Agricultural Chemicals Sector’s Business Strategy

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November, 2010
• **Crop Protection Business**  
  - Chemical and Biorational products  
  - Fertilizers

• **Environmental Health Business**  
  - Household insecticides  
  - PCO (Pest Control Operation)  
  - Moth proofer, termite control agents  
  - Animal Health Products

• **Vector Control Business**  
  - OLYSET Net

• **Feed Additives Business**  
  - Methionine  
  - (essential amino acid feed additives)
Agricultural Chemicals Sector’s Business Strategy

**Long-Term Vision**

- **Food**: Increase of Food Production, Sustainable Agriculture, Safer Produce
- **Health**: Ensuring Public Health and Hygiene
- **Environment**: Improvement of QoL & Environment

**Sumitomo Chemical**

**R&D**

**Strengthen high-profitability businesses**
**Expand business globally**
**Ensure compliance & maintain safe operations**

**Differentiation**
**Business Creation**
**Innovation**
Sales and Operating Income (Consolidated)

Sales (Billions of yen)

Operating Income (Billions of yen)

FY2006 200
FY2007 202
FY2008 222
FY2009 212
FY2010 (Forecast) 220

Agricultural Chemicals Sector’s Business Strategy

SUMITOMO CHEMICAL
Change in Operating Income FY2009/FY2010

- Increase in sales volumes: +9.3
- Rationalizations: +1.0
- Increase in fixed costs: ▲5.5
- Losses from stronger yen: ▲8.4

FY2009: 25.9 (Billions of yen)
FY2010 (Forecast): 22.5

▲3.4
Major Factors for Change in Agricultural Demand and Countermeasures

**Competitive Demand**
- Biofuel Demand (Ethanol, Diesel)
- Increase in Bioplastics Demand

**Related to Food Supply**
- Lack of Water Resources
- Climate Change (Global Warming)
- Development of Cultivation Technique
- Change in Cultivable Land & Land Suitability
- Change in Yield

**Institutional Factors**
- Expansion of Agricultural Business (deregulations)
- Trend of Grain Trade (WTO, FTA, etc.)

**Change in Food Supply & Demand**
- Population Growth (China, India, etc.)
- Health and Safety Trend
- Change in Food Price (Low-price orientation)
- Change in Food Preference (Demand of livestock products)

- Strategic M&A (Agrochemicals for Major Grains)
- Expansion of Sales Regions (Brazil, etc.)
- Research on Crop Stress Management
- PGR Business Expansion
- Fertilizer Business Expansion
- Total Solution Provider Business Development (Japan)
- Countermeasure to Generic Agrochemical Products (Consideration of Acquisition)
- Strengthen Biorational Business
- Methionine Capacity Expansion
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:
- Develop differentiated businesses
- Develop new businesses in downstream and related areas
- Build new business models
- Strengthen and expand sales channels
- Pursue innovation in R&D and all aspects of business activities
Differentiation: Capitalizing on the strengths

Focusing on specialty products, markets and fields based on SCC’s strengths

Sumitomo Chemical group’s strengths

- R&D capability
- Having both crop protection and environmental health businesses
- Synergy between chemical and biological products
- Methionine business
Crop Protection Division—Domestic: **Strategy** (TSP Business)

**Total Solution Provider Business**

- **Agrochemicals**
- **Fertilizers**
- **Seeds and Seedlings/Materials**

**Agricultural Management Support System**

- Soil diagnostics, Fertilization/cultivation teaching, Agricultural products sales
  - IPM package
  - Irrigation, greenhouse materials (providing cultivation systems)
  - Cost management

- **Rice paddy, Field, Fruit garden**

**Functional Enhancement**

- **Development & Marketing, Product promotion**
  - Planning, Promotion

- **Sales**
  - Promotion
  - Agricultural Material Sales, Promotion
  - Agricultural product Sales, Cultivation support
  - Agricultural Material Sales
  - Residue analysis

- **Nihon Ecoagro**
  - Agricultural Material Sales

- **Sumika Agrotech**
  - Agricultural Material Sales
  - Residue analysis

- **Sumika Chemical Analysis Service**
  - Agricultural film

- **Oita General Service**
- **STS (Misawa)**
- **SanTerra**

**Regional hubs (Business office)**

- Consolidate into 6 hubs
- Implement projects to vitalize regional agriculture
Advantages and Aims of Total Solution Provider Business

Promoting Total Solution Provider Business

- Increase “Sumitomo supporters among farmers”
- Strengthen relationships with wholesalers through crop intermediary business
- Invest in farming corporations
- Expand Nihon Ecoagro’s produce sales business
- Improve corporate brand through project to invigorate agriculture

Expand share of domestic agrochemicals
Crop Protection Division—International: Strategy and Investment Plan

**Strategic Business Alliance and M&A**
- Acquire Strategic Products and Businesses
- Strategic Business Alliance
  - Investment in Nufarm
  - Collaboration with Monsanto

**Expand Sales Area**
- South America
- Asia
- Central Europe

**Develop New Business**
- Seed Treatment Business
- Expand Flumioxazin application in the USA

**Synergy with Biorational Business**
- Crop Stress Management
- Post-harvest
Profile of Nufarm Limited

- Established: 1957
- Sales: AUD 2,169 Million (FY 2010 ended July 31, 2010)
- Number of employees: 3,155 (as of July 31, 2009)
- Head of Office: Melbourne, Australia
- CEO: Doug Rathbone
- Globally #8 among agrochemical companies

Sales by Key Products

- Fungicides: 7%
- Insecticides: 8%
- Other herbicides: 20%
- Phenoxy: 21%
- Glyphosate: 31%
- Others: 13%

Sales by Geography

- South America: 15%
- Europe: 24%
- Asia: 6%
- North America: 29%
- Australia/NZ: 26%
<table>
<thead>
<tr>
<th>Area</th>
<th>Overview</th>
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<tbody>
<tr>
<td>Distribution</td>
<td>Distribution of Sumitomo’s products through Nufarm’s sales channels</td>
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<tr>
<td></td>
<td>Distribution of Nufarm’s products thorough Sumitomo’s sales channels</td>
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<tr>
<td>R&amp;D</td>
<td>Blend formulations (Sumitomo’s products + Nufarm’s products)</td>
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<td></td>
<td>New formulation development</td>
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<td></td>
<td>Seeds and Seed treatment</td>
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<td></td>
<td>Registration</td>
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<td></td>
<td>Early stage evaluation of compounds in pipeline</td>
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<tr>
<td>Logistics</td>
<td>Shared warehousing and utilization of distribution network &amp; channels</td>
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<tr>
<td>Sourcing/Manufacturing</td>
<td>Toll formulations</td>
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<td></td>
<td>Procurement of low-cost raw materials</td>
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1. Distribution of Sumitomo’s products through Nufarm’s sales channels
   - Brazil, Indonesia: Launched in Sept. 2010
   - France, U.K.: preparing to launch this Autumn
   - C/E Europe, U.S., Canada, etc.: Sales agreement under negotiation

2. Distribution of Nufarm’s products through Sumitomo’s sales channels
   - France: Entered into sales agreement, preparing to launch this Autumn
   - Mexico: Sales agreement under negotiation
   - Vietnam: Began deliberations on a sales agreement

3. R&D
   Entered into agreement pertaining to the items below, launched specific initiatives
   - Using both companies’ formulation technologies to develop products
   - Evaluating SC’s new chemicals and candidate compounds at
   - Nufarm’s facilities
   - Developing and reviewing new herbicides as a measure to fight herbicide-resistant weeds
Collaboration with Monsanto

**Overview**

- Proactive promotion of weed management program for glyphosate resistant weeds using Sumitomo’s herbicides & Monsanto’s seeds and herbicides in U.S. (soy, cotton, sugar beet)
- Long-term agreement announced on Oct. 2010
- Planning to expand collaboration to South America (Brazil, Argentina)

**Effects**

- Sales expansion in the area of soybeans, in particular herbicides
- Expansion of crop protection business in the Americas
Agricultural Chemicals Sector’s Business Strategy

Environmental Health Division: Strategy

Priority Initiatives
- Develop new business in downstream and related areas

Clearly Differentiate
- Use new products to create clear competitive advantages in new markets

Based on our core IC (Insect Control) technology,
Provide value innovations to customers by sticking to the basics

Understand, analyze thoroughly
- Market
- Customer, consumer
- Product position

Conversation with customers
- Customer feedback
- Customer needs
- Future market trends

Provide value Innovations
- Develop new products together with customers
Based on our core IC (Insect Control) technology, keep & expand HHI business and develop new business in downstream and related areas.
Agricultural Chemicals Sector’s Business Strategy

- Aiming to establish the #1 position in Asia and become a global leader
- Expand scale of business ⇒ Studying for further capacity expansions

Market Forecast by Meat Category *1

- Poultry meat: Expect the highest growth rate
- Pork: Entering mature stage
- Beef: Slow growth

Methionine World Demand Forecast

- Aiming to establish the #1 position in Asia and become a global leader
- Expand scale of business ⇒ Studying for further capacity expansions

*1 Source: FAO, Japan Association for International Collaboration of Agriculture and Forestry

Expect the highest growth rate

+4% p.a.
Innovation: Strengthening of Product Line

2010 ~ 12
- CP Insecticide 1AI
- CP Fungicide 2AIs
- CP Herbicide 1AI

2013 ~ 15
- CP Insecticide 2AIs
- CP Fungicide 2AIs
- CP Herbicide 4AIs
- EH Insecticide 1AI

16 ~
- CP Fungicide 1AI
- Plant Growth Regulator 1AI
- EH Insecticide 1AI
- Animal Health Product 1AI
Innovation: Crop Stress Management

Sustainable food supply

Yield increase

Factors on Yield Loss
- pesticides
- fertilizers
- irrigation materials

Mitigate effects of stresses

Factors on Yield Loss
- population explosion
- rise in food prices

Changes in the global environment becoming a problem in recent years

Environmental Stress
- Global warming
- Drought

Biological Stress
- insects
- fungi
- weeds

Contributing to enhanced food security
With global warming, declines in crop yields from environmental stress (abiotic stresses such as high temperatures, aridity and low temperatures) are becoming apparent.

Modern agriculture must confront crop yield loss not only from biotic stresses (insects, diseases, weeds, etc.), but also from environmental stress.

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**Crop Yield Loss from Abiotic Stress**

- **Corn**: -65.8%
- **Wheat**: -82.1%
- **Soybean**: -69.3%
- **Sorghum**: -80.6%
- **Oats**: -75.1%
- **Barley**: -75.4%

**Average yield**

**Abiotic losses**
- by drought, salinity, flood, chilling or heat stress...

**Biotic losses**
- by disease, pests, weeds despite modern crop protection

**Record yield**
- highest yield ever achieved

Source: Buchanan, Gruissem, Jones Biochemistry and Molecular Biology of Plants American Society of Plant Physiologists, 2000
**Corporate Business Plan FY2010–FY2012**

**Operating Income**

(Billions of yen)

- +28.1 Increase in sales volumes
- +3.5 Rationalizations
- ▲5.5 Impact of stronger yen
- ▲2.5 Increase in fixed costs
- ▲1.5 Impact of higher naphtha price

<table>
<thead>
<tr>
<th>Sales</th>
<th>¥ 211.5 bn (FY2009)</th>
<th>¥ 270.0 bn (FY2012)</th>
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<tbody>
<tr>
<td>Sales (Billions of yen)</td>
<td>25.9</td>
<td>48.0</td>
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<tr>
<td>Sales (Increase)</td>
<td>+22.1</td>
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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.