

# Corporate Social Responsibility Report 2018

CORPORATE SOCIAL RESPONSIBILITY REPORT



If you have questions, please contact:

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

## The future image of Sumitomo Seika that we would like to be for "2025"

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



The term "URUOI" comes from a certain Japanese word which denotes moisturizing something literally and adding something gracious figuratively. By expressing this Japanese word in Roman letters as "URUOI", a key concept of the future image of Sumitomo Seika that we would like to be for "2025", we have expanded the meaning of the original Japanese word to encompass our own definition, representing the unique value that our products and services can provide to our stakeholders for their well-being.

Through offering a broad portfolio of products and services which have an important bearing on various facets of people's life, we will provide society and individuals alike with sustainable solutions where our Group's specialized expertise has fully been embodied, ultimately contributing to help people lead a healthy, comfortable and dignified life.

## SEIKA WAY

We have formulated 10 guiding principles that should serve as a beacon for us to translate into action the core values of the future image of Sumitomo Seika that we would like to be for "2025".



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### About this Corporate Social Responsibility Report

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

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

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

### Coverage of this report

Organizations: 1. Responsible Care performance data 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, 2017 to March 31, 2018

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

Publication: Sept. 2018 (Next publication: Sept. 2019)

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

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

## Message from the PRESIDENT

Ikuzo Ogawa, President  
Sumitomo Seika Chemicals Company Limited



The Sumitomo Seika Group attaches great importance to CSR activities as one of its key initiatives to reinforce a corporate management platform which supports the Group's sustainable growth for many decades to come. Behind the initiatives lie our desired corporate image in 2025, which is "Sumitomo Seika Group will

strive to provide 'URUOI,' a Japanese word meaning richness in quality, to Mother Nature and lives of people through products and services we supply as we ourselves continue to grow, anticipating changes likely to come about in society and thereby creating products of wonder with unique ideas and flexible thinking." Guided by this corporate image, we highly respect the spirit of Responsible Care and endeavor to ensure not only legal but ethical compliance as we conduct business in various regions around the world.

The word "URUOI" best symbolizes our firm commitment to the value of products and services we provide to customers and the public at large. Staying attentive to how people live their lives every day, we make and deliver products and services that, rather than merely adding to material satisfaction, provide comfort and convenience with spiritual happiness, offering something more beyond meeting people's immediate needs. Furthermore, our products and services must contrib-

ute to improving the global environment in a manner to, as it were, quench the thirst of the arid earth and to resolving an array of issues people face worldwide so that they can enjoy peaceful and secured life. Believing that the "URUOI" will help promote people's well-being, we will vigorously take up challenges ahead towards achieving the Group's sustainable growth. At the same time, we will increase the Group's corporate value through expending unwavering efforts on other equally important fronts, which include ensuring legal and ethical compliance, enhancing internal control systems, maintaining or improving product quality, protecting the environment, securing safety in activities, and reinforcing corporate governance through closer dialogue with various stakeholders.

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

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

Under the Business Plan, we intend to achieve in fiscal 2025 or before net sales of 170 billion yen, operating profit of 20 billion yen (operating margin of 12%), and ROE exceeding 12%. To attain these targets, we will make investments amounting to approximately 80 billion yen over the next 10 years, which will be spent in launching of new businesses and new products, expand-

ing existing products sales both in Japan and overseas, and undertaking M&As.

As an integral part of our efforts to realize the Business Plan, we reinforce our endeavor significantly to explore and seize opportunities for new businesses by, among other things, creating original or unique technological functionalities while fully utilizing a reservoir of technologies we have cultivated over many decades, thereby generating new values. To this end, we have set up a new corporate unit, "Innovation Promotion Group", which is actively engaged specifically in exploiting untapped business markets for our Company. In addition, a new type of R&D system is in operation to help accelerate R&D activities in the Innovation Promotion Group and each Business Segment, both individually and mutually, through frequent exchanges of information, themes to work on, and human resources to deploy. Our total investments under the Business Plan to further enhance R&D capabilities in this manner will amount to approximately 4% of the Company's consolidated net sales.

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



### Ensuring safe and stable operation

A company cannot survive without securing safety and maintaining stable operations. Accordingly, we have been making steady and unabated efforts to ensure safety, constantly bearing in mind the importance of "preparing against the unexpected" and adhering to our basic management policy of "prioritizing safety over everything else". Since FY2014, we have been conducting company-wide accident response drills in order to further heighten employee consciousness regarding risk/crisis management. 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 global environment

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

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

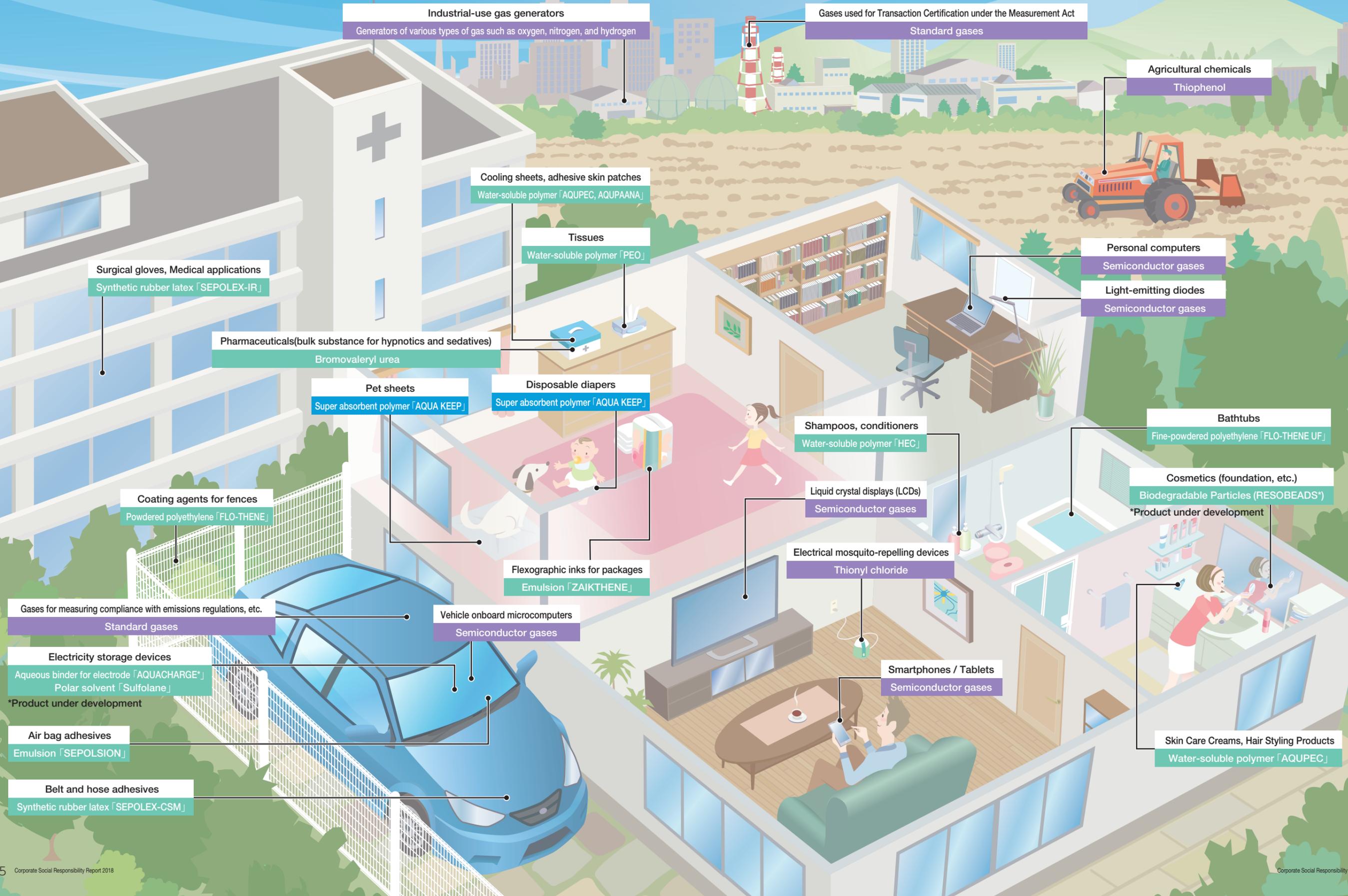
September 2018

Please see Page 8 for details of the SEIKA Grand Design 2025 "URUOI" plan.



# Sumitomo Seika in Daily Life

■ Super Absorbent Polymers ■ Chemicals ■ Gases and Engineering



## Sumitomo Seika Group's Mission for Corporate Social Responsibility (CSR)

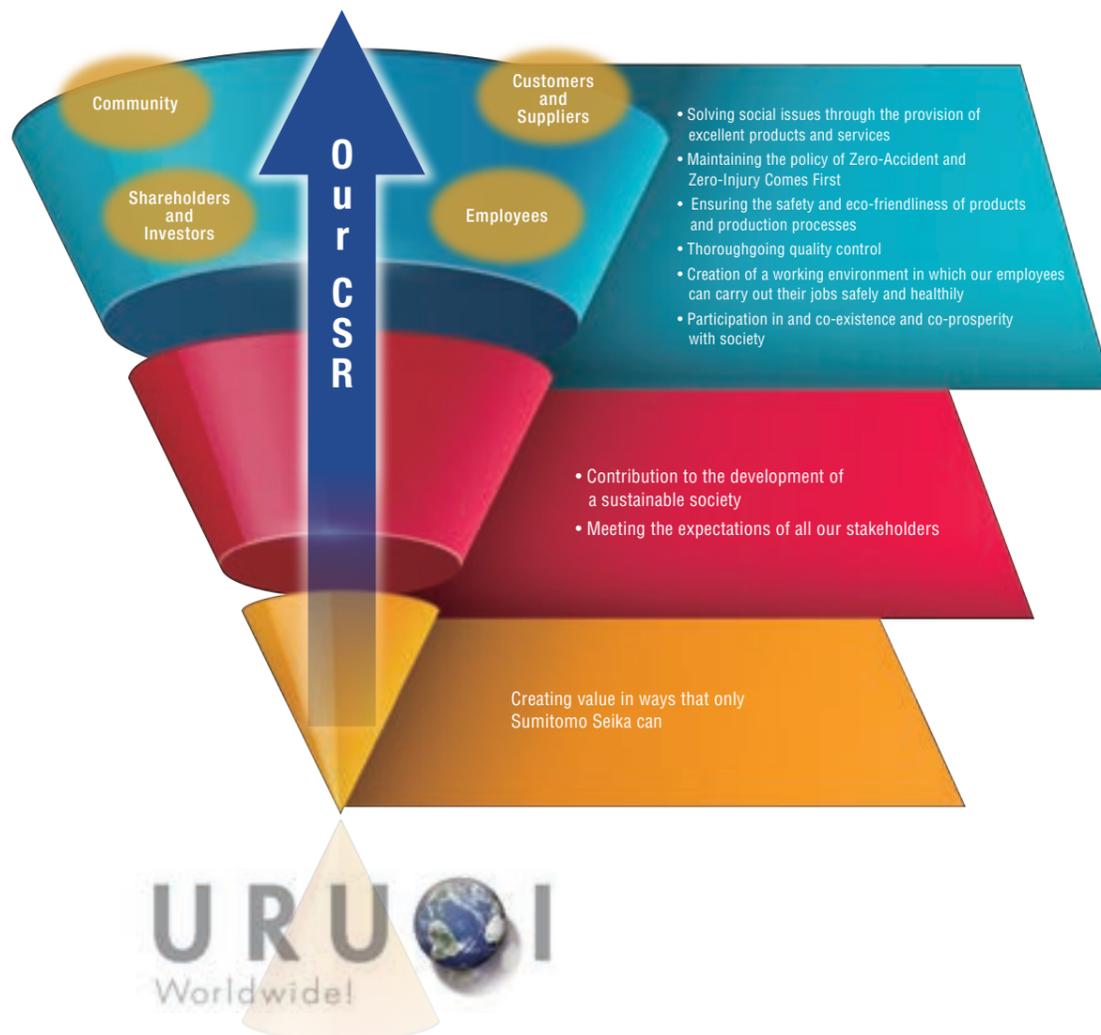
The Sumitomo Seika Group will tackle on the Sustainable Development Goals (SDGs), globally-shared challenges, by creating value that we alone can offer through translating our corporate philosophy into practice, thereby contributing ultimately to the development of a sustainable society.

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

Sumitomo Seika Group's Fundamental Policies for CSR Activities.

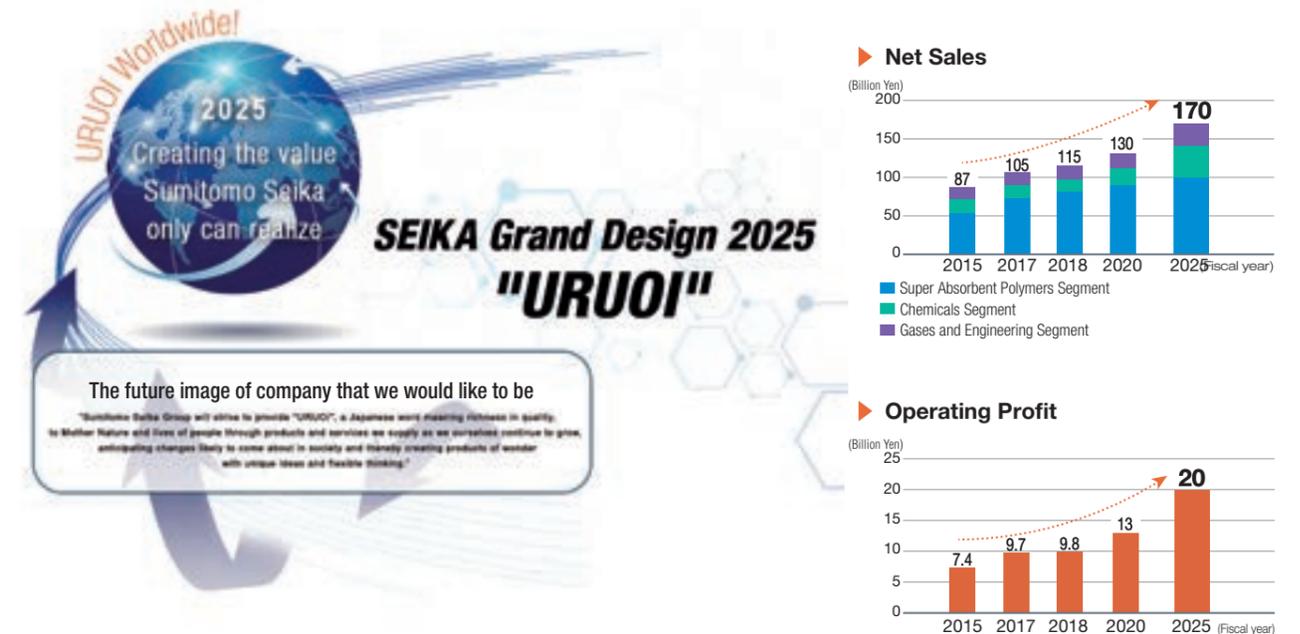
The Sumitomo Seika Group will engage in CSR activities in accordance with the following fundamental policies.

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.



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

We have formulated our Group-wide medium-and long-term business plan for the period from fiscal 2016 through fiscal 2025 ("SEIKA Grand Design 2025 URUOI"), which is already in active operation.



### A new vision created for Sumitomo Seika Group

In formulating SEIKA Grand Design 2025 URUOI, we have newly developed our Group Corporate Philosophy, which is "Sumitomo Seika Group will strive to provide "URUOI", a Japanese word meaning richness in quality, to Mother Nature and lives of people through products and services we supply as we ourselves continue to grow, anticipating changes likely to come about in society and thereby creating products of wonder with unique ideas and flexible thinking." All companies of the Group will stay united firmly in working to earn customers' trust and confidence all over the world in the products and services they supply, thereby increasing the Group's corporate value.

#### 1. Business Policy

This year marks the third year of this Plan. Despite some changes in the business environment, we will hold fast to our business strategy to achieve, in the final year of the Plan (fiscal year 2025), net sales of 170.0 billion yen, operating profit of 20.0 billion yen (operating margin of 12%) and ROE exceeding 12%, mainly by launching new businesses and products, expanding sales of existing products both in Japan and overseas.

#### 2. Research and Development Policy

As an integral part of our efforts to realize the Business Plan, we reinforce our endeavor significantly to explore and seize opportunities for new businesses by, among other things, creating original or unique technological functionalities while fully utilizing a reservoir of technologies we have cultivated over many decades, thereby generating new values. To this end, we have set up a new corporate unit, "Innovation Promotion Group", which is actively engaged specifically in exploiting untapped business markets for our Company. In addition, a new type of R&D system is in operation to help accelerate R&D activities in the Innovation Promotion Group and each Business Segment, both individually and mutually, through frequent exchanges of information, themes to work on, and human resources to

deploy. Our total investments under the Business Plan to further enhance R&D capabilities in this manner will amount to approximately 4% of the Company's consolidated net sales.

### 3. Major Initiatives to Strengthen Business Base

We will vigorously work on the following initiatives to strengthen our business base for sustainable growth in the years ahead.

#### 1) Promoting CSR Activities

With the basic principle of "prioritizing safety over everything else" firmly maintained, we will fulfill our Corporate Social Responsibility, thereby earning trust from society while providing a sense of security or a peace of mind to society.

#### 2) Human Resources Development

Employees are the most important of corporate resources. We will build an enhanced system capable of developing employees' employability through various training programs and also facilitating individuals' systematic career building.

#### 3) Strengthening the Group Management

As each company of the Group conducts business in a globally and growingly competitive environment, we will continue to strengthen the Group management by a variety of measures, including defining more clearly responsibilities and authorities of each organizational unit both in Japan and abroad, and, reinforcing the Group's corporate governance.

#### 4) Further Strengthening Technological Capabilities

We will further strengthen the Group's base technologies as well as developing more sophisticated production technologies and stimulating their innovation, which will serve as a driving force to make existing businesses grow further and create new businesses for the future of the Group.

## 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.

## 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.

#### Business Profile



Chemicals Segment will enhance research and development based on Sumitomo Seika's key technical strength, i.e. "thickening and "binding" in function, and "synthesizing and purifying" and "processing" in technology. Among the main domains mentioned above, Chemicals Segment will endeavor to materialize "URUOI" especially in the fields of "medical 3 care and daily living", and "the environment and energy" by launching new businesses and new products in both the Japanese market and overseas markets. The Segment aims to build a business structure that will generate sales of 40 billion yen by fiscal 2025, half of which will derive from new products so launched.

#### Interview – Factory

Fine Chemicals Manufacturing Section at Befu Works  
Mr. Kenta Utano



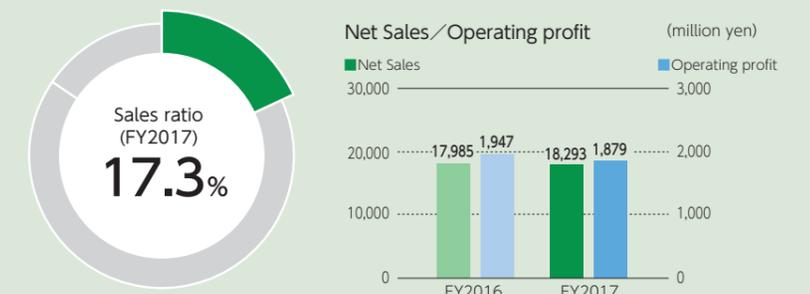
#### Feeling the weight of our responsibility for production items

He belongs to the Fine Chemicals Section at Befu Works, and is engaged mainly in the manufacture of pharmaceutical intermediates. The manufacturing plant is basically in operation for 24 hours a day on a three-shift basis. Aiming to achieve the three zeros—Zero Accident, Zero Defect and Zero Malfunction—of equipment through an all-hands-on-deck effort and to raise production efficiency, teams have been formed according to equipment. In voluntary activities, he puts his team together as a leader. He says, "To get everyone to work together as a team, communicating with the members appropriately is a very important re-

quirement. I hope in the future I will be able to take advantage of this experience to work in the field of 'technical transfer' and 'education' as well." He adds, "Products that the Fine Chemicals Section makes are included in medicines that I take. We keenly feel the weight of responsibility for manufacturing products taken in the body of our customers, and at the same time we are proudly carrying out our job."

#### 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.



### Business Profile

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

### Interview – Research Laboratory

Super Absorbent Polymers  
Research Laboratory  
Ms. Moe Nishida



### Being proud of my work that contributes to the society

She is engaged in studying customer services related with absorbent polymers and the development of high quality products at our Super Absorbent Polymers Research Laboratory. Besides the study, research and analysis of the absorbent polymer market is also an important part of her job. "As I sometimes deal with customers from overseas, I also collect and analyze overseas information making use of database and others," she says. "I often have difficulty getting the information I need so it's important to keep myself open to the trends of the world." She adds, "It's most fulfilling in my job when our proposals are accepted by customers and

we hear 'Thank you' from them. It gives us pleasure and empowers us to work harder for our customers. Also, when I see a product in which I'm involved (disposable diapers) being used by people who are close to me, I really feel that my work helps people and I'm proud of it."

## 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.

### Business Profile



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

### Interview – Sales Division

Gases Division  
Mr. Junichi Kawakami



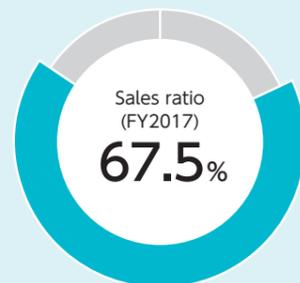
### It's rewarding to be involved in environmental issues through my work.

He is engaged in the development and marketing of semiconductor gases. While listening to the voices of customers, he develops new applications for our products and draws up plans to commercialize new products. He comments, "I also work to develop new products through joint research with universities, and proactively participate in academic meetings and exhibitions to gather information. Being aware of the new needs of the world is important as I carry out development work. To find a new theme, I feel the need of addressing any jobs with willingness to take on new challenges."

He also says, "Gas products that I deal with are mainly used in the process of manufacturing electronic parts mounted on environmentally-conscious solar power generation systems and electric vehicles. I have been interested in environmental issues since before I joined this company, specifically in air pollution, the use of natural energies (e.g. solar power generation), the realization of an energy-saving society and other themes. As I'm currently involved in environmental issues, I'm committed to my work driven by a feeling of fulfillment."

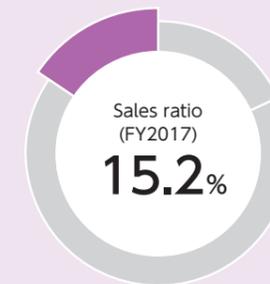
### Main Products

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.)



### Main Products

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



## Growing Together with the Community

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

### Participation in public events

In fiscal year 2017, continued from fiscal year 2016, we ran a booth at the Chemistry Day: Children's Chemical Experiment Show (Kids Plaza Osaka), which was organized by the Japan Chemical Industry Association. The children visiting our booth were given the opportunity to conduct a chemical experiment themed "making cool gel sheets."

We also hosted the annual "Fun Chemistry Class" in the town of Harima in Hyogo Prefecture and supported the annual Himeji Environment Festival organized by Himeji City, Hyogo Prefecture. For the former event, children were encouraged to think about environmental issues, such as separating waste and recycling as they made plastic replicas of foods.

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

### 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 at 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

### Providing opportunities for internship programs

We held an event in support of the "Science and Technology Challenge Project" promoted by Himeji City. The project aims to encourage female junior high-school students who are interested in the science/engineering field to make a career choice (challenge) with a clear self-image in the future (See page 15).



Internship at Befu Works

We also 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.

### Blood donation

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



Blood drive at Himeji Works

## Growing Together with Customers and Suppliers

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



### Cooperation with suppliers

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 human rights and the elimination of racial discrimination
  - ◇ Emphasis on the consideration for the working environment

## Topic

### Sumitomo Seika ran a booth at the Chemistry Day: Children's Chemical Experiment Show 2017

Dates: October 21 (Sat.) and 22 (Sun.), 2017  
Venue: Kids Plaza Osaka

The Chemistry Day: Children's Chemical Experiment Show is an annual event in which chemical companies and educational institutions participate to provide children, mainly elementary school students, with hands-on experiences that can help them learn chemistry in a fun way. This was the second time for us to participate in this event. Under the theme of "Let's make cool gel sheets," we conducted an experiment to make cool gel sheets using our product AQUAANA.



Ms. Morotomi gives explanation at the most front

Children were first asked to wear lab coats and protective equipment (masks and gloves) to ensure safety, and then they used graduated cylinders, beakers and other experimental instruments. The children seemed to enjoy taking a brief look at chemistry and had the satisfaction of "having done an experiment."

This was my first time to participate in this event. I was very pleased to see the children's willingness to learn seriously and their happy faces when they succeeded in their experiments. This helped me contribute to the society in a different way than I usually do. I would be glad if the children who participated in this event find chemistry interesting, even a little.

Functional Chemical Research Laboratory  
Kanae Morotomi

# 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”(See page 1). 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.

### 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 fiscal year 2017, we launched new courses intended for researchers and production engineers, thereby accelerating transfer of technologies and skills required for different trainees working at different workplaces, such as plants, 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 in Japan 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. For fiscal year 2017, 11 employees were selected for the fourth-term training program.

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.

and nursing care are widely recognized, the detailed procedures of those plans, the social security system and other matters are not well understood. As a result of discussions at the WLB Committee, we have prepared “Child Care and Nursing Care Leave Plans Handbook” to make the plans easier to be understood and used by our employees. Additionally, as some employees who have taken leave in the past say that they had worries and concerns when returning to work or during the leave, we plan to provide lectures to facilitate deeper understanding.

Regarding a scheduled annual leave plan, we are reviewing its guideline so that our employees can use the plan more easily and, by combining with the Plus One Holiday recommended by the Ministry of Health, Labor and Welfare, we are seeking to raise the rate of paid holidays taken.

Besides improvement of the plan, we will promote deeper understanding of the plan and create a workplace where employees can use the plan more easily.

# Topic

## In support of Science and Technology Challenge

“Science and Technology Challenge” is a project led by the Gender Equality Bureau of the Cabinet Office, which encourages female junior high and high-school students, who are interested in the science/engineering field to make a career choice with a clear self-image in the future.

In August 2017, the first “Science and Technology Challenge” in Himeji was held. Sumitomo Seika was chosen as the first company visited by participants, 29 female junior high-school students in the city. On that day, our female researcher talked about her work as a researcher, what made her choose the path to study science and, through chemical experiments, and how chemistry is used in everyday life. We also let the students participate in an experiment to see

Date: August 9 (Wednesday), 2017  
Venue: Himeji Works

how paper diapers absorb water using our products (absorbent polymers) so that they could have the opportunity to experience the wonder of chemistry.

After the “Science and Technology Challenge,” we received participants’ comments, including “it was a good experience to know that the products around us are created through research outcomes made by many people,” “I really felt that chemistry is interesting” and “having listened to the female researcher, now I feel like going into science and technology.”



## 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

In fiscal year 2017, as part of efforts to realize flexible workstyles, we conducted a questionnaire survey targeting our employees. The survey found that while the Company’s plans related to childrearing



“Child Care and Nursing Care Leave Plans Handbook”

### Construction of our single dormitory completed

The construction of a new single dormitory, “Shoko-ryo”, for unmarried employees in Chiba Works was completed in 2017. This completes the construction of dormitories for unmarried employees in all of our factory areas. We will continuously improve our welfare facilities as part of our efforts in creating a comfortable environment to work.

## Growing Together with Shareholders and Investors

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

### IR Policy

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

### Information disclosure channels

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

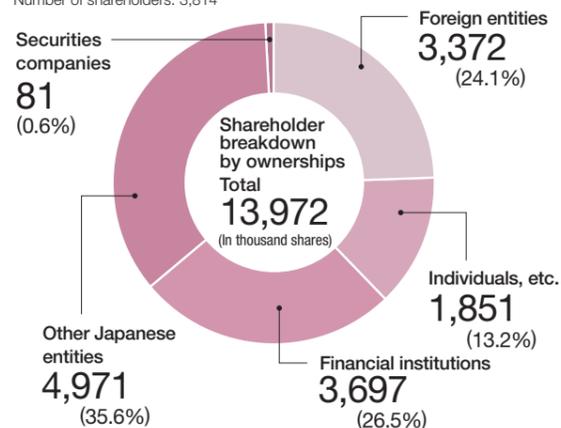
#### ● Investors Information webpage

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



### ► Share information (as of March 31, 2018)

Number of shares Issued: 13,972 thousand  
Number of shareholders: 3,814



### Communication with stockholders and investors

#### ● Stockholders Meeting

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

#### ● Dividend policy

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.

### 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". Responsible Care initiatives, among others, are extremely important issues for our chemical industries in order to continue sustainable development and gain trust and confidence from society. Having been participating in Responsible Care since 1995, we not only comply with related laws and international rules but also voluntarily work on environment protection, occupational safety, and disaster prevention.

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

### Organization

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

### RC audit

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

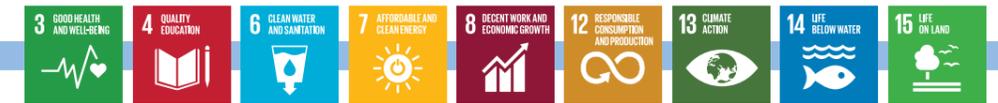
### What is Responsible Care?

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



# Activities and Achievements

Report on our 2017 RC targets and achievements, environmental load.



See page 9 for explanations of the icons.

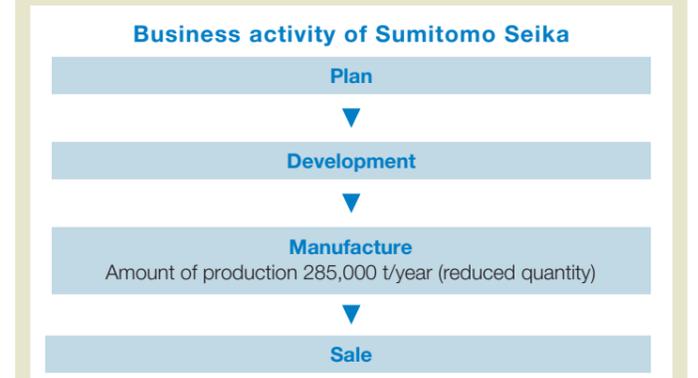
Area	2017		Rating	2018
	Target	Target achievement level		Target
<b>Compliance with Law</b>	1) "Zero" legal violations 2) Compliance with in-house regulations and rules	1) Legal violations: 0 2) Shared information on revisions to laws in meetings and via e-mail, added the same to the database, reflected in the compliance evaluation table.	○	1) "Zero" legal violations 2) Compliance with in-house regulations and rules
<b>Occupational safety</b>	"Zero" accidents involving/not involving lost workdays, "zero" traffic accidents (company at fault)	Accidents involving lost workdays: 2 Accidents not involving lost workdays: 0 Traffic accidents (company at fault): 11 cases	×	"Zero" accidents involving/not involving lost workdays, "zero" traffic accidents (company at fault)
<b>Health</b>	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
<b>Disaster prevention</b>	"Zero" major accidents	Major accidents: 0	○	"Zero" major accidents
<b>Chemicals safety</b>	Promotion of proper control of chemicals	Steadily respond to overseas chemical substance regulations, such as the ones in the United States (TSCA), Korea and China	○	Promotion of proper control of chemicals
<b>Logistics safety</b>	"Zero" major accidents in logistics	Major accidents : 0	○	"Zero" major accidents in logistics
<b>Global warming / Energy saving</b>	Promotion of environmental protection through energy conservation 1) Unit energy consumption in production: 1% reduction year-on-year 2) Unit energy consumption in logistics: 1% reduction year-on-year	1) Unit energy consumption in production: 0.346, 1.1% reduction year-on-year 2) Unit energy consumption in logistics: 5.22, 7.7% reduction year-on-year	○	Promotion of environmental protection through energy conservation 1) Unit energy consumption in production: 1% reduction year-on-year 2) Unit energy consumption in logistics: 1% reduction year-on-year
<b>Solid waste management</b>	Promotion of waste reduction 1) Unit waste generation: Maintain 0.039 (converted to representative products' production, FY2015 results) 2) Final landfill disposal: Less than 1% of total wastes generated	1) Unit waste generation: 0.032 t/t 2) Final landfill disposal: 22 t/year (0.24% of total wastes generated)	○	Promotion of waste reduction 1) Unit waste generation: Maintain 0.039 (converted to representative products' production, FY2015 results) 2) Final landfill disposal: Less than 1% of total wastes generated
<b>PRTR and Volatile organic compounds (VOCs)</b>	1. PRTR-regulated specified chemical substances Reduction in Ministry of the Environment priority substances 1) Hexane: Less than 40 t/year 2. Volatile organic compounds (VOCs) 1) Heptane: Less than 300 t/year 2) Pentane: Less than 110 t/year	1. PRTR-regulated specified chemical substances 1) Hexane: 36 t/year 2. VOCs 1) Heptane: 250 t/year 2) Pentane: 83 t/year	○	1. PRTR-regulated specified chemical substances Reduction in Ministry of the Environment priority 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
<b>Environmental protection (air, water and soil)</b>	"Zero" major environment-related issues	Major environment-related issues: 1	×	"Zero" major environment-related issues
<b>Quality</b>	1) "Zero" major product quality complaints 2) Reduction in the number of complaints and in-process nonconformities (10% reduction year-on-year)	1) Major product quality issues: 1 2) Number of complaints and quality claims: 80	×	1) "Zero" major product quality issues 2) Reduction in the number of complaints, quality claims (Quality troubles caused by our company; not more than 75)
<b>Approach to Sumitomo Seika Group</b>	Reinforcement of safety / environmental management at our overseas group companies, and provision of support for its operation.	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 meeting with overseas sites and Implementation of audit at overseas sites.	○	Reinforcement of safety / environmental management and quality assurance systems at Sumitomo Seika Group companies (overseas)
<b>Disclosure of information and social contribution</b>	Promotion of communication with stakeholders through disclosure of RC information. Contribution to local communities.	Participation in Fun chemistry class, Himeji Environmental festival, Chemistry Day: Children's Chemical Experiment Show Implementation of Internship programs and the Science and Technology Challenge project.	○	Promotion of communication with stakeholders through disclosure of RC information. Contribution to local communities.

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

## 2017 environmental load

Energy consumption (crude oil equivalent)	98.785kl
Amount of water used (except for cooling seawater)	5,517×1,000m <sup>3</sup>
Amount of raw materials used	305,000t and 2,060×1,000m <sup>3</sup> (gases)

### INPUT



### OUTPUT

Air	CO <sub>2</sub> *	253,378 t
	SO <sub>x</sub>	2.0 t
	NO <sub>x</sub>	74.0 t
	Dust	0.5 t
	PRTR substances	55.4 t
	VOC	454 t
Water	Effluent	4,017 × 1,000m <sup>3</sup>
	COD	41.2 t
	Total nitrogen	14.3 t
	Total phosphorus	0.84 t
Industrial waste	Unit waste generation	0.032 t/t
	Waste disposal by contractors	5,557 t
	Recycling rate	62 %
	Landfill disposal	22 t

\* Including discharge amount of 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 (Company at fault). However, we had two accidents involving lost workdays in fiscal year 2017. Through reinforcement of safety management, and by familiarizing our employees with SEIKA basic safety rules (“Don’t rush, don’t panic, and take a breath before starting work” and “Bring each other’s attention to any unsafe behavior”), we are committed to improve the safety awareness of each one of the employees to achieve “zero” accidents involving/not involving lost workdays and traffic accidents (Company at fault).

### Security and disaster prevention

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

As a precaution against accidents, each works keeps standard operating procedures (SOPs) and manuals updated, carries out daily checks and periodic inspections of facilities, and conducts risk assessment and KY (kiken yochi or risk prediction) training (KYT).

Through improving unsafe areas and correcting actions in our workplaces, we are working to prevent accidents ever occurring.

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

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



Comprehensive disaster drill

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

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

### Earthquake preparations

In light of two great earthquakes, the Great Hanshin-Awaji Earthquake of 1995 and the Great East Japan Earthquake of 2011, we have enhanced our preparedness against disaster in order to mitigate possible damage. We began by assessing the earthquake resistance of “structures built before the tightening of the Building Standards Act in 1981 where we have people on duty most of the time,” and we quakeproofed structures with insufficient earthquake resistance.

Since fiscal year 2017, we have assessed the earthquake resistance in order of priority with the scope of assessment expanded to include “work areas built before 1981 that are in constant use.”

➤ Please see page 32 for detailed data.

## 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.



Emergency drill assuming a logistics accident

### Chemical 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.

## Environmental Protection



We continue to make efforts to reduce our environmental load for “zero” environment-related problems, and improvement of our natural environment.

### Environment-related problems

We conduct our business activities with a goal of achieving “zero” major environment-related problems\*. However, one heptane leak incident occurred in fiscal year 2017.

To prevent such a problem from occurring again, we will strive to adequately manage water drained into public waters in an effort to protect the environment.

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

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

### Energy conservation/Global warming

We manage energy consumption and CO<sub>2</sub> emissions per unit production of our representative products in terms of “unit consumption,” which we are endeavoring to reduce. In FY2017, we successfully reduced unit energy consumption by 1.1% year-on-year, against the original target of a 1% reduction.

### Prevention of air pollution

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

As combustion of exhaust gas containing sulfur increased in fiscal year 2017, there was a concomitant rise in SO<sub>x</sub> emissions generated by boilers. Because hexane accounts for the largest amount of all PRTR-regulated substances that we deal with, we are reducing its emissions in a planned manner. In fiscal year 2017, against the original target of 40 tons per year, we managed to reduce the amount to 36 tons per year primarily by taking measures to stabilize recovery unit operations.

In fiscal year 2017, emissions of heptane and pentane, our two largest VOC emissions, were 250 tons and 83 tons per year against our original targets of less than 300 tons and 110 tons per year, respectively.

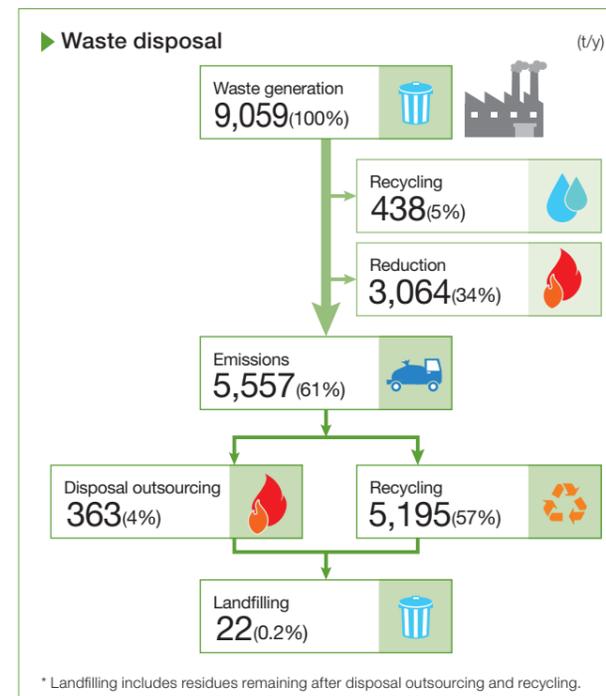
### Water quality control

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, total nitrogen and total phosphorus showed a year-on-year increase in fiscal year 2017 due to an increase in waste water accompanying an increase in production.

### Waste reduction

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

In fiscal year 2017, our actual unit waste generation and the amount of final landfill were 0.032 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)



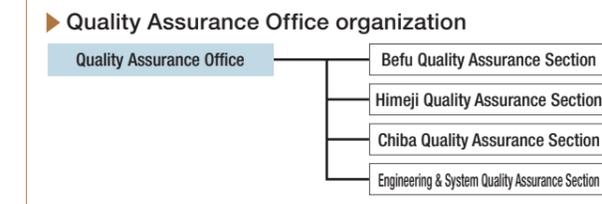
We endeavor to supply products and services of a quality that will satisfy customers’ needs and ensure safety in their use by assuring such quality at our operations both in Japan and abroad.

### Group-wide quality assurance system

With “supplying products and services of a quality that will satisfy customers’ needs and ensure safety in their use” as our basic policy, we have established our quality management system. The entire Group is working together to operate the quality management system and run the PDCA cycle, thereby seeking the system spiral-up and pursuing all-out quality assurance activities from our customers’ perspectives.

### Quality assurance structure

The Quality Assurance Office is placed under the Head Office to supervise overall quality assurance activities for the entire Group. It collaborates with Quality Assurance Sections of the individual Works and keeps a close eye on quality as they conduct quality assurance activities.



### Quality assurance activity

Every month the QA Office holds a QA Office 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 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.

### Quality audit

The QA Office 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 Office 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, we inspect workplaces with a focus on 3S (sort, set in order, and shine) and visual management (displays and signs) to thoroughly enforce 5S, or the basics of quality control.



Quality audit



QC patrol

### 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 ratio.

At our overseas sites, the QA Office Liaison Meeting is held semiannually to exchange information, provide guidance and discuss issues relating to quality and product safety activities. We join on-site audits of overseas raw material suppliers and production consignees, thereby strengthening our management system.

Furthermore, we reinforce the quality assurance system and foster QA culture by conducting audits of and providing education to our overseas plants every year.



Quality audit at an overseas sites

# 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.

### Corporate governance structure

The term of office for a director is set at one year, which allows greater flexibility in responding to changes in the business environment. As of this writing, our company has 11 directors and 14 executive officers, eight of whom are concurrently directors.

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

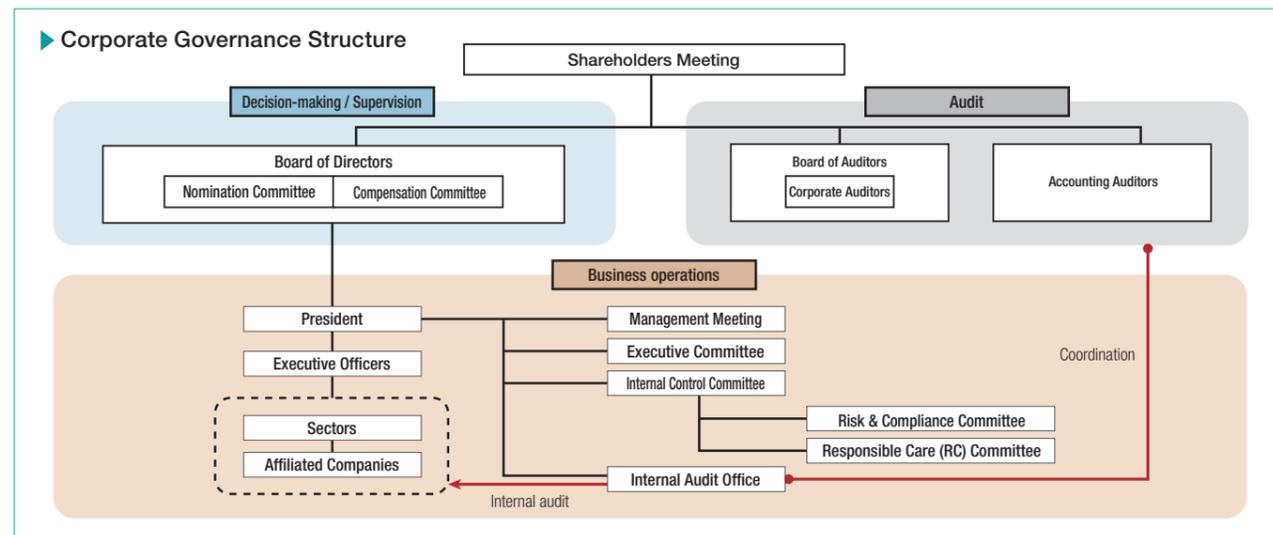
We have also set up an Officer Nomination Committee and an Officer Compensation Committee (comprising a president, a director in charge of personnel affairs, and two independent outside directors), which provide advice on nomination and compensation of directors and nomination of corporate auditors.

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

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

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

The Internal Audit Office audits business operations.



## Risk and Compliance

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

### Risk management system

#### ● Preventive measures

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

#### ● Emergency response

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

## Compliance

#### ● 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.

#### ● 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.

# Topic

### Compliance Handbook Revised

Our attitude toward compliance is set forth in the Company rules. We also distribute our Compliance Handbook to our employees, in the form of a leaflet as well as through our electronic bulletin board system. Recently we have reviewed the contents of the Compliance Handbook taking into consideration our suppliers and our current situations. Major changes made are the following four points, and expressions throughout this Handbook are now easier for employees to understand.

- Prohibition of child labor/forced labor
- Securing of workplace safety and health
- Prohibition of giving/receiving profits from suppliers, etc. beyond the bounds of socially accepted limits
- Selecting suppliers that fulfill social responsibilities

As a member of society, we will continue to meet the needs of our stakeholders and societies, including compliance with laws, regulations and various rules and norms.



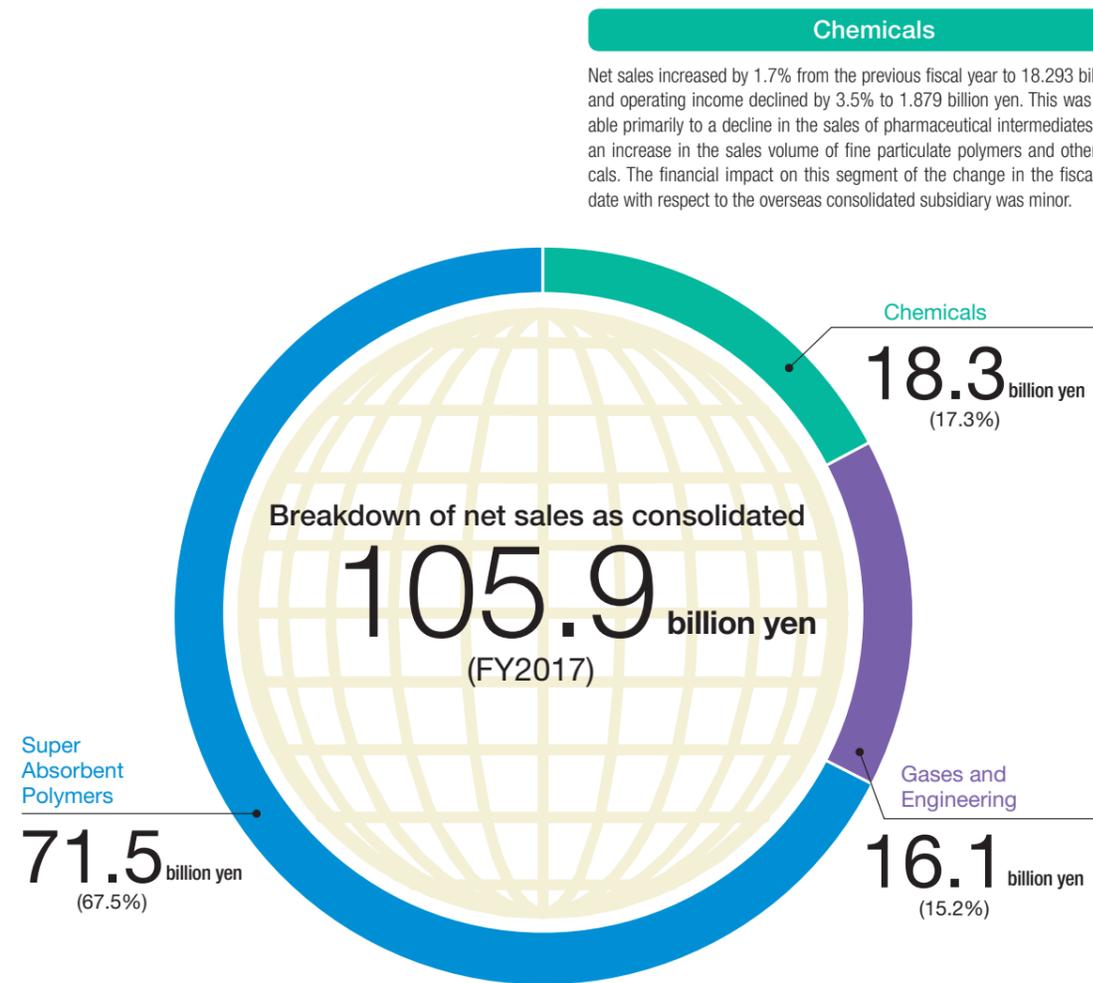
# Company Profile & Financial Results (FY2017)

## Company profile

Established : July 20, 1944 Capital : 9,698 million yen Number of employees : 1,269 as consolidated as of March 31, 2018

## Consolidated financial results for fiscal 2017

During the twelve months ended March 31, 2018 (fiscal 2017), the Japanese economy showed a moderate recovery, as consumer spending showed signs of picking up while employment and household income kept improving. Overseas, although countries generally continued to show a moderate business recovery, the overall economic outlook remained opaque, given uncertainty associated with U.S. government policies and economic prospects of China and other countries such as emerging economies in Asia.



### Super Absorbent Polymers

Net sales increased by 8.7% from the previous fiscal year to 71.532 billion yen, and operating income declined by 21.8% to 6.023 billion yen. If a comparison is made of financial results for the same period between the current fiscal year and the previous fiscal year after excluding the impact of the change in the fiscal closing date for the overseas consolidated subsidiary, net sales will increase by 8.14 billion yen (+12.8%) and operating income will decrease by 1.565 billion yen (-20.6%). The net sales growth derived from the expanded volume of sales in emerging markets in Asia, including China, whereas the operating income was squeezed, affected by a rise in raw materials and fuel costs.

### Gases and Engineering

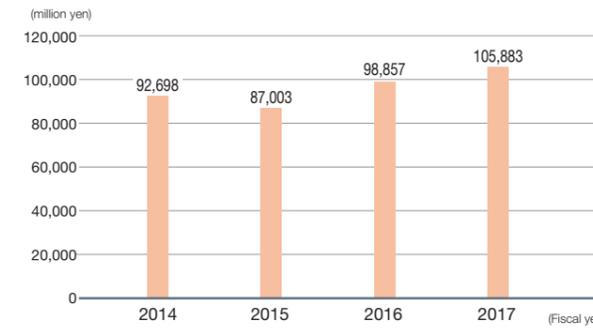
Net sales increased by 6.4% from the previous fiscal year to 16.057 billion yen. Operating income also increased by 106.6% to 1.815 billion yen. This improvement in performance is attributable to the increased volume of sales of electronic gases. The financial impact on this segment of the change in the fiscal closing date with respect to the overseas consolidated subsidiary was minor.

### Chemicals

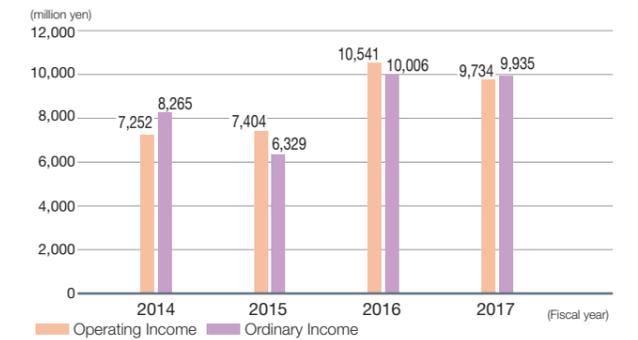
Net sales increased by 1.7% from the previous fiscal year to 18.293 billion yen, and operating income declined by 3.5% to 1.879 billion yen. This was attributable primarily to a decline in the sales of pharmaceutical intermediates, despite an increase in the sales volume of fine particulate polymers and other chemicals. The financial impact on this segment of the change in the fiscal closing date with respect to the overseas consolidated subsidiary was minor.

## Financial Data

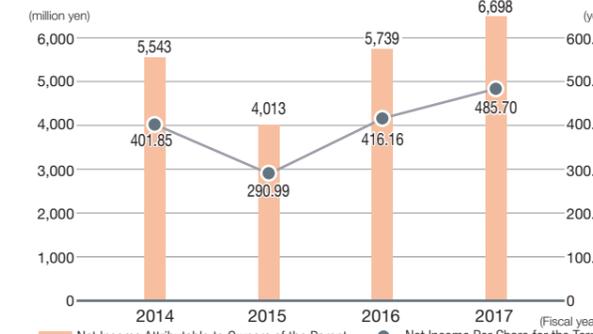
### Net Sales



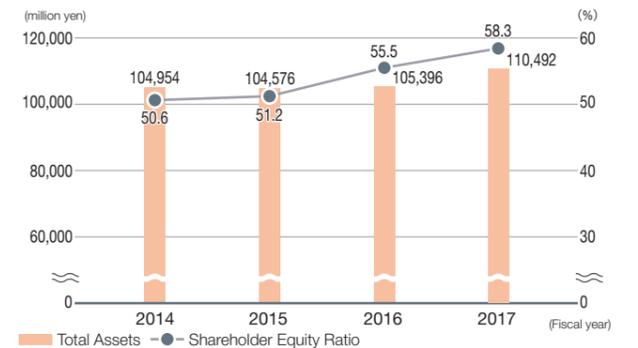
### Operating Income/Ordinary Income



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

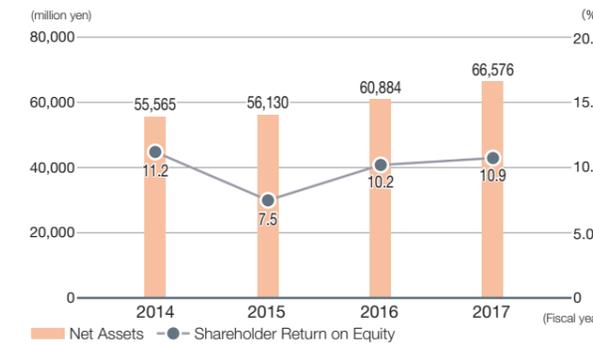


### Total Assets/Shareholder Equity Ratio

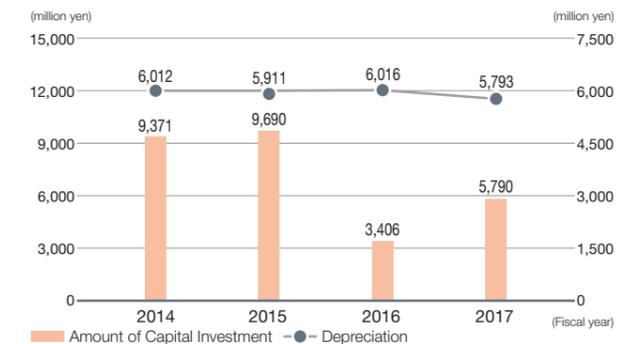


Sumitomo Seika implemented the share consolidation of common stocks at a ratio of one share per five shares effective as of October 1, 2016. Net income per-share is calculated on the assumption that the said share consolidation was implemented at the beginning of fiscal year 2014.

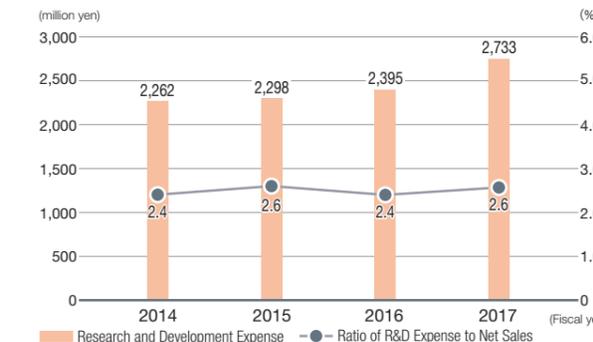
### Net Assets/Shareholder Return on Equity



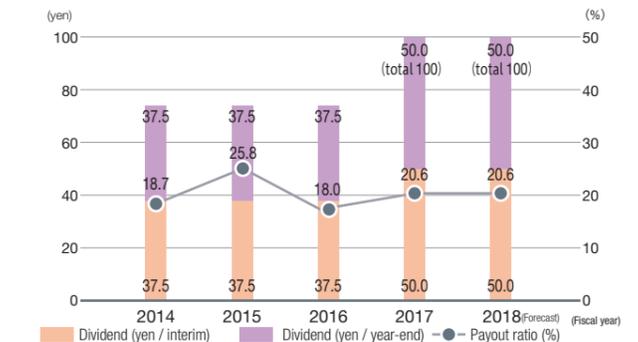
### Amount of Capital Investment / Depreciation



### 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. Net income per-share is calculated on the assumption that the said share consolidation was implemented at the beginning of fiscal year 2014.

# Group Network

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



## ▶ Business locations overseas



## Topic

### Group News Network (overseas News) Sumitomo Seika Trading (Shanghai) Co., Ltd.

In July 2017, Sumitomo Seika Trading (Shanghai) Co., Ltd. set up its new base with an evaluation facility in Shanghai to promote sales of AQUACHARGE, an aqueous binder for lithium-ion batteries, in China. In China, the lithium-ion battery industry is rapidly growing. Before the opening of this base, Japan-based staff had to make business trips to deal with our customers in China. Now, we can speedily respond to local needs and technical issues by utilizing this new site. We will continue improving customer satisfaction through the provision of technical services.



### Business locations in Japan

Head Offices: Osaka, Tokyo

Sales Offices: Osaka, Tokyo

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

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

### Consolidated subsidiaries

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

# Detailed Data

## Environment Accounting and Economic Results

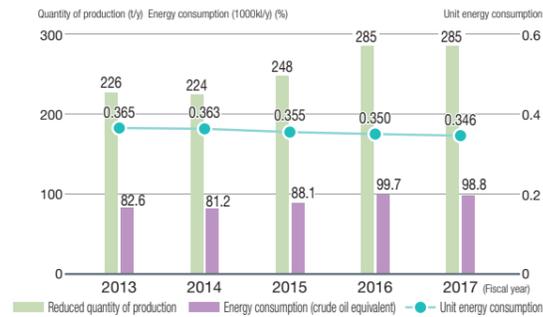
(million yen)

Classification of environmental cost	FY2015		FY2016		FY2017	
	Amount of investment	Amount of expenses	Amount of investment	Amount of expenses	Amount of investment	Amount of expenses
<b>Business area costs</b>						
Pollution prevention costs	40	351	72	342	48	329
Global environmental protection costs (global warming, energy saving)	14	2,272	62	1,653	18	1,785
Resource recycling costs	19	286	12	254	0	266
Upstream / Downstream costs	79	8	16	10	1	11
Administrative costs	16	163	11	155	10	166
R&D costs	91	309	68	245	192	288
Social activity cost	0	2	0	1	0	1
Environmental remediation costs	0	0	0	0	0	0
<b>Total</b>	<b>259</b>	<b>3,391</b>	<b>241</b>	<b>2,660</b>	<b>269</b>	<b>2,846</b>
<b>Economic Results</b>	<b>1,627</b>		<b>5,152</b>		<b>799</b>	

Scope: Our domestic bases

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

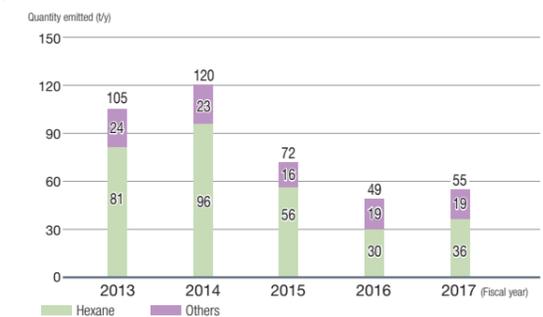
### Trend of energy consumption



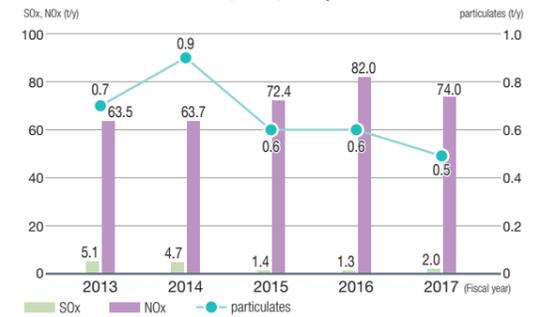
### Trend of CO<sub>2</sub> emissions



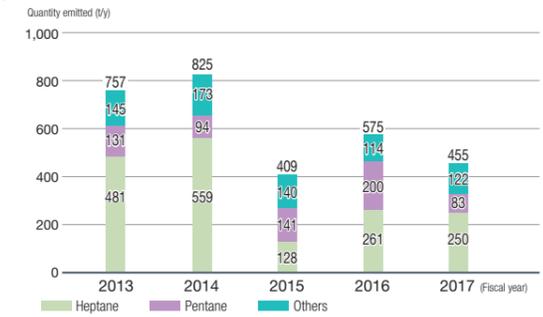
### Trend of emission of PRTR substances



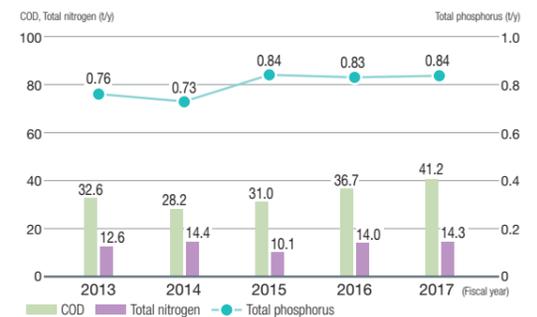
### Trend of emission of SO<sub>x</sub>, NO<sub>x</sub>, and particulates



### Trend of VOC substances emission



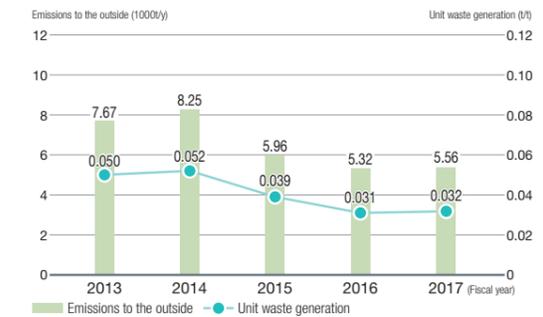
### Trend of water contamination load



## Performance Data at Domestic Works (FY2017)

	Befu Works	Himeji Works	Chiba Works
<b>Energy (as crude oil)</b>	12,000kl/y	84,700kl/y	2,020kl/y
<b>Air</b>	CO <sub>2</sub>	77,100t/y	164,000t/y
	SO <sub>x</sub>	2.0t/y	- t/y
	NO <sub>x</sub>	6.9t/y	66.6t/y
	PRTR substances	1.4t/y	48.1t/y
<b>Effluent</b>	Volume of effluent	1,600 × 1,000 m <sup>3</sup> /y	2,090 × 1,000 m <sup>3</sup> /y
	COD	21.9t/y	18.7t/y
<b>Waste material</b>	Quantity	5,270t/y	3,610t/y
	Recycle ratio	42%	91%
	Final landfilling	15t/y	7t/y

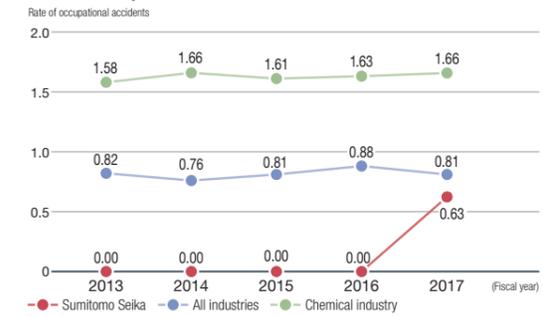
### Emissions to the outside / Unit waste generation



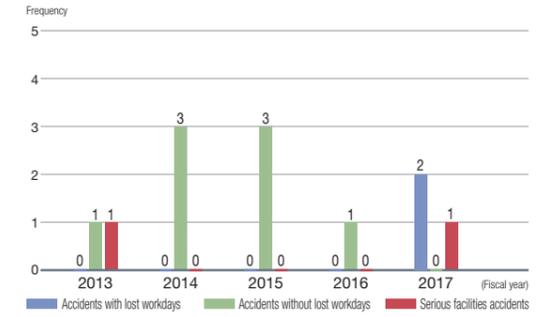
### Amount of final landfilling and trend of recycling rate



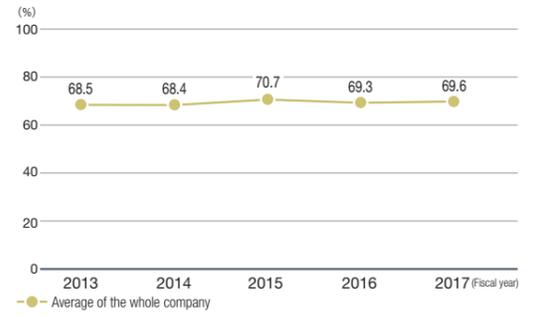
### Rate of occupational accidents



### The number of occupational accidents and serious facilities accidents



### Trend of utilization of paid holidays



### Trend of re-employees

Fiscal Year	2013	2014	2015	2016	2017
Number of retired employees	11	19	19	25	12
Number of re-employees	10	16	17	22	7
Ratio of re-employment	91%	84%	89%	88%	58.3%

### Actual results

Fiscal Year	2013	2014	2015	2016	2017
Childcare leave plan	3	6	2	5	3
Short-time service for child rearing	0	3	5	5	5
Nursing car leave plan	1	0	1	1	1
Short-time service for nursing care	1	1	0	0	0

# Sumitomo Business Spirit



## Business Principles

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

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

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.

## Our CSR Report web page



CSR Report 2018 and back numbers are also available on our website.

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

## Independent Verification Report



Sumitomo Seika Chemicals Company Limited  
Corporate Social Responsibility Report 2018  
Statement of opinion regarding the third-party verification

August 3, 2018

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 2018" (hereinafter the "Report") prepared by Sumitomo Seika Chemicals Company Limited (hereinafter the "Company").

- 1) Rationale for 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 Befu 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 for 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 Befu 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
  - We acknowledge that the risk assessments of the processes and work operations, risk assessments of the chemical substances handled, and quality risk assessments are each performed in a planned manner, and initiatives are being taken to improve the facilities and work operations and prevent the occurrence of trouble. Also, we hope the initiatives taken based on the instructions indicated in the RC audits, quality audits and other audits will be strengthened.
  - The Befu Works has entered the 13th year without an accident (with lost workday), and we hope this will continue in the future. We acknowledge that the three safety activities supporting this are substantial and the works has come together to continue and promote these activities. ① In the HH (hiyar-hatto [near miss / close call]) activity, "assumed near misses" that aims to foresee possible near misses is proactively used, and it is dramatically reducing the occurrence of actual near misses. ② The KY (iken yochi [risk prediction]) activity prior to the start of work is being thoroughly conducted. ③ The risk assessment activity has been thoroughly established, and follow-ups are being conducted.
  - We acknowledge that at both the Befu Works and Himeji Works, things are kept tidy, in order and clean, the signs within the works are easy to see and the 5S activities have been firmly established, including daily greetings.
- 4) Characteristics of the Report
  - As the direction in which the Company is heading has already been made clear (Medium-and Long-Term Business Plan), the overall composition of the Report is easy to understand, including CSR management, introduction of initiatives for the sustainable development goals (SDGs) and products that contribute to achieving those goals, and introduction of initiatives for and actual state of important issues at each site such as the environment and safety. We hope the Report contents will be further enhanced in the future.

*Shigeki Nagamatsu*

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