

SUMITOMO CHEMICAL COMPANY, LIMITED

Notice of the 136th Ordinary General Meeting of Shareholders

THIS DOCUMENT IS A SUMMARY OF A NOTICE AND THE ATTACHMENTS THERETO, THE ORIGINALS OF WHICH ARE IN THE JAPANESE LANGUAGE. THIS DOCUMENT IS MADE ONLY FOR THE REFERENCE PURPOSES OF SHAREHOLDERS WHO LIVE IN COUNTRIES OUTSIDE OF JAPAN AND DOES NOT CONSTITUTE A FORMAL TRANSLATION OF THE ORIGINAL NOTICE AND THE ATTACHMENTS. IN THIS SUMMARY, CERTAIN INFORMATION IS INTENTIONALLY OMITTED. THE ORIGINALS CONTAIN MORE INFORMATION, SUCH AS THE REPORTS OF THE ACCOUNTING AUDITORS AND THE BOARD OF CORPORATE AUDITORS, ETC., WHILE SOME SUPPLEMENTAL INFORMATION NOT CONTAINED IN THE ORIGINALS IS ADDITIONALLY GIVEN IN THIS SUMMARY AS FOOTNOTES WITH ASTERISKS.

To Our Shareholders:

Please take notice that Sumitomo Chemical Company, Limited (the “Company”) has called an Ordinary General Meeting of Shareholders to be held in Tokyo, Japan on June 21, 2017 (the “Meeting”) for the following purposes:

MATTERS TO BE REPORTED:

- No. 1. Reports on the Company’s business report, consolidated financial statements, and the results of both the Accounting Auditor’s and the Board of Corporate Auditors’ audits of the Company’s consolidated financial statements for the 136th fiscal period (from April 1, 2016, to March 31, 2017) (the “136th fiscal period”).
- No. 2. Reports on the Company’s non-consolidated financial statements for the 136th fiscal period.

MATTERS TO BE RESOLVED:

- No. 1. To elect eleven Directors.
- No. 2. To elect one Corporate Auditor.

EXPLANATION OF THE SUBJECT MATTERS OF THE MEETING

MATTERS TO BE REPORTED:

- No. 1. Reports on the Company's business report, consolidated financial statements, and the results of both the Accounting Auditor's and the Board of Corporate Auditors' audits of the Company's consolidated financial statements for the 136th fiscal period.
- No. 2. Reports on the Company's non-consolidated financial statements for the 136th fiscal period.

* The financial statements for the 136th fiscal period have been audited by the Accounting Auditors (certified public accountants under Japanese law) and the Corporate Auditors of the Company pursuant to the Companies Act (*kaishahou*) (Law No. 86 of 2005).

MATTERS TO BE RESOLVED:

No. 1. To elect eleven Directors.

The term of office of all eleven Directors will expire at the close of this Meeting. Accordingly, the election of eleven Directors including three Outside Directors is proposed.

The candidates for Directors are as follows:

Candidate No.	Name	Current Principal Occupation and Responsibility at the Company	
1	Osamu Ishitobi (Reappointment)	Representative Director, Chairman	
2	Masakazu Tokura (Reappointment)	Representative Director, President & Executive President	
3	Toshihisa Deguchi (Reappointment)	Representative Director & Executive Vice President	Supervision of IT-related Chemicals Sector, PLED Business Planning, Electronic Devices Development Center, Special Aide to Executive President (pertaining to activities related to new technology and product development as designated by Executive President)
4	Yoshihiko Okamoto (Reappointment)	Representative Director & Senior Managing Executive Officer	Supervision of Corporate Business Development, Corporate Planning, IT Innovation
5	Ray Nishimoto (Reappointment)	Representative Director & Senior Managing Executive Officer	Supervision of Health & Crop Sciences Sector
6	Kunio Nozaki (Reappointment)	Representative Director & Senior Managing Executive Officer	Supervision of Corporate Communications, Accounting, Finance, Procurement, Logistics
7	Hiroshi Ueda (Reappointment)	Representative Director & Senior Managing Executive Officer	Supervision of Energy & Functional Materials Sector
8	Noriaki Takeshita (New appointment)	Managing Executive Officer	Supervision of Rabigh Project, Petrochemicals & Plastics Sector
9	Kunio Ito (Reappointment, Outside Director, Independent Officer)	Director	
10	Koichi Ikeda (Reappointment, Outside Director, Independent Officer)	Director	
11	Hiroshi Tomono (Reappointment, Outside Director, Independent Officer)	Director	

Candidate No. Name	Career Summary, Principal Occupation and Responsibility at the Company, and Important Concurrent Post		Birth Date The Number of Shares Owned in the Company
1  Osamu Ishitobi (Reappointment)	April 1969 June 1998 June 2002 June 2003 June 2005 June 2006 June 2008 June 2012 June 2014 April 2015 April 2017 up to the present date [Reason for selection as a Director nominee, etc.] Osamu Ishitobi assumed office as a Director of the Company in 1998, and then served as a Director & Executive Vice President, Director & Executive Vice Chairman, and Director & Executive Chairman. He is currently engaged in the operations of the Board of Directors of the Company as a Director, Chairman. He was continuously selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	Joined the Company Director Managing Director Resigned as Managing Director, Managing Executive Officer Director & Senior Managing Executive Officer Representative Director & Senior Managing Executive Officer Representative Director & Executive Vice President Representative Director, Vice Chairman & Executive Vice Chairman Representative Director, Chairman & Executive Chairman, CEO Representative Director, Chairman & Executive Chairman Representative Director, Chairman up to the present date [Reason for selection as a Director nominee, etc.] Osamu Ishitobi assumed office as a Director of the Company in 1998, and then served as a Director & Executive Vice President, Director & Executive Vice Chairman, and Director & Executive Chairman. He is currently engaged in the operations of the Board of Directors of the Company as a Director, Chairman. He was continuously selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	February 18, 1944 241,000 Shares
2  Masakazu Tokura (Reappointment)	April 1974 June 2003 June 2006 June 2008 April 2009 April 2011 April 2014 April 2015 up to the present date [Reason for selection as a Director nominee, etc.] Masakazu Tokura assumed office as an Executive Officer of the Company in 2003. He previously served as a Director & Senior Managing Executive Officer, and has been serving as a Director & Executive President since 2011. He has formulated and promoted the current middle term business plan (from April 2016 to March	Joined the Company Executive Officer Managing Executive Officer Representative Director & Managing Executive Officer Representative Director & Senior Managing Executive Officer Representative Director, President & Executive President Representative Director, President & Executive President, COO Representative Director, President & Executive President up to the present date [Reason for selection as a Director nominee, etc.] Masakazu Tokura assumed office as an Executive Officer of the Company in 2003. He previously served as a Director & Senior Managing Executive Officer, and has been serving as a Director & Executive President since 2011. He has formulated and promoted the current middle term business plan (from April 2016 to March	July 10, 1950 206,000 Shares

Candidate No. Name	Career Summary, Principal Occupation and Responsibility at the Company, and Important Concurrent Post	Birth Date The Number of Shares Owned in the Company
	2019). He was continuously selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	
3  Toshihisa Deguchi (Reappointment)	March 1990 Joined the Company April 2006 Executive Officer April 2009 Managing Executive Officer June 2011 Representative Director & Managing Executive Officer April 2012 Representative Director & Senior Managing Executive Officer April 2017 Representative Director & Executive Vice President up to the present date Current Responsibility at the Company Supervision of IT-related Chemicals Sector, PLED Business Planning, Electronic Devices Development Center, Special Aide to Executive President (pertaining to activities related to new technology and product development as designated by Executive President) [Reason for selection as a Director nominee, etc.] Toshihisa Deguchi assumed office as an Executive Officer of the Company in 2006. He previously served as a Director & Managing Executive Officer and Director & Senior Managing Executive Officer, and has been serving as a Director & Executive Vice President since April 2017. He has been mainly in charge of the IT-related Chemicals Sector, and has utilized his knowledge and experience for the benefit of the overall business of the Company as a Director. He was continuously selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	January 28, 1952 134,000 Shares
4  Yoshihiko Okamoto (Reappointment)	April 1976 Joined the Company January 2005 Executive Officer June 2008 Managing Executive Officer April 2013 Senior Managing Executive Officer June 2013 Representative Director & Senior Managing Executive Officer up to the present date Current Responsibility at the Company Supervision of Corporate Planning, Corporate Business Development, IT Innovation [Reason for selection as a Director nominee, etc.] Yoshihiko Okamoto assumed office as an Executive Officer of the Company in 2005. He previously served as a Managing Executive Officer and Senior Managing Executive Officer, and has been serving as a Director & Senior Managing Executive Officer since 2013. He has been mainly in charge of the Basic Chemicals Sector,	November 11, 1953 79,000 Shares

Candidate No. Name	Career Summary, Principal Occupation and Responsibility at the Company, and Important Concurrent Post	Birth Date The Number of Shares Owned in the Company
	and Corporate Planning & Business Development, and has utilized his knowledge and experience for the benefit of the overall business of the Company as a Director. He was continuously selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	
5  Ray Nishimoto (Reappointment)	April 1980 Joined the Company April 2009 Executive Officer April 2011 Managing Executive Officer June 2013 Representative Director & Managing Executive Officer April 2015 Representative Director & Senior Managing Executive Officer up to the present date Current Responsibility at the Company Supervision of Health & Crop Sciences Sector Important Concurrent Post Chairman of Valent U.S.A. LLC Chairman of Valent BioSciences LLC Chairman of Dalian Sumika Jingang Chemicals Co., Ltd. Chairman of Dalian Sumika Chemphy Chemical Co., Ltd. Chairman of Vector Health International Ltd. [Reason for selection as a Director nominee, etc.] Ray Nishimoto assumed office as an Executive Officer of the Company in 2009. He previously served as a Managing Executive Officer and Director & Managing Executive Officer, and has been serving as a Director & Senior Managing Executive Officer since 2015. He has been in charge of the Health & Crop Sciences Sector, and has utilized his knowledge and experience for the benefit of the overall business of the Company as a Director. He was continuously selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	April 23, 1957 53,000 Shares
6  Kunio Nozaki (Reappointment)	April 1979 Joined the Company June 2007 Executive Officer April 2009 Managing Executive Officer April 2014 Senior Managing Executive Officer June 2014 Representative Director & Senior Managing Executive Officer up to the present date Current Responsibility at the Company Supervision of Corporate Communications, Accounting, Finance, Procurement, Logistics Important Concurrent Post President of Sumika Finance Co., Ltd.	October 29, 1956 62,000 Shares

Candidate No. Name	Career Summary, Principal Occupation and Responsibility at the Company, and Important Concurrent Post	Birth Date The Number of Shares Owned in the Company
	Outside Director of Sumitomo Seika Chemicals Co., Ltd. [Reason for selection as a Director nominee, etc.] Kunio Nozaki assumed office as an Executive Officer of the Company in 2007. He previously served as a Managing Executive Officer and Senior Managing Executive Officer, and has been serving as a Director & Senior Managing Executive Officer since 2014. He has been in charge of the Corporate Communications, Accounting, Finance, Procurement and Logistics, and has utilized his knowledge and experience for the benefit of the overall business of the Company as a Director. He was continuously selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	
7  Hiroshi Ueda (Reappointment)	April 1982 Joined the Company April 2009 Executive Officer April 2011 Managing Executive Officer April 2016 Senior Managing Executive Officer June 2016 Representative Director & Senior Managing Executive Officer up to the present date Current Responsibility at the Company Supervision of Energy & Functional Materials Sector [Reason for selection as a Director nominee, etc.] Hiroshi Ueda assumed office as an Executive Officer of the Company in 2009. He previously served as a Managing Executive Officer and Senior Managing Executive Officer, and has been serving as a Director & Senior Managing Executive Officer since 2016. He has been in charge of the Energy & Functional Materials Sector, and has utilized his knowledge and experience for the benefit of the overall business of the Company as a Director. He was continuously selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	August 5, 1956 59,000 Shares
8  Noriaki Takeshita (New appointment)	April 1982 Joined the Company April 2010 Executive Officer April 2013 Managing Executive Officer up to the present date Current Responsibility at the Company Supervision of Rabigh Project, Petrochemicals & Plastics Sector Important Concurrent Post Deputy Chairman of Rabigh Refining and Petrochemical Company President of Japan-Singapore Petrochemicals Co., Ltd.	July 23, 1958 43,000 Shares

Candidate No. Name	Career Summary, Principal Occupation and Responsibility at the Company, and Important Concurrent Post	Birth Date The Number of Shares Owned in the Company
	[Reason for selection as a Director nominee, etc.] Since joining the Company, Noriaki Takeshita has mainly worked in administrative departments such as Corporate Planning Dept. and Human Resources Dept., and has experience in Singapore and Saudi Arabia (Rabigh Project). After being appointed to an Executive Officer in 2010, in addition to the Rabigh Project, he worked as a Managing Executive Officer in charge of the Planning & Coordination Office, Petrochemicals Division, Industrial Chemicals Division in Petrochemicals & Plastics Sector, and in addition to planning and administration, he also has sales management experience. He was selected as a Director nominee since he has extensive business experience and advanced knowledge of the overall business of the Company, as described above.	
9  Kunio Ito (Reappointment, Outside Director, Independent Officer)	April 1980 Lecturer, Faculty of Commerce and Management of Hitotsubashi University April 1984 Associate Professor, Hitotsubashi University April 1992 Professor, Hitotsubashi University August 2002 Dean of Graduate School of Commerce and Management, Hitotsubashi University & Dean of Faculty of Commerce and Management, Hitotsubashi University December 2004 Board Member & Executive Vice President of Hitotsubashi University December 2006 Professor of Graduate School of Commerce and Management, Hitotsubashi University June 2012 Outside Director of the Company up to the present date April 2015 Research Professor of Graduate School of Commerce and Management, Hitotsubashi University up to the present date Important Concurrent Post Outside Director of Akebono Brake Industry Co., Ltd. Outside Director of Kobayashi Pharmaceutical Co., Ltd. Outside Director of Seven & i Holdings Co., Ltd. Outside Director of Toray Industries, Inc. [Reason for selection as a Director nominee, etc.] Kunio Ito was continuously selected as an Outside Director nominee to supervise the management of the Company by making use of his expert knowledge of accounting, business administration, etc. through his long experience as a university professor; and his abundant experience of acting as an outside director and auditor. Although Kunio Ito only has experience with enterprise management as an outside director or auditor, the Company has determined that he is capable of appropriately performing the duties of an Outside Director of the Company, due to the reasons mentioned above.	December 13, 1951 0 Shares

Candidate No. Name	Career Summary, Principal Occupation and Responsibility at the Company, and Important Concurrent Post	Birth Date The Number of Shares Owned in the Company
10  Koichi Ikeda (Reappointment, Outside Director, Independent Officer)	April 1963 Joined Asahi Breweries, Ltd. (Currently Asahi Group Holdings, Ltd.) March 1992 Commissioner of Asahi Breweries, Ltd. March 1996 Director of Asahi Breweries, Ltd. March 1997 Managing Director of Asahi Breweries, Ltd. March 1999 Senior Managing Director of Asahi Breweries, Ltd. March 2000 Senior Managing Executive Officer of Asahi Breweries, Ltd. March 2001 Senior Managing Director & Senior Managing Executive Officer of Asahi Breweries, Ltd. January 2002 Representative Director & President & COO of Asahi Breweries, Ltd. March 2006 Representative Director & Chairman & CEO of Asahi Breweries, Ltd. March 2010 Adviser of Asahi Breweries, Ltd. June 2011 Outside Corporate Auditor of the Company July 2011 Adviser of Asahi Group Holdings, Ltd. up to the present date June 2015 Outside Director of the Company up to the present date Important Concurrent Post Outside Director of Toshiba Corporation [Reason for selection as a Director nominee, etc.] Koichi Ikeda was continuously selected as an Outside Director nominee to supervise the management of the Company by making use of his abundant experience and extensive knowledge as a management executive of a business corporation.	April 21, 1940 0 Shares
11  Hiroshi Tomono (Reappointment, Outside Director, Independent Officer)	April 1971 Joined Sumitomo Metal Industries, Ltd. (Currently Nippon Steel & Sumitomo Metal Corporation) June 1998 Director of Sumitomo Metal Industries, Ltd. June 1999 Managing Executive Officer of Sumitomo Metal Industries, Ltd. April 2003 Senior Managing Executive Officer of Sumitomo Metal Industries, Ltd. June 2003 Director & Senior Managing Executive Officer of Sumitomo Metal Industries, Ltd. April 2005 Representative Director & Vice President of Sumitomo Metal Industries, Ltd. June 2005 Representative Director & President of Sumitomo Metal Industries, Ltd. October 2012 Representative Director & President & COO of Nippon Steel & Sumitomo Metal Corporation April 2014 Representative Director & Vice Chairman of Nippon Steel & Sumitomo Metal Corporation April 2015 Director & Adviser of Nippon Steel & Sumitomo Metal Corporation June 2015 Adviser of Nippon Steel & Sumitomo Metal	July 13, 1945 0 Shares

Candidate No. Name	Career Summary, Principal Occupation and Responsibility at the Company, and Important Concurrent Post	Birth Date The Number of Shares Owned in the Company
	Corporation up to the present date June 2015 Outside Director of the Company up to the present date Important Concurrent Post Outside Director of Konica Minolta, Inc. Outside Director of Japan Nuclear Fuel Limited [Reason for selection as a Director nominee, etc.] Hiroshi Tomono was continuously selected as an Outside Director nominee to supervise the management of the Company by making use of his abundant experience and extensive knowledge as a management executive of a business corporation.	

- NOTES: 1 None of the above candidates has any conflicts of interest with the Company.
- 2 Kunio Ito, Koichi Ikeda and Hiroshi Tomono are the candidates for Outside Directors.
- 3 Kunio Ito, Koichi Ikeda, and Hiroshi Tomono are currently Outside Directors of the Company. Kunio Ito's term of office will be five years, Koichi Ikeda's term of office will be two years, and Hiroshi Tomono's term of office will be two years at the close of this Meeting.
- 4 The Company has notified the Tokyo Stock Exchange, Inc. that Kunio Ito, Koichi Ikeda, and Hiroshi Tomono are Independent Directors who have no risk of having conflicts of interest with ordinary shareholders pursuant to the regulations of the Tokyo Stock Exchange, Inc.
- 5 In November 2015, improper accounting practices were exposed at Akebono Brake Industry Co., Ltd., where Kunio Ito has served as an outside director, and an investigation was conducted by an investigation committee. As a result of the investigation, the effects on results were found to be minor, and no revisions were made to the company's financial statements. Although Kunio Ito was not aware of the incident in question in advance, he made proposals regarding establishing internal controls and strengthening compliance functions on a regular basis at the company's meetings of the Board of Directors, and has provided advice to prevent a reoccurrence after the matter in question was exposed; thus, he has fulfilled his duties as an outside director.
- 6 In December 2016, Japan Nuclear Fuel Limited, where Hiroshi Tomono has served as an Outside Director since June 2016, received an order to submit a report ("Collection of Reports") from the Nuclear Regulation Authority regarding safety violations. He was not aware of each matter related to the receipt of such an order in advance, but had always expressed his opinions from the perspective of compliance at Board of Directors Meetings, etc., and even after receiving the order, fulfilled his responsibility as an Outside Director, such as instructing through inspections and measures to prevent reoccurrence.
- 7 The Company executed limitation of liability contracts with Kunio Ito, Koichi Ikeda, and Hiroshi Tomono that limit their liabilities for damages to the Company pursuant to Article 423(1) of the Companies Act, up to the total of the amounts listed in the items of Article 425(1) of the Companies Act (the "Limitation of Liability Contracts"). When they are reappointed to Outside Directors of the Company, the Company will continue the Limitation of Liability Contracts.

No. 2. To elect one Corporate Auditor.

The term of office of Corporate Auditor Mitsuhiro Aso will expire at the close of this Meeting. Accordingly, the election of one Corporate Auditor is proposed.

The Board of Corporate Auditors has given its consent to this proposal.

The candidate for Corporate Auditor is as follows:

Name	Career Summary, Principal Occupation at the Company and Important Concurrent Post	Birth Date The Number of Shares Owned in the Company
 Mitsuhiro Aso (Reappointment, Outside Corporate Auditor, Independent Officer)	April 1975 Prosecutor October 2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office June 2012 Retired as Prosecutor October 2012 Registered as an Attorney June 2013 Outside Corporate Auditor of the Company up to the present date Important Concurrent Post Outside Director of USS Co., Ltd. Outside Director of Nojima Corporation Outside Corporate Auditor of Sumitomo Mitsui Trust Bank, Limited [Reason for selection as a Corporate Auditor nominee, etc.] Mitsuhiro Aso was continuously selected as an Outside Corporate Auditor nominee to audit the Company by making use of his expert knowledge and abundant experience through his long experience as a public prosecutor. Although Mitsuhiro Aso only has experience with enterprise management as an outside director or auditor, the Company has determined that he is capable of appropriately performing the duties of an Outside Corporate Auditor of the Company, due to the reasons mentioned above.	June 26, 1949 0 Shares

- NOTES: 1 The above candidate does not have any conflicts of interest with the Company.
- 2 Mitsuhiro Aso is a candidate for Outside Corporate Auditor.
- 3 Mitsuhiro Aso is currently Outside Corporate Auditor of the Company. His term of office will be four years at the close of this Meeting.
- 4 The Company has notified the Tokyo Stock Exchange, Inc. that Mitsuhiro Aso is an Independent Auditor who has no risk of having conflicts of interest with ordinary shareholders pursuant to the regulations of the Tokyo Stock Exchange, Inc.
- 5 The Company executed a limitation of liability contract with Mitsuhiro Aso that limit his liabilities for damages to the Company pursuant to Article 423(1) of the Companies Act, up to the total of the amounts listed in the items of Article 425(1) of the Companies Act (the "Limitation of Liability Contract"). When he is reappointed to Outside Corporate Auditor of the Company, the Company will continue the Limitation of Liability Contract.

(Reference)

Criteria for Designation of Independent Directors & Auditors (Revised June 23, 2015)

1. These criteria set conditions for designation of the Company's Outside Directors & Auditors (meaning Outside Directors and Outside Corporate Auditors) as "Independent Directors & Auditors" defined in the listing rules of stock exchanges in Japan.
2. If none of the conditions given in (1) to (9) below applies, a person, in principle, shall be considered to have no material interest in the Company and may be designated as Independent Directors & Auditors.

The person

- (1) Is an executor of business, i.e. someone who executes business of the Company or a company of the Company's Group (a Director (other than Outside Director), an executive officer, or an employee (by whatever name, someone having an employment relationship with the Company or with the company of the Group)).
- (2) Is an executor of business who executes business of a major client or business partner of the Company. The "a major client or business partner" means any of the following.
 - (a) A vendor providing products or services to the Company, or a customer to which the Company is providing products or services, of which the total amount of such transactions in the fiscal year nearest to the time of intended designation as an Independent Directors & Auditors exceeds 2% of their total sales or exceeds 2% of the Company's nonconsolidated sales, respectively.
 - (b) A financial institution providing loans to the Company, of which the total amount of the loans at the end of the fiscal year nearest to the time of intended designation as Independent Directors & Auditors exceeds 2% of the Company's total nonconsolidated borrowings; provided that, even if the amount does not exceed 2%, a financial institution indicated as a lender to the Company on annual securities reports, business reports or other public documents shall be considered "a major business partner."
- (3) A consultant, certified public accountant, attorney or other expert receiving remuneration from the Company in addition to the remuneration payable to the Company's Directors, Officers, Etc., of which the total amount of the remuneration paid, other than the remuneration payable to the Company's Directors, Officers, Etc., in the fiscal year nearest to the time of intended designation as Independent Directors & Auditors exceeds 10 million yen; provided that, even if the amount does not exceed 10 million yen, the person shall be considered a recipient of a substantial amount of remuneration if it exceeds 50% of that person's annual income.
- (4) A person who works for an organization that is a consulting firm, tax accounting firm, law office, other corporate body, partnership, etc., whose sales to the Company in the fiscal year nearest to the time of intended designation as Independent Directors & Auditors exceeds 2% of the organization's total sales or 10 million yen, whichever is larger.
- (5) A shareholder of the Company whose share of voting rights at the end of the fiscal year nearest to the time of intended designation as Independent Directors & Auditors is 10% or more (a total of direct and indirect holdings) or an executor of business at the shareholder entity.

- (6) Of the companies in which the Company holds shares, an entity in which the Company's share of voting rights at the end of the fiscal year nearest to the time of intended designation as Independent Directors & Auditors is 10% or more (a total of direct and indirect holdings) or an executor of business at the entity.
 - (7) A person who works for an auditing firm that conducts statutory audits of the Company.
 - (8) A person to whom (1) above was applicable in the past or to whom any of (2) to (7) above was applicable in the past one year or equivalent period.
 - (9) A spouse or a close relative (second-degree relative or closer) of a person to whom any of the following applies.
 - (a) A person listed in (1) to (7) above.
 - (b) A person who, in the past year or equivalent period, was an executor of business of the Company or a company of the Company's Group. If an outside Corporate Auditor is to be designated as Independent Directors & Auditors, a Director not executing business or an accounting advisor (including its employees who are to perform relevant specific duties if the accounting advisor is a body corporate).
 - (c) In (a) and (b) above, "an executor of business" shall mean a person executing an important business at a company or a business partner, i.e. a Director having business execution functions, an Executive Officer or an employee having a position of department manager, its equivalent or above, and shall not include persons below the position of department manager or its equivalent.
 - (d) The above (a) notwithstanding, a person who "works for an organization" in (4) above shall not include a person who is neither an executor of important business in the organization nor, if the organization is an auditing firm, law office or other organization specializing in accounting or law, etc., a person who has specialized qualifications, such as a certified public accountant and attorney.
 - (e) The above (a) notwithstanding, a person who "works for an auditing firm" in (7) above shall include neither a person who is not an executor of important business in the firm nor a person who does not have specialized qualifications, such as a certified public accountant.
3. Even where the conditions set forth in 2. above do not apply, if there are circumstances that, in the judgment of the Company, sufficiently indicates any of Outside Directors & Auditors being incapable of performing his or her duties as Independent Directors & Auditors, that particular Outside Directors & Auditors shall not be designated as Independent Directors & Auditors.
4. With respect to an Outside Directors & Auditors whom the Company intends to designate as Independent Directors & Auditors in accordance with the foregoing, the Company shall, upon his or her written consent, designate that Outside Directors & Auditors as Independent Directors & Auditors, and shall make notification thereof to the stock exchanges on which the Company is listed. Prior to making the notification, the matter shall be reported to the Board of Directors and the Board of Corporate Auditors.

Business Report

(April 1, 2016 - March 31, 2017)

1. Overview of the Company Group

(1) Business Progress and Results

During the twelve months ended March 31, 2017 (Fiscal 2016), the world economy faced growing uncertainty due to the British vote to exit from the European Union and the inauguration of the new U.S. administration, but the global economy was robust in general, led by the strengthening U.S. economy due to the good employment situation and on expectations of a fiscal expansion. In Japan, although consumer spending remained weak, the economy continued to stay on a moderate recovery path due to improvement in wages and the job market as well as strong corporate earnings.

The business environment surrounding the Sumitomo Chemical Group was initially tough due to the stronger yen and an economic slowdown in emerging countries in the first half of fiscal 2016, but there were signs from late in fiscal 2016 that the situation was improving due to the weaker yen after the U.S. presidential election and higher market prices for petrochemical products.

Under these circumstances, the Sumitomo Chemical Group undertook group-wide efforts to improve business performance. At the same time, the Group worked to further accelerate its transformation into a more resilient Sumitomo Chemical that continues to grow, based on the current three-year Corporate Business Plan for fiscal 2016 to 2018 that has a basic policy of further improving business portfolio, generating more cash flow, and accelerating the launch of next-generation businesses.

As a result, the Group's sales for fiscal 2016 decreased by ¥147.5 billion compared with the previous fiscal year, to ¥1,954.3 billion. The Group posted operating income of ¥134.3 billion and ordinary income of ¥166.6 billion, both representing decreases from the previous fiscal year. Net income attributable to owners of the parent was ¥85.5 billion, showing an increase from the previous fiscal year.

The Company's non-consolidated sales amounted ¥650.9 billion, and net income was ¥36.9 billion.

The Company decided to pay a year-end dividend of ¥7 per share. As a result, the Company's annual dividend for fiscal 2016 is ¥14 per share, including an interim dividend of ¥7 per share.

Financial Results by Business Segment

Petrochemicals & Plastics

Market prices of petrochemical products and synthetic resins declined because of lower feedstock prices. Shipments of petrochemical products decreased due to the restructuring of the petrochemical business at the Chiba Works. The stronger yen had a negative effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales decreased by ¥85.1 billion compared with the previous fiscal year, to ¥572.0 billion. Operating income declined by ¥2.2 billion, to ¥26.6 billion.

Energy & Functional Materials

Selling prices of aluminum declined due chiefly to the stronger yen. Shipments of resorcinol, a raw material for adhesives, and engineering plastics increased due to a rise in demand. As a result, the segment's sales decreased by ¥3.1 billion compared with the previous

fiscal year, to ¥205.9 billion. Operating income increased by ¥4.4 billion, to ¥7.2 billion.

IT-related Chemicals

Selling prices of polarizing film dropped. Selling prices of touchscreen panels also declined, but shipments increased due to growth in demand. The stronger yen had a negative effect on sales from overseas subsidiaries in yen terms. As a result, the segment's sales decreased by ¥26.1 billion compared with the previous fiscal year, to ¥358.4 billion. Operating income declined by ¥9.5 billion, to ¥10.3 billion.

Health & Crop Sciences

Sales of the feed additive methionine dropped due to lower market prices. The stronger yen had a negative effect on sales. As a result, the segment's sales decreased by ¥39.7 billion compared with the previous fiscal year, to ¥319.3 billion. Operating income declined by ¥31.4 billion, to ¥46.2 billion.

Pharmaceuticals

In Japan, although sales of Aimix® (anti-hypertension drug), Trerief® (therapeutic agent for Parkinson's disease) and other drugs increased, overall sales declined due largely to the impacts of Japanese National Health Insurance drug price revisions and a decrease in shipments of patent-expired originator drugs. In North America, sales of Latuda® (atypical antipsychotic) and other drugs increased steadily. The stronger yen had a negative effect on sales from overseas subsidiaries in yen terms. The segment's sales increased by ¥8.7 billion compared with the previous fiscal year, to ¥444.2 billion. Operating income rose by ¥12.4 billion, to ¥55.1 billion, due to the expansion of sales in North America.

Others

In addition to the above five segments, the Sumitomo Chemical Group engages in supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis. The segment's sales decreased by ¥2.2 billion compared with the previous fiscal year, to ¥54.4 billion. Operating income declined by ¥2.1 billion, to ¥5.7 billion.

Equity in earnings of affiliates increased by ¥21.0 billion compared with the previous fiscal year, to ¥41.2 billion. Earnings of Petrochemical Corporation of Singapore (Pte.) Ltd remained strong. Earnings of Rabigh Refining and Petrochemical Company, which deteriorated in the previous fiscal year due to periodic plant maintenance, improved in fiscal 2016 due chiefly to increased shipments after periodic plant maintenance.

(Note) Change in Business Segment Classification

As of April 1, 2016, battery materials and engineering plastics, which had been included in the IT-related Chemicals Segment, were transferred to the Energy & Functional Materials Segment.

The financial results by business segment above are explained with results from the previous fiscal year that have been recalculated in line with the change in business segment classification to allow for year-on-year comparisons.

Capital Expenditures

In the fiscal year under review, the Companies' capital expenditures totaled ¥130.1 billion, which includes investments for new installations and the expansion of manufacturing facilities as well as renovations and rationalization of existing facilities.

Major facilities completed in the fiscal year under review includes the new manufacturing facility for lithium-ion secondary battery separators in South Korea in the Energy & Function Materials Segment and the expansion of the production facility for touchscreen panels for organic LED (OLED) displays in South Korea in the IT-related Chemicals Segment.

Major facilities under construction in the fiscal year under review includes the expansion of manufacturing facility for lithium-ion secondary battery separators in South

Korea in the Energy & Function Materials Segment, the expansion of the manufacturing facility for film-based touchscreen panels for OLED displays in South Korea in the IT-related Chemicals Segment, the expansion of the Company's production facility for methionine and the new Synthesis Research Laboratory in the Health & Crop Sciences Segment.

Financing

To respond to financing needs during the fiscal year under review, the Company raised funds, primarily via the issue of corporate bonds and borrowings from banks. The balance of borrowings (including corporate bonds) increased by ¥43.7 billion from the previous fiscal year, to ¥875.3 billion.

(2) Issues to be Addressed

Sumitomo Chemical's Vision

Capabilities to develop innovative solutions by leveraging extensive technological expertise, Global market reach, and Highly loyal employees — these are Sumitomo Chemical's core competence, which we have built up through our operations spanning over a century.

Going forward, by making full use of these strengths, we will continue to strive to solve problems that society faces in the areas of the environment, food, resources, and energy, and contribute to promoting health, building comfortable life, and improving the quality of life for people around the world.

We will aim to achieve sustained growth by creating new value with innovative technologies. We will particularly work toward consistently achieving our medium- to long-term targets of ROE (return on equity) of 10% or higher, a dividend payout ratio of approximately 30%, etc.

Future trends in the global economy

Regarding future trends in the global economy, the Company believes that it must adopt a cautious stance, while we believe that the recovery will continue due to support the robust U.S. economy, uncertainty exists, including the impact on the global economy owing to elections in major EU countries and protectionist policies in the US. That said, in the domestic economy, the Company believes that despite lacking strength the economy will recover, due in part to an ongoing improvement in employment and the income environment and a pick up in exports.

Environment surrounding the Company

The business environment surrounding the Group is likewise affected by uncertain factors such as variation in raw materials prices and trends in its product markets, and while continuing to remain vigilant with regard to market trends, the Company believes that it is important to respond broadly to environmental changes.

Corporate Business Plan from FY2016 to FY2018

Under such circumstances, the Group is working on a new Corporate Business Plan with FY2016 as the first fiscal year. Under the slogan of "Change and Innovation: Create New Value" and capitalizing on its robust financial strength built under the previous Corporate Business Plan, the Company will aggressively pursue growth opportunities and further accelerate its transformation into a more resilient Sumitomo Chemical that continues to grow. The medium-term management plan is based on the following basic policies:

1) Further improve business portfolio

Sumitomo Chemical will focus resources on the fields of "environment and energy," "ICT" and "life science," business fields where success depends on "technology", and deliver new value through innovative "technologies" to address issues society faces.

2) Generate more cash flow

The Company will retain a lean financial structure, while building and maintaining robust earnings power to consistently generate strong cash flow that allows the Company to take advantage of large-scale investment opportunities when they arise.

3) Accelerate the launch of next-generation businesses

The Company will continue to invest in three priority areas of "environment and energy," "ICT," and "life science," and accelerate the launch of its new products and technologies under development in these areas while striving to develop new solutions to issues in the fields where the priority areas intersect.

In addition to the three points above, the Company will continue to work to: 4) promote globally integrated management; and 5) ensure full and strict compliance, and establish and maintain safe and stable operations.

Performance targets in FY2018

For FY2018, the final year of the new plan, assuming an exchange rate of 120 yen/\$ and a naphtha price of 45,000 yen/kiloliter, we are aiming for net sales of 2,540 billion yen, operating income of 200 billion yen, ordinary income of 210 billion yen, and net income attributable to owners of the parent of 110 billion yen, with an ROE of 12%, ROI of 7%, and a D/E ratio of 0.7 times. The Company faced a challenging start due to the strong yen, etc. in FY2016, the initial year of the new Plan, but we are anticipating a significant improvement in our business performance in FY2017.

Efforts to create new value

The Company will focus on the fields of “environment and energy,” “ICT,” and “life science,” identify areas in these fields where we can leverage our technological advantages, and concentrate our resources on these target areas to create new value and improve our business portfolio.

For this, in addition to deciding on capital expenditures and investments totaling 400 billion yen during the three years of the medium-term management plan, we will also consider spending up to 300 billion yen in strategic M&A to accelerate the expansion of our specialty chemicals business. Of the maximum 700 billion yen in capital expenditures and investments, we plan to invest approximately 70 to 80% in the specialty chemical business, centered on life sciences.

Achievements in FY2016

In FY2016, which is the initial year of the medium-term management plan, the Company undertook business initiatives with a sense of urgency, and has been able to implement measures ahead of schedule of the period. Major achievements at each business segment are as follows:

Petrochemicals & Plastics

In addition to continuing construction of the Rabigh Phase II Project, we proceeded with business restructuring and initiatives aimed at generating high added value from our products.

Energy & Functional Materials

Among components for electric vehicles, the Company expanded production capacity for separators for lithium-ion secondary batteries, etc., which continue to see increasing demand, and proceeded with initiatives aimed at business restructuring, such as the establishment of a joint venture to produce S-SBR synthetic rubber for fuel efficient tires.

IT-related Chemicals

The Company expanded production capacity for touchscreen panels for flexible OLED displays.

Health & Crop Sciences

In addition to deciding to expand methionine production capacity, the Company expanded its global footprint with the acquisition of Excel Crop Care Limited, an Indian agrochemicals company.

Pharmaceuticals

Significantly expanded its pharmaceuticals product development pipeline with the acquisition of Canada based Cynapsus Therapeutics Inc. and U.S. based Tolero Pharmaceuticals, Inc., and entered into license agreement for multiple medicines with Novartis International AG.

Accelerate initiatives to create new value

At present, the Company plans to approve the spending approximately 600 billion yen for capital expenditures and investments in the three years of the medium-term management plan, and decided to spend approximately 320 billion yen, more than half of that amount, in FY2016. The Company has been steadily and quickly implementing approved investment projects, and will accelerate the creation of new value by cultivating business based on the decision we made in FY 2016, which will contribute to our income at early phase.

(3) Assets and Income**1) Trends in assets and income of the Group**

Item	The 133rd term (April 1, 2013 to March 31, 2014)	The 134th term (April 1, 2014 to March 31, 2015)	The 135th term (April 1, 2015 to March 31, 2016)	The 136th term (April 1, 2016 to March 31, 2017)
Net sales (Billions of yen)	2,243.8	2,376.7	2,101.8	1,954.3
Ordinary income (Billions of yen)	111.1	157.4	171.2	166.6
Net income attributable to owners of the parent (Billions of yen)	37.0	52.2	81.5	85.5
Net income per share	22.62 yen	31.93 yen	49.84 yen	52.31 yen
Net assets (Billions of yen)	934.5	1,118.2	1,090.8	1,162.5
Total assets (Billions of yen)	2,788.5	2,880.4	2,662.2	2,862.1
Consolidated subsidiaries	164 companies	167 companies	160 companies	170 companies
Equity-method affiliates	35 companies	34 companies	36 companies	37 companies

2) Trends in assets and income of the Company

Item	The 133rd term (April 1, 2013 to March 31, 2014)	The 134th term (April 1, 2014 to March 31, 2015)	The 135th term (April 1, 2015 to March 31, 2016)	The 136th term (April 1, 2016 to March 31, 2017)
Net sales (Billions of yen)	849.3	900.7	735.3	650.9
Ordinary income (Billions of yen)	31.4	96.8	88.5	58.0
Net income (Billions of yen)	17.9	36.4	37.5	36.9
Net income per share	10.97 yen	22.28 yen	22.92 yen	22.54 yen
Net assets (Billions of yen)	249.1	287.9	287.6	295.2
Total assets (Billions of yen)	1,517.7	1,474.2	1,357.4	1,373.9

(4) Principal Businesses (as of March 31, 2017)

Business segment	Key products and businesses
Petrochemicals & Plastics	Petrochemical products, inorganic chemicals, raw materials for synthetic fibers, organic chemicals, synthetic resins, methyl methacrylate products, synthetic resin processed products, etc.
Energy & Functional Materials	Alumina products, aluminum, specialty chemicals, additives, dyestuffs, synthetic rubber, engineering plastics, battery materials, etc.
IT-related Chemicals	Optical products, color filters, semiconductor processing materials, compound semiconductor 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.

Aside from the above, as “Others”, 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, conducting materials and environmental analysis, etc.

(5) Principal Business Locations (as of March 31, 2017)

1) The Company

Head offices	Tokyo, Osaka
Branch offices	Tokyo, Osaka, Nagoya Branch Office, Fukuoka Branch Office
Plants	Ehime Works, Chiba Works, Osaka Works, Ohe Works (Ehime), Oita Works (Osaka, Okayama, Gifu), Misawa Works (Aomori)
Research laboratories	Industrial Technology & Research Laboratory (Osaka), Environmental Health Science Laboratory (Osaka), Advanced Materials Development Laboratory (Ibaraki)

NOTE: Research laboratories are shown as corporate research facilities. There also exist business sector research laboratories, such as the Health & Crop Sciences Research Laboratory (Hyogo), etc.

2) Material subsidiaries

Domestic	Sumitomo Dainippon Pharma Co., Ltd. (Osaka, Tokyo, Mie, Ehime, Oita) Nippon A&L Inc. (Osaka, Ehime, Chiba) Tanaka Chemical Corporation (Fukui, Osaka) Nihon Medi-Physics Co., Ltd. (Tokyo, Hyogo, Chiba) Sumitomo Joint Electric Power Co., Ltd. (Ehime, Kochi) Sumika Styron Polycarbonate Limited (Tokyo, Ehime) Koei Chemical Co., Ltd. (Chiba, Tokyo) Sumika-Middle East Co., Ltd. (Tokyo) Taoka Chemical Co., Ltd. (Osaka, Hyogo, Ehime) Sumitomo Chemical Engineering Co., Ltd. (Chiba, Osaka, Ehime)																				
Overseas	<table> <tr> <td>United States</td><td>Sumitomo Chemical America, Inc. Valent U.S.A. Corp. Valent BioSciences Corp. Pace International, LLC McLaughlin Gormley King Company Sumika Electronic Materials Inc. Sunovion Pharmaceuticals Inc. Boston Biomedical, Inc. Sumika Polymer Compounds America, Inc.</td></tr> <tr> <td>United Kingdom</td><td>Cambridge Display Technology Limited Sumitomo Chemical (U.K.), plc.</td></tr> <tr> <td>France</td><td>Philagro France S.A.S.</td></tr> <tr> <td>Poland</td><td>Sumika Ceramics Poland Sp. z o.o.</td></tr> <tr> <td>Saudi Arabia</td><td>Rabigh Conversion Industry Management Services Company Sumika Polymer Compounds Saudi Arabia</td></tr> <tr> <td>India</td><td>Sumitomo Chemical India Private Limited Excel Crop Care Limited</td></tr> <tr> <td>Singapore</td><td>Sumitomo Chemical Singapore Pte Ltd Sumitomo Chemical Asia Pte Ltd The Polyolefin Company (Singapore) Pte. Ltd.</td></tr> <tr> <td>South Korea</td><td>Dongwoo Fine-Chem Co., Ltd. SSLM Co., Ltd.</td></tr> <tr> <td>Taiwan</td><td>Sumika Technology Co., Ltd.</td></tr> <tr> <td>China</td><td>Sumika Electronic Materials (Chongqing) Co., Ltd. Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. Sumika Electronic Materials (Wuxi) Co., Ltd. Dalian Sumika Jingang Chemicals Co., Ltd. Sumika Huabei Electronic Materials (Beijing) Co., Ltd. Sumika Electronic Materials (Xi'an) Co., Ltd. Sumika Electronic Materials (Hefei) Co., Ltd. Zhuhai Sumika Polymer Compounds Co., Ltd.</td></tr> </table>	United States	Sumitomo Chemical America, Inc. Valent U.S.A. Corp. Valent BioSciences Corp. Pace International, LLC McLaughlin Gormley King Company Sumika Electronic Materials Inc. Sunovion Pharmaceuticals Inc. Boston Biomedical, Inc. Sumika Polymer Compounds America, Inc.	United Kingdom	Cambridge Display Technology Limited Sumitomo Chemical (U.K.), plc.	France	Philagro France S.A.S.	Poland	Sumika Ceramics Poland Sp. z o.o.	Saudi Arabia	Rabigh Conversion Industry Management Services Company Sumika Polymer Compounds Saudi Arabia	India	Sumitomo Chemical India Private Limited Excel Crop Care Limited	Singapore	Sumitomo Chemical Singapore Pte Ltd Sumitomo Chemical Asia Pte Ltd The Polyolefin Company (Singapore) Pte. Ltd.	South Korea	Dongwoo Fine-Chem Co., Ltd. SSLM Co., Ltd.	Taiwan	Sumika Technology Co., Ltd.	China	Sumika Electronic Materials (Chongqing) Co., Ltd. Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. Sumika Electronic Materials (Wuxi) Co., Ltd. Dalian Sumika Jingang Chemicals Co., Ltd. Sumika Huabei Electronic Materials (Beijing) Co., Ltd. Sumika Electronic Materials (Xi'an) Co., Ltd. Sumika Electronic Materials (Hefei) Co., Ltd. Zhuhai Sumika Polymer Compounds Co., Ltd.
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(6) Status of material subsidiaries (as of March 31, 2017)

Company name	Capital	Ratio of voting rights (%)	Principal business
Sumitomo Chemical America, Inc.	USD 502,673 thousand	100.00	Investment in related companies in the United States and sale of chemical products
Valent U.S.A. Corp.	USD 242,574 thousand	100.00 (100.00)	Development and sale of plant protection, etc.
Valent BioSciences Corp.	USD 129,344 thousand	100.00 (100.00)	Development, manufacture and sale of biorational crop protection products
Pace International, LLC	USD 62,443 thousand	100.00 (100.00)	Sale of post harvest products, provision of processing services, etc.
McLaughlin Gormley King Company	USD 25,338 thousand	86.50 (86.50)	Development, manufacture, and sale of insecticide products for household and public health uses
Sumika Polymers America Corp.	USD 222,544 thousand	100.00 (100.00)	—
Sumika Electronic Materials Inc.	USD 38,696 thousand	100.00 (100.00)	Manufacture and sale of MOEPI wafers and other IT-related chemical products
CDT Holdings Limited	GBP 187,511 thousand	100.00	Investment in Cambridge Display Technology Limited
Cambridge Display Technology Limited	GBP 183,716 thousand	100.00 (100.00)	R&D and licenses in polymer organic light emitting diodes and devices
Sumitomo Chemical Singapore Pte Ltd	USD 275,838 thousand	100.00	Supervision of manufacture and sale of MMA monomers and polymers and sale of chemical products in Singapore
Dongwoo Fine-Chem Co., Ltd.	KRW 273,729 million	100.00	Manufacture and sale of process chemicals for semiconductors and LCDs, optical films, touchscreen panels, LCD panel-related color filters, etc.
Sumika Electronic Materials (Chongqing) Co., Ltd.	RMB 153,707 thousand	100.00 (60.00)	Manufacture and sale of processing chemicals for LCD panels, and sales of other LCD and semiconductor-related materials
SSLM Co., Ltd.	KRW 280,000 million	100.00	Manufacture and sale of sapphire substrates and heat-resistant separators
Japan-Singapore Petrochemicals Co., Ltd.	JPY 23,877 million	79.67	Investment in Petrochemical Corporation of Singapore (Pte.) Ltd.
Sumitomo Dainippon Pharma Co., Ltd.	JPY 22,400 million	50.65	Manufacture and sale of pharmaceuticals
Dainippon Sumitomo Pharma America Holdings, Inc.	USD 1,558,914 thousand	100.00 (100.00)	Investment in Sunovion Pharmaceuticals Inc.
Sunovion Pharmaceuticals Inc.	USD 1,666,851 thousand	100.00 (100.00)	Manufacture and sale of pharmaceuticals
Boston Biomedical, Inc.	USD 380,484 thousand	100.00 (100.00)	Research and development of pharmaceuticals

Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.	RMB 265,388 thousand	100.00 (100.00)	Manufacture and sale of pharmaceuticals
Sumika Electronic Materials (Wuxi) Co., Ltd.	RMB 1,276,517 thousand	100.00 (10.00)	Manufacture and sale of polarizing films and other components used in LCD panels
Sumika Technology Co., Ltd.	TWD 4,417 million	84.96	Manufacture and sale of original fabrics and processed products of polarizing films, and color filters for LCD panels
Sumitomo Chemical Asia Pte Ltd	USD 150,565 thousand	100.00	Manufacture and sale of petrochemical products, etc.
Sumika Ceramics Poland Sp. z o.o.	PLN 354,868 thousand	100.00	Manufacture and sale of diesel particulate filters
Nihon Singapore Polyolefin Co., Ltd.	JPY 8,400 million	95.71	Investment in The Polyolefin Company (Singapore) Pte. Ltd.
The Polyolefin Company (Singapore) Pte. Ltd.	USD 51,690 thousand	70.00 (70.00)	Manufacture and sale of low-density polyethylene and polypropylene
Nippon A&L Inc.	JPY 5,996 million	85.17	Manufacture and sale of ABS resin and SBR latex, etc.
Dalian Sumika Jingang Chemicals Co., Ltd.	RMB 536,000 thousand	80.00	Manufacture and sale of crop protection intermediates and high-performance greenhouse films
Tanaka Chemical Corporation	JPY 5,779 million	50.10	Manufacturing and sale of positive electrode materials for rechargeable batteries, catalyst materials, and inorganic chemical products
Sumitomo Chemical India Private Limited	INR 2,745,881 thousand	100.00	Development, manufacture, and sale of crop protection products and household and public hygiene insecticides, and sale of feed additives, etc.
Rabigh Conversion Industry Management Services Company	SAR 216,412 thousand	100.00 (10.00)	Management and operation of industrial park
Sumitomo Chemical (China) Co., Ltd.	RMB 323,483 thousand	100.00	Supervision of the Sumitomo Chemical Group in China
Sumika Huabei Electronic Materials (Beijing) Co., Ltd.	RMB 291,627 thousand	100.00 (10.00)	Manufacture and sale of polarizing films used in LCD panels
Sumika Electronic Materials (Xi'an) Co., Ltd.	RMB 250,724 thousand	100.00 (50.00)	Manufacture and sale of processing chemicals for semiconductors
Nihon Medi-Physics Co., Ltd.	JPY 3,146 million	50.00	Manufacture and sale of radiopharmaceuticals
Sumitomo Joint Electric Power Co., Ltd.	JPY 3,000 million	52.52	Provision of electricity and steam
Sumika Electronic Materials (Hefei) Co., Ltd.	RMB 186,206 thousand	100.00 (40.12)	Manufacture and sale of processing chemicals for LCD panels, and sale of other LCD and semiconductor-related materials

Sumitomo Chemical (U.K.), plc.	EUR 22,726 thousand	100.00	Sale of household and public hygiene insecticides, and procurement and operation for financing
Sumika Styron Polycarbonate Limited	JPY 2,400 million	100.00	Manufacture and sale of polycarbonate
Sumika Polymer Compounds America, Inc.	USD 21,000 thousand	67.86	Manufacture and sale of polypropylene compounds
Koei Chemical Co., Ltd.	JPY 2,343 million	56.38 (0.45)	Manufacture and sale of chemical products, pharmaceutical and crop protection intermediates, etc.
Sumika Polymer Compounds Saudi Arabia	SAR 91,525 thousand	68.83	Manufacture and sale of polypropylene compounds
Sumika-Middle East Co., Ltd.	JPY 1,720 million	100.00	Provision of technological services and information collection in Saudi Arabia
Taoka Chemical Co., Ltd.	JPY 1,572 million	51.69 (0.78)	Manufacture and sale of intermediates for dyestuffs and pharmaceutical and crop protection, functional materials, etc.
Zhuhai Sumika Polymer Compounds Co., Ltd.	RMB 82,338 thousand	55.00	Manufacture and sale of polypropylene compounds
Sumitomo Chemical Engineering Co., Ltd.	JPY 1,000 million	100.00	Design and construction of industrial chemical equipment, etc.
Philagro Holding S.A.	EUR 6,100 thousand	60.00	Investment in Philagro France S.A.S.
Philagro France S.A.S.	EUR 9,913 thousand	100.00 (100.00)	Development and sale of crop protection products, etc.
Excel Crop Care Limited	INR 55,028 thousand	64.97 (19.98)	Development, manufacture and sale of crop protection products

Sumika Polymers America Corp. made investment in Phillips Sumika Polypropylene Company, which has been dissolved.

From the fiscal year under review, Tanaka Chemical Corporation, Sumika Styron Polycarbonate Limited, Sumika Polymer Compounds Saudi Arabia, and Excel Crop Care Limited are listed as material subsidiaries.

- NOTES: 1 Figures contained in parentheses () for ratio of voting rights are the ratio of voting rights held by subsidiaries of the Company.
- 2 Capital for Sumitomo Chemical America, Inc., Pace International, LLC, McLaughlin Gormley King Company, Sumika Electronic Materials Inc., CDT Holdings Limited, Cambridge Display Technology Limited, Dainippon Sumitomo Pharma America Holdings, Inc., Sunovion Pharmaceuticals Inc., and Boston Biomedical, Inc. are shown as paid-in capital.
- 3 On April 1, 2017, Valent U.S.A. Corp., Valent BioSciences Corp., and Sumika Electronic Materials Inc. transitioned to LLCs (Limited Liability Companies). In addition, the trade name of Sumika Electronic Materials Inc. changed to Sumitomo Chemical Advanced Technologies LLC on the same day.
- 4 On April 1, 2017, Sumitomo Chemical Asia Pte Ltd acquired Sumitomo Chemical Singapore Pte Ltd.
- 5 On April 1, 2017, the trade name of Sumika Styron Polycarbonate Limited changed to Sumika Polycarbonate Limited.

(7) Employees (as of March 31, 2017)

1) Employees of the Group

Business category	Number of employees (Persons)	Notes
Petrochemicals & Plastics	4,316	
Energy & Functional Materials	2,530	
IT-related Chemicals	8,361	
Health & Crop Sciences	6,222	
Pharmaceuticals	7,313	
Others	2,711	
Companywide shared	1,083	
Total	32,536	The number of employees increased by 1,442 persons year-on-year.

NOTE: The number of employees does not include employees who are temporary, part-time, contracted, or seconded outside of consolidated subsidiaries.

2) Employees of the Company

Number of employees persons	Average age	Average years of employment years	Notes
5,867	40.0	14.1	The number of employees decreased by 28 persons year-on-year.

NOTE: The number of employees does not include employees who are temporary, part-time, contracted, or seconded outside of consolidated subsidiaries.

(8) Primary sources of borrowings and amounts (as of March 31, 2017)

Source of borrowing	Amount of borrowing (Balance) (Billions of yen)
Sumitomo Mitsui Banking Corporation	137.2
Development Bank of Japan Inc.	50.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	32.5
Sumitomo Mitsui Trust Bank, Limited	27.2
Mizuho Bank, Ltd.	23.9

NOTES: 1 The amount of borrowing listed above includes loans from overseas subsidiaries of the sources.

2 Aside from the above, there are 178.0 billion yen in borrowings as syndicated loans, managed by financial institutions such as the Sumitomo Mitsui Banking Corporation.

2. Status of Shares (as of March 31, 2017)

(1) Total number of shares authorized to be issued 5,000,000 thousand shares

Total number of shares outstanding 1,655,446 thousand shares

(2) Number of shareholders 91,044 persons

(3) Major shareholders

Shareholder name	Number of shares	Shareholding ratio
	thousand shares	%
Japan Trustee Services Bank, Ltd. (Trust account)	108,213	6.62
The Master Trust Bank of Japan, Ltd. (Trust account)	103,380	6.32
Sumitomo Life Insurance Company	71,000	4.34
Nippon Life Insurance Company	41,031	2.51
Sumitomo Mitsui Banking Corporation	35,377	2.16
Japan Trustee Services Bank, Ltd. (Trust account 4)	29,664	1.81
Japan Trustee Services Bank, Ltd. (Master trust for the Sumitomo Mitsui Trust Bank and trust account for retirement benefits for Sumitomo Life Insurance Company)	29,000	1.77
Japan Trustee Services Bank, Ltd. (Trust account 5)	28,326	1.73
State Street Bank West Client - Treaty 505234	24,275	1.48
State Street Bank and Trust Company 505225	24,182	1.48

NOTE: The Company's treasury shares (20,293,551 shares) were excluded in the calculation of the percentage of shares held.

3. Company Officers

(1) Directors and Corporate Auditors (as of March 31, 2017)

Position	Name	Areas of responsibility and significant concurrent positions
Representative Director, Chairman (Concurrently serving as Executive Chairman)	Osamu Ishitobi	
Representative Director, President (Concurrently serving as Executive President)	Masakazu Tokura	
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Toshihisa Deguchi	Supervision of IT-related Chemicals Sector, PLED Business Planning, Electronic Devices Development Center
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Tomohisa Ohno	Supervision of Rabigh Project, Petrochemicals & Plastics Sector
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Yoshihiko Okamoto	Supervision of Corporate Business Development, Corporate Planning, IT Innovation
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Ray Nishimoto	Supervision of Health & Crop Sciences Sector Chairman of Valent U.S.A. Corp. Chairman of Valent Biosciences Corp. Chairman of Dalian Sumika Jingang Chemicals Co., Ltd. Chairman of Dalian Sumika Chemphy Chemical Co., Ltd. Chairman of Vector Health International Ltd.
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Kunio Nozaki	Supervision of Corporate Communications, Accounting, Finance, Procurement, Logistics President of Sumika Finance Co., Ltd. Outside Director of Sumitomo Seika Chemicals Co., Ltd.
*Representative Director (Concurrently serving as Senior Managing Executive Officer)	Hiroshi Ueda	Supervision of Energy & Functional Materials Sector Representative Director of CO2 M-Tech Co., Ltd.

Position	Name	Areas of responsibility and significant concurrent positions
Director (Outside Director, Independent Officer)	Kunio Ito	Research Professor of Graduate School of Commerce and Management, Hitotsubashi University Outside Director of Akebono Brake Industry Co., Ltd. Outside Director of Kobayashi Pharmaceutical Co., Ltd. Outside Director of Seven & i Holdings Co., Ltd. Outside Director of Toray Industries, Inc.
Director (Outside Director, Independent Officer)	Koichi Ikeda	Adviser of Asahi Group Holdings, Ltd. Outside Director of Toshiba Corporation
Director (Outside Director, Independent Officer)	Hiroshi Tomono	Adviser of Nippon Steel & Sumitomo Metal Corporation Outside Director of Konica Minolta, Inc. Outside Director, Japan Nuclear Fuel Limited
Standing Corporate Auditor	Kenya Nagamatsu	Outside Corporate Auditor of Sumitomo Seika Chemicals Co., Ltd.
Standing Corporate Auditor	Hiroaki Yoshida	
Corporate Auditor (Outside Corporate Auditor, Independent Officer)	Shinichi Yokoyama	Honorary Advisor of Sumitomo Life Insurance Company Outside Corporate Auditor of Shionogi & Co., Ltd. Outside Corporate Auditor of Rengo Co., Ltd.
Corporate Auditor (Outside Corporate Auditor, Independent Officer)	Mitsuhiro Aso	Attorney Outside Director of USS Co., Ltd. Outside Director of Nojima Corporation Outside Corporate Auditor of Sumitomo Mitsui Trust Bank, Limited
Corporate Auditor (Outside Corporate Auditor, Independent Officer)	Yoshitaka Kato	Certified Public Accountant Outside Corporate Auditor of Mitsui Fudosan Co., Ltd. Outside Corporate Auditor of Sumitomo Corporation

- NOTES: 1 Of the Directors, Mr. Kunio Ito, Mr. Koichi Ikeda, and Mr. Hiroshi Tomono are Outside Directors.
- 2 Of the Corporate Auditors, Mr. Shinichi Yokoyama, Mr. Mitsuhiro Aso, and Mr. Yoshitaka Kato are Outside Corporate Auditors.
- 3 Director marked with an asterisk (*) was newly elected at the 135th Ordinary General Meeting of Shareholders held on June 21, 2016, and assumed office.
- 4 The Company has designated Mr. Kunio Ito, Mr. Koichi Ikeda, Mr. Hiroshi Tomono, Mr. Shinichi Yokoyama, Mr. Mitsuhiro Aso, and Mr. Yoshitaka Kato as Independent Directors / Auditors pursuant to the regulations of the Tokyo Stock Exchange, Inc. and has made notification to said Exchange.
- 5 Corporate Auditor Yoshitaka Kato is qualified as a certified public accountant, and has a significant amount of knowledge regarding finance and accounting.
- 6 Of the significant concurrent positions served by Outside Directors and Outside

Corporate Auditors, although Kobayashi Pharmaceutical Co., Ltd., Toray Industries, Inc., Toshiba Corporation, Konica Minolta, Inc., Shionogi & Co., Ltd., Rengo Co., Ltd., Sumitomo Mitsui Trust Bank, Limited, and Sumitomo Corporation have transactions with the Company, there are no special interests with the Company, and there are no transactional relationships with any other parties served as significant concurrent positions.

- 7 Areas of responsibility and significant concurrent positions for Directors and Corporate Auditors as of April 1, 2017 are as follows.

(As of April 1, 2017)

Position	Name	Areas of responsibility and significant concurrent positions
Representative Director, Chairman	Osamu Ishitobi	
Representative Director, President (Concurrently serving as Executive President)	Masakazu Tokura	
Representative Director (Concurrently serving as Executive Vice President)	Toshihisa Deguchi	Supervision of IT-related Chemicals Sector, PLED Business Planning, Electronic Devices Development Center, Special Aide to Executive President (pertaining to activities related to new technology and product development as designated by Executive President)
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Yoshihiko Okamoto	Supervision of Corporate Business Development, Corporate Planning, IT Innovation
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Ray Nishimoto	Supervision of Health & Crop Sciences Sector Chairman of Valent U.S.A. LLC Chairman of Valent BioSciences LLC Chairman of Dalian Sumika Jingang Chemicals Co., Ltd. Chairman of Dalian Sumika Chemphy Chemical Co., Ltd. Chairman of Vector Health International Ltd.
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Kunio Nozaki	Supervision of Corporate Communications, Accounting, Finance, Procurement, Logistics President of Sumika Finance Co., Ltd. Outside Director of Sumitomo Seika Chemicals Co., Ltd.
Representative Director (Concurrently serving as Senior Managing Executive Officer)	Hiroshi Ueda	Supervision of Energy & Functional Materials Sector
Director	Tomohisa Ohno	

Director (Outside Director, Independent Officer)	Kunio Ito	Research Professor of Graduate School of Commerce and Management, Hitotsubashi University Outside Director of Akebono Brake Industry Co., Ltd. Outside Director of Kobayashi Pharmaceutical Co., Ltd. Outside Director of Seven & i Holdings Co., Ltd. Outside Director of Toray Industries, Inc.
Director (Outside Director, Independent Officer)	Koichi Ikeda	Adviser of Asahi Group Holdings, Ltd. Outside Director of Toshiba Corporation
Director (Outside Director, Independent Officer)	Hiroshi Tomono	Adviser of Nippon Steel & Sumitomo Metal Corporation Outside Director of Konica Minolta, Inc. Outside Director, Japan Nuclear Fuel Limited
Standing Corporate Auditor	Kenya Nagamatsu	Outside Corporate Auditor of Sumitomo Seika Chemicals Co., Ltd.
Standing Corporate Auditor	Hiroaki Yoshida	
Corporate Auditor (Outside Corporate Auditor, Independent Officer)	Shinichi Yokoyama	Honorary Advisor of Sumitomo Life Insurance Company Outside Corporate Auditor of Shionogi & Co., Ltd. Outside Corporate Auditor of Rengo Co., Ltd.
Corporate Auditor (Outside Corporate Auditor, Independent Officer)	Mitsuhiro Aso	Attorney Outside Director of USS Co., Ltd. Outside Director of Nojima Corporation Outside Corporate Auditor of Sumitomo Mitsui Trust Bank, Limited
Corporate Auditor (Outside Corporate Auditor, Independent Officer)	Yoshitaka Kato	Certified Public Accountant Outside Corporate Auditor of Mitsui Fudosan Co., Ltd. Outside Corporate Auditor of Sumitomo Corporation

(2) Total amount of compensation to Directors and Corporate Auditors for the fiscal year under review

Category	Number of persons	Amount of compensation
Directors (Of which, Outside Directors)	11 persons (3 persons)	682 million yen (55 million yen)
Corporate Auditors (Of which, Outside Corporate Auditors)	5 persons (3 persons)	116 million yen (37 million yen)
Total	16 persons	798 million yen

NOTE: Due to a resolution by a General Meeting of Shareholders, the total amount of compensation for Directors is 1.0 billion yen or less per annum, and the total amount of compensation for Corporate Auditors is 150.00 million yen or less per annum (resolved at the 125th Ordinary General Meeting of Shareholders held on June 23, 2006).

(Reference)

Executive Officers (excluding persons concurrently serving as Directors) are as follows.

(As of April 1, 2017)

Position	Name	Areas of responsibility
Senior Managing Executive Officer	Ikuzo Ogawa	Supervision of Research Planning and Coordination, Intellectual Property, Industrial Technology & Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory
Managing Executive Officer	Shigeyuki Yoneda	Engaged in Sumika Middle East Co., Ltd., concurrently in charge of Rabigh Project Office, General Manager of Rabigh Project Office
Managing Executive Officer	Hiroshi Niinuma	In charge of General Affairs Dept., Legal Dept., CSR Dept., Internal Control & Audit Dept., Human Resources Dept., Osaka Office Administration Dept.
Managing Executive Officer	Keiichi Iwata	In charge of Energy & Functional Materials Sector - Planning & Coordination Office, PLED Business Planning Office, IT-related Chemicals Sector - Planning & Coordination Office
Managing Executive Officer	Noriaki Takeshita	Supervision of Rabigh Project, Petrochemicals & Plastics Sector
Managing Executive Officer	Kazushi Tan	In charge of Ehime Works, General Manager of Ehime Works
Managing Executive Officer	Satoshi Takazawa	Engaged in Sumitomo Chemical Asia Pte Ltd
Managing Executive Officer	Marc Vermeire	Engaged in Sumitomo Chemical Europe S.A./N.V., Special mission related to the Corporate Business Development Dept. and the Corporate Planning Dept.

Position	Name	Areas of responsibility
Managing Executive Officer	Yasuhiko Kitaura	In charge of Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center, Responsible Care Dept.
Managing Executive Officer	Takashi Shigemori	In charge of Corporate Business Development Dept., Corporate Planning Dept., Petrochemicals & Plastics Sector - Planning & Coordination Office
Managing Executive Officer	Kazuyuki Nuki	In charge of AgroSolutions Div.- Japan, Environmental Health Div.
Managing Executive Officer	Masaki Matsui	In charge of Optical Materials Div., Electronic Materials Div.
Managing Executive Officer	Toshiro Ohtsubo	In charge of Health & Crop Sciences Sector - Planning & Coordination Office, Quality Assurance Office, Pharmaceutical Chemicals Div.
Managing Executive Officer	Hajime Tsukimori	In charge of PLED Business Planning Office, Electronic Devices Development Center, IT-related Chemicals Sector - Planning & Coordination Office, Quality Assurance Office
Executive Officer	Keiichi Sakata	In charge of Health & Crop Sciences Sector - Planning & Coordination Office, AgroSolutions Div.- International
Executive Officer	Motoyuki Sakai	In charge of Energy & Functional Materials Sector - Planning & Coordination Office
Executive Officer	Yoshiaki Oda	In charge of Research Planning and Coordination Dept., Advanced Materials Development Laboratory, General Manager of Research Planning and Coordination Dept.
Executive Officer	Nobuaki Mito	In charge of Corporate Business Development Dept., Intellectual Property Dept., General Manager of Corporate Business Development Dept.
Executive Officer	Atsuko Hirooka	In charge of Environmental Health Div., Animal Nutrition Div.
Executive Officer	Kingo Akahori	In charge of Energy & Functional Materials Sector - Quality Assurance Office, Inorganic Materials Div., Battery Materials Div.

Position	Name	Areas of responsibility
Executive Officer	Seiji Takeuchi	Engaged in Rabigh Refining and Petrochemical Company
Executive Officer	Hwang Inwoo	Engaged in Dongwoo Fine-Chem Co., Ltd.
Executive Officer	Andrew Lee	Engaged in Valent U.S.A. LLC, Valent BioSciences LLC
Executive Officer	Soji Sakamoto	In charge of Resin-related Business Development Dept., Polyolefins Div., Automotive Materials Div., Methacrylates Div., General Manager of Methacrylates Div.
Executive Officer	Naoyuki Inoue	Engaged in Rabigh Refining and Petrochemical Company
Executive Officer	Yasuaki Sasaki	In charge of Human Resources Dept., Osaka Office Administration Dept., General Manager of Human Resources Dept.
Executive Officer	Keigo Sasaki	In charge of Accounting Dept., Finance Dept., General Manager of Accounting Dept.
Executive Officer	Kenji Ohno	In charge of General Affairs Dept., Legal Dept., CSR Dept., General Manager of Legal Dept.
Executive Officer	Yoshihiro Miyoshi	In charge of Chiba Works, Petrochemicals Research Laboratory, General Manager of Chiba Works
Executive Officer	Shinichiro Nagata	In charge of Oita Works, Misawa Works, General Manager of Oita Works

4. Outside Officers

(1) Main activities during the fiscal year under review

Title	Name	Main activities
Outside Director	Kunio Ito	Mr. Kunio Ito attended all 13 Board of Directors meetings held during the fiscal year under review, and commented as required from specialized viewpoints primarily in accounting and management, etc., as a university professor.
	Koichi Ikeda	Mr. Koichi Ikeda attended all 13 Board of Directors meetings held during the fiscal year under review, and commented as required primarily from an experienced management perspective.
	Hiroshi Tomono	Mr. Hiroshi Tomono attended all 13 Board of Directors meetings held during the fiscal year under review, and commented as required primarily from an experienced management perspective.
Outside Corporate Auditor	Shinichi Yokoyama	Mr. Shinichi Yokoyama attended 11 meetings out of 13 Board of Directors meetings and all 13 Board of Corporate Auditors meetings held during the fiscal year under review, and commented as required primarily from an experienced management perspective.
	Mitsuhiro Aso	Mr. Mitsuhiro Aso attended all 13 Board of Directors meetings and all 13 Board of Corporate Auditors meetings held during the fiscal year under review, and commented as required primarily from a specialized viewpoint as an attorney.
	Yoshitaka Kato	Mr. Yoshitaka Kato attended all 13 Board of Directors meetings and all 13 Board of Corporate Auditors meetings held during the fiscal year under review, and commented as required primarily from a specialized viewpoint as a certified public accountant.

(2) Summary of the limitation of liability contracts

The Company has concluded limitation of liability contracts with each Outside Officer that limit their liabilities for damages to the Company pursuant to Article 423(1) of the Companies Act, up to the total of the amounts listed in the items of Article 425(1) of the Companies Act, provided that the execution of duties by Outside Officers were in good faith and without gross negligence.

5. Accounting Auditor

(1) Accounting Auditor's name

KPMG AZSA LLC

(2) Accounting Auditor's compensation, etc. for the fiscal year under review

Content	Compensation
Amount of compensation, etc.	120 million yen
Cash and other profits payable by the Company or its subsidiaries to Accounting Auditor	371 million yen

- NOTES: 1 Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and otherwise cannot be separated. Consequently, the above amount of compensation, etc., reflects total compensation for audits pursuant to the Financial Instruments and Exchange Act.
- 2 The Board of Corporate Auditors has evaluated and confirmed the content of the Accounting Auditor's audit plan, status of execution of duties, and basis for calculating compensation estimates, and as a result of comprehensive consideration to the appropriateness of audit compensation, has provided approval to the compensation, etc., of the Accounting Auditor pursuant to Article 399(1) of the Companies Act.
- 3 Of the Company's material subsidiaries, CDT Holdings Limited, Cambridge Display Technology Limited, Sumitomo Chemical Singapore Pte Ltd, Dongwoo Fine-Chem Co., Ltd., Sumika Electronic Materials (Chongqing) Co., Ltd., SSLM Co., Ltd., Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., Sumika Electronic Materials (Wuxi) Co., Ltd., Sumika Technology Co., Ltd., Sumitomo Chemical Asia Pte Ltd, Sumika Ceramics Poland Sp. z o.o., The Polyolefin Company (Singapore) Pte. Ltd., Dalian Sumika Jingang Chemicals Co., Ltd., Tanaka Chemical Corporation, Sumitomo Chemical India Private Limited, Rabigh Conversion Industry Management Services Company, Sumitomo Chemical (China) Co., Ltd., Sumika Huabei Electronic Materials (Beijing) Co., Ltd., Sumika Electronic Materials (Xi'an) Co., Ltd., Sumika Electronic Materials (Hefei) Co., Ltd., Sumitomo Chemical (U.K.), plc., Sumika Polymer Compounds Saudi Arabia, Zhuhai Sumika Polymer Compounds Co., Ltd., Philagro Holding S.A., Philagro France S.A.S., and Excel Crop Care Limited receive legal audits from accounting auditors other than the Accounting Auditor of the Company.

(3) Description of non-audit services

The Company entrusts "advisory services concerning the introduction of International Financial Reporting Standards," which are services other than the services set forth in Article 2, Paragraph 1, of the Certified Public Accountants Act (non-audit services).

(4) Policy regarding determination of termination or nonrenewal of appointment of Accounting Auditors

Aside from the termination of the Accounting Auditor pursuant to Article 340 of the Companies Act, the Board of Corporate Auditors of the Company has a policy of making a proposal to a General Meeting of Shareholders regarding the termination or nonrenewal of appointment of Accounting Auditors, following procedures pursuant to Article 344 of the Companies Act if it is determined that there is significant doubt as to whether the Accounting Auditor can continue with its duties in light of its independence and the status the execution of its duties, etc.

6. A system for ensuring that the Company's Directors execute their business duties in compliance with the laws and the Company's Articles of Incorporation and other system to ensure appropriateness of operations

Resolution of a system to ensure proper business execution

1. Fundamental Principles

- (1) Sumitomo Chemical Company (The Company) aspires to contribute to global sustainable development as a chemical manufacturer by developing and supplying technologies and products that are useful and take due account of safety for the benefit of society. The Company's Board members and employees alike place great importance on gaining the trust of society, and conduct business based on the principles incorporated in the "Business Philosophy", the "Sumitomo Chemical Charter for Business Conduct" and the United Nations "Global Compact," etc.
- (2) The Company recognizes that establishing a system necessary to ensure the proper conduct of business ("Internal Control System,") is a process required for the sound sustenance of the organization and should be undertaken proactively in order to accomplish the Company's business objectives. Recognizing this, the Company shall establish its Internal Control System as outlined below and alter it as necessary in response to changes in the Company's business environment, thereby conducting business operations that fulfill the interest of its shareholders and all other stakeholders. In addition, the Company shall establish a dedicated committee or committees to ensure attaining the above objectives.

2. A system for ensuring that the Company's Directors execute their business duties in compliance with the laws and the Company's Articles of Incorporation

- (1) The Company shall institute, as its corporate bodies, the Board of Directors, corporate auditors, Board of corporate auditors, accounting auditors, as well as shareholders meetings and Directors, in accordance with the laws and the Articles of Incorporation.
- (2) Directors shall observe all applicable laws, the Articles of Incorporation and resolutions of the shareholders meetings. They shall also have an obligation to be attentive to their duties as good managers and carry out these duties faithfully. The term of office for Director shall be one year to allow for a swift response to changes in the business environment of the Company. The Board of Directors shall assume supervisory responsibility to ensure that Directors observe all applicable laws and the Company's Articles of Incorporation, and that Directors establish and operate an adequate Internal Control System pursuant to the basic policies contained herein.
- (3) Directors shall establish systems for ensuring required reliability of financial reporting and the proper and timely disclosure of information concerning the Company.

3. A system for the retention and management of information regarding the execution of business duties by the Company's Directors

The Company shall establish rules prescribing retention periods, management procedures and other matters with respect to documents (including those recorded electromagnetically), and shall retain and manage such information properly in conformity with the Company's internal rules.

4. A system for ensuring the efficient execution of business duties by Directors of the Company and its group companies

- (1) The Board of Directors shall properly determine the targets for important issues concerning business policies, planned business undertakings, accounting & finance, research & development, etc. of the corporate group consisting of the Company and its group companies (the "corporate group" hereinafter referred to as "Group") and shall

monitor the progress of work toward the targets.

- (2) The Board of Directors shall appoint executive officers to promote the expeditious execution of business and more clearly define their responsibilities, and shall cause the executive officers to perform businesses specifically entrusted to them in their respective fields determined by the Board.
- (3) Directors shall work to get information about management activities of the Group in a prompt and appropriate manner by establishing management information systems utilizing information technology.

5. A system for ensuring that the Company's employees and its group companies' Directors and employees carry out their business assignments in compliance with the laws and the Articles of Incorporation

- (1) The Company shall strive to ensure that all employees are fully aware of their obligation to abide by the law and to develop a sound corporate culture by educating employees about compliance with social norms and continually raising the level of business ethics, based on the principles in the "Sumitomo Chemical Charter for Business Conduct."
- (2) The Company, through an internal committee governing "compliance," shall investigate and oversee the status of compliance and, if necessary, recommend improvements.
- (3) The Company shall strive to promptly identify and rectify any violations or suspected violations of compliance through its internally established "Speak-Up Hotline," which provides employees with an avenue for reporting such violations or suspected violations.
- (4) The Company shall establish a department in charge of internal auditing to verify that employees carry out their duties in a proper and effective manner. They shall also take pertinent measures to carry out special controls or auditing with regard to businesses, departments, systems, etc. that are exposed to risks that may result in significant losses ("Risk"). Furthermore, when certain issues have been pointed out as a result of auditing by corporate auditors, accounting auditors, the Company's department in charge of internal auditing, etc., the relevant departments, etc. of the Company that have been thus audited shall take appropriate remedial measures within a specified period of time.
- (5) The Company shall clearly define the roles and functions of each department, section, etc. by designing and establishing an organization that will be most capable of conducting business activities in compliance with the law and the Articles of Incorporation.
- (6) In order to achieve its overall targets, the Company shall strive to ensure the fair operation of its personnel management system, whereby employees are encouraged to set their own targets to be achieved, and their performance is assessed and compensation and incentives determined on the basis of the degree to which such targets have been achieved.
- (7) The Company shall request its major group companies both in Japan and abroad to adopt and properly operate a compliance system equivalent to that of the Company. It shall also work to establish, maintain, and enhance the effective internal control of the Company and its group companies in their entirety by conducting internal audit.

6. A system of the Company and its group companies for risk management rules, procedures, etc.

- (1) The Company shall establish rules for the Group to promote developing risk awareness, ensure early detection of risks, prevent risks from manifesting themselves, prepare plans to handle instances of emergency, etc.
- (2) The Company shall, through its internally established committee overseeing risk management of the Group, determine the Group's policies on risk management, evaluate risks involved, monitor and supervise the status of work on preparation and

implementation of plans for the risk management and, where necessary, make recommendation on improvements to be made.

- (3) In the event that there occurs any incident of crisis which requires company-wide all-out efforts for resolution, the Company shall promptly work to look into the situation affected by the crisis and resolve it by setting up a task force headquarters.

7. A system regarding reporting to the Company about business operations of the Group and matters concerning the execution of business duties by Directors etc. of the Company's group companies

The Company shall establish rules concerning operations of the Group, request its group companies both in Japan and abroad to report on their business policies, planned business undertakings, and other important matters relating to their business operations in accordance with the rules, and shall strive to deepen mutual understanding and share management strategies with those group companies.

8. A system for ensuring the effective conduct of audits by the Company's corporate auditors

(1) Matters concerning employees who are due to assist the corporate auditors in performing their duties

The Company shall appoint an employee or employees who work full-time to assist its corporate auditors in performing their duties under their direction in accordance with the Company rules. Personnel management matters concerning such an employee shall be settled with the prior approval of corporate auditors.

(2) Matters on reporting to the corporate auditors

- i) The Company's Directors and employees shall establish a system capable of ensuring that the Company's standing corporate auditors attend conferences on important issues of the Company or its group companies and, in addition, shall report as appropriate to the corporate auditors on matters based on the laws or on matters called for by the corporate auditors about the Company or its group companies.
- ii) The Company's Directors shall report to its corporate auditors on internal audit plans to be conducted by an internal audit department, the progress of the audit and its results.
- iii) The Company shall establish a system capable of ensuring that none of the Company's Directors and employees or its group companies' Directors, corporate auditors and employees will be put at any disadvantage on the ground of having reported to the Company's corporate auditors.

(3) Matters concerning expenses arising from the performance by the corporate auditors of their duties

The Company shall establish a system capable of ensuring meeting expenses required for the execution by its corporate auditors of their duties, with respect to those expenses that may arise from the performance by the Company's corporate auditors of their duties.

(4) Other matters for ensuring the effective conduct of audits by the corporate auditors

- iv) Representative Directors shall hold regular meetings with the Company's corporate auditors, to exchange views and deepen mutual understanding about tasks to be undertaken by the Company, risks confronting the Company, and the general state of the environment for auditing by corporate auditors.
- v) The Company shall work to develop a system whereby the Company's corporate auditors can exchange information with corporate auditors and other auditing staff at its major group companies, and thereby jointly ensure the effectiveness of audits throughout the Group.

9. A system to eliminate antisocial forces

The Company shall never enter into any relationship, including transactional relations, with antisocial forces that threaten to disrupt the public order and safety of society, and shall take action against them across the Company in a firmly determined and uncompromising manner, working closely with outside specialized institutions.

(Note) The basic policy stated above was resolved at the meeting of the Board of Directors held on May 15, 2006, and revised partially at the meetings of the Board of Directors held on March 25, 2011 and March 31, 2015.

Summary of operation of system to ensure appropriate business execution

Based on the above policy, the Company is working to inspect, maintain, and appropriately operate its internal control systems, and a summary of operation is as follows.

(1) Measures to ensure appropriateness and efficiency of business execution

- 1) The inspection and maintenance of the Group's internal control systems is deliberated at the "Internal Control Committee."
- 2) To further strengthen the audit and supervisory functions on business execution by Directors, Outside Directors and Outside Corporate Auditors are appointed.
- 3) To establish and operate a system for thorough compliance across the Group, the "Compliance Committee" provides direction and support. Additionally, while appropriately responding to reports via the internal reporting system, reports are made to the Compliance Committee. Furthermore, through conducting compliance training, etc., the Company aims to improve compliance awareness among employees.
- 4) A dedicated organization is established for internal audits, and upon implementation at the Company and at key group companies, a summary of matters related to internal control systems is reported to the Internal Control Committee. Additionally, the Internal Control & Audit Department serves as the secretariat office for the evaluation of internal control systems regarding financial reporting, and also reports to the Internal Control Committee.
- 5) To aim for agile decision-making on important matters and clarify responsibilities for business execution, the Company has implemented an executive officer system. Additionally, in order to obtain management information in a swifter and sounder manner for appropriate decision-making, a thorough business reform through digitalization, compatible with changes in the environment brought about by the IoT era, is underway. Information regarding business execution by Directors is appropriately stored and managed pursuant to regulations regarding document management.

(2) Measures on risk management

The "Internal Control Committee" shall be responsible for preparing a policy on risk management encompassing the entire Group, gathering information related to risks, and deliberating on measures to keep everyone in the Company fully informed of various matters. In addition, to respond promptly to a situation where any major risk has manifested itself, deliberations shall be made in the "Risk Crisis Management Committee" on policies and principles to follow in individual instances of risks and crises.

(3) Measures on management of group companies

- 1) Based on management regulations for business execution at group companies, important matters regarding business operation at each company are appropriately reported to the Company. Additionally, advances are being made in sharing information between each company, and the Company is working to provide mutual awareness and share information regarding management strategy.
- 2) The Company has established the standard for group operations for group companies, which contain significant operations such as accounting and information systems and items which should be complied with at the minimum. The Company also provides support and guidance in order for group companies to prepare and use policies in

accordance to the standard.

- 3) The Company restructured its U.S. group companies on April 1, 2017. Going forward, the Company strives to enhance the effectiveness of remote operations through services shared among these restructured companies, as well as to further strengthen their internal control and compliance systems.

(4) Measures to ensure effectiveness of audits by Corporate Auditors

- 1) Aside from attending Board of Directors meetings, Management Committee meetings, Internal Control Committee meetings, and other important meetings, the Company's Corporate Auditors conduct opinion exchanges with Representative Directors, visit plants and research facilities, interview business divisions, survey domestic and overseas group companies, and exchange opinions with Corporate Auditors of group companies, as well as committee members such as those of the Audit Committee, in addition to receiving periodic reports from the Internal Audit Division. Additionally, Corporate Auditors conduct audits by receiving required information in an appropriate manner from the Accounting Auditor, such as deliberating on the audit plan, including confirming the quality control systems of the Accounting Auditor, receiving reports of audit results, and exchanging opinions.
- 2) To support the duties of Corporate Auditors, a dedicated department, independent from business execution division, has been established, and dedicated staff are assigned. Regulations also clearly state and the Company emphasizes that persons reporting to Corporate Auditors may not receive unfavorable treatment, and the coverage of expenses for business execution by Corporate Auditors is ensured.

7. Policy concerning decision on distribution of surplus

In decision on the distribution of surplus, the Company views shareholder return as one of the most important management issues, and in comprehensive consideration of factors such as business results for each term, the dividend payout ratio, and standards for internal reserves required for future business expansion, the Company's basic policy is to continue providing stable dividends. Furthermore, over the mid- to long-term, the Company aims to achieve a stable dividend payout ratio of approximately 30%.

The Company plans to utilize internal reserves for capital investment and other loans and investments with the intent of improving competitiveness in significant businesses and enriching overseas business, utilizing these in an effort to improve profitability.

Dividends are generally provided twice per year at the interim and year-end, and to flexibly implement dividends such as profit distribution to shareholders, the Company's Articles of Incorporation state that the body to determine dividends, etc., shall be the Board of Directors.

Consolidated Financial Statements

Consolidated Balance Sheet

			(Millions of Yen)		
Assets	136th term		Liabilities	136th term	
	(As of March 31, 2017)	(Reference) 135th term		(As of March 31, 2017)	(Reference) 135th term
Current assets:	1,231,134	1,187,929	Current liabilities:	906,735	789,430
Cash on hand and in banks	160,866	136,554	Trade notes and accounts payable	246,610	211,398
Trade notes and accounts receivable	455,239	414,809	Short-term borrowing	246,563	148,235
Securities	34,196	81,041	Bonds due within one year	55,000	55,000
Merchandise and finished goods	277,550	283,037	Commercial paper	–	24,000
Work in process	17,608	13,229	Income taxes payable	21,853	42,220
Raw materials and supplies	114,222	105,989	Reserve for sales rebates	65,653	49,224
Deferred tax assets	85,519	86,369	Reserve for bonuses	31,061	31,045
Other	87,956	68,520	Other reserves	20,286	19,808
Allowance for doubtful receivables	(2,022)	(1,619)	Other	219,709	208,500
Non-current assets:	1,630,918	1,474,221	Non-current Liabilities:	792,791	781,944
Property, plant and equipment:	626,204	642,166	Bonds	222,500	247,000
Buildings and structures	234,963	244,553	Long-term borrowing due after one year	351,189	357,270
Machinery, equipment and vehicles	235,961	249,332	Deferred tax liabilities	92,558	75,490
Land	84,764	82,982	Reserves	22,087	22,218
Construction in progress	41,713	34,263	Net defined benefit liability	32,782	35,824
Other	28,803	31,036	Other	71,675	44,142
Intangible assets:	357,584	187,262	Total liabilities	1,699,526	1,571,374
Patent	3,070	4,511	Net assets		
Software	11,185	11,620	Shareholders' equity:	706,981	643,711
Goodwill	108,256	82,647	Common stock	89,699	89,699
In-process research and development	193,971	60,145	Capital surplus	22,378	23,475
Other	41,102	28,339	Retained earnings	603,908	539,490
Investments and other non-current assets:	647,130	644,793	Treasury stock	(9,004)	(8,953)
Investment securities	446,773	469,319	Accumulated other comprehensive income:	113,337	123,163
Long-term loans receivable	68,784	70,107	Valuation difference on available-for-sale securities	77,388	84,901
Net defined benefit asset	59,097	53,800	Deferred losses on hedges	(583)	(702)
Deferred tax assets	14,790	13,581	Land revaluation reserve	4,474	4,472
Other	58,696	38,847	Foreign currency translation adjustments	31,537	34,772
Allowance for doubtful receivables	(1,010)	(861)	Remeasurements of defined benefit plans	521	(280)
Total assets	2,862,052	2,662,150	Non-controlling interests	342,208	323,902
			Total net assets	1,162,526	1,090,776
			Total liabilities and net assets	2,862,052	2,662,150

Consolidated Statement of Income

	(Millions of Yen)	
	136th term (April 1, 2016 to March 31, 2017)	(Reference) 135th term (April 1, 2015 to March 31, 2016)
Net sales	1,954,283	2,101,764
Cost of sales	1,285,764	1,404,801
Gross profit	668,519	696,963
Selling, general and administrative expenses	534,183	532,517
Operating income	134,336	164,446
Non-operating income	56,820	38,251
Interest and dividend income	8,856	9,321
Equity in earnings of affiliates	41,205	20,240
Other income	6,759	8,690
Non-operating expenses	24,524	31,480
Interest expenses	10,499	11,976
Foreign exchange losses	1,145	8,518
Cost of inactive facilities	3,385	3,209
Other expenses	9,495	7,777
Ordinary income	166,632	171,217
Special gains	31,695	15,831
Gain on sale of investment securities	27,288	15,831
Gain on step acquisitions	3,372	—
Gain on sale of property, plant and equipment	1,035	—
Special losses	53,136	29,479
Impairment loss	34,271	24,688
Restructuring charges	18,865	4,791
Income before income taxes and non-controlling interests	145,191	157,569
Income taxes – current	33,795	67,640
Income taxes – deferred	(5,657)	(22,469)
Net income	117,053	112,398
Net income attributable to non-controlling interests	31,571	30,947
Net income attributable to owners of the parent	85,482	81,451

Consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	89,699	23,475	539,490	(8,953)	643,711
Cumulative effects of changes in accounting policies			194		194
Restated balance	89,699	23,475	539,684	(8,953)	643,905
Changes:					
Cash dividends			(21,258)		(21,258)
Net income attributable to owners of the parent			85,482		85,482
Purchase of treasury stock				(52)	(52)
Disposal of treasury stock		0		1	1
Change in treasury shares of parent arising from transactions with non-controlling interests		(1,097)			(1,097)
Net changes except for shareholders' equity					
Net changes	—	(1,097)	64,224	(51)	63,076
Balance at the end of current period	89,699	22,378	603,908	(9,004)	706,981

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation reserve	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at the beginning of current period	84,901	(702)	4,472	34,772	(280)	123,163
Cumulative effects of changes in accounting policies	(96)					(96)
Restated balance	84,805	(702)	4,472	34,772	(280)	123,067
Changes:						
Cash dividends						
Net income attributable to owners of the parent						
Purchase of treasury stock						
Disposal of treasury stock						
Change in treasury shares of parent arising from transactions with non-controlling interests						
Net changes except for shareholders' equity	(7,417)	119	2	(3,235)	801	(9,730)
Net changes	(7,417)	119	2	(3,235)	801	(9,730)
Balance at the end of current period	77,388	(583)	4,474	31,537	521	113,337

	Non-controlling interests	Total net assets
Balance at the beginning of current period	323,902	1,090,776
Cumulative effects of changes in accounting policies		98
Restated balance	323,902	1,090,874
Changes:		
Cash dividends		(21,258)
Net income attributable to owners of the parent		85,482
Purchase of treasury stock		(52)
Disposal of treasury stock		1
Change in treasury shares of parent arising from transactions with non-controlling interests		(1,097)
Net changes except for shareholders' equity	18,306	8,576
Net changes	18,306	71,652
Balance at the end of current period	342,208	1,162,526

Non-consolidated Financial Statements

<u>Non-consolidated Balance Sheet</u>			(Millions of Yen)		
Assets	136th term (As of March 31, 2017)	(Reference) 135th term	Liabilities	136th term (As of March 31, 2017)	(Reference) 135th term
Current assets:	431,915	433,136	Current liabilities:	478,313	464,228
Cash on hand and in banks	6,251	1,479	Trade notes payable	3,587	3,448
Trade notes receivable	907	1,384	Trade accounts payable	123,044	100,378
Trade accounts receivable	185,119	181,744	Short-term borrowing	140,966	136,845
Merchandise and finished goods	123,649	141,861	Bonds due within one year	45,000	45,000
Work in process	2,404	1,547	Commercial paper	–	24,000
Raw materials and supplies	37,835	35,516	Non-trade accounts payable	63,256	51,677
Deferred tax assets	13,989	14,827	Accrued expenses	14,052	12,233
Non-trade accounts receivable	60,102	49,495	Deposits received	70,482	70,850
Other	6,855	8,628	Reserve for bonuses	10,950	11,300
Allowance for doubtful receivables	(5,196)	(3,344)	Reserve for repairs	3,404	5,376
			Reserve for removal cost of property, plant and equipment	3,013	2,693
			Other	559	429
Non-current assets:	941,955	924,264	Non-current Liabilities:	600,313	605,614
Property, plant and equipment:	211,874	232,034	Bonds	212,000	227,000
Buildings	39,293	44,917	Long-term borrowing due after one year	313,707	308,867
Structures	27,427	31,751	Deferred tax liabilities	35,212	39,971
Machinery and equipment	76,553	91,960	Long-term deposits received	7,625	7,858
Vehicles	175	231	Reserve for loss on business of subsidiaries and affiliates	16,213	6,603
Tools and furniture	6,906	6,848	Reserve for removal cost of property, plant and equipment	8,514	11,040
Land	47,956	47,901	Reserve for repairs	3,571	1,246
Leased assets	27	8	Reserve for environmental measures	2,423	2,431
Construction in progress	13,536	8,419	Other	1,048	597
Intangible assets:	10,687	7,780	Total liabilities	1,078,626	1,069,842
Patent	769	1,120	Net assets		
Software	4,863	3,372	Shareholders' equity:	244,650	229,096
Goodwill	2,082	1,572	Common stock	89,699	89,699
Other	2,973	1,716	Capital surplus:	23,697	23,697
			Additional paid-in capital	23,695	23,695
Investments and other non-current assets:	719,394	684,449	Other capital surplus	1	1
Investment securities	105,144	121,780	Retained earnings:	139,481	123,885
Investments in subsidiaries and affiliates	415,525	383,575	Legal reserve	21,361	21,361
Investments in capital	557	666	Other retained earnings	118,120	102,525
Investments in subsidiaries and affiliates' capital	44,472	43,122	General reserve	50,000	50,000
Long-term loans receivable	68,552	69,820	Retained earnings brought forward	68,120	52,525
Long-term prepaid expenses	18,808	5,490	Treasury stock	(8,228)	(8,186)
Prepaid pension expense	50,691	45,833	Valuation and translation adjustments:	50,594	58,462
Other	16,885	15,316	Valuation difference on available-for-sale securities	50,897	58,413
Allowance for doubtful receivables	(1,240)	(1,152)	Deferred gains on hedges	(303)	49
			Total net assets	295,243	287,558
Total assets	1,373,869	1,357,400	Total liabilities and net assets	1,373,869	1,357,400

Non-consolidated Statement of Income

		(Millions of Yen)
	136th term (April 1, 2016 to March 31, 2017)	(Reference) 135th term (April 1, 2015 to March 31, 2016)
Net sales	650,857	735,261
Cost of sales	508,662	567,661
Gross profit	142,195	167,601
Selling, general and administrative expenses	134,690	124,451
Operating income	7,505	43,150
Non-operating income	68,593	65,895
Interest and dividend income	64,871	60,518
Other income	3,723	5,377
Non-operating expenses	18,141	20,521
Interest expense	8,012	8,637
Foreign exchange losses	1,853	5,027
Cost of inactive facilities	2,990	2,839
Other expenses	5,286	4,018
Ordinary income	57,958	88,524
Special gains	21,534	9,724
Gain on sale of investment securities	21,534	9,724
Special losses	43,884	55,516
Impairment loss	22,745	1,176
Loss on related business	18,742	51,597
Loss on disposal of property, plant and equipment	2,397	2,743
Income before income taxes	35,608	42,733
Income taxes – current	(557)	2,595
Income taxes – deferred	(688)	2,659
Net income	36,853	37,479

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings (*)	Total retained earnings		
Balance at the beginning of current period	89,699	23,695	1	23,697	21,361	102,525	123,885	(8,186)	229,096
Changes:									
Cash dividends						(21,258)	(21,258)		(21,258)
Net income						36,853	36,853		36,853
Purchase of treasury stock								(43)	(43)
Disposal of treasury stock			0	0				1	1
Net changes except for shareholders' equity									
Net changes	—	—	0	0	—	15,596	15,596	(42)	15,554
Balance at the end of current period	89,699	23,695	1	23,697	21,361	118,120	139,481	(8,228)	244,650

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	58,413	49	58,462	287,558
Changes:				
Cash dividends				(21,258)
Net income				36,853
Purchase of treasury stock				(43)
Disposal of treasury stock				1
Net changes except for shareholders' equity	(7,516)	(353)	(7,868)	(7,868)
Net changes	(7,516)	(353)	(7,868)	7,685
Balance at the end of current period	50,897	(303)	50,594	295,243

* details of other retained earnings

(Millions of Yen)

	General reserve	Retained earnings brought forward	Total
Balance at the beginning of current period	50,000	52,525	102,525
Changes:			
Cash dividends		(21,258)	(21,258)
Net income		36,853	36,853
Net changes	–	15,596	15,596
Balance at the end of current period	50,000	68,120	118,120

NOTES:

1. Business report is listed as follows:

- (1) Fractions less than 0.1 billion yen or 1 million yen have been rounded to the nearest 0.1 billion yen or million yen.
 - (2) Stock prices listed in units of 1,000 are shown rounded down to the nearest 1,000 shares.
2. Fractions less than 1 million yen have been rounded to the nearest million yen with respect to the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets, the Non-consolidated Balance Sheet, the Non-consolidated Statement of Income and the Non-consolidated Statement of Changes in Net Assets.