

**Investors' Meeting for Current Management Priority Issues and Business Strategy  
Q&A Summary**

June 5, 2014, Thu. 10:00 a.m.-11:30 a.m.

Masakazu Tokura, President and COO

**Progress on Corporate Business Plan**

**Q. Are you confident in achieving performance targets of the Corporate Business Plan?**

A. In fiscal 2014, our business in specialty chemicals areas has gotten off to a good start overall, although earnings in the Pharmaceuticals Sector are expected to deteriorate in the short term. For our bulk chemicals business, the business environment is improving and we aim to ensure a recovery by undertaking business restructuring measures.

For fiscal 2015, although some areas of the bulk chemicals business face a tougher environment now compared to when the Corporate Business Plan was first devised, we would like to make sure that we achieve the planned targets, as there is the overall positive effect of the correction of the yen's appreciation. We expect operating income to increase by 35 billion yen from fiscal 2014, backed by better-than-expected earnings in specialty areas. Net income is expected to significantly improve in fiscal 2015, as certain amounts of extraordinary losses are expected as restructuring costs in fiscal 2014.

**Specialty Chemicals Business**

**Q. Regarding the IT-related Chemicals Sector, please tell us the current status of your business in touchscreen panels and polarizing films for mobile device display applications.**

A. Our touchscreen panel plant is maintaining a high capacity utilization rate following new product launches by our customers. We want to continuously improve technology amid the fast-paced technological innovations in the touchscreen panel business. As for polarizing films for mobile device display applications, I think the technical superiority of Sumitomo Chemical and one other Japanese manufacturer will continue for the time being.

**Q. In the IT-related Chemicals Sector, what level of contribution to the company's performance do you expect from products such as separators, film-type touch sensors, and new films to replace glass?**

A. The market for aramid coating separators is growing for automotive applications. We want to develop the separator business and achieve sales of 10 billion yen in fiscal 2014.

I cannot tell you the scale of the business of flexible display materials and components because we are currently developing the business.

**Q. How is Sumitomo Chemical dealing with the situation following news reports that Japanese panel makers have decided to stop their OLED development?**

A. We have cooperative relationships in research and development with panel makers at home and abroad, including Panasonic Corp. We will continue our close cooperative ties with Panasonic. Panasonic has excellent manufacturing technology that employs printing methods. We will continue to offer our polymer organic light emitting diode materials to them.

**Q. Regarding the Health & Crop Sciences Sector, please tell us about the potential of new agrochemicals and the future prospects for the crop protection business.**

A. As I explained earlier, there are some promising new products being developed now. We expect sales of over 10 billion yen for each product. They are fungicide and insecticide products, but I cannot provide additional details, such as applications.

We regard the crop protection chemicals market as a promising business area that will continue to grow due to an increase in food production. We have confidence in our R&D capabilities and will continue to develop unique new products.

**Q. When does the patent for the herbicide flumioxazin expire? What are the medium- and long-term sales prospects for flumioxazin?**

A. There are entry barriers for competitors, as agricultural chemicals are required to obtain permits and approval from local authorities. We expect sales of flumioxazin to continue to expand until around 2020, when our major new products currently under development will be launched.

**Q. How do you position Dainippon Sumitomo Pharma Co., Ltd. (DSP) within the Sumitomo Chemical Group from a medium- to long-term perspective?**

A. We will expand its business while maintaining our current stake in the company. Sumitomo Chemical's business policy is to combine various technologies under our "Creative Hybrid Chemistry" strategy. The technologies employed in the fields of agrochemicals and pharmaceuticals are especially closely related. The health care industry is expected to grow further, and we hope to create synergies while respecting DSP's independence.

**Q. Dainippon Sumitomo Pharma announced that it has stopped accepting colorectal cancer patients for a clinical trial on BBI608, an anticancer drug targeting cancer stem cells. Do you think the anticancer drugs now being developed by Boston Biomedical, Inc. (BBI) still have potential?**

A. We believe they continue to be attractive drug candidates. Several other clinical trials are currently being conducted for these drugs, including trials in which these drugs are combined with other treatments. We expect good results, and if we get positive results, we hope to launch one of these candidates in 2017.

#### **Bulk Chemicals Business**

**Q. In the Basic Chemicals Sector, a direction has been set for the restructuring of the business in raw materials for synthetic fibers. How about the restructuring of the methyl methacrylate (MMA) business?**

A. Unlike raw materials for synthetic fibers, the supply-demand balance in MMA is expected to be restored, as no large-scale increases in supply are planned. Until then, we will undertake all possible measures to improve our results. As for MMA polymer, we stopped production in Ehime and shifted our production, sales, and research base to Singapore. For MMA monomer, the successful development of a catalyst is in sight, which will contribute to a reduction in cost. Including these measures, we are engaging in thorough rationalization measures to improve the profitability of the MMA business.

**Q. Please tell us the current situation of diesel particulate filters (DPF) for diesel engine passenger vehicles.**

A. As for DPF, we have a mother plant in Japan and a mass production plant in Poland. We are now preparing to begin commercial operations. There was a delay in developing DPF, but now we have good prospects for customer adoption of our DPF. We are also developing a Selective Catalytic Reduction on Filter (SCR-F) that can remove nitrogen oxides as well as soot, as we expect a shift in demand to SCR-F.

**Q. For the Rabigh Phase II Project, what is the current situation of products under consideration? How much will the total investment be?**

A. We are currently considering several products, and I cannot say anything definite at this stage. As already announced, we estimate the total investment at approximately \$7 billion, which is for new plant and equipment spending and for costs until the start of commercial operation. Because materials prices and labor costs are higher now than at the time contracts with contractors were concluded, we do not think the total investment in the project will decrease from the original estimate. At present, there are no big changes in the original plan regarding expenditures on engineering, procurement, and construction, nor have there been any major changes in the schedule.

**Q. How are the negotiations going for project financing of the Rabigh Phase II Project?**

A. The negotiations for project financing are behind schedule due to technical concerns following troubles caused by two blackouts. Petro Rabigh has agreed with the utilities supplier on measures to prevent such troubles and other issues. Also, some investment to avoid the risk of blackouts has been incorporated into the Rabigh Phase II Project. We aim to obtain project financing by the end of this year.

## Others

**Q. You said you want to report any potential losses as extraordinary losses in fiscal 2014 to accelerate efforts to strengthen your financial position. There is a possibility that extraordinary losses will emerge in relation to BBI. Do you think extraordinary losses will be within the level of the forecast you made in May?**

A. We are now making a revaluation of intangible fixed assets relating to BBI, so I cannot tell you whether impairment losses will emerge or not. We want to keep extraordinary losses within our original estimate of 35 billion yen, including yearly immaterial losses. The chemical industry is always undergoing technological innovation, and we need to restructure our operations in response to changes in the business environment. There is always the possibility that extraordinary losses will emerge in the future, and we will report extraordinary losses as quickly as possible.

Note: On June 16, 2014, Dainippon Sumitomo Pharma (DSP) announced that no impairment losses are recognized in the company's intangible assets relating to BBI.

**Q. Do you think you can achieve your target of holding net cash used in investing activities to below 400 billion yen and securing positive free cash flow of over 200 billion yen in the three-year period of the Corporate Business Plan? Is our understanding correct that you have no plans to raise funds through equity financing?**

A. In fiscal 2015, in specialty chemicals area, we expect an improvement in performance in the Pharmaceuticals Sector and an increase in profit in the IT-related Chemicals Sector. We have become more cautious in making investment decisions, and we think we can control investment cash flow, even when including our investment of 100 billion yen in the Rabigh Phase II Project. It is not easy to achieve our target of securing positive free cash flow of over 200 billion yen and reducing interest-bearing liabilities to less than 900 billion yen, but we must achieve that goal by all means to enhance our financial strength. We have no plans for equity financing.

**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.