



Financial Results Overview and Performance Outlook



Masakazu Tokura, President

May 11, 2012

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1. Financial Results Overview and Outlook



Financial Results and Outlook

(Billions of yen)

	FY2011	FY2012 (Forecast)	Change
Sales	1,947.9	2,230.0	+282.1
Operating Income	60.7	90.0	+29.3
Equity in Earnings of Affiliates	2.0	16.0	+14.0
Ordinary Income	50.7	95.0	+44.3
Net Income	5.6	40.0	+34.4
Naphtha Price	¥54,900/kl	¥65,000/kl	
Exchange Rate	¥79.08/US\$	¥82.50/US\$	
Dividend per Share	¥9/share	¥9/share	

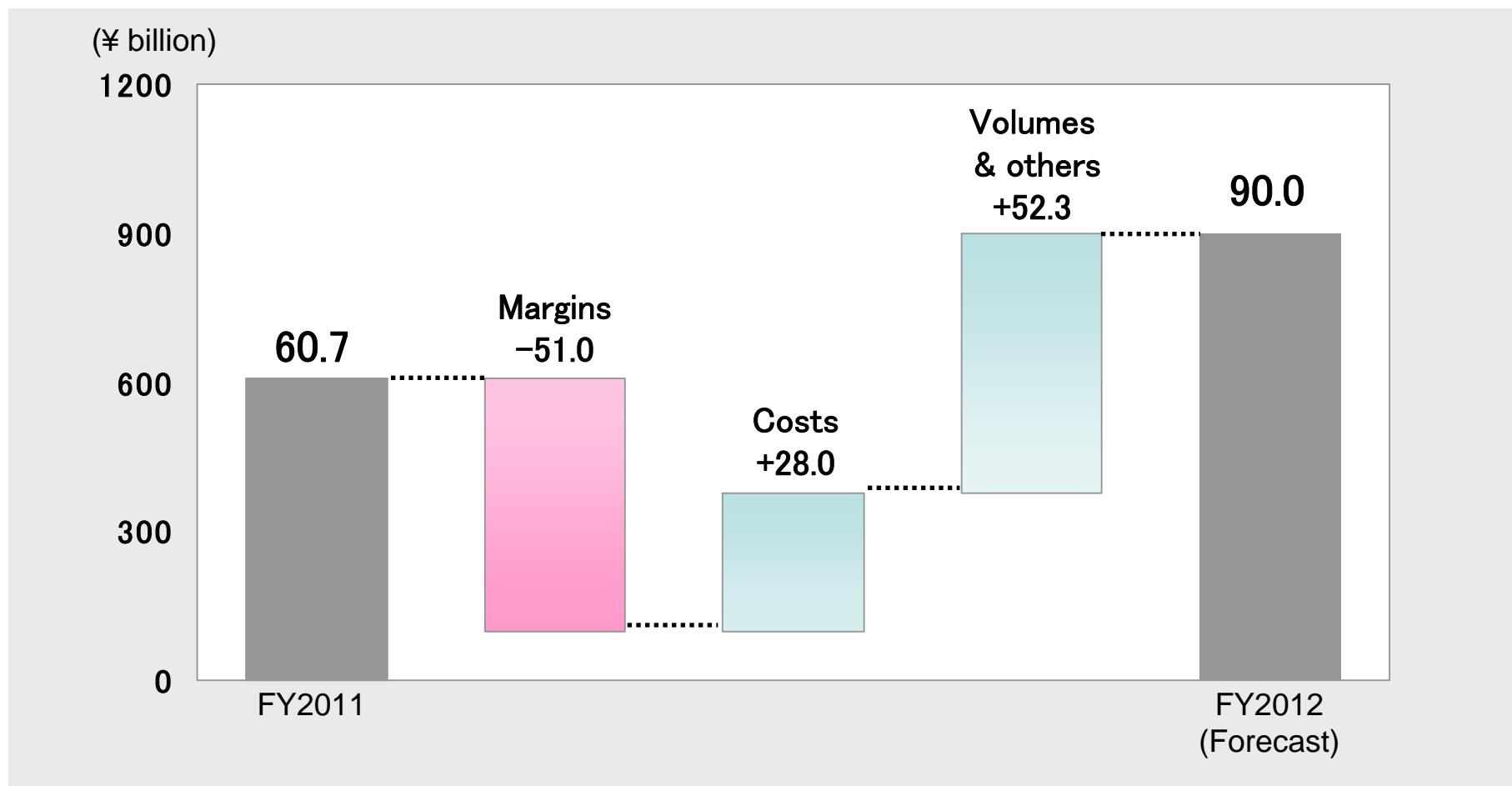
FY2012 Sales by Segment

(Billions of yen)

	FY2011	FY2012 (Forecast)	Change	Sales Price Variance	Shipping Volume Variance	Foreign Exchange Translation Variance
Basic Chemicals	284.3	310.0	+25.7	+5.5	+18.2	+2.0
Petrochemicals & Plastics	672.4	830.0	+157.6	+48.0	+97.6	+12.0
IT-related Chemicals	293.1	360.0	+66.9	-24.0	+85.9	+5.0
Health & Crop Sciences	264.1	290.0	+25.9	+1.5	+24.4	0.0
Pharmaceuticals	380.5	380.0	-0.5	-10.0	+5.5	+4.0
Others	53.4	60.0	+6.6	-	+6.6	0.0
Total	1,947.9	2,230.0	+282.1	+21.0	+238.1	+23.0
Sales Outside of Japan	1,009.0	1,250.0	+241.0			
Percentage of Sales Outside of Japan	52%	56%	+ 4%			

Change in Operating Income FY2011/FY2012

**FY2011 ¥60.7 billion → FY2012 ¥90.0 billion
(+¥29.3 billion)**



FY2012 Operating Income by Segment

(Billions of yen)

	FY2011	FY2012 (Forecast)	Change	Major Factors for Changes in Profit
Basic Chemicals	9.3	9.0	-0.3	<ul style="list-style-type: none"> • Improvement in margins • Increase in shipping volumes
Petrochemicals & Plastics	6.2	11.0	+4.8	<ul style="list-style-type: none"> • Increase in shipping volumes • Reduction in margins
IT-related Chemicals	11.0	24.0	+13.0	<ul style="list-style-type: none"> • Increase in shipping volumes • Progress in rationalization • Decrease in sales price of LCD-related materials
Health & Crop Sciences	26.5	34.0	+7.5	<ul style="list-style-type: none"> • Increase in export sales in yen terms due to the depreciation of the yen • Increase in shipping volumes
Pharmaceuticals	20.9	27.0	+6.1	<ul style="list-style-type: none"> • Decrease in SG & A • Increase in shipping volumes • Impact of NHI drug price revision
Others	-13.2	-15.0	-1.8	
Total	60.7	90.0	29.3	

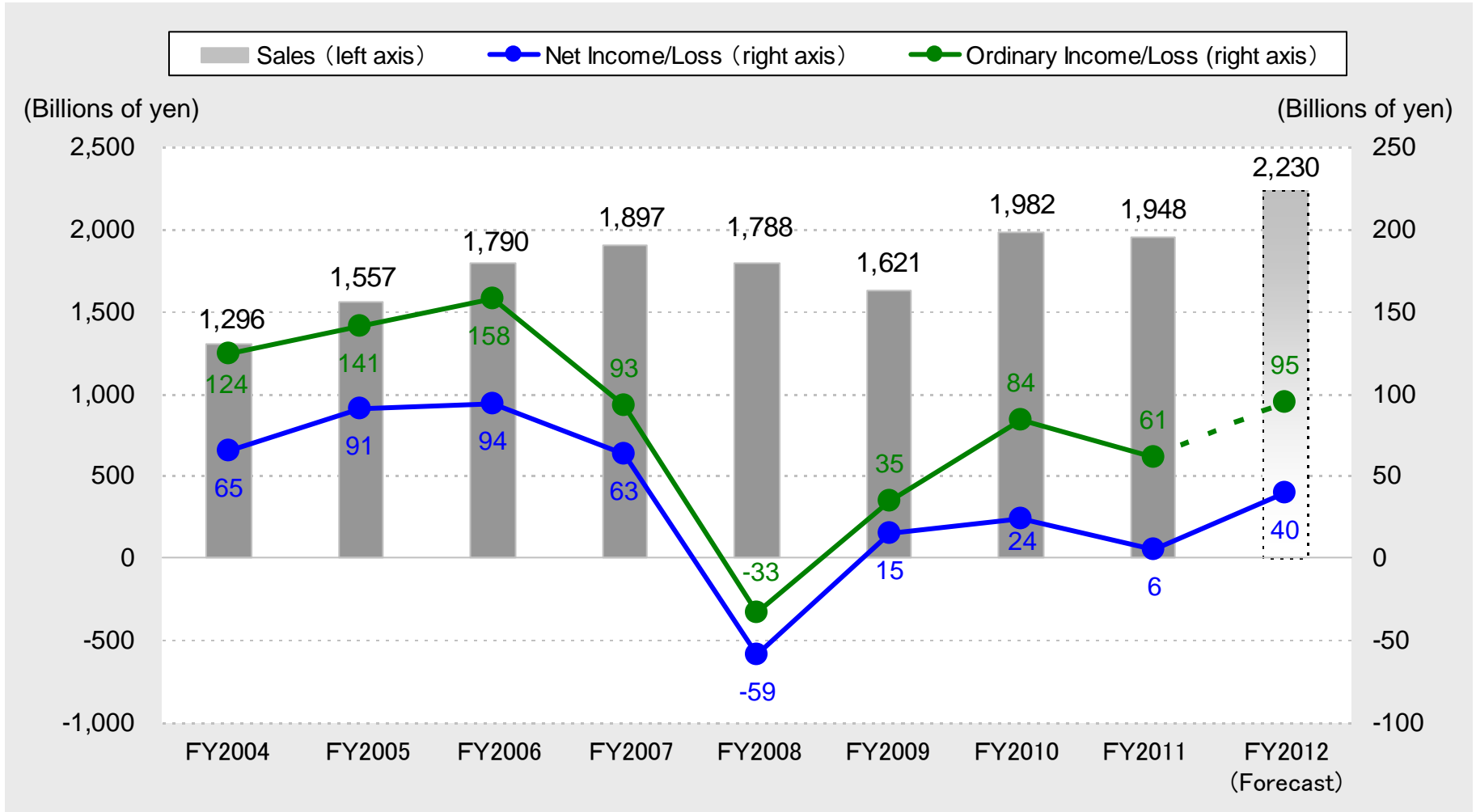
FY2011 Financial Results and Outlook for FY2012

(Billions of yen)

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Operating Income	60.7	90.0	+29.3
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Trends in Performance

Sales, Ordinary Income, Net Income



FY 2012 Outlook (comparison with FY 2012 targets)

(Billions of yen)

	FY 2012 (Target)*	FY 2012 (Forecast)	Major Factors for Differences in Profit
Sales	2,400.0	2,230.0	
Operating Income	190.0	90.0	<ul style="list-style-type: none"> • Significant fall in demand due to weak economy • Appreciation of the yen
Ordinary Income	220.0	95.0	
Net Income	140.0	40.0	
Naphtha Price	¥50,000/kl	¥65,000/kl	
Exchange Rate	¥90/US\$	¥82.5/US\$	

※Targets set in our three year corporate business plan

2. Current Management Priority Issues

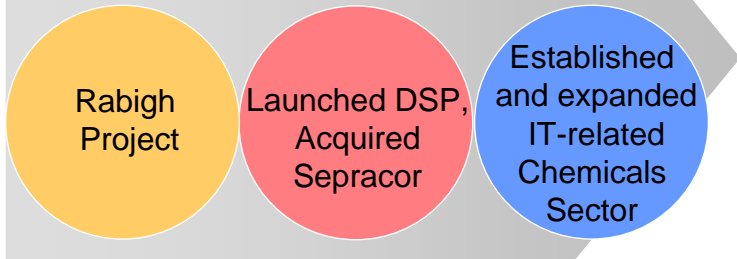


Current Management Priority Issues

Last 10 Years

Pave the way for future growth

(Tackle Three Management Priority Issues)



2 to 3 Years

Enhance financial strength

Improve profitability

Rigorously select investments

Improve asset efficiency

Next 10 to 20 Years

Development of New Businesses

Environment and Energy

Life Sciences

ICT

Globalization

Promote globally integrated management

2001

2011

2020~30

3. Enhance Financial Strength

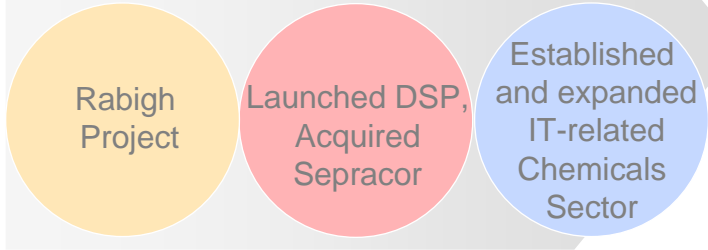


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2001

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Results Achieved in Major Projects

Three Management Priority Issues

Strengthen fundamentals of petrochemicals business

Gain critical mass in pharma business to achieve strong growth

Develop new core business

Major Projects

Implementation of Rabigh Project

Launch of Dainippon Sumitomo Pharma, acquisition of Sepracor in US

Establishment and expansion of IT-related Chemicals Sector

Investment

Approx. ¥166.0 bn
(equity investment and lending)
Total project cost \$10.1 bn

Approx. ¥219.0 bn
(increased shareholding and acquisition)

Approx. ¥355.0 bn
(cumulative capital expenditures in 10 years since inception)

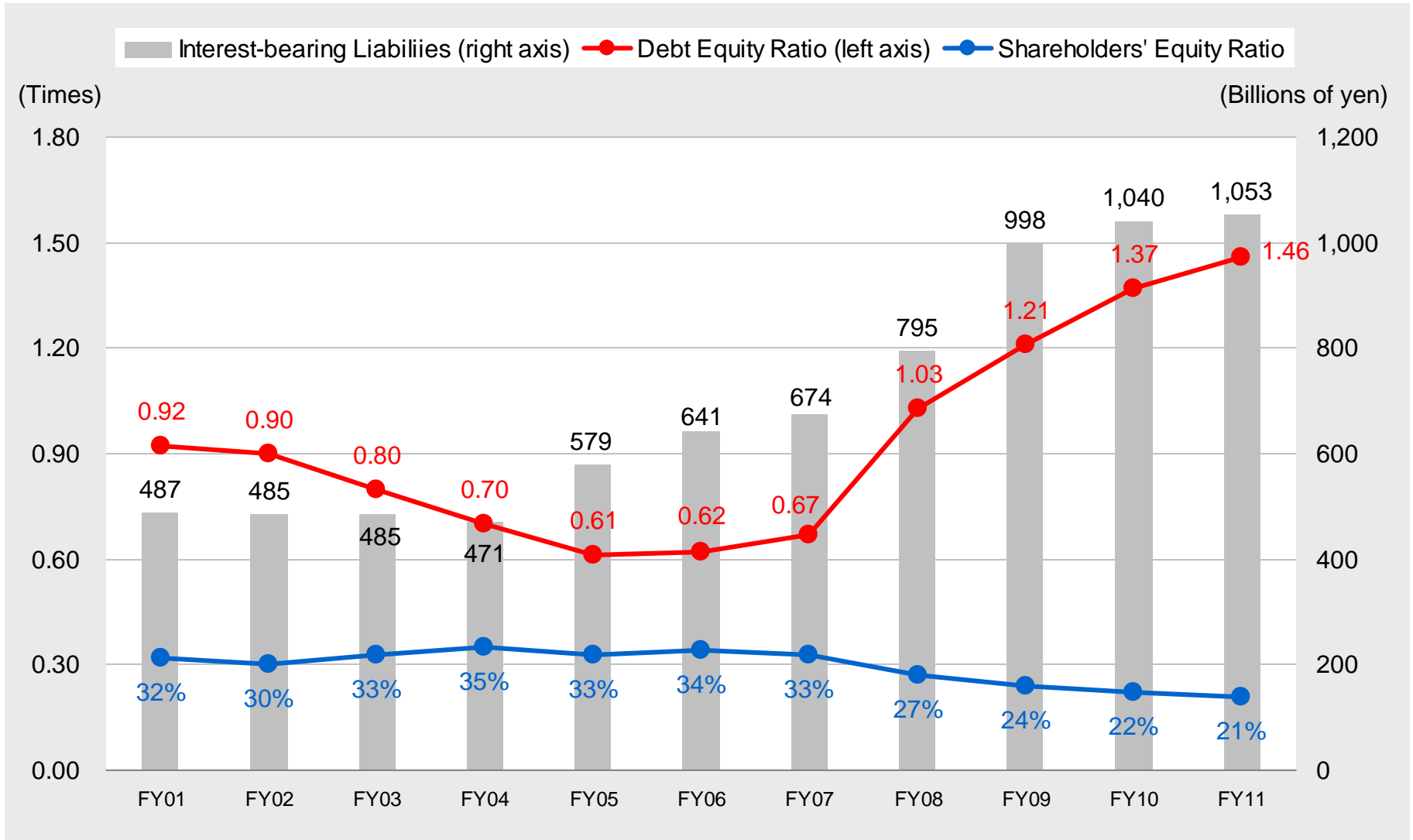
Results Sales (FY00→FY10)

Petrochemicals & Plastics Sector
(¥375.5 bn → ¥649.9 bn)

Pharmaceuticals Sector
(¥156.7 bn → ¥365.9 bn)

IT-related Chemicals Sector
(¥60.2 bn → ¥322.3 bn)

Trends in Financial Ratios



Enhance Financial Strength

Improve profitability

- Quickly maximize returns on major projects
- Restructure/exit unprofitable businesses
- Drastically reduce overhead costs
- Minimize sensitivity of earnings to currency fluctuations

Rigorously select investments

- Keep investment cash flows within the range of operating cash flows

Improve asset efficiency

- Reduce cash conversion cycle

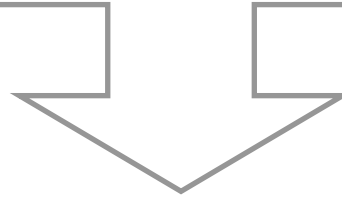
Enhance Financial Strength

<Financial target by the end of FY2015>

- Interest-bearing debt: under ¥900.0 billion
- Debt equity ratio: under 0.9 times

Secure greater strategic freedom to aggressively pursue growth opportunities

Increased corporate overhead costs to support the globalization of our operations (incl. research costs)



Cut overhead costs by 15 billion yen by fiscal 2015, a 15% reduction from fiscal 2011, with a particular focus on corporate overhead costs

Streamline research activities
(increase productivity)

Improve the efficiency of service functions
(through shared service and outsourcing of administrative functions)

Improve overall operational efficiency

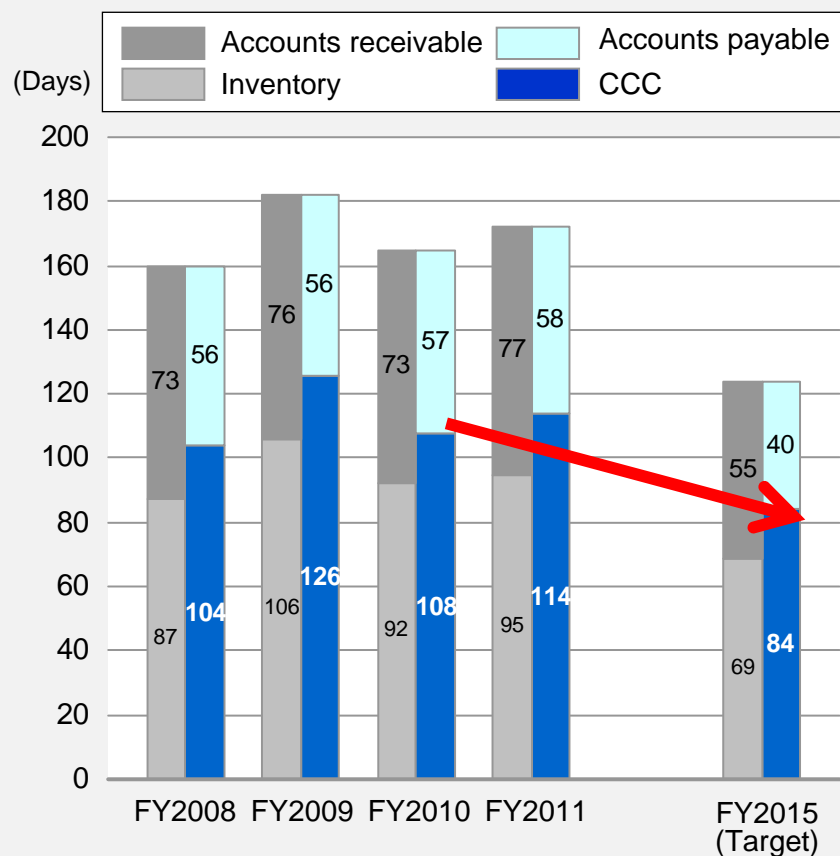
- **Expand overseas production**
 - **Better balance foreign currency denominated payables and receivables**
(e.g., by increasing US\$-denominated purchase of raw materials for products sold in US\$, such as polarizer film)
- 

Halve sensitivity of operating income to foreign exchange rate fluctuations from over 4 billion yen to over 2 billion yen per year for each one-yen movement against US\$

Improve Asset Efficiency: Reduce Cash Conversion Cycle (CCC)

$$\text{CCC} = \text{accounts receivable turnover} + \text{inventory turnover} - \text{accounts payable turnover}$$

CCC



Our initiatives

- Shorten accounts receivable terms
- Reduce and optimize inventory levels
- Extend accounts payable terms

Target

Reduce CCC by 25% from FY2010 level by FY2015

Estimated cash flow improvement between FY2011 and FY2015 resulting from these initiatives

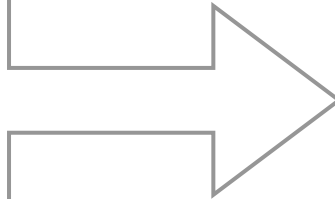
¥130 billion

Targets on Enhancing Financial Strength

Interest-bearing Liabilities

End of FY2011

¥1,053.0 billion



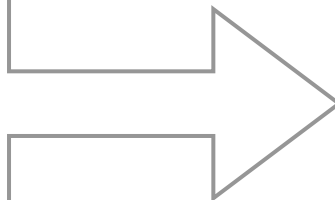
By the end of FY2015

Under ¥900.0 billion

Debt Equity Ratio

End of FY2011

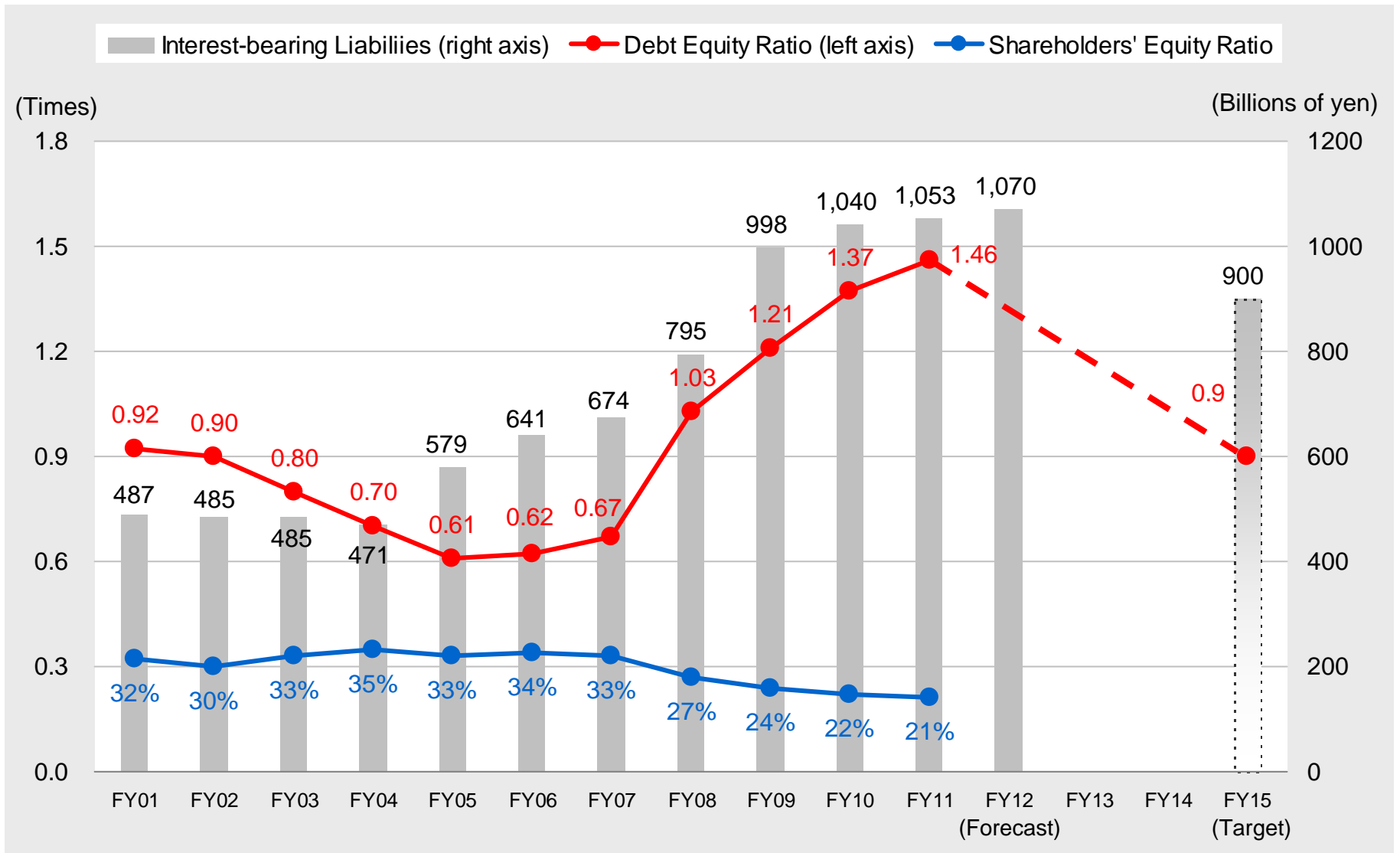
1.5 times



By the end of FY2015

Under 0.9 times

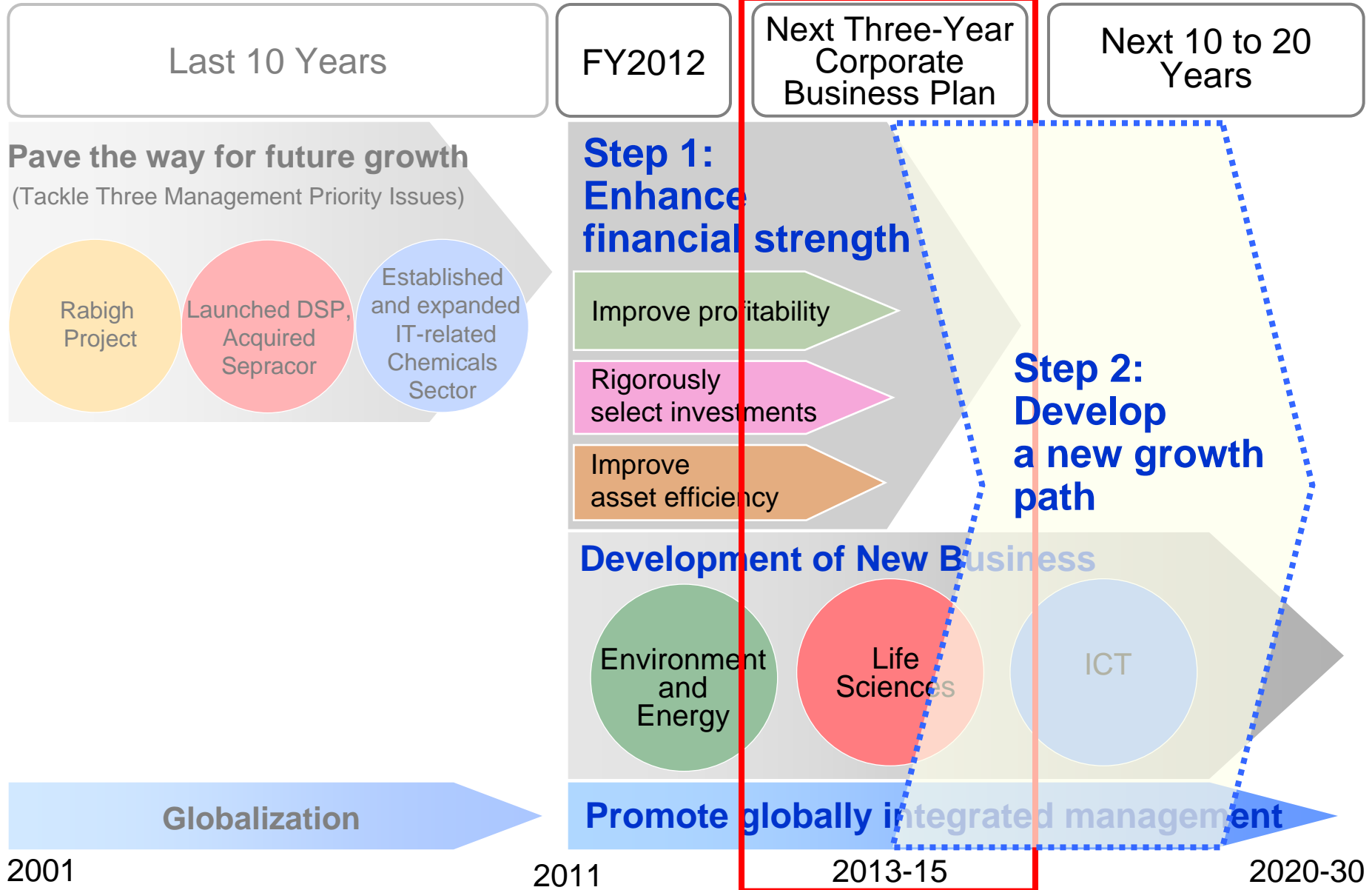
Trends in Financial Ratios



4. Framework for Our Next Corporate Business Plan



Framework for Our Next Corporate Business Plan



Framework for Our Next Corporate Business Plan

FY2012

Next Three-Year Corporate Business Plan

Future

Step 1: Enhance financial strength (short-term management priority issues)

Improve profitability

- Quickly maximize returns on major projects
- Restructure/exit unprofitable businesses
- Drastically reduce overhead costs
- Minimize sensitivity of earnings to currency fluctuations

Rigorously select investments

- Keep investment cash flows within the range of operating cash flows

Improve asset efficiency

- Reduce cash conversion cycle

Accelerate development of new businesses (medium- to long-term management priority issues)

Promote globally integrated management (ongoing management priority issues)

Step 2: Develop a new growth path

Focus resources on
high -growth area

Quickly establish new
businesses

Development of New Businesses (Medium- to Long-Term Management Priority Issues)



Promote Creative Hybrid Chemistry and Solution-Oriented Development

Contribute to the sustainable development of society

Environment
and
Energy

Life
Sciences

Information
and
Communication
Technology

Offer products that help solve global challenges = Develop new businesses

Combine and leverage six core technologies

High-
precision
processing

Design of
functional
organic
chemicals and
polymers

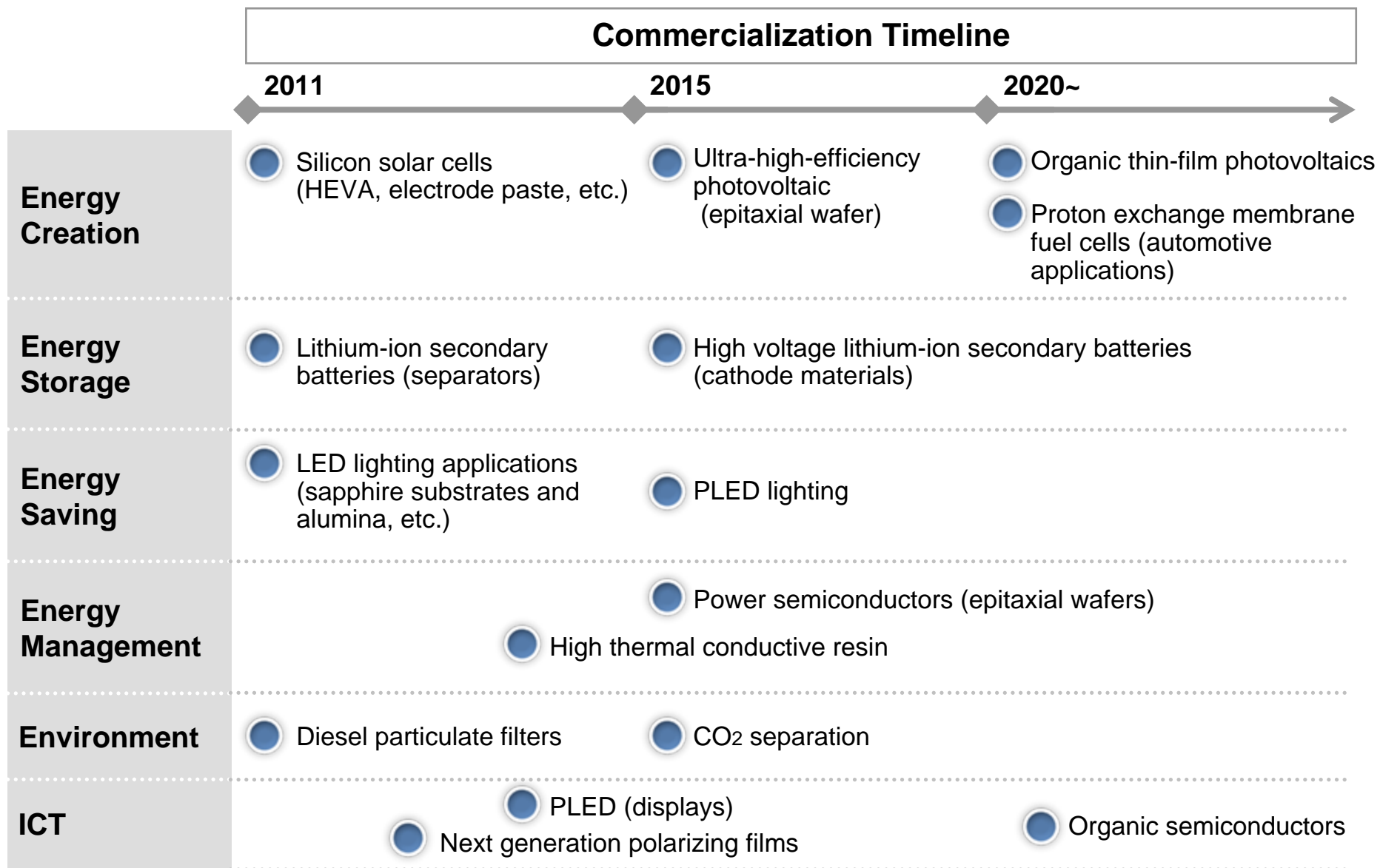
Design of
functional
inorganic
materials

Device
design

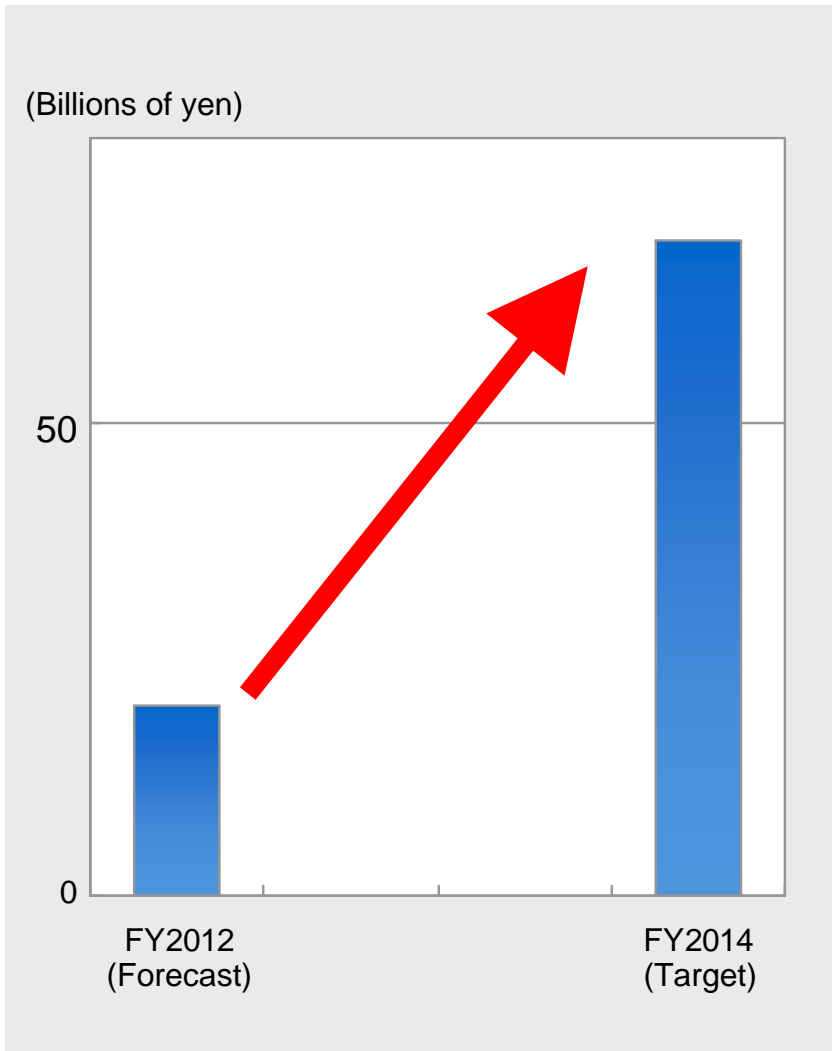
Genomics

Catalyst
design

Commercialization Timeline (Environment and Energy, ICT)



LATUDA Sales Projection in the US



Additional indications and expansion of markets

Schizophrenia

Canada: NDS submitted in June 2011

Japan: New Phase III study under preparation

China: IND submitted in September 2011

Europe: Phase III study underway

(Joint development with Takeda Pharmaceutical)

Schizophrenia (change of maximum dose)

US: sNDA submitted in June 2011

Approved in April 2012

Bipolar disorder (depression)

US: sNDA submitted in 2012

Approval of additional indication expected in 2013

Bipolar maintenance

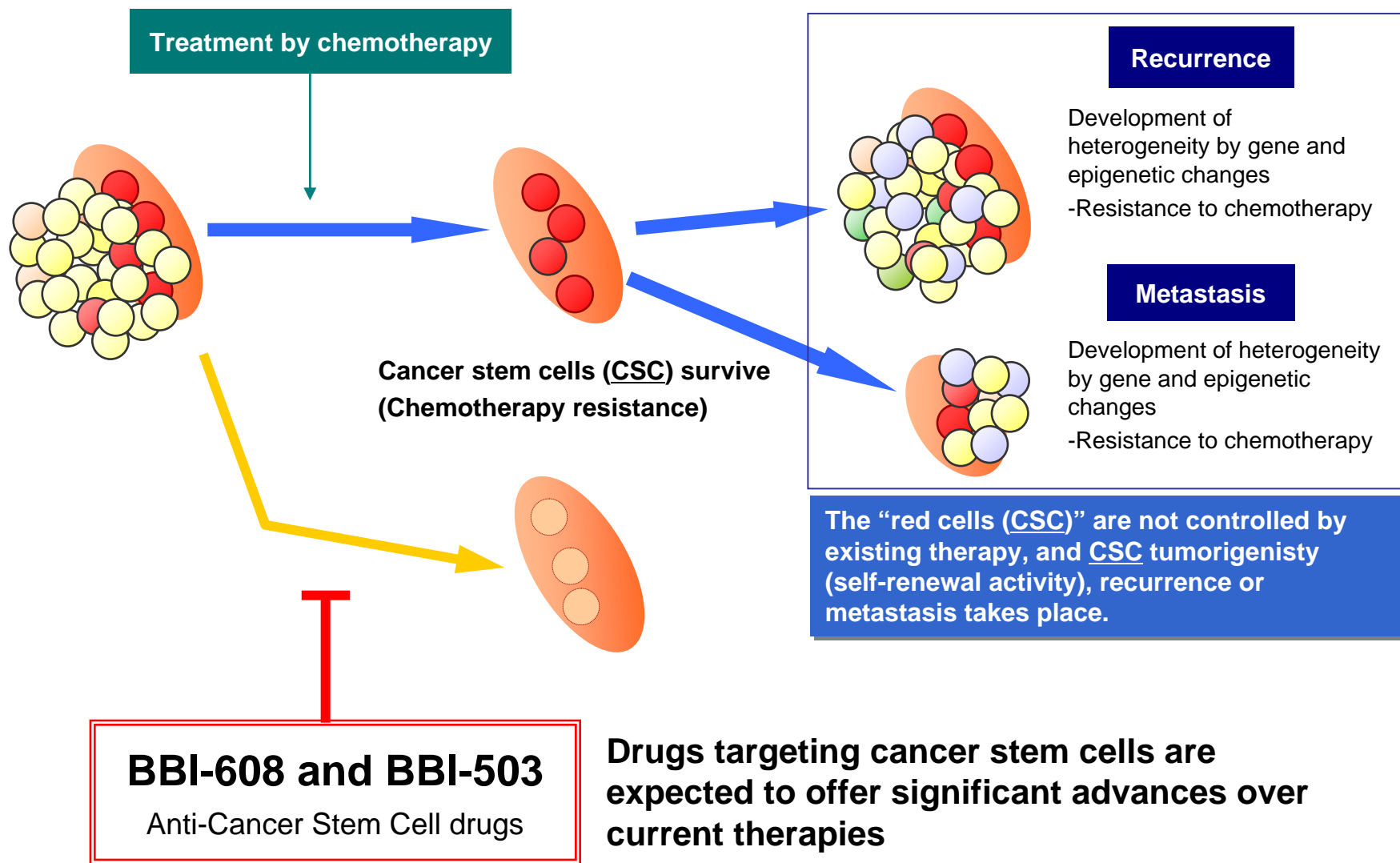
US, Europe and other:

Phase III studies to be initiated in 2Q 2011

MDD with mixed features

US: Phase III studies to be initiated in 2Q 2011

Life Sciences: Mechanisms of Action of BBI608 and BBI503



BBI608

- First-in class, Molecular Targeted Drugs (small molecular compound, Oral agent)
- Excellent efficacy in monotherapy and combination with chemotherapy by inhibiting both growth of tumor cells and maintenance of cancer stem cells
- Highly safe, easy-to-use with existing chemotherapy. No particular hematologic toxicity observed

BBI503

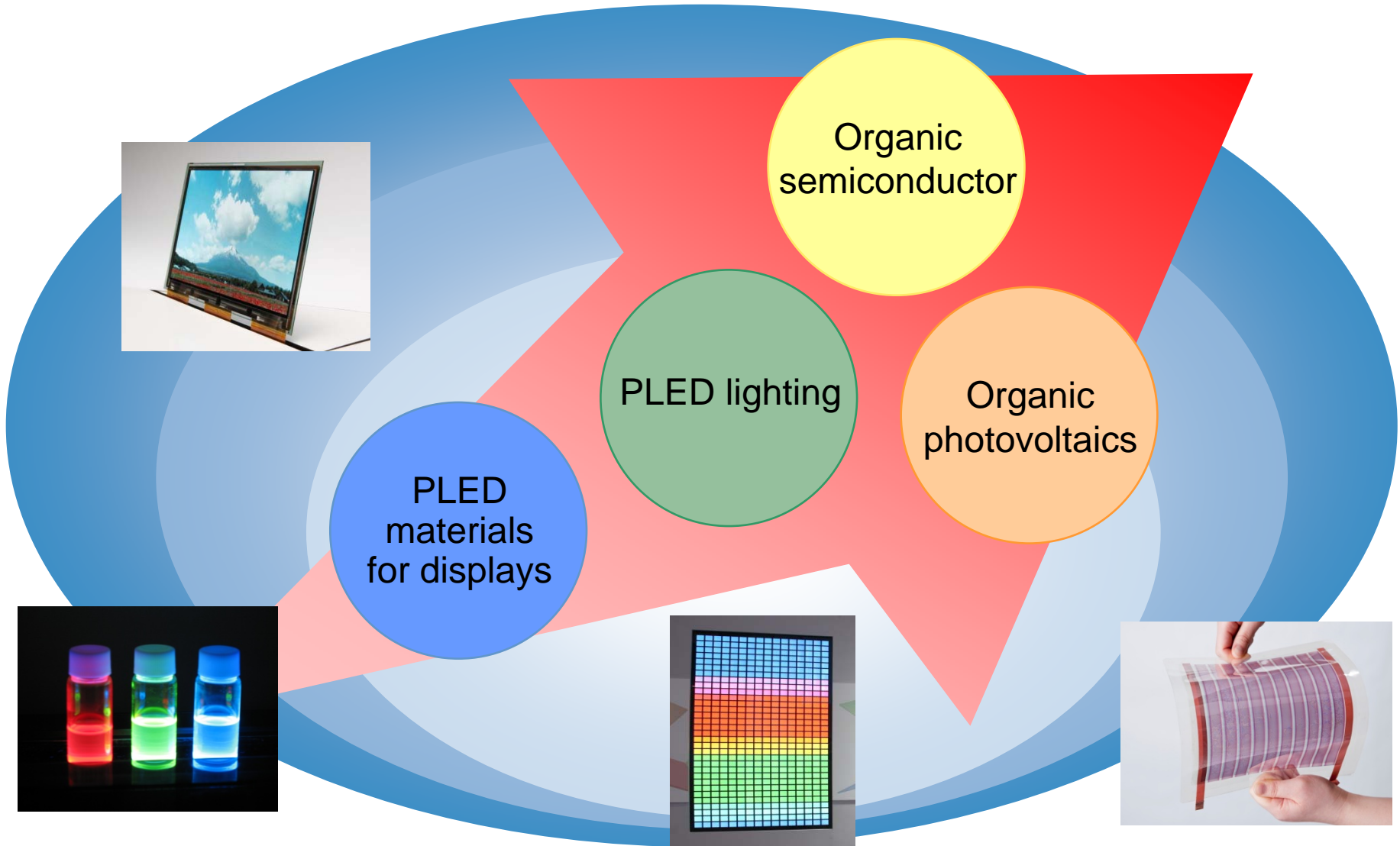
- First-in class, Molecular Targeted Drugs (small molecular compound, Oral agent)
- Excellent efficacy in monotherapy and combination with chemotherapy by inhibiting both growth of tumor cells and maintenance of cancer stem cells by the different mechanism to BBI608.
- Highly safe, easy-to-use with existing chemotherapy.

Product Target Indication

Product	Target Indication	Pre-clinical	Phase1	Phase2	Phase3
BBI608	Colorectal (2 nd /3 rd line, monotherapy)			P3 preparation	
	Colorectal (2 nd /3 rd line, combo)		P2 ongoing		
	Colorectal (1 st line, combo)	Pre-P1b			
	Solid tumor (2 nd /3 rd line, combo with Paclitaxel)		P1b/2 ongoing		
BBI503	Solid tumor (monotherapy)		P1 ongoing		

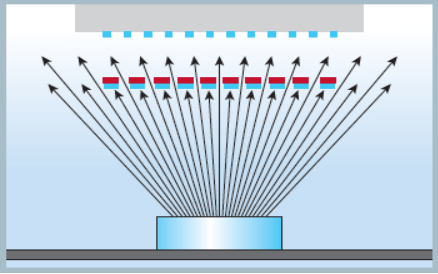
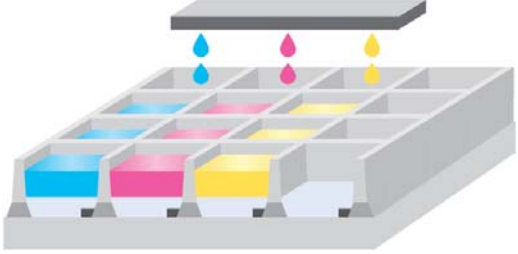
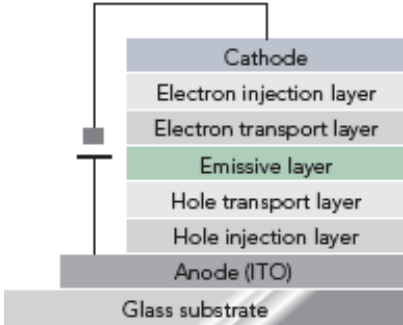
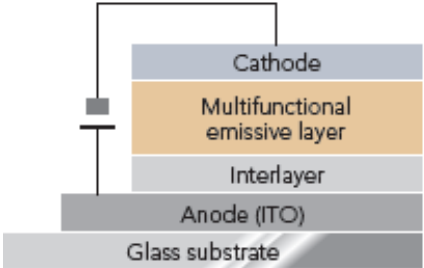
Predicted launch year 2015 (earliest)

Applications in Printed Electronics



PLED Materials for Displays

Production costs are lower with printable PLEDs because the equipment needed costs less and the production process is simpler.

	Small-molecule organic light emitting diodes (SMOLEDs)	Polymer light emitting diodes (PLEDs)
Manufacturing equipment	Vacuum deposition system equipped with multiple deposition chambers.	Applicable to various types of printing machines as needed <ul style="list-style-type: none"> • Inkjet printer • Slit die coater
Production process	Dry process Vacuum deposition method 	Wet process Printing method 
Structure of layers	Many layers 	Few layers 

Participation in “Light+Building” for the first time

Sumitomo Chemical’s exhibit, designed by Motoko Ishii, world-renowned Japanese lighting designer, will have panels with 60 subtle color variations, taking advantage of the ability of PLEDs to apply a spectrum of colors using a single-layer process



Date April 15 -20, 2012

Place Messe Frankfurt

Outline Light+Building is one of the world’s biggest trade fairs for lighting and intelligent buildings held every two years

Promote Globally Integrated Management (Ongoing Management Priority Issues)



Promote Globally Integrated Management

Basic Chemicals

Singapore

Increase methyl methacrylate production capacity

Poland

Studying investments in DPF production facilities

IT-related Chemicals

Korea

Built a touch sensor panel production facility

Built a sapphire substrate production facility

China

Built a supply chain

Pharmaceuticals

US

Launched LATUDA

Acquired BBI

Europe

License agreement with Takeda

Pharmaceuticals for the joint development and exclusive commercialization of lurasidone

Petrochemicals and Plastics

Singapore

Building a S-SBR production plant

Saudi Arabia

Studying Rabigh Phase II project

Health & Crop Science

Australia

Comprehensive business alliance with Nufarm

US

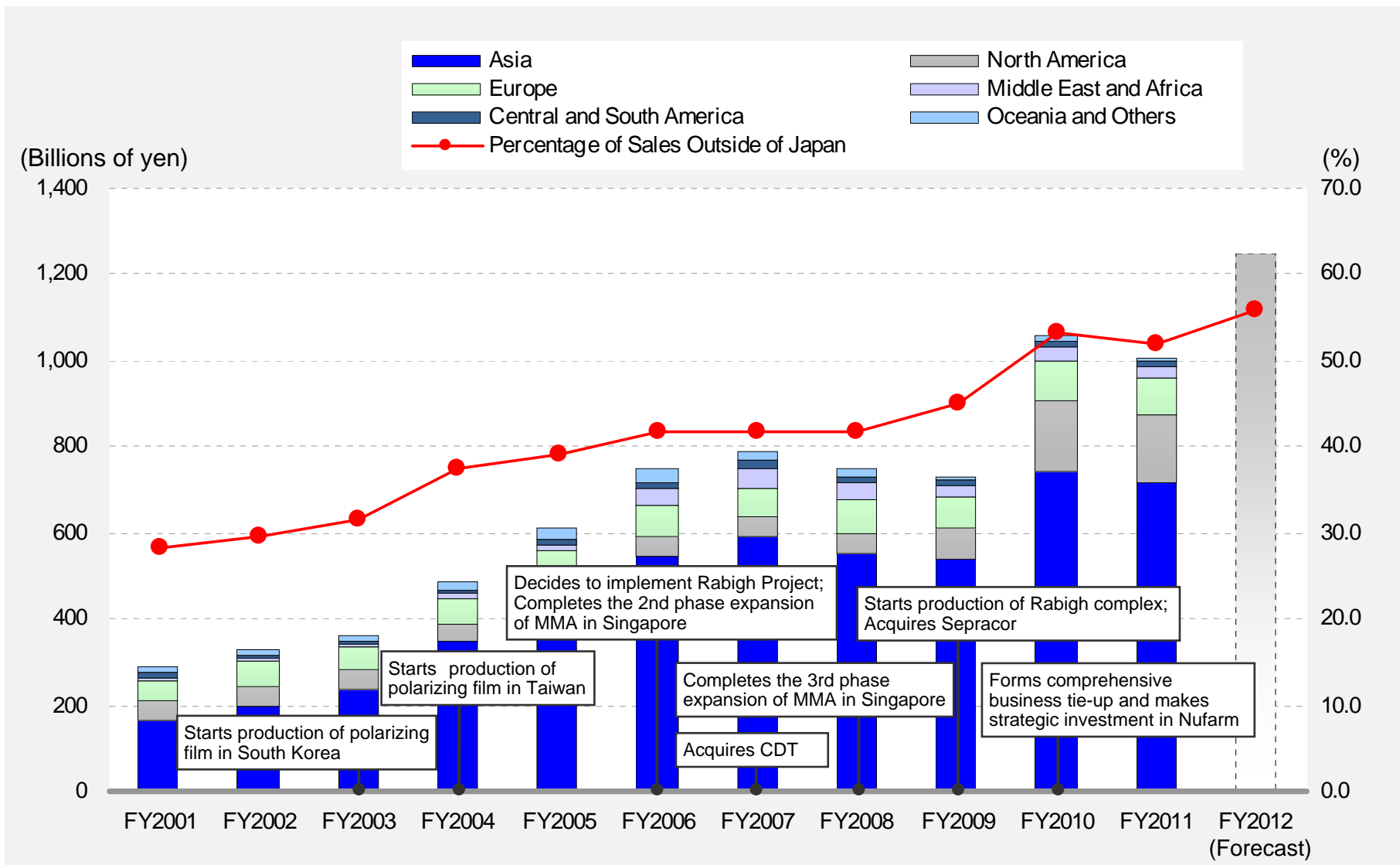
Collaboration with Monsanto

FY2011
40%

Overseas
Production

Globalization in the Last 10 Years

Percentage of overseas production in FY2011: 40%



Globalization

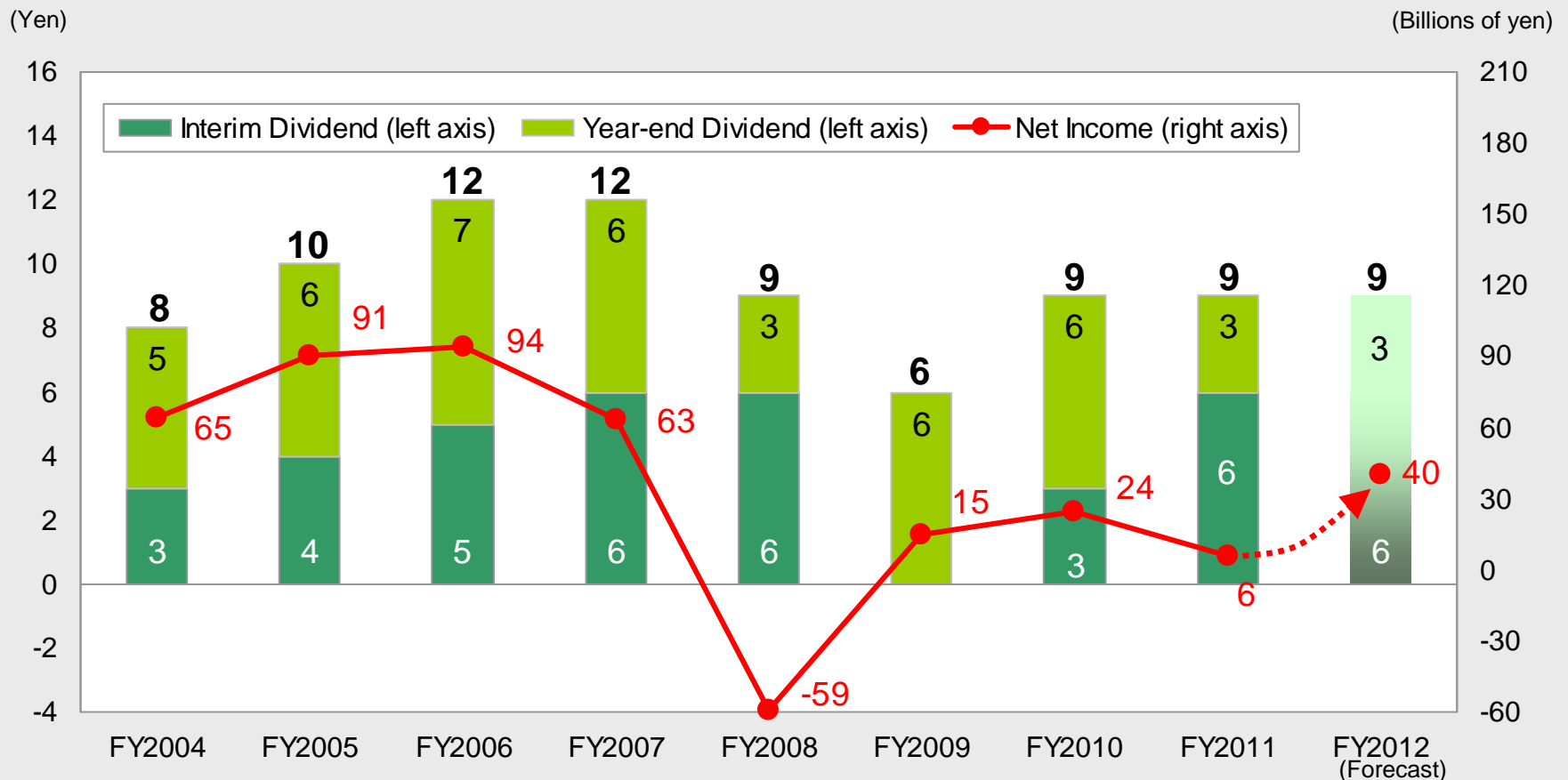
	FY2010	FY2011	FY2012 (Forecast)
Overseas sales to total sales	53%	52%	56%
Overseas production to total production	40%	40%	43%
Overseas headcount to total headcount	38%	39%	40%

5. Dividend Policy



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



Appendix- Overview of FY2011 Financial Results



Overview of FY2011 Financial Results

	FY2010	FY2011	Change
Sales	1,982.4	1,947.9	-34.6
Operating Income	88.0	60.7	-27.3
Equity in Earnings of Affiliates	10.8	2.0	-8.8
Ordinary Income	84.1	50.7	-33.4
Extraordinary Gains/Losses	-8.4	-26.8	-18.4
Income Taxes	-34.8	-8.3	+26.5
Minority Interests	-16.4	-10.1	+6.4
Net Income	24.4	5.6	-18.8
Naphtha Price	¥47,500/kl	¥54,900/kl	
Exchange Rate	¥85.74/US\$	¥79.08/US\$	
Dividend per Share	¥9/share	¥9/share	

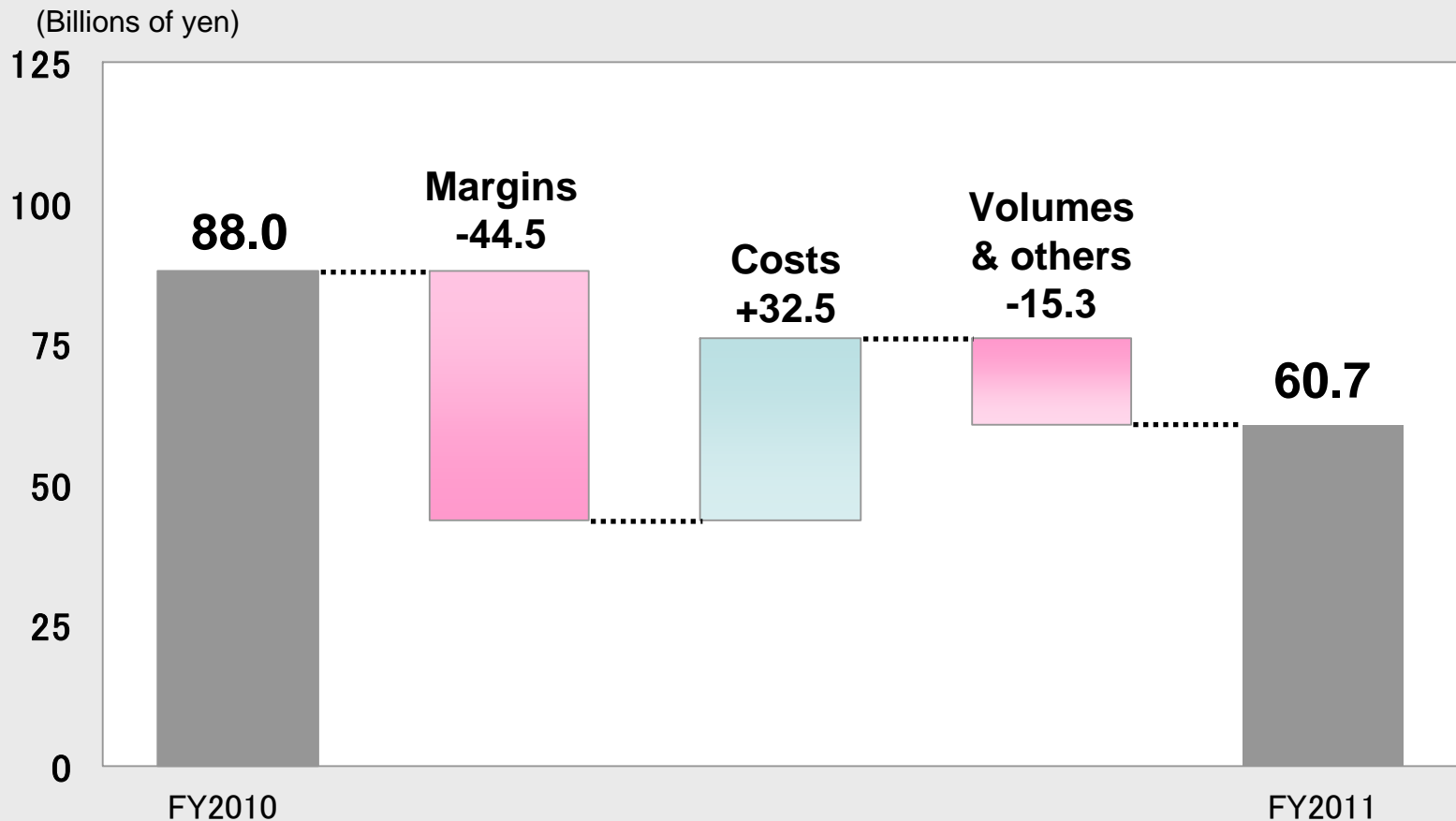
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IT-related Chemicals	322.3	293.1	-29.2	-33.5	+16.8	-12.5
Health & Crop Sciences	250.8	264.1	+13.3	0.0	+23.1	-9.7
Pharmaceuticals	410.6	380.5	-30.1	-	-19.9	-10.2
Others	46.6	53.4	+6.8	-	+6.8	0.0
Total	1,982.4	1,947.9	-34.6	+52.0	-23.6	-62.9
Sales Outside of Japan	1,056.7	1,009.0	-47.7			
Percentage of Sales Outside of Japan	53%	52%	-1%			

Change in Operating Income FY2010/FY2011

**FY2010 ¥88.0 billion → FY2011 ¥60.7 billion
(-¥27.3 billion)**



FY2011 Operating Income by Segment

(Billions of yen)

	FY2010	FY2011	Change	Major Factors for Changes in Profit
Basic Chemicals	20.6	9.3	-11.3	<ul style="list-style-type: none"> • Reduction in margins • Decrease in shipping volume
Petrochemicals& Plastics	11.1	6.2	-5.0	<ul style="list-style-type: none"> • Decrease in shipping volume
IT-related Chemicals	26.1	11.0	-15.2	<ul style="list-style-type: none"> • Decrease in sales prices of LCD-related materials
Health & Crop Sciences	23.3	26.5	+3.2	<ul style="list-style-type: none"> • Increase in shipping volumes
Pharmaceuticals	28.7	20.9	-7.7	<ul style="list-style-type: none"> • Decrease in licensing revenue
Others	-21.9	-13.2	+8.7	<ul style="list-style-type: none"> • Increase in sales of electricity due to under supply of electricity
Total	88.0	60.7	-27.3	

Forward-Looking Statements

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