

CSR Office

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SUMITOMO CHEMICAL

CSR HIGHLIGHTS 2016

Sustainable Chemistry



The Responsible Care mark and logo may only be used by companies that are members of the Japan Responsible Care Council.



FTSE4Good

A SRI Index in which Sumitomo Chemical is included



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Cover Illustration

The design of the cover illustration is meant to express the Sumitomo Chemical Group (TREE) which contributes to the sustainable development of society (SKY) through various Business, Responsible Care, and Social Activities (FRUITS), in collaborations with our stakeholders (CITIES), based on the Sumitomo Family's "Business Principles" and the Corporate Philosophy (ROOTS). We want to continue to help resolve the problems facing humanity through the power of chemistry and, like this tree, grow for a brighter tomorrow.

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The Sumitomo Chemical Group's

Operations and CSR

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Editorial Policy

This publication was produced to allow all stakeholders to easily understand the Sumitomo Chemical Group's approach to fulfilling its corporate social responsibility (CSR).

Sumitomo Chemical's founding principle of "contributing to the development of society through business activities" remains deeply embedded in its wide-ranging endeavors. In this report, Group executives and employees responsible for each business speak frankly about specific business examples that epitomize this principle. This report also provides comments from various stakeholders.

A more detailed account of the Group's activities is presented in its CSR Report 2016, which can be found on the Company's website at the address below.

Sumitomo Chemical's CSR website:

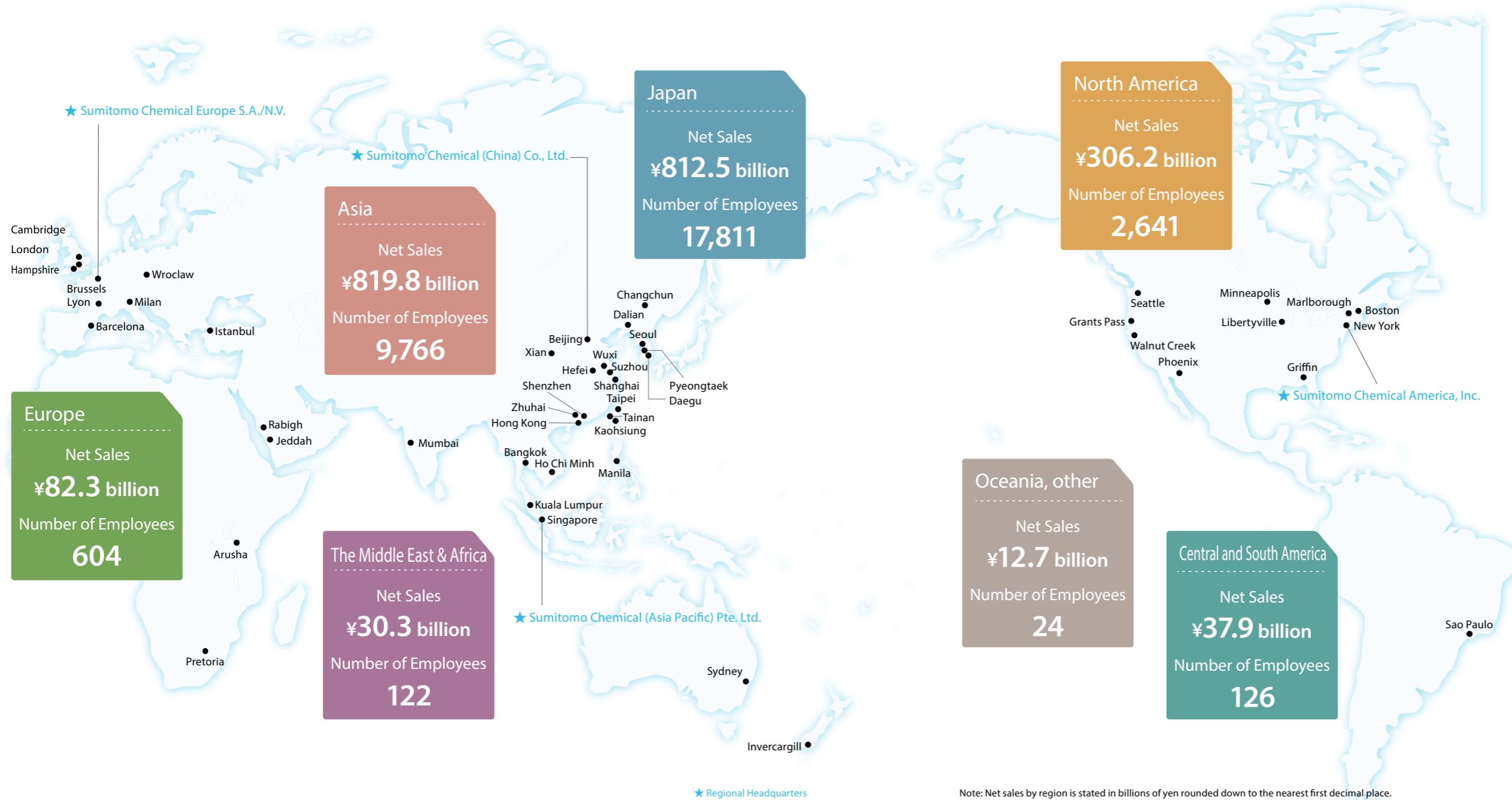
<http://www.sumitomo-chem.co.jp/english/csr/>

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



The United Nations Sustainable Development Summit was held at UN headquarters between September 25 and 27, 2015, and the agenda entitled *Transforming our world: the 2030 Agenda for Sustainable Development* was adopted. The agenda outlined declarations and goals as an action plan for people, the Earth, and prosperity. These goals are the Sustainable Development Goals (SDGs), which comprise 17 goals and 169 targets and succeed the Millennium Development Goals (MDGs). The Sumitomo Chemical Group will continue contributing to initiatives aimed at achieving these goals for sustainable development.

The Sumitomo Chemical Group Spreading Its Wings Across the World



At present, the Sumitomo Chemical Group conducts business globally in five sectors: Petrochemicals & Plastics, Energy & Functional Materials, IT-related Chemicals, Health & Crop Sciences, and Pharmaceuticals. To continue to receive the approval of its wide-ranging stakeholders, the Group will use its advanced technologies to create new products that reflect the changing times, contribute to improving people's lives, and help resolve global problems involving food, the environment, resources, and energy.

Sumitomo Chemical's Business Sectors



Petrochemicals & Plastics Sector

Providing basic petrochemical feedstock and synthetic resins that help realize abundance and prosperity while supporting people's lives.



Energy & Functional Materials Sector

Helping to resolve environmental, energy, and other global-scale issues through functional materials.



IT-related Chemicals Sector

Responding to an IT society that is becoming increasingly more sophisticated with cutting-edge technologies.



Health & Crop Sciences Sector

Contributing to the stable supply of more abundant, sustainable food as well as to people's health.



Pharmaceuticals Sector

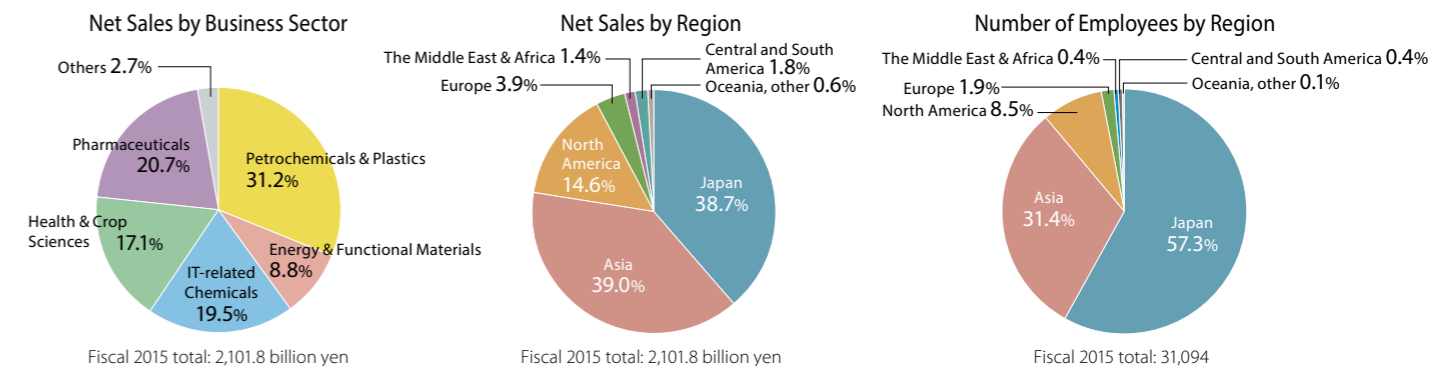
Supporting people's health and bettering their lives on a daily basis.

Company Profile

Name:	Sumitomo Chemical Company Limited	Capital:	89,699 million yen
Head Office	(Tokyo): Tokyo Sumitomo Twin Building (East) 27-1, Shinkawa 2-chome, Chuo-ku, Tokyo 104-8260, Japan (Osaka): Sumitomo Building 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-8550, Japan	Number of consolidated subsidiaries:	160
		Net sales	Consolidated: 2,101.8 billion yen Non-consolidated: 735.3 billion yen
		Number of employees	Consolidated: 31,094 Non-consolidated: 5,895
Founding:	September 22, 1913	Note: As of March 31, 2016.	
Start of business operations:	October 4, 1915		
Incorporation:	June 1, 1925		

Note: Net sales by region is stated in billions of yen rounded down to the nearest first decimal place.

The Sumitomo Chemical Group





Message from
the Executive
Chairman and
the President

Osamu Ishitobi, Executive Chairman

石 島 修

Masakazu Tokura, President

十 倉 雅 和

Contributing to the Sustainable Development of Society

■ Sumitomo Chemical's Business and CSR

With the Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015 and the Paris Agreement—a new framework for fighting against global warming—reached at the 21st Conference of the Parties of the UNFCCC (COP21) held in France in December of the same year, the international community marked a major step forward toward the realization of a sustainable society.

In view of the significant progress on these global initiatives, we at the Sumitomo Chemical Group have reaffirmed our strong commitment to corporate social responsibility (CSR) in our new three-year Corporate Business Plan launched in 2016. By continuing to focus our resources mainly on the areas of the environment and energy, information and communication technology (ICT), and life sciences, and by fully leveraging the technology and know-how cultivated over many years as a diversified chemical company, we will strive to bring innovative technologies and products to market, both for the betterment of the world and to create new value.

In the area of environmental protection, we are working to lower the burden on the environment by employing manufacturing processes that help reduce greenhouse gas emissions and energy consumption, as well as by providing a wide range of products that pay greater attention to the environment, safety and quality. In order to further accelerate these efforts, in April 2015 we established our new “Energy & Functional Materials” business sector, which is focused on developing new businesses that help resolve issues related to the environment and energy.

In addition, we are working on the global problem of food supply. Through various businesses and services that leverage the Sumitomo Chemical Group's innovative technologies in the areas of crop protection chemicals, biorationals, and feed additives, we aim to contribute to meeting the rising global demand for a stable supply of safe and reliable food.

■ Developing Human Resources that Drive Our Business

Sumitomo Chemical believes that its people are one of the most important sources of power for generating new innovations and achieving sustainable growth. With this conviction, we have been putting significant effort into human resource development and the improvement of work environments to empower our people to drive the Sumitomo Chemical Group's business.

For example, we provide training programs for each Group executive and employee to learn more about the Sumitomo Chemical's Corporate Philosophy and Charter for Business Conduct, which represent the foundations for the Group's management. This is intended to help everyone at the Sumitomo Chemical Group to put these central policies into action in their daily operations.

In addition, in order to create an environment where our diverse employees can fully demonstrate their abilities and actively work with a sense of accomplishment and reward, we are implementing various efforts to improve our systems to help employees with their work-life balance. These efforts include an initiative to support employees who are facing major life events, such as child or nursing care, so that they can continue their career at Sumitomo Chemical.

Moreover, with a strong determination to make safety our first priority, all our executives and employees are endeavoring to ensure that safety practices are always observed, and are striving together to take the entire Group's safety activities to higher levels. In an effort to enhance our people's safety skills and knowledge, we regularly convene global meetings for Responsible Care (RC) managers of Group companies in Japan and overseas, while also providing various seminars and training sessions at our safety conferences for employees who engage in production operations.

■ “As We Conduct Business, We Must Value Trust and Integrity.”

As it has been in business for more than 100 years, Sumitomo Chemical has placed the Sumitomo Family's “Business Principles” at the center of its code of conduct. The Business Principles state that, as we conduct business, we must value trust and integrity—particularly emphasizing the importance of maintaining society's trust in us.

All of us at the Sumitomo Chemical Group remain firmly committed to these principles and continue to work together as a united whole, engaging in a wide range of business activities in close collaboration with our stakeholders. By making full use of the creative power of chemistry, we continue to deliver to the world innovative products that support people's lives, and strive to achieve sustained growth as a diversified chemical company trusted by society and to contribute to the sustainable development of society for many more years to come.

We appreciate your continued understanding and support.

The Sumitomo Chemical Group's Operations and CSR

The Sumitomo Spirit

Sumitomo's Business Principles

- Pledge 1 Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.
- Pledge 2 Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

Harmony between the individual, the nation and society

We believe that our business must benefit society, not just our interests.

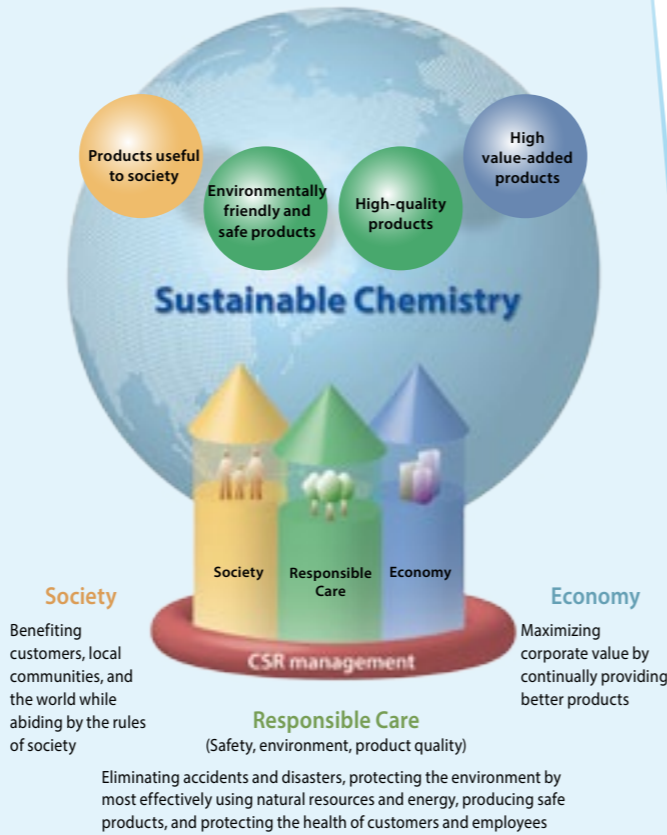
Sumitomo Chemical's Business Philosophy

1. We commit ourselves to creating new value by building on innovation.
2. We work to contribute to society through our business activities.
3. We develop a vibrant corporate culture and continue to be a company that society can trust.

Sumitomo Chemical Charter for Business Conduct

1. We will respect Sumitomo's business philosophy and act as highly esteemed good citizens.
2. We will observe laws and regulations, both at home and abroad, and will carry out activities in accordance with our corporate rules.
3. We will develop and supply useful and safe products and technologies that will contribute significantly to the progress of society.
4. We will engage in voluntary and active initiatives to achieve zero-accident and zero-injury operations and preserve the global environment.
5. We will conduct business transactions based on fair and free competition.
6. We will endeavor to make our workplaces sound and energetic.
7. Every one of us will strive to become a professional and achieve advanced skills and expertise in our field of responsibility.
8. We will actively communicate with our various stakeholders, including shareholders, customers, and local communities.
9. As a corporate member of an international society, we will respect the culture and customs of every region of the world and contribute to the development of those regions.
10. We will strive for the continued development of our Company through business activities conducted in accordance with the guiding principles described herein.

The Sumitomo Chemical Group's CSR



Basic CSR Policy

By continuously creating and providing new value for our stakeholders, the Sumitomo Chemical Group will build the corporate worth, contribute to solving the problems facing society and our environment while enriching people's lives.

In order to accomplish this, the Sumitomo Chemical Group will proactively work for profitable business operations, preservation of the environment, safety, product quality and positive social activities. We will pursue and promote our CSR activities with consideration for the interests of all our stakeholders, including our stockholders, employees, business partners, and the local residents of all regions in which we conduct business. Through our endeavors in these areas, we hope to play a significant role in helping to build a sustainable society, while continuing to grow our business in order to achieve our goal of becoming a truly global chemical company in the 21st century.

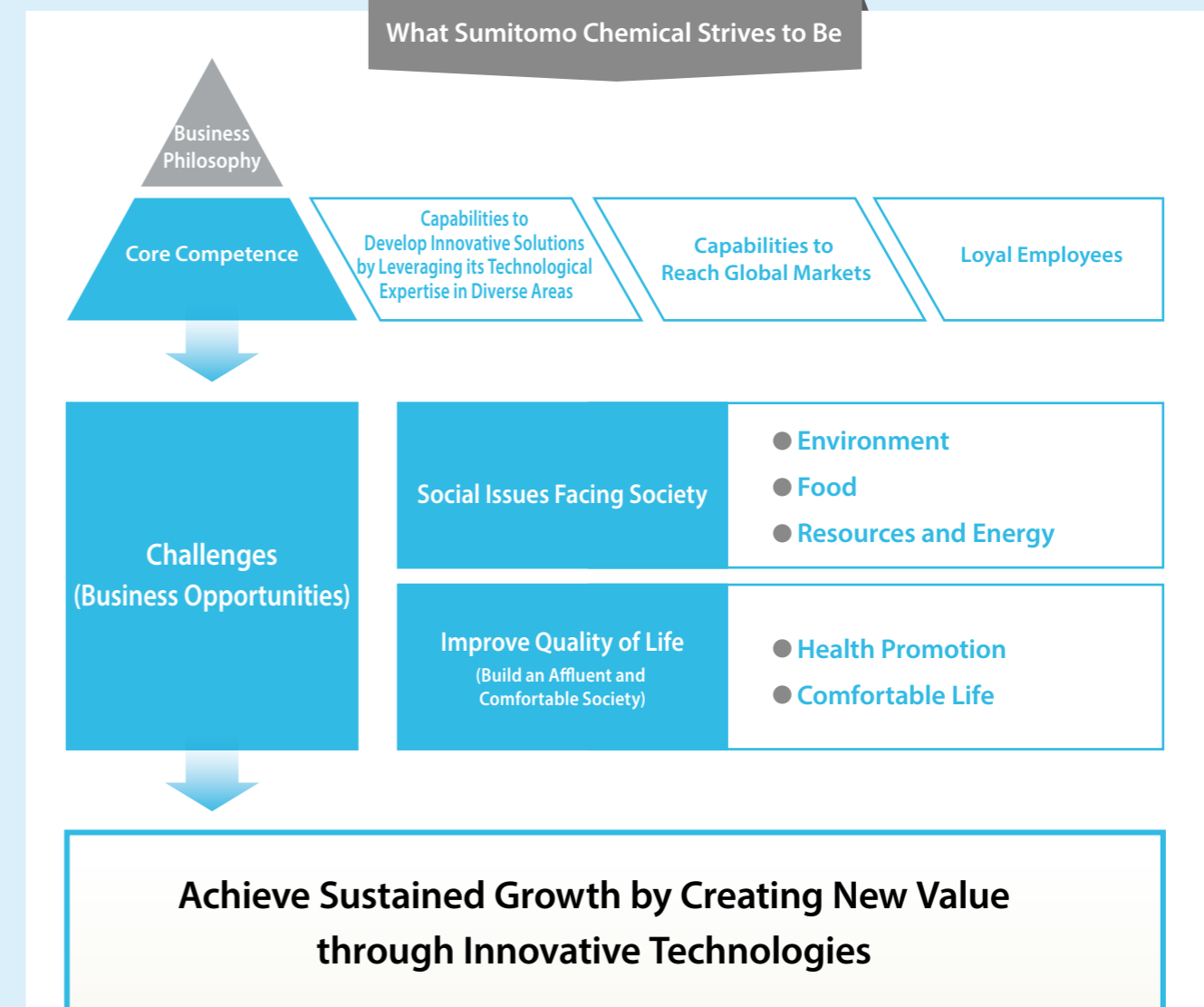
With the Sumitomo Spirit as its cornerstone, the Sumitomo Chemical Group has steadily forged ahead for more than 100 years. The Group's Basic CSR Policy was formulated in light of the Sumitomo Spirit, Sumitomo Chemical's Business Philosophy, and the Sumitomo Chemical Charter for Business Conduct and has been reflected in the Corporate Business Plan launched in 2016.

Overview of the 2016—2018 Corporate Business Plan

Our slogan under the 2016—2018 Corporate Business Plan is:

"Change and Innovation: Create New Value"

We aim to achieve sustained growth by creating new value through innovative technologies.



The Basic Policy of the Corporate Business Plan

- 1 Further improve business portfolio
- 2 Generate more cash flow
- 3 Accelerate the launch of next-generation businesses
- 4 Promote globally integrated management
- 5 Ensure full and strict compliance, and establish and maintain safe and stable operations

The Sumitomo Chemical Group's Contribution to the SDGs

Primary Financial Indicators and Sustainability Indices

The Sumitomo Chemical Group has outlined the following stance in its Basic CSR Policy: "By continuously creating and providing new value for our stakeholders, the Sumitomo Chemical Group will build the corporate worth, contribute to solving the problems facing society and our environment while enriching people's lives." In order to accomplish this, the Sumitomo Chemical Group has been proactively working for profitable business operations, preservation of the environment, safety, product quality and positive social activity.

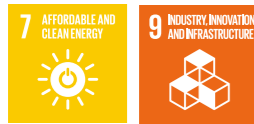
Through these Groupwide initiatives, we contribute to the sustainable development of society and also help achieve the UN Sustainable Development Goals (SDGs) that are to be reached across the globe by 2030.

Contribution to the SDGs through Business

Life Sciences Field



Environment, Energy, and ICT Fields



Responsible Care Activities



Social Activities

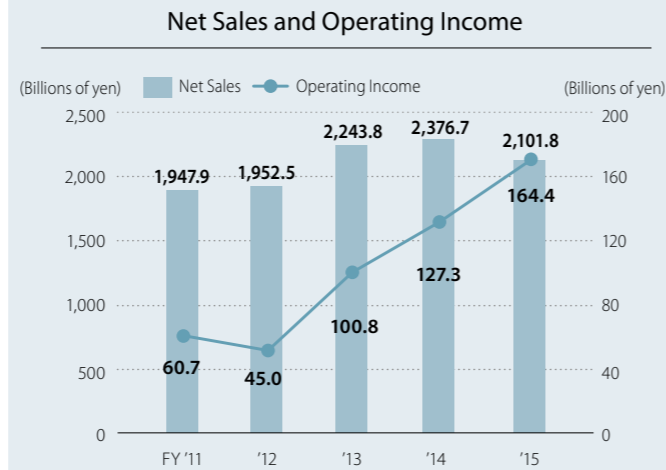


*For more details, see our website.

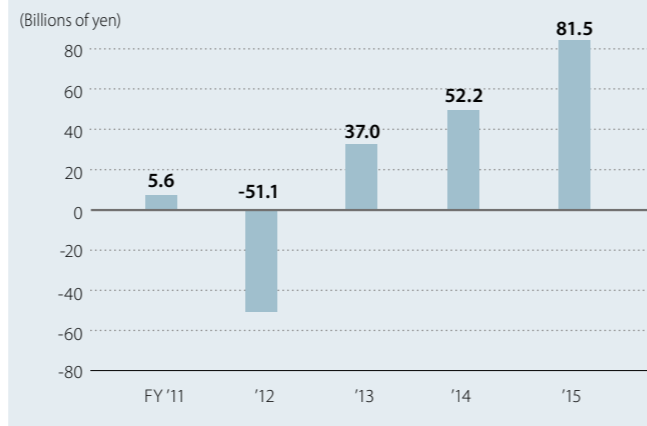
The Sumitomo Chemical Group and the SDGs
<http://www.sumitomo-chem.co.jp/english/csr/management/sdgs/index.html>

Primary Financial Indicators

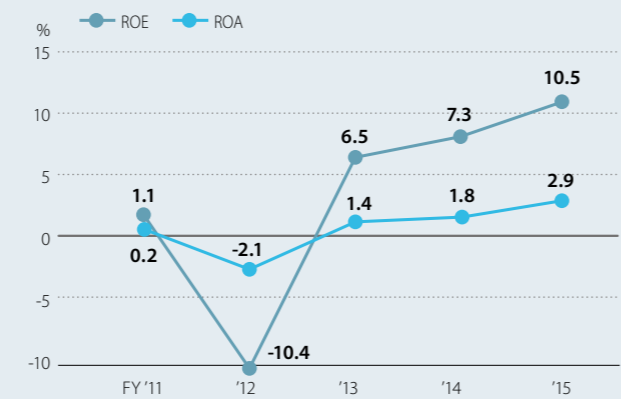
The Economy



Net Income (Loss) Attributable to Owners of the Parent



Return on Equity (ROE)/Return on Assets (ROA)



Sustainability Indices

Responsible Care

CO₂ emissions in Japan¹ **2,981 thousand tonnes**

YoY (Unit index)

2.2% improvement

CO₂ emissions outside Japan² **928 thousand tonnes**

YoY (Unit index)

5.1% improvement

¹ Aggregate total of Sumitomo Chemical and major Group companies in Japan (14 companies)
² Aggregate total of major Group companies outside Japan (10 companies)

Water usage in Japan³ **93.3 million tonnes**

YoY

9.9% decrease

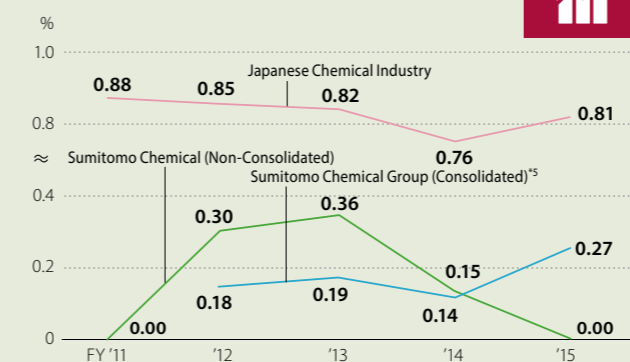
Water usage outside Japan⁴ **6.5 million tonnes**

YoY

1.1% increase

³ Aggregate total of the same companies in note 1 and Sumitomo Joint Electric Power Co., Ltd.
⁴ Aggregate total of major Group companies outside Japan (10 companies)

Work-Related Incident Rate



⁵ Aggregate total of Sumitomo Chemical and Consolidated Group companies

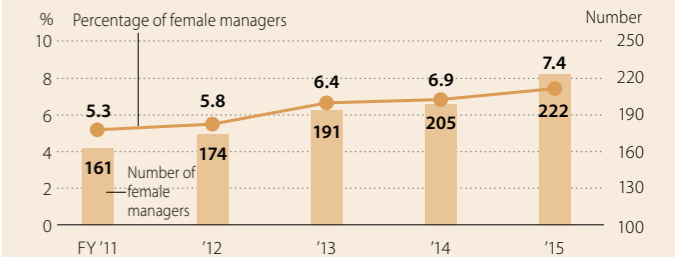
Society

Number and percentage of female managers (Non-Consolidated)

7.4%

YoY

17 more female managers

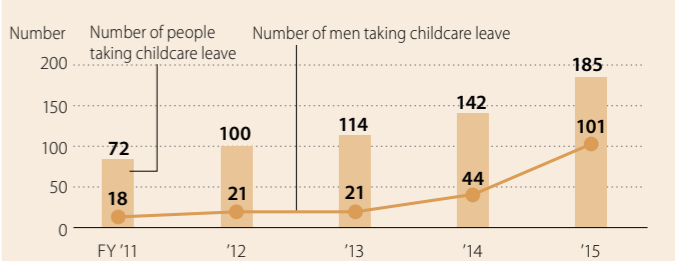


Number of men taking childcare leave (Non-Consolidated)

101 men

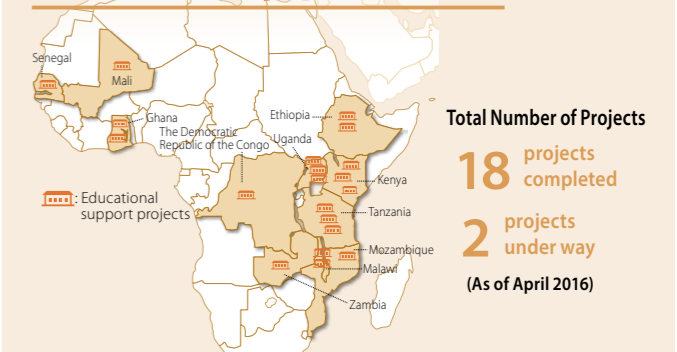
YoY

57 more men



Support for Education in Africa

Total Number of Beneficiaries **Over 10,000 people**



Under its Basic CSR Policy, the Sumitomo Chemical Group pursues and promotes CSR activities taking into consideration the interests of all stakeholders. Our stakeholders include the international community, stockholders and other investors, customers, business partners, local communities and society, and employees. Our dialogue with stakeholders over our history has defined our responsibilities to our stakeholders and how we approach them. Going forward, the Sumitomo Chemical Group will continue to fulfill its responsibilities to all its stakeholders and work to enhance communication with everyone.



Dialogue with the International Community



Jeffrey D. Sachs
Director, Center for Sustainable Development,
The Earth Institute, Columbia University

Acclaim for Activities to Prevent Malaria and Anticipation for Future Initiatives

“Sumitomo Chemical has been the exemplary leader in the successful global effort to slash the burden of malaria. Its ingenious engineers designed the first long-lasting insecticide treated net, thereby transforming the prospects for success. The company then dramatically scaled up its production of the path-breaking Olyset™ Net in conjunction with the global control effort. Sumitomo Chemical licensed its technology to African-based producers. And the company actively supported research to improve the systems for control as well as to continue to improve the bed-net technology. This is global corporate responsibility at its very finest. And even more, the company continues its firm commitment and leadership efforts to drive the malaria burden still lower and deaths to near zero.”

Initiatives for the UN Global Compact's Ten Principles

The Sumitomo Chemical Group signed the UN Global Compact (GC) in January 2005. The UN Global Compact is a United Nations initiative in which businesses demonstrate responsible and creative leadership and voluntarily participate as good members of society in efforts to establish a worldwide framework that enables them to achieve sustainable growth.

UN GC LEAD is a framework to bring the vision espoused under the UN GC to fruition. It was launched in November 2011 with the participation of companies that have made great contributions to the GC, and Sumitomo Chemical has been a participant ever since.

In compliance with the Global Compact's Ten Principles, we are further ramping up activities by networking with the UN and other organizations.

The UN Global Compact's Ten Principles



Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Stakeholders	Sumitomo Chemical's Responsibility	Methods
The International Community	The Sumitomo Chemical Group observes international regulations in an effort to resolve various issues confronting society, including food, climate change, educational disparity and gender inequality. We also believe it is important to collaborate with various international organizations, NGOs, and other companies.	<ul style="list-style-type: none"> • Promoting the activities of the UN Global Compact • Participating in a task force of the International Council of Chemical Associations (ICCA) • Engaging in a variety of activities through economic and industrial organizations • Conducting programs in collaboration with NGOs and NPOs

Dialogue with Shareholders and Investors

Engaging in Proactive IR Activities

Sumitomo Chemical engages in IR activities aimed at promoting an accurate understanding of our operations, supporting appropriate share price formation, and improving corporate value through communication with its shareholders and investors.

In fiscal 2015, we held management strategy briefings, where the president himself explained the Company's management strategies, and briefings on the Corporate Business Plan a combined total of three times. We also held business strategy briefings on the Petrochemical & Plastics Sector and conference calls on results for each quarter. In addition to these briefings, we held one-on-one interviews with analysts and worked to enhance our various IR tools and website.



In recognition of these efforts, Sumitomo Chemical received the IR Special Award from the Japan IR Association in November 2015. This award is given to companies that continuously improve their investor relations and companies with unique IR practices.

Stakeholders	Sumitomo Chemical's Responsibility	Methods
Shareholders and Investors	We promote scheduled, effective and strategic communication with shareholders and investors in regard to our management policies, business strategies and earnings trends. Through this communication, we fulfill our responsibility to disclose information to shareholders with the aim of maintaining and improving the market's trust in Sumitomo Chemical. By promoting an accurate understanding of our operations, we support appropriate share price formation and improvement in corporate value.	<ul style="list-style-type: none"> • Conducting general meetings of shareholders • Holding management strategy briefings and business strategy briefings • Holding conference calls • Holding briefings for individual investors • Holding one-on-one interviews with analysts • Disclosing information via annual reports, investors' handbooks, and other publications • Providing information on the Company's website

Dialogue with Local Communities

Responsible Care Dialogue Meetings

At our Oita Works, we hold Responsible Care dialogue meetings every two years with the ten companies in the Oita industrial complex to which we invite local residents and municipal government officials. The latest meeting was held in February 2016, and it turned out to be quite a large gathering, despite being held on a weekend, with a total of 188 participants, 107 of whom were local residents.

The dialogue meeting comprised three parts: a factory tour, a dialogue session, and a social event for the exchange of opinions. The theme of the dialogue session was "initiatives for disaster prevention and the environment," which is of great concern for local residents. After the keynote speech from the municipal government officials, we held a panel discussion with Sumitomo Chemical employees.



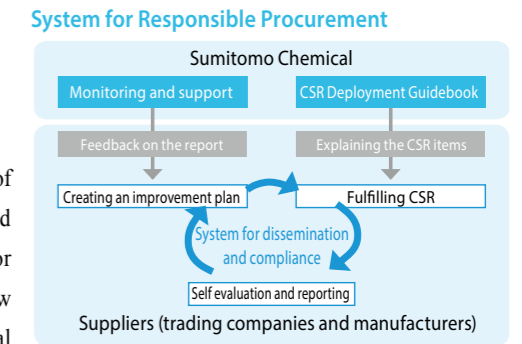
This dialogue meeting with locals was very fruitful, and we fielded a number of positive comments from the participants, such as, "this was a good meeting. I hope you continue these meetings," and "I felt at ease after hearing the company's initiatives." Going forward, we will maintain high-quality communication with all locals residents.

Stakeholders	Sumitomo Chemical's Responsibility	Methods
Local Communities and Society	In the belief that its business must be based on mutual prosperity with society, Sumitomo Chemical is building and maintaining good relationships with local communities by conducting activities to meet local needs while aiming to enhance communications, and ensure the safety of the region and preservation of the environment.	<ul style="list-style-type: none"> • Publishing the Report on the Environment and Safety at all work sites • Publishing local PR magazines • Hosting local dialogues • Holding science workshop classes • Engaging in local cleanup activities

Dialogue with Business Partners

Promoting Responsible Procurement

The Sumitomo Chemical Group conducts fair and transparent transactions. In the spirit of ensuring corporate compliance, we promote responsible procurement activities and encourage all our business partners to engage in CSR activities. Specifically, we monitor the status of CSR initiatives using a check sheet for existing overseas suppliers and any new suppliers of raw materials. For suppliers that need further action, we provide individual feedback on the improvements we want to see and ask for their understanding and cooperation with regard to responsible procurement activities. Through these kinds of efforts, we strive to establish mutually beneficial and sound relationships with all our suppliers.



Stakeholders	Sumitomo Chemical's Responsibility	Methods
Business Partners	Sumitomo Chemical is committed to building progressive and mutual relations with business partners based on the Basic Procurement Principles.	<ul style="list-style-type: none"> • Engaging in communication through purchasing activities • Monitoring and feedback that draws on the CSR Deployment Guidebook and check sheets • Providing contact points for inquiries

Dialogue with Employees

An Opportunity to Reflect on Our History and Corporate Philosophy

The year 2015 was the 100th anniversary of the start of Sumitomo Chemical's operations. Taking this opportunity, each employee reflected on the history of the Company, and we held a Centennial Workplace Meeting, where employees discussed their experiences and thoughts concerning their workplaces and facilities.



In the regional manager training program for the local managers of overseas Group companies, lectures were held with the aim of spreading and ingraining Sumitomo Chemical's Business Philosophy and corporate values. Group workshops were held under the theme of lessons from our 100-year history, which also took into account CSR perspectives. In 2015, this training program was held in Singapore, Belgium, the United States, China, South Korea, and Taiwan; 215 people participated. The dialogues with employees that arose from these situations presented a good opportunity to increase awareness about the Sumitomo Spirit and Sumitomo Chemical's Business Philosophy.

Stakeholders	Sumitomo Chemical's Responsibility	Methods
Employees	Sumitomo Chemical is working to create human resources development systems and a workplace environment in which individual employees can make the most of their abilities, while respecting the well-being and diversity of employees. Also, the Company and its labor union will maintain a favorable relationship that has been built based on mutual understanding and trust.	<ul style="list-style-type: none"> • Conducting central and regional labor-management meetings • Convening the Labor-Management Committee for Diversity and Work-Life Balance • Providing various training programs • Publishing an in-house magazine

Dialogue with Customers

Sumitomo Chemical aims to meet customer needs throughout the entire Group and provide quality products and services that customers can use with confidence. These efforts are supported by business managers and each product's help desk, according to the product or need.

Stakeholders	Sumitomo Chemical's Responsibility	Methods
Customers	Sumitomo Chemical is working to supply high-quality products and services that satisfy customers' needs and ensure safety in their use, thereby building long-lasting relations of trust with customers.	<ul style="list-style-type: none"> • Engaging in communication through operating activities and supporting quality assurance • Providing information through various media including the Company's website • Offering customer support through consultation services



Addressing Global Climate Change

Goals

Formulate measures to lessen climate change and its effects.

Issues

The average global temperature is expected to rise between 2.6 and 4.8 degrees Celsius by the end of the 21st century if no effective measures are taken to combat global warming.



Sumitomo Chemical's Initiatives on Climate Change

With the signing of the Paris Agreement at COP 21 in 2015, the international community took a large, bold step toward implementing measures to address climate change. To achieve the foremost goal of the Paris Agreement, limiting the rise in global temperature to less than 2 degrees above pre-industrial levels, corporations will be required to severely restrict their CO₂ emissions. Sumitomo Chemical is working to resolve climate change problems from three perspectives: easing climate change (reducing emissions), developing new sources of energy, and adapting to climate change.

Easing Climate Change (Reducing Emissions)

Sumitomo Chemical is promoting manufacturing processes that conserve resources and limit environmental impact while offering products that take into account environmental, safety, and quality considerations. For example, to produce propylene oxide (PO), the raw material for polyurethane and other products, the Company's PO-only process conserves resources and limits the generation of by-products. In addition, Sumitomo Chemical provides solution styrene-butadiene rubber (S-SBR) for use in tire treads, which helps improve fuel efficiency for automobiles.



The PO-only process

Developing New Sources of Energy

As solar power and other forms of renewable energy become more commonplace around the world, the Company is advancing development of organic photovoltaics (OPV). Light-weight, flexible and transparent, OPV offer superior design features and are suitable for installation on windows, building exteriors and other locations. We expect OPV applications to expand greatly, particularly in the areas of electric chargers for portable devices.



A test OPV product affixed to a windowpane

Adapting to Climate Change

The environmental stress brought by abnormal weather phenomena caused by climate change, including high temperatures and drought, negatively affect crop yields. In a new field we call "crop stress management," we seek to ease environmental stress through technological development focused on improving productivity by improving crop resilience through the power of chemicals.



Evaluation test on chemicals in a greenhouse

Helping to Greatly Reduce Energy Consumption

Succeeding in Trials of CO₂ Separation Membranes Beginning Feasibility Studies Regarding the Introduction of Commercial Equipment

Sumitomo Chemical is working to develop products and processes that help resolve problems concerning climate change and energy. Through our business activities, we aim to contribute to the COP21's Paris Agreement and the Sustainable Development Goals adopted by the United Nations in 2015. Employees of Sumitomo Chemical Group companies engaged in this development are proud to contribute to society and eager to provide the world with excellent products that will be appreciated by society.

The Sumitomo Chemical Group is currently developing a CO₂ separation technology that uses a membrane separation method. The process is simpler than the existing chemical absorption method and greatly reduces energy consumption. In addition, the equipment can be scaled down to less than half the size of the equipment currently employed.

CO₂ separation technology is used to remove CO₂ from target gases in the production of hydrogen, refining of natural gas, and similar processes. Looking ahead, the demand for CO₂ separation is expected to expand with greater use of hydrogen-based energy and the advancement of technologies using natural gas. In addition, natural gas, which is highly acidic with high concentrations of CO₂, is a very important inexpensive resource in securing diverse sources of energy.

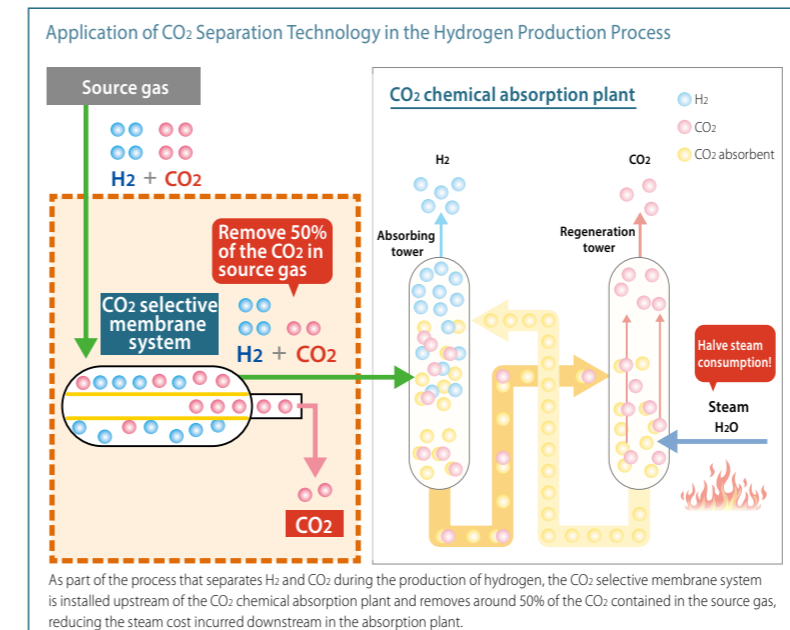
With an eye to controlling costs for CO₂ separation and capture, potential customers are anticipating the practical applications of the membrane separation method we are currently developing.

In 2013, Sumitomo Chemical established the joint venture "CO₂ M-Tech," which is earnestly engaged in commercialization efforts related to this separation technology. The company achieved positive results in the previous year in trials of the CO₂ separation membranes under development. We have agreed to continue feasibility studies on introducing commercial equipment for CO₂ separation membranes to the plant of a chemical manufacturer in Japan by around the beginning of 2017.

We will quickly commercialize CO₂ separation membranes and meet the rising global demand for CO₂ separation technologies.



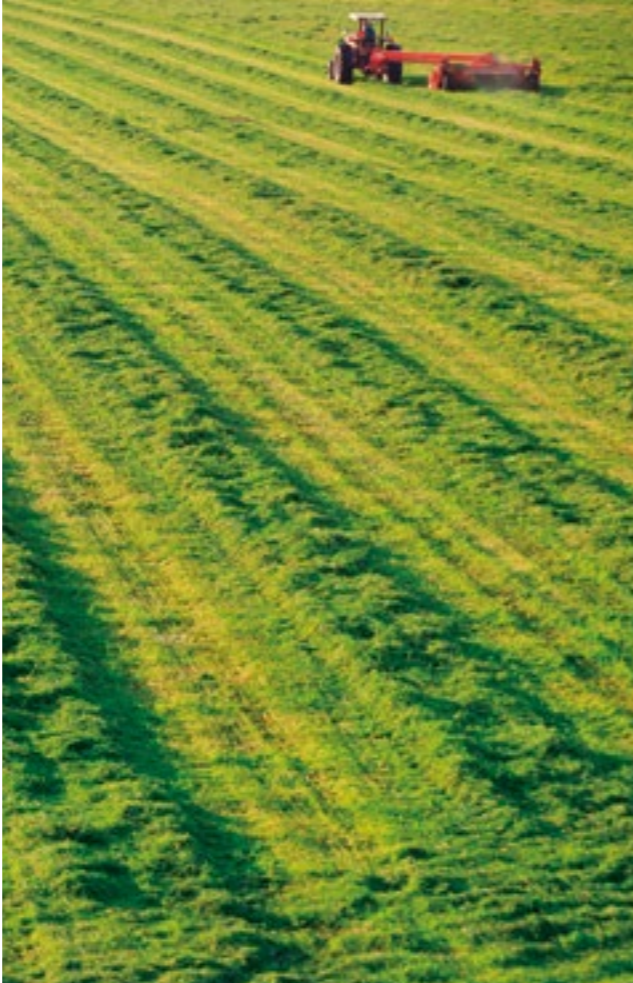
Hiroshi Ueda
Representative Director &
Senior Managing Executive Officer



TOPIC Sumitomo Chemical Included in CDLI for Fourth Straight Year

Sumitomo Chemical has been selected by CDP, an international NPO representing 822 institutional investors who manage \$95 trillion in total assets, for inclusion in the Climate Disclosure Leadership Index (CDLI) of the Japan 500 report in recognition of its excellent disclosure of climate change information. Sumitomo Chemical is the only company in the materials sector that received a perfect disclosure score of 100. This honor is in recognition of the Company's provision of reliable information related to its climate change initiatives, marking the fourth consecutive year it has been included.





Initiatives to Address the Global Food Problems

Goals

End hunger, ensure food security as well as improved nutrition, and promote sustainable agriculture.

Issues

Respond to the growing global population and increased demand for grain. Stably provide safe and reliable agricultural products.

The Crop Protection and Enhancement Business of Sumitomo Chemical

Sumitomo Chemical's Crop Protection and Enhancement business is committed to food safety and security while focusing on environmental considerations through its crop protection and enhancement business. An important aspect of our mission is to ensure that demands for a stable food supply and the provision of sustenance for the world's growing populations are met.

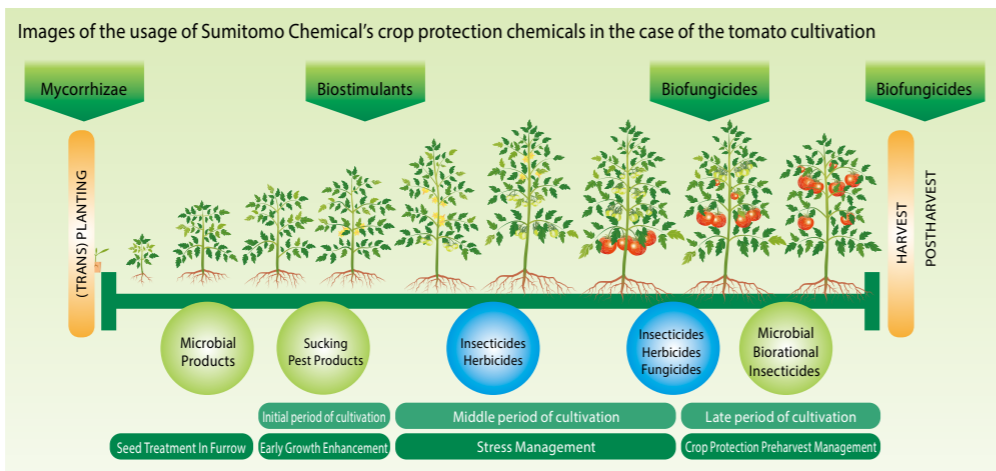
The world population has topped 7 billion and is expected to reach 9.5 billion in 2050. However, farmland is not expected to increase at the same pace. Therefore, agricultural productivity per unit of area must be increased to ensure a stable food supply to feed the growing world population.

Sumitomo Chemical is contributing in various ways to address these issues. We will deliver innovative products that will enable farmers to improve crop quality and yields. We will also help current and future agricultural workers learn from our experiences and know-how so that they may maximize the benefits of using our products.



Expanding Business Areas

Leveraging knowledge and experience accumulated over many years in the agrochemical field and promoting safety assessments of crop protection chemicals with biotechnology and other leading-edge technologies, we have expanded our business across a broad range of fields, from seed treatment to post-harvest phase, thereby contributing to meeting the world's growing demand for a stable supply of safe and reliable food.



Promoting Sustainable Agriculture

The Crop Protection and Enhancement Business Embodies the Sumitomo Spirit

The UN's Sustainable Development Goals (SDGs) include such bold targets as ending global hunger by 2030, achieving food security, improving nutrition, and promoting sustainable agriculture. The World Food Program estimates that one in every nine people worldwide does not receive sufficient nutrition for a healthy, active life. The global population is increasing but the amount of arable land is limited. Solutions are currently being sought to improve food quality and agricultural productivity while protecting the environment.

The SDGs are especially meaningful for the Sumitomo Chemical Group because they so closely align with the Sumitomo Spirit. The



Group constantly aims to develop technologies that contribute to society. The success and growth of our crop protection business is attributable to this resolve. The Group's innovative technologies and the latest biorationals help enable farmers to grow higher quality crops with greater yields than ever

Andrew Lee
Executive Officer
(President, Valent U.S.A. Corp.,
Valent BioSciences Corp.)

before through a food production system that supports a sustainable future.

The Valent Group shares the future-oriented commitment and vision that Sumitomo Chemical has for the global agricultural industry. In line with the Sumitomo Spirit, we proudly take on the SDGs as our own goals.

Strengthening the Biorational Business

Sumitomo Chemical's acquisition of the biological crop protection business from U.S.-based Abbott Laboratories in 2000 was a very forward-looking decision. We foresaw a future where sustainability would continue to grow in importance as a driver not only of the development of society but also of global business.

We define biorationals as solutions that protect crops from pests using microbial pesticides, plant growth regulators, microbial agricultural materials, and other such products, as well as solutions that improve the quality and yield of crops.

The core of this business—Valent BioSciences Corp. (VBC)—has recently been expanding its biorational business in the United States, opening in 2014 a new plant for active ingredients of microbial pesticides and acquiring Mycorrhizal Applications LLC, a producer of mycorrhizal fungal inoculum, in 2015. VBC also intends to build a new research unit, the "Biorational Research Center," in 2017. The Sumitomo Chemical Group is currently developing its incomparable, robust biorational business. The environment- and ecosystem-friendly approach of this business is garnering a great deal of attention from the vantage point of promoting sustainable agriculture.



TOPIC Expanding the Plantation Solutions Business

The Sumitomo Chemical Group is strengthening and expanding such agriculture-related businesses as the Plantation Solutions business, which is geared toward large-scale plantations producing bananas, oil palms, and other agricultural products. In April 2016, we operated a booth at the International Banana Congress in the U.S. city of Miami.

The plantations we serve are large-scale agricultural enterprises in tropical or subtropical regions where generally a single type of crop is cultivated. Such operations require efficient agricultural materials that have minimal environmental impact. The Group handles a broad range of agriculture-related materials, including crop protection chemicals and fertilizers. By providing products and services suited to bananas, oil palms, pineapples, sugarcane, and other crops, we contribute to improved yields and more efficient operations, including water and fertilizer management, harvesting activities, and weed and pest prevention.



Initiatives for Safety Assurance

Goals

Assure employee safety and achieve zero labor accidents.

Issues

Thoroughly ensure safe conduct and improve hazard prediction abilities across the entire Sumitomo Chemical Group.



Initiatives for Safety Assurance at All Group Locations

Careful analysis of the causes of labor accidents that have occurred on the Sumitomo Chemical Group premises in recent years revealed that the majority of incidents were attributable to unsafe conduct. With the global expansion of our business, we consider it especially imperative to minimize the number of such incidents at overseas Group companies and subcontractors.

Committed to making safety its first priority, the Sumitomo Chemical Group aims to achieve zero-accident operations at all locations through initiatives for safety assurance focused on people.

Ingraining Basic Principles of Safe Conduct

We have learned from experience that we can prevent the majority of labor accidents by thoroughly ensuring basic safe conduct, including hazard prediction. We have therefore set groupwide ground rules and are working to raise awareness of these rules among Group employees while we strive to eliminate labor accidents. We are also working to bolster Groupwide safety activities.

The Sumitomo Chemical Group's Ground Rules

1. Think Before You Act!
2. Help each other to be more aware of unsafe actions
3. Do not place hands in and around areas of working machinery/equipment

Safety Education to Prevent Labor Accidents

Four-Round Kiken Yochi Training (4R-KYT) is a hazard prediction training program that uses illustrations to categorize and suggest improvement measures to be taken to prevent unsafe conduct. These improvement measures are broken down into four steps: assess the current situation, determine the root cause, establish countermeasures, and set targets. 4R-KYT is a widely used form of training at manufacturing sites in Japan. By demonstrating this training at global safety conferences and other large gatherings, we aim to roll out 4R-KYT across the entire Group, both in Japan and overseas.



An example of a 4R-KYT worksheet

Sharing Information

We regularly hold global meetings and information exchange meetings with Group companies. We report on safety activities and specific incidents in addition to conducting Responsible Care (RC) award ceremonies and introducing RC activities of the award recipients.

In addition, we send out an RC newsletter once a month in four languages (English, Chinese, Korean, and Japanese) to Group companies in Japan and overseas. Recently, we have seen growth in feedback regarding articles in the newsletter. In this way, the newsletter is enabling us to engage in more active two-way communication with Group companies.

Training People Responsible for the Safety of the Group

Holding the IT-related Chemicals Sector Global Safety Conference

In March 2016, we held the third IT-related Chemicals Sector Global Safety Conference to raise and maintain safety awareness at manufacturing sites in the IT-related Chemicals Sector, which covers a broad range of components and materials related to Information and Communication Technology (ICT). Including executives from the sector, there were around 400 participants. The following events were held at the conference.



The 4R-KYT Practice Contest

Through the safety activity report, we shared each location's best practices and undertook to organize and improve daily safety initiatives through communication during the preparation of the report and after the report was released.

At the 4R-KYT Practice Contest, five teams representing each region covered by the IT-related Chemicals Sector competed on the quality of their hazard prediction abilities and teamwork. 4R-KYT practice at the Global Safety Conference began in fiscal 2013, and the habit of sharpening hazard prediction abilities has been spreading throughout the entire Group.

Top place in the Award for Workplace Safety was bestowed upon the team from Sumika Electronic Materials (Wuxi) Co., Ltd. The company was lauded for both its high productivity and its absence of accidents and disasters thanks to its provision of thorough safety education to new employees.



Business Bases in Asian Region of the IT-related Chemicals Sector

Dongwoo Fine-Chem Co., Ltd. hosted the conference, and its president Hwang Inwoo stressed the importance of safety.

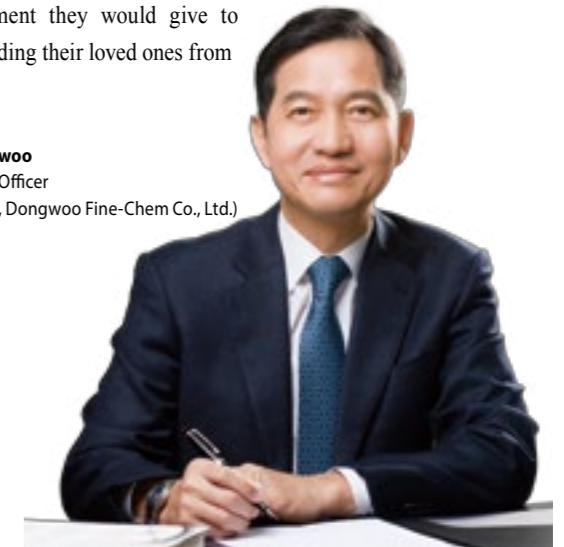
He said safety is a major prerequisite for a company's business. He believes that once safe and stable operations have been firmly secured, the company can gain the trust of society and form long-term partnerships with customers.

Accidents and disasters can have huge impacts on a company and threaten its survival. To secure and maintain safety, it is important to change employees' mindsets and create safety assurance systems for the company, he explained.

When talking to employees during training, President Hwang tells them that every single employee has an obligation to obey the rules and safely carry out their work, and that the company, in turn, has an obligation to provide a workplace where employees can safely work.

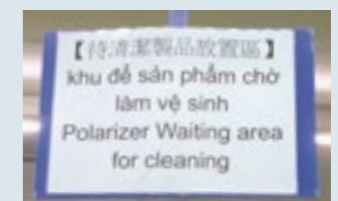
He also communicates to all employees that they should think of each person in their workplace as a family member and execute safety measures with the same level of commitment they would give to safeguarding their loved ones from harm.

Hwang Inwoo
Executive Officer
(President, Dongwoo Fine-Chem Co., Ltd.)



TOPIC Promoting Work Safety among Foreign National Employees

The Taiwan-based Sumika Technology Co., Ltd. also employs foreign nationals from across Southeast Asia. The company has various measures in place to ensure that tasks are performed safely regardless of differences in language or lifestyle habits. For example, videos and illustrations are used to communicate the utmost importance of safety during operations, and signs and bulletins are written in multiple languages. When giving operating instructions, instructors demonstrate the required actions and have trainees perform the tasks, preventing accidents that could arise from insufficient operator knowledge. Further, when an employee is injured, the employee creates a video message in his or her native language explaining the cause of the accident to coworkers of the same nationality to prevent recurrences.



A multilingual sign

Special Feature 4



Initiatives Geared toward the Next Generation

Goals

Educate children—the leaders of tomorrow—and promote diversity and work-life balance.

Issues

Respond to stakeholders' anticipation of companies' educational support for children.
Create workplaces that foster innovation.



Educational Support Around the World Encourages Children's Interest in Chemistry

At the Sumitomo Chemical Group, we believe that conveying the fun of chemistry is important in getting children interested in chemistry. Thus, we are continually expanding our science workshop class initiative at each worksite and Group company in Japan and overseas.

Bringing Science Workshop Classes to Overseas Group Companies

Science workshop classes were originally held only at workplaces in Japan, but we are actively rolling them out at overseas Group companies. In China, Sumitomo Chemical (China) Co., Ltd. has continuously held science workshop classes for elementary school students in collaboration with other Group companies since 2012. In

addition, in Singapore, Sumitomo Chemical (Asia Pacific) Pte. Ltd. held science workshop classes at day-care centers in collaboration with neighboring Group companies in September 2015. In Belgium, Sumitomo Chemical Europe S.A./N.V. participated for the first time in science events for children for a science day in November 2015. Through these and other efforts, science workshop classes are steadily expanding at overseas Group companies.

VOICE Science Workshop Classes Exploring the Wonders of Chemistry

Whispering Hearts Student Care Centre (in Singapore)

Mr. Yeow Huat (back) and Ms. Nur Hassinahbanu Bte Md Salim (front)

Thanks to the efforts of everyone at Sumitomo Chemical Group companies in Singapore, we were able to successfully hold our first science workshop class. The elementary school students conducted a unique experiment using polarizers and water-absorbent polymers and gasped at the brilliant colors of the sparkling kaleidoscope, the mysterious cylinder trick, and the changing shape of the mysterious powder. Many of the children provided positive feedback, stating that they now like science and they were now more interested in chemistry. We were impressed by how the Group employees carefully explained to the children the content of the experiments using Sumitomo Chemical Group products, provided safe instructions, and prepared the experiment materials. Going forward, we hope to continue these science workshop classes with the support of everyone at the Sumitomo Chemical Group.



Diversity Is a Driving Force toward the Future

We aim to increase the diversity in our organization and enable all employees to achieve their fullest potential to foster innovation.

Initiatives to Promote Diversity

Sumitomo Chemical has positioned the promotion of diversity as an important management theme. We are focusing our efforts on creating a workplace where diverse people can realize the full potential of their unique abilities regardless of gender, nationality, or age, and work actively with a sense of accomplishment. We believe that as we expand business globally, these kinds of measures will energize our workplaces, strengthen the competitiveness of the Company, and generate innovation.

Promoting the Active Advancement of Women

As part of the Company's promotion of diversity, Sumitomo Chemical is pressing ahead with various measures related to the active advancement of women. One initiative is the Women Leader Creation Academy. In this program, Sumitomo Chemical's female employees exchange opinions with female managers and instructors from both inside and outside the Company. The purpose is to provide necessary skills and instill the sense of commitment required in managers; furnish instruction on how to develop a career-oriented mindset; and impart essential leadership skills, including ways to move tasks forward and appropriate methods for communicating with staff. In fiscal 2015, 23 female employees participated in this program, which was conducted four times during the year. In the fourth round, with the participation of their supervisors, the employees created and shared their career visions, which provided an opportunity for supervisors and subordinates to reach a mutual understanding regarding their careers.



A session underway at the Women Leadership Development Academy

Comments from Participants

- Based on actual experience, the external instructor's lecture was compelling.
- As the other female employees were from a wide range of sections I don't normally have contact with, I was able to expand my network.
- In the *Letter from My Boss*, my boss wrote about the expectations of my section, and I now have greater motivation toward my work.



Participants earnestly listened to the lecture, and joined in the group discussion.

Initiatives to Promote Work-Life Balance

The Company is strengthening its work-life balance efforts to help employees make their private and business lives compatible and enable them to enjoy sounder and more fulfilling lives. We have enhanced various systems to help employees who are experiencing strenuous life events such as childcare and nursing care. To ensure employees maintain harmony between work and life, we are encouraging them to regularly take paid holidays and participate in "work-life balance days." On such days, which occur at least once a week, employees are not allowed to work overtime.

VOICE On Taking Paternal Childcare Leave

Takao Oishi, Legal Dept.

After the birth of my daughter, I took paid paternity leave and childcare leave for a total of a little less than one month. This allowed me to better help my wife, who was still recuperating. We shared housework, such as cleaning, laundry, and shopping, while taking care of our newborn baby girl. It was a great joy to tend to our daughter around the clock together as a couple, despite the uncertainties of being a new parent, thanks to the childcare leave. Being away from work for a while also provided a good opportunity to ponder my relationship with my family and the way I work. I am indebted to my boss and coworkers, who expressed their gladness at my taking childcare leave, as well as to the Company's robust childcare leave system, which paid me for a portion of the time off. I am so grateful for everyone's support.

