

SUMITOMO CHEMICAL  
**CSR REPORT 2012**



# How to Read the Report

Numbers and letters indicated at the top of each section represent the related categories and sections provided under the Global Reporting Initiative (GRI) guidelines for sustainability reporting. For a description of each guideline section, please refer to the GRI (G3.1) Content Index (pages 77-79).

## Chemical Safety Initiatives

GRI 4.11 PR1 PR2

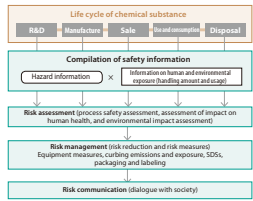
### Acceleration of the Enhancement of Chemicals Management around the World

In 2002, the World Summit on Sustainable Development (WSSD) was held in Johannesburg, the Republic of South Africa. At this conference, the so-called 2003 target was proposed to ensure that "chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment."

The International Council of Chemical Associations (ICCA) formulated the Global Product Strategy (GPS) to attain the 2020 target and to enhance product stewardship activity (initiative to ensure that chemicals available in the market are safely handled and used throughout their life cycles), which is a core activity for Responsible Care toward further enhancing chemicals management.

In Japan, the Japan Chemical Industry Association launched the Japan Initiative of Product Stewardship (JIPS) to conduct specific activities to foster the GPS. The Japanese chemical industry is voluntarily implementing the JIPS based on the assessment and management of risks posed by chemicals and in consideration of the entire supply chain.

### Product Stewardship (Management of chemicals throughout their life cycle)



### Sumitomo Chemical's Activities

In response to international trends toward the enhancement of chemicals management, Sumitomo Chemical has promised to conduct appropriate risk assessments for all its products manufactured or sold in annual amounts of one ton or more by fiscal 2020 in its Eco-First commitments.

In our risk assessments, we will assess the impact of chemical substances on human health and the environment by considering both the hazard and the exposure (handling amount and usage of chemicals) together throughout the life cycle of the substances assessed. The assessment results will be utilized for appropriate risk management (risk reduction and risk

measures) in the handling and use stages of the substances assessed. Moreover, we will document the results in the form of summaries on the safe handling of chemicals (GPS/JIPS Safety Summaries) and disclose them widely to the public via the ICA website.



### Effective Use of SuCCESS

In order to collect and manage chemical safety information to formulate appropriate responses to chemical regulations that are becoming more strict each year, and ensure chemical safety based on risk assessments amid increased international awareness of the need for appropriate management of chemicals, we have developed and are effectively using the Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (SuCCESS).

### Central Management of the Latest Information

**Tsunehisa Fujita**  
Quality Assurance Office, Health & Crop Sciences Sector

We manufacture agricultural products by mixing effective ingredients we have developed with other materials, most of which we purchased from other manufacturers. In the past, the SDSs<sup>\*1</sup> for these purchased materials were obtained separately via the research, business and procurement teams and not all SDSs managed by the teams were the latest versions. Now, however, the SDSs can be centrally managed through the use of SuCCESS, and all departments, including manufacture, sales and research teams and the administrative departments, have access to the latest SDSs and product composition information.

\*1. Safety data sheets (SDS) are documents that describe information necessary for the safe handling of chemical products (properties, handling method, safety measures, etc.)

### Providing Customers around the World with SDSs in a Timely Manner

**Masayuki Fujita**  
Planning & Coordinating Office, Petrochemicals & Plastics Sector

In exporting our products to countries overseas, we are required to attach SDSs to them and ensure that the sheets are written in the language of the country to which the products are exported. In the past, we commissioned necessary translation work to translation companies, but now thanks to the multilingual function provided by SuCCESS, we can create SDSs in the language of our choice<sup>\*2</sup> and submit the sheets to customers in a speedy manner.

\*2. We can create SDSs in 12 languages.



Creation of SDSs in multiple languages

### Environmental Health Science Laboratory Playing a Central Role in Safety Research

The Environmental Health Science Laboratory of Sumitomo Chemical assesses the impact of the substances handled and products manufactured by the Company on human health and the environment. The laboratory makes assessments in diverse fields ranging from genetics to environmental and ecological science, using the latest scientific knowledge and advanced technologies.

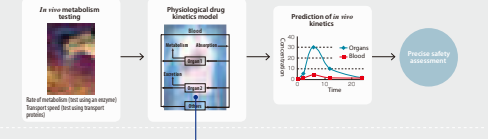
### Careful Consideration for Animal Experiments

In the process of developing useful chemical substances, a large variety of safety and efficacy assessments are required. These assessments on human, animals and the environment cannot be completed without conducting experiments using laboratory animals. Sumitomo Chemical advocates humane treatment of laboratory animals and applies the 3Rs of animal use and animal welfare: replacement, reduction, and refinement to conduct animal experiments appropriately with due consideration for animal welfare.

### In Vivo Kinetics Analysis for Higher Precision in Safety Research

In order to precisely assess the safety of chemicals, it is important to clarify the *in vivo* kinetics (absorption, distribution, metabolism and excretion) of chemical substances in animals as well as humans. Recent research methodologies have made it possible to obtain data concerning the rate of metabolism and speed of transport without the need to conduct animal tests. Specifically, technologies are now being put into practical use to conduct *in vivo* metabolic tests on chemical substances using an artificially synthesized enzyme (cytochrome P450) along with transport proteins. The data obtained can be applied to a simulation model that

is able to reproduce the distribution of a substance in the blood and organs along with metabolism and excretion processes, toward the accurate prediction of *in vivo* kinetics. Sumitomo Chemical has been using these technologies for the precise assessment of chemical safety ahead of other companies (and received an incentive award from the Pesticide Science Society of Japan for research into the technologies). We will continue our research to increase the precision of *in vivo* kinetic analysis toward a more accurate assessment of chemical safety.



**VOICE:** Column that provides comments from staff or other participants involved in specific activities

**TOPIC:** Column that provides special features of activities

## Other tools for providing information on our CSR

### CSR Highlights 2012



The CSR Highlights summarizes Sumitomo Chemical's CSR activities, focusing on its education support for Africa as well as recovery effort for the Great East Japan Earthquake.

### Website



CSR Report 2012 is also available on our CSR website at <http://www.sumitomo-chem.co.jp/english/csr/>

## Editorial Policy

We have created this report to help our stakeholders improve their understanding of Sumitomo Chemical's approach to Corporate Social Responsibility (CSR), including measures taken by the Company to fulfill such responsibilities.

In preparing the report, we referred to the Global Reporting Initiative's (GRI) "Sustainability Reporting Guidelines" (Version 3.1), the Japanese Ministry of the Environment's "Environmental Reporting Guidelines" (2012 edition) and "Environmental Accounting Guidelines" (2005 edition), and the ISO 26000 international standard on Social Responsibility (SR). We also kept in mind of all the feedbacks we received (internal and external) via questionnaire surveys on our past CSR reports and CSR-related information previously made available in the media. In reference to these materials and internal discussions, we have included information deemed important for both society and Sumitomo Chemical in this report. For the GRI Content Index, please see pages 77 to 79. Regarding quantitative information, assurance is provided on the indicators labeled with a star (★) mark by KPMG AZSA Sustainability Co., Ltd.

For detailed numerical data, we have prepared a separate booklet titled "CSR Report 2012 DATA BOOK" for easy reference.

## Boundary of this report

### *Environmental performance* (excluding environmental accounting and environmental efficiency)

The environmental performance data included in this report cover Sumitomo Chemical Group companies that have production divisions as well as sales above a minimum level, or whose environmental impact is deemed large. Specifically, Sumitomo Chemical (Parent Company) and 16 Group companies in Japan. Environmental performance data including the data of the 11 Group companies overseas are also available in the "CSR Report 2012 DATA BOOK."

### *Environmental accounting*

The environmental accounting data included in this report cover Sumitomo Chemical Group companies that have production divisions and sales above a minimum level. Included companies are Sumitomo Chemical (Parent Company) and 18 Group companies (12 domestic, 6 overseas).

### *Environmental efficiency*

The environmental efficiency data included in this report covers Sumitomo Chemical Group companies with production divisions, namely Sumitomo Chemical and 10 domestic Group companies.

In this report, "Sumitomo Chemical" and "Sumitomo Chemical Group" are distinguished as follows. Sumitomo Chemical: Sumitomo Chemical Co., Ltd. Sumitomo Chemical Group: Sumitomo Chemical and Group companies (When "Group companies" are referred to, this does not include Sumitomo Chemical. The applicable scope of "Group companies" is indicated as necessary.)

For more details of standards for calculating not described in this report, please refer to the following website:  
<http://www.sumitomo-chem.co.jp/english/csr/report/>

Period covered by this report: April 1, 2011 – March 31, 2012  
(with specific exceptions outside this time frame)

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## Message from Chairman and President



Hiromasa Yonekura, Chairman

Masakazu Tokura, President

# Contributing to Solving Major Problems Faced by the International Community and Helping the World Achieve Sustainable Development

## Sumitomo Chemical's CSR

"Our business must benefit society, not just our interests." This is a principle of the Sumitomo family's business philosophy, which forms the core of Sumitomo Chemical's corporate values.

Sumitomo Chemical's history dates back to 1913, when the House of Sumitomo established a fertilizer manufacturing plant to solve an environmental problem and help increase agricultural productivity by producing fertilizers using harmful emissions from copper smelting operations. Ever since its inception, the Company has upheld the conviction that the essence of corporate social responsibility (CSR) is to contribute to the sustainable development of society through business activities.

## Supporting the Recovery of Areas Affected by the Great East Japan Earthquake

The Great East Japan Earthquake, which occurred on March 11, 2011, caused massive damage to wide areas in northeastern Japan, mainly the Pacific coast of the Tohoku and Kanto regions. The Sumitomo Chemical Group launched its relief efforts immediately after the disaster and has since been implementing a variety of measures to support the recovery of the affected areas.

In addition to emergency assistance, such as financial contributions and donation of blankets and basic necessities, we donated our insecticides, SUMITHION™ and SUMILARV™ to some affected areas suffering from an infestation of flies and mosquitoes after the disaster. We also sent employee-volunteers to set up our high-performance insecticidal nets in garbage dumps and other places in temporary shelter areas. And before winter, we distributed thermal underwear made from our products to the people living in shelters. We also often organize bazaars to sell local specialties from the affected areas, and our company cafeterias serve special meals and donate to the affected areas part of the proceeds from the meals.

We are going to continue to do our best to support Japan's recovery from the disaster, in cooperation with government agencies and NPOs, by capitalizing on our business expertise and management resources.

## Responsible Care

A central pillar of Sumitomo Chemical's CSR activities is Responsible Care (RC), a commitment to ensure safety, protect the environment and human health and maintain high product quality through the life cycles of our products, from development to manufacturing, transportation and sale to use and disposal, and we have been implementing a range of initiatives for promoting RC.



In the field of chemical safety management, which is one of the priority issues of RC, we are conducting extensive, advanced chemical safety research, including research on the genetic, ecological and global environmental levels, making use of the wealth of our expertise and leading-edge technologies. And to apply the information collected in chemical safety research to risk analysis and promote risk-based chemical safety management, we are making use of "SuCCESS," our comprehensive chemical management system developed in-house.

In addition, we are tackling environment-, resource- and energy-related problems by developing innovative "Clean Products" and "Green Processes" that help reduce the impact on the environment. In particular, we are committed to developing new processes and products intended for energy saving and CO<sub>2</sub> emissions reduction. We are also conducting research to improve the manufacturing processes of our major products with the aim of achieving world-class energy efficiency.

## Contribution to the International Community

This year is the 20th anniversary of the first United Nations Conference on Environment and Development (Earth Summit), which was held in Rio de Janeiro, Brazil, in 1992. To celebrate this occasion, the United Nations convened the Conference on Sustainable Development (Rio + 20) in Rio de Janeiro this June. For this conference, the International Council of Chemical Associations (ICCA), which comprises major chemical industry associations from countries around the world, published a report on the chemical industry's efforts to overcome problems hindering global sustainable development, such as projects for the eradication of poverty and control of infectious diseases. As a leading Japanese chemical company, Sumitomo Chemical participated in the initiative, and our insecticidal mosquito net, Olyset™ Net, was introduced in the report.

### Control of Malaria by the Olyset™ Net

Malaria, an infectious disease transmitted by Anopheles mosquitoes, is a major obstacle to Africa's fight against poverty and the continent's progress in economic development. In the Millennium Development Goals (MDGs), the United Nations defines malaria control as one of the most pressing challenges facing human society. Sumitomo Chemical has been supplying its "Olyset™ Net"—an insecticidal mosquito net that Sumitomo Chemical developed by using its proprietary technologies—to Africa and many other parts of the world, making significant contributions to malaria control. In addition, by manufacturing these nets in Africa, we are creating local jobs and contributing to the development of the local economy.

Moreover, we have been supporting education in Africa by donating a portion of the revenues from our Olyset™ Net™ business to help NPOs construct schools and other related facilities in the region.

The Olyset™ Net™ business is an embodiment of our principle that our business must benefit society, not just our interests, and we are going to continue to support Africa through

this business.

### "Sumitomo Chemical's Forest" Project

In Thailand, Sumitomo Chemical is implementing, in cooperation with an NPO, the "Sumitomo Chemical's Forest" project, an initiative to plant mangrove trees with the aim of contributing to the conservation of biodiversity and prevention of global warming. We raise funds for this project by a matching gift program, in which the Company pledges to provide the same amount of funds as the donations made by its directors and employees to the project, and we send to the planting site in Thailand employee-volunteers, who work with local residents to plant mangroves. Since the start of this activity in 2008, we have planted a total of approximately 200,000 mangroves in an area extending over 95 hectares.

### United Nations Global Compact

As economic globalization accelerates, companies in the private sector are expected to play a greater role in promoting the world's sustainable development. The United Nations launched the Global Compact initiative in 2000 to urge companies to make direct contributions to finding solutions to global problems. In 2005 Sumitomo Chemical became the first Japanese chemical company to join Global Compact. We have also been participating in Global Compact LEAD, the United Nations' new program to put into action the vision developed in the Global Compact initiative, since its launch in 2011.

## Contributing to Solving Global Problems and Promoting Sustainable Development with the Power of Chemistry

The Sumitomo Chemical Group will continue to conduct CSR activities globally as a member of the international community in cooperation with a range of stakeholders, including international organizations, local communities and NPOs. We will also strive to help solve the pressing problems faced by the international community, including those related to the environment, natural resources, energy and food supply, and contribute to the world's sustainable development by making full use of the creative power of chemistry and delivering innovative technologies and products to market.

We would greatly appreciate your continued support and cooperation.

**Hiomasa Yonekura**  
Chairman of Sumitomo Chemical Co., Ltd.

米倉弘昌

**Masakazu Tokura**  
President of Sumitomo Chemical Co., Ltd.

十倉雅和

# ◇ Business Sectors and Business Locations

GRI | 2.1 | 2.2 | 2.3 | 2.4 | 2.5 | 2.6 | 2.7 | 2.8 | 2.9 |

At present, Sumitomo Chemical is conducting business globally with more than 100 Group companies in five fields: basic chemicals, petrochemicals & plastics, IT-related chemicals, health & crop sciences, and pharmaceuticals.

To continue to receive the approval of its wide range of stakeholders, Sumitomo Chemical will use its advanced technologies to create new products that reflect the changing times, contribute to improving people's lives, and help the international community resolve global problems involving resources, energy, food, and the environment.

## Company Profile

Name :	Sumitomo Chemical Co., Ltd.
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
Founding :	September 22, 1913
Start of business operations :	October 4, 1915
Incorporation :	June 1, 1925
Capital :	89,699 million yen
Consolidated net sales :	1,947.9 billion yen
Number of consolidated subsidiaries :	181
Number of employees :	29,839 (As of March 31, 2012)

## Business Locations



## Business Sectors



Alumina powder and products made from alumina



Containers and wrapping films made from polyethylene



Polarizing film indispensable for LCD TVs



Agricultural insecticides for various crops



Pharmaceuticals manufactured by Dainippon Sumitomo Pharma Co., Ltd.

### Basic Chemicals Sector

Inorganic chemicals  
Raw materials for synthetic fibers  
Organic chemicals and methyl methacrylate (MMA)  
Alumina products  
Aluminum  
Rubber chemicals  
Polymer additives, etc.

### Petrochemicals & Plastics Sector

Petrochemical products  
Synthetic resins  
Synthetic rubber  
Synthetic resin processed products  
Polyethylene containers  
Wrapping films, etc.

### IT-related Chemicals Sector

Optical products  
Color filters  
Semiconductor processing materials  
Electronic materials  
Compound semiconductor materials  
Battery materials  
Polarizing films, etc.

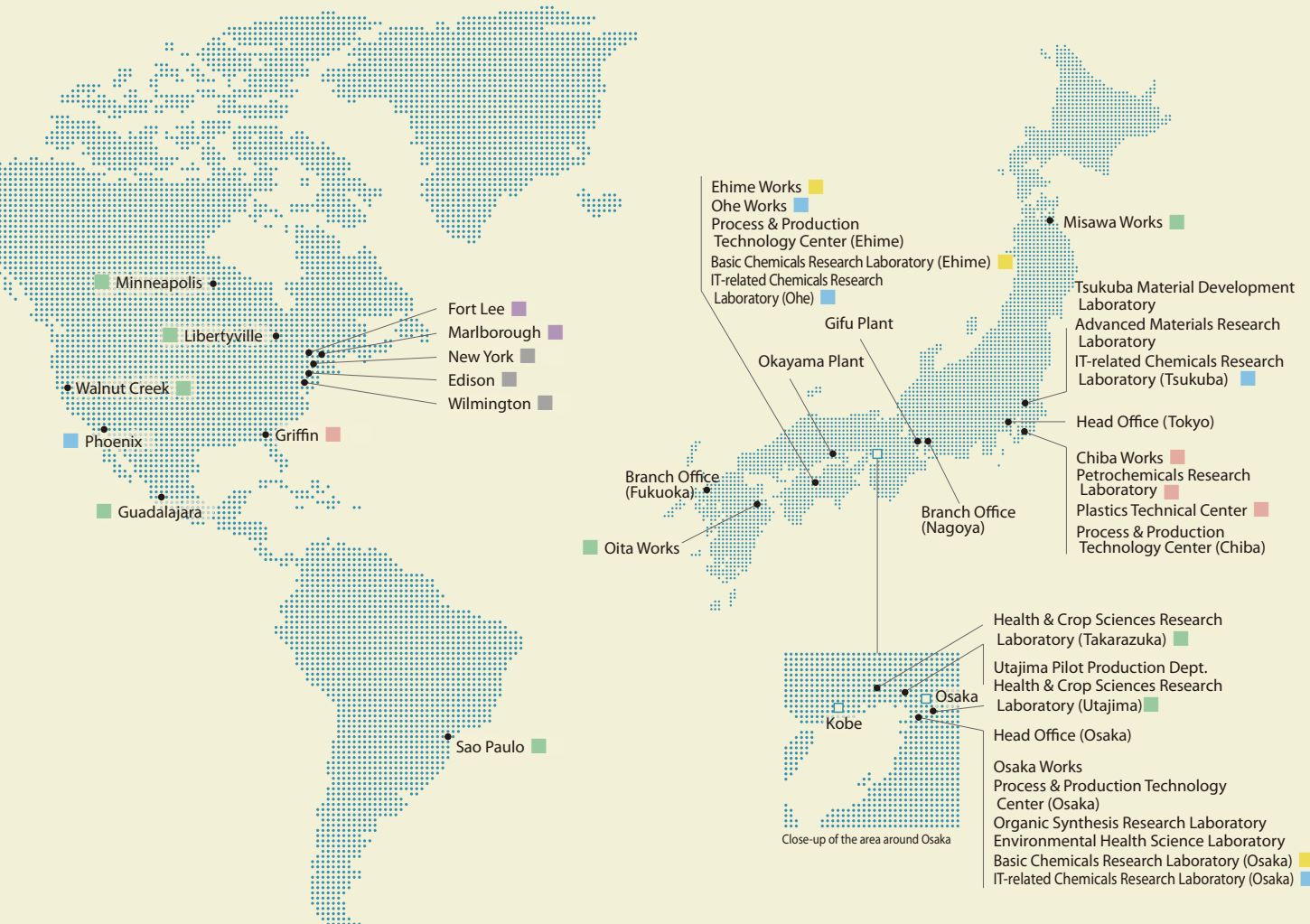
### Health & Crop Sciences Sector

Crop protection chemicals and fertilizers  
Agricultural materials  
Household and public hygiene insecticides  
Materials for the prevention of tropical infections  
Feed additives  
Active pharmaceutical ingredients and intermediates, etc.

### Pharmaceuticals Sector

Ethical pharmaceuticals  
Diagnostic radiopharmaceuticals, etc.

### Others



# ◇ Sumitomo Chemical's Corporate Philosophy

GRI | 4.8 |

Sumitomo Chemical's corporate philosophy is based on the Sumitomo Spirit, which has been upheld over generations for 400 years since the start of business by the House of Sumitomo in the 17th century. Specifically we possess a Business Philosophy, which outlines the fundamental ethos,

missions, and values of the Company as well as our Corporate Slogan and Statement, which are intended to help instill "pride and commitment" among employees. Moreover, we use the Sumitomo Chemical Charter for Business Conduct as the basis for the Company's compliance system.

## 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

The Sumitomo Spirit is based on the guiding principles set in Monjuin Shiigaki, a document written by Masatomo Sumitomo, the founding father of the House of Sumitomo, that urged family members to conduct business with honesty, prudence and certainty. Sumitomo's Business Principles (established in 1891) communicate the importance of maintaining the trust of business partners and of society, and calls for refraining from the pursuit of easy gains under the Sumitomo Spirit.

Sumitomo also places importance on "harmony between the individual, the nation, and society." Based on the idea that Sumitomo must seek to benefit not only its own business but also both the nation and society, Sumitomo Chemical and other Sumitomo Group companies have long been committed to maintaining harmony between their own interests and those of the public.

## 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.

The Sumitomo Chemical Group has become diversified in terms of culture and value, as the Group progressively globalizes its business. With this diverse profile, it is important for all employees to share the Group's business philosophy and increase their awareness as members of the Group. To meet this requirement, in 2009, we formulated Sumitomo Chemical's Business Philosophy to outline the Company's fundamental ethos, missions, and values based on Sumitomo's Business Principles.



### Statement Book

To help employees understand the corporate philosophy more easily, we have created and distributed the copies of the Statement Book. We have also created a DVD version of this book in Japanese, English, Korean, and simplified and traditional Chinese for use with the Statement Book. In fiscal 2011, we provided local managers of overseas Group companies with training on the corporate philosophy using the book and DVD. (See page 73.)



## Corporate Slogan

**Creative Hybrid Chemistry  
For a Better Tomorrow**



## Corporate Statement

Sumitomo Chemical started business in 1913 as a producer of fertilizers from sulfur dioxide gas emitted by copper smelters. This business, which solved the environmental problem of air pollution while meeting the social demand for more agricultural production, embodied the business philosophy of the Sumitomo family handed down from the 17th century.

"Our business must benefit society, not just our interests." Throughout our history of almost a century, we at Sumitomo Chemical have lived by this credo. We have worked to build better lives by developing various businesses that meet people's evolving needs. At the same time, we have continuously delivered technological innovation while paying special attention to product quality, safety, and the environment.

Looking to the future, we will create new value beyond the boundaries of chemistry by combining a variety of ideas, views, and technologies. We will also continue to take up the challenges facing the globe, from meeting basic needs, to protecting the environment, to addressing the issues of adequate supplies of food, energy, and other resources.

In this endeavor, each of us at Sumitomo Chemical will work together to enhance our capabilities, explore new possibilities every day, and overcome the challenges lying ahead with enthusiasm and a strong sense of mission.

Sumitomo Chemical will seek to continue to build trust and bring joy to people across the world through constant innovation.

Sumitomo Chemical formulated its Corporate Statement after a project team comprising members from across the company held lengthy discussions on the important theme of "pride and commitment" to be constantly shared by employees. The Corporate Slogan summarizes the statement in one phrase.

## 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 Charter for Business Conduct provides the basis for Sumitomo Chemical's compliance system and shows the important guidelines to be followed by individual employees in conducting their daily business activities. (For compliance, see pages 22 and 23.)

# ◇ Toward the Sustainable Development of Society

## Achievement of Sustainable Chemistry

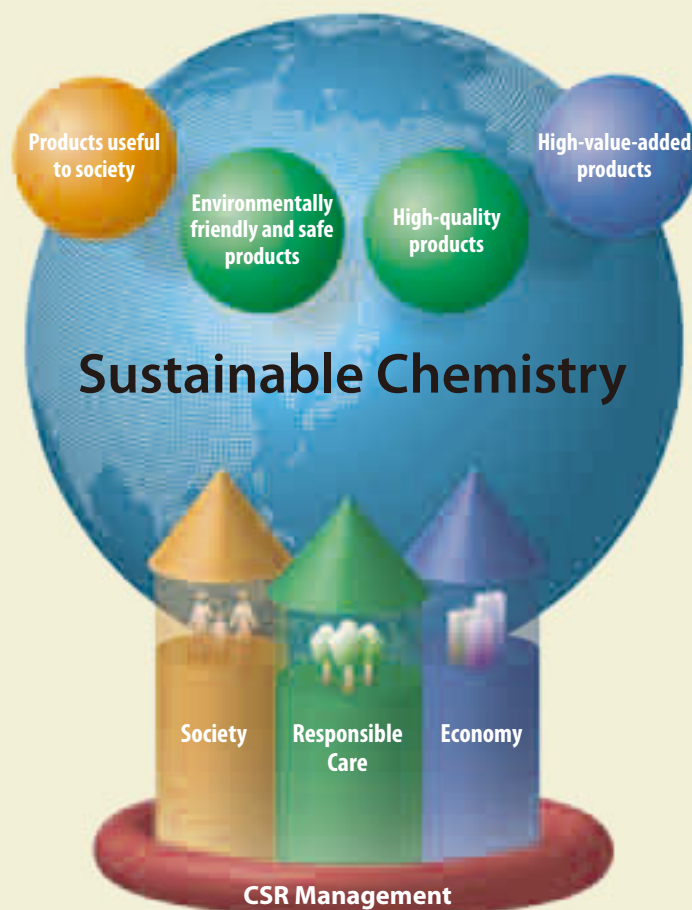
### Achieving Sustainable Chemistry as a Mission Required of a Chemical Company

“Sustainable Chemistry” represents the concept of continuously providing useful products and services in an environmentally and socially friendly manner by exploiting the full potential of chemistry.

The chemical industry has been contributing to creating fulfillment in people’s lives as well as to industrial and social development by fostering Sustainable Chemistry through

technological innovation. At present, societies are facing a range of global issues including energy-, resource-, environment- and food-related problems, which are becoming more and more serious. The chemical industry is expected to play an increasingly important role in solving these problems.

Sumitomo Chemical will practice Sustainable Chemistry built on its CSR-based management to achieve balance among the three areas of “economy,” “Responsible Care (RC),” and “society” in all aspects of its business.



**Society**  
Benefiting users, local communities, and the world while abiding by the rules of society

**Responsible Care**  
(Safety, environment and product quality)  
Eliminating accidents and disasters, protecting the environment by most effectively using natural resources and energy, producing safe products, and protecting the health of customers and employees

**Economy**  
Maximizing corporate value by continually providing better products

## Sumitomo Chemical's Creative Hybrid Chemistry: Creating New Value through Integration of Disparate Technologies

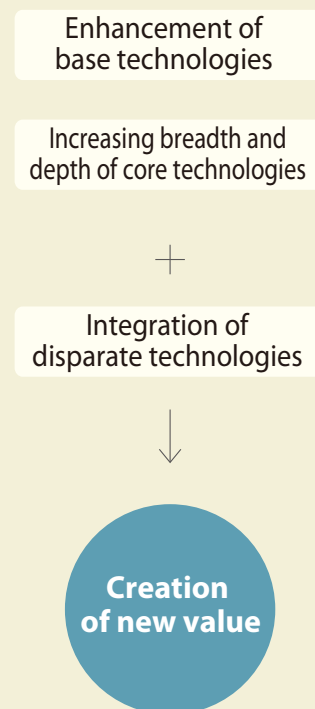
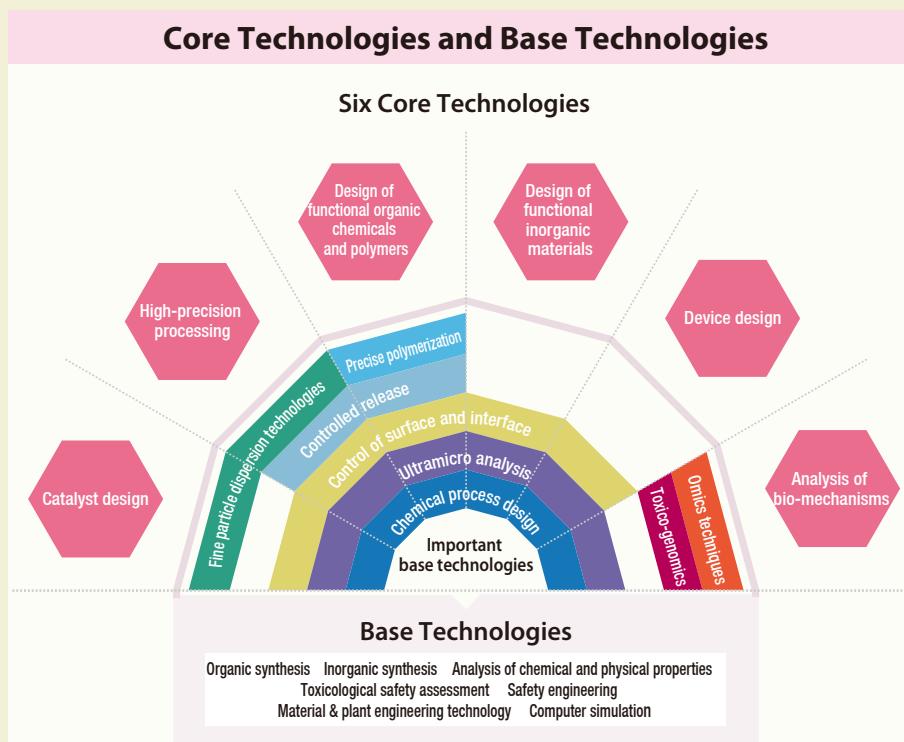
In order to practice Sustainable Chemistry, it is necessary to have scientifically proven technologies, and Sumitomo Chemical creates such technologies through Creative Hybrid Chemistry.

Over the course of many years, Sumitomo Chemical has cultivated a variety of technologies in a diverse range of fields. Out of this reservoir of expertise and technology, we have identified the following six areas as our core technologies: catalyst design, high-precision processing, design of functional organic chemicals and polymers, design of functional inorganic materials, device design, and analysis of bio-

mechanisms. The Company conducts research and development based on the Creative Hybrid Chemistry strategy, which means expanding these six core technologies, enhancing the base technologies, and integrating disparate technologies developed inside and outside the Company to create more value-added products and technologies.

Moreover, with a view to developing innovative technologies and products, we have been fostering industry-government-academia cooperation. Specifically, we are conducting joint research with public research institutes as well as with both Japanese and non-Japanese universities, utilizing the SPring-8 large synchrotron radiation facility, the Japan Proton Accelerator Research Complex (J-PARC) and the Earth Simulator supercomputer system, and participating in national projects.

### Creative Hybrid Chemistry



### Products Developed through Creative Hybrid Chemistry

#### Olyset™ Net: Insecticidal Mosquito Net That Prevents Malaria Infection

Because the Olyset™ Net is made from resin-based fibers containing insecticide that is gradually released onto the surface, it retains its insecticidal efficacy for more than five years, even after repeated washing. Sumitomo Chemical developed this product by integrating resin processing technology gained through the petrochemical business with insecticide technology accumulated in the agrochemical business.



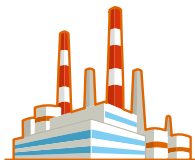
**Sumitomo Chemical is implementing measures to reduce the environmental impact of its products throughout their life cycle, from development through to disposal.**

*Product life cycle*



**Research & development**

Developing more environment-friendly products and manufacturing processes



**Manufacturing**

Minimizing the use of energy (electricity, fuel, heat) and resources (water and raw materials) and reducing waste, including wastewater and waste gas

**Disposal/recycling**



**Green Processes** Manufacturing processes with lowest possible environmental impact

We need to use energy and resources, which are in limited supply, to manufacture chemical products. In the production process, unneeded substances (byproducts) or waste may also be generated. Sumitomo Chemical has developed Green Processes to minimize the environmental impact of manufacturing to the greatest extent possible.

An example of such Green Processes is the new manufacturing process named the propylene oxide-only process. Propylene oxide (PO) is mainly used as urethane material, with approximately 7 million tons or more produced around the world, and many byproducts are generated during the conventional manufacturing process. However, with the new process developed by Sumitomo Chemical, propylene oxide can be manufactured without byproducts by recycling cumene. Furthermore, the process boasts an extremely high product yield due to the use of a catalyst that was independently developed by the Company. In addition, this process helps conserve energy and resources by the effective use of the heat generated by reactions and produces less wastewater.



**Reduction in CO<sub>2</sub> emissions achieved through the use of the proprietary propylene oxide-only process**

(Relative to the conventional manufacturing process for the production of 200,000 tons of propylene oxide)

About **300,000** tons /200,000 tons of PO

**Other Green Processes**

**Hydrochloric Acid Oxidation Process**

In this process, hydrochloric acid generated as a byproduct in the manufacture of chemical products is recycled through conversion to chlorine using a catalyst and oxygen. This process uses less energy and is more environment-friendly than the conventional process.



**Caprolactam (Beckmann Rearrangement) Process**

In this process, caprolactam can be manufactured without producing the byproduct ammonium sulfate. This process also allows for a significant reduction in the amount of raw materials used as well as a shortened manufacturing process.

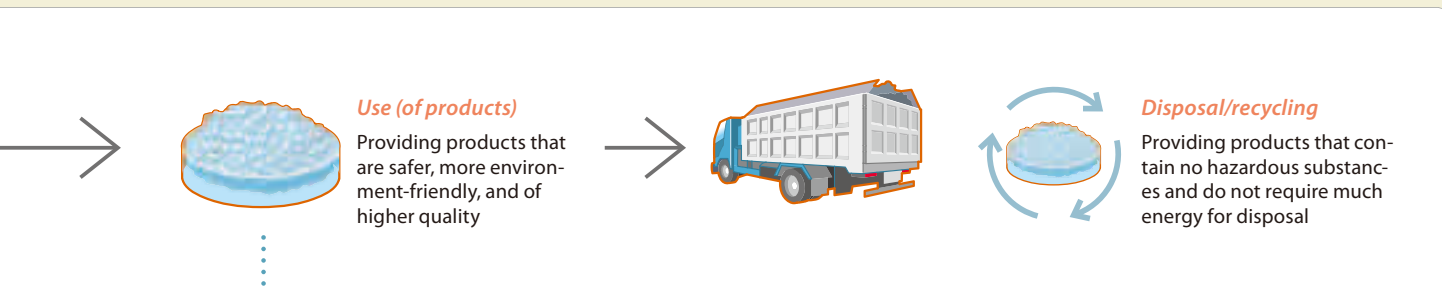


**EPL 3 Process for Polarizer**

The lamination processes of optical films used for LCDs, etc. has been dramatically changed, and compared with the conventional method, energy consumption can be substantially reduced. Moreover the prior processing is no longer necessary for a part of the film, which leads to the reduction of environmental impact.







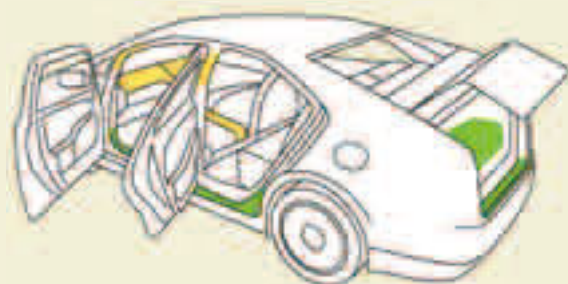
## Clean Products Products that are safer, more environment-friendly, and of higher quality

While reducing the use of resources and energy in the production processes, we are developing Clean Products that are safer, more environment-friendly, and of higher quality with a view to releasing innovative technology-based products that contribute to the reduction of environmental impact in a range of areas in society.

Polylactic acid-based eco-friendly plastics are an example of Clean Products. This plastic is a polymer alloy of polypropylene and polylactic acid. Because polylactic acid is derived from plants and is carbon neutral\*, total product life cycle CO<sub>2</sub> emissions can be reduced by about 10% compared with the use of conventional polypropylene.

**\* Carbon neutral**

Because plants absorb atmospheric CO<sub>2</sub> for photosynthesis, the total life cycle CO<sub>2</sub> emissions from plants are considered to be zero even if CO<sub>2</sub> is emitted when they are disposed of by incineration.



■ Areas in which our polylactic plastic is presently used  
■ Areas in which our polylactic plastic is expected to be used

### Total product life cycle reduction in CO<sub>2</sub> emissions achieved by the use of polylactic acid-based eco-friendly plastic

(Relative to the use of conventional polypropylene)

About a **10%** reduction

## Other Clean Products

### Materials for the Manufacture of LEDs

The use of light-emitting diodes (LEDs) is highly effective for CO<sub>2</sub> emissions reduction, and therefore demand for LEDs for use in TVs and long-life lights has been rapidly expanding. Sumitomo Chemical supplies the materials indispensable for the manufacture of LEDs, including high purity alumina for the sapphire substrates of LED elements and metalorganics for semiconductor thin film formation.



### Agricultural Insecticide "Pluto™ MC"

Pluto™ MC is an insecticide for use only in the control of mulberry scale, a serious insect pest, on tea plants. With only one winter application to the crop, this product will provide effective long-term control of mulberry scale. This enables tea growers to reduce the frequency of insecticide spraying. Furthermore, this product has little impact on natural enemies of this pest, such as parasitic wasps, making it also suitable for integrated pest management (IPM).



### Aluminum Titanate DPF

Diesel particulate filters (DPFs) are attached to diesel engine-powered vehicles to remove soot. The aluminum titanate DPF developed by Sumitomo Chemical possesses excellent features such as the ability to continuously collect large volume of soot.



# ◆ Achievements in Fiscal 2011 and Initiatives for Fiscal 2012

GRI | 4.17 |

	Key CSR initiatives in fiscal 2011	Item		Related stakeholder		
<b>General</b>	<ul style="list-style-type: none"> <li>- Further promote the globalization of CSR activities</li> <li>- Foster measures for corporate branding</li> </ul>	CSR promotion	CSR Promotion Meeting	All stakeholders		
		Compliance	Compliance promotion	All stakeholders		
		UN Global Compact (UNGC)	Working group on the 10th principle (anti-corruption)	All stakeholders		
			UNGC LEAD	All stakeholders		
<b>Economic activities</b>	- Implement the basic initiatives of the Three-Year Corporate Business Plan to achieve annual financial targets	Three-Year Corporate Business Plan	Three-Year Corporate Business Plan	All stakeholders		
<b>Responsible Care (RC) activities</b>	<ul style="list-style-type: none"> <li>- Foster measures for the protection of the global environment, including anti-climate change measures, energy and environment strategies, and measures for biodiversity conservation</li> <li>- Share problems to improve the RC level of the entire Group</li> </ul>	Auditing	Auditing	All stakeholders		
		Environmental protection	Environmental management	All stakeholders		
			Energy saving and a reduction in CO <sub>2</sub> emissions	All stakeholders		
			Compliance with laws and regulations	All stakeholders		
		Safety	Occupational health and safety	All stakeholders		
			Industrial safety and disaster prevention	All stakeholders		
			Chemical safety	All stakeholders		
		Product responsibility	Product responsibility	All stakeholders		
		<b>Social activities</b>	<ul style="list-style-type: none"> <li>- Expand social contribution activities based on business operations</li> <li>- Promote communication with stakeholders in a multifaceted manner</li> <li>- Foster diversity and better work-life balance</li> </ul>	Hand in hand with customers	Measures to increase customer satisfaction	Customers
				Hand in hand with business partners	Responsible procurement	Business partners
Hand in hand with local communities and society	Social contribution activities			Local communities and society		
	Support to Africa			Local communities and society		
	Communication with stakeholders			Local communities and society		
Hand in hand with employees	Personnel system that encourages employees to display more of their abilities			Employees		
	Promoting health management by employees			Employees		
	Supporting employees in conducting social contribution activities			Employees		
	Measures to protect human rights			Employees		
	Measures for diversity and better work-life balance			Employees		
	Expansion of childcare support measures			Employees		
	Maintaining a diverse workforce			Employees		
	Implementation of measures through labor-management collaboration			Employees		
	Global personnel measures			Employees		
Human resource development	Employees					

Major achievements	Ref. page	Fiscal 2012 CSR activity policies
Established the CSR Promotion Committee and convened the CSR Promotion Meeting	p20	Following the launch of the CSR Promotion Committee, the "Key CSR initiatives" were changed to "Annual CSR activity policies," and the activities classified as "General" were regrouped into "Economic activities," "RC activities," and "Social activities."
Held a Compliance Committee meeting/Improved the compliance promotion systems of Group companies/Conducted an employee survey on compliance/Established a bribery prevention system	p22-23	
Participated in the working group on anti-corruption	p24	
Continued to be a member of UNGC LEAD	p24	
Striving to improve business performance in each department while investing in growth areas to enhance the management base and expand the size of the business	p15-17, 26-27	- Further improve business performance to achieve highly profitable growth and expand corporate value
Introduced the risk management assessment method/Improved RC audit results at Sumitomo Chemical and other Group companies/Held study meetings to help Group companies make improvements	p34	- Proactively make efforts to protect the global environment, specifically by implementing measures to prevent climate change and conserve biodiversity, and promoting energy and environment strategies
Implemented specific measures for energy and environment strategies/Strived to achieve the energy and environmental protection targets shared across the Group/Promoted standardization and systematization of environmental management/Ensured management of environmental risks/Continued environmental impact and cost reduction assessments based on the JEPIX and LCA methods/Took follow-up measures to fulfill the Eco First commitment made to the Minister of the Environment	p42-43, 56, 58	- Strive to improve the RC level of the entire Sumitomo Chemical Group
Reduced per-unit CO <sub>2</sub> emissions from the use of fossil fuels by 0.5% from the previous fiscal year (a 24.9% reduction from the fiscal 1990 level)/Experienced no CFC coolant leaks /Per-unit energy consumption remained unchanged from the previous fiscal year (a 19.0% reduction from the fiscal 1990 level)	p44-45	
Increased the amount of industrial waste sent to landfills by 0.6% (but achieved a 77.5% reduction from the fiscal 2000 level)/Reduced the total release of PRTR substances (into the air and water) by 15.2% from the previous fiscal year (a 79.9% reduction from the fiscal 2008 level)/Increased per-unit water use by 3.2% from the previous fiscal year/Continued the systematic replacement of freezers with CFC coolants/Continued the appropriate disposal of PCB waste	p46-47 * DATA BOOK p6	- Continue conducting well-balanced social contribution activities through business operations  - Promote communication with both internal and external stakeholders  -Foster diversity and better work-life balance to provide all employees with a work environment and system that help them work with high motivation
For employees: Frequency rate of lost-workday injuries: 0/Severity rate of lost-workday injuries: 0	p48-49	
No severe industrial accidents	p50-51	
Promoted the operation of comprehensive chemical management systems (SuCCESS)	p52-53	
Fostered product risk assessments/Promoted communication with customers/Two major quality problems	p54-55	
Conducted quality assurance activities, supported the commercialization of products, and responded to inquiries	p60	
Monitored CSR measures by using the Supply-Chain CSR Deployment Check Sheets and gave feedback on the results	p61	
Provided support to areas afflicted by the Great East Japan Earthquake/Provided support to areas affected by the flooding in Thailand/Supported the establishment of an infectious disease research center in Laos/Accepted internship students/Conducted activities to support educational programs for children, including School Science Visits/Conducted local cleanup activities/Organized and sponsored community sports events	p14, 18, 29, 62-65	
Supported malaria prevention by donating Olyset™ Nets/Supported education in Africa/Increased people's awareness concerning malaria prevention	p66	
Held local RC dialogues	p67	
Discontinued the area-limited employment arrangement/Revised the roles and grades of those in supervising positions	p68	
Conducted mental health training/Continuously implemented a rehabilitation work system/Continuously conducted health checkups and guidance for lifestyle-related diseases/Cooperated with the TABLE FOR TWO program	p69	
Number of employees taking volunteer leave: 44	p69	
Held a meeting of the Human Rights Committee/Provided training on human rights	p69	
Held a meeting of the Labor-Management Committee for Diversity and Work-Life Balance/Published and distributed copies of the Work-Life Balance Guidebook	p70-71	
Managed in-house childcare facilities/Extended the childcare leave period and partially introduced paid holidays to the system/Established a paternity leave system to support child delivery/Increased the number of holidays that can be taken under the childcare/nursing care leave programs/Decreased criteria needed for qualifying for the maternity leave program	p70-71	
Number of new female employees: 76 (up 53 from the previous fiscal year)/Number of female managers: 173 (up 12 from the previous fiscal year)/Number of new non-Japanese employees: 28/Employment rate of people with disabilities: 1.87% (down 0.09% from the previous fiscal year)/Reemployment: 93 of 139 retirees were reemployed (Reemployment rate: 66.9%; down 5.5% from the previous fiscal year)	p71	
Encouraged employees to reduce CO <sub>2</sub> emissions at home/Implemented a Matching Gift program/Dispatched employees as volunteers to participate in tree-planting activities in Thailand	p72	
Held training seminars on global business communication skills/Conducted trainings for overseas managers/Established a new training center in Singapore	p73	
Formulated training rotation plans for 582 employees/Continuously implemented the Trainer System and the Mentor System	p74	

## ◆ Topics of Activities

GRI | 2.2 | 2.9 |

### Recovery Effort for the Great East Japan Earthquake and Future Measures

The Sumitomo Chemical Group has been supporting the areas affected by the Great East Japan Earthquake in a variety of ways since immediately after the earthquake on March 11, 2011. One year has already passed since the disaster, and the support needs of affected areas have been changing along with progress in recovery.

Sumitomo Chemical will continue to support the areas toward full recovery by conducting activities in careful consideration of their current needs, while implementing anti-disaster measures to ensure its own business continuity.

#### Support for the Affected Areas

##### Donation of money and relief goods

For the emergency relief of victims and the restoration of affected areas, Sumitomo Chemical donated 300 million yen to the Central Community Chest of Japan. The Company also collected donations from executives and employees and donated them (about nine million yen) to the affected areas (Miyagi, Iwate, and Fukushima Prefectures) and to employees who had suffered direct damage due to the earthquake. We also donated relief goods such as blankets and daily use goods to the areas via an NGO (World Vision Japan) and Nippon Keidanren (Japan Business Federation). Moreover, as the Sumitomo Chemical Group, we donated a total of about 500 million yen in cash and in-kind relief.

##### Serving "Tohoku and Kanto support meals" in our cafeterias

To support people engaged in agriculture and fisheries in the Tohoku and Kanto regions who suffered damage from the earthquake and are still suffering from harmful rumors concerning radiation, meals made using ingredients produced in the Tohoku and Kanto regions are served in our cafeterias. At the end of March 2012, a portion of sales from these meals, along with a matched contribution by the Company, was donated to a scholarship fund established by Iwate Prefecture to support children who lost their parents due to the tsunami on March 11 until they become full-fledged members of society.

We will continue serving the "Tohoku and Kanto support meals."

##### Holding fairs to support affected areas

We have also been holding fairs to sell agricultural, marine and processed food from the Tohoku and Kanto regions. The Head Office in Tokyo held a total of three such fairs independently and in cooperation with three neighboring companies (and with the participation of local residents) in fiscal 2011. Also, the Head Office in Osaka and Osaka Works held three fairs independently and in collaboration with Dainippon Sumitomo Pharma.

We will continue to hold such fairs from fiscal 2012 onwards.



Food fair held in the Head Office in Tokyo in April 2012 to support disaster-affected areas

### Support against insect pests and dispatch of employees as volunteers

In July 2011, we donated our insecticides (SUMITHION™ and SUMILARV™) to areas suffering damage from insect pests such as from fly infestations, through local governments.

Also, from July to September, we dispatched about 150 employees as volunteers to affected areas, where they equipped garbage collection points in temporary housing areas with our highly functional insecticidal nets made using the same technology and materials as those used in the Olyset™ Net. To support recovery of the affected areas, the employees also removed debris.

From November to December 2011, we again dispatched about 90 employees to affected areas, where they distributed HEATFACT™ thermal innerwear, which is mainly made from acrylonitrile manufactured by Sumitomo Chemical, to temporary housing residents.



Equipping a garbage collection point with an insecticidal net

Distributing thermal innerwear to temporary housing residents

### Providing students from affected areas with scholarships

Sumitomo Chemical provides scholarships to students from affected areas who are slated to enter university in April 2012 to financially support their university endeavors and to prevent the loss of educational opportunities resulting from the disaster. We provided the scholarships through the BEYOND Tomorrow education support project managed by the Global Fund for Education Assistance.

### Participating in the Tohoku Cotton Project

Sumitomo Chemical is participating in the Tohoku Cotton Project as one of the supporting companies. Under this project, farmers cultivate cotton in paddy fields that were devastated by the tsunami, and participating companies jointly engage in spinning, commercializing and marketing the cotton.

The project is designed to support affected areas on a continuous basis by facilitating the resumption of agricultural activities and creating local employment through the cultivation of highly salt-resistant cotton. Participating farmers and spinning/apparel companies will cooperate together on the cultivation and harvesting of the cotton through to the marketing of products made with the harvested cotton under the Tohoku Cotton Project brand name.

Sumitomo Chemical will utilize both its products and its long-accumulated chemical industry know-how to make proposals for the removal of harmful insects and weeds and to obtain pesticide registration as required for the cultivation of cotton. In this capacity we will thereby contribute to the project.

### Measures against Earthquakes and Other Disasters

#### Risk and crisis management

In the event of a large disaster, such as an earthquake, companies must ensure the safety of local residents, employees,



and other stakeholders. They are also expected to prevent secondary damage and minimize the impact of such disasters on their business as their corporate responsibilities and also as a precondition for their survival. Based on this recognition, Sumitomo Chemical has set out its basic policies on risk and crisis management, and has been giving first priority to the safety of people, the environment, and society.

\* For the risk management system, see page 21.

#### Confirming the safety of employees and their families

Sumitomo Chemical has long implemented a system to confirm the safety of employees and their families in the event of a large-scale disaster. At the time of the Great East Japan Earthquake, however, it took much time for the Company to identify the extent of disaster-related damage due to problems with communication lines and blackouts.

Accordingly, we have decided to employ multiple backup communication tools, including wire-based, wireless, ground, and satellite communication methods, to deal with blackouts, regulated communication, and equipment damage.

#### Enhancement of the disaster management system

In preparation for large earthquakes, we formulated guidelines for appropriate anti-earthquake measures to be taken at our sites, and have been making examinations to ensure their implementation, including those related to the emergency response system, the system to support information collection and notification, prevention and mitigation of incidents, rescue and evacuation, and emergency provisions. After the occurrence of the Great East Japan Earthquake, we revised the guidelines to more appropriately respond to a wider range of issues, such as the damage that might be caused by tsunamis, transportation of relief goods to disaster-affected sites, and improvement of the system to dispatch employees as relief staff.



Large-scale disaster drill conducted at the Head Office in Tokyo on Feb. 28, 2012

#### Business Continuity Plan (BCP)

Sumitomo Chemical has formulated a business continuity plan (BCP) to ensure the continuance and early recovery of business in the event of a large-scale disaster. At the same time, we have diversified materials for procurement to ensure continued production by increasing the number of suppliers to the Company and adding suitable alternative. We have also secured alternative transportation routes to customers as a measure to be implemented to recover from disasters.

#### Anti-seismic measures at the Works and Research Laboratories

At our Works and Research Laboratories that handle hazardous substances and high-pressure gas, we are striving to ensure safe and stable operations and are voluntarily implementing safety measures that exceed the level required by law.

Specifically, we have made it possible to remotely suspend operations of our plants in a prompt and safe manner should

an earthquake of a certain size occur, and have implemented measures to prevent the leakage of harmful substances even in the event of a large-scale disaster. We are additionally improving the seismic resistance of our tanks and plants in a systematic manner. Moreover, we have established emergency response rules and manuals as well as fire prevention and extinguishing equipment, while conducting joint drills with local fire departments and neighboring companies.

Having learned lessons from the Great East Japan Earthquake, we will enhance our anti-disaster measures by reviewing risk assumptions, such as those regarding tsunamis, and examine the feasibility of relocation of important emergency power sources to higher ground, thereby ensuring the safety of our sites and the stable supply of our products.

\*For specific measures, see page 50.

## Economic Activities

### Building an Aluminum Titanate DPF Plant in Poland

Sumitomo Chemical is building a new plant to produce aluminum titanate diesel particulate filters (DPFs) within the premises of Sumika Ceramics Poland, which was established in September 2011 as one of the Company's subsidiaries. The plant is scheduled to begin operations in the third quarter of 2013.

Sumitomo Chemical's aluminum titanate DPF outperforms the current mainstream silicon carbide DPFs in various properties such as soot mass limit\*1 and thermal shock resistance\*2. Since the Company successfully developed this proprietary aluminum titanate DPF in 2009, it has steadily advanced commercialization efforts by providing samples to automobile manufacturers and initiating construction of a mother plant at the Ehime Works in Japan with an annual production capacity of 170,000 units. Given that the Company's DPFs have already received a high assessment in evaluation testing by automobile manufacturers, Sumitomo Chemical plans to build the new plant in Poland and embark on full-scale sales in early 2014 in the European market where demand is expected to expand.



Diesel particulate filter (DPF) for exclusive use in diesel powered vehicles

\*1. The amount of soot that can be continuously filtered

\*2. The DPF's ability to withstand sudden changes in temperature when it undergoes regeneration through incineration of the trapped soot

### Enhancing the Polypropylene Compound Business in China

Sumitomo Chemical newly established its bases for polypropylene (PP) compounds in Northern and Northeastern China.

PP compounds are high-performance materials made by kneading PP with synthetic rubber and inorganic fillers to improve such parameters as impact resistance and rigidity in accordance with their use for applications such as automobile bumpers and interiors. Demand for such materials has been increasing year after year.

In China, which has become the world's largest automobile market, Sumitomo Chemical has been expanding its PP compound business mainly through Zhuhai Sumika Polymer Compounds Co., Ltd. established in the city of Zhuhai, Guangdong Province. In August 2011, we newly established Jilin Dongcheng Sumika Polymer Compounds Co., Ltd. in the suburbs of Changchun, Jilin Province and subsequently in September established Sumika Polymer Compounds Dalian Co., Ltd. in the city of Dalian, Liaoning Province. At present, we thus have three PP



compound bases in China from which we will further expand the business across the country.

Groundbreaking ceremony for the PP compound manufacturing base in Dalian, China

### Starting Construction of Manufacturing Facility for Next-Generation Touchscreen Panels in South Korea

Sumitomo Chemical constructed a new manufacturing facility for next-generation touchscreen panels on the site of Dongwoo Fine-Chem Co., Ltd. the Company's Korean base of operations for electronic materials.

Touchscreen panels constitute a vital component that determines display functionality in devices such as smart phones and tablet computers, which have come into widespread use in recent years. In addition to existing applications, touchscreens are expected to find applications in a wide range of devices such as electronic blackboards, slate devices used in education, and navigation displays.

The touchscreen panels manufactured by Sumitomo Chemical are next-generation panels used in organic LED (OLED) display panels, which have won praise for their clarity of image, convenience in operation and other fine qualities.

Samsung Mobile Display, which will be the major customer for Sumitomo Chemical's touchscreen panels, is the global leader in small- and medium-size devices using small-molecule organic LEDs (SMOLEDs). Working in collaboration with Samsung, we aim to establish a high standard of touchscreen panel manufacturing technologies.

We are also focusing development efforts on polymer organic LED (PLED) materials, which are expected to find applications in large-screen TVs, and are setting our sights on the future development of large-screen PLED touchscreen panels as we seek to expand our business further.

### Establishing New Equipment for Herbicide Flumioxazin in the Oita Works

Sumitomo Chemical constructed a new production line at a facility for its herbicide flumioxazin (branded Sumisoya in Japan) at its Oita Works to meet the increasing demand for this product. The expanded production is expected to boost sales of flumioxazin and derivative products by several tens of billions of yen per year.

Flumioxazin is an herbicide used in the cultivation mainly of soy beans, cotton, and sugar cane. It demonstrates long-lasting

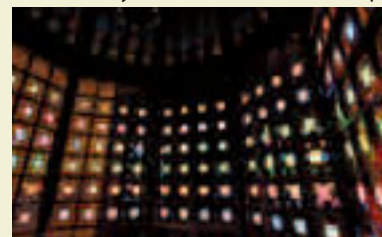
efficacy in suppressing the growth of weeds after spraying as well as efficacy in promoting early-stage growth of crops. Flumioxazin is also effective against weeds resistant to glyphosate, an herbicide widely used around the world, and this increases demand for flumioxazin.

Life sciences is one of Sumitomo Chemical's areas of focus, and it has worked to enlarge and strengthen its agrochemical business. The current capacity expansion for flumioxazin is part of this endeavor. We will continue to contribute to the improvement of agricultural crop productivity through our agrochemical business as we continue to expand our business globally.

### Participating in Light+Building 2012 with the World's First\* 60-Color Polymer OLED Lighting

Sumitomo Chemical exhibited its polymer OLED lighting in Light+Building 2012, one of the world's largest trade fairs for lighting and building technology. The exhibition was held in Frankfurt, Germany in April 2012. We displayed large-scale lighting panels of about 10 centimeters square each, which were produced by coating everything except for electrodes and illuminating in 60 different colors for the first time in the world.\*

We invited the world-renowned Japanese lighting designer Motoko Ishii as the art director for the polymer OLED lighting, and the lighting panels were displayed on the theme "The Colors of Japan—The Colors of Harmony" in an innovative attempt to replicate, by means of lighting, the elegant and refined colors of ancient Japan in a modern day setting of a Japanese traditional tearoom by using the world's most advanced polymer OLED technology.



Inside illumination of a Japanese traditional tearoom set up at Light+Building 2012

\*Surveyed by Sumitomo Chemical in January 2012. The panels are (1) the world's first organic LED large lighting panels produced by coating everything except for electrodes and (2) the world's first illumination of panels in 60 colors, achieved using this coating technology.

#### Features of Sumitomo Chemical's Polymer OLED lighting technology:

Low-cost fabrication through an advanced printing process/Can be produced with a single printing for any kind of emission color/ Enables a wide range of lighting colors, from natural light that closely resembles sunlight, to design-friendly neutral colors/Thin surface light source/Easy-to-view light wavelength/Mercury-free and environment-friendly

### Establishing Sunrise Farm Saijo in Saijo City, Ehime Prefecture

Sumitomo Chemical established Sunrise Farm Saijo as a joint venture with Saijo Industry & Information Centre for Support and JA Saijo, a local agricultural cooperative, in August 2011. In October of the same year, Mitsubishi Heavy Industries Ltd. and Panasonic Corp. also made investments in the new company. This company will play a central role in revitalizing local agriculture under the agricultural innovation project implemented in Saijo City. The project is one of 11 Future City Model Projects implemented across Japan under the leadership of Keidanren.

The Sumitomo Chemical Group is dealing with a range of agricultural products and services and is conducting business as a "total solution provider" to comprehensively support safe and efficient agriculture. We will share the expertise and know-how we have accumulated in the business with people engaged in agriculture in Saijo, thereby contributing to the development of local agriculture in the city.

Saijo City, where the project is currently underway, was designated as a special zone for regional revitalization by the Japanese government in December 2011. By designating special zones and providing financial support and preferential taxation to the zones in a comprehensive manner while lifting related regulations, the government aims to enhance Japan's international competitiveness and accelerate regional revitalization. While taking advantage of the special zone scheme, the new company will conduct demonstrative tests on innovative agricultural technologies and make use of the test results to widely



contribute to the recovery of areas afflicted by the Great East Japan Earthquake and to the revitalization of agriculture both in Japan and overseas.

Opening ceremony held at Sunrise Farm Saijo

## Responsible Care Activities

### Making Eco-First Commitments (Updated Version) to the Minister of the Environment



Minister of the Environment Hosono (left) and President Tokura at the follow-up meeting of the Eco-First Commitments held on Mar. 22, 2012

At the follow-up meeting of Eco-First companies held by the Japanese Ministry of the Environment in March 2012, Sumitomo Chemical reported on progress in the fulfillment of its Eco-First Commitments and related achievements to the Minister of the Environment, and also made its Eco-First Commitments (Updated Version) to the Minister (see page 58).

The Eco-First program was launched in April 2008 by the Ministry of the Environment to urge companies leading industries in the field of environmental protection to conduct a larger number of Responsible Care Activities. Under the program, companies make commitments to the Minister of the Environment for implementing advanced and unique initiatives that impart excellent ripple effects toward environmental protection.

In November 2008, Sumitomo Chemical became the first general chemical company to be certified as an Eco-First company, and the aforementioned follow-up meeting was held

as the first of those to be scheduled after the Ministry introduced an "effective period"\*1 to the Eco-First Commitments in September 2010. Sumitomo Chemical makes commitments in three areas: "management of chemical substances," "preventing global warming," and "creation of a recycling-based society." In the Updated Version of the Commitments, we set new numerical targets for the items for which we had attained our initial targets.

Sumitomo Chemical will continue to lead the world's chemical industry, conducting Responsible Care activities proactively and making further contributions to solutions for global environmental problems.

\*1. Effective period of Eco-First Commitments: The Ministry of the Environment checks the details of the commitments every five years to ensure that companies fulfill them.

### Enhancing Functions and Making More Effective Use of SuCCESS

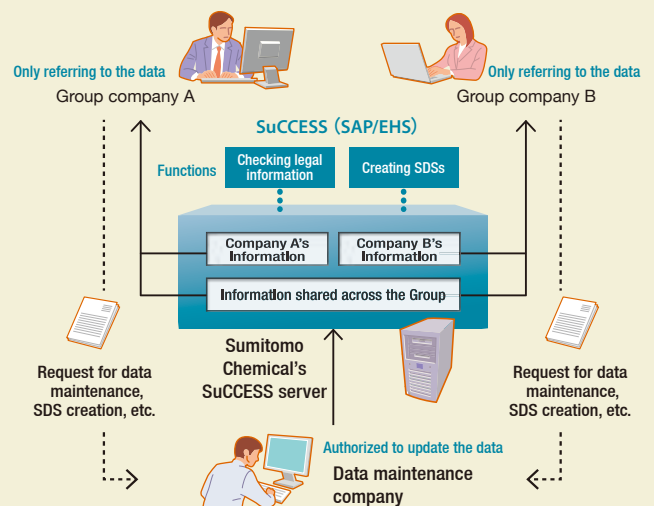
Sumitomo Chemical developed the Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (SuCCESS) to manage and effectively use chemical safety information. We are using this system to respond to customer inquiries concerning substances contained in our products, to identify our products that contain regulated substances promptly and precisely, and prepare GHS\*2-compliant SDSs\*3.

Information about the compositions of all the products, intermediates, and materials treated by Sumitomo Chemical, as well as about the laws and regulations on chemical substances are stored in the SuCCESS, and in fiscal 2012, we will carry out examinations for the introduction of the substance volume tracking (SVT) function to increase the operational efficiency of the system by automating the manual tabulation work.

In the future, we will proactively foster the use of SuCCESS by Sumitomo Chemical Group companies to help them manage chemicals more efficiently, thereby achieving cost reduction over the entire Group.

\*2. Globally Harmonized System of Classification and Labelling of Chemicals (GHS): Globally harmonized system that establishes a set of criteria for classifying and labelling chemicals according to their hazards

\*3. Safety Data Sheet (SDS): A document that describes information necessary for the safe handling of chemical products (properties, handling methods, safety measure, etc.)



Use of SuCCESS by Group companies (conceptual image)



## Social Activities

### Support to Victims of the Flooding in Thailand

In response to the flooding in Thailand that occurred in October 2011, Sumitomo Chemical donated 30 million yen to support the victims, who urgently required food, water, emergency toilets and other goods, through the NPO named World Vision Japan.

As additional support, we also donated 6,000 Olyset™ Net insecticidal mosquito nets (see page 30) to the Thai Ministry of Public Health, in response to requests from areas facing increased risk of infectious diseases such as mosquitoes that transmit malaria. This is due to many water puddles where mosquitoes can lay more eggs.



Relief goods from Sumitomo Chemical delivered to flood victims in Thailand

### Proactively Participating in the Projects to Celebrate the 40th Anniversary of the Normalization of Diplomatic Relations between Japan and China

In 2012, we celebrate the 40th anniversary of the normalization of Japan-China diplomatic relations. Taking this opportunity to further enhance bilateral friendship and relations, Japan, in a country-wide effort, will hold a range of commemorative events under the leadership of the Executive Committee for 2012 Friendship Year for Japan-China People-To-People Exchanges established jointly by the public and private sectors. A number of exchange projects will be made to celebrate the anniversary, including student exchanges, grass-roots exchanges, cultural and sports exchanges, and exchanges through sight-seeing tours.

Sumitomo Chemical is one of the main members of the Executive Committee and has established a group to foster these projects to celebrate the anniversary under its CSR Office.

#### Participating in the events held in Dalian, China to celebrate the 40th anniversary

On May 12, 2012 in Dalian, Sumitomo Chemical attended a Japan-China economic development seminar, an exchange reception, and an exhibition featuring photos taken by Japanese and Chinese photographers.

In the economic development seminar, both Japanese and Chinese experts made speeches on the prospects of the Japanese and Chinese economy and on recycling and environmental businesses, which was followed by exchanges between Japanese and Chinese participants at an exchange reception. Also, in the photo exhibition held concurrently with the seminar,



Chinese representative displayed photos depicting the growth history of Japanese companies operating in Dalian, while Japanese representative displayed photos of the Great East Japan Earthquake. In the exhibition of photos taken by Japanese and Chinese photographers

exhibition, photos showing disaster recovery support activities conducted by Sumitomo Chemical were also introduced.

#### Support to Peking University Law School and Shanghai Jiao Tong University

Sumitomo Chemical has been providing support to Peking University Law School, which plays a central role in the revision and development of China's law system, as well as to Shanghai Jiao Tong University, which is conducting most advanced research on corporate legal affairs in China, believing that academic development in the legal field will help China achieve sustainable economic growth.

In fiscal 2011, we made donations to Peking University Law School and Shanghai Jiao Tong University. To Peking University Law School, a fund was established to support the faculty to strengthen current teaching system and to Shanghai Jiao Tong University, a donation was made for the publication of a specialized journal on corporate law.

#### Concluding an internship agreement with Beijing Jiaotong University and Dalian University of Foreign Languages

Sumitomo Chemical concluded an internship agreement with Beijing Jiaotong University on April 28, 2012, and with Dalian University of Foreign Languages on May 11, 2012.

We have been accepting students of leading Chinese universities as interns to provide them with opportunities to deepen their understanding of Japan and of the activities of Japanese companies, to broaden their view, and to think about their future jobs and careers. In fiscal 2011, we accepted a total of 33 students from six Chinese universities as interns, including Peking University and Shanghai Jiao Tong University. Some past interns later joined our company after knowing more about our business and operations through the internship program.

### Receiving a special citation award in recognition of support of OISCA's planting activities

On October 7, 2011, the Sumitomo Chemical Group, together with Sumitomo Chemical's Workers' Union, received a special citation award from OISCA at the ceremony celebrating the 50th anniversary of the organization's founding. This was held in the presence of Their Majesties the Emperor and Empress of Japan. As one of its activities to conserve biodiversity and prevent global warming, Sumitomo Chemical has been supporting the tree planting activities of OISCA in Thailand and other countries since fiscal 2007 under the Matching Gift program implemented jointly by the Company and the Workers' Union, and receiving support from other Group companies (see page 72). Using part of the collected money, in fiscal 2008, we began the "Sumitomo Chemical's forest" activity (mangrove tree planting activity) in Ranong Province located in the southern part of Thailand, and have been dispatching employees as volunteers



to the planting site. OISCA granted the award in recognition of these efforts.

President Okajima of the Workers' Union, Executive Vice President Takao, and other members received the award at a ceremony held to celebrate the 50th anniversary of OISCA



# Governance



Sumitomo Chemical is further strengthening its CSR promotion system, corporate governance, and compliance-oriented management to continue to fulfill its corporate social responsibilities and maintain the trust of society.

Moreover, acknowledging the importance of fostering international cooperation to further promote our CSR activities, we are proactively participating in the UN Global Compact.

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# Foundation of CSR-based Management

GRI | 4.8 |

## CSR Policy and Promotion System

### Starting Point of Sumitomo Chemical-CSR

Sumitomo Chemical's business dates back to 1913, when the Company was founded to manufacture fertilizer using hazardous sulfurous acid gas that was generated from smelting operations at the Besshi Copper Mine in the Shikoku region of Japan. Sumitomo Chemical thus got its start as a company committed to overcoming the environmental problems and contributing to the development of agriculture.

Since then, the Company has been conducting its business not only to make profits but also to contribute to society through its business operations.

### Sumitomo Chemical's Business Philosophy

Sumitomo Chemical established its Basic CSR Policy in November 2004 based on Sumitomo's Business Principles and the Sumitomo Chemical Charter for Business Conduct (see pages 6 and 7). Under this Policy, specific goals are set and CSR activities are implemented to achieve them.

#### Basic CSR Policy

By continuously creating and providing useful new technologies and products that have never before existed, Sumitomo Chemical will build corporate value while contributing to both the solution of problems facing our environment and society, and the enrichment of people's lives.

In order to accomplish this, the Company will work to achieve a balance of profitable business operations, the preservation of the environment, safety, health, product quality and social activity. We will also 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 building a sustainable society, while continuing to grow in order to realize our goal of becoming a truly global chemical company in the 21st century.

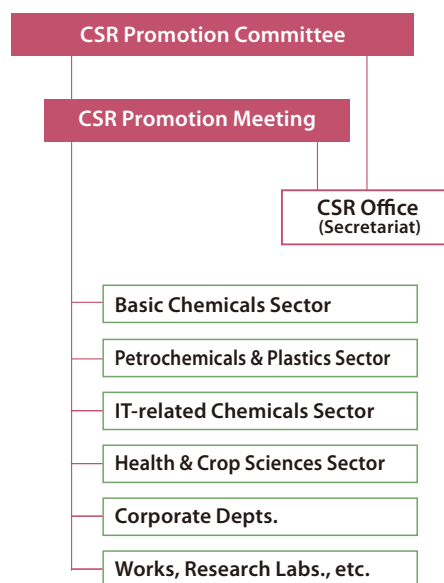
### CSR Promotion System

In January 2010, we established the CSR Department (present CSR Office) as an organization dedicated to developing measures to foster CSR activities. Subsequently, in April 2012, we founded the CSR Promotion Committee to discuss CSR activities from broad and diverse viewpoints in order to further foster our CSR activities.

To implement the annual policies decided upon by the CSR Promotion Committee, the CSR Promotion Meeting, which comprises members from each business sector, various Works, and other sites, will be held as needed. All sites set specific targets based on the annual policies and conduct CSR activities accordingly. The CSR Office serves as the secretariat for the Committee and the Meeting.

Every year these activities are reported in the CSR Report.

CSR promotion system



### Establishment of the CSR Promotion Committee

The CSR Promotion Committee is chaired by the executive officer in charge of CSR and comprises the executive officers in charge of the Company's corporate departments and business sectors.

At the CSR Promotion Committee meeting held on April 24, 2012, the results of activities conducted in fiscal 2011 were reported and the annual policies for fiscal 2012 were determined. Participants also exchanged opinions about CSR activities from various standpoints.

We will continue to foster CSR activities across the company in the recognition of the importance of conducting these activities.



GRI | 4.1 | 4.2 | 4.4 | 4.5 | 4.6 | 4.7 | 4.9 | 4.10 | 4.11 |

## Corporate Governance

Sumitomo Chemical regards serving the interests of its various stakeholders amid changing social and economic conditions as the very foundation of corporate governance, and has endeavored to improve its approaches to this end. We will continue to implement measures to expedite important decision-making, more clearly define responsibilities in the execution of our business, enhance and strengthen the compliance system and internal control, and promote the timely disclosure of information.

### Management Structure

Sumitomo Chemical has a board of corporate auditors and has also introduced an executive officer system to expedite important decision-making and more clearly define responsibilities in the execution of its business. The company's management structure currently consists of nine directors and 32 executive officers (including eight executive officers serving in a dual capacity as directors) (as of June 22, 2012). The Board of Directors ensures that important management decisions are appropriately made in accordance with laws and regulations, the Articles of Incorporation, and the regulations concerning the Board, and also monitors and supervises the performance of the directors. The executive officers are responsible for ensuring that business operations are carried out in accordance with the Board's strategic management planning. Compensation of directors is determined according to their respective responsibilities in formulating the Company's management policies and specific measures and in proportion to the business performance of the Company.

There are five corporate auditors, the majority (three) of whom are from outside the Company to strengthen the auditing function by incorporating outsiders' opinions about the soundness and efficiency of the management of the Company into its business operations.

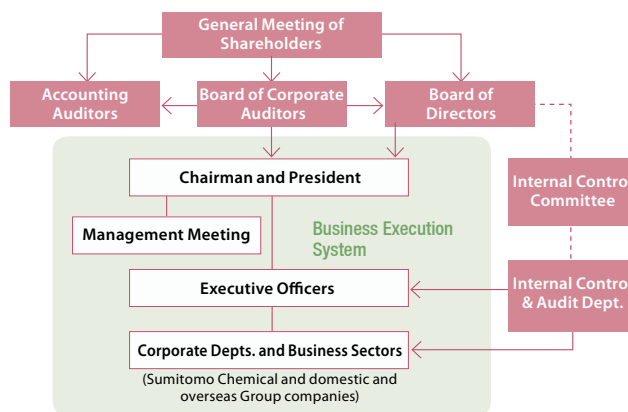
Also, to ensure the objectiveness and neutrality of the management system, we have established in-house rules for the adoption of external experts' opinions about specific management issues, and have founded advisory groups concerning the nomination and compensation of officers.

In addition, we newly appointed one outside director at the ordinary shareholders' meeting held in June 2012 in order to strengthen further oversight functions of the Board of Directors and to increase the transparency and objectivity of management.

### Internal Control

We recognize the continuous development and enhancement of our internal control system as a necessary process in maintaining a sound organization, and believe this system should be actively utilized for the achievement of business objectives.

Based on the Basic Policy for Enhancement of Internal Control established by the Board of Directors (revised in March 2012), we have strengthened the internal control system to conduct



Corporate Governance Organization

appropriate business operations throughout the Sumitomo Chemical Group, and have also formed the Internal Control Committee to inspect and maintain the system in response to changing circumstances. This committee is organized by the Internal Control & Audit Department, which proposes and promotes various measures for improving the internal control system and monitors their implementation.

### Internal Auditing

The Internal Control & Audit Department also conducts internal auditing for the followings in the execution of business duties by executives and employees of the Sumitomo Chemical Group: (1) effective and efficient operations; (2) reliability of financial reporting; and (3) design, operation, and effective functioning of internal controls concerning compliance with relevant laws and statutes in all business activities. In addition, the Internal Audit Coordination Board has been established to improve the effectiveness and efficiency of internal audits throughout Sumitomo Chemical and all Group companies.

### Risk Management System

Sumitomo Chemical formulates in-house rules to promptly detect risks and prevent their materialization, and also to make appropriate responses in case of risk materialization. The Internal Control Committee decides on the basic policies concerning the entire Group's risk management for each fiscal year, and the Risk Crisis Management Committee makes prompt responses in the event that a significant risk is realized.

### Information Disclosure System

Sumitomo Chemical is committed to providing its various stakeholders, including shareholders, business partners, and local communities, with information in a prompt, accurate, and fair manner. Our Corporate Communications Office, established exclusively to engage in investor relations (IR) and public relations (PR) activities, promotes timely and appropriate information disclosure and dialogue with society.

In addition, we endeavor to build stronger relationships of trust with society and capital markets by publishing reports in accordance with the rules stipulated by the securities exchanges in Japan, including a corporate governance report that describes the Company's corporate governance philosophy and system, and a report indicating the status of independent directors/auditors who are unlikely to have conflicts of interest with general shareholders.

These documents are available on the websites of the Tokyo Stock Exchange and Osaka Securities Exchange where Sumitomo Chemical is listed.

# Compliance

GRI | 4.9 | 4.11 | HR11 | SO2 | SO3 | SO8 |

## Compliance Management of the Sumitomo Chemical Group

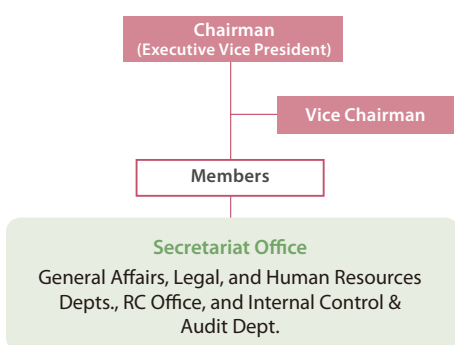
In its active pursuit of business development at home and abroad, Sumitomo Chemical has always cherished the Sumitomo Spirit inherited for generations since its foundation, which stresses, among others, the prime importance of trust in the conduct of business. Gaining trust and confidence from society is essential to achieve sustainable development of business. With this guiding principle deeply in mind, Sumitomo Chemical is striving to fulfill its corporate social responsibility by promoting a variety of initiatives to secure compliance throughout the Sumitomo Chemical Group.

For the Sumitomo Chemical Group, compliance means not simply abiding by the law, but also conforming to social norms and business ethics. Our business activities continue to expand and diversify in various geographical regions around the world. To maintain healthy business conduct in a wide array of countries where laws, social norms and business customs differ, it is of the utmost importance that each company of the Group, while sharing common business principles and codes of conduct, should gain trust from their local communities by conducting business so as to meet properly the diverse needs of society in countries or regions where they operate. Ultimately, through these concerted endeavors, the Sumitomo Chemical Group as a whole must win trust from society at large as it continues to expand activities beyond borders.

### Think globally, Act locally

From this perspective and based on the notion "Think globally, Act locally," Sumitomo Chemical is carrying out compliance management which embraces the business conduct of companies in a consistent manner throughout the Sumitomo Chemical Group. Constituting the linchpin of such compliance management is the Compliance Committee of Sumitomo Chemical, which is composed of members appointed from among Sumitomo Chemical's executive officers who are not directly in charge of day-to-day business activities, the purpose of such Committee structure being to ensure that compliance management will be promoted from a Group-wide global perspective and with fair and impartial judgment, not affected by specific business interests.

#### Compliance Committee Organization



The Compliance Committee supervises and provides support to the Group companies in establishing and operating their individual compliance systems as well as monitoring the compliance status of Sumitomo Chemical and each of the Group companies.

As far as the Group companies are concerned, each of them establishes their own compliance system locally with the guidance of Sumitomo Chemical's Compliance Committee but at their own responsibility. Once the compliance system is established, each company sustains the self-governed operation of their system. In this connection, the Compliance Committee has established the Sumitomo Chemical Group Compliance Standard that is a basic standard aiming to ensure unified compliance management across the Group, and each Group company must follow it in establishing and operating their respective compliance system. Each company carries out their compliance management in accordance with this Standard while adapting appropriately to local laws and regulations as well as accommodating prevalent social demands for corporate activities in countries where they do business. Accordingly, each company works with in-house or external lawyers or other experts retained locally in preparing a written Code of Conduct that its employees must abide by (which Code is generally called "Compliance Manual" by Sumitomo Chemical and the Group companies in Japan and "Code of Ethics" by the Group companies abroad). Further, each company usually works out an arrangement with such experts under which the company can seek professional advice on compliance matters from them whenever necessary.

On the part of Sumitomo Chemical, the Compliance Committee is working, among other things, to build a global network with lawyers or others whereby it can effectively harness the benefits of each Group company's such working relationships with their lawyers and other experts. The global network will be capable of keeping the Compliance Committee updated, for instance, on the newest major legal developments on compliance in each country, which will enable Sumitomo Chemical to extend whatever support desired to the Group companies in a proper and timely manner.



Meeting of the Compliance Committee held in April 2012



## Compliance Management Promoted by Employees Themselves

To promote compliance management effectively, the efforts of the Compliance Committee alone are not enough. Employees in every workplace must take part in concrete activities to prevent misconduct or detect any suspected misconduct as early as possible. To help achieve this end, Sumitomo Chemical has the Speak-up System in place, separately from an ordinary business reporting line to his or her superior, which allows an employee to directly report any incident or suspected incident of compliance violation to a designated contact. Further, if an employee prefers not to report to an internal contact for some reason, he or she may report to an external contact, outside lawyers designated by the Company. Group Companies both in Japan and abroad are requested to adopt the Speak-up System of the same nature, in principle. At Sumitomo Chemical, the Compliance Committee has taken every opportunity to thoroughly familiarize employees with the use and significance of the Speak-up System, as part of the Compliance Seminars that the Compliance Committee holds periodically for education of all employees.

Thanks to constant and concerted efforts, such as these educational activities, both at Sumitomo Chemical and Group companies, the Speak-up System has been functioning effectively since its introduction, with 20 to 30 reports received every year containing queries, questions, etc. relating to suspected conduct. The Compliance Committee always responds to such reports swiftly and prudently. In fiscal 2011, there were reported no major incidents of compliance violation, including any failure to comply with laws, regulations or other rules.

## Concrete Activities for Effective Compliance Management

The daily activities of the Compliance Committee are carried out by the Compliance Committee Secretariat consisting of members representing several departments in the Company that are not directly involved in specific business activities of Sumitomo Chemical. The Secretariat works to grasp the status quo of compliance in Sumitomo Chemical as well as Group companies in Japan and the rest of the world, identify important issues to address, and undertake educational activities periodically as well as forming and proposing plans for various initiatives that will help strengthen our global compliance management in the future.

For example, the Secretariat receives written reports every year from each of the Group companies around the world, which state, for example, whether a company had any incident of compliance violation during the past year, how a company handled reports received regarding suspected compliance violation, and whether a company had any difficulty or problem in operating its compliance system during the year. Then, the Secretariat looks into a specific compliance situation of each company as outlined in the reports, and renders support, if so desired, including exchanging views face-to-face with the company's compliance officer, to improve and strengthen the compliance management of the company in question.

Going forward, the Compliance Committee, while providing

continued support to individual Group companies, will study whether a more effective mode of Group-wide compliance management could be pursued by shedding light on possible commonality of specific geographical regions, such as any elements commonly perceived among or applicable to the Group companies in China where our business operations are ever expanding. In fiscal 2011, we conducted a compliance awareness survey directed to employees of Sumitomo Chemical and 10 selected Group companies in Japan, totaling approximately 4,400 respondents. The survey was intended to assess compliance-related risks that might be existent in the operation and business conduct of each Group company as well as Sumitomo Chemical, thereby working further to enhance activities for effective compliance management. Based on the result of the survey, we will work out specific measures for improvement as part of the Compliance Committee's action plans for the next fiscal year.

## Ensuring Fair Competition in Business Activities

Sumitomo Chemical currently places particular emphasis on its efforts of preventing bribery in business conduct. As is evident from such international initiatives as the United Nations Convention against Corruption and the OECD (Organization for Economic Co-operation and Development) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, there is a surging momentum globally calling for achieving fair competition in the marketplace by eradicating corrupt practices, such as bribery. For the Sumitomo Chemical Group that is developing business globally at an accelerating rate, it is growingly important that each and every company of the Group makes unwavering efforts to eliminate bribery and any other corrupt practices, as well as abiding by competition laws of each relevant country, to ensure conducting business in a fair and equitable manner.

From this standpoint, Sumitomo Chemical has recently strengthened its internal initiatives toward fair market competition by re-organizing the former Competition Law Compliance Committee to set up the Competition Law Compliance and Bribery Prevention Committee. As part of such initiatives, the Committee has newly prepared, for the benefit of Sumitomo Chemical employees, the Compliance Manual for Bribery Prevention, in addition to the existing Competition Law Compliance Manual earlier provided, to define more clearly and specifically the basic rules that all employees are required to abide by. Seminars and other educational programs are being provided company-wide to all employees. We intend to extend these initiatives actively to our Group Companies by providing them with both the Manuals as guidelines and asking all Group companies to adopt manuals of the same sort as modified to suit each company's specific business operations as well as consistent with laws and regulations of a country in which they operate.

Sumitomo Chemical will continue to work toward enhancing compliance management for itself and its Group companies alike, based on the key notion "Think globally, Act locally" so that we will be able to gain greater trust and confidence from all of our stakeholders and society at large.

# UN Global Compact

GRI | 4.9 | 4.11 | 4.12 | 4.13 | SO5 |

## Participation in the UN Global Compact

Sumitomo Chemical is committed to contributing to the sustainable development of society as the core of its CSR and believes it crucial to comply with international norms and cooperate with international organizations, NGOs, and other companies in meeting the challenges faced by society, such as problems related to climate change and poverty. The UN Global Compact\* (GC) initiative is fully consistent with the conceptions, and in January 2005, Sumitomo Chemical became the first Japanese chemical company to participate in the initiative.

In compliance with the 10 principles of the Global Compact, we are conducting more activities by networking with the UN and other organizations.

\*UN Global Compact: The UN Global Compact is a United Nations initiative in which businesses demonstrate responsible and creative leadership and voluntarily participate in efforts to establish a worldwide framework that enables them to act as good corporate citizens and achieve sustainable growth.

## Participation in the Working Group on the 10th Principle (Anti-Corruption)

In December 2008, Sumitomo Chemical became the first Japanese company to participate in the Global Compact Working Group on the 10th Principle (Anti-Corruption). This working group, which comprises companies, NGOs, and others with divergent interests, discusses development of systems and measures to combat corruption.

As a member of the sub-working group on supply chains, whose duty was to prepare a Guide for Customers and Suppliers, Sumitomo Chemical prepared parts of the draft.

We attended the ninth meeting of the Working Group on Anti-Corruption held in Morocco in October 2011 and exchanged opinions with other participants on the challenges to be met in fostering anti-corruption measures among companies.

## UN Global Compact LEAD

In January 2011, under the leadership of the UN Secretary General Ban Ki-moon, the Global Compact LEAD was launched as a new framework to proactively tackle various problems faced by humankind. The Global Compact LEAD was launched with participation from 54 companies (including three Japanese companies) that had made great contributions to the Global Compact, which is comprised of about 10,000 companies and other organizations. Sumitomo Chemical has been a member of the LEAD since its launch.

Sumitomo Chemical reports on the progress of measures to comply with the GC principles in the annual CSR report. In fiscal 2011, we worked to obtain a common understanding of the 10 GC principles among all related departments, surveyed the present situation to improve our corporate transparency and information disclosure as a company participating in LEAD, and incorporated the survey results in creating this CSR Report 2012.

As a member of Global Compact Network Japan, we participated in its CSR report study group and created a manual to help improve CSR reports with other member companies.



As a member of the international community, Sumitomo Chemical will continue to make efforts to resolve global problems in cooperation with the UN, and other organizations and companies.

### The 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 Standards

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.



# Economic Activities



Sumitomo Chemical will continue to supply useful, innovative and groundbreaking products worldwide, thereby contributing to the development of society and industries. At the same time, the Company is maximizing its corporate value through enhancing the profitability of its business operations. In the trend of globalization, we will speedily expand our businesses both in Japan and overseas as a global enterprise.

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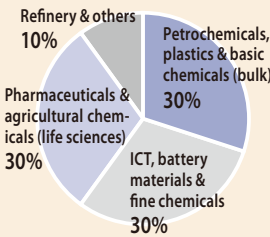
# Three-Year Corporate Business Plan

GRI | 1.2 |

## Aiming to Achieve the Corporate Vision

Sumitomo Chemical is now implementing the Three-Year Corporate Business Plan for fiscal 2010 to 2012. In formulating the plan, the Company first conceived its Corporate Vision based on analysis of the long-range prospects for the global

economy and business environment in conjunction with its business portfolio. We regard this Corporate Business Plan as the first step toward achieving our Corporate Vision, and are now implementing a variety of measures under the plan.

<p><b>Long-term market forecast</b> Areas with high growth potential</p>	<p><b>Environment &amp; Energy</b> <b>Life Sciences</b> <b>Information &amp; Communication Technology (ICT)</b></p>
<p><b>Corporate Vision</b></p>	<ol style="list-style-type: none"> <li>1. Achieve sustainable strong growth as a stronger, more innovative global company</li> <li>2. Contribute to sustainable development of the global community</li> <li>3. Continuously enhance the value of the company</li> </ol>
<p><b>Three Strategies to Realize the Corporate Vision</b></p> <p>Business composition to be achieved by 2020</p> 	<p><b>Technology Strategy</b></p> <ol style="list-style-type: none"> <li>1. Focus R&amp;D resources on the three high-growth areas</li> <li>2. Continue Creative Hybrid Chemistry</li> <li>3. Pursue Green Sustainable Chemistry</li> <li>4. Accelerate R&amp;D in downstream applications</li> <li>5. Strengthen basic research</li> </ol> <p><b>Climate Change Strategy</b> Help solve pressing global issues of resources, energy, and the environment</p> <ol style="list-style-type: none"> <li>1. Achieve the world's highest level of energy efficiency</li> <li>2. Develop products and technologies that will contribute to CO2 emissions reduction</li> <li>3. Enhance carbon management and implement proactive, effective and coordinated measures through the Sumitomo Chemical Group</li> </ol> <p><b>Business Portfolio Strategy</b> Achieve balance among the three areas of bulk chemicals (basic chemicals and petrochemicals &amp; plastics); life sciences (agricultural chemicals and pharmaceuticals); and ICT, battery materials and fine chemicals so that each account for 30% of sales by 2020 by inputting managerial resources intensively into the areas with high growth potential (Environment &amp; Energy, Life Sciences, and ICT).</p>
<p><b>Seven Basic Initiatives to Be Implemented under the Corporate Business Plan</b></p>	<ol style="list-style-type: none"> <li>1. Quickly maximize profits &amp; cash from major investments</li> <li>2. Enhance financial strength</li> <li>3. Strengthen cost competitiveness of core &amp; commodity businesses</li> <li>4. Accelerate business growth</li> <li>5. Implement climate change strategy</li> <li>6. Strengthen global management system</li> <li>7. Ensure full &amp; strict compliance; maintain safe &amp; stable operations</li> </ol>
<p><b>FY2012 Performance Targets</b></p>	<p>Net sales: 2.4 trillion yen Operating income: 190 billion yen Ordinary income*: 220 billion yen Net income: 140 billion yen</p> <p>* Including equity in earnings of affiliates of 40 billion yen <b>Assumptions:</b> Exchange rate: 90 yen/US\$ Naphtha: 50,000 yen/kl Crude oil: US\$85/bbl</p>

(Note) Sumitomo Chemical set its performance targets based on information available as of February 2010, when the Company formulated the Corporate Business Plan. Actual performance might differ from the stated targets due to various factors.



# Overview of Fiscal 2011 Business Performance

GRI | 2.8 | EC1 |

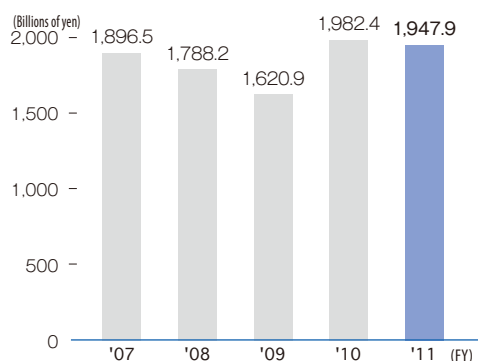
## Overview of Consolidated Business Results

In fiscal 2011, the Sumitomo Chemical Group faced a very serious business environment due to a surge in the price of raw materials and a rapid decrease in demand for its products in Asia in and after the autumn.

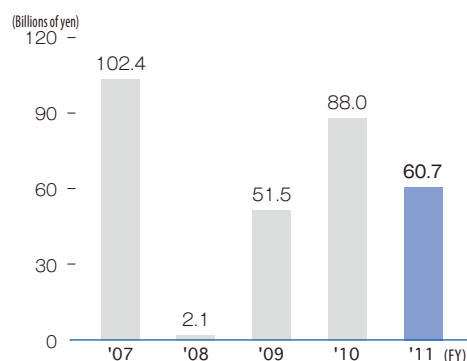
Under these circumstances, we made a concerted effort to improve our business performance by modifying sales prices,

expanding sales quantities, and cost savings through drastic rationalization. As a result, in fiscal 2011, net sales decreased to 1,947.9 billion yen, down 34.6 billion yen from the previous fiscal year, and operating income, ordinary income, and net income stood at 60.7 billion yen, 50.7 billion yen, and 5.6 billion yen, respectively.

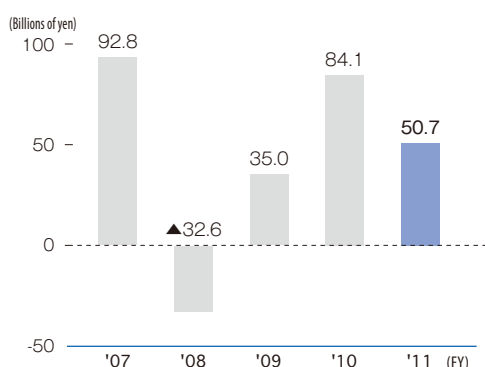
### Net Sales



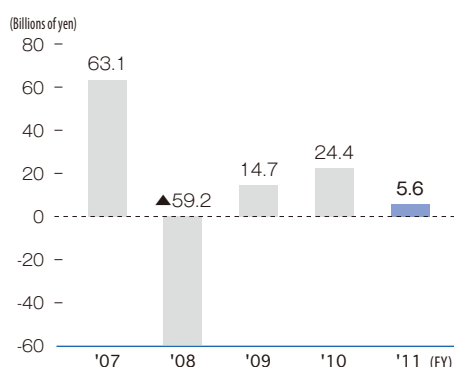
### Operating Income



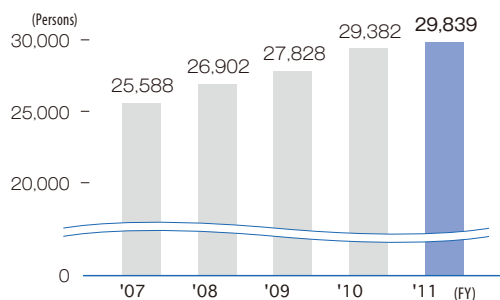
### Ordinary Income



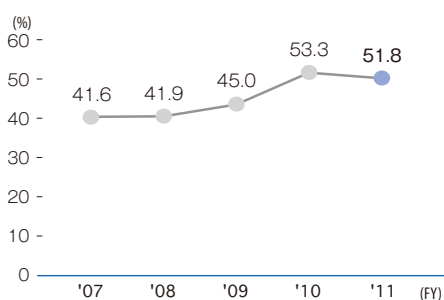
### Net Income



### Number of Employees



### Overseas Sales Ratios



## Sector Overview

(Billions of yen)

Net Sales and Operating Income by Business Sector		
	Net sales	Operating income
Basic Chemicals Sector	284.3	9.3
Petrochemicals & Plastics Sector	672.4	6.2
IT-related Chemicals Sector	293.1	11.0
Health & Crop Sciences Sector	264.1	26.5
Pharmaceuticals Sector	380.5	20.9
Others	53.4	7.7

### Basic Chemicals Sector

Although the market situation improved for methyl methacrylate (MMA) and synthetic fiber materials, shipments of these materials decreased due to the Great East Japan Earthquake as well as diminishing demand. Shipments of chemical products also remained at a low level, resulting in a decline in sales. As a result, net sales amounted to 284.3 billion yen, down 17.9 billion yen from the previous fiscal year, and operating income decreased by 11.3 billion yen year on year to 9.3 billion yen.

### Petrochemicals & Plastics Sector

Shipments of synthetic resin and petrochemical products decreased due to the Earthquake and diminishing demand as well as the large amount of repair work performed at our manufacturing facilities both in Japan and overseas. Nonetheless, sales increased thanks to the improvement of the overseas market situation following a rise in the price of materials such as naphtha and to the revision of sales prices in Japan. As a result, net sales increased by 22.5 billion yen year on year to 672.4 billion yen, while operating income came to 6.2 billion yen, down 5 billion yen from the previous fiscal year.

### IT-related Chemicals Sector

Shipments of polarizing films, a key material used in LCDs, rose due to increased demand for use in smartphones and tablet PCs, and enhancement of our film production capacity in Taiwan; however, shipments of color filters decreased. Sales prices for both polarizing films and color filters dropped, and the strong yen yielded an adverse impact to the yen-denominated business results of Sumitomo Chemical Group companies outside Japan. As a result, net sales decreased by 29.2 billion yen year on year to 293.1 billion yen, and operating income came to 11 billion yen, down 15.2 billion yen from the previous fiscal year.

### Health & Crop Sciences Sector

Sales of methionine (feed additive) expanded favorably, and in the crop protection business, shipments of herbicides continued to show steady growth. Despite the influence of the strong yen on the yen-denominated business results of Group companies outside Japan, net sales increased by 13.3 billion yen year on year to 264.1 billion yen, while operating income increased to 26.5 billion yen, up 3.2 billion from the previous fiscal year.

### Pharmaceuticals Sector

Sales of the atypical antipsychotic LATUDA™ started in the US in February 2011, while sales of AVAPRO (agent for the treatment of hypertension), LONASEN™ (agent for the treatment of schizophrenia), TRERIEF™ (new agent for the treatment of Parkinson's disease) and METGLUCO™ (biguanide oral hypoglycemic drug) continued to expand. However, sales of AMLODIN™ (therapeutic agent for hypertension and angina pectoris) decreased due to generic drug competition along with the impact of the strong yen to yen-denominated business results of overseas Group companies. As a result, sales came to 380.5 billion yen, down 30.1 billion yen from the previous fiscal year, during which we received a lump-sum payment due to the conclusion of a partnership agreement on product development and marketing, and operating income decreased by 7.7 billion yen year on year to 20.9 billion yen.

### Others

In addition to operating business in the aforementioned five sectors, the Sumitomo Chemical Group is also engaged in supplying electrical power and steam, the design of chemical industrial equipment and in the supervision of its installation, as well as in transport and warehousing, and physical property/environmental analysis. Sales from these operations came to 53.4 billion yen, up 6.8 billion yen year on year, and operating income also increased by 3.6 billion yen to 7.7 billion yen.

# Relations with Stakeholders

GRI | 3.5 | 3.9 | 4.14 | 4.15 | 4.16 | EC1 | EC4 |

## Sumitomo Chemical's Stakeholders

Based on its Basic CSR Policy, Sumitomo Chemical has identified CSR issues to be addressed on a daily basis going toward the future, and has selected the following as its major stakeholders in reference to the GRI Guidelines and the Keidanren (Japan Business Federation) Charter of Corporate Behavior.

The Company will continue to make efforts to maximize its corporate value, taking the optimal approach with each of its major stakeholders.

Stakeholder	Approach to be taken by Sumitomo Chemical
<b>Shareholders and investors</b>	In order to meet the expectations of shareholders and investors and maximize corporate value, Sumitomo Chemical will make use of its strengths, including its excellent technological development ability, high cost competitiveness, and global business operations, toward sustainable growth, while appropriately returning profits and disclosing information to its stakeholders in a fair manner.
<b>Employees</b>	Sumitomo Chemical is working to create a workplace environment in which individual employees can make the most of their abilities, giving due consideration to compliance and diversity among employees. Also, the Company and its labor union will maintain a favorable relationship that has been built based on mutual understanding and trust.
<b>Customers</b>	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.
<b>Business partners</b>	Sumitomo Chemical is committed to building sound mutual relations with business partners based on the Basic Procurement Principles. In addition to ensuring fairness, equitability, and transparency in its transactions with business partners, the Company is also encouraging business partners to promote their CSR activities through its responsible procurement activities.
<b>Local communities and society</b>	In the belief that its business must be based on mutual prosperity with society, Sumitomo Chemical is fostering communications, and building and maintaining good relationships with local communities, as well as conducting activities to meet local needs.

## Distribution of Economic Value to Stakeholders ★

In fiscal 2011, the Company distributed the following added value to its major stakeholders, which we have estimated by classifying the profits and costs posted in the financial statements by stakeholder, with reference to the GRI guidelines and other materials.

(Unit: million yen)

Stakeholder	FY2011	Calculation basis
<b>Shareholders</b>	19,628	Dividends
<b>Society*</b>	513	Donations
<b>Environment</b>	36,100	Environmental protection costs
<b>Employees*</b>	72,119	Labor costs Salaries and allowances, reserve for bonuses, and allowance for retirement in the selling, general administrative and research expenses
<b>Creditors</b>	12,397	Interests paid, bond interest, and commercial paper interest
<b>National and local governments</b>	8,299	Corporate, inhabitant, and business taxes

\*For the distribution of value to society and employees, the amounts are shown on an unconsolidated basis.

## Donations ★

Sumitomo Chemical regards it as one of its important social responsibilities to make donations, and has been making specific donations by comprehensively examining factors such as social importance, need of continuity, and urgency.

In areas affected by the Great East Japan Earthquake, we donated relief goods and a part of sales from meals served at cafeterias. (For details of our support to afflicted areas, see page 14.) We have also continued to donate Olyset™ Nets as an effective means to control malaria and to provide support for education in Africa. Moreover, in fiscal 2011, we extended support to victims of the flooding that occurred in Thailand in October.

In fiscal 2011, we made a total of 449 donations, which amounted to 513.08 million yen.

### Major donations made in fiscal 2011

(Unit: million yen)

Item	Amount
To supply Olyset™ Nets to the NPO Millennium Promise	101
To support victims of the flooding in Thailand	30
To support the construction of schools in Mozambique and Congo	19
To provide support to the Japan-US Cherry Blossom Centennial project	10
To support the management of research into diseases such as malaria in Laos	10
To support OISCA's tree planting activities	6
To support the development and education of children through ASHINAGA	6

### Donations made in fiscal 2011

Item	Number of cases
<b>Local community activities</b>	129
<b>International exchange and cooperation</b>	47
<b>Sports</b>	22
<b>Education and social education</b>	16
<b>Social welfare</b>	15
<b>Culture and art</b>	14
<b>Support to areas devastated by disasters</b>	13
<b>Environment</b>	10
<b>Academic study and research</b>	7
<b>Health and medicine</b>	5
<b>Preservation of historic sites and traditional culture</b>	4
<b>Building the foundation of NPOs</b>	2
<b>Others</b>	165
<b>Total</b>	449
<b>Total amount</b>	513.08 million yen

★: Assured by an independent assurance provider

# Contribution through the Olyset™ Net Business

GRI | 2.2 | EC9 | SO1 |

## Product Developed through Creative Hybrid Chemistry

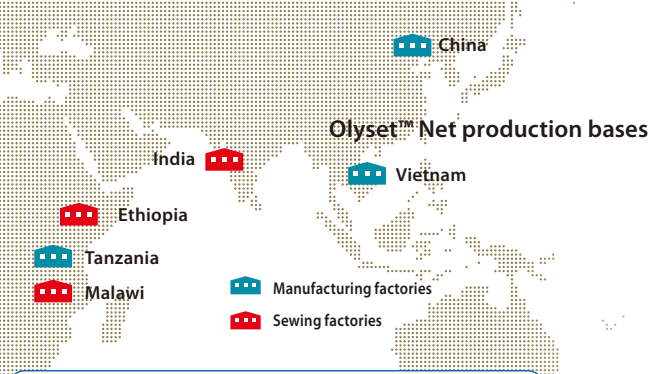
Every year, more than 200 million people around the world develop malaria and 650,000 people die from the disease. People living in Africa account for 90% of these deaths, and most of the victims are children under the age of five living in the Sub-Saharan region. Infectious diseases, such as malaria, prevent people from working or attending school and also incur high costs for medical treatment, often forcing them into a vicious circle of poverty from which it is difficult to escape.

Malaria is an infectious disease transmitted by mosquitoes, and protecting people from mosquitoes represents the most effective method of preventing contraction of the disease. Sumitomo Chemical developed the Olyset™ Net, which is a highly durable net made from polyethylene resin-based fibers containing insecticide, using expertise gained through the development and production of resin and active ingredients for insecticides. The Company developed this product through Creative Hybrid Chemistry by combining its proprietary technologies from different fields. (For details see page 9.)

The Olyset™ Net symbolizes the CSR initiative of Sumitomo Chemical, which is committed to business activities that contribute to the creation of a prosperous society.



Olyset™ Net manufacturing factory in Tanzania



### Features of the Olyset™ Net

- As the net is made from polyethylene resin, it is highly durable.
- Because the net contains insecticide that is gradually released onto the surface, it retains its insecticidal efficacy for more than five years—even with repeated washing.
- Because it is designed to be used in the hot climate of Africa, the mesh is larger than that of an ordinary mosquito net in order to improve air circulation.

## Expanding Production Capacity in Line with WHO Policy

In 2001, the World Health Organization (WHO) endorsed the use of the Olyset™ Net as a “long-lasting insecticidal net.” The

Olyset™ Net has been contributing to malaria control in Africa and across the world. Results from a regional trial indicated that the use of the net contributed to a large decline in the local rate of malarial infection. In 2008, the WHO, promoting the policy of “universal coverage,” enlarged its pool of candidates for malaria control, which had previously been limited to pregnant women and infants. Under this policy, the organization aimed to distribute one long-lasting insecticidal net per two people in malaria-prone areas. It was estimated that fulfilling this aim would require 350 million nets. To meet the demand, Sumitomo Chemical increased the total Olyset™ Net production capacity of its production bases in three countries (Tanzania, Vietnam, and China) to 60 million nets per year.

In 2003, Sumitomo Chemical provided its Olyset™ Net manufacturing technology free of licensing fees to A to Z Textile Mills Limited, a Tanzanian mosquito net manufacturer. Subsequently in 2007, the Company established Vector Health International Limited, a joint venture with A to Z Textile Mills and opened a new factory. The Olyset™ Net business has provided many people with jobs in Tanzania, thereby contributing to local employment and economic development. In 2011, Harvard Medical School introduced the case of A to Z Textile Mills as a successful example of local production in the global health field.

Sales from the Olyset™ Net business account for 4% of sales from the Health & Crop Sciences Sector (see page 27).

## Releasing Olyset™ CLASSIC to General Consumers

In Kenya in October 2011, Sumitomo Chemical released the Olyset™ CLASSIC, which provides the same functions as the Olyset™ Net, to general consumers.

Olyset™ Nets have been purchased primarily by the WHO, UNICEF, and other international organizations and donated mainly to those suffering high mortality rates from malaria infection such as children and pregnant women in more than 80 countries. The Company decided to sell Olyset™ CLASSIC insecticidal mosquito nets through general distribution channels in order to provide the product to all those in need. The nets will be sold initially at major supermarkets in Kenya and then marketed across the country.

The Olyset™ CLASSIC will be sold in a range of sizes to ensure suitability for beds of almost all sizes and are expected to be used not only in households but in hospitals, schools and other public facilities.

Through this business, Sumitomo Chemical will continue to make contribution toward the sustainable development of society.



Olyset™ CLASSIC sold at a supermarket in Kenya



# Responsible Care Activities



In its efforts to realize Sustainable Chemistry, Sumitomo Chemical is promoting Responsible Care (RC) activities based on its Corporate Policy on Safety, the Environment and Product Quality and on the fundamental principle of “Making Safety the First Priority.”

We will continue to conduct RC activities proactively and systematically to ensure zero-accident and zero-injury operations, protect the global environment, ensure the safety of chemicals based on their risk assessment, convey information through our supply chain, and promote communication with society.

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# Promoting RC Activities Together with Group Companies

GRI | 4.8 | 4.9 |

## Corporate Policy on Safety, the Environment and Product Quality

Sumitomo Chemical has set forth safety, the environment, and product quality as top priorities for all phases of its business activities in its Corporate Policy on Safety, the Environment and Product Quality. This policy has been communicated to all employees of Sumitomo Chemical and its Group companies to ensure that each and every employee is fully aware of it.

### Corporate Policy on Safety, the Environment and Product Quality

Revised: November 1, 2005  
(Established: April 1, 1994)

In conformity with Sumitomo's Business Principles, our Company fulfills its responsibility to develop, manufacture and supply a variety of products that satisfy the fundamental necessities of human life and contribute to the growth of society. Under the concept of "Making Safety the First Priority," which is fundamental to all the Company's operations, Sumitomo Chemical has based management of its activities on the principles of (i) maintaining zero-accident and zero-injury operations, (ii) ensuring customer satisfaction, and (iii) promoting mutual prosperity with society.

Paying due respect to these principles, our Company is determined to conduct all activities, including production, R&D, marketing & sales and logistics, in accordance with the following policy related to safety, the environment and product quality.

1. Maintain zero-accident and zero-injury operations and the safety of neighboring communities and our employees.
2. Ascertain the safety of raw materials, intermediates and products, and prevent our employees, distributors, customers and consumers from being exposed to any possible hazard.
3. Supply high-quality products and services that satisfy customers' needs and ensure safety in their use.
4. Assess and reduce our environmental impact at all operational stages, from product development to disposal, and undertake all practical environmental protection measures.

All sections and employees of our Company shall be made fully aware of the significance of this policy, and shall constantly strive to improve operational performance, while at the same time abiding by all relevant laws, regulations and standards.

**Masakazu Tokura**  
President  
Sumitomo Chemical Company, Limited

十倉和久

## Policy on Responsible Care Activities

Sumitomo Chemical has summarized its key Responsible Care initiatives in its Policy on Responsible Care Activities, which is incorporated into the specific activity targets and plans formulated annually by the Company and each workplace.

### Policy on Responsible Care Activities

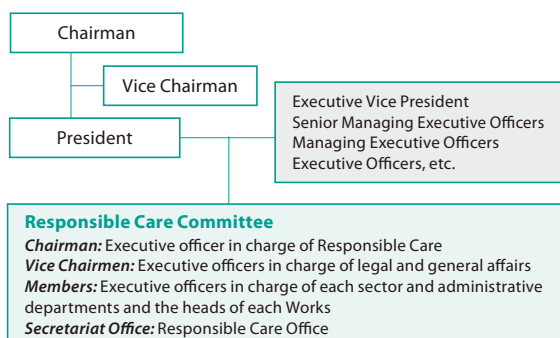
Revised: March 2, 2006  
(Established: January 1995)  
Responsible Care Committee

In accordance with the Corporate Policy on Safety, the Environment and Product Quality, Sumitomo Chemical will strive to promote Responsible Care activities in developing its business, and will also do its utmost to achieve sustainable development and earn the trust of society.

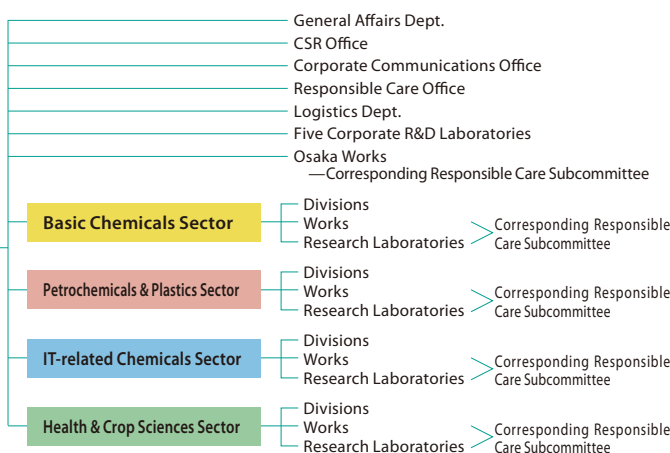
1. We will achieve our zero-accident, zero-disaster targets to ensure stable operations.
2. We will conduct risk management throughout the life cycle of our products, throughout the stages of development, manufacturing, transport and disposal, and strive to conserve the environment, and ensure the safety and health of our employees as well as that of the local community.
3. We will comply with all domestic and international laws and standards relating to safety and the environment, and strive to meet even stricter targets than those legally required.
4. We will promote both risk reduction and accident prevention from the perspectives of product safety and quality.
5. We will promote energy and resource conservation and seek to reduce our environmental impact.
6. We will implement the requisite education and training for our employees relating to safety, the environment and product quality, and will promote effective Responsible Care activities.
7. We will be mindful of the interests of both local residents and regulatory authorities in connection to safety, the environment and product quality, and will fulfill our responsibility to provide related information through dialogue.
8. We will evaluate the content of our activities and seek to implement improvements through Responsible Care audits pertaining to occupational health and safety, security and disaster prevention, environmental protection, chemical safety, product safety and quality assurance.
9. We will support the Responsible Care activities of Group companies, contractors and other business partners, including located overseas.

## Organization for Responsible Care Activities

Sumitomo Chemical has its Responsible Care (RC) Committee to foster Responsible Care from a long-term view both comprehensively and efficiently. This committee is chaired by the executive officer in charge of Responsible Care and comprises executive officers supervising the four business sectors of the Company, executive officers in charge of the corporate depart-



ments (the General Affairs, Corporate Communications, Logistics Departments, the Responsible Care and CSR Offices, etc.), and heads of the Works.



### Implementing the Sumitomo Chemical Group's Medium-Term Plan for Responsible Care Activities

Sumitomo Chemical has been implementing a medium-term plan (for fiscal 2010 to 2012) that covers the fields of occupational safety and health, industrial safety and disaster prevention, environmental protection, chemical safety, product responsibility, and climate change. In this plan, we have also set targets for RC audits and logistics. We are striving to steadily conduct RC activities based on this plan and in consideration of our long-term targets.

In addition, we have formulated the Sumitomo Chemical Group's medium-term plan for Responsible Care activities. Based on this plan, each Group company sets their own specific medium-term and annual RC activity plans in light of their current situation and implements the plans through a PDCA cycle to further improve their activity level.

### Applying the Sumitomo Chemical Group Responsible Care Activity Standards

As part of measures to enhance internal control and foster efficiency in Group management, Sumitomo Chemical formulated the Sumitomo Chemical Group Responsible Care Activity Standards in April 2010. Since then, the Company has been applying the standards, which set forth the Group's policies, measures, procedures, and other basic requirements for each RC activity area, to its consolidated subsidiaries both within and outside Japan (excluding equity-method affiliates). The basic standards have provided Group companies with a solid activity foundation that can be shared among them regardless of the details of each business and have enabled the Group to conduct RC activities in a more unified manner. We will work to implement the standards, which have already been applied for more than two years, more efficiently and effectively.

#### Medium-Term Plan and Long-Term Targets

	Group	Sumitomo Chemical	
	Medium-term plan (for fiscal 2010 to 2012)	Medium-term plan (for fiscal 2010 to 2012)	Long-term target
Occupational safety and health	Reduce labor accidents	Conduct activities to enhance a culture of safety	Achieve zero accidents by establishing a culture of safety
Industrial safety and disaster prevention	Zero fires and explosions	Assess serious risks and implement measures	Achieve safe and stable operations
Environmental protection	Reduce environmental impact	Promote the visualization of management	Attain advanced environmental targets
Chemical safety	Improve management levels	Compile hazard data and use them for risk assessment	Risk-based management
Product responsibility	Reduce PL risks	Promote the reevaluation of PL risks	Complete the reevaluation of PL risks
Climate change	Promote anti-climate change measures and energy-environment strategies		Boost businesses that help create a low-carbon society
RC audits	Visualize evaluation results and promote the best practices		Share the best practices
Logistics	Advance the global logistics function		Foster CSR-oriented logistics

#### Information Exchange between Group Companies

In April 2012, we held the sixth RC Global Meeting at the Sumitomo Chemical Environmental Health Science Laboratory (Osaka), inviting about 30 members from 19 overseas Group companies. In this annual meeting held since 2007 targeting overseas Group companies, participants introduced the initiatives they were taking in compliance with local laws and regulations and proactively discussed and exchanged their opinions concerning common problems.

In May 2012, we also held a meeting at the Head Office in Osaka for domestic Group companies to exchange information on Responsible Care. This meeting has been held for more than 20 years, usually with the participation of more than 100 people. At the meeting, both Sumitomo Chemical and its Group companies reported their RC-related challenges and topics, and participants proactively exchanged opinions with each other.



Upper: Participants in the RC Global Meeting  
Left: Meeting held for domestic Group companies to exchange information

# Responsible Care (RC) Audits

GRI | 4.11 |

## Responsible Care Auditing Framework and Overview

Sumitomo Chemical conducts RC audits regarding a range of items to objectively evaluate whether RC activities are being conducted appropriately and whether the PDCA cycle is being executed properly.

Sumitomo Chemical's Works and Research Laboratories are subject to the following two types of RC audits: (1) Specialized audits, in which a checklist is created and specialists then conduct audits on RC systems and their operation; and (2) Management audits involving Responsible Care Committee members led by the executive officer in charge of Responsible Care.

Specialized audits are also conducted for each of Sumitomo Chemical's business sectors as well as Group companies in Japan and overseas.

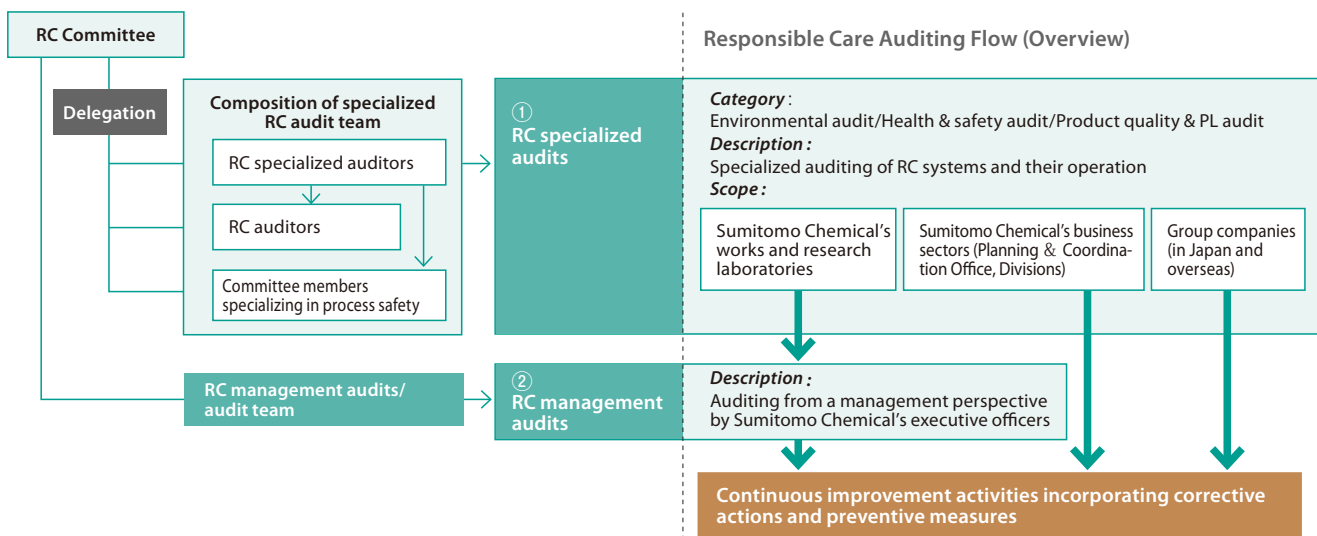
## Fiscal 2011 Responsible Care Audit★

Responsible Care specialized audits and management audits were conducted at the Ehime, Chiba, Osaka, Oita, Misawa, and Ohe Works. In addition, a total of 41 audits were conducted on our business sectors and domestic and overseas Group companies (see DATA BOOK p. 13). The results turned up no major issues of noncompliance with laws and regulations that led to issuance of recommendations or a penalty charge by the government.



RC audit conducted at Sumika Polymer Compounds France

### Responsible Care Auditing Framework



### Continuous Organization of RC Study Meetings for Group Companies (Activity to Help Group Companies Make Improvements)

In light of the fact that many Group companies have pointed out the same problems in RC audits and face a need to implement countermeasures against these problems, since fiscal 2010, Sumitomo Chemical has been holding study meetings to provide the companies facing common problems with opportunities to share solutions and receive advice from the Company.

In fiscal 2011, we held the meeting in November with the participation of 18 domestic Group companies and participants conducted open discussions on the following three themes: (1) application of the Group Responsible Care Activity Standards;

(2) measures to be taken against the problems pointed out in RC audits and those that arise in times of disaster; and (3) provision of static electricity-related safety information.

Regarding the meeting, participants made comments such as "I was able to share detailed information," "I am not very experienced in the field and it was useful to know about the measures taken by other companies," and "It was very meaningful for me to listen to experts' opinions, though time was limited." We will continue to hold the meeting once a year.

★ : Assured by an independent assurance provider



# Group Company Initiatives

## Activities for Environmental Protection, Safety, and Health Conducted at Our Overseas Bases

Taoka Chemical Co., Ltd.

**Sadayoshi Takahama**  
Environment & Safety Manager,  
RC Office



Taoka Chemical has overseas bases in China and India. We are conducting activities for environmental protection, safety, and health at these bases in line with our Corporate Policy for Quality, Safety, and Environment, which states, "To undertake environmental protection, human safety and health in the overseas operations."

Taoka (Tianjin) Fine Chemical Co., Ltd. produces additives for rubber chemicals, intermediates for photographic chemicals, and chemicals for electronic materials. We have conducted a number of activities for this company including holding HAZOP meetings, conducting onsite safety audits, and sharing safety-related information, while proactively carrying out quality audits and supporting quality management. Thanks to efforts by local employees and support from the head office, the Chinese subsidiary obtained ISO 9001 certification in 2011 and also received the highest level of commendation from the authority of the Economic Development Area in which it is located.

Taoka Chemical India Pvt. Ltd. manufactures instant adhesives. We are providing instructions to this subsidiary regarding the operation and management of newly established waste incineration equipment and carrying out safety audits to ensure the steady operation of the system. We also annually conduct onsite quality audits. In fiscal 2012, we will support the company toward its acquisition of ISO 9001 certification.



Taoka (Tianjin) Fine Chemical Co., Ltd.



Taoka Chemical India Pvt.Ltd.

## Conducting RC Activities Steadily, with Continuous Improvement

Sumipex Techsheet Co., Ltd. (Taiwan)

**Ashley Yang**  
Responsible Care and R&D  
Manager



Sumipex Techsheet (STS) started operations in January 2009. We manufacture and sell acrylic boards used in signboards, lighting covers and other items. We also began manufacturing products for Japanese customers last year and have been improving product quality to meet detailed product requirements.

STS has the following five Responsible Care targets:

- (1) Increase the safety awareness of employees
- (2) Manage risks and prevent accidents
- (3) Conserve energy and resources
- (4) Prevent environmental pollution and make continuous improvements in this area
- (5) Comply with safety- and environment-related laws and regulations

Last year, as an activity for (1), we began to convene young deputy managers from relevant departments to our monthly safety meeting, in which we identify safety risks and discuss the reasons they are considered as such. Based on these discussions, we are making improvements, targeting the workplaces, machines, and work methods that pose safety risks.

For (5), we are implementing measures in response to recent revisions of the local environmental laws and regulations concerning exhaust gas in Taiwan, applying foresight to assist in this regard. With our current exhaust gas treatment system, gas with traces of mist containing methyl methacrylate monomer, which is used as the main material for acrylic boards, is expelled as exhaust, and if our acrylic board production capacity is expanded in the future as planned, the amount of discharged mist (MMA-m) might exceed the regulated standard. To prevent this from occurring, we designed a basic process to recover MMA-m for recycling prior to exhaust gas treatment, receiving support from the design department of Sumika Technology Co., Ltd., located in Tainan, from last year. We need to remodel the exhaust gas treatment system step by step in order to complete the process. In fiscal 2012, we will foster environmental protection, resource saving, and recycling by remodeling the system while also improving our organization and operational methods to boost our Responsible Care activities to a higher level.

## Achievement of Energy Saving

Sumika Electronic Materials (Wuxi) Co., Ltd.

**Liuji, Li**  
Equipment Construction  
Department



Sumika Electronic Materials (Wuxi) Co., Ltd. (SEMW) since its establishment in 2004, and while mainly engaged in its key businesses including the production of Polarizing films, Light diffuser plates, Light guide plates, Separators for LIB, LCP Compounds and so on, has been committed to the cause of CSR, especially in the field of energy-saving. SEMW's efforts and contributions have won common approval from local government and other communities. In 2011, SEMW won the Award named



Commended as the Best Project for Reducing Energy Consumption

“the Best Project for Reducing Energy Consumption” and a 30,000 RMB cash award from Wuxi New District Administrative Committee as a result of our outstanding achievement.

### We will persist in our improvement forever!

Confucius, who has been famous since Ancient Chinese times, always conducted a self-examination three times per day. Such is the method of company operations as well. Since SEMW's establishment in 2004, company leaders and all staff have been making comprehensive self-examinations, including on not only operating principles and major policies, but also processes, equipment and devices. As a result of making improvements based on self-examination, we were able to achieve great success in the field of energy-saving. Here for your reference, a few cases follow:

Program	Theme	Description	
		Before improvement	After improvement
Lighting control project	Improve the method of lighting control	Lights were manually controlled by a switch, with some constantly switched on	Control by infrared rays
Solar street lighting project	Reasonable layout of solar street lamps	Solar street lamps were used outside the suspended plant	These redundant solar street lamps were moved to the plant that was operating
Project for the reasonable use of air conditioners	Operate air conditioners in an efficient manner	Air conditioners were constantly used	Some of the air conditioners are shut down according to the number of onsite workers. (As a result of repeated tests, the following fact was revealed: when the temperature reaches 22 degrees Celsius +/- 2 degrees, and a relative humidity of 55% +/- 5%, there is no impact on the production process, even if one-third of the air conditioners are switched off.)
Plant water project	Reduce the use of electricity	Water supply by pumping	Direct supply of tap water

From 2007 to 2011, total cost-savings reached 2 million RMB.

Moreover, based on the policy of “energy saving and eco-friendly growing,” all our departments have been proactively making investments in energy saving. As a result, we achieved both sustainable operation and substantial cost reduction (equivalent to 2 million RMB).

We will continue to implement energy saving measures in line with the policies set by the Chinese government. In the next few years, we plan to introduce new systems such as new efficient LED lighting and power EP (Environment Protect) systems, in order to reduce energy cost, improve competitiveness, and maintain eco-friendly growth. At the same time, we are making all out efforts to reduce energy consumption and maintain the Earth's global environment.

## Developing Environment-Friendly Products

Sumika Agrotech Co., Ltd.

**Michio Sugiyama**  
Production Division



Sumika Agrotech aims to contribute to the development of agriculture and society by developing technologies and products that are related to basic agricultural materials such as water, soil, fertilizers, and seeds.

In conducting our business, we place importance not only on contributing to agricultural production but also on reducing the impact caused by agriculture to the environment. For example, we developed a “one shot fertilizer,” paying attention to the nutrient absorption pattern of crop plants. One shot fertilizer is attracting attention as an environment-friendly fertilizer because the nutrients are efficiently absorbed by plants while the outflow of fertilizer ingredients into the soil is minimized.

Our irrigation materials, which are used to water plants, are made from plastics with low environmental impact. Also, we



Irrigation tube



Irrigation tube



One shot fertilizer



Seed coating

## Group Company Initiatives

use natural materials for our seed coating products, which are used to coat seeds to give them a uniform size and shape. In developing any product, we are committed to reducing the environmental impact of the product throughout its total life cycle, from the procurement of materials through to the end-of-life of the product and its disposal.

We will further enhance our environmental impact reduction measures to make more contributions to society.

### Embedding RC Activities and its continuous improvement Petrochemical Corporation of Singapore (Private) Limited (PCS)

**Bernard Leong**  
Health, Safety & Environment  
Manager



PCS was conferred the Excellence Award in all Responsible Care Codes of Management Practice at the Singapore Chemical Industry Council's (SCIC) Responsible Care Awards 2011. SCIC is the official body representing the chemical industry in Singapore. Its membership comprises key multi-national corporations, small-to-medium enterprises, service providers and traders. SCIC is affiliated with the ASEAN Chemical Industries Council and also plays an instrumental role in the adoption of GHS in Singapore. PCS was conferred the highest award in all RC categories by SCIC in recognition of the initiatives the company had taken to continually improve the health, safety and environment (HSE) of employees and the community.



SCIC Responsible Care Awards 2011 granting ceremony

I will introduce some of the initiatives taken by PCS as follows.

#### Community awareness and emergency response

Some of the key initiatives and strategies include procedures for notification to appropriate parties within a comprehensive communication network.

#### Pollution prevention

Among the key strategies are reducing known pollutants

generated in the workplace to the practicable minimum and programs to increase employees' awareness and gain support to minimize pollutants.

#### Process safety

Consistent effort has been put in to ensure capability to identify failures, gaps or unsafe conditions. Comprehensive training schemes equip employees with the knowledge to strive for continual improvement.

#### Product stewardship

One of the key considerations is communication with customers, distributors and workforce on safe use, transportation and disposal of products, and recommendations for risk reduction.

Participation in the SCIC Awards has spurred PCS to continue to scale greater heights in search of excellence and building trust with stakeholders.



### Personnel Exchanges in the Responsible Care Field between Group Companies

**Seung Ju Song**  
Responsible Care Office (Environment & Safety)  
Energy & Climate Change Office  
Head Office in Tokyo

Sumitomo Chemical is accelerating globalization in a range of business and operational fields. Also in the field of Responsible Care (RC), the Company is fostering global human resource development as well as personnel exchanges and bidirectional communications between employees in charge of RC, both within and outside Japan.

As part of such measures, I was transferred from Dongwoo Fine-Chem, a group company based in South Korea that manufactures and sells IT-related materials, to the RC Office (and the Energy & Climate Change Office) on a temporary basis (for two years). In the RC Office, I am mainly engaged in the standardization and systematization of energy- and environmental protection-related operations.

I am struggling hard to perform the tasks given to me, which provide me with precious opportunities to learn about Sumitomo Chemical's advanced RC measures and deepen my knowledge and understanding about Japanese laws/regulations and related movements. I would like to contribute to higher operational efficiency and the visualization of business operations for the entire Sumitomo Chemical Group. To this end, I am trying hard to achieve results during my stay in Japan, which will be over in about six months.

# Major Targets and Results in RC Activities★

Progress with the Major Measures Taken for Environmental Protection, Safety and Quality Assurance

GRI | EN5 | EN18 | LA7 | PR2 |

	Category	Target	Measures Taken	Object
<b>Auditing</b>	Continuous improvement of Responsible Care activities Strengthening of corporate governance	Use of audits to evaluate and improve Responsible Care activities Strengthening of compliance	Promotion of integrated Responsible Care activities and Responsible Care audits throughout the Group/Determination of priority areas for auditing; zero accidents, measures to strengthen compliance	Non-consolidated/ Group
<b>Environmental Protection</b>	Sustainable environmental management	Promotion of sustainable environmental management	Making economic activities and environmental protection compatible	Non-consolidated/ Group
	Global environmental protection	Prevention of global warming	Reduction in CO <sub>2</sub> emissions	Non-consolidated Group
		Prevention of ozone layer depletion	Reduction of CFC emissions	Non-consolidated/ Group
	Establishment of a recycling-based society	Energy savings	Improvement in unit energy consumption	Non-consolidated Group
		Curbing the generation of industrial waste	Reduction in the amount of industrial waste sent to landfill	Non-consolidated Group
	Preservation of the living environment and prevention of health hazards	Effective use of water resources	Improvement in unit water usage	Non-consolidated
		Appropriate chemical substances management Proper handling of PRTR substances	Promotion of risk management according to the environmental risk	Non-consolidated Group
		Reduction in VOC emissions	Reduction in VOC emissions	Non-consolidated
		Prevention of soil and groundwater contamination	Promotion of soil and groundwater contamination risk management	Non-consolidated/ Group
	PCB countermeasures	Proper storage and disposal of PCB waste	Non-consolidated/ Group	
Prevention of accidents causing environmental contamination	Reduction of environmental risks involving operating activities	Non-consolidated		
<b>Safety</b>	Promotion of occupational health and safety	Prevention of occupational accidents	Elimination of accidents resulting in lost workdays for employees of Sumitomo Chemical and contractors/affiliate companies Use of Occupational Safety and Health Management System (OSHMS) to reduce potential occupational safety risks Prevention of problems caused by human factors	Non-consolidated
	Promotion of disaster prevention activities	Prevention of major accidents	Reduction of process-related risks	Non-consolidated
	Promotion of chemical safety management	Ensuring chemical safety	Enrichment of safety information and proper management of chemical substances	Non-consolidated
	Promotion of safety activities in logistics	Ensuring safety, environmental protection, and maintaining product quality during logistics operations	Reducing risk of occupational accidents and injury in logistics; Promotion of a transport system that exerts less impact on the environment; Promotion of measures to prevent quality irregularities in logistics	Non-consolidated
<b>Product responsibility</b>	Promotion of product safety activities	Prevention of quality problems (including PL problems)	Management of product safety-related risks Providing customers with product safety-related information Providing customers with products and services of stable quality	Non-consolidated/ Group



● : Target achieved or satisfactory progress  
▲ : To be achieved

Target	Performance in Fiscal 2011	Achievement Status
Strengthen the global Responsible Care audit function Give support to Responsible Care improvements within the Company and across Group companies	Introduced an ISO 31000-compliant risk management evaluation method. Improved audit results of both the Company and Group companies. Progress in support for Group companies by holding study meetings.	●
- Promote measures to fulfill the commitments made under the Ministry of the Environment's Eco-First program - Promote anti-climate change measures and energy-environment strategies - Standardize and systematize environmental management - Ensure the management of environmental risks - Examine the practical use of environmental efficiency evaluation methods and environmental accounting methods	- Achieved definite results for each of the commitment items - Made progress with specific measures for major issues - Achieved higher efficiency and reduced labor in operations related to energy, PRTR and waste - Continued to minimize the environmental risks of substances subject to the PRTR Act - Continued environmental impact assessments based on the JEPIX and LIME methods and evaluation of the effectiveness of the material flow cost accounting (MFCA) method	●
Reduce unit CO <sub>2</sub> emissions from direct use of fossil fuels by 20% relative to fiscal 1990 levels by fiscal 2015	Improved by 0.5% year on year (by 24.9% from the fiscal 1990 level)	●
Reduce unit CO <sub>2</sub> emissions by 5% relative to fiscal 2010 by fiscal 2015*	Improved by 3.6% relative to fiscal 2010*	●
Eliminate the use of refrigeration units that use specified CFCs as coolants by fiscal 2025	- Continued systematic replacement of refrigeration units - No (specified CFC) coolant leakages occurred	●
Reduce unit energy consumption by 25% relative to fiscal 1990 by fiscal 2015	No year-on-year change (improved by 19.0% from the fiscal 1900 level)	▲
Reduce unit energy consumption by 5% relative to fiscal 2010 by fiscal 2015*	Improved by 1.6% relative to fiscal 2010*	●
Reduce volume of waste disposed of in landfill by 80% relative to fiscal 2000 by fiscal 2015*	Increased by 0.6% year on year (but reduced by 77.5% from the fiscal 2000 level)	▲
Reduce volume of waste disposed of in landfill by 24% relative to fiscal 2010 by fiscal 2015	Reduced by 48.0% relative to fiscal 2010*	●
Reduce unit water usage by 9% relative to fiscal 2010 by fiscal 2015	Increased by 3.2% relative to fiscal 2010	▲
Reduce total emissions (into the air and water) of substances subject to the PRTR Act by 60% relative to fiscal 2008 by fiscal 2015	Reduced by 79.9% relative to fiscal 2008	●
Reduce total emissions (into the air and water) of substances subject to the PRTR Act by 17% relative to fiscal 2010 by fiscal 2015*	Reduced by 16.3% relative to fiscal 2010*	●
Reduce VOC emissions by 30% relative to fiscal 2000	Reduced by 48.5% relative to fiscal 2000	●
Keep hazardous materials strictly within Company premises and conduct the required inspections and improvements. Company premises to be kept under continuous monitoring/supervision.	-Soil contamination survey, evaluation, and required remediation currently near completion -Monitoring of groundwater near boundaries has confirmed that levels of hazardous materials are below those stipulated by environmental standards -Continued monitoring of groundwater	●
Promote appropriate storage and recovery of PCB waste and complete PCB waste treatment by March 2014	Some factories completed PCB waste treatment, and those that had yet to complete it continued the strict recovery and appropriate storage of PCB waste	●
Completely eliminate accidents and major problems	Achieved the target of zero accidents and major problems	●
Number of lost-workday injuries: 0/Severity rate of lost-workday injuries: 0 /Frequency rate of lost-workday injuries = (number of lost-workday injuries/man-hours) x 1,000,000/Severity rate of lost-workday injuries = (number of lost-workdays/man-hours) x 1,000	There were no injuries resulting in lost workdays and the target was thus achieved	●
	Lost-workday injuries: 0/ Severity rate of lost-workday injuries: 0	●
-Eliminate major accidents -Give no impact outside the premises	No serious industrial accident Continued to conduct process risk assessment and implement safety measures	●
Conduct various studies and risk assessments and enrich safety information related to Responsible Care for chemical products	Carried out the risk assessments of effects of exhaust gas and wastewater on human health and the environment; the risk assessments of chemicals handled at workplace for occupational health and safety; and the risk assessments of newly developed chemicals for consumer safety, and improved levels of risk assessment	●
Promote advanced approach for chemicals management	Promoted voluntary programs to compile existing findings and information and fostered the operation of comprehensive chemical management systems (SuCESS) to manage the safety information properly, and started examinations for the use of SuCESS by Group companies	●
-Achieve zero accidents resulting in lost workdays at partner logistics companies -Reduce annual unit energy consumption by 1% -Achieve the management target for logistics quality irregularities (Reduce major incidents to six or fewer)	-There was one lost-workday accident at a partner logistics company, and thus the target was not achieved. -Unit energy consumption decreased by 5% year on year, and thus, improvement was made. -The number of logistics quality irregularities was below the target level (one major incident), and thus the target was achieved.	▲
- Reevaluate product risks by fiscal 2020 - Provide information in various ways -Achieve zero major product quality problems	Made about 50 new risk assessments / Created and revised about 100 GHS-compliant SDSs / Participated in the cross-industrial examination of risk management for chemicals contained in products / Two major quality problems	●

See the graph on page 42 (Targets to be Shared by Domestic Group Companies and Results)

★ : Assured by an independent assurance provider

# Environmental Performance of the Sumitomo Chemical Group★

GRI | 2.8 | 3.7 | 3.9 | EC2 | EN1 | EN3 | EN4 | EN8 | EN16 | EN18 | EN19 | EN20 | EN21 | EN22 | EN30 |

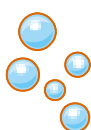
Sumitomo Chemical collects and totals the Group's environmental data, including data on its energy and resource consumption, production quantities, and environmental impact (e.g., release of pollutants into the air and water). We also introduced environmental accounting for the Group and continuously publicize the results.

\*1. Sumitomo Chemical and the following 16 domestic Group companies: Dainippon Sumitomo Pharma Co., Ltd., Koei Chemical Co., Ltd., Taoka Chemical Co., Ltd., Sumitomo Joint Electric Power Co., Ltd., Sumika Color Co., Ltd., Nihon Medi-Physics Co., Ltd., Nippon A&L Inc., Thermo Co., Ltd., SanTerra Co., Ltd., Sumika Kakoushi Co., Ltd., Asahi Chemical Co., Ltd., Shinto Paint Co., Ltd., Sumika Styron Polycarbonate Ltd., Sumika Bayer Urethane Co., Ltd., Nihon Oxirane Co., Ltd., and Sumika Agrotech Co., Ltd.

## Primary Environmental Performance (Fiscal 2011)

Figures in black: Sumitomo Chemical Group\*1  
Figures in green: Sumitomo Chemical

### Water



Industrial water	71.2	61.0
Drinking water	1.0	0.5
Seawater	1,272.2	394.2
Groundwater	25.2	22.2
Other water	3.3	3.3
<b>Total</b>	<b>1,372.9</b>	<b>481.1</b>

(Millions of tons)

## INput

Energy and Resources\*2

### Energy

Calculated as kl of crude oil



Fuel, heat, and electricity	2,482	1,355
-----------------------------	-------	-------

(Thousands of kl)

### Exhaustible resources



Hydrocarbon compounds	2,838	2,553
Metals (excluding rare metals)*3	103	94
Rare metals*4	0.19	0.03

(Thousands of tons)

\*2. See page 17 of the DATA BOOK for performance data on energy consumption, CO<sub>2</sub> emissions, water usage, and landfill disposal amounts for major overseas Group companies.

\*3. Calculations include the following 12 metals: iron, gold, silver, copper, zinc, aluminum, lead, platinum, titanium, palladium, gallium, and lithium.

\*4. Calculations include the following seven rare metals: nickel, chromium, tungsten, cobalt, molybdenum, manganese, and vanadium.



Sumitomo Chemical Group  
PCB/CFCs under Secure Storage

No. of electrical devices containing PCBs

1,370 units

94 units

PCB volume

25.0m<sup>3</sup>

22.1m<sup>3</sup>

No. of refrigeration units using specified CFCs as coolant

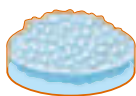
83 units

18 units

## OUTput

Product Manufacturing and Environmental Impact

### Products

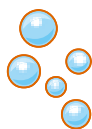


(Calculated on the basis of ethylene production)\*5

2,644 1,528

(Thousands of tons)

### Water pollutant emissions



COD 1,328 1,212

Nitrogen 1,594 1,475

Phosphorus 51 47

Substances subject to the PRTR Act\*7 101 81

(Tons)

### Waste materials



Waste generated\*8 281 62.0

Landfill\*8 45 5.5

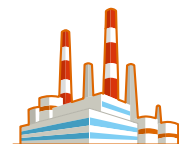
(Breakdown)

On-site landfill 0 0

External landfill 45 5.5

(Thousands of tons)

### Atmospheric emissions



Greenhouse gases (six gases)\*6 4,111

CO<sub>2</sub> 4,061

N<sub>2</sub>O 48

HFC 0.4

PFC 0

Methane 0.1

Sulfur hexafluoride 0

Emissions from energy use (CO<sub>2</sub>) 6,860 3,435

(Thousands of tons of CO<sub>2</sub>)

Others

NOx 5,653 2,645

SOx 5,557 1,604

Soot and dust 344 173

Substances subject to the PRTR Act\*7 615 410

(Tons)

\*5. Certain assumptions were made in calculations due to the difficulty of obtaining weight-based figures for some products.

\*6. The method used for calculating CO<sub>2</sub> emissions (i.e. CO<sub>2</sub> emission coefficient, types of greenhouse gases targeted for calculation, and emission sources) has remained unchanged since the calculation of environmental performance data was started.

\*7. Calculated based on the amount released into water/air of each substance subject to the Order for Enforcement of the PRTR Act (promulgated on November 21, 2008).

\*8. The amount of coal ash generated at Sumitomo Joint Electric Power, which is included in "Waste generated" and "Landfill" (Sumitomo Chemical Group), is calculated on dry weight basis.

★ : Assured by an independent assurance provider

## Evaluation of Environmental Protection Costs and Economic Effects through Environmental Accounting

Sumitomo Chemical continuously gathers and evaluates data on environment-related expenses, investments, and economic results in line with the Company's environmental accounting system introduced in fiscal 2000.

### Items Pertaining to Environmental Accounting

(1) **Period:** Fiscal 2011 (April 1, 2011 to March 31, 2012)

(2) **Scope:** Sumitomo Chemical and 18 major consolidated subsidiaries (12 in Japan and 6 outside Japan)\*

(3) **Composition (Classification):** Based on Ministry of the Environment (Japan) guidelines

(4) **Independent assurance:** Conducted by KPMG AZSA Sustainability Co., Ltd.

## (5) Outline of the results (investment and expenses)

We did not make any large investments in the fiscal year, and investment amount decreased by 7 billion yen relative to the previous fiscal year, when we established the biomass power generation facilities at a group company of Sumitomo Joint Electric Power. Expenses increased by 1.6 billion yen due to reasons such as an increase in materials cost following the launch of operations of the biomass power generation facilities.

### \*18 major consolidated subsidiaries:

Dainippon Sumitomo Pharma Co., Ltd.; Koei Chemical Co., Ltd.; Taoka Chemical Co., Ltd.; Sumitomo Joint Electric Power Co., Ltd.; Sumika Color Co., Ltd.; Nihon Medi-Physics Co., Ltd.; Nippon A&L Inc.; Thermo Co., Ltd.; SanTerra Co., Ltd.; Sumika Kakoushi Co., Ltd.; Nihon Oxirane Co., Ltd.; Sumika Agrotech Co., Ltd.; Dongwoo Fine-Chem Co., Ltd.; Sumitomo Chemical (Singapore) Pte. Ltd.; The Polyolefin Company (Singapore) Pte. Ltd.; Sumika Technology Co., Ltd.; Sumika Electronic Materials (Wuxi) Co., Ltd.; and Sumika Electronics Materials Poland Sp. Zo.o.

## Environmental Protection Cost

(100 million yen)

Classification	Details of Major Initiatives	Fiscal 2010				Fiscal 2011			
		Non-consolidated		Consolidated		Non-consolidated		Consolidated	
		Investment	Expenses	Investment	Expenses	Investment	Expenses	Investment	Expenses
<b>Business Area Costs</b>		20	183	109	258	26	181	38	276
Breakdown	<b>Pollution Prevention Costs</b>	(17)	(139)	(21)	(176)	(11)	(131)	(18)	(165)
	<b>Global Environmental Protection Costs</b>	(0)	(0)	(82)	(10)	(0)	(0)	(4)	(29)
	<b>Resource Recycling Costs</b>	(3)	(44)	(6)	(72)	(15)	(50)	(16)	(82)
<b>Upstream/Downstream Costs</b>	Green purchasing, recycling, recovery, remanufacturing and appropriate treatment of products, recycling costs associated with containers and packaging, environmentally friendly products and services, etc.	0	0	0	2	0	0	0	2
<b>Administrative Costs</b>	Costs associated with environmental education, environmental management systems, the monitoring and measuring of the environmental impact of business activities and products, environmental organization operations, etc.	0	6	0	11	0	6	0	11
<b>R&amp;D Costs</b>	Development of products with attention to environmental safety, research into energy-saving processes, etc.	0	63	0	64	0	64	0	65
<b>Social Activity Costs</b>	Protection of the natural environment and enhancement of its scenic beauty and greenery, support for community initiatives aimed at environmental protection, support for environmental preservation groups, environment-related paid contributions and surcharges, etc.	0	4	0	7	0	5	0	7
<b>Environmental Remediation Costs</b>	Environmental rehabilitation of contaminated environments and other environmental damage, reserve funds to cover environmental recovery, etc.	0	4	0	4	0	0	0	0
<b>Total</b>		20	260	109	346	26	257	39	361

## Economic Effects

(100 million yen)

Results	Fiscal 2010		Fiscal 2011	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Reduced costs through energy saving	15	17	7	11
Reduced costs through resource saving	5	6	3	3
Reduced costs through recycling activities	38	39	31	33
<b>Total</b>	<b>58</b>	<b>62</b>	<b>41</b>	<b>47</b>

### Improving the Cost Efficiency of Environmental Protection

In fiscal 2009, we began implementing measures to improve the cost efficiency of our environmental protection measures by making sure that all activities were as cost effective as possible. We will implement more effective measures by analyzing and studying the breakdown of our environmental protection costs and reviewing each item to determine its importance. We calculate the cost efficiency of our environmental protection as the ratio of annual total production value to total environmental protection costs, in order better to reflect actual production activities in the calculation.



# Energy and Environmental Protection

GRI | 3.9 | EN18 |

## Promoting Sustainable Environmental Management

Sumitomo Chemical aims to achieve an even higher level of sustainable environmental management by conducting a range of specific activities. These include activities to promote anti-climate change measures and energy-environment strategies; share energy/environmental protection management targets throughout the Group; foster the standardization and systematization of environmental management operations; enhance risk management based on environmental risk assessment; and examine the practical use of environmental efficiency indicators and environmental accounting methods.

### Promotion of Anti-Climate Change Measures and Energy-Environment Strategies

Global society is now required to thoroughly review the use of energy to tackle the climate change problem. Believing it to be important to meet this requirement, Sumitomo Chemical formulated specific energy-environment strategies from a long-term perspective and has been implementing measures accordingly. We will respond to the climate change problem, regarding it not only as a risk but also as a business (growth) opportunity that will help us further enhance the foundation of our production activities.

#### Major initiatives to implement energy-environment strategies

Issue	Details
Enhancement of the energy management system	- Reorganize the meeting of energy managers of all sites - Standardize energy and CO <sub>2</sub> management methods
Improvement of energy efficiency and implementation of energy saving measures	- Examine and implement effective projects - Develop and promote new energy saving technologies
Review of energy sources (CO <sub>2</sub> emission sources)	- Replace conventional fuel with low-carbon fuel and bio-fuel for steam boilers and cogeneration systems
Emissions reduction Expansion of businesses that help attain the target	- Develop processes and products that help reduce CO <sub>2</sub> emissions - Prepare and use the guidelines for the estimation of avoided CO <sub>2</sub> emission - Create and use a CFP*1 calculation manual
Examination of other CO <sub>2</sub> emission reduction measures	- Create a bilateral offset mechanism - Utilize a bio-carbon fund

\*1. CFP: Carbon foot print. Means to survey and identify the total life cycle CO<sub>2</sub> emissions from products and services.

## Sharing Energy/Environmental Protection Management Targets throughout the Group

Sumitomo Chemical has set out common targets for performance of major energy and environmental protection activities with its Group companies both within and outside Japan and is implementing specific measures to achieve the targets in a planned manner. (For details, including actual results, see page 14 of the DATA BOOK.)

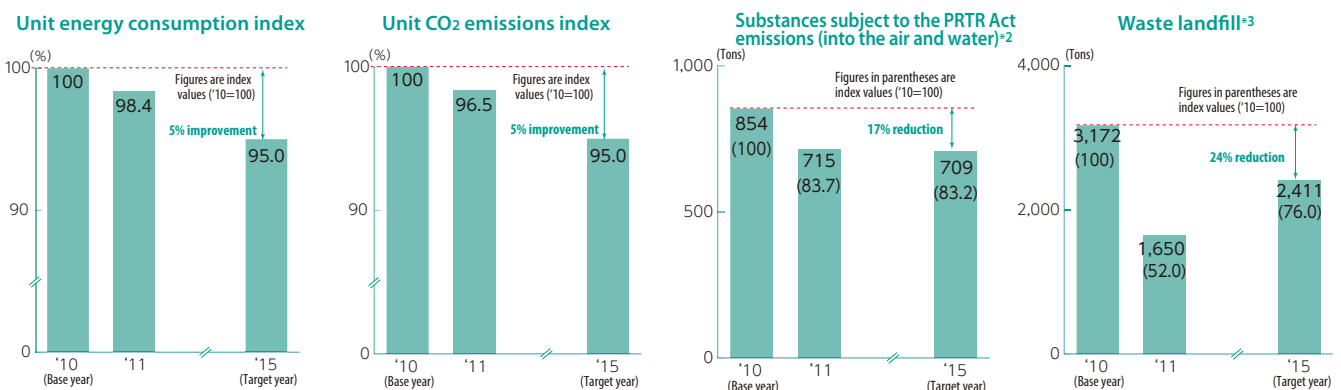
#### The Group's Numerical Targets for Primary Performance Items

Group companies (16 in total) in Japan, including Sumitomo Chemical	
Energy	Reduce unit energy consumption by 5% relative to fiscal 2010, by fiscal 2015
CO <sub>2</sub>	Reduce unit CO <sub>2</sub> emissions (from energy use) by 5% relative to fiscal 2010, by fiscal 2015
PRTR	Reduce total emissions (into the air and water) of substances subject to the PRTR Act by 17% relative to fiscal 2010, by fiscal 2015
Waste	Reduce the amount of waste sent to landfill by 24% relative to fiscal 2010, by fiscal 2015
Group companies (11 in total) outside Japan, including Sumitomo Chemical (sites)	
Energy	Reduce unit energy consumption by 4.1% relative to fiscal 2010, by fiscal 2015
CO <sub>2</sub>	Reduce unit CO <sub>2</sub> emissions (from energy use) by 6.0% relative to fiscal 2010, by fiscal 2015
Water	Reduce unit water use by 14.1% relative to fiscal 2010, by fiscal 2015

## Fostering the Standardization and Systematization of Environmental Management Operations

We are working to standardize and systematize environmental management operations with a view to increase efficiency in the company-wide collection and evaluation of a range of performance data. Our efforts include the real-time visualization of energy and CO<sub>2</sub> data, sophistication of the data tabulation system (with output files that are usable for electronic notifications) pertaining to substances subject to the PRTR Act, including VOCs, and the introduction of a pilot waste management system (for central management of the creation of waste disposal agreements, permits, and manifests).

### Common Targets and Results for Group companies in Japan (Sumitomo Chemical and 15 Group companies) ★



\*2. 16 Group companies, including Sumitomo Joint Electric Power Co., Ltd.

\*3. Some companies (factories) do not include the amount of residue from externally treated waste in determining the amount of waste sent to landfill.

★: Assured by an independent assurance provider



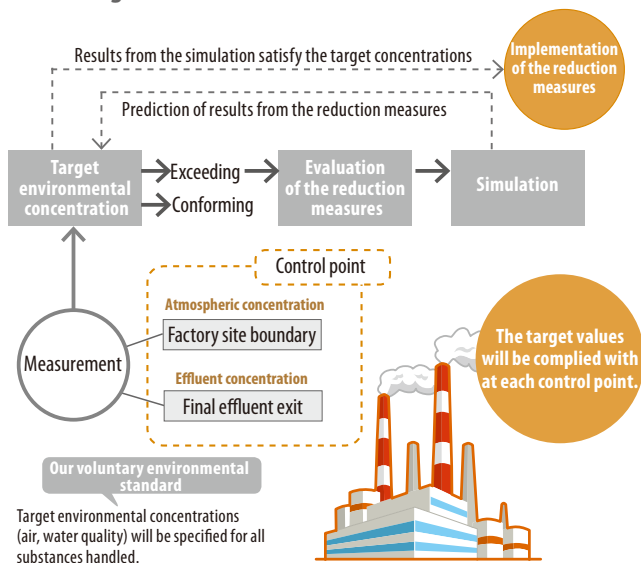
## Enhancing Risk Management Based on Environmental Risk Assessments

Regarding all substances subject to the PRTR Act, including those newly designated by the law revised in November 2008, we manage the risks of all substances handled by Sumitomo Chemical, regardless of the amounts released by the Company.

Specifically, we set the target environmental concentrations\*1 (in the air and water) for all substances as our voluntary management criteria. We evaluate hazard levels by comparing the targets with data obtained through monitoring and simulation, formulate reduction plans based on the evaluation results, and implement the plans to reduce the amounts of substances released.

\*1. Target environmental concentrations: Sumitomo Chemical's factories are committed to maintaining the concentrations of substances below the target environmental concentrations at control points (factory site boundary and final effluent exit) designated by the Company based on the reliable reference values announced by national governments and organizations in Japan and overseas.

### Risk Management Based on Environmental Risk Assessments



## Examining the Practical Use of Environmental Efficiency Indicators and Environmental Accounting Methods

### Assessing the environmental impact of each Group company using JEPIX\*2

In fiscal 2011, as in the previous fiscal year, we undertook environmental impact assessments using JEPIX, in order to evaluate the effectiveness of this index as a strategic management indicator, and continued with relevant analyses.

### Assessing environmental impact of each product by LIME

For more practical use of LCA\*3 data both internally and externally, we use LCA software (MiLCA) from the Japan Environmental Management Association for Industry to undertake environmental impact assessments of our major products using the LIME method.

### Trial evaluation of material flow cost accounting (MFCA)\*4

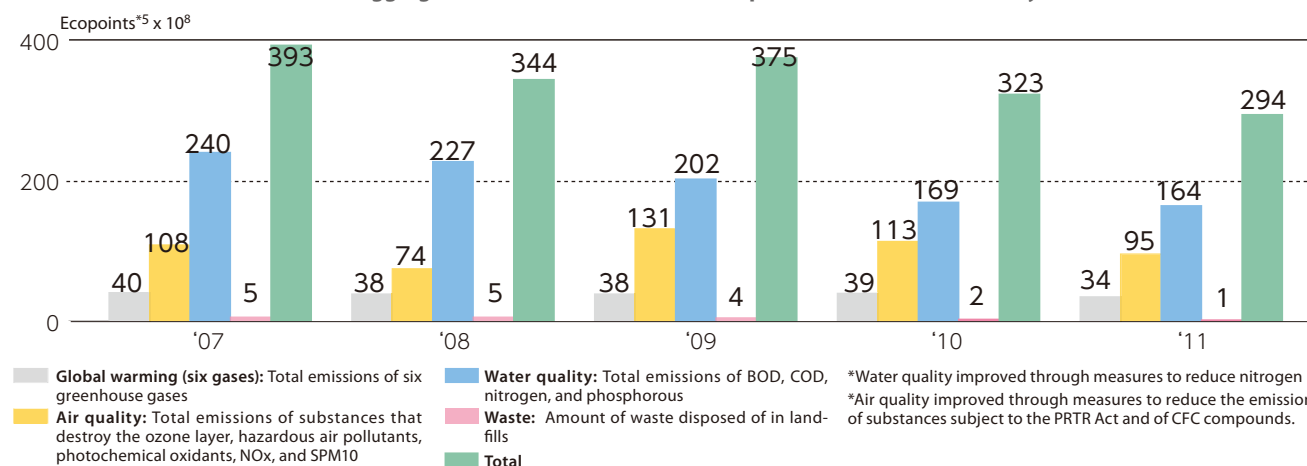
We are continuing to evaluate the effectiveness of this tool and also are performing examinations for the simplification and standardization of the method and procedures in order to foster their use. MFCA, which focuses on the loss of energy and resources, helps minimize loss and cost and reduces environmental impact.

\*2. Environmental Policy Priorities Index for Japan (JEPIX): This method, which employs a uniform single indicator called "Ecopoints" to evaluate environmental impact, is derived from the Swiss LCIA Eco Scarcity methodology. The current method evaluates the discrepancy between targets (e.g. laws and environmental policies) and actual conditions based on material flow data.

\*3. Life Cycle Assessment (LCA): A method for evaluating the environmental impact of products and services throughout their lifecycles

\*4. Material Flow Cost Accounting (MFCA): An environmental cost accounting method that identifies input costs of materials, processing, electricity, fuel, and others, and compares them with the energy and resources lost in manufacturing processes

Breakdown of Aggregate Values for Environmental Impact (Sumitomo Chemical) by JEPIX ★



\*5 Ecopoints: An indicator for total environmental impact—the smaller the value, the lower the environmental impact.

\*6. Some factories do not include the amount of residue from externally treated waste in determining the amount of waste sent to landfill.

★: Assured by an independent assurance provider

## Energy Saving and Activities for Avoided CO<sub>2</sub> Emissions

Sumitomo Chemical is proactively implementing measures for the achievement of a recycling-based, low-carbon society, including measures to save more energy and further reduce CO<sub>2</sub> emissions.

### Outline

Sumitomo Chemical regards and pursues the following as its core implementation targets: to achieve the world's highest level of energy efficiency in the manufacturing process of its major products (remarkable improvement of energy efficiency); and to review energy sources and develop processes and products that contribute to a reduction in CO<sub>2</sub> emissions (further expansion of the low-carbon business).

To remarkably improve energy efficiency, we are implementing multifaceted energy saving measures that will achieve tangible results, including improving the operation methods and efficiency of our equipment, recovering waste heat, and rationalizing and fundamentally improving production processes through the use of our unique catalyst technology. We are also implementing low-carbon measures in a planned manner, including using low-carbon fuels for in-house power/steam generation, expanding our contributions to reducing CO<sub>2</sub> emissions business, and making use of the BioCarbon Fund.

### Trends and Topics of Performance Items

#### Targets and actual results

We are striving to achieve predefined numerical targets, while precisely estimating our CO<sub>2</sub> emissions by energy source to clarify points to be improved and to elevate the entire management process to a higher level.

#### Targets and Actual Results for Energy Saving and CO<sub>2</sub> Emissions★

	Energy Saving	CO <sub>2</sub> Emissions
<b>Target</b>	Improve unit energy consumption by 25% relative to fiscal 1990 by fiscal 2015	Reduce unit CO <sub>2</sub> emissions from direct use of fossil fuels by 20% relative to fiscal 1990 by fiscal 2015
<b>Results in Fiscal 2011</b>	Achieved a 19.0% reduction from the fiscal 1990 level (0% reduction from the fiscal 2010 level)	Achieved a 24.9% reduction from the fiscal 1990 level (0.5% reduction from the fiscal 2010 level)

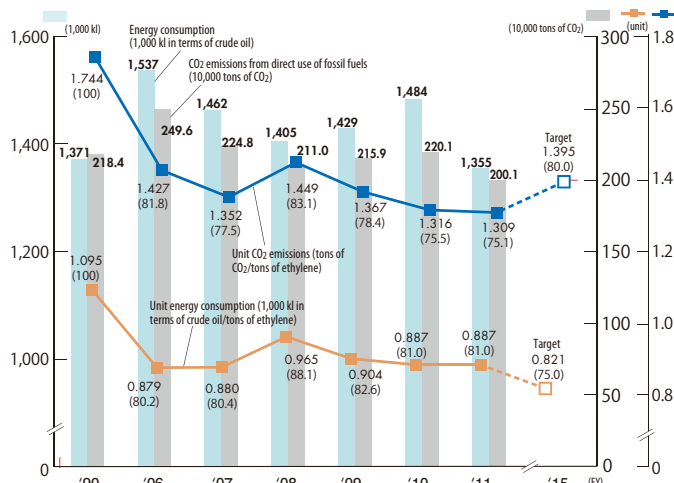
#### Volume of CO<sub>2</sub> Emissions by Source★

FY	Total Emissions	Energy Origin		Environmental Treatment		Process
		Fossil Fuel Consumption	Purchased Electricity/Steam	Incineration	Effluent	
1990	3,687	2,184	1,038	282	22	161
2005	4,828	2,532	1,619	311	28	338
2006	4,794	2,496	1,599	299	29	371
2007	4,711	2,248	1,769	282	27	385
2008	4,351	2,110	1,655	218	22	346
2009	4,364	2,159	1,628	200	18	359
2010	4,354	2,201	1,542	210	19	382
2011	4,061	2,001	1,434	229	17	380

(Note) Figures do not include emissions from fuel consumed for electricity or steam sold outside the Company.

(Note) Data for fiscal 2010 was changed to increase accuracy.

#### Energy Consumption, Unit Energy Consumption, CO<sub>2</sub> Emissions from Direct Use of Fossil Fuels, and Corresponding Unit Emissions★



(Note) Figures in parentheses are index values (fiscal 1990 = 100).

(Note) These four parameters in fiscal 2010 were changed to increase accuracy.

### Calculating Energy Consumption and Greenhouse Gas Emissions Based on the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures

By law, all 35 sites of Sumitomo Chemical (of which 10 sites are designated as energy management factories) are required to report their energy consumption and greenhouse gas emissions to governmental authorities. In fiscal 2011, total energy use by the sites came to 1,191 thousands kiloliters in crude oil equivalent, a reduction of 9.8% from the previous fiscal year, and their CO<sub>2</sub> emissions from the use of energy totaled 3,024 thousands tons, a reduction of 11.4% year on year.

#### Energy Consumption and Greenhouse Gas Emissions of All Sumitomo Chemical Sites Calculated in Compliance with the Law★

	Fiscal 2010	Fiscal 2011
<b>Energy consumption (1,000 kl in terms of crude oil)</b>	1,321	1,191
<b>Greenhouse gas emissions (1,000 tons)</b>		
CO <sub>2</sub> emissions from energy use	3,414	3,024
CO <sub>2</sub> emissions from energy use (adjusted)*	3,408	3,014
CO <sub>2</sub> emissions from other than energy use	29	37
CO <sub>2</sub> emissions from the use of waste as fuel	80	61
Methane (CO <sub>2</sub> equivalent)	—	—
N <sub>2</sub> O (CO <sub>2</sub> equivalent)	49	58
HFC (CO <sub>2</sub> equivalent)	—	—
PFC (CO <sub>2</sub> equivalent)	—	—
SF <sub>6</sub> (CO <sub>2</sub> equivalent)	—	—

\* CO<sub>2</sub> emissions from energy use (adjusted): CO<sub>2</sub> emissions from energy use are deducted by the use of carbon credits, such as those obtained through the Kyoto mechanism and those obtained within Japan.

(Note) The "—" mark indicates that the emissions were below the threshold set by the law.

★: Assured by an independent assurance provider

## Specific Activities

Each Sumitomo Chemical site executes the PDCA cycle to achieve specific results and contribute to attaining the Company's targets.

### (1) Reducing steam loss (and CO<sub>2</sub> emissions) by enhancing steam trap management (Ehime Works)

Since fiscal 2010, the Ehime Works has employed IT to implement measures for reducing steam loss by enhancing steam trap inspection and management. In the past, various information on steam traps was collected and compiled using paper media such as ledgers, but because a range of employees were engaged in steam trap inspection, the documents became dispersed and the collected data was not appropriately maintained or updated. To solve this problem, the Works fostered digitization of the documents using IT tools and appointed an employee exclusively for steam trap inspections, thereby reinforcing and ensuring the central management of steam trap-related information.



As a result, the Works can now carry out steam trap inspections more efficiently. In addition, the Works began holding technical support seminars to teach employees other than the aforementioned inspector how to perform inspections on a regular basis, thereby increasing energy saving awareness and improving and disseminating inspection technologies and skills among employees. By implementing these measures across the board, the Works was able to substantially reduce steam loss in fiscal 2011.

### (2) Introducing LED lights to the product warehouse (Misawa Works)

The Misawa Works adopted the use of LEDs for its ceiling lights during construction of a new GMP-compliant warehouse (GMP: a quality management criteria for products such as pharmaceuticals set by the Japanese government based on the Pharmaceutical Affairs Act). As a result, energy consumption was reduced by about 40% compared with the use of conventional mercury lamps. LED lights provide a range of benefits other than energy saving, including decreased necessity to replace them in elevated areas due to longer life. Also, LED lights do not attract insects because they do not emit strong



ultraviolet rays, and can be lit up instantly, leading to higher work efficiency in the warehouse.

### (3) Reducing power loss by introducing inverter-type blowers (Okayama Plant, Osaka Works)

The Okayama Plant is operating an active sludge treatment system for wastewater, for which air generated by a blower is used. Because it is a batch plant, production items frequently change, and the amount of wastewater also fluctuates accordingly. In response to these changes, the plant must vary the amount of air supplied to the treatment system. In the past, the plant used a large 110 kW air blower to provide enough air to treat the large amount of wastewater present. However, based on the actual amount of wastewater treated over one day, the amount supplied to the treatment system was adjusted by releasing excess air generated by the blower to the atmosphere.

In fiscal 2011, the plant introduced two small 55 kW blowers to generate only the air required resulting in conservation of energy. This is expected to help the plant reduce its power use by 25% from conventional levels (equivalent to a 33 tons reduction in CO<sub>2</sub> emissions per year).

## Preparing the guidelines for the estimation of avoided CO<sub>2</sub> emissions and a carbon footprint (CFP) calculation manual

Energy & Climate Change Office, Head Office in Tokyo

It has been said that the chemical industry consumes much energy, but in fact the industry provides the global society with a range of products that contribute significantly to reducing greenhouse gas emissions in the use stage of their life cycle.

Sumitomo Chemical believes that it is urgent to develop next-generation processes and products that help reduce CO<sub>2</sub> emissions, and is accelerating measures to achieve this outcome through the concerted efforts of all its departments. In order to make all employees aware of this need even as early as in the R&D stage and incorporate it into product design, we independently created the guidelines for the estimation of avoided CO<sub>2</sub> emissions as well as a carbon footprint (CFP) manual. At present, we are promoting the use of these materials within the Company while also quantifying (visualizing) the contributions made by our core products towards emissions reduction.



CFP study meeting held at the Head Office in Tokyo

## Optimum Mix of Appropriate Legal Compliance Measures and Voluntary Activities

Sumitomo Chemical is combining legal compliance measures and voluntary activities in an optimal manner to reduce its environmental impacts such as exhaust gases, wastewater, and solid waste.

### Outline

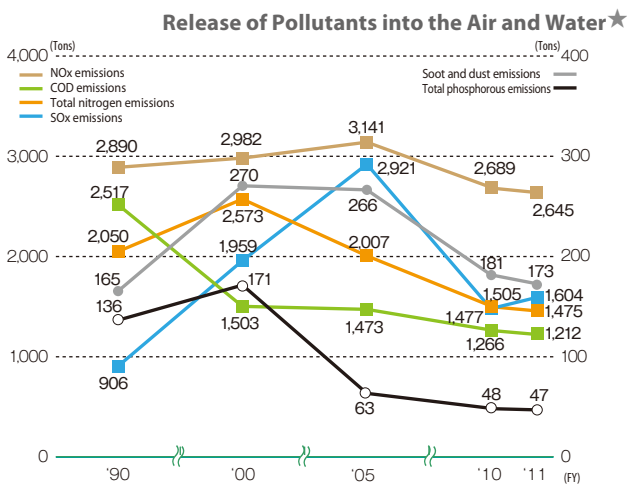
For pollutants released into the environment, we are actively promoting multifaceted measures and strengthening management by widely adopting the concept of risk management, in addition to complying with legal standards and meeting the criteria agreed with local governments. We are also continually deepening mutual communications with people living in the neighborhoods around our facilities by proactively listening to their opinions. Through these measures we aim to further improve our environmental performance based on even better relations of trust with local communities.

### Trends and Topics of Major Environmental Performance Items

We have set medium-term targets for each performance item and are endeavoring to faithfully attain them. In line with these goals, each of our sites has set their own priority targets in consideration of the specific characteristics of their respective businesses, thereby enhancing their risk management.

#### Prevention of air and water pollution

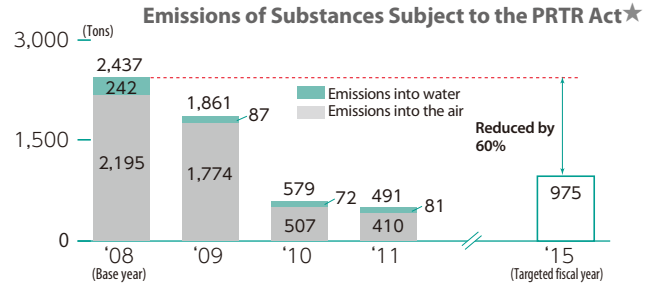
We are endeavoring to reduce emissions of SOx, NOx, and soot and dust into the air, and of COD, nitrogen, and phosphorous into water bodies. Moreover, we are fostering the effective use of water (to improve unit water use). (For details, see page 6 of the DATA BOOK.)



#### Substances Subject to the PRTR Act and VOCs

**PRTR:** We aim to achieve the target of reducing total emissions of air and water pollutants by 60% relative to fiscal 2008, by fiscal 2015, through drastic risk management that is based on our risk assessment results. (For details, see pages 8 to 10 of the DATA BOOK.)

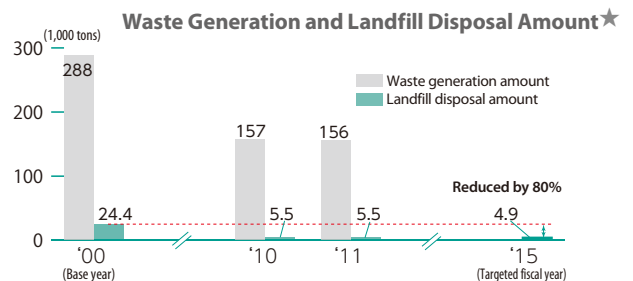
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**VOCs:** We will manage the related risks in line with PRTR measures while continuing to achieve the target of reducing VOC emissions by 30% relative to fiscal 2000. (For details, see page 10 of the DATA BOOK.)

#### Waste

**Landfill disposal:** We aim to achieve the target of reducing the landfill disposal amount by 80% relative to fiscal 2000, by fiscal 2015, by curbing waste generation and fostering waste reuse and recycling. In particular, to fulfill our responsibility as a manufacturer of inorganic and organic chemicals based on the Act on the Promotion of Effective Utilization of Resources (revised recycling law), we are proactively reducing the generation of sludge and also promoting its use as a resource. (For details, see page 11 of the DATA BOOK.)



**Standardizing group-wide efforts of checking on commissioned waste disposal companies:** Due to revision of the Waste Management and Public Cleansing Act of Japan, companies commissioning waste disposal to outside entities are now required to make efforts to check on how said commissioned companies treat and dispose of the waste. In response, Sumitomo Chemical has conducted examinations to set its own standards for onsite checking (rules to be checked regarding the waste disposal companies, frequency of performing checks, recording format, etc.), and has applied them across the company and shared the results of the checks (through central management and visualization of the information collected from each site), thereby increasing effectiveness and efficiency of related operations.

**PCB waste:** We are continually commissioning the treatment of waste containing high concentrations of PCBs to JESCO\* in a planned manner, and with the exception of some factories in the Kanto region, we aim to complete waste treatment at all our facilities by March 2014, which is earlier than the legal deadline. Also, regarding waste containing PCBs at lower concentrations, we have continued to engage in surveys and studies on early treatment. In April 2012, the Ehime Works began treatment ahead of other sites.

\*Commissioned by companies storing PCB waste, Japan Environmental Safety Corporation (JESCO) treats PCB waste at its five treatment facilities located across Japan under the supervision of the Japanese government.



## Energy and Environmental Protection

### Biodiversity

In December 2011, the Company published "Sumitomo Chemical's Commitment to the Conservation of Biodiversity" to set out its policy on biodiversity conservation. We will continue to observe international rules and standards, strengthen and expand our efforts to conserve biodiversity and promote sustainable use of biological resources, and contribute to sustainable development of the global community with the power of chemistry.

#### Sumitomo Chemical's Commitment to the Conservation of Biodiversity

1. We position the conservation of biodiversity as one of our most important management issues and strive to help protect the global environment.
2. We work to continuously reduce environmental impact in our production operations and our development and supply of products and services and in cooperation with third parties in the supply chain and thereby contribute to the conservation of biodiversity.
3. By regularly implementing education programs, we ensure that employees fully recognize and understand the importance of biodiversity and promote our commitment to its conservation.
4. We continuously engage in corporate social responsibility activities that contribute to environmental protection and lead to greater trust and confidence from society.
5. We disclose the results of these efforts and maintain effective communication with the general public.

### Soil and groundwater contamination

We have continued surveys and evaluations of soil contamination as well as remediation work on our land. We have also monitored groundwater close to our boundaries on a regular basis to confirm that levels of hazardous materials, including toxic oils, are below those stipulated by environmental standards.

#### Specified CFCs

We are continuing the replacement of refrigerators using specified CFCs, including CFC-12, as coolants with those using alternative coolants, aiming to complete the replacement by 2025. (For details, see page 10 of the DATA BOOK.)

#### Specific activities

Each of our sites executes a PDCA cycle to achieve specific results and contribute to the attainment of the Company's targets.

#### (1) Reducing the concentration of nitrogen in wastewater (Ehime Works)

In expanding the plant facilities, from which wastewater containing high concentrations of nitrogen is discharged, the Works has installed a system to recover ammonia from wastewater using a new method, thereby reducing the concentration of nitrogen in the water by 40%. The equipment separates ammonia from the nitrogen-containing process liquid using only one-fourth or less of the energy required by the conventional recovery method (equivalent to about a 75,000 tons reduction in CO<sub>2</sub> emissions). In recognition of this achievement, the Works received an award at the sixth Responsible Care Award held by the Japan Chemical Industry Association.

#### (2) Reducing the emissions of vinyl chloride monomer (Chiba Works)

The Works had previously been recovering and treating exhaust gas containing vinyl chloride monomer with a temperature swing adsorption system using activated carbon. This massive piece of equipment, which was installed to treat a vast amount of dilute exhaust gas, requires a large amount of steam to remove the vinyl chloride monomer, and corrosion of the equipment caused by the chloride was a concern. In 2011, to

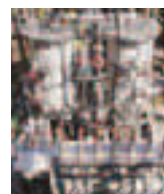
solve these problems, the Works introduced a pressure swing adsorption system using hydrophobic silica gel as an adsorbent. As a result, atmospheric emissions of vinyl chloride monomer were reduced by 90% or more and steam use was also reduced by 4,000 tons.

#### (3) Making effective use of byproduct oil as a combustion improver for the submerged combustion furnace (Oita Works)

The Works had previously been using purchased heavy oil C as a combustion improver for the submerged combustion furnace used to incinerate primary waste liquids, but altered the furnace to use oil waste from the plant (byproduct oil) as a substitute for the heavy oil. Initially there was concern that nitrogen oxides (NO<sub>x</sub>) emitted into the air might increase due to incineration of the byproduct oil. However, thanks to the application of the denitrification technology (returning NO<sub>x</sub> in exhaust gas to nitrogen), NO<sub>x</sub> emissions have remained at the standard level or below even after replacement of heavy oil with byproduct oil, and yearly CO<sub>2</sub> emissions have been reduced by 6,000 tons.

#### (4) Initiating treatment of electric appliances containing PCBs at low concentrations (Ehime Works)

In addition to treating transformers and other devices containing PCBs at high concentrations, the Ehime Works began treating electric appliances containing PCBs at low concentrations in fiscal 2011. Specifically, the Works will remove insulation oil from the appliances and commission the incineration of the oil and appliances separately to treatment facilities certified by the government. The Works will continue these treatments in a planned manner.



Exhaust gas treatment system (Chiba Works)



Submerged combustion furnace (Oita Works)



Drum cans in which insulation oil is stored (Ehime Works)

### Recovering and Recycling Bobbins

TSP Manufacturing Sect., Battery Material Manufacturing Dept.  
Sumika Assembly Techno Co., Ltd.

The department is fostering the recovery and recycling of bobbins. Bobbins are used as cores around which heat-resistant separators manufactured by the company are coiled. The product weighs about 1.8 kg, including the weight of the resin bobbin, which is about 0.4 kg. The department began recovering and recycling bobbins in May 2011, before which recovery and recycling had been commissioned to an outside entity.

The skills of operators have improved year by year, and presently as many as 99% or more of bobbins are recycled. In 2012, the production of heat-resistant separators is expected to increase, and accordingly, the number of bobbins to be treated will double from the present level of 6,000 pieces per month. The department will continue to maintain this high recycling rate to protect the environment, while also rationalizing its operations.



Heat-resistant separator



Bobbins are recycled here

# Occupational Safety and Health/Industrial Safety and Disaster Prevention

GRI | 4.11 | LA7 |

## Initiatives for Occupational Safety and Health

Sumitomo Chemical ensures safety by executing a PDCA cycle for its occupational safety and health management system (OSHMS) and is enhancing a culture of safety to make all employees aware of and abide by its principle of "Making Safety the First Priority."

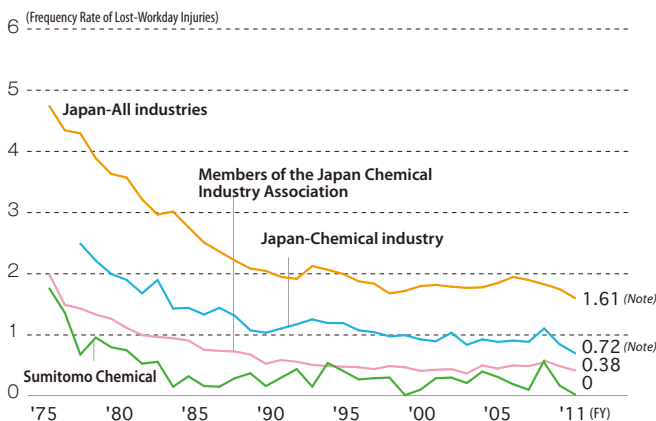
### Safety Performances in Fiscal 2011

In Japan in fiscal 2011, Sumitomo Chemical achieved a total of zero lost-workday injuries, while its contractors had a total of four lost-workday injuries (frequency rate of lost-workday injuries: 0.36). The annual average for the frequency of lost-workday injuries of Sumitomo Chemical during the 10 years from fiscal 2002 to 2011 was 2.5.

Sumitomo Chemical has been aggressive in pursuing occupational safety and health activities to prevent labor accidents under the fundamental principle of "Making Safety the First Priority." To this end we are repeating the PDCA cycle to identify all conspicuous and potential risks and hazards in each workplace and implementing a series of measures, including making improvements based on the results of risk assessments.

In fiscal 2010, we began enhancing a culture of safety throughout the company for all employees to truly understand and practice our principle of "Making Safety the First Priority," and achieved a total of zero labor accidents in the second year since the start of the initiative. We will keep implementing measures to continue achieving our zero-accident target.

### Frequency Rate of Lost-Workday Injuries★



(Note) Results in fiscal 2010 are shown because the relevant data for fiscal 2011 was not available from the Ministry of Health, Labour and Welfare at the time of creation of this report.



*Fiscal 2012 Slogan for Occupational Safety and Health*

**Nobuyuki Hatanaka**  
IT-related Chemicals Research Laboratory

Many of our workplaces have achieved a zero labor accident record, with members having attained high safety awareness as a result of permeation of the culture of safety. I believe, however, that we must not be satisfied with the status quo and instead must detect any potential risks and prevent their materialization so that we can continue with our perfect record of zero labor accidents. Based on this belief, I have created the following slogan.

**"Enhance a culture of safety to achieve not only zero labor accidents but also zero risks."**



*Fiscal 2012 Poster for Occupational Safety and Health*

**Akira Kogami**  
No. 1 Manufacturing Section, Niihama No. 1 Manufacturing Department  
Ehime Works

In 2012, when I first heard the slogan, "Enhance a culture of safety to achieve not only zero labor accidents but also zero risks," I hit upon the idea of comparing the culture of safety to a plant, which we would water every day to help it grow and come into bloom, to achieve both zero labor accidents and zero risks. Based on this idea, I created this poster, on which a large sunflower is depicted as the plant which we nurture to make it bloom, to achieve this significant target of zero risks.



### Measures Implemented in Fiscal 2011 to Enhance a Culture of Safety

Sumitomo Chemical has been nurturing a culture of safety and mutual respect based on the principle of "Making Safety the First Priority" and encourages all its organizations (workplaces) and individuals (employees) to understand the importance of safety and voluntarily undertake necessary actions.

In fiscal 2011, we implemented the following two measures to further enhance our safety culture.

#### Designation of a "safety day" for the entire company

In fiscal 2011, based on our policy of "Making Safety the First Priority," we designated the first Monday of every month as a "safety day" for the entire company, on which employees are encouraged to think about safety.

On each safety day, all employees at all sites prioritize safety-related activities and events, and in principle, no corporate meetings requiring business trips for site/line managers are planned. Instead, each site on safety day is encouraged to hold onsite meetings for occupational safety and health to the extent possible. Also, safety messages are dispatched by

★: Assured by an independent assurance provider

executives, morning safety assemblies are held, workplace safety patrols are carried out, and safety education is provided to increase safety awareness of all employees.

**Evaluation of the safety culture level**

To further enhance the culture of safety, we evaluated the current safety culture level of Sumitomo Chemical to assess the effects of our safety measures.

The evaluation targeted all employees as well as the employees of some contractors, and consisted of a questionnaire comprising about 130 questions that covered the following three items: safety awareness and activities in an individual sense; safety management at the workplace; and organizational climate at the workplace. We also surveyed differences in safety awareness and ideas between managers (sectional managers and those in higher positions) and general employees, as well as how Sumitomo Chemical was viewed by employees of contractors and their awareness of Sumitomo Chemical's safety principles, policies, programs, and activities.

The results of these surveys revealed that the safety culture level of Sumitomo Chemical is roughly average for the chemical industry. There were, however, differences in the level of safety culture between workplaces, and we therefore need to encourage workplaces displaying a low safety culture level to think about the reasons for their unfavorable results and to take actions to improve. Regarding differences in safety awareness and ideas between managers and general employees, no significant gaps were discovered. However, some similar gaps were observed across the company and we need to make efforts to narrow them. For example, many managers answered "yes" to the question, "Are activities to ensure compliance with the safety rules and procedures highly appreciated at your workplace?"; however, general employees did not show this same tendency.

Additionally, each site held a meeting to report the survey

results and to deepen understanding of the safety culture level, with the results to be incorporated into measures to be implemented to enhance safety culture in fiscal 2012.

**4R-KYT\* Competition Held at the Ehime Works for the Achievement of Zero Labor Accidents**

*Topic*

On April 1, 2011, the Ehime Works was registered as a "site with zero labor accident activities" under the Zero-Accident Campaign Registration System by the Japan Industrial Safety & Health Association, thereby renewing its determination to prevent all people working within its premises from becoming injured.

As part of the activities, the Works held the second preliminary 4R-KYT competition toward achieving zero labor accidents following the first such competition held last year, and a total of eight teams participated, representing the Works and related research laboratories.

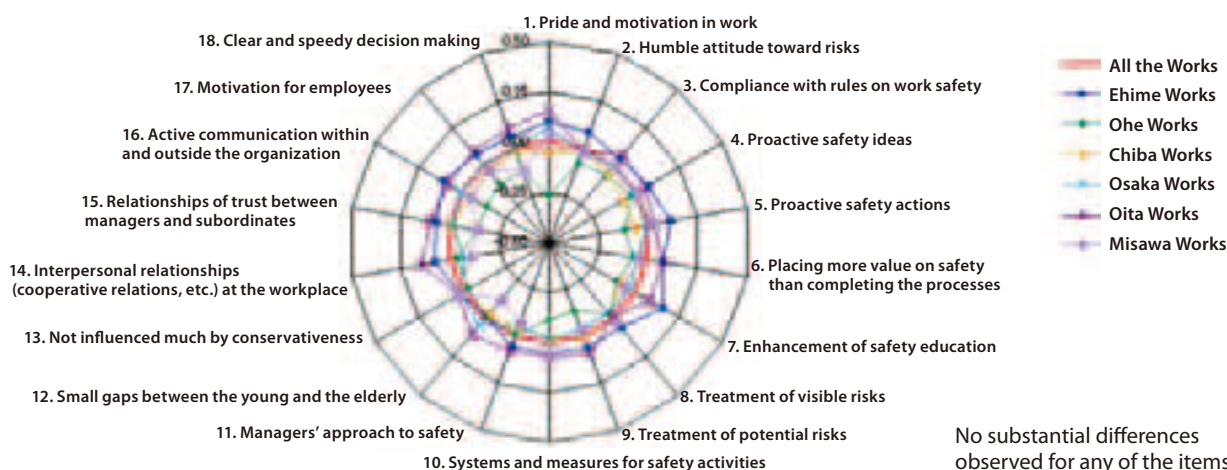
The activities will be further expanded to practical KY.



4R-KYT competition held at the Works

\* 4R-KYT: 4-round *Kiken* (hazard) *Yochi* (prediction), Training.

**Evaluation of the Safety Culture Level**



No substantial differences observed for any of the items.

As a whole vs. each Works  
[Score for each item] – [Score of the comparison target]



## Industrial Safety and Disaster Prevention

Sumitomo Chemical is building a robust industrial safety and disaster prevention system, making the safety of everyone the first priority.

### Safety and Disaster Prevention Management for Preventing Accidents at Plants and Assuring Safety

The foremost mission of industrial safety and disaster prevention management is to prevent unforeseen plant accidents by ensuring process safety and plant integrity. Plants must also be protected against natural disasters and terrorist attacks in order to secure safety for workers at the sites as well as residents living in the surrounding areas. Stringent risk assessments are therefore conducted, in addition to continuous safety improvement and comprehensive voluntary safety management.

In fiscal 2011, Sumitomo Chemical achieved that fiscal year's target of "no severe industrial accidents\*." (The Company had one severe industrial accident in fiscal 2010.) However, there were five minor industrial accidents (compared to two in fiscal 2010). We have fully analyzed the causes of these accidents and are enhancing safety management across the company to prevent serious industrial accidents from occurring.

\* "Severe industrial accidents" refers to workplace incidents that cause injuries to local residents requiring outpatient/hospital treatment, lost-workday injuries to workers on the site, or incidents involving more severe results.

### Process Safety Management from Research and Development to Plant Operation and Dismantling

In an effort to reduce environmental impact and achieve zero-accident and zero-disaster operations, Sumitomo Chemical performs safety assessments at each stage from new chemical process R&D to plant design, construction, operation, maintenance, and dismantling.

#### (1) Examination of Process Safety

The Process Safety Review Committee convenes at every step, from R&D through to industrial scale production processes, to oversee a system in which the safety of each stage is thoroughly verified before moving on to the next stage. The system is in use at Sumitomo Chemical, and all Group companies are being instructed to adopt it.

#### (2) R&D Safety Confirmation

Materials safety data and other related data on the chemicals to be handled are examined and assessed in detail. This data is then used to select the safest chemicals and to assess the required amounts in order to ensure that R&D will utilize only fundamentally safe chemical processes.

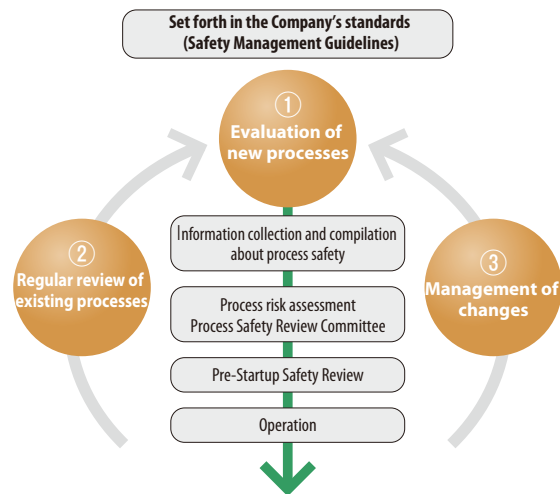
The construction materials for each plant are also examined and evaluated to select the optimum materials with lower life-cycle costs.

#### (3) Plant Safety Confirmation at Design and Construction Stages

While plants are designed based on legal technical stan-

dards, processes are additionally subjected to hazard assessments in order to highlight potential dangers and incorporate, from the standpoint of self-administered management, more stringent safety precautions into the design and construction processes.

In addition, operational manuals are created and training is provided for operators. The Company also regularly conducts process hazard evaluations attended by relevant persons after the start of plant operations and when operating parameters or facilities are modified.



### Advanced Self-Administered Safety Management

Aiming to achieve advanced self-administered management, Sumitomo Chemical's Process & Production Technology Center works to improve and effectively utilize the support system and tools obtained from various sources. Its mission is to support process safety and disaster prevention management, prepare various safety and disaster prevention guidelines, and compile a database of safety information (technical information and accident reports) and risks related to the mixing of, or contact with substances.

In Japan, Sumitomo Chemical formulated guidelines on safety measures based on the voluntary safety measures implemented by the Company and distributed copies to domestic Group companies to help them reduce risks associated with large earthquakes and leakage of toxic substances. We also held briefing sessions on these measures. Moreover, regarding safety measures for static electricity, the Process & Production Technology Center's safety engineering research team has been giving onsite guidance to Group companies.

For Group companies outside Japan, in fiscal 2011, Sumitomo Chemical created English versions of the Safety Management Guidelines as well as of guidelines on static electricity safety measures and chemical process safety among guidelines on industrial safety and disaster prevention. These guidelines were distributed to the companies to promote industrial safety and disaster prevention management.



## Reviewing Measures Based on Lessons Learned from the Great East Japan Earthquake

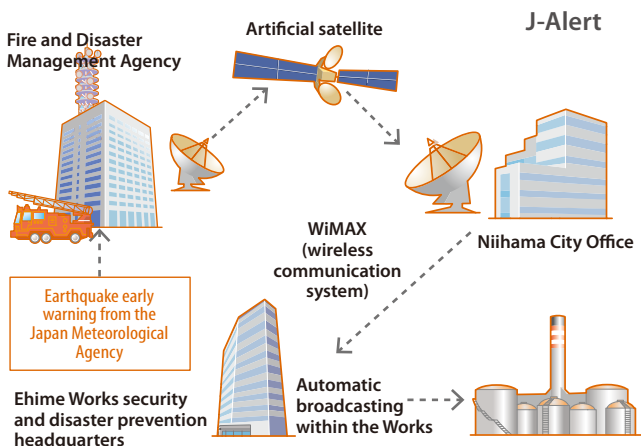
We will continue implementing measures against possible earthquakes while fostering risk reduction and ensuring compliance with our predefined emergency response procedures.

Moreover, in consideration of the damage caused by the unprecedented scale of the earthquake and tsunami, we are reviewing our anti-seismic measures to prepare against earthquakes that are larger than the conventionally foreseen ones. The following details the relevant measures taken by our sites.

### Connecting the J-Alert system to the in-house broadcasting system (Ehime Works)

In Japan, operation of the J-Alert nationwide early warning system has begun. This satellite-based system allows governmental organizations to provide emergency information, such as earthquake early warnings, to municipalities that then dispatch the information to citizens via their wireless disaster prevention systems.

In January 2012, the Ehime Works connected the J-Alert system to its in-house automatic broadcasting system in order to receive relevant information from the local government (Niihama City). The Works intends to minimize damage caused by disasters by promptly and safely suspending operations based on information received through the system.



### Changing the place at which emergency food and goods are stored (Okayama Plant)

As a rule, the Okayama Plant evacuates employees to a hill 20 m in height on its premises in the event of large earthquakes and tsunamis. Moreover, after the Great East Japan Earthquake, the plant increased stored emergency foods (dried bread and biscuits) and drinks as meal substitutes to a level sufficient to feed all employees twice over, and changed their storage location from the security room (at the main gate) to the building on the hill, at which employees would be evacuated in an actual emergency.

### Conducting an anti-tsunami drill (Oita Works)

In October 2011, the Oita Works conducted an evacuation drill for a large simulated tsunami based on the lessons learned from the March 11, 2011 tsunami. In the drill, a tsunami warning was given through emergency broadcasting and via

the wireless disaster prevention system, and almost all employees and visitors completed evacuation within 30 minutes as planned. The Works will carefully conduct more drills based on the problems identified in the first trial, including training for urgent suspension of plant operations. Also, the Works will prepare more signs and indicators to facilitate emergency evacuations.

### Increasing the height of the dike in the seawater intake pump area (Chiba Works)

On March 11, 2011, the tsunami reached the coast where the Chiba Works is situated, but fortunately the Works was not flooded. It was however revealed in the post-tsunami re-investigation that the height of the dike was lower in the Anegasaki seawater pump intake area than in other areas, which translated to a higher flooding risk. In response, while conducting periodic maintenance activities in autumn 2011, the Works increased the height of the dike to reduce the flooding risk not only against tsunamis but also against tidal waves and typhoons.



The height was increased in the seawater intake pump area

### Distributing copies of a card showing emergency action guidelines (Health & Crop Sciences Research Laboratory)

The research laboratory believes it to be very important to confirm the safety of its members in the event of a large-scale disaster. In such a case, however, it may be difficult for members to communicate and act appropriately due to anxiety and/or restricted communications. In August 2011, the laboratory therefore created a card showing emergency action guidelines and distributed copies to all members, who now always carry the card with them so that they can act calmly, even in emergencies.



Card showing emergency action guidelines

### Preventing books from falling (Advanced Materials Research Laboratory)

The research laboratory experienced a seismic intensity scale of six lower (People are difficult to keep standing) during the Great East Japan Earthquake. Minimal damage was sustained to the building; however, in the library, several thousand books (about half of all the books stored) fell from the bookshelves, although the shelves themselves did not collapse. Based on this experience, the laboratory placed safety sheets under the books and also introduced safety bar equipment (book keeper) that works through automatic operation to prevent books from falling.



Inside the library immediately after the Great East Japan Earthquake

# Chemical Safety Initiatives

GRI | 4.11 | PR1 | PR3 |

## Acceleration of the Enhancement of Chemicals Management around the World

In 2002, the World Summit on Sustainable Development (WSSD) was held in Johannesburg, the Republic of South Africa. At this conference, the so-called 2020 target was proposed to ensure that “chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment.”

The International Council of Chemical Associations (ICCA) formulated the Global Product Strategy (GPS) to attain the 2020 target and to enhance product stewardship activity (initiative to ensure that chemicals available in the market are safely handled and used throughout their life cycles), which is a core activity for Responsible Care toward further enhancing chemicals management.

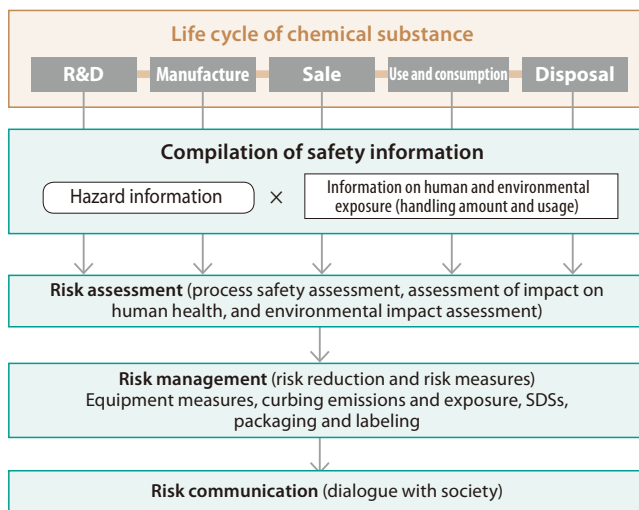
In Japan, the Japan Chemical Industry Association launched the Japan Initiative of Product Stewardship (JIPS) to conduct specific activities to foster the GPS. The Japanese chemical industry is voluntarily implementing the JIPS based on the assessment and management of risks posed by chemicals and in consideration of the entire supply chain.

measures) in the handling and use stages of the substances assessed. Moreover, we will document the results in the form of summaries on the safe handling of chemicals (GPS/JIPS Safety Summaries) and disclose them widely to the public via the ICCA website.



## Product Stewardship

(Management of chemicals throughout their life cycle)



## Sumitomo Chemical's Activities

In response to international trends toward the enhancement of chemicals management, Sumitomo Chemical has promised to conduct appropriate risk assessments for all its products manufactured or sold in annual amounts of one ton or more by fiscal 2020 in its Eco-First commitments.

In our risk assessments, we will assess the impact of chemical substances on human health and the environment by considering both the hazard and the exposure (handling amount and usage of chemicals) together throughout the life cycle of the substances assessed. The assessment results will be utilized for appropriate risk management (risk reduction and risk

## Effective Use of SuCESS

In order to collect and manage chemical safety information to formulate appropriate responses to chemical regulations that are becoming more strict each year, and ensure chemical safety based on risk assessments amid increased international awareness of the need for appropriate management of chemicals, we have developed and are effectively using the Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (SuCESS).



*Central Management of the Latest Information*

**Tsunehisa Fujita**

Quality Assurance Office, Health & Crop Sciences Sector

We manufacture agricultural products by mixing effective ingredients we have developed with other materials, most of which are purchased from other manufacturers. In the past, the SDSs\*1 for these purchased materials were obtained separately via the research, business and procurement teams and not all SDSs managed by the teams were the latest versions. Now, however, the SDSs can be centrally managed through the use of SuCESS, and all departments, including manufacture, sales and research teams and the administrative departments, have access to the latest SDSs and product composition information.

\*1. Safety data sheets (SDSs) are documents that describe information necessary for the safe handling of chemical products (properties, handling methods, safety measures, etc.)

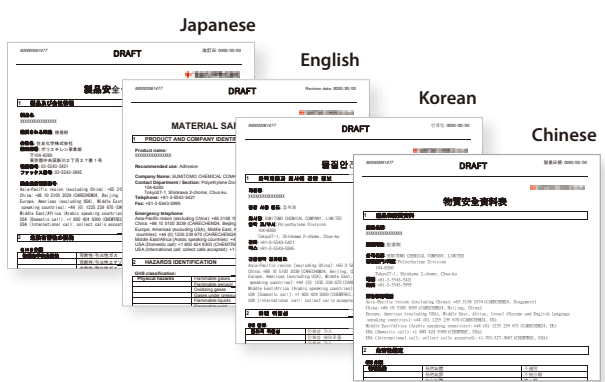


*Providing Customers around the World with SDSs in a Timely Manner*

**Masayuki Fujita**  
Planning & Coordinating Office,  
Petrochemicals & Plastics Sector

In exporting our products to countries overseas, we are required to attach SDSs to them and ensure that the sheets are written in the language of the country to which the products are exported. In the past, we commissioned necessary translation work to translation companies, but now thanks to the multilingual function provided by SuCESS, we can create SDSs in the language of our choice\*2 and submit the sheets to customers in a speedy manner.

\*2. We can create SDSs in 32 languages.



Creation of SDSs in multiple languages

**Environmental Health Science Laboratory  
Playing a Central Role in Safety Research**

The Environmental Health Science Laboratory of Sumitomo Chemical assesses the impact of the substances handled and products manufactured by the Company on human health and the environment. The laboratory makes assessments in diverse fields ranging from genetics to environmental and ecological science, using the latest scientific knowledge and advanced technologies.

**Careful Consideration for Animal Experiments**

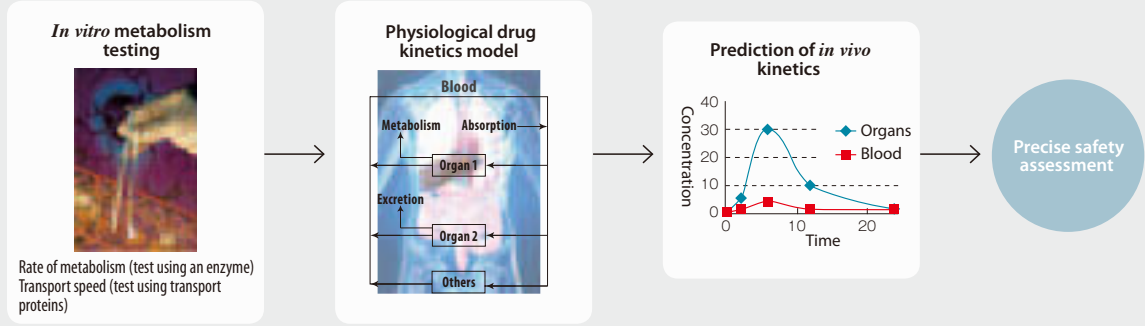
In the process of developing useful chemical substances, a large variety of safety and efficacy assessments are required. These assessments on human, animals and the environment cannot be completed without conducting experiments using laboratory animals. Sumitomo Chemical advocates humane treatment of laboratory animals and applies the 3Rs of animal use and animal welfare: replacement, reduction, and refinement to conduct animal experiments appropriately with due consideration for animal welfare.

*In Vivo Kinetics Analysis for Higher Precision in Safety Research*

In order to precisely assess the safety of chemicals, it is important to clarify the *in vivo* kinetics (absorption, distribution, metabolism and excretion) of chemical substances in animals as well as humans. Recent research methodologies have made it possible to obtain data concerning the rate of metabolism and speed of transport without the need to conduct animal tests. Specifically, technologies are now being put into practical use to conduct *in vitro* metabolic tests on chemical substances using an artificially synthesized enzyme (cytochrome P450) along with transport proteins. The data obtained can be applied to a simulation model that

is able to reproduce the distribution of a substance in the blood and organs along with metabolism and excretion processes, toward the accurate prediction of *in vivo* kinetics.

Sumitomo Chemical has been using these technologies for the precise assessment of chemical safety ahead of other companies (and received an incentive award from the Pesticide Science Society of Japan for research into the technologies). We will continue our research to increase the precision of *in vivo* kinetic analysis toward a more accurate assessment of chemical safety.



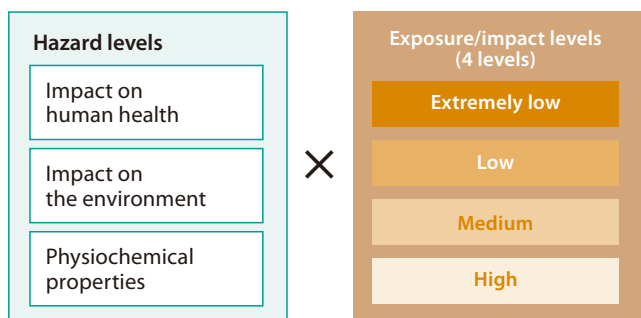
# Product Responsibility Initiatives

GRI | PR1 | PR2 | PR3 |

## Assessment of Product Risks

Sumitomo Chemical is committed to supplying high-quality products and services that satisfy customers' needs and ensure safety in their use based on the Corporate Policy on Safety, the Environment and Product Quality. In 1992, we set specific safety measures to be implemented within the Company to ensure the safety of our products throughout their life cycle, from development, manufacture, distribution, and use through to disposal. In 2009, we also substantially revised the method of assessing the risks posed by our products, after making minor revisions. As shown in the figure below, this new assessment method was created referring to the GPS measures taken by the International Council of Chemical Associations (ICCA) (see page 52) and is based on GHS<sup>\*1</sup>-compliant hazard and exposure/impact levels.

### Outline of the risk assessment method



In assessing the exposure/impact levels of our products, we consider not only the use of the products by our customers, but also the use and disposal of the products through supply chain, to the extent possible.

To perform such risk assessments, it is necessary to know how our customers are using our products, and we therefore foster cooperation with them. Based on our previous risk assessment results, we have in fact asked some of our customers to take special safety measures.

Because the risk assessment method has substantially changed, we are providing employees with necessary education and are reassessing the risks of our products that are released in the market, which we plan to complete by 2020.

In fiscal 2011, we performed about 50 risk assessments in total. We will continue to collect data related to hazard and exposure/impact levels to make assessments using this new method, while also encouraging Group companies to carry out similar assessments.

\*1. Globally Harmonized System of Classification and Labelling of Chemicals (GHS): Globally harmonized system that establishes a set of criteria for classifying and labeling chemicals according to their hazards. The United Nations made recommendations on the GHS in 2003.

## Communication with Customers

Sumitomo Chemical conducts safety tests of its products and surveys related safety data present in the public domain to help its customers with the safe handling of the Company's product. The results are supplied as Safety Data Sheets (SDSs) to its customers. SDSs include information on the safe handling of chemical products (properties, handling methods, safety measures, etc.) and should be created in compliance with the Japanese Industrial Standards (JIS)<sup>\*2</sup> and the standards set by the International Organization for Standardization (ISO)<sup>\*3</sup>. For products that need to be handled with special care, we create Yellow Cards (simplified SDSs) and distribute copies to distributors of the products to prepare them for possible emergencies that they may face during transport.



In Japan, the JIS provisions on SDSs were revised in 2005 in line with the GHS. Sumitomo Chemical participated in the revision work, while also revising its own SDSs. We have already completed the revision work for the products for which such revisions are required by law. We always pay attention to new safety information. In fiscal 2011, we revised and created a total of about 100 new SDSs.

A recent trend has emerged in which some of our customers wish to receive detailed information on substances that are contained in our products in trace amounts in addition to the information shown in the SDSs. Amid this trend, Sumitomo Chemical became a member of the Joint Article Management Promotion-consortium (JAMP)<sup>\*4</sup> in order to build up a system to communicate information about specific substances contained in its products. As a JAMP member, we are providing customers with rational information that they require, by using the JAMP mechanism (MSDSplus<sup>\*5</sup> and AIS<sup>\*6</sup>). In fiscal 2011, we participated in a project to examine the information communication methods utilized for the management of chemical risks that was jointly launched by JAMP and the Japan Chemical Industry Association<sup>\*7</sup>.

\*2. Japanese Industrial Standards (JIS): Industrial standards formulated on the basis of the Japanese Industrial Standardization Act, and one of Japan's national standards

\*3. International Organization for Standardization (ISO): Non-governmental organization that sets international standards in the industrial field (excluding the electrical field)

\*4. Joint Article Management Promotion-consortium (JAMP): For details of activities, see the JAMP website at <http://www.jamp-info.com/english>

\*5. MSDSplus: Information communication form developed by JAMP for regulated substances contained in chemical products

\*6. Article Information Sheet (AIS): Information communication form developed by JAMP for regulated substances contained in products

\*7. Japan Chemical Industry Association: Organization comprising chemical products manufacturers, which conducts surveys and research on the chemical industry. For details, see the organization's website at <http://www.nikkakyo.org/index.php?sessLang=English>



### Providing Stable Quality Products and Services

Sumitomo Chemical has been enhancing its quality assurance system to supply products and services of stable quality to its customers.

In 1998, all our manufacturing sites, excluding the Gifu Plant, obtained ISO 9001 certification, the international standards on quality management systems issued by the International Organization for Standardization (ISO). Moreover, the Gifu Plant, Okayama Plant, and Oita Works are managing manufacturing processes and quality based on pharmaceutical GMP standards, while in 2010, the Ehime Works obtained certification for European Feed Additives and PreMixtures Quality System (FAMI-QS) for methionine, an essential amino acid used in feed additives. We will continue to build up optimal quality assurance systems across the company.

For the fail-safe operation of these quality assurance systems, employees must be aware of their importance and implement them. To this end, Sumitomo Chemical provides employees with consistent education across the company, and each site also provides their members with education that is pertinent to the products treated therein.

In fiscal 2011, major quality problems existed; one each for the Petrochemicals & Plastics Sector and the IT-related Chemicals Sector. The problem in the Petrochemicals & Plastics Sector was caused by a material supplier. Nonetheless, we are taking drastic measures to prevent the reoccurrence of similar problems while clarifying the cause in detail.

Sumitomo Chemical has also been encouraging Group companies to enhance their quality assurance systems. In fiscal 2010, we set the Group quality assurance and PL standards and fostered the establishment of relevant systems and rules at about 60 Group companies. In fiscal 2011, three Group companies newly acquired ISO 9001 certification.

#### Quality Education Provided by Sumitomo Chemical's Sites

Site	Description	Target
Ehime Works	Education on the introduction of ISO 9001 and development of internal auditors	Works, laboratories, Group companies, etc.
	Education of new employees on quality management	New employees
	Training for shift supervisors of manufacturing	Shift supervisors of manufacturing
	Training for new supervisors of manufacturing	New supervisors of manufacturing
Osaka Works	GMP-related education	Managers (those of grade II or higher) of the Works and laboratories
	PL-related education	Managers (those of grade II or higher) of the Works and laboratories
	ISO-related education	Internal quality auditors and candidates
	Quality-related education	Managers (those of grade II or higher) of the Works and laboratories
Process & Production Technology Center	All staff education	All members
	Training on quality	All members
Planning & Coordination Office, Basic Chemicals Sector	Education of new employees and those coming from other depts.	New employees, temporary staff, and those coming from other depts.
	Compliance education	All members



*Responsible Care Activities by Sumitomo Chemical America*

**Kenji Matsumura**  
Sumitomo Chemical America, Inc.

Sumitomo Chemical America is supporting the corporate activities of Sumitomo Chemical in the Americas while marketing and selling the Company's products, including basic chemicals, petrochemical & plastic products, and health and crop science-related products such as insecticides for household use and feed additives.

As a corporate member of the American Chemistry Council (ACC), we formulated the policies, established rules, educated employees, and carried out internal audits for the introduction of a Responsible Care management system that meets ACC's criteria, and acquired third-party certification for the system at the end of 2010. Based on this system, we are conducting product management according to their risk classifications, in order to ensure product safety throughout the supply chain. For the ESPOLEX series (material for automobile airbag covers), we have obtained ISO/TS 16949/2009 and ISO 9001/2008 certification as well.

Sumitomo Chemical America will continue to ensure product safety across the supply chain and encourage employees to conduct Responsible Care activities to meet the needs of customers.



Meeting held by Sumitomo Chemical America

# Initiatives for Ensuring Quality, Safety, and Environmental Protection in Logistics Operations

GRI | 3.9 | 3.10 | 3.11 | 4.11 | EN17 | EN18 | EN23 | EN29 | LA7 |

## Initiatives for Ensuring Safety in Logistics Operations Activities of the Sumitomo Chemical Logistics Partnership Council

We have organized the Sumitomo Chemical Logistics Partnership Council for the logistics operations conducted by the Company and its Group companies. A total of 117 logistics companies belong to this council, which mutually fosters activities to ensure occupational safety and health, environmental protection, and logistics quality. Member companies that have had no incidents and set a good example for logistics quality improvement activities are commended at the council's annual general meeting. Also, we hold a nationwide competition for tank truck drivers to encourage them to self-train on basic unloading procedures and on measures to be taken when faced with various problem scenarios.



Commendation at the general meeting of the Sumitomo Chemical Logistics Partnership Council held on May 26, 2011



Second competition for tank truck drivers held on October 6, 2011

## Participation in hands-on training provided to ensure safety against fires and explosions

Employees of Sumitomo Chemical's partner logistics companies also participated in hands-on training provided at the Company's manufacturing facilities in preparation for emergencies such as ignitions and explosions caused by static electricity.



Hands-on training held on January 25, 2012

## Use of a tool to evaluate corporate safety culture

The Japanese Ministry of Land, Infrastructure, Transport and Tourism has created a tool to evaluate corporate safety culture as a means to manage transportation safety. This tool can be used by transportation companies to manage transportation safety in an organized manner. Sumitomo Chemical's partner logistics companies used this tool in fiscal 2011 and conducted safety awareness surveys with their employees.

## Incidents Involving Employees of Partner Logistics Companies

In fiscal 2011, we were not able to achieve zero incidents: there were two lost-workday injuries involving employees of our partner logistics companies.

(1) An employee working in a warehouse became injured after being struck by the rear wheel of a forklift. (The forklift was being driven in reverse, with the driver unaware that the employee was standing in harms way.)

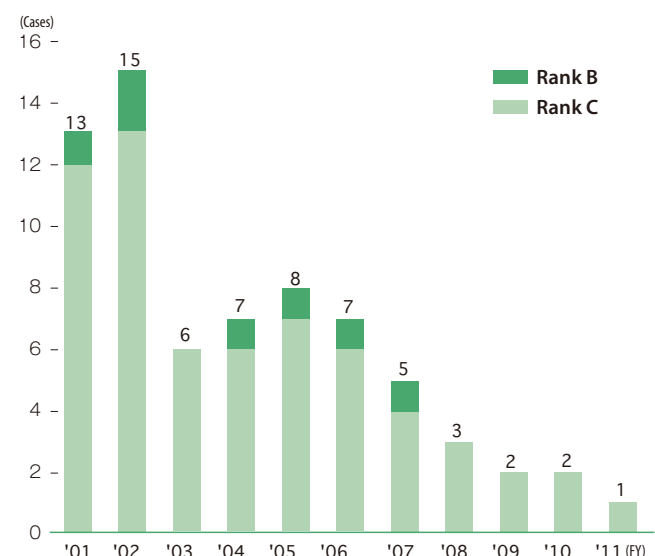
(2) A tank truck driver became injured by slipping and falling when getting into a truck through the door of the driver's seat in preparation for the next day's departure.

## Occurrence of Major Logistics Quality-Related Incidents

Against the target of keeping the number of major incidents to below six, we faced one incident (liquid leakage at the delivery destination\*: Rank C incident) in fiscal 2011 and thus achieved the target.

\* Deficiencies in initial response to the leakage and in relevant communications made to those concerned

## Occurrence of Major Logistics Quality-Related Incidents during the Past 10 Years★



(Note) Sumitomo Chemical classifies major incidents into Rank A, B, C in descending order of severity from the worst to least.

★: Assured by an independent assurance provider

## Reducing the Environmental Impact of Our Logistics Operations

### Fostering a modal shift to rail transportation

We are continuing to implement measures to reduce the environmental impact of our logistics operations on a company-wide basis. In fiscal 2011, we implemented a modal shift from truck to rail transportation of our products from the Ehime Works to the Kanto area. Specifically, under the Japanese Ministry of Economy, Trade and Industry's fiscal 2011 program to help companies make rational use of energy, we newly prepared a tank container to transport liquid products requiring strict temperature control by rail, and began using this container in the same fiscal year.

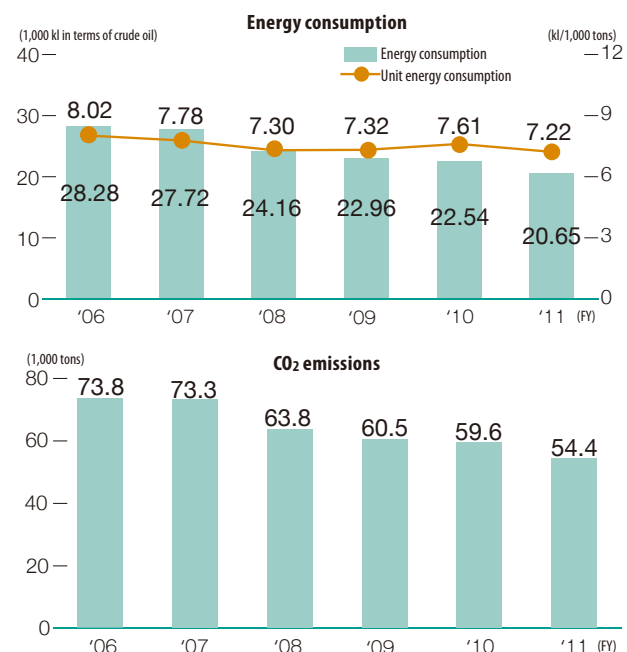


Arrival of the tank container at Niihama Station

## Reduction of Environmental Impact in Logistics Operations (Actual Results for Fiscal 2006 to 2011)

In our logistics operations in Japan in fiscal 2011, unit energy consumption decreased by 5% year on year thanks to a number of factors, including the modal shift from tank truck to rail for long-distance transportation, an increase in the amount transported at one time, and efforts made to shorten the transportation distance.

### Reduction of Environmental Impact in Logistics Operations★



(Note) Regarding the fuel consumption per ton-kilometer used in the calculation, we had until last fiscal year, adopted the coefficient used in cases in which the loading rate was unknown; however, from fiscal 2011, we began using the loading rate-based coefficient in order to increase data precision in consideration of the actual transportation situation. (Following this change, past data have been corrected retroactively.)

## Measures to Ensure Logistics Quality

We have proactively introduced measures across the company to prevent errors related to shipping, delivery, and product inputting by the use of information technologies. In fiscal 2011, we developed a system to prevent inputting errors for resin products at the Chiba Works. Specifically, the checking method was changed from human visual examination to the use of barcodes, thereby preventing inappropriate input due to human error.

### Workflow for preventing erroneous input

#### 1. Reading data from written work instructions



Reading data with the hand terminal



#### 2. Crosschecking with data on the inputting hopper

Data reading



#### 3. Crosschecking with data on the plastic bag

Data reading



#### 4. Inputting the product into the hopper



★: Assured by an independent assurance provider

# Progress in Fulfilling Eco-First Commitments

GRI | 4.11 |

As a leading company in the chemical industry, Sumitomo Chemical is committed to fulfilling its Eco-First commitments to the Japanese Minister of the Environment, while ensuring legal compliance and enhancing RC activities.



Results ● Very favorable / ○ Generally favorable

## Management of chemical substances and promotion of risk communication

- **Reviewing the safety information on chemicals and conducting risk assessments**
  - Proceeding favorably as planned
  - Approximately 50% of hazard assessment completed and risk assessments performed for about 100 products
- **Voluntarily initiative on the safety of HPV chemicals and conducting LRI activities**
  - (1) **Voluntary initiative on the safety of HPV chemicals**
    - Conducted in cooperation with the world chemical industry; for hexane, continued measures as cosponsor in the consortium activity
  - (2) **LRI**
    - Participated in the LRI program implemented by the Japan Chemical Industry Association as a member of the taskforce on science and leader of the planning and management panel\*1
- **Halving the release of substances subject to the PRTR Act into the air and water**
  - Systematically reduced the amount released based on risk management
  - Made steady progress toward achieving the new target of a 60% reduction from the fiscal 2008 level (baseline year) by fiscal 2015
- **Enhancing information disclosure and risk communication**
  - Published the Sumitomo Chemical CSR Report (in Japanese and English) and also the Report on the Environment, Health and Safety by each individual Works on a regular basis
  - Published local PR newsletters, made school visits, accepted student interns, and engaged in dialogues with local residents at each of our worksites

## Preventing global warming

- \*2 **Improving unit energy consumption and reducing unit CO<sub>2</sub> emissions at all Works**
  - Unit energy consumption and unit CO<sub>2</sub> emissions decreased by 19.0% and 24.9%, respectively, from fiscal 1990 levels (baseline year)
- \*3 **Implemented multifaceted energy conservation measures, including improved operation methods, process rationalization, improvement of facility and equipment efficiency, and efficient use of energy in cooperation with neighboring companies**
- **Developing and making practical use of innovative energy conservation technologies to recover previously unusable low-temperature heat (130°C or below) generated by our petrochemical plants and reuse it at manufacturing plants**
  - Participated as an advisor in a joint R&D project conducted by universities and machinery manufacturers, which was fostered by NEDO as a project to develop innovative technologies to conserve energy
  - Shared information on the results of the test conducted using a model machine and made plans for a pilot experiment
- **Continuously improving unit energy consumption in our logistics division**
  - Continuing to implement measures to increase the rate of transportation by rail and ship and to upsize transport containers
- **Reducing CO<sub>2</sub> emissions by households in cooperation with the labor union**
  - Conducted a wide range of activities, including the creation of posters, introducing examples of energy conservation in the internal magazine, opening a CSR webpage on the intranet, and distributing our "Environmental Accounting Book"

## Creation of a recycling-based society

- \*4 **Reducing the generation of industrial waste and landfill through recycling and other means and achieving zero waste emissions**
  - Made steady progress to achieve the new target of an 80% reduction in the generation of industrial waste landfill from the fiscal 2000 level (baseline year) by fiscal 2015
- \*5 **Made steady progress to achieve zero waste emissions at all our manufacturing facilities in Japan by fiscal 2015**

(From March 2011 to March 2012)

\*1. Commissioned expert research into ecotoxicity (environmental toxicity), carcinogenicity, immunotoxicity, more precise risk assessment, and neurotoxicity, and held a meeting to report the research results. \*2. Unit energy consumption \*3. Unit CO<sub>2</sub> emissions \*4. Reducing the generation of industrial waste and landfill \*5. Zero waste emissions (Note) The Japanese Ministry of the Environment reviewed the Eco-First program in October 2010. Accordingly, Sumitomo Chemical also made some changes to its Eco-First commitments in January 2011 and has been implementing measures to fulfill the revised version since April 2011. (For the full text of the Eco-First commitments, see page 19 of the DATA BOOK.)



# Social Activities



As a member of society, Sumitomo Chemical strives to enhance its relations with local communities, customers, business partners and employees.

We are also committed to conducting social contribution activities that are unique to Sumitomo Chemical through our business activities with a focus on covering three different areas: coexistence with local communities, continued support for sustainable society and responsible business as a global company.

Moreover, we are working toward increased information disclosure and the promotion of dialogue with multi-stakeholders.

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# Hand in Hand with Customers

GRI | 4.15 | 4.16 | PR5 |

## For Higher Customer Satisfaction

The Sumitomo Chemical Group is committed to supplying high-quality products and services that satisfy customers' needs and ensure safety in their use. At Sumitomo Chemical, the departments in charge of sales and quality assurance work together to extend necessary support for increased customer satisfaction.

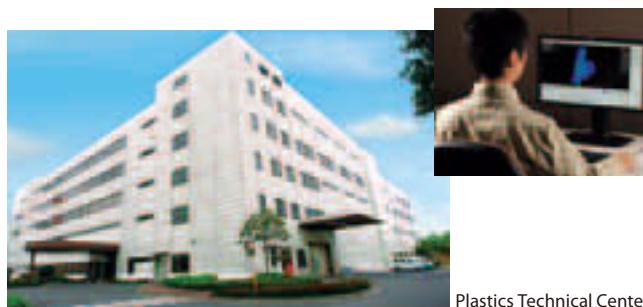
Sumitomo Chemical operates a product quality information management system to incorporate the complaints and requests made by customers into its quality assurance activities. Each business sector of the Company analyses the information registered with the system and implements measures to prevent the occurrence of similar problems. Also, the Works, Research Laboratories, and sales personnel share information regarding customers' complaints and improvement requests about product quality as important data, based on which the entire organization should make responses to customers.

## Measures Taken by the Plastics Technical Center

The Plastics Technical Center (in Chiba) conducts research for the application and processing of petrochemical products in response to market needs. The center supports corporate customers in developing resin products from various aspects.

For example, in the field of automotive parts, the center considers and proposes new resin processing technologies to manufacture lighter, stronger, and multifunctional resin products, and provides information about materials and processing technologies for practical processing evaluation. Moreover, by making a processability assessment through flow analysis and designing products through impact analysis using the next-generation plastics computer aided engineering (CAE) technologies, the center supports corporate customers in commercializing resin products. Also, in recent years, the center has been fostering molecular-level CAE analysis to help improve the design of polymer materials, while bringing new value to the market by making proposals for high-performance resin processed products with new functions and for technologies to commercialize such products.

The environment surrounding the petrochemical industry is undergoing great changes, and customers' needs are also substantially and rapidly changing. In response to these changes, the Plastics Technical Center will continue to develop highly value-added new processing technologies, materials, and products in a speedy manner and propose them to customers.



Plastics Technical Center

## Consultation Service Provided by the Product Promotion Department of the Crop Protection Division

The Product Promotion Department of the Crop Protection Division provides customers with consultation services about Sumitomo Chemical's crop protection chemicals within Japan, committed to responding to customers from a customer's viewpoint in line with the Company's compliance policy. Customers ask the service staff questions about various issues, such as the appropriate usage of crop protection chemicals and food safety, and the members endeavor to obtain the latest information, including information on the registration of crop protection chemicals, thus providing inquirers with precise information in an easy-to-understand manner in compliance with related laws, including the Agricultural Chemicals Control Act of Japan. The department has also introduced a new system to even more precisely and quickly respond to inquiries. The questions regarding the products of other companies and general crop protection chemicals are also handled with close consultation with internal and external business partners.

Through the consultation service, the department actively communicates with customers, and improves and develops products giving due consideration to their requests. When receiving complaints about the Company's products, the department cooperates with other departments to make prompt responses. Moreover, the department is promoting information sharing within the Company; for example, summarizing the inquiries made by customers in a brochure and creating a Q&A document based on inquiries made in the same period of the previous year, for use by salespeople.

Also, to help customer service members improve their skills, the department holds study meetings on frequently asked questions (FAQs) and encourages the members to attend external seminars to learn how competitors and companies in other industries deal with customers. Moreover, customer service members hold information exchange/study meetings with their counterparts working at other Sumitomo Group companies engaged in agriculture-related business for mutual improvement. Through these activities, the department is working to increase the credibility of the Sumitomo Chemical Agro Group.



\*FAMIC: Food and Agricultural Materials Inspection Center

# Hand in Hand with Business Partners

GRI | 4.11 | 4.15 | 4.16 | HR2 | HR5 | HR6 | HR7 |

## Basics of Responsible Procurement

Regarding the purchase of raw materials and packaging materials, Sumitomo Chemical is committed to building sound mutual relations with business partners. In addition to ensuring fairness, equitability, and transparency in our transactions with business partners, we are also encouraging them to promote their CSR activities through our responsible procurement activities.

### Clarifying regulations within the Company

Sumitomo Chemical clearly states the following basic principle of responsible procurement in its Basic Procurement Policies (shown below):

“4. In its procurement, the Procurement Section shall give preference to those suppliers that are active in CSR initiatives, with the aim of fulfilling its corporate social responsibilities and building sound relationships with suppliers.”

In addition, we clearly state our basic responsible procurement policy in the Group Business Standards of Procurement, which apply to Group companies both in Japan and overseas.

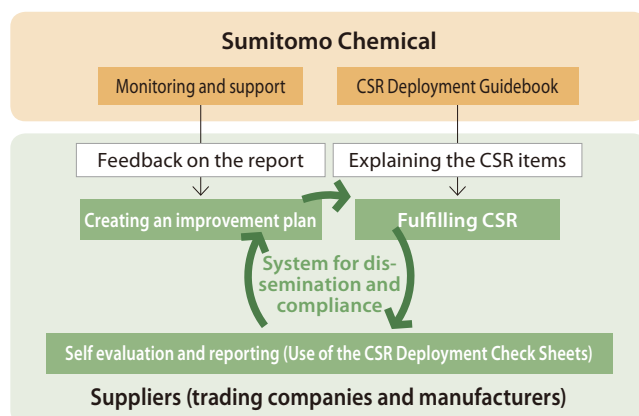
### Basic Procurement Policies

1. The Procurement Section shall strive to conduct procurement transactions on the basis of fair, equitable, transparent and free competition without involving personal interests or arbitrary considerations.
2. The Procurement Section shall strive to select suppliers to transact with in accordance with the most appropriate and economically rational methods and shall pursue the maintenance of sound business relationships with suppliers, aiming for mutual growth and development.
3. The Procurement Section shall strive to provide corporate services globally throughout the entire Group.
4. In its procurement, the Procurement Section shall give preference to those suppliers that are active in CSR initiatives, with the aim of fulfilling its corporate social responsibilities and building sound relationships with suppliers.
5. The Procurement Section shall strive always to meet quality requirements of Sumitomo Chemical's internal sections that request purchase of Goods and Services.
6. In performing Procurement Operations, the highest priority shall be given to safe and stable operation in order to achieve zero-accident and zero-injury operations.
7. In performing Procurement Operations, the highest consideration shall be given to customer satisfaction.
8. The Procurement Section shall ensure the transparency of Procurement Operations.

## Means to foster Responsible Procurement

### (1) Using the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook and Check Sheets

Sumitomo Chemical has created the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook, which explains CSR items (legal compliance and ethics; human rights and labor; disaster prevention and occupational health and safety; environmental protection; and quality and product safety) to be focused on by suppliers. Sumitomo Chemical aims to help its suppliers address their issues by monitoring and providing feedback on the results of their self-evaluation using the Sumitomo Chemical Supply-Chain CSR Deployment Check



System for Responsible Procurement

Sheets and helping them promote CSR activities by repeating the PDCA cycle.

### (2) Web Page on Procurement Information

Sumitomo Chemical has a CSR Procurement section in its Procurement Information website linked from the Company homepage in order to broadly inform its stakeholders about its CSR procurement initiatives. This CSR Procurement web page allows suppliers to download the guidebook and check sheets and report the results of their self-evaluations.

*Procurement Information and “the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook and Check Sheets” website:*

[http://www.sumitomo-chem.co.jp/english/csr/society/business\\_partner/](http://www.sumitomo-chem.co.jp/english/csr/society/business_partner/)

## Initiatives in Fiscal 2011

### (1) Monitoring

Also in fiscal 2011, Sumitomo Chemical monitored the implementation of CSR measures by all new suppliers and by current suppliers with manufacturing facilities located overseas, using the CSR Deployment Check Sheets. We also carried out monitoring on local manufacturers in China and India in cooperation with Sumitomo Chemical (Shanghai) and Sumitomo Chemical India.

### (2) Feedback

Based on the monitoring results, we provided feedback to suppliers who needed to make improvements and asked them to increase their understanding and support of our responsible procurement activities.

## Fiscal 2012 Targets for Responsible Procurement Initiatives

### (1) To continue responsible procurement in a steady manner

Also in fiscal 2012, we will continue to monitor the implementation of CSR measures by all new suppliers as well as by current suppliers, mainly those outside Japan, and provide them with feedback as required, thereby supporting them while fostering responsible procurement.

### (2) Deployment to Group companies

We will check the responsible procurement measures fostered by Group companies and promote responsible procurement as the entire Group.

### (3) Review of the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook and Check Sheets

We will review details of the Guidebook and Check Sheets in a timely manner in response to changes in social and other needs.

# Hand in Hand with Local Communities and Society

GRI | 4.15 | EC8 |

## Domestic Contribution

Sumitomo Chemical Group companies conduct a variety of localized activities at their sites to foster communication with local communities and contribute to the education of local children who will be the next generation of leaders. We are endeavoring to help local residents deepen their understanding of our activities and to build and maintain good relations with them.

### 1 Sumitomo Chemical Okayama Plant

#### Holding a children's foot baseball competition

The plant held the third Sumitomo Chemical foot baseball competition in Kojima, in which 24 local elementary school teams (more than 350 children) participated. Although foot baseball is popular in

Okayama, the number of players has been decreasing, and we want to contribute to promoting the sport by continuing to hold this competition.



### 2 Sumitomo Chemical Fukuoka Branch/ Crop Protection Division Fukuoka Sales Office

#### Participating in beach cleanup activities

We have been participating in Fukuoka City's annual local beach cleanup activities since 2004. Also in 2012, we participated in the activities held on May 27, collecting PET bottles, foam polystyrene and other waste that had drifted to the Uminonakamichi Seaside Park.



### 3 Sumitomo Chemical Oita Works/ Dainippon Sumitomo Pharma Oita Plant

#### Supporting the organization of the Tsurusaki Cup junior football competition

The competition is held in Tsurusaki every January to provide local children with an opportunity to learn through sports; the one held in 2011 was the 21st. We have been proactively supporting the organization of this event, including secretariat management and financial assistance.



### 4 Shinto Paint Amagasaki Office

#### Holding a rice cake-making festival with local residents

For more than 20 years, we have been inviting local residents to our annual rice cake-making festival held in late December, thereby fostering communications with them. Every year, 100 or more people from local communities participate in the event.



### 5 Sumitomo Chemical Ehime Works and Ohe Works/Sumika Assembly Techno/EGS/ Career Support/Ciatec/Sumika Real Estate/ Sumitomo Chemical Engineering/Sumika Logistics/Sumitomo Chemical Systems Service

#### Conducting cleanup activity after the Niihama Taiko Festival

We annually conduct cleanup activities after the Niihama Taiko Festival. This is highly appreciated by local communities and also helps employees increase awareness and solidarity.



### 6 Sumitomo Chemical Health & Crop Sciences Research Laboratory (Takarazuka)

#### Accepting junior high school students as part of career experience projects

From June 6 to 10 in 2011, Kasai experimental farm accepted two local junior high school students as part of career experience projects implemented by Hyogo Prefecture. They listened to a lecture on agricultural safety and experienced working in the field/ greenhouse and conducting various tests for evaluation of the effects of pesticide or the Integrated Pest Management.



### 7 Sumitomo Chemical Osaka Works

#### Participating in the youth science festival held by the Osaka Science Museum

At the youth science festival held by the Osaka Science Museum on August 20 and 21, 2011, we conducted chemical experiments on diazo coupling reactions using dyes and provided visitors with an opportunity to dye handkerchiefs. A total of 110 people attended these events over the two days, and for some of the events, it was standing room only.



### 8 Sumitomo Chemical's Head Office (Osaka)

#### Participating in the Osaka Marathon cleanup campaign

The head office and the labor union have been jointly participating in annual cleanup activities conducted by Osaka City. In 2011, we participated in the Osaka Marathon cleanup campaign, cleaning the Midouji area near the head office.





**9 Sumitomo Chemical Misawa Works**  
**Participating in flower planting activities**

Every May, Works employees plant flowers alongside the road in front of the main gate of the site as part of a community beautification activity.



**12 Sumika Agrotech Co., Ltd.**  
**Teaching agriculture to elementary and junior high school students**

In Nagano, employees of the company held an agricultural seminar for about 200 elementary and junior high school students from Fujisawa City, Kanagawa. In the seminar, participants (including school teachers) were briefed on vegetable seedlings and seeds and received instructions from the employees on how to sow seeds, after which they tried doing it themselves.



**14 Sumitomo Chemical Tsukuba Material Development Laboratory**  
**Laboratory tour for employee families**

On Aug. 20, 2011, the Laboratory invited the families of employees to its site to help them deepen their family ties and understand more about the company. The invitees toured the site, including the refurbished showroom and laboratory/office rooms.



**13 Sumitomo Chemical's Head Office (Tokyo)**  
**Participating in Chuo Ward Green-up Project**

We have been conducting a range of activities as a member of Chuo Planet, a group organized for the promotion of social contribution activities in Chuo Ward. On Nov. 5, 2011, we participated in the group's activity to plant seedlings alongside the Sumida River.



**15 Sumitomo Chemical Chiba Works**  
**Ichihara-Sodegaura Young Inventors' Club**

The club was established in 2002 to commemorate the 35th anniversary of Chiba Works. Works has been managing the club for 11 years to repay the local communities. The club now has 141 members, who cheerfully conduct activities so they can have unique experiences and opportunities to develop their personalities and creativities.



**10 Sumitomo Chemical Gifu Plant**  
**Providing special lessons at elementary schools**

We have been providing special lessons to sixth graders of the local Maki Elementary School to show them the wonders of chemistry. In 2011, we provided a lesson to the children on Nov. 2, with one of the most popular experiments that attracted much attention being the production of clouds using liquid nitrogen.



**11 Sumitomo Chemical Nagoya Branch/Sumika Chemical Analysis Service/Nippon A & L/Sumika Alchem/Sumika Plastech**  
**Participating in Nagoya City's cleanup campaign**

Group companies located in the same office have been jointly conducting social contribution activities. On June 4, 2011, employees of the companies participated in cleanup campaign implemented by Nagoya City.



**Making Food Replicas through the Power of Chemistry!**

Nami Matsuo  
Fine Chemicals Research Laboratory  
Sumitomo Seika Chemicals Co., Ltd.

*Voice*

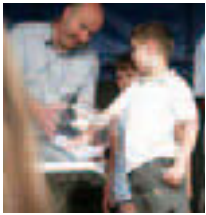
At Sumitomo Seika Chemicals's Beppu Works, we held a special lesson mainly for local elementary school students as a new form of local contribution. In this one-day event held jointly with Harima Town, Hyogo Prefecture, participants learned about recycling from among the selected fields of recycling, energy and the environment. They made food replicas, including bean-starch vermicelli, from waste PET bottles through the use of chemicals and spent time contemplating environmental problems. Not all applicants were able to join the event due to limited seating. To enable more people attend the next lesson, we are planning to hold it as a two-day event. We will continue conducting similar activities to stimulate children's interest in chemistry.



## International Contribution

The Sumitomo Chemical Group is conducting localized social contribution activities around the world.

### Supporting Hospice Activities (Poland)



Charity lottery



Since 2010, Sumika Electronic Materials Poland (SEMP) has been supporting the Hope Hospice for children in Toruń by providing financial support and providing Christmas presents to the hospice. Additionally, every summer, SEMP

organizes a family picnic for employees and their families with the participation of more than 500 people, and during the event, a special charity lottery is held to raise funds through donations to the Hope Hospice. We are thus making social contributions in a manner that is enjoyable for employees.

Hope Hospice provides 24 hour care for children with life-threatening and terminal illnesses. Toruń has areas of great poverty, and there are many parents who are unable to care for children with serious long-term illnesses and disabilities and are forced to abandon them in local hospices and state children's homes. Unfortunately, state funding does not ensure comprehensive care and medical attention for these children. Without the support of friends and people of goodwill who understand the situation, it would be impossible for the hospice to continue its work. As SEMP, we are pleased that we can support these activities even in a small way.

### Donating Recycled Wheelchairs (Thailand)



Wheelchair donation ceremony conducted on Feb. 1, 2012 at Bara Chemical



Bara Chemical, Sumipex (Thailand) and Sumika Polymer Compounds (Thailand) are jointly supporting the Wheelchairs of Hope activity conducted by a Japanese NPO to recover and recycle waste wheelchairs in Japan

and deliver them directly to people in need in Asian countries. Believing it to be important to take the first step, each of the three companies collected and recycled one to three wheelchairs, providing them directly to neighbors of companies in need of wheelchairs.

Recognizing the importance of continuing social contribution activities, the companies will continuously support the Wheelchairs of Hope activity while investigating the local need for wheelchairs.

## Africa

### Uganda

Supporting activities to improve the educational environment and construct school buildings

### Ethiopia

Supporting activities to improve the educational environment

### Kenya

Supporting activities to improve the educational environment and donating Olyset™ Nets

**Tanzania, Senegal, Mali, Democratic Republic of the Congo and Central Africa**

Donating Olyset™ Nets

### Ghana

Supporting activities to construct school buildings

### Malawi

Supporting activities to construct school buildings

### (Others)

Donating Olyset™ Nets to Millennium Villages across Africa

## Europe

### Hungary

University scholarship program

### Poland

Hospice support activities

Electric and electronic component recovery activities

## Asia

### China

University scholarship program  
Support for elementary schools in Anhui Province

Local cleanup activities

Assistance with tree-planting activities

### Taiwan

Holding a Japanese language competition for university students

Holding a picture competition for children

### South Korea

Elementary and junior high school scholarship program

Support for a marathon competition for people with disabilities

Financial support to people with visual impairment in need of surgery

Support for the lives of poor people (donating briquette coal etc.)

## Hand in Hand with Local Communities and Society

### Supporting a Local Elementary School in Anhui Province(China)



Children at Sanliu Xiang primary school



Sumika Electronic Materials (Shanghai) Co., Ltd. and Sumika Electronic Materials (Shanghai) Corporation have been helping an elementary school located in a poor district in Huoqiu County, Anhui Province, improve its educational environment.

In 2011, the companies launched a matching gift program (in which the companies donate an amount of money that is equal to that donated by employees), collecting many donations from both executives and general employees that were used to construct a new basketball court, and to install sports equipment and 20 desk and chair sets at the school.

On September 23, 2011, representatives of the companies and labor unions visited the school for a donation ceremony, where they met cheerful children and confirmed the results of the three-year support activity, which had substantially improved the school's environment.

The companies will continue helping improve the environment for children through diversified activities, including the matching gift program, based on Sumitomo Chemical's CSR principles.

### Youth Environmental Education Activities (United States)



Children observed creatures living in the bog



Valent BioSciences Corporation (VBC) celebrated its annual Bring-Your-Kids-to-Learn-Day on August 11, 2011. VBC uses this annual program as another opportunity

to give back to the local communities and society through youth environmental education. The themes for the annual event focus on education on biodiversity and on environmental harmony through presentations, hands-on activities, nature walks and open discussions.

We selected this year's event to take place at the nearby Volo Bog, a state natural area, which has the only open-water bog in Illinois and is a National Natural Landmark. The children examined soil samples from three types of communities and identified the different animal species that lived in the soil and calculated a diversity index. They learned that the more diversity that is found in the soil, the healthier it is. Along the trail, our guide encouraged the children to interact with and preserve the wonders of the bog.

VBC provided the children with guide books for identifying trees and birds. Now that they have been introduced to the natural wonders of the bog, they can share their learning experiences with their friends and family and act as nature guides themselves.

## America

#### Singapore

- Recycling activities
- Support for education
- Support for orchestra activities

#### Thailand

- Donating Olyset™ Nets
- Assistance with tree-planting activities
- Donating recycled wheelchairs
- Acceptance of interns
- Donating books to libraries

#### Laos

- Donating Olyset™ Nets
- Support for the establishment of an infectious disease research institute

#### United States of America

- Environmental education activities for youth
- Donating bicycles to kids

#### Haiti

- Donating Olyset™ Nets



## Providing Support to Africa through the Olyset™ Net Business

Sumitomo Chemical is supporting Africa through the business operation of the Olyset™ Net, an insecticidal mosquito net that helps prevent the spread of malaria. (For details see page 30.)

### Toward the Achievement of the Millennium Development Goals (MDGs)

In Africa, in particular, in the Sub-Saharan region, people are facing a range of problems, including poverty, infectious diseases, and high death rates for pregnant women and infants. In response, the United Nations has set the Millennium Development Goals\* as immediate measures to solve the problems.

Sumitomo Chemical has been lending its support to Africa by providing its insecticidal mosquito net, Olyset™ Net for the prevention of malaria, thereby directly making contributions to the achievement of one of the MDGs (“Combat HIV/AIDS, malaria and other diseases”) while also indirectly contributing to the attainment of the following Goals: “Reduce child mortality,” “Improve maternal health,” “Eradicate poverty,” and “Achieve universal primary education.”

\* Millennium Development Goals (MDGs) represent the goals and action plans set by the United Nations with regard to eight issues such as poverty, education, the environment, and human rights to be urgently implemented and achieved by 2015.

### Malaria Control Initiatives

Sumitomo Chemical’s Olyset™ Net is highly evaluated and recommended by the World Health Organization (WHO) as a critical means of controlling malaria, and the nets have been distributed supplied to areas across the globe, mainly to Africa. Additionally, the nets have been donated through NGOs and international organizations, and it has been reported that the number of people infected with malaria parasites or actually suffering from the disease have been decreasing in areas where the nets are used.

### Creating Employment through Local Production

Sumitomo Chemical provided its Olyset™ Net manufacturing technology free of licensing fees to a local company in Tanzania and established a joint venture with the company to create more jobs for local people and to contribute to the development of the local economy.

### Promoting Malaria awareness programs

In fiscal 2011, Sumitomo Chemical conducted the following activities to promote malaria prevention awareness programs.

#### “Me and My Net” competition

Sumitomo Chemical held the “Me and My Net” competition jointly with the UK-based international educational support organization, Royal Commonwealth Society, as a campaign to help children understand the importance of malaria prevention. In this competition, school children wrote essays, painted pictures and took photos on the theme of preventing malaria through the use of the mosquito nets. Over 2,100 entries were

received from 167 schools and 25 countries including India, Pakistan and Malaysia as well as African nations and after review by a judging panel, an Indian student was awarded as the top prize.

Top prize awarded to an Indian student (center)



### Providing financial support to a malaria prevention project



In October 2011, Sumitomo Chemical donated 22,000 dollars to the malaria prevention project spearheaded by the Hollywood actor David Arquette through the US based NPO known as “Malaria No More.” To support the NPO’s malaria prevention initiatives, Mr. Arquette had been engaged in various endeavors to collect 40,000 dollars by his 40th birthday (on September 8). As a donation, Sumitomo Chemical matched the amount of money collected by the actor, resulting in a total of 44,000 dollars for the NPO.

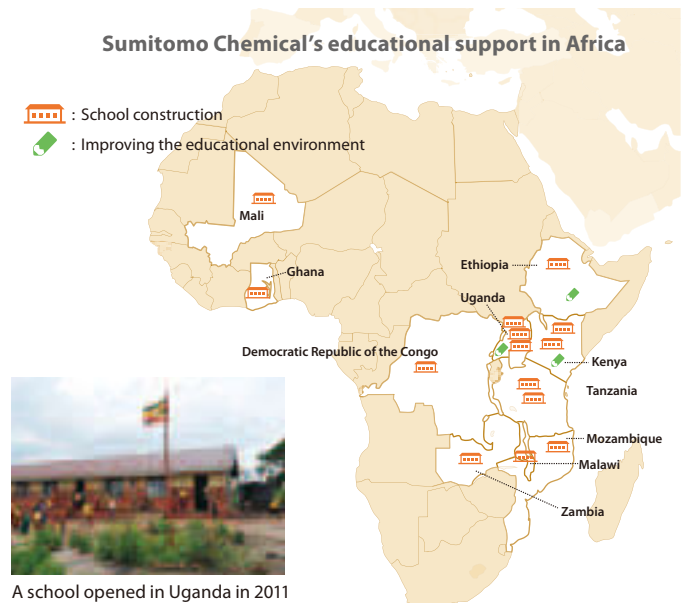
### Educational Support for the Leaders of Tomorrow

Sumitomo Chemical has been supporting education in Africa by using a portion of sales from the Olyset™ Net business. In cooperation with the NGOs “World Vision Japan” and “Plan Japan,” we have supported 12 projects to construct primary and secondary school buildings, as well as dormitories for teachers and school lunch facilities in eight African countries. At present we are supporting another two projects in Congo and Mozambique. Once the construction is completed, we will continue to provide support for school fees and supplies, thereby helping the next generation of leaders get the education they need. (See pages 14 to 19 of CSR Highlights.)

As a member of the international community, Sumitomo Chemical will continue its proactive support of Africa toward the achievement of the MDGs.

### Sumitomo Chemical’s educational support in Africa

-  : School construction
-  : Improving the educational environment



A school opened in Uganda in 2011



## Hand in Hand with Local Communities and Society

GRI | 4.11 | 4.16 | 4.17 |

### Regional Safety and Risk Communication

Sumitomo Chemical is upholding regional safety and risk communication policies and targets, and endeavoring to improve and bolster its activities in this field. Each company site formulates annual activity plans and conducts specific activities based on Company-wide policies.

<b>Company-wide policies</b>	- Achieve safe operations and ensure regional safety - Promote communication with society
<b>Target</b>	"Visualize" Responsible Care activities conducted at the sites and widely disclose related information
<b>Specific initiatives</b>	- Enhance information disclosure - Create site reports on the environment and safety, local newsletters and the Sumitomo Chemical CSR Report - Foster interactive dialogues - Promote a range of risk communications

### Engaging in a Variety of Dialogues

Each Works engages in a variety of risk communication and dialogue activities for various purposes. These include risk communication model projects carried out jointly with local governments, environment and safety support projects for domestic and overseas governments and businesses, regular meetings with local residents, and dialogues with the community based on cooperation with the chemical industry.

Moreover, the head offices (in Tokyo and Osaka) participate in a range of committee activities conducted by the national

government and industrial associations as well as in industry-government-academia seminars and lectures to disseminate relevant information and exchange opinions in a timely manner. The overall aim is to help people deepen their understanding of Sumitomo Chemical and win more trust from the public.

### Localized Information Disclosure by Worksites

Each worksite of the Company publishes its own environmental and safety report every year to report on its local activities in detail. The reports of the worksites complement the Company's own CSR Report.

In addition, the Ehime, Osaka, and Oita Works publish local newsletters for the proactive distribution of area-specific information, often delivered to citizens as newspaper inserts.



Local newsletters published by the Ehime, Osaka and Oita Works (delivered to households biannually inserted in newspaper)

### Organization of a Responsible Care Dialogue Meeting in Oita

In February 2012, a Responsible Care dialogue meeting was successfully held in Oita; the eighth one held in the area. A total of 165 people attended the meeting, including 87 citizens living in the neighborhood of the participating companies along with those from related industry organizations, governmental agencies, and schools.

The regional dialogue meeting is held every two years and led by local companies belonging to the Japan Chemical Industry Association's Responsible Care Committee. The February 2012 meeting was held through cooperation of the bases of a total of 11 companies. These bases included not only Sumitomo Chemical's Oita Works and sites of other member companies of the committee but also sites of companies that were non-members who thought it meaningful to participate nonetheless. The sites selected "earthquakes and tsunamis" as the main theme of the meeting, believing that local inhabitants, who had witnessed the unprecedented damage of the Great East Japan Earthquake, would be very much interested in the proceedings. In the meeting, Oita Prefecture and Oita City gave keynote lectures, participating companies including Sumitomo Chemical made presentations on specific countermeasures to be implemented, and opinions were proactively exchanged between

participants. Participating citizens raised various questions and made a range of comments regarding measures to be taken by companies in the event of chemical substance leakage from factory damage sustained by an earthquake, including how the companies would promptly inform the local inhabitants of the facts. In response to such questions, companies provided clear and easy-to-understand answers.



Panel displayed by Sumitomo Chemical in response to such questions, companies provided clear and easy-to-understand answers.

Keeping in mind the fact that we tend to get into a rut when conducting activities at these local dialogue meetings, we would like to further develop such meetings as a forum for opinion exchanges and discussions between local inhabitants and companies through careful selection of the theme for each meeting and by fostering frank opinion exchanges between related parties, including group leaders of the local inhabitants.

# Hand in Hand with Employees

GRI | LA11 |

## HR System That Inspires Greater Motivation

Sumitomo Chemical has introduced a personnel system that allows highly motivated and capable employees to engage in a range of challenging jobs, and that rewards those who have made significant efforts and contributions to the Company regardless of age, nationality, or gender.

This job (role)-based human resources (HR) system is managed and operated targeting both managerial and non-managerial employees.

### Evaluation System

Both managerial and non-managerial employees are evaluated not only for performance but also for competencies, behavioral processes, and attitude. The aim of this system is not merely the pursuit of short-term achievements, but rather employee development and medium- to long-term corporate development.

In the evaluation system, managers talk with their subordinates on a regular basis to help employees increase their motivation and abilities by giving feedback not only on their performance but also on the good points and points to be improved regarding their actions. Managers also talk with their staff about workplace policies, what is expected of individual members, and career plans, in order to help staff increase their abilities and motivation.

### Compliance and CSR Evaluations

Compliance and CSR are included in the items evaluated for non-managerial employees with a view to raising their compliance and CSR awareness. CSR evaluations focus on Responsible Care (safety, environment, and product quality).

### Revision of the HR System

#### (1) Abolishing the area-limited employment arrangement

In April 2012, Sumitomo Chemical abolished the area-limited employment arrangement.

Accordingly, those wanting to join the Company will be required to sit in for either the Grade I employment examination or Grade II employment examination, and an identical HR system will be applied to all those who have joined the Company. This will allow the new employees to display their abilities without any limitation stemming from job type and encourage them to work hard to assume higher positions and more important roles.

The HR system was revised through the five meetings of the HR system examination team and three rounds of labor-management negotiations. The HR system was introduced to ensure that employees with high motivation and abilities could engage in a range of challenging jobs, and that those who had made efforts and contributions to the Company would be appropriately treated. The revisions were made to

further enhance this system.

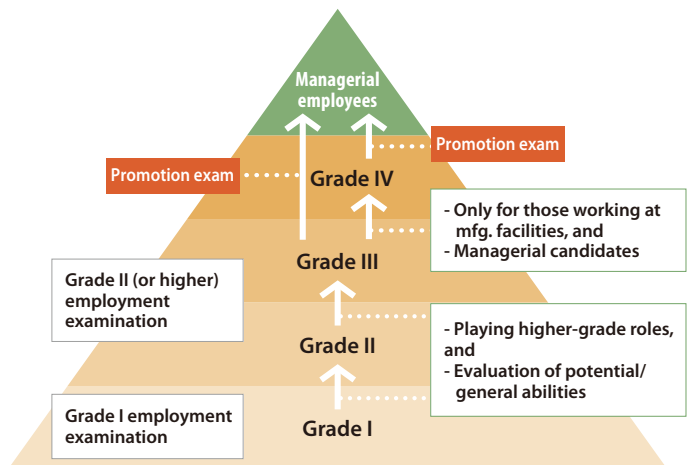
To ensure that all employees are aware of the purpose of the revision, all managerial employees at all sites were briefed on the matter, and they in turn explained relevant points to non-managerial employees.

#### (2) Revising the roles and grades of those in supervisory positions

In addition to abolishing the area-limited employment arrangement, we also revised the roles and grades of those in supervisory positions.

Supervisors are now required to play even more important roles, including in safety management, and we have revised their roles and grades accordingly in a manner that provides them with higher motivation to fulfill their roles.

### Roles and Grades Assigned under the HR System



### Outline of the employment examinations

Employment exam	Description	Period for the grade
Grade I employment exam.	Those playing Grade I roles as new employees will be selected.	One year (However, the period may be shortened depending upon the past experience of each new employee.)
Grade II (or higher) employment exam.	Those playing Grade II or higher roles as new employees will be selected.	

GRI | LA8 | HR3 | HR4 | HR11 |

## Managing the Physical and Mental Health of Employees and Giving Support to Their Social Contribution Activities

Sumitomo Chemical is implementing a range of measures to help employees maintain and promote their physical and mental health with the assistance of the chief occupational health physician of the Company. We are also improving the working environment to support employees' social contribution activities in a more proactive manner.

### Mental Health

Employees are able to use the counseling services provided by the in-house mental health facilities and also by external specialist institutions.

In fiscal 2011, seminars on caring for mental health were held for new employees and newly promoted employees, and stratified training seminars were also organized for sectional managers and team leaders.

In addition, in order to help employees who have been absent from work for extended periods due to mental health problems return to work, we introduced a rehabilitation work system in April 2009. Under this system, an onsite occupational health physician, an HR staff member, and the employee's manager cooperate in helping the employee start working again by determining the working days, hours, and other details for the employee.

### Physical Health

Since April 2008, the health insurance associations of companies have been required by law to have all employees and their dependents aged 40 or older undergo health checkups and receive guidance for lifestyle-related disease. Sumitomo Chemical works with its health insurance association to ensure that all employees and their dependents undergo the health checkups, regardless of age, and employees and their dependents aged 35 or older receive guidance for lifestyle-related disease, thereby helping employees with early diagnosis and the prevention of lifestyle-related diseases.

In fiscal 2011, the Company dispatched its chief occupational health physician to provide medical counseling and evaluate the medical service environment to Saudi Arabia twice and to China, Singapore, India, the United States, and Europe once each to provide support for employees working overseas and their families.

### Participating in the TABLE FOR TWO Program ★

Sumitomo Chemical has been participating in the TABLE FOR TWO program since May 2008 to promote employees' health and contribute to society. The Company serves healthy menu options at the cafeterias at its sites according to the criteria set down by the "TABLE FOR TWO" (TFT) organization. When employees choose to eat any of the healthy meals, 20 yen per meal is donated to the TFT secretariat and the money is used to pay for a school lunch for one child in an African

country. In this way the Company is helping to alleviate hunger in Africa while also helping employees avoid obesity and lifestyle-related diseases at the same time.

Furthermore, as a Matching Gift, the Company makes a donation to the TFT secretariat matching employees' donations, and donations to this organization totaled 11,673,600 yen as of the end of March 2012.



TFT menu at the Head Office in Tokyo

### Volunteer Leave System

To provide support to employees' social contribution activities, we have instituted a volunteer leave system that enables employees to take paid volunteer leave up to two consecutive working days per year. Since launching this system in April 2008, 44 employees have made use of it (for a total of 103 days) as of the end of March 2012.

## Protection of Human Rights ★

To educate employees on human rights issues and responsible behavior, Sumitomo Chemical holds a committee on human rights every year, formulates annual policies on human rights, and implements measures to protect human rights.

Moreover, based on the concept of providing employees with workplaces where they can display their abilities with ease of mind, we are addressing the issues of sexual harassment and power abuse, in addition to discrimination, mainly by holding enlightenment seminars. In fiscal 2011, we held a total of 171 seminars, lectures, and film shows as a part of the in-house training curriculum, in which a total of 3,360 employees participated.

In addition, to ensure employee awareness of the importance of respecting human rights, this subject was included in the compliance manual (see page 22), which was distributed to all employees.

In fiscal 2011 as in previous fiscal years, no reports of discrimination were received within the company.



Lecture provided on human rights and discrimination

★ : Assured by an independent assurance provider

## Initiatives to Promote Diversity and Work-Life Balance

### Improving the Workplace Environment to Increase Employees' Motivation and Morale

Sumitomo Chemical is promoting diversity among employees, so that individual human resources can make most of their abilities and work with motivation and morale. To this end we are implementing measures focusing on providing female employees with more opportunities to display their abilities.

To promote diversity, it is essential to provide all employees with comfortable workplaces where they can make the most of their skills and abilities in a variety of situations. To meet this requirement, Sumitomo Chemical is also implementing work-life balance-related measures to help employees make their private and business lives compatible and lead sound and fulfilling lives.

### Establishing the Diversity Promotion Office and the Labor-Management Committee for Diversity and Work-Life Balance

In order to work on diversity issues on a full scale, we established the Diversity Promotion Office in April 2010 within the company. Additionally, believing that measures for diversity and work-life balance need to be fostered based on the understanding of employees of all ranks, since November 2010 we have been holding meetings of the Labor-Management Committee for Diversity and Work-Life Balance, which is composed of representatives of the labor union and the Company and several female employees. The committee holds discussions on a range of themes, including how to help female employees display more of their abilities and how to improve work-life balance, and examines specific measures to be implemented to this effect.

As a result of these activities, Sumitomo Chemical was ranked No. 40 among 465 companies in Nikkei Inc.'s list of companies that provide a comfortable workplace.

### Initiatives in Fiscal 2011

#### (1) Helping employees continue working

In order to help employees who are facing great changes in their lives, including those requiring childcare and nursing care, we substantially revised our relevant support systems in April 2011. Specifically, we enacted the following initiatives: extended the childcare leave period and partially introduced paid holidays to the system, newly established a leave system to support male employees participating in childcare, relaxed limits on the frequency of applications for childcare/nursing care leave, and also relaxed application criteria for the maternity leave system. We have thus been improving the working environment to help employees continue working even during pregnancy, childbirth, and while taking care of their children or other family members.

Moreover, in April 2012, we published a work-life-balance guidebook with easy-to-understand explanations about the Company's support systems in place for pregnancy, childbirth, childcare and nursing care, and the procedures to be taken to utilize these systems so that employees can use them more effectively.

#### (2) Measures to improve work-life-balance

Sumitomo Chemical is conducting activities to help employees work with high efficiency while also ensuring that they enjoy their private lives. Specifically, we are allocating paid holidays to employees in a systematic manner and ensuring that each of our sites and workplaces designate a "work-life balance days" (also named "refreshment day") at least once a week, on which no overtime is required of employees.

Also to increase the effectiveness of work-life balance promotion measures, we have designated May and November as "work-life balance promotion months." During these months, we post awareness-raising posters at each workplace. And on the "work-life balance days" in the months we conduct patrols of the workplaces, we urge employees to not work overtime.

Further, to check the work-life balance awareness level of employees and increase the effectiveness of related measures to enforce them, we collect data on work-life balance indicators from each workplace every six months, including total overtime work hours, number of employees who worked longer hours, and the percentage of employees taking paid holidays.

### Systems and Measures for Better Work-Life Balance ★

System/Measure	Description	Number of users in fiscal 2011
Support for childcare and nursing care	<b>Childcare leave</b>	72
	<b>Nursing care leave (unpaid)</b>	4
	<b>Nursing care leave (paid)</b>	86
	<b>Paternity leave (paid)</b>	115
	<b>Maternity leave (paid)</b>	51
	<b>Special reserve leave (paid)</b>	20 <sup>(*)1</sup>
	<b>Reduced working hour system</b>	64
	<b>Reemployment system</b>	16 <sup>(*)2</sup>
	<b>Establishment of in-house childcare facilities</b>	—
	<b>Grant for childcare (Mutual aid association)</b>	142 <sup>(*)3</sup>
Leave and working hours	<b>Childcare and nursing care support services</b>	—
	<b>Introduction of a "refreshment day"</b>	—
	<b>Number of annual paid holidays</b>	—
	<b>Systematic allocation of annual paid holidays</b>	—
<b>Special leave for employees going abroad because of job transfer of spouse</b>	Employees going aboard because of the job transfer of their spouses can take this special leave subject to certain conditions	2 <sup>(*)4</sup>

\*1 Only for childcare and nursing care \*2 Number registered as of the end of March 2012

\*3 Number of employees eligible for the system as of the end of March 2012 \*4 Number of users as of the end of March 2012

★ : Assured by an independent assurance provider



## Hand in Hand with Employees

GRI | LA11 | LA13 |

### Initiative Taken by the In-House Childcare Facilities ★

Sumitomo Chemical has been actively establishing in-house childcare facilities as part of measures to support employees raising children. In addition to the facilities established since fiscal 2008 in Ehime, Osaka, and Chiba, we opened the fourth one, named "Sumika Kids Tokyo," at the head office in Tokyo in August 2010. We will also open another within the research laboratory in Takarazuka in April 2013.

At all our in-house childcare facilities, pre-school aged children, including infants in their first year (of mothers who have returned to work) are taken care of until 8:00 p.m. or even only for several hours in response to the needs of their parents. Some facilities also accept children of local residents to contribute to resolving the serious social problem concerning the long waiting lists for nursery schools. As of April 1, 2012, a total of 112 children are taken care of at the in-house childcare facilities.



Children playing inside and outside of the facility



*Using the childcare support system*

**Machiko Sato**  
Human Resources Development Dept.

I returned to the workplace after taking maternity and childcare leave. During the leave period, I was able to spend much time with my child, observing development day by day. It was a precious experience for me. At present, I am working under the reduced working hour system. I am devising measures to work more efficiently, while trying to share information with those around me. At home, I use a cleaning robot and prepare frozen food wisely in order to have more time to spend with my child.

### Diversified Employment ★

Sumitomo Chemical looks for and recruits talented people, regardless of age, gender, or nationality in a wide range of areas, and a diverse spectrum of people are working in the Company. In fiscal 2011, the Company recruited 28 foreign nationals and 76 women. We are also committed to providing employees with a workplace in which they feel comfortable working, regardless of nationality or gender, and an increasing number of people feel able to exercise their talents at the Company.

### Number of New Female Employees and Non-Japanese Employees

Fiscal year	2008	2009	2010	2011
<b>New female employees</b>	81	45	23	76
(Percentage of new employees who are women)	19.1%	22.4%	8.6%	17.3%
<b>Number of new non-Japanese employees</b>	19	17	19	28

### Number of Female Managers

Fiscal year	2008	2009	2010	2011	2012
<b>Number of female managers</b>	149	155	161	173	193
(Percentage of female managers)	4.6%	4.8%	5.1%	5.5%	6.2%

(As of August 1 for each fiscal year, but as of July 1 for fiscal 2012)

### Employment of People with Disabilities ★

In fiscal 2011, the employment rate of people with disabilities at Sumitomo Chemical totaled 1.87%. In view that the Ministry of Health, Labour and Welfare's Labour Policy Council approved raising the statutory employment rate of people with disabilities from the current 1.80% to 2.0% by April 2013 for companies in the private sector, we are continuing to foster the employment of people with disabilities. When we accept them, we assign them to suitable work, and modify the workplace where necessary so that they can make the most of their abilities.

### Employment Rate for People with Disabilities

Fiscal year	2008	2009	2010	2011
<b>Employment rate</b>	1.95%	2.01%	1.96%	1.87%

(Average for each fiscal year)

### Reemployment System ★

Since fiscal 2006, Sumitomo Chemical has been implementing a system to reemploy retirees to provide them with opportunities to demonstrate the skills and expertise they have gained through working for the Company. In fiscal 2011, 93 (66.9%) of 139 retirees (of Sumitomo Chemical) were reemployed by the Company or its Group companies.

Moreover, to help employees make plans for their post-retirement lives, we provide all employees reaching the age of 50 with a seminar on life design. In addition, employees talk with their managers on their post-retirement lives on three occasions—when they reach the age of 55, 57, and 59.

### Reemployment of Retirees (of Sumitomo Chemical)

Fiscal year	2008	2009	2010	2011
<b>Retirees</b>	167	176	134	139
<b>The reemployed</b>	88	116	97	93
<b>Reemployment rate</b>	52.7%	65.9%	72.4%	66.9%

★: Assured by an independent assurance provider

## Labor-Management Relations

Sumitomo Chemical and its labor union have been cooperating as good management partners to meet challenges and achieve targets based on long-term mutual understanding and trust.

### Labor-Management Initiatives

At Sumitomo Chemical, central labor-management meetings and regional labor-management meetings are held semi-annually for the parties to exchange opinions. The Company and its labor union also hold meetings to discuss and formulate various programs for non-managerial employees to enable them to increase their morale and motivation at work.

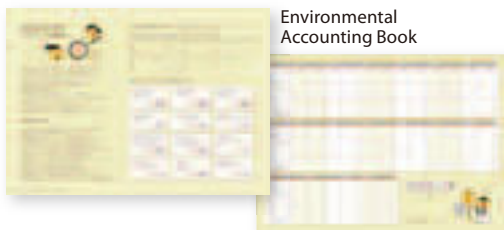
Through the Labor-Management Committee for Diversity and Work-Life Balance established in fiscal 2010, we have been promoting labor management discussions on relevant issues, including future challenges and measures.

Moreover, the Company and its labor union are cooperating in supporting the anti-global warming measures and social contribution activities initiated by employees.

### Social Contribution Activities Promoted through Labor-Management Cooperation

#### (1) Promoting CO<sub>2</sub> emissions reduction in the household

As one of the activities conducted based on labor-management cooperation, since fiscal 2008, Sumitomo Chemical has been implementing a campaign to encourage employees to reduce CO<sub>2</sub> emissions at home to prevent global warming, along with distributing its own Environmental Accounting Book to employees. In February 2012, we completely redesigned the accounting book so that employees could start using it more easily and whenever they wished. Among employees who use the book to reduce their CO<sub>2</sub> emissions at home, those who achieve outstanding results are commended by the Company. In recognition of this effort, in fiscal 2011 the Company received its third consecutive prize for energy conservation activities for consumer products from the Japan Chemical Industry Association.



#### (2) Matching Gift program ★

In fiscal 2007, Sumitomo Chemical started its Matching Gift program jointly with its labor union. In this program, donations are made by employees and executives of Sumitomo Chemical Group companies, and Sumitomo Chemical matches the amount collected. The total is then donated to the organizations selected as recipients.

In fiscal 2011, we donated to ASHINAGA\*<sup>1</sup>, a NPO, as part

of our support for childcare and education. We also made a donation to the Organization for Industrial, Spiritual and Cultural Advancement-International (OISCA)\*<sup>2</sup> to support its tree-planting activities as part of our support for global environmental protection and the prevention of global warming. Specifically, employees and executives donated 6,636,816 yen and 7,164,924 yen to ASHINAGA and OISCA, respectively and the Company also donated the matched amount to the organizations.

\*1. ASHINAGA is a NPO established to provide physical and mental support for children who have lost their parents because of illness, accidents, or for other reasons. The money donated to this organization is used to provide a scholarship fund for these orphans.

\*2. OISCA is a global NGO engaged in rural development and environmental protection mainly in the Asia-Pacific region. The money donated by Sumitomo Chemical to this organization is used for its Children's Forest Program and to plant mangrove trees in Ranong, Thailand.

#### (3) Mangrove planting project in Thailand ("Sumitomo Chemical's Forest")

Sumitomo Chemical and its Group companies have been conducting a mangrove planting project in cooperation with OISCA in Ranong Province, Thailand, using part of the money donated to the NGO through the Matching Gift program, starting in fiscal 2008. At the activity site, called "Sumitomo Chemical's Forest," local people play a central role, planting trees and managing related activities. Since fiscal 2008, Sumitomo Chemical has been dispatching employee volunteers to the site. In February 2012, 12 employees made exchanges with the local inhabitants and together planted 10,000 mangrove trees. At present, Sumitomo Chemical's Forest extends over 95 hectares and contains about 200,000 mangrove trees. In March 2012, the Executive Vice President of the Company and the president of the Workers' Union visited the site in Thailand to see the progress of the project.

In 2011, the Sumitomo Chemical Group and the Workers' Union received a special commendation from OISCA in recognition of this support activity. We will continue to support tree planting activities as a means to conserve biodiversity and prevent global warming.



Participating in planting activities in Thailand as a volunteer

**Yoshito Tanaka**

Sumitomo Chemical's Workers' Union

In February 2012, I participated in planting activities in Thailand as a member of the labor union's secretariat. In planting trees together with the local inhabitants and children, visiting local schools and staying at the house of one of the locals, I felt strongly that Sumitomo Chemical's Forest provided us with an opportunity to make face-to-face communications with the local people and foster mutual development.

The activity also provides participating employees with an opportunity to deepen their emotional ties with each other. I believe it is an activity that is worth continuing through labor-management cooperation.



★ : Assured by an independent assurance provider

## Hand in Hand with Employees

GRI | LA11 |

### Global Personnel Measures

The Sumitomo Chemical Group is rapidly globalizing its business operations and at present about 40% of its employees are working outside of Japan. Of the Group's consolidated sales, overseas sales accounted for 51.8% in fiscal 2011, and this share will continue to increase in the future. The share of overseas production is also expected to increase from the present level of 40%.

Under these circumstances, Sumitomo Chemical attributes importance to securing, managing, and developing human resources that can support and foster the globalization of its business. The Company aims to achieve "right-person-in-the-right place employment" across the globe, regardless of age, gender, or nationality, and to attain this final goal, we are implementing a range of measures.

#### Number of Global Position Holders (GPHs) ★

As the first step in fostering global personnel measures, we have begun to enhance the development of managers who can support the global business operations of the Company. For the sustainable global development of the Company, it is indeed essential to secure human resources that possess the abilities to lead management of its overseas subsidiaries.

Based on this idea, Sumitomo Chemical began identifying global key positions within the Group in 2005. Since then, we have been developing human resources with sufficient ability to take on positions as "global position holders" by organizing international conferences, standardizing the performance evaluation system, and fostering the sharing of our corporate visions and values. The number of global position holders, initially at 40, increased to 81 in January 2012, of which about 60% are non-Japanese.

#### Standardizing Grading Globally

Sumitomo Chemical is also focusing on identifying and developing employees who can be next-generation leaders, in addition to enhancing the development of managers at its overseas Group companies.

As a first step, the Company is utilizing information on employees of overseas Sumitomo Chemical Group companies, including their positions and other personnel data. These data are centrally managed in a global database created to manage the performance of the managers of the Group companies based on the same management indicators as those used inside the Company. Based on the obtained information, human resources with high potential will be identified and transferred across the Group beyond departmental and national boundaries and given a range of training and education to acquire the abilities necessary to become "global position holders." We believe that repeating the cycle of performance evaluation, identification of excellent human resources, and education and development of such resources will lead to business operations that are more sustainable and global in nature.

#### Development of Global Talent ★

##### (1) Training seminar on global business communication skills

In fiscal 2011, a total of 110 young Japanese employees who were expected to become global leaders attended a training seminar to develop and improve their business communication skills in English, including those who received the training for the first time.

##### (2) Training of local managers of overseas Group companies

As a means to identify and develop global human resources in a systematic manner, we have been providing local managers of overseas Sumitomo Chemical Group companies with training since fiscal 2010, aiming to help them understand the Group's management philosophy and values and to become more aware of their roles as members of the Group.

As of the end of fiscal 2011, this training was provided a total of 15 times in four regions (Singapore, North America, Europe and China) under the leadership of the corporate branches established within each respective region, and with the participation of 270 managers in total. We will continue to provide this training in fiscal 2012 and onwards.



Training of local managers of overseas Group companies

##### (3) Establishment of a training center in Singapore

In order to foster the development of next-generation global leaders, we established a training center in Singapore, which is the location of one of our corporate branches, in January 2012. At the center, we plan to provide training to our overseas local managers, hold Sumitomo Chemical training seminars, and organize corporate branch seminars in consideration of the needs of Group companies in Southeast Asia.



Training center newly established in Singapore in January 2012

★ : Assured by an independent assurance provider



## Employment and Human Resources Development

### Approach to Employment

To secure a variety of excellent human resources, both the Head Office and other sites of Sumitomo Chemical recruit new employees in Japan. We also proactively accept internship students from overseas universities and continue to implement a range of global employment measures.

Since April 2, 2012, following the abolishment of the area-limited employment arrangement (see page 68), we have been selecting new employees in line with the grade system that would be applied to them after joining the Company.

The entrance ceremony and training of new employees, which had previously been held both at the Head Office in Tokyo and other sites based on the area-limited employment



arrangement, were decided in principle to be held only at the Head Office in Tokyo in and after April 2012.

Entrance ceremony



Internship students from China

### Human Resources Development Program

Sumitomo Chemical has been implementing a range of programs and measures to help talented human resources fully exhibit their abilities. In fiscal 2011, the Company provided employees of different job grades with necessary training and implemented measures according to their positions, to meet the following important targets:

- (1) Planned development of global leaders who will play a central management role
- (2) Smooth inter-generational transfer of technologies and skills that support its business
- (3) Support in strengthening workplace management
- (4) Support for employees in acquiring and developing the knowledge, skills, and competencies necessary for their job grades

### CDS (Training Rotation System) ★

Sumitomo Chemical has been carrying out systematic training rotations of all non-managerial employees and some managers to ensure that individuals are placed in the positions for which they are most suited. Under this system, we are using

the preferences submitted by employees and the development plans made by their managers to help employees plan and develop their ideal careers.

Training rotation plans were made and implemented for 880 employees and for 582 employees in fiscal 2010 and fiscal 2011, respectively.

In addition we provided employees to whom the training rotation system was applied with “career development training” to give them opportunities to look back on their past jobs and get some tips for future career development.

Moreover, in August 2010, Sumitomo Chemical created training guidelines for employees, to which they can refer in considering what abilities they should develop in the field for which they are most suited or in which they desire to work in the future.

The guidelines, which clearly show the knowledge, skills, reference materials, and training necessary for each job type, are available to all employees.

### Mentor and Trainer Systems ★

Sumitomo Chemical introduced a Trainer System in January 2008, under which highly skilled employees who have an aptitude for teaching are certified as trainers. These trainers provide instructions and advice to younger employees to facilitate their development and ensure the succession of skills from generation to generation.

In April 2010, we also introduced a Mentor System to give supervisors and potential supervisors on-the-job training. We are using this system to enhance the development of core talent for manufacturing departments.

As of April 2012, a total of 80 employees and six employees have been certified as trainers and mentors, respectively, throughout the Company.



Being certified as a mentor

**Yuji Araki**  
Production Planning Dept., Osaka Works

I was certified as a mentor in April 2011 and have since been giving instructions to supervisors of the manufacturing facilities to help them improve their abilities. In the face of changes with the times, I am serving as a mentor with high motivation, encouraged by an increase in the number of supervisors who understand the important points of my instructions. I will continue to provide instructions to develop supervisors who can take appropriate responses toward the future, which will certainly be fraught with more difficulties.

Mr. Araki providing instructions to supervisors as a mentor



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# External Commendations and Marks Approved for Use

GRI | 2.10 |

## Major External Commendations (Fiscal 2011)

Commendation	Recipient	Organizer
Commendation in recognition of energy saving activities for the environmental accounting book	Sumitomo Chemical	Japan Chemical Industry Association
Award for Encouragement : ChemoBio Integrated Management Society (2011)	Sumitomo Chemical	ChemoBio Integrated Management Society
Special commendation for distinguished achievement	Sumitomo Chemical and its labor union	OISCA

## Marks Approved for Use



Kurumin Mark



Eco Rail Mark



Eco-First Mark

## Major SRI\* Indices in which Sumitomo Chemical is included



\*Socially Responsible Investment (SRI): Investment based on evaluation criteria that include items on CSR measures implemented by companies

# Independent Assurance by KPMG AZSA Sustainability Co., Ltd.

GRI | 3.13

The Sumitomo Chemical Group has been supporting recovery efforts for the Great East Japan Earthquake that occurred on March 11, 2011, while continuing its conventional CSR activities. Additionally, Sumitomo Chemical has updated its Eco First commitment to the Ministry of the Environment, enhanced the functions of the comprehensive chemical management systems (SuCCESS), and began selling a product providing functionality similar to the Olyset™ Net for general consumers in Kenya in order to help control malaria as well as contribute to local economic development and employment creation. The Company is thus fostering CSR activities through its core business activities.

In this CSR report, the Company has disclosed information in a more substantive manner, particularly concerning human rights, society and product responsibility in reference to the issues we pointed out last year, and based on the GRI guidelines. Regarding local contribution activities, the Company has begun to disclose more information on the activities of both domestic and overseas Group companies in addition to information on its own activities. This is proof of the Company's commitment to disclosing more useful information to the Group's stakeholders around the world and is indeed significant.

Regarding the scope of information disclosed on each indicator, most of the information disclosed concerning social performance indicators comes from Sumitomo Chemical. Information on environmental performance indicators includes that from domestic Group companies but excludes that from overseas Group companies. It is desirable that the scope of information disclosure will further be broadened for all indicators so that the entire Sumitomo Chemical Group's situation, including that of domestic and overseas Group companies, will be communicated to the public in an easy-to-understand manner through its CSR report.

During our assurance procedures, it was revealed that not all tabulation rules were followed on environmental performance and environmental accounting indicators and that tabulation results needed to be modified for some sites and subsidiaries of the Company due to constraints caused by limited allocation of human resources to the tabulation work. These errors were corrected during the assurance service period; however, it is indeed necessary that the Company improve its tabulation manual, make all those concerned well aware of the details, and digitize the tabulation work to ensure correct tabulation despite the constraints of limited human resources.

For the Sumitomo Chemical Group, the share of overseas sales has now exceeded 50%. In its Three-Year Corporate Business Plan, the Company upholds the slogan, "Achieve sustainable strong growth as a stronger, more innovative global company" as its corporate vision. It is expected that the Company will further globalize its information disclosure activities and will continue and expand its CSR initiatives to support its management foundation.



Voice

**Shinnosuke Kayumi**  
KPMG AZSA Sustainability Co., Ltd.



# GRI Content <G3.1> Index

GRI | 3.12

The GRI application level of the Sumitomo Chemical CSR Report 2012 is “B+” according to the definition in Version 3.1 of the GRI Sustainability Reporting Guidelines.

Global Reporting Initiative (GRI) is a Netherlands -based non-profit organization committed to creating guidelines for international sustainability reporting. Version 3.1 of the GRI Sustainability Reporting Guidelines (G3.1 Guidelines) provides guidelines

applicable across the world as a framework to disclose performance information in sustainability reports. GRI recommends that report preparers self-declare the level to which they have applied the GRI reporting framework.

The table in the following page shows the GRI Content Index.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures	Not required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

GRI Sustainability Reporting Guidelines (G3.1 Guidelines) Reference Table

Category	Number	Description	Report Page
<b>1. Strategy and Analysis</b>			
	1.1	Statement from the most senior decision maker of the Organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	p2-3
	1.2	Description of key impacts, risks, and opportunities	p1-3,26
<b>2. Organization</b>			
■ Organizational Profile			
	2.1	Name of the Organization	p4
	2.2	Primary brands, products, and / or services	p5,15-17,30
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	p4-5
	2.4	Location of Organization's headquarters	p4
	2.5	Number of countries where the Organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	p4-5
	2.6	Nature of ownership and legal form	p4
	2.7	Markets served (including geographic break down, sectors served, and types of customers / beneficiaries)	p4-5
	2.8	Scale of the reporting Organization, including: - Number of employees;- Number of operations;- Net sales or net revenues; - Total capitalization broken down in terms of debt and equity; and- Quantity of products or services provided	p4-5,27-28,40
	2.9	Significant changes during the reporting period regarding size, structure, or ownership including: - The location of, or change in operations, including facility openings, closings, and expansions; and - Changes in the share capital structure and other capital formation, maintenance, and alteration operations	p4-5,16
	2.10	Awards received in the reporting period	p75
<b>3. Report Parameters</b>			
■ Report Profile			
	3.1	Reporting period (e.g., fiscal /calendar year) for information provided	p1
	3.2	Date of most recent previous report (if any)	p1
	3.3	Reporting cycle (annual, biennial, etc.)	p1
	3.4	Contact points for questions regarding the report or its contents	Back cover
■ Report Scope and Boundary			
	3.5	Process for defining report content, including: - Determining materiality; - Prioritizing topics within the report; and - Identifying stakeholders the Organization expects to use the report	p1,29

Category	Number	Description	Report Page
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	p1
	3.7	State any specific limitations on the scope or boundary of the report.	p1,40-41,44
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	p1
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	p29,40-46,57,70
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years /periods, nature of business, measurement methods)	p44,57
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	p57
■ GRI Content Index	3.12	Table identifying the location of the Standard Disclosures in the report	p77-79
■ Assurance	3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	p1,76
<b>4. Governance, Commitments, and Engagement</b>			
■ Governance	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	p21
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and if so, their function within the organization's management and the reasons for this arrangement).	p21
	4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	NA
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	p21,72
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	p21
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	p21
	4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	p21
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	p6-7,20,32
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	p21-22,24,33
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environment, and social performance	p21
■ Commitments to External Initiatives	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	p21-24,34,44-53, 56-58,61,67
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	p24,66
	4.13	Memberships in associations (such as industry associations) and/or national / international advocacy organizations in which the organization: - Has positions in governance bodies; - Participates in projects or committees; - Provides substantive funding beyond routine membership dues; or - Views membership as strategic	p24
■ Stakeholder Engagement	4.14	List of stakeholder groups engaged by the organization	p29
	4.15	Basis for identification and selection of stakeholders with whom to engage	p29,60-62,70
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	p29,60-61,67,72
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	p12-13,67
<b>5. Management Approach and Performance Indicators</b>			
<b>[Economic]</b>			
Management Approach			p12-13,26
■ Aspect: Economic Performance	EC1.	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	p27-29
	EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change	p41
	EC3.	Coverage of the organization's defined benefit plan obligations	—
	EC4.	Significant financial assistance received from government	p29
■ Aspect: Market Presence	EC5.	Range of ratios of standard entry level wage by gender compared to minimum wage at significant locations of operation	—
	EC6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	—
	EC7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	—
■ Aspect: Indirect Economic Impacts	EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	p62-66
	EC9.	Understanding and describing significant indirect economic impacts, including the extent of impacts	p30,66
<b>[Environmental]</b>			
Management Approach			p12-13,32-33,38-39
■ Aspect: Materials	EN1.	Materials used by weight or volume	p40
	EN2.	Percentage of materials used that are recycled input materials	NA for major materials
■ Aspect: Energy	EN3.	Direct energy consumption by primary energy source	p40
	EN4.	Indirect energy consumption by primary source	p40
	EN5.	Energy saved due to conservation and efficiency improvements	p38-39,44
	EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	p10-11
	EN7.	Initiatives to reduce indirect energy consumption and reductions achieved	—
■ Aspect: Water	EN8.	Total water withdrawal by source	p40
	EN9.	Water sources significantly affected by withdrawal of water	—
	EN10.	Percentage and total volume of water recycled and reused	—
■ Aspect: Biodiversity	EN11.	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NA
	EN12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NA
	EN13.	Habitats protected or restored	—
	EN14.	Strategies, current actions, and future plans for managing impacts on biodiversity	p47,Back cover
	EN15.	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	—
■ Aspect: Emissions, Effluents, and Waste	EN16.	Total direct and indirect greenhouse gas emissions by weight	p40,44-45
	EN17.	Other relevant indirect greenhouse gas emissions by weight	p57
	EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved	p38-45,57
	EN19.	Emissions of ozone-depleting substances by weight	p40,44



Category	Number	Description	Report Page
	EN20.	NOx, SOx, and other significant air emissions by type and weight	p40,46
	EN21.	Total water discharge by quality and destination	p40
	EN22.	Total weight of waste by type and disposal method	p40,46
	EN23.	Total number and volume of significant spills	p56
	EN24.	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	—
	EN25.	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	—
■ Aspect: Products and Services	EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	p10-11,47
	EN27.	Percentage of products sold and their packaging materials that are reclaimed by category	NA (Major products are supplied for manufacturers.)
■ Aspect: Compliance	EN28.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	We received no fines or sanctions for noncompliance with environmental laws and regulations.
■ Aspect: Transport	EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	P57
■ Aspect: Over all	EN30.	Total environmental protection expenditures and investments by type	P41
<b>Labor Practices and Decent Work</b>			
Management Approach			p12-13,68-74
■ Aspect: Employment	LA1.	Total workforce by employment type, employment contract, and region, broken down by gender	—
	LA2.	Total number and rate of new employee hires and employee turnover by age group, gender, and region	—
	LA3.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	—
	LA15.	Return to work and retention rates after parental leave, by gender	—
■ Aspect: Labor /Management Relations	LA4.	Percentage of employees covered by collective bargaining agreements	—
	LA5.	Minimum notice period (s) regarding operational changes, including whether it is specified in collective agreements	—
■ Aspect: Occupational Health and Safety	LA6.	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs	—
	LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region and by gender	p38-39,48,50,57
	LA8.	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	p69
	LA9.	Health and safety topics covered in formal agreements with trade unions	—
■ Aspect: Training and Education	LA10.	Average hours of training per year per employee by gender, and by employee category	—
	LA11.	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	p68,71,73-74
	LA12.	Percentage of employees receiving regular performance and career development reviews, by gender	—
■ Aspect: Diversity and Equal Opportunity	LA13.	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	p71
	LA14.	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	—
<b>[Human Rights]</b>			
Management Approach			p69
■ Aspect: Investment and Procurement Practices	HR1.	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	We did not conclude such agreements/contracts.
	HR2.	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	p61
	HR3.	Total hours of employees training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employee trained	p69
■ Aspect: Non-Discrimination	HR4.	Total number of incidents of discrimination and corrective actions taken	p69
■ Aspect: Freedom of Association and Corrective Bargaining	HR5.	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	We did not engage in such operations. See page 61 for suppliers.
■ Aspect: Child Labor	HR6.	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	We did not engage in such operations. See page 61 for suppliers.
■ Aspect: Forced and Compulsory Labor	HR7.	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	We did not engage in such operations. See page 61 for suppliers.
■ Aspect: Security Practices	HR8.	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	—
■ Aspect: Indigenous Rights	HR9.	Total number of incidents of violations involving rights of indigenous people and actions taken	—
	HR10.	Percentage and total number of operations that have been subject to human rights reviews and/or impacts assessments	We did not engage in such operations.
	HR11.	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	p23,69
<b>[Society]</b>			
Management Approach			p12-13,22-24
■ Aspect: Local Community	S01.	Percentage of operations with implemented local community engagement, impact assessments, and development programs	p30
	S09.	Operations with significant potential or actual negative impacts on local communities	We did not engage in such operations.
	S010.	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	We did not engage in such operations.
■ Aspect: Corruption	S02.	Percentage and total number of business units analyzed for risks related to corruption	p23
	S03.	Percentage of employees trained in organization's anti-corruption policies and procedures	p23
	S04.	Actions taken in response to incidents of corruption	There were no incidents that required such action.
■ Aspect: Public Policy	S05.	Public policy positions and participation in public policy development and lobbying	p24
	S06.	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	—
■ Aspect: Anti-Competitive Behavior	S07.	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	—
■ Aspect: Compliance	S08.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	p23
<b>[Product Responsibility]</b>			
Management Approach			p12-13,32-33,38-39
■ Aspect: Customer Health and Safety	PR1.	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	p52-55
	PR2.	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	p38-39,55
■ Aspect: Product and Service Labeling	PR3.	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	p52-55
	PR4.	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	—
	PR5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	p60
■ Aspect: Marketing Communications	PR6.	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	—
	PR7.	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	—
■ Aspect: Customer Privacy	PR8.	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	—
■ Aspect: Compliance	PR9.	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	—



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Sumitomo Chemical has participated in the initiative for private engagement in biodiversity, "Japan Business and Biodiversity Partnership" launched at the Tenth Ordinary Meeting of the Conference of the Parties to the Convention of Biological Diversity (COP10) held in October 2010. Only companies participating in the partnership can use this logo mark.



Sumitomo Chemical is conducting its business operations giving due consideration to the ten principles of the UN Global Compact as a company participating in the initiative. The logo mark demonstrates that this CSR Report represents Sumitomo Chemical's annual report to all its stakeholders as a "Communication on Progress" and a member of the UN Global Compact.



As a Responsible Care company, Sumitomo Chemical voluntarily implements policies that take safety, the environment, and health into consideration in all processes, from chemical substance development to disposal. The Responsible Care mark and logo may only be used by companies that are members of the Japan Responsible Care Council.

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