

Change and Innovation

Annual Report 2014



Creative Hybrid Chemistry For a Better Tomorrow

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

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



Business Philosophy

1

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

2

We work to contribute to society through our business activities.

3

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





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Forward-looking Statements

Statements made in this annual report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Sumitomo Chemical cautions that a number of factors could cause actual results to differ materially from such statements including, but not limited to, general economic conditions in Sumitomo Chemical's markets; demand for, and competitive pricing pressure on, Sumitomo Chemical's products in the marketplace; Sumitomo Chemical's ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.

Sumitomo Chemical's Origin and Business

Sumitomo Chemical's business dates back to 1913, when the Company was founded to manufacture fertilizer using hazardous sulfur dioxide extracted from exhaust gas generated in copper smelting operations. Thus, Sumitomo Chemical, got its start as a company committed to overcoming environmental problems while actively contributing to the development of agriculture.

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.

History of Creating Social Value

1988

Launches retardation film Sumikalight®

1958

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



Ehime Works

1965

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



Chiba Works

1984

Starts operation of petrochemical complex in Singapore



Petrochemical Corporation of Singapore

1930

Starts production of ammonia and ammonium sulfate

1934

Establishes Sumitomo Aluminium Smelting

1944

Acquires Japan Dyestuff Manufacturing Company and expands into dyestuff business



Niihama Works (Around 1938)

1963

Establishes Japan Lactam and starts production of caprolactam

1967

Starts production of MMA monomer and polymer

1982

P.T. Indonesia Asahan Aluminium starts operations



Asahan Aluminium Sigura-gura dam and power plant

1913 Founded

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



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

1951

Starts production of feed additive methionine

1953

Starts selling household insecticide Pynamin® and enters household insecticide business

Starts import and sale of agricultural insecticide parathion and enters agrochemicals business

1962

Starts selling proprietary agricultural insecticide Sumithion

1988

Establishes Valent U.S.A., a development and sales base for agrochemicals in U.S.



Head office of Valent U.S.A.

1944

Acquires Japan Dyestuff Manufacturing Company and expands into pharmaceutical business



Tsurusaki Works of Japan Dyestuff Manufacturing Company

1973

Establishes Nihon Medi-Physics

1984

Establishes Sumitomo Pharmaceuticals

CHANGE AND

IT-related Chemicals

Petrochemicals & Plastics

Basic Chemicals

Health & Crop Sciences

Pharmaceuticals

1990
Starts production of polarizing film Sumikalan®

1991
Establishes Dongwoo Pure Chemicals (now Dongwoo Fine-Chem)

1995
Starts production of color filters

2001
Establishes IT-related Chemicals Sector

2003
Starts production of polarizing films and color filters for LCDs at a subsidiary in South Korea (now Dongwoo Fine-Chem)

2004
Starts production of polarizing films for LCDs at Sumika Technology, a subsidiary set up in June 2001 in Taiwan

2004
Establishes Sumika Electronic Materials (Wuxi) in China



Production plant of Sumika Technology in Taiwan

2012
Starts production of touchscreen panels at a subsidiary in South Korea

1997
Starts operation of second-phase petrochemical complex in Singapore

2005
Establishes equally owned joint venture Rabigh Refining and Petrochemical Company (Petro Rabigh) with Saudi Aramco



Petro Rabigh

2009
Starts operation of ethane cracker, a core plant of Petro Rabigh's integrated refining and petrochemical complex

2012
Decides to implement Rabigh Phase II project with Saudi Aramco

1998
Completes MMA and acrylic acid plant in Singapore



MMA plant in Singapore

2013
Completes aluminum titanate DPF plant in Poland

2000
Acquires biological crop protection business from Abbott Laboratories

2002
Forms joint venture Sumitomo Chemical Takeda Agro in agrochemical business with Takeda Pharmaceutical (fully acquires Sumitomo Chemical Takeda Agro in 2007)



Agricultural Chemicals Research Laboratory

2010
Acquires stake in Australian agrochemicals company Nufarm

2001
Acquires household insecticide business from Aventis Crop Science



Joint press conference of Dainippon Sumitomo Pharma*

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



Sunovion Pharmaceuticals

2009
Dainippon Sumitomo Pharma* acquires U.S. pharmaceutical company Sepracor (now Sunovion Pharmaceuticals)

2011
Launches the atypical antipsychotic LATUDA® for the treatment of schizophrenia in U.S.

2012
Acquires U.S. biotechnology company Boston Biomedical

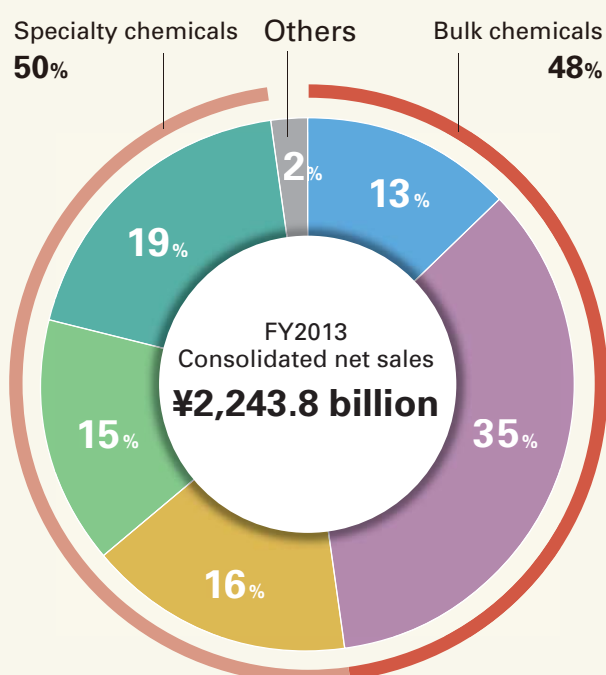
*Sumitomo Dainippon Pharma following name change on June 19, 2014

INNOVATION

Sumitomo Chemical at a Glance

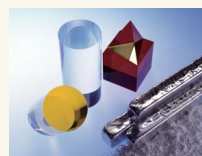
Business Areas

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



Basic Chemicals

▶ P28



Sales	¥286.9 billion
Operating loss	¥(10.9) billion

Development, manufacture and sale of methyl methacrylate, caprolactam, inorganic materials, functional materials, additives, dyes and other products

Petrochemicals & Plastics

▶ P30



Sales	¥792.0 billion
Operating income	¥4.9 billion

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

IT-related Chemicals

▶ P32



Sales	¥362.3 billion
Operating income	¥34.9 billion

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

Health & Crop Sciences

▶ P34



Sales	¥327.0 billion
Operating income	¥38.2 billion

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

Pharmaceuticals

▶ P36



Sales	¥418.8 billion
Operating income	¥47.1 billion

Development, manufacture and sale of ethical pharmaceuticals, diagnostic radio-pharmaceuticals and other products

Sumitomo Chemical in Numbers

Total assets

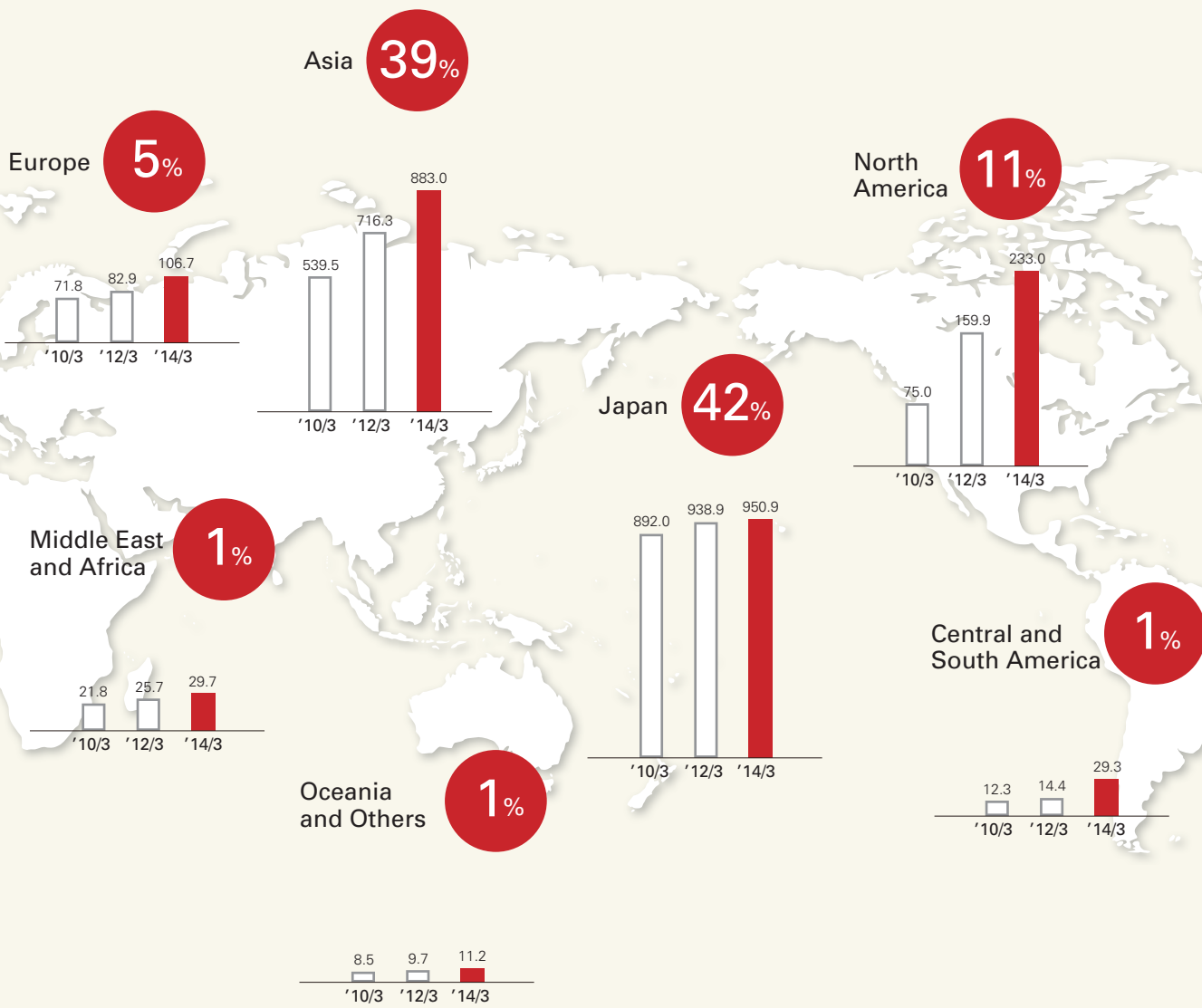
¥2,788.5 billion

Number of consolidated subsidiaries

164

Overseas Business Development

The Sumitomo Chemical Group has been expanding business with an eye toward the global market. In the early 1980s, the Group established a petrochemical complex overseas, becoming the first Japanese chemical manufacturer to do so. In fiscal 2013, the ratio of the Company's overseas sales to total sales was 58%, and the ratio of overseas production to total production was 43%.



■ Sales by region (billions of yen)
 Percentage figures show composition of sales by region for the fiscal year ended March 31, 2014.

Number of employees (consolidated)

30,745

Ratio of R&D expenses to net sales

6%

Overseas sales ratio

58%

The Sumitomo Chemical Group Boldly Embraces the Challenges of Solving Social Issues

Sumitomo Chemical is helping society solve and helping people seek better lives through

Issues Facing Society

Issue 1

Environment and Energy



The International Energy Agency (IEA) predicts that energy demand will steadily increase along with global economic growth, and that global primary energy demand will reach 15.27 billion TOE in 2030, an increase of 66% from 2000.

Note: Tonne of oil equivalent (TOE) is a unit which measures energy, and is equivalent to the energy gained from the combustion of one ton of crude oil.

Source: Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry

Issue 2

Food




The global population is projected to reach 9.2 billion in 2050, a rise of 3.2 billion since 2000. With this population increase and economic development, global food demand is projected by 2050 to increase 1.6 times from the level of 2000.

Source: Ministry of Agriculture, Forestry and Fisheries, "Outlook for Global Food Supply and Demand in 2050"

Issue 3

Health



There are said to be approximately 30,000 types of diseases. The number of diseases with no means of treatment is greater than the number that can be treated, and there are many diseases for which medicines or treatment methods are not highly satisfactory.

Source: Japan Pharmaceutical Manufacturers Association

Issue 4

Convenient Lifestyle Using ICT



Some people in the world have easy access to personal computers and the Internet, and others do not. The information gap between these people in education, labor, politics, and other diverse aspects may become a major problem for the global economy and the international community.

Source: 2011 White Paper on Information and Communications in Japan, Ministry of Internal Affairs and Communications

pressing issues the power of chemistry

Sumitomo Chemical's Approach

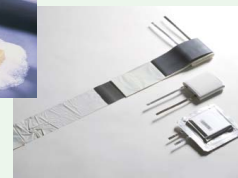
Business area Environment & Energy

In the Environment & Energy area, Sumitomo Chemical engages in the development, manufacture and sale of diesel particulate filters, encapsulating materials for photovoltaic cells, synthetic rubber for fuel efficient tires, polypropylene materials that contribute to lighter automobiles, components for lithium-ion secondary batteries, and other items.

We are also pursuing the development of next-generation businesses in the three fields of energy generation, energy storage, and energy saving. These include the development of organic thin-film photovoltaic cells in energy generation, next-generation secondary batteries in energy storage, and organic EL lighting and power semiconductor materials in energy saving. Sumitomo Chemical is also engaged in creating businesses which contribute to reducing environment loads, including the CO₂ separation business for the separation and recovery of CO₂ using CO₂ permselective membranes.



Polypropylene automobile components



Lithium-ion secondary battery separator

Business area Life Sciences

In the health and crop sciences area, Sumitomo Chemical engages in the development, manufacture and sale of diverse products such as fertilizer, crop protection chemicals, feed additives and agricultural materials, all of which contribute to increasing food production. As a next-generation business, we are focusing on the development of crop stress management, aimed at increasing crop harvests by giving crops resistance to high temperatures, low temperatures, drought, and other environmental stress.

In the pharmaceuticals area, Sumitomo Chemical engages in the development, manufacture and sale of ethical pharmaceuticals, diagnostic radiopharmaceuticals, and other products which contribute to creating a healthy life. In research and development on ethical pharmaceuticals, we are focusing on psychiatry & neurology and oncology as priority areas with high unmet medical needs, and targeting these area to create innovative drugs. We are also taking on the challenge of developing therapeutic agents for mitochondrial disease, nonalcoholic steatohepatitis, and other intractable diseases for which there are presently no drugs available.



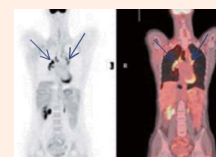
SUMIKA FARM Ibaraki



Crop protection chemicals



Pharmaceuticals



PET images showing lung metastasis from breast cancer

Business area ICT

In the ICT area, Sumitomo Chemical engages in the manufacture, sale and research of all types of display materials and components used in televisions, personal computers, smart phones, and other electronic devices that are indispensable for daily life. We are contributing to the realization of the most advanced smart phones by developing polarizing film, touchscreen panels, and other products for mobile devices that are thinner and lighter, with more advanced functions.

As a next-generation business, we are also advancing the development of flexible display materials and components that can contribute to the realization of thinner, lighter, and more durable displays, by substituting the glass widely used in them with resin.



Polarizing film

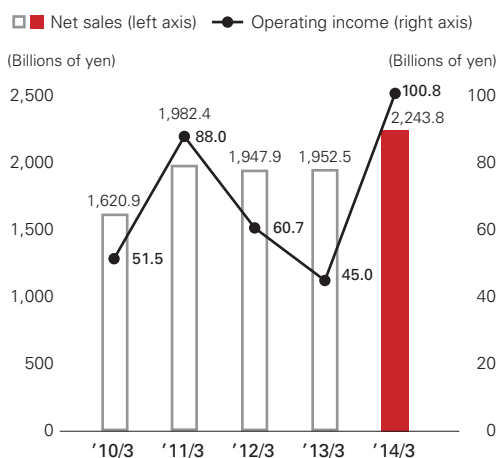


Touchscreen panel inspection

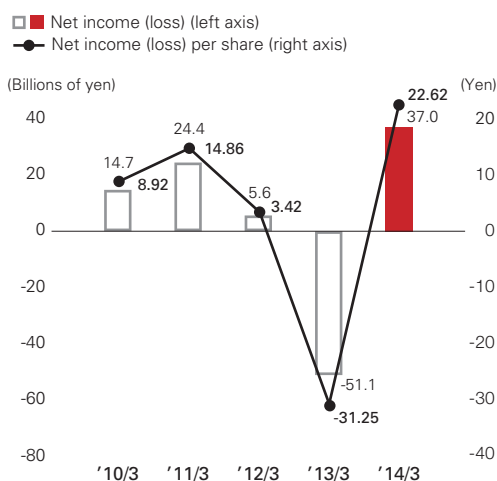
Fiscal 2013 Highlights

Key Figures

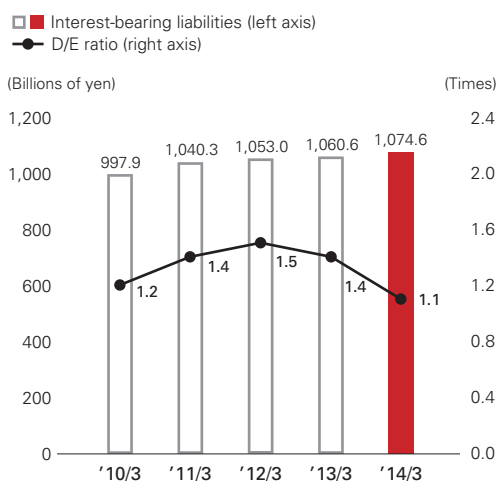
Net Sales & Operating Income



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



Interest-bearing Liabilities & D/E Ratio



Please see pages 10-11 for ten-year summary.

Billions of yen*1

	FY2012	FY2013	Year on Year
	'13/3	'14/3	'13/3 vs. '14/3
1 Net sales	¥1,952.5	¥2,243.8	+14.9%
2 Operating income	45.0	100.8	+124.0
3 Net income (loss)	(51.1)	37.0	—
Capital expenditures	116.1	143.4	+23.5
Research and development expenses	125.0	141.3	+13.0
Free cash flows	5.8	59.2	+916.4
Total assets	2,472.1	2,788.5	+12.8
Total net assets	747.5	934.5	+25.0
4 Interest-bearing liabilities	1,060.6	1,074.6	+1.3
Net income (loss) per share (yen)	(31.25)	22.62	—
Cash dividends per share (yen)	6.00	9.00	+50.0
Ratios			
Operating margin (%)	2.3	4.5	+2.2pt
ROA*2 (%)	1.9	3.8	+2.0pt
ROE*3 (%)	(10.4)	6.5	—
4 D/E ratio (times)	1.4	1.1	-0.3

Sustainability data

Number of employees	30,396	30,745	+1.1%
Domestic CO ₂ emission rate index*4	99.3	99.7	+0.4pt
Overseas CO ₂ emission rate index*5	94.2	94.3	+0.1pt
Domestic water consumption (million tons)*6	1,429.7	1,415.3	-1.0%
Overseas water consumption (thousand tons)*7	7,201	5,907	-18.0%

*1 Unless otherwise specified.

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

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

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

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

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

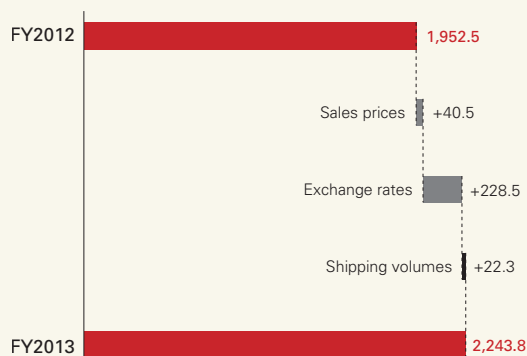
*7 Data reflect the total of 10 major overseas Group companies.

1 Net Sales

Net sales rose ¥291.3 billion year-on-year, with a ¥40.5 billion increase from the higher market prices, a ¥228.5 billion increase in sales in yen terms from the correction of the appreciation of the yen, and a ¥22.3 billion increase from higher sales volume.

- Sales prices: Although sales prices in the IT-related Chemicals Sector declined, sales increased by ¥40.5 billion with higher market prices for the Petrochemicals & Plastics Sector.
- Shipping volumes: While Petrochemicals & Plastics Sector shipments decreased from blackouts and maintenance work at Petro Rabigh, sales increased by ¥22.3 billion with increased shipments from the Health & Crop Sciences Sector and the IT-related Chemicals Sector.

Factors for Change (Billions of yen)

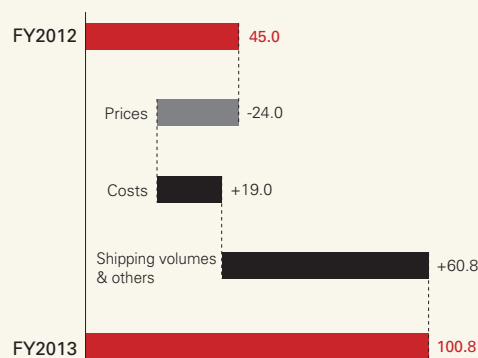


2 Operating Income

Operating income increased by ¥55.8 billion year-on-year. While declines in selling prices reduced income by ¥24.0 billion, income rose ¥19.0 billion from cost reductions and ¥60.8 billion from higher sales volumes and other factors.

- Prices: Prices reduced income by ¥24.0 billion, mostly because of lower sales prices in the IT-related Chemicals Sector and lower profit margins in the Basic Chemicals Sector.
- Costs: Income rose by ¥19.0 billion from the rationalization of the IT-related Chemicals Sector and the reduction of fixed costs in the Pharmaceuticals Sector.
- Shipping volumes and others: Shipping volume and others increased income by ¥60.8 billion. While shipments declined at the Petrochemicals & Plastics Sector, shipments rose at the IT-related Chemicals Sector, at the Health & Crop Sciences Sector and at the Pharmaceuticals Sector.

Factors for Change (Billions of yen)



3 Net Income

- Net income increased significantly, rising ¥88.1 billion year-on-year. Increased operating income, higher equity in earnings of affiliates, a decrease in the extraordinary loss from the previous fiscal year, when large extraordinary losses were posted, and lower income taxes contributed to this increase.

4 Interest-bearing Liabilities and D/E Ratio

- Interest-bearing liabilities increased ¥14.0 billion from the end of the previous fiscal year, to ¥1,074.6 billion.
- Although interest-bearing liabilities increased, net assets increased from the weaker yen. As a result, the D/E ratio improved to 1.1 times.

Ten-Year Summary

	'05/3	'06/3	'07/3	'08/3	'09/3
Income statement					
Net sales	¥1,296.3	¥1,556.6	¥1,790.0	¥1,896.5	¥1,788.2
Net sales from overseas operations	486.2	611.0	747.8	788.8	749.8
Operating income	105.2	120.8	139.6	102.4	2.1
Net interest expenses	(3.0)	(2.2)	(3.9)	(2.8)	(2.7)
Equity in earnings (losses) of affiliates	26.7	26.8	23.6	11.2	(12.8)
Income (loss) before income taxes and minority interests	121.7	158.6	181.1	128.2	(48.7)
Net income (loss)	64.5	90.7	93.9	63.1	(59.2)
Capital expenditures	125.8	124.9	159.8	142.5	134.1
Depreciation and amortization expenses	88.2	104.9	113.9	125.0	140.7
Research and development expenses	78.2	91.9	97.7	105.4	131.1
Cash flows					
Cash flows from operating activities	159.8	122.8	142.9	156.6	78.4
Cash flows from investing activities	(118.0)	(180.7)	(164.2)	(182.7)	(206.2)
Free cash flows	41.9	(57.9)	(21.3)	(26.1)	(127.8)
Cash flows from financing activities	(31.2)	70.6	35.6	7.1	112.5
Balance sheet					
Current assets	694.6	946.6	995.9	1,003.2	838.1
Net property, plant and equipment	515.9	570.3	623.5	636.5	567.8
Investments and other assets	438.3	661.5	705.5	719.3	616.6
Total assets	1,648.8	2,178.4	2,324.9	2,358.9	2,022.6
Total shareholders' equity / Net assets* ³	569.6	719.8	1,030.5	1,006.0	775.6
Interest-bearing liabilities	470.7	578.6	641.0	673.9	795.4
Others					
Number of employees	20,195	24,160	24,691	25,588	26,902
Number of consolidated subsidiaries	104	105	105	116	126
Number of shareholders	121,349	116,509	115,249	108,027	118,636
Per share data (Yen*¹, US cents*²)					
Net income (loss)	38.94	54.80	56.82	38.20	(35.84)
Total shareholders' equity/Net assets* ³	344.58	435.51	479.87	465.21	329.74
Cash dividends	8.00	10.00	12.00	12.00	9.00
Ratios					
Operating margin (%)	8.1	7.8	7.8	5.4	0.1
Asset turnover (times)* ⁴	0.8	0.8	0.8	0.8	0.8
ROA (%)* ⁵	6.6	6.3	6.2	4.4	0.1
ROE (%)* ⁶	12.0	14.1	12.4	8.1	(9.0)
D/E ratio (times)	0.7	0.6	0.6	0.7	1.0
Shareholders' equity ratio (%)	34.5	33.0	34.1	32.6	26.9

*1 Unless otherwise specified.

*2 US dollar amounts are translated from yen, for reference only, at ¥102.92 US\$1.00, the prevailing rate on March 31, 2014.

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

				Billions of yen*1	Thousands of US dollars*2	
'10/3	'11/3	'12/3	'13/3	'14/3	'13/3 vs. '14/3	'14/3
¥1,620.9	¥1,982.4	¥1,947.9	¥1,952.5	¥2,243.8	+14.9%	\$21,801,341
728.9	1,056.7	1,009.0	1,043.8	1,292.9	+23.9	12,561,893
51.5	88.0	60.7	45.0	100.8	+124.0	979,810
(5.0)	(6.3)	(4.7)	(5.4)	(4.9)	—	(47,425)
(7.0)	10.8	2.0	5.4	12.0	+121.2	116,858
41.3	75.7	23.9	12.3	86.2	+598.4	837,544
14.7	24.4	5.6	(51.1)	37.0	—	359,279
103.2	98.7	155.1	116.1	143.4	+23.5	1,393,791
116.1	147.0	114.9	115.5	115.7	+0.2	1,124,505
117.3	138.1	122.3	125.0	141.3	+13.0	1,373,105
132.9	176.2	124.5	171.6	194.4	+13.3	1,888,476
(269.4)	(156.0)	(124.0)	(165.8)	(135.2)	—	(1,313,418)
(136.5)	20.2	0.5	5.8	59.2	+916.4	575,058
168.7	18.0	2.1	(36.0)	(59.1)	—	(574,077)
1,013.5	1,098.3	1,102.1	1,108.8	1,242.5	+12.1	12,072,746
581.8	552.5	594.9	640.2	722.8	+12.9	7,023,319
788.6	716.4	640.0	723.1	823.1	+13.8	7,997,862
2,383.9	2,367.3	2,337.0	2,472.1	2,788.5	+12.8	27,093,927
821.4	758.9	720.9	747.5	934.5	+25.0	9,079,926
997.9	1,040.3	1,053.0	1,060.6	1,074.6	+1.3	10,441,100
27,828	29,382	29,839	30,396	30,745	+1.1	—
143	146	145	162	164	+1.2	—
118,600	116,619	118,107	121,619	107,939	-11.2	—
				Yen*1		US cents*2
8.92	14.86	3.42	(31.25)	22.62	—	21.98
348.52	319.61	297.45	303.74	393.58	+29.6	382.41
6.00	9.00	9.00	6.00	9.00	+50.0	8.74
3.2	4.4	3.1	2.3	4.5	—	—
0.7	0.8	0.8	0.8	0.9	—	—
2.3	3.7	2.6	1.9	3.8	—	—
2.6	4.5	1.1	(10.4)	6.5	—	—
1.2	1.4	1.5	1.4	1.1	—	—
24.1	22.1	20.8	20.1	23.1	—	—

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

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

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

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

Corporate Vision

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

Slogan

Change and Innovation

Change & Innovation for
Business Structure

Change & Innovation for
Business Development

Change & Innovation for
Corporate Culture

Priority Management Issues

- Enhance Financial Strength
- Restructure Businesses
- Develop Next-Generation Businesses
- Promote Globally Integrated Management
- Ensure Full and Strict Compliance and Maintain Safe and Stable Operations

Performance Targets

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

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



CHAPTER **1**

MANAGEMENT STRATEGY

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To Our Shareholders, Customers and Partners



Osamu Ishitobi
Chairman & CEO

Masakazu Tokura
President & COO

Performance during Fiscal 2013

The Japanese economy continued its moderate recovery in fiscal 2013, as the excessive appreciation of the yen was corrected and the series of economic policy measures implemented by the government took effect. While the pace of growth slowed in China and other emerging market countries, the world economy was on a path of improvement overall, with the US economy remaining solid and European economies showing signs of recovery during the second half of the fiscal year. Against this backdrop, the business environment for the Sumitomo Chemical Group improved on the whole, although the Group experienced soft market conditions and continued weak sales in some business areas.

Consolidated net sales of the Group for fiscal 2013 were ¥2,243.8 billion, ¥291.3 billion higher than the previous year. Adding to the favorable effects of yen depreciation, higher selling prices for products in the Petrochemicals & Plastics

Sector and the Basic Chemicals Sector, and increased sales volumes in the IT-related Chemicals Sector and the Health & Crop Sciences Sector contributed to this revenue increase.

Operating income increased by ¥55.8 billion, to ¥100.8 billion, due to the effects of yen depreciation and higher sales volumes in the IT-related Chemicals Sector and the Health & Crop Sciences Sector, as well as strong sales in the Pharmaceuticals Sector and improved profit margins in the Petrochemicals & Plastics Sector.

Net income was ¥37.0 billion, an improvement of ¥88.1 billion yen over a year earlier, resulting from higher operating income and a bounce-back in equity in earnings of affiliates, although extraordinary losses associated with business restructuring were posted again in fiscal 2013.

Given these results, we have declared a year-end dividend of ¥3 per share. Combined with the interim dividend, this resulted in an annual dividend of ¥9 per share, an increase of ¥3 from the previous year.

Progress in strengthening of the foundations of our business

With the aim of achieving robust growth over the next 100 years, we are committed under our new Corporate Business Plan, launched in fiscal 2013, to strengthening the foundations of our business during the three years through fiscal 2015. Under the slogan "Change and Innovation," we are striving to significantly improve profitability and transform Sumitomo Chemical into a resilient company that is highly capable of recovering from a downturn and that will continue to achieve growth regardless of business conditions.

During fiscal 2013, the first year of our Corporate Business Plan period, we made major progress on our initiatives to expand business in the specialty chemicals area. In the IT-related Chemicals Sector, we are working to further increase sales of polarizing film and touchscreen panels for smartphones and tablet PCs, fields where demand continues to grow. We are also moving forward with efforts to enhance our production capacity for lithium-ion secondary battery separators, demand for which is soaring for their use in electric vehicles. In the Health & Crop Sciences Sector, we expanded our sales alliance with Monsanto Company from the US market to include Brazil and Argentina for flumioxazin, a herbicide for the cultivation of soybeans, and decided to increase its production capacity. In the Pharmaceuticals Sector, a supplemental New Drug Application filed in the US for the use of the atypical anti-psychotic agent LATUDA® in the treatment of bipolar I depression was approved in June of 2013, and in Europe, Marketing Authorization was granted for LATUDA® for the treatment of schizophrenia in March of 2014.

Meanwhile, our business restructuring initiatives in the bulk chemicals area are making solid progress. In the Petrochemicals & Plastics Sector, to enhance the competitiveness of our Chiba Works, the Company's stronghold for the petrochemical business in Japan, we have decided to close down the ethylene plant of the Works by May of 2015 and cease the production and sale of styrene monomer, propylene oxide, and propylene glycol at our subsidiary Nihon Oxirane at the same time. In addition, we are proceeding with the Rabigh Phase II Project, which aims to further strengthen our bulk chemicals business by capitalizing on cost-competitive Saudi Arabian feedstock, while also stepping up efforts to shift our Singapore operations toward higher value-added products. In the Basic Chemicals Sector, we have launched significant restructuring measures for our methyl methacrylate (MMA) and caprolactam businesses,

two of the Sector's core businesses. We closed the MMA polymer plant at our Ehime Works in December of 2013 and have consolidated our MMA production, sales, and research functions into our operations in Singapore. We are currently strengthening new application development and marketing activities targeted at fast-growing Asian markets. As for caprolactam, we have decided to shut down our aging liquid-phase process plant by the end of 2015, and will conduct all of our caprolactam production at our vapor-phase process plant, which boasts world-class product quality and does not produce the ammonium sulfate by-product, for which market prices are projected to fall.

Leveraging the power of chemistry to help the development of human society

Sumitomo Chemical's origin lies in a production plant that the House of Sumitomo built to transform harmful gas emitted from its copper smelting operations into fertilizers, thereby resolving an environmental problem while also helping to increase agricultural productivity. Since its founding, the company has held a strong conviction that it is a corporation's responsibility to society to contribute through its business activities to the sustainable development of society. We at the Sumitomo Chemical Group will continue to make full use of the creative power of chemistry, provide innovative technologies and products around the world, and strive to resolve various challenges facing human society.

At the same time, we will endeavor to develop into a global company that achieves strong and sustained growth by continually reinventing itself to meet the evolving needs of the times and adapt to an ever-changing business environment.

Thank you very much for your continued support and cooperation.

July 2014



Osamu Ishitobi
Chairman & CEO



Masakazu Tokura
President & COO

Interview with the President



Q1 What are your thoughts on the Company's performance and achievements in the first year of the Corporate Business Plan?

A1 Our first year of the Corporate Business Plan got off to a very good start, with operating income doubling from the previous year. We also made major progress on our priority initiatives for *“enhancing financial strength,” “restructuring our businesses,”* and *“developing next-generation businesses.”*

Bolstered by the weaker yen and strong sales of LCD-related materials, pharmaceuticals, and crop protection chemicals, our fiscal 2013 results greatly improved from one year earlier. Consolidated net sales exceeded ¥2 trillion for the first time, and operating income surpassed the ¥100 billion mark for the first time since fiscal 2007, the year prior to the financial crisis. Although we posted extraordinary losses associated with business restructuring, we recorded net income of ¥37.0 billion, achieving a

V-shaped recovery from the large net loss of the previous year.

Turning to the financial position, interest-bearing liabilities rose slightly from the end of the previous fiscal year, to ¥1,074.6 billion, because of large advances associated with the Rabigh Phase II Project. Meanwhile, working capital was reduced due to shorter cash conversion cycles, and shareholders' equity increased thanks to the weaker yen, causing a large improvement in the debt-to-equity ratio, to 1.1

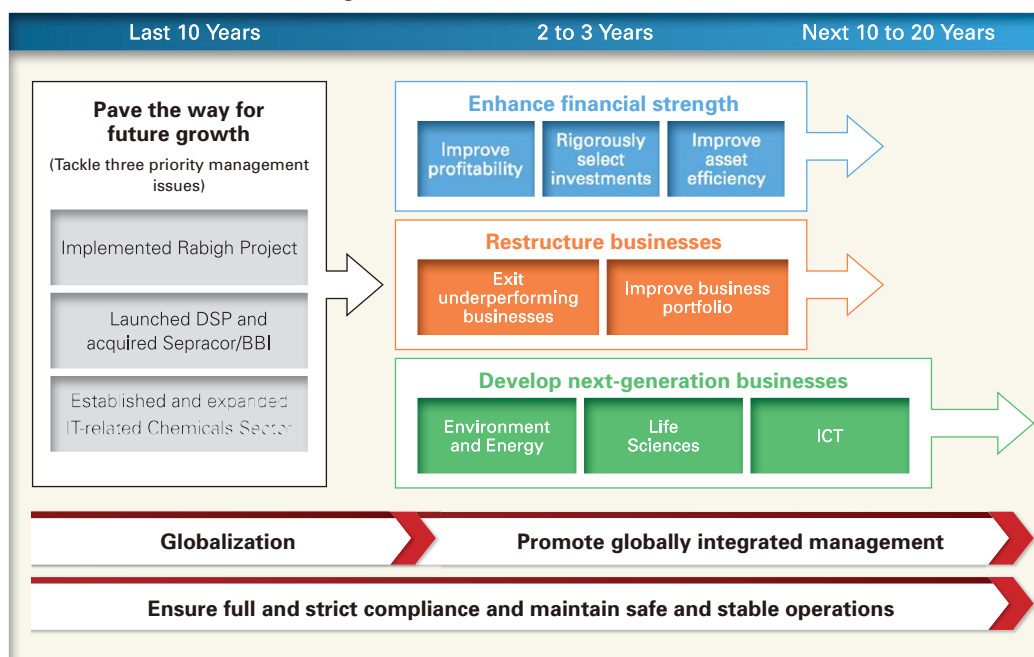
times from 1.4 times one year earlier.

We have also been working to build a business portfolio that will generate stable earnings and cash flows regardless of changes in the business environment. Specifically, we are focusing our resources on expanding business in the specialty chemicals area, which offers

high return on investment (ROI), while working on business restructuring in the bulk chemicals area, where our ROI remains low.

Our efforts to develop next-generation businesses are beginning to produce results, and new businesses are emerging that are expected to contribute to our growth in the future.

Where We Have Been Heading



Q2 You mentioned focusing resources on business expansion in the specialty chemicals area. What specific progress has been made?

A2 We have made significant progress on business expansion initiatives for our mobile device materials in the IT-related Chemicals Sector, our herbicide for soybean cultivation in the Health & Crop Sciences Sector, and our atypical antipsychotic agent in the Pharmaceuticals Sector.

Our specialty chemicals area includes products with high functionality and high profitability, including materials for LCDs, crop protection chemicals, and pharmaceuticals. To expand business in this area, we are striving to develop original, differentiated new products that meet

customer needs and bring them to market in a timely manner.

In the IT-related Chemicals Sector, strong growth continues for materials used in smartphones and tablet PCs. We at Sumitomo Chemical have world-leading technologies for

polarizing film and touchscreen panels, and are expanding business by developing highly functional products that meet customer needs and by launching them at the right time.

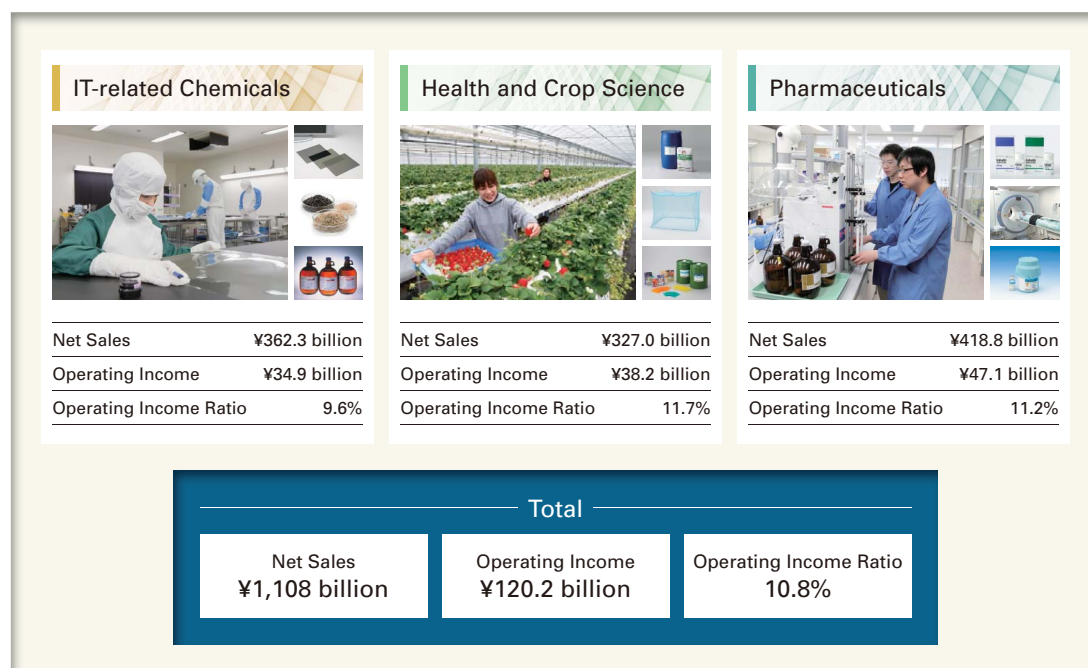
In fiscal 2013 we substantially increased our touchscreen panel production capacity. We also boosted production capacity for our lithium-ion secondary battery separator to meet sharply increased demand for their use in electric vehicles. Our separator, made with an aramid-coated polymer substrate, features high levels of heat resistance and safety and is capable of contributing to larger battery capacity and greater driving range of electric vehicles. We expect demand for this product to continue growing.

The Health & Crop Sciences Sector continues to record strong sales of flumioxazin, a herbicide used in soybean cultivation. Our sales alliance with Monsanto, which began in the US

in 2010, was expanded to Brazil and Argentina in 2013. As the alliance now covers the markets that account for approximately 80% of global soybean production, further sales growth is projected, and we will increase flumioxazin production capacity by around 50% in stages during 2014 and 2015. Meanwhile, we also entered new areas, including the post-harvest and seed treatment businesses, through acquisitions.

In the Pharmaceuticals Sector, sales for our atypical antipsychotic agent LATUDA® have been growing significantly since it was approved in the US for the treatment of bipolar I depression in June 2013. This was followed by European approval in March 2014 for its use in treating schizophrenia. Accordingly, efforts to increase LATUDA® sales by expanding indications and sales territories have resulted in good progress.

Main Three Business Sectors in Specialty Chemicals



Note: For the sake of brevity, this section highlights IT-related Chemicals, Health & Crop Sciences, and Pharmaceuticals as the sectors focused on the specialty chemicals area, but the Basic Chemicals and Petrochemicals & Plastics Sectors also have businesses belonging to the specialty chemicals area, including inorganic materials and high-performance resins.

Q3 Could you tell us more about the business restructuring efforts in the bulk chemicals area to improve profitability?

A3 Business restructuring initiatives are well under way in the Petrochemicals & Plastics Sector. We decided to cease ethylene production at the Chiba Works, followed by a decision to shut down some ethylene derivatives production facilities. In the Basic Chemicals Sector, we have started the restructuring of our caprolactam and methyl methacrylate (MMA) businesses. We are determined to carry out these initiatives to swiftly improve our ROI in the bulk chemicals area.

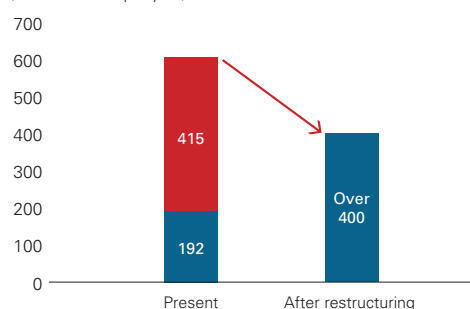
To restructure our Chiba Works, the mainstay of the Petrochemicals & Plastics Sector's operations in Japan, we decided to shut down our subsidiary Nihon Oxirane's low-margin styrene monomer/propylene oxide co-production facility and propylene glycol production facility by May 2015, in addition to the ethylene plant, which we had decided to close down. In our polypropylene and polyethylene businesses in Japan, we are enhancing competitiveness through further shifts towards higher value-added and more differentiated products, and are well on the way to ensuring certain levels of profits even in a challenging business environment.

In the Basic Chemicals Sector, we decided to cease caprolactam and MMA polymer production at our Ehime Works, the central base for the Sector's operations in Japan. Our caprolactam business faces a difficult global business environment, as production capacity is growing rapidly in emerging countries and markets remain weak. Given these circumstances, we have resolved to shut down the aging liquid-phase process plant, one of our two caprolactam production facilities, by the end of 2015. We will continue to operate our vapor-phase process plant that produces high quality caprolactam without generating the ammonium sulfate by-product—the world's first of its kind. We will remain committed to working on the further streamlining and improvement of the production process and pressing ahead with the restructuring of our caprolactam business. In the MMA business, we have experienced a sharp decline

Ethylene Production Capacity in Japan

■ Sumitomo Chemical ■ Keiyo Ethylene (Allotment)

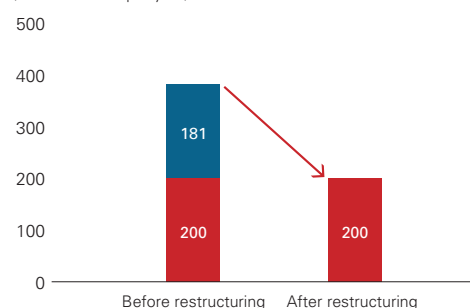
(Thousand tons per year)



Propylene Oxide Production Capacity

■ Sumitomo Chemical ■ Nihon Oxirane

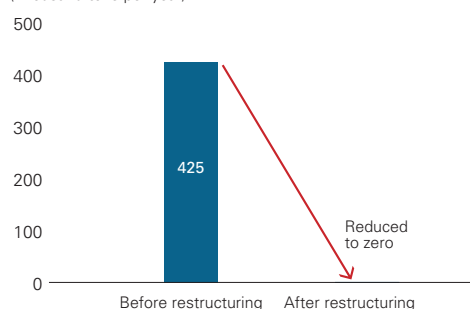
(Thousand tons per year)



Styrene Monomer Production Capacity

■ Nihon Oxirane

(Thousand tons per year)



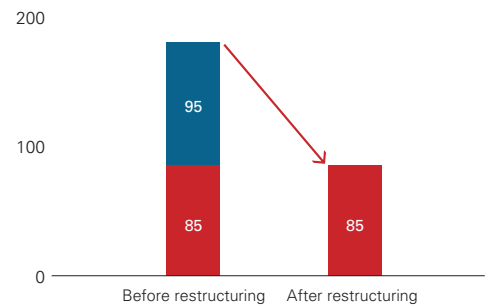


in demand for the use of MMA in light guide plates and other applications, and closed the MMA polymer plant at our Ehime Works in December 2013. We have also shifted the major part of our MMA production, sales, and research activities to Singapore to be closer to our main customers. Going forward, we will step up efforts to more speedily respond to customers' needs, develop new applications and expand sales, while also working on long-term issues, including the development of new production processes. MMA polymer has outstanding properties, and overall demand for this product is expected to grow. Meanwhile, as for MMA monomer, because of its technically difficult production process and the restricted availability of its raw materials, there will only be a limited amount of production capacity increase by new entrants or competitors in the future. In view of these circumstances, we will continue to position the MMA business as a core business and strive to rebuild its competitiveness.

Caprolactam Production Capacity

■ Vapor-phase process plant ■ Liquid-phase process plant

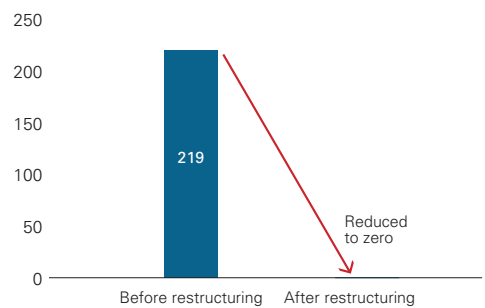
(Thousand tons per year)



Production of ammonium sulfate

■ Liquid-phase process plant

(Thousand tons per year)

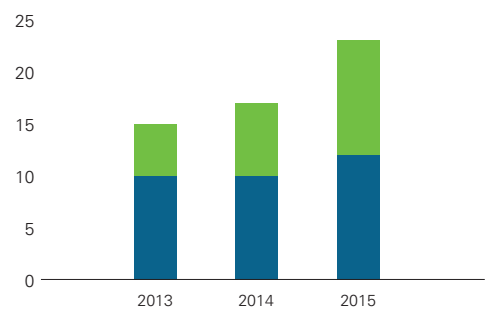


Increase sales volumes by application development and sales promotion

(MMA polymer sales by application)

■ New products and new applications ■ Automobiles

(%)



Q4 You mentioned next-generation businesses are beginning to develop. What kind of business do you aim to foster over the long term?

A4 Based on our long-range economic and business environment forecasts, we have identified environment and energy, ICT, and life sciences as three high-growth areas. In each of these fields, promising forms of new businesses are beginning to emerge.

To achieve strong and sustained growth, we need to continually develop new businesses. In addition to restructuring our existing businesses and improving our business portfolio, we are striving to foster next-generation businesses that will lead to a future growth spurt. As examples, I would like to discuss next-generation flexible panel materials in the ICT field and regenerative cell therapy in the life sciences area.

Leveraging the plastic and other materials development capabilities we have built up as a diversified chemical company, as well as the product development capabilities and processing technologies we have cultivated in our display materials business, we are working to develop a variety of materials for next-generation displays. For instance, we are developing light-weight, flexible, and impact-resistant plastic displays, replacing the glass components widely used in organic light-emitting diode displays. Beginning with the launch of film-type touchscreens in fiscal 2014, we are striving to bring to market glass-substitute films, coating-type polarizing films and other new products one after another to make flexible displays a reality.

In the area of regenerative cell therapy, our subsidiary Sumitomo Dainippon Pharma has acquired from SanBio, Inc. an option for the right to develop and market the cell therapy drug SB623 under license. SB623 is expected to be efficacious in treating disabilities caused by stroke, for which there are currently no effective therapies. Phase I/II clinical trials are under way in the United States, and Sumitomo Dainippon Pharma plans to launch the product in fiscal 2017. The company is also working with Healios K.K. in Japan on joint development of HLS001, a cell therapy drug using iPS cell-derived RPE (retinal pigmented epithelium) cells. HLS001 is expected to be effective in restoring retinal function in cases of eye diseases, such as age-related macular degeneration, which is a major contributing factor in blindness. Sumitomo Dainippon Pharma aims to obtain conditional approval for this drug by fiscal 2018 at the earliest.

Q5 Recently, a number of fires and other incidents have occurred in chemical plants in Japan. What measures is Sumitomo Chemical taking to ensure safe and stable operations?

A5 Safe and stable operations form the very foundations of our business, and we in the entire Sumitomo Chemical Group are engaged in efforts to enhance our safety assurance capabilities.

As the Company grows and our business activities become more complex, maintaining safe and stable operations at our plants becomes more important than ever. We have made “enhancing our safety culture and increasing safety assurance capabilities to ensure safe and stable operations” a priority management issue in our Corporate Business Plan, and the whole Group is working together to achieve it.

Our efforts to enhance plant safety assurance capabilities include hiring former employees who have a wealth of hands-on production experience and having them work together with plant operators, engineers, safety managers, and production technology researchers, with the aim of making full use of the technologies and

know-how that Sumitomo Chemical has accumulated over many years. Also, we have thoroughly investigated safety risks at our plants, examined measures to address each risk factor, and put them together in safety manuals. To make sure that operators can take appropriate action in the event of problems or emergencies, not only do these manuals describe operational procedures but also explain the reasons that each procedure must be followed and the background underpinning these instructions. Moreover, our efforts to prevent accidents go beyond our major production plants to encompass associated facilities, including power, utility, and transformer equipment.





CHAPTER **2**

OUR OPERATIONS

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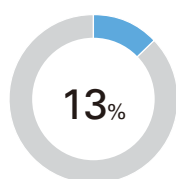
Sector Overview

(FY2013)

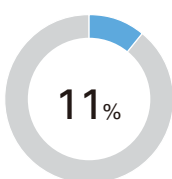
Basic Chemicals



Composition of Sales



Composition of Assets



Major Products

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

Sales

¥286.9 billion

(Year on Year +8.9%)

- Correction of the yen's appreciation

Operating Loss

¥(10.9) billion

(Year on Year —%)

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

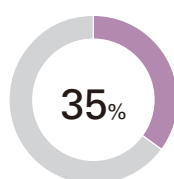
Operating Margin

(3.8)%

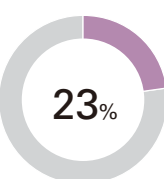
Petrochemicals & Plastics



Composition of Sales



Composition of Assets



Major Products

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

Sales

¥792.0 billion

(Year on Year +14.1%)

- Rise in market prices due to higher feedstock prices
- Correction of the yen's appreciation

Operating Income

¥4.9 billion

(Year on Year —%)

- Improved margins due to higher market prices

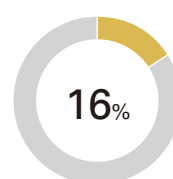
Operating Margin

0.6%

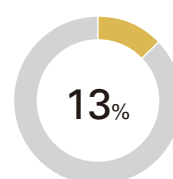
IT-related Chemicals



Composition of Sales



Composition of Assets



Major Products

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

Sales

¥362.3 billion

(Year on Year +20.8%)

- Increase in shipments of touchscreen panels and polarizing films
- Correction of the yen's appreciation

Operating Income

¥34.9 billion

(Year on Year +198.3%)

- Increase in shipments of touchscreen panels and polarizing films
- Correction of the yen's appreciation

Operating Margin

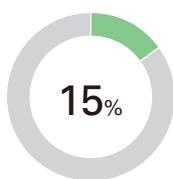
9.6%

Health & Crop Sciences

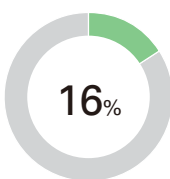
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Composition of Sales



Composition of Assets



Major Products

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

Sales

¥327.0 billion

(Year on Year +24.5%)

- Increase in shipments of herbicides and other crop protection products in overseas markets
- Correction of the yen's appreciation

Operating Income

¥38.2 billion

(Year on Year +45.3%)

- Increase in shipments of herbicides and other crop protection products in overseas markets
- Correction of the yen's appreciation

Operating Margin

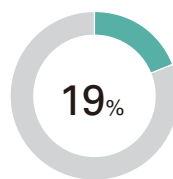
11.7%

Pharmaceuticals

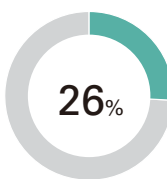
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Composition of Sales



Composition of Assets



Major Products

- Ethical pharmaceuticals
- Radiopharmaceuticals
- RI therapy products

Sales

¥418.8 billion

(Year on Year +10.6%)

- Increase in sales of LATUDA® in North America and rise in sales of strategic products and new products in Japan
- Correction of the yen's appreciation

Operating Income

¥47.1 billion

(Year on Year +52.6%)

- Increase in sales of LATUDA® in North America and rise in sales of strategic products and new products in Japan
- Reduction of fixed costs in North America and Japan

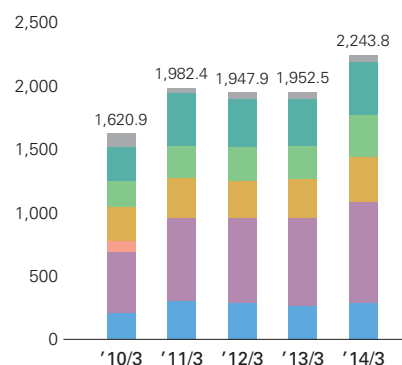
Operating Margin

11.2%

Sales by Business Sector

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

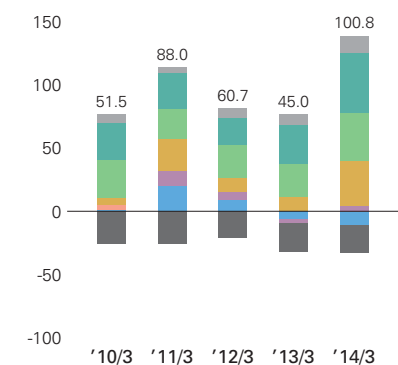
(Billions of yen)



Operating Income by Business Sector

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

(Billions of yen)



Change in Business Sector Classification Methods

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

Business Sector Highlights

	'05/3	'06/3	'07/3	'08/3	'09/3	'10/3*2
Net sales						
Basic Chemicals	¥ 225.8	¥ 252.4	¥ 314.0	¥ 314.7	¥ 240.0	¥ 203.3
Petrochemicals & Plastics	412.6	486.1	539.1	603.3	553.0	481.5
Fine Chemicals	84.1	79.0	90.9	92.9	80.8	86.7
IT-related Chemicals	174.8	229.2	266.4	297.5	307.1	265.2
Health & Crop Sciences	171.6	186.2	198.3	200.4	222.2	211.5
Pharmaceuticals	170.7	233.1	234.5	237.6	235.6	267.5
Others	56.8	90.6	146.8	150.1	149.5	105.1
Total	1,296.3	1,556.6	1,790.0	1,896.5	1,788.2	1,620.9
Operating income (loss)						
Basic Chemicals	5.2	10.0	13.5	10.6	(15.3)	1.3
Petrochemicals & Plastics	15.0	17.9	23.6	4.5	(30.3)	(0.2)
Fine Chemicals	11.5	9.8	13.1	11.4	1.6	3.6
IT-related Chemicals	18.7	21.7	3.5	6.3	(1.0)	6.3
Health & Crop Sciences	14.8	16.6	23.3	20.9	24.4	29.3
Pharmaceuticals	34.4	38.3	56.2	46.5	32.4	29.9
Others	5.7	5.8	8.0	3.7	(7.9)	6.7
Elimination	(0.3)	0.7	(1.5)	(1.5)	(1.7)	(25.4)
Total	105.2	120.8	139.6	102.4	2.1	51.5
Capital expenditures						
Basic Chemicals	18.2	20.7	24.6	27.6	14.7	12.4
Petrochemicals & Plastics	13.7	16.1	16.9	21.2	17.6	14.4
Fine Chemicals	7.5	7.0	4.6	6.9	7.7	17.8
IT-related Chemicals	40.2	44.0	72.0	33.4	50.6	11.5
Health & Crop Sciences	18.0	8.8	10.1	8.5	11.3	23.2
Pharmaceuticals	19.1	10.6	12.5	18.3	12.7	7.8
Others	9.0	17.7	19.1	26.7	19.6	16.3
Total	125.8	124.9	159.8	142.5	134.1	103.2
Research and development expenses						
Basic Chemicals	5.1	5.3	5.7	6.1	6.4	3.5
Petrochemicals & Plastics	10.9	11.4	11.3	11.1	12.0	8.3
Fine Chemicals	4.4	4.4	4.2	4.1	4.2	4.2
IT-related Chemicals	9.7	12.8	12.6	13.7	21.2	11.0
Health & Crop Sciences	18.6	19.4	18.7	19.4	20.7	17.2
Pharmaceuticals	28.1	36.7	42.5	47.7	55.0	54.9
Others	1.4	1.9	2.6	3.3	11.6	18.1
Total	78.2	91.9	97.7	105.4	131.1	117.3

*1 US dollar amounts are translated from yen, for reference only, at ¥102.92 = US\$1.00, the prevailing rate on March 31, 2014.

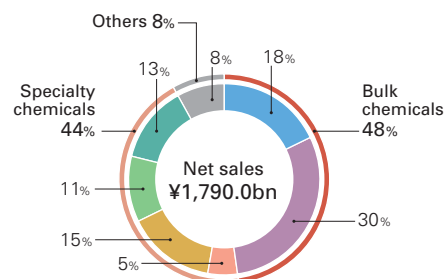
*2 The Company has been applying the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 of March 27, 2009) and the Implementation Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ 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	
	'11/3	'12/3	'13/3	'14/3	'14/3
¥ 302.3	¥ 284.3	¥ 263.5	¥286.9	\$2,787,583	
649.9	672.4	693.9	792.0	7,695,501	
—	—	—	—	—	
322.3	293.1	300.0	362.3	3,519,773	
250.8	264.1	262.6	327.0	3,176,904	
410.6	380.5	378.6	418.8	4,069,267	
46.6	53.4	54.0	56.8	552,313	
1,982.4	1,947.9	1,952.5	2,243.8	21,801,341	
20.6	9.3	(6.4)	(10.9)	(105,587)	
11.1	6.2	(3.2)	4.9	48,018	
—	—	—	—	—	
26.1	11.0	11.7	34.9	339,079	
23.3	26.5	26.3	38.2	371,007	
28.7	20.9	30.9	47.1	457,433	
4.1	7.7	8.0	8.4	81,354	
(26.0)	(20.9)	(22.2)	(21.8)	(211,494)	
88.0	60.7	45.0	100.8	979,810	
16.6	24.5	33.0	22.7	220,346	
13.7	19.6	14.1	17.0	164,934	
—	—	—	—	—	
27.7	66.9	18.7	51.5	500,534	
15.6	19.3	25.1	17.5	170,181	
10.5	11.3	14.6	28.7	278,595	
14.6	13.5	10.6	6.1	59,201	
98.7	155.1	116.1	143.4	1,393,791	
5.1	5.2	5.8	6.4	62,087	
7.6	7.2	7.1	7.6	73,543	
—	—	—	—	—	
11.6	11.7	12.3	15.0	145,939	
21.6	19.7	20.6	22.9	222,639	
71.2	59.0	61.1	71.9	698,280	
21.1	19.5	18.1	17.6	170,618	
138.1	122.3	125.0	141.3	1,373,105	

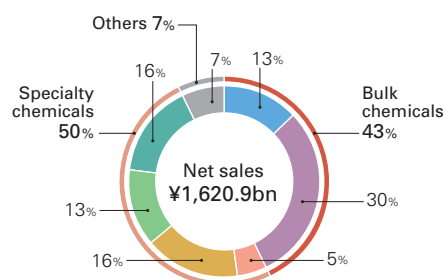
Sales by Business Sector

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

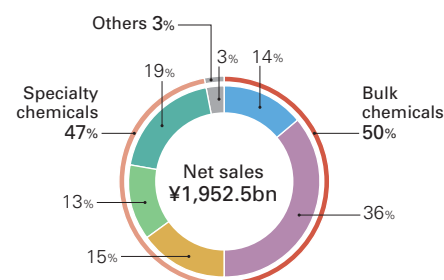
Year ended March 31, 2007



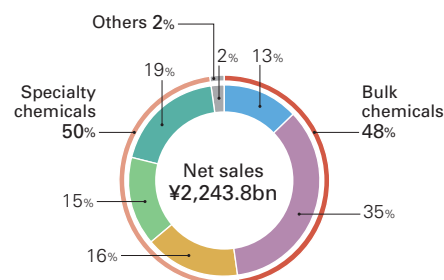
Year ended March 31, 2010



Year ended March 31, 2013



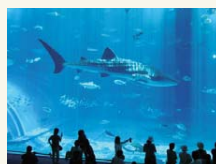
Year ended March 31, 2014



Basic Chemicals



Sumitomo Chemical's Basic Chemicals Sector engages in the development, manufacture and sale of methyl methacrylate (MMA), caprolactam and inorganic materials. We are working to strengthen the profitability of these businesses and to continue expanding them globally with a focus on Asia, where demand growth remains high.



Aquarium made of MMA



Caprolactam and nylon products



DPF for diesel engine passenger vehicles

Corporate Business Plan FY2013 – FY2015

Basic Policy

- Expand and strengthen businesses through aggressive structural reform

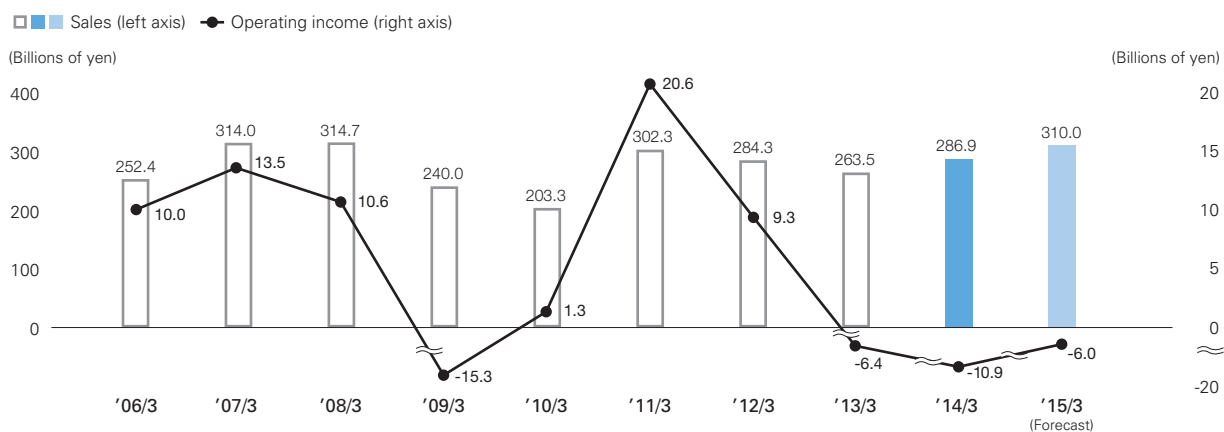
FY2015 Targets

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

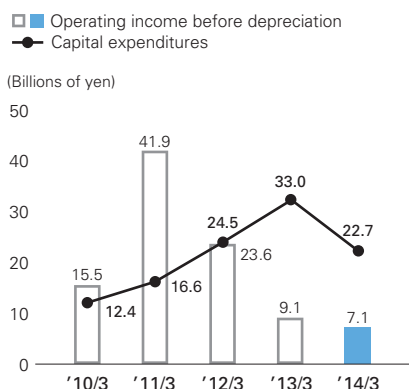
Progress on Corporate Business Plan

- Decided to close down liquid-phase process caprolactam plant
- Closed down MMA polymer plant at Ehime Works
- Completed construction of DPF production facilities
- Expanded production capacity for high-purity alumina

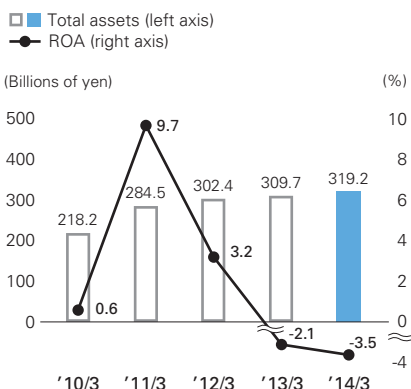
Sales & Operating Income (Loss)



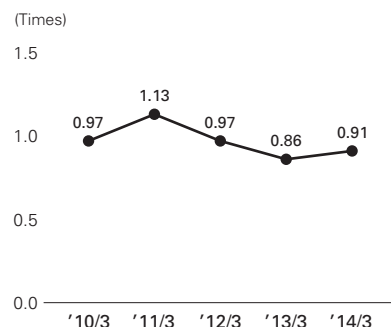
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



MMA Business

MMA polymer, which offers outstanding transparency and weather resistance, is an excellent material for a broad range of uses, such as in light-guide plates for LED televisions and other optical components, automotive applications, 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 3–4% from the current 700,000 tons per year.

As Asia's major MMA producer, we continue to enhance the competitiveness of our entire MMA product chain, from monomer and polymer to finished sheets.

We stopped MMA polymer production in Japan in December of 2013, and shifted a significant part of MMA polymer production, sales and research operations to Singapore. To meet the needs of the growing Asian market, we will strengthen our product development capabilities and seek further quality improvement and product differentiation at our state-of-the-art MMA polymer plant in Singapore.

Caprolactam Business

Caprolactam is a raw material for nylon 6, which is used in synthetic fibers, films and engineering plastics. Demand for nylon 6 in Asia, particularly China, is extremely strong for applications in clothing, engineering plastics and tire cords, and demand for caprolactam in the region is expected to grow at an annual rate of about 6%, from the current 3 million tons per year.

We produce caprolactam using the conventional liquid-phase process as well as our proprietary energy- and resource-efficient vapor-phase process. We decided to close down our liquid-phase process plant by the end of 2015 amid stiff competition in the caprolactam business.

Inorganic Materials Business

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

Sumitomo Chemical is the world's leading manufacturer of high-purity alumina. In recent years, there has been increasing demand for our alumina products for use in new applications, such as sapphire substrates for LEDs, lithi-

um-ion secondary battery materials and high thermal conductive fillers.

We increased our annual production capacity for high-purity alumina at the Ehime Works from 1,600 tons to 3,200 tons in January of 2014. Amid rapidly growing demand for batteries for hybrid cars and electric vehicles, we increased production capacity by 1,600 tons in South Korea to produce high-purity alumina used for lithium-ion secondary batteries.

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 regulations for exhaust gas emissions in Europe. Our aluminum titanate DPF is superior to existing silicon carbide DPFs in terms of pressure loss, soot mass limit and thermal shock resistance, which are essential properties for DPFs. We have already started supplying samples of our aluminum titanate DPF to automakers and plan to commence commercial production in 2015.

Petrochemicals & Plastics



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



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



Products made of polyethylene



A tire made using synthetic rubber

Corporate Business Plan FY2013 – FY2015

Basic Policy

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

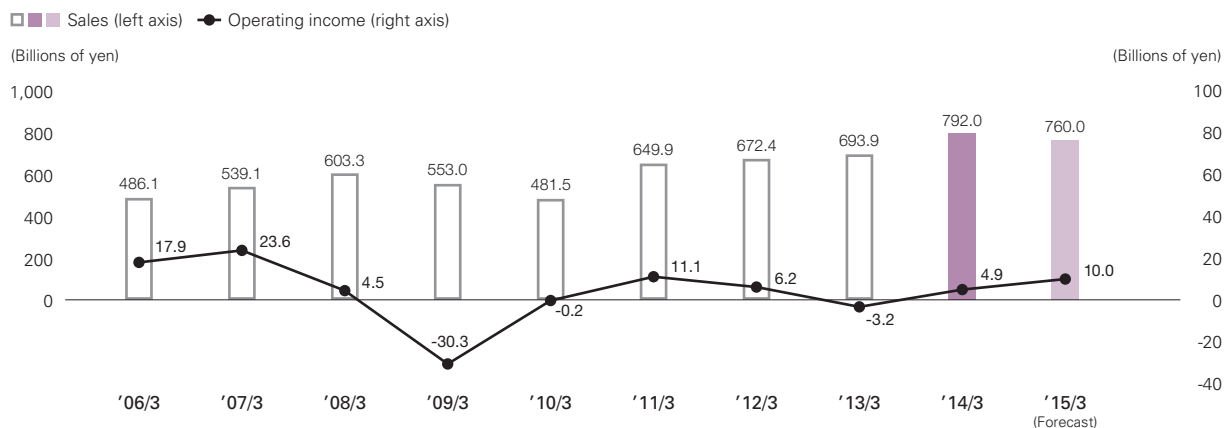
FY2015 Targets

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

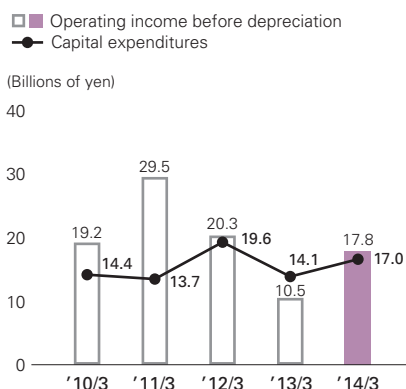
Progress on Corporate Business Plan

- Decided to close down ethylene plant at Chiba Works
- Decided to close down PO/SM plant
- Expanded S-SBR production capacity
- New arrangements between Petro Rabigh and founding shareholders

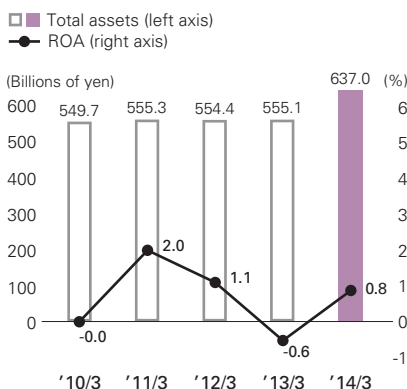
Sales & Operating Income (Loss)



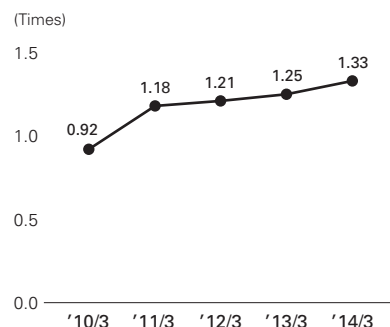
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



Polyethylene Business

Global PE demand is estimated at 80 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 1.51 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 58 million tons per year, and is expected to grow at an annual rate of 5%. We operate PP manufacturing facilities in Japan, Singapore and Saudi Arabia with a combined production capacity of 1.7 million tons per year. We are redoubling our efforts to strengthen our high value-added PP business globally, for products such as PP compounds for use in automotive components, high-quality film

materials for electronics components, and film materials for food packaging.

Propylene Oxide Business

PO is used mainly as a raw material for polyurethanes. Global PO demand is estimated at 8 million tons per year, and is expected to grow at an annual rate of 4%. We operate PO manufacturing

facilities in Japan and Saudi Arabia with a combined production capacity of 580,000 tons per year. To restructure operations in accordance with demand, we decided to close down our PO/SM plant at the Chiba works in 2015, cutting annual production capacity by 180 thousand tons for PO and 430 thousand tons for SM.

Rabigh Project

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

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

Restructuring of Chiba Works

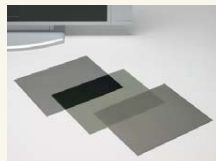
We decided to close down an ethylene plant at our Chiba Works by May of 2015 to reinforce the competitiveness of our petrochemical operation at the Chiba Works, the Company's stronghold for the petrochemical business in Japan. We also decided to withdraw from the manufacture and sale of styrene monomer (SM), and shut down the PO/SM plant, timed to coincide with the closure of the ethylene plant. We will work to strengthen and maintain our petrochemical business through the restructuring of the Chiba Works.

IT-related Chemicals



Polarizing film plant

Sumitomo Chemical's IT-related chemicals sector seeks to achieve further business expansion by focusing our business resources on key areas, such as polarizing film and other liquid crystal display (LCD)-related materials, touch-screen panels and photoresists, where we expect high market growth.



Polarizing films



Super engineering plastics



Photoresists

Corporate Business Plan FY2013 – FY2015

Basic Policy

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

FY2015 Targets

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

Progress on Corporate Business Plan

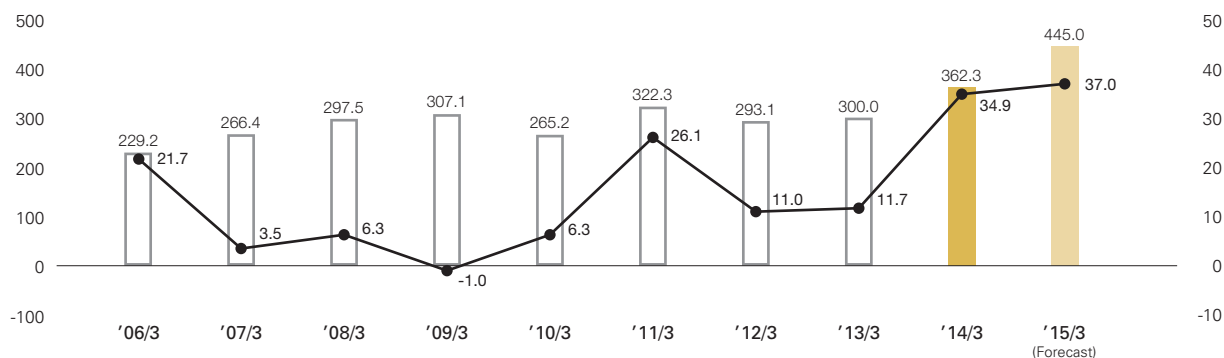
- Expanded production capacity for polarizing films for smartphones and tablet PCs
- Expanded sales of polarizing films for smartphones
- Increased production capacity for touchscreen panels for OLED displays
- Built production plants for touchscreen panels for LCDs
- Expanded production capacity for heat-resistant separators

Sales & Operating Income (Loss)

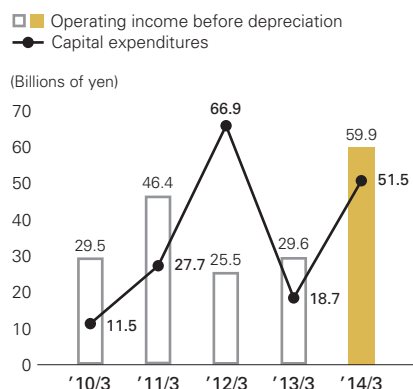
■ Sales (left axis) ● Operating income (right axis)

(Billions of yen)

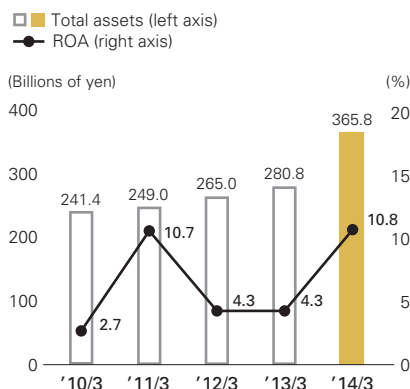
(Billions of yen)



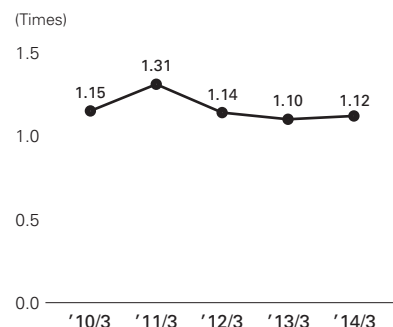
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



LCD-related Materials Business

Our polarizing film business is the mainstay of the Sector's core LCD-related materials business. According to DisplaySearch, a market research company, worldwide demand for LCD panels for televisions is expected to remain flat at 2013 levels, with 230 million units in 2014.

According to IDC, worldwide demand for smartphones is expected to grow 19.3%, from 1,010 million units in 2013 to 1,205 million units in 2014, and demand for tablet PCs will rise 19.4%, from 210.6 million units in 2013 to 251.5 million units in 2014.

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

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

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

Touchscreen Panels Business

Touchscreen panels are input devices used in smartphones and tablet PCs. We began production of touchscreen panels in the first half of 2012 by utilizing our accumulated technology for the production of color filters. Amid strong demand for our high-performance touchscreen panels for OLED displays, we made investments twice in fiscal 2013, and approximately tripled production capacity from the initial production level. We also built a production plant for cover glass-integrated touchscreen panels in anticipation of growing demand for touchscreen panels for LCDs.



Touchscreen panel plant

Battery Materials Business

In our lithium-ion secondary battery materials business, we are selling heat-resistant separators and are also developing cathode materials. Our heat-resistant separators are highly valued by battery manufacturers for their high heat resistance, reliability and safety. As lithium-ion secondary batteries with higher capacity are becoming popular, the range of applications in using our separators is increasing. Sales of heat-resistant separators have increased, especially for use in high-capacity batteries for eco-cars such as electric vehicles. We are expanding production capacity for heat-resistant separators, and are also accelerating the development of low-resistance, high-capacity cathode materials targeting automotive applications.

Health & Crop Sciences



Strawberry cultivation in Sumika Farm

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



DL-methionine and methionine hydroxy analog



Olyset™ Net



Products using our household insecticides

Corporate Business Plan FY2013 – FY2015

Basic Policy

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

FY2015 Targets

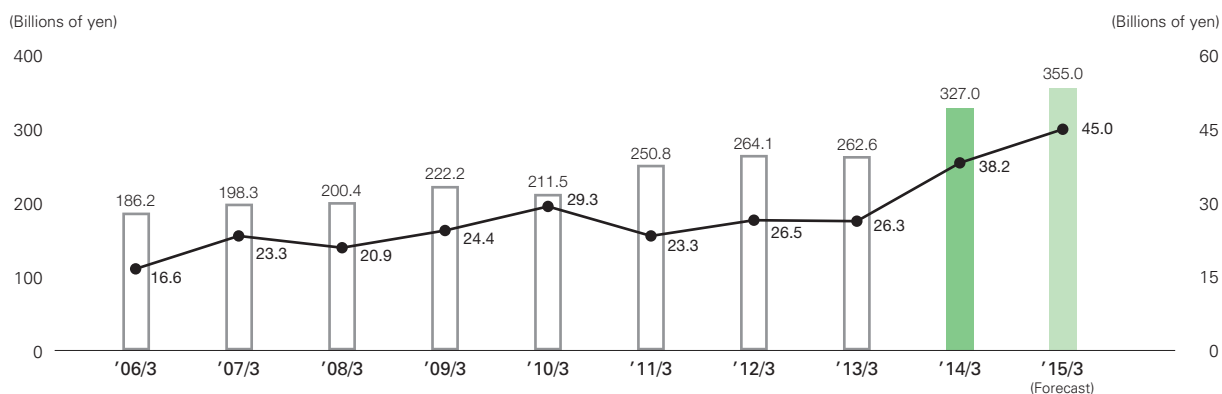
Sales	Operating Income
¥350 billion	¥45 billion

Progress on Corporate Business Plan

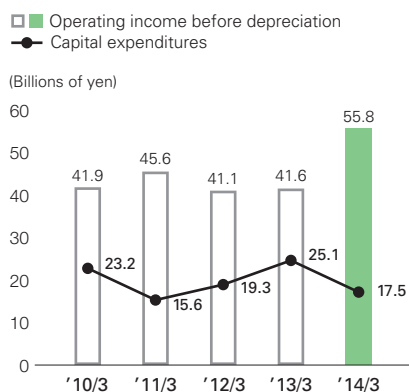
- Appointed Nufarm as exclusive distributor of crop protection chemicals for the U.S. turf, ornamental and aquatics market
- Expanded the collaboration with Monsanto to Brazil and Argentina
- Decided to expand Flumioxazin production capacity
- Re-organized to expand environmental health businesses in North America
- Decided to enter the contract manufacturing market for oligo-nucleotide active pharmaceutical ingredients (APIs)

Sales & Operating Income (Loss)

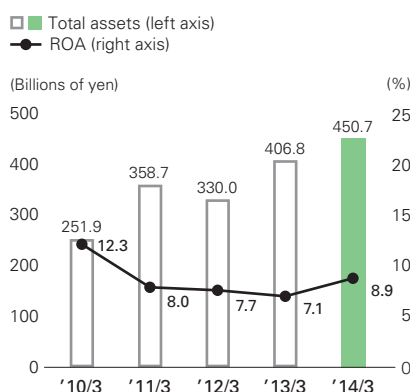
■ Sales (left axis) ● Operating income (right axis)



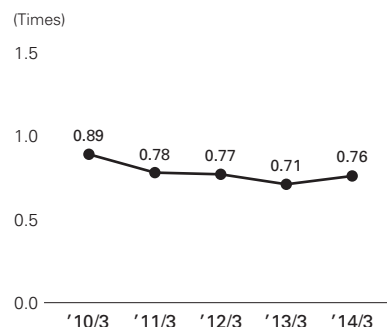
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



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 an herbicide for rice farming, a fungicide for rice blight, and an insecticide effective against lepidoptera, and sales of these products have grown steadily. Meanwhile, we are increasing investments and enhancing collaboration to expand our overseas crop protection business. Our tie-up with the Australian agrochemicals company, Nufarm Limited, in which Sumitomo Chemical has a 23% stake, has produced significant results in broadening our distribution. Nufarm and Sumitomo Chemical have started to mutually distribute products in 21 countries, mainly in Brazil and Europe. Also, sales of our herbicide flumioxazin are expected to increase in the crop protection business in South America, through the expansion of our collaboration with Monsanto Company. In anticipation of flumioxazin's further demand growth, we will further expand production capacity at the Oita Works from 2014 through 2015.

Environmental Health Business

Our environmental health business contributes to healthy living environments through its worldwide businesses in household and public hygiene insecticides and products for pets and other non-crop applications. We have earnestly been developing new applications for our active insecticidal ingredient, Eminence®/SumiOne®, and also have been expanding into downstream areas.

Vector Control Business

Controlling malaria is one of the global priority issues listed 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 sales 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 hydroxyl analog, which are essential amino acid feed additives used primarily in chicken and other poultry farming. The methionine market is estimated at one million

tons annually, and is expected to grow at an annual rate of about 4–6%, supported by increasing demand for meat due to the economic growth of developing and emerging countries, and a tendency to prefer chicken as a healthful alternative to red meat, among other factors. We will continue to consolidate our position as Asia's top producer by meeting our customers' needs in a prompt and flexible manner.

Pharmaceutical Chemicals Business

We are one of the world's top manufacturers of pharmaceutical chemicals, supplying pharmaceutical companies with APIs and their intermediates. In November of 2013, we concluded an exclusive licensing agreement with BONAC Corp. to use BONAC's intellectual property rights to manufacture and sell oligo-nucleotide APIs for drug development. Nucleic acid medicines are next-generation pharmaceuticals, utilizing functions of oligo-nucleotides which act on genes and proteins that cause disease. We aim to further expand the size of our business by entering the contract manufacturing market for oligo-nucleotide APIs for pharmaceutical companies at home and abroad.

Pharmaceuticals



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



LATUDA®



PET procedure



Radiopharmaceutical for PET

Corporate Business Plan FY2013 – FY2015

Basic Policy

- Effectively invest resources and expand global operations

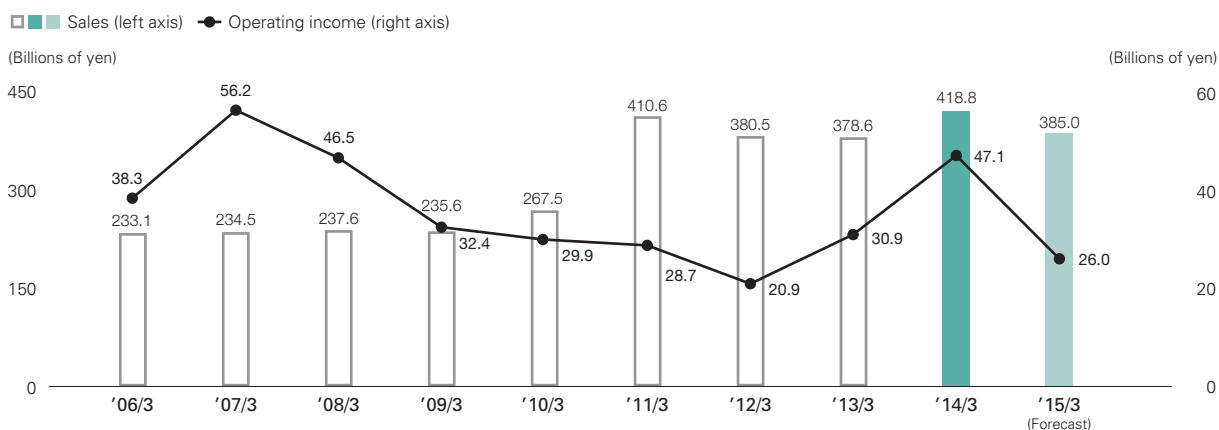
FY2015 Targets

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

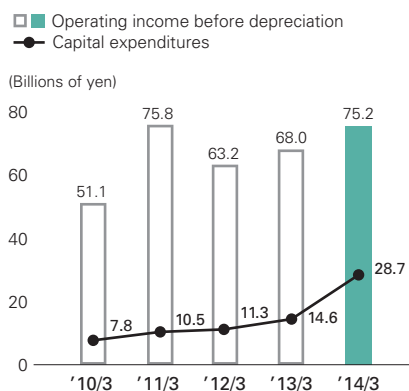
Progress on Corporate Business Plan

- Additional indication approved in North America for the use of atypical antipsychotic LATUDA® in treating bipolar I depression
- Atypical antipsychotic LATUDA® approved in Europe as a treatment for schizophrenia
- APTiom® launched in the U.S. as a treatment for epilepsy
- Alliance with HealiOS in regenerative medicine and cell therapy business
- Restructured North American operations

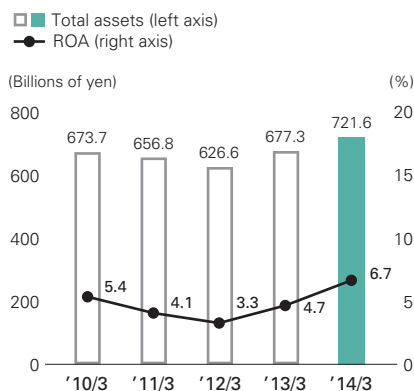
Sales & Operating Income (Loss)



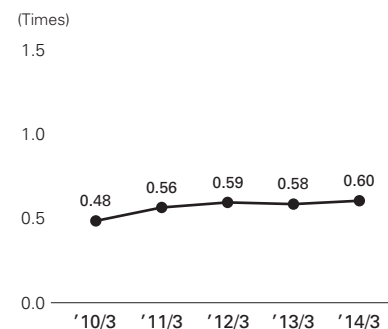
Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Asset Turnover



Sumitomo Dainippon Pharma

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

As for the atypical antipsychotic LATUDA®, launched in the United States in February of 2011 for the treatment of schizophrenia, the company obtained approval for the additional indication for bipolar I disorder (depression) in June of 2013, and also received approval in March of 2014 for marketing LATUDA® for the treatment of schizophrenia in Europe. With the additional indications and sales area expansion, Sumitomo Dainippon Pharma aims to increase sales of LATUDA® to more than one billion dollars in fiscal 2017.

Sumitomo Dainippon Pharma is also developing anticancer drugs BBI608 and BBI503, which were added to the company's pipeline by the 2012 acquisi-

tion of Boston Biomedical, Inc., with commercialization expected in fiscal 2017. BBI608 and BBI503 affect both cancer cells and cancer stem cells that are resistant to conventional drugs. Cancer stem cells are thought to cause a recurrence or metastasis of cancer. Sumitomo Dainippon Pharma expects the combined sales of BBI608 and BBI503 to be second only to LATUDA®.

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

Moreover, Sumitomo Dainippon Pharma will apply leading edge science, such as iPS cells, to drug discovery, while working in research and development of regenerative medicine and a cell therapy drug, as well as the world's first medicines for refractory diseases such as mitochondrial diseases and non-alcoholic steatohepatitis.

Nihon Medi-Physics

Nihon Medi-Physics Co., Ltd. (NMP) is a leading company in Japan in the highly specialized field of nuclear medicine.

NMP engages in the development, manufacture and sale of radiopharmaceuticals, which are used for diagnosis of disease conditions and post-therapy surveillance, chiefly for malignant tumors and brain and heart diseases. The company's main product is FDGscan Injectable for PET (positron emission tomography) procedures, which are effective in the early detection of malignant tumors.

In 2014, NMP launched DaTSCAN Injectable, a diagnostic agent for brain diseases such as Parkinson's syndrome and dementia with Lewy bodies. The agent is expected to help improve accuracy of diagnosis and decision-making on appropriate treatment.

In addition to diagnostic pharmaceuticals, NMP also offers therapeutic products, such as a medical device for brachytherapy for prostate cancer, a radiopharmaceutical that provides pain relief for cancer patients suffering from bone metastasis, and a drug to eliminate internal radioactive contamination.

Brand Name/ Product Code	Generic Name	Formulation	Proposed Indications	Development Location	Development Stage					Remarks
					Phase I	Phase II	Phase III	NDA submitted	Approved*1	

Cancer Field

CALSED®	amrubicin hydrochloride	Injection	Small cell lung cancer	China						Developed in-house
BBI608	TBD	Oral	Colorectal cancer (Monotherapy)*4 (Global clinical trial)	U.S./ Canada/ Japan, etc						Developed in-house (Boston Biomedical)
			Gastric cancer (Combination therapy) (Global clinical trial)	U.S.						
			Colorectal cancer (Combination therapy)	U.S. / Canada						
			Solid cancer (Combination therapy)	U.S. / Canada	*2					
			Gastrointestinal cancer (Combination therapy)	U.S. / Canada						
WT4869	TBD	Injection	Myelodysplastic syndromes	Japan	*3					Developed in house (Joint research with Chugai Pharmaceutical)
			Solid cancer	Japan						
WT2725	TBD	Injection	Solid cancer, Hematologic cancer	U.S.						Joint research with Chugai Pharmaceutical
			Solid cancer	Japan						
BBI503	TBD	Oral	Solid cancer (Monotherapy)	U.S. / Canada						Developed in-house (Boston Biomedical)

*1 Approved / Preparing for Launch *2 Phase II of Phase I/II study *3 Phase I of Phase I/II study

*4 In May 2014, Sumitomo Dainippon Pharma closed enrollment of new participants and discontinued the drug administration to already enrolled participants because the futility analysis didn't meet the protocol defined criteria.

Brand Name/ Product Code	Generic Name	Formulation	Proposed Indications	Development Location	Development Stage					Remarks
					Phase I	Phase II	Phase III	NDA submitted	Approved*1	

Respiratory Field

SUN-101	glycopyrrolate bromide	Inhalant	Chronic obstructive pulmonary disease (COPD)	U.S.						Developed in-house (Sunovion Pharmaceuticals)
DSP-3025	TBD	Collunarium	Bronchial asthma, Allergic rhinitis	Japan						Developed in-house

Cardiovascular/Diabetes Field

METGLUCO®	metformin hydrochloride	Oral	Type 2 diabetes (Addition of pediatric usage)	Japan						In-licensed from Merck Santé
SUREPOST®	repaglinide	Oral	Type 2 diabetes (All combination therapies including DPP-4 inhibitors) (New indication)	Japan						In-licensed from Novo Nordisk

Other Fields

DSP-1747	obeticholic acid	Oral	Nonalcoholic steatohepatitis (NASH)	Japan						In-licensed from Intercept Pharmaceuticals
DSP-6952	TBD	Oral	IBS with constipation, Chronic idiopathic constipation	Japan						Developed in-house

*1 Approved / Preparing for Launch

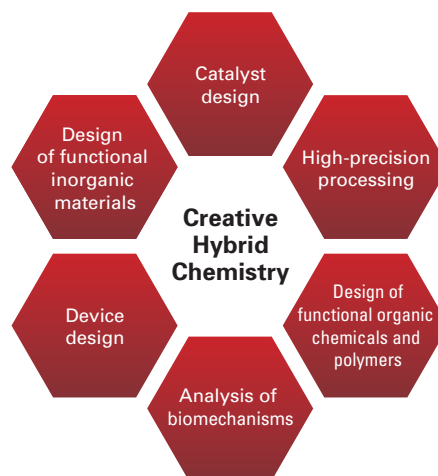
Research and Development

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

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

Based on medium- to long-term economic and business environment forecasts, Sumitomo Chemical anticipates growth in the three fields of environment and energy, life sciences, and ICT. We will develop next-generation businesses by focusing R&D and other management resources on these three fields. In the environment and energy area, we have commercialized diesel particulate filters (DPF) and

Six Core Technologies



have also entered the polymer OLED lighting market. In the ICT area, we are working to commercialize materials and components for flexible displays. An encapsulation material for optical use has become ready for commercialization. In the life sciences area, we are making progress in developing next-generation businesses, such as launching the evaluation of compound safety using ES and iPS cells.

Developing New Business

Launch	2011	2015	2020~
Environment and Energy	<ul style="list-style-type: none"> ✓ Silicon solar cells (HEVA, electrode paste, etc.) ✓ Lithium-ion secondary batteries (separators) ✓ LED lighting applications (sapphire substrates and alumina, etc.) 	<ul style="list-style-type: none"> ✓ Polymer OLED lighting Power semiconductors (epitaxial wafers) High heat-resistant and high thermal-conductive resin ✓ Diesel particulate filters CO₂ separation 	<ul style="list-style-type: none"> Organic thin-film photovoltaics Lithium-ion secondary batteries (cathode materials)
ICT		<ul style="list-style-type: none"> PLED (light emitting materials) ✓ Next-generation polarizing films ✓ Encapsulation materials for optical use ✓ Flexible display materials and components 	<ul style="list-style-type: none"> Organic semiconductors
Life Sciences	<ul style="list-style-type: none"> ✓ Drug for schizophrenia (LATUDA®) 	<ul style="list-style-type: none"> Anticancer drugs targeting cancer stem cells Crop stress management Cell therapy Regenerative medicine ✓ Safety evaluation and drug discovery using ES and iPS cells 	

✓ Commercialized/ready to be commercialized

Flexible Display Materials and Components

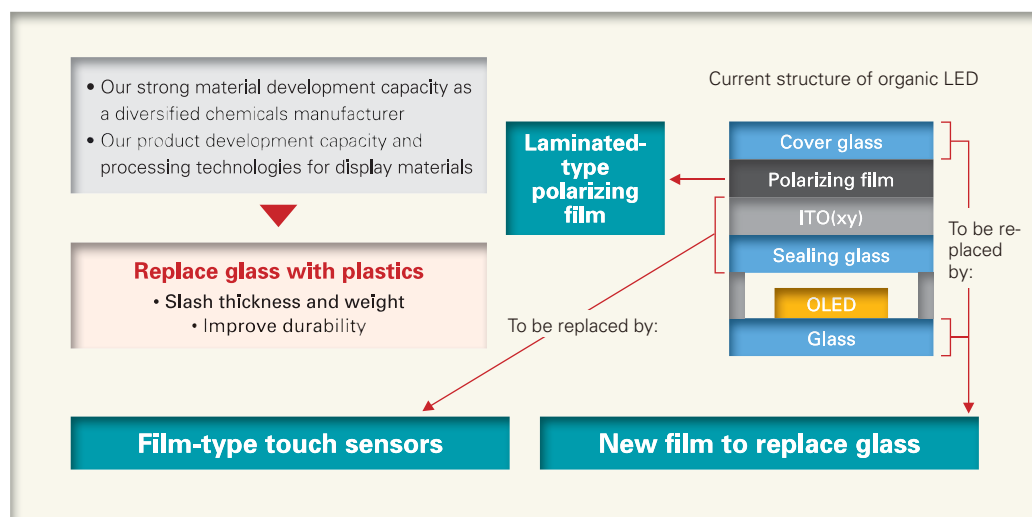
Sumitomo Chemical is conducting research and development aimed at replacing glass components widely used in displays with plastic components. By using plastic components, more flexible, thinner, lightweight, and stronger displays will be available.

The use of such flexible displays in smartphones and tablet PCs will help develop mobile devices with greater portability and durability. In the future, bendable displays are expected to be developed, and we anticipate the emergence of innovative mobile devices with new designs and applications.

We offer a wide range of materials and components that leverage our strong material development capabilities as a

diversified chemical company and optical product design technologies developed in the display materials business. Thus, we can make a significant contribution to the realization of various new displays, such as flexible displays.

Examples of materials and components we are developing are film-type touch sensors, laminated-type polarizing film, and new film to replace glass. Film-type touch sensors are lightweight, highly flexible and durable. We plan to launch film-type touch sensors in the first half of fiscal 2014. Laminated-type polarizing film is thinner, more flexible and more cost-competitive than existing polarizing film. We are developing laminated-type polarizing film with a target of launching it in fiscal 2014. New film to replace glass has excellent gas barrier properties, high strength and a high degree of transparency. We aim to launch it in fiscal 2015.



Intellectual Property

Basic Policy on Intellectual Property Activities

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

To create business value from intellectual property activities, it is important to acquire and protect "wider, stronger, faster-registered and longer-lasting" patent rights for technological development results. It is also vital to promote the utilization of those rights, so that the fruits of technological development are effectively used in business activities to the greatest possible extent.

While respecting the valid patents of others, we must legitimately and to the greatest extent possible protect the patents we acquire as allowed under the law, work toward their utilization, and conduct intellectual property activities that can broadly secure the freedom of our corporate business activities.

Sumitomo Chemical has set the basic policy on intellectual property activities as follows, based on these perspectives.

Basic Policy on Intellectual Property Activities

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

Working for Globalization and Improvement of Patent Quality

Sumitomo Chemical is working toward the globalization of its intellectual property activities and improvement of the quality of the patents it acquires.

Sumitomo Chemical is expanding its business activities worldwide and stepping up research and development activities at its overseas Group companies. We held our first Global IP Meeting in February 2014, assembling 55 intellectual property managers, including those from overseas Group companies. The participants introduced the intellectual property activities at each company and discussed the potential for collaboration among Group companies. We have also already held two intellectual property training sessions for local research and development managers in Southeast Asia, including Singapore. Sumitomo Chemical will continue working in unison with overseas Group companies to advance efficient and effective intellectual property activities.

In addition, we disbanded the Group company Sumitomo Chemical Intellectual Property Service, Ltd. at the end of March 2014 and integrated its activities into Sumitomo Chemical's Intellectual Property Department, and we are strategically advancing reforms in this field. By having one department handle all aspects of intellectual property, including strategic planning, patent applications, and the securing of intellectual property rights, we aim to file patent applications which will contribute to even greater increases in business value than in the past.

Number of Domestic Patent Applications

Fiscal year	2009	2010	2011	2012	2013
No. of Domestic Patent Applicants	1,952	2,283	2,309	1,373	794



CHAPTER **3**

CSR & GOVERNANCE

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Corporate Social Responsibility

Our Corporate Social Responsibility Program

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

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

Basic CSR Policy

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

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

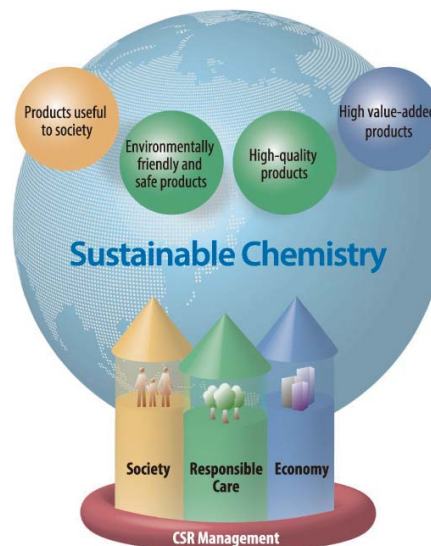
CSR Management

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

Sustainable Chemistry

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

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



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

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

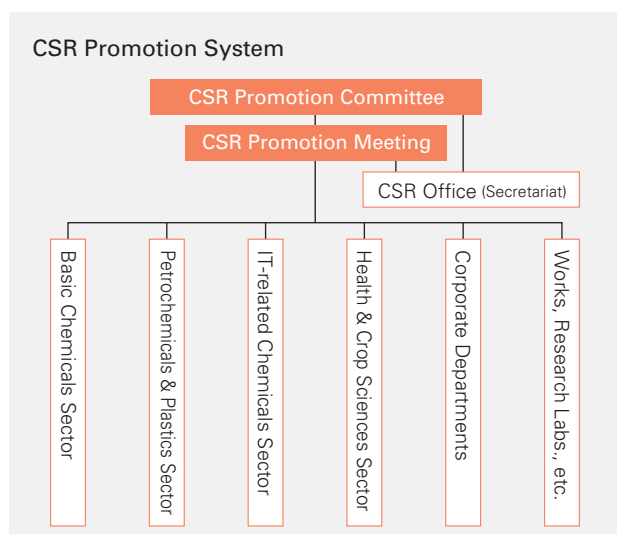
Economy
Maximizing corporate value by continually providing better products

Sustainable Chemistry
as the Mission of a Chemical Company

CSR Promotion System

In April 2012, Sumitomo Chemical founded the CSR Promotion Committee. Chaired by the executive officer in charge of CSR and comprised of executive officers from the Company's corporate and business sectors, the CSR Promotion Committee is responsible for further advancing CSR activities. At the CSR Promotion Committee meeting held in March 2014, the results of activities conducted in fiscal 2013 were reported and the policies for fiscal 2014 were set.

The new CSR policies were explained at the CSR Promotion Meeting attended by representatives from each business sector and Works. This meeting is designed to identify specific activity targets based on the policies of each business sector and Works for the promotion of CSR activities. To strengthen ties with overseas Group companies, a Global CSR Meeting was held for CSR managers from the regional headquarters established in each overseas region in September and November 2013, and a Regional CSR Meeting was held with representatives from the three regions of Japan, Taiwan, and South Korea. These events served as opportunities to introduce, share information, and exchange opinions about CSR activities.



Putting in Place Fiscal 2014 Policies for CSR Activities

Each year, Sumitomo Chemical puts in place CSR activity policies based on its overarching Basic CSR Policy. Taking into consideration comprehensive factors from each of the economic, environmental, and social perspectives, Sumitomo Chemical recognizes that CSR activities are a source of competitive advantage. With this in mind, we put in place the following annual CSR activity policies in fiscal 2014, in an effort to maximize our corporate value and to fulfill our corporate social responsibility as a global enterprise.

Fiscal 2014 Policies for CSR Activities

Economic Activities

We will engage in activities that are designed to improve business performance and strengthen our business foundation, with the goal of maximizing our corporate value and fulfilling our corporate social responsibility as a global enterprise.

Responsible Care Activities

• Environmental Safety (including Combating Climate Change) and Chemical Safety

The Sumitomo Chemical Group fulfills its corporate social responsibility based on the Sumitomo Chemical Charter for Business Conduct, Sumitomo Chemical Code of Business Conduct, and the Corporate Policy on Safety, the Environment and Product Quality. Based on the core principle of "Making Safety the First Priority" to gain the trust of society and engage in sustainable business development, the Group proactively advances responsible care activities, such as global environmental conservation, chemical risk management, and communication with society, while ensuring safe operations with zero accidents and zero injuries as the foundation of its business activities.

• Quality Assurance

Based on the Corporate Policy on Safety, the Environment and Product Quality, the Sumitomo Chemical Group provides quality products and services that its customers can satisfactorily use without concern by implementing measures for quality assurance that place more emphasis on the customer and by supporting measures to ensure quality at Group companies.

• Responsible Care Audits

The Sumitomo Chemical Group performs responsible care audits and offers technical assistance to Group companies to support business creation and efficient business operations, while promoting responsible care activities to minimize responsible care-related risks throughout the Group.

Social Activities

- We will put in place a workplace environment and system that motivates and satisfies employees by promoting diversity and work-life balance.
- We will engage in social contribution activities unique to Sumitomo Chemical and fulfill our corporate social responsibility as a global enterprise.
- We will contribute to society through our business activities and will encourage the active participation of all of our employees in CSR with a sense of purpose.
- We will work to improve the value of the Sumitomo Chemical Group corporate brand both within and outside the Company.

Measures Aimed at Raising Awareness of CSR Activities

In order to enhance employee awareness of the Company's CSR-based corporate philosophy, Sumitomo Chemical makes use of a Corporate Philosophy Statement Booklet and DVD, available in Japanese, English, Chinese, and Korean. These educational materials are used for a host of occasions, including employee training sessions and roundtable discussions. Every effort is being made to ensure a uniform understanding of CSR activities throughout the Group.

In fiscal 2013, through social events for employees at the headquarters in Tokyo, Sumitomo Chemical began, on a trial basis, creating opportunities for employees to reflect on what they had learned in the Corporate Philosophy Statement Booklet about the nature of operations in each business sector.

Working to foster a greater interest in CSR activities among employees and to promote participation, the

Sumitomo Chemical Group continues to encourage various volunteer activities and offers a matching gift program for donations.

Corporate Social Responsibility

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

Social Contribution Activities

Sumitomo Chemical is committed to social contribution activities that are unique to the Company, and through its core business activities, focuses on initiatives that encompass the three perspectives of coexistence with local communities, continued support for a sustainable society, and responsible business as a global company.

Sumitomo Chemical's Social Contribution Activities

	Community Contribution	Future Contribution	Global Contribution
Securing safety and health, and protecting the environment	Plant and laboratory tours		Malaria prevention campaign, Donating Olyset™ Nets
	RC dialogues and distribution of local newsletters		Investment in the World Bank's BioCarbon Fund
			TABLE FOR TWO program
			Matching Gift program (support for tree-planting activities)
			Cooperation with U.N. activities
Raising children who will lead the next generation	Establishment of in-house childcare facilities		Educational support in Africa
	Launch of Young Inventors' Club, school science visits, etc.		University scholarship programs in China and Hungary
	Sponsorship of community sporting events for children		
	Cooperation on civic and university courses		
	Acceptance of student interns		
	Matching Gift program (educational support for children)		
Assisting in natural disaster relief	Relief activities after typhoons and other disasters, offering facilities for public use after major disasters		Relief donations for victims of hurricanes, earthquakes, etc.

(1) Community Contribution

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

Activities

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

Reconstruction Support for the Great East Japan Earthquake Disaster Areas

The Sumitomo Chemical Group supports reconstruction from domestic and foreign disasters in many ways. We continue to provide support to areas which suffered damage in the Great East Japan Earthquake, including the dispatch of employee volunteers. Sumitomo Chemical will maintain these activities that meet on-site needs toward rebuilding the lives of the disaster victims and reviving the disaster areas as soon as possible.

• Continued Support Activities Related to Company

Business: Hakozaki Farm in Kamaishi City, Iwate Prefecture

Hakozaki Farm is a local citizens' farm which is open to the public, operated by the Kamaishi City Social Welfare Council for the revival of the local community and to improve the lives of earthquake disaster victims forced to live in temporary housing for a prolonged time. Sumitomo Chemical cosponsored an opening event in June and a har-



Planting seedlings together with local residents

vest event in October, where we dispatched employee volunteers, and provided materials required for the vegetable garden. We also use tomatoes and other vegetables delivered from the farm in our employee cafeteria, and are continuing this support which has ties with the local residents.

• Support for the Next Generation in Earthquake Disaster Areas

Sumitomo Chemical held the Fukushima Next Generation Farmers Market at the Festival of Food, Agriculture, Forestry, and Fisheries, organized by the Ministry of Agriculture, Forestry and Fisheries at Shibuya Hikarie



Fukushima Next Generation Farmers Market

(Shibuya Ward, Tokyo) in November 2013. This event was aimed at supporting the young generation who will be responsible for the future of agriculture in Fukushima, by providing an opportunity for students at agricultural high schools in Fukushima Prefecture to sell agricultural products and processed goods within Tokyo. Many employees and members of the general public visited the farmers market that day and listened intently to explanations from the high school students.

(2) Future Contributions

Sumitomo Chemical started an internship system from fiscal 2007 in collaboration with Chinese universities as part of its ongoing support to society for the future. Each year we host interns from universities all over China for a period of about two months. In fiscal 2013 we hosted 46 interns. The internship is designed to deepen the Chinese students' understanding of Japan and Japanese companies, to have them think about their future occupations and careers, and make even the smallest contribution to promoting friendship between Japan and China.

(3) Global Contributions

Sumitomo Chemical conducts activities which contribute to the international community as a global company developing business throughout the world.

Support for Africa

• Malaria Control Initiatives

In Africa, particularly the Sub-Saharan region, people are facing a range of problems including poverty, infectious diseases, and high death rates among pregnant women and infants. In response to these problems, the United Nations has set the Millennium Development Goals (MDGs), and efforts are being made toward fast resolution. Sumitomo Chemical continues working toward solving such problems by providing its insecticidal mosquito net, Olyset™ Net, for malaria prevention. We provided our Olyset™ Net manufacturing technology, free of licensing fees, to A to Z Textile Mills Limited, a mosquito net manufacturer based in Tanzania, with local production commencing in 2003. In 2008, we formed the joint venture Vector Health International Ltd. with A to Z, to contribute to the development of the local economy through local employment. Then, in 2012, we established the Africa Technical Research

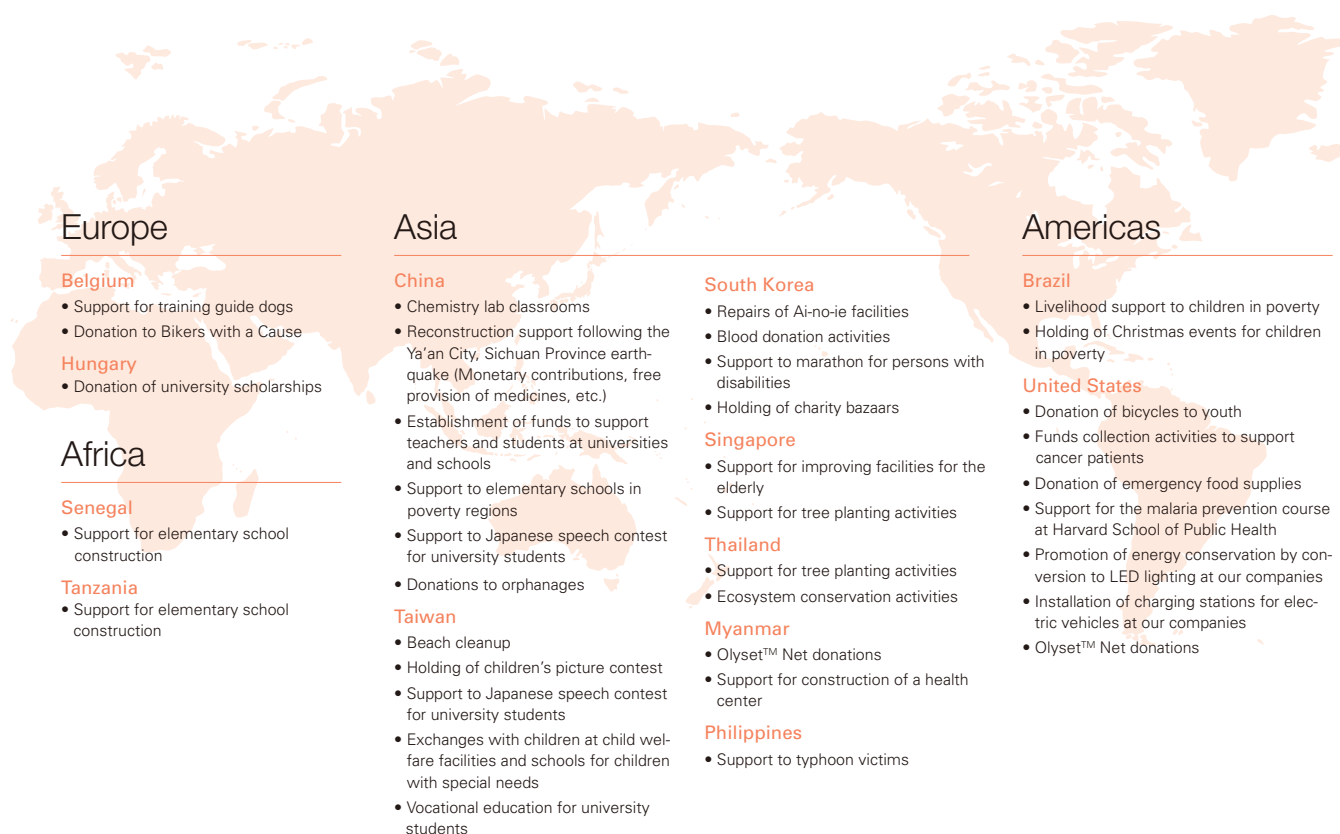
Center, in Tanzania, to conduct research on not only mosquito nets but also sprays and chemicals to kill mosquito larvae. The Center is working on a wide range of measures to prevent infection.

In fiscal 2013 we continued to sponsor a malaria prevention course at Harvard University and participated in the Harvard Malaria Forum, one of the centennial events of the Harvard School of Public Health. We also continue to support the NPO Malaria No More Japan and advance malaria prevention initiatives in various ways.

• Educational Support to Children Who Will Lead the Next Generation

Sumitomo Chemical uses a portion of its sales from the Olyset™ Net business to support educational activities, centered on the construction of elementary and middle school buildings and related facilities, in collaboration with the NGOs World Vision Japan and Plan Japan. A total of 16 projects in 10 African countries have been completed so far, and two projects are underway as of the end of March 2014.

Sumitomo Chemical will continue its active support for Africa as a member of the international community.



Responsible Care Activities

In our efforts to realize sustainable chemistry, we actively engage in Responsible Care activities that aim to protect the environment, ensure health and safety, and maintain high product quality throughout the entire life cycle of our products. In order to conduct our Responsible Care activities efficiently and comprehensively from a long-term perspective, we have established the Responsible Care Committee, chaired by the President and consisting of the Executive Officers in charge of our Business Sectors, Executive Officers in charge of 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 divide 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.

Maintaining Safe and Stable Operations

Sumitomo Chemical has made “enhancing our safety culture and increasing safety assurance capabilities to ensure safe and stable operations” a priority management issue in its Corporate Business Plan, and is working to improve safety of its operations. To enhance our safety culture, we place priority on realizing each employee’s safety awareness and giving individual advice, as well as improving our employees’ ability to foresee danger. These priority issues were decided based on the lessons learned from serious accidents of other com-

panies and on-the-job accidents and injuries at our company. To strengthen our safety assurance capabilities, we put priority on further promoting voluntary measures against earthquakes to meet stricter earthquake-resistance requirements. Another priority is developing more effective and efficient methods to conduct risk assessment of out-of-the-ordinary conditions and risk assessment of abnormalities in safety devices. We have performed these risk assessments since fiscal 2012.

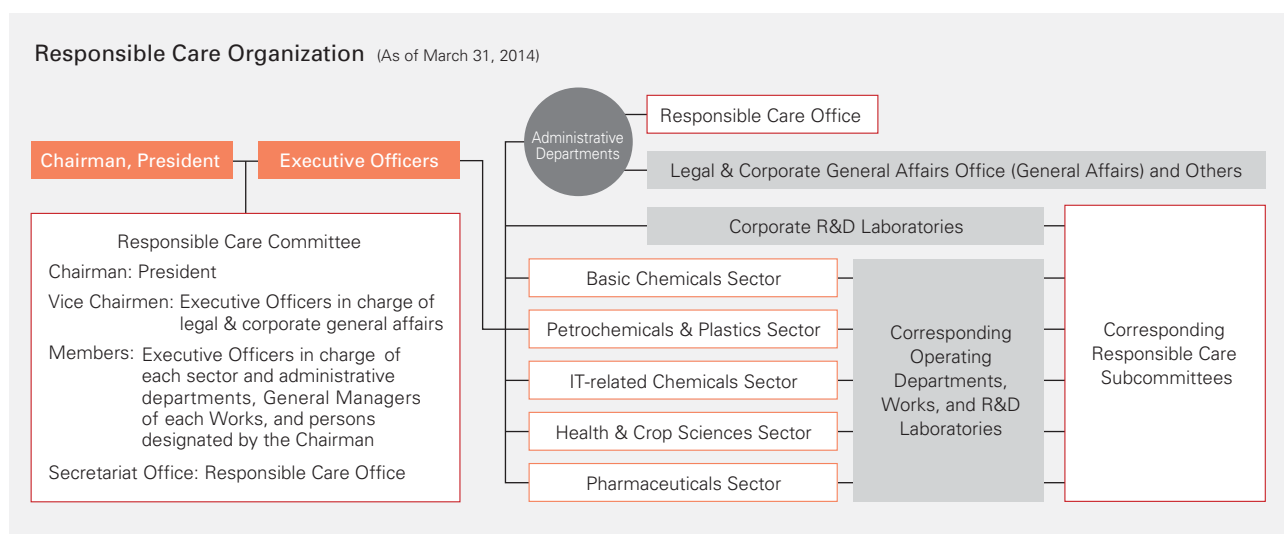
Improving the Efficiency of Energy Consumption, Resource Utilization and Sumitomo Chemical’s Environmental Performance

The Sumitomo Chemical Group is working to promote environmental sustainability in order to bring about a low-carbon society and a recycling-based society. Sumitomo Chemical and 16 major Group companies in Japan, as well as 10 major Group companies overseas, launched renewed efforts to improve energy consumption and reduce environmental impact by setting targets for fiscal 2015.

Working to Reduce CO₂ Emissions

Sumitomo Chemical aims to achieve the world’s highest level of energy efficiency and to develop processes and products that contribute to the reduction of CO₂ emissions.

In our production process, we have improved energy efficiency by about 6% and reduced unit CO₂ emissions by about 8% between FY2005 and FY2013. We will continue to improve energy efficiency and reduce CO₂ emissions in our production process. We also develop products that contribute to the reduction of CO₂ emissions and the efficient use of



energy. We also developed our own assessment tools, such as guidelines for estimating the extent to which the use of our products reduces CO₂ emissions. We will further focus on developing new manufacturing processes and products that will help reduce CO₂ emissions using these tools.

Chemical Safety Initiatives

In line with a global trend toward achieving the 2020 target* proposed at the World Summit on Sustainable Development (WSSD) in 2002, Sumitomo Chemical is promoting its risk-based management of chemicals by both regulatory compliance and voluntary measures. As for regulatory compliance, Sumitomo Chemical acts proactively to fully meet domestic and overseas regulations that are being established, revised or tightened. As for voluntary measures, Sumitomo Chemical implements a risk-based chemicals management throughout the life cycle of its products. Moreover, the Company makes use of its own comprehensive chemical management system to manage necessary information effectively and properly.

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

Product Responsibility Initiatives

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

Responsible Care Auditing Activities

We conduct Responsible Care audits for Sumitomo Chemical and our major Group companies in Japan and overseas. Responsible Care audits are aimed at directly checking whether Responsible Care activities are conducted appropriately through regular visits to the Works and giving advice to promote these activities. In order to conduct Responsible Care audits properly, Sumitomo Chemical has

organized a specialized audit team. For overseas audits, we also get help from consultants with knowledge of local regulations.

Promoting Responsible Care Activities in Full Coordination with Group Companies

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

Sumitomo Chemical Recognized by CDP as Climate Change Disclosure Leader

For the second consecutive year, Sumitomo Chemical has been highly commended by CDP, an international not-for-profit organization, for its excellent approach to the disclosure of climate change information, and was featured in CDP's "Climate Disclosure Leadership Index" in November 2013.

Every year, CDP sends a questionnaire on climate change initiatives to about 5,000 companies worldwide, including about 500 Japanese companies. Based on analysis of the responses to the questionnaire, CDP selects for listing in the Climate Disclosure Leadership Index companies that display a strong approach to climate change initiatives, such as adequately measuring and controlling CO₂ emissions, planning a strategy and implementing risk management measures, as well as information disclosure.

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

Sumitomo Chemical will continue to promote climate change initiatives in order to contribute to building a sustainable society.



Primary Environmental Performance (Fiscal 2013)

Sumitomo Chemical Group*1
Sumitomo Chemical
INPUT → Energy and Resources

● Energy

(Calculated as kl of crude oil) Thousands of kl

Energy	1,670	1,265
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● Exhaustible resources

Thousands of tons

Hydrocarbon compounds	3,030	2,647
Metals (excluding rare metals) ²	116	109
Rare metals ³	0.21	0.07

● Water

Thousands of tons

Water	1,415.3	544.7
Industrial water	74.5	65.4
Drinking water	1.0	0.5
Seawater	1,309.9	451.8
Groundwater	26.4	23.6
Other water	3.5	3.4

Sumitomo Chemical Group

● Use of PCB/CFCs

No. of electrical devices containing PCBs
PCB volume
No. of refrigeration units using specified CFCs as coolant

90 units	16 units
2.0m ³	1.0m ³
88 units	18 units

OUTPUT → Product Manufacturing and Environmental Impact

● Products

Thousands of tons

(Calculated on the basis of ethylene production) ⁴	2,082	1,626
---------------------------------------------------------------	-------	-------

● Waste material

tons

Waste generated	273	66
Landfill (final disposal)	33	3.2
On-site landfill	0	0
External landfill	33	3.2

● Atmospheric emissions

Thousands of tons of CO₂

Greenhouse gases (six gases)		
N ₂ O	151	63
HFC	-	-
PFC	-	-
Methane	-	-
Sulfur hexafluoride	-	-
Emissions from energy use (CO ₂)	4,401	3,334
Emissions from nonenergy use (CO ₂)	75	63

● Water pollutant emissions

tons

COD*	1,272	1,123
Nitrogen	1,325	1,223
Phosphorus	41	37
Substances subject to the PRTR Act	65	46

*Chemical oxygen demand

Others		
NO _x	5,533	2,584
SO _x	5,510	1,625
Soot and dust	272	114
Substances subject to the PRTR Act	522	295

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

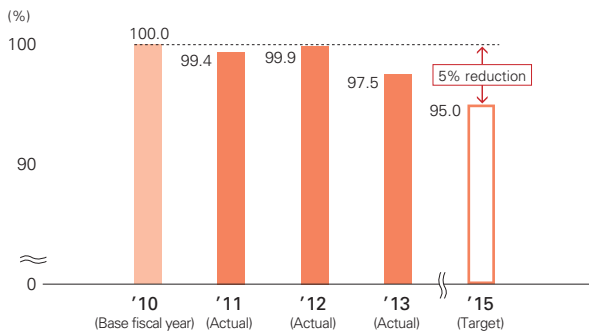
*2 Calculations include the following 12 metals: iron, gold, silver, copper, zinc, aluminum, lead, platinum, titanium, palladium, gallium, and lithium.

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

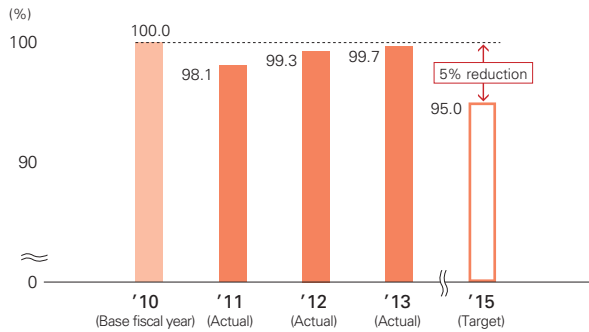
*4 Certain assumptions were made in calculations due to the difficulty of obtaining weight-based figures for some products.

Japan

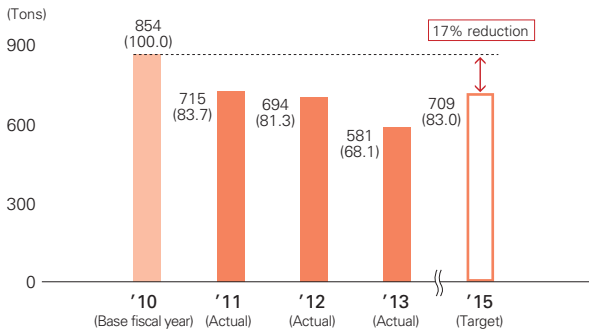
Energy Consumption Rate Index*1



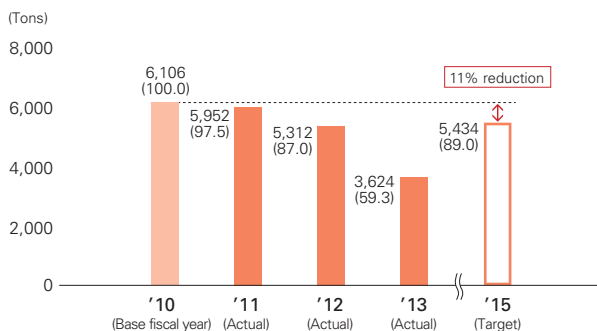
CO₂ Emission Rate Index*1



PRTR Substances Released into the Air and Water*2

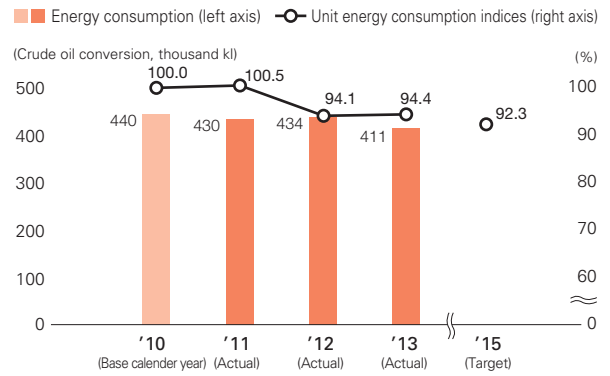


Landfill Disposal Volume*2

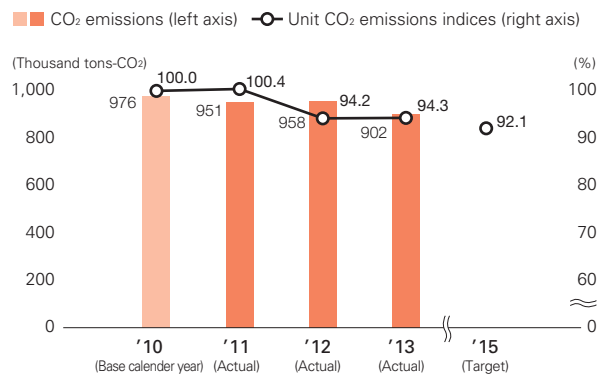


Overseas

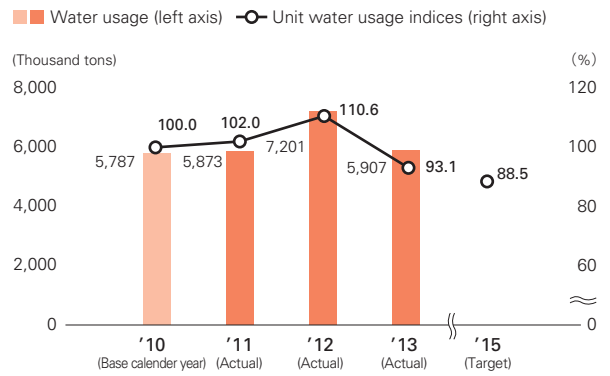
Energy Consumption & Unit Energy Consumption Rate Index*3



CO₂ Emissions (Energy Sources) & Unit CO₂ Emissions Rate Index*3



Water Usage & Unit Water Usage Rate Index*3



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

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

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

Building Better Relations with Customers

Throughout the entire Group, Sumitomo Chemical is committed to supplying high-quality products and services that satisfy customer needs and ensuring safety in their use, and the departments in charge of sales and quality assurance provide support for products and customer inquiries. Sumitomo Chemical operates a product quality information management system that swiftly and accurately incorporates complaints and requests made by customers regarding Company products into its quality assurance activities. Each business sector of the Company analyzes the information registered with the system and implements measures to prevent the reoccurrence of similar problems. Also, the Works, Research Laboratories, and sales personnel share information regarding customer complaints and requests for improvements in product quality, and this data is utilized to determine how the entire organization should respond to the issues raised by customers.

Building Better Relations with Business Partners

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

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

Building Better Relations with Employees

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

System that Inspires Greater Motivation

Sumitomo Chemical has adopted a job (role)-based human resources system for both managerial and non-managerial employees. The system allows highly motivated and capable employees to engage in a range of challenging jobs, and rewards those who have made significant efforts and contributions to the Company. Both managerial and non-managerial employees are evaluated not only for their performance, but also for their competencies, behavioral processes and attitude. The aim of this system is not merely the pursuit of short-term achievements, but rather employee development and medium- to long-term corporate development. We have introduced the same evaluation standards and systems used at the Company for employees holding important positions (Global Position Holders) as those holding

managerial positions or above at overseas Group companies, and are stepping up our efforts to discover and develop high-potential employees as candidates to become leaders of the next generation. Sumitomo Chemical will promote its approach to sustainable and global business development to all of its domestic and overseas Group companies.

Human Resources Development

Sumitomo Chemical implements training rotations and offers a variety of training programs and other measures with a view to enabling personnel to fully demonstrate their abilities as world-class professionals who can contribute to the Company's global expansion.

(1) Career Development System (CDS)

Under this training rotation system for all non-managerial employees and some managers, we use the preferences submitted by employees and the development plans made by their managers after personal interviews to help employees plan and develop their ideal careers. Rotations were conducted for 767 employees in fiscal 2012 and 851 employees in fiscal 2013.

(2) Mentor and Trainer Systems

Sumitomo Chemical introduced a Trainer System in January 2008, under which highly skilled employees who have an aptitude for teaching are certified as trainers. These trainers provide instruction and advice to younger employees to facilitate their development and ensure that skills are passed down from one generation to the next. We also introduced a Mentor System in April 2010 to give on-the-job training to supervisors and potential supervisors. We are using this system to enhance the development of core talent for manufacturing departments. As of April 2014, a total of 85 employees were appointed as trainers and 10 employees as mentors throughout the Company.

(3) Training seminar on global business communication skills

Sumitomo Chemical conducts a training seminar to develop and improve business communication skills in English for young employees who are expected to become global leaders. A total of 81 young employees received the training in fiscal 2013.

(4) Training of local managers of overseas Group companies

As a means to identify and develop global human resources in a systematic manner, we have been providing local managers of overseas Sumitomo Chemical Group companies with training since 2010. This training aims to help participants better understand the Group's corporate philosophy and values that are to be commonly shared by all Group employees, and to increase understanding of the Group's global human resource systems. So far, 569 managers have received the training.

Promoting Work-Life Balance

Sumitomo Chemical is conducting activities to help employees improve their labor productivity and harmonize work with their personal lives. We encourage employees to take paid holidays. We also designate a "work-life balance day" at least once a week and urge employees not to work overtime on that day. In order to

achieve targets on work-life balance for each workplace, we have also designated May and November as “work-life balance promotion months.” During these months, we post awareness-raising posters at each workplace. Moreover, every six months, we review each workplace’s work-life balance indicators, including total overtime work hours, the number of employees who worked longer hours, and the percentage of paid holidays taken by employees, to steadily promote work-life balance.

Percentage of Paid Holidays Taken by Employees

Fiscal year	2009	2010	2011	2012	2013
Paid holidays taken (%)	61.5	63.6	63.3	63.1	63.5

Use of Diversified Human Resources

Sumitomo Chemical looks for and recruits talented people, regardless of age, gender or nationality, in a wide range of areas, and a diverse spectrum of people are working at the Company.

(1) Developing potential of female employees

We are committed to providing employees with a workplace in which they feel comfortable working, regardless of gender, and many women exercise their talents at the Company. In fiscal 2013, the Company recruited 64 female employees. To further develop the potential of female employees, we decided to promote the appointment of women to managerial positions in a systematic way by setting numerical targets for the ratio of female managers. We will implement various action plans, such as a mentoring system, to achieve the targets.

Numerical Targets for the Ratio of Female Managers

Sumitomo Chemical aims to increase the ratio of MI-grade female section chiefs or above to 10% or more from the current 3.7%*, and the ratio of M-grade female subsection chiefs to 15% or more from the current 11.6%* by 2020.

*As of March 31, 2014

(2) Recruitment of non-Japanese employees

We have increased non-Japanese recruitment since fiscal 2008 to secure the necessary human resources that will serve as the driving force for further promotion of globally integrated management. In fiscal 2013, the Company recruited 26 non-Japanese individuals who had graduated from universities and graduate schools in Japan and overseas.

(3) Employment of people with disabilities

Sumitomo Chemical has been actively employing people with disabilities. When they are hired, we assign suitable work to them and implement workplace accommodations where necessary so they can make the most of their abilities. In April 2013, we opened a bakery at our cafeteria at the Tokyo head office to expand job categories for people with disabilities. They work with enthusiasm at the bakery to make and sell their original-recipe bread.

(4) Reemployment of retirees

The Company introduced a new reemployment system in fiscal

2006 to enable retired employees to continue demonstrating the skills and expertise they have gained through working for the Company. We reviewed the reemployment system in April 2013 following the revision of the Japanese Act on Concerning Stabilization of Employment of Elderly Persons. In fiscal 2013, 138 (90.2%) of 153 retirees were reemployed by the Company or its Group companies.

Number of Female Employees

Fiscal year	2009	2010	2011	2012	2013
Female employees recruited	45	23	76	71	64
Percentage of female employees among new employees (%)	22.4	8.6	17.3	17.0	22.9

Number of Female Managers

Fiscal year	2009	2010	2011	2012	2013
Number of female managers	148	153	161	174	191
Percentage of female managers among managers (%)	4.7	5.0	5.3	5.8	6.4

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

Recruitment of Non-Japanese Employees

Fiscal year	2009	2010	2011	2012	2013
Number of non-Japanese employees recruited	17	19	28	41	27

Employment Rate of People with Disabilities

Fiscal year	2009	2010	2011	2012	2013
Employment rate (%)	2.01	1.96	1.87	1.93	2.12

*Annual average for each fiscal year

Reemployment of Retirees

Fiscal year	2009	2010	2011	2012	2013
Retirees	176	134	139	154	153
Reemployed	116	97	93	102	138
Reemployment rate (%)	65.9	72.4	66.9	66.2	90.2

Labor-Management Relations

Sumitomo Chemical and its labor union have been cooperating as good management partners to meet challenges and achieve targets based on long-term mutual understanding and trust. Central labor-management meetings and labor-management meetings at each work site are held twice a year, providing opportunities for exchanges. The Company and the labor union also hold meetings regularly to discuss various programs for non-managerial employees to enable them to increase their morale and motivation at work. The regular meetings were held three times in fiscal 2013.

For further details concerning Sumitomo Chemical’s CSR activities, refer to the Sumitomo Chemical CSR Report 2014:

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

Major SRI Index including
Sumitomo Chemical

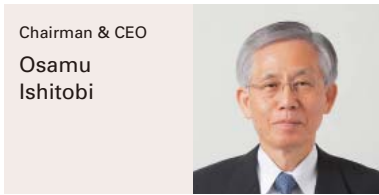


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Board of Directors and Corporate Auditors

(As of June 24, 2014)

Board of Directors



Chairman & CEO
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
2012 Vice Chairman
2014- Chairman & CEO

2005- Director, Rabigh Refining and Petrochemical Company
2010- Director, AOC Holdings, Inc. (present Fuji Oil Company)



President & COO
Masakazu
Tokura

1974 Joined Sumitomo Chemical Co., Ltd.
1998 General Manager, Planning & Coordination Office, Fine Chemicals Sector
2000 General Manager, Corporate Planning & Coordination Office
2003 Executive Officer
2006 Managing Executive Officer
2008 Director & Managing Executive Officer
2009 Director & Senior Managing Executive Officer
2011 President
2014- President & COO



Executive Vice President
Yoshimasa
Takao

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

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



Director & Senior Managing Executive Officer
Toshihisa
Deguchi

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

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

2013- Chairman, Sumika Technology Co., Ltd.



Director & Senior Managing Executive Officer
Tomohisa
Ohno

Rabigh Project, Petrochemicals & Plastics Sector

1977 Joined Sumitomo Chemical Co., Ltd.
2006 General Manager, Polypropylene Division
2008 Executive Officer
2011 Managing Executive Officer
2012 Director & Managing Executive Officer
2014- Director & Senior Managing Executive Officer

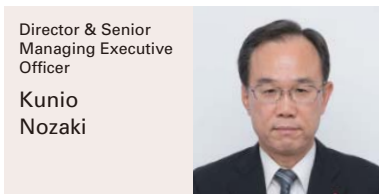
2010- Director, Sumika Middle East Co., Ltd.



Director & Senior Managing Executive Officer
Yoshihiko
Okamoto

Basic Chemicals Sector

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

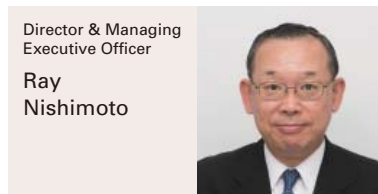


Director & Senior Managing Executive Officer
Kunio
Nozaki

Corporate Communications Office (IR), Finance & Accounting Office

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

2009- President, Sumika Finance Co., Ltd.

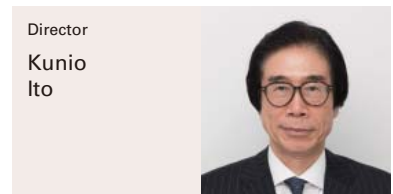


Director & Managing Executive Officer
Ray
Nishimoto

Health & Crop Sciences Sector

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

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



Director
Kunio
Ito

Outside Director

1980 Lecturer in Hitotsubashi University's Department of Commerce and Management
1984 Associate Professor
1992 Professor
2002 Professor in Postgraduate School of Hitotsubashi University, Head of Department of Commerce and Management
2004 Associate Chancellor and Director, Hitotsubashi University
2005- Outside Director, Akebono Brake Industry Co., Ltd.
2006- Professor in Postgraduate School of Hitotsubashi University's Department of Commerce and Management
2007- Outside Director, Mitsubishi Corporation
2009 Outside Director, Sharp Corporation
2009- Outside Director, Tokio Marine Holdings, Inc.
2012- Outside Director, Sumitomo Chemical Co., Ltd.
2013- Outside Director, Kobayashi Pharmaceutical Co., Ltd.
2014- Outside Director, Seven & i Holdings Co., Ltd.

Corporate Auditors

Standing Corporate Auditor Takao Akasaka

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

Standing Corporate Auditor Kenya Nagamatsu

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

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.
2014- Director, Senior Advisor to the Board, Sumitomo Life Insurance Company

Corporate Auditor Koichi Ikeda

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

Corporate Auditor Mitsuhiro Aso

1975 Prosecutor
2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office
2012 Retirement as Prosecutor
2012- Registration of Attorneys
2013- Corporate Auditor, Sumitomo Chemical Co., Ltd.
2014- Outside Director, USS Co., Ltd.

Managing Executive Officers

Hisashi Shimoda

Rabigh Project Office, Rabigh Project - Planning & Coordination Office

Shigeyuki Yoneda

Rabigh Project Office, Rabigh Project - Planning & Coordination Office

Masaki Morimoto

Internal Control and Audit Dept., Human Resources Dept., Human Resources Development Dept., Procurement Office, Logistics Dept.

Hiroshi Ueda

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

Ikuzo Ogawa

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

Yoshiyuki Shimizu

Legal & Corporate General Affairs Office, Secretarial Dept., CSR Office, Corporate Communications Office (PR), China Business Office, Asia Business Office

Hiroshi Niinuma

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

Keiichi Iwata

PLED Business Planning Office, IT-related Chemicals Sector - Electronic Materials Div., Battery Materials Div.

Noriaki Takeshita

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

Hideaki Matsuura

Basic Chemicals Sector - Planning & Coordination Office

Kazushi Tan

IT-related Chemicals Sector - Optical Materials Div., Osaka Works, Ohe Works

Tadaki Matsuo

Ehime Works

Satoshi Takazawa

Rabigh Refining & Petrochemical Company

Executive Officers

Osamu Maruyama

Responsible Care Office

Shinoi Sakata

Intellectual Property Dept.

Kazuyuki Nuki

Health & Crop Sciences Sector - Crop Protection Div., Environmental Health Div.

Masaki Matsui

IT-related Chemicals Sector - Planning & Coordination Office

Toshiro Ohtsubo

Health & Crop Sciences Sector - Quality Assurance Office, Pharmaceutical Chemicals Div., Health & Crop Sciences Research Laboratory

Keiichi Sakata

Health & Crop Sciences Sector - Planning & Coordination Office, Animal Nutrition Div.

Toshiyuki Yoshino

Human Resources Dept.

Motoyuki Sakai

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

Marc Vermeire

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

Sangyoon Kim

Dongwoo Fine-Chem Co., Ltd.

Takashi Shigemori

Rabigh Refining & Petrochemical Company

Yasuhiko Kitaura

Rabigh Refining & Petrochemical Company

Corporate Governance

Basic Stance

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

Corporate Governance Structure

(1) Bodies

The Board of Directors

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





The Board of Corporate Auditors

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

Two Standing Corporate Auditors 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, the Internal Control & Audit Department, and accounting auditors.

Three outside auditors 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, the Internal Control & Audit Department, and accounting auditors, to conduct audits. The results of the relevant audits and the opinions obtained from the objective standpoint of each outside auditor are appropriately reflected in internal audits, corporate auditors' audits and accounting audits, enhancing the effectiveness and efficiency of the audits.

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

Title	Name	Reason for Appointment	Relations with the Company	Major Activities
Outside Director	 Kunio Ito	The Company has elected Mr. Ito as an outside director, anticipating that he will oversee its management by utilizing his many years of ample expertise in accounting, business administration and other areas as a university professor as well as a wealth of experience as a corporate outside director.	The Company has registered Mr. Ito as Independent Director as specified by the Tokyo Stock Exchange. He has no special interest in the Company.	Attended all 13 meetings of the Board of Directors held in fiscal 2013, contributing mainly from his specialist standpoint as a university professor with expertise in accounting, business administration and other areas.
Outside Corporate Auditors	 Shinichi Yokoyama	The Company has elected Mr. Yokoyama as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing a wealth of experience and extensive insight as a former executive of a business corporation.	The Company borrows long-term funds from Sumitomo Life Insurance Co., of which Mr. Yokoyama serves as honorary advisor to the board. The borrowing from Sumitomo Life Insurance accounts for about 3% of the total borrowing of the Company.	Attended 12 out of 13 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors held in fiscal 2013, contributing from his standpoint as an experienced corporate manager.
	 Koichi Ikeda	The Company has elected Mr. Ikeda as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing a wealth of experience and extensive insight as a former executive of a major corporation.	The Company has registered Mr. Ikeda as Independent Director as specified by the Tokyo Stock Exchange. He has no special interest in the Company.	Attended 12 out of 13 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors held in fiscal 2013, contributing from his standpoint as an experienced corporate manager.
	 Mitsuhiro Aso	The Company has elected Mr. Aso as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing his many years of ample experience and expertise as a prosecutor and expertise as a lawyer.	The Company has registered Mr. Aso as Independent Director as specified by the Tokyo Stock Exchange. He has no special interest in the Company.	After becoming an outside auditor in June 2013, he attended all 10 meetings of the Board of Directors and all 10 meetings of the Board of Corporate Auditors held in fiscal 2013, contributing mainly from his specialist standpoint as a lawyer.

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 efficiency as well as the soundness of the company management structures and process. We also make use of their opinions in conducting business. In addition, we appointed one outside director in order to strengthen further oversight functions of the Board of Directors and to increase the transparency and objectivity of management.

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

Executive Officers

We have appointed Executive Officers to expedite the execution of strategies and business plans. Executive Officers assume responsibility for conducting business in accordance with the basic principles determined by the Board of Directors. We have 33 Executive Officers, with 8 acting in dual capacity as Directors. The Executive Officers are 31 Japanese and 2 non-Japanese, made up of 32 males and one female. The term of office for Executive Officers is one year.

Management Meeting

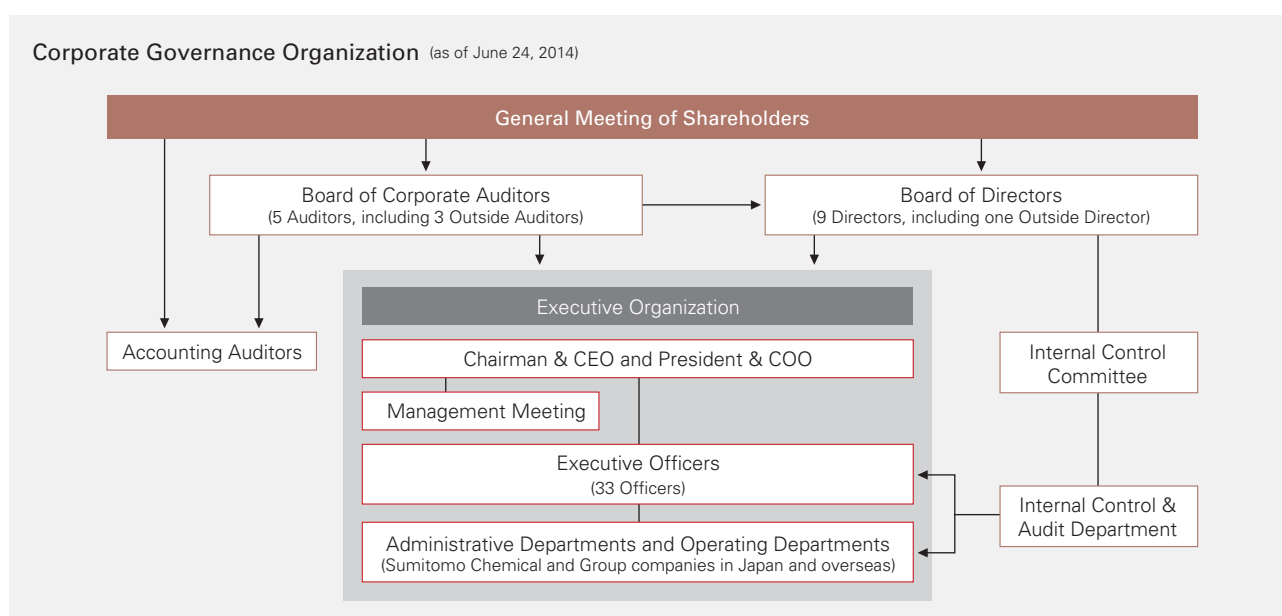
The Management Meeting supports the decision-making of our management by providing a forum for deliberation on such vital matters as corporate strategy and capital investment. The Management Meeting is composed of all the Directors (excluding an outside director) and one Standing Corporate Auditor, and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

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 and the Responsible Care Committee convene at least once a year and are attended by Directors and others, as well as the Standing Corporate Auditor, who serves as an observer.

Internal Committees

Name	Purpose	Number of Meetings in Fiscal 2013
Internal Control Committee	Deliberate on measures to build and improve a proper internal control system	3
Risk Crisis Management Committee	Deliberate on company policy to deal with individual risks such as an earthquake and an infectious disease that affect various divisions	1
Responsible Care Committee	Comprehensively promote responsible care activities from a long-term viewpoint	1
Compliance Committee	Promote compliance-oriented business management	2



(3) Status of Development of Internal Control System

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

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

(4) Internal Auditing

Sumitomo Chemical's internal auditing is conducted by the Internal Control & Audit Department which is organized especially for the function. The Department carries out internal auditing to evaluate and ascertain designs, operations, and effective functioning of internal controls from the following perspectives in the execution of business duties by executives and employees of the Sumitomo Chemical Group: (1) effective and efficient operations; (2) reliability of financial reporting; and (3) compliance with relevant laws and statutes in all business activities.

In addition, the Internal Audit Coordination Board has been established to share the information of deficiencies detected by internal auditing and progress on their countermeasures in order to enhance the effectiveness and efficiency of internal auditing throughout Sumitomo Chemical and all Group companies.

(5) Timely Disclosure

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

We endeavor to build stronger relationships of trust with society and capital markets by publishing documentation in accordance with the rules stipulated by the security

exchanges in Japan, including reports on the Company's corporate governance philosophy and system, and notifications showing that independent directors and corporate auditors have no existing conflicts of interest with general shareholders. These documents are available on the websites of the Stock Exchange, where Sumitomo Chemical is listed.

(6) Risk Management

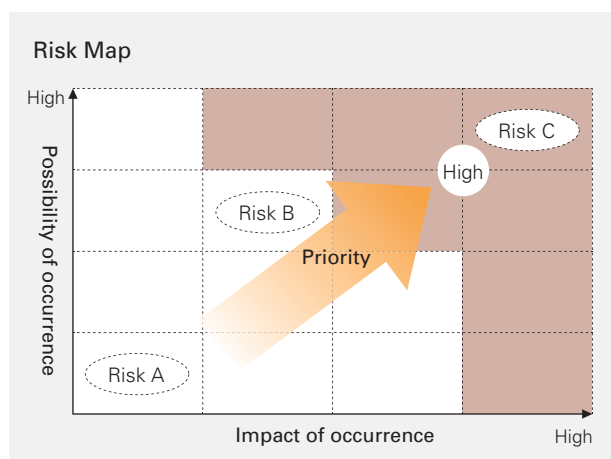
We seek to strengthen our risk management system to prevent materialization of risks that may hinder the achievement of business objectives as well as to mitigate damage on the occurrence of the risks.

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

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

For enhancing risk management of the Group, the Internal Control Committee conducts a Group-wide risk assessment every fiscal year in terms of the probability of risk occurrence and its possible impact, and chooses risks to be coped with high priority Group-wide. On the other hand, each organization takes appropriate measures based on the Group-wide risk response plans.

We also establish a Risk Crisis Management Committee to deliberate the Group's response policies and plans, pertaining to the individual risk crisis in order to make prompt responses in the event that a significant risk is realized, such as a large-scale earthquake or the spread of an infectious disease.



Directors' and Corporate Auditors' Compensation

(1) Basic Stance

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

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

(2) Compensation System

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

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

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

(3) Establishment of Compensation Level

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

(4) Compensation Advisory Group

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

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

Directors' and Corporate Auditors' Compensation

Title	Eligible Persons	Basic Compensation	Bonuses	Total
Directors (excluding Outside Directors)	10	¥500 million	¥107 million	¥607 million
Standing Corporate Auditors	2	¥67 million	—	¥67 million
Outside Directors and Corporate Auditors	5	¥50 million	¥2 million	¥52 million
Total	17	¥617 million	¥109 million	¥726 million

* The numbers of persons specified above include two directors and one auditor who retired in fiscal 2013.

Business Risks

Risk Factors

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

(1) Market and supply

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

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

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

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

- (e) Since the speed of technical innovation for products in the IT-related Chemicals Segment is extremely rapid, it is essential that the Companies develop and supply new products to their customers in a timely manner. In the event that the Companies are unable to effectively develop new products that satisfy customer needs, or if an important technical innovation is made by another company in advance, the business results and the financial condition of the Companies may be adversely affected.
- (f) With respect to agrochemicals and household insecticides in the Health & Crop Sciences Segment, the shipments of these products are affected by the cultivation status of target crops, the outbreak of crop diseases or pest infestations, and factors relating to the local climate in various parts of the world. With regard to feed additives, drastic price fluctuations may also occur. If the crop growth is not as good as expected, if disease occurrence or pest infestation does not develop as anticipated, or if drastic price fluctuations occur, such circumstances may have an adverse effect on the operational results and financial condition of the Companies.
- (g) In the Pharmaceuticals Segment, healthcare insurance reforms are in progress in Japan, which has a rapidly aging population and declining birthrate. As a part of such reforms, there are ongoing discussions concerning potential revisions to medical treatment fees and drug prices. The government's policy of reducing medical expenditures, including the revision of medical treatment fees, may have an adverse effect on the operational results and financial condition of the Companies.

(2) Exchange rate fluctuations

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

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

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

(3) Interest volatility

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

(4) Fluctuation in stock market prices

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

(5) Impairment loss

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

(6) Deferred tax assets

The Companies recognize deferred tax assets based on projections for future taxable income. Should projections for future tax-

able income change, all or part of the deferred tax assets may be deemed unrecoverable, and this could have an adverse effect on the operational results and financial condition of the Companies.

(7) Liability for retirement benefits

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

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

(8) Overall management

(a) Overseas business expansion

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

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

The Company and Saudi Aramco are jointly working for implementing the Rabigh Phase II Project, which will produce a variety of high-valued petrochemical products by expanding the ethane cracker and building a new aromatics complex.

The Company and Saudi Aramco jointly pay for the costs based on the contracts for projects including the EPC (Engineering, Procurement and Construction) contracts for the Rabigh Phase II Project.

(b) Acquisitions and equity alliances

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

however, may not be able to generate the synergies or other positive effects they originally expected due to changes in the business environment surrounding the Companies or their acquisition.

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

(c) Research and development

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

(d) Intellectual property rights

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

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

(e) Quality of products

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

Although our agricultural chemicals and pharmaceuticals that are on the market have been approved in accordance with strict

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

(f) Accidents and disasters

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

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

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

(g) Change in regulations

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

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

(h) Lawsuits

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

Compliance

“Compliance” is the cornerstone of Sumitomo Chemical to stay in business over the next 100 years.

Sumitomo Chemical’s Business Philosophy addresses, among other things, its earnest aspirations that “We develop a vibrant corporate culture and continue to be a company that society can trust”. On this auspicious occasion of commemorating the landmark 100th anniversary of its founding, Sumitomo Chemical reaffirms, as a responsible corporate citizen, its firm commitment to this Business Philosophy and is determined afresh to devote more efforts than ever to conduct business with the unbending spirit of “Compliance” placed at the bedrock of corporate management. Conducting Compliance-oriented corporate management means laying the foundation for further cementing business platforms for greater growth over the next 100 years, as stated in Sumitomo Chemical’s current Three-Year Corporate Business Plan (FY2013 - FY2015), which underscores “Ensuring Full and Strict Compliance” as one of the Company’s Five Priority Management Issues.

Today, more than 100 Sumitomo Chemical Group companies are conducting business all over the world in a broad array of industrial fields. The global evolution of our business activities keeps advancing every day. On the other hand, we must recognize that the global business expansion carries with it our greater corporate social responsibility, not only at the level of an individual company, but also as the entire Sumitomo Chemical Group. Fully appreciating such a weighty responsibility, Sumitomo Chemical Compliance Committee, which supervises Compliance management at every company of Sumitomo Chemical Group, is constantly working hard so as to build and operate globally viable Compliance systems across the Group to ensure strict Compliance by every employee of individual companies. The Compliance Committee’s recent efforts focus particularly on overseas Group companies, promoting down-to-earth activities to help enhancing their Compliance management.

Regional Compliance management is the linchpin of Group Compliance.

“Compliance” generally means abiding by laws and regulations and conforming to business ethics. Specifically, however, we see wide variances between countries or geographical regions in terms of laws and regulations to observe, legiti-

mate customary commercial practices to follow, or expected contribution of corporations to the well-being of local communities. In addition, as far as our Group companies are concerned, there is a great diversity in business operations, differing significantly in size or fields of business. To ensure each company’s Compliance under the circumstances, simply applying an across-the-board common standard to all Group companies is far from adequate. Of greater importance is that we take a multilateral approach where, the business diversity being taken into account, specific Compliance initiatives are fine-tuned to individual situations of companies or those of countries and regions where the companies are located. From this perspective, Sumitomo Chemical considers it important to have an element of “regional characteristics” factored into activities to promote Compliance management globally, while maintaining shared Group-wide basic policy of Compliance. This multilateral thinking is briefly summarized by our guiding principle “Think globally, Manage regionally, Act locally”. To put this principle into action, we have Regional Legal & Compliance Office (“RLCO”) in operation in each of our major business regions throughout the world so that the RLCOs can render hands-on support to Group companies in respective regions for their promoting Compliance initiatives.

“Three Pillars” are essential to ensuring Compliance.

Without exaggeration, it can be said that the RLCOs are central players in our global endeavor to promote Compliance activities at every company of Sumitomo Chemical Group. While working closely with Sumitomo Chemical Compliance Committee, each RLCO provides all-out support to Group companies in its region, not only in building their proper Compliance systems, but also in ensuring to operate the same effectively as planned.

To establish an effective Compliance system, a company requires building “Three Pillars”. First of all, the company must document specific Compliance rules and relevant work procedures to observe, make them thoroughly known to every employee, and then make sure that they are actually followed by employees in their day-to-day work. As a second pillar, the company must have internal resources allocated properly, such as human resources in charge of supervising and promoting Compliance activities. A third pillar is education. Since every business is conducted by human beings

after all, it is essential that each and every employee should work with a high consciousness of Compliance. To nurture Compliance consciousness, nothing is more important than constantly providing Compliance education and trainings to employees at every opportunity possible. In reality, however, not many companies can afford to build on their own all of the above “Three Pillars”, owing to various constraints, including a limited size of organization. It is for this reason that we have established the RLCOs to work with Group companies on the spot and support them in carrying out Compliance activities more effectively.

RLCO has begun operation toward building the Three Pillars.

Obviously, each Group company must work by itself to ensure its own Compliance (“Act locally”). On the other hand, it is also true to say that many of the laws and regulations or social ethics which Group companies must conform to are common in the same region as well as in the same country. Given this, Compliance activities can be promoted more efficiently by the RLCO providing Group companies in the same region with individually tailored support reflecting such regional commonality “Manage Regionally”.

In fact, taking advantage of geographical proximity, the RLCO is working closely with Group companies through holding direct dialogue so that it can grasp firsthand various needs and tasks of those companies and, based thereon, assist them in planning and implementing specific measures for building and operating desired Compliance systems. The RLCO monitors the compliance situation of each company from time to time and works on problems or challenges that each company faces. At the same time, the RLCO frequently communicates with Sumitomo Chemical Compliance Committee and shares common understanding about major Compliance issues to work on for the relevant region as well as discussing broader Compliance issues ahead from medium to long term perspectives.

Globalizing business activities and Sustaining their legal soundness are an inseparable pair.

As the world grows borderless and corporate activities expand across national boundaries, enforcement of laws and regulations is also becoming borderless. In recent years, we see a significantly increasing number of instances where judi-

cial authorities charge corporations with their involvement in cartel or bribery activities. Clearly recognizing the immense impact that legal violations, if committed, would make on corporate activities, sometimes even threatening the survival of the corporation per se, Sumitomo Chemical positions legal risk management as its foremost operational management priority. We are working to strengthen activities for employees to ensure abiding by competition laws and keeping away from any corruptive conduct, such as bribery, as we further expand business worldwide. Above all, we must establish an internal structure that fulfills “three” objectives, namely, building a system capable of preventing legal violations and misconduct, setting detailed rules and procedures to make such a system function properly, and verifying that such rules and procedures are being followed without fail. Needless to say, equally important is for each employee to correctly understand those rules and procedures that are relevant to their own work.

When a company is to build a specific structure to ensure observing relevant competition laws or preventing bribery, it must thoroughly consider its organizational setup, fields of business and other factors peculiar to the company. Furthermore, specialized expertise about relevant laws and regulations, and practical skills of building a required structure must both be available to the company. Generally, it is practically difficult for a single company, particularly one of a relatively small size, to do all of these by itself. This is the very area where the RLCO is supposed to best assist. According to our regional management scheme, the RLCO is uniquely positioned in that it not only possesses required specialized knowledge, but also has a large reservoir of practical experiences handling various problems and possible solutions, as acquired through its substantive involvement in supporting Group companies to build and operate systems for preventing legal violations. Capitalizing on such distinct strengths, the RLCO offers a variety of useful advice and supports about introduction of an effective organizational structure that will suit the specific conditions of each company.

In connection with such activities, the RLCO in Singapore, which oversees Group companies in the Asia Pacific region, conducted a training seminar to Group companies in India in March 2013 and those in Malaysia in July of the same year. In January 2014, the RLCO in the USA held a training seminar to discuss issues on the U.S. Antitrust Law as well as Compliance subjects, with attendance of executives from Group companies in the U.S. Likewise, the RLCO

in China gave a training seminar about the country's Anti-monopoly Law and bribery prevention for Group companies in Shanghai in February of the same year.

Compliance can only be achieved by every employee's heightened legal and ethical consciousness.

During the past year, the speak-up system of Sumitomo Chemical received about 20 reports and questions concerning Compliance violations. The speak-up system aims to help the Company find and correct an employee's legal violation or misconduct, if any, as early as possible, or prevent occurrence of the same. Nearly all Group companies have introduced their own speak-up systems. Our fundamental thought driving the use of the speak-up system is that strict Compliance can only be achieved when each employee develops a strong consciousness not only of never committing any legal violation by oneself, but also of never overlooking other employees' misconduct.

If even a single employee of any Group company is unmindful of Compliance and engages in improper conduct, its consequences could turn out to be grave. Not only the company in question, but the entire Sumitomo Chemical Group might be substantially affected in reputation and lose society's trust and confidence just overnight that our predecessors have hard-earned over a significant period of time. Sumitomo Chemical views it most vital to heighten employees' consciousness of Compliance and therefore places paramount importance on enhancing Compliance education by providing various training programs and pursuing other initiatives.

In the past, Sumitomo Chemical has provided all of its employees with lecture-style educational programs on Compliance. To make the Compliance education more fruitful, we have also been looking into better-developed programs that would be more effective in elevating employees' consciousness of Compliance. In February 2014, we began operating an e-learning training program where employees can individually participate in the program with the use of their PCs according to his or her convenience of work. The e-learning program makes it possible for every employee to never miss an opportunity of receiving education and also to schedule his or her participation flexibly. Our e-learning training program teaches, by employing specific case examples, that Compliance violation could happen to anyone at any time in the course of his or her daily business activities and also helps employees recognize that Sumitomo Chemical's 100-year history of business growth is founded on our unwavering commitment to the spirit of Compliance that lies beneath the Sumitomo Spirit having been upheld over generations for more than 400 years.

Going forward, Sumitomo Chemical will continue to provide as effective an educational program as possible, with the extensive use of the e-learning training tools, which will be conducive to enhancing employees' consciousness of Compliance. At the same time, we intend to work with Group companies in Japan and abroad, helping them to introduce similar e-learning training programs. For overseas Group companies, the RLCO in each region will have a significant supportive role to play in designing and implementing such e-learning training programs in a manner to best meet specific requirements of each company.

CHAPTER 4

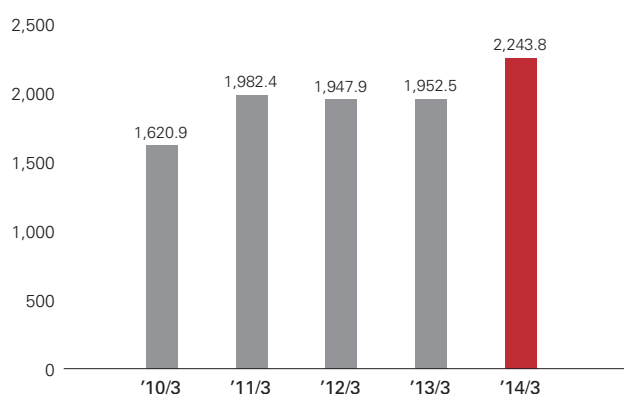
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Financial Review

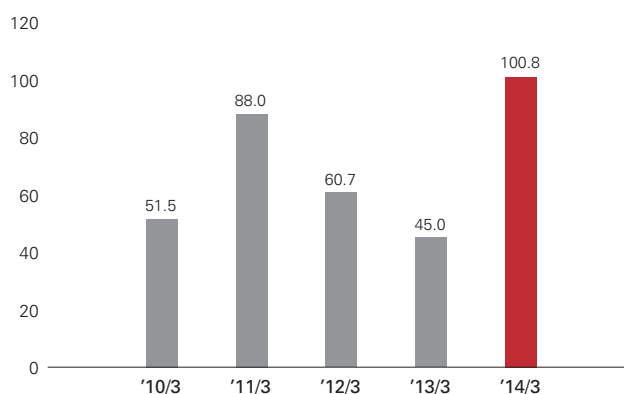
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



1. Results of Operations

(1) Net sales and operating income

Net sales in the fiscal year ended March 31, 2014 totaled ¥2,243.8 billion (US\$21,801 million), a 14.9% increase from ¥1,952.5 billion for the previous fiscal year. Sales in the IT-related Chemicals Segment and Health & Crop Sciences Segment expanded due to higher sales volume. Sales in the Petrochemicals & Plastics Segment increased due to higher market price. In addition the correction of the yen's appreciation had a positive effect on sales.

Revenue from overseas operations, including both sales by overseas subsidiaries and exports from Japan, for the fiscal year ended March 31, 2014 was ¥1,292.9 billion (US\$12,562 million). The ratio of revenue from overseas operations to net sales was 57.6%, compared with 53.5% for the previous fiscal year.

Cost of sales was ¥1,639.6 billion (US\$15,931 million), compared with ¥1,449.5 billion for the previous fiscal year. The gross margin was 26.9%, 1.1 percentage points higher than the previous fiscal year. Selling, general and administrative expenses were ¥503.3 billion (US\$4,890 million), compared with ¥457.9 billion for the previous fiscal year.

Research and development expenses for the fiscal year ended March 31, 2014 were ¥141.3 billion (US\$1,373 million), 13.0% higher than the previous fiscal year's ¥125.0 billion, with the increase concentrated in the Pharmaceuticals Segment. Annual depreciation and amortization expenses were ¥115.7 billion (US\$1,125 million), an increase of 0.2% compared with the previous fiscal year's ¥115.5 billion.

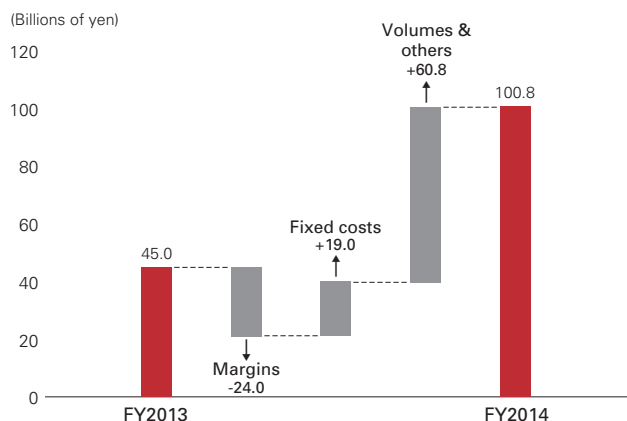
Consequently, operating income was ¥100.8 billion (US\$980 million), a 124.0% increase from ¥45.0 billion for the previous fiscal year. The ratio of operating income to net sales was 4.5%, an improvement of 2.2 percentage points from the previous fiscal year.

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

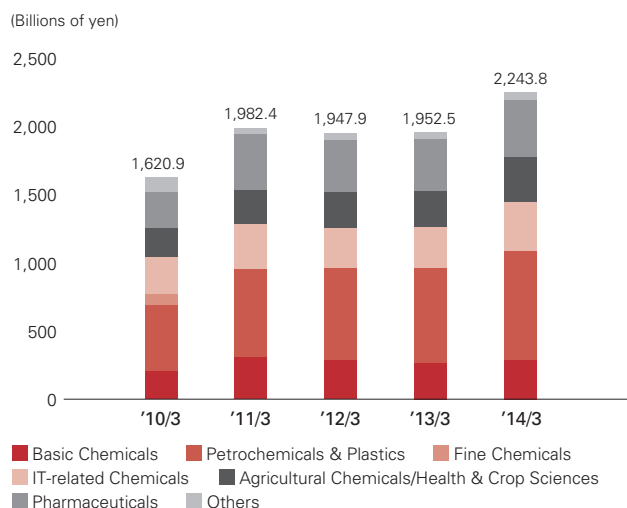
Interest expenses, net of interest and dividend income, were ¥4.9 billion (US\$47 million), a 9.5% decrease compared with ¥5.4 billion for the previous fiscal year.

Equity in earnings of affiliates was ¥12.0 billion (US\$117 million), a ¥6.6 billion increase from the previous fiscal year, primarily because of an improvement in earnings of Petrochemical Corporation of Singapore. The net gain on foreign currency transactions was ¥4.8 billion (US\$47 million), a 28.4% decrease compared with ¥6.8 billion for the previous fiscal year.

Change in Operating Income: FY2012 vs. FY2013



Breakdown of Sales by Business Segment



Results by Business Segment

Fiscal years ended March 31, 2014 and 2013

	Millions of yen							Consolidated
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Adjustments & Elimination	
Year ended March 31, 2014								
Revenue from customers	¥286,898	¥792,021	¥362,255	¥326,967	¥418,809	¥56,844	¥ —	¥2,243,794
Segment profit (loss)	(10,867)	4,942	34,898	38,184	47,079	8,373	(21,767)	100,842
Segment profit ratio (%)	(3.8)	0.6	9.6	11.7	11.2	14.7	—	4.5
Segment profit growth(%)	—	—	198.2	45.3	52.6	5.1	—	124.0
Year ended March 31, 2013								
Revenue from customers	¥263,522	¥693,859	¥299,968	¥262,580	¥378,595	¥53,968	¥ —	¥1,952,492
Segment profit (loss)	(6,391)	(3,232)	11,703	26,272	30,857	7,963	(22,156)	45,016
Segment profit ratio (%)	(2.4)	(0.5)	3.9	10.0	8.2	14.8	—	2.3

The Companies recorded a ¥3.4 billion (US\$33 million) gain on sale of investment securities, a ¥2.6 billion (US\$25 million) gain on sale of property, plant and equipment, a ¥1.7 billion (US\$17 million) gain on bargain purchase and a ¥1.3 billion (US\$12 million) gain for fair value adjustment of contingent consideration. The Companies posted a ¥21.8 billion (US\$212 million) impairment loss mainly on production facilities with decreased profitability, a ¥10.6 billion (US\$103 million) loss for restructuring charges mainly on the disposal of property, plant and equipment, and a ¥1.5 billion (US\$14 million) loss on valuation of investment securities.

As a result, income before income taxes and minority interests for the fiscal year ended March 31, 2014 was ¥86.2 billion (US\$838 million). Income taxes for the fiscal year ended March 31, 2014 were ¥31.2 billion (US\$304 million).

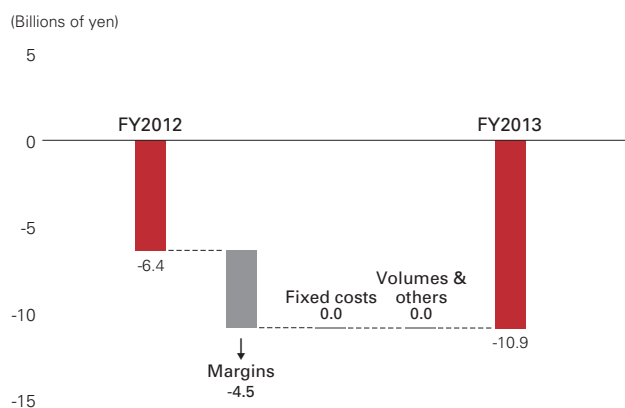
Net income for the fiscal year ended March 31, 2014 was ¥37.0 billion (US\$359 million), improved by ¥88.1 billion from a loss of ¥51.1 billion in the previous fiscal year. Return on Equity (ROE) ameliorated from negative 10.4% to 6.5%.

Net income per share, based on the weighted average number of shares outstanding during the fiscal year ended March 31, 2014, was ¥22.62 (US\$0.220) compared with net loss per share of ¥31.25 for the previous fiscal year.

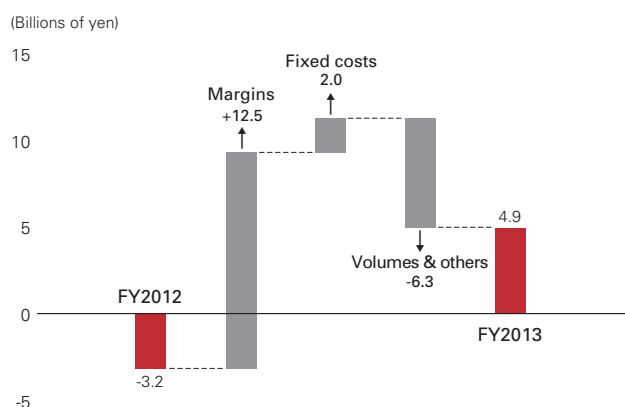
(3) Dividends

The Company paid a year-end dividend of ¥3 per share, combined with the interim dividends of ¥6 per share, making the annual dividends of ¥9 per share for the fiscal year ended March 31, 2014, representing an increase of ¥3 per share over the previous fiscal year.

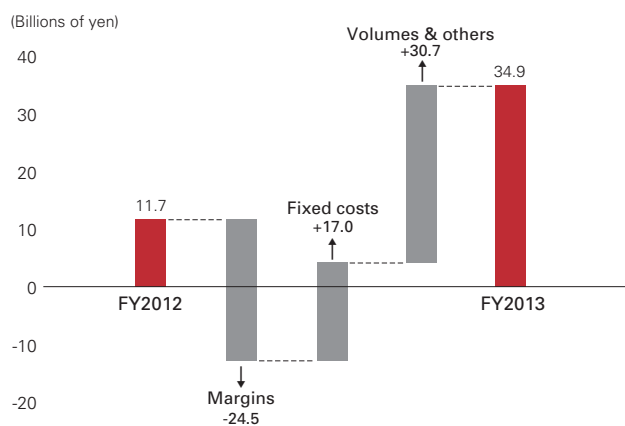
Basic Chemicals Change in Operating Loss: FY2012 vs. FY2013



Petrochemicals & Plastics Change in Operating Income(Loss): FY2012 vs. FY2013



IT-related Chemicals Change in Operating Income: FY2012 vs. FY2013



2. Segment Information

(1) Basic Chemicals

Market prices remained low for methyl methacrylate and raw materials for synthetic fibers, and shipments of these products also remained low. On the other hand, the correction of the yen's appreciation had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥23.4 billion (US\$227 million) compared with the previous fiscal year, to ¥286.9 billion (US\$2,788 million). Operating income, however, declined by ¥4.5 billion (US\$43 million), to a loss of ¥10.9 billion (US\$106 million).

(2) Petrochemicals & Plastics

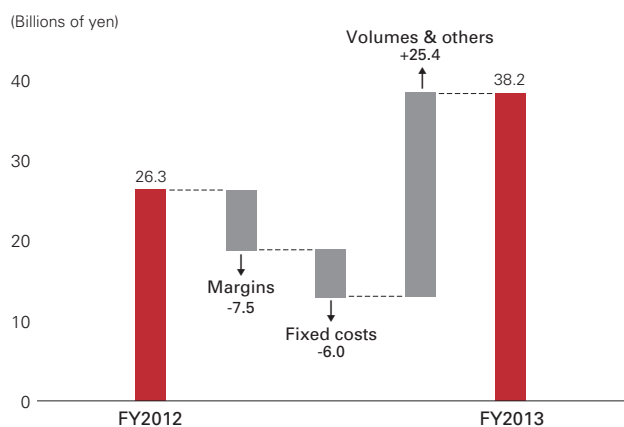
Market prices for synthetic resins and petrochemical products rose due to higher feedstock prices, but shipments from overseas subsidiaries decreased due to maintenance work at Petro Rabigh. The correction of the yen's appreciation had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥98.2 billion (US\$954 million) compared with the previous fiscal year, to ¥792.0 billion (US\$7,696 million), and operating income improved by ¥8.2 billion (US\$79 million), to ¥4.9 billion (US\$48 million).

(3) IT-related Chemicals

Sales of polarizing film used in liquid crystal displays (LCDs) increased due to growth in demand. A newly-built touchscreen panel facility in South Korea that began operations in the previous fiscal year contributed to sales throughout the year. As a result, including the positive effect of the correction of the yen's appreciation, the segment's sales increased by ¥62.3 billion (US\$605 million) compared with the previous fiscal year, to ¥362.3 billion (US\$3,520 million), and operating income grew by ¥23.2 billion (US\$225 million), to ¥34.9 billion (US\$339 million).

(4) Health & Crop Sciences

Health & Crop Sciences Change in Operating Income: FY2012 vs. FY2013

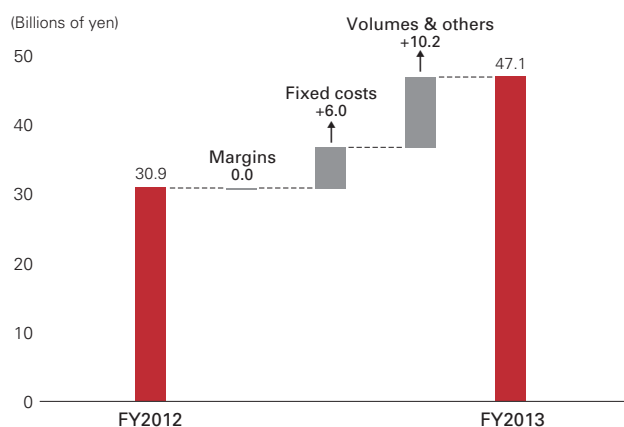


In the area of crop protection chemicals, shipments of herbicides and other products rose in overseas markets due to increased production capacity and expanded sales. Market prices of the feed additive methionine declined but shipments increased due to sales expansion. The correction of the yen's appreciation had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥64.4 billion (US\$626 million) compared with the previous fiscal year, to ¥327.0 billion (US\$3,177 million), and operating income grew by ¥11.9 billion (US\$116 million), to ¥38.2 billion (US\$371 million).

(5) Pharmaceuticals

In Japan, sales of AIMIX® (anti-hypertension drug), METGLUCO® (biguanide oral hypoglycemic) and TRERIEF® (therapeutic agent for Parkinson's disease) significantly increased, but overall sales decreased as a result of a decline in shipments of other existing products due to patent expirations, and a decrease in commissioned manufacturing. In North America, shipments of XOPENEX® (short-acting beta-agonist) fell sharply as marketing exclusivity ended, but shipments of LATUDA® (atypical antipsychotic) significantly increased, and the correction of the yen's appreciation had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥40.2 billion (US\$391 million) compared with the previous fiscal year, to ¥418.8 billion (US\$4,069 million), and operating income grew by ¥16.2 billion (US\$158 million), to ¥47.1 billion (US\$457 million).

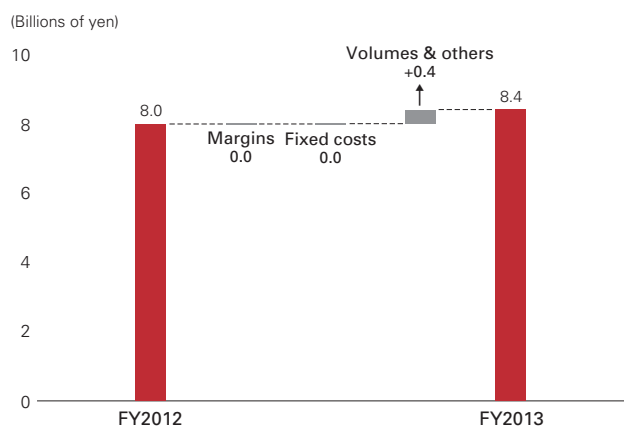
Pharmaceuticals Change in Operating Income: FY2012 vs. FY2013



(6) Others

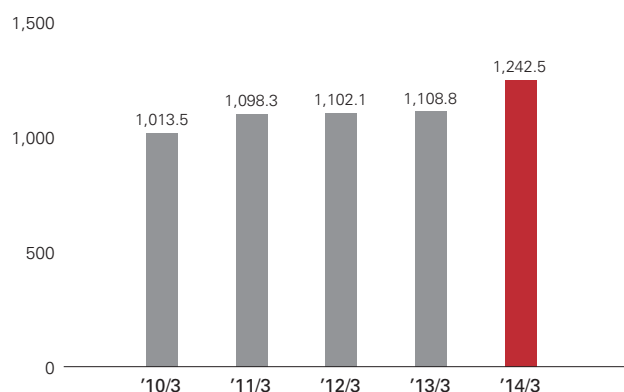
In addition to the above five segments, the Sumitomo Chemical Group engages in supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The segment's sales increased by ¥2.9 billion (US\$28 million) compared with the previous fiscal year, to ¥56.8 billion (US\$552 million), and operating income rose by ¥0.4 billion (US\$4 million), to ¥8.4 billion (US\$81 million).

Others Change in Operating Income: FY2012 vs. FY2013



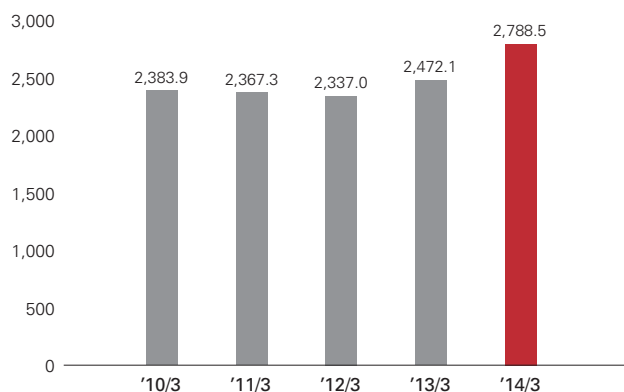
Total Current Assets

(Billions of yen)



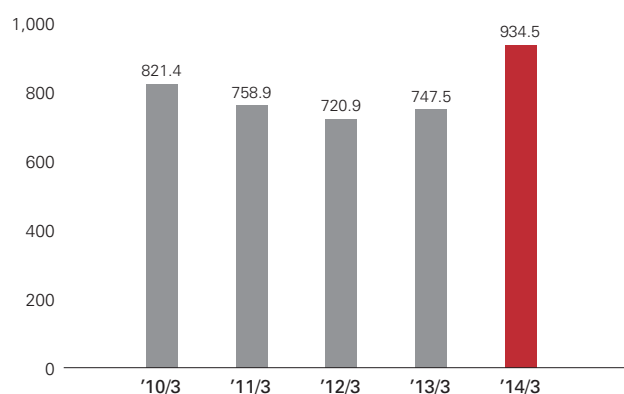
Total Assets

(Billions of yen)



Shareholders' Equity / Net Assets

(Billions of yen)



3. Financial Position

Total assets as of March 31, 2014 increased by ¥316.4 billion, to ¥2,788.5 billion (US\$27,094 million) from ¥2,472.1 billion as of March 31, 2013, mainly as a result of the correction of the yen's appreciation toward the end of the fiscal year. Current assets as of March 31, 2014 amounted to ¥1,242.5 billion (US\$12,073 million), a 12.1% increase from ¥1,108.8 billion as of March 31, 2013. Non-current assets as of March 31, 2014 amounted to ¥1,546.0 billion (US\$15,021 million), a 13.4% increase from ¥1,363.3 billion as of March 31, 2013, mainly because property, plant and equipment increased.

Current liabilities as of March 31, 2014 were ¥949.2 billion (US\$9,223 million), a 9.1% increase from ¥870.0 billion as of March 31, 2013. The current ratio was 130.9%, compared with 127.4% as of March 31, 2013, mainly because of the correction of the yen's appreciation toward the end of the fiscal year in addition to the increase of trade notes and accounts payable.

Long-term liabilities increased to ¥904.8 billion (US\$8,791 million), a 5.9% increase from ¥854.6 billion as of March 31, 2013.

Interest-bearing liabilities (short-term and long-term bank loans, corporate bonds, and commercial paper) as of March 31, 2014 amounted to ¥1,074.6 billion (US\$10,441 million), compared with ¥1,060.6 billion as of March 31, 2013.

Net assets were ¥934.5 billion (US\$9,080 million) as of March 31, 2014, a 25.0% increase from ¥747.5 billion as of March 31, 2013, mainly because accumulated other comprehensive income, including favorable foreign currency translation adjustment, increased. The ratio of net worth to total assets stood at 23.1% as of March 31, 2014, compared with 20.1% as of March 31, 2013.

There were 1,634,490,477 shares issued and outstanding as of March 31, 2014. Retained earnings amounted to ¥444.7 billion (US\$4,321 million), a 5.9% increase from ¥419.9 billion as of March 31, 2013.

4. Cash Flows

Net cash provided by operating activities for the year ended March 31, 2014 was ¥194.4 billion (US\$1,888 million), an increase of ¥22.8 billion compared with the previous fiscal year. The increase in income before income taxes and improvement in working capital contributed to the increase in operating cash flows.

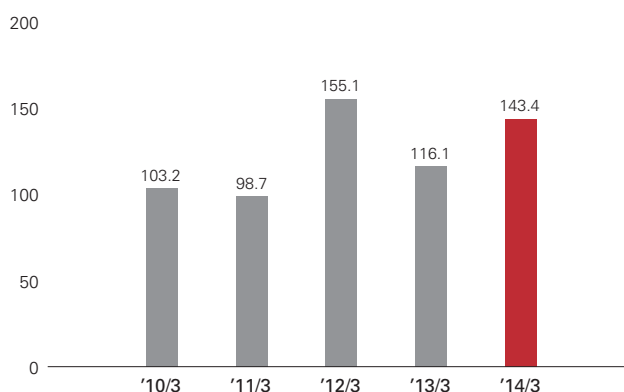
Net cash used in investing activities for the year ended March 31, 2014 was ¥135.2 billion (US\$1,313 million), a decrease of ¥30.6 billion compared with the previous fiscal year, in which expenditures arising from the acquisition of two US companies, Boston Biomedical, Inc. and Elevation Pharmaceuticals, Inc. (now Sunovion Respiratory Development Inc.) were incurred.

As a result, free cash flow, which consists of cash flows provided by operating activities and those used in investing activities, was positive ¥59.2 billion (US\$575 million) for the year ended March 31, 2014, compared with positive ¥5.8 billion for the previous fiscal year.

Net cash used in financing activities was ¥59.1 billion (US\$574 million).

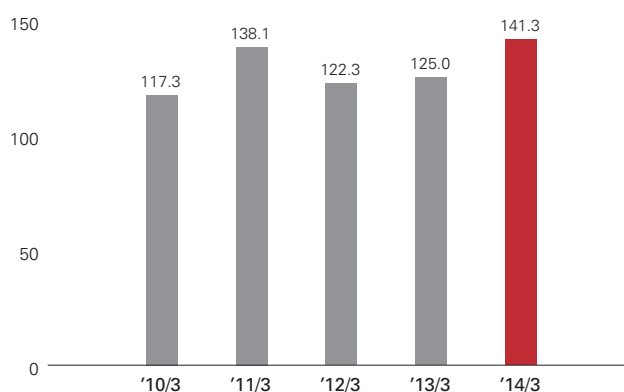
Capital Expenditures

(Billions of yen)



Research and Development Expenses

(Billions of yen)



5. Capital Expenditures

In the year ended March 31, 2014, the Companies' capital expenditures totaled ¥143.4 billion (US\$1,394 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, 2014 included the construction and expansion of the manufacturing facility for the touchscreen panels in the IT-related Chemicals Segment.

Broken down by segment, capital expenditures in the Basic Chemicals Segment were ¥22.7 billion (US\$220 million), ¥17.0 billion (US\$165 million) in the Petrochemicals & Plastics Segment, ¥51.5 billion (US\$501 million) in the IT-related Chemicals Segment, ¥17.5 billion (US\$170 million) in the Health & Crop Sciences Segment, ¥28.7 billion (US\$279 million) in the Pharmaceuticals Segment, and ¥6.0 billion (US\$59 million) in the Others Segment.

6. Research and Development

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

In the fiscal year ended March 31, 2014, the Companies focused R&D resources on 1) Environment and Energy; 2) Life Science; and 3) ICT (Information & Communication Technology) as part of the 2013-2015 Corporate Business Plan.

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

R&D expenses were ¥141.3 billion (US\$1,373 million), up 13.0% from the fiscal year ended March 31, 2013.

Breakdown of Capital Expenditures

Years ended March 31	Billions of yen, %											
	2009		2010		2011		2012		2013		2014	
New plants and expansions:												
Basic Chemicals	¥ 10.3	8%	¥ 7.6	7%	¥13.0	13%	¥ 19.9	13%	¥ 26.9	23%	¥ 15.9	11%
Petrochemicals & Plastics	9.3	7	6.6	6	8.9	9	15.4	10	11.4	10	15.3	11
Fine Chemicals	5.5	4	12.9	13	—	—	—	—	—	—	—	—
IT-related Chemicals	48.8	36	9.8	10	25.2	26	64.2	41	16.8	14	49.5	35
Agricultural Chemicals/ Health & Crop Sciences	4.1	3	20.0	19	12.4	12	14.4	9	20.8	18	13.3	9
Pharmaceuticals	5.4	4	4.0	4	3.1	3	3.9	3	5.3	5	5.9	4
Others	10.7	8	10.6	10	8.3	8	3.4	2	5.4	5	4.3	3
Total	¥ 94.1	70%	¥ 71.6	69%	¥70.9	71%	¥121.2	78%	¥86.6	75%	¥104.2	73%
Rationalization of production processes	6.0	4	5.4	5	4.6	5	3.9	3	3.1	3	4.8	3
Research and development	9.6	7	7.7	8	6.7	7	10.6	7	12.9	11	13.0	9
Others	24.4	19	18.6	18	16.5	17	19.4	12	13.5	11	21.4	15
Total	¥134.1	100%	¥103.2	100%	¥98.7	100%	¥155.1	100%	¥116.1	100%	¥143.4	100%

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of US dollars (Note 1)
	2014	2013	2014
Assets			
Current assets:			
Cash and cash equivalents (Notes 5, 9 and 20)	¥ 132,321	¥ 126,949	\$ 1,285,668
Short-term investments (Note 5)	2,091	6,816	20,317
Securities (Notes 5 and 7)	30,333	27,631	294,724
Trade notes and accounts receivable (Note 5 and 9)	448,415	404,340	4,356,928
Inventories (Note 6)	429,450	410,469	4,172,658
Deferred tax assets (Note 15)	56,909	45,976	552,944
Other (Note 5)	144,572	88,015	1,404,703
Allowance for doubtful accounts	(1,564)	(1,379)	(15,196)
Total current assets	1,242,527	1,108,817	12,072,746
Property, plant and equipment (Notes 9 and 12):			
Land	83,200	79,756	808,395
Buildings and structures	639,961	580,204	6,218,043
Machinery and equipment	1,762,526	1,594,856	17,125,204
Construction in progress	50,463	74,888	490,313
	2,536,150	2,329,704	24,641,955
Less accumulated depreciation	(1,813,310)	(1,689,480)	(17,618,636)
Net property, plant and equipment	722,840	640,224	7,023,319
Investments and other assets:			
Investment securities (Notes 5, 7, 8, 9 and 21)	450,094	396,165	4,373,241
Long-term loans (Notes 5 and 21)	63,988	58,484	621,726
Net defined benefit asset (Note 13)	58,645	—	569,812
Deferred tax assets (Note 15)	21,495	21,426	208,852
Goodwill	86,813	79,223	843,500
Patents	21,069	32,923	204,712
Software	11,542	11,033	112,145
In-process research and development (Note 12)	56,072	50,664	544,812
Other (Notes 8, 13 and 21)	54,330	74,218	527,884
Allowance for doubtful accounts	(908)	(1,086)	(8,822)
Total investments and other assets	823,140	723,050	7,997,862
Total assets	¥2,788,507	¥2,472,091	\$27,093,927

See accompanying notes.

	Millions of yen		Thousands of US dollars (Note 1)
	2014	2013	2014
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 5 and 9)	¥ 216,148	¥ 237,786	\$ 2,100,155
Long-term debt due within one year (Notes 5 and 9)	126,859	115,605	1,232,598
Trade notes and accounts payable (Note 5)	296,072	256,136	2,876,720
Income taxes payable	18,540	8,396	180,140
Other (Note 15)	291,595	252,104	2,833,220
Total current liabilities	949,214	870,027	9,222,833
Long-term liabilities:			
Long-term debt (Notes 5 and 9)	731,591	707,176	7,108,346
Deferred tax liabilities (Note 15)	84,110	64,234	817,237
Retirement benefits (Note 13)	—	30,804	—
Net defined benefit liability (Note 13)	31,065	—	301,836
Other	58,021	52,368	563,749
Total long-term liabilities	904,787	854,582	8,791,168
Contingent liabilities (Note 17)			
Net assets (Note 16):			
Common stock:			
Authorized — 5,000,000,000 shares			
Issued — 1,655,446,177 shares at March 31, 2014			
1,655,446,177 shares at March 31, 2013	89,699	89,699	871,541
Capital surplus	23,695	23,695	230,227
Retained earnings	444,671	419,893	4,320,550
Treasury stock, at cost			
20,955,700 shares at March 31, 2014			
20,840,472 shares at March 31, 2013	(8,816)	(8,773)	(85,659)
Shareholders' equity	549,249	524,514	5,336,659
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	78,604	60,150	763,739
Deferred (losses) gains on hedges	(358)	729	(3,478)
Land revaluation reserve (Note 18)	4,130	4,130	40,128
Foreign currency translation adjustment	(1,420)	(93,023)	(13,797)
Remeasurements of defined benefit plans	13,092	—	127,206
Total accumulated other comprehensive income	94,048	(28,014)	913,798
Minority interests	291,209	250,982	2,829,469
Total net assets	934,506	747,482	9,079,926
Total liabilities and net assets	¥2,788,507	¥2,472,091	\$27,093,927

See accompanying notes.

Consolidated Statements of Operations

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of US dollars (Note 1)
	2014	2013	2014
Net sales	¥2,243,794	¥1,952,492	\$21,801,341
Cost of sales	1,639,649	1,449,549	15,931,296
Selling, general and administrative expenses	503,303	457,927	4,890,235
Operating income	100,842	45,016	979,810
Other income (expenses):			
Interest and dividend income (Note 21)	7,956	7,556	77,303
Interest expenses	(12,837)	(12,952)	(124,728)
Equity in earnings of affiliates	12,027	5,436	116,858
Net gain on foreign currency transactions	4,837	6,757	46,998
Cost of inactive facilities	(2,462)	(2,797)	(23,921)
Gain on sale of investment securities	3,414	—	33,171
Gain on sale of property, plant and equipment	2,586	—	25,126
Gain on bargain purchase	1,740	—	16,906
Fair value adjustment of contingent consideration	1,284	—	12,476
Gain on step acquisitions	—	1,538	—
Impairment loss (Note 12)	(21,823)	(22,875)	(212,038)
Restructuring charges (Note 14)	(10,648)	(10,777)	(103,459)
Loss on valuation of investment securities	(1,462)	(4,706)	(14,205)
Loss on litigation	—	(1,090)	—
Other, net	746	1,236	7,247
Income before income taxes and minority interests	86,200	12,342	837,544
Income taxes (Note 15):			
Current	30,867	17,734	299,913
Deferred	373	35,012	3,624
	31,240	52,746	303,537
Income (loss) before minority interests	54,960	(40,404)	534,007
Minority interests	17,983	10,672	174,728
Net income (loss)	¥ 36,977	¥ (51,076)	\$ 359,279

	Yen		US dollars (Note 1)
	2014	2013	2014
Net income (loss) per share (Note 22)	¥22.62	¥(31.25)	\$0.220
Diluted net income per share (Note 22)	22.56	—	0.219

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

	Yen		US dollars (Note 1)
	2014	2013	2014
Cash dividends per share (applicable to the year)	¥9.00	¥6.00	\$0.087

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of US dollars (Note 1)
	2014	2013	2014
Income (Loss) before minority interests	¥ 54,960	¥(40,404)	\$ 534,007
Other comprehensive income			
Valuation difference on available-for-sale securities	17,771	9,470	172,668
Deferred (losses) gains on hedges	(592)	194	(5,752)
Foreign currency translation adjustment	54,260	58,558	527,206
Share of other comprehensive income of associates accounted for using equity method	29,181	21,921	283,531
Total other comprehensive income (Note 19)	100,620	90,143	977,653
Comprehensive income	¥155,580	¥ 49,739	\$1,511,660
Comprehensive income attributable to:			
Owners of the parent	¥121,747	¥ 23,166	\$1,182,928
Minority interests	33,833	26,573	328,732

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen											
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available- for-sale securities	Deferred gains (losses) on hedges	Land revaluation reserve	Foreign currency translation adjustment	Remeasure- ments of defined benefit plans	Minority interests	Total net assets
Balance at April 1, 2012	1,655,446	¥89,699	¥23,695	¥485,027	¥(8,764)	¥48,922	¥684	¥4,130	¥(157,158)	¥ —	¥234,666	¥720,901
Net loss				(51,076)								(51,076)
Cash dividends at ¥9.00 per share				(14,720)								(14,720)
Loss on sale of treasury stock				(3)								(3)
Net increase in treasury stock					(9)							(9)
Increase due to change in fiscal period of consolidated subsidiaries				665								665
Other						11,228	45	64,135			16,316	91,724
Balance at April 1, 2013	1,655,446	¥89,699	¥23,695	¥419,893	¥(8,773)	¥60,150	¥729	¥4,130	¥(93,023)	¥ —	¥250,982	¥747,482
Net income				36,977								36,977
Cash dividends at ¥6.00 per share				(9,813)								(9,813)
Decrease due to changes in scope of consolidation				(10)								(10)
Loss on sale of treasury stock				(0)								(0)
Net increase in treasury stock					(43)							(43)
Decrease due to change in fiscal period of consolidated subsidiaries and affiliates				(2,376)								(2,376)
Other						18,454	(1,087)	91,603	13,092	40,227		162,289
Balance at March 31, 2014	1,655,446	¥89,699	¥23,695	¥444,671	¥(8,816)	¥78,604	¥(358)	¥4,130	¥(1,420)	¥13,092	¥291,209	¥934,506

	Thousands of US dollars (Note 1)											
Balance at April 1, 2013	\$871,541	\$230,227	\$4,079,800	\$(85,241)	\$584,435	\$7,083	\$40,128	\$(903,838)	\$ —	\$2,438,613	\$7,262,748	
Net income				359,279								359,279
Cash dividends at ¥6.00 (US\$0.06) per share				(95,346)								(95,346)
Decrease due to changes in scope of consolidation				(97)								(97)
Loss on sale of treasury stock				(0)								(0)
Net increase in treasury stock					(418)							(418)
Decrease due to change in fiscal period of consolidated subsidiaries and affiliates				(23,086)								(23,086)
Other						179,304	(10,561)	890,041	127,206	390,856		1,576,846
Balance at March 31, 2014	\$871,541	\$230,227	\$4,320,550	\$(85,659)	\$763,739	\$(3,478)	\$40,128	\$(13,797)	\$127,206	\$2,829,469	\$9,079,926	

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of US dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 86,200	¥ 12,342	\$ 837,544
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—			
Depreciation and amortization	108,550	108,857	1,054,703
Amortization of goodwill	7,184	6,626	69,802
Impairment loss	21,823	22,875	212,038
Equity in earnings of affiliates	(8,619)	(1,225)	(83,745)
Increase in provision	9,375	2,635	91,090
Interest and dividend income	(7,956)	(7,556)	(77,303)
Interest expenses	12,837	12,952	124,728
Gain on sale of investment securities	(3,414)	—	(33,171)
Loss on valuation of investment securities	1,462	4,706	14,205
Restructuring charges	8,976	9,075	87,213
Gain on sale of property, plant and equipment	(2,586)	—	(25,126)
(Increase) decrease in notes and accounts receivable	(20,196)	41,722	(196,230)
Increase in inventories	(14,098)	(6,309)	(136,980)
Increase in notes and accounts payable	45,154	2,073	438,729
Other, net	(23,644)	(8,553)	(229,732)
Subtotal	221,048	200,220	2,147,765
Interest and dividends received	6,980	6,773	67,820
Interest paid	(12,924)	(13,012)	(125,573)
Income taxes paid	(20,742)	(22,386)	(201,536)
Net cash provided by operating activities	194,362	171,595	1,888,476
Cash flows from investing activities:			
Acquisition of securities	(42,453)	(46,576)	(412,485)
Proceeds from sale and redemption of securities	47,102	44,750	457,656
Acquisition of investment securities	(16,339)	(9,344)	(158,754)
Proceeds from sale and redemption of investment securities	24,157	3,008	234,716
Acquisition of property, plant and equipment	(153,913)	(121,810)	(1,495,462)
Proceeds from sale of property, plant and equipment	4,168	1,284	40,497
Acquisition of shares of newly consolidated subsidiaries	—	(30,890)	—
Other, net	2,101	(6,194)	20,414
Net cash used in investing activities	(135,177)	(165,772)	(1,313,418)
Cash flows from financing activities:			
Decrease in short-term debt	(59,939)	(18,379)	(582,384)
Proceeds from long-term debt	131,975	146,732	1,282,307
Repayments of long-term debt	(118,340)	(141,666)	(1,149,825)
Repayments of finance lease obligations	(1,279)	(1,124)	(12,427)
Purchase of treasury stock	(43)	(12)	(418)
Cash dividends paid	(9,813)	(14,720)	(95,346)
Cash dividends paid to minority shareholders	(4,622)	(7,364)	(44,909)
Capital contributions from minority shareholders	2,977	524	28,925
Net cash used in financing activities	(59,084)	(36,009)	(574,077)
Effect of exchange rate changes on cash and cash equivalents	14,696	8,926	142,791
Net change in cash and cash equivalents	14,797	(21,260)	143,772
Decrease in cash and cash equivalents resulting from changes in scope of consolidation	(36)	—	(350)
(Decrease) Increase in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(9,389)	1,158	(91,227)
Cash and cash equivalents at beginning of year	126,949	147,051	1,233,473
Cash and cash equivalents at end of year (Note 20)	¥132,321	¥126,949	\$1,285,668

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

1. Basis of Financial Statements

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

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

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

(b) The translations of Japanese yen amounts into US dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.92 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 164 and 162 significant subsidiaries for the years ended March 31, 2014 and 2013, respectively. Investments in non-consolidated subsidiaries and affiliates (generally 20%-50% ownership) over which the Company has the ability to exercise significant influence on operating and financial policies are accounted for by the equity method. The equity method is

applied to 35 and 32 significant affiliates for the years ended March 31, 2014 and 2013, respectively. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. All significant inter-company transactions and accounts have been eliminated. Some subsidiaries and affiliates are consolidated with year-ends that differ from that of the Company. However, necessary adjustments have been made if the effect of the differences is material.

(b) Foreign currency translation

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

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

(c) Securities

The Companies have no trading securities.

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

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

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

(d) Derivatives and hedge accounting

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

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

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

(e) Inventories

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

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

(f) Property, plant and equipment

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

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

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

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

(g) Intangible assets

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

(h) Lease assets

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

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

(i) Research and development

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses were ¥141,320 million (US\$1,373,105 thousand) and ¥125,012 million for the years ended March 31, 2014 and 2013, 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.

The Company and certain consolidated subsidiaries apply the consolidated taxation system.

(k) Retirement benefits

(i) Employees:

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

The Company and certain consolidated subsidiaries establish the employee retirement benefit trust.

Certain consolidated subsidiaries use the simplified method for computing their liability for retirement benefits.

Certain consolidated subsidiaries participate in the multi-employer pension plan in which the amount of required contributions is recognized same as the defined contribution 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.

Prior service costs are amortized mainly over three years from the revision date.

Supplementary Information

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

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

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

(ii) Directors and corporate auditors:

The liability for directors' and corporate auditors' retirement benefits of certain subsidiaries is provided based on the Companies' standards and ¥488 million (US\$4,742 thousand) and ¥641 million were included in the other long-term liabilities on March 31, 2014 and 2013, 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. ¥26,376 million (US\$256,277 thousand) and ¥23,721 million were included in the other current liabilities on March 31, 2014 and 2013, respectively.

(n) Reserve for periodic repairs

The Company and several consolidated subsidiaries provide for the costs of periodic repairs of production facilities at plants. In the consolidated balance sheets ¥7,664 million (US\$74,466 thousand) and ¥7,991 million were included in "other current liabilities" and "other long-term liabilities" on March 31, 2014 and 2013, 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. ¥26,421 million (US\$256,714 thousand) and ¥19,153 million were included in the other current liabilities on March 31, 2014 and 2013, respectively.

(p) Reserve for removal cost of property, plant and equipment

The reserve for removal cost of property, plant and equipment is provided based on estimated future removal cost of property, plant and equipment. ¥8,116 million (US\$78,857 thousand) and ¥4,832 million were included in "other current liabilities" and "other long-term liabilities" on March 31, 2014 and 2013, respectively.

(q) Net income per share

Computation of net income per share of common stock shown in the consolidated statements of operations is based on the weighted average number of shares of common stock outstanding during the period and net income available to common shareholders. The computation of dilutive net income per share of common stock is based on the weighted average number of

shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the translation of outstanding share subscription rights at the beginning of the period. Related interest expenses, net of income taxes, have been eliminated for the purposes of this calculation.

(r) Cash and cash equivalents

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

3. Changes in Accounting Policies

Effective from the year ended March 31, 2014, the Company and its consolidated subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No.25")) except article 35 of Statement No. 26 and article 67 of Guidance No. 25 and actuarial gains and losses and prior service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized net defined benefit asset and net defined benefit liability.

In accordance with article 37 of Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the application, net defined benefit asset and net defined benefit liability in the amount of ¥23,576 million (US\$229,071 thousand) and ¥701 million (US\$6,811 thousand), have been recognized, deferred tax assets have decreased by ¥440 million (US\$4,275 thousand) and deferred tax liabilities and accumulated other comprehensive income have increased by ¥7,758 million (US\$75,379 thousand) and ¥13,092 million (US\$127,206 thousand), respectively as of March 31, 2014.

4. Accounting Standards Not Yet Applied

Accounting Standards for Retirement Benefit

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

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

(a) Summary

This accounting standard was revised with a focus on the treatment of unrecognized actuarial gains and losses and unrecognized prior service costs, the determination of projected benefit obligations and current service cost, and enhancement of disclosure.

(b) Effective dates

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

(c) Effect of application of the standard

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

Accounting Standards for Business Combinations and Consolidated Financial Statements

- Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
 - Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
 - Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
 - Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
 - Revised Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
 - Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)
- (Please also refer to the ASBJ homepage, which has a summary in English of the accounting standard.)

(a) Summary

Under these revised accounting standards, the accounting treatment for changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary in the additional acquisition of shares in a subsidiary and acquisition related costs were revised. In addition, the presentation of net income was amended, "minority interests" were changed to "non-controlling interests," and transitional provisions for accounting treatments were defined.

(b) Effective dates

The revised accounting standards and guidance are effective from the beginning of annual periods ending March 31, 2016. Furthermore the transitional provisions for accounting treatments are effective from business combinations performed on or after the beginning of annual periods ending March 31, 2016.

(c) Effect of application of the standard

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

5. Financial Instruments

(a) Status of financial instruments

The Companies procure funds that are required in light of investment plans and other determining factors through bank loans and corporate bonds issuance in order to carry out business

inside and outside Japan, and procure short-term working funds through bank loans and commercial paper issuance.

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

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

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

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

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

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

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

(b) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2014 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	¥ 132,321	¥ 132,321	¥ —
Short-term investments	2,091	2,091	—
Trade notes and accounts receivable	448,415	448,415	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	193,063	311,560	118,497
Available-for-sale securities	208,742	208,742	—
Long-term loans ^{*1}	64,073	64,073	—
Assets total	¥1,048,705	¥1,167,202	¥118,497
Short-term debt	216,148	216,148	—
Trade notes and accounts payable	296,072	296,072	—
Long-term debt ^{*1}	858,450	875,412	16,962
Liabilities total	¥1,370,670	¥1,387,632	¥ 16,962
Derivative transactions ^{*2}	¥ 602	¥ (1,232)	¥ (1,834)

	Thousands of US dollars		
	Book value	Fair value	Difference
Cash and cash equivalents	\$ 1,285,668	\$ 1,285,668	\$ —
Short-term investments	20,317	20,317	—
Trade notes and accounts receivable	4,356,928	4,356,928	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	1,875,855	3,027,206	1,151,351
Available-for-sale securities	2,028,197	2,028,197	—
Long-term loans ^{*1}	622,551	622,551	—
Assets total	\$10,189,516	\$11,340,867	\$1,151,351
Short-term debt	2,100,155	2,100,155	—
Trade notes and accounts payable	2,876,720	2,876,720	—
Long-term debt ^{*1}	8,340,944	8,505,752	164,808
Liabilities total	\$13,317,819	\$13,482,627	\$ 164,808
Derivative transactions ^{*2}	\$ 5,849	\$ (11,970)	\$ (17,819)

*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, 2013 were as follows. Certain financial instruments were excluded from the following table as the fair values were not available (see Note 2 below).

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

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

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

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

Assets

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

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

Securities and investment securities

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

See the notes on "7. Securities."

Long-term loans

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

Liabilities

Short-term debt, Trade notes and accounts payable

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

Long-term debt

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

Derivative transactions

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

(Note 2): The financial instruments excluded from the table as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Unlisted equity securities	¥73,106	¥68,636	\$710,319
Preferred securities	2,346	12,346	22,794
Other	3,170	2,809	30,801

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, 2014 were as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within 10 years	Over 10 years
Cash and cash equivalents	¥ 94,765	¥ —	¥ —	¥ —
Short-term investments	2,091	—	—	—
Trade notes and accounts receivable	447,385	1,030	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	13,626	—	—	—
Bonds	12,203	—	—	—
Other bonds	—	—	—	48
Other	4,504	—	—	—
Long-term loans*	85	1,098	57	52
Total	¥574,659	¥2,128	¥57	¥100

	Thousands of US dollars			
	Within one year	Over one year but within five years	Over five years but within 10 years	Over 10 years
Cash and cash equivalents	\$ 920,764	\$ —	\$ —	\$ —
Short-term investments	20,317	—	—	—
Trade notes and accounts receivable	4,346,920	10,008	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	132,394	—	—	—
Bonds	118,568	—	—	—
Other bonds	—	—	—	467
Other	43,761	—	—	—
Long-term loans*	826	10,668	554	505
Total	\$5,583,550	\$20,676	\$554	\$ 972

*A long-term loan of ¥62,781 million (US\$610,000 thousand) to Rabigh Refining and Petrochemical Company (an affiliated company of the Company) was a subordinated loan subject to the terms and conditions stipulated in the project finance agreement concerning "The Rabigh Phase I Project." The loan was not included in the above schedule, because the future cash flows of the said company were uncertain and the repayment schedule could not be determined at the consolidated year-end date.

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

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

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

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

6. Inventories

Inventories as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Merchandise and finished goods	¥318,620	¥300,520	\$3,095,802
Work in process	12,982	15,093	126,137
Raw materials and supplies	97,848	94,856	950,719
Total	¥429,450	¥410,469	\$4,172,658

7. Securities

Securities with available fair values included in securities and investment securities as of March 31, 2014 were as follows:

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥173,431	¥41,028	¥132,403
Other securities	12,879	12,856	23
Total	¥186,310	¥53,884	¥132,426

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	\$1,685,105	\$398,640	\$1,286,465
Other securities	125,136	124,912	224
Total	\$1,810,241	\$523,552	\$1,286,689

(b) Securities with book values not exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 4,930	¥ 5,127	¥(197)
Other securities	12,998	13,002	(4)
Other	4,504	4,504	—
Total	¥22,432	¥22,633	¥(201)

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	\$ 47,901	\$ 49,815	\$(1,914)
Other securities	126,292	126,331	(39)
Other	43,763	43,763	—
Total	\$217,956	\$219,909	\$(1,953)

Total sales of available-for-sale securities

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	¥3,228	¥3,059	¥—
Other securities	3,511	5	—
Total	¥6,739	¥3,064	¥—

	Thousands of US dollars		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	\$31,364	\$29,722	\$—
Other securities	34,114	49	—
Total	\$65,478	\$29,771	\$—

The Companies recognized a loss of ¥1,462 million (US\$14,205 thousand) on securities for the year ended March 31, 2014.

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

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

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

(b) Securities with book values not exceeding acquisition cost

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

Total sales of available-for-sale securities

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

The Companies recognized a loss of ¥4,706 million on securities for the year ended March 31, 2013.

8. Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the consolidated balance sheet as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Investment securities	¥248,911	¥216,805	\$2,418,490
Other non-current assets	2,374	2,349	23,066
Total	¥251,285	¥219,154	\$2,441,556

9. Short-term Debt and Long-term Debt

Interest rates on short-term bank loans ranged from 0.30% to 6.77% and from 0.26% to 9.65% as of March 31, 2014 and 2013, respectively.

Short-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Bank loans	¥156,148	¥125,786	\$1,517,178
Commercial paper	60,000	112,000	582,977
Total	¥216,148	¥237,786	\$2,100,155

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of US dollars
	2014	2014	2014
0.54%–2.14% debentures due through 2021	¥ 397,000		\$ 3,857,365
0.30%–8.02% long-term bank loans payable due through 2025	461,450		4,483,579
Subtotal	858,450		8,340,944
Less amounts due within one year	(126,859)		(1,232,598)
Total	¥ 731,591		\$ 7,108,346

	Millions of yen	
	2014	2013
0.53%–2.14% debentures due through 2021	¥ 397,000	
0.30%–8.02% long-term bank loans payable due through 2025	425,781	
Subtotal	822,781	
Less amounts due within one year	(115,605)	
Total	¥ 707,176	

Long-term debt with maturities subsequent to March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2014	2014
2015	¥126,859		\$1,232,598
2016	139,289		1,353,371
2017	98,766		959,638
2018	99,291		964,740
2019	97,288		945,278
2020 and thereafter	296,957		2,885,319
Total	¥858,450		\$8,340,944

	Millions of yen
	2013
2014	¥115,605
2015	126,147
2016	124,281
2017	92,020
2018	90,668
2019 and thereafter	274,060
Total	¥822,781

As of March 31, 2014 and 2013, assets pledged as collateral for short-term debt, long-term debt and others were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Investment securities	¥ 89,129	¥67,898	\$ 866,003
Property, plant and equipment, net of accumulated depreciation	22,024	24,087	213,991
Trade notes and accounts receivable	1,015	312	9,862
Cash and cash equivalents	446	281	4,334
Total	¥112,614	¥92,578	\$1,094,190
Liabilities secured thereby	¥ 9,716	¥14,489	\$ 94,403

*¥89,076 million (US\$865,488 thousand) and ¥67,850 million of investment securities pledged as collateral for affiliates' debt amounted to ¥239,457 million (US\$2,326,632 thousand) and ¥239,120 million are subjected to real guarantee as of March 31, 2014 and 2013, 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, 2014 and 2013 were as follows:

Such information for the year ended March 31, 2014 is not disclosed because that is immaterial.

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Machinery and equipment	¥—	¥ 74	\$—
Less accumulated depreciation and amortization	—	(67)	—
Total	¥—	¥ 7	\$—

Assumed depreciation charge of ¥56 million for the year ended March 31, 2013 was computed by the straight-line method over the lease terms assuming no residual value.

Lease payment for the year ended March 31, 2013 was ¥58 million.

Obligations under non-capitalized finance leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Due within one year	¥—	¥7	\$—
Due after one year	—	1	—
Total	¥—	¥8	\$—

Obligations under operating leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Due within one year	¥ 3,030	¥ 2,600	\$ 29,440
Due after one year	28,459	22,610	276,516
Total	¥31,489	¥25,210	\$305,956

11. Derivative Transactions and Hedge Accounting

The contract amounts and fair values of derivative transactions as of March 31, 2014 were as follows:

Hedge accounting applied

(a) Currency-related derivative transactions

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

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
EUR	¥ 1,183	¥—	¥ 3
USD	482	—	2
Other	138	—	3
Buy contracts			
USD	4,029	—	(10)
NZD	2,078	—	7
Other	4,510	—	21
Currency swap contract			
Pay USD, receive JPY	940	—	14
Total	¥13,360	¥—	¥40

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
EUR	\$ 11,494	\$—	\$ 29
USD	4,683	—	20
Other	1,341	—	29
Buy contracts			
USD	39,147	—	(97)
NZD	20,191	—	68
Other	43,821	—	204
Currency swap contract			
Pay USD, receive JPY	9,133	—	136
Total	\$129,810	\$—	\$389

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

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥25,537	¥—	¥—
EUR	845	—	—
Other	347	—	—
Buy contracts			
USD	6,126	—	—
Other	740	—	—
Total	¥33,595	¥—	¥—

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	\$248,125	\$—	\$—
EUR	8,210	—	—
Other	3,372	—	—
Buy contracts			
USD	59,522	—	—
Other	7,190	—	—
Total	\$326,419	\$—	\$—

(b) Interest-related derivative transactions

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

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥12,041	¥11,627	¥(98)

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	\$116,994	\$112,971	\$(952)

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

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥116,237	¥111,128	¥(1,834)

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	\$1,129,392	\$1,079,751	\$(17,820)

(c) Commodity-related derivative transactions

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

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	¥ 9,379	¥4,055	¥560
Buy contracts			
Metals	4,085	—	100
Total	¥13,464	¥4,055	¥660

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	\$ 91,129	\$39,400	\$5,441
Buy contracts			
Metals	39,691	—	972
Total	\$130,820	\$39,400	\$6,413

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

Hedge accounting applied

(a) Currency-related derivative transactions

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

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

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

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

(b) Interest-related derivative transactions

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

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

Transaction type	Millions of yen		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥65,114	¥64,144	¥(1,510)

(c) Commodity-related derivative transactions

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

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

12. Impairment Loss

The Companies recognized impairment losses on fixed assets for the year ended March 31, 2014. Main assets for which impairment losses were recognized were as follows:

Location	Usage purpose	Type of assets	Millions of yen	Thousands of US dollars
			2014	2014
Ehime, Japan	Caprolactam production facilities	Buildings, structures, machinery and equipment, etc.	¥7,280	\$70,735
U.S.	Results of research and development with respect to compound in development	In-process research and development	4,272	41,508
Saudi Arabia	Infrastructural facilities of industrial park	Buildings, structures, etc.	3,727	36,213
Osaka, Japan Hyogo, Japan	Welfare facilities	Land, buildings, and structures, etc.	2,440	23,708
Chiba, Japan	Propylene oxide, styrene monomer production facilities, etc.	Buildings, structures, machinery and equipment, etc.	1,813	17,616
U.S.	Pharmaceuticals production facilities	Construction in progress	366	3,556

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

The Company and certain consolidated subsidiaries recognized impairment losses on the production facilities of businesses with decreased profitability due to a serious deterioration in the business environment, in-process research and development and the infrastructural facilities of the industrial park for which future profitability has been deemed through the revised business plan to be lacking, and the idle welfare facilities. These were written down to the recoverable amounts. The recoverable amounts of these assets were measured at their net realizable value or their value in use. The net realizable value was based on the estimated sales value. The value in use was calculated by discounting future cash flows with discount rates of 6.8%–11.5%.

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

Location	Usage purpose	Type of assets	Millions of yen
			2013
Oita, Japan	Resorcinol production facilities	Buildings, structures, machinery and equipment, etc.	¥6,621
Chiba, Japan	Ethylene production facilities, etc.	Buildings, structures, machinery and equipment, etc.	6,305
China	Polarizing film production facilities	Construction in progress, etc.	5,689
Poland	Polarizing film production facilities	Buildings, structures, machinery and equipment, etc.	3,165

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

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

13. Retirement Benefits

(a) Defined benefit plans

(i) Movement in retirement benefit obligations, except plan applied simplified method

	Millions of yen	Thousands of US dollars
Balance at April 1, 2013	¥264,215	\$2,567,188
Service cost	10,572	102,721
Interest cost	4,881	47,425
Actuarial loss	4,187	40,682
Benefits paid	(14,665)	(142,489)
Prior service costs	(2,163)	(21,016)
Other	1,824	17,722
Balance at March 31, 2014	¥268,851	\$2,612,233

(ii) Movements in plan assets, except plan applied simplified method

	Millions of yen	Thousands of US dollars
Balance at April 1, 2013	¥281,720	\$2,737,272
Expected return on plan assets	5,058	49,145
Actuarial gain	15,656	152,118
Contributions paid by the employer	10,925	106,150
Benefits paid	(12,653)	(122,940)
Other	1,384	13,448
Balance at March 31, 2014	¥302,090	\$2,935,193

(iii) Movements in net defined benefit liability in which the simplified method has been applied

	Millions of yen	Thousands of US dollars
Balance at April 1, 2013	¥5,698	\$55,363
Retirement benefit costs	954	9,269
Benefits paid	(662)	(6,432)
Contributions paid by the employer	(337)	(3,274)
Other	6	58
Balance at March 31, 2014	¥5,659	\$54,984

(iv) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of yen	Thousands of US dollars
Funded retirement benefit obligations	¥ 252,377	\$ 2,452,167
Plan assets	(305,927)	(2,972,474)
	(53,550)	(520,307)
Unfunded retirement benefit obligations	25,970	252,331
Total net defined benefit liability (asset) at March 31, 2014	¥ (27,580)	\$ (267,976)
Net defined benefit liability	31,065	301,836
Net defined benefit asset	(58,645)	(569,812)
Total net defined benefit liability (asset) at March 31, 2014	¥ (27,580)	\$ (267,976)

(Note): Including the simplified method.

(v) Retirement benefit costs

	Millions of yen	Thousands of US dollars
Service cost	¥10,572	\$102,721
Interest cost	4,881	47,425
Expected return on retirement benefit plan assets	(5,058)	(49,145)
Amortization of actuarial differences	414	4,023
Amortization of prior service costs	(2,389)	(23,212)
Amortization of net retirement benefit obligation at transition	(3)	(29)
Total retirement benefit costs on the simplified method	954	9,269
Other	(421)	(4,091)
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥ 8,950	\$ 86,961

(vi) Remeasurements of defined benefit plans (before lessing the amount of deferred tax liabilities)

	Millions of yen	Thousands of US dollars
Unrecognized prior service costs	¥ 6,381	\$ 62,000
Unrecognized actuarial differences	16,490	160,221
Unrecognized net retirement benefit obligation at transition	4	39
Total balance at March 31, 2014	¥22,875	\$222,260

(vii) Plan assets

Plan assets comprise:

Bonds	61%
Equity securities	27
Cash and cash equivalents	6
General accounts	3
Other	3
Total	100%

(Note): 8% of the plan assets were contributed to the employee retirement benefit trust.

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(viii) Actuarial assumptions

The principal actuarial assumptions as of March 31, 2014 were as follows:

Discount rate	Mainly 1.6%
Long-term expected rate of return	Mainly 1.6%

(b) Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and certain consolidated subsidiaries was ¥4,134 million (US\$40,167 thousand).

Certain information concerning the multi-employer pension plan, which requires contribution that are recorded as retirement benefit costs was as follows:

(i) Accumulated funds for the plan as of March 31, 2013

	Millions of yen	Thousands of US dollars
Plan assets	¥257,829	\$2,505,140
Projected benefit obligation	354,524	3,444,656
Difference	¥ (96,695)	\$ (939,516)

(ii) Ratio of total pension plan accounted for by contributions from those subsidiaries as of March 31, 2013 0.85%

(iii) Supplementary explanation

The difference presented in item (i) above comprised ¥51,991 million (US\$505,159 thousand) in the present value of special contributions and ¥44,705 million (US\$434,366 thousand) in the plan assets shortfall carried forward. The present value of special contributions represents the estimated amount to be amortized over future periods to account for the amount of the past shortfall of plan assets in pension finance, and a certain rate that has been pre-determined under an agreement regarding welfare pension fund is applied.

Under this plan, the present value of special contributions is amortized using the equal payment method. The remaining years of amortization is 18 years and 0 months. Special contributions of ¥40 million (US\$389 thousand) have been accounted for as pension expense on the consolidated financial statements for the year ended March 31, 2014.

As the amount of special contributions is calculated by multiplying the amount of the standard salary at the time of contribution by the pre-determined rate, the ratio under item (ii) above does not match the Group's ratio of actual contributions.

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

	Millions of yen
	2013
Projected retirement benefit obligation	¥(273,442)
Plan assets	285,249
Unfunded retirement benefit obligation	11,807
Unrecognized actuarial differences	(5,155)
Unrecognized prior service cost	(6,609)
Net amount recognized	43
Prepaid pension expense	30,847
Provision for employees' retirement benefits	¥ (30,804)

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

Net periodic cost for the year ended March 31, 2013 was as follows:

	Millions of yen
	2013
Service cost	¥10,470
Interest cost	5,403
Expected return on retirement benefit plan assets	(5,449)
Amortization of actuarial differences	(2,097)
Amortization of prior service cost	(533)
Net periodic cost	¥ 7,794
Other	2,624
Total	¥10,418

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

	2013
Discount rate	1.6%
Expected return rate for plan assets	2.1%
Amortization period for actuarial differences	3 years
Amortization period for prior service cost	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 ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Loss on disposal of property, plant and equipment	¥ 6,711	¥ 5,218	\$ 65,206
Expenses on improving the business structure and organization in subsidiaries	2,342	4,762	22,756
Loss on business restructuring	1,412	797	13,719
Other	183	—	1,778
Total	¥10,648	¥10,777	\$103,459

15. Deferred Taxes

Main components of deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Tax loss carryforwards	¥ 61,216	¥ 65,096	\$ 594,792
Depreciation and amortization	24,095	21,484	234,114
Retirement benefits	—	16,219	—
Net defined benefit liability	15,148	—	147,182
Prepaid research and development expenses	11,442	8,877	111,174
Impairment loss on fixed assets	11,196	9,820	108,784
Tax credit for research and development expenses	8,227	11,502	79,936
Accrued bonuses	8,215	8,095	79,819
Inventories	7,645	6,966	74,281
Unrealized intercompany profit	2,972	2,860	28,877
Allowance for repairs	2,599	2,778	25,253
Other	40,912	30,751	397,512
Subtotal	193,667	184,448	1,881,724
(Valuation allowance)	(90,650)	(91,472)	(880,782)
Total deferred tax assets	103,017	92,976	1,000,942
Unrealized gains on investment securities	(45,334)	(36,578)	(440,478)
Valuation differences due to an application of purchase accounting method	(27,898)	(31,076)	(271,065)
Prepaid pension expenses	—	(10,888)	—
Net defined benefit asset	(20,606)	—	(200,214)
Gain on contribution of securities to retirement benefit trust	(2,959)	(2,959)	(28,750)
Deferred gain on property, plant and equipment	(1,027)	(1,169)	(9,979)
Other	(12,143)	(7,934)	(117,985)
Total deferred tax liabilities	(109,967)	(90,604)	(1,068,471)
Net deferred tax (liabilities) assets	¥ (6,950)	¥ 2,372	\$ (67,529)

Main items in the reconciliations of the normal income tax rate to the effective income tax rate for the years ended March 31, 2014 and 2013 were as follows:

	2014	2013
Statutory income tax rate in Japan	—%	38.0%
Permanently non-deductible expenses	—	14.5
Permanently non-taxable income	—	(9.3)
Equity in earnings of affiliates	—	(16.2)
R&D expenses deductible from income taxes	—	(14.3)
Change in valuation allowance	—	391.3
Amortization of goodwill	—	17.0
Per capital inhabitant tax	—	2.7
Other	—	3.7
Effective income tax rate	—%	427.4%

(Note): Information for the year ended March 31, 2014 is not provided because the difference between the effective income tax rate and the normal tax rate is less than 5%.

Adjustment of deferred tax assets and liabilities for enacted change in tax law and rate

On March 31, 2014, the Act for the Partial Amendment of the Income Tax Act, etc., was promulgated into law. Accordingly, the Special Reconstruction Corporation Tax will no longer be imposed from April 1, 2014. Thus, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities was reduced from 38.01% in the previous fiscal year to 35.64% in connection with the temporary difference that is expected to be eliminated in the fiscal year commencing on April 1, 2014. Due to this change in statutory income tax rate, net deferred tax assets (less the amount of deferred tax liabilities) decreased by ¥2,146 million (US\$20,851 thousand) as of March 31, 2014, and deferred income tax expense recognized for the year ended March 31, 2014 increased by ¥2,160 million (US\$20,987 thousand) and deferred losses on hedges as of March 31, 2014 decreased by ¥14 million (US\$136 thousand).

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.

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. Also, the Companies sold certain trade receivables to independent third parties, some of which are with recourse. If the collectability of those receivables with recourse becomes irrecoverable, the Companies are obligated to assume the liabilities.

As of March 31, 2014 and 2013, the Companies were contingently liable as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
As guarantor of indebtedness	¥ 842	¥ 8,885	\$ 8,181
Repurchase obligation for the securitization of receivables	4,968	4,076	48,271
Total	¥5,810	¥12,961	\$56,452

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 Comprehensive Income Information

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

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Valuation difference on available-for-sale securities			
Increase during the year	¥28,523	¥16,146	\$277,138
Reclassification adjustments	(1,717)	(1,723)	(16,683)
Sub-total, before tax	26,806	14,423	260,455
Tax expense	(9,035)	(4,953)	(87,787)
Sub-total, net of tax	17,771	9,470	172,668
Deferred (losses) gains on hedges			
Increase during the year	576	1,411	5,596
Reclassification adjustments	(2,534)	(2,342)	(24,621)
Adjustments of acquisition cost of assets	946	1,373	9,192
Sub-total, before tax	(1,012)	442	(9,833)
Tax benefit (expense)	420	(248)	4,081
Sub-total, net of tax	(592)	194	(5,752)
Foreign currency translation adjustment			
Increase during the year	54,068	58,379	525,340
Reclassification adjustments	192	179	1,866
Sub-total, before tax	54,260	58,558	527,206
Tax benefit	—	—	—
Sub-total, net of tax	54,260	58,558	527,206
Share of other comprehensive income of associates accounted for using equity method			
Increase during the year	29,165	20,730	283,375
Reclassification adjustments	16	1,191	156
Sub-total, before tax	29,181	21,921	283,531
Total other comprehensive income	¥100,620	¥90,143	\$977,653

20. Supplementary Cash Flow Information

Cash and cash equivalents

As of March 31, 2014 and 2013, cash and cash equivalents were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Cash	¥ 80,701	¥ 68,116	\$ 784,113
Cash equivalents	51,620	58,833	501,555
Total	¥132,321	¥126,949	\$1,285,668

21. 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, 2014 and 2013 were summarized as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Interest and dividend income	¥1,198	¥1,132	\$11,640

The balances of the Company due to or from Rabigh Refining and Petrochemical Company as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Pledged assets	¥239,457	¥239,120	\$2,326,632
Long-term loans	62,781	57,371	609,998
Accrued interest receivable	7,768	5,984	75,476

Financial summary of Rabigh Refining and Petrochemical Company, a significant affiliated company, for the years ended March 31, 2014 and 2013 were as follows:

Balance Sheets	Millions of yen		Thousands of US dollars
	2014	2013	2014
Current assets	¥457,684	¥381,332	\$4,446,988
Non-current assets	825,778	723,716	8,023,494
Current liabilities	441,780	388,638	4,292,460
Long-term liabilities	590,658	518,397	5,739,001
Net assets	251,024	198,013	2,439,021

Statements of Operations	Millions of yen		Thousands of US dollars
	2014	2013	2014
Net sales	¥1,320,600	¥1,321,452	\$12,831,325
Income before income taxes	9,372	10,418	91,061
Net income	9,372	10,418	91,061

22. Net Income (Loss) per Share

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share computations for the years ended March 31, 2014 and 2013 were as follows:

Income (Numerator)	Millions of yen		Thousands of US dollars
	2014	2013	2014
Net income (loss) — basic	¥36,977	¥(51,076)	\$359,279
Net income — diluted	36,868	—	358,220

Shares (Denominator)	Number of shares	
	2014	2013
Average shares — basic	1,634,551,486	1,634,629,600
Average shares — diluted	1,634,551,486	—

Net income (loss) per share	Yen		US dollars
	2014	2013	2014
Basic	¥22.62	¥(31.25)	\$0.220
Diluted	22.56	—	0.219

23. Segment Information

(a) General information about reported segments

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

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

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

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

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

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

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

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

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

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

(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, 2014 was as follows:

	Millions of yen									
	Segment information by product group						Total	Others	Adjustments	Consolidated
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals					
Year ended March 31, 2014										
Revenue from customers	¥286,898	¥792,021	¥362,255	¥326,967	¥418,809	¥2,186,950	¥ 56,844	¥ —	¥2,243,794	
Inter-segment revenues and transfers	15,111	8,211	3,868	3,631	11	30,832	50,615	(81,447)	—	
Total sales	302,009	800,232	366,123	330,598	418,820	2,217,782	107,459	(81,447)	2,243,794	
Segment profit (loss)	¥ (10,867)	¥ 4,942	¥ 34,898	¥ 38,184	¥ 47,079	¥ 114,236	¥ 8,373	¥(21,767)	¥ 100,842	
Assets	¥319,156	¥637,026	¥365,805	¥450,740	¥721,649	¥2,494,376	¥226,361	¥ 67,770	¥2,788,507	
Depreciation and amortization	17,972	12,415	24,981	16,006	23,045	94,419	5,176	8,955	108,550	
Amortization of goodwill	30	404	42	1,652	5,054	7,182	2	—	7,184	
Investment on affiliates applied to the equity method	14,938	117,409	488	31,135	—	163,970	79,716	—	243,686	
Expenditure for addition to tangible and intangible assets	22,678	16,975	51,515	17,515	28,673	137,356	4,755	1,338	143,449	

	Thousands of US dollars									
	Segment information by product group						Total	Others	Adjustments	Consolidated
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals					
Year ended March 31, 2014										
Revenue from customers	\$2,787,583	\$7,695,501	\$3,519,773	\$3,176,904	\$4,069,267	\$21,249,028	\$ 552,313	\$ —	\$21,801,341	
Inter-segment revenues and transfers	146,822	79,781	37,582	35,280	107	299,572	491,790	(791,362)	—	
Total sales	2,934,405	7,775,282	3,557,355	3,212,184	4,069,374	21,548,600	1,044,103	(791,362)	21,801,341	
Segment profit (loss)	\$ (105,587)	\$ 48,018	\$ 339,079	\$ 371,007	\$ 457,433	\$ 1,109,950	\$ 81,354	\$(211,494)	\$ 979,810	
Assets	\$3,101,010	\$6,189,526	\$3,554,265	\$4,379,518	\$7,011,747	\$24,236,066	\$2,199,388	\$ 658,473	\$27,093,927	
Depreciation and amortization	174,620	120,628	242,723	155,519	223,912	917,402	50,291	87,010	1,054,703	
Amortization of goodwill	292	3,925	408	16,051	49,106	69,782	20	—	69,802	
Investment on affiliates applied to the equity method	145,142	1,140,779	4,742	302,517	—	1,593,180	774,543	—	2,367,723	
Expenditure for addition to tangible and intangible assets	220,346	164,934	500,534	170,181	278,595	1,334,590	46,201	13,000	1,393,791	

(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 were not included in reported segments.

(Note 2): Adjustments amounts were as follows.

- (i) Adjustments amount of ¥(21,767) million (US\$(211,494) thousand) for segment profit (loss) included inter-segment elimination of ¥(298) million (US\$ (2,896) thousand) and corporate expenses of ¥22,065 million (US\$214,390 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 ¥67,770 million (US\$658,473 thousand), which included ¥167,520 million (US\$1,627,672 thousand) eliminations of inter-segment receivables and assets, and ¥235,290 million (US\$2,286,145 thousand) of corporate assets unallocated to each reported segment. Corporate assets mainly consist of cash and deposits, investment securities, deferred tax assets and the assets related to R&D activities for company-wide research.
- (iii) Adjustments amount of depreciation and amortization was ¥8,955 million (US\$87,010 thousand), mainly related to the assets arising from R&D activities for company-wide research unallocated to each reported segment.
- (iv) Adjustments amount of expenditure for addition to tangible and intangible assets was ¥1,338 million (US\$13,000 thousand), mainly contributed in R&D activities for company-wide research unallocated to each reported segment.

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

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

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

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

(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 were not included in reported segments.

(Note 2): Adjustments amounts were as follows.

- (i) Adjustments amount of ¥(22,156) million for segment profit (loss) included inter-segment elimination of ¥760 million and corporate expenses of ¥21,396 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 ¥46,894 million, which included ¥131,156 million eliminations of inter-segment receivables and assets, and ¥178,050 million of corporate assets unallocated to each reported segment. Corporate assets mainly consist of cash and deposits, investment securities, deferred tax assets and the assets related to R&D activities for company-wide research.
- (iii) Adjustments amount of depreciation and amortization was ¥8,916 million, mainly related to the assets arising from R&D activities for company-wide research unallocated to each reported segment.
- (iv) Adjustments amount of amortization of goodwill was ¥767 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 ¥6,116 million, mainly contributed in R&D activities for company-wide research unallocated to each reported segment.

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

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

Related information

Related information for and as of the fiscal year ended March 31, 2014 was as follows:

(a) Information about geographic areas

(i) Revenues

	Millions of yen				
	Japan	China	North America	Other	Total
Year ended March 31, 2014	¥950,924	¥385,806	¥233,030	¥674,034	¥2,243,794

	Thousands of US dollars				
	Japan	China	North America	Other	Total
Year ended March 31, 2014	\$9,239,448	\$3,748,601	\$2,264,186	\$6,549,106	\$21,801,341

(Note 1): Revenues are classified by country and region based on customer location.

(Note 2): From the year ended March 31, 2014, North America is separately listed as its amount accounts for more than 10% of sales in the Consolidated Statements of Operations.

(ii) Tangible fixed assets

	Millions of yen			
	Japan	Korea	Other	Total
Year ended March 31, 2014	¥406,588	¥140,286	¥175,966	¥722,840

	Thousands of US dollars			
	Japan	Korea	Other	Total
Year ended March 31, 2014	\$3,950,525	\$1,363,059	\$1,709,735	\$7,023,319

(b) Information about major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated net sales to external customers.

Related information for and as of the fiscal year ended March 31, 2013 was as follows:

(a) Information about geographic areas

(i) Revenues

	Millions of yen				
	Japan	China	North America	Other	Total
Year ended March 31, 2013	¥908,662	¥302,703	¥176,299	¥564,828	¥1,952,492

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

(ii) Tangible fixed assets

	Millions of yen			
	Japan	Korea	Other	Total
Year ended March 31, 2013	¥412,278	¥78,534	¥149,412	¥640,224

(b) Information about major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated net sales to external customers.

Information about impairment loss of fixed assets by reported segments

Information about impairment loss of fixed assets by reported segments for the fiscal year ended March 31, 2014 was as follows:

	Millions of yen							Total
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	
Year ended March 31, 2014								
Impairment loss	¥7,146	¥7,039	¥386	¥158	¥7,094	¥—	¥—	¥21,823

	Thousands of US dollars							Total
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	
Year ended March 31, 2014								
Impairment loss	\$69,433	\$68,393	\$3,750	\$1,535	\$68,927	\$—	\$—	\$212,038

Information about impairment loss of fixed assets by reported segments for the fiscal year ended March 31, 2013 was as follows:

	Millions of yen							Total
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	
Year ended March 31, 2013								
Impairment loss	¥7,002	¥5,773	¥8,858	¥676	¥430	¥—	¥136	¥22,875

(Note): "Corporate & Elimination" presents the amount of impairment loss related to corporate assets unallocated to each reported segment.

Information about unamortized balance of goodwill by reported segments

Information about unamortized balance of goodwill by reported segments as of the fiscal year ended March 31, 2014 was as follows:

	Millions of yen							Total
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	
Year ended March 31, 2014								
Unamortized balance of goodwill	¥—	¥1,305	¥—	¥4,838	¥80,669	¥1	¥—	¥86,813

	Thousands of US dollars							Total
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	
Year ended March 31, 2014								
Unamortized balance of goodwill	\$—	\$12,680	\$—	\$47,007	\$783,803	\$10	\$—	\$843,500

Information about unamortized balance of goodwill by reported segments as of the fiscal year ended March 31, 2013 was as follows:

	Millions of yen							Total
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	
Year ended March 31, 2013								
Unamortized balance of goodwill	¥30	¥1,709	¥—	¥6,188	¥71,294	¥2	¥—	¥79,223

Information about gain on bargain purchase in reported segments

In the Petrochemicals & Plastics Segment, the Company recognized a gain on bargain purchase of ¥1,108 million(\$10,766 thousand) for the year ended March 31, 2014 due to the conversion of a consolidated subsidiary into a wholly owned subsidiary of the Company.

24. Subsequent Events

Dividend declaration

At the Board of Directors meeting of the Company held on May 12, 2014, year-end cash dividends were resolved as follows:

	Millions of yen	Thousands of US dollars
Cash dividends at ¥3.00 (US\$0.029) per share	¥4,906	\$47,668

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Sumitomo Chemical Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Chemical Company, Limited and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 (b) to the consolidated financial statements.

KPMG AZSA LLC

June 24, 2014
Tokyo, Japan



CHAPTER **5**

CORPORATE DATA

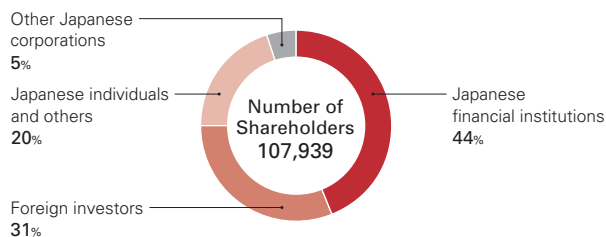
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Corporate and Investor Information

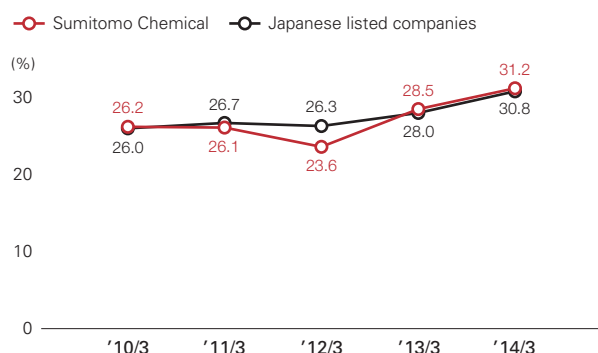
(As of March 31, 2014)

Paid-in Capital	¥89.7 billion
Number of Employees	Non-consolidated: 6,181 Consolidated: 30,745
Common Stock	Authorized: 5,000,000,000 shares Issued: 1,655,446,177 shares (Book value: ¥89.7 billion)
Settlement Date	March 31
Stock Transaction Units	1,000-share units
Ordinary General Meeting of Shareholders	Within three months from the next day of the settlement date
Number of Shareholders	107,939
Listings	Tokyo
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Division 3-1, Yaesu 2-chome, Chuo-ku, Tokyo 100-8233, Japan
Independent Certified Public Accountants	KPMG AZSA LLC

Distribution of Shareholders



Ownership of Foreign Investors



Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	104,249	6.30
Japan Trustee Services Bank, Ltd. (Trust Account)	95,604	5.78
Sumitomo Life Insurance Company	71,000	4.29
Nippon Life Insurance Company	51,273	3.10
Sumitomo Mitsui Banking Corporation	38,453	2.32
Japan Trustee Service Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited ReTrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.75
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	26,095	1.58
STATE STREET BANK AND TRUST COMPANY 505225	24,643	1.49
The Norinchukin Bank	21,825	1.32
Sumitomo Chemical Employee Stock Ownership Plan	20,551	1.24

Dividend Policy

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

The full year dividend for fiscal 2013 was ¥9 per share, an increase of ¥3 per share from fiscal 2012.

IR Calendar

Fiscal 2013 (Year ended March 31, 2014)

May 2014	Fiscal 2013 Financial Results
June 2014	133rd Ordinary General Meeting of Shareholders

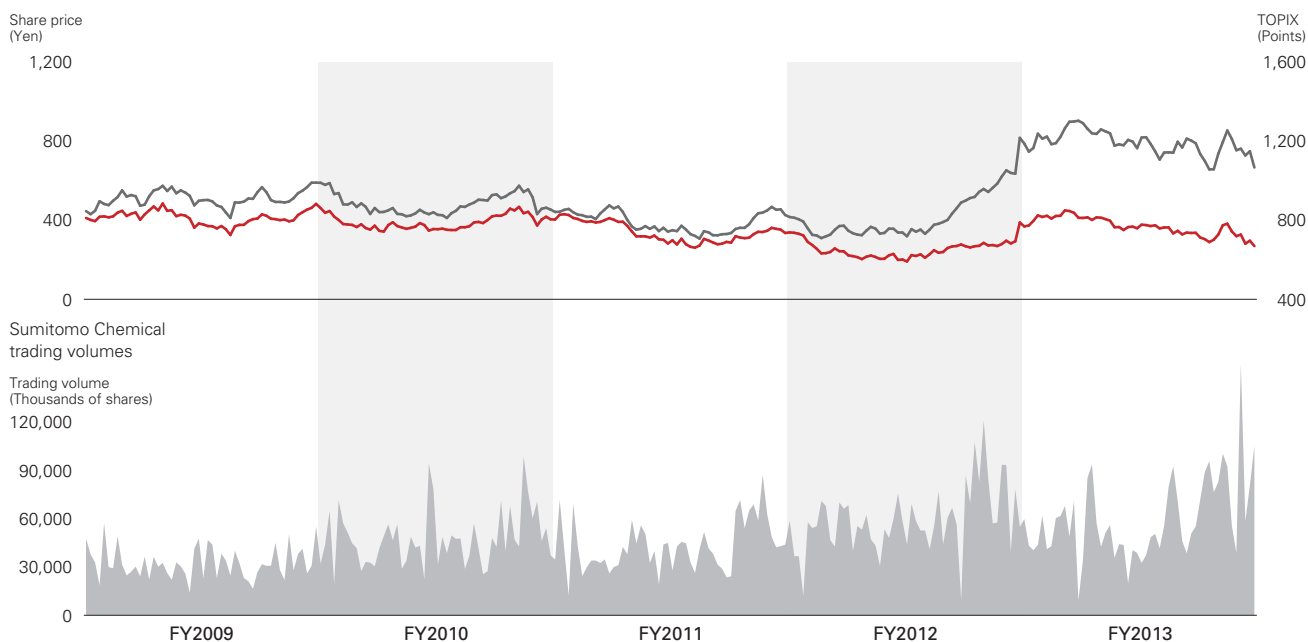
Fiscal 2014 (Year ending March 31, 2015)

July 2014	1st Quarter Financial Results
October 2014	2nd Quarter Financial Results
January 2015	3rd Quarter Financial Results
May 2015	Fiscal 2014 Financial Results
June 2015	134th Ordinary General Meeting of Shareholders

Note: This schedule is subject to change.

Stock Performance

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



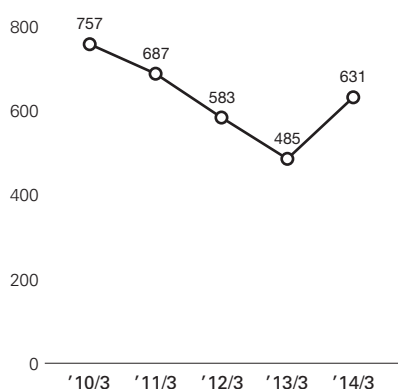
	FY2009	FY2010	FY2011	FY2012	FY2013
Share price high (yen)	487	487	446	360	458
Share price low (yen)	322	330	254	186	250
Share price at year-end (yen)	457	415	352	293	381
Cumulative trading volume (thousands)	1,712,557	2,536,345	2,272,064	3,126,372	3,164,352

	FY2009	FY2010	FY2011	FY2012	FY2013
Shares outstanding* (thousands)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,446
Market capitalization* (billions of yen)	757	687	583	485	631
Price earnings ratio* (times)	51.2	27.9	102.9	—	16.8
Price book-value ratio* (times)	1.3	1.3	1.2	1.0	1.0
Ratio of shares owned by foreign investors to shares outstanding* (%)	26.2	26.1	23.6	28.5	31.2

* Figures are for the end of each fiscal year.

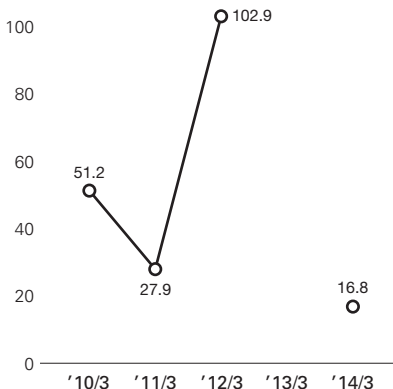
Market Capitalization

(Billions of yen)



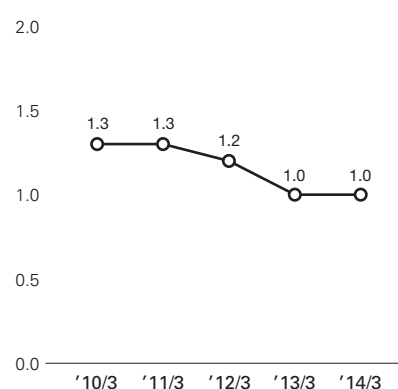
Price Earnings Ratio

(Times)



Price Book-value Ratio

(Times)



Subsidiaries and Affiliates

(As of March 31, 2014)

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
Japan					
●	Asahi Chemical Co., Ltd.	Inorganics	100.0	+81-6-6220-8795	+81-6-6220-8799
●	Ceratec Co., Ltd.	Alumina products and catalyst	100.0	+81-897-33-8541	+81-897-33-6005
●	Dainippon Sumitomo Pharma Co., Ltd.*1	Research and development of ethical pharmaceuticals	50.2	+81-6-6203-5321	+81-6-6202-6028
●	Dow Kakoh K.K.	Extruded polystyrene foam	35.0	+81-3-5460-2351	+81-3-5460-2390
●	Inabata & Co., Ltd.*1	Electronics materials and equipment, chemicals, plastics, etc.	21.8	+81-6-6267-6051	+81-6-6267-6042
●	Japan Exlan Co., Ltd.	Functional acrylic fibers	20.0	+81-6-6348-4327	+81-6-6348-4168
●	Japan-Singapore Petrochemicals Co., Ltd.	Equity holder in Petrochemical Corporation of Singapore (Pte.) Ltd.	78.6	+81-3-5543-5867	+81-3-5543-5519
●	Keiyo Ethylene Co., Ltd.	Ethylene and propylene	22.5	+81-3-3552-9373	—
●	Koei Chemical Co., Ltd.*1	Formaldehydes and pyridines	56.1*2	+81-3-6837-9300	+81-3-6837-9307
●	Kyoyu Agri Co., Ltd.	Crop protection chemicals	38.4	+81-3-5645-0700	+81-3-3639-5299
●	Nihon Ecoagro Co., Ltd.	Materials for agricultural use, support for farmers	100.0	+81-3-3523-8280	+81-3-3523-8281
●	Nihon Methacryl Monomer Co., Ltd.	MMA monomer and methacrylic acid	64.0	+81-3-5543-5302	+81-3-5543-5907
●	Nihon Medi-Physics Co., Ltd.	Radiopharmaceuticals	50.0	+81-3-5634-7006	+81-3-5634-5170
●	Nihon Oxirane Co., Ltd.	Propylene oxide, propylene glycol and styrene monomer	100.0	+81-3-5159-1601	+81-3-5159-1605
●	Nihon Singapore Polyolefin Co., Ltd.	Equity holder in The Polyolefin Company (Singapore) Pte. Ltd.	95.7	+81-3-5543-5319	+81-3-5543-5911
●	Nippon A&L Inc.	ABS resin and SBR latex	85.2	+81-6-6220-3633	+81-6-6220-3699
●	O.L.S. Corp.	Optical functional films	50.0	+81-3-5543-5820	+81-3-5543-5919
●	Rainbow Chemical Co., Ltd.	Horticultural materials	87.1	+81-3-6740-7777	+81-3-6740-7000
●	SanTerra Co., Ltd.	Films for agricultural use	25.0*2	+81-3-6837-9030	+81-3-6837-9031
●	Shinto Paint Co., Ltd.*1	Paints	45.2*2	+81-6-6426-3355	+81-6-6429-6188
●	Sumika Acryl Co., Ltd.	Sales of acrylic sheet	100.0	+81-3-5542-8630	+81-3-5542-8640
●	Sumika Agrotech Co., Ltd.	Agricultural and horticultural materials and seeding	100.0*2	+81-6-6204-1245	+81-6-6204-1207
●	Sumika Bayer Urethane Co., Ltd.	Polyurethane raw materials	40.0	+81-6-6133-6100	+81-6-6344-2730
●	Sumika Chemical Analysis Service, Ltd.	Analysis services of chemical substances, and instrument sales	100.0	+81-6-6202-1810	+81-6-6202-0115
●	Sumika Chemtex Co., Ltd.	Dyestuffs and functional chemicals	100.0	+81-6-6466-5146	+81-6-6466-5457
●	Sumika Color Co., Ltd.	Organic pigments, color compounds for various polymers	88.0*2	+81-6-6205-4300	+81-6-6205-4301
●	Sumika Enviro-Science Co., Ltd.	Public hygiene materials	100.0	+81-798-38-2330	+81-798-38-2325
●	Sumika Finance Co., Ltd.	Financing	100.0	+81-3-6837-9085	+81-3-6837-9087
●	Sumika Fukuei Agro K.K.	Fertilizers	50.0	+81-6-6412-5251	+81-6-6413-1333
●	Sumika Green Co., Ltd.	Crop protection chemicals and fertilizers for non-crop use, and pest control services	100.0	+81-3-3523-8070	+81-3-3523-8071
●	Sumika High-purity Gas Company	Oxygen, nitrogen, and argon	60.0	+81-897-37-1716	+81-897-32-2273
●	Sumika-Kakoushi Co., Ltd.	Release paper	100.0	+81-3-6837-9050	+81-3-6837-9053
●	Sumika Life Tech Co., Ltd.	Environmental hygiene, such as insecticides, insect repellents, and fungicides.	100.0	+81-6-6220-3640	+81-6-6220-3644
●	Sumika Middle East Co., Ltd.	Management of Rabigh Plastic Technical Center	100.0	+81-3-5543-5422	+81-3-5543-5911
●	Sumika Plastech Co., Ltd.	Industrial and housing materials	100.0	+81-3-6837-9200	+81-3-6837-9204
●	Sumika Real Estate Co., Ltd.	Real estate and insurance agency	100.0	+81-6-6220-3263	+81-6-6220-3267

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

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

Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
Japan					
	Sumika Styron Polycarbonate Limited	Polycarbonates	50.0	+81-3-6837-9220	+81-3-6837-9223
	Sumika Technical Information Service, Inc.	Information service relating to the chemical industry	100.0	+81-6-6220-3364	+81-6-6220-3361
	Sumitomo Bakelite Co., Ltd.*1	Semiconductors, display materials, etc.	21.8	+81-3-5462-4111	+81-3-5462-4899
	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 Garden Products Inc.	Horticultural materials	100.0	+81-3-6222-2800	+81-3-6222-2801
	Sumitomo Chemical System Service Co., Ltd.	Information system consultant, development, operation, and maintenance	100.0	+81-3-6837-9100	+81-3-6837-9115
	Sumitomo Joint Electric Power Co., Ltd.	Supply of electricity and steam	52.5	+81-897-37-2142	+81-897-32-9862
	Sumitomo Seika Chemicals Co., Ltd.*1	Industrial chemicals and organic sulfur compounds	30.6*2	+81-6-6220-8508	+81-6-6220-8541
	Taoka Chemical Co., Ltd.*1	Pharmaceutical intermediates, adhesives, and dyestuffs	51.1*2	+81-6-6394-1221	+81-6-6394-7599
	Thermo Co., Ltd.	Polyethylene and polypropylene film	100.0	+81-3-5623-2440	+81-3-5623-2446
	Tobu Butadiene Co., Ltd.	Butadiene	50.0	+81-3-6218-3541	+81-3-6218-3686
	T.S. Agro Co., Ltd.	Fertilizers	50.0	+81-79-436-0222	+81-79-436-7030
Singapore					
	Petrochemical Corporation of Singapore Pte. Ltd.	Ethylene and propylene	39.3*2	+65-6867-2000	+65-6867-9274
	Singapore Methyl Methacrylate Pte. Ltd.	MMA monomer and polymer	100.0*2	+65-6296-8183	+65-6296-8938
	Sumitomo Chemical (Asia Pacific) Pte. Ltd.	Regional headquarters for the Southeast Asia, India, and Oceania region	100.0	+65-6580-8230	+65-6293-9725
	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	+65-6296-8938
	Sunovion Pharmaceuticals Asia Pacific Pte. Ltd.	Base of operations regarding pharmaceuticals business in Southeast Asia	50.2*2	—	—
	The Polyolefin Company Singapore Pte. Ltd.	Polyethylene and polypropylene	67.0*2	+65-6292-9622	+65-6293-8890
China					
	Dalian Sumika Chemphy Chemical Co., Ltd.	Crop protection chemical intermediates	60.0	+86-411-8751-1015	+86-411-8751-6038
	Dalian Sumika Jingang Chemicals Co., Ltd.	Methionine and high-performance greenhouse films	80.0	+86-411-8751-1015	+86-411-8751-6038
	Jilin Dongcheng Sumika Polymer Compounds Co., Ltd.	Polypropylene compounds	50.0	+86-434-659-7772	+86-434-659-7772
	Shanghai Lifetech Household Products Co., Ltd.	Products relating to household insecticides	100.0*2	+86-21-5159-3281	+86-21-5159-3282
	Sumika Electronic Materials (Hefei) Co., Ltd.	Processing chemicals for LCD panels, other LCD and semiconductor-related materials	97.4*2	+86-551-6425-5682	+86-551-6519-0908
	Sumika Electronic Materials (Shanghai) Co., Ltd.	Optical functional films	100.0	+86-21-5046-2296	+86-21-5046-3133
	Sumika Electronic Materials (Shanghai) Corporation	Sales of IT-related chemicals	100.0	+86-21-3250-6600	+86-21-3250-5756
	Sumika Electronic Materials (Shenzhen) Co., Ltd.	Business and technical assistance for IT-related materials	100.0	+86-755-2598-1598	+86-755-2598-1597
	Sumika Electronic Materials (Wuxi) Co., Ltd.	Optical functional films and light-diffusion plates	100.0	+86-510-8532-2688	+86-510-8532-2788
	Sumika Electronic Materials (Xi'an) Co., Ltd.	Processing chemicals for semiconductors	100.0*2	+86-29-8938-4836	+86-29-8938-3774

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* ²	+86-10-8084-9328	+86-10-8084-9324
●	Sumika Jingang Trading (Dalian) Co., Ltd.	Sales of agricultural materials and feed additives	70.0* ²	+86-411-8756-3166	+86-411-8756-3188
●	Sumika Polymer Compounds Dalian Co., Ltd.	Polypropylene compounds	77.5* ²	+86-411-3925-3518	+86-411-6677-7785
●	Sumitomo Chemical Shanghai Co., Ltd.	Crop protection chemicals, feed additives, and environmental health products	100.0* ²	+86-21-6881-7700	+86-21-6880-0188
●	Sumitomo Chemical (China) Co., Ltd.	Regional Headquarters for the China region	100.0	+86-10-5811-6266	+86-10-5811-6288
●	Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	Ethical pharmaceuticals	50.2* ²	+86-512-6283-7896	+86-512-6265-2606
●	Zhuhai Sumika Polymer Compounds Co., Ltd.	Polypropylene compounds	55.0	+86-756-5655-689	+86-756-5655-690
India					
●	Sumitomo Chemical India Private Limited	Crop protection chemicals and household insecticides	93.8* ²	+91-22-2289-2610	+91-22-2289-2600
South Korea					
●	Dongwoo Fine-Chem Co., Ltd.	Fine and IT-related chemicals	91.3	+82-31-659-4000	+82-31-659-4699
●	LG MMA Corp.	MMA monomer and polymer	25.0	+82-2-6930-3800	+82-2-6930-3801
●	SSLM Co., Ltd.	Sapphire substrate	80.1	+82-53-607-8500	+82-53-607-8501
●	Sumitomo Chemical Agro Seoul, Ltd.	Crop protection chemicals, household insecticides, and feed additives	100.0	+82-2-558-4814	+82-2-558-5471
Malaysia					
●	Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.	R&D center for crop protection sector	100.0	+60-6-679-3711	+60-6-679-3698
Taiwan					
●	Sumika Technology Co., Ltd.	Optical functional films	85.0	+886-6-505-3456	+886-6-505-2521
●	Sumipex TechSheet Co., Ltd.	MMA sheets	100.0	+886-7-365-8126	+886-7-365-8136
●	Sumitomo Chemical Taiwan Co., Ltd.	Crop protection chemicals and household insecticides	100.0	+886-2-2506-8180	+886-2-2506-4551
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 sheets	51.0	+66-2-632-1820	+66-2-632-1831
Vietnam					
●	Sumitomo Chemical Vietnam Co., Ltd.	Crop protection chemicals	100.0* ²	+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.* ¹	Crop protection chemicals	22.8	+61-3-9282-1000	+61-3-9282-1001
New Zealand					
●	New Zealand Aluminium Smelters Ltd.	Aluminum ingots	20.6	+64-3-218-5999	+64-3-218-5800
United States					
●	Boston Biomedical Pharma, Inc.	Sales of ethical pharmaceuticals	50.2* ²	+1-617-674-6800	+1-617-674-8661
●	Boston Biomedical, Inc.	Research and development of ethical pharmaceuticals	50.2* ²	+1-617-674-6800	+1-617-674-8661
●	Dainippon Sumitomo Pharma America Holdings, Inc.	Equity holder in Sunovion Pharmaceuticals Inc.	50.2* ²	+1-508-481-6700	+1-508-481-7683

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Sector	Company Name	Major Business	Sumitomo Chemical's Shareholding Ratio (%)	Telephone	Facsimile
United States					
●	McLaughlin Gormley King Company	Marketing of household insecticides	86.5* ²	+1-763-544-0341	+1-763-544-6437
●	Pace International, LLC	Post harvest products and processing/ analytical services	100.0* ²	+1 206-331-4717	+1 206-428-7145
●	Sumika Electronic Materials, Inc.	MOEPI wafers and other IT-related materials	100.0	+1-602-659-2500	+1-602-438-2277
●	Sumika Polymer Compounds America, Inc.	Polypropylene compounds	55.0	+1-770-227-6400	+1-770-227-6411
●	Sumika Polymers North America Inc.	Polypropylene compounds	100.0	+1-770-227-6400	+1-770-227-6411
●	Sumitomo Chemical America, Inc.	Chemical products	100.0	+1-212-572-8200	+1-212-572-8234
●	Sumitomo Chemical Capital America, Inc.	Financing	100.0	—	—
●	Sunovion Pharmaceuticals Inc.	Ethical pharmaceuticals	50.2* ²	+1-508-481-6700	+1-508-481-7683
●	Valent BioSciences Corp.	Crop protection chemicals	100.0* ²	+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
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* ²	+966-2-284-6025	+966-2-284-6015
●	Rabigh Refining and Petrochemical Company (Petro Rabigh)* ¹	Refined petroleum products and petrochemicals	37.5	+966-2-425-8801	+966-2-425-8802
●	Sumitomo Chemical Polymer Compounds Saudi Arabia Company Ltd.	Manufacturing and sales of polypropylene	55.0	+966-12-289-8250	+966-12-288-4345
Belgium					
●	Sumitomo Chemical Europe S.A./N.V.	Chemical products	100.0* ²	+32-2-251-0650	+32-2-251-6021
France					
●	Philagro France	Crop protection chemicals	60.0* ²	+33-4-7864-3264	+33-4-7847-7128
●	Philagro Holding S.A.	Equity holder in Philagro France	60.0	+33-4-7864-3227	+33-4-7847-7128
●	Sumitomo Chemical Agro Europe S.A.S.	Crop protection chemicals	100.0	+33-4-7864-3260	+33-4-7847-2545
Italy					
●	Sumitomo Chemical Italia S.r.l.	Crop protection chemicals	100.0	+390-2-45280-1	+390-2-45280-400
Spain					
●	KenoGard S.A.	Crop protection chemicals	75.0	+34-93-488-1270	+34-93-487-6112
United Kingdom					
●	Cambridge Display Technology, Ltd.	R&D and licenses in PLED displays and materials	100.0	+44-19-5471-3600	+44-19-5471-3620
●	CDT Holdings Ltd.	Equity holder in Cambridge Display Technology, Ltd.	100.0	+44-19-5471-3600	+44-19-5471-3620
●	Sumika Polymer Compounds Europe Ltd.	Polypropylene compounds	55.1	+44-2392-486350	+44-2392-472388
●	Sumitomo Chemical (U.K.) plc.	Chemicals and financing	100.0	+44-20-8600-7700	+44-20-8600-7717
Poland					
●	Sumika Ceramics Poland Sp. zo.o.	Diesel Particulate Filters (DPF)	100.0	+48-71-73-52-100	+48-71-73-52-122
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

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