

Corporate Social Responsibility Report 2017

CORPORATE SOCIAL RESPONSIBILITY REPORT

If you have questions, please contact:

 **SUMITOMO SEIKA CHEMICALS CO.,LTD.**

General Affairs and Personnel Office

The Sumitomo Building 4-5-33 Kitahama, Chuo-ku, Osaka 541-0041

Phone: 06-6220-8508 Fax: 06-6220-8541

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



Printed on paper made of wood from forest thinning
"Morino Chonai-Kai" (Forest Neighborhood Association) --
Supporting sound forest management



This CSR Report has been printed in an environment friendly
manner with vegetable-oil-based ink by water-free printing
technique without discharging any hazardous wastewater.

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.

Sustainable Development Goals -SDGs



In September 2015, the United Nations General Assembly adopted the Sustainable Development Goals* (SDGs), which address social issues that need to be tackled by the global community. Accordingly, we at the Sumitomo Seika Group have identified our own goals to achieve each of the SDGs through our business and CSR activities. Icons representing these goals are shown at the top right of the relevant pages.

What is Sustainable Development Goals (SDGs) ?

At the United Nations Sustainable Development Summit 2015, held in September 2015 at the United Nations Headquarters in New York, leaders from more than 150 member nations adopted the 2030 Development Agenda titled “Transforming our world: the 2030 Agenda for Sustainable Development” as the outcome of that summit.

As a plan of action for people, planet, and prosperity, the Agenda includes a Declaration and Global Goals in the form of the SDGs, which are a set of 17 goals and 169 targets.

The icons above represent each of the 17 goals.

About Sumitomo Seika

Business activities

CSR Digest

Governance, Risk and Compliance

Responsible Care

Approach to Safety

For Better Environment

Quality Assurance

Relationship with Society

Data

CONTENTS

- 01 Group Corporate Philosophy
Sustainable Development Goals (SDGs)
- 02 Table of contents / Editorial Policy
- 03 Message from the President
- 05 Sumitomo Seika in Daily Life
- 07 Corporate Profile
- 08 Consolidated Financial Results for Fiscal 2016
- 09 Medium-and Long-Term Business Plan
- 10 CSR Digest
- 11 Governance, Risk and Compliance
- 13 Policy and Organization
- 15 Activities and Achievements
- 17 Occupational Safety and Health,
Security and Disaster Prevention
- 18 Logistics Safety / Chemicals Safety
- 19 Environment Protection
- 20 Quality Assurance
- 21 Growing Together with the Community
- 22 Growing Together with Customers and Suppliers
- 23 Growing Together with Shareholders and Investors
- 24 Growing Together with Employees
- 27 Group Network
- 29 Detailed Data
- 33 Our CSR Report Web Page
- 34 Independent Verification Report

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, 2016 to March 31, 2017

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

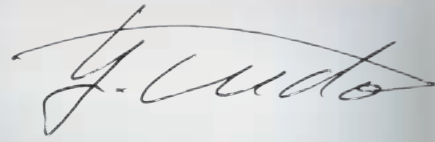
Publication: Sept. 2017 (Next publication: Sept. 2018)

* 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 increase the Group's corporate value through expending 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.

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

In May 2016, we announced our Medium- and Long-Term Business Plan, the SEIKA Grand Design 2025 "URUOI". The Business Plan 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 goals and 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 Business Plan, we intend 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%. To attain these targets, we will make investments amounting to approximately 80 billion yen over the next 10 years, which will be spent in launching of new businesses and new products, expanding existing products sales both in Japan and overseas, and undertaking M&As.

As an integral part of our efforts to realize the Business Plan, we reinforce our endeavor significantly to explore and seize opportunities for new businesses by, among other things, creating original or unique technological functionalities while fully utilizing a reservoir of technologies we have cultivated over many decades, thereby generating new values. To this end, we have set up a new corporate unit,

Please see page 9 for details of the SEIKA Grand Design 2025 "URUOI" plan.

"Innovation Promotion Group", which is actively engaged specifically in exploiting untapped business markets for our Company. In addition, a new type of R&D system is in operation to help accelerate R&D activities in the Innovation Promotion Group and each Business Segment, both individually and mutually, through frequent exchanges of information, themes to work on, and human resources to deploy. Our total investments under the Business Plan to further enhance R&D capabilities in this manner will amount to approximately 4% of the Company's consolidated net sales.

At the same time, we will further reinforce our corporate management platform to attain specific targets set for the final year of our Business Plan (FY2025)

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". Since FY2014, we have been conducting 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.

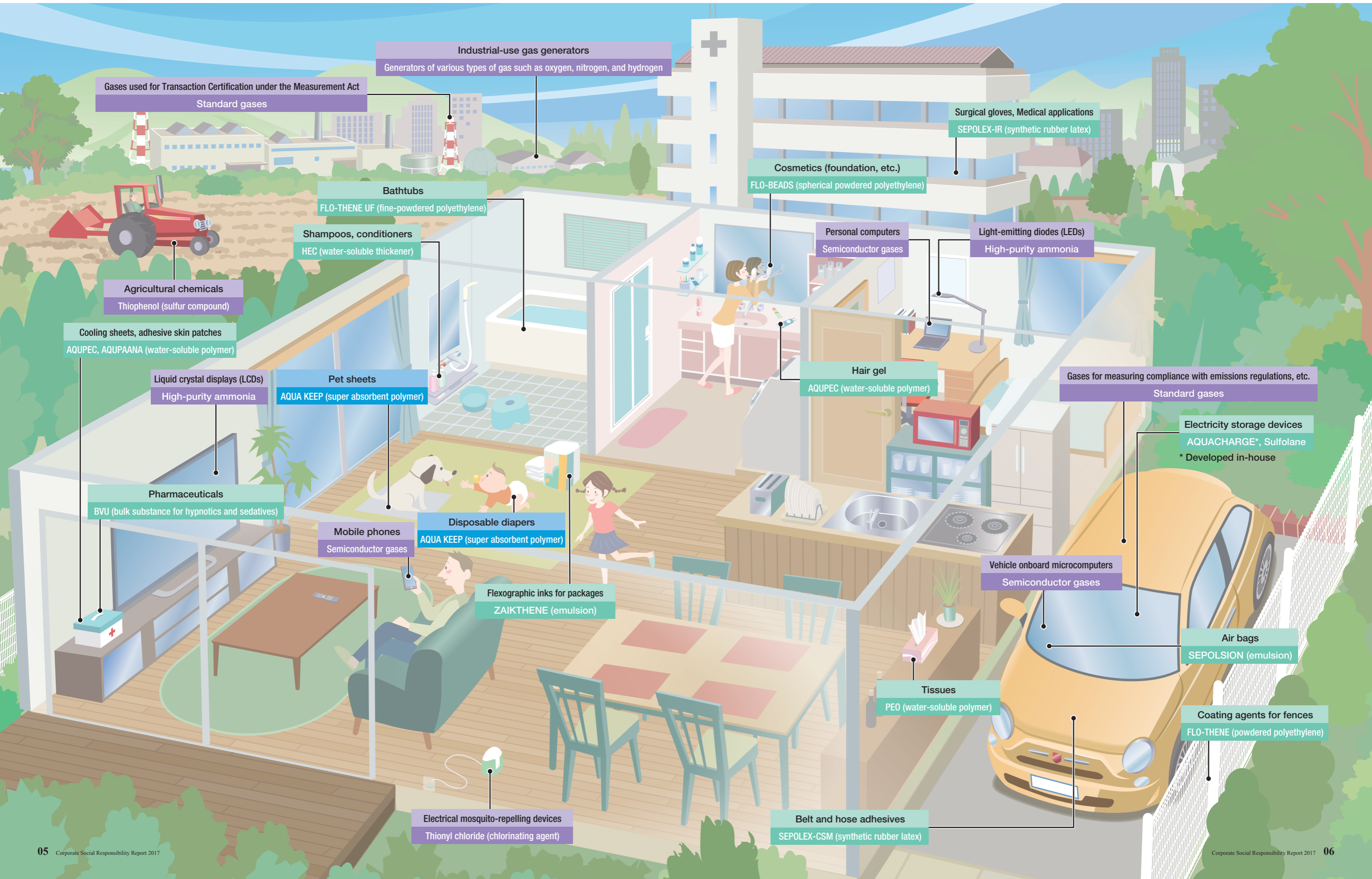
Protecting the global environment

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 latest 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, Sumitomo Seika Group is deeply committed to staying as an enterprise that is fully trusted by communities as we work to offer new values to people, society, and the environment through conducting business activities in accordance with our Group Corporate Philosophy, thereby contributing to building a sustainable, safe, and secure society. To bring such commitment into practice, we continue to ensure strict legal and ethical compliance in our day-to-day activities, enhance the effectiveness of our internal control system, and carry out 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 secure 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 the 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 2017



Gases used for Transaction Certification under the Measurement Act
Standard gases

Industrial-use gas generators
Generators of various types of gas such as oxygen, nitrogen, and hydrogen

Surgical gloves, Medical applications
SEPOLEX-IR (synthetic rubber latex)

Cosmetics (foundation, etc.)
FLO-BEADS (spherical powdered polyethylene)

Bathtubs
FLO-THERE UF (fine-powdered polyethylene)

Shampoos, conditioners
HEC (water-soluble thickener)

Personal computers
Semiconductor gases

Light-emitting diodes (LEDs)
High-purity ammonia

Agricultural chemicals
Thiophenol (sulfur compound)

Cooling sheets, adhesive skin patches
AQUPEC, AQUAANA (water-soluble polymer)

Liquid crystal displays (LCDs)
High-purity ammonia

Pet sheets
AQUA KEEP (super absorbent polymer)

Hair gel
AQUPEC (water-soluble polymer)

Gases for measuring compliance with emissions regulations, etc.
Standard gases

Electricity storage devices
AQUACHARGE*, Sulfolane
* Developed in-house

Pharmaceuticals
BVU (bulk substance for hypnotics and sedatives)

Mobile phones
Semiconductor gases

Disposable diapers
AQUA KEEP (super absorbent polymer)

Vehicle onboard microcomputers
Semiconductor gases

Flexographic inks for packages
ZAIKTHENE (emulsion)

Air bags
SEPOLSION (emulsion)

Tissues
PEO (water-soluble polymer)

Coating agents for fences
FLO-THERE (powdered polyethylene)

Electrical mosquito-repelling devices
Thionyl chloride (chlorinating agent)

Belt and hose adhesives
SEPOLEX-CSM (synthetic rubber latex)

Company profile

Established : July 20, 1944

Capital : 9,698 million yen

Number of employees : 1,214 as consolidated as of March 31, 2017

Business Profile

Super Absorbent Polymers	Chemicals	Gases & Engineering
		
<p style="text-align: center;">Product Category</p> <ul style="list-style-type: none"> · Hygiene Products · Industrial Materials · Other Applications 	<p style="text-align: center;">Product Category</p> <ul style="list-style-type: none"> · Water-Soluble Polymers · Water-Absorbent Polymers · Emulsion · Latex · Powdered Plastics · Characteristic Functional Polymers · Fine Chemicals · Polar solvent 	<p style="text-align: center;">Product Category</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 style="text-align: center;">Business Profile</p> <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.</p>	<p style="text-align: center;">Business Profile</p> <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 style="text-align: center;">Business Profile</p> <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.</p>

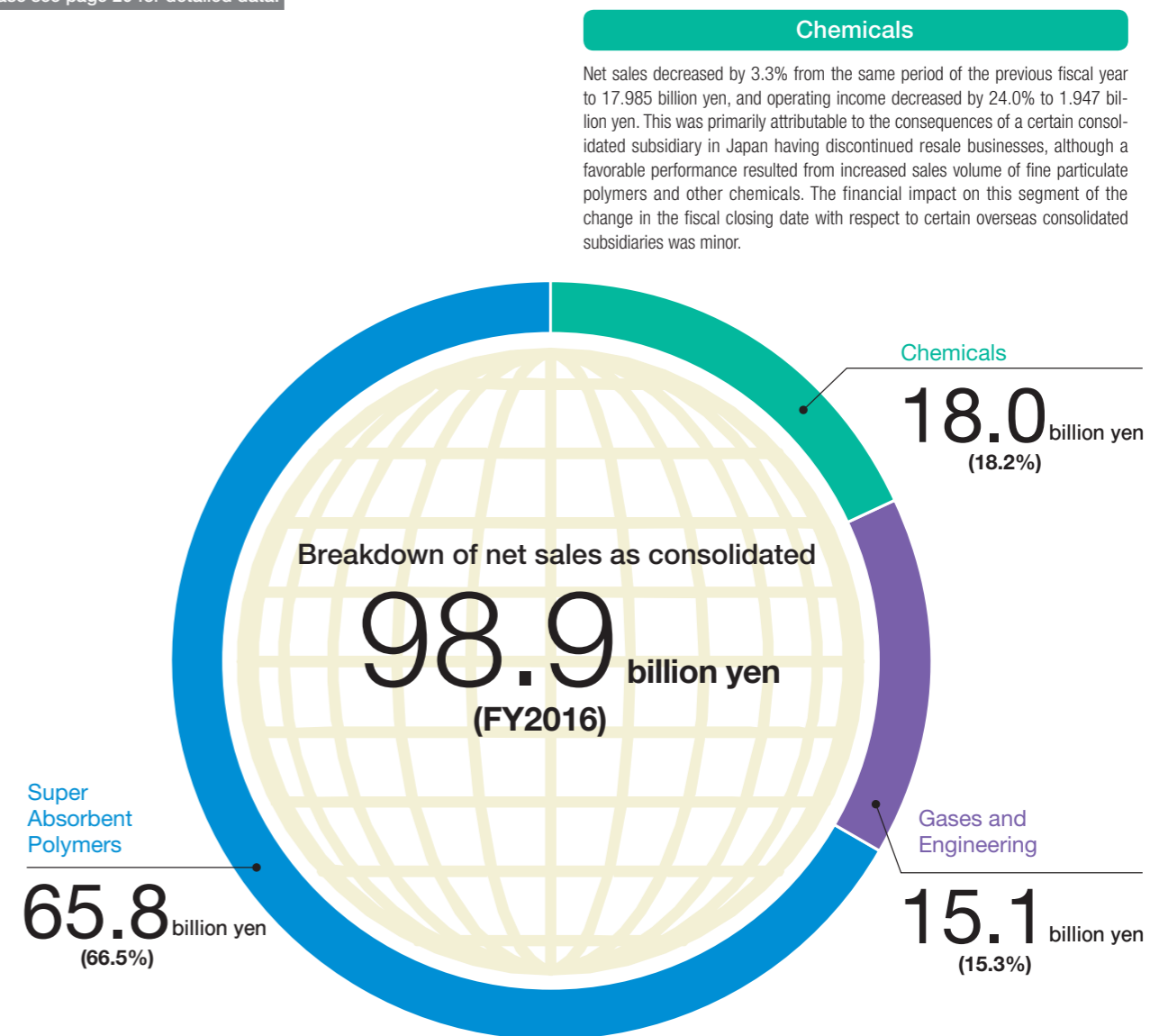
Operating results

Net sales posted 98.857 billion yen, a 13.6% increase over the same period in the previous fiscal year; Operating income reached 10.541 billion yen, a 42.4% increase over the same period in the previous fiscal year; Ordinary income amounted to 10.006 billion yen, a 58.1% increase over the same period in the previous fiscal year; and Net income attributable to owners of the parent came to 5.739 billion yen, a 43.0% increase over the same period in the previous fiscal year.

(Note) Change in the fiscal year closing date of consolidated 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 through March 31 were consolidated for one of our subsidiaries in the previous fiscal year and one subsidiary in the current fiscal year.

If an impact attributable to the difference of a consolidation term for these overseas consolidated subsidiaries was removed from our financial results, net sales would increase by 9.397 billion yen (+10.8%), operating income would grow by 3.033 billion yen (+41.0%) and ordinary income would be higher by 3.571 billion yen (+56.5%), all compared with the same period of the previous fiscal year.

➤ Please see page 29 for detailed data.



Chemicals

Net sales decreased by 3.3% from the same period of the previous fiscal year to 17.985 billion yen, and operating income decreased by 24.0% to 1.947 billion yen. This was primarily attributable to the consequences of a certain consolidated subsidiary in Japan having discontinued resale businesses, although a favorable performance resulted from increased sales volume of fine particulate polymers and other chemicals. The financial impact on this segment of the change in the fiscal closing date with respect to certain overseas consolidated subsidiaries was minor.

Super Absorbent Polymers

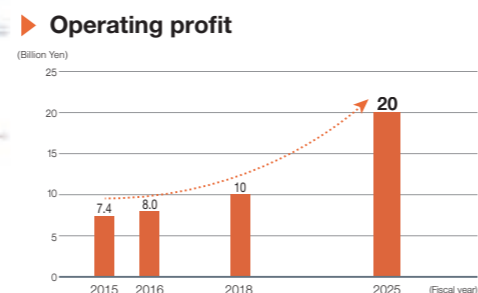
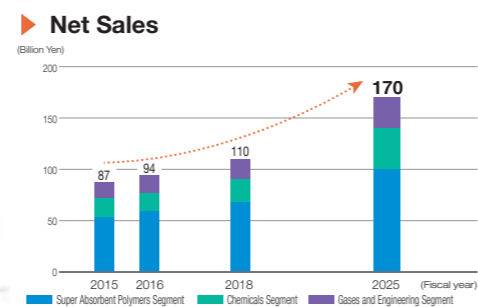
Net sales increased by 24.1% over the same period of the previous fiscal year to 65.778 billion yen, and operating income grew by 88.4% to 7.699 billion yen. If the impact of the change in the fiscal closing date for relevant overseas consolidated subsidiaries were excluded, net sales would increase by 10.414 billion yen (up 19.7%) over the previous year and operating income would grow by 3.506 billion yen (up 85.9%). This improvement in performance was attributable to an increased volume of sales to emerging markets, such as those in Southeast Asia and China, against the backdrop of a decline in product prices due to a fall in crude oil prices.

Gases and Engineering

Net sales decreased by 1.9% from the same period of the previous fiscal year to 15.093 billion yen, and operating income increased by 19.5% to 0.878 billion yen. This outcome reflects developments in overseas markets, i.e. a decrease in the sales volume of electronic gases and an increase in the sales volume of industrial chemicals and other products. The financial impact on this segment of the change in the fiscal closing date for certain overseas consolidated subsidiaries was minor.

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

Sumitomo Seika Chemicals has 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.

1. Business Policies

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.

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.

- Promoting CSR Activities**
With the basic principle of "prioritizing safety over everything else" firmly maintained, Sumitomo Seika Group will fulfill its Corporate Social Responsibility, thereby earning trust from society while providing a sense of security or a peace of mind to society.
- Human Resources Development**
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.
- 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, and, reinforcing the Group's corporate governance.
- Further Strengthening Technological Capabilities**
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.

CSR Digest

Here are summaries of our CSR activities in FY 2016.

Frequent communication with local community members

In FY2016, we held our first exhibit at the "Chemistry Day: Children's Chemical Experiment Show," which is an annual science event for elementary school students. The children visiting our booth were given the opportunity to make "cooling gel sheets" using our products. Through this event, the children were able to discover for themselves the joy and wonder of chemistry as they conducted their own chemical experiments.



Chemistry Day: Children's Chemical Experiment Show

Please see page 22 for detailed data.



Accidents involving lost workdays "Zero"

("1" reported at an overseas site)

Accidents in logistics "Zero"

Please see page 15,16,17,18,32 for detailed data.

Environment-related problems "Zero"

Unit energy consumption in production 1.4% reduction year-on-year

Please see page 15,16,19,30,31 for detailed data.

Governance, Risk and Compliance

In order to achieve sustainable growth and increased medium to long-term corporate value, we are constantly engaged in enhancing our corporate governance, improving our risk and compliance management system, and increasing the effectiveness of that system.

Corporate governance

Basic position on corporate governance

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.

Corporate governance structure

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 13 executive officers, seven of whom are concurrently directors.

The Board of Directors makes resolutions on matters that are required to be resolved at a board of directors meeting by the Companies Act of Japan or our Articles of Incorporation, as well as other important matters concerning execution of business.

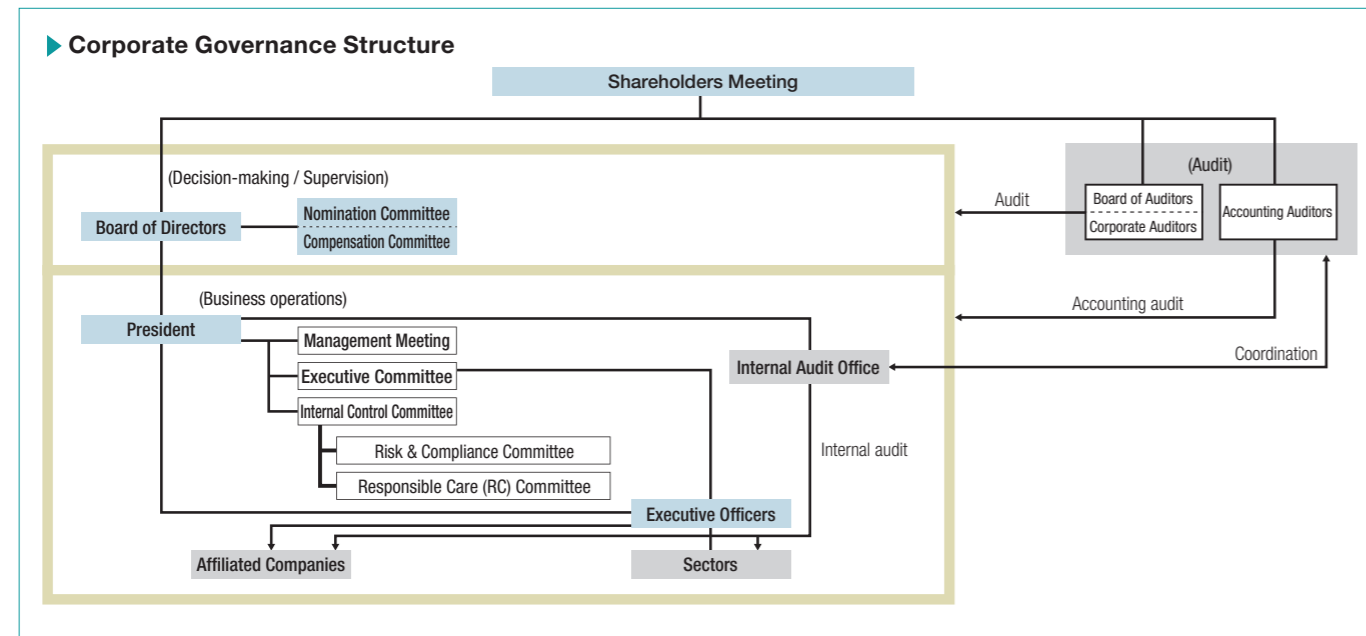
We have also set up an Officer Nomination Committee and an Officer Compensation Committee (comprising a president, a director in charge of personnel affairs, and two independent outside directors), which provide advice on nomination and compensation of directors and nomination of corporate auditors.

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.

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.



Risk and Compliance

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 are making efforts to secure effective compliance management

• Our efforts target management system

The Risk & Compliance Committee and Responsible Care Committee set 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 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.

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

Create an action plan

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

Assessing achievement

- Verification of implementation of measures to ensure compliance

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)

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.

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

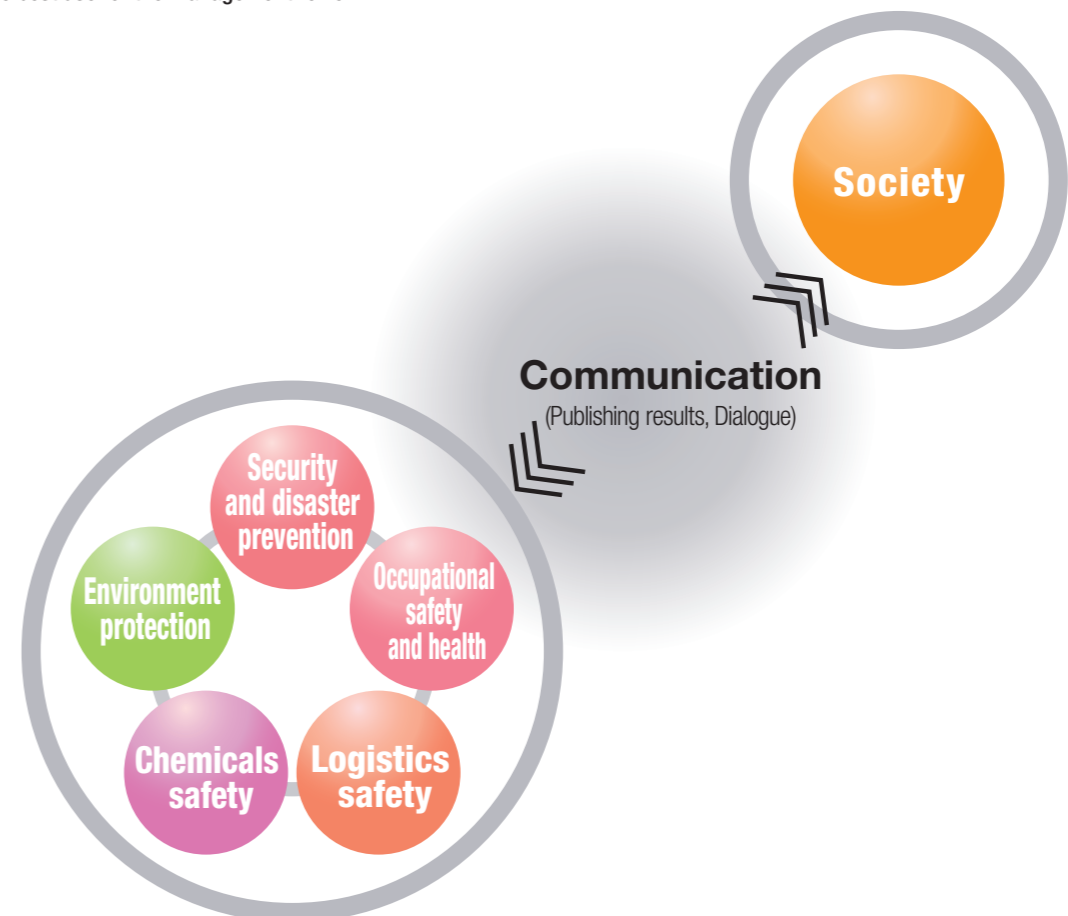
RC activities require major investment decisions at times, in an effort to address such issues as environment protection, occupational safety, and disaster prevention. We have formed the RC Committee under the Internal Control Committee for the purpose of precisely judging rightfulness of plans and executions 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.

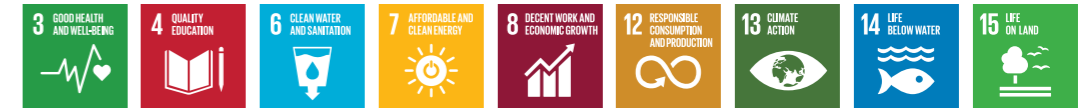
What is Responsible Care?

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 2016 RC targets and achievements, environmental load.



See page 1 for explanations of the icons.

Area	2016		Rating	2017
	Target	Target achievement level		Target
Compliance with Law	1) "Zero" legal violations 2) Compliance with in-house regulations and rules	1) Legal violations: 1 Submission of "Movement Notice" in the Volatile Tax Law was delayed. 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: 1 Traffic accidents (company at fault): 11 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 check-ups	◎	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 : 0	◎	"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: 0.350, 1.4% reduction year-on-year 2) Unit energy consumption in logistics: 5.66, 3.5% increase year-on-year	○	Promotion of environmental protection for measures against global warming 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 (converted to representative products' production, FY2010 results) 2) Final landfill disposal: Less than 1% of total wastes generated	1) Unit waste generation: 0.031 t/t 2) Final landfill disposal: 0.23% of total wastes generated	◎	Promotion of waste reduction 1) Unit waste generation: Maintain 0.039 (converted to representative product's production, FY2015 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 160 t/year	1. PRTR-regulated specified chemical substances 1) Hexane: 30 t/year 2. VOCs 1) Heptane: 261 t/year 2) Pentane: 200 t/year	○	1. PRTR-regulated specified chemical substances Reduction in Ministry of the Environment priority substances 1) Hexane: Less than 40 t/year 2. Volatile organic compounds (VOCs) 1) Heptane: Less than 300 t/year 2) Pentane: Less than 110 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 (15% reduction year-on-year)	1) Major product quality issues: 0 2) Number of complaints, quality claims, and in-process nonconformities: 59 cases (20% reduction year-on-year) (Target: 15% reduction year-on-year to 63 cases)	◎	1) "Zero" major product quality issues 2) Reduction in the number of complaints, quality claims, and in-process nonconformities (10% reduction year-on-year of problems attributable to the company)
Approach to Sumitomo Seika Group	Reinforcement of safety / environmental management and quality assurance systems at Sumitomo Seika Group companies (overseas)	Overseas sites: Accidents involving lost workdays: 1 Accidents not involving lost workdays: 0 Distributed accident reports and problem reports throughout the Group. Regular holding of meeting with overseas sites and Implementation of audit at overseas sites.	△	Reinforcement and operation support of safety/environmental management and quality assurance systems at Sumitomo Seika Group companies (overseas)
Disclosure of information and social contribution	Promotion of stakeholders communication through disclosure of RC information and contributions to the community	"Chemistry Day: Children's Chemical Experiment Show", Fun chemistry class, participated in environmental festivals, community forum, and organized internship opportunities, etc.	◎	Promotion of stakeholders communication through disclosure of RC information and contributions to the community

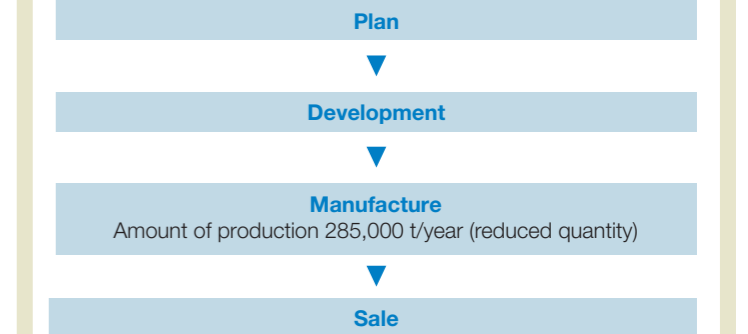
◎ : Target achieved ○ : Almost achieved △ : To be achieved

2016 environmental load

Energy consumption (crude oil equivalent)	99.713kl
Amount of water used (except for cooling seawater)	5,438×1,000m ³
Amount of raw materials used	317,000t and 2,250×1,000m ³ (gases)

INPUT

Business activity of Sumitomo Seika



OUTPUT

Air	CO ₂ *	252,108 t
	SO _x	1.3 t
	NO _x	80.2 t
	Dust	0.6 t
	PRTR substances	48.9 t
	VOC	575 t
Water	Effluent	4,006 ×1,000m ³
	COD	36.7 t
	Total nitrogen	14.0 t
	Total phosphorus	0.83 t
Industrial waste	Unit waste generation	0.031 t/t
	Waste disposal by contractors	5,319 t
	Recycling rate	58 %
	Landfill disposal	20 t

* 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). After one accident occurred in FY 2005, we have continued no accidents at our domestic bases. Furthermore Chiba Works achieved “accident free days of 10000day” and Befu Works achieved “Completely Zero Accidents” (including our subcontractors). 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 FY2016, one accident not involving lost workdays were reported.

Overseas, one accident involving lost workdays within our Group were reported.

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”.

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.

*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. From the beginning of FY2017, we expanded the scope of this assessment to include “structures built prior to 1981 that are in constant use” so that we can assess the earthquake resistance of the listed structures in order of priority.

➤ Please see page 32 for detailed data.

TOPIC



Planting a Tree to Commemorate “Completely Zero Accidents” at Befu Works

In FY2016, we successfully reduced the number of accidents involving/not involving lost workdays and minor accidents to zero at our and subcontractors’ operations throughout the entire Befu Works to achieve our goal of “completely zero accidents.”

When we achieved this goal for the first time three years ago, we came to realize the benefits of being proactive in conducting safety activities that include risk assessment, rather than simply responding after the fact. From the following year, however, our performance was disappointing with the occasional occurrence of accidents not involving lost workdays and minor accidents. We, therefore, decided to pursue activities focused on individuals, such as analysis of behavioral characteristics, while remaining proactive in conducting safety activities, and this proved to be effective.

Going forward, we will continue to help each and every employee to increase his or her safety awareness to firmly establish a culture of safety.

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.

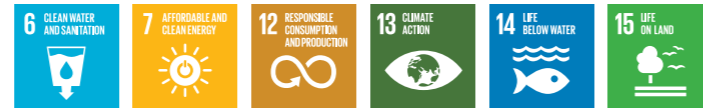
In Japan, the Industrial Health and Safety Law was revised in 2006, as to require information submission pursuant to GHS. Outside Japan, legislation has been or is being introduced that requires to submit SDSs (Materials Safety Data Sheets) and Warning Labels in local languages. In EU countries, in particular, 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 FY2016, we successfully reduced unit energy consumption by 1.4% 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 committed to properly managing and reducing emissions of SO_x, NO_x, dust, and substances specified under the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act), as well as volatile organic compounds (VOCs).

As production increased in FY2016, there was a concomitant rise in emissions of NO_x, which is generated by boilers and co-generation systems.

Because hexane accounts for the highest amount of all PRTR-regulated substances in which we deal, we are reducing its emissions in a planned manner. In FY2016, against the original target of 45 tons per year, we managed to reduce the amount to 30 tons per year from 56 tons per year in the previous year by taking measures to stabilize recovery unit operations.

FY2016 emissions of heptane and pentane, our two largest VOC emissions, were 261 and 200 tons per year against our original targets of not more than 300 and 160 tons per year, respectively. Due to an increase in pentane consumption for production, we were unable to achieve the original target. In light of this, we installed a recovery unit in March 2017 in order to further drive our reduction of pentane emissions.

Water quality control

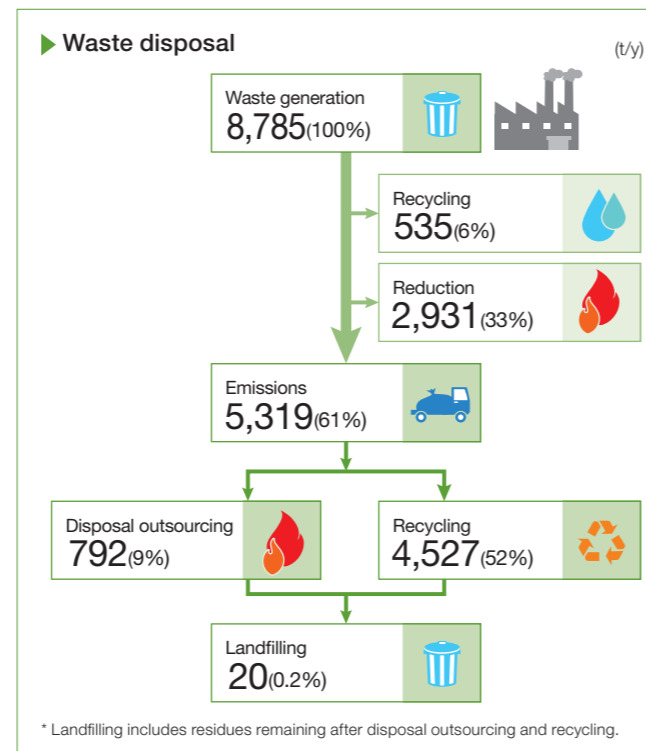
We make efforts to reduce emissions of water pollutants and to properly manage such substances by using activated sludge treatment and other processes. However, despite such efforts, COD and total nitrogen showed a year-on-year increase in FY2016 due to an increase in production.

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 the target 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 0.031 t/t, and the amount of final landfill was 0.2% of all wastes generated.

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



➤ Please see page 31 for detailed data.

Quality Assurance (QA)



We endeavor to supply products and services of a quality that will satisfy customers' needs and ensure safety in their use by assuring such quality at our operations both in Japan and abroad.

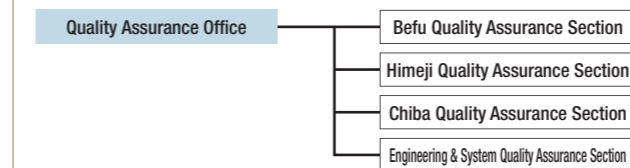
Group-wide quality assurance system

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 Office organization



Quality assurance activity

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

A “Global Quality Liaison Meeting” is held once every three months for our overseas operations for the purposes of providing mutual updates on activities for quality assurance and product safety, offering guidance on such activities, and discussing any relevant issues.

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, 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.



Quality audit

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.

We are promoting on-site audits of raw material suppliers and production consignors, and we are strengthening the management system of overseas business partners and contractors.

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 audit at an overseas sites



Training session for employees from overseas sites

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.

Participation in public events

In FY2016, Sumitomo Seika made its debut at the “Chemistry Day: Children’s Chemical Experiment Show,” which was organized by the Japan Chemical Industry Association at the Kyocera Dome Osaka. The children visiting our booth were given the opportunity to make “cooling gel sheets” using our products.

We also hosted a “Fun Chemistry Class” in the town of Harima in Hyogo Prefecture, and supported the annual Himeji Environmental Festival organized by Himeji City, Hyogo Prefecture. For the former annual event, children were encouraged to think about environmental issues, such as separating waste and recycling as they made plastic replicas of food items such as lettuce, salmon roe, and cellophane noodles.

We are hoping that these events will inspire children to develop an interest in chemistry and take the time to think about environmental issues.



Fun chemistry class

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

We organized a community forum for central Hyogo Prefecture at the Akashi Municipal Industry Exchange Center in order to deepen mutual understanding through exchanges of views with local residents and officers from local governments.

In line with the principles of information disclosure and good communications with local communities, we invited residents of our host communities to join fire and disaster prevention drills and other events to outline our safety and environmental protection initiatives and to hear their opinions and proposals.



Community forum

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 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.

TOPIC

First exhibit at the “Chemistry Day: Children’s Chemical Experiment Show”

Dates: Saturday, October 22 and Sunday, October 23, 2016
Venue: Sky Hall, Kyocera Dome Osaka

The “Chemistry Day: Children’s Chemical Experiment Show” is an annual event in which chemical companies and educational institutions participate to provide children with hands-on experiences that can help them to discover for themselves the joy and wonder of chemistry and realize the social utility of the chemical industry.

Marking its third anniversary in 2016, the popular event is designed primarily for elementary school students and their guardians, and experienced record-high attendance of approximately 7,300 visitors over two days. Our booth made its debut with a high number of visitors, and an air of excitement permeated the venue throughout the entire event.

At our booth, children were given the opportunity to make cooling gel

sheets using our AQUAANA product. To allow the children to feel like they were really conducting a scientific experiment, the area was decorated with graduated cylinders, beakers, and other experimental instruments. Children were asked to wear lab coats, gloves, and masks for safety. Our young researchers gave lectures while supervising the children as they enjoyed the experiments, and allowed them to experience the joy and wonder of chemistry.

All of the children had the serious expression of a researcher while concentrating on their experiments. In the future, we intend to make further efforts through events like this so that as many children as possible can have the opportunity to become fans of chemistry.



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 "TD net" (Timely Disclosure network) provided by Tokyo Stock Exchange and through mass media (press clubs and others).

Investors Information webpage

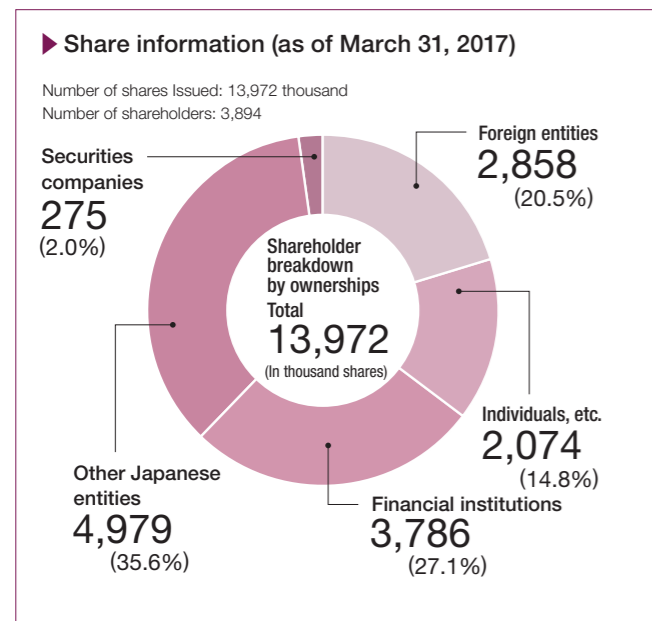
Financial results, financial forecasts, shareholders meeting information and other investors information are available on our official website. We will continue to work to improve the webpage disclosure.



Communication with stockholders and investors

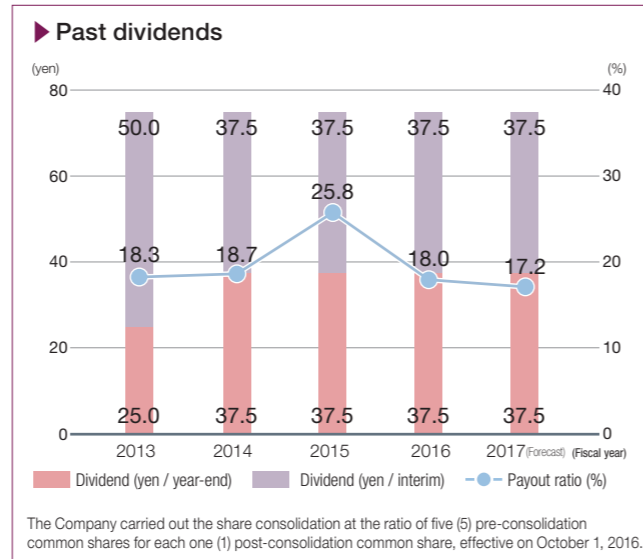
Stockholders Meeting

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.



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.



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 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 guiding principles (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.

Please see page 33 for details of our guiding principles (SEIKA WAY)

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.

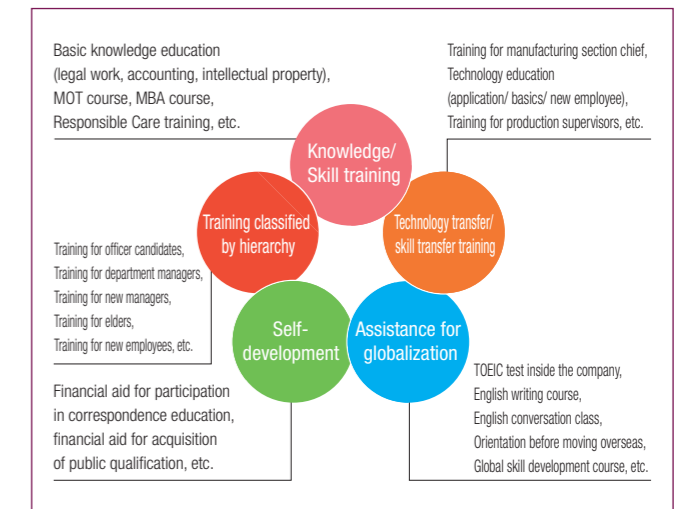
An outline of the personnel system

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

Growing Together with Employees



Thoughts on “National Student Environmental Business Contest: em factory 2016”

Super Absorbent Polymers Research Laboratory
TOMOE YAMAMOTO

As a part of our CSR activities geared toward university students, Sumitomo Seika provided a topic assignment for the National Student Environmental Business Contest, which was sponsored by the “em factory,” a group of students from universities based mostly in the Kanto region. The event invites students to offer solutions from a business perspective to environmental issues that might be faced by enterprises or their products. This is the second consecutive year in which Sumitomo Seika has supported this event.

This year, one group of university students came up with the idea of developing an eco-friendly soil modifier by adding biodegradability, or the ability of a material to be decomposed by microorganisms in soil or water, to our super absorbent polymers. Such an idea could hardly be expected from corporate researchers, who are constrained by conventional ideas, and thus we were able to learn a great deal from the flexible thinking of university students. Engaging in one group discussion after another, they refused to compromise until they could achieve the common goal for all of the members, and worked cooperatively in a spirit of teamwork. There can be no doubt that they learned something very valuable through this process, and I believe that it was this unflagging perseverance that led them to receive the highest award of the contest.

I joined the contest for the first time as an industry advisor, and I must say that, during the contest and the meetings held beforehand, I was able to learn a lot from the experience, having been positively stimulated and inspired by fresh ideas from the students, the likes of which I would never find in my daily work life.

I found the opportunity to be highly rewarding and gratifying, as I came to realize how we can contribute to society through CSR activities and was able to offer what little help I could to develop younger generations through the contest.



The author is at the far left.

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. In FY 2016, we reexamined the system in part. Specifically, we reviewed the job grade, made more appointments more strictly, adopted a target management system, carry out the personal evaluation more fair, and changed it for giving them compensation and benefit commensurate with their contribution. Through these changes, we expect that re-employed people will have a challenging job and, as a result of that, increase their income.

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.



Employees role-playing

Approach to mental health problems

The company introduced EAP* 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 FY 2016, we began construction of a single dormitory in Chiba (to be completed in 2017). When it will have completed, almost all offices, welfare facilities, company residences and single dormitories of each factory will be rebuilt in the past 8 years.

Since incidental facilities related to factory was renewed, we are renovating Osaka headquarter and Tokyo headquarter and improving the office environment.

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, 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 2016: 5 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).

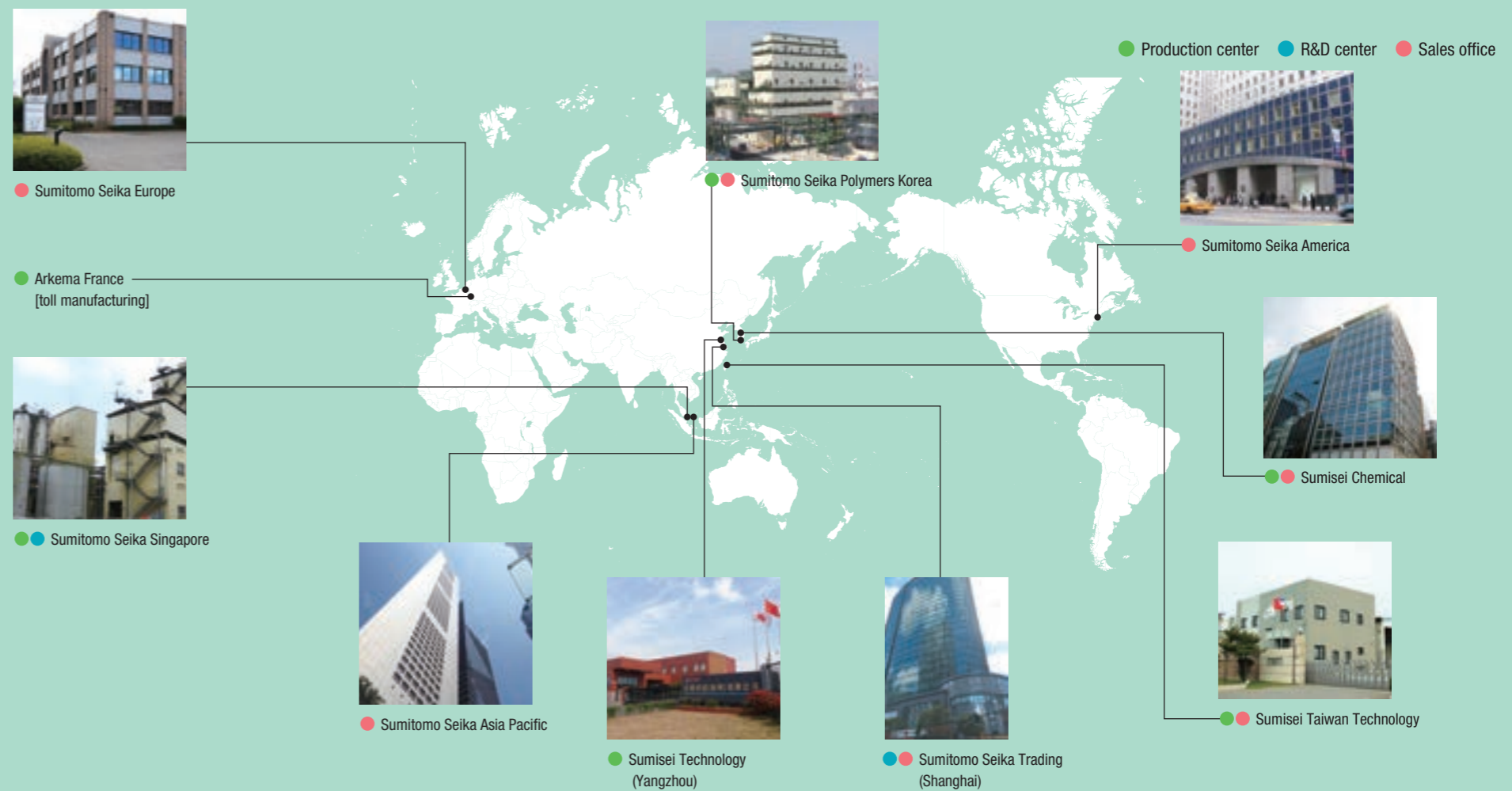
▶ Please see page 32 for detailed data.

Group Network

▶ Business locations in Japan ▶ Please see page 30 for detailed data.



▶ Business locations overseas



PICK UP Sumitomo Seika Singapore Celebrates the 20th Anniversary of Its Foundation

Established in 1997 to manufacture super absorbent polymers, which find their main application in disposable diapers, Sumitomo Seika Singapore Pte. Ltd. (SSS) marks its 20th anniversary this year.

Since our foundation, we have been able to maintain safe, stable operations without causing any accidents for a total of 1,525,081 hours (as of March 2017), and this record continues to lengthen.

In recognition of our dedication to Responsible Care (RC) activities during FY2016, we received the Gold Prize from the Singapore Chemical Industry Council (SCIC) in the "Employee Health and Safety" code. We also won the achievement prize in the four codes of "Process Safety, "Community Awareness and

Emergency Response," "Pollution Prevention," and "Distribution."

We will remain committed to RC activities so that we can continue to offer customer-satisfying quality products and services as the Group's key production site in Southeast Asia, while at the same time ensuring employee health and safety and protecting the environment.



Business locations in Japan

Head Offices: Osaka, Tokyo

Sales Offices: Osaka, Tokyo

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

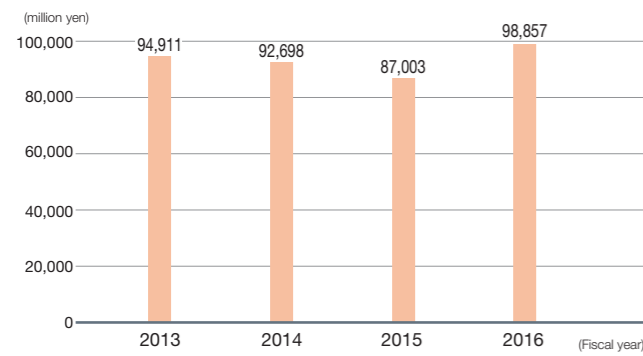
Research Laboratories: Super Absorbent Polymers Research Laboratory (Hyogo), Functional Chemicals Research Laboratory (Hyogo), Fine Gases System Research Laboratory (Hyogo)

Consolidated subsidiaries

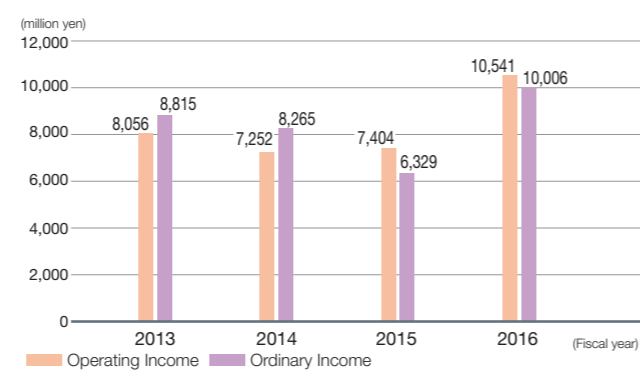
	Corporate name	Lines of business
Domestic subsidiaries	Seika Techno Services Co., Ltd.	Various services
	Seika Engineering Co., Ltd.	Manufacture of various kinds of chemical plants and tanks
Overseas subsidiaries	Sumitomo Seika Europe S.A. /N.V. (Belgium)	Sales of Super Absorbent Polymers and other chemical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

Detailed Data

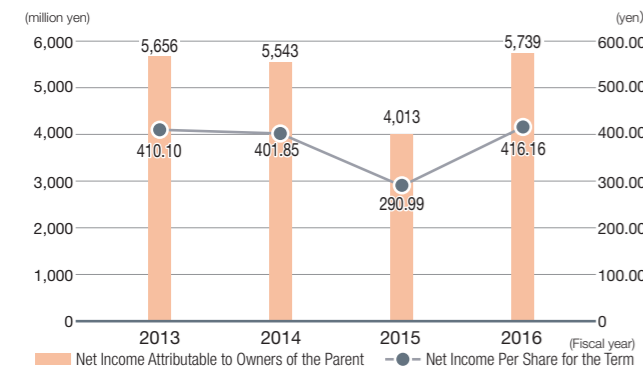
Net Sales



Operating Income/Ordinary Income

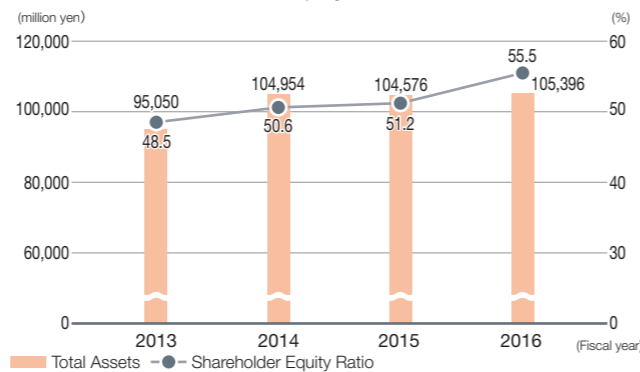


Net Income Attributable to Owners of the Parent / Net Income Per Share for the Term

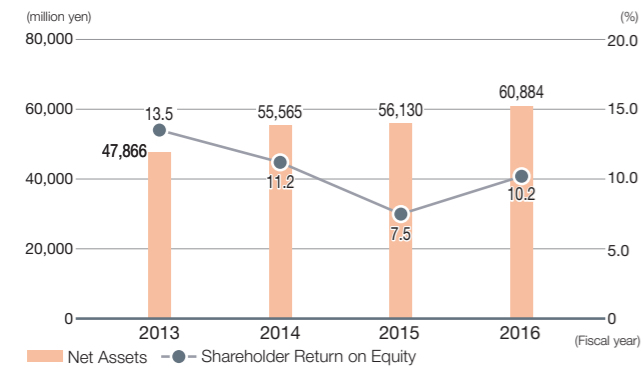


The Company carried out the share consolidation at the ratio of five (5) pre-consolidation common shares for each one (1) post-consolidation common share, effective on October 1, 2016.

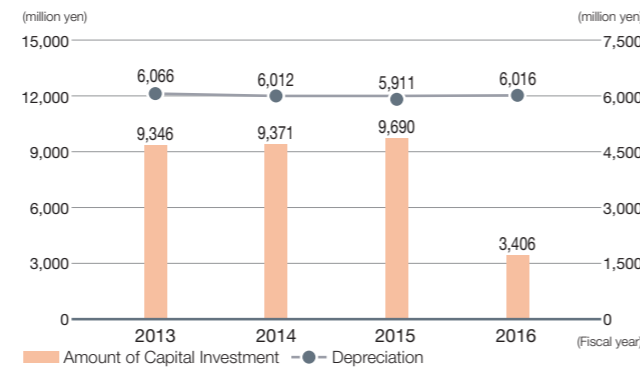
Total Assets/Shareholder Equity Ratio



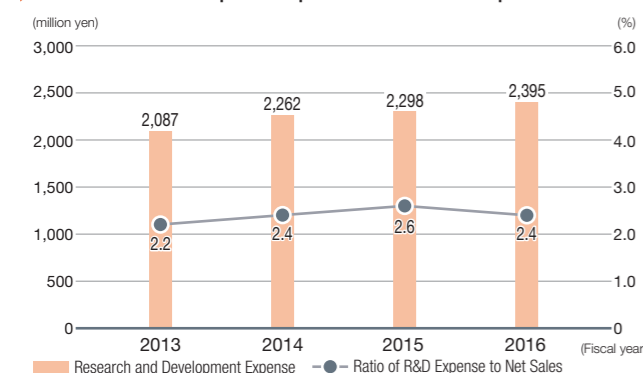
Net Assets/Shareholder Return on Equity



Amount of Capital Investment / Depreciation



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



Environment Accounting and Economic Results

		2014		2015		2016		
Classification of environmental cost		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	45	158	36	124	62	120
		Prevention of water pollution	10	246	0	226	1	220
		Others	0	0	4	1	9	2
	Global environmental protection costs (global warming, energy saving)	683	2,642	14	2,272	62	1,653	
Resource recycling costs	6	358	19	286	12	254		
Upstream / Downstream costs	0	1	79	8	16	10		
Administrative costs	22	155	16	163	11	155		
R&D costs	106	314	91	309	68	245		
Social activity cost	0	1	0	2	0	1		
Environmental remediation costs	-	0	0	0	0	0		
Total		872	3,875	259	3,391	241	2,660	
total		1,060		1,627		5,152		

Period: April 1, 2013 – March 31, 2014

Scope: Our domestic bases

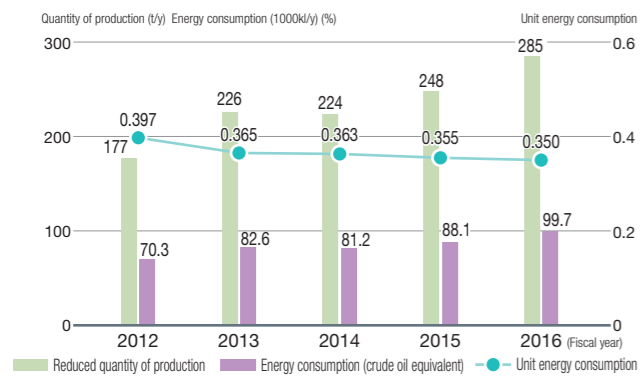
Method of calculation: Investment and cost for environment protection are calculated on a prorata basis from the total amount

Performance Data at Domestic Works (FY2016)

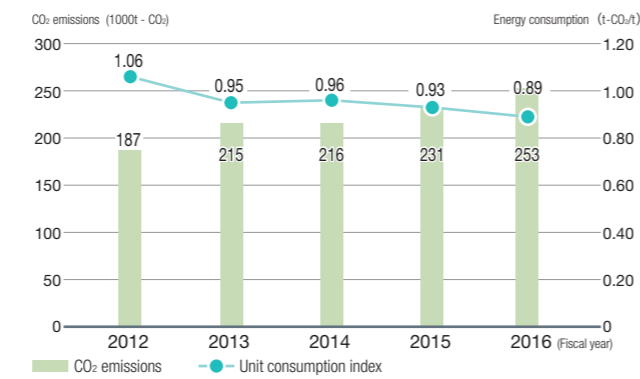
		Befu Works	Himeji Works	Chiba Works
Energy (as crude oil)		13,000kl/y	84,600kl/y	1,990kl/y
Air	CO ₂	77,800t/y	163,000t/y	5,210t/y
	SO _x	1.3t/y	- t/y	- t/y
	NO _x	6.8t/y	73.0t/y	0.4t/y
	PRTR substances	2.2t/y	41.0t/y	5.6t/y
Effluent	Volume of effluent	1,699 X 1,000 m ³ /y	2,005 X 1,000 m ³ /y	391 X 1,000 m ³ /y
	COD	19.9t/y	16.2t/y	0.6t/y
Waste material	Quantity	5,240t/y	3,340t/y	212t/y
	Recycle ratio	35%	91%	94%
	Final landfilling	15t/y	5t/y	0.3t/y

Detailed Data

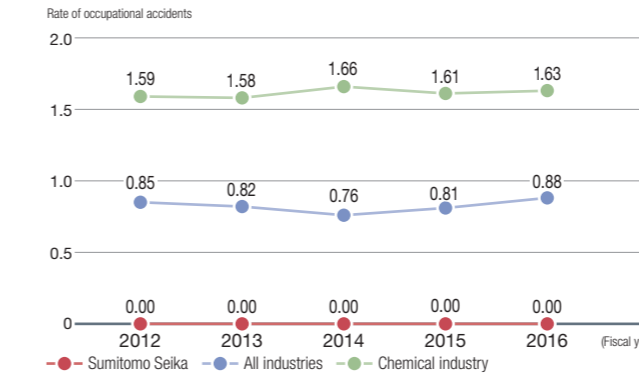
Trend of energy consumption



Trend of CO₂ emissions



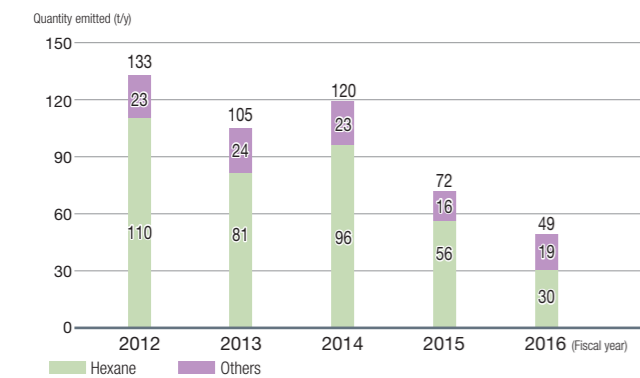
Rate of occupational accidents



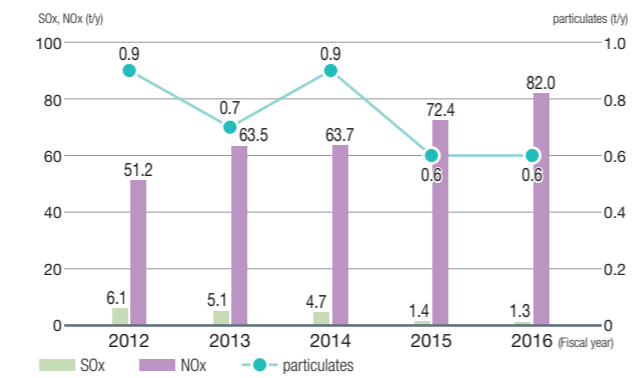
Trend of re-employees

Fiscal Year	2012	2013	2014	2015	2016
Number of retired employees	30	11	19	19	25
Number of re-employees	15	10	16	17	22
Ratio of re-employment	50%	91%	84%	89%	88%

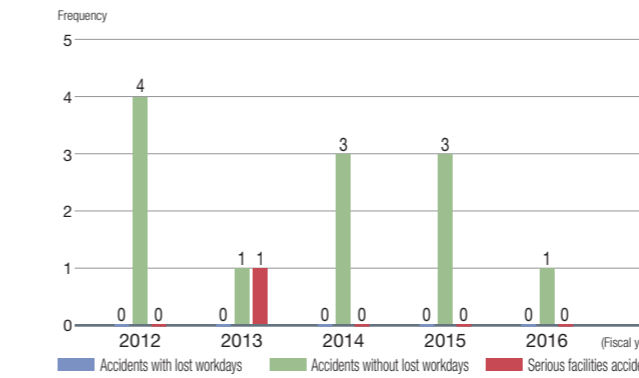
Trend of emission of PRTR substances



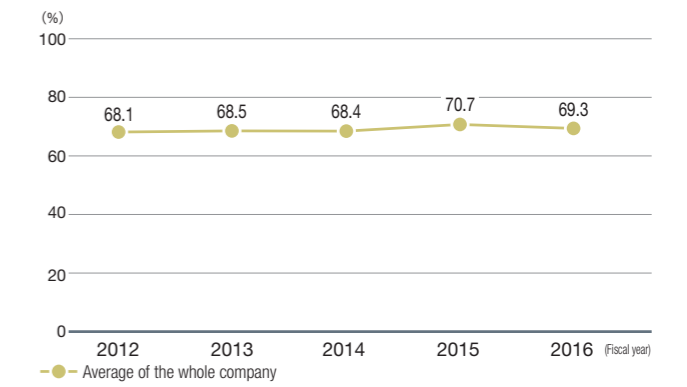
Trend of emission of SO_x, NO_x, and particulates



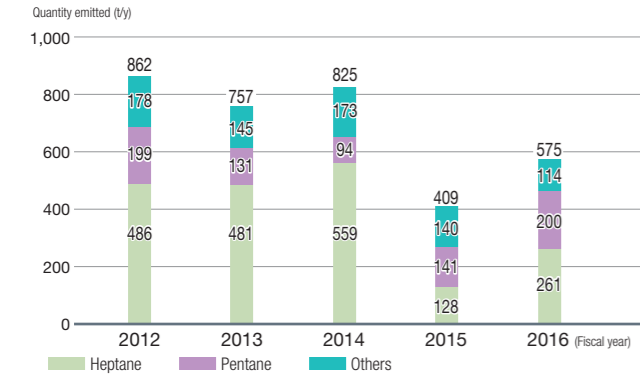
The number of occupational accidents and serious facilities accidents



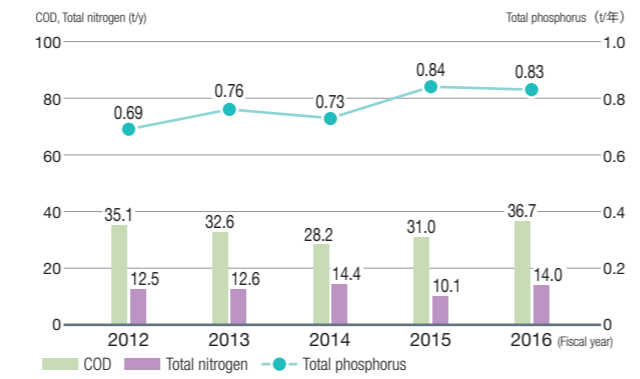
Trend of utilization of paid holidays



Trend of VOC substances emission



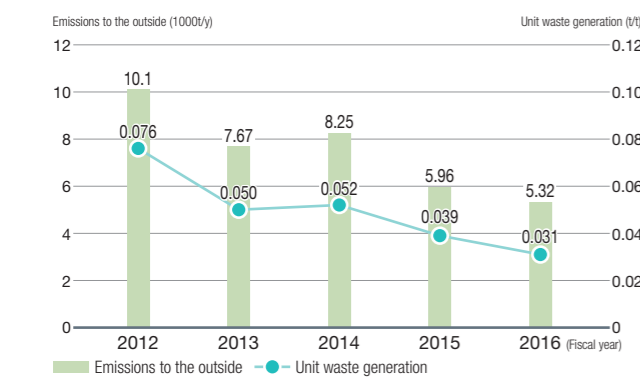
Trend of water contamination load



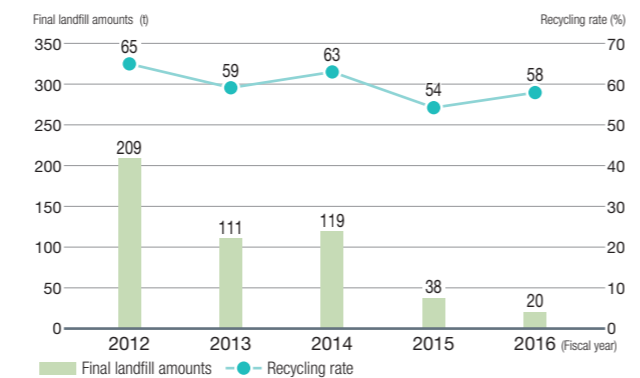
Status of utilization of scheduled annual leave/ anniversary leave Utilization ratio

Fiscal Year	Utilization ratio		
	2014	2015	2016
Scheduled annual leave	72.4	72.1	70.2
Anniversary leave	97.8	96.8	96.0

Emissions to the outside / Unit waste generation



Amount of final landfilling and trend of recycling rate

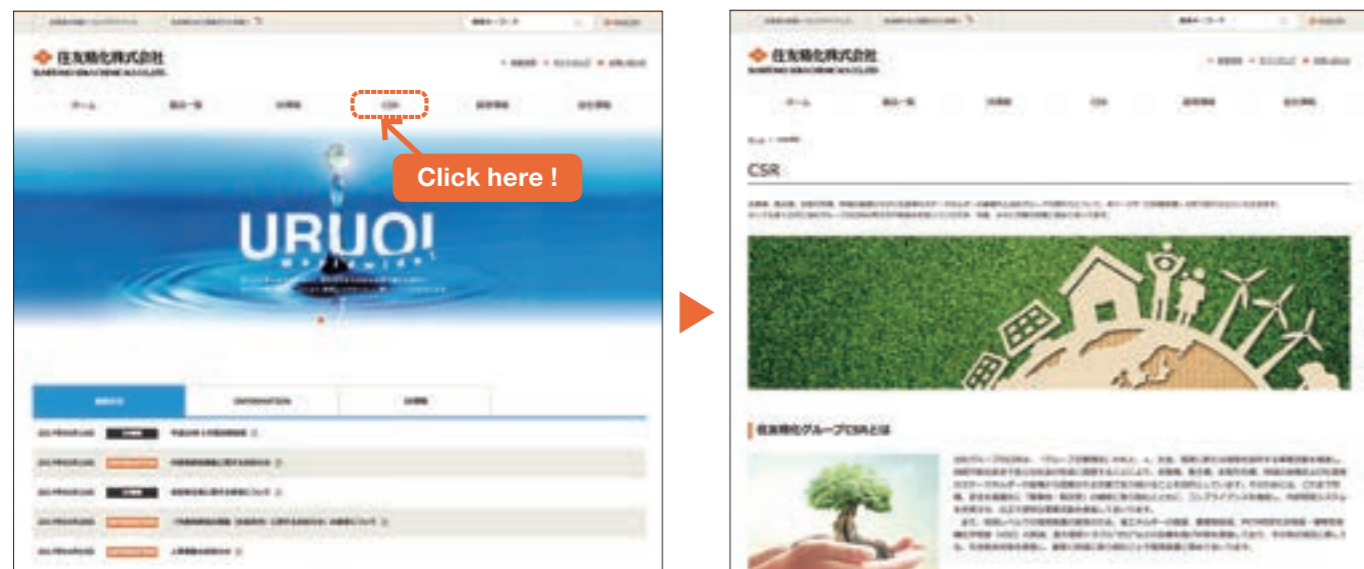


SEIKA WAY - Our guiding principles

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.



Our CSR Report web page



CSR Report 2017 and back numbers are also available on our website.

<http://www.sumitomoseika.co.jp/csr/responsiblecare.html>

Independent Verification Report



Corporate Social Responsibility Report 2017 Independent Verification Report

August 1, 2017

To: Yusuke Ueda
President
Sumitomo Seika Chemicals Company Limited

Shigeki Nagamatsu
Shigeki Nagamatsu
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 chemical industry experts concerning the following items presented in the "Corporate Social Responsibility Report 2017" (hereinafter "the Report") prepared by Sumitomo Seika Chemicals Company Limited (hereinafter "the Company"):

- 1) Rationality of collection, compilation and calculation methods of performance indices (numerical data) and the accuracy of the data
- 2) Accuracy of information (other than numerical data) presented in the Report
- 3) Details of the Company's Responsible Care® (RC) and Corporate Social Responsibility (CSR) activities

■ Verification procedure

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

■ Opinions

- 1) Rationality of collection, compilation and calculation methods of performance indices (numerical data) and the accuracy of the data
 - Rational methods have been employed at corporate head office and Himeji Works to collect, compile, and calculate numerical data.
 - To the extent that we did our evaluation, the numerical performance data were accurately collected, compiled, and calculated.
- 2) Accuracy of information (other than numerical data) presented in the Report
 - We confirm that the information presented in the Report is 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 into the final Report, and we did not find any significant items still needing correction in the current Report.
- 3) Evaluation of the Company's RC and CSR activities
 - We appreciate the fact that the Company has been actively involved in social contribution activities such as participating in the Children's Chemistry Experiment Show at Chemistry Day and the Children's Workshop in Harima-cho (Hyogo Prefecture), supporting the exhibition at the Himeji Environmental Festival and winning the grand prize at "em factory 2016", the National Student Environmental Business Contest.
 - We acknowledge the fact that the volume of the final landfill disposal has been steadily decreasing.
 - We recognize the fact that there is a good signage system and things are kept tidy and in order at the Himeji Works. We also recognize that Himeji Works is working hard to make non-technical skill improvements with individual employees and to make creative safety activities.
- 4) The Report itself
 - Ongoing improvements to the Report have been made, including the way charts and graphs are displayed and articles laid out, and as a result, the Report is succinct and easy to read. Going forward, the Report could perhaps include feature articles, for example, describing how you address social issues through your business activities in order to let the public know more about such activities.
 - Introducing CSR activities in overseas group companies is a positive development. We hope you will continue to build on this introduction in the future.
 - The Report gives a good description of your focus on quality management.