



Integrated Report Sumitomo Seika Report 2023

If you have questions, please contact;

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 **SUMITOMO SEIKA**

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facing the earth and peoples' lives
through Sumitomo Seika's "Chemistry"

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Sumitomo Business Spirit

Business Principles

Article 1. Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2. Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

Article 1 emphasizes the importance of gaining trust of business partners and of society. Article 2 underscores the significance of having an enterprising spirit in seeking to generate profits while adapting to changes in society promptly and appropriately and, at the same time, making constant efforts to reform business. It also strongly admonishes us against acting imprudently in pursuit of speculative gains.

“Jiri-Rita Koushi-Ichinyo”- Benefit Self and Benefit Others; Private and Public Interests Are One and the Same
This teaching states that Sumitomo’s business must benefit not only Sumitomo itself but also the nation and society. Sumitomo must always conduct business in harmony with the public interest and fulfill its corporate social responsibilities.

This kind of attitude has been passed down among the companies of the Sumitomo Group to the present day.

Corporate Mission

Following the Sumitomo Business Spirit, the Sumitomo Seika Group will contribute to the advancement of society by developing world class creative technologies in the field of chemistry and, based thereon, supplying unique, high quality products to people around the world.

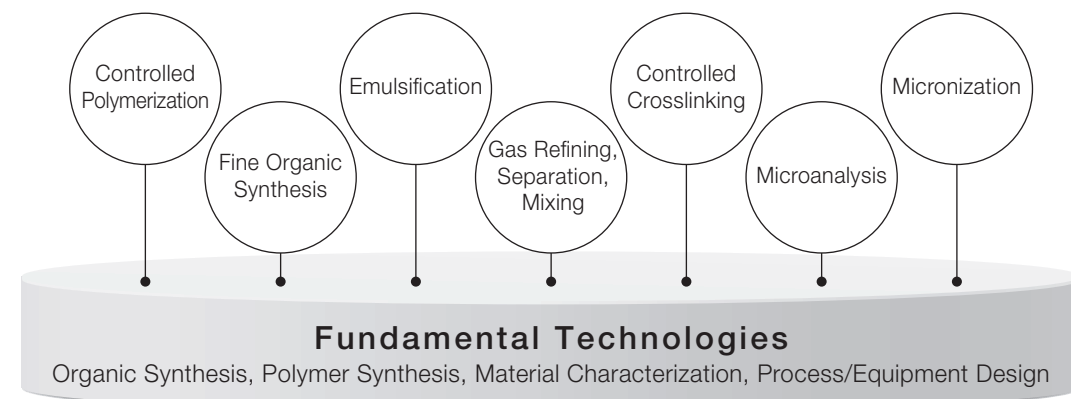
Purpose Statement



We will solve issues
facing the earth and peoples’ lives
through Sumitomo Seika’s “Chemistry”

Sumitomo Seika’s “Chemistry”

- Composed of our core technologies having distinctive advantages and uniqueness as below:



- Creates something new by fusing a variety of existing products or technologies.
- Figuratively means that our corporate culture makes it possible to create new things through people working together.

Editorial Policy

Since FY2003, the Sumitomo Seika Group has disclosed details of its environmental conservation and social contribution activities to stakeholders through its Responsible Care Reports and CSR Reports. Last year, in order to share information about the Group’s efforts toward sustainable value creation, Integrated Report “Sumitomo Seika Report 2022” was published for the first time. This year’s report contains information on topics such as progress toward Medium-term Business Plan 2023–2025 (which looks toward FY2030), the promotion of human-capital-focused management, responses to climate change, and other sustainability related strategies and initiatives, as well as updates on the governance structures that form the foundation of corporate management. It is the Group’s hope that this report will act as a springboard for further dialogue with stakeholders.

Notes on forward-looking statements:

As well as actual past and present information related to the Sumitomo Seika Group, this report contains a number of projections, forecasts, and future plans. These reflect assumptions and judgments based on information available at the time, and so may be affected by various factors, such as future changes to the business environment.

Reporting period:

Fiscal 2022 (April 1, 2022 to March 31, 2023)
* Includes some data from April 2023 onward

Scope:

Unless otherwise specified, the scope of this report is the Sumitomo Seika Group, which comprises Sumitomo Seika Chemicals Co., Ltd. (“the Company”) and its consolidated subsidiaries. Responsible Care performance data and employment-related data cover only the Company’s domestic sites.

Guidelines, etc., referenced:

- GRI Standards, Global Reporting Initiative
- Environmental Reporting Guidelines 2018, Ministry of the Environment
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- Integrated Reporting Framework, IFRS Foundation

Scope of the third-party verification report:

To ensure the transparency and reliability of information included in this report, it undergoes third-party verification by the Japan Chemical Industry Association. The scope of this verification is all pages with the exception of financial information.

Main Reporting Media:

Sumitomo Seika Website

Updated with a range of information.



Sumitomo Seika Report (Integrated Report)

Discloses information on strategies and initiatives related to sustainable value creation.



*This report

Financial Results

Provides information on business and financial results for each fiscal year.



Fact Book

Summarizes and discloses financial data for the Group overall and for each business.



Financial Results Briefings

Financial briefing materials and videos are published online.



Corporate Governance

Conveys information on approaches to corporate governance and related systems.

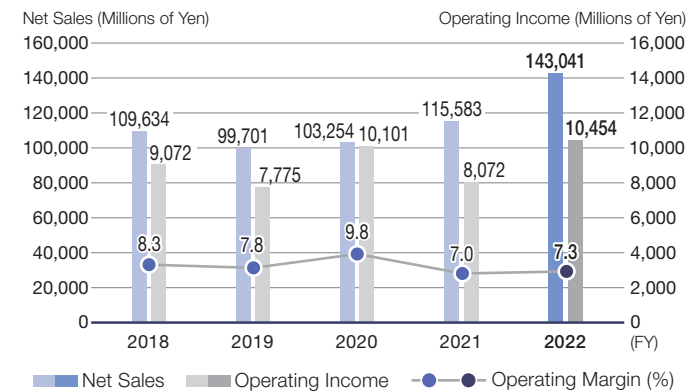


Data Highlight

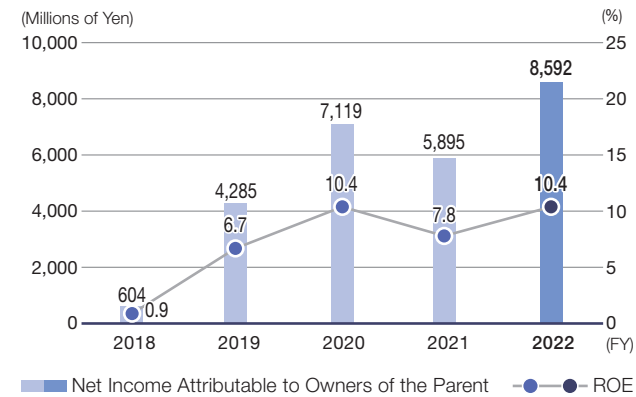
Data Highlight

Financial Highlights

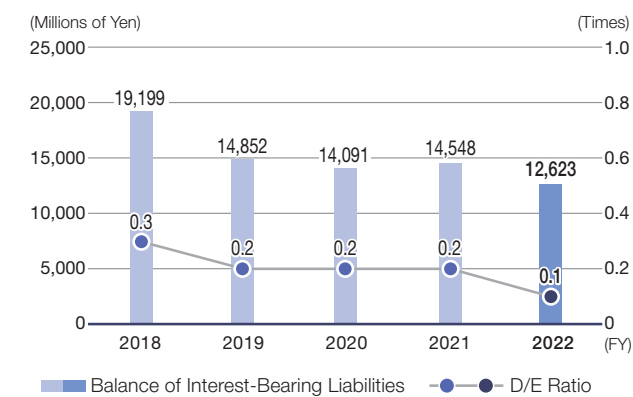
▶ Net Sales / Operating Income / Operating Margin



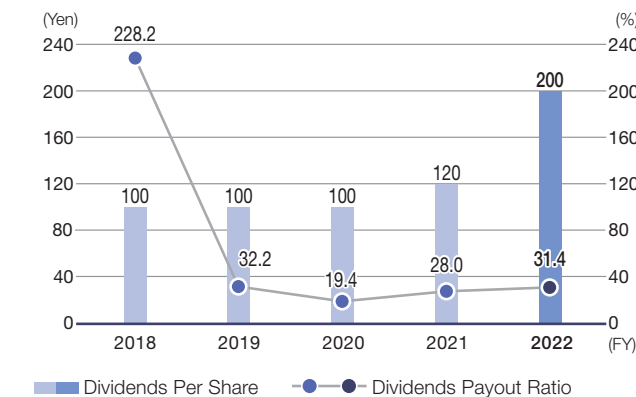
▶ Net Income Attributable to Owners of the Parent / ROE



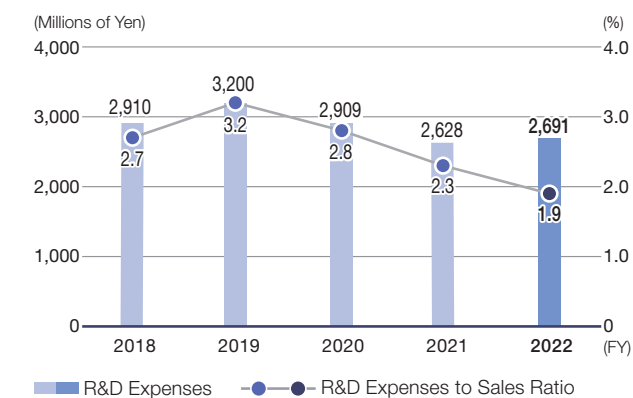
▶ Balance of Interest-Bearing Liabilities / D/E Ratio



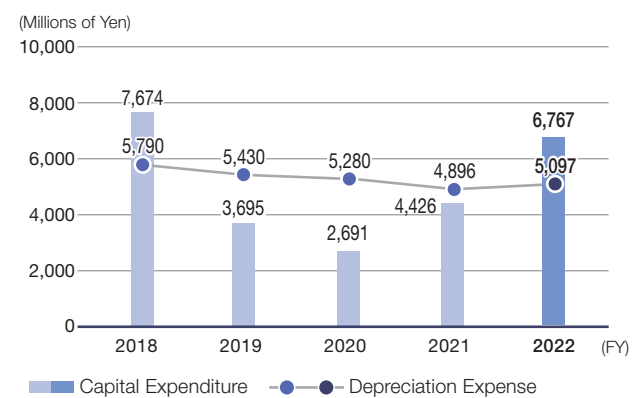
▶ Dividends Per Share / Dividends Payout Ratio



▶ R&D Expenses / R&D Expenses to Sales Ratio

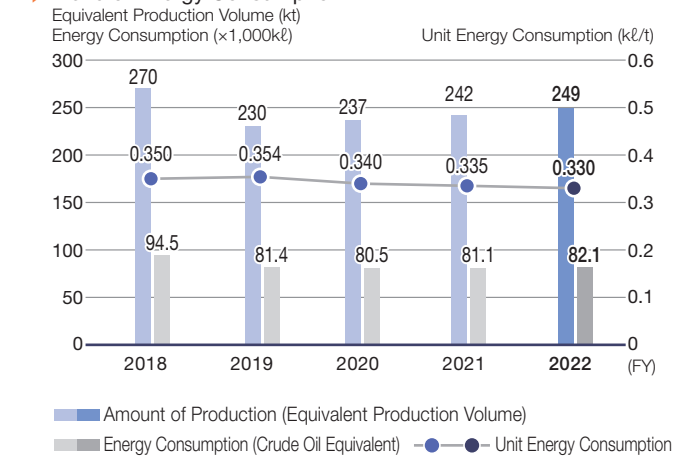


▶ Capital Expenditure / Depreciation Expense

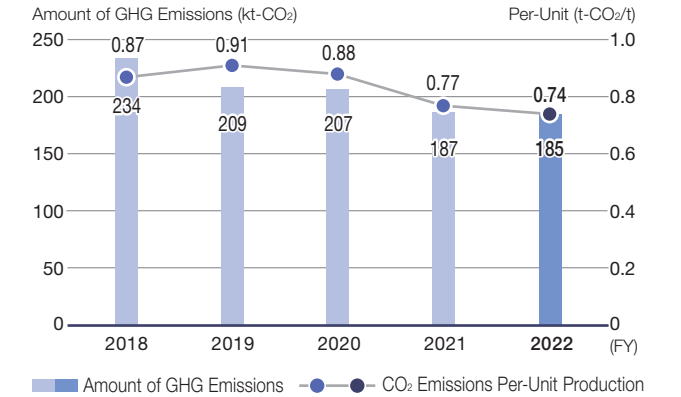


Non-Financial Highlights

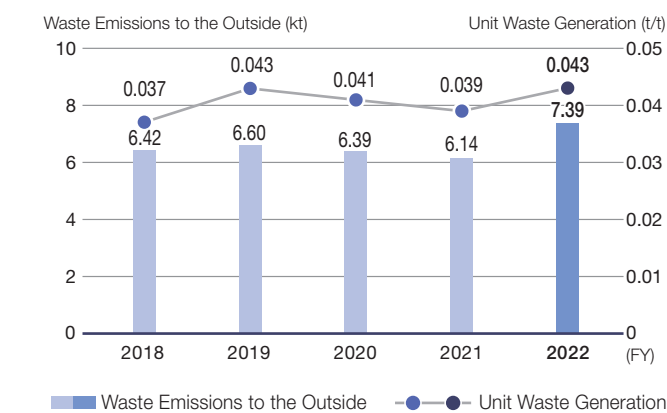
▶ Trend of Energy Consumption



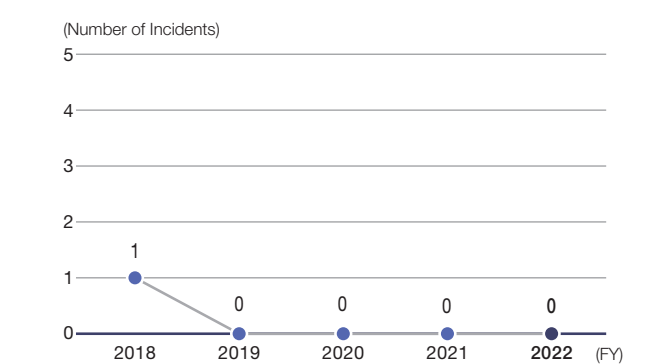
▶ Amount of GHG Emissions / Per-Unit



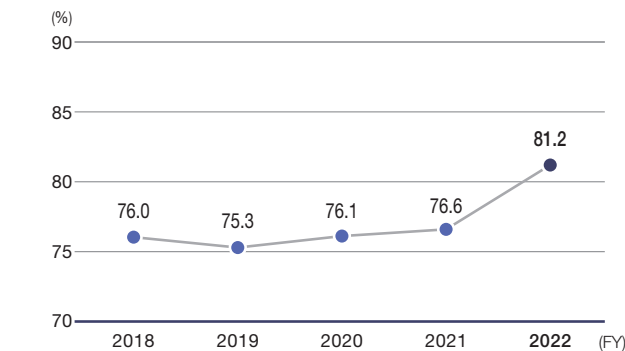
▶ Waste Emissions to the Outside / Unit Waste Generation



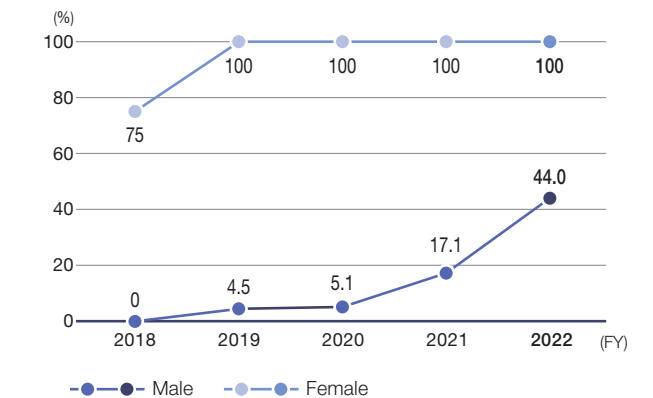
▶ Accidents Involving Lost Workdays



▶ Paid Leave Utilization Rate



▶ Uptake of Childcare Leave



We vigorously take on challenges to accomplish the new Medium-Term Business Plan.

S. Ogawa, President



FY2022 Financial Highlights and the Previous Medium-Term Business Plan in Review

Achieved Growth in both Sales and Profits in FY2022

Throughout fiscal year 2022, the Sumitomo Seika Group continued to face an uncertain operating environment, affected by precarious international developments. Most notably, prices of raw materials and fuels remained high on the back of the heightened geopolitical risk, and the semiconductor industry, which had enjoyed continuous expansion of demand for some time, took a new turn in the latter half of the fiscal year, making major production adjustments. To cope with the situation, the Sumitomo Seika Group expended every possible effort, such as having higher costs of raw materials and fuels properly reflected in selling prices of products and streamlining business operations thoroughly. Such endeavors, coupled with the substantially favorable impacts of the yen weakening, helped us to achieve year-on-year growth both in sales and profits.

► Financial Highlights

	FY2022 results	Change from FY2021	Vs. FY2022 plan (Medium-Term Business Plan)
Net sales	143.0 billion yen*	27.4 billion yen	23.0 billion yen
Operating income	10.5 billion yen	2.4 billion yen	2.5 billion yen
Net income	8.6 billion yen*	2.6 billion yen	3.1 billion yen
ROE	10.4%	2.6%	1.9%

*Net sales and Net income reached record highs.

Fulfilled Financial Targets of the Previous Medium-Term Business Plan

Fell Short of Expectation in certain Priority Initiatives

We achieved financial targets of the previous Medium-Term Business Plan (FY2020-FY2022). However, when it comes to priority initiatives, i.e., “Transforming Business Structure,” “Strengthening R&D,” and “Proactive Investment in Development Products”, their progress was not as good as desired for the Functional Materials Segment.

► Progress in Priority Initiatives

Transforming Business Structure	Strengthening R&D, Proactive Investment in Development Products
Super Absorbent Polymers	
<ul style="list-style-type: none"> Established process technology that almost achieves streamlining targets. Streamlining at overseas operational bases behind schedule due to the COVID-19 pandemic. 	<ul style="list-style-type: none"> Launched new deodorant-grade SAP. Made progress in development of products that help reduce wastes and materials consumed.
Functional Materials	
<ul style="list-style-type: none"> Expanded electronics gases business. Came short of targets for Daily Living and Medical Care fields. 	<ul style="list-style-type: none"> Revised plans of development/investment for Electronic Materials and Energy fields.

Initiatives for the New Medium-Term Business Plan

Last year, we drew up a new three-year Medium-Term Business Plan for a period ending in fiscal year 2025. The Plan contains, among other things, four priority initiatives, i.e., “Build Resilient Business Structure,” “Reap Fruits of Research & Development,” “Promote Thorough Streamlining,” and “Boost Sustainability Initiatives.”

Build Resilient Business Structure

Investing Proactively in Growth Businesses

In the Super Absorbent Polymers Segment, we expect that demand will continue to expand since countries in the Southeast Asia and the South Asia are likely to see growth of population and improvement in people’s income levels for years to come. Given this prospect, we are planning to build a new production facility of Super Absorbent Polymers in Asia as a new manufacturing base for easier access to these growth markets. Currently, we are making a final check on detailed conditions, such as those for raw materials procurement and construction costs. We are hoping to make a formal decision on the project soon.

In the Functional Materials Segment, we plan to expand the electronics gases business. Although the business is at the moment affected in sales by impacts of production adjustments in the semiconductor industry, we are expecting the market to start picking up again in the second half of the current fiscal year. We will go ahead with planned investment in production capacity expansion without delay.

Reap Fruits of Research & Development

Achieving Tangible Results in terms of New Product Sales and Priority Development Projects

As far as research & development is concerned, we are strongly conscious of “reaping fruits,” that is, producing visible results, before the current Medium-Term Business Plan ends. One of the indicators for measuring progress in the “fruits reaping” is changes in the new product sales ratio, and we aim to increase the ratio from the current 8% (FY2022 actual) to 13% by the end of fiscal year 2025. In fiscal year 2023, we expect to achieve the new product sales ratio of 10% by increasing sales of new grade SAP and new products in the fields of battery materials and electronics gases. From perspectives of further business growth in the future, we have certain projects in the pipeline, on which we aim to obtain approval from our customers during the current Medium-Term Business Plan period. They include SAP with improved water absorption per unit weight that helps reduce wastes and materials consumed, next-generation semiconductor materials, electrolyte additives for lithium-ion batteries, and insulating coating materials for small- and medium-sized power generators. We are working on these projects by preferentially allocating our corporate resources to them. Among other initiatives designed to strengthen our research & development capabilities is constructing a new pilot plant (due to complete in FY2024) where work is done to study the streamlining or rationalization of SAP manufacturing processes and to accelerate process development. In addition, we established a new company in June 2023, specializing in researching and analyzing relevant technological trends in the world, which work is essential when new businesses are to be created.

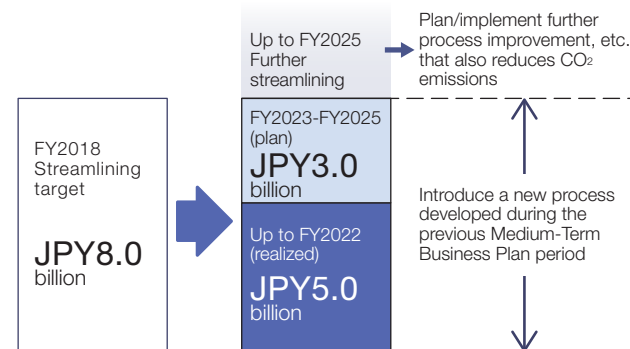
Promote Thorough Streamlining

Implementing Initiatives Groupwide with Project Organizational Structure

For the Super Absorbent Polymers Segment, we will steadily promote work to adopt at our overseas bases the streamlined SAP manufacturing process technology, which was established during the previous Medium-Term Business Plan period. We are aiming to complete the plant facilities revamping by the end of fiscal year 2025, generating a total streamlining benefit of 3.0 billion yen as compared with fiscal year 2022. For the Functional Materials Segment, we have already started a streamlining/rationalizing project, with a joint team consisting of production, sales, research, and administrative functions, to produce the effect of 2.0 billion yen mostly from those existing products that have reached their maturity. In moving the project forward, we analyze productivity and capital efficiency for each of the product categories, thereby setting concrete targets to achieve. Meanwhile, the new ERP system, which we began building in fiscal year 2022, will become operational later this year. This state-of-the-art information technology infrastructure will allow us to achieve more labor-saving, work at faster speeds, and make our business more sophisticated. Likewise, at plants and research laboratories, we are working to introduce new techniques and develop digital experts so that we can utilize digital technologies most effectively to develop sophisticated production engineering and accelerate research and development.

▶ SAP Streamlining Project

(Benefits from cost reduction and increased scale of production)



Boost Sustainability Initiatives

Establishing the Basic Policies on Sustainability

Last year, we formulated the Group's Purpose Statement, which is "We will solve issues facing the earth and people's lives through Sumitomo Seika's "Chemistry." This statement is a declaration of our resolve to contribute to sustainability through business activities. In fact, the current Medium-Term Business Plan clearly identifies "Boost Sustainability Initiatives" as one of the priority initiatives the Group seeks to undertake. Furthermore, we established the Group's Basic Policies on Sustainability anew by reorganizing and consolidating basic management policies and guidelines which had formerly been in place for individual causes, such as CSR and Responsible Care. Following the Basic Policies, the Sustainability Committee, headed

by Sumitomo Seika Chemicals' President, monitors the progress of the Group's ongoing initiatives with respect to the Group's Material Issues as well as other important undertakings and discusses adequate measures that should be taken to ensure making steady progress in furthering the initiatives, etc.

Incidentally, the Material Issues are "Ensure Access to Sanitation, Healthy Lives, and Better Quality of Life," "Ensure Access to Affordable, Reliable and Sustainable Energy," "Build Resilient Infrastructure and Foster Technology Innovation," "Ensure Sustainable Consumption and Production Patterns," "Promote Gender Equality," and "Realize Carbon Neutrality."

Formulating a Human Resources Strategy closely connected with the Medium-Term Business Plan to Further Enhance Human Capital Management

The Company has never abated efforts to assist in employees' capability development and promote their health management, among other things, not to mention designing a personnel system and ensuring its fair operation to develop human resources in a manner best suited to meet the needs of the times and the circumstances of the Company. Since human capital and its diversity are essential for ensuring corporate sustainability into the future, we have drawn up a new human resources strategy that will allow us to implement personnel management initiatives in a manner more closely linked with our management strategies.

Human Resources Strategy

A wide variety of people with highly specialized expertise work together under strong leadership to take on challenges to solve problems we face—To become a professional group like this, we will proactively invest in the following activities:

1. Recruit and develop human resources with highly specialized expertise
2. Select and develop leaders
3. Promote DE&I
4. Provide a positive work environment

With concrete measures mapped out for the above four areas of activities, the Company's management team works to produce meaningful results within the current Medium-Term Business Plan period.

Carrying out Concrete Initiatives for the Respect of Human Rights

The Sumitomo Seika Group positions "Respect for Human Rights" as one of the five integral elements constituting the "Foundations to Support Business Continuity." Accordingly, every company of the Group provides its employees with opportunities for education and training on this subject. In light of the growing importance of companies fulfilling their human rights responsibilities, earlier this year, we enhanced the Sumitomo Seika Group Charter for Business Conduct, which sets forth guiding principles for all employees of the Group companies to observe, by clearly stating therein that we respect the human rights of every person who is engaged in the business of the Group and never carry out any act in violation of human rights. In accordance with these principles, we promote concrete initiatives, including human rights due diligence about activities across the supply chain of the Group.

Continuing Unmitigated Initiatives to Reduce Greenhouse Gas (GHG) Emissions

The Sumitomo Seika Group has set itself targets of "reducing GHG emitted by the Group in Japan by 46% or more by 2030 (vs. FY2013)" and "achieving carbon neutrality by 2050." To fulfill these targets, we have prepared a GHG emission reduction plan, according to which we are making constant efforts to conserve energy and streamline manufacturing processes. Furthermore, to help reduce society's overall GHG emissions, we will develop relevant technologies in phases for their social implementation by 2030, such as "separation and recovery technologies for low concentration CO₂" and "a recycling technology for super absorbent polymers products recovered from used disposable diapers." In addition to these initiatives for GHG emissions reduction, we will work to assess the Group's business risks and opportunities associated with water security, which is an issue of growing importance today.

Financial Targets and Shareholder Return

Aiming to Further Improve ROE

For fiscal year 2025, the final year of the current Medium-Term Business Plan, our performance targets are net sales of 160.0 billion yen, operating income of 12.0 billion yen, and ROE of 8.5%. While it goes without saying that we are committed to achieving stated profit targets, we will also aim to attain a higher level of ROE by formulating and implementing those management measures that take greater account of capital cost. For shareholder return, one of our most important management priorities, we intend to continue the stable distribution of profit, with a target payout ratio of 30% or higher.

Internal Slogan "CHALLENGE" Review the way to work, Change mindset, Do it otherwise

When we were formulating the new Medium-Term Business Plan, we invited input and feedback from younger and middle-level employees by asking what kind of internal slogan they might like to share together within the Sumitomo Seika Group. As it turned out, we came up with the above slogan. The slogan can be paraphrased in the following manner: In attending to their assignment in the workplace, each employee is supposed to think on their own and work with a challenging spirit. If you constantly ask yourself for what purpose you do your work and why your work matters, your mindset toward the work comes to change and you will eventually decide to change the way you do your work. We are taking every opportunity to refer to this slogan so that such a way of thinking will take root among all the employees.

Safety Management

Among the key elements of the "Foundations to Support Business Continuity," which are indispensable for the Sumitomo Seika Group to stay in business, is "Occupational Safety & Health and Security & Disaster Prevention." According to our occupational safety records for fiscal year 2022, to our great regret, we had four

accidents without lost working days (including ones that occurred at a contractor company), failing to meet our shared target of reducing the number of accidents in the Group to "zero." Taking this result seriously, we have decided to thoroughly investigate the causes of accidents on-site, draw up a set of necessary measures to take and, most importantly, ensure having them implemented actually. In order to further solidify the "Foundations to Support Business Continuity," we will make sure that preventive action is taken at every company of the Group, sharing experiences and knowledge acquired this time among all the production sites within the Group. On top of these, we have carried out at every workplace, not just those at the production sites, comprehensive reviews of the risk assessment conducted in the past in connection with occupational safety. The purpose of the reviews is to examine whether or not the assessment was adequate in scope, depth and conclusion and whether or not there is any room for improvement of the assessment so that every employee at every workplace can perform their work with a higher level of safety awareness.

Needless to say, to understand the risks of the chemical substances we handle, we never fail to thoroughly examine and test the substances for safety and make relevant information available to both within and outside the Group. In this way, we will continue our endeavor to minimize the impacts of chemical substances on people and the environment for their entire cycle, from research and development to final disposal.

Corporate Governance

In fiscal year 2022, we took another step forward to further increase the effectiveness of the Board of Directors at the Company. We set key performance indicators (KPIs) for non-financial information, including those on sustainability, and the Board of Directors bears responsibility to oversee the KPIs. In addition, in connection with the reporting to the Board of Directors about deliberations made at the Management Meetings and other various committees, we changed the way proceedings are conducted. Specifically, we placed greater emphasis on the process of discussions until a conclusion is reached and on the sessions of explanation and questions as to the Group's future challenges and initiatives to take. In the current fiscal year, we are striving to further deepen discussions by the Board on subjects that concern human capital management, such as human resources development, in addition to the issue of further enhancing company information provided to external directors in both quality and amount.

Becoming a Corporate Group Highly Recognized for its Value Creation

The Sumitomo Seika Group creates value by solving issues facing the earth and people's lives through its business. We will endeavor to communicate our initiatives toward such value creation to our stakeholders in ways easy to understand and in a timely manner through this report and various other opportunities and means. We aim to grow and become a corporate group that can gain greater recognition from society, and your continued support will be greatly appreciated.

Path of Value Creation

The Sumitomo Seika Group was founded in 1944 as a manufacturer and seller of fertilizers. Later, as the fertilizer industry suffered upheaval, the company switched its main focus to industrial chemicals. Since that time, we have used our technical foundations to push forward research and development, and now we have expanded our business lines to include super absorbent polymers and functional materials.



1944

Founding During Wartime and Contributions to Post-War Recovery

Moving forward by increasing production of fertilizer to contribute to food production during the post-war reconstruction period.

1950s

Period of Change Accompanying Industrial Transformation

Implements production increases and streamlines ammonia and urea production to respond to a transition phase in the fertilizer industry.

1960s

Period of Reform Accompanying Business Transformation

Starts new development in the areas of industrial chemicals, standard gas, and polymers with the aim of diversifying top-level management operations.

1970s

Budding of Core Businesses

With new businesses achieving significant growth, promotes efforts to strengthen business foundations for the future.

1980s

Establishment of Business Foundations

Drawing on accumulated technical capabilities and sales capabilities, development begins in business areas of fine chemicals, functional resins, and electronics gases.

1990s

Start of Global Expansion

Started overseas operations amid rapid expansion of super absorbent polymers business.

2000s

Start of a Growth Trajectory

Capital expenditure is actively focused on the growth businesses of super absorbent polymers and electronics gases in Japan and overseas.

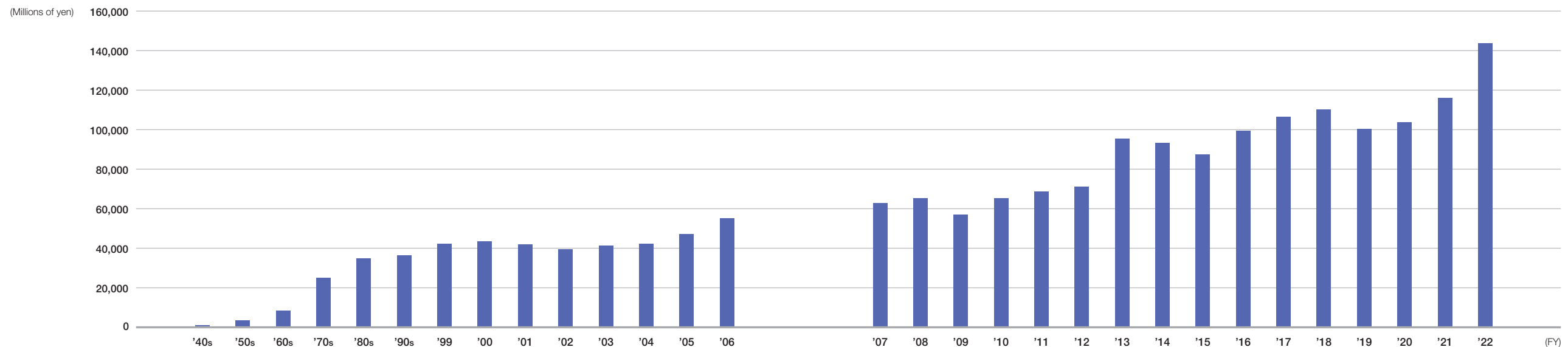
2010s~

Business Expansion and New Challenges

As well as further expansion of business sites, particularly in Asia, efforts are made to address sustainability and other issues.

Net Sales Transition from the Beginning of Establishment

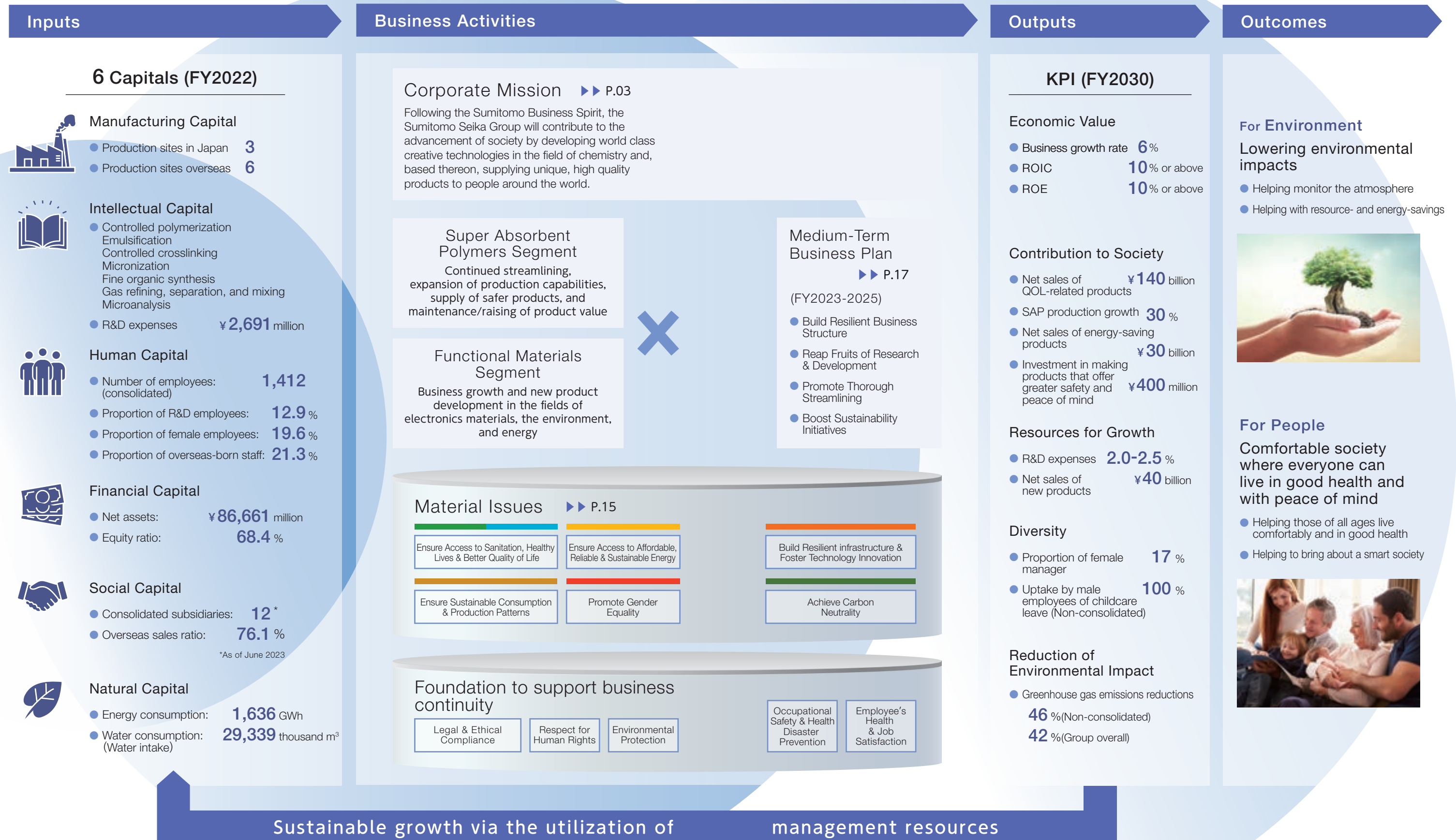
*1 Figures for 1944–1998 are unconsolidated, those for 1999 onward are consolidated.
*2 Figures for the decades up to the 1990s are an average for the ten-year period.



Value Creation Process



We will solve issues facing the earth and peoples' lives through Sumitomo Seika's "Chemistry"



Material Issues

Material Issues and Foundations to Support Business Continuity

By working to tackle the issues identified in the United Nations' Sustainable Development Goals (SDGs), a set of targets shared by the entire world, we are contributing to the development of a sustainable society, and our aim is to respond to the expectations of all stakeholders.

As environmental and societal sustainability becomes ever more important, we have set six material issues to clarify how we can contribute to resolving the issues in order to achieve the SDGs. These were determined following a process that involved the identification of societal issues by internal working groups and outside experts, evaluations of these issues to judge importance, and then discussion and final decision by the Management Meeting and Board of Directors.



In addition, as a "foundation to support business continuity," we have defined five basic elements of corporate activities that are indispensable in addressing the material issues and must be constantly enhanced.

To overcome these material issues by fiscal 2030, we have set ourselves key performance indicators (KPI) targets for each. Progress status, and future actions, are discussed by the Sustainability Committee, and then reported to the Board of Directors. We will also review both material issues and KPIs to follow changes in society.

Material Issues	Objective	KPI
Ensure Access to Sanitation, Healthy Lives & Better Quality of Life ▶▶ P.21-28	<ul style="list-style-type: none"> Contribute to improvements in hygiene, health, and quality of life (QOL) by providing super absorbent polymers (materials used in disposable diapers and other sanitary products) and water-soluble polymers (used in products for lifestyle and medicine) 	Net sales of QOL-related products
		Production growth of super absorbent polymers (ratio to the sales in FY2022)
Ensure Access to Affordable, Reliable & Sustainable Energy ▶▶ P.25-28	<ul style="list-style-type: none"> Contribute to energy-savings by providing electronics gases and energy-related products (materials for lithium-ion batteries, etc.) 	Net sales of energy-saving related products
Build Resilient Infrastructure & Foster Technology Innovation ▶▶ P.21-28	<ul style="list-style-type: none"> Launch new products Strengthen our R&D capabilities Apply digital technology to raise productivity and bolster production technologies Contribute to the formation of a recycling-oriented society 	R&D expenses (ratio to net sales)
		Net sales of new products
Ensure Sustainable Consumption & Production Patterns ▶▶ P.21-28,47	<ul style="list-style-type: none"> Promote products that offer greater safety and peace of mind 	Investment in making products that offer greater safety and peace of mind (investments related to chemical product safety evaluations, applications, registrations, and manufacturing)
Promote Gender Equality ▶▶ P.31-34	<ul style="list-style-type: none"> Promote female participation 	Proportion of female managers
		Uptake by Male Employees of Childcare Leave (Non-consolidated)
Achieve Carbon Neutrality ▶▶ P.39-41	<ul style="list-style-type: none"> Reduce the amount of GHG emissions that we generate Work together with stakeholders in the value chain Contribute to the achievement of carbon neutrality through our technologies 	GHG reduction rate (Scope 1,2)

FY2022 Result	FY2023 Target	FY2030 Target	FY2023 Plan
¥112.9 billion — (Base year)	¥118.4 billion 7%	¥140 billion 30%	<ul style="list-style-type: none"> Raise global sales volume of super absorbent polymers (by around 9% compared to FY2022) Make decisions on new plant construction in Asia
¥8.8 billion	¥9.1 billion	¥30 billion	<ul style="list-style-type: none"> Begin operations at a high-purity carbon monoxide (CO) plant in South Korea Construct a new high-purity carbon monoxide facility at Chiba Works (scheduled to begin operations in FY2024)
1.9%	2%	2.0-2.5%	<ul style="list-style-type: none"> Develop super absorbent polymers with improved water absorption per unit weight Construct a new pilot equipment to move forward with commercialization research for new super absorbent polymers (scheduled for completion in FY2024) Develop next-generation semiconductors materials, electrolyte additives for lithium-ion batteries (LiB), etc.
¥11.9 billion	¥15.7 billion	¥40 billion	
¥150 million	¥230 million	¥400 million	<ul style="list-style-type: none"> Ensure thorough compliance with laws and regulations related to chemical substances in different countries Evaluate and lower risks connected to chemical substances included in products Develop super absorbent polymers that offer greater safety and peace of mind in response to trends in chemical substance management
6.4% (Non-consolidated:3.2%)	8% (Non-consolidated:5.0%)	17% (Non-consolidated:15%)	<ul style="list-style-type: none"> Enhance support for caring for children and others Actively employ female managers Develop an environment (systems, infrastructure, etc.) that supports securing diversity
44.0%	50%	100%	
-1.2% (Non-consolidated:11.5%)	9.3% (Non-consolidated:18.7%)	42% (Compared to FY2021) (Non-consolidated : 46% Compared to FY2013)	<ul style="list-style-type: none"> Calculate the Group's overall greenhouse gas (GHG) emissions Reduce GHG emissions from manufacturing processes Promote switching to renewable energy sources Construct a framework for cooperation with suppliers Promote development of CO₂ recovery and super absorbent polymer recycling technologies

Legal & Ethical Compliance ▶▶ P.59	Respect for Human Rights ▶▶ P.35-38	Environmental Protection ▶▶ P.43-44	Occupational Safety & Health Disaster Prevention ▶▶ P.46	Employee's Health & Job Satisfaction ▶▶ P.31-34
Foundations to Support			Business Continuity	

Medium-Term Business Plan (FY2023-2025)

Consolidated Performance Targets (FY2025)

FY2022 Results		FY2025 Targets	
Net sales	¥143 billion	Net sales	¥160 billion
Operating income	¥10 billion	Operating income	¥12 billion
Targets assume the following: 1 CNY = 19.5 JPY 1 USD = 135 JPY Price of naphtha = 70,000 JPY/kℓ			

Groupwide Initiatives

Reap Fruits of Research & Development

Help to achieve carbon neutrality by developing technologies such as those that can separate and recover CO₂ in low concentrations or recycle super absorbent polymers

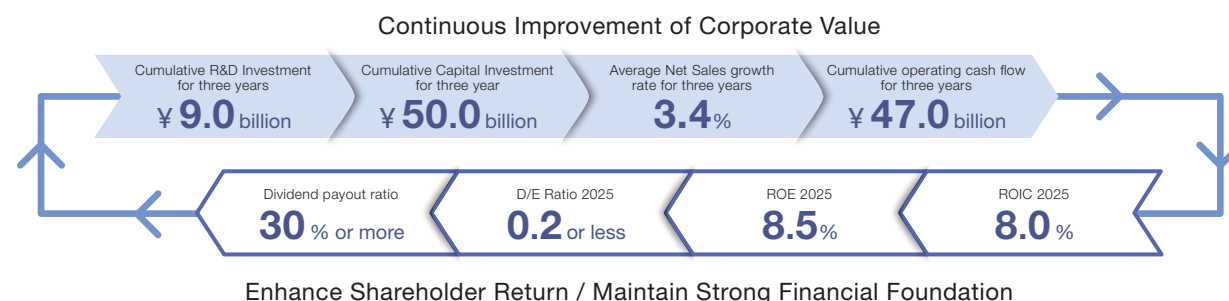
Net sales of new products in FY2025 (ratio to net sales)	Cumulative R&D expenses for FY2023-25 (ratio to net sales)
¥21.5 billion (13%)	¥9 billion (1.9%)

Promote Thorough Streamlining

- Renew the ERP system and improve the business process
ERP system (SAP S/4HANA) started operations in FY2023
- Roll out uniform best practices
Share internal best practices and roll them out to other departments
- Boost productivity by innovation of production activities and further accelerate R&D, based on digital technology
Analyze/utilize manufacturing data to stabilize quality and reduce losses, and consider automation of off-line business
Utilize digital technologies to accelerate R&D and develop human resource

Boost Sustainability Initiatives

- Effort toward six material issues, including the achievement of carbon neutrality (monitor progress via KPIs)
- Collaborate with stakeholders in the supply chain and elsewhere
- Put in place a sustainability promotion system, and enlighten and educate employees about Group policies and issues faced
- Train personnel via proactive investment in human capital, such as in reskilling or supporting independent learning



Business Strategies

Super Absorbent Polymers Segment

FY2022 results	Net sales	¥105.6 billion	FY2025 targets	Net sales	¥120.0 billion
	Operating income	¥5.3 billion		Operating income	¥7.5 billion

Build Resilient Business Structure	Grow by increasing production capacity Maintain/improve profits through streamlining and high-value-added products					
	<ul style="list-style-type: none"> ● Forecast for the hygiene materials market Global growth rate: 4-5% (children: approx. 3%; adults: approx. 8%) 	<ul style="list-style-type: none"> ● Ramp-up Plan <ul style="list-style-type: none"> ● Candidate: Asia (Decision during FY2023) ● Production capacity: 66,000 tons per year (Group production capacity: 511,000 tons per year) ● Start of operations: Scheduled for 2025 				
Reap Fruits of Research & Development	Launch of new products (development under progress)					
	<ul style="list-style-type: none"> ● Consideration for the environment and safety <ul style="list-style-type: none"> ● Launch super absorbent polymers that help to reduce waste and consumption of materials ● Develop/supply safer and more secure products in response to trends in chemical substance control ● Adding more value to products <ul style="list-style-type: none"> ● Add functions for specific applications, such as deodorization ● Customize products based on regional/customer preferences and applications 	<ul style="list-style-type: none"> ● Net sales of new products (ratio to net sales) <table border="1"> <tbody> <tr> <td>FY2022 Result</td> <td>FY2025 Target</td> </tr> <tr> <td>¥10.4 billion (10%)</td> <td>¥18.5 billion (15%)</td> </tr> </tbody> </table>	FY2022 Result	FY2025 Target	¥10.4 billion (10%)	¥18.5 billion (15%)
FY2022 Result	FY2025 Target					
¥10.4 billion (10%)	¥18.5 billion (15%)					
Promote Thorough Streamlining	Completion of manufacturing process improvement work and visualization of its effect Investigation and implementation of measures toward further rationalization					
	<ul style="list-style-type: none"> ● Materialize the effect on planned projects (approx. ¥3.0 billion) by FY2025 by improving overseas bases. ● Add to the effect by examining/implementing more streamlining measures, such as improvement of manufacturing process that contributes to reduction in CO₂ emission intensity. 					

Functional Materials Segment

FY2022 results	Net sales	¥37.2 billion	FY2025 targets	Net sales	¥40.0 billion
	Operating income	¥5.0 billion		Operating income	¥4.5 billion

Build Resilient Business Structure	Grow by increasing sales of electronics gases Reform business structures to secure high profitability					
	<ul style="list-style-type: none"> ● Electronic materials <ul style="list-style-type: none"> ● Continue building supply system in response to the growing demand ● Expansion Plan ● Products: high-purity CO, high-purity SO₂, high-purity NH₃, etc. ● Locations: existing plants in Japan/South Korea ● Start of operations: 2023-2024 (one by one) 	<ul style="list-style-type: none"> ● Environment and energy <ul style="list-style-type: none"> ● Continue to develop a system to supply battery materials to cater to rising demand ● Medicine and lifestyles <ul style="list-style-type: none"> ● Maintain market share, promote thorough streamlining. Continue safe, stable operations ● Projected withdrawal from certain parts of the business 				
Reap Fruits of Research & Development	Concentrate resources on key areas to accelerate development in the energy and electronics materials fields					
	<ul style="list-style-type: none"> ● Electronics materials <ul style="list-style-type: none"> ● Develop materials for next-generation semiconductors ● Energy <ul style="list-style-type: none"> ● Develop electrolyte additives for new lithium-ion batteries 	<ul style="list-style-type: none"> ● Net sales of new products (ratio to net sales) <table border="1"> <tbody> <tr> <td>FY2022 Result</td> <td>FY2025 Target</td> </tr> <tr> <td>¥1.5 billion (4%)</td> <td>¥3.0 billion (8%)</td> </tr> </tbody> </table>	FY2022 Result	FY2025 Target	¥1.5 billion (4%)	¥3.0 billion (8%)
FY2022 Result	FY2025 Target					
¥1.5 billion (4%)	¥3.0 billion (8%)					
Promote Thorough Streamlining	Thorough streamlining of existing products					
	<ul style="list-style-type: none"> ● Promote through a project that brings together production, sales, research, and indirect departments 					

Financial Strategy

We will steadily implement investment plans and lead it to enhanced corporate value.

Director and Managing Executive Officer
MACHIDA Kenichiro



Performance Trends

FY2022 results

Net sales increased due to selling price changes and the weak yen. The advantages of the weak yen outweighed negative effects of price margins.

In fiscal 2022, in addition to prices of raw materials and fuels remaining high, energy prices, logistics expenses and other costs also rose. We went ahead with sales price revisions for products, including super absorbent polymers, but price margins overall were worse than for fiscal 2021. Despite this, the weakness of the Japanese yen in foreign exchange markets greatly helped exports from Japan, which exceeded the negative impact of worse price margins.

FY2023 Forecasts

Sales volume will increase.

Operating income will decrease due to higher fixed costs and negative impact of exchange rates.

In fiscal 2023, we predict that net sales will rise due to an increase in orders for super absorbent polymers in Asian market and a recovery in sales of electronics gases because of inventory adjustments in the semiconductor industry in the latter half of the fiscal year. In terms of profit or loss, raw material prices are likely to be lower than in the previous fiscal year, but—working on the assumption that the yen will strengthen to reach 130 yen per US dollar—the foreign exchange loss is expected to outweigh positive growth in price margins. The start of operations for new facilities in South Korea for electronics gases and the new ERP system will lead to higher fixed costs, so operating income is also forecast to drop.

Net sales and operating income

	FY2021	FY2022	Increase/ Decrease	FY2023 (Forecast)	Increase/ Decrease
Net sales	¥115.6 billion	¥143.0 billion	24%	¥150.0 billion	4.9%
Operating income	¥8.1 billion	¥10.5 billion	30%	¥9.5 billion	△9.5%
JPY/USD	112.38	135.48	—	130.00	—
JPY/CNY	17.51	19.75	—	19.50	—
Price of naphtha	¥56,600/kl	¥76,600/kl	—	¥65,000/kl	—

New Medium-Term Business Plan Initiatives

Capital investment

Leading capital investment to profitability

The new three-year medium-term business plan, which will run until FY2025, incorporates capital investment of 53 billion yen (completed contracts) to achieve the plan's four main aims, i.e., "Build Resilient Business Structure," "Reap Fruits of Research & Development," "Promote Thorough Streamlining," and "Boost Sustainability Initiatives."

Construction of a new production facility of Super Absorbent Polymers

A major part of efforts to build a resilient business structure is the construction of new super absorbent polymer facilities in Asia, and we are moving ahead with concrete studies aimed at starting operations in 2025. This would mark the first time in around six years that the Group has added to its production capacity. As well as being located close to markets where future growth is predicted, a strength of the new facilities is the high productivity that comes from introduction of streamlining processes and energy-saving technologies we have developed. We have positioned the new facility as a production base that will support our global business expansion in the 2030s and beyond.

Greater production capacity for electronics gases

In the functional materials segment, meanwhile, we are carrying out and planning further investment in Japan and elsewhere to strengthen our production capacity for electronics gases, which are used in the manufacturing of semiconductors. As this is being implemented in response to our customer, major semiconductor companies in Asia and we predict higher profitability after the facilities come online, we can expect to recoup investment costs at a comparatively early stage. As we predict higher profitability after the facilities come online, we can expect to recoup investment costs at a comparatively early stage. Since the latter half of last year, production levels for semiconductors have been adjusted around the world, but we foresee no great changes to their investment plans, which remain focused on future growth in demand.

R&D, streamlining, and sustainability

In terms of our other focuses—reaping the fruits of research & development and boosting sustainability initiatives—in the former, we are constructing pilot plant for super absorbent polymers, while in the latter we are developing PSA method-based separation and recovery equipment for low concentration CO₂. Toward promoting thorough streamlining, our plans are to carry out facility improvement work gradually in Japan and elsewhere in order to introduce streamlined processes for producing super absorbent polymers, and we expect to achieve results worth 3 billion yen during the period of the plan.

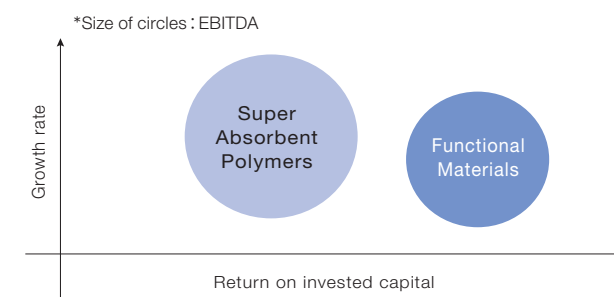
Judgment criteria for capital investments

When considering making capital investments, we analyze opportunities and risk through various lenses, including market trends, technology, intellectual assets, laws and regulations, and the impact on the environment. At the same time, we carry out case studies on financial indicators such as CFROI or the time needed to recoup investment costs with a number of assumptions. In fiscal 2023, we decided that for increases or decreases in GHG emissions that would result from capital investments, we would calculate the financial impact based on internal carbon pricing (¥10,000/t-CO₂), and add this to the above mentioned financial indicators.

Issues of business portfolio

The process by which we make capital investments includes studies into how growth potential, profitability, and cash flows of each business are changing. To this end, we calculate the business growth rate, ROIC, and EBITDA for each major product group, and map these out.

FY2022 business portfolio (conceptual view)



Business portfolio : issues and future actions

	Issue	Action (Capital investment)
Super Absorbent Polymers Segment	Maintaining growth	Construct new facilities
Functional Materials Segment	Improving growth rate and EBITDA	Strengthen production capacity for electronics gases

By steadily linking capital investments into profitability one by one, we will realize a "stronger business portfolio", and aim to achieve our medium/long term targets for FY2030, which are a growth rate of 6% and ROIC of 10% or higher.

Shareholder returns

With respect to dividends of surplus, in fiscal 2022 we set a new standard for our dividend payout ratio of 30% or higher. This meant that the annual dividend per share rose from 120 yen per share in fiscal 2021 to 200 yen per share. We hope to further enhance shareholder returns by achieving the financial targets in our new medium-term business plan.

EBITDA, ROE, dividends per share, dividend payout ratio

	FY2020	FY2021	FY2022	FY2023 (Forecast)	FY2025 (Target)
Operating income	¥10.1 billion	¥8.1 billion	¥10.5 billion	¥9.5 billion	¥12.0 billion
EBITDA	154	130	156	155	200
ROE	10.4%	7.8%	10.4%	7.1%	8.5%
Dividends per share	¥100	¥120	¥200	¥200	over ¥200
Payout ratio	19.4%	28.0%	31.4%	41.5%	30%or more

Maintaining sound financial position

The investment amount during the period of the plan exceeds operating cash flows, while our D/E ratio target for the end of fiscal 2025 is 0.2% or lower. Set against a background of global inflation, there is a risk that the investment amount could increase, but we believe that by utilizing the funds we have at our disposal, we will ensure our finances remain sound.

Financial position

	End of FY2020	End of FY2021	End of FY2022	End of FY2023 (Forecast)	End of FY2023 (Target)
Bank borrowings balance at year-end	¥13.6 billion	¥14.1 billion	¥12.2 billion	¥10.0 billion	¥16.5 billion
Equity ratio	67.5%	64.9%	68.4%	70%	70%or more
D/E ratio	0.2	0.2	0.1	0.1	0.2

IR Activities

We work hard to ensure constructive communication that covers the Group's management policies, business strategies, and performance trends, among other topics, with shareholders and investors. Since November 2022, the number of participants in meetings and interviews has been increasing. We take feedback and questions onboard, and endeavor to make continuous improvements to our IR activities.

IR activities

	FY2021	FY2022
Investors meetings (times held)	2	2
Investors meetings (participants)	56	75
Small meetings (times held)	4	4
Individual meetings (times held)	30	40

IR calendar

FY2023	August 2023	FY2023 1Q financial results announcement
	November	FY2023 2Q financial results announcement
	February 2024	FY2023 3Q financial results announcement
FY2024	May	FY2023 full-year financial results announcement
	June	111th Annual Shareholders Meeting

Super Absorbent Polymers

By supplying our super absorbent polymer AQUA KEEP™, we aim to make people's lives richer and to continue to help society.

Business Summary

Super absorbent polymers can absorb water several hundred times more than their dry weight. AQUA KEEP™ has been incorporated into products from everyday necessities such as disposable diapers and pet sheets to industrial products such as water blocking materials for power and optical cables. We make use of its characteristic ability to freely control water absorption to flexibly meet the applications of users in regions whether in Japan or overseas, and it has gained high praise. With production bases in Japan, South Korea, Singapore, and France, we are well positioned to meet the demands of each region.

We will contribute to solving SDGs issues and improving the global environment and people's lives through the provision of products and services that leverage our uniqueness.

FY2022 results

● Net sales **¥105.6 billion** YoY + **¥26.6 billion**
 ● Operating income **¥5.3 billion** YoY + **¥2.9 billion**

In fiscal 2022, sales were positive. Due to factors such as price revisions and the impact of foreign exchange rates, both net sales and operating income improved from the previous fiscal year.

Production capacity (tons per year)	
Japan	210,000
South Korea	118,000
Singapore	70,000
France	47,000
Group total	445,000

As of March 31, 2023

Hygiene materials



AQUA KEEP™ is utilized as absorbents in products such as disposable diapers and feminine hygiene products, due to its ability to quickly absorb liquids and retain most of the absorbed liquid, which enables it to keep the absorbent surface smooth and dry. Moreover, high absorbency of AQUA KEEP™ can reduce the amount of material used, and as a result, it greatly helps with making the absorbent core thinner and more compact.

Pet sheets



AQUA KEEP™, used for absorbent core inside pet sheets, is able to reliably absorb urine, which makes looking after pets easier. The "Spot Absorption" which prevents wetness of pets' feet without spreading urine applies our unique technology.

Water blocking materials



Water blocking materials that use AQUA KEEP™ can also be found in power and optical cables, due to its ability to instantly absorb liquids and swell up when a cable's coating agent is damaged, preventing water from reaching the inside of the cable. The AQUA KEEP™ series has a world-class speed of absorption, and has garnered praise for its use in water blocking materials for high-value-added cables.



Director and Managing Executive Officer
TOYA Takehiro



Our Technologies

The technology we use to control polymerization during polymer synthesis is one of the Group's core technologies. This technology formed the basis for the development of AQUA KEEP™, the mass production of which requires an inverse phase suspension polymerization method that is globally unique. AQUA KEEP™ is characterized spherical shape and has exceptionally sharp particle size distribution and uniform dispersion. This results in excellent characteristics in a range of areas, such as absorption speed, gel strength, and gel stability over time. It allows the user to control absorbency to meet different applications and needs.

We will maintain and enhance product value through new development, customization, or technical services to cater to our customers' interests.

Due to the characteristics detailed above, AQUA KEEP™ is perfect for use in super absorbent polymer sheets (SAP sheets) that do not use a spongy pulp, but instead sandwich a layer of super absorbent polymers between nonwoven fabric layers. In China, disposable diapers that use SAP sheets are very popular, which has led to praise for AQUA KEEP™ and its widespread use.

Business Strategies

In the super absorbent polymers market, demand for children's diapers in developing countries is growing as their populations increase, and demand for hygiene products for adults in developed countries is on the up. As a result, we expect to see global market growth of 4 to 5% per year (approx. 3% for children's products, 8% for adults').

We aim to develop this business while keeping an eye on changes to the business environment, and will be accelerating the following initiatives, as outlined in the medium-term business plan.

1. Continue streamlining and establish a revenue structure that can prevail in the commoditized market.
2. Expand production capacity, and strengthen the production framework to meet demand in each region.
3. Supply even safer products.
4. Maintain and enhance product value through new development, customization, technical services, environmental efforts, and responding to changes in customers' wishes.

Build Resilient Business Structure

In order to build a resilient business structure, we intend to construct new plant facilities with an annual production capacity of 66,000 tons. In India and Southeast Asia, population increases and improved lifestyles resulting from economic development have led to expectations of an increase in the number of disposable diapers for children. In order to take advantage of this demand, we have selected Asia as our candidate region and we are investigating the detailed specifics, etc., of location and facilities. We aim to have the new plant begin operations in fiscal 2025, and with its addition the Group's total production capacity will reach 511,000 tons.

Reap Fruits of Research & Development

In fiscal 2025, we aim to have new products make up at least 15% of sales, and we will focus our energies on developing new products that consider the environment and safety, and have added value.

1) Consideration for the environment and safety

In fiscal 2021, we developed products that meet European environmental regulations. We continue to respond to trends in chemical management, and are working to develop products that offer even greater safety and peace of mind. Moreover, we are using new technological concepts to develop super absorbent polymers that exhibit even better water absorption per unit weight. This is help contribute to reductions in hygiene materials and those waste.

2) Adding more value to products

We are developing products for added-value disposable diaper with improved deodorization, thinner absorbent core, and better leak prevention. Under the previous medium-term business plan that ran until fiscal 2022, we focused our efforts on developing products with high-grade deodorization and thinner products better able to prevent leaks to meet the diverse needs of the Asian market. Under the new plan from fiscal 2023, we will continue to promote these types of development.

In Japan, Europe, the Americas, and other developed countries, growth is expected in a market for high-added-value products such as slimmer disposable diapers and increasingly popular disposable diapers for adults. We aim for market penetration for our high-performance products that utilize our original manufacturing technologies. In China, where market growth is expected for disposable diapers, and we are carrying out activities for development that accurately capture those market needs through our bases in the region. In Southeast Asia, South Asia, and the Middle East, demand for disposable diapers for children is steadily growing, and by promoting the technical services that we have implemented so far, we will construct and maintain robust relationships with the customers.

TOPICS

We will accelerate R&D using digital technologies. Our aim is to introduce materials informatics (MI), a materials development technology that uses artificial intelligence (AI), to more efficiently identify optimal solutions from a wide range of substance combinations. We are currently working to train the data engineers who will be able to harness this MI technology.

Promote Thorough Streamlining

Since 2018, the streamlining that we have been working toward through the project framework has expanded to cover not only improvements to manufacturing technologies, but to every stage of the supply chain, from purchasing raw materials to internal and off-site logistics and expenses related to trading companies. By fiscal 2022, we had materialized around 5 billion yen of savings, mainly by improving manufacturing processes, reconstructing our production framework, and streamlining the supply chain. Part of our improvement works were delayed by the pandemic, but we have been gradually implementing these, particularly at Himeji Works but also overseas plants. We will continue to pay attention to the balance between supply and demand, and by working to ensure we do not miss timings, we plan to materialize the effect of around 3 billion yen by the end of fiscal 2025.

Also, we will add to the effect by examining and implementing more streamlining measures, such as improving manufacturing processes to contribute to reductions in CO₂ emission intensity.

TOPICS

With the aim of speeding up commercialization research for super absorbent polymers, we decided to construct a new pilot plant at Himeji Works. Utilizing this plant, we hope to accelerate the development of new grades of polymer and better manufacturing processes.

Boost Sustainability Initiatives

1) Environmental initiatives

One of the main applications of super absorbent polymers is the disposable diaper, which—as the name suggests—are disposed of after use. As such, the environmental issue of how to deal with waste is an important one. We are actively endeavoring to develop super absorbent polymers that are more environmentally friendly.

- Developing new products to meet desires of diapers with a longer time usage or a smaller quantity of SAP per diaper
- Making finished products slimmer through high-performance products, which also reduce the environmental impact of their transportation
- Developing super absorbent polymers that use naturally derived materials
- Gaining accreditation for product manufacturing and processes that use materials with an accredited biomass balance
- Beginning studies into initiatives informed by the 3Rs (Reduce, Reuse, and Recycle), such as recycling SAP from used diapers

2) Product safety initiatives

Since fiscal 2020, as the project, we have been striving to reduce the environmental impact, and risks to people's health, in the development, manufacture, distribution, use, and disposal of AQUA KEEP™. While we had previously carried out similar efforts as part of our Responsible Care Activities, in order to provide products with even greater safety and peace of mind, we are promoting various measures as part of this project.

3) Super absorbent polymer recycling initiatives

In recent year, countries around the world have been looking into how to recycle disposable diapers. In Japan, guidelines in this direction have been set, led by the efforts of the Ministry of the Environment.

Since fiscal 2022, we too have been working to develop recycling techniques that will allow us to recover super absorbent polymers from used diapers. We are moving ahead with a particular focus on studies into establishing chemical recycling techniques, which break down the chemical structure of the super absorbent polymers so that they can once again be used as raw material.

TOPICS

ISCC (International Sustainability & Carbon Certification) PLUS certified our group companies

Sumitomo Seika Polymers Korea Co., Ltd. (SSPK, based in South Korea) and Sumitomo Seika Europe S.A./N.V. (SSE, Belgium) have been accredited under the ISCC PLUS program (mass balance approach) for the super absorbent polymers the two companies manufacture and sell.

The main materials used in the manufacture of super absorbent polymers, which are used to absorb water in disposable diapers and for other purposes, are acrylic acid and sodium hydroxide. This ISCC PLUS certification was awarded due to the use by SSPK of biomass-derived acrylic acid to manufacture super absorbent polymers and by SSE of biomass-derived acrylic acid and sodium hydroxide that had been manufactured using renewable energy to manufacture its super absorbent polymers.

With this certification, we can manufacture super absorbent polymers where the reliability of the materials' sustainable characteristics is guaranteed. These super absorbent polymers are also expected to help reduce CO₂ emissions throughout the entire life cycle of customers' products. In the future, we will construct frameworks through the Group so that other production bases can also offer this kind of super absorbent polymer.

Functional Materials

The products and services that we offer in the functional materials business are used in a wide range of fields, including electronics materials, the environment & energy, lifestyle, and medicine.

Business Summary

In the electronics materials field, we provide the electronics gases that are required to manufacture the semiconductors powering society's development. In the environment & energy field, we offer materials for batteries used in electric vehicles, as well as standard gases used as an analytical standard when measuring environmental pollution. In terms of the lifestyle field, we supply customers with cosmetic materials and coating agents used for such items as fences and shopping carts, while for the medicine field, we produce additives used in pharmaceutical manufacturing processes, medical glove materials, various pharmaceutical intermediates, medical gases, and other products. We manufacture and sell numerous products that are contributing to human health and people's comfortable lives.

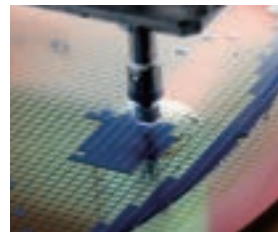
Going forward, we will continue to develop and offer products that can match society's needs. By doing so, we will work to resolve the issues of the SDGs—shared targets for the world—and help to make society more sustainable.

FY2022 results

- Net sales **¥37.2 billion** YoY **+ ¥14 billion**
- Operating income **¥5.0 billion** YoY **△ ¥0.4 billion**

For fiscal 2022, factors such as revisions to sales prices to cover rising costs and the impact of foreign exchange rate led to an increase in net sales compared to the previous fiscal year. However, operating income decreased with reduced sales volume of electronics gases due to the worsening of the semiconductor market in the latter half of the fiscal year, and rising prices for raw materials and fuel.

Electronics materials



Electronics gases are used in the deposition and etching of semiconductor devices such as memories, as well as logic and power ICs. The quality of our products, which push the limits for precision manufacturing and reduction of impurities, is well-received both in Japan and elsewhere. We also provide solvents that are created based on our sulfur compound synthesis technologies, to remove photoresists used in the semiconductor manufacturing process.

The environment & energy



In the energy field, we provide the automotive battery materials that are needed for EVs, which are predicted to become even more commonplace in the future. The standard gases, which are used as an analytical standard when measuring a variety of atmospheric pollutants, have a stable component density, which makes them highly reliable, and are widely used in fields such as investigating atmospheric pollutants, factory emissions, and vehicle emissions, or in measures to control those, at all stages from R&D to manufacturing process management.

Lifestyle



We produce and sell an extensive lineup of products that are helping to improve quality of life, from the water-soluble thickeners needed for cosmetics and toiletries, to coating agents that aim to enhance the durability of outdoor fences. We also offer the materials used to make the agricultural chemicals that help to ensure stable food supplies.

Medicine



We provide numerous products that find their way into pharmaceutical additives, pharmaceutical ingredients, and medical glove materials. Our pharmaceutical additives in particular have been highly praised by customers from the point of their functions, our quality management systems, and our good manufacturing practices for additives.



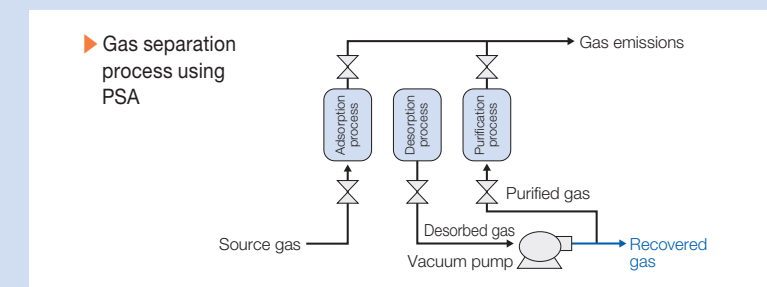
Director and Managing Executive Officer
MURAKOSHI Masaru



Our Technologies

- Our strengths lie in technologies such as polymerization, organic synthesis, micronization, gas synthesis, gas purification to high levels, gas analysis, and gas separation/refining using pressure swing adsorption (PSA).
- Using water-soluble polymer manufacturing technologies and micronization technologies, we provide a wide range of functional products that are necessary to make cosmetics or toiletries.
- We make use of our synthesis technologies for sulfur-containing compounds to manufacture battery materials, semiconductor materials, and pharmaceutical intermediates.
- Applying our synthesis of high-purity gases, advanced purification, and a quality assurance system based on highly accurate microanalysis, we offer an extensive lineup of trusted products for the semiconductor industry.
- We also provide production, recovery, and refining equipment for a variety of gases (hydrogen, oxygen, nitrogen, etc.) that utilize PSA and process engineering.

Pressure swing adsorption (PSA) is a technology that involves using adsorbents to take advantage of the difference in adsorption for various gases, and enables the separation and refinement of a desired gas by repeatedly oscillating between higher and lower pressures. With our extensive sales record and technical improvements in the field of PSA, our equipment can accommodate a wide range of gases, and the gases refined in this way can be used for a large number of applications, including for food items or industrial processes. In recent years, we have been developing PSA equipment that allows the efficient recovery of CO₂, a gas that is deeply connected to the problem of global warming.



Business Strategies

In the electronic materials field, the semiconductor market is predicted to continue growing alongside developments in digital technologies. In the energy and environment fields, we are aware that there are new business creation opportunities in areas such as the expanding market for materials used in rechargeable batteries, which is connected to moves to reduce greenhouse gas emissions.

With the aim of turning these chances into sustainable business growth, we will accelerate the four initiatives on the following pages, which have been set as priority issues in line with our medium-term business plan.

Build Resilient Business Structure

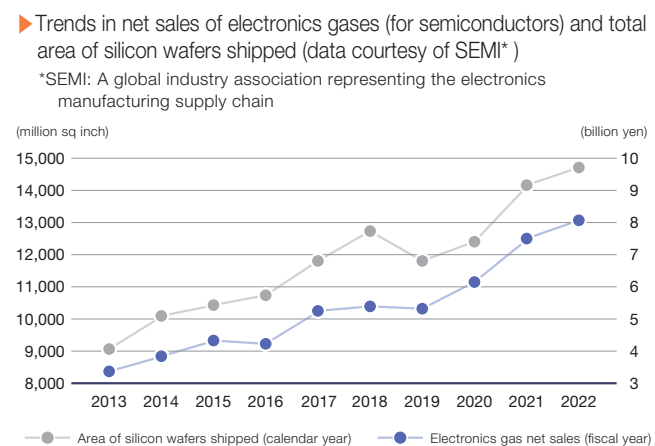
We are sequentially expanding our production capacity for electronics gases, which are used in manufacturing processes for semiconductors, in both Japan and South Korea. In fiscal 2023, at our subsidiary Sumisei Chemical Co., Ltd. (Hwaseong, South Korea), we began operations at our newly constructed high-purity carbon monoxide (CO) plant in order to match demand for the gas, which is growing due to use in the multilayer of 3D NAND flash memory devices. We have started to construct the same manufacturing equipment at Chiba Works, and we plan to launch commercial operations in the next fiscal year.

Going forward, we will continue to develop our supply networks to meet increasing demand for electronics gases in Japan, South Korea, Taiwan, and China. To that end, we will investigate investing more in products for which we foresee growth in demand, such as high-purity sulfur dioxide (SO₂) and high-purity ammonia (NH₃).

During the period covered by the current medium-term business plan, we expect to withdraw from certain products in the medicine field. However, we aim to further expand growth businesses, as well as accelerate the creation and development of new businesses, so as to switch to a business structure that secures higher growth and profitability.



Newly constructed high-purity carbon monoxide (CO) plant in South Korea



Reap Fruits of Research & Development

We develop products that are used as materials in a wide range of fields, including electronics materials, the environment & energy, lifestyle, and medicine. We are focused on using our many core technologies—including polymer synthesis and crosslinking, organic synthesis, micronization, gas purification to high levels, and pressure swing adsorption (PSA)—to develop products with added functionality.

Under our previous medium-term business plan, which ran until fiscal 2022, we launched to market AQUACHARGE, which is an aqueous binder for lithium-ion rechargeable batteries, and a high-purity propane electronics gas for use with silicon carbide (SiC) power semiconductors.

The new plan, which began in fiscal 2023, sets a target for new products to make up 8% of total sales by fiscal 2025. To achieve this, we are working on the development of a number of new products, including next-generation semiconductor materials, electronics gases, highly functional electrolyte additives to control gas evolution or rising resistance at lithium-ion battery electrodes, and insulation materials that can contribute to energy efficiency.

Promote Thorough Streamlining

Under the new medium-term business plan, we have set ourselves the targets of business growth of 7% and ROIC of 15% by fiscal 2030 as stepping stones to further future growth. To work toward their achievement, we have begun to work on the thorough streamlining of products, under a project framework that brings together production, sales, research, and indirect departments. Through these efforts, we aim to realize savings of 2 billion yen during the term of the plan. Also, by reducing energy consumption via manufacturing process improvements, we aim to help reduce greenhouse gas emissions. Going forward, we will boldly strive toward these efforts as a trial for how we can achieve sustainable growth.

Boost Sustainability Initiatives

We, too, want a sustainable society where humans can coexist with the planet. To play our part, we offer the battery materials used in electric vehicles and the standards gases that provide an analytical standard by which the density of atmospheric pollution can be measured.

Based on the technology behind our gas production, recovery, and refining equipment, which use the PSA techniques we developed over many years, we continue to develop equipment that can recover carbon dioxide even in low concentrations, something conventional techniques struggled to do. Also, to cater to societal needs for carbon neutrality, our development work includes cooperation with other absorbent manufacturers, with the aim of more rapidly establishing technologies and implementing them in society. Our current efforts include demonstration tests using our pilot equipment at Befu Works.

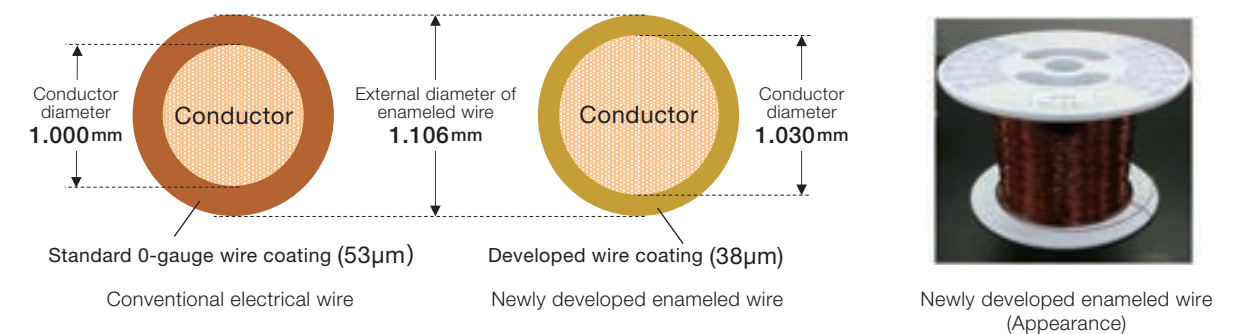
TOPICS

Development of insulating materials for smaller generators

In response to partial discharge from the winding wiring of smaller generators, we have developed a nano-composite insulating coating material that is highly durable. By lowering conductor resistance, this insulating coating material has been proven to contribute to the energy efficiency of smaller generators (by cutting lost electricity consumption by 7%). The results of this R&D have been praised by the New Energy and Industrial Technology Development Organization (NEDO), a national R&D body, and in February 2023 we were recognized as an outstanding company under the Strategic Innovation Program for Energy Conservation Technologies.

We aim to assist with the promotion of energy savings to help bring about carbon neutrality, and we are working on customer evaluations for this technology.

Insulation materials for smaller generators



Sustainability Initiatives

In order to support the industrial base and more comfortable lifestyles, and to bring about a sustainable society in which mankind can coexist with the planet, we ensure that all employees have a common understanding of the importance of sustainability and we are speeding up sustainability initiatives.

As a group, our aim is to work toward the world's common targets, the SDGs, to contribute to the sustainable development of society, and to meet the expectations of all of our stakeholders. As have set those initiatives we wish to carry out to help resolve societal issues in our Basic Policies on Sustainability, which forms the basis for a shared awareness and sense of values through the entire Sumitomo Seika Group and for our actions.

In line with these policies, we have been promoting Responsible Care activities—a necessity as a chemicals

manufacturer—in the form of efforts to improve the quality of occupational safety, environmental conservation, chemical safety, quality assurance, and in other areas. Equally, in terms of sustainability activities in cooperation with others outside the Group, we support and participate in various initiatives inside and outside Japan to promote efforts toward a sustainable society, meeting requests from national and local governments, industry bodies, and stakeholders, as well as to fulfill our role as a chemicals manufacturer.

Basic Policies on Sustainability

The Sumitomo Seika Group believes that it assumes corporate responsibility for contributing to resolving globally vital social issues from a long-term perspective.

In order to fulfill this responsibility, we promote sustainability management based on the following basic policies.

1. We support the foundation of industries and people's comfortable living through supplying high quality products and services.
2. We, as a chemical manufacturer, attach the highest priority to ensuring “zero accidents and zero injuries” and strive to achieve and maintain safe and stable plant operation as well as safe transportation of products we produce.
3. We conduct thorough quality management of our products and services so that our customers can use them to their satisfaction and with confidence.
4. We properly assess possible impacts of our products and production processes on humans and the environment to ensure their safety and promote environmental stewardship.
5. We disclose the progress of our initiatives for our sustainability management to our stakeholders, promote dialogue with them and reflect the outcome of such dialogue adequately in our business management.
6. We provide a sound work environment for our employees to work safely and in good health both physically and mentally, and also nurture a corporate culture that inspires the employees to challenge themselves to new or difficult tasks.
7. We, as a responsible corporate citizen, contribute, through our business activities, to the development of a sustainable society where humans and the Earth can live together.



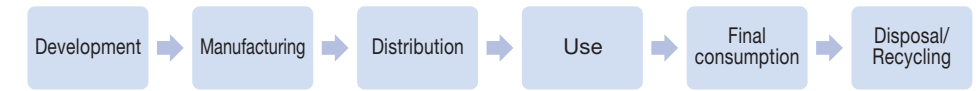
Responsible Care Activities

The term “Responsible Care” (RC) refers to activities companies that handle chemicals implement to independently ensure environmentalism, health and safety from the development of chemicals to their manufacturing, distribution, use, final consumption, and disposal. This includes publishing the results of these and engaging in dialogue with society. This global initiative is in use in 60 countries around the world.

In line with our Basic Policies on Sustainability, we take

our RC activities to be one of the main pillars of our management approach. We have added the keyword “quality” to the “environmentalism, health and safety” of conventional RC activities, and have set targets for each department, which we are now working to achieve.

In addition, we have signed the Responsible Care Global Charter, which was revised in 2014, and declared at home and abroad that we would conduct business activities in line with the spirit of RC.



Initiatives

Taking into account the requests we receive from national and local governments, industry bodies, and stakeholders, and our role as a chemicals manufacturer, we promote initiatives that aim to make society more sustainable, and to that end we provide support to, and take part in, a range of domestic and international initiatives.



The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board in response to a request by the G20. The organization advocates disclosure by companies and other bodies toward climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics & targets.



The GX League is a forum where companies that are actively working toward a green transformation (GX) can meet other players (from the worlds of government, academia, and finances) that are taking on the GX challenge, and together discuss reforms to the overall economic and social system and create new markets.



The Osaka Zero Carbon Smart City Foundation (OZCaF) aims to play a leading role in achieving the target of carbon neutrality by 2050 that the Japanese government set out by trialing more ambitious, pioneering SDGs-related initiatives from Osaka and rolling these out to the rest of the country.



The Human Capital Management Consortium promotes the sharing of case studies, discussions around corporate collaborations, and effective information disclosure surrounding human capital management. Participants include investors, the Ministry of Economy, Trade and Industry and the Financial Services Agency, and the organization is expected to gather funds at companies to proactively invest in people, and to tie that into growth.



Logo of “Partnership Building Declaration”

The Declaration of Partnership Building is a declaration where companies announce their support—by registering the name of their representative—from the standpoint of placing orders to build new partnerships by cooperating with supply chain partners and others aiming to create value, and striving toward mutual prosperity.

Promoting Human Capital Management

We will develop systems that focus on employability and job motivation, that enable employees to take on new challenges independently, and that lead to continuous growth and development for the company.

We at the Sumitomo Seika Group think of our people as a valued asset, and treasuring, developing, and utilizing our employees is the foundation of our business.

The Group is home to a wide range of diverse individuals, and we work to train them to think and grow for themselves. We are also implementing various measures to provide a workplace environment in which employees can work with peace of mind, which will enhance the entire organization's capabilities. From 2023, we have strategic personnel targets, and we will further promote human-capital-focused management as an integral part of our management strategy.

Human Resources Strategy

A wide variety of people with highly specialized expertise work together under strong leadership to take on challenges to solve problems we face—To become a professional group like this, we will proactively invest in the following activities:

1. Recruit and develop human resources with highly specialized expertise
2. Select and develop leaders
3. Promote DE&I
4. Provide a positive work environment

Promoting Human Resources Strategy

1. Recruiting and training highly specialist personnel

We are encouraging employees to acquire advanced knowledge and skills—such as through specialist training in various technical areas or support for self-improvement to develop capabilities. We are also actively looking to recruit individuals with experience and the specialisms to propel our global business development. Moreover, with the goal of more systematic personnel training, each year department managers and members of the General Affairs and Personnel Office hold training council meetings*, and conduct training that includes job rotations.

In addition to specialist training, we also provide support for independent career development to all employees.

One such training format is an invitational training that we are expanding, which we offer to employees who can think and act for themselves in order to provide them with the skills needed to demonstrate leadership. We also carry out job rotations on a fixed ratio, which can contribute to independent career development. By doing so, encourage employees to make their experience more valuable, such as by cultivating a mindset of looking at things from a range of perspectives. We will press forward with training into the advantageous and unique core technologies that make up Sumitomo Seika's "Chemistry" as described in our Purpose Statement for all Group employees.

*Training council meetings

At the year training council meetings, department managers and members of the General Affairs and Personnel Office check on the status of training for subordinates and consider job rotations.

The training council meetings follow a training policy created by management with reference to career development goals that employees set each year, and the council's discussions are fed back to subordinates.

Main FY2022 measures	Initiatives from FY2023
<ul style="list-style-type: none"> • Open career development training • Business skills training • Career development training • Recruitment of specialists • Job rotations through the training council meetings 	<ul style="list-style-type: none"> • Continue and expand open career development training • Continue to recruit specialist personnel • Further strengthen the effectiveness of training council meetings (set targets for implementation ratios for training rotations) • Improve transparency through measures such as reviewing the way in which the personnel evaluation system is operated



Representative Director and
Senior Managing Executive Officer
HAMATANI Kazuhiro



2. Identifying and training leaders

To identify executive candidates who can go on to be the next generation of managers, we take recommendations from each department for personnel that achieve results. In the HR Committee*, the management team hold discussions then determine, formulate, and verify training plans. In addition, as the overseas sales ratio is increasing, we will move forward with a program to identify and train the leaders who will help us win the global competition.

*HR Committee

As part of the committee, the management team discusses and implements processes to identify executive candidates for the Group, train them, and appoint them to important positions.

Main FY2022 measures	Initiatives from FY2023
<ul style="list-style-type: none"> • Verified the identification and training of executive candidates via the HR Committee (twice during the year) 	<ul style="list-style-type: none"> • Continue to convene the HR Committee • Redevelop the global personnel training system, etc.

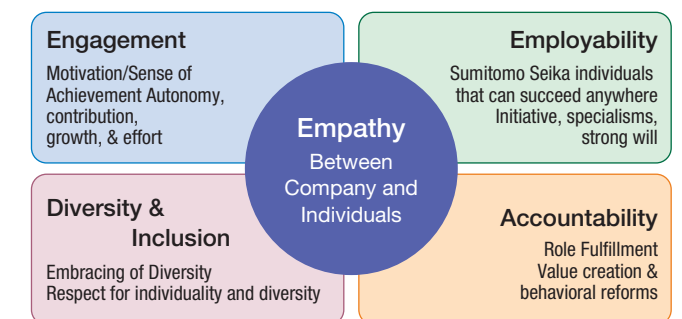
3. Promoting diversity, equity, and inclusion (DE&I)

In the Sumitomo Seika Group, we do not differentiate by gender or nationality, and we are home to individuals with varied lifestyles and diverse values. Business is becoming increasingly diversified and complex, and by fusing the knowledge and experiences of diverse personnel to constantly create new value, something that is imperative if we are to succeed on the global stage. As well as providing working environments suited to different backgrounds, we focus on employees' individual strengths, make use of the diversity of our personnel, and by combining their capabilities we will achieve greater global competitiveness.

Main FY2022 measures	Initiatives from FY2023
<ul style="list-style-type: none"> • Offered internships for foreign students • Newly constructed and expanded hygiene facilities at our plants in Japan 	<ul style="list-style-type: none"> • Expand the job fields in which female employees are active • Reform the reemployment system to utilize older workers • Foster a culture of complimenting one another (visualize via awards, etc.)

4. Developing better working environments

Employee satisfaction (where the individual identifies with a company and its goals) is also a key component of productivity, and we believe it is the wellspring from which the Group's growth flows. In order to strengthen this bond between the Sumitomo Seika Group and individual employees, we are forging ahead with various measures centered on the establishment of a better working environment.



1) Evaluation

As well as the stress checks that we conduct in order to gauge whether we have healthy environments in our workplaces, we also carry out engagement surveys to ascertain the degree to which employees identify with the Sumitomo Seika Group's aims. We have also established a forum where department managers can exchange ideas in order to the hurdles to improving employee engagement based on the results of the survey, and to come up with countermeasures.

2) Health and productivity management

The Sumitomo Seika Group's business activities come from healthy workers able to demonstrate their full capabilities. We also believe that helping employees and their families to maintain and improve their health—physical and mental—is another priority issue for management. As such we have formulated a health and productivity management policy, and we are promoting a range of measures.



Award logo of "Excellent Health Management Corporation"

3) Work-life balance (WLB)

We established a Work-life Balance Promotion Committee, which works to enhance the working environment so that employees are excited to work. We are also moving ahead with efforts to put in place a system that promotes a reduction in actual working hours (by encouraging employees to take leave or work more efficiently) and more flexible ways of working, such as those that enable employees to balance work with childcare or nursing care. We also run the SEIKA Mutual Aid Association with the aim of enhancing our employee welfare and contributing to the stability of employees' lives.



WLB Handbook for employees

Main FY2022 measures	Initiatives from FY2023
<ul style="list-style-type: none"> Improved workplace culture by implementing mentality management training (for department and section managers) Switched to a compensation system that takes into account roles and results by amending some benefits Became certified under the Certified Health & Productivity Management Outstanding Organizations Recognition Program in the large enterprise category Improved employees' health literacy by running health seminars Put in place a working environment where employees are excited to work <ul style="list-style-type: none"> Established remote working regulations Created an explanation booklet and held briefings to encourage greater understanding of the childcare leave system and set up a fund to encourage employees to use childcare leave via the SEIKA Mutual Aid Association 	<ul style="list-style-type: none"> Continue developing a working environment where employees are excited to work (start full-scale implementation of pulse surveys, etc.) Continue to be certified under the Certified Health & Productivity Management Outstanding Organizations Recognition Program

*Employee Desired

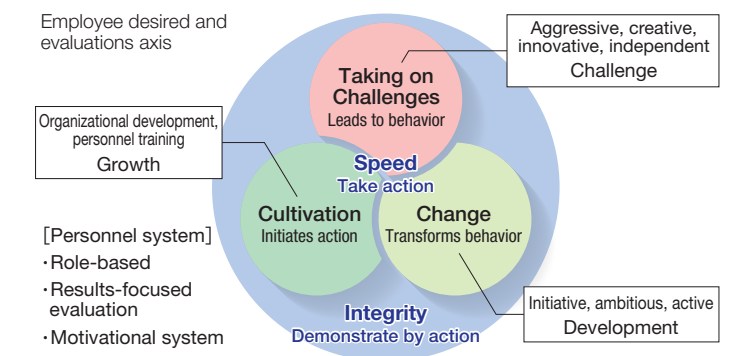
- Has a sense of purpose, independently takes on challenges
Always has a high awareness of targets, takes new challenges, and is enthusiastic
- Global outlook, anticipates change
Keeps an eye on the world's rapidly changing trends and stay ahead of the times
- Passionate, continues to grow as an individual
Some who aims to be an asset anywhere in the world, who is passionate and always strives to grow

The key concept behind our personnel system is to train employees and help them grow so that we can fulfill their dreams and those of Sumitomo Seika as a whole. To that end, we are pushing forward with reforms to develop a corporate culture in which diverse personnel are motivated and active participants.

Based on the idea of having people produce results in their roles, we have chosen three keywords—Taking on Challenges, Change, and Cultivation—to summarize what we desire and expect from our personnel, and are training and evaluating employees to motivate them to link their own and others' growth to the company's growth. The aim of this is to create significant results for the organization, and to improve our workers' employability and job satisfaction by meeting expectations for compensation commensurate with their achievements.

Moreover, by running a fair personnel system, we can encourage employees to change the way they think, and build an environment where diverse personnel want to work and can devote themselves to their jobs in their own way.

Training employees and helping them grow so that we can fulfill their dreams and those of Sumitomo Seika as a whole
Taking on Challenges, Change, and Cultivation



Employees Desired and Personnel System

Based on the Sumitomo Seika Group's Corporate Mission, we have set an ideal desired of our employees* and we carry out personnel training to help get them there.

Employees are called on to further enhance the knowledge and skills they require in their respective roles, and to demonstrate these to their full potential in their daily tasks. In addition, they need to envision their future career, and based on a goal management system, aim to increase the added value and efficiency of the work they are currently in charge of.

We have developed a personnel training framework that is largely predicated on the idea that employees want to learn for themselves, and that offers advice on what and how to learn in response to employee wishes. As part of that, we offer support to acquire a range of different qualifications and we also provide various opportunities to learn. Our goal is to tie in improvements in the knowledge and skills of diverse employees to help strengthen the entire organization, so in addition to on-the-job training and rotational training, we have a range of support programs for ways for employees to develop their abilities.

We also reflect the results of such development in employee treatment, just one of the ways in which we offer an environment where employees proactively work to develop their own capabilities and careers.

TOPICS

Town Hall Meetings—Direct Dialogue between President and Staff

Each year, the president tours all business sites in Japan, and uses this opportunity to hold Town Hall Meetings with employees to talk directly about management environment perspectives, progress toward the medium-term business plan, measures that the Company is working on, and other topics.

In each six-month period of fiscal 2022, Town Hall Meetings were held ten times, in a hybrid format that combined face-to-face meetings with online participation. Questions from employees touched on such areas as productivity improvements, carbon neutrality initiatives, communication, leadership, reskilling, and each meeting saw free and lively Q&A sessions.

These meetings provide an opportunity for employees to hear the president's thoughts firsthand for the president to hear employees' candid opinions directly.



Human Rights

The Sumitomo Seika Group Charter for Business Conduct acts as a code of behavior that all employees must adhere to. In it we declare to everyone inside and outside the Group that we do not permit any human rights violations including in the supply chain. We will continue to work in this area.

Basic Stance

As we put it in our Purpose Statement, “we will solve issues facing the earth and peoples’ lives through Sumitomo Seika’s ‘Chemistry.’” We recognize that preventing actions that go against human rights is part of that.

We respect the diversity and individuality of everyone in the Group and the supply chain, but also all those we have business dealings with. In order to develop environments where people are excited to live and work, we have set the efforts we must make toward respect for human rights in our human rights policy, and in the code of behavior that all employees should follow, the Sumitomo Seika Group Charter for Business Conduct. Based on these policies, as well as working on business activities and workplaces that value human rights, in the unlikely event that a breach should occur, we would endeavor to correct it.

Sumitomo Seika Group Charter for Business Conduct

The Sumitomo Seika Group (“the Group”) and every board member, executive officer and employee of every company of the Group must, in conformity with the following principles, act with the highest ethical standards and in a socially prudent manner, respect human rights and abide by all relevant laws, regulations and other rules.

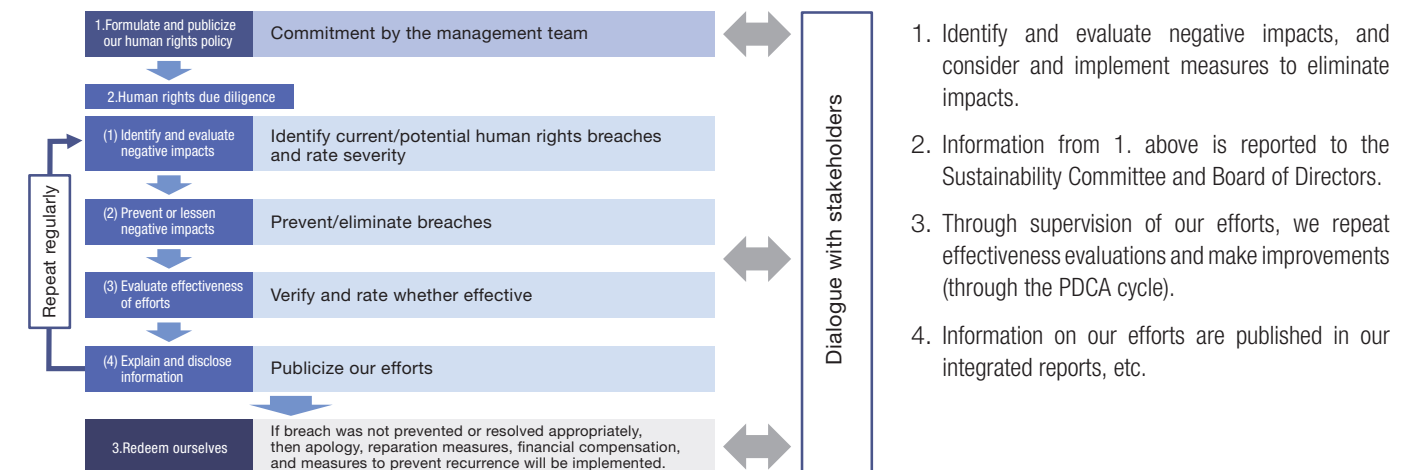
1. We contribute to society by developing and delivering high-quality and safe products and services.
2. We respect the intellectual properties and trade secrets of others and protect personal information and customer information thoroughly.
3. We never offer or receive economic benefits with the aim of gaining unjustified benefits or become involved in conduct that can lead to corruption involving a government official, whether domestic or foreign, nor engage in conduct that can impede fair and free competition.
4. We respect employees’ freedom of association and fundamental labor rights, including the right to collective bargaining, as well as their individuality, provide a safe, clean and harassment-free working environment and fair and non-discriminatory working conditions, and cultivate a workplace climate in which employees can gain a sense of fulfillment from their work.
5. We supply products that care for environmental stewardship, ensure stringent management of chemical substances, and take all possible measures to prevent accidents and ensure safety.
6. We respect human rights of every person who is engaged in the business of the Group and never carry out any act in violation of human rights, such as discriminatory practices, forced labor and child labor.
7. We disclose company information as appropriate and fulfill accountability to all stakeholders of respective companies of the Group, such as shareholders, suppliers, customers, employees, and local communities.
8. We not only abide by the laws, regulations and other rules of the countries in which we operate, but also respect their local cultures and customs, and contribute to the social and economic development of the countries as our business operations expand geographically on a global scale.
9. We stand firm against anti-social forces and groups and have no relationships whatsoever with them.
10. We require every person, in addition to those within the Group, who is engaged in the business of the Group as well as a corporation and an organization to which he or she belongs to conduct business in conformity with the letter and spirit of this Charter, thereby working together to build a responsible supply chain across the Group.



Human Rights Due Diligence

We identify negative influences on human rights and are working to construct human rights due diligence mechanisms by which we can reduce these. In fiscal 2022, we searched for and found risks that could negatively affect human right through our business activities, in our main businesses and our value chain. These were then evaluated. Next, we will strengthen countermeasures and reflect stakeholders’ opinions, and we plan to periodically review how we evaluate human rights risks and which risks are a priority for countermeasures.

Respect for human rights where we have responsibility, e.g., the supply chain



Potential human rights breaches and negative influences

Theme	Issue
Information disclosure	<ul style="list-style-type: none"> • Insufficient disclosure of important management information • Insufficient disclosure of important environmental and safety environment information
Supply chain relationships	<ul style="list-style-type: none"> • Forced/child labor • Violence/harassment • Links to anti-social/criminal activities
Employment/ labor-management relationships	<ul style="list-style-type: none"> • Failure to respect workers’ rights • Child labor • Discrimination based on race, ethnicity, class, beliefs, gender, etc. • Inappropriate working environment (unsafe machinery, unreasonable working hours or physical burden highlighting various issues, handling of hazardous substances, industrial accident, etc.) • Inappropriate salary
Environment	<ul style="list-style-type: none"> • Damage to water resources due to soil or water pollution, environmental pollution resulting in destruction of biodiversity, etc. • Danger in providing products or services
Bribes/requests for bribes	<ul style="list-style-type: none"> • Corruption, including paying bribes to public officials to pass customs, receive permissions, avoid regulations or taxes, or gain information • Corruption with business partners

Combating Human Rights Issues in the Workplace

Through the Sumitomo Seika Group Charter for Business Conduct and work regulations (including regulations to prevent harassment), we have made it clear that we respect human rights and diversity, and have clarified our policy of refuting any kind of discrimination or harassment. We also strive to raise employee awareness of human rights issues.

One specific training initiative is the harassment training we have carried out for all employees using e-Learning in fiscal 2022. The themes of this training were gaining basic knowledge about harassment and how to prevent “power harassment” (workplace bullying) and other types of harassment. For it we created original training videos, which made the content easy to understand visually. We have also stationed harassment consultants, comprising members of management and labor, at each Sumitomo Seika business site, and are constructing a system that can offer consultations quickly and easily. In order to improve the knowledge and ability to respond to queries of the consultation service, harassment consultants undergo online training provided by outside lecturers. Going forward, we will continue to enhance employees’ understanding of human rights and diversity.

Sound Relationships between Labor and Management

In collaboration with our labor unions, and with the mutual respect we show one another, executives and other employees are working together on a wide variety of measures to help Sumitomo Seika to develop further, toward employee growth, and to create environments that make it easier to work.

We make use of the Central Labor-Management Council, the Central Labor-Management Environmental Safety Committee, and branch labor-management councils at each worksite—which act as forums for exchanges of opinions on maintaining stable labor-management relations and their future—and verify opinions and wishes from employees and strive to form a shared awareness between both sides.

Furthermore, Sumitomo Seika and its labor union have concluded a union-shop contract, and 100% of the non-managerial employees of the Company are enrolled in the union.

Human Rights Consultation Service

We have set up internal and external whistleblowing hotlines and consultation services, which accept queries or feedback about compliance—including human rights and harassment—not just from employees, but also from business partners and anyone else involved in business activities. Where queries to the consultation service results in a human rights problem being discovered, we work with bodies such as the Legal Department or Personnel Department to resolve or prevent the issue.

In fiscal 2022, there were five queries (including those concerning harassment) and we were able to respond to these appropriately in line with the nature of each query. Moreover, there were no instances of forced or child labor, or any breaches of workers’ rights, such as their freedom of association.

Human Rights Initiatives in the Supply Chain

To ensure thorough respect for human rights throughout the entire supply chain, in February 2023 we formulated our Basic Policies on Sustainable Procurement (see opposite). In addition to clarifying our policy, it sets out areas related to respecting human rights such as preventing child or forced labor or managing working hours, and we are working on compliance in these areas. In fiscal 2023, we will introduce EcoVadis, a ranking platform that provides a corporate CSR evaluation service as part of the due diligence process, in order to construct a sustainable, responsible supply chain. By carrying out CSR surveys of business partners, we are also working to grasp the status of their efforts and we will be working with them to foster an awareness of the importance of respecting human rights.

Basic Policies on Sustainable Procurement

We have the following basic policies regarding the procurement of raw materials and services, based on which we will grow and prosper sustainably together with our business partners, contributing to the realization of a sustainable society at large.

1. We promote fair and equitable procurement.

- We provide equitable trading opportunities to all of our business partners on the basis of fair and free competition.
- Under the “Declaration of Voluntary Activities for White Logistics Movement” (*1) and “the Declaration of Partnership Building” (*2), we build cooperative relationships with our business partners, such as raw material manufacturers, business consignees, and transportation contractors, through sound and bona fide trading activities, thereby aiming to grow and prosper together.

(*1) The White Logistics Movement is a sustainable logistics campaign led jointly by Japan’s three government authorities, i.e. Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries. This initiative aims to improve productivity in truck transportation, create greater logistical efficiency, and realize a more comfortable working environment. The Declaration of Voluntary Activities is an announcement by a company or other entity to support the campaign, detailing its voluntarily, independent activities.

(*2) “Declaration of Partnership Building” is an initiative promoted by Japan’s Ministry of Economy, Trade, and Industry under which companies, regardless of sizes, declare their intention to build a new partnership with business partners across their entire supply chain by promoting collaboration with the business partners and seeking for their “co-existence and co-prosperity.”

2. We conduct procurement on the fundamental premise of respect for human rights, observance of laws and regulations and compliance with corporate ethics standards.

- We do not procure raw materials or services from geographical areas or other sources that might involve human right violations, such as mining of so-called conflict minerals.
- We construct and maintain an internal system capable of ensuring employees’ legal and ethical compliance and proactively provide employees with relevant programs of education and training.
- We take thorough measures to prevent the leakage of confidential information received from business partners.

3. We do not receive any personal gains from others in connection with procurement transactions.

- We never receive personal benefits in the form of entertainment, gifts, gratuities or others when procuring raw materials or services.

4. We fulfill our corporate social responsibilities jointly with our business partners toward realizing a sustainable society.

- Among the key issues constituting corporate foundations that support the continuity of our business is “Respect for Human Rights.” As an initiative to this end, we perform human rights due diligence across our supply chain, which includes identifying human rights risks, preventing or reducing human right violations, evaluating effectiveness of relevant measures taken, and disclosing information on the initiatives in place.

5. We attach importance to the following matters when selecting our business partners.

- In selecting a company as our business partner to procure from, we expend every effort to make a fair judgment by considering the following factors, in addition to “quality,” “price,” “stability,” “durability,” “technological superiority,” and “after-sales service” with respect to the specific raw materials and services to purchase.

- (1) The company has an established internal system dedicated to occupational safety and health management whereby constant efforts are made to promote disaster prevention & safety management and perform risk management.
- (2) The company has an internal system in place to ensure employees’ observance of laws and regulations and their compliance with corporate ethics standards.
- (3) The company is strict in respecting human rights and prohibiting discrimination, forced labor and child labor.
- (4) The raw materials and services we may procure from the company are not related in any manner to human right violations, environmental destruction, corruption, or political conflicts.
- (5) The company is engaged in work to eliminate adverse impacts of its business activities on the natural environment or is sincere in conducting business in an environmentally friendly manner.
- (6) The company agrees to collaborate with us in promoting initiatives to achieve carbon neutrality.
- (7) The company has no connection at all with antisocial forces.
- (8) The company agrees with us on all of the foregoing basic policies on sustainable procurement.

Climate Change Initiatives

To aid in our efforts toward carbon neutrality, we have formed a task force that brings together specialists from related departments, and we are working toward reducing greenhouse gas (GHG) emissions, providing environmentally friendly, low-GHG-producing products, and to capture and fix GHGs.

Climate change is affecting the global environment and a variety of influences that threaten our ways of life and the sustainable development of companies—such as abnormal weather, rising sea levels, and changing ecosystems—are appearing. There are concerns that continued global warming will further exacerbate these influences in the future. To try to mitigate some of these climate changes, we have established our Carbon Neutrality Policy, which covers the whole Sumitomo Seika Group, and are working to reduce the GHG emissions. Moreover, to prepare for impacts forecast to arise due to climate change, and to secure the continuity of our businesses, we strive to avoid or lessen climate-related risks and to enhance our resilience to such threats.

Policy and Goals

Carbon Neutrality Policy

Becoming carbon neutral is an issue of vital importance, and something we cannot avoid if we wish to achieve sustainable growth. Going forward, we will actively promote efforts to reduce our GHG emissions, and strive to help make society carbon neutral by 2050.

1.Reducing our own GHG emissions

We will endeavor to minimize the GHG emissions we generate as part of our production activities, while providing technologies that enable this to other companies in the Sumitomo Seika Group.

2.Supplying low-GHG products and environmentally friendly products

For our products and services, we plan to offer those that consider lifecycle assessments (LCA) to contribute to carbon neutrality, in order to innovatively reduce GHG emissions.

3.Assisting with society's carbon cycle

We want to create a circular economy together with local communities and society as a whole, and to that end we will continuously make technical innovations to recover, use, and fix GHGs. Furthermore, by working with diverse partners, we will set ourselves the target of helping to bring about that kind of society, and we will promote efforts to that end.

Goals

● Reduce Scope 1 and 2 GHG emissions

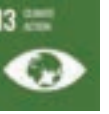
We aim to reduce emissions for the whole Group by 42% or more compared to FY2021 levels by 2030, and by 46% or more compared to FY2013 levels on a non-consolidated basis. We aim to be carbon neutral by 2050.

● Reduce Scope 3 GHG emissions

- Carry out lifecycle assessments (LCAs) for each product, and continue to strive to systematically reduce emissions.
- Calculate the carbon footprint (CFP) for each product (to be able to provide them by 2025).

● Work on technical innovations

- Innovate Sumitomo Seika products and technologies, and contribute to bringing about a carbon-neutral society.
- Develop CO₂ capture technology.
- Develop ways of utilizing CO₂ as a resource.
- Expand our lineup of environmentally friendly products.

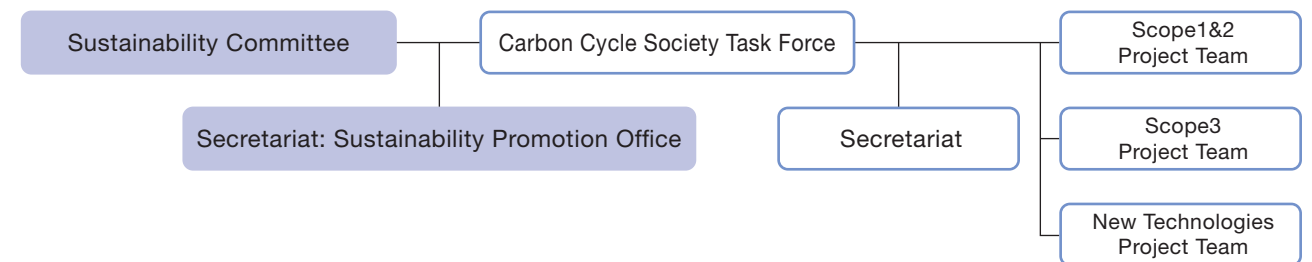


Organizational Framework to Work toward Carbon Neutrality

We launched an organization, the Carbon Cycle Society Task Force, to implement measures based on the Carbon Neutrality Policy. The task force comprises three project teams, one for each of the three issues identified in the targets, and works to achieve these goals. In order to roll these results out into society at large, we are looking into collaborations with diverse partners.

At the same time, we will move forward with preparation aimed at becoming accredited under the Science Based Targets initiative (SBTi) and work to mitigate climate change by investigating its potential future impacts and gradually adding other activities to further address these issues.

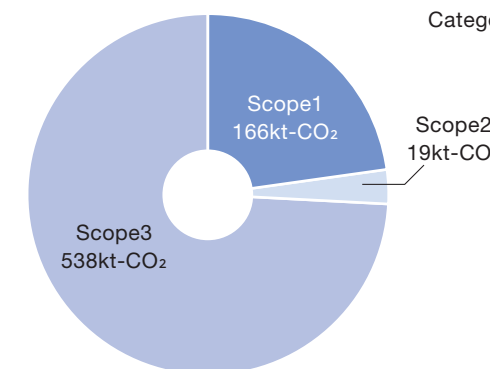
Organization chart



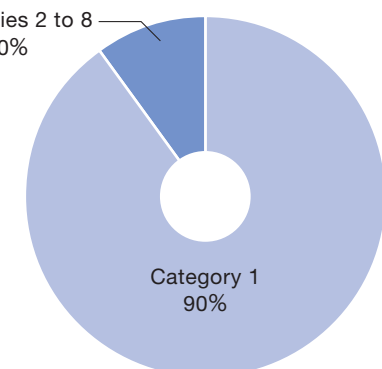
Greenhouse Gas Emissions (non-consolidated)

In fiscal 2022, Scope 1 emissions for the Company on a non-consolidated basis came to 166kt-CO₂, a slight decrease from fiscal 2021's 167kt-CO₂. Scope 2 emissions totaled 19kt-CO₂, down slightly from fiscal 2021's 20kt-CO₂. While production volume for super absorbent polymers, one of our flagship product groups, increased, continuous efforts to reduce GHG emissions—including improvements to manufacturing processes—played a part in this decrease. We calculated Scope 3 emissions for upstream categories 1 to 8, and the total came to 538kt-CO₂. Category 1 emissions made up 90% of this, so reducing emissions associated with purchased raw materials is an issue. Based on a new sustainable procurement policy that we formulated in fiscal 2022, we are promoting activities to reduce these emissions, hand in hand with suppliers.

Scope 1, 2, & 3 emissions



Scope 3 breakdown

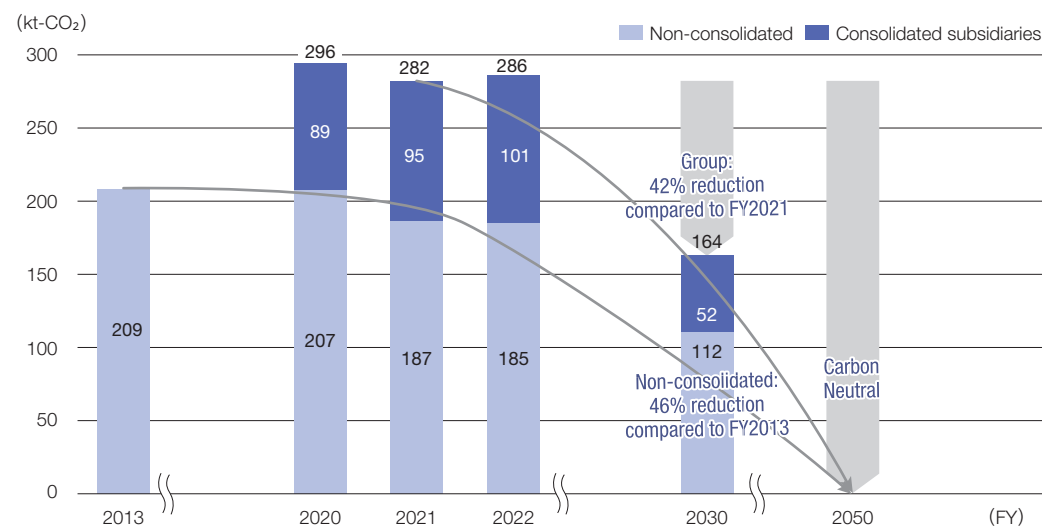


Greenhouse Gas Reduction Results

To reduce Scope 1 and Scope 2 GHG emissions, we are rolling out the production process improvements we are continuously working on throughout the Group. We are also making progress in switching to electricity that comes from renewable energy sources. However, between operations of our high-purity carbon monoxide plant in South Korea and an increase in the CO₂ emissions intensity in some of the vapor we purchase, the CO₂ equivalent for GHG emissions produced by consolidated subsidiaries totaled 101kt-CO₂ in fiscal 2022.

As the reduction target by FY2030, we have set the reduction target of 46% compared to fiscal 2013 levels on non-consolidated basis. For the group as a whole, we have added a new target of 42% reduction compared to fiscal 2021 levels, aiming to achieve carbon neutrality by 2050.

Scope 1 & 2 emissions



*Overseas emissions for FY2020–2021 have been adjusted in line with a review of CO₂ emissions intensities.

Scope 3 emissions (Non-consolidated)

(t-CO₂)

Category	Major Emission Source(s)	FY2021	FY2022
1	Purchased Goods and Services	432,687	485,448 (Group:1,116,611)
2	Capital Goods	5,575	12,998
3	Fuel- and Energy-Related Activities (Not Included in Scope 1 or Scope 2)	22,872	23,053
4	Upstream Transportation and Distribution	8,530	9,336
5	Waste Generated in Operations	5,263	4,496
6	Business Travel	144	144
7	Employee Commuting	674	688
8	Upstream Leased Assets	2,094	1,539

Theoretical Scenario Analysis

We have identified and analyzed risks and opportunities that will arise if global warming continues, in line with +4°C or +1.5°C global temperature rises. In this we have referenced the long-term scenarios (IEA NZE2050, IPCC AR6, AR5, SR1.5, etc.) published by the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC). We have also evaluated the degree of impact that the main risks and opportunities would have on the Sumitomo Seika Group, and are now looking into countermeasures for these.

Physical risks (in a +4°C world): Medium-to-long term to long term			
Changes to society	Major risks	Impact	Main responses
Growing severity of climate-related disasters (Heavy rain, tropical cyclones, etc.)	Halt to operations due to water ingress • High tides, high waves, flooding, etc. • Supply chains could be broken	Medium	Continuously strengthen BCP measures • Bolster response to climate change (high tides, high waves, flooding, etc.) • Reinforce the supply chain (cooperate with suppliers via sustainable procurement policies, etc.)
Rising temperatures Water shortages or worsening water quality	Worsening working environments, dropping productivity Droughts and poorer water quality could negatively impact operations	Medium	Make continuous improvements to working environments (install air-conditioners, etc.) Understand and work to combat water stress
Transitional risks (in a +1.5°C world): short-to-medium term to medium-to-long term			
Changes to society	Major risks	Impact	Main responses
Stricter measures/regulations	• Major increase in related infrastructure investments if NDC targets are raised and increases in technological investments • Increase in costs that go along with introduction of new measures or regulations, such as for higher carbon pricing	High	Make progress with GHG emissions reductions Implement measures toward energy efficiency, process optimization, CO ₂ capture, energy switching (such as introducing renewable energy), etc.
Technology	• Major increase in energy costs • Major increase in prices connected to moving to non-oil-based raw materials	High	Minimize energy and material consumption • Streamline super absorbent polymer processes and develop recycling technologies • Develop carbon recycling technologies, such as CCU
Market	• Consumer behavior (moves to control environmental impact) • Appearance of new rivals with new competitive angle	High	Reduce carbon footprint for each product Develop environmentally friendly products
Opportunities (limiting rise to +1.5°C): medium to medium-to-long term			
Changes to society	Major opportunities	Impact	Main responses
Phasing out of fossil fuels	Increased demand for hydrogen and biogas	High	Improve performance of PSA and expand business for hydrogen, methane, etc.
Transition to a recycling-oriented society	• Demand for smaller CO ₂ capture technologies could grow • Increased demand for products that help reduce environmental impact, such as recycled products	High	Improve performance of PSA for CO ₂ and commercialization Introduce technologies that can make CO ₂ a usable resource Develop recycling technologies

Water-Related Risks

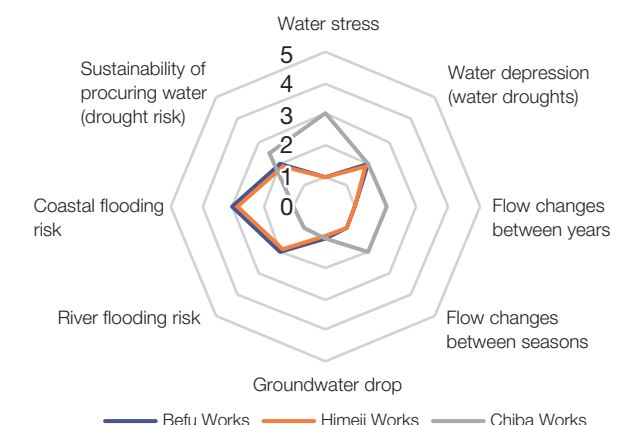
As we are in the chemicals industry, whether or not we are able to continue ensuring a stable supply of good-quality water will have a major impact on the sustainability of our business going forward. As such we believe it is highly important that we look into the types of water-related risk that face each of our production sites and consider appropriate measures to address them.

Current evaluation results

For the plants in Japan, we are aware that the likelihood of water-related risks becoming a reality is relatively low, but with global warming continuing, we recognize will rise. For production sites in coastal regions, we are continuing to evaluate risks with added information such as hazard mapping, and we will strive to ensure we can respond appropriately to any water-related risk. In the future, we will also evaluate water-related risks for the sites outside Japan.

Water stress (shortage) rating (Calculated using WRI Aqueduct)

	Baseline (current)	Forecasts (2040, RCP8.5)
Himeji Works	Low	Medium to high
Befu Works	Low	High
Chiba Works	Medium to high	Medium to high



Environmental Pollution Initiatives

In addition to our efforts to prevent the pollution of the atmosphere, water or environment surrounding our business sites, we also work actively to combat global warming through activities that save energy sources such as fuel and electricity, and to recycle waste, so as to make society more sustainable.

Saving Energy

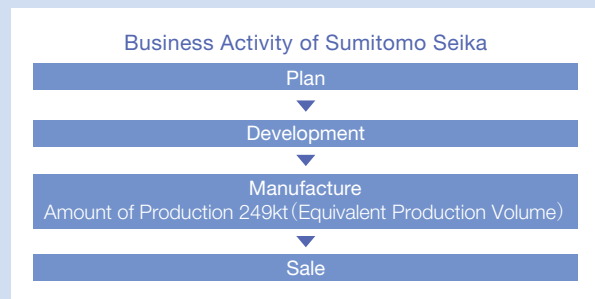
We are identifying and managing energy consumption on a "per-unit" production basis of our principal products (unit energy consumption), and striving to reduce it. In fiscal 2022, against our target of a 1% reduction on a year-to-year basis, we achieved a reduction of 1.5% (provisional figure) by streamlining manufacturing processes and updating to more energy-efficient machinery, among other efforts.

We will continue on our ardent efforts to save energy, which are centered on further streamlining of manufacturing processes, while also moving forward with the introduction of non-fossil-fuel energy, such as from solar power generation or by purchasing electricity that is certified to come from non-fossil-fuel sources.

► Environmental Impact (FY2022)

Energy Consumption (Crude Oil Equivalent)	82,113kℓ
Water Consumption (Excl. Seawater Used for Cooling)	4,902thousand m ³
Raw Material Consumption	260kt and 2,289kNm ³

▼ INPUT



▼ OUTPUT

Air	CO ₂ (Converted amount)	(kt)	185
	SO _x	(t)	0.6
	NO _x	(t)	60.1
	Soot Dust	(t)	0.5
	PRTR Substances	(t)	35.2
Water	Effluent	(thousand m ³)	4,143
	COD	(t)	42.6
	Total Nitrogen	(t)	10.1
	Total Phosphorus	(t)	1.26
Industrial Waste	Unit Waste Generation	(t/t)	0.043
	Waste Disposal by Contractors	(t)	7,388
	Recycling Rate	(%)	68
	Amount of Final Landfill	(t)	155

Conserving the Atmosphere and Water Environments

As part of our efforts to conserve the atmosphere, we are working to reduce emissions of substances covered by two laws: the Air Pollution Control Act (soot and smoke and volatile organic compounds (VOCs)) and the Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (Law concerning Pollutant Release and Transfer Register (PRTR)). Levels of soot and smoke rose slightly, but thanks to reduction efforts VOCs and substances covered by the PRTR decreased to 91% and 75% of the previous year's results respectively.

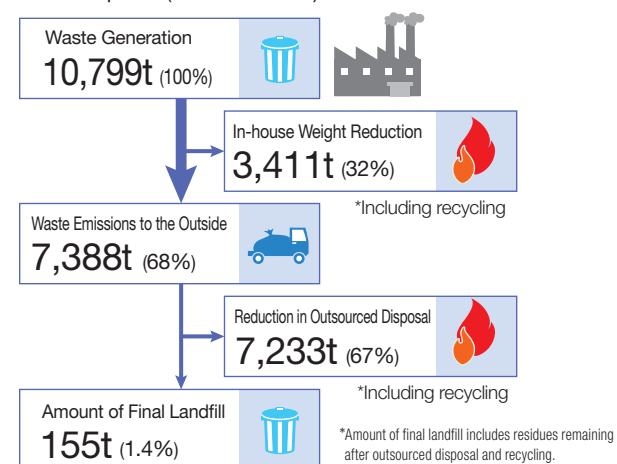
In terms of water and marine environment conservation, for the seas, lakes, and marshes that our plants in Japan border, we thoroughly manage emissions of water pollutants. In particular, for the Seto Inland Sea which is a closed water region, we maintain low levels of emissions for COD, total nitrogen, and total phosphorus.

Waste Treatment Activities

For waste treatment, we adhere firmly to the Waste Management and Public Cleansing Act as we try to reduce our environmental impact and so to that end, we are working to reduce the amount of waste produced as well as the amount of waste that ends up in landfill (to 1% or less of total waste).

In fiscal 2022, due to a change in product compositions, the amount of waste we produced actually increased, but as a result of our studies into disposal methods, the amount that ended up in landfill reduced by 20% compared to the previous fiscal year after we started being able to recycle more in the latter half of the fiscal year.

► Waste Disposal (FY2022 Result)



► FY2022 Environmental Accounting and Economic Results

(Millions of Yen)

Fiscal Year		2020		2021		2022	
Classification of Environmental Conservation Cost		Investment	Expenses	Investment	Expenses	Investment	Expenses
Business Area Costs	Pollution Prevention Costs	10	264	12	246	2	250
	Global Environmental Conservation Costs (Global Warming, Energy Saving)	19	1,642	39	1,635	149	2,468
	Resource Recycling Costs	9	309	0	323	8	359
Upstream/Downstream Costs		0	11	0	11	0	11
Administrative Activity Costs		12	159	0	176	2	227
R&D Costs		41	253	4	184	13	167
Social Activity Costs		0	2	0	2	0	2
Environmental Remediation Costs		0	0	0	0	0	0
Total		91	2,640	55	2,577	174	3,484
Economic Results		656		165		239	

Method of Calculation : The amount of investment, running costs, and other expenses are calculated by proportionally dividing the proportion related to environmental preservation from the execution cost.

► Performance data in Works (FY2022)

		Befu Works	Himeji Works	Chiba Works	
Energy (Crude Oil Equivalent)	(kℓ)	12,400	67,700	1,930	
Air	CO ₂ (Converted)	(t)	46,100	133,500	5,400
	SO _x	(t)	0.6	—	—
	NO _x	(t)	6.0	53.2	0.9
	PRTR Substances	(t)	2.1	26.5	6.6
Water	Effluent	(thousand m ³)	1,958	1,908	277
	COD	(t)	26.0	16.0	0.7
Waste	Quantity	(t)	7,235	3,467	97
	Recycling Rate	(%)	51.7	100	97.9
	Amount of Final Landfill	(t)	147.4	7.5	0.4



Logistics Transportation

The environment surrounding logistics transportation both in Japan and elsewhere has changed dramatically in recent years. In Japan, logistics will be massively affected from April 2024 when drivers' working hours are set to be restricted. From a global perspective, an important issue will be to establish a global logistics transportation method that is safe and stable.

By focusing on dialogue and cooperation with logistics companies—who are valued business partners—we are continuously improving the quality of our sustainable logistics, making efforts to develop transportation methods that are safe and accurate, reducing CO₂ emissions, and streamlining logistics.

Theme	Measure(s)
Thorough compliance	<ul style="list-style-type: none"> • Raised awareness of related laws and regulations, participated in training activities inside and outside the Group Responded swiftly to revisions to laws
Promotion of sustainable logistics	<ul style="list-style-type: none"> • Declaration of Voluntary Activities for White Logistics Movement* (FY2019) • Made efforts throughout the entire supply chain (Collaboration between Sumitomo Seika, logistics companies, and suppliers, and sharing of goal awareness)
Initiatives for the reduction of CO ₂ emissions	<ul style="list-style-type: none"> • Promote a modal shift (received the Maritime Transport Modal Shift Grand Prize and Excellent Green Logistics Commendation Program Award (FY2022)) • Investigated introduction of future fuel types (renewable diesel, etc.) • Shortened transportation routes and reviewed and lessened transportation frequency
Response to problems set to start in 2024	<ul style="list-style-type: none"> • Reduced long-distance transportation • Improved the efficiency of transportation by placing new inventory bases
Construction of a sustainable logistics system	<ul style="list-style-type: none"> • Strengthened cooperative relationships with logistics companies • Diversified transportation routes and selected multiple loading/unloading ports • Ran emergency drills by working with the Marine Disaster Prevention Center (MDPC)
Improvements to logistics transportation safety and quality	<ul style="list-style-type: none"> • Strengthened measures to secure safety when transporting dangerous items • Switched from bulk carrier to roll box pallet for high-pressure gases • Updated aging tank containers
Streamlining of logistics	<ul style="list-style-type: none"> • Constructed a shared logistics system with other companies (joint recovery of empty pallets and domestic container ship transportation with other companies) • Improved the direct shipping rate (by reducing the use of external warehouses) • Investigated optimized logistics that make use of global networks
Collaboration with logistics companies	<ul style="list-style-type: none"> • Carried out training for logistics companies (raise chemical understanding of transported items) • Implemented drills to prepare for the spread of a major disaster if an accident occurs during transportation • Acted to secure safety and health of workers at logistics companies • Shared initiatives aimed at safe logistics environments between Sumitomo Seika and logistics companies (held an annual meeting with logistics companies involved in transporting hazardous items)



Sumitomo Seika Logistics Safe Environment Cooperation Committee meeting



Occupational Safety & Health / Disaster Preparedness

We aim to create workplaces where employees can work in safety and peace of mind, which we hope to achieve through our use of an occupational safety and health management system, as well as various effective methods and tools at different workplaces.

Occupational Safety

To accomplish zero accidents involving lost workdays, we are working to create safe and comfortable workplaces, through measures such as utilizing an occupational health and safety management system; implementing risk assessments, hypothetical near-misses, and KY (kiken yochi, or risk prediction); internal audits and patrols of different workplaces by managers; and through disaster preparedness activities during construction by ensuring strict construction management.

In fiscal 2022, we were able to ensure there were zero accidents involving lost workdays, including at group companies and partner companies, but there were four incidents that did not lead to any workdays lost.

As well as thorough investigations into the causes of accidents to ensure similar incidents cannot possibly happen again, and coming up with countermeasures and rolling these out to other workplaces, we review past risk assessments. This helps us to further unearth potential risks and we are making progress with countermeasures. Through these activities, we hope to continue our record of zero accidents involving lost workdays in the next year and beyond, while we will also do our best to achieve zero accidents not involving lost workdays.

Health

The goal for our activities has been the development of systems and measures related to safety and health (accident prevention and health maintenance) that lead to better health and productivity management.

In March 2023, we were certified under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program, which grants certification from the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (Japan Health Conference), in the large enterprise category. The program recognizes, as METI puts it, “companies and other organizations that implement particularly good health and productivity management,” and this is the fourth year in a row that we have been certified. As part of our measures to raise employee engagement, we have expanded our training about mental health matters and our seminars that look to raise awareness of health. We

Disaster Preparedness

Our aim is zero major accidents.* So as well as implementing risk-reduction measures, we are systematically inspecting and updating equipment (planned maintenance). This prevents incidents that occur as the result of equipment deterioration, and we are working toward safe, secure operation of machinery. As part of our efforts to prepare for natural disasters, we are also pressing forward with earthquake-proofing work.

As a result, in fiscal 2022 there were zero major accidents. There was, however, one incident requiring reporting. As the incident occurred in nonstandard operation, we are reviewing judgment criteria used when working in non-standard operation.

Furthermore, in order to respond promptly and adequately in the event of an accident, we systematically conduct drills on emergency response.

*Major accidents

An accident that causes damage costing 10 million yen or more, or that causes human damage resulting in a lost workday or worse.

have added lectures on “line care” (where employees can consult their line managers) to the training curriculum for new executives and employees, and strengthened our efforts to encourage understanding of these issues among managers. We also conduct engagement surveys alongside our stress checks, and the results of these are fed back to executives and department and section managers through training. By linking this into invigorating our organization, we are moving forward with efforts to develop workplace environments where employees find it easy to work.

Through continued collaboration with Health Promotion Committee, we plan to make further improvements by promoting health and productivity management, pushing for greater use of counseling, and supporting those returning to work.



Chemical Substance Management

As our goal is to provide sustainable products made from safe chemicals, we respond quickly and effectively to any issues arising from chemical substances.

Chemical Substance Management Policy

In countries around the world, various laws and regulations that restrict the use of chemical substances are currently being tightened to conserve the global environment and to protect people's health and lifestyles.

These regulations cover finished products, but also the chemical substances used when manufacturing the product or included in the product itself.

We work hard to ascertain the chemical substances found in our products—such as our sanitary, medical, and cosmetic products, and those that contact food, which have a big impact on people's bodies and the natural environment—and evaluate their safety, and strictly adhere to various laws and regulations. We are also investigating chemical substances that could be covered by regulations in the future, and working to check usage situation of our products.

Chemical Substance Management Methods

In order to manage chemical substances, we need to estimate the risks they pose and reduce this to a permissible level (see the Topics box below for more details).

We analyze and ascertain the chemical substances included in our products, and we estimate the risk for each by acquiring scientific information on their danger and toxicity and by carrying out safety tests on our products. Based on the results, we work to lessen risks by reducing the amount of the substance used or by substituting it for a safer substance.

When selling products overseas, we gather information from official documents or experts about the regulations in each country pertaining to restrictions on chemical substances, and by responding appropriately we adhere to the laws and regulations of the countries in which we sell.

Measures in FY2022

In fiscal 2022, we carried this kind of information gathering on regulations and similar, and consulted with experts on our response to each country's relevant laws (Act on the Regulation of Manufacture and Evaluation of Chemical Substances in Japan; EU REACH in the EU; UK REACH in the UK; KKDİK in Turkey; TSCA in the US; Measures for Environmental Management of New Chemical Substances in China; Regulations of New and Existing Chemical Substances Registration in Taiwan; etc.) and to each country's application-specific regulations (for cosmetics, items that come into contact with food, biocides, medicines, etc.). We also moved to environmental labeling that lays out

information more clearly based on objective standards, such as Europe's Ecolabel scheme, for products that benefit environmental conservation.

From the perspective of product stewardship* and autonomous management, as well as various chemical substitutions and efforts to lessen their use, we collated data on chemical substances that may be covered by regulations in the future, and investigated how we would respond to that.

*Definition of the Product Stewardship Initiative :
The act of minimizing the impact a product and its packaging has on health, safety, the environment, and society throughout every stage of its lifecycle, while also maximizing economic benefits

TOPICS

What Risks Do Chemical Substances Pose?

Certain substances have the potential to adversely affect the human body and the environment. The severity is rated according to the strength of its toxicity and the amount of exposure. To lessen the risks of harm, it is necessary to reduce either the toxicity (by no longer using it, substituting it for something else, etc.) or the exposure (by reducing the amount used, the frequency with which it is used, attaching protective equipment, etc.).



Quality Initiatives

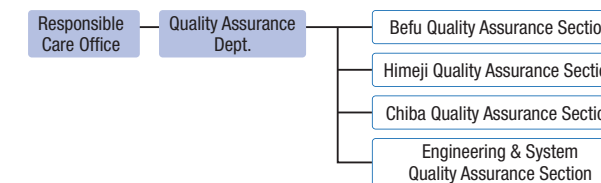
We carry out thorough quality assurance and quality control to provide products and services customers can use safely and with peace of mind, and our goal is to contribute to society's sustainable development.

Uniform Quality Assurance System

In all areas, we operate a uniform quality assurance system that qualifies for certification under ISO 9001, an international standard for quality management systems certification.

In order to roll out quality assurance activities across the Group, the Quality Assurance Department in the Responsible Care Office—the latter being the corporate administrator—oversees quality assurance, and is developing a quality assurance organization that includes a Quality Assurance Section in each plant in Japan.

Quality Assurance Organization



Maintaining and Improving the Quality Assurance System

The Quality Assurance Department carries out plant quality audits and QC patrols at each of our plants in Japan.

Acting as auditors, QA Department members implement plant audits together with plant departments to seek opportunities to make improvements, and tie these into preventing quality problems.

On QC patrols, we inspect workplaces with a focus on the 3Ss (sort, sweep, and standardize) and visual management (displays and signs), or manufacturing divisions and QA divisions work together to identify quality-related risks on-site, hammer out problems, and implement improvement measures.

Promoting a Global Quality Assurance Organization

With our overseas sites, a Global Quality Meeting is held twice a year to exchange information and discuss issues related to quality and product safety activities. We also carry out quality training and are working to strengthen our quality assurance organization and foster a culture of focusing on quality at our overseas sites too.

Group-Wide Quality Assurance Activities

Every month the Quality Assurance Department holds a Quality Assurance Department Liaison Meeting, at which the implementation of QA activities is coordinated and discussed and subsequently communicated to our sites in other regions of Japan.

At the Monthly Quality Review Meeting, the causes and measures to prevent recurrence for quality problems (complaints, claims and internal nonconformance) are discussed, and the appropriateness of these verified. These are compiled in the Monthly Quality Report, which is shared with executives and department and section managers, as well as overseas sites, to enhance our quality assurance throughout our group.

Furthermore, as preventive measures, we utilize quality risk assessments and come up with measures to address dormant risks discovered by workers themselves, to prevent quality problems with our products before they can occur.

Fostering a Focus on Quality

In order to provide products and services that offer customers satisfaction and peace of mind, we believe it is vital that we bolster the quality management system that forms the basis of our quality assurance and quality control activities, and that we cultivate a culture of focusing on quality to energize those activities. As such, we regularly hold quality seminars and run systematic quality training to foster this kind of culture.

We also need to secure and train the personnel necessary for quality assurance and quality control, and so alongside systematic quality training we are enhancing the specialisms of employees involved in tasks that require especially high degrees of quality assurance, such as in medical fields, with specialist training.

Furthermore, we also hold periodical overseas plant quality audits focused on quality management system implementation status and the progress of initiatives to prevent quality problems as part of joint quality activities with each worksite.



Relationship with Local Communities and Society

By supporting local participatory events, gatherings, and educational activities, we aim to contribute to the sustainable development of the regions and of society, and to build good relationships with local communities and society.

Regional Events

On August 2, 2022, we took part in “Summer Edutainment,” an event for kids and parents put on by the town council of Harima, in Hyogo. Our class was entitled “Let’s use the power of chemistry to make food models!” In 2020 and 2021, the event was called off due to COVID-19, so this marked the first time it had been held in three years, and the tenth time we have joined the fun.

Our class involved using materials that can found in the home such as wax or laundry starch to make models of

food items or slime, and magic experiments that utilized our super absorbent polymers. Participants enjoyed themselves but were also able to learn about the power of chemistry. Through these activities, we are stimulating an interest in chemistry in children for the future, and we expect this to lead to chances for them to think more about environmental issues.



Edutainment

Community Outreach

- Free access for neighboring residents to some of our grounds

We open up some of our grounds to neighboring residents, and allow nearby nursery schools to use them for their sports days, or community associations or retiree groups to play ground golf or use our spaces for various other activities.

- Community cleanups and beautification activities

Each Works carries out regular cleanup activities of roads and other areas around the site.



Opened up grounds in use



Community cleanup near Chiba Works

Training Activities: Opportunities for Work Experience

We accept students for work experience to provide them with a chance to think about their academic major, views on work, and their lives. In fiscal 2022, we took in junior high school students as part of a “Trial Week” organized by the city of Himeji in Hyogo. We also ran internships for students from high schools, technical colleges, and universities, which, including those who participated online, involved around 150 students.

In the internships for university students in particular, we put on a program that incorporated practical training. For example, during groupwork, students gave presentations on business models and received individual feedback from

some of our employees. Opinions given by the participating students included the following: “It was a really great opportunity, the advice I received is something I can put to good use when I start job hunting,” and, “Thanks to the kind feedback, I was able to better understand actual business systems and the characteristics of the industry; it will really help me when it comes to choosing my path.” In the future, we will continue to support these educational activities to offer students valuable opportunities to deepen their understanding of how companies work and see what working really looks like, but also to consider their own futures.



Interns at work at our Osaka Head Office



Trial Week* at Himeji Works

*Through various hands-on activities in the local community, the Trial Week helps junior high school students realize the meaning and joy of work, increase their awareness as members of society, and find their own way of life.

Other Activities

- Monetary Donation

Since fiscal 2021, from the perspectives of both health and productivity management and our social contribution, we have participated in Love Walk, a walking event organized by the Japan Committee for UNICEF (JCU). In order to give back to society through the benefits of our health promotion activities, we calculated an amount of money with one yen for every 1,000 total steps made by employees who took part in the event. The total was then added to donations from employees and donated to the JCU. In fiscal 2022, even more people took part, and the amount of money raised based on step count was even higher than the previous fiscal year.

- Blood Donation

We host blood drives for the Red Cross Blood Center at our sites, and each time a whole host of employees take part.

ユニセフ・ラブウォーク



Logo of UNICEF Love Walk



Donating blood at Osaka Head Office

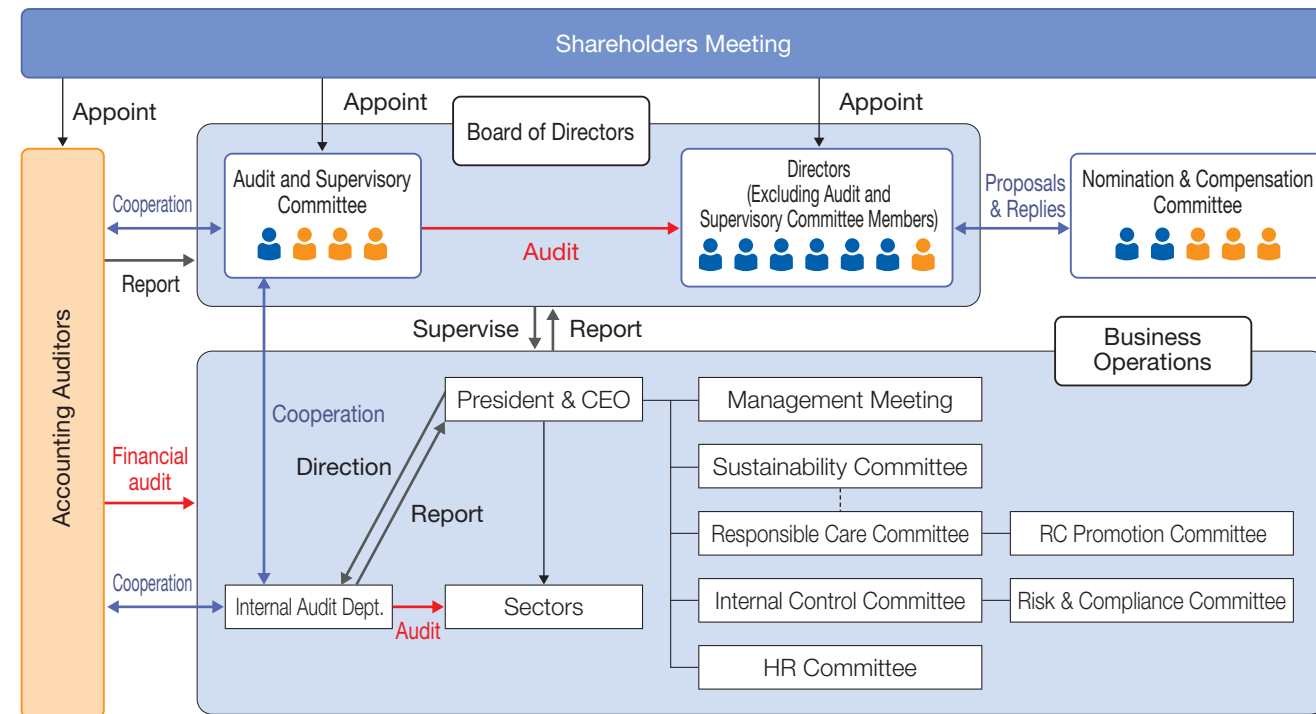
Corporate Governance

Basic Stance

Sumitomo Seika is committed to its Corporate Mission, which is “Following the Sumitomo Business Spirit, the Sumitomo Seika Group will contribute to the advancement of society by developing world class creative technologies in the field of chemistry and, based thereon, supplying unique, high-quality products to people around the world.” To ensure Sumitomo Seika’s sustainable growth and enhance its corporate value over the medium to long term, we are working to strengthen and enhance our corporate governance in accordance with the following policies.

- We ensure that our shareholders are provided with all of the information that they need to properly exercise their rights and with opportunities to exercise such rights, and that all shareholders are treated equally.
- We foster a corporate culture that respects the interests of our stakeholders, including shareholders, customers, employees, and local communities, and proactively cooperate with them.
- We establish and implement a code of conduct that our executives and employees must abide by and appropriately manage an internal control system.
- We promote appropriate and adequate information disclosure through such means as publishing financial information in English and providing information via the website in a timely manner, thereby ensuring management transparency.
- Given its fiduciary responsibilities and accountability to shareholders, the Board of Directors presents the management policies and corporate strategies of Sumitomo Seika Group and makes timely and bold decisions in order to promote sustainable growth and improve the Group’s medium to long term corporate value.
- We engage in constructive dialogue with our shareholders toward achievement of sustainable growth and increased medium to long term corporate value, and we clearly explain our management strategies and plans in an easily understandable manner through such dialogue.

Inside Director Outside Director



Corporate Governance Structure

On June 25, 2021, we transitioned from a company with a board of corporate auditors structure to a company with an audit and supervisory committee structure in order to further enhance corporate governance and management transparency by strengthening the supervisory function of the Board of Directors, as well as to accelerate decision-making and thereby further increase our corporate value.

The current management structure consists of seven directors (excluding those who are members of the Audit and Supervisory Committee) and thirteen executive officers (including five who concurrently serve as directors).*

In order to strengthen corporate governance, realize efficient management, and enhance competitiveness, we have adopted an executive officer system that separates directors, who are responsible for formulating basic corporate policies, determining strategies, and supervising business execution, from executive officers, who focus on business execution.

*Under the Articles of Incorporation, the number of directors (excluding those who are members of the Audit and Supervisory Committee) is limited to ten and those who are Audit and Supervisory Committee members to five.

Body	Times met in FY2022	Summary
Board of Directors	13	As well as deciding on management strategies and other important management matters, in accordance with laws and regulations, the Board of Directors takes reports on business execution and other topics from individual directors, and provides oversight to directors’ business execution and other duties. The term for directors who are not members of the Audit and Supervisory Committee is one year, and candidates are nominated by the board, after considering reports by the Nomination and Compensation Committee, and then selected at the Shareholders Meeting.
Audit and Supervisory Committee	14	The Audit and Supervisory Committee audits directors’ business execution from the perspective of legality and appropriateness, thereby contributing to the improvement of the Company’s corporate governance. It also shares opinions and deliberates about, and investigates, a wide range of topics related to the suitability and effectiveness of management, and compliance, as well as offering advice or suggestions on legality and suitability. The committee consists of one director (full-time Audit and Supervisory Committee member) and three external directors (Audit and Supervisory Committee members), and conducts effective audits by combining the independence of the part-time members with the information-gathering capabilities of the full-time member.
Nomination and Compensation Committee	4	The Nomination and Compensation Committee is a consultative body that offers advice on the selection of executives, the nomination of directors, and matters pertaining to remuneration. More than half of its members are independent external directors. It gives the Board of Directors advice on the selection of executives and on decisions about their compensation, to ensure that these processes are transparent and fair.
Management Meeting	26	The Management Meeting holds discussions among executives when the Company decides on management strategies or other important management matters.
Sustainability Committee	2	The Sustainability Committee carries out a number of duties to promote sustainability management, including formulating sustainability policies, making sustainability plans, verifying and improving sustainability promotion at Sumitomo Seika and group companies, and other tasks necessary to promote sustainability management.
Responsible Care Committee	2	The Responsible Care Committee discusses and determines the drawing up of medium- and long-term plans connected to safety, the environment, and quality (incl. risks and compliance); the formulation of fiscal-year plans for the entire Group; major changes to task systems; measures to combat major problems; and other topics.
Internal Control Committee	2	The Internal Control Committee receives reports on how our internal control systems are operating, offers necessary guidance to different parts of the organization as well as the Risk & Compliance Committee, and works to maintain and enhance internal controls in order to bring them together.
HR Committee	7	The HR Committee is responsible for the selection and training of executive candidates and appoints them to, and continuously reviews, important positions (department manager equivalent of higher, special-grade reemployment, etc.)

Board of Directors

Major investigations undertaken by the Board of Directors in fiscal 2022 are as follows.

Theme	Main areas of discussion
Management	Formulation of fundamental principles and FY2023-2025 medium-term business plan
Sustainability	Approval of the integrated report
Corporate governance	Determination of matters related to the Shareholders Meeting, Board of Directors effectiveness evaluation, internal control evaluation, and determination of the Sumitomo Seika Group Charter for Business Conduct
Nominations, remuneration, & organization	Selection of representative directors and directors, determination of executive officer nomination and director remuneration policies, determination of allowances for director remuneration, and organizational reforms
Financial results	Approval of financial results and budgets, and determination of dividend policy (increases in dividend payments)
Business activities	Determination of large-scale investment projects

Evaluating the Effectiveness of the Board of Directors

One aspect of our efforts to improve corporate governance is an evaluation of how effectively the Board of Directors is operating. See below for the results of the evaluation for fiscal 2022.

How we judge effectiveness

Board of Directors effectiveness evaluations are carried out according to the following processes.

- ① Each director completes a self-assessment (questionnaire)
- ② Interviews are conducted based on the answers given in ①
- ③ Based on ① and ②, the current situation is analyzed, and issues identified
- ④ The Board of Directors discusses the effectiveness evaluation and issues based on ③

The self-assessment includes the following topics:

- Operations of the Board of Directors and its systems (no. of agenda items, time allocated, etc.)
- Composition of the Board of Directors
- Status of discussions, explanations, and reports at the Board of Directors
- Status of oversight by the Board of Directors (of areas such as implementation of business plans, risk management, internal controls, and compliance)
- Oversight of training for those who will succeed to executive posts
- Status of efforts toward issues identified in the previous year's effectiveness evaluation

FY2022 Board of Directors effectiveness evaluation

Based on the results of the questionnaires and interviews conducted with each director, the Board of Directors discussed the status of efforts toward issues from the last evaluation, as well as issues with the effectiveness of the board in the most recent fiscal year and measures to address these. Taking all of the above into consideration, the Board of Directors determined that it was adequately fulfilling the roles and functions it expected of itself. For more details, please see below.

Status of efforts toward issues identified in the previous year's effectiveness evaluation

The Board of Directors responded to issues identified in the previous year's effectiveness evaluation as follows:

- (1) The Board of Directors' oversight of business execution and the setting of KPIs
For the Board of Directors to oversee business execution, it has set both financial and non-financial KPIs. Non-financial targets have also been set announced with the formulation of the medium-term business plan for FY2023-2025.
- (2) A Board of Directors composition that contributes to better governance
To enhance governance, the Board of Directors were appointed as independent external directors who have experience of corporate management at the 110th Annual Shareholders Meeting on June 23, 2023.
- (3) Other (① formulation of the medium-term business plan, ② reporting to the Board of Directors by the Management Meeting, etc.)
With regard to ① formulating the next medium-term business plan, it was drawn up after sufficient, and repeated, discussions between the board and those on the business execution side and external directors. As for ② reporting to the Board of Directors by the Management Meeting and other committees, rather than just providing summaries, they centered their reports on discussion processes or responses to issues they had become aware of. In light of the above, the initiatives that the Board of Directors is undertaking—one example measure being the further strengthening of its oversight functions—are appropriate.

Issues identified in the latest effectiveness evaluation and future actions

Taking into consideration the results of the effectiveness evaluation, going forward we will take the following actions in response.

- (1) Bolstering oversight for personnel strategies
To accomplish the goals of our growth strategies, the Board of Directors receives thorough reports about approaches and initiatives toward personnel strategies and human-capital-focused management. It will deepen its discussions about personnel strategies in order to come up with desired attributes required for different levels of personnel—directors, executive officers, and ordinary workers—and to secure and train personnel.
- (2) Enhancing the information provided to external directors
To ensure that external directors can attend meetings with a full understanding of the Company, we ensure opportunities for external directors who are not members of the Audit and Supervisory Committee to accompany those who are on their auditing visits. We also provide chances for them to receive explanations about the tasks performed by different departments. Through these and other measures, we will raise the quality and quantity of information given to external directors.
- (3) Improving the operation of the Nomination and Compensation Committee
At present, the person selected to chair the Nomination and Compensation Committee is the president, as decided by mutual vote. However, to further increase transparency, we are looking into, and laying the ground for, a chair from outside the Company.
- (4) Upgrading the creation methods for Board of Directors materials and their volume
With the aim of preventing increases in any more materials than are necessary, reducing the time needed for directors to check such materials, and preventing explanations to the Board of Directors from taking far too long, the secretariat will supply departments with important points about creating documents or giving explanations, and make these more widely known. This will allow more time for discussion by the Board of Directors and enhance its effectiveness.

Compensation for Directors

(1) Remuneration decision-making policy

a Basic Policy for Determining Compensation Amounts

- ① The compensation system for directors and executives (executive officers with control over business operations) uses the achievement of performance targets as an incentive and aims for long-term increases in corporate value, not just quick profits.
- ② Compensation shall be set at a level that is competitive in terms of attracting and retaining human resources, while taking into consideration the size and nature of the Company's business and other factors.
- ③ Whether the level of compensation is reasonable or not is something that is reviewed using objective materials.
- ④ The amount of individual compensation shall be determined based on whether or not the director concurrently serves as an executive officer, the executive officer's position (president, senior managing director, managing director, without role, etc.), and whether he/she is independent.
- ⑤ The transparency and fairness of decisions about compensation are ensured with contributions from the Nomination and Compensation Committee, more than half of whose members are independent external directors.
- ⑥ Compensation for directors who are members of the Audit and Supervisory Committee shall be limited to base remuneration only, and shall be determined through consultation among the Audit and Supervisory Committee members within the scope of the total amount of remuneration determined by a resolution of the Shareholders Meeting.

b Compensation Breakdown

- ① Compensation for directors and executives comprises two elements: fixed compensation ("base compensation") and compensation linked to the Company's business performance ("performance-linked compensation") that takes the form of bonuses or stock-based compensation in the Company.
- ② Directors who are not involved in business execution are responsible for monitoring and overseeing management; as such, they only receive base compensation.
- ③ Achieving an operating income of 12 billion yen, target performance indicator for the final year of the medium-term business plan (FY2023 to FY2025), the ratio of basic remuneration and performance-based remuneration (bonuses and stock compensation) for each fiscal year is designed to be approximately 7:3. (The ratio between performance-based compensation bonuses and stock compensation is designed to be approx.7:3).

c Base compensation

- ① Base compensation is according to roles and responsibilities, in order to function as the foundational remuneration for professional duties.
- ② Base compensation is paid as a pecuniary amount, monthly.

d Performance-linked compensation

- ① Bonuses: As short-term incentives tied into achievement of targets set in the medium-term business plan, these fluctuate depending on the consolidated performance for each fiscal year, and are paid as a pecuniary amount at a fixed time each year (scheduled for the end of June).
- ② Stock-based compensation is positioned as a medium- and long-term incentive to promote a greater sharing of value with shareholders and sustainable growth for the Company. This is paid at a time decided by the Board of Directors.

(2) Mechanisms of Each Compensation Element

a Base compensation

- ① The base compensation amount shall not be changed during the term of office (one year).
- ② Should the "size of the Company" (net sales, market capitalization, number of employees) and "profitability" (operating income, ROE, D/E ratio) change, this will be reflected in the amount for the following year (term of office).

b Performance-linked compensation and bonuses (short-term incentives)

- ① These are paid on the proviso that consolidated operating income for the relevant fiscal year reaches or exceeds 5 billion yen, and are determined according to the formula below.

Bonus calculation formula: performance indicator x coefficient

- ② The performance indicator is the sum of consolidated operating income and financial balance, in order to reflect the consolidated performance for each fiscal year.
- ③ The coefficient is used to calculate the amount of bonus (set by position, etc., and according to whether the recipient is also a director and according to their position, with the higher the position, the higher the coefficient) based on the ratio given in (1) b) ③ left, and the relevant bonus amount is set as a division of the target of 12 billion yen.
- ④ It is possible to reflect individual performance for each person's bonus within a range of +/- 10% based on the calculation formula. However, the total bonus amount does not change.

c Performance-linked compensation and stock-based compensation (medium- and long-term incentives)

- ① Transfer-restricted stock in the form of common shares of the Company is granted in a number dependent on the recipient's position and other factors (however, the grant takes the form of payment as monetary claims equivalent to the price of the relevant shares; for directors and executives it will be paid in as property contributed in kind, to be received as shares of the Company's common stock to be issued or disposed of).
- ② The number of shares is determined based on the ratio given in (1) b) ③ left, according to whether the recipient is also a director and with the higher the position, the higher the number.
- ③ Recipients must hold the shares until they resign or retire from the position by the Company.

(3) Organization and Procedures for Determining Directors' Compensation

a Shareholders Meeting

It was resolved and approved at the 108th Annual Shareholders Meeting, which was held on June 25, 2021, that the total annual amount of compensation for all directors who are not members of the Audit and Supervisory Committee shall be not more than 360 million yen (including 20 million yen for external directors). The number of executives to which this resolution relates is eight (including one external director).

It was also resolved and approved at the 108th Annual Shareholders Meeting held on June 25, 2021, that the total annual amount of compensation for all directors who are members of the Audit and Supervisory Committee shall be not more than 60 million yen. The number of directors to which this resolution relates is four.

At the 110th Annual Shareholders Meeting held on June 23, 2023, it was determined that the total amount set aside for transfer-restricted shares to directors shall be set to not more than 90 million yen per annum. The number of executives affected by this resolution is seven directors (excluding those who are members of the Audit and Supervisory Committee), including one external director and one non-executive director.

b Board of Directors and Consultative Body

The Company has established the Nomination and Compensation Committee as a consultative body to the Board of Directors on compensation for executives and directors who are not members of the Audit and Supervisory Committee. The Nomination and Compensation Committee, consisting of the president, the director in charge of human resources, and three independent external directors, is intended to ensure transparency and fairness in the determination of compensation for executives and directors who are not members of the Audit and Supervisory Committee by advising the Board of Directors regarding the determination of compensation systems, levels, and specific amounts to be paid. The Board of Directors deliberates and determines the policy and method of determining compensation for directors and executive officers based on advice from the Nomination and Compensation Committee.

Risk Management & Business Risks

Risk Management

Sustainable growth requires us to quickly discover and deal with risks that could impede the achievement of our business goals. To do so, and also to react swiftly and appropriately when risks do surface, we need to develop and operate a risk management system.

We have identified, researched, and evaluated the major risks that face us, and compiled these into a list, and are now implementing countermeasures. For major risks and their countermeasures, we identify and review those risks that require further investigation, and report this information to the Internal Control Committee. Where the committee decides improvements are required, it swiftly gives instructions for countermeasures.

1. Identify, research, and evaluate company-wide major risks and formulate countermeasures

2. Implementing countermeasures

- ① Implementation of control measures to prevent a risk manifesting (disaster, accident, incident)
- ② Formulation of procedures and execution of drills, etc., in case of emergency to minimize damage should such a risk manifest
- ③ Swift reporting of information to executives, the Board of Directors, etc., should a new risk appear or occurrence become possible

3. The Internal Control Committee checks that the processes described in 1. and 2. above are implemented adequately and offers guidance to make improvements.

Business Risks

The following list details those matters connected to our business operations that have the potential to exert a major adverse influence on the decisions of investors. While the items presented here are those deemed to be risks as of the end of the current consolidated fiscal year, this is not an exhaustive list of all risks connected to the Sumitomo Seika Group.

1. Risks Related to Management Decisions and Business Strategies

① Market environment

In the markets in which we develop our business, we predict that our product lines may continue to face a harsh pricing environment due to various reasons, such as entry into those markets by competitors from inside and outside Japan or inflows of cheap imported goods. In China, meanwhile, one of the most important markets for super absorbent polymers, our Group's competitive environment could intensify due to factors such as commoditization of super absorbent polymers resulting from quality improvements in locally manufactured products or other causes, and the lower number of babies being born.

② Raw material procurement

For some of the raw materials we purchase, we are reliant on specific suppliers. While we are endeavoring to reduce the risk of not being able to purchase major raw materials, such as by increasing the number of suppliers we use, the price at which we can buy in raw materials, fuels or other items is subject to rapid fluctuations in price due to changes in the supply-demand balance or market situations. If the price at which we buy in materials were to rocket, this could have an adverse effect on our business performance.

③ Exchange rate fluctuations

We conduct production and sales activities globally and fluctuations in exchange exert an influence on our foreign-currency sales or procurement costs for raw materials. As a result, we strive to minimize such risks through measures such as exchange contracts. For our overseas consolidated subsidiaries, when we create our consolidated financial statements, the exchange rate at the point of conversion could impact the value in Japanese yen. In particular, fluctuations in exchange rates for the renminbi could impact our performance.

④ Climate change

Problems connected to climate change will have a major effect on our business in the long term, and we believe working earnestly to tackle these issues will lead to our sustainable growth and improvements to our long-term corporate value. We are analyzing potential climate change scenarios, based on the framework laid out by the TCFD.

2. Risks Related to Accounting and Finance

① Retirement benefit liability

Our employee retirement benefit expenses and liabilities are calculated based on actuarial assumptions such as the long-term expected rate of return for pension assets or discount rates. If the pension asset environment were to worsen, there could be a disparity between those assumptions and actual results. The share value of the market shares used for the retirement benefit trust could also drop. In either case future retirement benefit expenses would rise, and this could have a negative effect on our business results and financial situation.

② Impairment loss on non-current assets

We apply accounting standards for impairment losses on non-current assets. Should the management environment take a drastic turn for the worse or similar, we would find it hard to recover our investment in our non-current assets, and this would lead to an impairment loss that could have a negative effect on our business results and financial situation.

3. Other Risks Related to General Management

① Disasters or accidents

To minimize potential negative factors attributable to halts to our manufacturing operations or accidents caused by our manufacturing equipment, we carry out periodic checks of all of our manufacturing equipment. However, should a natural disaster, accident, or other factors cause harm to things or people in one of our plants or the vicinity, there is a risk that this could hinder our business activities, result in high costs, and have a major negative effect on our reputation.

② Information security

Every year, we become more and more reliant on computer systems and networks in our business activities, and so we are working hard to protect systems and data with measures such as improvement of security system. However, should a power outage, natural disaster, cyber crimes such as attack by computer virus or hacking, damage our systems or networks, there is a risk that this could hinder our business activities, result in high costs, and have a major negative effect on our reputation.

③ Laws and regulations

There is a chance that the countries in which we pursue business activities could, in the future, strengthen their laws and regulations toward environmental issues or chemical safety, and this could lead to new costs.

④ Personnel/labor

Industrial accidents, the spread of infectious diseases or communicable diseases, have the potential to put a stop to our business execution, while worker human rights issues, mental health issues, or cases of harassment have the potential to worsen working environments. Any of these could lead to us being liable for damages.

⑤ Legal breaches and compliance

If an infringement of laws or regulations in Japan or overseas, or any other case of compliance breach were to occur, we would lose the trust of society and could have to pay damages or other financial penalty. This could have a negative effect on our business results and financial situation.

⑥ Product quality

We follow very strict quality control standards, that are globally recognized, as we manufacture a range of products, but this is no guarantee that all of our products will be free from defects and that a product recall will not be required in the future. If an extensive product-related incident were to happen, it could result in high costs, or it could have a major negative effect on our reputation.

⑦ Intellectual property risks

We have accumulated a great deal of technologies and expertise that enable us to differentiate ourselves from our competitors, and strengthened our competitiveness in doing so, but some of our original technologies, products, and expertise cannot be fully protected in certain regions so there is a possibility that we would not be able to effectively prohibit a third party from using our intellectual property to manufacture similar products. Moreover, as result of current or future disputes over intellectual property, there is a risk that a disadvantageous judgment could be made.

⑧ Other

In the many countries in which we have business activities there are a number of inherent risks, including changes to laws or regulations, difficulties recruiting or holding on to personnel, and social chaos resulting from terrorism, war, disease, or other reason. Should one or more of these manifest, it could have a negative effect on our business results and financial situation.

Internal Control & Compliance

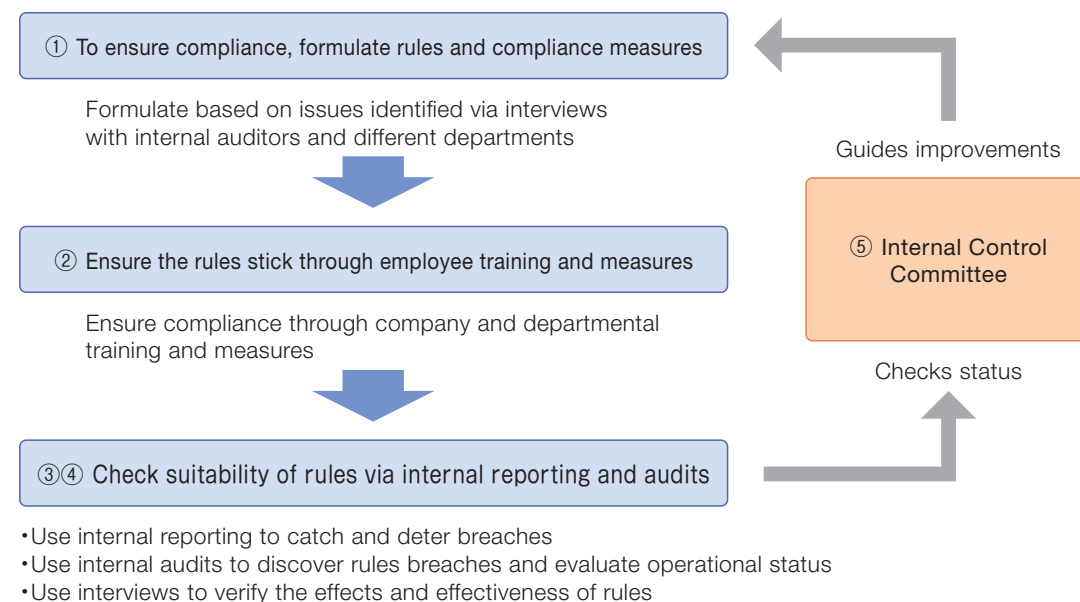
Internal Control

We have formulated the Fundamental Policy on Internal Control System Development to ensure risk management and compliance, to manage group companies and information, and to ensure the suitability of other tasks. Based on this policy, we are constructing such a system. The president and directors who are responsible for business execution will be in charge of the specific efforts to develop and operate the internal control system, in line with their positions. Through post-event checks by internal auditors and the running of the internal reporting system for legal breaches or unsuitable actions, we are ensuring that the internal control system's development and operations are appropriate. The Internal Control Committee periodically monitors the development and operation of the system overall, including of the above. The Board of Directors, meanwhile, oversees the development and operation of the internal control system, and also reviews the fundamental policy to respond to changes in circumstances. Through these steps, it is working to guarantee and enhance the effectiveness of our internal control system.

Compliance

We have positioned compliance as a fundamental rule that should be followed in business, and enshrined it as a code of conduct for executives and other employees in the Sumitomo Seika Group Charter for Business Conduct. In addition to making sure the entire Group's corporate activities are based on this, we strive to adhere to all related laws and ethical norms. In order to ensure compliance, it is necessary to develop and appropriately utilize a system (our compliance system) that can continuously check the operational status of our business activities, and rectify and review these. In light of this viewpoint, we have developed and operate a system in line with the following.

- ① To ensure compliance, formulate rules and compliance measures
- ② Ensure the rules stick through employee training and implementation of those compliance measures
- ③ Accept whistleblowing on rules breaches through an internal reporting system
- ④ Check suitability of operational rules through internal audits
- ⑤ Have the Internal Control Committee check the implementation status of measures ① to ④ above and give guidance for improvements (i.e., use the PDCA (Plan-Do-Check-Action) cycle)



Messages from External Directors



MIURA Kunio
External Director

Now, as we finally seem to be nearing the end of the COVID-19 pandemic, we have launched our new medium-term business plan. The plan comprises four main pillars: (1) building a resilient business structure, (2) reaping the fruits of research and development, (3) promoting thorough streamlining, and (4) boosting sustainability initiatives. What draws my attention is the difference in concept between pillars (1) to (3), which are concrete business strategies to achieve performance targets three years down the line, and pillar (4), which calls for a much longer-term set of actions.

I take this as a clear assertion of executives' firm resolution toward sustainability. Executing pillar (4) will benefit the whole of society, but as a result it will also profit Sumitomo Seika. From this perspective, linking this into the pillars (1) to (3) of the medium-term business plan and pushing this alongside identifying material issues is exactly what the Purpose Statement ("We will solve issues facing the earth and people's lives through Sumitomo Seika's 'Chemistry'") calls for. I also believe it can contribute to the Group's sustainable growth and improvements to its corporate value. That personnel measures—such as personnel training, securing diversity, and investment in human capital—which form the basis of execution of the business strategies I have just mentioned, as well as resolute decision-making by executives, compliance that supports risk-taking, a risk management framework, and other factors are also necessary goes without saying.

As an external director, my role is to watch over these areas from an independent perspective and I will work to ensure that stakeholders' opinions are reflected in business execution.



KAWASAKI Masashi
External Director
(Audit and Supervisory
Committee Member)

Last year, the Sumitomo Seika Group began to publish its annual Sumitomo Seika Report Integrated Report, and this year marked the launch of its new three-year medium-term business plan. I have listened to reports about progress under the previous plan, which covered the period between 2020 and 2022, and about issues facing individual departments at the Board of Directors, and for this new plan too I have been involved in deliberations by the Board of Directors from the formulation stage. There are sometimes agenda items at the Board of Directors meetings that can be hard for us external directors to understand, but we receive detailed explanations in advance at a separate opportunity, and such is the liveliness of deliberations by the board that a time limit has to be set for discussions and reports on agenda items.

The Sumitomo Seika Group has long valued its personnel and actively worked on their training. President Ogawa himself tours various worksites to have direct dialogue at the town hall meetings that are held several times a year, and this inspires employees, who might be prone to passivity, with a spirit of taking on challenges. We also received adequate reporting on the selection of candidates for executive positions and on their training programs.

As a company that handles chemicals, it is absolutely vital that we protect the environment, health, and safety at every stage, from development to manufacturing, distribution, use, final consumption, and lastly disposal. These Responsible Care activities have been positioned as an important management pillar, and are being actively pursued. As an external director, I hope to continue focusing on occupational safety and disaster prevention.

Director (Executive Officer)



Name	OGAWA Ikuzo	HAMATANI Kazuhiro	MURAKOSHI Masaru	TOYA Takehiro	MACHIDA Kenichiro
Position	Representative Director President Chief Executive Officer	Representative Director Senior Managing Executive Officer	Director Managing Executive Officer	Director Managing Executive Officer	Director Managing Executive Officer
Duties	Chief of Sustainability Promotion	Chief of General Affairs and Personnel, Legal, Internal Audit, Physical Distribution and Procurement, General Manager of General Affairs and Personnel Office	Chief of Functional Materials Sector, General Manager of Functional Materials Division	Chief of Super Absorbent Polymers Sector	Chief of Corporate Planning and Accounting, Information Systems and Business Reform Promotion, General Manager of Corporate Planning and Accounting Office
Attribute	Executive	Executive	Executive	Executive	Executive
Corporate Management	●	●	●	●	
Technology/Research & Development	●				
Legal Affairs /Risk Management					
Finance /Accounting			●		●
Sales & Marketing /Business		●	●	●	
Sustainability/ESG	●				



Name	SHIGEMORI Takashi	MIURA Kunio	MICHIBATA Mamoru	KAWASAKI Masashi	KISHIGAMI Keiko	YOSHIKE Fujio
Position	Director (Non-Executive Director)	External Director	Director (Full-time Audit and Supervisory Committee Member)	External Director (Audit and Supervisory Committee Member)	External Director (Audit and Supervisory Committee Member)	External Director (Audit and Supervisory Committee Member)
Attribute	Non Executive	Independent External	Full-time Audit	Independent External	Independent External	Independent External
Corporate Management	●					●
Technology/Research & Development						
Legal Affairs /Risk Management		●	●	●		
Finance /Accounting	●				●	
Sales & Marketing /Business						●
Sustainability/ESG					●	

< Reference 1 - Skills and experience of candidates for director (Skills matrix) >

To enable the Board of Directors to drive sustained growth and enhancement of corporate value, the Company appoints a person as a candidate for director who has personal quality that satisfies the criteria for the selection of the Company's directors as well as higher management ability (skills). In addition, to enable the Board of Directors to respond adequately to the formulation and implementation of the Company's business strategies and business plans, as well as to its future challenges, the Company selected the skills (knowledge, experience, ability) that the Board of Directors as a whole should have as follows:

Skills (knowledge, experience, ability)	Reason for selecting skills
Corporate Management	The roles of the Board of Directors are to make important managerial decisions and oversee management. To undertake these roles, the Company needs directors who have experience and achievements concerning corporate management.
Technology/Research & Development	To enable the Company, a chemical manufacturer, to enhance its corporate value on a sustainable basis, the improvement of existing products and the development of new products and technologies that satisfy demands from users and markets are absolutely necessary. Therefore, the Company needs directors who have knowledge and experience in the fields of technology and research & development.
Legal Affairs /Risk Management	Ensuring appropriateness in corporate activities is the foundation of management, and appropriate risk management is necessary to enhance corporate value under sound risk taking. Therefore, the Company needs directors who have knowledge and experience in the fields of legal affairs and risk management.
Finance/Accounting	To promote corporate activities in a stable manner not only by disclosing appropriate information to shareholders with accurate financial reports but also by securing the financial foundation, the Company needs directors who have knowledge and experience in the fields of finance and accounting.
Sales & Marketing /Business	To expand the business scale and enhance profitability by promoting the sales strategy and marketing strategy, the Company needs directors who have knowledge and experience in the fields of the sales & marketing and business of chemical goods.
Sustainability/ESG	To ensure that the Company acts as a member of society, responds to the expectations of stakeholders, and makes efforts toward the realization of sustainable society, including dealing with climate issues, such as the realization of a carbon cycling society, the Company needs directors who have knowledge and experience in the fields of sustainability and the ESG.

< Reference 2 - Executive Officer >

Managing Executive Officer	SHIGETA Hiromoto	Chief of the Creation of a Circular Carbon Economy
Managing Executive Officer	MASUMOTO Hironobu	President of Seika Techno Services Co., Ltd.
Managing Executive Officer	UEMURA Kazuhisa	Chief of Production and Process Engineering, Responsible Care, in charge of AK Project, General Manager of Production and Process Engineering Office
Managing Executive Officer	KURIMOTO Isao	Chief of Technical Affairs, Intellectual Property, and Research Laboratories, General Manager of Technical Office and Material Development Laboratory
Managing Executive Officer	KOBAYASHI Hiroshi	Chairman and President of Sumitomo Seika (China) Co., Ltd., and Sumisei Polymers Technology (Shanghai) Co., Ltd., Chairman of Sumisei International Trading (Shanghai) Co., Ltd., and Sumisei Technology (Yangzhou) Co., Ltd.
Executive Officer	YAMAGUCHI Kiyoshi	In charge of Sustainability Promotion, General Manager of Sustainability Promotion Office
Executive Officer	MAEDA Nobuhiro	In charge of Technical Affairs President of Seika Research Co., Ltd.
Executive Officer	AOYAMA Satoshi	In charge of Super Absorbent Polymers Division, General Manager of Super Absorbent Polymers Division

Company Information

Company Profile & Stock Information

(As of March 31, 2023)

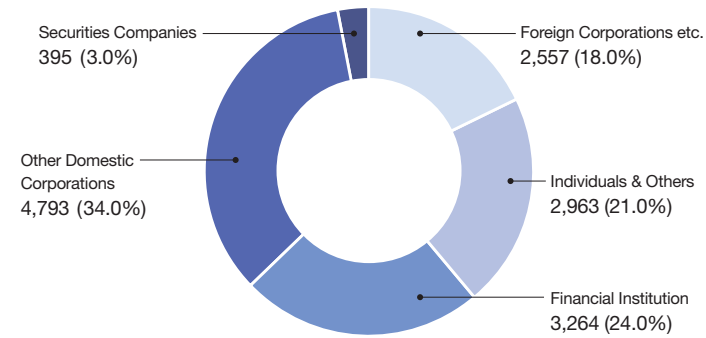
Company Profile

- Established July 20, 1944
- Capital 9,698 million yen
- Net Sales 143.0 billion yen (Consolidated) 78.6 billion yen (Non-consolidated)
- Business Profile Super Absorbent Polymers, Functional Materials
- Employees 1,412 (Consolidated) 1,035 (Non-consolidated)
- Consolidated subsidiaries 12 (Japan:2, Overseas:10) *As of June, 2023

Stock Information

- Stock Exchange Listings Tokyo Stock Exchange (Prime Market)
- Authorized Number of Shares 40,000,000 shares
- Number of Shares Issued and Outstanding 13,972,970 shares
- Number of Shareholders 11,192

Shareholder Distribution (Unit: 1,000 shares)



Principal shareholders (Top 10)

Name	Number of stocks held (Unit: 1,000 shares)	Shareholding Ratio (%)
Sumitomo Chemical Co., Ltd.	4,195	31.10
The Master Trust Bank of Japan, Ltd. (Investment Trust)	1,140	8.45
JP MORGAN CHASE BANK 385632	656	4.86
Custody Bank of Japan, Ltd. (Investment Trust)	604	4.48
Sumitomo Mitsui Banking Corporation	313	2.32
Sumitomo Life Insurance Company	310	2.30
Sumitomo Mitsui Trust Bank, Limited.	270	2.00
Taki Chemical Co., Ltd.	206	1.53
Sumitomo Seika Employee Shareholdings	176	1.31
RE FUND 107-CLIENT AC	147	1.09

The Company holds 481,007 shares of treasury stock, which are excluded from stock held by the principal shareholders listed above. Percentage of total number of issued stocks is calculated based on the total number of issued stocks less treasury stocks.

Group Network

Group Network

Sumitomo Seika's engineering prowess is highly valued in the international markets that we serve, including those in Asia and European countries as well as Japan. Our production centers are strategically located around the globe.



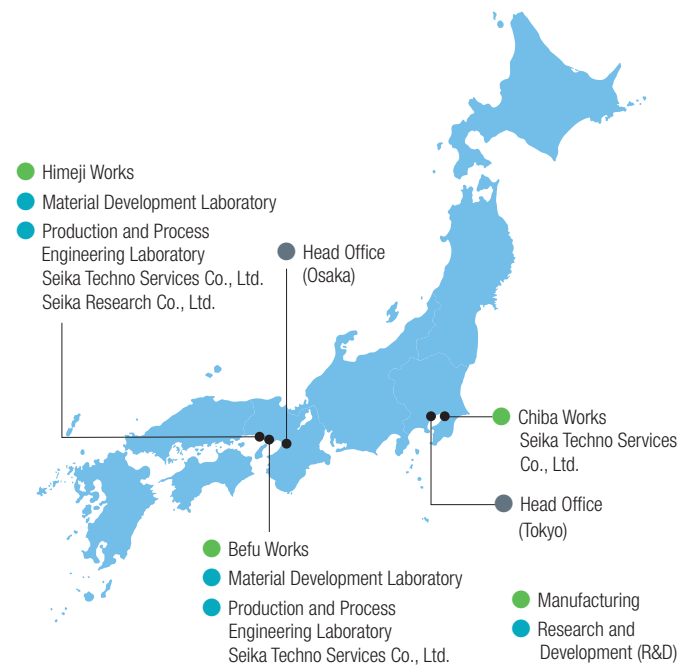
Bases in Japan

Head Offices
Osaka
Tokyo
Works
Befu Works (Hyogo Pref.)
Himeji Works (Hyogo Pref.)
Chiba Works (Chiba Pref.)
Research Laboratories
Material Development Laboratory (at Befu, Himeji)
Production and Process Engineering Laboratory(at Befu, Himeji)

Consolidated Subsidiaries

Japan
Seika Techno Services Co., Ltd.
Seika Research Co., Ltd.
Overseas
Sumitomo Seika Singapore Pte. Ltd.
Sumisei Taiwan Technology Co., Ltd.
Sumisei Chemical Co., Ltd.(Korea)
Sumitomo Seika Polymers Korea Co., Ltd.
Sumitomo Seika (China) Co., Ltd.
Sumisei Polymers Technology (Shanghai) Co., Ltd.
Sumisei Technology (Yangzhou) Co., Ltd.
Sumisei International Trading (Shanghai) Co.,Ltd.
Sumitomo Seika Europe S.A./N.V.(Belgium)
Sumitomo Seika America, Inc.

Bases in Japan



Works

Himeji Works



Himeji Works is our main plant for super absorbent polymers and functional materials. As a mother plant for the super absorbent polymer AQUA KEEP™, it is promoting even higher quality and more advanced function for the product, including at overseas production centers. It also utilizes our original polymerization and emulsification technologies to manufacture functional polymers, latex and emulsion products. The plant is located to the south of the city of Himeji in Hyogo Prefecture, and in the central west section of the Harima Coastal Industrial Zone, which faces the Seto Inland Sea. It has land and sea transport networks, making it a perfect environment for a production center.

Befu Works



Befu Works boasts a history and tradition of operations that stretch back to Sumitomo Seika's founding, and is now responsible for manufacturing functional materials. Its flexible production machinery allows it to respond to a wide range of user needs. Its synthesis technologies used to create inorganic and organic sulfur compounds, organic halogen compounds, and similar utilized in raw materials for medicine and agricultural chemicals or as intermediates have garnered high praise from all over the world. Advanced purification technologies are also used for electronics gases and similar. The plant is located fairly centrally in the southern part of Hyogo, in the eastern part of the Harima Coastal Industrial Zone, facing the Seto Inland Sea.

Chiba Works



Chiba Works manufactures functional materials such as standard gases, mixed gases, electronics gases, and powdered resin. In particular, the plant maintains one of the highest production capacities in Japan for standard gases used as an analytical standard for measuring environmental pollution. The powdered resins used in coating agents are also major products in domestic market. Its quality and manufacturing technologies are also world-class. Located in the Tokyo metropolitan area around 30 km from the capital, the plant is located close to sites such as Narita International Airport, Makuhari New City, and Tsukuba Science City.

Research & Development Laboratories

Material Development Laboratory (Befu/Himeji)

The Material Development Laboratory makes use of our technical predominance and originality, which have been cultivated over many years, and works to develop new products such as more highly functional super absorbent polymers. In fields such as energy and electronic materials, or environmental materials, the lab is also focusing its energies on new products that will contribute toward energy efficiency and lowering environmental impact. In 2024, when we reach the 80th anniversary of our founding, as part of the celebratory activities we will start construction work on a new research facility within Befu Works. By bringing together the existing lab buildings, we hope to improve the research environment and accelerate efforts to research new products.



Material Development Laboratory (Himeji)

Production and Process Engineering Laboratory (Befu/Himeji)

The Production and Process Engineering Laboratory works on commercialization research with the aim of establishing manufacturing processes for new products and enhancing manufacturing processes for existing ones. It is currently pressing ahead with the development of new technologies and products that will contribute toward carbon neutrality for society.

Consolidated Subsidiaries

Seika Techno Services Co., Ltd.

Seika Techno Services takes the technologies we have developed in the chemicals field as a base and promote business expansion into the comprehensive service industry. Its business activities include the sale of industrial chemicals, environmental materials, and analytical apparatus; training; personnel dispatch and contracting; and business support.

Seika Research Co., Ltd.

Seika Research conducts studies and analysis into information related to scientific technologies, markets, economics, government measures, and other areas, given the rising speed of change in society resulting from rapid scientific and technical developments.

Overseas Bases

China

Sumitomo Seika (China) Co., Ltd.



- Providing Regional Management Services such as Administration and Finance to its Subsidiaries in China
- Sales of Super Absorbent Polymers and Functional Materials

Sumisei Polymers Technology (Shanghai) Co., Ltd.



- Technical Service and Market Research

Korea

Sumisei Chemical Co., Ltd.



- Manufacturing and Sales of Electronics Gases

Sumisei International Trading (Shanghai) Co., Ltd.



- Sales of Super Absorbent Polymers

Sumisei Technology (Yangzhou) Co., Ltd.



- Contract Manufacturing Service of Chemical Products

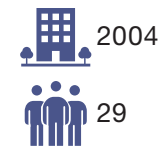
Sumitomo Seika Polymers Korea Co., Ltd.



- Manufacturing and Sales of Super Absorbent Polymers

Taiwan

Sumisei Taiwan Technology Co., Ltd.



- Manufacturing and Sales of Electronics Gases

Belgium

Sumitomo Seika Europe S.A./N.V.



- Sales of Super Absorbent Polymers and Functional Materials

U.S.A

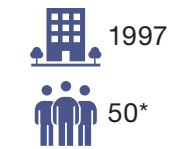
Sumitomo Seika America, Inc.



- Sales of Functional Materials

Singapore

Sumitomo Seika Singapore Pte. Ltd.



*The total number of employees in the two subsidiary companies in Singapore as of March 31, 2023

- Manufacture and Sales of Super Absorbent Polymers

Arkema (Toll Manufacturing/France)



- Manufacturing of Super Absorbent Polymers



Financial Data

10-Year Data Summary (FY2013-FY2022)

(Millions of Yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Financial Performance										
Net Sales	94,911	92,698	87,003	98,857	105,883	109,634	99,701	103,254	115,583	143,041
Operating Income	8,056	7,252	7,404	10,541	9,734	9,072	7,775	10,101	8,072	10,454
Operating Margin (%)	8.5	7.8	8.5	10.7	9.2	8.3	7.8	9.8	7.0	7.3
Ordinary Income	8,815	8,265	6,329	10,006	9,935	8,636	6,866	10,375	8,915	10,929
Net Income Attributable to Owners of the Parent	5,656	5,543	4,013	5,739	6,698	604	4,285	7,119	5,895	8,592
Financial Position										
Total Assets	95,050	104,954	104,576	105,396	110,492	105,779	100,261	107,834	121,274	126,651
ROA (Return on Assets) (%)	6.3	5.5	3.8	5.5	6.2	0.6	4.2	6.8	5.1	6.9
Owner's Equity	46,098	53,123	53,548	58,470	64,407	63,573	64,262	72,794	78,733	86,661
ROE (Return on Equity) (%)	13.5	11.2	7.5	10.2	10.9	0.9	6.7	10.4	7.8	10.4
Equity Ratio (%)	48.5	50.6	51.2	55.5	58.3	60.1	64.1	67.5	64.9	68.4
High Liability Disability	26,553	31,890	32,141	25,675	21,718	19,199	14,852	14,091	14,548	12,623
Debt / Equity Ratio (times)	0.6	0.6	0.6	0.4	0.3	0.3	0.2	0.2	0.2	0.1
Cash Flow										
Cash Flow from Operating Activities	15,895	8,035	12,336	14,763	11,524	4,869	10,767	16,251	9,017	6,703
Cash Flow from Investment Activities	△11,095	△7,091	△12,742	△2,717	△4,454	△8,281	△3,838	△2,229	△4,321	△5,942
Free Cash Flow	4,800	944	△406	12,046	7,070	△3,412	6,929	14,022	4,696	761
Cash Flow from Financing Activities	△5,994	4,468	△657	△7,460	△5,781	△3,558	△5,564	△3,264	△2,986	△8,303
Cash and Cash Equivalents at the End of the Year	9,809	16,417	14,622	18,931	20,212	13,979	15,366	25,657	29,248	23,553
Per Share Data (yen)										
Net Assets Per Share	3,342.1	3,851.5	3,882.4	4,239.34	4,669.85	4,609.39	4,659.35	5,278.02	5,835.52	6,423.22
Net Income Per Share for the Term	410.1	401.9	291.0	416.2	485.7	43.8	310.7	516.2	429.1	636.8
Dividends Per Share	15	15	15	45	100	100	100	100	120	200
Dividends Payout Ratio (%)	18.3	18.7	25.8	18.0	20.6	228.2	32.2	19.4	28.0	31.4
Others										
Depreciation Expense	6,066	6,012	5,911	6,016	5,793	5,790	5,430	5,280	4,896	5,097
Capital Expenditure	9,346	9,371	9,690	3,406	5,790	7,674	3,695	2,691	4,426	6,767
R&D Expenses	2,103	2,262	2,298	2,395	2,733	2,910	3,200	2,909	2,628	2,691

The Company consolidated every five shares into a single share on October 1, 2016. Net assets per share and net income per share are calculated assuming that the consolidation of shares was conducted at the beginning of FY2013.

Consolidated Balance Sheet

(Millions of Yen)

	Previous Consolidated Fiscal Year (As of March 31, 2022)	Current Consolidated Fiscal Year (As of March 31, 2023)
Assets		
Current Assets		
Cash & Deposits	29,248	23,553
Notes	1,022	1,164
Accounts Receivable-Trade	25,538	26,853
Contract Assets	185	567
Goods and Products	17,234	23,157
Work in Progress	407	433
Raw Materials and Supplies	4,234	4,749
Others	3,453	4,730
Bad Debt Allowance	△11	△13
Total Current Assets	81,312	85,195
Non-Current Assets		
Property, Plants & Equipment		
Buildings and Structures	30,175	30,983
Accumulated Depreciation	△15,893	△16,944
Buildings and Structures, net	14,282	14,039
Machinery and Vehicles	80,858	82,805
Accumulated Depreciation	△69,439	△72,923
Machinery and Equipment, Net	11,418	9,882
Land	4,462	4,484
Leased asset	7,192	7,914
Accumulated Depreciation	△6,726	△7,273
Leased Assets, Net	465	641
Construction in Progress	2,280	3,802
Others	6,395	7,021
Accumulated Depreciation	△4,997	△5,342
Other, net	1,398	1,678
Total property, plant and equipment	34,308	34,528
Intangible Assets		
Software	192	314
Software in Progress	—	1,907
Others	7	7
Total Intangible Fixed Assets	200	2,228
Investments & Other Assets		
Investment Securities	1,608	941
Retirement Benefit Assets	1,751	1,634
Deferred Tax Asset	76	154
Others	2,027	1,979
Bad Debt Allowance	△10	△10
Total Investments and Other Assets	5,453	4,699
Total Fixed Assets	39,961	41,456
Total Assets	121,274	126,651

(Millions of Yen)

	Previous Consolidated Fiscal Year (As of March 31, 2022)	Current Consolidated Fiscal Year (As of March 31, 2023)
Liabilities		
Current Liabilities		
Notes & Accounts Payable-Trade	16,590	19,157
Contract Liability	188	226
Short-Term Loans Payable	11,016	12,195
Long-term Borrowings Scheduled to be Repaid within One Year	3,036	—
Lease Obligation	144	157
Income Taxes Payable	1,072	1,649
Provision for Bonuses	919	911
Provision for Directors' Bonuses	62	88
Others	4,496	3,969
Total Current Liabilities	37,525	38,354
Non-Current Liabilities		
Lease Obligation	352	271
Deferred Tax Liability	111	313
Retirement Benefit Liability	1,379	1,050
Total Fixed Liabilities	1,843	1,635
Total Liabilities	39,369	39,990
Net Assets		
Shareholders' Equity		
Paid in Capital	9,698	9,698
Capital Surplus	7,539	7,552
Retained Earnings	56,483	62,916
Treasury Stock	△1,207	△1,208
Total Shareholders' Equity	72,512	78,959
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	748	484
Foreign Currency Translation Adjustment	4,698	6,527
Remeasurements of Net Defined Benefit Plans	773	689
Total Accumulated Other Comprehensive Income	6,220	7,702
Non-Controlling Interests	3,171	—
Total Net Assets	81,905	86,661
Liabilities and Net Assets	121,274	126,651

Consolidated Income Statement

	(Millions of Yen)	
	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
Net Sales	115,583	143,041
Cost of Sales	89,434	112,905
Gross Profit	26,149	30,135
Selling, General and Administrative Expenses		
Shipping Fare	7,204	8,284
Employee Salary and Bonus	2,925	3,020
Provision for Bonus Reserve	388	406
Retirement Benefit Expenses	103	102
R&D Expenses	2,590	2,670
Others	4,863	5,194
Total Selling, General and Administrative Expenses	18,076	19,680
Operating Income	8,072	10,454
Non-Operating Income		
Interest Income	114	498
Dividends Income	54	60
Foreign Exchange Gain	676	44
Subsidy Income	213	176
Others	99	86
Total Non-Operating Income	1,157	867
Non-Operating Expenses		
Interest Expenses	245	286
Compensation for Damage	-	37
Others	70	68
Total Non-Operating Expenses	315	392
Ordinary Income	8,915	10,929
Extraordinary Gain		
Gain on Sales of Investment Securities	26	429
Total Extraordinary Gain	26	429
Extraordinary Loss		
Loss on Retirement of Non-Current Assets	131	109
Impairment Loss	357	-
Total Extraordinary Loss	488	109
Income Before Income Taxes	8,453	11,249
Corporate Tax, Inhabitant Tax and Business Tax	1,931	2,348
Total Corporate Tax Adjustment	567	275
Total Income Tax Expenses for the Period	2,499	2,624
Net Income	5,954	8,624
Net Income Attributable to Non-Controlling Interests	58	32
Net Income Attributable to Owners of the Parent	5,895	8,592

Consolidated Comprehensive Income Statement

	(Millions of Yen)	
	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
Net Income	5,954	8,624
Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	62	△263
Foreign Currency Translation Adjustment	2,863	2,308
Remeasurements of Net Defined Benefit Plans	△2	△83
Total Other Comprehensive Income	2,923	1,960
Comprehensive Income	8,877	10,584
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	8,402	10,073
Comprehensive Income Attributable to Non-Controlling Interests	475	511

Consolidated Statement of Changes in Equity

Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Shareholders' Equity				
	Paid in Capital	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at Beginning of Period	9,698	7,539	52,104	△261	69,080
Changes during the Period					
Dividend of Surplus			△1,517		△1,517
Net Income Attributable to Parent Company Shareholders			5,895		5,895
Acquisition of Treasury Stock				△946	△946
Net Changes of Items Other Than Shareholders' Equity					
Total Changes During the Period	—	—	4,378	△946	3,432
Balance at End of Period	9,698	7,539	56,483	△1,207	72,512

	Accumulated Other Comprehensive Income				Non-Controlling Interests	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustment Account	Retirement Benefit Adjustments	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Period	685	2,252	776	3,714	2,696	75,491
Changes during the Period						
Dividend of Surplus						△1,517
Net Income Attributable to Parent Company Shareholders						5,895
Acquisition of Treasury Stock						△946
Net Changes of Items Other Than Shareholders' Equity	62	2,446	△2	2,506	475	2,981
Total Changes During the Period	62	2,446	△2	2,506	475	6,413
Balance at End of Period	748	4,698	773	6,220	3,171	81,905

Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)

(Millions of Yen)

	Shareholders' Equity				
	Paid in Capital	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at Beginning of Period	9,698	7,539	56,483	△1,207	72,512
Changes during the Period					
Dividend of Surplus			△2,158		△2,158
Net Income Attributable to Parent Company Shareholders			8,592		8,592
Acquisition of Treasury Stock				△0	△0
Purchase of Additional Shares of Consolidated Subsidiaries		13			13
Net Changes of Items Other Than Shareholders' Equity					
Total Changes During the Period	—	13	6,433	△0	6,446
Balance at End of Period	9,698	7,552	62,916	△1,208	78,959

	Accumulated Other Comprehensive Income				Non-Controlling Interests	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustment Account	Retirement Benefit Adjustments	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Period	748	4,698	773	6,220	3,171	81,905
Changes during the Period						
Dividend of Surplus						△2,158
Net Income Attributable to Parent Company Shareholders						8,592
Acquisition of Treasury Stock						△0
Purchase of Additional Shares of Consolidated Subsidiaries						13
Net Changes of Items Other Than Shareholders' Equity	△263	1,829	△83	1,481	△3,171	△1,690
Total Changes During the Period	△263	1,829	△83	1,481	△3,171	4,756
Balance at End of Period	484	6,527	689	7,702	—	86,661

Consolidated Statement of Cash Flow

(Millions of Yen)

	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
Cash Flow from Operating Activities		
Income Before Income Taxes	8,453	11,249
Depreciation Expense	4,896	5,097
Loss on Retirement of Non-Current Assets	38	23
Impairment Loss	357	—
Decrease (Increase) in Net Defined Benefit Assets	△227	△182
Increase (Decrease) in Net Defined Benefit Liabilities	△37	△150
Interest Income & Dividends Income	△168	△558
Subsidy Income	△213	△176
Interest Expenses	245	286
Loss (Gain) on Sales of Available-for-Sale Securities	△26	△429
Decrease (Increase) in Notes and Accounts Receivable-Trade	△1,389	△1,362
Decrease (Increase) in Inventories	△4,666	△6,017
Increase (Decrease) in Notes and Accounts Payable-Trade	5,453	2,331
Others	△1,421	△2,067
Subtotal	11,291	8,044
Interest and Dividends Income Received	169	563
Subsidy Income Received	213	176
Interest Expenses Paid	△250	△294
Income Tax Paid	△2,406	△1,787
Total Cash Flow from Operating Activities	9,017	6,703
Cash Flow from Investment Activities		
Purchase of Non-Current Assets	△3,572	△4,903
Proceeds from Sales of Non-Current Assets	△56	△1,928
Proceeds from Sales of Available-for-Sale Securities	35	735
Decrease (increase) in time deposits	385	—
Others	△1,112	153
Total Cash Flow from Investment Activities	△4,321	△5,942
Cash Flow from Financing Activities		
Net Increase (Decrease) in Short-Term Loans Payable	576	829
Repayment of Long-Term Loans Payable	△963	△3,108
Purchase of Treasury Stock	△946	△0
Repayments of Lease Obligations	△137	△197
Cash Dividends Paid	△1,516	△2,157
Purchase of Non-controlling Interests	—	△3,669
Total Cash Flow from Financing Activities	△2,986	△8,303
Effect of Exchange Rate Change on Cash and Cash Equivalents	2,273	1,846
Net Increase (Decrease) in Cash and Cash Equivalents	3,982	△5,695
Cash and Cash Equivalents at the Beginning of the Period	25,266	29,248
Cash and Cash Equivalents at the End of the Period	29,248	23,553

Non-financial Data

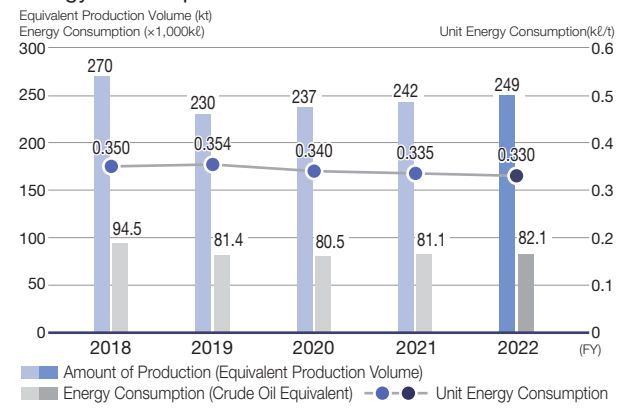
Responsible Care Activities Track Record

Area	Priority measure	FY2022 results	Rating	FY2023 initiatives
General Matters Common to All Areas	<ul style="list-style-type: none"> Ensuring zero major legal breaches*1 Confirming anew that SEIKA basic safety rules (“take a breath before starting work” and “be sure to bring each other’s attention to any unsafe behavior”) are thoroughly implemented Leaving a written record of information that needs to be passed on to the next generation <ul style="list-style-type: none"> Updating rules as appropriate 	<ul style="list-style-type: none"> Major legal breaches: 0 Improved employees’ management awareness through overall training and thoroughly ensure related laws were well-known Reviewed documentation with an awareness of reliably passing down accumulated expertise, such as explanations for why things are the way they are, photographs, diagrams, and articles featuring case studies of past incidents, etc. Reviewed regulations from different areas, and implemented awareness training 	○	<ul style="list-style-type: none"> Check basis for formulation of rules and assess its validity Put in writing knowledge that should be passed on to the next generation and improve its accessibility Highlight areas that require rectification through various audits and implement improvements
Disaster Prevention Prevention of Equipment-related Accidents	<ul style="list-style-type: none"> Ensuring zero major safety incidents*2 Securing thorough equipment management <ul style="list-style-type: none"> Responding to emergency situations 	<ul style="list-style-type: none"> Major safety incidents: 0 Implemented risk-based inspections (RBI) and risk-based maintenance (RBM) for stationary equipment Conducting patrols to strengthen management of aging facilities Revised standards to apply what has been learned from examples of past accidents or disasters, and conducted scenario-free disaster preparedness drills 	○	<ul style="list-style-type: none"> Review drill methods to strengthen ability to respond in times of emergency Investigate effective methods of utilizing trouble calendars at each plant
Occupational Safety and Health Protect the Safety and Health of Employees	<ul style="list-style-type: none"> Ensured zero accident involving a lost workday. Implementing of KY (kiken yochi, or hazard prediction) and risk assessments <ul style="list-style-type: none"> Securing strict construction management Conducting occupational safety and health training 	<ul style="list-style-type: none"> Accidents involving lost workdays: 0 Implemented work, environment, and chemical substance risk assessments (2,203 items including reviews), and used risk assessment revisions as a learning opportunity for younger employees Shared and verified status of efforts toward disaster preparedness through regular meetings with cooperating companies, etc. Carried out training online to prevent the spread of COVID-19 	○	<ul style="list-style-type: none"> Verify whether anything has been left out of responses by analyzing relationship between examples of past disasters and results of risk assessments Implement experiential training for accidents that occur often, such as getting caught in machinery Carry out safety training to prevent accidents involving chemical substances
Health	<ul style="list-style-type: none"> Promoting health and productivity management through collaboration with our health promotion committee Strengthening mentality management <ul style="list-style-type: none"> Bolstering COVID-19 countermeasures (promoting responses to with-COVID and post-COVID behavioral changes) 	<ul style="list-style-type: none"> Implemented sanitation seminars, health seminars, and walking challenges in cooperation with health insurance associations Analyzed and made use of various types of training and the results from stress checks with the aim of strengthening our mentality management Developed and operated a remote working system to cater to a society that must deal with COVID-19 	○	<ul style="list-style-type: none"> Assess efforts to raise interest in health and productivity management among employees Utilize results of analysis of stress checks to improve workplace culture and individual engagement
Environmental Conservation	<ul style="list-style-type: none"> Ensuring zero major environmental incidents*2 Reducing atmospheric emissions of PRTR substances and VOCs <ul style="list-style-type: none"> Reducing unit waste generation Reducing amount of final landfill Reducing unit energy consumption by 1% compared to the previous fiscal year Reducing GHG emissions 	<ul style="list-style-type: none"> Major environmental incidents: 0 Atmospheric emissions of PRTR substances and VOCs: Down by 25% and 9% respectively YoY Unit waste generation: Up 10% YoY Amount of final landfill: Down 20% YoY Unit energy consumption: Down 1.5% YoY Promoted a modal shift and a switch to large-lot transportation GHG emissions: Down 1.2% YoY 	△	<ul style="list-style-type: none"> Promote GHG emissions reductions centered on the Carbon Cycle Society Task Force Promote modal shift and use of larger vehicles and investigate introduction of renewable diesel, etc.
Chemicals Safety	<ul style="list-style-type: none"> Managing chemical substances contained in products and complying with domestic and foreign regulations Conducting hazard assessments and reducing impact on the human body and living environment <ul style="list-style-type: none"> Implementing security trade controls 	<ul style="list-style-type: none"> Gathered information related to stronger management of chemical substances in different countries and investigated how to respond Halted (through substitutions) or reduced use of substances of high concern in our products Conducted training on export controls for restricted cargoes, etc., and training for technical parameters 	○	<ul style="list-style-type: none"> Respond to tightening of different countries’ laws and regulations by utilizing experts and consultants Conduct chemical safety training (looking at different countries’ laws and regulations and their future trends)
Logistics Safety	<ul style="list-style-type: none"> Preventing logistics accidents Responding to emergency situations <ul style="list-style-type: none"> Promoting sustainable, stable logistics 	<ul style="list-style-type: none"> Carried out safety training for logistics contractors Implemented joint drills with logistics companies that imagined an incident during transportation Shifted away overland truck transport to container train transport (still in progress) Switched to large-lot transportation for some customers 	○	<ul style="list-style-type: none"> Implement training drills for logistics companies with the aim of continuing our record of zero logistics accidents Promote sustainable logistics
Quality	<ul style="list-style-type: none"> Eradicating critical quality complaints*3: continuation of zero complaints Reducing the number of quality problems: 45 cases or fewer Reducing losses incurred: 15 million yen or less 	<ul style="list-style-type: none"> Major quality complaints: 0 Quality problems: 35 (up 3 YoY) Loss cost: 3.9 million yen 	○	<ul style="list-style-type: none"> Encourage a strengthening of quality assurance and quality control systems throughout the Group Manage risk related to product safety Foster a quality-focused culture
Relationship with Society	<ul style="list-style-type: none"> Providing legally required information, etc. Disclosing information to stakeholders, and coexistence with regional communities 	<ul style="list-style-type: none"> Provided latest information on SDS, GHS labels, and Yellow Cards for customers and contracted logistics companies. Took on high school students for internships and junior high school students for work experience Participated in “Summer Edutainment,” an event for kids and parents put on by Harima town council 	○	<ul style="list-style-type: none"> Incorporate communication with society, such as through dialogue with local people and participation in activities put on by local government, etc.

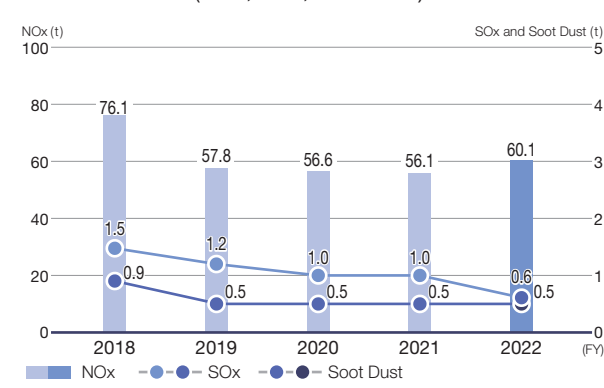
*1 Breaches to which a legally mandated penalty was applied *2 Incidents causing estimated damage of 10 million yen or more, and/or causing human harm equivalent to a lost workday or worse
*3 Incidents to cause loss of social credibility or excessive process cost (5 million yen or more), or possibility of such cost, determined by QA general manager

Environment

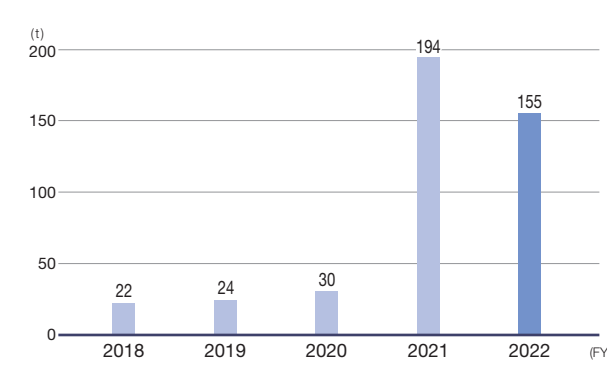
Energy Consumption



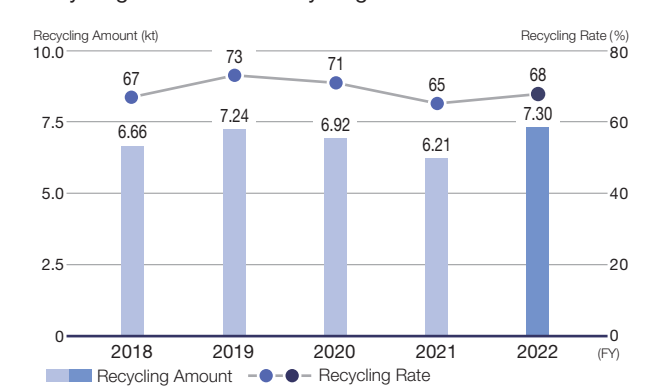
Soot and Smoke (NOx, SOx, Soot Dust) Emissions



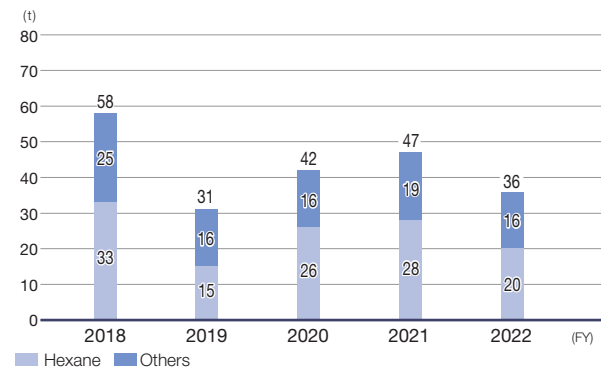
Amount of Final Landfill



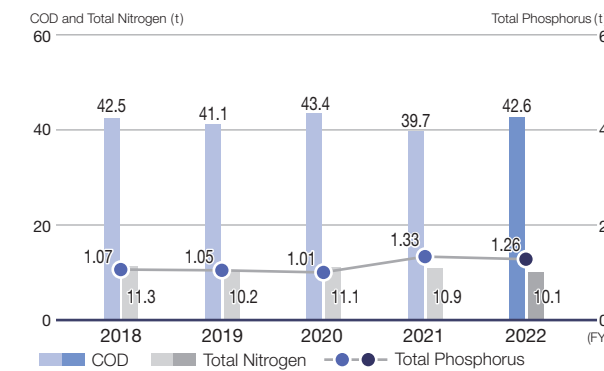
Recycling Amount and Recycling Rate



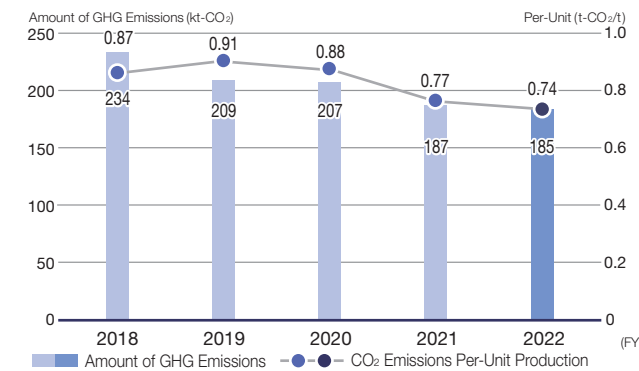
Emissions of PRTR Substances



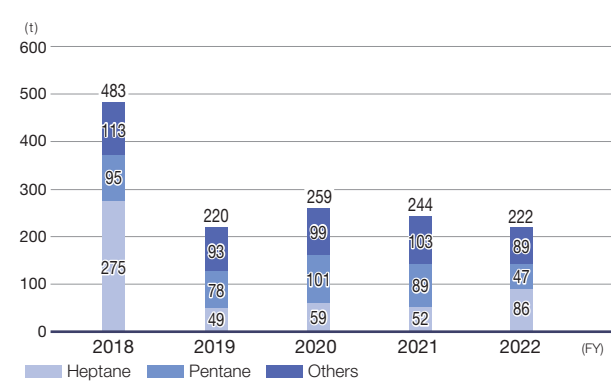
Water Contamination Load



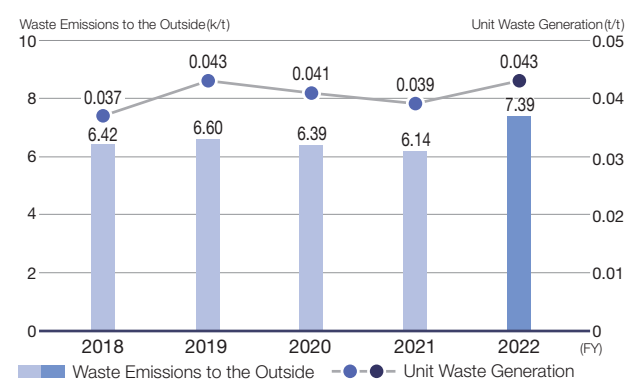
Amount of GHG Emissions / Per-Unit



VOC Emissions



Waste Emissions to the Outside / Unit Waste Generation



Intellectual Property

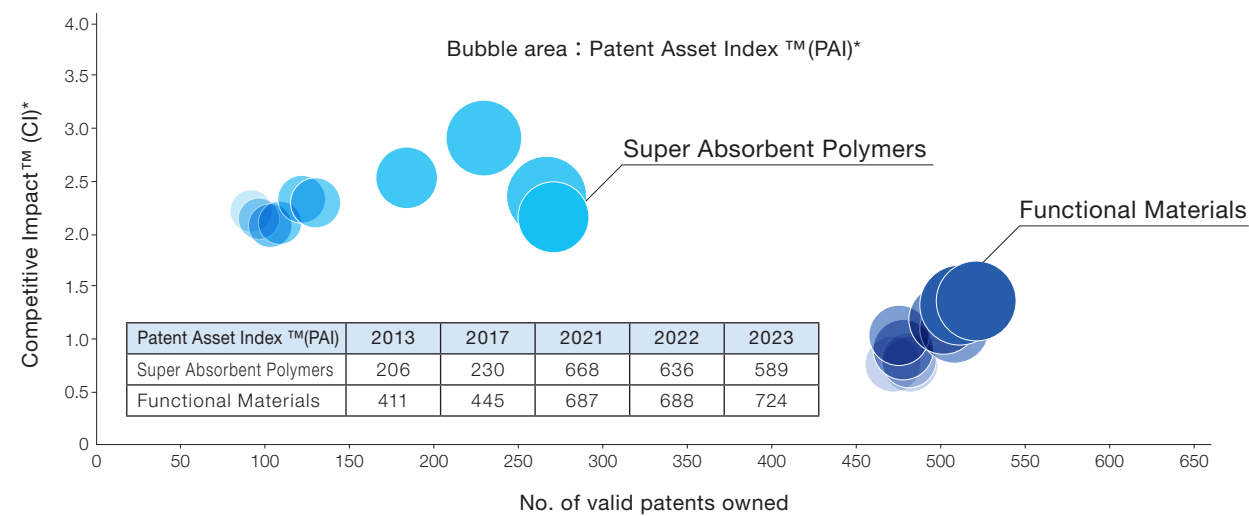
▶ Application Track Record

Area	FY2017	FY2018	FY2019	FY2020	FY2021
Applications in Japan	52	74	94	82	82
Registered ratio in Japan	75%	81%	86%	86%	—
Overseas applications	38	57	87	68	60

*Those confirmed as of March 31, 2023

*Registered in Japan: rate calculated by dividing number of patent registrations in Japan by the number of confirmed requests for examination

▶ Trends in Patent Value



*Data compiled by Sumitomo Seika using the LexisNexis patent analysis tool PatentSight® (correct as of June 30,2023)

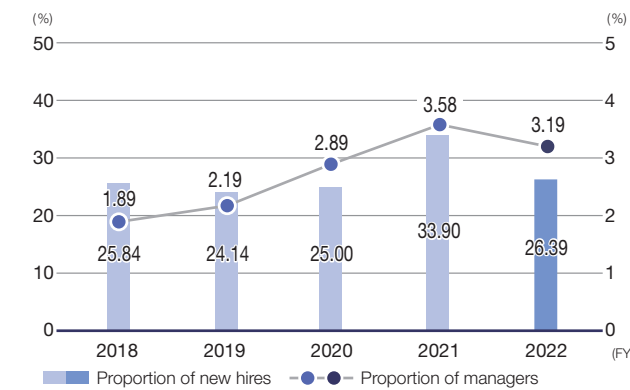
*Patent Asset Index™ (PAI) for each year are for December 31 of that year (excluding 2023)

*The Patent Asset Index™ of a patent portfolio is defined as the aggregate strength of all the patents the portfolio contains. The strength of each individual patent family is measured by its Competitive Impact™.

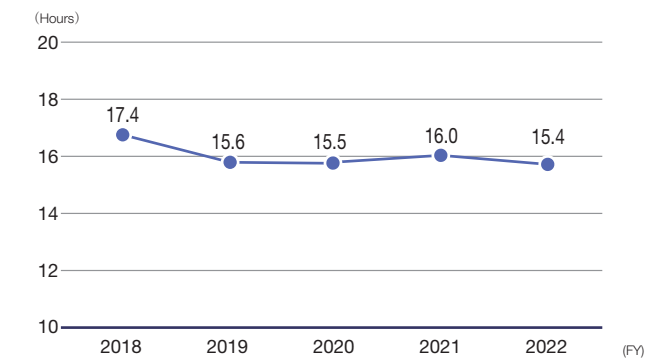
*Competitive Impact™ is an average value calculated by dividing PAI by the number of valid patents owned.

Human Resource

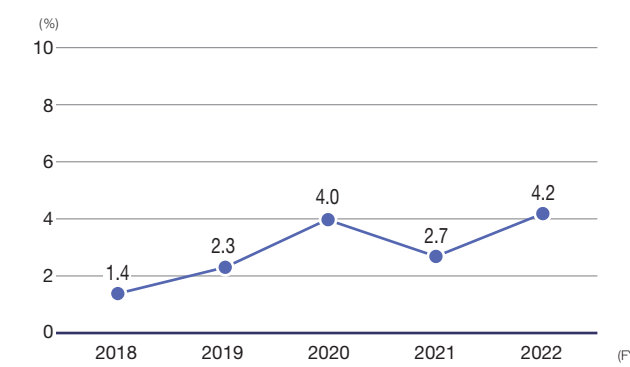
▶ Trends in the Ratio of Female in Managerial Position and the Ratio of Female Employees to All Hires



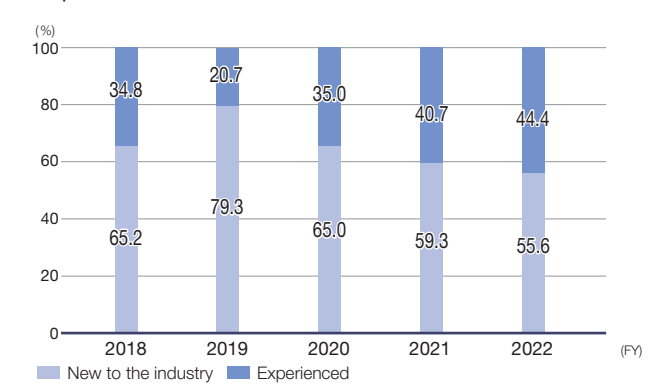
▶ Trends in Overtime Hours



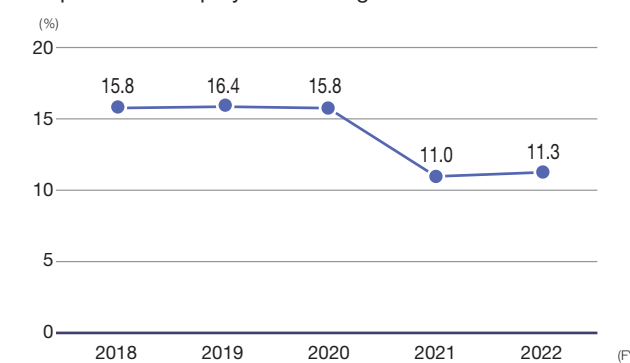
▶ Turnover Rate



▶ Experienced Personnel Recruitment Rate

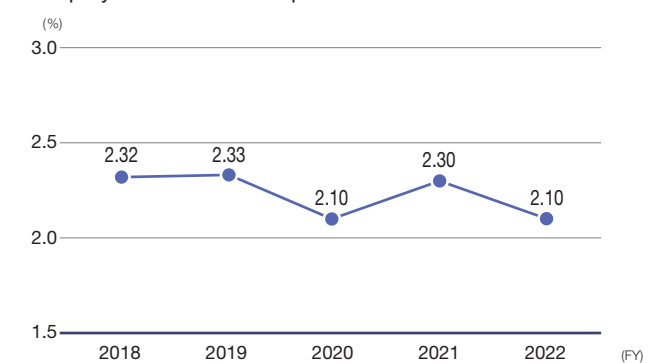


▶ Proportion of Employees with High Stress Levels



*In fiscal 2021, the judgment criteria for "high" stress levels were changed due to a change in the organization conducting stress checks.

▶ Employment Rate of People with Disabilities



GRI Standard Comparison Table

This report refers to the Global Reporting Initiative (GRI) Sustainability Reporting Standards.

Statement of use	Sumitomo Seika Group has reported the information cited in this GRI Standard Comparison Table for the April 2022 to March 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Universal Standard Disclosures	Page Number (Title)
GRI2: General Disclosures 2021	
1. The organization and its reporting practices	
2-1	Organizational details <ul style="list-style-type: none"> ·Cover of This Integrated Report ·P51-56:Corporate Governance ·P63:Company Profile & Stock Information ·P64-68:Group Network ·Cover of 110th Annual Securities Report > Company Name, Head Office Location ·Web > Company Information > Company Outline, Group Network
2-2	Entities included in the organization's sustainability reporting <ul style="list-style-type: none"> ·P4:Editorial Policy ·P64-68:Group Network ·110th Annual Securities Report Part 1 Status of Companies 4. Status of Subsidiaries and Affiliates ·Web > Company Information > Group Network
2-3	Reporting period, frequency and contact point <ul style="list-style-type: none"> ·P4:Editorial Policy ·Back Cover of This Integrated Report
2-4	Restatements of information <ul style="list-style-type: none"> ·Web > Sustainability > Report (Integrated Report) ·Web > Investor Relations > Finance Information > Report (Integrated Report)
2-5	External assurance <ul style="list-style-type: none"> ·Web > Sustainability > Report (Integrated Report)
2. Activities and workers	
2-6	Activities, value chain and other business relationships <ul style="list-style-type: none"> ·P11-12:Path of Value Creation ·P15-16:Material Issues & Foundations to Support Business Continuity ·P21-24:Business strategy (Super Absorbent Polymers) ·P25-28:Business strategy (Functional Materials) ·P45:Logistics Transportation ·P63:Company Profile & Stock Information ·P64-68:Group Network ·Web > Company Information > Company Outline,Business Profile, Sumitomo Seika's Path of Value Creation ·Web > Product Information
2-7	Employees <ul style="list-style-type: none"> ·P13-14:Value Creation Process ·P63:Company Profile & Stock Information ·P82:Non-Financial Data (Human resource) ·Web > Sustainability > Sumitomo Seika's Value Creation Process ·Web > Company Information > Company Outline
3. Governance	
2-9	Governance structure and composition <ul style="list-style-type: none"> ·P39-42:Climate Change Initiatives ·P51-56:Corporate Governance ·Web > Company Information > Director (Executive Officer) / Organization ·Web > Investor Relations > Corporate Governance ·Web > Investor Relations > Corporate Governance (Corporate Governance Report)
2-12	Role of the highest governance body in overseeing the management of impacts <ul style="list-style-type: none"> ·P15-16:Material Issues & Foundations to Support Business Continuity ·P51-56:Corporate Governance ·Web > Investor Relations > Corporate Governance ·Web > Sustainability > Sustainability of Sumitomo Seika Group
2-13	Delegation of responsibility for managing impacts <ul style="list-style-type: none"> ·P51-56:Corporate Governance ·Web > Investor Relations > Corporate Governance ·Web > Sustainability > Sustainability of Sumitomo Seika Group
2-16	Communication of critical concerns <ul style="list-style-type: none"> ·P51-56:Corporate Governance ·P57-58:Risk Management & Business Risks ·P59:Internal Control & Compliance ·Web > Investor Relations > Corporate Governance (Corporate Governance Report) ·Web > Sustainability > Governance > Risk-Compliance > Internal Control,Risk Management
2-17	Collective knowledge of the highest governance body <ul style="list-style-type: none"> ·P61-62:Director (Executive Officer) ·Web > Investor Relations > Corporate Governance (Corporate Governance Report)

GRI Universal Standard Disclosures	Page Number (Title)
4. Strategy, policies and practices	
2-22	Statement on sustainable development strategy <ul style="list-style-type: none"> ·P7-10:Top Message
2-23	Policy commitments <ul style="list-style-type: none"> ·P3:Sumitomo Business Spirit, Corporate Mission ·P29-30:Sustainability Initiatives ·P31-34:Promoting Human Capital Management ·P35-38:Human Rights ·P39-42:Climate Change Initiatives ·P57-58:Risk Management & Business Risks ·Web > Company Information > Guiding Principles ·Web > Sustainability > Sustainability of Sumitomo Seika Group ·Web > Sustainability > Social > With Customers and Suppliers > Logistic Safety & Procurement ·Web > Sustainability > Governance > Risk-Compliance > Internal Control,Risk Management,Compliance
2-24	Embedding policy commitments <ul style="list-style-type: none"> ·P15-16:Material Issues & Foundations to Support Business Continuity ·P35-38:Human Rights ·P39-42:Climate Change Initiatives ·P57-58:Risk Management & Business Risks ·P59:Internal Control & Compliance ·Web > Sustainability > Materiality (Material Issues) ·Web > Sustainability > Governance > Risk-Compliance > Internal Control, Risk Management,Compliance
2-25	Processes to remediate negative impacts <ul style="list-style-type: none"> ·P35-38:Human Rights ·P48:Quality Initiatives ·P57-58:Risk Management & Business Risks ·P59:Internal Control & Compliance ·Web > Sustainability > Governance > Risk-Compliance > Internal Control, Risk Management,Compliance
2-26	Mechanisms for seeking advice and raising concerns <ul style="list-style-type: none"> ·P35-38:Human Rights ·P57-58:Risk Management & Business Risks ·P59:Internal Control & Compliance ·Web > Sustainability > Governance > Risk-Compliance > Internal Control, Risk Management,Compliance
2-27	Compliance with laws and regulations <ul style="list-style-type: none"> ·P77-78:Non-Financial Data (Responsible Care Activities Track Record)
5. Stakeholder engagement	
2-29	Approach to stakeholder engagement <ul style="list-style-type: none"> ·P19-20:Management Strategies (Financial Strategy) ·P31-34:Promoting Human Capital Management ·P39-42:Climate Change Initiatives ·P45:Logistics Transportation ·P49-50:Relationship with Local Communities & Society ·P63:Company Profile & Stock Information ·110th Annual Securities Report Part 4 Status of the Submission Company 1. Status of Shares, etc.
2-30	Collective bargaining agreements <ul style="list-style-type: none"> ·P35-38:Human Rights ·110th Annual Securities Report Part 1 Status of Companies 5. Status of Employees (3) Status of Labor Unions
GRI3: Material Topics 2021	
3-1	Process to determine material topics <ul style="list-style-type: none"> ·P15-16:Material Issues & Foundations to Support Business Continuity ·Web > Sustainability > Materiality (Material Issues)
3-2	List of material topics <ul style="list-style-type: none"> ·P15-16:Material Issues & Foundations to Support Business Continuity ·Web > Sustainability > Materiality (Material Issues)
3-3	Management of material topics <ul style="list-style-type: none"> ·P15-16:Material Issues & Foundations to Support Business Continuity ·Web > Sustainability > Materiality (Material Issues)

GRI Topic Standard Disclosures	Page Number (Title)
GRI301: Materials 2016	
301-1	Materials used by weight or volume <ul style="list-style-type: none"> ·P43-44:Environmental Pollution Initiatives
GRI302: Energy 2016	
302-3	Energy intensity <ul style="list-style-type: none"> ·P6:Data Highlight (Non-Financial Highlights) ·P79-80:Non-Financial Data (Environment)
302-4	Reduction of energy consumption <ul style="list-style-type: none"> ·P6:Data Highlight (Non-Financial Highlights) ·P43-44:Environmental Pollution Initiatives ·P79-80:Non-Financial Data (Environment)
GRI304: Biodiversity 2016	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas <ul style="list-style-type: none"> —
GRI305: Emissions 2016	
305-1	Direct (Scope 1) GHG emissions <ul style="list-style-type: none"> ·P6:Data Highlight (Non-Financial Highlights) ·P39-42:Climate Change Initiatives ·P79-80:Non-Financial Data (Environment) ·110th Annual Securities Report Part 2 Business Status 2. Concepts and Initiatives Related to Sustainability
305-2	Energy indirect (Scope 2) GHG emissions <ul style="list-style-type: none"> ·P6:Data Highlight (Non-Financial Highlights) ·P39-42:Climate Change Initiatives ·P79-80:Non-Financial Data (Environment) ·110th Annual Securities Report Part 2 Business Status 2. Concepts and Initiatives Related to Sustainability
305-3	Other indirect (Scope 3) GHG emissions <ul style="list-style-type: none"> ·P39-42:Climate Change Initiatives
305-4	GHG emissions intensity <ul style="list-style-type: none"> ·P6:Data Highlight (Non-Financial Highlights) ·P79-80:Non-Financial Data (Environment)
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions <ul style="list-style-type: none"> ·P43-44:Environmental Pollution Initiatives ·P77-78:Non-Financial Data (Responsible Care Activities Track Record) ·P79-80:Non-Financial Data (Environment)
GRI306: Waste 2020	
306-3	Waste generated <ul style="list-style-type: none"> ·P6:Data Highlight (Non-Financial Highlights) ·P43-44:Environmental Pollution Initiatives ·P79-80:Non-Financial Data (Environment) ·Web > Sustainability > Environment > Preventing Environmental Pollution
306-4	Waste diverted from disposal <ul style="list-style-type: none"> ·P43-44:Environmental Pollution Initiatives ·Web > Sustainability > Environment > Preventing Environmental Pollution
306-5	Waste directed to disposal <ul style="list-style-type: none"> ·P6:Data Highlight (Non-Financial Highlights) ·P43-44:Environmental Pollution Initiatives ·P79-80:Non-Financial Data (Environment) ·Web > Sustainability > Environment > Preventing Environmental Pollution
GRI308: Supplier Environmental Assessment 2016	
308-2	Negative environmental impacts in the supply chain and actions taken <ul style="list-style-type: none"> ·P39-42:Climate Change Initiatives ·P45:Logistics Transportation ·Web > Sustainability > Environment > Climate Change Initiatives ·Web > Sustainability > Social > With Customers and Suppliers > Logistic Safety & Procurement

GRI Topic Standard Disclosures	Page Number (Title)
GRI401: Employment 2016	
401-3	Parental leave <ul style="list-style-type: none"> ·P6:Data Highlight (Non-Financial Highlights) ·P15-16:Material Issues & Foundations to Support Business Continuity ·110th Annual Securities Report Part 1 Status of Companies 5. Status of Employees
GRI403: Occupational Health and Safety 2018	
403-1	Occupational health and safety management system <ul style="list-style-type: none"> ·P46:Occupational Safety & Health / Disaster Preparedness ·Web > Sustainability > Social > With Customers and Suppliers > Occupational Safety & Health / Disaster Preparedness
403-4	Worker participation, consultation, and communication on occupational health and safety <ul style="list-style-type: none"> ·P46:Occupational Safety & Health / Disaster Preparedness ·P77-78:Non-Financial Data (Responsible Care Activities Track Record)
403-5	Worker training on occupational health and safety <ul style="list-style-type: none"> ·P46:Occupational Safety & Health / Disaster Preparedness ·P77-78:Non-Financial Data (Responsible Care Activities Track Record)
403-6	Promotion of worker health <ul style="list-style-type: none"> ·P31-34:Promoting Human Capital Management ·P46:Occupational Safety & Health / Disaster Preparedness ·P77-78:Non-Financial Data (Responsible Care Activities Track Record) ·Web > Sustainability > Social > With Employees
403-9	Work-related injuries <ul style="list-style-type: none"> ·P46:Occupational Safety & Health / Disaster Preparedness ·P77-78:Non-Financial Data (Responsible Care Activities Track Record)
GRI404: Training and Education 2016	
404-2	Programs for upgrading employee skills and transition assistance programs <ul style="list-style-type: none"> ·P31-34:Promoting Human Capital Management ·Web > Sustainability > Social > With Employees
GRI405: Diversity and Equal Opportunity 2016	
405-1	Diversity of governance bodies and employees <ul style="list-style-type: none"> ·P13-14:Value Creation Process ·P61-62:Director (Executive Officer) ·P82:Non-Financial Data (Human Resource) ·110th Annual Securities Report Part 4 Status of the Submission Company 4. Status of Corporate Governance, etc. ·Web > Investor Relations > Corporate Governance (Corporate Governance Report)
GRI413: Local Communities 2016	
413-1	Operations with local community engagement, impact assessments, and development programs <ul style="list-style-type: none"> ·P49-50:Relationship with Local Communities and Society ·P77-78:Non-Financial Data (Responsible Care Activities Track Record) ·Web > Sustainability > Social > With Society
GRI416: Customer Health and Safety 2016	
416-1	Assessment of the health and safety impacts of product and service categories <ul style="list-style-type: none"> ·P15-16:Material Issues & Foundations to Support Business Continuity ·P47:Chemical Substance Management ·P77-78:Non-Financial Data (Responsible Care Activities Track Record) ·Web > Sustainability > Social > With Customers and Suppliers > Chemical Substance Management
GRI417: Marketing and Labeling 2016	
417-1	Requirements for product and service information and labeling <ul style="list-style-type: none"> ·P47:Chemical Substance Management ·Web > Sustainability > Social > With Customers and Suppliers > Chemical Substance Management