Change and Innovation

Current Priority Management Issues and Business Strategy

May 26, 2015





SUMITOMO CHEMICAL

Masakazu Tokura
President

100th ANNIVERSARY SINCE 1915

Contents

Overview of FY2014 Performance and FY2015 Outlook

FY2014 Results

(Billions of yen)

	FY2013	FY2014	Change
Net Sales	2,243.8	2,376.7	+132.9
Operating Income	100.8	127.3	+26.5
(Equity in Earnings of Affiliates)	12.0	23.9	+11.9
Ordinary Income	111.1	157.4	+46.3
Net Income	37.0	52.2	+15.2
ROE	6.5%	7.3%	
Naphtha Price	¥67,300/kl	¥63,500/kl	
Exchange Rate	¥100.17/$	¥109.76/$	

FY2014 Results: Operating Income by Sector

(Billions of yen)

	FY2013	FY2014	Change
Specialty Chemicals	120.2	118.3	-1.8
IT-related Chemicals	34.9	32.4	-2.5
Health & Crop Sciences	38.2	56.9	+18.7
Pharmaceuticals	47.1	29.0	-18.1
Bulk Chemicals	-5.9	20.8	+26.7
Basic Chemicals	-10.9	-0.4	+10.5
Petrochemicals & Plastics	4.9	21.2	+16.3
Others	-13.4	-11.8	+1.6
Total	100.8	127.3	+26.5

Outlook for FY2015

(Billions of yen)

	FY2014	FY2015 (Forecast)	Change
Net Sales	2,376.7	2,250.0	-126.7
Operating Income	127.3	145.0	+17.7
(Equity in Earnings of Affiliates)	23.9	24.0	+0.1
Ordinary Income	157.4	160.0	+2.6
Net Income	52.2	80.0	+27.8
ROE	7.3%	10.0%	
Naphtha Price	¥63,500/kl	¥47,000/kl	
Exchange Rate	¥109.76/$	¥115.00/$	

Outlook for FY2015: Operating Income by Sector

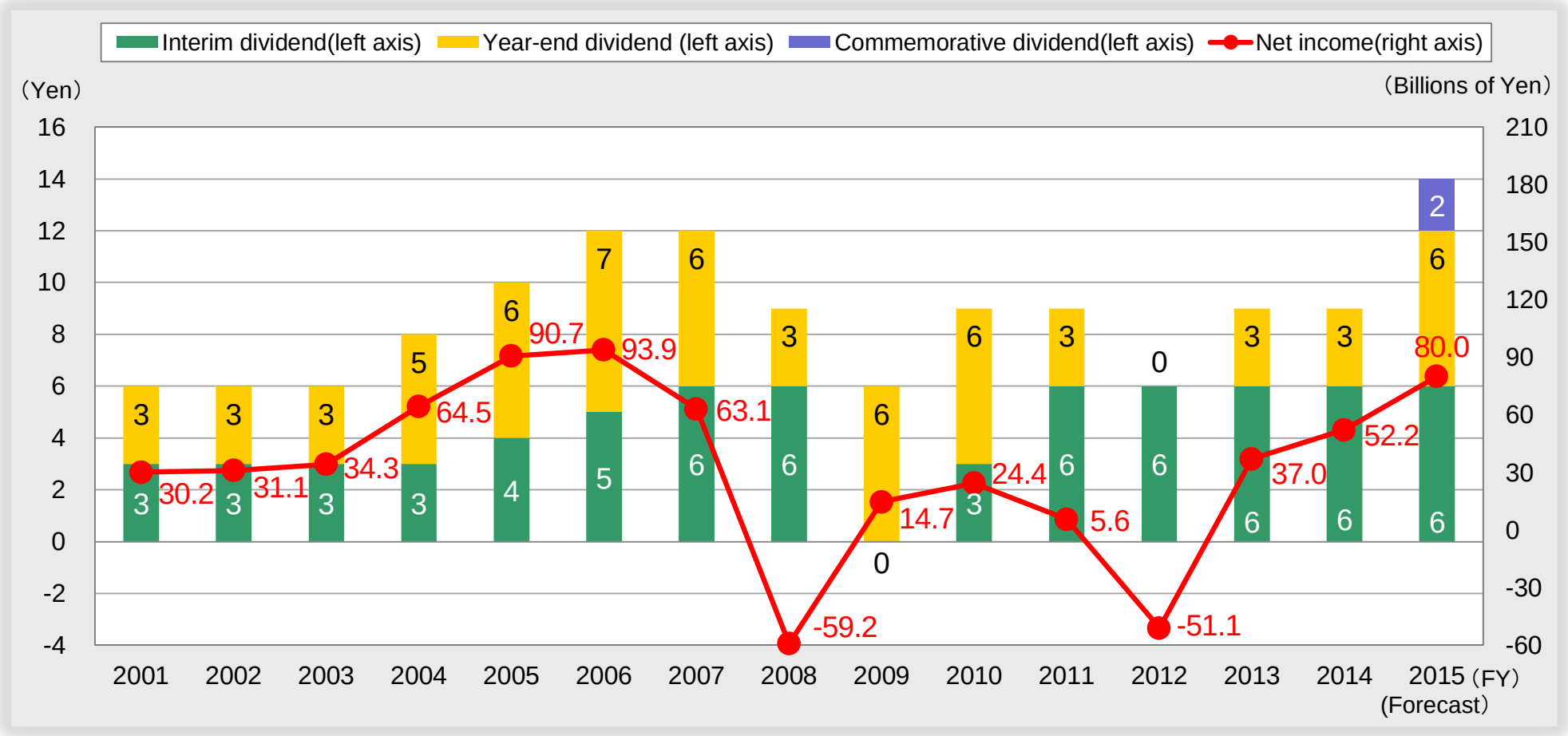
(Billions of yen)

	FY2014	FY2015 (Forecast)	Change
Specialty Chemicals	118.3	140.0	+21.7
Energy & Functional Materials	0.8	4.0	+3.2
IT-related Chemicals	32.4	41.0	+8.6
Health & Crop Sciences	56.1	63.0	+6.9
Pharmaceuticals	29.0	32.0	+3.0
Bulk Chemicals	20.8	17.0	-3.8
Petrochemicals & Plastics	20.8	17.0	-3.8
Others	-11.8	-12.0	-0.2
Total	127.3	145.0	+17.7

* After reorganization of the business sectors

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.

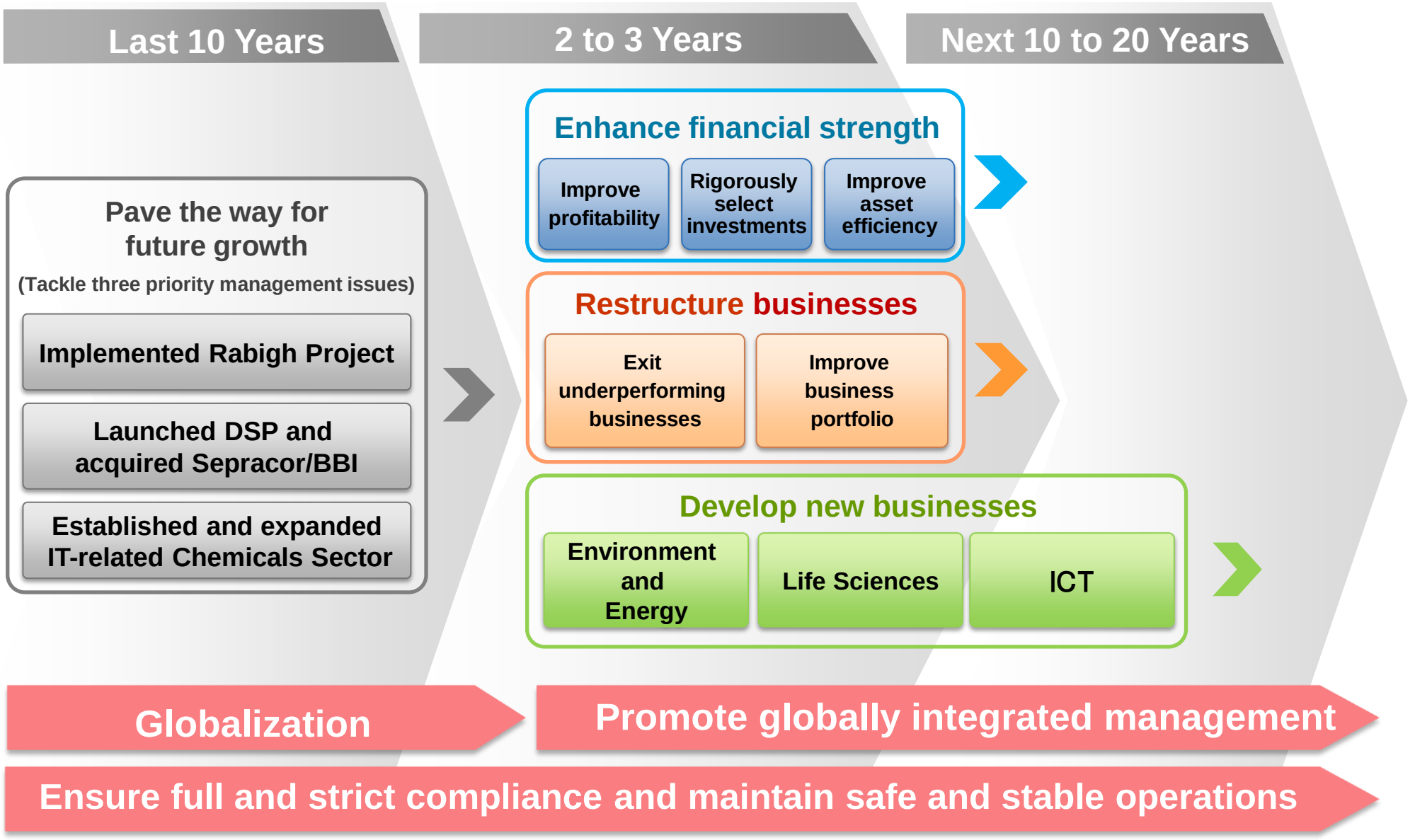


Overview of Corporate Business Plan FY2013 to FY2015

Priority Management Issues and Business Strategy Since the Beginning of the Century

Priority Issues	Radically improve competitiveness of petrochemicals business	Gain critical mass in pharmaceuticals business to achieve strong growth	Develop new businesses with potential to become core businesses
Major Projects	**Implementation of Rabigh Project** (includes ¥100.0 bn investment in phase 2) **Approx. ¥266.0 bn** (equity investment and lending)	**Launch of Dainippon Sumitomo Pharma & Acquisition of Sepracor (Sunovion) in US** **Approx. ¥249.0 bn** (increased shareholding and acquisition)	**Establishment and expansion of IT-related Chemicals Sector** **Approx. ¥440.0 bn** (cumulative capital expenditures in 12 years since inception)
Results: Sales Increase FY2000 vs. FY2012	Petrochemicals & Plastics Sector (¥**375.5** bn ⇒ ¥**693.9** bn) Approx. **1.7** times	Pharmaceuticals Sector (¥**156.7** bn ⇒ ¥**378.6** bn) Approx. **2.3** times	IT-related Chemicals Sector (¥**60.2** bn ⇒ ¥**300.0** bn) Approx. **5.0** times

Where We Have Been Heading



Progress on Business Restructuring: IT-related Chemicals and Health & Crop Sciences

IT-related Chemicals Sector

- Expanded small and medium-sized polarizing film production capacity
- Started mass production of next-generation polarizing films
- Promoted a new polarizing film replacing a protection film

- **Increased on-cell touchscreen panel production capacity**
- Launched film touch sensors (UBT)

- **Expanded production capacity for aramid coated Li-ion secondary battery separators**

Health & Crop Sciences Sector

- Enhanced synergies from the alliance with Nufarm
- Extended the period of the collaboration with Monsanto and expanded the collaboration into Brazil and Argentina
- Expanded Flumioxazin herbicide production capacity

- Expanded seed treatment business
- Expanded post-harvest business
- **Began operation of a new biorational plant**

- **Acquired a rice seed business to enter "total solution provider" business for rice farming**

- Accelerated the development of new active ingredients for crop protection products

Progress on Business Restructuring: Pharmaceuticals and Bulk Chemicals

Pharmaceuticals Sectors

- Additional indication approved in the U.S. for use of atypical antipsychotic LATUDA in treating bipolar I depression
- **Increased LATUDA sales in the U.S.**

- APTIOM launched in the U.S. as a treatment for epilepsy

- **Made progress on the development of BBI608 and BBI503, anticancer drugs targeting cancer stem cells**
- Made progress on the development of regenerative medicine and cell therapy

- Restructured North American operations

Bulk Chemicals Sectors

- **Decided to close down liquid-phase process caprolactam plant**
- Closed down P-MMA plant in Japan
- **Closed down ethylene plant at Chiba**
- Closed down PO/SM plant

- Amended the terms of transactions between Petro Rabigh and its founding shareholders
- Maintain high-rate, stable operation of Rabigh Phase I Project facilities
- **Project finance agreement signed for Rabigh Phase II Project; facilities to come on stream in stages**

- Accepted orders for diesel particulate filters (DPFs)
- Expanded production capacity for high-purity alumina and increased sales
- Expanded S-SBR production capacity

Outlook for FY2015

(Billions of yen)

	FY2015 (Target)	FY2015 (Forecast)	Change
Net Sales	2,400.0	2,250.0	-150.0
Operating Income	140.0	145.0	+5.0
(Equity in Earnings of Affiliates)	25.0	24.0	-1.0
Ordinary Income	150.0	160.0	+10.0
Net Income	90.0	80.0	-10.0

Naphtha Price	¥60,000/kl	¥47,000/kl
Exchange Rate	¥80.00/$	¥115.00/$

Outlook for FY2015: Operating Income by Sector

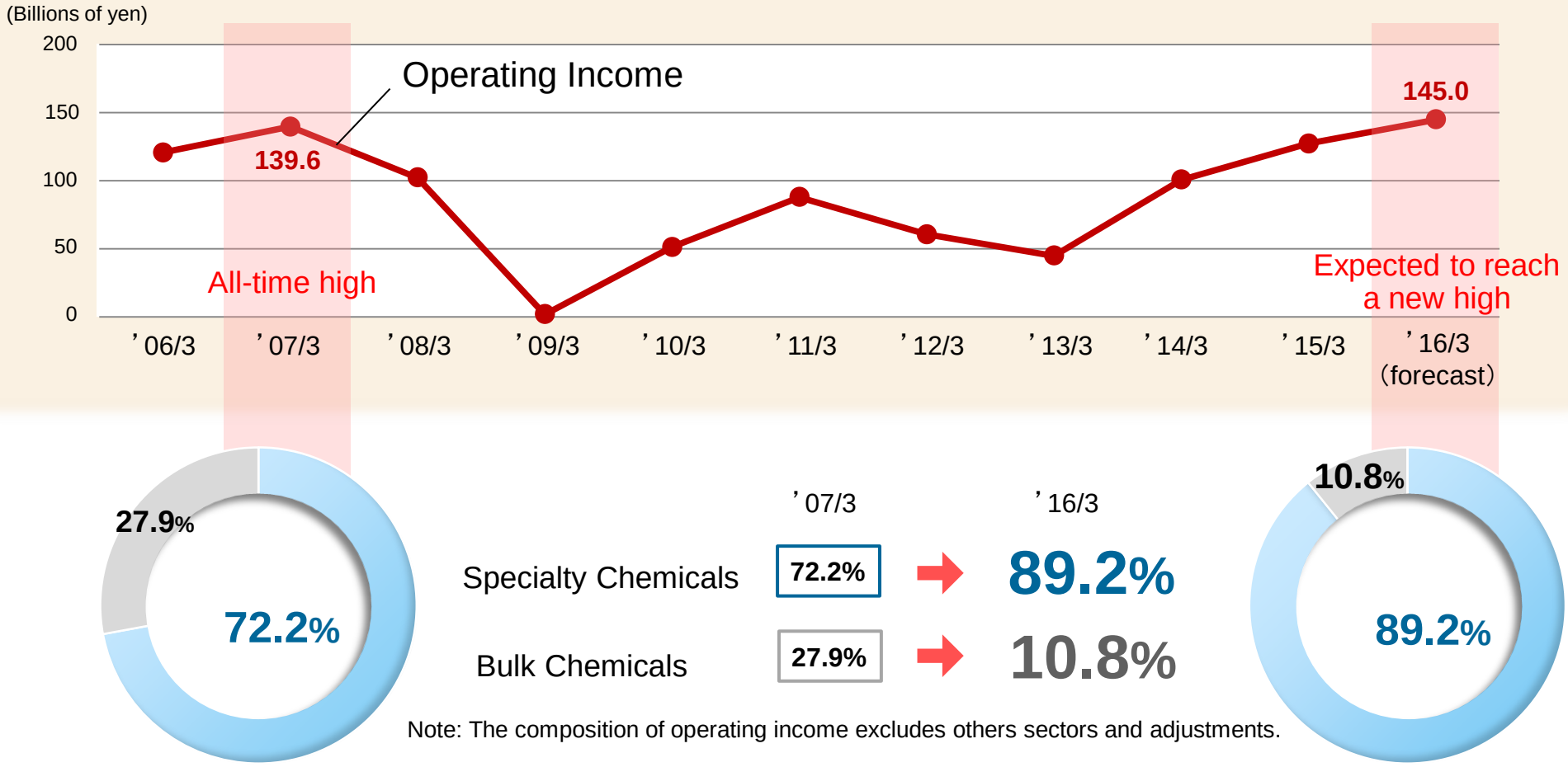
(Billions of yen)

	FY2015 (Target)	FY2015 (Forecast)	Change
Specialty Chemicals	129.0	140.0	+11.0
Energy & Functional Materials	15.0	4.0	-11.0
IT-related Chemicals	34.0	41.0	+7.0
Health & Crop Sciences	45.0	63.0	+18.0
Pharmaceuticals	35.0	32.0	-3.0
Bulk Chemicals	24.0	17.0	-7.0
Petrochemicals & Plastics	24.0	17.0	-7.0
Others	-13.0	-12.0	+1.0
Total	140.0	145.0	+5.0

* After reorganization of the business sectors

Change in Business Portfolio

Change in operating income and its composition



Note: The composition of operating income excludes others sectors and adjustments.

Major increase in profitability of specialty chemicals

Current Status of Sumitomo Chemical

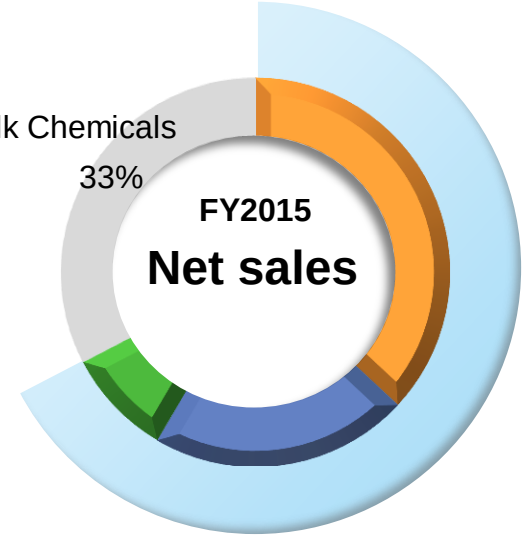
Bulk Chemicals
29%

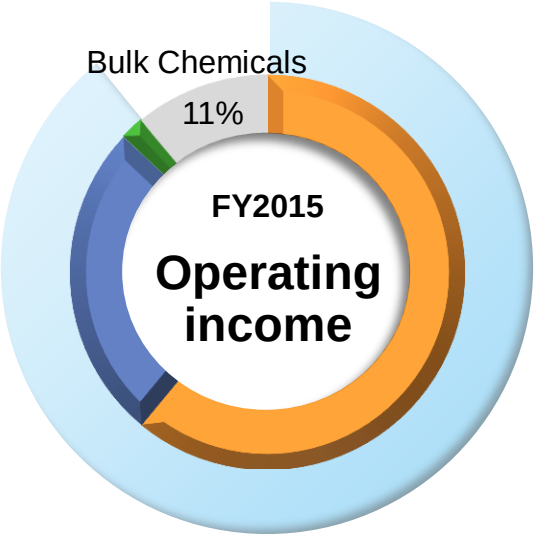
Specialty Chemicals
71%

Environment and energy

Life sciences

ICT





FY2015
Invested capital

Enhance Financial Strength

Cash Flow Projections

(Billions of yen)

	FY2010-FY2012	FY2013-FY2015 (Target)	FY2013-FY2015 (Forecast)	FY2015 (Forecast)
Cash flows from operating activities	472.3	Around 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

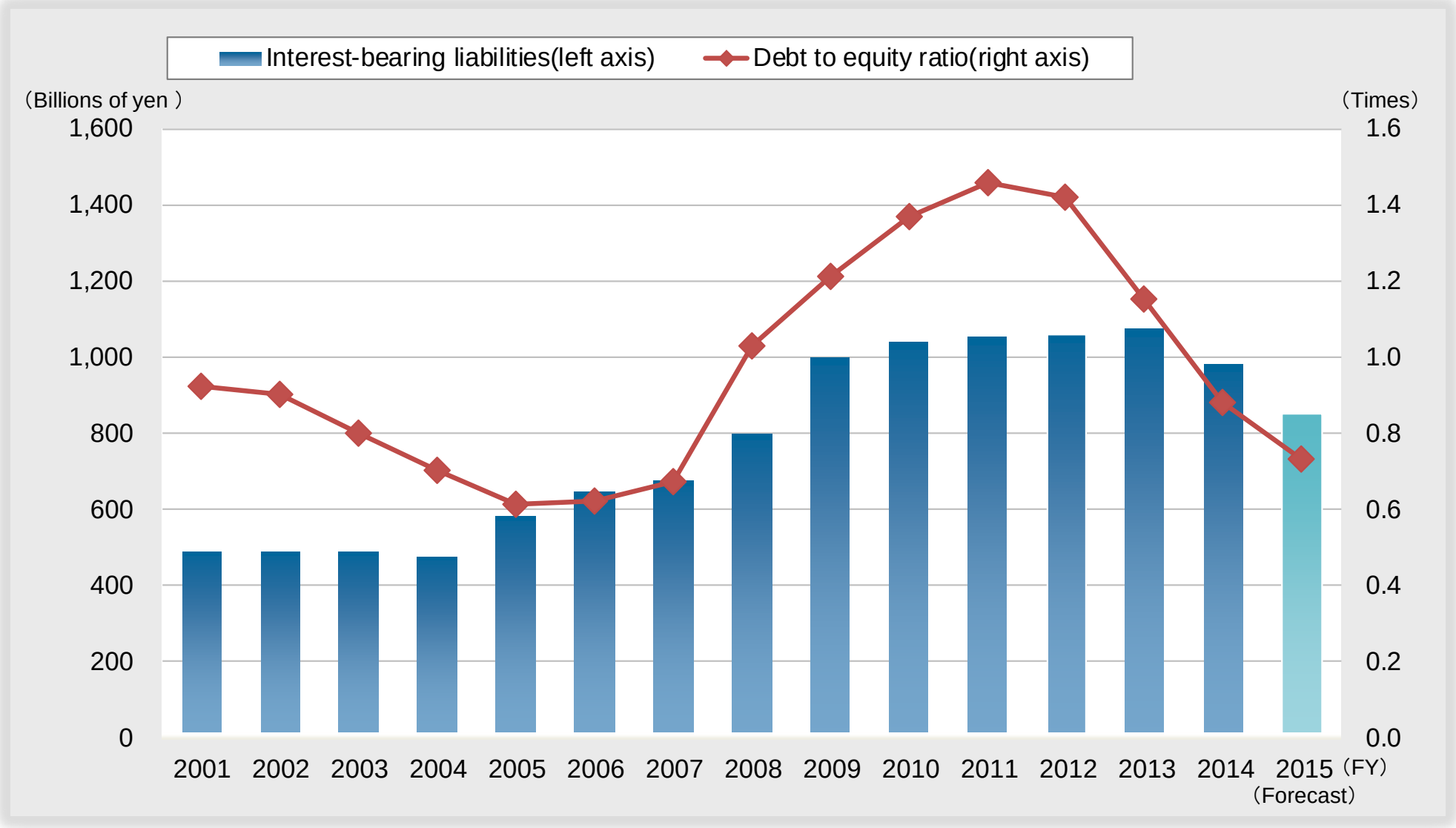
(Note) *1: Including investment of 100 billion yen in Rabigh Phase II Project
*2: Including decreases in cash and cash equivalents

(Billions of yen)

	End of FY2012	End of FY2015 (Target)	End of FY2015 (Forecast)	End of FY 2014
Interest-bearing liabilities	1,060.6	Below 900.0 *1	850.0	980.2

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

Interest-Bearing Liabilities and D/E Ratio



Progress on Major Projects

- **IT-related Chemicals: Commercialization of Flexible Display Materials and Components**
- **Health & Crop Sciences: Expansion of Business Area**
- **Pharmaceuticals: Development of Regenerative Medicine**
- **Petrochemicals & Plastics: Expansion of Petro Rabigh**
- **Business Expansion in Niche Areas**

IT-related Chemicals: Commercialization of Flexible Display Materials and Components

Flexible display panel project

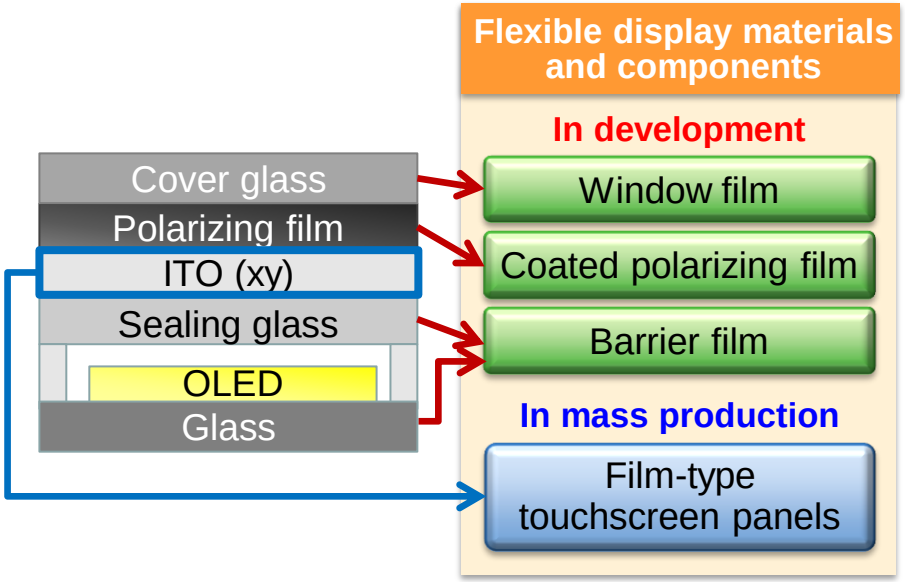
Materials development capabilities
as a diversified chemical company,
including organic-inorganic hybrid technology

+

Product development capabilities and processing technologies developed in display materials business

Contributing to the development of next-generation displays

Structure of conventional organic EL display (example)

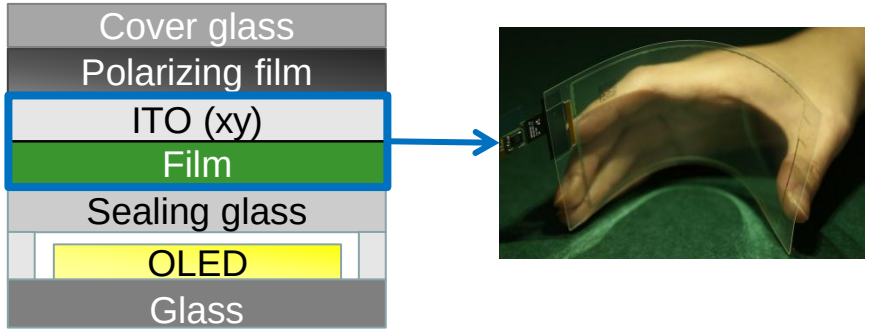


Film-type touchscreen panels

- Launched in February 2015 and now in mass production
- Enables production of curved-surface organic EL displays

First step toward realizing flexible displays

Structure of organic EL display using Film-type touch screen panel



Health & Crop Sciences: Expansion of Business Area

Expansion of business area

Seeds	Seed treatment	Cultivation/ pest control/ fertilizer application	Post-harvest
Seeds • Sunflower • Rapeseed • Sorghum • Rice	**Crop protection chemicals** • Insecticides and fungicides **Product formulation and application technologies** • Insecticides for seed treatment • Plant growth regulators for seed treatment • Seed treatment technology	**Crop protection chemicals** • Insecticides, fungicides, and herbicides **Biorational** • Microbial pesticides • Plant growth regulators **Fertilizers** • Coating fertilizers **Product formulation technology** • Microcapsule	**Products** • Fungicides • Freshness preservers • Coating agents • Plant growth regulators **Services** • Post-harvest treatment • Pre-shipment treatment • Residue analysis

Target business areas for expansion

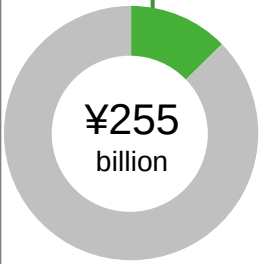
Expansion of target business areas

Year 2020

¥80 billion

Current

Sales of target business areas **¥37 billion**

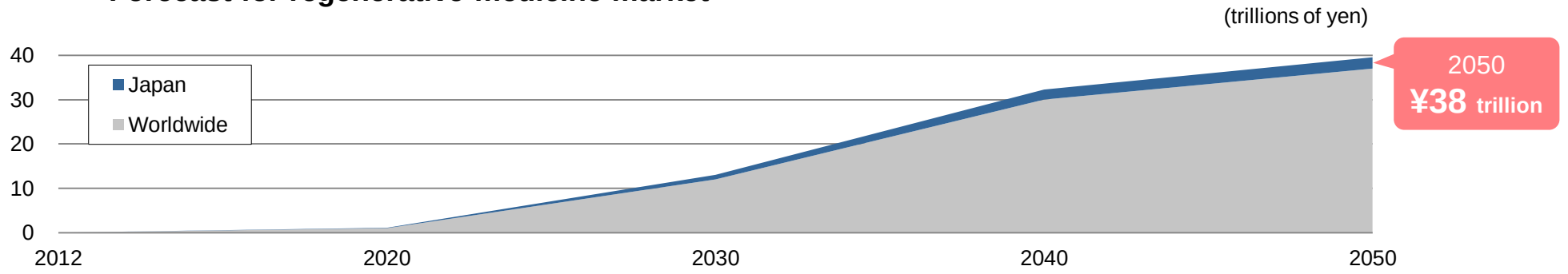


Total sales of crop protection chemicals business

Rice	¥0 billion	¥10 billion
Seed treatment	¥5 billion	¥10 billion
Biorational	¥25 billion	¥45 billion
Post-harvest	¥7 billion	¥15 billion

Pharmaceuticals: Development of Regenerative Medicine

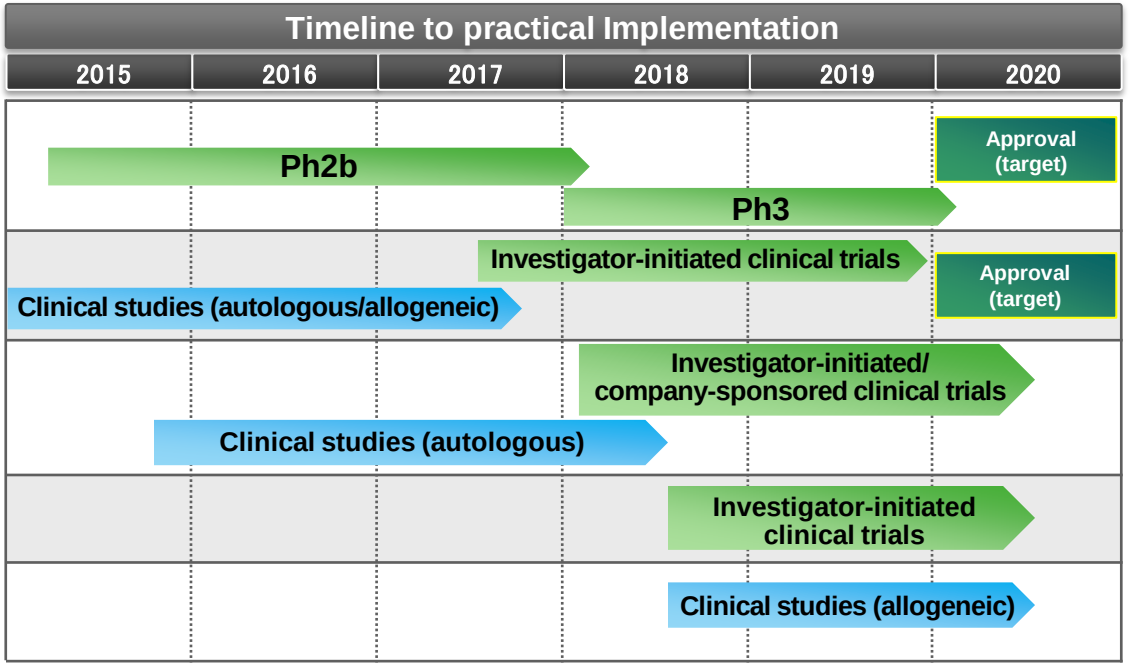
Forecast for regenerative medicine market



Source: Ministry of Economy, Trade and Industry (FY2012; forecast by Seed Planning)

Development of regenerative medicine and cell therapy

	Partner	Region	Cell line
Chronic-stage cerebral infarction	SanBio	North America	Allogeneic mesenchymal stem cells
Age-related macular degeneration	Healios RIKEN	Japan	Allogeneic iPS cells
Parkinson's disease	Center for iPS Cell Research and Application (CiRA), Kyoto University	Global	Allogeneic iPS cells
Retinitis pigmentosa	RIKEN	Global	Allogeneic iPS cells
Spinal cord injury	Keio University Osaka National Hospital	Global	Allogeneic iPS cells



Petrochemicals & Plastics: Expansion of Petro Rabigh

1. Rabigh Phase II Project

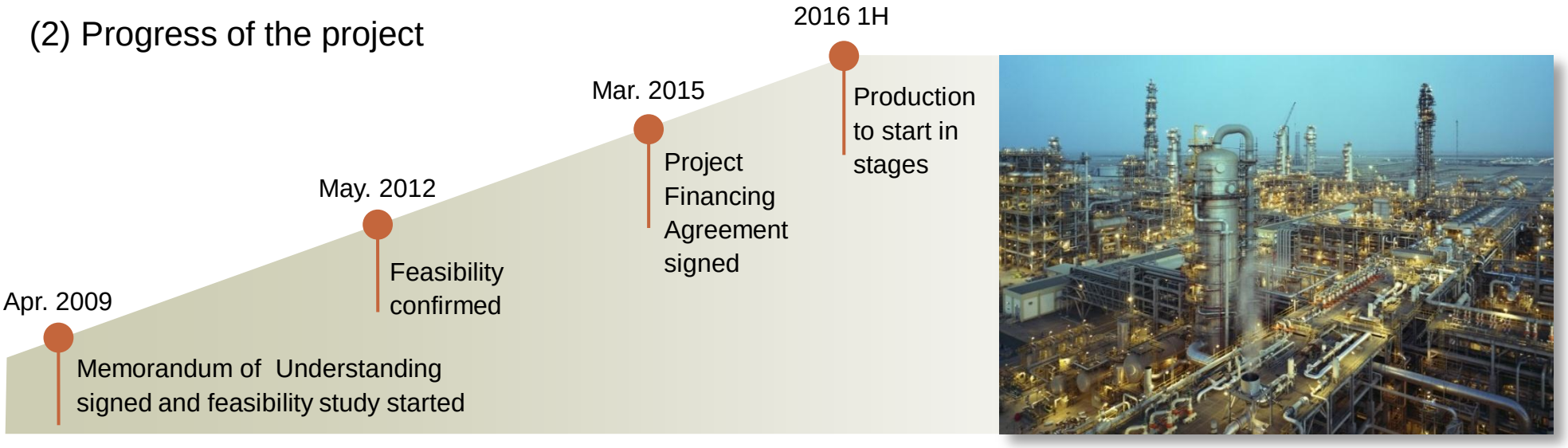
(1) Outline of financing

(billion USD)

	Financed	Remarks
Borrowing	5.2	Project financing
Capital, etc.	2.9	Bridge loans, etc.
Total	8.1	

Our planned investment:
¥100 billion
(to be financed by free cash flows and borrowing)

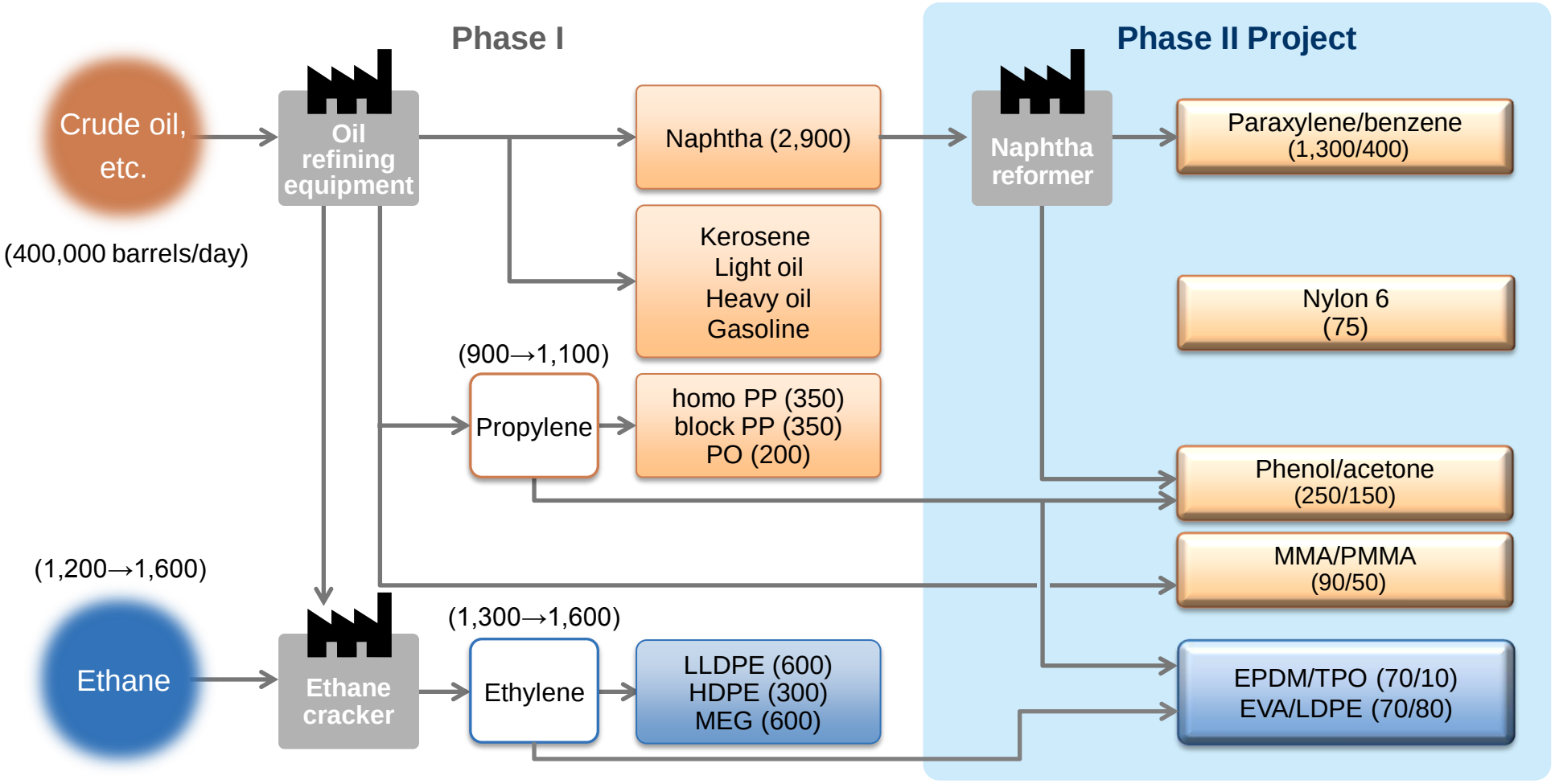
(2) Progress of the project



Petrochemicals & Plastics: Expansion of Petro Rabigh

2. Petro Rabigh Complex

(production capacity 1,000t/year)



Investment in acrylic acid, SAP, and polyol is under study.

Business Expansion in Niche Areas

1. Sumitomo Joint Electric Power Co., Ltd.

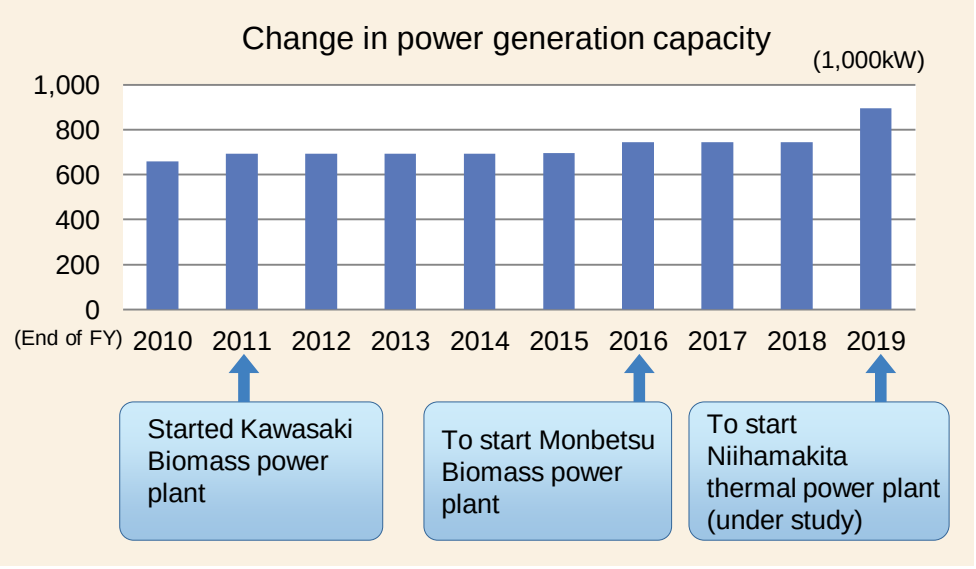
Company Overview

Net sales: approx.¥48 billion[*1]
Established: 1919 Employees: approx.180[*2]

*1:FY2014
*2:End of FY2014

Business Overview

- Operation of power plants (3 thermal, 12 hydro, 1 biomass)
- Sale of power to Sumitomo Group companies, Shikoku Electric Power, Japan Electric Power eXchange (JEPX), etc.
- Planning to build new power plants to supply more power to customers outside the Sumitomo Group



2. Nihon Medi-Physics Co., Ltd.

Company Overview

Net sales: approx.¥32 billion[*1]
Established: 1973 Employees: approx. 800[*2]

*1:FY2014
*2:End of FY2014

Business Overview

- A leading nuclear medicine company in Japan (focus area: radiopharmaceuticals)
- Sale of SPECT diagnostic and PET diagnostic agents, radioactive seeds for cancer treatment, etc.
- Working to expand the application of PET diagnostic

New products (launched in 2014)

^{123}I-ioflupane (DaTscan intravenous injection)

- SPECT diagnostic agent for Parkinson's disease and Lewy body dementia

Development pipeline

^{18}F-flutemetamol

- Under development as PET diagnostic agent for Alzheimer's disease

^{18}F-fluciclovine

- Under development as PET diagnostic agent for brain tumors and prostate cancer

Business Expansion in Niche Areas

3. Valent BioSciences

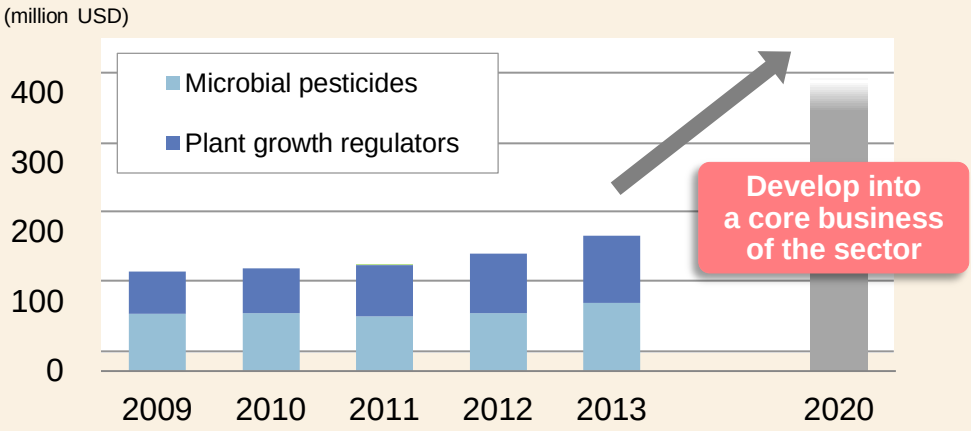
Company Overview

Net sales: approx.USD280 million[*1]
Established: 2000 Employees: approx. 180[*2]
*1:FY2014 *2:End of FY2014

Business Overview

- A world leading biorational crop protection company
- Started a new plant in July 2014
- Acquired mycorrhizal fungi business in March 2015
- Seeking to develop synergies with chemical crop protection business

Sales trends in biorational business



4. SCIOCS

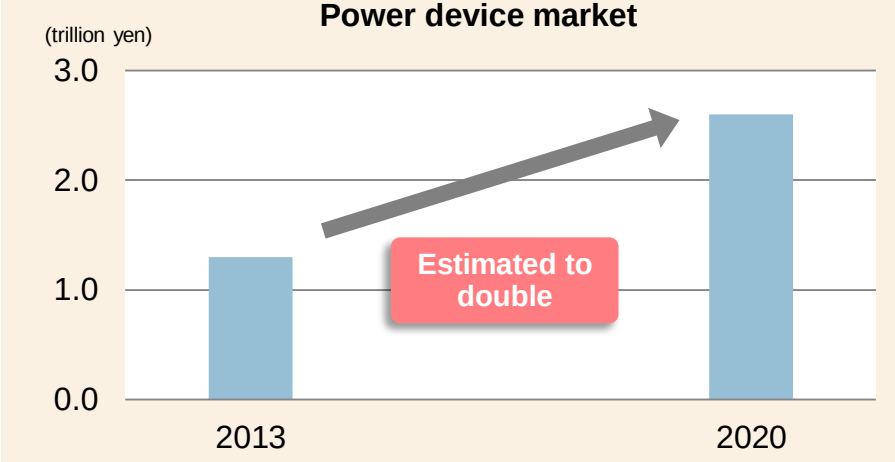
Company Overview

Net sales: approx. ¥6 billion[*1] Established: 2015
Employees: approx.160[*2]
*1:FY2014(forecast) *2:As of the end of April2015

Business Overview

- Sumitomo Chemical acquired compound semiconductor materials business from Hitachi Metals and established SCIOCS in April 2015
  - to expand share in gallium arsenide (GaAs) epiwafer market
  - to enter gallium nitride (GaN) substrate and epiwafer market (for use in power devices)
- Aiming to become a leading compound semiconductor materials company

Power device market



Toward Sustained Growth

- **Sumitomo Chemical:**
  100th Anniversary and Where We Are
- **Priority Areas and Our Path Forward**
- **Strengthening Corporate Governance and Initiatives to Achieve Sustained Growth**

Toward Sustained Growth

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Sumitomo Chemical's DNA

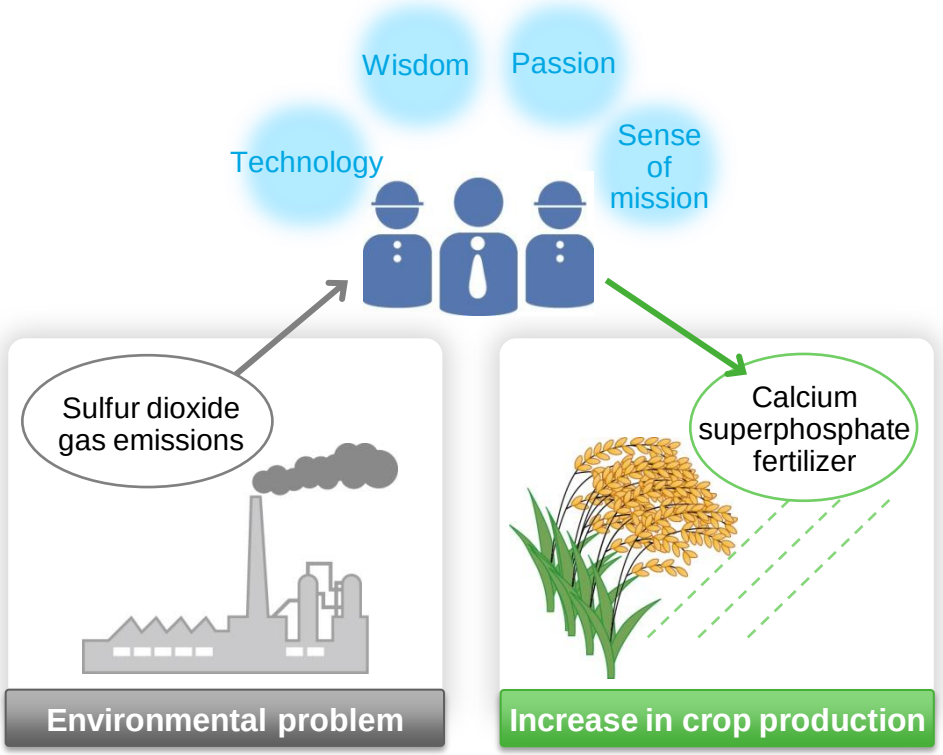
Sumitomo Values

The Sumitomo Family's "Business Principles" states that as we conduct business, we must always value trust and integrity and must closely watch the changing of the times, carefully weigh opportunities and risks, and seek long-term sustainable growth rather than chasing short-term gains.

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.



Sumitomo Chemical's 100 Years: Period of Expansion into New Business Areas

1915
Start of business


Sumitomo Fertilizer Manufacturing

1944
Merger with Japan Dyestuff Manufacturing Company


Kasugade Works of Japan Dyestuff Manufacturing

1953
Launch of Pinamin household pesticide


Pinamin plant (Torishima)

1958
Completion of ethylene plant completed


Ethylene plant (Ehime)

1984
Establishment of Sumitomo Pharmaceuticals

2001
Establishment of IT-related Chemicals Sector

Entry into agricultural chemicals business

Entry into pharmaceuticals business

Entry into petrochemicals and plastics business

Entry into IT-related chemicals business

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

Sumitomo Chemical's 100 Years: Period of Expansion of Overseas Business and Globalization

1984
Start of operations at Singapore petrochemical complex

1988
Establishment of Valent U.S.A.

1991
Establishment of Dongwoo Semiconductor Chemical (now Dongwoo Fine-Chem)

2009
Start of Petro Rabigh operations

2011
Acquisition of Sepracor (now Sunovion)

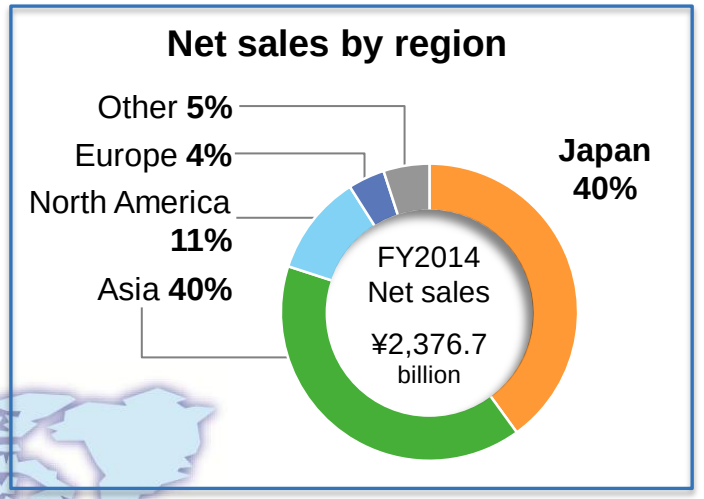
Sumitomo Chemical's Globalization: Promotion of Globally Integrated Management

Building competitive businesses globally by optimizing operations across national borders in view of technology, location, business partners, and human resource

Current Status of Sumitomo Chemical

Trends of Net Sales

Net sales	¥2,250 billion (FY2015 forecast)
Net income	¥80 billion (FY2015 forecast)
Total assets	¥2,880.4 billion (end of March 2015)
Employees	31,039 (end of March 2015)



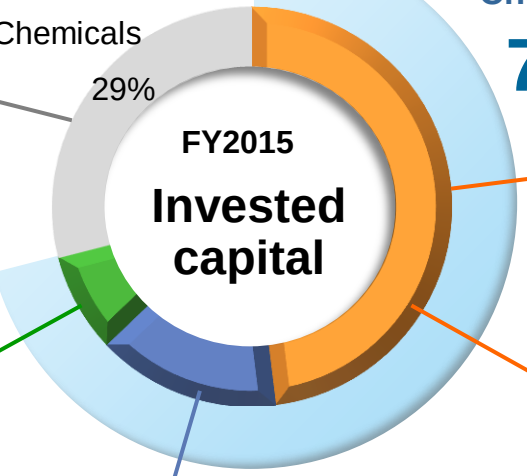
* Up to 1977: Non-consolidated 1978 and after: Consolidated

Current Status of Sumitomo Chemical

Bulk Chemicals
29%

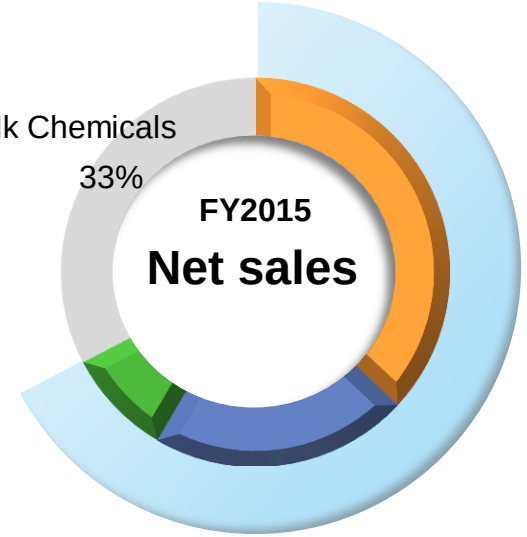
Specialty Chemicals
71%

Environment and energy

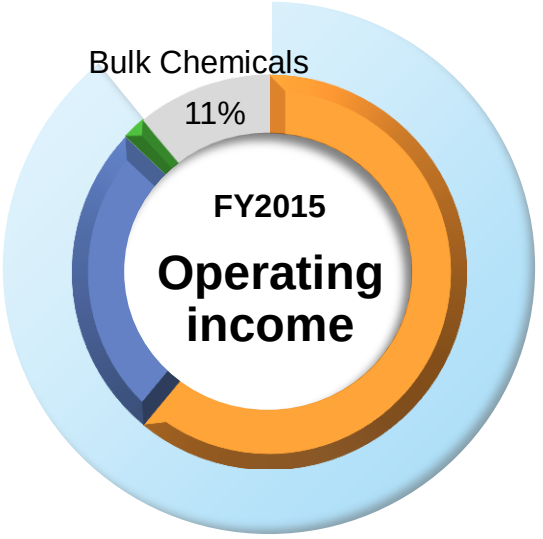


Life sciences

ICT



Specialty Chemicals
67%



Specialty Chemicals
89%

Toward Sustained Growth

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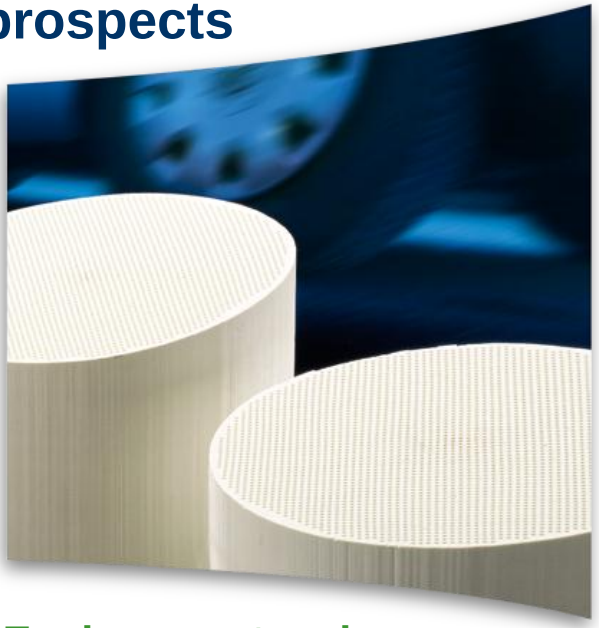
Investment in Three Growth Areas

Business areas with high growth prospects

Life sciences

ICT



Environment and energy

Creating Social Value + **Creating Economic Value**

Creating Shared Value

Life Sciences: Health & Crop Sciences

Trends

- Growing global population
- Increasing demand for food

Societal challenges and demands

Improvement of productivity of agriculture
(limited availability of arable land and fresh water)

Solutions offered by the Sumitomo Chemical Group*

*including solutions under development

- Chemical and biorational crop protection solutions
- Seeds and seed treatment
- Post-harvest
- Crop stress management
- Total Solution Provider*

* Support farmers' operations, from production to sale, by drawing on a wide range of agriculture-related supplies, technologies and know-how.

Life Sciences: Pharmaceuticals

Trends

- Advances in healthcare technologies

Societal challenges and demands

Improvement of quality of life through new technologies, such as preventive diagnosis, personalized medicine, and regenerative medicine

Solutions offered by the Sumitomo Chemical Group*

*including solutions under development

- Regenerative medicine and cell therapy drugs
- Healthcare materials
- SPECT and PET diagnostic agents
- Drugs for the treatment of cancer and psychiatric and neurological disorders

ICT

Trends

- Advances in communication technology
- Advances in computer technologies
- **Spread of IoT (Internet of Things)**

Societal challenges and demands

Improvement of convenience and productivity by the IoT (Internet of Things)

Solutions offered by the Sumitomo Chemical Group*

*including solutions under development

- Display materials
- Organic EL
- Semiconductor Materials
- Aluminum target
- Printed electronics products
- Compound semiconductors

Environment and Energy

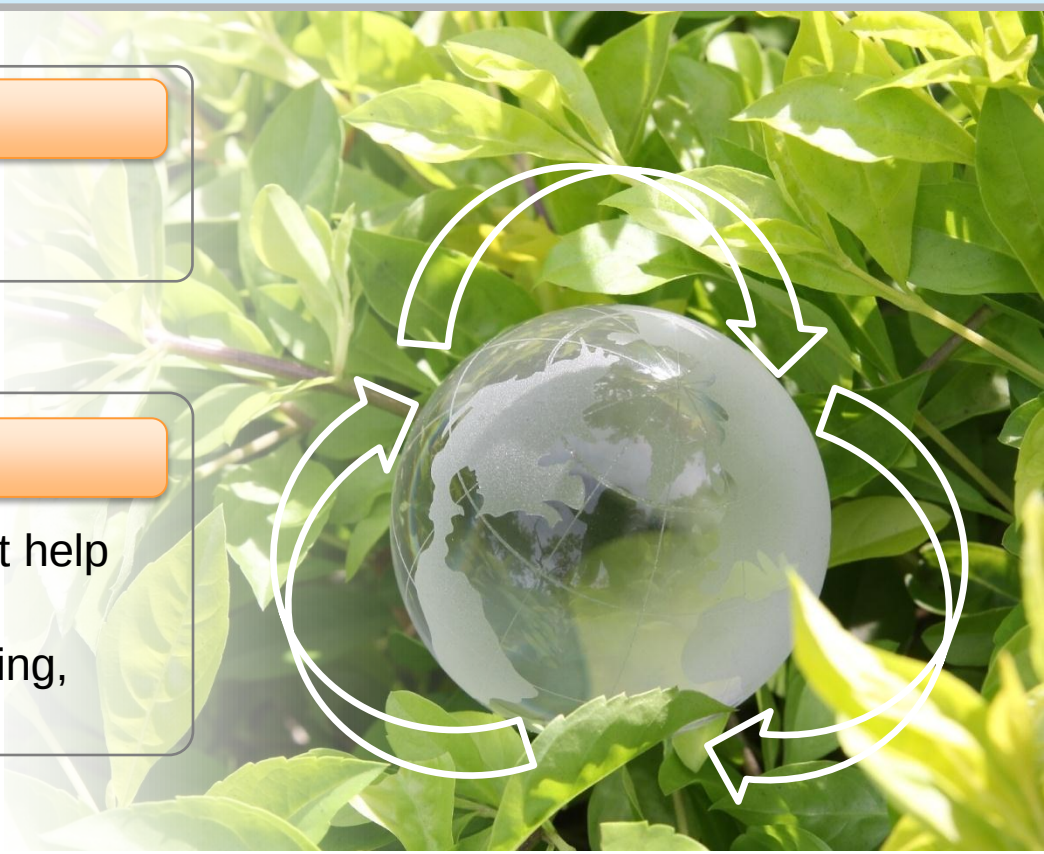
Trends

- Increasing global effort to develop a sustainable society

Societal challenges and demands

Development of products and processes that help reduce GHG emissions

Development of technologies for energy saving, creation and storage

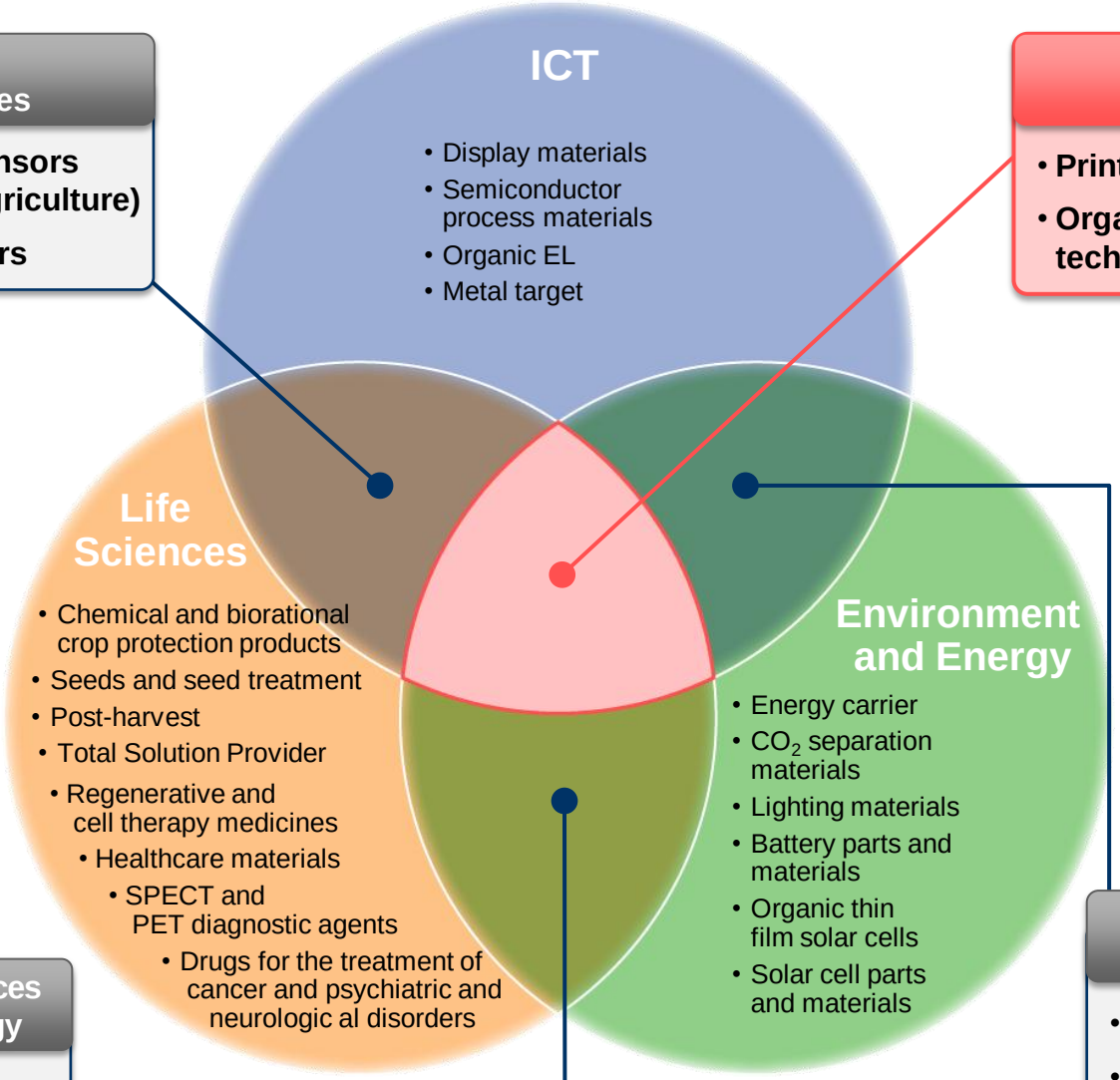


Solutions offered by the Sumitomo Chemical Group*

*including solutions under development

- Energy carrier technology
- CO_2 separation materials
- Compound semiconductors
- Lighting materials
- Organic thin film solar cells
- Solar cell parts and materials
- Battery materials

Solutions In Three Growth Areas



Solutions across ICT and Life Sciences

- **High-definition display sensors (IoT for health care and agriculture)**
- **Compound semiconductors**

Solutions across three growth areas

- **Printed electronics technology**
- **Organic-inorganic hybrid technology**

Solutions across Life Sciences and Environment and Energy

- **Crop stress management**
- **Water-related technology**

Solutions across ICT and Environment and Energy

- **Compound semiconductors**
- **Light management materials**
- **Heat management materials**

Bulk Chemicals

Saudi Arabia

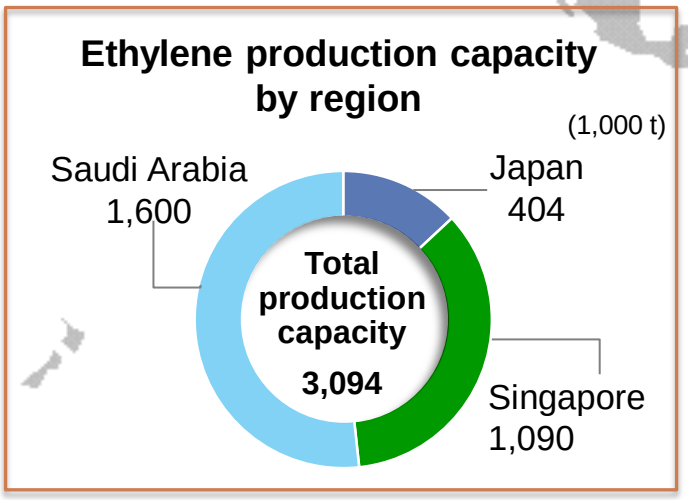
Feature	Outstanding cost-competitiveness and high profitability, capitalizing on low raw material and fuel costs

Japan

Feature	“Mother plant”/”mother laboratory,” developing innovative high value-added products, technologies and know-how

Singapore

Feature	Strong high value-added product business and a robust customer base



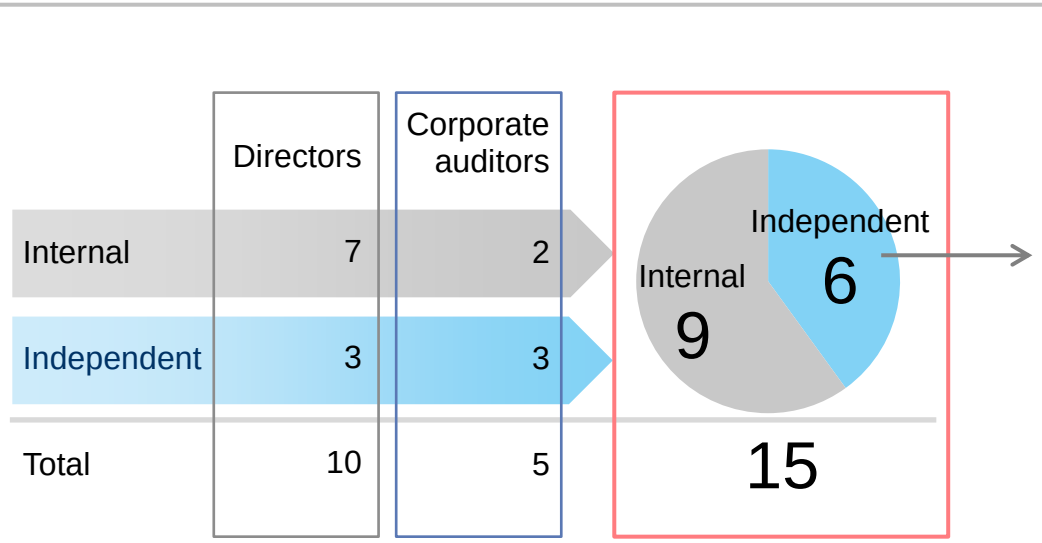
Focus on establishing greater cost advantage and improving asset efficiency → **Aim to achieve ROI above cost of capital**

Toward Sustained Growth

- Sumitomo Chemical:
  100th Anniversary and Where We Are
- Priority Areas and Our Path Forward
- **Strengthening Corporate Governance and Initiatives to Achieve Sustained Growth**

Strengthening of Corporate Governance

Increased independent directors



Category	Name	Background
Director	Kunio Ito	University professor
	Koichi Ikeda	Corporate executive (beverage firm)
	Hiroshi Tomono	Corporate executive (steel firm)
Corporate auditor	Shinichi Yokoyama	Corporate executive (life insurance company)
	Mitsuhiro Aso	Public prosecutor and attorney
	Yoshitaka Kato	Certified public accountant

To draw more on independent directors' broad expertise to further invigorate the board of directors

Toward Sustained Growth

Shareholders

Corporate Governance Code

Dialog and engagement

Stewardship Code

Sumitomo Chemical

Board of Directors and Corporate Auditors

Discussion with independent directors and independent corporate auditors

Formulation of corporate strategy (including review of business portfolio and decision on resource allocation)	Oversight of the directors and the business sectors

Medium- to long-term targets (continue to achieve the following)

ROE	ROI	D/E ratio	Payout ratio	Profit growth
Over 10%	Over 7%	0.7 to 1.0x	Around 30%	Over 7% per year

Propose business plans

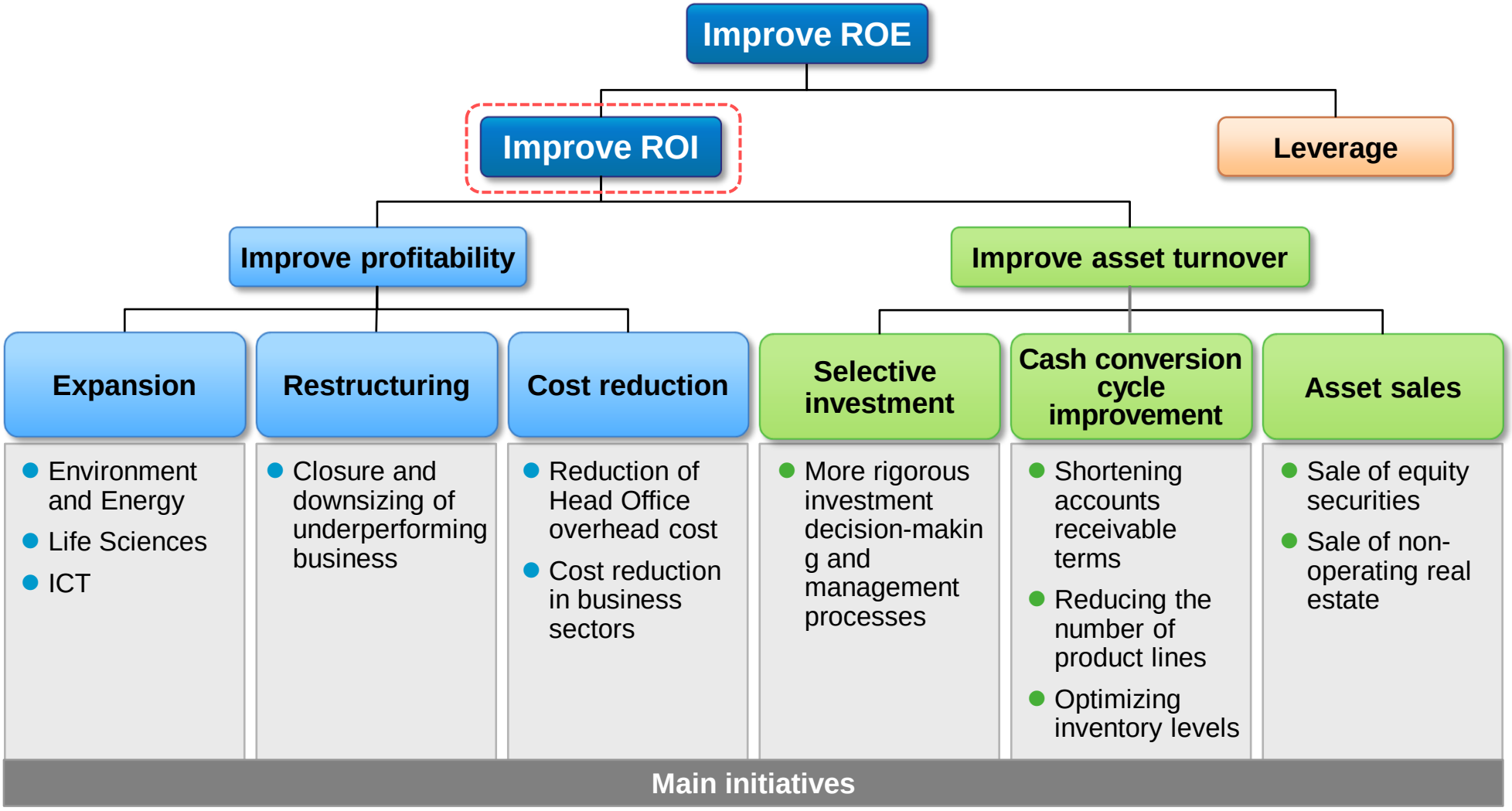
Study and approve business plans
Oversee implementation

Business Sector

Specialty Chemicals	Bulk Chemicals	Entire company
Enhance competitiveness and expand business	Establish greater cost advantage	Improve asset efficiency and strive for further cost reduction

Initiatives for Enhancing Corporate Value

Initiatives for improving ROI/ROE



Toward the Next 100 Years

Speedy and proactive management

- Development of new core technologies and businesses
- Timely and appropriate allocation of resources
- Promotion of globally integrated management

+

Continue to observe our core values and business philosophy

Sumitomo Values

Sumitomo Chemical's 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

↓

Strive to achieve strong and sustained growth for the next 100 years by providing solutions to the problems facing human society

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.