

SUMITOMO CHEMICAL

CSR REPORT 2013

Sustainable
Chemistry



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 all of the feedback 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 70 to 72.

In particular, we have provided details on the Company and its approach to CSR in the "Sumitomo Chemical's Operations and CSR" section found on pages 7 to 18. Details are presented in the context of the business principles the Company established at the time of its foundation, focusing on contributions to society through business operations, and specific measures that help bring these principles to fruition.

Regarding quantitative information, assurance is provided on the indicators labeled with a star mark (★) by KPMG AZSA Sustainability Co., Ltd. We have also obtained a third-party opinion from Itaru Yasui, former Vice Rector of United Nations University and Professor Emeritus of the University of Tokyo.

For detailed numerical data, we have prepared a separate booklet titled "CSR REPORT 2013 DATA BOOK" for easy reference.

Please also refer to the following for information regarding Sumitomo Chemical's CSR activities.

CSR HIGHLIGHTS 2013

This publication provides a summary of Sumitomo Chemical's business activities and efforts to fulfill its CSR. At the same time, details of the Company's social contribution activities in Japan and overseas are also provided in an easy-to-understand manner.



Website

Our CSR REPORT 2013 and CSR HIGHLIGHTS 2013 are also available on our CSR website at

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

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

Report Profile

■ 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 significant. Specifically, Sumitomo Chemical (non-consolidated) and 16 Group companies in Japan for a total of 17 companies. (Please refer to page 41 of the report for the names of each company.) However, the scope of the Sumitomo Chemical (non-consolidated), Group companies in Japan, and overseas Group companies in the tables and charts, targets, results, and graphs on pages 43 to 49 is as follows.

Non-consolidated: Sumitomo Chemical non-consolidated manufacturing facilities

Group companies in Japan: Sumitomo Chemical non-consolidated manufacturing facilities and the production plants of 15 Group companies in Japan (Dainippon Sumitomo Pharma Co., Ltd.; Koei Chemical Co., Ltd.; Taoka Chemical 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 Limited.; Sumika Bayer Urethane Co., Ltd.; Nihon Oxirane Co., Ltd.; and Sumika Agrotech Co., Ltd.)

Overseas Group companies: Production plants of 10 overseas Group companies (Sumitomo Chemical Singapore Pte Ltd.; The Polyolefin Company(Singapore) Pte. Ltd.; Sumipex (Thailand) Co., Ltd.; Bara Chemical Co., Ltd.; Dalian Sumika Chemphy Chemical Co., Ltd.; Sumika Electronic Materials (WUXI) Co., Ltd.; Sumipex Techsheet Co., Ltd.; Sumika Technology Co., Ltd.; SC Enviro Agro India Private Ltd.; and Dongwoo Fine-Chem Co., Ltd.)

● 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 (non-consolidated) and 18 Group companies (13 domestic, 5 overseas) for a total of 19 companies.

● Environmental efficiency

The scope of environmental efficiency data covers Sumitomo Chemical Co., Ltd.

.....
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

(However, when "Group companies" are referred to, this does not include Sumitomo Chemical. The applicable scope of "Group companies" is indicated as necessary.)

For details regarding calculation standards 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, 2012 – March 31, 2013 (with specific exceptions outside this time frame)

■ Date of publication:

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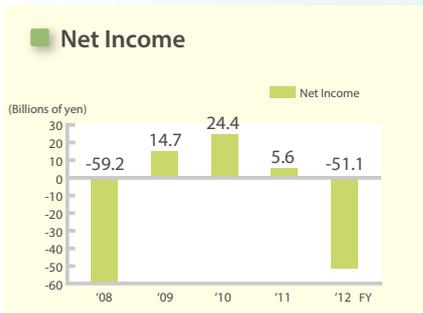
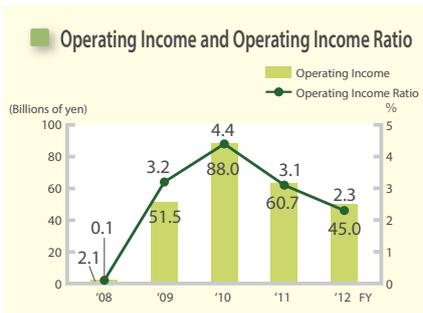
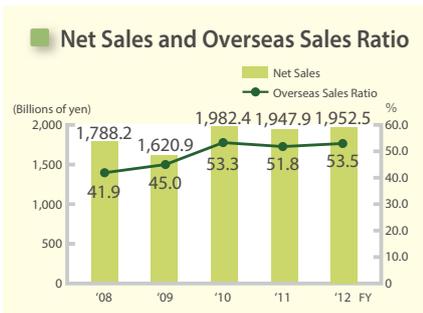
Sumitomo Chemical Spreading Its Wings Across the World

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:	1,952.5 billion yen
Number of consolidated subsidiaries:	162
Number of employees:	30,396 (As of March 31, 2013)

Business Locations



Business Sectors



Alumina powder and products made from alumina



A variety of products made from polyethylene



Polarizers indispensable for LCDs



A variety of crop protection chemicals including agricultural insecticides and herbicides



Products developed at Dainippon Sumitomo Pharma Co., Ltd.

Basic Chemicals Sector

Inorganic chemicals
Raw materials for synthetic fibers
Organic chemicals
Methyl methacrylate (MMA)
Alumina products Aluminum
Functional materials
Additives
Dyes, etc.

Petrochemicals & Plastics Sector

Petrochemical products
Synthetic resins
Synthetic rubber
Synthetic resin processed products, etc.

IT-related Chemicals Sector

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

Health & Crop Sciences Sector

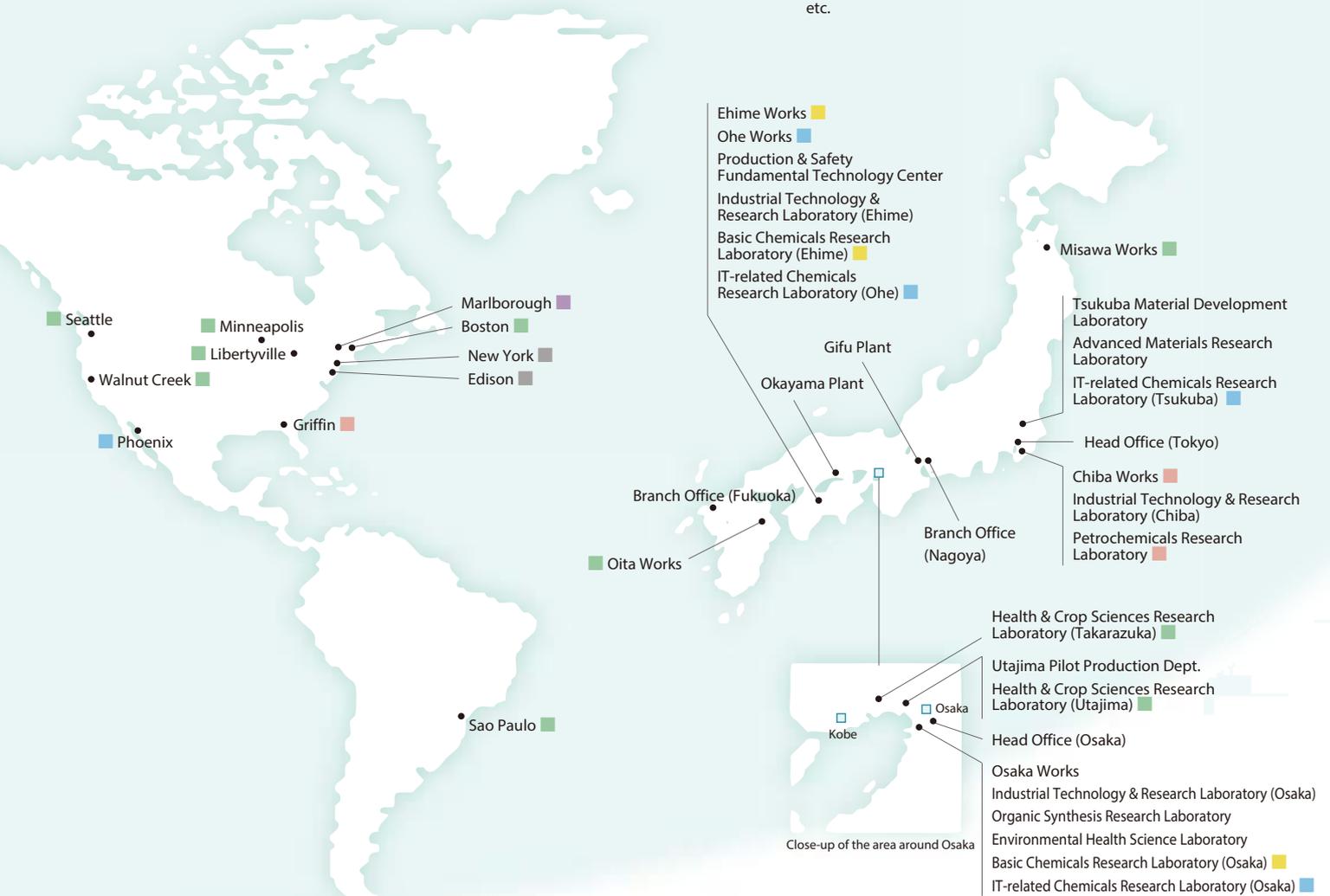
Crop protection chemicals and fertilizers
Agricultural materials
Household and public hygiene insecticides
Materials for the prevention of tropical disease infections
Feed additives
Pharmaceutical chemicals, etc.

Pharmaceuticals Sector

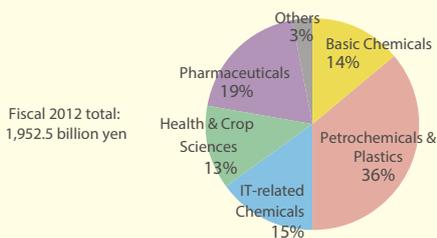
Ethical pharmaceuticals
Diagnostic radiopharmaceuticals, etc.

Others

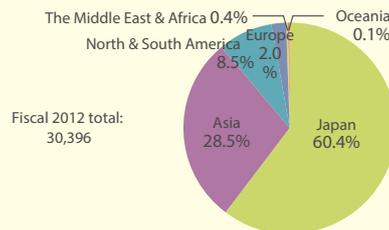
Provision of support services to affiliated companies



Net Sales by Business Sector



Number of Employees by Region



Notes:

- The Production & Safety Fundamental Technology Center was established in order to bolster the security, disaster prevention capabilities, and competitiveness of plants. Certain functions undertaken by the Process & Production Technology Center were transferred to the newly established center effective as of April 2013. In line with these initiatives, the name of the Process & Production Technology Center was changed to the Industrial Technology & Research Laboratory.
- Effective as of May 2013, the Plastics Technical Center was integrated into the Petrochemicals Research Laboratory in order to further realize synergy effects between each facility and to bolster the development of new products and application.

Helping Solve Global Challenges Through the Power of Chemistry

Corporate Business Plan for Fiscal 2013 to Fiscal 2015

Entering its 100th anniversary this year, Sumitomo Chemical has embarked on a new three-year Corporate Business Plan. Under this plan, we have reaffirmed the importance of corporate social responsibility (CSR) in Sumitomo Chemical's business operations and have made a commitment, as part of our corporate vision, to helping solve global challenges—such as those related to energy, the environment, and food—through the power of chemistry.

Chemistry wields virtually unlimited potential to create solutions to a myriad of problems that threaten the sustainable development of the world, including environmental issues, natural resource and energy problems, food shortages, and poverty. At Sumitomo Chemical, we will strive to develop and globally deliver innovative technologies and products by focusing our resources on three high-growth areas: the environment and energy, life sciences, and information and communication technology. In addition, we will step up our “Creative Hybrid Chemistry” initiative aimed at spurring innovation by combining the technologies and expertise in diverse fields that we have accumulated through years of operation as a diversified chemical company.

In particular, we will accelerate the development of organic thin-film photovoltaic cells, which are attracting strong interest as next-generation solar cells that are thinner, lighter, and flexible, while also redoubling our efforts to commercialize polymer organic light emitting diode (PLED) lighting, which offers high energy efficiency and can produce light of a wide variety of colors and tones. Moreover, we will launch the SUMIPURE™ aluminum titanate diesel particulate filter (DPF) for removing soot from the exhaust of diesel-powered

vehicles, with a particular focus on European markets, where demand is projected to grow rapidly.

Responsible Care

In order to continue contributing to the sustainable development of society, we consider it essential not only to pursue these technology and business development efforts, but also for the entire Sumitomo Chemical Group to promote Responsible Care—a commitment to ensuring safety, environmental protection, and high quality throughout the life cycles of our products, from research and development, production, distribution, and sale to use and disposal.

In our new Corporate Business Plan, one of the Group's priority management issues is to ensure safe and stable operations by enhancing our culture of safety and strengthening our safety assurance capabilities. We are also committed to increasing our measures to prepare for large-scale natural disasters, such as earthquakes and tsunamis, which, since the Great East Japan Earthquake, have received a great deal of attention. In addition, with the aim of further enhancing the Responsible Care initiative across the Group, we will promote the global use of our operational standards that lay down policies and measures related to our Responsible Care activities and step up efforts to improve communication among and strengthen cooperation between the Group companies in and outside Japan.

Advancing Projects that Contribute to Global Society

As part of its CSR activities, Sumitomo Chemical has undertaken various social action projects. The centerpiece of these efforts is



Hikomasa Yonekura,
Chairman

米倉弘昌

Masakazu Tokura,
President

十倉雅和

our malaria control initiative for supporting Africa's development. Malaria, an infectious disease transmitted by Anopheles mosquitoes, has been a major impediment to Africa's endeavor to end poverty, and its elimination is identified as one of the most pressing challenges facing the human race under the Millennium Development Goals, which the United Nations aims to achieve by 2015. Sumitomo Chemical has been making a significant contribution to the control of malaria by supplying Olyset™ Net, an insecticidal mosquito net that it developed in-house to protect people from malaria-carrying mosquitoes, to Africa as well as Asia. We are also producing Olyset™ Net in Africa, thereby helping to create local jobs while promoting the growth of the regional economy.

We believe that improving Africa's educational system is crucial in enabling the continent to overcome poverty and achieve self-sustaining economic development. Since 2005, Sumitomo Chemical has engaged in projects with an NGO to build elementary and junior high school buildings and related facilities in Africa and has donated a portion of the revenues from the Olyset™ Net business to the effort. 14 projects have been completed in 10 countries in the region, with two projects currently underway, one in Ethiopia and the other in Malawi.

We are working on a variety of social action projects in Asia as well. In Thailand, we have been implementing, in collaboration with an NGO, the "Sumitomo Chemical's Forest" project, in which we plant mangrove trees as an effort towards protecting biodiversity and mitigating global warming. And in China, leveraging the expertise we have accumulated through our agriculture-related businesses, we plan to launch projects to help ensure food safety, including projects to develop and promote the use of safe agricultural cultivation techniques and effective food safety inspection and

analysis methods.

We at Sumitomo Chemical will remain strongly committed to contributing to the sustainable development of Africa and Asia by implementing social action projects that meet the needs of individual countries and regions.

As a Member of the International Community

Since 2005, Sumitomo Chemical has been a member of the United Nations Global Compact, a platform to encourage companies' voluntary action to help achieve sustainable growth, while also participating in Global Compact LEAD—the U.N. program to put into action the vision developed in the Global Compact—since its launch in 2011. To advance its CSR activities on a global basis, the Sumitomo Chemical Group will continue to actively engage in these kinds of voluntary efforts within the international community and cooperate closely with local communities, NGOs, and other various stakeholders.

At the same time, by developing innovative technologies and products through the creative power of chemistry and by contributing to the sustainable development of society through our business activities, we will strive to achieve strong and sustained growth as a global diversified chemical company.

We would greatly appreciate your continued support and understanding.



Sumitomo Chemical's Corporate Philosophy

Sumitomo Chemical's corporate philosophy is based on the Sumitomo Spirit, which have 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.

While the essence has not been formally codified, 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 The Sumitomo Spirit.

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 23 and 24.)

Sumitomo Chemical's Operations and CSR

Sumitomo Chemical's business dates back to 1913, when the Company was founded to manufacture fertilizer using hazardous sulfur dioxide extracted from exhaust gas generated in copper smelting operations. Sumitomo Chemical, thus, got its start as a company committed to overcoming environmental problems while actively contributing to the development of agriculture.

Since then, Sumitomo Chemical's corporate philosophy has been to conduct its business not only to expand profits, but also to contribute to society through its business operations in the spirit of CSR.

Fiscal 2013-2015

Sumitomo Chemical's Corporate Philosophy

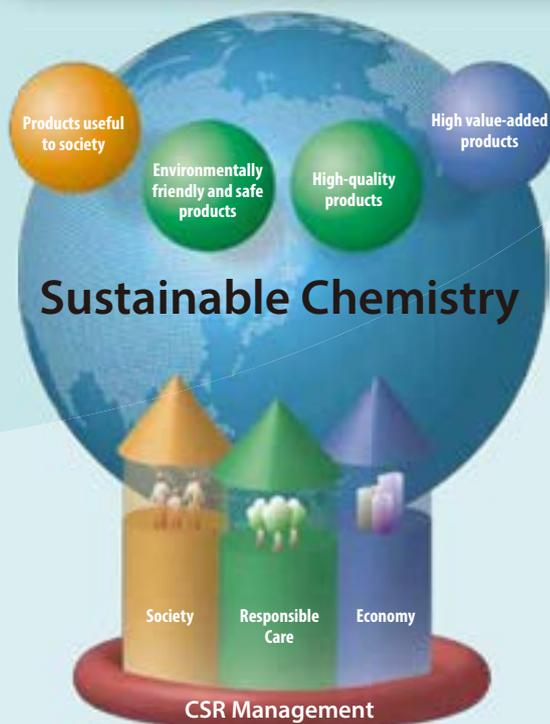
Corporate Vision

- 1 Create new value based on technologies accumulated over the years
- 2 Through the power of chemistry, help solve global challenges (e.g. problems related to energy, the environment and food)
- 3 Develop a corporate culture full of can-do spirit and always be a company that society can trust

Sustainable Chemistry as the Mission of a Chemical Company

Sustainable chemistry refers to using the power of chemistry to continuously provide useful products and services that contribute to comfortable and fulfilling lives for people throughout the world in an environmentally and socially friendly manner.

Sumitomo Chemical will practice sustainable chemistry as part of its CSR-based management to achieve balance among the three areas of economy, Responsible Care (RC), and society, in all aspects of its corporate activities.



Society

Benefiting customers, local communities, and the world while abiding by the rules of society

Responsible Care

(Safety, environment, 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

Philosophy Behind Fiscal 2013-2015 Corporate Business Plan

Sumitomo Chemical will reach its 100th anniversary in 2013 and with the goal of achieving sustained growth over the next 100 years, the Company has drafted a three-year medium-term corporate business plan for fiscal 2013 to 2015 that will commit Sumitomo Chemical to strengthening the foundations of its business. The plan aims for Sumitomo Chemical as a diversified global chemical company to achieve sustainable growth

together with society. The execution of the plan allows not only the building of an operational structure more resistant to changes in the external environment but, through the development of next-generation businesses, also contributions to increased affluence and the resolution of global challenges facing humanity, including issues related to food, energy, resources, and the environment.

Corporate Business Plan

Five Priority Management Issues

- 1) Enhance financial strength
- 2) Restructure businesses
- 3) Develop next-generation businesses
- 4) Promote globally integrated management
- 5) Ensure full and strict compliance, and maintain safe and stable operations

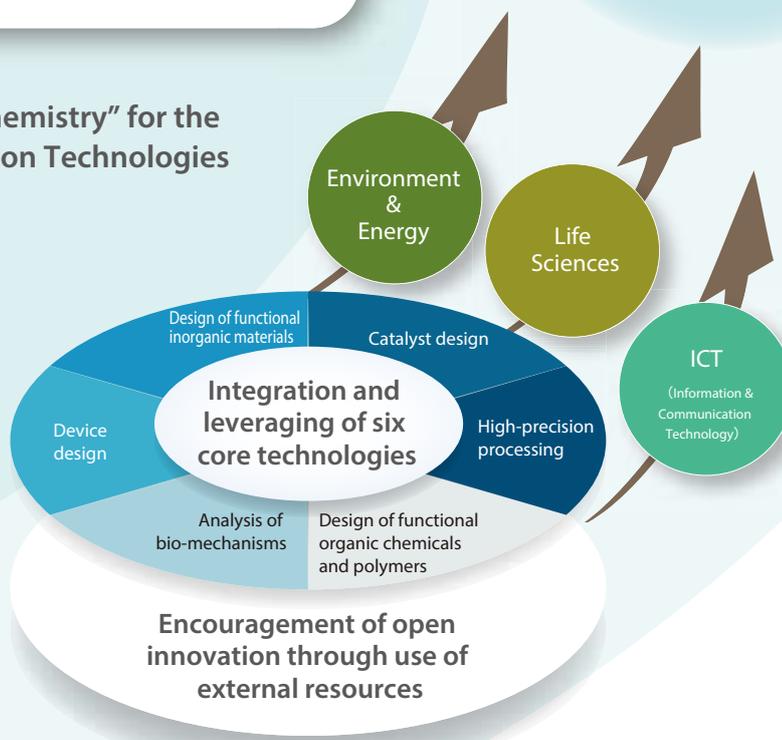
Sumitomo Chemical's Long-Term Goal

Contribute to increased affluence and the solving of global challenges facing humanity, including issues related to food, energy, and the environment, while achieving sustainable growth together with society as a diversified global chemical company

Promoting "Creative Hybrid Chemistry" for the Development of Next-Generation Technologies

Sumitomo Chemical believes the creation of new business areas through continuous research and development is vital toward achieving the goal of sustainable growth. Accordingly, it has established the promotion of "Creative Hybrid Chemistry" as a core concept for the company.

The promotion of "Creative Hybrid Chemistry" involves focusing our efforts on the integration and leveraging of the six core technologies in which the Company excels, encouraging open innovation through the use of external resources, and creating products and technologies with higher added value. From this idea, based on the Corporate Business Plan, Sumitomo Chemical aims to achieve sustained development along with society through the promotion of next-generation businesses in the three key areas of environment & energy, life sciences, and information & communication technology (ICT).



Striving to Meet Pressing Global Challenges through

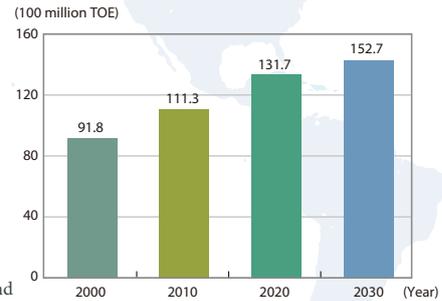
Meeting Pressing Global Challenges

Environment & Energy

The International Energy Agency estimates global energy demand in 2030 at 152.7 billion tonnes of oil equivalent (TOE), which is 66% higher than the level reached in 2000. Demand for energy is expected to expand in line with global economic growth.

Source Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry

Forecast for global energy demand

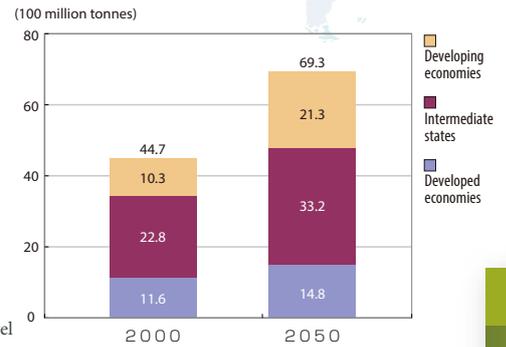


Food

The global population is expected to reach 9.2 billion in 2050, which is 3.2 billion people (or 1.5 times) more than in 2000. Against a backdrop of economic development and an increased population, global demand for food is expected to increase 2.1 times in developing countries and 1.5 times in intermediate states.

Source Ministry of Agriculture, Forestry and Fisheries, Outlook for Global Food Supply and Demand in 2050

Changes in global food demand by income level



Health

While the world has seen remarkable developments in medical care, there remain numerous diseases and illnesses requiring new and stronger treatments. Additionally, about half the world's population is at risk of malaria, with about 200 million people infected, including 650 thousand lives lost, each year.

Source World Health Organization

Countries at risk of malaria

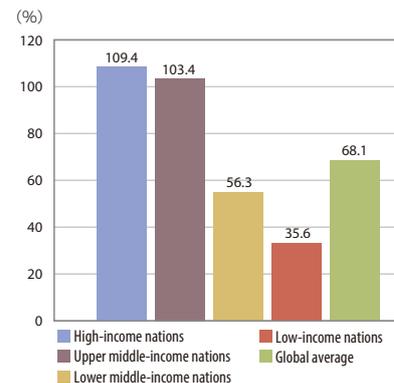


International Digital Divide

The world is divided between those with access to personal computers and the Internet and those lacking such access. This has resulted in an information gap in a number of areas, including education, labor and politics. This digital divide has the potential to develop into a major problem for the global economy and the world community.

Source White paper on telecommunications 2011

Penetration rate for mobile phones by income level (2009)



the Best Use of the Power of Chemistry

The Direction of Sumitomo Chemical's Efforts

Sumitomo
Chemical's
approach

Environment & Energy

Please see
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Sumitomo Chemical is directing its research resources into the three areas of energy generation, energy storage, and energy saving. Energy generation focuses on organic thin-film solar cells and various solar cell materials. Energy storage focuses on lithium-ion rechargeable battery materials, as well as next-generation batteries. In the energy saving category, the company is promoting the research and manufacture of resin and metal composite materials, polypropylene materials that will assist in reducing vehicle weights, rubber used in fuel-efficient tires, power semiconductor materials, and PLED lighting.

Sumitomo Chemical is also working on products that can contribute to a reduced environmental impact, including soot removal filters that can be attached to cars with diesel engines.



Sumitomo
Chemical's
approach

Life Sciences

Please see
pages
15-17

Sumitomo Chemical has been developing agricultural materials, feed additives, agrochemicals and fertilizers as core businesses since the Company's founding. In addition, with the aim of promoting efficiency and the revitalization of agricultural production in Japan, Sumitomo Chemical is conducting its business as "total solutions provider" that comprehensively supports safe and efficient agriculture. The Company is also focusing on crop stress management to increase yields, with the aim of easing stress on farming operations from factors such as global warming, desertification, pests, and pathogens.

In focusing on health-related issues, Sumitomo Chemical has been working to limit malaria infections by widely supplying its "Olyset™ Net"—an insecticidal mosquito net—to Africa and many other parts of the world. The Company is also actively promoting health-related research and development, including conducting assessment studies on the impact of chemicals utilizing embryonic stem (ES) cells and induced pluripotent stem (iPS) cells on the human body.



Sumitomo
Chemical's
approach

ICT (Information & Communication Technology)

Please see
page
18

Sumitomo Chemical supplies a wide range of products supporting the IT industry, and is developing its business in this field with a particular emphasis on optically functional film used in LCD panels. By placing production plants in countries in which customers such as LCD panel manufacturers are concentrated, as well as quickly and accurately identifying customer needs and leveraging technological innovations, the company is able to contribute to the global spread of information equipment, including smaller information terminals. In addition, Sumitomo Chemical is actively engaged in developing next-generation technologies such as PLED displays with the potential to transform the field of next-generation displays.



Special
Feature 1Environment
& EnergyAddressing the Issue of
Global Climate Change

Contributing to the Next-Generation of Energy and Mobility

The growing consumption of energy and its impact on the global environment has become a major issue faced by the world community. Sumitomo Chemical makes concerted efforts to create products that help solve energy issues, while promoting Green Processes, which are manufacturing processes that limit environmental impact as much as possible throughout the life cycle of products, and developing Clean Products, which are products designed with improved performance in terms of environmental friendliness, safety, and quality.

Product Development that Supports Efficient Energy Use

Sumitomo Chemical has been developing **PLEDs** for use in energy-saving lighting and displays, such as TVs. PLED is a new technology that produces light by applying an electric current to organic compounds. This technology is expected to offer very high energy efficiency. Sumitomo Chemical is focusing in particular on the development of PLED lighting that can be produced through a simple process like inkjet printing, which should further lighten its environmental impact.

The Company also supports technological innovation in lithium-ion rechargeable batteries used in next-generation eco-cars such as electric vehicles and hybrid vehicles. Our **PERVIO™ heat-resistant separators** and other products are used to ensure the safety of batteries by preventing short circuits, while realizing higher capacities and longer lifespans. By producing and selling materials for lithium-ion rechargeable batteries, Sumitomo Chemical supports the next-generation of eco-cars.

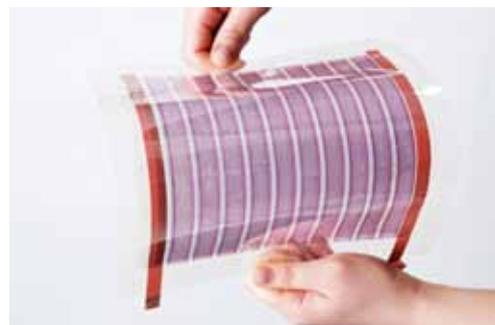


PERVIO™ heat-resistant separators

Toward New Possibilities in Solar Power Generation

Most of the solar cells used in solar power generation are made of inorganic materials like silicon. Sumitomo Chemical is developing materials which are used in manufacturing sheets that protect silicon solar cells.

However, there are some issues with silicon solar cells, such as restrictions on where they can be installed due to their heavy weight, and the large amount of energy consumed in their production. For this reason, Sumitomo Chemical has been working on the development of **organic thin-film solar cells** that use organic materials instead. Organic thin-film solar cells can be produced with relatively simple processes such as painting and printing, so the energy used in their production is far less than that for silicon solar cells. In addition to being thinner, lighter and flexible, organic thin-film solar cells are also able to let light pass through them. These unique qualities have opened up possibilities for completely new applications for



Organic thin-film solar cells



Aluminum titanate DPFs

these solar cells, such as installation in places that were previously difficult due to weight limitations, places that are not flat, and places that require a degree of transparency.

In 2012, Sumitomo Chemical achieved a conversion efficiency of 10.6%, a world-class level for organic thin-film solar cells. We are redoubling our efforts in research and development to commercialize this technology as quickly as possible.

Harmony between the Environment and Mobility

Amid the increasing importance of environmentally friendly vehicles, Sumitomo Chemical has developed the **SUMIPURE™ series of diesel particulate filters (DPFs) made of aluminum titanate** for cleaning up the exhaust from diesel vehicles. Demand for DPFs has been expanding around the world as a consequence of tighter exhaust regulations, as illustrated by

plans in Europe to require the installation of DPFs starting in 2014. Compared with mainstream silicon carbide DPFs, the Company's aluminum titanate DPFs offer better heat resistance and durability. The independently developed structure improves the efficiency of the DPF and contributes to fuel economy. Moreover, high temperatures are not necessary during production, thereby lowering CO₂ emissions.

Sumitomo Chemical also produces and sells **polylactic acid-based eco-friendly plastics**, which are made with resins derived from plants, as materials for the cabin interiors of automobiles. Because this plastic is composed of polylactic acid, which is derived from plants and is carbon neutral*, total product life cycle CO₂ emissions are reduced by about 10% compared with the use of conventional plastics.

* Since plants absorb CO₂ in the atmosphere via photosynthesis, total CO₂ emissions in the life cycle of products are considered to be neutral (zero) even if CO₂ is emitted when they are incinerated.

International Recognition for Environmental and Energy Conservation Efforts

Sumitomo Chemical Incorporated in CDLI by CDP

In 2012, Sumitomo Chemical was selected for inclusion in the Climate Disclosure Leadership Index (CDLI)* as a company with excellent disclosure of information related to climate change by the Carbon Disclosure Project (CDP), a non-profit organization set up by institutional investors around the world. CDP selects companies for inclusion in the CDLI based on a questionnaire sent to around 5,000 corporations around the world and a review of their management and disclosure of information related to

greenhouse gas emissions and energy usage. Sumitomo Chemical scored the highest among Japanese companies in the materials sector and was the only diversified chemicals company to be included in the CDLI.

* Name was changed from the Carbon Disclosure Leadership Index in February 2013.



Participation in BioCarbon Fund

As a part of its efforts to prevent global warming, Sumitomo Chemical partici-

pates in the BioCarbon Fund administered by the World Bank. The Fund finances projects to plant trees and preserve forests in emerging countries, thereby contributing to the reduction of greenhouse gases and preserving biodiversity. In 2012, in a world-first achievement, Sumitomo Chemical obtained carbon credits* along with other companies that provided financing to afforestation projects in Brazil and other countries.

* Carbon credits are emissions rights issued based on the amount of CO₂ reduced and absorbed in projects that aim to cut greenhouse gas emissions. In this report, carbon credits refer to short-term emissions credits available through afforestation projects based on the Clean Development Mechanism of the Kyoto Protocol.

Special
Feature 2

Life Sciences

Responding to Global Food Shortages and Health Problems

Contributing to the Stable Production of Food and Invigoration of Agriculture

Global food shortages are predicted to worsen in the future in tandem with population growth and climate change. To realize a society that has a reliable supply of food for everyone, Sumitomo Chemical is leveraging its accumulated technologies to tackle various challenges in the field of agriculture.

Aiming for Reliable Meat Production by Increasing Feed Efficiency*

The reliable production of meat is essential for the future. To support the livestock industry in an efficient and environmentally friendly way, Sumitomo Chemical has been producing **feed additive methionine**. Methionine is an essential amino acid necessary for the optimal growth of poultry and swine. Supplementing methionine-deficient diet mainly containing corn and soybean meal with this feed additive supports growth in animals, thereby improving feed efficiency* and productivity.

With demand for meat likely to steadily increase in the future, we will contribute to the stable supply of meat through methionine business.

Feed additive methionine also has the beneficial effect of

reducing the amount of nitrogen found in livestock excreta because it appropriately promotes nutritional balance in feed. Nitrogen constituents in the excreta of poultry and swine cause various environmental issues such as odor, eutrophication, acid precipitation and global warming by nitrous oxide. The greenhouse effect of nitrous oxide is around 300 times greater than carbon dioxide. It has therefore become a major problem in recent years as a contributing factor to global warming in the livestock industry. The use of feed additive methionine improves the efficiency of livestock production while mitigating environmental impacts.

* A value that measures weight gain relative to the amount of livestock feed consumed.

Easing the Environmental Stress of Agricultural Crops

Based on its extensive experience in the agricultural chemicals field, Sumitomo Chemical is developing technologies that mitigate the impact of climate change on agriculture. The Company engages in **crop stress management** in an aim to boost crop yields by easing various stresses placed on crops. We have developed chemicals that deal with stress caused by living things, such as insects, disease-causing bacteria, and weeds. Over the past few years, however, it has become increasingly important to increase crop yields by mitigating stress induced by the environment, such as high and low temperatures caused by climate change, as well as droughts and salt damage.

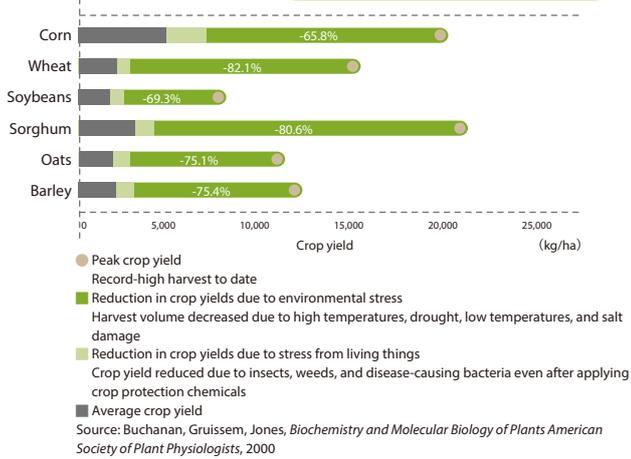
Productivity improvements on chickens fed diet supplemented with feed additive methionine for 49 days





Products harvested from Sumika farms

Decline in crop yields due to stress



Take corn for example: environmental stress placed on corn can considerably reduce productivity, with average crop harvests possibly declining to as low as one-fourth the level of the historically highest harvest. While there are restrictions such as the availability of water supplies and arable land, easing the stresses placed on agricultural crops can dramatically expand crop yields per unit of land area. Sumitomo Chemical will continue to focus on the development of chemicals that increase the tolerance of crops to environmental stresses, in order to realize the full potential of agricultural produce.

Aiming to Invigorate Agriculture through Our Business Operations

Japan's agricultural industry faces various problems, such as the aging of farmers, a lack of successors, and damage from the Great Eastern Japan Earthquake. In light of these circumstances, the Sumitomo Chemical Agro Group (Sumitomo Chemical and Group companies involved in agricultural businesses) aims to invigorate Japan's agricultural industry as a **total solutions provider** that leverages the products and functions of the Group. Sumitomo Chemical offers comprehensive support to farmers by providing products including crop protection chemicals, fertilizers, and other agricultural materials, and by offering its in-depth know-how in crop cultivation, marketing and management.

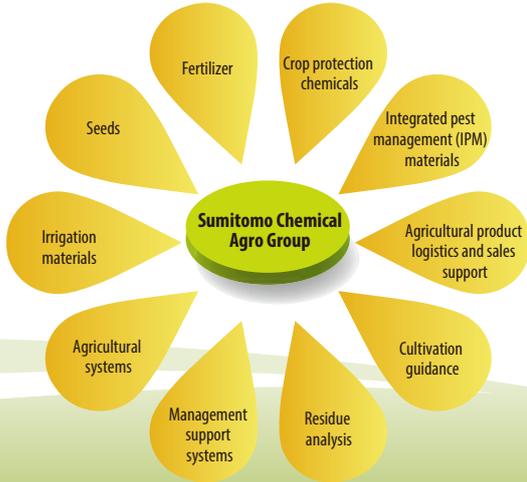
Since 2009, Sumitomo Chemical has established agricultural corporations throughout Japan. Sumika Farms are starting up in four locations, Nagano, Oita, Yamagata, and Mie, to produce fruits and vegetables. Sumitomo Chemical aims to create local jobs, effectively use neglected farmland, and advance its own cultivation technologies by putting them into actual practice at each agricultural corporation.

The Company provides sales channels, mainly via Nihon Ecoagro Co., Ltd., a sales and logistics company, to farmers having trouble selling high-quality agricultural products. To increase the profitability of agriculture, we also offer advice on what crops to cultivate and how. In addition to supporting active farmers, we aim to expand the scale of agriculture in Japan by increasing the inflow of new farmers through our support to those who are taking up farming.

Based on the view that Japanese agriculture can become a growth industry, Sumitomo Chemical broadly contributes to the development of agriculture through the establishment of a business model that cultivates higher-quality products that can be sold at higher prices.

Total Solutions Provider

We offer comprehensive support for agricultural managers in regards to agricultural management, provisions of crop protection chemicals, fertilizer and other agricultural materials and related technologies, as well as agricultural product marketing.



Special
Feature 2

Life Sciences



Olyset™ Net

Working to Tackle Tropical Diseases

Around the world, about 650,000 people die from malaria each year, mainly in tropical regions. In order to help reduce the number of deaths caused by malaria, Sumitomo Chemical is focusing on the development and distribution of Olyset™ Net, a long lasting insecticidal net.

Development and Distribution of Olyset™ Net

Olyset™ Net is a mosquito net which has insecticide incorporated into the fiber. It is an economical and effective way of protecting people from malaria-carrying mosquitoes. Olyset™ Net was recognized as the first Long-Lasting Insecticidal Net (LLIN), by the World Health Organization (WHO) in 2001. Ever since, WHO and other international institutions such as UNICEF have purchased Olyset™ Net from Sumitomo Chemical and distributed them freely to families in more than 80 countries, particularly in Africa, for the purpose of protecting people, especially pregnant women and children with high mortality risks. Moreover, from 2011, **Olyset™ CLASSIC** has also become available through normal distribution channels, such as supermarkets, in Kenya and other countries.

Furthermore, recognizing confirmed cases of mosquitoes that are resistant to insecticides in recent years has spurred Sumitomo Chemical to develop next-generation mosquito nets

called **Olyset™ Plus** and **Olyset™ Duo**. Olyset™ Plus was granted WHO recommendation as an LLIN. As soon as Olyset™ Duo receives WHO recommendation, we plan to start selling it as well.

Promoting Production and R&D in Africa

Sumitomo Chemical has established Vector Health International Ltd. (VHI) in a joint venture with a company in Tanzania to locally produce Olyset™ Net and contribute to the revitalization of the local economy while creating jobs. In addition to our initiatives to protect people from malaria, these efforts to help locals were recognized by the Yomiuri Newspaper in 2012 with the Yomiuri International Cooperation Prize, as well as by GBC Health with the Business Action on Health Award (see page 62).

With our belief to have a more comprehensive approach by combining a variety of measures to implement malaria protection more efficiently, we established the Africa Technical Research Center with VHI in 2012. This will accelerate the development of new products.

Sumitomo Chemical will continue to help improve the health conditions of people around the world through its Olyset™ Net business.



Stitching Olyset™ Nets at the factory in Tanzania
Photograph © M.Hallahan/Sumitomo Chemical



Africa Technical Research Centre

Special
Feature 3

Information &
Communication
Technology

Promoting Information & Communications Infrastructure around the World



Light-emitting material of PLEDs

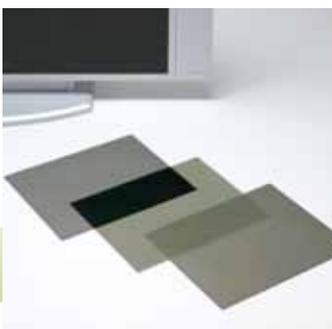
Supporting the Global Supply Chain for Electronic Parts

Information disparities between countries and regions are an issue facing global society, and this gap is said to be shrinking thanks to the rapid proliferation of mobile phones in emerging countries. This rapid proliferation of communications technology is attributable in part to the globalization of supply chains in the semiconductor and electronic parts sectors. Sumitomo Chemical is contributing to the development of next-generation technologies in these fields.

Contributing to Rapid Technological Innovation and Less Environmental Impact

Sumitomo Chemical engages in R&D in a broad range of fields related to products and technologies that support the information and electronics industries. One of these products is a **polarizer**, a material used in LCDs. LCDs are used in TVs, notebook PCs, smartphones, tablets and other kinds of portable information devices. In industrialized countries, LCDs are also used in displays for medical equipment.

Sumitomo Chemical has polarizer production bases located in close proximity to manufacturers of handheld electronic devices and makers of LCDs in South Korea, Taiwan, and China in addition to Japan. This allows the Company to quickly grasp market needs and forge stronger ties with its customers, which ultimately leads to accelerated technological innovation in final products. By introducing processes that significantly alter film lamination methods, the company is able to considerably reduce energy consumption and eliminate pre-treatment processes for some film helping to reduce environmental impact.



Polarizers

Working on Groundbreaking Next-Generation Technologies for Displays and Lighting

Sumitomo Chemical is focusing R&D efforts on PLEDs as a next-generation technology that will completely change the display and lighting fields. PLEDs emit light when an electric current is applied to a coating of organic material. PLEDs are a promising next-generation technology for displays and lighting because PLED displays and lighting can be made thinner and lighter, among other superior qualities. The type of organic light emitting diode that Sumitomo Chemical is researching uses polymers as the light-emitting material, making it possible to print them like ink from an inkjet printer. This will make it easy to manufacture large-volume, large-size PLED displays and PLED lighting. PLEDs also have other advantages that help reduce environmental impact, such as high energy efficiency and zero mercury.

Sumitomo Chemical has already finished building mass production facilities for light-emitting material of PLEDs, and is developing production technologies for displays, lighting, and other devices.



PLED prototype testing

CSR Management

Basic Stance

Sumitomo Chemical established its Basic CSR Policy in November 2004 based on the Sumitomo Spirit and the Sumitomo Chemical Charter for Business Conduct (see pages 7 and 8). Under this Policy, specific goals are set and CSR activities are implemented to achieve them.

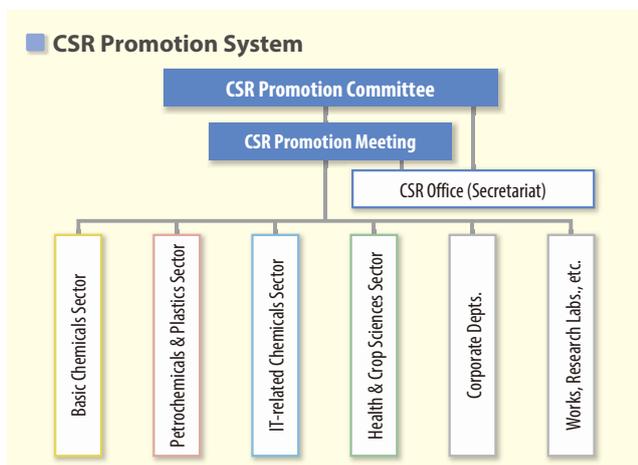
Basic CSR Policy

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 2010, we established the CSR Department (present CSR Office) as an organization dedicated to developing measures to promote CSR activities. Subsequently, in April 2012, we founded the CSR Promotion Committee. Chaired by the executive officer in charge of CSR and comprised of executive officers from the Company's corporate and business sectors, the CSR Promotion Committee is responsible for further advancing CSR activities. At the CSR Promotion Committee meeting held in March 2013, the results of activities conducted in fiscal 2012 were reported and the policies for fiscal 2013 were set. At the same time, an explanation was



provided detailing the CSR functions established at each regional branch to promote CSR activities worldwide going forward.

In addition, a CSR Promotion Meeting that brings together representatives from each business sector and Works is held. This meeting is designed to identify specific activity targets based on the policies of each sector and Works, promote CSR activities, and implement the annual policies decided upon by the CSR Promotion Committee. The CSR Office is responsible for the administrative functions of both the CSR Promotion Committee and the CSR Promotion Meeting.



The CSR Promotion Committee

Putting in Place Fiscal 2013 Policies

Each year, Sumitomo Chemical puts in place CSR activity policies based on its overarching Basic CSR Policy. Taking into consideration comprehensive factors from each of the economic, environmental, and social perspectives, Sumitomo Chemical recognizes that CSR activities are a source of competitive advantage. With this in mind, we have put in place the following annual CSR activity policies in an effort to maximize our corporate value and to fulfill our corporate social responsibility as a global enterprise.

Economic Activities

- We will engage in activities that are designed to improve business performance with the goals of establishing a highly profitable operating platform and securing sustainable development going forward.

Responsible Care Activities

- We will work proactively and take steps to protect the global environment by implementing measures aimed at preventing climate change, ensuring chemical safety, and conserving biodiversity.
- We will strive to improve the level of Responsible Care across the Sumitomo Chemical Group as a whole.

Social Activities

- We will engage in social contribution activities that are unique to Sumitomo Chemical by ensuring strict compliance and pursuing the development of our business activities.
- We will work to improve the value of the Sumitomo Chemical Group corporate brand both within and outside the Company.
- We will put in place a workplace environment and system that motivates and satisfies employees by promoting diversity and work-life balance.

Measures Aimed at Raising CSR Awareness

In order to enhance employee awareness toward the Company's CSR-based corporate philosophy, Sumitomo Chemical has published and distributed a Corporate Philosophy Statement Booklet. At the same time, we have produced a DVD that provides details of the Statement Booklet while introducing examples of our CSR activities. This DVD is used on a host of occasions including employee trainings and round-table discussions. The Statement Booklet and DVD have been produced in English, Chinese, and Korean, which are utilized when training local managers and on other occasions as considered appropriate. Through these and other means, every effort is being made to ensure a uniform understanding of CSR and CSR activities throughout the Group.

Working to foster a greater interest in CSR among employees and promote proactive participation, the Sumitomo Chemical Group has put forward a wide range of measures. In addition to the matching gift program (see page 66), a donation initiative

that brings together employees and the Company, Sumitomo Chemical promotes a host of volunteer activities including mangrove planting in Thailand and recovery efforts for areas affected by the Great East Japan Earthquake.

Relations with Stakeholders

Under its Basic CSR Policy, Sumitomo Chemical pursues and promotes CSR activities taking into consideration the interests of all stakeholders, including customers, business partners, shareholders, investors, employees, and the local communities and society in which the Company conducts business. In identifying its major stakeholders, Sumitomo Chemical has taken into consideration CSR related issues that require attention while referring to the GRI Guidelines and the Keidanren (Japan Business Federation) Charter of Corporate Behavior. In addition to fulfilling its responsibilities toward all stakeholders, the Company is committed to the advancement of its CSR activities while fostering communication at every opportunity.

Stakeholders	Sumitomo Chemical's Responsibility	Major Communication Methods
Customers	Sumitomo Chemical is working to supply high-quality products and services that satisfy customers' needs and ensure safety in their use, thereby building long-lasting relations of trust with customers.	<ul style="list-style-type: none"> Engaging in communication through operating activities Providing information through various media including the Company's website Offering customer support through consultation services
Business Partners	Sumitomo Chemical is committed to building comprehensive and 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.	<ul style="list-style-type: none"> Engaging in communication through purchasing activities Monitoring and feedback that draws on the CSR Deployment Guidebook and check sheets Conducting meetings to promote the exchange of opinions, briefing sessions, and study meetings Providing contact points for inquiries
Shareholders and Investors	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.	<ul style="list-style-type: none"> Conducting results briefings Conducting General Meetings of Shareholders and investor briefing sessions Providing information through the publication of an annual report and through such media as the Company's website Fulfilling social responsibilities by responding to CSR surveys collected from investors
Employees	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.	<ul style="list-style-type: none"> Conducting central labor-management meetings Providing consultation services Providing counseling Providing training Conducting interviews Publishing an internal magazine
Local Communities and Society	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.	<ul style="list-style-type: none"> Promoting dialog with local residents Promoting volunteer activities Conducting programs in collaboration with NGOs and NPOs Engaging in a variety of activities through economic and industrial organizations

Distribution of Economic Value to Stakeholders[★]

In its dealings with stakeholders, Sumitomo Chemical strives to lift business earnings. In this regard, the Company has positioned the appropriate distribution of profits to stakeholders as a key social responsibility. In fiscal 2012, 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. Details are presented at right.

(Unit: million yen)

Stakeholder	FY2012	Calculation Basis
Shareholders	14,720	Dividends
Society*	380	Donations
Environment	37,700	Environmental protection costs
Employees*	71,120	Labor costs Salaries and allowances, reserve for bonuses, and allowance for retirement in the selling, general administrative and research expenses
Creditors	12,952	Interests paid, bond interest, and commercial paper interest
National and local governments	17,734	Corporate, inhabitant, and business taxes

* For the distribution of value to society and employees, the amounts are shown on a non-consolidated basis.

★ : Assured by an independent assurance provider

CSR Management

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* 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.

As a member of Global Compact Network Japan, we participated in its CSR report study group and study group to promote internal awareness of Global Compact principles. We are also working actively to share and exchange information with other member companies.

* UN Global Compact: Launched in 2000, 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.

In addition to participating in the RIO+20 Corporate Sustainability Forum held in Rio de Janeiro, Brazil in June 2012, we attended the tenth meeting of the Working Group on Anti-Corruption and exchanged opinions with other participants on the challenges to be met in fostering anti-corruption measures among companies.

Participating in 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 Global Compact principles in its annual CSR report as its COP (Communication on Progress). Moreover, in its CSR REPORT 2013, the Company has carried forward efforts from the previous year and ensured highly transparent information disclosure that meets the Global Company Advanced Level reporting criteria.

Current Issues and Future Plans

Recognizing the importance of CSR activities, we will work in unison across the Group as a whole to promote CSR. 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.



Corporate Governance

Basic Stance

Against the backdrop of an international community that is experiencing continuous globalization and an economic environment that is undergoing change, the Sumitomo Chemical Group regards serving the interests of its various stakeholders as the very foundation of corporate governance. With this in mind, we are working to bolster our corporate governance capabilities.

An Overview of Activities

I Management Structure

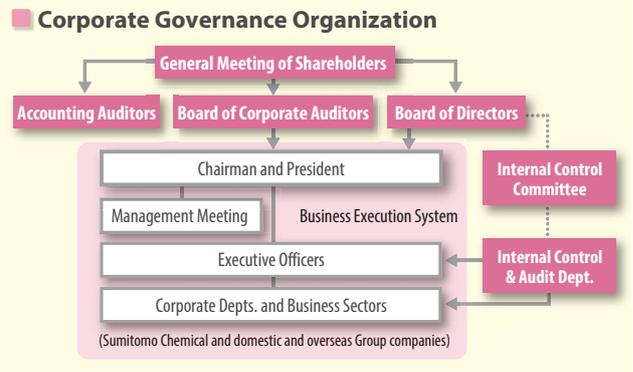
Sumitomo Chemical has a board of corporate auditors and has also introduced an executive officer system to expedite important decision-making and more clearly define responsibilities in the execution of its business. The Company's management structure currently consists of nine directors (all of whom are male and of Japanese nationality) and 33 executive officers (including eight executive officers serving in a dual capacity as directors). Of the 33 executive officers, 32 are male and one female. Thirty executive officers are of Japanese nationality and three executive officers are of other nationalities (as of June 20, 2013). 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 paid to 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, three of whom are from outside the Company. By ensuring that a majority of the Board of Corporate Auditors is externally appointed, Sumitomo Chemical is working to secure sound management while incorporating valuable opinions that help to enhance efficiency in the execution of its business operations. In this manner, every effort is being made to strengthen the auditing and oversight functions.

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 appointed one outside director in order to strengthen further oversight functions of the Board of Directors and to increase the transparency and objectivity of management.

I Internal Control

Sumitomo Chemical recognizes the continuous development and enhancement of its internal control system as a necessary process in maintaining a sound organization, and believes 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 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.

I Internal Auditing

Internal auditing is conducted by the Internal Control & Audit Department which is assigned for the function. The department evaluates and ascertains internal controls from the following perspectives 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.

I Risk Management System

Sumitomo Chemical formulates in-house rules to promptly detect risks and prevent their materialization, and also to make appropriate responses in the event risks materialize. The Company also makes continual efforts to improve its risk management system. Risk assessment is performed across the Group each fiscal year and the Internal Control Committee decides on the basic policies concerning the entire Group's risk management. At the same time, the Risk Crisis Management Committee makes prompt responses in the event that a significant risk is realized.

I Information Disclosure System

Sumitomo Chemical established the Corporate Communications Office to oversee public and investor relations activities. The Company is also working to provide its various stakeholders with information in a prompt, accurate, and fair manner while actively promoting dialogue with society. In addition, we endeavor to build stronger relationships of trust with society and capital markets by publishing reports 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 website of the Tokyo Stock Exchange where Sumitomo Chemical is listed.

Current Issues and Future Plans

Taking into consideration social conditions as well as a variety of other factors including trends in legal systems, we will continue to engage in a wide range of activities including efforts to secure the transparency and objectivity of management, bolster the functions of corporate auditors, and strengthen internal control and risk management systems.

Compliance

Promoting Compliance Management Across the Sumitomo Chemical Group

This year marks the 100th anniversary of the founding of Sumitomo Chemical Company. Over the past century, we have vigorously expanded and diversified business activities worldwide and are thriving today as the global enterprise that operates in more than 20 countries with the total number of employees exceeding 30,000. Concurrently, with the "compliance" (observance of laws and business ethics) placed at the bedrock of corporate management, Sumitomo Chemical has devoted unwavering efforts to enhance compliance-oriented business management throughout the entire Sumitomo Chemical Group. The Company views it vitally important to keep advancing initiatives toward ensuring strict compliance as its business activities continue to expand into various corners of the world. We have thus far looked at compliance management from the perspective of "Think globally, Act locally", and, following this key notion, have undertaken concrete activities for promoting compliance management coherently across the Sumitomo Chemical Group.

Constructing a Group-Wide Compliance System in Keeping with Business Globalization

Seeking to promote compliance management in a manner to be coherent throughout the Sumitomo Chemical Group, Sumitomo Chemical's Compliance Committee set a common standard, i.e. the "Sumitomo Chemical Group Compliance Standards", following which every Group company in Japan and abroad is operating its compliance system autonomously and by conforming to local laws, regulations and social demands in a country where it does business. Through working closely with the Group companies around the world, the Compliance Committee has learned that some of the needs and challenges to be addressed with respect to compliance management can be shared equally by companies located in the same countries or the same geographical regions. Based on such learning experiences, we have renewed our belief that compliance activities be tailored to situations indigenous to individual countries or regions, particularly those in the field of education and training where a focused approach meeting specific local needs will be most effective in yielding expected outcome.

From this perspective, we have taken a step forward on the notion of "Think globally, Act locally" and have added another element of "Manage regionally". To translate this notion into practice and make the cooperation between Sumitomo Chemical's Compliance Committee and each Group company a more effective one, we are working strenuously to establish Regional Headquarters functions regarding compliance in Sumitomo Chemical's major business regions all over the world. As part of these initiatives, we have set up a new entity to serve these functions in Asia, a region where Sumitomo Chemical's consolidated net sales account for more than 70% of the total in geographical areas outside Japan. A first concrete move in this connection is the recent appointment of Regional Legal and Compliance Officer based in Singapore to take charge of compli-

ance activities, among others, for the Group companies in the Southeast Asia, India and Oceania region ("the Asia-Pacific Region"). The Regional Officer has a central role to play in promoting the Regional Headquarters functions on compliance to enhance the Group-wide compliance management in the Asia-Pacific Region through supporting the Group companies in Singapore to begin with and those in other countries of the Region. As far as Singapore goes, our latest activities include a seminar on competition laws conducted in July 2012 for all employees of the Group companies headquartered in the country. In addition, given the ever growing importance of intensified initiatives toward bribery prevention globally, we have re-doubled our efforts in this regard by preparing a Compliance Manual for bribery prevention afresh which will be shared by the Group companies in Singapore for adoption in their respective companies.

Going forward, our Regional Headquarters in Singapore will reinforce their functions and capabilities of overseeing and supervising compliance management at the Group companies in the Asia-Pacific Region as well as providing compliance-related supportive services that they may require. In parallel, the Regional Headquarters will work closely with Sumitomo Chemical's Compliance Committee in further improving their compliance activities so as to better meet the diverse needs of each Group company, including providing effective programs for education and training. In a longer perspective, Sumitomo Chemical will extend similar initiatives on compliance management to the rest of the Company's major business regions in the world, based on the same three-pronged notion of the "Global - Regional - Local" scheme.

Each and Every Employee to Bear Important Responsibility for Compliance

Sumitomo Chemical's Compliance Committee is the linchpin of activities to promote compliance across the entire Sumitomo Chemical Group. The Committee is composed of executive officers in charge of certain departments that are not directly involved in day-to-day business operations so that compliance management will be performed from a global perspective and through a process of unbiased and transparent decision-making, free from the interests of any particular business sector.

The Compliance Committee monitors the situation of compliance at not only Sumitomo Chemical, but also its Group companies in Japan and abroad. In addition, it supervises and supports these companies in building and operating their internal systems for promoting compliance.



Success in these compliance activities hinges crucially on the everyday efforts of every employee of Sumitomo Chemical

and its Group companies. Each employee is requested to work with a high consciousness of compliance and takes the initiative on his or her own will in acting to ensure compliance. To help further heighten and develop such consciousness of compliance, we have been carrying out the following activities.

■ Upgrading Sumitomo Chemical Company's Compliance Manual

In March 2013, Sumitomo Chemical Company issued a revised edition of its Compliance Manual (a code of business conduct), which is one of the Company's internal rules about compliance. The revision purports to serve several ends. Firstly, the Manual has been improved in description to help employees understand the Company's diversifying compliance activities with greater ease. Secondly, the Manual has re-iterated and emphasized the importance of every employee being mindful of compliance not only at his or her own workplace, but also at other sections within the Company. Thirdly, to ensure strict compliance across the Sumitomo Chemical Group, the Manual contains a company statement anew that encourages every employee of Sumitomo Chemical to have a heightened awareness about the importance and the need to have compliance attained also at the Group companies in everyday situations where employees of the Company may interact with those of the Group companies in the course of pursuing their business engagements together. In addition, the Manual has been updated to reflect the latest company rules that are intended to tighten the operation of the Company's internal systems for bribery prevention. The new Compliance Manual has been provided to all employees, officers and Board members of Sumitomo Chemical Company. With the use of the Manual as well as other tools, the Compliance Committee will hold compliance education and training with enhanced programs.

■ Building and Operating a Bribery Prevention System at Every Group Company

As part of its efforts to strengthen Group-wide activities for bribery prevention, Sumitomo Chemical has provided all Group companies at home and abroad with copies of its "Compliance Manual for Bribery Prevention", which was adopted in January 2012 for its own employees, thereby requesting each Group company to build its own bribery prevention system, including introducing a Manual comparable to Sumitomo Chemical's. On overseas fronts, the Group companies are working to build their internal systems for bribery prevention under the support and guidance of local lawyers or other specialists, including adopting a Manual that is customized to an individual company's specific situation. As stated above, Group companies in the Asia-Pacific Region are working with the Regional Legal and Compliance Officer in Singapore to establish their systems for bribery prevention, including Manuals that meet situations and conditions specific to respective countries. Concerning the Company's major business regions in the rest of the world, Sumitomo Chemical will continue to actively support its Group companies with the aim of establishing an effective bribery prevention system ultimately at every company of the Sumitomo Chemical Group.

■ Enhancing Education and Training on Compliance at Sumitomo Chemical and its Group Companies

Sumitomo Chemical's Compliance Committee periodically provides various opportunities of education and training on compliance to the Group companies in Japan as well as to all sections and departments within Sumitomo Chemical. With respect to overseas companies of the Group, training seminars on competition laws were held in Singapore in July 2012 with attendance of employees of the Group companies operating in the country, followed by a similar session attended by employees

of the Group companies in China in December of the same year. The Compliance Committee will provide continued support of this kind that will be conducive to enhancing education and training on compliance not only at Sumitomo Chemical, but also for its Group companies in Japan and abroad. As far as Sumitomo Chemical is concerned, we are looking into developing programs that would make it easier for every employee to receive effective education and training on compliance. Among other things, we are currently working on an e-learning training program where a case-study approach is adopted so that the employees can flexibly schedule their attendance at the training program according to individuals' convenience and also can make the effective use of the lessons learned from the program when fulfilling their day-to-day business duties.



A seminar in Singapore on Competition Laws

■ Speak-Up System in Operation

Sumitomo Chemical has a Speak-Up System in place, separately from an ordinary business reporting line to a superior, under which an employee can report any violation or suspected violation of compliance to the Company's Compliance Committee via its internal Speak-Up hotline or external Speak-Up hotline (the external contact being external lawyers designated by the Company). All Group companies in Japan and overseas also have adopted systems of the same scheme, in principle, for Speak-Up reporting. Every year, Sumitomo Chemical receives 20 to 30 Speak-Up reports on average, including general questions about conduct perceived to be compliance violation, to all of which Sumitomo Chemical's Compliance Committee has been responding promptly and in all sincerity.

■ Establishing Compliance Systems at Subsidiaries of Sumitomo Chemical's Subsidiaries

Aiming to establish an across-the-board compliance management system embracing all companies of the Group, Sumitomo Chemical's Compliance Committee has requested the Group companies that proper compliance systems be built and operated not only at Sumitomo Chemical's subsidiaries in Japan and abroad, but also at their own subsidiaries located in their home countries and elsewhere in the world. The Compliance Committee is actively supporting the Group companies in these endeavors, too.

Steering Group Compliance Management in the Years Ahead

Sumitomo Chemical will continue to expand and strengthen its business in various parts of the world. As our activities so globalize, it will become even more important for the Company, as a globally operating enterprise, to promote its initiatives of corporate citizenship toward all stakeholders, including society at large. We will further enhance our Group-wide compliance management from a "global" perspective and by reinforcing the "regional" supervisory and supportive functions in major regions where we do business, as seen in our recent Singapore example, so that compliance systems of individual Group companies are operated in a manner to best meet specific "local" needs and conditions.

Responsible Care Management

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

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.

In January 2006, the CEO expressed the Company's strong support for and decision to carry out the Responsible Care Global Charter. This Charter was formulated by the International Council of Chemical Associations (ICCA) in order to further promote responsible care activities and their globalization while upgrading and expanding chemical substance management.

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.

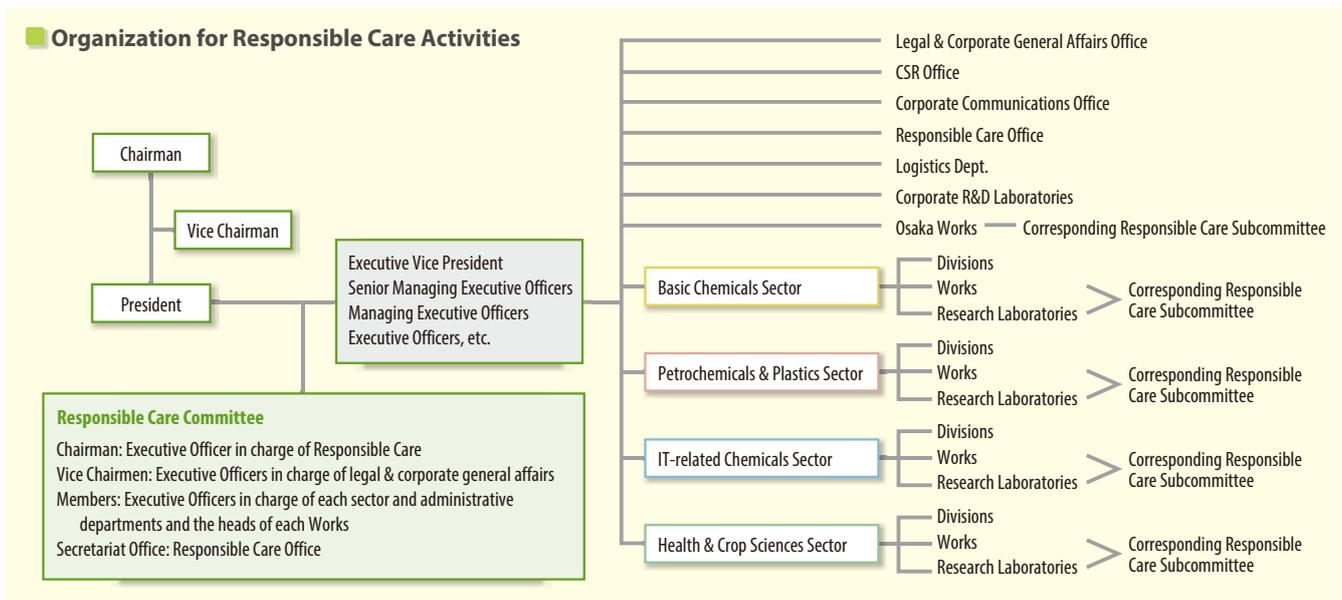


The Responsible Care mark and logo may only be used by companies that are members of the Japan Responsible Care Council.

Organization for Responsible Care Activities

Sumitomo Chemical's Responsible Care activities are broadly classified into the five fields of occupational safety and health, industrial safety and disaster prevention, environmental protection and climate change, chemical safety, and product responsibility. Sumitomo Chemical has established the 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 departments (the Legal & Corporate General Affairs Office, CSR Office, Corporate Communications Office, Responsible Care Office and Logistics Department, etc.), and the heads of the Works. The Committee puts in place policies on activities, long-term plans, and specific measures (including ongoing improvement initiatives) as they relate to Responsible Care. The Committee also analyzes and assesses the results of Responsible Care activities.



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

Sumitomo Chemical has been implementing a medium-term plan (for fiscal 2013 to fiscal 2015) that covers the fields of

occupational safety and health, industrial safety and disaster prevention, environmental protection and climate change, chemical safety, and product responsibility. 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 while taking into consideration our targets for 2020.

Sumitomo Chemical's Medium-Term Plan and Long-Term Targets for Responsible Care

	Medium-Term Plan (for fiscal 2013 to 2015)	Long-Term Goals for fiscal 2020
Occupational safety and health	Conduct activities to enhance a culture of safety	Achieve zero accidents by establishing a culture of safety
Industrial safety and disaster prevention	<ul style="list-style-type: none"> Bolster industrial safety by promoting process risk assessment and safety measures Systematically implement measures based on review results of expected large-scale earthquake and tsunami scenarios 	Ensure the achievement of zero accidents and zero disasters through stable operations
Environmental protection	Achieve environmental protection targets	Promote risk-based environmental management
Climate Change	<ul style="list-style-type: none"> Promote the development of environment-conscious products and processes Estimate the level of avoided GHG emission to which our products contribute 	Promote the reduction of GHG emissions throughout the product life cycle
Chemical Safety	Compile safety information utilizing the Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (SuCCESS) and use them for risk assessment (Hazard x Exposure)	Promote risk-based chemicals management
Product Responsibility	Promote product safety risk assessments focused on the high-risk products	Complete the reevaluation of product safety risks
RC Audits	Optimize the auditee section selection methods	Share best practices
Logistics	<ul style="list-style-type: none"> Reduce the number of logistics quality-related incidents Promote a modal shift 	Promote CSR in connection with logistics operations

Responsible Care Management

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. In addition, surveys have been conducted on a regular basis at each Group company to gauge the status of compliance. The Sumitomo Chemical Group now enters the fourth year of operating standards implementation. Moving forward, the Group will raise the level of its Responsible Care activities and work diligently to implement the standards more efficiently and effectively.

Communication with Group Companies

Sumitomo Chemical holds an RC Global Meeting for overseas Group companies each year. The participants include approximately 30 individuals engaged directly in the promotion of Responsible Care from the Group's expanding global network including Asia, Europe and the United States, and the Middle East. In addition to introducing the unique activities of each base in such areas as industrial safety and disaster prevention as well as occupational health and safety that take into consideration the regulatory requirements of each country as best practices, these meetings provide a forum for the lively exchange of opinions and discussions that transcend geographic boundaries. Participants deliberate on a host of common issues, such as SDS* management, the gathering and management of information relating to regulatory requirements, and employee education and training.

Moreover, Sumitomo Chemical holds meetings for domestic Group companies to exchange information on Responsible Care. Each year, the meeting is attended by more than 100 people. At these meetings, both the Company and Group companies report on trends in regulatory requirements in Japan and overseas such as the chemical substances control law (the (Japanese) Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.) and REACH, RC activity issues and topics such as disaster prevention and related measures and the results of RC audits. Each year, these meetings stimulate lively debate and interaction.

* SDS: Safety Data Sheet. Document that describe information necessary for the safe handling of chemical products (properties, handling methods, safety measures, etc.)



Meeting held for domestic Group companies to exchange information in the second half of 2012

VOICE

Participating in the RC Global Meeting

Leslie Kvasnicka

Manager, Corporate EHS and QA
Valent U.S.A. Corporation



I have had the pleasure of attending all of Sumitomo Chemical's RC Global Meetings held since the first meeting in Tokyo in 2007. These meetings have allowed me to learn how Sumitomo Chemical incorporates Responsible Care into its corporate activities and Vision and to watch the development of RC programs throughout the Group companies. At the same time, it is a pleasure exchanging information with officers in charge of Responsible Care from areas other than the Health & Crop Sciences Sector. This experience has also given me the opportunity and resources to launch Responsible Care activities within Valent.

While Responsible Care at Valent is still in its early stages, we have achieved specific results including the establishment of an RC Committee, the development of our own set of RC standards, and deliver RC education and training during New Hire Orientation and other meetings. Marking another milestone, we issued our first RC Report in 2012. With the RC Committee taking the lead, we will continue to promote RC activities going forward.



Valent employees discussing disaster countermeasures at an in-house exhibition booth

Progress in Fulfilling Eco-First Commitments

Sumitomo Chemical has participated in the Eco-First Program of Japan's Ministry of the Environment since November 2008. 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 the Promotion of Risk Communication

Reviewing safety information on chemicals and conducting risk assessments

- Proceeding favorably as planned
- Approximately 50% of hazard assessment completed and risk assessments performed for about 150 products

Voluntary initiative on the safety of HPV*¹ chemicals and conducting LRI*² 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 steering committee, planning and management task force, and research promotion panel*³

Halving the release of substances subject to the PRTR*⁴ 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 manufacturing site 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

Improving unit energy consumption and unit CO₂ emissions at all manufacturing sites

- *⁵ Unit energy consumption and unit CO₂ emissions decreased by 2.8% and 7.5%, respectively in fiscal 2012 compared with fiscal 2005 levels (baseline year*⁷)
- *⁶ Implemented multifaceted energy saving 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 a university and machinery manufacturer, 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; these plans were selected for practical application research by NEDO in fiscal 2013 and the Company became responsible for evaluation of the 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 CO₂ emissions by households in cooperation with the labor union

- Conducted a wide range of in-house promotion activities through internal magazines and the intranet
- Commenced use of the Environmental Accounting Book following its update and renewal

Creation of a Recycling-Based Society

Reducing the generation of industrial waste and landfill through recycling and other means and achieving zero waste emissions

- *⁸ 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
- *⁹ Made steady progress to achieve zero waste emissions at all our manufacturing facilities in Japan by fiscal 2015

(From April 2012 to March 2013)

*1. HPV: High Production Volume.

*2. LRI: Long-range Research Initiative. Long-term support for research into the effects of chemical substances on human health and the environment

*3. Commissioned expert research into the development of new risk assessment methods, assessments, and related activities, and held a meeting to report the research results.

*4. PRTR: Pollutant Release and Transfer Register (see note 1 on page 48)

*5. Unit energy consumption

*6. Unit CO₂ emissions

*7. 2005 recorded as the baseline in accordance with determinations by Japan's Ministry of the Environment

*8. Reducing the generation of industrial waste and landfill

*9. Zero waste emissions

(Note) Sumitomo Chemical made some changes to its Eco-First commitments in March 2012 and has been implementing measures to fulfill the revised version since April 2012. (For the full text of the Eco-First commitments, see page 18 of the DATA BOOK.)

Responsible Care Audits

Fiscal 2012 Goals	Fiscal 2012 Results ★	Fiscal 2013 Goals
<ul style="list-style-type: none"> Carry out audits at 15 Group companies in Japan and four overseas Group companies 	<ul style="list-style-type: none"> Carried out audits at 16 Group companies in Japan and five overseas Group companies 	<ul style="list-style-type: none"> Carry out audits at 15 Group companies in Japan and eight overseas Group companies

Basic Stance

In an effort to minimize the risks associated with Responsible Care, the Sumitomo Chemical Group promotes RC activities while endeavoring to promote efficient business development and operations and Group company management based on RC audits and improvement support.

Responsible Care Auditing Overview and Framework

Sumitomo Chemical's RC audits cover a range of items including an objective evaluation of whether RC activities are being conducted appropriately and whether the PDCA cycle is being executed in a proper manner.

The Company maintains a designated RC audit structure. RC specialized auditors with a wealth of knowledge, experience, and technical expertise take the lead in directly visiting internal departments as well as Group companies in Japan and overseas and conducting effective audits.

Fiscal 2012 Responsible Care Audit Results★

A total of 44 audits were conducted covering Sumitomo Chemical and its Group companies in Japan and overseas. The results turned up no major issues of noncompliance with laws and regulations that led to the issuance of recommendations or a penalty charge by the government.

Responsible Care Auditing Overview

Types of Responsible Care audits

There are two types of Responsible Care audits: specialized audits and management audits.

- Specialized audit: an audit of systems, operations, and performance by way of self-evaluation based on a checklist and an audit conducted by Responsible Care specialized auditors
- Management audit: an audit conducted from a management perspective by the officer in charge of Responsible Care as head of the audit team and supported by members of the Responsible Care Committee (Management audits cover Sumitomo Chemical's facilities)

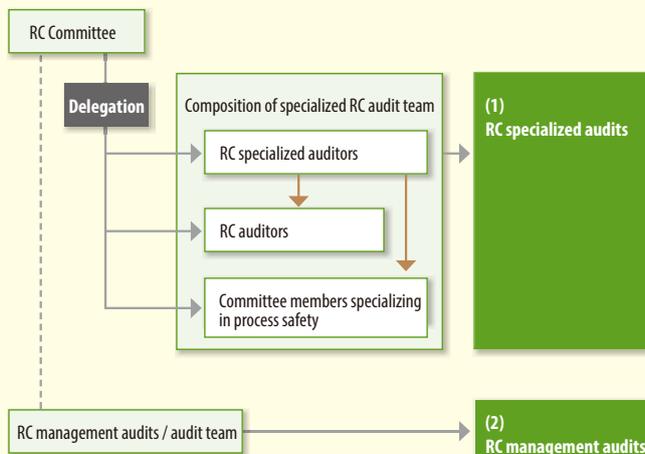
The scope and cycle of Responsible Care audits

- Responsible Care audits are conducted annually at Sumitomo Chemical's works and business sectors and every three years at its independent laboratories
- Responsible Care audits are conducted every three years at Group companies in Japan and overseas

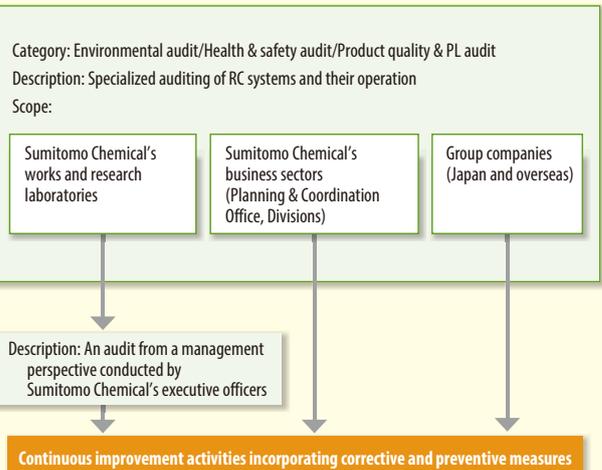
Features of Responsible Care audits

- Local consultants are engaged to ensure the thoroughgoing and comprehensive check of compliance at overseas Group companies
- Technical support is provided to ensure improvement at Group companies
- Throughout Responsible Care audits, human resource development programs are incorporated to help foster managers in the manufacturing sector and staff in charge of Responsible Care at Group companies.

Responsible Care Auditing Framework



Responsible Care Auditing Flow (Overview)



TOPIC

Regular RC Study Meetings for Group Companies

Responsible Care audits conducted at Group companies have uncovered a substantial number of common issues requiring remedial action. Since fiscal 2010, Sumitomo Chemical has accordingly held study meetings to provide companies facing common problems with opportunities to share solutions and receive advice from the Company.

In fiscal 2012, we held a meeting in November with the participation of 31 individuals from 21 Group companies in Japan. Adopting a roundtable format, lively discussions were held covering the three broad themes of (1) disaster prevention measures similar throughout the Group, (2) findings following Responsible Care audits, and (3) process safety for Hazards of Mixing and Incompatibility.

Individuals participating in the meeting later commented that "the opportunity to discuss common issues was most productive," "comments from other companies were extremely helpful," and "the systematic explanation of Hazards of Mixing and Incompatibility would be put to good use in the future."

Looking ahead, Sumitomo Chemical will continue to hold similar meetings each year.



RC study meeting for Group companies

VOICE

As officers in charge of audits

Responsible Care Office
Responsible Care Audit Group



Responsible Care audits help verify a variety of activity items while ensuring more effective Responsible care activities. This in turn contributes to efforts aimed at enhancing corporate value. In fiscal 2013, the decision was made to integrate the Company's audit checklist for use throughout the Group and to significantly lift the level of targeted Responsible Care activities. Guided by the three-year medium-term plan for Responsible Care activities that began in fiscal 2013, we will promote endeavors designed to improve the quality of the Group's Responsible Care activities as a whole.

Current Issues and Future Plans

Based on the medium-term plan for Responsible Care activities (for fiscal 2013 to fiscal 2015), Responsible Care audits will be conducted at Sumitomo Chemical and Group companies in order to improve the level of Responsible Care across the entire Sumitomo Chemical Group.

Fiscal 2013 to Fiscal 2015 Medium-Term Plan for Responsible Care Activities (Responsible Care Audits)

1. Core Values of our RC Audit

- Stimulating Progress of RC to minimize the SHEQ risks in the Sumitomo Chemical Group
- Implementing RC audit and technical assistance which support business creation and efficient business operations

2. RC Audit strategy for Fiscal 2013 to Fiscal 2015

- (1) Enhancement of RC Global Audit: Focusing on the prevention of accidents and trips.
- (2) Expansion in technical assistance: Promoting their improvements of RC by themselves.
- (3) Contribution to human resources development: The RC staff and Manufacturing Section Heads.

3. RC Audit operation plan for Fiscal 2013 to Fiscal 2015

(1) We will enhance RC Global Audit

- 1) We will integrate RC Audit Checklist for Sumitomo Chemical and the one for Group companies (namely, making our RC Global Check List).
 - We will enhance to check the risk control of new facilities and 4M change in Group companies.
 - We will reflect various lessons learnt from many reports of accidents and safety statements to the integrated Check List.
- 2) We will change how to choose the manufacturing section which should be an auditee.
 - Correct discrepancies between manufacturing sections (Sumitomo Chemical).
 - Select departments subject to Responsible Care audit according to risk (Group companies).
- 3) We will contribute to the establishment of the RC global management system by Sumitomo Chemical Company.

(2) We will expand the technical assistance for each Group company.

- 1) We will share the audit findings globally.
 - We will share the audit findings with Sumitomo Chemical and Group companies.
- 2) We will provide technical assistance individually to improve RC regarding Group company improvement considerations.
- 3) We will host the annual Workshop of RC for Group companies.
 - We will maintain the annual Workshop which includes a specialty knowledge seminar and improve it to provide better solutions to their common issues.
- 4) We will facilitate comprehensive and collaborative solutions.
 - We will support information sharing for common issues among each Group company.

(3) We will contribute to human resource development (The RC staff and Manufacturing Section Heads)

- 1) We will provide opportunities for RC staff of group companies to participate in the RC Audit of Sumitomo Chemical.
- 2) We will keep Manufacturing Section Heads of Sumitomo Chemical as safety auditors.
- 3) We will study new organization of RC global auditors.
- 4) We will study how to assess the competence of RC auditors.

Initiatives for Occupational Safety and Health/Industrial Safety and Disaster Prevention

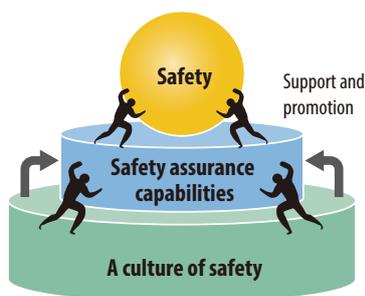


Promoting Safe and Stable Operations

There have recently been a number of large-scale fires and explosions at chemical plants in Japan. It has been noted that the root cause of these incidents has been a decline in safety at the Japanese chemical plants' manufacturing facilities, which had until recently been contributing to a high level of safety. Sumitomo Chemical believes ensuring safety at the manufacturing facilities requires not only safety assurance capabilities, such as risk management systems, but also the establishment of a culture of safety that supports and promotes these safety assurance capabilities.

Sumitomo Chemical first announced enhancing a culture of safety as part of the Responsible Care policy in the company's Fiscal 2010-2012 Corporate Business Plan. The Company began to implement a variety of related activities following the launch of the project. Moreover, as one of the key management issues in the new Fiscal 2013-2015 Corporate Business Plan, the company is actively working to improve safety with policies designed to ensure safe and stable operations by enhancing the culture of safety and increasing safety assurance capabilities.

■ Safety Assurance Capabilities and a Culture of Safety

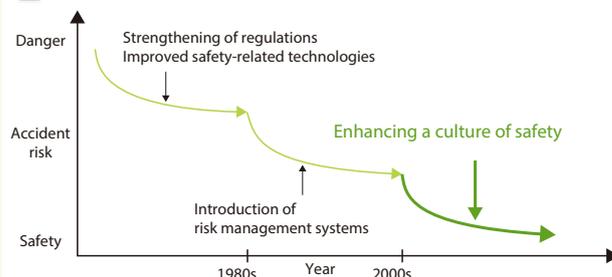


Enhancing a Culture of Safety

The chemicals industry has to date increased safety at its plants through the introduction of risk management systems and improved safety-related technologies. However, there have recently been a number of high-profile large-scale accidents where the source can be traced to erroneous operations or flawed decisions. Accordingly, attention is now focused on promoting a culture of safety that is based on safety activities involving mutual understanding operational management and traditional learning. Amid such circumstances, Sumitomo Chemical has implemented the following measures.

Fiscal Year	Sumitomo Chemical Initiatives
2010	<ul style="list-style-type: none"> Defined challenges and established strategies with the project to enhance a culture of safety Enacted prevention measures of occupational accidents at the head office, branch offices, and sales offices. Learned from a manager at a factory that belongs to a different chemicals company and that achieved excellence in safety performance
2011	<ul style="list-style-type: none"> Designation of a "safety day" Evaluated the safety culture level
2012	<ul style="list-style-type: none"> Started the President's Awards for Workplace Safety as a way to promote safety activities Implemented strategies based on results from the Company's evaluation of the safety culture level

■ History of Safety Improvement in the Chemical Industry



The company continues to promote policies to enhance a culture of safety, and has set specific areas for focus based on a clear grasp of the strengths and weakness of each departmental unit and each individual workplace.

Strengthening safety assurance capabilities

"Safety assurance capabilities" refer to actions and items essential to ensuring safety in the design, construction, and operation of plants, including a variety of safety-technology information, safety education, and process risk assessment. Having taken to heart a number of lessons learned from significant incidents in the past, Sumitomo has compiled a substantial safety technology information database, developed risk assessment methods, and enhanced safety education efforts. Going forward, the Company will continue to implement various initiatives to strengthen safety assurance capabilities, which is one of its main objective.



Fire drill

Fostering the safety awareness of employees

The newsletter *Sumitomo Kagaku* is distributed to all employees and aims to bolster the safety awareness of employees by detailing case studies of past accidents at Sumitomo Chemical, publishing interviews with safety professionals from outside the company, and introducing the winners of the President's Awards for Workplace Safety.

■ Feature on safety in the company newsletter



Fiscal 2012 Goals	Fiscal 2012 Results ★	Fiscal 2013 Goals
<ul style="list-style-type: none"> ● Lost-workday injuries: 0 ● Major accidents: 0 ● Impact outside the premises: 0 ● Workers compensation cases in the logistics department: 0 	<ul style="list-style-type: none"> ● Lost-workday injuries: 4 ● Major accidents: 2 ● Impact outside the premises: 0 ● Workers compensation cases in the logistics department: 1 	<ul style="list-style-type: none"> ● Lost-workday injuries: 0 ● Major accidents: 0 ● Impact outside the premises: 0 ● Workers compensation cases in the logistics department: 0

Basic Stance on Occupational Safety and Health

Sumitomo Chemical's fundamental principle on safety is "Making Safety the First Priority". The Company uses the following three points as guides in achieving this goal.

- (1) Line management is fundamental to Safety and Health.
- (2) Each person is responsible for Safety and Health.
- (3) Sumitomo Chemical is united with partner companies on Safety and Health.

There are also five fundamental and personal principles that each employee is expected to follow:

- I will give safety and health the top priority in every aspect of business.
- I will identify and resolve safety and health issues at the source.
- I will comply with rules and instructions
- I will act with safety in mind 24 hours a day, not just during working hours.
- I will cooperate with all involved parties, including partner companies to ensure safety and health.

Initiatives for Occupational Safety and Health in Fiscal 2012

Activities to enhance a culture of safety

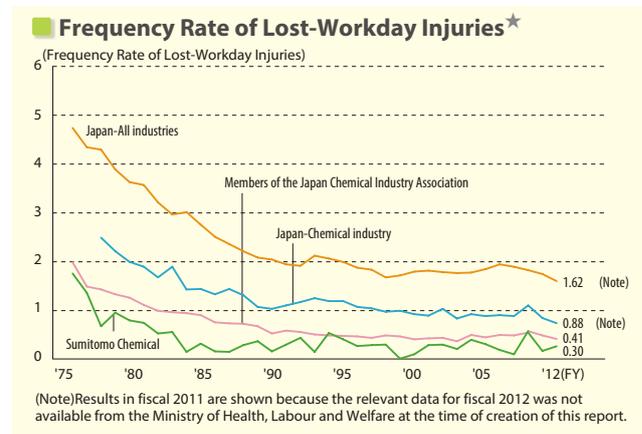
In addition to launching safety and health activities that can serve as a model for others, Sumitomo Chemical established a system by which the Company President could recognize excellent safety performance in the work place, and in October 2012 presented the first President's Award for Workplace Safety. The company also analyzed the results of an evaluation of the safety culture (based on a survey of employee safety awareness) conducted in fiscal 2011 and set specific areas for improvement based on the strengths and weaknesses of each departmental unit and each worksite.

Promoting risk management

In order to ensure safety at the workplace, the company focused its attention on Key Performance Indicators (KPI). With the goal of preventing similar accidents in the Sumitomo Chemical group, the Company also enacted measures aimed at preventing accidents involving being caught or entangled in machinery.

Labor accidents in fiscal 2012 and the company's responses

There were four lost-workday injuries involving employees in fiscal 2012. Of these, one involved a misstep on the stairs, two involved falling down, and one involved an injury arising from contact with a chemical substance. Sumitomo Chemical in fiscal 2013 is continuing its work to increase employee awareness of potentially dangerous situations.



Safety Education to Prevent Labor Accidents

With the goal of improving each employee's sensitivity, foresight, and ability to predict dangerous situations, the company continues to implement safety measures that include disaster preparedness training and "know-how, know-why" education.

- 1) Examples at the Works and Research Laboratories
Sumitomo Chemical is not only implementing accident preparedness training and risk prediction training, also known as Kiken Yochi Training (KYT), but also promoting strict compliance with basic safety rules, confirmation of commands and reporting of the results, and the method of pointing a finger while calling out an action.
- 2) Examples at the Head Office and Branch Offices
Sumitomo Chemical is improving safety awareness using the safety and health rulebook to promote the study of disaster information from both the Company and Group.



Accident simulation training

★ : Assured by an independent assurance provider

Initiatives for Occupational Safety and Health/Industrial Safety and Disaster Prevention

Fostering Safety Awareness

As part of its effort to foster the safety awareness of employees, Sumitomo Chemical each year collects ideas submitted from all the employees and uses the best suggestions to create a Slogan for Occupational Safety and Health and a Poster for Occupational Safety and Health. These are then displayed in each workplace to bolster employee awareness.

Fiscal 2013 Slogan and Poster for Occupational Safety and Health



I help establish the culture of safety for keep the smiles of my family and the bonds with my friends.

A relaxed and joyful life with the friends and family that support you is what truly matters. This slogan conveys the sense that safety should come first not out of a sense of duty, but rather from a desire to protect what is truly important.



Poster by
Toru Hasegawa
Synthetic Rubber
Department,
Chiba Works



Slogan by
Takakazu Saito
OLED Material
Development Group,
Tsukuba Material
Development Laboratory

Working to Improve the Level of the Culture of Safety

In fiscal 2012, Sumitomo Chemical implemented measures for safety based on an analysis of results from an evaluation of the safety culture which was conducted in fiscal 2011 and based on a survey of employee safety awareness.

Workplaces

- Positioning occupational safety and health committees more as forums for deliberation rather than just reporting.
- Developing the personal safety declaration to promote safety 24 hours a day.
- Working to eliminate the gap in safety awareness between managers and general employees.

Departments

- Identifying areas for focus and implementing strategies based on each department's strengths and weaknesses.

Sumitomo Chemical expects to continue efforts aimed at improving the level of the culture of safety in fiscal 2013.

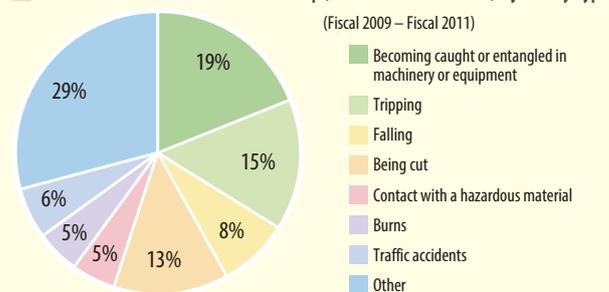
- Conducting self-evaluations to measure the level of improvement, while continuing to promote efforts based on the results of fiscal 2012 evaluations.
- Implementing measures to increase effectiveness and understanding of safety activities and the Sumitomo Chemical philosophy.

- Testing and implementing assessment methods to determine the degree of success shown by measures designed to enhance a culture of safety.

Measures to Prevent Accidents Involving being Caught or Entangled in Machinery

Accidents involving being caught or entangled in machinery accounted for 19% (28 cases) of all* workplace injuries at domestic and overseas Group companies between fiscal 2009 and fiscal 2011. The cause of such injuries can often be traced to a failure to halt the operation of machinery or equipment when the same machinery or equipment is being cleaned or undergoing adjustment, maintenance, or inspections due to

Breakdown of Sumitomo Chemical Group (Overseas and Domestic) Injuries by Type



TOPIC

Commendations from the Fire and Disaster Management Agency and the Health, Labour and Welfare Ministry

Sumitomo Chemical Health & Crop Sciences Research Laboratory in June 2012 received the Commissioner of the Fire and Disaster Management Agency's award for excellence in the handling of hazardous materials for 2012. This award was given in recognition of the Laboratory's training of a substantial number of class-A personnel* for the handling of hazardous materials, as well as the Laboratory's efforts toward facility improvement and the establishment of a thorough safety management system. The Laboratory in July also received the Health, Labour and Welfare Minister's award for excellence in occupational safety and health. This award recognizes the long period in which the business has remained without accident or injury, as well as activities specifically designed to reduce workplace risks. With other sites learning from the example of the Laboratory, Sumitomo Chemical will continue to strive to improve safety activities throughout the Group.

*There are three levels of classifications in the national qualifications for personnel handling hazardous materials: Class-A, Class B and Class C. Class-A personnel are qualified to supervise the handling of, or handle by themselves, all types of hazardous materials.



Yoko Komiya, Health, Labour and Welfare Minister, presenting the commendation to the head of the Sumitomo Chemical Health & Crop Sciences Research Laboratory

malfunctions. Given the strong potential for serious injuries as a result of being caught or entangled in machinery, Sumitomo Chemical in fiscal 2012 conducted a survey at Group companies concerning the implementation of safety measures that aim to prevent injuries as a result of being caught or entangled in machinery or equipment. The Company also promoted additional safety measures aimed at this issue.

*Total for lost-workday injuries and injuries not requiring lost-workdays for Company employees and employees at partner firms.

Basic Stance toward Safety and Disaster Prevention Management

The foremost mission of industrial safety and disaster prevention management is to prevent unforeseen plant accidents including fires, explosions, and the leakage of hazardous substances. At the same time, every effort must be made to minimize damage in the event of a disaster such as a major earthquake. Through these means, the Company is committed to securing the safety and peace of mind of employees and local communities. With this in mind, Sumitomo Chemical takes voluntary steps to put in place a safety management structure, undertakes stringent plant risk assessments, and works to continuously strengthen safety measures based on its evaluation of risks.

Fiscal 2012 Safety and Disaster Prevention Results ★

Sumitomo Chemical has identified the target of “no severe industrial accidents*.” Regrettably, there were two severe industrial accidents in fiscal 2012 (no severe industrial accidents in fiscal 2011).

- Damage to the boiler chimney at the Chiba Works (August 2012)
- A fire within the exhaust air duct at the Chiba Works synthetic rubber manufacturing plant (October 2012)

There was no human injury in either incident or impact on local residents. Sumitomo Chemical does, however, extend its sincere apologies to all concerned for the inconvenience and anxiety caused. In fiscal 2012, there were no severe industrial accidents at Group companies. Sumitomo Chemical has fully analyzed the causes of the aforementioned accidents and is reflecting on them to enhance safety management across the Company to prevent serious industrial accidents from occurring.

* “Severe industrial accidents” refers to any of the following workplace incidents:
 • Accidents that cause injuries to local residents requiring outpatient/hospital treatment
 • Accidents that result in lost-workday injuries to workers on the site, or
 • Accidents that result in equipment and facility damage exceeding ¥10 million

Process Safety Management

Sumitomo Chemical performs safety assessments at each stage of product development and industrial scale production from new chemical process R&D to plant design, construction, operation, maintenance, and disposal. The items and procedures essential to safety assessment are specifically outlined in the Company’s Safety Management Guidelines.

(1) Evaluation of new processes

The Process Safety Review Committee (levels 1 to 5) convenes at every step, from R&D through to industrial scale production. In essence, this Committee plays a technical audit role focusing on process safety assessment results and whether safety countermeasures are appropriate. This mechanism ensures that processes do not proceed to the next step unless adequate safety has been confirmed.

(2) Regular review of existing processes

Even without a change in the process, Sumitomo Chemical is conducting regular reviews to ensure the latest information on industrial safety technologies and whether there will be a significant impact from the long-term use of a plant.

(3) Management of changes

In order to verify safety levels after changes such as personnel rotations, or when plant operating parameters or facilities are modified, the Company conducts a safety assessment before such changes are enacted. As this system is utilized within the Company, it is well-known among Group companies and continues to ensure a deep level of process safety throughout the organization.



The Launch of Several Process Safety Review Committees

Fiscal year	R&D stages		Industrialization stage		
	Level 1	Level 2	Level 3	Level 4	Level 5
2010	34	11	74	94	48
2011	23	18	54	96	37
2012	23	23	51	92	36

Self-Administered Safety Management

With the aim of improving the level of self-administered safety management, Sumitomo Chemical is actively setting and revising internal guidelines for industrial safety and disaster prevention, maintaining a data base for information on industrial safety technologies and developing the most cutting-edge assessment technologies.

In fiscal 2012, Sumitomo Chemical made revision to existing literature on accidents and other troubles, a key portion of the Company’s internal guidelines. These guidelines provide a breakdown of industrial safety accidents and troubles that have occurred inside and outside the Company by unit operation and equipment type, and are organized so that the causes of the accidents or troubles, as well as safety checkpoints, are easy to understand. The guidelines are distributed to Sumitomo Chemical and domestic Group companies and are used extensively in case study meetings and for educational purposes.

In March 2013, the Ehime Works received renewed certification from the Ministry of Economy, Trade and Industry for high-pressure gas safety and as an Accredited Safety Inspection Executor and Accredited Completion Inspection Executor, in line with the High Pressure Gas Safety Act. This certification recognizes the Company conducting completion inspections and industrial safety inspections of its own high-pressure gas facilities based on the outstanding level of management in industrial safety, as well as operational control and facility management.

★ : Assured by an independent assurance provider

Initiatives for Occupational Safety and Health/Industrial Safety and Disaster Prevention

Disaster Prevention Education

Sumitomo Chemical has a variety of disaster prevention educational programs that conform to the operational roles of employees throughout the Company. The programs are aimed at bolstering the ability of employees to acquire knowledge and skills in order to ensure process safety.

E-learning

One of the documents summarizing the basic rules of safety management is the "Safety Management Guidelines" publication. The Company believes it is mandatory that technicians involved in plant operations and process development have a clear understanding of the Safety Management Guidelines. Accordingly, Sumitomo Chemical decided to foster a deep understanding of the information contained in the Safety Management Guidelines. The Company began making good use of the e-learning educational system in 2007, and in five years almost all the involved students have completed their courses. The Company revised the educational materials in fiscal 2012 and with the goal of maintaining and improving understanding through repetition, allowed employees who had already passed to retake the course with the new materials.

Group Training (Classroom Training, Hands-on Training)

With the aim of promoting the acquisition of basic knowledge regarding safety and disaster prevention, Sumitomo Chemical conducts a fire and explosion training course to improve and maintain awareness of safety and disaster prevention measures. The course includes not only the study of safety and disaster prevention theory, but also a hands-on experience, where students can get a real feel for the danger involved in fire and explosions. Sumitomo Chemical also conducts Company-wide safety education programs covering the latest topics each fiscal year. Domestic Sumitomo Chemical Group companies are also taking part in these group lessons.

TOPIC

Fiscal 2012 Company-wide Safety Education: "Learning from Past Accidents"

Sumitomo Chemical continues to improve its process safety management system based on the lessons learned from serious accidents of the past. So that the lessons of the past will not be forgotten, the Company held a disaster prevention education program titled "Learning from past accidents" at eleven Sumitomo Chemical manufacturing sites and research facilities. Those taking the course were mainly technicians from the Company's manufacturing, engineering, and research departments. Altogether, there were 793 participants, including 126 individuals from 25 domestic Group companies (37 locations in all).



Students participating in educational programs

Lessons Learned from the Great East Japan Earthquake

Risk and Crisis Management

In the event of a large-scale disaster, such as an earthquake, companies must ensure the safety of local residents, employees, and other stakeholders. They are also expected to minimize the impact of such disasters on their business as their corporate responsibility 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. As a result, the Company is confident in its ability to respond swiftly and appropriately in the event of a disaster.

Ensuring Safety for Employees and their Families

With the goal of preparing employees to act calmly in the aftermath of a large-scale disaster such as an earthquake, Sumitomo Chemical created emergency response manuals for each worksite. Manuals are produced in pocket-sized versions, allowing them to be taken anywhere. In addition, in order to ensure that employees can keep in touch with family members during a disaster, the Company created "My family's disaster preparedness memo," where family members can discuss how to plan for a disaster at home.



Pocket-sized version of the response manual for large-scale disasters



My family's disaster preparedness memo

Enhancement of the Disaster Prevention System

With large-scale earthquakes and tsunamis in mind, the Company is working to improve a variety of disaster prevention systems, including systems to support information collection and emergency contacts, systems to allow the emergency dispatch of information, and systems to support rescue and evacuation efforts, emergency response activities, and the supply of emergency provisions. In addition, each office conducts various disaster prevention exercises in cooperation with local authorities so that these systems will work smoothly in times of crisis.

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.

VOICE

“Safety as an Added Value”

Atsumi Miyake
Professor
Yokohama National University Graduate School of
Environment and Information Sciences



CSR activities can serve as a bridge between companies and society, and in addition to making disaster prevention and the environment and safety top priorities for companies, can also serve as the basis for the continuation of business operations. In looking at safety in particular, it is important for all employees to be of one mind, be it in risk management when conducting everyday operations or in crisis management when disasters occur. In this respect, Sumitomo Chemical serves as an excellent model for other companies. Be it in a mature society or a developing society, from elemental technology to managing technology, I believe that fostering a corporate culture that promotes the idea that “safety creates added value” can increasingly contribute to a safe and secure society.

an active forklift, the sensor will send an alert to both workers via the alarm tag and the alarm device embedded on the vehicle. The Company also holds contests for forklift operators in an effort to bolster safety awareness, offering a competition for the safest and most adept handling of the equipment and testing knowledge of the vehicle and relevant regulations.



Forklift with a mounted panoramic detection system and alarm tag

Initiatives for Ensuring Safety in Logistics Operations

Activities of the Sumitomo Chemical Logistics Partnership Council

The Sumitomo Chemical Logistics Partnership Council was formed by Sumitomo Chemical and the 117 companies handling logistics operations for the Sumitomo Chemical Group companies. The Council maintains committees covering Works in various locations, logistical centers (transport and storage), and marine transport. The exchange of information and cross-sectional efforts between these committees facilitates brainstorming that can improve the quality of logistics, which includes first and foremost ensuring safety in logistics. Commendations have also been presented in appreciation of member companies whose actions have served as an example to other companies.

VOICE

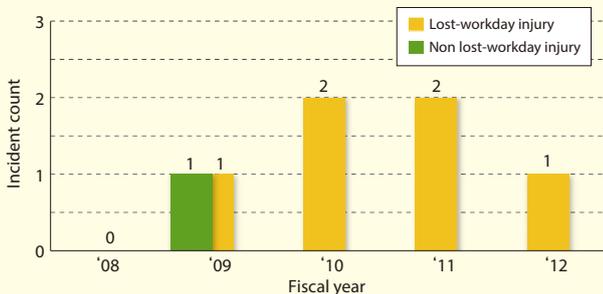
Developing an Emergency Support System

Mitsuru Iwasaki
Safety and Quality Manager
Logistics Department (Tokyo)
Secretariat, Sumitomo Chemical Logistics Partnership Council



The Sumitomo Chemical Logistics Partnership Council has established an emergency support company in various regions of the country in order to minimize damage should an accident occur. We are also developing an emergency contact network and sending equipment designed to manage accidents involving leaks. In fiscal 2012, we are creating an environment which allows the prompt release of a “yellow card” showing first-aid procedures and the sharing of the latest versions with Works committees.

Workplace Injuries in Logistics*



Introduction of a Forklift with a Panoramic Detection System

With the goal of preventing rear-end collisions and injuries from becoming caught or entangled in machinery at the Ehime Works, Sumitomo Chemical introduced for the first time in-house a forklift with a mounted panoramic detection system. Even if it is inside a building or in a blind spot around a corner, whenever a worker wearing an alarm tag approaches

Current Issues and Future Plans

With the aim of achieving and maintaining “zero accidents,” Sumitomo Chemical will continue to implement activities to enhance a culture of safety. In addition, by carefully calculating the degree of improvement on a quantitative basis, the Company intends to maintain a clear grasp of the effects of these activities. Moreover, with the goal of reducing serious accidents to zero, Sumitomo Chemical will continue to enhance our efforts to strengthen its foundation in safety, including by promoting knowledge of process safety technology from the “know-why”(teaching why things must be the way they are) perspective.

* : Assured by an independent assurance provider

Chemical Safety Initiatives

Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> Continue to act precisely in accordance with domestic and overseas laws and regulations Promote risk-based chemicals management Promote the utilization of and data maintenance for the comprehensive chemical management system (SuCCESS), and consider expansion of SuCCESS to Group companies. 	<ul style="list-style-type: none"> Acting precisely in accordance with relevant laws and regulations Continuous updating of hazard information, release of seven GPS/JIPS Safety Summaries. Enhancing search functions by improving the accuracy of and updating composition information, developing trial-runs at Group companies 	<ul style="list-style-type: none"> Continue to act precisely in accordance with domestic and overseas laws and regulations Promote risk-based chemicals management and information disclosure Promote utilization of the comprehensive chemical management system (SuCCESS), develop concrete plans for expansion to Group companies

Basic Stance

In order to achieve the 2020 target*1 proposed at the World Summit on Sustainable Development (WSSD) in 2002, it is time for the management of chemicals to be based on Risk (Hazard x Exposure) and enforced by both regulatory compliance and voluntary measures on a global basis. Sumitomo Chemical is an active participant in Global Product Strategy (GPS)/Japan Initiative of Product Stewardship (JIPS), which are initiatives put in place by the chemical industry in order to achieve the 2020 target. The Company also continues to promote risk-based chemicals management throughout the life cycle of its products. Moreover, Sumitomo Chemical continues to contribute to improving the level of management of chemicals throughout the world as it plays a central role in the activities of sector organizations such as the Japan Chemical Industry Association (JCIA) and the International Council of Chemical Associations (ICCA).

*1. 2020 target: Ensure that chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment.

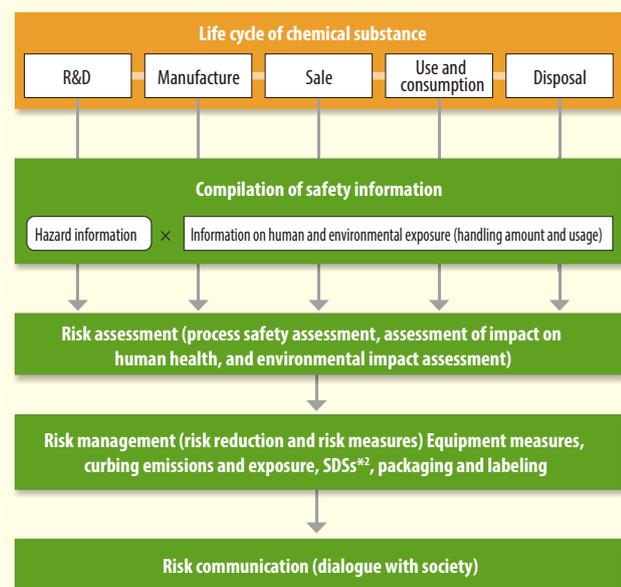
Summary of Activities

Sumitomo Chemical took the lead as an diversified chemicals manufacturer in supporting the Ministry of the Environment's Eco-First program, promising to conduct appropriate risk assessments for all its products manufactured or sold in annual amounts of one tonne or more by fiscal 2020 as part of its Eco-First commitments (see page 28). In the risk assessments, Sumitomo Chemical will assess the impact of chemical substances on human health and the environment throughout the life cycle of the substances by considering both hazard and exposure. The assessment results will be utilized for appropriate risk management in the handling stages of the substances assessed. Moreover, we will document the results in the form of easy-to-understand summaries (GPS/JIPS Safety Summaries) and disclose them widely to the public via the ICCA GPS IT Portal. The Company has made public the Safety Summaries on 18 chemicals since its launch in 2010 and targets 10-30 summaries per year going forward.

GPS/JIPS Safety Summaries URL

<http://www.icca-chem.org/Home/ICCA-initiatives/Global-product-strategy/>

Risk-based Management of Chemicals Throughout the Entire Life Cycle



*2. Please refer to the note on page 51.

Effective Use of SuCCESS

In order to appropriately manage and effectively use information on chemicals such as their composition handled by the Company, and in the context of safety and regulatory requirements amid increased international awareness of the need for the sound management of chemicals, Sumitomo Chemical has developed the comprehensive chemical management system (SuCCESS)*3. This system is used to address inquiries from customers concerning substances contained in products, confirm the content of substances subject to regulation, and other initiatives including the preparation of SDS (in multiple languages) in accordance with GHS*4.

*3. SuCCESS: Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System

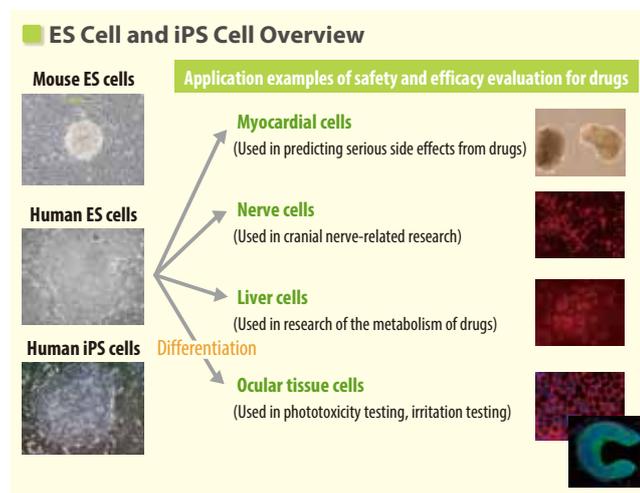
*4. Please refer to the note on page 51.

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.

Progress in ES/iPS Cell Safety Research

Embryonic Stem Cells (ES cells) and induced Pluripotent Stem Cells (iPS cells) are cells that are able to transform (differentiate) into various cell types. Focus has recently been centered in iPS cells, which could be called artificially produced ES cells. There are strong expectations in the world for the application of iPS and ES cell, including in chemical safety assessments and the development of pharmaceuticals and regenerative therapies. Sumitomo Chemical undertook research of these cells with the aim of quickly determining their usefulness. Following recognition from the Ministry of Education in 2009, the Company has been promoting the development of technologically sophisticated and rapid safety assessment technologies for chemicals using human ES cells. With technology able to induce ES cells to differentiate to myocardial, liver, and nerve cells, ES cells are being considered for use in safety assessments. Thanks to cooperation in development with RIKEN, we have recently, for the first time in the world, succeeded in establishing fabrication technology that can induce human ES cells to differentiate to retinal pigment epithelial cells and solid retinal tissue with photoreceptor cells. With an eye toward the iPS cell applications, Sumitomo Chemical is working on the development of safety assessment technology for chemicals using these cells. With the objective of efficiently using ES and iPS cells, we can now consider the possibility of establishing new and more sophisticated assessments for humans that no longer require animal testing.



Careful Consideration for Animal Studies

In the process of developing useful chemical substances, a large variety of safety assessments are required. With this in mind, Sumitomo Chemical is actively developing new assessment methods including structure-activity relationships approaches and minimizing the use of laboratory animals for safety assessments.

However, 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 studies appropriately with due consideration for animal welfare.

VOICE

Sumitomo Chemical's SuCESS as Viewed by SAP Japan

Hiroshi Yasunami
Industry Value Advisor
SAP Asia Pacific Japan



Sumitomo's SuCESS is built on SAP's EHS software, which is used by the world's leading companies to support the management of environment, health, safety and occupation-related activities. Sumitomo Chemical was one of the earliest adopters and plays a leadership role in the management of chemicals and social responsibility in Japan. I remember that from the start of the project, each person involved carried with them a deep sense of mission and enthusiasm. The Company incorporated into SuCESS its deep understanding of regulations and substantial know-how in the management of chemicals, and made good use of these assets. Since its introduction by Sumitomo Chemical, the number of EHS software users in Japan has increased substantially. In addition to assisting in the expanded use of SuCESS, we will continue to use our global organization to provide support across the board using a variety of solutions to promote more efficient and proactive chemical management activities and the development of Sumitomo Chemical's global business.

Employee Education and the Sharing of Information with Group Companies

In order to act precisely in accordance with domestic and overseas laws and regulations, Sumitomo Chemical conducts periodic employee training sessions in regard to regulatory trends, including lessons dealing with the chemical substances control law^{*5}, and REACH^{*6}. To promote the sound management of chemicals, the Company also provides education on the practical use of SuCESS (including various search functions, SDS preparation and output functions) and risk-based management. The Company also provides information on the management of chemicals to Group companies by taking advantage of regularly scheduled information exchange meetings.

^{*5}. Abbreviation for the (Japanese) Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

^{*6}. REACH: EU regulations by European Council and European Parliament for the managed use of chemicals in order to protect human health and the environment.

Current Issues and Future Plans

While continuing to promote GPS/JIPS which are advanced initiatives of the chemical industry, Sumitomo Chemical will implement as planned risk-based chemicals management and disclosure of information in line with efforts to Fulfill its Eco-First Commitments. The Company will also strive to promote more efficient chemicals management in Group companies and improve the management level of the Group overall by enhancing the functions of SuCESS and expanding aggressively to Group companies.

Promotion of Sustainable Environmental Management

Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> ● Work to appropriately and systematically address statutory and regulatory requirements in Japan and overseas ● Strengthen, upgrade, and expand organizational and educational structures and systems aimed at promoting environmental activities ● Promote the standardization and systematization of environmental management ● Consider utilizing environmental management accounting and other methods 	<ul style="list-style-type: none"> ● Definitely addressed related statutory and regulatory requirements ● Implemented Company-wide and systematic environmental activities ● Newly introduced an energy and CO₂ management system ● Promoted consideration of the practical use of environmental efficiency indicators and environmental management accounting methods 	<ul style="list-style-type: none"> ● Promote an optimum mix of appropriate legal compliance measures in Japan and overseas and voluntary activities ● Strengthen management and reduce environmental impact through the effective use of systems

Basic Stance

Protecting the global environment while contributing to the sustainable development of society is one of the obligations we fulfill for living in a modern society and it is also a vital management issue for the solidification of our business foundation.

Sumitomo Chemical will continue with efforts that address key issues in environmental conservation in the business activities of the Group, such as preventing environmental pollution and complying with and related laws and regulations, while also tackling problems on a global scale and taking specific steps particular to the nature of its operations. As an Eco-First company (see page 28), Sumitomo Chemical is making steady progress in fulfilling its Eco-First commitments, including the prevention of global warming, and the reduction of waste emissions and final disposal. We are also committed to preserving water resources and biodiversity.

Priority Implementation Issues of the Medium-Term Plan for Responsible Care Activities (for Fiscal 2013 to Fiscal 2015)

(1) Environmental Protection

1. Take definitive steps to uphold Eco-First Commitments
2. Promote an optimum mix of appropriate legal compliance measures and voluntary activities
3. Standardize environmental protection management methods and reduce environmental treatment expenses
4. Strive to achieve the energy and environmental protection targets shared across the Group

(2) Climate Change Measures

1. Achieve the world's highest energy efficiency standards
2. Develop processes and products that help build a low-carbon society
3. Streamline and promote the practical application of energy and CO₂ management

Promotion System

In order to promote higher efficiency in environmental management, Sumitomo Chemical has established the Environmental Conservation Team Leader Meeting and the Energy Manager Meeting, which are attended by the energy and environmental conservation managers from each manufacturing site and research laboratory. The main purpose of these meetings is to enhance the efficiency of conservation activities by exchanging information about the current status of specific initiatives and

various issues related to these initiatives at each business site, and by discussing effective strategies and ideas. Sumitomo Chemical has also established Environment Management Subcommittees and Services Subcommittees as venues for managers in charge of environmental management and power services at each manufacturing site to discuss and share information about advanced technologies and specific topics of interest. Through cross-organizational initiatives such as these, the Sumitomo Chemical Group implements PDCA cycles to ensure steady progress addressing key environmental issues.

Summary of Activities

In fiscal 2012, Sumitomo Chemical worked to achieve an even higher level of environmental management by engaging in a wide range of specific activities. These included activities to prevent global warming and energy-environment strategies (see page 43); share energy/environmental protection management targets throughout the Group; promote the standardization and systematization of environmental management enhance risk management based on environmental risk assessment; disclose Scope 3 data (indirect CO₂ emissions by companies throughout the supply chain); and consider the practical use of environmental efficiency indicators and environmental management accounting methods.

● Strive to achieve the energy and environmental protection targets shared across 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. (Please refer to pages 44, 46, and 47. For details, please see pages 14 to 17 of the DATA BOOK.)

● Promote the standardization and systematization of environmental management

We are working to standardize and systematize environmental management with a view to increasing the efficiency of collecting, processing, and evaluating various broad-based performance data. To this end, we are engaging in a variety of measures including the promotion of real-time visualization of energy and CO₂ data, the sophistication of data tabulation systems regarding the emissions of chemical substances into the atmosphere and water environments, and the consideration of introducing a more effective waste data management system.

● **Enhance risk management based on environmental risk assessments**

Sumitomo Chemical makes concerted efforts to augment its risk management by implementing timely assessments of environmental risk with regard to major chemical substances emitted from its plants into the atmosphere and water. Specifically, the Company implements measures to systematically reduce emissions of chemical substances into the environment around its factory site boundary and final effluent exit, and sets voluntary emissions standards to be strictly followed based on the results of its risk assessments.

● **Scope 3 Data disclosure**

With regard to CO₂ emissions, companies have traditionally measured and managed direct emissions from the fuel they consume (Scope 1) and indirect emissions via the electricity and heat they purchase (Scope 2), and then focused efforts on reducing emissions in this context (see pages 43 to 45). In addition to these efforts, companies around the world are now discussing the importance of measuring, managing, and disclosing information about indirect CO₂ emissions throughout their supply chains (Scope 3) while moving toward this next stage of environmental management. Sumitomo Chemical has begun to standardize calculation rules as well as gather and disclose data related to Scope 3 (eight categories out of a total of 15) that are the most relevant to its operations.

■ **Status of Scope 3 CO₂ Emissions (Sumitomo Chemical (Non-Consolidated))**

No.	Category	Emissions (t-CO ₂ /year)
1	Purchased products and services	1,840,000
2	Capital goods	118,000
3	Fuel- and energy-related activities not included in Scope 1 or 2 ★	219,000
4	Upstream transportation and distribution ★	52,500
5	Waste generated in operation ★	16,900
6	Business travel	6,960
7	Employee commuting	6,540
8	Upstream leased asset	770

■ **Environmental Education**

Sumitomo Chemical periodically implements educational programs tailored by rank for managers, employees, and new hires for the purpose of improving their knowledge and expertise in Responsible Care. Every year, we strive to improve the curriculum for environmental conservation and provide instruction at the business unit level and Company-wide. In fiscal 2012, we launched an educational series about preventing global warming for our researchers, providing them with an opportunity to discuss key issues and gain a fresh perspective on how to develop production processes with low environmental impact (Green Processes) and safe, high-quality products that are also environmentally friendly (Clean Products).

Furthermore, we proactively encourage our pollution prevention managers and energy managers to obtain publicly offered environment-related certifications.

■ **Examining the Practical Use of Environmental Efficiency Indicators and Environmental Management Accounting Methods**

● **Assessing the environmental impact of each Group company using JEPIX *1**

In fiscal 2012, 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 the environmental impact of each product by LIME*2**

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.

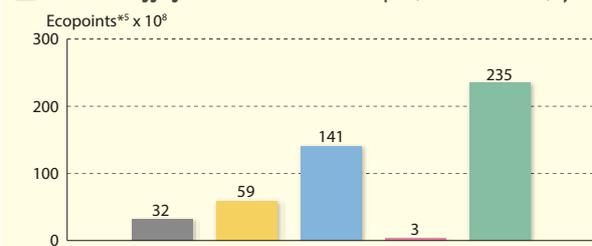
*1. Environmental Policy Priorities Index for Japan (JEPIX): This method, which employs a uniform single indicator called "Ecopoints" to evaluate environmental impact, is derived from the Swiss LCIA Eco Scarcity methodology. The current method evaluates the discrepancy between targets (e.g. laws and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

*2. Life-cycle Impact assessment Method based on Endpoint modeling (LIME): A life-cycle impact assessment method developed in Japan as a cornerstone for measuring Japan's environmental conditions.

*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 ★**



◆ Water quality improved through measures to reduce nitrogen
 ◆ Air quality improved through measures to reduce the emissions of substances subject to the PRTR Act and of CFC compounds.

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

■ **Current Issues and Future Plans**

Sumitomo Chemical will continue to put in place a wide variety of environmental management systems and promote the systemization of operations in a bid to realize a high level of environmental management.

★ : Assured by an independent assurance provider

Environmental Performance^{*}

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. Environmental performance data is provided for Sumitomo Chemical and the following Group company manufacturing facilities: 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 2012)

Figures in black: Sumitomo Chemical Group^{*1} Figures in green: Sumitomo Chemical(Non-Consolidated)

INPUT Energy and Resources^{*2}

Water



Industrial water	75.7	66.2
Drinking water	0.9	0.4
Seawater	1,325.1	446.6
Groundwater	24.8	21.9
Other water	3.2	3.2
Total	1,429.7	538.3

(Millions of tonnes)

Energy

Calculated as kl of crude oil



Fuel, heat, and electricity	1,649^{*9}	1,235
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(Thousands of kl)

Exhaustible resources



Hydrocarbon compounds	2,976	2,626
Metals (excluding rare metals) ^{*3}	114	107
Rare metals ^{*4}	0.19	0.02

(Thousands of tonnes)

^{*2}. See page 17 of the DATA BOOK for performance data on energy consumption, CO₂ 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 high concentrations of PCBs^{*10} 1,393 units 122 units

PCB volume^{*10} 16.8m³ 15.3 m³

No. of refrigeration units using specified CFCs as coolant 90 units 18 units

^{*10} Fluorescent lamps and mercury lamp ballast as well as contaminated substances (wastepaper, etc.) including waste are not included in unit and volume data.

OUTPUT Product Manufacturing and Environmental Impact

Products



(Calculated on the basis of ethylene production)^{*5} 2,007 1,539

(Thousands of tonnes)

Waste Materials



Waste generated ^{*8}	278	62
Landfill ^{*8}	41	4.8
(Breakdown)		
On-site landfill	0	0
External landfill	41	4.8

(Thousands of tonnes)

Atmospheric Emissions



Greenhouse gases (six gases) ^{*6}		
Emissions from energy use (CO ₂)	4,232 ^{*9}	3,166
CO ₂ emissions from other than energy use	74	62
N ₂ O	146	67
HFC ^{*11}	-	-
PFC ^{*11}	-	-
Methane ^{*11}	-	-
Sulfur hexafluoride ^{*11}	-	-
(Thousands of tonnes of CO ₂)		
Others		
NOx	5,516	2,540
SOx	5,882	1,619
Soot and dust	337	146
Substances subject to the PRTR Act ^{*7}	573	342

(Tonnes)

^{*5}. Certain assumptions were made in calculations due to the difficulty of obtaining weight-based figures for some products. In addition, the amount of power and steam calculated on the basis of ethylene production sold to parties outside the Sumitomo Chemical Group by Sumitomo Joint Electric Power Co., Ltd., a company that engages in power business activities, has been excluded. In the same way as fiscal 2012, Sumitomo Chemical Group products (calculated on the basis of ethylene production) come to 2,664 thousand tonnes when the aforementioned is included.
^{*6}. Up to fiscal 2011, the energy (kl in terms of crude oil) and greenhouse gases (all six gases) indices were calculated using the computation method applied since collation of environmental performance data for the Company started (the types of energy targeted for calculation, greenhouse gas emission sources, and CO₂ emission coefficient differ partially from the Greenhouse Gas Emissions Accounting, Reporting, and Disclosure System based on the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures). In fiscal 2012, calculations have been aligned to the computation methods of the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures.
^{*7}. Calculated based on the amount released into water/the 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.
^{*9}. In accordance with note 6, and in line with the change in computation method in fiscal 2012, the amount of energy consumed and the amount of CO₂ emissions from energy use by Sumitomo Joint Electric Power Co., Ltd., a company that engages in power business activities, include the amount of energy consumed internally and the associated CO₂ emissions, but do not include the amount of energy consumed and the associated CO₂ emissions from the production of power and steam sold to external parties. In the case the amount of energy consumed and the associated CO₂ emissions from the production of power and steam sold to external parties by Sumitomo Joint Electric Power Co., Ltd. are included, the energy (kl in terms of crude oil) and CO₂ emissions from energy use indices would be 2,376 thousand kl and 6,677 thousand tonnes-CO₂, respectively.
^{*11}. Outside the scope of reporting under the Act on Promotion of Global Warming Countermeasures.

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 2012 (April 1, 2012 to March 31, 2013)
- (2) Scope: Sumitomo Chemical and 17 major consolidated subsidiaries (12 in Japan and 5 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)
Consolidated investment and expenses increased by 0.5 billion yen and 1.5 billion yen, respectively.

* 17 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.; and Sumika Electronic Materials (Wuxi) Co., Ltd.

■ Environmental Protection Cost

(100 million yen)

Classification	Details of Major Initiatives	Fiscal 2011				Fiscal 2012			
		Non-consolidated	Non-consolidated	Consolidated	Consolidated	Non-consolidated	Non-consolidated	Consolidated	Consolidated
		Investment	Expenses	Investment	Expenses	Investment	Expenses	Investment	Expenses
Business Area Costs		33	182	46	276	33	175	51	273
Breakdown	Pollution Prevention Costs	(11)	(131)	(18)	(165)	(20)	(125)	(31)	(162)
	Global Environmental Protection Costs*	(5)	(1)	(9)	(30)	(9)	(2)	(12)	(32)
	Resource Recycling Costs*	(17)	(50)	(18)	(82)	(4)	(48)	(8)	(79)
Upstream/Downstream Costs		0	0	0	2	(0)	(0)	0	3
Administrative Costs		0	6	0	11	0	6	0	11
R&D Costs		0	64	0	65	0	79	0	79
Social Activity Costs		0	5	0	7	0	5	0	7
Environmental Remediation Costs		0	0	0	0	0	3	0	3
Total		33	257	46	362	33	268	51	377

* To date, energy saving costs have been classified as resource recycling costs. From fiscal 2012, energy saving costs have been reclassified as global environmental protection costs. Results for fiscal 2011 have been retroactively adjusted to account for this reclassification and to enhance accuracy.

■ Economic Effects

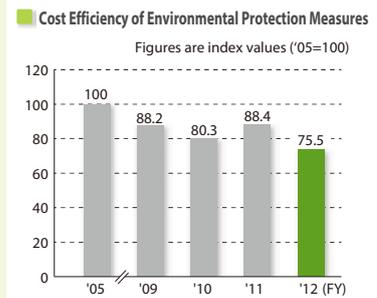
(100 million yen)

Results	Fiscal 2011		Fiscal 2012	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Reduced costs through energy saving	7	11	7	9
Reduced costs through resource saving	3	3	5	6
Reduced costs through recycling activities	31	33	29	31
Total	41	47	42	45

TOPIC

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.



Global Warming Prevention Initiatives

Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> Reduce unit CO₂ emissions from energy use Sumitomo Chemical (non-consolidated): Reduce by 15% relative to fiscal 2005 by fiscal 2020 Group companies in Japan: Reduce by 5% relative to fiscal 2010 by fiscal 2015 Group companies overseas: Reduce by 7.9% relative to fiscal 2010 by fiscal 2015 Improve unit energy consumption Sumitomo Chemical (non-consolidated): Improve by 10% relative to fiscal 2005 by fiscal 2015 Group companies in Japan: Improve by 5% relative to fiscal 2010 by fiscal 2015 Group companies overseas: Improve by 7.7% relative to fiscal 2010 by fiscal 2015 Improve unit energy consumption in the logistics division Sumitomo Chemical (non-consolidated*): Improve by an annual average of 1% or more relative to the fiscal 2006 standard 	<ul style="list-style-type: none"> Reduce unit CO₂ emissions from energy use Sumitomo Chemical (non-consolidated): Reduced by 7.5% relative to fiscal 2005★ Group companies in Japan: Reduced by 0.7% relative to fiscal 2010★ Group companies overseas: Reduced by 2.6% relative to fiscal 2010 Improve unit energy consumption Sumitomo Chemical (non-consolidated): Improved by 2.9% relative to fiscal 2005★ Group companies in Japan: Improved by 0.1% relative to fiscal 2010★ Group companies overseas: Improved by 2.6% relative to fiscal 2010 Improve unit energy consumption in the logistics division Sumitomo Chemical (non-consolidated*): Improved by an annual average of 1.2% relative to the fiscal 2006 standard★ 	<ul style="list-style-type: none"> Reduce unit CO₂ emissions from energy use Sumitomo Chemical (non-consolidated) and Group companies work toward achieving fiscal 2015 goals and implement initiatives aimed at definitively reducing CO₂ emissions. Improve unit energy consumption Sumitomo Chemical (non-consolidated) and Group companies work toward achieving fiscal 2015 goals and implement initiatives aimed at using energy more effectively. Improve unit energy consumption in the logistics division Sumitomo Chemical (non-consolidated*): Improve by an annual average of 1% or more relative to the fiscal 2006 standard <p>* Specified shippers according to the definition stipulated under the Energy Saving Act</p>

Basic Stance

Climate change is an important and urgent problem that needs to be addressed before sustainable development can become a reality in global society. Sumitomo Chemical established the Energy & Climate Change Office in 2010 to conduct Group-wide concerted efforts among business sectors, facilities, and research laboratories in tackling this critical problem. Aiming for the early realization of a low-carbon society, Sumitomo Chemical takes active measures to achieve its targets for reducing CO₂ emissions and lowering energy consumption.

Sumitomo Chemical manages CO₂ emissions in producing each major product, and evaluates avoided CO₂ emission amounts to be achieved by its products throughout their life cycle. The production of chemical products entails the use of energy and emission of CO₂, but there are many cases where the use of these chemical products leads to considerable reductions in CO₂ emissions. The disclosure of such information in a transparent manner would be an essential responsibility of companies in the chemicals industry. While advancing these initiatives on its own, Sumitomo Chemical also participates actively in many environmental protection initiatives led by the Japan Chemical Industry Association and the Japan Business Federation.

Production and Research Activity Initiatives

Sumitomo Chemical sets numerical targets and works steadily toward achieving these targets. The Company manages CO₂ emissions by plant and/or product line. Such management helps to identify areas in need of further improvement and to strengthen management to further reduce CO₂ emissions.

In fiscal 2012, our efforts to improve operations at plants and increase the efficiency of equipment and machinery led to major improvements at some facilities. This information was

shared at the Energy Manager Meeting attended by energy managers from each business site, thereby spreading this useful data to other business sites.

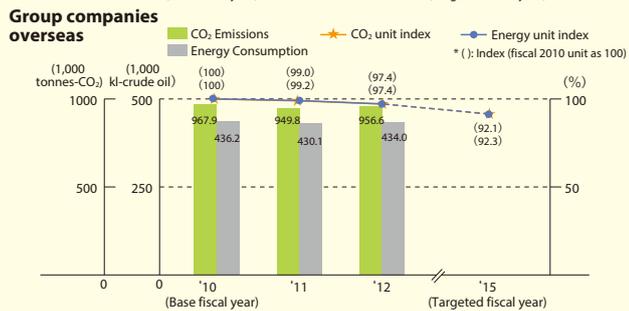
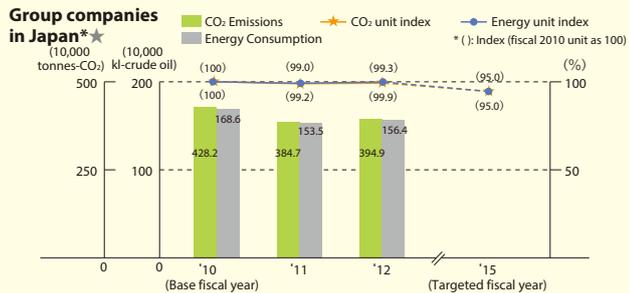
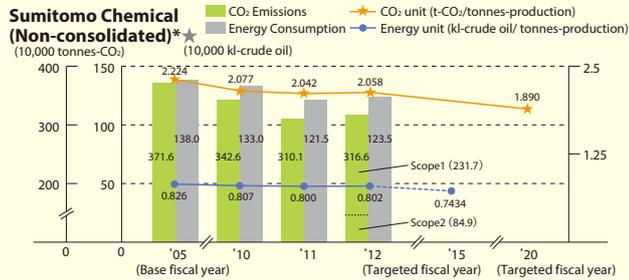
Status of CO₂ Emissions by Scope (Sumitomo Chemical (Non-Consolidated))

Category classification	Emissions (10,000 t-CO ₂ /year)
Scope 1 (direct emissions)★	231.7
Scope 2 (indirect emissions from energy use)★	84.9
Scope 3 (other indirect emissions, upstream)	226.1

CO₂ Reduction Initiatives through the Recovery of Heat

At the caprolactam production plant at the Ehime Works, unreacted raw materials are isolated and recovered through distillation, a process that requires a large amount of heat. For this reason, the Company has introduced a heat recovery system featuring the multiple effect evaporation process with several distillation towers. A multiple-effect evaporator is one series process for efficiently using the heat from steam to evaporate water. Sumitomo Chemical was able to reduce its CO₂ emissions by 16,000 tonnes annually through equipment modifications to maximize thermal recovery efficiency. This equipment modification was designed to realize load-balancing of the distillation towers and optimizing the specifications of the thermal exchangers.

Trends in Energy Consumption, Unit Energy Consumption, CO₂ Emissions from Energy Use, and Corresponding Unit Emissions



* Since fiscal 2012, energy consumption (crude oil equivalent; unit kl) has been calculated using methods based on the Act on the Rational Use of Energy, and CO₂ emissions from energy use has been calculated using the greenhouse gas emission calculation, reporting and disclosure system based on the Act on Promotion of Global Warming Countermeasures. Sumitomo chemical has applied these calculation methods retroactively to previous fiscal years and prior year figures have been recalculated.

TOPIC

Excellence Prize Received in "Osaka Stop Global Warming Awards"*

Dainippon Sumitomo Pharma Co., Ltd.

Dainippon Sumitomo Pharma Co., Ltd.'s business site in Osaka was honored with the Excellence Prize in the "Osaka Stop Global Warming Awards" in fiscal 2012 in recognition of a 3,004-tonne (7.0%) reduction in total emissions of greenhouse gases compared with fiscal 2011. Dainippon Sumitomo Pharma Co. Ltd. will continue with efforts to reduce its impact on the environment.



[Major Initiatives Implemented]

1. Upgrade to cogeneration systems (400-tonne reduction)
2. Renew air conditioners in research buildings (572-tonne reduction)
3. Review use patterns of testing facilities (1,090-tonne reduction)
4. Conserve energy and reduce electricity use (942-tonne reduction)

VOICE

Initiatives at Research Laboratories in Tsukuba*



Masao Abe / Yukio Mori
Technology Office, Tsukuba Material Development Laboratory

At research laboratories in the Tsukuba district, energy consumption is greatly affected by environmental conditions, especially the temperature and humidity of outside air, so measures to conserve energy have focused on equipment that heat and cool water for air conditioning systems. At the end of fiscal 2012, we rotated out our team of energy managers and appointed new managers to bring a fresh perspective and approach to creating energy conservation projects and to support ongoing measures.

* Tsukuba Material Development Laboratory, Advanced Materials Research Laboratory, IT-related Chemicals Research Laboratory (Tsukuba)

VOICE

Energy Conservation Activities in Singapore



Tay Khoon Eng
Responsible Care / Compliance Manager,
The Polyolefin Company (Singapore) Private Limited

An island country, Singapore is susceptible to the effects of global warming. As measures to achieve sustainable growth, the government enacted the Energy Conservation Act, requiring companies that consume a certain amount of energy to appoint energy managers, report on their energy usage, and submit plans to improve energy efficiency, starting in April 2013. The Polyolefin Company (Singapore) Private Limited is also subject to this law. In addition to responding to the requirements of this law, The Polyolefin Company (Singapore) Private Limited has already worked to improve energy efficiency for many years. One measure it has recently implemented was to switch to electrode-less lamps for lighting at its product warehouses.

Office Initiatives

The Sumitomo Chemical Group strives to conserve energy at its offices. At the Tokyo Head Office of Sumitomo Chemical, we switched to LED lamps for lighting in major offices and meeting rooms in fiscal 2012, and made an extra effort to turn off lights when they were not needed. These efforts led to a 50% reduction in energy use. At the Osaka Works (Kasugade), we achieved considerable savings in electricity use by visualizing power usage at offices and other facilities and implementing measures as needed based on this information. Information about these initiatives was widely shared throughout the organization and is now being deployed at other business sites.

* Osaka Stop Global Warming Awards: The Osaka government awards prizes to companies that exhibit excellence in their efforts to restrict both emissions of greenhouse gases and waste heat from their business activities, based on the Osaka Government Ordinance for the Prevention of Global Warming.

★ : Assured by an independent assurance provider

Global Warming Prevention Initiatives

Logistics Initiatives

Promoting green logistics

The Sumitomo Chemical Group has put in place ongoing measures to reduce the environmental impact of logistics. We aim for our logistics operations to be easy on the global environment by striving to optimize increases in transportation units and transportation routes while promoting modal shifts, such as from tanker trucks to rail transportation.

Specific modal shift examples

At the Ehime Works, we had previously used tanker trucks to transport to the Kanto region products that require precise temperature management. By deploying tank containers with temperature controls, we were able to switch to rail transportation. We are also working on modal shifts for the transportation of products from other facilities.

Consolidation of tank container storage locations

In fiscal 2012, Sumitomo Chemical reorganized and augmented its tank container storage space at the Ehime Works. Previously, we had mainly stored about 70 tank containers at an outside location in the port district about six kilometers from the facility. We consolidated all storage locations to the container yard within the Ehime Works. As a result, it is now unnecessary to travel to a storage location outside the premises, streamlining logistics costs and reducing the environmental impact.

These efforts have led to an average annual improvement of 1.2% in unit energy consumption relative to the fiscal 2006 standard.



Tank container yard newly established within the Ehime Works



Eco Rail Mark

Other Initiatives

At the Ehime district, Sumitomo Chemical installed a photovoltaic solar power generation facility while constructing a new corporate housing building, the Wakamizu Apartment Building No. 5. On the roof of the new building, we installed high-efficiency solar panels that will generate an estimated 21,000 kWh per year. The electricity is used to provide power for lighting and equipment in public spaces within the building, and any surplus electricity is sold back to the grid. We have also taken extra steps to conserve energy further, such as by using LED lamps for building lighting, double-paned glass windows, and porous pavement for parking lots. The Sumitomo Chemical Group cooperates with labor unions to distribute the "Environmental Accounting Book" to households to promote reductions in CO₂ emissions (see page 66), and takes other innovative measures to enhance awareness among employees on how to conserve energy at its business sites.

TOPIC

Energy Conservation Newsletter

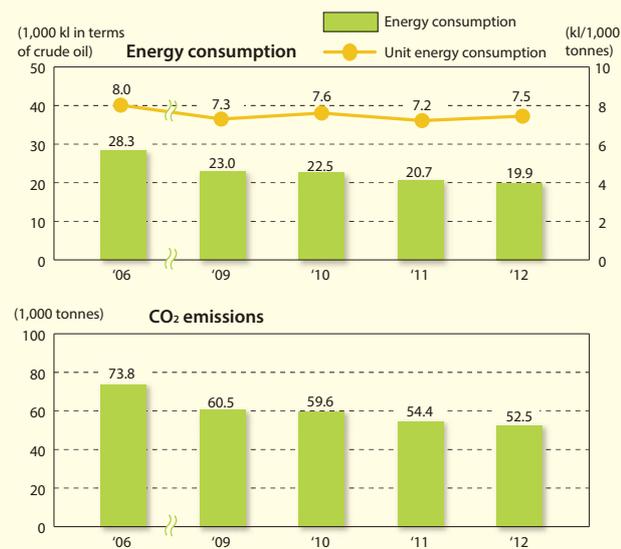
Okayama Plant, Osaka Works

As a new initiative at the Okayama Plant, employees in the Energy Conservation Office who have been certified as Household Energy Conservation Experts have begun publishing the Energy Conservation Newsletter. In the prevention of global warming, it is important to conserve energy both at work and at home. For this reason, we distribute the Energy Conservation Newsletter to all employees in the Okayama area with articles that explain what everyone can do to achieve an optimal level of energy conservation in their daily activities, while deepening their knowledge of how to conserve energy and save electricity. We will continue with energy conservation initiatives that will attract the interest of our employees and their families.



Chie Ishii
Energy Conservation Office

Reduction of Environmental Impact in Logistics Operations (Sumitomo Chemical (non-Consolidated))★



* Boundary : specified consignors based on the Act on the Rational Use of Energy

Current Issues and Future Plans

Initiatives to prevent global warming will continue to be addressed in the new Corporate Business Plan FY2013-FY2015 starting in fiscal 2013. Sumitomo Chemical is not only making every effort to conserve energy and reduce CO₂ emissions in its production, but is continuing to reduce CO₂ emissions throughout its supply chain. We will concentrate on the development of technologies and products that contribute to the reduction of CO₂.

Waste Reduction Initiatives

Fiscal 2012 Goals	Fiscal 2012 Results★	Fiscal 2013 Goals
<ul style="list-style-type: none"> Reduction in the amount of industrial waste sent to landfills Sumitomo Chemical (non-consolidated): Reduce landfill disposal amount by 80% relative to fiscal 2000 by fiscal 2015 Group companies in Japan: Reduce landfill disposal amount by 11% relative to fiscal 2010 by fiscal 2015 PCB waste Promote appropriate storage and recovery of PCB waste and complete PCB waste treatment by March 2014 	<ul style="list-style-type: none"> Reduction in the amount of industrial waste sent to landfills Sumitomo Chemical (non-consolidated): Reduced by 80.3% relative to the fiscal 2000 level Group companies in Japan: Reduced by 13% relative to the fiscal 2010 level PCB waste <ul style="list-style-type: none"> Largely completed the treatment of waste containing high concentrations*1 of PCBs (excluding certain factories and equipment); continued to promote the appropriate storage and recovery of untreated waste Implemented the treatment of waste containing minute amounts*2 of PCBs at certain factories; continued to promote the appropriate storage and recovery of untreated waste 	<ul style="list-style-type: none"> Reduction in the amount of industrial waste sent to landfills Sumitomo Chemical (non-consolidated) and Group companies: work toward achieving fiscal 2015 goals; implement measures aimed at securing definitive reductions in the amount of landfill disposal PCB waste <ul style="list-style-type: none"> Work toward appropriate storage and recovery of waste containing high concentrations of PCBs and complete*3 PCB waste treatment by March 2014 Work toward appropriate storage and recovery of waste containing minute amounts of PCBs and complete PCB waste treatment by March 2025

*1. High concentrations of polychlorinated biphenyl (PCB) intentionally used as insulation oil in such items as electric appliances *2. Minute amounts of PCBs unintentionally mixed in as insulation oil in such items as electric appliances (over 0.5mg/kg) *3. However, take into consideration delays caused by circumstances confronting treatment companies

Basic Stance

Sumitomo Chemical actively strives to reduce, reuse, and recycle industrial waste and to systematically reduce the landfill disposal amount in accordance with established numerical targets as a part of efforts to efficiently apply limited resources and help create a recycling-based society. In particular, the Company is looking to address the issue of sludge, which accounts for the majority of landfill waste, from a medium- to long-term perspective in accordance with Law for promotion of Effective Utilization of Resources.

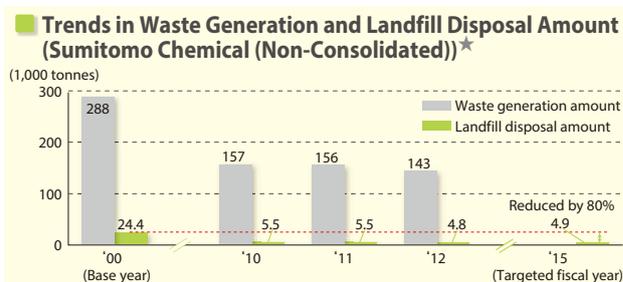
When commissioning external parties to undertake the treatment of industrial waste, each manufacturing site is required to conduct on-site inspections to confirm the operators are disposing of waste in an appropriate manner. Moreover, the Company is promoting the use of electronic tools including manifests that encompass such topics as administrative efficiency and thoroughgoing compliance.

Fiscal 2012 Results

In fiscal 2012, both the Company on a non-consolidated basis and Group companies were successful in reducing the landfill disposal amount through recycling of sludge including burnt residue as well as soot and dust, as base course materials for roads and raw materials used in cement. Turning to PCB waste, Sumitomo Chemical is engaging in systematic treatment activities. For untreated waste, steps are being taken to appropriately collect such items as transformers, condensers, and stabilizers, which are then stored in designated facilities. Through these means, every effort is made to ensure ongoing stringent management.

● Sumitomo Chemical's Chiba Works continuing to reduce the landfill disposal amount by 99% from the fiscal 2000 level

The Chiba Works is actively engaged in the reduction and recycling of waste. The Works substantially surpassed Sumitomo Chemical(non-consolidated) target by achieving a reduction in the landfill disposal amount by 99% from the fiscal 2000 level in fiscal 2009. In the ensuing period, the Works has been able to maintain this level of reduction for four consecutive periods. At the same time, 100% of waste plastic, waste lagging materials, and incineration ash is recycled.



VOICE

Expectations regarding further developments in safety and environmental measures

Hitoshi Masuyama
DOWA ECO-SYSTEM Co., Ltd.
(Director and General Manager of Sales and Marketing Planning at the current ECO-SYSTEM JAPAN Co.,Ltd)



DOWA ECO-SYSTEM Co., Ltd., which engages in environmental business activities in Japan and overseas, is also involved in the treatment and disposal of waste generated by Sumitomo Chemical Group's manufacturing sites on a commission basis. A prominent feature of Sumitomo Chemical compared with other companies is its high level of awareness and focus on safety. Looking at information on industrial waste alone, the Company takes great pains to provide comprehensive, detailed and precise information covering everything from generation, transportation, and disposal. Furthermore, the Company took the lead within the chemical industry in the treatment and disposal of minute amounts of PCBs. These and other factors are indicative of the Company's positive stance toward addressing environmental risks. In the future, we will look forward to Sumitomo Chemical further harnessing its strengths and promoting continued advances in safety and environmental countermeasures.

★ : Assured by an independent assurance provider

Environmental Pollution Prevention Initiatives

Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> Prevention of air and water pollution Sumitomo Chemical (non-consolidated): Work to maintain and continue levels below our voluntary management criteria*1 PRTR Sumitomo Chemical (non-consolidated): Reduce total emissions of air and water pollutants by 60% relative to fiscal 2008 by fiscal 2015 Group companies in Japan: Reduce total emissions of air and water pollutants by 17% relative to fiscal 2010 by fiscal 2015 VOC Sumitomo Chemical (non-consolidated): Maintain VOC emissions reductions at 30% relative to fiscal 2000 Prevention of soil and groundwater contamination Sumitomo Chemical (non-consolidated)/ Group: Keep hazardous materials strictly within Company premises*2 Prevention of ozone layer depletion Sumitomo Chemical (non-consolidated)/ Group : Eliminate the use of refrigeration units that use specified CFCs as coolants by fiscal 2025 	<ul style="list-style-type: none"> Prevention of air and water pollution Sumitomo Chemical (non-consolidated): Achieved environmental impact levels for all substances including NOx, SOx, and soot and dust (air) as well as COD, nitrogen, and phosphorous (water) below our voluntary management criteria PRTR★ Sumitomo Chemical (non-consolidated): Reduced the total release of PRTR substances (into the air and water) by 13.6% from the previous fiscal year (a 82.6% reduction from the fiscal 2008 level) Group companies in Japan: Reduced the total release of PRTR substances (into the air and water) by 2.9% from the previous fiscal year (a 18.7% reduction from the fiscal 2010 level) VOC Sumitomo Chemical (non-consolidated): increased by 4.9% from the previous fiscal year (a 43.6% reduction from the fiscal 2000 level) Prevention of soil and groundwater contamination Sumitomo Chemical (non-consolidated)/ Group: Kept hazardous materials strictly within Company premises Prevention of ozone layer depletion Sumitomo Chemical (non-consolidated)/ Group: Continued systematic replacement of refrigeration units 	<ul style="list-style-type: none"> Prevention of air and water pollution Sumitomo Chemical (non-consolidated): Work to maintain and continue levels below our voluntary management criteria PRTR Sumitomo Chemical (non-consolidated) / Group: Work toward achieving fiscal 2015 goals and implement definitive initiatives VOC Sumitomo Chemical (non-consolidated): Maintain VOC emissions reductions at 30% relative to fiscal 2000 Prevention of soil and groundwater contamination Sumitomo Chemical (non-consolidated) / Group: Keep hazardous materials strictly within Company premises Prevention of ozone layer depletion Sumitomo Chemical (non-consolidated) / Group: Work toward achieving fiscal 2025 goals and continue systematic replacement of refrigeration units

*1 Each manufacturing site collaborates with local authorities to reach agreements on standards that are stricter than relevant laws and regulations, and uses them as its own management benchmarks.
*2 Controlled on the premises.

Basic Stance

Sumitomo Chemical manages substances that have an impact on the environment, such as emissions of waste gas and wastewater into the environment, through a combination of regulation-based and voluntary efforts. Sumitomo Chemical strictly adheres to legal standards and levels of quality agreed on with local authorities, and sets specific targets for each category while instilling the concepts of risk management widely throughout the organization. The Company also identifies key issues that need to be addressed at each business site within the context of its business model and content, and by striving to solve these issues, realizes further reductions in environmental burden. Sumitomo Chemical aims to solidify its credibility further in the area of environmental management by putting more effort into improving communications between each business site and its local community.

Prevention of Air and Water Pollution Initiatives

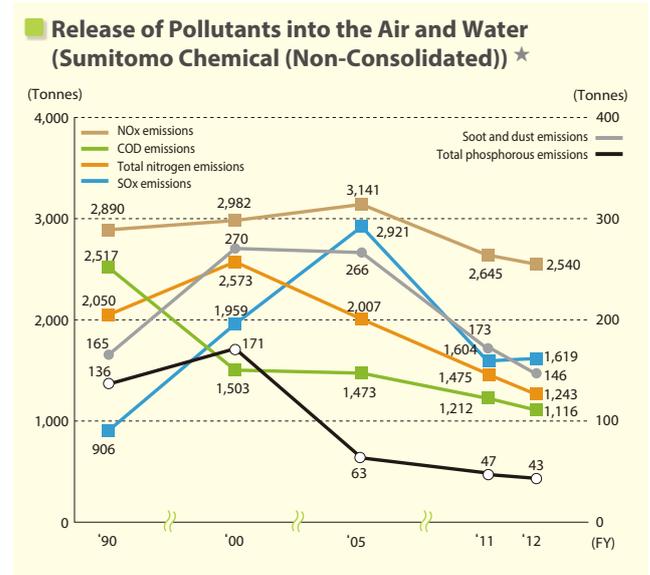
We are endeavoring to reduce emissions of SOx, NOx, and soot and dust into the air, and of COD, nitrogen, and phosphorous into water bodies. Moreover, we are fostering the effective use of water (to improve unit water usage. see page 49)

Osaka Works (Kasugade)

Responding to regulations for 1,4-dioxane in wastewater

Of the environmental standards pertaining to water contamination, 1,4-dioxane was added as an item in environmental standards governing underground water and water quality for the protection of people's health. At the Osaka Works, 1,4-dioxane

is used in the production of photosensitive resins. The current emission standard is 200mg/liter, but starting in April 2015, this will be strengthened to 0.5mg/liter, 1/400 the current level. In order to comply with this emission standard, a project team was formed to examine the changes that can be made to facilities and treatment methods in order to minimize the volume of 1,4-dioxane in wastewater, and to look into the development of production methods that do not require 1,4-dioxane.



● **Oita Works Expand effluent treatment facilities**

All wastewater that comes from our production processes is treated at our environmental management center, which is equipped with a variety of wastewater treatment facilities, and is then released into rivers only after passing our own standards that are stricter than the standards required by laws and regulations. In fiscal 2012, Sumitomo Chemical expanded and upgraded its wastewater treatment facilities for the first time since operations began in 1973 in response to strong growth in production of herbicides. As a result, wastewater treatment capacity was expanded 1.5 times. We make concerted efforts to limit the volume of sludge emitted from wastewater treatment processes and recycle the ashes left over after incinerating the sludge as a raw material for cement, thereby reducing final disposal volume.

Addressing PRTR and VOCs

Sumitomo Chemical aims to achieve the target of reducing total emissions of substances subject to the PRTR*1 into the air and water by 60% relative to fiscal 2008 by fiscal 2015 through drastic risk management that is based on our risk assessment results. Turning to VOCs*2, 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 13 of the DATA BOOK.)

*1. PRTR system: A public system for measuring and reporting the release and transfer of chemical substances that may cause harm to people's health and biodiversity, based on data submitted to the national government and estimates. Under the system, corporations measure and report to the national government the volume of chemical substances released into the environment (atmosphere, water, soil) from its business sites and transferred off the premises of its business sites, such as in waste material. The PRTR system was introduced in April 2001. (Source: Ministry of Economy, Trade and Industry website)

*2. Volatile Organic Compound (VOC): Organic chemicals that become vapor under ordinary atmospheric conditions. Examples include toluene, xylene, and ethyl acetate. (Source: Ministry of the Environment website)

Soil and Groundwater Contamination Prevention Initiatives

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 heavy metals and oils, are below those stipulated by environmental standards.

● **Health & Crop Sciences Research Laboratory (Takarazuka) Ongoing management of wastewater quality**

At this research laboratory, a wide variety of waste liquids are generated from research activities. Under business site rules, it is forbidden to let waste liquids go down the sewer drain. All waste liquids from experiments are therefore stored in a waste liquid tank and disposed of by a contractor that specializes in industrial waste liquids. In addition to waste liquids, our researchers are careful to properly dispose of grime on the insides of experimental containers and tools when they are cleansed, and if chemicals are also present, the water used to rinse the implements is also stored in waste liquid tanks. In order to assess the effectiveness of these endeavors, water samples are taken from interconnection points with public sewer system and analyzed once a month. All of these samples have cleared environmental standards, and amounts in almost all categories of pollutants were below the detection threshold of the analysis method.

Prevention of Ozone Layer Depletion

The Sumitomo Chemical Group has declared the goal of eliminating by 2025 all refrigeration equipment that uses CFC11, CFC12, CFC113, CFC114, and CFC115 as refrigerants, from among the controlled CFCs that have a strong propensity to destroy the ozone layer (specific substances designated by the Law Concerning the Protection of the Ozone Layer through the Control of Specified Substances). We periodically update our medium- and long-term initiatives toward meeting this goal.

Current Issues and Future Plans

Appropriate and effective measures must be at the heart of initiatives to prevent environment pollution, which is the foundation of preventing environmental destruction. As a conglomerate that handles chemical substances, the Sumitomo Chemical Group will continue to monitor the effectiveness of its measures with the aim of improving its environmental performance on all levels in protecting the atmosphere, water, and soil from pollution, while implementing even better risk management.

■ **Trends in Emissions of Substances Subject to the PRTR Act★**



★ : Assured by an independent assurance provider

Water and Biodiversity Conservation

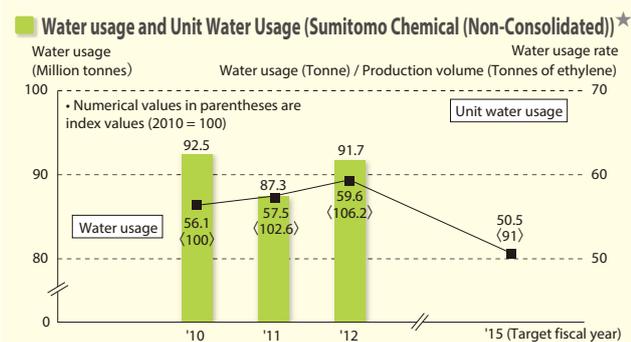
Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> Effective use of water resources Sumitomo Chemical (non-consolidated): Improve the unit water usage by 9% relative to fiscal 2010 by fiscal 2015 Overseas Group companies: Improve the unit water usage by 11% relative to fiscal 2010 by fiscal 2015 Ensure compliance with "Sumitomo Chemical's Commitment to the Conservation of Biodiversity" Implement and support biodiversity-related tree planting activities in Japan and overseas 	<ul style="list-style-type: none"> Effective use of water resources Sumitomo Chemical (non-consolidated): Unit water usage increased by 6.2% relative to fiscal 2010★ Overseas Group companies: Unit water usage increased by 15.8% relative to fiscal 2010 Ensured compliance with "Sumitomo Chemical's Commitment to the Conservation of Biodiversity" Dispatched 34 employee volunteers to the "Sumitomo Chemical's Forest" mangrove tree-planting project in Thailand 	<ul style="list-style-type: none"> Effective use of water resources Maintain measures aimed at achieving targets in Japan and overseas for fiscal 2015 Ensure compliance with "Sumitomo Chemical's Commitment to the Conservation of Biodiversity" Implement and support tree planting activities in Japan and overseas

Basic Stance

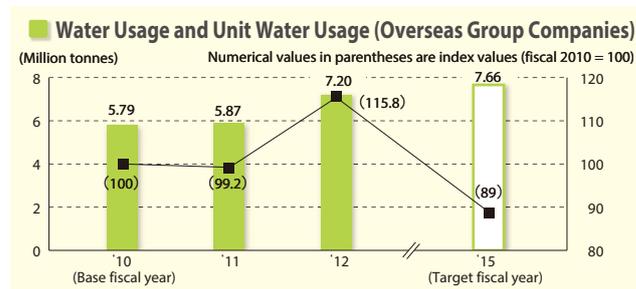
Among the most important issues in the world today is how to contribute to the use of sustainable natural resources and the conservation of water resources. The Sumitomo Chemical Group is actively promoting the efficient use of water, recognizing it as an important and valuable resource. From the intake of industrial water to its use, recycling, and eventual discharge, the Company maintains responsibility for the water it uses throughout the entire lifecycle and continues to focus its attention on the maintenance of its water sources. Sumitomo Chemical also views the conservation of biodiversity as one of the Company's most important management issues. In addition to aggressively working to lower its environmental impact, the Company is actively engaged in the conservation of energy and resources, including through the development of environmentally friendly manufacturing processes and products. Sumitomo Chemical continues to actively promote the preservation of the global environment that in turn contributes to the preservation of biodiversity through not only our business activities but social contribution activities, including the dispatch of employee volunteers to participate in tree-planting projects.

Promoting and Managing Efficient Water Use

The volume of water used can vary greatly depending on the business type. Moreover, water intake and discharge conditions can differ by country and region, as well as by the location of the manufacturing site. In light of differing conditions, water usage targets for Sumitomo Chemical Group companies in Japan are set and disclosed on an individual basis. This report was created to report the efforts of the Sumitomo Chemical (non-consolidated) and the ten leading overseas Group companies.



Note: Does not include sea water



Note: Includes sea water

Biodiversity Conservation Initiatives

Sumitomo Chemical is a participant 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. In December 2011, the Company put in place "Sumitomo Chemical's Commitment to the Conservation of Biodiversity" and is now entering its second year since commencing biodiversity conservation activities guided by this action guideline.

Sumitomo Chemical in its business activities is engaged in a variety of efforts aimed at reducing the environmental impact of its products throughout their entire lifecycle (see pages 39 to 48). The Company is also actively working to support tree-planting efforts in Japan and overseas, providing

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.

support to tree-planting efforts in developing nations through the funding of the World Bank's BioCarbon Fund (see page 14) and, through labor-management collaboration, is cooperating with OISCA to promote the "Sumitomo Chemical's Forest" mangrove tree-planting project in Thailand (see page 66). The Company has dispatched employee volunteers each year in tree-planting activities and in fiscal 2012 sent two teams, one in November and one in February.

地球のいのち、つないでいこう



住友化学は生物多様性民間参画パートナーシップに参加しています

Japan Business and Biodiversity Partnership

TOPIC

Effective Use of Yoshioka Spring in the Local Area

Ehime Works

Yoshioka Spring was named due to its proximity to the Yoshioka family's residence and pond. In order to provide a watershed for the Kawahigashi district, which was suffering from a water shortage, the spring was developed in 1917 and construction of a connecting canal was completed in 1921. Nippon Paper Industries (later, Niihama Chemical), which was located on the land that Sumitomo Chemical's Ohe Works now occupies, took over administration of the spring in 1932. Sumitomo Chemical acquired, and still maintains, the rights to the spring when it purchased the company in 1954. The water from the spring is still used to irrigate districts in the city and the Company is able to access the water without the use of power thanks to a difference in elevation.



The Yoshioka spring today

VOICE

Maintenance for the Yoshioka Spring

Mr. Takayoshi Matsuki
Former Ehime Works employee



I clear the leaves and mow the grass around the canal three times a week, and I know that this spring has a rich natural and cultural heritage, having been born of a desire by our ancestors about one hundred years ago to alleviate the water shortage afflicting the Kawahigashi district. The spring itself covers about 4,000 square meters, with masonry extending 780 meters and output reaching as much as 4,000 tonnes per hour.

The spring is not just a Sumitomo Chemical facility, but something vital for agricultural operations in every section of the city. Every year, a great number of school children from the city come to visit.

TOPIC

Using Fish to Monitor the Treatment of Wastewater

Misawa Works

At the Misawa Works, purified wastewater generated from the manufacturing process is discharged into the Pacific Ocean via small rivers. Sumitomo Chemical pays especially close attention to monitoring and purifying wastewater at the Misawa Works, as not only do a number of small fish live in the discharge rivers, but the coastal area contains fertile fishing grounds, including for flounder and surf clams. While the quality of the wastewater is of course tested using a variety of analytical instruments, it is also tested in a breeding tank of carp. Through careful monitoring of these fish, the Company is working to ensure that the water is purified to a level where it will not impact life in the discharge area. Thanks in part to these efforts, small fish continue to thrive in the rivers, unchanged in the 35 years since the construction of the Works.



Carp used to check the purification levels of treated wastewater

Environmental Impact of Agricultural Chemicals

The law stipulates a registration system for agricultural chemicals and requires these agricultural chemicals to pass a number of safety tests. If the test results do not confirm that the agricultural chemical can be used safely, use of that agricultural chemical is not allowed. As an example, it is mandatory to test the impact of an agricultural chemical on aquatic plants, animals, and other life forms, as well as degradation and the behavior of the agricultural chemical in soil and water. Registration of an agricultural chemical is not allowed if testing shows that there is a concern that the agricultural chemical could remain in the soil for an extended period, degrade water quality, or have an adverse impact on aquatic plants and animals. So as not to adversely impact the environment, producers are obligated to display established usage guidelines clearly on product labels, and users are strongly requested to follow the listed precautions.

In order to protect the environment by preventing the misuse of agricultural chemicals, Sumitomo Chemical continues to focus its efforts on educational services, including through product flyers, newspaper advertising, website information, and special customer consultation services. The Company continues to promote the safe and appropriate use of agricultural chemicals and remains active in safety promotion activities conducted in cooperation with the agricultural chemical industry.

Current Issues and Future Plans

With the goal of contributing to the development of a sustainable society, Sumitomo Chemical is focusing its efforts on conserving limited water resources and, in line with "Sumitomo Chemical's Commitment to the Conservation of Biodiversity," continues to promote efforts to preserve the global environment that in turn supports biodiversity.

Product Responsibility Initiatives

Fiscal 2012 Goals	Fiscal 2012 Results [★]	Fiscal 2013 Goals
<ul style="list-style-type: none"> Promoting the reassessment of product safety risks Logistics quality-related incidents: No Rank A or Rank B incidents, two or fewer Rank C incidents 	<ul style="list-style-type: none"> Conducted 51 product safety risk assessments Logistics quality-related incidents: No Rank A or Rank B incidents, two Rank C incidents 	<ul style="list-style-type: none"> Promotion of product safety risk assessments focused on high-risk products Logistics quality-related incidents: No Rank A or Rank B incidents, two or fewer Rank C incidents

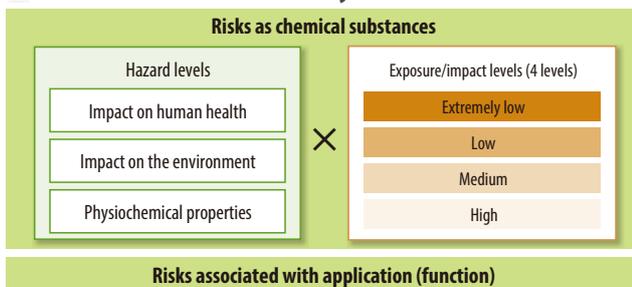
Basic Stance

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. The Company conducts risk assessments on supplied products, taking into account not only our direct customers, but also the use and disposal of such products by their customers as well (the so-called end-users). We are also committed to informing our customers about substances contained within our products and the results of safety tests and studies regarding these substances. Sumitomo Chemical maintains its commitment to further improving product quality and is continually enhancing its quality assurance system to supply products and services of stable quality to its customers.

Assessment of Product Risks

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 line with international trends, we enhanced our focus on product safety and in 2009 substantially revised the method of assessing the risks posed by our products. As shown in the figure below, our assessment method for product safety risks consists of two assessments: an assessment of the risks as chemical substances based on GHS*1 classification-compliant hazard levels and exposure/impact levels, and an assessment of the risks in their application. In testing exposure/impact levels, we strive to factor in information received from customers in regard to how these products are being used.

Outline of the Product Safety Risk Assessment Method



*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.

Risk Assessment Results [★]

In addition to conducting risk assessments based on the aforementioned methodology to ensure that products new to the market are safe and reliable, Sumitomo Chemical is promoting the ongoing reassessment of products that are already on the market. We conducted a total of 138 product safety risk assessments in the three years between fiscal 2010 and fiscal 2012, including 51 risk assessments in fiscal 2012 alone. We intend to complete reassessments of risk for all products on the market by fiscal 2020. In addition, Sumitomo Chemical is making preparations to promote similar product safety risk assessments throughout the Group.

Providing Appropriate Information

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 products. The results are supplied as Safety Data Sheets (SDSs*2) to its customers. 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.

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. This reflects the impact of chemical substance regulations in Japan and overseas. Amid this trend, Sumitomo Chemical became a member of the Joint Article Management Promotion-consortium (JAMP*3) 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*4 and AIS*5). Moreover, in fiscal 2011, we participated in a project to deliberate on the management of chemical risks across the entire supply chain and effective mechanisms (SCRUM Project) that was jointly launched by JAMP and the Japan Chemical Industry Association*6.

*2. SDS: 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) and the standards set by the International Organization for Standardization (ISO).

*3. JAMP: For details of activities, see the JAMP website at <http://www.jamp-info.com/english>

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

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

*6. 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.php3?sessLang=English>

Providing Stable Quality Products and Services

As a general chemicals company, Sumitomo Chemical is proud to offer its customers products and services from a variety of fields. In order to continue to offer our customers stable quality on all our products, we have created a quality assurance system based on manufacturing and quality management criteria and quality management systems (ISO 9001*7, GMP*8, and FAMI-QS*9) that conform to the needs of each product. In addition to maintaining thorough day-to-day product management, we are committed to further improving product quality.

In an effort to enhance the level of quality assurance throughout the Company, Sumitomo Chemical not only conducts Company-wide educational programs, but also promotes the regular exchange of information by quality assurance personnel working in research, logistics, purchasing, sales, or manufacturing sites. We are also aggressively promoting discussions among the various department heads regarding common issues.

There were, unfortunately, two serious product quality issues in the Health & Crop Sciences Sector in fiscal 2012 (where a fungicide appeared to be acting as a crop growth inhibitor). After thoroughly investigating the cause, the Company is now focused on implementing in-depth measures to prevent any reoccurrence.

Sumitomo Chemical has also been encouraging Group companies to enhance their quality assurance systems. With respect to Responsible Care audits undertaken at Group companies in Japan and overseas, steps were taken to confirm the implementation status of important matters relating to quality and product safety (PL) as well as issue instructions. In fiscal 2010, we set the Group quality assurance and PL standards. Currently, appropriate systems and rules are being established at approximately 60 Group companies.

*7. ISO 9001: The international standards on quality management systems issued by the International Organization for Standardization (ISO).

*8. Good Manufacturing Practice (GMP): Standards relating to manufacturing and quality management of pharmaceuticals.

*9. FAMI-QS: The Quality and Safety System for Specialty Feed Ingredients and their Mixtures of the EU.

TOPIC

A Manufacturer of Reliable APIs and API Intermediates

Sumitomo Chemical manufactures active pharmaceutical ingredients (APIs, compounds that serve as active ingredients in pharmaceuticals) at the Oita Works and the Osaka Works, including the Okayama plant and the Gifu plant, as well as API intermediates (compounds that serve as raw materials in the manufacture of drugs). The pharmaceuticals themselves are sold to the consumers through a pharmaceuticals company. These pharmaceuticals are administered directly, and because they can have a direct effect on people's health and lives, Sumitomo Chemical places great importance on ensuring product quality, including in the areas of efficacy and safety. Strict management based on GMP*8 standards is required by the law in the manufacture of APIs and API intermediates, and authorities from a number of countries have made regular inspections. The US Food and Drug Administration (FDA) conducted an inspection of the Oita Works in 2012 and ruled that the plant satisfied the GMP requirements for the manufacture of API intermediates. Sumitomo Chemical will continue its efforts to strengthen its quality control and quality assurance systems.

Working to Ensure Logistics Quality

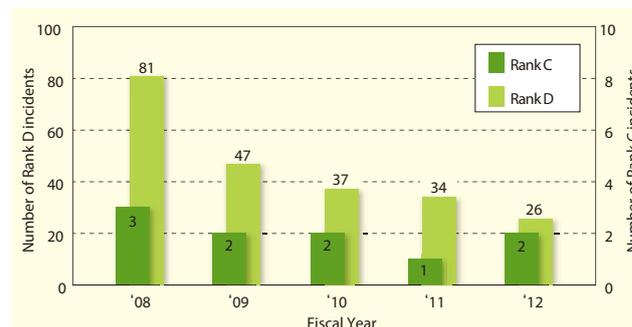
● Reducing the occurrence of logistics quality-related incidents

In line with the slogan, "aiming to provide safe and reliable logistics to satisfy our customers' needs," Sumitomo Chemical organized the Sumitomo Chemical Logistics Partnership Council, comprised of 117 companies, to work toward reducing logistics quality-related incidents. The logistics division also conducts logistics responsible care (RC) and logistics quality audits of its own that target Logistics Partnership Council companies.

● Logistics quality incident information management system (LQIS)

Sumitomo Chemical manages a wide-range of information regarding logistics quality related issues, from smaller problems, such as the discovery of minor damage or a stain on a product before delivery, to larger problems, such as something that could cause serious inconvenience to the customer. Issues reported from Sumitomo Chemical Logistics Partnership Council companies are compiled and analyzed in a proprietary data base, which is then used for the planning and implementation of measures aimed at preventing further occurrences.

■ Logistics Issues Having an Impact on Our Customers (Sumitomo Chemical (Non-Consolidated))*



Note: Ranks reflect Sumitomo Chemical's standard, which classifies incidents into Rank A, B, C, D, and E in descending order of severity. There were no occurrences of Rank A or Rank B (the most severe) incidents.

● Improvement through the use of information technologies

Sumitomo Chemical, together with the Group companies, is developing and utilizing a system that employs 2D barcodes to help prevent shipment and delivery errors, as well as incorrect valve use. We are also working on preventing product input errors through the use of voice recognition technology. Sumitomo Chemical will continue to strive to improve logistics quality through the effective use of IT technology.

Current Issues and Future Plans

In line with its Eco-First commitments, Sumitomo Chemical is making systematic progress in its goal to not only complete reassessments of risk for all products on the market, but also establish and confirm the effectiveness of related strategies and measures, by fiscal 2020. We will continue to work tirelessly to maintain sustained product quality improvements and achieve optimal quality assurance amid changing business conditions.

* : Assured by an independent assurance provider

Hand in Hand with Customers

Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> Strengthen the system for responding to the various questions and concerns of customers Improve the level of service provided by customer service personnel Improve the dissemination of information, including through the Company's website Enhance the website to incorporate the requests and opinions of customers 	<ul style="list-style-type: none"> Collected and shared materials for use in addressing particularly difficult questions from our customers Contacted an external counseling firm to conduct evaluations and provide training for customer service personnel Reviewed and improved website content Published two types of customer information magazines 	<ul style="list-style-type: none"> Maintain and improve the customer service system Improve consultation service response capabilities, including at Group companies

Basic Stance

Sumitomo Chemical customers can be divided into two main categories: corporations and the general consumers of finished products. The Company is committed to supplying high-quality products and services throughout the Group that satisfy customer needs, and has established a system where the departments in charge of sales and quality assurance work to provide support for products and customer inquiries. Sumitomo Chemical operates a product quality information management system that swiftly and accurately incorporates the complaints and requests made by customers regarding Company products into its quality assurance activities. Each business sector of the Company analyzes 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 customer complaints and requests for improvements in product quality, and this data is utilized to determine how the entire organization should respond to customers.

Customer Consultation Services Provided by the Crop Protection Division

Customer Consultation Office

The Product Promotion Department of the Crop Protection Division has set up a customer consultation office, where it can answer a wide range of inquiries, from the appropriate usage of crop protection chemicals to food safety. The office strives to obtain the latest information in order to provide precise information in an easy-to-understand manner in compliance with related laws. Moreover, questions regarding the products of other companies and general crop protection chemicals are also handled in close consultation with internal and external business partners. The office is committed to taking prompt action and works closely with related departments when addressing customer complaints and also to improve products based on customer opinions. The office also promotes information sharing within the Company; for example, summarizing the inquiries made by customers in a brochure for use by sales personnel. Moreover, to improve the abilities of employees to promptly address customer inquiries, the office holds study meetings on frequently asked questions (FAQs) and invites external instructors to conduct seminars and training sessions. In fiscal 2012, the Company tested the ability of employees to respond to customer requests over the phone and conducted training and information exchange sessions with customer consultation personnel from Group companies. Through these activities, the department is working to increase the credibil-

ity of the Sumitomo Chemical Agro Group.

Sumitomo Chemical *i-nouryoku* (Agricultural Abilities)

The Crop Protection Division operates Sumitomo Chemical *i-nouryoku*, a specialty website aimed at providing information on crop chemicals and fertilizers to customers. Information on the *i-nouryoku* website is conveyed in an easy-to-understand manner, and includes the latest product and safety information, as well as instructions on how to best grow vegetables and how to properly use crop chemicals. *i-nouryoku* members also receive two monthly publications; "*i-nouryoku* Dayori" (an agricultural news magazine) and "*i-nouryoku* Mail Magazine" (an e-mail magazine). In addition to the latest information on the registration of crop protection chemicals, as well as information on harmful insects and fertilizers, the publications contain articles from partner companies and stories of the dreams and struggles of farming families around the country. Both publications appear to have been favorably received.

VOICE

Consultation Service Personnel

Noboru Furutsu
Product Promotion Dept.,
Crop Protection Division



It makes me very happy to hear a customer say "thank you for your kind assistance." This is a real honor as a member of the consultation service team, and we accordingly do our best every day to cheerfully provide precise answers and accurate information that is easy to understand. If a customer is using crop protection chemicals inappropriately, we can explain how to rectify the situation and offer proper guidance. A customer that might at first have been upset can be won over in the end and thankful for the assistance. We often later receive phone calls from the same customers and are very happy to have established a relationship built on trust. The customer may become a fan of the consultation service team member, but we can't help but feel this also contributes to a growing fan base for Sumitomo Chemical as a whole.

Current Issues and Future Plans

By collecting information through close consultation with internal and external partners, and maintaining a proactive attitude when listening to our customers' opinions, Sumitomo Chemical remains committed to continuously providing products that satisfy the needs of its customers. Moreover, the company is expanding information disclosure as a matter of policy in order to provide our customers with vital information in the most appropriate manner.

Hand in Hand with Business Partners

Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> Continue responsible procurement in a steady manner 	<ul style="list-style-type: none"> Continued to monitor business partners and collect feedback 	<ul style="list-style-type: none"> Bolster the CSR activities of business partners through responsible procurement

Basic Stance

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. Sumitomo Chemical clearly states its basic principle of responsible procurement in the Company's Basic Procurement Policies. In addition, we clarify our stance toward responsible procurement in our Group Business Standards of Procurement, which provide guidelines for procurement operating activities for Group companies 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.

Responsible Procurement Activities

Using the CSR Deployment Guidebook and Check Sheets

Sumitomo Chemical has created the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook, which explains in an easy-to-understand manner those CSR promotion items (legal compliance and ethics; human rights and labor; disaster prevention and occupational health and safety; environmental protection; and quality and product safety) that the Company asks suppliers to follow. Moreover, Sumitomo Chemical aims to help its suppliers by monitoring and provid-

ing feedback on the results of their self-evaluation using the Sumitomo Chemical Supply-Chain CSR Deployment Check Sheets and helping them promote CSR activities through an ongoing PDCA cycle.

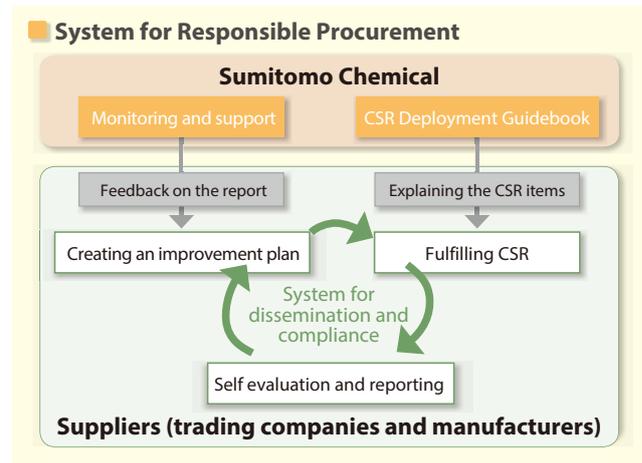
Web Page on Procurement Information

Sumitomo Chemical has a responsible procurement section in its Procurement Information website linked from the Company's website in order to broadly inform its stakeholders about its responsible procurement initiatives. This responsible 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/

Monitoring and Feedback

Sumitomo Chemical monitors the implementation of CSR measures by all new suppliers and by current suppliers, mainly those outside Japan, using the CSR Deployment Check Sheets. We also carry out monitoring on local manufacturers in China and India in cooperation with Sumitomo Chemical Shanghai and Sumitomo Chemical India. Based on the monitoring results, we provide feedback to suppliers who need to make improvements and ask them to increase their understanding and support of our responsible procurement activities.



Current Issues and Future Plans

Utilizing our current framework, we will further promote responsible procurement focusing on all new suppliers as well as current suppliers, mainly those outside Japan, through a process of guidance and education. At the same time, we will provide our suppliers with total support.

Hand in Hand with Local Communities and Society

Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> ● Provide prompt and meaningful support in response to disasters in Japan and overseas ● Provide support based on the conditions and needs of areas affected by the Great East Japan Earthquake ● Engage in social contribution activities that are unique to Sumitomo Chemical through core business activities that are attuned to the needs of each region in Japan and overseas ● Take into consideration regional safety and engage in a wide range of risk communications 	<ul style="list-style-type: none"> ● Provided support to areas affected by the Great East Japan Earthquake ● Provided education support in Africa and undertook tree-planting activities in Thailand ● Undertook local contribution activities (science experiment classes, facility tours, local cleanup activities, other) ● Expanded information disclosure and promoted interactive dialogue 	<ul style="list-style-type: none"> ● Provide prompt and precise support in response to disasters in Japan and overseas ● Continue to engage in support and recovery activities in areas affected by the Great East Japan Earthquake ● Promote social contribution activities across the entire Sumitomo Chemical Group ● Continue to expand information disclosure and promote interactive dialogue

Basic Stance

Sumitomo Chemical is committed to social contribution activities that are unique to the Company and through its core business activities focuses on initiatives that encompass the three perspectives of coexistence with local communities, continued support for a sustainable society, and responsible business as a global company.

Sumitomo Chemical, business sites, and Group companies engage in a variety of localized activities 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.

Donations★

Sumitomo Chemical regards making donations as one of its important social responsibilities. The Company makes decisions about donations after comprehensively examining factors such as social importance, need of continuity, and urgency. As a part of efforts to support areas affected by the Great East Japan Earthquake, we continued to donate a part of sales from employee meals served at cafeterias and donated relief goods to the Otsuchi municipal office during fiscal 2012. We have also continued to donate Olyset™ Nets as an effective means to control malaria and to provide support for education in Africa. In fiscal 2012, we made a total of 422 donations, which amounted to 379.52 million yen.

Sumitomo Chemical's Social Contribution Activities

	Community Contribution	Future Contribution	Global Contribution
Securing safety and health, and protecting the environment	Plant and laboratory tours		Malaria prevention campaign, Donating Olyset™ Nets
	RC dialogues and distribution of local newsletters		Investment in the World Bank's BioCarbon Fund
			TABLE FOR TWO program
			Matching Gift program (support for tree-planting activities)
			Cooperation with U.N. activities
Raising children who will lead the next generation	Establishment of in-house childcare facilities		Educational support in Africa
	Launch of Young Inventors' Club, School Science Visits, etc.		University scholarship programs in China and Hungary
	Sponsorship of community sports events for children		Acceptance of environmental technology trainees
	Cooperation on civic and university courses		
	Acceptance of student interns		
	Matching Gift program (educational support for children)		
Assisting in natural disaster relief	Relief activities after typhoons and other disasters, offering facilities for public use after major disasters		Relief donations for victims of hurricanes, earthquakes, etc.

Major Donations Made in Fiscal 2012 (Unit: million yen)

Item	Amount
To support schools in Malawi and Ethiopia	19
To support OISCA's tree planting activities	7
To support the development and education of children through ASHINAGA	6
To supply Olyset™ Nets to areas affected by flooding in Senegal	2
Donations to the Otsuchi municipal office	2

Donations Made in Fiscal 2012 (Unit: case)

Item	Number of cases
Local community activities	138
International exchange and cooperation	38
Sports	22
Education and social education	22
Social welfare	18
Support to areas devastated by disasters	18
Academic study and research	16
Culture and art	14
Environment	9
Health and medicine	4
Preservation of historic sites and traditional culture	3
Supporting an NPO foundation	2
Others	118
Total	422
Total amount	379.52 million yen

Reconstruction Support to Areas Affected by the Great East Japan Earthquake

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. Sumitomo Chemical will continue to support victims of the disaster return to a normal order of life and work toward a full recovery at the earliest opportunity. Moving forward, the Company will continue to engage in activities that match the needs of local communities.

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 across the Group's entire network in Japan. A donation component has also been introduced to each meal and menu. With the Company matching donations collected, a total of 4.54 million yen was donated during fiscal 2012. In specific terms, funds were donated to the Great East Japan Earthquake Miyagi Children's Fund and the Great East Japan Earthquake Fukushima Children's Fund in September and March, respectively. Donations were directed to a scholarship fund to support children who lost their parents due to the tsunami on March 11 until they become full-fledged members of society. Looking ahead, we will continue serving the "Tohoku and Kanto support meals."

Holding Fairs to Support Affected Areas

Sumitomo Chemical continues to hold fairs to sell agricultural, marine, and processed food from the Tohoku and Kanto regions. In fiscal 2012, the head offices in Tokyo and Osaka held fairs in conjunction with Sumitomo Electric Industries, Ltd. Fairs were also held at the Ehime and Ohe Works in February 2013.



Fairs to support affected areas held at the Head Office in Osaka

Establishing Technologies to Help Restore Agricultural Fields Affected by the Tsunami Disaster

In fiscal 2012, Sumitomo Chemical, in conjunction with Hitachi Zosen Corporation, conducted demonstration tests in rice fields in Watari-cho, Miyagi Prefecture, and established technologies to help restore agricultural fields affected by granular debris and salt water damage from tsunamis. Demonstration tests entailed the collection of sediment and removal of salt as well as granular debris by Hitachi Zosen Corporation. For its part, Sumitomo Chemical was responsible

for soil diagnosis, fertilizer application planning, and conducting investigations on rice growing. Looking ahead, both companies will work to develop and expand the use of these agricultural land restoration technologies.

Dispatching Employee Volunteers to Disaster-Affected Areas

Sumitomo Chemical has continued to dispatch employee volunteers since 2011. In fiscal 2012, science experiment classes using the Company's products were held mainly for local elementary school students as a part of extracurricular activities during the summer vacation period on seven occasions at a community center in Kamaishi City and during the spring vacation period on four occasions at a shopping center in Otsuchi Town. With employees serving as lecturers, a great many children were introduced to the wonders and joys of chemistry. Activities and experiments included the dyeing of handkerchiefs using a unique mix of the Group's color dye products, the making of magical stained glass using the Company's polarizers, and conducting Cartesian diver experiments with PET bottles. In addition, employee volunteers helped in the relocation of the Otsuchi municipal office, which had been damaged by the tsunami, from its temporary location to new premises in August.



One-of-a-kind handkerchiefs made during science experiment classes conducted during the summer



Receiving a letter of appreciation from the mayor of Otsuchi Town (right)

Providing Students from Affected Areas with Scholarships

Sumitomo Chemical provides scholarships to students from affected areas who entered university in April 2012 covering tuition and living expenses. These scholarships are provided 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 supporting company. Farmers taking part in this project cultivate cotton in paddy fields that were devastated by the tsunami, and participating companies jointly engage in the spinning, commercializing, and marketing of the cotton.

In support of this project, Sumitomo Chemical received approval for registration of pesticides designed to reduce the harmful effects on cotton cultivation of weeds and insects. Looking ahead, the Company will contribute to the ongoing success of the project by putting forward proposals that help increase the amount of cotton harvested through such initiatives as improved weed and insect management methods.

Hand in Hand with Local Communities and Society

Social Contribution Activities in Japan

Support for School Flower Beds and Vegetable Gardens (Nationwide) Sumitomo Chemical Garden Products Inc.

Sumitomo Chemical Garden Products every year supplies 100 bags of vegetable and flower seeds as well insect repellent and fertilizer to 45 elementary schools chosen at random from schools around the country that submitted their names to the company's website. The project was launched in 2009 to commemorate the 40th anniversary of the company, with the goal of assisting in Hanaiku (gardening education) activities that allow elementary school students across the country the opportunity to enjoy the rich experience of cultivating flowers and other greenery as well as harvesting vegetables. Messages and photos from schools that were chosen to participate in these gardening activities can be seen on the company's website. Sumitomo Chemical Garden Products plans in fiscal 2013 to create a Hanaiku Caravan Group that will visit schools and instructors at horticulture research facilities, joining in with children as they create and care for flower beds and vegetable gardens.



Children cultivating plants

Family Tours of Industrial Facilities (Yamaguchi Prefecture) Sumika Agro Manufacturing Co., Ltd.

Sponsored by the Chambers of Commerce and Industry in cities such as Kudamatsu, the tours of industrial facilities held every year between July and October are public relations exercises designed to introduce and show the attraction of local industry to a large number of visitors from within and beyond the prefecture. Family tours of industrial facilities are offered as part of this program and Sumika Agro Manufacturing offered nine of these family-based tours of its facility in August 2012. In addition to learning about the role of pesticides, participants were given an introduction to the manufacturing process for pesticides, including a demonstration of the testing equipment and an example of product-quality testing. The tour offers an excellent opportunity to learn about pesticides and there were many questions from families interested in flowers as well as from families with children completing homework assignments requiring them to keep a diary of plant observations. We intend to continue these activities and hope to further contribute to agricultural production and home gardening by introducing more and more people to the safety and role of today's pesticides as well as the processes involved in their manufacture.



Family tour of an industrial facility

Science Workshops at Local Events (Ehime Prefecture) Ehime Works and Ohe Works, Sumitomo Chemical Co., Ltd.

The Ehime Works and Ohe Works of Sumitomo Chemical sponsor science workshop booths at regional cultural festivals held at four nearby community centers every year. With the motto of "bolstering local events and improving the quality of science workshops," employees in fiscal 2012 were active from the planning stages to the preparation for the event, and the booths presented a variety of scientific projects and experiments.

The company exhibited a handmade Cartesian diver project titled "miracle PET bottle aquarium" at the Ehime Prefectural Science Museum's "Exciting Science Square," an event where parents and children can together try their hand at a number of scientific projects and experiments. Many children look forward to the science exhibits put on by the Works and the activities serve to foster trust and good relations with the local communities. There were 84 employees serving as instructors in fiscal 2012 and about 1,000 children and residents of various areas were able to participate.



Science workshops held during local cultural festivals at community centers

Kinki

Osaka Prefecture

Sumika Styron Polycarbonate Ltd.

- Participating in the Osaka Marathon cleanup campaign

Sumika Life Tech, Ltd.

- Participating in the Osaka Marathon cleanup campaign

Taoka Chemical Co., Ltd.

- Summer vacation workshop classes

Asahi Chemical Co., Ltd.

- Valentine blood donation

Sumitomo Chemical Co., Ltd.

Head Office in Osaka

- Participating in the Osaka Marathon cleanup campaign

Sumitomo Chemical Co., Ltd.

Osaka Works

- Works tours
- Local cleanup activities
- Accepting high-school students as interns
- Providing onsite lessons

Hyogo Prefecture

Sumitomo Seika Chemicals Co., Ltd.

- Supporting Try-Yaru (Trial) Week activities (work experience activities)

Environmental education for children

Nihon Medi-Physics Co., Ltd.

- Supporting the charity calendar market

Taoka Chemical Co., Ltd.

- Gateball competition

Shinto Paint Co., Ltd.

- Rice cake-making festival

Cleanup activities around workplaces

Sumitomo Chemical Health & Crop Sciences Research Laboratory

- Cooperating in experimental job learning for junior high school students
- Cooperating in Takatsukasa-jidoukan activities

Research Laboratory tours

Chugoku

Yamaguchi Prefecture

Sumika Agro Manufacturing Co., Ltd.

- Family tours of industrial facilities

Hiroshima Prefecture

Sumika Agro Manufacturing Co., Ltd.

- Traffic safety monitoring

Shikoku

Ehime Prefecture

Sumitomo Joint Electric Power Co., Ltd.

- Cleanup activities at Ishizuchi campgrounds
- Cleanup activities at Ikku Shrine

Sumika Chemical Analysis Service, Ltd.

- Volunteer cleanup activities

Sumika Styron Polycarbonate Ltd.

- Traffic safety monitoring

Sumika Assembly Techno Co., Ltd.

- Suburban cleanup activities
- Open house the Funamiyuki festival

Clatec, Ltd.

- Local cleanup activities

Nippon A&L Inc.

- Works tour for high school students

Nihon Ceratec CO., LTD.

- Local cleanup activities
- Accepting interns

Sumika Logistics Co., Ltd.

- Local cleanup activities

Sumika Agrotech Co., Ltd.

- Local cleanup activities

Sumitomo Chemical Co., Ltd.

Ehime Works and Ohe Works

- Works tours
- Onsite science classes

Opening historical archives to the public

Cooperating in engineer development seminars

Donating equipment to elementary schools through the recycling of empty cans and the proceeds from collection

Kyushu

Oita Prefecture

Oita General Service Co., Ltd.

- Participating in the Oita City year-end mutual aid charity show
- Local cleanup activities

Sumika Chemical Analysis Service, Ltd.

- Providing onsite lessons

Sumitomo Chemical Co., Ltd.

Oita Works

- Accepting interns
- Providing onsite lessons

Supporting the organization of the

Tsurusaki Cup junior football competition

Fukuoka Prefecture

Sumitomo Chemical Co., Ltd.

Fukuoka Branch

- Beach cleanup activities

Tohoku

Aomori Prefecture

Sumitomo Chemical Co., Ltd.

Misawa Works

- Works tours
- Recycling activities
- Local cleanup activities
- On-site education
- Continuing to hold the Sumitomo Chemical Cup sports tournaments

Fukushima Prefecture

Sumika-Kakoushi Co., Ltd.

- Blood donation cooperation activities
- Participating in cleanup activities in areas around facilities

Dainippon Sumitomo Pharma Co., Ltd.

- Supporting the holding of joint sports day for Okuma Town kindergartens as well as elementary and junior high schools

Thermo Co., Ltd.

- Accepting interns

Miyagi Prefecture

Dainippon Sumitomo Pharma Co., Ltd.

- Kesennuma City Oshima Elementary School hand-washing classes

Kanto

Ibaraki Prefecture

Sumitomo Chemical Co., Ltd.

Research Laboratories in Tsukuba

- Facilities tours
- Local cleanup activities
- Participating in the Eco Cap Campaign

Tochigi Prefecture

Sumika Plastech Co., Ltd.

- Toy park summer festival
- Toy park charity bazaar

Thermo Co., Ltd.

- Accepting interns
- Cleanup activities in areas outside facilities

Chiba Prefecture

Koei Chemical Co., Ltd.

- Village forest volunteer activities
- Science experiment classes

Nihon Medi-Physics Co., Ltd.

- Participating in local cleanup activities

Sumika Logistics Co., Ltd.

- Local cleanup activities

Sumitomo Chemical Co., Ltd.

Chiba Works

- Works tours
- Local cleanup activities
- Ichihara-Sodegaura Young Inventors' Club
- On-site science classes
- Ongoing assistance to the Sumitomo Chemical Library
- Supporting the Chiba Prefectural Cultural Promotion Foundation

Tokyo

Sumitomo Chemical Co., Ltd.

Head Office in Tokyo

- Local cleanup activities
- Removing protective wrappings from trees at Hama-rikyu Gardens

Chubu

Nagano Prefecture

Sumika Agrotech Co., Ltd.

- Providing practical agricultural experience to elementary and junior high school students

Aichi Prefecture

Sumitomo Chemical Co., Ltd.

Nagoya Branch

- Participating in Nagoya City's cleanup campaign 2012

Note: Major activities undertaken by the Sumitomo Chemical Group by region.

Holding the Sumitomo Chemical Cup Sports Tournaments (Aomori Prefecture) Misawa Works, Sumitomo Chemical Co., Ltd.

In an effort to contribute to the healthy development of our youth and the promotion of sports in the region, the Misawa Works holds a number of Sumitomo Chemical Cup sports tournaments for elementary school children in the area. In winter, there is the Junior Ice Hockey Tournament, and in fiscal 2012 about 300 energetic athletes were able to participate. The annual youth baseball tournament, which has deep roots in the local community, was held for the 21st time in fiscal 2012. On another note, a team participating in the Volleyball Tournament has continued on to the national tournament every year. With player exchanges and the level of the teams improving, excitement grows every time a new tournament is held. Our goal is to contribute to a brighter society and give inspiration to the children of the next generation, and we therefore intend to continue supporting these activities in cooperation with affiliated organizations.



The Sumitomo Chemical Cup sports tournament

Handicraft Workshop at the Anegasaki Industry Festival (Chiba Prefecture) Chiba Works, Sumitomo Chemical Co., Ltd.

With the hope of improving education and culture, promoting local commerce and industry, and developing a harmonious community, the Anegasaki Industry Festival has been held every May since 1964, thanks largely to the combined efforts of local schools, organizations and businesses. The annual event has expanded over the years and is now anticipated by not just the local population, but by residents from all around the area. The festival is often buzzing with activity and includes a number of booths, a mini-league soccer competition for elementary school students, juggling, brass band performances by elementary and junior high school students, and an entertainment program featuring taiko drums as well as modern and traditional dancing performances. Sumitomo Chemical Chiba Works holds popular handicraft workshops headed by leaders of the Ichihara-Sodegaura Young Inventors' Club, teaching visitors how to make birds and dragonflies out of paper, and a whistle shaped like an owl out of bamboo.



A handicraft workshop at the Anegasaki Industry Festival

Participating in Waterfront Cleanup Activities in Sodegaura City (Chiba Prefecture) Nihon Medi-Physics Co., Ltd.

Other participating companies: Sumitomo Chemical, Koei Chemical, Sumika Color, Sumika Logistics

Waterfront cleanup activities are currently being carried out by volunteers from company plants and offices located in districts with Tokyo Bay waterfront locations. Nihon Medi-Physics' Chiba site has been participating in these activities, volunteers are invited to perform cleanup activities four times a year (in February, June, September and November). In addition to contributing to the beautification of the Sodegaura waterfront, these voluntary activities can bolster the awareness of the environment around the workplaces of the participants and foster a sense of responsibility for companies actively operating in the Sodegaura area.



Cleanup of the Sodegaura waterfront area

Hand in Hand with Local Communities

Overseas Social Contribution Activities

Blood Donation Activities



Donating blood



France

Employees at Sumitomo Chemical Agro Europe S.A.S. and Philagro France, in Lyon France, have engaged in twice yearly blood donation activities since

2010. Cognizant that any person could require a blood transfusion at any time, this initiative was launched in recognition of the growing need to maintain sufficient supplies of blood due in large part to the aging of society and advances in medical technology. Calls for blood donations were not limited to the aforementioned two companies. Requests were made to around 1,000 employees from companies located in the business park in which Sumitomo Chemical Agro Europe S.A.S. and Philagro France maintain their head offices. A total of 112 participants donated blood in November 2010, 105 in June 2011, and 76 in January and November 2012. Before donating blood, participants complete a questionnaire and undergo a consultation with doctors. This ensures the safety, hygiene and quality of the blood donating process. In addition, the anonymity of participants is strictly protected. Individuals donating blood are also provided with a light meal and every care is taken to ensure their well-being.

In the future, every effort will be made to continue this initiative and to contribute to the local community as opportunities arise.

Clean Up South West!



The ceremony at the nursing care facility



Singapore

Sumitomo Chemical and affiliates comprising Sumitomo Chemical Singapore Pte Ltd, Sumitomo Chemical Asia Pte. Ltd, Sumitomo Seika Singapore Pte. Ltd.,

Sumitomo Chemical Engineering Singapore Pte. Ltd., The Polyolefin Company (Singapore) Pte. Ltd., Petrochemical Corporation of Singapore (Pte.) Ltd., and SCAS Singapore Pte Ltd took part in the "Clean Up South West!" campaign organized by the South West Community Development Council in January 2012. Old clothes, books, magazines, newspapers and other recyclable items brought by Sumitomo Chemical and affiliate employees were converted into cash with the Company donating a matching amount. A total of 10,000 Singapore dollars was then donated to a nursing care facility in the region. These donations were used to retrofit a wheelchair lifting apparatus onto a vehicle used to transport the elderly from their homes to the facility. In April 2012, employees participated in a ceremony held at the facility to unveil the retrofitted vehicle. This was an invaluable opportunity to meet with the elderly and people within the community. This initiative helps deepen ties between Sumitomo Chemical, its affiliates and the local community.

Europe

France

- Blood donation activities
- Donations to the poor and needy

Hungary

- University scholarship program

Africa

Mali

- Supporting activities to construct elementary school buildings

Gambia

- Donating Olyset™ Nets

Malawi

- Supporting activities to construct elementary school buildings
- Donating Olyset™ Nets

Democratic Republic of the Congo

- Supporting activities to construct elementary school buildings

Mozambique

- Supporting activities to construct elementary school buildings

Ethiopia

- Supporting activities to construct elementary school buildings
- Supporting activities to improve the educational environment

Senegal

- Donating Olyset™ Nets

Asia / Oceania

China

- University scholarship program
- Tree-planting activities
- Local cleanup activities
- Donating to elementary schools
- Supporting a Japanese speech contest for university students

Taiwan

- Supporting a Japanese speech contest for university students
- Holding a painting contest for children
- Interacting with children from welfare facilities and schools for the disabled
- Holding charity bazaars
- Supporting the sale of social welfare facility handcrafted goods
- Supporting university education



Chimwala Primary School (see page 62)

Wuxi Huishan Ancient Town Beautification Activities



Employees participating in cleanup activities



China

A total of 52 Sumika Electronic Materials (Wuxi) Co., Ltd. employees took part in community beautification activities of the Huishan Ancient Town in Wuxi in May 2012.

On the day, eco-bags with the company's logo were distributed to tourists in the area. At the same time, volunteer employees participated in cleanup activities picking up rubbish including PET bottles, cigarette butts, and paper discarded by tourists. All 200 eco-bags brought for the day were quickly distributed. Moreover, the volume of rubbish collected reached 16kg.

Wuxi's Huishan Ancient Town is a major tourist attraction. It is a picturesque location that attracts large numbers of local residents and tourists daily. Through this volunteer activity, employees are gaining a better understanding of the importance of environmental protection. Furthermore, this initiative helps local communities learn more about the social contribution activities of the Sumitomo Chemical Group. Moving forward, Sumitomo Chemical will continue to engage earnestly in environmental protection and social contribution activities.

Cherry Blossom Centennial Celebration in Washington DC



Cherry blossoms in Washington, D.C.



United States

The cherry blossoms from Japan have become a symbol of Washington DC and 2012 marked the 100 Year Anniversary of the gift of Cherry Trees

from Japan to the USA. The Cherry Blossom Festival in Washington DC began in 1912, when Mayor Yukio Ozaki of Tokyo presented 3,000 cherry trees to the city of Washington, D.C. in honor of the lasting friendship between the United States and Japan. Today, more than 3,000 trees surround the Potomac River and nearly 100 of the original trees are still blooming. In honor of the Centennial Anniversary several special events and receptions were held including an evening of fireworks at the tidal basin area. Sumitomo Chemical was a sponsor of this anniversary and several employees from Sumitomo Chemical America, Inc. participated in the festivities, helping to demonstrate the lasting friendship and cooperation between the USA and Japan. If you have not had the opportunity to visit Washington DC while the blossoms are in bloom you should do so. They are spectacularly beautiful. The majestic trees are a fitting reminder of the deep and lasting relationship that Japan and the USA share.

America

South Korea

- Supporting Japan and Korea's cultural exchange
- Supporting a marathon competition for people with disabilities
- Junior and senior high school scholarship program
- Financial support to people with visual impairments in need of surgery
- Holding charity bazaars
- Blood donation activities
- Supporting the lives of the poor and needy

Singapore

- Supporting nursing care facilities
- Supporting tree-planting activities

Thailand

- Supporting tree-planting activities
- Donating recycled wheelchairs

Australia

- Donating to the Red Cross

United States

- Supporting donation activities for cancer patients
- Donating food and other relief items during periods of emergency
- Supporting events to commemorate friendship between the United States and Japan

Brazil

- Supporting the lives of the poor and needy
- Promoting Christmas events for children living in poverty



Participants in Sumitomo Chemical's Forest tree planting activities (see page 66)



Christmas event

Note: Major activities undertaken by the Sumitomo Chemical Group by region

Hand in Hand with Local Communities

Regional Safety and Communication

Sumitomo Chemical has put in place Group-wide policies regarding regional safety and communication and is endeavoring to bolster its activities in this field. Among a host of initiatives, the Company is in particular focusing on enhancing its information disclosure while engaging in interactive dialogue. Each company site formulates annual activity plans and conducts specific activities based on the aforementioned Group-wide policies. Taking into consideration feedback and requests received, considerable weight is also being placed on improving the aesthetic appeal of business sites.

Annual Activity Plans

Group-wide policies	<ul style="list-style-type: none"> • Achieve safe operations and ensure regional safety • Promote communication with society
Target	<ul style="list-style-type: none"> • Visualize Responsible Care activities conducted at the sites and widely disclose related information
Specific initiatives	<ul style="list-style-type: none"> • Enhance information disclosure • Create site reports on the environment and safety, local newsletters and the Sumitomo Chemical CSR REPORT • Foster interactive dialogue • Promote a range of risk communications

TOPIC

Osaka Works (Gifu Plant) Initiatives

Every year since fiscal 2002, local residents and staff at the Anpachi Municipal Office (Gifu Prefecture) have been invited to attend plant tours. Participants have commented that before the tour they had little or no idea of what the company did. The opportunity to tour the plant provides participants with a much better understanding. Looking ahead, every effort will be made to continue communications with local residents.

In addition, Sumitomo Chemical participates in risk communication meetings, one of several initiatives undertaken by Gifu Prefecture. The meeting brings together officers responsible for the environment from business operators with an interest in risk communication from within the prefecture. These officers impart their knowledge and experiences to operators who are yet to implement risk communication. The Gifu Plant presents details of various examples and results in an effort to promote the widespread application of activities in this field.

Moreover, steps are taken to promote initiatives that are unique and deeply rooted in the region. These include deliberations on regional safety and risk communication at Anpachi Four Company Meetings, where four companies within the region get together to exchange wide-ranging information.



Plant tour

VOICE

Anpachi Four Company Meeting Environmental Council

Kiyoshi Honda

General Manager, Safety & Environment Office, Gifu Factory
Teijin DuPont Films Japan Limited

This Council brings together administrative and general affairs staff from four leading companies (Sumitomo Chemical Co., Ltd.; Panasonic Corporation; Glico Dairy Products Co., LTD.; and Teijin DuPont Films Japan Limited) with business operations in Anpachi Town. The Council was launched in 2006 as a study group focusing on the environment.

Council meetings are held every six months and chaired by each company on a rotational basis. Each company presents details of its environmental activities as well as measures in accordance with revisions to relevant laws. Council meetings are a forum in which wide-ranging information is exchanged.

At the most recent meeting, discussions revolved around methods for disposing of PCB waste. In attacking this issue from several perspectives, the meeting was a most meaningful exchange of opinions.

Localized Information Disclosure and the Practice of Wide-Ranging Interactive Dialogue

Each worksite publishes its own environmental and safety report every year to report on its local activities in detail. The reports 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, which are often delivered to residents as newspaper inserts.

Moreover, 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.

At the Company's head office, Sumitomo Chemical participates 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 to win more trust from the public.

Current Issues and Future Plans

The Sumitomo Chemical Group continues to engage in social contribution activities that are uniquely suited to its attributes. In this regard, the Group focuses on the three core areas of community contribution, future contribution and global contribution. In addition, each workplace and Group company places the utmost importance on interactive communication and dialogue in order to maintain the trust of local communities. Moving forward, the Sumitomo Chemical Group will promote a wide variety of initiatives taking into consideration regional safety and environmental concerns.

Support to Africa

Malaria Control Initiatives

In Africa, particularly 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* (MDGs) 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 (see page 17), 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.” In addition, Sumitomo Chemical sponsored a malaria related course at the Harvard School of Public Health (HSPH) in June 2012 and again in May 2013. Moreover, the Company supports the efforts of the NPO Malaria No More Japan and is promoting a wide variety of malaria prevention initiatives.

* 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.

Creating Employment through Local Production

Sumitomo Chemical provided its technology free of licensing fees to A to Z Textile Mills Limited, a local company in Tanzania, with local production commencing in 2003. In 2008, Vector Health International Ltd. was established as a joint-venture company with A to Z Textile Mills Limited with a view to creating more jobs for local people and contributing to the development of the local economy.

TOPIC

Support for Africa Initiatives Attracting Wide Acclaim

Sumitomo Chemical received the 19th Yomiuri International Cooperation Prize from the Yomiuri Shimbun at a ceremony held in October 2012. The Yomiuri International Cooperation Prize is awarded to individuals and organizations that place considerable importance on contributing to the international community while excelling in the field of international cooperation. This award recognizes the Company’s contribution to the global fight against malaria through the development and sale of Olyset™ Net. The award associated prize money received was donated by Sumitomo Chemical to support education initiatives in Africa.

The Company also received the 2012 Business Action on Health Award from GBC Health. Headquartered in New York, GBC Health is an organization that supports private companies in their efforts to resolve health issues through business. The 2012 award not only recognizes Sumitomo Chemical’s development of Olyset™ Net, but also the establishment of a production base in Tanzania, which has helped to create additional employment opportunities and contributed to the further development of the local community.



Photograph©M.Hallahan/Sumitomo Chemical

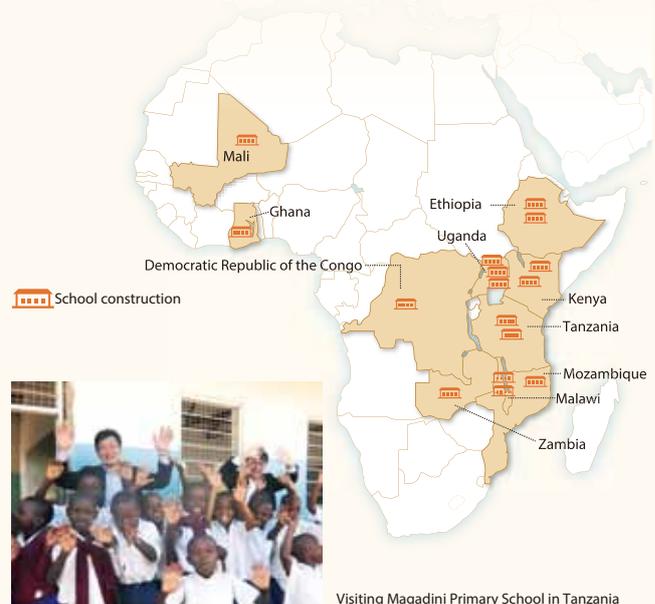
TABLE FOR TWO

Employee support for Africa★

The TABLE FOR TWO (TFT) initiative, a social contribution activity that allows all employees to participate, was launched at cafeterias across the Company’s operating network in 2008. When employees choose to eat any of the designated 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. Furthermore, as a Matching Gift, the Company makes a donation to the TFT secretariat matching employees’ donations. In fiscal 2012, donations to this organization from both employees and the Company totaled 14,600,400 yen.

Educational Support for the Leaders of Tomorrow

Sumitomo Chemical has been supporting education in Africa by using a portion of the sales from the Olyset™ Net business. In cooperation with the NGOs World Vision Japan and Plan Japan, we have supported 16 projects in 10 African countries (as of March 2013) to construct primary and secondary school buildings, dormitories for teachers, and school lunch facilities. In January 2013, staff from the CSR Office visited primary schools and other facilities in Malawi and Tanzania. In addition to attending school opening ceremonies, staff were able to confirm the conditions of local children. As a member of the international community, Sumitomo Chemical will continue its proactive support for Africa.



Visiting Magadini Primary School in Tanzania

★ : Assured by an independent assurance provider

Hand in Hand with Employees

Fiscal 2012 Goals	Fiscal 2012 Results	Fiscal 2013 Goals
<ul style="list-style-type: none"> Further promote global HR initiatives and talent development Work on workforce management in line with changes in the business environment Build HR systems that respond to revisions to relevant laws and regulations as well as changes in conditions Promote diversity and work-life balance 	<ul style="list-style-type: none"> Undertook global recruiting and implemented a career development system Strictly maintained the headcount and deployed necessary personnel in a timely manner Reviewed and expanded reemployment and retirement benefits systems Held a meeting of the Labor-Management Committee for Diversity and Work-Life Balance/Managed in-house childcare facilities/Published the Work-Life Balance Guidebook Standardized the global HR system (work duty systems and evaluation criteria) 	<ul style="list-style-type: none"> Further promote global HR initiatives and talent development Work on workforce management based on an optimal business structure Build HR systems that respond to revisions to relevant laws and regulations as well as changes in conditions Promote diversity and work-life balance

Basic Stance

Sumitomo Chemical is actively promoting development plans and a system of career development that focuses on the motivation and skills of each employee. The goals are to make the most of the abilities of diverse human resources and to create a workplace that is both motivating and stimulating. At the same time, the Company works to design and operate various human resource systems that are in line with changes in conditions.

In addition, Sumitomo Chemical is taking steps to further bolster its global human resource initiatives in order to strengthen its global management endeavors from a human resource perspective. The Company is also undertaking proper workforce management and the assignment of employees taking into consideration improvements in its business structure.

Employment

To secure a variety of excellent human resources, both the Head Office and other sites of Sumitomo Chemical conduct examinations to recruit new employees in Japan. We also engage in recruiting activities across wide-ranging regions and fields. Complementing these initiatives, we actively accept student interns from overseas universities and continue to implement a range of global employment measures.

Since April 2012, following the abolishment of the area-limited employment arrangement, we have been selecting new employees in line with the grade system that would be applied to them after joining the Company. The initiation 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.

Internships

Sumitomo Chemical has continued to promote an internship program in cooperation with universities in China since fiscal 2007. Each year, for a period of around two months, the Company accepts students as interns. In fiscal 2012, Sumitomo

Chemical accepted 15 students from the Dalian University of Technology, five students from the Dalian University of Foreign Languages, five students from Shanghai Jiao Tong University, five students from Peking University and three students from Beijing Jiaotong University.

Global Recruiting Initiatives★

Sumitomo Chemical is rapidly globalizing its business operations. The Company has established a policy that recognizes the critical need to further promote business globalization in order to secure sustainable growth. Under this policy, Sumitomo Chemical is taking specific measures to secure the necessary human resources that will serve as the driving force behind this growth. The Company has implemented measures aimed at recruiting global human resources since fiscal 2008. These measures include (1) the

VOICE

Japanese Language Education and Training for Global Recruits

Fumiko Kuramoto
KAI JAPANESE LANGUAGE SCHOOL



I have been helping with the Japanese language education and training of foreign nationals recruited by the Sumitomo Chemical Group since fiscal 2008. This year marks the fifth year since education and training commenced and I would like to extend my appreciation to all participants and the departments that have been involved.

When foreign nationals first come to Japan to take up positions within Group companies, they generally have little or no understanding of even the simplest Japanese hiragana phonetic script. Despite this handicap, they are all extremely capable and well versed in their particular field of studies. I always observe with amazement their proficiency and improvement. At the end of the education and training program, participants are asked to undertake a 15-minute presentation in Japanese. After these presentations, these non-Japanese recruits tend to have a fixed and firm expression as they finally take up their formal positions within the Company and face considerable expectations. As I look at their faces, I feel an immense sense of joy in being a part of their first steps as full-fledged members of society.

recruitment of foreign students studying in Japan both as under- and post graduates, and (2) the recruitment of students from overseas universities and graduate schools. The number of non-Japanese recruits continues to increase each year. In fiscal 2012, Sumitomo Chemical hired 10 foreign students who had graduated from universities and graduate schools in Japan as well as 26 foreign students who had graduated from overseas universities and graduate schools. The 26 overseas students comprised six graduates from the Dalian University of Technology, eight from Shanghai Jiao Tong University, five from the Indian Institutes of Technology, three from Peking University, and four others. Accordingly, the Company recruited a total of 36 non-Japanese individuals in fiscal 2012.

Human Resources Development

Sumitomo Chemical has been implementing a range of programs and measures to help highly-motivated employees fully exhibit their abilities.

In fiscal 2012, 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 various tiers of employees in acquiring and developing the knowledge, skills and competencies necessary to perform individual roles**

Career Development System (CDS)[★]

Sumitomo Chemical has been carrying out systematic educational 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. Rotation plans were made and implemented for 582 employees and for 767 employees in fiscal 2011 and fiscal 2012, respectively.

In addition we provided employees to whom the educational rotation system was applied with "career development training" to help them look back on their past jobs and get some tips for future career development.

Moreover, in August 2010, Sumitomo Chemical created training guidelines as a tool to find out 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 category, 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 2013, a total of 83 trainers and nine mentors have been certified throughout the Company.

Development of Global Talent[★]

(1) Training seminar on global business communication skills

A total of 124 young employees who were expected to become global leaders have attended a training seminar to develop and improve their business communication skills in English, including those who received the training for the first time in fiscal 2012.

(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. This training aims to help participants to better understand the Group's corporate philosophy and values and to become more aware of their roles as members of the Group. While the four corporate branches take the lead, training is conducted by each region. To date, training has been conducted a total of 20 times in Singapore, North America, Europe and China with the participation of 365 managers.

From fiscal 2012, the second round of training programs was held on five occasions in Singapore, Brazil and China for a total of 100 managers. The goals of these training programs were to promote a better understanding of the corporate values that are to be commonly shared by all Group employees, to provide the necessary skills and knowledge to secure global cooperation and overcome differences in culture and nationality, and to ensure greater awareness toward the Group's global human resource systems. The training program for the Southeast Asia region was conducted in the training center opened in Singapore in January 2012.



Training of local managers of overseas Group companies

[★] : Assured by an independent assurance provider

Hand in Hand with Employees

Human Resources System Initiatives

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. The same job (role)-based concept is applied to both managerial and non-managerial employees in terms of its operations.

Evaluation System

Both managerial and non-managerial employees are evaluated not only for performance but also for competencies, processes and behavior. This system encourages employees not only to pursue their short-term achievements, but also to train themselves to contribute to the Company's medium- to long-term prosperity.

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 and objectives but also on their behavioral advantages and areas for improvement. Managers also talk with their staff about workplace policies, expectations, and career paths, in order to help enhance 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 awareness of compliance and CSR. CSR evaluations focus on Responsible Care (safety, the environment and product quality).

Global Position Holders (GPHs)[★]

As the first step to implementing the global HR initiatives, we focused on managerial tiers at overseas Group companies, who supported our global business operations. For the sustainable global development of the Company, it is indeed

essential to secure the core talent who play a key role in managing overseas Group companies.

In 2005, Sumitomo Chemical began identifying global key positions within the Group and appointing them as Global Position Holders (GPHs). To date, the Company has held global meetings, applied the same performance evaluation and had the corporate philosophy and values shared by GPHs. When the program started, there were only 40 GPHs. As of January 2013 we have 83 GPHs (about 60% non-Japanese). Three of the non-Japanese GPHs are now Executive Officers of Sumitomo Chemical.

Unified Global Job Grades

Sumitomo Chemical is also putting a great effort into the identification and development of next-generation leader candidates, in addition to the development of managers at its overseas Group companies.

As a first step, the Company has applied its job grades to all employees in the managerial position or above at overseas Group companies and stored their job details and talent information in a global talent database. The company also applied its performance evaluation system to them.

The Company aims to transfer high potentials identified from such information across the Group beyond departmental and national boundaries and produce successors to higher positions through a range of training and education. This is to ensure appropriate succession planning across important positions. Under the unified job-based grade system and performance evaluation system, steps are being taken to promote a recurring cycle of the identification of high potentials, education and training, and personnel transfer and assignment to secure future leaders for its sustainable and global business development.

Communication with Employees

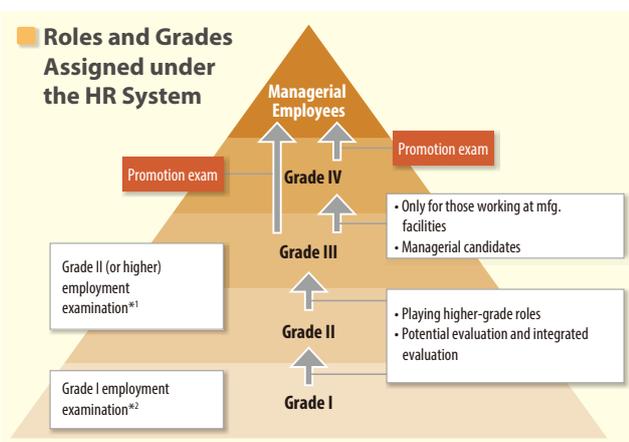
Sumitomo Chemical has been partnering with its labor union in addressing various challenges in management based on long-standing mutual understanding and trust.

Labor-Management Initiatives

At Sumitomo Chemical, central labor-management meetings and regional labor-management meetings are held semiannually 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 help increase their morale and motivation at work.

The Labor-Management Committee for Diversity and Work-Life Balance was established in fiscal 2010. Every effort is being made to promote a uniform understanding of future challenges and measures.

Moreover, the Company and its labor union are cooperating in supporting the anti-global warming measures and social contribution activities led by employees.



*1. Those to be assigned to Grade I roles as new employees will be selected. The period for the grade is one year (however, the period may be shortened depending upon the past experience of each new employee.)
 *2. Those to be assigned to Grade II or higher roles as new employees will be selected. The period for the grade is one year (however, the period may be shortened depending upon the past experience of each new employee.)

Social Contribution Activities Promoted through Labor-Management Cooperation

(1) Reducing CO₂ emissions reduction in the household (Environmental Accounting Book)

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 CO₂ emissions at home to prevent global warming, along with publishing and 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 CO₂ emissions at home, those who achieve outstanding results are commended by the Company each year. In recognition of this effort, in fiscal 2012 the Company received its fourth consecutive prize for energy conservation activities in the consumer sector 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 2012, we donated to ASHINAGA^{*1}, an 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)^{*2} 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 7,573,879 yen and 7,282,090 yen to ASHINAGA and OISCA, respectively and the Company also donated the matched amounts to the organizations in April 2013.

^{*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 mangrove planting project 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 fiscal 2012, the frequency of employee volunteer dispatches increased to two times per year, once in November and a second time in February. A total of 34 volunteer employees interacted with the local inhabitants by planting 25,000 mangrove trees together and visiting elementary schools. At present, Sumitomo Chemical's Forest extends

over 120 hectares and contains about 300,000 mangrove trees (as of March 31, 2013). The Sumitomo Chemical Group will continue to support tree planting activities as a means to conserve biodiversity and prevent global warming.

Children's Visiting Day

As a part of efforts to promote work-life balance, Sumitomo Chemical holds children's visiting days. Under this initiative, the children of employees, mainly of elementary and junior high school age, are invited to tour each of the Company's workplaces. In addition to visiting their parents' workplace, the children are provided with an overview of the Company and participate in science experiments using Sumitomo Chemical products. This initiative is seen as an opportunity to provide the families of employees with a better understanding of their parents' workplace.

These tours have been vigorously promoted particularly from fiscal 2011. Looking ahead, plans are in place to continue these tours at each workplace.



Children participating in science experiments

VOICE

Participating in the Children's Visiting Day

Yuki Teshima
Internal Control & Audit Dept.



Children very rarely get to see their parents' workplace. I thought the best way for my sons, one in fourth grade and the other in sixth grade, to better understand what I do was to have them join in a tour of my workplace. At the start of the tour, the children participated in a science experiment class and were quickly wrapped up in the excitement of making kaleidoscopes using the Company's polarizers. They also learned about the Company's wide range of products including Olyset™ Net and samples of intravenous drips. All employees welcomed the children with a smile and the general manager explained in easy-to-understand terms that the department's role was to service the needs of the Company just as doctors look after their patients. After a commemorative photo, the children were treated to snacks in the cafeteria which were packaged in materials made from the Company's products. The tour was a learning experience from start to finish.

★ : Assured by an independent assurance provider

Hand in Hand with Employees

Promoting Diversity and Work-Life Balance

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 motivating workplaces where they can fully demonstrate their skills and abilities in a variety of situations. To meet this requirement, Sumitomo Chemical is also strengthening its work-life balance effort to help employees make their private and business lives compatible and lead sound and fulfilling lives.

Promotion Structure

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 held meetings on three occasions during fiscal 2012. This 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 480 companies in Nikkei's poll of best places to work.

Initiatives in Fiscal 2012

(1) Helping employees continue working

In order to help employees who are experiencing strenuous life events such as 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 (through to the end of April in the year after the child turns three years of age) 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. During fiscal 2012, particular attention was paid to implementing various measures in an effort to promote increased use of the Company's various systems and enhancing their effectiveness. Moreover, in April 2012, we published a work-life-balance guidebook with easy-to-understand explanations about the procedures to be taken regarding pregnancy, childbirth, childcare and nursing care, and how to utilize these systems more effectively.

(2) Measures to improve work-life balance

Sumitomo Chemical is conducting activities to help employees work with high efficiency while enabling them to maintain harmony between work and life. 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 day" at least once a week, on which employees are not allowed to work overtime. 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 not to 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.

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, Chiba, and Tokyo, we opened the fifth facility in the Health & Crop Sciences Research Laboratory in Takarazuka City, Hyogo Prefecture. 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, 2013, a total of 121 children were taken care of at the in-house childcare facilities.



The Takarazuka childcare facility



Kurumin Mark

Volunteer Leave System★

To provide support to employees' social action, 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, 70 employees have made use of it (for a total of 161 days) as of March 31, 2013.

Diversified Employment★

Making full use of foreign and female employees

Sumitomo Chemical looks for and recruits talented people, regardless of age, gender, or nationality in a wide range of areas. Every effort is made to put in place a workplace environment in which a diverse spectrum of people can excel. In fiscal 2012, the Company recruited 41 foreign nationals and 71 women.

Year-on-year Change in the Number of New Female Employees and Non-Japanese Employees

Fiscal year	2008	2009	2010	2011	2012
Female recruits	81	45	23	76	71
(Percentage of female recruits (%))	19.1	22.4	8.6	17.3	17.0
Number of non-Japanese recruits	19	17	19	28	41

Year-on-year Change in the Number of Female Managers

Fiscal year	2009	2010	2011	2012	2013
Number of female managers	148	153	161	174	191
(Percentage of female managers (%))	4.7	5.0	5.3	5.8	6.4

(As of April 1 for each fiscal year. Data as of April 1 posted from the fiscal year under review with past data corrected retroactively.)

Employment of People with Disabilities

In fiscal 2012, the employment rate of people with disabilities at Sumitomo Chemical totaled 1.93%. Since revisions to the appropriate legislation raised the statutory employment rate of people with disabilities from 1.8% to 2.0%, the private sector has worked diligently to promote the employment of people with disabilities from April 2013. As of the April 2013, the Company's employment rate of people with disabilities was 2.09%. When we accept them, we assign them to suitable work and modify the workplace where necessary in line with

each employee's level of disability. These efforts are made to allow employees to make the most of their abilities.

Employment Rate for People with Disabilities

Fiscal year	2008	2009	2010	2011	2012
Employment rate (%)	1.95	2.01	1.96	1.87	1.93

(Average for each fiscal year)

Reemployment of Retirees

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 during their long tenure at the Company. Under this program, individuals seeking reemployment, who meet the criteria for reemployment stipulated under labor-management agreements can be reemployed under employment contracts that are renewable each year. Accordingly, this system allows for the gradual renewal of employment on a yearly basis up to the mandatory retirement age set under legislation. In addition, steps were taken to review the reemployment system in line with moves to abolish reemployment criteria, expand working arrangements and revise systems in accordance with statutory guidelines and labor-management agreements following amendments to the Act for Stabilization etc. of Employment of Older persons etc. from April 2013.

Systems and Measures for Better Work-Life Balance and the Status of Use[★]

System/Measure	Description	Number of users in fiscal 2012	
Support for childcare and nursing care	Childcare leave	Available until the end of the first April following the child's third birthday (without limits on the frequency of use). An employee who takes the leave for the first time will be paid during the period from the first day of the leave until the fourth unit concludes (one unit: seven consecutive days).	100
	Nursing care leave (unpaid)	Available when nursing family members (for one year and without limits on the frequency of use)	2
	Nursing care leave (paid)	Up to 20 days per event; available when taking care of sick children or nursing family members	96
	Paternity leave (paid)	Available for up to five consecutive days, including the birthday of the child, for male employees with a spouse about to give birth	160
	Maternity leave (paid)	Available once a month, when the applicant undergoes an antenatal examination under the Maternal and Child Health Act	44
	Special reserve leave (paid)	Available when employees cannot work for five consecutive days or longer because of nursing care, childcare, or illness by using expired paid holidays which were accumulated over the years (up to 60 days)	39 ^(*)
	Reduced working hour system	Working hours are reduced by up to three hours per day for employees with children in the third grade at elementary school or younger and for employees nursing family members	81
	Reemployment system	Employees who left the company because of childbirth, or for childcare, nursing, etc. are given the opportunity for reemployment subject to certain conditions	14 ^(**)
	Establishment of in-house childcare facilities	Established on the premises of the Ehime, Chiba, and Osaka Works and the head office in Tokyo as well as the Health & Crop Sciences Research Laboratory	—
	Grant for childcare (Mutual aid association)	Every month 10,000 yen is paid per child to working employees if they have children younger than school age who attend childcare facilities	140 ^(**)
Childcare and nursing care support services	Childcare and nursing care services are provided by welfare service companies with which the Company has formed partnerships	—	
Leave and working hours	Work-life balance days established	Employees are encouraged to leave work on time on "work-life balance days" designated by each individual workplace and worksite at least once a week	—
	Number of annual paid holidays	Paid holidays of 20 days are granted to all employees from the first year of work	—
	Systematic allocation of annual paid holidays	Employees are allocated paid holidays in a systematic manner set by each business site	—
	Special leave for employees going abroad because of job transfer of spouse	Employees going abroad because of the job transfer of their spouses can take this special leave subject to certain conditions	6 ^(**)

*1. Only for childcare and nursing care *2. Number registered as of the end of March 2013 *3. Number of employees eligible for the system as of the end of March 2013
*4. Number of users as of the end of March 2013

★ : Assured by an independent assurance provider

Hand in Hand with Employees

In fiscal 2012, 102 (66.2%) of 154 retirees (of Sumitomo Chemical) were reemployed by the Company or its Group companies. Moreover, to help employees make plans for their postretirement lives, the Company conducts seminars on life design for all employees reaching the age of 50. Furthermore, arrangements are made for employees to talk with their managers on their post-retirement lives.

Rehired Retirees (of Sumitomo Chemical)

Fiscal year	2008	2009	2010	2011	2012
Retirees	167	176	134	139	154
The reemployed	88	116	97	93	102
Reemployment rate (%)	52.7	65.9	72.4	66.9	66.2

Managing Physical and Mental Health

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.

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 on mental health 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 association of companies has been required by law to have all employees and their dependents aged 40 or older undergo health checkups and receive guidance for lifestyle 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 disease, thereby helping employees with early diagnosis and the prevention of lifestyle diseases. In fiscal 2012, the Company dispatched its chief occupational health physician to provide medical counseling and evaluate the medical service environment to Saudi Arabia and China twice, and to Singapore once to provide support for employees working overseas and their families.

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, with a view to providing employees with workplaces where they can display their abilities with ease of mind, we are addressing the issues of sexual and power harassment, in addition to discrimination, mainly by holding enlightenment seminars. In fiscal 2012, we held a total of 161 seminars, lectures, and film shows as a part of the in-house training curriculum, in which a total of 3,851 employees participated.

In addition, to ensure employee awareness of the importance of respecting human rights, this subject was included in the Compliance Manual (see pages 23 to 24), which was distributed to all employees.

In fiscal 2012 as in previous fiscal years, there was no instance of discrimination reported.



Human rights training

Current Issues and Future Plans

Based on its basic stance introduced at the beginning of this section, Sumitomo Chemical will continue to promote global HR initiatives, pursue educational rotation that helps to motivate employees and allow them to fully demonstrate their abilities, engage in proper workforce management based on an optimal business structure, and build HR systems that respond to revisions to relevant laws and regulations as well as changes in conditions. Through these means, the Company will work to address various HR issues.

GRI <G3.1> Content Index

The GRI application level of the Sumitomo Chemical CSR Report 2013 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 OUTPUT	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 OUTPUT	Not required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	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 to each core G3 and Sector Supplement indicator with due regard to its materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

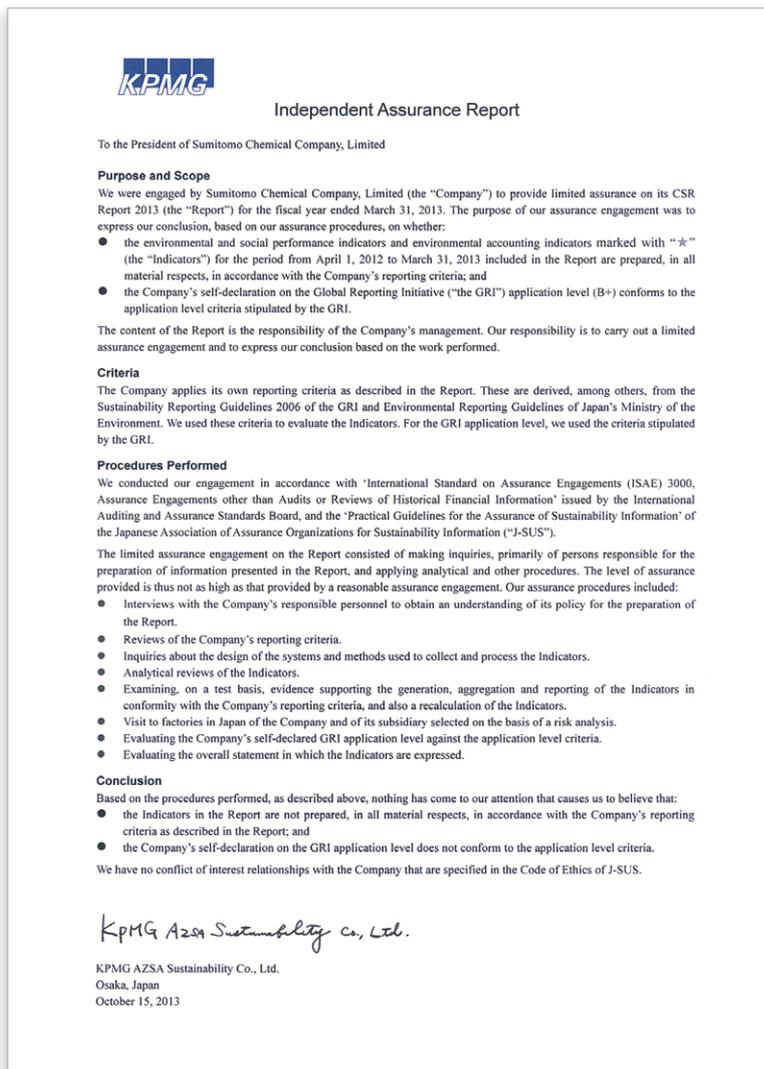
GRI Sustainability Reporting Guidelines (G3.1 Guidelines) Reference Table

Category	Number	Description	Report Page
1. Strategy and Analysis			
	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	p5-6
	1.2	Description of key impacts, risks, and opportunities	p5-6,9-18
2. Organizational Profile			
	2.1	Name of the Organization	p3
	2.2	Primary brands, products, and / or services	p4,13-18
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	p3-4
	2.4	Location of Organization's headquarters	p3
	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	p3-4
	2.6	Nature of ownership and legal form	p3
	2.7	Markets served (including geographic break down, sectors served, and types of customers / beneficiaries)	p3-4
	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	p3-4,41
	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	p3-4,17
	2.10	Awards received in the reporting period	p14,17,33,44,61
3. Report Parameters			
Report Profile	3.1	Reporting period (e.g., fiscal /calendar year) for information provided	p2
	3.2	Date of most recent previous report (if any)	p2
	3.3	Reporting cycle (annual, biennial, etc.)	p2
	3.4	Contact points for questions regarding the report or its contents	Back cover
Report Scope and Boundary	3.5	Process of defining report content, including: - Determining materiality; - Prioritizing topics within the report; and - Identifying stakeholders the Organization expects to use the report	p1,20
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	p2
	3.7	State any specific limitations on the scope or boundary of the report.	p2,41-42

Category	Number	Description	Report Page
	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	p2
	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	p20,39-49,68
	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)	p42,68
	3. 11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	p20,68
GRI Content Index	3. 12	Table identifying the location of the Standard Disclosures in the report	p70-72
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).	p1,42,73
4. Governance, Commitments, and Engagement			
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	p22
	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).	p22
	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	p22,65-66
	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)	p22
	4. 6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	p22
	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.	p22
	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	p7-8,19,25
	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	p21-24,26
	4. 10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	p22
Commitments to External Initiatives	4. 11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	p21-24,29-30,54,62
	4. 12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	p21,61
	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	p21
Stakeholder Engagement	4. 14	List of stakeholder groups engaged by the organization	p20
	4. 15	Basis for identification and selection of stakeholders with whom to engage	p20
	4. 16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	p20,53-54,62,66
	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	p20,53-54,62,66
5. Management Approach and Performance Indicators			
Economic			
Management Approach			p9-10
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	p3-4,20
	EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change	p42
	EC3.	Coverage of the organization's defined benefit plan obligations	-
	EC4.	Significant financial assistance received from government	-
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	p55-61
	EC9.	Understanding and describing significant indirect economic impacts, including the extent of impacts	p55-56,61
Environmental			
Management Approach			p25-26,39-50
Aspect: Materials	EN1.	Materials used by weight or volume	p41
	EN2.	Percentage of materials used that are recycled input materials	NA for major materials
Aspect: Energy	EN3.	Direct energy consumption by primary energy source	p41
	EN4.	Indirect energy consumption by primary source	p41
	EN5.	Energy saved due to conservation and efficiency improvements	p43-45
	EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	p13-14
	EN7.	Initiatives to reduce indirect energy consumption and reductions achieved	-
Aspect: Water	EN8.	Total water withdrawal by source	p41,49
	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	p49-50
	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	p41,43-44
	EN17.	Other relevant indirect greenhouse gas emissions by weight	p39-40,45
	EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved	p43-45
	EN19.	Emissions of ozone-depleting substances by weight	p41,47
	EN20.	NOx, SOx, and other significant air emissions by type and weight	p41,47
	EN21.	Total water discharge by quality and destination	p41
	EN22.	Total weight of waste by type and disposal method	p41,46
	EN23.	Total number and volume of significant spills	NA
	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	-

Category	Number	Description	Report Page
Aspect: Products and Services	EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	p13-18
	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	p45
Aspect: Overall	EN30.	Total environmental protection expenditures and investments by type	p42
Labor Practices and Decent Work			
Management Approach			p63-69
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	p32-36
	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 skill management and lifelong learning that support the continued employability of employees and assist them in managing career endings	p64-65,67-69
	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	p68
Aspect: Equal remuneration for women and men	LA14.	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	–
Human Rights			
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	–
	HR2.	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	p54
	HR3.	Total hours of employees training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees 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 54 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 54 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 54 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	–
Aspect: Assessment	HR10.	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	There were no incidents that required such action.
Aspect: Remediation	HR11.	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	p69
Society			
Management Approach			p21-24
Aspect: Local Communities	S01.	Percentage of operations with implemented local community engagement, impact assessments, and development programs	–
	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	–
	S03.	Percentage of employees trained in organization's anti-corruption policies and procedures	p24
	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	p21
	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	–
Product Responsibility			
Management Approach			p37-38,51-52
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	p37-38,51-52
	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	p51-52
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	p37-38,51-52
	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	p53
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	–

Independent Assurance Report by KPMG AZSA Sustainability Co., Ltd.



Sumitomo Chemical has made clear its approach to solving global issues through its business operations in its Corporate Vision under the fiscal 2013 to 2015 Corporate Business Plan. The CSR Report 2013 discloses a breakdown of its business activities undertaken in the Environment & Energy, Life Sciences, and ICT fields in line with this Corporate Vision. The Report discloses information about each CSR activity using a format that first explains the basic stance and then discusses actual efforts being undertaken as well as current issues and future plans. This shows that the Sumitomo Chemical Group makes an effort to clearly communicate to its stakeholders how each of these activities is managed.

With regard to environmental performance indicators, Sumitomo Chemical now discloses information about some overseas consolidated subsidiaries in addition to information about Sumitomo Chemical (non-consolidated) and major domestic consolidated subsidiaries. Moreover, Sumitomo Chemical has begun disclosing Scope 3 emissions as a new indicator of greenhouse gas emissions.

As for social performance indicators, however, most of the information presented is limited to Sumitomo Chemical (non-consolidated). It is desirable that the scope of disclosure for these indicators be broadened to cover the entire Sumitomo Chemical Group, both in Japan and overseas, and communicated in an easy-to-understand manner.

In the assurance review process, we identified a few cases where figures for energy usage volume and greenhouse gas emissions were calculated inappropriately based on previous calculation methodologies instead of the new revised calculation methodologies applied throughout the Report. Moreover, there were some cases where tabulation results were not entirely accurate, and the cause of these inaccuracies was traced to a change in the person in charge of tabulation. These errors were properly corrected during the assurance review process. However, I believe measures need to be taken to systemize tabulation procedures as well as keep a tabulation manual up to date and make sure it is followed in order to ensure accurate tabulations even if there is a revision in tabulation methodologies or a change in the person in charge of tabulation.

I look forward to the Sumitomo Chemical Group expanding the scope of its performance indicators further and building a more robust tabulation system to ensure accurate calculations.



A site visit at Shinto Paint Co., Ltd.

Shinnosuke Kayumi
KPMG AZSA Sustainability Co., Ltd.



Third-Party Opinion



Itaru Yasui

Former Vice Rector,
United Nations University
Professor Emeritus,
The University of Tokyo

I believe this CSR report is an easy-to-understand presentation of the wide assortment of initiatives being undertaken by Sumitomo Chemical, a chemical company, offering a diverse range of products. Solving worldwide problems, such as those related to energy, the environment and food, through the power of chemistry is the central thesis of the Company's management vision, which ties in with the development of next-generation businesses under its Corporate Business Plan. I clearly grasped Sumitomo Chemical's ultimate aim of becoming a diversified chemicals company that is able to develop sustainable society, while also helping solve problems faced by humankind and pursuing greater abundance in society.

Sumitomo Chemical is aggressively working to prevent global warming. On a non-consolidated basis, Sumitomo Chemical has set the target of achieving a unit-based improvement of 15% from 2005 levels by fiscal 2020, and as of fiscal 2012, it had reduced emissions by 7.5%. At its caprolactam production plant at the Ehime Works, the Company successfully cut CO₂ emissions by 16,000 tonnes annually through improving facilities. On a non-consolidate basis, emissions totaled 3,167,000 tonnes in 2012, meaning that modifications at this plant alone contributed to a 0.5% or so reduction in its overall emissions.

In the wake of the Great East Japan Earthquake, it would seem that Japan has temporarily shelved its ambitions to solve the global climate change problem, but there is a risk that the Japanese economy could lose its competitiveness if Japan falls behind in international frameworks from 2020 onward. Japan has not participated in the second commitment period of the Kyoto Protocol, but is focusing on advancing the Joint Crediting Mechanism (JCM), which cooperates with countries in Asia and Africa to reduce their carbon dioxide emissions. I am interested in knowing how Sumitomo Chemical's expertise in energy generation, energy storage, and energy saving could be of help in cutting CO₂ emissions in these countries in Asia and Africa.

I would like to see more information about how Sumitomo Chemical is saving energy in its production processes, and whether the Company can assert that

its processes are more efficient than those in emerging countries.

Based on an analysis of publicly disclosed data, it takes Sumitomo Chemical 1,649 thousand kL of crude oil equivalent in energy (fuel, heat and electricity) to turn into product 2,980 thousand tonnes of hydrocarbon compounds, 114 thousand tonnes of metals, and 190 tonnes of rare metals. I would like to know Sumitomo Chemical's opinions on whether these figures are higher or lower than global standards, whether further reductions are feasible in the future, or whether the limits of current technology have been reached, requiring new innovations in order to achieve further reductions in energy usage.

With regard to reducing CO₂ emissions and preventing global warming, discussions center on whether it is better to cut emissions in industrialized countries where high heat efficiency has been already achieved, or whether it is more practical to cut emissions in emerging countries with poor thermal efficiency. I think this report would have been more satisfying for readers if it had also incorporated opinions about this issue.

Regarding chemical product safety and occupational safety issues, this report covers Sumitomo Chemical's initiatives for Responsible Care, a special trait of the chemical industry, with a particular focus on activities to raise the level of safety in its business culture and educate employees about disaster prevention. The report also details its efforts to conserve water resources and biodiversity, leaving practically nothing behind in its comprehensive measures. I also read extensively about the contributions the Sumitomo Chemical Group makes to local communities and society, both inside and outside Japan.

In summary, my impression is that this CSR report was written for the main purpose of covering all aspects of Sumitomo Chemical's CSR activities. However, this translates into a heavy volume of text that takes quite some time to fully digest.

Sumitomo Chemical engages in an extremely wide variety of initiatives, and, more importantly, is producing results from these efforts. While that in itself is highly commendable, I am left to wonder if this diverse range of initiatives is based on some sort of strategic vision, or is based on policy without any particular selection criteria. So I felt it was a bit difficult to pin down the intentions of top management. Rather than a problem with the content of this report, I believe it is more of an issue with how it is described. I hope the Company will decide on an editorial policy for its CSR report and organize it in accordance with the ISO 26000 standard for the social responsibility of organizations.



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 **SUMITOMO CHEMICAL COMPANY, LIMITED**

CSR Office

Tokyo Sumitomo Twin Building (East) 2-27-1 Shinkawa, Chuo-ku, Tokyo 104-8260, Japan
Tel: +81-3-5543-5107 Fax: +81-3-5543-5814