



Change and Innovation
Create New Value

Corporate Business Plan

March 8, 2016

 **SUMITOMO CHEMICAL**

Masakazu Tokura
President

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What Sumitomo Chemical Strives To Be

Sumitomo Chemical's DNA

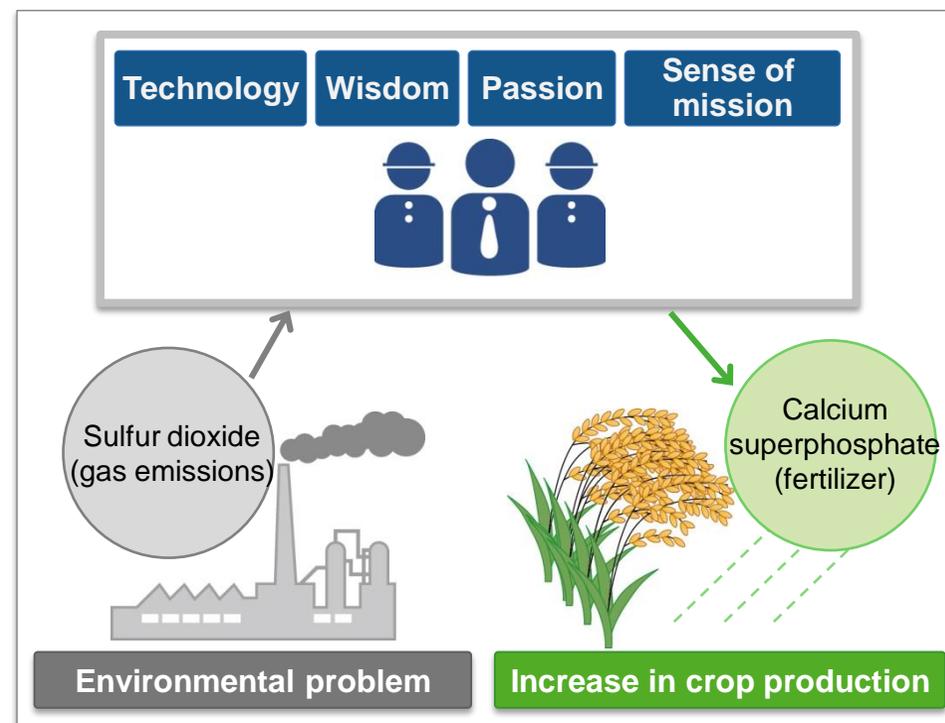
Sumitomo Values

The Sumitomo Family's "Business Principles" state that as we conduct business, we must value trust and integrity, and thereby strive to thrive, and that we must closely watch the changing of the times, carefully weighing opportunities and risks, never chasing short-term gains, in good times and bad.

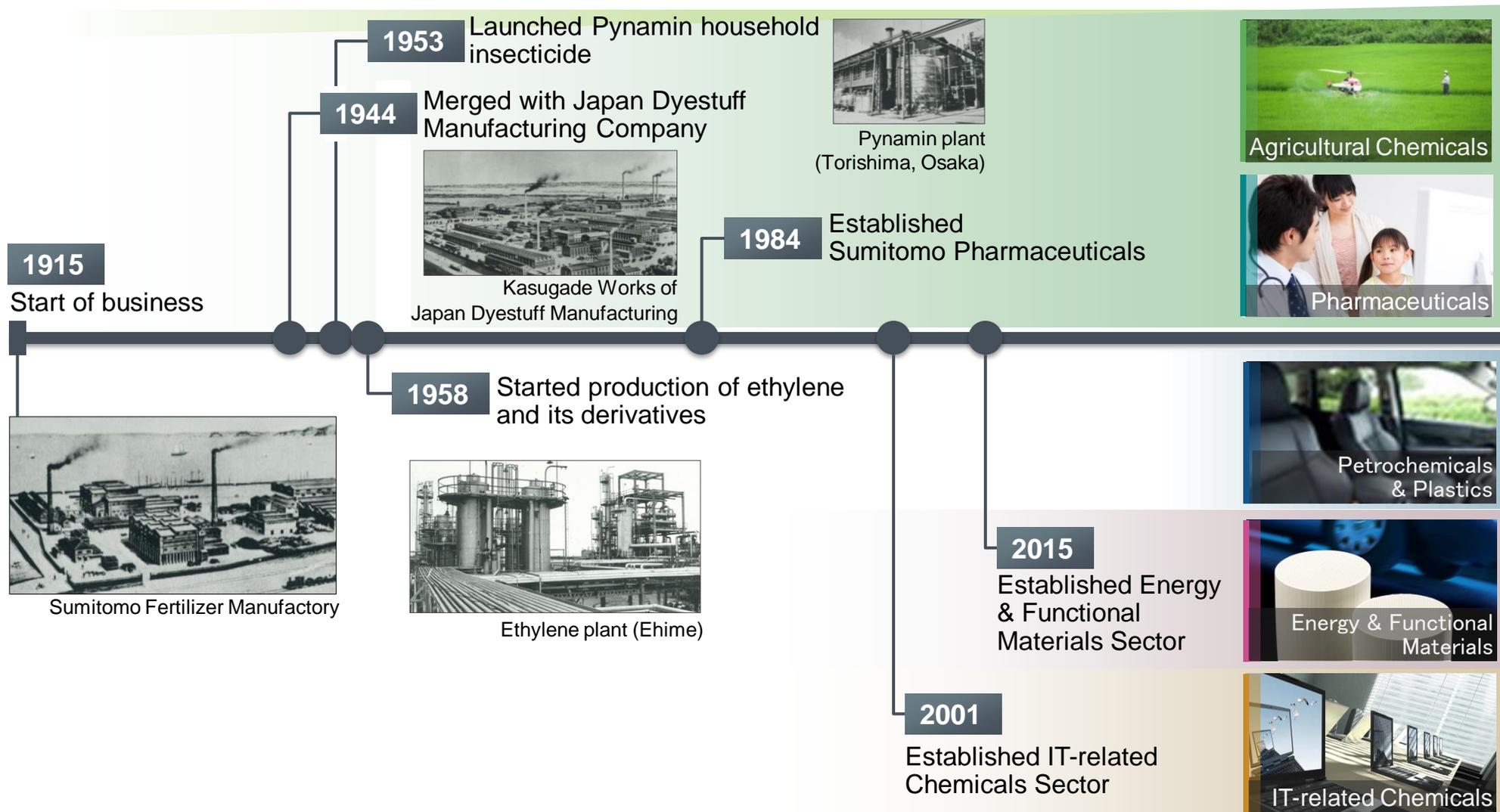
At Sumitomo Chemical we adhere to the principle that our business must not only benefit our own interests but also society at large.

The origin of Sumitomo Chemical

Sumitomo Chemical's history dates back to 1913. The company got its start by producing fertilizer from harmful gas emitted in copper smelting operations. The business helped mitigate the environmental problem caused by the emissions, while also contributing to increasing agricultural crop production.



Progress To Date: Expansion Into New Business Areas



Expanded into new business areas to respond to change in society and to meet customer needs

Progress To Date: Expansion Of Overseas Businesses And Globalization

2009

Started operation of Petro Rabigh



1991

Established Dongwoo Pure Chemicals
(now Dongwoo Fine-Chem)



1988

Established Valent U.S.A.



1984

Started operation of
petrochemical complex in
Singapore



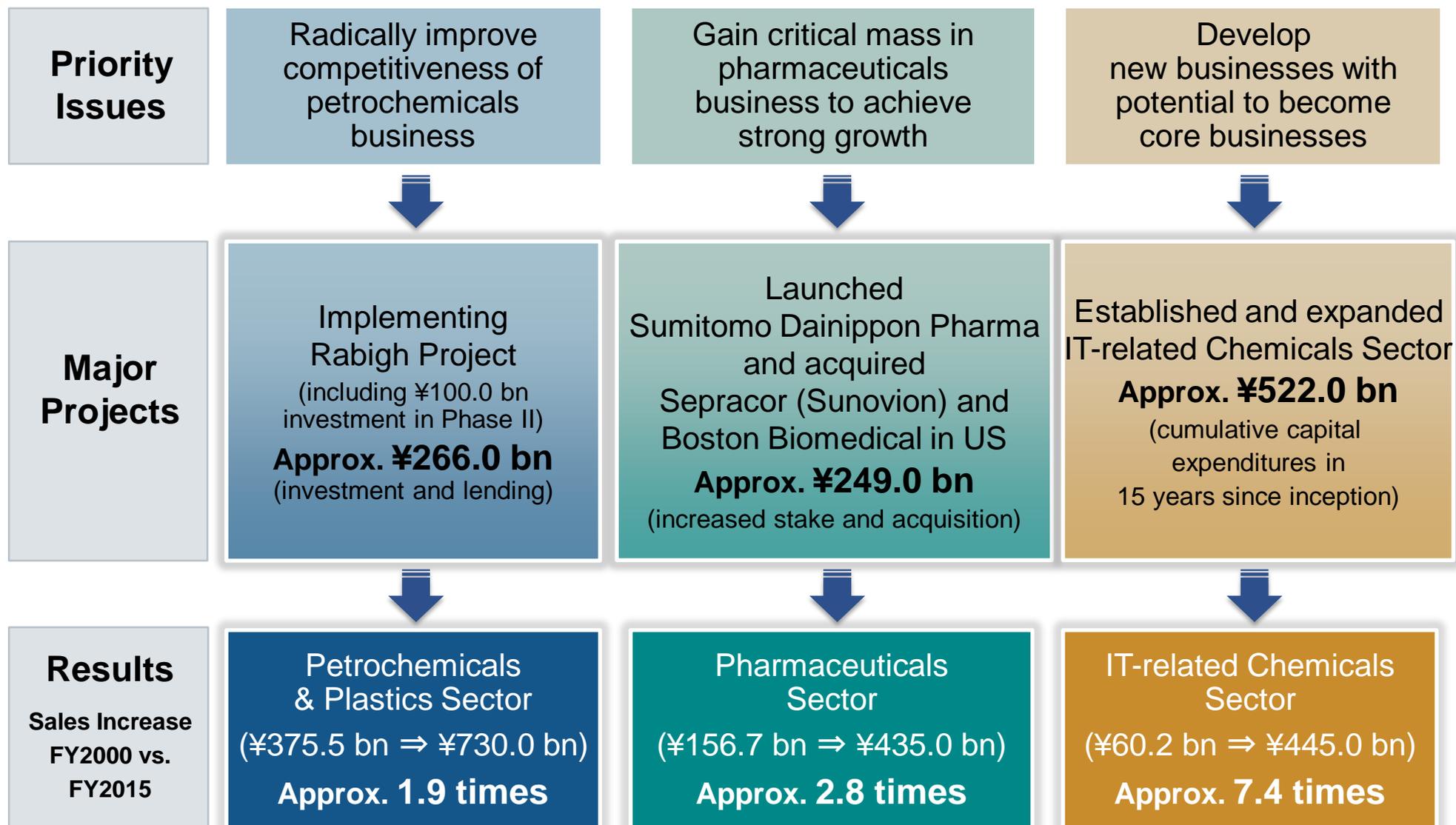
2009

Sumitomo Dainippon
Pharma acquired
Sepracor (now Sunovion
Pharmaceuticals)



**Globalization through “Globally Integrated Management,”
building competitive businesses globally by optimizing operations
across borders in view of technology, location, business partners
and human resources**

Progress To Date: Priority Management Issues And Business Strategy Since The Beginning Of This Century

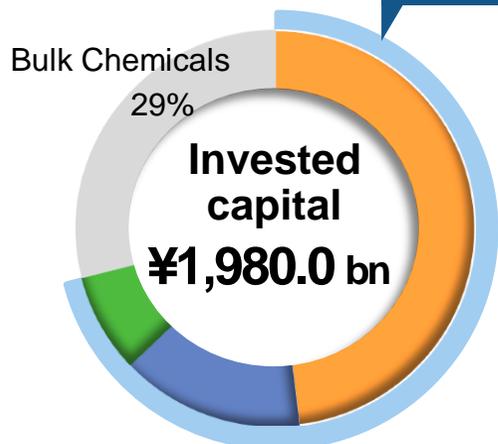


Current Status Of Sumitomo Chemical: Overview By Business Area

FY2015
forecast

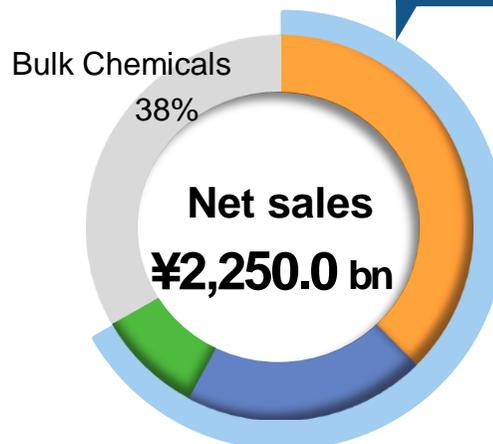
Specialty
Chemicals

71%



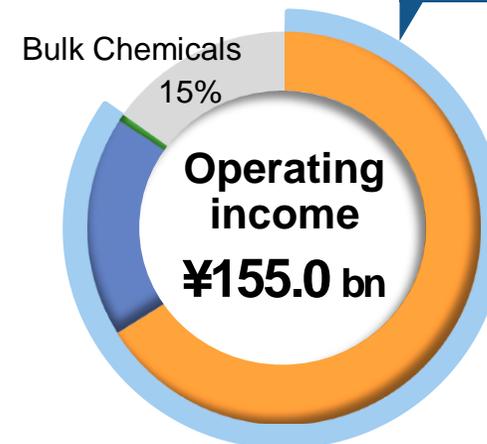
Specialty
Chemicals

67%



Specialty
Chemicals

85%



Specialty Chemicals

Life sciences



ICT



Environment and energy



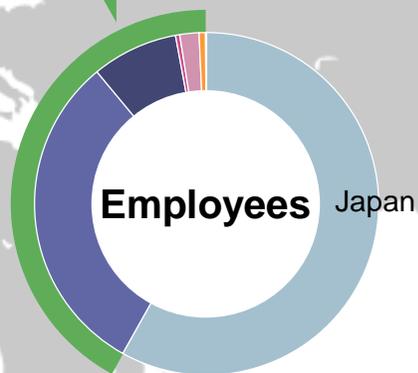
Bulk Chemicals



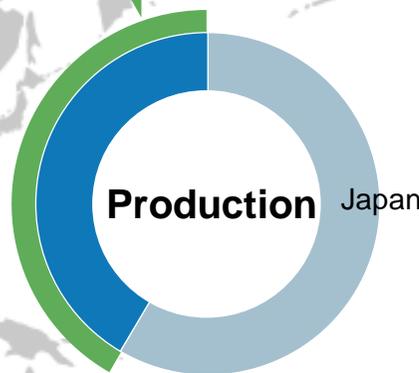
Current Status Of Sumitomo Chemical: Overview By Region

FY2014

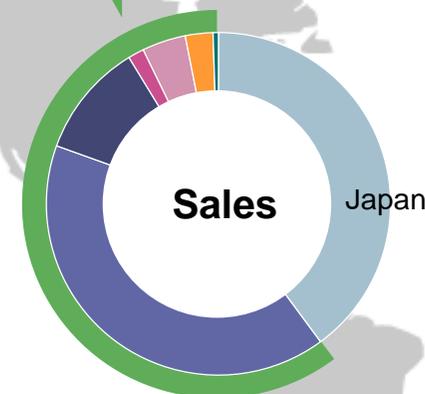
Overseas
42%



Overseas
42%



Overseas
60%



Japan Asia North America Central and South America Europe Middle East and Africa Oceania Others



What Sumitomo Chemical Strives To Be

**Business
Philosophy**

- ◆ Commit ourselves to creating new value by building on innovation
- ◆ Work to contribute to society through our business activities
- ◆ Develop a vibrant corporate culture and continue to be a company that society can trust

**Core
Competence**

Capabilities to develop innovative solutions by leveraging its technological expertise in diverse areas

Capabilities to reach global markets

Loyal employees



**Challenges
&
Business Opportunities**

Solve issues facing society

- Environment
- Food
- Resources and energy

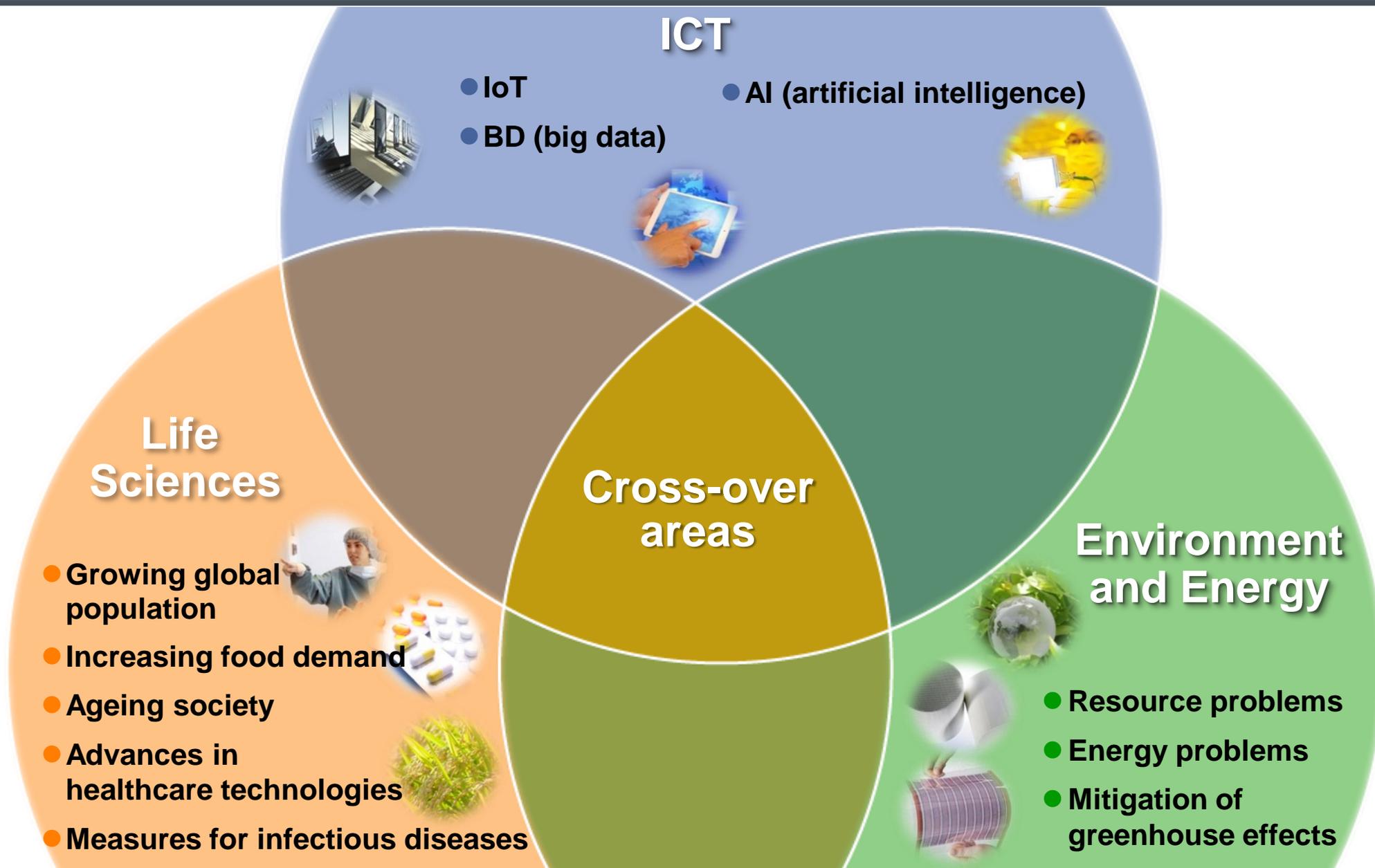
Improve quality of life and build an affluent and comfortable society

- Health promotion
- Comfortable life

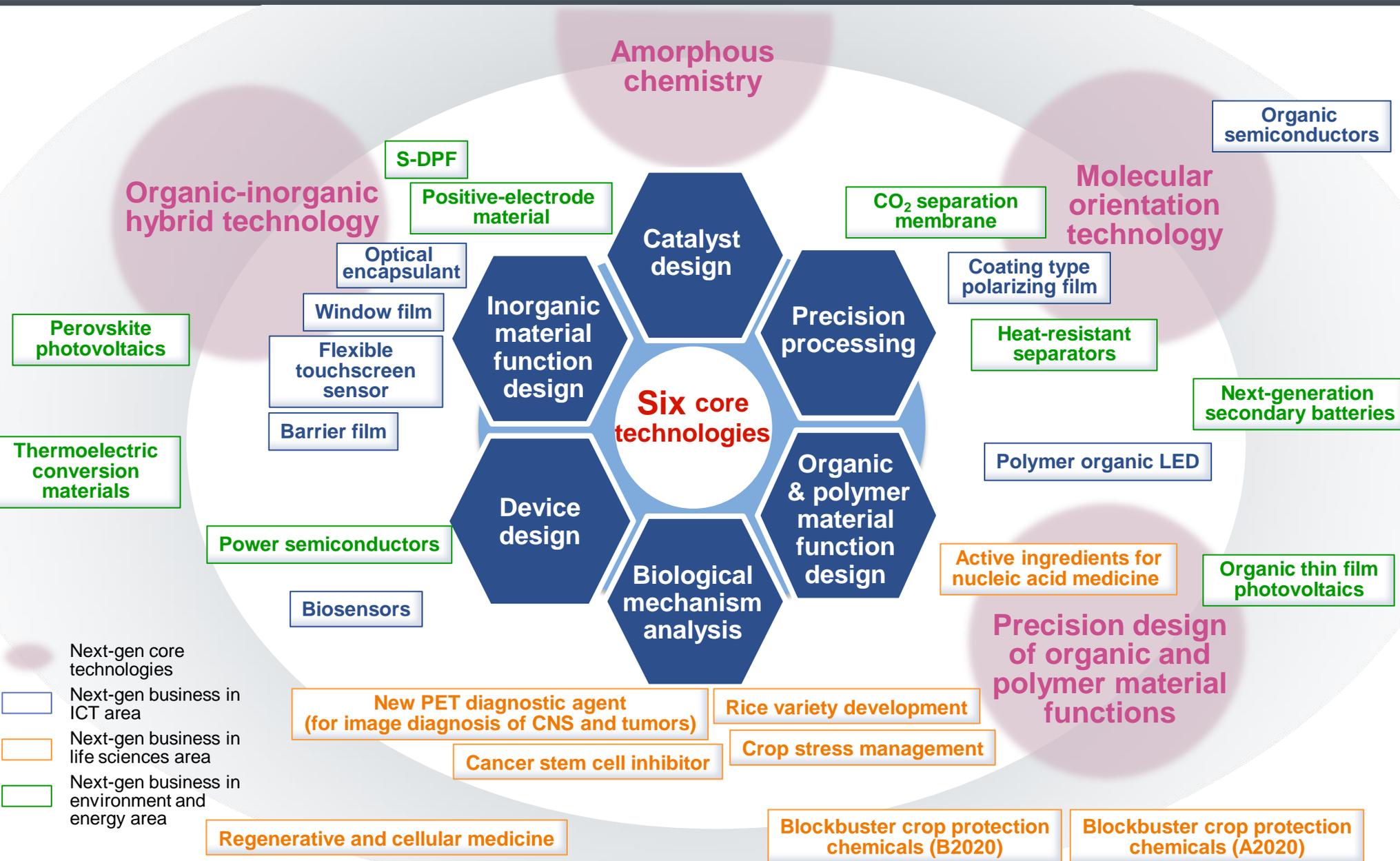


Achieve sustained growth by creating new value through innovative technologies

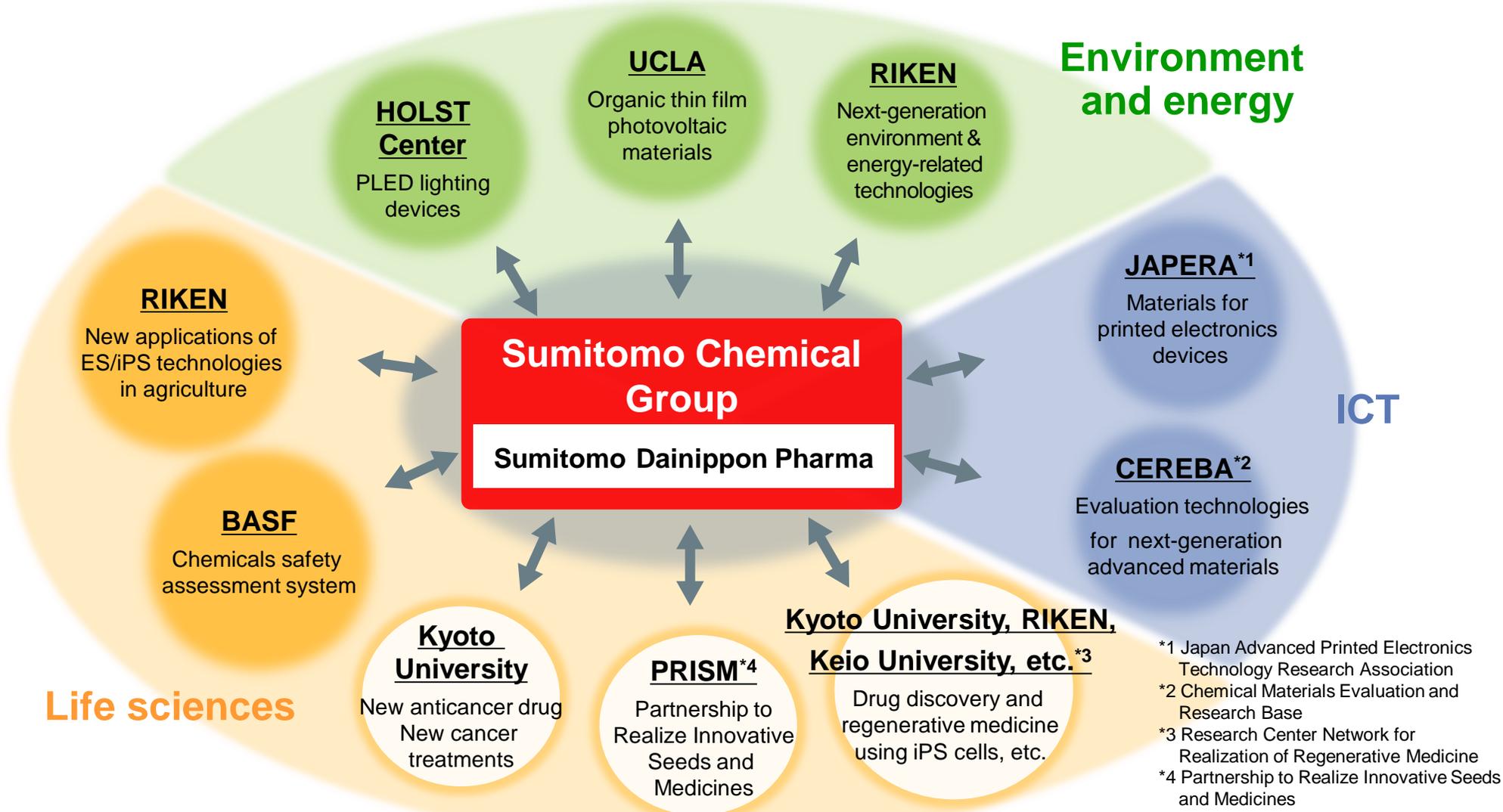
What Sumitomo Chemical Strives To Be: Business Areas With High Growth Potential



What Sumitomo Chemical Strives To Be: New Business Development By Leveraging Core Technologies



What Sumitomo Chemical Strives To Be: Promote Open Innovation



Accelerate the development of next-generation businesses by leveraging both internal and external expertise

What Sumitomo Chemical Strives To Be: Achieve Sustained Growth

Medium- to long-term targets

Consistently achieve
the following targets:

ROE
over 10%

ROI
over 7%

D/E ratio
approx.
0.7 times

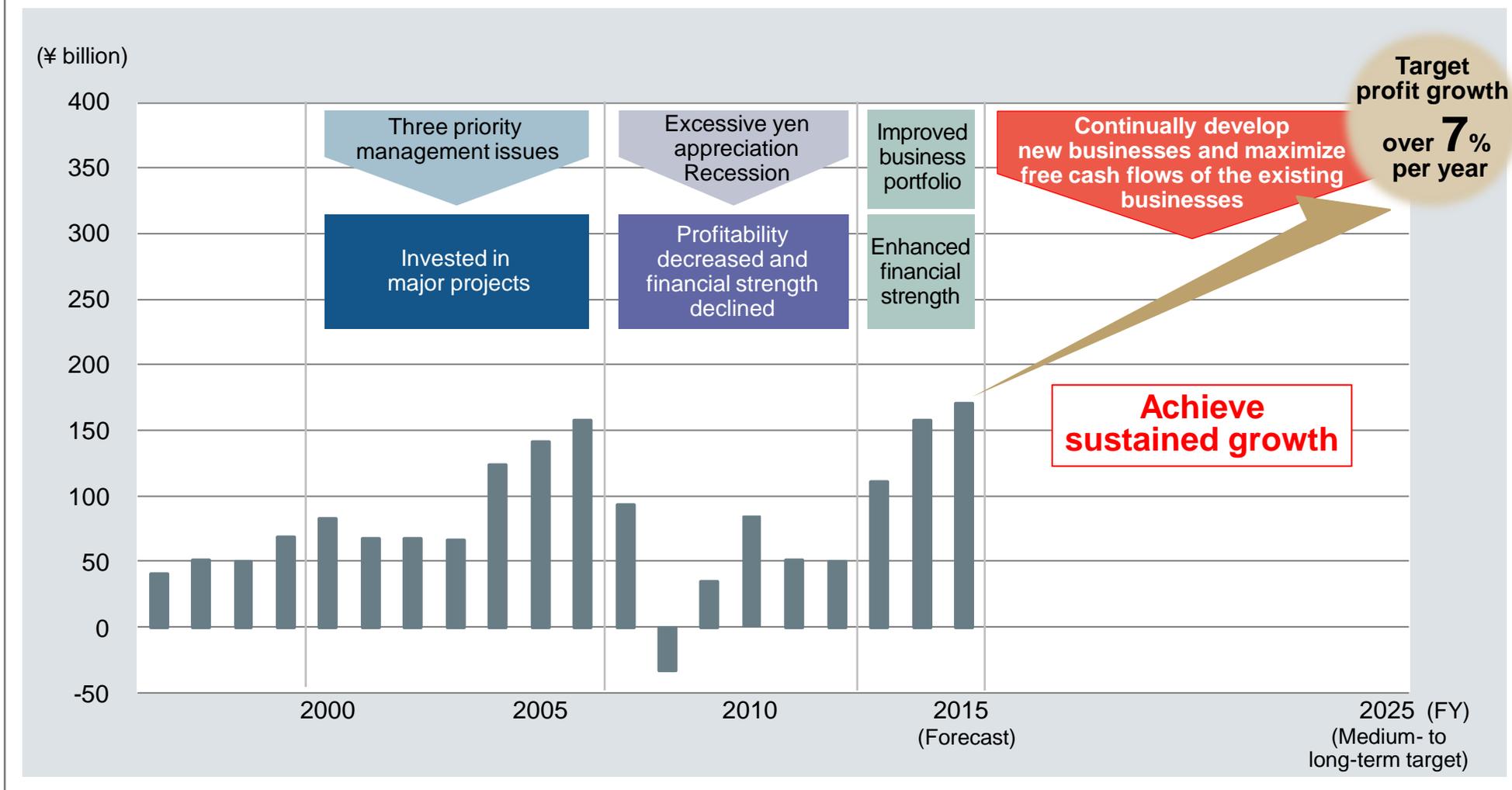
**Dividend
payout
ratio**
approx. 30%

**Profit
growth**
over 7%
per year

**Become a more resilient Sumitomo Chemical
that achieves sustained growth**

What Sumitomo Chemical Strives To Be: Sumitomo Chemical In 10 Years

Trends in Ordinary Income



What Sumitomo Chemical Strives To Be: Long-term Growth Drivers

Life sciences (Health & Crop Sciences)

- New-generation blockbuster crop protection chemicals (B2020, A2020)
- Rice-related businesses
- Strengthen global sales force
- Crop stress management
- Biorationals

Life sciences (Pharmaceuticals)

- Cancer stem cell inhibitor (Napabucasin/BBI503)
- Regenerative and cellular medicine
- Innovative drugs to address unmet medical needs (SUN-101, SEP-225289)

ICT

- Flexible display materials
- Printed electronics (polymer organic LED displays and lighting devices)

Environment and energy

- Lithium-ion secondary battery components and materials
- Environmentally-friendly automobile parts and materials (DPF and super-engineering plastics)
- CO₂ separation membranes

Bulk chemicals

- Expand high value-added businesses by leveraging competitive advantages of the three operation bases in Japan, Singapore and Saudi Arabia

Current Corporate Business Plan

Current Corporate Business Plan: Where We Have Been Heading

Last 10 Years

**Pave the way for future growth
(Tackle three priority management issues)**

Implemented Rabigh Project

Launched DSP and acquired Sepracor/BBI

Established and expanded IT-related Chemicals Sector

Where We Are

Enhance financial strength

Improve profitability

Rigorously select investments

Improve asset efficiency

Restructure businesses

Exit underperforming businesses

Improve business portfolio

Develop next-generation businesses

Environment and Energy

Life Sciences

ICT

Globalization

Promote globally integrated management

Ensure full and strict compliance and maintain safe and stable operations

Current Corporate Business Plan: FY2015 Target vs. Forecast

(Billions of yen)

	FY2015 Target	FY2015 Forecast	Change
Net Sales	2,400.0	2,250.0	-150.0
Operating Income	140.0	155.0	+15.0
(Equity in Earnings of Affiliates)	25.0	24.0	-1.0
Ordinary Income	150.0	170.0	+20.0
Net Income	90.0	80.0	-10.0
Naphtha Price	¥60,000/kl	¥49,100/kl	
Exchange Rate	¥80.0/US\$	¥121.0/US\$	

Current Corporate Business Plan: Enhance Financial Strength

(Billions of yen)

	FY2010-2012	FY2013-2015 (Target)	FY2013-2015 (Forecast)	FY2015 (Forecast)
Cash flows from operating activities	472.3	Approx. 540.0	715.2	260.0
Cash flows from investing activities	-445.7	Below -400.0 ^{*1}	-301.8	-110.0
Free cash flows	26.6	Over 200.0 ^{*2}	413.4	150.0

(Note) *1: Including investment of 100 billion yen in Rabigh Phase II Project

*2: Including decreases in cash and cash equivalents

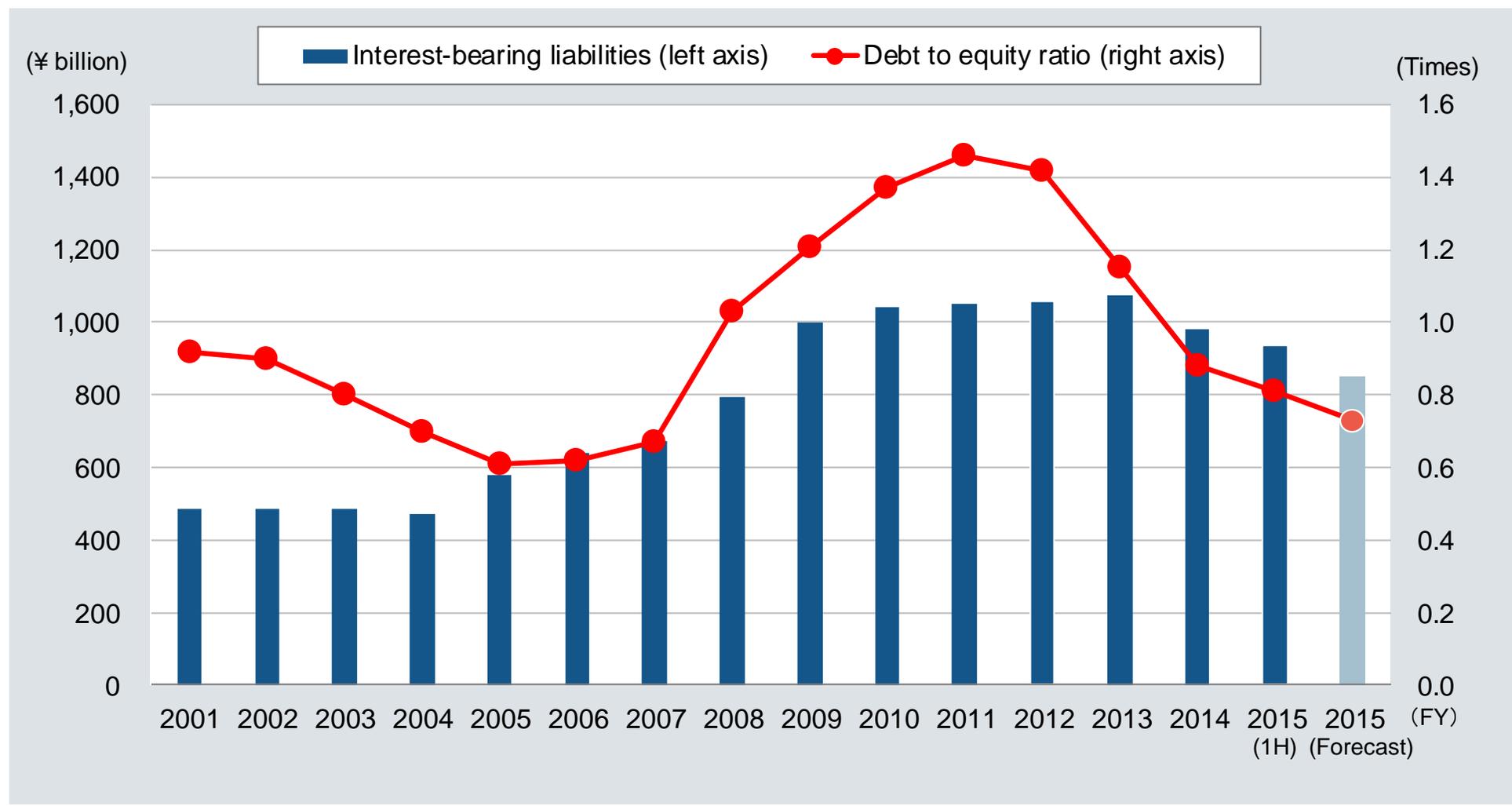
(Billions of yen)

	End of FY2012	End of FY2015 (Target)	End of FY2015 (Forecast)	End of FY2015.1H
Interest-bearing liabilities	1,060.6	Below 900.0 ^{*1}	850.0	938.9

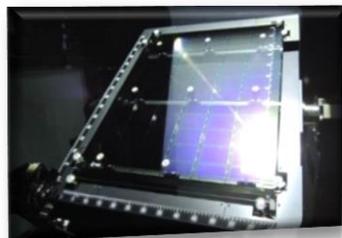
(Note) *1: After spending 100 billion yen for investment in Rabigh Phase II Project

Current Corporate Business Plan: Enhance Financial Strength

Interest-Bearing Liabilities and D/E Ratio



Specialty chemicals business



Business expansion

Progress

- Expanded production capacity for touchscreen panels and enhanced the product line
- Increased overseas sales of crop protection chemicals
- Increased LATUDA sales



Remaining issues for New Corporate Business Plan

- Speed up the development of next-generation businesses and accelerate sales expansion

Current Corporate Business Plan: **Business Restructuring****Bulk chemicals business****Progress**

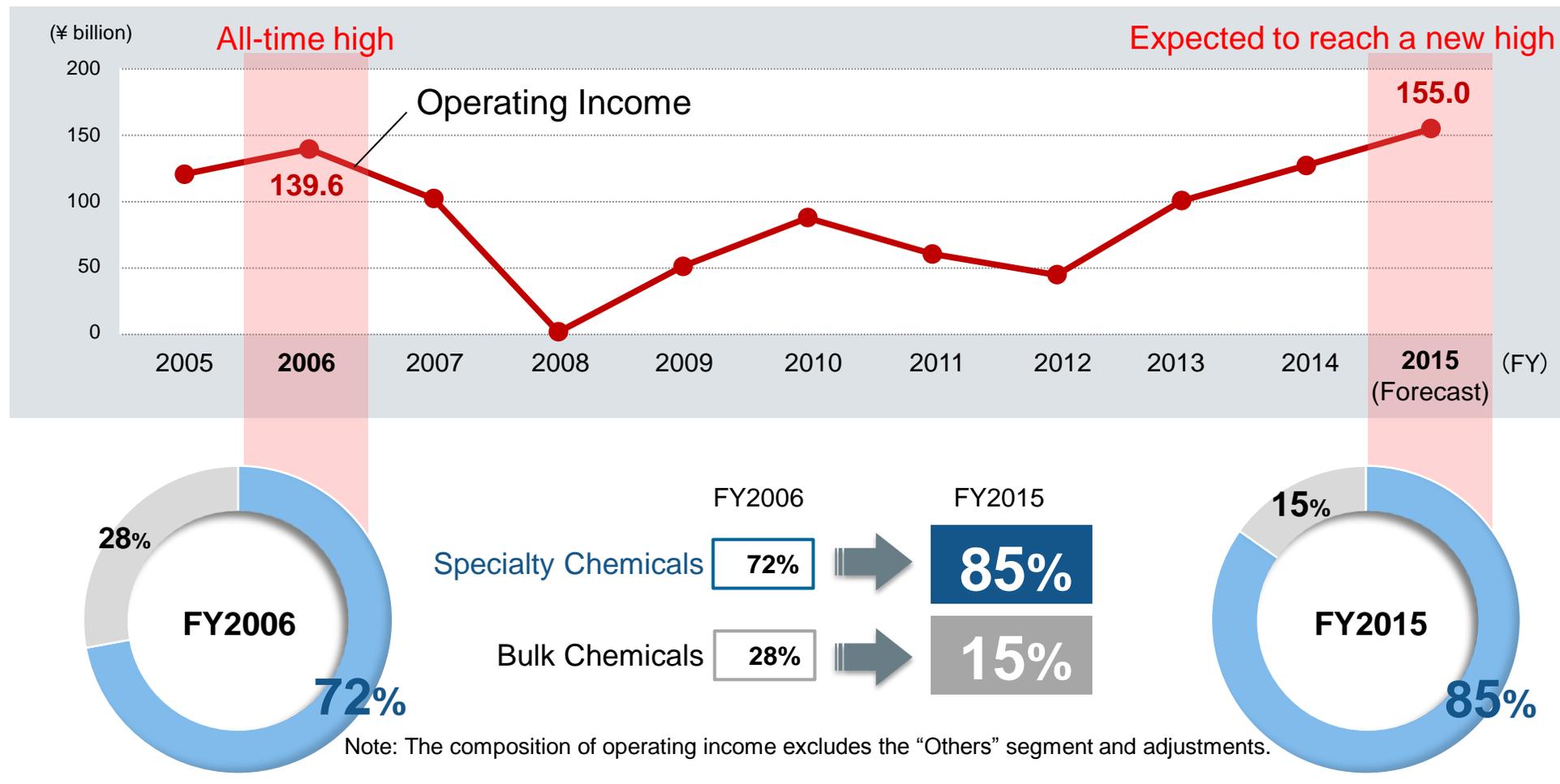
- Closed down ethylene plant and PO/SM plant at Chiba
- Closed down liquid-phase process caprolactam plant
- Made progress on Rabigh Phase II Project

**Remaining issues for
New Corporate Business Plan**

- Promptly start up and ensure stable operation of Rabigh Phase II Project
- Assess the competitiveness of the vapor-phase process caprolactam plant

Change In Business Portfolio

Change in operating income and its composition



Significant increase in profitability of specialty chemicals business

New Corporate Business Plan: Corporate Strategy

- **Basic Policy And Performance Targets**
- Further Improve Business Portfolio
- Generate More Cash Flow
- Accelerate The Launch of Next-generation Businesses
- Summary

New Corporate Business Plan: Business Environment and Slogan

Economy

Slowdown in the Chinese economy and emerging economies

Low crude oil and energy prices

Advent of “super-smart society”
(Use of IoT, big data and artificial intelligence)

Risks of further appreciation of the yen

Business Environment

Change and Innovation
Create New Value

Industry

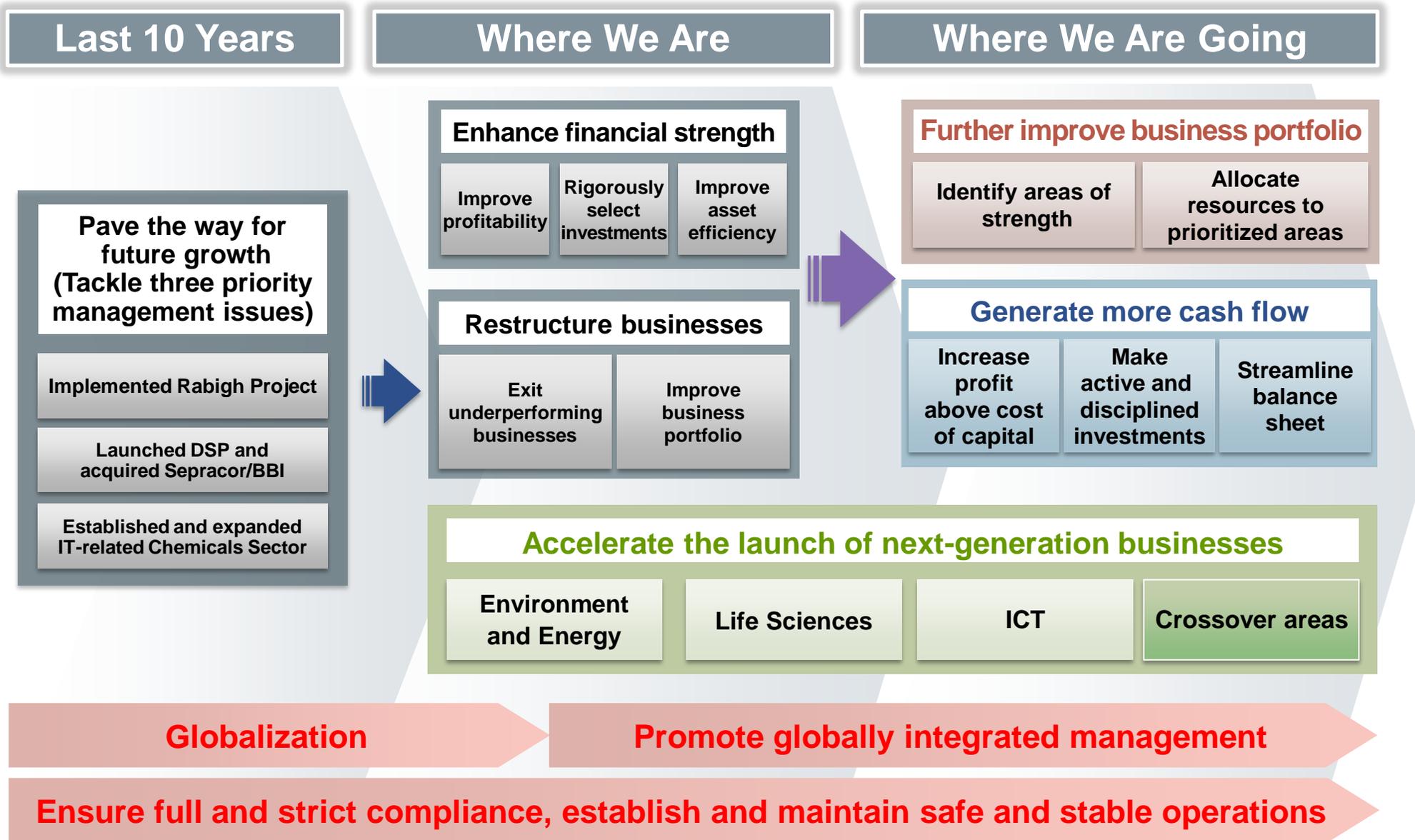
Technological innovation in the automobile industry

Changes in the display market

Accelerated consolidation leading to more oligopolistic industries

More petrochemical plants using new feedstocks

New Corporate Business Plan: Basic Policy



New Corporate Business Plan: Performance Targets

(Billions of yen)

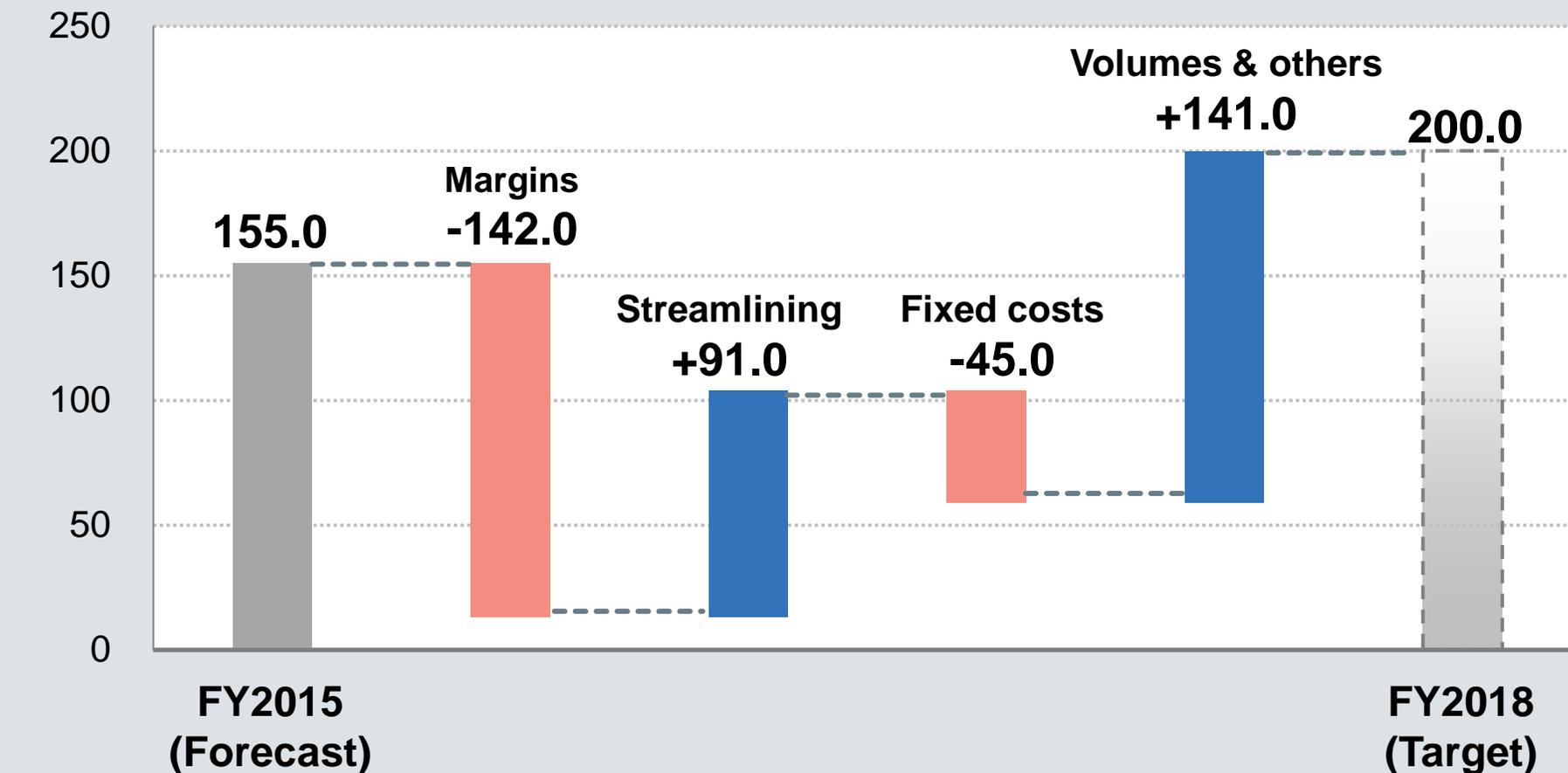
	FY2015 Forecast	FY2018 Target	Change
Net Sales	2,250.0	2,540.0	+290.0
Operating Income	155.0	200.0	+45.0
(Equity in Earnings of Affiliates)	24.0	29.0	+5.0
Ordinary Income	170.0	210.0	+40.0
Net Income	80.0	110.0	+30.0
Naphtha Price	¥49,100/kl	¥45,000/kl	
Exchange Rate	¥121.0/US\$	¥120.0/US\$	

New Corporate Business Plan: Change In Operating Income

Change in Operating Income

(FY2015 vs. FY 2018)

(¥ billion)



New Corporate Business Plan: Medium- to Long-Term vs. FY2018 Performance Targets

	Medium- to Long-term Targets Consistently achieve the following targets:	FY2018 Target	(Reference) FY2015 Forecast
ROE	over 10%	12%	10%
ROI	over 7%	7%	5%
D/E Ratio	approx. 0.7 times	0.6-0.7 times* ²	0.7 times
Dividend payout ratio	approx. 30%	–	29%
Profit growth ^{*1}	over 7% per year	11% per year	–

*1 Compounded annual growth rate of net income from the last year of the previous Corporate Business Plan

*2 Including the effects of investments in strategic M&A

New Corporate Business Plan: Net Sales By Sector

(Billions of yen)

	FY2015 Forecast	FY2018 Target	Change	Reason for Change
Specialty Chemicals	1,465.0	1,680.0	+215.0	
Energy & Functional Materials	225.0	260.0	+35.0	Growth in sales of S-SBR and others
IT-related Chemicals	415.0	490.0	+75.0	Growth in sales of touchscreen panels and others
Health & Crop Sciences	390.0	440.0	+50.0	Growth in sales of crop protection chemicals
Pharmaceuticals	435.0	490.0	+55.0	Growth in sales in North America
Bulk Chemicals	730.0	800.0	+70.0	
Petrochemicals & Plastics	730.0	800.0	+70.0	Growth in sales of Petro Rabigh products
Others	55.0	60.0	+5.0	
Total	2,250.0	2,540.0	+290.0	

(note) After the sectors have been revised

New Corporate Business Plan: **Operating Income By Sector**

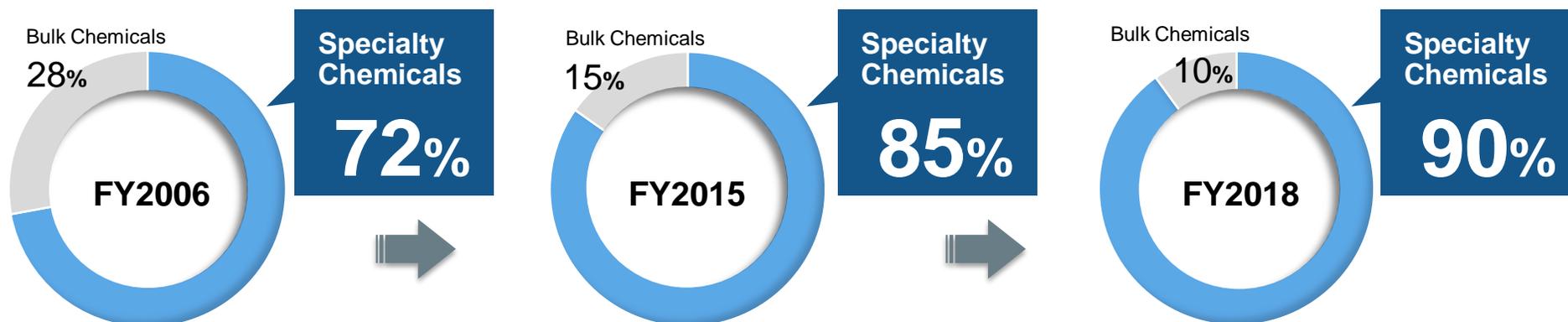
(Billions of yen)

	FY2015 Forecast	FY2018 Target	Change	Reason for Change
Specialty Chemicals	140.0	192.0	+52.0	
Energy & Functional Materials	6.0	18.0	+12.0	Growth in sales of S-SBR and others
IT-related Chemicals	25.0	34.0	+9.0	Rationalization and sales growth
Health & Crop Sciences	75.0	86.0	+11.0	Growth in crop protection chemicals sales
Pharmaceuticals	34.0	54.0	+20.0	Sales growth in North America
Bulk Chemicals	25.0	21.0	-4.0	
Petrochemicals & Plastics	25.0	21.0	-4.0	Lower margins
Others	-10.0	-13.0	-3.0	
Total	155.0	200.0	+45.0	

(note) After the sectors have been revised

Change In Business Portfolio

Change in Operating Income and Its Composition



Further increase in profitability of specialty chemicals business

New Corporate Business Plan: Corporate Strategy

- Basic Policy And Performance Targets
- **Further Improve Business Portfolio**
- Generate More Cash Flow
- Accelerate The Launch of Next-generation Businesses
- Summary

New Corporate Business Plan: Further Improve Business Portfolio

Identify areas where we have distinct strength and competitive advantage

Areas for aggressive investment and expansion

- Where we have **technological advantages**
- Where we have market access advantages
- Focus resources on these areas (including M&A)

Expand businesses that consistently yield profit above the cost of capital

Areas for efficiency improvement

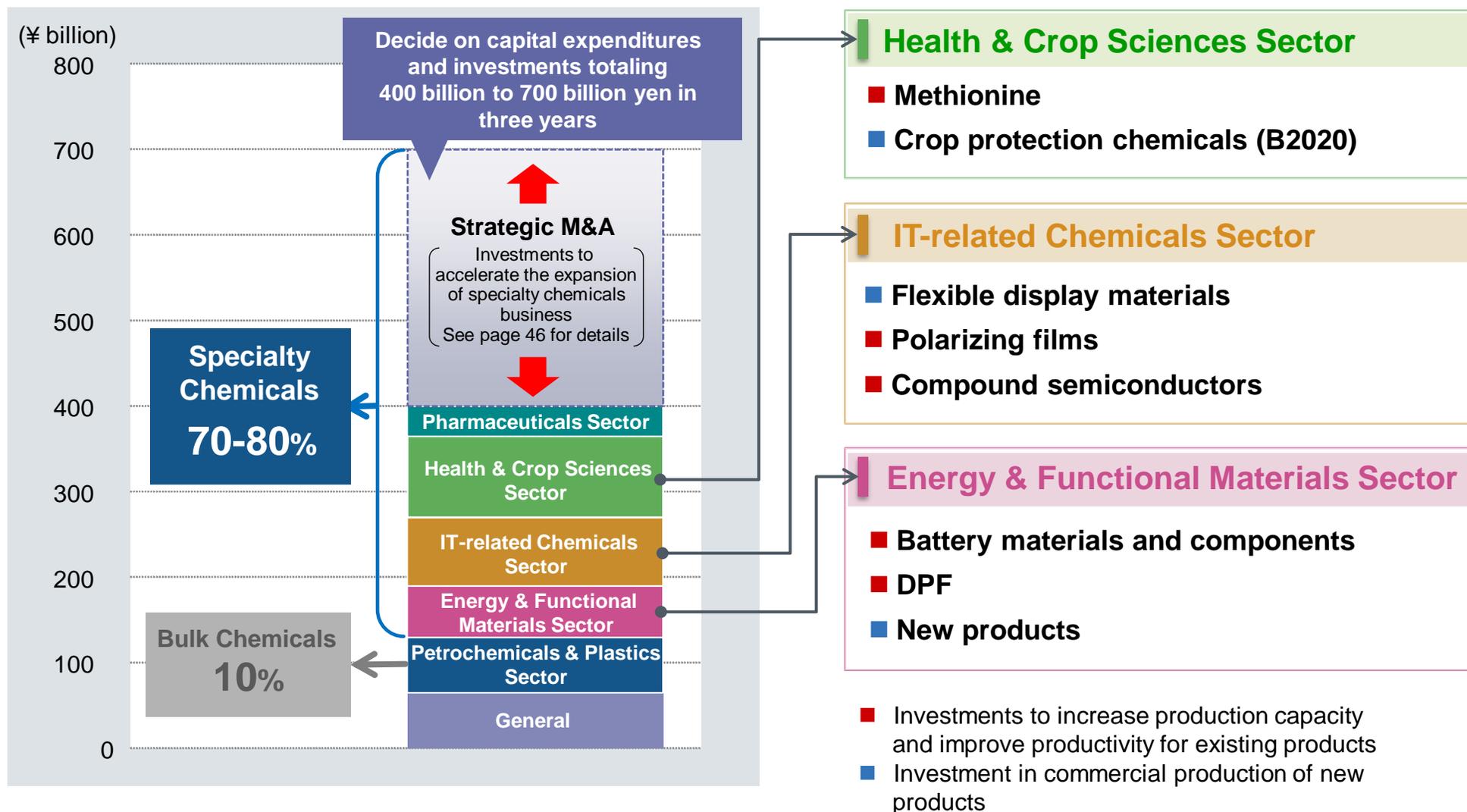
- Where it is difficult to achieve technological differentiation
- Where demand significantly fluctuates
- Enhance cost competitiveness and pursue asset efficiency

Achieve profit above the cost of capital
Maximize return on investment

Further improve business portfolio

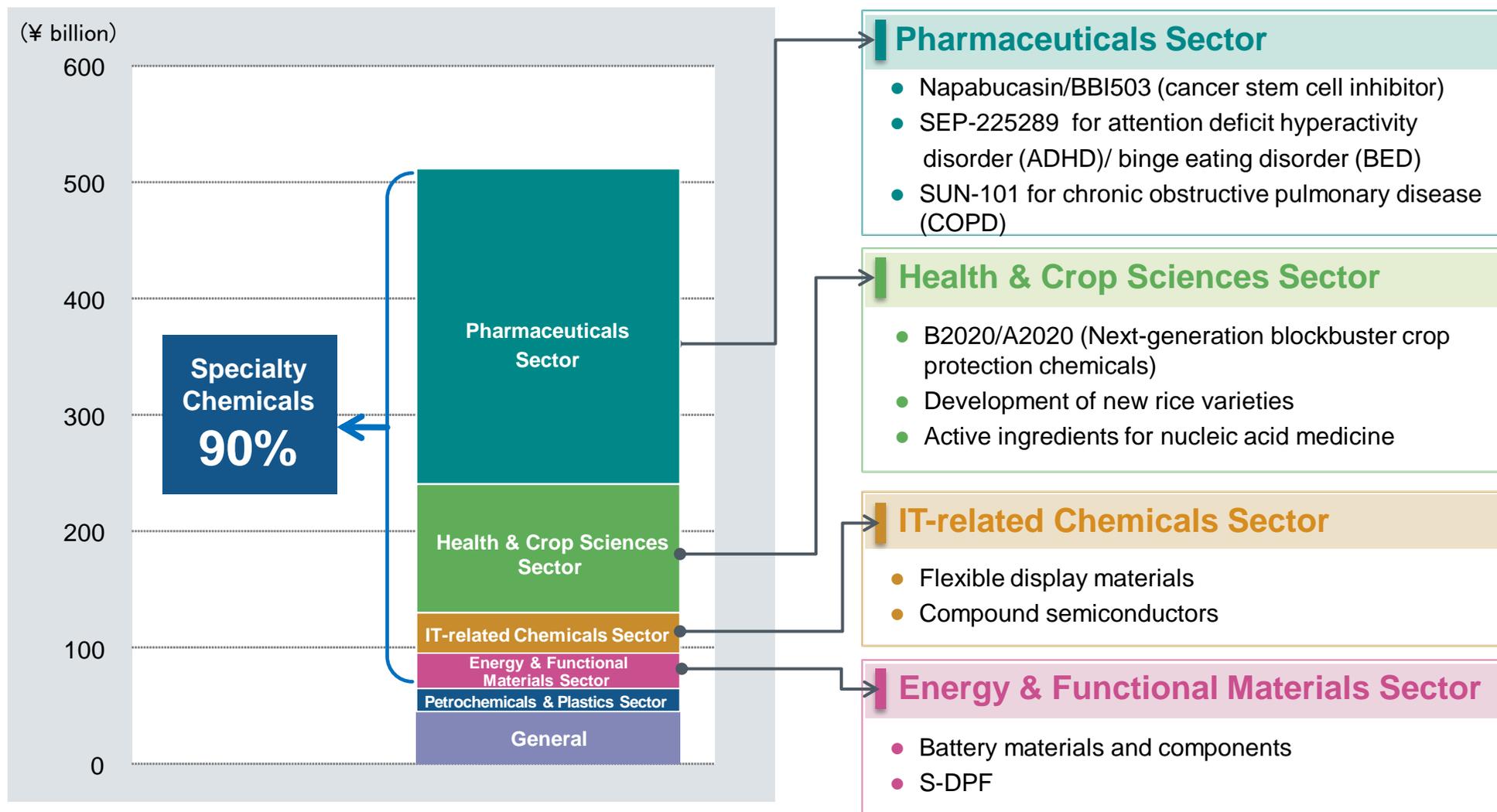
Further Improve Business Portfolio: Investments By Sector

Capital expenditures and investments by sector (FY2016-FY2018)



Further Improve Business Portfolio: R&D Expenses And Major Projects By Sector

R&D Expenses by Sector (FY2016-FY2018)



Further Improve Business Portfolio: Enhance Environment And Energy Businesses

Reorganization

Energy & Functional Materials Sector

- Inorganic materials
- Aluminum
- Battery materials and components (separators, positive-electrode materials)
- Super-engineering plastics
- Fine chemicals
- Advanced polymers

IT-related Chemicals Sector

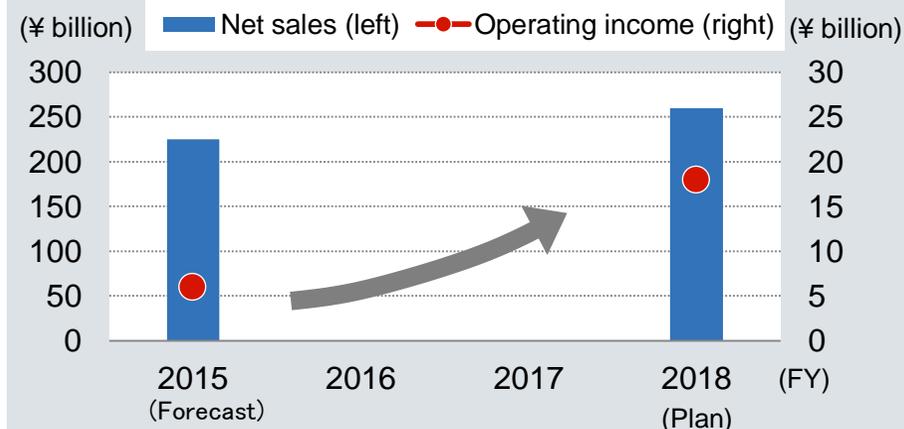
- Display materials
- Semiconductor materials
- Battery materials and components (separators, positive-electrode materials)
- Super-engineering plastics
- Compound semiconductors

To be transferred
on April 1, 2016

Aims of the reorganization

- Transfer the businesses of the environment- and energy-related products and the materials and components for environmentally-friendly automobiles
- Promote the customer-oriented mindset and step up the efforts to develop new businesses

Trends in net sales and operating income



Note: The figures for FY2015 take account of the effects of the reorganization.

Accelerate the growth of the businesses in the environment and energy area

New Corporate Business Plan: Corporate Strategy

- Basic Policy And Performance Targets
- Further Improve Business Portfolio
- **Generate More Cash Flow**
- Accelerate The Launch of Next-generation Businesses
- Summary

New Corporate Business Plan: Generate More Cash Flow

Enhance financial strength

Improve
profitability

Rigorously
select investments

Improve
asset efficiency

Generate more cash flow

**Increase profit above
the cost of capital**

- Strengthen competitiveness
- Reduce costs

**Make active and
disciplined investments**

- Identify areas for aggressive expansion
- Identify investment risks

**Streamline
balance sheet**

- Continuously improve cash conversion cycle
- Sell non-operating, non-strategic assets

Build and maintain robust earnings power to consistently generate strong cash flow that allows us to take advantage of large-scale investment opportunities when they arise

Generate More Cash Flow: Rationalization and Productivity Improvement Plan

Initiatives for rationalization and productivity improvement

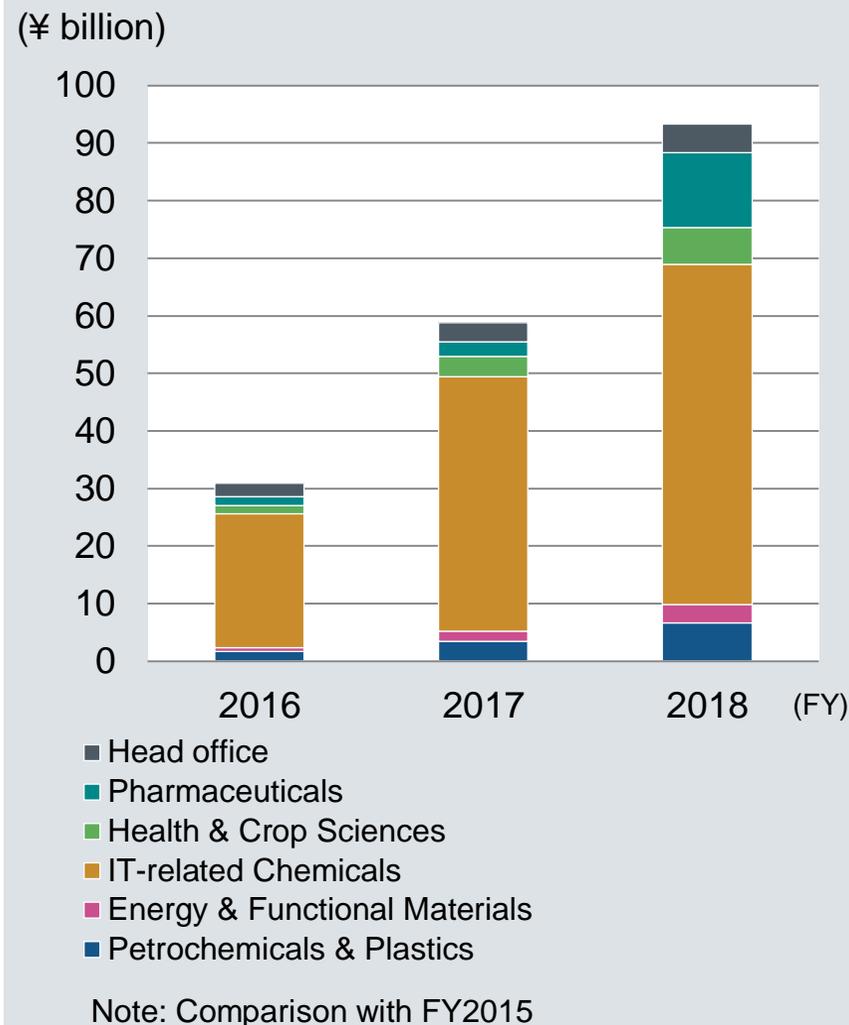
Small and strong headquarters

- Consolidate our corporate departments, which have grown fractionalized as new head-office functions have been added on over time, so that each of the new corporate departments will have a wider scope of responsibility and be able to function more efficiently
- Streamline the functions of the regional headquarters and further localize the operations
- Speed up the Corporate research projects, alter our current R&D system so that it will be more conducive to collaboration in and outside the company/country, and more rigorously select R&D projects

Further cost reduction

- Reduce purchasing costs
- Reduce fixed costs
- Improve materials and utilities consumption in production
- Reduce general expenses
- Reduce selling expenses

Rationalization targets



Major business and work process innovation projects under consideration

- 1 Digitization of work processes and information related to plant operations
- 2 Real-time information visualization and upgrading of information systems for global supply chain management
- 3 Development and implementation of precision agriculture solutions
- 4 Acceleration of R&D by leveraging artificial intelligence
- 5 Utilization of crowdsourcing, artificial intelligence, and sensor technologies

Generate More Cash Flow: Further Improve Cash Conversion Cycle

Initiatives for improving cash conversion cycle (CCC)

1. Further promote integrated management of production, sales and research operations

- Shorten production and distribution lead time
- Reduce the number of products and grades
- Improve the accuracy of sales forecast and strengthen sales management



Reduce and optimize inventory levels

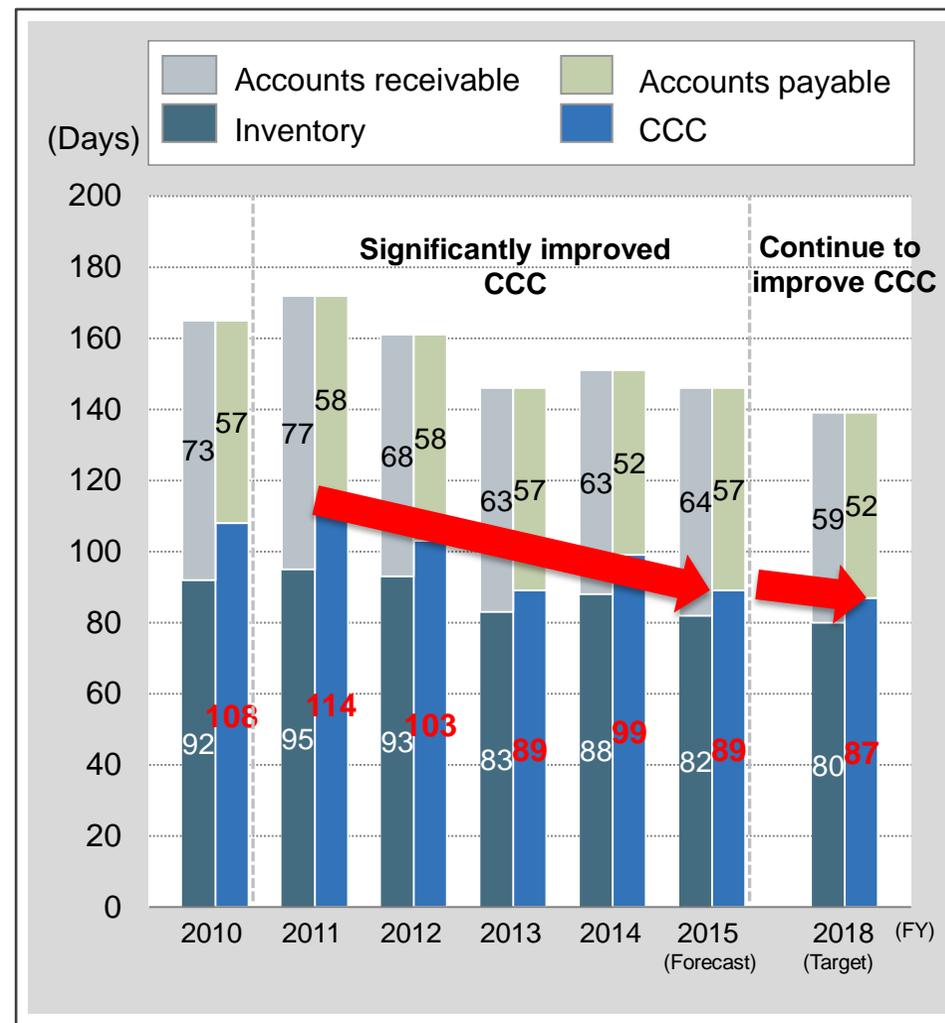
2. Revise terms with customers

- For each customer, work to make credit periods for accounts receivable uniform and set them at the shortest of the existing terms
- Step up efforts to revise terms with customers while also seeking to optimize sales channels



Shorten accounts receivable terms and extend accounts payable terms

Trends in CCC



Generate More Cash Flow: Cash Flow Target

(Billions of yen)

	FY2010-FY2012	FY2013-FY2015 (Forecast)	FY2016-FY2018 (Target)*
Cash flows from operating activities	472.3	715.2	680.0
Cash flows from investing activities	-445.7	-301.8	-540.0
Free cash flows	26.6	413.4	140.0

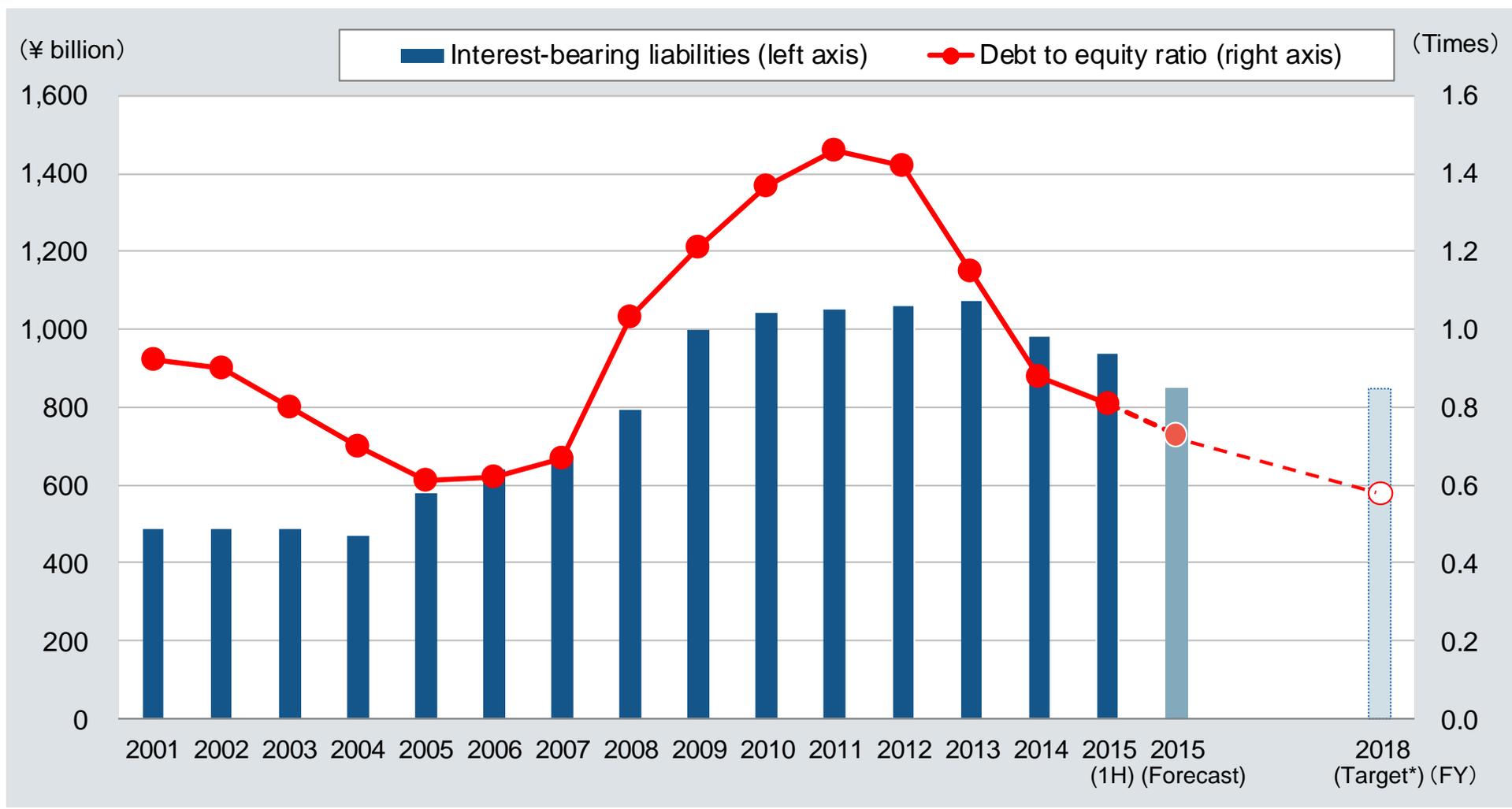
* Including investment in Rabigh Phase II Project; not including investments in strategic M&A

(Billions of yen)

	End of FY2012	End of FY2015 (Forecast)	End of FY2018 (Target)
Interest-bearing liabilities	1,060.6	850.0	850.0

Generate More Cash Flow: Interest-Bearing Liabilities And Debt to Equity Ratio

Interest-Bearing Liabilities and D/E Ratio



(*) Including investment in Rabigh Phase II project; not including the effects of investments in strategic M&A

Generate More Cash Flow: Investments In Strategic M&A

300 billion yen earmarked for investment in strategic M&A



Aims of earmarking the funds for investment in strategic M&A

- Accelerate the expansion of specialty chemicals business
- Significantly improve business portfolio

Preconditions for making investments in strategic M&A

- Generate free cash flow as planned
- Capitalize on cash reserves
- Accelerate non-operating asset sales



While maintaining a sound financial structure, seek large-scale investment opportunities in the specialty chemicals area to achieve sustained growth

**Financial position
after implementing
strategic M&A**

Interest-bearing liabilities
Approx. 1 trillion yen

D/E ratio
Approx. 0.7 times

New Corporate Business Plan: Corporate Strategy

- Basic Policy And Performance Targets
- Further Improve Business Portfolio
- Generate More Cash Flow
- **Accelerate The Launch Of Next-Generation Businesses**
- Summary

New Corporate Business Plan`s Basic Policy: Accelerate The Launch Of Next-Generation Businesses

Time for full-scale diffusion

2015

2020 –

Environment and energy

Heat-resistant and thermal-conductive materials

Printed electronics

PLED lighting devices

Power semiconductors (epitaxial wafers)

Thermoelectric conversion materials

Organic thin film photovoltaics

Environmentally-friendly automobiles

Next-generation separators

PES (automobile applications and new applications)

DPF

S-DPF

CO₂ separation

New gas barrier materials

Next-generation secondary batteries

ICT

Film-type touch sensors

Flexible displays

Flexible touch sensors

Barrier film

Multi-functional materials and components

Window film

Liquid crystal coated polarizing film

Next-generation polarizing film

Printed electronics

OLED displays (light-emitting materials)

Organic semiconductors

Optical encapsulant

Biosensors

Life science

Rice variety development

Innovative agricultural solutions

Expand mycorrhiza technology business (including mycorrhizal fungi)

Development of new rice varieties

Crop stress management

Blockbuster crop protection chemicals (B2020)

Blockbuster crop protection chemicals (A2020)

Chemicals safety assessment and drug development using ES and iPS cells

Next-generation medical technology

Contract manufacture of active ingredients for nucleic acid medicine

Cancer stem cell inhibitors

Cellular medicine

New PET diagnostic agents

Regenerative medicine

✓: Next-generation businesses that have been launched or are to be launched soon.

Accelerate The Launch Of Next-Generation Businesses: Biorationals

Microbial pesticides

Core products	Major applications
DiPel®	Microbial pesticide that can be used for a wide variety of crops
XenTari®	Same as above

Our strengths

- Superior BT (*Bacillus thuringiensis*) strains
- Outstanding production (fermentation) expertise



Stable supply of highly effective microbial pesticides

Plant growth regulators

Core products	Major applications
ProGibb®	Controls growth and size of crops
Promalin®	Thins out fruits, controls size
ReTain®	Regulates harvest time for fruits, prevents fruit drop
ProTone®	Controls coloring of fruits, delays germination

Our strengths

- Pioneer of the plant growth regulator business
- Selling a wide range of plant growth regulators in more than 90 countries
- Capabilities to develop new markets by creating new solutions



Support for the cultivation of high quality crops

Microbial agricultural materials

Core products	Major applications
Mycorrhizal fungi	Promotes efficient absorption of water and nutrients in soil

Our strengths

- Technology for mass production of mycorrhizal fungi
- Expertise and proven track record for applying mycorrhizal fungi for a wide range of crops



Stable supply of high quality mycorrhizal fungi

Accelerate The Launch Of Next-Generation Businesses: Biorationals

Efforts for expanding the biorationals business

Built new microbial pesticide active ingredient plant (July 2014)

Location: Osage, Iowa, U.S.A
Start of operation: July 2014



Acquired Mycorrhizal Applications, Inc. (March 2015)

Acquired MA, a microbial agricultural materials (mycorrhizal fungi) business, to enhance product portfolio and seek synergies in sales and development



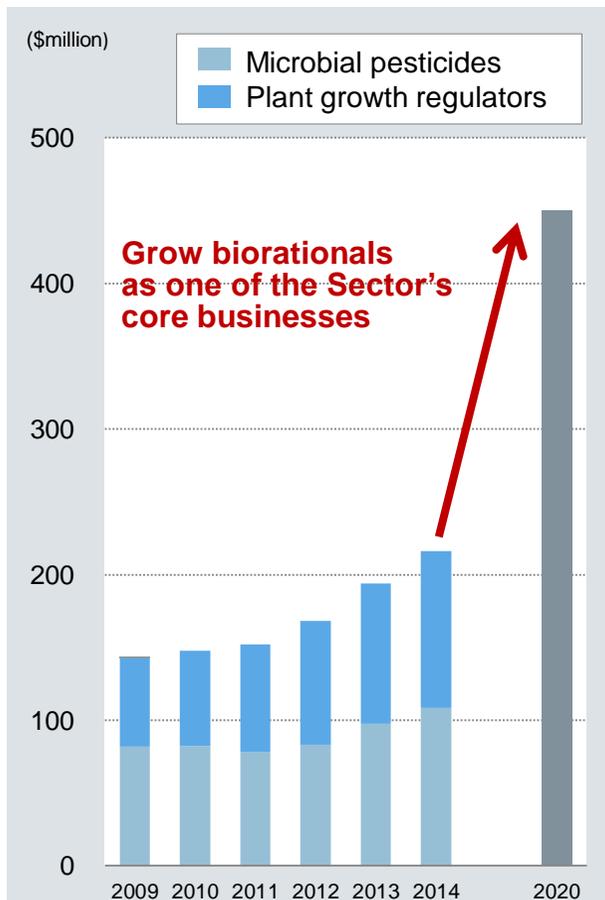
Strengthened our global agrochemical business (April 2015)

Pursuing synergies by integrating the management of chemical crop protection products business and biorationals business



* Research and development and registration will also be integrated in April 2016

Reference: Net sales of biorationals



* The bar for 2020 does not represent sales forecast.

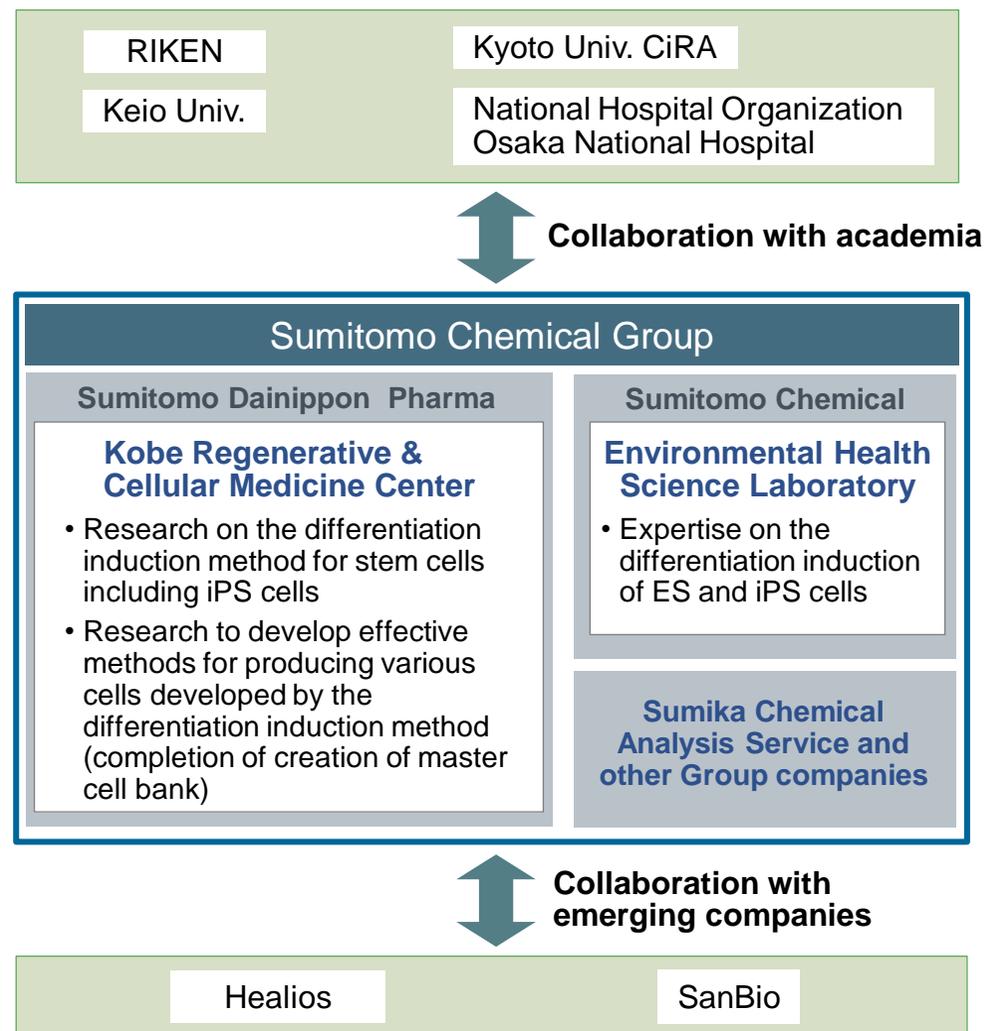
Accelerate The Launch Of Next-Generation Businesses: Regenerative and Cellular Medicine

History of regenerative and cellular medicine R&D at Sumitomo Chemical Group

- 1990 Nerve regeneration joint research with Harvard Univ.
- 2001 Joint research on spinal cord injury with Prof. Okano of Keio Univ.
- 2001-5 Joint research with Prof. Yamanaka of Nara Institute of Science and Technology
- 2006 Joint research on generation of eyes with RIKEN (Sumitomo Chemical)
- 2010 Licensed in SB623 (a treatment for chronic cerebral infarction)
- 2013 Tie-up with Healios to launch regenerative medicine business
- Started research under the program of the Research Center Network for Realization of Regenerative Medicine (on spinal cord injury, Parkinson's and others)
- 2015 Received a stock of iPS cells for regenerative therapy from Kyoto Univ. Center for iPS Cell Research and Application (CiRA)

Embarked on research leading to regenerative and cellular medicine 25 years ago

Partnerships for regenerative and cellular medicine R&D



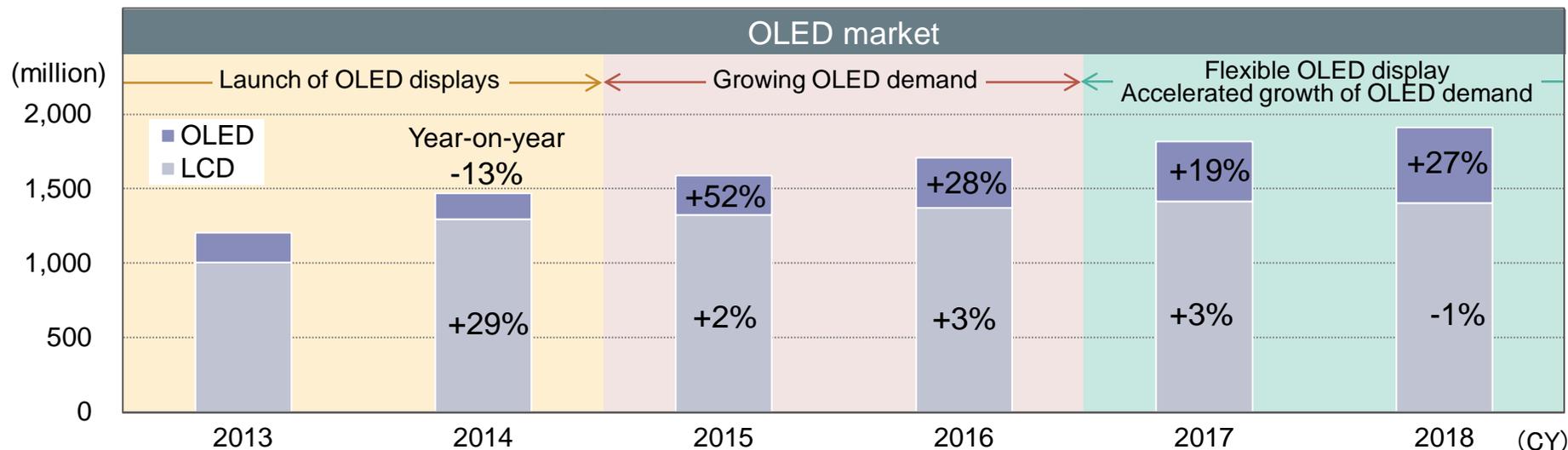
Accelerate The Launch Of Next-Generation Businesses: **Regenerative and Cellular Medicine****Regenerative and cellular medicine commercialization plan**

	Partner	Target market	Cell type	Commercialization schedule					
				2015	2016	2017	2018	2019	2020
Chronic cerebral infarction	SanBio	North America	Allogeneic MSC	P-IIb			P-III		Approval (target)
Age-related macular degeneration	Healios RIKEN	Japan	Allogeneic iPS cells	Clinical research			Investigator-initiated clinical trial		Approval (target)
Parkinson's disease	Kyoto Univ. Center for iPS Cell Research and Application (CiRA)	global	Allogeneic iPS cells	Clinical research or trial					
Retinitis pigmentosa	RIKEN	global	Allogeneic iPS cells	Investigator-initiated clinical trial					
Spinal cord injury	Keio Univ. Osaka National Hospital	global	Allogeneic iPS cells	Clinical research (allogeneic)					

Planning to start the operation of cell processing center in early 2017

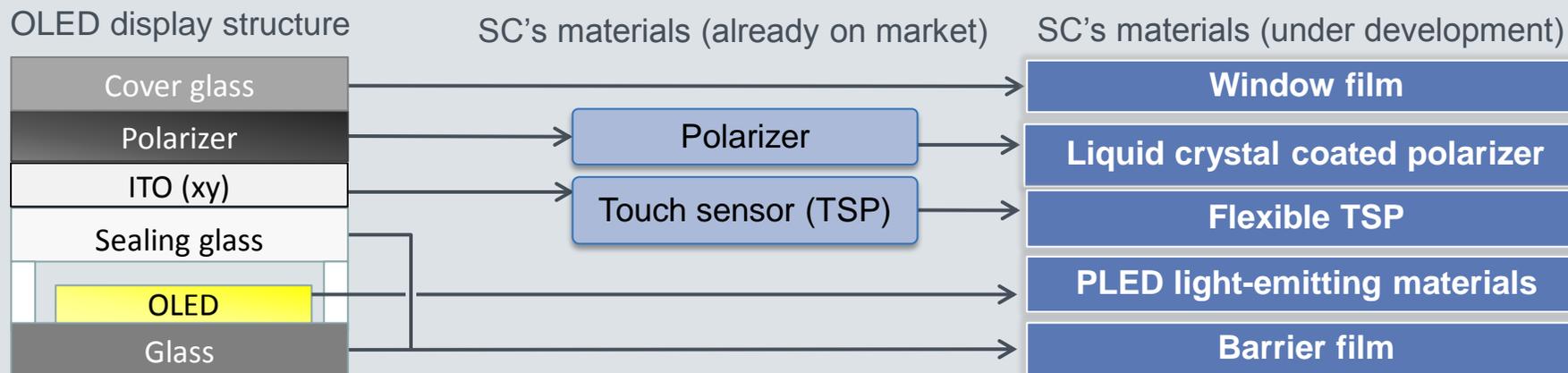
Accelerate The Launch Of Next-Generation Businesses: OLED-Related Materials

Smartphone display market



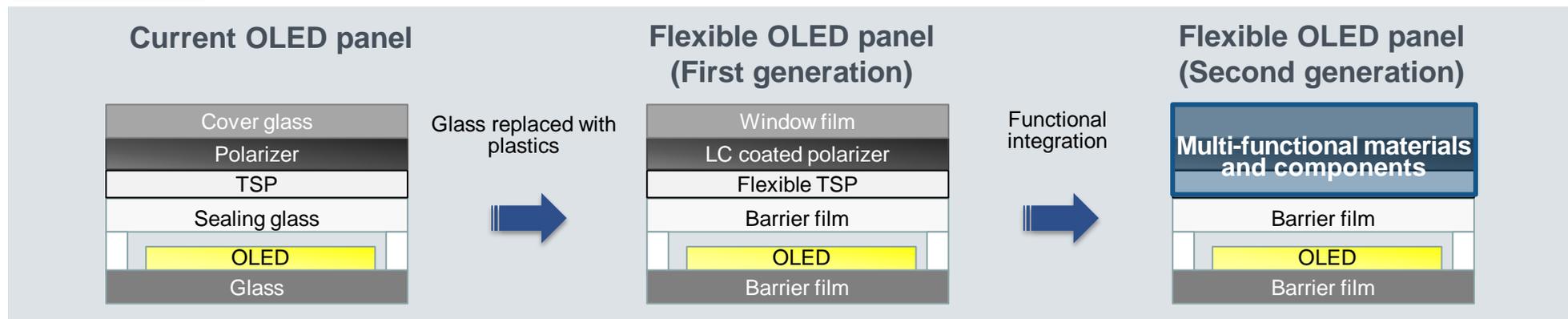
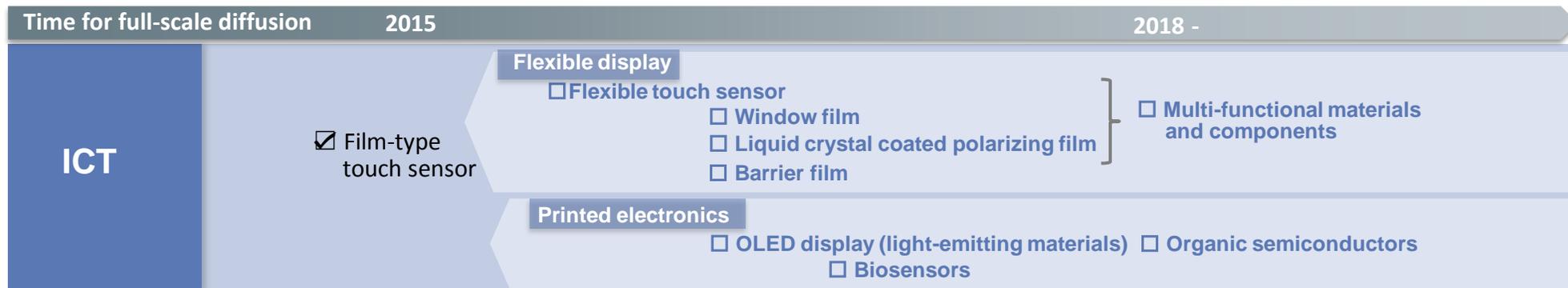
Source: IHS Technology (DisplaySearch)

Sumitomo Chemical's OLED-related materials



Accelerate The Launch Of Next-Generation Businesses: OLED-Related Materials

Roadmap for OLED-related materials development



Sumitomo Chemical's competitive advantages

Material development capability

as a diversified chemical company



**Product development capability
Processing technology**

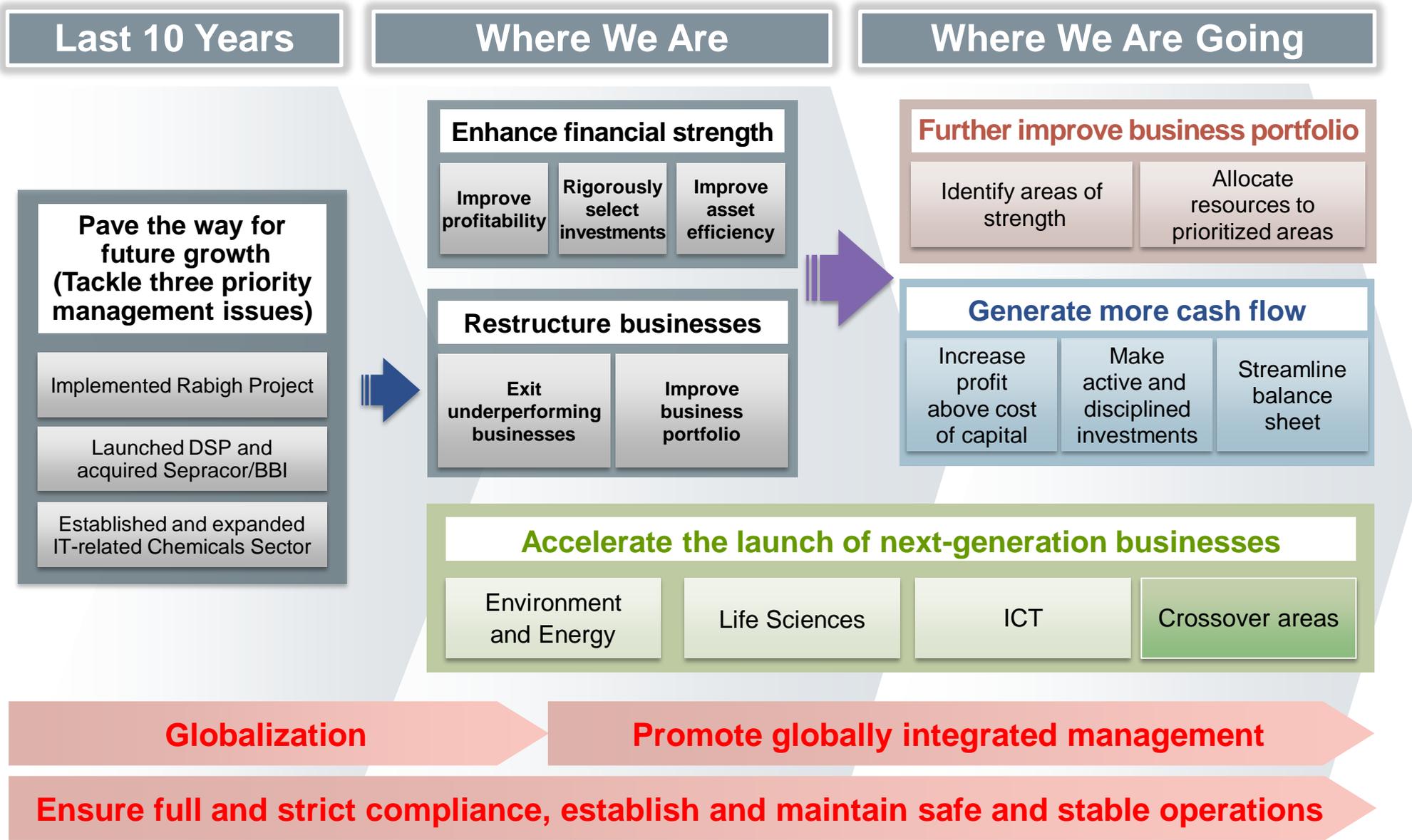
acquired through display materials business

Contribute to evolution and diffusion of OLED technology

New Corporate Business Plan: Corporate Strategy

- **Basic Policy And Performance Targets**
- **Further Improve Business Portfolio**
- **Generate More Cash Flow**
- **Accelerate The Launch Of Next-Generation Businesses**
- **Summary**

New Corporate Business Plan: Basic Policy



New Corporate Business Plan: Resource Allocation

FY2016-FY2018
R&D expenditures

¥ 510.0 billion

FY2016-FY2018
**Capital expenditures,
investments and loans**

¥ 700.0 billion

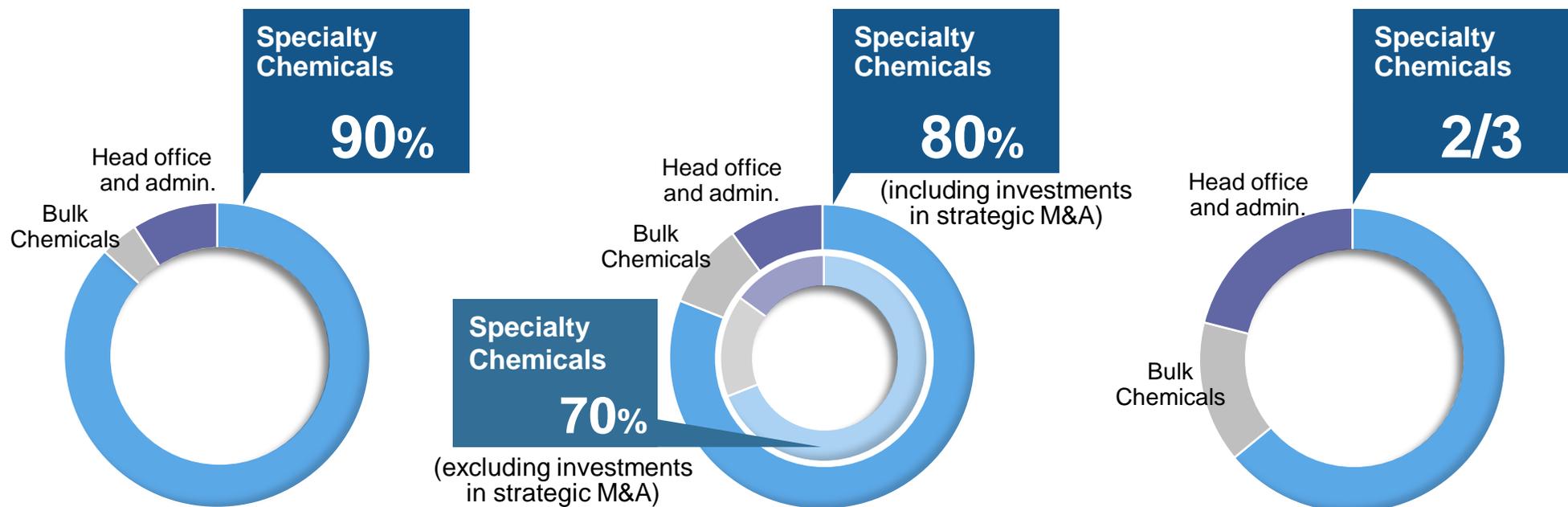
(including investments in strategic M&A)

¥ 400.0 billion

(excluding investments in strategic M&A)

End of FY2018
Employees

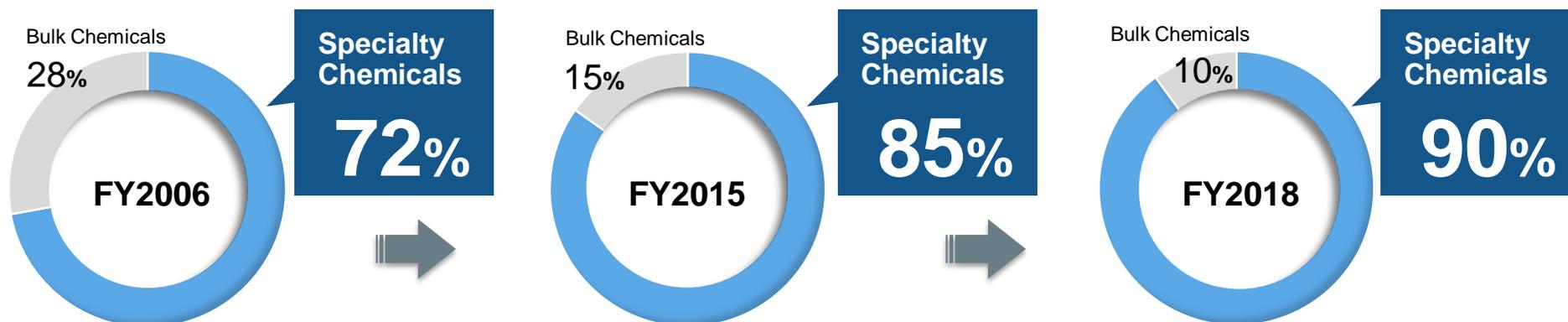
37,400



Allocate resources to the areas where we have technological advantages

Change In Business Portfolio

Change in Operating Income and Its Composition



Further increase in profitability of specialty chemicals business

New Corporate Business Plan: Performance Targets

(Billions of yen)

	FY2015 Forecast	FY2018 Target	Change
Net Sales	2,250.0	2,540.0	+290.0
Operating Income	155.0	200.0	+45.0
(Equity in Earnings of Affiliates)	24.0	29.0	+5.0
Ordinary Income	170.0	210.0	+40.0
Net Income	80.0	110.0	+30.0
Naphtha Price	¥49,100/kl	¥45,000/kl	
Exchange Rate	¥121.0/US\$	¥120.0/US\$	

New Corporate Business Plan: Medium- to Long-Term vs. FY2018 Performance Targets

	Medium- to Long-term Targets Consistently achieve the following targets:	FY2018 Target	(Reference) FY2015 Forecast
ROE	over 10%	12%	10%
ROI	over 7%	7%	5%
D/E Ratio	approx. 0.7 times	0.6-0.7 times* ²	0.7 times
Dividend payout ratio	approx. 30%	–	29%
Profit growth ^{*1}	over 7% per year	11% per year	–

*1 Compounded annual growth rate of net income from the last year of the previous Corporate Business Plan

*2 Including the effects of investments in strategic M&A

Toward Sustained Growth

Toward Sustained Growth

Shareholders

Corporate Governance Code

Dialog and engagement

Stewardship Code

Sumitomo Chemical

Business Philosophy

Commit ourselves to creating new value by building on innovation

Work to contribute to society through our business activities

Develop a vibrant corporate culture and continue to be a company that society can trust

Business Strategy

Further improve business portfolio

Generate more cash flow

Accelerate the launch of next-generation businesses

Promote globally integrated management

Ensure full and strict compliance, establish and maintain safe and stable operations

Medium- to long-term targets

Consistently achieve the following targets:

ROE **over 10%**

ROI **over 7%**

D/E ratio **approx. 0.7 times**

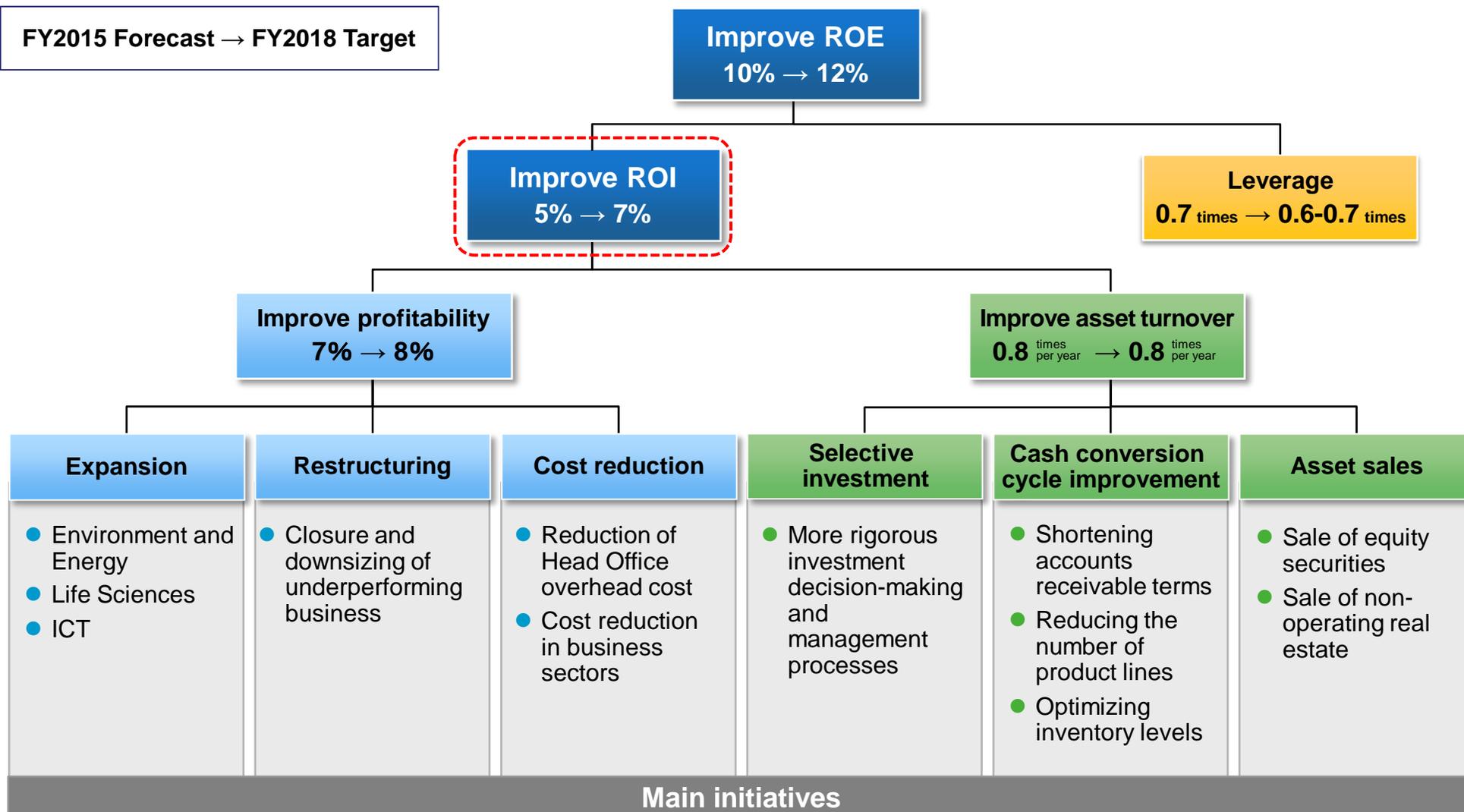
Dividend payout **approx. 30%**

Profit growth **over 7% per year**

Initiatives For Enhancing Enterprise Value

Initiatives for improving ROI and ROE

FY2015 Forecast → FY2018 Target



Strengthening Corporate Governance

Corporate Governance Code

- Comply with all general principles, principles, and supplementary principles

Increase the number of outside directors

- Increased from one to three
- 40 percent of the directors, including corporate auditors, are now outside directors

Established non-mandatory committees

- Set up a nomination committee and a remuneration committee (The majority of the committee members are outside directors.)

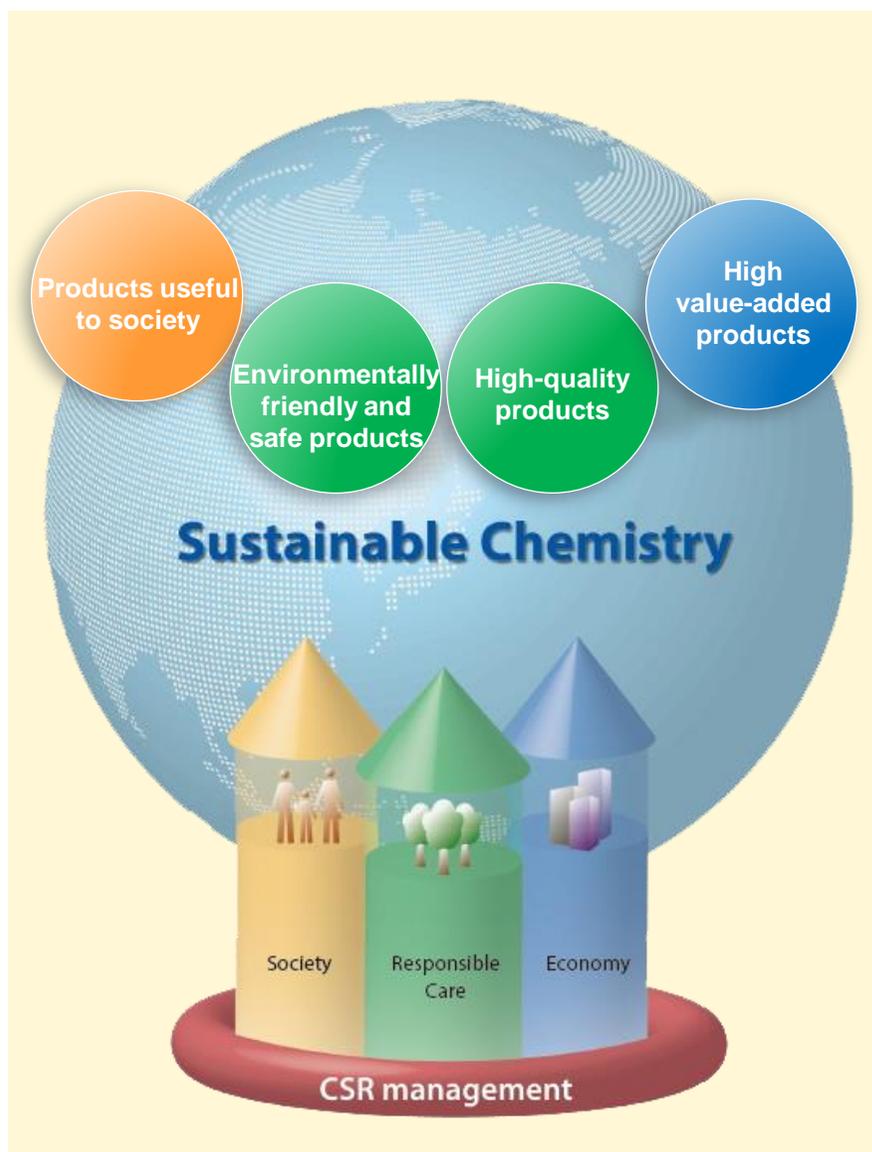
Strengthening the governance system

Strengthened the oversight functions of the Board of Directors

- Strengthened outside directors' monitoring and advisory functions
- Assess effectiveness of the Board through discussions at outside directors meetings and other means

Further enhance the effectiveness of governance by making full use of this reinforced system

Contribute To The Sustainable Development Of Society Through Business Activities



Contribute to the sustainable development of society with the power of chemistry



Participated in the UN Global Compact



Made Eco-First Commitments to the Ministry of the Environment



Signed up to the ICCA Responsible Care Global Charter



Socially responsible investment (SRI) recognitions



Environmentally-Friendly Products And Processes

Clean Products

Diesel particulate filters

Superior in terms of pressure loss and thermal shock resistance



Materials for LED manufacturing

High purity alumina and metal organics



Super engineering plastics

Outstanding heat resistance



S-SBR

Achieving both high fuel efficiency and high wet-gripping performance



Green Processes

UV curing for polarizer lamination

High energy efficiency and low environmental impact



Propylene oxide-only process

No byproduct and high energy- and resource-efficiency



Vapor-phase caprolactam production process

No ammonium sulphate byproduct, low raw material consumption and compact production process

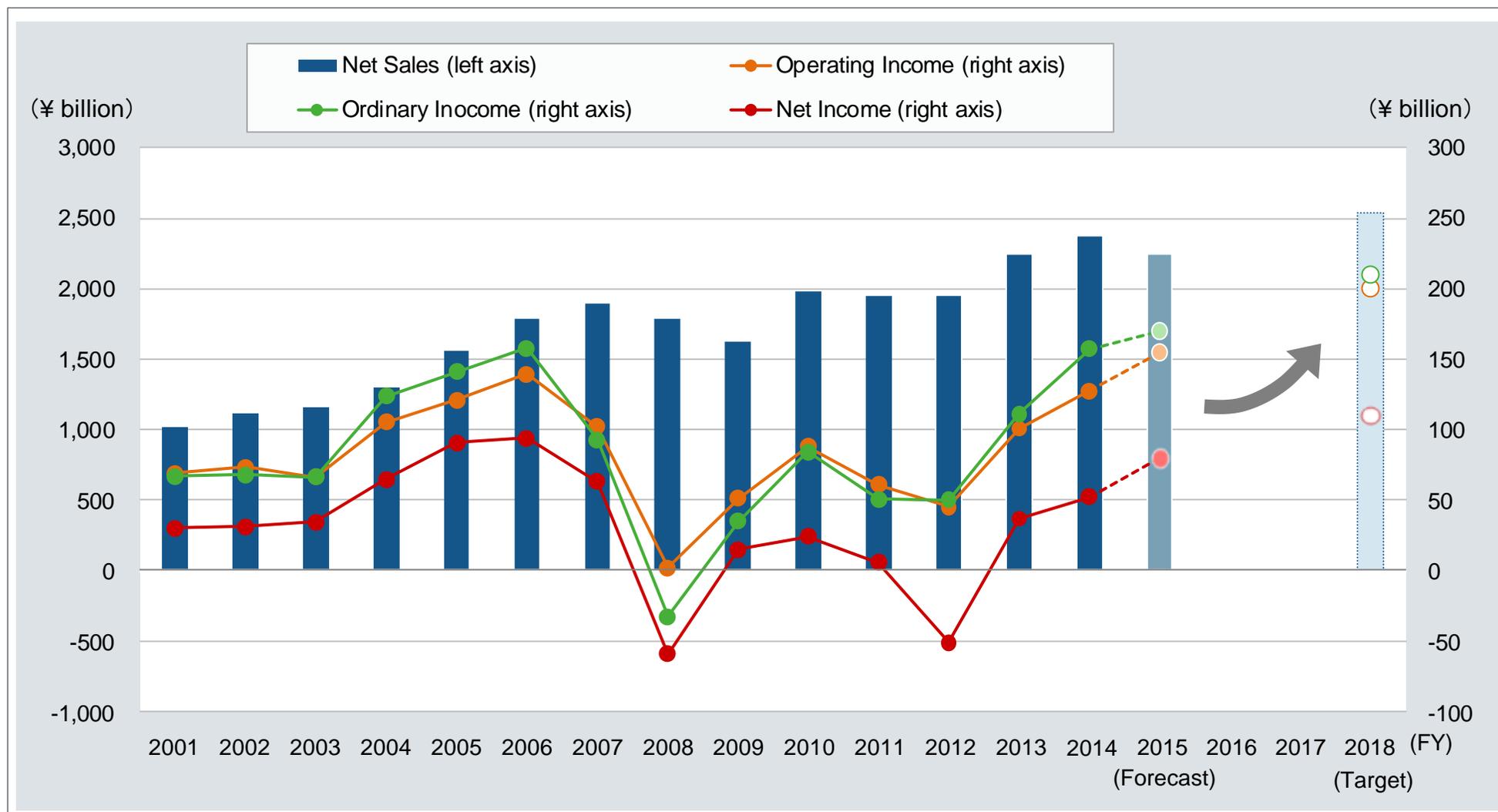


Hydrochloric acid oxidation process

Energy saving by recycling hydrochloric acid byproduct

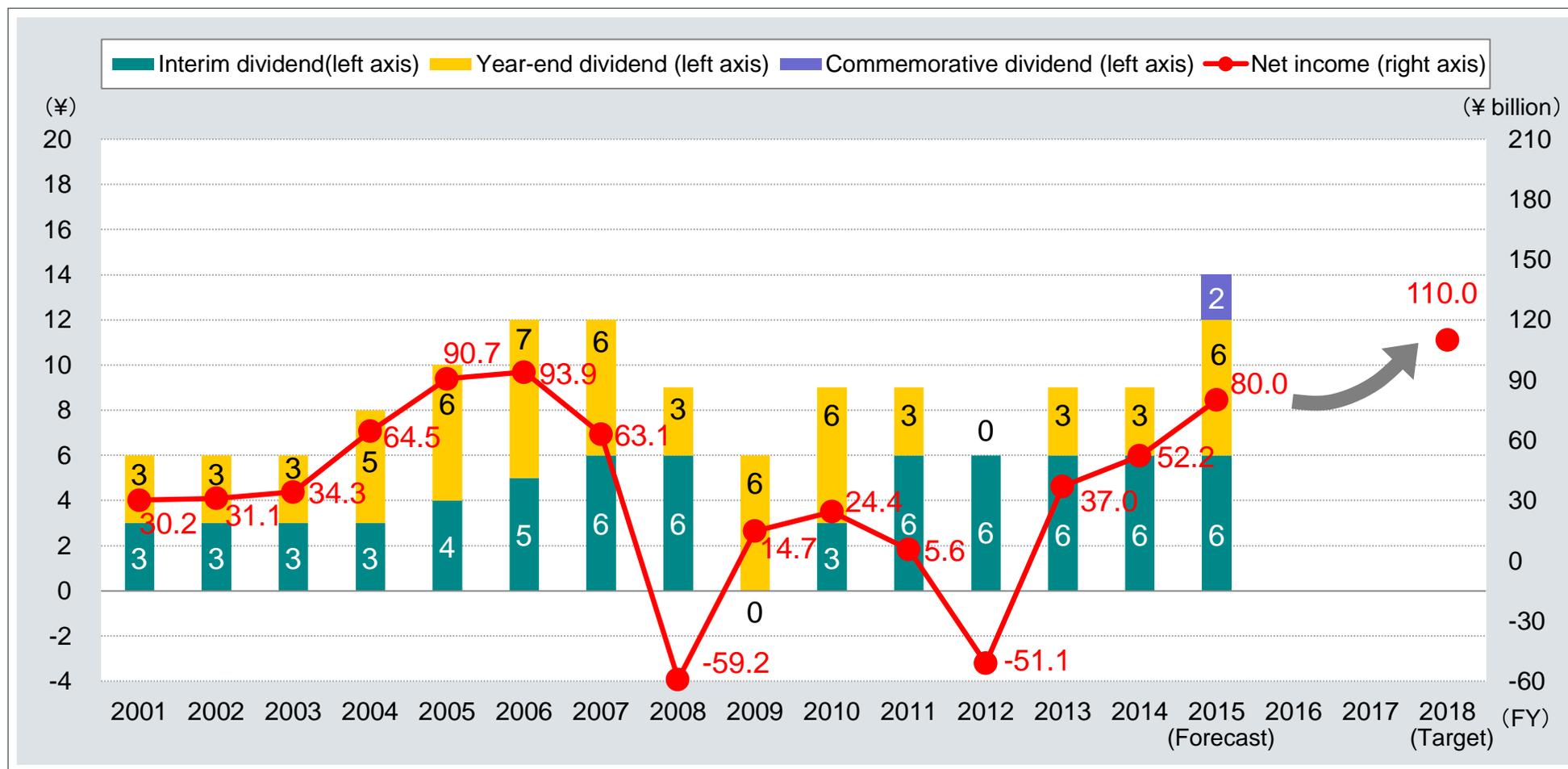


Business Performance Trends



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.



(Appendix)

New Corporate Business Plan: Business Strategy By Sector

Business Strategy—Petrochemicals & Plastics Sector

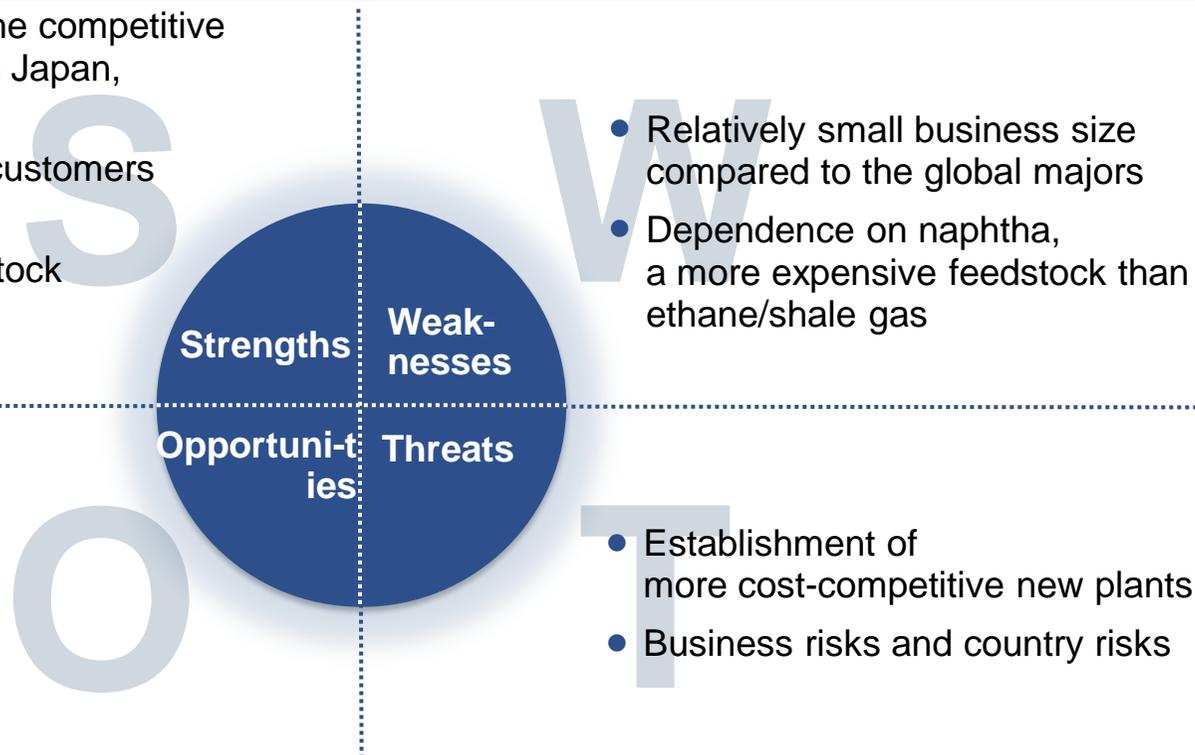
Long-term goal

Provide customers with new solutions based on high value-added products

Status of the major businesses

- Global operation by leveraging the competitive advantages of the three bases in Japan, Singapore and Saudi Arabia
- Strong relations with prominent customers in the Asian market
- Access to low-cost ethane feedstock
- Capabilities to develop high value-added products

- Large and deep markets
- Steady growth in demand



Business Strategy—Petrochemicals & Plastics Sector

Action plan

- Further increase the efficiency of the plants in Japan
- Enhance the supply of high value-added products from the Singapore complex
- Maintain stable operation at PetroRabigh and promptly start up the Rabigh Phase II Project

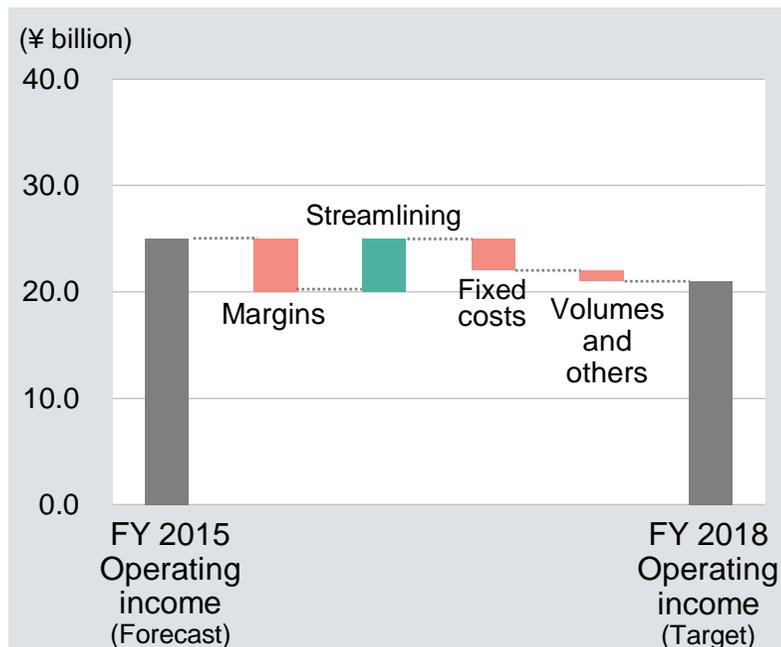
Major issues

- Assess the competitiveness of vapor-phase process caprolactam plant
- Develop drastic profit improvement measures for the MMA business, including review of raw materials

FY2018 Target

Net sales	¥800.0 billion
Operating income	¥21.0 billion

Operating income variance analysis (FY2015 v/s FY2018)



Business Strategy—Energy & Functional Materials Sector

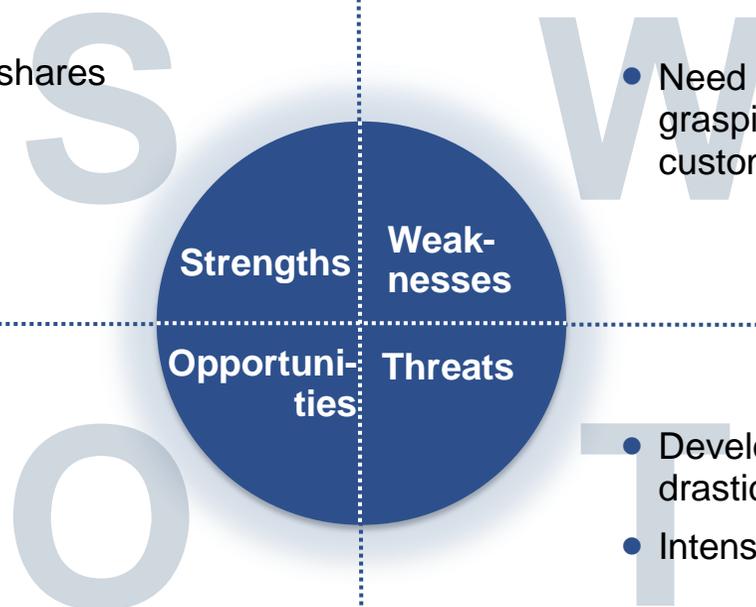
Long-term goal

Contribute to solving environmental and energy issues on a global scale, with the customer-oriented mindset and commitment to “offering materials that are sought after”

Status of the major businesses

- Products with top global market shares
- Differentiated products with technological advantage

- Expansion of the environment- and energy-related markets



- Need to enhance the capability of grasping fast-changing market and customer needs

- Developing and drastically changing markets
- Intense competition

Business Strategy—Energy & Functional Materials Sector

Action plan

- Promptly make the major investment projects profitable
- Shift to high value-added products
- Accelerate the launch of new products and promptly make them profitable

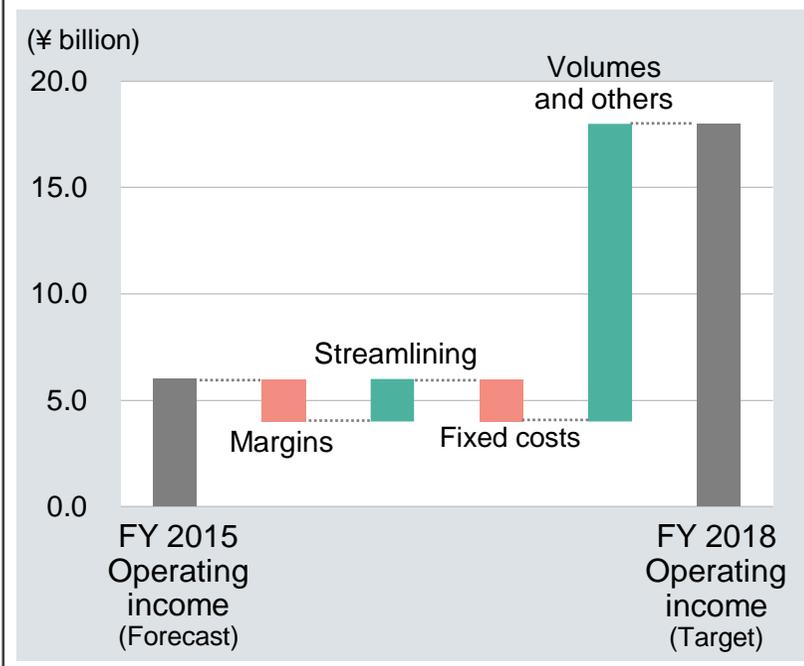
Major issues

- Develop new businesses in the environment, energy, high-functional material areas

FY2018 Target

Net sales	¥260.0 billion
Operating income	¥18.0 billion

Operating income variance analysis (FY2015 v/s FY2018)



* After reorganization of the business sectors

Business Strategy—IT-related Chemicals Sector

Long-term goal

Deliver new value that responds to the changes in the ICT industry by leveraging our material development capabilities in collaborative development with customers

Status of the major businesses

- Offering a wide range of display materials
- Established market needs-driven supply chains
- Material development capabilities as a diversified chemical company

- Heavy reliance on some specific customers/products
- High exchange rate sensitivity

- Fast-growing organic LED displays market
- Emergence of the flexible display market

- Intensifying competition in the maturing LCD market



Business Strategy—IT-related Chemicals Sector

Action plan

- Secure sustainability of the polarizer business
- Expand the touch sensor business
- Expand the semiconductor materials business

Major issues

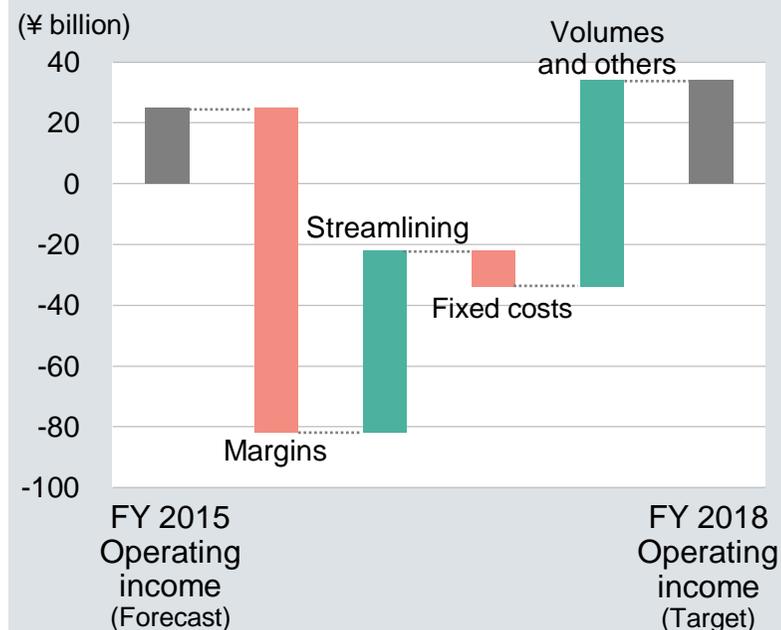
- Develop a new core business in addition to the polarizer and touch sensor businesses

FY2018 Target

Net sales **¥490.0 billion**

Operating income **¥34.0 billion**

Operating income variance analysis (FY2015 v/s FY2018)



* After reorganization of the business sectors

Business Strategy—Health & Crop Sciences Sector

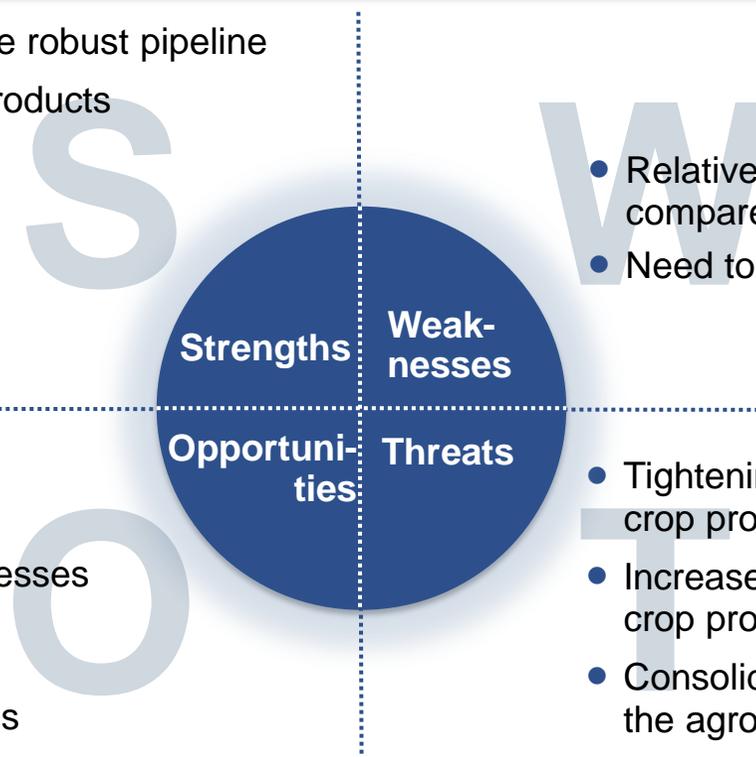
Long-term goal

Contribute to solving global issues related to food, health, hygiene and the environment by leveraging our excellent research and development capabilities

Status of the major businesses

- Excellent R&D capabilities and the robust pipeline
- Differentiated technologies and products in niche areas
- Products with high market share
- Alliances with major overseas agrochemical companies
- Offering total solutions

- Increasing food demand due to the growing global population
- Growing agriculture-related businesses
- Opportunities in peripheral and downstream businesses of the household insecticide business



- Relatively small business size compared to the competing majors
- Need to establish global sales channels

- Tightening of the regulations on crop protection chemicals
- Increased competition with off-patent crop protection chemicals
- Consolidation in the agrochemical industry

Business Strategy—Health & Crop Sciences Sector

Action plan

- Strengthen alliances in crop protection chemicals business
- Expand new businesses such as biorationals
- Develop the rice business
- Expand methionine sales
- Accelerate the global expansion of the public hygiene chemicals business

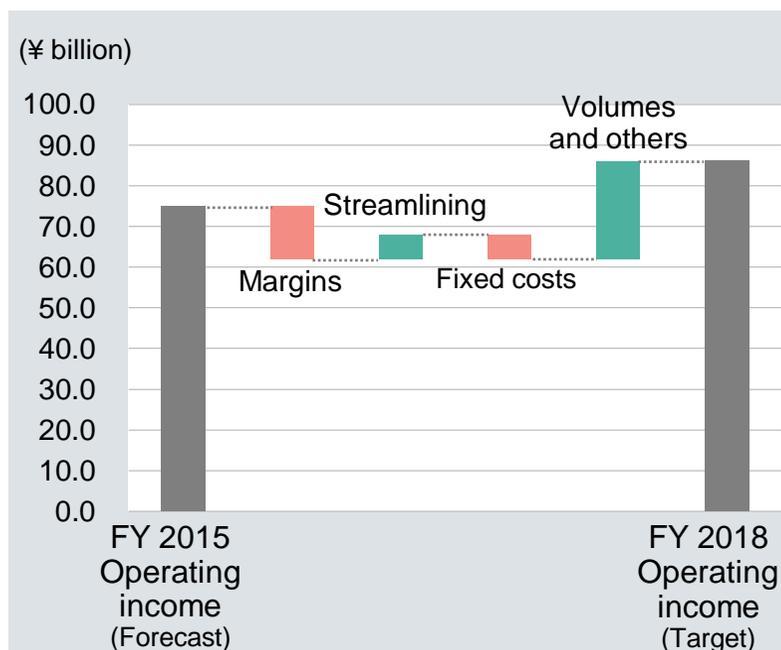
Major issues

- Establish a global footprint in the crop protection chemicals business
- Expand methionine production capacity

FY2018 Target

Net sales	¥440.0 billion
Operating income	¥86.0 billion

Operating income variance analysis (FY2015 v/s FY2018)



Business Strategy—Pharmaceuticals Sector

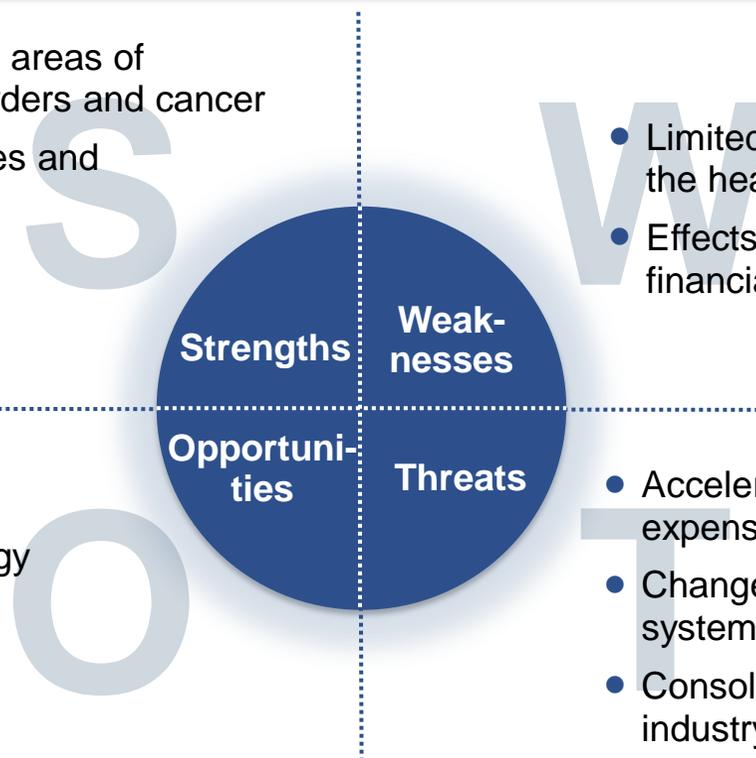
Long-term goal

Contribute to the improvement of people's quality of life through R&D-oriented innovative drug development

Status of the major businesses

- Drug development platform in the areas of psychiatric and neurological disorders and cancer
- New drug development capabilities and sales network in the U.S.
- The pipeline of regenerative and cellular medicine and new drugs to meet unmet medical needs

- Innovation in healthcare technology
- Increasing health awareness



- Limited capabilities to bear the heavy burden of R&D costs
- Effects of the patent cliff on financial performance

- Accelerated implementation of medical expense control measures in Japan
- Changes in the health insurance systems overseas
- Consolidation in the pharmaceutical industry

Business Strategy—Pharmaceuticals Sector

Action plan

- Concentrate resources on the fields where there are high unmet medical needs
- Take measures against generics and strengthen the earnings power in Japan
- Accelerate the development of regenerative and cellular medicine
- Expand the diagnostic radiopharmaceuticals business and enhance its profitability

Major issues

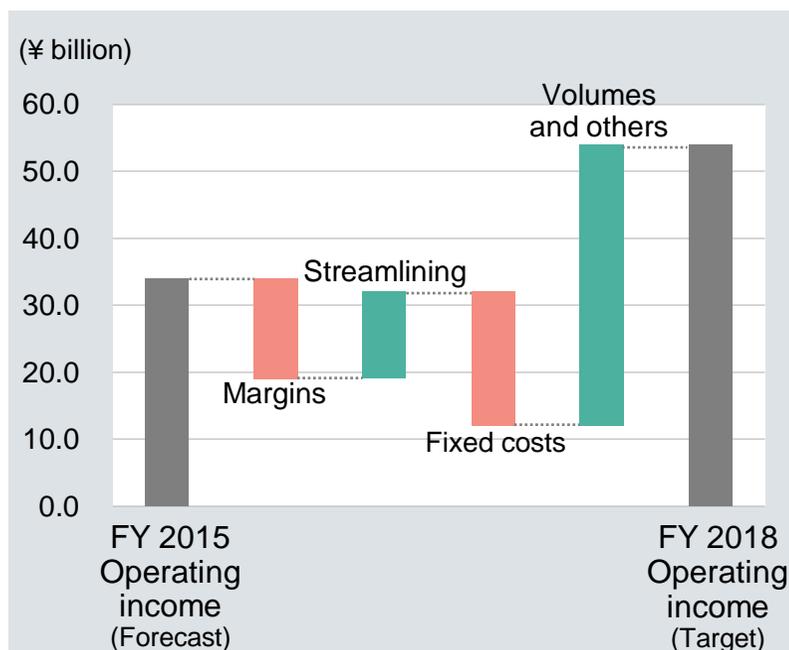
- Measures to maintain earnings after the expiration of LATUDA patents

FY2018 Target

Net sales **¥490.0 billion**

Operating income **¥54.0 billion**

Operating income variance analysis (FY2015 v/s FY2018)



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.