

One Year at Sumitomo Chemical

In fiscal 2017, Sumitomo Chemical proactively invested in future growth and also achieved record profit at each profit level. It was also a year in which our initiatives to bring about a sustainable society were recognized.



Petrochemicals & Plastics

■ Began operations at a new naphtha tank in Singapore

Pharmaceuticals

■ Nihon Medi-Physics launched Vizamyl® Injectable, an imaging agent used in amyloid PET scans

Energy & Functional Materials

■ Decided to exit the diesel particulate filter (DPF) business

IT-related Chemicals

■ Began construction of a high-purity chemicals plant for semiconductors in Changzhou, China

IT-related Chemicals

■ Decided to expand the production capacity at the high-purity chemicals plant for semiconductors in Xi'an, China

Health & Crop Sciences

■ Announced a global seed-applied technology agreement with DuPont

Pharmaceuticals

■ Sumitomo Dainippon Pharma received U.S. approval for LONHARA® MAGNAIR®, a treatment for chronic obstructive pulmonary disease (COPD)



Pharmaceuticals

■ Nihon Medi-Physics' business developing "theranostics" (therapy and diagnostics) for commercialization was selected by the Japan Agency for Medical Research and Development (AMED) as part of its Cyclic Innovation for Clinical Empowerment (CiCLE) program



Petrochemicals & Plastics

■ Began full-scale production of derivative goods in Rabigh Phase II Project



2018

November

December

January

February

March

Sumitomo Chemical Received Deputy Chief's Award (by Minister for Foreign Affairs) in the Japan SDGs Awards

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Sumitomo Chemical Received Excellence Award in Corporate Value Improvement Awards Sponsored by the Tokyo Stock Exchange

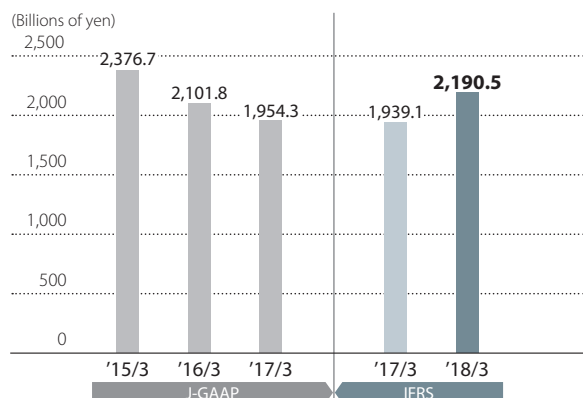
The Corporate Value Improvement Awards are given to companies, from among all of the companies listed on the Tokyo Stock Exchange (about 3,500 companies), which have achieved high corporate value and consistently adopt management practices aimed at improving corporate value through those initiatives that duly consider capital cost and other investor concerns.



Financial Highlights

J-GAAP Net Sales IFRS Sales Revenue

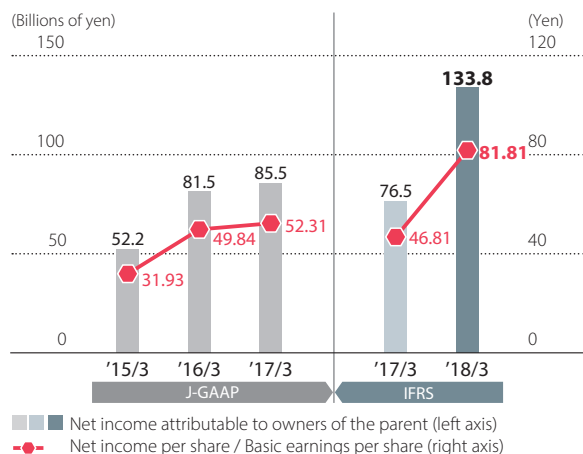
¥2,190.5 billion vs. FY2016 **+13.0%** ↑



In addition to increased shipments accompanying business expansion, overall sales rose by 251.4 billion yen compared to the previous fiscal year because the market price for products in the Petrochemicals & Plastics Sector rose alongside increases in raw material prices.

J-GAAP Net Income Attributable to Owners of the Parent / Net Income per Share IFRS Net Income Attributable to Owners of the Parent / Basic Earnings per Share

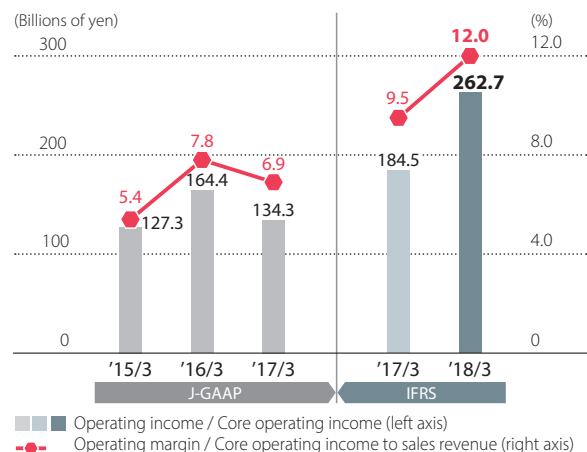
¥133.8 billion (Net Income Attributable to Owners of the Parent) vs. FY2016 **+74.8%** ↑



While the burden of foreign exchange losses and corporate taxes increased, Net income attributable to owners of the parent increased by 57.2 billion yen over the previous year, due to the significant increase in core operating income.

J-GAAP Operating Income / Operating Margin IFRS Core Operating Income / Core Operating Income to Sales Revenue

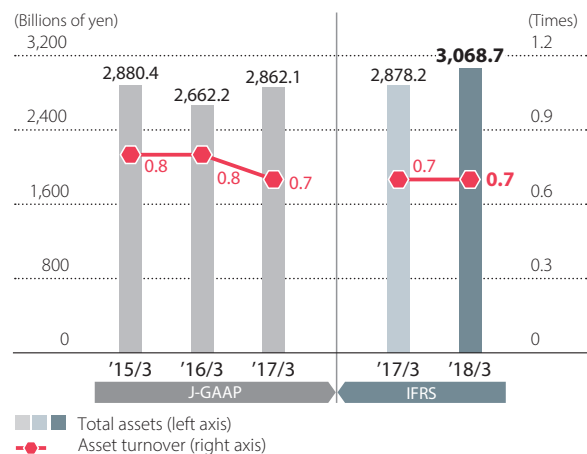
¥262.7 billion (Core Operating Income) vs. FY2016 **+42.3%** ↑



Core operating income rose by 78.1 billion yen compared to the previous fiscal year due to increased shipments across all segments, as well as due to improvements in profitability at an equity affiliate in Saudi Arabia.

Total Assets / Asset Turnover

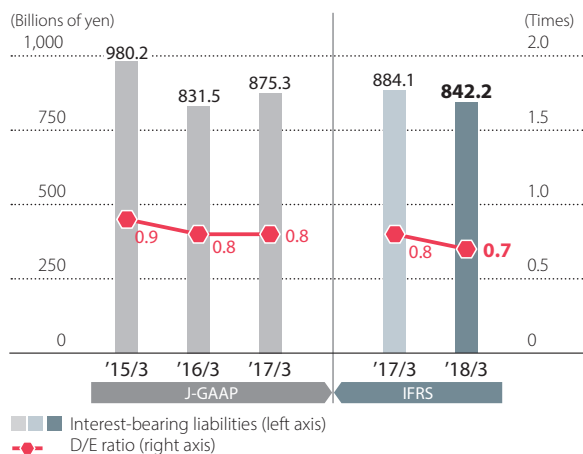
¥3,068.7 billion (Total Assets) vs. FY2016 **+6.6%** ↑



Total assets increased by 190.5 billion yen over the end of the previous fiscal year because of increases in areas such as inventories and cash and cash equivalents.

Interest-bearing Liabilities / D/E Ratio

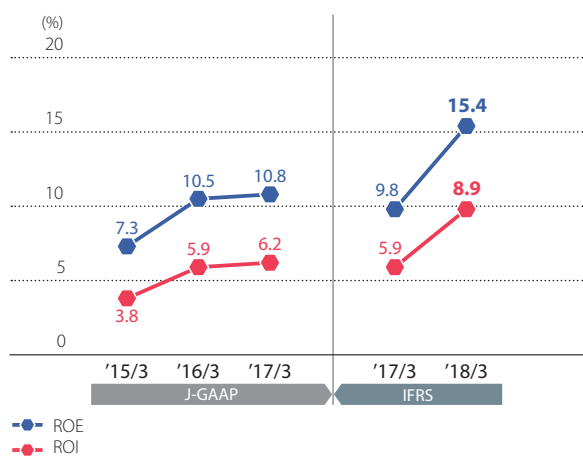
¥842.2 billion (Interest-bearing Liabilities) vs. FY2016 **-4.7%** ↓



Due to improved performance and lower investment, the balance of interest-bearing liabilities decreased by 41.9 billion yen compared to the end of the previous fiscal year. In addition, because retained earnings increased, total assets increased, and the debt/equity ratio fell.

ROE / ROI

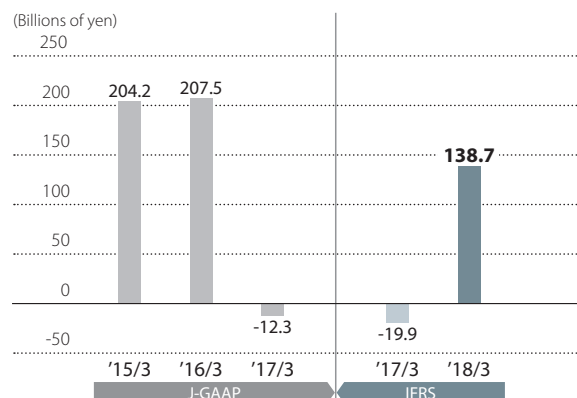
15.4% (ROE) vs. FY2016 **+5.6pt** ↑ **8.9%** (ROI) vs. FY2016 **+3.0pt** ↑



ROE significantly exceeded the goal of 10%, while ROI was also able to exceed the goal of 7%. In addition, both ROE and ROI improved significantly compared to the previous fiscal year.

Free Cash Flow

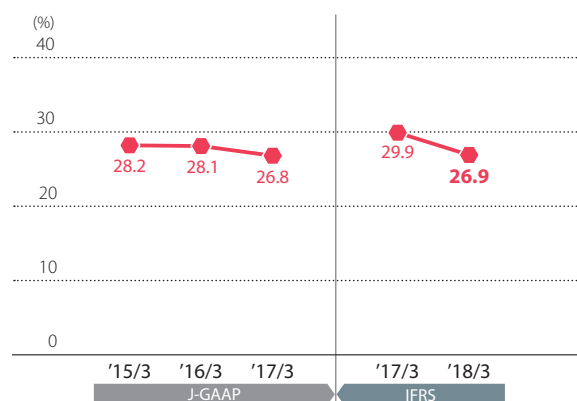
¥138.7 billion vs. FY2016 **—**



Cash flows from operating activities improved by 107.5 billion yen compared to the previous year, due to factors such as improved performance. In addition, compared with the previous fiscal year, in which large-scale corporate acquisitions were carried out, cash flows from investment activities decreased. As a result, free cash flow increased compared to the previous year.

Dividend Payout Ratio

26.9% vs. FY2016 **-3.0pt** ↓



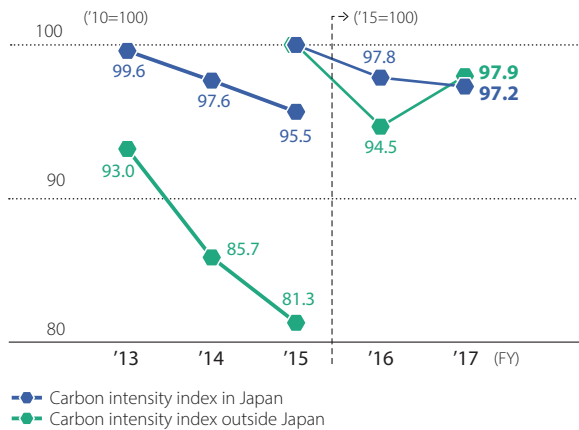
Sumitomo Chemical considers shareholder returns to be one of its most important management priorities, and it has a target dividend payout ratio of around 30%. This year Sumitomo Chemical was again able to achieve a payout ratio fairly close to its target.

Non-Financial Highlights

Carbon Intensity Index in Japan* / Carbon Intensity Index outside Japan*



Japan **97.2** vs. FY2016 **-0.6pt** ↓
 Outside Japan **97.9** vs. FY2016 **+3.4pt** ↑



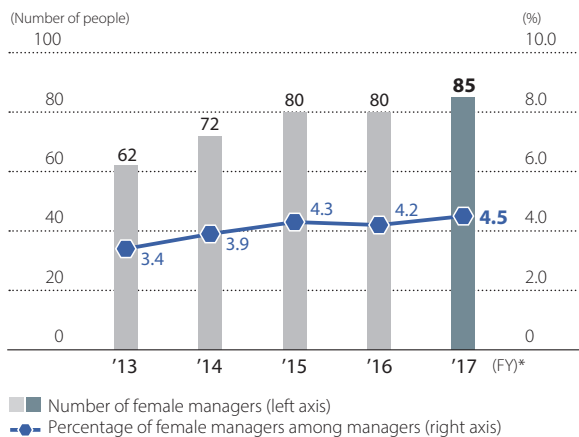
The reason for the deterioration in the intensity index of CO₂ emissions outside Japan in fiscal 2017 is due to factors such as new and expanded plant facilities. Sumitomo Chemical is working to improve this index, both inside and outside Japan, putting greater focus on saving energy.

* Index reflects the total production plants of Sumitomo Chemical and its major Group companies that share CO₂ emission intensity index reduction goals.

Number of Female Managers / Percentage of Female Managers among Managers (Non-consolidated)



4.5% (Percentage of Female Managers among Managers) vs. FY2016 **+0.3pt** ↑



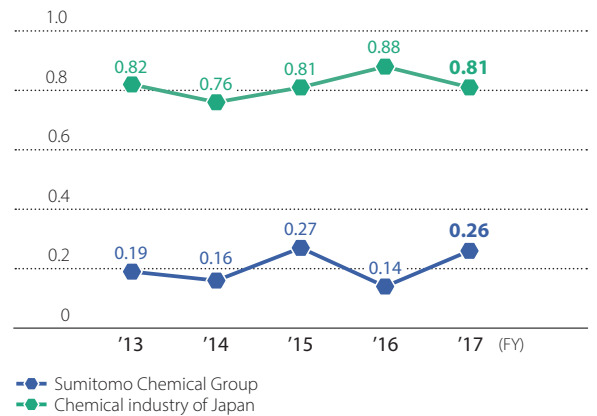
In order to promote the advancement of female employees, Sumitomo Chemical has set a goal of at least 10% of female employees above the positions equivalent to manager by 2020.

* All numbers as of April 1 of that year

Lost-workday Incident Rate*



0.26 vs. FY2016 **+0.12pt** ↑



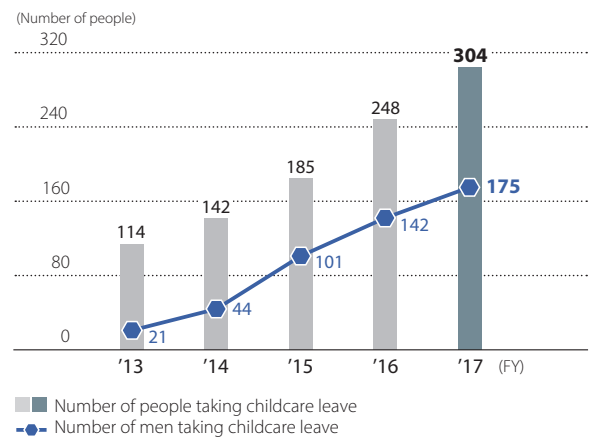
The frequency rate of lost-workday incidents for fiscal 2017 was 0.26, failing to meet the goal of less than 0.1. To achieve this goal, Sumitomo Chemical is working to ensure thorough compliance with basic safety rules and implementing policies to prevent recurrence.

* Indicates the frequency of industrial incidents as the number of deaths and injuries per one million hours of total work time.

Number of People Taking Childcare Leave / Number of Men Taking Childcare Leave (Non-consolidated)



175 people (Number of Men Taking Childcare Leave) vs. FY2016 **+33 people** ↑



Sumitomo Chemical is encouraging male employees who have had children to take childcare leave, with a goal of achieving a ratio of male employees taking childcare leave of at least 50%* by 2020 (the ratio for fiscal 2017 was 18.7%).

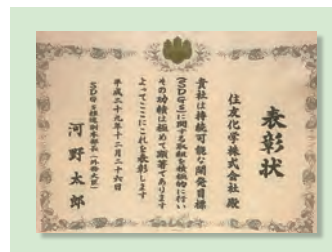
* The number of people who have taken leave divided by the number of male employees who have had children in the relevant period (one year)

Sumitomo Chemical Received the Deputy Chief's Award (by Minister for Foreign Affairs) of the Japan SDGs Award

This award primarily recognizes two initiatives.

- 1 Sumitomo Chemical has for many years contributed to promoting Africa's integrated advancement in economy, society, and the environment through the Olyset™ Net business whereby mosquito net local production created job opportunities, the working environment for women improved, and constructing school buildings helped enhance educational assistance.
- 2 Under the strong leadership of top management, the Sumitomo Chemical Group as a whole has undertaken efforts such as "Sumika Sustainable Solutions," which designates products and technologies that will contribute to mitigating global warming or reducing the burden on the environment, and "Our Sustainable Tree," in which employees post messages on the Company's internal website about how they believe they can contribute to the SDGs.

With the Sumitomo business philosophy, emphasizing that our business must benefit society at large, as part of its DNA, Sumitomo Chemical hopes to further accelerate its efforts aimed at solving issues in society by using the SDGs as a shared language with society.



Kanako Fukuda
General Manager, CSR Dept.

What are the Japan SDGs Award?

The Japan SDGs Award is conferred by the Sustainable Development Goals (SDGs) Promotion Headquarters, a Cabinet body composed of all Ministers, to those companies and organizations which have demonstrated outstanding initiatives toward achieving the United Nations' SDGs adopted in 2015.



Sumitomo Chemical to Support Recommendations on Promoted Disclosures of Climate-related Information, Prepared by TCFD

In June 2017, Sumitomo Chemical signed, together with over 100 leading companies in the world, the Recommendations on Promoted Disclosures of Climate-related Information, prepared by the Task Force on Climate-Related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB)*. Sumitomo Chemical sees climate change as one of the most important challenges facing society. Toward its resolution, the Company has actively been working on such issues as greenhouse gas reductions, by capitalizing on its versatile technical capabilities cultivated over many decades as a chemical company operating comprehensively in diverse industrial fields.

* An international institution with the finance ministries, financial regulators, and central banks of 25 of the world's major countries as participating members.



The recommendations of the TCFD are intended to promote disclosure of information about business risks and opportunities related to climate change so that it will be thoroughly shared with members of the investment community.