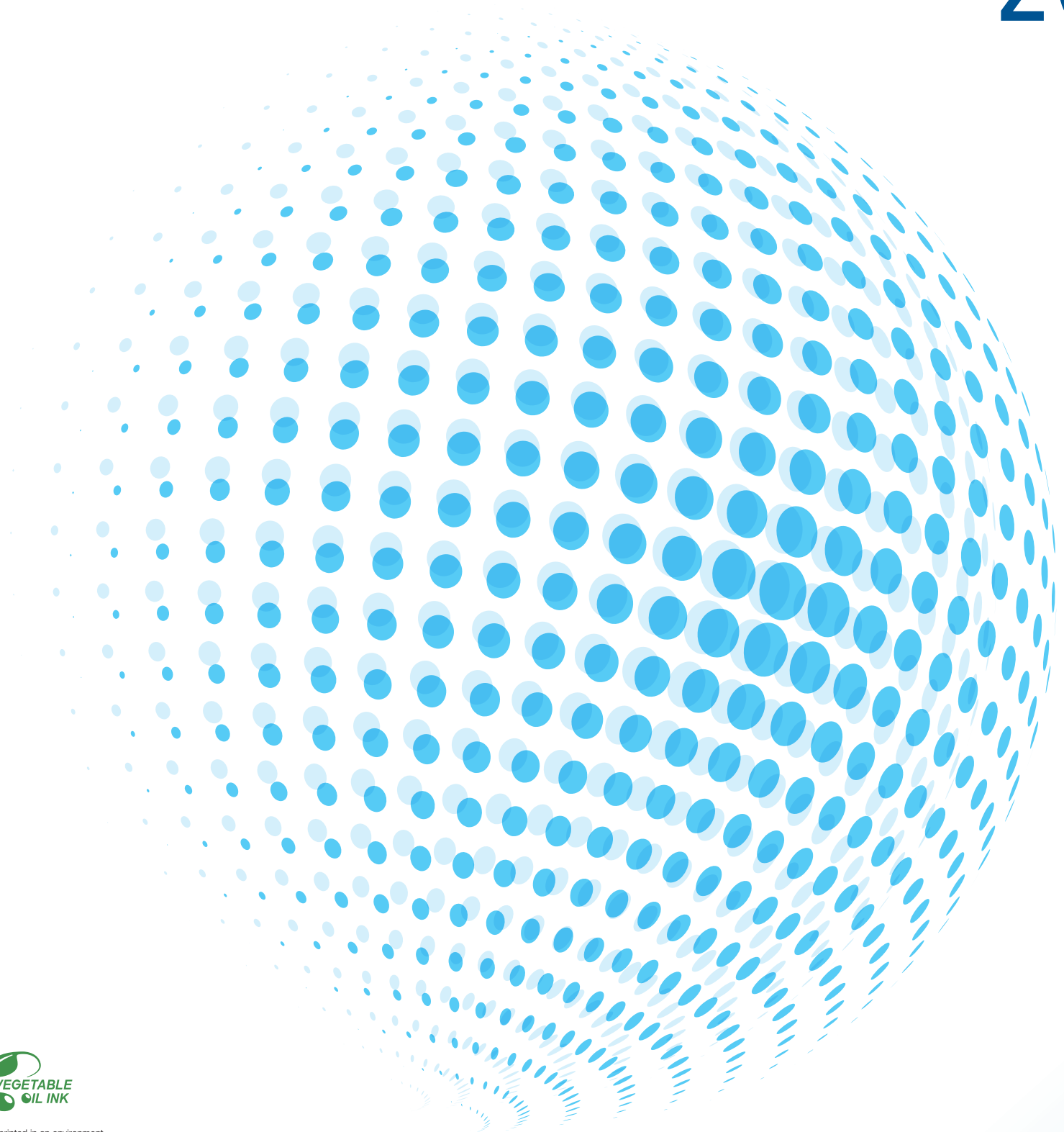




# Integrated Report Sumitomo Seika Report 2022



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## Sumitomo Business Spirit

### □ Business Principles

**Article 1.** Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

**Article 2.** Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

Article 1 emphasizes the importance of gaining trust of business partners and of society. Article 2 underscores the significance of having an enterprising spirit in seeking to generate profits while adapting to changes in society promptly and appropriately and, at the same time, making constant efforts to reform business. It also strongly admonishes us against acting imprudently in pursuit of speculative gains.

### □ “Jiri-Rita Koushi-Ichinyo”- Benefit Self and Benefit Others; Private and Public Interests Are One and the Same

This teaching states that Sumitomo’s business must benefit not only Sumitomo itself but also the nation and society. Sumitomo must always conduct business in harmony with the public interest and fulfill its corporate social responsibilities. This kind of attitude has been passed down among the companies of the Sumitomo Group to the present day.

## Corporate Mission

Following the Sumitomo Business Spirit, the Sumitomo Seika Group will contribute to the advancement of society by developing world class creative technologies in the field of chemistry and, based thereon, supplying unique, high quality products to people around the world.

## Purpose Statement

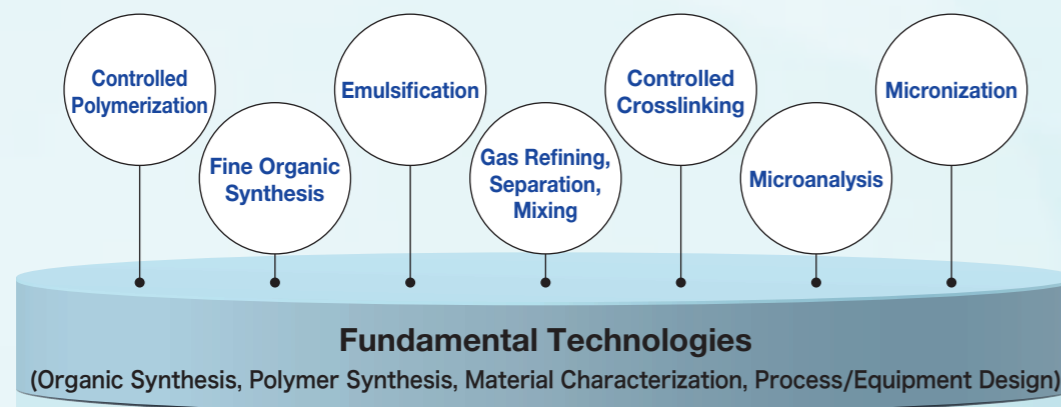


We will solve issues  
facing the earth and peoples’ lives  
through Sumitomo Seika’s “Chemistry”

The Company has formulated the following Purpose Statement as a message to its stakeholders about the Group’s commitment to society and also as the Group’s beacon for employees to nurture corporate culture under which all employees are united more closely than ever to take on whatever challenges lying ahead.

Sumitomo Seika’s “Chemistry”:

### ● Composed of our core technologies having distinctive advantages and uniqueness as below:



- Creates something new by fusing a variety of existing products or technologies.
- Figuratively means that our corporate culture makes it possible to create new things through people working together.

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## Editorial Policy

### ■ Standards referenced:

- Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines 2018
- Environmental Accounting Guidelines 2005

### ■ Reporting period:

- April 1, 2021 to March 31, 2022  
(includes some data on activities from April 2022 onward)

### ■ Scope:

- The Sumitomo Seika Group is a corporate organization that comprises Sumitomo Seika Chemicals Co., Ltd. (“the Company”) and its consolidated subsidiaries.
- Responsible Care performance data and employment-related data cover only the Company’s domestic sites. Figures for direct greenhouse gas emissions include overseas plants.
- The sections of the report entitled Company Profile & Financial Results (FY2021) include data on Japanese and overseas consolidated subsidiaries.

### ■ Scope of the third-party verification report:

To ensure the transparency and reliability of information included in this report, it undergoes third-party verification by the Japan Chemical Industry Association. The scope of this verification is all pages with the exception of financial information.

### ■ Reporting media:

- Integrated Report Sumitomo Seika Report 2022
- Fact Book
- Sumitomo Seika website

### ■ Notes on forward-looking statements:

As well as actual past and present information, this report contains a number of projections, forecasts, and plans. These reflect assumptions and judgments based on information available at the time, and so may be affected by various factors, such as future changes to the business environment.

# Top Message

Message from the PRESIDENT

OGAWA IKUZO, President



**We will solve issues facing the earth and peoples' lives through Sumitomo Seika's "Chemistry"**

## Introduction

The Sumitomo Seika Group's business operation is guided by its Corporate Mission, namely "Following the Sumitomo Business Spirit, the Sumitomo Seika Group will contribute to the advancement of society by developing world class creative technologies in the field of chemistry and, based thereon, supplying unique, high quality products to people around the world." Keeping to this Corporate Mission, we aim to play a part in solving issues facing the Earth and society at large through each and every employee engaging diligently in business activities with a clear sense of purpose.

For this reason, I am delighted to publish this Sumitomo Seika Report, our new and first comprehensive report, that describes, hopefully in a clearly understandable manner, the Group's basic policy of corporate management, value creation processes, business strategies, business performance, initiatives for the environment, society, and governance (ESG), among other things. It is our earnest desire that the Report will help to promote constructive dialogue with our stakeholders and lead to further enhancement of our corporate value. Your candid opinions and comments will be most appreciated.

## Progress in the Current Medium-Term Business Plan

For the current three-year Medium-Term Business Plan (FY2020 - FY2022), the Sumitomo Seika Group identified three initiatives, i.e. "Transforming Business Structures," "Strengthening R&D," and "Proactive Investment in Development Products", aiming to lay a foundation for a great leap forward in FY2023 and beyond.

I would like to share with you as below the progress of our respective initiatives.

### 【 Transforming Business Structures 】

When we drew up the current Medium-Term Business Plan, the Super Absorbent Polymers (SAP) Segment was in serious difficulties,

as worldwide oversupply intensified a price competition, compelling some of our fellow producers to seek opportunities for organizational restructuring. Against this backdrop, we have been working to transform the structure of our SAP business through streamlining the business thoroughly in its entirety in an effort to stay competitive. For example, we closed down old and small-scale production facilities and undertook large-scale revamping of plant equipment to reduce variable costs and enhance productivity. The commencement of work for the equipment revamping has been behind schedule at multiple overseas operational bases due to impacts of the COVID-19 spreading. Owing to soaring raw material and fuel prices, however, the revamping project is likely successful in reducing variable costs more than originally expected. We intend to complete the revamping by the end of FY2024 and will also look into further possibilities of streamlining elsewhere.

The Electronics Gas Segment is experiencing strong sales. In South Korea, we have completed the construction of a new facility for high-purity carbon monoxide (CO), demand for which is expanding as 3D-NAND flash memories are growingly made up of more layers of memory cells. This new facility is scheduled to start commercial production by the end of the current fiscal year. We are also ramping up production capacity for other types of electronics gas in Japan and abroad to meet growing demand likewise.

Effective June 24 this year, we made an organizational change for business sectors. The Functional Chemicals Segment and the Gases & Engineering Segment were integrated to establish a new business arm, the Functional Materials Segment. The new Segment involves a broad range of fields, including healthcare, lifestyles, the environment and energy, and electronic materials. We will seek to maximize its earning power and growth potential by examining in depth an expected future direction of each business field and focusing corporate resources on growth businesses.

### 【 Strengthening R&D, and Proactive Investment in Development Products 】

We have seen progress in launching a newly developed

deodorant-grade SAP and in developing an SAP whose water absorption per unit weight is improved with a new technological concept incorporated. Meanwhile, for the development of new products in the electronic materials field and energy field, we have decided to revise our original investment plans to better cater to the ever-advancing requirements of the market.

### 【 Financial Forecast 】

During the current fiscal year, raw material prices and logistics costs grew significantly higher than our initial assumptions. On the other hand, our financial situation was bolstered by adjustments in product selling prices in response to the rising costs and substantial benefits from the weakening of the yen. As a result, we forecast our operating income for the fiscal year, which marks the last year of the ongoing Medium-Term Business Plan, to overshoot the original estimate of 8.0 billion yen by approximately 3.0 billion yen.

## Initiatives to Address Challenges for 2030

### 【 Material Issues 】

In 2018, we established the Sumitomo Seika Group's Mission for Corporate Social Responsibility (CSR) to declare its commitment to contribute to the development of a sustainable society through its business while tackling the UN's Sustainable Development Goals (SDGs), which address global issues of common concern. As the sustainability of the global environment and society is of growing importance, we worked to give shape to how we will go about contributing to the achievement of the SDGs by defining Material Issues for our Group, namely issues of high priority in our management challenges. Specifically, our management team held a series of discussions while conducting employee awareness surveys and soliciting comments from External Directors. As a result, we came up with a set of six Material Issues for the Group earlier this year, which are "Ensure Access to Sanitation, Healthy Lives and Better Quality of Life," "Ensure Access to Affordable, Reliable and

Sustainable Energy," "Build Resilient Infrastructure and Foster Technology Innovation," "Ensure Sustainable Consumption and Production Patterns," "Promote Gender Equality," and "Achieve Carbon Neutrality." Specific KPIs for assessing progress in initiatives for each Issue and their target levels are shown in this Report's Value Creation Process section. In addition, we have selected the five items of "Occupational Safety & Health & Disaster Prevention," "Environmental Protection," "Respect for Human Rights," "Legal & Ethical Compliance," and "Employee's Health and Job Satisfaction" as integral elements of the "Foundations to Support Business Continuity." We are firmly determined to continue unabated efforts to solidify these business foundations.

### 【 Purpose Statement 】

It is by no means an easy task for the Sumitomo Seika Group to tackle the Material Issues and achieve target KPIs as we move toward 2030, when the world is supposed to achieve the SDGs. For a single company to create any form of value for society, a strong desire to realize such value must come from within. From this viewpoint, we have formulated our Purpose Statement not only to convey our commitment to stakeholders, but also to cultivate a workplace climate that inspires members of the Group to be united closely and take on difficult challenges together. The Statement reads, "We will solve issues facing the earth and the lives of people through the chemistry of Sumitomo Seika." By sharing this Statement within the Group, our employees will be able to raise their awareness of the common purpose we aspire to fulfill. We also believe that our employees will become strongly aware that the shared purpose is closely connected to the specific businesses they perform, by sending out the Statement themselves outside of the company whenever possible. With members of the Group working ever more closely with each other and attending to their duties in unity under one common purpose, we are determined to differentiate Sumitomo Seika from others in the marketplace and realize a sustainable business growth for the Group into the future.



#### 【 Initiatives to Achieve Carbon Neutrality 】

In March 2022, we established Sumitomo Seika's Carbon Neutrality Policy, which sets targets to "reduce greenhouse gases (GHG) emitted by the Group in Japan by 46% or more by 2030 (vs. 2013)" and "achieve carbon neutrality by 2050." To fulfill these targets, we will make continued efforts to save energy consumption and streamline production processes as well as to develop CO<sub>2</sub> separation and recovery technology and expand lines of products that are conducive to the environmental preservation. In line with this policy, we set up the Carbon Cycle Society Task Force in July 2022 to commence concrete initiatives across the Group. In parallel with these initiatives, we will disclose climate-related risks and opportunities and our governance around them in accordance with the framework of recommendations developed by the Task Force on Climate-related Financial Disclosures (TCFD).

#### New Medium-Term Business Plan

The Sumitomo Seika Group has drawn up a new Medium-Term Business Plan for years through the end of FY2025. This new three-year Plan has four pillars, i.e. "Build Resilient Business Structure," "Reap Fruits of Research & Development," "Promote Thorough Streamlining," and "Boost Sustainability Initiatives." Our initiatives for each of the four pillars are outlined below.

#### 【 Build Resilient Business Structure 】

In the Super Absorbent Polymers Segment, the Company is working to increase production by improving existing facilities to meet a growing market demand, which is conspicuous particularly in Asia. Sales volume, however, is expected to exceed the production capability of the existing facilities during the period of the new Medium-Term Business Plan, so that the Company envisages

constructing a new production facility in due course of time. With respect to the Functional Materials Segment, the Company will invest vigorously in the further expansion of the electronics gases business, and at the same time will accelerate the shift to a business portfolio that will ensure generating high profitability well into the future by thoroughly examining the direction for each of the Segment's businesses to take and re-evaluating the allocation of management resources to the businesses in a flexible manner.

#### 【 Reap Fruits of Research & Development 】

As far as the Super Absorbent Polymers Segment is concerned, efforts will be enhanced to bring onto market those of new products that are already in good progress for development. For the energy and electronic materials fields where we fell short of the targets under the current Medium-Term Business Plan, the Company will strictly select priority projects, focus resources on them, and keep tracking the progress of the individual projects thoroughly so that relevant R&D activities will be conducted more speedily. Furthermore, with the aim of contributing to the achievement of carbon neutrality, the Company will work on, among others, the development of PSA method-based separation and recovery technology for low concentration CO<sub>2</sub> and recycling technology for Super Absorbent Polymers products recovered from used disposable diapers.

#### 【 Promote Thorough Streamlining 】

As far as the Super Absorbent Polymers Segment goes, during the course of the new Medium-Term Business Plan, the Company will complete the ongoing work at its overseas facilities to improve rates of raw materials and utilities consumption as well as to enhance production capability and will make the economic benefits of such improvement visible. We will also strive to explore possible themes

## We will contribute to the realization of a sustainable society by implementing the New Medium-Term Business Plan steadily.

for further streamlining and bringing them into practice. The Functional Materials Segment plans to undertake similar streamlining. On top of those, as part of the Company-wide productivity enhancement initiatives that have been underway, the Company will work on various projects, such as streamlining business processes through a renewed ERP system, deployment of internal best practices to various departments, boosting of productivity by digital technology-based innovation of production activities, and the further acceleration of R&D.

#### 【 Boost Sustainability Initiatives 】

Initiatives to realize sustainability through business activities, particularly those to achieve carbon neutrality, should be self-organized and unceasing over the long term. To this end, the Company will energetically work to establish appropriate internal systems and procedures and promote programs of education and training so that every employee will deeply understand the Group's policies to follow and challenges to take up in promoting sustainability initiatives and be motivated to carry out daily work with a clear sense of purpose. Through these efforts, we intend to achieve KPIs for SDGs-related Material Issues by 2030.

#### 【 Management Targets 】

Our financial targets for FY2025 are net sales of 160.0 billion yen (up 8% from the forecast for FY2022), operating income of 12.0 billion yen (up 9% from the forecast for FY2022), and net income of 8.5 billion yen (down 6% from the forecast for FY2022). Our policy is to maintain a robust financial position by targeting a debt-equity ratio of 0.2 or below at the end of FY2025, while making investments wherever necessary without hesitation. For shareholder return, our most important management priority, we have set a new target payout ratio of 30% or higher. With this policy, we intend to achieve the financial targets for the new Medium-Term Business Plan, aiming to increase return to our shareholders.

#### Safety Management

We consider "Occupational Safety & Health & Disaster Prevention" as one of the elements constituting the "Foundations to Support Business Continuity", which is indispensable for the Sumitomo Seika Group to stay in business. If we look at our occupational safety records for FY2021, we regretfully had three accidents with lost working days (including one that occurred at a contractor company), thus failing to reduce the number of such accidents to zero. We take this result very seriously. We will ensure again that internal rules on safety be strictly observed, by going back to our fundamental policy on safety management, namely, "Prioritizing safety over everything else." In addition, we will make sure that chemical substances we handle are examined and tested for safety without fail to understand their risks and make our findings available to parties concerned both within and outside the company. By doing so, we will continue our

endeavor to minimize impacts of our chemical substances on people and the environment for their entire life cycle, from research and development to final disposal.

#### Corporate Governance

We are working to increase the effectiveness of our Board of Directors in order to strengthen corporate governance. In FY2021, we made major revisions to certain issues, such as the selection of successors to senior management positions and their competency development and the strengthening of supervisory and monitoring functions of the Board after transitioning to a Company with Supervisory Committee. As a result, we believe that our Board's effectiveness has advanced at least in terms of strengthening human resources development for the next-generation management of the Company, fortifying management monitoring functions by way of enhancing the reporting to the Board and stimulating related Q&A sessions, and promoting prompt management decision-making. We will continue to pursue initiatives that will drive the Group's sustainable growth further.

#### Transformation of Organizational Climate and Enhancement of Employee Engagement

Given the recent increasingly uncertain business environment and significant changes in employees' perceptions about work styles due to the Government-led work style reform as well as consequences of the COVID-19 prevalence, it is now a pressing and vital issue, in our view, to transform our organizational climate and thereby enhance employee engagement. We will therefore take various measures to increase employee engagement, including not only revising or implementing more effectively the Company's personnel system, but also every member of the management team, including me, taking initiatives in holding candid and healthy communication with employees more frequently on occasions of daily work.

#### Working Toward the 80th Anniversary of Foundation

Sumitomo Seika Chemicals Company will celebrate the 80th anniversary of its foundation in 2024, which falls on the second year of the new Medium-Term Business Plan. With this in mind, we will re-double our efforts to contribute to the realization of a sustainable society by implementing the new Business Plan steadily and fulfilling KPIs for material issues one by one. Furthermore, setting an eye on the year 2044, our first centennial, we will keep challenging ourselves to grow into a company that will play a greater role in solving issues facing the Earth and society, such as carbon neutrality. The continued support of our stakeholders will be sincerely appreciated.

# Management Strategies New medium-term management plan (FY2023-2025)

## 1 Plan Overview: Consolidated performance targets(FY2025)

Fiscal 2022 (Estimate)		Fiscal 2025 Target	
Net sales	¥148 billion	Net sales	¥160 billion
Operating income	¥11 billion	Operating income	¥12 billion

Plan assumes the following: 1 CNY = 19.5 JPY  
1 USD = 135 JPY  
Price of naphtha = 70,000 JPY per 1,000 liters

## 2 Company-wide Initiatives

### Reap Fruits of Research & Development

Net sales of new products in fiscal 2025 (ratio to net sales)	Cumulative R&D expenses for FY2023-25 (ratio to net sales)
¥21.5 billion (13%)	¥9 billion (1.9%)

Help to achieve carbon neutrality by developing technologies such as those that can separate and recover CO<sub>2</sub> in low concentrations or recycle super absorbent polymers

### Promote Thorough Streamlining

#### Renew the ERP system and improve the business process

Build the ERP system (SAP S/4HANA) for scheduled start of operation in August 2023

#### Deploy Internal best practices throughout the Group

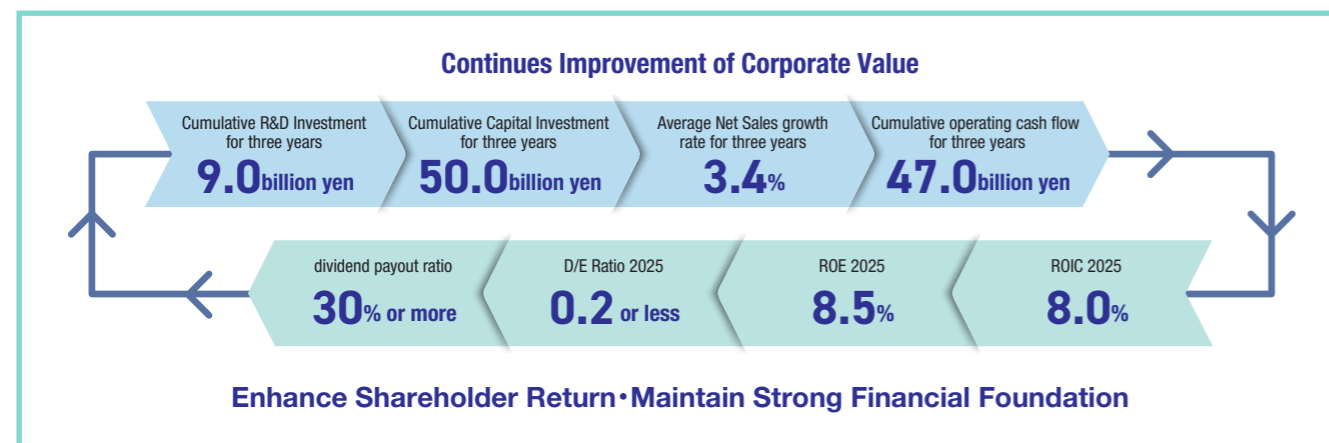
Share internal best practices across the Group and deploy them to other departments

#### Boost Productivity by Innovation of Production Activities and Further Accelerate R&D, Based on Digital Technology

- Analyze/utilize manufacturing data to stabilize quality and reduce losses, and consider automation of off-line business
- Utilize digital technologies to accelerate R&D and develop human resource

### Boost Sustainability Initiatives

- Work toward six areas of materiality, including the achievement of carbon neutrality (monitor progress via KPIs)
- Collaborate with stakeholders in the supply chain and elsewhere
- Put in place a sustainability promotion system, and enlighten and educate employees about company-wide policies and issues faced
- Train personnel via proactive investment in human capital, such as in reskilling or supporting independent learning



## 3 Business Strategies

### Super Absorbent Polymers

Fiscal 2022 (Estimate)	Fiscal 2025 Target
Net sales ¥109.7 billion	Net sales ¥120 billion
Operating income ¥6 billion	Operating income ¥7.5 billion

### Build Resilient Business Structure

Build super absorbent polymer facilities to respond to market growth, particularly in Asia

#### Forecast for the hygiene materials market

Global growth rate: 4-5% (Estimate)  
(children: approx. 3%; adults: approx. 8%)

#### Ramp-up Plan

- Locations: Anticipated to be in Asia
- Production capacity: 66,000 tons per year  
(Total company-wide production capacity: 511,000 tons per year)
- Start of operations: Scheduled for the first half of 2025

### Reap Fruits of Research & Development

#### Launch of new products (development under progress)

#### Consideration for the environment and safety

- Launch SAP that help to reduce waste and consumption of materials
- Develop/supply safer and more secure products in response to trends in chemical substance control

#### Adding more value to products

- Add functions for specific applications, such as deodorization
- Customize products based on regional/customer preferences and applications

Net sales of new products in fiscal 2025(ratio to net sales)

¥18.5 billion (15%)

### Promote Thorough Streamlining

Completion of manufacturing process improvement work and visualization of its effect  
Investigation and implementation of measures toward further rationalization

- Materialize the effect on planned projects (approx. JPY3.0 billion) by FY2025 by improving overseas bases. Introduce improved process to the new facility scheduled to open in 2025.
- Also, add to the effect by examining/implementing more streamlining measures, such as improvement of manufacturing process that contributes to reduction in CO<sub>2</sub> emission intensity.

### Functional Materials

Fiscal 2022 (Estimate)	Fiscal 2025 Target
Net sales ¥38 billion	Net sales ¥40 billion
Operating income ¥5 billion	Operating income ¥4.5 billion

Further business expansion for electronics gases

Focused investment in growth fields

#### Electronic materials

Continue building supply system in response to the growing demand

##### Expansion Plan

- Products: high-purity CO, high-purity SO<sub>2</sub>, dichlorosilane, etc.
- Locations: existing plants in Japan and South Korea
- Start of operations: 2023-2024 (one by one)

#### Environment and energy

Continue to develop a system to supply battery materials to cater to rising demand

#### Medicine and lifestyles

Maintain market share, promote thorough streamlining  
Continue safe, stable operations  
Projected withdrawal from certain parts of the business

Concentrate resources on key areas to accelerate development in the energy and electronics materials fields

#### Electronics materials

Develop materials for next-generation semiconductors

#### Energy

Develop electrolyte additives for new lithium-ion batteries

Net sales of new products in fiscal 2025(ratio to net sales)

¥3 billion (8%)

Thorough streamlining of existing products

# Sumitomo Seika's Path of Value Creation

The Sumitomo Seika Group was founded in 1944 as a manufacturer and seller of fertilizers. Later, as the fertilizer industry suffered upheaval, the company switched its main focus to industrial chemicals. Since that time, we have used our technical foundations to push forward research and development, and now we have expanded our business lines to include absorbent polymers and functional materials.

## 1944

### Founding During Wartime and Contributions to Post-War Recovery

Moving forward by increasing production of fertilizer to contribute to food production during the post-war reconstruction period.



## '60s

### Period of Reform Accompanying Business Transformation

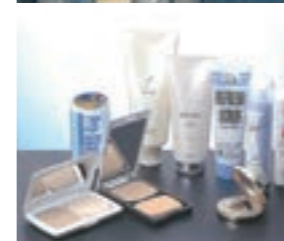
Starts new development in the areas of industrial chemicals, standard gas, and polymers with the aim of diversifying top-level management operations.



## '80s

### Establishment of Business Foundation

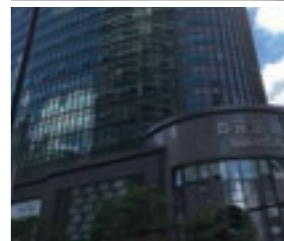
Drawing on accumulated technical capabilities and sales capabilities, development begins in business areas of fine chemicals, functional resins, and semiconductor gases.



## 2000s~

### Achievement of Further Growth

Proactive overseas investments to accelerate global expansion in the areas of super absorbent polymers and semiconductor gases.



## '50s

### Period of Change Accompanying Industrial Transformation

Implements production increases and streamlines ammonia and urea production to respond to a transition phase in the fertilizer industry.

## '70s

### Budding of Core Businesses

With new businesses achieving significant growth, promotes efforts to strengthen business foundations for the future.

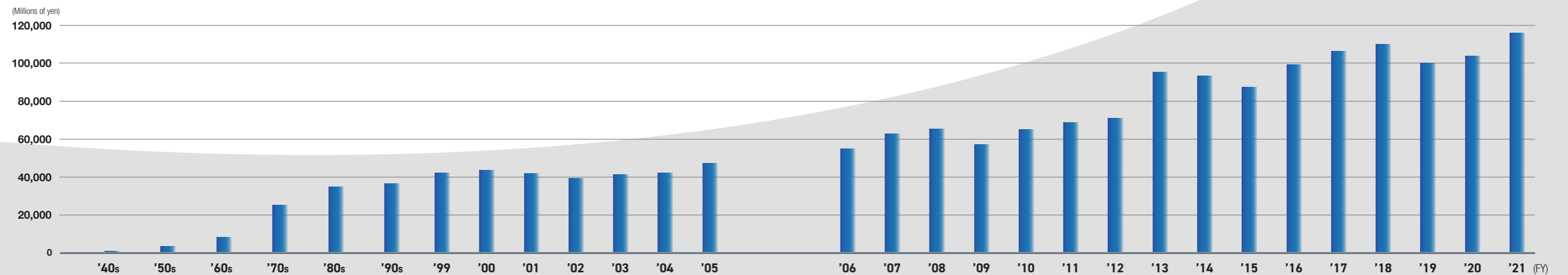
## '90s

### Start of Global Expansion

Started overseas operations amid rapid expansion of super absorbent polymers business.

## Net Sales Transition from the Beginning of Establishment

\*1 Figures for 1944–1998 are unconsolidated, those for 1999 onward are consolidated.  
\*2 Figures for the decades up to the 1990s are an average for the ten-year period.



# Sumitomo Seika's Value Creation Process



We will solve issues facing the earth and peoples' lives through Sumitomo Seika's "Chemistry"

Sustainable growth via the utilization of management resources

## Inputs (FY2021)

## Sumitomo Seika's Strategies and Outputs

## Outcomes

**Global production network**

**Manufacturing capital**

Production sites in Japan: **3**  
(Himeji, Befu, and Chiba)

Production sites overseas: **6**  
(Singapore, Taiwan, South Korea (2), France, and China)

**Core technologies**

**Intellectual capital**

Controlled polymerization  
Emulsification  
Controlled crosslinking  
Micronization  
Fine organic synthesis  
Gas refining, separation, and mixing  
Microanalysis  
R&D expenses: **¥2.628 billion**

**Personnel diversity**

**Human capital**

Number of employees (consolidated): **1,384**

Proportion of R&D employees: **14.6%**

Proportion of female employees: **18.6%**

Proportion of overseas-born staff: **19.4%**

**Robust financial foundations**

**Financial capital**

Net assets: **¥81.905 billion**

Equity ratio: **64.9%**

**Social capital**

Communication with stakeholders

Number of bases overseas: **11**

Overseas sales ratio: **74.4%**

**Natural capital**

Energy consumption (crude oil equivalent): **81,052<sub>kl</sub>**

Water consumption (excl. seawater used for cooling): **4.97 million m<sup>3</sup>**

Raw material consumption: **252,000 tons** and **2.377 million Nm<sup>3</sup>**

\*Of the above, only energy consumption includes consumption at our head offices.

**FY2021**

Net sales: **¥115.6 billion**

Operating income: **¥8.1 billion**

ROE: **7.8%**

Transforming business structures

**Super Absorbent Polymers**

- Focusing on high-value-added products
- Promoting streamlining

**Functional Chemicals**

- Prioritized allocation of management resources
- Accelerating market launch for products under development

**Gases & Engineering**

- Developing new products for the electronics industry

Strengthening of R&D

Proactive investment in development products

**FY2023-25**

**Build Resilient Business Structure**

- Build new super absorbent polymer manufacturing facilities
- Further expand our business in electronics gases

**Reap Fruits of R&D**

- Launch new super absorbent polymer products
- Accelerate development in the energy and electronics materials fields
- Develop technologies such as those able to separate and recover CO<sub>2</sub> in low concentrations or recycle super absorbent polymers

**Promote Thorough Streamlining**

- Produce effects through streamlining of the super absorbent polymers business
- Promote thorough streamlining of existing functional materials products
- Apply digital technologies

**Boost Sustainability Initiatives**

- Tackle areas of materiality (manage progress via KPIs)
- Collaborate with stakeholders
- Establish a sustainability promotion system
- Train personnel through active investment in human capital

**FY2025 Target**

Net sales: **¥160 billion**

Operating income: **¥12 billion**

ROE: **8.5%**

**KPIs**

- Net sales of QOL-related products: **¥125 billion**

- SAP production growth: **15%** (compared to FY2022 levels)

- Net sales of energy-saving products: **¥14 billion**

- R&D expenses (ratio to net sales): **1.9%**

- Net sales of new products: **¥21.5 billion**

- Proportion of female managers (Domestic sites only): **12%** (10%)

- Uptake of paternity leave (Domestic sites): **50%**

- GHG reductions (Domestic sites: Scopes 1 & 2): **22%** (compared to FY2013 levels)

**FY2030**

Business growth: **6%**

ROIC: **10% or above**

ROE: **10% or above**

**KPIs**

- Net sales of QOL-related products: **¥140 billion**

- SAP production growth: **30%** (compared to FY2022 levels)

- Net sales of energy-saving products: **¥30 billion**

- R&D expenses (ratio to net sales): **2.0-2.5%**

- Net sales of new products: **¥40.0 billion**

- Proportion of female managers (Domestic sites only): **17%** (15%)

- Uptake of paternity leave (Domestic sites): **100%**

- GHG reductions (Domestic sites: Scopes 1 & 2): **46%** (compared to FY2013 levels)

**Materiality**

Ensure Access to Sanitation, Healthy Lives and Better Quality of Life	Ensure Access to Affordable, Reliable and Sustainable Energy	Build Resilient Infrastructure and Foster Technology Innovation	Ensure Sustainable Consumption and Production Patterns	Promote Gender Equality	Achieve Carbon Neutrality
<b>Foundation to support business continuation</b>			Environmental Protection	Occupational Safety & Health & Disaster Prevention	Employee's Health and Job Satisfaction
Legal & Ethical Compliance	Respect for Human Rights				

### For People



Comfortable society where everyone can live in good health and with peace of mind

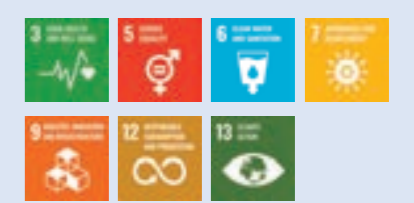
- Contributing to healthy, comfortable lifestyles for people of all ages
- Adapting to "smart society"

### For Environment



Contribution to a circular economy

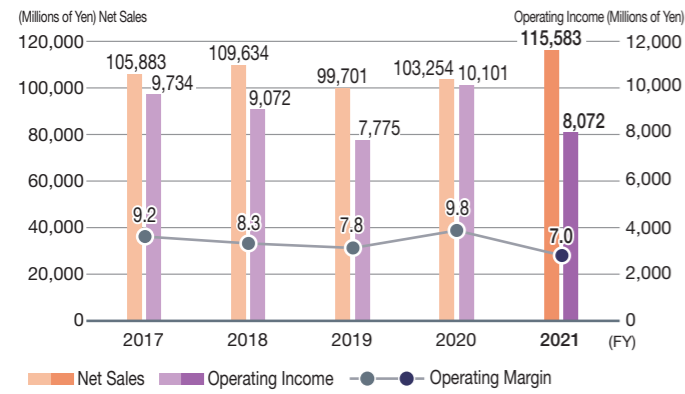
- Shifting to environmentally friendly products
- Helping with cleaning the atmosphere
- Lowering environmental impacts



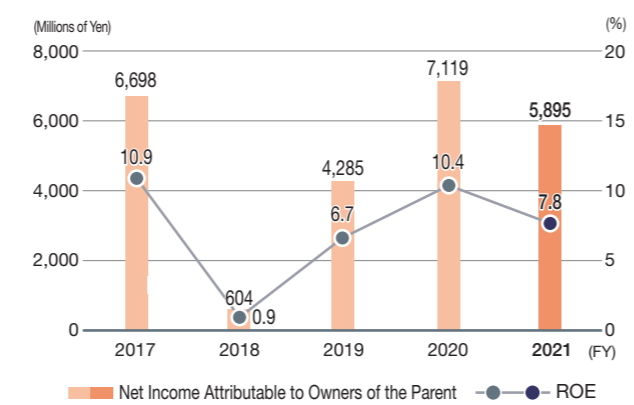
# Financial and Non-Financial Highlights

## Financial Highlights

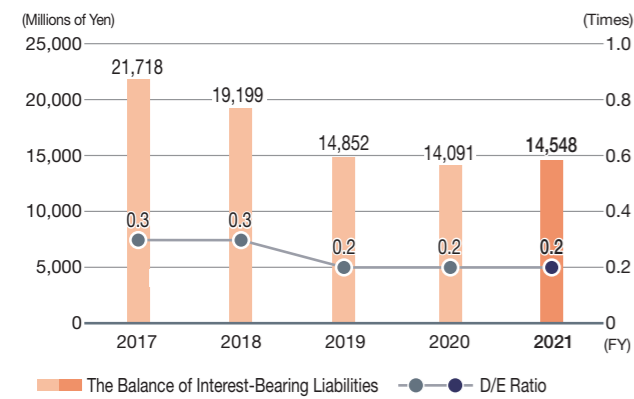
### Net Sales / Operating Income / Operating Margin



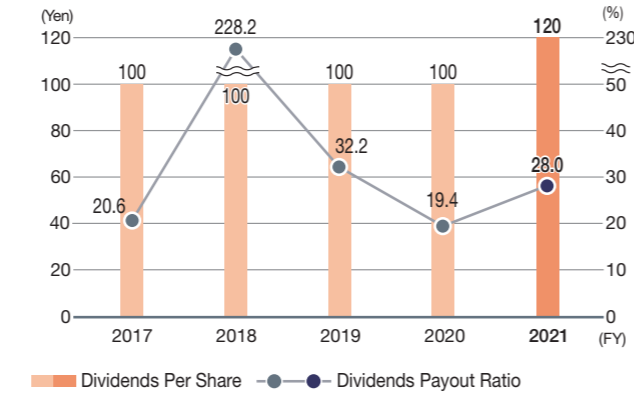
### Net Income Attributable to Owners of the Parent / ROE



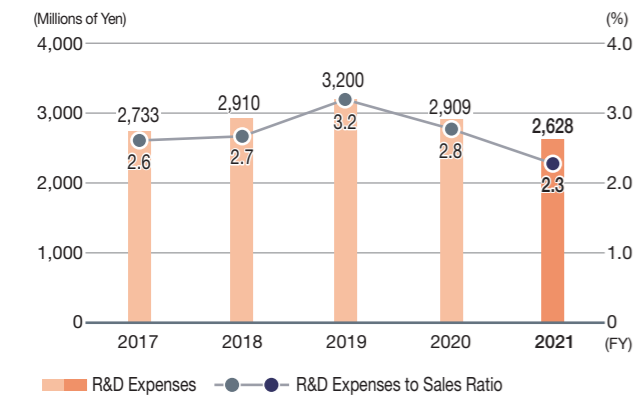
### Balance of Interest-Bearing Liabilities / D/E Ratio



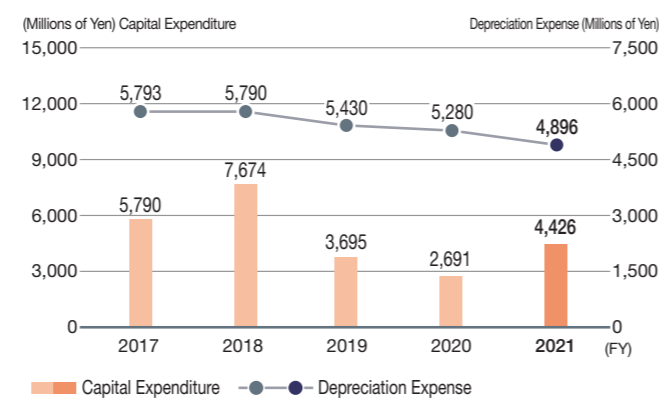
### Dividends Per Share / Dividends Payout Ratio



### R&D Expenses / R&D Expenses to Sales Ratio

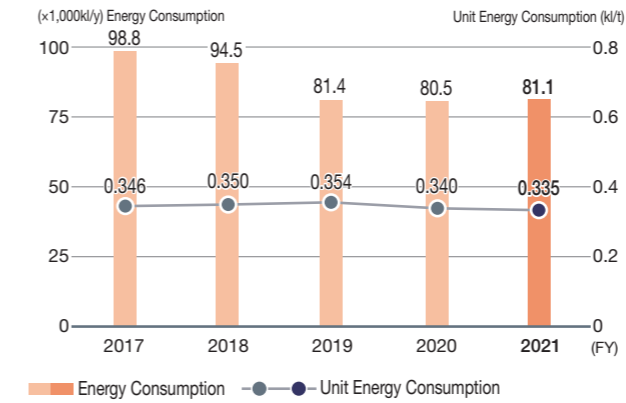


### Capital Expenditure / Depreciation Expense

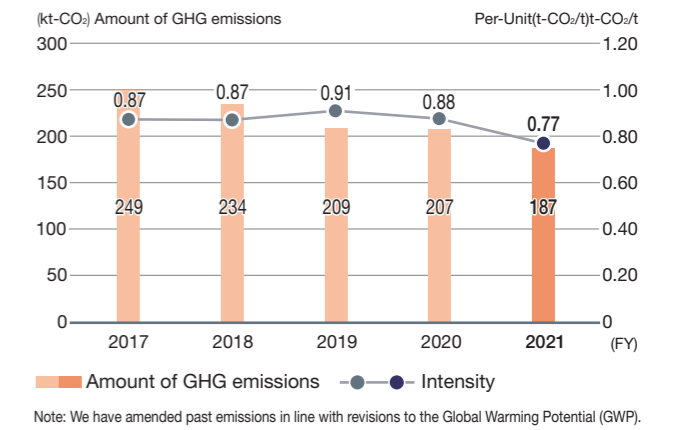


## Non-Financial Highlights

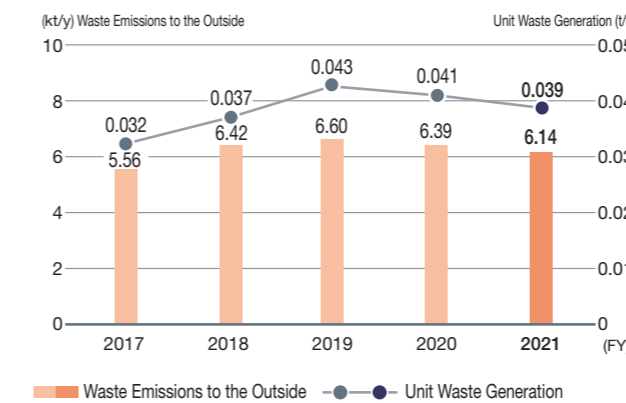
### Trend of Energy Consumption (Energy Consumption / Unit Energy Consumption)



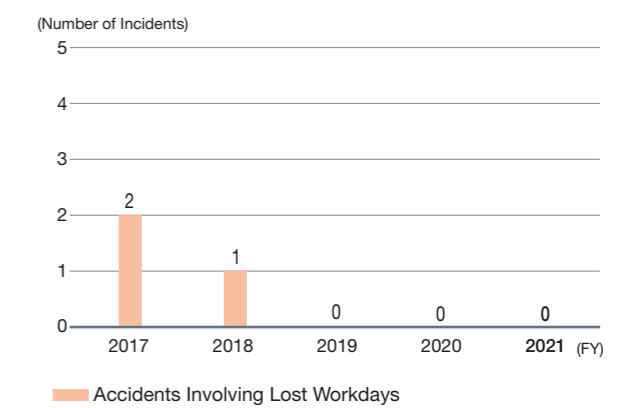
### Amount of GHG emissions / Per-Unit



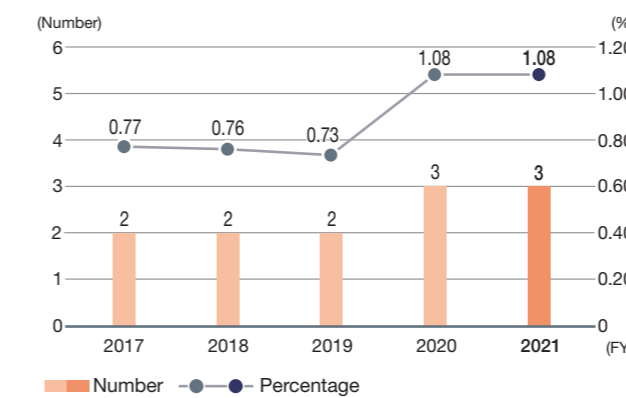
### Waste Emissions to the Outside / Unit Waste Generation



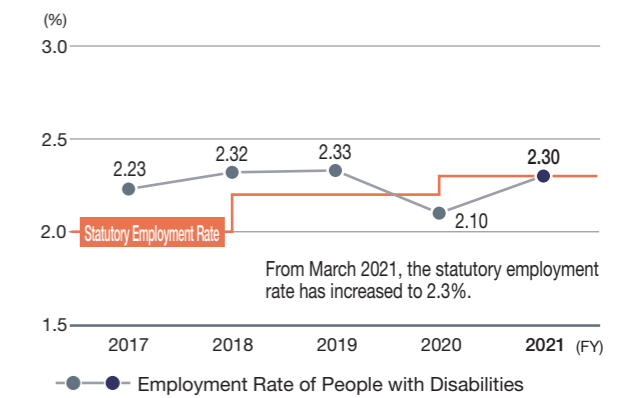
### Accidents Involving Lost Workdays



### Number and Proportion of Female Managers \*



### Employment Rate of People with Disabilities and Statutory Employment Rate



\*Female Managers\* refers to female employees in managerial positions equivalent to or higher than section manager. The proportion is the ratio to all managerial positions.



# Financial Strategy

Taking advantage of a robust financial foundation, we will aim to sustainably enhance our corporate value and further improve shareholder returns.



MACHIDA Kenichiro  
Director and Managing Executive Officer

## Current medium-term business plan: progress and issues

We predict that cumulatively, cash flows for the three-year period covered by the current medium-term management plan, fiscal 2020 to 2022, will total 33.8 billion yen, an increase of 6.6 billion yen from the previous three-year period (fiscal 2017 to 2019), in which they totaled a cumulative 27.2 billion yen. Due to no large-scale investments such as new super absorbent polymer facilities, estimated cumulative capital expenditure during the plan (for completed contracts) is estimated to total 11.5 billion yen, 5.7 billion yen less than in the previous three-year period. Accordingly, we forecast the following results for the end of fiscal 2022, the final year of the current plan: an equity ratio of 65.8%, and a D/E ratio of 0.1. Compared to the plan's start point at the end of fiscal 2019, this would mean an increase of 1.7 percentage points for equity ratio and a decrease of 0.1 percentage points for D/E ratio.

While our financial foundations have been strengthened, our cash and deposits stand at a high level, and so a major issue is how best to put these funds to practical use.

## New medium-term business plan: initiatives

### Build resilient business structure

Under our new medium-term business plan, which will begin in fiscal 2023, we aim to build resilient business structure in order to accomplish both greater profitability and growth. We have set ourselves medium- to long-term numerical targets on the path to fiscal 2030, namely ROIC of 10% or above and business growth of 6% per year, and to meet these targets we will be implementing a range of concrete measures, including strategic investments.

Medium-to-long-term targets toward FY2030

	Business growth	ROIC	ROE
Super Absorbent Polymers	5%*	10%	—
Functional Materials	7%	15%	—
Group-wide	6%	10% or above	10% or above

\*Sales volume growth

## The Super Absorbent Polymers Segment

The Super Absorbent Polymers Segment represents a large part of the Sumitomo Seika Group's cash flows. With respect to profitability, the Segment are easily affected by raw material prices and trends in foreign exchange markets. We will press forward with the efforts we have made as central measures of our current medium-term management plan, toward streamlining of manufacturing processes and the development and launch of high-value-added products, to raise profitability. In terms of growth potential, demand is predicted to continue growing, particularly in Asian markets. We will construct new manufacturing facilities in Asia in order to achieve business growth and greater cash flows.

## The Functional Materials Segment

The Functional Materials Segment offers many products in a wide range of fields. Although the scale of business for each is limited, profitability level of the Segment as a whole is high. On the other hand, the growth potential of each product varies, and there are certain products that we expect to withdraw from. Therefore, it is imperative that we look carefully at the lifecycle of each product and clarify priorities for our allocation of resources. As specific examples of initiatives, we will increase production capacity of electronics gas, for which demand is predicted to grow, without missing any business opportunities, focus R&D investment on fields that we expect to be main pillars of the Segment in the future, such as the environment & energy and the electronics materials, and promote thorough streamlining of existing products. Through such efforts as above we aim to enhance growth potential of the Segment as a whole, while maintaining a high degree of profitability.



### Super Absorbent Polymers

- Grow by increasing production capacity
- Maintain/improve profits through streamlining and high-value-added products



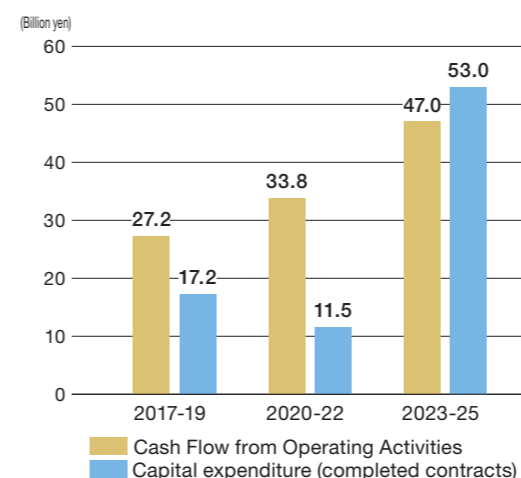
### Functional Materials

- Grow by increasing sales of electronics gases
- Reform business structures to secure high profitability

## Expanding investment and maintaining robust financial foundations

When we make decisions on capital expenditure, in addition to financial indicators such as CFROI and the payback period, we investigate factors such as our strengths and weaknesses, and potential risks, then decide the time frame and scale we will implement.

We will also proactively make investments necessary for the sustainable growth of the Group. This includes capital expenditure toward our carbon neutrality efforts (more on which, later), drastic improvement and expansion of our R&D infrastructure by constructing a new research laboratory building, and constructing welfare facilities to help us raise diversity. Even though capital expenditure for the period of the new plan, for completed contracts, will far exceed that of the current plan by a full 53 billion yen, we will maintain a D/E ratio of 0.2 or lower at the end of fiscal 2025.



## Setting in-house indicators and standards for achieving carbon neutrality

In March this year, we announced our intent to achieve carbon neutrality by fiscal 2050, and we began initiatives, such as reducing the greenhouse gas (GHG) emissions we produce or developing new technologies to help reduce society's overall GHG emissions. Alongside these efforts, we will be investigating and introducing financial indicators that reflect corporate internal carbon pricing to our procedure of making investment decisions, and expenses allocation standards that reflect GHG emissions from each business in some of our performance management system.

## Improving shareholder returns

We have set ourselves the target of operating income of 12 billion yen and an ROE of 8.5% for fiscal 2025, the final year of the new medium-term business plan. For the dividend from retained earnings, we consider "returning profits to shareholders" as one of our priority management issues and make it a basic policy to determine them, after giving due consideration to stable dividend payment and securing of internal reserves to prepare for future business development, based on profit conditions in each fiscal period. While maintaining this policy, from this fiscal year forward, we have set ourselves a criteria, as a quantitative standard, of a dividend payout ratio of 30% or more for each fiscal period. By steadily meeting the plan's performance targets, We aim to further improve shareholder return.

	FY	2019	2020	2021	2022(Forecast)	2025(Planned)
Bank borrowings balance at year-end (Billion yen)		14.9	14.1	14.5	11.3	13.0
Equity ratio (%)		64.1	67.5	64.9	65.8	68.5
D/E ratio		0.2	0.2	0.2	0.1	0.1
	FY	2019	2020	2021	2022(Forecast)	2025(Planned)
Operating income (Billion yen)		7.8	10.1	8.1	11.0	12.0
ROE (%)		6.7	10.4	7.8	11.0	8.5
Payout ratio (%)		32.2	19.4	28.0	30	30% or above

## IR activities

We strive to ensure we have constructive communication with shareholders and investors about the Group's management policies, business strategies, performance trends, and other topics.

IR activities in FY2021	Investors meetings (times held)	2
	Investors meetings (participants)*1	56
	Small meetings (times held)	4
	Small meetings (participants)	18
	Individual meetings (times held)*2	30

\*1 According to the Nomura IR Report figures for conference call access, excluding in-house participants  
\*2 Meeting record figures

IR calendar		
FY2022	February 2023	FY2022 Q3 financial results announcement
	May	FY2022 full-year financial results announcement
	June	110th Annual Shareholders Meeting
FY2023	August 2023	FY2023 Q1 financial results announcement
	November	FY2023 Q2 financial results announcement

# Super Absorbent Polymers: Business Summary

## Super Absorbent Polymers



Director and Managing Executive Officer

TOYA Takehiro



By supplying our super absorbent polymer AQUA KEEP™, we aim to make people's lives richer and continue to help society. Super absorbent polymer AQUA KEEP™ can absorb water several hundred times more than its dry weight. As a result of the many years devoted to research and development of polymerization technologies, we make use of its characteristic ability to freely control water absorption to flexibly meet the applications of users in regions whether in Japan or overseas, and it has gained praise around the world. AQUA KEEP™ has been incorporated into products from everyday necessities such as disposable diapers and pet sheets to industrial products, such as water blocking materials for power and optical cables.

With production bases in Japan, South Korea, Singapore, and France, we are well positioned to meet the demands of each region of the world.

We will contribute to solving SDGs issues and improving the global environment and people's lives through the provision of products and services that leverage our uniqueness.

Fiscal Year 2021 results

■ **Net sales:** ¥79 billion (¥ +9.8 billion YoY)

■ **Operating income:** ¥2.49 billion (¥ -3.35 billion YoY)

For fiscal 2021, sales volume were positive, similar to the previous fiscal year. With regard to net sales and operating income, in comparison to the previous fiscal year, the net sales increased resulted mainly from higher selling prices reflecting a rise in raw material prices and the favorable impacts of changes in foreign exchange rates, while the operating income declined due chiefly to increased prices of raw materials and fuel used and logistic costs.

Production capacity (tons per year)	
Japan	210,000
South Korea	118,000
Singapore	70,000
France	47,000
Global total	445,000

As of March 31, 2022

### Our technologies

- We developed AQUA KEEP™ based on polymerization technologies accumulated over many years, and we are mass producing it using a globally unique inverse phase suspension polymerization method.
- Has excellent characteristics in a range of areas required for super absorbent polymers, such as absorption speed, gel strength, and gel stability over time.
- It has been praised for its excellent uniform dispersion thanks to the sharpness of the particle size distribution and superior flowability.
- Absorbency can be controlled to meet different applications and needs.
- We are helping to reduce environmental impacts through measures such as reducing material use, waste, and the impact of logistics. As a representative example, a diaper using a SAP sheet that is widely used in China uses a thinner absorbent core than conventional diapers, has a lower environmental impact through reduced use of natural resources (pulp) and a lighter weight for transport. AQUA KEEP™ has been positively commended as a super absorbent polymer adapted to this SAP sheet.

### Market environment

- Due to effects of the COVID-19 pandemic since it began in 2020, some regions saw a temporary slowdown in sales growth, but recently demand is growing again.
- Demand for children's diapers in developing countries is growing as their populations increase, and in developed countries, demand for hygiene products for adults is on the up. As a result, we expect to see global market growth of 4 to 5% per year.

### Efforts toward business growth

- We will continue to supply safer products that meet society's needs.
- We will improve manufacturing processes to reduce CO<sub>2</sub> emissions.
- We will maintain and enhance product value through new development, customization, or technical services to cater to our customers' interests.
- We will accelerate developments that will help people to recycle, reuse, and reduce waste, to continue to grow in the long term.
- We will boost our competitiveness and raise productivity through rationalization.
- We are planning to construct a new production facility of AQUA KEEP™ to meet a growing demand, which is conspicuous particularly in Asia.

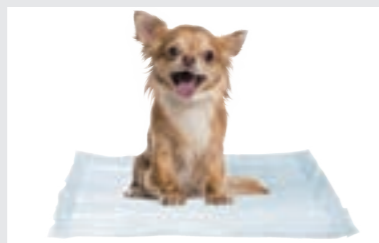
### Topics

Since 2018, we have been working on a project to thoroughly streamline our business. We have steadily seen results, such as improved unit energy consumption. In an environment where raw material and fuel prices have been soaring since last year, the benefit of the project is more than originally expected.



#### Hygiene materials

AQUA KEEP™ is utilized as absorbents in products such as disposable diapers and feminine hygiene products, due to its ability to quickly absorb liquids and retain most of the absorbed liquid, which enables it to keep the absorbent surface smooth and dry. Moreover, high absorbency of AQUA KEEP™ can reduce the amount of material used, and as a result, it greatly helps with making the absorbent core thinner and more compact.



#### Pet sheets

AQUA KEEP™, used inside pet sheets, is able to reliably absorb urine, which makes looking after pets easier. The "Spot Absorption" which prevents wetness of pets' feet without spreading urine applies our unique technology.



#### Water blocking materials

Water blocking materials that use AQUA KEEP™ can also be found in power and optical cables, due to its ability to instantly absorb liquids and swell up when a cable's coating agent is damaged, preventing water from reaching the inside of the cable. The AQUA KEEP™ series has a world-class speed of absorption, and has garnered praise for its use in water blocking materials for high-value-added cables.

# Functional Materials: Business Summary

## Functional Materials



Director and Managing Executive Officer

MURAKOSHI Masaru



The products and services that we offer in the functional materials business are used in a wide range of fields, including electronics materials, the environment & energy, lifestyle, and medicine.

In the electronics materials field, we provide the electronics gases that are required to manufacture the semiconductors powering society's development. In the environment & energy field, we offer standard gases used as an analytical standard when measuring environmental pollution, as well as materials for batteries used in EVs. In terms of the lifestyle field, we supply customers with cosmetic materials and coating agents used for such items as fences and shopping carts, while for the medicine field, we produce additives used in pharmaceutical manufacturing processes, medical glove materials, various pharmaceutical intermediates, medical gases, and other products. We manufacture and sell numerous products that are contributing to human health and people's comfortable lives.

Going forward, we will continue to develop and offer products that can match society's needs. By doing so, we will work to resolve the issues of the SDGs—shared targets for the world—and help to make society more sustainable.

Fiscal Year 2021 results

■ **Net sales:** ¥35.7 billion (¥ +22 billion YoY)

■ **Operating income:** ¥5.48 billion (¥ +11.7 billion YoY)

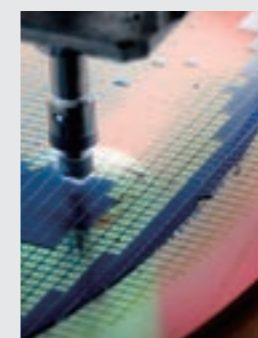
For fiscal 2021, compared to the previous fiscal year, both sales and profits grew. This was due to increased sales of electronics gases used in semiconductor manufacturing processes, various pharmaceutical intermediates, functional products, and powdered resins, and also to the impact of foreign exchange rates.

### Our technologies

- Our strengths lie in technologies such as polymerization, organic synthesis, atomization, gas synthesis, gas purification to high levels, gas analysis, and gas separation/refining using pressure swing adsorption (PSA).
- Using water-soluble polymer manufacturing technologies and atomization technologies, we provide a wide range of products that are necessary to make cosmetics or toiletries.
- We make use of our synthesis technologies for sulfur-containing compounds to manufacture battery materials, semiconductor materials, and pharmaceutical intermediates.
- Due to our synthesis of high-purity gases, advanced purification, and a quality assurance system based on highly accurate microanalysis, we offer an extensive lineup of trusted products for the semiconductor industry.
- We also deliver manufacturing equipment for a variety of gases (hydrogen, oxygen, nitrogen, etc.) that utilize PSA and process engineering.

### Market environment

- Demand for electronics gases is predicted to increase further in line with the growth of the semiconductor market.
- In the environment & energy field, we expect to see an expansion of various needs around the keyword of "environment", including the growth of the battery material market; we will seize this opportunity for the creation of new products and businesses.
- Stable demand is forecast for the medicine and lifestyle fields overall.
- As a measure to combat climate change, we predict that PSA will be applied to the recovery of CO<sub>2</sub> in low concentrations, such as found in combustion exhaust gases, and this technology is expected to see practical use soon.



#### Electronics materials

Electronics gases are used in the deposition and etching of semiconductor devices such as memories, as well as logic and power ICs. The quality of our products, which push the limits for precision manufacturing and reduction of impurities, is well-received both in Japan and elsewhere. We also provide sulfur-based solvents to remove photoresist used in the semiconductor manufacturing process.

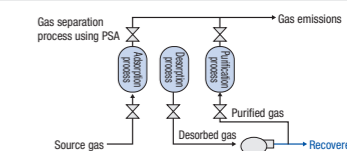


#### The environment & energy

The standard gases that we offer, which are used as an analytical standard when measuring a variety of atmospheric pollutants, have a stable component density, which makes them highly reliable, and are widely used in fields such as investigating atmospheric pollutants, factory emissions, and vehicle emissions, or in measures to control those, at all stages from R&D to manufacture. We also supply battery materials needed for EVs.

#### PSA (Pressure Swing Adsorption) Gas Generator

Equipment that utilizes adsorbents, and the differences between the adsorption characteristics of various gases, while repeatedly alternating between higher and lower pressures to separate and refine required gases. Our PSA gas generator works with a large variety of gases, and is widely used in industries such as foodstuffs and energy. From now on, we will work to commercialize CO<sub>2</sub> recovery technologies, and aim to make an even greater contribution to the environment & energy field.



#### Lifestyle

We produce and sell an extensive lineup of products that are helping to improve quality of life, from the water-soluble thickeners needed for cosmetics and toiletries, to coating agents that aim to enhance the durability of outdoor fences. We also offer the materials used to make the agricultural chemicals that help to ensure stable food supplies.



#### Medicine

We provide numerous materials that find their way into pharmaceutical additives, pharmaceutical ingredients, and medical glove materials. We are currently focusing our efforts on pharmaceutical additives, and have been highly praised by customers from the point of their performance, our quality control, and our good manufacturing practices for additives.

### Efforts toward business growth

- In the fields of electronics materials and the environment & energy, for which market growth is forecast, we will promote the development of new products and applications.
- We will also proactively invest management resources in, and expand our business for, high-value-added products in growth fields such as electronics gases and secondary battery materials. In particular, we will raise our supply capacity for electronics gases, including at overseas bases, not to miss out on the opportunities they present.
- In the medicine and lifestyle fields, we will continue to ensure thorough streamlining and stable supply systems.

#### Topics

Demand for high-purity carbon monoxide (CO), an electronics gas, is growing to match the multilayer construction of 3D NAND flash memory devices. Our Group strengthened production capabilities at Befu Works in 2019, and going further, in fiscal 2022 we plan to commence commercial operations of new facilities that we constructed at our subsidiary, Sumisei Chemical Co., Ltd. (Hwaseong, South Korea).

# Establishment of Materiality

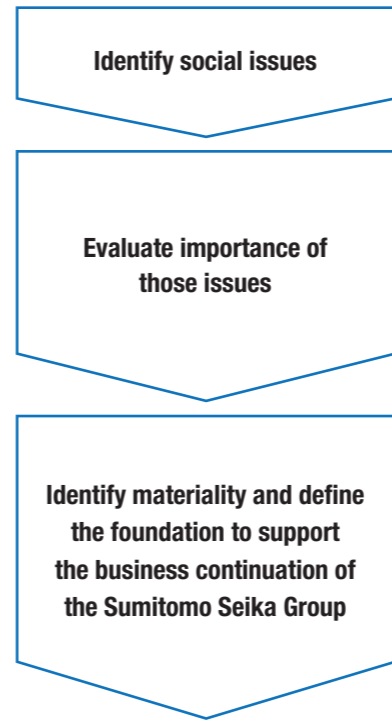
As a group, our aim is to work toward the world's common targets, the SDGs, to contribute to the sustainable development of society, and to meet the expectations of all of our stakeholders.

In recent years, there are more and more, increasingly severe, problems that threaten our planet and the overall sustainability of society. In response, we have strengthened our efforts to tackle the SDGs through our business activities, and we are aware that going further to contribute toward the resolution of the issues identified in the SDGs is a matter of urgency. In line with the process detailed on the opposite page, we looked into the material issues the Group will address from an SDGs perspective.

The result of that process was that we designated six areas as our materiality (material issues): Ensure Access to Sanitation, Healthy Lives and Better Quality of Life; Ensure Access to Affordable, Reliable and Sustainable Energy; Build Resilient Infrastructure and Foster Technology Innovation; Ensure Sustainable Consumption and Production Patterns; Promote Gender Equality; and Achieve Carbon Neutrality. The key performance indicators (KPIs) that we will use to understand quantitatively the progress being made by each of our initiatives, are as detailed below.

For us to continuously tackle these areas of materiality, what is needed is a foundation to support the business continuation of the Sumitomo Seika Group, which we have elucidated and is formed of five fundamental elements of our business activities that we must work every day to enhance.

## Establishment process



## Investigation

- Gain an understanding of the materiality concept, and study cases at other companies
- Put the issues identified—taking into account the degree of stakeholder interest, importance of the contribution we can make through our business activities, etc.—into a matrix
- Consider the issues from the perspective of the SDGs and set out those most important to the company and of the highest priority
- Set out specific activities that we will implement for each issue and our ideal direction
- Check the validity of KPIs and whether they can be measured
- Rank the important areas in which we have continuously worked as part of our CSR activities (Foundation to support business continuation)
- Name each area and provide supplementary explanations

## Participating individuals/bodies

- Management Meeting
- Working groups:
  - Representative office workers from each department
  - Head of each division
  - General managers of the Corporate Department
- Employee awareness surveys
- External experts
- Management Meeting
- Board of Directors
- Discussions with external directors

Materiality

### Ensure Access to Sanitation, Healthy Lives and Better Quality of Life

- Contribute to more hygienic environments and better QOL by providing baby and adult disposable diapers that use Super Absorbent Polymers (SAP), and other hygiene products, to customers all over the world
- Contribute to improvements in hygiene, the environment, and QOL by providing water-soluble polymers and other materials



### Ensure Access to Affordable, Reliable and Sustainable Energy

- Contribute to the formation of a low-energy-consumption society by offering electronics gases used in semiconductor manufacturing, or energy-related functional products such as materials for lithium-ion batteries.



### Build Resilient Infrastructure and Foster Technology Innovation

- Launch new products
- Strengthen our R&D capabilities
- Apply digital applications to raise productivity and bolster production technologies
- Contribute to the formation of a recycling-oriented society



### Ensure Sustainable Consumption and Production Patterns

- Promotion of products that offer greater safety and peace of mind



### Promote Gender Equality

- Promote of female participation



### Achieve Carbon Neutrality

- Reduce the amount of GHG emissions that we generate
- Work together with stakeholders in the value chain
- Contribute to the achievement of carbon neutrality through our technologies



KPI

Net sales of QOL-related products  
SAP production growth

Net sales of energy-saving products

R&D expenses (ratio to net sales)  
Net sales of new products

Investment in making products that offer greater safety and peace of mind

Proportion of female managers  
Uptake of paternity leave

GHG reductions

## Foundations to Support Business Continuity

- Legal & Ethical Compliance
- Respect for human rights
- Environmental Protection
- Occupational Safety & Health & Disaster Prevention
- Employee's Health and Job Satisfaction

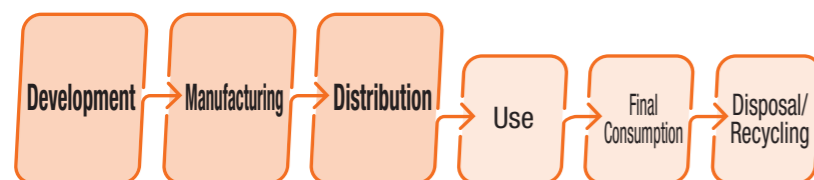
## Policy and Promotion System for Responsible Care Activities

As part of our efforts toward Responsible Care (RC), we have ourselves two priorities: providing products that benefit the environment, and respecting human rights and contributing to social harmony.

Based on these two priority RC issues related to the environment and society, each of our departments is independently ensuring environmentalism, safety, quality, and health in each of the stages connected to chemical substances from development to manufacturing, distribution, use, final consumption, and finally disposal or recycling. We disclose the results of our activities, and through dialogue and communication with society, we

fulfill our social responsibilities and work to contribute to the sustainable development of both ourselves and society. In addition, we have signed the Responsible Care Global Charter, which was revised in 2014, and declared at home and abroad that we would conduct business activities in line with the spirit of RC.

Our RC activities, to fulfill our responsibility to society, do not just comply with laws and regulations; with the understanding that for companies in the industry, voluntary management is an absolute necessity, we have added quality to our activities of the environmentalism, safety, and health.



### Corporate Policy on Safety, the Environment and Quality

Based on Sumitomo's Business Principles, Sumitomo Seika Group will contribute to the building of a sustainable society.

In performing business activities, Sumitomo Seika Group places the highest priority on undertaking the following initiatives in accordance with the fundamental principle of "prioritizing safety over everything else" and the spirit of Responsible Care:

In performing business activities, Sumitomo Seika Group places the highest priority on undertaking the following initiatives in accordance with the fundamental principle of "prioritizing safety over everything else" and the spirit of Responsible Care:

1. We will fulfill our Corporate Social Responsibility founded on our firm commitment to legal and ethical compliance, thereby earning greater trust from society while keeping society assured of the security of our products and services.
2. We will ensure safety of our employees and neighboring communities through continued achievement of zero-accident and zero-injury operations.
3. We will constantly work on technical and other improvements or refinements by operating efficiently our management system on safety, the environment and quality.
4. We will ensure that all of our stakeholders, including employees, logistics people, customers and general consumers, are free from health hazards by collecting and providing information on safety of raw materials, intermediates and products we handle or supply.
5. We will strive to reduce environmental load at all stages of a product lifecycle from development through disposal and maintain harmony with the global environment, by promoting efficient production activities and working to use environmentally-friendly raw materials.
6. We will supply products and services of such quality that will satisfy customers' needs and ensure safety in their use.
7. We will disclose information on our Responsible Care activities as appropriate and maintain dialogue with shareholders, business partners, local communities, and all other stakeholders.

## Responsible Care Activities

### General

Our activities in this area aim to reinvigorate voluntary efforts, implement voluntary efforts based on the premise of compliance with rules, and make necessary and appropriate updates while maintaining compliance.

Since the pandemic broke out, c-TPM (compact Total Productive Maintenance) activities and ingenious ways of facilitating communication have been required but we were able to adapt and put those into action without a pause in operations. There were also no cases of legal breaches concerning applications or reports. We continuously improve and implement our procedures for verifying and educating employees about related laws and regulations, and for passing on necessary know-how.

### Disaster Preparedness (Prevention of Equipment-related Accidents)

We have carried our activities with the aim of complying with laws and ensuring zero accidents or disasters, and strengthening our efforts to reduce risks and prepare for natural disasters. Alongside these, another target of our activities has been to promote equipment management (planned maintenance).

We recorded zero accidents, disasters, or major accidents. As part of our efforts to reduce risks, we also identified 1,667 near-misses (including hypothetical near-misses), we have implemented a number of measures that help to prevent major accidents from occurring: reviews of disasters and other accidents, risk assessments, disaster preparedness drills, emergency response drills, and disaster preparedness activities such as strengthening infrastructure to reduce risks.



Comprehensive disaster drills at Befu Works



Comprehensive disaster drills at Befu Works

### Occupational Safety and Health (Protect the Safety and Health of Employees)

As measures to address preventing occupational accidents (zero accidents involving lost workdays caused by violation of rules) and mental health, we have used the following methods as part of our activities: managing occupational health and safety via occupational safety management systems, implementing KY (kiken yochi, or risk prediction) and risk assessments, ensuring strict construction management, creating safe and comfortable working environments, and conducting occupational safety and health training.

However, there were three accidents involving lost workdays, and five not involving lost workdays (including those at group or partner companies). There were also 15 instances of traffic accidents where our side was at fault. Therefore, we did not meet our targets. We will take measures such as improving the methods used in our activities, and strengthen our efforts to meet our targets in the next fiscal year.

### Health

The goal for our activities has been the development of systems and measures related to safety and health (accident prevention and health maintenance) that lead to better health and productivity management.

In March 2022, we were certified under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program, which grants certification from the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Conference), in the large enterprise category. The program recognizes companies and other organizations that implement particularly good health and productivity management, and this is the third year in a row that we have been certified.

Through continued collaboration with our health promotion committee, we plan to make further improvements by promoting health and productivity management, pushing for greater use of counseling, supporting those returning to work, and continuing to fight the spread of COVID-19.



# Responsible Care Activities



## Chemicals Safety

In order to manage chemical substances contained in products, comply with domestic and foreign regulations, carry out hazard assessments, and reduce impact on the human body and living environment, our activities aim to discontinue use of harmful substances and minimize their emissions; provide information to downstream users; conduct safety evaluations of raw materials, intermediates, and finished products; and, collect and disseminate information on domestic and overseas regulations. We have adapted to laws and regulations in Japan and overseas—including the EU, UK, US, China, and Taiwan—and also to laws and regulations that apply to specific product applications, including cosmetics, food packaging, and biocides. In Europe, to which we export a high proportion of our products, there is also movement in line with the European Green Deal. Future issues include: (1) the development and propagation of chemical substances that can meet the shift to green and/or digital processes and technologies; (2) the promotion of innovation relating to shifts in industry and in its value chain toward green processes and technologies in order to preserve human health and ecosystems; and (3) the necessity of responding swiftly and effectively to problems caused by harmful chemical substances by developing chemical substance management measures. In response, we are testing and evaluating the safety of new and existing products, while also studying how to substitute or reduce our use of harmful chemical substances included in some of our products, and some show promise as potential products.

## Logistics Safety

We are positively engaged in various activities to ensure safety not only in the manufacturing process but also in physical distribution. We also supply customers with safety data for our products in order to promote safe and proper handling of chemical products.

## Logistics Safety Assurance

A major accident such as a hazardous chemical leak, explosion or fire during transport could seriously affect the safety and environment of the nearby area. We are working together with our logistics contractors to ensure safety in logistics operations and full compliance with relevant laws and regulations during transport. In an effort to prevent accidents, safety training is provided to supervisors and operators of logistics companies to

familiarize them with the properties and safe handling of hazardous chemicals. Along with that, in order to respond promptly and adequately in the event of an accident, we jointly conduct drills on emergency response and containment.

## Chemical Safety Efforts in Logistics

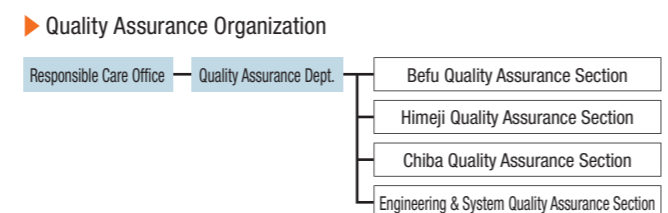
Amid the wide use of chemicals in the world, laws and regulations are becoming increasingly strict internationally for proper management of chemicals contained in products and the like. We thoroughly comply with Japanese and overseas laws and regulations. In addition to that, to ensure safe handling of our products by customers, we are doing all we can to remove substance of high concern from the materials we use. We proactively collect information on the hazardous and toxic properties of chemicals found in our products and, after evaluating the risks posed by them, supply our customers with the information through SDS (Safety Data Sheet) and Warning Labels based on GHS in local languages. In addition, by proactively responding to customer requests for providing information, we endeavor to prevent damage to health or the environment by chemicals and ensure that customers can use our products in safety and peace of mind.

## Company-wide Quality Assurance System

Aiming to improve customer satisfaction, we are committed to providing “products and services that are safe in use” by consistently practicing quality assurance activities from the customer’s perspective through our company-wide quality management system. Also, in accordance with our policy for RC activities, we will promote quality activities to achieve “customer satisfaction, our satisfaction, and social satisfaction.”

## Quality Assurance Structure

As the corporate administrator, the Quality Assurance Department in the Responsible Care Office oversees quality assurance across the company, and conducts cross-sectional quality assurance activities with the Quality Assurance Section established in each production area.



## Quality Assurance Activity

Every month the Quality Assurance Department holds a Quality Assurance Department Liaison Meeting, at which the systematic implementation of QA activities is coordinated and discussed and subsequently communicated to our sites in other regions of Japan. At the Monthly Quality Review Meeting, our responses to quality problems actually reported (complaints, claims and internal nonconformance) are discussed, the causes are investigated, and recurrence prevention measures are validated. At the same time, the results are further compiled in the Monthly Quality Report, which is shared with the board, department and section managers, as well as overseas sites as part of our initiatives to enhance quality assurance by promoting the dissemination of quality awareness throughout the Company. Furthermore, as preventive measures, we are working to reduce quality problems by anticipating hidden, dormant risks through quality risk assessment.

## Quality Audit

The Quality Assurance Department carries out plant quality audits and QC patrols at each of our works in Japan to maintain and improve our quality assurance system. Acting as auditors, QA Department members implement plant audits together with manufacturing divisions to find room for improvement, which leads to the prevention of quality problems and improved customer satisfaction. On QC patrols, we inspect workplaces with a focus on the 4Ss (sort, set in order, shine, and standardize) and visual management (displays and signs), or manufacturing divisions and QA divisions work together to identify quality-related risks on-site, hammer out problems, and implement improvement measures.

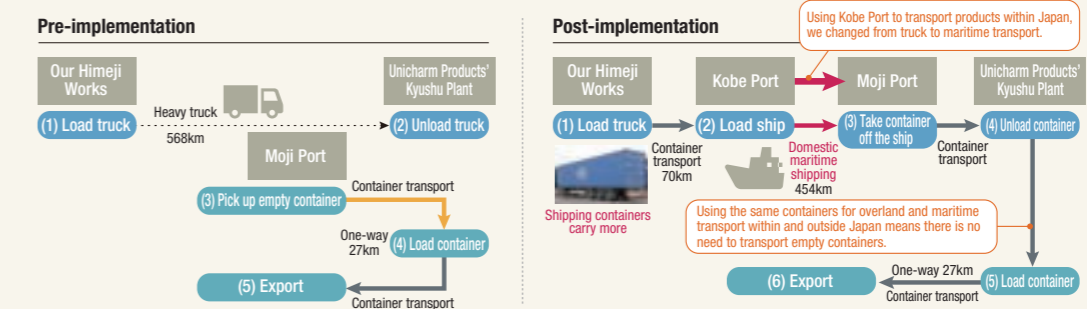
## Global Promotion of Quality Assurance

With our overseas sites, a Global Quality Meeting is held semiannually to exchange information, provide guidance, and discuss issues related to quality and product safety activities. Furthermore, we also hold periodical overseas plant quality audits focused on QMS implementation status and the progress of initiatives to prevent quality problems as part of joint quality activities with each worksite.

## TOPICS

### Recognition with the Maritime Transport Modal Shift Grand Prize and the Excellent Green Logistics Commendation Program Award

In April 2022, we were recognized for our efforts to use maritime transport and lower CO<sub>2</sub> emissions, and for having made a particularly important contribution to lowering environmental impact, and were selected as an Excellent Eco-Ship Modal Shift Company. This certification program is run by the Eco-Ship Modal Shift Project Executive Committee, which comprises the Ministry of Land, Infrastructure, Transport and Tourism’s Maritime Bureau and companies from the shipping industry. Of the companies selected, we were awarded the Maritime Transport Modal Shift Grand Prize, as the company that had made revolutionary efforts and the highest contribution. The reason for our winning the award was that we were highly praised for our initiatives that both shifted transportation from long-distance truck journeys to domestic container ships and using shipping containers for both legs of journeys to and from consignees. The aims behind these efforts were to reduce the number of truck journeys, reduce CO<sub>2</sub> emissions, and reduce driver hours on duty through cooperation between supplier (us), consignee (the manufacturer of the finished product), and logistics companies. The same initiatives also led to us being one of those to receive the Logistics DX/Standardization Award at the FY2021 Green Logistics Partnership Conference and in July 2022, we were one of the joint winners of Cutting-edge Technologies Prize at the Japan Association for Logistics and Transport’s 23rd Logistics Environment Awards. As a company, we will continuously strive to further strengthen our ties with business partners and logistics companies, and reduce environmental impact and improve drivers’ working conditions in order to achieve more sustainable logistics going forward.

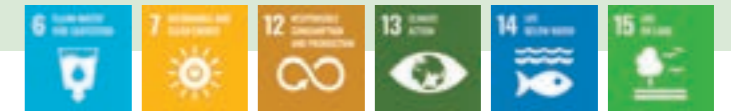


Success in our efforts to reduce CO<sub>2</sub> emissions and driver hours on duty

Item	Reduction	Reduction ratio
CO <sub>2</sub> emissions	271.5 t-CO <sub>2</sub> per year	-60%
Driver hours on duty	2,077 hours per year	-60%

Our efforts have achieved this kind of reduction!

# Environmental Conservation



In order to conserve the atmospheric environment, water and marine environments, and the soil environment, and also prevent global warming (efforts to achieve government goals: response on the basis of our office areas and on a global basis), we carried out a range of activities. The goals of these were preventing environmental accidents (during manufacturing or use by customers), reducing emissions of harmful substances, reducing unit energy consumption, and also developing environmentally friendly products, promoting the purchase of environmentally friendly products, and implementing environmental measures that consider final use and disposal after consumption.

There were zero major environment-related accidents, and unit energy consumption was 0.335, a 1.5% reduction year-on-year. Atmospheric emissions of nitrous oxide decreased by 40% (CO<sub>2</sub>equivalent). While unit waste generation, at 0.039 t/t, was down approx. 4% year-on-year, final landfill disposal reached 194 tons per year, a more than sixfold increase, due to the disposal of valuable materials that sales were temporarily suspended.

We will continue to reduce our environmental impact not only in our production activities, but also throughout our supply chain.

## Global Warming Prevention and Energy Conservation

We are identifying and managing energy consumption on a “per-unit” production basis of our principal products (unit energy consumption), and striving to reduce it.

In fiscal 2021, against our target of a 1% reduction on a year-on-year basis, we achieved a reduction of 1.5%. We also pressed forward with measures to reduce GHG, etc., and we have started to calculate a CO<sub>2</sub> equivalent for the purpose of evaluation, in line with GHG protocols.

## Atmospheric Environment Conservation

We are working to reduce emissions of substances covered by two laws that are deeply connected to our business activities: the Air Pollution Control Act (soot and smoke and volatile organic compounds (VOCs)) and the Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (Law concerning Pollutant Release and Transfer Register (PRTR)). In fiscal 2021, we reduced VOC emissions by approx. 6% through strengthening our emission source management, among other measures, but soot and smoke remained largely unchanged, but greater production meant that emissions of PRTR substances rose by approx. 13%.

## Water and Marine Environment Conservation

All of our plants in Japan are close to the sea, lakes, or marshes, so we should strictly manage emissions of water pollutants.

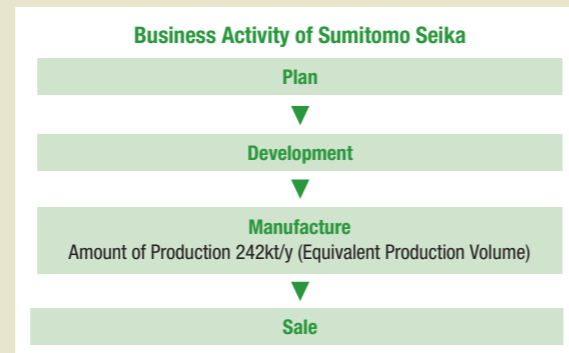
With COD, total nitrogen, and total phosphorus as representative indicators, we ensure thorough emissions management, and in fiscal 2021 we maintained our low levels of emissions.

We are also using less microplastic, a major cause of marine pollution, in our rinse-off applications.

### FY2021 Environmental Impact

Energy Consumption (Crude Oil Equivalent)*	81,052 kl
Water Consumption (Excl. Seawater Used for Cooling)	4,970,000 m <sup>3</sup>
Raw Material Consumption	252kt and 2,377,000 Nm <sup>3</sup>

#### INPUT

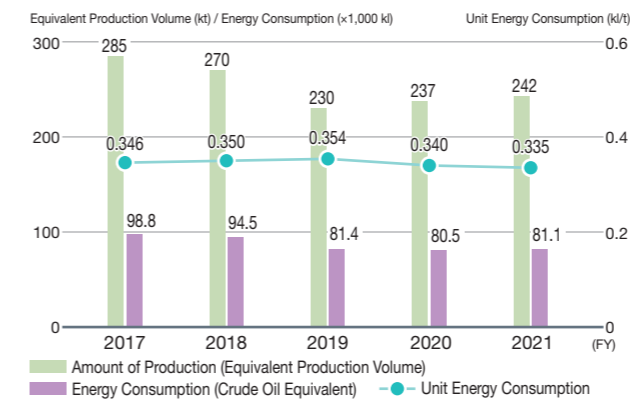


#### OUTPUT

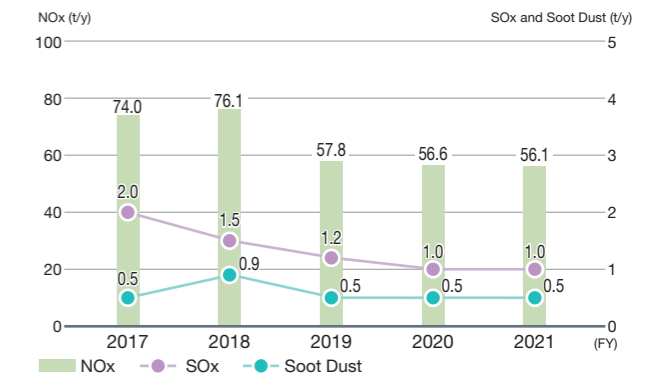
Air	CO <sub>2</sub> *	187 kt
	SO <sub>x</sub>	1.0 t
	NO <sub>x</sub>	56.1 t
	Soot Dust	0.5 t
	PRTR Substances	46.7 t
	VOC	244 t
Water	Effluent	4,135,000 m <sup>3</sup>
	COD	39.7 t
	Total Nitrogen	10.9 t
	Total Phosphorus	1.33 t
Industrial Waste	Unit Waste Generation	0.039 t/t
	Waste Disposal by Contractors	6,143 t
	Recycling Rate	65 %
	Amount of Final Landfill	194 t

\*Of the above, only energy consumption and CO<sub>2</sub> includes consumption at our head offices.

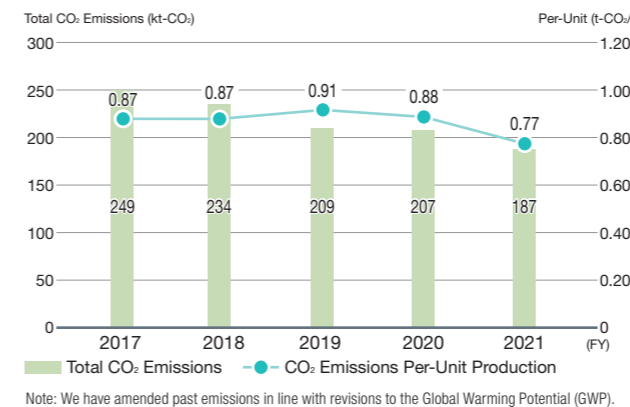
### Energy Consumption



### Soot and Smoke (NO<sub>x</sub>, SO<sub>x</sub>, Soot Dust) Emissions

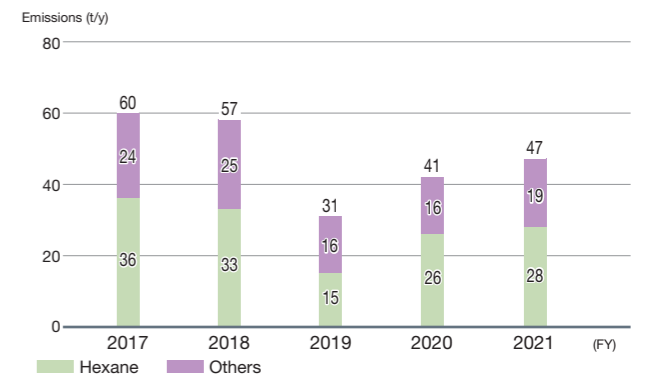


### CO<sub>2</sub> Emissions

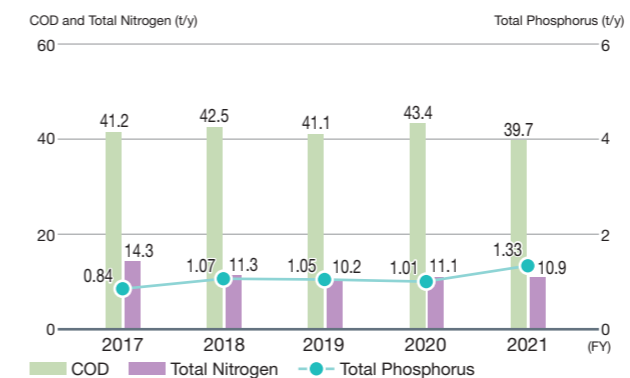


Note: We have amended past emissions in line with revisions to the Global Warming Potential (GWP).

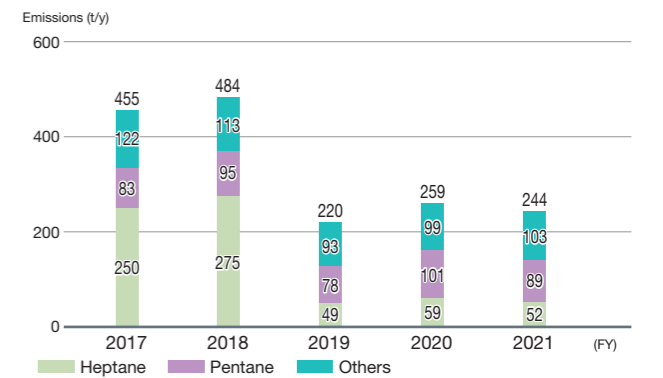
### Emissions of PRTR Substances

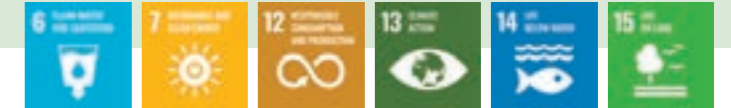


### Water Contamination Load



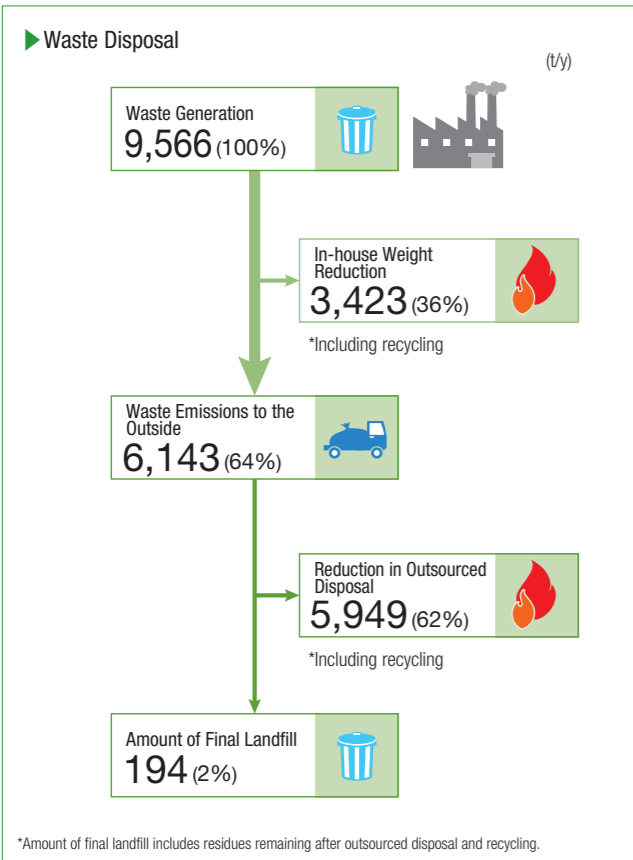
### VOC Emissions



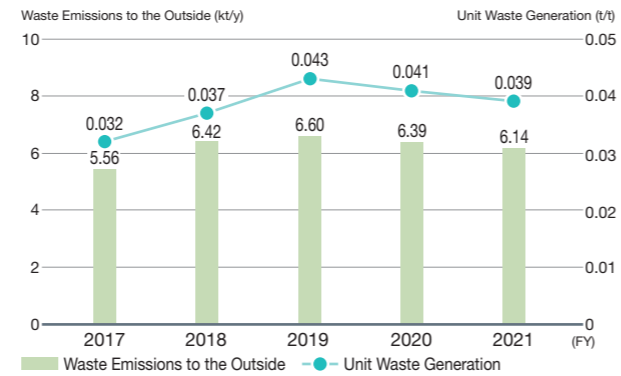


## Waste Management

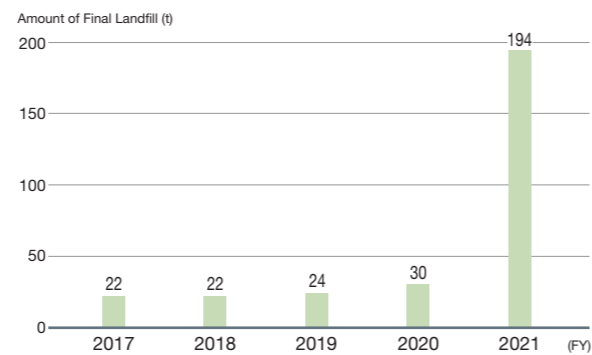
In order to reduce the environmental impact of our waste, we adhere firmly to the Waste Management and Public Cleansing Act. At the same time, by making improvements to our processes and disposal methods, we are working to reduce waste, and also the amount of waste that ends up in landfill (to 1% or less of total waste). In fiscal 2021, we improved our unit industrial waste generation by around 4%, but as a result of being unable to sell valuable materials temporarily, we had to temporarily dispose of industrial waste through landfill. This meant that 2%, more than our 1% target, of the waste we generated went to landfill.



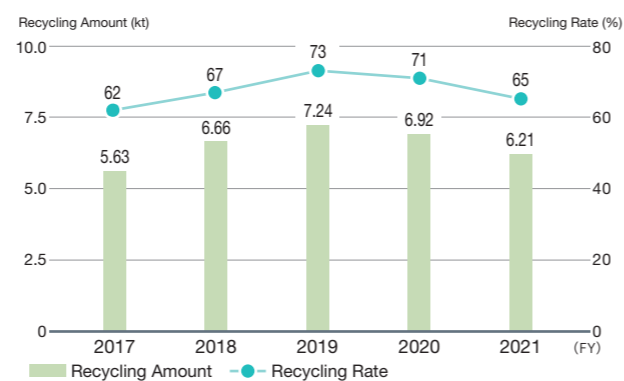
## ► Waste Emissions to the Outside / Unit Waste Generation



## ► Amount of Final Landfill



## ► Recycling Amount and Recycling Rate



## ► FY2021 Environmental Accounting and Economic Results

(Millions of Yen)

Classification of Environmental Conservation Cost	FY2019		FY2020		FY2021	
	Investment	Expenses	Investment	Expenses	Investment	Expenses
<b>Business Area Costs</b>						
Pollution Prevention Costs	70	258	10	264	12	246
Global Environmental Conservation Costs (Global Warming, Energy Saving)	23	1,797	19	1,642	39	1,635
Resource Recycling Costs	0	328	9	309	0	323
Upstream/Downstream Costs	0	11	0	11	0	11
Administrative Activity Costs	13	161	12	159	0	176
R&D Costs	15	168	41	253	4	184
Social Activity Costs	0	1	0	2	0	2
Environmental Remediation Costs	0	0	0	0	0	0
<b>Total</b>	<b>121</b>	<b>2,724</b>	<b>91</b>	<b>2,640</b>	<b>55</b>	<b>2,577</b>
<b>Economic Results</b>	<b>443</b>		<b>656</b>		<b>165</b>	

Accounting Period: One year starting from April 1 of each year to March 31 of the following year

Scope: Our domestic bases

Method of Calculation: The amount of investment, running costs, and other expenses are calculated by proportionally dividing the proportion related to environmental preservation from the execution cost.

## ► Performance Data of Works (FY2021)

	Befu Works	Himeji Works	Chiba Works
Energy (Crude Oil Equivalent)	12,800 kl/y	66,200 kl/y	1,980 kl/y
Air	CO <sub>2</sub>	53,000 t/y	129,200 t/y
	SO <sub>x</sub>	1.0 t/y	—
	NO <sub>x</sub>	6.1 t/y	49.4 t/y
	PRTR Substances	3.5 t/y	35.0 t/y
Effluent	Volume of Effluent	1,940,000 m <sup>3</sup> /y	1,960,000 m <sup>3</sup> /y
	COD	22.3 t/y	16.8 t/y
Waste	Quantity	6,544 t/y	2,910 t/y
	Recycling Rate	48.8%	100%
	Amount of Final Landfill	186.5 t/y	7.6 t/y



# Results of Our Responsible Care Activities



Area	Target	FY2021 Achievement Level	Rating	FY2022 Initiatives
General Matters Common to All Areas	Invigorating voluntary efforts Voluntary efforts based on the premise of compliance with rules Necessary and appropriate updates while maintaining continuity	Implemented c-TPM activities and ways of communicating that were more effective than previously No legal breaches concerning applications/reports Verified and carried out training on related laws and made improvements to processes to pass on know-how	○	Publicize once again our compliance with laws and regulations, but also in-house rules and voluntary standards, etc. Strengthen RC activities through divisional and head office organizations
Disaster Prevention Prevention of Equipment-related Accidents	Compliance with laws and standards, zero accidents or disasters Compliance with equipment design standards and related laws and regulations, as well as improvement of the security management level Identification of hazard sources and reduction of risks Preparation for natural disasters Promotion of equipment management (planned maintenance)	Accidents, disasters, or major accidents: 0 Implemented disaster/accident reviews and legal training Implemented risk assessments and infrastructure changes to minimize risk Carried out disaster preparedness and emergency response drills Conducted maintenance PDCA (data accumulation, analysis, countermeasures, development of reevaluation system)	○	Continue to promote planned maintenance and strengthen management of aging equipment, to prevent accidents or defects arising from aging or deteriorating equipment Take cases of accidents or near-misses as opportunities to consider causes and countermeasures for accident prevention, and further strengthen risk management through risk assessments
Occupational Safety and Health Protect the Safety and Health of Employees	Measures related to occupational accident prevention and mental health Occupational safety and health management using the occupational safety management system Implementation of KY ( <i>kiken yochi</i> , or hazard prediction) and risk assessment Prevention of accidents involving lost workdays (zero occupational accidents caused by violation of rules) Strict construction management Creation of a safe and comfortable working environment Occupational safety and health training	Accidents involving lost workdays: 0 Accidents not involving lost workdays: 3 Traffic accidents (company at fault): 15 Near-misses identified (incl. hypothetical near-misses): 1,667 Risk assessments: 2,424 Familiarized with established rules Carried out periodic information and opinion exchanges with cooperating and partner companies Set heat stroke guidelines Unable to carry out training due to the COVID-19 pandemic	×	Reliably share rules with other sites until they take countermeasures to ensure that accidents do not occur in a similar manner in other locations Identify issues with rules sharing with other sites when needed and make continuous improvements Introduce new experiential training using virtual reality and create a system for safety training that meets the needs of the new normal
Health	Development of systems and measures related to safety and health that lead to health and productivity management (accident prevention and health maintenance)	Certified under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program in March (third year in a row)	○	Promote health and productivity management through collaboration with our health promotion committee Promote the use of counseling and support for those returning to work Continue to respond to COVID-19
Environmental Conservation	Environmental accident prevention (during manufacturing/use by customers) Atmospheric environment conservation, water and marine environment conservation, soil environment conservation, global warming prevention (efforts to achieve government goals: response on the basis of our office areas and on a global basis) Development of environmentally friendly products Reduction of emissions of harmful substances Reduction of unit energy consumption  Promotion of purchase of environmentally friendly products Environmental measures that consider final use and disposal after consumption Reduction of unit waste generation Reduction of amount of final landfill (1% or less of waste generated)	Major environment-related accidents: 0 CO <sub>2</sub> emissions: 187kt-CO <sub>2</sub> (down 9.7% YoY) Reduced atmospheric emissions of nitrous oxide by 40% (CO <sub>2</sub> equivalent) Launched a project to reduce substances of high concern PRTR substances: 46.7 tons (up 13% YoY) Unit energy consumption (calculated according to the Japan Chemical Industry Association formula): 0.335 kJ/t (down 1.5% YoY) Unit energy consumption in logistics: 4.88 (down 12.1% YoY from 5.55) Under investigation Development of super absorbent polymers that can aid reuse, recycling, and waste reduction under investigation Unit waste generation: 0.039 t/t (down 3.6% YoY) Amount of final landfill: 2.0% of total waste (194 tons, up from 30 tons)	△	Promote efforts toward the carbon cycle and reduction of GHG (in collaboration with the Carbon Cycle Society Task Force)
Chemicals Safety	Management of chemical substances contained in products, compliance with domestic and foreign regulations, hazard assessment and reduction of impact on the human body and living environment Discontinued use and minimized emissions of harmful substances Information provision to downstream users Safety evaluation of raw materials, intermediates and finished products Collection and dissemination of information on domestic and overseas regulations	Adapted appropriately and accurately to country- or region-specific chemical regulations in Japan, other parts of Asia, and Europe Launched a project to reduce substances of high concern Responded appropriately through a green procurement survey Implemented appropriate safety testing for new and existing products Enhanced information gathering methods, and provided necessary information to departments, overseas subsidiaries, and customers	○	Ensure thorough chemical safety training to reduce the risk-based negative impacts on humans and the environment Gather information on, and respond to, chemical substance management laws and regulations for each country based on the EU's REACH program
Logistics Safety	Realization of sustainable logistics by preventing logistics accidents and promoting sustainable logistics Prevention of logistics accidents by continuing support for education and training for logistics contractors Implementation of training assuming accidents during transportation and joint training Promotion of safety measures for cargo handling work Review of long-distance transportation Thorough management in extreme weather events, etc.	Major accidents in logistics: 0 Ran safety training for logistics companies Carried out joint drills that imagined an accident taking place Received an award for logistics DX and standardization from the Green Logistics Partnership Conference Received a grand prize for our maritime transport model shift Postponed operations and halted ship operations during extreme weather	○	Continue to maintain zero major accidents in logistics Aim for sustainable logistics by continuing to implement improvements, such as safety measures for cargo handling work or reviews of the frequency of long-distance transportation, to attain sustainable logistics
Quality	Priority quality targets Eradication of critical quality complaints: continuation of zero complaints Reduction of the number of quality problems: 55 cases or fewer Reduction of quality problems involving human factors: 10 cases or fewer Reduction of losses incurred: 15 million yen or less	Major quality complaints: 0 Quality problems: 32 Human-caused quality problems: 8 Loss cost: 5.6 million yen	○	Keep the number of quality problems to 45 cases or fewer (lowering the target) and continue activities
Relationship with Society	Provision of legally required information, information disclosure to stakeholders, and information sharing regarding RC activities within the Sumitomo Seika Group Strengthening of mutual trust with stakeholders through accurate information disclosure Increase in corporate value through community-based activities	Created/amended necessary SDS, labels, and yellow cards, and provided the latest information Disclosed information about maintenance and management of Befu Works' submerged combustion equipment on the official website Prioritized measures to combat the spread of COVID-19, and curtailed regional activities	○	Investigate ways to apply online communication in post-pandemic society



## Fundamental Approach

1. We will seek free, transparent and fair logistics transportation and material purchasing activities.
2. We will conduct logistics transportation and purchasing activities on the major premise of compliance.
3. We will not reflect personal interests in the implementation of logistics transportation and material purchasing activities.
4. We will fulfill our corporate social responsibilities in our logistics transportation and material purchasing activities.
5. We will place emphasis on the following items when choosing our logistics transportation and raw material purchasing suppliers.
  - ◇Compliance with social norms and relevant laws and regulations
  - ◇No connection with anti-social forces
  - ◇Making efforts for environmental conservation
  - ◇Making efforts to respect human rights and eliminate racial discrimination
  - ◇Emphasis on consideration for the working environment
  - ◇Working toward achieving carbon neutrality

## Results of Our Efforts

### Logistics transportation

- ◆Thorough compliance
  - Raised awareness of related laws and regulations, participated in training activities inside and outside the Group
  - Responded swiftly to revisions to laws
- ◆Promotion of sustainable logistics
  - Made efforts throughout the entire supply chain (Sumitomo Seika + logistics companies + suppliers)
- ◆Initiatives for the reduction of CO<sub>2</sub> emissions
  - Promote a modal shift (received an award for our modal shift to maritime transport, see page 26 for more details)
  - Review and improve transportation routes
  - Reduce long-distance transportation
  - Reduce the frequency of transportation by placing inventory bases
- ◆Improvements to logistics transportation safety and quality
  - Strengthened measures to secure safety when transporting dangerous items
  - Switched from bulk carrier to roll box pallet
  - Updated aging tank containers
  - Carried out training for logistics companies (raise chemical understanding of transported items)
  - Implemented drills to prepare for the spread of a major disaster if an accident occurs during transportation
- ◆Streamlining of logistics
  - Constructed a shared logistics system with other companies
  - Joint recovery of empty pallets with other companies
  - Improved the direct shipping rate (by reducing the use of external warehouses)
  - Introduced domestic container ship transportation
  - Investigated optimized logistics that make use of our global network

### Material purchasing

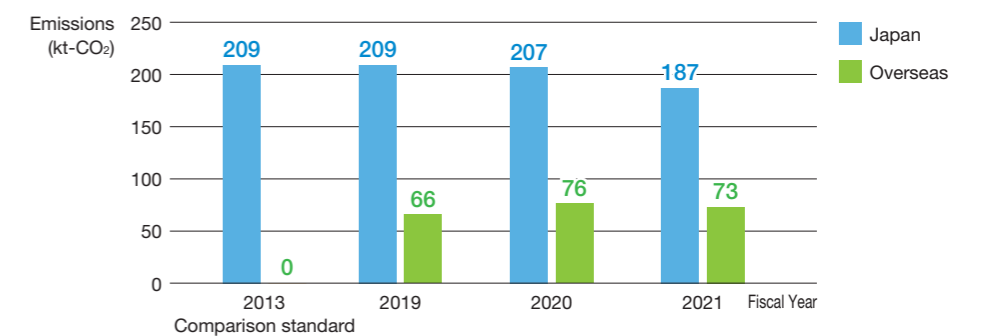
- ◆Thorough compliance
  - Raised awareness of related laws and regulations, participated in training activities inside and outside the Group
  - Adapted to purchased raw materials and reflected these in specification manuals
- ◆Response to the risk of suspended raw material supplies
  - Switched to multiple sources for products from single source
  - Further diversified and stabilized for products already from multiple sources
  - Took control of our supply chains (primary and secondary)
  - Kept inventory at external (supply chain) warehouses
  - Expanded the number of countries from which we procure raw materials
- ◆Response to natural disasters and other unforeseen trouble
  - Enhanced our collated data on purchased products (to quickly understand their status and respond)
  - Improved our crisis management capabilities (to quickly understand the situation and respond swiftly)
  - Changed our system for receiving materials (increasing stocks of raw materials, etc.)
- ◆Initiatives to ensure stable procurement
  - Switched from special-grade products to standard-grade ones
  - Made acceptance standard simpler (loosening previous-cargo restrictions, etc.)
  - Reviewed our use of materials that go beyond the specifications we need (switched to general-specification materials)
  - Investigated joint purchasing with other companies
- ◆Streamlining of purchasing
  - Diversified transportation methods (added transportation companies, increased truck capacities, etc.)
  - Decreased transportation frequency (increased the lot-size of purchases for bigger, more concentrated shipments, or lumped together orders from the same suppliers)

## Results of Our Efforts

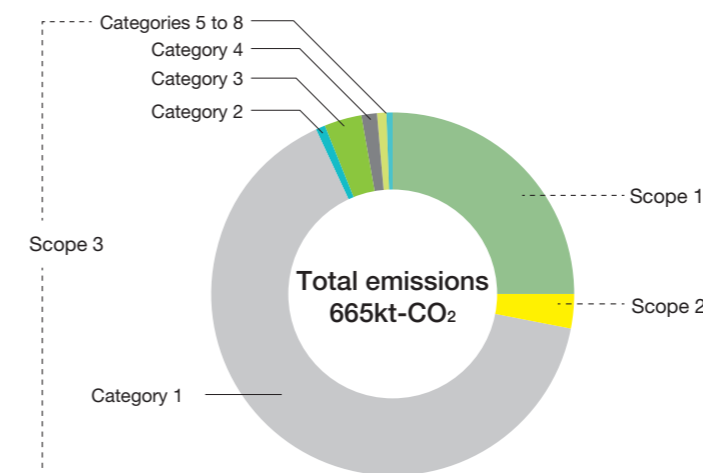
The direct GHG emissions produced by our plants in Japan totaled 207,000 tons (CO<sub>2</sub>equivalent) in fiscal 2020. In fiscal 2021, while production levels for super absorbent polymers increased, total direct emissions for our Japanese plants decreased, to 187,000 tons. Of this, a reduction in GHG emissions of around 1,200 tons (CO<sub>2</sub> equivalent) was due to our applying rationalizations we made to super absorbent polymer manufacturing processes to other sites in fiscal 2020.

Moreover, for our reduction of nitrous oxide, which is a major contributor to global warming, we were able to improve the method by which we had conventionally burned “off gas” (unused exhaust gas) that are released into the atmosphere by our manufacturing and packing equipment. This resulted in nitrous oxide emissions of 21,000 tons (CO<sub>2</sub> equivalent) in fiscal 2021, a 40% reduction from fiscal 2020 levels.

► Trends in Direct GHG Emissions

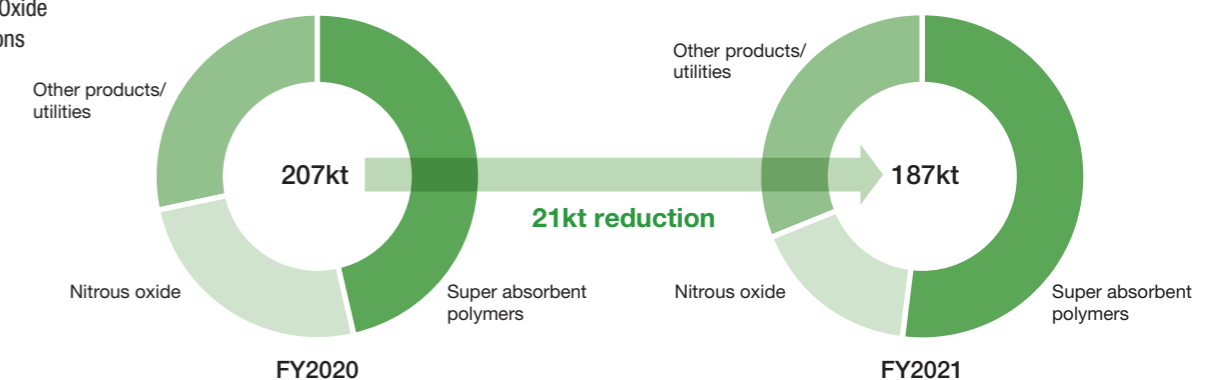


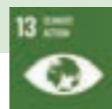
► FY 2021 Indirect GHG Emissions (Japan)



Scope / Category	Major emissions sources	
Scope 1	Direct emissions we generate ourselves (by burning fuel, through industrial processes, etc.)	
Scope 2	Indirect emissions associated with the use of electricity, etc., supplied by other companies	
Scope 3 Indirect emissions other than those detailed above (emissions by other companies connected to our activities)	Category 1	Purchased goods and services
	Category 2	Capital goods
	Category 3	Fuel- and energy-related activities (excl. those in scopes 1 and 2)
	Category 4	Upstream transportation and distribution
	Category 5	Waste generated in operations
	Category 6	Business travel
	Category 7	Employee commuting
	Category 8	Upstream leased assets

► Reduction of Nitrous Oxide in Direct GHG Emissions





## Targets

- To reduce greenhouse gases (GHGs) the Group emits in Japan by 46% or more by 2030 (vs. 2013)
- To achieve carbon neutrality by 2050

## Carbon Neutrality Policy

Becoming carbon neutral is an issue of vital importance, and something we cannot avoid if we wish to achieve sustainable growth. Going forward, we will actively promote efforts to reduce our GHG emissions, and strive to help make society carbon neutral by 2050.

### 1. Reducing our own GHG emissions

We will endeavor to minimize the GHG emissions we generate as part of our production activities, while providing technologies that enable this to other companies in the Sumitomo Seika Group.

### 2. Supplying low-GHG products and environmentally friendly products

For our products and services, we plan to offer those that consider lifecycle assessments (LCA) to contribute to carbon neutrality, in order to innovatively reduce GHG emissions.

### 3. Assisting with society's carbon cycle

We want to create a circular economy together with local communities and society as a whole, and to that end we will continuously make technical innovations to recover, use, and fix GHGs. Furthermore, by working with diverse partners, we will set ourselves the target of helping to bring about that kind of society, and we will promote efforts to that end.

We launched a body, the Carbon Cycle Society Task Force, to implement measures based on the policy detailed above. The Task Force addresses the following three issues through its project structure.

- (1) Reducing direct GHG emissions from our plants  
Including: energy-savings, process rationalization, introduction of energy-efficient devices, switch to green energy, and switching product portfolios
- (2) Reducing indirect emissions resulting from the manufacturing of purchased raw materials and their transportation  
Including: lifecycle assessment for each product, calculating the carbon footprint of each product, and continuation of systematic reduction efforts
- (3) Making technical innovations to help reduce emissions through our new technologies and products  
Including: development of CO<sub>2</sub> separation and recovery technologies and enhancing our lineup of environmentally friendly products, including by looking at the 3Rs in regard to super absorbent polymers



We have announced that we will follow the recommendations of the Task Force on Climate-related Disclosures (TCFD). In line with the TCFD's guidance, we present information on governance, risks, and opportunities below.

## Governance

Important matters of Group management are handled by the three committees detailed below. Based on this framework, we identify, evaluate, and manage climate-related issues; deliberate on issues relating to the promotion of sustainability (including climate-related issues); report the results of such deliberations to the Board of Directors; and take on board any oversight.

### Internal Control Committee

- Evaluates risks associated with climate-related issues, and monitors the situation

### Responsible Care Committee

- Investigates and implements specific measures to address climate-related issues

### Sustainability Committee

- Carries out bird's-eye-view investigations to assess whether management activities are functioning organically in promoting sustainability
- Offers guidance to different parts of our organization on both risks and opportunities related to medium- and long-term environmental and social problems
- Manages progress of GHG reduction activities through the Carbon Cycle Society Task Force, which comes under its umbrella

## Risks

As we have made progress with our investigations to become carbon neutral by 2050, we have identified and evaluated a number of climate-related risks and opportunities that face us. As a couple of concrete examples of such risks, if a natural disaster were to occur, plant operations could suffer, while carbon taxes and rising energy costs could lead to higher operating costs and therefore impact on profitability. In response to these kinds of risks, we will continuously strengthen our business continuity planning (BCP) measures, use energy more efficiently or sparingly, raise the efficiency of our processes, introduce high-efficiency equipment, and adopt green energy, among other measures.

## Opportunities

On the other hand, responding to climate change can also lead to opportunities to create new businesses. For example, if we can improve the function of our CO<sub>2</sub> PSA technology, we can separate and recover CO<sub>2</sub> generated by our plants, and avoid additional costs, such as the carbon taxes mentioned above. This would also help with our goal of carbon neutrality. Going further, if we can supply the technology to other companies that have the same needs, we can expect new business expansion.

### ► Global Warming Scenario Analysis (excerpt)

Physical risks (in a +4°C world): Medium-to-long term to long term			
Changes to society	Major risks	Impact	Main responses
Growing severity of climate-related disasters (Storm damage, etc.)	Heavy rainfall, powerful typhoons, etc., could halt operations	Medium	Continuously strengthening BCP measures Bolstering supply chains Promoting purchasing from multiple sources, shortening the time needed to recover
	Supply chains could be broken		
Rising temperatures Increasing frequency of droughts	Working environments could worsen, and productivity drop	Medium	Continuously improving working environments Continuously strengthening BCP measures
	Droughts and poorer water quality could negatively impact operations		
Transitional risks (in a +1.5°C world): short-to-medium term to medium-to-long term			
Changes to society	Major risks	Impact	Main responses
Stricter regulations Adoption of new taxation system, etc.	Cost of responding to stricter regulations, tougher GHG emissions targets, etc., could grow	High	Strengthening efforts to reduce GHG emissions Using energy more efficiently or sparingly, raising the efficiency of processes, introducing high-efficiency equipment, separating and recovering CO <sub>2</sub> , and adopting green energy measures
	Operating costs could grow if carbon taxes adopted or carbon pricing increased		
Opportunities (limiting rise to +1.5°C): medium to medium-to-long term			
Changes to society	Major opportunities	Impact	Main responses
Phasing out of fossil fuels	Demand for hydrogen and biogas technologies could grow	High	Improving performance of PSA for hydrogen and methane, and business expansion
		High	Improving performance of PSA for CO <sub>2</sub> and commercialization
Transition to a recycling-oriented society	Demand for smaller CO <sub>2</sub> separation and recovery technologies could grow	High	Introducing technologies that can make CO <sub>2</sub> a usable resource Introducing technologies that can decompose and fix nitrous oxide

# Human Resources Development



For any company to continue to grow sustainably, it needs employees that can grow as individuals. We think of our people as a prized asset, and so alongside training programs that aim to develop workers who think and grow for themselves, we are putting in place measures to develop working environments where employees will have peace of mind and find it easy to work.

**HAMATANI Kazuhiro**  
Representative Director and  
Senior Managing Executive Officer

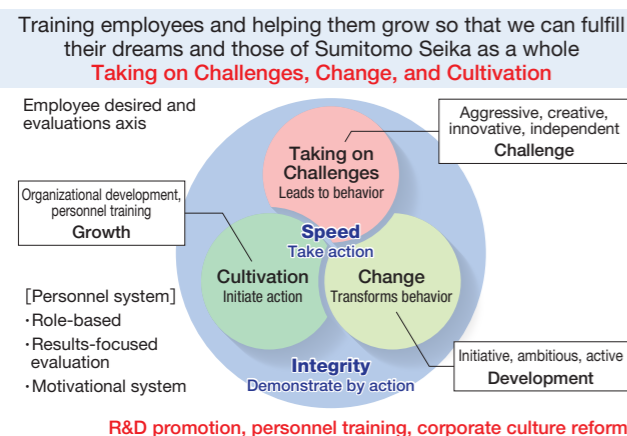


## Fundamental Approach to Our Personnel System

In line with the Sumitomo Seika Group's Corporate Mission, we wish to contribute to the development of society through the field of chemicals. Therefore, the key concept behind our personnel system is to train employees and help them grow so that we can fulfill their dreams and those of Sumitomo Seika as a whole. To that end, we are pushing forward with reforms to develop a corporate culture in which diverse personnel are motivated and active participants.

Based on the idea of having people produce results in their roles, we have chosen three keywords—Taking on Challenges, Change, and Cultivation—to summarize what we expect and desire from our personnel, and are training and evaluating employees to achieve this. The purpose of this program is to motivate employees to link their own and others' growth to the company's growth, thereby creating significant results for the organization, and to improve their employability and job satisfaction by meeting expectations for compensation commensurate with their achievements. Moreover, by running a fair personnel system, we can encourage employees to change the way they think, and build an environment where diverse personnel want to work and can devote themselves to their jobs in their own way.

### Key Concepts of Our Personnel System



## [Employee Desired]

- Has a sense of purpose, independently takes on challenges  
Always sets high targets, takes new challenges, and is enthusiastic
- Global outlook, anticipates change  
Keeps an eye on the world's rapidly changing trends and stay ahead of the times
- Passionate, continues to grow as an individual  
Some who aims to be an asset anywhere in the world, who is passionate and always strives to grow

## Personnel Training Framework

With the aim of raising those who will lead Sumitomo Seika into the future, we have formed a training framework that conforms to the training policy detailed below.

## [Human Resources Development Policy]

- **On-the-job training**  
People learn while they work. People grow through work experience, overcoming hardships, and getting things done. The root of personnel training comes with learning in a variety of job roles.
- **Respect for diversity**  
We will create an organization and a culture where we respect each other's diversity, based on individuality and career backgrounds, as we encourage one another and empathize with one another in line with the Corporate Mission.
- **Rotational training**  
Systematic and rotational training helps people to learn. We will carry this out throughout Sumitomo Seika, across departmental boundaries.
- **Raising employability**  
We will continue to train Sumitomo Seika personnel who will thrive wherever they go, personnel who have wide-ranging knowledge, a strong will, and a firm identity.

Employees are called on to further enhance the knowledge and skills they require in their respective roles, and to demonstrate these to their full potential in their daily tasks. In addition, they need to envision their future career, acquire knowledge and skills based on the goal management system, and aim to increase the added value and efficiency of the work they are currently in charge of. Our personnel training framework is largely predicated on the idea that employees want to learn for themselves, and as well as offering advice on what and how to learn in response to employee wishes, we offer support to acquire a range of different qualifications and we also provide various opportunities to learn. Our goal is to tie in improvements in the knowledge and skills of diverse

employees to help strengthen the entire organization, so in addition to on-the-job training and rotational training, we have a range of support programs for ways for employees to develop their abilities.

We also reflect the results of such development in employee treatment, just one of the ways in which we offer an environment where employees proactively work to develop their own capabilities and careers.

### Key Training Programs

①	Level-specific training: new employee training, newly appointed manager training, grade-specific training, mentorship training, etc.
②	Globalization support: Global mindset course, global talent training course, etc.
③	Knowledge & skills training: labor affairs, legal affairs, OA (security), RC, quality assurance, intellectual property training, MBA classes, etc.
④	Voluntary open classes: diversity promotion, business skills training, career training, etc.
⑤	Technical training: foundations and applications of technical training, production technology training, chemical safety training, etc.
⑥	Self-improvement support: support to gain qualifications, English conversation lessons, in-house TOEIC exams, correspondence course, etc.
⑦	Other: SEIKA target system (target management system), mentorship program, training council meetings,* etc.

### \* Training council meetings

Meetings held once a year, based on our human resources development policy, where bosses create and update training policies for their subordinates, and consult with the Personnel Office to verify how employee training is going, and to consider employee rotations.

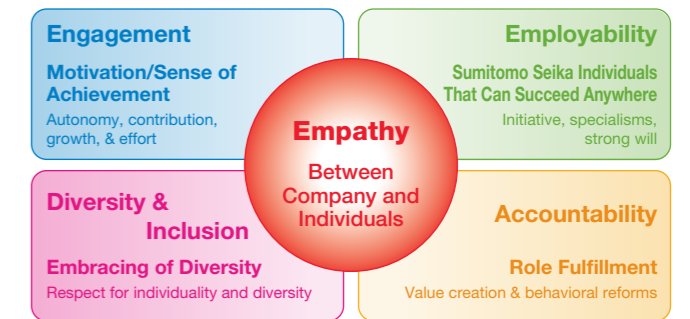
Furthermore, when creating or updating these training policies, bosses can consult the career development targets each employee creates as part of the target management system, and offer the individual feedback on the contents of the training council meeting.

## Key Issue: Raising Productivity and Employee Engagement

Due to the effects of the COVID-19 pandemic, our business environment has been transformed, and how the future will unfold is unclear. At the same time, trends in personnel systems and ways of working have also changed dramatically, and both employees and Sumitomo Seika as a whole must change the way we think. It goes without saying that what supports a company is its human resources, and when we work to tackle various issues, it is imperative that we also enhance employee motivation and engagement. One of the five elements of the "Foundations to Support Business Continuity" of the Sumitomo Seika Group—which we determined at the same time as our materiality—is "Employee's Health and Job Satisfaction", so we are pressing ahead with related measures.

## Implementation of human resources measures to reform our corporate culture and improve employee engagement

With the aims of reforming the culture of our organization, improving employee engagement, and raising productivity, labor and management are working together to define basic concepts and implement necessary measures in each of the following areas.



– **Engagement (Motivation/Sense of Achievement)** –  
We will create a workplace where the people who continue to create new value at Sumitomo Seika can take on high-level issues themselves and take on challenges in their roles.

– **Employability (Sumitomo Seika Individuals That Can Succeed Anywhere)** –  
We will provide opportunities for people who are honing their skills in order to raise their own value, so they can develop their capabilities from a wide range of perspectives.

– **Diversity & Inclusion (Embracing of Diversity)** –  
We will create an environment where people who want to realize Sumitomo Seika's vision can devote themselves to their work in a variety of working styles.

– **Accountability (Role Fulfillment)** –  
We will reward employees with different styles of treatment, depending on each employee's career background, way of working, and level of contribution that they choose by themselves, because there is no one uniform career path.

– **Empathy (Between Company and Individuals)** –  
We and our employees will empathize with one another, and pull in the same direction with the aim of sustainable growth.

### Major FY2021 measures

In accordance with the basic concept, the following measures were implemented in FY2021 as the first phase.

## Engagement

- **Reviewing our awards system and encouraging active participation**  
With the aim of fostering a culture that commends and recognizes employee efforts, we established a new awards system and carried out a review, and we are publicizing and sharing award winners on our intranet or company newsletters.



## Employability

- Promoting support for independent learning**  
We are pushing forward with enhancing our voluntary open curricula for specialist job expertise, job-specific training, etc.
- Invigorating job rotations**  
To further invigorate our job rotation system, we are promoting initiatives aimed at securing the effectiveness of the training council meetings and efforts to strengthen career training.
- Strengthening our mental health measures**  
We are expanding our EAP content, such as by starting to use the web or social media, to make it easier for employees or their families to access counseling.

## Diversity & Inclusion

- Redefining our dress code (Office Casual)**  
From November 2021, we reviewed our dress code and introduced "office casual." The goal of this move is to respect the diversity of individual employees, and to encourage free, flexible ways of thinking and open communication.
- Promoting measures for greater female participation**  
Please refer to the later section on the progress of our Action Plan for Future Generation Development Support and Promotion of Women's Participation.

## Accountability

- Running a suitable personnel system**  
We are (1) raising understanding about various personnel systems, (2) developing management capabilities, and (3) strengthening our following-up and monitoring of the status of operations. Through these and other measures, we are reviewing how we run our personnel system and ensuring anew that it is functioning as it should.

## Empathy

- Implementing suitable monitoring**  
We are carrying out periodic organization surveys (into organizational culture) to help us improve and invigorate our organization and workplaces. The findings of the survey are fed back to managers in each of our departments, and we are also investigating issues with organization and running training sessions aimed at applying these findings. In addition to our yearly stress check, we conduct an engagement survey, and this and the aforementioned organization survey are proving useful in developing our organization and toward Human Resources Development.

## Progress of Efforts to Promote Work-life Balance and Our Action Plan for Future Generation Development Support and Promotion of Women's Participation

**Work-life Balance Promotion Committee**  
We established the Work-life Balance Committee, comprising managerial employees and non-managerial employees, under the fundamental principle of enabling every employee to feel pride and motivation as they fulfill their work responsibilities, while also leading healthy richer lives in which they can devote time to their family, their

community, and to personal growth. The committee periodically monitors trends in indicators relating to work-life balance, as set by managerial employees and non-managerial employees, on topics such as reducing actual working hours, promoting diversity, and introducing flexible workstyles. It also searches for issues to further promote work-life balance at Sumitomo Seika, and investigates countermeasures.

### Realization of Flexible Workstyles

In order to create an environment where employees with various work patterns can work flexibly, in fiscal 2021, we revised our volunteering leave/sabbatical system as a volunteer or recurrent training leave/sabbatical system to support employee retraining. The objective is for diverse employees to set out their future career development, and to independently enhance their employability, in order to reform our corporate culture and raise employee engagement.

### Progress of Our Action Plan for Future Generation Development Support and Promotion of Women's Participation

We formed the following action plan to run for a three-year period from April 1, 2021 to March 31, 2024. We are promoting the plan, in conjunction with the Work-life Balance Committee, to achieve the goals set out below.

Policy	
We will create an employment environment in which our diverse human resources can fully demonstrate their individuality and abilities while living a healthy and prosperous life and maintaining a good work-life balance	
<b>Goal 1</b> Reduce overtime hours by 10% year-on-year.	<b>Goal 2</b> Increase the rate of male employees taking childcare leave to 13% or more.
<b>Goal 3</b> Increase the percentage of women among new hires to 30% or more.	<b>Goal 4</b> Increase the percentage of women in managerial positions to 5% or more.
<b>Goal 5</b> Promote stable employment and independent living for young people through internships.	

\*The goals shown in red have been set as KPIs for one of our areas of materiality, "Promote Gender Equality" (promotion of women's participation) (KPI targets for 2030: Goal 2: 100%; Goal 4: 15%)

### Working to reduce actual working hours

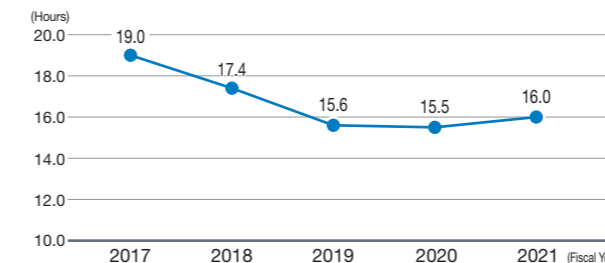
Average overtime for fiscal 2021 was 16.0 hours, an increase from the previous fiscal year's 15.5. While that result, for fiscal 2020, was comparatively low, we believe the increase was the main causes for the increase were factors such as restrictions on attending workplaces due to the pandemic or time spent recovering at home.

The number of those choosing to take voluntary retirement was lower than in the previous year, but there is an issue with stably increasing our workforce through job rotations or mid-career hires in order to eliminate overtime work caused by a lack of workers.

Our target to reduce overtime by 1.0% year-on-year is an important indicator that we have incorporated in our Action

Plan for Future Generation Development Support and Promotion of Women's Participation and also as a target for promoting health and productivity management, so in fiscal 2022 and beyond, we will continue to work together, executives and ordinary employees, with all our might to address this problem.

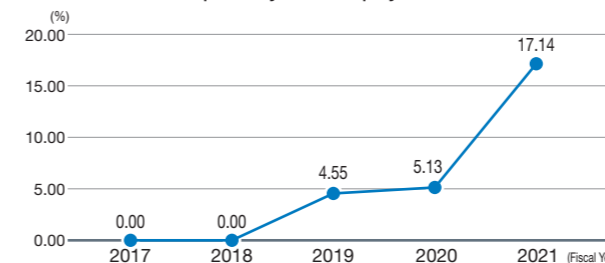
### Goal 1: Trends in Overtime Hours



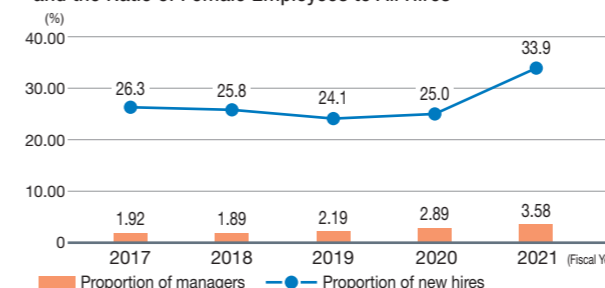
### Progress of Other Action Plans

Trends in other indicators are detailed below.

### Goal 2: Trends in Uptake by Male Employees of Childcare Leave



### Goals 3 & 4: Trends in the Ratio of Women in Managerial Position and the Ratio of Female Employees to All Hires



\*\*"Women in managerial positions" includes positions lower than section manager equivalent

## Promoting Health and Productivity Management

We declared that we would proactively address health and productivity management as one of our priority issues. Based on this policy, we are taking a variety of measures to maintain and improve health.

Major initiatives include 100% implementation of regular/follow-up medical checkups for all employees (target), no smoking during working hours, vaccinations at worksites to prevent influenza, collaborative health programs with health insurance associations. Also, an incentive system that awards points in proportion to level of health improvement is incorporated into management.

We will continue our proactive stance on maintaining and improving the mental and physical health of our employees and their families, as we recognize this to be an important management issue.

## Sound Labor-Management Relations

In collaboration with our labor unions, and with the mutual respect we show one another, executives and other employees are working together on a wide variety of measures to help Sumitomo Seika to develop further, toward employee growth, and to create environments that make it easier to work.

We make use of the Central Labor-Management Council, the Central Labor-Management Environmental Safety Committee, and branch labor-management councils at each worksite—which act as forums for exchanges of opinions on maintaining stable labor-management relations and their future—and strive to form a shared awareness between both sides. Furthermore, Sumitomo Seika and its labor union have concluded a union-shop contract, and 100% of the non-managerial employees of the Company are enrolled in the union.

## TOPICS

### Direct Exchanges of Opinion between Management and Employees

We hold "Town Hall Meetings," in which the president engages in direct dialogue with employees. At these meetings, the president lays out the company policy and future business direction, followed by a lively exchange of opinions in the form of questions from employees.

In the first half of fiscal 2021, we held the meeting entirely remotely so as to prevent the spread of COVID-19, but in the latter half, the president visited five sites around Japan, and the meetings were held in a hybrid style, fusing the face-to-face events with online participation. The contents of Q&As at other sites and video files were made available on our intranet, and shared with all group employees, including those outside Japan.

Through this dialogue, the president is able to hear directly about what is going on at worksites and discover employees' opinion, while it is also an excellent opportunity for employees to learn directly about the president's thoughts. We will continue to utilize direct dialogue between employees and executives to ensure frank, healthy communication.



President Ogawa gives a talk at a town-hall meeting

# Corporate Governance

We believe that corporate governance is a means by which we can help Sumitomo Seika to grow sustainably and improve its corporate value in the medium and long term, hence our efforts to create such systems. To ensure that governance functions are appropriate, we have strengthened oversight and supervision functions for executives by enhancing reporting to the Board of Directors, improved the

effectiveness of auditing by taking the form of a company with an audit and supervisory committee, and made management more transparent through the appropriate external disclosure of information. We will also work earnestly to tackle the issues that came up in our effectiveness evaluation of the Board of Directors, and strive for further growth and improved corporate value by supporting business expansion.

## History of Strengthening Corporate Governance

Date	Main Initiatives
2015 Jun.	Selected two independent external directors (increased from one)
Dec.	Formulated the Sumitomo Seika Corporate Governance Guidelines
	Established the Nomination and Compensation Committee (Half of the committee members are independent outside directors)
2020 Jun.	Selected three external auditors (one female)

Date	Main Initiatives
2021 Jun.	Took the form of a company with an audit and supervisory committee
	Changed the composition of the Board of Directors so independent external directors comprise one third or more of members
	Changed the composition of the Nomination and Compensation Committee (Majority of committee members are independent outside directors)
Nov.	Formulated standards relating to the appointment of independent external directors
Dec.	Established the Sustainability Committee

## Corporate Governance Structure

### Board of Directors

As well as deciding on management strategies and other important management matters, in accordance with laws and regulations, the Board of Directors takes reports on business execution and other topics from individual directors, and provides oversight to directors' business execution and other duties. The term for directors who are not members of the Audit and Supervisory Committee is one year, and candidates are nominated by the board, after considering reports by the Nomination and Compensation Committee, and then selected at the Shareholders Meeting.

### Executive Committee

The Executive Committee meets, in principle, according to the Board of Directors' meeting schedule, and shares information on management related to executives (executive officers).

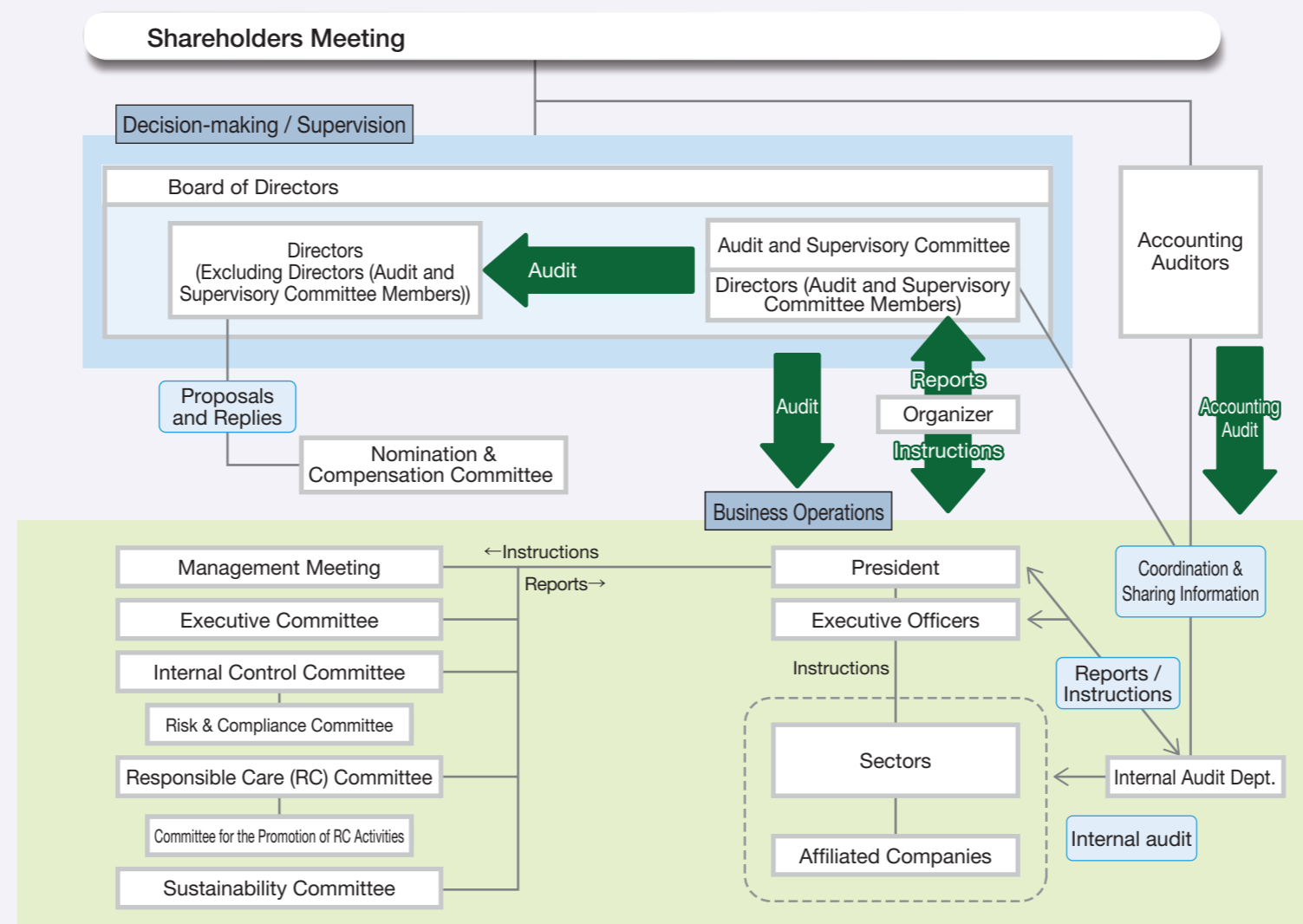
### Management Meeting

The Management Meeting holds discussions among executives when the Company decides on management strategies or other important management matters.

### Audit and Supervisory Committee

The Audit and Supervisory Committee audits directors' business execution from the viewpoint of legality and suitability, and helps to raise the level of our corporate governance. It also shares opinions, deliberates, and investigates about a wide range of topics related to the suitability and effectiveness of management, and compliance, as well as offering advice or suggestions on its legality and suitability.

Corporate Governance Structure Chart



### Nomination and Compensation Committee

The Nomination and Compensation Committee is a consultative body that offers advice on the selection of executives, the nomination of directors, and matters pertaining to remuneration. More than half of its members are independent external directors. It gives the Board of Directors advice on the selection of executives and on decisions about their compensation, to ensure that these processes are transparent and fair.

### Internal Control Committee

The Internal Control Committee receives reports on how our internal control systems are operating, offers necessary guidance to different parts of the organization as well as the Risk & Compliance Committee, and works to maintain and enhance internal controls in order to bring them together.

### Sustainability Committee

The Sustainability Committee considers medium- and long-term environmental and social issues together from the perspective of risks and opportunities and encourages management that takes the Group's sustainability viewpoints into consideration.

### Responsible Care Committee

The Responsible Care Committee discusses responsible care (safety, environment, quality (incl. risks and compliance)) policies for each fiscal year, medium- and long-term plans, the formulation of specific measures, the examination of product safety review standards, and other topics.

## Evaluating the Effectiveness of the Board of Directors

In order to enhance the functionality of the Board of Directors, we assess its effectiveness once a year. As part of the effectiveness evaluation, we (1) investigate whether or not the Board of Directors responded adequately to issues in the previous fiscal year; (2) identify new issues and come up with countermeasures. In addition, countermeasures to address the issues in (2) are supposed to be implemented in the relevant fiscal year.

We have provided a summary of the finding of the effectiveness evaluation conducted between March and May 2022 below.

### (1) Verification of Whether the Issues in Previous Fiscal Year Were Sufficiently Responded

For issues that came up in the previous fiscal year's effectiveness evaluation, the Board of Directors reviewed existing rules and implemented new initiatives, and worked to increase its own effectiveness.

Information on the nature of these issues, and the specific initiatives implemented in response, can be found below.

Issues	Responses
Identifying the next generation of executives and training those personnel	(1) Investigating specific training methods that meet targets for the qualifications, skills, etc., required for executives, at in-house meetings about selecting employees for higher positions and training, and reporting on the progress of those investigations' findings. (2) Providing opportunities for executive candidates to make reports or give presentations in front of the Board of Directors or at other important meetings, and ensuring opportunities to evaluate these.
Strengthening the oversight and supervisory functions of the Board of Directors since we took on the form of a company with an audit and supervisory committee	(3) Reviewing the standard of decision-making and reporting to the Board of Directors. (4) Enhancing the content of discussing and reporting by the Board of Directors—however the increase in materials accompanying such enhancements to reporting, as well as time management for the Board of Directors, have become issues. We will work to improve these points going forward.
Others (strengthening governance, securing opportunities for communication between executives)	(5) Ensuring that more than half of the members of the Nomination and Compensation Committee are independent external directors (strengthening governance) (6) Alongside implementing measures to prevent the spread of COVID-19, working to secure opportunities for necessary communication (securing opportunities for communication between executives)

Of the above, (1) to (5) are already being improved.

For (6), in order to respond to different strains of COVID-19, we were not able to ensure opportunities for communication except online. In the future, we will consider the pandemic situation and continue to strive to ensure communication chances.

### (2) New Issues and Countermeasures

The new issues that were identified in the latest effectiveness evaluation, and the future initiatives we will implement to address them, are as follows.

Issues	Countermeasures
Board of Directors' oversight of execution and setting indicators to that end	In order to further strengthen the Board of Directors' oversight of business execution, it will set appropriate targets—financial targets such as for net sales or operating income, but also non-financial targets—and carry out its oversight based on these.
Composition of the Board of Directors contribute to enhancement of governance, etc.	In terms of enhancing governance, taking into account the expectations that stakeholders have for us and the standards that society demands, it will construct a system that suits Sumitomo Seika in qualitatively enhanced governance. Moreover, with regard to the composition of the Board of Directors, we are aware that appointing independent external directors with experience of corporate management is a matter of urgency, but it is also important to appoint appropriate people after consideration of the scale and nature of our business. Therefore, we will continue to work on our selection of candidates.
Other (reporting to the Board of Directors about the formulation of the medium-term management plan, the Management Meeting, etc.)	The Board of Directors will have repeated and sufficient discussions with those involved in business execution and with external directors about the medium-term management plan that we plan to formulate this fiscal year, and we will press forward with formulating a plan that appropriately presents the path we must take going forward. For reports given to the Board of Directors about the operations of the Management Meeting or various committees, reports will not merely comprise meeting findings or summaries, reports will instead be centered on the deliberation process and responses to the issues identified, with the Board of Directors overseeing these reports. In this way, we will endeavor to strengthen oversight of business execution through the Board of Directors.

We have formulated a Fundamental Policy on Internal Control System Development to ensure risk management and compliance, to manage group companies and information, and to ensure the suitability of other tasks. Based on this policy, we are constructing such a system. The president and directors who are responsible for business execution will be in charge of the specific efforts to develop and operate the internal control system, in line with their positions. Through post-event checks by internal auditors and the running of the internal reporting system for legal breaches or unsuitable actions, we are ensuring that the internal control system's development and operations are appropriate. The Internal Control Committee periodically monitors the development and operation of the system overall, including of the above. The Board of Directors, meanwhile, oversees the development and operation of the internal control system, and also reviews the fundamental policy to respond to changes in circumstances. Through these steps, it is working to guarantee and enhance the effectiveness of our internal control system.

## Risk Management

We have compiled the major risks that face us, and are implementing measures to tackle these. With respect to company-wide major risks and countermeasures, we carry out investigations and reviews, and that information is reported to the Internal Control Committee. Where the committee decides improvements are required, it swiftly gives instructions for countermeasures.

## Ensuring Compliance

We have identified likely compliance breaches, and are setting rules and carrying out training.

Here are some examples of compliance training that we implemented in fiscal 2021:

- Comprehensive compliance training for new employees
- Gifts and entertainment rules training
- Anti-monopoly Law training
- Export controls on restricted cargoes, etc. training
- Information management training

## Group Company Management

For group companies, business-related issues are handled by business departments that have a close relationship with the relevant business area, while compliance matters are under the purview of the Legal Department, and the Corporate Planning and Accounting Office deals with other general operational matters.

In this way, each related department supports and manages our group companies.

## Internal Audits

As part of our internal control system, and separate to audits by members of the Audit and Supervisory Committee and audits by accounting auditors, we have established a dedicated auditing organization, the Internal Audit Department. The department carries out internal audits (business audits and internal control evaluations) of each of our departments, as well as of group companies inside and outside Japan. The table below gives details of these internal audits.

Business audits	Audits evaluate whether business activities conform to laws, regulations, and other in-house regulations, as well as the necessity, effectiveness, and efficiency of tasks. They then provide guidance and suggestions on how to make improvements.
Internal control evaluations	These assess the effectiveness of internal controls relating to financial reporting, i.e., the development and operation of internal controls within the scope of evaluation, which is set for each business year.

## Internal Reporting

For compliance breaches or cases where that could occur, we have set up whistleblowing hotlines (inside and outside the Company) by which any executive or employee of the Company or group company, or ex-employee or supplier, can report such cases directly. In this way, we are working hard to ensure that compliance breaches or cases where that could occur are either discovered early, or prevented from happening in the first place. The Internal Control Committee regularly receives reports on whistleblowing or compliance breaches.



### Community Outreach

#### Community cleanups and beautification activities

Cleanup activities of outside roads and roadside ditches around its facilities are regularly and proactively conducted at each Works.



Community cleanup near Chiba Works

#### Free access for neighboring residents to some of our grounds

We open up some of our grounds to neighboring residents, conduct traffic safety classes for nearby nursery schools, and allow community associations or retiree groups to play ground golf or use our spaces for various other activities.

#### Workplace vaccinations

We carried out vaccinations at our Befu Works, which was open to employees and their families, temporary staff, staff from partner companies and their families, and workers from other companies in the vicinity.



Workplace vaccination at Befu Works

### Donation Activities

#### Donations to UNICEF

Our employees are assets, and as such we develop measures aimed at achieving health and productivity management, one aspect of these efforts are the walking events that we hold several times a year with the goal of improving employee health.

Since fiscal 2021, in line with the Sumitomo Business Spirit of “Jiri-Rita Koushi-Ichinyo”- Benefit Self and Benefit Others; Private and Public Interests Are One and the Same and from the perspectives of both health and productivity management and our social contribution,

ユニセフ・ラブウォーク



Logo Mark of UNICEF Love Walk

we have participated in Love Walk, a walking event organized by the Japan Committee for UNICEF (JCU). In order to give back to society through the benefits of our health promotion activities, we calculated an amount of money with one yen for every 1,000 total steps made by employees who took part in the event. The total was then added to donations from employees and donated to the JCU.

#### Food donations (Second Harvest Japan)

As part of our preparations for natural disasters or other unexpected situation, we stock food and other items at each of our sites. Recently we were coming up to the point, once every few years, where we needed to replace our stocks of food, and we donated the food, which had not reached its expiry dates, to the charity Second Harvest Japan that contributes foods to social welfare facilities.



For more details, see the official website: <https://2hj.org/english/>

#### Expo 2025

As part of the Sumitomo Group, which will be playing a central role in the world exposition to be held in 2025, and as a company from the region in which it is being held, we will be running a variety of support activities for Expo 2025. Moreover, in fiscal 2021, in order to make a wide-ranging contribution to society and to promote mutual prosperity with society, we also donated money to the Japan Association for the 2025 World Exposition.

### Blood Donation

We host blood drives for the Red Cross Blood Center at our sites and each time a whole host of employees take part.

### Training Activities: Opportunities for Internship Programs

In fiscal 2021, we held an online internship program for university and graduate students, with a large number of participants.

For assumed risks in our business operations, the Management Meeting and the Internal Control Committee come up with countermeasures depending on the nature of the risk.

### 1. Risks Related to Management Decisions and Business Strategies

#### 1) Market risks

(i) In the markets in which we develop our business, we predict that our product lines may continue to face a harsh pricing environment due to various reasons, such as entry into those markets by competitors from inside and outside Japan or inflows of cheap imported goods.

(ii) In China, one of the most important markets for super absorbent polymers, our Group's competitive environment could intensify due to factors such as commoditization of super absorbent polymers resulting from quality improvements in locally manufactured products or other causes, and the lower number of babies being born.

#### 2) Raw material procurement risks

For some of the raw materials we purchase, we are reliant on specific suppliers. While we are endeavoring to reduce the risk of not being able to purchase major raw materials, such as by increasing the number of suppliers we use, the price at which we can buy in raw materials, fuels or other items is subject to rapid fluctuations in price due to changes in the supply-demand balance or market situations. If the price at which we buy in materials were to rocket, this could have an adverse effect on our business performance.

#### 3) Exchange rate fluctuation risks

(i) We conduct production and sales activities globally and fluctuations in exchange exert an influence on our foreign-currency sales or procurement costs for raw materials. As a result, we strive to minimize such risks through measures such as exchange contracts.

(ii) For our overseas consolidated subsidiaries, when we create our consolidated financial statements, the exchange rate at the point of conversion could impact the value in Japanese yen.

(iii) In particular, fluctuations in exchange rates for the renminbi could impact our performance. For example, if the renminbi rate were to drop by 1%, our full-year net sales and operating income would fall by around 200 million yen.

#### 4) Climate-related risk

Problems connected to climate change will have a major effect on our business in the long term, and we believe working earnestly to tackle these issues will lead to our sustainable growth and improvements to our long-term corporate value.

We are analyzing potential climate change scenarios, based on the framework laid out by the TCFD. A summary can be found on page 36, in the section entitled “Climate-related Governance, Risks, and Opportunities.”

### 2. Risks Related to Disasters, Accidents, Compliance, Laws and Regulations, Quality, Etc.

#### 1) Disaster and accident risks

To minimize potential negative factors attributable to halts to our manufacturing operations or accidents caused by our manufacturing equipment, we carry out periodic checks of all of our manufacturing equipment. However, should a natural disaster, accident, or other factors cause harm to things or people in one of our plants or the vicinity, there is a risk that this could hinder our business activities, result in high costs, and have a major negative effect on our reputation.

#### 2) Information security risks

Every year, we become more and more reliant on computer systems and networks in our business activities, and so we are working hard to protect systems and data with measures such as improvement of security system. However, should a power outage, natural disaster, cyber crimes such as attack by computer virus or hacking, damage our systems or networks, there is a risk that this could hinder our business activities, result in high costs, and have a major negative effect on our reputation.

#### 3) Legal or regulatory risks

There is a chance that the countries in which we pursue business activities could, in the future, strengthen their laws and regulations toward environmental issues or chemical safety, and this could lead to new costs.

#### 4) Personnel/labor risks

Industrial accidents, the spread of infectious diseases or communicable diseases, have the potential to put a stop to our business execution, while worker human rights issues, mental health issues, or cases of harassment have the potential to worsen working environments. Any of these could lead to us being liable for damages.

#### 5) Legal breach and compliance risks

If an infringement of laws or regulations in Japan or overseas, or any other case of compliance breach were to occur, we would lose the trust of society and could have to pay damages or other financial penalty. This could have a negative effect on our business results and financial situation.

#### 6) Product quality risks

We follow very strict quality control standards, that are globally recognized, as we manufacture a range of products, but this is no guarantee that all of our products will be free from defects and that a product recall will not be required in the future.

If a extensive product-related incident were to happen, it could result in high costs, or it could have a major negative effect on our reputation.



## Messages from External Directors



External Director  
KATSUKI Yasumi

The ultimate goal of corporate governance can be said to be raising corporate value over the long term and in a sustainable manner. As such, the effective functioning of corporate governance is, put bluntly, a bulwark against the kind of decision-making that could harm corporate value. It is also a challenge that can unlock greater corporate value and the foundations that support risk-taking. Surely this is a vital element in making corporate governance function effectively. Needless to say, just putting in place a corporate governance structure—i.e., an internal control system, risk management system, external directors, audit and supervisory committee, etc.—to be seen from outside the company, doesn't guarantee it is effective. Looking at some of the corporate scandals of recent years makes that abundantly clear.

Personally, I think that the most important factors are the transparency of an organization, its attitude to proactively disclosing information, and whether it has a positive, open culture that acts as a foundation for the above.

The business environment in which the Sumitomo Seika Group operates is gradually becoming increasingly unclear. While the next medium-term management plan, set to begin in fiscal 2023, has now been formulated, there is a definite possibility that we will face some difficult decision-making when it comes time to the period of new medium-term management plan.

As such, as an external director, by verifying that the Group is demonstrating adequate performance toward raising corporate value, I hope to support those in the Sumitomo Seika Group who are challenging themselves to go further.



External Director  
(Audit and Supervisory  
Committee Member)  
KISHIGAMI Keiko

In June 2020, I was appointed as a first female external director, and have been feeling welcome mood as I took part in discussions. During the more than two years since, we have been impacted by the continuing effects of the pandemic and the war in Ukraine, and the business environment has undergone a number of dramatic changes—changes in supply and demand, soaring raw material prices, exchange rate fluctuations, semiconductor shortages, logistics chaos, to name but a few. Despite this, Sumitomo Seika's quick responses meant we are in sight of achieving our fiscal 2022 targets, which were at one point under threat. The vital elements in this were the penetration of the Sumitomo Spirit among the Company's leaders, steady activities such as the responsible care activities we have seen in the past, and a collaborative spirit.

The Sumitomo Spirit advocates integrity and sound management and seeks to benefit not only its own business, but also both the nation and society. More generally, its own business can be thought of as its shareholding investors, its management and employees, and nation and society as business partners such as suppliers, customers and end users, and the planet crying for help.

This Sumitomo Seika Report 2022 was created through dialogue and discussion on a range of topics, and through this process the Board of Directors has changed to spend more time on discussions of medium- and long-term issues, including sustainability rather than on deliberations. A key point is the expression in the purpose statement 'Sumitomo Seika's Chemistry.' We can take an overview of Sumitomo Seika's current core technologies and markets—in super absorbent polymers, Sumitomo Seika is making inroads into the market with grades that use our proprietary inverse suspension polymerization method and developing them; in functional materials, emulsification and gas refining; and in plant engineering, there are several products which only a few companies in Japan can offer.

Globally, Sumitomo Seika is facing severe competition with massive global companies and local domestic companies in each area, and so to survive we need to quickly develop new products that fuse enhanced quality and productivity with technology.

It is important to deepen 'Sumitomo Seika's Chemistry' through meaningful dialog with stakeholders based on this report.

## Company Profile & Stock information

### Company Profile (As of March 31, 2022)

Established	July 20, 1944
Capital	9,698 million yen
Net Sales	115.6 billion yen (Consolidated) 65.2 billion yen (Non-consolidated)
Business Profile	Super Absorbent Polymers, Functional Materials*
Employees	1,384(Consolidated) 1,024(Non-consolidated)
Overseas Locations	Korea, Belgium, Singapore, China, Taiwan, America
Number of Affiliates	12(Japan:1, Overseas:11)

\*Integration of Functional Chemicals and Gas & Engineering into Functional Materials following the reorganization of the business divisions on June 24, 2022.

### Stock Information (As of March 31, 2022)

#### Authorized Number of Shares

40,000,000 shares

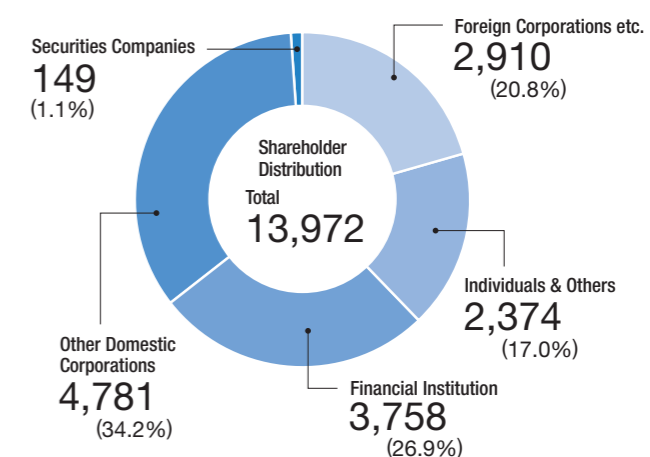
#### Number of Shares Issued and Outstanding

13,972,970 shares

#### Number of Shareholders

5,588

#### Shareholder Distribution (Unit: 1,000 shares)



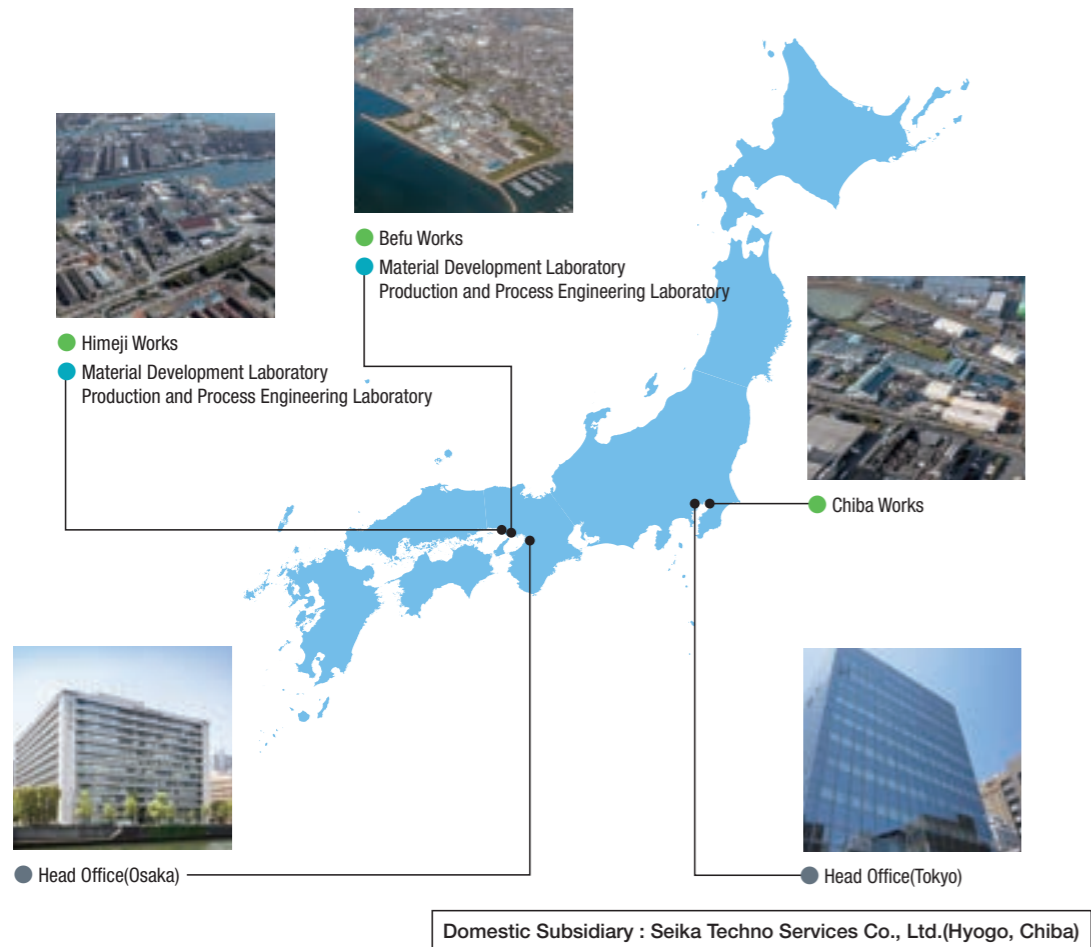
#### Principal shareholders (Top 10)

Name	Number of stocks held (Unit: 1,000 shares)	Shareholding Ratio (%)
1. Sumitomo Chemical Co., Ltd.	4,195	31.10
2. The Master Trust Bank of Japan, Ltd. (Investment Trust)	1,340	9.94
3. JP Morgan Chase Bank 385632	819	6.08
4. Sumitomo Mitsui Banking Corporation	463	3.43
5. Custody Bank of Japan, Ltd. (Investment Trust)	459	3.41
6. JP Morgan Bank Luxembourg S.A.381572	338	2.51
7. Sumitomo Life Insurance Company	310	2.30
8. Sumitomo Mitsui Trust Bank, Limited.	270	2.00
9. Taki Chemical Co., Ltd.	206	1.53
10. Sumitomo Seika Employee Shareholdings	173	1.29

(Note)The Company holds 480,899 shares of treasury stock, which are excluded from stock held by the principal shareholders listed above. Percentage of total number of issued stocks is calculated based on the total number of issued stocks less treasury stocks.

# Group Network

## Locations in Japan



## Business Locations Overseas



## Locations in Japan

Head Offices	Osaka, Tokyo
Works	Befu Works(Harima Town, Kako-gun, Hyogo Prefecture) Himeji Works Chiba Works
Sales Offices	Osaka, Tokyo
Research Laboratories	Material Development Laboratory(at Befu, Himeji) Production and Process Engineering Laboratory(at Befu, Himeji)

## Consolidated Subsidiaries

Japan	Seika Techno Services Co., Ltd. Various Services	Overseas	Sumitomo Seika (China) Co., Ltd. Providing regional management services such as administration and finance to its subsidiaries in China Sales of Super Absorbent Polymers and Gases Products
	Sumitomo Seika Singapore Pte. Ltd. Manufacture of Super Absorbent Polymers		Sumisei Polymers Technology (Shanghai) Co., Ltd. Technical Service and Market Research
Sumitomo Seika Asia Pacific Pte. Ltd. Sales of Super Absorbent Polymers	Sumisei Technology (Yangzhou) Co., Ltd. Contract Manufacturing Service of Chemical Products		
Sumisei Taiwan Technology Co., Ltd. Manufacturing and Sales of Electronics Gases	Sumisei International Trading (Shanghai) Co.,Ltd. Sales of Super Absorbent Polymers		
Sumisei Chemical Co., Ltd. (Korea) Manufacturing and Sales of Electronics Gases	Sumitomo Seika Europe S.A./N.V. (Belgium) Sales of Super Absorbent Polymers and Functional Chemical Products		
Sumitomo Seika Polymers Korea Co., Ltd. Manufacturing and Sales of Super Absorbent Polymers	Sumitomo Seika America, Inc. Sales of Functional Chemical Products		

## 10-Year Data Summary (FY2012-FY2021)

(Millions of Yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
<b>Financial Performance</b>										
Net Sales	70,591	94,911	92,698	87,003	98,857	105,883	109,634	99,701	103,254	115,583
Operating Income	4,182	8,056	7,252	7,404	10,541	9,734	9,072	7,775	10,101	8,072
Operating Margin (%)	5.9	8.5	7.8	8.5	10.7	9.2	8.3	7.8	9.8	7.0
Ordinary Income	4,692	8,815	8,265	6,329	10,006	9,935	8,636	6,866	10,375	8,915
Net Income Attributable to Owners of the Parent	3,121	5,656	5,543	4,013	5,739	6,698	604	4,285	7,119	5,895
<b>Financial Position</b>										
Total Assets	85,594	95,050	104,954	104,576	105,396	110,492	105,779	100,261	107,834	121,274
ROA (Return on Assets)(%)	3.9	6.3	5.5	3.8	5.5	6.2	0.6	4.2	6.8	5.1
Owner's Equity	37,515	46,098	53,123	53,548	58,470	64,407	63,573	64,262	72,794	78,733
ROE (Return on Equity)(%)	8.8	13.5	11.2	7.5	10.2	10.9	0.9	6.7	10.4	7.8
Equity Ratio(%)	43.8	48.5	50.6	51.2	55.5	58.3	60.1	64.1	67.5	64.9
High Liability Disability	30,912	26,553	31,890	32,141	25,675	21,718	19,199	14,852	14,091	14,548
Debt / Equity Ratio (times)	0.8	0.6	0.6	0.6	0.4	0.3	0.3	0.2	0.2	0.2
<b>Cash Flow</b>										
Cash Flow from Operating Activities	2,474	15,895	8,035	12,336	14,763	11,524	4,869	10,767	16,251	9,017
Cash Flow from Investment Activities	△9,469	△11,095	△7,091	△12,742	△2,717	△4,454	△8,281	△3,838	△2,229	△4,321
Free Cash Flow	△6,995	4,800	944	△406	12,046	7,070	△3,412	6,929	14,022	4,696
Cash Flow from Financing Activities	7,528	△5,994	4,468	△657	△7,460	△5,781	△3,558	△5,564	△3,264	△2,986
Cash and Cash Equivalents at the End of the Year	9,325	9,809	16,417	14,622	18,931	20,212	13,979	15,366	25,657	29,248
<b>Per Share Data(yen)</b>										
Net Assets Per Share	543.95	668.42	770.30	776.48	4,239.34	4,669.85	4,609.39	4,659.35	5,278.02	5,835.52
Net Income Per Share for the Term	45.3	82.0	80.4	58.2	416.2	485.7	43.8	310.7	516.2	429.1
Dividends Per Share	10	15	15	15	45	100	100	100	100	120
Dividends Payout Ratio(%)	22.0	18.3	18.7	25.8	18.0	20.6	228.1	32.2	19.4	28.0
<b>Others</b>										
Depreciation Expense	4,566	6,066	6,012	5,911	6,016	5,793	5,790	5,430	5,280	4,896
Capital Expenditure	12,406	9,346	9,371	9,690	3,406	5,790	7,674	3,695	2,691	4,426
R&D Expenses	2,145	2,103	2,262	2,298	2,395	2,733	2,910	3,200	2,909	2,628

(Note) The Company consolidated every five shares into a single share on October 1, 2016. Net assets per share and net income per share are calculated assuming that the consolidation of shares was conducted at the beginning of the previous consolidated fiscal year.

## 【Consolidated Balance Sheet】

	(Millions of Yen)	
	Previous Consolidated Fiscal Year (As of March 31, 2021)	Current Consolidated Fiscal Year (As of March 31, 2022)
<b>Assets</b>		
<b>Current Assets</b>		
Cash & Deposits	25,657	29,248
Notes & Accounts Receivable-Trade	24,217	-
Notes	-	1,022
Accounts Receivable-Trade	-	25,538
Contract Assets	-	185
Goods and Products	13,241	17,234
Work in Progress	400	407
Raw Materials and Supplies	2,827	4,234
Others	1,829	3,453
Bad Debt Allowance	△9	△11
<b>Total Current Assets</b>	<b>68,164</b>	<b>81,312</b>
<b>Non-Current Assets</b>		
<b>Property, Plants &amp; Equipment</b>		
Buildings and Structures	29,313	30,175
Accumulated Depreciation	△14,838	△15,893
Buildings and Structures, net	14,474	14,282
Machinery and Vehicles	80,022	80,858
Accumulated Depreciation	△66,665	△69,439
Machinery and Equipment, Net	13,357	11,418
Land	4,418	4,462
Leased asset	6,938	7,192
Accumulated Depreciation	△6,305	△6,726
Leased Assets, Net	633	465
Construction in Progress	779	2,280
Others	5,807	6,395
Accumulated Depreciation	△4,695	△4,997
Other, net	1,111	1,398
<b>Total property, plant and equipment</b>	<b>34,775</b>	<b>34,308</b>
<b>Intangible Assets</b>		
Software	225	192
Others	7	7
<b>Total Intangible Fixed Assets</b>	<b>233</b>	<b>200</b>
<b>Investments &amp; Other Assets</b>		
Investment Securities	1,517	1,608
Retirement Benefit Assets	1,618	1,751
Deferred Tax Asset	584	76
Others	951	2,027
Bad Debt Allowance	△10	△10
<b>Total Investments and Other Assets</b>	<b>4,661</b>	<b>5,453</b>
<b>Total Fixed Assets</b>	<b>39,670</b>	<b>39,961</b>
<b>Total Assets</b>	<b>107,834</b>	<b>121,274</b>

	(Millions of Yen)	
	Previous Consolidated Fiscal Year (As of March 31, 2021)	Current Consolidated Fiscal Year (As of March 31, 2022)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes & Accounts Payable-Trade	10,841	16,590
Contract Liability	-	188
Short-Term Loans Payable	9,696	11,016
Long-term Borrowings Scheduled to be Repaid within One Year	978	3,036
Lease Obligation	120	144
Income Taxes Payable	1,511	1,072
Provision for Bonuses	851	919
Provision for Directors' Bonuses	81	62
Others	3,370	4,496
<b>Total Current Liabilities</b>	<b>27,451</b>	<b>37,525</b>
<b>Non-Current Liabilities</b>		
Long-Term Loans Payable	2,934	-
Lease Obligation	363	352
Deferred Tax Liability	86	111
Retirement Benefit Liability	1,508	1,379
<b>Total Fixed Liabilities</b>	<b>4,892</b>	<b>1,843</b>
<b>Total Liabilities</b>	<b>32,343</b>	<b>39,369</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Paid in Capital	9,698	9,698
Capital Surplus	7,539	7,539
Retained Earnings	52,104	56,483
Treasury Stock	△261	△1,207
<b>Total Shareholders' Equity</b>	<b>69,080</b>	<b>72,512</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation Difference on Available-for-Sale Securities	685	748
Foreign Currency Translation Adjustment	2,252	4,698
Remeasurements of Net Defined Benefit Plans	776	773
<b>Total Accumulated Other Comprehensive Income</b>	<b>3,714</b>	<b>6,220</b>
<b>Non-Controlling Interests</b>	<b>2,696</b>	<b>3,171</b>
<b>Total Net Assets</b>	<b>75,491</b>	<b>81,905</b>
<b>Liabilities and Net Assets</b>	<b>107,834</b>	<b>121,274</b>

## 【Consolidated Income Statement】

(Millions of Yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Net Sales	103,254	115,583
Cost of Sales	78,078	89,434
Gross Profit	25,176	26,149
Selling, General and Administrative Expenses		
Shipping Fare	4,313	7,204
Employee Salary and Bonus	2,727	2,925
Provision for Bonus Reserve	368	388
Retirement Benefit Expenses	205	103
R&D Expenses	2,881	2,590
Others	4,578	4,863
Total Selling, General and Administrative Expenses	15,074	18,076
Operating Income	10,101	8,072
Non-Operating Income		
Interest Income	84	114
Dividends Income	49	54
Foreign Exchange Gain	87	676
Subsidy Income	290	213
Others	73	99
Total Non-Operating Income	584	1,157
Non-Operating Expenses		
Interest Expenses	255	245
Others	55	70
Total Non-Operating Expenses	310	315
Ordinary Income	10,375	8,915
Extraordinary Gain		
Gain on Sales of Non-Current Assets	34	—
Gain on Sales of Investment Securities	47	26
Total Extraordinary Gain	81	26
Extraordinary Loss		
Loss on Retirement of Non-Current Assets	88	131
Impairment Loss	703	357
Total Extraordinary Loss	791	488
Income Before Income Taxes	9,665	8,453
Corporate Tax, Inhabitant Tax and Business Tax	2,305	1,931
Total Corporate Tax Adjustment	25	567
Total Income Tax Expenses for the Period	2,331	2,499
Net Income	7,334	5,954
Net Income Attributable to Non-Controlling Interests	214	58
Net Income Attributable to Owners of the Parent	7,119	5,895

## 【Consolidated Comprehensive Income Statement】

(Millions of Yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Net Income	7,334	5,954
Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	404	62
Foreign Currency Translation Adjustment	1,751	2,863
Remeasurements of Net Defined Benefit Plans	650	△2
Total Other Comprehensive Income	2,805	2,923
Comprehensive Income	10,140	8,877
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	9,911	8,402
Comprehensive Income Attributable to Non-Controlling Interests	228	475

## 【Consolidated Statement of Changes in Equity】

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

(Millions of Yen)

	Shareholders' Equity				
	Paid in Capital	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at Beginning of Period	9,698	7,539	46,364	△261	63,340
Changes during the Period					
Dividend of Surplus			△1,379		△1,379
Net Income Attributable to Parent Company Shareholders			7,119		7,119
Acquisition of Treasury Stock				△0	△0
Net Changes of Items Other Than Shareholders' Equity					
Total Changes During the Period	—	—	5,740	△0	5,740
Balance at End of Period	9,698	7,539	52,104	△261	69,080

	Accumulated Other Comprehensive Income				Non-Controlling Interests	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustment Account	Retirement Benefit Adjustments	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Period	281	514	125	921	2,468	66,730
Changes during the Period						
Dividend of Surplus						△1,379
Net Income Attributable to Parent Company Shareholders						7,119
Acquisition of Treasury Stock						△0
Net Changes of Items Other Than Shareholders' Equity	404	1,738	650	2,792	228	3,020
Total Changes During the Period	404	1,738	650	2,792	228	8,760
Balance at End of Period	685	2,252	776	3,714	2,696	75,491

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Shareholders' Equity				
	Paid in Capital	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at Beginning of Period	9,698	7,539	52,104	△261	69,080
Changes during the Period					
Dividend of Surplus			△1,517		△1,517
Net Income Attributable to Parent Company Shareholders			5,895		5,895
Acquisition of Treasury Stock				△946	△946
Net Changes of Items Other Than Shareholders' Equity					
Total Changes During the Period	—	—	4,378	△946	3,432
Balance at End of Period	9,698	7,539	56,483	△1,207	72,512

	Accumulated Other Comprehensive Income				Non-Controlling Interests	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustment Account	Retirement Benefit Adjustments	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Period	685	2,252	776	3,714	2,696	75,491
Changes during the Period						
Dividend of Surplus						△1,517
Net Income Attributable to Parent Company Shareholders						5,895
Acquisition of Treasury Stock						△946
Net Changes of Items Other Than Shareholders' Equity	62	2,446	△2	2,506	475	2,981
Total Changes During the Period	62	2,446	△2	2,506	475	6,413
Balance at End of Period	748	4,698	773	6,220	3,171	81,905

## 【Consolidated Statement of Cash Flow】

(Millions of Yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
<b>Cash Flow from Operating Activities</b>		
Income Before Income Taxes	9,665	8,453
Depreciation Expense	5,280	4,896
Loss on Retirement of Non-Current Assets	51	38
Impairment Loss	703	357
Decrease (Increase) in Net Defined Benefit Assets	△153	△227
Increase (Decrease) in Net Defined Benefit Liabilities	100	△37
Interest Income & Dividends Income	△133	△168
Subsidy Income	△290	△213
Interest Expenses	255	245
Loss (Gain) on Sales of Non-Current Assets	△34	—
Loss (Gain) on Sales of Available-for-Sale Securities	△47	△26
Decrease (Increase) in Notes and Accounts Receivable-Trade	△228	△1,389
Decrease (Increase) in Inventories	2,004	△4,666
Increase (Decrease) in Notes and Accounts Payable-Trade	△1,321	5,453
Others	1,834	△1,421
Subtotal	17,688	11,291
Interest and Dividends Income Received	130	169
Subsidy Income Received	290	213
Interest Expenses Paid	△243	△250
Income Tax Paid	△1,613	△2,406
Total Cash Flow from Operating Activities	16,251	9,017
<b>Cash Flow from Investment Activities</b>		
Purchase of Non-Current Assets	△3,074	△3,629
Proceeds from Sales of Non-Current Assets	34	—
Proceeds from Sales of Available-for-Sale Securities	68	35
Decrease (increase) in time deposits	749	385
Others	△8	△1,112
Total Cash Flow from Investment Activities	△2,229	△4,321
<b>Cash Flow from Financing Activities</b>		
Net Increase (Decrease) in Short-Term Loans Payable	△1,722	576
Repayment of Long-Term Loans Payable	—	△963
Purchase of Treasury Stock	△0	△946
Repayments of Lease Obligations	△161	△137
Cash Dividends Paid	△1,380	△1,516
Total Cash Flow from Financing Activities	△3,264	△2,986
Effect of Exchange Rate Change on Cash and Cash Equivalents	229	2,273
Net Increase (Decrease) in Cash and Cash Equivalents	10,987	3,982
Cash and Cash Equivalents at the Beginning of the Period	14,279	25,266
Cash and Cash Equivalents at the End of the Period	25,266	29,248

# GRI Standard Comparison Table

This report refers to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines/Standards.

GRI Standard – General Disclosures		Page Number (Title)
1. Organizational Profile		
102-1	Name of the Organization	<ul style="list-style-type: none"> <li>Cover of This Integrated Report</li> <li>Cover of 109th Annual Securities Report &gt; Company Name</li> <li>Web &gt; Company Information &gt; Company Outline</li> </ul>
102-2	Activities, Brands, Products, and Services	<ul style="list-style-type: none"> <li>P9: Sumitomo Seika's Path of Value Creation</li> <li>P17-18: Business Summary(Super Absorbent Polymers)</li> <li>P19-20: Business Summary(Functional Materials)</li> <li>P48: Company Profile &amp; Stock Information</li> <li>Web &gt; Company Information &gt; Business Profile</li> <li>Web &gt; Product Information</li> </ul>
102-3	Location of Headquarters	<ul style="list-style-type: none"> <li>Cover of 109th Annual Securities Report &gt; Head Office Location</li> <li>Web &gt; Company Information &gt; Company Outline</li> </ul>
102-4	Location of Operations	<ul style="list-style-type: none"> <li>P49: Group Network</li> <li>Web &gt; Company Information &gt; Group Network</li> </ul>
102-5	Ownership and Legal Form	<ul style="list-style-type: none"> <li>P48: Company Profile &amp; Stock Information</li> <li>P41-43: Corporate Governance</li> <li>Web &gt; Company Information &gt; Company Outline</li> </ul>
102-6	Markets Served	<ul style="list-style-type: none"> <li>P9-10: Sumitomo Seika's Path of Value Creation</li> <li>P17-18: Business Summary(Super Absorbent Polymers)</li> <li>P19-20: Business Summary(Functional Materials)</li> <li>P49: Group Network</li> <li>Web &gt; Company Information &gt; Sumitomo Seika's Path of Value Creation</li> <li>Web &gt; Product Information</li> </ul>
102-7	Scale of the Organization	<ul style="list-style-type: none"> <li>P48: Company Profile &amp; Stock information</li> <li>Web &gt; Company Information &gt; Company Outline</li> </ul>
102-8	Information on Employees and Other Workers	<ul style="list-style-type: none"> <li>P14: Non-Financial Highlights</li> <li>P37-40: Personnel Training</li> </ul>
102-9	Supply Chain	<ul style="list-style-type: none"> <li>P23: Policy and Promotion System for Responsible Care Activities</li> <li>P24-26: Responsible Care Activities</li> <li>P33: Logistics Transportation and Material Purchasing</li> </ul>
102-10	Significant Changes to the Organization and Its Supply Chain	<ul style="list-style-type: none"> <li>Integration of Our Business Divisions</li> <li>Web &gt; Investor Relations &gt; Finance Information &gt; Fiscal Year 2021 Financial Results Briefing</li> <li>First Quarterly Securities Report for the 110th &gt; Part 2. Details of Business</li> </ul>
102-11	Precautionary Principle or Approach	<ul style="list-style-type: none"> <li>P44: Internal Control (Risk Management &amp; Compliance)</li> <li>P36: Climate-related Governance, Risks, and Opportunities</li> <li>P46: Business Risks</li> </ul>
102-12	External Initiatives	<ul style="list-style-type: none"> <li>P24-26: Responsible Care Activities</li> <li>P45: Relationship with Local Communities and Society</li> </ul>
2. Strategy		
102-14	Statement From Senior Decisionmaker	<ul style="list-style-type: none"> <li>P3-6: Top Message</li> </ul>
3. Ethics and integrity		
102-16	Values, Principles, Standards, and Norms of Behavior	<ul style="list-style-type: none"> <li>P1: Sumitomo Business Spirit, Corporate Mission, Purpose Statement</li> <li>P3-6: Top Message</li> <li>P11-12: Sumitomo Seika's Path of Value Creation</li> <li>P21-22: Establishment of Materiality</li> <li>P23: Policy and Promotion System for Responsible Care Activities</li> <li>P33: Logistics Transportation and Material Purchasing</li> <li>P34: Overview of Reductions to GHGs</li> <li>Web &gt; Company Information &gt; Guiding Principles</li> </ul>

GRI Standard – General Disclosures		Page Number (Title)
4. Governance		
102-18	Governance Structure	<ul style="list-style-type: none"> <li>P41-43: Corporate Governance</li> <li>P36: Climate-related Governance, Risks, and Opportunities</li> <li>Web &gt; Company Information &gt; Director (Executive Officer) / Organization</li> <li>Web &gt; Investor Relations &gt; Corporate Governance</li> <li>Web &gt; Investor Relations &gt; Corporate Governance (Corporate Governance Report)</li> </ul>
5. Stakeholder Engagement		
102-40	List of Stakeholder Groups	<ul style="list-style-type: none"> <li>P48: Company Profile &amp; Stock information</li> <li>109th Annual Securities Report Status of the 4th Submission Company 1. Status of Shares, etc.</li> </ul>
102-41	Collective Bargaining Agreements	<ul style="list-style-type: none"> <li>109th Annual Securities Report Part 1 Status of Companies 5. Status of Employees (3) Status of Labor Unions</li> </ul>
102-42	Identifying and Selecting Stakeholders	—
102-43	How to Approach Stakeholder Engagement	<ul style="list-style-type: none"> <li>P15-16: Financial Strategy</li> <li>P45: Relationship with Local Communities and Society</li> <li>P33: Logistics Transportation and Material Purchasing</li> <li>P34: Overview of Reductions to GHGs</li> <li>P37-40: Human Resources Development</li> </ul>
6. Reporting Practice		
102-45	Entities Included in the Consolidated Financial Statements	<ul style="list-style-type: none"> <li>P2: Editorial Policy</li> <li>P49: Group Network</li> <li>109th Annual Securities Report Part 1 Status of Companies 4. Status of Subsidiaries and Affiliates</li> </ul>
102-46	Defining Report Content and Topic Boundaries	<ul style="list-style-type: none"> <li>P2: Editorial Policy</li> </ul>
102-47	List of Material Topics	<ul style="list-style-type: none"> <li>P3-6: Top Message</li> <li>P21-22: Establishment of Materiality</li> </ul>
102-50	Reporting Period	<ul style="list-style-type: none"> <li>P2: Editorial Policy</li> </ul>
102-53	Contact Points for Questions Regarding the Report	<ul style="list-style-type: none"> <li>Back Cover of This Integrated Report</li> </ul>
102-54	Claims of Reporting in Accordance with the GRI Standards	<ul style="list-style-type: none"> <li>P2: Editorial Policy</li> <li>P59-60: GRI Standard Comparison Table</li> </ul>
102-55	Content Index	<ul style="list-style-type: none"> <li>P2: Contents, Editorial Policy</li> <li>P59-60: GRI Standard Comparison Table</li> </ul>
102-56	External Assurance	<ul style="list-style-type: none"> <li>P61: Independent Verification Report</li> </ul>

GRI Standard – General Disclosures		Page Number (Title)
7. Raw Materials		
301-1	Weight or Volume of Raw Materials Used	<ul style="list-style-type: none"> <li>P27-30: Environmental Conservation</li> </ul>
8. Energy		
302-3	Energy Intensity	<ul style="list-style-type: none"> <li>P14: Non-Financial Highlights</li> <li>P27-30: Environmental Conservation</li> </ul>
302-4	Reduction of Energy Consumption	<ul style="list-style-type: none"> <li>P14: Non-Financial Highlights</li> <li>P27-30: Environmental Conservation</li> </ul>
9. Biodiversity		
304-1	Operational Sites Owned, Leased, Managed in, or Adjacent to, Protected Areas and Areas of High Biodiversity Value Outside Protected Areas	—
10. Emissions		
305-1	Direct Greenhouse Gases (GHG) Emissions (Scope 1)	<ul style="list-style-type: none"> <li>P14: Non-Financial Highlights</li> <li>P27-30: Environmental Conservation</li> <li>P34: Overview of Reductions to GHGs</li> </ul>
305-3	Other Indirect (Scope 3) GHG Emissions	<ul style="list-style-type: none"> <li>P34: Overview of Reductions to GHGs</li> </ul>
305-4	GHG Emissions Intensity	<ul style="list-style-type: none"> <li>P14: Non-Financial Highlights</li> <li>P27-30: Environmental Conservation</li> </ul>
305-7	Nitrogen Oxides (NOx), Sulfur Oxides (SOx), and Other Significant Air Emissions	<ul style="list-style-type: none"> <li>P27-30: Environmental Conservation</li> </ul>
11. Effluents and Waste		
306-2	Waste by Type and Disposal Method	<ul style="list-style-type: none"> <li>P14: Non-Financial Highlights</li> <li>P27-30: Environmental Conservation</li> <li>Web &gt; Sustainability &gt; Waste Treatment Maintenance and Management Activities</li> </ul>
306-3	Critical Leak	<ul style="list-style-type: none"> <li>P31-32: Results of Our Responsible Care Activities</li> </ul>
12. Environmental Compliance		
307-1	Non-Compliance with Environmental Laws and Regulations	<ul style="list-style-type: none"> <li>P31-32: Results of Our Responsible Care Activities</li> </ul>
13. Supplier Environmental Assessment		
308-2	Negative Environmental Impacts in the Supply Chain and Actions Taken	<ul style="list-style-type: none"> <li>P33: Logistics Transportation and Material Purchasing</li> <li>P34: Overview of Reductions to GHGs</li> </ul>

GRI Standard – General Disclosures		Page Number (Title)
14. Employment		
401-3	Parental Leave	<ul style="list-style-type: none"> <li>P37-40: Human Resources Development</li> </ul>
15. Occupational Health and Safety		
403-1	Occupational Health and Safety Management System	<ul style="list-style-type: none"> <li>P23: Policy and Promotion System for Responsible Care Activities</li> </ul>
403-4	Worker Participation, Consultation, and Communication on Occupational Health and Safety	<ul style="list-style-type: none"> <li>P37-40: Human Resources Development</li> <li>P31-32: Results of Our Responsible Care Activities</li> </ul>
403-5	Worker Training on Occupational Health and Safety	<ul style="list-style-type: none"> <li>P37-40: Human Resources Development</li> </ul>
403-6	Promotion of Worker Health	<ul style="list-style-type: none"> <li>P24-26: Responsible Care Activities</li> <li>P31-32: Results of Our Responsible Care Activities</li> <li>P37-40: Human Resources Development</li> </ul>
403-9	Work-Related Injuries	<ul style="list-style-type: none"> <li>P14: Non-Financial Highlights</li> <li>P24-26: Responsible Care Activities</li> <li>P31-32: Results of Our Responsible Care Activities</li> </ul>
16. Training and Education		
404-2	Programs for Upgrading Employee Skills and Transition Assistance Programs	<ul style="list-style-type: none"> <li>P37-40: Human Resources Development</li> </ul>
17. Diversity and Equal Opportunity		
405-1	Diversity of Governance Bodies and Employee	<ul style="list-style-type: none"> <li>P14: Non-Financial Highlights</li> <li>P37-40: Human Resources Development</li> <li>P41-43: Corporate Governance</li> </ul>
18. Local Communities		
413-1	Operations with Local Community Engagement, Impact Assessments, and Work Sites that Have Implemented Development Programs	<ul style="list-style-type: none"> <li>P45: Relationship with Local Communities and Society</li> <li>P31-32: Results of Our Responsible Care Activities</li> </ul>
19. Customer Health and Safety		
416-1	Assessment of the Health and Safety Impacts of Product and Service Categories	<ul style="list-style-type: none"> <li>P24-26: Responsible Care Activities</li> <li>P31-32: Results of Our Responsible Care Activities</li> <li>P37-40: Human Resources Development</li> </ul>
20. Socioeconomic Compliance		
419-1	Non-Compliance with Laws and Regulations in the Social and Economic Area	Not Applicable



**Integrated report "Sumitomo Seika Report 2022"**  
**Statement of Opinion Regarding the Third-Party Verification**

November 18, 2022

To : OGAWA Ikuzo, President  
 Sumitomo Seika Chemicals Company, Limited.

■ Purpose of the Verification

In this Responsible Care Verification Report, the Responsible Care Verification Center aims to express the opinions of chemical industry experts concerning the following items presented in the *Sumitomo Seika Report 2022* (hereinafter "the Report") prepared by Sumitomo Seika Chemicals Company, Limited. The scope of the verification does not include financial information.

- 1) Rationale behind the collection, compilation, and methods of calculating performance indices (numerical data) and the accuracy of the data
- 2) Accuracy of the information (other than numerical data) presented in the Report
- 3) Evaluation of the Responsible Care and CSR activities
- 4) Characteristics of the Report

■ Verification Procedure

- At the corporate head office, we evaluated the rationale for the methods used to collect and compile the numerical data reported from each site (office and works), as well as the accuracy of the information (other than numerical data) presented in the Report. This was done by interviewing those personnel responsible for the relevant business operations and those in charge of preparing the Report about its contents, and asking them to provide supporting materials, and hearing their explanations of those supporting materials.
- At Himeji Works, we evaluated the rationale for the methods used to calculate the numerical data reported to the corporate head office and the accuracy of the data, as well as the accuracy of information (other than numerical data) presented in the Report. This was done by interviewing those personnel responsible for the relevant business operations and those in charge of preparing the Report, as well as asking them to provide supporting materials, hearing their explanations of those supporting materials, and cross-checking the data and information with evidence, including on-site confirmation of actual items.
- We used a sampling technique to review the numerical data and other information presented in the Report.

■ Opinions

- 1) Rationale behind the collection, compilation, and methods of calculating performance indices (numerical data) and the accuracy of the data
  - Rational methods have been employed at the corporate head office and Himeji Works to calculate and compile the numerical data.
  - Through the application of data compilation systems and mutual confirmation between those responsible, performance indices were accurately calculated and compiled.
- 2) Accuracy of the information (other than the numerical data) presented in the Report
  - We confirmed that the information presented in the Report is accurate. Although we made several comments about the appropriateness of some expressions and the understandability of some sentences at the draft stage, these were all corrected in the current Report, and we have found no items that currently require correction.
- 3) Evaluation of Responsible Care (RC) and CSR activities
  - For the SDGs, we praise the choice of "access to hygiene, health, and quality of life" as the six areas of materiality, taking into account the process of employee awareness surveys, working group discussions, etc. We have great expectations for future initiatives to meet KPIs.
  - We highly commend the fact that there have been zero major accidents for eight years since FY2014 as the result of risk assessments, systematic safety measures, onsite training (including training without preplanned scenarios), and other repeated efforts.

- With regard to the corporate governance structure, we appreciate that the effectiveness of the Board of Directors has been improved through changes such as the enhancement of reports to the Board of Directors and its Q&A sessions, and the strengthening of oversight and supervision functions toward executives.
- At Himeji Works, we laud the fact that all of the plans and reviews from the plant and individual sections are brought together and shared as the RC Activity Plan Report, and its use as a best practice for RC activities.

4) Characteristics of the Report

- Previously this information has been disclosed as a CSR report, but this year financial information, previously disclosed separately, has been added, and a new comprehensive report published. There is more information, and the information is easier to understand and more accessible for the reader.
- Efforts to "Promote Work-life Balance" and "Our Action Plan for Future Generation Development Support and Promotion of Women's Participation" offer the reader food for thought (pages 39–40).

*Satoshi Ozaki*

OZAKI Satoshi  
 Chief Director, Responsible Care Verification Center  
 Japan Chemical Industry Association