

Corporate Social Responsibility Report 2016

If you have questions, please contact:

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Group Corporate Philosophy

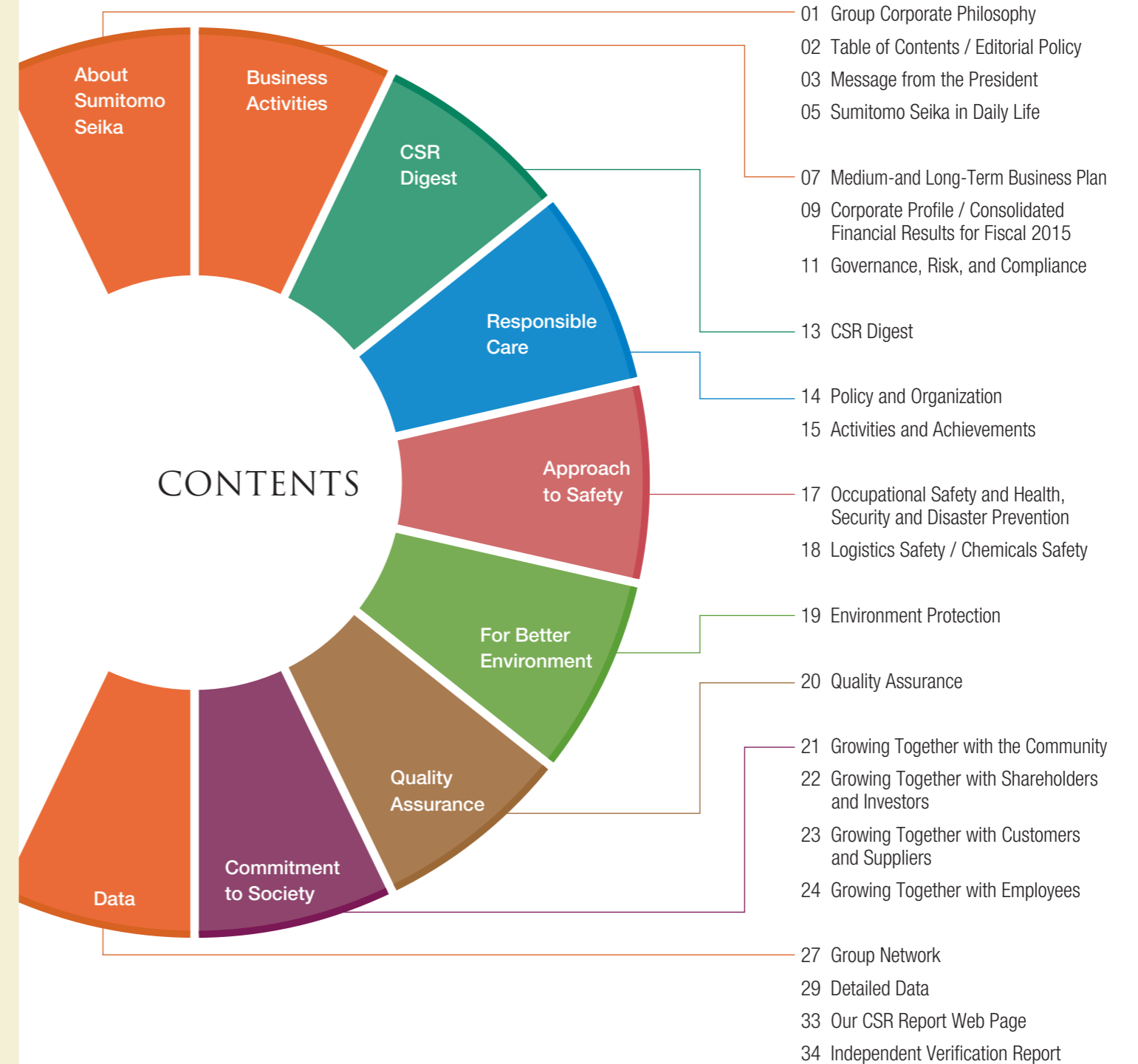
“Sumitomo Seika Group will strive to provide “URUOI”, a Japanese word meaning richness in quality, to Mother Nature and lives of people through products and services we supply as we ourselves continue to grow, anticipating changes likely to come about in society and thereby creating products of wonder with unique ideas and flexible thinking.”



The term “URUOI” comes from a certain Japanese word which denotes moisturizing something literally and adding something gracious figuratively. By expressing this Japanese word in Roman letters as “URUOI”, a key concept of our Group Corporate Philosophy, we have expanded the meaning of the original Japanese word to encompass our own definition, representing the unique value that our products and services can provide to our stakeholders for their well-being. Through offering a broad portfolio of products and services which have an important bearing on various facets of people’s life, we will provide society and individuals alike with sustainable solutions where our Group’s specialized expertise has fully been embodied, ultimately contributing to help people lead a healthy, comfortable and dignified life.

SEIKA WAY - Our guiding principles

We have formulated 10 guiding principles that should serve as a beacon for us to translate into action the core values of our Group Corporate Philosophy.



About this Corporate Social Responsibility Report

Our Group has been committed to Responsible Care activities for many years to ensure environmental protection, safety, and health in all phases of the product life cycle from development through production, distribution, use and consumption to final disposal or recycling.

With a focus on our RC activities, we now present extensive information on our relations with our customers, stockholders, business partners, local communities and other stakeholders in the form of CSR report. We hope that this and our future CSR reports will help familiarize an increasingly greater audience with our CSR policy and efforts, as we continue to upgrade the content.

This report has been prepared in line with “Environment Report Guideline 2012” and “Environment Accounting Guideline 2005” of Japan’s Ministry of Environment, and the descriptions of this report have undergone independent third-party verification by Japan Chemical Industry Association.

Coverage of this report

Organizations: 1. Responsible Care performance data cover only the company’s domestic bases.

2. Consolidated subsidiaries are covered in corporate profile, financial data and site report.

Period: From April 1, 2015 to March 31, 2016

Major areas: CSR activities, and Environment and safety activities performance

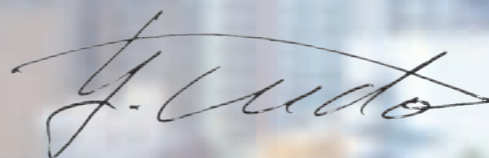
Publication: Sept. 2016 (Next publication: Sept. 2017)

* Sumitomo Seika Group means a corporate group comprised of Sumitomo Seika Chemicals and its consolidated subsidiaries.

MESSAGE FROM THE PRESIDENT

Aiming to be a highly trusted company that
contributes to building a sustainable society

Yusuke Ueda, President
Sumitomo Seika Chemicals Company Limited



The Sumitomo Seika Group attaches great importance to CSR activities as one of its key initiatives to reinforce a corporate management platform which supports the Group's sustainable growth for many decades to come. Behind the initiatives lie our Group Corporate Philosophy, which is "Sumitomo Seika Group will strive to provide "URUOI", a Japanese word meaning richness in quality, to Mother Nature and lives of people through products and services we supply as we ourselves continue to grow, anticipating changes likely to come about in society and thereby creating products of wonder with unique ideas and flexible thinking." Guided by this Corporate Philosophy, we highly respect the spirit of Responsible Care and endeavor to ensure not only legal but ethical compliance as we conduct business in various regions around the world.

The word "URUOI" in the Corporate Philosophy best symbolizes our firm commitment to the value of products and services we provide to customers and the public at large. Staying attentive to how people live their lives every day, we make and deliver "products and services that, rather than merely adding to material satisfaction, provide comfort and convenience with spiritual happiness, offering something more beyond meeting people's immediate needs. Furthermore, our products and services must contribute to improving the global environment in a manner to, as it were, quench the thirst of the arid earth and to resolving an array of issues people face worldwide so that they can enjoy peaceful and secured life." Believing that the "URUOI" will help promote people's well-being, we will vigorously take up challenges ahead towards achieving the Group's sustainable growth. At the same time, we will expend unwavering efforts on other equally important fronts, which include ensuring legal and ethical compliance, enhancing internal control systems, maintaining or improving product quality, protecting the environment, securing safety in activities, and reinforcing corporate governance through closer dialogue with various stakeholders.

New Medium- and Long-Term Business Plan (SEIKA Grand Design 2025 "URUOI")

In May 2016, we announced our new Medium- and Long- Term Business Plan, the SEIKA Grand Design 2025 "URUOI", which outlines what we would like our company to be in the future and the right path that we should follow in the coming years. It serves as a compass to help us navigate in the vast ocean of business opportunities as we implement a range of action plans toward attainment of our targets. In addition, the Business Plan is perceived as a touchstone to which our employees can revert whenever they want to be properly guided in pursuing their individual business assignment.

Under the new Business Plan, we have identified certain main business domains for our new business creation; namely, "medical care and daily living," "the environment and energy," and "electronics." For each of these domains, we will explore new business opportunities more efficiently and accelerate activities for early and successful launches of new businesses as well as advancing business development globally with a focus on Asia but also in other regions, including the U.S.A. and Europe. In parallel, we will strive to promote CSR activities so that we can continue to earn the trust and confidence of society and provide society with a sense of security in the products and services we supply. When it comes to the implementation of the Business Plan, it is "our employees", nobody else, who actually carry each and every piece of concrete tasks under the Business Plan. After all, human resources are at the heart of everything we do. Accordingly, we will review and enhance systems for systematic career development for our employees so that they can be properly evaluated in competence and will adequately be motivated. In addition, a new corporate unit, the Innovation Promotion Group, has been established to specialize in exploring new business opportunities. The new unit is working to create a system capable of

conducting a new type of R&D by fully leveraging the reservoir of technical expertise that we have cultivated over decades. Through these initiatives, we will further reinforce our corporate management platform to attain specific targets set for the final year of our new Business Plan (FY2025).

Please see Page 7 for details of the SEIKA Grand Design 2025 "URUOI" plan.

Ensuring safe and stable operation

A company cannot survive without securing safety and maintaining stable operations. Accordingly, we have been making steady and unabated efforts to ensure safety, constantly bearing in mind the importance of "preparing against the unexpected" and adhering to our basic management policy of "prioritizing safety over everything else". In FY2015, as in FY2014, we again conducted company-wide accident response drills in order to further heighten employee consciousness regarding risk/crisis management. Based on lessons learned from our past accidents and experiences from the drills we have conducted, we will continue to expend efforts on employee education and trainings for a further enhanced level of safety management.

Protecting the global environment

To protect the global environment, our Group has been taking a variety of initiatives such as promoting energy saving, reducing wastes and emissions of PRTR substances and VOC, and striving to achieve the "zero" occurrence of major problems associated with the environment. Going forward, we will continue to reduce emissions of PRTR substances and VOC and to improve our energy consumption rate through the introduction of new equipment. We will stand firm in our commitment to taking unabated actions also on other environmental issues, thereby serving to protect the environment.

In promoting CSR activities, we at Sumitomo Seika Group are committed to maintaining our status as a company that is worthy of universal trust and confidence as we work to offer new values to people, society, and the environment through conducting business activities in accordance with our Group Corporate Philosophy and contribute to building a sustainable, safe, and secure society. To realize these objectives, we will continue to ensure strict legal and ethical compliance, operate an enhanced internal control system, and promote business activities in a fair and transparent manner, whilst always assigning top priority to safety in pursuit of continued "zero-accident and zero-injury operations". In addition, we will establish, maintain and improve our quality control system capable of securing high quality throughout the lifecycle of our products, from development to manufacture to logistics operation and delivery so that safe and secured products will reach the doorsteps of our customers in Japan and overseas.

This report outlines some of the CSR activities that Sumitomo Seika Group is undertaking, and we hope that you will find this report useful in understanding our CSR initiatives policy and ongoing concrete efforts. We will welcome any comments or opinions from you to further improve our CSR activities in the years ahead. We would greatly appreciate your continued support and cooperation.

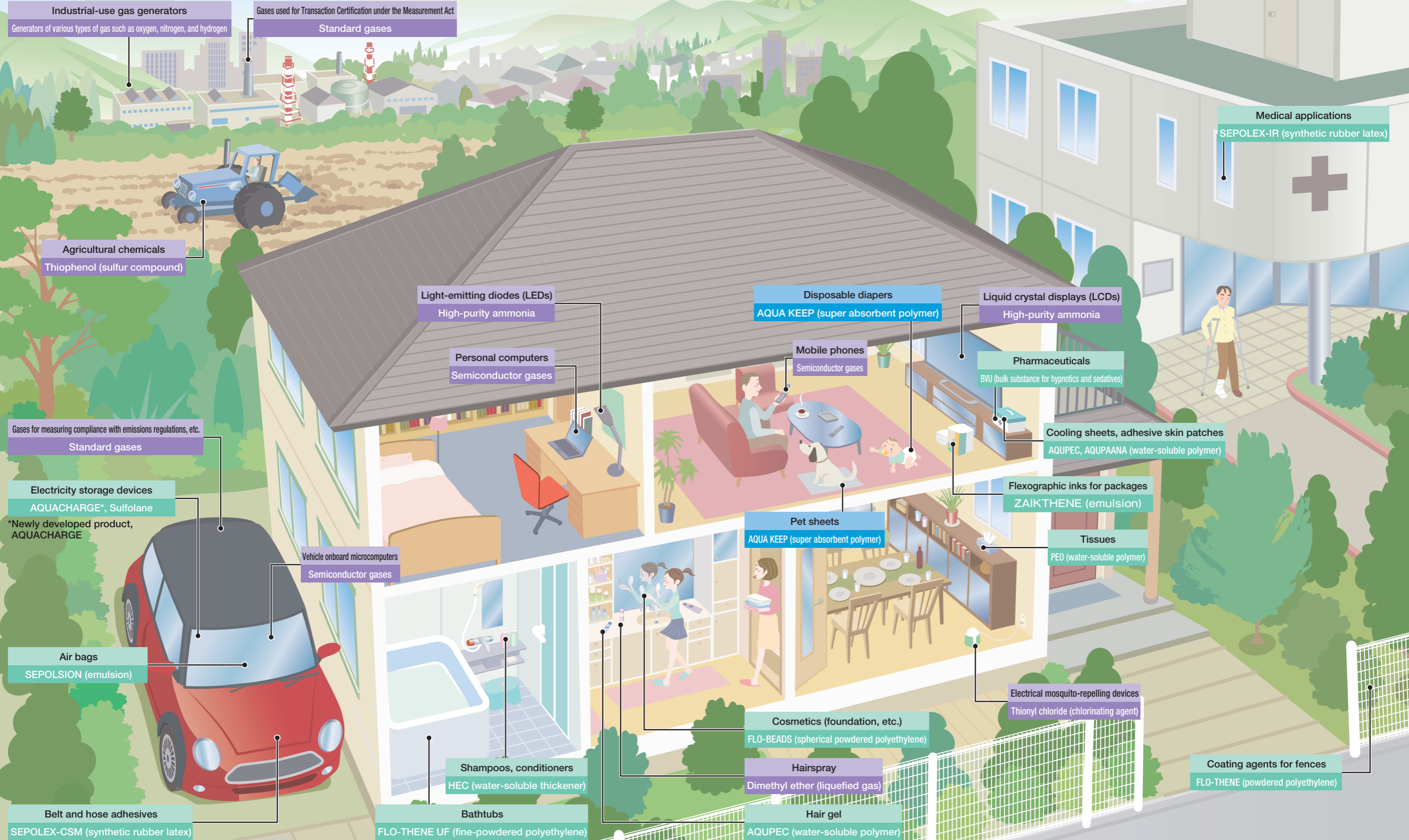
September 2016

Sumitomo Seika in Daily Life

Super Absorbent Polymers Segment

Chemicals Segment

Gases and Engineering Segment



Medium-and Long-Term Business Plan

New Medium-and Long-Term Business Plan (From FY 2016 to FY 2025) SEIKA Grand Design 2025 URUOI

Sumitomo Seika Chemicals has recently formulated its Group-wide medium-and long-term business plan for the period from fiscal 2016 through fiscal 2025 ("SEIKA Grand Design 2025 URUOI"), which is already in active operation.



A new vision created for Sumitomo Seika Group

In formulating SEIKA Grand Design 2025 URUOI, Sumitomo Seika has newly developed a Group Corporate Philosophy, which is

"Sumitomo Seika Group will strive to provide "URUOI", a Japanese word meaning richness in quality, to Mother Nature and lives of people through products and services we supply as we ourselves continue to grow, anticipating changes likely to come about in society and thereby creating products of wonder with unique ideas and flexible thinking."

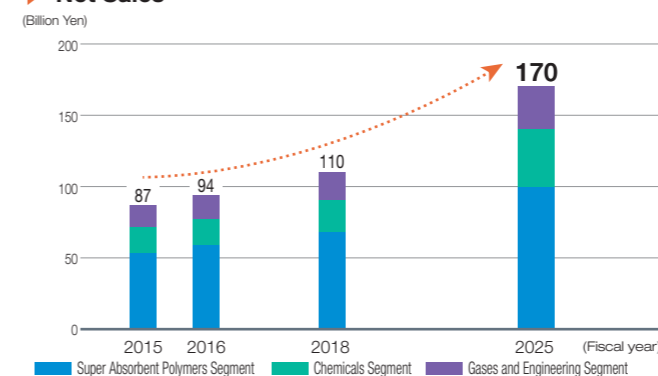
All companies of the Group will stay united firmly in working to earn customers' trust and confidence all over the world in the products and services they supply, thereby increasing the Group's corporate value.

Under the new Business Plan, Sumitomo Seika Group has identified its main business domains for new business creation, which are "medical care and daily living", "the environment and energy", and "electronics". Many of the corporate resources will be invested in these fields to explore new business opportunities more efficiently and realize early and successful launching of new businesses so explored. Geographically, the Group will advance business development on a global scale, including the U.S. and Europe, but with a main focus on Asia where markets are growing rapidly. At the same time, the Group will attach unchanged importance to harmonization with neighboring communities and ensure the highest priority placed on safety, the environment, and quality as well as fortifying the Group's corporate governance. Meeting these challenges, the Group will strive to achieve various business targets set for fiscal 2025, the final year of the new Business Plan.

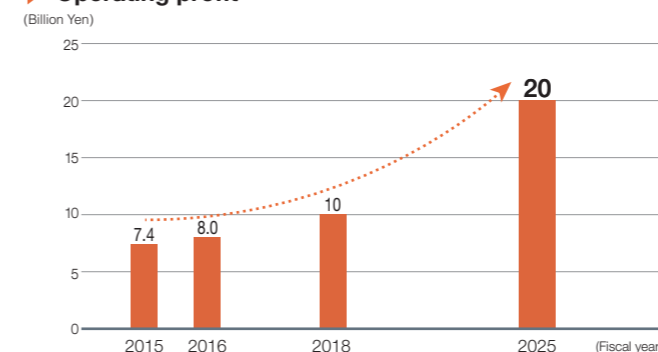
1. Business Polices

Under the new Business Plan, the Group intends to achieve in fiscal 2025 or before net sales of 170 billion yen, operating profit of 20 billion yen (operating margin of 12%), and ROE exceeding 12% through investments amounting to approximately 80 billion yen over the next 10 years which will be spent in launching of new businesses and new products, sales expanding existing products both in Japan and overseas, and undertaking M&As.

▶ Net Sales



▶ Operating profit



Policy by Business Segment

Super Absorbent Polymers Segment

Super Absorbent Polymers Segment, which typically contains businesses capable of providing "URUOI", will strive to meet ever-diversifying needs of customers mainly in applications for hygienic products. The Segment's business will continue to provide a line of "The Only One" products and services to the world, such as a high-performance super absorbent polymer AQUA KEEP HP, aiming to help people lead a healthier and more comfortable life. Super Absorbent Polymers Segment intends to achieve the target sales of 100 billion yen by fiscal 2025 with further improved profitability.

Chemicals Segment

Chemicals Segment will enhance research and development based on Sumitomo Seika's key technical strength, i.e. "thickening and "binding" in function, and "synthesizing and purifying" and "processing" in technology. Among the main domains mentioned above, Chemicals Segment will endeavor to materialize "URUOI" especially in the fields of "medical care and daily living", and "the environment and energy" by launching new businesses and new products in both the Japanese market and overseas markets. The Segment aims to build a business structure that will generate sales of 40 billion yen by fiscal 2025, half of which will derive from new products so launched.

Gases and Engineering Segment

Gases and Engineering Segment positions the fields of "electronics", "medical care", "the environment and energy-saving" as their main domains where new businesses and new products will be launched with further advanced gas-related technologies involving synthesis, mixing, separation, purification, analysis, etc. This Segment also plans to carry out "Selection and Concentration" initiatives on existing businesses and focus on the niche market globally, thereby establishing a robust business of gases and engineering, generating sales of 30 billion yen by fiscal 2025.

2. Research and Development Policy

As part of the efforts to achieve the targets of the Business Plan, Sumitomo Seika has set up a new corporate unit, "Innovation Promotion Group", which engages specifically in exploring new business opportunities. Fully utilizing a reservoir of technologies Sumitomo Seika has cultivated over many decades and thereby creating original or unique technological functionalities as well as values accruing therefrom, the Innovation Promotion Group will work to exploit untapped business opportunities. In addition, a new type of R&D system will be built that will help accelerate R&D activities in both the Innovation Promotion Group and each Business Segment through frequent exchanges of information, themes to work on, and human resources. Aiming to enhance overall R&D in this manner, Sumitomo Seika will invest total research expenses corresponding to approximately 4% of its consolidated net sales.

3. Major Initiatives to Strengthen Business Base

Sumitomo Seika Group will vigorously work on the following initiatives to strengthen its business base for sustainable growth in the years ahead.

1) Promoting CSR Activities

With the basic principle of "prioritizing safety over everything else" firmly maintained, Sumitomo Seika Group will fulfill its Corporate Social Responsibility by abiding by the spirit of Responsible Care and ensuring legal and ethical compliance, thereby earning trust from society while providing a sense of security or a peace of mind to society.

2) Human Resources Development

To realize the Group Corporate Philosophy through implementing an array of measures under the new Business Plan, employees are the most important of corporate resources. Sumitomo Seika Group will build an enhanced system capable of developing employees' employability through various training programs and also facilitating individuals' systematic career-building.

3) Strengthening the Group Management

As each company of the Group conducts business in a globally and growingly competitive environment, Sumitomo Seika will continue to strengthen the Group management by a variety of measures, including defining more clearly responsibilities and authorities of each organizational unit both in Japan and abroad, optimizing organizational structures and functions according to relevant business strategies adopted and, needless to say, reinforcing the Group's corporate governance.

4) Further Strengthening Technological Capabilities




Given that technological capability is a linchpin for a chemical company to stay competitive, Sumitomo Seika Group will further strengthen the Group's base technologies as well as developing more sophisticated production technologies and stimulating their innovation, which will serve as a driving force to make existing businesses grow further and create new businesses for the future of the Group.

Company Profile

Company profile

Established : July 20, 1944 Capital : 9,698 million yen Number of employees : 1,196 as consolidated as of March 31, 2016

Business Profile

Business Segment	Product Category	Business Profile
 <p>Super Absorbent Polymers</p>	<ul style="list-style-type: none"> Hygiene Products Industrial Materials Other Applications 	<p>The AQUA KEEP super absorbent polymer is a product researched and developed by our company for many years. This resin that absorbs up to 1,000 times its weight in water and is imbued with various added functions because it can be precisely designed in accordance with user needs. Drawing on these functions, this product is used to make disposable diapers, various hygiene products, and industrial products and has drawn high quality evaluations from users. Our company's products are produced in Japan, Singapore, France, and South Korea, and are used in countries around the world.</p>
 <p>Chemicals</p>	<ul style="list-style-type: none"> Water-Soluble Polymers Emulsion Powdered Plastics Fine Chemicals Water-Absorbent Polymers Latex Characteristic Functional Polymers Polar solvent 	<p>The Chemicals Segment manufactures and sells products such as water soluble polymers, emulsions, latexes, powder resins, and organic synthetic chemicals. These products are used across a wide range of spheres, including personal care products essential for comfortable living, industrial materials such as high-performance adhesives and rubber products, and battery and energy materials.</p>
 <p>Gases & Engineering</p>	<ul style="list-style-type: none"> Fine Gases – Electronic Gases (Semiconductor Gases) Specialty Gases, Precision Pressure Regulator Gas Chemicals – Industrial Chemicals, Chemical Gases Engineering – PSA System PSA Gas Generator Chemical Plant, Equipment for Electronic Industry 	<p>This segment offers various special material gases used in the semiconductor manufacturer of integrated circuits, flash drives, LCD, and solar cells; standard gas, which is essential for gas analysis; and industrial and other chemicals that use sulfuric gases as a raw material. Our division also offers oxygen and nitrogen production equipment based on the pressure swing adsorption (PSA) method and recovers and purifies various gasses such as hydrogen, helium, and CO₂. In particular, in regard to special material gases for semiconductors, our division has set up manufacturing and sales hubs in Taiwan, South Korea, and China to meet the needs of our customers.</p>

Consolidated Financial Results for Fiscal 2015

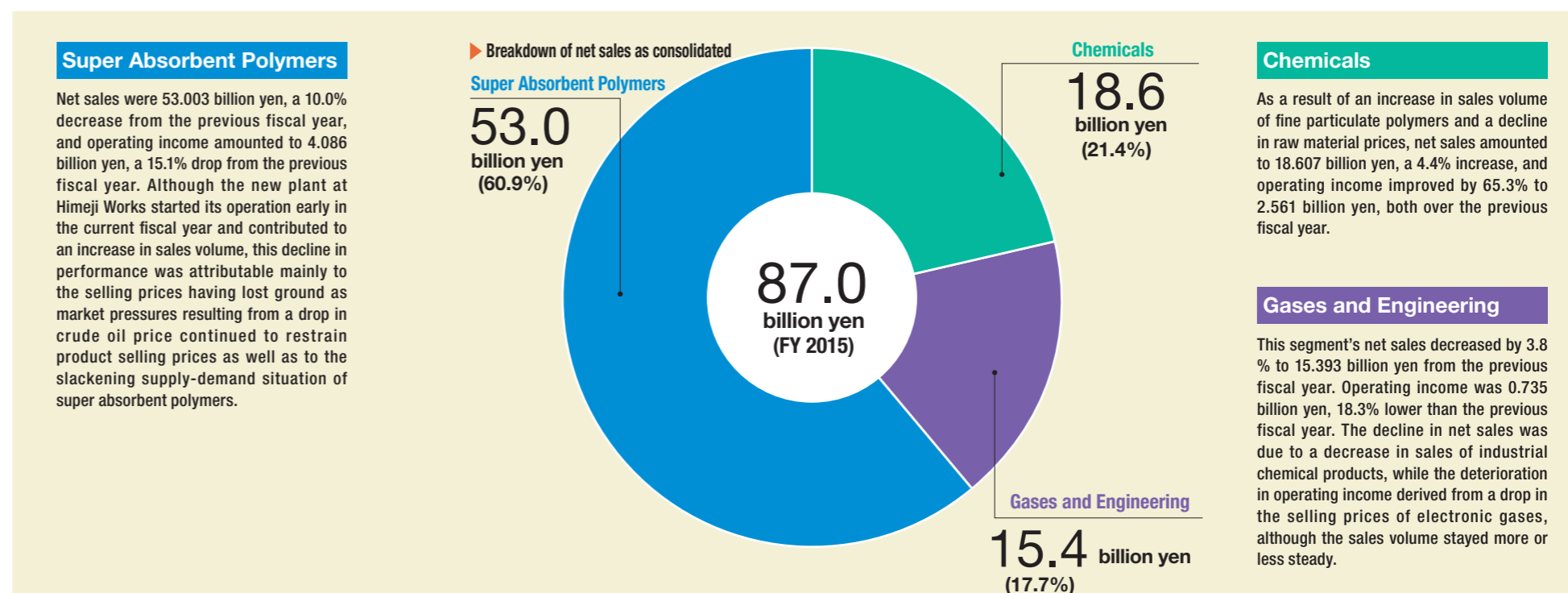
Operating results

Against this backdrop, the Sumitomo Seika Group's financial results for fiscal year 2015 were as follows:

Net sales posted 87.003 billion yen, a 6.1% decrease compared with the previous fiscal year;
 Operating income recorded 7.404 billion yen, a 2.1% increase compared to the previous fiscal year;
 Ordinary income was 6.329 billion yen, 23.4% lower than the previous fiscal year;
 and Net income attributable to owners of the parent amounted to 4.013 billion yen, down 27.6% year-on-year.

(Note) Change in the fiscal year closing date of consolidate subsidiaries
 In order to ensure more appropriate management and information disclosure of Sumitomo Seika Group's financial performance, some of our overseas consolidated subsidiaries have successively changed, starting fiscal year 2013, their fiscal year closing date from December 31 to March 31, the closing date of our consolidated financial statements. As a result, financial results for the fifteen months from January 1, 2015 through March 31, 2016 were consolidated for two of our subsidiaries in the previous fiscal year and one subsidiary in the current fiscal year. The impact of this consolidation on the Group's financial performance was minimal.

➤ Please see page 29 for detailed data.



Governance, Risk, and Compliance

We conduct business based on principles of the Group's charter for business conduct, in order to be a trusted company that answers to expectations and demands of the society. We continue our efforts to realize a better society while maintaining and improving our corporate philosophy.

Corporate governance

Basic position on corporate governance

In accordance with our Group Corporate Philosophy of "providing 'URUOI' to Mother Nature and lives of people through products and services we supply as we ourselves continue to grow, anticipating changes likely to come about in society and thereby creating products of wonder with unique ideas and flexible thinking," we at Sumitomo Seika Group aspire to grow whilst creating unique value so that we can become a global presence.

To underpin our business growth, we are making efforts to strengthen and enhance our corporate governance under the following policies:

- We ensure that our shareholders are provided with all of the information that they need to properly exercise their rights and with opportunities to exercise such rights, and that all shareholders are treated equally.
- We foster a corporate culture that respects the interests of our stakeholders, including shareholders, customers, employees, and local communities, and proactively cooperate with them.
- We establish and implement a code of conduct that our officers and employees must abide by and appropriately manage an internal control system.
- We promote appropriate and adequate information disclosure through such means as publishing financial information in English and providing information via the website in a timely manner, thereby ensuring management transparency.
- Given its fiduciary responsibilities and accountability to shareholders, the Board of Directors presents the management policies and corporate strategies of Sumitomo Seika Group and makes timely and bold decisions in order to promote sustainable growth and improve the Group's medium- to long-term corporate value.

- We engage in constructive dialogue with our shareholders toward achievement of sustainable growth and increased medium- to long-term corporate value, and we clearly explain our management strategies and plans in an easily understandable manner through such dialogue.

Corporate governance structure

In order to strengthen our corporate governance structure, realize efficient management, and enhance competitiveness, we have adopted an Executive Officer System that separates decision-making and supervisory functions from executive functions. In this system, directors are responsible for formulating our basic corporate policies, making strategic decisions, and supervising our operations; executive officers focus on carrying out business operations. The term of office for a director is set at one year, which allows greater flexibility in responding to changes in the business environment. As of this writing, our company has 10 directors and 14 executive officers, seven of whom are concurrently directors.

We have also set up an Officer Nomination Committee and an Officer Compensation Committee (comprising a president, a director in charge of personnel affairs, and two independent outside directors), which provide advice on nomination and compensation of directors and nomination of corporate auditors.

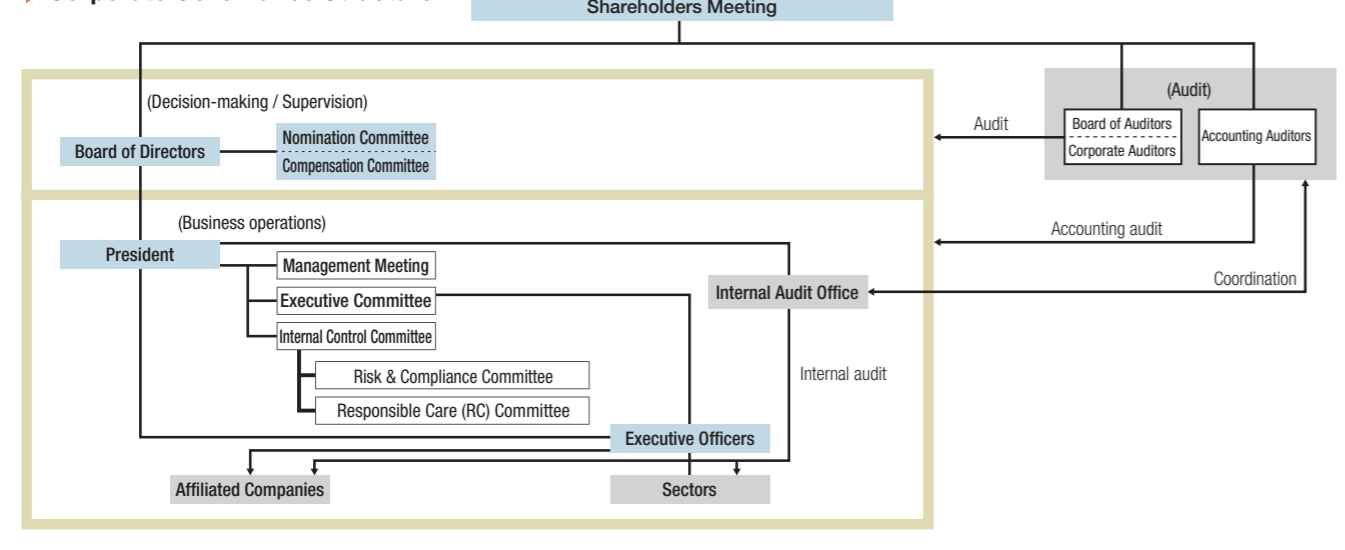
In Executive Committee, directors, corporate auditors, and executive officers report and exchange views on business operations.

The Internal Control Committee supervises risk management, compliance, and Responsible Care (RC) activities, which are aimed at "achieving zero-accident and zero-injury operations," "promoting environmental protection," and "ensuring safety of customers and increasing their satisfaction."

The Internal Audit Office audits business operations.

The Management Meeting is a vehicle for full-time directors to discuss important management issues for the Group with full-time corporate auditors also in attendance.

Corporate Governance Structure



Risk management

We improve our risk management system and increase the effectiveness of our risk management.

Risk management system

- Preventive measures

We have the Risk & Compliance Committee and the RC Committee to evaluate level of impact and severity of each of possible risks and consider preventive measures. They are responsible for assessing impacts of various risks and setting up group-wide annual targets while taking into account the priority and severity of each such risk. They also review the current risk management system to improve our future risk management activities.

- Emergency response

We have established a rule for setting up an emergency task force in case of emergencies in order to minimize the effect on our operations, limit the extent of damage, stabilize the situation and restore operations as quickly as possible, and to develop preventive measures. Emergencies are any unplanned events, such as incidents, accidents, natural disasters, or other situations that can cause deaths or injuries, or threaten the company's financial standing or public image.

Compliance

We have formulated the Sumitomo Seika Group Charter for Business Conduct, and strive to ensure all employees understand the importance of complying with the principles of the charter.

Sumitomo Seika Group Charter for Business Conduct

1. We respect Sumitomo's operational rules and aim for co-existence and co-prosperity with society.
2. In the chemical field, we develop original technology accepted in the world, and contribute to society by supplying high quality products both domestically and internationally.

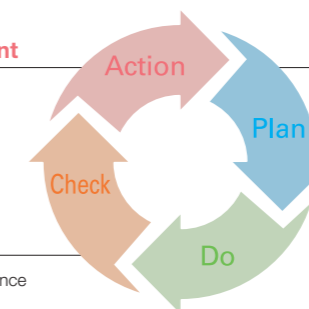
Management cycle for risk and compliance

Setting up plans and assessing achievement

- Evaluate performance (Risk and Compliance Committee)
- Solve problems, Implement countermeasures
- Reflect the year's achievement in the next year's plan
- Review compliance handbook

Assessing achievement

- Verification of implementation of measures to ensure compliance



Create an action plan

- Organize a system
- Set each sector's annual risk and compliance target

Put the action plan into action

- Implement each sector's annual plan
- Conduct education and trainings
- Provide legal information by the use of intranet
- Provide consultation (compliance consultation desk)

3. We observe laws in and outside the country as well as company regulations, social rules and ethics, and act with social sound judgment.

Based on the Charter for Business Conduct, we set out the specific action guideline.

Sumitomo's operational rules

1. Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.
2. Sumitomo shall manage its activities with foresight and flexibility in order to act in concert with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

Our efforts to secure effective compliance management

- Our efforts target management system

The Risk & Compliance Committee sets out respective company-wide annual targets including those of compliance and translate them into targets for each sector, whereby ensuring effective accomplishment of all such targets.

- Whistle – blowing system

We have an internal and external whistle-blowing system to help prevent a breach of compliance.

- Compliance consultation desk

We have a compliance consultation desk to answer questions our employees have on issues related to compliance.

- Compliance education and training

We provide various educational and training programs for employees of various positions, from entry-level personnel to newly appointed managers, to raise the level of compliance awareness among all employees, and to maintain effective compliance management.

CSR Digest

Here are summaries of our CSR activities in FY 2015.

Policy and Organization

We are committed to implementing Responsible Care activities, which are to voluntarily ensure environmental protection, safety, and health, and to maintain dialogue and communication with society.



Frequent communication with local community members

In order to build/maintain good relationships with our stakeholders, we organize a variety of communication activities, including environmental education programs for children, internship programs for students, support for community environmental events, and other community outreach programs. In FY2015, as part of our CSR activities for university students, we supported "National Student Environmental Business Contest: em factory 2015," which is sponsored by a Kanto-based university students' group em factory with the aim of offering solutions to environmental and business issues, thereby helping to develop future generations of human resources.



University students on our team



Accidents involving lost workdays

"Zero" ("1" reported at an overseas site)

Accidents in logistics "1"

Please see page 15.16.17.18.30 for detailed data.



Environment-related problems "Zero"

Unit energy consumption in production 2.2% reduction year-on-year

Please see page 15.16.19.30.31 for detailed data.

Policy

Sumitomo Seika Group has set "Corporate Policy on Safety, Environment and Quality" with the basic principles of achieving "zero-accident and zero-injury operations", ensuring "customer satisfaction" and promoting "co-existence and co-prosperity with society", while maintaining the fundamental policy of "Safety Comes First". Responsible Care initiatives, among others, are extremely important issues for our chemical industries in order to continue sustainable development and gain trust and confidence from society. Having been participating in Responsible Care since 1995, we not only comply with related laws and international rules but also voluntarily work on environment protection, occupational safety, and disaster prevention.

Incidentally, to further augment our RC activities and communicate the activities to society, we became a signatory to the Responsible Care Global Charter in 2014.

Responsible Care Global Charter was first established in 2006 and revised in 2014.

Signatories to the Charter are to actively strengthen their Responsible Care activities while being committed to the following six elements:

1. A Corporate Leadership Culture
2. Safeguarding People and the Environment
3. Strengthening Chemicals Management Systems
4. Influencing Business Partners
5. Engaging Stakeholders
6. Contributing to Sustainability

Organization

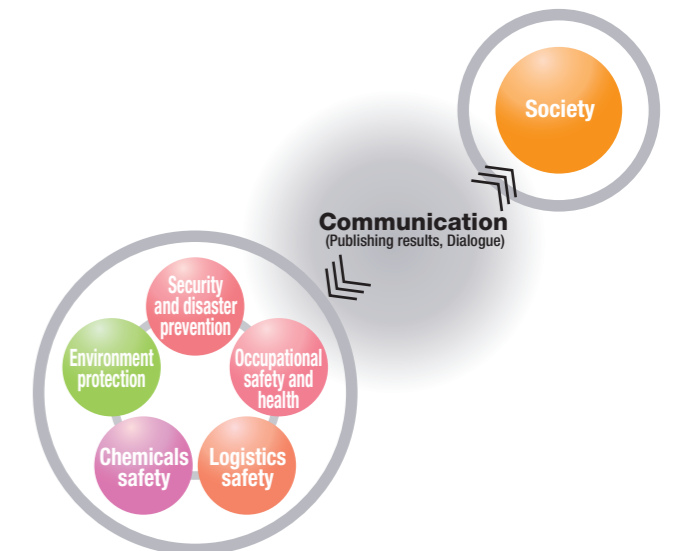
RC activities require major investment decisions at times, in an effort to address such issues as environment protection, occupational safety, and disaster prevention. We have formed the RC Committee under the Internal Control Committee for the purpose of precisely judging rightfulness of plans and executions of our RC activities. These Committees respectively meet every year to deliberate and decide on policies and plans, and to make sure that the PDCA cycle of RC activities is successfully implemented in accordance with the management system.

RC audit

Annual audit is implemented by a specialized unit established by the RC chairperson at 3 Japanese works and 4 overseas sites, in order to continually improve the PDCA. We check the implementation of RC action programs through the RC audit, and report the results at the Internal Control Committee and the RC Committee, of which we make the best use for the management review.

What is Responsible Care?

Responsible Care refers to voluntary activities by many chemical companies handling chemical substances aimed at preserving "environment, safety and health" in all phases of the product cycle from development to disposal or recycling via production, distribution, use, and final consumption, while publishing results of activities and maintaining dialogue and communication with society. Responsible Care is a global initiative, adopted in more than 60 countries around the world.



Activities and Achievements

Report on our 2015 RC targets and achievements, environmental load.

Area	2015		Rating	2016
	Target	Target achievement level		Target
Compliance with Law	1) "Zero" legal violations 2) Compliance with in-house regulations and rules	1) Legal violations: 0 2) Shared information on revisions to laws in meetings and via e-mail, and added same to the database	◎	1) "Zero" legal violations 2) Compliance with in-house regulations and rules
Occupational safety	"Zero" accidents involving/not involving lost workdays, "zero" traffic accidents (company at fault)	Accidents involving lost workdays: 0 Accidents not involving lost workdays: 3 Traffic accidents (company at fault): 22 cases	△	"Zero" accidents involving/not involving lost workdays, "zero" traffic accidents (company at fault)
Health	Reduction in the number of absentees due to illness/non-occupational injury, and establishment of a safe and healthy working environment	Worked to reduce overtime hours, encouraged employees to take paid holidays, and improved mental healthcare programs and physical checkups	○	Reduction in the number of absentees due to sickness/non-occupational injury, and establishment of a safe and healthy working environment
Disaster prevention	"Zero" major accidents	Major accidents: 0	◎	"Zero" major accidents
Chemicals safety	Promotion of proper control of chemicals	Took progressive steps to comply with chemical substances regulations in South Korea, Taiwan, China, etc.	◎	Promotion of proper control of chemicals
Logistics safety	"Zero" major accidents in logistics	Major accidents in logistics: 1 (rank Y)	△	"Zero" major accidents in logistics
Global warming / Energy saving	Promotion of environmental protection through energy conservation 1) Unit energy consumption in production: 1% reduction year-on-year 2) Unit energy consumption in logistics: 1% reduction year-on-year	1) Unit energy consumption in production: 0.355, 2.2% reduction year-on-year 2) Unit energy consumption in logistics: 5.47, 6.6% increase year-on-year	○	Promotion of environmental protection through energy conservation 1) Unit energy consumption in production: 1% reduction year-on-year 2) Unit energy consumption in logistics: 1% reduction year-on-year
Solid waste management	Promotion of waste reduction 1) Unit waste generation: Maintain 0.068 t/t (converted to representative products' production, FY2010 results) 2) Final landfill disposal: Less than 1% of total wastes generated	1) Unit waste generation: 0.039 t/t 2) Final landfill disposal: 38 t/year (0.4% of total wastes generated)	◎	Promotion of waste reduction 1) Unit waste generation: Maintain 0.068 t/t (converted to representative product's production, FY2010 results) 2) Final landfill disposal: Less than 1% of total wastes generated
PRTR and Volatile organic compounds (VOCs)	1. PRTR-regulated specified chemical substances Reduction in Ministry of the Environment priority substances 1) Hexane: Less than 45 t/year 2. Volatile organic compounds (VOCs) 1) Heptane: Less than 300 t/year 2) Pentane: Less than 140 t/year	1. PRTR-regulated specified chemical substances 1) Hexane: 56 t/year 2. VOCs 1) Heptane: 128 t/year 2) Pentane: 141 t/year	○	1. PRTR-regulated specified chemical substances Reduction in Ministry of the Environment priority substances 1) Hexane: Less than 45 t/year 2. Volatile organic compounds (VOCs) 1) Heptane: Less than 300 t/year 2) Pentane: Less than 160 t/year
Environmental protection (air, water and soil)	"Zero" major environment-related issues	Major environment-related issues: 0	◎	"Zero" major environment-related issues
Quality	1) "Zero" major product quality issues 2) Reduction in the number of complaints, quality claims, and in-process nonconformities (20% reduction year-on-year)	1) Major product quality issues: 0 2) Number of complaints, quality claims, and in-process nonconformities: 74 cases (17% reduction year-on-year) (Target: 20% reduction year-on-year to 71 cases)	△	1) "Zero" major product quality issues 2) Reduction in the number of complaints, quality claims, and in-process nonconformities (15% reduction year-on-year of problems attributable to the company)
Approach to Sumitomo Seika Group	Safety and environmental management to prepare for globalization	Overseas sites: Accidents involving lost workdays: 1 Accidents not involving lost workdays: 0 Distributed accident reports and problem reports throughout the Group to prevent occurrence of similar accidents	○	Reinforcement of safety/environmental management and quality assurance systems at Sumitomo Seika Group companies (overseas)
Disclosure of information and social contribution	Promotion of shareholder communication through disclosure of RC information and contributions to the community	Organized internship opportunities and fun workshops, and participated in environmental festivals	◎	Promotion of shareholder communication through disclosure of RC information and contributions to the community

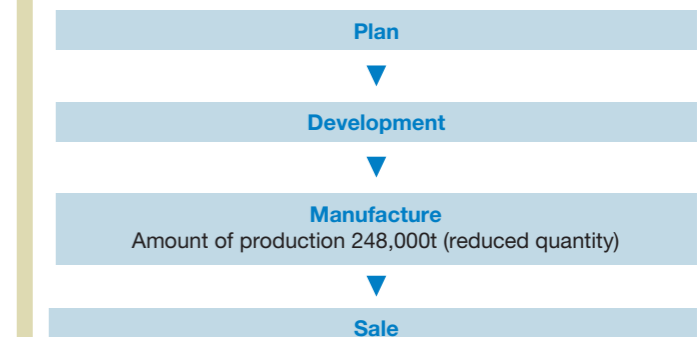
◎ : Target achieved ○ : Almost achieved △ : To be achieved

2015 environmental load

Energy consumption (crude oil equivalent)	88.095kl
Amount of water used (except for cooling seawater)	5,384×1,000m ³
Amount of raw materials used	274,000t and 2,183×1,000m ³ (gases)

INPUT

Business activity of Sumitomo Seika



OUTPUT

Air	CO ₂ *	230,602t
	SO _x	1.4t
	NO _x	72.4t
	Dust	0.6t
	PRTR substances	71.8t
	VOC	409t
Water	Effluent	3,931×1,000m ³
	COD	31.0t
	Total nitrogen	10.1t
	Total phosphorus	0.84t
Industrial waste	Unit waste generation	0.039t/t
	Waste disposal by contractors	5,957t
	Recycling rate	54%
	Landfill disposal	38t

*Including discharge amount of Head Offices

➤ Please see page 30 for detailed data.

Occupational Safety and Health, Security and Disaster Prevention

Placing "Safety Comes First" as a fundamental principle of our corporate management, we are committed to promoting our security programs to develop working environment where front-line employees can work in safety and security.

Occupational safety and health

Every year, we set for ourselves the goal of achieving "zero" accidents involving/not involving lost workdays and "zero" traffic accidents (company at fault). No accidents involving lost workdays have been experienced at our works or other sites in Japan since FY2005, when one such accident occurred. However, we have yet to completely eradicate occupational accidents within our Group, and several occupational accidents not involving lost workdays continue to occur each year. In FY2015, three accidents not involving lost workdays were reported.

Overseas, there was one accident involving lost workdays within our Group.

Going forward, we will remain committed to our campaign to reduce the number of accidents involving/not involving lost workdays and traffic accidents (company at fault) to "zero".

➤ Please see page 30 for detailed data.

Feedback from the frontline

Tomoyoshi Miyashita
Safety & Environment
Department, Befu Works



We conducted BCP training at the Befu Works. From the initial scenario preparation stage, we exercised the utmost care in drawing up scenarios, asking ourselves, "Should we combine this with a disaster prevention drill?" and "What kinds and scales of disasters should we anticipate?" When it came to the actual training, it was different from the usual disaster prevention type. Because people from various departments were involved, we felt a kind of tension that cannot be described in scenarios. In light of the fact that we have experienced a number of disasters that exceeded expectations, we found it difficult to conduct such training. However, one thing is certain – should a major accident occur, not only will the continuity of our business be threatened but also community residents, concerned agencies, and customers will be faced with considerable difficulties, resulting in instantaneous loss of our creditability. With this in mind, we will train ourselves, day by day, to lay the foundations for security and disaster prevention in our efforts to create a zero-disaster environment in which people can live safely and peacefully.

Security and disaster prevention

We also set, at the beginning of each year, a goal of achieving "zero" major accidents*. Since the reporting of one major accident in FY2013, there have been no such accidents within our Group.

As a precaution against accidents, each works keeps standard operating procedures (SOPs) and manuals updated, carries out daily checks and periodic inspections of facilities, and conducts risk assessment and KY (kiken yochi or risk prediction) training (KYT). Through improving unsafe areas and correcting actions in our workplaces, we are working to prevent accidents ever occurring.

We also regularly conduct emergency drills in cooperation with nearby companies and local fire departments in order to prepare against disasters and accidents such as earthquakes, fires, and leaks.

We have established a business continuity plan (BCP) as part of our efforts to minimize adverse effects on critical business operations and to ensure business continuity and rapid recovery in the event of an emergency such as a disaster or accident. To ensure that the Plan is effective, all of our employees need to appreciate the importance of business continuity and to be able to make timely, appropriate, and flexible decisions and responses.

To this end, we conducted BCP training in FY2015 at our Befu Works, which included confirmation of the roles each section is required to play, discussions of measures for prompt resumption of operations and contingency plans, and a mock press conference. We will continue to organize such hands-on training activities to help our employees acquire the necessary know-how and skills, thereby improving our emergency response capabilities.

*This refers to accidents resulting in serious safety (security/disaster prevention) issues in manufacturing processes, etc. Such accidents can be categorized as follows:

- 1) Those that required provision of services by public disaster-prevention agencies
- 2) Those that incurred punishment under applicable disaster prevention regulations
- 3) Those that resulted in reports to relevant organizations pursuant to applicable disaster-prevention regulations but did not incur administrative penalties.

Earthquake preparedness

In light of the Great Hanshin-Awaji Earthquake of 1995 and the Great East Japan Earthquake of 2011, we have enhanced our preparedness against disasters in order to mitigate possible damage. We began by assessing the earthquake resistance of "structures built before tightening of the Building Standards Act in 1981" where we have people on duty most of the time, so that we can quakeproof in a planned manner any structures with insufficient earthquake resistance. As part of this project, we built a new quake-resistant office building at the Himeji Works.

Logistics Safety /Chemicals Safety

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

Logistics safety assurance

Our products and raw materials consist of many substances including high-pressure gases and hazardous or poisonous chemicals. Accidents during products transportation, such as explosions, fire, and leakage, may seriously affect the community safety and environment.

For us, logistics safety is as sensitive a matter as safety in production.

Product logistics is carried out by logistics contractors, whose cooperation is indispensable for safety in transportation.

Thus, we have organized the Logistics Safety and Environment Council jointly with our logistics contractors to ensure logistics safety and compliance with relevant laws and regulations, in our effort to prevent occurrences of adverse events such as accidents, disasters, environmental pollutions or health problems.

Drills and safety trainings to enhance our preparedness

Extensive drills are periodically conducted to respond speedily and adequately to different emergencies by ourselves, or jointly with logistics companies as the case may be, to tackle with dummy leaks and fire.

Safety trainings for supervisors and operators of logistics contractors are also conducted to provide knowledge on properties and for safe handling of hazardous materials, in an effort to prevent accidents.



Logistics Emergency Drill

Chemicals safety

In view of the increasingly wider use of chemicals in the world, the United Nations recommended adoption and putting-into-practice of GHS* as a ways to accurately communicate the nature (including hazardous and toxic properties) of chemicals. Failure to properly control chemical substances or to provide information required by GHS may give serious adverse effects on human health and environment.

In Japan, the Industrial Health and Safety Law was revised in 2006, as to require information submission pursuant to GHS. Outside Japan, legislation has been or is being introduced that requires to submit SDSs (Materials Safety Data Sheets) and Warning Labels in local languages. In EU countries, in particular, CLP Rules require each chemical producer to notify hazardous and toxic substances in addition to submission of the said SDSs and Warning Labels. To have our products handled safely, we actively collect information on hazardous and toxic chemicals, and supply our customers with information required by the international classification and indication rules through our SDSs and Warning Labels in local languages.

*GHS: Globally Harmonized System for Classification and Indication of Chemicals
SDS: the term "SDS =Safety Data Sheet" is used depending on a destination country or region where "MSDS" is their terminology.
CLP Rules: EU Classification, Labeling and Packaging of substances and mixtures

We also participate in JIPS*, a voluntary program to promote management of chemicals, and conduct risk assessment of our products in order of priority under the guidance issued by the Japan Chemical Industry Association. The results of the assessment are recorded in safety summary sheets and communicated to stakeholders through the website of ICCA (The International Council of Chemical Associations).

*JIPS (Japan Initiative Product Stewardship):
A voluntary initiative of the Japanese chemical industry to promote voluntary risk assessment and management of chemicals as well as disclosure of risk management information, in an effort to minimize risks of chemicals. It applies to single chemical substances excluding polymers.

Environmental Protection

Sumitomo Seika continues to make efforts to reduce our environmental load for improvement of our natural environment.

Environment-related issues

At the beginning of each year, we set a goal of achieving “zero” major environment-related problems*. Over the past several years, no major environment-related issues have been reported.

*This refers to accidents that could result in serious environment-related problems in manufacturing processes, etc. Such accidents can be categorized as follows:

- 1) Those that required provision of services by public disaster-prevention agencies
- 2) Those that incurred punishment under applicable disaster prevention regulations
- 3) Those that resulted in reports to relevant organizations pursuant to applicable disaster-prevention regulations but did not incur administrative penalties.

Energy conservation/Global warming

We manage energy consumption and CO₂ emissions per unit production of our representative products in terms of “unit consumption,” which we are endeavoring to reduce. In FY2015, we successfully reduced unit energy consumption by 2.2% year-on-year, against the original target of a 1% reduction.

We will maintain our drive to reduce unit consumption.

Prevention of air pollution

We are working on proper management of and reduction of emissions of substances specified under the Law Concerning Pollutant Release and Transfer Register (PRTR Law), and of volatile organic compounds (VOCs).

Because hexane accounts for the greatest amount of all PRTR-regulated substances we deal, we are reducing hexane emissions in a planned manner. In FY2015, against the original target of 45 t/year, we managed to reduce the amount to 56 t/year from 96.2 t/year in the previous year by introducing a recovery unit. We hope to achieve our FY2016 target by putting the recovery unit into proper operation. FY2015 emissions of heptane and pentane, our two largest VOC emissions, were 128 t/year and 141 t/year against our original targets of less than 300 t/year and 140 t/year, respectively.

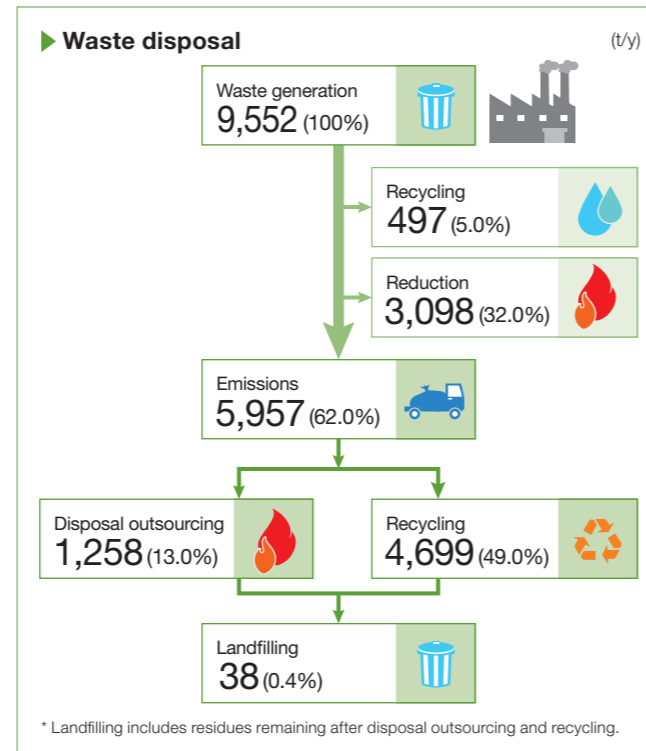
We will further reduce these emission levels to meet our targets.

Waste reduction

We fully comply with the Waste Management and Public Cleansing Act by carrying out separation, keeping manifests updated, and requesting industrial waste disposal operators to properly dispose of the wastes that we generate.

Against FY2015 targets of 0.068 t/t of unit waste generation and final landfill amount of not more than 1% of wastes generated, our actual unit waste generation was 0.039 t/t, and the amount of final landfill was 0.4% of all wastes generated.

Going forward, we will continue working to achieve our self-set targets.



Water quality control

We make efforts to reduce emissions of water pollutants and to properly manage such substances by using activated sludge treatment and other processes. However, despite such efforts, COD and total phosphorous showed a year-on-year increase in FY2015 due to an increase in production.

➤ Please see page 31 for detailed data.

Quality Assurance (QA)

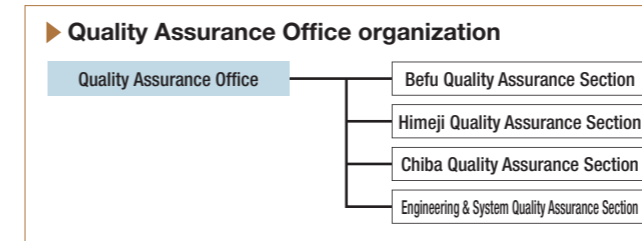
We endeavor to supply our customers with products of reliable and satisfying quality by making concerted efforts to improve our company-wide total QA system.

Group-wide quality assurance system

As stated in our Corporate Policy on Safety, the Environment, and Quality, we “supply products and services of a quality that will satisfy customers’ needs and ensure safety in their use”. With this in mind, we are making all-out efforts to maintain and improve our quality assurance system and pursue quality assurance activities from our customers’ perspectives by having our sites certified for the ISO 9001 series of international quality management systems standards, involving the entire Group in quality assurance activities, and following the PDCA cycle.

Quality assurance structure

The Quality Assurance Office is the nucleus of the Group’s quality assurance activities. With responsibility for supervising overall quality assurance activities for the Group, it is placed under the Head Office and collaborates with Quality Assurance Sections at individual works to assure quality across the board based on a policy of “aggressive quality assurance”.



Quality assurance activity

The QA Office (including Quality Assurance Section in each Works) holds a monthly QA Office Liaison Meeting, whereby approaches on QA matters are decided and systematic implementation of QA activities at the workplace level is discussed, coordinated and notified to other sites.

At Monthly Quality Review Meeting, quality complaints from customers are shared by all the participants and discussed.

The results are compiled in Monthly Quality Reports, and shared among middle and top managements and overseas subsidiaries to prevent reoccurrence of similar quality problems and to enhance our QA system.

The QA Office also holds a monthly QA Meeting attended by the Work’s general manager and manufacturing section chiefs at each Works,



Quality meeting

in which details of complaints and responses are reported and discussed in an effort to share necessary information to prevent recurrence of similar quality problems. In FY2015, we did not have any major quality problems with our products or services. We will continue our efforts to prevent any occurrence of quality problems.

Quality audit

Quality assurance office carries out “plant audit” and “QC patrol” in every plant in Japan to maintain and improve the quality assurance system. As auditors, Quality assurance office members implement “plant audit” in accordance with monthly objectives for each manufacturing section and for each product. Manufacturing section and quality assurance work together to find out room for improvement by inspecting workplace, manufacturing management and quality management from the viewpoint of quality assurance, which leads to improvement of quality assurance system and customer satisfaction. We also thoroughly enforce 5S, which is a fundamental action program for quality assurance, meaning being orderly, neat, tidy, clean and clear through implementation of “QC patrol” for inspection in workplace before or after a quality assurance meeting.

Global quality assurance

In recent years, our overseas business expansion is gathering momentum increasingly; we have been actively increasing the import of raw materials, the production at our overseas manufacturing sites, as well as our overseas sales ratio.

In line with such change in our business structure, we have been improving our quality assurance system to ensure the supply of quality products that satisfy the need of customers throughout the world. We actively audit the suppliers of raw materials and manufacturing subcontractors, strengthening the management of our overseas business partners. We also reinforce the quality assurance system of our overseas group companies by reviewing their activities relating to quality or product safety and providing guidance through quality audits of their manufacturing sites.



Quality auditing at an overseas manufacturing site

Growing Together with the Community

We, at every operation site, are engaged in information disclosure to and communication with the respective local communities with the view to increasing their understanding of our business activities and forming and maintaining good relations.

Environmental education program for children

We hosted a “fun chemistry class” for local children in Harima-cho Township (Himeji). In this class titled “Feel the magical power of chemistry by fabricating replica food!”, which is well-received every year among local residents, the children made plastic replica food from used plastic bottles to learn about recycling and take interest in chemistry. We encouraged them to think about environmental issues, such as reducing and separating waste.



Fun chemistry class

Support for environmental events of communities

We have been participating in the annual “Himeji Environmental Festival” organized by Himeji City. We held events to help raise environmental awareness among participants, both kids and adults, in a fun way in FY2015.



Himeji environmental festival

Community beautification and cleanup

Our Works actively takes part in the local campaigns for community beautification through periodical cleanup of nearby roads and roadside ditches.



Community beautification and cleanup

Community outreach

In line with the principles of information disclosure and communications with local communities, we invite our host residents to our fire and disaster prevention drills and organize plant tours for families of our employees. We use these opportunities to outline our safety and environment protection initiatives and to listen to their opinions and proposals.

Internship programs

We accept intern students from high schools, and also accept junior high students as part of Hyogo Prefecture’s educational program. In our internship programs, students have an opportunity to learn about their studies, think about their future career options while communicating with our employees.

Blood donation

Every year, we hold a blood drive at each of our offices and Works in cooperation with the Red Cross, which is attended by many employees.



Blood drive

Growing Together with Shareholders and Investors

We disclose necessary company information accurately and in a timely manner to our stockholders, investors and other stakeholders.

IR Policy

To disclose investor relations (IR) information accurately and in a timely manner is of principal importance to Sumitomo Seika. In so doing, we comply with the pertinent laws and Stock Exchange regulations and make an effort to include information and presentations designed to help increase understanding about our company.

Information disclosure channels

Our basic approach is to make the disclosure in a just, timely and fair manner. It is made through the “TDnet” (Timely Disclosure network) provided by Tokyo Stock Exchange and through mass media (press clubs and others).

Investors Information webpage

Financial results, financial forecasts, shareholders meeting information and other investors information are available on our official website. We will continue to work to improve the webpage disclosure.



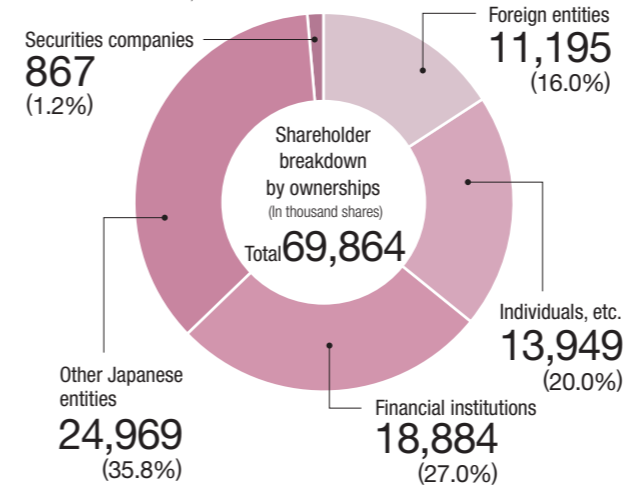
Communication with stockholders and investors

Stockholders Meeting

We regard stockholders meeting as a major opportunity to provide our stockholders with fair and accurate information and listen to their opinions. We strive to make our reports easier to understand. Sumitomo Seika stockholders can cast their vote through the Internet, if they so wish.

Share information (as of March 31, 2016)

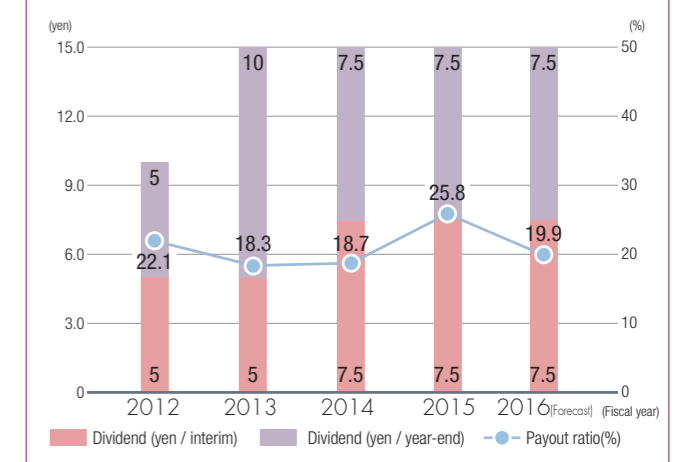
Number of shares issued: 69,864 thousand
Number of shareholders: 5,039



Dividend policy

Sumitomo Seika believes that it is one of our major corporate responsibilities to distribute surplus to our shareholders and makes it a policy to pay stable dividends from earnings of each fiscal period to the shareholders while retaining a part of the earnings for the future expansion of our business to ensure sustainable growth of the company.

Past dividends



Investors' meeting

Investors' meeting with analysts, institutional investors and others are held on a periodical basis (twice a year).

In addition to financial results, our management policy, progress of our business plan are reported and discussed to improve communication.



Investors' meeting

Measures to prevent insider trading

Sumitomo Seika Group is committed to preventing insider trading by all means to ensure healthy functioning of the stock market. Our internal rules require all employees to take prescribed steps in their trading of Sumitomo Seika shares in order to prevent suspicions of any unlawful acts.

Growing Together with Customers and Suppliers

With a view to establishing a long-term trust of our customers, we are committed to providing products and services that are safe in use and meet customers' needs.

Cooperation with suppliers

Demand for product safety is becoming increasingly high in recent years. Regulations on inclusion of hazardous chemical substances have been tightened in many parts of the world, making it necessary for chemical producers like us to step up efforts in ensuring green purchasing through analysis and warranty. Suppliers' cooperation is indispensable for our performance of social responsibility in providing our customers with safe and trustable products. To respond to these challenges speedily and adequately, we are deepening the cooperation with our suppliers and promoting stable procurement, while maintaining our basic purchasing policy of due supplier evaluation and fair and transparent transactions.

Purchase Policy

Fair and equitable transaction

- Compliance with laws and regulations related to purchasing
- Implementation of transparent and fair trade on equal footing

Quality, delivery period, service, and stable supply

- Selection of materials and products of dependable quality
- Selection of suppliers based on supply stability

Partnership spirit

- Building-up of mutual trust with suppliers
- Contingency plans to avoid risk from interrupted supply

Exact access to environmental information and data, and evaluation

- To receive safety information and data on supplied materials/products to ensure our products meet customers' safety expectations; evaluate suppliers from this standpoint
- To contribute to conservation of global environment, seek suppliers' cooperation for our efforts in quantifying and reducing environmental load throughout the product life cycle from development, manufacture, distribution, use, to final consumption through disposal and recycle.

1964, Sumitomo Seika has constantly been working on new technologies, as evidenced by the launch of self-developed turboflex trays (TFTs) in 1970 and commercialization of gas purifiers using pressure swing adsorption (PSA) technology – another first in Japan – in 1979. PSA technology has since been used in purification of various kinds of gases, including nitrogen, oxygen, hydrogen, carbon dioxide, methane, and argon. In February 2015, we held the 15th SCEJ Plant Process Study Meeting at our Befu Works. On that occasion, we invited participants to observe our PSA hydrogen purifier in operation at the works and took them to the Fine Gases System Research Laboratory to show them the different types of experimental PSA equipment. We also shared behind-the-scenes stories about the development of TFTs, which are unique mobile gas-liquid contact elements that would eventually be used in various types of distillation columns and pollution control equipment, in addition to the latest topics concerning our gas purification technology. The meeting proved to be highly fruitful, as we engaged in an active exchange of views with engineers from industry, governments, and universities. In retrospect, I believe that I received the Award in recognition of these kinds of low-profile activities.

I am hoping that Sumitomo Seika will continue to inspire society with the unique technologies that earned the company this prestigious Award.



TOPIC

Recipient of the SCEJ Award for Distinguished Service to the Kansai Branch

Hidenori Minami, Technical Office

Chemical engineering was developed in the United States to meet industry demand for a methodology of industrial-scale production. In Japan, Kansai region-based engineers have taken the lead in this academic discipline, with Kyoto University, which has compiled Japan's first publication on chemical engineering, Theory and Calculation of Chemical Machinery, playing the central role. In 2015, the Society of Chemical Engineers, Japan (SCEJ) Kansai Branch, which has served as a hub for interchange between both industrial and academic engineers, marked its 60th anniversary by establishing the SCEJ Award for Distinguished Service to the Kansai Branch. I felt greatly honored to be selected as the first recipient of this significant accolade in recognition of my contributions to this academic society. For the past four decades or so, Sumitomo Seika has been invited to assign members of its staff to serve on the executive board of the SCEJ Kansai Branch, and I was the sixth company representative to become a regular board member. Three years ago, I was appointed Vice Chair of the Kansai Branch. If I were to choose my most memorable activity at the SCEJ, it would be the "Practical Course on Chemical Engineering" that was launched on my initiative. This is a training program developed for corporate engineers in light of one university after another deciding to downsize its chemical engineering courses despite the evidence of growing demand for chemical engineers in industrial circles. The driving concept was "let us at the SCEJ provide training opportunities that universities or enterprises could not offer on their own." Over the 16 years since its inception, the Course has been highly rated for its practical contents and it attracts more than 100 participants each year. In FY2010, this Course was recognized by the SCEJ with the Regional Coordination Team Award. Ever since we successfully put dimethyl ether (DME) into commercial application as an aerosol propellant for the first time in Japan, in

Growing Together with Employees

In order for a company to attain a sustainable growth, upgrading of its employees is indispensable. Our company works on nurture of "human resources" while viewing "human" as "resource" and takes various actions to create labor environments where employees are able to work comfortably and peacefully.

Personnel system and human resource development

Our human resources development policy

We have defined "ideal employees" as those who strive to realize the new Corporate Philosophy of Sumitomo Seika Group and are always conscious of and live up to our action guidelines (SEIKA WAY). In order to develop such employees, we have newly established the Human Resources Development Policy described below to coincide with formulation of the new medium- and long-term business plan "SEIKA Grand Design 2025 'URUOI'." Guided by this new policy, we will develop infrastructures and implement various measures for human resources development.

Human Resources Development Policy

1 Developing people on-the-job

People are best developed in the field, meaning that they grow only as a result of overcoming the difficulties that they may experience in their jobs and carrying out their duties. The primary responsibility for human resources development rests with each workplace. Whilst supervisors are responsible for those under them, they must also require their subordinates to develop a firm vision of their future career paths as they perform everyday operations.

2 Respecting diversity

We respect the individuality and career aspirations of each employee, as well as the diversity of the workforce that comes about as a result. We will strive together in friendly rivalry to create an empathetic group and corporate culture under the Group Corporate Philosophy.

3 Assisting employees in career development through thoughtful planning

Job rotations are one of the key tools for human resources development. We will rotate people in a planned and constructive manner to facilitate their development.

4 Enhancing employability

By further enhancing our human resources development system and providing various training programs, we will continue to produce "Sumitomo Seika Persons" who, with wide-ranging insight, high aspirations, and distinct identities, will be equipped to take up challenges outside of the Group.

An outline of the personnel system

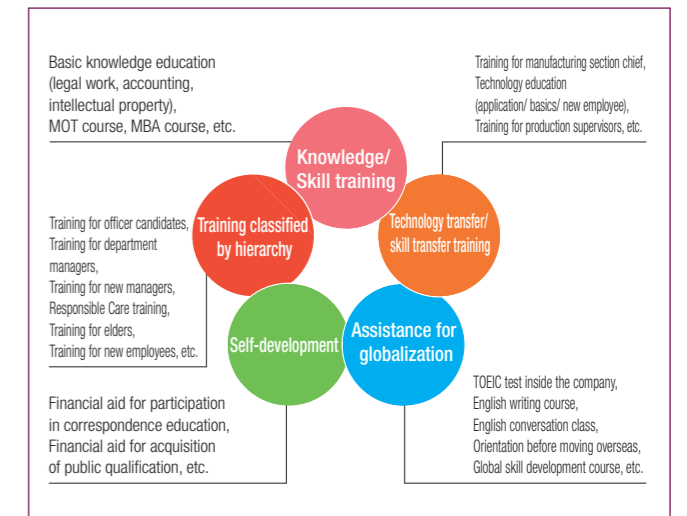
The company has introduced a personnel system where employees are motivated to work for the company through achievement-oriented evaluations with their respective roles as the base of the system.

This merit system is designed to prompt employees to improve their abilities at their own initiatives with clear recognition of their functions and roles. Under this system, employees are induced to clearly understand their roles which they play in their organizations and motivated to attain their goals, which leads to better performance of their respective

workplaces and in turn the company itself as well as to increased sense of satisfaction and progress for each individual employee.

Human resource development program

For the purpose of assisting ability development of employees, various programs are provided, which can be categorized mainly in the following five kinds:



Technology education

The company appoints veteran employees who have rich knowledge and experience as instructors to transfer technology and skill to young employees and train them to become full-fledged members in a shortest possible time.

- Technology education for new employees
- Technology education; basic course
- Technology education; application course



Technology education

Foreign language education program

In order to achieve the New Medium-and Long-Term Business Plan, not only globalization of the company but also globalization of employees is required. Efforts are exerted to provide employees with opportunities to learn various foreign languages so that they can develop abilities up to those of world-class professionals.

- TOEIC test inside the company
- Private lesson of English conversation
- Group lesson of English conversation (presentation, conference)
- Group lesson of Chinese language

Thoughts on “National Student Environmental Business Contest em factory 2015”

Naohisa Hayamizu, Functional Chemicals Research Laboratory (Himeji)
(Photo: Back row, second from right)

For this contest, a group of students proposed a business plan for development of a new application (bath agent) for HEC, one of our products containing plant-derived components, and for using part of the proceeds for forest conservation. This is the kind of idea that would not come easily to corporate workers, who generally tend to be guided by fixed notions, but I must say that we learned more from them than they learned from us. Regardless of the results of the contest, I think that the preliminary process of discussion and so forth is also important, and whatever is learned through participation in such contests becomes an immeasurably precious asset. I believe that, through the series of activities for this event, students have discovered something that they can treasure as they go forward. I am delighted that we were able to assist them in making new discoveries.

When we decided to participate in this contest, we had three objectives in mind:

1. Expectations of effective public relations for the company
2. Possibility of linking the event to CSR activities targeting university students, which we had not offered in the past
3. Benefits for recruitment, as core student members had a strong desire to improve themselves

I think it is fair to say that those original goals were adequately attained. Not many students are familiar with the chemical industry but we hope that they now feel a bit closer to it. We also took advantage of this opportunity to train our own people. The event proved to be highly stimulating for them, as they learned from the students things that they would not have a chance to discover in their day-to-day operations, such as acquiring skills in communicating the meanings of industrial and technical terminology, with which we are highly familiar, in an easily understandable manner.



Global skill development course

In tune with globalization of operations of our Group’s business, the need for globally capable human resources is ever growing. In 2012, we commenced a new training program, the Global Skill Development Course, with the objective of facilitating early competence development of younger employees in Japan. The program attendants will acquire skills and knowledge required for working globally through a training course in Japan, and also experience working at our overseas business base for a period of several months. There is also a follow-up course after returning to their usual workplaces in Japan to help develop their capabilities. Twelve trainees have been selected for the first term training program and nine trainees have been selected for the second term training program. The third term of the program began with six trainees. Fostering of human resources with global skills is essential for our Group to achieve successful growth in the future, and we will continue to exert efforts in this area.

Pleasant working environment

Re-employment after age-limit retirees—utilization and promotion of the re-employment system

The company has a program to utilize knowledge and skill of those who retired due to age-limit for the purpose of ensuring job efficiency and nurturing their successors.

Active employment of disability persons

Creating job opportunities for people with a disability is an important issue for us. We promote employment of disability persons in collaboration with public agencies.

Toward respect of human rights and prevention of sexual harassment

The company undertakes training in this respect for new employees and also for those employees who are promoted to management positions. In addition, responsible persons selected jointly by labor and management are deployed in respective business locations for the purpose of consultation and handling of this sort of matters.



Harassment seminar

Approach to mental health problems

The company introduced EAP* in 2010 in collaboration with external institutions to deal with mental health problems. Suggesting employee’s self-care of mental health, the company conducts stress check on all employees and attempts to detect, prevent, and improve mental disease at an earlier stage.

We have also introduced a support system for employees returning to work after a long leave due to mental illness.

EAP*...Employee Assistance Program

Sound labor-management relations

Respecting each other’s position, the company carries out, jointly with the labor union, various programs toward further growth of the company, development of employees, and creation of better working conditions.

Common understandings between management and labor are formed through discussions and consultations at various committees such as the central labor-management consultative committee, the central labor-management environment and safety committee, and local labor-management consultative committees of respective business locations, which are arenas where discussions are conducted to define measures to be taken for creation and maintenance of stable labor-management relations and its further development.

Improvement of welfare facilities

In order to improve employees’ working conditions, we are enhancing our welfare facilities. In FY2014, we built a new company housing in Himeji area.



New company housing (Befu)

The Communication Center Harima, our long-standing training/welfare facility in the Himeji area, has been renovated and reopened as “Communication Center URUOI-KAN.” This upgraded facility helps not only to enhance employee training opportunities but also to expand our welfare benefits.



Communication Center “URUOI-KAN”(Seminar house)

Promotion of work-life balance

We are exerting continued efforts to improve employees’ work-life balance by introducing various programs to reduce working hours and to enhance leave systems.

Set up a Work-Life Balance Committee

In 2015, labor and management agreed to set up a Work-Life Balance Committee to discuss measures for helping our people to enhance their job satisfaction and lead more meaningful lives. Our goal is to help our people to enjoy healthy and rewarding lifestyles, so that everyone feels pride and satisfaction in what he/she does and fulfills his/her job responsibilities whilst staying connected with families and communities and spending time on personal development and other worthwhile pursuits.

Plans for reduction of actual working hours

In 2010 the company introduced a scheduled annual leave plan (3 days a year) and an anniversary leave plan (1 day a year) oriented to reduction of actual working hours of employees, while encouraging employees to take as many paid holidays as practically possible and setting up “day of no overtime work” at respective business locations. Thanks to these measures, employees are now taking more paid holidays (Paid holiday utilization rate in FY2009: 55.1%), but the rate has been flat for the past several years. We will continue our efforts to further reduce actual working hours.

Assistance for employees who need leaves to give nursing care / childcare

To assist employees who need to keep balance between home and workplace by unavoidable reasons, the company maintains several plans such as childcare leave plan and nursing care leave plan, which are related to childbirth, child rearing and nursing care.

Actual results for 2015: 2 employees for childcare leave plan, 5 employees for short-time service for child rearing, 1 employee for nursing care leave plan, 0 employee for short-time service for nursing care

▶ A list of childcare / nursing care benefit plans

Type of plan	Outline
Childcare leave	Approval is obtainable for an employee to rear his or her child after delivery (in principle until the child becomes one year old).
Nursing care leave	Approval is obtainable for an employee to nurse his or her family (1 year).
Childbirth leave	Approval is obtainable for an employee whose wife delivers a baby (Two days)
Nursing care leave for children	Approval is obtainable for an employee to use the plan to take care of injury or disease of his or her child (5 days / one child / year).
Care leave	Approval is obtainable for an employee to use the plan to give care to his or her family member who is in need of nursing care (5 days / each member of the family / year).
Exemption of non-scheduled work	Submission of request is allowable for an employee to apply for an approval to use the plan to nurse his or her child younger than three years.
Short-time service for child rearing	Condition for the request is the same as above (max. 2 hours a day; shortening of time acceptable with 30 minutes as unit of calculation).
Short-time service for nursing care	Submission of request is allowable for an employee to apply for an approval to use the plan to give care to his or her family member in need of nursing care (the maximum length of time is the same as above).

▶ Please see page 32 for detailed data.

Group Network

Business locations in Japan ▶ Please see page 32 for detailed data.



Business locations overseas



PICK UP

Sumitomo Seika Polymers Korea

Location: 66, Jungheung 2-ro, Yeosu-si, Jeollanam-do, South Korea (59615)
 Number of employees: 52 (as at August 1, 2016)
 Products: Super absorbent polymers (SAPs)

Sumitomo Seika Polymers Korea established to produce SAPs in South Korea

On July 31, 2014, we established Sumitomo Seika Polymers Korea Co., Ltd. in Yeosu-si, Jeollanam-do, South Korea, to manufacture and sell super absorbent polymers (SAPs).

This is the fourth SAP plant within Sumitomo Seika Group after those in Japan (Himeji), Singapore, and France. The new plant is expected to serve as a sales base for China and other countries in Asia.

Both its Head Office and plant reside in the Yeosu National Industrial Complex in Jeollanam-do, which is located in the south of the country. As the largest petrochemical complex in South Korea, it currently hosts a number of leading chemical companies.

Construction work began in March 2015 and the manufacturing facilities, administration building, and other in-plant structures were completed by the end of May 2016. The facilities were commissioned in August 2016.

The new company has a total 52 employees, including transferees from Sumitomo Seika Chemicals Co., Ltd. and Sumitomo Seika Singapore Pte. Ltd. (as at August 1, 2016). Going forward, we will focus on establishment of the manufacturing technologies required for safe, stable, and uninterrupted manufacture and supply of quality products, and on development of human resources, so that the company can begin to exert a global presence as soon as possible.

Business locations in Japan

Head Offices : Osaka, Tokyo

Sales Offices : Osaka, Tokyo

Plants : Befu Works (Hyogo), Himeji Works (Hyogo), Chiba Works

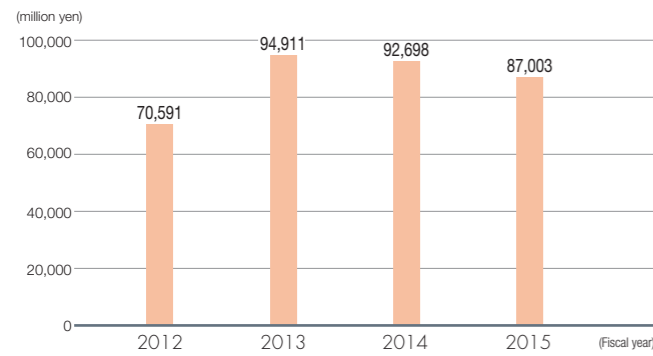
Research Laboratories : Super Absorbent Polymers Research Laboratory (Hyogo), Functional Chemicals Research Laboratory (Hyogo), Fine Gases System Research Laboratory (Hyogo)

Consolidated subsidiaries

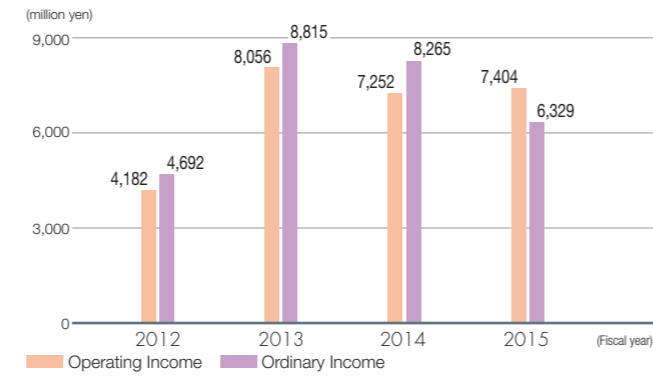
	Corporate name	Lines of business
Domestic subsidiaries	Seika Techno Services Co., Ltd.	Various services
	Seika Engineering Co., Ltd.	Manufacture of various kinds of chemical plants and tanks
Overseas subsidiaries	Sumitomo Seika Europe S.A. /N.V. (Belgium)	Sales of Super Absorbent Polymers and other chemical products
	Sumitomo Seika Polymers Korea Co., Ltd.	Manufacture and Sales of Super Absorbent Polymers
	Sumitomo Seika Singapore Pte. Ltd.	Manufacture of Super Absorbent Polymers
	Sumisei Chemical Co., Ltd. (Korea)	Manufacture and Sales of Electronics Gases
	Sumisei Technology (Yangzhou) Co., Ltd.	Manufacture of Electronics Gases
	Sumisei Taiwan Technology Co., Ltd.	Manufacture and Sales of Electronics Gases
	Sumitomo Seika Asia Pacific Pte. Ltd. (Singapore)	Sales of Super Absorbent Polymers and other chemical products
	Sumitomo Seika Trading (Shanghai) Co., Ltd.	Sales of Super Absorbent Polymers and Gases products
	Sumitomo Seika America, Inc.	Sales of Super Absorbent Polymers and other chemical products

Detailed Data

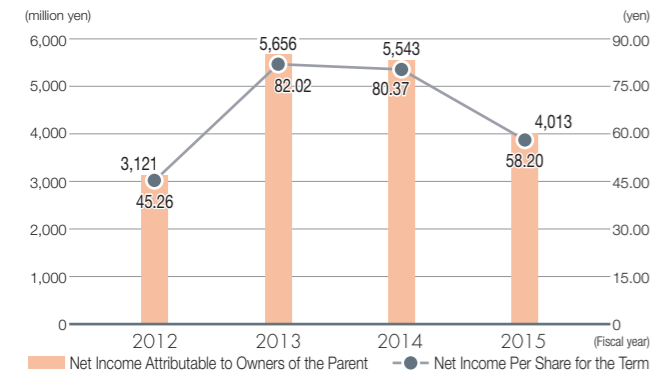
Net Sales



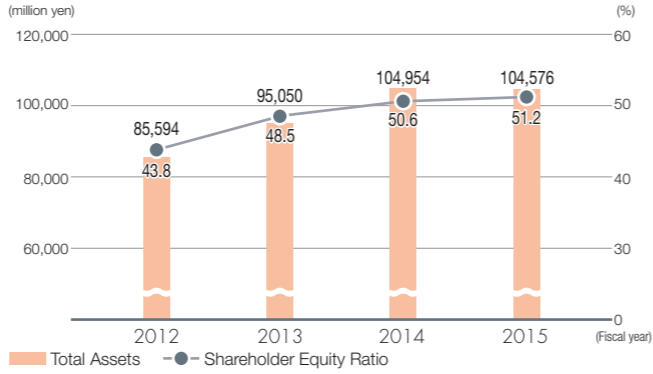
Operating Income/Ordinary Income



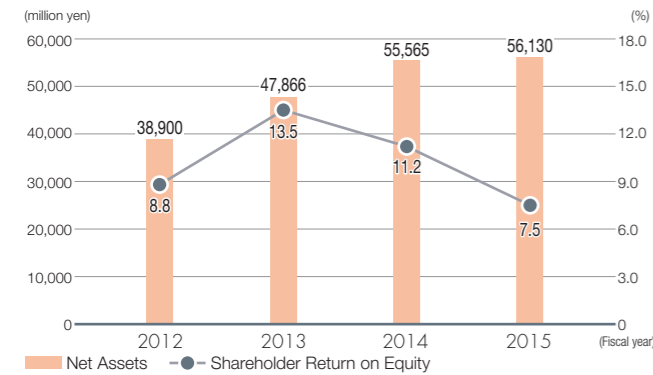
Net Income Attributable to Owners of the Parent / Net Income Per Share for the Term



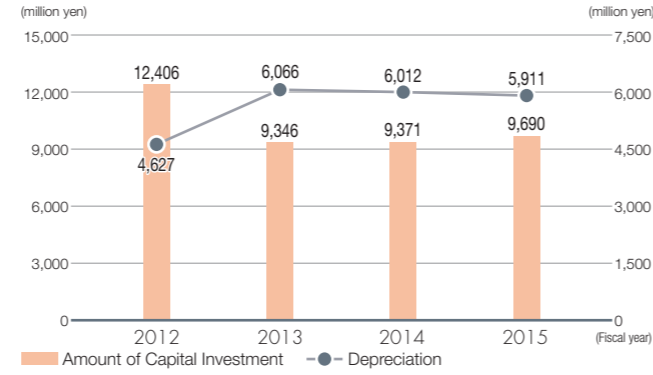
Total Assets/Shareholder Equity Ratio



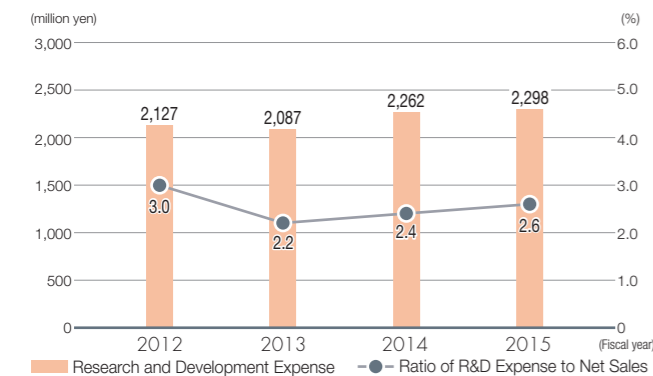
Net Assets/Shareholder Return on Equity



Amount of Capital Investment / Depreciation



Research and Development Expense / Ratio of R&D Expense to Net Sales



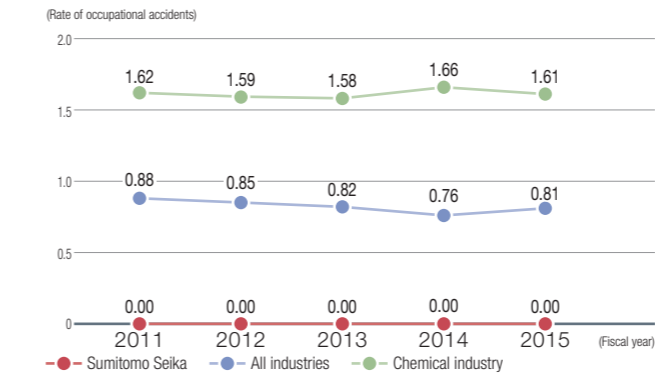
Environment Accounting and Economic Results

(million yen)

Classification of environmental cost		2013		2014		2015		
		Amount of investment	Amount of expenses	Amount of investment	Amount of expenses	Amount of investment	Amount of expenses	
Business area costs	Pollution prevention costs	Prevention of air pollution	52	166	45	158	36	124
		Prevention of water pollution	59	295	10	246	0	226
	Others	3	3	0	0	4	1	
Global environmental protection costs (global warming, energy saving)		91	2,486	683	2,642	14	2,272	
Resource recycling costs		0	335	6	358	19	286	
Upstream / Downstream costs		0	1	0	1	79	8	
Administrative costs		11	156	22	155	16	163	
R&D costs		66	343	106	314	91	309	
Social activity cost		0	1	0	1	0	2	
Environmental remediation costs		0	0	0	0	0	0	
Total		282	3,786	872	3,875	259	3,391	
Total		1,607		1,060		1,627		

Scope: Our domestic bases
Method of calculation: Investment and cost for environment protection are calculated on a prorata basis from the total amount

Rate of occupational accidents

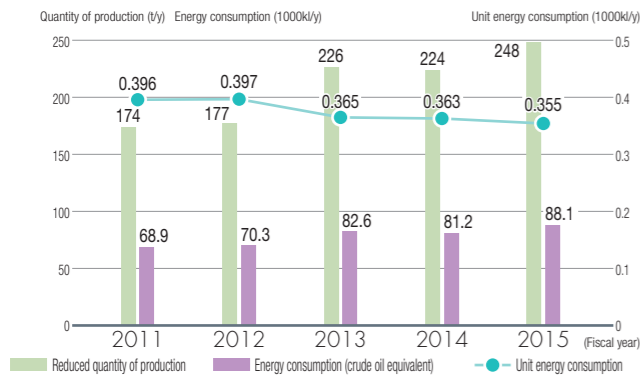


The number of occupational accidents and serious facilities accidents

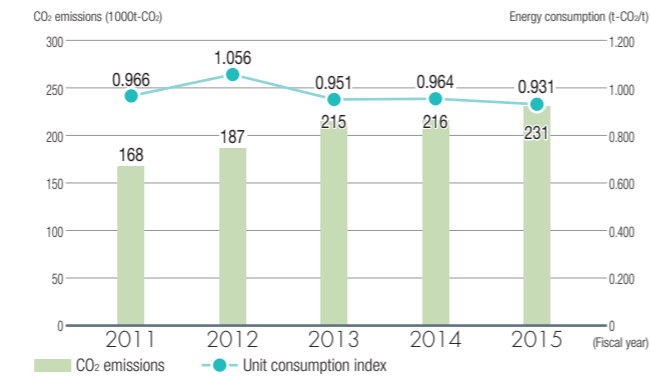


Detailed Data

Trend of energy consumption



Trend of CO₂ emissions



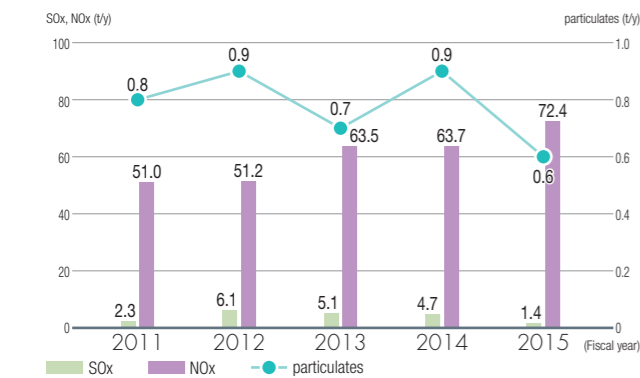
Trend of re-employees

	2011	2012	2013	2014	2015
Number of retired employees	35	30	11	19	19
Number of re-employees	22	15	10	16	17
Ratio of re-employment	63%	50%	91%	84%	89%

Performance Data at Befu Works

Energy (as crude oil)	12,400kl/y	
Air	CO ₂	76,600t/y
	SO _x	1.4t/y
	NO _x	7.3t/y
Effluent	Volume of effluent	1,710 X 1,000 m ³ /y
	COD	15.3t/y
Waste material	Quantity	6,350t/y
	Recycle ratio	33%
	Landfill	33t/y
PRTR (Volume of exhaust to air)	2.4t/y	

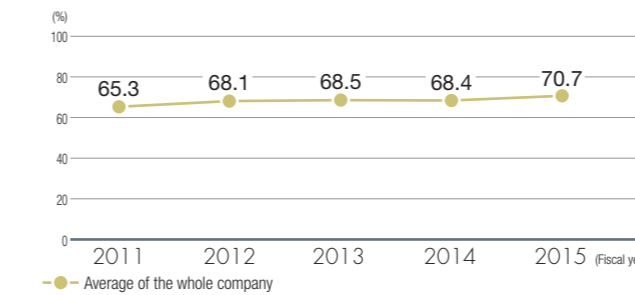
Trend of emission of SO_x, NO_x, and particulates



Trend of emission of PRTR substances

	2011	2012	2013	2014	2015
1,3-butadiene	4.7	1.6	0.3	0.4	0.3
1,2-dichloroethane	7.1	5.5	8.8	9.6	4.1
Trichloroethylene	4.3	5.3	5.7	3.8	3.8
Hexane	116.4	109.5	81.0	96.2	55.6
Dichloromethane	1.1	1.2	1.0	0.3	0.2
Others	10.5	9.5	7.8	9.2	7.8
Total	144.1	132.6	104.6	119.5	71.8

Trend of utilization of paid holidays



Status of utilization of scheduled annual leave/ anniversary leave

	Utilization ratio		
	2013	2014	2015
Scheduled annual leave	66.5	72.4	72.1
Anniversary leave	82.2	97.8	96.8

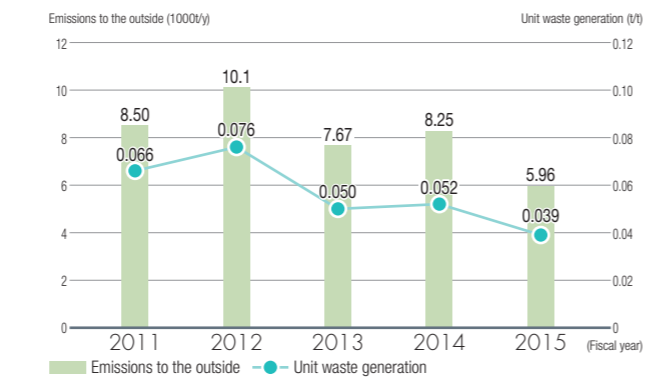
Performance Data at Himeji Works

Energy (as crude oil)	73,700kl/y	
Air	CO ₂	143,000t/y
	SO _x	- t/y
	NO _x	65.0t/y
Effluent	Volume of effluent	1,880 X 1,000 m ³ /y
	COD	15.3t/y
Waste material	Quantity	3,000t/y
	Recycle ratio	97%
	Landfill	4.8t/y
PRTR (Volume of exhaust to air)	63.7t/y	

Trend of VOC substances emission

	2011	2012	2013	2014	2015
Heptane	582	486	481	559	128
Pentane	130	199	131	94	141
Methanol	10	20	22	33	35
MIBK	24	22	13	16	28
Others	148	136	110	123	76
Total	894	862	757	825	409

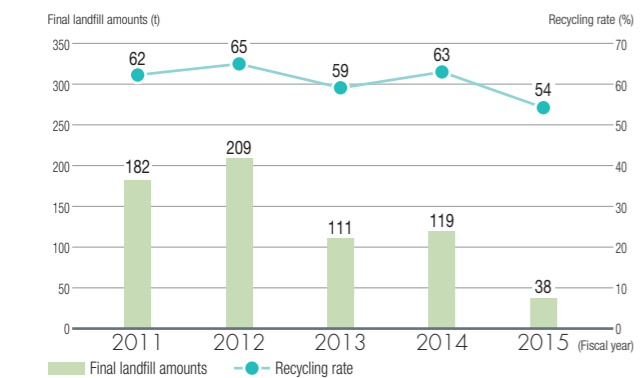
Trend of unit waste generation



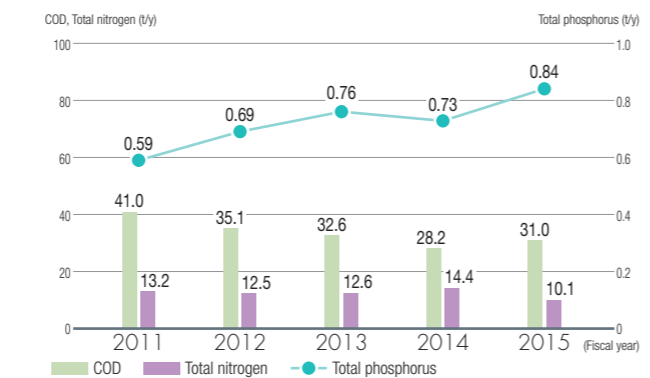
Performance Data at Chiba Works

Energy (as crude oil)	1,950kl/y	
Air	CO ₂	5,270t/y
	SO _x	- t/y
	NO _x	0.1t/y
Effluent	Volume of effluent	344 X 1,000 m ³ /y
	COD	0.4t/y
Waste material	Quantity	198t/y
	Recycle ratio	96%
	Landfill	0.2t/y
PRTR (Volume of exhaust to air)	5.7t/y	

Amount of final landfilling and trend of recycling rate



Trend of water contamination load



Our CSR Report Web Page



CSR Report 2016 and back numbers are also available on our website.

<http://www.sumitomoseika.co.jp/en/csr/>



Corporate Social Responsibility Report 2016
Independent Verification Report

August 08, 2016

To: Mr. Yusuke Ueda
President
Sumitomo Seika Chemicals Company, Limited

Junji Takase *Junji Takase*
Chief Director, Responsible Care Verification Center
Japan Chemical Industry Association

■ Purpose of verification

In this verification, the Responsible Care Verification Center aims to express the opinions of experts in the chemical industry concerning the following items presented in the "Corporate Social Responsibility Report 2016" (hereinafter "the Report") that was prepared by Sumitomo Seika Chemicals Company, Limited:

- 1) The rationality of collection, compilation and calculation methods of performance indices (numerical values) and accuracy of the values
- 2) The accuracy of information other than numerical values presented in the Report
- 3) The details of the Company's Responsible Care activities
- 4) The characteristics of the Report

■ Verification procedure

- For the corporate head office, we audited the rationality of the calculation methods of numerical values reported from each site (office and works), as well as the accuracy of information other than numerical values presented in the Report. This was done by interviewing personnel responsible for the relevant business operations and those in charge of preparing the Report, asking them to provide supporting documents, and hearing their explanations of those supporting materials.
- For the Befu Works, we audited the rationality of the calculation methods of numerical values reported to the corporate head office and the accuracy of those values, as well as the accuracy of information other than numerical values presented in the Report. We conducted an audit of the Befu Works by questioning 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 applied a sampling technique to the audit of numerical values and other information presented in the Report.

■ Opinions

- 1) The rationality of collection, compilation and calculation methods of performance indices (numerical values) and accuracy of the values
 - Rational methods were employed at the corporate head office and Befu Works to collect, compile and calculate numerical values.
 - As far as we audited, the performance numerical values were accurately collected, compiled and calculated.
- 2) The accuracy of information other than numerical values presented in the Report
 - We confirmed that the information presented in the Report was accurate. Although we made several comments about the appropriateness of some expressions and the consistency of some terms at the draft stage, reasonable corrections have been incorporated in the final Report, and no important items requiring correction have been found in the current Report.
- 3) The evaluation of the Company's Responsible Care activities
 - We value the fact that the PDCA cycle for the operational program, which is made up of compliance, safety, environment and quality, is functioning properly.
 - We recognize the fact that explaining the RC activities while the local citizens observe the company's disaster-preparedness is a good initiative.
 - We value the fact that efforts are being made to conduct BCP training, and we hope that further improvements will be made to the training in the future.
 - We recognize the fact that the Befu Works is working hard to make improvements to the safety activities, including using the results of the behavioral characteristics evaluation at safety training sessions and introducing a Meister System as a means of passing down skills. Also, we recognize the fact that 5S has been introduced to all areas and the safety performance is good.
- 4) The characteristics of the Report
 - Ongoing improvements to the Report have definitely been made, including improving how the corporate philosophy is explained, consolidating the data in the appendix and including the targets for this year in the table showing the results of the RC activities. As a result, the Report is compact and easy to read.
 - The data for financial statements has been well disclosed.
 - Going forward, we hope that you will refer to the GRI guidelines and publicize to those outside the company that you are working to resolve the social issues unique to your company.