Rabigh improved from a $382 million net loss in 2009 to a $56 million net profit in 2010, as overall operating rates increased. The affiliate's net income in the period from January to March 2011, which is to be accounted for in our Group results for April to June 2011, the first quarter of fiscal 2011, reached $186 million because of high, stable operating rates and better margins for refined petroleum products and petrochemical products. We are also continuing a feasibility study with Saudi Aramco for the Rabigh Phase II Project.

In the area of life sciences, we have taken several significant steps forward. In February 2011, lurasidone, an agent for the treatment of schizophrenia, was launched in the US under the product name of LATUDA®. Approximately 340 medical representatives have been dedicated to the promotion and sales of LATUDA®, targeting 22,000 psychiatrists nationwide. We expect sales for LATUDA® in the US to be about ¥10.0 billion in fiscal 2011 and grow to ¥70.0 billion in fiscal 2014. DSP is working on clinical trials to expand indications and sales areas of lurasidone, and in March 2011, DSP and Takeda Pharmaceutical Company Limited signed an agreement on the development and commercialization of lurasidone in Europe. Regarding the agricultural chemicals business, in order to expand our crop protection business overseas, we have formed alliances with the Australian agrochemicals company

Nufarm Limited and with Monsanto Company, a leading US seed, biotechnology and chemical manufacturing company. In addition, we have established a South American regional headquarters in Brazil.

In the liquid crystal display materials business, we have stepped up efforts to build a more customer-focused supply chain. To better serve the rapidly growing Chinese market, we opened new operation bases in Hefei, Beijing, and Shenzhen, in addition to our existing bases in Wuxi, Shanghai, and Hong Kong.

We have also accelerated efforts at new business development. During fiscal 2010, great progress was made not just on the development and commercialization of polymer organic light emitting diodes but on several other initiatives. In the light emitting diode (LED) related business, we established a joint venture with Samsung LED Co., Ltd. for manufacturing, sales, and research and development of sapphire substrates, a key material for LED. Demand for LED is expected to increase in such applications as lighting products and backlights for LCD televisions. We also decided to begin the production of touchscreen panels, which are projected to see increasing demand as sales for smart phones and tablet PCs continue to grow, and started construction of a manufacturing facility in South Korea. Automakers' evaluation of our newly developed diesel particulate filter (DPF) for passenger cars is smoothly progressing, and we began constructing a small-scale commercial plant. We expect demand for DPF to increase as more stringent automobile emissions regulations come into effect.

In fiscal 2011, we will continue to make every effort to achieve as soon as possible maximum profits and cash flows from the investments we have implemented, while accelerating the development of innovative products and new businesses.

Q What is your approach to CSR?

A I believe CSR activities help build strong mutual trust with our customers, business partners, shareholders and employees, as well as local and international communities. The trust is an invaluable asset that is essential to sustaining our business growth.

We see CSR as a form of contribution to the sustainable development of society through our business activities. Since its beginning, Sumitomo Chemical has been working toward building better lives for people, protecting the environment, and making positive contributions to society.

Central pillars of our CSR activities are Responsible Care and social actions. Responsible Care is an array of initiatives to protect the environment, ensure health and safety, and maintain high product quality throughout the entire life cycle of our products. Our social actions include malarial control initiatives and programs for supporting child education in Africa, which we have been implementing with support from the public sector and civil society.

My favorite Japanese word is "Gi." "Gi" means the right path, being virtuous, forgoing self-interest, performing moral duty, and serving the public good. I think the values "Gi" represents contain the ethos of Sumitomo's business philosophy, which states, "Our business must benefit society, not just our interests." We will continue to be firmly committed to CSR management, seeking to grow as a stronger global company while building mutually-beneficial relationships with local and international communities and other stakeholders.

Corporate Business Plan FY2010 – FY2012

The Sumitomo Chemical Group commenced its Corporate Business Plan FY2010 – FY2012 in April 2010. The 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 implemented under the previous Corporate Business Plan.

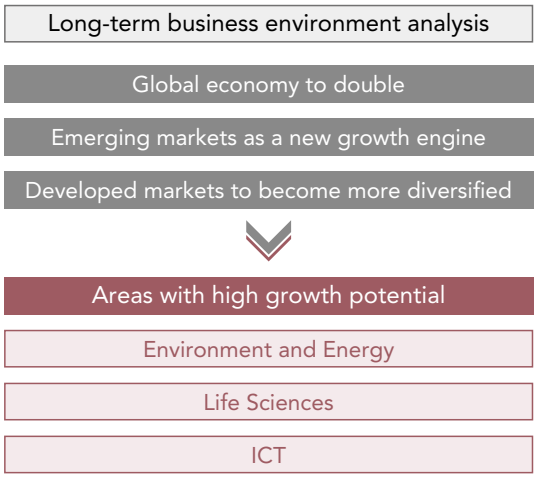
Petro Rabigh (Saudi Arabia)

Our affiliate Rabigh Refining and Petrochemical Company (Petro Rabigh) operates a world-scale integrated oil refining and petrochemical complex in Rabigh, Saudi Arabia. The complex manufactures and markets petroleum products such as gasoline and petrochemical products such as polyethylene, polypropylene, propylene oxide, and mono ethylene glycol. This photo is of the ethane cracker, one of the major plants of the complex.

1 Long-term Business Environment Outlook and Corporate Vision

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 increasing diversification of consumer tastes. Given these long-term prospects, we have identified 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 which states what we aim to achieve in the future, as well as three strategies for realizing our Corporate Vision.



Corporate Vision

Ⅰ. Achieve sustainable strong growth as a stronger, more innovative global company

Ⅱ. Contribute to sustainable development of the global community

Ⅲ. Continuously enhance the value of the company

Strategies to Realize Corporate Vision

Technology Strategy

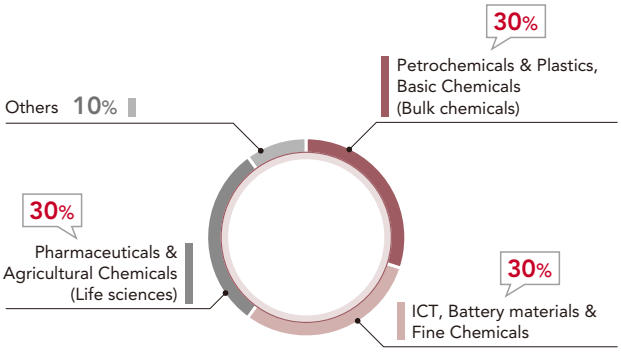
1 Focus R&D resources on the three high-growth areas
2 Continue Creative Hybrid Chemistry
3 Pursue Green Sustainable Chemistry
4 Accelerate R&D in downstream applications
5 Strengthen basic research

Climate Change Strategy

Help solve pressing global issues of resources, energy and the environment

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



2 Overview of the Corporate Business Plan

The corporate business plan, which is the first step toward realizing our corporate vision, is a three-year plan ending in fiscal 2012, and we are pursuing 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

Performance Targets of the Corporate Business Plan

We anticipate that the global economy will get back on track to 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 yen per dollar, a naphtha price of 50,000 yen per kiloliter and a crude oil (WTI) price of 85 dollars per barrel, the Company seeks to achieve sales of 2,400 billion yen, operating income of 190 billion yen, ordinary income of 220 billion yen, net profit of 140 billion yen and return on equity of 20.8%. The Company expects equity in earnings of affiliates to increase to 40 billion yen because of stronger performance of Petro Rabigh and other affiliates.

Target for FY2012

Net Sales	¥2.4 trillion
Operating Income	¥190 billion
Ordinary Income*	¥220 billion
Net Income	¥140 billion

* Including equity in earnings of affiliates of ¥40 billion

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

Cash Flows and Interest-bearing Liabilities

Under the Corporate Business Plan, we aim to enhance performance while also improving financial strength. By keeping our capital expenditure and other spending below our operating cash flows, we will reinforce our financial position. We anticipate the debt to equity ratio to improve to 1.0 at the end of fiscal 2012.

(Billions of yen)

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

	End of FY2012 (Target)
Interest-bearing liabilities	1,020
Dept equity ratio (times)	1.0

3 Progress in Fiscal 2010

During Fiscal 2010, the first year of the Corporate Business Plan, we made solid progress in our major projects, as described below.

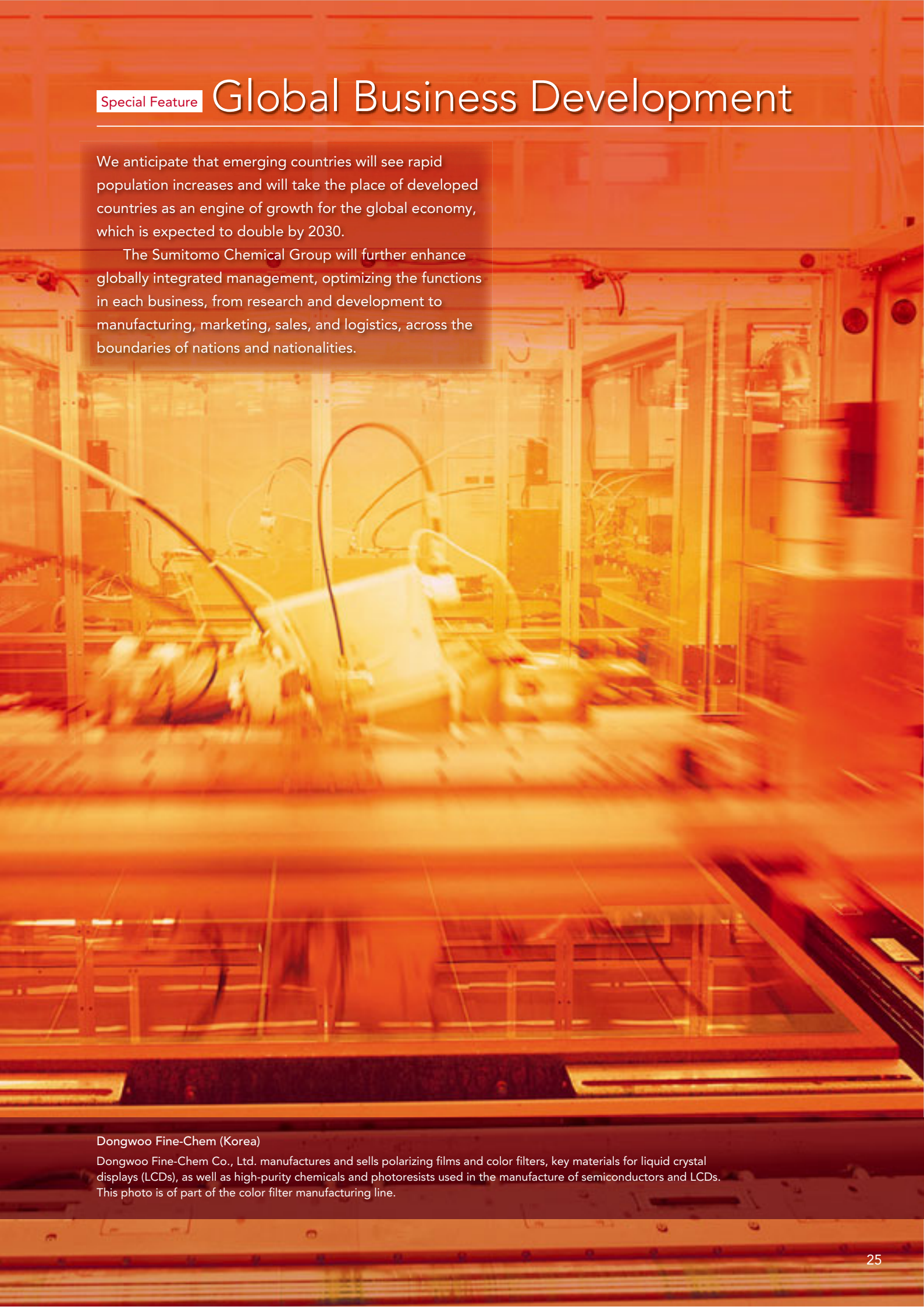
Basic Chemicals	• Decided to expand production capacity of methyl methacrylate polymer with growing demand for light-guide plates used in liquid crystal display (LCD) televisions with LED back lights • Decided to increase production capacity of high-purity alumina with growing demand for LED substrates • Made progress in the commercialization of diesel particulate filter for which demand is expected to expand following the tightening of exhaust gas regulations
Petrochemicals & Plastics	• Decided to increase production of solution styrene-butadiene rubber with strong demand for eco tires • Improved performance of Petro Rabigh considerably • Expanded sales of higher value-added products such as ethylene-vinyl acetate for photovoltaic cell encapsulants • Shortened the formula for naphtha pricing
Fine Chemicals	• Commenced operation of the new resorcinol plant • Made progress in development of new products such as rubber adhesives for tires
IT-related Chemicals	• Expanded production and sales bases for LCD materials in China • Expanded production capacity for light-guide plates for LCD televisions with LED back lights • Expanded production capacity of color filters • Developed thin polarizing films and high-function color resists for medium- and small-size LCDs
Agricultural Chemicals	• Commenced operation of new methionine plant • Enhanced total solutions business • Expanded overseas sales networks through acquisitions, investments and partnerships • Launched three new active ingredients used for insecticides, fungicides and herbicides
Pharmaceuticals	• Launched the atypical antipsychotic LATUDA® for the treatment of schizophrenia, in US

Special Feature

Global Business Development

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.

The Sumitomo Chemical Group will further enhance globally integrated management, optimizing the functions in each business, from research and development to manufacturing, marketing, sales, and logistics, across the boundaries of nations and nationalities.



Dongwoo Fine-Chem (Korea)

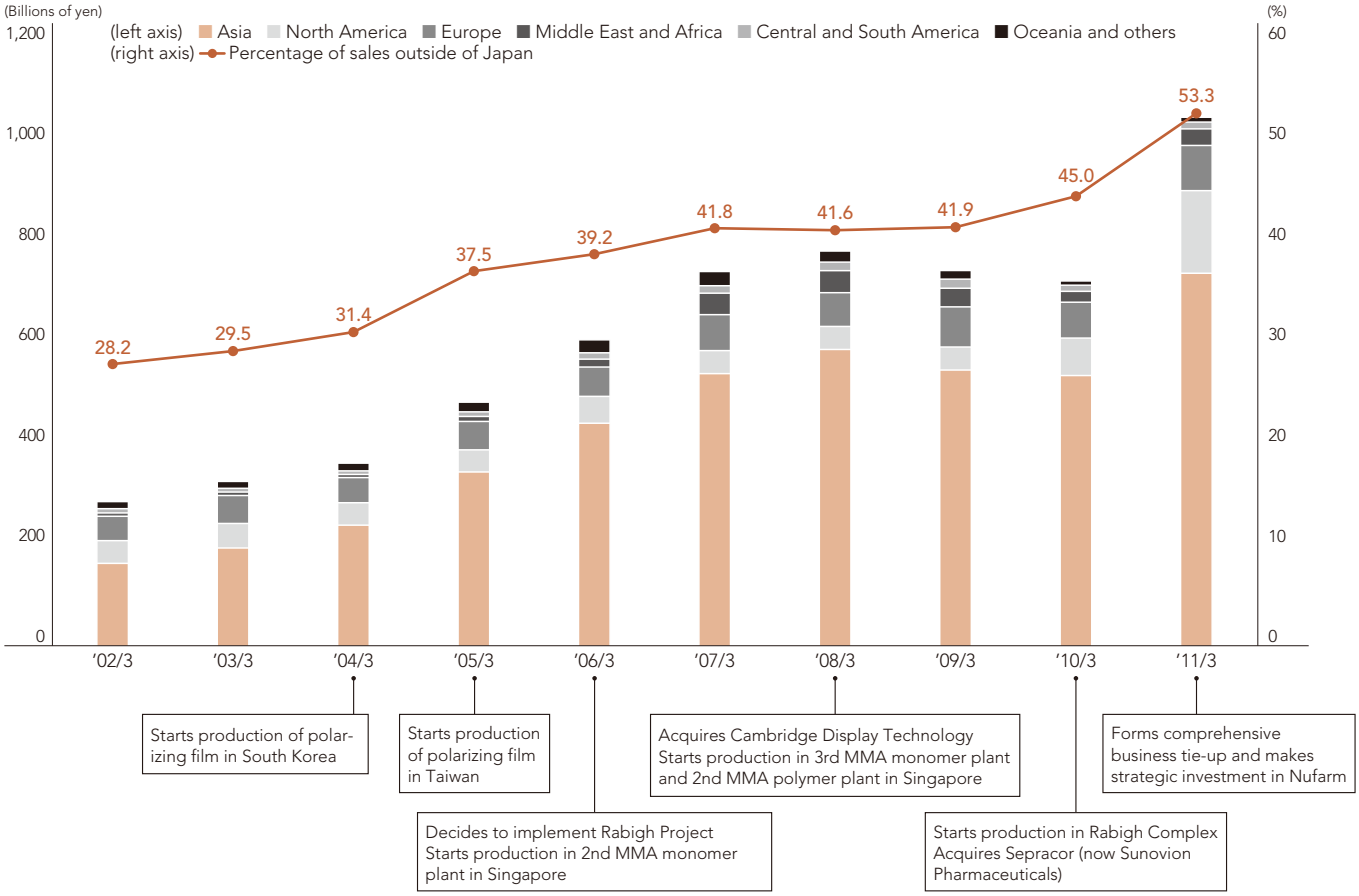
Dongwoo Fine-Chem Co., Ltd. manufactures and sells polarizing films and color filters, key materials for liquid crystal displays (LCDs), as well as high-purity chemicals and photoresists used in the manufacture of semiconductors and LCDs. This photo is of part of the color filter manufacturing line.

Overview

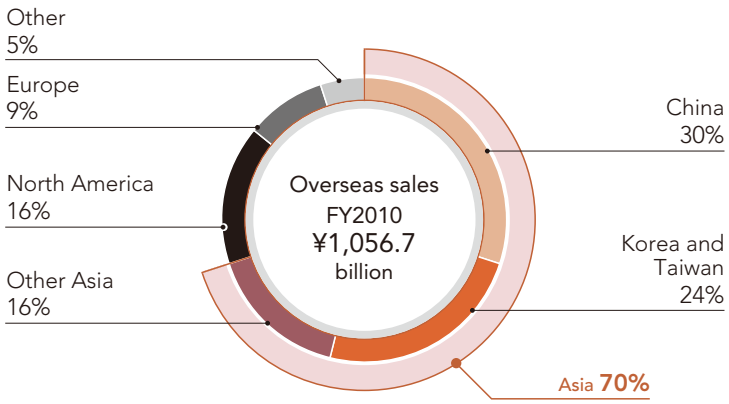
The Sumitomo Chemical Group's overseas business development dates back to the early 1960s, when we began to export our insecticide Sumithion. The Group later accelerated overseas business development in the area of bulk chemicals from the early 1980s, life sciences from the late 1980s, and information and communication technology (ICT) from the 2000s.

In fiscal 2010, half a century after Sumitomo Chemical began to develop overseas business on a large scale, our sales from overseas operations reached ¥1,056.7 billion. The ratio of the Company's overseas sales to total sales exceeded 50% for the first time in fiscal 2010, reaching 53%. By region, sales in Asia comprised 70% of all overseas sales, followed by North America with less than 20% and Europe with less than 10%. In Asia, the main products are polyethylene, polypropylene and other petrochemical products as well as liquid crystal display (LCD) materials for which demand continues to expand. In North America, the main products are pharmaceuticals and agricultural chemicals.

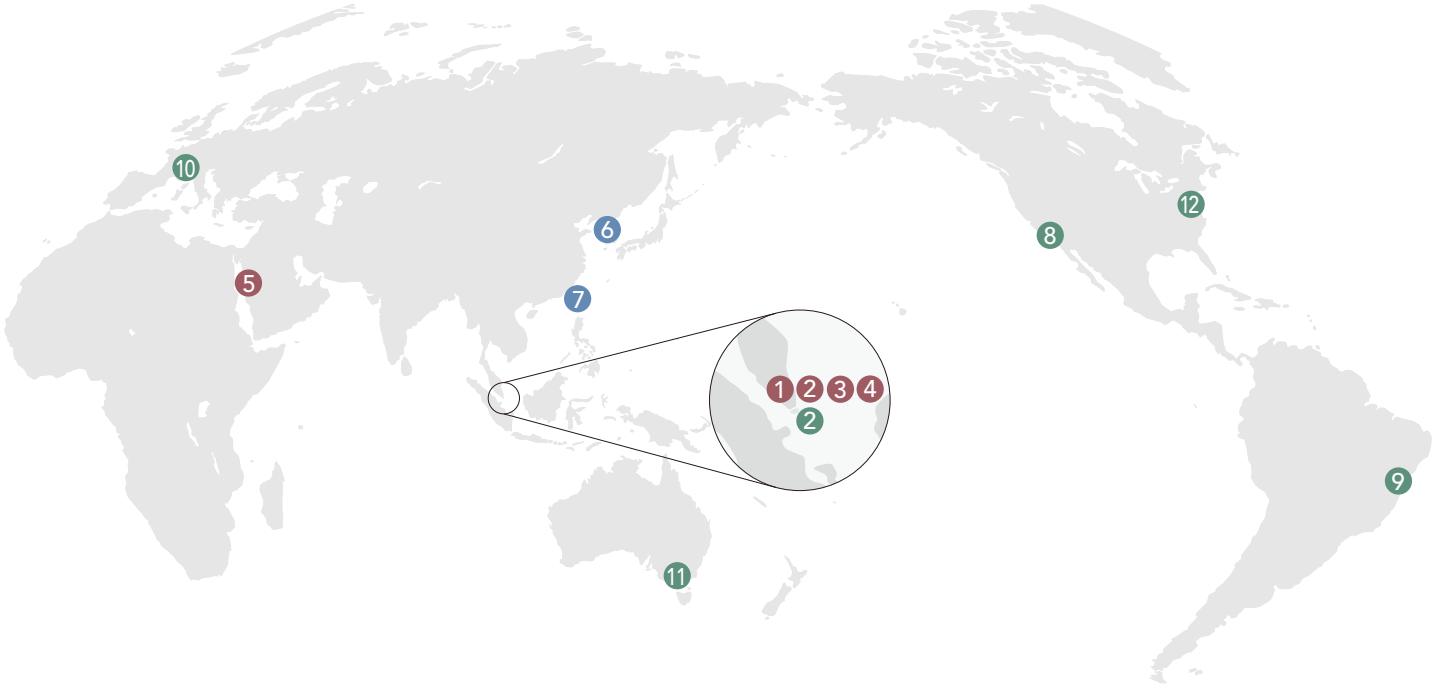
Overseas Sales



Overseas Sales by Region



Major Overseas Subsidiaries and Affiliates



● Bulk chemicals ● ICT ● Life sciences

1 The Polyolefin Company (Singapore) Pte. Ltd.
2 2 Sumitomo Chemical Singapore Pte. Ltd.
3 Sumitomo Chemical Asia Pte. Ltd.
4 Petrochemical Corporation of Singapore (Pte.) Ltd.
5 Rabigh Refining and Petrochemical Company
6 Dongwoo Fine-Chem Co., Ltd.
7 Sumika Technology Co., Ltd.
8 Valent U.S.A. Corp.
9 Sumitomo Chemical do Brasil Representações Limitada
10 Sumitomo Chemical Agro Europe S.A.S.
11 Nufarm Limited
12 Sunovion Pharmaceuticals Inc.

Bulk Chemicals

The establishment of Petrochemical Corporation of Singapore (Pte.) Ltd., a manufacturer of ethylene, and The Polyolefin Company (Singapore) Pte. Ltd., a manufacturer of synthetic resins, were the Group's first major overseas projects in bulk chemicals. Sumitomo Chemical decided to build petrochemical manufacturing facilities in Singapore because a stable supply of low-priced naphtha was available, thanks to the large concentration of petroleum refineries in Singapore. The facilities began operating in 1984, and expanded their business along with the economic growth of Asia. The two companies expanded production capacity in 1997.

In 2009, Rabigh Refining and Petrochemical Company (Petro Rabigh), of which Sumitomo Chemical owns 37.5%, began operating its world-scale integrated oil refining and petrochemical complex in Rabigh, Saudi Arabia. Petro Rabigh produces petrochemical products using cost-competitive ethane as a feedstock, and the Sumitomo Chemical Group sells the products primarily in Asian markets.

Sumitomo Chemical has expanded its overseas business in the bulk chemicals field by locating production facilities where cost-competitive feedstocks are available. Consequently, most of the Group's bulk chemical production capacities are located overseas rather than in Japan, where natural resources for production are limited. For example, 80% of the Sumitomo Group's production capacity for ethylene, which is used as a raw material for the production of diverse petrochemicals, is located overseas, with annual ethylene production capacities of 607,000 tons in Japan, 1.09 million tons in Singapore, and 1.3 million tons in Saudi Arabia. Most of our production capacity for derivatives such as polypropylene and polyethylene is also located outside Japan.

The Sumitomo Chemical Group is now planning to expand production capacity of methyl methacrylate polymers and solution styrene-butadiene rubber in Singapore, and we are conducting a feasibility study for the development of the Rabigh Phase II project in Saudi Arabia. We will continue to expand our bulk chemicals business by securing raw materials at competitive prices, discerning which products will have greater demand in the future, and making timely investments.

Major Overseas Subsidiaries and Affiliates

(As of March 31, 2011)

Company Name	Sumitomo Chemical's Shareholding Ratio	Major Business Fields
❶ The Polyolefin Company (Singapore) Pte. Ltd.	67.00%	Manufacturing and sales of polyethylene and polypropylene
❷ Sumitomo Chemical Singapore Pte. Ltd.	100.00%	Sales of MMA monomer and polymer, crop protection chemicals, IT-related chemicals and other products
❸ Sumitomo Chemical Asia Pte. Ltd.	100.00%	Sales of petrochemical products
❹ Petrochemical Corporation of Singapore (Pte.) Ltd.	29.31%	Manufacturing and sales of ethylene and propylene
❺ Rabigh Refining and Petrochemical Company	37.50%	Manufacturing and sales of refined petroleum products and petrochemicals

Production Capacity by Region

(1,000t/year)

	Japan	Singapore	Saudi Arabia	US	Korea	Total
Ethylene	607 (20%)	1,090 (36%)	1,300 (44%)	—	—	2,997
Polypropylene	316 (16%)	630 (32%)	700 (36%)	322 (16%)	—	1,968
Polyethylene	355 (23%)	255 (17%)	900 (60%)	—	—	1,510
Propylene oxide	381 (66%)	—	200 (34%)	—	—	581
MMA monomer	90 (18%)	223 (46%)	—	—	176 (36%)	489

The ratio of the capacity of each region to total capacity is given in parentheses.

ICT

The Sumitomo Chemical Group's first major overseas projects in the information and communication technology (ICT) field were the launch of polarizing film and color filter production in the early 2000s in South Korea and Taiwan, where leading liquid crystal display (LCD) manufacturers are located. The Group started to produce polarizing film in South Korea and Taiwan in 2003 and 2004, and subsequently expanded production capacity to meet the growing demand. We began to produce color filters in South Korea in 2003 and in Taiwan in 2005.

Sumitomo Chemical has expanded its overseas business in the ICT field with the aim of building a customer-focused supply chain. The majority of the Group's production capacity for ICT products is located overseas. Over 70% of our production capacity for polarizing film, the leading ICT product, is located overseas, with annual production capacities of 46 million m^2 in South Korea, 14 million m^2 in Taiwan, and 21 million m^2 in Japan. The Sumitomo Chemical Group is taking advantage of our customer-focused supply chain by promptly and flexibly responding to the needs of LCD manufacturers, who are our customers.

There are many plans to construct LCD production plants in China, which is expected to become a major LCD-producing country together with South Korea and Taiwan within a few years. Accordingly, in addition to our existing production bases in Wuxi and Shanghai, we are establishing new production bases and sales offices in Beijing, Hefei and Shenzhen, where many LCD production plants are planned. The Group will expand its LCD-related materials business in China by building a customer-focused supply chain. The Sumitomo Chemical Group also plans to start production of LED sapphire substrates and touch sensor panels in South Korea, where rapid demand growth is expected.

Major Overseas Subsidiaries and Affiliates

(As of March 31, 2011)

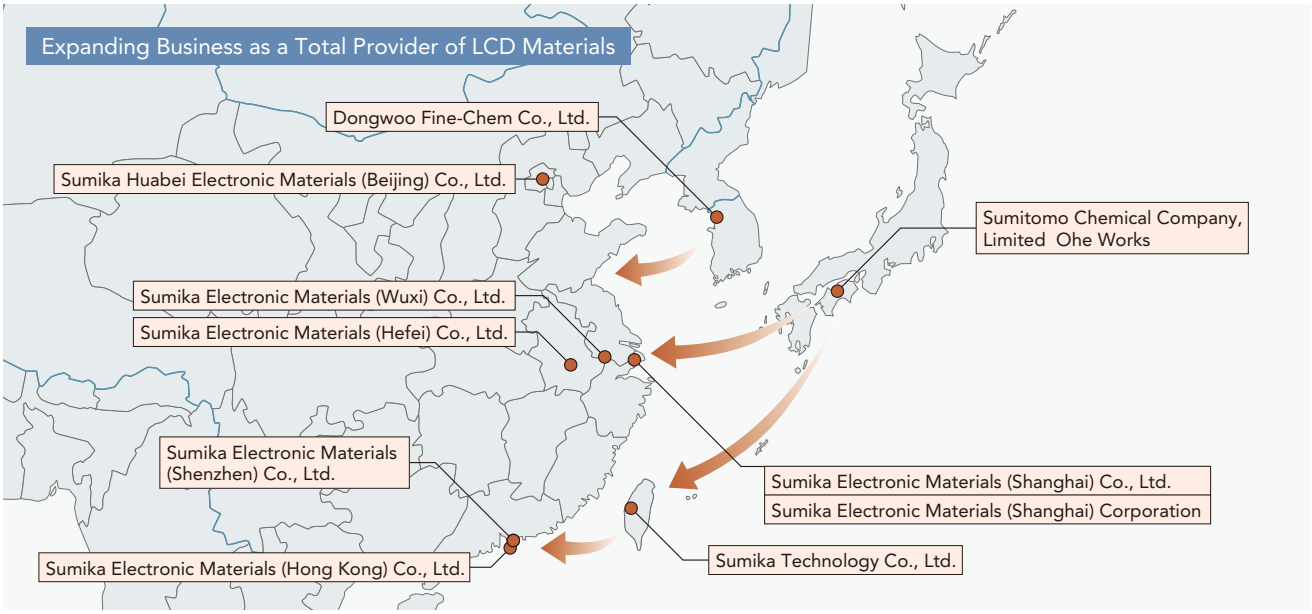
Company Name	Sumitomo Chemical's Shareholding Ratio	Major Business Fields
⑥ Dongwoo Fine-Chem Co., Ltd.	92.81%	Manufacturing and sales of fine and IT-related chemicals
⑦ Sumika Technology Co., Ltd.	84.96%	Manufacturing and sales of optical functional films

Production Capacity by Region

(Millions of m^2/year)

	Japan	Korea	Taiwan	Total
Polarizing film	21 (26%)	46 (57%)	14 (17%)	81

The ratio of the capacity of each region to total capacity is given in parentheses.



Life Sciences

The Sumitomo Chemical Group has expanded its overseas business in the life sciences field by developing new products, taking advantage of its superior R&D capabilities, and expanding sales, leveraging its ability to roll out new technology globally. In agricultural chemicals, Sumitomo Chemical has been exporting the insecticide Sumithion, which has low toxicity but is highly effective against many harmful insects, since the 1960s. We established a US subsidiary, Valent U.S.A. Corporation, in 1988, which is engaged in the development and sales of crop protection chemicals. Subsequently, we accelerated overseas business development through business acquisitions and the establishment of subsidiaries in Europe, the US and Asia. In 2000, Sumitomo Chemical acquired the bio-pesticide and plant-growth regulator business of leading US pharmaceutical company Abbott Laboratories. In 2010, Sumitomo Chemical also acquired a 20% stake in the Australian agrochemicals company Nufarm Limited.

In the pharmaceuticals business, Sumitomo Chemical's subsidiary Dainippon Sumitomo Pharma Co., Ltd. (DSP) in 2009 acquired Sepracor Inc. (now Sunovion Pharmaceuticals Inc.), a US pharmaceutical company, to enter the US market — the world's largest pharmaceuticals market. Sunovion released the antipsychotic agent lurasidone (product name: LATUDA®) in the US in February 2011.

The Sumitomo Chemical Group generated 70% of our crop protection chemical sales overseas in 2010, with 30% in Japan, 24% in North America, 19% in Europe, 8% in Asia and 19% in other regions. DSP generated almost 40% of its pharmaceuticals sales overseas in fiscal 2010, with 63% in Japan, 35% in US and 2% in China.

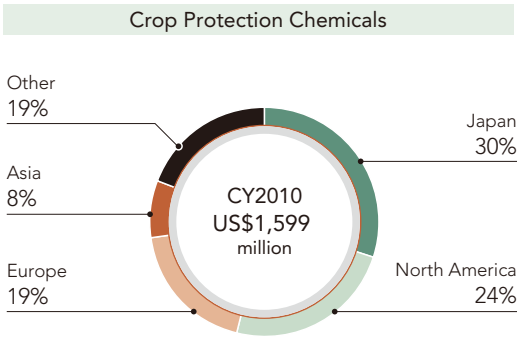
In agricultural chemicals, the comprehensive business alliance with Nufarm in the area of sales, R&D, procurement, manufacturing and distribution has begun to produce results. Sumitomo Chemical signed an agreement for long-term collaboration in the crop protection (weed management) business with leading US seed, biotechnology and chemical products manufacturer Monsanto Company in 2010 to expand sales of flumioxazin. The Group plans to expand our sales force in Latin America to grow our agricultural businesses in the area to a size comparable to those of our businesses in Japan, North America, and Europe. In the pharmaceuticals business, DSP is working on clinical trials to expand the indications and sales areas for the antipsychotic agent lurasidone and to launch other new drugs overseas. DSP aims to achieve an overseas sales to totals sales ratio of 50% in fiscal 2014.

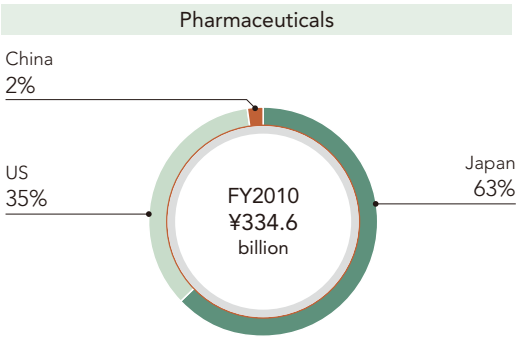
Major Overseas Subsidiaries and Affiliates

(As of March 31, 2011)

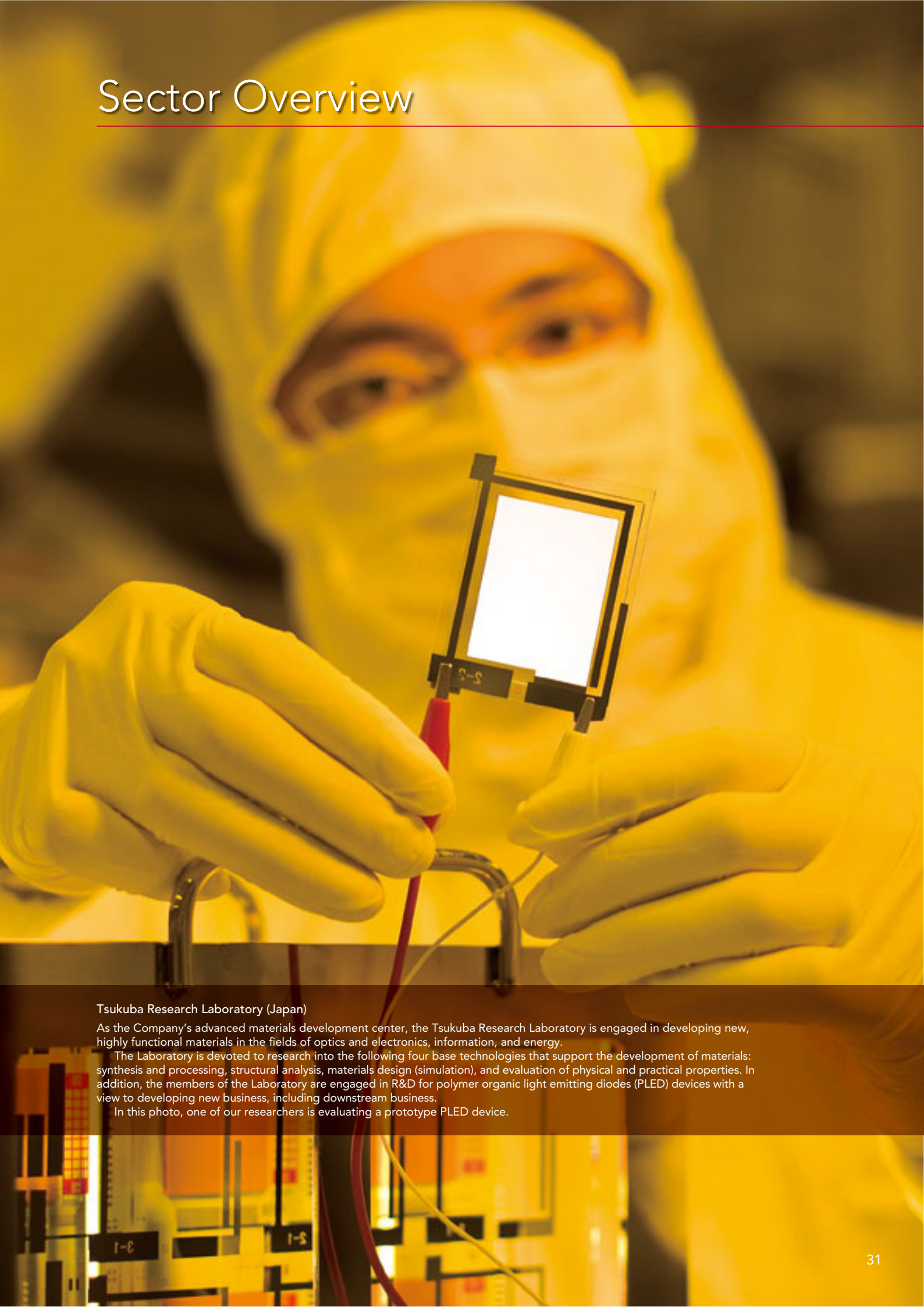
	Company Name	Sumitomo Chemical's Shareholding Ratio	Major Business Fields
⑧	Valent U.S.A. Corp.	100.00%	Development and sales of crop protection chemicals
⑨	Sumitomo Chemical do Brasil Representações Limitada	100.00%	Development and sales of crop protection chemicals, household insecticides and feed additives
⑩	Sumitomo Chemical Agro Europe S.A.S.	100.00%	Development and sales of crop protection chemicals
②	Sumitomo Chemical Singapore Pte. Ltd.	100.00%	Sales of MMA monomer and polymer, crop protection chemicals, IT-related chemicals and other products
⑪	Nufarm Limited	20.00%	Manufacturing and sales of crop protection chemicals
⑫	Sunovion Pharmaceuticals Inc.	100.00%	Manufacturing and sales of ethical pharmaceuticals

Sales by Region





Sector Overview



Tsukuba Research Laboratory (Japan)

As the Company's advanced materials development center, the Tsukuba Research Laboratory is engaged in developing new, highly functional materials in the fields of optics and electronics, information, and energy.

The Laboratory is devoted to research into the following four base technologies that support the development of materials: synthesis and processing, structural analysis, materials design (simulation), and evaluation of physical and practical properties. In addition, the members of the Laboratory are engaged in R&D for polymer organic light emitting diodes (PLED) devices with a view to developing new business, including downstream business.

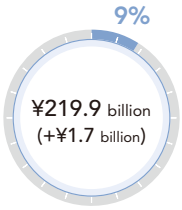
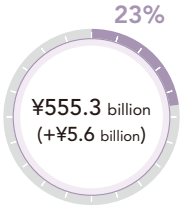
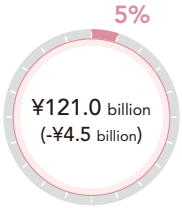
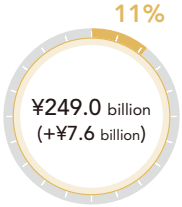
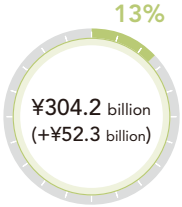
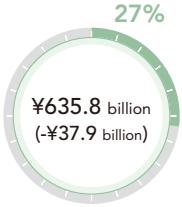
In this photo, one of our researchers is evaluating a prototype PLED device.

Business Sector Highlights

FY2010	Major Products	Net Sales	Operating Income*2
 Basic Chemicals page 36	• Acrylonitrile • Caprolactam • Aniline • Methanol • Methyl methacrylate monomer and polymer • Nitric acid • Caustic soda • Aluminum hydroxide • Alumina • High-purity aluminum • Aluminum	13% ¥248.5 billion (+¥45.2 billion)	19% ¥21.3 billion (+¥19.9 billion)
 Petrochemicals & Plastics page 38	• 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	33% ¥649.9 billion (+¥168.4 billion)	10% ¥11.1 billion (+¥11.4 billion)
 Fine Chemicals page 40	• Resorcinol • Active pharmaceutical ingredients • Pharmaceutical intermediates • Polymer additives • Photo and imaging chemicals • Organic rubber chemicals • Dyestuffs • Ethylene-vinylacetate copolymer emulsions	4% ¥88.9 billion (+¥2.2 billion)	0% ¥0.1 billion (-¥3.5 billion)
 IT-related Chemicals page 42	• Optical functional films • Color filters • Light diffusion plates • Light-guide plates • Photoresists • High-purity chemicals • Sputtering targets • Super engineering plastics • MOEPI wafers • Metal organics	16% ¥322.3 billion (+¥57.1 billion)	23% ¥26.1 billion (+¥19.8 billion)
 Agricultural Chemicals page 44	• 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	11% ¥215.8 billion (+¥4.2 billion)	19% ¥22.4 billion (-¥6.9 billion)
 Pharmaceuticals page 46	• Ethical pharmaceuticals • Radiopharmaceuticals • Radiation therapy equipment	18% ¥365.9 billion (+¥98.4 billion)	24% ¥26.9 billion (-¥3.0 billion)

*1 Figures in parentheses show changes from FY2009.

*2 Ratio of each segment's operating income to total operating income before eliminating income from intersegment transactions and incurring shared company-wide expenses.

Assets	Major Factors for Change in Net Sales	Major Factors for Change in Operating Income
	▪ Rise in market prices and increase in shipping volumes of methyl methacrylate (MMA) due to strong demand for liquid crystal display (LCD) TVs with LED back lights ▪ Increase in shipping volumes and rise in market prices of caprolactam thanks to strong demand in China	▪ Higher margins and increase in shipping volumes of MMA ▪ Higher margins and increase in shipping volumes of caprolactam
	▪ Increase in shipping volumes of petrochemical products due to full-fledged operation of Petro Rabigh ▪ Rise in market prices for petrochemical products due to strong demand in Asia ▪ Rise in selling prices for petrochemical products in Japan due to increase in naphtha prices	▪ Higher margins for petrochemical products in Asia ▪ Increase in shipping volumes of petrochemical products
	▪ Increase in shipping volumes of resorcinol and other specialty chemicals	▪ Increase in depreciation cost due to startup of new resorcinol plant
	▪ Increase in shipping volumes of polarizing films due to expansion of demand for LCD televisions, smart phones, etc.	▪ Increase in shipping volumes of polarizing films ▪ Cost reductions through purchase of low-priced raw materials and improvement of yields
	▪ Increase in shipping volumes of agrochemicals, such as the herbicide Sumisoya, in overseas markets ▪ Increase in shipping volumes of OLYSET® Net ▪ Increase in shipping volumes of feed additive methionine due to startup of new plant	▪ Deterioration of export profitability as a result of stronger yen ▪ Increase in depreciation cost due to startup of new methionine plant
	▪ Full-year contribution of financial results of Sunovion, a US pharmaceuticals company which became a consolidated subsidiary as of the end of third quarter of previous fiscal year	▪ Increase in amortization expenses of patent rights and other intangible assets associated with the acquisition of Sunovion ▪ Decline in selling prices due to NHI drug price revisions

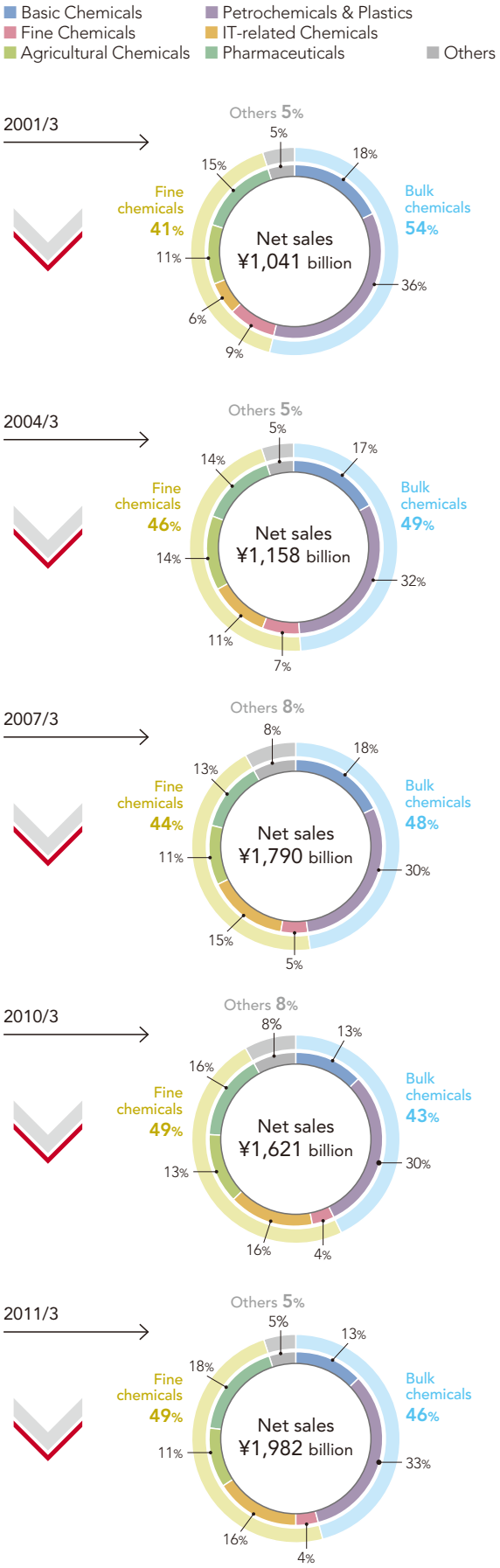
	'02/3	'03/3	'04/3	'05/3	'06/3	'07/3	'08/3
	FY2001–FY2003 Corporate Business Plan			FY2004–FY2006 Corporate Business Plan			FY2007–FY2009 Corporate
Net sales							
Basic Chemicals	¥ 175.2	¥ 194.4	¥ 199.1	¥ 225.8	¥ 252.4	¥ 314.0	¥ 314.7
Petrochemicals & Plastics	338.9	371.6	362.4	412.6	486.1	539.1	603.3
Fine Chemicals	80.2	83.9	80.6	84.1	79.0	90.9	92.9
IT-related Chemicals	59.8	82.5	123.5	174.8	229.2	266.4	297.5
Agricultural Chemicals	135.4	158.7	167.1	171.6	186.2	198.3	200.4
Pharmaceuticals	174.0	168.4	166.6	170.7	233.1	234.5	237.6
Others	54.9	51.6	59.2	56.8	90.6	146.8	150.1
Total	1,018.4	1,111.1	1,158.4	1,296.3	1,556.6	1,790.0	1,896.5
Operating income (loss)							
Basic Chemicals	3.5	5.7	2.6	5.2	10.0	13.5	10.6
Petrochemicals & Plastics	(0.4)	5.0	(1.6)	15.0	17.9	23.6	4.5
Fine Chemicals	8.9	9.3	8.8	11.5	9.8	13.1	11.4
IT-related Chemicals	(6.3)	0.5	14.3	18.7	21.7	3.5	6.3
Agricultural Chemicals	17.9	16.7	10.7	14.8	16.6	23.3	20.9
Pharmaceuticals	42.0	32.3	27.8	34.4	38.3	56.2	46.5
Others	3.3	4.2	4.9	5.7	5.8	8.0	3.7
Elimination	(0.2)	(0.2)	(0.9)	(0.3)	0.7	(1.5)	(1.5)
Total	68.8	73.5	66.6	105.2	120.8	139.6	102.4
Capital expenditures							
Basic Chemicals	10.7	19.6	13.3	18.2	20.7	24.6	27.6
Petrochemicals & Plastics	12.3	26.1	11.7	13.7	16.1	16.9	21.2
Fine Chemicals	9.6	6.7	7.0	7.5	7.0	4.6	6.9
IT-related Chemicals	8.4	29.8	37.2	40.2	44.0	72.0	33.4
Agricultural Chemicals	19.2	26.5	5.7	18.0	8.8	10.1	8.5
Pharmaceuticals	5.0	13.5	21.7	19.1	10.6	12.5	18.3
Others	7.8	29.7	13.7	9.0	17.7	19.1	26.7
Total	73.0	152.0	110.2	125.8	124.9	159.8	142.5
Research and development expenses							
Basic Chemicals	3.1	2.8	4.6	5.1	5.3	5.7	6.1
Petrochemicals & Plastics	7.4	7.8	11.0	10.9	11.4	11.3	11.1
Fine Chemicals	5.5	5.3	4.0	4.4	4.4	4.2	4.1
IT-related Chemicals	5.6	6.3	7.7	9.7	12.8	12.6	13.7
Agricultural Chemicals	10.9	13.1	17.9	18.6	19.4	18.7	19.4
Pharmaceuticals	24.4	28.1	28.3	28.1	36.7	42.5	47.7
Others	9.3	9.3	1.7	1.4	1.9	2.6	3.3
Total	66.6	72.8	75.2	78.2	91.9	97.7	105.4

*1 US dollar amounts are translated from yen, for reference only, at ¥83.15 = $1, the prevailing rate on March 31, 2011.

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

		Billions of yen	Thousands of US dollars*1
'09/3	'10/3	'11/3	'11/3
Business Plan		FY2010–FY2012 Corporate Business Plan	
¥ 240.0	¥ 203.3	¥ 248.5	$ 2,988,551
553.0	481.5	649.9	7,815,815
80.8	86.7	88.9	1,069,272
307.1	265.2	322.3	3,875,971
222.2	211.5	215.8	2,594,889
235.6	267.5	365.9	4,400,181
149.5	105.1	91.2	1,096,993
1,788.2	1,620.9	1,982.4	23,841,672
(15.3)	1.3	21.3	255,791
(30.3)	(0.2)	11.1	133,854
1.6	3.6	0.1	1,082
(1.0)	6.3	26.1	314,348
24.4	29.3	22.4	268,972
32.4	29.9	26.9	323,981
(7.9)	6.7	5.8	69,837
(1.7)	(25.4)	(25.8)	(310,054)
2.1	51.5	88.0	1,057,811
14.7	12.4	13.4	161,106
17.6	14.4	13.7	164,991
7.7	17.8	6.6	79,555
50.6	11.5	27.7	333,722
11.3	23.2	12.2	147,168
12.7	7.8	10.0	119,904
19.6	16.3	15.0	180,794
134.1	103.2	98.7	1,187,240
6.4	3.5	3.5	42,622
12.0	8.3	7.6	91,269
4.2	4.2	4.1	49,080
21.2	11.0	11.6	139,038
20.7	17.2	19.3	232,075
55.0	54.9	71.2	856,669
11.6	18.1	20.8	250,631
131.1	117.3	138.1	1,661,383

Sales by Sector



Basic Chemicals

FY2010 Performance	Sales	Operating Income	Operating Margin
	¥248.5 billion	¥21.3 billion	8.6%
	+22.2%	+1501.6%	+7.9 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 light-guide plates for LED televisions and other optical components, 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 over 10% from the current 650,000 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 243,000 tons for polymer. Anticipating that MMA polymer demand will expand, we plan to commence commercial operation of a new MMA polymer plant in Singapore with an annual production capacity of 50,000 tons.

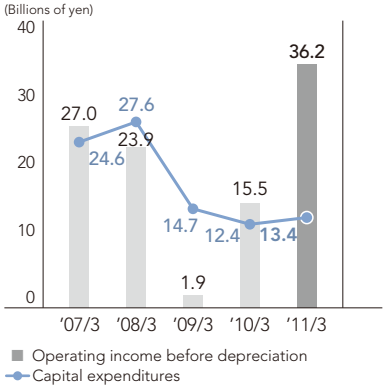
Caprolactam Business

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 4% 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.

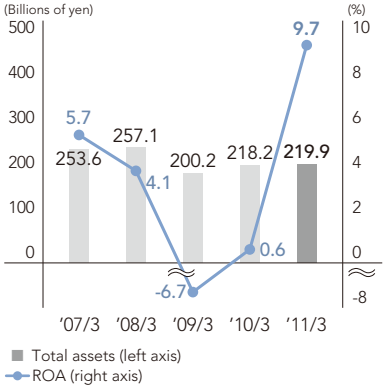
Inorganic Materials Business

We provide distinctive high performance inorganic materials using our advanced technologies for controlling such physical properties as particle size and form. Sumitomo Chemical is the world's leading manufacturer of high-purity alumina. In recent years, our alumina products have enjoyed increasing demand for use in new applications such as sapphire glass for LED substrates, lithium-ion

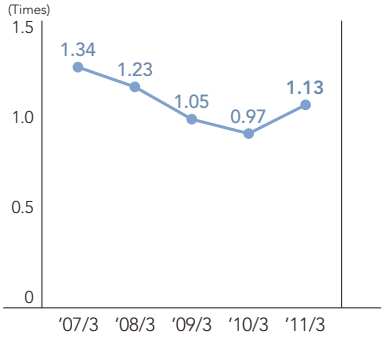
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover




Aquarium made of MMA


MMA plant in Singapore


Caprolactam for nylon 6


Electronic components made of high-purity aluminum

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

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

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales	Operating Income
¥270 billion	¥17 billion

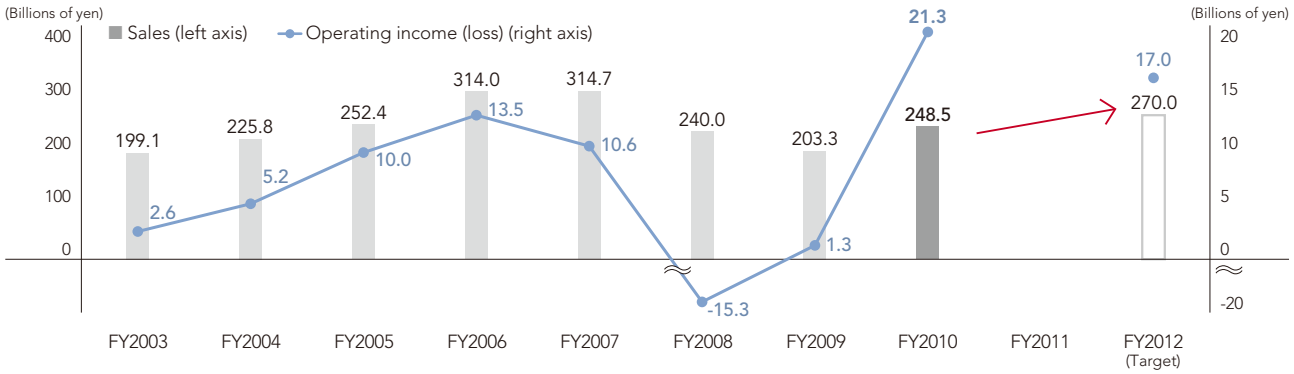
Basic Policy

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

FY2010 Performance

Sales	Operating Income	Operating Margin
¥649.9 billion	¥11.1 billion	1.7%
+35.0%	— %	+1.8 point

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 our PE business, we are stepping up marketing efforts for ethylene vinyl acetate copolymer as an encapsulating material for photovoltaic cells, which are expected to achieve high growth. We are also actively working to expand our low-density polyethylene business in the area of high value-added applications such as waterproof laminates for paper.

Polypropylene Business

Global PP demand is estimated at 43 million tons per year, and is expected to grow at an annual rate of 4%. We operate PP manufacturing facilities in Japan, Singapore, 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.

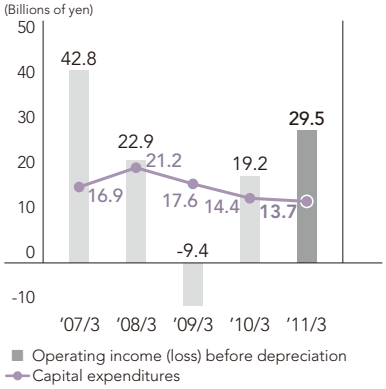
Propylene Oxide Business

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 580,000 tons per year. We will continue our efforts to further consolidate our position as the top PO supplier in Asia.

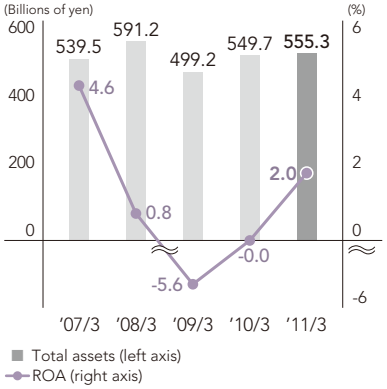
Rabigh Project

We, along with Saudi Arabian Oil Company, the world's largest oil company, have a 37.5% stake in Rabigh Refining and Petrochemical Company (Petro Rabigh), and support

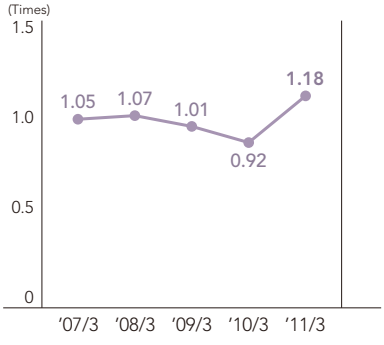
Operating Income (Loss) before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover




Rabigh complex


Automotive component made of polypropylene


Propylene oxide plant


Products made of polyethylene

the operation of Petro Rabigh's world-scale integrated oil refinery and petrochemical complex. The complex utilizes 400,000 barrels per day of crude oil and 1.2 million tons per year of ethane as primary feedstocks to produce a variety of refined petroleum products and petrochemical products. Through the full integration of its oil refining and petrochemical operations, this complex takes full advantage of outstanding operational efficiency and significant economies of scale, and also utilizes the highly cost competitive ethane as one of the primary feedstocks.

Together with The Saudi Arabian Oil Company (Saudi Aramco), we are presently conducting a feasibility study of the Rabigh Phase II Project. The Phase II Project is expected to further reinforce the competitiveness of the complex by adding a diversity of high value-added petrochemical products to its product line.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales	Operating Income
¥785 billion	¥30 billion

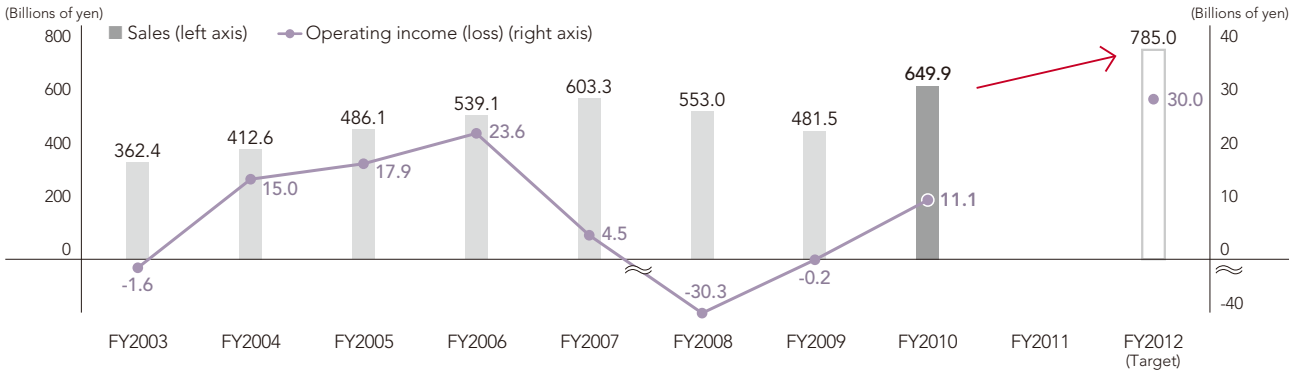
Basic Policy

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

FY2010 Performance

Sales	Operating Income	Operating Margin
¥88.9 billion	¥0.1 billion	0.1%
+2.5%	-97.5%	-4.0 points

We have positioned resorcinol, polymer additives and pharmaceutical chemicals 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 was estimated at 43,000 tons per year, and is anticipated to grow by an average of 4% annually over the long-term because of an expected increase in demand for automobiles in emerging markets, particularly in Asia.

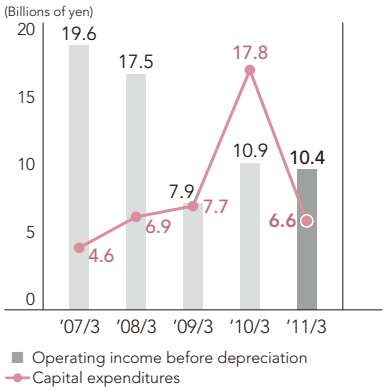
As the world's top manufacturer of resorcinol, we supply highly cost-competitive resorcinol by taking advantage of our outstanding manufacturing technology and production capacity. As a result of the commencement of operation of a new plant in Oita, Japan in July 2010, our annual production capacity, combined with the annual production capacity of 20,000 tons at the Chiba Works in Japan, has expanded to 30,000 tons. We are working to expand our resorcinol business and further improve profitability by increasing production capacity and strengthening sales activities in Asia.

Polymer Additives Business

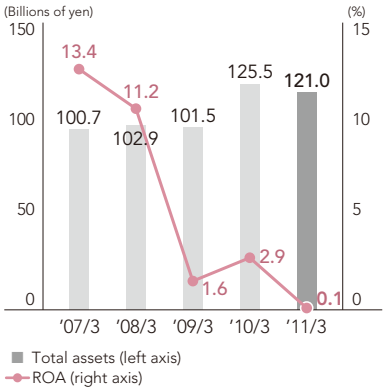
Polymer additives are specialty chemicals added to synthetic resins and synthetic rubber to inhibit their deterioration during manufacture, processing and use. Our main products are SUMILIZER® GP, used in processing synthetic resins to improve their stability, and SUMILIZER® GA-80, used to inhibit the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

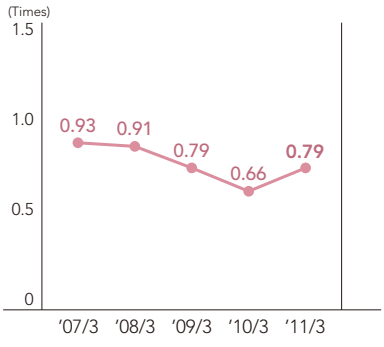
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover




Pharmaceutical chemical products


Polymer additives

Rubber chemicals for tires


Resorcinol plant

Pharmaceutical Chemicals Business

The global market for pharmaceuticals is estimated at ¥70–80 trillion and is forecast to see sustained solid growth. Facing intense competition, global pharmaceutical majors are concentrating their resources on R&D and marketing of new drugs and outsourcing production of active pharmaceutical ingredients (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, supplying pharmaceutical manufacturers with APIs and their intermediates. We possess the current GMP-compliant quality assurance capabilities, advanced organic synthesis technologies and expertise in scaling up processes for industrial production. To further expand the size of our business, we are meeting the needs of pharmaceutical manufacturers promptly and precisely by building on our accumulated technology and expertise and fully integrating our research and development, manufacturing, and sales capabilities.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales	Operating Income
¥135 billion	¥16 billion

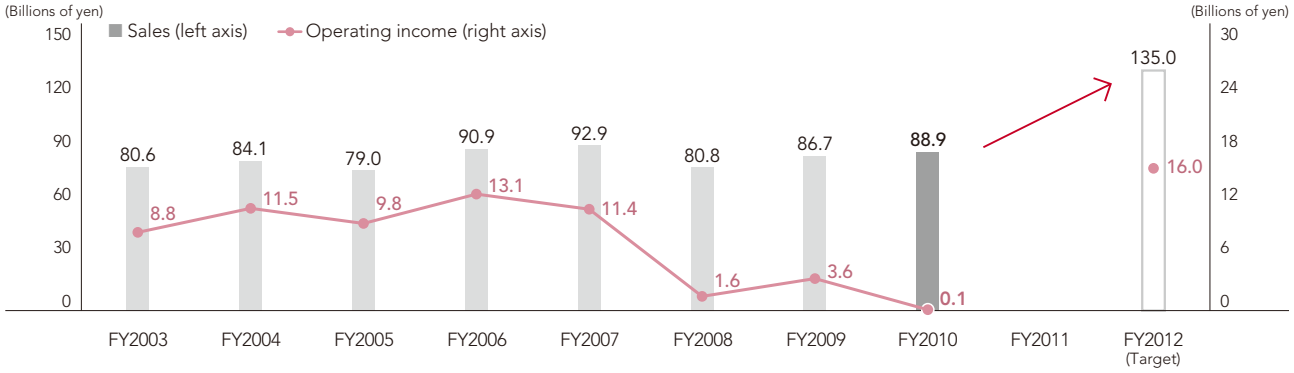
Basic Policy

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	Corporate Business Plan FY2007 – FY2009	Corporate Business Plan FY2010 – FY2012
	Restructured pharmaceutical chemicals business; withdrew from unprofitable businesses	Expanded resorcinol production capacity	Develop new core businesses

IT-related Chemicals

FY2010 Performance

Sales	Operating Income	Operating Margin
¥322.3 billion	¥26.1 billion	8.1%
+21.5%	+314.6%	+5.7 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 13%, from 190 million units in 2010 to 215 million units in 2011.

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 plan to start operation of a new polarizing film production line in Taiwan in July 2011, thereby expanding production capacity of polarizing films. In addition, we are establishing a production and marketing base for LCD-related materials in China, where demand is expected to grow.

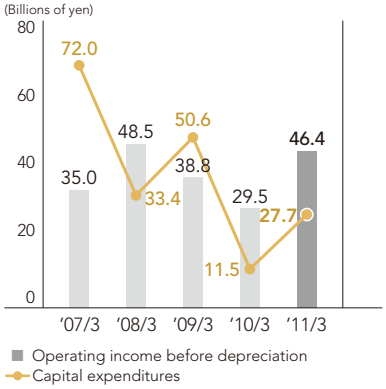
On the development front, we are working to expand our polarizing film product line to satisfy diverse customer needs. We are developing high performance materials with high contrast and excellent visibility from wider viewing angles for high-end LCD televisions, while introducing cost-competitive materials for high-volume, low-end LCD televisions. Also, we are developing thinner, high-contrast polarizing films for smart phones and slate PCs, for which demand is expanding rapidly.

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

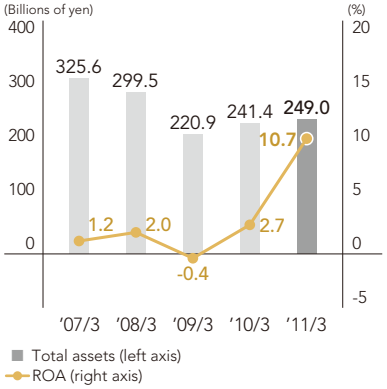
Photoresists Business

Photoresists are photosensitive resins used in semiconductor manufacturing processes. Semiconductor manufacturers are adopting the argon fluoride (ArF) immersion exposure process, in addition to the conventional dry ArF exposure process, to further miniaturize circuits. Our ArF immersion resists have received high praise from semiconductor manufacturers because they use a high performance photo acid generator and are evaluated favorably on the market because they can be utilized with or without top-coats. We anticipate broad acceptance of our ArF immersion resists. Sumitomo Chemical will

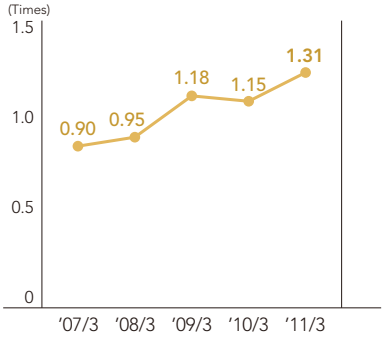
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA

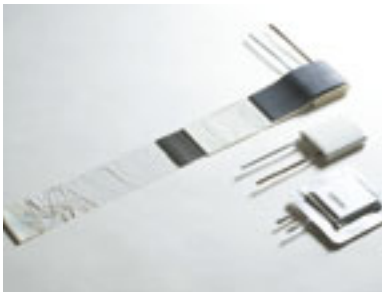


Asset Turnover




Color filter plant


Photoresists


Separators for lithium-ion secondary batteries


Polarizing film plant

continue to develop and launch advanced photoresists 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	Operating Income
¥395 billion	¥44 billion

Basic Policy

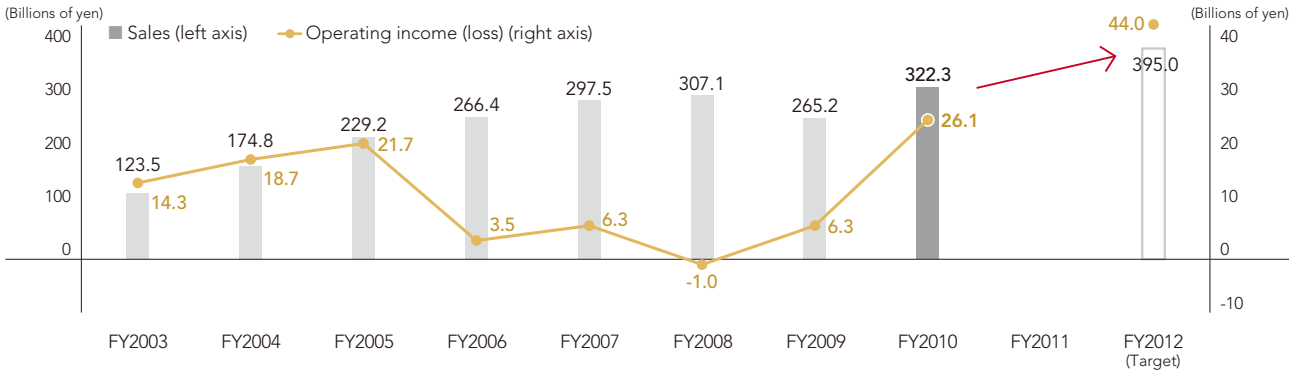
Establish the foundation
for sustainable profitability
through technological innovation

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	Corporate Business Plan FY2007 – FY2009	Corporate Business Plan FY2010 – FY2012
	Expanded production capacity for polarizing film and color filters	Expanded production capacity for polarizing film, color filters and ArF photoresist	Strengthen profitability of existing businesses, develop new businesses

Agricultural Chemicals

FY2010 Performance

Sales	Operating Income	Operating Margin
¥215.8 billion	¥22.4 billion	10.4%
+2.0%	-23.6%	-3.5 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 for controlling tropical infectious diseases, and feed additives for poultry. We are working to further globalize our agricultural chemicals 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. From 2010 through 2011, we launched a herbicide for rice farming which is highly effective against a variety of weeds, including weeds that are difficult to control; a fungicide for rice blight with lower risk of developing resistant fungi and high efficacy even on rice blight resistant to existing agents; and a quick-acting insecticide effective against lepidoptera and other insects.

Meanwhile, we are increasing investments and enhancing collaboration to expand our overseas crop protection business. In April 2010, we acquired 20% of the outstanding shares of the Australian agrochemicals company Nufarm Limited. We are further globalizing our crop protection business through an alliance with Nufarm in the areas of sales, research and development, procurement, manufacturing and distribution. In October 2010, we concluded a long-term agreement on crop protection collaboration to expand sales of our herbicides in the US with Monsanto Company, a leading US producer of seeds, biotechnology and chemicals. We positioned Sumitomo Chemical do Brasil Representações Limitada as the regional headquarters for our crop protection business in Latin America, a region where demand is expected to grow substantially. We plan to expand our sales force in the region, to expand our business in Latin America to a size comparable to those of our businesses in Japan, North America, and Europe. In addition, we made the Italian agrochemical distributor, Isagro Italia S.r.l., a wholly-owned subsidiary and renamed it Sumitomo Chemical Italia S.r.l., and will further expand our business in Europe.

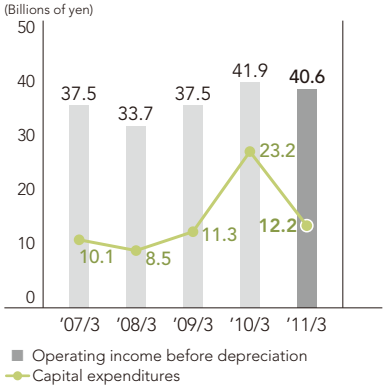
Environmental Health Business

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

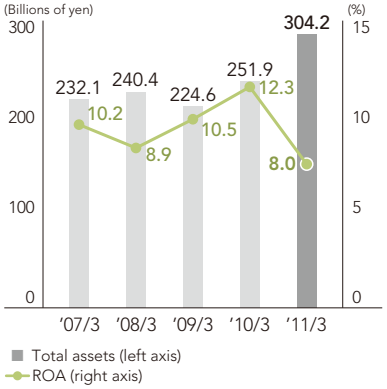
Vector Control Business

Controlling malaria is one of the global priority issues

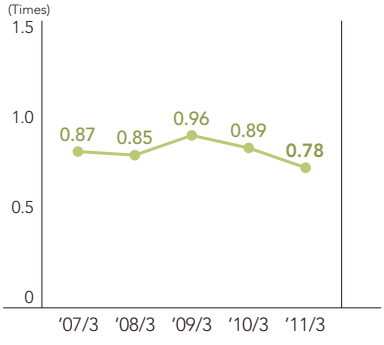
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



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


Crop protection products


Products using our household insecticides


OLYSET® Net

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

Feed Additives Business

Our feed additives business engages in the manufacture and sale of DL-methionine and methionine hydroxy analog, essential amino acid feed additives used primarily in chicken and other poultry farming. The methionine market is estimated at 800,000 tons annually and is expected to grow at an annual rate of around 5%, 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 will continue to consolidate our position as Asia's top producer by meeting our customers' needs in a prompt and flexible manner.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales	Operating Income
¥270 billion	¥48 billion

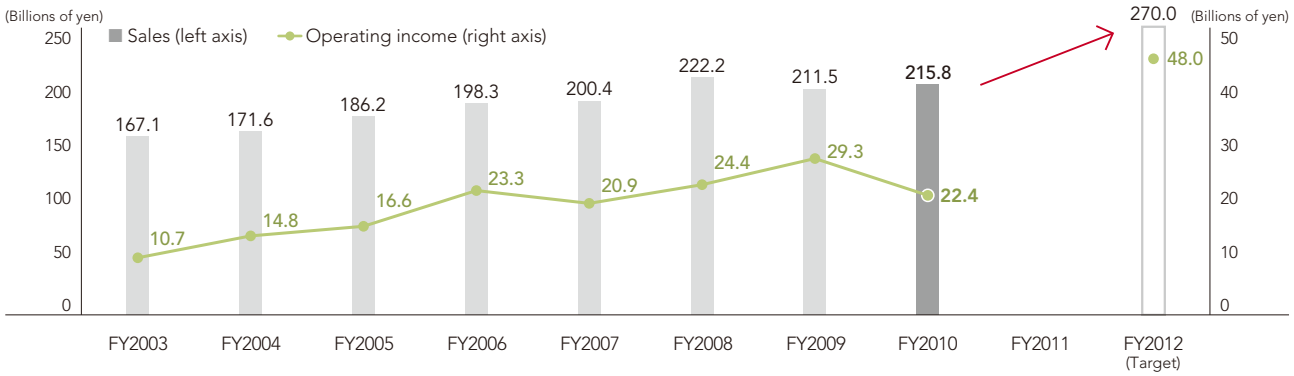
Basic Policy

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

FY2010 Performance	Sales	Operating Income	Operating Margin
	¥365.9 billion	¥26.9 billion	7.4%
	+36.8%	-9.9%	-3.8 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 Co., Ltd. (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 drug sales in the three therapeutic areas of cardiovascular diseases and diabetes, central nervous system (CNS) disorders, and cancer and immunology. In particular, the company is focusing on expanding sales of its three strategic products: AVAPRO® (agent for the treatment of hypertension), LONASEN® (atypical antipsychotic) 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) Expansion of Overseas Operations and Maximization of Profit

Overseas, DSP is expanding sales of the atypical anti-psychotic LATUDA® (generic name: lurasidone), which was launched in the United States for the treatment of schizophrenia in February 2011. By differentiating LATUDA® from current drugs on the market, emphasizing its efficacy, safety, tolerability and other advantages, DSP is aiming at LATUDA® sales of approximately ¥25.0 billion in FY2012 and ¥70.0 billion in FY2014 in the US market. DSP entered into a license agreement with Takeda Pharmaceutical Company Limited in March 2011 for the joint development and exclusive commercialization of lurasidone in Europe to further expand its sales. DSP is also conducting global Phase III clinical trials of lurasidone for the treatment of bipolar disorder.

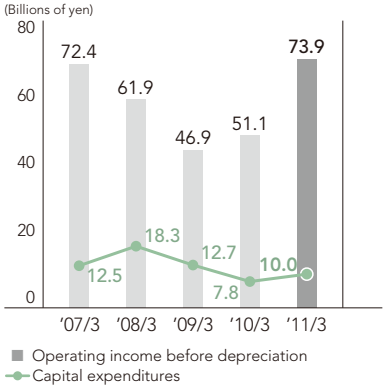
(3) Enriching the Pipeline for Continuous Creation of New Drugs

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.

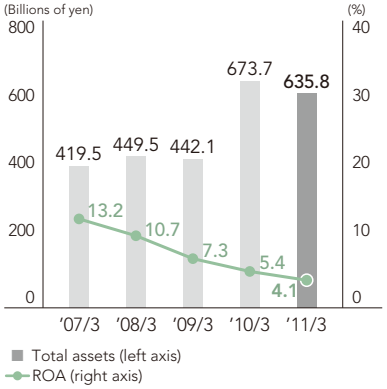
Nihon Medi-Physics

Nihon Medi-Physics Co., Ltd. (NMP) is engaged in the

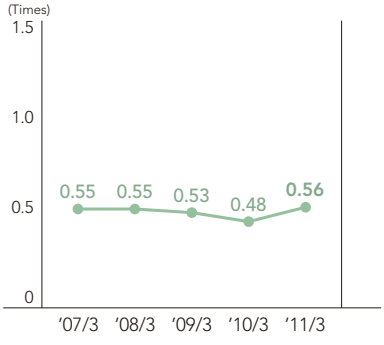
Operating Income before Depreciation & Capital Expenditures

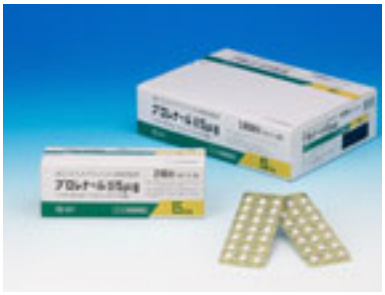


Total Assets & ROA



Asset Turnover




PRORENAL®


Formulation studies


PET scan equipment


SentiProbe®

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), as its core business. 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 installation of PET scan equipment in hospitals and encourage checkups in order to expand sales of its diagnostics.

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 SentiProbe®, a medical device for the detection of early breast cancer and lymph node metastasis of malignant melanoma. Furthermore, NDA approval has been obtained on Radiogardase® capsule 500mg with an indication of elimination of internal radioactive contamination as of October 2010.

Corporate Business Plan FY2010 – FY2012

FY2012 Target

Sales	Operating Income
¥390 billion	¥38 billion

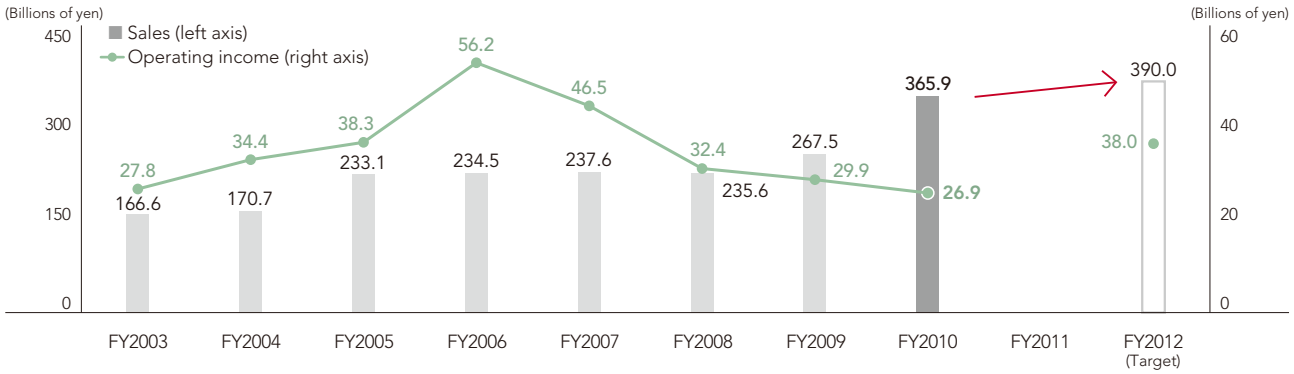
Basic Policy

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	Corporate Business Plan FY2007 – FY2009	Corporate Business Plan FY2010 – FY2012
	Merged Sumitomo Pharmaceuticals Co. Ltd. and Dainippon Pharmaceutical Co. Ltd. to form DSP	Acquired the US pharmaceuticals manufacturer Sepracor Inc. (now Sunovion Pharmaceuticals)	Market release of lurasidone; expand sales in North America

DSP's Product Pipeline

(As of May 11, 2011)

Brand Name/ Product Code	Generic Name	Formulation	Therapeutic Indications	Development Location	Development Stage	Remarks
Diabetes/Cardiovascular						
SUREPOST® SMP-508	repaglinide	Oral	Type 2 diabetes	Japan	Approved*1	In-licensed from Novo Nordisk A/S
			(New indication) Type 2 diabetes (Combination therapy with biguanide)	Japan	Phase Ⅲ	In-licensed from Novo Nordisk A/S
			(New indication) Type 2 diabetes (Combination therapy with thiazolidine)	Japan	Phase Ⅲ	In-licensed from Novo Nordisk A/S
METGLUCO® SMP-862	metformin hydrochloride	Oral	Type 2 diabetes (Pediatric usage)	Japan	Phase Ⅲ	In-licensed from Merck Santé
■ AS-3201	ranirestat	Oral	Diabetic neuropathy	Japan	Phase Ⅱ	Developed in-house; co-developed with Kyorin Pharmaceutical Co., Ltd.
				US and Europe, etc.	Phase Ⅲ	Out-licensed to Eisai Co., Ltd.
■ DSP-8153	amlodipine besilate/irbesartan	Oral	Hypertension	Japan	Phase Ⅱ	Developed in-house
DSP-3235	TBD	Oral	Type 2 diabetes	Japan	Phase Ⅰ	In-licensed from Kissei Pharmaceutical Co., Ltd.
■ DSP-7238	TBD	Oral	Type 2 diabetes	Europe	Phase Ⅰ	Developed in-house
■ DSP-8658	TBD	Oral	Type 2 diabetes	US	Phase Ⅰ	Developed in-house
Central Nervous System Disorders						
■ STEDESA™	eslicarbazepine acetate	Oral	Epilepsy-Adjunct	US	NDA filed	In-licensed from BIAL
			Epilepsy-Adult monotherapy	US	Phase Ⅲ	In-licensed from BIAL
■ LUNESTA®	eszopiclone	Oral	Insomnia	Japan	NDA filed	Out-licensed to Eisai Co., Ltd.
■ SM-13496	lurasidone hydrochloride	Oral	Schizophrenia	Pan-Asia study (Japan, Korea and Taiwan)	Phase Ⅲ	Developed in-house
			(New indication) Bipolar disorder	US and Europe, etc.	Phase Ⅲ	Developed in-house
■ SEP-228432	TBD	Oral	Neuropathic pain, Depressive disorder	US	Phase Ⅰ	Developed in-house
■ DSP-8658	TBD	Oral	Alzheimer's	US	Phase Ⅰ	Developed in-house
■ DSP-1053	TBD	Oral	Depressive disorder	US	Phase Ⅰ	Developed in-house
Inflammation and Allergy						
■ Ciclesonide HFA Nasal Aerosol	ciclesonide	Collunarium	(New formulation) Allergic rhinitis	US	NDA filed	In-licensed from Nycomed
■ DSP-3025	TBD	Collunarium	Bronchial asthma, Allergic rhinitis	Japan	Phase Ⅰ	Developed in-house
				Europe	Phase Ⅱ	Out-licensed to AstraZeneca PLC
Others						
■ CALSED®*2	amrubicin hydrochloride	Injection	Small cell lung cancer	US and Europe	Phase Ⅲ	Out-licensed to Celgene (former Pharmion)
				China	Phase Ⅲ	Developed in-house
■ DOPS®*2	droxidopa	Oral	Neurogenic orthostatic hypotension	US and Europe	Phase Ⅲ	Out-licensed to Chelsea Therapeutics, International, Ltd.
			Intradialytic hypotension	US	Phase Ⅱ	Out-licensed to Chelsea Therapeutics, International, Ltd.
			Fibromyalgia	UK	Phase Ⅱ	Out-licensed to Chelsea Therapeutics, International, Ltd.
■ AG-7352	TBD	Injection	Cancer	US	Phase Ⅲ	Out-licensed to Sunesis Pharmaceuticals Inc.
■ SMP-986	TBD	Oral	Overactive bladder	Japan	Phase Ⅱ	Developed in-house
				US and Europe	Phase Ⅱ	Developed in-house
■ WT4869	TBD	Injection	Myelodysplastic syndromes	Japan	Phase Ⅰ	Developed in-house; co-developed with Chugai Pharmaceutical Co., Ltd.

*1 Approved (awaiting NHI pricing) *2 Domestic brand name ■ Discovered by DSP ■ Developed by Sunovion (former Sepracor)

Focusing on the Development of PLEDs

Competitive Advantages of PLEDs

Sumitomo Chemical has been focusing on the development of polymer organic light emitting diodes (PLEDs), which are attracting attention as a next-generation display technology. PLEDs have numerous advantages over LCDs, such as higher contrast, higher resolution, wider viewing angles, higher response speeds, and lower energy consumption.

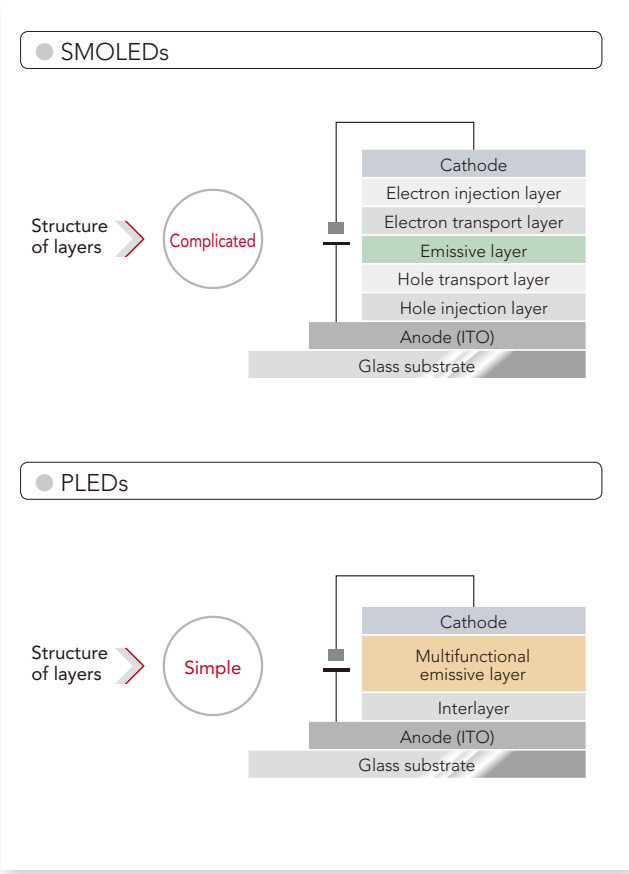
Furthermore, in comparison with small-molecule organic light emitting diodes (SMOLEDs), PLEDs are expected to demonstrate significant cost advantages, particularly in the manufacture of large-screen displays. The manufacture of SMOLEDs requires a complicated and expensive deposition method using masks 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. Moreover PLEDs have a simpler structure compared with SMOLEDs, which shortens the manufacturing process, reducing costs.

Stepping up Efforts to Commercialize PLEDs for Large-Screen Televisions and Lighting Equipment

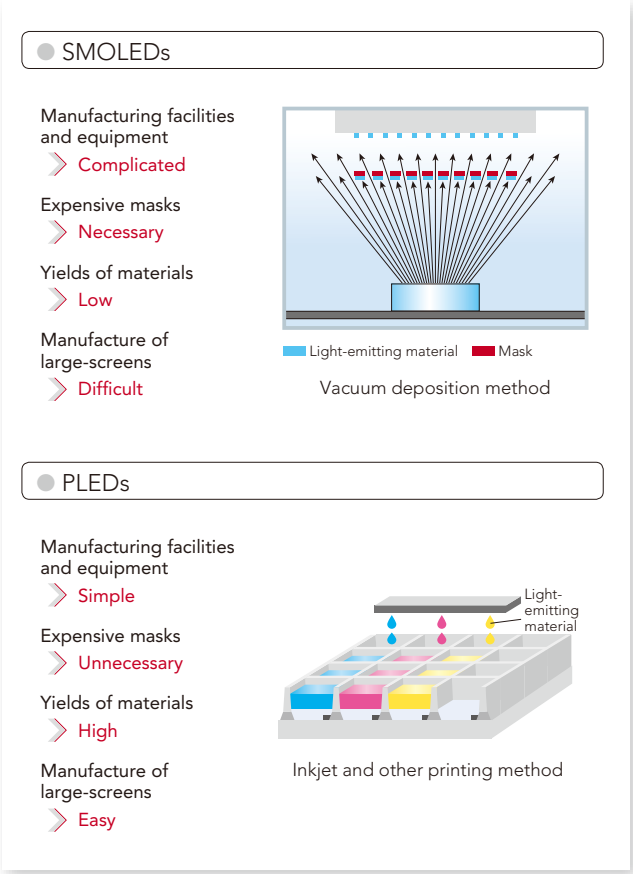
Over 200 researchers are working on various projects to establish manufacturing process and quality assurance technologies toward the commercial scale production of PLED panels. These include the development of light-emitting materials, technology development for the formation of the light-emitting layer using printing methods, the formation of electrodes on the glass substrate, and the sealing of display elements. We have also established a new business development organization to accelerate the commercialization of PLEDs for large-screen televisions.

We are also advancing the commercialization of PLED lighting, and have begun providing materials for PLED lighting to lighting companies. We aim to capitalize on the technologies developed for TV applications in the rapid commercialization of PLEDs for lighting applications.

Structure of Organic Light Emitting Diodes



Manufacturing Process



Crop Stress Management

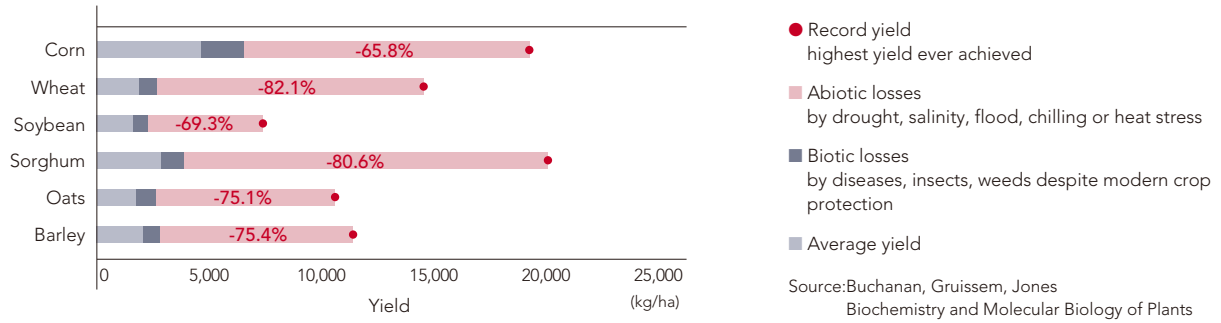
According to United Nations estimates, the world population is projected to increase from 6.7 billion people in 2007 to 9.2 billion in 2050. The demand for food is expected to increase along with population growth, so expanding food supply is becoming an urgent issue. There are limits, however, such as on the supply of water and arable land, to expanding agricultural production.

The average yield of corn has declined to less than one-fourth of the past record high as a result of various types of stress. Harvests per hectare could significantly increase if the effect of stress on crops were reduced, allowing crops to realize their maximum potential.

The stress that affects agricultural crops can be broadly divided into "biotic stress," such as harmful diseases, insects and weeds, and "abiotic stress," such as excessive heat, droughts and low temperatures. Existing crop protection chemicals, such as fungicides, insecticides and herbicides, are already highly effective at mitigating biotic stress. In contrast, exploration of ways to mitigate abiotic stress — which has as great an impact on yield and quality as biotic stress under the increasingly severe problems facing the global environment — has only just begun.

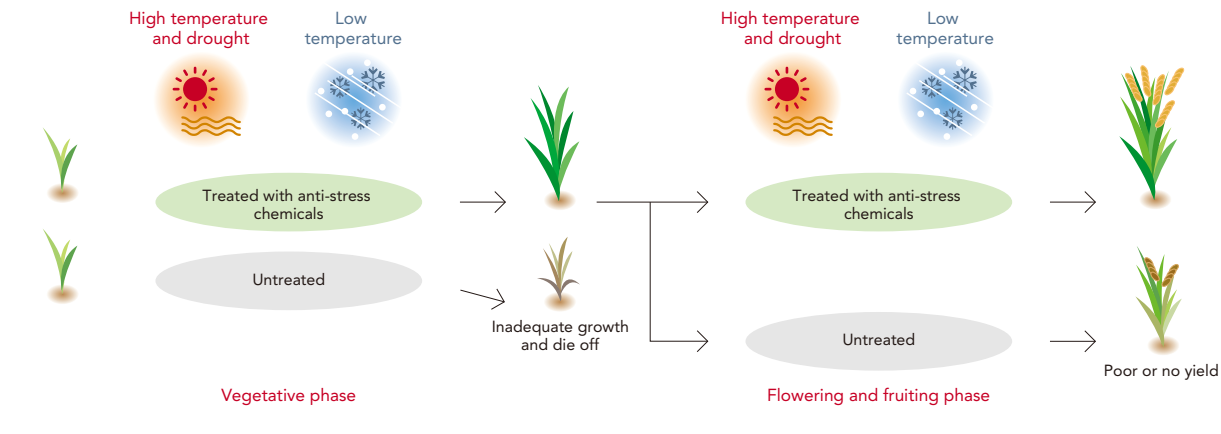
To protect crops from abiotic stress, Sumitomo Chemical is conducting R&D of chemical substances to make crops more tolerant to abiotic stress.

Crop Yield Loss from Abiotic Stress



Source: Buchanan, Gruissem, Jones
Biochemistry and Molecular Biology of Plants
American Society of Plant Physiologists, 2000

Crop Stress Management with Chemicals



Our CSR Activities

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.

Health & Crop Sciences Research Laboratory (Japan)

This laboratory aims to help create healthier and more hygienic lives, and contribute to improving the yield of food crops and agricultural productivity through our expertise in organic synthetic chemistry, biology, and formulation technologies. The laboratory is engaged in the development of new agricultural chemicals and functional fertilizers, more effective and safer household insecticides, and technologies for preventing infectious diseases, as well as efficient synthetic methods for pharmaceutical chemicals.

The laboratory collaborates with Sumitomo Chemical's overseas Group companies to incorporate the needs of global customers into our R&D activities, thereby contributing to the expansion and globalization of the Company's business.

In this photo, our researchers are evaluating agrochemicals inside a greenhouse.

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 enrichment of people's lives.

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

CSR Management

We consider CSR a form of contribution to the sustainable development of society through our business activities. In conducting our business, we balance the pursuit of business growth with both Responsible Care and social action. As a member of the chemical industry, we seek to realize "sustainable chemistry."

Sustainable Chemistry

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

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

Social Contribution Activities

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

Contributions to Local Communities

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

Activities

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

Contributions to Global Society

We carry out a variety of activities, such as reforestation, and provide scholarships as contributions to support the global society. Among these activities, we focus on supporting Africa, in particular, beginning with malaria control activities.

Europe	
•Hungary	Providing a university scholarship program
Africa	
•Uganda	Supporting activities to improve the educational environment and constructing school buildings
•Ethiopia	Supporting activities to improve the educational environment
•Kenya	Supporting activities to improve the educational environment and donating OLYSET® Nets
•Tanzania	Donating OLYSET® Nets
•Mozambique	Donating OLYSET® Nets
•Senegal	Donating OLYSET® Nets
•Congo	Donating OLYSET® Nets
•(Others)	Donating OLYSET® Nets to Millennium Villages across Africa
Asia	
•China	Providing a university scholarship program, accepting student interns, supporting elementary schools in Anhui Province and assisting with tree-planting activities
•Taiwan	Supporting a special school and children's home, sponsoring a Japanese speech contest by college students, and donating books to libraries
•Korea	Supporting a running race for disabled people
•Singapore	Accepting plant visits, accepting student interns, donating to scholarship programs and charitable organizations, and sponsoring and donating to an orchestra and opera company
•Thailand	Assisting with tree-planting activities and beach cleanup activities
•Indonesia	Assisting with tree-planting activities
•Malaysia	Assisting with tree-planting activities
Oceania	
•Australia	Assisting with the control of red imported fire ants
•Fiji	Assisting with tree-planting activities
America	
•United States of America	Protecting a forest preserve in Mettawa, supporting NGOs through donations and participating in Relay for Life fundraising event
•Haiti	Donating OLYSET® Nets

Malaria Control Initiatives

Every year, approximately 300 million people worldwide become infected with malaria, with over 800,000 people dying from the disease, and it continues to inflict serious damage. The majority of fatalities from malaria are concentrated in children under the age of five living in Sub-Saharan Africa. Efforts to control malaria have not been effective in the region, which suffers from some of the worst poverty in the world today.

Because malaria is carried by mosquitoes, the most effective form of prevention is to protect people from mosquitoes. Capitalizing on our long years of expertise in the development and production of plastics and active ingredients for household insecticides, we developed the OLYSET® Net insecticidal mosquito net for malaria control. OLYSET® Net is woven with fibers made of polyethylene resin kneaded together with a household insecticide. The household insecticide migrates to the surface of the fibers, giving the net the unique characteristic of retaining its effectiveness guaranteed for more than 5 years, even after repeated washings. In 2001, our OLYSET® Net was endorsed by the WHO as the first 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 have annual production capacity of 29.0 million nets and employ approximately 7,000 people. We are contributing to local economic development and the creation of employment opportunities through these business activities.

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 NPOs World Vision Japan and Plan Japan. To date, we built nine schools and other facilities in five African countries, and are conducting three more projects. We are also donating educational materials and providing other support.

Support for the Victims of the Great East Japan Earthquake

Sumitomo Chemical is providing various kinds of support for the victims of the Great East Japan Earthquake and is assisting in the recovery of the affected areas. In addition to donating 300 million yen to the Central Community Chest of Japan, the company has provided other support, such as fundraising by executives and employees, the supply of aid in the form of blankets and daily necessities, and the sale of agricultural, fishery and processed products from the affected area. Furthermore, we have been providing meals at our cafeteria using ingredients produced in the affected area and donating part of the proceeds.

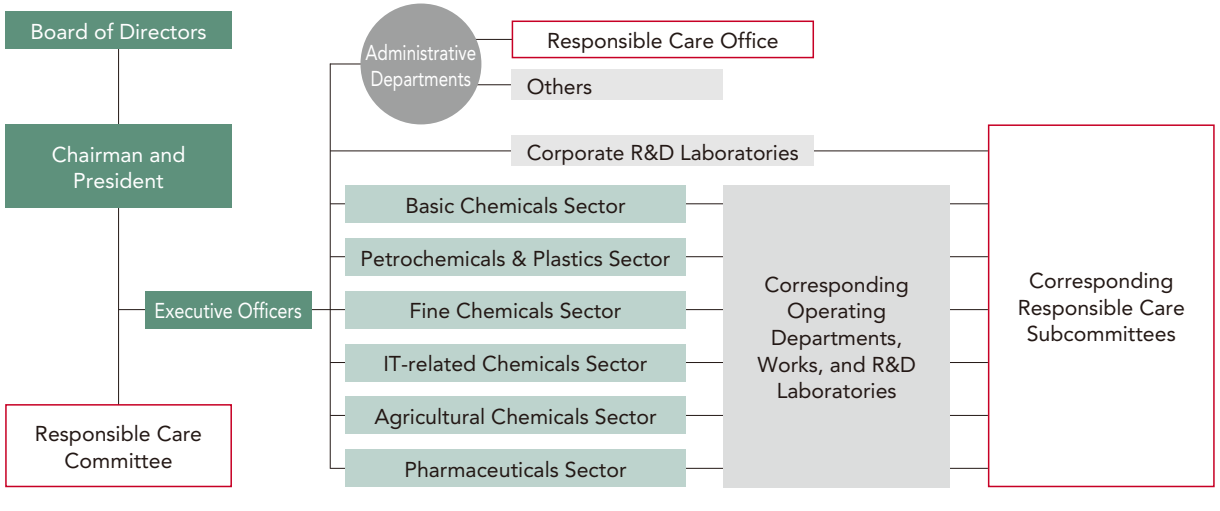
Responsible Care Activities

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. These voluntary activities are undertaken not only at Sumitomo Chemical but also extend globally to include our Group companies both in Japan and overseas. We segment our Responsible Care activities into such areas as environmental protection and chemical safety, and set targets individually for each of these areas. In working to achieve these targets, we seek to gain the further trust of society.

Responsible Care Organization

(As of March 31, 2011)



Primary Environmental Performance (Fiscal 2010)

Sumitomo Chemical Group*1 | Sumitomo Chemical

INPUT — Energy and Resources

Energy

(Calculated as kl of crude oil)	Thousands of kl	
Energy	2,440	1,485

Exhaustible resources

	Thousands of tons	
Hydrocarbon compounds	3,178	2,889
Metals (excluding rare metals)*2	90	83
Rare metals*3	0.21	0.07

Water

	Millions of tons	
Water	1,441.3	548.1
Industrial water	72.3	66.0
Drinking water	1.0	0.4
Seawater	1,338.3	455.6
Groundwater	26.1	23.1
Other water	3.6	3.0

Sumitomo Chemical Group

Use of PCB/CFCs

No. of electrical devices containing PCBs	1,230 units	135 units
PCB volume	32.2m^3	27.7m^3
No. of refrigeration units using specified CFCs as coolant	72 units	22 units

OUTPUT — Product Manufacturing and Environmental Impact

Products

	Thousands of tons	
(Calculated on the basis of ethylene production)*4	2,619	1,660

Water pollutant emissions

	Tons	
COD	1,396	1,266
Nitrogen	1,609	1,505
Phosphorus	51	48
Substances subject to the PRTR Act	57	30

Waste material

	Thousands of tons	
Waste generated	283	65
Landfill (final disposal)	35.7	2.5
On-site landfill	0	0
External landfill	35.7	2.5
Red bauxite sea dumping	117	117

Atmospheric emissions

	Thousands of tons of CO_2	
Greenhouse gases (six gases)*5		4,407
CO_2		4,354
N_2O		52
HFC		0.5
PFC		0
Methane		0.1
Sulfur hexafluoride		0
Emissions from energy use (CO_2)	6,620	3,743

Others	Tons	
NOx	5,190	2,689
SOx	4,348	1,477
Soot and dust	296	181
Substances subject to the PRTR Act	630	394

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

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

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

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

*5 The method used for calculating CO_2 emissions (i.e., CO_2 emission coefficient, types of greenhouse gases targeted for calculation, and emission sources) has remained unchanged since the calculation of environmental performance data was started.

Environmental Preservation Initiatives

Sumitomo Chemical and 15 major Group companies in Japan, as well as 9 major Group companies overseas, have worked to reduce energy consumption and the environmental impact in accordance with targets for FY2010. As shown in Page 57, we achieved reductions far surpassing the targets for items pertaining to PRTR (Pollutant Release and Transfer Register), waste and water. However, we slightly fell short of the reduction targets for items pertaining to energy. To continue these efforts, we decided to continue the present target approach. We set new reduction targets for FY2015 and will enhance resource utilization efficiency and further reduce our environmental impact starting from FY2011.

Quantification of Contributions to Reduction of CO_2 Emissions

We are improving manufacturing processes and developing innovative new products with the aim of "achieving the world's highest level of energy efficiency in the manufacturing process" and "developing processes and products that contribute to the reduction of CO_2 emissions."

In order to achieve such objectives, we are pursuing the "visualization" of CO_2 emissions throughout the product life cycle of our products in a quantitatively measureable way. We introduced a CO_2 intensity target so that our production activities will emit less CO_2 per unit of production. We developed "Guidelines for estimating CO_2 emission reduction effects by use of our products" for calculating the amount of CO_2 that will be reduced as a result of using our products. The guideline was developed based on the life cycle assessment method, a method of assessing CO_2 emissions and their reduction throughout product life cycle. Through such initiatives, we seek to make our business activities more environmentally sustainable.

Chemical Safety Initiatives

As a member of the chemical industry, we are advancing initiatives for both legal compliance and voluntary measures to strengthen risk-based chemicals management. For legal compliance, we take necessary actions promptly, responding to the many requirements under domestic and overseas regulations such as Japan's Chemical Substances Control Law and the EU's REACH (Registration, Evaluation, Authorization and Restriction of Chemicals). In complying with REACH, we completed pre-registration with the regulatory authorities by the end of November 2008 and completed full registration of relevant substances with the deadline set at the end of November 2010. Also, in making progress toward 2020 targets that are pledged in our "Eco-First Commitments," we steadily review and gather safety information on hazards, use and exposure of our products at each stage of the lifecycle throughout the entire supply chain and conduct appropriate risk assessments by making full use of our extensive expertise and cutting-edge technologies. Furthermore, the safety information, material safety data sheets, and applicable regulatory and other information are comprehensively and effectively managed and utilized by the Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (SuCCESS) for chemicals management. At the same time we accurately provide the necessary information to our stakeholders in order that they may use our products more safely and with peace of mind.

Responsible Care Auditing Activities

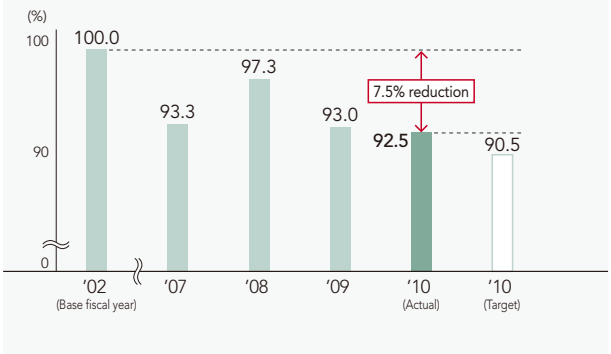
In order to ensure that our Responsible Care activities are conducted appropriately, Responsible Care audits are conducted for Sumitomo Chemical and major Group companies. Responsible Care audits consist of specialized audits and management audits. Specialized audits are conducted by specialists after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

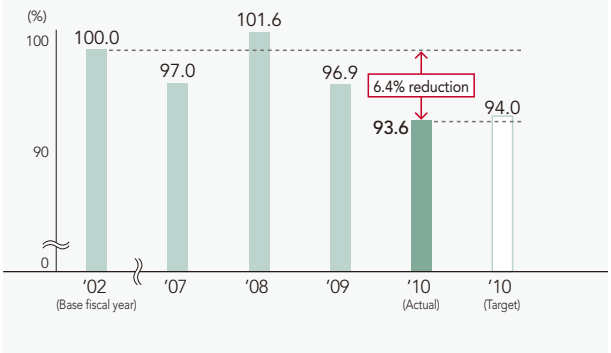
Sumitomo Chemical holds meetings with Responsible Care managers and staff from each Group company in Japan and overseas to discuss various Responsible Care issues. These meetings are held in Japan, twice a year for Group companies in Japan and once a year for overseas Group companies. The meetings seek 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.

Japan

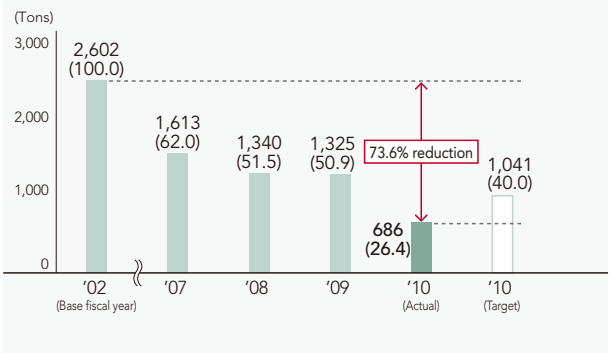
Energy Consumption Rate Index*1



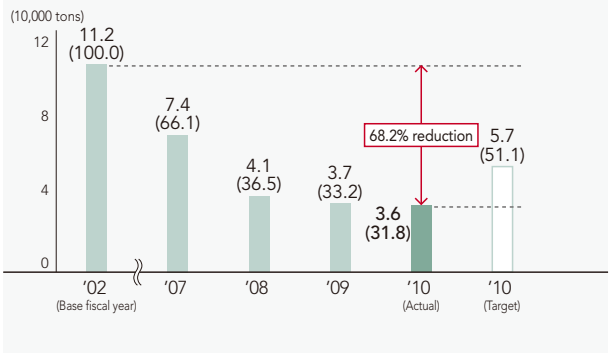
CO_2 Emission Rate Index*1



PRTR Substances Released into the Air and Water*2

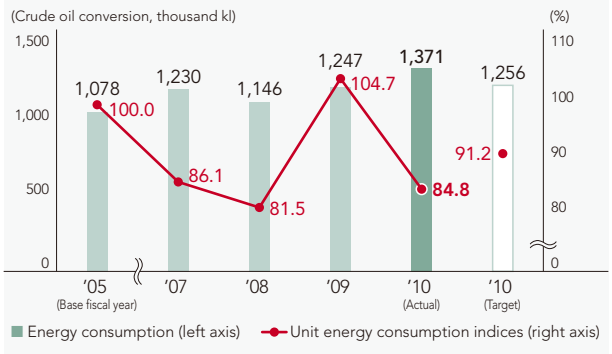


Landfill Disposal Volume*2

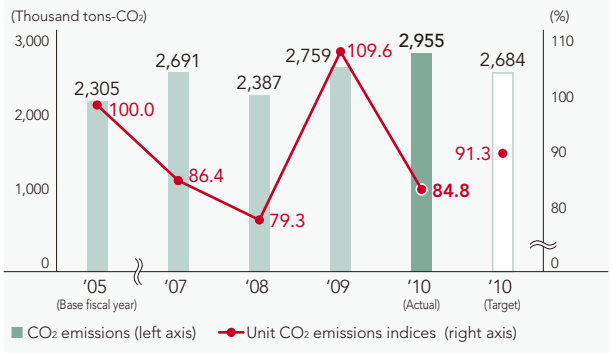


Overseas

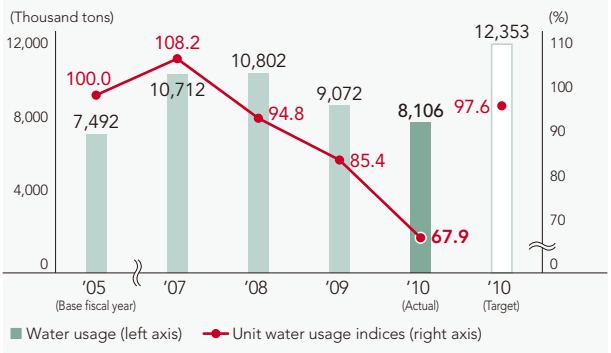
Energy Consumption & Unit Energy Consumption Rate Index*3



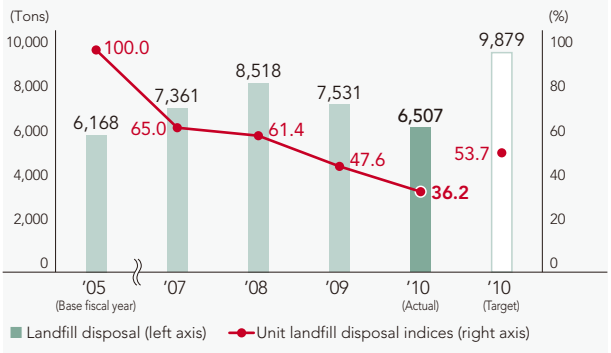
CO_2 Emissions (Energy Sources) & Unit CO_2 Emissions Rate Index*3



Water Usage & Unit Water Usage Rate Index*3



Landfill Disposal & Unit Landfill Disposal Rate Index*3



*1 Figures are index values ('02 = 100) and data reflect the totals of Sumitomo Chemical and its 15 Group companies in Japan.

*2 Figures in parentheses are index values ('02 = 100) and data reflect the totals of Sumitomo Chemical and its 15 Group companies in Japan.

*3 Figures are index values ('05 = 100) and data reflect the total of 9 major overseas Group companies.

Building Better Relations with Business Partners

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

For further details on our procurement, see:

http://www.sumitomo-chem.co.jp/english/company/purchasing/

Building Better Relations with Employees

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

System that Inspires Greater Motivation

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

Systems and Measures for Better Work-Life Balance

	System/Measure	Description	Number of Users in Fiscal 2010
Support for childcare and nursing care	Childcare leave (unpaid)	Available for up to 18 months, regardless of the reason	60
	Nursing care leave (unpaid)	Available when nursing family members (one year)	0
	Nursing care leave (paid)	Up to 20 days per event; available when taking care of sick children or nursing family members	77
	Maternity leave (paid)	Available once a month, when the applicant undergoes an antenatal examination under the Maternal and Child Health Act	37
	Special reserve leave (paid)	Available when employees cannot work for five consecutive days or more because of nursing care, childcare, or illness	11*1
	Reduced working hour system	Working hours are reduced by up to three hours per day for employees with children in the third grade at elementary school or younger and for employees nursing family members.	53
	Reemployment system	Employees who left the company because of childbirth, or for childcare, nursing care, etc. are given the opportunity for reemployment subject to certain conditions.	13*2
	Establishment of in-house childcare facilities	Established on the premises of the Tokyo head office as well as the Ehime, Chiba, and Osaka Works	—
	Grant for childcare (Mutual aid association)	Every month 10,000 yen is paid per child to working employees if they have children younger than school age who attend childcare facilities.	140
	Childcare and nursing care support services	Childcare and nursing care services are provided by welfare services with which the Company has formed partnerships.	—
Leave and working hours	Introduction of a "refreshment day"	Employees are encouraged to leave work on time on "refreshment days" designated by each individual workplace and worksite at least once a week.	—
	Number of annual paid holidays	Twenty days paid holiday are granted to all employees from the first year of work.	—
	Systematic allocation of annual paid holidays	Annual paid holidays are allocated systematically by each worksite.	—
	Half-day paid holidays	Half-day holidays (employees under the flextime program without any core time can also take half-day holidays now.)	—
	Special leave for employees going abroad because of job transfer of spouse	Employees going abroad because of the job transfer of their spouses can take this special leave subject to certain conditions.	7*3

*1 Only for childcare and nursing care

*2 Number registered as of the end of March 2011

*3 Number of users as of the end of March 2011

Creating a Comfortable Workplace

The table on the previous page lists the measures Sumitomo Chemical implements for improving employees' work-life balance. The Company also seeks to further raise employee motivation and morale by offering shortened working hours and increased time off.

Use of Diversified Human Resources

Sumitomo Chemical looks for and recruits talented people, regardless of age, background, gender or nationality, in a wide range of areas, and a diverse spectrum of people is working in the Company. In fiscal 2010, the Company recruited 114 university graduates, including 15 foreign nationals. We are also committed to providing employees with a workplace in which they feel comfortable working regardless of gender, and many women exercise their talents at the Company.

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

The Company began reemploying retirees in fiscal 2001 and introduced a new reemployment system in April 2006, in response to the revision of the Japanese Act on Stabilization of Employment of Elderly Persons. In fiscal 2010, we reemployed 97 (72.4%) from among 134 retirees (of Sumitomo Chemical). These senior employees are able to continue demonstrating the skill and expertise they have gained through working for the Company.

Number of Female Employees Recruited and Female Managers

Fiscal year	2007	2008	2009	2010
Female employees recruited	78	81	45	23
(Percentage of the total number of new employees)	17.0%	19.1%	22.4%	8.6%
Number of female managers*	127	149	155	161
(Percentage of the total number of managers)	4.1%	4.6%	4.8%	5.1%

* As of August 1 of each fiscal year

Employment Rate of People with Disabilities

Fiscal year	2007	2008	2009	2010
Employment rate	1.93%	1.95%	2.01%	1.96%

Reemployment of Retirees (of Sumitomo Chemical)

Fiscal year	2007	2008	2009	2010
Retirees	205	167	176	134
The reemployed	129	88	116	97
Reemployment rate	62.9%	52.7%	65.9%	72.4%

Labor-Management Relations

Sumitomo Chemical and its labor union have been cooperating as good management partners to meet challenges and achieve targets based on long-term mutual understanding and trust.

Central labor-management meetings and labor-management meetings at each work site are held twice a year, providing opportunities for exchanges.

The Company and the labor union also hold meetings to discuss and formulate various programs for non-managerial employees to enable them to increase their morale and motivation at work.

Human Resources Development

Sumitomo Chemical implements training rotations and offers a variety of human resources development programs with a view to enabling personnel to fully demonstrate their abilities as world-class professionals who can contribute to the Company's global expansion. Under the training rotation system, we use the preferences submitted by employees and the development plans made by their managers to help employees plan and develop their ideal careers. We started a new training rotation system from fiscal 2009, expanding the system to include all non-managerial employees regardless of their job categories and some managerial employees. Rotations were conducted for 880 young employees in fiscal 2010.

Sumitomo Chemical introduced a Trainer System in January 2008, under which older employees who are highly skilled and have an aptitude for teaching the young are certified as trainers. These trainers provide instruction and advice to employees with little experience to facilitate their development and to ensure the succession of skills from generation to generation. As of April 2011, a total of 62 employees have been appointed as trainers throughout the Company. We also introduced a Mentor System from April 2010 to give on-the-job training to supervisors and potential supervisors. We are using this system to enhance the development of core talent for manufacturing departments.

For further details concerning Sumitomo Chemical's CSR activities, refer to Sumitomo Chemical CSR Report 2011:

http://www.sumitomo-chem.co.jp/english/csr/report/docs/2011csr_e.pdf

Major SRI Indices Including Sumitomo Chemical

Dow Jones Sustainability Indexes Member 2010/11

FTSE4Good

Board of Directors and Corporate Auditors

(As of June 23, 2011)

Board of Directors

Chairman

Hiromasa Yonekura

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

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

Vice Chairman

Hiroshi Hirose

1967 Joined Sumitomo Chemical Co., Ltd.
1994 General Manager, General Affairs Dept.
2000 Associate Officer
2001 Director
2003 Executive Officer
2004 Managing Executive Officer
2006 Director & Managing Executive Officer
2007 Director & Senior Managing Executive Officer
2008 Executive Vice President
2009 President
2011- Vice Chairman

President

Masakazu Tokura

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

Executive Vice President

Production Technology & Safety, Works (Safety & Environment & Health), Responsible Care, Energy & Climate Change, Rabigh Project, Petrochemicals & Plastics Sector

Osamu Ishitobi

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

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

Director & Senior Managing Executive Officer

Corporate Planning & Coordination (Technology, Research & Development), New Business Development, Intellectual Property, Process & Production Technology Center, Organic Synthesis Research Laboratory, Environmental Health Science Laboratory, Tsukuba Research Laboratory

Kiyohiko Nakae

1971 Joined Sumitomo Chemical Co., Ltd.
2000 General Manager, Corporate Planning & Coordination Office
2002 Director
2003 Executive Officer
2005 Managing Executive Officer
2008 Director & Managing Executive Officer
2009- Director & Senior Managing Executive Officer

Director & Senior Managing Executive Officer

General Affairs, Secretarial, Legal, Internal Control and Audit, Human Resources, Human Resources Development, Procurement, Logistics, CSR, Petrochemicals & Plastics Sector

Yoshimasa Takao

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

Director & Senior Managing Executive Officer

Health & Crop Sciences Sector

Kenjiro Fukubayashi

1971 Joined Sumitomo Chemical Co., Ltd.
2002 General Manager, Crop Protection Division
2004 Executive Officer
2006 Managing Executive Officer
2008 Director & Managing Executive Officer
2009- Director & Senior Managing Executive Officer

2008- Chairman, Valent U.S.A. Corp.
Chairman, Valent Biosciences Corp.
2009- Chairman, Dalian Sumika Jingang Chemicals Co., Ltd.

Director & Senior Managing Executive Officer

Basic Chemicals Sector

Kenichi Hatano

1966 Joined Sumitomo Chemical Co., Ltd.
2003 General Manager, Industrial Chemicals Division
2005 Executive Officer
2007 Managing Executive Officer
2009 Director & Managing Executive Officer
2010- Director & Senior Managing Executive Officer

Director & Managing Executive Officer

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

Toshihisa Deguchi

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

Corporate Auditors

Standing Corporate Auditor

Takao Akasaka

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

Standing Corporate Auditor

Kenya Nagamatsu

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

Corporate Auditor

Yoji Arakawa

1959 Appointed as Prosecutor
1995 Superintending Prosecutor of Takamatsu High Public Prosecutors Office
1996 Superintending Prosecutor of Osaka High Public Prosecutors Office
1997 Retired
1998- Registered as Lawyer
Corporate Auditor, The Royal Hotel, Ltd.
2002- Corporate Auditor, Sumitomo Chemical Co., Ltd.

Corporate Auditor

Shinichi Yokoyama

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

Corporate Auditor

Kouichi Ikeda

1963 Joined Asahi Breweries, Ltd.
2002 President and COO, Asahi Breweries, Ltd.
2006 Chairman of the Board and CEO, Asahi Breweries, Ltd.
2010 Advisor, Asahi Breweries, Ltd.*
2010- Outside Director, Komatsu Ltd.
2011- Corporate Auditor, Sumitomo Chemical Co., Ltd.

* Advisor, Asahi Group Holdings, Ltd. since July 1, 2011.

Managing Executive Officers

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

Kunio Nozaki
Corporate Communications Dept., Finance & Accounting Office

Hisashi Shimoda
Corporate Planning & Coordination Office (Corporate Planning, China Strategy, IT Management), New Business Development Office, Basic Chemicals Sector-Methacrylates Div., Aluminum Div., Specialty Chemicals Div.

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

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

Masaki Morimoto
Procurement Office, Logistics Dept.

Tomohisa Oono
Petrochemicals & Plastics Sector-Planning & Coordination Office, Petrochemicals Div., Polyethylene Div., Polypropylene Div., Advanced Polymers Div., Chiba Works, Ehime Works (Petrochemicals & Plastics Sector), Petrochemicals Research Laboratory, Plastics Technical Center

Hiroshi Ueda
New Business Development Office, Production Technology & Safety Dept., Works (Safety & Environment & Health), PLED Business Planning Office

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

Executive Officers

Kazumune Yamamoto
Health & Crop Sciences Sector-Quality Assurance Office, Pharmaceutical Chemicals Div., Misawa Works

Tsutomu Konaka
Ehime Works

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

Yoshiyuki Shimizu
Secretarial Dept., CSR Office

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

Keiichi Iwata
Corporate Planning & Coordination Office (China Strategy), PLED Business Planning Office, IT-related Chemicals Sector-Planning & Coordination Office, Semiconductor & Display Materials Div.

Hideaki Matsuura
IT-related Chemicals Research Laboratory

Ryo Sato
Health & Crop Sciences Sector-Environmental Health Div., Vector Control Div., Animal Nutrition Div.

Toshiro Kojima
Basic Chemicals Sector-Methacrylates Div., Aluminum Div., Specialty Chemicals Div.

Kazushi Tan
Electronic Devices Development Center, Ohe Works

Satoshi Takazawa
Petrochemicals & Plastics Sector-Planning & Coordination Office, Petrochemicals Div.

Heechul Moon
Dongwoo Fine-Chem Co., Ltd.

Noriaki Takeshita
Rabigh Refining & Petrochemical Company

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

Corporate Governance

1 Basic Stance

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, promote the timely disclosure of information, and enhance and strengthen our internal control system, risk management capabilities, and internal audit functions.

2 Corporate Governance Structure

1 Bodies

The Board of Directors

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

The Board of Corporate Auditors

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

Two Standing Corporate Auditors (refer to page 61 for brief bios) attend important meetings within the Company, such as meetings of the Board of Directors, the Board of Corporate Auditors, and the Internal Control Committee. To conduct their audits, they also receive reports and explanations from executive departments, including the Internal Control & Audit Department, and accounting auditors.

Three outside auditors (refer to page 61 for brief bios) attend meetings of the Board of Directors and the Board of Corporate Auditors, receive reports on matters covered at important meetings within the Company, such as the Internal Control Committee, and receive reports and explanations from executive departments, including the Internal Control & Audit Department, and accounting auditors, to conduct audits. The results of the relevant audits and the opinions obtained from the objective standpoint of each outside auditor are appropriately reflected in internal audits, auditors' audits and accounting audits, enhancing the effectiveness and efficiency of the audits.

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

Enhancing Monitoring and Oversight Function of the Current Structure

The majority of our Corporate Auditors are outside auditors. We are enhancing the function of Corporate Auditors and strengthening their oversight function. They provide valuable insight on the soundness as well as the efficiency of the company management structures and process. We also make use of their opinions in conducting business. At present, we do not have any outside directors. In order to ensure objectivity and neutrality, however, we have now established internal regulations so that we can incorporate the opinions of outside experts regarding specific management matters, and currently have an advisory group in place relating to officers' compensation and the nomination of officers. Furthermore, we are making efforts to strengthen the monitoring and oversight functions and ensure the independence of each Director through such initiatives as appointing Executive Officers and abolishing the title system for directors.

2 Management Organizations for Management Decision-making, Execution, and Auditing

Executive Officers

We have appointed Executive Officers to expedite the execution of strategies and business plans. Executive Officers assume responsibility for conducting business in accordance with the basic principles determined by the Board of Directors. We have 26 Executive Officers, with 10 acting in dual capacity as Directors, with the term of office for Executive Officers being one year.

Management Meeting

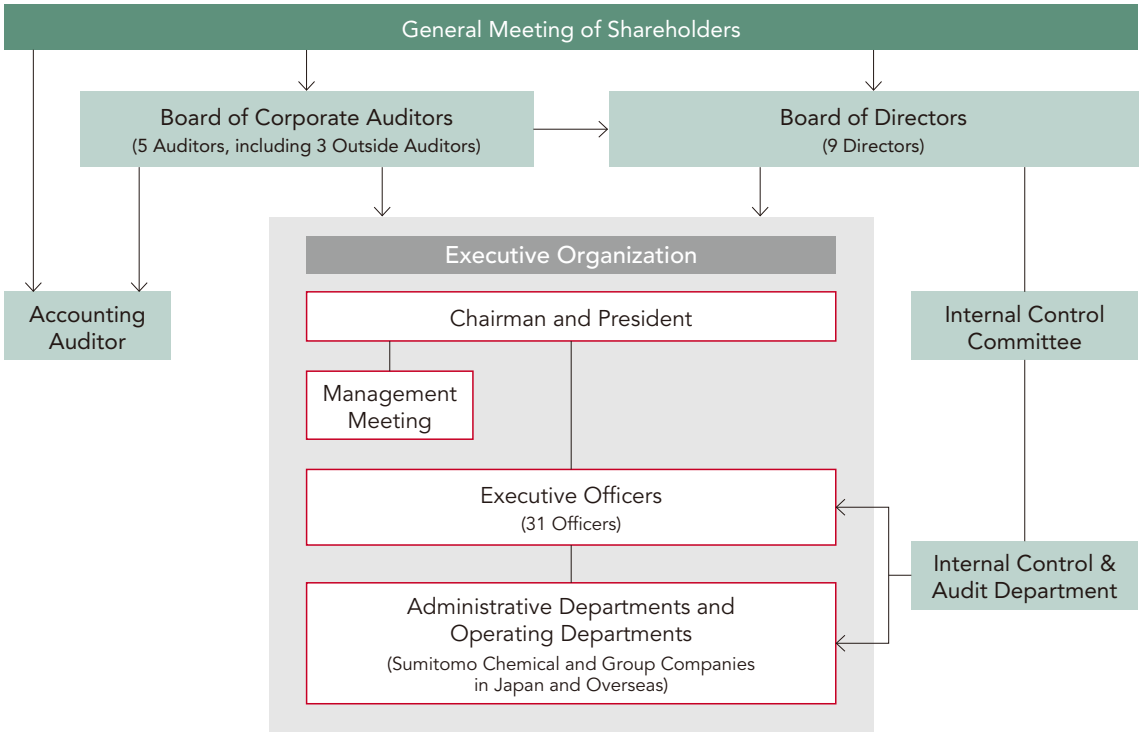
The Management Meeting supports the decision-making of our management by providing a forum for deliberation on such vital matters as corporate strategy and capital investment. The Management Meeting is composed of all the Directors and one Standing Corporate Auditor, and convenes twice a month as a rule.

Committees

The Company enhances its business activities and oversight functions by establishing internal meetings (committees) to deliberate on important matters concerning the management of the Company and the Group from broad and diverse viewpoints. Of these committees, the Internal Control Committee, the Compliance Committee (refer to page 66) and the Responsible Care Committee (refer to page 54) convene at least once a year and are attended by Directors and others, as well as the Standing Corporate Auditor, who serves as observer.

Corporate Governance Organization

(As of June 23, 2011)



3 Status of Development of Internal Control System

The Company is working to develop the internal control system for the entire Group through the establishment of the Internal Control Committee. The president acts as Chairman of the Committee for the purpose of building, sustaining, and improving the internal control system based on the Basic Policy for Enhancement of the Internal Control System adopted at the May 2006 meeting of the Board of Directors.

4 Risk Management

We continuously review and update internal regulations for detecting risk early in order to prevent risks from materializing and to respond quickly when risks emerge. 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 important risks do emerge.

5 Internal Auditing

The Internal Control & Audit Department conducts audits for Sumitomo Chemical and Group companies to verify that officers and employees perform their duties efficiently 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. Furthermore, the Responsible Care Office has dedicated staff conducting Responsible Care audits for items related to the environment, safety and product safety.

6 Timely Disclosure

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

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

3 Directors' and Corporate Auditors' Compensation

Basic Stance

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

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

Compensation System

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

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

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

Establishment of Compensation Level

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

Compensation Advisory Group

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

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

Directors' and Auditors' Compensation

The amounts of directors' and auditors' compensation, and the number of eligible persons were as follows.

Title	Eligible Persons	Basic Compensation	Bonuses	Total
Directors	10	¥543 million	¥66 million	¥609 million
Standing Corporate Auditors	2	¥ 67 million	—	¥ 67 million
Outside Auditors	4	¥ 35 million	—	¥ 35 million
Total	16	¥645 million	¥66 million	¥711 million

* The numbers of persons specified above include one Auditor retiring during FY2010.

Compliance

Growing Importance of Legal and Ethical Compliance

The Sumitomo Chemical Group attaches profound importance to ensuring legal and ethical compliance in conducting business around the world. All people 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," established as a vital part of Sumitomo Chemical's corporate philosophy, states our fundamental commitment to engaging in business as a responsible corporate citizen, whereas the "Sumitomo Chemical Business Conduct Manual" (commonly known as 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 maintain proper compliance-oriented management throughout the Group, Sumitomo Chemical's Compliance Committee oversees the Group's compliance situation on a company-to-company basis for their legal and ethical conduct of business. The Committee's initiatives are supported extensively by a number of special committees established under the Committee at Sumitomo Chemical, 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 place

Sumitomo Chemical has a "Speak-up System" for its 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 particularly useful and effective when an informant feels concern that immediate resolution of violations or suspected violations through the ordinary channel of reporting to superiors might be unlikely. All information provided by the reporting employee is kept strictly confidential, and the employee does not risk unfair treatment such as dismissal, transfer or discrimination for reporting the incident. We expect that the Speak-up System thus designed has a self-cleansing effect and achieves the prompt and effective resolution of violations or suspected violations. The System is available for use not only by employees, officers, and Board members of Sumitomo Chemical or its Group companies, but also by anyone involved in business activities with Sumitomo Chemical.

Promoting Group-wide Compliance Efforts Worldwide

In aiming to build effective internal control structures and enhance compliance-oriented management for the Group as a whole, Sumitomo Chemical is supporting closely each and every company of the Group worldwide. Each Group company is requested to build an adequate compliance system equivalent to that of Sumitomo Chemical, including adopting its own compliance manual as well as a speak-up system that has both internal hotlines and external hotlines to the extent allowed by relevant local laws and regulations. Each company works with an outside legal expert in designing or upgrading its compliance system so that the system will meet legal requirements and legitimate business practices in those countries where it operates. Sumitomo Chemical's Compliance Committee keeps a close watch on the operation of each company for its legal and ethical compliance and, if and when needed, investigates the compliance situation and calls for appropriate corrective action to be taken.

Recent Initiatives

Sumitomo Chemical is always working proactively to establish even better compliance structures for the Company and its Group companies by undertaking a variety of concrete activities each year. The recent initiatives include our first company-wide attempt to look into how successful Compliance Committee's years-long activities have been in raising employees' awareness about compliance within Sumitomo Chemical. To this end, we conducted an "Employee Compliance Awareness Survey" for the Company in January 2010 to ensure that no elements of potentially major compliance risk are left unchecked in individual workplaces. The Survey was also intended to help elevate the compliance awareness of the Company's employees, since we believe that responding to a questionnaire for the Survey in itself will make respondent employees take a moment and think about a compliance situation in or around their workplaces. Following this Survey, we decided to conduct similar ones for the Group companies. To start with, we chose certain Group companies that have a relatively large number of employees to see whether we can share with those companies our findings from the Survey for the Company and follow-up activities that will be performed to improve the situation going forward. Our analysis of the survey outcome for the Group companies has been completed, and work is underway to propose what can be done to enhance each company's compliance-oriented management. Another survey of a similar nature will be carried out for other Group companies during fiscal year 2011.

Secondly, given global legal developments toward requiring companies' robust anti-bribery business practices as noted most recently by the U.K. Bribery Act having come force in July 2011, Sumitomo Chemical plans to reinforce compliance educational programs for its employees specifically geared to bribery prevention. The education programs encompass our global business operations not just generally, but focus on those geographical regions or business areas that will require greater attention. As one of our priority efforts for fiscal year 2011 in this regard, we are currently in the process of preparing another manual, tentatively called a "Code of Conduct for Bribery Prevention," in both Japanese and English, firstly for use by employees of Sumitomo Chemical and eventually for reference to our Group companies worldwide when they prepare their own anti-bribery internal rules and protocols.

Sumitomo Chemical will continue to support and cooperate closely with its Group companies in promoting and further enhancing their compliance-oriented management so that the Sumitomo Chemical Group companies, both individually and as a global business group, will be able to gain greater trust and confidence from society.

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.

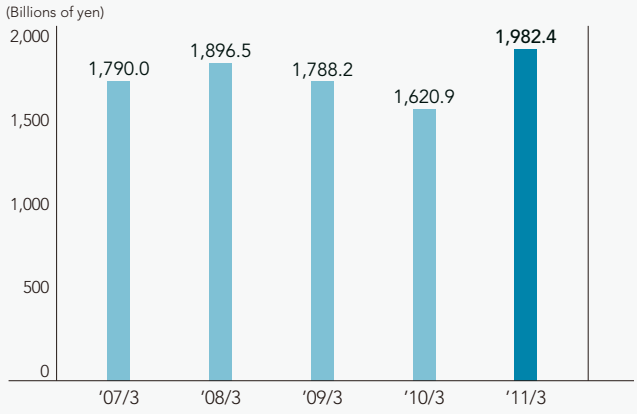
Financial Section

Contents

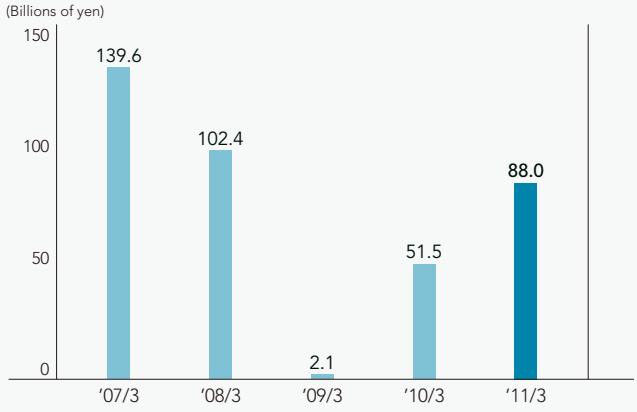
For the ten year financial summary spanning fiscal 2001 through fiscal 2010, please refer to the Consolidated Financial Highlights at page 8 – 9 and Business Sector Highlights at page 32 – 35.

Financial Review

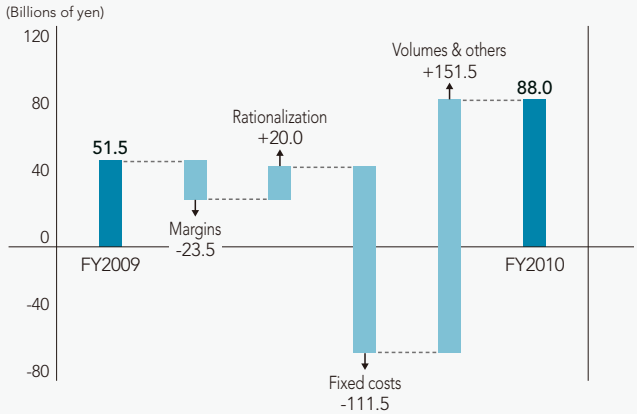
Net Sales



Operating Income



Change in Operating Income: FY2009 vs. FY2010



1 Results of Operations

(1) Net sales and operating income

Net sales in the fiscal year ended March 31, 2011 totaled ¥1,982.4 billion (US$23,841 million), a 22.3% increase from ¥1,620.9 billion for the previous fiscal year. Sales in the Petrochemicals & Plastics, the IT-related Chemicals, and Basic Chemicals segments expanded due to increases in shipment volumes. Sales in the Pharmaceuticals segment increased due to the contribution of Sunovion Pharmaceuticals Inc. ("Sunovion") and other US consolidated subsidiaries.

Revenue from overseas operations, including both sales by overseas subsidiaries and exports from Japan, for the fiscal year ended March 31, 2011, was ¥1,056.7 billion (US$12,708 million). The ratio of revenue from overseas operations to net sales was 53.3%, compared with 45.0% for the previous fiscal year.

Cost of sales was ¥1,409.5 billion (US$16,951 million), compared with ¥1,192.3 billion for the previous fiscal year. The gross margin was 28.9%, 2.5 percentage points higher than the previous fiscal year. Selling, general and administrative expenses were ¥485.0 billion (US$5,833 million), compared with ¥377.1 billion for the previous fiscal year.

Research and development expenses for the fiscal year ended March 31, 2011 were ¥138.1 billion (US$1,661 million), 17.7% higher than the previous fiscal year's ¥117.3 billion, mainly as a result of an increase in the Pharmaceuticals segment because of the addition of Sunovion. Annual depreciation and amortization expenses were ¥147.0 billion (US$1,768 million), an increase of 26.6% compared with the previous fiscal year's ¥116.1 billion, mainly due to an increase in amortization expenses of patent rights and other intangible assets associated with Sunovion.

Consequently, operating income was ¥88.0 billion (US$1,058 million), a 70.9% increase from ¥51.5 billion for the previous fiscal year. The ratio of operating income to net sales was 4.4%, a 1.2% improvement from the previous fiscal year.

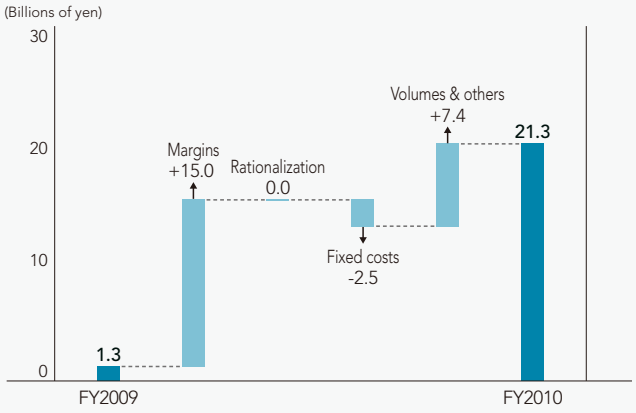
(2) Non-operating expenses and net income

Interest expenses, net of interest and dividend income, were ¥6.3 billion (US$76 million), a 26.0% increase compared with ¥5.0 billion for the previous fiscal year.

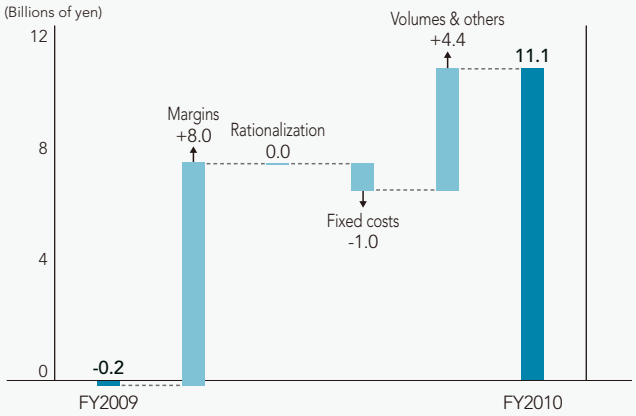
Equity in earnings of affiliates was ¥10.8 billion (US$130 million), an improvement from the equity in losses of affiliates of ¥7.0 billion recorded in the previous fiscal year, thanks to the full-fledged contribution by the Rabigh Complex. The net loss on foreign currency transactions was ¥6.6 billion (US$79 million), representing a substantial deterioration compared with ¥0.5 billion for the previous fiscal year, due to the ongoing appreciation of the yen.

The Companies recorded a ¥4.1 billion (US$49 million) loss for restructuring charges on the disposal of property, plant and equipment and a write-down of investments in related companies. The Companies also recorded an impairment loss of ¥3.2

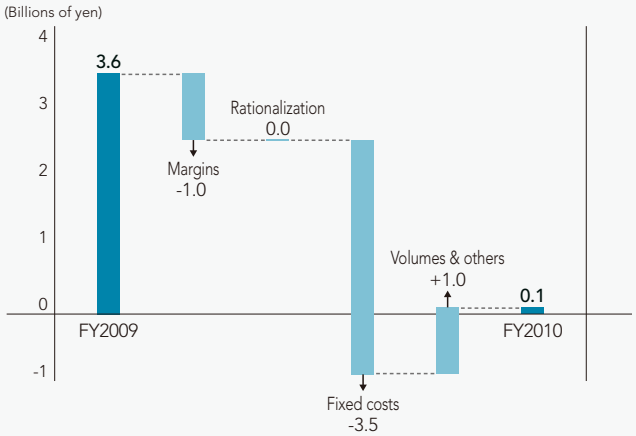
Basic Chemicals
Change in Operating Income: FY2009 vs. FY2010



Petrochemicals & Plastics
Change in Operating Income: FY2009 vs. FY2010



Fine Chemicals
Change in Operating Income: FY2009 vs. FY2010



billion (US$38 million) with respect to patents whose fair value has declined and idle assets. The Companies incurred loss on the disposal of obsolete inventories relating to the Great East Japan Earthquake, resulting in a loss on disaster-related charges of ¥1.1 billion (US$13 million).

As a result, income before income taxes and minority interests for the fiscal year ended March 31, 2011 was ¥75.7 billion (US$910 million). Income taxes for the fiscal year ended March 31, 2011 were ¥34.8 billion (US$419 million), including a reversal of deferred tax assets of ¥19.1 billion (US$230 million).

Net income for the fiscal year ended March 31, 2011 was ¥24.4 billion (US$293 million), an increase of ¥9.7 billion over the ¥14.7 billion recorded in the previous fiscal year. Return on Equity (ROE) was 4.5%, up 1.9 percentage points from the previous fiscal year's 2.6%. Net income per share, based on the weighted average number of shares outstanding during the fiscal year ended March 31, 2011, was ¥14.86 (US$0.179) compared with ¥8.92 for the previous fiscal year.

(3) Dividends

The Company paid a year-end dividend of ¥6 per share, combined with the interim dividends of ¥3 per share, making the annual dividends ¥9 per share for the fiscal year ended March 31, 2011, representing an increase of ¥3 per share over the previous fiscal year.

2 Segment Information

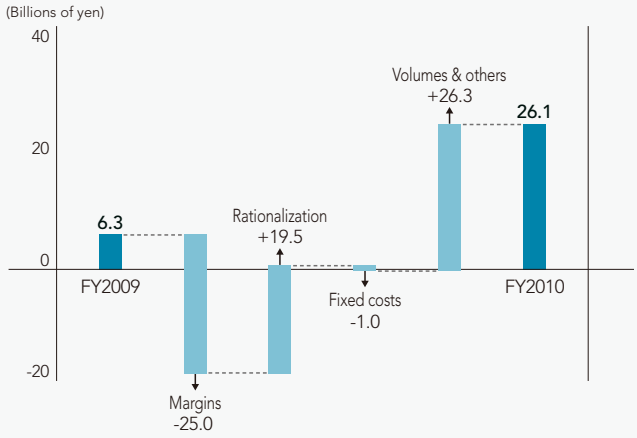
(1) Basic Chemicals

Sales of raw materials for synthetic fibers, such as caprolactam, and methyl methacrylate, expanded because of a rise in market prices and an increase in shipments in Asia. Sales of aluminum increased due to higher market prices and a recovery in demand. As a result, the segment's sales increased by ¥45.2 billion (US$544 million) compared with the previous fiscal year, to ¥248.5 billion (US$2,989 million), and operating income improved by ¥19.9 billion (US$239 million), to ¥21.3 billion (US$256 million).

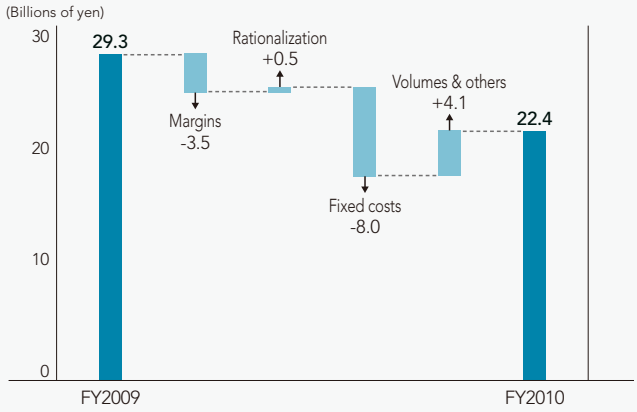
(2) Petrochemicals & Plastics

Sales of synthetic resins and petrochemical products increased because of a substantial increase in shipments by sales subsidiaries due to the contribution of the Rabigh Refining and Petrochemical Company, which started operation in April 2009. Also contributing to the rise in sales were higher selling prices in Japan and higher market prices overseas resulting from a rise in prices for naphtha and other feedstocks. Consequently, the segment's sales increased by ¥168.4 billion (US$2,025 million) compared with the previous fiscal year, to ¥649.9 billion (US$7,816 million), and operating income improved by ¥11.4 billion (US$137 million), to ¥11.1 billion (US$133 million).

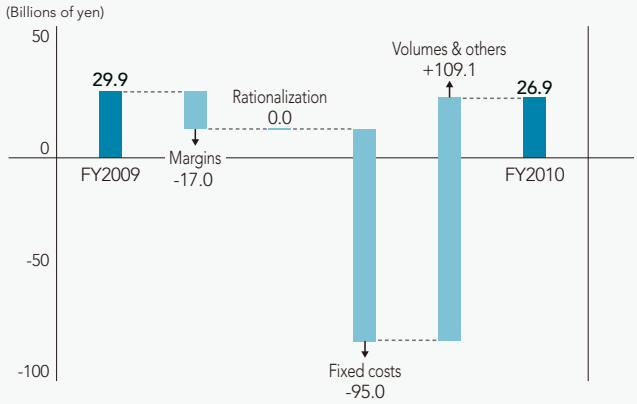
IT-related Chemicals
Change in Operating Income: FY2009 vs. FY2010



Agricultural Chemicals
Change in Operating Income: FY2009 vs. FY2010



Pharmaceuticals
Change in Operating Income: FY2009 vs. FY2010



(3) Fine Chemicals

Sales of raw materials for adhesives increased due to a recovery in demand and sales promotion efforts. As a result, the segment's sales rose by ¥2.2 billion (US$26 million) compared with the previous fiscal year, to ¥88.9 billion (US$1,069 million). Operating income, however, decreased by ¥3.5 billion (US$42 million), to ¥0.1 billion (US$1 million), owing to a decrease in export sales in yen terms due to the appreciation of the yen and higher fixed costs resulting from capacity expansion.

(4) IT-related Chemicals

Sales of polarizing film used in liquid crystal displays grew because of a significant increase in shipments, spurred by strong demand in South Korea, Taiwan, and China. As a result, the segment's sales rose by ¥57.1 billion (US$687 million) compared with the previous fiscal year, to ¥322.3 billion (US$3,876 million), and operating income improved by ¥19.8 billion (US$238 million), to ¥26.1 billion (US$314 million).

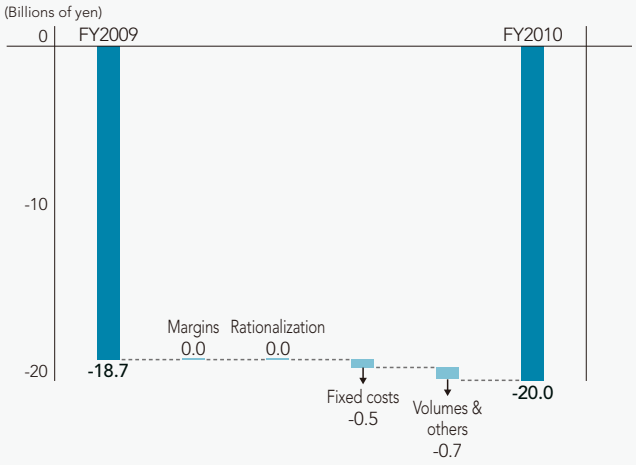
(5) Agricultural Chemicals

Shipments of methionine, which is a feed additive, and OLYSET® Net (the long-lasting insecticidal mosquito net) increased steadily. In the area of crop protection chemicals, shipments of herbicides continued to be solid in overseas markets, while sales in Japan were adversely affected by the impact of the earthquake. As a result, the segment's sales increased by ¥4.2 billion (US$51 million) compared with the previous fiscal year, to ¥215.8 billion (US$2,595 million). Operating income, however, declined by ¥6.9 billion (US$83 million), to ¥22.4 billion (US$269 million), on account of a decrease in export sales in yen terms due to the appreciation of the yen and increased fixed costs resulting from capacity expansion.

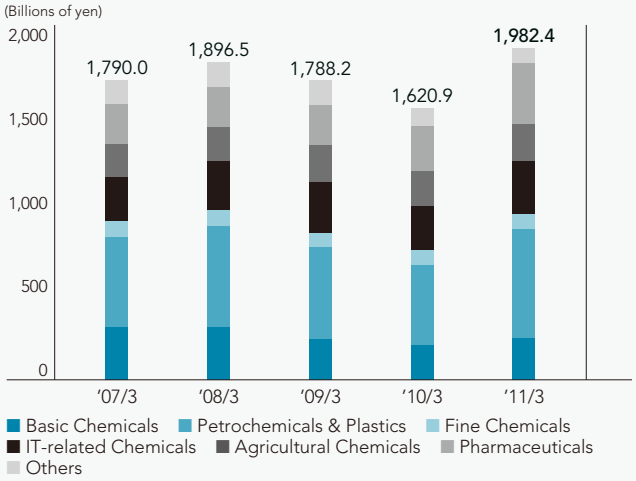
(6) Pharmaceuticals

Sales of Amlodin® (therapeutic agent for hypertension and angina pectoris) declined because of the National Health Insurance drug price revisions in Japan and competition with generic drugs. Sales of Avapro® (therapeutic agent for hypertension), Lonasen® (therapeutic agent for schizophrenia), the new drug Trerief® (therapeutic agent for Parkinson's disease), and other new pharmaceuticals increased as a result of continued sales promotion efforts. Sunovion and other US subsidiaries, which became consolidated subsidiaries as of the end of the third quarter of the previous fiscal year, also contributed to the segment's performance. As a result, the segment's sales increased by ¥98.4 billion (US$1,183 million) compared with the previous fiscal year, to ¥365.9 billion (US$4,400 million). Operating income declined by ¥3.0 billion (US$36 million), to ¥26.9 billion (US$324 million), because of amortization expenses of patent rights and other intangible assets associated with the acquisition of Sunovion.

Others
Change in Operating Income: FY2009 vs. FY2010



Breakdown of Sales by Business Segment



(7) Others

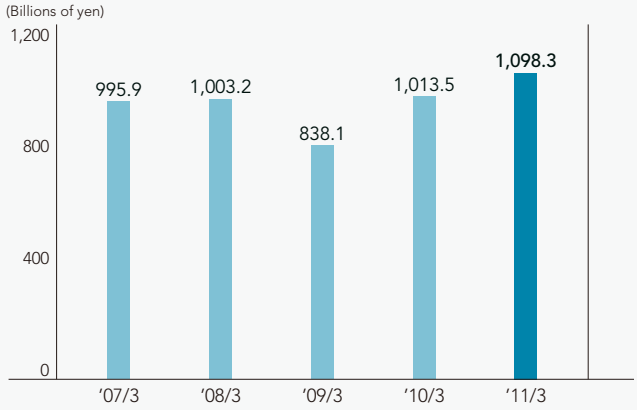
In addition to the above six segments, the Companies engage in supplying electrical power and steam, providing services for the design, engineering and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The segment's sales decreased by ¥13.9 billion (US$167 million) compared with the previous fiscal year, to ¥91.2 billion (US$1,097 million), and operating income declined by ¥0.9 billion (US$11 million), to ¥5.8 billion (US$70 million).

Results by Business Segment

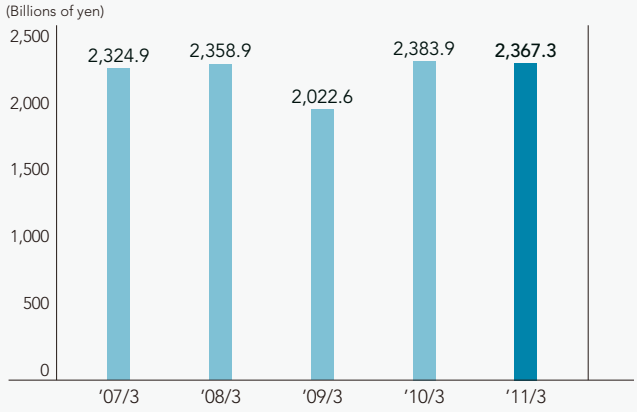
Fiscal years ended March 31, 2011 and 2010

	Millions of yen								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Adjustments & Elimination	Consolidated
Year ended March 31, 2010									
Revenue from customers	¥248,498	¥649,885	¥88,910	¥322,287	¥215,765	¥365,875	¥ 91,215	¥ —	¥1,982,435
Segment profit	21,269	11,130	90	26,138	22,365	26,939	5,807	(25,781)	87,957
Segment profit ratio (%)	8.6	1.7	0.1	8.1	10.4	7.4	6.4	—	4.4
Segment profit growth (decrease) (%)	—	—	(97.5)	—	(23.6)	(9.9)	(13.5)	—	70.9
Year ended March 31, 2010									
Revenue from customers	¥203,294	¥481,529	¥86,713	¥265,226	¥211,546	¥267,464	¥105,143	¥ —	¥1,620,915
Segment profit (loss)	1,328	(247)	3,579	6,304	29,264	29,889	6,714	(25,376)	51,455
Segment profit ratio (%)	0.7	(0.1)	4.1	2.4	13.8	11.2	6.4	—	3.2

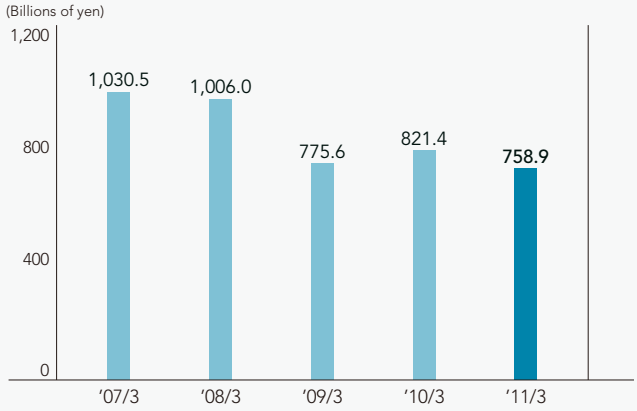
Total Current Assets



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.

3 Financial Position

Total assets as of March 31, 2011 decreased by ¥16.6 billion, to ¥2,367.3 billion (US$28,470 million) from ¥2,383.9 billion as of March 31, 2010. Current assets as of March 31, 2011 amounted to ¥1,098.3 billion (US$13,209 million), up 8.4 percentage points from ¥1,013.5 billion as of March 31, 2010 because of an increase in accounts receivable. Non-current assets as of March 31, 2011 amounted to ¥1,269.0 billion (US$15,262 million), down 7.4 percentage points from ¥1,370.4 billion as of March 31, 2010, mainly due to the amortization of patents and goodwill by certain consolidated subsidiaries.

Current liabilities were ¥798.2 billion (US$9,600 million), down 8.0 percentage points from ¥867.6 billion as of March 31, 2010, mainly because of a decrease in short-term debt. The current ratio was 137.6%, compared with 116.8% as of March 31, 2010.

Long-term liabilities increased to ¥810.2 billion (US$9,744 million), up 16.6 percentage points from ¥694.9 billion as of March 31, 2010, mainly due to an increase in long-term debt. Interest-bearing debts (short-term and long-term bank loans, corporate bonds, and commercial paper) as of March 31, 2011 amounted to ¥1,040.3 billion (US$12,511 million), compared with ¥997.9 billion as of March 31, 2010.

Net assets were ¥758.9 billion (US$9,127 million) as of March 31, 2011, a 7.6% decrease from ¥821.4 billion as of March 31, 2010, due to the deterioration in foreign currency translation adjustments, which amounted to negative ¥135.2 billion (negative US$1,626 million), compared with negative ¥84.6 billion as of March 31, 2010. The ratio of net worth to total assets stood at 22.1% as of March 31, 2011, compared with 24.1% as of March 31, 2010.

The number of shares issued and outstanding as of March 31, 2011 was 1,634,701,762 shares. Retained earnings amounted to ¥499.3 billion (US$6,005 million), a 1.7% increase from ¥490.9 billion as of March 31, 2010.

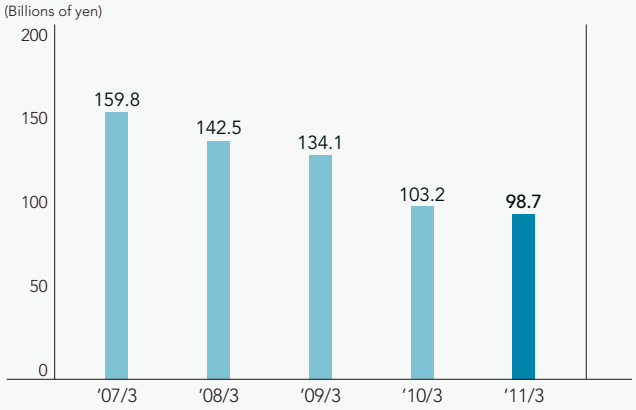
4 Cash Flows

Net cash provided by operating activities for the year ended March 31, 2011 was ¥176.2 billion (US$2,119 million), 32.7% higher than the ¥132.9 billion recorded in the previous fiscal year. The increase in net income contributed to the improvement in operating cash flows.

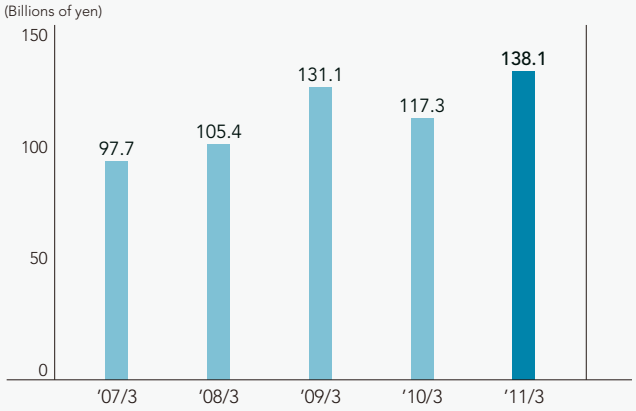
Net cash used in investing activities for the year ended March 31, 2011 was ¥156.0 billion (US$1,876 million), a decrease of ¥113.4 billion compared with the previous fiscal year, in which expenditures arising from the acquisition of Sunovion were incurred.

As a result, free cash flow, which consists of cash flows provided by operating activities and those used in investing activities, was ¥20.2 billion (US$243 million) for the year ended March 31, 2011, representing a substantial improvement from the negative ¥136.5 billion recorded in the previous fiscal year.

Capital Expenditures



Research and Development Expenses



Net cash provided by financing activities was positive ¥18.0 billion (US$216 million), a significant reduction compared to the previous fiscal year because of a decrease in proceeds from borrowings.

5 Capital Expenditures

In the year ended March 31, 2011, the Companies' capital expenditures totaled ¥98.7 billion (US$1,187 million), which includes investments for new installations and the expansion of manufacturing facilities as well as investments for streamlining existing facilities.

Major investments made in the fiscal year ended March 31, 2011 were in the expansion of manufacturing facilities for polarizing film and color filters in the IT-related Chemicals segment.

Broken out by segment, capital expenditures in the Basic Chemicals segment were ¥13.4 billion (US$161 million), ¥13.7 billion (US$165 million) in the Petrochemicals & Plastics segment, ¥6.6 billion (US$79 million) in the Fine Chemicals segment, ¥27.7 billion (US$333 million) in the IT-related Chemicals segment, ¥12.2 billion (US$147 million) in the Agricultural Chemicals segment, ¥10.0 billion (US$120 million) in the Pharmaceuticals segment, and ¥15.0 billion (US$180 million) in the Others.

6 Research and Development

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

Breakdown of Capital Expenditures

	Billions of yen, %											
Years ended March 31	2006		2007		2008		2009		2010		2011	
New plants and expansions:												
Basic Chemicals	¥ 11.4	9%	¥ 18.7	12%	¥ 13.1	9%	¥ 10.3	8%	¥ 7.6	7%	10.2	10%
Petrochemicals & Plastics	4.2	3	4.3	3	1.3	1	9.3	7	6.6	6	8.9	9
Fine Chemicals	1.9	2	1.9	1	3.1	2	5.5	4	12.9	13	5.4	5
IT-related Chemicals	34.8	28	66.6	42	27.6	19	48.8	36	9.8	10	25.2	26
Agricultural Chemicals	4.0	3	4.7	3	2.1	1	4.1	3	20.0	19	9.8	10
Pharmaceuticals	0.7	1	1.9	1	11.2	8	5.4	4	4.0	4	3.1	3
Others	3.0	2	5.5	3	3.2	2	10.7	8	10.6	10	8.3	8
Total	60.0	48	103.6	65	61.6	42	94.1	70	71.6	69	70.9	71
Rationalization of production processes	6.2	5	6.8	4	5.1	4	6.0	4	5.4	5	4.6	5
Research and development	9.0	7	7.1	4	6.5	5	9.6	7	7.7	8	6.7	7
Others	49.7	40	42.3	27	69.3	49	24.4	19	18.6	18	16.5	17
Total	¥124.9	100%	¥159.8	100%	¥142.5	100%	¥134.1	100%	¥103.2	100%	98.7	100%

At present, the Companies are focusing R&D resources on three areas as part of its 2010-2012 corporate business plan. These areas are: 1) Environment and Energy; 2) Life Science; and 3) ICT (Information & Communication Technology). In addition, the Companies are promoting cross-sectoral projects for the development of new businesses.

R&D expenses were ¥138.1 billion (US$1,661 million), up 17.7 percentage points from the fiscal year ended March 31, 2010, due to the addition of Sunovion.

7 Risk Factors

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

(1) Market and supply

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

(a) The Companies' businesses are exposed to price competition. It is expected that the product lines of the Companies will be exposed to severe price competition for various reasons, such as the participation of foreign enterprises in the domestic market, the inflow of imported products as a result of reductions in tariffs, and the increasing market entry of generic products. Although the Companies are seeking to reduce costs, failure to address price competition may have an adverse effect on operational results and financial condition of the Companies.

(b) Overseas sales of the Companies account for more than 50% of total sales, and sales in the Basic Chemicals and the Petrochemicals and Plastics segments are particularly large, with the Asian market accounting for a significant share. Furthermore, a large proportion of sales in the IT-related Chemicals segment depends on specific customers in Korea and Taiwan, and some of the products in the Fine Chemicals segment are being supplied to specific customers under custom manufacturing arrangements. Given this situation, in the event that the Companies are required to cut prices due to deteriorating economic conditions in the Asian market or changes in the business standing of client enterprises, such circumstances may have an adverse effect on the operational results and financial condition of the Companies.

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

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

(e) Since the speed of technical innovation for products in the IT-related Chemicals segment is extremely 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 in advance, the business results and the financial condition of the Companies may be adversely affected.

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

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

(2) Exchange rate fluctuations

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

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

(3) Interest volatility

With respect to the demand for finance, the Companies determines 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 raises funds by combining, as applicable, both fixed interest rates and floating interest rates. If, however, interest rates rise, the increase in interest expense may have an adverse effect on the operational results and financial condition of the Companies.

(4) Fluctuation in stock market prices

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

(5) Impairment loss

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

(6) Deferred tax assets

The Companies recognize deferred tax assets based on projections for future taxable income. In case projections for future taxable income change, all or a part of the deferred tax assets may be reduced, which is determined unrecoverable, and it may have an adverse effect on the operational results and financial condition of the Companies.

(7) Liability for retirement benefits

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

(8) Overall management

(a) *Overseas business expansion*

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

In the case of the Rabigh Project, US$5.8 billion of the total project costs were raised by Rabigh Refining and Petrochemical Company through bank loans based on the execution of a Project Financing Agreement with a 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 condition of the Company. In case the Company should become liable for damages resulting from contingent circumstances, it has obtained overseas investment insurance covering the total investment, including the stated guaranteed amount, in accordance with the rules and maximum insurance amount of Nippon Export and Investment Insurance, an incorporated administrative agency of the government of Japan.

(b) *Acquisitions and equity alliances*

The Companies are engaging in domestic and international acquisitions and equity alliances with the aim of expanding its business and enhancing its competitiveness. The Companies

however, may not be able to generate the synergies or other positive effects it originally expected due to changes in the business environment surrounding the Companies or its acquisition. Moreover, a decline of the corporate value of the acquisition due to any deterioration in operational results or financial condition of the acquisition may have an adverse effect on the operational results and financial condition of the Companies.

(c) Research and development

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

(d) Intellectual property rights

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

Although such technology and know-how are under strict control by the Companies, there is a possibility that some of the proprietary technologies, products, and know-how of the Companies may be 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 dispute about intellectual property rights in the future, which might result in an outcome against the interests of the Companies.

(e) Quality of products

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

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

(f) Accidents and disasters

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

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

(g) Change in regulations

The Companies 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 financial condition of the Companies. Moreover, there is a possibility that legal restrictions on environment and safety for chemicals may be tightened in the future and the incurrence of additional costs may become necessary to comply with tighter regulations.

(h) Lawsuits

As the Companies' businesses develop in Japan and elsewhere in the world, they remain exposed to the risks of becoming the target of lawsuits, disputes, or other legal procedures, 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 financial condition of the Companies.

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of US dollars (Note 1)
	2011	2010	2011
Assets			
Current assets:			
Cash and cash equivalents (Notes 5, 7 and 19)	¥ 151,609	¥ 120,660	$ 1,823,319
Short-term investments (Note 5)	1,054	3,179	12,676
Securities (Notes 5 and 7)	27,344	10,251	328,851
Trade notes and accounts receivable (Note 5)	413,773	382,477	4,976,224
Inventories (Note 6)	358,146	355,667	4,307,228
Deferred tax assets (Note 15)	53,053	49,462	638,040
Other (Note 5)	95,197	93,728	1,144,882
Allowance for doubtful accounts	(1,832)	(1,964)	(22,032)
Total current assets	1,098,344	1,013,460	13,209,188
Property, plant and equipment (Notes 9 and 12):			
Land	77,220	77,115	928,683
Buildings and structures	538,497	531,637	6,476,212
Machinery and equipment	1,453,092	1,427,937	17,475,550
Construction in progress	44,864	51,949	539,555
	2,113,673	2,088,638	25,420,000
Less accumulated depreciation	(1,561,132)	(1,506,795)	(18,774,889)
Net property, plant and equipment	552,541	581,843	6,645,111
Investments and other assets:			
Investment securities (Notes 5, 7, 8 and 9)	401,046	394,512	4,823,162
Long-term loans (Notes 5 and 20)	51,721	57,489	622,020
Deferred tax assets (Note 15)	20,943	14,827	251,870
Goodwill	79,662	94,737	958,052
Patents (Note 12)	80,273	128,128	965,400
Software	11,362	13,018	136,645
Other (Notes 8, 13 and 20)	72,488	87,712	871,774
Allowance for doubtful accounts	(1,066)	(1,820)	(12,820)
Total investments and other assets	716,429	788,603	8,616,104
Total assets	¥2,367,314	¥2,383,906	$28,470,403

See accompanying notes.

	Millions of yen		Thousands of US dollars (Note 1)
	2011	2010	2011
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 5 and 9)	¥ 258,987	¥ 349,486	$ 3,114,696
Long-term debt due within one year (Notes 5 and 9)	80,121	55,694	963,572
Trade notes and accounts payable (Note 5)	227,987	214,614	2,741,876
Income taxes payable	15,413	15,595	185,364
Other (Note 15)	215,688	232,217	2,593,963
Total current liabilities	798,196	867,606	9,599,471
Long-term liabilities:			
Long-term debt (Notes 5 and 9)	701,226	592,757	8,433,265
Deferred tax liabilities (Note 15)	39,381	29,111	473,614
Retirement benefits (Note 13)	29,454	29,565	354,227
Other	40,171	43,431	483,115
Total long-term liabilities	810,232	694,864	9,744,221
Contingent liabilities (Notes 17 and 20)			
Net assets (Note 16):			
Common stock:			
Authorized — 5,000,000,000 shares			
Issued — 1,655,446,177 shares at March 31, 2011			
1,655,446,177 shares at March 31, 2010	89,699	89,699	1,078,761
Capital surplus	23,695	23,725	284,967
Retained earnings	499,287	490,858	6,004,654
Treasury stock, at cost			
20,744,415 shares at March 31, 2011			
4,578,628 shares at March 31, 2010	(8,747)	(2,760)	(105,195)
Shareholders' equity	603,934	601,522	7,263,187
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	49,918	54,636	600,337
Deferred (losses) gains on hedges	(42)	6	(505)
Land revaluation reserve (Note 18)	3,815	3,815	45,881
Foreign currency translation adjustment	(135,152)	(84,611)	(1,625,400)
Total accumulated other comprehensive income	(81,461)	(26,154)	(979,687)
Minority interests	236,413	246,068	2,843,211
Total net assets	758,886	821,436	9,126,711
Total liabilities and net assets	¥2,367,314	¥2,383,906	$28,470,403

See accompanying notes.

Consolidated Statements of Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of US dollars (Note 1)
	2011	2010	2011
Net sales	¥1,982,435	¥1,620,915	$23,841,672
Cost of sales	1,409,520	1,192,341	16,951,534
Selling, general and administrative expenses	484,958	377,119	5,832,327
Operating income	87,957	51,455	1,057,811
Other income (expenses):			
Interest and dividend income (Note 20)	6,697	7,102	80,541
Interest expenses	(13,016)	(12,073)	(156,536)
Equity in earnings (losses) of affiliates	10,824	(7,002)	130,174
Net loss on foreign currency transactions	(6,615)	(478)	(79,555)
Restructuring charges (Note 14)	(4,067)	(2,671)	(48,912)
Impairment loss (Note 12)	(3,247)	—	(39,050)
Loss on disaster	(1,079)	—	(12,977)
Gain on sale of investment securities	—	9,507	—
Gain on sale of property, plant and equipment	—	1,074	—
Expenses incurred as a result of the revision of personnel plans	—	(1,570)	—
Other, net	(1,756)	(4,047)	(21,117)
Income before income taxes and minority interests	75,698	41,297	910,379
Income taxes (Note 15):			
Current	31,209	25,518	375,334
Deferred	3,637	(14,177)	43,740
	34,846	11,341	419,074
Income before minority interests	40,852	29,956	491,305
Minority interests	16,418	15,233	197,450
Net income	¥ 24,434	¥ 14,723	$ 293,854

	Yen		US dollars (Note 1)
	2011	2010	2011
Net income per share (Note 21)	¥14.86	¥8.92	$0.179
Dilutive net income per share (Note 21)	—	—	—

Dilutive net income per share in 2011 and 2010 are not disclosed because there are no shares that are dilutive.

	Yen		US dollars (Note 1)
	2011	2010	2011
Cash dividends per share (applicable to the year)	¥9.00	¥6.00	$0.108

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of US dollars (Note 1)
	2011	2010	2011
Income before minority interests	¥40,852	¥29,956	$491,305
Other comprehensive income			
Valuation difference on available-for-sale securities	(6,456)	9,563	(77,643)
Deferred (losses) gains on hedges	(55)	1,620	(661)
Foreign currency translation adjustment	(49,823)	12,089	(599,195)
Share of other comprehensive income of associates accounted for using the equity method	(17,360)	2,411	(208,779)
Total other comprehensive income	(73,694)	25,683	(886,278)
Comprehensive income	(32,842)	55,639	(394,973)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(30,739)	36,421	(369,681)
Comprehensive income attributable to minority interests	¥ (2,103)	¥19,218	$ (25,292)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen										
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred (losses) gains on hedges	Land revaluation reserve	Foreign currency translation adjustment	Minority interests	Total net assets
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)
Gain on sale 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
Decrease due to changes in accounting policies applied to affiliates (Note 3)				(837)							(837)
Net income				24,434							24,434
Cash dividends at ¥9.00 per share				(14,868)							(14,868)
Decrease due to changes in scope of consolidation and equity method			(30)	(296)							(326)
Loss on sale of treasury stock				(4)							(4)
Net increase in treasury stock					(5,987)						(5,987)
Other						(4,718)	(48)		(50,541)	(9,655)	(64,962)
Balance at March 31, 2011	1,655,446	¥89,699	¥23,695	¥499,287	¥(8,747)	¥49,918	¥ (42)	¥3,815	¥(135,152)	¥236,413	¥758,886

	Thousands of US dollars (Note 1)									
Balance at March 31, 2010	$1,078,761	$285,328	$5,903,283	$ (33,193)	$657,078	$ 72	$45,881	$(1,017,571)	$2,959,327	$9,878,966
Decrease due to changes in accounting policies applied to affiliates (Note 3)			(10,066)							(10,066)
Net income			293,854							293,854
Cash dividends at ¥9.00 (US$0.11) per share			(178,809)							(178,809)
Decrease due to changes in scope of consolidation and equity method		(361)	(3,560)							(3,921)
Loss on sale of treasury stock			(48)							(48)
Net increase in treasury stock				(72,002)						(72,002)
Other					(56,741)	(577)		(607,829)	(116,115)	(781,263)
Balance at March 31, 2011	$1,078,761	$284,967	$6,004,654	$(105,195)	$600,337	$(505)	$45,881	$(1,625,400)	$2,843,211	$9,126,711

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of US dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 75,698	¥ 41,297	$ 910,379
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—			
Depreciation and amortization	138,688	111,805	1,667,925
Amortization of goodwill	8,321	4,305	100,072
Impairment loss	3,247	—	39,050
Equity in (earnings) losses of affiliates	(1,639)	11,501	(19,711)
Increase (decrease) of provision for retirement benefits and others	5,358	(3,404)	64,438
Interest and dividend income	(6,697)	(7,102)	(80,541)
Interest expenses	13,016	12,073	156,536
Gain on sale of investment securities	—	(9,507)	—
Restructuring charges	3,044	1,206	36,609
Gain on sale of property, plant and equipment	—	(1,074)	—
Increase in notes and accounts receivable	(37,603)	(69,706)	(452,231)
Increase in inventories	(9,397)	(4,212)	(113,013)
Increase in notes and accounts payable	23,513	60,409	282,778
Other, net	(1,792)	12,812	(21,551)
Subtotal	213,757	160,403	2,570,740
Interest and dividends received	6,069	5,407	72,989
Interest paid	(12,900)	(12,103)	(155,141)
Income taxes paid	(30,698)	(20,835)	(369,188)
Net cash provided by operating activities	176,228	132,872	2,119,399
Cash flows from investing activities:			
Acquisition of securities	(23,627)	(6,158)	(284,149)
Proceeds from sale and redemption of securities	21,943	29,601	263,897
Acquisition of investment securities	(59,372)	(9,643)	(714,035)
Proceeds from sale and redemption of investment securities	5,733	32,038	68,948
Acquisition of property, plant and equipment	(100,578)	(119,522)	(1,209,597)
Proceeds from sale of property, plant and equipment	2,182	1,389	26,242
Acquisition of investment in capital of newly consolidated subsidiaries	(879)	—	(10,571)
Acquisition of shares of newly consolidated subsidiaries (Note 19)	(1,339)	(202,044)	(16,103)
Other, net	(50)	4,937	(603)
Net cash used in investing activities	(155,987)	(269,402)	(1,875,971)
Cash flows from financing activities:			
(Decrease) increase in short-term debt	(87,764)	70,111	(1,055,490)
Proceeds from long-term debt	205,142	184,151	2,467,132
Repayments of long-term debt	(70,792)	(76,052)	(851,377)
Repayments of finance lease obligations	(1,234)	(1,170)	(14,841)
Purchase of treasury stocks	(5,999)	(40)	(72,147)
Proceeds from sales of treasury stocks	—	40	—
Cash dividends paid	(14,868)	(4,956)	(178,809)
Cash dividends paid to minority shareholders	(8,847)	(5,334)	(106,398)
Capital contributions from minority shareholders	2,347	1,959	28,226
Net cash provided by financing activities	17,985	168,709	216,296
Effect of exchange rate changes on cash and cash equivalents	(7,663)	1,224	(92,159)
Net change in cash and cash equivalents	30,563	33,403	367,565
Increase in cash and cash equivalents resulting from changes in scope of consolidation	386	1,455	4,642
Cash and cash equivalents at beginning of year	120,660	85,802	1,451,112
Cash and cash equivalents at end of year (Note 19)	¥151,609	¥120,660	$1,823,319

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

1 Basis of Financial Statements

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

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in this 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, 2011, which was ¥83.15 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 146 and 143 significant subsidiaries for the years ended March 31, 2011 and 2010, 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 35 and 37 significant affiliates for the years ended March 31, 2011 and 2010, 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 differences is material.

(b) Foreign currency translation

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

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

(c) Securities

The Companies have no trading securities.

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

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

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

(d) Derivatives and hedge accounting

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

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

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

Change in accounting policy

Previously, inventories of the Company and consolidated domestic subsidiaries were stated at cost determined by the Last-in, First-out method with book value written down to the lower profitability. Effective from the fiscal year ended March 31, 2011, the Company and consolidated domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan ("ASBJ") Statement No.9, issued on September 26, 2008) and stated the inventories mainly at cost determined by the weighted average method with book value written down to the lower profitability.

The effect of this change is immaterial.

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

(h) Lease assets

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

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

(i) Research and development

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses were ¥138,144 million (US$1,661,383 thousand) and ¥117,328 million for the years ended March 31, 2011 and 2010 respectively.

(j) Income taxes

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

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

(k) 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 pension 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 obligations and the fair value of the pension assets.

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

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

Change in accounting policy

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)" (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 pension 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 was 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, compared to the case in which the previous method was applied.

(ii) Directors and corporate auditors:
The liability for directors' and corporate auditors' retirement benefits of certain subsidiaries is provided based on the Companies' standards and ¥955 million (US$11,485 thousand) and ¥1,040 million were included in the other long-term liabilities at March 31, 2011 and 2010, respectively.

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

(m) Reserve for bonuses
To provide for payments for bonuses subsequent to the consolidated year-end date, reserves for bonuses were recorded based on the amounts expected to be paid. ¥23,065 million (US$277,390 thousand) and ¥21,843 million were included in the other current liabilities at March 31, 2011 and 2010, respectively.

(n) Reserve for periodic repairs
The Company and several consolidated subsidiaries provide for the costs of periodic repairs of production facilities at plants. In the consolidated balance sheets ¥10,924 million (US$131,377 thousand) and ¥7,795 million were included in "other current liabilities" and "other long-term liabilities" at March 31, 2011 and 2010, respectively.

(o) Reserve for sales rebates
The reserve for sales rebates mainly related to public programs and contracts with wholesalers is provided based on the amounts expected to be paid subsequent to the consolidated year-end date. ¥15,875 million (US$190,920 thousand) and ¥15,710 million were included in the other current liabilities at March 31, 2011 and 2010, respectively.

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

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

3 Changes in Accounting Policies

(a) Unification of accounting policies applied to associates accounted for using the equity method
Effective from the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounting for Using the Equity Method" (the ASBJ Practical Issues Task Force ("PITF") No.24 issued on March 10, 2008), making necessary adjustments in the consolidation process.
The effect of this change is immaterial.

(b) Accounting standard for asset retirement obligations and its implementation guidance
Effective from the fiscal year ended March 31, 2011, the Company and consolidated domestic subsidiaries adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement obligations" (ASBJ Guidance No.21, issued on March 31, 2008).
The effect of this change is immaterial.

(c) 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 Company and its consolidated domestic subsidiaries 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.

(d) 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.

4 Supplementary Information

Effective March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011. In addition, the Company has presented the consolidated statement of comprehensive income for the fiscal year ended March 31, 2010 as well as that for the fiscal year ended March 31, 2011.

5 Financial Instruments

(a) Status of financial instruments

The Companies procure funds that are required in light of investment plans and other determining factors through bank loans and corporate bonds issuance in order to carry out business inside and outside Japan, and procure short-term working funds through bank loans and commercial 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, and in order to reduce such risks, the Company regularly monitors the business condition, the sales turnover, and the balance of receivables of all business counterparties by business sections of each business segment, reviews the dealing policies according to the company regulation for credit management, and aims at the grasp of customers' credit risks due to deterioration of the financial condition etc. at the early stage and the reduction of the credit risks. Besides, the Company hedges the exchange rate risks of trade notes and accounts receivable denominated in foreign currencies arisen primarily from exporting by utilizing forward foreign exchange contracts within a certain extent in accordance with the company regulation for management of foreign currency risk.

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

Among debts, short-term loans payable and commercial 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 floating interest rates are exposed to the rising interest rate risks, which are hedged by interest rate swap contracts used within a certain extent.

The Companies enter into currency swap contracts to hedge exchange rate risk associated with loans denominated in foreign currencies, 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. The Company and certain consolidated subsidiaries establish the company regulation which stipulates the utilization purpose, policy, authorization and procedures of the derivative transactions and manage the risk arisen from the derivative transactions. Also, the Companies assess effectiveness of the hedge transactions by verifying the hedged items and the corresponding derivatives.

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

(b) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2011 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	¥ 151,609	¥ 151,609	¥ —
Short-term investments	1,054	1,054	—
Trade notes and accounts receivable	413,773	413,773	—
Securities and investment securities			
Held-to-maturity debt securities	1,997	2,004	7
Investment in non-consolidated subsidiaries and affiliates	167,200	248,099	80,899
Available-for-sale securities	174,392	174,392	—
Long-term loans*1	51,817	51,817	—
Assets total	¥ 961,842	¥1,042,748	¥80,906
Short-term debt	258,987	258,987	—
Trade notes and accounts payable	227,987	227,987	—
Long-term debt*1	781,347	793,750	12,403
Liabilities total	¥1,268,321	¥1,280,724	¥12,403
Derivative transactions*2	¥ 331	¥ (612)	¥ (943)

	Thousands of US dollars		
	Book value	Fair value	Difference
Cash and cash equivalents	$ 1,823,319	$ 1,823,319	$ —
Short-term investments	12,676	12,676	—
Trade notes and accounts receivable	4,976,224	4,976,224	—
Securities and investment securities			
Held-to-maturity debt securities	24,017	24,101	84
Investment in non-consolidated subsidiaries and affiliates	2,010,824	2,983,752	972,928
Available-for-sale securities	2,097,318	2,097,318	—
Long-term loans*1	623,175	623,175	—
Assets total	$11,567,553	$12,540,565	$973,011
Short-term debt	3,114,696	3,114,696	—
Trade notes and accounts payable	2,741,876	2,741,876	—
Long-term debt*1	9,396,837	9,546,001	149,164
Liabilities total	$15,253,410	$15,402,573	$149,163
Derivative transactions*2	$ 3,981	$ (7,360)	$ (11,341)

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

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

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 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)

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

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

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

Assets

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

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

Securities and investment securities

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

See the notes on "7 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 for bank loans to estimate fair values, based on marginal borrowing rates as discount rates, and market prices were used for corporate bonds.

Derivative transactions

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

(Note 2): The financial instruments excluded from the table as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Unlisted equity securities	¥69,750	¥74,939	$838,845
Preferred securities	13,001	13,001	156,356
Other	2,050	2,018	24,653

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

(Note 3): Financial assets subject to redemption at maturities subsequent to March 31, 2011 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	¥124,180	¥ —	¥ —	¥ —
Short-term investments	1,054	—	—	—
Trade notes and accounts receivable	412,308	1,465	—	—
Securities and investment securities				
Held-to-maturity debt securities				
Bonds	1,997	—	—	—
Available-for-sale securities				
Government bonds and municipal bonds	2,173	—	—	—
Bonds	13,161	820	—	—
Other bonds	5,660	—	—	51
Other	4,350	—	—	—
Long-term loans*	96	714	175	110
Total	¥564,979	¥2,999	¥175	¥161

	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	$1,493,446	$ —	$ —	$ —
Short-term investments	12,676	—	—	—
Trade notes and accounts receivable	4,958,605	17,619	—	—
Securities and investment securities				
Held-to-maturity debt securities				
Bonds	24,017	—	—	—
Available-for-sale securities				
Government bonds and municipal bonds	26,133	—	—	—
Bonds	158,280	9,862	—	—
Other bonds	68,070	—	—	613
Other	52,314	—	—	—
Long-term loans*	1,155	8,587	2,105	1,322
Total	$6,794,696	$36,068	$2,105	$1,935

* Long-term loan of ¥50,722 million (US$ 610,006) to Rabigh Refining and Petrochemical Company (an affiliated company of the Company) was a subordinated loan subject to the terms and conditions stipulated in the project finance agreement concerning "The Rabigh Project." The loan was not included in the above schedule, because the future cash flows of the said company were uncertain and the repayment schedule could not be determined at the consolidated year-end date.

Financial assets subject to redemption at maturities subsequent to March 31, 2010 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 municipal 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

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

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

6 Inventories

Inventories as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Merchandise and finished goods	¥259,206	¥255,778	$3,117,330
Work in process	12,587	19,485	151,377
Raw materials and supplies	86,353	80,404	1,038,521
Total	¥358,146	¥355,667	$4,307,228

7 Securities

Securities with available fair values included in securities and investment securities as of March 31, 2011 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	¥997	¥1,005	¥8

	Thousands of US dollars		
	Book value	Fair value	Difference
Bonds	$11,990	$12,087	$97

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

	Millions of yen		
	Book value	Fair value	Difference
Bonds	¥1,000	¥999	¥(1)

	Thousands of US dollars		
	Book value	Fair value	Difference
Bonds	$12,027	$12,015	$(12)

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥139,902	¥39,795	¥100,107
Other securities	10,676	10,548	128
Total	¥150,578	¥50,343	¥100,235

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	$1,682,526	$478,593	$1,203,933
Other securities	128,394	126,855	1,539
Total	$1,810,920	$605,448	$1,205,472

(b) Securities with book values not exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 7,793	¥10,006	¥(2,213)
Other securities	11,191	11,443	(252)
Other	4,830	4,849	(19)
Total	¥23,814	¥26,298	¥(2,484)

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	$ 93,722	$120,337	$(26,615)
Other securities	134,588	137,619	(3,031)
Other	58,088	58,316	(228)
Total	$286,398	$316,272	$(29,874)

Total sales of available-for-sales securities

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	¥ 81	¥ 5	¥(27)
Other securities	11,360	31	—
Total	¥11,441	¥36	¥(27)

	Thousands of US dollars		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	$ 974	$ 60	$(325)
Other securities	136,621	373	—
Total	$137,595	$433	$(325)

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)

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)

Total sales of available-for-sales securities

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

8 Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the consolidated balance sheet as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Investment securities	¥221,264	¥184,305	$2,661,022
Other non-current assets	2,656	6,670	31,942
Total	¥223,920	¥190,975	$2,692,964

9 Short-term Debt and Long-term Debt

Interest rates on short-term bank loans ranged from 0.28% to 9.80% and from 0.35% to 11.02% as of March 31, 2011 and 2010, respectively.

Short-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Bank loans	¥154,987	¥271,486	$1,863,945
Commercial paper	104,000	78,000	1,250,751
Total	¥258,987	¥349,486	$3,114,696

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen	Thousands of US dollars
	2011	2011
0.64% Euro notes under medium-term note programs due through 2011	¥ 978	$ 11,762
0.44%-2.14% debentures due through 2020	377,000	4,533,975
0.30%-7.13% long-term bank loans payable due through 2025	403,369	4,851,100
Subtotal	781,347	9,396,837
Less amounts due within one year	(80,121)	(963,572)
Total	¥701,226	$8,433,265

	Millions of yen
	2010
0.88%-1.14% Euro notes under medium-term note programs due through 2010	¥ 2,499
0.44%-2.14% debentures due through 2019	312,118
0.50%-7.13% long-term bank loans payable due through 2024	333,834
Subtotal	648,451
Less amounts due within one year	(55,694)
Total	¥592,757

Long-term debt of redemption at maturities subsequent to March 31, 2011 and 2010 were as follows:

	Millions of yen	Thousands of US dollars
	2011	2011
2012	¥ 80,121	$ 963,572
2013	123,020	1,479,495
2014	114,051	1,371,630
2015	120,904	1,454,047
2016	99,901	1,201,455
2017 and thereafter	243,350	2,926,638
Total	¥781,347	$9,396,837

	Millions of yen
	2010
2011	¥ 55,694
2012	62,013
2013	112,952
2014	93,250
2015	89,225
2016 and thereafter	235,317
Total	¥648,451

As of March 31, 2011 and 2010, assets pledged as collateral for short-term debt, long-term debt and others were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Property, plant and equipment, net of accumulated depreciation	¥22,656	¥23,822	$ 272,471
Investment securities*	61,974	69,799	745,328
Total	¥84,630	¥93,621	$1,017,799
Liabilities secured thereby	¥14,274	¥15,280	$ 171,666

* ¥61,523 million (US$739,904 thousand) and ¥69,345 million of investment securities pledged as collateral for affiliates' debt amounted ¥243,342 million (US$2,926,542 thousand) and ¥272,275 million are subjected to real property at March 31, 2011 and 2010, respectively.

10 Leases

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

Assumed amounts of acquisition cost and accumulated depreciation as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Machinery and equipment	¥1,508	¥3,269	$18,136
Less accumulated depreciation and amortization	(1,249)	(2,486)	(15,021)
Total	¥ 259	¥ 783	$ 3,115

Assumed depreciation charges of ¥505 million (US$6,073 thousand) and ¥906 million for the years ended March 31, 2011 and 2010, respectively, are computed by the straight-line method over the lease terms assuming no residual value.

Lease payment in the years ended March 31, 2011 and 2010 were ¥518 million (US$6,230 thousand) and ¥926 million, respectively.

Obligations under non-capitalized finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Due within one year	¥196	¥512	$2,357
Due after one year	69	279	830
Total	¥265	¥790	$3,187

Obligations under operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Due within one year	¥ 2,124	¥ 1,789	$ 25,544
Due after one year	16,001	12,566	192,435
Total	¥18,125	¥14,355	$217,979

11 Derivative Transactions and Hedge Accounting

The contract amounts and fair values of derivative transactions as of March 31, 2011 were as follows:

Hedge accounting applied

(a) Currency related derivative transactions

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

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥16,791	¥ —	¥224
EUR	398	—	2
Other	209	—	8
Buy contracts			
NZD	1,732	—	(10)
USD	365	—	(12)
Other	10,629	—	146
Currency swap contract			
Pay USD, receive JPY	1,011	—	9
Total	¥31,135	¥ —	¥367

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	$201,936	$ —	$2,694
EUR	4,787	—	24
Other	2,514	—	96
Buy contracts			
NZD	20,830	—	(120)
USD	4,390	—	(144)
Other	127,828	—	1,756
Currency swap contract			
Pay USD, receive JPY	12,159	—	108
Total	$374,444	$ —	$4,414

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 "5 Financial Instruments."

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥24,565	¥ —	¥ —
EUR	1,865	—	—
Other	171	—	—
Buy contracts			
USD	4,900	—	—
Other	41	—	—
Total	¥31,542	¥ —	¥ —

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	$295,430	$ —	$ —
EUR	22,429	—	—
Other	2,057	—	—
Buy contracts			
USD	58,930	—	—
Other	493	—	—
Total	$379,339	$ —	$ —

(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	¥73,691	¥49,400	¥(943)

	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	$886,242	$594,107	$(11,341)

(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	¥13,995	¥5,749	¥(1,433)
Buy contracts			
Metals	9,096	1,415	1,397
Total	¥23,091	¥7,164	¥ (36)

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	$168,310	$69,140	$(17,234)
Buy contracts			
Metals	109,393	17,017	16,801
Total	$277,703	$86,157	$ (433)

The contract amounts and fair values 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

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 "5 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	¥ —	¥ —

(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)

(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)

(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)

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.

12 Impairment Loss

The Companies recognized impairment losses on fixed assets for the year ended March 31, 2011 as follows:

Location	Usage purpose	Type of assets	Millions of yen 2011	Thousands of US dollars 2011
U.S.	Exclusive rights with respect to pharmaceuticals	Patents	¥2,180	$26,218
Osaka, Japan	Idle assets	Buildings, machinery and equipment etc.	274	3,295
Mie, Japan	Idle assets	Buildings, machinery and equipment etc.	792	9,525
Total			¥3,247	$39,050

The Companies group business assets based on business segments (of these assets, certain intangible assets are grouped individually based on single asset), and idle assets based on single asset. A certain consolidated subsidiary assessed patents, recoverability of which deemed to be lacking in future profitability at zero. The idle assets are normally written down to recoverable amounts which are measured at net realizable value, while these idle assets were assessed according to their memorandum prices in light of the low likelihood that they could be sold.

No impairment loss on fixed assets was recognized for the year ended March 31, 2010.

13 Retirement Benefits

The liabilities for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Projected retirement benefit obligation	¥(265,942)	¥(266,908)	$(3,198,340)
Plan assets	265,050	270,531	3,187,612
Funded status (Unfunded retirement benefit obligation)	(892)	3,623	(10,728)
Unrecognized actuarial differences	35	6,301	421
Unrecognized prior service cost	225	(409)	2,706
Net amount recognized	(632)	9,515	(7,601)
Prepaid pension expense	28,822	39,080	346,626
Provision for employees' retirement benefits	¥ (29,454)	¥ (29,565)	$ (354,227)

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

Net periodic costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Service cost	¥ 9,892	¥10,727	$118,966
Interest cost	5,378	4,174	64,678
Expected return on retirement benefit plan assets	(5,539)	(3,442)	(66,615)
Amortization of actuarial differences	13,376	19,095	160,866
Amortization of prior service cost	(405)	(309)	(4,871)
Net periodic cost	22,702	30,245	273,024
Other	2,625	726	31,570
Total	¥25,327	¥30,971	$304,594

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

	2011	2010
Discount rate	2.1%	2.1%
Expected return rate for plan assets	2.1%	1.2%
Amortization period for actuarial differences	3 years	3 years
Amortization period for prior service cost	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.

14 Restructuring Charges

Restructuring charges for the years of 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Loss on disposal of property, plant and equipment	¥3,473	¥2,671	$41,768
Loss on investments in related companies	594	—	7,144
Total	¥4,067	¥2,671	$48,912

15 Deferred Taxes

Main components of deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Tax loss carryforwards	¥ 66,579	¥ 72,723	$ 800,710
Depreciation and amortization	21,512	26,703	258,713
Retirement benefits	19,935	17,927	239,747
Prepaid research and development expenses	12,066	14,065	145,111
Accrued bonuses	8,445	8,050	101,563
Tax credit for research and development expenses	8,309	10,793	99,928
Inventories	7,252	6,939	87,216
Impairment loss on fixed assets	6,420	7,056	77,210
Unrealized intercompany profit	4,447	4,401	53,482
Allowance for repairs	4,266	3,024	51,305
Other	30,958	30,156	372,315
Subtotal	190,189	201,837	2,287,300
(Valuation allowance)	(61,639)	(44,817)	(741,299)
Total deferred tax assets	128,550	157,020	1,546,001
Unrealized gains on investment securities	(38,354)	(42,081)	(461,263)
Valuation differences due to an application of purchase accounting method	(29,505)	(46,344)	(354,841)
Prepaid pension expenses	(11,587)	(14,885)	(139,351)
Deferred gain on property, plant and equipment	(5,883)	(6,376)	(70,752)
Gain on contribution of securities to retirement benefit trust	(3,321)	(5,909)	(39,940)
Other	(5,856)	(7,075)	(70,425)
Total deferred tax liabilities	(94,506)	(122,670)	(1,136,572)
Net deferred tax assets	¥ 34,044	¥ 34,350	$ 409,429

Main items in the reconciliations of the normal income tax rate to the effective income tax rate for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Statutory income tax rate in Japan	40.7%	40.7%
Permanently non-deductible expenses	2.9	4.9
Permanently non-taxable dividends received	(1.2)	(2.0)
Equity in (earnings) losses earnings of affiliates	(5.8)	6.9
R&D expenses deductible from income taxes	(6.2)	(9.6)
Change in valuation allowance	22.2	(11.8)
Other	(6.6)	(1.6)
Effective income tax rate	46.0%	27.5%

16 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 11, 2011, year-end cash dividends amounting to ¥9,814 million (US$118,028 thousand) were resolved. Such distributions were not accrued in the consolidated financial statements as of March 31, 2011 and recognized in the period in which they were resolved.

17 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, 2011 and 2010, the Companies were contingently liable as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
As guarantor of project completion	¥243,342	¥272,349	$2,926,542
As guarantor of indebtedness	3,875	5,920	46,603
Total	¥247,217	¥278,269	$2,973,145

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 ¥243,342 million (US$2,926,542 thousand) and ¥272,275 million for the years ended March 31, 2011 and 2010, respectively. The Company also guaranteed payment to the EPC contracts for construction regarding "The Rabigh Project." The amount guaranteed was ¥74 million for the year ended March 31, 2010.

18 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.

19 Supplementary Cash Flow Information

(a) Cash and cash equivalents

As of March 31, 2011 and 2010, cash and cash equivalents were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Cash	¥ 82,692	¥ 67,746	$ 994,492
Cash equivalents	68,917	52,914	828,827
Total	¥151,609	¥120,660	$1,823,319

(b) Significant non-cash transaction

For the year ended March 31, 2011, there were no significant non-cash transactions.

For the year ended March 31, 2010, significant non-cash transaction is as follows:

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 and ¥92,210 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 Sepracor Inc., net of cash acquired, respectively.

	Millions of yen
Current assets	¥ 93,392
Non-current assets	143,446
Goodwill	82,986
Current liabilities	(83,182)
Long-term liabilities	(9,028)
Net assets acquired	227,614
Cash and cash equivalent of Sepracor Inc.	(26,965)
Payment for acquisition of Sepracor Inc., net of cash acquired	¥200,649

20 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, 2011 and 2010 were summarized as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Interest and dividend income	1,016	1,416	12,219

The balances due to or from Rabigh Refining and Petrochemical Company as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
	2011	2010	2011
Contingent liabilities	¥243,342	¥272,349	$2,926,542
Pledged assets	243,342	272,275	2,926,542
Long-term loans	50,722	56,754	610,006
Accrued interest receivable	3,207	2,464	38,569

Financial summary of Rabigh Refining and Petrochemical Company, a significant affiliated company, for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
Balance Sheets	2011	2010	2011
Current assets	¥265,863	¥ 220,199	$3,197,390
Non-current assets	762,619	1,063,119	9,171,606
Current liabilities	296,924	279,019	3,570,944
Long-term liabilities	557,181	811,588	6,700,914
Net assets	¥174,377	¥ 192,711	$2,097,138

	Millions of yen		Thousands of US dollars
Statements of Operations	2011	2010	2011
Net sales	¥1,098,348	¥736,156	$13,209,236
Income (loss) before income taxes	4,897	(35,858)	58,894
Net income (loss)	4,897	(35,858)	58,894

21 Net Income per Share

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of US dollars
Income (Numerator)	2011	2010	2011
Net income – basic	¥24,434	¥14,723	$293,854
Net income – diluted	—	—	—

	Number of shares	
Shares (Denominator)	2011	2010
Average shares – basic	1,644,240,638	1,650,888,664
Average shares – diluted	—	—

	Yen		US dollars
Net income per share	2011	2010	2011
Basic	¥14.86	¥8.92	$0.179
Diluted	—	—	—

22 Segment Information

(a) General information about reported segments

Each reported segment of the Companies is the business unit within the Companies, and the discrete financial information is able to obtain. Reported segments are reviewed regularly at the Board of Directors Meeting in order to determine distribution of management resources and evaluate business results by each reported segment.

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

The Companies consist of six segments identified by products and services, including "Basic Chemicals," "Petrochemicals & Plastics," "Fine Chemicals," "IT-related Chemicals," "Agricultural Chemicals" and "Pharmaceuticals."

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

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

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

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

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

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

Segment information as of and for the fiscal year ended March 31, 2011 is as follows:

Millions of yen

	Segment information by product group									
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Total	Others	Adjustments	Consolidated
Year ended March 31, 2011										
Revenue from customers	¥248,498	¥649,885	¥ 88,910	¥322,287	¥215,765	¥365,875	¥1,891,220	¥ 91,215	¥ —	¥1,982,435
Inter-segment revenues and transfers	12,245	9,449	9,517	5,454	1,634	8	38,307	50,445	(88,752)	—
Total sales	260,743	659,334	98,427	327,741	217,399	365,883	1,929,527	141,660	(88,752)	1,982,435
Segment profit	¥ 21,269	¥ 11,130	¥ 90	¥ 26,138	¥ 22,365	¥ 26,939	¥ 107,931	¥ 5,807	¥(25,781)	¥ 87,957
Assets	¥219,905	¥555,254	¥120,959	¥249,005	¥304,182	¥635,771	¥2,085,076	¥218,712	¥ 63,526	¥2,367,314
Depreciation and amortization	14,705	18,396	10,323	20,168	15,431	42,879	121,902	7,451	9,335	138,688
Amortization of goodwill	227	—	—	113	2,805	4,037	7,182	8	1,131	8,321
Investment on affiliates applied to the equity method	9,228	88,464	—	488	54,050	10,176	162,406	57,159	—	219,565
Expenditure for addition to tangible and intangible assets	13,396	13,719	6,615	27,749	12,237	9,970	83,686	8,383	6,650	98,719

Thousands of US dollars

	Segment information by product group									
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Total	Others	Adjustments	Consolidated
Year ended March 31, 2011										
Revenue from customers	$2,988,551	$7,815,815	$1,069,272	$3,875,971	$2,594,889	$4,400,181	$22,744,678	$1,096,993	$ —	$23,841,672
Inter-segment revenues and transfers	147,264	113,638	114,456	65,592	19,651	96	460,698	606,675	(1,067,372)	—
Total sales	3,135,815	7,929,453	1,183,728	3,941,563	2,614,540	4,400,277	23,205,376	1,703,668	(1,067,372)	23,841,672
Segment profit	$ 255,791	$ 133,854	$ 1,082	$ 314,348	$ 268,972	$ 323,981	$ 1,298,028	$ 69,837	$ (310,054)	$ 1,057,811
Assets	$2,644,678	$6,677,739	$1,454,708	$2,994,648	$3,658,232	$7,646,073	$25,076,078	$2,630,332	$ 763,993	$28,470,403
Depreciation and amortization	176,849	221,239	124,149	242,550	185,580	515,683	1,466,050	89,608	112,267	1,667,925
Amortization of goodwill	2,730	—	—	1,359	33,734	48,551	86,374	96	13,602	100,072
Investment on affiliates applied to the equity method	110,980	1,063,909	—	5,869	650,030	122,381	1,953,169	687,420	—	2,640,589
Expenditure for addition to tangible and intangible assets	161,106	164,991	79,555	333,722	147,168	119,904	1,006,446	100,818	79,976	1,187,240

(Note 1): "Others" presents businesses such as supplying electrical power and steam, providing services for the design, engineering and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which are not included in reported segments.

(Note 2): Adjustments amounts were as follows.

(i) Adjustments amount of ¥(25,781) million (US$(310,054) thousand) for segment profit included inter-segment elimination of ¥(762) million (US$(9,164) thousand) and corporate expenses of ¥(25,019) million (US$(300,890) thousand) unallocated to each reported segment. Corporate expenses were mainly R&D expenses for company-wide research, which are not attributed to reported segments.

(ii) Adjustments amount of segment assets was ¥63,526 million (US$763,993 thousand), which included ¥(127,311) million (US$(1,531,100) thousand) eliminations of inter-segment receivables and assets, and ¥190,837 million (US$2,295,093 thousand) of corporate assets unallocated to each reported segment. Corporate assets mainly consist of cash and deposits, investment securities, deferred tax assets and the assets related to R&D activities for company-wide research.

(iii) Adjustment amount of depreciation and amortization was ¥9,335 million (US$112,267 thousand), mainly related to the assets arising from R&D activities for company-wide research unallocated to each reported segment.

(iv) Adjustment amount of amortization of goodwill was ¥1,131 million (US$13,602 thousand), related to the goodwill arising from R&D activities for company-wide research unallocated to each reported segment.

(v) Adjustments amount of expenditure for addition to tangible and intangible assets was ¥6,650 million (US$79,976 thousand), mainly contributed in R&D activities for company-wide research unallocated to each reported segment.

(Note 3): Segment profit is adjusted against operating income of consolidated statements of income.

(Note 4): Depreciation and expenditure of long-term advanced payments are included in depreciation and amortization, and expenditure for addition to tangible and intangible assets, respectively.

Segment information as of and for the fiscal year ended March 31, 2010, which is restated in conformity with the requirements of the Standard, is as follows:

	Millions of yen									
	Segment information by product group									
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Total	Others	Adjustments	Consolidated
Year ended March 31, 2010										
Revenue from customers	¥203,294	¥481,529	¥ 86,713	¥265,226	¥211,546	¥267,464	¥1,515,772	¥105,143	¥ —	¥1,620,915
Inter-segment revenues and transfers	7,782	9,160	10,531	5,202	1,681	20	34,376	60,544	(94,920)	—
Total sales	211,076	490,689	97,244	270,428	213,227	267,484	1,550,148	165,687	(94,920)	1,620,915
Segment profit (loss)	¥ 1,328	¥ (247)	¥ 3,579	¥ 6,304	¥ 29,264	¥ 29,889	¥ 70,117	¥ 6,714	¥(25,376)	¥ 51,455
Assets	¥218,174	¥549,678	¥125,461	¥241,433	¥251,884	¥673,665	¥2,060,295	¥233,045	¥ 90,566	¥2,383,906
Depreciation and amortization	13,950	19,370	7,293	23,143	10,594	20,319	94,669	8,263	8,873	111,805
Amortization of goodwill	203	10	—	17	1,992	866	3,088	10	1,207	4,305
Investment on affiliates applied to the equity method	9,263	101,604	—	508	4,283	10,079	125,737	57,802	—	183,539
Expenditure for addition to tangible and intangible assets	12,368	14,353	17,779	11,529	23,159	7,809	86,997	8,583	7,667	103,247

(Note 1): "Others" presents businesses such as supplying electrical power and steam, providing services for the design, engineering and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which are not included in reported segments.

(Note 2): Adjustments amounts were as follows.

(i) Adjustments amount of ¥(25,376) million for segment profit or loss included inter-segment elimination of ¥(206) million and corporate expenses of ¥(25,170) million unallocated to each reported segment. Corporate expenses were mainly R&D expenses for company-wide research, which are not attributed to reported segments.

(ii) Adjustments amount of segment assets was ¥90,566 million, which included ¥(106,721) million eliminations of inter-segment receivables and assets, and ¥197,287 million of corporate assets unallocated to each reported segment. Corporate assets mainly consist of cash and deposits, investment securities, deferred tax assets and the assets related to R&D activities for company-wide research.

(iii) Adjustment amount of depreciation and amortization was ¥8,873 million, mainly related to the assets arising from R&D activities for company-wide research unallocated to each reported segment.

(iv) Adjustment amount of amortization of goodwill was ¥1,207 million, related to the goodwill arising from R&D activities for company-wide research unallocated to each reported segment.

(v) Adjustments amount of expenditure for addition to tangible and intangible assets was ¥7,667 million, mainly contributed in R&D activities for company-wide research unallocated to each reported segment.

(Note 3): Segment profit or loss is adjusted against operating income of consolidated statements of income.

(Note 4): Depreciation and expenditure of long-term advanced payments are included in depreciation and amortization, and expenditure for addition to tangible and intangible assets, respectively.

Supplementary information

Effective from the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

Related information

(a) Information about geographic areas

(i) Revenues

	Millions of yen			
	Japan	China	Other	Total
Year ended March 31, 2011	¥925,717	¥318,327	¥738,391	¥1,982,435

	Thousands of US dollars			
	Japan	China	Other	Total
Year ended March 31, 2011	$11,133,097	$3,828,346	$8,880,229	$23,841,672

(Note): Revenues are classified by country and region based on customer location.

(ii) Tangible fixed assets

	Millions of yen		
	Japan	Other	Total
Year ended March 31, 2011	¥396,656	¥155,885	¥552,541

	Thousands of US dollars		
	Japan	Other	Total
Year ended March 31, 2011	$4,770,367	$1,874,744	$6,645,111

(b) Information about major customers

No information is shown because the Companies have no over 10% of the amount of consolidated net sales to a certain external customer.

Information about impairment loss of fixed assets by reported segments

	Millions of yen								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2011									
Impairment loss	¥—	¥—	¥—	¥—	¥—	¥3,247	¥—	¥—	¥3,247

	Thousands of US dollars								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2011									
Impairment loss	$—	$—	$—	$—	$—	$39,050	$—	$—	$39,050

Information about unamortized balance of goodwill by reported segments

	Millions of yen								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2011									
Unamortized balance of goodwill	¥181	¥—	¥—	¥440	¥6,823	¥70,370	¥12	¥1,836	¥79,662

	Thousands of US dollars								
	Basic Chemicals	Petrochemicals & Plastics	Fine Chemicals	IT-related Chemicals	Agricultural Chemicals	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2011									
Unamortized balance of goodwill	$2,177	$—	$—	$5,292	$82,057	$846,302	$143	$22,081	$958,052

(Note): "Corporate & Elimination" presents the balance of goodwill related to R&D activities for company-wide research expenses unallocated to each reported segment.

23 Business Combination

For the year ended March 31, 2011, no items are applicable to be stated.

For the year ended March 31, 2010, acquisition of Sepracor Inc. is as follows:

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 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
Current assets	¥ 93,392
Non-current assets	226,432
Current liabilities	(83,182)
Long-term liabilities	(9,028)
Net assets acquired	¥227,614

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
Net sales	¥96,700
Income before income taxes and minority interests	(14,700)
Net income	(7,900)

	Yen
Net income per share	¥(4.79)

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.

24 Subsequent Events

Dividend declaration

At the Board of Directors meeting of the Company held on May 11, 2011, year-end cash dividends were resolved as follows:

	Millions of yen	Thousands of US dollars
Cash dividends at ¥6.00 (US$0.072) per share	¥9,814	$118,028

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, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended 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 financial position of Sumitomo Chemical Company, Limited and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 3(d) 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(b) to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
June 23, 2011

Subsidiaries and Affiliates

(As of March 31, 2011)

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 products and catalyst	100.0	+81-897-33-8541	+81-897-33-6005
	Chiba Styrene Monomer Limited Company	Styrene monomer and ethyl benzene	40.0	+81-3-5290-5310	+81-3-5290-5083
	Dainippon Sumitomo Pharma Co., Ltd.*1	Ethical pharmaceuticals	50.2	+81-6-6203-5321	+81-6-6202-6028
	Dow Kakoh K.K.	Extruded polystyrene foam	35.0	+81-3-5460-2351	+81-3-5460-2390
	Inabata & Co., Ltd.*1	Electronics materials and equipment, chemicals, plastics, etc.	21.3	+81-6-6267-6051	+81-6-6267-6042
	Japan Exlan Co., Ltd.	Functional acrylic fibers	20.0	+81-6-6348-4327	+81-6-6348-4168
	Japan-Singapore Petrochemicals Co., Ltd.	Equity holder in Petrochemical Corporation of Singapore (Pte.) Ltd.	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.*1 *2	Formaldehydes and pyridines	56.1*3	+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.	Materials for agricultural use, support for farmers	100.0	+81-3-5651-0873	+81-3-5651-0874
	Nihon Green & Garden Corporation	Crop protection chemicals, materials for golf courses, etc.	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	+81-3-5159-1605
	Nihon Singapore Polyolefin Co., Ltd.	Equity holder in The Polyolefin Company (Singapore) Pte. Ltd.	95.7	+81-3-5543-5319	+81-3-5543-5911
	Nippon A&L Inc.	ABS resin and SBR latex	85.2	+81-6-6220-3633	+81-6-6220-3699
	O.L.S. Corp.	Polarizing film	50.0	+81-3-5543-5820	+81-3-5543-5919
	Rainbow Chemical Co., Ltd.	Horticultural materials	87.1	+81-3-6740-7777	+81-3-6740-7000
	SanTerra Co., Ltd.	Films for agricultural use	87.3*3	+81-3-5632-3130	+81-3-5632-3131
	Shinto Paint Co., Ltd.*1	Paints	45.2*3	+81-6-6426-3355	+81-6-6429-6188
	Sumika Acryl Co., Ltd.	Sales of acrylic sheet	100.0	+81-3-5542-8630	+81-3-5542-8640
	Sumika Agrotech Co., Ltd.	Agricultural and horticultural materials and seeding	100.0	+81-6-6204-1245	+81-6-6204-1207
	Sumika Bayer Urethane Co., Ltd.	Polyurethane raw materials	40.0	+81-6-6133-6100	+81-6-6344-2730
	Sumika Chemical Analysis Service, Ltd.	Analysis services of chemical substances, and instrument sales	100.0	+81-6-6202-1810	+81-6-6202-0115
	Sumika Chemtex Co., Ltd.	Dyestuffs and functional chemicals	100.0	+81-6-6466-5146	+81-6-6466-5457
	Sumika Color Co., Ltd.	Organic pigments, color compounds for various polymers	88.2*3	+81-6-6205-4300	+81-6-6205-4301
	Sumika Enviro-Science Co., Ltd.	Public hygiene materials	100.0	+81-798-38-2330	+81-798-38-2325
	Sumika Finance Co., Ltd.	Financing	100.0	+81-3-5543-5163	+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, pet care products	100.0	+81-6-6220-3640	+81-6-6220-3644
	Sumika Plastech Co., Ltd.	Industrial and housing materials	100.0	+81-3-5543-5438	+81-3-5543-5935
	Sumika Real Estate Co., Ltd.	Real 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 Bakelite Co., Ltd.*1	Semiconductors, display materials, etc.	21.8	+81-3-5462-4111	+81-3-5462-4874

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
	Sumitomo Chemical Garden Products Co., Ltd.	Horticultural materials	100.0	+81-3-3270-9758	+81-3-3270-9779
	Sumitomo Chemical Engineering Co., Ltd.	Planning, engineering, procurement, construction, commissioning and maintenance of industrial equipment	100.0	+81-43-299-0200	+81-43-299-0210
	Sumitomo Chemical System Service Co., Ltd.	Information system consultant, development, operation, and maintenance	100.0	+81-3-5543-5201	+81-3-5543-5997
	Sumitomo Dow Ltd.*4	Polycarbonates	50.0	+81-3-5644-4750	+81-3-5644-4821
	Sumitomo Joint Electric Power Co., Ltd.	Supply of electricity and steam	52.5	+81-897-37-2142	+81-897-32-9862
	Sumitomo Seika Chemicals Co., Ltd.*1	Industrial chemicals and organic sulfur compounds	30.7*3	+81-6-6220-8508	+81-6-6220-8541
	Taoka Chemical Co., Ltd.*1 *5	Pharmaceutical intermediates, adhesives, and dyestuffs	51.0*3	+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	100.0*3	+81-3-5565-3161	+81-3-5565-3164
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*3	+65-6867-2000	+65-6867-9274
	Singapore Methyl Methacrylate Pte. Ltd.	MMA monomer and polymer	100.0	+65-6296-8183	+65-6295-2765
	Sumitomo Chemical Asia Pte. Ltd.	Sales of petrochemical products	100.0	+65-6303-5188	+65-6298-9621
	Sumitomo Chemical Singapore Pte. Ltd.	MMA monomer and polymer, crop protection chemicals, IT-related chemicals, and other products	100.0	+65-6296-8183	+65-6295-2765
	The Polyolefin Company (Singapore) Pte. Ltd.	Polyethylene and polypropylene	67.0*3	+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.	Feed additives and high performance greenhouse films	80.0	—	—
	NOC Asia Limited	Sales of propylene oxide	60.0	+852-3180-7707	+852-3180-2299
	Shanghai Lifetech Household Products Co., Ltd.	Products relating to household insecticides	100.0*3	+86-21-5159-3281	+86-21-5159-3282
	Sumitomo Chemical Shanghai Co., Ltd.	Crop protection chemicals, feed additives, and environmental health products	100.0	+86-21-6881-7700	+86-21-6880-0188
	Sumika Electronic Materials (Hefei) Co., Ltd.	Processing chemicals for LCD panels, other LCD and semiconductor-related materials	100.0	—	—
	Sumika Electronic Materials (Shanghai) Co., Ltd.	Polarizing film	100.0	+86-21-5046-2296	+86-21-5046-3133
	Sumika Electronic Materials (Shenzhen) Co., Ltd.	Business and technical assistance for IT-related materials	100.0	—	—
	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 (Shanghai) Corporation	Sales of IT-related chemicals	100.0	+86-21-3250-6600	+86-21-3250-5756

Sector: Basic Chemicals Petrochemicals & Plastics Fine Chemicals*6 IT-related Chemicals Agricultural Chemicals*7 Pharmaceuticals Others

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
China					
	Sumika Huabei Electronic Materials (Beijing) Co., Ltd.	Polarizing film and other components used in LCD panels	100.0	—	—
	Zhuhai Sumika Polymer Compounds Co., Ltd.	Polypropylene compounds	55.0	+86-756-5655-689	+86-756-5655-690
India					
	SC Enviro Agro India Private Limited	Household insecticides and crop protection chemicals	100.0	+91-25-2527-2172	+91-25-2527-2158
	Sumitomo Chemical India Private Limited	Crop protection chemicals and household insecticides	100.0	+91-22-2289-2610	+91-22-2289-2600
South Korea					
	Dongwoo Fine-Chem Co., Ltd.	Fine and IT-related chemicals	92.9	+82-2-6250-1111	+82-2-6250-1032
	LG MMA Corp.	MMA monomer and polymer	25.0	+82-3-3770-1201	+82-3-3770-1209
	Sumitomo Chemical Agro Seoul, Ltd.	Crop protection chemicals, household insecticides, and feed additives	100.0	+82-2-558-4814	+82-2-558-5471
Malaysia					
	Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.	R&D center for crop protection chemicals	100.0	+60-6-679-3711	+60-6-679-3698
Taiwan					
	Sumika Technology Co., Ltd.	Polarizing film	85.0	+886-6-505-3456	+886-6-505-2521
	Sumipex TechSheet Co., Ltd.	MMA sheet	100.0	+886-7-365-8126	+886-7-365-8136
	Sumitomo Chemical Taiwan Co., Ltd.	Crop protection chemicals	100.0	+886-2-2506-4528	+886-2-2506-4551
Thailand					
	Bara Chemical Co., Ltd.	Resins and rubber chemicals	55.0	+66-2-709-4598	+66-2-323-9997
	Sumika Polymer Compounds (Thailand) Co., Ltd.	Polypropylene compounds	55.0	+66-38-989-174	+66-38-989-178
	Sumipex (Thailand) Co., Ltd.	MMA sheet	51.0	+66-2-632-1820	+66-2-632-1831
Vietnam					
	Sumitomo Chemical Vietnam Co., Ltd.	Crop protection chemicals	100.0	+84-8-3740-7572	+84-8-3740-7573
Australia					
	Sumitomo Chemical Australia Pty. Ltd.	Crop protection chemicals and environmental health products	100.0	+61-2-8752-9000	+61-2-8752-9099
	Nufarm Ltd.	Crop protection chemicals	20.0	+61-3-9282-1000	+61-3-9282-1001
New Zealand					
	New Zealand Aluminium Smelters Ltd.	Aluminum ingots	20.6	+64-4-471-1527	+64-4-472-8041
United States					
	Dainippon Sumitomo Pharma America Holdings, Inc.	Equity holder in Sunovion Pharmaceuticals Inc.	100.0*3	+1-508-481-6700	+1-508-481-7683
	McLaughlin Gormley King Company	Marketing of household insecticides	32.9	+1-763-544-0341	+1-763-544-6437
	Phillips Sumika Polypropylene Co.	Polypropylene	40.2*3	+1-832-813-4846	+1-832-813-4175
	Sunovion Pharmaceuticals Inc.	Ethical pharmaceuticals	100.0*3	+1-508-481-6700	+1-508-481-7683
	Sumitomo Chemical America, Inc.	Chemical products	100.0	+1-212-572-8200	+1-212-572-8234
	Sumitomo Chemical Capital America, Inc.	Financing	100.0	—	—
	Sumika Electronic Materials, Inc.	MOEPI wafers and other IT-related materials	100.0	+1-602-659-2500	+1-602-438-2277
	Sumika Polymers America Corp.	Equity holder in Phillips Sumika Polypropylene Co.	100.0*3	+1-212-207-0600	+1-212-207-0607
	Sumika Polymer Compounds America, Inc.	Polypropylene compounds	55.0	+1-770-227-6400	+1-770-227-6411
	Valent Biosciences Corp.	Crop protection chemicals	100.0*3	+1-847-968-4700	+1-847-968-4806
	Valent U.S.A. Corp.	Crop protection chemicals	100.0	+1-925-256-2700	+1-925-256-2776

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
Mexico					
■	Valent de Mexico, S.A. de C.V.	Crop protection chemicals	100.0*3	+52-333-110-01-62	+52-333-110-17-54
Brazil					
■	Sumitomo Chemical do Brasil Representações Limitada	Crop protection chemicals, household insecticides, and feed additives	100.0	+55-11-3174-0355	+55-11-3174-0377
Saudi Arabia					
■	Rabigh Conversion Industry Management Services Company	Management of industrial park	100.0*3	+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.*8	Chemical products	100.0*3	+32-2-251-0650	+32-2-251-2991
France					
■	Philagro France S.A.S.	Crop protection chemicals	60.0*3	+33-4-7864-3227	+33-4-7847-7128
■	Philagro Holding S.A.	Equity holder in Philagro France S.A.S.	60.0	+33-4-7864-3227	+33-4-7847-7128
■	Sumitomo Chemical Agro Europe S.A.S.	Crop protection chemicals	100.0	+33-4-7864-3260	+33-4-7847-2545
Italy					
■	Sumitomo Chemical Italia S.r.l.	Crop protection chemicals	100.0	+390-2-45280-1	+390-2-45280-210
Slovakia					
■	Dongwoo Fine-Chem Slovakia s.r.o.	Polarizing film and light-diffusion plates	100.0	+421-33-593-6537	—
Spain					
■	Kenogard S.A.	Crop protection chemicals	75.0	+34-93-488-1270	+34-93-488-1889
United Kingdom					
■	Cambridge Display Technology, Ltd.	R&D and licenses in PLED displays and materials	100.0*3	+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 panel	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*6 ■ IT-related Chemicals ■ Agricultural Chemicals*7 ■ Pharmaceuticals ■ Others

*1 Companies listed on the stock exchange
*2 Koei Chemical Co., Ltd. has been transferred to Health & Crop Sciences sector as of April 1, 2011.
*3 This ratio includes shares held by our subsidiaries
*4 Renamed Sumika Styron Polycarbonate Limited as of April 1, 2011.
*5 Taoka Chemical Co., Ltd. has been transferred to Basic Chemicals sector as of April 1, 2011.
*6 As of April 1, 2011, we have eliminated our Fine Chemicals sector.
*7 As of April 1, 2011, we have changed the name of our Agricultural Chemicals sector to "Health & Crop Sciences."
*8 Sumitomo Chemical Europe S.A./N.V. has been transferred to Others sector as of April 1, 2011.

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

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

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

Educational Support for the Leaders of Tomorrow

For Africa to achieve development, it is critical to provide local people with education. African countries, however, have a shortage of schools and a great number of children have to study outdoors or in overcrowded classrooms. 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.

SUMITOMO CHEMICAL COMPANY, LIMITED

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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