

Becoming a truly global chemical company that contributes to a better world

Benefiting the Future of Humanity and the Earth

Sumitomo Chemical's progress from environmental protection to CSR

Sumitomo Chemical's origins date back to 1913, when the Company sought to solve the problem of sulfur dioxide emissions from the Besshi Copper Mine in the Shikoku region of Japan by using them to produce fertilizer. Sumitomo Chemical thus began by tackling an environmental problem, while at the same time helping to improve living standards of the time by producing fertilizer that increased crop yields. Since the Company's founding, making valuable contributions to society while seeking to increase profits has been one of Sumitomo Chemical's most cherished business principles.

CSR, which stands for "corporate social responsibility," has been gaining considerable attention in recent years. Earning the trust and confidence of society through its CSR initiatives constitutes the cornerstone of Sumitomo Chemical's business activities as it works to become a truly global chemical company. Reaffirming the spirit in which it was founded, the Company formulated anew its "Basic CSR Policy" in November 2004, which forms the basis for the various initiatives the Company is currently undertaking.

The Company will step up its efforts to promote CSR-based management for the benefit of individuals, society, and the Earth by working to achieve a careful balance of activities that seek to achieve economic viability, promote preservation of the environment, assure safety, and product quality, and also serve the interests of society.

Aiming for Greater Profitability

While prices for raw materials and resources continued to rise sharply worldwide during fiscal 2005, marketing drives, successful price increases and streamlining efforts helped propel the Company's sales and profits to record highs. We are pleased that the Sumitomo Chemical Group is posting strong growth in performance in this challenging business climate.

In addition to achieving record performance, the Company has been successfully paving the way to future growth through several major projects at home

and overseas. The largest of these projects is the Rabigh Project for the construction of an integrated refining and petrochemical complex in Rabigh, Saudi Arabia. In August 2005, we signed the joint venture agreement with our partner, Saudi Aramco, and held the groundbreaking ceremony for the complex in March 2006.

The Company's pharmaceutical subsidiary, Sumitomo Pharmaceuticals Co., Ltd. merged with Dainippon Pharmaceutical Co., Ltd. in October 2005 to form the newest member of the Sumitomo Chemical Group, Dainippon Sumitomo Pharma Co., Ltd. which now ranks among Japan's top ten ethical pharmaceuticals companies.

The fundamental strategy that guides our R&D is the concept of "Creative Hybrid Chemistry." By integrating core technologies from each Business Sector and through outside partnerships, we are working to develop new products and novel technologies that are useful and beneficial to society.

Working toward Sustainable Chemistry throughout the Sumitomo Chemical Group

With the enactment of the Kyoto Protocol in February 2005, industrialized countries that ratified the Protocol have committed themselves to continuing to reduce emissions of greenhouse gasses, and requirements for the safer use of chemical substances are becoming stricter worldwide.

Sumitomo Chemical has long conducted numerous voluntary Responsible Care activities aimed at preserving the environment, and assuring safety, health, and quality throughout the life cycles of products it manufactures or supplies. In addition, the Company has strongly encouraged other Group companies to engage in similar activities. In 2005, we further strengthened our Responsible Care activities by signing the Responsible Care Global Charter, a global initiative to promote the sound management of chemical substances.

Furthermore, not limiting itself to the concept of Responsible Care, the Company actively promotes Sustainable Chemistry, which is another initiative to

raise the economic added value as well as the value and benefit to society of the chemical products it supplies. We are actively advancing Sustainable Chemistry as an integral component of our CSR activities that is essential to our further development as a future-oriented chemical company.

Developing CSR Activities Unique to Sumitomo Chemical from a Global Perspective

The Company is supporting development in Africa through supply of its proprietary Olyset Net mosquito nets to the Roll Back Malaria Campaign led by the World Health Organization. We have substantially increased our production capacity for these nets, which, along with our donation of 330 thousand Olyset Nets to the US NGO, Millennium Promise, is contributing to the control of malaria-carrying mosquitoes, thereby preventing malaria infection in Africa and elsewhere in the world. In addition, the expansion of our local production operations is creating many employment opportunities in Africa. We are also supporting education through the construction of primary-school facilities in Africa, devoting a portion of the revenues from our Olyset Net business to help finance the construction. These activities have won high acclaim from the governments of each of the countries involved, the UN and WHO, and other international organizations and NGOs.

Going forward, the Company will continue to pursue CSR activities from a global perspective, leveraging the strengths that are unique to Sumitomo Chemical.

During the course of the past year, the Company has been making steady progress in its CSR initiatives in all three of the spheres essential to CSR, namely the economic, environmental and social spheres. We will continue to provide even more new technologies and products that have the potential to improve standards of living, while at the same time we contribute to finding solutions to the pressing problems facing society and the global environment. Through these efforts, we will promote the further growth of the Sumitomo Chemical Group as we work toward becoming a truly global chemical company with distinctive strengths in every aspect of its business operations.

In this report, we have endeavored to take a global perspective in presenting a broad picture of our CSR activities that aim to develop us into a truly global chemical company.

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President of Sumitomo Chemical

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