

# Flow of Value Creation

## Sumitomo Chemical's Approach to Creating New Value through Innovative Technologies

### Management Resources



### Strengths (Core Competence)

### Challenges & Business Opportunities

#### Financial Capital

Sound financial base

■ Total equity (fiscal 2018):  
¥1,351.9 billion

#### Manufactured Capital

R&D sites and production facilities  
around the world

■ As of April 1, 2019  
Japan: 11  
Overseas: 77

#### Intellectual Capital

Technologies cultivated through  
a wide range of products development  
as a diversified chemical company

■ R&D expenses (fiscal 2018): ¥163.5 billion  
■ Number of patents held (as of April 2019):  
12,659

#### Human Capital

Employees with advanced technological  
ability and know-how

■ As of March 31, 2019  
Number of employees: 32,542  
Number of research and  
development employees: 3,937

#### Social and Relationship Capital

Long-established relationships of trust  
with customers and overseas networks

■ Overseas sales revenue ratio (fiscal 2018):  
64.9%

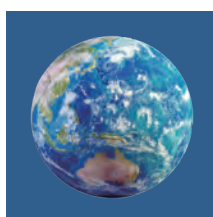
#### Natural Capital

■ Fiscal 2018  
Water usage: 944 million tons  
Energy (fuel, heat, and electricity)\*: 1,690 thousand kl  
Hydrocarbon compounds\*: 1,676 thousand tons  
Metals (excluding minor metals)\*: 121 thousand tons  
Minor metals\*: 14 thousand tons

\* Sumitomo Chemical and Group Companies in Japan



Ability to develop  
innovative solutions  
by leveraging  
its technological  
expertise in  
diverse areas



Ability to reach  
global markets



Loyal employees

#### Solve Issues Facing Society

- Environment
- Food
- Resources and energy

#### Improve Quality of Life and Build an Affluent and Comfortable Society

- Comfortable life
- Health promotion

## Five Business Sectors Based on a Wide Range of Technologies Generate Synergies and Aim for Further Growth

### Petrochemicals & Plastics

➤ P44

- Polyethylene
- Polypropylene
- MMA, etc.

### Energy & Functional Materials

➤ P48

- Materials for lithium-ion secondary batteries
- Super engineering plastics
- High-purity alumina, etc.

### IT-related Chemicals

➤ P52

- Polarizing films
- Touchscreen panels
- Photoresist, etc.

### Health & Crop Sciences

➤ P56

- Crop sciences products
- Environmental health products
- Feed additives
- Pharmaceutical chemicals, etc.

### Pharmaceuticals

➤ P60

- Sumitomo Dainippon Pharma Co., Ltd.
- Nihon Medi-Physics Co., Ltd.

## Aiming to Be a Company Seen as Having a Conglomerate Premium

Going forward, solutions to issues facing society will involve not just isolated businesses or products, but combinations of many different things.

That is an area where we can display our unique strengths as a diversified chemical manufacturer with five business sectors.

Taking advantage of a conglomerate company operating a wide variety of businesses, we aim to be a company that is valued at a premium rather than at a discount.

## Impact on Capitals

### Financial Capital

	FY2017	FY2018
Core operating income (billions of yen)	262.7	204.3
ROE (%)	15.4	12.3
D/E ratio (times)	0.7	0.6

### Manufactured Capital

- Expanded capacity of a manufacturing facility for film-type touchscreen panels in Korea
- Completed the new methionine plant
- Expanded the global R&D facilities for health and crop science products such as Chemistry Research Center and Biorational Research Center
- Tanaka Chemical Corp. decided to expand production facilities for cathode materials.

### Intellectual Capital

- Number of new patent applications in fiscal 2018 (Non-consolidated): 2,955
- Established a digital innovation department for training data scientists and data engineers

### Human Capital

	FY2017	FY2018
Lost-workday incident rate (%)	0.26	0.58
Enhancement of leadership and management capabilities training and career development training (attendees)*1	75	839*2
Percentage of paid vacation days used (%)*1	67.2	71.8

\*1 Sumitomo Chemical (Non-consolidated)

\*2 Conducted multiple new training sessions

### Social and Relationship Capital

- Had constructive dialogue with stakeholders

With investors	FY2017	FY2018
Individual meetings (attendees)	340	356
Small meetings with the President (attendees)	32	57
Overseas investor visits (times)	44	35
Dialogues with local residents (times)	40	42

### Natural Capital

- Compatibility between manufacturing and reduction of greenhouse gas (GHG) and waste emissions

	FY2017	FY2018
GHG emission volume (thousand tons-CO <sub>2</sub> e)	7,758	7,258
Landfill disposal amount* (thousand tons)	21	23

\* Sumitomo Chemical and Group Companies in Japan