

Creative Hybrid Chemistry For a Better Tomorrow



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President
December 2012

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Outlook for FY2012

(Billions of yen)

	FY2011	FY2012 (Forecast)	Change
Sales	1,947.9	2,020.0	+72.1
Operating Income	60.7	65.0	+4.3
Equity in Earnings of Affiliates	2.0	12.0	+10.0
Ordinary Income	50.7	62.0	+11.3
Net Income	5.6	10.0	+4.4
Naphtha Price	¥54,900/kl	¥55,000/kl	
Exchange Rate	¥79.08/US\$	¥80.00/US\$	

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Current Management Priority Issues

Last 10 Years

Pave the way for future growth

(Tackle Three Management Priority Issues)

Rabigh Project

Launched DSP,
Acquired
Sepracor

Established
and expanded
IT-related
Chemicals
Sector

2 to 3 Years

Enhance financial strength

Improve profitability

Rigorously select investments

Improve asset efficiency

Next 10 to 20 Years

Develop New Businesses

Environment
and
Energy

Life
Sciences

ICT

Globalization

Promote globally integrated management

2001

2011

2020~30

Current Situation

Last 10 Years

Pave the way for future growth

(Tackle Three Management Priority Issues)

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Develop New Businesses

Environment and Energy

Life Sciences

ICT

Globalization

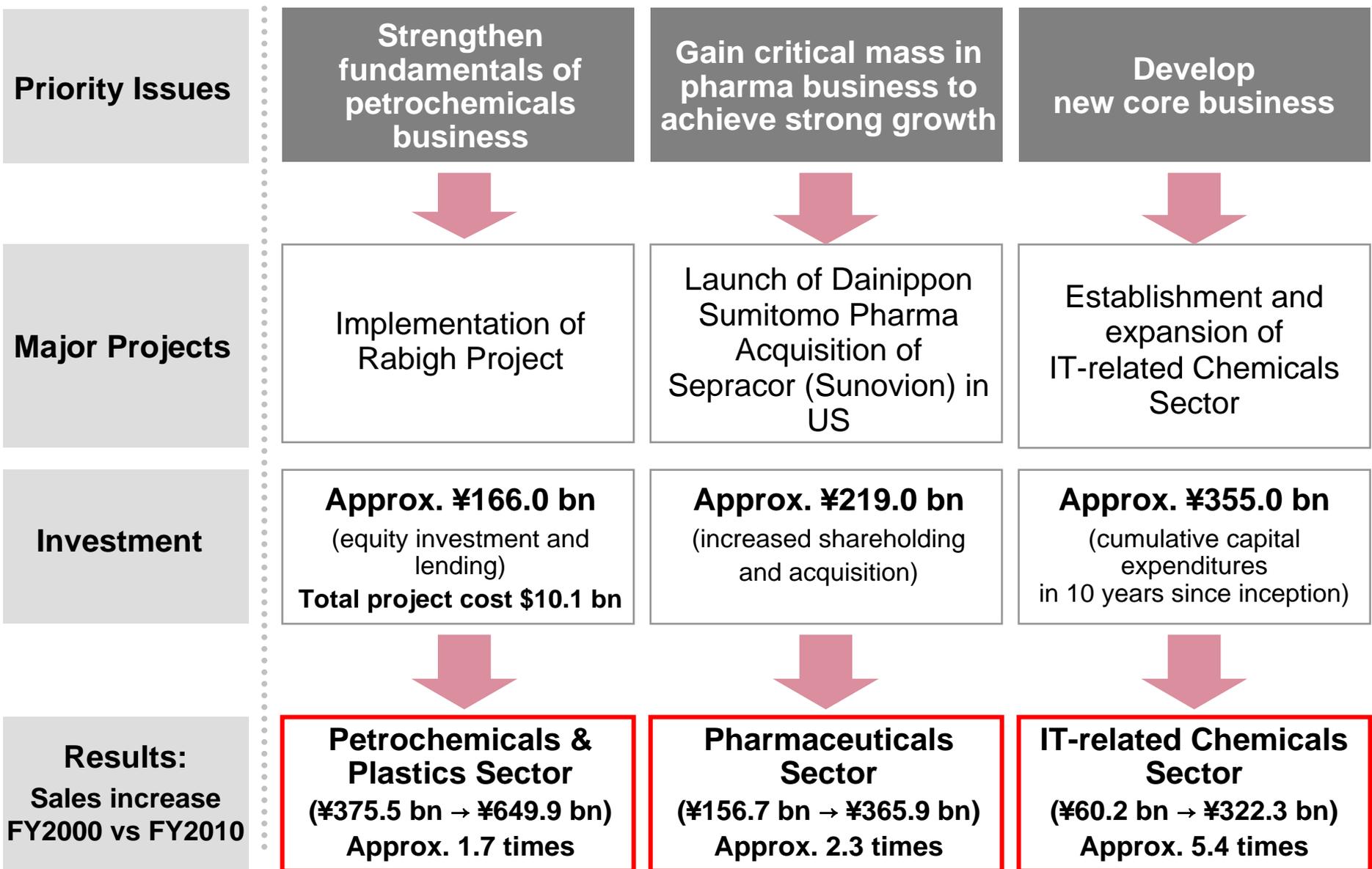
Promote globally integrated management

2001

2011

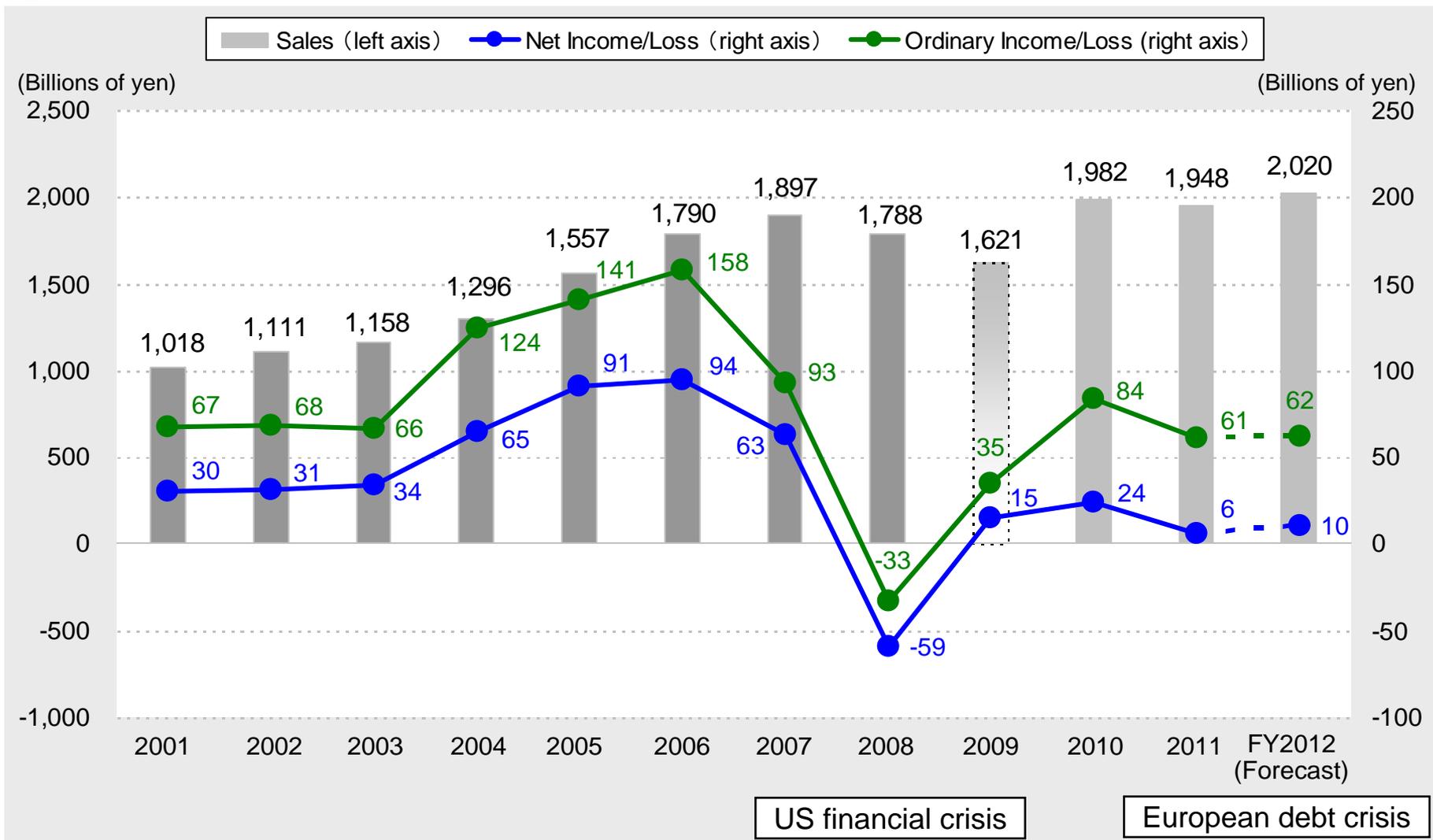
2020~30

Current Situation (Results of Major Projects)

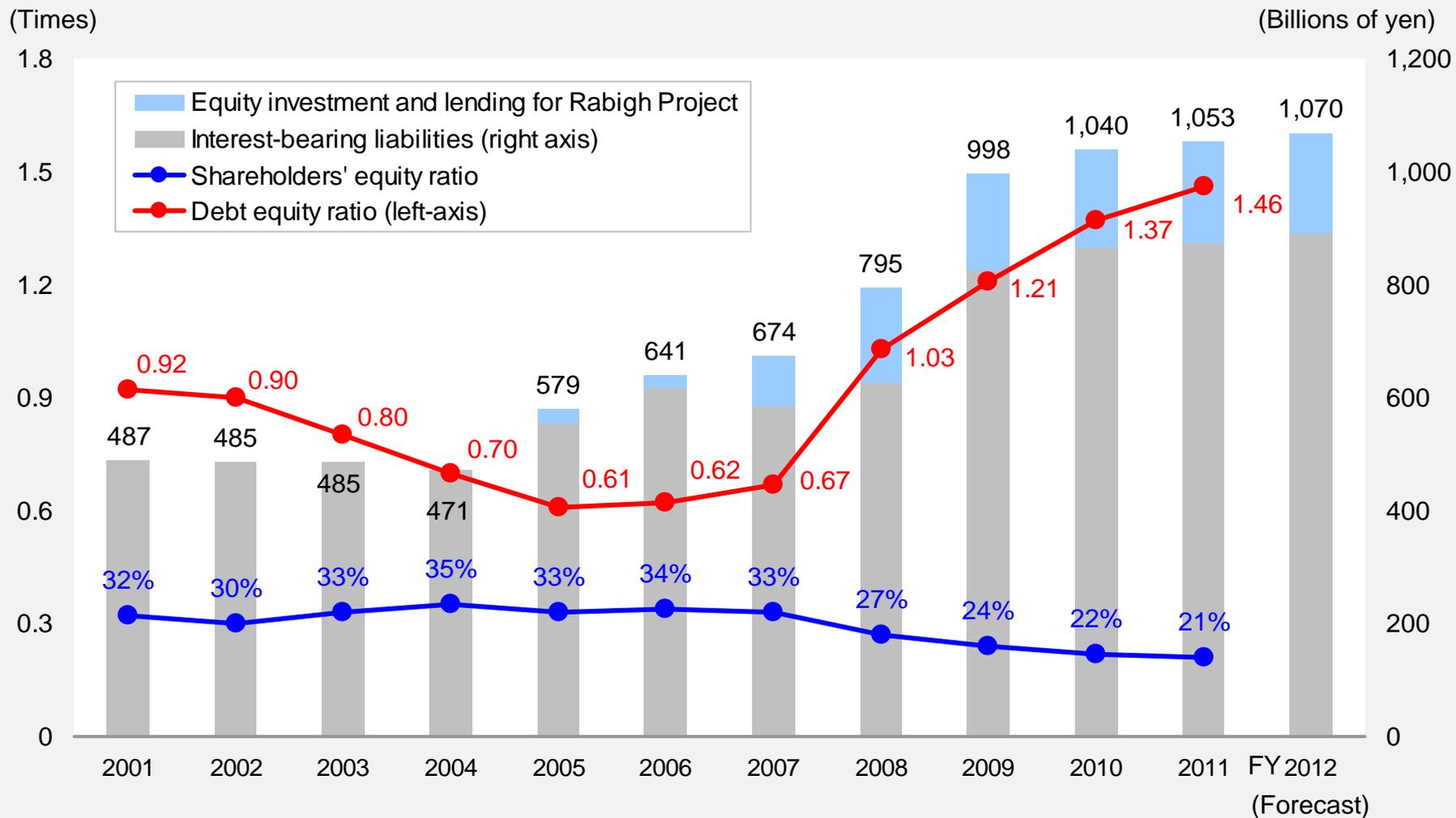


Current Situation (Trends in Performance)

Sales, Ordinary Income, Net Income



Current Situation (Trends in Financial Ratios)



US financial crisis

European debt crisis

Enhance Financial Strength

Last 10 Years

Pave the way for future growth

(Tackle Three Management Priority Issues)

Rabigh Project

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Enhance Financial Strength

Improve profitability

- Quickly maximize returns on major projects
- Restructure/exit unprofitable businesses
- Drastically reduce overhead costs
- Minimize sensitivity of earnings to currency fluctuations

Rigorously select investments

- Keep investment cash flows within the range of operating cash flows

Improve asset efficiency

- Reduce cash conversion cycle

Enhance Financial Strength

Target: Reduce interest-bearing debt balance to below ¥900.0 billion by the end of FY2015

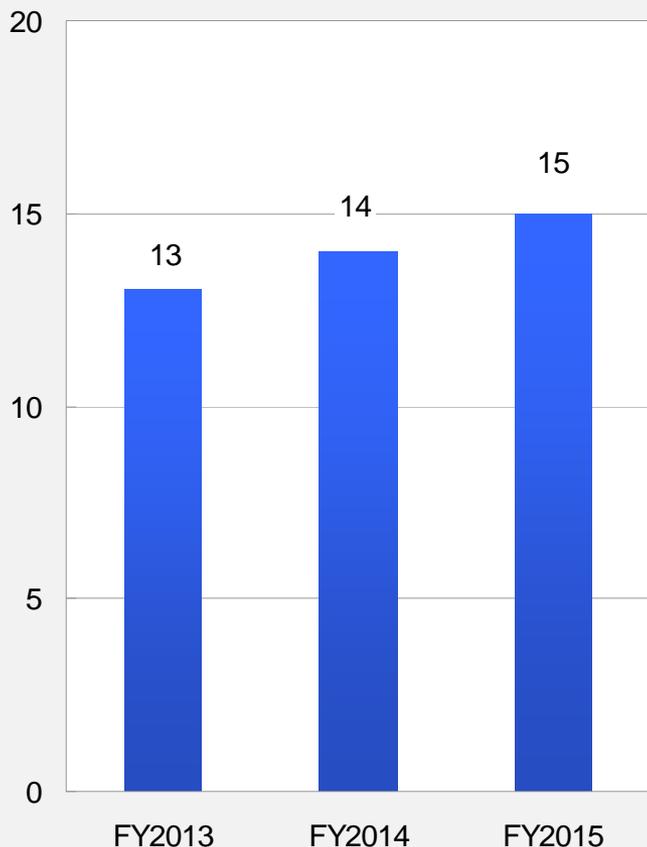
Secure greater strategic freedom to aggressively pursue growth opportunities

Enhance Financial Strength

(Improve Profitability: Drastically Reduce Overhead Cost)

Target for Corporate Overhead Cost Reduction

(Billions of yen)



Corporate overhead cost (incl. research cost) has increased to support the globalization of our operations

- Streamline research activities (Increase per-person productivity)
- Improve the efficiency of service functions (Promote the use of shared services and the outsourcing of administrative functions)
- Improve overall operational efficiency

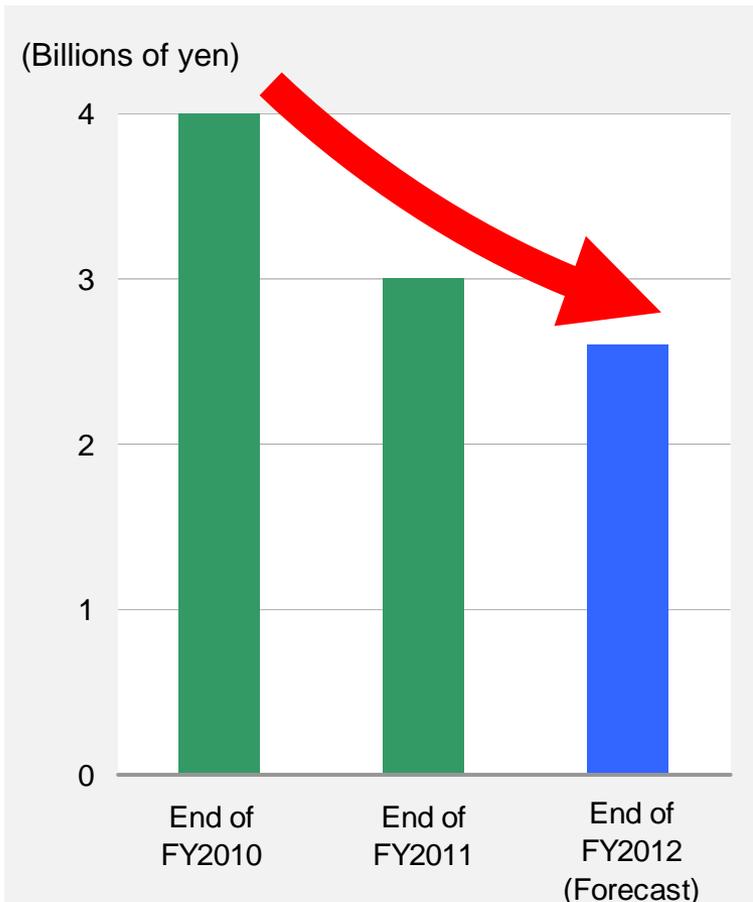
Cut overhead cost by 15 billion yen by FY2015

Enhance Financial Strength

(Improve Profitability: Minimize Sensitivity to Currency Fluctuations)

Foreign Exchange Sensitivity

(Change in operating income per one yen change in the exchange rate of the yen against \$US)



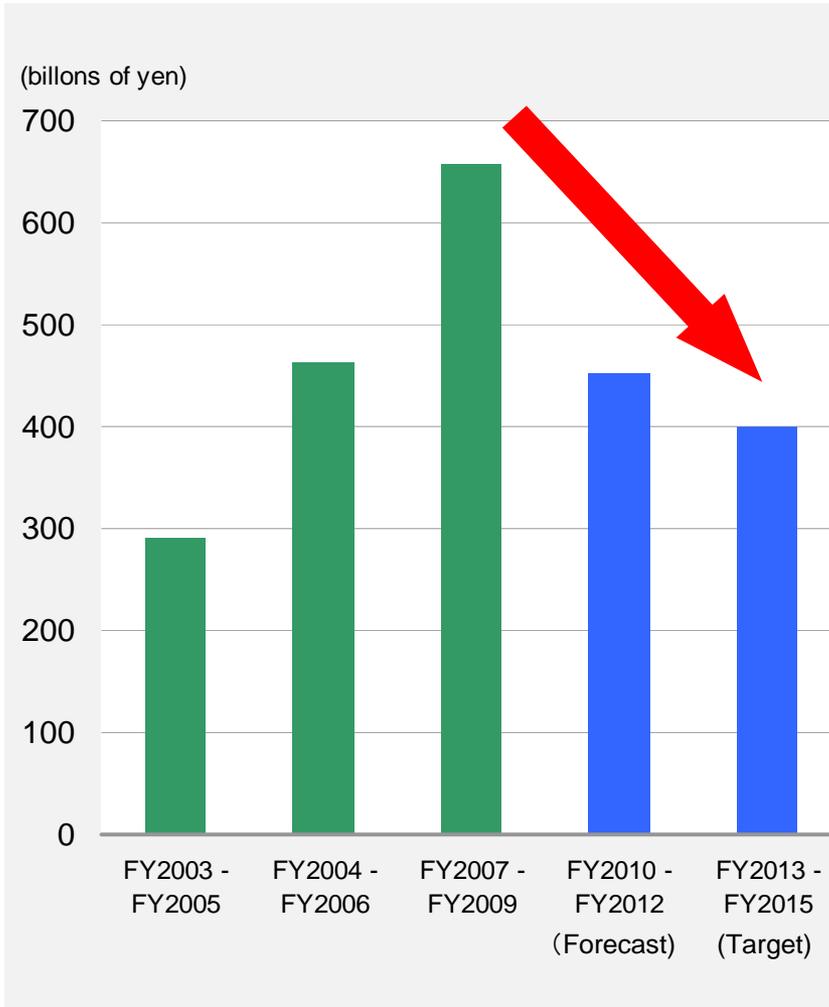
High volatility in financial performance
due to sharp currency fluctuations
(Appreciation of the yen)

- Expand overseas production
- Better balance foreign currency-denominated payables and receivables (e.g., by increasing US\$-denominated purchase of raw materials for products sold in US\$, such as polarizer film)

Halve sensitivity of operating income to currency fluctuations from over 4 billion yen to over 2 billion yen per year for each one-yen change in the exchange rate of the yen against US\$

Enhance Financial Strength (Rigorously Select Investments)

Investment Cash Flow



**Rigorously Select
Investments**

**Restrict the amount of investments
decided FY2012 to FY2014
to 400 billion yen
(incl. the investment of 130 billion yen
in major projects already decided)**

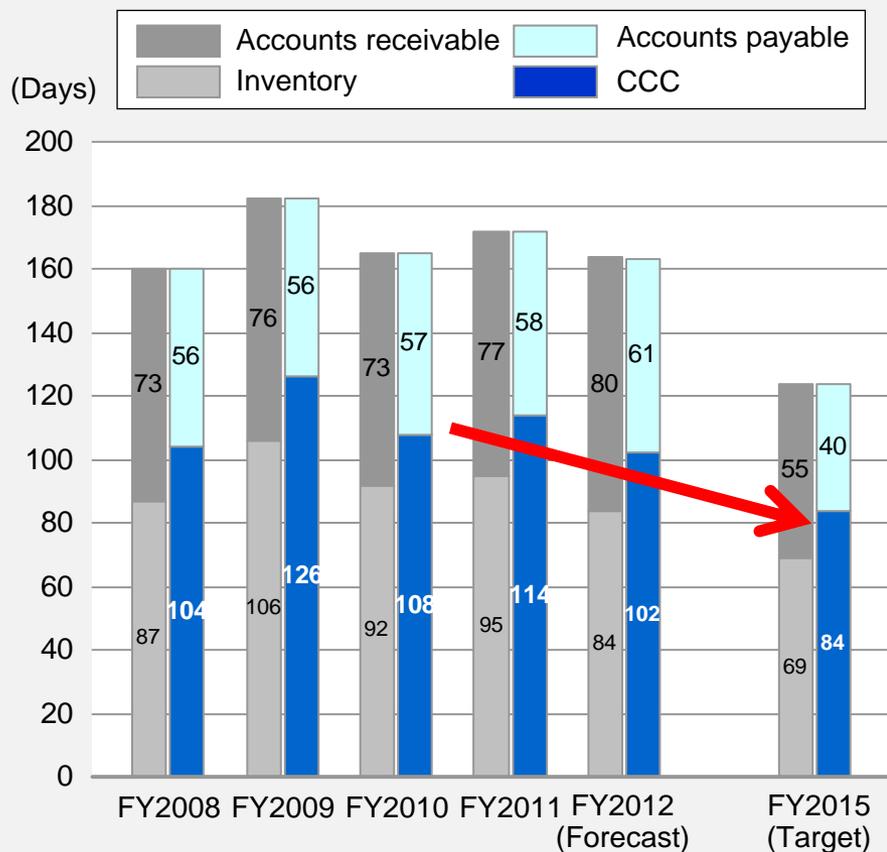
**Limit investment cash flow
for FY2013 to FY2015
to below 400 billion yen**

Enhance Financial Strength

(Improve Asset Efficiency: Reduce Cash Conversion Cycle)

Cash Conversion Cycle (CCC) = accounts receivable turnover + inventory turnover - accounts payable turnover

Sumitomo Chemical's CCC



Our initiatives

- Shorten accounts receivable terms
- Reduce and optimize inventory levels
- Extend accounts payable terms

Target

Reduce CCC by 25% from FY2010 level by FY2015

Estimated total cash flow improvement between FY2011 and FY2015 through these CCC reduction initiatives

130 billion yen

Develop New Businesses

Last 10 Years

Pave the way for future growth

(Tackle Three Management Priority Issues)

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2 to 3 Years

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Develop New Businesses

Environment and Energy

Life Sciences

ICT

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2020~30

Develop New Businesses (Creative Hybrid Chemistry)

Contribute to the sustainable development of society

**Environment
and
Energy**

**Life
Sciences**

**Information
and
Communication
Technology**

Develop new businesses by providing products that help solve global challenges

Combine and leverage six core technologies

Catalyst
design

High-
precision
processing

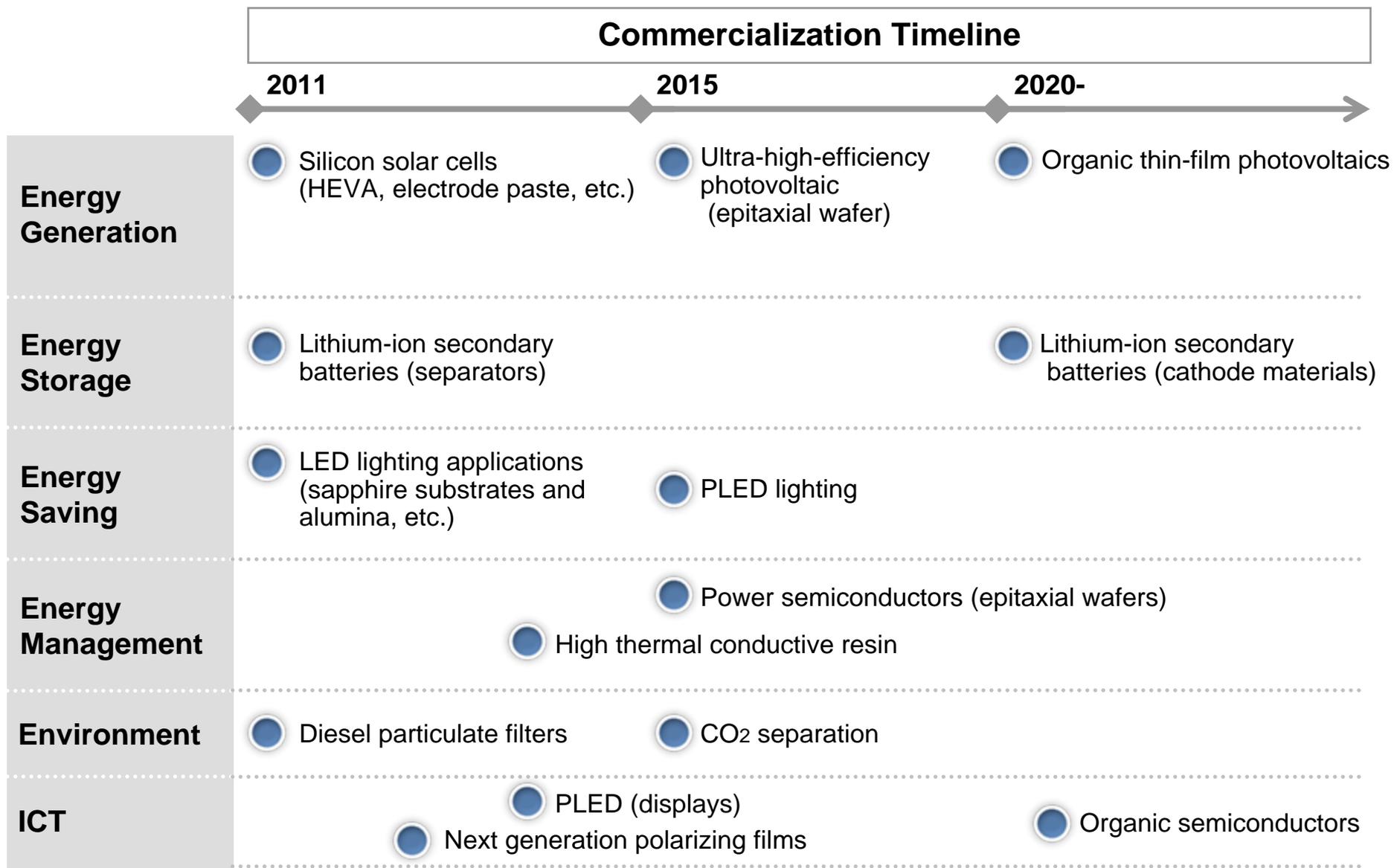
Design of
functional
organic
chemicals and
polymers

Design of
functional
inorganic
materials

Device
design

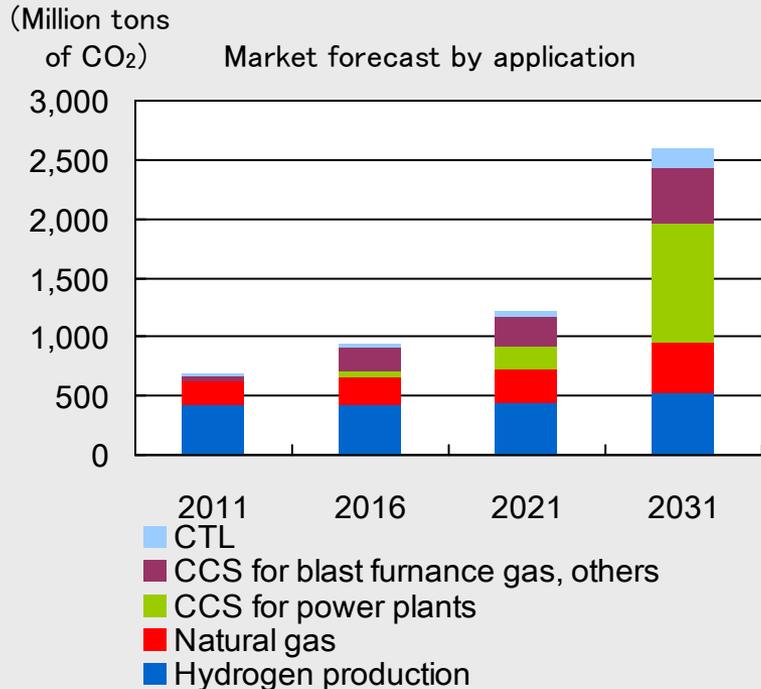
Analysis of
bio-
mechanisms

Commercialization Timeline (Environment & Energy and ICT)



Develop New Core Business (CO₂ Separation Business)

Target market



The carbon capture and storage (CCS) market is expected to grow from 2020 onward, due to regulation for reducing CO₂ emission sources.

The new company will initially work to foster business in the existing market segments of hydrogen production and natural gas refining, with the aim of building a foundation for future business expansion in the CCS market.

Overview of New Company

- Business: CO₂ separation using CO₂ selective membrane
- Capital: 800 million yen
- Shareholders:

Sumitomo Chemical	47.5%
Sumitomo Corp.	47.5%
Renaissance Energy Research	5.0%

Features of CO₂ separation technology using CO₂ selective membrane

- ① Low energy consumption
- ② Simple separation process
- ③ Small-scale equipment
- ④ Flexibility of equipment capacity
- ⑤ Smaller investment than chemical absorption method

Promote Globally Integrated Management

Last 10 Years

Pave the way for future growth

(Tackle Three Management Priority Issues)

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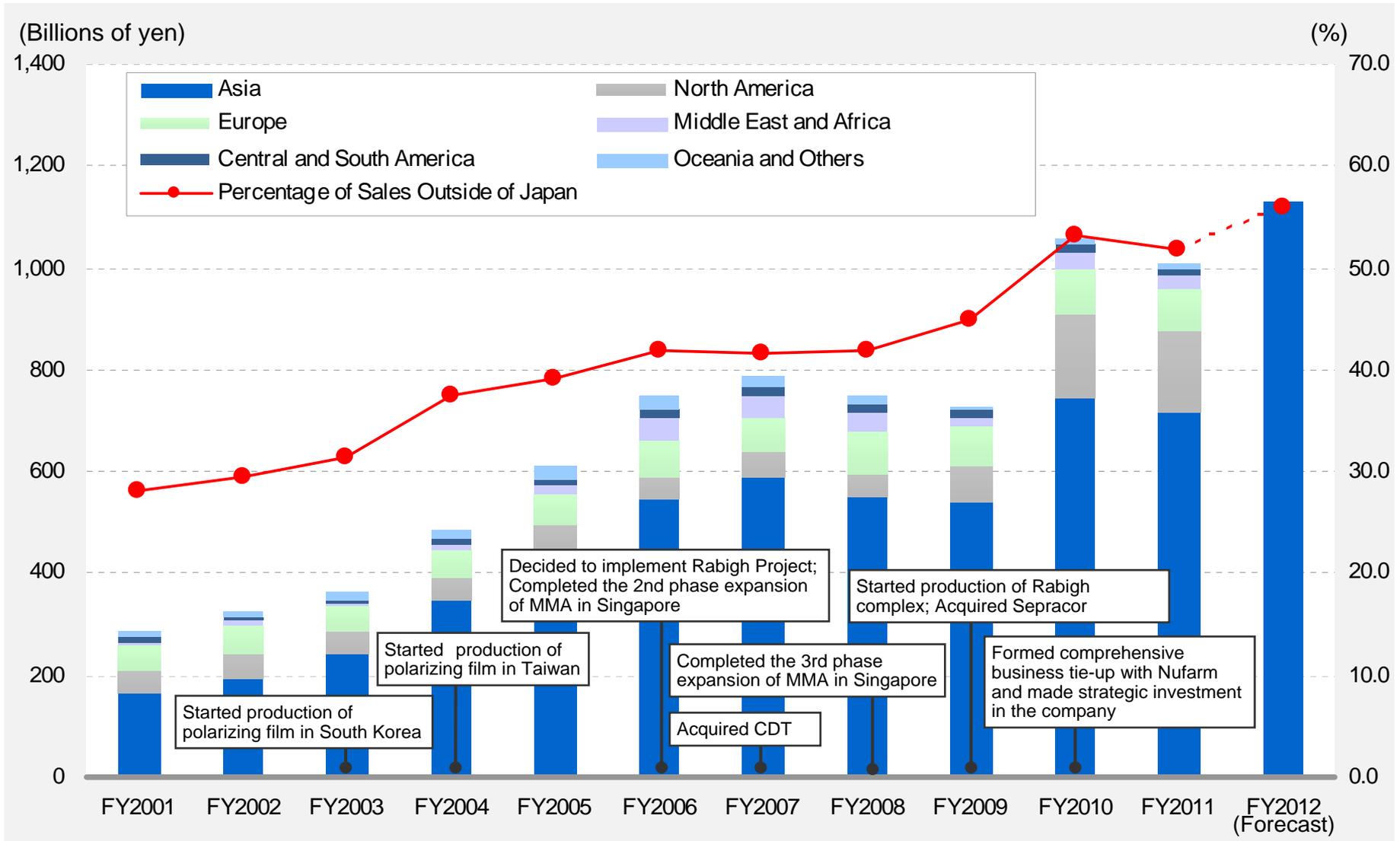
What is globalization in the true sense?

Optimize across national borders the functions in each business—
—from R&D to manufacturing to marketing, sales and logistics—
in terms of cost, technology and business environment

Globally Integrated Management

Promote Globally Integrated Management (Trends in Sales Outside of Japan)

Percentage of overseas production in FY2011: 40%



Promote Globally Integrated Management (Sales outside of Japan)

	FY2001 (Billions of yen)	FY2012 (Billions of yen)	Change 2012/2001
Sales in Japan	731.2	938.9	128%
Sales outside of Japan	287.2	1,009.0	351%
Global Sales	1,018.4	1,947.9	191%
Exchange Rate	¥124.98/US\$	¥79.08/US\$	
Percentage of Sales Outside of Japan	28%	52%*	

* Percentage of overseas production: 40%
Percentage of employees overseas: 39%

Promote Globally Integrated Management

Basic Chemicals

Singapore

Increased methyl methacrylate production capacity

Poland

Building DPF production facilities

IT-related Chemicals

Korea

Built a touch sensor panel production facility

Built a sapphire substrate production facility

China

Establishing supply chains

Pharmaceuticals

US

Launched LATUDA

Acquired BBI and Elevation

Europe

License agreement with Takeda

Pharmaceuticals for the joint development and exclusive commercialization of lurasidone

Petrochemicals and Plastics

Singapore

Building a S-SBR production plant

Saudi Arabia

Rabigh Phase II project

Health & Crop Science

Australia

Comprehensive business alliance with Nufarm

US

Collaboration with Monsanto

FY2011
40%

Overseas
Production

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Current state of petrochemical business in Japan

- Customers shifting operations to the outside of Japan
- Appreciation of the yen
- High-cost feedstock (naphtha) and utility (electricity)
- Increase in import of low-priced products
- New plans for shale gas-based petrochemicals projects in North America



Enhancing overseas operations is essential for the survival and growth of our petrochemical business

Sumitomo Chemical has been actively expanding business outside of Japan since 1980s

Globalized operations capitalizing on distinctive competitive advantage of each operation base



Bulk Chemicals Business (Rabigh Phase I Project)

Performance of Rabigh Phase I

(US\$ millions)

		2010	2011	2012 1Q	2012 2Q	2012 3Q
Sales	Refined products	10,416	12,071	3,663	3,290	3,606
	Petro-chemicals	2,074	2,163	604	669	528
Operating Income		-30	27	40	-17	123
Net Income		56	18	31	-28	109

Bulk Chemicals Business (Rabigh Phase II Project)

1. Investment	Approx. US\$ 7 billion
2. Feedstock	Ethane (approx. 400,000 tons/year) Naphtha (approx. 3 million tons/year)
3. Products	Ethylene propylene rubber (EPDM); thermoplastic polyolefin (TPO); methyl methacrylate (MMA) monomer; methyl methacrylate (MMA) polymer; low-density polyethylene/ ethylene vinyl acetate (LDPE/ EVA); para-xylene/benzene; cumene; phenol/ acetone
4. Start of operations	First half of 2016
5. Products under consideration	Acrylic acid; superabsorbent polymer (SAP); caprolactam; nylon-6; polyols

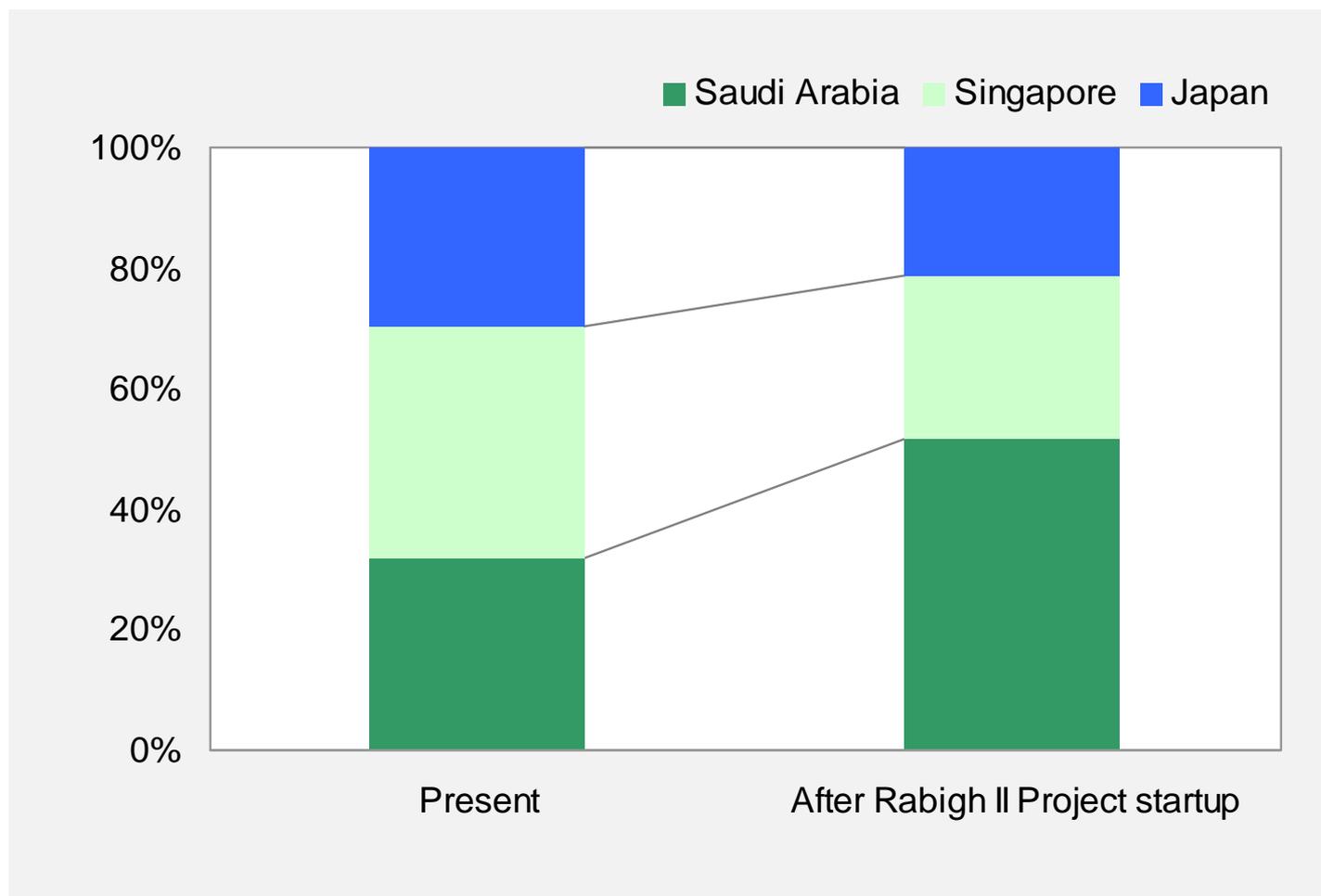
Purposes of the Project

- 1 Expand product line
- 2 Enhance the value added
- 3 Take full advantage of the proximity to growing Middle East and North African markets

Advantages of the Project

- 1 Low-cost ethane as feedstock
- 2 Use of existing infrastructure of Rabigh I Project
- 3 State-of-the-art facilities
- 4 Strong partnership with Saudi Aramco

Petrochemicals production capacity by area



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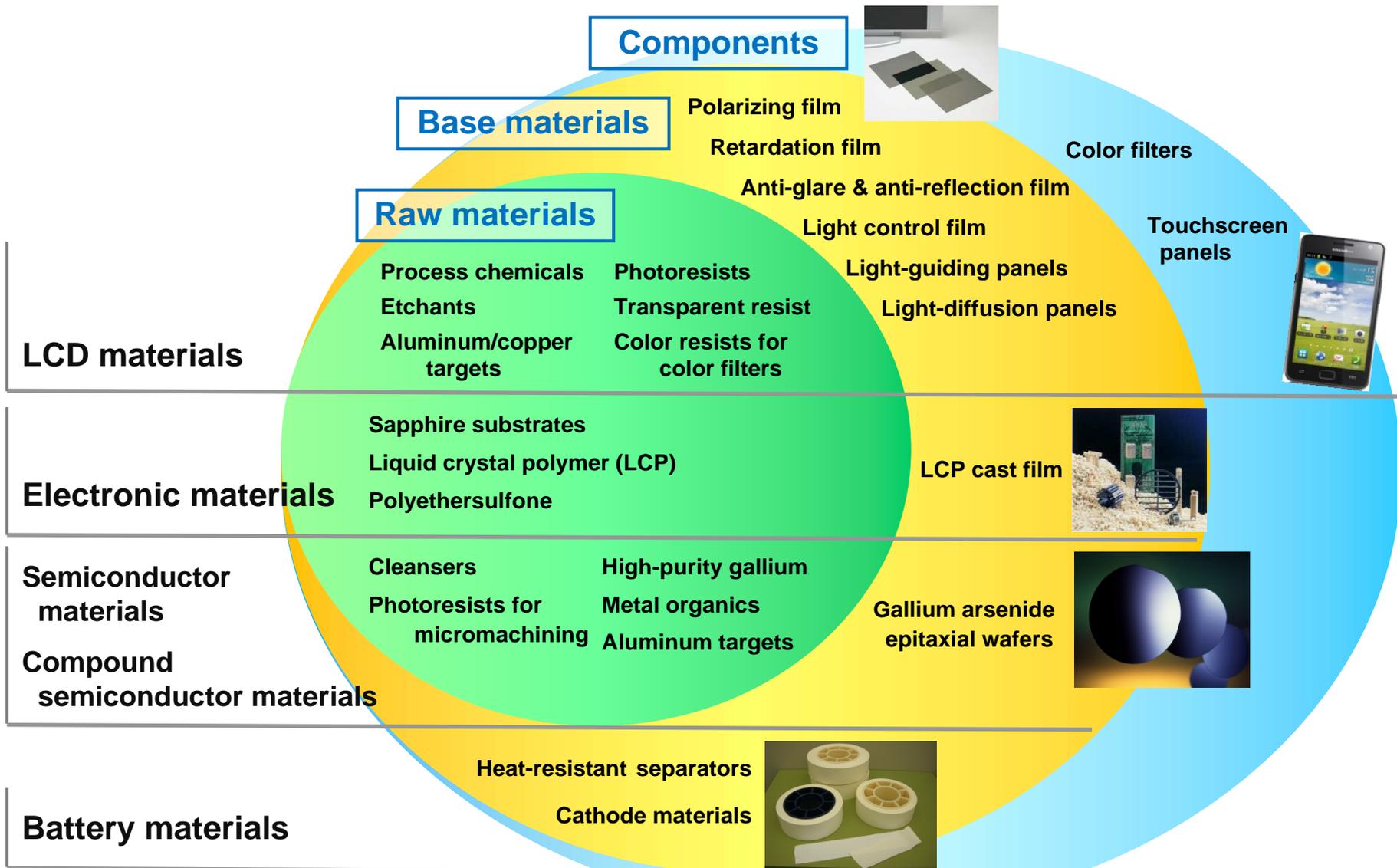
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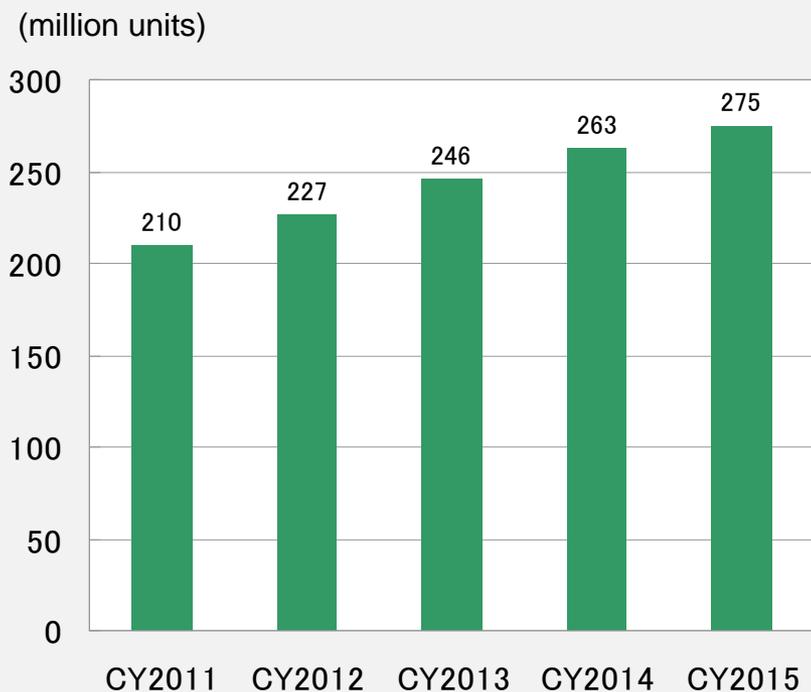
ICT Related Business



ICT Related Business

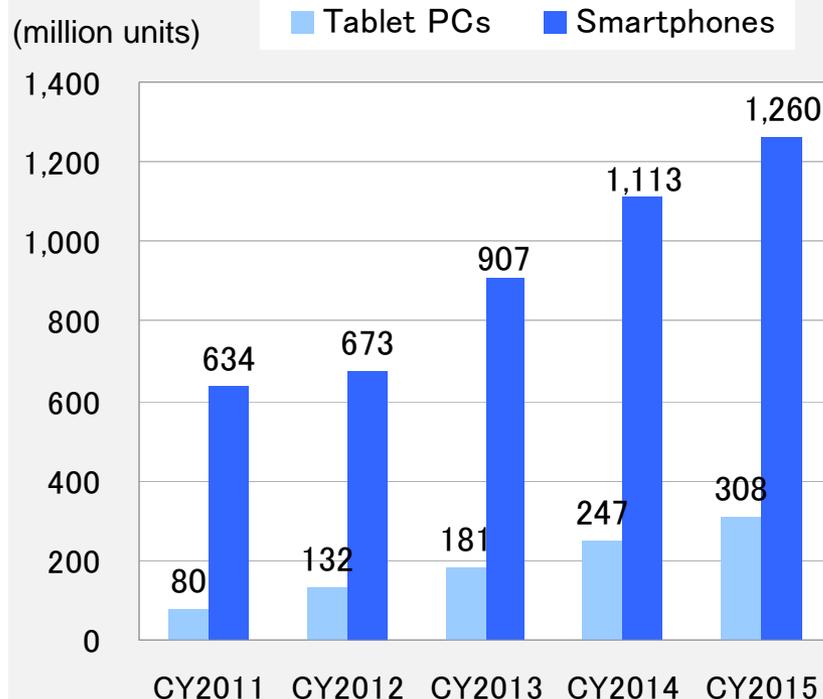
Liquid Crystal Display TV Market

Average annual growth rate :
7%



Tablet PC and Smartphone Market

Average annual growth rate :
Tablet PCs **41%**
Smartphones **19%**



(Source: Display Search 2012.07)

ICT Related Business (Polarizing Film)

Large-sized polarizing film for LCD TVs

Small- and medium-sized polarizing film for smartphones and tablet PCs

Demand trends

Stable growth

Rapid growth

Customer needs

Large film size and low price

High performance (light; thin; sturdy; wide viewing angle)

Requirements for polarizing film makers

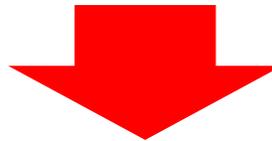
Capability to reduce cost (economies of scale and technology development)

Capability to develop high performance products

Strategy

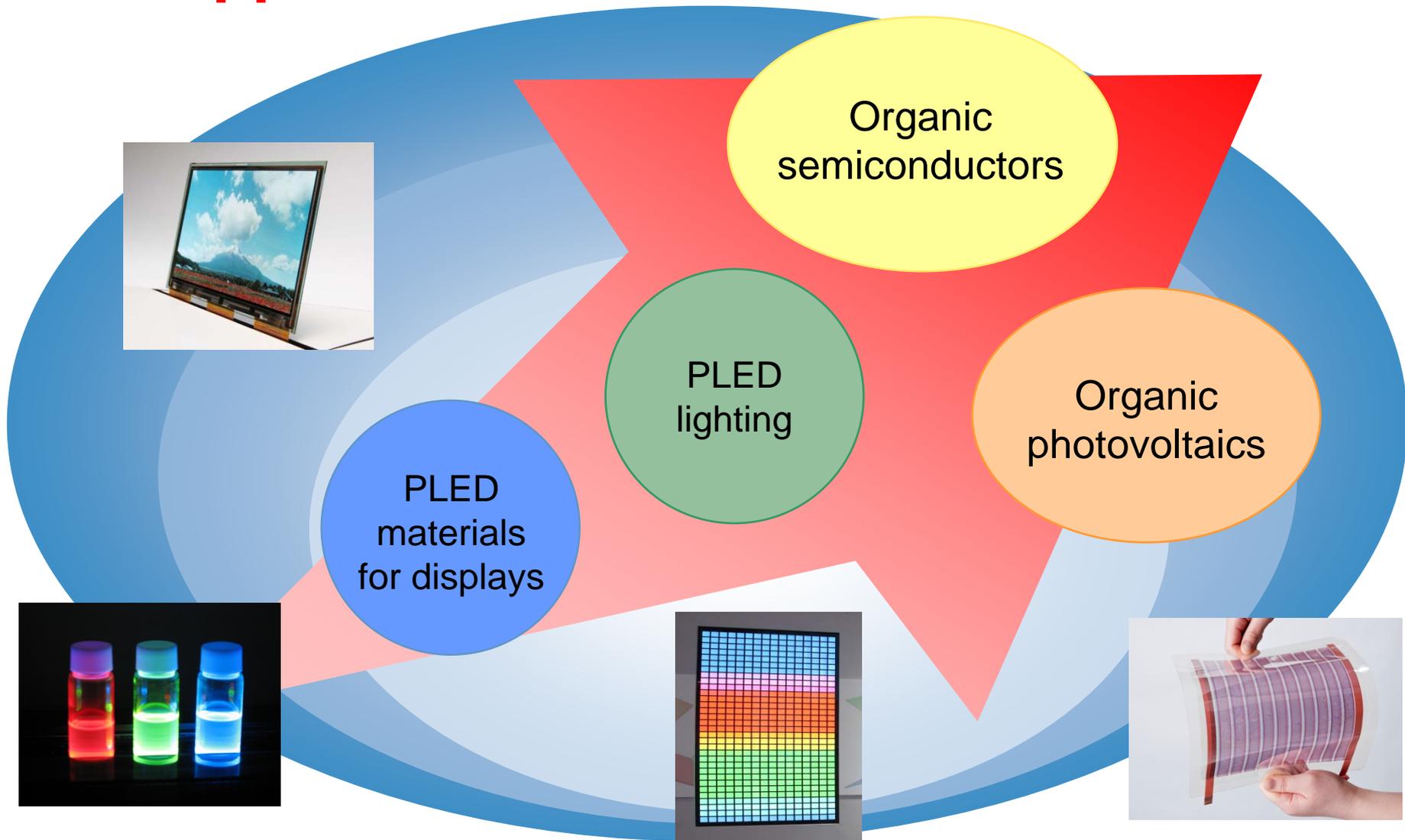
Enhance production speed
Develop cost competitive new materials

Accelerate technology development



Only 3 or 4 polarizing film makers can survive

Applications in Printed Electronics



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Life Sciences (Health & Crop Sciences)

Health

- Ensuring Public Health and Hygiene

Food

- Increase Food Production
- Sustainable Agriculture
- Safer Produce

Environment

- Improvement of Quality of Life and the Environment

Sumitomo Chemical R&D

Expand business globally

Establish highly profitable core business

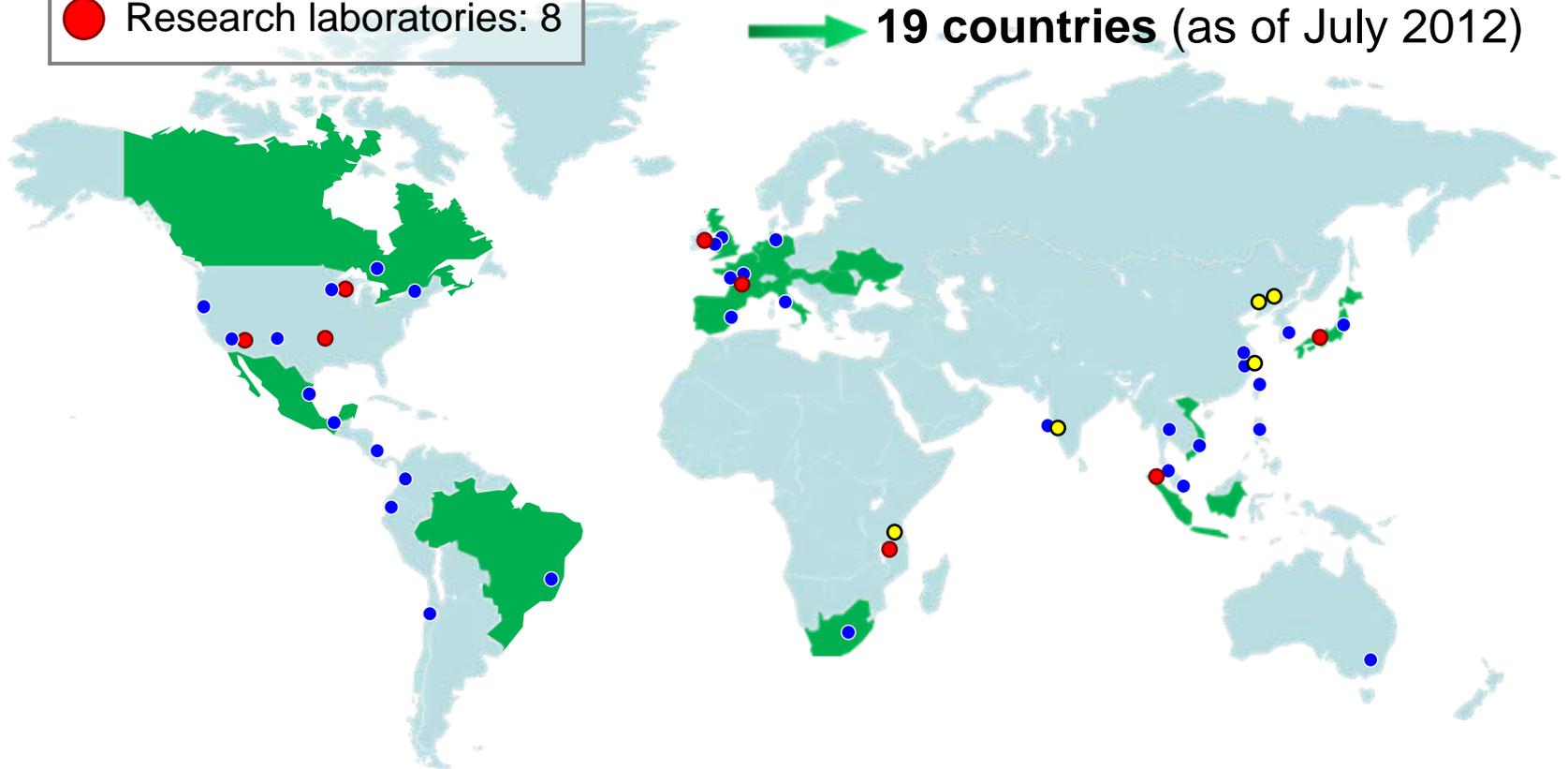
Ensure compliance and maintain safe operations

Sumitomo Chemical's globalized operations in Health & Crop Sciences Business

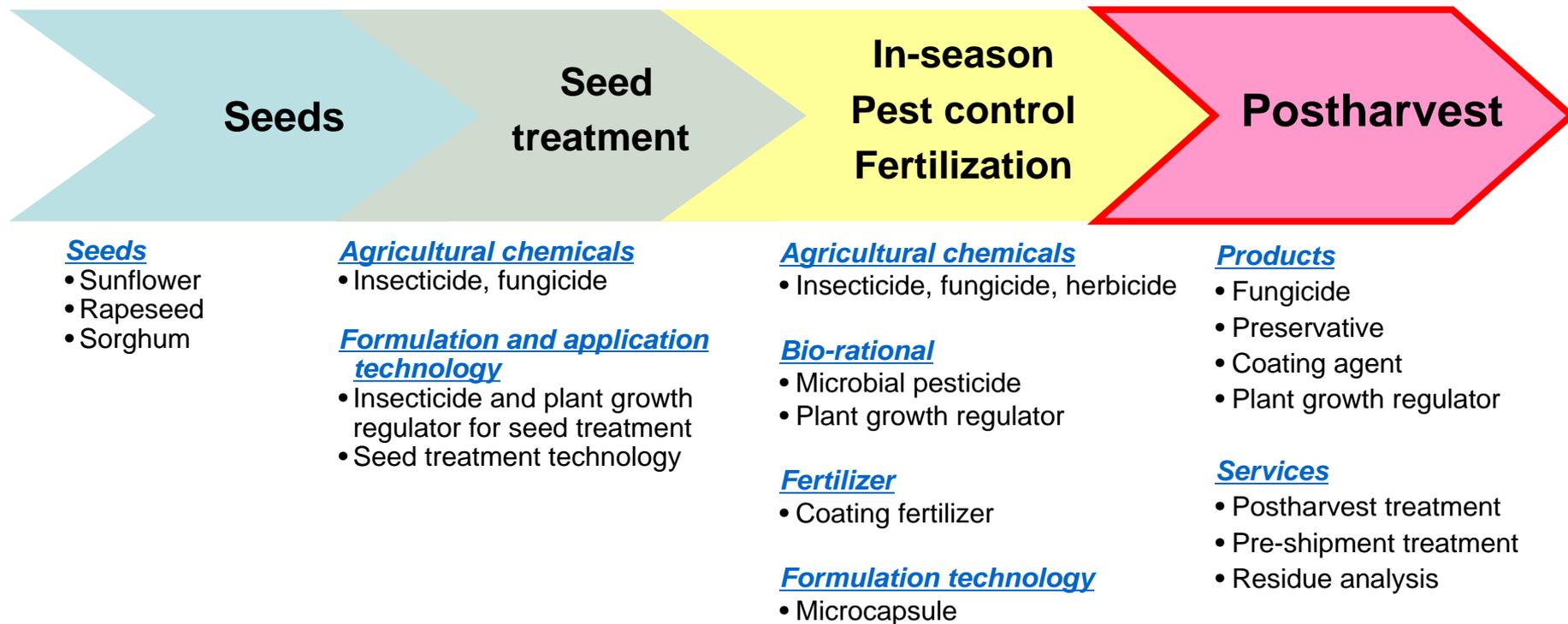
- Sales bases: 33
- Plants: 5
- Research laboratories: 8

■ Countries in which Sumitomo Chemical has formed sales alliance with Nufarm

➔ **19 countries** (as of July 2012)



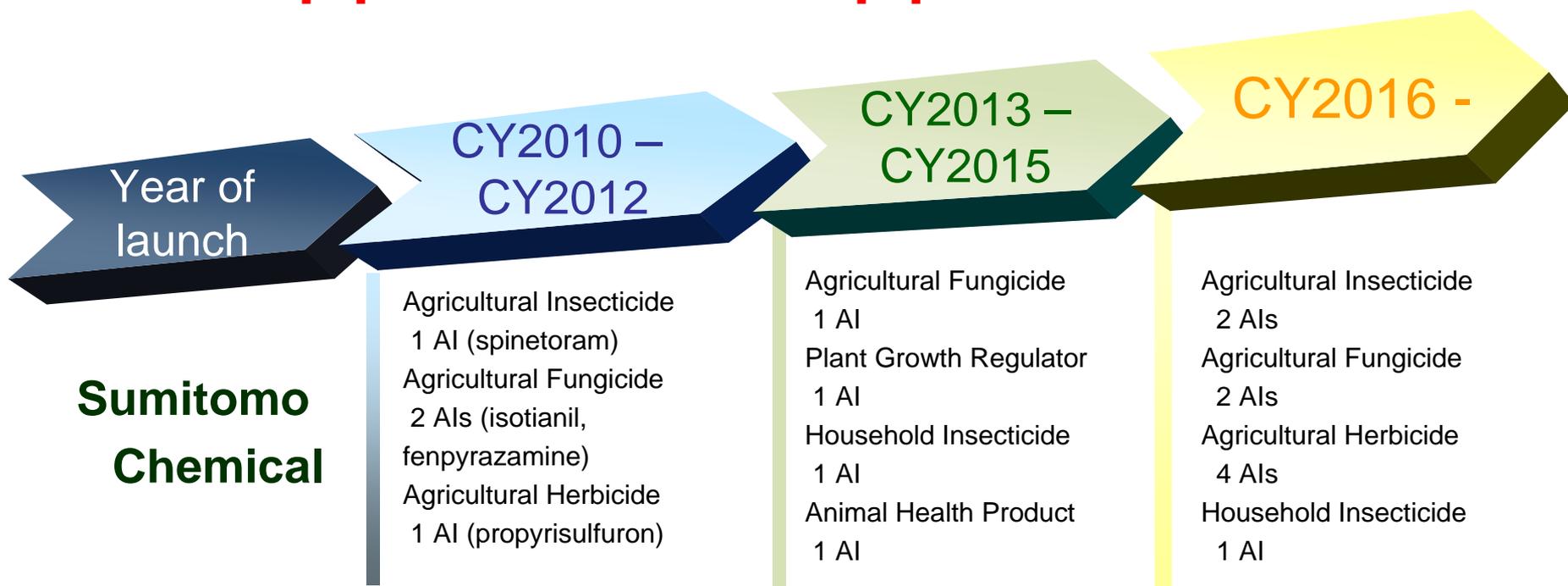
Life Sciences (Health & Crop Sciences)



Strategic entry into postharvest business

- ① Expand business domain
- ② Increase presence in market by differentiation from multinational competitors
- ③ Strengthen downstream businesses
- ④ Seek synergies among seeds, seed treatment, in-season, pest control and fertilization businesses

Product pipeline of new crop protection chemicals



Product launch by multinational crop protection chemical companies

Sumitomo Chemical	Company A	Company B	Company C	Company D	Company E
4 AIs	2 AIs	5 AIs	1 AI	None	1 AIs

(Source) Estimated by Sumitomo Chemical based on public source

(Note) AI: Active Ingredient

Life Sciences (Pharmaceuticals)

Expansion of Overseas Operations (Focusing on North America)

- 2009 DSP Acquired Sepracor (now Sunovion Pharmaceuticals)
- 2011 Launched atypical antipsychotic LATUDA®
- 2012 DSP Acquired BBI
Sunovion Acquired Elevation Pharmaceuticals
- 2013 Approval of LATUDA®'s new indication as treatment for bipolar disorder expected

Established
its own sales
network in US

Expands sales in
the CNS area in North
America
Launched LATUDA®

Enriched product pipeline
in the oncology area by
acquiring BBI
and in the respiratory area
by acquiring Elevation

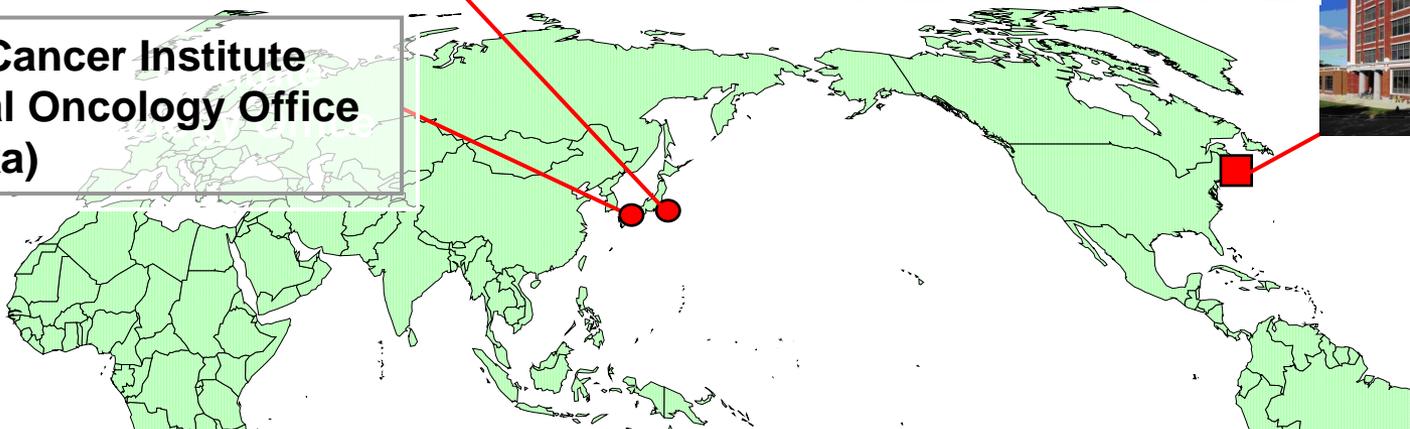
Life Sciences (Pharmaceuticals)

Globalizing R&D activities in the oncology area

- U.S. subsidiary BOSTON BIOMEDICAL as global oncology R&D center -

Global Oncology Office
(Tokyo)

DSP Cancer Institute
Global Oncology Office
(Osaka)



	Japan	North America
Location of R&D bases	Research: Osaka Development: Osaka, Tokyo	Cambridge
R&D organization	Global Oncology Business Development Office, DSP Cancer Institute (under direct control of president)	Global Oncology R&D Center*

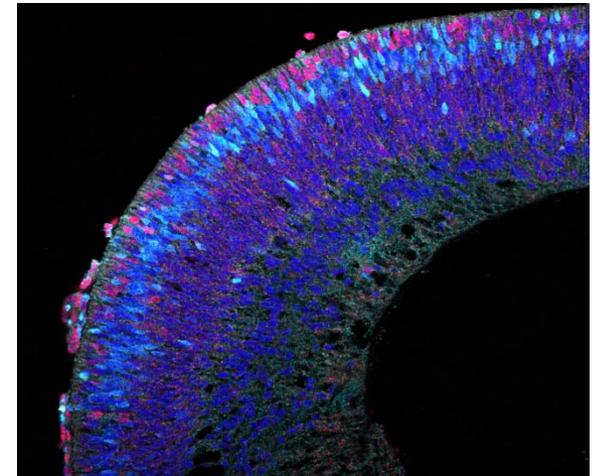
* To be established in FY2012 and employ 100 staff by the end of 2013.

Self-organized retinal tissue from human embryonic cells

- Enabling more accurate prediction of the effects of chemical substances on humans
- Opening the way to regenerative treatment for retinitis pigmentosa and other diseases

Joint research with Dr. Sasai at the Riken Center for Developmental Biology

- Succeeded in forming embryonic-type optic cups by self-organization in human ES cell culture
- Succeeded in forming multilayered retinal tissues containing visual cells and ganglion cells
- Developed a method for cryopreservation of retinal tissues developed from human ES cells, an important step toward clinical application



Retinal tissue of human ES cell origin

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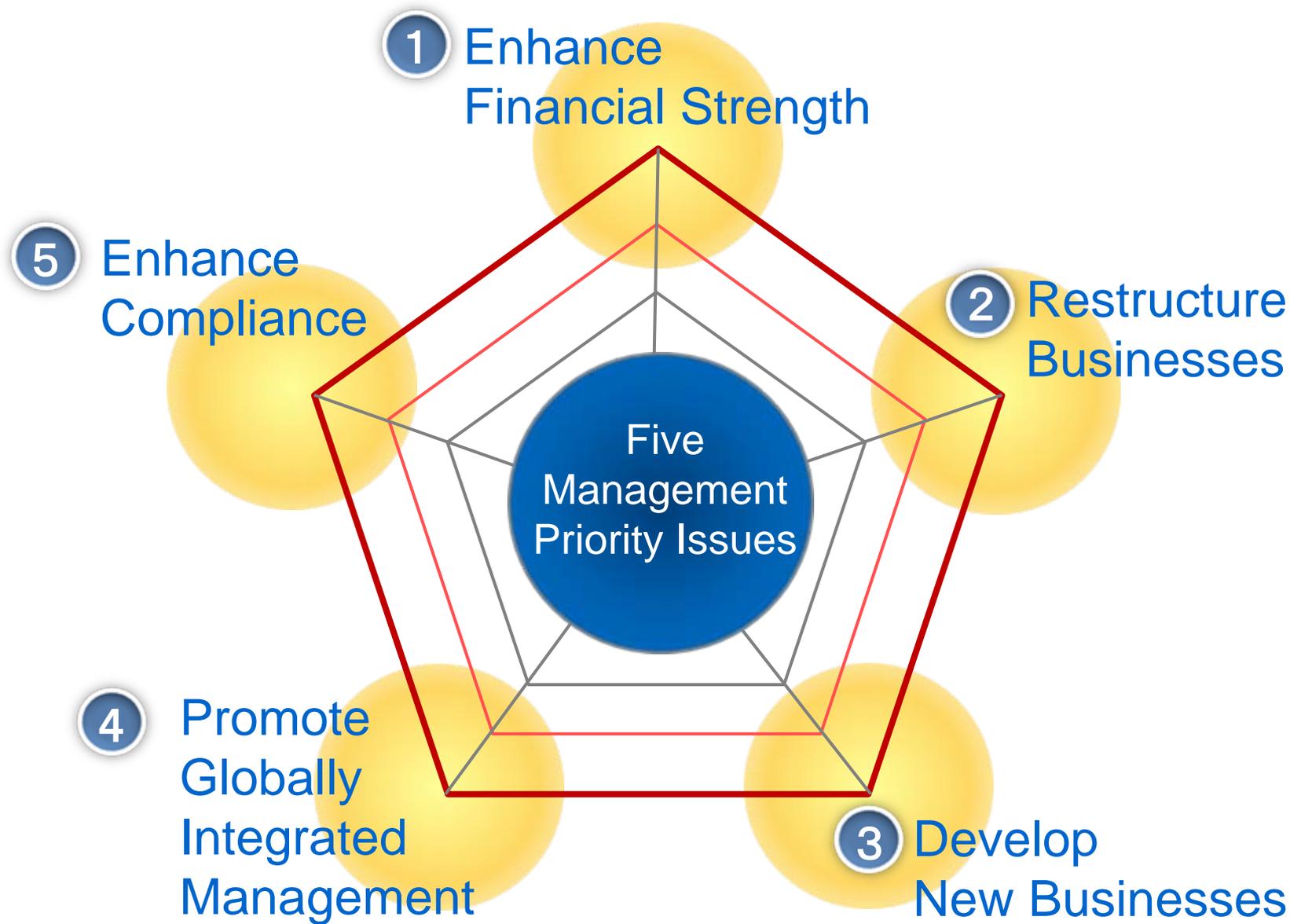
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Management Priority Issues of the Next Corporate Business Plan



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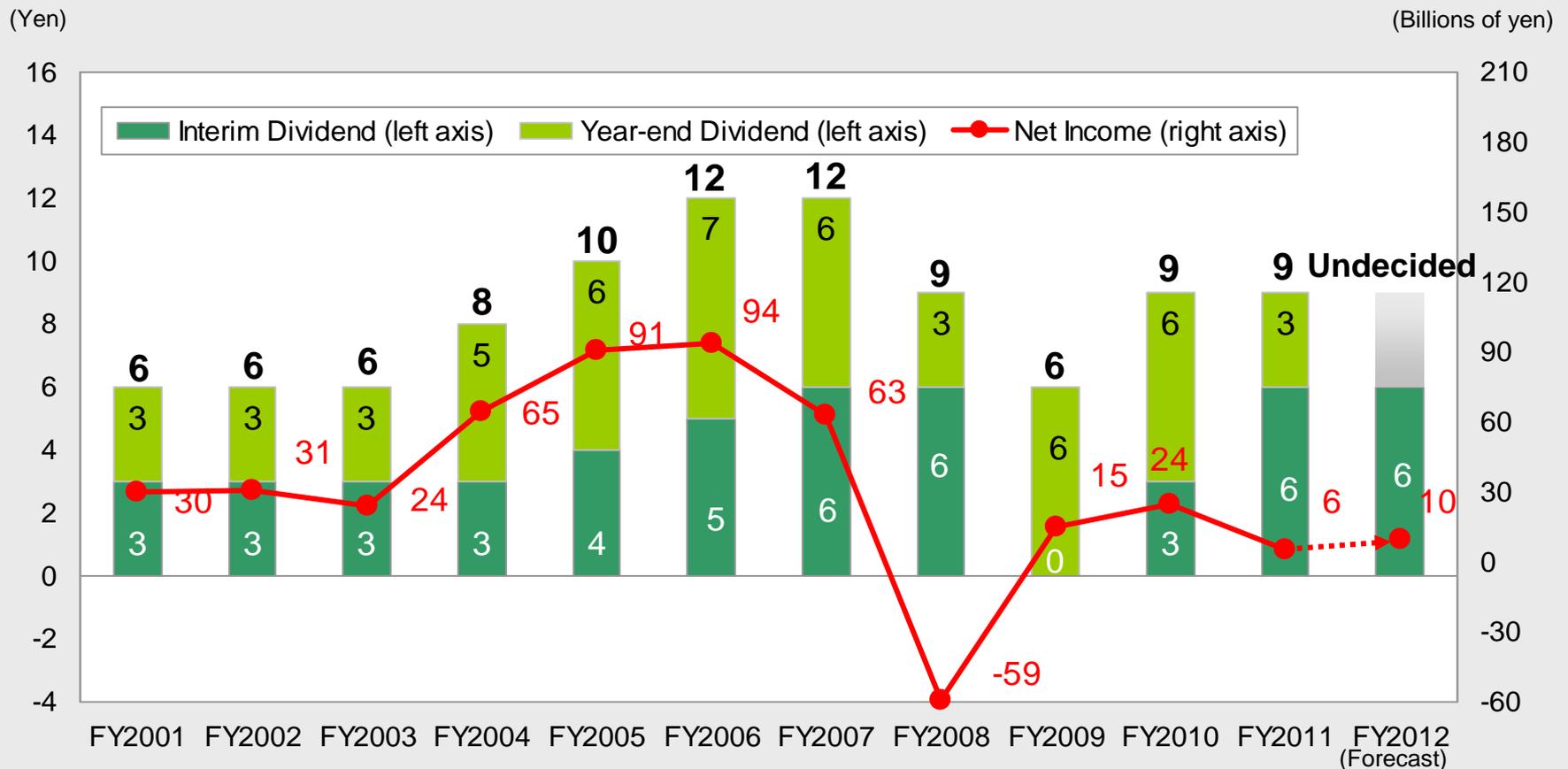
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Dividend Policy

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



Creative Hybrid Chemistry



Cautionary Statement

Statements made in this document with respect to Sumitomo Chemical's current plans, estimates, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of Sumitomo Chemical. These statements are based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties.

The important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, general economic conditions in Sumitomo Chemical's markets; demand for, and competitive pricing pressure on, Sumitomo Chemical's products in the marketplace; Sumitomo Chemical's ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.