

# Corporate Social Responsibility Report 2019

If you have questions, please contact:

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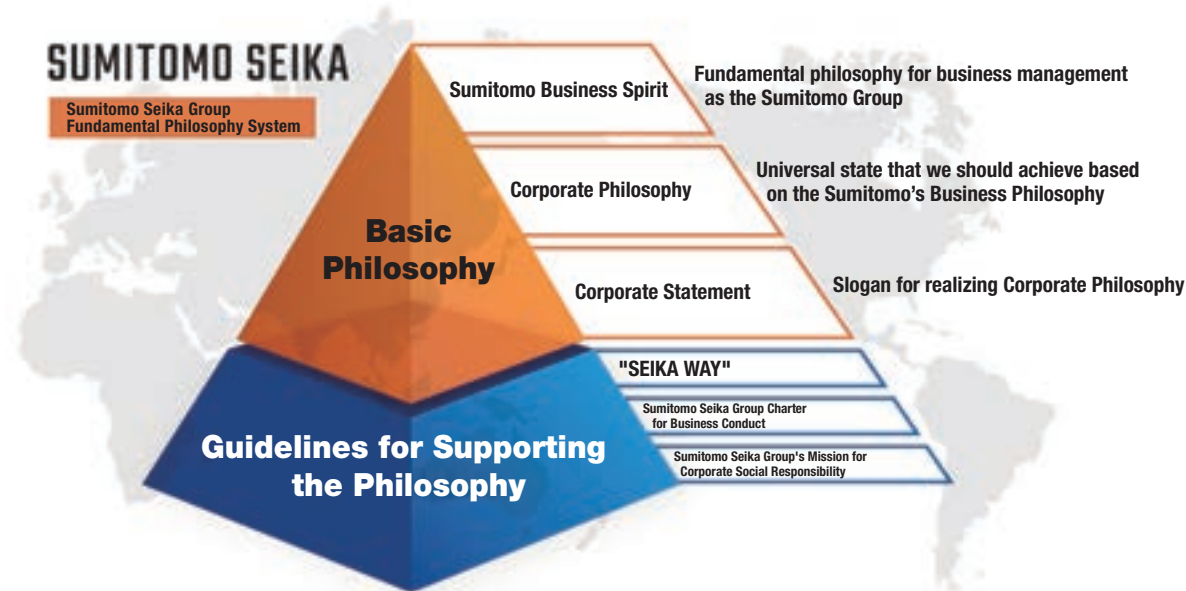


# Our Mission – The Sumitomo Seika Group’s Basic Philosophies –

The Sumitomo Seika Group has established and systematized our basic philosophies that lay the foundation for our business management.

This comprises the basic philosophies of “Sumitomo Business Spirit,” “Corporate Philosophy” and “Corporate Statement” and the three guidelines that support these philosophies.

Under these philosophies, the Sumitomo Seika Group will keep taking on new challenges each day to realize healthy and comfortable lives for people and contribute to the development of society.



## Sumitomo Business Spirit

➤ See page 34 for Sumitomo Business Spirit.

### 1. Business Principles

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

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

### 2. “Jiri-Rita Koushi-Ichinyo”- Benefit self and benefit others; private and public interests are one and the same

This teaching states that Sumitomo’s business must benefit not only Sumitomo itself but also the nation and society. Sumitomo must always conduct business in harmony with the public interest and fulfill its corporate social responsibilities.

## Corporate Philosophy

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

## Corporate Statement



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.

## About Sumitomo Seika

## Business Activities



## Relationship with Society



## Responsible Care

## Approach to Safety



## For Better Environment

## Approach to Quality



## Governance, Risk & Compliance

## Data

### 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, shareholders, 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.

# CONTENTS

01	Our Mission
	- The Sumitomo Seika Group's Basic Philosophies –
02	Table of contents/Editorial Policy
03	To Our Stakeholders
05	Sumitomo Seika in Daily Life
07	Sumitomo Seika Group's Mission for Corporate Social Responsibility
08	Sustainable Development Goals-SDGs CSR Committee
09	Business Profile
13	Growing Together with the Community
14	Growing Together with Customers and Suppliers
15	Growing Together with Employees
17	Growing Together with Shareholders and Investors
18	Policy and Organization
19	Activities and Achievements
21	Occupational Safety and Health, Security and Disaster Prevention
22	Logistics Safety / Chemicals Safety
23	Environmental Protection
24	Quality Assurance (QA)
25	Governance, Risk & Compliance
27	Company Profile & Financial Results (FY2018)
29	Group Network
31	Detailed Data
33	Independend Verification Report
34	Sumitomo Business Spirit

### Coverage of this report

**Organizations :** 1. Responsible Care performance data and employment-related data cover only the Company's domestic sites.  
2. Consolidated subsidiaries are covered in corporate profile, financial data and site report.

**Period :** From April 1, 2018 to March 31, 2019

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

**Publication :** Sept. 2019 (Next publication: Sept. 2020)

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

\*\*Dates are clearly expressed for the statements outside the period covered by this report as it contains some up-to-date information.

# “We are firmly committed to enhancing CSR initiatives toward the SDGs”

*Message from the PRESIDENT*



Ikuzo Ogawa, President  
Sumitomo Seika Chemicals Company, Limited.



The Sumitomo Seika Group began its business in 1944 by producing fertilizers in order to help increase food production in Japan, a critical issue for the nation at the time. As the Group's activities later expanded, its main business shifted to the production of chemical products. The Group, however, never failed to recognize its corporate mission of serving to solve social problems, and basic technologies cultivated during those years have constantly been utilized in developing a diverse range of products to fulfill the mission, such as super absorbent polymers for disposable diapers, pharmaceutical intermediates, and semiconductor gases.

The “Sumitomo Business Spirit,” a fundamental spirit that guides the Sumitomo Seika Group business, states: “Benefit self and benefit others; private and public interests are one and the same (Jiri-Rita Koushi-Ichinyo).” This principle expresses the teaching that “A company's business must benefit not only itself, but also the nation and society,” which is the key spirit every employee participating in CSR activities must always bear in mind. Every employee of the Sumitomo Seika Group is expected to engage in his or her daily work with a strong awareness that “Each of my work is connected to society.” Through these individuals' efforts, all companies of the Sumitomo Seika Group will work to bring the “Sumitomo Business Spirit” into action, contributing ultimately to the further development of society.

Looking at the world perspectives, we are today faced with

globally vital challenges such as climate change and natural disasters, as well as conventional economic and social problems. In an effort to tackle these challenges and achieve Sustainable Development Goals (SDGs), international cooperation initiatives are being promoted in various spheres. Under the circumstances, the Sumitomo Seika Group also is redoubling efforts to accelerate its CSR activities vigorously throughout the Group. Last November, a Group-wide guiding principle titled “Sumitomo Seika Group's Mission for CSR” was established, declaring that we should take on the shared responsibility of working to solve an array of challenges defined in the globally common agenda of the SDGs. In January of this year, we set up a “CSR Committee”, an organization in charge of promoting concrete CSR activities across the Group. We position this year a major juncture in our efforts to raise our CSR activities to a higher level and are stepping up our endeavor toward achieving the SDGs.

This report outlines some of the CSR activities that the 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 2019

## The Sumitomo Seika Group is committed to the following CSR activities.

### Social contribution through business activities

The Sumitomo Seika Group intends to contribute to the sustainable development of society through our business; the provision of products and services.

For example, the super absorbent polymer AQUA KEEP, one of our products, is used as a raw material in disposable diapers. We regard providing higher quality products as a way of contributing to clean and comfortable lives for all disposable diaper users, including the babies themselves, as well as to mitigate the burden of those involved in childrearing and nursing care.

With a keen sense for resolving social issues and contributing to the development of a sustainable society through our own products and services, the Sumitomo Seika Group will mount efforts in our business activities.

### 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. Making the most of lessons learned from our past accidents and experiences from the drills, we will continue to expend efforts on employee education and trainings so that the level of our safety management will be further raised.

### Protecting the environment from a global perspective

To protect the global environment, our Group has been taking a variety of initiatives such as promoting energy saving, reducing wastes and emissions of PRTS substances and VOC, and striving to achieve the “zero” occurrence of major problems associated with the environment. We will stand firm in our commitment to taking unabated actions also on other environmental issues to help protect the environment.

### Fulfilling corporate social responsibility

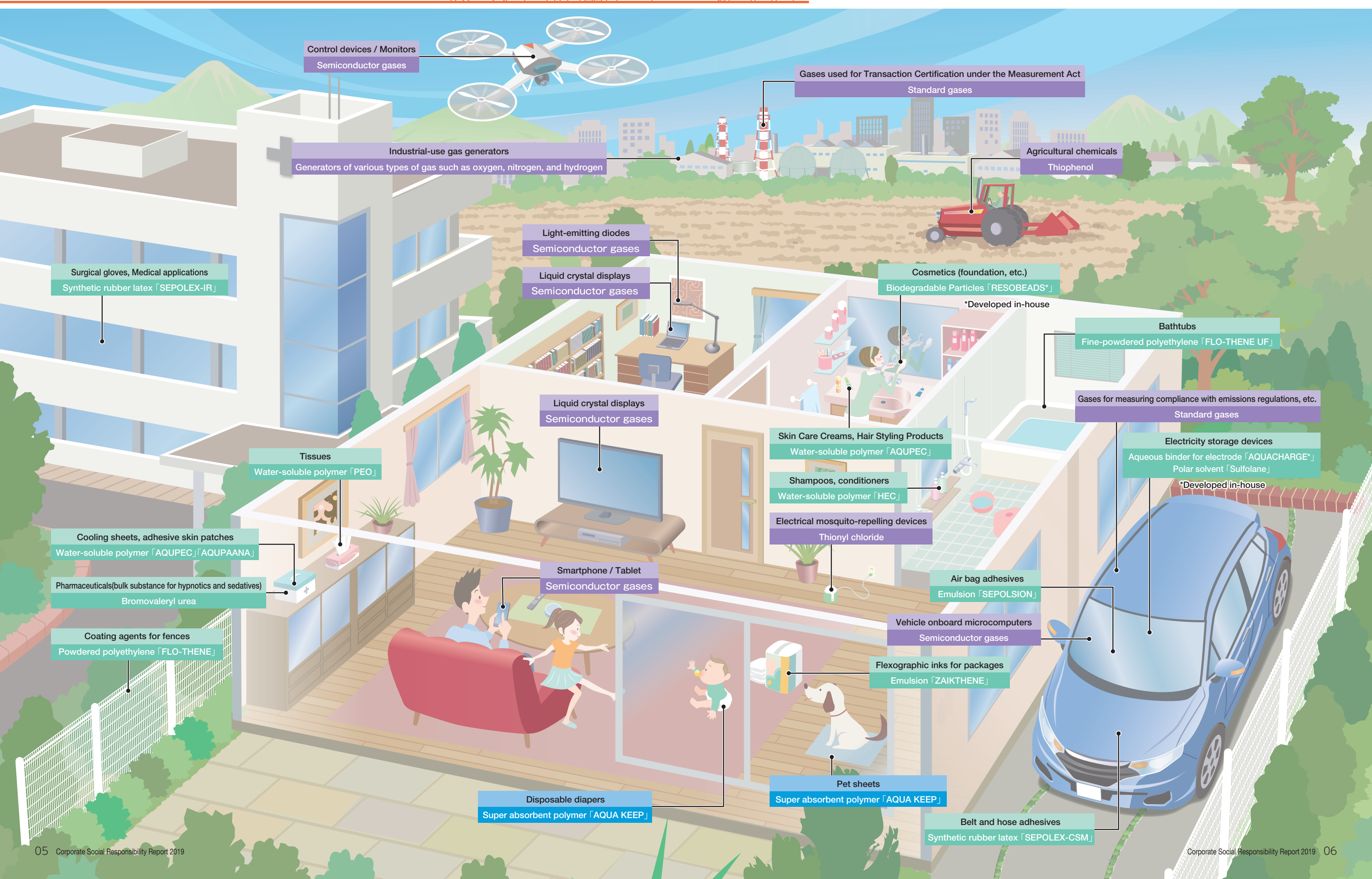
To fulfill our corporate social responsibility, we highly respect the spirit of Responsible Care and endeavor to ensure not only legal but also ethical compliance. Furthermore, we will further increase our corporate value through unwavering efforts, which include enhancing internal control systems, maintaining and improving product quality, protecting the environment, securing safety, reinforcing corporate governance through closer dialogue with various stakeholders and contributing to local communities.



# Sumitomo Seika in Daily Life



■ Super Absorbent Polymers ■ Chemicals ■ Gases and Engineering



Control devices / Monitors  
Semiconductor gases

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

Agricultural chemicals  
Thiophenol

Surgical gloves, Medical applications  
Synthetic rubber latex 「SEPOLEX-IR」

Light-emitting diodes  
Semiconductor gases

Liquid crystal displays  
Semiconductor gases

Cosmetics (foundation, etc.)  
Biodegradable Particles 「RESOBEADS」

\*Developed in-house

Bathtubs  
Fine-powdered polyethylene 「FLO-THENE UF」

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

Tissues  
Water-soluble polymer 「PEO」

Liquid crystal displays  
Semiconductor gases

Skin Care Creams, Hair Styling Products  
Water-soluble polymer 「AQUPEC」

Electricity storage devices  
Aqueous binder for electrode 「AQUACHARGE」  
Polar solvent 「Sulfolane」

\*Developed in-house

Cooling sheets, adhesive skin patches  
Water-soluble polymer 「AQUPEC」 「AQUAANA」

Pharmaceuticals (bulk substance for hypnotics and sedatives)  
Bromovaleryl urea

Coating agents for fences  
Powdered polyethylene 「FLO-THENE」

Shampoos, conditioners  
Water-soluble polymer 「HEC」

Electrical mosquito-repelling devices  
Thionyl chloride

Air bag adhesives  
Emulsion 「SEPOLSION」

Vehicle onboard microcomputers  
Semiconductor gases

Flexographic inks for packages  
Emulsion 「ZAIKTHENE」

Smartphone / Tablet  
Semiconductor gases

Pet sheets  
Super absorbent polymer 「AQUA KEEP」

Disposable diapers  
Super absorbent polymer 「AQUA KEEP」

Belt and hose adhesives  
Synthetic rubber latex 「SEPOLEX-CSM」

# Sumitomo Seika Group's Mission for Corporate Social Responsibility

A group-wide guiding principle titled “Sumitomo Seika Group's Mission for CSR” was established, declaring that we should take on the shared responsibility of working to solve an array of challenges defined in the globally common agenda of the SDGs and contribute to the development of a sustainable society.

## Sumitomo Seika Group's Mission for Corporate Social Responsibility (Enactment November 6, 2018)

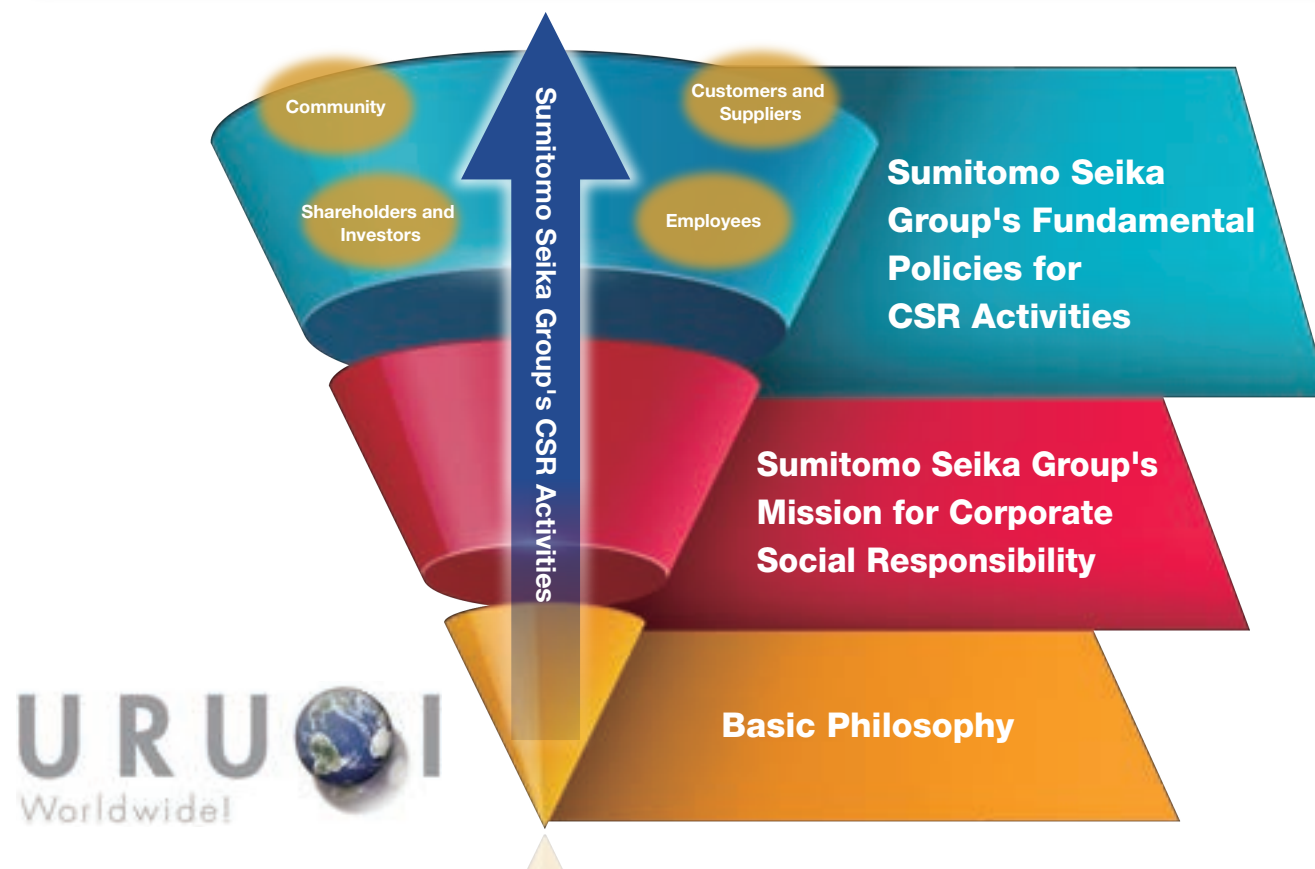
The Sumitomo Seika Group will tackle on the Sustainable Development Goals (SDGs), globally-shared challenges, by creating value that we alone can offer through translating our corporate philosophy into practice, thereby contributing ultimately to the development of a sustainable society.

With these initiatives, we will aim to meet expectations of all our stakeholders.

## Sumitomo Seika Group's Fundamental Policies for CSR Activities (Enactment November 6, 2018)

The Sumitomo Seika Group will engage in CSR activities in accordance with the following fundamental policies.

1. We will provide products that will help make people's lives more comfortable, satisfy customer needs with product functionality, and supply superior products and services that will support the foundation of the industries that the Sumitomo Seika Group serves, thereby contributing to solving societal problems and developing a sustainable society.
2. We, as a chemical manufacturer, will give the highest priority to ensuring "zero accidents and zero injuries" and will strive to achieve and maintain safe and stable plant operation as well as safe shipment and delivery of products.
3. We will appropriately assess possible influences of our products and production processes on humans and the environment and take measures to ensure safety and environmental stewardship.
4. We will ensure thoroughly conducting quality management of our products and services so that our customers can use them to their satisfaction and with confidence.
5. We will provide a safe and healthy working environment to our employees and also develop a corporate culture that allows our employees to work with pride and a sense of fulfillment.
6. We, as a responsible corporate citizen, will participate in society, aiming to realize co-existence and co-prosperity with society.



## Sustainable Development Goals -SDGs

### SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



### What is Sustainable Development Goals (SDGs)?

In September 2015, all the UN members (193 countries) adopted the 2030 Agenda, which is a plan to eliminate extreme poverty, inequality and injustice to protect our planet and realize a better future over the next 15 years.

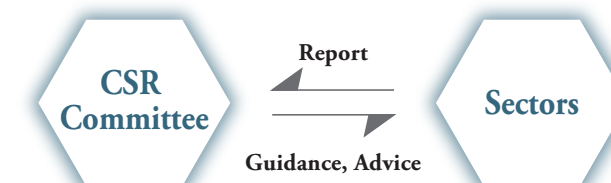
As an action plan for people, planet and prosperity, the Agenda includes a Declaration and Goals. This is a set of **17 Goals and 169 Targets** called **Sustainable Development Goals (SDGs)**.

SDG goals (icons) related to Sumitomo Seika Group are shown at the top right of the relevant pages.

### CSR Committee (Established November 6, 2018)

The Group has set up the CSR Committee, a cross-functional organization comprising of the managers of respective departments, that promotes concrete activities to realize “Sumitomo Seika Group's Mission for Corporate Social Responsibility (CSR)” and “Sumitomo Seika Group's Basic Principles for CSR Activities,” and has engaged in CSR activities. The CSR Committee sets annual goals for Sumitomo Seika Group's CSR activities, reviews the implementation status of these activities, and provides guidance and advice for the respective departments' CSR activities.

At the meeting of the CSR Committee held in January 2019, the “FY2019 Goals for Sumitomo Seika Group's CSR Activities” were set. Each department conducts their CSR activities in line with this goal.



### CSR activity GOAL in 2019 of Sumitomo Seika Chemicals group

#### Changing the our consciousness and practicing for achieving SDGs

- Goal 1: Each Sumitomo Seika member understands relationships between our society and SDG's, and our works, and we cultivate our corporate culture to work based on this understanding.
- Goal 2: Each division sets its goals from the SDG's 17 goals, which are closely related to its business, and we make efforts to achieve the goals through our daily operation.



# Sumitomo Seika’s functional chemicals deliver “URUOI” to customers around the world

## Chemicals

Ranging from personal care products for a convenient lifestyle and industrial materials such as high-performance adhesives and rubber products through battery and energy materials, Sumitomo Seika’s functional chemicals deliver “URUOI” to customers around the world.



Social contribution through our business

-Introduction of Product -  
**PEO**

PEO’s main application is as an additive used in manufacturing paper products for everyday life, such as tissues and toilet paper. Using PEO in manufacturing papers helps make soft and high-quality paper as it uniformly disperses pulp, the raw material. For this reason, PEO is highly recognized by our paper manufacturing customers. Recently it has been used in a broad range of industries, such as being applied in DDS\* in the pharmaceutical field.

\*DDS: An abbreviation for Drug Delivery System. It employs technologies enabling quantitative, spatial and temporal control of the actions and states of orally-administered medicine in the body, so it can activate properly and intensively on target sites in the body and pathogens.



### Voice of employee

Material Development Laboratory  
Ms. SATOMI TANAKA

It’s rewarding that my work is of use to society.

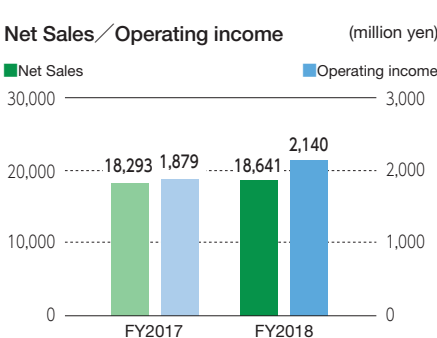
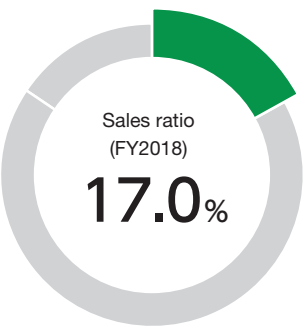
She is engaged in the research of personal products at our Polymer Synthesis Group in the Material Development Laboratory. Among her work, she is in charge of the research of water-soluble polymers (thickeners) used as raw materials in cosmetics. She says, “My main duties are studying the improvement and industrialization of existing products. To carry out this job, I need to deepen my understanding of chemical reactions and acquire knowledge of analytical instruments and evaluation methods. When I joined this company, I hardly knew anything about polymers, but I was able to deepen my knowledge by learning through my job.”



She adds, “Sometimes I provide customers with technical services outside the company. In my second year at this company, I participated in a cosmetics trade fair that was held overseas. There I prepared samples of cosmetics, such as skin care cream that contains our product, and considered the advertising method for how I could explain and convey the appeal of our products. I introduced our products to cosmetics manufacturers, chemists and other people from around the world. I could also hear the frank opinions of customers. These experiences made me realize that my work is actually of use to society and made me feel rewarded.”

### Main Products

Water-soluble polymers,  
Synthetic rubber latex, Emulsion,  
Ultra-fine powdered polyethylene,  
Pharmaceuticals-related products,  
Various additives, etc.



# Sumitomo Seika’s proprietary technology to add “URUOI” to people’s lives

## Super Absorbent Polymers

Enabling water absorption capability to be controlled according to users’ specific applications, our AQUA KEEP super absorbent polymer features Sumitomo Seika’s proprietary technology to add “URUOI” to people’s lives.



Social contribution through our business

-Introduction of Product -  
**AQUA KEEP**

Our super absorbent polymer AQUA KEEP is used as a raw material in disposable diapers. AQUA KEEP is a product that Sumitomo Seika has developed based on our proprietary polymerization technologies accumulated over the years. It enables the absorption and retainment of water in an amount of several hundred times its dry weight without being dissolved in water. By providing high-quality products, we contribute to leading a clean and comfortable life for all babies and other disposable diaper users as well as reducing the burden of those involved in childcare and nursing care. Going forward, we will continue to conduct our business activities to expand the countries and regions where AQUA KEEP is used, thereby contributing to society.



### Voice of employee

Super Absorbent Polymers Division  
Mr. TAKESHI KATO

Working to provide products that can be used safely.

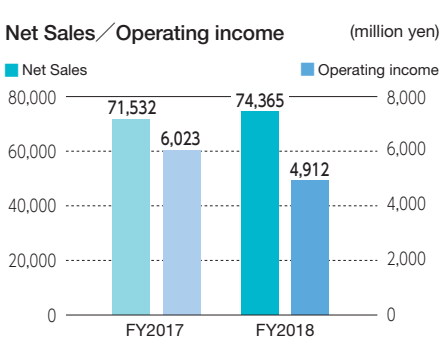
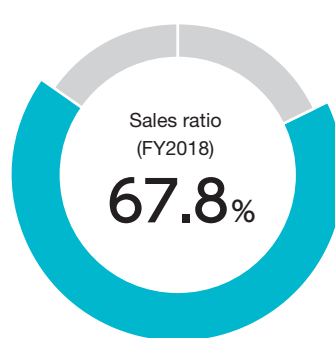
He is mainly engaged in sales and product development of super absorbent polymers at the Super Absorbent Polymers Division. He comments, “I feel that it’s important to conduct sales activities by listening directly to our customers’ voices in Japan and overseas and being aware of their requests and the market needs. As part of our efforts to develop new grades of products, we provide products by trial and error while consulting with customers and internally collaborating with laboratories, plants and engineering departments; this leads to customer satisfaction and I think it’s very rewarding.”



He also says, “In recent years, regulations concerning environmental protection and hazardous substances have been developed on a global scale, and it is required of us to comply with each regulation. With the cooperation of our business partners, we are working to meet the requirements of each regulation and provide products that can be used safely.”

### Main Products

Super Absorbent Polymers  
(Hygiene materials such as diapers and pet sheets, industrial materials such as waterproofing agent for communication cable, agricultural and horticultural water retention agent, etc.)





# Chemically based gas product supplier

## Gases and Engineering

Tapping into our advantage as a “supplier of chemically synthesized gases” to develop new products and markets, we will aim for being a leading creator that announces new products and applications ahead of the competition.



### Social contribution through our business

#### -Introduction of Product - Semiconductor gases

Our semiconductor gases are used in the process of manufacturing state-of-the-art liquid crystals and semiconductor memories, CPUs (central processing unit of computers), communication line equipment, etc. that configure tablet PCs and other electronic devices. For example, high-purity propylene is used for manufacturing 3D flash memory\* and elements mounted in LED lighting and contributes to the spread of energy-creating\*\* and energy-saving equipment. We will continue to contribute to the early realization of a low energy consuming IoT society by supplying semiconductor gases.

\*3D flash memory: A mass storage medium with low power consumption widely used for mobile PCs and data centers  
\*\*Energy-creating: A concept or method for local governments, companies, and general households to create energy on their own



### Voice of employee

Fine Gases Section, Chiba Works  
Mr. SHOTA KOSAKA

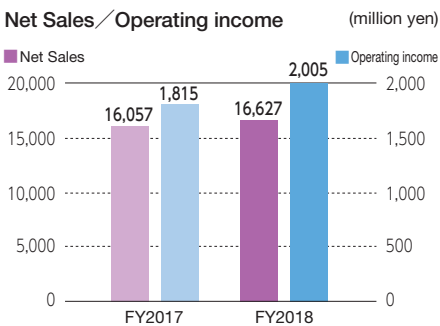
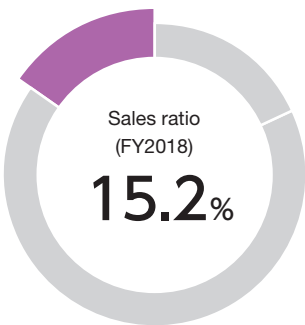
**Committed to all-hands safety activities to maintaining zero occupational accidents.**  
The Fine Gases Section at the Chiba Works manufactures semiconductor gases, chemical gases, standard gases and other products. He says, “I’m involved in the manufacturing of semiconductor gases. To meet the growing demand, the relevant facilities have been enhanced in various ways to respond to production increase. In 2017, we changed our program to realize continuous operation that had not been possible until then. With new members added, since 2018 we have switched over from the conventional day shift to a three shift system.”



He continues, “Amid major changes in the workplace environment, we have endeavored to ensure safe and stable operations through activities such as education of our members through OJT, risk prediction and risk assessment. At the Chiba Works, we achieved 10,000 consecutive days without occupational accidents in 2016, and continue to have no accidents toward our next target of the zero-accident record: 12,500 days. To achieve the target, all members are committed to safety activities.”

### Main Products

- Semiconductor gases,
- Standard gases,
- Industrial chemicals,
- Chemical gases,
- PSA gas generators, etc.



# Topics

“Our training system – Aiming to improve the level of our business activities”  
About MOT (Management of Technology) training

(Lecturer of MOT training)  
Advisor  
HIDEKI SHIRAI, Ph.D.

We have prepared various training systems. This time, we will introduce MOT (Management of Technology) training, our original training program. MOT (Management of Technology) is an important concept for technology-based companies. MOT is the driving force of knowledge and activities that brings about innovation and technological revolution. MOT training also acquires the leadership that heads an organization by showing the visions and policies to all participants inside and outside the company. As a manufacturing company, we view MOT as essential for sustainable development. MOT training has been provided every year since 2010 as part of in-house training, broadly targeting all employees company-wide, not only those involved in research and development but also new employees. The training content covers a broad range of subjects, such as development-related finance, marketing that confirms integration with the business environment, various innovation theories, intellectual property management, scenario planning in consideration of future uncertainty, etc. Trainees learn these subjects intensively once a week over two months. Not just through lectures but trainees are also divided into some groups during the training period and required to create actual new business plans using what they have learned. It is also a great aim of MOT training to acquire the abilities to integrate wide-ranging fields with a bird’s eye view, set goals, carry out discussions repeatedly, and foster leadership in actual work, not

just acquiring knowledge. In the final lecture, trainees will present their business plans in front of the president, officers and managers in major roles. Although the plans cannot be complete as they are drafted by trainees, if a plan is judged as worth incorporating by the Company, it may actually be adopted as a measure. When the trainees are in the position to lead their work as mid-career employees after having accumulated experience, it will be the best result that they remember this discussion and put it in practice. As stated above, the top management of the Company attends the presentation with interest and trainees rework materials and practice again and again prior to the presentation in the final lecture. We have also introduced a “tutor system” that selects lecturers who have attended this training that are to become lecturers for the next and subsequent lectures. It will be a great experience for tutors because they should study many times in order to teach someone. In this way, Sumitomo Seika’s MOT spirit will be passed on to the next generation. The total number of participants as of the end of fiscal year 2018 was 231. We provide training hoping that our MOT training will cultivate employees who will take the lead in the further development of the Company.





## Growing Together with the Community

We 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

We participated in the “Chemical Day Children's Chemistry Experiment Show (Experimental theme: Let's make a cool sheet)” sponsored by the Japan Chemical Industry Association, which is an annual event. We also participated in “Fun Chemistry Class (Lecture on environmental issues such as sorting and recycling of garbage through the production of food samples)” in Harima Town, Hyogo Prefecture, and sponsored the “Himeji Environmental Festival” organized by Himeji City, Hyogo Prefecture. We are hoping that these events will inspire children to develop an interest in chemistry and take the time to think about environmental issues.



Himeji Environmental Festival (Himeji Works)

### Community beautification and cleanup

We actively take part in local campaigns for community beautification through periodical cleanup of roads near our Works and roadside ditches near our works.



Community beautification and cleanup (Example of Chiba Works)

### Community outreach

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 initiatives and to hear their opinions and proposals.



Community forum (Befu Works)

### Providing opportunities for internship programs

We accept intern students from junior high and high schools, 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.



Internship (Example of Befu Works)

### 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. We will continue the activity from now on.



Blood donation (Example of Osaka(Head Office))



## Growing Together with Customers and Suppliers

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

### Cooperation with suppliers

To fulfill our corporate social responsibilities, we consider cooperation with our suppliers to be essential. While maintaining due supplier evaluation, as well as our fair and transparent purchasing policy, we will strive to fulfill our social responsibilities throughout the supply chain in cooperation with our suppliers.

### Basic principles of purchasing

1. We will seek free, transparent and fair purchasing activities.
2. We will conduct purchasing activities on the major premise of compliance.
3. We will not reflect personal interests in the implementation of purchasing activities.
4. We will fulfill our corporate social responsibilities in its purchasing activities.

5. We will place emphasis on the following items when choosing our suppliers.

- ◇ Compliance with social norms and relevant laws and regulations
- ◇ No connection with anti-social forces
- ◇ Making efforts for environmental conservation
- ◇ Making efforts for the respect of human rights and the elimination of racial discrimination
- ◇ Emphasis on the consideration for the working environment

## Topics

### Certified as an Excellent Hyogo Prefecture Company in Work-Life Balance Promotion

The Befu Works and Himeji Works of Sumitomo Seika applied for “Certified Excellent Hyogo Prefecture Companies in Work-Life Balance Promotion,” hosted by the Office for Work-Life Balance in the Hyogo Prefecture Labor Welfare Association, and were certified as excellent companies.

(Number of certified companies: 192 as of the end of March 2019)



Marking the occasion with the certificate

The Office for Work-Life Balance honors companies that have made efforts and achieved a certain result in various initiatives aimed to realize “work-life balance,” such as introduction of versatile workstyles, promotion of work-life balance and creation of an environment in which women can work comfortably by recognizing them as Certified Excellent Hyogo Companies in Work-Life Balance Promotion.

Highly recognized initiatives of the Company include the introduction of various holiday systems (scheduled annual leave grant system, annual paid holiday banking system, etc.), recreation with the participation of employees' families, and efforts for improvements in business operations and efficiency carried out independently by each plant.

We will continue creating a company climate in which every one of our employees can establish a good work-life balance and also developing an environment for them to work comfortably.





## 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.

### Human Resource Development

#### Our human resources development policy

We have defined “ideal employees” as those who strive to realize our desired corporate image in 2025 and are always conscious of and live up to “SEIKA WAY” which is values that all employees should share. In order to develop such employees, we established a human resources development policy to coincide with the formulation of our medium- and long-term business plan SEIKA Grand Design 2025 “URUOI”. Guided by this policy, we are developing an environment and implementing various measures for human resource development. Stratified training programs, technology/skill transfer training, globalization support education and many other educational programs are provided.

This booklet introduces our original MOT training in the Topics column.

➤ Please See page12

#### Education – enhancement of technology education

The Company appoints experienced employees and outside professionals who have abundant experience and knowledge as instructors to transfer technologies and skills to young employees and trains them to become full-fledged members in the shortest possible time.

In FY2017, we started a new course for researchers and production engineers, and in FY2018, 37 people attended, passing on technology and skills according to each participant such as plants, research laboratories, and engineering departments.

#### Global skill development

In tune with globalization of the operations of our business, we run a training program, the Global Skill Development Course, with the objective of facilitating early competence development of the human resources capable of playing an active role on the global stage. This education program targeting younger employees consists of two parts: a training period in Japan for about a year

and a half, and a training period at the Group’s overseas bases for several months.

The program attendants will firstly acquire skills and knowledge required for working globally through training courses in Japan, and then go to the Group’s overseas base to actually tackle various issues over several months. We aim to develop our employees’ individual capabilities through their voluntary learning, thinking and practicing.

Since its commencement in 2012, 27 trainees have completed this program. In FY 2018, the 4th students worked on domestic training. Since the fostering of human resources with global skills is essential for the growth of our Group, we will continue to mount efforts in this area.

### Promotion of Work-Life Balance (WLB)

#### Holding Work-Life Balance Committee meetings

We have set up the Work-Life Balance Committee that aims to help our employees find their work more rewarding and their life more fulfilling by shortening actual working hours, improving our holiday system and other measures. At the Committee meetings, issues are extracted and various measures are discussed between the management and employees on the following themes.

- Efforts to reduce overtime work and improve the rate of paid holidays taken
- Efforts to realize flexible workstyles
- Consideration of new programs

#### Establishment of new volunteer holiday/leave systems

As part of work-life balance promotion measures, we have established a new system that allows employees to take a holiday or leave when participating in volunteer activities. Our employees’ participation in volunteer activities is expected to have a significant effect on the Company’s human resource development as it will help them foster awareness, broaden their horizons, and raise consciousness in a way that cannot be achieved through daily work in the

office. We have decided on an early introduction of the system in order to encourage employees to participate in volunteering in areas stricken by natural disasters, which have been increasing in recent years.

We have also reviewed the existing holiday system to support our employees’ participating in volunteer activities.

#### 1. Overview

##### (1) Addition to the conditions for using reserved holidays

As a condition for using reserved holidays (a system for accumulating annual paid holidays that expire eventually), when engaged in volunteer activities, up to 50 days of reserved holiday can be taken.

##### (2) Introduction of volunteer holidays

When participating in activities with a significant social contribution that are approved by the Company, up to 10 days per year of volunteer holiday can be taken.

##### (3) Introduction of volunteer leave

When participating in Company approved disaster relief activities in the event of a large-scale disaster, or activities with a significant social contribution at social welfare organizations, etc., in principle, volunteer leave can be taken for a certain period between 3 months and 2 years.

#### Implementation of harassment training

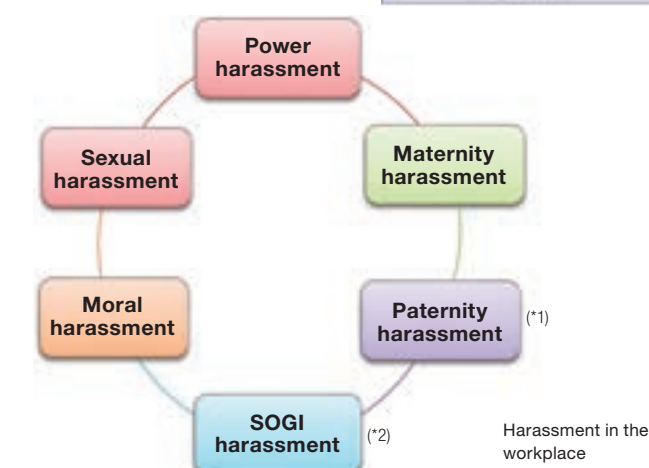
From the viewpoint that continuous education is necessary to create a sound workplace environment, we provide training on various types of harassment every year to prevent harassment at the workplace.

In fiscal year 2018, we provided training on power harassment intended for managers. In order to facilitate the creation of a more comfortable working environment, participants learned how to understand their communication style and communicate appropriately with their subordinates.

Additionally, along with training on harassment, we held a briefing session on childcare and nursing care focused on the explanation of the “Child Care and Nursing Care Leave Plans Handbook” published in fiscal year 2017 for managers who participated in the training and others who were interested.

We will promote the use of the system by obtaining the understanding and cooperation of all employees, including superiors and colleagues, not just those who will use the child care/nursing care leave system.

[Harassment Prevention Training]  
Textbook for guiding and nurturing subordinates while avoiding power harassment



\*1 Harassment for male employees who want to take holidays or short-term services for childrearing  
\*2 SOGI (Sexual Orientation and Gender Identity): Harassment of the gender of loved ones or the perception of gender

#### Implementation of trial mental health counseling

As an initiative for mental health disorders, we have introduced EAP (Employee Assistance Program) in cooperation with various external organizations. In order to promote its use, we conducted trial counseling with counselors invited to our respective offices. To receive counseling, reservations are usually required, but we created an environment where anyone can experience counseling as we made an arrangement for the counselors to stay at the Company for several days. We will explore activities that will help those who are indecisive about receiving consultation, and strive for prevention and early detection of mental health diseases.



## Growing Together with Shareholders and Investors

We disclose necessary company information accurately and in a timely manner to our shareholders, 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).

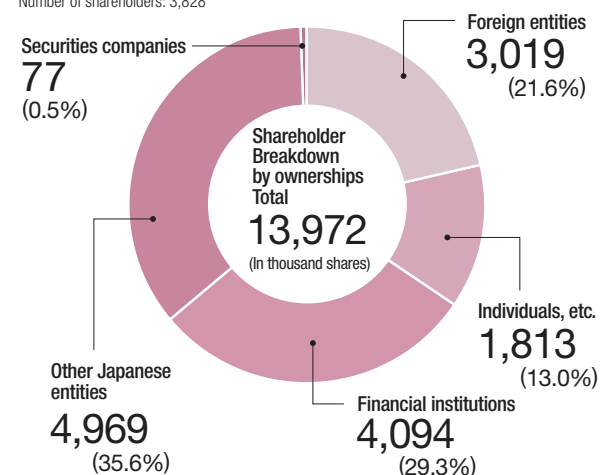
#### Investors Information webpage

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.



#### Share information(as of March 31,2019)

Number of shares Issued: 13,972 thousand  
Number of shareholders: 3,828



### Communication with shareholders and investors

#### Shareholders Meeting

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

#### Dividend policy

We believe 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

We are 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.

## Policy and Organization

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

Representative Director  
Managing Executive Officer, in charge of  
Responsible Care (RC)

Mr. Hiromoto Shigeta



### Policy

We have 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 “prioritizing safety over everything else”. RC activities, 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 RC activities 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.



### Promotion system

RC activities require large 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 Plan-Do-Check-Act (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.

### Management system certification

We have established quality, environmental and occupational safety and health systems and obtained certification.

	Standard	Certification body
Quality	ISO9001 : 2015	JCQA
Environment	ISO14001 : 2015	JCQA
Occupational safety and health	OSHMS	Japan Industrial Safety & Health Association

### What is Responsible Care(RC)?

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 RC targets and achievements, environmental load.



Area	2018		Rating	2019
	Target	Target achievement level		Target
Compliance with Law	1) "Zero" legal violations 2) Compliance with in-house regulations and rules	1) Legal violations: 0 2) Shared information on revisions to laws in meetings and via e-mail, added same to the database, reflected in the compliance evaluation table.	○	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: 1 Accidents not involving lost workdays: 2 Traffic accidents (company at fault): 20 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 illness/non-occupational injury, and establishment of a safe and healthy working environment
Security / Disaster prevention	"Zero" major accidents	Major accidents: 0	○	(1)"Zero" major accidents (2)Strengthening of responses in the event of accidents
Chemicals safety	Promotion of proper control of chemicals	Steadily responding to overseas regulations on chemical substances in the United States, Europe, South Korea and Taiwan.	○	Promotion of proper control of chemicals
Logistics safety	"Zero" major accidents in logistics	Major accidents in logistics : 0	○	"Zero" major accidents in logistics
Global warming / Energy saving	Promotion of environmental protection through correspondence to climate change 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, 1.2% increase year-on-year 2) Unit energy consumption in logistics: 5.06, 3.1% reduction year-on-year	△	
Solid waste management	Promotion of waste reduction 1) Unit waste generation: Maintain 0.039 t/t (converted to representative products' production, FY2015 results) 2) Final landfill disposal: Less than 1% of total wastes generated	1) Unit waste generation: 0.037 t/t 2) Final landfill disposal: 22 t/year (0.22% of total wastes generated)	○	(1)"Zero" major environment-related issues (2)Unit energy consumption in production and logistics: 1% reduction year-on-year (3) Unit waste generation: Maintain 0.039t/t (converted to representative products production) Final landfill disposal: Less than 1% of total wastes generated
PRTR-regulated specified chemical substances and Volatile organic compounds (VOCs)	1. PRTR-regulated specified chemical substances 1) Hexane: Less than 38 t/year 2. Volatile organic compounds (VOCs) 1) Heptane: Less than 300 t/year 2) Pentane: Less than 100 t/year	1. PRTR-regulated specified chemical substances 1) Hexane: 33 t/year 2. VOCs 1) Heptane: 275 t/year 2) Pentane: 95 t/year	○	
Environmental pollution (air, water and soil)	"Zero" major environment-related issues	Major environment-related issues: 0	○	
Quality	1)"Zero" major claim 2)Reduction in the number of quality issues (complaints and internal nonconformities) Quality troubles caused by the Company: not more than 75	1) Major claims: 0 2) Quality troubles caused by the Company (complaints and internal nonconformities): 69	○	
Approach to Sumitomo Seika Group	Reinforcement and operational support for the safety/environmental management, chemical safety and quality assurance system of the Sumitomo Seika Group companies (overseas)	Overseas sites: Accidents involving lost workdays: 0 Accidents not involving lost workdays: 0 Distributed accident reports and problem reports throughout the Group. Regular holding of liaison meetings with overseas sites. Implementation of RC audit and quality audit at overseas sites.	○	Reinforcement and operational support for the safety/environmental management, chemical safety and quality assurance system of the Sumitomo Seika Group companies (overseas)
Disclosure of information and social contribution	Communication and contributions to the community through disclosure of RC information to stakeholders	Participation in Chemistry Day: Children's Chemical Experiment Show, Fun chemistry class, Himeji Environmental festival, implementation of internship programs and the community forum.	○	Communication through disclosure of RC information to stakeholders, and contributions to the local community

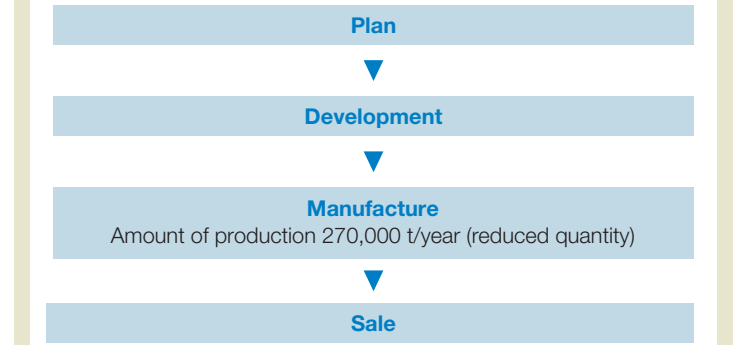
○ : Target achieved   △ : Almost achieved   × : Target unachieved

### 2018 environmental load

Energy consumption (crude oil equivalent)	94.511kl
Amount of water used (except for cooling seawater)	5,157×1,000m³
Amount of raw materials used	281,000t and 2,185×1,000Nm³ (gases)

#### INPUT

##### Business activity of Sumitomo Seika



#### OUTPUT

Air	CO <sub>2</sub> *	237,383 t
	SO <sub>x</sub>	1.5 t
	NO <sub>x</sub>	76.1 t
	Dust	0.9 t
	PRTR substances	53.1 t
	VOC	484 t
Water	Effluent	3,935 × 1,000m³
	COD	42.5 t
	Total nitrogen	11.3 t
	Total phosphorus	1.07 t
Industrial waste	Unit waste generation	0.037 t/t
	Waste disposal by contractors	6,420 t
	Recycling rate	67 %
	Landfill disposal	22 t

Note) Only CO<sub>2</sub> includes discharge amount from head offices.

➤ Please see page 32 for detailed data.



## Occupational Safety and Health, Security and Disaster Prevention



Placing “prioritizing safety over everything else” 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 our goal of achieving “zero” accidents involving/not involving lost workdays and “zero” traffic accidents (where the Company is at fault). However, we had one accident involving lost workdays and two accidents not involving lost workdays in fiscal year 2018. By familiarizing each one of our employees with the SEIKA basic safety rules (“Take a breath before starting work” and “Be sure to bring each other’s attention to any unsafe behavior”), and with the awareness of strict observance of predetermined rules, we will strive to achieve “zero” accidents.

### 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 are working hard so that we can establish 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.

From now on, we will improve the capacity to respond to crises through conducting continuous drills of practical contents in order to acquire the needed knowledge or skills.

\*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.



Comprehensive disaster drill (Example of Befu Works)

### Field interview

On October 17, 2018, in the MX facility of the Fine Chemicals Manufacturing Section, a comprehensive disaster prevention drill was implemented by the Higashi-Harima Special Disaster Prevention Area Kakogawa-Harima Council. He says, “As the head of the workplace disaster prevention team, I participated in the drill after meticulous rehearsal. The drill was carried out in a tense atmosphere with a lot of people dispatched from Kakogawa City Higashi Fire Station and other member offices of the council. I felt reassured that so many people would run to help in the event of a disaster. However,

Fine Chemicals Manufacturing Section,  
Befu Works

Mr. KIYOSHI FUJIMOTO

once a disaster occurs, it will not only cause trouble to many people but will erode trust in the Company in no time. In order to protect the living environment in which local residents can live with peace of mind, I would like to engage in my daily job with a strong will to protect our 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 training to enhance our preparedness

In order to respond speedily and adequately to emergencies, we periodically conduct drills, jointly with logistics companies, for emergency calls and for preventing disasters from escalating by assuming a leakage of hazardous materials or fire during transportation.

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

### Chemicals safety

Amid the wide use of chemicals in the world, laws and regulations are becoming increasingly strict internationally for proper management of chemicals contained in products and the like.

We thoroughly comply with Japanese and overseas laws and regulations. In addition to that, to ensure safe handling of our products by customers, we proactively collect information on the hazardous and toxic properties of chemicals and supply our customers with the information through SDS (Safety Data Sheet) and Warning Labels in local languages and ask them for appropriate use.

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.



Emergency drill assuming a logistics accident



Chemical hazard pictograms



## Environmental Protection



We are making efforts to contribute to environmental protection through reducing environmental load accompanied by our business operation in order to achieve “zero” major environment-related problems and realize rich natural environment.

### Environmental protection

We conduct our business activities with the goal of achieving “zero” major environment-related problems\* every year. In fiscal year 2018, we achieved the target of “zero” problems. We will continue to comply with the regulation values of the Air Pollution Control Act and the Water Pollution Control Act, as well as the values agreed on with local governments, and to protect the environment so we can remain free from environment-related problems.

\*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 environmental laws and regulations.
- 3) Those that resulted in reports to relevant organizations pursuant to applicable environmental laws and regulations but did not incur administrative penalties.

### Prevention of global warming and efforts for energy conservation

We manage CO<sub>2</sub> emissions and energy consumption per unit production of our representative products in terms of “unit consumption,” which we are endeavoring to reduce. In fiscal year 2018, unit energy consumption increased by 1.2% year-on-year, against the original target of a 1% reduction year-on-year, despite our efforts of various steps taken.

### Prevention of air pollution

We are committed to properly managing and reducing emissions of SO<sub>x</sub>, NO<sub>x</sub>, dust, PRTR (Law concerning Pollutant Release and Transfer Register)-regulated substances and volatile organic compounds (VOCs).

In fiscal year 2018, there was an increase in NO<sub>x</sub> and dust emissions generated by boilers.

Meanwhile, emissions of hexane, which accounts for the largest amount of all PRTR-regulated substances that we deal with, decreased to 33 tons per year, against the target of 38 tons per year, as a result of our efforts in reducing its emissions in a planned manner.

Emissions of heptane and pentane, our two largest VOC emissions, were 275 tons and 95 tons per year against our original targets of less than 300 tons and 100 tons per year, respectively.

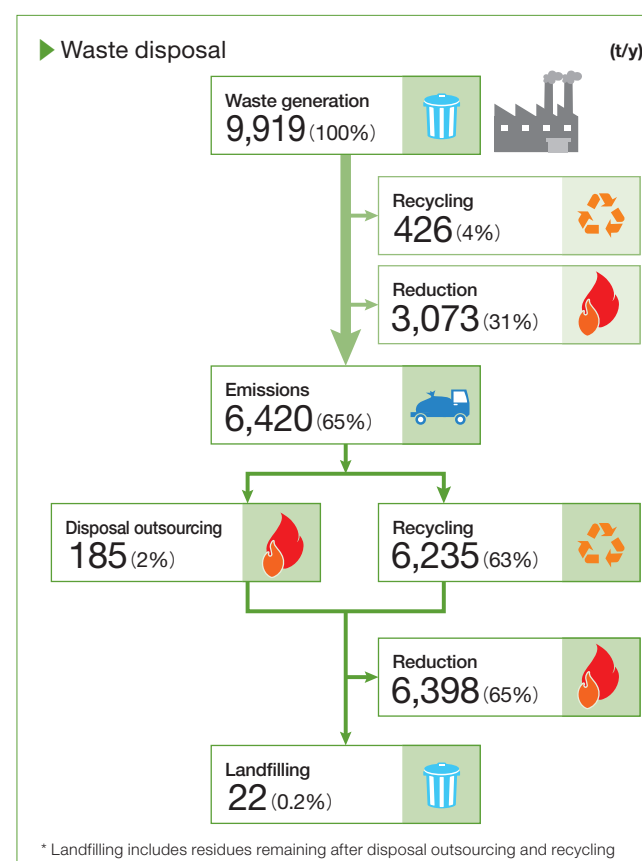
### Water quality control

We make efforts to reduce the 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 phosphorus showed a year-on-year increase in fiscal year 2018.

### 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 waste that we generate.

In fiscal year 2018, our actual unit waste generation and the amount of final landfill were 0.037 t/t and 0.2% of waste generated, against the targets of 0.039 t/t and less than 1% of waste generated.



► Please see page 32 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.

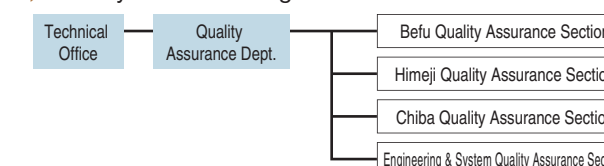
### Group-wide quality assurance system

Based on our Group-wide quality management system, we supply “products and services of a quality that will satisfy customers' needs and ensure safety in their use” by pursuing all-out quality assurance activities from our customers' perspectives. In recent years, there have been a string of quality scandals by major companies such as falsification of performance data and inspections by unqualified personnel. In light of this situation, we will work on further tightening of quality management.

### Quality assurance structure

The Quality Assurance Department, which belongs to the Technical Office as headquarters organization, supervises the group-wide quality assurance, and organizes quality assurance structure with the Quality Assurance Section established in each Works so as to conduct cross-sectional quality assurance activities.

#### Quality Assurance organization



\*Note that, as of April 1, 2019, the corporate departments related to research and technology were reorganized to firmly support research and technology development and business activities.

### Quality assurance activity

Every month the QA Department holds a QA Department Liaison Meeting at which policies are decided and the systematic implementation of QA activities is coordinated and discussed and then communicated to other sites in Japan. At the Monthly Quality Review Meeting, how we respond to quality problems actually reported (complaints, claims and internal non-conformance) are discussed and shared by participants. The results are further compiled in the Monthly Quality Report, which are shared across the board, department managers, and section managers to prevent recurrence of similar problems as part of our initiatives to enhance quality assurance. The Monthly Quality Meeting is also held at the Works, where the reason for problems and our responses are reported and discussed. The results of discussions are shared so the entire organization will be thoroughly informed.

Additionally, as part of preventive measures, we identify risks

through quality risk assessment to prevent problems.

Meanwhile, at our overseas sites, the Global QA Liaison Meeting on the status of activities related to quality and product safety is held semiannually. There we exchange information, give instruction and discuss various issues.



Quality Meeting

### Quality audit

The QA Department carries out plant audits and QC patrols at every Works and production consignees in Japan to maintain and improve our quality assurance system.

As auditors, QA Department members implement plant audits together with manufacturing divisions to find room for improvement, which leads to the prevention of quality-related problems and improved customer satisfaction.

In QC patrol, they take various initiatives to explore and implement improvements through inspecting workplaces with a focus on 4S (sort, set in order, shine and standardizing) and visual management (displays and signs), or extracting quality risks conducted at site by manufacturing department and quality assurance department.



QC patrol

### Promotion of global quality assurance

In recent years, our overseas business expansion is gaining momentum; we have been actively increasing import of raw materials, production at our overseas manufacturing sites, as well as our overseas sales. In line with the trends, we join on-site audits of overseas raw material suppliers and production consignees, thereby strengthening our management system.

# Governance, Risk & Compliance

In order to achieve sustainable growth and increased mid- 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

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

### Corporate governance structure

Our corporate governance structure is as shown on the right chart. The term of office for a director is set at one year, which allows greater flexibility in responding to changes in the business environment. 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.

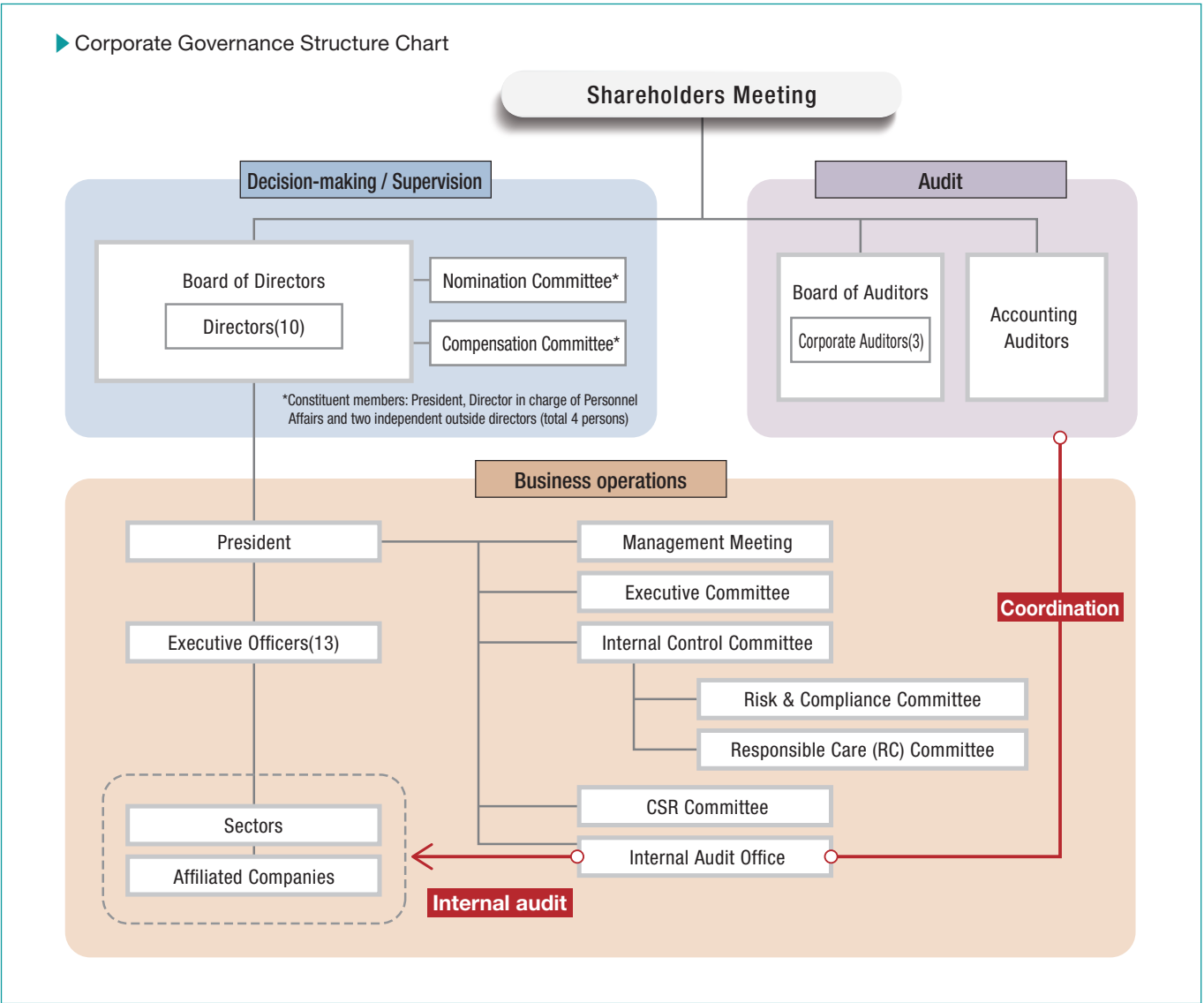
### Risk management system

- Preventive measures  
The Risk & Compliance Committee and RC Committee evaluate and supervise the implementation status of risk countermeasures.
- 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

- Our efforts target management system  
The Risk & Compliance Committee and Responsible Care Committee set out annual company targets, and translate those target into targets for each sector, whereby ensuring accomplishment of all such targets.
- Whistle-blowing system  
We have an internal and external whistle-blowing system to help prevent a breach of compliance, via website, e-mail and ordinary mail.

- 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.





# Company Profile & Financial Results (FY2018)

## Company Profile

Established : July 20, 1944    Capital : 9,698 million yen    Number of employees : 1,340 as consolidated as of March 31, 2019

## Consolidated financial results for fiscal 2018

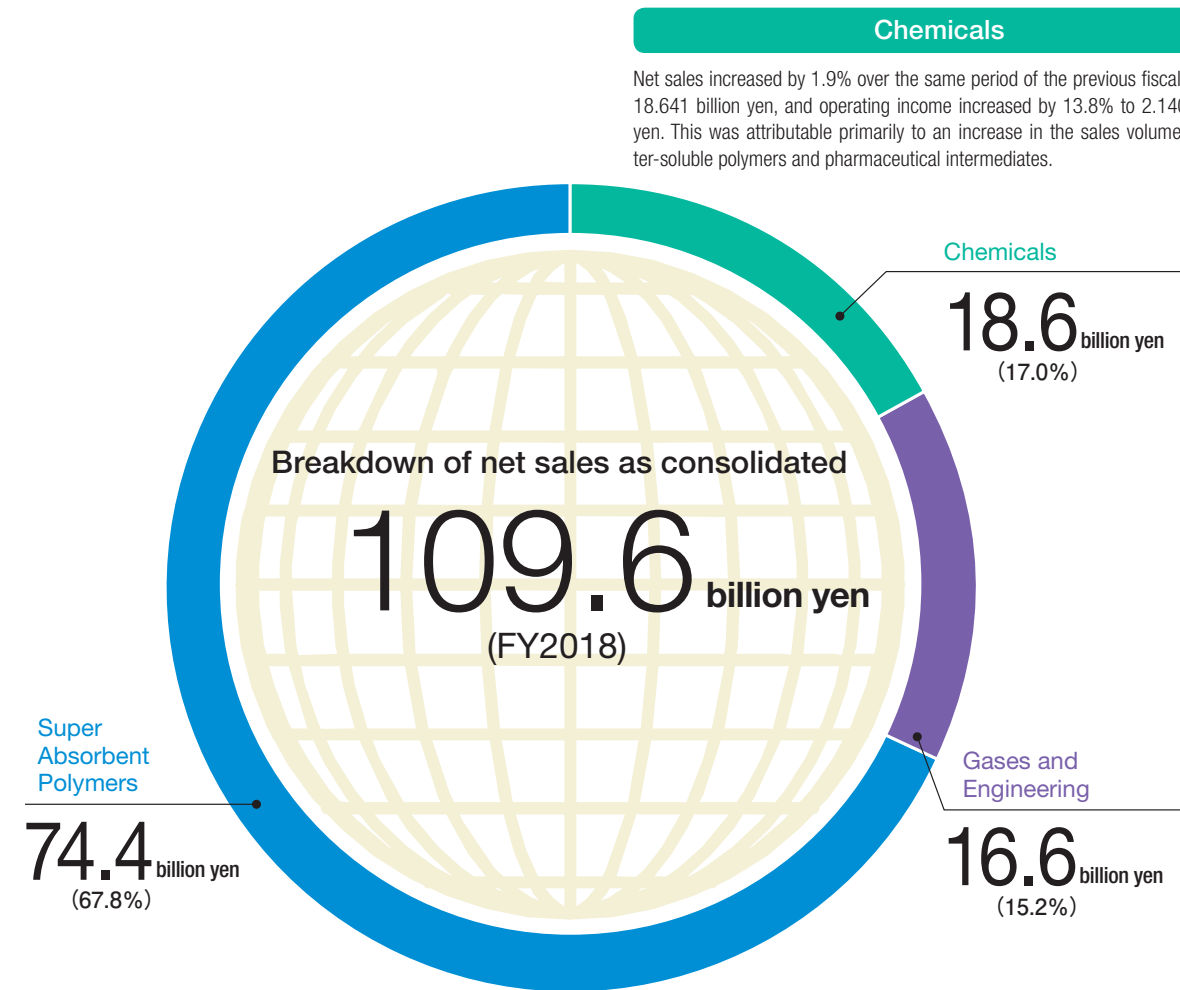
During the twelve months ended March 31, 2019 (fiscal 2018), the Japanese economy saw signs of the recovery of consumer spending and an increase in capital investment as circumstances surrounding employment and household income kept improving. Overseas, although economies generally continued to show a moderate recovery, concern about future prospects developed toward the end of the fiscal year, given most notably a slowing trend of China's economy that had originated from the U.S. protectionist policies in trade.

Under these circumstances, the Sumitomo Seika Group's financial results for fiscal year 2018 were as follows:

Net sales posted 109.634 billion yen, a 3.5% increase compared with the same period in the previous fiscal year; Operating income was 9.072 billion yen, a 6.8% decrease compared with the same period in the previous fiscal year; Ordinary income amounted to 8.636 billion yen, a 13.1% decrease from the same period in the previous fiscal year;

Net income attributable to owners of the parent came to 604 million yen, a 91.0% decrease from the previous fiscal year.

Net income attributable to owners of the Parent considerably decreased by 91.0% from the previous fiscal year to 604 million yen. This is attributable to an impairment loss on fixed assets of 4.04 billion yen and a reversal of deferred tax assets of 1.177 billion yen which Sumitomo Seika Europe S.A./N.V. (the Subsidiary) recorded due mainly to the deterioration in the business circumstances in the European market.



### Super Absorbent Polymers

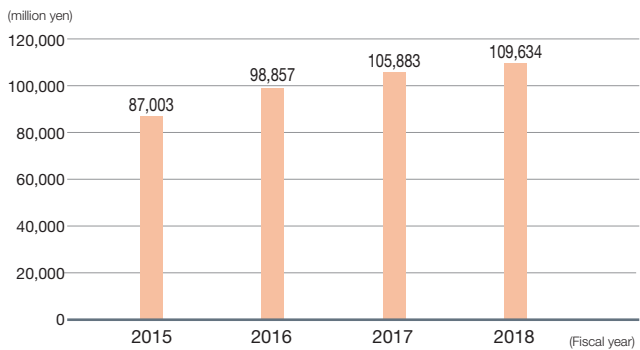
Net sales increased by 4.0% over the same period of the previous fiscal year to 74.365 billion yen, but operating income decreased by 18.4% to 4.912 billion yen, which resulted, among others, from the decreased sales volume to China from the beginning of the new calendar year and the increased fixed cost related to operation of a new manufacturing plant in Korea.

### Gases and Engineering

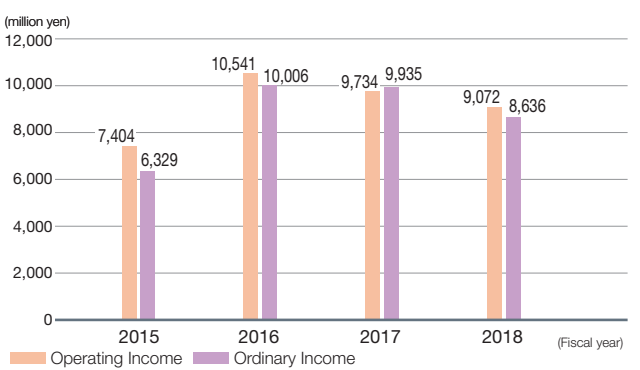
Net sales increased by 3.6% from the same period of the previous fiscal year to 16.627 billion yen, and operating income increased by 10.4% to 2.005 billion yen, which was mainly due to expanded sales from the engineering business.

## Financial Data

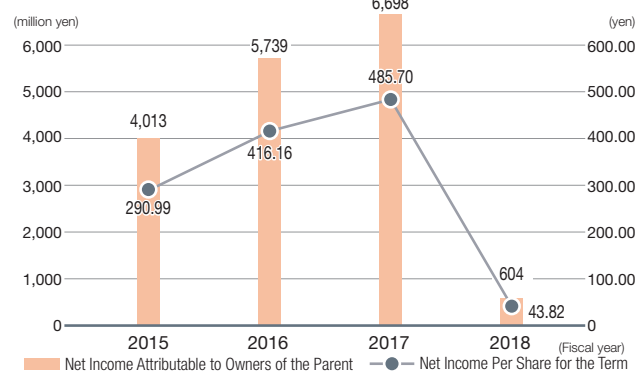
### Net Sales



### Operating Income/Ordinary Income

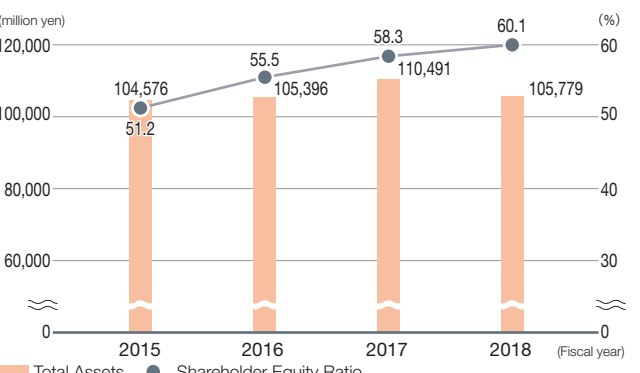


### Net Income Attributable to Owners of the Parent / Net Income Per Share for the Term



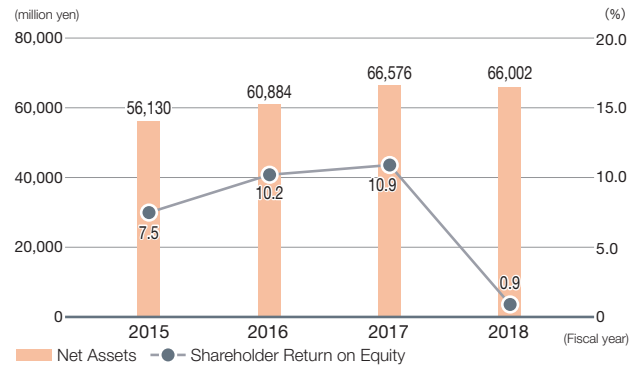
Sumitomo Seika implemented the share consolidation of common stocks at a ratio of one share per five shares effective as of October 1, 2016.

### Total Assets/Shareholder Equity Ratio

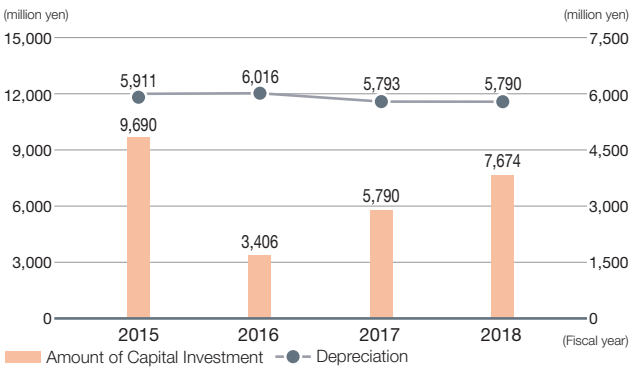


The Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 revised on February 16, 2018) since fiscal year 2018. Along with this, the same revision has been retroactively applied to the total assets for fiscal year 2017.

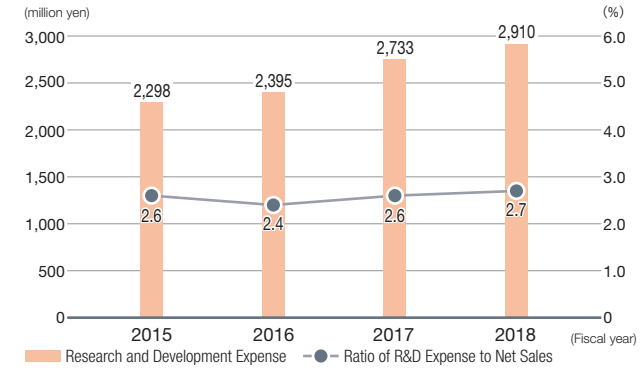
### Net Assets/Shareholder Return on Equity



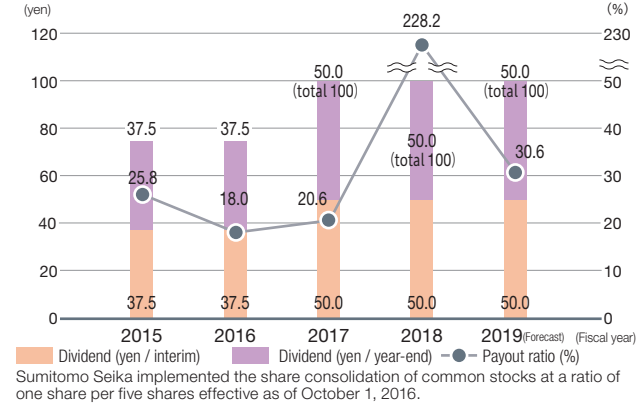
### Amount of Capital Investment / Depreciation



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



### Past dividends



Sumitomo Seika implemented the share consolidation of common stocks at a ratio of one share per five shares effective as of October 1, 2016.

<https://www.sumitomoseika.co.jp/zaimu/zaimujyoho.php>

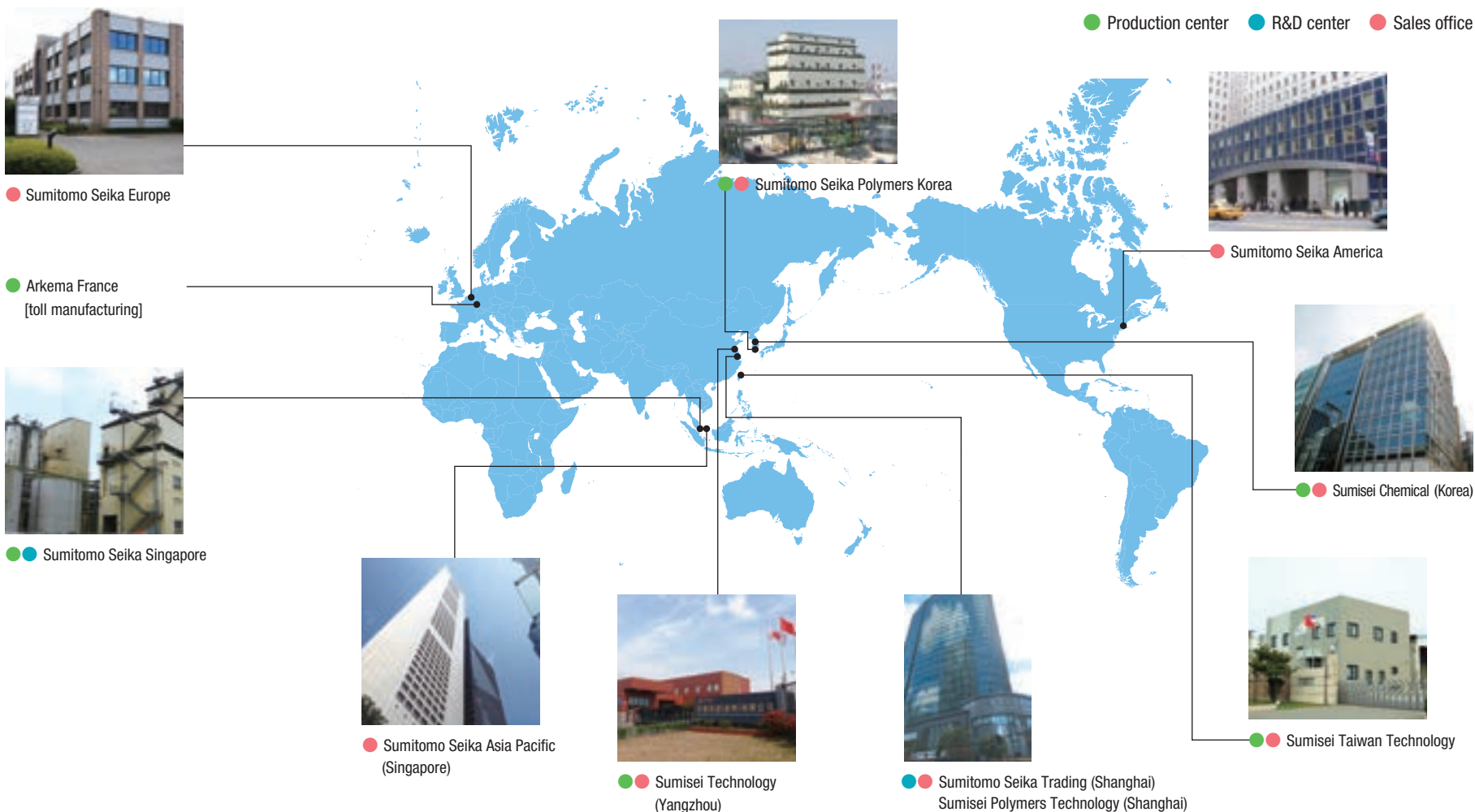
For more detailed financial information, please refer to Financial Results and other documents posted on our website.

# Group Network

## Business locations in Japan



## Business locations overseas



## Topics

### Winning Sensory Awards at both in-cosmetics North America and in-cosmetics global Paris

At the exhibitions of in-cosmetics\* North America held on October 17-18, 2018, and in-cosmetics global Paris held on April 2-4, 2019, cosmetic formulations using AQUPEC MG, our cosmetic thickener\*\* product, received a Sensory Award. The winner of this award is selected by specialist judges at an area where each company displays cosmetic samples and visitors can freely touch and feel the textures of the exhibits. Many favorable feedback was received for AQUPEC MG's unprecedented smooth texture, and its development formulation was recognized and thus received this award.



\* in-cosmetics: Exhibition of ingredients for personal care products (general name for products that keep our skin clean, make us well-groomed and look beautiful such as cosmetics and toiletries) held every year in the United States, Europe, Asia and other regions.  
\*\*Cosmetic thickener: Raw materials used mainly for the purpose of preventing the separation of cosmetic ingredients and improving stability, making them easier to apply and enhancing their moisturizing properties.

## Business locations in Japan

Head Offices : Osaka, Tokyo      Plants : Befu Works (Hyogo), Himeji Works (Hyogo), Chiba Works  
Sales Offices : Osaka, Tokyo      Research Laboratories : Material Development Laboratory, Production and Process Engineering Laboratory<sup>(\*)</sup>

## Group Network

	Corporate name		Lines of business
Domestic	Seika Techno Services Co., Ltd.		Various services
Overseas	Sumitomo Seika Singapore Pte. Ltd.	Singapore	Manufacture of Super Absorbent Polymers
	Sumitomo Seika Asia Pacific Pte. Ltd.	Singapore	Sales of Sumitomo Seika Products
	Sumisei Taiwan Technology Co., Ltd.	Taiwan	Manufacture and Sales of Electronics Gases and other Sumitomo Seika Products
	Sumisei Chemical Co., Ltd.	Korea	Manufacture and Sales of Electronics Gases and other Sumitomo Seika Products
	Sumitomo Seika Polymers Korea Co., Ltd.	Korea	Manufacture and Sales of Super Absorbent Polymers
	Sumitomo Seika Trading (Shanghai) Co., Ltd.	China	Sales of Sumitomo Seika Products
	Sumisei Polymers Technology (Shanghai) Co., Ltd. <sup>(*)</sup>	China	Technical service and Market research
	Sumisei Technology (Yangzhou) Co., Ltd.	China	Manufacture and Sales of Electronics Gases
	Sumitomo Seika Europe S.A. /N.V.	Belgium,France	Sales of Sumitomo Seika Products
	Sumitomo Seika Europe S.A. /N.V. toll Manufacturing(Arkema, France)	France	Manufacture of Sumitomo Seika Products
	Sumitomo Seika America, Inc.	America	Sales of Sumitomo Seika Products

\*1 As of April 1, 2019, the Super Absorbent Polymers Research Laboratory, Functional Chemicals Research Laboratory and Fine Gases System Research Laboratory were reorganized.  
\*2 Sumisei Polymers Technology (Shanghai) Co., Ltd. was established in April 2019.



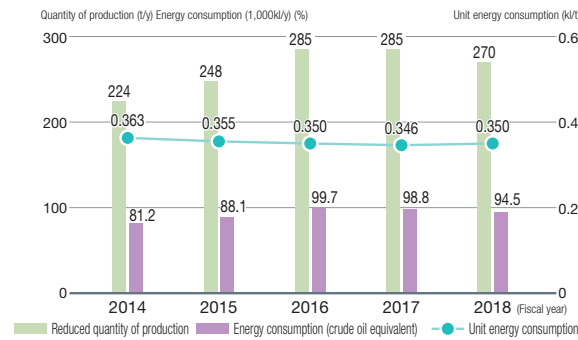
Detailed Data

Environment Accounting and Economic Results

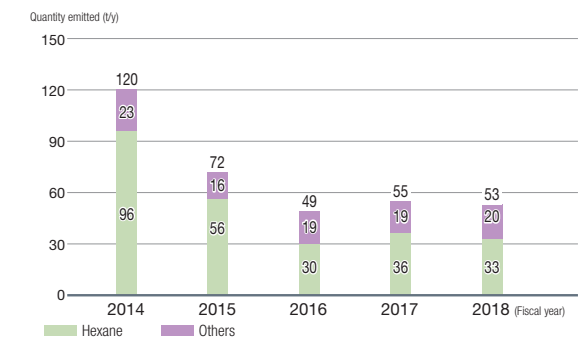
		FY2016		FY2017		FY2018	
Classification of environmental cost		Amount of investment	Amount of expenses	Amount of investment	Amount of expenses	Amount of investment	Amount of expenses
Business area costs	Pollution prevention costs	72	342	48	329	4	280
	Global environmental protection costs (global warming, energy saving)	62	1,653	18	1,785	34	1,878
	Resource recycling costs	12	254	0	266	0	284
	Upstream / Downstream costs	16	10	1	11	1	11
Administrative costs		11	155	10	166	26	172
R&D costs		68	245	192	288	153	325
Social activity cost		0	1	0	1	0	2
Environmental remediation costs		0	0	0	0	0	0
Total		241	2,660	269	2,846	218	2,952
Economic Results		5,152		799		472	

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

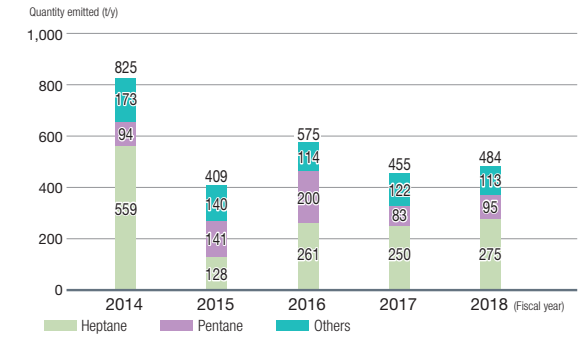
Trend of energy consumption



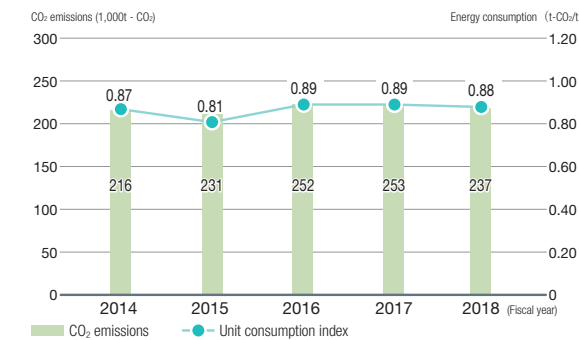
Trend of emission of PRTR substances



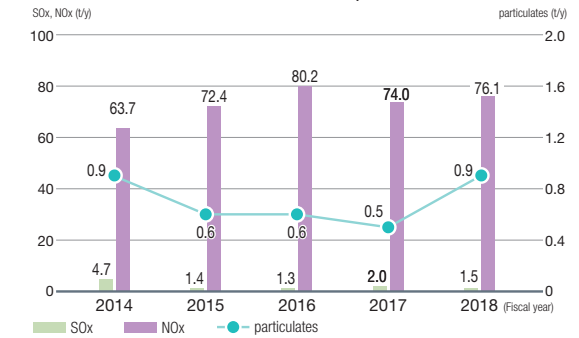
Trend of VOC substances emission



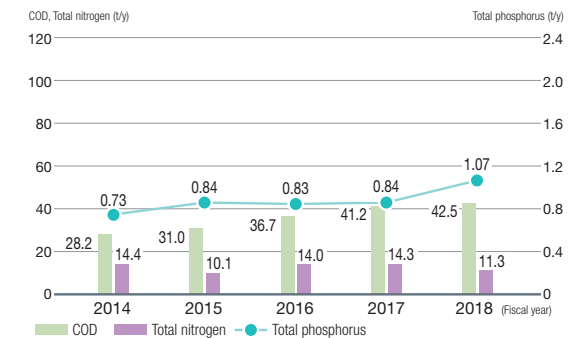
Trend of CO2 emissions



Trend of emission of SOx, NOx, and particulates



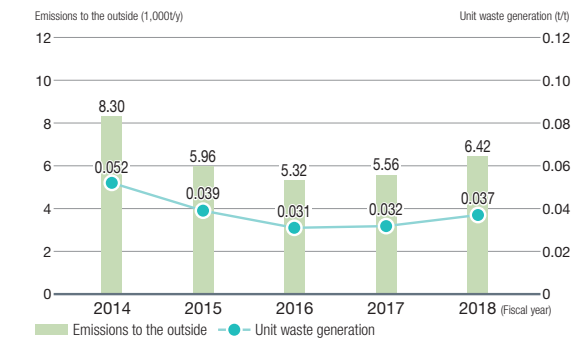
Trend of water contamination load



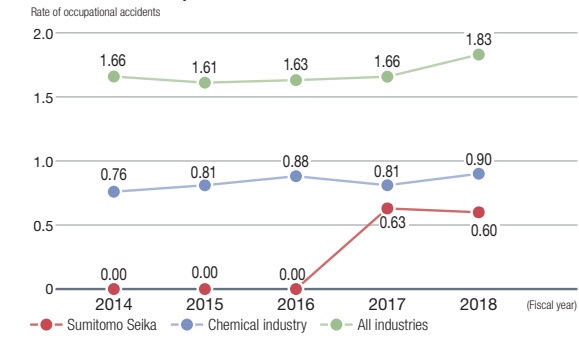
Performance Data of Works (FY2018)

		Befu Works	Himeji Works	Chiba Works
Energy (as crude oil)		12,100kl/y	80,300kl/y	2,080kl/y
Air	CO <sub>2</sub>	68,200t/y	158,000t/y	6,190t/y
	SO <sub>x</sub>	1.5t/y	—	—
	NO <sub>x</sub>	4.8t/y	70.6t/y	0.7t/y
	PRTR substances	2.6t/y	39.7t/y	10.8t/y
Effluent	Volume of effluent	1,700 × 1,000 m <sup>3</sup> /y	2,010 × 1,000 m <sup>3</sup> /y	231 × 1,000 m <sup>3</sup> /y
	COD	26.5t/y	15.4t/y	0.6t/y
Waste material	Quantity	5,560t/y	4,180t/y	184t/y
	Recycle ratio	44%	96%	99%
	Final landfilling	16t/y	6t/y	0.2t/y

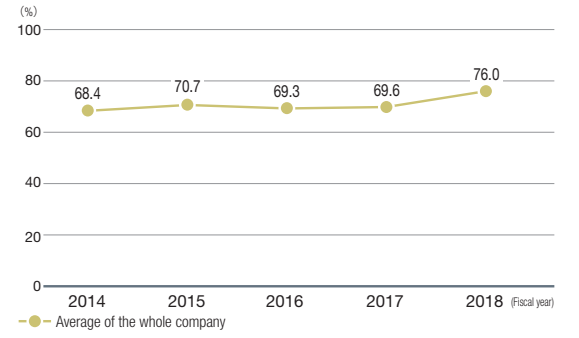
Emissions to the outside / Unit waste generation



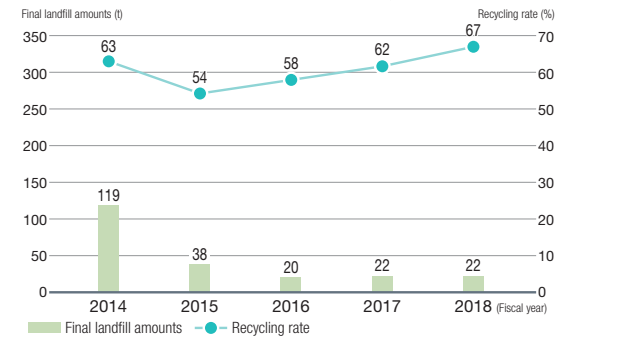
Rate of occupational accidents



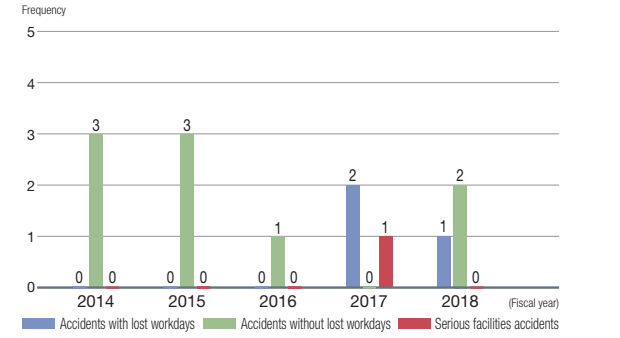
Trend of utilization of paid holidays



Amount of final landfilling and trend of recycling rate



The number of occupational accidents and serious facilities accidents



Trend of re-employees

Fiscal Year	2014	2015	2016	2017	2018
Number of retired employees	19	19	25	12	9
Number of re-employees	16	17	22	7	8
Ratio of re-employment	84%	89%	88%	58.3%	88.9%

Actual results

Fiscal Year	2014	2015	2016	2017	2018
Childcare leave plan	6	2	5	3	4
Short-time service for child rearing	3	5	5	5	10
Nursing car leave plan	0	1	1	1	2
Short-time service for nursing care	1	0	0	0	0





Sumitomo Seika Chemicals Company Limited  
Corporate Social Responsibility Report 2019  
Statement of opinion regarding the third-party verification

August 7, 2019

To: Ikuzo Ogawa, President  
Sumitomo Seika Chemicals Company Limited

■ Purpose of the 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 "Sumitomo Seika Chemicals Company Limited Corporate Social Responsibility Report 2019" (hereinafter the "Report") prepared by Sumitomo Seika Chemicals Company Limited (hereinafter the "Company").

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

■ Verification procedure

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

■ Opinions

- 1) Rationale behind the collection, compilation, and methods of calculating performance indices (numerical data) and the accuracy of the data
  - Valid methods have been employed at the corporate head office and Chiba Works to collect, compile, and calculate the numerical data.
  - To the extent that we did our evaluation, the numerical performance data were accurately collected, compiled, and calculated.
- 2) Accuracy of the 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 have not found any significant items still needing correction in the current Report.
- 3) Details of the Company's Responsible Care (RC) activities
  - Efforts for CSR and RC activities are being implemented under the lead of top management. These include the formulation of the "Sumitomo Seika Group's Mission for Corporate Social Responsibility", the establishment of a CSR Committee, and the commencement of efforts toward deepening the SDGs.

- We acknowledge that SDGs are being incorporated into the Company's business in line with global trends; for example, the social contributions made by each division through its business are being clarified and linked to the 17 SDGs.
- In terms of occupational health and safety, we expect that the PDCA cycle is being applied through internal audits and other means, and that these efforts will reliably produce results.
- We acknowledge that risk assessment has been systematized and steadily implemented, and that, further, facilities are being upgraded, work is being improved and operation manuals are being revised/amended based on the results of risk assessment with an eye to preventing accidents, disasters, damage to health, production trouble and quality issues.
- It is worth noting that original MOT training, which involves giving presentations in front of top management, has been ongoing for many years, and that its spirit is being passed on from generation to generation.
- We acknowledge that important quality issues are being discussed at quality meetings held monthly in Chiba Works.
- Furthermore, Chiba Works has been in operation without any lost time injury for over 30 years. We acknowledge that, in addition to risk assessment, safety training and hazard prediction activities, this great record has been made possible by the implementation and penetration of the SEIKA basic safety rules (requiring workers to "take a short breath" before work and keep each other alert). We expect that Chiba Works will go on to achieve its target record of 12,500 accident-free days, and continue posting new records after that.
- 4) Characteristics of the Report
  - Considerable space are given to the articles on new initiatives such as the intensification of CSR activities and the establishment of SDGs target. The Report is approachable and easy to read, with photos of employees and activities in addition to clear explanations of initiatives addressing safety, the environment, quality and other key issues.

Shigeki Nagamatsu  
Chief Director, Responsible Care Verification Center  
Japan Chemical Industry Association

## Sumitomo Business Spirit



### 1. Business Principles

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

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

### 2. "Jiri-Rita Koushi-Ichinyo"- Benefit self and benefit others; private and public interests are one and the same

Sumitomo's Business Principles lay the foundation of the Sumitomo Business Spirit. The phrase "placing prime importance on integrity and sound management" in the Article 1 emphasizes the importance of gaining trust of business partners and of society. "Under no circumstances, shall it pursue easy gains or act imprudently" in the Article 2 is a strong warning not to seek only immediate profits. The Spirit has been handed down to the present day among all Sumitomo Group companies.

The Sumitomo Group is a group of distinguished industrial, financial and commercial enterprises that share a mutual heritage of adherence to the business precepts established by the founder of the House of Sumitomo nearly 400 years ago. Emphasizing integrity, sound management and a progressive attitude, these principles have guided Sumitomo enterprises to positions of leadership in the fields of trade and industry. Although financially and managerially independent, Sumitomo Group companies are proud of their heritage.