

Integrated Report

# Sumitomo Seika Report 2024



## Fundamental Principles

# Purpose Statement

In 2022, Sumitomo Seika Group has formulated our Purpose Statement as a message to its stakeholders about the Company's commitment to society and also as the Group's beacon for employees to nurture corporate culture under which all employees are united more closely than ever to take on whatever challenges lying ahead.

As awareness of SDGs and ESG is growing, the Group is committed to implementing unwavering management with a long-term perspective in order to meet the growing expectations and demands that companies will resolve social issues.

In order to do this, it is vital that all employees should share with each other what they think our *raison d'être* is, and what value we offer society, and then that all of our departments come together and challenge to resolve various issues.

By linking our Purpose Statement — “We will solve issues facing the earth and peoples' lives through Sumitomo Seika's ‘Chemistry’” — to specific tasks and issues in each department during employees' daily working activities, we strive to ensure that employees are always aware of our mission to utilize our technologies to deliver products that contribute to the

advancement of society.

To address social issues such as the need to reduce greenhouse gas emissions, innovation created by the power of chemistry will be indispensable.

As such, each employee will make it their business to seriously consider how our technologies can be of help, and will evolve Sumitomo Seika's “Chemistry”.

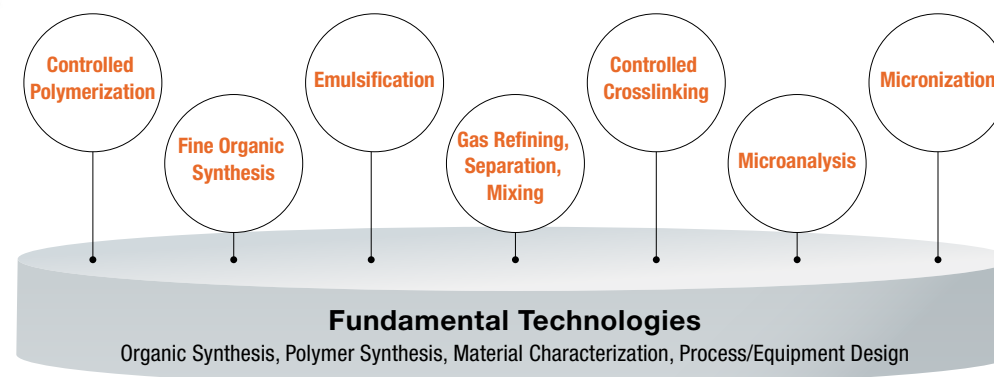
The illustration below depicts a scene where people from different backgrounds are enjoying healthy lives, with the issues faced by the Earth and peoples' lives resolved.



## Sumitomo Seika's "Chemistry"

- ▶ Composed of our core technologies having distinctive advantages and uniqueness on the right:
- ▶ Creates something new by fusing a variety of existing products or technologies.
- ▶ Figuratively means that our corporate culture makes it possible to create new things through people working together.

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



# 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 exibility in order to cope effectively with the changing times.

Under no circumstances, however, shall it pursue easy gains or act imprudently.

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

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

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

# Corporate Mission

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

# Purpose Statement



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

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# Publication of the Integrated Report, “Sumitomo Seika Report 2024”

This year’s report looks primarily at Medium-term Business Plan 2023–2025 and the progress we have made so far now that the first year of the plan has ended. It also contains information of topics such as the promotion of human-capital-focused management, responses to climate change and other sustainability-related strategies and initiatives, as well as updates on the governance structures that form the foundation of corporate management. It is the Group’s hope that this report will act as a springboard for further dialogue with stakeholders.

## Notes on forward-looking statements:

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

## Editorial Policy

With the Sumitomo Seika Report, we wish to convey to stakeholders the ways in which we work to create sustainable value, and through dialogue to tie this in further value creation. In compiling the report, we have referred to a number of different initiatives’ standards, government guidelines, and other reference materials.

## Reporting period

Fiscal 2023 (April 1, 2023 to March 31, 2024)

\* Includes some data from April 2024 onward

## Scope

Unless otherwise specified, the scope of this report is the Sumitomo Seika Group, which comprises Sumitomo Seika Chemicals Co., Ltd. ( “the Company” ) and its consolidated subsidiaries. Responsible Care performance data and employment-related data cover only the Company’s domestic sites.

## Guidelines, etc., referenced

- Integrated Reporting Framework, IFRS Foundation
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- Environmental Reporting Guidelines 2018, Ministry of the Environment
- GRI Standards, Global Reporting Initiative


## Scope of the third-party verification report

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


## Main Reporting Media

**Sumitomo Seika Website** 

**Financial Results** 

**Fact Book** 

Financial data for the Group overall and for each business

**Financial Results Briefings** 

# Path of Value Creation

The Sumitomo Seika Group was founded in 1944 as a manufacturer and seller of fertilizers. Later, as the fertilizer industry suffered upheaval, the company switched its main focus to industrial chemicals. Since that time, we have expanded our business areas mainly to gas products, chemical equipment (engineering), fine chemicals, functional polymers, and super absorbent polymers, while also actively expanding our business overseas.

## 1944–1950s

- Founded in Kako-gun, Hyogo Prefecture, and began manufacturing and selling ammonium sulfate.
- Promoted business expansion.
- Worked to become self-sufficient in raw sulfuric acid and streamline costs.
- Began manufacturing and selling urea, industrial chemicals, and gas products.



## 1970s

- Stopped manufacturing ammonia, ammonium sulfate, and urea (withdrew from the fertilizer business).
- Expanded business of methanol-based products (formaldehyde, etc.).
- Stopped manufacturing and selling methanol.
- Increased sales of sulfur and chlorine compounds.
- Entered into electronics gases on a full scale. Sales grew.

## 1990s

- Expanded product lineup of fine chemicals such as pharmaceutical intermediates and functional polymers such as water-soluble polymers.
- Expanded super absorbent polymers manufacturing facilities at Himeji Works four times.
- Started manufacturing and selling super absorbent polymers in Singapore.



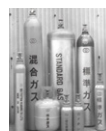
## 2010s to 2023

- Started manufacturing and selling electronics gases in China (later converted to contract manufacturing of chemical products).
- Expanded super absorbent polymers manufacturing facilities at Himeji Works twice.
- Started manufacturing and selling super absorbent polymers in Korea.
- Expanded manufacturing facilities for electronics gases in Japan and Korea.



## 1960s

- Constructed a factory in Himeji, Hyogo Prefecture to produce ammonia, ammonium sulfate, and methanol, effectively utilizing coke oven gas generated at steelworks.
- Started manufacturing and selling standard gases.
- Started chemical equipment business (later engineering business). Sales grew.
- Started manufacturing and selling powdered plastics, and built a factory in Yachiyo, Chiba Prefecture in response to growing demand.
- Started manufacturing and selling polymer compounds, chlorine compounds, and sulfur compounds.



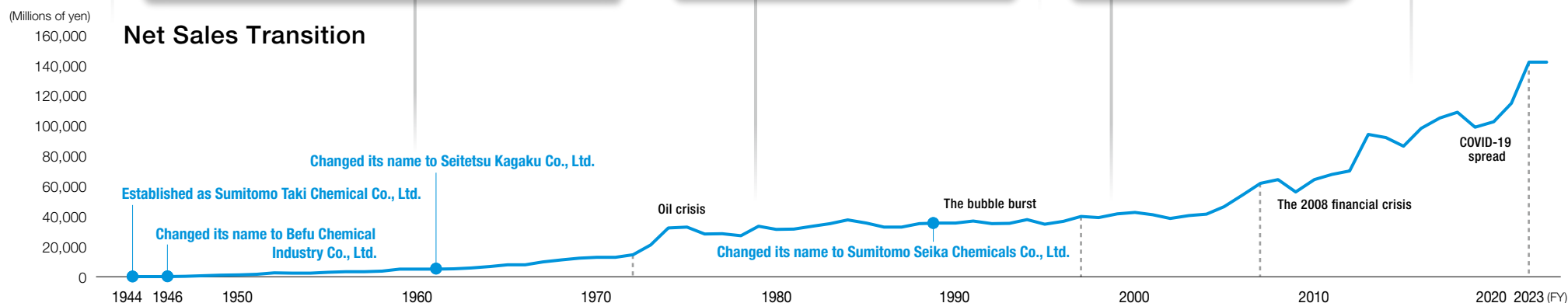
## 1980s

- Increased orders for various pressure swing adsorption (PSA) devices.
- Expanded product lineup of polymer compounds (functional polymers). Sales expanded.
- Started manufacturing and selling pharmaceutical intermediates.
- Started manufacturing and selling proprietary super absorbent polymers.



## 2000s

- Started manufacturing and selling electronics gases in Taiwan.
- Established sales offices in the US and Belgium (Closed US office later).
- Expanded super absorbent polymers manufacturing facilities at Himeji Works twice.
- Acquired super absorbent polymers business in France.
- Started manufacturing and selling electronics gases in Korea.

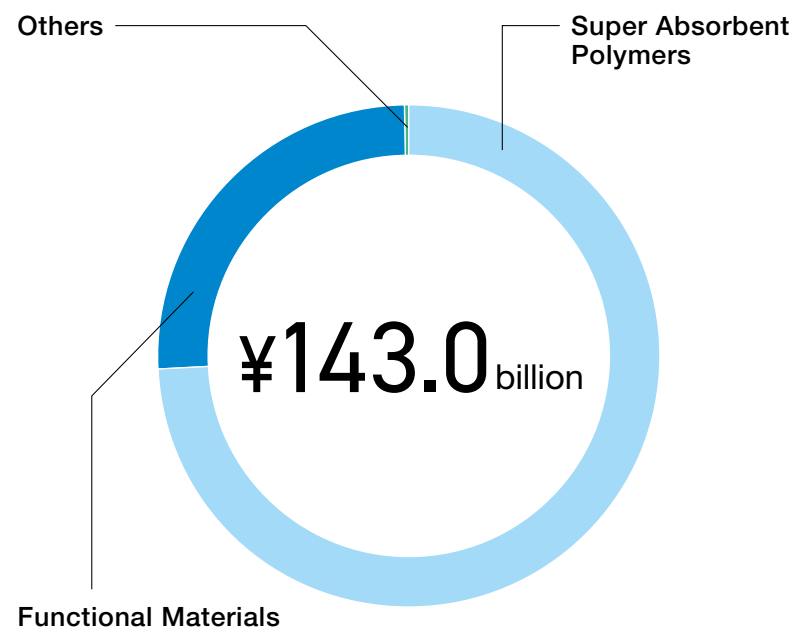


Figures for 1993 are unconsolidated, those for 1994 onward are consolidated.

# At a glance

(As of march 31, 2024)

Consolidated Sales in FY2023



Established  
in **1944**

Number of Employees  
**1,402**

Consolidated Subsidiaries  
In Japan: **2** companies  
Overseas: **9** companies  
As of June 31, 2024

Operating Income  
**¥9.5** billion

ROE  
**6.8** %

ROIC  
**6.6** %

Equity Ratio  
**69.7** %

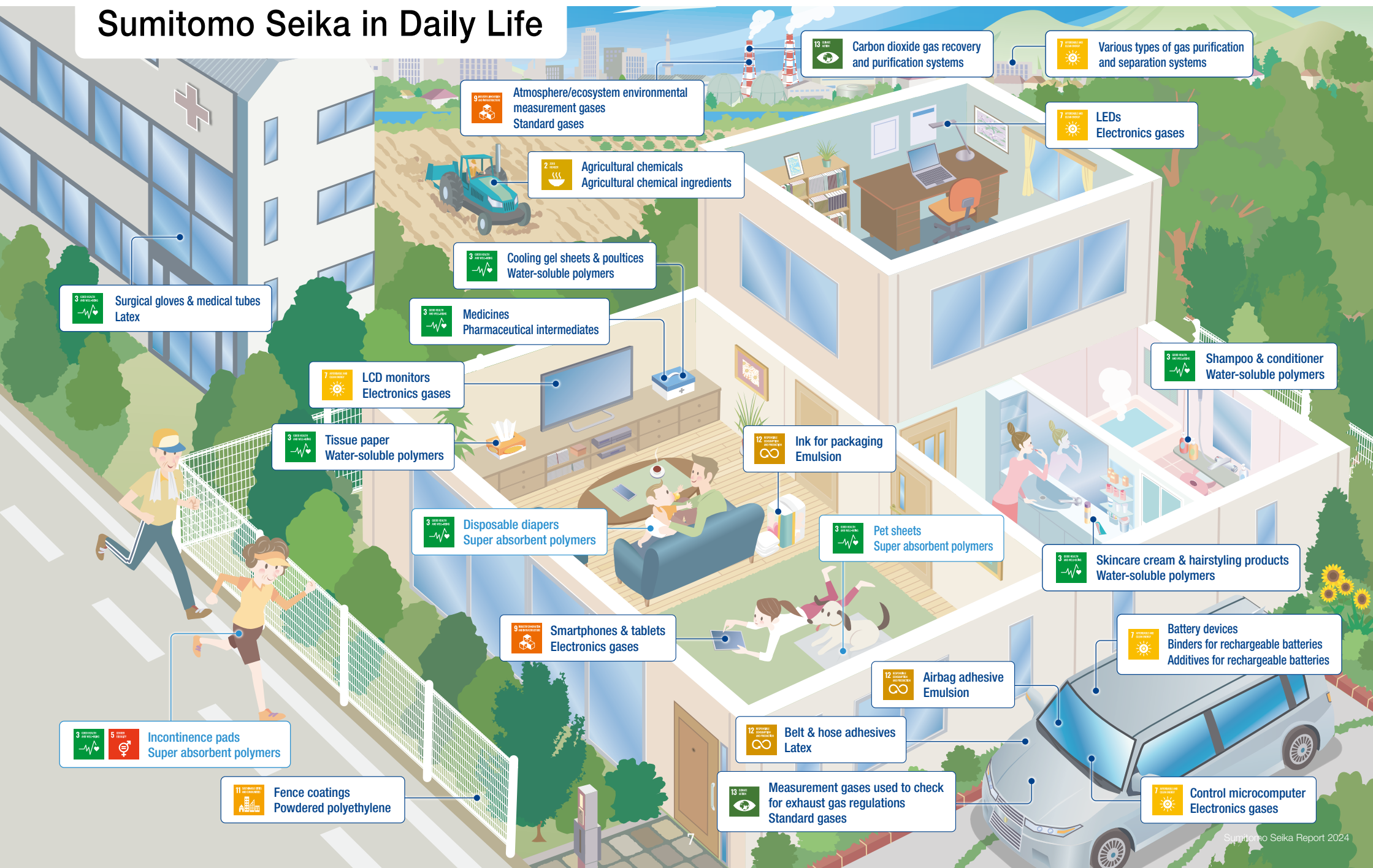
Overseas Sales Ratio  
**73.7** %

Dividend Payout Ratio  
**43.6** %

Super absorbent polymers

Functional materials

# Sumitomo Seika in Daily Life





# One Year at Sumitomo Seika

## April

### ■ Induction Ceremony

※32 new employees joined Sumitomo Seika.



## May

- Built a new carbon monoxide (CO) production facility in South Korea to increase production capacity for semiconductor material gases with full-scale operation to begin in May 2023.



- Decided to build a new pilot facility for super absorbent polymers(Himeji Works).



## November

- Decided to build a new R&D facility, SEIKA R&D center (Befu area).



- Decided to expand super absorbent polymers manufacturing facilities (Sumitomo Seika Singapore).



2023 > April May June July August September October November December 2024 > January February March

## June

- The 110th ordinary general meeting of shareholders
- Established Seika Research Co., Ltd.

## July

- Sumitomo Seika Polymers Korea and Sumitomo Seika Europe obtained ISCC PLUS certification (International Sustainability & Carbon Certification).

## September

- SAP S/4HANA®, implemented since FY2022 as part of the next-generation core business system construction project (Phase 1), began operation.

## September・October

- Town-hall meeting

## December

- Received the Minister of Land, Infrastructure, Transport and Tourism Award at the Green Logistics Partnership Conference.



## February

- Signed the United Nations Global Compact



## March

- Town-hall meeting, dialogue between president and employees

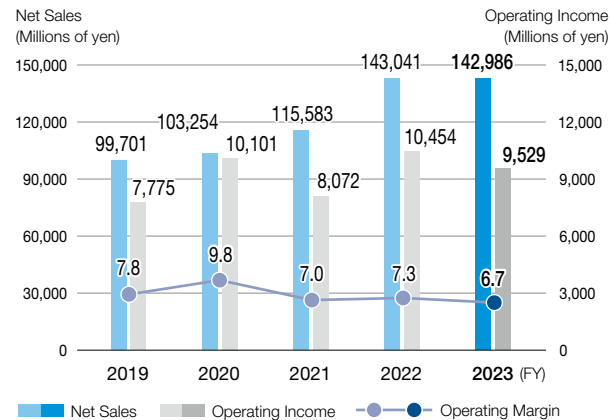




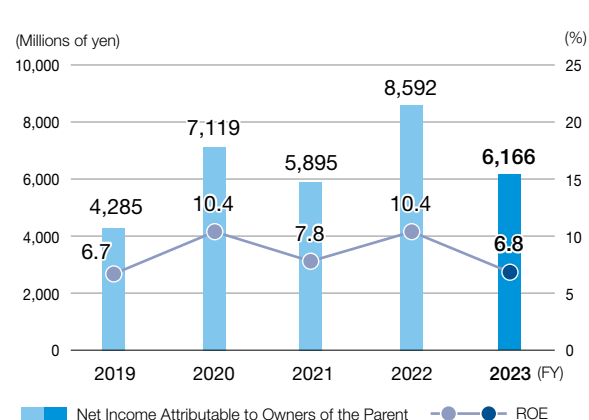
# Data Highlight

## Financial Highlights

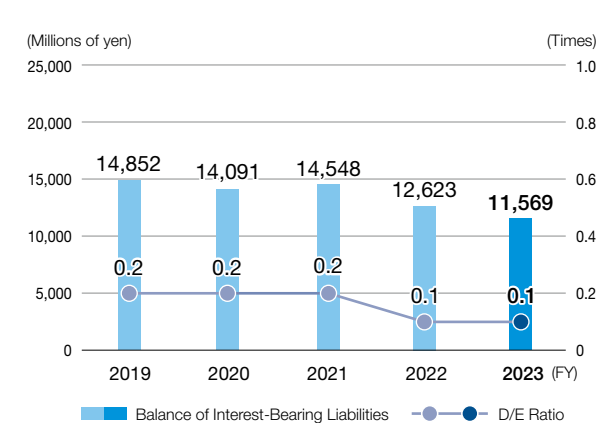
### Net Sales • Operating Income • Operating Margin



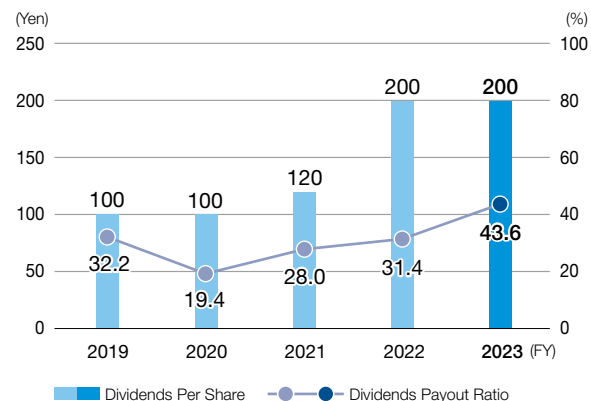
### Net Income Attributable to Owners of the Parent • ROE



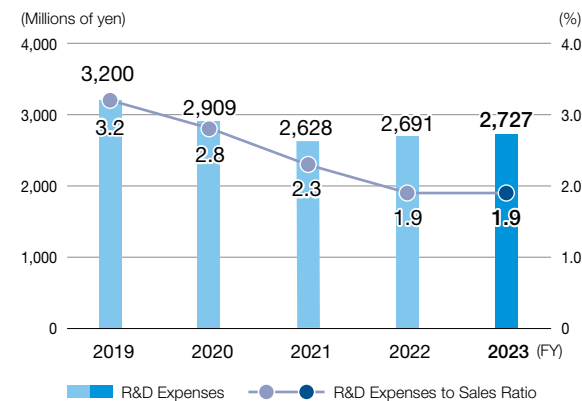
### Balance of Interest-Bearing Liabilities • D/E Ratio



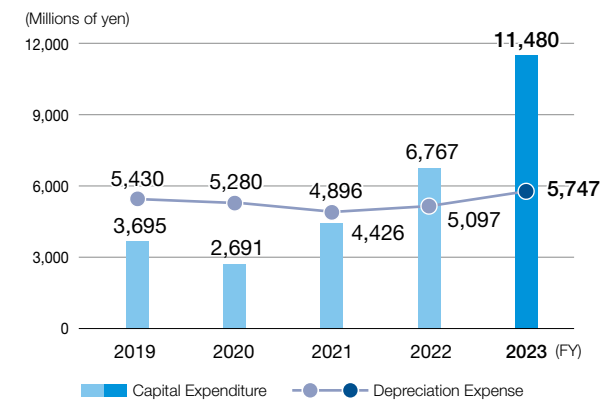
### Dividends Per Share • Dividends Payout Ratio



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

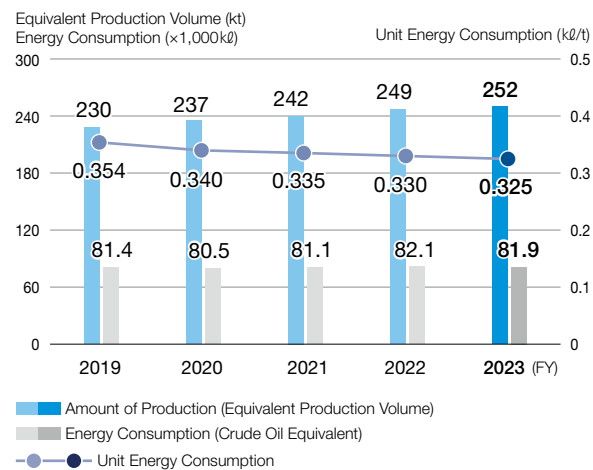


### Capital Expenditure • Depreciation Expense

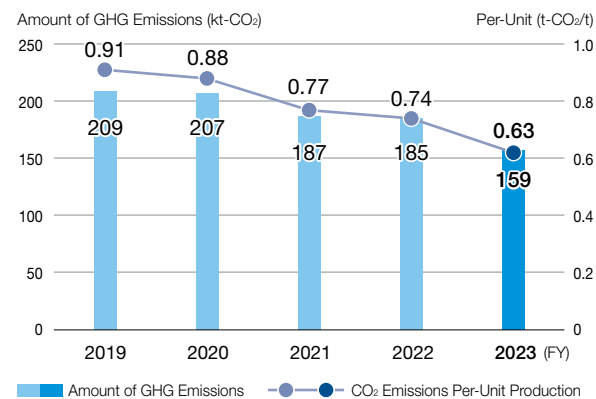


## Non-Financial Highlights

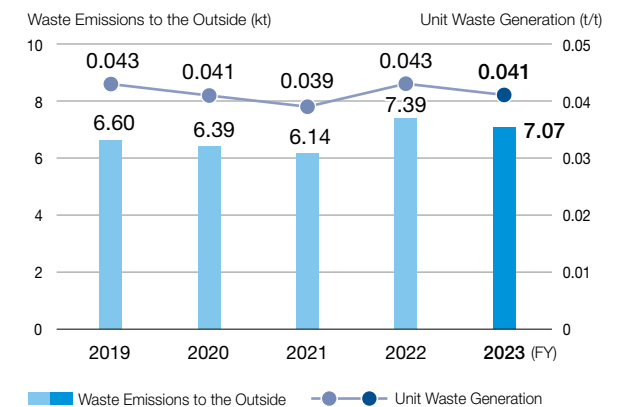
### Trend of Energy Consumption



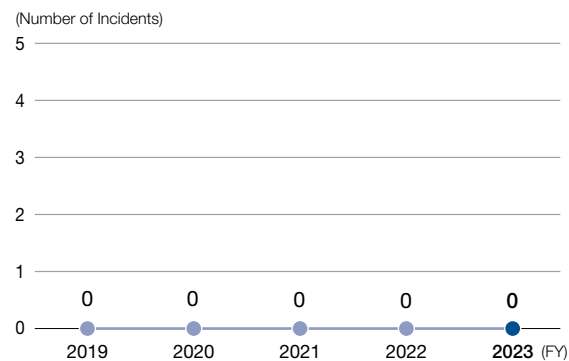
### Amount of GHG Emissions • Per-Unit



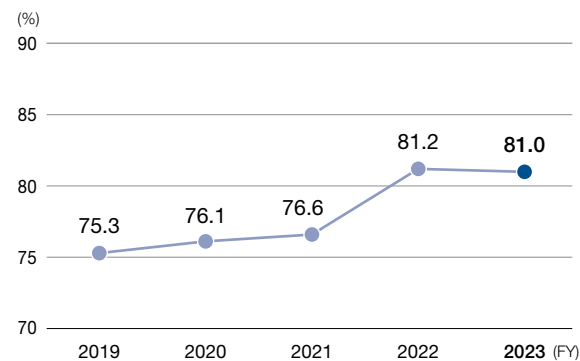
### Waste Emissions to the Outside / Unit Waste Generation



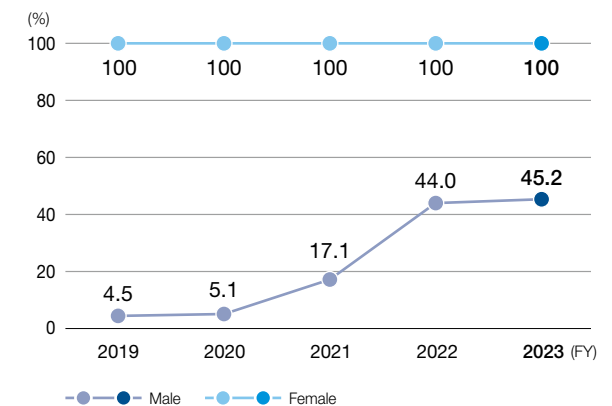
### Accidents Involving Lost Workdays



### Paid Leave Utilization Rate



### Uptake of Childcare Leave



## Top Message



**We accelerate new business creation  
through the unwavering implementation  
of the Medium-Term Business Plan.**

*S. Ogawa* President



As a proud member of the Sumitomo Group, the Sumitomo Seika Group holds fast to the unalterable basic policy of conducting business in all fairness, guided by the high business ethical standard based on the Sumitomo Business Spirit and the Group's Corporate Mission. Passed down from the founder of the House of Sumitomo and refined over many decades, the Sumitomo Business Spirit strongly advises against acting imprudently in pursuit of speculative gains and placing prime importance on maintaining the trust of business partners and society as a whole. It also contains a credo of Jiri Rita Koushi Ichinyo, i.e., "Benefit self and benefit others; private and public interests are one and the same," stressing the importance of always conducting business in harmony with the public interest, not solely for the profit of one's own company.

These teachings, which align with such contemporary concepts as SDGs and CSR, have been the linchpin of our business management. They are materialized in our mission that we should aim to conduct business in such a manner that the very existence of ourselves helps make the world a better place for everyone. On this firm belief, we are devoting ourselves to promoting our business activities.

To coincide with the formulation of the current Medium-Term Business Plan, we announced our Purpose Statement, which reads, "We will solve issues facing the earth and peoples' lives through Sumitomo Seika's 'Chemistry.'" Through this statement, we clearly expressed our commitment to creating new businesses that will deliver useful values to society and concurrently our proactive stance of all Group companies joining efforts to this end to take on any challenges lying ahead.

## Six Years of Focused Efforts to Change Our Mindset As Business Expands

Back in 2018, when I took the office of President of this company, our annual net sales were a little over 100.0 billion yen. The figure has since grown by roughly 50% to almost reach 150.0 billion yen today. Meanwhile, as our business continues to expand, over 70% of our Group's net sales are now generated outside Japan, making our business regions geographically diverse. This business development, combined with a fast-changing business environment, is presenting us with various new issue, one after another, that require our frequent response to meet market needs. To handle such issues properly, I believe we must pause awhile and think about what is the essential purpose of our work and then change the way we work, adapting to changing external circumstances. Given this situation, I have consistently conveyed a single strong message to our employees, that is, "if you keep thinking spontaneously about the purpose of your work and the roles you are expected to play, your mindset comes to change and you will eventually decide to change the way you do your work". Taking every possible occasion, I have emphasized the importance of this basic attitude. Changing the way we work indeed poses a major challenge to everyone involved. Knowing this, the company offers various incentive programs to reward and assist such forward-looking employees in their endeavors.

## From "Never Possible" to "Let's Tackle the Challenge" Changed Mindset Realized Cost Reduction

One of the major challenges that I have been working on since becoming President here in 2018 is the project to reduce costs by rationalizing the manufacturing of super absorbent polymers (SAP). As I will reiterate it later, SAP is becoming fast commoditized as its market grows in size. For our Group to survive in the market, it is vital that we

re-double our efforts to rationalize our SAP business operation for cost curtailment, which prompted me to place top priority on this project. However, the initial response from within the company was, "We've already done everything possible for cost reduction. It's impossible to build something out of nothing." Yet, the members of the project team did not surrender. They scrutinized all conceivable issues to be straightened out with respect to the SAP manufacturing and discussed them in depth. In the meantime, they gradually began to realize that their way of thinking might have been shackled by certain fixed notions such as, "No way we can invest a large sum of money" or "We are not allowed to suspend facilities operation as it could deteriorate our short-term profit." Once freed from such obsession, however, they began to see renewed possibilities ahead and motivated them to take a step forward, saying "Let's seriously give it a go." The project eventually got off the ground and started running. It is my great pleasure that the extraordinary efforts of everyone, not only in our domestic and overseas production sites, but in all relevant departments or sections across our global supply chains, are finally bearing fruits, likely realizing cost reduction through the rationalization corresponding to the yearly sum of 8.0 billion yen by the end of fiscal 2025.

Another challenge that I have been working on since 2018 is setting a target of doubling work productivity. For this project, too, people in the workplace expressed their concerns in the beginning. Voices of a distinctly negative reaction were heard, especially from department and section managers who are responsible for management and operation of their respective workplaces. They initially saw "doubling productivity" as an unrealistic target to achieve. Of course, I did not mean that each individual had to work twice as hard. Instead, I envisioned that improving everyone's capabilities should ultimately result in more than doubling the organization's overall productivity. To achieve this, I emphasized that supervisors should play key roles in training their subordinates and developing their capabilities. In other words, I urged team leaders to change their mindset on the training of their team members. In this connection, I requested that concrete examples of productivity



improvement through mindset changes be shared across the company. Specifically, first, each of the selected sections sets its own project topic to work on, strives to enhance productivity and self-evaluates how successful the project has progressed. Then, they gather together once a year for the company-wide convention, where the sections that the company's convention organizing committee believes have successfully improved productivity through changes in mindset are invited as speakers. The sections so represented then share their experiences of how supervisors have successfully triggered a shift in their own mindset and also motivated their subordinates. Going forward, we will continue these initiatives to promote the efforts for mindset change across all workplaces.

These past six years may have been challenging for each of us. Various initiatives to change the mindset required hard work. Individually, everyone attempted to challenge themselves for doing something new. In the workplace, team leaders were expected to change their own mindset in guiding and training their members. With such concerted efforts, however, I can see our work practices changing little by little, beginning to contribute to raising profitability.

## Our SAP Business Is Never Secure Forever. We Must Act Ahead of the Times

SAP uses propylene, a commonly used petrochemical, as a starting material. While it is often discussed in Japan that petrochemical plants, including naphtha crackers, in the country might require reorganization or scaling-down, their Chinese fellow producers are planning to expand their plant capacity to what is equivalent to 5 to 6 times the current domestic demand in Japan. Since their state-of-the-art plants are overwhelmingly cost-competitive, things are coming to the point where the Japanese petrochemical industry cannot hope to compete with their Chinese counterparts unless they come up with something that offers novel values through technology innovation, such as reduction in the environmental burdens. SAP is no exception to this.

Nevertheless, it seems to me that a sense of crisis about the future of our SAP business is weak in our Group. Behind such a lack of crisis awareness are a couple of reasons in my view. For one thing, the Group's SAP sales volume has long continued to grow in the past. Secondly, we have been able to secure a certain level of profit from those market segments where we offer unique functions not available from other players so far. We must recognize, however, that no two kinds of absorbent polymer are different in terms of their basic performance, i.e. the feature of absorbing water. There is no guarantee at all that customers would remain loyal to our products eternally even if ours is somewhat better than others when compared in technical specifications. Although absorbent polymers are being fast commoditized, it is true to say that competitors are constantly trying to improve the quality of their existing products. Clearly, we cannot expect our current advantageous position to prevail in the future if we do nothing today. This is why I take every opportunity to tell our employees not to mistakenly assume that only Sumitomo Seika's SAP stands out.

With this recognition, our primary focus has been on developing new grade SAP. As the SAP market expands in scale, the needs in each region are becoming diverse. In China, where the use of disposable diapers for children has become widespread, users now tend to change their babies' diapers more frequently than before. Their preferences are similar to those in Japan, Europe, and North America, favoring diapers that do not become sweaty inside and yet are thin. In contrast, in India and other countries where disposable diapers have yet to really spread, users tend not to change diapers for a long time for financial reasons and mostly choose relatively thick ones. In addition, in Europe, North America, and Japan where the aging of society is progressing fast, the demand for disposable diapers for adults is expanding.

As I have just described, users seek for differing functionalities from SAP, depending on the regions we serve and the applications which they use SAP for. Our fundamental business strategy is to cater to such demands meticulously and timely. One good example is the ongoing

project to develop a new grade SAP, which has abilities to retain more water absorbed. The new grade makes it possible to reduce the total volume of SAP and other materials used in disposable diapers, thereby trimming diapers cost and at the same time lowering the environmental impact.

We are also working on a longer-term project to commercialize a technology for recycling SAP. At present, disposable diapers, which contain absorbent polymers and other materials, account for approximately 5% of garbage incinerated in Japan, and its percentage is expected to rise to over 7% in the foreseeable future. It is often pointed out that something has to be done here from the standpoint of reducing greenhouse gas emissions. As far as Sumitomo Seika is concerned, we began working on a technology for horizontal recycling in 2022, which recycles SAP recovered from used disposable diapers. On a laboratory scale, we have already established a technology for recycling SAP removed from used disposable diapers for use as brand-new ones. In the future, we will concentrate our efforts on building a recycling system through collaboration with other parties, hoping to start the recycling on a trial basis in some regions around 2030.

## Accelerating R&D on Functional Materials for New Business Creation

In the past, the key ingredient of our Functional Materials Segment was contract manufacturing, which leverages the distinctively advanced expertise of our organic synthesis technology. Today, competitors from China, India, and elsewhere are making big strides in this field, too, leaving little leeway for our Group to pursue business here. Mid-sized chemical companies find survival difficult unless they have one-of-a-kind or niche-top products that are viable enough in the global market. As for the Sumitomo Seika Group, urged by a compelling need to create new businesses that could become a new pillar of our Group operation after SAP, we have consistently allocated more resources to R&D on Functional Materials since more than



ten years ago.

There are many hurdles to overcome throughout the entire process of building a business, such as locating a target market, identifying specific customer needs, developing a technology to meet those needs, and launching required products on the market. As mentioned earlier, contract manufacturing has always been at the core of our business model. When it comes to creating a new business, however, such strength, I feel, might have worked somewhat against us, making our people struggle at various stages of business building, particularly such as exploring potential market needs, evaluating the relative strength of own technologies, and assessing the market size and target costs we should bear in mind. Against this background, it has always been a pressing need for the Functional Materials Segment to develop new products of great growth potential more speedily than in other business segments.

In order to improve the situation and realize further business growth, we will remain committed to creating new businesses by allocating more management resources to R&D in this business segment. As a way to assist this attempt, we will strengthen our R&D infrastructure by building a new R&D facility in our Befu area, Hyogo, Japan, which will serve as our core R&D hub. Scheduled for

completion in 2026, this facility will significantly enhance our R&D prowess, enabling researchers to benefit from substantially upgraded research equipment and also to inspire each other through active mutual exchanges in a specially designed dedicated lounge.

The fields which we will focus on are, as stated in our Purpose Statement, those where “we can solve issues facing the earth and peoples' lives through Sumitomo Seika's ‘Chemistry.’” To be more specific, they are materials for the electronics industry and products or services for the environment & energy field. These two are the fields where chemical companies worldwide are engaged in an intense technology development race. As technological trends change in the blink of an eye these days and the needs in allied industries diversify, I believe business opportunities for our Group will surely present themselves. Among the ongoing development projects that we hope will lead to future business opportunities are materials for automotive batteries which require much higher capacity and insulating coating materials for small- and medium-sized power generators that are required to consume less energy. For these materials, we have already received favorable customer feedback and are working actively to commercialize them within several years.

Earlier, I talked about changing the mindset of team leaders in connection with the training of their subordinates. It takes time to train people and develop their capabilities. It is not that you only need to lower the turnover rate against the current trend. Of much greater importance is that our employees should become highly motivated to do their work and desire to work with the company as long as possible. To develop such workplace environment and atmosphere, we will implement a series of initiatives, including enhancing training programs, reviewing personnel management systems, and further improving the work environment.

Employees are quite diverse in their values. To make our initiatives meaningful, I also think we need to understand what our employees are really thinking. This is why I visit our company's offices, works and laboratories in Japan several times a year to hold town hall meetings where I meet our employees in person and have direct dialogue with them. In order to hear candid views from them, I have been trying organizing the meetings in differing ways, such as holding the meeting in small groups with sessions separated for those in managerial positions and those who are not. In fact, each meeting is usually followed by lively exchanges of Q&A, occasionally lasting for over three hours.

This year, the Sumitomo Seika Group celebrated the 80th anniversary of its foundation. On this auspicious occasion, we have renewed our determination to enhance our corporate value. To achieve this end, the Sumitomo Seika Group will accelerate its unwavering efforts to accomplish the Medium-Term Business Plan, aiming to create new businesses for the future. We will continue to do our utmost to meet the expectations of investors, shareholders, and other stakeholders. Your kind understanding and unchanged support will be greatly appreciated.

### Promoting Personnel Management That Recognizes Employees' Diverse Values Inviting Direct Voice From Workplace at Small-Group Town Hall Meetings

In recent years, people's attitudes toward work, particularly among younger generations, have been changing. For example, changing companies which a person works for has become more common. Our company's turnover rate is somewhere between 3% and 4%. Although the rate is below Japan's national average, it is on the rise.

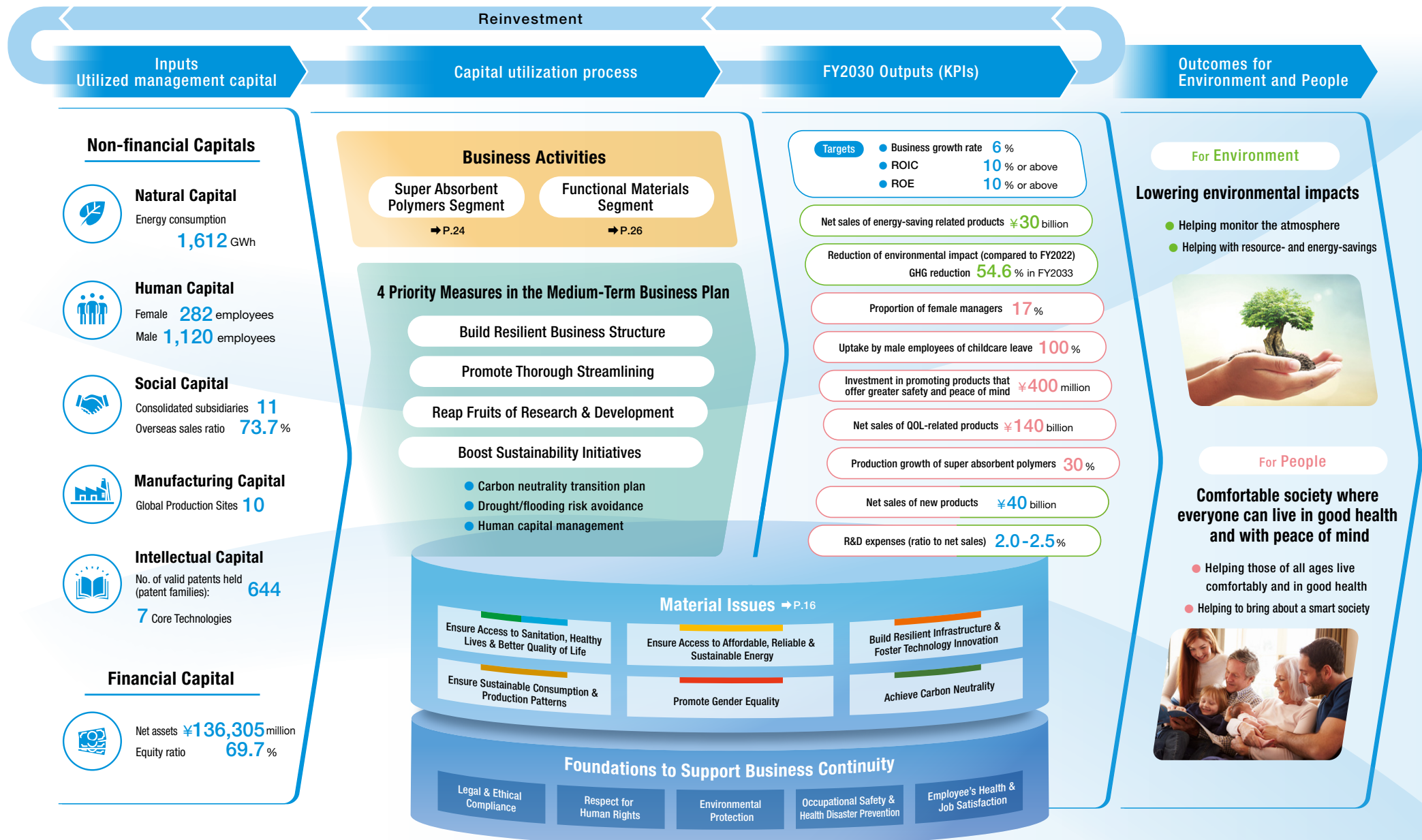
Under the circumstances, strengthening the human resources foundation is becoming increasingly important.





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

# Value Creation Process



# Material Issues and Foundations to Support Business Continuity

In recent years, the wide variety of issues that threaten the sustainability of the natural environment and all of society are becoming ever-more severe. We recognize that making an even greater contribution to the resolution of the problems identified in the SDGs is a pressing duty, and so in fiscal 2022 we established our material (priority) issues.

The six material issues are related to a number of categories that we have identified: (1) sanitation, health, and quality of life, which are vital to people's lives; (2) gender equality, which is a key part of respect for human rights; and (3) energy, technological innovation, and carbon neutrality, which are essential for the sustainability of our natural environment.

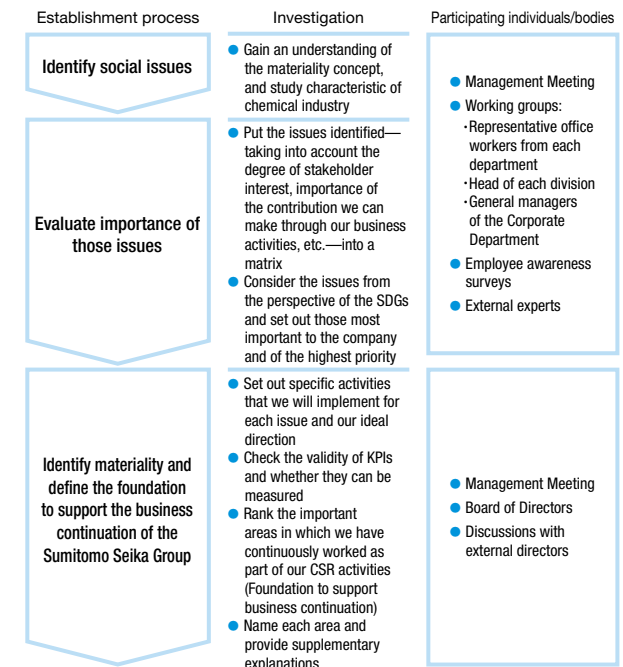
In addition, as a “foundation to support business continuity,” we have defined five basic elements of corporate activities that are indispensable in addressing the material issues and must be constantly enhanced.

The material issues were determined following a process that involved the identification of societal issues and then evaluations of these to judge their respective importance. Then, looking at these issues through the lens of the SDGs, discussions were held with opinions voiced from those inside and outside the Group about which key issues we should tackle.

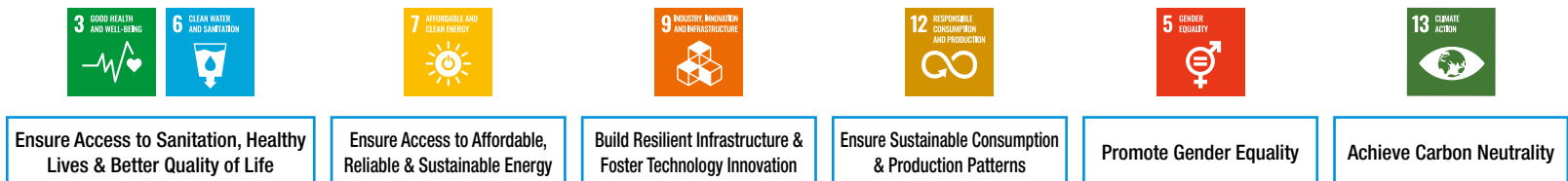
For each of the six material issues, we have set key performance indicators (KPIs) so that we can quantitatively measure the progress we are making toward resolution, and using these we have put in place quantitative targets for us to achieve by fiscal 2025 and 2030.

Since we established these material issues and KPIs in fiscal 2022, our Sustainability Committee has each year deliberated on initiatives for the following fiscal year and beyond, taking into account progress updates, and reports its findings to the Board of Directors. We will also review both material issues and KPIs to follow changes in society.

## Material issue establishment process



## Material Issues



## Foundation to Support Business Continuity



## Materiality-Related Targets, Results, and Future Initiatives

Material Issues	Objective	KPI	FY2023 Result	FY2024 Forecast	FY2030 Target	FY2024 Plan
Ensure Access to Sanitation, Healthy Lives & Better Quality of Life	<ul style="list-style-type: none"> <li>Contribute to improvements in hygiene, health, and quality of life (QOL) by providing super absorbent polymers (materials used in disposable diapers and other sanitary products) and water-soluble polymers (used in products for lifestyle and medicine)</li> </ul>	Net sales of QOL-related products	¥112.8 billion	¥112.5 billion	¥140 billion	<ul style="list-style-type: none"> <li>Introduce new grades of products to match regional characteristics in different Asian markets</li> <li>Strengthen marketing and technical services in emerging markets</li> <li>Expand our factory in Singapore (scheduled to start operations in January 2026)</li> </ul>
		Production growth of super absorbent polymers (ratio to the sales in FY2022)	1%	7%	30%	
Ensure Access to Affordable, Reliable & Sustainable Energy	<ul style="list-style-type: none"> <li>Contribute to energy-savings by providing electronics gases and energy-related products</li> </ul>	Net sales of energy-saving related products	¥8.1 billion	¥9.7 billion	¥30 billion	Increase supply of binders for rechargeable lithium-ion batteries
Build Resilient Infrastructure & Foster Technology Innovation	<ul style="list-style-type: none"> <li>Launch new products</li> <li>Strengthen our R&amp;D capabilities</li> <li>Apply digital technology to raise productivity and bolster production technologies</li> <li>Contribute to the formation of a recycling-oriented society</li> </ul>	R&D expenses (ratio to net sales)	1.9%	1.9%	2.0-2.5%	Develop new products and technologies <ul style="list-style-type: none"> <li>Highly functional SAP for sanitary materials, industrial SAP, and SAP recycling technologies</li> <li>Additives for rechargeable lithium-ion batteries</li> <li>CO<sub>2</sub>-PSA</li> </ul>
		Net sales of new products	¥9.0 billion	¥9.9 billion	¥40 billion	
Ensure Sustainable Consumption & Production Patterns	<ul style="list-style-type: none"> <li>Promote products that offer greater safety and peace of mind</li> </ul>	Investment in making products that offer greater safety and peace of mind (investments related to chemical product safety evaluations, applications, registrations, and manufacturing)	¥210 million	¥130 million	¥400 million	<ul style="list-style-type: none"> <li>Comply thoroughly with each country's laws and regulations pertaining to chemicals</li> <li>Evaluate and mitigate chemical substance risks, including for those contained in products</li> <li>Develop safer, more secure products in response to chemical substance management trends</li> </ul>
Promote Gender Equality	<ul style="list-style-type: none"> <li>Promote female participation</li> </ul>	Proportion of female managers (Non-consolidated)	8% (5%)	10% (6%)	17% (15%)	<ul style="list-style-type: none"> <li>Enhance support for those balancing work with childcare or caring for relatives</li> <li>Take a proactive approach to recruiting female managers</li> <li>Put in place an environment (systems/ infrastructure) that ensures diversity</li> </ul>
		Uptake by Male Employees of Childcare Leave (Non-consolidated)	45%	50%	100%	
Achieve Carbon Neutrality	<ul style="list-style-type: none"> <li>Reduce the amount of GHG emissions that we generate</li> <li>Work together with stakeholders in the value chain</li> <li>Contribute to the achievement of carbon neutrality through our technologies</li> </ul>	GHG reduction rate (Scope 1,2) (compare to FY2022)	11.9%	8.7%	FY2033 Target 54.6%	<ul style="list-style-type: none"> <li>Improve energy efficiency and streamline processes</li> <li>Introduce renewable energy (electricity) at sites outside Japan</li> <li>Switch to low-carbon fuels (heating)</li> <li>Reduce GHG emissions for raw materials via supplier engagement</li> </ul>



# Message from the Chief of Corporate Planning and Accounting

**Working to accomplish the performance goals of the Medium-term Business Plan and to reform our business portfolio to achieve sustainable growth**

Director and Managing  
Executive Officer

**MACHIDA Kenichiro**



## **In fiscal 2023 operating income decreased from the previous fiscal year mainly due to a fall in sales of Functional materials, while sales of Super Absorbent Polymers remained firm**

The business environment in fiscal 2023 was one in which raw material prices and logistics costs were relatively stable. Previously, soaring prices of raw materials and fuels and confusions of supply chain due to the coronavirus pandemic were the factors that had put pressure on profit, but they calmed down. Combined with this, the weakening of the Japanese yen in exchange rates had benefits for the Group, since more than 70% of

our Group's net sales are generated outside Japan.

In the Super Absorbent Polymers Segment, price competition in the Chinese market grew fiercer in general. However, our products are used in high-value-added disposable diapers in China, and we were able to maintain steady sales there by offering a stable supply of a high-quality product and taking suitable pricing measures. Groupwide sales volumes, including other regions, grew 3% over the previous fiscal year. On the other hand, in the Functional Materials Segment, sales of electronics gases dropped due to the influence of long-term adjustments to production in the semiconductor industry, and sales of other products such as IR latex also decreased.

In terms of profit, both operating income and

ordinary income decreased, attributable primarily to an increase of fixed costs that came with updates to our IT infrastructure and a rise of labor costs. Net income even more dropped because extraordinary losses were recognized, such as an impairment loss mainly on discontinuation of the IR Latex business and a special factory operating loss at an overseas manufacturing site, which resulted from faults in the operation of equipment.

## **Operating income is expected to increase for fiscal 2024 thanks chiefly to a growth in sales of super absorbent polymers**

In fiscal 2024, although the effects of the discontinuation



of the IR latex business remain, we predict an increase in operating income due to increased sales volumes of super absorbent polymers in Asian and other markets, a recovery in demand for electronics gases, and the beneficial exchange rates continuing from fiscal 2023.

### Net sales and operating income

	FY2022	FY2023	Y-o-Y Change	FY2024 (Forecast)	Y-o-Y Change
Net sales (billions of yen)	143	143	0.0%	147	2.8%
Operating income (billions of yen)	10.5	9.5	(9.5)%	10.0	5.3%
JPY/USD (yen)	135.48	144.63	6.8%	145.00	0.3%
JPY/CNY (yen)	19.75	20.14	2.0%	20.50	1.8%
Naphtha Price (JPY/KL)	76,600	69,100	(9.8)%	75,000	8.5%

## Progress is being made on capital expenditure and R&D aimed at achieving the targets of the Medium-term Business Plan

We are aiming to achieve performance targets of the Medium-term Business Plan for a period ending fiscal 2025: net sales of 160 billion yen, operating income of 12 billion yen, net income of 8.5 billion yen, an ROE of 8.5%, and an ROIC of 8.0%, focusing on priority initiatives of the Plan, i.e., “Build Resilient Business Structure”, “Reap Fruits of Research & Development”, “Promote Thorough Streamlining”, and “Boost Sustainability Initiatives”.

We have included 50 billion yen of capital expenditure (decision base) and 9 billion yen of R&D expenses during the three-year plan period. In terms of our progress so far, as far as capital expenditure goes,

we began expansion work for super absorbent polymer manufacturing facilities at our Singaporean subsidiary with the purpose of expanding sales in Asian market. Meanwhile, for electronics gases, which are seeing a recent downturn in demand because of adjustments to production levels in the semiconductor industry, some of the investment projects were either cancelled or put off. In the latter half of fiscal 2024, though, we foresee a recovery of demand in the market, and so, while keeping a close eye on the situation, we will look into once again augmenting our production system. For our R&D, in addition to developing new grades of super absorbent polymers and new products in the environmental and energy fields, we are allocating resources in a continuous, priority-based manner for our looking ahead to 2030 sustainability initiatives, i.e., development of a recycling technology for super absorbent polymers recovered from used disposable diapers, and separation and recovery technologies for low concentration CO<sub>2</sub>. In these ways, our action plans are, generally speaking, progressing in accordance with our plan.

### Capital expenditure (construction completion base) and R&D expenses

	FY2023	FY2024 (Forecast)	FY2023-25 (Target)
Capital expenditure (billions of yen)	11.5	18.6	53.0
R&D expenses (billions of yen)	2.8	2.7	9.0

Our Group's D/E ratio in fiscal 2025, the final year of the plan, is expected to be maintained at 0.2 or less. That is to say, our financial base is in good shape. If further investment chances, including for mergers and acquisitions, come up in rolling business strategies in the future, we are willing to be flexible in financing to execute investments, without getting overly hung up on the D/E ratio. When studying whether or not to make investment, we strive to pay attention to trends in international

financial markets and to predict the impact that changes in foreign exchange rates or interest rates could have on our finances.

### Financial position

	End of FY2021	End of FY2022	End of FY2023	End of FY2024 (Forecast)	End of FY2025 (Target)
Bank borrowings balance at year-end (billions of yen)	14.1	12.2	11.2	16.4	16.5
Equity ratio (%)	64.9	68.4	69.7	68.3	70 or more
D/E ratio	0.2	0.1	0.1	0.2	0.2 or less

While the likelihood of our achieving the performance targets is affected by changes to exchange rates or raw material and fuel prices, current forecasts suggest that the Super Absorbent Polymers Segment may exceed the goals of the Medium-term Business Plan.

On the other hand, I have to say the Functional Materials Segment is facing a difficult situation, with a downturn in demand for electronics gases and other negative factors. As for the Sumitomo Seika Group overall, however, I understand it is still possible to achieve the net sales target of 160 billion yen and operating income target of 12 billion yen in fiscal 2025. We will continue to respond to further changes in the business environment and push forward with our initiatives for the remainder of the plan period.

## Reform our business portfolio through improvement of growth potential for the Functional Materials Segment

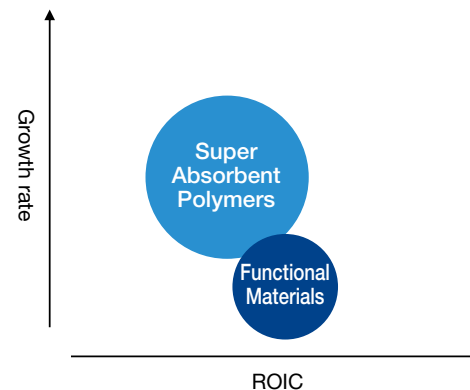
In terms of our business portfolio, the Super Absorbent Polymers Segment made up more than two-thirds of total net sales and operating income in fiscal 2023. While the segment will continue to pursue growth in global markets,

I think that we need to change the current business structure, where the business trends in the segment have a great impact on the performance of the Group. For that reason, it is vital that the Functional Materials Segment continue to secure even faster growth than the Super Absorbent Polymers Segment.

In the Functional Materials Segment, while some products like electronics gases are highly profitable and have the potential for future growth, our IR latex business in medical and lifestyle fields is scheduled to be wound down in fiscal 2024. On top of that, markets for many other products are becoming saturated. It shows that the segment faces a period of major change. The pressing issue is to create new products, as much as possible, that can join electronics gases as a high-profit, high-growth product line, in the electronics materials field and environmental and energy field, which we are currently focusing on in our R&D activities.

To look down the situation of the entire Group's portfolio, since fiscal 2021, we have calculated the return on invested capital (ROIC); business growth rate; and earnings before interest, taxes, depreciation, and amortization (EBITDA) for each product field. Unfortunately, in fiscal 2023, many products in the Functional Materials Segment failed to achieve targets in the Medium-term Business Plan. This fiscal year, in addition to clarifying whether the direction for each product is expansion, no change, downscaling, or withdrawal, we will thoroughly deliberate future growth strategies at the management level to discover the medium- and long-term paths we need to take to reform our business portfolio.

FY2023 business portfolio (conceptual view)



### Raising profitability, growth potential, and capital efficiency to improve market evaluation

There are strong calls for listed companies to implement a management approach that considers capital costs and share prices. Our P/B ratio (price book-value ratio) has sat at less than 1.0 for seven years, since fiscal 2018, which is a disappointing result for a listed company. My analysis shows that we have failed to raise expectations in the share markets for increasing our corporate value, mainly attributable to sluggish growth of operating income for the last few years, and large amount of cash and deposits left on the balance sheets. Among various factors involved in evaluating corporate value, three elements that are important to raise, from financial viewpoint, are profitability, growth potential, and capital efficiency. To improve these elements, we have to make a success in the two issues I mentioned earlier: achieving the targets of the Medium-term Business Plan and reforming our business portfolio.

Firstly, with regard to profitability, since the Group achieved a historical best in terms of operating income in fiscal 2016, at 10.5 billion yen, it has not been able to

surpass that for the seven years. EBITDA has not grown either, waving between the 13-billion-yen to 17-billion-yen marks for the last ten years. We need to break this profit ceiling by achieving the targets of the Medium-term Business Plan for fiscal 2025: operating income of 12 billion yen and EBITDA of 20 billion yen.

On the growth potential front, the Super Absorbent Polymers Segment is expanding its business scale reflecting growing demand. However, the Functional Materials Segment is, as I have already said, forecast to see a drop in sales in fiscal 2024, continuing the trend in fiscal 2023. This is due to factors such as the winding down of IR latex business and growth slowdowns for electronics gases. Many of other products in the Functional Materials Segment have reached their maturity stage. We will work on putting the segment onto a path to high growth by creating new business and making structural reforms, to transform the business portfolio of the entire Group to achieve sustainable growth. By doing so, I would like us to accomplish a 6% business growth rate overall, which is one of our medium-to-long-term targets for fiscal 2030.

For capital efficiency, ROIC should be at least more than the weighted average cost of capital (WACC). In fiscal 2023, our ROIC was 6.6%, a 1.8 percentage point drop from fiscal 2022. Our medium-to-long-term target for fiscal 2030 is an ROIC of 10% or higher. To get there, first of all we will aim to achieve our Medium-term Business Plan target of 8% by fiscal 2025 and on top of that we will promote further reforms to our business portfolio. On the other hand, we must also pay close attention to our WACC as the criterion by which we evaluate capital efficiency. If we calculate our WACC based on a shareholder capital cost of around 7%, it comes to around 6.5%.

Earlier, I touched upon how our financial situation was positive, but in the future, if shareholder's equity continues to increase by accumulation of retained earnings, our WACC will also grow. In light of this point, we will control levels of shareholder's equity and WACC in our financial strategies going forward, as long as we

could remain ready to flexibly procure funding needed for investments aimed at future growth. As a specific measure to that end, we set the three-year average total payout ratio for the period of the Medium-term Business Plan, fiscal 2023 to 2025, as 50% or more, to further enhance our returns to shareholders. In line with this policy, in fiscal 2023, in addition to paying out dividends to shareholders, we purchased 1 billion yen's worth of our own shares. This brought the total payout ratio to 60%.

## Focusing on enhancing stakeholder engagement and connecting this to creating financial and social value

To push forward with the measures detailed above, it is imperative we constantly strive to enhance engagement (constructive dialogue) with shareholders, investors, and other stakeholders. In 2023, to strengthen external transmission function of the Group, we established the Corporate Communications Department. As the chief of that department, I will provide stakeholders with information of the Group, with respect to growth strategies and updates on progress being made in R&D, even more specifically and quantitatively. At the same time, for non-financial information such as that related to sustainability, which we are strongly urged to enhance to disclose, I will work on explaining it punctually and in a thorough manner to enable stakeholders to better understand the social value that the Group provides. In recent IR meetings, I have seen for myself how we receive lots of very informative questions and comments about our initiatives to address management issues, for which we are grateful. By utilizing this precious resource to draw up and implement management measures, we would like to raise our corporate value.

### IR activities

	FY2022	FY2023
Investors meetings (participants)	75	67
Small meetings (participants)	15	24
Individual meetings (times held)	40	54

### Points of interest for IR event participants

Competitive environment in Chinese and other Asian markets for super absorbent polymers
Forecasts about operations at our expanded facilities for super absorbent polymers (in Singapore) and medium-to-long-term business growth
Forecasts for recovery in demand for electronics gases
Features of new products and predictions for market launch
Impact of exchange rate and raw material price fluctuations in performance forecasts
Medium-term approach to shareholder returns

# Progress toward the Medium-term Business Plan

## Consolidated Targets

### FY2025 Plan

Net sales **¥160**billion    Operating income **¥12**billion    ROE **8.5%**    ROIC **8.0%**  
 Conditions JPY19.5/CNY    JPY135/USD    Naphtha price ¥70,000/kℓ

## FY2023 Results / FY2024 Forecasts

### FY2023 Results

Net sales **¥143**billion    Operating income **¥9.5**billion    ROE **6.8%**    ROIC **6.6%**  
 Conditions JPY20.1/CNY    JPY144.6/USD    Naphtha price ¥69,100/kℓ

### FY2024 Forecast

Net sales **¥147**billion    Operating income **¥10**billion    ROE **7.2%**    ROIC **6.3%**  
 Conditions JPY20.5/CNY    JPY145/USD    Naphtha price ¥75,000/kℓ

## Progress on priority measures

### Build Resilient Business Structure

#### Super Absorbent Polymers Segment

FY2025 plan    Net sales ¥120 billion    Operating income ¥7.5 billion  
 (FY2023 results    Net sales ¥106.4 billion    Operating income ¥6.6 billion

Sales volumes increased 3% in fiscal 2023. In fiscal 2024, we expect growth of 7%. To propel further business growth, we started work to expand our facilities in Singapore.

#### [ Expansion plan ]

Location: Jurong Island, Singapore  
 Investment: Approx. 160 million USD  
 Production capacity: 70,000metric tons annually (including existing facilities, 140,000 metric tons)

Completion: FY2025

### Reap Fruits of Research & Development

In fiscal 2023, we launched a new grade that reduce the amount of material used in disposable diapers, including super absorbent polymers. In fiscal 2025, we aim to launch new products that have even better absorbent performance. We are also in the process of developing new grades for use in cables, and at the moment we are gauging customers' opinions.

#### Initiatives for our future

- We are developing a chemical recycling technology for super absorbent polymers products separated from used disposable diapers.
- With the aim of speeding up commercialization research, we are constructing a pilot plant with the goal of completing construction during fiscal 2025.

### Promote Thorough Streamlining

Keeping a close eye on the balance between supply and demand, and by pushing ahead with initiatives so as not to overlook the timing of works, etc., our target is to save 3 billion yen compared to fiscal 2022 levels by fiscal 2025. Additionally, we will investigate and implement further streamlining measures, such as improving manufacturing processes to reduce our CO<sub>2</sub> emissions per unit of production, and try to increase these streamlining effects.

#### Functional Materials Segment

FY2025 plan    Net sales ¥40 billion    Operating income ¥4.5 billion  
 (FY2023 results    Net sales ¥36.2 billion    Operating income ¥2.9 billion

In fiscal 2023, sales of electronics gases were impacted by delays to the recovery in the semiconductor market, and so for some lines we cancelled work to expand facilities, but in fiscal 2024, we predicted a recovery in demand, and decided to go ahead with the expansion work to respond to demand trends.

To cater to a growth in demand for binders used for separators in commercial batteries, we are expanding our production system.

We developed insulating coating materials that are resistant to partial discharges, and we are currently gathering customer feedback. Additionally, we are developing low-concentration CO<sub>2</sub> separation and recovery technology based on PSA technology.

#### Initiatives for our future

- Construction of a new R&D center building scheduled for completion in 2026

We are continuing with streamlining efforts, including withdrawing from unprofitable businesses, and we aim to make 2 billion yen in savings.

### The Entire Group

#### Boost Sustainability Initiatives

We have formulated a human rights policy and taught executives and other employees about human rights. Also, in addition to sharing information with reference to different initiatives, such as CDP, Sedex, EcoVadis, and GX League, we also took part in the UN's Global Compact for the first time. In fiscal 2024, we will start efforts related to human rights in cooperation with partners in our supply chains.

As we work toward carbon neutrality by 2050, we are implementing efforts both domestically and internationally centered on our company-wide task forces.

We are utilizing new core task systems that came into operation in fiscal 2023, and are working to improve productivity, particularly for back-office operations. For fiscal 2024 and beyond, we will proactively invest in putting in place and enhancing our IT infrastructure and DX.

# Business Growth Initiatives

## Business Outlines

### Super Absorbent Polymers Segment

#### Disposable Diapers and Feminine Hygiene Products



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

#### Pet sheets



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

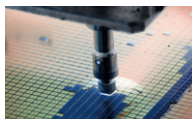
#### Water Blocking Materials Used in Power and Optical Cables



Water blocking materials that use AQUA KEEP™ can also be found in power and optical cables, due to its ability to instantly absorb liquids and swell up when cables' coating agents are damaged, preventing water from reaching inside.

### Functional Materials Segment

#### Electronics materials



Electronics gases are used in the deposition and etching of semiconductor devices such as memories, as well as logic and power ICs. Our products, which push the limits for reduction of impurities, is well-received both in Japan and elsewhere. We also provide cleaning solvents that are created based on our sulfur compound synthesis technologies, used in the semiconductor manufacturing process.

#### The environment & energy



We provide the automotive battery materials that are needed for EVs, which are predicted to become even more commonplace in the future. The standard gases, which are used as an analytical standard when measuring a variety of atmospheric pollutants, have a stable component density, which makes them highly reliable, and are widely used in fields such as investigating atmospheric pollutants, factory emissions, and vehicle emissions, or in measures to control those, at all stages from R&D to manufacturing process management.

#### Lifestyle



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

#### Medicine



We provide numerous products that find their way into pharmaceutical additives, medical glove materials, various pharmaceutical intermediates, and medical gases. Our pharmaceutical additives in particular have been highly praised by customers from the point of their functions, our quality assurance systems, and our good manufacturing practices for additives.



Director and Senior Managing Executive Officer

**TOYA Takehiro**



## Super Absorbent Polymers Segment



### FY2023 Result

Net sales	¥106.4billion	YoY +¥0.8billion
Operating income	¥6.6billion	YoY +¥0.6billion

Sales and operating income increased compared to the previous fiscal year with an increased sales volume and positive impact of the exchange rate.

### Our Technologies

Super absorbent polymers are able to absorb several hundred times their own weight in water, and can retain that water even under pressure. Our super absorbent polymer AQUA KEEP™ is mass-produced using a globally unique inverse phase suspension polymerization method.\* Its polymers have a characteristically spherical shape with very little variance in particle size distribution. They are therefore well-regarded in manufacturing processes for products such as disposable diapers for their uniform dispersion. AQUA KEEP™ has excellent characteristics in a range of areas, such as absorption speed, retention ability after absorption even under pressure, and gel stability over time. Our strength lies in our ability to control these functions to meet different applications or needs.

\* This method causes a polymerizing reaction by dispersing hydrophilic monomers in a hydrophobic solvent.

#### [Adopted for SAP sheet type diapers]

In China, most disposable diapers do not use a cotton-like pulp, instead they use an absorbent core that consists solely of a super absorbent polymer sheet (SAP sheet), made up of layers of super absorbent polymer (SAP) sandwiched between nonwoven fabric layers. AQUA KEEP™ has gained praise in the Chinese market for the functions that these technologies enable and is widely adopted in SAP sheets there.

### Business Growth Initiatives

#### Market Environment

Global super absorbent polymers market is predicted to grow at an annual rate of around 4–5%, due to growing demand for disposable baby diapers in emerging nations where the population is growing, and growing demand for adult incontinence in developed nations.

In China, there are active investments in manufacturing facilities for super absorbent polymers, as is the case for other petrochemical products. Due to the oversupply in China market, price competition there remains fierce. This is also having a major impact on the global supply and demand balance, especially in Asian market where growth is expected to be particularly strong, Chinese exports of disposable diapers are increasing, and additionally the influx of low-priced super absorbent polymers manufactured in China or South Korea is accelerating. As a result, there is increasingly fierce competition between companies.

#### Business Strategy

##### 1. New Product Development

By developing and launching new products that meet market needs of local markets and customers, we will improve the value of products and create a lineup of products that do not get caught up in price competition. We aim to maximize customer benefits and increase sales volume by developing grades that contribute to reduced environmental impact and cost.

##### 2. Streamlining

We are sequentially rolling out process improvements that enable increased productivity and saved energy to our bases in Japan and overseas, and strive to strengthen our cost competitiveness. In addition to achieving an effect of 3 billion yen by the end of fiscal 2025 compared to fiscal 2022, we will study and implement further measures of streamlining.

##### 3. Production Capacity Expansion

By expanding our production capacity such as facility expansion in Singapore, we will establish a global supply system that can meet the demands of each region, including the growing Asian market.

## Progress on Priority Measures

### Build Resilient Business Structure

#### [Sales]

- **FY2023 saw a 3% increase in sales volumes**
  - ✓ Sales volumes increased compared to the previous fiscal year, although the growth rate for fiscal 2023 did not reach the initial target set for the same period, affected by intense competition in Asia and other factors.
- **FY2024 sales volume forecasts suggest a 7% increase**
  - ✓ As well as growth in sales to China, we expect an increase in sales in response to market growth, even in intensely competitive Asian markets.

#### [Manufacturing]

- **Production capacity increased thanks to streamlining**
  - ✓ In fiscal 2023, we carried out a streamlining project to raise productivity in parts of Himeji Works. As a result, the streamlining efforts at Himeji Works have been completed, enabling overall-production capacity increase of approximately 10% across the group.
- **Singapore Production Expansion Started**
  - Location Jurong Island, Singapore
  - Investment Approx. 160 million USD
  - Production capacity 70,000 tons per year  
(Total 140,000 tons including existing production capacity)
  - Completion Within fiscal 2025



Groundbreaking ceremony for Singapore new expansion

### Reap Fruits of Research & Development

- **Development of new grades of super absorbent polymers that reduce the amount of materials including super absorbent polymers for disposable diapers**
  - ✓ We are developing new grades that meet market needs to lower environmental impact and material costs by reducing the amount of material used in customers' products.
  - ✓ In fiscal 2023, we launched new grades.
  - ✓ In fiscal 2025, we plan to launch new grades with improved absorption.
- **New grades for use in cables**
  - ✓ We have completed the prototype stage for the new grades on the manufacturing facility. The new grades are now under evaluation by customers.

#### [Initiatives for our future]

- **Recycling Initiatives**
  - ✓ We are working to develop technologies that enable a horizontal chemical recycling system for super absorbent polymers separated from used disposable diapers.
  - ✓ At the lab testing level, the quality of recycled super absorbent polymers is confirmed to be equivalent to that of conventional ones.
  - ✓ We plan to construct a pilot plant inside Himeji Works to aim at scaling up production.
- **Construction of the Pilot Plant**
  - ✓ Aiming for speeding up our industrialization research, we are currently constructing a pilot plant in Himeji Works. This will accelerate the development of new grades and manufacturing processes.

### Promote Thorough Streamlining

- **Project Team Initiatives**
  - ✓ Since 2018, our overseas bases have also been taking part and working on streamlining efforts as part of a project team framework. We are rolling out process improvements that improve productivity and save energy consumption to our bases in Japan and overseas.
- **Effects of Streamlining**
  - ✓ By fiscal 2025, we aim to achieve streamlining that will save us 3 billion yen compared to fiscal 2022 levels.
  - ✓ In fiscal 2023, we saw 0.5 billion yen in streamlining savings, and we will continue to make steady progress in fiscal 2024 and beyond.
- **Reflecting streamlined processes in new facility**
  - ✓ The design for the new facility in Singapore, which will complete in fiscal 2025, reflects all of streamlined processes we developed.

#### Building a manufacturing system through expansion and streamlining

Nameplate Production capacity (tons per year)	As of fiscal 2024	Plan for End of fiscal 2025
Japan	210,000	200,000
Korea	118,000	133,000
Singapore	70,000	140,000
France	47,000	47,000
Group Total	445,000	520,000

## Functional Materials Segment



### FY2023 Result

**Net sales**                      **¥36.2billion**    YoY (¥0.9billion)

**Operating income**       **¥2.9billion**     YoY (¥1.4billion)

A drop in sales for electronics gases, isoprene rubber latex, and pharmaceutical intermediates, and a rise in fixed costs, led to a decrease in both net sales and operating income.

### Our Technologies

- Using technologies—such as controlled polymerization, emulsification, and micronization—we offer functional materials necessary for cosmetics and toiletries, as well as pharmaceutical additives, and coatings designed to boost durability for outdoor fencing, etc.
- We utilize fine organic synthesis for substances such as sulfur-containing compounds to manufacture battery materials, semiconductor materials, and pharmaceutical intermediates.
- Applying our synthesis of high-purity gases, advanced purification, and a quality assurance system based on highly accurate microanalysis, we offer an extensive lineup of trusted products for the semiconductor industry.
- We also provide production, recovery, and refining equipment for a variety of gases (hydrogen, oxygen, nitrogen, etc.) that utilize PSA and process engineering.

### Business Growth Initiatives

Field	Market environment	Business strategy
Electronics materials	In fiscal 2023, the semiconductor market shifted to a positive recovery overall, but while there was good growth in advanced logic semiconductors and DRAM driven by AI semiconductors, the recovery situation is still complex, with issues such as prolonged inventory adjustments for NAND flash memory devices mostly used in personal computers and smartphones. Thanks to a recovery in the memory market and rising demand for AI semiconductors, in 2024 forecasts suggest that worldwide silicon wafer area shipments will rise 8.5% compared with the previous year.	For electronics gases, we will a watchful eye on market trends to continue to build supply networks that can respond to increases in demand. Furthermore, we allocate our research resources to develop higher-purity gases and next-generation semiconductor materials.
The environment & energy	<ul style="list-style-type: none"> <li>✓ Predictions suggest that development advances in lithium-ion rechargeable batteries (LIB) are expected to continue development aimed at higher capacity and longer lifespan and so the materials used in the battery will need to be even more functional.</li> <li>✓ Improving the durability of motor windings against partial discharge is needed to increase the voltage and save energy in motor systems. Insulating materials are required to have higher performance.</li> <li>✓ To reduce GHG emissions, there is a growing need for technologies that can recover low-concentration CO<sub>2</sub> at a lower cost.</li> </ul>	<ul style="list-style-type: none"> <li>✓ We are planning to expand our production system for LIB materials in line with market demand. We are also working on developing new additives for LIB electrolytes.</li> <li>✓ We are developing high-performance insulation coating materials that have outstanding durability against partial discharges. This property contribute to significantly higher voltage and energy savings in motor systems.</li> <li>✓ We are developing a low-concentration CO<sub>2</sub> separation and recovery device that utilizes pressure swing adsorption (PSA) technology.</li> </ul>

Field	Market environment	Business strategy
Lifestyle	There are many products for which the markets have already matured, and demand has largely stabilized. Leading manufacturers are supplying the world, and competition is fierce on price and quality.	Several products are used in a variety of applications, and we will continue a stable supply of these, and promote streamlining efforts, including withdrawing from unprofitable businesses.
Medicine	We are making progress with strengthening our supply chains, such as reorganizing our global production framework.	We will continue to offer stable supplies of additives, pharmaceutical intermediates, and medical gases used in pharmaceutical manufacturing processes. In FY2024, we will end our contract production of medical glove materials as the contract period with our clients expires.

## Progress on Priority Initiatives

### Build Resilient Business Structure

#### [Sales]

- We are working to expand sales of our main products and correct selling prices.

#### [Manufacturing]

- In fiscal 2023, a new facility for high-purity carbon monoxide (CO) has started operations in South Korea.
- At our Befu Works, we will expand our product systems for rechargeable battery materials.
- We are planning to expand production capacity at Chiba Works by debottlenecking electronics gases such as diborane.



Full-scale operations have begun at our CO facility in South Korea

### Reap Fruits of Research & Development

We are developing a technology for highly functional insulating coating material that is exceptionally resistant to partial discharge and can contribute to higher voltage and energy conservation in motor systems, while receiving evaluation confirmation from customers.

- We are pushing forward with the development of technology to separate and recover CO<sub>2</sub> from exhaust gases. This utilizes PSA technology, and our goal is to separate and recover low-concentration CO<sub>2</sub> emitted from boilers and other equipment.

#### [Initiatives for our future]

- In Befu site, we are making progress with the construction of a new research building, which is scheduled for completion in 2026. In addition to R&D in the energy and electronics materials, we will focus on R&D into new technologies and products that will help contribute to carbon neutrality.

### Promote Thorough Streamlining

- We aim to achieve 2 billion yen in savings by promoting rationalization such as withdrawing from unprofitable businesses and reducing costs.

# R&D Strategies

## R&D Policies

Four R&D policies	Initiatives
1 Trinity of strategies (business strategies, intellectual property strategies, and R&D strategies) to promote R&D	We hold tripartite discussions between the business divisions, Intellectual Property Department, and research laboratories on issues relating to R&D and ways to resolve these.
2 Promotion of R&D in line with business policies	We have positioned super absorbent polymers, the environment, energy, and electronics materials as our priority fields, and are carrying out R&D in these areas to resolve issues facing society and our customers.
3 Creation of new products and technologies that tie in to the next generation of businesses	In the four priority fields, we have identified the businesses we should be working on in the medium and long term. We are moving forward with discussions so that, by the end of this fiscal year, we can formulate the technical strategies needed to achieve our business strategies.
4 Strengthening of our R&D capabilities	We are improving fundamental R&D skills (ability to propose research themes, data analysis capabilities, etc.), production technology capabilities, and evaluation technology capabilities, as well as introducing the materials informatics (MI) concept. Through these efforts, we are promoting stronger R&D.

## R&D Framework

Our two research laboratories, the Material Development Laboratory and Production and Process Engineering Laboratory, each have two sites, inside Himeji Works (Himeji in Hyogo) and Befu Works (Harima-cho, Kako-county in Hyogo).

We pursue research in three different R&D stages: exploratory research, development research, and commercialization research.



## Four Priority Fields of Developmental Products and Research Themes

Research themes are selected from among our four priority fields (super absorbent polymers, the environment, energy, and electronics materials), with consideration to society's and our customers' needs—to reduce GHG emissions, recycle resources, work toward the SDGs, etc.—and to the future market trends.

### ■ Super absorbent polymers:

Utilizing the merits of a batch process that uses an inverse phase suspension polymerization method, we are developing products with functions that catered to the varied needs of different countries, regions, and applications. We work to develop products such as new grades of super absorbent polymers that have even higher water retention capabilities or products that respond to trends in chemical regulations to offer greater safety and peace of mind. Moreover, we are connecting new technical concepts to higher use efficiency for SAP in diapers and to reductions in hygiene product materials. We will also pursue development of recycling technologies for super absorbent polymers recovered from used disposable diapers to reduce waste.

### ■ The environment:

We are working to develop water-based emulsions that use various thermoplastics resins as their main ingredient, and that are environmentally friendly. We are also making progress in developing a system that uses pressure swing adsorption (PSA) to recover carbon dioxide where it is found in relatively low concentrations, such as in boiler exhaust gas. In this way, we will contribute to the moves to carbon neutrality.

### ■ Energy:

We are focusing our energies on the development of highly functional binders and electrolyte additives to control gas evolution or rising resistance in lithium-ion rechargeable batteries (LIB). To combat partial discharges from enameled wire, meanwhile, we are promoting the development of nano-composite insulating coating material that is highly durable. We are thereby contributing to greater energy efficiency to help bring about a carbon-neutral society.

### ■ Electronics materials:

We are pressing forward with the development of highly pure grades of electronics gases used in semiconductor manufacturing processes. In addition, semiconductor memory is being increasingly stacked to enhance storage capacity. In response, we are developing silicon oxide precursor, which are characterized by very low thermal contraction, to be used in insulating film formation.



## R&D Topic 1

### Development of super absorbent polymer recycling technologies

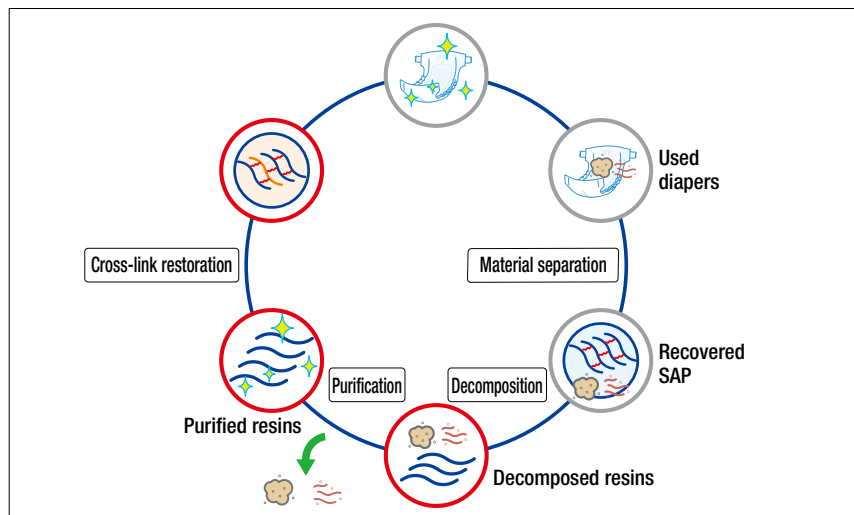
In Japan in recent years, the number of adult diapers consumed is growing each year as society ages. To address this, we are encouraging initiatives to recycle used diapers. According to Ministry of the Environment statistics, the volume of used diapers in fiscal 2030 is likely to reach around 2.6 million metric tons, which will make up around 7% of all general waste.

To construct a recycling system for disposable diapers will take the cooperation of various different enterprises, and there is a need for studies into how to collect used diapers, how to separate the materials, and how to recycle them. The main materials that comprise disposable diapers are pulp (approx. 50%), super absorbent polymer (approx. 20%), and plastic (approx. 30%). We are mostly working to develop technologies to recycle super absorbent polymer that have been separated from that mix, so as to help reduce waste.

Since fiscal 2022, we have been moving forward with studies aimed at establishing chemical recycling technologies for super absorbent polymers. Specifically, this involves decomposing super absorbent polymers recovered from used diapers and converting the resins where only the cross-links have been chemically severed. Next, we refine the resins that we have separated, and remove all of the impurities contained in the used diapers. Finally, the refined resins have their cross-links restored to produce SAP of the same quality as new ones. We have already demonstrated the concept of the technology and we are currently working to improve the recovery rate for the super absorbent polymer and enhance efficiency in each of the production processes.

This initiative has been selected by the Ministry of the Environment for subsidies "Program to promote establishment of decarbonized and circular economy."

#### Chemical recycling technologies



## R&D Topic 2

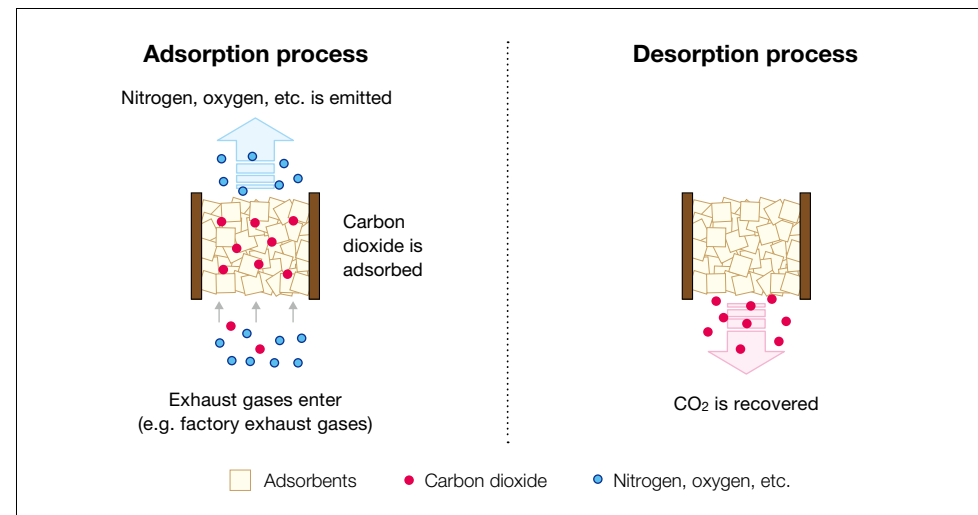
### Development of CO<sub>2</sub>-PSA (carbon dioxide recovery) equipment

Using our expertise and technologies in equipment used to produce or recover various gases using the pressure swing adsorption (PSA) method, we are working to develop systems to recover CO<sub>2</sub> where it is found in relatively low concentrations, such as in boiler exhaust gas, with high purity levels and a high rate of recovery.

The process takes advantage of the difference in adsorption of various gases with adsorbents, and prioritize the adsorption of CO<sub>2</sub> while discarding other gases at the absorption process. Then, in the desorption process, high purity CO<sub>2</sub> is obtained by recovering the preferentially adsorbed CO<sub>2</sub> at the absorption process.

We are now at the stage where we are using equipment for bench test to establish these technologies, and we plan to carry out actual tests at our pilot plant in Befu Works. We will continue to collaborate with others outside the Group for this development, with the aim of establishing the technology as soon as possible and to play our part in bringing about carbon neutrality.

#### Adsorption and desorption using CO<sub>2</sub>-PSA equipment



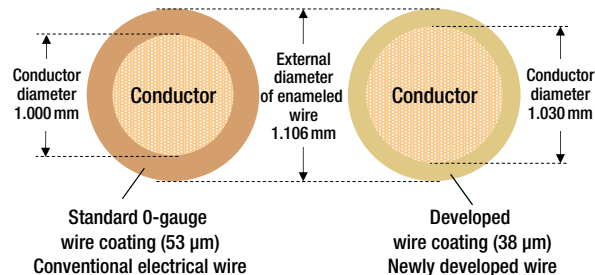
## R&D Topic 3

### Development of nano-composite insulating coating material

To combat partial discharges from winding wiring used in smaller generators to motors, we are developing a nano-composite insulating coating material that is highly durable.

This new material has been developed through the New Energy and Industrial Technology Development Organization (NEDO) Strategic Innovation Program for Energy Conservation Technologies.

As the illustration below shows, when using this new material is used for the coating on enameled wiring, it enables a thinner coating, a bigger conductive cross-section, and lower conductive resistance. It has also been proven to reduce electricity loss by 7%.



At present, we are taking on feedback from electrical wiring manufacturers with an eye on widespread adoption, and developing the technologies needed to mass-produce the coating.

For this research, NEDO has recognized us as an outstanding company under the Strategic Innovation Program for Energy Conservation Technologies.

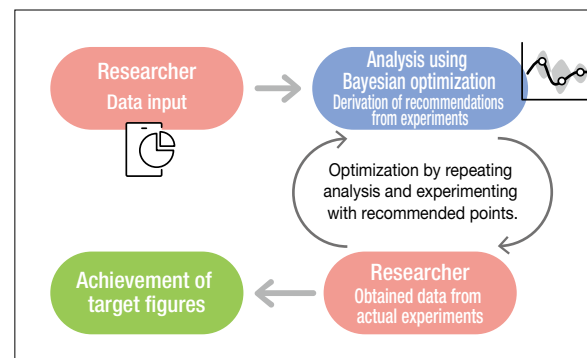
We were also one of a number of companies to receive a progress award from the Institute of Electrical Engineers of Japan at its 80th Electrical Science Promotion Award.

## Materials Informatics (MI) Initiatives

We have begun work on introducing materials informatics (MI), a materials development technology that uses artificial intelligence (AI), and are endeavoring to speed up our R&D in this area. We are also currently working to train employees who are proficient in digital technologies, such as data scientists and data engineers. We will assign these personnel to different workplaces at the research laboratories to utilize data in actual tasks, and we hope to spread awareness of DX throughout the research laboratories and ensure it takes root.

### MI case studies

Generally, to achieve the target figures of our research themes would require a large number of conditions to be optimized, but using Bayesian Optimization (BO), an MI method, it is possible to reach optimization solutions quickly, with only a few actual experiments. As a concrete example, for more than ten million possible combinations of substances and compositions, we have finally reached the optimal solution with only 100 experiments. At the moment, we have rolled out BO to multiple research themes, including super absorbent polymers and binders for lithium-ion batteries, but we are also working to put other MI methods to use and to tie these in to specific R&D results.



## TOPIC

### Construction of Seika R&D Center, a new lab building

We will construct a new lab building at Befu site (Harima-cho, Kako county in Hyogo), to bring together the R&D functions the Material Development Laboratory and Production and Process Engineering Laboratory have at the site. This will also enhance the experiment facilities there and allow researchers to have free, lively discussions to spur each other on, which we hope will make it easier for them to come up with new ideas.

With the new lab building, Seika R&D Center, we will focus our energies on R&D in the energy and electronics materials fields, and also R&D into new technologies and products that can contribute to carbon neutrality.



# Intellectual Property (IP)

## Basic Policy

Our basic policy is "To realize the vision of the business divisions, (1) we build a suitable intellectual property portfolio, and (2) we evaluate and minimize potential IP risks."

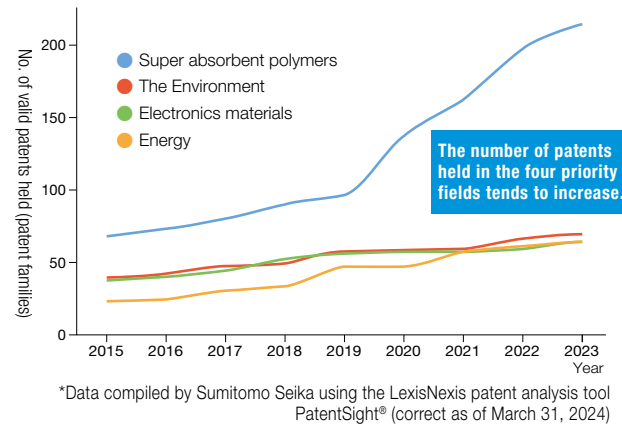
In accordance with this basic policy, the business divisions, R&D divisions, and intellectual property department work collaboratively to formulate IP strategies in line with the business strategies that help to maximize our business value, and we build and optimize our IP portfolio to follow IP strategies.

We also conduct research and analysis valid intellectual properties of others which we should respect to minimize IP risks in our business operations.

## Strategies

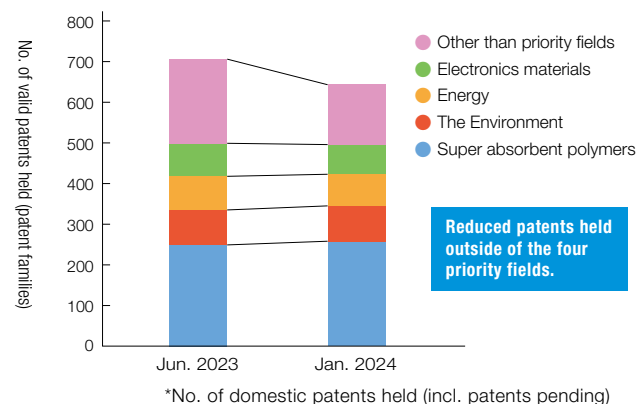
Since our products are predominantly based on our unique technologies, we employ a strategy to build an IP portfolio that mainly features materials and manufacturing methods applied for our products. Additionally, this IP portfolio is established on comprehensive understanding of the entire value chain, from raw materials to application and downstream products. In particular, we are intensively investing in four priority fields (super absorbent polymers, the environment, energy, and electronics materials) to expand our IP portfolio, and will continue to increase the number of patents in those priority fields.

### Changes in no. of patents held in priority fields



In fiscal 2023, we reformed our IP portfolio by slimming down the patents in non-priority areas to improve cost-effectiveness and to contribute to higher business performance. In fiscal 2024 and beyond, we continue to renew and optimize our IP portfolio focused on the priority fields.

### FY2023 initiatives

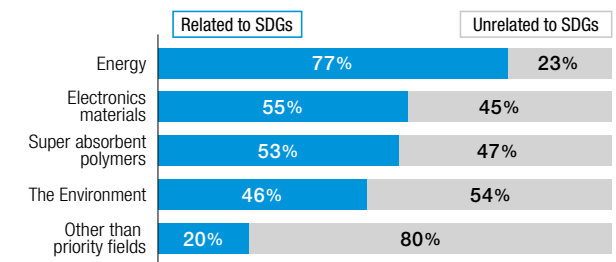


## Initiatives for a Sustainable Future

Our R&D aims to contribute to the SDGs, and more than half of our inventions are related to the SDGs.

By proactively creating a variety of intellectual property in new areas such as recycling of super absorbent polymers and technologies to recover CO<sub>2</sub> of a high purity with a high recovery rate, we aim to continually increase SDGs-related IP ratio and consequently contribute to a sustainable society.

### Proportion of valid patents held related to the SDGs



\*Data compiled by Sumitomo Seika using the LexisNexis patent analysis tool PatentSight® (correct as of March 31, 2024)

Our company, led by the intellectual property department, conducts IP landscape surveys (activities of combining intellectual property information with business and company information for comprehensive analysis, and sharing and discussing with business divisions and management) in the creation of new businesses or and the proposing and promoting new R&D themes, using intellectual property databases and analysis tools. On the basis of the survey, we support the research and business divisions to propose and clarify their direction.

In the future, we continue to implement landscape surveys and proceed personnel training in order to develop IP skill for IP landscape, and by executing activities that integrate business strategy, intellectual property strategy, and R&D strategy, we contribute to the realization of the vision of our business.

# Sustainability Initiatives



To help bring about a more sustainable society by working toward the world's common targets, the SDGs, our group has established our Basic Policies on Sustainability. We will take actions based on the policies with a shared ambition and sense of values through the entire Sumitomo Seika Group and for our actions.

## Basic Policy

### Basic Policies on Sustainability

The Sumitomo Seika Group believes that it assumes corporate responsibility for contributing to resolving globally vital social issues from a long-term perspective. In order to fulfill this responsibility, we promote sustainability management based on the following basic policies.

1. We support the foundation of industries and people's comfortable living through supplying high quality products and services.
2. We, as a chemical manufacturer, attach the highest priority to ensuring "zero accidents and zero injuries" and strive to achieve and maintain safe and stable plant operation as well as safe transportation of products we produce.
3. We conduct thorough quality management of our products and services so that our customers can use them to their satisfaction and with confidence.
4. We properly assess possible impacts of our products and production processes on humans and the environment to ensure their safety and promote environmental stewardship.
5. We disclose the progress of our initiatives for our sustainability management to our stakeholders, promote dialogue with them and reflect the outcome of such dialogue adequately in our business management.
6. We provide a sound work environment for our employees to work safely and in good health both physically and mentally, and also nurture a corporate culture that inspires the employees to challenge themselves to new or difficult tasks.
7. We, as a responsible corporate citizen, contribute, through our business activities, to the development of a sustainable society where humans and the Earth can live together.

Date of enactment November 7, 2022  
Date of the latest revision March 28, 2023

## Initiatives

Taking into account the requests we receive from the United Nations, national and local governments, industry bodies, and stakeholders, and our role as a chemicals manufacturer, we promote initiatives that aim to make society more sustainable, and to that end we provide support to, and take part in, a range of domestic and international initiatives.



Task Force on Climate-related  
Financial Disclosures



GX League  
(Ministry of Economy, Trade and Industry)



Osaka Zero Carbon Smart City  
Foundation



Human Capital Management



Partnership Building Declaration

## Responsible Care Activities

The term "Responsible Care" (RC) refers to initiatives companies that handle chemicals implement to independently ensure environmentalism, health and safety at every stage, from the development of chemicals to their disposal. This includes publishing the results of these and engaging in dialogue with society. This global initiative is in use in 60 countries around the world. We have signed the Responsible Care Global Charter and declared at home and abroad that we would conduct business activities in line with the spirit of RC.

In accordance with the Basic Policies on Sustainability of our group, our Responsible Care Committee draws up fiscal year plans for the whole Group on issues such as safety, the environment, quality, risks, and compliance. It also deliberates and determines major changes to operational systems, measures to deal with major issues, and other topics.

We have added the keyword "quality" to the "environmentalism, health and safety" of conventional RC activities, and have set targets for each department, which we are now working to achieve.



## Results of Our Sustainability Activities

In terms of boosting sustainability initiatives, one of the priority measures that we laid out in our Medium-term Business Plan, in fiscal 2023 we systematically implemented activities related to major issues such as governance, information disclosure to stakeholders, and leadership and personnel training. In the same vein, in fiscal 2024, we will enact continuous initiatives while considering the international standards that have been put in place.

Pursued areas	Details	FY2023 results	FY2024 initiatives
Governance	Establishing targets and checking progress Communicating with employees	Sustainability Committee met twice for discussions on issues Reported to the Board of Directors twice FY2023 results and formulation/approval of FY2024 targets	Sustainability Committee to meet twice for discussions on issues Report to the Board of Directors twice Sustainability activities results and formulation of next fiscal year's targets
	Putting in place a risk management system	The role of overseeing sustainability risk management tasks in each organization was assigned to the Sustainability Promotion Office	Continued follow-up by the Sustainability Promotion Meeting
	Strengthening systems deemed necessary according to global sustainability trends	Joined the UN Global Compact Formulated the Group's human rights policy Held a conference on promoting respect for human rights	Implementation of human rights due diligence and identification of negative effects
Sharing information with stakeholders	Announcing environmental initiatives such as GHG emissions reductions	Joined in the GX League activities led by Ministry of Economy, Trade and Industry Announced GHG reduction policy and emissions information to the GX League	Continued GX League activities Respond to TCFD, ISSB, and other international standards
	Having our CSR initiatives surveyed and audited	Responded to global standards using SMETA audits (Himeji Works, Befu Works, and Sumitomo Seika Singapore Pte. Ltd.)	Plan a SMETA audit for Chiba Works
	Conducting surveys of CSR in our supply chains	Announcement of the Basic Policies on Sustainable Procurement Started supplier surveys using the EcoVadis platform	Dissemination of the Basic Policies on Sustainable Procurement and dialogue with suppliers Expand scope of surveys (for uninvestigated raw material/packaging suppliers, logistics companies, and overseas manufacturing base suppliers)
Leadership and personnel training	Implementing sustainability education	Human rights training for all executives and other employees (Japan) Video training (approx. 180 programs), watched a total of 17,000 times Level-specific training (new employees, general staff, newly appointed managers, department heads)	Continued enhancement of quality and amount of teaching Roll out to group companies Continued implementation of level-specific education



# Message from the Chief of Personnel

**We will aim to raise corporate value by steadily addressing issues through human-capital-focused management.**

Representative Director **HAMATANI Kazuhiro**



## **Based on the idea "people are treasure," we place emphasis on proactive investment in human capital.**

As part of the Sumitomo Group, we value one of the credos of the Sumitomo Business Spirit: "Benefit self and benefit others; private and public interests are one and the same." In other words, we should contribute to society through our business. Business is something that is cultivated by people, the personnel that form a company. As such we must continue our long-standing corporate culture of valuing people. We are now working to make sure that a mindset of thinking for yourself to grow by boldly taking on the challenge of resolving

societal issues is at the root of personnel training.

We will aim to achieve the performance targets of our Medium-term Business Plan, while also prioritizing on measures that help us to develop a sustainable corporate base. Of those, as part of our active investment in human capital, we are making steady progress on training leaders, recruiting specialized personnel, and developing positive working environments.

It has been around 15 years since I first took charge of personnel affairs. When I first moved from sales to Human Resources manager, what I thought was that I wanted to show the value of employees in the terminology they represent. In traditional Japanese, employees were referred to using the kanji character that meant "resources.", however, I changed the character to

another that meant "treasure" with the same pronunciation. Nowadays, many companies use this notation, but back then I think it was still a minority. For our company, people are a treasure. As a chemical manufacturer, based on a belief of "valuing our employees including those who work for R&D, manufacturing, and other fields", drives sustainable growth, we hire people as treasures and human capitals. Now, the idea that it is personnel who drive corporate growth has taken hold throughout the Group and I think that is one of the sources of our competitive advantages.

## Training global personnel with a focus on the next generation of leaders

By promoting human-capital-focused management, our goal is to become a professional organization that can succeed throughout the world, and to that end we are concentrating our energies on in-house education and training. As well as our basic training system for employees at different levels of their careers—new employees or those working their way up the management ladder—we offer a wide range of specialist training related to various qualifications or business skills, including legal affairs, accounting, and languages. We also carry out technical training where tasks demand.

Now, more than 70% of the Group's sales come from outside Japan, and our network of overseas production and research sites is growing. That is why we are working actively to train global personnel. Previously, we ran a global talent development program, which was not limited to language learning; it was based on an MBA. Graduates of that program are now acting as leaders inside and outside Japan. Now, though, we have reviewed the content of our training and are updating this invitational leader training to attach training for future management candidates. This is something we have been thinking about for some time as a way to train the next generation of management personnel, and as well as training our human resources from a long-term perspective, it is aimed at achieving sustainable growth for the Group.

It is important for companies to enhance their systems related to education and training, but more vital is the need to raise employee awareness. What they need to do is have the initiative to push themselves to grow as individuals and have the flexibility to overcome whatever obstacles they may face. To reform awareness on this point is another area in which we are working hard.

Moreover, while it is my job as a member of the Nomination and Compensation Committee to explain the

situation with the initiatives I have detailed above, there I am also able to receive feedback from the external directors and I work to reflect this in our policies.

## To secure a competitive edge in R&D, we must train highly specialized personnel

As a chemicals manufacturer, recruiting and training human resources for R&D work is a key issue. We focus on recruiting highly specialized personnel who have completed a master's course, and put our energies into creating new value through R&D. Such specialists are not just important in R&D, they are also vital in sales activities, and our ability to go to customers' sites and directly address technical issues is a powerful strength in terms of our competitiveness.

In particular, for supper absorbent polymers, our flagship product, our customers—who are manufacturers of final products—are launching new products almost every year, and it is essential for us to provide technical proposals from a professional standpoint in response to challenges that arise one after another. From a medium- and long-term sustainability perspective, too, challenges such as tackling major issues like recycling used products is another area in which the training of highly specialized personnel is imperative.

Furthermore, given that our business domains are expanding, a focus on the diversity of those specialists is also increasingly important. As well as our traditional technical fields like polymerization, organic synthesis, or micronization, considering a wide range of areas such as semiconductors, batteries, or cosmetics, too, I believe it is vital that we gather diverse specialist personnel. We must also steadily promote training of the human resources involved in information systems and in DX who are responsible for strengthening our management foundation.

We are constructing a new research center in celebration of our 80th anniversary. We expect this will

significantly improve the research and development environment, making it a more comfortable place for our professional staff to work.

## Ensuring diversity among employees is the issue that currently faces us, and we are making steady progress on measures such as empowering female employees

If asked about an issue facing the Group's human-capital-focused management approach, it would be the efforts needed to secure diversity. In terms of diversity, equity and inclusion (DE&I), the proportion of managers who are women is a mere 5% but we are promoting initiatives to raise this to 15%. The childcare leave uptake rate among male employees is 40–50% but we would like to see this reach 100%.

The lack of female advancement does have its reasons, though. Factories and other manufacturing sites tend to operate on a 24-hour basis and so traditionally these jobs have predominantly been done by men. As such, for the Group overall, the proportion of women among employees of all levels is only 20%. To address this imbalance, we are working to increase the proportion of new female employees straight from high school or university, and we have also introduced a policy of proactively recruiting women among our mid-career hires.

Alongside these efforts, we are actively working to train the next generation of leaders from among our female employees. In fiscal 2024, the number of female external directors grew to two, and we will endeavor to train and appoint female management personnel, including through internal promotions.

Also, as we foresee a growing number of female employees, we are expanding our welfare efforts, particularly in terms of living environments. As well as reviewing the operational rules for the dormitories for unmarried employees, we are currently rebuilding our

dormitory in Himeji. We will continue working to provide our female colleagues with environments that make it easier for them to work.

DE&I does not only refer to gender, though. We are aware that the pursuit of diversity in terms of nationality, value systems, and other factors is also important. On this point, a person born in China has been appointed as a general manager of our overseas companies as well as an associate director of Sumitomo Seika Chemicals—in this way we have raised talented global personnel to be leaders, and this is a process we wish to accelerate going forward.

On the other hand, the shrinking population and resulting labor shortages are becoming readily apparent. As such, how to utilize our older human resources is a pressing issue. While the current age of retirement in Japan is 60, studies are underway into delaying this. I don't mean to just single out older generations, though, as delays to retirement age are an aspect of our engagement with employees that affects every employee, from when they come of working age at 18 to over 60. As part of this, we are reviewing personnel evaluations and running studies, because we want a system by which we can evaluate people fairly for their results, whatever their age.

Another aim of ours is to develop workplaces where employees with disabilities can play an active part. At the

moment, we have a greater number of such employees working for us than necessitated by law, and at our factories especially we periodically offer internships, which allow individuals with a variety of disabilities to experience for themselves what working for us is like, and in this way, we aim to provide work that takes both sides' wishes into account.

### While our employee retention rate is excellent, we must be prepared for risks related to job mobility

In recent years, we are entering an era in which it is essential to promote diversity in human resources and consider workforce mobility, i.e., how ready and willing employees are to move between companies. It was always said that mobility was much less in Japan than in Europe or the US, but the pandemic may have changed that. Traditionally, our retention rate has been high, and even when the turnover rate has been at its highest, it has only reached around 3%.

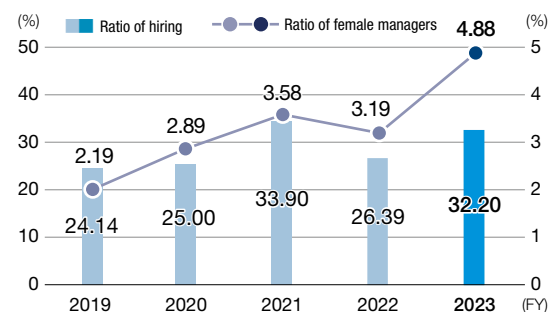
However, we cannot rest on our laurels now, it is important that we come up with responses to the risk of increasing turnover rates, something that could rise in the future. For instance, with specialized personnel like

researchers, even if the turnover rate is low, losing such human resources would likely be a big problem. In our factories, meanwhile, the loss of employees who are highly skilled at their jobs could hinder stable operations.

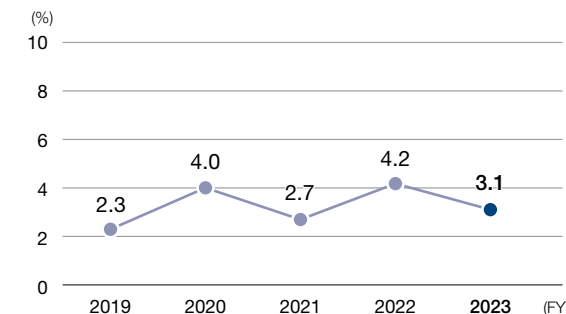
I have rung the alarm bells on risks like these at the Management Meeting and other forums, and we are investigating measures to retain employees. For example, through one-on-one meetings at each workplace, we have improved reciprocal communication between supervisors and their subordinates beyond what there was before, and we are striving for mutual understanding based on objective personnel evaluations. Additionally, we also consider it important to share information regarding the activities of our approx. 1,200 employees through the publication of an in-house newsletter, and to foster friendship among employees by holding recreational events at each workplace.

While we are working to expand our measures aimed at retention, we are also strengthening our recruitment of mid-career employees. When I first started working here, almost everyone had joined the Group straight out of high school or university, but gradually, to fill the roles for operators in the factories, we ramped up mid-career hires, and recently the number of mid-career hires among specialists working at head office is also increasing. We understand that in the future, we believe it is important to promote Sumitomo Seika as

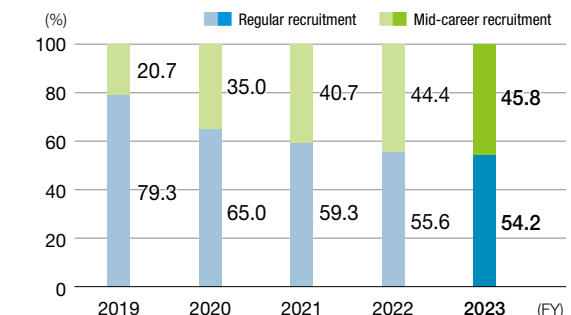
Ratio of female managers & Ratio of female employees among new hires



Ratio of turnover



Ratio of mid-career recruitment, incl. regular recruitment



a more attractive company for those considering joining us, wherever they come from, straight from high school or university, or from other companies.

For the Group to continue to grow, it goes without saying that promoting a human capital management will be key. Based on this belief, I realize that we need to motivate employees, and foster a corporate culture that inspires them to tackle even greater problems. As the chief of human resources, it is my job to share with others inside the Group the challenges we face, and a message "Review the way to work, Change mindset, Do it otherwise." I believe that each and every one of us, while maintaining a sense of pride as employees of Sumitomo Seika, will be able to improve our business performance by accurately recognizing our own challenges and striving to achieve even higher levels of performance.

And since employees are also stakeholders, we will place greater emphasis on employee engagement than ever before. By providing a work environment that is conducive to productivity and meaningful work, we aim to enhance corporate value as everyone collaborates to address the challenges faced by our customers and society.



# Promoting Human Capital Management

We at the Sumitomo Seika Group think of our people as a valued asset, and treasuring, developing, and utilizing our employees is the foundation of our business. The Group is home to a wide range of diverse individuals, and we work to train them to think and grow for themselves. In order to strengthen organizational capabilities, we are also implementing various measures to provide a workplace environment in which employees can work with peace of mind, which will enhance the entire organization's capabilities.

From 2023, we have determined our personnel strategies, and we will further promote human-capital-focused management as an integral part of our management strategy.

## Promoting Human Resources Strategy

### Human Resources Strategy

A wide variety of people with highly specialized expertise work together under strong leadership to take on challenges to solve problems we face—To become a professional group like this, we will proactively invest in the following activities:

1. Recruit and develop human resources with a high level of expertise
2. Select and develop leaders
3. Promote DE&I
4. Provide an agreeable work environment

### 1. Recruiting and training highly specialist personnel

To be highly competitive in global markets marked by dramatic change, and to help resolve social issues, we need to secure diverse, specialist personnel. For this reason, we actively employ the professionals with a high level of expertise and experience.

In addition, as well as conducting job- or position-specific training in various specialist technologies or similar, we provide support for self-improvement in the form of support to gain qualifications, distance learning, e-learning, etc. For effective human capital development, regularly each year workplace managers and human resources supervisors check the status of training and discuss future plans.

### 2. Identifying and training leaders

To identify executive candidates who can go on to be the next generation of managers, we take recommendations from each department for personnel that achieve results. In the HR Committee\*, the management team hold discussions then determine, formulate, and verify training plans. Additionally, as the business environment is less certain than it has ever been, the committee also discusses the selection and training of personnel who show the leadership to boldly tackle this kind of environment.

\*HR Committee

As part of the committee, the management team discusses and implements processes to identify executive candidates for the Group, train them, and appoint them to important positions.

### 3. Promoting diversity, equity, and inclusion (DE&I)

The Sumitomo Seika group has employees with various lifestyles and diverse values, as well as differences in gender and nationality. Business is becoming increasingly diversified and complex, and by fusing the knowledge and experiences of diverse personnel to constantly create new value, something that is imperative if we are to succeed on the global stage. As well as providing working environments suited to different backgrounds, we focus on employees' individual strengths, make use of the diversity of our personnel, and by combining their capabilities we will achieve greater global competitiveness.

### Improving uptake by male employees of childcare leave (non-consolidated)

We wish to support employees who balance their work with childcare, and are working to raise the proportion of male employees who take childcare leave when they have children. To do so, we are spreading awareness within the Group of related systems, and running various training programs with the aim of fostering a culture that makes it easier to take time off to look after kids.



#### Feedback from those who have taken childcare leave

- Male employee, 37, from a management department, who took time off for his first daughter

#### 1. What made you decide to take childcare leave?

I felt that both in society and the atmosphere in the company, people are very positive about men taking paternity leave or time off to look after their kids. A big reason was that one of my colleagues at my workplace had also used the leave.

#### 2. What was the support network like at your workplace when you wanted to take time off?

While coordinating on the business side was challenging, they all told me not to worry about work; I was really reassured.

#### 3. Are you glad you took childcare leave?

Yes, I am. I felt that somehow my wife and I were really raising our child as a couple.

#### 4. What would you say to those thinking about taking childcare leave?

I hope they do so. The time that I could spend time with my family was unparalleled. In the long run, I like to think that it is also an opportunity for the Group to enhance its organizational resilience.



- Male employee, 26, from a manufacturing department, who took time off for his first son

#### 1. What made you decide to take childcare leave?

I wanted to support my wife and to make time to spend with my child as he grows each day.

#### 2. What was the support network like at your workplace when you wanted to take time off?

My workplace operates on shifts, so I was a bit worried about them adjusting people's shifts or needing to get someone in, but my boss and everyone else there were totally supportive.

#### 3. Are you glad you took childcare leave?

I was able to lay down the foundations for our child's upbringing and spend time with just my son and I, without any problems.

#### 4. What would you say to those thinking about taking childcare leave?

There was a lot I was anxious about before I took time off, but the memories I made being deeply involved raising my son are irreplaceable. Some people might want to take longer or shorter off, but I think it is well worth doing.

## 4. Developing better working environments

A team spirit between the company and the individual (where employees feel like part of the team) is essential to raising productivity, and the source of the Sumitomo Seika Group's growth. To strengthen this spirit, we are pushing various measures, particularly to do with enhancing the working environment.

### (1) Enhancing engagement

Alongside stress checks, we carry out engagement surveys\*. The stress checks allow us to understand the working environment situation, but also to measure how much employees empathize with our corporate policies and their work.

The results for each department are fed back to the department's head, and this enables them to create a forum for measure proposals to improve engagement in their own organizations. From fiscal 2024, to check that measures are being effectively reflected, we plan to carry out more detailed surveys. In fiscal 2024, we will carry out surveys for certain departments, and we will look into expanding the scope of these in the future.

\* Engagement surveys use Advantage Toughness, a program developed by Advantage Risk Management Co., Ltd., and the average for the manufacturing industry as a whole in 2023 is a comparison of 113 companies (the 2023 average for the manufacturing industry - chemical, materials and other was for 19 companies)

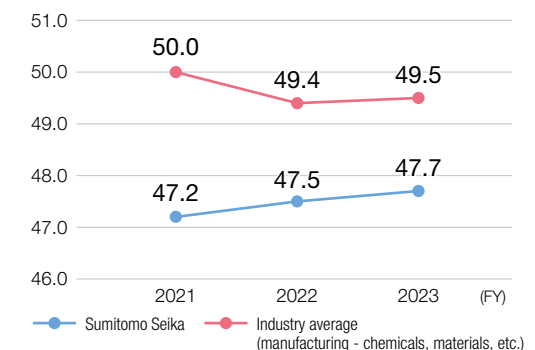
## Results of our engagement surveys

### 1. Work engagement

This expresses the passion or enthusiasm employees have for their jobs, and incorporates factors such as how they progress with their work, relationships with others, and their attitude to work.

Our score in this area has been improving since fiscal 2021, but is still a little lower than the industry average. This shows that levels of mental toughness—i.e., how employees are able to act to resolve an issue when stressed—are still an issue. We aim to surpass the industry average by fostering an atmosphere where it is easy to ask questions through better workplace communication and by continuing to spur employees on to tackle their jobs with positivity by clarifying everyone's individual roles.

### Changes in Work Engagement Score (Deviation Value)

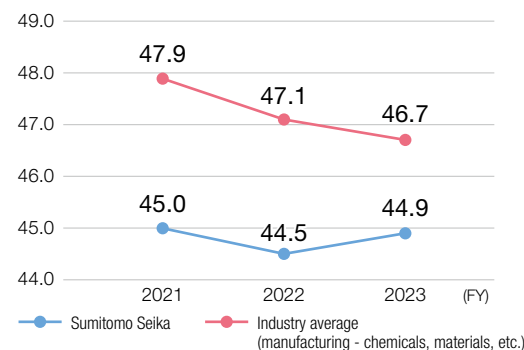


### 2. Employee engagement

This expresses the sense of unity and affection employees have for an organization, including understanding and awareness of corporate vision and strategies, and fit with policies.

Like work engagement, employee engagement is a little lower than the industry average, and has remained largely unchanged. Analysis shows that employees feel a sense of distance between management and the frontlines, and company and workplace policies are not spread sufficiently. We are implementing Town Hall Meetings as opportunities for dialogue between employees and the president, as well as target evaluation interviews every six months, and trying to explain our vision and policies in an easy-to-understand manner. In this way, we are working to foster a sense of unity and overtake the industry average.

Changes in Employee Engagement Score (Deviation Value)



## (2) Health and productivity management

The Sumitomo Seika Group's business activities come from healthy workers able to demonstrate their full capabilities. We also believe that helping employees and their families to maintain and improve their health—physical and mental—is another priority issue for management. As such we have formulated a health and productivity management policy, and we are promoting a range of measures.

### Basic Policy for Health and Productivity Management

- The Company promotes initiatives for “health and productivity management” so that employees and their families can live with peace of mind.
- The Company proactively supports our employees so that they can maintain and improve their health on their own.
- The Company works together with the Sumitomo Seika Health Insurance Association and the Sumitomo Seika Labor Union to ensure physical and mental health of employees and their families.

Date of enactment April 1, 2019

### Health Promotion Committee

To further our promotion of health and productivity management, we established the Health Promotion Committee, which chaired by the Chief of General Affairs and Personnel (who acts as Chief Health Officer (CHO)). The committee comprises those in positions of responsibility in Sumitomo Seika, the labor union, health insurance associations, and health and safety. It also cooperates with individuals from external institutions, such as occupational health physicians. Information on employee health and the committee's efforts is reported to the Board of Directors and Management Meeting regularly, and we studies issues related to promoting health and productivity management and measures we need to take to address these.

### Mental healthcare

We have introduced a mental healthcare service that allows employees or members of their families to consult a qualified, external counselor about any worries they may have about their work or their private lives, to care for their mental health.

### Health seminars

To raise employees' health literacy, we have been working with the health insurance associations to put on health seminars. As well as physical health topics such as exercise and sleep, we also run seminars on mental health that cover topics such as self-care and line care.

### 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program

Our steady efforts have seen us rewarded for the fifth year in a row as we were certified once again in the Large Enterprise Category of the 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program, which is run jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi organization. The program is a Nippon Kenko Kaigi-accredited awards program for corporations who are implementing particularly positive health and productivity management. We aim to be included in the White 500 (the top 500 enterprises in the Large Enterprise Category) and based on feedback sheets from surveys judging the standard of our health and productivity management, we are looking into more effective initiatives and will carry out specific measures.

We will continue to work with the Health Promotion Committee to investigate measures, promote usage of mental healthcare services, and keep supporting those returning to work with rehabilitative ways of working so as to promote health and productivity management.



### (3) Work-life balance (WLB)

We established a Work-life Balance Promotion Committee, which works to enhance the working environment so that employees are motivated to work. We are also moving ahead with efforts to put in place a system that promotes a reduction in actual working hours (by encouraging employees to take leave or work more efficiently) and more flexible ways of working, such as those that enable employees to balance work with childcare or nursing care. We also run the SEIKA Mutual Aid Association with the aim of enhancing our employee welfare and contributing to the stability of employees' lives.

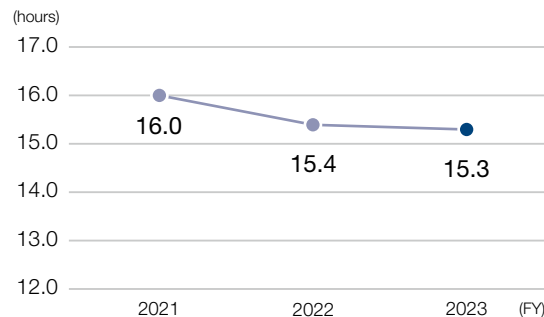
#### ① Initiatives to reduce actual working hours

As part of our efforts to reduce overtime hours, we are implementing activities to achieve the goal we have set ourselves for fiscal 2026, to reduce average monthly overtime to 12 hours or less. In each area, we have established two "no overtime days" each month and are running educational activities (PR broadcasts, workplace patrols, etc.) with the aim of introducing ways of working that are more aware of working hours.

#### ② New leave system "F Leave"

We have introduced F Leave as a new leave system for female-specific issues to make it easier to female employees to take time off. F Leave is a combination of prior leave systems for period pain or pregnancy-related hospital visits, but has been expanded its application for other cases so it can also be used for premenstrual syndrome, morning sickness, or other conditions that make it hard to go to work. To deepen understanding about taking this leave at our workplaces, we are running diversity training for managers.

#### Overtime Work Hours (monthly average per person)





# Human Rights Initiatives

## Policy

As a group, we have positioned respect for human rights as one of the foundations of our business survival. All executives and other employees have worked to respect the human rights of all everyone involved in our business activities, in line with the guiding principles of the Sumitomo Seika Group Charter for Business Conduct. To further clarify our responsibility to respect human rights, and to promote greater efforts in this area, in March 2024 we formulated the Sumitomo Seika Group Human Rights Policy, with reference to the UN's International Bill of Human Rights (formed of its Universal Declaration of Human Rights and International Covenants on Human Rights), the ILO Declaration on Fundamental Principles and Rights at Work, the ten principles of the UN Global Compact, and the UN's Guiding Principles on Business and Human Rights. In accordance with the policy, we will endeavor toward business activities and to create workplaces that respect human rights, and should there be any cause to suspect a breach, we will strive to remedy it.

### Human Rights Policy

Sumitomo Seika Group hereby adopts its Human Rights Policy ("the Policy") based on the United Nations Guiding Principles on Business and Human Rights with the aim of fulfilling the Group's responsibility to respect the human rights of every stakeholder who is affected by the Group's business activities.

#### 1. Basic Principles

We will support and respect human rights as declared internationally in the Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, etc. With Sumitomo Seika Chemicals Company, Ltd. becoming a signatory to the United Nations Global Compact, every company of Sumitomo Seika Group will support and respect its Ten Principles, which include human rights and labor.

#### 2. Scope for Application

The Policy applies to every executive officer and employee of all Sumitomo Seika Group companies, including non-regular employees. In addition, we will continually ask our business partners, including those across our supply chain, to collaborate with us in respecting human rights through acting in conformity with the Policy.

#### 3. Human Rights Due Diligence

We will identify adverse impacts caused on human rights in our business activities and seek to prevent or mitigate such impacts through implementing human rights due diligence based on the United Nations Guiding Principles on Business and Human Rights.

#### 4. Correction and Access to Remedy

We will have grievance & complaint mechanisms in place in order to respond to concerns about adverse impacts on human rights. Should it become evident that Sumitomo Seika Group's business activities have caused adverse impacts on human rights or contributed to such impacts, we will strive to take corrective action and provide remedy for the impacts through appropriate procedures.

#### 5. Disclosure

We will report on our initiatives toward respecting human rights on the website of Sumitomo Seika Chemicals Company, Ltd. or through its Integrated Reports and other avenues.

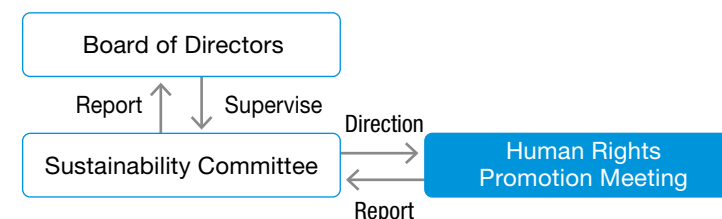
Date of enactment March 28, 2024

## Promotion Framework

To promote efforts toward respect for human rights in our business activities, we have established the Human Rights Promotion Meeting, with a membership comprising representatives from different departments and group companies, under the control of the president-chaired Sustainability Committee.

The meeting's members follow action guidelines related to respect for human rights set by the Sustainability Committee, and investigates and implements necessary measures. It then reports back on these to the committee.

The Board of Directors also oversees human rights initiatives by the Sustainability Committee and the Human Rights Promotion Meeting.



## Main Initiatives

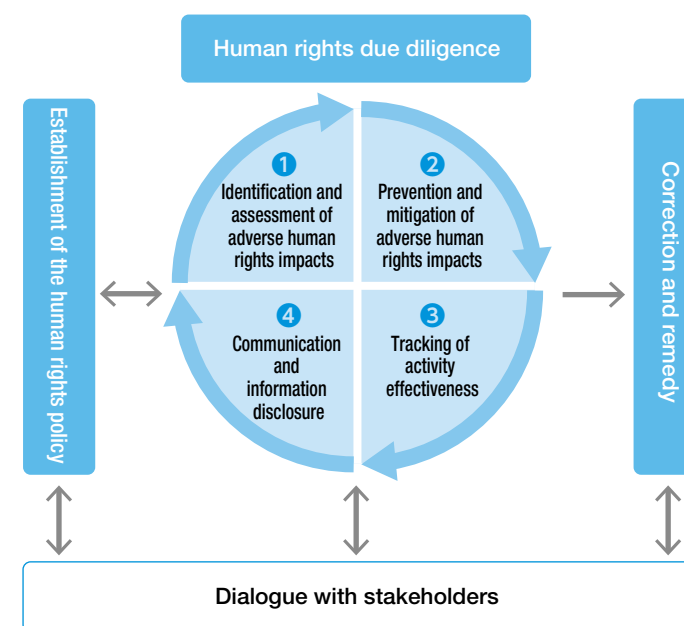
In fiscal 2023, we conducted a survey of the people in charge of each organization in our group, referring to the government's "Guidelines on Respect for Human Rights in Responsible Supply Chains", to investigate potential human rights risks in each workplace. In a survey of our suppliers, we confirmed that the 3TG\* contained in the raw materials used did not originate from conflict areas, and that the raw pulp was not produced using forced labor. Furthermore, we also conduct CSR surveys using EcoVadis (P44).

In fiscal 2024, we will establish implementation processes of human rights due diligence, identify and evaluate negative impacts, and work to prevent and reduce negative impacts.

We will explain and disclose the results of our initiatives and promote dialogue with stakeholders.

\*3TG : Four minerals of tin, tantalum, tungsten, and gold; there are concerns that some of these metals may be a source of funding for armed groups, exacerbating to human rights violations and conflict.

### Overall picture of respect for human rights initiative



### TOPIC Points Highlighted in SMETA checks and Our Responses

We undergo SMETA (Sedex Members Ethical Trade Audit) checks, which are a social auditing methodology that helps us to grasp standards related to labor, health and safety, the environment, and corporate ethics.

In fiscal 2023, three sites received these checks: Himeji Works, Befu Works, and Sumitomo Seika Singapore Pte. Ltd.

As a result, while we were found to be compliant with the respective countries' laws and regulations, it was highlighted that there were areas where there was room for improvement with regard to International Labour Organization (ILO) guidelines, so we have undertaken a review of our regulations and other measures.

Points of note in FY2023	Response
In evacuation drills at cooperating companies and companies that share our sites, only managers and representatives took part.	We will spread awareness that all employees should participate, and carry out separate training for those unable to.
Disciplinary action procedures include reduced salary penalties using wage deductions.	We reviewed direct deductions from wages, and removed reduced salary penalties from the disciplinary actions.

## Human Rights Initiatives in the Supply Chain

To ensure respect for human rights throughout the entire supply chain, we published our Human Rights Policy and Basic Policies on Sustainable Procurement, and work proactively to gain the understanding and cooperation of all of our suppliers.

To strengthen collaboration with suppliers, we introduced the EcoVadis CSR evaluation platform. In fiscal 2023, we sampled 98 companies who supply us with raw or packaging materials, based on factors such as the financial extent of our dealings and potential risks, and asked them to take part in two surveys using the platform, one in July 2023 and one in March 2024. As of the end of June 2024, 41 of those suppliers had provided responses (approx. 40%, representing around 66% of our total consolidated dealings by monetary value), of which we were able to confirm that 35 suppliers (approx. 85%, representing around 66% of our total consolidated dealings by monetary value) met certain standards.\* For those requiring improvement, we will appeal to them to improve their CSR responses so we can foster an awareness of the need for respect for human rights throughout our supply chain.

In fiscal 2024, we will expand the scope of the surveys, and for suppliers who are struggling to use the platform, we will respond to each individually, and work to evaluate their risks.

\* A score of 45 or higher on the EcoVadis platform, meaning an evaluation that the company has limited risk because it possesses a reliable system and enacts countermeasures.

### Basic Policies on Sustainable Procurement

We have the following basic policies regarding the procurement of raw materials and services, based on which we will grow and prosper sustainably together with our business partners, contributing to the realization of a sustainable society at large.

#### 1. We promote fair and equitable procurement.

- We provide equitable trading opportunities to all of our business partners on the basis of fair and free competition.
- Under the "Declaration of Voluntary Activities for White Logistics Movement" (\*1) and "the Declaration of Partnership Building" (\*2), we build cooperative relationships with our business partners, such as raw material manufacturers, business consignees, and transportation contractors, through sound and bona fide trading activities, thereby aiming to grow and prosper together.

(\*1) The White Logistics Movement is a sustainable logistics campaign led jointly by Japan's three government authorities, i.e. Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries. This initiative aims to improve productivity in truck transportation, create greater logistical efficiency, and realize a more comfortable working environment. The Declaration of Voluntary Activities is an announcement by a company or other entity to support the campaign, detailing its voluntarily, independent activities.

(\*2) "Declaration of Partnership Building" is an initiative promoted by Japan's Ministry of Economy, Trade, and Industry under which companies, regardless of sizes, declare their intention to build a new partnership with business partners across their entire supply chain by promoting collaboration with the business partners and seeking for their "co-existence and co-prosperity."

#### 2. We conduct procurement on the fundamental premise of respect for human rights, observance of laws and regulations and compliance with corporate ethics standards.

- We do not procure raw materials or services from geographical areas or other sources that might involve human right violations, such as mining of so-called conflict minerals.
- We construct and maintain an internal system capable of ensuring employees' legal and ethical compliance and proactively provide employees with relevant programs of education and training.
- We take thorough measures to prevent the leakage of confidential information received from business partners.

#### 3. We do not receive any personal gains from others in connection with procurement transactions.

- We never receive personal benefits in the form of entertainment, gifts, gratuities or others when procuring raw materials or services.

#### 4. We fulfill our corporate social responsibilities jointly with our business partners toward realizing a sustainable society.

- Among the key issues constituting corporate foundations that support the continuity of our business is "Respect for Human Rights." As an initiative to this end, we perform human rights due diligence across our supply chain, which includes identifying human rights risks, preventing or reducing human right violations, evaluating effectiveness of relevant measures taken, and disclosing information on the initiatives in place.

#### 5. We attach importance to the following matters when selecting our business partners.

- In selecting a company as our business partner to procure from, we expend every effort to make a fair judgment by considering the following factors, in addition to "quality," "price," "stability," "durability," "technological superiority," and "after-sales service" with respect to the specific raw materials and services to purchase.

(1) The company has an established internal system dedicated to occupational safety and health management whereby constant efforts are made to promote disaster prevention & safety management and perform risk management.

(2) The company has an internal system in place to ensure employees' observance of laws and regulations and their compliance with corporate ethics standards.

(3) The company is strict in respecting human rights and prohibiting discrimination, forced labor and child labor.

(4) The raw materials and services we may procure from the company are not related in any manner to human right violations, environmental destruction, corruption, or political conflicts.

(5) The company is engaged in work to eliminate adverse impacts of its business activities on the natural environment or is sincere in conducting business in an environmentally friendly manner.

(6) The company agrees to collaborate with us in promoting initiatives to achieve carbon neutrality.

(7) The company has no connection at all with antisocial forces.

(8) The company agrees with us on all of the foregoing basic policies on sustainable procurement.

Date of enactment February 21, 2023

## ■ Initiatives in Logistics and Transport

Our group participates in the "White Logistics" promotion movement and the Partnership Building Declaration. In the fields of logistics and transport, we work with partner companies to improve the working environment for their employees and are promoting the creation of systems that aim for mutual prosperity for logistics companies and ourselves.

Each year, we convene the Logistics Safe Environment Cooperation Committee with partner companies, and in fiscal 2023 participants shared information about their initiatives on the themes of problems resulting from driver working hour restrictions being imposed from April 2024, raising productivity, and workstyle reforms. We then had a dynamic exchange of opinions. Through communication with partner companies, we endeavor to help resolve issues by improving working conditions by reducing waiting times and loading and unloading tasks, and lessening the burden on workers by enhancing carrying efficiency and reducing the number of trips needed.



Logistics Safe Environment Cooperation Committee meeting

### — White Logistics activities

To respond to the increasingly severe shortage of truck drivers in Japan, we are involved in the following movements with the aims of ensuring the stable logistics needed to support lifestyles and businesses, and economic growth.

White Logistics goals:

1. Raising productivity for truck-based transport and making logistics more efficient
2. A more sustainable working environment, which makes it easier for women and those in their sixties to also work as drivers

### — Declaration of Partnership Building

This declaration is a promise by businesses to work toward greater added-value throughout supply chains and to aim for mutual prosperity for large enterprises and SMEs alike. Signatories declare their commitment to:

#### (1) Strive toward

Mutual prosperity and new collaborations throughout supply chains

Open innovation

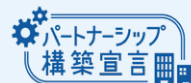
IT implementation

Environmental efforts, etc.

#### (2) Comply with positive behavioral norms when dealing with subcontractors

In particular, by declaring their stance on the following five areas to improve dealings:

- ① Price determination methods
- ② Mold management and other cost burden
- ③ Payment conditions, including promissory notes
- ④ Intellectual property and expertise
- ⑤ Negative consequences of workstyle reforms, etc.



## Human rights education

To raise awareness and educate our employees, we provide human rights education in position-based training (new employee training, new manager training, etc.). Additionally, we conducted e-learning for all employees to deepen their understanding of human rights. During the approximately two-month course period, 100% of executives and employees (excluding employees on leave) took the course. In fiscal 2024, we plan to expand the e-learning to overseas group companies.

By sharing information regarding our global response to respect human rights, we will motivate our employees to consider the human rights of various stakeholders in their work, and strive to create an organizational culture of respect for human rights.

# Environment Initiatives



## Basic stance

Our group has been proceeding environmental initiatives with a statement of "We properly assess possible impacts of our products and production processes on humans and the environment to ensure their safety and promote environmental stewardship." in the Basic Policies on Sustainability.

As society's interest in the environment increases and companies' environmental responsibilities become increasingly important, our group established the Environmental Policy in fiscal 2024 in order to clarify a more in-depth approach to the environment and to be committed to sharing this approach with our stakeholders.

The newly established environmental policy not only requires compliance with environment-related laws and regulations, but also stipulates the reduction of environmental impact in all processes of the value chain, the recycling of resources, and the preservation of ecosystems.

Our group will contribute to the creation of a sustainable society by implementing Environmental Policy.

## Environmental Policy

Sumitomo Seika Group has set the Environmental Policy as outlined below, based on its belief that the Group, being engaged in chemical manufacturing, should consider the impacts of its business activities on humans and the global environment and bear social responsibilities for protecting the environment at every stage of a product life from development, manufacturing and distribution through consumption and disposal.

1. We will ensure not only complying with laws and regulations related to environmental protection, but furthering relevant initiatives proactively by setting voluntary higher standards.
2. We will provide products and services that are safe and environmentally friendly.
3. We will reduce greenhouse gas (GHG) emissions to help mitigate global warming.
4. We will strive to promote the sustainable use of resources, including water, and energy.
5. We will endeavor to promote the "3Rs", i.e. reducing waste that will be discarded, reusing items that can still be used, and recycling items that are recyclable as resources so as to build a sound material-recycle society or a circular economy.
6. We will make every effort to mitigate adverse impacts on biodiversity that might derive from our business activities and at the same time seek to pursue initiatives that will contribute to enhancing a beneficial outcome in terms of preserving biodiversity.
7. We will do our utmost to prevent environmental incidents by continually providing employees with education and training to raise their environmental awareness.
8. We will encourage persons or organizations we work with in every process of our business activities to work on reducing environmental burdens.
9. We will disclose information on impacts of our business activities on the environment to stakeholders timely and appropriately and strive to maintain and enhance mutual trust with stakeholders through dialogue.
10. We will periodically self-evaluate the progress of our environmental initiatives and implement the PDCA cycle for improvement.

Date of enactment August 30, 2024



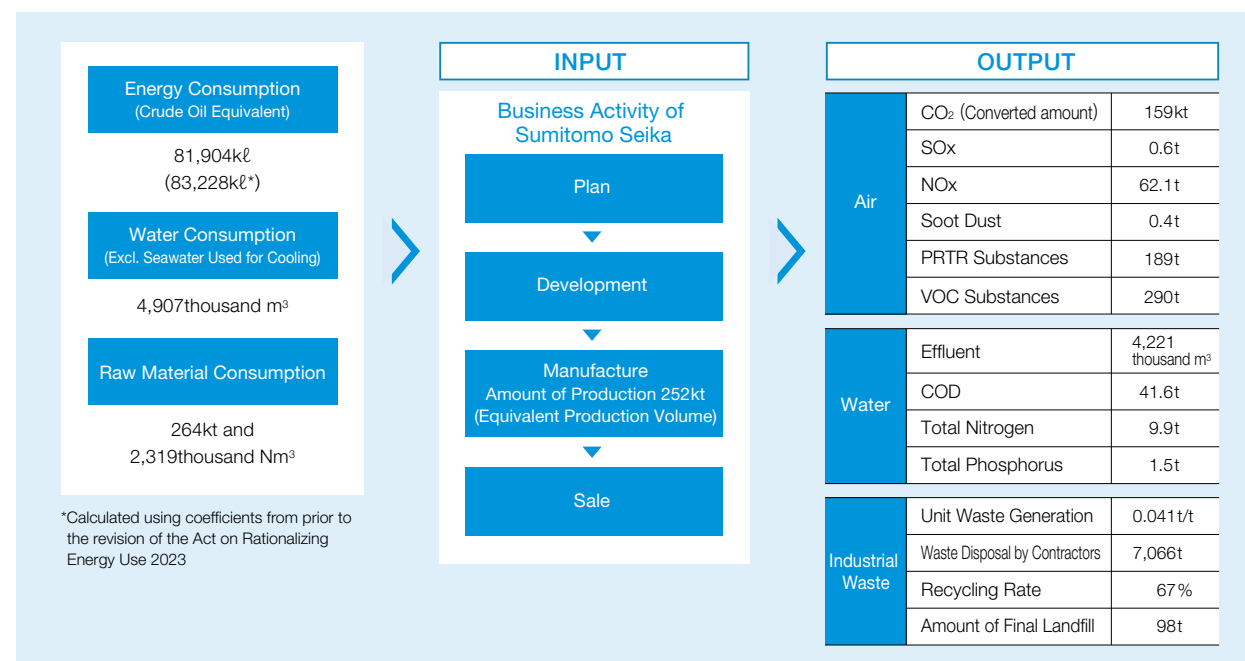
## Saving Energy

We are identifying and managing energy consumption on a “per-unit” production basis of our main products (unit energy consumption), and striving to reduce it. In fiscal 2023, while our target was a 1% decrease from the previous fiscal year, unit energy consumption remained largely the same. Despite the progress we made streamlining manufacturing processes and updating equipment to more energy-efficient models, this situation was the result of increased operation of manufacturing equipment with comparatively poor unit energy consumption levels.

In the future, we will continue to focus on energy saving, primarily by streamlining manufacturing processes, and will move forward with studies on the introduction of non-fossil-fuel energy.

\*The coefficients before the revision of the Energy Conservation Act in 2023 is applied for energy usage to compare with the previous year.

## Environmental Impact (FY2023)



## Conserving the Atmosphere and Water Environments

As part of our efforts to conserve the atmosphere, we are working to reduce emissions of substances covered by two laws—the Air Pollution Control Act (soot and smoke and volatile organic compounds (VOCs)) and the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement (Law concerning Pollutant Release and Transfer Register (PRTR))—and to maintain low levels of soot and smoke. Emissions of VOCs rose by about 30% from the previous fiscal year, due to increased manufacturing with high-emission products. We will move forward with studies into how to lower our VOC emissions. Emissions of PRTR substances increased dramatically in fiscal 2023, due to an increase in the number of substances covered by the act. For PRTR substances, too, we will explore how to reduce these emissions.

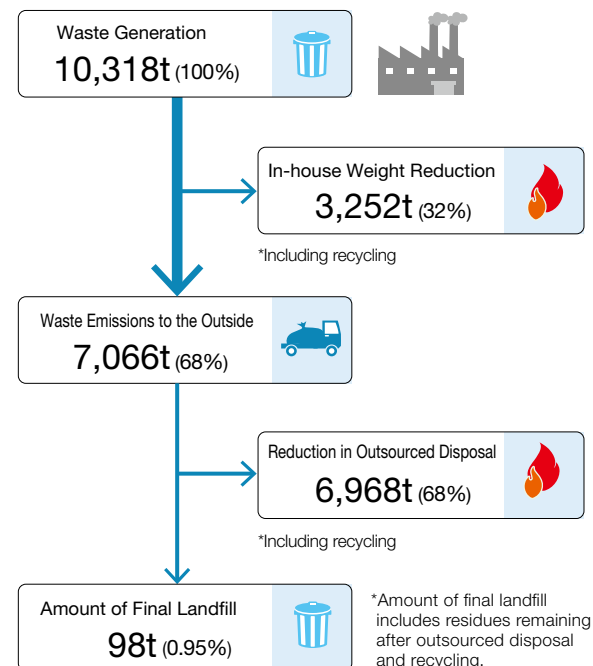
In terms of water and marine environment conservation, for the seas and lakes bordering our plants in Japan, we thoroughly manage emissions of water pollutants (total nitrogen and total phosphorus).

## Waste Treatment Activities

Efforts to promote waste disposal are underway to reduce the amount of waste generated and the volume of final landfill disposal (1% or less of total waste generated) in order to minimize environmental impact, while strictly adhering to waste disposal laws.

In fiscal 2023, the final amount of waste going to landfill decreased by 40% compared to the previous fiscal year, achieving less than 1% of the volume of waste generated, as a result of the promoting recycling of certain waste materials. We will strive to further reduce the amount of waste that ends up in landfill, and to promote waste recycling.

### Waste Disposal (FY2023 Result)



### FY2023 Environmental Accounting and Economic Results

(Millions of Yen)

Fiscal Year		2021		2022		2023	
Classification of Environmental Conservation Cost		Investment	Expenses	Investment	Expenses	Investment	Expenses
Business Area Costs	Pollution Prevention Costs	12	246	2	250	39	270
	Global Environmental Conservation Costs (Global Warming, Energy Saving)	39	1,635	149	2,468	207	3,147
	Resource Recycling Costs	0	323	8	359	0	397
Upstream/Downstream Costs		0	11	0	11	0	39
Administrative Activity Costs		0	176	2	227	0	249
R&D Costs		4	184	13	167	38	232
Social Activity Costs		0	2	0	2	0	2
Environmental Remediation Costs		0	0	0	0	0	0
Total		55	2,577	174	3,484	284	4,336
Economic Results		165		239		305	

Reporting period: April, 1 to March, 31 in the year    Scope: Non-consolidated    Method of Calculation : The amount of investment, running costs, and other expenses are calculated by proportionally dividing the proportion related to environmental preservation from the execution cost.

### Performance data in Works (FY2023)

		Befu Works	Himeji Works	Chiba Works
Energy (Crude Oil Equivalent) (kℓ)		11,183 (11,876)	68,912 (69,362)	1,737 (1,910)
*Values in parentheses are calculated using the coefficients before the revision of the Energy Conservation Law.				
Air	CO <sub>2</sub> (Converted) (kt)	27.8	128.6	2.2
	Sox (t)	0.6	—	—
	NOx (t)	6.0	55.6	0.5
	PRTR Substances (t)	1.2	180.9	6.5
Water	Effluent (thousand m <sup>3</sup> )	2,016	1,934	270
	COD (t)	25.8	15.2	0.6
Waste	Quantity (t)	6,106	4,125	88
	Recycling Rate (%)	44.5	100	97.7
	Amount of Final Landfill (t)	93.1	4.8	0.1

# Climate Change Initiatives



Climate change is affecting the global environment and a variety of influences that threaten our ways of life and the sustainable development of companies—such as abnormal weather, rising sea levels, and changing ecosystems—are appearing. There are concerns that continued global warming will further exacerbate these influences in the future. To try to mitigate some of these climate changes, we have established our Carbon Neutrality Policy, which covers the whole Sumitomo Seika Group, and are working to reduce our greenhouse gas (GHG) emissions. Moreover, we will improve the continuity and resilience of our business activities by endeavoring to avoid or mitigate the climate-related risks that are predicted to emerge.

## Policy and Goals

### Carbon Neutrality Policy

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

#### 1.Reducing our own GHG emissions

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

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

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

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

We want to create a circular economy together with local communities and society as a whole, and to that end we will continuously make technical innovations to recover, use, and fix GHGs.

Furthermore, by working with diverse partners, we will set ourselves the target of helping to bring about that kind of society, and we will promote efforts to that end.

Date of enactment July 1, 2022

### Goals

#### ● Reduce Scope 1 and 2 GHG emissions

We aim to reduce emissions for the whole Group by 54.6% compared to FY2022 levels by FY2033, and by 46% compared to FY2013 levels by FY2030 on a non-consolidated basis. We aim to be carbon neutral by 2050.

#### ● Reduce Scope 3 GHG emissions

- For Category 1 (purchased goods and services) and Category 12 (end-of-life treatment of sold products), we aim to reduce emissions by 32.5% compared to FY2022 levels by FY2033.
- Carry out lifecycle assessments (LCAs) for each product, and continue to strive to systematically reduce emissions.
- Calculate the carbon footprint (CFP) for each product (to be able to provide them by 2025).

#### ● Work on technical innovations

- Innovate Sumitomo Seika products and technologies, and contribute to bringing about a carbon-neutral society.
- Develop CO<sub>2</sub> capture technology.
- Develop ways of utilizing CO<sub>2</sub> as a resource.
- Expand our lineup of environmentally friendly products.



Date of enactment July 1, 2022  
Date of revision December 25, 2023

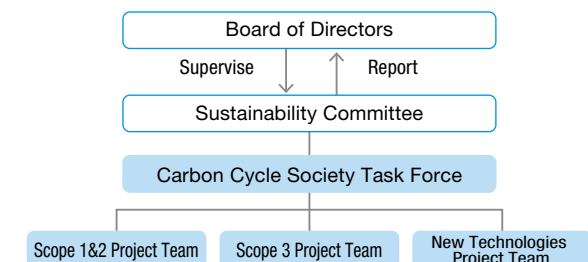
## Organizational Framework to Work toward Carbon Neutrality

We launched an organization, the Carbon Cycle Society Task Force, to work toward carbon neutrality and to act as an executive body to straddle the entire Group. The task force's project teams, which were set up to address the targets on the left, are working to achieve them. In order to roll these results out into society at large, we are collaborating with diverse partners.

In our efforts to reduce our GHG emissions, we have formulated reduction targets and plans up to fiscal 2033 that take fiscal 2022 as the year for comparison. On July 2, 2024, our near-term target has been validated by the SBTi.\* We will promote activities aimed at reaching our Scope 1 & 2 GHG reduction targets (1.5°C target of 54.6%) and Scope 3 GHG reduction target (WB2°C, or well-below 2°C, target of 32.5%).

Moreover, we will work to mitigate climate change by continuously investigating its potential future impacts and gradually add other necessary activities.

\* SBTi is a joint initiative set up in 2015 by the WWF, CDP, World Resources Institute (WRI), and UN Global Compact organizations.



## Greenhouse Gas Emissions

### Scope 1 & Scope 2

(kt-CO<sub>2</sub>)

	FY2021	FY2022	FY2023
Group	282	286	252
Non-consolidated	187	185	159

### Scope 3

(kt-CO<sub>2</sub>)

Category	FY2021 (Non-consolidated)	FY2022 (Group)	FY2023 (Group)
1. Purchased goods and services	433	1,011	1,051
2. Capital goods	6	15	27
3. Fuel and energy-related activities (Not Included in Scope 1 or Scope 2)	23	60	57
4. Upstream transportation and distribution	9	39	39
5. Waste generated in operations	5	7	9
6. Business travel	0.1	0.2	0.2
7. Employee commuting	0.7	0.6	0.6
8. Upstream leased assets	2	—	—
9. Downstream transportation and distribution		11	11
10. Processing of sold products		—	—
11. Use of sold products		188	286
12. End-of-life treatment of sold products		437	459
13. Downstream leased assets		—	—
14. Franchises		—	—
15. Investments		1	1

\*Emissions for FY2022 have been revised due to reviews of category classifications and calculation methods.

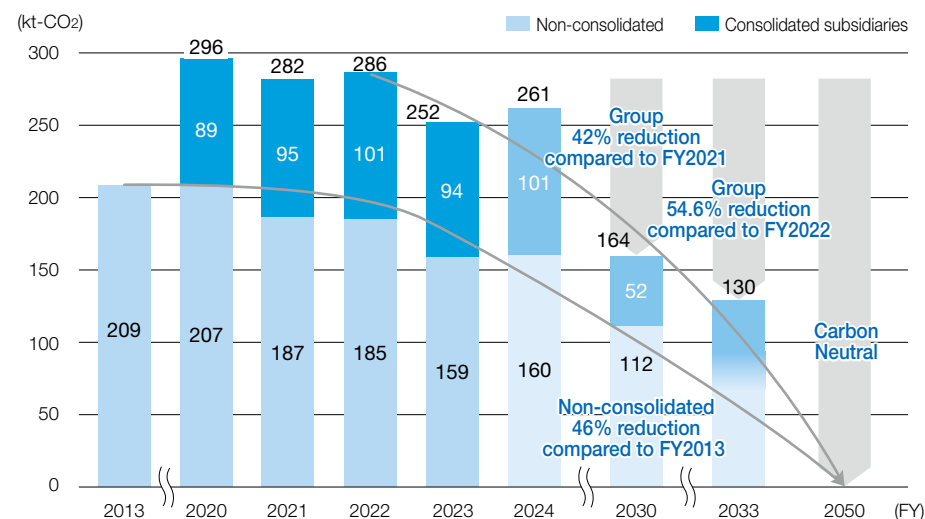
## Roadmap to Achieve Carbon Neutrality

### 1) Scope 1 & Scope 2

In fiscal 2023, we increased total production at our three plants in Japan, but due to systematic efforts, including energy-efficiency drives and streamlining of production processes, as well as our switch to purchasing electricity from renewable energy sources, we are reducing emissions well ahead of our initial plans.

In fiscal 2024 and beyond, we plan to expand the scope of these activities, and tie them into steady reductions.

While we will not change our ambitious target of reducing emissions by 46% compared to fiscal 2013 levels by fiscal 2030, we have set additional goals for technological innovations the Carbon Cycle Society Task Force is working on, and we are getting closer to achieving each one at a time.



### 2) Scope 3

For Scope 3, we previously only calculated our non-consolidated emissions in upstream categories, but this fiscal year we have started calculating for all categories and on a consolidated, groupwide basis. Going forward, with the assistance of those in our supply chain, we will strive to reduce emissions in Scope 3, too.

## Theoretical Scenario Analysis

We have identified and analyzed risks and opportunities that will arise if global warming continues, in line with +4°C or +1.5°C global temperature rises. In this we have referenced the long-term scenarios (IEA NZE2050, IPCC AR6, AR5, SR1.5, etc.) published by the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC).

We have also evaluated the degree of impact that the main risks and opportunities would have on the Sumitomo Seika Group, and are now looking into countermeasures for these.

Physical risks (in a +4°C world): Medium-to-long term to long term			
Changes to society	Major risks	Impact	Main responses
Growing severity of climate-related disasters (Heavy rain, tropical cyclones, etc.)	Halt to business activities due to water ingress risks (flooding, high tides, high waves, etc.) • Long-term halts at production sites • Severed supply chain	Medium	Continuously strengthen BCP measures • Bolster water ingress countermeasures at major sites • Reinforce the supply chain
Rising temperatures Water shortages or worsening water quality	Dropping productivity due to worsening working environments Dropping operating rate due to shortages and worsening quality of water	Medium	Continuously improve working environments Understand and work to combat water stress
Transitional risks (in a +1.5°C world): short-to-medium term to medium-to-long term			
Changes to society	Major risks	Impact	Main responses
Stricter measures/regulations	Major increase in related infrastructure and technology development investments in case of raised NDC targets Increase in costs that go along with introduction of new measures or regulations, such as for higher carbon pricing	High	Promote GHG emissions reductions • Saving energy, streamlining process, CO <sub>2</sub> separation and recovery, energy transition, etc.
Technology innovations	Major increase in energy costs Major increase in prices connected to moving to non-oil-based raw materials	High	Minimize energy and material consumption • Streamline super absorbent polymer processes and develop recycling technologies • Develop carbon recycling technologies, such as CCU (technology that utilizes separated and recovered CO <sub>2</sub> )
Market changes	Stronger calls for reductions to environmental impact Appearance of new rivals with new competitive angle	High	Reduce carbon footprint for each product Develop environmentally friendly products
Opportunities (limiting rise to +1.5°C): medium to medium-to-long term			
Changes to society	Major opportunities	Impact	Main responses
Increased energy efficiency	Increased demand for energy-related materials	High	Develop materials for batteries and semiconductors
Transition to a recycling-oriented society	Expanded needs for gas separation and recovery Increased demand for products that help reduce environmental impact, such as recycled products	High	Improve performance of PSA and expand the PSA business Develop recycling technologies



## Water-Related Risks

As we are in the chemicals industry, whether or not we are able to continue ensuring a stable supply of good-quality water will have a major impact on the sustainability of our business going forward. As such we believe it is highly important that we look into the types of water-related risk that face each of our production sites and consider appropriate measures to address them.

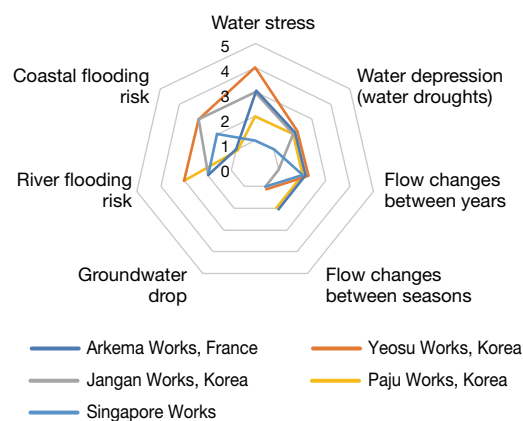
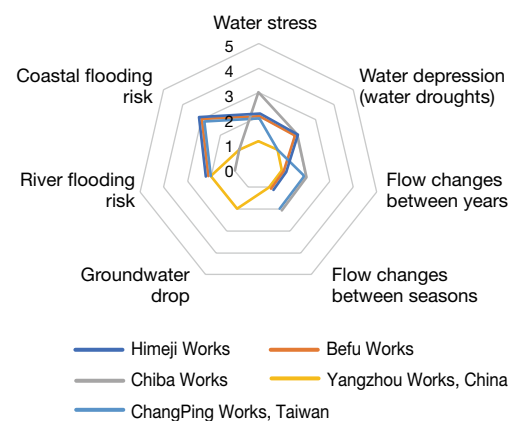
In fiscal 2023, we applied the SSP5-8.5 scenario\*1 to WRI Aqueduct\*\*2 to evaluate the probability of water risks at all of our production sites. In terms of acute risks, we have identified the likelihood of water ingress due to storm surge at many of our facilities in coastal locations. In response, in fiscal 2024 and beyond, we are putting in places measures such as raised embankments and barrier walls to minimize risks. Regarding

chronic risks, we have identified facilities at which water stress will rise in the future. It is estimated that water stress is less likely to come about because of a decrease in the supply of water from river basins, and more likely because of gradually increasing demand resulting from economic development. We will therefore roll out initiatives to improve the efficiency of our water usage at relevant facilities as preparation to ensure we do not have a significant impact on this trend.

\*1 This scenario by the Intergovernmental Panel on Climate Change (IPCC) imagines a maximal amount of GHG emissions if development remains reliant on fossil fuels and no climate-related measures are introduced.

\*2 Aqueduct is an evaluation tool by the World Resources Institute (WRI) to measure water risk.

### Water-related risk rating



### Water-related risk rating

(Calculated using WRI Aqueduct)

	Baseline (current)	2050 Forecast (SSP5-8.5)
Himeji Works	Low to medium	Low to medium
Befu Works	Low to medium	Low to medium
Chiba Works	Medium to high	Medium to high
Yangzhou Works	Low	Low
ChangPing Works	Low to medium	Low to medium
Arkema Works	Medium to high	High
Yeosu Works	High	Medium to high
Jangan Works	Medium to high	Medium to high
Paju Works	Low to medium	Medium to high
Singapore Works	Low	Low

# Occupational Safety & Health • Disaster Preparedness • Logistics Safety



Our activities to prevent industrial accidents are founded upon the idea of “Prioritizing safety over everything else” and so we aim for workplaces where employees can work in safety. In addition, we are working on stable operations to prevent equipment accidents, and preventing chemical accidents during transport and fires/leaks of hazardous materials during natural disasters.

## Occupational Safety

To accomplish zero industrial accidents, we are working to create safe and comfortable workplaces, through measures such as utilizing an occupational health and safety management system; implementing risk assessments and KY (kiken yochi, or risk prediction); reporting hypothetical near-misses; countermeasures to minimize the risk of exposure to chemical substances; internal audits and patrols of different workplaces by managers; and through disaster preparedness activities during construction.

In fiscal 2023, we were able to ensure there were zero accidents involving lost workdays (including at group or partner companies), but there was one non-workday accidents at a partner group company. As well as thorough investigations into the causes of accidents to ensure similar incidents cannot possibly happen again, and coming up with countermeasures and rolling these out to other workplaces, we review past risk assessments and implement measures to further uncover risks.

Also in fiscal 2023, we were able to restart our experiential training, which had been paused during the pandemic. By providing opportunities like this to experience the fear of the kind of incident that could happen during work, we have addressed improving employees' sensitivity to danger. Through these activities, we will continue our record of zero accidents involving lost workdays in the next year and beyond, while we will also do our best to achieve zero accidents without lost workdays.



Employees experiencing being caught in a roller



Employees seeing what contact with a dangerous liquid might be like

## Health

We conduct continuing periodic health checks for our employees and encourage them to undergo secondary health checks.

As a measure to prevent the spread of infectious diseases, we promote flu vaccinations. In addition, to avoid employees leaving their jobs due to non-work-related injuries or illness, we carry out stress checks and use training on mental health to strengthen our mental health management.

Each of our plants is reinforcing measures to prevent heatstroke, including securing items such as oral rehydration solution, salt candies, and cooling spray, and there are systems in each to distribute these. We check heat indices, and use announcements to warn all employees, and display specific heat countermeasures including affecting continuous working time or rest periods depending on the tasks being undertaken. In this way, we are applying efforts to actual worksite work plans, and tying it into preventing heatstroke before it happens and raising awareness of hot working conditions.

## Disaster Preparedness

Aiming for zero safety incidents, including fires, explosions, and leaks of hazardous substances, we strive for safe and stable operations through risk reduction measures and the systematic renewal and inspection of equipment in facilities (planned maintenance) to prevent accidents caused by equipment deterioration. As part of our efforts to prepare for natural disasters, we are also pressing forward with earthquake-proofing work.

In fiscal 2023, we achieved zero safety incidents like fires, explosions, or leaks of hazardous substances. We will continue preventing safety incidents by implementing risk assessments for risk reduction, reassessing past incidents or trouble, and conducting activities such as drills that imagine an incident occurring. In particular, as part of drills on emergency responses, we will run “scenario-less drills” with no pre-planned theme, and drills that imagine a scenario where few employees are on scene, such as late at night or on a public holiday. By drilling in a way as similar to real incident as possible, we plan to upgrade our safety incident preparedness.



First-aid drills with an “injured” employee



Firefighting drills



Explanation of the disaster situation in a joint drill with the fire service

## Logistics Safety

We continuously strive to develop safe, reliable transportation methods founded on dialogue and cooperation with our partner logistics contractors.

For these companies, we conduct safety training and drills that imagine an incident during transport. Our other efforts in this area include guidance on ways to load and lash goods, and adjusting deadlines with the safety of transport staff the top priority.

Furthermore, to promote the concept of White Logistics, we are endeavoring to make transport more stable by switching to transporting goods by train and packaging goods in bigger lots.



Safety training for logistics contractors

# Chemical Substance Management



## Chemical Substance Management Policy

In countries around the world, various laws and regulations that restrict the use of chemical substances are currently being tightened to conserve the global environment and to protect people's health and lifestyles.

These regulations cover finished products, but also the chemical substances used when manufacturing the product or included in the product itself.

We ascertain the chemical substances found in our products—such as our sanitary, medical, and cosmetic products, and those that contact food, which have a big impact on human bodies and the environment—and evaluate their safety, and strictly adhere to various laws and regulations. We are also investigating chemical substances that could be covered by regulations in the future, and working to check the usage situation of our products.

## Chemical Substance Management Methods

In order to manage chemical substances, we need to estimate the risks they pose, lower the potential for harm (by halting use, switching to alternatives, etc.), decrease the exposure index (by reducing proportion in products, decreasing the frequency of use, or using protective equipment, etc.) to permissible levels.

We analyze and ascertain the chemical substances included in our products, and we estimate the risk for each chemical substances by acquiring scientific information on their danger and toxicity and by carrying out safety tests on our products. Based on the results, we work to reduce risks by reducing the amount of the substance used or by substituting it for a safer substance.

When selling products overseas, we gather information from official documents or experts about the regulations in each country pertaining to restrictions on chemical substances, and by responding appropriately we adhere to the laws and regulations of the countries in which we sell.

## Measures in This Fiscal Year

In fiscal 2023, we gathered this kind of information on regulations and similar, and consulted with experts on our response to each country's relevant laws (CSCL in Japan; EU REACH in the EU; TSCA in the US; MEE Order No.12 in China; etc.) and to each country's application-specific regulations (for cosmetics, items that come into contact with food, biocides, medicines, etc.). We are also gathering information and creating draft opinion submissions about plastic and microplastic regulations, which have the potential to massively affect our business, and will keep a close eye on these.

From the perspective of product stewardship\* and autonomous management, we have been working to replace or reduce several chemical substances, as well as collecting information on chemical substances that may be subject to regulation in the future and studying how to respond to them.

We will continue these actions and studies in the future.

\*Definition of the Product Stewardship Initiative: The act of minimizing the impact a product and its packaging has on health, safety, the environment, and society throughout every stage of its lifecycle, while also maximizing economic benefits.

# Quality Initiatives

We carry out thorough quality assurance and quality control to provide products and services customers can use with satisfaction and peace of mind, and our goal is to contribute to society's sustainable development.

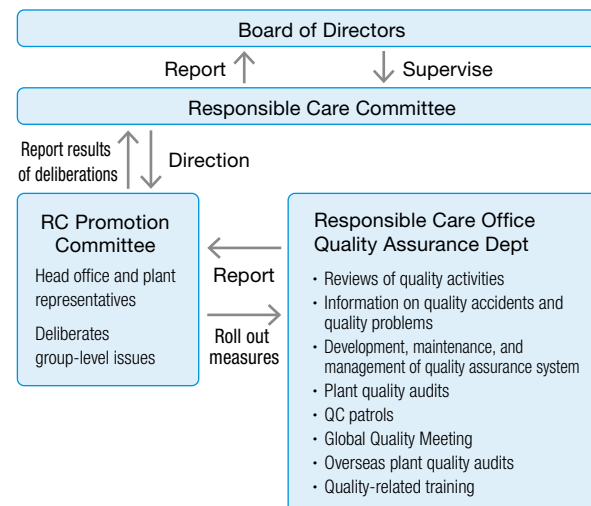
## Sumitomo Seika Group's Quality Assurance System

We have established the Quality Assurance Department in the Responsible Care Office—the latter being the corporate administrator—and are rolling out our quality assurance activities throughout the group.

We have also placed a Quality Assurance Section in each Works in Japan, and operate a quality assurance system that qualifies for certification under ISO 9001, an international standard for quality management systems certification.

For our manufacturing sites outside Japan, too, we are rolling out quality assurance systems based on ISO 9001, as well as quality management criteria and standards. By doing so, we have established systems to provide customers throughout the world with uniform-quality products and services.

### Quality Assurance Framework



## Operating the Quality Assurance System

If quality issues arise, this is reported to management in a timely manner. The results of quality activity reviews for each department are reported to the RC Promotion Committee every six months, and the issues that the committee selects are then reported to the Responsible Care Committee, which is chaired by the president. Then, the RC Promotion Committee receives their instructions on quality targets and operational improvements, and work to further enhance their quality assurance activities.

## Strengthening Quality Assurance Activities

From the viewpoint of preventing quality issues, relevant departments and workers identify risks, and conduct quality risk assessments to come up with countermeasures.

The Quality Assurance Department carries out plant quality audits and QC patrols at each of our plants in Japan. Acting as auditors, QA Department members implement plant audits together with plant departments to seek opportunities to make improvements, and tie these into preventing quality issues.

On QC patrols, department members inspect workplaces on-site with a focus on the 3Ss (sort, sweep, and standardize) and visual management (displays and signs), and work with manufacturing divisions to identify risks, hammer out problems, and implement improvement measures.

With our overseas sites, a Global Quality Meeting is held twice a year to exchange information and discuss issues related to quality assurance—including product safety—and to conduct training.

The QA Department also regularly carries out overseas plant quality audits, and verifies the how quality assurance systems are being operated and what quality assurance activities are being undertaken.

If there is a quality accident\* or quality problems, the relevant and related departments and the QA Department investigate the causes and measures to prevent recurrence, and verify these measures' suitability.

\*We have created this new category, distinct from "quality problems," to denote quality problems that will inevitably impact management. This decision was taken in response to two quality issues that took place in fiscal 2023: one that involved providing free replacements for standard gas products due to defects in container connectors, and one case of extraordinary operating loss at Sumitomo Seika Polymers Korea Co., Ltd. as a result of equipment operation issues.

## Fostering a Focus on Quality

In order to provide products and services that offer customers satisfaction and peace of mind, we believe it is vital that we enhance the effectiveness of our quality management system and cultivate a culture of focusing on quality to energize those activities through training.

The aim of our training is to show each and every employee the importance of quality and to this end we hold regular quality seminar and quality training. We also carry out specialist training with regard to advanced quality assurance certification in medical-related and other fields.



# Relationship with Local Communities and Society



We aim to contribute to the local community and society by participating in local events, exchanging opinions, providing activities with local people, and opportunities for work experience.

## Regional Events

In August 2023, we took part in “Summer Edutainment,” an event for kids and parents put on by the town council of Harima-cho, Kako-gun, in Hyogo. Our class was entitled “Let’s use the power of chemistry to make food replica!” This was the 11th time we have joined in.

Our class involved using materials that can be found in the home such as wax or laundry starch to make replicas of food and slime, and magic experiments that utilized our super absorbent polymers. Participants enjoyed themselves but were also able to learn about the power of chemistry all around them.

Through these activities, we are stimulating an interest in chemistry in children for the future, and we hope this provides a positive chance for them to think more about environmental issues.



“Summer Edutainment” at Befu Works

## Activities to Interact and Exchange Ideas with Local Communities

### ● Joint disaster preparedness drill viewing

As part of our efforts to proactively disclose information and improve communication with the local community, we invited local people to come and watch our disaster preparedness drills. This allows us to explain the efforts we make to ensure safe environments, and also acts as a forum for them to voice their opinions and ideas. In October 2023, we welcomed local residents who came to watch a joint disaster preparedness drill at Befu Works, and after an explanation of our activities and time spent watching the drills, the residents were able to take part in an exchange of ideas with our staff.



Local residents watching disaster preparedness drills at Befu Works



Interaction with the local community at Befu Works

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

We open up our grounds to neighboring residents, and allow nearby nursery schools to use them for their sports days, senior citizens' group of community associations to play ground-golf, and various other activities.

### ● Community cleanups and beautification activities

Each Works carries out regular cleanup activities of roads and other areas around the site.



Opened up grounds in use at Befu Works    Community cleanup near Chiba Works

## Training Activities: Opportunities for Work Experience

We accept students for work experience to provide them with a chance to think about their academic major, views on work, and lives. In fiscal 2023, we welcomed junior high school students as part of a “Trial Week” organized by the city of Himeji in Hyogo. We also ran internships for students from high schools, technical colleges, and universities, which, including those who participated online, involved around 130 students.

In the internships for university students in particular, we put on a program that incorporated practical training. For example, during groupwork, students gave presentations on business models and received individual feedback from some of our employees.

The students who took part afterwards spoke of how the program laid out the type of work and the atmosphere within the company in an easy-to-understand way, showing the ways that even students without chemical or engineering background could work at a chemicals manufacturer. Others talked about how the one-on-one feedback that the program provided helped them to realize their own strengths, which had previously been hidden to them.

In fiscal 2023, we jointly conducted a program at our Himeji Works with a university in Singapore, and took on internship students from the country.

To deepen understanding of our company, we will continue to support training activities that provide such valuable experiences for participants to consider their own future paths by getting a real feel for work here.



Trial Week\* at Himeji Works

\*Through various hands-on activities in the local community, the Trial Week helps junior high school students realize the meaning and joy of work, increase their awareness as members of society, and find their own way of life.

### Post-Internship Feedback

I have now successfully completed my internship, which ran for around three months, from February 27 to June 3, 2023. This was my first work experience in Japan, but I really liked the relaxed environment at Himeji Works. Despite the language barrier, everyone there was very diligent in teaching me, and I am extremely grateful to Sumitomo Seika Singapore for giving me this priceless opportunity to do an internship in Japan—a country I love—in my final year at university. I am also very thankful for the training and support that I was given by the training staff at Himeji Works and all their colleagues.

The hardest part of the program was overcoming the language barrier. I cannot speak Japanese, so I faced many problems communicating with my colleagues, but fortunately I was able to use a translation app and bridge that gap!

During the internship, I was mostly involved in the R&D departments' work in super absorbent polymers. Through the experience, I became very interested in how these polymers will evolve to meet future needs. This was part of the reason why I have chosen to join Sumitomo Seika Singapore. I hope to carry this interest in the field of special materials going forward as a chemist.



Jian Hui Lee

## Other Social Contribution Activities

### ● Monetary Donation

Since fiscal 2021, from the perspectives of both health and productivity management and our social contribution, we have participated in Love Walk, a walking event organized by the Japan Committee for UNICEF (JCU). In order to give back to society through the benefits of our health promotion activities, we calculated an amount of money with one yen for every 1,000 total steps made by employees who took part in the event. The total was then added to donations from employees and donated to the JCU. In fiscal 2023, even more people took part, and the amount of money raised based on step count was even greater than the previous fiscal year.

Where natural disasters such as earthquakes or flooding take place, with widespread damage, inside or outside Japan, we as a company donate funds in accordance with preset rules, and employees to carry out fundraising activities. In fiscal 2023, following the Noto Peninsula earthquake in 2024, donations were made both by the company and from employees.

### ● Blood Donation

We host blood drives for the Red Cross Blood Center at our sites, and each time a whole host of employees take part—in fiscal 2023, more than 200.



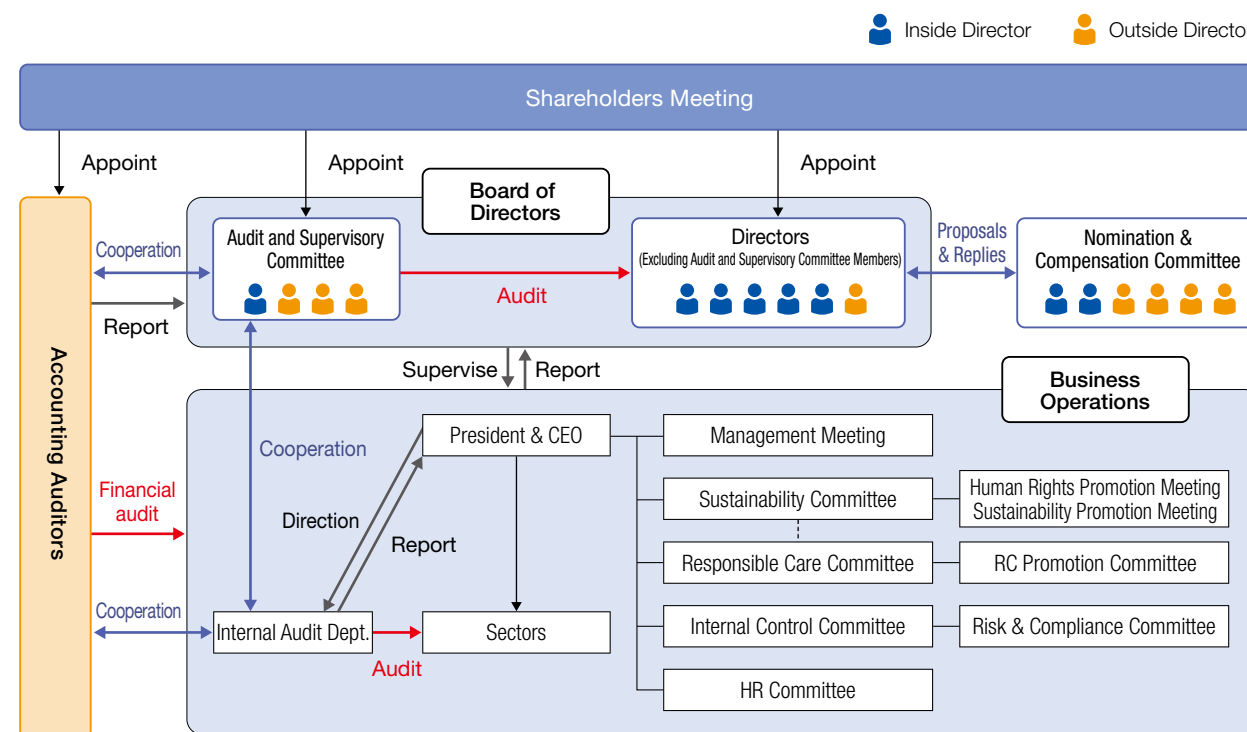
Donating blood at Befu Works

# Corporate Governance

## Basic Stance

We are committed to our Corporate Mission—“Following the Sumitomo Business Spirit, the Sumitomo Seika Group will contribute to the advancement of society by developing world-class creative technologies in the field of chemistry and, based thereon, supplying unique, high quality products to people around the world”—and, based on this, we are working to strengthen and enhance our corporate governance in accordance with the following policies to ensure our sustainable growth and enhance our corporate value over the medium to long term.

- 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 executives 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 the Sumitomo Seika Group and makes timely and bold decisions in order to promote sustainable growth and improve the Group's medium to long term corporate value.
- We engage in constructive dialogue with our shareholders toward achievement of sustainable growth and increased medium to long term corporate value, and we clearly explain our management strategies and plans in an easily understandable manner through such dialogue.



## Corporate Governance Structure

On June 25, 2021, we transitioned from a company with a board of corporate auditors structure to a company with an audit and supervisory committee structure in order to further enhance corporate governance and management transparency by strengthening the supervisory function of the Board of Directors, as well as to accelerate decision making and thereby further increase our corporate value.

In order to strengthen corporate governance, realize efficient management, and enhance competitiveness, we have adopted an executive officer system that separates directors, who are responsible for formulating basic corporate policies, determining strategies, and supervising business execution, from executive officers, who focus on business execution.

Body	Times met in FY2023	Summary
Board of Directors	13	As well as deciding on management strategies and other important management matters, in accordance with laws and regulations, the Board of Directors takes reports on business execution and other topics from individual directors, and provides oversight to directors' business execution and other duties. The term for directors who are not members of the Audit and Supervisory Committee is one year, and candidates are nominated by the board, after considering reports by the Nomination and Compensation Committee, and then selected at the Shareholders Meeting. One-third or more of all directors are independent external directors. The Board of Directors is chaired by the president.
Audit and Supervisory Committee	14	The Audit and Supervisory Committee audits directors' business execution from the perspective of legality and appropriateness, thereby contributing to the improvement of the Company's corporate governance. It also shares opinions and deliberates about, and investigates, a wide range of topics related to the suitability and effectiveness of management, and compliance, as well as offering advice or suggestions on legality and suitability. The committee consists of one director (full-time Audit and Supervisory Committee member) and three external directors (Audit and Supervisory Committee members), and conducts effective audits by combining the independence of the part-time members with the information-gathering capabilities of the full-time member.
Nomination and Compensation Committee	3	The Nomination and Compensation Committee is a consultative body that was set up to ensure the transparency and fairness of the selection of executives, the nomination of directors, and matters pertaining to remuneration. More than half of its members are independent external directors, one of whom chairs the committee.
Management Meeting	27	The Management Meeting holds discussions among executives when the Company decides on management strategies or other important management matters.
Sustainability Committee	2	The Sustainability Committee carries out a number of duties to promote sustainability management, including formulating sustainability policies, making sustainability plans, verifying and improving sustainability promotion at Sumitomo Seika and group companies, and other tasks necessary to promote sustainability management.
Responsible Care Committee	2	The Responsible Care Committee discusses and determines the drawing up of medium- and long-term plans connected to safety, the environment, and quality (incl. risks and compliance); the formulation of fiscal-year plans for the entire Group; major changes to task systems; measures to combat major problems; and other topics.
Internal Control Committee	4	The Internal Control Committee receives reports on how our internal control systems are operating, offers necessary guidance to different parts of the organization as well as the Risk & Compliance Committee, and works to maintain and enhance internal controls in order to bring them together.
HR Committee	2	The HR Committee is responsible for the selection and training of executive candidates and appoints them to, and continuously reviews, important positions (department manager equivalent of higher, special-grade reemployment, etc.)

## Board of Directors

Major investigations undertaken by the Board of Directors in fiscal 2023 are as follows.

Subject	Main areas of discussion
Management	<ul style="list-style-type: none"> <li>•Management strategies</li> <li>•Our initiatives to bring about management more conscious of capital costs and share prices</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>•Approval of the integrated report</li> <li>•Establishment of human rights policy</li> </ul>
Corporate governance	<ul style="list-style-type: none"> <li>•Determination of matters related to the Shareholders Meeting</li> <li>•Board of Directors effectiveness evaluation</li> <li>•Internal control evaluation</li> </ul>
Nominations, remuneration, & organization	<ul style="list-style-type: none"> <li>•Selection of representative directors and directors and executive officer nomination</li> <li>•Revisions to policies related the determination of director and management remuneration</li> <li>•Development of executive management candidates</li> <li>•Determination of allowances for director remuneration</li> <li>•Organizational reforms</li> <li>•Personnel strategies</li> </ul>
Financial results	<ul style="list-style-type: none"> <li>•Approval of financial results</li> <li>•Approval of budgets</li> </ul>
Business activities	<ul style="list-style-type: none"> <li>•Business and sales strategies</li> <li>•Determination of large-scale investment projects</li> <li>•Overseas subsidiaries</li> </ul>

## Evaluating the Effectiveness of the Board of Directors

As an initiative to ensure that the Board of Directors is fulfilling its roles and functions effectively, and to make further improvements, we conduct effectiveness evaluations. See below for the results of the evaluation for fiscal 2023.

### How we judge effectiveness

- ① Each director completes a self-assessment (questionnaire)
- ② Interviews are conducted based on the answers given in ①
- ③ Based on ① and ②, the current situation is analyzed, and issues identified
- ④ The Board of Directors discusses the effectiveness evaluation and issues based on ③

### The self-assessment includes the following topics:

- Operations of the Board of Directors and its systems (no. of agenda items, time allocated, etc.)
- Number of members of the Board of Directors, and their diversity and skills
- Status of discussions, explanations, and reports at the Board of Directors
- Status of oversight by the Board of Directors (of areas such as implementation of business plans, risk management, internal controls, and compliance)
- Oversight of training for those who will succeed to executive posts
- Status of efforts toward issues identified in the previous year's effectiveness evaluation



## FY2023 Board of Directors effectiveness evaluation

Based on the results of the questionnaires and interviews conducted with each director, the Board of Directors discussed its effectiveness in fiscal 2023, the status of efforts toward issues from the last evaluation, and measures to further raise effectiveness in the future.

In the discussions, the Board of Directors was able to ascertain that its appropriate operation led to lively discussions, and that progress was being made toward addressing issues identified in the previous year, and that improvements had been made since then.

Taking the results of these discussions into consideration, the Board of Directors determined that it was adequately fulfilling the roles and functions needed to raise corporate value. It also set out issues that should be worked on this year to further improve its effectiveness. For more details, please see below.

## Status of efforts toward issues identified in the previous year's effectiveness evaluation

The Board of Directors responded to issues identified in the previous year's effectiveness evaluation as follows:

### (1) Bolstering oversight for personnel strategies

#### Issues identified in the previous year:

To accomplish the goals of our growth strategies, the Board of Directors needs to receive thorough reports about approaches and initiatives toward personnel strategies and human-capital-focused management.

#### Status of efforts:

The Board of Directors took multiple reports on personnel strategies and discussed the details of these reports. Taking on board those discussions, we undertook a review of the skillsets needed by its members. In the future, the Board of Directors will continue to incorporate the perspectives of its external directors and work to bolster oversight for personnel strategies.

### (2) Enhancing the information provided to external directors

#### Issues identified in the previous year:

External directors who are not members of the Audit and Supervisory Committee need opportunities to receive explanations about operations directly from different departments, such as having them accompany Audit and Supervisory Committee meetings on site visits.

#### Status of efforts:

With the permission of the Audit and Supervisory Committee, they also attended site visits.

### (3) Improving the operation of the Nomination and Compensation Committee

#### Issues identified in the previous year:

To further increase transparency, there is a need to look into, and lay the ground for, selecting a chair from outside the Company.

#### Status of efforts:

Since the previous year's evaluation, an external director has chaired the Nomination and Compensation Committee. The concerned external director reports on the details of Nomination and Compensation Committee discussions to the Board of Directors.

### (4) Upgrading the creation methods for Board of Directors materials and their volume

#### Issues identified in the previous year:

The Board of Directors needs to improve its materials and explanations on agenda items to secure sufficient time for discussions and to improve its effectiveness.

#### Status of efforts:

We worked to improve materials and explanations. We will continue to work to enhance these.

## Issues identified in the latest effectiveness evaluation and future actions

Taking into consideration the results of the effectiveness evaluation, going forward we will take the following actions in response.

### (1) Encouraging communication between external directors and those on the business execution side

With the aim of encouraging exchanges of information and ideas between external directors and those on the business execution side, there is a need to set an external director to take charge of summarizing ideas that come out of different meetings between external directors, and to further stimulate information exchanges between directors.

### (2) Adding external directors to internal committees

As we hope to introduce external perspectives to discussions on the business execution side, we need to study how to incorporate external directors into various internal committees related to human resources or sustainability.

### (3) Making Board of Directors operations more efficient

Since the shift in company structure to one with an audit and supervisory committee, the amount of information reported to the Board of Directors has grown, and so the time the Board of Directors requires has also increased. To ensure it has more time for important

discussions, there is a need to review reports and reporting methods, and to improve the efficiency of its operations.

#### (4) Other

We will also respond in the following ways, including in areas directors have said they wish to see improvements to raise the effectiveness of the Board of Directors.

- More discussion of business (product) portfolios and management resource allocation
- Enhancement of reports to, and discussions by, the Board of Directors on topics such as initiatives to secure product quality, including at overseas group companies
- Periodic reviews of Board of Directors regulations and basic policies on internal controls

## Compensation for Directors

### (1) Remuneration decision-making policy

#### a Basic Policy for Determining Compensation Amounts

- ① The compensation system for directors and executives (executive officers with control over business operations) uses the achievement of performance targets as an incentive and aims for long-term increases in corporate value, not just quick profits.
- ② Compensation shall be set at a level that is competitive in terms of attracting and retaining human resources, while taking into consideration the size and nature of the Company's business and other factors.
- ③ Whether the level of compensation is reasonable or not is something that is reviewed using objective materials.
- ④ The amount of individual compensation shall be determined based on whether or not the director concurrently serves as an executive officer, the executive officer's position (president, senior managing director, managing director, without role, etc.), and whether he/she is independent.
- ⑤ The transparency and fairness of decisions about compensation are ensured with contributions from the Nomination and Compensation Committee, more than half of whose members are independent external directors.
- ⑥ Compensation for directors who are members of the Audit and Supervisory Committee shall be limited to base compensation only, and shall be determined through consultation among the Audit and Supervisory Committee members within the scope of the total amount of remuneration determined by a resolution of the Shareholders Meeting.

### b Compensation Breakdown

- ① Compensation for directors and executives comprises two elements: fixed compensation ("base compensation") and compensation linked to the Company's business performance ("performance-linked compensation") that takes the form of bonuses or stock-based compensation in the Company.
- ② Directors who are not involved in business execution are responsible for monitoring and overseeing management; as such, they only receive base compensation.
- ③ The ratio each year between base compensation and performance-linked compensation (bonuses and stock-based) for directors who are involved in business execution is set within the limits detailed below, according to whether they are both a director and executive officer—and if they are, at what level—and if the target performance indicator (operating income of 12 billion yen) for the final year of the medium-term business plan (FY2023 to FY2025) was achieved.

Base compensation (fixed)	Performance-linked compensation (bonuses)	Performance-linked compensation (stock-based)
64% to 69%	20% to 27%	9% to 13%

\*1 Calculated based on a single price of 5,090 yen, the share price as of end-of-day on March 29, 2024.

### c Base compensation

- ① Base compensation is according to roles and responsibilities, in order to function as the foundational remuneration for professional duties.
- ② Base compensation is paid as a pecuniary amount, monthly.

### d Performance-linked compensation

- ① Bonuses: As short-term incentives tied into achievement of targets set in the medium-term business plan, these fluctuate depending on the consolidated performance for each fiscal year, and are paid as a pecuniary amount at a fixed time each year (scheduled for the end of June).
- ② Stock-based compensation is positioned as a medium- and long-term incentive to promote a greater sharing of value with shareholders and sustainable growth for the Company. This is paid at a time decided by the Board of Directors.

### (2) Mechanisms of Each Compensation Element

#### a Base compensation

- ① The base compensation amount shall not be changed during the term of office (one year).
- ② Should the "size of the Company" (net sales, market capitalization, number of

employees) and “profitability” (operating income, ROE, D/E ratio) change, this will be reflected in the amount for the following year (term of office).

**b Performance-linked compensation and bonuses (short-term incentives)**

- ① These are paid on the proviso that consolidated operating income for the relevant fiscal year reaches or exceeds 5 billion yen, and are determined according to the formula below.

Bonus calculation formula: performance indicator x coefficient

- ② The performance indicator is the sum of consolidated operating income and financial balance, in order to reflect the consolidated performance for each fiscal year. In fiscal 2023, the actual figure was 9.977 billion yen.
- ③ The coefficient is used to calculate the amount of bonus (set by position, etc., and according to whether the recipient is also a director and according to their position, with the higher the position, the higher the coefficient) based on the ratio given in (1) b) ③ left, and the relevant bonus amount is set as a division of the target of 12 billion yen.
- ④ It is possible to reflect individual performance for each person’s bonus within a range of +/- 10% based on the calculation formula. However, the total bonus amount does not change.

**c Performance-linked compensation and stock-based compensation (medium- and long-term incentives)**

- ① Transfer-restricted stock in the form of common shares of the Company is granted in a number dependent on the recipient’s position and other factors (however, the grant takes the form of payment as monetary claims equivalent to the price of the relevant shares; for directors and executives it will be paid in as property contributed in kind, to be received as shares of the Company’s common stock to be issued or disposed of).
- ② The number of shares is determined based on the ratio given in (1) b) ③ left, according to whether the recipient is also a director and with the higher the position, the higher the number.
- ③ Recipients must hold the shares until they resign or retire from the position by the Company.

**(3) Organization and Procedures for Determining Directors’ Compensation**

**a Shareholders Meeting**

It was resolved and approved at the 108th Annual Shareholders Meeting, which was

held on June 25, 2021, that the total annual amount of compensation for all directors who are not members of the Audit and Supervisory Committee shall be not more than 360 million yen (including 20 million yen for external directors). The number of executives to which this resolution relates is eight (including one external director).

It was also resolved and approved at the 108th Annual Shareholders Meeting held on June 25, 2021, that the total annual amount of compensation for all directors who are members of the Audit and Supervisory Committee shall be not more than 60 million yen. The number of directors to which this resolution relates is four.

At the 110th Annual Shareholders Meeting held on June 23, 2023, it was determined that the total amount set aside for transfer-restricted shares to directors (excluding those who are members of the Audit and Supervisory Committee, external directors, non-executive directors) shall be set to not more than 90 million yen per annum. The number of executives affected by this resolution is five.

**b Board of Directors and Consultative Body**

The Company has established the Nomination and Compensation Committee as a consultative body to the Board of Directors on compensation for executives and directors who are not members of the Audit and Supervisory Committee so as to improve transparency and fairness. The Nomination and Compensation Committee consists of the president, the director in charge of human resources, and independent external directors. Members are appointed to ensure that more than half are independent external directors. The committee is also chaired by an independent external director.

The Board of Directors deliberates and determines the policy and method of determining compensation for directors who are not members of the Audit and Supervisory Committee and executive officers based on advice from the Nomination and Compensation Committee.

# Risk and Crisis Management, and Business Risks

## Risk Management

Sustainable growth requires us to quickly discover and deal with risks that could impede the achievement of our business goals. To enable us to do so, and also to react swiftly and appropriately when risks do surface, we need to develop and operate a risk management system.

We have established the Internal Control Committee, chaired by the president, which discusses the operational status for the risk management system, and the status of measures to counter the Group's major risks. For these major risks, the Internal Control Committee considers the business environment and changes in society, and reviews risks as necessary, and details of discussions and deliberations are reported to the Board of Directors, and are overseen.

### ● FY2023 initiatives

#### Strengthening management of group companies

The overseas sales ratio is increasing each year, and so is the importance of managing the risks associated with the operations of our overseas group companies. In fiscal 2023, as well as increasing our role in the management of funding and remittances at group companies, we expanded opportunities for information sharing and communication with group companies.

## Crisis management

If a crisis were to occur, depending on its severity, we would set up a response team headed by the president or an executive officer, which would verify the extent of the damage and forecasts of the impact on our business, study measures to prevent the spread of damage and to recover, and then implement those countermeasures. If the crisis is something that affects the public, we will publicly announce externally it without delay.

To keep the damage of any crisis to a minimum, and to maintain our business or recover as quickly as possible, we have formulated business continuity plans and internal regulations connected to crisis responses.

## Business Risks

The following are matters affecting our business that have the potential to majorly impact stakeholders. While the items presented here are those deemed to be risks as of the end of the current consolidated fiscal year, this is not an exhaustive list of all risks connected to the Sumitomo Seika Group.

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

#### ① Market environment

In the markets in which we develop our business, we predict that our product lines may continue to face a harsh pricing environment due to various reasons, such as entry into those markets by competitors from inside and outside Japan or inflows of cheap imported goods. In China, meanwhile, one of the most important markets for super absorbent polymers, our Group's competitive environment could intensify due to factors such as price competition, the commoditization of super absorbent polymers resulting from quality improvements in locally manufactured products or other causes, and the lower number of babies being born.

#### ② Raw material procurement

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

#### ③ Exchange rate fluctuations

We conduct production and sales activities globally and fluctuations in exchange exert an influence on our foreign-currency sales or procurement costs for raw materials. As a result, we strive to minimize such risks through measures such as exchange contracts. For our overseas consolidated subsidiaries, when we create our consolidated financial statements, the exchange rate at the point of conversion could impact the value in Japanese yen. In particular, fluctuations in exchange rates for the renminbi could impact our performance.

#### ④ Impairment loss on non-current assets

We apply accounting standards for impairment losses on non-current assets. Should the management environment take a drastic turn for the worse or similar, and we would find it hard to recover our investment in our non-current assets, we would record this as an impairment loss when we become aware of it, and that could have a negative effect on our business results and financial situation.

#### ⑤ Climate change

The progression of climate change will have a serious impact on our potential for sustainable growth. As global warming advances, extreme weather phenomena will become more common and more severe, which could affect our performance by causing a halt to our production activities at production sites in coastal areas, such as through rising sea levels. Similarly, increasingly strict government policies and regulations on GHG emissions could lead in a dramatic increase in costs associated with our response to this (expenses associated with introducing renewable energy, switching to low-carbon fuels, amending manufacturing processes, introducing energy-efficient equipment, etc.), which could negatively impact our financial situation. Furthermore, in a carbon-neutral world, we foresee changes to market values and the focus of competition, such as with greater demand for products and services that have minimal environmental impact. If we take too long to respond to such trends, we could lose our competitive edge for our products and services, and this could have a significant impact on our performance. For more details, see the sections on “Climate Change Initiatives” and “Theoretical Scenario Analysis”.

## 2. Risks Related to Accounting and Finance

### ① Retirement benefit liability

Our employee retirement benefit expenses and liabilities are calculated based on actuarial assumptions such as the long term expected rate of return for pension assets or discount rates. A disparity between assumptions and actual results due to deterioration in the pension asset management environment or a decline in the share price of listed stocks contributed to the retirement benefit trust could result in an increase in future retirement benefit expenses, which could adversely affect the financial situation and operating results of our group.

## 3. Other Risks Related to General Management

### ① Disasters or accidents

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

### ② Information security

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

### ③ Laws and regulations

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

### ④ Personnel/labor

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



**⑤ Legal breaches and compliance**

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

**⑥ Product quality**

We follow very strict quality control standards, that are globally recognized, as we manufacture a range of products, but this is no guarantee that all of our products will be free from defects and that a product recall will not be required in the future. If an extensive product-related incident were to happen, it could result in high costs, or it could have a major negative effect on our reputation.

**⑦ Intellectual property risks**

We have accumulated a great deal of technologies and expertise that enable us to differentiate ourselves from our competitors, and strengthened our competitiveness in doing so, but some of our original technologies, products, and expertise cannot be fully protected in certain regions so there is a possibility that we would not be able to effectively prohibit a third party from using our intellectual property to manufacture similar products. Moreover, as result of current or future disputes over intellectual property, there is a risk that a disadvantageous judgment could be made.

**⑧ Human capital**

Our corporate group is built on diverse human resources, yet the working population in Japan is forecast to shrink due to factors such as low birthrates. If we were unable to secure the personnel we need for our business activities, due to a decrease in the number of people we recruit or an increase in the number of people leaving us, or if we were too slow in training the personnel who will lead our efforts toward growth in the medium term, we would be unable to achieve our business targets and this could negatively affect our business results.

**⑨ Other**

In the many countries in which we have business activities there are a number of inherent risks, including changes to laws or regulations, or social chaos resulting from terrorism, war, disease, or other reason. Should one or more of these manifest, it could have a negative effect on our business results and financial situation.

# Internal Control & Compliance

## Internal Control

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

\* Sumitomo Seika Internal Reporting System

We have set up an internal reporting desk on our website that anyone, inside or outside the company, can use for whistleblowing. With this system, we are thorough in our efforts to protect whistleblowers, and the content of their reports, and our response to these, is reported to an outside legal office to evaluate. In this way, we work to keep our organization in compliance ourselves and ensure that compliance is deeply rooted.

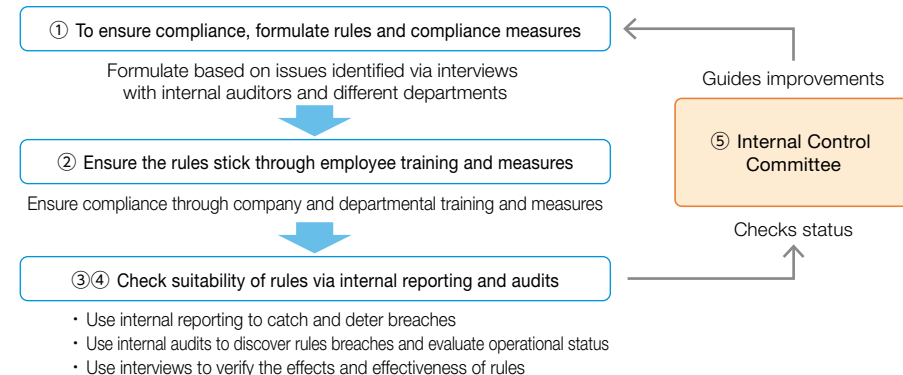
## Compliance

We have positioned compliance as a fundamental rule that should be followed in business, and enshrined it as a code of conduct for executives and other employees in the Sumitomo Seika Group Charter for Business Conduct. In addition to making sure the entire Group's corporate activities are based on this, we strive to adhere to all related laws and ethical norms.

In order to ensure compliance, it is necessary to develop and appropriately utilize a system (our compliance system) that can continuously check the operational status of our business activities, and rectify and review these.

From this perspective, we are working to strengthen compliance through the PDCA (Plan-Do-Check-Action) cycle consisting of ① ensuring compliance by formulating rules and compliance measures, ② ensuring the rules stick through employee training and implementation of those compliance measures, ③ accepting whistleblowing on rules breaches through an internal reporting system, and ④ checking suitability of operational rules through internal audits, and ⑤ having the Internal Control Committee check the implementation status of measures ① to ④ above and giving guidance for improvements.

## Compliance Framework



## Sumitomo Seika Group Charter for Business Conduct

The Sumitomo Seika Group ("the Group") and every board member, executive officer and employee of every company of the Group must, in conformity with the following principles, act with the highest ethical standards and in a socially prudent manner, respect human rights and abide by all relevant laws, regulations and other rules.

1. We contribute to society by developing and delivering high-quality and safe products and services.
2. We respect the intellectual properties and trade secrets of others and protect personal information and customer information thoroughly.
3. We never offer or receive economic benefits with the aim of gaining unjustified benefits or become involved in conduct that can lead to corruption involving a government official, whether domestic or foreign, nor engage in conduct that can impede fair and free competition.
4. We respect employees' freedom of association and fundamental labor rights, including the right to collective bargaining, as well as their individuality, provide a safe, clean and harassment-free working environment and fair and non-discriminatory working conditions, and cultivate a workplace climate in which employees can gain a sense of fulfillment from their work.
5. We supply products that care for environmental stewardship, ensure stringent management of chemical substances, and take all possible measures to prevent accidents and ensure safety.
6. We respect human rights of every person who is engaged in the business of the Group and never carry out any act in violation of human rights, such as discriminatory practices, forced labor and child labor.
7. We disclose company information as appropriate and fulfill accountability to all stakeholders of respective companies of the Group, such as shareholders, suppliers, customers, employees, and local communities.
8. We not only abide by the laws, regulations and other rules of the countries in which we operate, but also respect their local cultures and customs, and contribute to the social and economic development of the countries as our business operations expand geographically on a global scale.
9. We stand firm against anti-social forces and groups and have no relationships whatsoever with them.
10. We require every person, in addition to those within the Group, who is engaged in the business of the Group as well as a corporation and an organization to which he or she belongs to conduct business in conformity with the letter and spirit of this Charter, thereby working together to build a responsible supply chain across the Group.

Date of enactment April 1, 2003  
Date of Revision February 6, 2023

# Messages from External Directors



External Director  
(Audit and Supervisory Committee Member)

**KAWASAKI Masashi**

I have been an attorney for almost 46 years, but also an external director here at Sumitomo Seika since my appointment in June 2015.

Every year, we hold effectiveness evaluation for the Board of Directors, led by the Legal Department. All directors, including external ones, answer a questionnaire of 20 questions, and individual interviews are held based on their responses to these. After the interviews, the Board of Directors discusses areas for improvement and works to raise the board's effectiveness. This process has already been in place for several years, and deliberations by the Board of Directors are dynamic, and the executive side, too, are

skilled in methods of presenting and explaining reporting agenda items.

As a company with an audit and supervisory committee structure, Sumitomo Seika established the Nomination and Compensation Committee to act as an advisory body to the Board of Directors, but according to the results from the fiscal 2022 Board of Directors effectiveness evaluation, the decision was made that the majority of the committee should comprise external directors and that the chair should be one too.

Individual executive compensation is a particularly important element that top management wish to use to incentivize improvements to business performance and achievement of the medium-term business plan's targets, and the development and selection of candidates for executive positions is a top priority issue that truly tests their capabilities.

The decisions on the composition and chair for the Nomination and Compensation Committee, are an effort to secure greater transparency and fairness for executive compensation and selection.

Since fiscal 2023, I have served as chair of the Nomination and Compensation Committee and I take charge of facilitating committee meetings and reporting committee's decisions to the Board of Directors.



External Director  
(Audit and Supervisory Committee Member)

**YOSHIIKE Fujio**

At the Annual Shareholders Meeting last year, I was selected and appointed as an external directors, and so far I have mostly been involved in technology strategies, production technologies, manufacturing, purchasing, and distribution. In the year since, as part of the Board of Directors and Audit and Supervisory Committee, I have been able to confirm that executive officers of different ranks are earnest in their efforts to achieve targets.

In the current fiscal year, in addition to initiatives to further increase revenue, we will continue to confirm and discuss the status of activities to develop new products and new

businesses. In existing businesses, we will focus on improving capacity and enhancing production technologies, while we will concentrate on R&D to strengthen frameworks for new product development.

There is a need in the manufacturing industry of recent years for recycling activities for the products it supplies to the market. I can see that we are making positive progress, but we would benefit from an evolution of research to lead the industry. The aging of Japan's population is something that will continue, and so as a company that is indispensable for the elderly, I would like to see us continue to supply them with what they need with a sense of pride and passion. On the other hand, global society has also taken kindly to our high-quality products. Surely the next step to build on our management is to strengthen supply networks optimized for different regions.

As an external director for the Sumitomo Seika Group, I will help promote repeated discussions to meet stakeholders' expectations.

## Director (Executive Officer)



Name	OGAWA Ikuzo	HAMATANI Kazuhiro	TOYA Takehiro	MACHIDA Kenichiro	MICHIBATA Mamoru
Position	Representative Director President Chief Executive Officer Nomination and Remuneration Committee Member	Representative Director Senior Managing Executive Officer Nomination and Remuneration Committee Member	Director Senior Managing Executive Officer	Director Managing Executive Officer	Director Audit and Supervisory Committee Chairman
Age (As of June 30, 2024)	67	65	63	61	65
Duties	Chief of Sustainability Promotion	Chief of General Affairs and Personnel, Legal, Internal Audit, Logistics and Procurement General Manager of General Affairs and Personnel Office	Chief of Business Sector (Super Absorbent Polymers and Functional Materials)	Chief of Corporate Communications, Corporate Planning and Accounting, Information Systems and Business Reform Promotion General Manager of Corporate Planning and Accounting	—
Number of the company's shares held	10,500	8,100	4,800	7,600	5,200
Corporate Management	○	○	○	○	
Technology/Research & Development	○				
Legal Affairs/Risk Management					○
Finance/Accounting				○	
HR/Labor/Human Resources Strategy		○			
Sales & Marketing/ Business		○	○		
Sustainability/ESG	○				

### Reason for selecting skills ①

#### Corporate Management

The roles of the Board of Directors are to make important managerial decisions and oversee management. To undertake these roles, the Company needs directors who have experience and achievements concerning corporate management.

#### Technical Strategies/Production Technologies/R&D

To enable the Company, a chemical manufacturer, to enhance its corporate value on a sustainable basis, the formulation of technical strategies, improvements to production technologies (including plant safety and stable operations), improved products, and the development of new products and technologies that satisfy demands from users and markets are absolutely necessary. Therefore, the Company needs directors who have knowledge and experience in the fields of technical strategies, production technologies, and R&D.

#### Legal Affairs/Risk Management

Ensuring appropriateness in corporate activities is the foundation of management, and appropriate risk management is necessary to enhance corporate value under sound risk taking. Therefore, the Company needs directors who have knowledge and experience in the fields of legal affairs and risk management.



Name	SHIGEMORI Takashi	YOSHIMOTO Akiko	KAWASAKI Masashi	KISHIGAMI Keiko	YOSHIKE Fujio
Position	Director (Non-Executive Director)	External Director Nomination and Remuneration Committee Member	External Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Chairman	External Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	External Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member
Age (As of June 30, 2024)	65	61	74	67	71
Duties	April 2019 Sumitomo Chemical Co., Ltd. Director & Senior Managing Executive Officer March 2023 Sumitomo Chemical Co., Ltd. Advisor	July 2019 Ministry of Health, Labour and Welfare, Central Labour Relations Commission, Secretary General October 2021 Retired Ministry of Health, Labour and Welfare	April 1978 Attorney registration	August 1989 Certified public accountant	October 2013 LIXIL Corporation Senior Managing Executive Officer June 2020 Yoshiike Office Co., Ltd. Representative Director
Number of the company's shares held	0	0	100	0	0
Corporate Management	○				○
Technology/Research & Development					○
Legal Affairs/Risk Management			○		
Finance/Accounting	○			○	
HR/Labor/Human Resources Strategy		○			
Sales & Marketing/ Business					○
Sustainability/ESG		○		○	

## Reason for selecting skills ②

## Finance/Accounting

To promote corporate activities in a stable manner not only by disclosing appropriate information to shareholders with accurate financial reports but also by securing the financial foundation, the Company needs directors who have knowledge and experience in the fields of finance and accounting.

## Personnel/Labor/Personnel Strategies

To achieve its management targets, and improve its corporate value, it is important that the Company plans and implements appropriate personnel strategies, and so it needs directors that have knowledge and experience in the fields of personnel, labor, and personnel strategies.

## Sales &amp; Marketing/Business

To expand the business scale and enhance profitability by promoting the sales strategy and marketing strategy, the Company needs directors who have knowledge and experience in the fields of the sales & marketing and business of chemical goods.

## Sustainability/ESG

To ensure that the Company acts as a member of society, responds to the expectations of stakeholders, and makes efforts toward the realization of sustainable society, including dealing with climate issues, such as the realization of a carbon cycling society, the Company needs directors who have knowledge and experience in the fields of sustainability and ESG.



Name	SHIGETA Hiromoto	MASUMOTO Hironobu	UEMURA Kazuhisa	KURIMOTO Isao	YAMAGUCHI Kiyoshi	MAEDA Nobuhiro	AOYAMA Satoshi	NAKAMURA Kenji
Position	Managing Executive Officer	Managing Executive Officer	Managing Executive Officer	Managing Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer
Age (As of June 30, 2024)	63	62	61	62	63	60	55	54
Duties	Chief of the Creation of a Circular Carbon Economy	President of Seika Techno Services Co., Ltd.	Chief of Engineering, Responsible Care, and Production Sector In charge of AK Project General Manager of Engineering Office	Chief of Technical Affairs, Intellectual Property, and Research & Development Sector General Manager of Technical Office	In charge of Sustainability Promotion General Manager of Sustainability Promotion Office	In charge of Technical Affairs President of Seika Research Co., Ltd.	In charge of Business Sector General Manager of Super Absorbent Polymers Division and Functional Materials Division Chairman of Sumitomo Seika (China) Co., Ltd., Sumisei Polymers Technology (Shanghai) Co., Ltd., and Sumisei International Trading (Shanghai) Co., Ltd.,	In charge of Production Sector General Manager of Himeji Works, and Planning and Coordination Office (Production)
Number of the company's shares held	6,200	3,900	3,300	800	5,300	2,400	3,000	1,200
Corporate Management	○	○				○	○	
Technology/Research & Development	○	○	○	○	○	○		○
Legal Affairs/Risk Management								
Finance/Accounting								
HR/Labor/Human Resources Strategy								
Sales & Marketing/Business		○			○		○	
Sustainability/ESG	○				○			

## Skill Recognition Criteria

- Corporate management** : Extensive experience as an executive director, senior executive officer, or similar
- Sales & Marketing/Business** : Experience in a role with responsibility for business operations, sales, or marketing
- Other** : Experience as a person with operational responsibility in the relevant field, a practicing specialist, consultant, or researcher

# Company Profile & Stock Information (As of March 31, 2024)

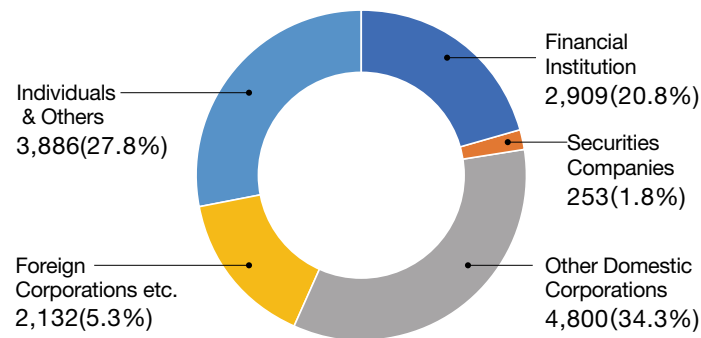
## Company Profile

Established : July 20, 1944  
 Capital : 9,714 million yen  
 Net Sales : 142,986 million yen (Consolidated) 79,075 million yen (Non-consolidated)  
 Business Profile : Super Absorbent Polymers, Functional Materials  
 Employees : 1,402 (Consolidated) 1,042 (Non-consolidated)  
 Consolidated subsidiaries : Japan:2, Overseas:9 \*As of June, 2024

## Stock Information

- Tokyo Stock Exchange (Prime Market)
- Authorized Number of Shares : 40,000,000 shares
- Number of Shares Issued and Outstanding : 13,980,470 shares
- Number of Shareholders : 27,533

- Shareholder Distribution (Unit: 1,000 shares)



- Principal shareholders (Top 10)

Name	Number of stocks held (Unit: 1,000 shares)	Shareholding Ratio (%)
Sumitomo Chemical Co., Ltd.	4,195	31.55
The Master Trust Bank of Japan, Ltd. (Investment Trust)	1,264	9.51
JP MORGAN CHASE BANK 385632	528	3.97
Custody Bank of Japan, Ltd. (Investment Trust)	452	3.40
Sumitomo Life Insurance Company	310	2.33
Sumitomo Mitsui Banking Corporation	264	1.99
Sumitomo Mitsui Trust Bank, Limited.	243	1.83
Taki Chemical Co., Ltd.	206	1.55
Sumitomo Seika Employee Shareholdings	175	1.32
DFA INTL SMALL CAP VALUE PORTFOLIO	131	0.99

\* The Company holds 680,538 shares of treasury stock, which are excluded from stock held by the principal shareholders listed above. Percentage of total number of issued stocks is calculated based on the total number of issued stocks less treasury stocks.

# Group Network

Sumitomo Seika's engineering prowess is highly valued in the international markets that we serve, including those in Asia and European countries as well as Japan. Our production centers are strategically located around the globe.



## ● Bases in Japan

### Head Offices

Osaka  
Tokyo

### Works

Befu (Harima-cho, Kako-gun, Hyogo Pref.)  
Himeji  
Chiba

### Research Laboratories

Material Development Laboratory (at Befu, Himeji)  
Production and Process Engineering Laboratory (at Befu, Himeji)

## ● Consolidated subsidiaries

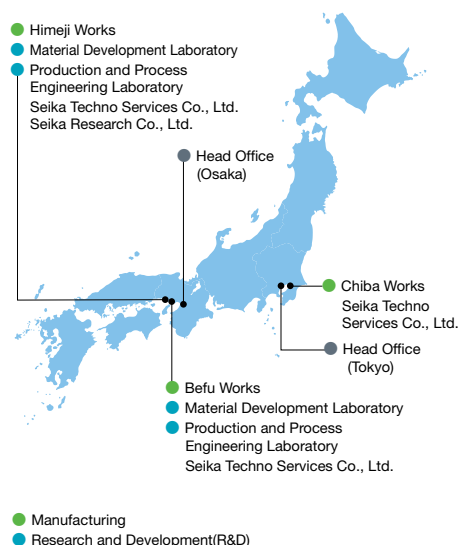
### Japan

Seika Techno Services Co., Ltd.  
Seika Research Co., Ltd.

### Overseas

Sumitomo Seika Singapore Pte. Ltd.  
Sumisei Taiwan Technology Co., Ltd.  
Sumisei Chemical Co., Ltd. (Korea)  
Sumitomo Seika Polymers Korea Co., Ltd.  
Sumitomo Seika (China) Co., Ltd.  
Sumisei Polymers Technology (Shanghai) Co., Ltd.  
Sumisei Technology (Yangzhou) Co., Ltd.  
Sumisei International Trading (Shanghai) Co., Ltd.  
Sumitomo Seika Europe S.A./N.V.(Belgium)

# Bases in Japan



## Works

### Himeji Works



Himeji Works is our main plant for super absorbent polymers and functional materials. As a mother plant for the super absorbent polymer AQUA KEEP™, it is promoting even higher quality and more advanced function for the product, including at overseas production centers. It also utilizes our original polymerization and emulsification technologies to manufacture functional polymers, latex and emulsion products.

The plant is located to the south of the city of Himeji in Hyogo Prefecture, and in the central west section of the Harima Coastal Industrial Zone, which faces the Seto Inland Sea. It has land and sea transport networks, making it a perfect environment for a production center.

### Befu Works



Befu Works boasts a history and tradition of operations that stretch back to Sumitomo Seika's founding, and is now responsible for manufacturing functional materials. Its flexible production machinery allows it to respond to a wide range of user needs. Its synthesis technologies used to create inorganic and organic sulfur compounds, organic halogen compounds, and similar utilized in raw materials for medicine and agricultural chemicals or as intermediates have garnered high praise from all over the world. Advanced purification technologies are also used for electronics gases and similar.

The plant is located fairly centrally in the southern part of Hyogo, in the eastern part of the Harima Coastal Industrial Zone, facing the Seto Inland Sea.

### Chiba Works



Chiba Works manufactures functional materials such as standard gases, mixed gases, electronics gases, and powdered resin. In particular, the plant maintains one of the highest production capacities in Japan for standard gases used as an analytical standard for measuring environmental pollution. The powdered resins used in coating agents are also major products in domestic market. Its quality and manufacturing technologies are also world-class.

Located in the Tokyo metropolitan area around 30 km from the capital, the plant is located close to sites such as Narita International Airport, Makuhashi New City, and Tsukuba Science City.

## Research & Development Laboratories

### Material Development Laboratory (Befu/Himeji)

The Material Development Laboratory makes use of our technical predominance and originality, which have been cultivated over many years, and works to develop new products such as more highly functional super absorbent polymers. In fields such as energy and electronic materials, or environmental materials, the lab is also focusing its energies on new products that will contribute toward energy efficiency and lowering environmental impact. In 2024, when we reached the 80th anniversary of our founding, as part of the celebratory activities we have started construction work on a new research facility within Befu Works. By bringing together the existing lab buildings, we hope to improve the research environment and accelerate efforts to research new products.



Material Development Laboratory (Himeji)

### Production and Process Engineering Laboratory (Befu/Himeji)

The Production and Process Engineering Laboratory works on commercialization research with the aim of establishing manufacturing processes for new products and enhancing manufacturing processes for existing ones. It is currently pressing ahead with the development of new technologies and products that will contribute toward carbon neutrality for society.

## Consolidated Subsidiaries

### Seika Techno Services Co., Ltd.

Seika Techno Services takes the technologies we have developed in the chemicals field as a base and promote business expansion into the comprehensive service industry.

Its business activities include the sale of industrial chemicals, environmental materials, and analytical apparatus; training; personnel dispatch and contracting; and business support.

### Seika Research Co., Ltd.

Seika Research conducts studies and analysis into information related to scientific technologies, markets, economics, government measures, and other areas, given the rising speed of change in society resulting from rapid scientific and technical developments.

# Overseas Bases

## China

Sumitomo Seika (China) Co., Ltd.



- Providing regional management services such as administration and finance to its subsidiaries in China
- Sales of super absorbent polymers and functional materials

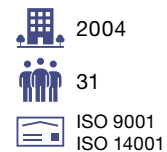
Sumisei International Trading (Shanghai) Co., Ltd.



- Sales of super absorbent polymers

## Taiwan

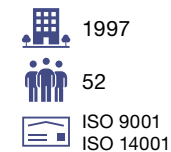
Sumisei Taiwan Technology Co., Ltd.



- Manufacturing and sales of electronics gases

## Singapore

Sumitomo Seika Singapore Pte. Ltd.



- Manufacture and sales of super absorbent polymers

Sumisei Polymers Technology (Shanghai) Co., Ltd.



- Technical service and market research

Sumisei Technology (Yangzhou) Co., Ltd.



- Contract manufacturing service of chemical products

## Belgium

Sumitomo Seika Europe S.A./N.V.



- Sales of super absorbent polymers and functional materials

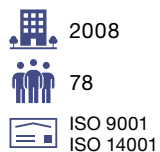
Arkema S.A. (Toll Manufacturing/France)



- Manufacturing of super absorbent polymers

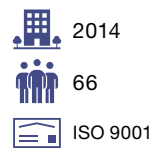
## Korea

Sumisei Chemical Co., Ltd.

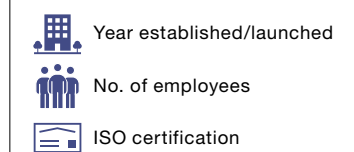


- Manufacturing and sales of electronics gases

Sumitomo Seika Polymers Korea Co., Ltd.



- Manufacturing and sales of super absorbent polymers





# Data

## Responsible Care Activities Track Record

Area	Priority measure	FY2023 results	Rating	FY2024 initiatives
General Matters Common to All Areas	<ul style="list-style-type: none"> <li>● Complying with rules (all laws, regulations, company rules, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>● Achieved zero major legal breaches<sup>1)</sup></li> <li>● Reviewing written documents with an awareness that they will be passed on, and including photos, examples of past disasters, etc.</li> </ul>	○	<ul style="list-style-type: none"> <li>● Conducting continuous compliance evaluations and legal training</li> <li>● Creating guidelines, etc., in a video format with a greater awareness that they will be passed on</li> </ul>
Disaster Prevention Prevention of Equipment-related Accidents	<ul style="list-style-type: none"> <li>● Ensuring zero major safety incidents</li> <li>● Securing thorough equipment management</li> <li>● Responding to emergency situations</li> </ul>	<ul style="list-style-type: none"> <li>● Achieved zero major safety incidents<sup>2)</sup></li> <li>● Strengthened equipment management through safe environment patrols and planned safety activities</li> <li>● Implemented whistleblowing drills and disaster preparedness drills, and improved response procedures utilizing feedback from the drills</li> </ul>	○	<ul style="list-style-type: none"> <li>● Enhancing capabilities through repeated drills for a swift response in case of emergency situation</li> </ul>
Occupational Safety and Health Logistics Safety	<ul style="list-style-type: none"> <li>● Preventing industrial accidents</li> <li>● Establishing systems and measures that lead to better health and productivity management</li> <li>● Preventing logistics incidents before they happen</li> <li>● Bolstering transportation management during extreme weather and respecting judgments made by logistics contractors</li> <li>● Promoting White Logistics for sustainable and stable logistics</li> </ul>	<ul style="list-style-type: none"> <li>● Achieved zero lost workday accident and major logistics incident</li> <li>● Restarted experiential training, which had been paused during the pandemic</li> <li>● Implemented mindset management training and stress checks (68 counseling sessions)</li> <li>● Conducted safety training for logistics subcontractors (10 times total)</li> <li>● Amended deadlines during Typhoon Lan and during heavy snowfall in February</li> <li>● Concluded loading/unloading safety agreements with 5 companies</li> </ul>	○	<ul style="list-style-type: none"> <li>● Continue disaster preparedness activities</li> <li>● Continue experiential training</li> <li>● Review longer-distance transport methods and continue studies (switching from trucks to trains)</li> </ul>
Environmental Conservation	<ul style="list-style-type: none"> <li>● Preventing environmental accidents during manufacturing or use by customers</li> <li>● Working to conserve the atmosphere, water quality, and marine and land environments</li> <li>● Reducing unit energy consumption in manufacturing by 1% compared to the previous fiscal year</li> <li>● Reducing unit energy consumption in transportation by 1% compared to the previous fiscal year</li> <li>● Reducing GHG emissions and working toward carbon neutrality</li> <li>● Using resources effectively</li> </ul>	<ul style="list-style-type: none"> <li>● Zero major environmental accidents<sup>2)</sup> and complaints</li> <li>● VOC emissions: Up 30% YoY</li> <li>● Unit energy consumption in manufacturing: 100% YoY</li> <li>● Unit energy consumption in transportation: 89.4% YoY (down 10.6%)</li> <li>● GHG emissions: 159kt-CO<sub>2</sub> (down 24% compared to the base year)</li> <li>● Waste ending up in landfill: 98t (previous fiscal year: 155t)</li> </ul>	△	<ul style="list-style-type: none"> <li>● Strengthen ability to respond to crises through repeated drills</li> <li>● Continue studies into streamlining to reduce energy consumption and GHG emissions</li> <li>● Reduce ethylene-oxide emissions by introducing combustion equipment</li> </ul>
Chemicals Safety	<ul style="list-style-type: none"> <li>● Managing chemical substances in products</li> <li>● Conducting hazard assessments and reducing impact on the human body and living environment</li> <li>● Responding to chemical substance regulations inside and outside Japan</li> <li>● Implementing security trade controls</li> </ul>	<ul style="list-style-type: none"> <li>● Gathered information on, and responded to, chemical substance management in different countries</li> <li>● Halted (through substitutions) or reduced use of substances of concern</li> <li>● Conducted training on export controls for restricted cargoes, etc., and applicability judgment for technology</li> </ul>	○	<ul style="list-style-type: none"> <li>● Strengthen safety surveys and management by operating a new chemical substance management system</li> </ul>

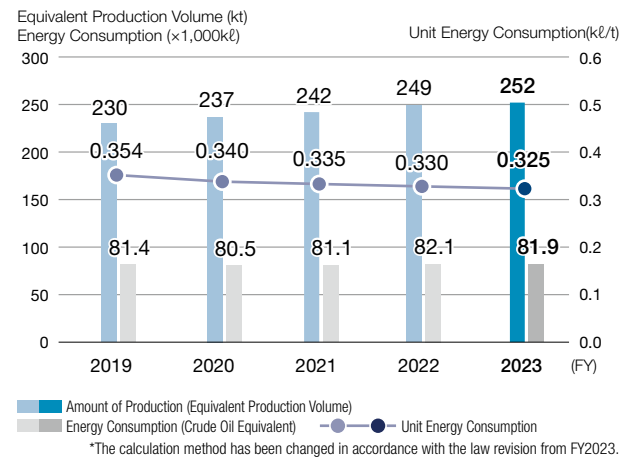
1) Major legal breaches: Breaches to which a legally mandated penalty was applied

2) Major accidents: Incidents causing estimated damage of 10 million yen or more, causing human harm equivalent to a lost workday or worse, and/or causing damages of hospital visit or treatment or severer for local citizens

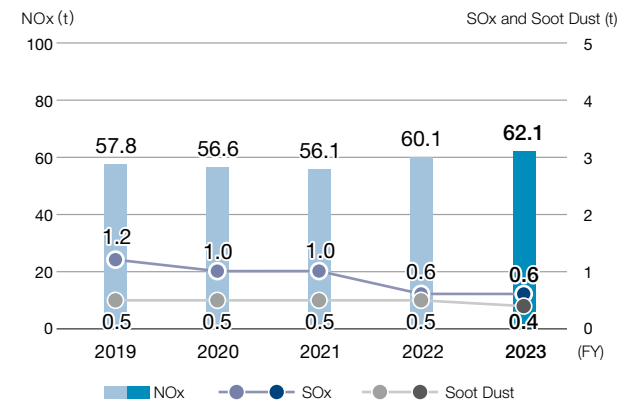
Area	Priority measure	FY2023 results	Rating	FY2024 initiatives
Quality	<ul style="list-style-type: none"> <li>● Reducing quality problems (Preventing quality problems before they arise)</li> </ul>	<ul style="list-style-type: none"> <li>● Quality incidents: 2 in Japan, 1 overseas (2 caused by nonstandard operation, 1 due to defect in design and construction)</li> <li>● Quality issues: 32 (down by 3 YoY)</li> </ul>	×	<ul style="list-style-type: none"> <li>● Strengthen quality assurance for customers and prevent defective items being shipped (review internal collaboration)</li> <li>● Minimize occurrences of product quality issues (error-prevention activities)</li> <li>● Enact preventive activities</li> <li>● Foster a quality-focused culture (quality training activities)</li> </ul>
Communication with Society	<ul style="list-style-type: none"> <li>● Providing legally required information, etc.</li> <li>● Disclosing information to stakeholders</li> <li>● Coexisting with local communities, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Created or amended 468 SDSs or labels and provided the latest information</li> <li>● Ensured to provide contracted logistics companies with Yellow Cards</li> <li>● Accepted internship and junior high school students' work experience</li> <li>● Participated in parent-child experience events "Harima-cho Summer Edutainment"</li> </ul>	○	<ul style="list-style-type: none"> <li>● Continue thorough provision of legally required information</li> <li>● Maintain positive relationships by participating in dialogue with communities and activities by local authorities, as face-to-face meetings, etc.</li> </ul>
Sustainable Development	<ul style="list-style-type: none"> <li>● Developing and selling products that have minimal impact on ecosystems and the environment</li> <li>● Reducing material procurement risks</li> <li>● Promoting DE&amp;I</li> </ul>	<ul style="list-style-type: none"> <li>● Used bio-mass materials</li> <li>● Ran EcoVadis CSR surveys for suppliers</li> <li>● Overtime: 15.4 hours per person (no change YoY)</li> </ul>	○	<ul style="list-style-type: none"> <li>● Promote use of environmentally friendly materials</li> <li>● Review and promote operational methods that improve productivity</li> </ul>

## Environment

### Energy Consumption



### Soot and Smoke (NOx, SOx, Soot Dust) Emissions

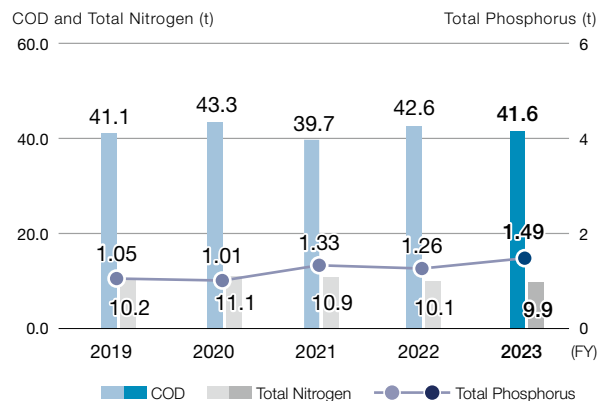


### Emissions of PRTR Substances

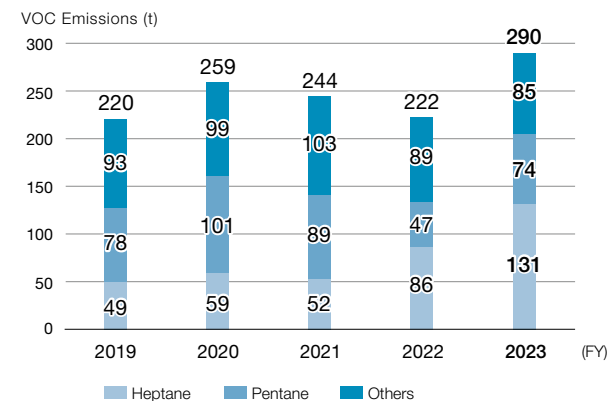
	2019	2020	2021	2022	2023
Heptane*	49 t	59 t	52 t	86 t	131 t
Methyl isobutyl ketone*	21 t	20 t	29 t	25 t	25 t
Hexane	15 t	26 t	28 t	20 t	19 t
Others*	16 t	16 t	19 t	16 t	13 t

\*Substances to be reported have changed from FY2023.

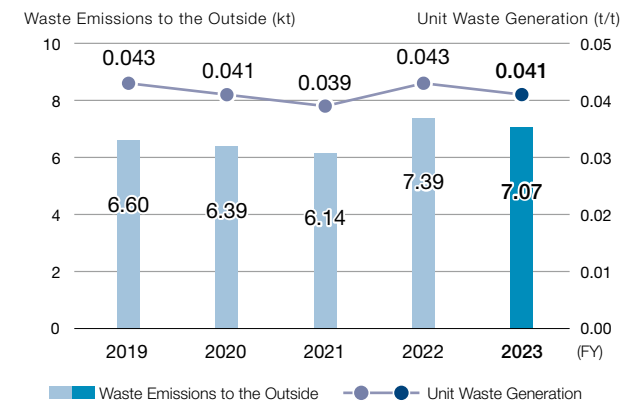
### Water Contamination Load



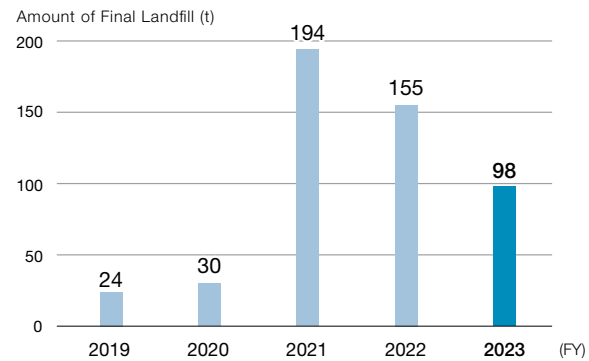
### VOC Emissions



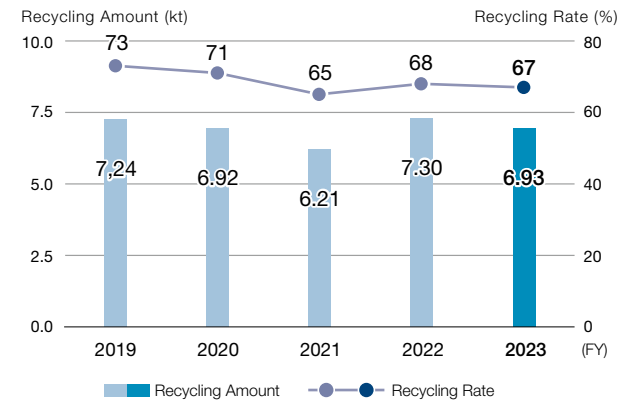
### Waste Emissions to the Outside / Unit Waste Generation



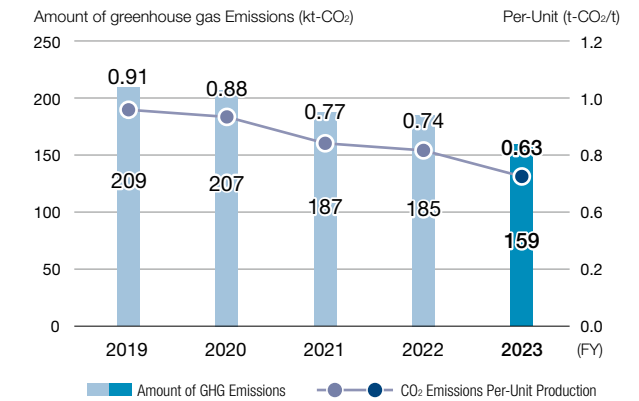
## Amount of Final Landfill



## Recycling Amount and Recycling Rate

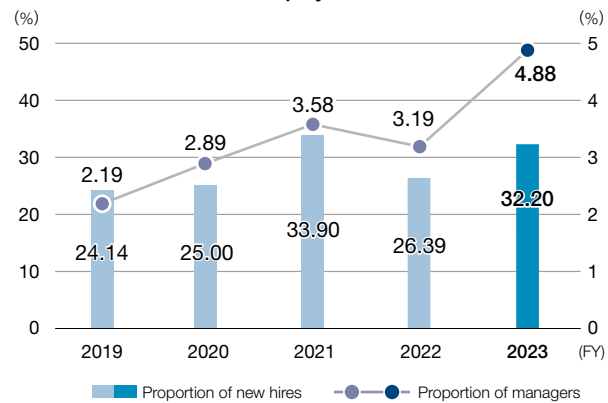


## Amount of greenhouse gas (GHG) Emissions•Per-Unit

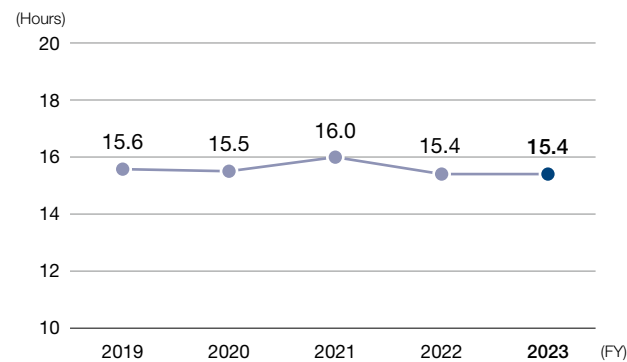


## Human Resources

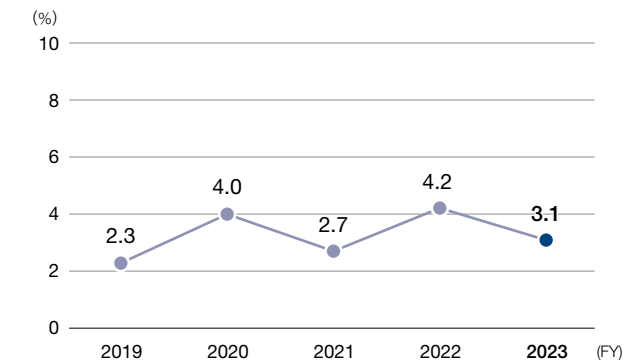
Trends in the Ratio of Female in Managerial Position and the Ratio of Female Employees to All Hires



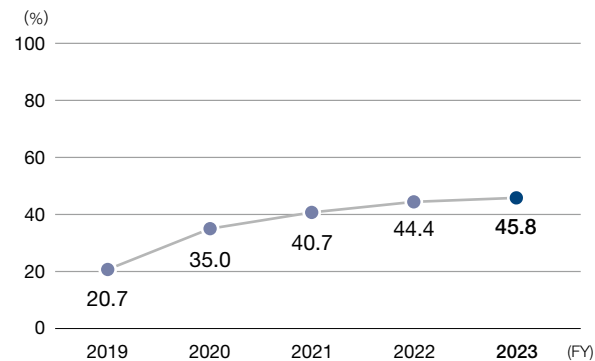
Trends in Overtime Hours



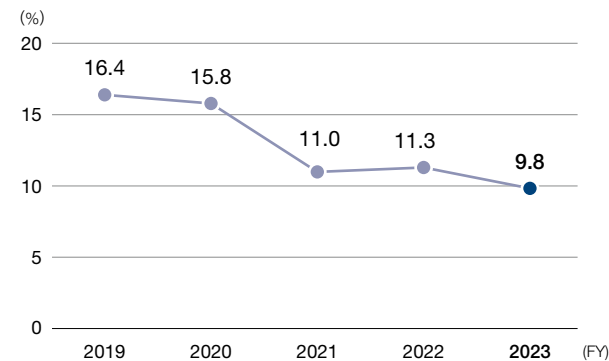
Turnover Rate



Experienced Personnel Recruitment Rate

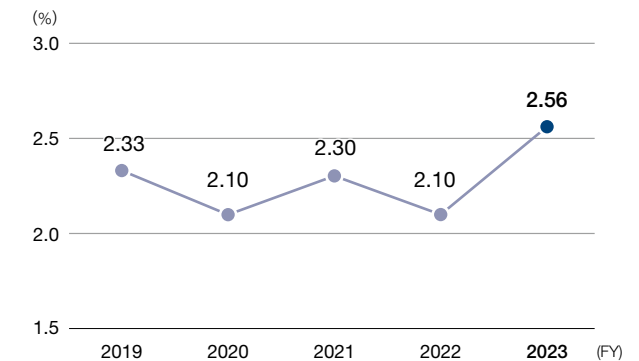


Proportion of Employees with High Stress Levels



\*The determination criteria for high stress individuals has changed due to a change of survey agency from 2021.

Employment Rate of People with Disabilities







#### Contact



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TEL.+81-6-6220-8508

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November 2024