

**FY2010 – FY2012**

# **Corporate Business Plan**

**February 2010**



**SUMITOMO CHEMICAL**

**Hiroshi Hirose  
President**

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# Results of Corporate Business Plan FY2007 - FY2009

# Results of Corporate Business Plan FY2007 - FY2009

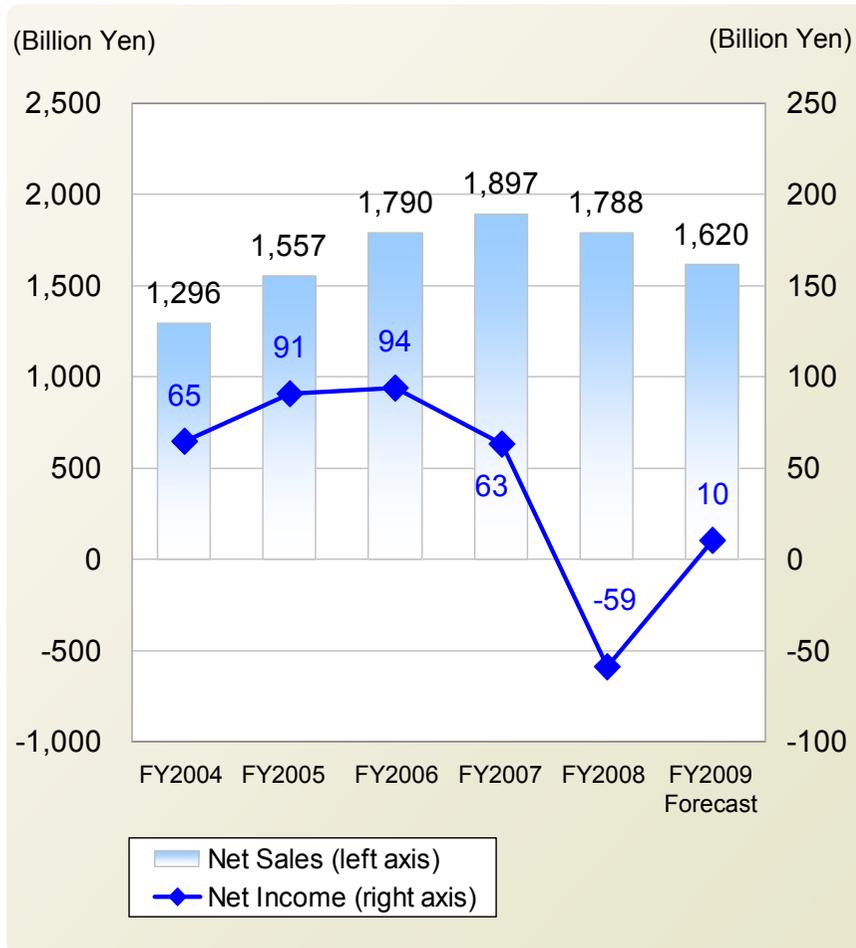
Timely and effective measures implemented in priority areas to pave the way for further growth

<b>Basic Chemicals</b>	<ul style="list-style-type: none"><li>MMA capacity expanded in Korea (2007) and in Singapore (Ph 3) (2008)</li></ul>
<b>Petrochemicals &amp; Plastics</b>	<ul style="list-style-type: none"><li>The Rabigh complex completed and started (2009)</li><li>Logistics &amp; marketing network for Rabigh petrochemicals built in Asia &amp; Europe (2009)</li><li>PP compound operations established in UK &amp; France (2007), Thailand (2009) and US (2009); expanded in China (2009)</li></ul>
<b>Fine Chemicals</b>	<ul style="list-style-type: none"><li>Resorcinol capacity expansion in Chiba (2007) and in Oita (start up in 2010)</li></ul>
<b>IT-related Chemicals</b>	<ul style="list-style-type: none"><li>Polarizing film production capacity expanded in Korea (2008) and Ehime (2009)</li><li>Color filter production capacity expanded in Korea (2007 &amp; 2008)</li><li>ArF photoresist production capacity expanded (2009)</li></ul>
<b>Agricultural Chemicals</b>	<ul style="list-style-type: none"><li>Integrated crop protection chemicals JV Sumitomo Chemical Takeda Agro (2007)</li><li>Invested in Australian crop protection chemicals company Nufarm (2009)</li><li>OLYSET Net anti-malarial insecticidal bed net capacity expanded (2007-2009)</li><li>DL-methionine production capacity expansion in Ehime (start up in 2010)</li></ul>
<b>Pharmaceuticals</b>	<ul style="list-style-type: none"><li>Global Ph 3 clinical trials of lurasidone, with targeted launch in US in 2011</li><li>Acquired US pharmaceutical company Sepracor Inc. (2009)</li></ul>
<b>Others</b>	<ul style="list-style-type: none"><li>Acquired UK PLED venture Cambridge Display Technology (2007)</li></ul>

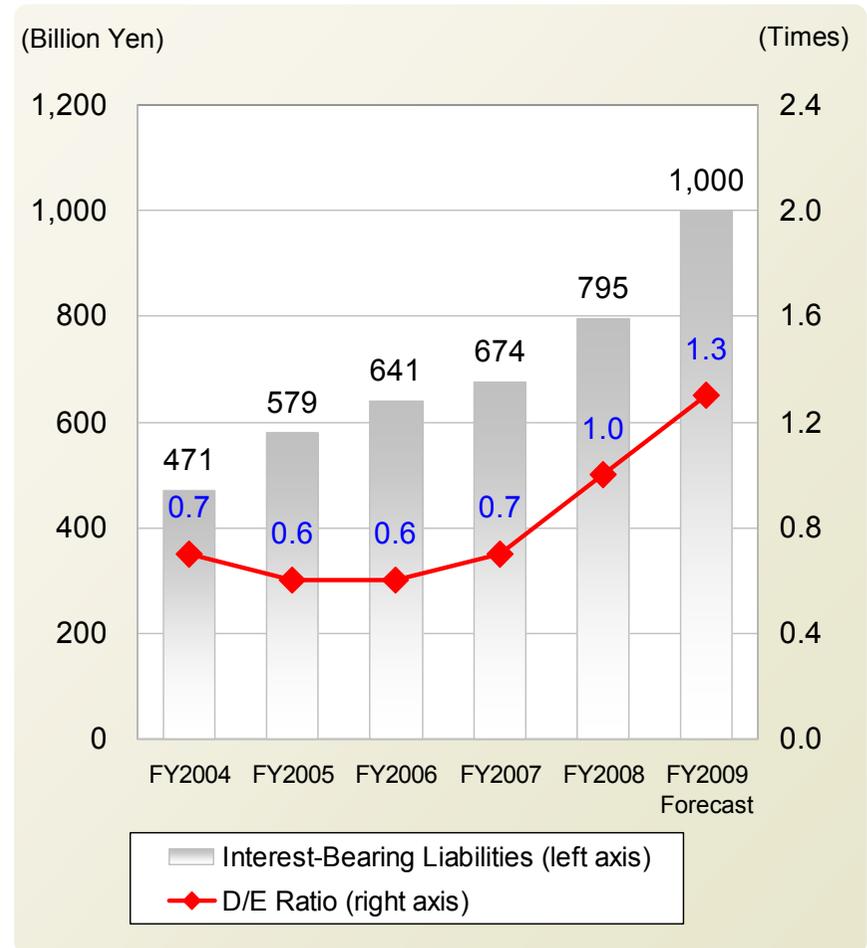
Major investments implemented overseas to pursue our globalization initiatives

# Results of Corporate Business Plan FY2007 - FY2009

## Net Sales and Net Income



## Interest-Bearing Liabilities & D/E Ratio



# Long-Term Business Environment Outlook and Corporate Vision

# Global Economy & Business Environment in the Next 20 Years

## Global economy to double by 2030

- Global economy will grow at approx. 3% per year through 2030.
  - ➡ Global economy will almost double by 2030.
- World population will increase from 6.7 billion in 2008 to over 8.0 billion in 2030.
  - ➡ Sustainable development will become an even more pressing global issue.

## Emerging markets: new growth engine for global economy

- China and India: significant population increase and remarkable economic growth.
  - ➡ Commodity-product, mass-consumption markets will expand rapidly.
- China: Markets will become increasingly polarized as high-end markets will also expand.
- Emerging economies will take the place of developed economies as an engine of growth.

## Developed markets: more diversified

- US: Solid economic growth with a continued increase of immigrants and its large young adult & adult populations; will continue to be the “innovation center” of the world.
- EU & Japan: Diversified, lower-volume consumption markets will grow as populations decrease and age, consumer tastes become more diversified.

# Global Economy & Business Environment in the Next 20 Years

## Business areas with high growth potential

### Environment and Energy

- Demand for renewable energy, advanced power storage technologies and resource-saving technologies will grow both in developed countries and emerging countries, along with population increase and economic growth.
- Chemical products will be used more broadly in energy and environmental applications, such as lightweight automobile components and insulation materials.

### Life Sciences

- Demand for pharmaceuticals and medical treatments for major diseases afflicting elderly patients will expand in developed countries; in emerging countries demand for pharmaceuticals and medical care in general will grow along with rising income levels.
- Food production will need to be increased as the world population grows steadily.

### ICT (Information & Communication Technology)

- ICT will play a key role in providing innovative solutions to customer needs for greater comfort and convenience in developed countries; in emerging economies, it will help to promote industrial development and improve living standards.

# Corporate Vision



**Achieve sustainable strong growth as a stronger, more innovative global company**



**Help meet pressing global challenges, such as energy and food security, and contribute to sustainable development of the global community**



**Continuously enhance the value of the company**

# Corporate Vision

1.

**Achieve sustainable strong growth as a stronger, more innovative global company**

- **Accelerate the globalization of business**
- **Meet the evolving needs of both developed markets and emerging markets around the world by building on strong R&D capabilities**

# Corporate Vision



**Help meet pressing global challenges, such as energy and food security, and contribute to sustainable development of the global community**

**Meet pressing global challenges by making the best use of the power of chemistry**

- **Improve people's health and living standards**  
.....
- **Enhance energy and food security**  
.....
- **Build a low-carbon society**  
.....

# Corporate Vision



**Continuously enhance the value of the company**

**Meet shareholders' expectations**

- **Build on our financial strengths**
- **Achieve sustainable earnings growth**

# Corporate Vision

## Technology Strategy

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**1. Focus R&D resources on the three high-growth areas**

**2. Continue Creative Hybrid Chemistry**

**3. Pursue Green Sustainable Chemistry**

**4. Accelerate R&D in downstream applications**

**5. Strengthen basic research**

# Corporate Vision

## Technology Strategy: Major Initiatives

- Accelerate the development of materials for fuel cells, photovoltaic cells, next-generation batteries, and new lighting devices, as well as research on next-generation energy sources, such as hydrogen
- Intensify efforts to develop innovative catalysts that enable process innovation for CO<sub>2</sub> emissions reduction and energy conservation
- Develop novel lightweight materials and insulation materials via Creative Hybrid Chemistry
- Reap the benefits of genomic research in the areas of pharmaceuticals and crop protection chemicals
- Strengthen chemical safety assessment technology and utilize state-of-the-art technologies, such as ES cell and iPS cell
- Develop applications and markets for polymer organic light emitting diodes (PLEDs)
- Develop innovative materials, devices, and processes that enable the commercialization of next-generation printable electronics

# Corporate Vision

## Climate Change Strategy

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### Basic Policy

Help solve pressing global issues of resources, energy and the environment

### Priority Climate Change Initiatives

- Achieve the world's highest level of energy efficiency
- Develop products and technologies that will contribute to CO<sub>2</sub> emissions reduction

### CO<sub>2</sub> Emissions Reduction Measures

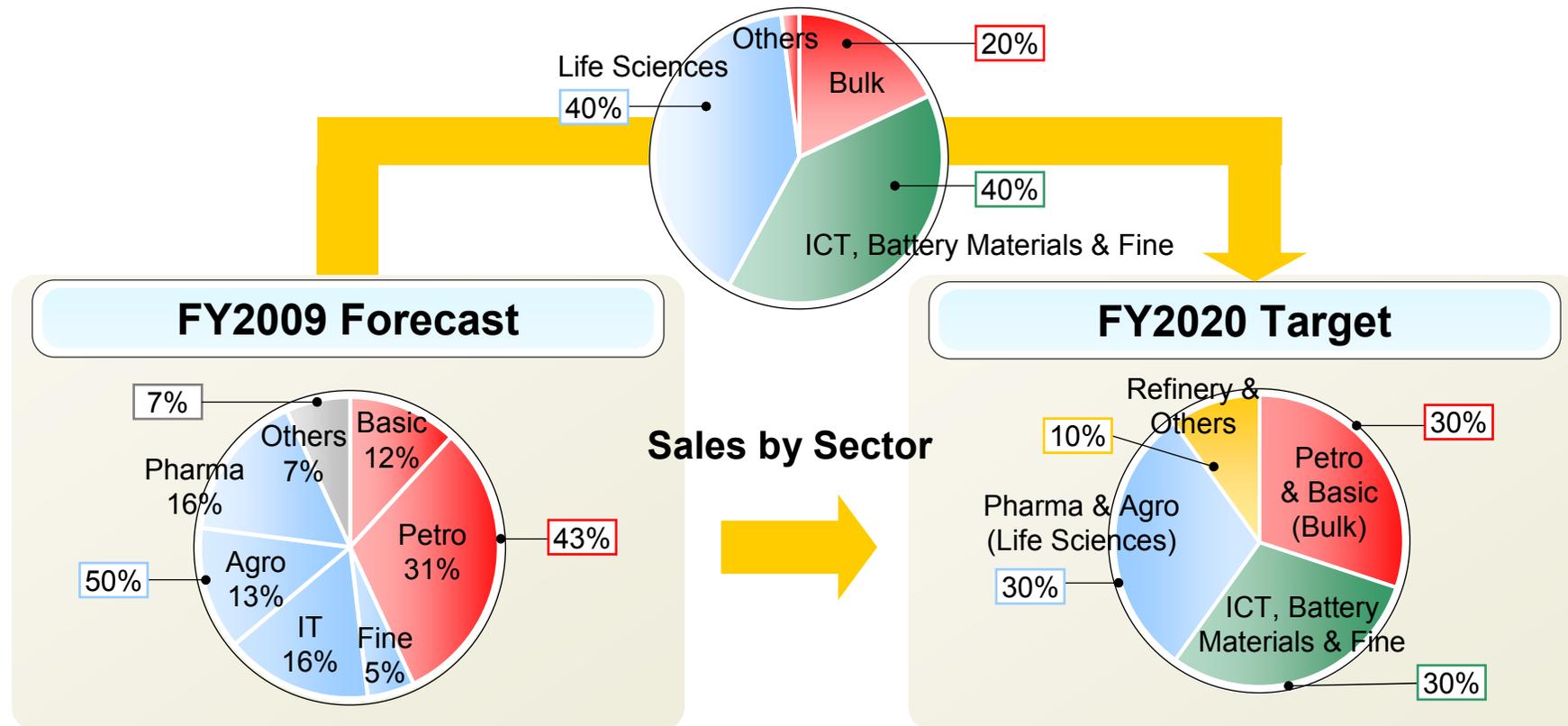
Enhance carbon management and implement proactive, effective and coordinated measures throughout the Sumitomo Chemical Group

# Corporate Vision

## Business Portfolio Strategy

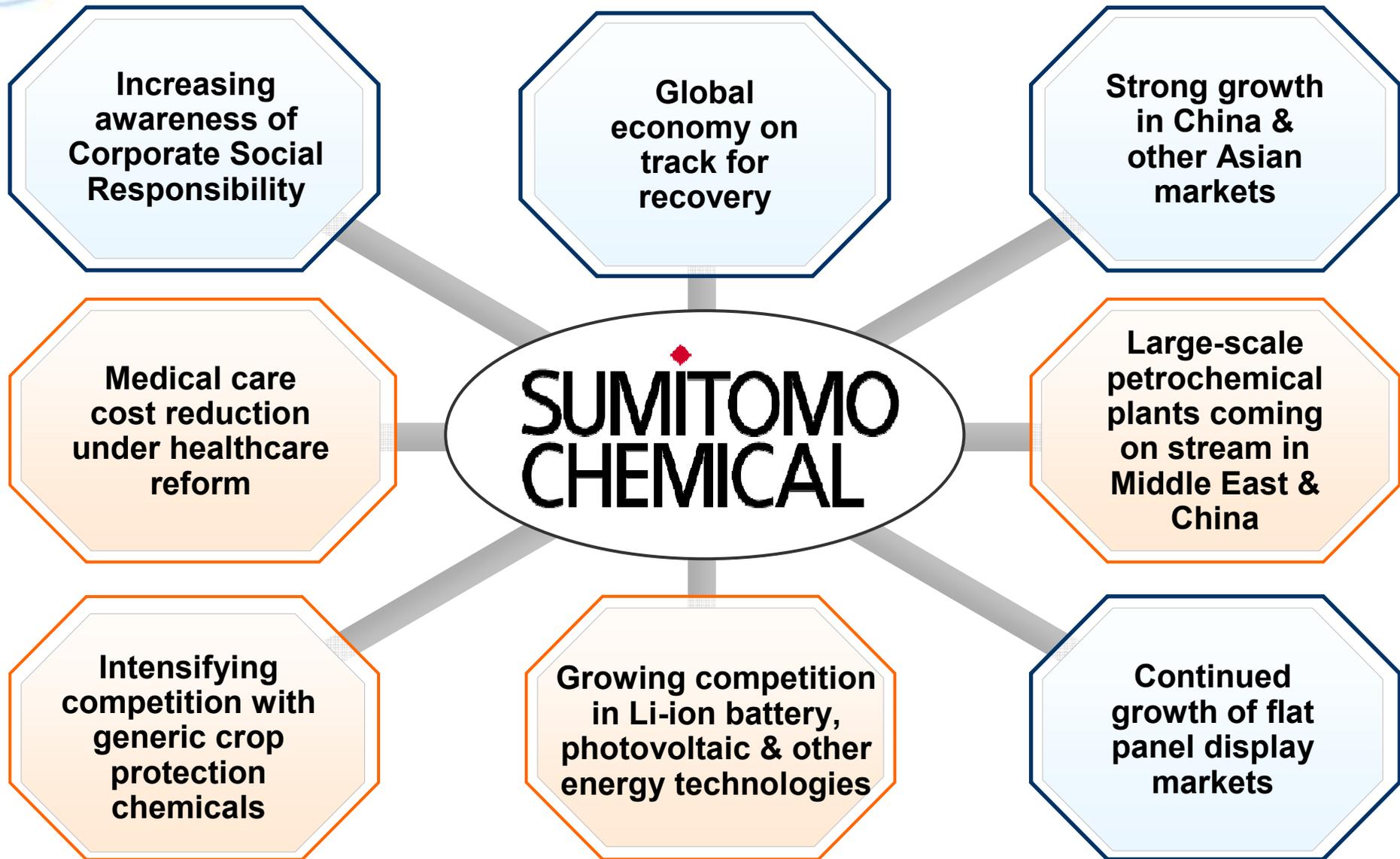
### Target Business Portfolio in FY2020

Investments by Sector through FY2020 for new plants, capacity expansions, and M&As



# Overview of Corporate Business Plan FY2010 - FY2012

# Business Environment



# Corporate Business Plan FY2010 – FY2012

## Priority Initiatives

**1. Quickly maximize profits & cash flows from major investments**

**2. Enhance financial strength**

**3. Strengthen cost competitiveness of core & commodity businesses**

**4. Accelerate business growth**

**5. Implement Climate Change Strategy**

**6. Strengthen global management system**

**7. Ensure full & strict compliance; maintain safe & stable operations**

# Corporate Business Plan FY2010 – FY2012

## 1. Quickly maximize profits & cash flows from major investments

- **Maximize profits from the Rabigh Project**
- **Successfully launch US sales of lurasidone upon FDA approval and maximize the value of lurasidone, leveraging Sepracor's strengths**
- **Establish competitive position in LCD materials business by building on economies of scale and technological innovation**
- **Achieve full operation of new resorcinol and DL-methionine plants immediately after completion of the facilities**
- **Increase sales of battery materials and ArF photoresist**

# Corporate Business Plan FY2010 – FY2012

## 2. Enhance financial strength

- Enhance financial strength by strengthening cash flow management, while implementing investments for future growth
- Build a business structure that is more resilient to currency exchange rate fluctuations

# Corporate Business Plan FY2010 – FY2012

## 3. Strengthen cost competitiveness of core & commodity businesses

- Establish optimal global production and sales operations as soon as possible
- Strengthen cost competitiveness through thorough rationalization to build a greater presence in emerging markets, where competition is intensifying

## 4. Accelerate business growth

- **Develop new businesses in the three high-growth areas: Environment and Energy, Life Sciences, and ICT**
- **Promote cross-sectoral projects within the Sumitomo Chemical Group for development of new products & businesses**

### Expansion of product line in high-growth areas

#### **Environment and Energy:**

Diesel particle filter, LED light, lightweight automotive materials, insulation materials, Li-ion secondary battery materials, PLED light, fuel cell, polymer photovoltaic cell, high-performance catalysts

#### **Life Sciences:**

Materials for medical and agricultural applications, pharmaceutical active ingredients and intermediates, off-patent products, environmental stress management, new drug development, medical care, omics technology, ES cell, iPS cell

**ICT:** Inorganic materials for ICT applications, PLED materials and devices, printable electronics

# Corporate Business Plan FY2010 – FY2012

## 5. Implement Climate Change Strategy

## 6. Strengthen global management system

- Reengineer work processes globally and upgrade management information system
- Develop human resources to drive the globalization of business

## 7. Ensure full & strict compliance; maintain safe & stable operations

# Corporate Business Plan FY2010 – FY2012

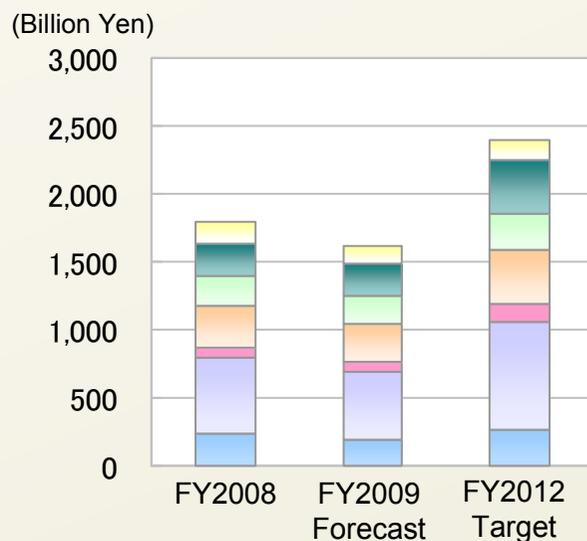
## FY2012 Performance Targets (consolidated)

<b>Net Sales</b>	<b>2.4 Trillion Yen</b>
<b>Operating Income</b>	<b>190 Billion Yen</b>
<b>Ordinary Income</b>	<b>220 Billion Yen</b>
<b>(including Equity in earnings of affiliates</b>	
<b>40 Billion Yen)</b>	
<b>Net Income</b>	<b>140 Billion Yen</b>

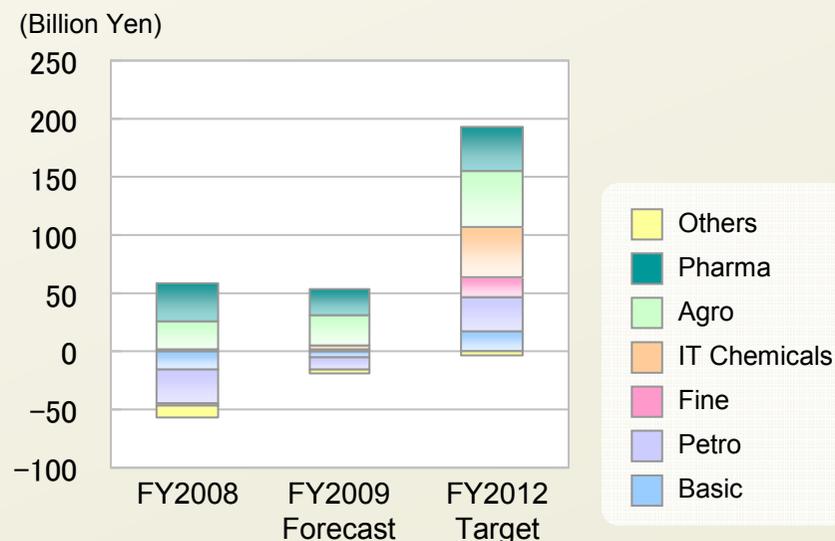
Assumptions:

Exchange Rate: 90 Yen/US\$; Naphtha: 50,000 Yen/KL; Crude Oil: US\$85/bbl

### Net Sales by Sector

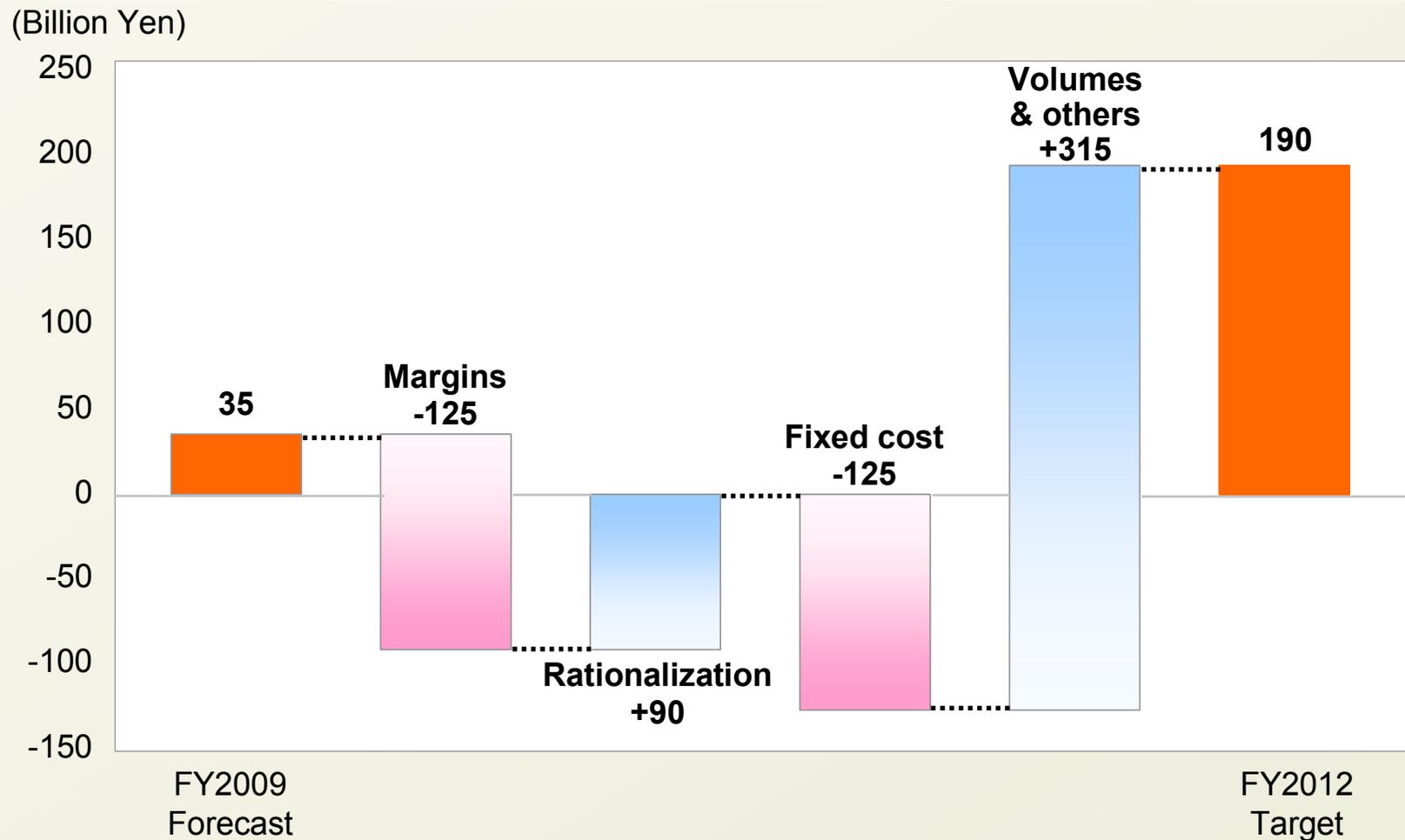


### Operating Income by Sector



# Corporate Business Plan FY2010 – FY2012

**FY2012 Target Operating Income: 155 Billion Yen Increase From FY2009 Projected Operating Income**

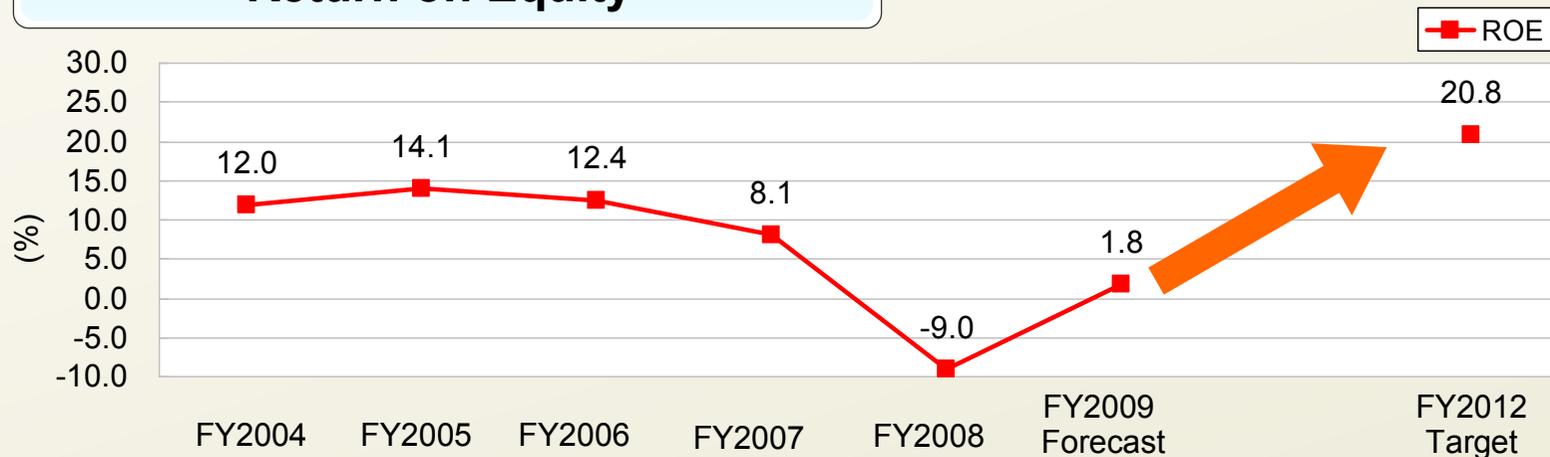


# Corporate Business Plan FY2010 – FY2012

## Net Sales and Net Income

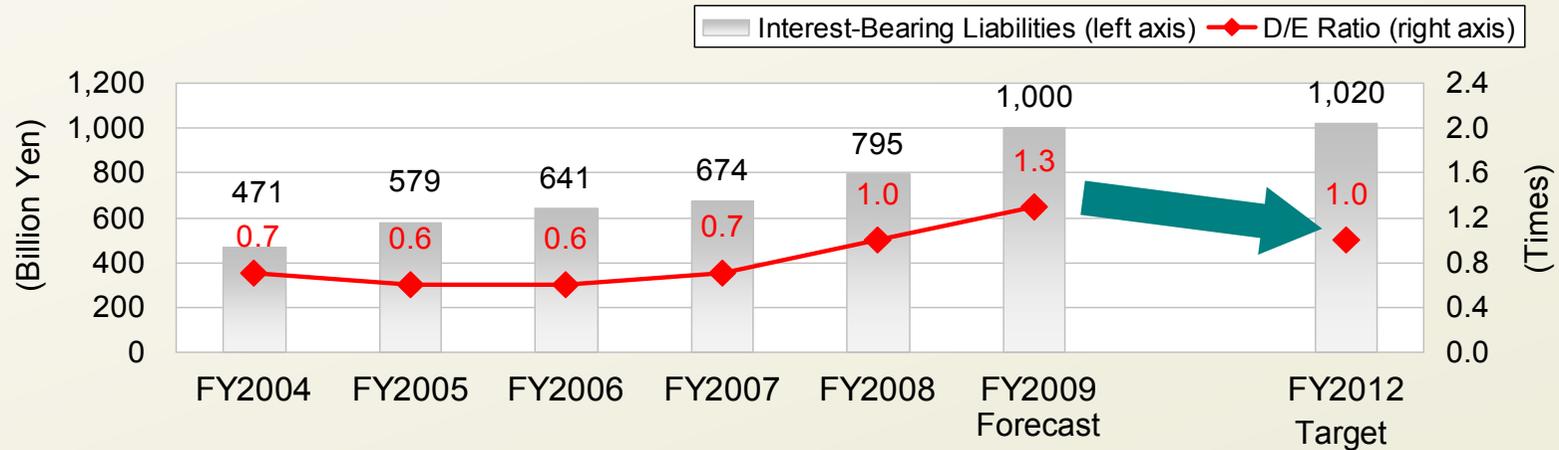


## Return on Equity



# Corporate Business Plan FY2010 – FY2012

## Interest-Bearing Liabilities & D/E Ratio



# Corporate Business Plan FY2010 – FY2012

## Cash Flows

(Billion Yen)

	Corporate Business Plan FY2007-2009 (Forecast)	Corporate Business Plan FY2010-2012 (Target)
Cash flows from operating activities	340	510
Cash flows from investing activities	-690	-510
Free cash flows	-350	0

**Hold new cash investments to within the level of operating cash flows**

(Billion Yen)

	End of FY2009 (Forecast)	End of FY2012 (Target)
Interest-bearing liabilities	1,000	1,020

# 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.**

**We will use our retained earnings for investment to increase the competitiveness of our core businesses and expand our overseas businesses, and thereby seek to enhance our profitability.**

**Dividends are paid twice a year in principle, after closing the first half of each fiscal year and each full fiscal year. Under our Articles of Incorporation, in order to implement the distribution of profits and retained earnings to shareholders in a timely manner, the Board of Directors is authorized to decide the level of dividends paid.**

### Forward-Looking Statements

Statements made in this material with respect to Sumitomo Chemical's plans, projections, strategies, beliefs, and future performance that are not historical facts are forward-looking statements that are based on information available at the time of the preparation of this material and include risks and uncertainties. Factors that could materially affect actual results of Sumitomo Chemical's future performance include, but are not limited to, economic conditions in the areas of Sumitomo Chemical's business, demand for Sumitomo Chemical's products in markets, downward price pressure on Sumitomo Chemical's products resulting from intensifying competition, Sumitomo Chemical's ability to continue to provide products that are accepted by customers in highly-competitive markets, and movements of currency exchange rates.

# Supplement

# Basic Chemicals Sector

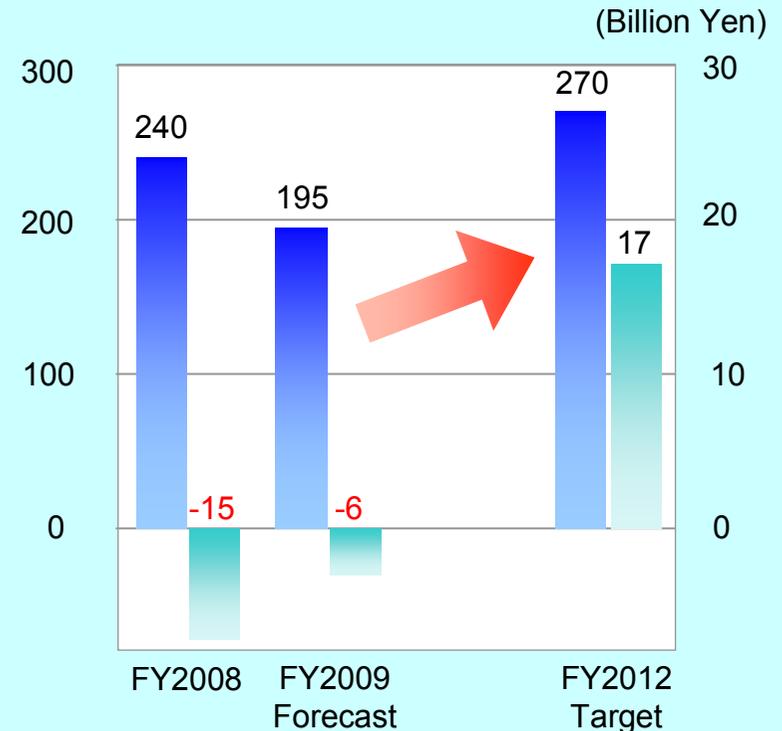
## Basic Policy

Reform business structure, strengthen profitability, and build the foundation for future growth

## Priority Initiatives

1. Strengthen core businesses
2. Accelerate R&D and commercialization of new products and technologies
3. Implement measures for improving profitability and streamlining of existing businesses
4. Implement effective pricing to quickly meet the fluctuations in raw material prices

■ Sales (left axis) ■ Operating Income (right axis)



### FY2012 Target

Sales 270 Billion Yen

Operating income 17 Billion Yen

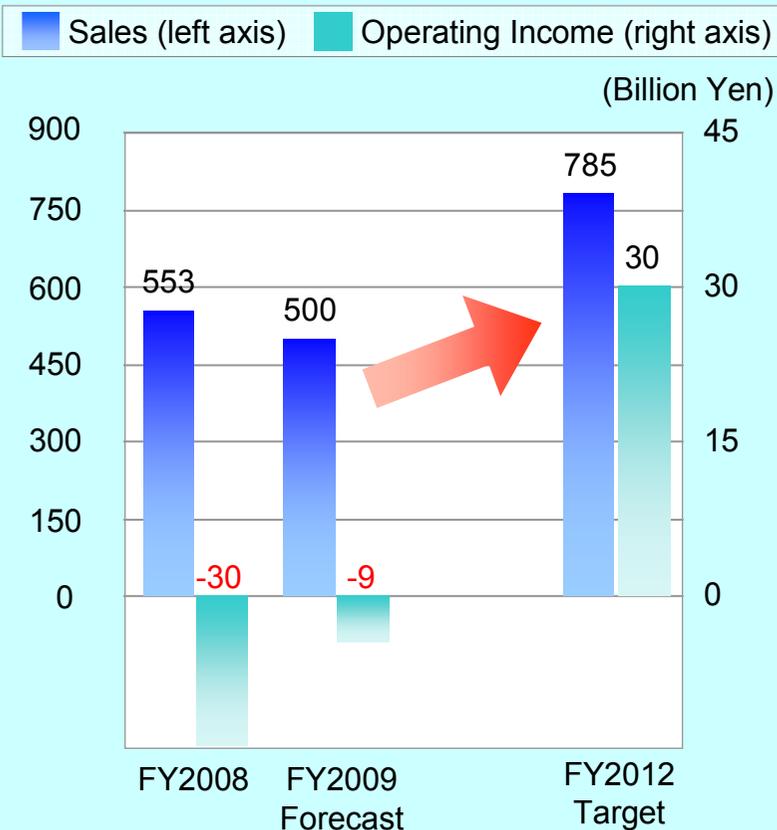
# Petrochemicals & Plastics Sector

## Basic Policy

Achieve sustainable profitability by establishing global operations

## Priority Initiatives

1. Establish global operations
  - Establish worldwide marketing operations built on globally standardized products
  - Achieve sustained profitability of Petro Rabigh
2. Strengthen the profitability of operations in Japan
3. Accelerate R&D to further enhance high value-added businesses



### FY2012 Target

Sales 785 Billion Yen

Operating income 30 Billion Yen

# Fine Chemicals Sector

## Basic Policy

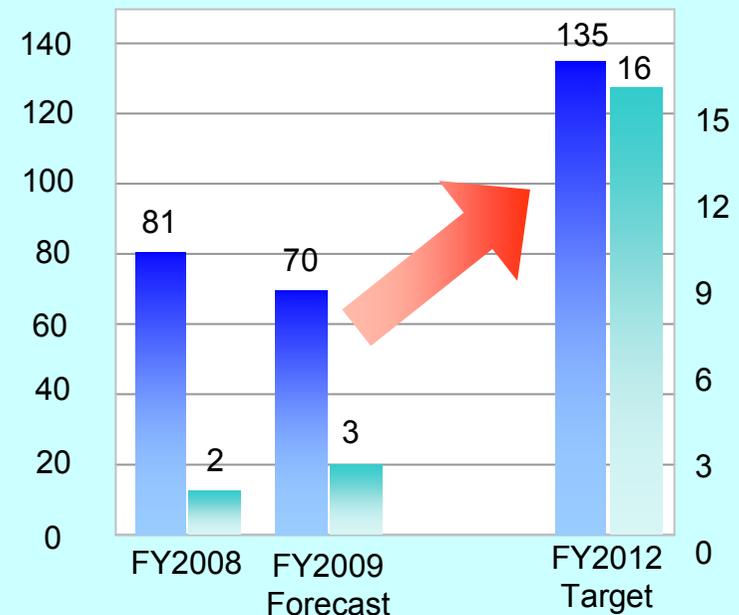
Develop sustainable new businesses by further pursuing the total solution provider business model

## Priority Initiatives

1. Strengthen and expand rubber chemical business
2. Enhance high-function resin business and performance chemical business
3. Reinforce the pharmaceutical chemicals business to achieve sustainable high profitability

■ Sales (left axis) ■ Operating Income (right axis)

(Billion Yen)



### FY2012 Target

Sales 135 Billion Yen

Operating income 16 Billion Yen

# IT-related Chemicals Sector

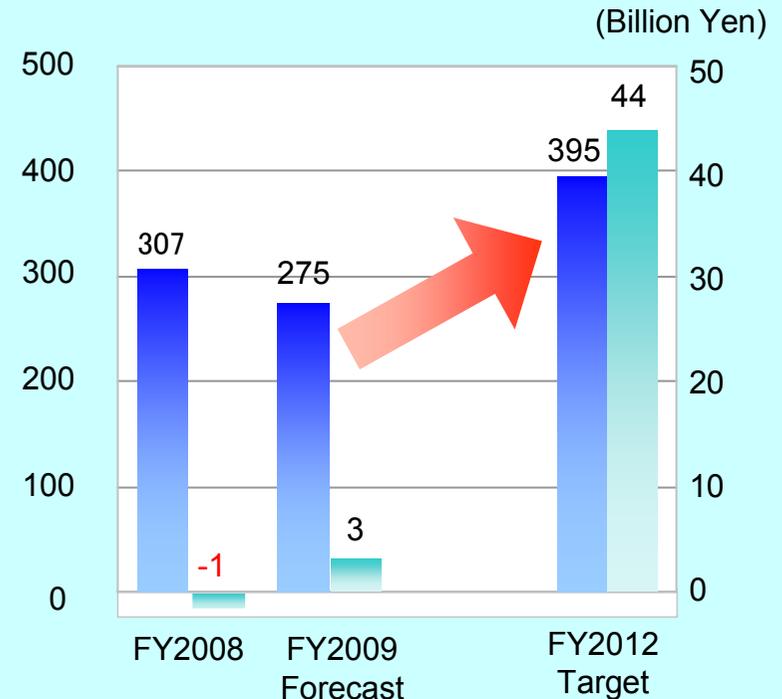
## Basic Policy

Establish the foundation for sustainable profitability through technological innovation

## Priority Initiatives

1. Strengthen existing businesses
  - Establish a more competitive position in LCD-related material business
  - Strengthen photoresist business
  - Enhance overseas operations
2. Expand business scope and develop new businesses

■ Sales (left axis) ■ Operating Income (right axis)



### FY2012 Target

Sales 395 Billion Yen

Operating income 44 Billion Yen

# Agricultural Chemicals Sector

## Basic Policy

Aggressively pursue strategic investments to expand business globally, strengthen high-profitability businesses, and contribute to enhancing food security and improving public health and hygiene and the environment

## Priority Initiatives

1. Develop differentiated businesses
2. Develop new businesses in downstream and related areas
3. Build new business models
4. Strengthen and expand sales channels
5. Pursue innovation in R&D and all aspects of business activities



### FY2012 Target

Sales 270 Billion Yen

Operating income 48 Billion Yen

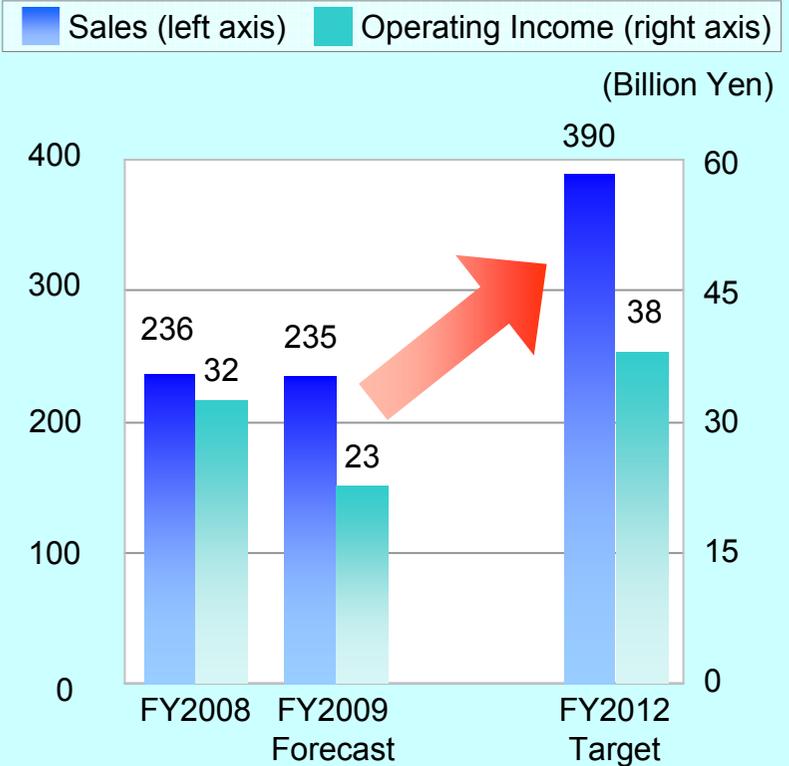
# Pharmaceuticals Sector

## Basic Policy

Aggressively invest resources and expand global operations

## Priority Initiatives

1. Further strengthen revenue base in domestic business
2. Enrich product pipeline to achieve sustained development of new products
3. Expand overseas operations
4. Enhance the profitability of diagnostic radiopharmaceutical business and expand therapeutic radiopharmaceutical business



### FY2012 Target

Sales 390 Billion Yen

Operating income 38 Billion Yen

# Net Sales by Sector

(Billion Yen)

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009 Forecast	FY2012 Target
Basic	226	252	314	315	240	195	270
Petro	413	486	539	603	553	500	785
Fine	84	79	91	93	81	70	135
IT	175	229	266	298	307	275	395
Agro	172	186	198	200	222	210	270
Pharma	171	233	235	238	236	235	390
Others	57	91	147	150	150	135	155
<b>Total</b>	<b>1,296</b>	<b>1,557</b>	<b>1,790</b>	<b>1,897</b>	<b>1,788</b>	<b>1,620</b>	<b>2,400</b>

# Operating Income by Sector

(Billion Yen)

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009 Forecast	FY2012 Target
Basic	5	10	14	11	-15	-6	17
Petro	15	18	24	5	-30	-9	30
Fine	12	10	13	11	2	3	16
IT	19	22	4	6	-1	3	44
Agro	15	17	23	21	24	26	48
Pharma	34	38	56	47	32	23	38
Others	5	7	7	2	-10	-4	-3
<b>Total</b>	<b>105</b>	<b>121</b>	<b>140</b>	<b>102</b>	<b>2</b>	<b>35</b>	<b>190</b>