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Overview of FY2015 Outlook

FY2015 First Half Results

(Billions of yen)

	FY2014.1H	FY2015.1H	Change
Net Sales	1,128.4	1,075.9	-52.6
Operating Income	36.2	74.2	+38.1
（Equity in Earnings of Affiliates）	13.8	28.6	+14.8
Ordinary Income	52.8	100.4	+47.6
Net Income	22.6	60.9	+38.3
Naphtha Price	¥70,400/kl	¥48,200/kl	
Exchange Rate	¥103.01/$	¥121.87/$	

FY2015 First Half Results: Operating Income by Sector

(Billions of yen)

	FY2014.1H	FY2015.1H	Change
Specialty Chemicals	40.6	64.8	+24.2
Energy & Functional Materials	-0.7	-0.3	+0.4
IT-related Chemicals	14.5	18.7	+4.2
Health & Crop Sciences	11.4	27.1	+15.6
Pharmaceuticals	15.4	19.4	+3.9
Bulk Chemicals	1.3	13.4	+12.0
Petrochemicals & Plastics	1.3	13.4	+12.0
Others	-5.7	-3.9	+1.8
Total	36.2	74.2	+38.1
Equity in Earning of Affiliates	13.8	28.6	+14.8

Outlook for FY2015

(Billions of yen)

	FY2014	FY2015 (Forecast)	Change
Net Sales	2,376.7	2,250.0	-126.7
Operating Income	127.3	155.0	+27.7
(Equity in Earnings of Affiliates)	23.9	24.0	+0.1
Ordinary Income	157.4	170.0	+12.6
Net Income	52.2	80.0	+27.8
ROE	7.3%	10.0%	
Naphtha Price	¥63,500/kl	¥49,100/kl	
Exchange Rate	¥109.76/$	¥121.0/$	

Outlook for FY2015: Operating Income by Sector

(Billions of yen)

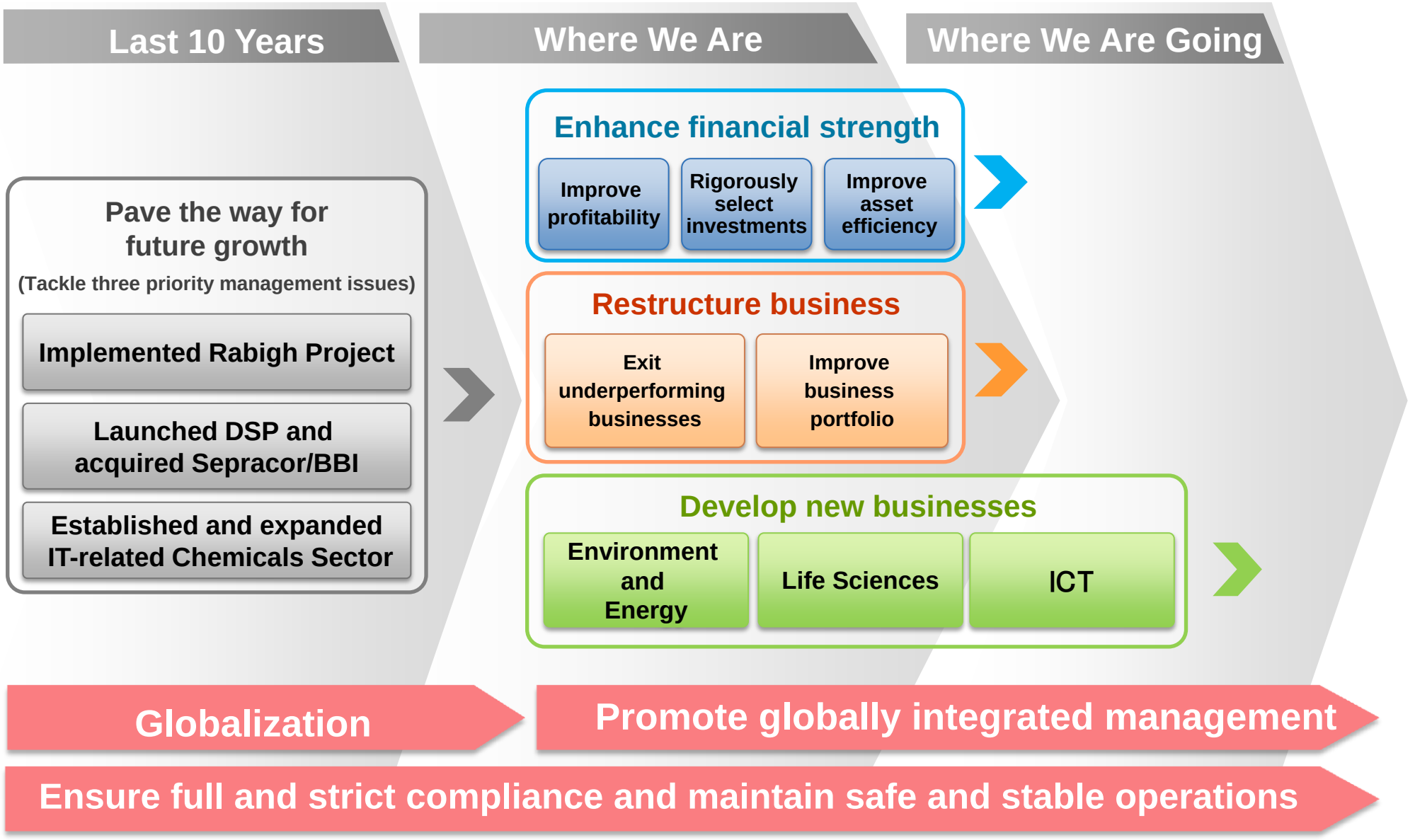
	FY2014	FY2015 (Forecast)	Change
Specialty Chemicals	118.3	140.0	21.7
Energy & Functional Materials	0.8	1.0	0.2
IT-related Chemicals	32.4	30.0	-2.4
Health & Crop Sciences	56.1	75.0	18.9
Pharmaceuticals	29.0	34.0	5.0
Bulk Chemicals	20.8	25.0	4.2
Petrochemicals & Plastics	20.8	25.0	4.2
Others	-11.8	-10.0	1.8
Total	127.3	155.0	27.7
Equity in Earning of Affiliates	23.9	24.0	0.1

Framework for Next Corporate Business Plan

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 Corporate Business Plan: Enhance Financial Strength

(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

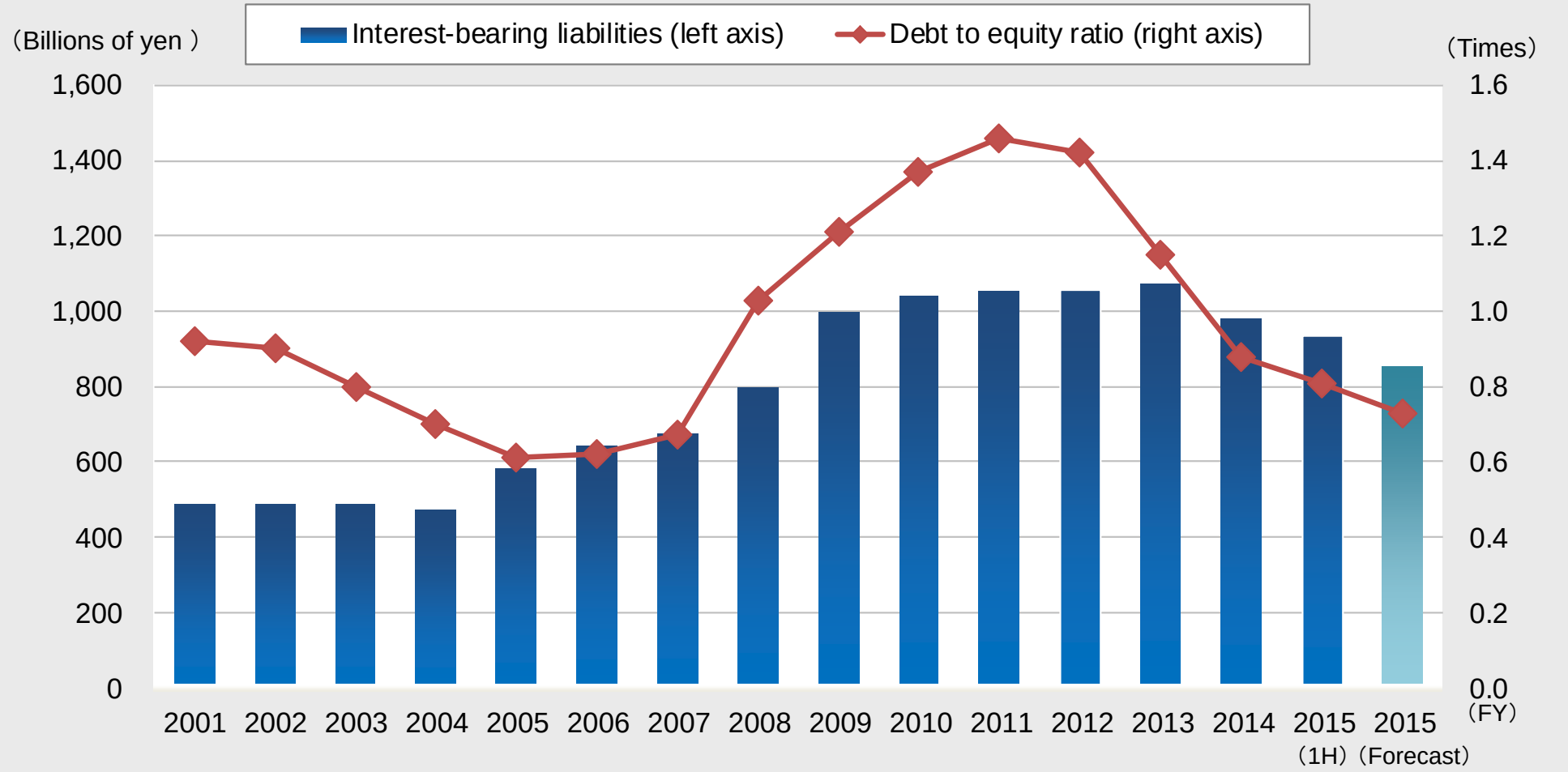
(Note) *1: Including investment of 100 billion yen in Rabigh Phase II Project
*2: Including decreases in cash and cash equivalents

(Billions of yen)

	End of FY2012	End of FY2015 (Target)	End of FY2015 (Forecast)	End of 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

Progress on Corporate Business Plan: Enhance Financial Strength



Progress on Corporate Business Plan: Business Restructuring

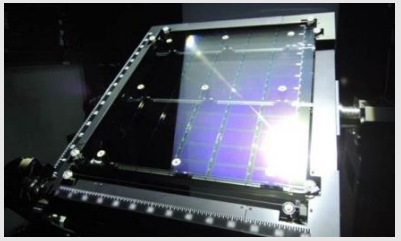
Specialty chemicals business

Business expansion

Progress

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

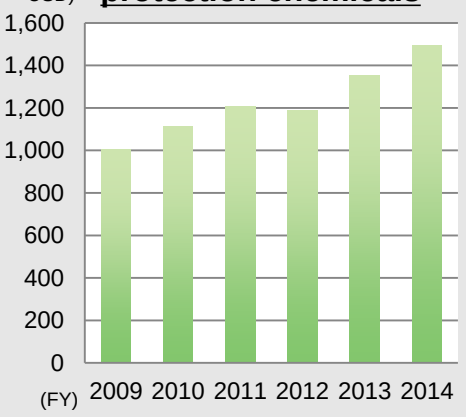
Enhanced touchscreen panel product line



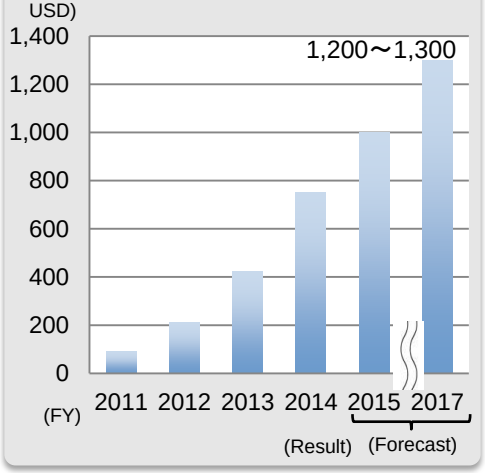
Glass-type touchscreen panel

Film-type touchscreen panel

Overseas sales of crop protection chemicals



LATUDA sales



Improving business portfolio

Progress on Corporate Business Plan: Business Restructuring

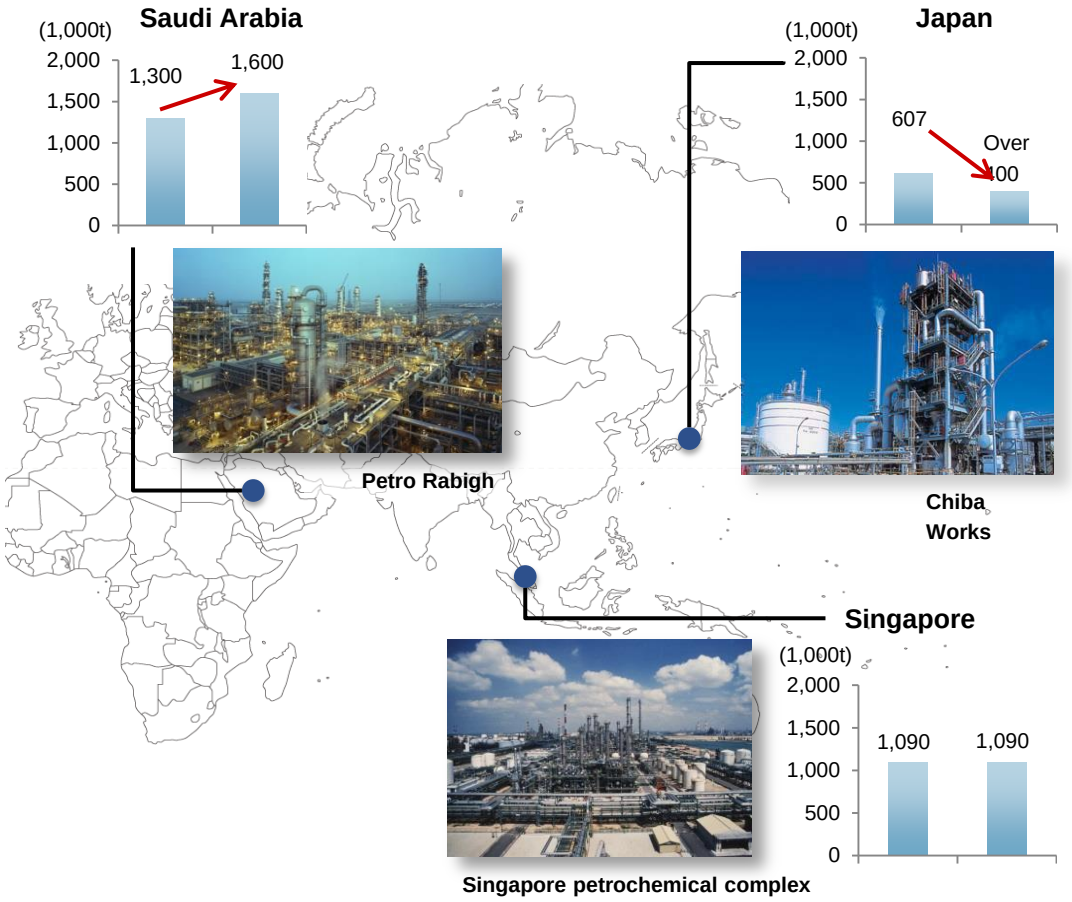
Bulk chemicals business

Restructuring

Progress

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

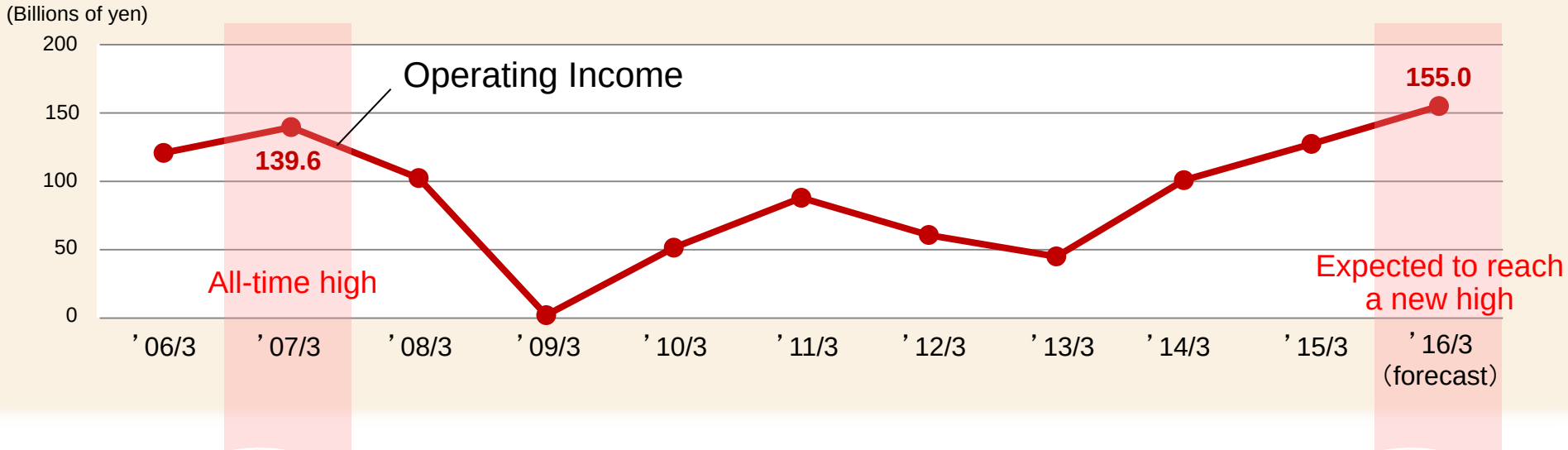
Optimize Global Petrochemical Operations (Ethylene production capacity by area)

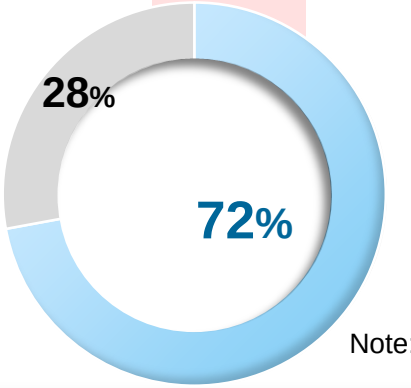


Improving business portfolio

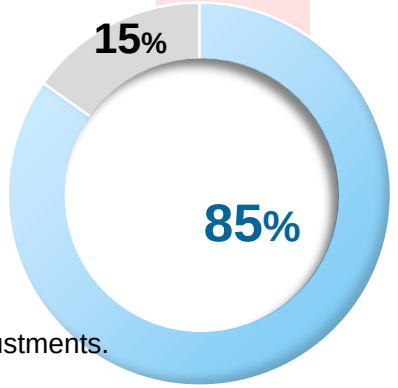
Progress on Corporate Business Plan: Change in Business Portfolio

Change in operating income and its composition





	'07/3		'16/3
Specialty Chemicals	72%	→	85%
Bulk Chemicals	28%	→	15%



Note: The composition of operating income excludes the “Others” segment and adjustments.

Significant increase in profitability of specialty chemicals

Progress on Corporate Business Plan: Develop Next-Generation Businesses

Launch	2011	2015	2020-
Environment and Energy	✓Silicon solar cells (HEVA, electrode paste, etc.) ✓Lithium-ion secondary batteries (separators) ✓LED lighting applications (sapphire substrates and alumina, etc.)	✓PLED lighting Power semiconductors (epitaxial wafers) ✓High heat-resistant and high thermal-conductive resin ✓Diesel particulate filters ✓CO_2 separation	Organic thin-film photovoltaics Next-generation secondary batteries
ICT		PLED (light emitting materials) ✓Next-generation polarizing films ✓Encapsulation materials for optical use ✓Flexible display materials and components	Organic semiconductors
Life Sciences	✓Drug for schizophrenia (LATUDA)	✓Safety evaluation and drug discovery using ES and iPS cells	Anticancer drugs targeting cancer stem cells Crop stress management Cell therapy Regenerative medicine

✓ Commercialized/ready to be commercialized

Framework for Next Corporate Business Plan

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

Where We Are Going

Further improve business portfolio

- Identify areas of strength
- Allocate resources to prioritized areas

Generate more cash flow

- Increase profit above cost of capital
- Make disciplined investments
- Streamline balance sheet

Develop next-generation businesses

(Use outside resources and accelerate commercialization)

- Environment and Energy
- Life Sciences
- ICT
- Crossover areas

Globalization → **Promote globally integrated management**

Ensure full and strict compliance and maintain safe and stable operations

Framework for Next Corporate Business Plan: Further Improve Business Portfolio

Identify strengths and distinctive competitive advantages

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 constantly 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

Framework for Next 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 investment

- Identify areas for aggressive expansion
- Identify investment risks

Streamline balance sheet

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

Build stronger earnings power to constantly generate a high level of cash flow, so that we can take advantage of large-scale investment opportunities when they arise

Framework for Next Corporate Business Plan: Develop Next-Generation Businesses

ICT

- Display materials
- Flexible display materials
- Semiconductor process materials
- Polymer OLED
- Compound semiconductors (for power amp and others)

Life Sciences

- Crop protection chemicals
- Biorational crop protection products
- Post-harvest
- Regenerative and cell therapy medicines
- Anti-cancer stem cell drugs
- SPECT and PET diagnostic agents
- Healthcare materials

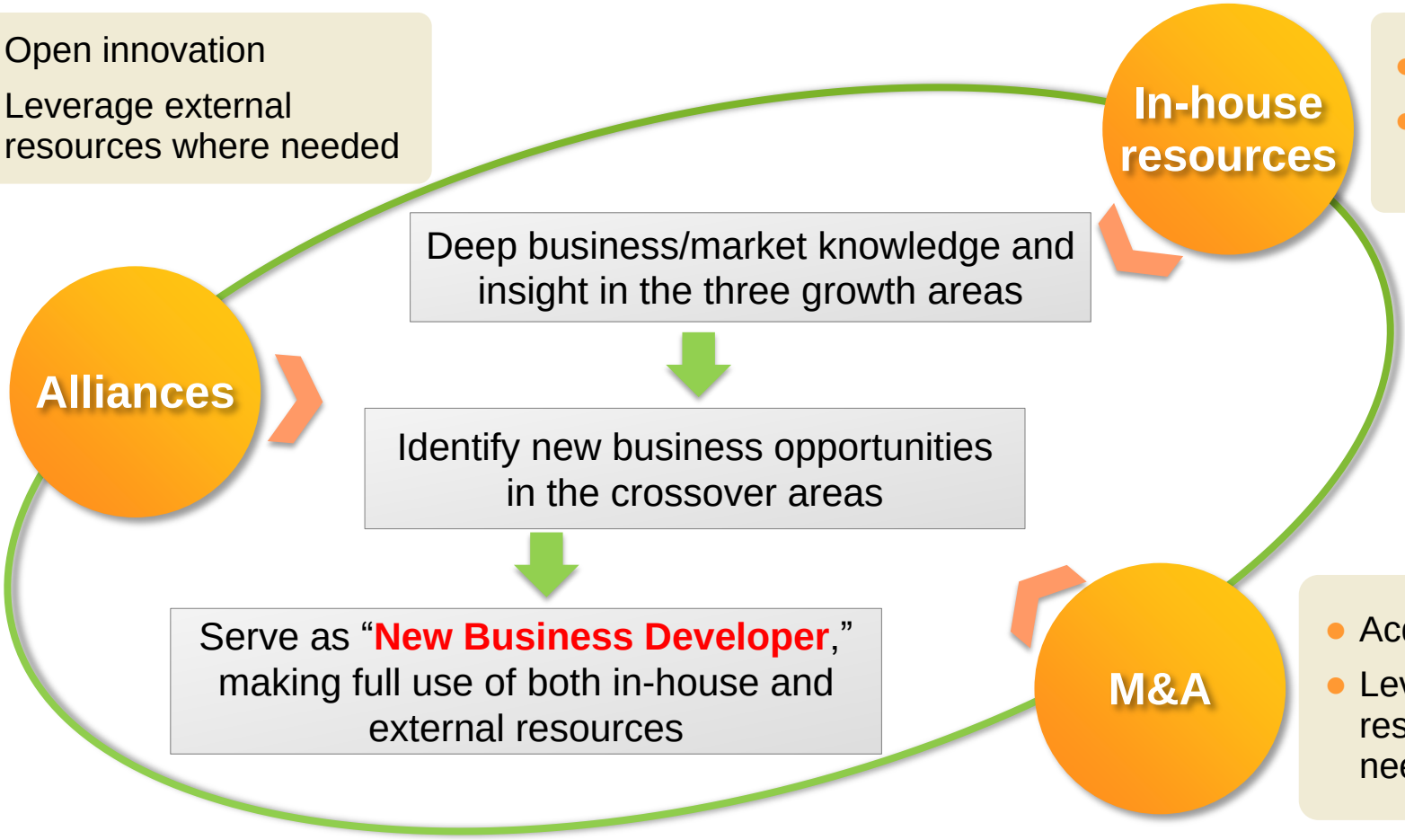
Environment and Energy

- Energy carrier
- CO_2 separation materials
- Polymer OLED light
- Secondary battery parts and materials
- Organic thin-film photovoltaics

Provide various solutions in areas with strong growth potential

Framework for Next Corporate Business Plan: Develop Next-Generation Businesses

- Open innovation
- Leverage external resources where needed



- Technologies
- Manufacturing and sales expertise

- Acquire technologies
- Leverage external resources where needed

Accelerate the commercialization of new solutions in the crossover areas

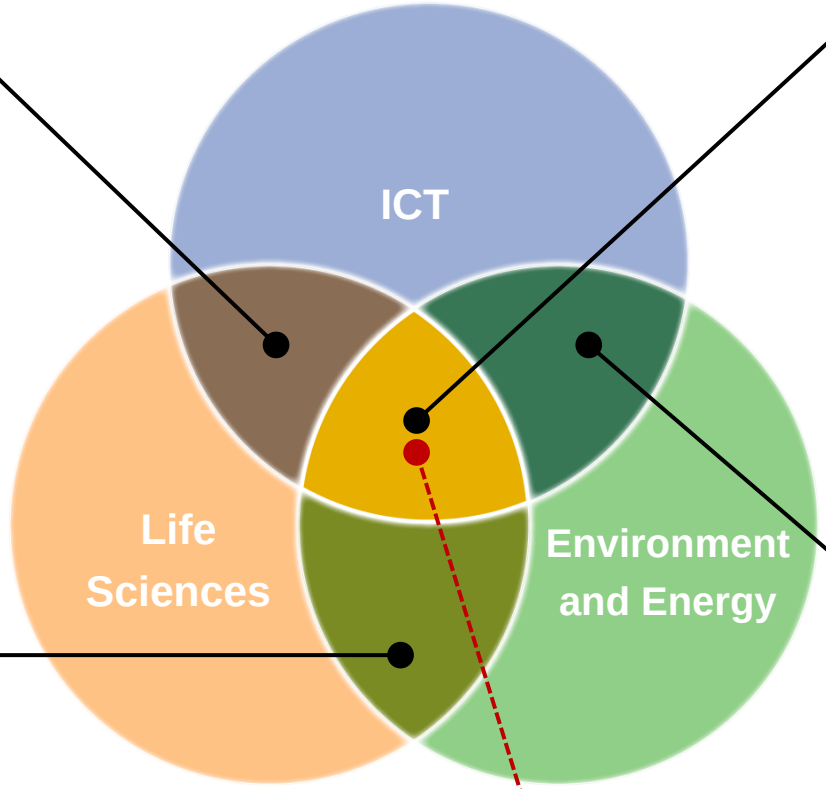
Framework for Next Corporate Business Plan: Develop Next-Generation Businesses

Solutions in the ICT/Life Sciences crossover area

- Biosensors
- Precision agriculture

Solutions in the ICT/Life Sciences/ Environmental and Energy crossover area

- Flexible devices
- Next-generation batteries
- Personal care



Solutions in the Life Sciences/ Environment and Energy crossover area

- Crop stress management
- Genomic analysis of microorganisms

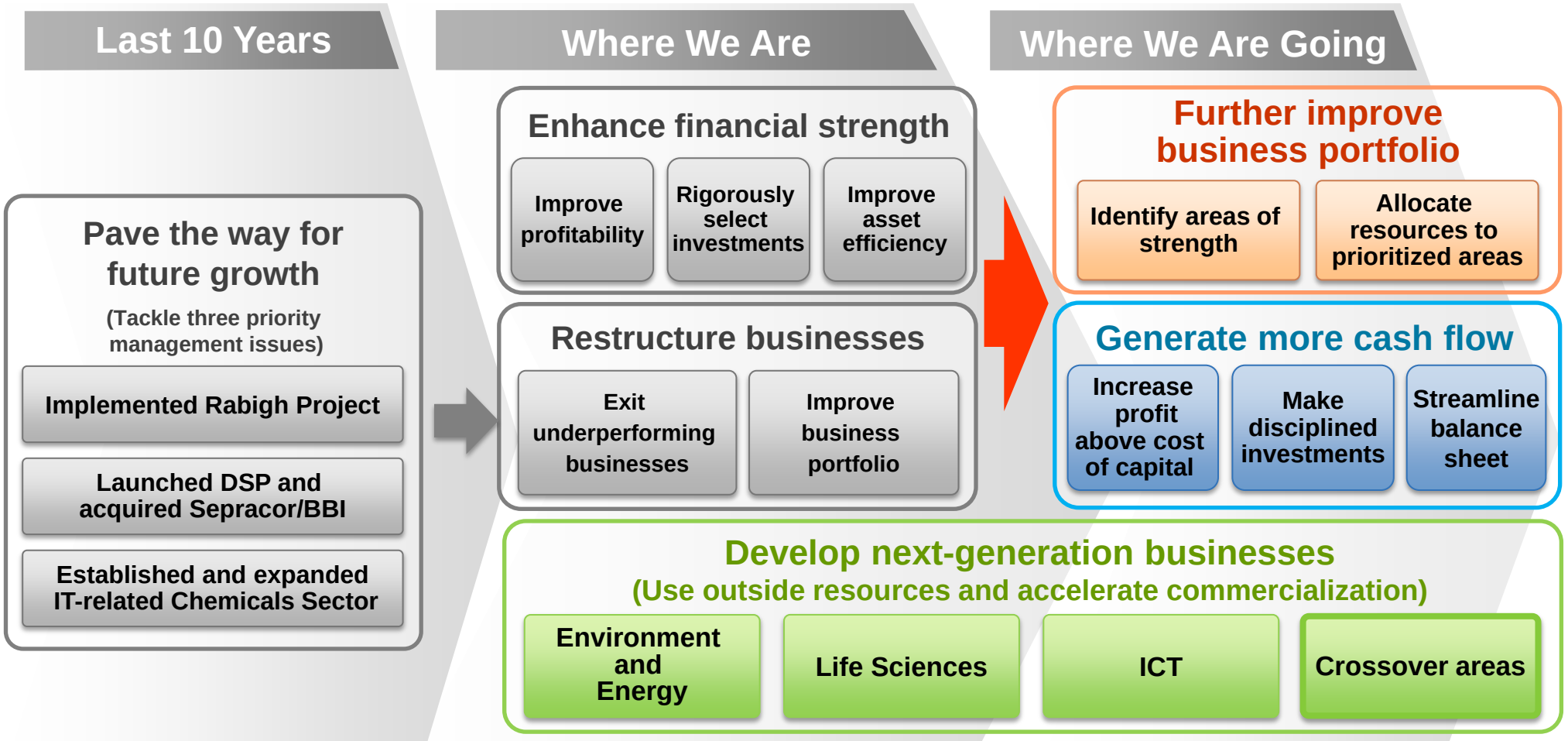
Solutions in the ICT/ Environment and Energy crossover area

- Compound semiconductors (for power semiconductors)
- Light management materials

Next-Generation Core Technologies

•Printed electronics technology •Organic-inorganic hybrid technology •Stem cells and genome technologies

Framework for Next Corporate Business Plan



Framework for Next Corporate Business Plan: Toward Sustained Growth

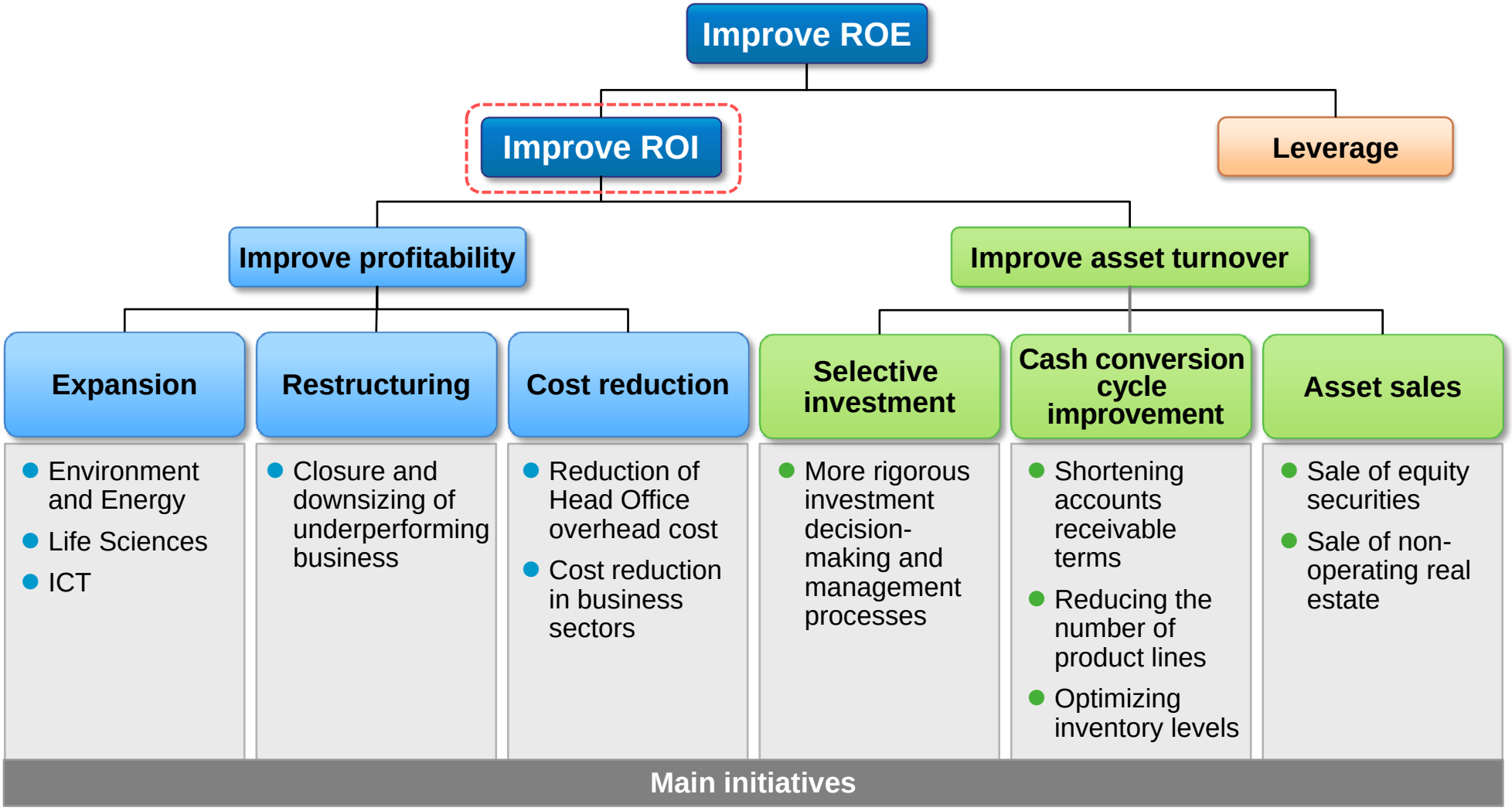
Medium- to long-term targets

	Targets Constantly achieve the following targets:
ROE	10%
ROI	7%
D/E ratio	0.7 times
Dividend payout ratio	30%
Profit growth	7% per year

Become a more resilient Sumitomo Chemical that continues to grow

Initiatives for Enhancing Enterprise Value

Initiatives for improving ROI and ROE



Progress on Major Projects

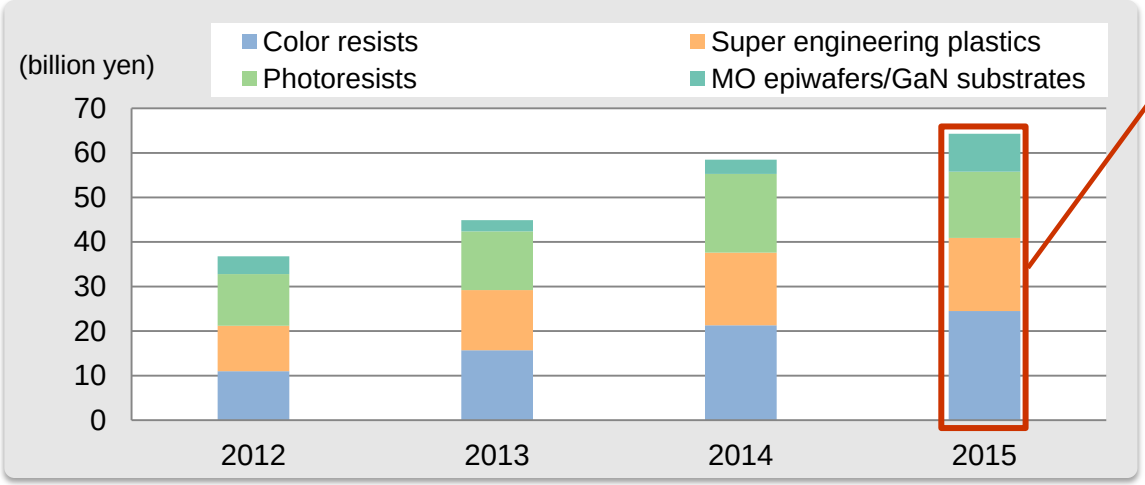
- ICT
- Life Sciences
- Environment and Energy
- Bulk Chemicals

ICT: Expand Product Portfolio and High Growth Businesses

Product portfolio

Flat panel display materials	Electronic parts and materials	Semiconductor materials	Battery materials
LCD/OLED ・Polarizing films ・Touchscreen panels ・Color filters ・Color resists ・Process chemicals	**Super engineering plastics** ・LCP ・PES	**Semiconductor materials** ・Photoresists ・Aluminum target ・Chemicals **Compound semiconductors** ・MO epiwafers GaN substrates	**Lithium-ion secondary battery materials** ・Separators

High grow businesses:



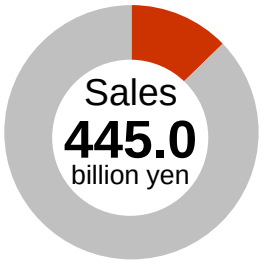
Scale of High Growth Businesses

Present

High Growth Businesses
65 billion yen

2020

over 100 billion yen



IT-related Chemicals Sector

ICT: Develop High Growth Businesses

Color resists

Advantages and features

- Differentiate color property with new dyes and pigment hybrid resists
- Set up development bases in the vicinity of global customers

Future strategy

- Brighter, clearer color reproduction with dye resists
- Strengthen operations in the growing Chinese market

Photoresists

Advantages and features

- High-resolution ArF immersion resists

Future strategy

- Develop and expand sales of ArF immersion photoresists for 1xnm-5nm generation
- Expand the business of i-line photoresists for thick film
- Study the feasibility of mass production of post-ArF photoresists

Super engineering plastics

Advantages and features

- Product development for aircraft composite materials and automotive use

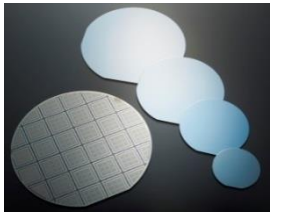
Future strategy

- Expand business in automotive field, including use for body structures

MO Epiwafers and GaN substrates

Advantages and features

- Compound semiconductor lineup (GaAs, GaN)
- High quality GaN substrates



Future strategy

- Accelerate commercialization of GaN-on-Si products to meet rising demand for power devices
- Further improve productivity and quality for GaN substrates

Become a global leader by leveraging proprietary technologies → **Continuing high growth expected**

Next-Generation Blockbusters: Pipeline of New Crop Protection and Household and Public Hygiene Insecticide Products

Time of launch	2013 to 2015	2016 to 2019	2020 and after	
New products under develop-ment	**Agricultural fungicide:** 2 compounds (Ethaboxam and Mandestrobin) **Household insecticide:** 1 compound (Sumifreeze [Momfluorothrin])	**Mainly new mixtures** **Herbicide for rice cultivation:** 2 new mixtures **Insecticide for use in rice seedling boxes:** 4 new mixtures **Insecticide for crop farming and gardening:** 2 new products	**2020** **Agricultural insecticide:** 1 compound **Agricultural fungicide:** 3 compounds	**After 2020** **Agricultural insecticide:** 1 compound **Agricultural herbicide:** 2 compounds **Plant growth regulator and biorational:** 4 compounds **Household and public hygiene insecticide:** 4 compounds

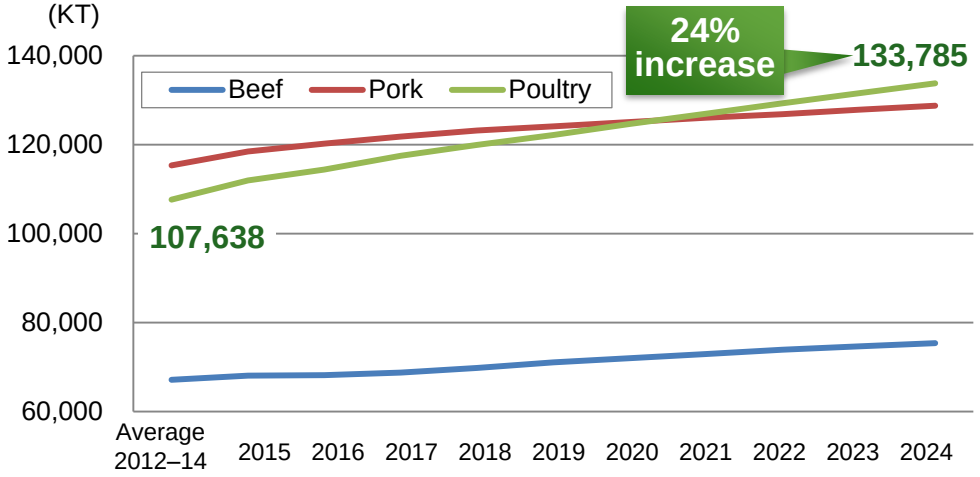
Expected to grow into blockbusters

- Working to shorten the development period by up to one year
- Future consolidated sales of the 2020 active ingredients and formulations estimated at **over 100 billion yen**

Life Sciences: Expansion of Methionine Business

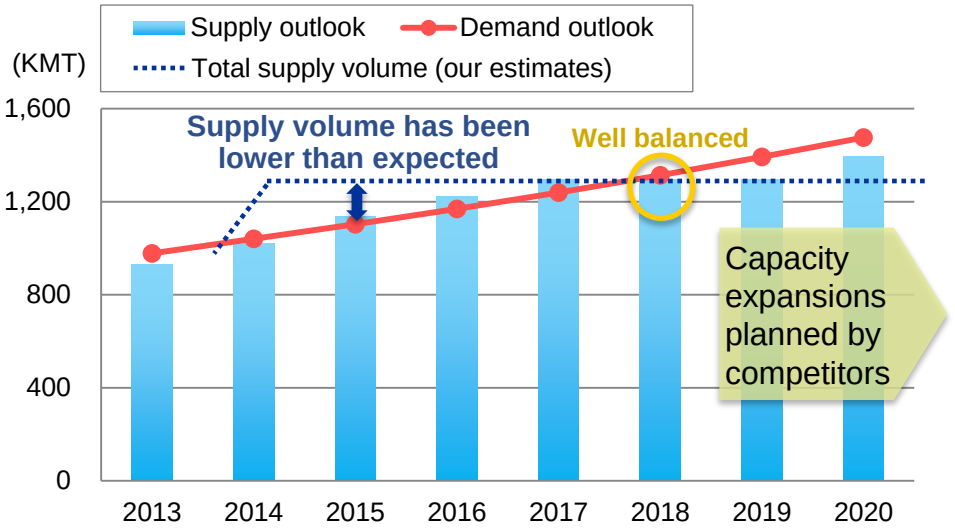
Meat production forecasts

Production volume of pork and poultry meat is steadily increasing, with poultry leading the growth



Source: *OECD-FAO Agricultural Outlook 2015*

Methionine demand-supply balance (to 2020)



Growth rate of methionine demand to exceed 6%

Supply shortfall anticipated in 2018 and after

Features and strengths of our methionine

- Integrated production, from intermediates through finished product
- High cost competitiveness
- Available in both powder and liquid forms

Future business strategy

- Optimize volume allocation and step up cost rationalization efforts
- Increase production capacity by 10% in 2016 by debottlenecking
- Consider further business expansion—aim for global share of 20%

Safe & stable operations; low cost; powder & liquid

Strengthen its position as a global player

Life Sciences: Development of Rice Business

Objectives of rice business

- Solve the problems facing the agricultural sector in Japan
- Consolidate our Total Solution Provider business
- Develop high-yield, tasty rice varieties

Help strengthen Japan's agricultural sector

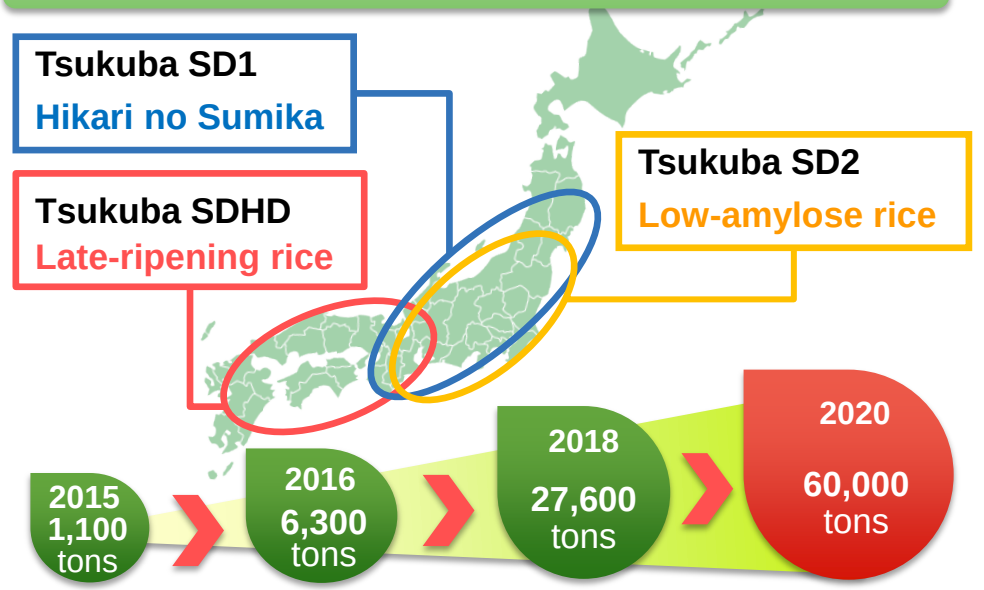
Development of new varieties

- 3 varieties registered and 2 varieties applied for registration
- To develop more varieties to expand the rice business nationwide and to meet various customer needs for rice properties

Current: Focusing on sales to large-scale rice businesses

Future: Expand sales to a wider range of customers, including consumers and sake manufacturers, and also increase export sales

Three varieties currently cultivated



Prospective customers

	Prospective customers	Under negotiation
SD1 (Hikari no Sumika)	**Major restaurant chain** (franchises) **Major noodle-shop chain** **Major delicatessen company** **Major *bento* (boxed meals) supplier**	**Major family restaurants** (2 chains)
SD2 (low-amylose)	**Major convenience store chain**	

Environment and Energy: Expansion of Separator Production Capacity

Separator production facilities

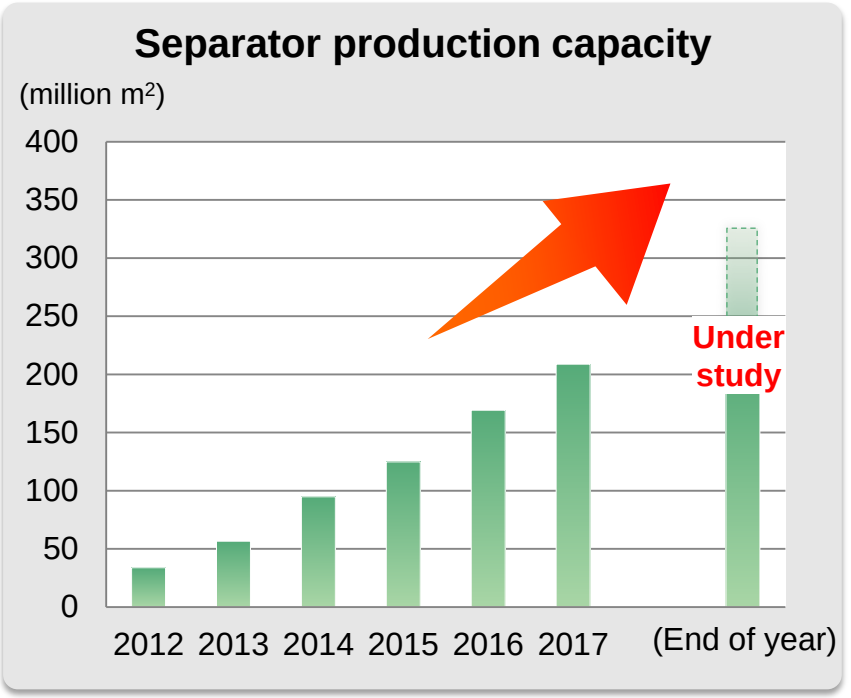
South Korea (Daegu) plant

Production capacity: 70 million m^2/year
Items produced: Aramid separators
Start of operation: Fall of 2016

Ehime Works (Oe)

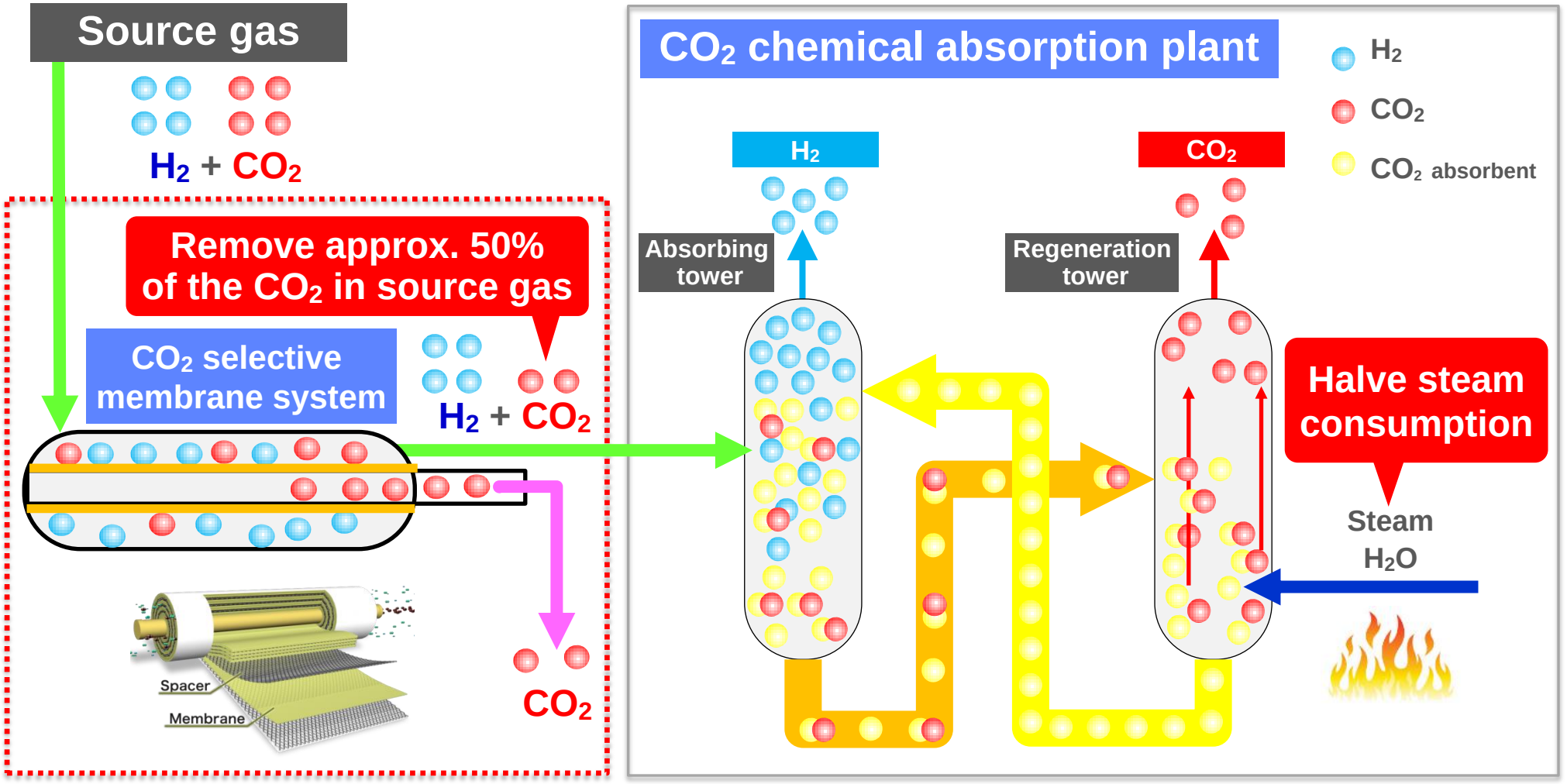
Production capacity: 140 million m^2/year
Items produced: Aramid separators, etc.


Separators



Environment and Energy: CO_2 Separation Membrane

The CO_2 selective membrane system, installed upstream of CO_2 chemical absorption plant, removes approx. 50% of the CO_2 contained in the source gas, reducing the steam cost incurred in the absorption plant



Environment and Energy: CO2 Separation Membrane

CO_2 Separation Market（CY2030 Forecast）

Hydrogen production
(refinary and chemical plants)
Market :520 million tons

Coal gasification combined power generation
Market :500 million tons

Power generation and iron manufacture
(CCS/EOR)
Market：500 and 300 million tons

Market Size
2.6 billion tons

Hydrogen station
Market : unknown

Natural gas
Market :600 million tons

Coal to liquid
Market :200 million tons

：Separation of H2 and CO_2

：Separation of CH4 and CO_2

：Separation of N2 and CO_2

Bulk Chemicals: Petro Rabigh

Status of regular maintenance

- Started regular shutdown maintenance on October 11, 2015
- Planned maintenance period: 50 days

Progress of Phase II Project

- Ethane cracker expansion to be completed first
- The facilities scheduled to come into operation in stages starting 2016

Petro Rabigh Phase I Project Olefin Plant

Overview of construction cost and finance

Total construction cost	8.1 billion USD
Project financing	5.2 billion USD
Capital, etc.	2.9 billion USD

Toward Sustained Growth

Strengthening of Corporate Governance

Corporate Governance Code

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

Increased the number of outside directors

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

Strengthening the governance system

Established non-mandatory committees

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

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

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

Develop next-generation businesses

Further improve business portfolio

Generate more cash flow

Promote globally integrated management

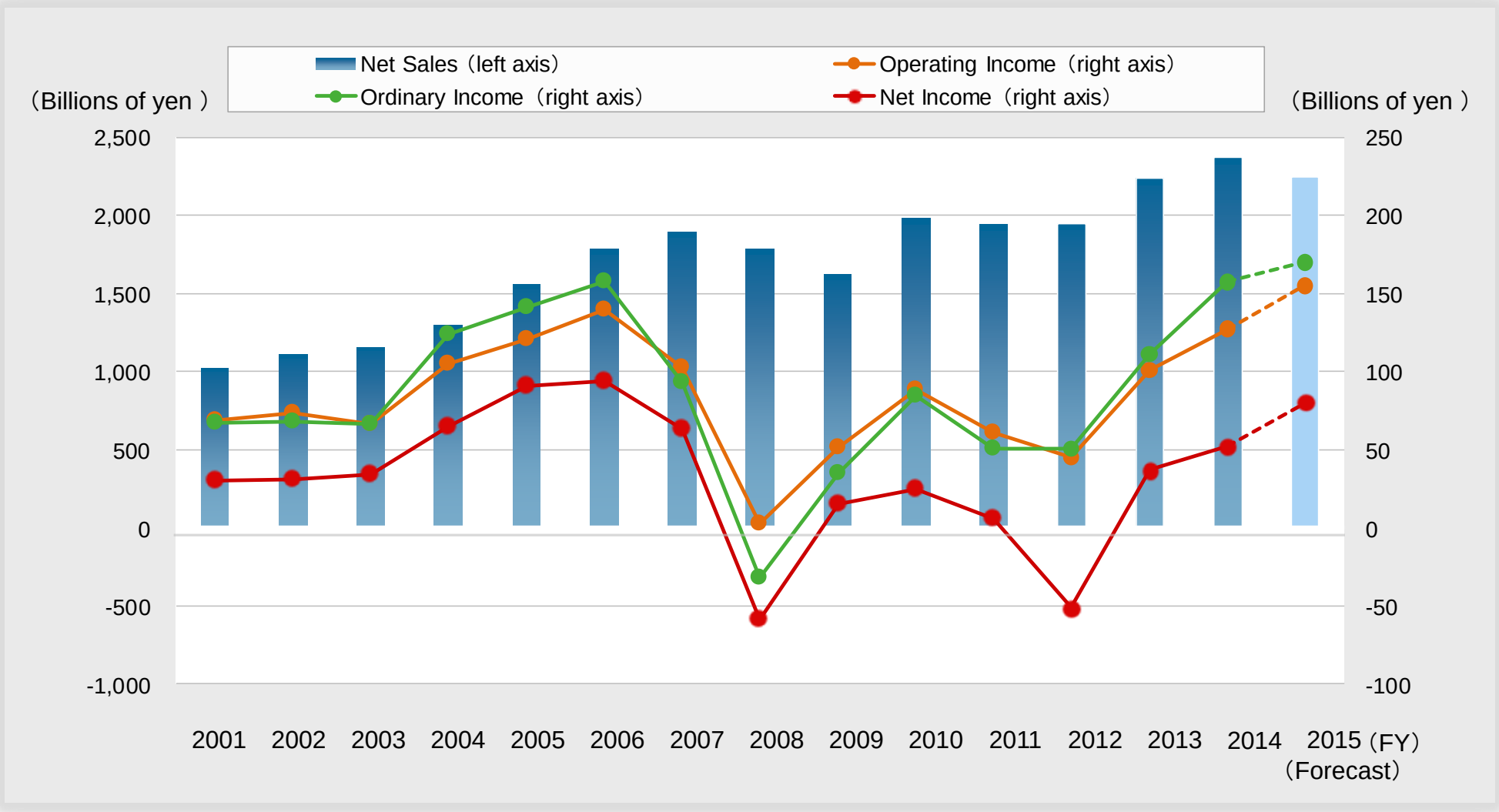
Ensure full and strict compliance and maintain safe and stable operations

Medium- to long-term targets

Constantly achieve the following targets:

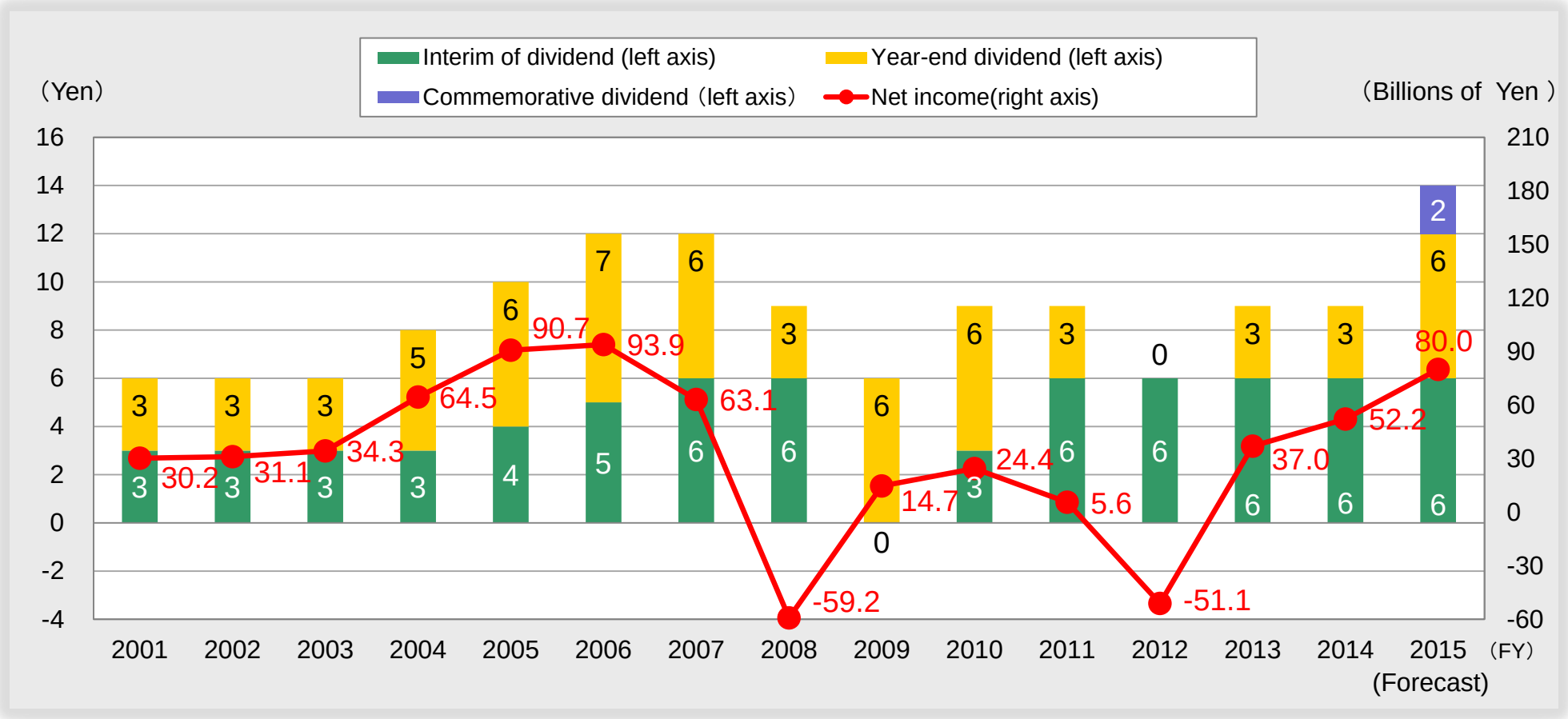
ROE	10%
ROI	7%
D/E ratio	0.7 times
Dividend payout	30%
Profit growth	7% per year

Performance Targets



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.



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.