

Change and Innovation

Annual Report 2015



100th
ANNIVERSARY
SINCE 1915

Celebrating the 100th anniversary of the commencement of Sumitomo Chemical's operations.

Creative Hybrid Chemistry For a Better Tomorrow

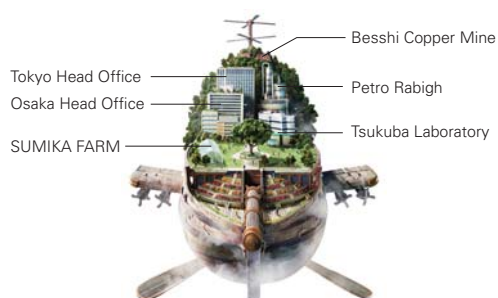
Sumitomo Chemical is a chemical company that offers a diverse range of products in the fields of petrochemicals, energy and functional materials, IT-related chemicals and materials, health and crop science products, and pharmaceuticals. We pursue our “Creative Hybrid Chemistry” strategy to create innovative 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.

Cover Illustration

This year marks the 100th year since the Company started business in 1915.

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



100th Anniversary Logo

As befits a chemical company, we have incorporated the chemical structure of benzene in the logo to depict 100 years of history, technology, and trust. In the numeral 1, we have placed a dot as an accent to evoke flexibility and movement, and we used our corporate color of red.



Contents

2 Overview

- 2 100th Anniversary Special Feature
- 10 Fiscal 2014 Highlights
- 12 Corporate Business Plan FY2013 – FY2015

13 Management Strategy

- 14 To Our Shareholders, Customers and Partners
- 16 Interview with the President

23 Our Operations

- 24 Sector Overview
- 26 Petrochemicals & Plastics
- 28 Energy & Functional Materials
- 30 IT-related Chemicals
- 32 Health & Crop Sciences
- 34 Pharmaceuticals
- 38 Research & Development
- 40 Intellectual Property

41 CSR & Governance

- 42 Corporate Social Responsibility
- 49 Board of Directors and Corporate Auditors
- 51 Corporate Governance
- 55 Business Risks
- 58 Compliance

61 Financial Section

- 62 Ten-Year Summary
- 64 Business Sector Highlights
- 66 Financial Review
- 72 Consolidated Financial Statements
- 107 Corporate and Investor Information

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.

Editorial Policy

Sumitomo Chemical makes this report available to provide shareholders, investors and a wide range of other stakeholders with a comprehensive summary of non-financial and financial information, including the Company's unique strengths, management strategy, and business results, as well as our approach to corporate governance, the environment, and society, thereby making known our management and corporate activities.

It is our hope that this report, as a tool for communicating with shareholders, investors and other stakeholders, will help you get to know Sumitomo Chemical.

By continuing through our business activities to contribute toward the sustainable development of society, we will endeavor to achieve sustained growth and to raise our corporate value.

Forward-looking Statements

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

Origin

STATEMENT

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

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

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

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

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

The Sumitomo Spirit

The origins of Sumitomo Chemical: Saving farming villages from smoke pollution

The history of the Sumitomo Group traces back approximately 400 years to the business of the House of Sumitomo.

In the Meiji Era, various businesses were born and developed out of the copper smelting operations at the Besshi Copper Mine in the Shikoku region of Japan, in the course of which the Sumitomo business spirit passed down through generations became codified as Sumitomo's Business Principles.

Among these Business Principles are integrity and sound management in the conduct of business, placing prime importance on maintaining the trust of business partners and society as a whole.

Another is being agile and bold in deciding business strategies to adapt to the changing times, not for the sake of quick gains but with an eye on the essential matters, which means the interests of the Company must be harmonized with those of society.

While not expressly stated, another traditional concept applies: harmony between the individual, the nation and society. Sumitomo manifests this concept by seeking to benefit not only its own business, but also both the nation and society.

The origins of Sumitomo Chemical's business go back to 1913, when Masaya Suzuki, third Director General of Sumitomo, decided to establish the Sumitomo Fertilizer Manufactory to produce fertilizer (calcium superphosphate) from the sulfur dioxide emitted during the copper smelting process. A main purpose was to mitigate crop damage from the emissions.

This year marks the 100th anniversary since the Sumitomo Fertilizer Manufactory started business in 1915.



Masaya Suzuki, the third Director General
(Source: Sumitomo Historical Archives)



Block print of the Besshi Copper Mine
(Source: Sumitomo Historical Archives)



The Sumitomo Fertilizer Manufactory

Sumitomo's Business Principles

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

Advancement

Growth by bringing innovative products and technologies to the world and effectively meeting the needs of society as they evolve over time

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

1915 Start of Business

The Sumitomo Fertilizer Manufacturing Company, which was established in Niihama, Ehime Prefecture, by the House of Sumitomo, starts operations

1930
Starts production of ammonia and ammonium sulfate

1934
Establishes Sumitomo Aluminium Smelting

1944
Acquired Japan Dyestuff Manufacturing Company and expands into pharmaceuticals, dyes and other fine chemicals

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

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

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

1963
Establishes Japan Lactam and starts production of caprolactam

1967
Starts production of MMA monomer and polymer

1962
Starts selling proprietary agricultural insecticide Sumithion

1973
Establishes Nihon Medi-Physics

■ Net sales (1977 and earlier: non-consolidated sales; 1978 and after: consolidated sales)

1915~1944

Building the foundation of a chemical company

The thirty years following the start of business was the age of “building the foundation of a chemical manufacturer. “The Sumitomo Fertilizer Manufacturing Company was founded to prevent pollution caused by gas emissions from copper smelting. Its first products were sulfuric acid and calcium superphosphate. Introduction and development of new technology led to the production of ammonia, nitric acid, methanol, formalin, and other industrial chemicals, forming a diverse product range and the foundation for a chemical manufacturer.



The Sumitomo Fertilizer Manufacturing



Japan Dyestuff Manufacturing Company Kasugade Works

1945~1974

Diversifying into petrochemicals and fine chemicals



Ethylene Plant (Ehime)



Pynamin Plant (Torishima, Osaka)

During the next thirty years, Sumitomo Chemical entered the fields of petrochemicals and fine chemicals. In 1944, Sumitomo Chemical acquired Japan Dyestuff Manufacturing Company (JDMC) and entered the field of fine chemicals. Pynamin, a household insecticide, was launched in 1953, the first step into the field of agricultural chemicals. Then, in 1958, an ethylene plant was completed in Ehime Prefecture, and Sumitomo Chemical began its petrochemical business. A large ethylene plant in Chiba Prefecture was built in 1965, and business expanded in tandem with the era of rapid growth of the Japanese economy.

1990

Starts production of polarizing film Sumikalan®

1991

Establishes Dongwoo Pure Chemicals (now Dongwoo Fine-Chem)

1995

Starts production of color filters

1984

Starts operation of petrochemical complex in Singapore

1982

P.T. Indonesia Asahan Aluminium starts operations

1988

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

2000

Acquires biological crop protection business from Abbott Laboratories

1984

Establishes Sumitomo Pharmaceuticals

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)

1997

Starts operation of second phase petrochemical complex in Singapore

1998

Starts operation of MMA and acrylic acid plants in Singapore

2001

Acquires household insecticide business from Aventis Crop Science

2002

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

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

2005

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

2009

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

2012

Starts production of touchscreen panels at Dongwoo Fine-Chem

2012

Decides to implement Rabigh Phase II project with Saudi Aramco

2013

Completes aluminum titanate DPF plant in Poland

2010

Acquires stake in Australian agrochemicals company Nufarm

2011

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

2012

Acquires U.S. biotechnology company Boston Biomedical

2005

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

2009

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

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

1975~2004

Actively promoting global business

During the thirty years beginning in the 1970s, Sumitomo Chemical entered the age of global expansion. These years brought dramatic change due to a series of external factors: major oil crises, a recession caused by strong yen, and the burst of the economic bubble. Sumitomo Chemical has continued to undertake reforms to keep in step with shifts in the global economy and society: restructuring its businesses by leaving fields that prove unprofitable, moving into the petrochemical business in Singapore and expanding overseas enterprises in specialty chemical businesses such as agricultural chemicals. The ICT (Information and Communication Technology) industry saw rapid development in the 1990s, which meant growth in the IT-related chemicals field. Sumitomo Chemical responded by expanding its business with new overseas production bases.



Valent U.S.A.



Dongwoo Pure Chemicals (present Dongwoo Fine-Chem)

2005~2015

Becoming a truly global chemical company



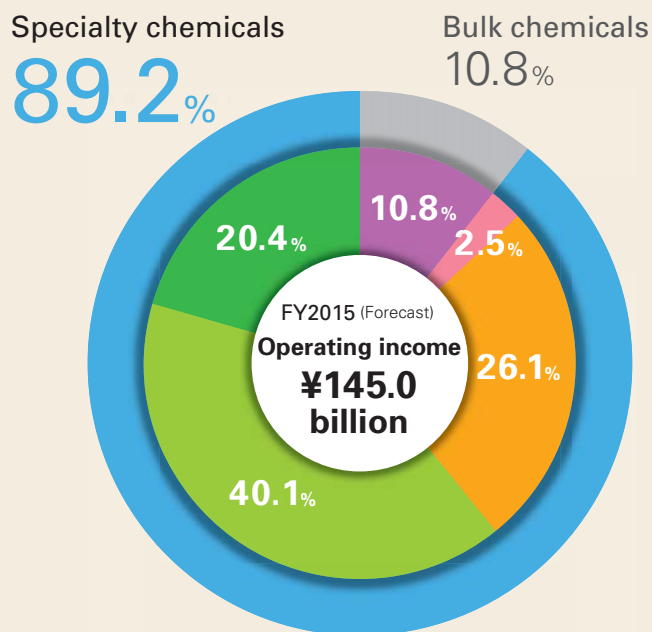
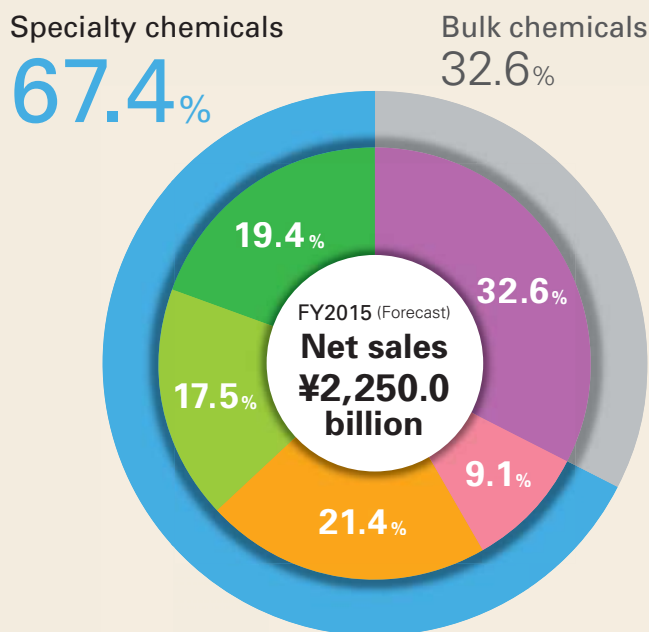
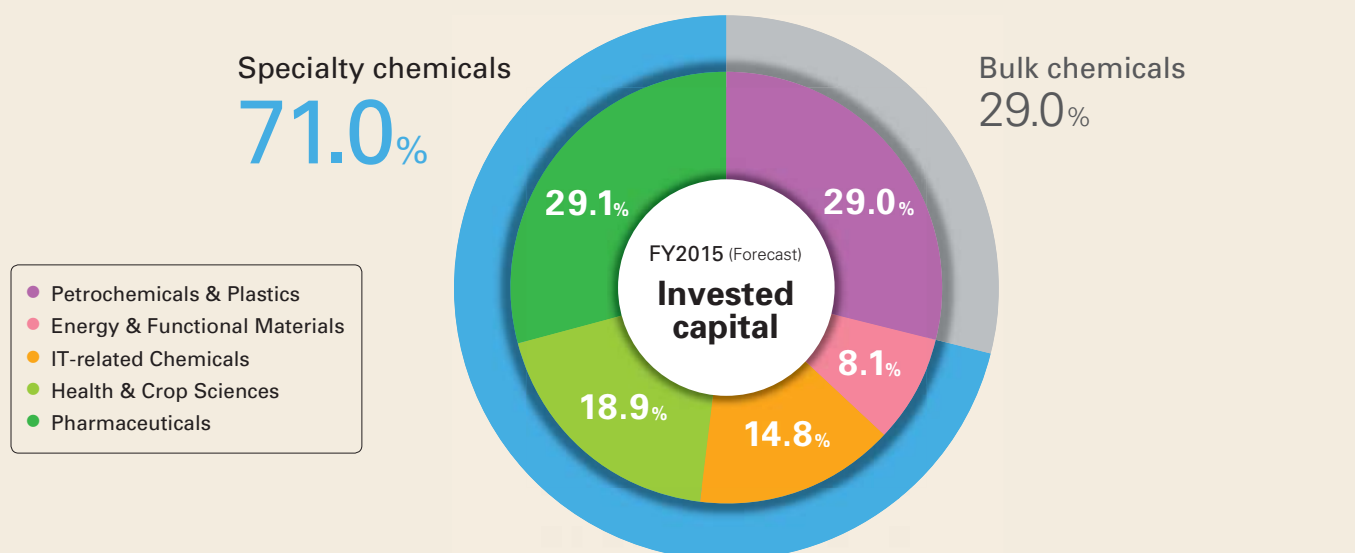
Rabigh Refining and Petrochemical company complex

FY2004-2006. In keeping with this goal, Sumitomo Chemical has become involved with the Rabigh Project, expanded its IT-related Chemicals Sector, and promoted globalization of the Sumitomo Chemical Group as a whole. During FY2010, net sales for consolidated subsidiaries overseas exceeded 50% of Sumitomo Chemical's net sales, with overseas production accounting for more than 40% of the company's total. Looking toward the second century of this global chemical company, the next step will be nurturing new business under the philosophy of creating new values with "Creative Hybrid Chemistry".

The last decade was characterized by the promotion of globally integrated management. Megacompetition has accelerated since the turn of the century, and in FY2004 (ended March 31, 2005), Sumitomo Chemical set forth as a goal "becoming a truly global chemical company" in the Corporate Business Plan

Today

Providing innovative products built on technology,
as a global diversified chemical company



Note: Excludes "others" and adjustment amount

Sumitomo Chemical in Numbers

Net Income

¥52.2 billion

Total Assets

¥2,880.4 billion

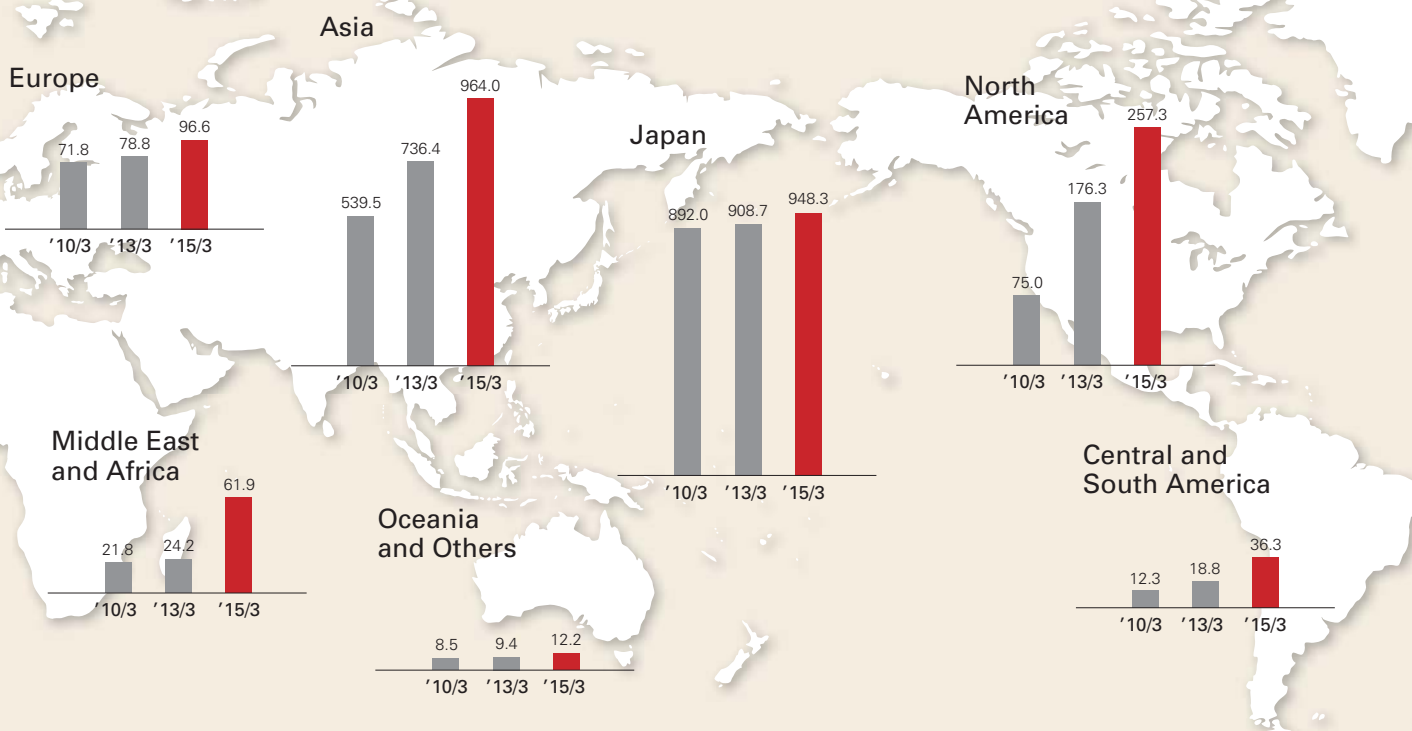
Number of employees (consolidated)

31,039

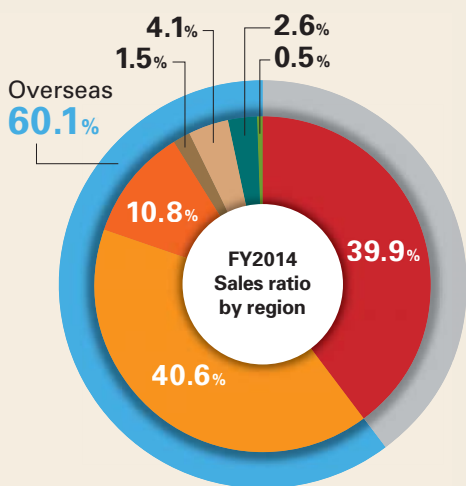
Overseas Business Development

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 2014, the ratio of the Company's overseas sales to total sales was 60.1%, and the ratio of overseas production to total production was 41.5%.

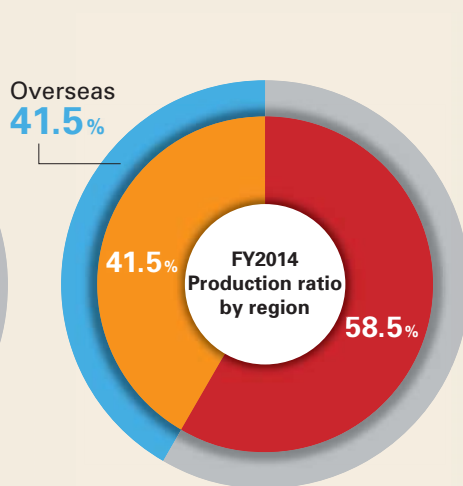
■ Sales by region (billions of yen)



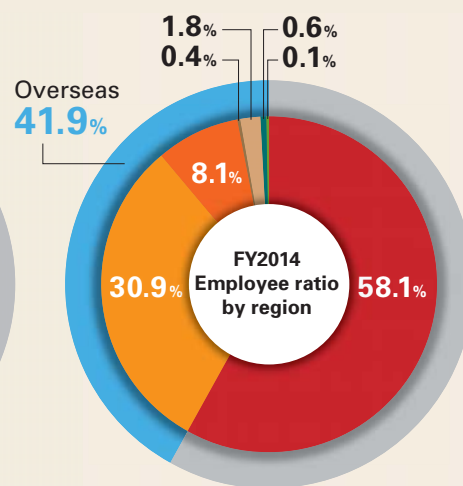
Sales ratio by region



Production ratio by region



Employee ratio by region



■ Japan ■ Asia ■ North America ■ Central and South America
■ Europe ■ Middle East and Africa ■ Oceania and Others

■ Japan ■ Overseas

■ Japan ■ Asia ■ North America ■ Central and South America
■ Europe ■ Middle East and Africa ■ Oceania and Others

ROE

7.3%

D/E ratio

0.88 times

Payout ratio

28.2%

Tomorrow

Creative Hybrid Chemistry For a Better Tomorrow

We will be developing the three fields of Life Sciences, ICT, and Environment & Energy. These are areas where strong market growth can be expected and where we believe we can put our strengths to good use in helping to solve diverse problems.



Life Sciences
Health & Crop Sciences

Trends

- Growing global population
- Increasing demand for food

Societal challenges and demands

Improvement of productivity of agriculture (limited availability of arable land and fresh water)



Life Sciences
Pharmaceuticals

Trends

- Advances in healthcare technologies

Societal challenges and demands

Improvement of quality of life through new technologies, such as preventive diagnosis, personalized medicine, and regenerative medicine



Solutions offered by the Sumitomo Chemical Group*
*including solutions under development

- Chemical and biorational crop protection solutions
- Seeds and seed treatment
- Post-harvest
- Crop stress management
- Total Solution Provider

Solutions offered by the Sumitomo Chemical Group*
*including solutions under development

- Regenerative medicine and cell therapy drugs
- Healthcare materials
- SPECT and PET diagnostic agents
- Drugs for the treatment of cancer and psychiatric and neurological disorders

Providing solutions to the problems facing human society

While strongly committed to carrying on the spirit of “seeking to benefit not only our own business but also society as a whole” embodied in Sumitomo’s Business Principles, we intend to carry out bold changes in our business structure when needed to meet the constantly changing demands of the times, and to offer innovative solutions to society, thereby continuing powerful growth as a global company trusted by the public over the next 100 years.

ICT



Trends

- Advances in communication technology
- Advances in computer technologies
- Spread of IoT (Internet of Things)

Societal challenges and demands

Improvement of convenience and productivity by the IoT (Internet of Things)



Solutions offered by the Sumitomo Chemical Group*
*including solutions under development

- Display materials
- Semiconductor materials
- Printed electronics products
- Organic EL
- Aluminum target
- Compound semiconductors

Environment and Energy



Trends

- Increasing global effort to develop a sustainable society

Societal challenges and demands

Development of products and processes that help reduce GHG emissions
Development of technologies for energy saving, creation and storage



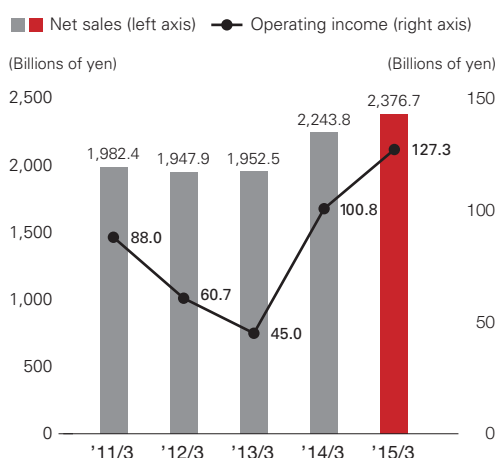
Solutions offered by the Sumitomo Chemical Group*
*including solutions under development

- Energy carrier technology
- Compound semiconductors
- Organic thin film solar cells
- Battery materials
- CO₂ separation materials
- Lighting materials
- Solar cell parts and materials

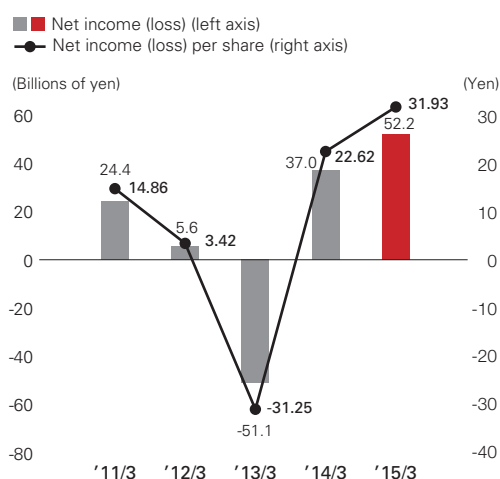
Fiscal 2014 Highlights

Key Figures

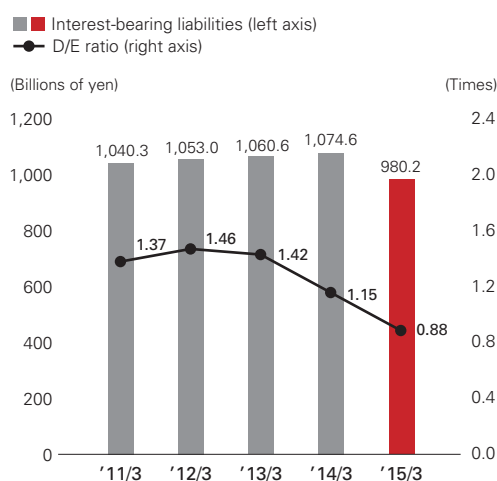
Net Sales & Operating Income



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



Interest-bearing Liabilities & D/E Ratio



Please see page 62 for ten-year summary.

Billions of yen*1

	FY2013	FY2014	Year on Year
	'14/3	'15/3	'14/3 vs. '15/3
1 Net sales	¥2,243.8	¥2,376.7	+5.9%
2 Operating income	100.8	127.3	+26.3
3 Net income (loss)	37.0	52.2	+41.1
Capital expenditures	143.4	84.2	-41.3
Research and development expenses	141.3	147.9	+4.7
Free cash flows	59.2	204.2	+245.1
Total assets	2,788.5	2,880.4	+3.3
Total net assets	934.5	1,118.2	+19.7
4 Interest-bearing liabilities	1,074.6	980.2	-8.8
Net income (loss) per share (yen)	22.62	31.93	+41.2
Cash dividends per share (yen)	9.00	9.00	0.0
Ratios			
Operating margin (%)	4.5	5.4	+0.9pt
ROA*2 (%)	3.8	4.5	+0.7pt
ROE*3 (%)	6.5	7.3	+0.8pt
4 D/E ratio (times)*4	1.15	0.88	-0.27pt

Sustainability data

Number of employees	30,745	31,039	+1.0%
Domestic Carbon Intensity Index*5	99.6	97.6	-2.0pt
Overseas Carbon Intensity Index*6	92.7	85.6	-7.1pt
Domestic water consumption (million tons)*7	1,415.3	1,420.0	+0.3%
Overseas water consumption (thousand tons)*8	6,033	6,561	+8.8%

*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 D/E ratio = Interest-bearing liabilities / Net assets

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

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

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

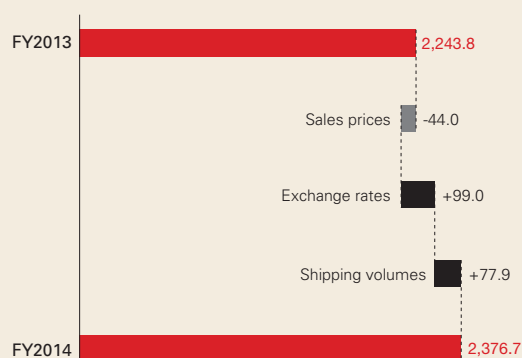
*8 Data reflect the total of 10 major overseas Group companies.

1 Net Sales

Net sales rose ¥132.9 billion year-on-year, as a ¥44.0 billion decline due to lower sales prices was offset by a ¥99.0 billion increase in yen terms with the continued weakness of the yen, and by a ¥77.9 billion sales increase from higher shipping volumes.

- Sales prices: Sales prices reduced income by ¥44.0 billion overall, despite a rise in aluminum prices in the Basic Chemicals Sector and of methionine market prices in the Health & Crop Sciences Sector, as sales prices dropped in the IT-related Chemicals Sector, market prices were lower in the Petrochemicals & Plastics Sector, and the Pharmaceuticals Sector was affected by drug price revisions.
- Shipping volumes: In the Pharmaceuticals Sector, the end of the exclusive sales term caused a big drop in shipments of Lunesta. In the IT-related Chemicals Sector, however, shipments of polarizing films and touch sensor panels increased, overseas crop protection chemicals sales grew in the Health & Crop Sciences Sector, and MMA sales increased in the Basic Chemicals Sector. Because these increases were larger than the drop in the shipments of Lunesta, income grew by ¥77.9 billion.

Factors for Change (Billions of yen)

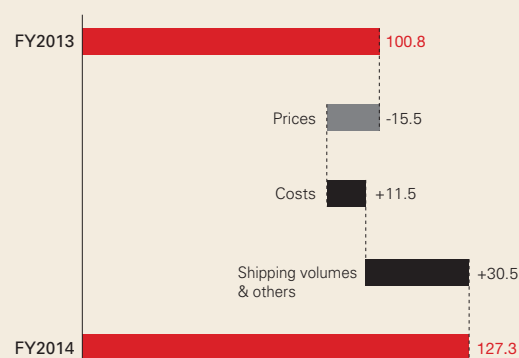


2 Operating Income

Operating income increased by ¥26.5 billion year-on-year, despite a ¥15.5 billion income drop from lower prices, as increased shipping volumes added ¥30.5 billion and cost reductions added ¥11.5 billion over the previous fiscal year to income.

- Prices: Prices reduced income by ¥15.5 billion. Although trading conditions improved for synthetic resin in the Petrochemicals & Plastics Sector and for MMA in the Basic Chemicals Sector, and methionine prices were also up in the Health & Crop Sciences Sector, the main reduction factors were declining sales prices in the IT-related Chemicals Sector and drug price revisions in the Pharmaceuticals Sector.
- Costs: Income rose by ¥11.5 billion with the decline in depreciation costs in the Pharmaceuticals Sector and cost rationalization in the IT-related Chemicals Sector.
- Shipping volumes and other factors: Despite the large drop in Lunesta shipments in the Pharmaceuticals Sector, shipping volumes and other factors increased income by ¥30.5 billion, mainly from increased sales of polarizing films and touch sensor panels in the IT-related Chemicals Sector and increased crop protection chemicals sales in the Health & Crop Sciences Sector.

Factors for Change (Billions of yen)



3 Net Income

- Net income grew by ¥15.2 billion year-on-year. In addition to higher operating income, equity in earnings of affiliates was higher, and sales of fixed assets increased, offsetting higher business restructuring costs and increased impairment losses.

4 Interest-bearing Liabilities and D/E Ratio

- Interest-bearing liabilities declined by ¥94.4 billion from the end of the previous fiscal year, to ¥980.2 billion.
- Along with lower interest-bearing liabilities, the value of net assets increased, helped by a weaker yen, resulting in an improvement in D/E ratio to 0.88 times.

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 (Targets)	2016/3 (Forecast)	Differences
Net sales	¥2,400 billion	¥2,250 billion	-¥150 billion
Operating income	¥140 billion	¥145 billion	+¥5 billion
Ordinary income	¥150 billion	¥160 billion	+¥10 billion
Equity in earnings of affiliates	¥25 billion	¥24 billion	-¥1 billion
Net income	¥90 billion	¥80 billion	-¥10 billion
Interest-bearing liabilities	Below ¥900 billion	¥850 billion	-¥50 billion

(Assumptions)

Targets Naphtha price: ¥60,000/kl Exchange rate: ¥80/US\$

Forecast Naphtha price: ¥47,000/kl Exchange rate: ¥115/US\$

CHAPTER 1 MANAGEMENT STRATEGY

To Our Shareholders, Customers and Partners	14
Interview with the President	16

To Our Shareholders, Customers and Partners



Osamu Ishitobi
Chairman

Masakazu Tokura
President

Performance during fiscal 2014

In Japan, during fiscal 2014, personal consumption was rather weak, but corporate earnings improved, and exports and capital investment increased owing to a further depreciation of the yen and a sharp decline in oil prices. China and other emerging countries, meanwhile, fell short of their full growth potential, and the recovery of the European economy remained fragile. With continued improvement in the US economy, however, overall the global economy stayed on a modest recovery path. The Sumitomo Chemical Group's business environment was generally favorable, although we faced prolonged soft market conditions and sluggish sales in some business areas.

The Group's consolidated net sales for fiscal 2014 were ¥2,376.7 billion, ¥132.9 billion higher than the previous year. While selling prices declined for products in the IT-related Chemicals Sector and the Petrochemicals & Plastics Sector, the increase in sales volumes in the IT-related Chemicals Sector and the Health & Crop Sciences Sector, as well as the weaker yen, contributed to the growth in net sales.

Operating income increased by ¥26.5 billion, to ¥127.3 billion, resulting from the favorable effects of the weaker yen, improved profit margins in the Basic Chemicals Sector and the Petrochemicals & Plastics Sector, and higher market prices and strong sales in the Health & Crop Sciences Sector.

Although extraordinary losses associated with business restructuring were posted for the second year in a row, net income for fiscal 2014 increased by ¥15.2 billion, to ¥52.2 billion, thanks to higher operating income, an improvement in equity in earnings of affiliates, and higher gains on foreign currency transactions.

Interest-bearing liabilities decreased by ¥94.4 billion from the end of the previous year, to ¥980.2 billion, owing to improved business performance, as well as the recovery of advance payments related to the Rabigh Phase II Project, restricted capital investment, and sales of assets.

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, the same amount as the previous year.

Progress in business restructuring

In our current Corporate Business Plan, launched in fiscal 2013, we commit ourselves to strengthening the foundations of our business for the three years through fiscal 2015, with a determination to achieve robust growth over the next 100 years. Working as one under the slogan “Change and Innovation,” we are well on the way to transforming Sumitomo Chemical into a resilient, more profitable company that will continue to grow without being significantly affected by changes in the business environment.

During fiscal 2014, the second year of the Corporate Business Plan, we made further progress with our initiatives aimed at expanding business in the specialty chemicals field. In the IT-related Chemicals Sector, we began commercial production of film-type touchscreen sensor panels for smart phone and tablet PC displays and other new products, and in April 2015 we acquired the compound semiconductor materials business of Hitachi Metals, Ltd., which includes the business of gallium nitride substrates and epiwafers for power devices. In the Health & Crop Sciences Sector, we entered the rice production and sales business, while in the US we brought into operation a new biorational crop protection product plant. In the Pharmaceuticals Sector, sales of our atypical anti-psychotic agent LATUDA® remained strong, and in April 2014 we launched the anti-epileptic drug APTIOM® in the US. We also made good progress in new drug development in our priority areas of psychiatric and neurological disorders and cancer. In the Basic Chemicals Sector, our diesel particulate filter (DPF) for diesel engine vehicles was officially adopted by a European automobile manufacturer.

In the bulk chemicals field, we stepped up business restructuring efforts. To enhance the competitiveness of the Chiba Works, which is the main production facility of our petrochemicals business in Japan, in May 2015 we closed our ethylene production facilities and the styrene monomer, propylene oxide, and propylene glycol production facilities of Nihon Oxirane, our consolidated subsidiary, all of which had been located at the Chiba Works. Meanwhile, we made further progress on the Rabigh Phase II Project, which is aimed at leveraging highly cost-competitive Saudi Arabian feedstock to further strengthen our bulk chemicals business, with project financing agreements concluded and construction work now underway.

Effective April 1, 2015, we restructured the businesses of the Basic Chemicals Sector and the Petrochemicals & Plastics Sector into those related to petrochemicals and plastics and those related to energy and functional materials, reorganizing these businesses into the Petrochemicals & Plastics Sector and the newly-established Energy &

Functional Materials Sector, respectively. This reorganization aims to further strengthen the foundations of our petrochemicals and plastics businesses by managing production operations as well as process development in a more integrated manner, from basic materials to downstream products. At the same time, it aims to accelerate commercialization and the scaling-up of the environmental and energy-related product businesses that previously were managed in the Basic Chemicals Sector.

Toward sustained growth over the next 100 years

The year 2015 marks the 100th anniversary of the commencement of Sumitomo Chemical's operations. The Company's business got its start in the production of fertilizer, using the sulfur content extracted from copper ore—which was the cause of harmful gas emitted from copper smelting operations—as a raw material. In other words, the Company was founded with a view to overcoming an environmental problem and promoting the development of agriculture. Ever since, Sumitomo Chemical has achieved strong growth by developing innovative technologies and products one after another to resolve a wide variety of problems facing society and help better people's lives.

Going forward, we remain strongly committed to creating new value with the power of chemistry and contributing through our business to the development of society. And we seek to continue to be a global company that is trusted by society and sustains growth over the next 100 years. All of us at the Sumitomo Chemical Group share this vision and will work together to speedily and boldly press ahead with business restructuring. And we will strive to accelerate the development of next-generation businesses and technologies to provide innovative new solutions that effectively meet the needs of society.

Thank you very much for your continued support and cooperation.

July 2015

石 尾 修

Osamu Ishitobi
Chairman

十 倉 雅 和

Masakazu Tokura
President

Interview with the President



Masakazu Tokura
President

Q1

Looking back at fiscal 2014, what is your evaluation of the Company's performance?

A1

In fiscal 2014, our performance greatly improved, and our financial position strengthened. We have also made further progress on our initiatives to improve our business portfolio.

Profits for fiscal 2014 significantly increased from the previous year, thanks to the weaker yen, lower raw material prices and better profit margins, as well as strong sales of agricultural chemicals in overseas markets and stable operations at Petro Rabigh (Rabigh Refining and Petrochemical Company). While we posted extraordinary losses in connection with business restructuring, net income rose by ¥15.2 billion, to ¥52.2 billion, and ROE recovered to 7.3%.

We also made solid progress in enhancing the Group's financial strength. At the end of fiscal 2014, interest-bearing liabilities were ¥980.2 billion, ¥94.4 billion lower than one year earlier, and the D/E ratio improved to 0.88 times. This was the result of strong business performance and our continued efforts to more rigorously select investment opportunities. In addition, we recovered advance payments related to the Rabigh Phase II Project as project financing agreements were concluded.

Under the current Corporate Business Plan, which began in fiscal 2013, we are working to improve our business portfolio by transforming it into one that generates stable revenues and cash flows regardless of the external business environment. In the specialty chemicals area, where we can achieve differentiation through technological innovation and have great potential to realize strong growth and high profits, we

are implementing initiatives to further expand our business in the fields of ICT and life sciences. During fiscal 2014, we launched new products, including film-type touch-screen sensor panels used in smart phones and other mobile devices and an anti-epilepsy drug. Moreover, we acquired a compound semiconductor materials business and a microorganism-based crop enhancement products business, while we also entered the rice production and sales business.

In the bulk chemicals area, we closed the ethylene plant at the Chiba Works, which is one of the Company's major production centers for the petrochemicals and plastics business, along with the production facilities for certain derivative products. The ethylene plant began operations in 1970—four years before I joined Sumitomo Chemical—and made significant contributions to the Company's petrochemicals and plastics business for almost half a century. Closing such a plant was a very difficult decision, but we shut it down in May of 2015 to deal with unprecedented changes in the business environment. In addition to these efforts, we are moving forward with the Rabigh Phase II Project, which will capitalize on cost-competitive Saudi Arabian feedstock, in order to improve the structure of our bulk chemicals business and increase its competitiveness.

In April 2015, to accelerate the improvement of our business portfolio, we reorganized the businesses of the Basic Chemicals Sector and the Petrochemicals & Plastics Sector. Those businesses related to bulk chemicals were integrated into the Petrochemicals & Plastics Sector, while those related to environment and energy were incorporated into a new Energy & Functional Materials Sector. The Petrochemicals & Plastics Sector will work to increase profitability by leveraging its cost competitiveness in raw materials and building a distinct advantage in process development capabilities. Meanwhile, the Energy & Functional Materials Sector will put even greater emphasis on its customer-oriented mindset and accelerate the expansion of its business.

Q2

Fiscal 2015 is the final year of the current Corporate Business Plan. Could you share your expectations for achieving the targets set out in the plan?

A2

I expect that we can post record-high profits in fiscal 2015. The Group's financial position is projected to significantly improve, and the Corporate Business Plan targets are expected to be achieved for the most part. We plan to issue a record-high dividend per share.

Operating income and ordinary income for fiscal 2015 are projected to surpass our record highs that were posted in fiscal 2006, mostly because of higher profits in the specialty chemicals area. Net income is projected to be ¥80.0 billion. This is below the result for fiscal 2006, when large profits from the sale of investment securities were posted, but it is a record high on a real basis—that is, when the effect of the investment securities sale is eliminated from the fiscal 2006 results. The ROE for fiscal 2015 is estimated to reach 10%. Although the supply-demand balance for products in the bulk chemicals area is not as tight as we had projected, we expect that the Corporate Business Plan targets will be achieved for the most part.

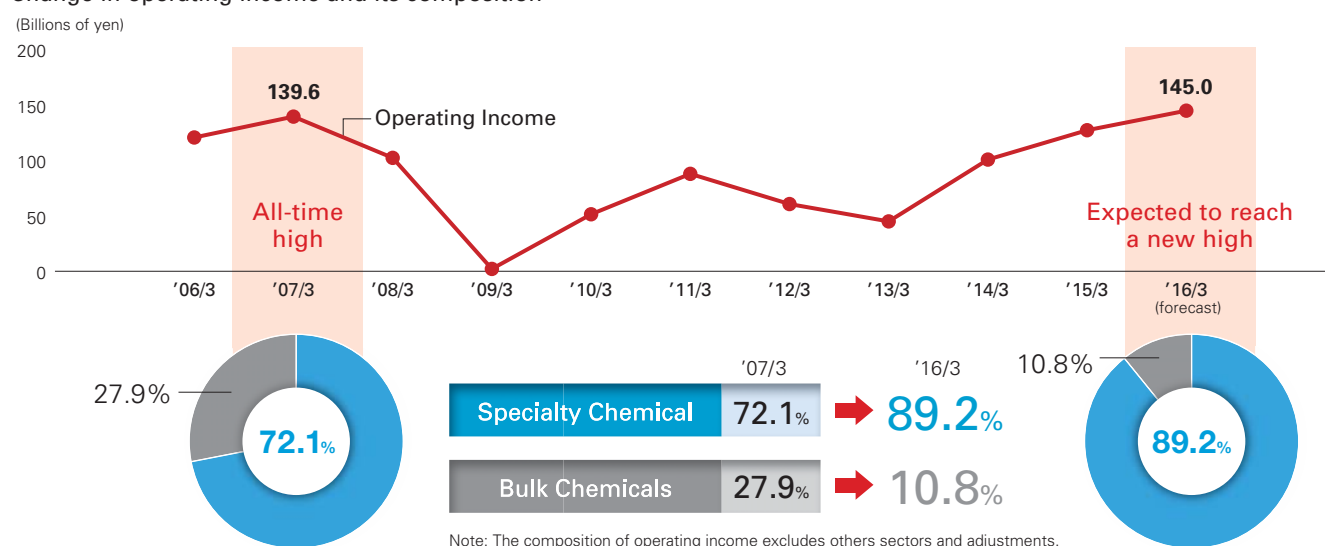
We project free cash flow to remain at a high level, ¥150.0 billion, in fiscal 2015, and interest-bearing liabilities to decrease to around ¥850.0 billion at the end of the fiscal year. Contributing factors include strong business performance, reduction of work-

ing capital resulting from shortening the cash conversion cycle, and our continued efforts to rigorously select capital investment opportunities. The D/E ratio for fiscal 2015 is expected to decline to 0.73 times, coming close to the levels of fiscal 2005 and 2006, the lowest since the beginning of the 21st century. So, overall, I expect that we can achieve the goal of enhancing our financial strength, which is one of the priority management issues under the Corporate Business Plan.

Based on these business and financial projections, we are planning to increase our annual dividend by ¥3 per share, to a record-high ¥12 per share. Additionally, as we celebrate the 100th anniversary of the start of Sumitomo Chemical's operations this year, we are going to pay a commemorative dividend of ¥2 per share to express our appreciation to shareholders. As a result, the regular and commemorative dividends will total ¥14 per share, an increase of ¥5 from the previous year.

Change in Business Portfolio

Change in operating income and its composition



Major increase in profitability of specialty chemicals

Q3

You mentioned that fiscal 2015 is the 100th year since Sumitomo Chemical commenced operations. Could you share a brief overview of the Company's history and your thoughts about its future strategic direction?

A3

Sumitomo Chemical has been growing by bringing innovative products and technologies to the world and effectively meeting the needs of society as they evolve over time.

Going forward, we will continue to help solve a wide variety of challenges facing society through our business and by making full use of the power of chemistry, and will strive to achieve strong growth as a global company that is trusted by society.

Sumitomo Chemical was originally established as the Sumitomo Fertilizer Manufacturing Company to manufacture fertilizer by using the sulfur content extracted from copper ore, which was the cause of harmful sulfurous acid gas emitted from



the copper smelting process. To put it differently, Sumitomo Chemical got its start with the aim of overcoming the environmental problem of air pollution and promoting the development of agriculture through the supply of fertilizer. The Company began operations in 1915 and subsequently continued to grow by meeting the needs of society through its operations, while also expanding the scope of its business.

In 1944, Sumitomo Chemical acquired Japan Dyestuff Manufacturing Company and entered the business of fine chemicals, including synthetic dyes, additives, and pharmaceuticals. The Company then entered the agricultural chemicals and household insecticides business in the early 1950s and the petrochemicals business in the late 1950s. While actively developing new businesses by capitalizing on superior technological capabilities, since the 1970s Sumitomo Chemical has also focused on expanding business overseas, particularly in Singapore and the Asian region, North America and Europe. In the 21st century, we established the IT-related Chemicals Sector in 2001 to expand business and strengthen technological development in the ICT area. Meanwhile, we have also directed our resources to advancing the Rabigh Project in Saudi Arabia and expanding our life science business.

Today, the Sumitomo Chemical Group has grown to generate more than ¥2 trillion in annual revenues. We have also made progress in globalizing our operations. Overseas sales account for more than 60% of total sales, 40% of our manufacturing facilities are located abroad, and 40% of our employees are working outside Japan.

As for our future strategic direction, we will continue to focus on the three priority areas of Life Sciences, ICT, and Environment & Energy, where we expect high market growth and we believe we can contribute to resolving various problems facing society by drawing on our strengths. In these areas, we seek to identify businesses where Sumitomo Chemical could become a global leader, to invest resources at the right time and in the right way, and to develop these, as rapidly as possible, into new core businesses that drive the Company's continued growth.

"Our business must not only benefit our own interests but also society at large." This is the centerpiece of the Sumitomo family's business philosophy. While adhering to this philosophy, we are going to take on the challenge of business restructuring to meet the continually evolving needs of the times. And we are going to provide innovative solutions for society to achieve sustained strong growth over the next 100 years as a global company that is trusted by society.

Toward the Next 100 Years



Q4

As you try to meet the needs of society by providing innovative solutions through your business, specifically what issues are you going to address?

A4

We will work to develop solutions to the problems relating to food supply, healthcare, the Internet of Things (IoT), energy management, and global warming. In particular, we are going to focus on the development of new solutions in the fields where the domains of Life Sciences, ICT, and Environment & Energy overlap.

First, in the life sciences field, improvement of agricultural productivity will become an increasingly important issue, since the availability of arable land and the supply of fresh water are limited, while demand for food rises with population growth. Sumitomo Chemical offers a wide variety of solutions to agriculture-related issues, ranging from agricultural chemicals to microbial crop protection products, seed treatment technologies, and post-harvest treatment technologies. In addition, we are working on the development of crop stress management products that are aimed at improving crop yields by heightening the resistance of plants to environmental stresses, such as bad weather and drought.

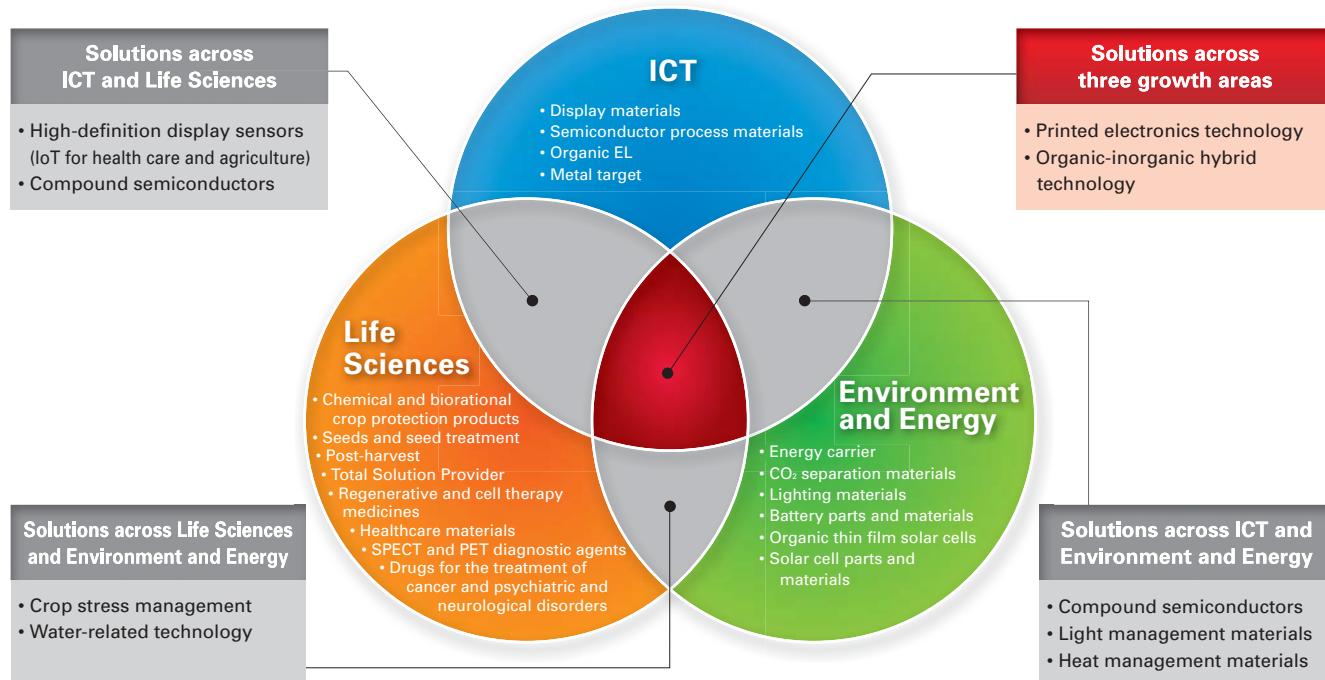
In healthcare, there are high expectations for the improvement of the quality of life by leveraging new medical technologies, such as preventive diagnosis, personalized medicine, and regenerative medicine. The Sumitomo Chemical Group provides a variety of diagnostic radiopharmaceuticals, including those for SPECT and PET imaging for the diagnosis of heart diseases, cerebrovascular diseases and cancer. And we are also focusing on the development of new drugs to address unmet medical needs in cancer, psychiatric and neurological disorders, and other fields. Moreover, the Group is engaged in the development of new drugs in the fields of regenerative medicine and cell therapy, where large market growth is expected.

In the ICT field, the IoT is expected to spread, driven by further advances in telecommunications and computer technologies. We at the Sumitomo Chemical Group provide a wide range of materials and components that support the development of the IoT, such as display materials, semiconductor processing materials, metallic targets, and compound semiconductors. We are also working on the development of materials and components used in flexible displays, as well as the development of printed electronics technologies that will enable low-cost production of organic EL displays and various sensors.

In the area of environment and energy, to bring about a sustainable society, there is a need for new products and processes that help reduce greenhouse gas emissions, as well as for new materials and technologies related to conservation, creation and storage of energy and energy management. In this field, the Sumitomo Chemical Group offers materials and components for batteries and photovoltaic cells, while we are also engaged in the development of materials for organic thin film solar cells and carbon dioxide gas separation.

We are going to work to develop innovative solutions by organically combining our superior technologies, particularly focusing on areas where the domains of Life Sciences, ICT, and Environment & Energy overlap.

Solutions In Three Growth Areas



Q5

The Stewardship Code and the Corporate Governance Code are drawing great attention. What measures has Sumitomo Chemical taken in terms of these codes? Also, there are increasing calls among investors for corporate executives to make sustainable growth a priority. What are the Company's medium- and long-term growth targets?

A5

Strengthening corporate governance is absolutely essential for a company to achieve continuous growth. Sumitomo Chemical will continue to be firmly committed to improving its corporate governance and to maintaining close dialogs with our shareholders and other stakeholders.

As for our medium- to long-term growth targets, we aim to constantly achieve an ROI of 7% or more and an ROE of 10% or more and to achieve profit growth of around 7% per year.

Japan's Stewardship Code and Corporate Governance Code were formulated based on the government's "Strategies for Reviving the Japanese Economy" and "Japan Revitalization Strategy, Revised 2014."

The Stewardship Code, which is designed as a code for institutional investors, calls for constructive dialogs aimed at promoting companies' sustainable growth. Sumitomo Chemical has maintained close dialogs with investors through general shareholders' meetings, earnings results meetings and conference calls, and other means of communication. We will continue these dialogs, taking every opportunity to share information and exchange opinions regarding the Company's management strategies, policies and other issues.

Regarding corporate governance, we have reformed our governance structure. Effective June 2015, two new independent directors joined the Company's Board of Directors, so that three of the 10 Board members are now independent directors. With this, out of 15 members of the Company's Board of Directors and Board of

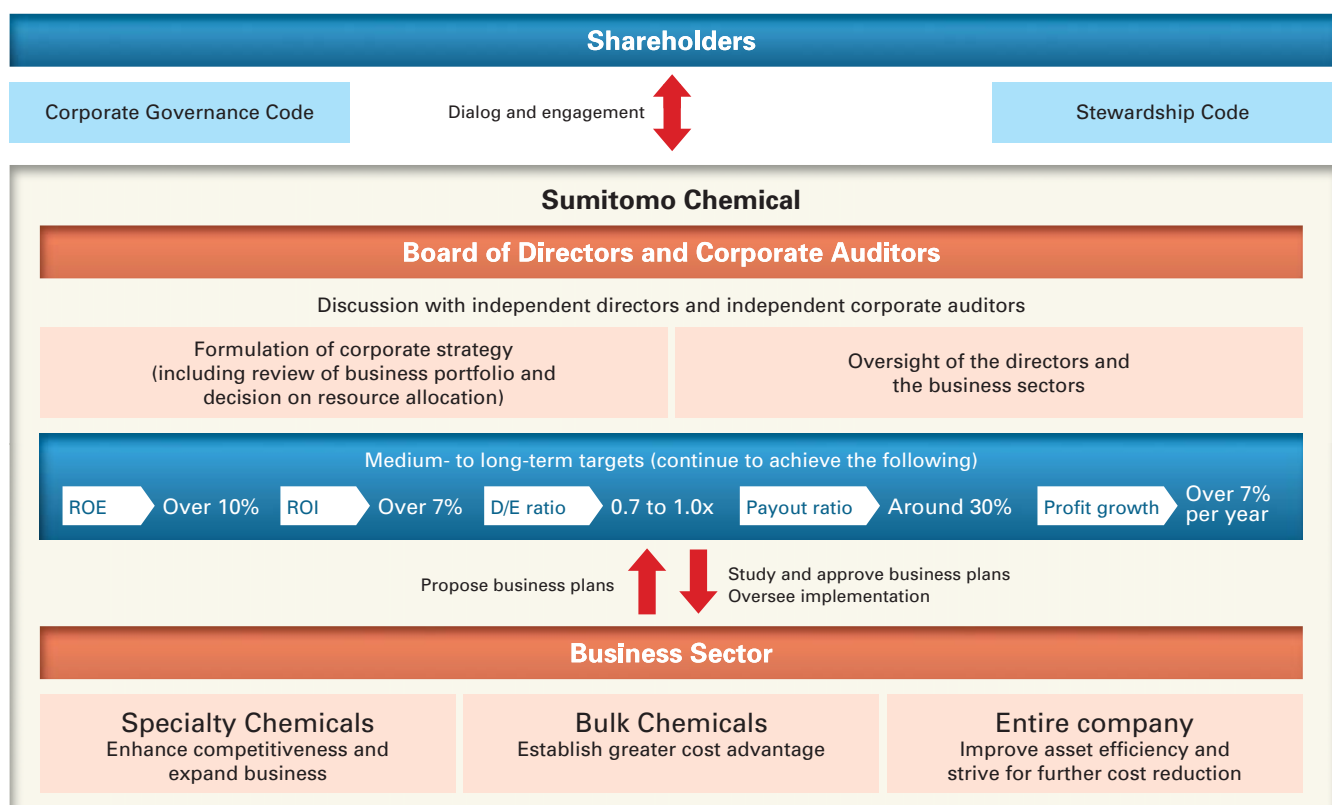


Auditors combined, six members are independent, including three independent auditors. These independent directors and auditors include corporate executives, a university professor, a certified public accountant and a legal expert, all of whom have been at the forefront of their respective fields. We aim to invigorate the Company's Board of Directors by drawing more on the extensive experience and broad knowledge of these independent directors. In addition to responding to changes in the law, we will always listen earnestly to the voice of

shareholders and other stakeholders and make ceaseless efforts toward building the optimal governance system.

As for our medium- to long-term growth targets, we aim to consistently achieve an ROI of 7% or more and an ROE of 10% or more, and we are working to improve our business portfolio to achieve these targets. Regarding shareholder returns, we target a payout ratio of around 30%, while we give due consideration to determine appropriate levels of reinvestment. To meet these targets, we aim to achieve profit growth of around 7% per year over the middle to long term. As a target for the improvement of our financial position, we aim to keep the D/E ratio between 0.7 and 1.0 times, ensuring we have sufficient reserves that allow us to deal with the risk, resulting from exchange rate fluctuations, of changes in the value of overseas assets expressed in yen and changes in equity capital, as well as to implement large-scale investments when appropriate and necessary.

Toward Sustained Growth



CHAPTER 2

OUR OPERATIONS

Sector Overview	24
Petrochemicals & Plastics	26
Energy & Functional Materials	28
IT-related Chemicals	30
Health & Crop Sciences	32
Pharmaceuticals	34
Research & Development	38
Intellectual Property	40

Business Sector Classification in this chapter

As of April 1, 2015, the Basic Chemicals Sector was eliminated and businesses in this sector were split up and transferred to the Petrochemicals & Plastics Sector and the Energy & Functional Materials Sector which was established as a new business sector. In addition, a part of businesses in the Petrochemicals & Plastics Sector was transferred to the Energy & Functional Materials Sector.

The presentations in this chapter (pages 23-40) assume the division into sectors following the changes on April 1, 2015 to aid in understanding of business strategy under the new sectors. For reference, the fiscal 2014 results for profit and loss items are therefore given as adjusted comparable figures according to the new sectors.

Sector Overview

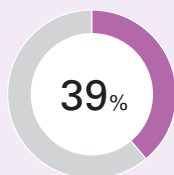
(FY2014)

Petrochemicals & Plastics

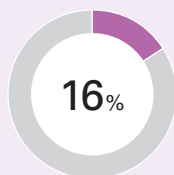


▶ P26

Composition of Sales



Composition of Operating Income



Major Products

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

Sales

¥932.3 billion

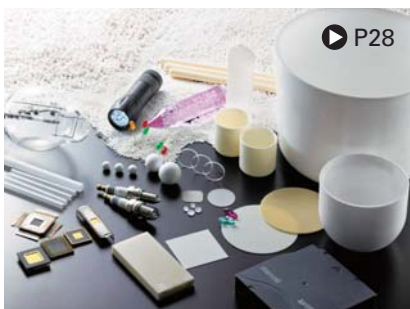
Operating Income

¥20.8 billion

Operating Margin

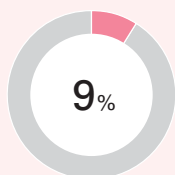
2.2%

Energy & Functional Materials

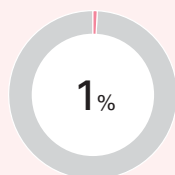


▶ P28

Composition of Sales



Composition of Operating Income



Major Products

- Aluminum hydroxide
- Alumina
- Ethylene-propylene rubber
- High-purity aluminum
- Resorcinol
- Aluminum
- Polymer additives
- High-purity alumina
- Organic rubber chemicals
- Dyestuffs
- Ethylene-vinyl acetate copolymer emulsions

Sales

¥202.8 billion

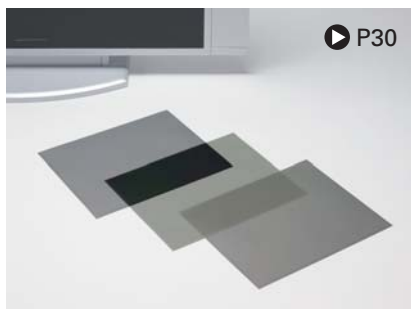
Operating Income

¥0.8 billion

Operating Margin

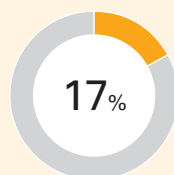
0.4%

IT-related Chemicals

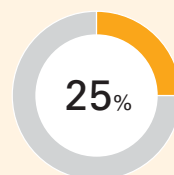


▶ P30

Composition of Sales



Composition of Operating Income



Major Products

- Polarizing films
- Color filters
- Color resists
- Light-guide plates
- Photoresists
- Touchscreen panels
- High-purity chemicals
- Sputtering targets
- Super engineering plastics
- MOEPI wafers
- Heat-resistant separators

Sales

¥405.1 billion

Operating Income

¥32.4 billion

Operating Margin

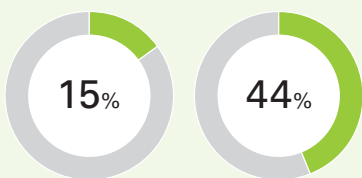
8.0%

Health & Crop Sciences



P32

Composition of Sales Composition of Operating Income



Major Products

- Crop protection products (insecticides, fungicides, herbicides and biorational crop enhancement products)
- Fertilizers
- Household insecticides
- Public hygiene insecticides
- Products for controlling tropical infectious diseases
- Animal health products
- Feed additives
- Active pharmaceutical ingredients
- Pharmaceutical intermediates

Sales

¥345.4 billion

Operating Income

¥56.1 billion

Operating Margin

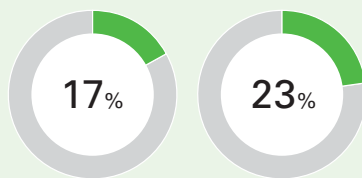
16.2%

Pharmaceuticals



P34

Composition of Sales Composition of Operating Income



Major Products

- Ethical pharmaceuticals
- Radiopharmaceuticals
- RI therapy products

Sales

¥403.6 billion

Operating Income

¥29.0 billion

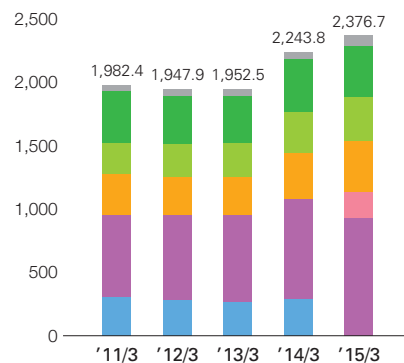
Operating Margin

7.2%

Sales by Business Sector

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

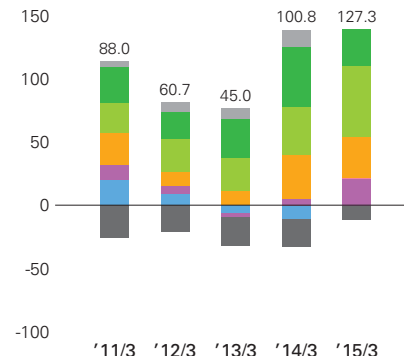
(Billions of yen)



Operating Income by Business Sector

- Basic Chemicals
- Petrochemicals & Plastics
- Energy & Functional Materials
- 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.

As of April 1, 2015, the Basic Chemicals Sector was eliminated and businesses in this sector were split and transferred to the Petrochemicals & Plastics Sector and Energy Functional Materials Sector which was established as a new business sector. In addition, a part of businesses in the Petrochemicals & Plastics Sector was transferred to the Energy & Functional Materials Sector. Inorganic chemicals, raw materials for synthetic fibers, organic chemicals, and methyl methacrylate that had been included in the Basic Chemicals Sector were transferred to the Petrochemicals & Plastics Sector. Alumina products, aluminum, functional materials, additives, and dyes, which had also been included in the Basic Chemicals Sector, were transferred to the Energy & Functional Materials Sector. In addition, synthetic rubber that had been included in the Petrochemicals & Plastics Sector was transferred to the Energy & Functional Materials Sector. The business sector categorization of one of consolidated subsidiaries has been changed.

*Business Sector Classification in this chapter
The presentations in this chapter (pages 23-40) assume the division into sectors following the changes on April 1, 2015 to aid in understanding of business strategy under the new sectors. For reference, the fiscal 2014 results for profit and loss items are therefore given as adjusted comparable according to the new sectors.

Petrochemicals & Plastics



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

Fiscal 2014 Results

Net Sales	Operating Income
¥932.3 billion	¥20.8 billion

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



Singapore Petrochemical Complex



Methyl methacrylate products



Polyethylene products

Q1 Please tell us about the strengths and characteristics of the Petrochemicals & Plastics Sector.

A1 The distinctive characteristic of Sumitomo Chemical is that the Company has manufacturing bases in Saudi Arabia, Singapore and Japan, and is developing the petrochemicals & plastics business globally.

The base in Saudi Arabia has the strength of being able to procure low-priced raw materials and fuels, and produces highly cost-competitive petrochemicals & plastics products. The base in Singapore has the strengths of superior customer assets cultivated over long years of operations and the Group's brand appeal, and provides high value-added products sought by customers in the Asian region. The Japanese base, while providing high quality prod-

ucts for domestic customers, is also the development base for new manufacturing processes and high value added products as the mother factory and mother laboratory for the global petrochemicals & plastics business.

I think our Company's unique feature is that we can make the best use of the respective strengths of the three bases to offer products with functions that customers want.

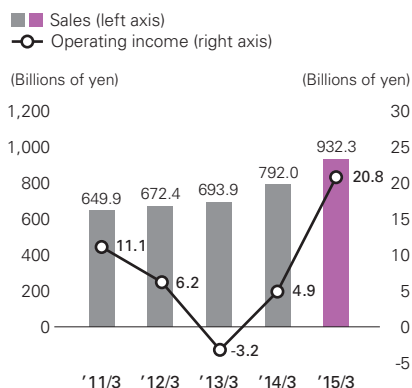
Q2 What is the future business strategy?

A2 Under the three-year Corporate Business Plan, launched in fiscal 2013 we are improving the business structure, withdrawing from unprofitable businesses with high export ratios, and revising our production structure. This May we closed the ethylene plant and the propylene oxide and styrene monomer joint production plant

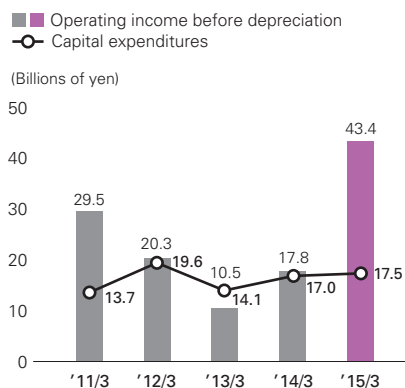
at the Chiba Works. That reduced the Company's domestic ethylene production capacity to about two-thirds of the prior level, in line with domestic demand. In Saudi Arabia, we are advancing the Rabigh Phase II Project, and the plant is now being constructed toward launching operations in 2016. I would say we are also in line to achieve our goals with improving the business structure of the petrochemicals & plastics business within the term of the Corporate Business Plan, which ends in fiscal 2015.

We will now be working toward boosting the profitability of the petrochemicals & plastics business under the new production structure. To achieve this, we will advance product development in areas where we can differentiate our products with higher added value, while pursuing cost advantages from the procurement of low-priced raw materials and the revision of manufacturing processes.

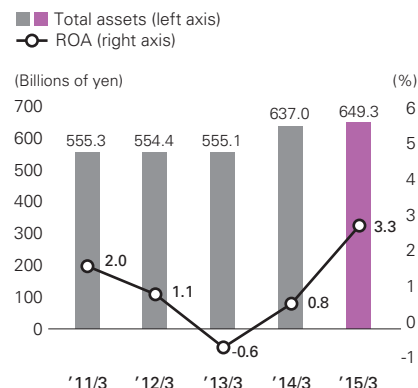
Sales & Operating Income (Loss)



Operating Income before Depreciation & Capital Expenditures



Total Assets & ROA



Polyolefin Business (Polyethylene and Polypropylene)

Global PE demand is estimated at 85 million tons per year, and is expected to grow at an annual rate of 3%. Global PP demand is estimated at 58 million tons per year, and is expected to grow at an annual rate of 5%. We operate PE and PP manufacturing facilities in Japan, Singapore and Saudi Arabia with a combined production capacity of 1.51 million tons per year for PE and 1.68 million tons per year for PP. With the aim of further enhancing the profitability of our PE business, we are stepping up marketing efforts for ethylene vinyl acetate copolymer as an encapsulating material for photovoltaic cells, which are expected to achieve high growth. We are also actively working to expand our low-density polyethylene business in the area of high value-added applications, such as waterproof laminates for paper. As for PP, we are redoubling our efforts to strengthen our high value-added PP business globally, for products such as PP compounds for use in automotive components, high-quality film materials for electronics components, and film materials for food packaging.

MMA Business

MMA polymer, which offers outstanding transparency and weather resis-

tance, is an excellent material for a broad range of uses, such as in lightguide plates for LED televisions and other optical components, as well as automotive applications, showcases, and outdoor signboards. With the economic expansion in Asian countries, particularly China and India, demand in Asia for MMA polymer is estimated at 700,000 to 800,000 tons per year, and is expected to grow at an annual rate of 3 to 4%.

As Asia's major MMA producer, we continue to enhance the competitiveness of our entire MMA product chain,

from monomer and polymer to finished sheets. 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.

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. Another advantage is the highly cost-competitive ethane as a primary feedstock.

Petro Rabigh signed project financing agreements with a syndicate of banks for the Rabigh Phase II Project in March 2015. Production facilities of the project are now under construction with commencement of operations expected in 2016. The Rabigh II Project will use 400,000 tons per year of ethane and 2.9 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.

Energy & Functional Materials



Toshihisa Deguchi
Energy & Functional Materials Sector,
Representative Director & Senior Managing Executive Officer

Fiscal 2014 Results

Net Sales **Operating Income**
¥202.8 billion **¥0.8 billion**

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



High-Purity alumina products



DPF for diesel engine passengers vehicles



Resorcinol

Q1 What were your aims in creating the Energy & Functional Materials Sector?

A1 Having determined that there was strong growth potential in the three areas of environment and energy, ICT, and life sciences, we are aiming to expand our business in these three areas.

Of these three areas, to accelerate the development of business in the environment and energy field, we established the Energy & Functional Materials Sector on April 1, 2015, by consolidating related business in the Basic Chemicals Sector and the Petrochemicals & Plastics Sector.

The nature of business differs between bulk chemicals and specialty chemicals; also different are the business strategies and management necessary for establishing a competitive

edge and leading to success of the business. By making clear our customer-oriented mindset, and by creating markets ourselves based on new technology, we intend to accelerate the development of the environment and energy field.

Q2 What do you see as your strengths and advantages in the Energy & Functional Materials Sector, and what will your business strategies be?

A2 We see as strengths in the Energy & Functional Materials Sector our having several products with high market share and products with unique features in the environment field which has strong growth prospects.

We have top shares on the global mar-

ket in high-purity alumina used in LED sapphire substrates, and in resorcinol used as a tire bonding agent. In the area of DPF while we were late to the market, our original structure and manufacturing method enable us to make products featuring high filtering capacity at low cost. An advantage of our S-SBR, rubber used in energy-efficient tires, is a proprietary manufacturing method that lets us provide customers with order-made products with quality matched to the demanded characteristics.

Our strategy will be to make these products, which have comparative advantages and unique features in the environment field, even more competitive so as to expand our business, while working to develop businesses in the energy field based on the next corporate business plan that starts in fiscal 2016.

Fiscal 2014 Results

Operating Income Ratio

0.4 %

Depreciation and Amortization

¥12.4 billion

Operating Income before Depreciation

¥13.2 billion

Capital Expenditures

¥8.0 billion

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, lithium-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 2014. Amid rapidly growing demand for batteries for hybrid cars and electric vehicles, we started operations of a plant in South Korea in 2014 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 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. A European automaker has already decided to adopt our aluminum titanate DPF and we will start supplying the DPFs in autumn 2015.

Resorcinol Business

Resorcinol is primarily used as a raw material for adhesives for bonding tire rubber with reinforcing material and for wood used in construction applications. Worldwide demand for resorcinol in 2014 was estimated at 60,000 tons, and is anticipated to grow by an average of 2% annually over the long term because of an expected increase in demand for automobiles in emerging markets, particularly in Asia.

As the world's top manufacturer of resorcinol, we have an annual production capacity of 30,000 tons and supply highly cost-competitive resorcinol by taking advantage of our outstanding manufacturing technology and production capacity. We are working to expand our resorcinol business and further improve profitability by strengthening sales activities in Asia.

Advanced Polymers Business

We manufacture and sell advanced polymer products such as S-SBR for high-performance, fuel-efficient tires and ethylene-propylene rubber, a synthetic rubber mainly used for automo-

tive parts.

The market of S-SBR is seeing a rapid demand growth amid increasingly tightening regulations worldwide on automobile fuel consumption. As the demand for S-SBR is expected to continue growing in the medium to long term, we built an S-SBR manufacturing plant in Singapore in 2014 because of various advantages the country offers, including its geographical proximity to the vigorously growing Asian market, and availability of a stable supply source for the raw material butadiene as well as benefits from tie-ups with existing businesses of the Sumitomo Chemical Group in the region. Sumitomo Chemical's S-SBR is manufactured by the company's proprietary production process technology and advanced polymer modification technology that is a key to achieving higher product performance. The S-SBR has won high praise from customers in the tire manufacturing industries both in Japan and overseas for being a highly fuel-efficient tire material with outstanding abrasion resistance. We will continue to expand our S-SBR business globally with the existing 10,000 tons per annum plant in Japan and the 40,000 tons per annum plant in Singapore for which future expansions are now under consideration.

IT-related Chemicals



Fiscal 2014 Results

Net Sales

¥405.1 billion

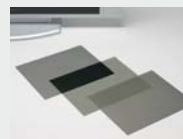
Operating Income

¥32.4 billion

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



Polarizing film plant



Polarizing films



Super engineering plastics

Q1 Please tell us about the strengths and characteristics of the IT-related Chemicals Sector.

A1 I think our strengths come from our "market-in" supply chain approach of incorporating market needs into products in a timely manner, and from the materials development capabilities which the Company has fostered as a diversified chemical company.

Technological innovations are still advancing at a rapid pace in fields such as displays and semiconductors, with new products appearing one after another. For that reason, the speed at which we can develop and provide the products required by our customers, such as display and semiconductor manufacturers, determines the success or failure of a parts and materials manufacturer like our Company. Sumitomo Chemical has worked to construct a

"market-in" supply chain by locating production bases nearby the manufacturing plants of our customers, building up good relations, grasping customer needs quickly, and using this to develop and supply products. We have many production bases in Japan and elsewhere in the East Asian region, and are striving at each location to grasp customer needs and develop products.

We are also focusing on the development of new IT-related materials, making use of the materials development capabilities that the Company has fostered over many years as a diversified chemical company.

Q2 What is the future business strategy?

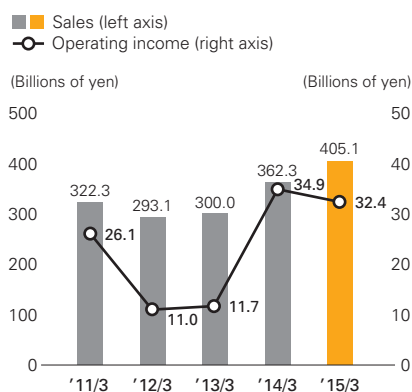
A2 We are working to expand our polarizing film and touch sensor business for smart phones, for which the demand continues to expand.

Display manufacturers are advancing the development of flexible displays that will be thinner, lighter, harder to break, and can be folded. At Sumitomo Chemical, we are making use of our materials development capabilities as a diversified chemical company and of the processing technologies we have developed in the display materials business, to provide new types of polarizing films, touch screen panels, and films to substitute for glass. This will contribute towards the implementation of flexible displays.

In addition, along with the spread of the IoT (Internet of Things), I expect the areas where solutions are provided by the Company, such as polymer OLED and printed electronics, will expand.

We are also working to sequentially increase production capacity and expand business in separators for lithium ion secondary batteries for use in electric vehicles, the demand for which is rapidly increasing.

Sales & Operating Income



LCD-related Materials Business

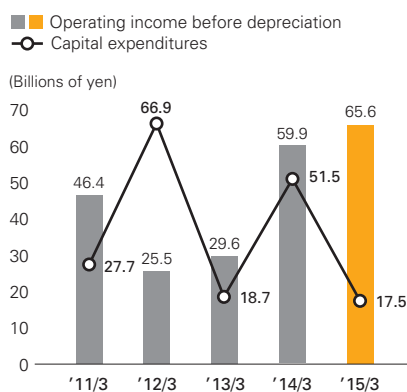
Our polarizing film business is the mainstay of the Sector's core LCD-related materials business. According to DisplaySearch, worldwide demand for LCD panels for televisions is expected to grow to 250 million units in 2015. According to IDC, worldwide demand for smartphones is expected to rise to 1.4 billion units in 2015.

As screen sizes of LCD televisions and smartphones are becoming larger, demand for polarizing film is expected to grow at a pace exceeding growth in sales unit of televisions and smartphones.

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

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

Operating Income before Depreciation & Capital Expenditures



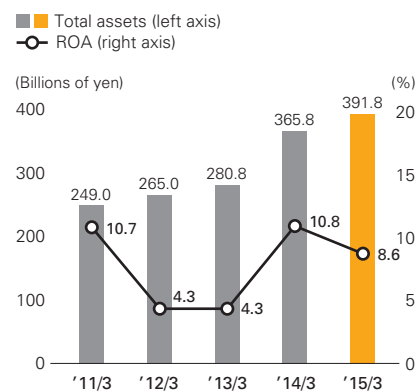
Touchscreen Panels Business

Touchscreen panels are input devices used in smartphones, tablet PCs, and other products. We began production of touchscreen panels for OLED displays in the first half of 2012 by utilizing our accumulated technology for the production of color filters. We approximately tripled production capacity from the initial production level. We also launched volume production of film touchscreen panels in fiscal 2015.

In addition to conventional glass-type touchscreen panels, we have been developing film-type touchscreen panels. We began commercial production of film-type touchscreen panels for use in curved edge AMOLED displays in fiscal 2014.

We will continue to focus on the development of new products that meet customer needs to expand our touchscreen panels business.

Total Assets & ROA



Battery Materials Business

In our lithium-ion secondary battery materials business, we are selling heat-resistant separators and are also developing cathode materials. Amid growing demand for lithium-ion secondary batteries with higher capacity, our heat-resistant separators are highly valued by battery manufacturers for their high heat resistance, reliability and safety, and are used in a wide range of applications. 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 at the Ohe Works in Niihama, Ehime Prefecture, and will build a new plant in South Korea.

We are also accelerating the development of low-resistance, high-capacity cathode materials targeting automotive applications.

Health & Crop Sciences



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

Fiscal 2014 Results

Net Sales **¥345.4** billion Operating Income **¥56.1** billion

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



Strawberry cultivation in Sumika Farm



Olyset™ Net



DL-methionine and methionine hydroxy analog

Q1 Please tell us about the strengths and characteristics of the Health & Crop Sciences Sector.

A1 I think our Company's strengths lie in our crop protection products research and development abilities, our sales of unique agricultural materials, and our global sales network.

Sumitomo Chemical has research and development bases for crop protection products in Japan, the US and France. To continuously release new crop protection products, we create candidate compounds for next-generation crop protection products in Japan, and then develop and register the products in each country. We presently have several major candidate compounds in the pipeline being developed toward market release around 2020. Another strength is that we have good access to sales channels in the major countries worldwide for global sales of the crop protection products we

develop in this way.

One more distinctive feature is that the Company is developing businesses in unique areas as a world leader, such as the biorational business including biorational crop protection products and biorational crop enhancement products, the post-harvest business which contributes to maintaining the quality of crops after harvest, and the seeds and seed processing business.

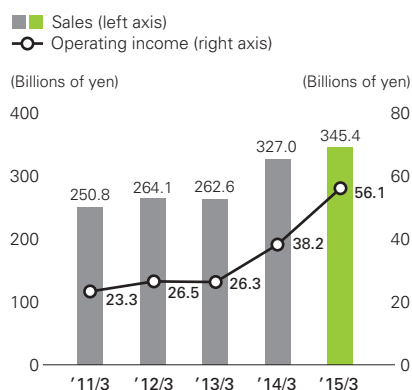
Q2 What is the future business strategy?

A2 In recent years we have been expanding our crop protection products business overseas by forming alliance with leading manufacturers, starting with Nufarm and including Monsanto. In the biorational area, we began operating a new plant for active ingredients of biorational crop protection products, acquired a mycorrhizal fungi business, and continue to increase the product portfolio.

The demand for food is expected to

increase along with the continued rise in global population, but there are limits to the supply of arable land and fresh water. Increasing agricultural productivity will be essential for resolving the food issue. Sumitomo Chemical is working to develop crop stress management products which have the effect of boosting crop yields by increasing plant resistance to environmental stress from low and high temperatures and drought, in addition to our existing crop protection products which are effective against disease and insect stress. Moreover, the Company is developing our business as a total solutions provider which contributes to boosting agricultural productivity, comprehensively providing diverse products and services related to agriculture, not just crop protection products. Our rice business which we acquired in Japan last year has started from Japan, and we are considering development in Asia and Africa in the future. We intend to contribute to resolving the food issue by providing the agricultural solutions which we have cultivated.

Sales & Operating Income

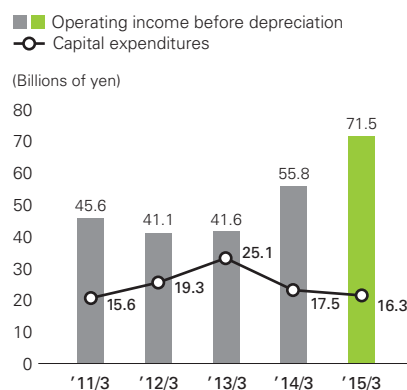


Crop Protection Business

In our crop protection and fertilizer business in Japan, we are aiming to increase our market share and broaden the scope of our business by developing attractive new products in-house, in-licensing new products, and pursuing partnerships. We also offer a comprehensive support for farmers' operations, from production to sale, by providing a wide range of agriculture-related supplies, technologies and know-how. We recently started the rice business to produce and sell rice.

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 24 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. Moreover, a new plant began operations in the United States in July 2014 to produce active ingredients for biorational crop protection products,

Operating Income before Depreciation & Capital Expenditures



which are derived from natural sources and are expected to grow in demand. In March 2015, we acquired a company engaged in the microorganism-based crop enhancement products business using mycorrhizal fungi. We aim to expand our crop protection business by developing synergies between agricultural chemicals and biorational crop protection products such as microbial pesticides in which we are leading the world.

Environmental Health Business

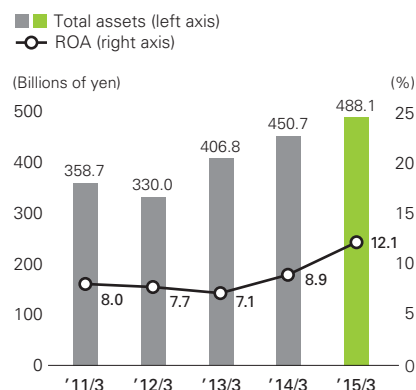
Our environmental health business contributes to safe and comfortable living environments through its worldwide businesses in household and public hygiene insecticides, products for controlling tropical infectious diseases, and ectoparasiticides on animals.

For infectious disease control, we sell long-lasting insecticidal mosquito net, Olyset™ Net, to help reduce the risk of malaria and other tropical infectious diseases carried by mosquitoes in Africa and other regions.

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

Total Assets & ROA



and other poultry farming. Methionine market is estimated at one million tons annually, and is expected to grow at an annual rate of about 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 Japan'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 oligonucleotide APIs for drug development. Nucleic acid medicines are next-generation pharmaceuticals, utilizing functions of oligonucleotides which act on genes and proteins that cause disease. We aim to further expand the size of our business by entering the contract manufacturing market for oligonucleotide APIs for pharmaceutical companies at home and abroad.

Pharmaceuticals



Fiscal 2014 Results

Net Sales

¥403.6 billion

Operating Income

¥29.0 billion

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

Sumitomo Dainippon Pharma

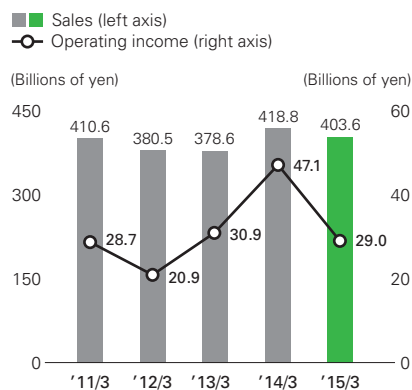
Under its five-year medium-term business plan starting in fiscal 2013, Sumitomo Dainippon Pharma Co., Ltd. is working to realize its vision of "Aspire to be a globally active R&D based company" and "Contribute to medical care through leading-edge technologies." Driven by new drugs, Sumitomo Dainippon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

Sales of LATUDA® have been growing steadily in North America. The company aims to increase sales of LATUDA® to one billion dollars in fiscal 2015 by effectively utilizing sales resources. In the development of new drugs, Sumitomo Dainippon Pharma is actively investing research and development resources to develop innovative new drugs in the areas of psychiatry & neurology and oncology, where patients' needs are largely unmet. The company also aims to develop business with its world-class leading-edge medical technologies in the field intractable diseases for which there are presently no drugs available and the new areas of regenerative medicine and cell therapy, by taking various approaches such as in-house development, licensing-in of technologies, and joint research with venture companies and academia.

Sumitomo Dainippon Pharma is also developing anticancer drugs BBI608 and BBI503, which were added to the company's pipeline by the 2012 acquisition of Boston Biomedical, Inc. Commercialization of BBI608 is expected in fiscal 2017 and BBI503 in fiscal 2018. BBI608 and BBI503 are targeting cancer stem cell pathways. They may provide a new therapeutic option against cancer challenges such as treatment resistance, recurrence and metastasis. In fiscal 2014, Sumitomo Dainippon Pharma expanded the scope of clinical development of these drugs to cover a wider range of cancers, while accelerating the development of the drugs for early commercialization. In addition, the company plans to launch SUN-101, a drug for chronic obstructive pulmonary disease (COPD), and SEP-225289, a drug for attention deficit

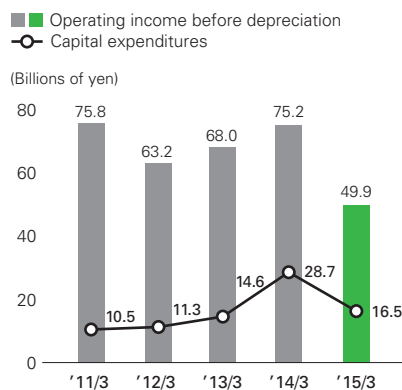
Sales & Operating Income



hyperactivity disorder (ADHD) and other drugs, from fiscal 2017 to fiscal 2018. These drugs are expected to generate large sales.

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. Sumitomo Dainippon Pharma is working with SanBio, Inc. to develop a cell therapy drug for chronic stroke in the United States and Canada. The company is also working with the Riken research institute and Healios K.K. on joint development of a cell therapy drug for age-related macular degeneration. Sumitomo Dainippon Pharma aims to obtain approval for these cell therapy drugs in 2020. The company is also working with universities and research institutes to develop cell therapy drugs for Parkinson's disease, retinitis pigmentosa, and spinal cord injury. The enforcement of the Pharmaceutical Affairs Law in 2014 creates a business environment in Japan that allows regenerative medicine products to be approved for the first time in the world. Sumitomo Dainippon Pharma is taking on the challenge of developing drugs in these new areas where Japan can lead the world and contribute greatly to addressing unmet medical needs.

Operating Income before Depreciation & Capital Expenditures



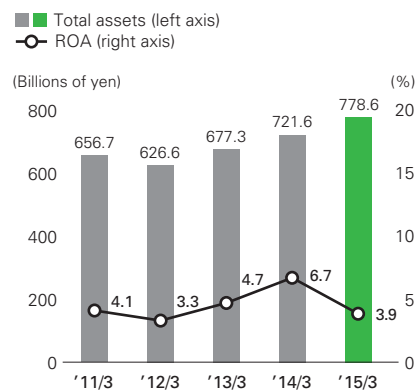
Nihon Medi-Physics

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. NMP built a new production base in Gunma Prefecture in 2014 to ensure a prompt and stable supply of FDGscan Injectable that uses a radioisotope (^{18}F) with a very short half-life of about two hours.

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.

For PET procedures, NMP is also developing a diagnostic agent for beta-amyloid imaging, which is considered useful in the detection of Alzheimer's disease, and a new diagnostic agent for

Total Assets & ROA



tumors. NMP aims to firmly establish itself as a leading company in the field of nuclear medicine by making PET procedures available for diagnosis of a wider range of diseases.

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	Proposed Indications	Development Location	Development Stage			
				Phase I	Phase II	Phase III	Submitted

Oncology Area

BB1608	TBD	Colorectal cancer (Monotherapy) (Global clinical trial)	U.S. / Canada / Japan, etc.	Accrual of new patients has been stopped			
		Gastric and Gastro-esophageal junction adenocarcinoma (Combination therapy) (Global clinical trial)	U.S. / Canada / Japan, etc.				
		Colorectal cancer (Combination therapy)	U.S. / Canada				
		Solid tumors (Ovarian cancer, Breast cancer, Non-small cell lung cancer, Melanoma, etc.) (Combination therapy)	U.S. / Canada	*1			
		Solid tumors (Combination therapy)*3, Hematologic malignancies (Monotherapy / Combination therapy)	U.S. / Canada				
		Solid tumors (Combination therapy)*4	Japan				
BB1503	TBD	Solid tumors (Colorectal cancer, Head and Neck cancer, Ovarian cancer, etc.) (Monotherapy)	U.S. / Canada	*1			
		Solid tumors (Renal cell carcinoma, Urothelial carcinoma, Hepatocellular carcinoma, Cholangiocarcinoma, etc.) (Monotherapy)	Canada				
		Ovarian Cancer (Monotherapy)	U.S.				
		Hepatocellular carcinoma (Combination therapy)	U.S.	*2			
		Solid tumors (Monotherapy), Hepatocellular carcinoma (Combination therapy)	Japan				
BB1608+BB1503	—	Solid tumors (Combination therapy)	U.S.				
CALSED® (Brand name in Japan)	amrubicin hydrochloride	Small cell lung cancer	China				
WT4869	TBD	Myelodysplastic syndromes	Japan	*2			
		Solid tumors	Japan				
WT2725	TBD	Solid tumors, Hematologic malignancies	U.S.				
		Solid tumors	Japan				
DSP-7888	TBD	Myelodysplastic syndromes	Japan	*2			

Respiratory Area

SUN-101	glycopyrrolate bromide	Chronic obstructive pulmonary disease (COPD)	U.S.				
----------------	---------------------------	---	------	--	--	--	--

Other Areas

DSP-1747	obeticholic acid	Nonalcoholic steatohepatitis (NASH)	Japan				
DSP-6952	TBD	IBS with constipation, Chronic idiopathic constipation	Japan				

*1 Phase II of Phase I/II study

*2 Phase I of Phase I/II study

*3 A number of tumor type-specific studies (Gastrointestinal cancer, Hepatocellular carcinoma, Glioblastoma, Pancreatic cancer)

*4 A number of tumor type-specific studies (Malignant pleural mesothelioma, Hepatocellular carcinoma)

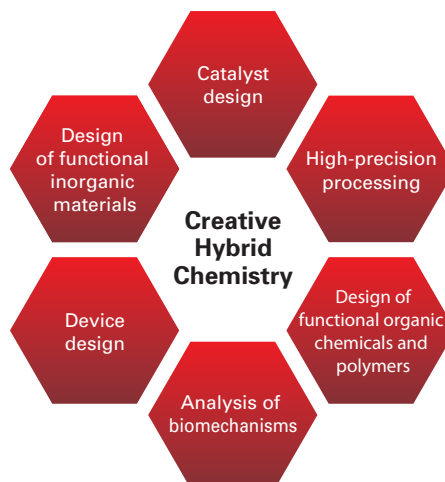
Research & Development

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, design of functional inorganic materials, device design, and analysis of biomechanisms. 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 environmental forecasts, Sumitomo Chemical anticipates growth in the three fields of environment & energy, ICT, and life sciences. We will develop next-generation businesses by focusing R&D and other management resources on these

Six Core Technologies



three fields. In the environment & energy area our diesel particulate filters have been adopted by an automaker, and in the ICT area we launched mass production of film type touch sensors, which are a key component for flexible displays. In this way, the Company is steadily advancing the development of next-generation businesses.

Next-Generation Businesses

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 Next-generation secondary batteries
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 Regenerative medicine ✓ Safety evaluation and drug discovery using ES and iPS cells 	<ul style="list-style-type: none"> Cell therapy

✓ Commercialized/ready to be commercialized

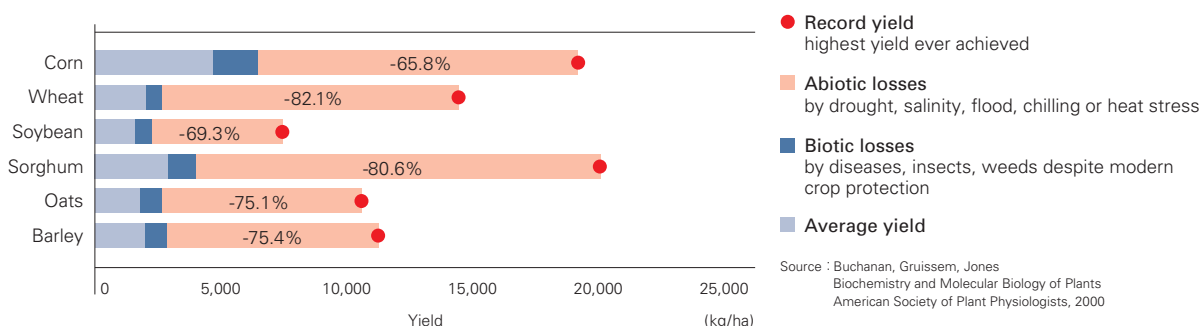
Crop Stress Management

According to United Nations estimates, the world population is projected to increase from 6.9 billion people in 2010 to 9.6 billion in 2050. The demand for food is expected to increase along with population growth, so expanding food supply is becoming an urgent issue. There are limits, however, to expanding agricultural production including the limits on the supply of water and arable land. The average yield of corn has declined to less than one-fourth of the past record high as a result of various types of stress. Harvests per hectare could significantly increase if the effects of stress on crops were reduced, allowing crops to realize their maximum

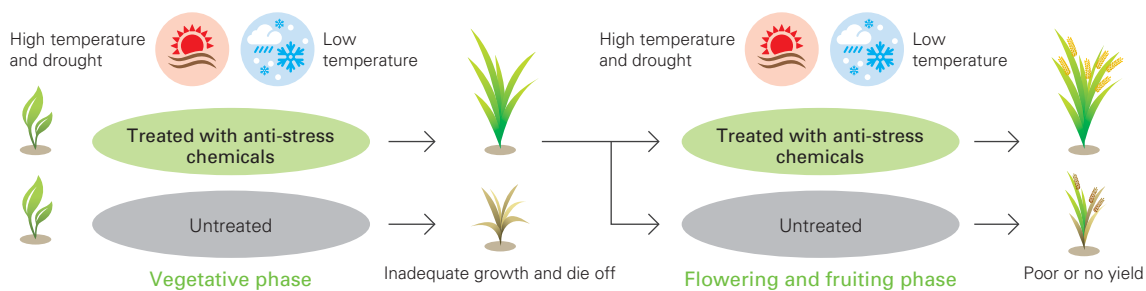
potential.

The stress that affects agricultural crops can be broadly divided into “biotic stress” such as harmful diseases, insects and weeds and “abiotic stress” such as heat, droughts and chilling stress. Existing crop protection chemicals such as fungicides, insecticides and herbicides are already highly effective at mitigating biotic stress, and constitute a huge market. As global environmental problems become more severe, abiotic stress will have an impact on crop yields and quality equivalent or greater to that from biotic stress. While the market for responding to abiotic stress is just being formed, it is a field that is expected to grow from now on.

Crop Yield Loss from Abiotic Stress



Crop Stress Management with Chemicals



The biorational crop enhancement products “RyzUp Smart Grass™” which our Company is marketing in the US increases plant resistance to abiotic stress by promoting the growth of corn and accelerating ear development, contributing to increased yields. Sumitomo Chemical also acquired a microorganism-based crop enhancement products business which handles mycorrhizal fungal inoculum that contribute to the stable supply of crops under abiotic stress. Mycorrhizal fungi are one type of useful microorganism that live in the soil, promote the efficient absorption of moisture and nutrients in the soil by plants, and enable reductions in watering, fertilizer and their associated costs, and also reduce the discharge of phosphorous into the environment (especially the water system).

Agricultural companies worldwide are actively advancing the development of new crop varieties with resistance to abiotic stress through genetic modification. As methods of protecting crops from abiotic stress, Sumitomo Chemical is focusing on research and development to provide resistance to abiotic stress through chemicals and biotic materials, and thus contributing to the increase of food supply.



Corn from a field where RyzUp™ was used.



Corn from a field where RyzUp™ was not used.

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 the results of research and technology development. It is also vital to promote the utilization of those rights, so that the fruits of research and technological development are 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, work toward their utilization, and conduct intellectual property activities that can broadly secure the freedom to operate our businesses.

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

Basic Policy on Intellectual Property Activities

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

Improvement of Patent Quality and Globalization of Intellectual Property Activities

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

To obtain high-quality patents that contribute to the creation and implementation of businesses, the Intellectual Property Department has set up Intellectual Property Strategy Managers (ISMs) who promote mutual collaboration between business sectors, research laboratories and the Intellectual Property Department. ISMs are working to apply for patents and build a strong and effective patent portfolio based on a business strategy.

Sumitomo Chemical is expanding its businesses worldwide and stepping up research and technology development activities at its overseas Group companies. We hold a Global Intellectual Property Meeting annually to share the aim and implementation of our global intellectual property strategy. We also hold intellectual property training sessions for managers engaged in research, technology development and intellectual property at our overseas Group companies to strengthen the base for conducting globally-standardized intellectual property activities.

Number of Domestic Patent Applications

Fiscal year	2010	2011	2012	2013	2014
No. of Domestic Patent Applications	2,283	2,309	1,373	794	828

CHAPTER 3

CSR & GOVERNANCE

Corporate Social Responsibility	42
Board of Directors and Corporate Auditors	49
Corporate Governance	51
Business Risks	55
Compliance	58

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

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

A SRI Index in which Sumitomo Chemical is included.



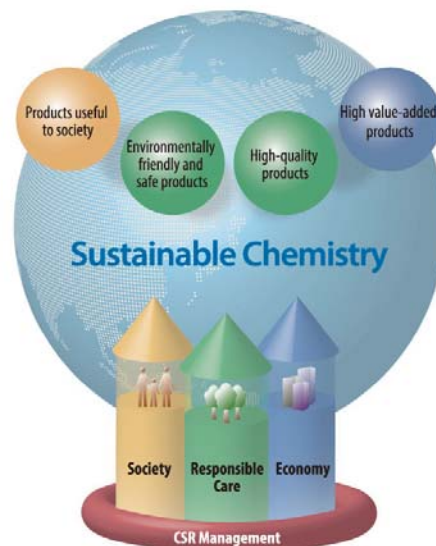
CSR Management

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

Sustainable Chemistry

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

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



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

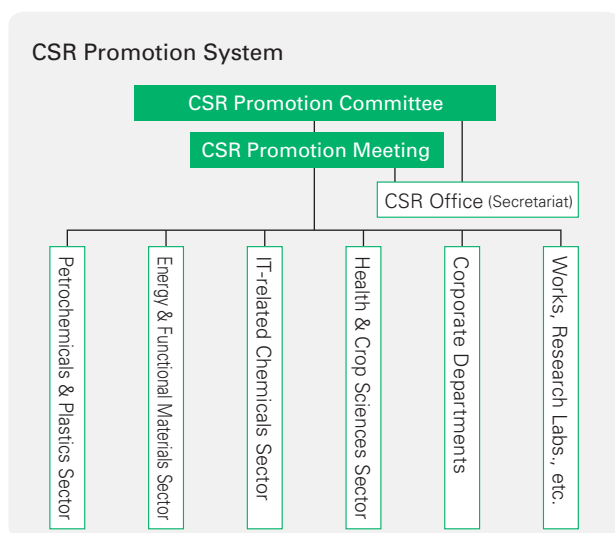
Responsible Care
(Safety, environment, product quality)
Eliminating accidents and disasters, protecting the environment by most effectively using natural resources and energy, producing safe products, and protecting the health of customers and employees

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.



Contributions to Society

As a member of society, Sumitomo Chemical actively works to build up good relationships with local communities, international society, business partners, and employees.

Contributions to Local Communities

At each of the Sumitomo Chemical operating sites, the emphasis is on communication and on activities tailored to local needs. We try to let the community know what is happening in our company on an everyday basis. We also provide learning opportunities for the children who will make its future. Along with public relations aimed at helping people understand our corporate activities, we endeavor to build and maintain friendly relations with each community.

Examples of Actions

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

Contributions to International Society

We provide scholarships for students in other countries and

make other contributions to international society. One area of strong emphasis is our support for global education.

Initiatives in support of global education

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

In Japan and in China we offer "science experiment workshops" that let children experience the wonders and joy of chemistry.

In Africa we consider it important to create learning environments that will help toward realizing self-starting economic development. To that end, since 2005 we have been providing educational support mainly for elementary and junior high school construction. In the past ten years we have supported 18 projects in 11 African countries, benefiting a total of more than 10,000 people.

In East Timor, which is linguistically diverse due to its historical background, there is a need to raise the level of math education in particular. In February 2015, we supplied 300 first-year elementary school pupils with supplementary study materials for arithmetic, translated into the local Tetun language (provided by Gakken Educational Co., Ltd.), along with rucksacks for carrying textbooks and materials.

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



East Timor children receive study materials and rucksacks



Our CSR Report

Please see the CSR Report 2015 for details of Sumitomo Chemical's CSR efforts.

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

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 and promote the CSR activities implemented by our suppliers, while monitoring 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 dis-

cover 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 851 employees in fiscal 2013 and 797 employees in fiscal 2014.

(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 2015, a total of 73 employees were appointed as trainers and eight 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 87 young employees received the training in fiscal 2014.

(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. A total of 51 managers received the training in fiscal 2014.

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	2010	2011	2012	2013	2014
Paid holidays taken (%)	63.6	63.3	63.1	63.5	66.0

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 2014, the Company recruited 18 female employees. To further develop the potential of female employees, we promote the appointment of women to managerial positions in a systematic way by setting numerical targets for the ratio of female managers. We implement various action plans, such as a mentoring system, and training for female employees to become leaders where they learn an attitude and mindset as managers, how to build their career, and to gain leadership skills.

<Numerical Targets for the Ratio of Female Managers>

Sumitomo Chemical aims to increase the ratio of M1-grade female section chiefs or above to 10% or more from the current 4.1%*, and the ratio of M-grade female subsection chiefs to 15% or more from the current 12.6%* by 2020.

*As of March 31, 2015

(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 2014, the Company recruited 10 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 2014, 91 (86.7%) of 105 retirees were reemployed by the Company or its Group companies.

Number of Female Employees

Fiscal year	2010	2011	2012	2013	2014
Female employees recruited	23	76	71	64	18
Percentage of female employees among new employees (%)	8.6	17.3	17.0	22.9	15.7

Number of Female Managers

Fiscal year	2010	2011	2012	2013	2014
Number of female managers	153	161	174	191	205
Percentage of female managers among managers (%)	5.0	5.3	5.8	6.4	6.8

*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	2010	2011	2012	2013	2014
Number of non-Japanese employees recruited	19	28	41	27	10

Employment Rate of People with Disabilities

Fiscal year	2010	2011	2012	2013	2014
Employment rate (%)	1.96	1.87	1.93	2.12	2.26

*Annual average for each fiscal year

Reemployment of Retirees

Fiscal year	2010	2011	2012	2013	2014
Retirees	134	139	154	153	105
Reemployed	97	93	102	138	91
Reemployment rate (%)	72.4	66.9	66.2	90.2	86.7

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 nonmanagerial employees to enable them to increase their morale and motivation at work. The regular meetings were held twice in fiscal 2014.

Responsible Care Activities

We actively engage in Responsible Care activities that aim to ensure safety and health, protect the environment, and maintain quality throughout the entire life cycle of our products, and to earn the trust of society through dialog. In order to promote our Responsible Care activities comprehensively from a long-term perspective, we have established the Responsible Care Committee, chaired by the President and consisting of the Executive Officers in charge of our Business Sectors, Executive Officers in charge of our corporate departments, and the General Managers of our Works. These voluntary activities are carried out globally to include our Group companies both in Japan and overseas. We set targets for each of the areas of our Responsible Care activities such as occupational safety and health, industrial safety and disaster prevention, environmental protection, and chemical safety. In working to achieve these targets, we seek to gain the further trust of society.

Maintaining Safe and Stable Operations

Sumitomo Chemical has made “maintaining safe and stable operations” a priority management issue in its Corporate Business Plan, and is working to improve the 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 companies and on-the-job accidents and injuries at our company. To strengthen our safety assurance capabilities, we put priority on promoting risk assessment of out-of-the-ordinary conditions and risk assessment of abnormalities in safety

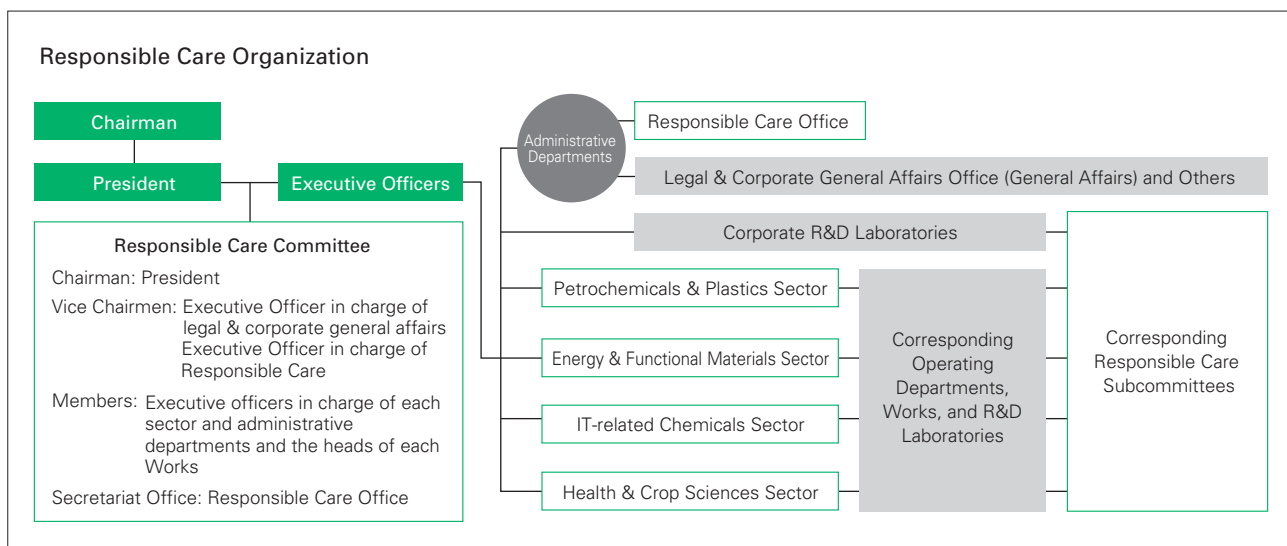
devices and developing more effective and efficient methods to conduct these risk assessments that have been performed since fiscal 2012. Another priority is further promoting voluntary measures against earthquakes to meet stricter earthquake-resistance requirements.

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 fiscal 2005 and 2014. 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

To achieve the 2020 target* proposed at the World Summit on Sustainable Development (WSSD) in 2002, Sumitomo Chemical is promoting its risk-based management of chemicals by both regulatory compliance and voluntary measures. As for regulatory compliance, Sumitomo Chemical acts proactively to fully meet domestic and overseas regulations that are being established, revised or tightened. 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. We are also introducing this system to Group companies to strengthen ties with them.

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

Product Responsibility Initiatives

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 our customers, we maintain our commitment to further improving product quality and are continually enhancing our quality assurance system.

Responsible Care Auditing Activities

We conduct Responsible Care audits for 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 not only in Japan but also in China and the United States. Through the meetings and newsletters, we 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 Third Consecutive Year

In October 2014, Sumitomo Chemical highly commended by CDP, an international nongovernmental organization, for its excellent approach to the disclosure of climate change information, and was featured in CDP's "Climate Disclosure Leadership Index".

This evaluation shows that Sumitomo Chemical has positively been making ensured disclosure of climate change information with high transparency and is capable of harnessing its expertise embodied in the information as it contributes to promoting initiatives toward building a low-carbon society.

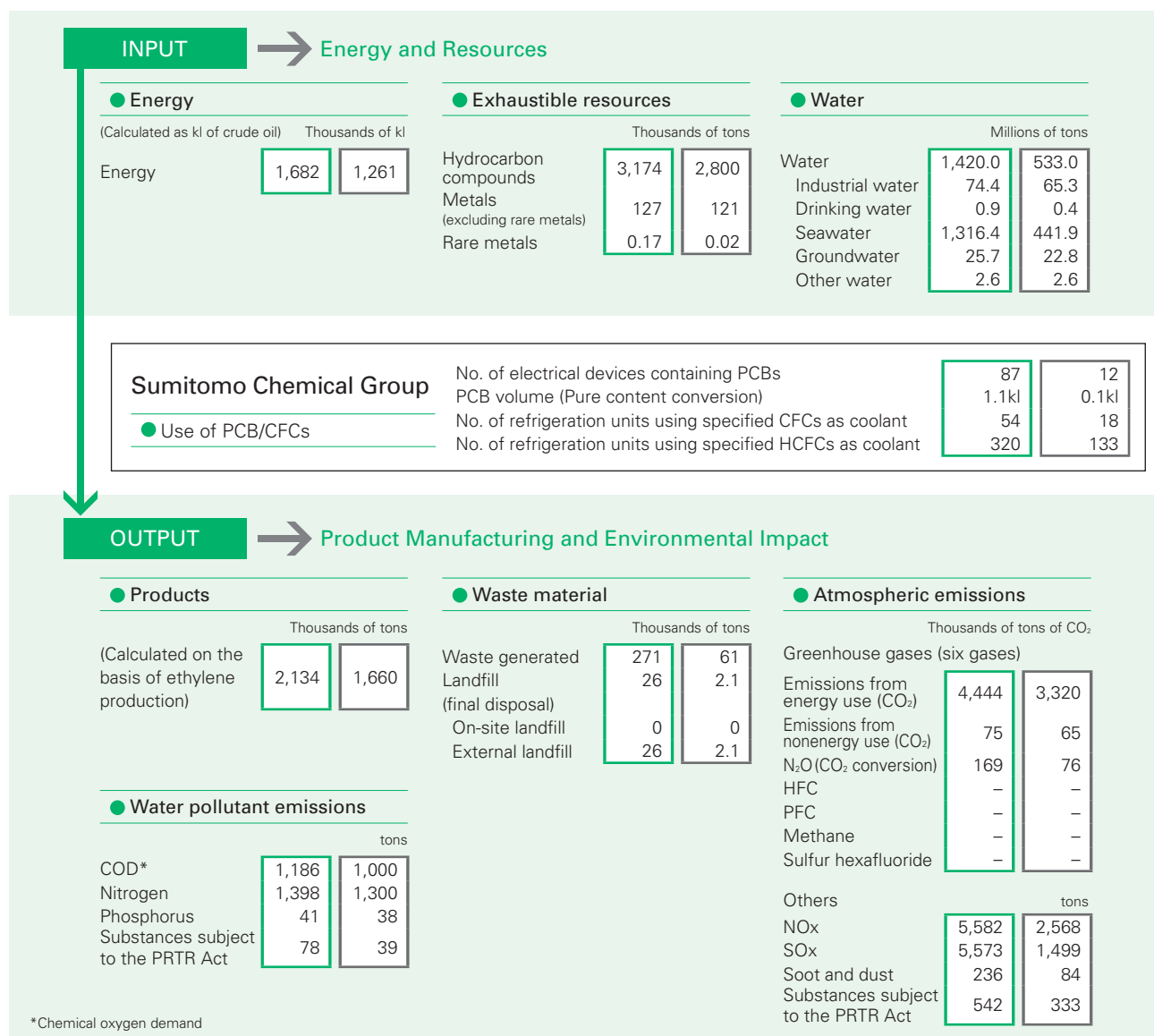
Every year, CDP sends a questionnaire on climate change initiatives to about 5,000 companies worldwide, including about 500 Japanese companies.

Based on analysis of the responses to the questionnaire, CDP selects companies that display a strong approach to climate change initiatives for listing in the Climate Disclosure Leadership Index.

Of the 500 Japanese companies surveyed, Sumitomo Chemical is the only one in the materials sector to have been selected for the Climate Disclosure Leadership Index for the third straight year.

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





*1 This grouping consists of the manufacturing facilities of Sumitomo Chemical and of the following domestic Group companies (See page 36 of the CSR Report 2015 for details of the data aggregation methodology).
 Dainippon Sumitomo Pharma Co., Ltd.; Koei Chemical Co., Ltd.; Taoka Chemical Co., Ltd.; Sumitomo Joint Electric Power Co., Ltd.; Sumika Color Co., Ltd.; Nihon Medi-Physics Co., Ltd.; Nippon A&L Inc.; Thermo Co., Ltd.; SanTerra Co., Ltd.; Sumika-Kakoushi Co., Ltd.; Asahi Chemical Co., Ltd.; Shinto Paint Co., Ltd.; Sumika Styron Polycarbonate Ltd.; Sumika Bayer Urethane Co., Ltd.; Nihon Oxirane Co., Ltd.; and Sumika Agrotech Co., Ltd.

Japan

	FY10	FY11	FY12	FY13	FY14	FY15 (Target)
Energy Consumption Rate Index (FY10=100)	100.0	99.3	99.8	97.4	95.4	95.0
Carbon Intensity Index (FY10=100)	100.0	98.1	99.3	99.6	97.6	95.0
PRTR Substances Released into the Air and Water (Tons)	854	715	694	587	620	709
Landfill Disposal Volume (Tons)	6,066	5,942	5,312	3,624	2,772	5,399

*Data reflect the total of Sumitomo Chemicals Co., Ltd. and 16 domestic group companies.

Overseas

	FY10	FY11	FY12	FY13	FY14	FY15 (Target)
Energy Consumption (Crude oil conversion, thousand kl)	440	430	434	411	446	-
Energy Efficiency Index (FY10=100)	100.0	100.5	93.9	92.8	85.5	92.3
CO ₂ Emissions (Thousand tons-CO ₂)	976	951	958	902	980	-
Carbon Intensity Index (FY10=100)	100.0	100.4	93.9	92.7	85.6	92.1
Water Usage (Thousand tons)	5,781	5,857	7,204	6,033	6,561	-
Unit Water Usage Rate Index (FY10=100)	100.0	101.9	110.9	92.5	84.7	88.5

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

Board of Directors and Corporate Auditors

(As of June 23, 2015)

Board of Directors



**Osamu
Ishitobi**

Chairman of the Board &
Executive Chairman

1969 Joined Sumitomo Chemical Co., Ltd.
1994 General Manager, Planning & Coordination Office, Petrochemicals & Plastics Sector
1998 Director
2002 Managing Director
2003 Managing Executive Officer
2005 Director & Senior Managing Executive Officer
2006 Representative Director & Senior Managing Executive Officer
2008 Representative Director & Executive Vice President
2012 Representative Director & Vice Chairman
2014- Chairman of the Board & Executive Chairman

2010- Director, AOC Holdings, Inc. (present Fuji Oil Company, Ltd.)



**Masakazu
Tokura**

Representative Director &
President

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



**Toshihisa
Deguchi**

Representative
Director & Senior
Managing Executive Officer

Energy & Functional Materials Sector,
IT-related Chemicals Sector, PLED Business Planning,
Electronic Devices Development Center

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



**Tomohisa
Ohno**

Representative
Director & Senior
Managing Executive
Officer

Rabigh Project, Petrochemicals &
Plastics Sector
1977 Joined Sumitomo Chemical Co., Ltd.
2006 General Manager, Polypropylene Division
2008 Executive Officer
2011 Managing Executive Officer
2012 Director & Managing Executive Officer
2014 Director & Senior Managing Executive Officer
2014- Representative Director & Senior Managing Executive Officer
2015- Director, Rabigh Refining & Petrochemical Company



**Yoshihiko
Okamoto**

Representative
Director & Senior
Managing Executive
Officer

Corporate Planning & Coordination,
China Business Office, Asia Business Office
1976 Joined Sumitomo Chemical Co., Ltd.
2004 General Manager, Crop Protection Division
2005 Executive Officer
2008 Managing Executive Officer
2013 Senior Managing Executive Officer
2013- Representative Director & Senior Managing Executive Officer



**Ray
Nishimoto**

Representative
Director & Senior
Managing Executive
Officer

Health & Crop Sciences Sector
1980 Joined Sumitomo Chemical Co., Ltd.
2006 General Manager, Planning & Coordination Office, Agricultural Chemicals Sector
2009 Executive Officer
2011 Managing Executive Officer
2013 Representative Director & Managing Executive Officer
2015- Representative Director & Senior Managing Executive Officer
2009- Chairman, Dalian Sumika Chemphy Chemical Co., Ltd.
2010- Chairman, Vector Health International Ltd.
2010- Chairman, Valent U.S.A. Corp. Chairman, Valent BioSciences Corp. Chairman, Dalian Sumika Jingang Chemicals Co., Ltd.



**Kunio
Nozaki**

Representative
Director & Senior
Managing Executive
Officer

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



**Kunio
Ito**

Director

Outside Director

1980 Lecturer in Hitotsubashi University's Department of Commerce and Management
1984 Associate Professor
1992 Professor
2002 Professor in Postgraduate School of Hitotsubashi University, Head of Department of Commerce and Management
2004 Associate Chancellor and Director, Hitotsubashi University
2005- Outside Director, Akebono Brake Industry Co., Ltd.
2006 Professor in Postgraduate School of Hitotsubashi University's Department of Commerce and Management
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.
2014- Outside Director of Toray Industries, Inc.
2015- Research Professor in Postgraduate School of Hitotsubashi University's Department of Commerce and Management



**Koichi
Ikeda**

Director

Outside Director

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



**Hiroshi
Tomono**

Director

Outside Director

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

- : present post

Corporate Auditors

Kenya Nagamatsu

Standing Corporate Auditor

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

Hiroaki Yoshida

Standing Corporate Auditor

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

Shinichi Yokoyama

Corporate Auditor

1966 Joined Sumitomo Life Insurance Company
2001 President and Chief Executive Officer, Sumitomo Life Insurance Company
2007 Chairman and Representative Director, Sumitomo Life Insurance Company
2008- Corporate Auditor, Shionogi & Co., Ltd.
2010- Corporate Auditor, Sumitomo Chemical Co., Ltd.
2014 Director, Senior Advisor to the Board, Sumitomo Life Insurance Company
2014- Audit & Supervisory, Rengo Co., Ltd.
2014- Honorary Advisor, Sumitomo Life Insurance Company

Mitsuhiro Aso

Corporate Auditor

1975 Prosecutor
2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office
2012 Retirement as Prosecutor
2012- Registration of Attorneys
2013- Corporate Auditor, Sumitomo Chemical Co., Ltd.
2014- Outside Director, USS Co., Ltd.
2015- Outside Director, Nojima Corporation

Yoshitaka Kato

Corporate Auditor

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

Executive Deputy Chairman

Yoshimasa Takao

Special mission

Managing Executive Officers

Hisashi Shimoda

Rabigh Project Office, Rabigh Project - Planning & Coordination Office

Shigeyuki Yoneda

Sumika Middle East Co., Ltd., Rabigh Project Office, Rabigh Project - Planning & Coordination Office

Hiroshi Ueda

Corporate Planning & Coordination Office (Business Development), Energy & Functional Materials Sector

Ikuzo Ogawa

Corporate Planning & Coordination Office (Technology, Research & Development), Intellectual Property Dept., Industrial Technology & 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, External Relations), CSR Office, Procurement Office, Logistics Dept., China Business Office, Asia Business Office

Hiroshi Niinuma

Legal & Corporate General Affairs Office (Legal, Compliance and General Affairs), Internal Control and Audit Dept., Human Resources Dept., Human Resources Development Dept.

Keiichi Iwata

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

Noriaki Takeshita

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

Hideaki Matsuura

Petrochemicals & Plastics Sector - Methacrylates Div., Ehime Works, Chiba Works, Petrochemicals Research Laboratory

Kazushi Tan

Process & Production Technology & Safety Planning Office, Production & Safety Fundamental Technology Center, Works (Safety & Environment & Health), Responsible Care Office, Energy & Climate Change Office

Satoshi Takazawa

Rabigh Refining & Petrochemical Company

Tadaki Matsuo

Ehime Works

Marc Vermeire

Sumitomo Chemical Europe S.A./N.V., Special mission related to the Corporate Planning & Coordination Office

Yasuhiko Kitaura

Rabigh Refining & Petrochemical Company

Executive Officers

Osamu Maruyama

Responsible Care Office, Energy & Climate Change Office

Sangyoon Kim

Dongwoo Fine-Chem Co., Ltd.

Takashi Shigemori

Rabigh Refining & Petrochemical Company

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, Optical Materials Div.

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.

Motoyuki Sakai

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

Hajime Tsukimori

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

Yoshiaki Oda

Corporate Planning & Coordination Office (Technology, Research & Development), Tsukuba Material Development Laboratory, Advanced Materials Research Laboratory

Nobuaki Mito

Corporate Planning & Coordination Office (Business Development), Intellectual Property Dept.

Basic Stance

Serving the interests of shareholders and other stakeholders under changing social and economic conditions is the very foundation of our corporate governance. In our efforts to further bolster our corporate governance, we will make continuous efforts to speed up important decision-making, appropriately supervise the execution of business duties, enhance and strengthen our compliance structure and internal control system, and actively pursue dialog and communication with stakeholders.

Corporate Governance Structure

(1) Bodies

The Board of Directors

Based on the law, the Articles of Incorporation, and the Board of Directors regulations, our Board of Directors decides important matters concerning the Company's management, including basic policies and strategies for management of the Sumitomo Chemical Group, and also oversees the execution of duties by each Director. The Articles of Incorporation stipulates that the number of Directors should be 15 persons or less, and the Board consists of 10 members, all Japanese males, including three outside directors. 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.







We appointed outside directors independent of our management in order to further strengthen oversight functions of the Board of Directors and to increase the transparency and objectivity of management.

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 execution 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. Standing Corporate Auditors and outside auditors attend meetings of the Board of Directors and the Board of Corporate Auditors. To conduct their audits, they also receive reports and explanations from executive departments, the Internal Control & Audit Department, and accounting auditors. In addition, Standing Corporate Auditors attend important meetings within the Company, such as the Internal Control Committee.

The results of the audits and the objective opinions from the outside auditors 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 with staff dedicated solely to providing assistance in auditing functions under the instructions of corporate auditors.

Title	Name	Reason for Appointment	Major Activities
Outside Director (Independent Director)	 Kunio Ito	The Company has elected Mr. Ito as an outside director, anticipating that he will oversee its management by utilizing his many years of ample expertise in accounting, business administration and other areas as a university professor as well as a wealth of experience as a corporate outside director of other companies.	Attended all 13 meetings of the Board of Directors held in fiscal 2014, contributing mainly from his specialist standpoint as a university professor with expertise in accounting, business administration and other areas.
	 Koichi Ikeda	The Company has elected Mr. Ikeda as an outside director, anticipating that he will oversee its management by utilizing a wealth of experience and extensive insight as a management executive of a major corporation.	As an outside auditor, he attended all 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held in fiscal 2014, contributing from his standpoint as an experienced management executive.
	 Hiroshi Tomono	The Company has elected Mr. Tomono as an outside director, anticipating that he will oversee its management by utilizing a wealth of experience and extensive insight as a management executive of a major corporation.	He was newly appointed outside director at the ordinary general meeting of shareholders in June 2015.
Outside Corporate Auditor (Independent Director)	 Shinichi Yokoyama	The Company has elected Mr. Yokoyama as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing a wealth of experience and extensive insight as a management executive of a business corporation.	Attended 12 out of 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held in fiscal 2014, contributing from his standpoint as an experienced management executive.
	 Mitsuhiro Aso	The Company has elected Mr. Aso as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing his many years of ample experience and expertise as a prosecutor and expertise as a lawyer.	Attended all 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held in fiscal 2014, contributing mainly from his specialist standpoint as a lawyer.
	 Yoshitaka Kato	The Company has elected Mr. Kato as an outside auditor, anticipating that he will perform audits from an objective viewpoint by utilizing his ample experience and expertise in finance and accounting as a certified public accountant.	He was newly appointed outside auditor at the ordinary general meeting of shareholders in June 2015.

(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 34 Executive Officers, with 7 acting in dual capacity as Directors. The Executive Officers are 32 Japanese and 2 non-Japanese, made up of 33 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 outside directors) and one Standing Corporate Auditor, and convenes twice a month as a rule.

Committees

The Company enhances its business activities and oversight functions by establishing internal meetings (committees) to deliberate on important matters concerning the management of the Company and the Group from broad and diverse viewpoints. Of these committees, the Internal Control Committee, the Compliance Committee 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.

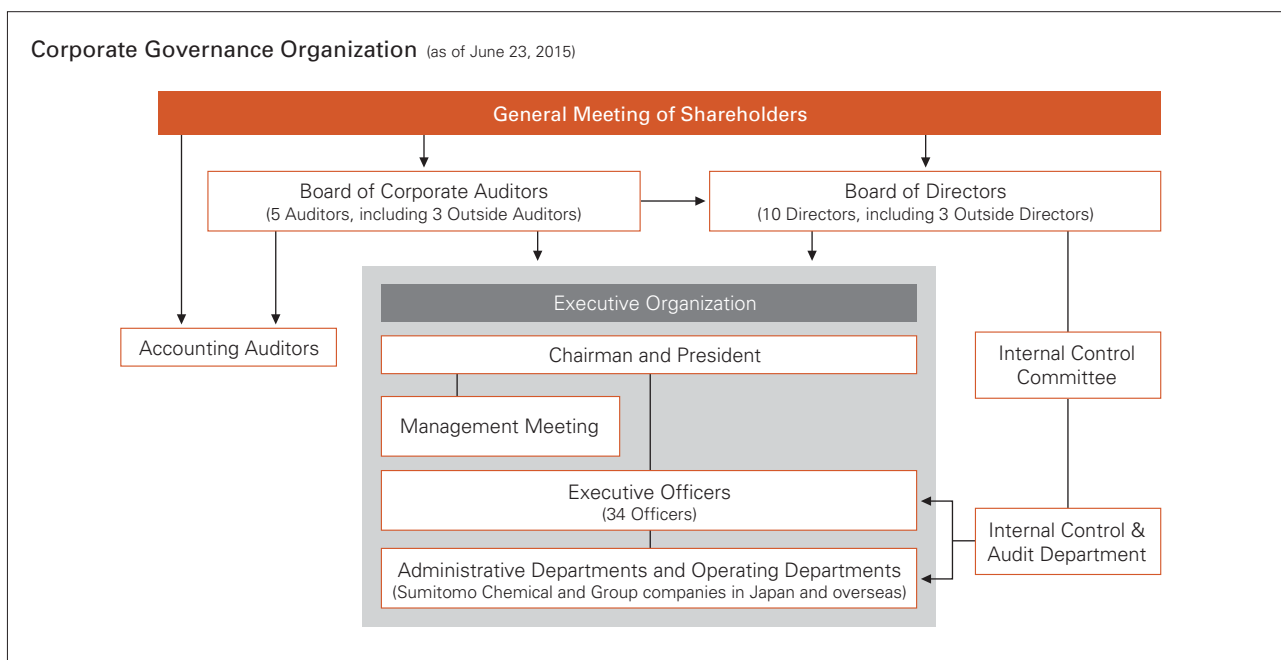
Internal Committees

Name	Purpose	Number of Meetings in Fiscal 2014
Internal Control Committee	Deliberate on measures to build and improve a proper internal control system	3
Risk Crisis Management Committee	Deliberate on company policy to deal with individual risks such as large-scale disasters, pandemics, and a decline in public security	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 (revised in March 2015) established by the Board of Directors, we have strengthened the internal control system to conduct appropriate business operations throughout the Sumitomo Chemical Group, and have also formed the Internal Control Committee (chaired by the President) to inspect and maintain the system in response to changing circumstances. This committee is organized by the Internal Control & Audit Department, which promotes and coordinates various measures for improving the internal control system and monitors their implementation.

(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 regularly holds meetings 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 website of Japan Exchange Group Inc.

(6) Risk Management

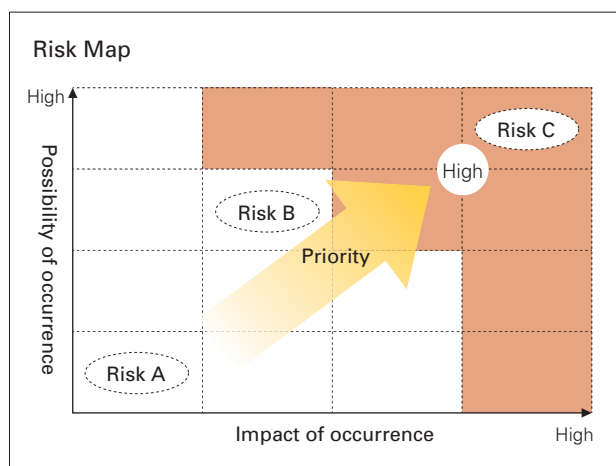
We seek to strengthen our risk management system to prevent materialization of risks that may hinder the achievement of business objectives as well as to mitigate damage on the occurrence of the risks.

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

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



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.

(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

In September 2007, the Company established the Compensation Advisory Group as the body that reports to the Chairman about policy and concrete plans concerning the officers' compensation scheme, compensation level and related treatment system. 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 in fiscal 2014

Title	Eligible Persons	Basic Compensation	Bonuses	Total
Directors (excluding Outside Directors)	9	¥541 million	¥138 million	¥679 million
Standing Corporate Auditors	2	¥78 million	—	¥78 million
Outside Directors and Corporate Auditors	4	¥52 million	¥3 million	¥55 million
Total	15	¥672 million	¥141 million	¥813 million

* The numbers of persons specified above include one director who retired in fiscal 2014.

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 fiscal 2014.

(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 60% 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, South 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 taxable income change, all or part of the deferred tax assets may be deemed unrecoverable, and this could have an adverse effect on the operational results and financial condition of the Companies.

(7) Liability for retirement benefits

The expenses and obligations with regard to retirement benefits

for employees of the Companies are calculated on actuarial assumptions such as expected rate of return on pension plan assets and discount rates.

However, in case a worse environment 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.

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

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

(b) Acquisitions and equity alliances

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

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

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

(c) Research & 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 the 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

Ensured Compliance Upholds Time-Honored History of Sumitomo Chemical Group

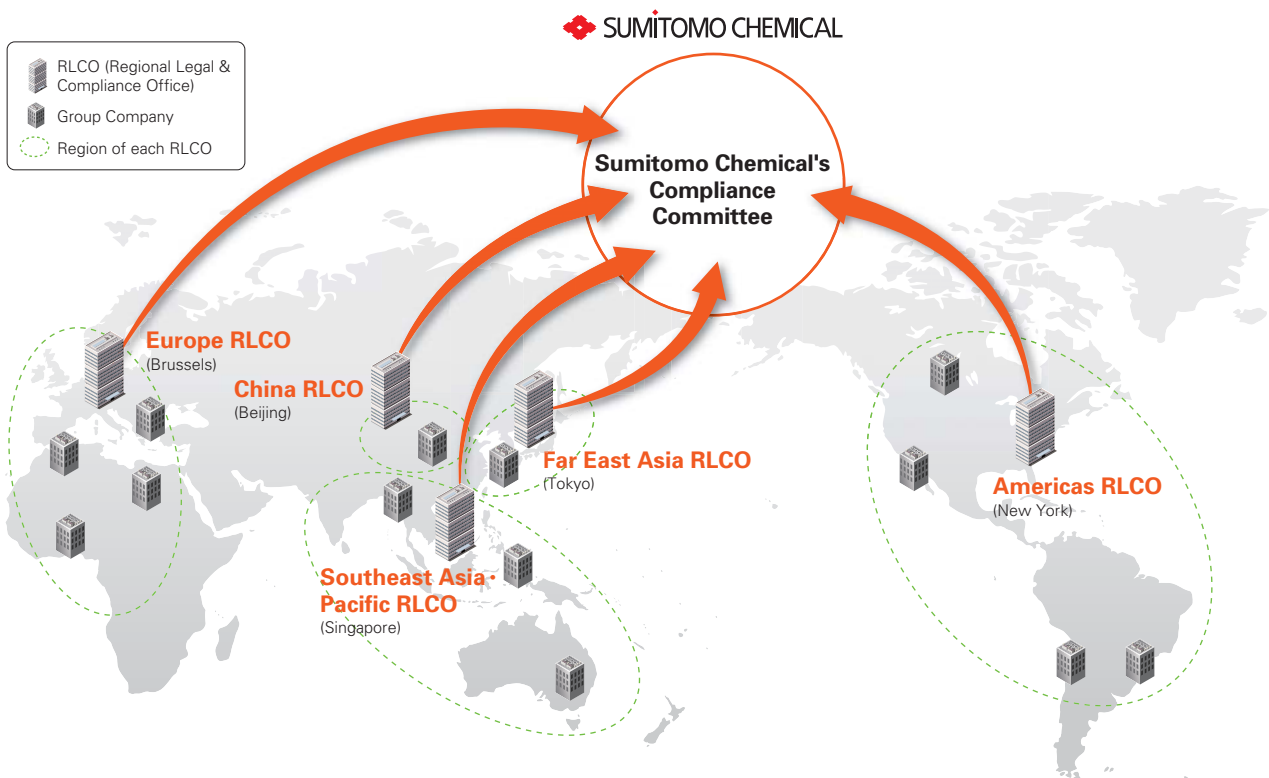
Sumitomo Chemical places “compliance” at the bedrock of corporate management. In every country throughout the world where we do business, we are devoting earnest efforts to the activities of ensuring full and strict compliance with not only laws and regulations, but also business ethics.

The spirit and letter of ensuring compliance in business has constantly been followed at Sumitomo Chemical from generation to generation over the past 100 years since its founding. This consistent attitude towards compliance is embodied in the “Sumitomo Chemical Charter for Business Conduct” as the guideline of conduct for every employee to abide by, and it is also regarded as the backbone of our compliance-oriented activities every day. As our business continues to globalize, ensuring compliance grows further in importance. Looking to the next 100 years, all companies of Sumitomo Chemical Group will work together to enhance activities towards full and strict compliance.

Sumitomo Chemical Charter for Business Conduct

1. We will respect Sumitomo’s business philosophy and act as highly esteemed good citizens.
2. We will observe laws and regulations, both at home and abroad, and will carry out activities in accordance with our corporate rules.
3. We will develop and supply useful and safe products and technologies that will contribute significantly to the progress of society.
4. We will engage in voluntary and active initiatives to achieve zero-accident and zero-injury operations and preserve the global environment.
5. We will conduct business transactions based on fair and free competition.
6. We will endeavor to make our workplaces sound and energetic.
7. Every one of us will strive to become a professional and achieve advanced skills and expertise in our field of responsibility.
8. We will actively communicate with our various stakeholders, including shareholders, customers, and local communities.
9. As a corporate member of an international society, we will respect the culture and customs of every region of the world and contribute to the development of those regions.
10. We will strive for the continued development of our Company through business activities conducted in accordance with the guiding principles described herein.

Compliance System



Compliance system fine-tuned to individual Group companies

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

As our business globalization advances, it becomes growingly vital that each company's compliance system be operated in a manner fine-tuned to a specific situation of the company as well as legal or other requirements of a country where it operates. For this reason, we have established a regional unit, called Regional Legal & Compliance Office ("RLCO"), in each of our major business Regions around the world. Under the guiding principle of "Think globally, Manage regionally, Act locally", the RLCOs are actively working with respective Group companies by supporting in the promotion of their compliance activities.

Success in ensuring compliance hinges crucially on each employee expending unwavering and determined efforts towards compliance, i.e. efforts of taking the initiative at their own workplace in realizing strict compliance. A beacon to guide such efforts is the "Sumitomo Chemical Charter for Business Conduct" and a "Code of Ethics" or its equivalent.

To ensure compliance in day-to-day business, each employee has to make an independent effort of gaining a correct and thorough understanding of such basic code of conduct. In addition, it is essential that the company provide education, such as trainings, to its employees to help them facilitate such understanding. This is true of all companies in the Group, and each company is, in fact, conducting repeated sessions of trainings or other educational initiatives on compliance for their employees.

Also important for ensured compliance is to prevent misconduct or detect any sign of possible misconduct in its early stage, and take appropriate measures against it. This consideration has led us to adopt a dual-channel Speak-Up System equipped with an internal Speak-Up hotline and an external Speak-Up hotline, both at Sumitomo Chemical and Group companies alike as far as relevant laws permit it. Under the System, an employee can report any violation or suspected violation of compliance to the company's compli-

ance committee or other organization of the same nature via either its internal hotline or an external hotline which is usually an outside lawyer designated by the company. The Compliance Committee of Sumitomo Chemical and equivalent organizations of Group companies receive approximately 40 cases of speak-up reporting every year.

RLCOs working closely with Group companies via hands-on support

For ensured compliance at each Group company, compliance initiatives have to be fine-tuned to the indigenous situation or requirements of the company or a country in which it conducts business. The RLCOs, being located within respective Regions, are capable of participating in such initiatives on-site, which makes their supportive activities more effective and meaningful for relevant Group companies in furthering their compliance initiatives.

On a day-to-day basis, each RLCO works closely with Group companies through close and direct dialog, grasping their needs, exploring tasks yet to be handled, and supporting in planning and implementing concrete measures to be taken as well as building and operating desired compliance systems in general. When a Group company has newly been established, a relevant RLCO holds discussions with the company to help them build a compliance system, including preparing and introducing a Code of Ethics, or setting up and operating a Speak-up System. The RLCOs thus have substantive involvement in the compliance initiatives of various Group companies, so that their versatile expertise gained through such activities can best be utilized when working with another Group company in such areas as providing compliance trainings tailored to a particular situation of each company, whether it be face-to-face sessions or E-learning.

Our recent efforts focus on strengthening activities for bribery prevention. The RLCOs involve themselves actively in not only building a concrete system for bribery prevention, but also operating the adopted system without fail to forestall any corrupt practices.

The RLCOs will play an even greater role in the future as Sumitomo Chemical Group enhances compliance activities further worldwide. They will work even more closely with Group companies, making their support more of something "tangible, practical and visible."

Looking forward

Companies of Sumitomo Chemical Group will continue to expand and strengthen their business operations in respective Regions of the world. Critical for such business development to be successful is ensuring compliance, not just for

selected companies, but throughout the Group. The Compliance Committee of Sumitomo Chemical, the RLCOs and all Group companies will work together so as to fulfil our corporate citizenship as a globally operating responsible enterprise.

Topics 1

A first Global Legal & Compliance Conference

On February 10 and 11, 2015, a first Global Legal & Compliance Conference was held at Sumitomo Chemical's Tokyo head office. It was attended by representatives of each RLCO (from People's Republic of China, Southeast Asia, Far East Asia, Europe and the Americas), along with legal and compliance staff members from some of the Group companies. During the two-day Conference, the participants shared overall plans for Group-wide compliance activities in the years

ahead, followed by discussions on the latest activities of each RLCO and actions plans for the immediate future in respective Regions. Among the issues on our common agenda were specific initiatives to deal with priority risks, such as complying with competition laws, preventing bribery and protecting trade secrets. In this connection, each RLCO reported its activities and identified tasks to be pursued further. Going forward, we intend to hold global gatherings, such as this Conference, on a regular basis to discuss compliance and legal matters.



Topics 2

An employees' compliance awareness survey focused on workplace atmosphere

Sumitomo Chemical and several Group companies conducted another survey on employees' awareness of compliance for fiscal 2014. In the belief that a key to ensured compliance could be found in employees' day-to-day attitude towards compliance at workplace, this year's survey contained more questions than before

geared to such points of view. Sumitomo Chemical will carefully look into the outcome of the survey and single out issues to be particularly addressed, both for Sumitomo Chemical and the surveyed Group companies. We will make the best use of our findings to improve our compliance trainings or other activities for employees to ensure compliance.

CHAPTER 4 FINANCIAL SECTION

Ten-Year Summary	62
Business Sector Highlights	64
Financial Review	66
Consolidated Financial Statements	72
Corporate and Investor Information	107

Business Sector Classification in this chapter

As of April 1, 2015, the Basic Chemicals Sector was eliminated and businesses in this sector were split up and transferred to the Petrochemicals & Plastics Sector and the Energy & Functional Materials Sector, which was established as a new business sector. In addition, some of the businesses in the Petrochemicals & Plastics Sector were transferred to the Energy & Functional Materials Sector. The presentations in this chapter (pages 61-106) assume the former business sectors that were effective until March 31, 2015.

Ten-Year Summary

	'06/3	'07/3	'08/3	'09/3	'10/3
Income statement					
Net sales	¥1,556.6	¥1,790.0	¥1,896.5	¥1,788.2	¥1,620.9
Net sales from overseas operations	611.0	747.8	788.8	749.8	728.9
Operating income	120.8	139.6	102.4	2.1	51.5
Net interest expenses	(2.2)	(3.9)	(2.8)	(2.7)	(5.0)
Equity in earnings (losses) of affiliates	26.8	23.6	11.2	(12.8)	(7.0)
Income (loss) before income taxes and minority interests	158.6	181.1	128.2	(48.7)	41.3
Net income (loss)	90.7	93.9	63.1	(59.2)	14.7
Capital expenditures	124.9	159.8	142.5	134.1	103.2
Depreciation and amortization expenses	104.9	113.9	125.0	140.7	116.1
Research and development expenses	91.9	97.7	105.4	131.1	117.3
Cash flows					
Cash flows from operating activities	122.8	142.9	156.6	78.4	132.9
Cash flows from investing activities	(180.7)	(164.2)	(182.7)	(206.2)	(269.4)
Free cash flows	(57.9)	(21.3)	(26.1)	(127.8)	(136.5)
Cash flows from financing activities	70.6	35.6	7.1	112.5	168.7
Balance sheet					
Current assets	946.6	995.9	1,003.2	838.1	1,013.5
Net property, plant and equipment	570.3	623.5	636.5	567.8	581.8
Investments and other assets	661.5	705.5	719.3	616.6	788.6
Total assets	2,178.4	2,324.9	2,358.9	2,022.6	2,383.9
Total shareholders' equity / Net assets*3	719.8	1,030.5	1,006.0	775.6	821.4
Interest-bearing liabilities	578.6	641.0	673.9	795.4	997.9
Others					
Number of employees	24,160	24,691	25,588	26,902	27,828
Number of consolidated subsidiaries	105	105	116	126	143
Number of shareholders	116,509	115,249	108,027	118,636	118,600
Per share data (Yen*1, US cents*2)					
Net income (loss)	54.80	56.82	38.20	(35.84)	8.92
Total shareholders' equity/Net assets*3	435.51	479.87	465.21	329.74	348.52
Cash dividends	10.00	12.00	12.00	9.00	6.00
Ratios					
Operating margin (%)	7.8	7.8	5.4	0.1	3.2
Asset turnover (times)*4	0.8	0.8	0.8	0.8	0.7
ROA (%)*5	6.3	6.2	4.4	0.1	2.3
ROE (%)*6	14.1	12.4	8.1	(9.0)	2.6
D/E ratio (times)	0.6	0.6	0.7	1.0	1.2
Shareholders' equity ratio (%)	33.0	34.1	32.6	26.9	24.1

*1 Unless otherwise specified.

*2 US dollar amounts are translated from yen, for reference only, at ¥120.17=US\$1.00, the prevailing rate on March 31, 2015.

*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 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.

	'11/3	'12/3	'13/3	'14/3	Billions of yen*1	Thousands of US dollars*2
					'15/3	'14/3 vs.'15/3
	¥1,982.4	¥1,947.9	¥1,952.5	¥2,243.8	¥2,376.7	+5.9% \$19,777,790
	1,056.7	1,009.0	1,043.8	1,292.9	1,428.4	+10.5 1,188,645
	88.0	60.7	45.0	100.8	127.3	+26.3 1,059,715
	(6.3)	(4.7)	(5.4)	(4.9)	0.7	— 5,476
	10.8	2.0	5.4	12.0	23.9	+99.0 199,143
	75.7	23.9	12.3	86.2	116.7	+35.4 971,141
	24.4	5.6	(51.1)	37.0	52.2	+41.1 434,318
	98.7	155.1	116.1	143.4	84.2	-41.3 700,258
	147.0	114.9	115.5	115.7	119.2	+3.0 991,737
	138.1	122.3	125.0	141.3	147.9	+4.7 1,230,915
	176.2	124.5	171.6	194.4	260.9	+34.2 2,170,708
	(156.0)	(124.0)	(165.8)	(135.2)	(56.6)	— (471,232)
	20.2	0.5	5.8	59.2	204.2	+245.1 1,699,476
	18.0	2.1	(36.0)	(59.1)	(151.5)	— (1,260,423)
	1,098.3	1,102.1	1,108.8	1,242.5	1,260.9	+1.5 10,492,685
	552.5	594.9	640.2	722.8	694.4	-3.9 5,778,772
	716.4	640.0	723.1	823.1	925.1	+12.4 7,697,886
	2,367.3	2,337.0	2,472.1	2,788.5	2,880.4	+3.3 23,969,343
	758.9	720.9	747.5	934.5	1,118.2	+19.7 9,305,284
	1,040.3	1,053.0	1,060.6	1,074.6	980.2	-8.8 8,156,554
	29,382	29,839	30,396	30,745	31,039	+1.0 —
	146	145	162	164	167	+1.8 —
	116,619	118,107	121,619	107,939	96,826	-10.3 —
					Yen*1	US cents*2
	14.86	3.42	(31.25)	22.62	31.93	+41.2 26.57
	319.61	297.45	303.74	393.58	484.17	+23.0 402.90
	9.00	9.00	6.00	9.00	9.00	0.0 7.49
	4.4	3.1	2.3	4.5	5.4	— —
	0.8	0.8	0.8	0.9	0.8	— —
	3.7	2.6	1.9	3.8	4.5	— —
	4.5	1.1	(10.4)	6.5	7.3	— —
	1.4	1.5	1.4	1.1	0.9	— —
	22.1	20.8	20.1	23.1	27.5	— —

*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

Business Sector Highlights

	'06/3	'07/3	'08/3	'09/3	'10/3**2	'11/3**3
Net sales						
Basic Chemicals	¥ 252.4	¥ 314.0	¥ 314.7	¥ 240.0	¥ 203.3	¥ 302.3
Petrochemicals & Plastics	486.1	539.1	603.3	553.0	481.5	649.9
Fine Chemicals	79.0	90.9	92.9	80.8	86.7	—
IT-related Chemicals	229.2	266.4	297.5	307.1	265.2	322.3
Health & Crop Sciences	186.2	198.3	200.4	222.2	211.5	250.8
Pharmaceuticals	233.1	234.5	237.6	235.6	267.5	410.6
Others	90.6	146.8	150.1	149.5	105.1	46.6
Total	1,556.6	1,790.0	1,896.5	1,788.2	1,620.9	1,982.4
Operating income (loss)						
Basic Chemicals	10.0	13.5	10.6	(15.3)	1.3	20.6
Petrochemicals & Plastics	17.9	23.6	4.5	(30.3)	(0.2)	11.1
Fine Chemicals	9.8	13.1	11.4	1.6	3.6	—
IT-related Chemicals	21.7	3.5	6.3	(1.0)	6.3	26.1
Health & Crop Sciences	16.6	23.3	20.9	24.4	29.3	23.3
Pharmaceuticals	38.3	56.2	46.5	32.4	29.9	28.7
Others	5.8	8.0	3.7	(7.9)	6.7	4.1
Elimination	0.7	(1.5)	(1.5)	(1.7)	(25.4)	(26.0)
Total	120.8	139.6	102.4	2.1	51.5	88.0
Capital expenditures						
Basic Chemicals	20.7	24.6	27.6	14.7	12.4	16.6
Petrochemicals & Plastics	16.1	16.9	21.2	17.6	14.4	13.7
Fine Chemicals	7.0	4.6	6.9	7.7	17.8	—
IT-related Chemicals	44.0	72.0	33.4	50.6	11.5	27.7
Health & Crop Sciences	8.8	10.1	8.5	11.3	23.2	15.6
Pharmaceuticals	10.6	12.5	18.3	12.7	7.8	10.5
Others	17.7	19.1	26.7	19.6	16.3	14.6
Total	124.9	159.8	142.5	134.1	103.2	98.7
Research and development expenses						
Basic Chemicals	5.3	5.7	6.1	6.4	3.5	5.1
Petrochemicals & Plastics	11.4	11.3	11.1	12.0	8.3	7.6
Fine Chemicals	4.4	4.2	4.1	4.2	4.2	—
IT-related Chemicals	12.8	12.6	13.7	21.2	11.0	11.6
Health & Crop Sciences	19.4	18.7	19.4	20.7	17.2	21.6
Pharmaceuticals	36.7	42.5	47.7	55.0	54.9	71.2
Others	1.9	2.6	3.3	11.6	18.1	21.1
Total	91.9	97.7	105.4	131.1	117.3	138.1

*1 US dollar amounts are translated from yen, for reference only, at ¥120.17 = US\$1.00, the prevailing rate on March 31, 2015.

*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.

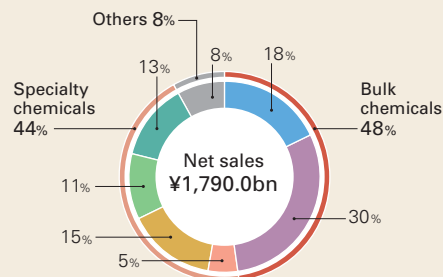
			Billions of yen	Thousands of US dollars*1	
	'12/3	'13/3	'14/3	'15/3	
	¥ 284.3	¥ 263.5	¥286.9	¥312.0	\$2,596,039
	672.4	693.9	792.0	806.2	6,708,422
	—	—	—	—	—
	293.1	300.0	362.3	405.1	3,371,274
	264.1	262.6	327.0	362.4	3,015,761
	380.5	378.6	418.8	403.6	3,358,259
	53.4	54.0	56.8	87.5	728,035
	1,947.9	1,952.5	2,243.8	2,376.7	19,777,790
	9.3	(6.4)	(10.9)	(0.4)	(3,270)
	6.2	(3.2)	4.9	21.2	176,450
	—	—	—	—	—
	11.0	11.7	34.9	32.4	269,685
	26.5	26.3	38.2	56.9	473,545
	20.9	30.9	47.1	29.0	241,525
	7.7	8.0	8.4	15.7	130,256
	(20.9)	(22.2)	(21.8)	(27.5)	228,476
	60.7	45.0	100.8	127.3	1,059,715
	24.5	33.0	22.7	11.9	98,818
	19.6	14.1	17.0	13.2	110,003
	—	—	—	—	—
	66.9	18.7	51.5	17.5	145,610
	19.3	25.1	17.5	16.7	139,269
	11.3	14.6	28.7	16.5	137,589
	13.5	10.6	6.1	8.3	42,323
	155.1	116.1	143.4	84.2	700,258
	5.2	5.8	6.4	7.5	62,645
	7.2	7.1	7.6	6.6	54,722
	—	—	—	—	—
	11.7	12.3	15.0	16.5	137,072
	19.7	20.6	22.9	25.7	213,797
	59.0	61.1	71.9	72.9	606,840
	19.5	18.1	17.6	18.7	155,838
	122.3	125.0	141.3	147.9	1,230,915

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

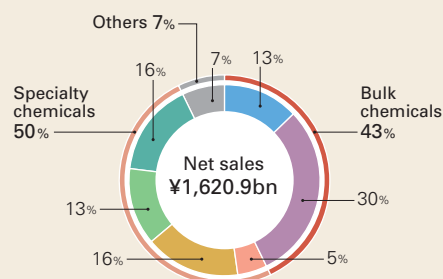
Sales by Business Sector

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

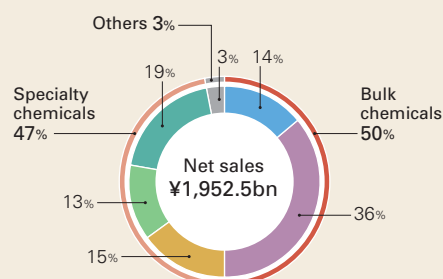
Year ended March 31, 2007



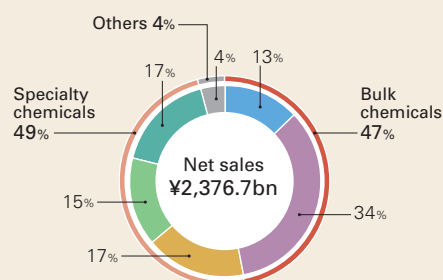
Year ended March 31, 2010



Year ended March 31, 2013



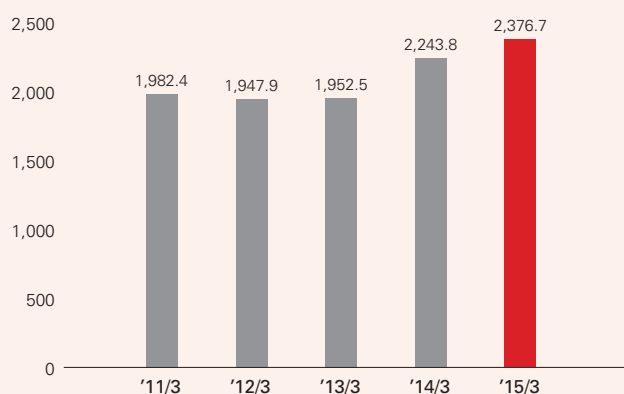
Year ended March 31, 2015



Financial Review

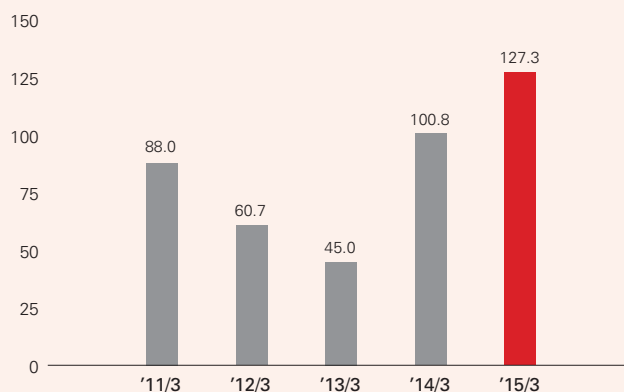
Net Sales

(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, 2015 totaled ¥2,376.7 billion (US\$19,778 million), a 5.9% increase from ¥2,243.8 billion for the previous fiscal year. Sales in the Basic Chemicals Segment increased due to higher market price. Sales in the IT-related Chemicals Segment and Health & Crop Sciences Segment expanded due to higher sales volume. In addition, the yen's depreciation 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, 2015 was ¥1,428.4 billion (US\$11,887 million). The ratio of revenue from overseas operations to net sales was 60.1%, compared with 57.6% for the previous fiscal year.

Cost of sales was ¥1,727.8 billion (US\$14,378 million), compared with ¥1,639.6 billion for the previous fiscal year. The gross margin was 27.3%, 0.4 percentage points higher than the previous fiscal year. Selling, general and administrative expenses were ¥521.5 billion (US\$4,340 million), compared with ¥503.3 billion for the previous fiscal year.

Research and development expenses for the fiscal year ended March 31, 2015 were ¥147.9 billion (US\$1,231 million), 4.7% higher than the previous fiscal year's ¥141.3 billion, with the increase concentrated in the Health & Crop Sciences Segment. Annual depreciation and amortization expenses were ¥119.2 billion (US\$992 million), an increase of 3.0% compared with the previous fiscal year's ¥115.7 billion.

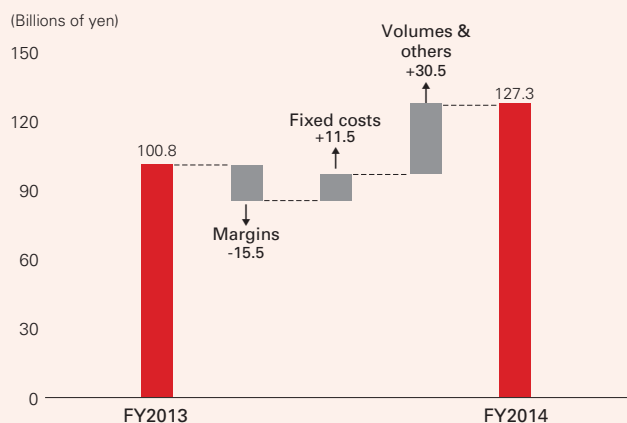
Consequently, operating income was ¥127.3 billion (US\$1,060 million), a 26.3% increase from ¥100.8 billion for the previous fiscal year. The ratio of operating income to net sales was 5.4%, an improvement of 0.9 percentage points from the previous fiscal year.

(2) Non-operating expenses and net income

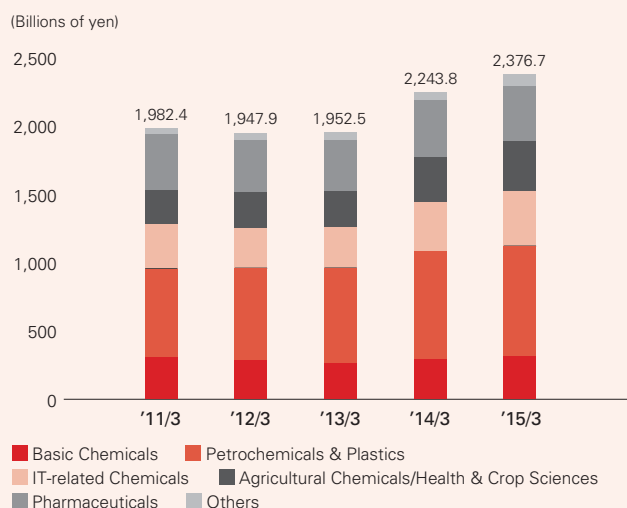
Interest and dividend income, net of interest expenses, were ¥0.7 billion (US\$5.5 million), compared with interest expenses, net of interest and dividend income of ¥4.9 billion for the previous fiscal year.

Equity in earnings of affiliates was ¥23.9 billion (US\$199 million), a ¥11.9 billion increase from the previous fiscal year, primarily because of improvements in earnings of Petrochemical Corporation of Singapore and Rabigh Refining and Petrochemical Company. The net gain on foreign currency transactions was ¥10.0 billion (US\$83 million), a 105.9% increase compared with ¥4.8 billion for the previous fiscal year.

Change in Operating Income: FY2013 vs. FY2014



Breakdown of Sales by Business Segment



Results by Business Segment

Fiscal years ended March 31, 2015 and 2014

	Millions of yen							Consolidated
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Adjustments & Elimination	
Year ended March 31, 2015								
Revenue from customers	¥311,966	¥806,151	¥405,126	¥362,404	¥403,562	¥87,488	¥ —	¥2,376,697
Segment profit (loss)	(393)	21,204	32,408	56,906	29,024	15,653	(27,456)	127,346
Segment profit ratio (%)	(0.1)	2.6	8.0	15.7	7.2	17.9	—	5.4
Segment profit growth(%)	—	329.1	(7.1)	49.0	(38.4)	86.9	—	26.3
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

The Companies recorded a ¥16.2 billion (US\$135 million) gain on sale of property, plant and equipment, a ¥4.1 billion (US\$34 million) gain on sale of investment securities, a ¥2.7 billion (US\$22 million) compensation income and a ¥1.7 billion (US\$14 million) compensation income for damage. The Companies posted a ¥33.3 billion (US\$277 million) impairment loss mainly on patents and production facilities with decreased profitability and a ¥32.2 billion (US\$268 million) loss for restructuring charges mainly on the disposal of property, plant and equipment.

As a result, income before income taxes and minority interests for the fiscal year ended March 31, 2015 was ¥116.7 billion (US\$971 million). Income taxes for the fiscal year ended March 31, 2015 were ¥45.6 billion (US\$379 million).

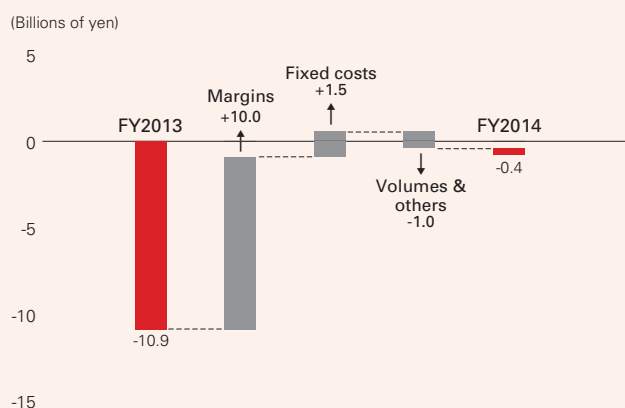
Net income for the fiscal year ended March 31, 2015 was ¥52.2 billion (US\$434 million), an increase of ¥15.2 billion over the ¥37.0 billion recorded in the previous fiscal year. Return on Equity (ROE) was 7.3%, up 0.8 percentage points from the previous fiscal year's 6.5%.

Net income per share, based on the weighted average number of shares outstanding during the fiscal year ended March 31, 2015, was ¥31.93 (US\$0.266) compared with ¥22.62 for the previous fiscal year.

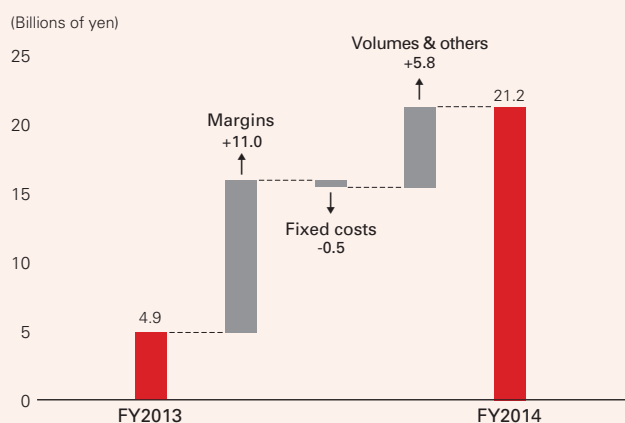
(3) Dividends

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, 2015, remained the same as the previous fiscal year.

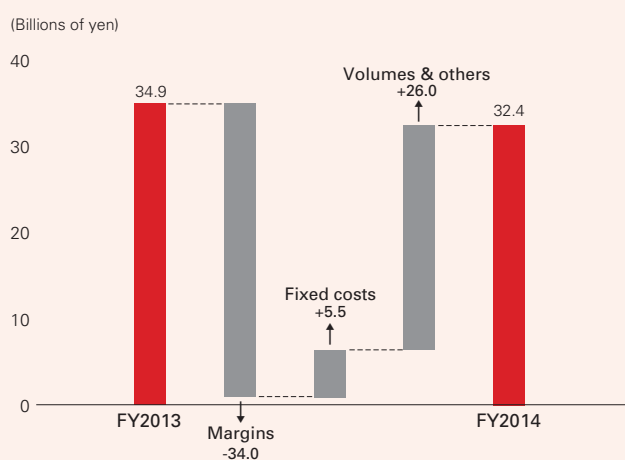
Basic Chemicals Change in Operating Loss: FY2013 vs. FY2014



Petrochemicals & Plastics Change in Operating Income: FY2013 vs. FY2014



IT-related Chemicals Change in Operating Income: FY2013 vs. FY2014



2. Segment Information

(1) Basic Chemicals

Sales of methyl methacrylate grew due to an increase in shipments and higher market prices. Sales of aluminum also rose due to higher market prices. However market prices remained low for raw materials for synthetic fibers and shipments of these products decreased. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥25.1 billion (US\$209 million) compared with the previous fiscal year, to ¥312.0 billion (US\$2,596 million). Operating loss decreased by ¥10.5 billion (US\$87 million), to ¥0.4 billion (US\$3 million).

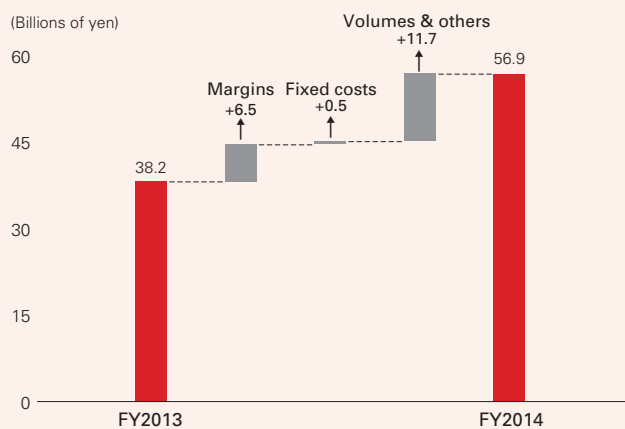
(2) Petrochemicals & Plastics

Market prices for petrochemical products dropped due to lower feedstock prices in the second half of fiscal 2014. Market prices for synthetic resins also fell, but shipments from Singapore and Japan increased. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥14.1 billion (US\$118 million) compared with the previous fiscal year, to ¥806.2 billion (US\$6,708 million), and operating income grew by ¥16.3 billion (US\$135 million), to ¥21.2 billion (US\$176 million).

(3) IT-related Chemicals

Although selling prices of polarizing film used in liquid crystal displays (LCDs) and touchscreen panels declined, shipments of these products increased due to growth in demand. The weaker yen had a positive effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales increased by ¥42.9 billion (US\$357 million) compared with the previous fiscal year, to ¥405.1 billion (US\$3,371 million). Operating income decreased by ¥2.5 billion (US\$21 million), to ¥32.4 billion (US\$270 million), as it was adversely affected by lower selling prices.

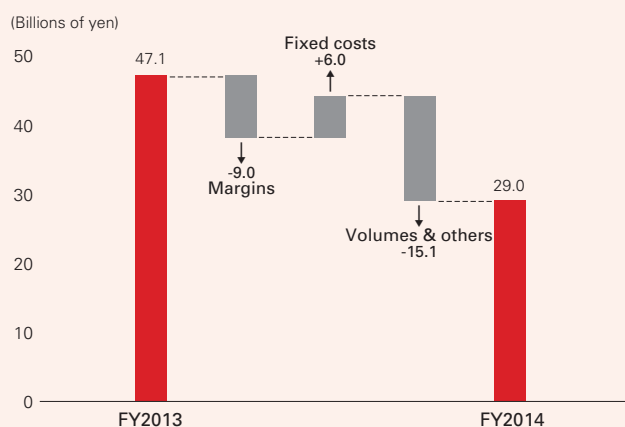
Health & Crop Sciences Change in Operating Income: FY2013 vs. FY2014



(4) Health & Crop Sciences

Sales of the feed additive methionine grew due to a recovery in market prices. In the area of crop protection chemicals, shipments decreased in Japan due mainly to the effects of the consumption tax increase, while shipments rose in overseas markets due to expanded sales. As a result, including the positive effect of the weaker yen, the segment's sales increased by ¥35.4 billion (US\$295 million) compared with the previous fiscal year, to ¥362.4 billion (US\$3,016 million), and operating income grew by ¥18.7 billion (US\$156 million), to ¥56.9 billion (US\$474 million).

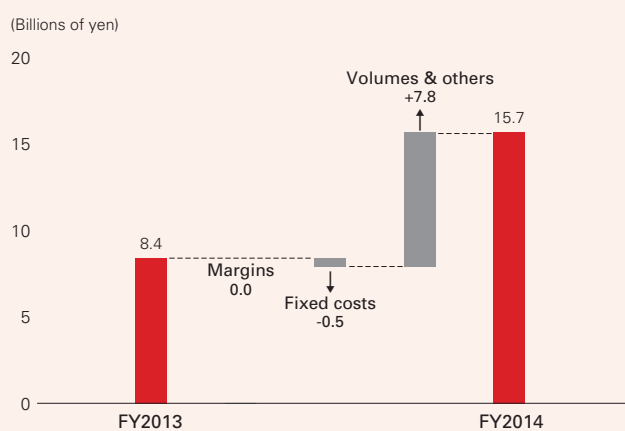
Pharmaceuticals Change in Operating Income: FY2013 vs. FY2014



(5) Pharmaceuticals

In North America, shipments of LUNESTA® (sedative hypnotic) decreased sharply as marketing exclusivity ended. But sales increased due to expanded shipments of LATUDA® (atypical antipsychotic) and the positive effect of the weaker yen. In China, shipments of MEROPEN® (carbapenem antibiotic) grew significantly. In Japan, overall sales decreased sharply due to the impacts of Japanese National Health Insurance drug price revisions and competition from generic drugs. As a result, the segment's sales decreased by ¥15.2 billion (US\$127 million) compared with the previous fiscal year, to ¥403.6 billion (US\$3,358 million), and operating income declined by ¥18.1 billion (US\$150 million), to ¥29.0 billion (US\$242 million).

Others Change in Operating Income: FY2013 vs. FY2014

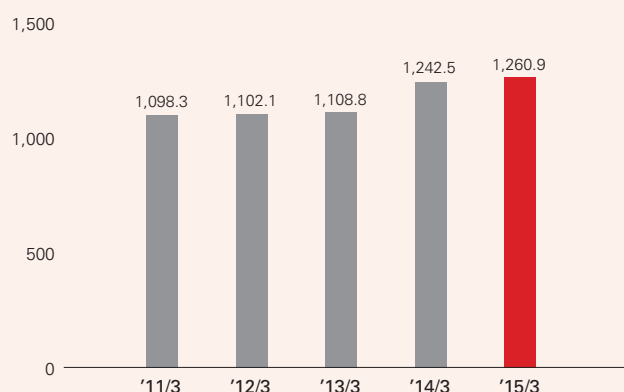


(6) Others

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. For fiscal 2014, this segment's figures included services provided to Rabigh Refining and Petrochemical Company. The segment's sales increased by ¥30.6 billion (US\$255 million) compared with the previous fiscal year, to ¥87.5 billion (US\$728 million), and operating income rose by ¥7.3 billion (US\$61 million), to ¥15.7 billion (US\$130 million).

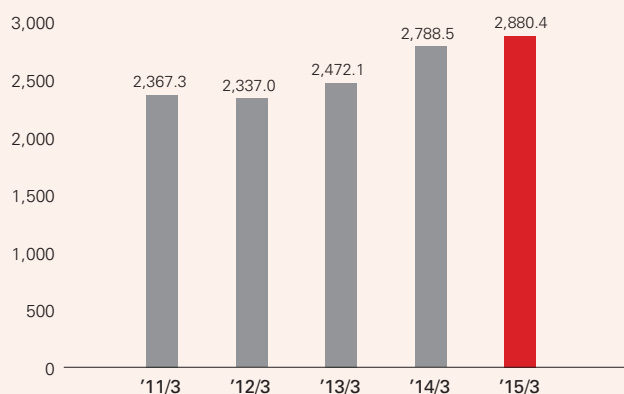
Total Current Assets

(Billions of yen)



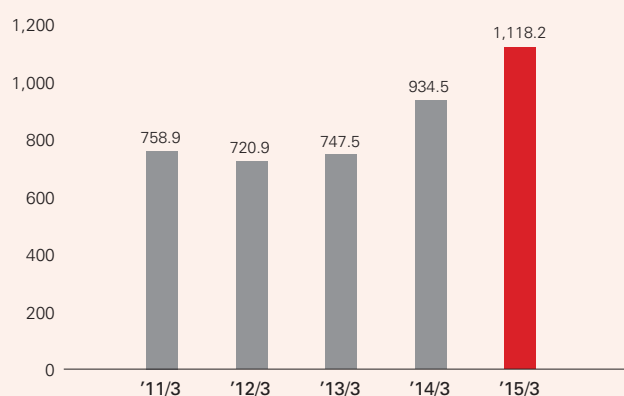
Total Assets

(Billions of yen)



Shareholders' Equity / Net Assets

(Billions of yen)



3. Financial Position

Total assets as of March 31, 2015 increased by ¥91.9 billion, to ¥2,880.4 billion (US\$23,969 million) from ¥2,788.5 billion as of March 31, 2014, mainly as a result of the yen's depreciation toward the end of the fiscal year. Current assets as of March 31, 2015 amounted to ¥1,260.9 billion (US\$10,493 million), a 1.5% increase from ¥1,242.5 billion as of March 31, 2014. Non-current assets as of March 31, 2015 amounted to ¥1,619.5 billion (US\$13,477 million), a 4.8% increase from ¥1,546.0 billion as of March 31, 2014, mainly because investment securities increased.

Current liabilities as of March 31, 2015 were ¥869.8 billion (US\$7,238 million), a 8.4% decrease from ¥949.2 billion as of March 31, 2014. The current ratio was 145.0%, compared with 130.9% as of March 31, 2014.

Long-term liabilities decreased to ¥892.3 billion (US\$7,426 million), a 1.4% decrease from ¥904.8 billion as of March 31, 2014.

Interest-bearing liabilities (short-term and long-term bank loans, corporate bonds, and commercial paper) as of March 31, 2015 amounted to ¥980.2 billion (US\$8,157 million), compared with ¥1,074.6 billion as of March 31, 2014.

Net assets were ¥1,118.2 billion (US\$9,305 million) as of March 31, 2015, a 19.7% increase from ¥934.5 billion as of March 31, 2014, mainly because accumulated other comprehensive income, including favorable foreign currency translation adjustment, and retained earnings increased. The ratio of net worth to total assets stood at 27.5% as of March 31, 2015, compared with 23.1% as of March 31, 2014.

There were 1,634,370,862 shares issued and outstanding as of March 31, 2015. Retained earnings amounted to ¥477.4 billion (US\$3,973 million), a 7.4% increase from ¥444.7 billion as of March 31, 2014.

4. Cash Flows

Net cash provided by operating activities for the year ended March 31, 2015 was ¥260.9 billion (US\$2,171 million), an increase of ¥66.5 billion compared with the previous fiscal year. The increase in income before income taxes and collection of advances paid relating to Rabigh Refining and Petrochemical Company's Rabigh Phase II Project contributed to the increase in operating cash flows.

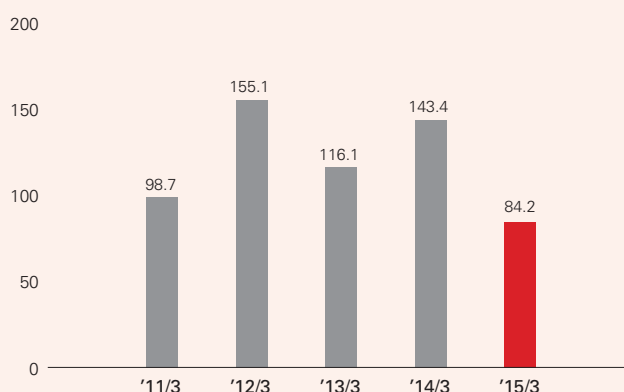
Net cash used in investing activities for the year ended March 31, 2015 was ¥56.6 billion (US\$471 million), a decrease of ¥78.5 billion compared with the previous fiscal year, due to a decrease in payments for purchase of fixed asset.

As a result, free cash flow, which consists of cash flows provided by operating activities and those used in investing activities, was positive ¥204.2 billion (US\$1,699 million) for the year ended March 31, 2015, compared with positive ¥59.2 billion for the previous fiscal year.

Net cash used in financing activities was ¥151.5 billion (US\$1,260 million).

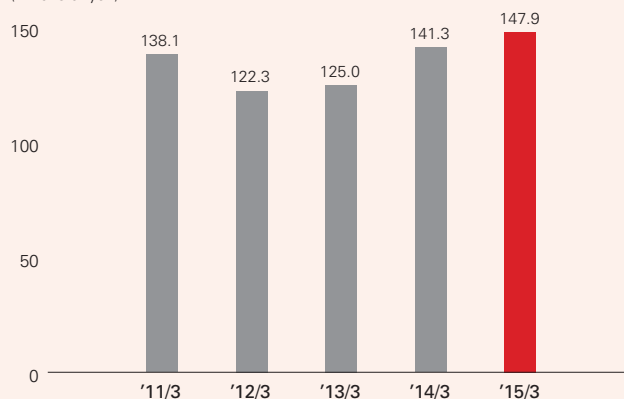
Capital Expenditures

(Billions of yen)



Research and Development Expenses

(Billions of yen)



5. Capital Expenditures

In the year ended March 31, 2015, the Companies' capital expenditures totaled ¥84.2 billion (US\$700 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, 2015 included the restructuring at Chiba Works in the Petrochemicals & Plastics Segment.

Broken down by segment, capital expenditures in the Basic Chemicals Segment were ¥11.9 billion (US\$99 million), ¥13.2 billion (US\$110 million) in the Petrochemicals & Plastics Segment, ¥17.5 billion (US\$146 million) in the IT-related Chemicals Segment, ¥16.7 billion (US\$139 million) in the Health & Crop Sciences Segment, ¥16.5 billion (US\$138 million) in the Pharmaceuticals Segment, and ¥8.3 billion (US\$69 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, 2015, 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 ¥147.9 billion (US\$1,231 million), up 4.7% from the fiscal year ended March 31, 2014.

Breakdown of Capital Expenditures

Billions of yen, %

Years ended March 31	2010		2011		2012		2013		2014		2015	
New plants and expansions:												
Basic Chemicals	¥ 7.6	7%	¥13.0	13%	¥ 19.9	13%	¥ 26.9	23%	¥ 15.9	11%	¥ 8.2	10%
Petrochemicals & Plastics	6.6	6	8.9	9	15.4	10	11.4	10	15.3	11	7.2	9
Fine Chemicals	12.9	13	—	—	—	—	—	—	—	—	—	—
IT-related Chemicals	9.8	10	25.2	26	64.2	41	16.8	14	49.5	35	13.8	16
Agricultural Chemicals/ Health & Crop Sciences	20.0	19	12.4	12	14.4	9	20.8	18	13.3	9	15.4	18
Pharmaceuticals	4.0	4	3.1	3	3.9	3	5.3	5	5.9	4	4.9	6
Others	10.6	10	8.3	8	3.4	2	5.4	5	4.3	3	4.9	6
Total	¥ 71.6	69%	¥70.9	71%	¥121.2	78%	¥86.6	75%	¥104.2	73%	¥54.4	65%
Rationalization of production processes	5.4	5	4.6	5	3.9	3	3.1	3	4.8	3	4.5	5
Research and development	7.7	8	6.7	7	10.6	7	12.9	11	13.0	9	8.3	10
Others	18.6	18	16.5	17	19.4	12	13.5	11	21.4	15	17.0	20
Total	¥103.2	100%	¥98.7	100%	¥155.1	100%	¥116.1	100%	¥143.4	100%	¥84.2	100%

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2015 and 2014

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
Assets			
Current assets:			
Cash and cash equivalents (Notes 5, 9 and 20)	¥ 201,997	¥ 132,321	\$ 1,680,927
Short-term investments (Note 5)	3,013	2,091	25,073
Securities (Notes 5 and 7)	18,549	30,333	154,356
Trade notes and accounts receivable (Notes 5 and 9)	456,054	448,415	3,795,074
Inventories (Note 6)	439,880	429,450	3,660,481
Deferred tax assets (Note 15)	60,526	56,909	503,670
Other (Notes 5 and 21)	82,804	144,572	689,056
Allowance for doubtful accounts	(1,917)	(1,564)	(15,952)
Total current assets	1,260,906	1,242,527	10,492,685
Property, plant and equipment (Notes 9 and 12):			
Land	82,765	83,200	688,733
Buildings and structures	660,694	639,961	5,497,994
Machinery and equipment	1,833,432	1,762,526	15,256,986
Construction in progress	44,342	50,463	368,994
	2,621,233	2,536,150	21,812,707
Less accumulated depreciation	(1,926,798)	(1,813,310)	(16,033,935)
Net property, plant and equipment	694,435	722,840	5,778,772
Investments and other assets:			
Investment securities (Notes 5, 7, 8, 9 and 21)	518,800	450,094	4,317,217
Long-term loans (Notes 5 and 21)	74,766	63,988	622,169
Net defined benefit asset (Note 13)	68,276	58,645	568,162
Deferred tax assets (Note 15)	17,701	21,495	147,300
Goodwill	95,249	86,813	792,619
Patents (Note 12)	5,200	21,069	43,272
Software	12,204	11,542	101,556
In-process research and development (Note 12)	64,456	56,072	536,373
Other (Notes 8 and 21)	69,262	54,330	576,366
Allowance for doubtful accounts	(859)	(908)	(7,148)
Total investments and other assets	925,055	823,140	7,697,886
Total assets	¥2,880,396	¥2,788,507	\$23,969,343

See accompanying notes.

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 5 and 9)	¥ 147,805	¥ 216,148	\$ 1,229,966
Long-term debt due within one year (Notes 5 and 9)	138,736	126,859	1,154,498
Trade notes and accounts payable (Note 5)	258,161	296,072	2,148,298
Income taxes payable	14,357	18,540	119,472
Reserve for sales rebates	36,352	26,421	302,505
Reserve for bonuses	29,236	26,376	243,289
Other (Note 15)	245,198	238,798	2,040,426
Total current liabilities	869,845	949,214	7,238,454
Long-term liabilities:			
Long-term debt (Notes 5 and 9)	693,632	731,591	5,772,090
Deferred tax liabilities (Note 15)	96,253	84,110	800,974
Net defined benefit liability (Note 13)	34,178	31,065	284,414
Other	68,272	58,021	568,127
Total long-term liabilities	892,335	904,787	7,425,605
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, 2015			
1,655,446,177 shares at March 31, 2014	89,699	89,699	746,434
Capital surplus	23,695	23,695	197,179
Retained earnings	477,445	444,671	3,973,079
Treasury stock, at cost			
21,075,315 shares at March 31, 2015			
20,955,700 shares at March 31, 2014	(8,870)	(8,816)	(73,812)
Shareholders' equity	581,969	549,249	4,842,880
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	104,841	78,604	872,439
Deferred losses on hedges	(97)	(358)	(807)
Land revaluation reserve (Note 18)	4,363	4,130	36,307
Foreign currency translation adjustment	82,284	(1,420)	684,730
Remeasurements of defined benefit plans	17,959	13,092	149,447
Total accumulated other comprehensive income	209,350	94,048	1,742,116
Minority interests	326,897	291,209	2,720,288
Total net assets	1,118,216	934,506	9,305,284
Total liabilities and net assets	¥2,880,396	¥2,788,507	\$23,969,343

See accompanying notes.

Consolidated Statements of Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
Net sales	¥2,376,697	¥2,243,794	\$19,777,790
Cost of sales	1,727,803	1,639,649	14,377,990
Selling, general and administrative expenses	521,548	503,303	4,340,085
Operating income	127,346	100,842	1,059,715
Other income (expenses):			
Interest and dividend income (Note 21)	14,141	7,956	117,675
Interest expenses	(13,483)	(12,837)	(112,199)
Equity in earnings of affiliates	23,931	12,027	199,143
Net gain on foreign currency transactions	9,957	4,837	82,858
Cost of inactive facilities	(3,296)	(2,462)	(27,428)
Gain on sale of property, plant and equipment	16,241	2,586	135,150
Gain on sale of investment securities	4,090	3,414	34,035
Compensation income	2,700	—	22,468
Compensation income for damage	1,711	—	14,238
Gain on bargain purchase	—	1,740	—
Fair value adjustment of contingent consideration	—	1,284	—
Impairment loss (Note 12)	(33,258)	(21,823)	(276,758)
Restructuring charges (Note 14)	(32,196)	(10,648)	(267,920)
Loss on valuation of investment securities	—	(1,462)	—
Other, net	(1,182)	746	(9,836)
Income before income taxes and minority interests	116,702	86,200	971,141
Income taxes (Note 15):			
Current	37,772	30,867	314,321
Deferred	7,826	373	65,125
	45,598	31,240	379,446
Income before minority interests	71,104	54,960	591,695
Minority interests	18,912	17,983	157,377
Net income	¥ 52,192	¥ 36,977	\$ 434,318

	Yen		US dollars (Note 1)
	2015	2014	2015
Net income per share (Note 22)	¥31.93	¥22.62	\$0.266
Diluted net income per share (Note 22)	31.84	22.56	0.265

	Yen		US dollars (Note 1)
	2015	2014	2015
Cash dividends per share (applicable to the year)	¥9.00	¥9.00	\$0.075

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 71,104	¥ 54,960	\$ 591,695
Other comprehensive income			
Valuation difference on available-for-sale securities	29,211	17,771	243,081
Deferred losses on hedges	(15)	(592)	(125)
Foreign currency translation adjustment	84,998	54,260	707,314
Remeasurements of defined benefit plans	3,110	—	25,880
Share of other comprehensive income of associates accounted for using equity method	26,051	29,181	216,785
Total other comprehensive income (Note 19)	143,355	100,620	1,192,935
Comprehensive income	¥214,459	¥155,580	\$1,784,630
Comprehensive income attributable to:			
Owners of the parent	¥167,513	¥121,747	\$1,393,967
Minority interests	46,946	33,833	390,663

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	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	Remeasurements of defined benefit plans	Minority interests	Total net assets
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 April 1, 2014	1,655,446	¥89,699	¥23,695	¥444,671	¥(8,816)	¥ 78,604	¥ (358)	¥4,130	¥ (1,420)	¥13,092	¥291,209	¥ 934,506
Cumulative effects of changes in accounting policies				(3,636)								(3,636)
Restated balance at April 1, 2014	1,655,446	89,699	23,695	441,035	(8,816)	78,604	(358)	4,130	(1,420)	13,092	291,209	930,870
Net income				52,192								52,192
Cash dividends at ¥9.00 per share				(14,719)								(14,719)
Decrease due to changes in scope of consolidation and equity method				(157)								(157)
Loss on sale of treasury stock				(0)								(0)
Net increase in treasury stock					(54)							(54)
Decrease due to change in fiscal period of consolidated subsidiaries				(906)								(906)
Other						26,237	261	233	83,704	4,867	35,688	150,990
Balance at March 31, 2015	1,655,446	¥89,699	¥23,695	¥477,445	¥(8,870)	¥104,841	¥ (97)	¥4,363	¥ 82,284	¥17,959	¥326,897	¥1,118,216

	Thousands of US dollars (Note 1)											
Balance at April 1, 2014	\$746,434	\$197,179	\$3,700,349	\$(73,363)	\$654,107	\$(2,979)	\$34,368	\$(11,817)	\$108,946	2,423,309	\$7,776,533	
Cumulative effects of changes in accounting policies			(30,257)								(30,257)	
Restated balance at April 1, 2014	746,434	197,179	3,670,092	(73,363)	654,107	(2,979)	34,368	(11,817)	108,946	2,423,309	7,746,276	
Net income			434,318								434,318	
Cash dividends at ¥9.00 (US\$0.07) per share			(122,485)								(122,485)	
Decrease due to changes in scope of consolidation and equity method			(1,306)								(1,306)	
Loss on sale of treasury stock			(0)								(0)	
Net increase in treasury stock				(449)							(449)	
Decrease due to change in fiscal period of consolidated subsidiaries			(7,540)								(7,540)	
Other					218,332	2,172	1,939	696,547	40,501	296,979	1,256,470	
Balance at March 31, 2015	\$746,434	\$197,179	\$3,973,079	\$(73,812)	\$872,439	\$ (807)	\$36,307	\$684,730	\$149,447	2,720,288	\$9,305,284	

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥116,702	¥ 86,200	\$ 971,141
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—			
Depreciation and amortization	111,502	108,550	927,869
Amortization of goodwill	7,675	7,184	63,868
Impairment loss	33,258	21,823	276,758
Equity in earnings of affiliates	(15,950)	(8,619)	(132,729)
Increase in provision	5,235	9,375	43,563
Interest and dividend income	(14,141)	(7,956)	(117,675)
Interest expenses	13,483	12,837	112,199
Gain on sale of investment securities	(4,090)	(3,414)	(34,035)
Loss on valuation of investment securities	—	1,462	—
Restructuring charges	30,021	8,976	249,821
Gain on sale of property, plant and equipment	(16,241)	(2,586)	(135,150)
Decrease (Increase) in notes and accounts receivable	16,298	(20,196)	135,625
Decrease (Increase) in inventories	8,072	(14,098)	67,172
(Decrease) Increase in notes and accounts payable	(57,667)	45,154	(479,879)
Other, net	70,778	(23,644)	588,982
Subtotal	304,935	221,048	2,537,530
Interest and dividends received	13,268	6,980	110,410
Interest paid	(13,708)	(12,924)	(114,072)
Income taxes paid	(43,641)	(20,742)	(363,160)
Net cash provided by operating activities	260,854	194,362	2,170,708
Cash flows from investing activities:			
Acquisition of securities	(34,360)	(42,453)	(285,928)
Proceeds from sale and redemption of securities	49,620	47,102	412,915
Acquisition of investment securities	(12,126)	(16,339)	(100,907)
Proceeds from sale and redemption of investment securities	13,539	24,157	112,665
Acquisition of property, plant and equipment	(93,066)	(153,913)	(774,453)
Proceeds from sale of property, plant and equipment	22,661	4,168	188,575
Acquisition of shares of newly consolidated subsidiaries	(4,301)	—	(35,791)
Other, net	1,405	2,101	11,692
Net cash used in investing activities	(56,628)	(135,177)	(471,232)
Cash flows from financing activities:			
Decrease in short-term debt	(85,336)	(59,939)	(710,127)
Proceeds from long-term debt	98,627	131,975	820,729
Repayments of long-term debt	(138,599)	(118,340)	(1,153,358)
Repayments of finance lease obligations	(1,295)	(1,279)	(10,777)
Purchase of treasury stock	(54)	(43)	(449)
Cash dividends paid	(14,719)	(9,813)	(122,485)
Cash dividends paid to minority shareholders	(11,768)	(4,622)	(97,928)
Capital contributions from minority shareholders	1,679	2,977	13,972
Net cash used in financing activities	(151,465)	(59,084)	(1,260,423)
Effect of exchange rate changes on cash and cash equivalents	16,302	14,696	135,658
Net change in cash and cash equivalents	69,063	14,797	574,711
Increase (Decrease) in cash and cash equivalents resulting from changes in scope of consolidation	754	(36)	6,274
Decrease in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(141)	(9,389)	(1,173)
Cash and cash equivalents at beginning of year	132,321	126,949	1,101,115
Cash and cash equivalents at end of year (Note 20)	¥201,997	¥132,321	\$1,680,927

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

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, 2015, which was ¥120.17 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 167 and 164 significant subsidiaries for the years ended March 31, 2015 and 2014, 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 34 and 35 significant affiliates for the years ended March 31, 2015 and 2014, respectively. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. All significant intercompany transactions and accounts have been eliminated. Some subsidiaries and affiliates are consolidated with year-ends that differ from that of the Company. However, necessary adjustments have been made if the effect of the differences is material.

(b) Foreign currency translation

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

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

(c) Securities

The Companies have no trading securities.

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.

(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 ¥147,919 million (US\$1,230,915 thousand) and ¥141,320 million for the years ended March 31, 2015 and 2014, 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 multiemployer 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 ¥298 million (US\$2,480 thousand) and ¥488 million were included in the other long-term liabilities on March 31, 2015 and 2014, 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.

(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 ¥8,882 million (US\$73,912 thousand) and ¥7,664 million were included in "other current liabilities" and "other long-term liabilities" on March 31, 2015 and 2014, 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.

(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. ¥18,452 million (US\$153,549 thousand) and ¥8,116 million were included in "other current liabilities" and "other long-term liabilities" on March 31, 2015 and 2014, respectively.

(q) Net income per share

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

(r) Cash and cash equivalents

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

3. Changes in Accounting Policies

(a) Effective from the year ended March 31, 2015, the Company and its consolidated subsidiaries have applied article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, "Guidance No. 25")), and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated subsidiaries have changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis, and the method of determining the discount rate from using the bond rate determined by reference to the terms closely related to average remaining working lives of the employees to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In accordance with article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the year ended March 31, 2015.

As a result of the application, net defined benefit liability increased by ¥505 million (US\$4,202 thousand) and net defined benefit asset and retained earnings decreased by ¥4,833 million (US\$40,218 thousand) and ¥3,636 million (US\$30,257 thousand), respectively, at the beginning of the year ended March 31, 2015.

The effects on the profit for the year ended March 31, 2015 are immaterial.

Information of the effects on segment information is omitted because the effects are immaterial.

Information of the effects on net income per share is omitted because the effects are immaterial.

(b) 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 the "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 and

¥701 million, have been recognized, deferred tax assets have decreased by ¥440 million and deferred tax liabilities and accumulated other comprehensive income have increased by ¥7,758 million and ¥13,092 million, respectively as of March 31, 2014.

4. Accounting Standards Not Yet Applied

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, 2015 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	¥ 201,997	¥ 201,997	¥ —
Short-term investments	3,013	3,013	—
Trade notes and accounts receivable	456,054	456,054	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	213,712	327,932	114,220
Available-for-sale securities	240,684	240,684	—
Long-term loans* ¹	74,773	74,773	—
Assets total	¥1,190,233	¥1,304,453	¥114,220
Short-term debt	147,805	147,805	—
Trade notes and accounts payable	258,161	258,161	—
Long-term debt* ¹	832,368	848,743	16,375
Liabilities total	¥1,238,334	1,254,709	16,375
Derivative transactions* ²	¥ 801	¥ (2,609)	¥ (3,410)

	Thousands of US dollars		
	Book value	Fair value	Difference
Cash and cash equivalents	\$ 1,680,927	\$ 1,680,927	\$ —
Short-term investments	25,073	25,073	—
Trade notes and accounts receivable	3,795,074	3,795,074	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	1,778,414	2,728,901	950,487
Available-for-sale securities	2,002,863	2,002,863	—
Long-term loans* ¹	622,227	622,227	—
Assets total	\$ 9,904,578	\$10,855,065	\$950,487
Short-term debt	1,229,966	1,229,966	—
Trade notes and accounts payable	2,148,298	2,148,298	—
Long-term debt* ¹	6,926,588	7,062,853	136,265
Liabilities total	\$10,304,852	\$10,441,117	\$136,265
Derivative transactions* ²	\$ 6,666	\$ (21,711)	\$ (28,377)

*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, 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)

*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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Unlisted equity securities	¥80,774	¥73,106	\$672,164
Preferred securities	346	2,346	2,879
Other	1,833	3,170	15,253

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, 2015 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	¥136,212	¥ —	¥—	¥ —
Short-term investments	3,013	—	—	—
Trade notes and accounts receivable	451,454	4,600	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	6,268	—	—	—
Bonds	10,050	—	—	—
Other bonds	—	—	—	49
Other	2,222	—	—	—
Long-term loans*	7	1,328	36	98
Total	¥609,226	¥5,928	¥36	¥147

	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	\$1,133,494	\$ —	\$ —	\$ —
Short-term investments	25,073	—	—	—
Trade notes and accounts receivable	3,756,795	38,279	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	52,159	—	—	—
Bonds	83,632	—	—	—
Other bonds	—	—	—	407
Other	18,490	—	—	—
Long-term loans*	58	11,051	300	816
Total	\$5,069,701	\$49,330	\$300	\$1,223

* A long-term loan of ¥73,304 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, 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

*A long-term loan of ¥62,781 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Merchandise and finished goods	¥317,994	¥318,620	\$2,646,201
Work in process	14,518	12,982	120,812
Raw materials and supplies	107,368	97,848	893,468
Total	¥439,880	¥429,450	\$3,660,481

7. Securities

Securities with available fair values included in securities and investment securities as of March 31, 2015 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	¥221,323	¥52,097	¥169,226
Other securities	2,171	2,152	19
Total	¥223,494	¥54,249	¥169,245

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	\$1,841,750	\$433,528	\$1,408,222
Other securities	18,066	17,907	159
Total	\$1,859,816	\$451,435	\$1,408,381

(b) Securities with book values not exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 771	¥ 979	¥(208)
Other securities	14,197	14,201	(4)
Other	2,222	2,222	—
Total	¥17,190	¥17,402	¥(212)

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	\$ 6,416	\$ 8,147	\$(1,731)
Other securities	118,141	118,175	(34)
Other	18,490	18,490	—
Total	\$143,047	\$144,812	\$(1,765)

Total sales of available-for-sale securities

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	¥5,045	¥4,119	¥—
Other securities	2,867	4	0
Total	¥7,912	¥4,123	¥ 0

	Thousands of US dollars		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	\$41,982	\$34,277	\$—
Other securities	23,858	33	0
Total	\$65,840	\$34,310	\$ 0

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

(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)

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	¥—

The Companies recognized a loss of ¥1,462 million on securities for the year ended March 31, 2014.

8. Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the consolidated balance sheet as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Investment securities	¥281,627	¥248,911	\$2,343,572
Other (Investments and other assets)	2,860	2,374	23,800
Total	¥284,487	¥251,285	\$2,367,372

9. Short-term Debt and Long-term Debt

Interest rates on short-term bank loans ranged from 0.25% to 11.00% and from 0.30% to 6.77% as of March 31, 2015 and 2014, respectively.

Short-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Bank loans	¥107,805	¥156,148	\$ 897,104
Commercial paper	40,000	60,000	332,862
Total	¥147,805	¥216,148	\$1,229,966

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of US dollars
	2015	2015	2015
0.34%-2.14% debentures due through 2024	¥382,000		\$3,178,831
0.32%-5.90% long-term bank loans payable due through 2025	450,368		3,747,757
Subtotal	832,368		6,926,588
Less amounts due within one year	(138,736)		(1,154,498)
Total	¥693,632		\$5,772,090

	Millions of yen
	2014
0.54%-2.14% debentures due through 2021	¥ 397,000
0.30%-8.02% long-term bank loans payable due through 2025	461,450
Subtotal	858,450
Less amounts due within one year	(126,859)
Total	¥ 731,591

Long-term debt with maturities subsequent to March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2015	2015
2016	¥138,736		\$1,154,498
2017	102,676		854,423
2018	107,510		894,649
2019	100,929		839,885
2020	88,685		737,996
2021 and thereafter	293,832		2,445,137
Total	¥832,368		\$6,926,588

	Millions of yen
	2014
2015	¥126,859
2016	139,289
2017	98,766
2018	99,291
2019	97,288
2020 and thereafter	296,957
Total	¥858,450

As of March 31, 2015 and 2014, assets pledged as collateral for short-term debt, long-term debt and others were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Investment securities	¥100,511	¥ 89,129	\$ 836,407
Property, plant and equipment, net of accumulated depreciation	19,427	22,024	161,663
Trade notes and accounts receivable	1,228	1,015	10,219
Cash and cash equivalents	511	446	4,252
Total	¥121,677	¥112,614	\$1,012,541
Liabilities secured thereby	¥ 8,680	¥ 9,716	\$ 72,231

* ¥100,444 million (US\$835,849 thousand) and ¥89,076 million of investment securities pledged as collateral for affiliates' debt amounted to ¥247,545 million (US\$2,059,957 thousand) and ¥239,457 million are subjected to real guarantee as of March 31, 2015 and 2014, respectively.

10. Leases

Obligations under operating leases as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Due within one year	¥ 3,902	¥ 3,030	\$ 32,471
Due after one year	34,552	28,459	287,526
Total	¥38,454	¥31,489	\$319,997

11. Derivative Transactions and Hedge Accounting

The contract amounts and fair values of derivative transactions as of March 31, 2015 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	¥ 4,246	¥ —	¥ 21
EUR	1,023	—	(67)
Other	223	—	(3)
Buy contracts			
USD	10,629	—	188
NZD	2,320	—	(4)
Other	6,058	—	33
Currency swap contract			
Pay USD, receive JPY	971	—	2
Total	¥25,470	¥ —	¥170

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	\$ 35,333	\$ —	\$ 175
EUR	8,513	—	(558)
Other	1,856	—	(25)
Buy contracts			
USD	88,450	—	1,564
NZD	19,306	—	(33)
Other	50,412	—	275
Currency swap contract			
Pay USD, receive JPY	8,080	—	17
Total	\$211,950	\$ —	\$1,415

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	¥25,366	¥ —	¥ —
EUR	791	—	—
Other	565	—	—
Buy contracts			
USD	7,876	—	—
Other	1,941	—	—
Total	¥36,539	¥ —	¥ —

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	\$211,084	\$ —	\$ —
EUR	6,582	—	—
Other	4,702	—	—
Buy contracts			
USD	65,540	—	—
Other	16,153	—	—
Total	\$304,061	\$ —	\$ —

(b) Interest-related derivative transactions

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

Transaction type	Millions of yen		
	Contract amounts, etc.		Fair value
	Total	Due over one year	
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥14,060	¥12,170	¥(246)

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		Fair value
	Total	Due over one year	
Interest rate swap contracts			
Pay fixed rate, receive floating rate	\$117,001	\$101,273	\$(2,047)

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.		Fair value
	Total	Due over one year	
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥139,678	¥136,170	¥(3,410)

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		Fair value
	Total	Due over one year	
Interest rate swap contracts			
Pay fixed rate, receive floating rate	\$1,162,337	\$1,133,145	\$(28,376)

(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.		Fair value
	Total	Due over one year	
Commodity forward contracts			
Sell contracts			
Metals	¥13,205	¥4,245	¥899
Buy contracts			
Metals	8,521	421	(22)
Total	¥21,726	¥4,666	¥877

Transaction type	Thousands of US dollars		
	Contract amounts, etc.		
	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	\$109,886	\$35,325	\$7,481
Buy contracts			
Metals	70,908	3,503	(183)
Total	\$180,794	\$38,828	\$7,298

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

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	¥—	¥—

(b) Interest-related derivative transactions

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

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

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

12. Impairment Loss

The Companies recognized impairment losses on fixed assets for the year ended March 31, 2015. Main assets for which impairment losses were recognized were as follows:

Location	Usage purpose	Type of assets	Millions of yen	Thousands of US dollars
			2015	2015
U.K.	Exclusive rights with respect to PLED materials and devices, etc.	Patents	¥12,576	\$104,652
Ehime, Japan	Alumina production facilities, etc.	Buildings, structures, machinery and equipment, etc.	6,419	53,416
Ehime, Japan	Pharmaceuticals production facilities, etc.	Buildings, structures, construction in progress, long-term prepaid expenses, etc.	5,128	42,673
Korea	Sapphire substrates production facilities	Structures, machinery and equipment	4,811	40,035
Korea	Production facilities for touchscreen panels used for LCD	Machinery and equipment, vehicles, construction in progress	1,600	13,314

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 patents for which future profitability has been deemed through the revised business plan to be lacking, the production facilities of businesses with decreased profitability due to a serious deterioration in the business environment, with the plan to close in connection with reorganization of production sites and with the revision of the business plan due to a change in the business environment. 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 a discount rate of 6.9%.

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
			2014
Ehime, Japan	Caprolactam production facilities	Buildings, structures, machinery and equipment, etc.	¥7,280
U.S.	Results of research and development with respect to compound in development	In-process research and development	4,272
Saudi Arabia	Infrastructural facilities of industrial park	Buildings, structures, etc.	3,727
Osaka, Japan Hyogo, Japan	Welfare facilities	Land, buildings, and structures, etc.	2,440
Chiba, Japan	Propylene oxide, styrene monomer production facilities, etc.	Buildings, structures, machinery and equipment, etc.	1,813
U.S.	Pharmaceuticals production facilities	Construction in progress	366

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%.

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	
Service cost	10,572	
Interest cost	4,881	
Actuarial loss	4,187	
Benefits paid	(14,665)	
Prior service costs	(2,163)	
Other	1,824	
Balance at March 31, 2014	¥268,851	\$2,237,256
Cumulative effects of changes in accounting policies	5,338	44,420
Restated balance at April 1, 2014	¥274,189	\$2,281,676
Service cost	11,483	95,556
Interest cost	3,538	29,442
Actuarial loss	10,852	90,305
Benefits paid	(13,469)	(112,083)
Prior service costs	(318)	(2,646)
Other	2,046	17,026
Balance at March 31, 2015	¥288,321	\$2,399,276

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

	Millions of yen	Thousands of US dollars
Balance at April 1, 2013	¥281,720	
Expected return on plan assets	5,058	
Actuarial gain	15,656	
Contributions paid by the employer	10,925	
Benefits paid	(12,653)	
Other	1,384	
Balance at March 31, 2014	¥302,090	\$2,513,855
Expected return on plan assets	4,201	34,959
Actuarial gain	20,705	172,298
Contributions paid by the employer	11,350	94,450
Benefits paid	(12,141)	(101,032)
Other	1,240	10,318
Balance at March 31, 2015	¥327,445	\$2,724,848

(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	
Retirement benefit costs	954	
Benefits paid	(662)	
Contributions paid by the employer	(337)	
Other	6	
Balance at March 31, 2014	¥5,659	\$47,092
Retirement benefit costs	390	3,245
Benefits paid	(388)	(3,229)
Contributions paid by the employer	(236)	(1,964)
Other	(399)	(3,320)
Balance at March 31, 2015	¥5,026	\$41,824

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

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Funded retirement benefit obligations	¥269,682	¥252,377	\$2,244,171
Plan assets	(331,615)	(305,927)	(2,759,549)
	(61,933)	(53,550)	(515,378)
Unfunded retirement benefit obligations	27,835	25,970	231,630
Total net defined benefit liability (asset) at March 31, 2015 and 2014	¥ (34,098)	¥ (27,580)	\$ (283,748)
Net defined benefit liability	34,178	31,065	284,414
Net defined benefit asset	(68,276)	(58,645)	(568,162)
Total net defined benefit liability (asset) at March 31, 2015 and 2014	¥ (34,098)	¥ (27,580)	\$ (283,748)

(Note): Including the simplified method.

(v) Retirement benefit costs

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Service cost	¥11,483	¥10,572	\$95,556
Interest cost	3,538	4,881	29,442
Expected return on retirement benefit plan assets	(4,201)	(5,058)	(34,959)
Amortization of actuarial differences	(4,909)	414	(40,850)
Amortization of prior service costs	(2,763)	(2,389)	(22,992)
Amortization of net retirement benefit obligation at transition	(4)	(3)	(33)
Total retirement benefit costs on the simplified method	390	954	3,245
Other	(319)	(421)	(2,655)
Total retirement benefit costs for the fiscal year ended March 31, 2015 and 2014	¥ 3,215	¥ 8,950	\$26,754

(vi) Remeasurements of defined benefit plans included in other comprehensive income (before lessing the amount of deferred tax assets (liabilities))

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Prior service costs	¥(2,443)	¥ —	\$(20,330)
Actuarial differences	4,751	—	39,536
Net retirement benefit obligation at transition	(4)	—	(33)
Total for the fiscal year ended March 31, 2015 and 2014	¥ 2,304	¥ —	\$ 19,173

(vii) Remeasurements of defined benefit plans included in accumulated other comprehensive income (before lessing the amount of deferred tax assets (liabilities))

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Unrecognized prior service costs	¥ (3,938)	¥ (6,381)	\$ (32,770)
Unrecognized actuarial differences	(21,241)	(16,490)	(176,758)
Unrecognized net retirement benefit obligation at transition	—	(4)	—
Total balance at March 31, 2015 and 2014	¥(25,179)	¥(22,875)	\$(209,528)

(viii) Plan assets

Plan assets comprise:	2015	2014
Bonds	58%	61%
Equity securities	27	27
Cash and cash equivalents	9	6
General accounts	3	3
Other	3	3
Total	100%	100%

(Note): 8% of the plan assets were contributed to the employee retirement benefit trust as of March 31, 2015 and 2014, respectively.

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.

(ix) Actuarial assumptions

The principal actuarial assumptions as of March 31, 2015 and 2014 were as follows:

	2015	2014
Discount rate	Mainly 1.0%	Mainly 1.6%
Long-term expected rate of return	Mainly 1.0%	Mainly 1.6%

(b) Defined contribution plans

The amounts of required contributions to the defined contribution plans of the Company and certain consolidated subsidiaries were ¥4,439 million (US\$36,939 thousand) and ¥4,134 million as of March 31, 2015 and 2014, respectively.

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, 2014 and 2013

	Millions of yen		Thousands of US dollars
	2014	2013	2014
Plan assets	¥292,417	¥257,829	\$2,433,361
Projected benefit obligation	366,867	354,524	3,052,900
Difference	¥ (74,450)	¥ (96,695)	\$ (619,539)

(ii) Ratios of total pension plan accounted for by contributions from the Companies

As of March 31, 2014	1.06%
As of March 31, 2013	0.85%

(iii) Supplementary explanation

The difference presented in item (i) above comprised ¥50,581 million (US\$420,912 thousand) and ¥51,991 million in the present value of special contributions and ¥23,869 million (US\$198,627 thousand) and ¥44,705 million in the plan assets shortfall carried forward as of March 31, 2014 and 2013, respectively. 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 are 17 years and 0 months and 18 years and 0 months as of March 31, 2014 and 2013, respectively. Special contributions of ¥52 million (US\$433 thousand) and ¥40 million have been accounted for as pension expense on the consolidated financial statements for the year ended March 31, 2014 and 2013, respectively.

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 ratios under item (ii) above do not match the Group's ratios of actual contributions.

14. Restructuring Charges

Restructuring charges for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Loss on disposal of property, plant and equipment	¥26,657	¥ 6,711	\$221,827
Loss on business restructuring	3,194	1,412	26,579
Expenses on improving the business structure and organization in subsidiaries	1,961	2,342	16,319
Other	384	183	3,195
Total	¥32,196	¥10,648	\$267,920

15. Deferred Taxes

Main components of deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Tax loss carryforwards	¥ 68,104	¥ 61,216	\$ 566,730
Depreciation and amortization	25,819	24,095	214,854
Net defined benefit liability	14,553	15,148	121,103
Reserve for sales rebates	14,158	12,220	117,816
Impairment loss on fixed assets	11,242	11,196	93,551
Prepaid research and development expenses	10,478	11,442	87,193
Inventories	8,059	7,645	67,063
Accrued bonuses	7,710	8,215	64,159
Tax credit for research and development expenses	6,298	8,227	52,409
Reserve for removal cost of property, plant and equipment	6,119	2,892	50,920
Other	36,000	31,371	299,577
Subtotal	208,540	193,667	1,735,375
(Valuation allowance)	(98,614)	(90,650)	(820,621)
Total deferred tax assets	109,926	103,017	914,754
Unrealized gains on investment securities	(53,831)	(45,334)	(447,957)
Valuation differences due to an application of purchase accounting method	(27,272)	(27,898)	(226,945)
Net defined benefit asset	(22,392)	(20,606)	(186,336)
Affiliates' undistributed earnings	(9,467)	(7,420)	(78,780)
Revaluation of exchange for assets and liabilities denominated in foreign currencies	(4,085)	—	(33,994)
Other	(10,966)	(8,709)	(91,254)
Total deferred tax liabilities	(128,013)	(109,967)	(1,065,266)
Net deferred tax liabilities	¥ (18,087)	¥ (6,950)	\$ (150,512)

Main items in the reconciliations of the normal income tax rate to the effective income tax rate for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Statutory income tax rate in Japan	35.6%	— %
Permanently non-deductible expenses	2.3	—
Permanently non-taxable income	(0.4)	—
Equity in earnings of affiliates	(6.3)	—
Affiliates' undistributed earnings	2.0	—
Change in valuation allowance	1.3	—
Amortization of goodwill	2.1	—
Change in income tax rate	2.3	—
Other	0.2	—
Effective income tax rate	39.1%	— %

(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, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.64% for the fiscal year ended March 31, 2015 to 33.1% and 32.34%, respectively, as of March 31, 2015. Due to these changes in statutory income tax rates, net deferred tax assets (less the amount of deferred tax liabilities) increased by ¥3,387 million (US\$28,185 thousand) as of March 31, 2015 and deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥2,646 million (US\$22,019 thousand) and valuation difference on available-for-sale securities as of March 31, 2015 increased by ¥5,187 million (US\$43,164 thousand) and deferred losses on hedges as of March 31, 2015 decreased by ¥28 million (US\$233 thousand) and remeasurements of defined benefit plans included in accumulated other comprehensive income as of March 31, 2015 increased by ¥818 million (US\$6,807 thousand).

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 as of March 31, 2014, and deferred income tax expense recognized for the year ended March 31, 2014 increased by ¥2,160 million and deferred losses on hedges as of March 31, 2014 decreased by ¥14 million.

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, 2015 and 2014, the Companies were contingently liable as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
As guarantor of project completion	¥160,396	¥ —	\$1,334,742
As guarantor of indebtedness	42,812	842	356,262
Repurchase obligation for the securitization of receivables	4,640	4,968	38,612
Total	¥207,848	¥5,810	\$1,729,616

The Company guaranteed debt of its affiliated company, Rabigh Refining and Petrochemical Company, concerning "The Rabigh Phase II Project" in Saudi Arabia and the amount of the contingent liability was ¥160,396 million (US\$1,334,742 thousand) as of March 31, 2015.

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
	2015	2014	2015
Valuation difference on available-for-sale securities			
Increase during the year	¥ 43,244	¥ 28,523	\$ 359,857
Reclassification adjustments	(6,053)	(1,717)	(50,370)
Sub-total, before tax	37,191	26,806	309,487
Tax expense	(7,980)	(9,035)	(66,406)
Sub-total, net of tax	29,211	17,771	243,081
Deferred losses on hedges			
Increase during the year	887	576	7,381
Reclassification adjustments	173	(2,534)	1,440
Adjustments of acquisition cost of assets	(1,009)	946	(8,397)
Sub-total, before tax	51	(1,012)	424
Tax (expense) benefit	(66)	420	(549)
Sub-total, net of tax	(15)	(592)	(125)
Foreign currency translation adjustment			
Increase during the year	85,130	54,068	708,413
Reclassification adjustments	(132)	192	(1,099)
Sub-total, before tax	84,998	54,260	707,314
Tax benefit	—	—	—
Sub-total, net of tax	84,998	54,260	707,314
Remeasurements of defined benefit plans			
Increase during the year	10,930	—	90,955
Reclassification adjustments	(8,626)	—	(71,782)
Sub-total, before tax	2,304	—	19,173
Tax benefit	806	—	6,707
Sub-total, net of tax	3,110	—	25,880
Share of other comprehensive income of associates accounted for using equity method			
Increase during the year	25,913	29,165	215,636
Reclassification adjustments	138	16	1,149
Sub-total, before tax	26,051	29,181	216,785
Total other comprehensive income	¥143,355	¥100,620	\$1,192,935

20. Supplementary Cash Flow Information

Cash and cash equivalents

As of March 31, 2015 and 2014, cash and cash equivalents were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Cash	¥109,245	¥ 80,701	\$ 909,087
Cash equivalents	92,752	51,620	771,840
Total	¥201,997	¥132,321	\$1,680,927

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, 2015 and 2014 were summarized as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Reimbursement of advances paid	¥126,679	¥ —	\$1,054,165
Interest and dividend income	1,380	1,198	11,484

The balances of the Company due to or from Rabigh Refining and Petrochemical Company as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Pledged assets	¥247,545	¥239,457	\$2,059,957
Contingent liabilities	200,075	—	1,664,933
Long-term loans	73,304	62,781	610,002
Accrued interest receivable	10,545	7,768	87,751
Non-trade accounts receivable	10,088	—	83,948

Financial summary of Rabigh Refining and Petrochemical Company, a significant affiliated company, for the years ended March 31, 2015 and 2014 were as follows:

Balance Sheets	Millions of yen		Thousands of US dollars
	2015	2014	2015
Current assets	¥433,473	¥457,684	\$3,607,165
Non-current assets	883,429	825,778	7,351,494
Current liabilities	391,666	441,780	3,259,266
Long-term liabilities	617,827	590,658	5,141,275
Net assets	307,409	251,024	2,558,118

Statements of Operations	Millions of yen		Thousands of US dollars
	2015	2014	2015
Net sales	¥1,532,189	¥1,320,600	\$12,750,179
Income before income taxes	19,251	9,372	160,198
Net income	19,251	9,372	160,198

22. Net Income per Share

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the years ended March 31, 2015 and 2014 were as follows:

Income (Numerator)	Millions of yen		Thousands of US dollars
	2015	2014	2015
Net income — basic	¥52,192	¥36,977	\$434,318
Net income — diluted	52,033	36,868	432,995

Shares (Denominator)	Number of shares	
	2015	2014
Average shares — basic	1,634,434,741	1,634,551,486
Average shares — diluted	1,634,434,741	1,634,551,486

Net income per share	Yen		US dollars
	2015	2014	2015
Basic	¥31.93	¥22.62	\$0.266
Diluted	31.84	22.56	0.265

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, touchscreen panels, 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.

(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, 2015 was as follows:

	Millions of yen								
	Segment information by product group								
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others	Adjustments	Consolidated
Year ended March 31, 2015									
Revenue from customers	¥311,966	¥806,151	¥405,126	¥362,404	¥403,562	¥2,289,209	¥ 87,488	¥ —	¥2,376,697
Inter-segment revenues and transfers	13,273	8,900	4,492	5,125	11	31,801	49,973	(81,774)	—
Total sales	325,239	815,051	409,618	367,529	403,573	2,321,010	137,461	(81,774)	2,376,697
Segment profit (loss)	¥ (393)	¥ 21,204	¥ 32,408	¥ 56,906	¥ 29,024	¥ 139,149	¥ 15,653	¥(27,456)	¥ 127,346
Assets	¥312,745	¥649,278	¥391,841	¥488,120	¥778,575	¥2,620,559	¥254,045	¥ 5,792	¥2,880,396
Depreciation and amortization	18,959	14,168	32,929	15,282	15,470	96,808	5,362	9,332	111,502
Amortization of goodwill	—	402	221	1,605	5,446	7,674	1	—	7,675
Investment on affiliates applied to the equity method	16,340	138,619	462	30,520	482	186,423	90,979	—	277,402
Expenditure for addition to tangible and intangible assets	11,875	13,219	17,498	16,736	16,534	75,862	5,086	3,202	84,150
	Thousands of US dollars								
	Segment information by product group								
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others	Adjustments	Consolidated
Year ended March 31, 2015									
Revenue from customers	\$2,596,039	\$6,708,422	\$3,371,274	\$3,015,761	\$3,358,259	\$19,049,755	\$ 728,035	\$ —	\$19,777,790
Inter-segment revenues and transfers	110,452	74,061	37,380	42,648	92	264,633	415,853	(680,486)	—
Total sales	2,706,491	6,782,483	3,408,654	3,058,409	3,358,351	19,314,388	1,143,888	(680,486)	19,777,790
Segment profit (loss)	\$ (3,270)	\$ 176,450	\$ 269,685	\$ 473,545	\$ 241,525	\$ 1,157,935	\$ 130,256	\$(228,476)	\$ 1,059,715
Assets	\$2,602,521	\$5,402,996	\$3,260,722	\$4,061,912	\$6,478,947	\$21,807,098	\$2,114,047	\$ 48,198	\$23,969,343
Depreciation and amortization	157,768	117,900	274,020	127,170	128,734	805,592	44,620	77,657	927,869
Amortization of goodwill	—	3,345	1,839	13,356	45,320	63,860	8	—	63,868
Investment on affiliates applied to the equity method	135,974	1,153,523	3,845	253,974	4,011	1,551,327	757,086	—	2,308,413
Expenditure for addition to tangible and intangible assets	98,818	110,003	145,610	139,269	137,589	631,289	42,323	26,646	700,258

(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, conducting materials and environmental analysis and providing services to Rabigh Refining and Petrochemical Company (an affiliated company of the Company), which were not included in reported segments.

(Note 2): Adjustments amounts were as follows.

- (i) Adjustments amount of ¥(27,456) million (US\$(228,476) thousand) for segment profit (loss) included inter-segment elimination of ¥(1,858) million (US\$ (15,461) thousand) and corporate expenses of ¥25,598 million (US\$213,015 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 ¥5,792 million (US\$48,198 thousand), which included ¥188,691 million (US\$1,570,201 thousand) eliminations of inter-segment receivables and assets, and ¥194,483 million (US\$1,618,399 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 ¥9,332 million (US\$77,657 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 ¥3,202 million (US\$26,646 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, 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

(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 for segment profit (loss) included inter-segment elimination of ¥298 million and corporate expenses of ¥22,065 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 ¥67,770 million, which included ¥167,520 million eliminations of inter-segment receivables and assets, and ¥235,290 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 ¥8,955 million, 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, 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, 2015 was as follows:

(a) Information about geographic areas

(i) Revenues

	Millions of yen				
	Japan	China	North America	Other	Total
Year ended March 31, 2015	¥948,278	¥418,868	¥257,342	¥752,209	¥2,376,697

	Thousands of US dollars				
	Japan	China	North America	Other	Total
Year ended March 31, 2015	\$7,891,138	\$3,485,629	\$2,141,483	\$6,259,540	\$19,777,790

(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, 2015	¥385,057	¥131,294	¥178,084	¥694,435

	Thousands of US dollars			
	Japan	Korea	Other	Total
Year ended March 31, 2015	\$3,204,269	\$1,092,569	\$1,481,934	\$5,778,772

(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, 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

(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, 2014	¥406,588	¥140,286	¥175,966	¥722,840

(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, 2015 was as follows:

	Millions of yen							
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2015								
Impairment loss	¥7,154	¥458	¥7,308	¥394	¥5,310	¥—	¥12,634	¥33,258

	Thousands of US dollars							
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2015								
Impairment loss	\$59,532	\$3,811	\$60,814	\$3,279	\$44,187	\$—	\$105,135	\$276,758

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

(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, 2015 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, 2015								
Unamortized balance of goodwill	¥—	¥903	¥—	¥6,266	¥88,075	¥5	¥—	¥95,249

	Thousands of US dollars							Total
	Basic Chemicals	Petrochemicals & Plastics	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	
Year ended March 31, 2015								
Unamortized balance of goodwill	\$—	\$7,514	\$—	\$52,143	\$732,920	\$42	\$—	\$792,619

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

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 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, 2015, year-end cash dividends were resolved as follows:

	Millions of yen	Thousands of US dollars
Cash dividends at ¥3.00 (US\$0.025) per share	¥4,906	\$40,825

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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

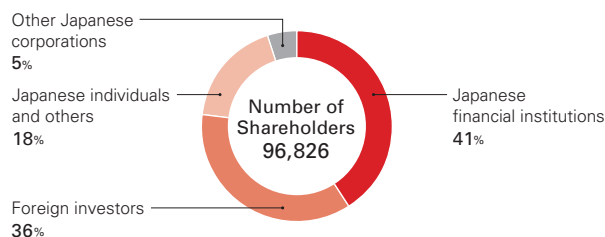
June 23, 2015
Tokyo, Japan

Corporate and Investor Information

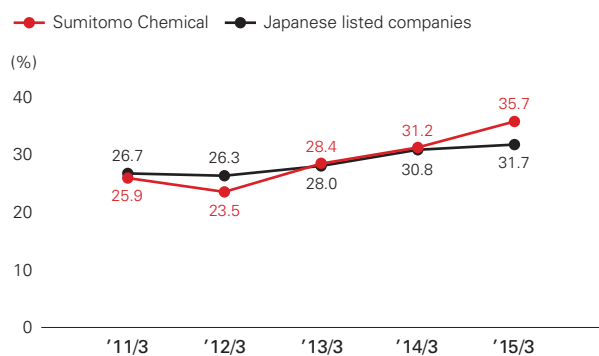
(As of March 31, 2015)

Paid-in Capital	¥89.7 billion
Number of Employees	Non-consolidated: 6,129 Consolidated: 31,039
Common Stock	Authorized: 5,000,000,000 shares Issued: 1,655,446,177 shares (Book value: ¥89.7 billion)
Settlement Date	March 31
Stock Transaction Units	1,000-share units
Ordinary General Meeting of Shareholders	Within three months from the next day of the settlement date
Number of Shareholders	96,826
Listings	Tokyo
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Division 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan
Independent Certified Public Accountants	KPMG AZSA LLC

Distribution of Shareholders



Ownership of Foreign Investors



Major Shareholders

Major Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	93,218	5.63
Japan Trustee Services Bank, Ltd. (Trust Account)	90,918	5.49
Sumitomo Life Insurance Company	71,000	4.29
Nippon Life Insurance Company	41,031	2.48
Sumitomo Mitsui Banking Corporation	38,453	2.32
Japan Trustee Service Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited ReTrust Account / Sumitomo Life Insurance Company Employee Pension Trust Account)	29,000	1.75
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	26,338	1.59
STATE STREET BANK AND TRUST COMPANY 505225	26,098	1.58
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	23,734	1.43
The Norinchukin Bank	21,825	1.32

Dividend Policy

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

The full year dividend for fiscal 2014 was ¥9 per share, unchanged from the previous fiscal year.

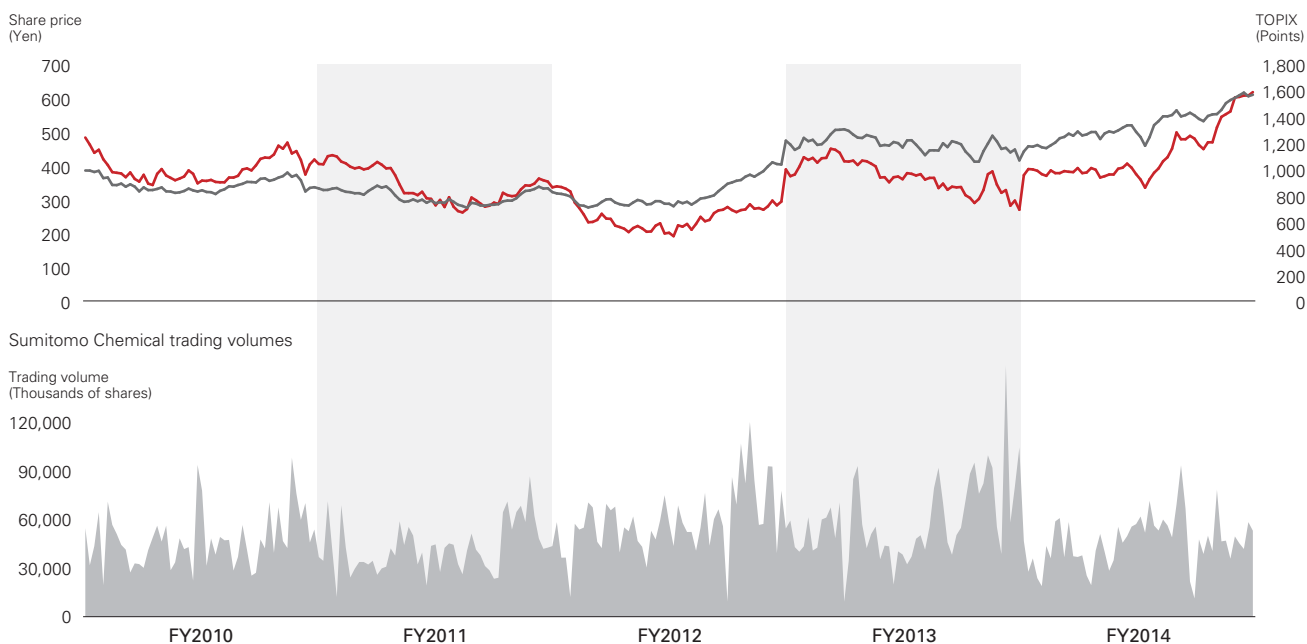
IR Calendar

Fiscal 2014 (Year ended March 31, 2015)	
May 2015	Fiscal 2014 Financial Results
June 2015	134th Ordinary General Meeting of Shareholders
Fiscal 2015 (Year ending March 31, 2016)	
July 2015	1st Quarter Financial Results
October 2015	2nd Quarter Financial Results
February 2016	3rd Quarter Financial Results
May 2016	Fiscal 2015 Financial Results
June 2016	135th Ordinary General Meeting of Shareholders

Note: This schedule is subject to change.

Stock Performance

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



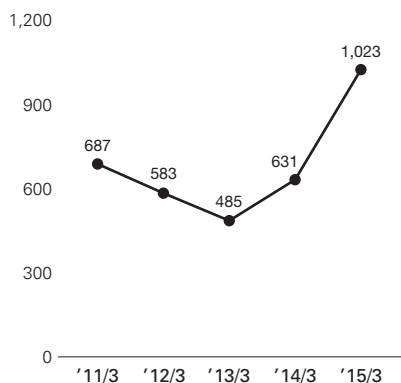
	FY2010	FY2011	FY2012	FY2013	FY2014
Share price high (yen)	487	446	360	458	631
Share price low (yen)	330	254	186	250	333
Share price at year-end (yen)	415	352	293	381	618
Cumulative trading volume (thousands)	2,536,345	2,272,064	3,126,372	3,164,352	2,489,166

	FY2010	FY2011	FY2012	FY2013	FY2014
Shares outstanding* (thousands)	1,655,446	1,655,446	1,655,446	1,655,446	1,655,446
Market capitalization* (billions of yen)	687	583	485	631	1,023
Price earnings ratio* (times)	27.9	102.9	—	16.8	19.4
Price book-value ratio* (times)	1.3	1.2	1.0	1.0	1.3
Ratio of shares owned by foreign investors to shares outstanding* (%)	25.9	23.5	28.4	31.2	35.7

* Figures are for the end of each fiscal year.

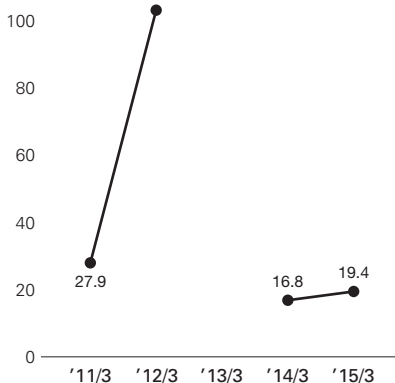
Market Capitalization

(Billions of yen)



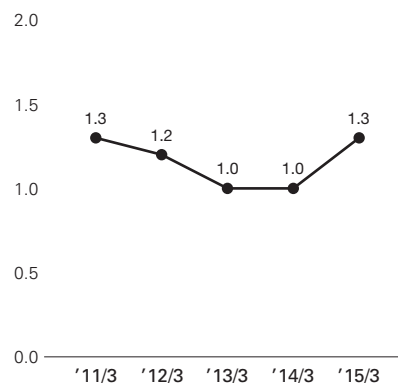
Price Earnings Ratio

(Times)



Price Book-value Ratio

(Times)



 **SUMITOMO CHEMICAL COMPANY, LIMITED**

Corporate Communications Office

27-1, Shinkawa 2-chome, Chuo-ku, Tokyo 104-8260, Japan

TEL: +81(3) 5543-5537 FAX: +81(3) 5543-5901

www.sumitomo-chem.co.jp/english



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

