

Integrated Report 2019



Business Philosophy of Our Company Group (Company Policy)

Our Business Philosophy, demonstrating our management principles, is as follows:

Business Philosophy

Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities.

This Business Philosophy is in line with the below-mentioned Sumitomo Group's Business Philosophy, and this Business Philosophy connotes the followings:

1. We value trust and confidence of all concerned and endeavor to meet all the expectations given to us as an entity under the name of Sumitomo.
2. We take steadfast steps in managing our Group without pursuing speculative profit.
3. We make contributions to prosperity of the nation and improvement of people's life through our business activities of research, development, production and sales of creative and innovative plastics.

Sumitomo's Business Philosophy

We have inherited Sumitomo's Business Philosophy that has supported the Sumitomo Group for four centuries.

The origins of this philosophy are found in the Monjuin Shiigaki (the Founder's Precepts), a document written by Sumitomo family founder Masatomo Sumitomo (who acquired the title Monjuin after becoming a Buddhist priest) to instruct his family about the business wisdom he had distilled from his experience.

At the beginning, it urges "Strive with all your heart, not only in business, but in all situations." This is the fundamental spirit of the Monjuin Shiigaki.

The rigorous efforts and honesty demanded by the Monjuin Shiigaki as well as other personal characterbuilding precepts continue to be the foundation of the Sumitomo Group's Business Philosophy. Our Business Philosophy—"Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities."—stems from the Sumitomo's Business Philosophy that has been inherited, nurtured and applied for 400 years.



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Editorial Policy

Starting with the current fiscal year, we will issue an “Integrated Report” that has been reorganized by adding business strategy and ESG elements to the previously published “Annual Reports.”

In addition to providing an easy-to-understand explanation of the sources and processes of our value creation, it integrates mid-term business approach, business results and strategies for each business division, and policies and initiatives related to sustainability.

Information related to sustainability is reported further in the CSR report.

Disclaimer

This report includes not only past or present facts, but also our forecasts, estimates, and plans for the future. These assumptions and judgements are based on currently available information and may be affected by various factors such as future changes in the business environment.



(Note) In this report, the names of Sumitomo Bakelite Co., Ltd. and its Group companies may be stated in simplified forms by omitting “Co., Ltd.” and “inc.,” etc.

Striking a Balance through Innovation between Creating Business Opportunities and Resolving Social Issues, with the Aim of Becoming “A company that makes your dreams for the future a reality”

Harnessing new technology to equip each plastic product with the optimal functions.

We will tackle the challenge of innovation together with our customers, by exploring the potential of plastic based on the keywords “safety and security,” “environment,” “ADAS,” “5G,” and “minimally invasive medical treatment,” in the three areas of highly integrated devices, automobiles and aircraft, and healthcare.

Q1 Looking back on the fiscal year ended March 31, 2019, how do you evaluate the Company’s business performance?

A The deterioration of market conditions after summer had a significant impact on our business, and profits declined despite a slight increase in sales. There are also remaining tasks that we should address.

The business environment surrounding our Company, although the semiconductor market expanded from the start of the fiscal year, faced a difficult situation due to heightened uncertainty about the future after summer as a result of the trade friction between the United States and China, a rapid drop in demand particularly for semiconductor materials, and other negative factors, such as a slowdown in the Chinese economy and regulations on automobiles in Europe. Although we managed to achieve

a revenue of ¥213 billion, slightly higher than the previous year, business profit fell by ¥2 billion year-on-year to ¥17.3 billion. The decline in profit could be attributed to the rapid fall in sales volume, as well as the impact of factors such as the inability to immediately pass on the sudden jump in raw material prices to selling prices, and the increase in fixed costs in Europe and America. Operating profit fell by ¥5 billion year-on-year to ¥13.6 billion on the back of recorded impairment loss, among other factors. Profit attributable to owners of parent was ¥15.1 billion, remaining at about the same level as the last year, due to the reasons such as recognition of gain on negative goodwill as share of profit of investments accounted for using equity method, which arose during the acquisition of the shares of Kawasumi Laboratories, Inc., with which we began a capital and business alliance from March 2019.

Performance Highlights

	Fiscal 2017 results		Fiscal 2018 results	Increase/Decrease
Revenue	¥ 211.8 billion	▶	¥ 213.0 billion	1.1
Business profit	¥ 19.3 billion		¥ 17.3 billion	(2.0)
Operating profit	¥ 18.6 billion		¥ 13.6 billion	(5.0)
Profit attributable to owners of parent	¥ 15.1 billion		¥ 15.1 billion	0
ROE	9.3%		8.7%	–

President and Representative Director




Q2 Please provide a review of the Mid-term Business Plan 2018 (Fiscal 2016 – Fiscal 2018).

A Although some targets were not achieved, we succeeded in establishing our revenue base toward future growth through the business reform during the period for this Mid-term Business Plan.

With regard to the targets set out in the Mid-term Business Plan, revenue fell below the target set out for each fiscal year in the Mid-term Business Plan. Although we achieved the target business profit for the first and second years, the target for the final fiscal year of the Plan was not achieved. On the other hand, ROE was 8.7% for the final fiscal year, exceeding the target level of 8%.

Looking back on the past three years of the Plan, we can see clearly the things that we have succeeded in doing, and the things that we failed to do. We consider the goal of realizing “New growth in existing businesses and change of business model,” which is one of the three basic strategies established under the Plan, successfully achieved. In this respect, we strengthened our revenue base toward sustainable growth in the future by optimizing human resources in Japan and abroad as well as optimizing our business sites and sales structure, and scaling down or withdrawing from businesses that are not profitable or generate low profits, such as general-purpose Decola and single-sided laminates. This means that we have become

a company that is able to generate decent profits. We have also generally made smooth progress in the second strategy, "Increase in profitability and scale of growing areas." However, due to the deterioration of market conditions since last summer, the final figures were, regrettably, unsatisfactory. Nevertheless, we produced results that can take us towards the next step. This includes expanding the "Three Creation Areas"—highly integrated

devices, automobiles and aircraft, and healthcare. As for the third strategy, "New business start-ups and creation," we did not achieve satisfactory results. In particular, delays in developing the potential of the substrate material "LaZ" for semiconductor packages, optical waveguide, bio-related products, and others was the main reason behind the failure to realize this goal.

Q3 Could you offer an overview of the new Mid-term Business Targets?

A Our aim is to achieve the "top share in niche markets" in the area of functional chemical products, through "One Sumibe" activities that are in line with the SDGs.

We are a company engaged in the business of functional chemical products. We are not a manufacturer that supplies plastics for mass consumption, such as polyethylene or polypropylene; rather, it is our job to provide optimal functions through new technologies for each and every plastic application. That is why large markets may not necessarily be the place that we should compete in. Instead, we believe it is ideal for us to securely capture the top share worldwide in niche markets with growth potential. That is the "top share in niche markets" vision that we aim to achieve, and we have incorporated the SDGs into our new

Mid-term Business Targets as our approach for realizing this vision. The SDGs, which aim for sustainable growth on a global scale, are the ultimate potential needs required by society, and at the same time, match our Company Policy. Of these, we have identified the goals of SDGs that we should focus our efforts on*¹. We will put company-wide effort into promoting business activities, including the development of new products while keeping these goals of SDGs in mind.

Customer Satisfaction (CS) is another principle that we value and position as a top priority. We are engaged in company-wide "One Sumibe" activities that further promote and advance the most important principle of CS without being constrained by organizational boundaries. "One Sumibe" are activities that provide customers with values that cut across the entire company, with all our business divisions cooperating cross-functionally. This makes it possible for

Company Policy

Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities.

Realization of **SDGs (Sustainable Development Goals)**, which is ultimate potential needs, is consistent with our Company Policy.

Expanding the potential of plastics
and create value for customers to become

"a company that makes your dreams for the future a reality"

us and customers to develop new materials and roll out technological innovation speedily. These activities were first launched in Japan, but now also involve the management teams of overseas business sites as the whole company across the world strives to accelerate value creation in order to achieve the “top share in niche markets.”

As a concrete path toward value creation, it is vital to strengthen our manufacturing capability, which is the foundation underlying our strengths, as well as to firmly implement SBPS (Sumitomo Bakelite Production System). Furthermore, we will also take a proactive stance toward cooperation and collaborations with various outside companies going forward, beginning with our customers and raw material suppliers.

Finally, the most important factor is human resource development. By placing the focus on SB School, we aim to

develop human resources with diverse potential to create innovation.

With regard to the new Mid-term Business Targets, we anticipate revenue to reach ¥300 billion and business profit to reach ¥30 billion in the future. For the mid-term, we aim to achieve revenue of ¥250 billion and business profit of ¥25 billion. We have established the following basic strategies for realizing these targets: (1) Develop new products with competitive advantage, aiming at their prompt contribution; (2) Increase profitability of existing products, expand their field (applications and geographical areas); (3) Proactive strategic investment in growth areas (M&A etc.).

*1 Priority SDG goals (5 + 1 goals)

3: Good health and well-being, 7: Affordable and clean energy, 8: Decent work and economic growth, 9: Industry, innovation and infrastructure, 12: Responsible consumption and production, + 14: Life below water

The One Sumibe Activities logo



We consider One Sumibe Activities as a window for our customers; they are company-wide activities that promote the sales of existing products, keeping solutions and products from all business areas in mind, and creating new development projects.

The Origin of the Logo

An infinity symbol represented by a handshake, with an expanse of clear sky inside realizes stronger relationships both inside and outside of the company, including those with our customers, demonstrates infinite development and mutual prosperity through coordination and cooperation, and was created with the wish to “Give happiness in people’s futures.”

Q4 Could you tell us the stance on the path toward future growth?

A Taking ideas from the strengths of our technology and the priority SDG goals, we aim to achieve advancements in technology and development with a view to commercialization at an early stage.

We are engaged in the development of products that customers truly need, and which will be accepted by society, as well as the development of the technology needed to create these products. We will identify R&D themes by considering potential needs around the world, based on ideas

inspired by the SDGs and the areas that we are strong in. “One Sumibe” activities demonstrate their ability in ensuring that the output of our R&D work is definitely commercialized. We will conduct interviews with customers at various levels, narrow down our targets, clarify the functions that have a competitive edge, and accelerate the development of products.

As for existing products, we will expand new applications and geographical regions with potential for growth. We are moving forward on product development for epoxy resin encapsulation materials, which is our flagship product, in the area of new in-vehicle applications. For example, while

the electronic control units (ECU) in cars had typically been covered in metal casing, we have successfully created caseless units by sealing them collectively using our encapsulation materials. This has reduced size and weight, and significantly reduced production man-hours. Mass production has already begun. Similarly, we aim to extend its application to other materials for which demand is expected to grow in the future, such as motor materials for electric vehicles and materials for power control units (PCU), as well as to accelerate growth.

We have established keywords such as “safety and security,” “environment,” “advanced driver-assistance systems (ADAS),” “5G,” and “minimally invasive medical treatment,” in the three creation areas of “highly integrated devices,” “automobiles and aircraft,” and “healthcare,” as themes of high priority for our research and development. We aim to produce new products that contribute to ¥300 billion in revenue from these fields. We will also evaluate the products developed statistically to ensure that they are contributing steadily to the SDGs. The target sales ratio for SDG-contributing products has been increased from 23% at the end of March 2019, to 30% for the fiscal year ending March 2022. Furthermore, it is our goal to ensure that more than 50% of our products (on the basis of our total revenue) can contribute to the SDGs by 2030, the target year for the realization of the SDGs.

Let me introduce some of the examples of the products that are being developed, or which have reached the stage of practical application. Firstly, in the area of automotive products, we are replacing metal parts with plastic parts to reduce weight and thereby contribute to energy-saving and reduction in the emission of hazardous substances. In recent

years, much research and development has been carried out on metal and resin composites for large-sized parts such as engines and drive motors, and we have also been engaged in the development of practical applications jointly with external organizations such as Fraunhofer Institute of Germany.

Next, in the area of healthcare, we are carrying out research and development on medical devices for minimally invasive medical treatment, and moving forward on rolling these out in the market. Alongside with the development of minimally invasive medical treatment that is gentle on patients’ bodies, we have introduced to the market devices such as a steerable microcatheter with a tip that can move freely without any guide wires, as well as a catheter for the brain with the world’s smallest diameter of 0.43mm. Furthermore, in pursuit of the rapid development of new products that are safer, and more secure, we entered into a capital and business alliance with the medical device manufacturer, Kawasumi Laboratories, Inc., from March 2019.

We have also developed food packaging film as one of our products for use in everyday life. P-Plus, which preserves the freshness of fruits and vegetables, as well as cut vegetables, has been widely adopted by supermarkets and convenience stores, among others. In addition to pleasing both shop-owners and domestic consumers, it also offers a variety of merits such as reducing food loss by extending the period of when freshness can be preserved, and expanding the areas that fruit and vegetables can be exported to. Moreover, it is also equipped with anti-condensation and mold prevention functions, and we are expanding its application to a wide range of food products. This is a product that is expected to make great contributions in the future.

Q5 What are some of the initiatives in the area of promoting sustainability?

A We have established the Sustainability Promotion Committee, and are tackling the SDGs through company-wide efforts with “innovation” as our keyword.

As set out in the basic policy of our new Mid-term Business Targets, we have integrated promotion of the business with promotion of the SDGs, and launched the Sustainability Promotion Committee in April 2019 to develop a system for implementing company-wide initiatives. We have consolidated the functions of the Responsible Care Committee and Risk Management Committee that we have had till now, and all departments and employees will be involved in activities based on the three axes of environment, society, and economic

efficiency.

We have established “innovation” as our keyword for in 2019. To create innovation, people are a driver. To encourage outstanding human resources to fulfill their great potential, we are advancing measures to develop employee-friendly working environments and support the empowerment of women and diverse employees in the workplace. Our Company, which places CS as its top priority, will not tolerate actions that lead to a loss of trust from customers and the market by neglecting compliance and product quality due to the over-prioritizing of immediate profits. We recognize that compliance and quality are also important elements that determine corporate value. To that end, we are working to develop, strengthen, and implement education and management systems.

Q6 What is the vision that the Company is striving towards?

A We will tackle the targets set out in our new Mid-term Business Targets as we aim to realize our corporate vision, while contributing to a sustainable society.

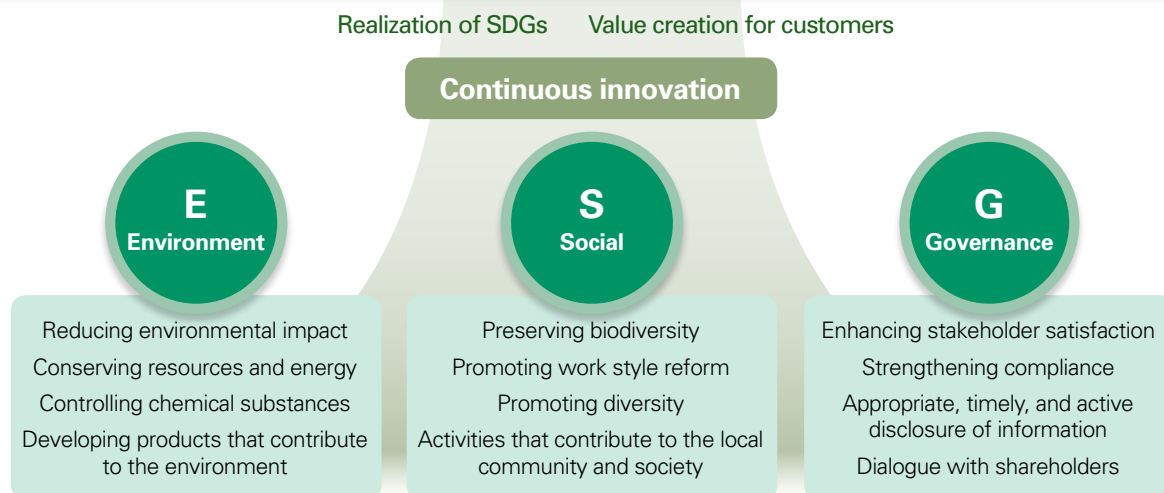
When I assumed office as the President last year, I declared that our vision is to expand the potential of plastics and create value for customers (stakeholders) to become “a company that makes your dreams for the future a reality.” The source behind our value creation lies in the fundamental technologies that we have built up over many years; in other words, these are the material technologies for resin formulation and design as well as monomer/polymer synthesis, process design technologies, and evaluation technologies. By harnessing these as our strengths, we will create innovation together with our customers and stakeholders, and capture new business opportunities. On top of that, we seek to contribute to resolving social issues through these efforts. This is our vision.

We will work as one to achieve the targets in the new Mid-term Business Targets as we aim to realize the corporate vision. At the same time, we aim to contribute to the realization of a sustainable recycling society in 2030, the target year for the SDGs, and beyond, as a global company engaged in the business of functional chemical products.



Managing the business with a view to becoming “a company that makes your dreams for the future a reality.”

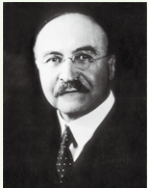





A company that makes your dreams for the future a reality



Sources of Value Creation

Sumitomo Bakelite Co., Ltd., the first manufacturer in Japan to produce plastics, has always created products that contribute to the advancement of industry and society.

Through our technology cultivated as a pioneer in plastics and through our global value chain, we aim to become “a company that makes your dreams for the future a reality” together with our customers.

<p>1907</p> <p>Dr. Baekeland developed phenolic resin in the United States and named it “Bakelite.”</p> 	<p>1955</p> <p>Nippon Bakelite Co., Ltd. merged with Sumitomo Synthetic Resin Industries, Ltd. to found Sumitomo Bakelite Co., Ltd.</p> 	<p>1962</p> <p>Started sales of rigid PVC sheets, “SUMILITE” VSS.</p> 	<p>1976</p> <p>Started sales of co-extruded sheets, “SUMILITE” CEL.</p> 
<p>1911</p> <p>Dr. Jokichi Takamine was granted an exclusive license for Japanese patents from Dr. Baekeland and started production at Sankyo Company (currently Daiichi Sankyo Co., Ltd.).</p>	<p>1932</p> <p>Establishment of Nippon Bakelite Co., Ltd., succeeded the phenolic resin business from Sankyo.</p>	<p>1959</p> <p>Started production of phenolic copper-clad laminates, “SUMILITE” PLC with domestically made copper foil.</p> 	<p>1968</p> <p>Developed epoxy resin molding compounds, “SUMIKON” EME for semiconductor encapsulation.</p> 

Our management philosophy and values

We have its origins in the first plastic manufacturing company in Japan, and has been pursuing plastic’s potential amidst rapid social change for over 100 years and developed our business on a global scale. With Sumitomo’s Business Philosophy that has been handed down for 400 years, we advocated that “Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people’s welfare and livelihood through its business activities” as our Business Philosophy for promoting our business, and we have accumulated

our own values and history as a pioneer in plastics. We continue to provide new value for a wide range of applications, based on technology and knowledge cultivated through the development and production of materials and high value-added products that take advantage of the characteristics of phenolic resin, our foundational business. Our mission is to explore plastic’s infinite possibilities, and contribute to resolving social and industrial issues and realizing a sustainable society. We will create opportunities and dynamics to change society by creating a revolution in materials.

Pursuing CS, manufacturing together with customers

We aim to create new functions in plastics, create customer value, and in turn embody the needs of society. Repeated dialogue with customers is indispensable for functions to achieve high quality in final products or to reflect the potential needs of society in products. We will respond to the needs raised in the dialogues, make proposals that put Customer Satisfaction (CS) as a top priority, and work together to develop them until they are

released into the world. Our activities are highly valued by our customers, and the trust we have built up with them is a great strength. Now, further promoting business activities with CS as our highest priority, we have created a single point of contact for customers and rolled out “One Sumibe” activities globally through which we can provide customers with products and solutions from all business lines.

1982

Established Sumitomo Bakelite Singapore Pte. Ltd.



2000

Acquired the phenolic resin business from Occidental Chemical Corporation in the United States.

2007

Established Sumitomo Bakelite (Nantong) Co., Ltd.



Merged Trutsunaka Plastic Industry Co., Ltd. into Sumitomo Bakelite Co., Ltd.

1981

Started sales of various kinds of medical devices.



1995

Established Sumitomo Bakelite (Suzhou) Co., Ltd.



2005

Acquired Vyncolit (Belgium and the United States).



2014

Acquired Vaupell Holdings, Inc. (the United States) and entered the aircraft materials business.



Worldwide business promotion by integrating manufacturing, sales, and R&D forces

Our product lineup includes products that have gained a large market share worldwide, such as semiconductor encapsulation materials and molding compounds for automobile parts, and we have been promoting global business development since the 1980s. We have created an environment that allows immediate response at any

time to customer requests at our various bases in Asia, the United States, and Europe in addition to the bases in Japan, through arranging our R&D structure, not just by establishing SBPS (Sumitomo Bakelite Production System), a manufacturing and sales structure that enables stable supplies of high-quality products.

Priority SDG goals and accelerated innovation

The various challenges facing the world cannot be overlooked as a company playing a part of industrial and social technological innovation, and we understand that the ultimate needs of society and customers are inherent in the SDGs (Sustainable Development Goals). We have set "5 + 1" as our priority SDG goals, and is working to contribute to the realization of a sustainable society through our development and manufacturing work aiming to contribute to them.

Meanwhile, now that many industries, such as automobiles and medical care, are undergoing structural changes against the background of technological advances such as IoT and AI, it is necessary to flexibly cooperate not only within our Company but also with outside technologies

and knowledge, in order to accelerate development. Based on our experiences through cooperation and collaborations with many customers so far, we will broadly incorporate new technologies and knowledge to take on new innovation, aiming to realize a simultaneous pursuit of creating business opportunities and resolving social issues.

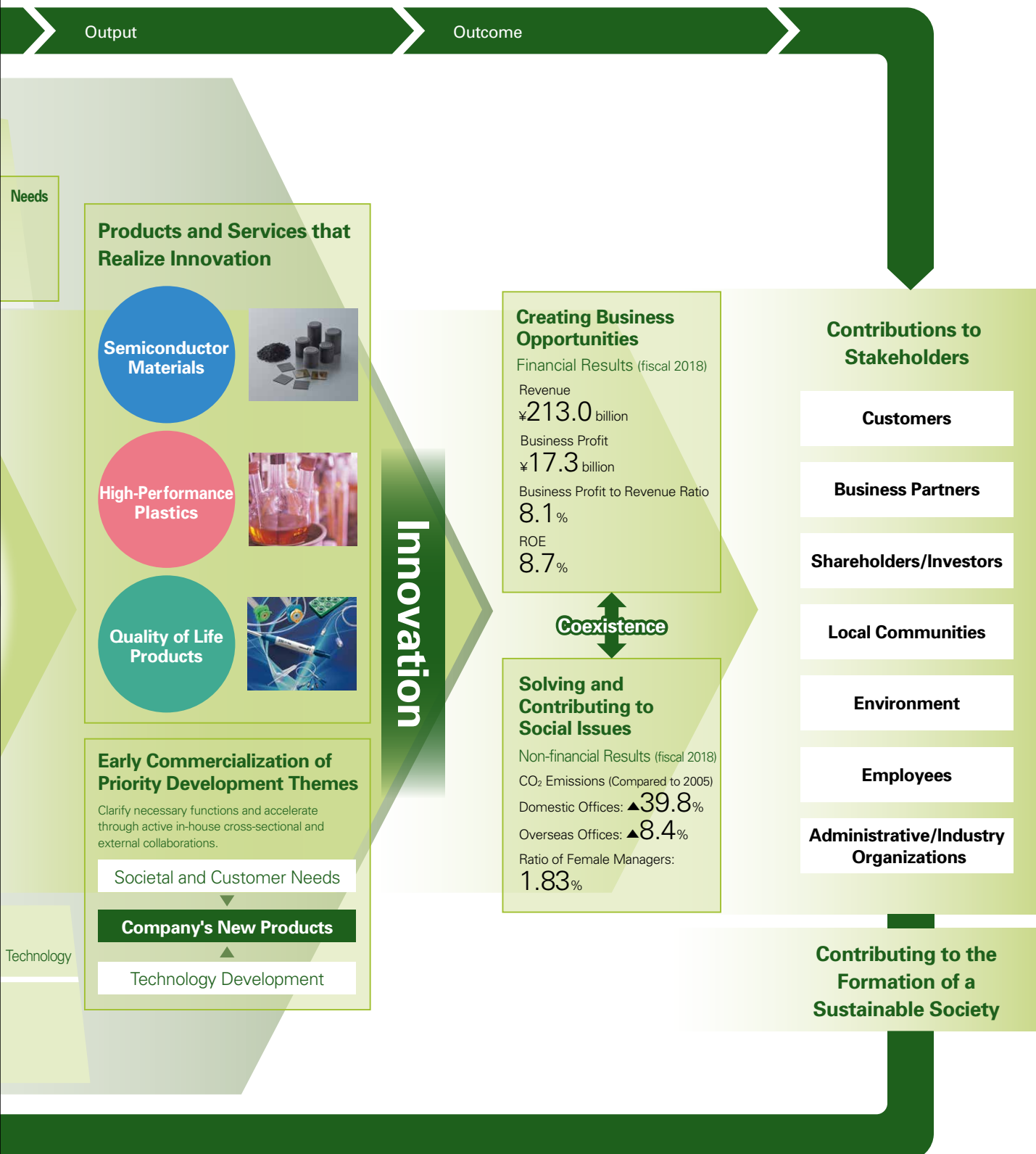


High Performance Plastic Technology Development Laboratory

Value Creation Process

Sumitomo Bakelite Co., Ltd., as a “pioneer in plastics” that originated from the first company to manufacture plastic in Japan, makes use of the technology base it has cultivated, provides new functions and values in the field of plastics, where there is remarkable technological development, and contributes to social and market innovation.





Review of the Mid-term Business Plan 2018

In the Mid-term Business Plan spanning the three-year period from fiscal 2016 to fiscal 2018, we established as its basic policy, "Leverage fundamental plastics technologies to build a more value-added business structure," and implemented activities based on the business policy of "CS First."

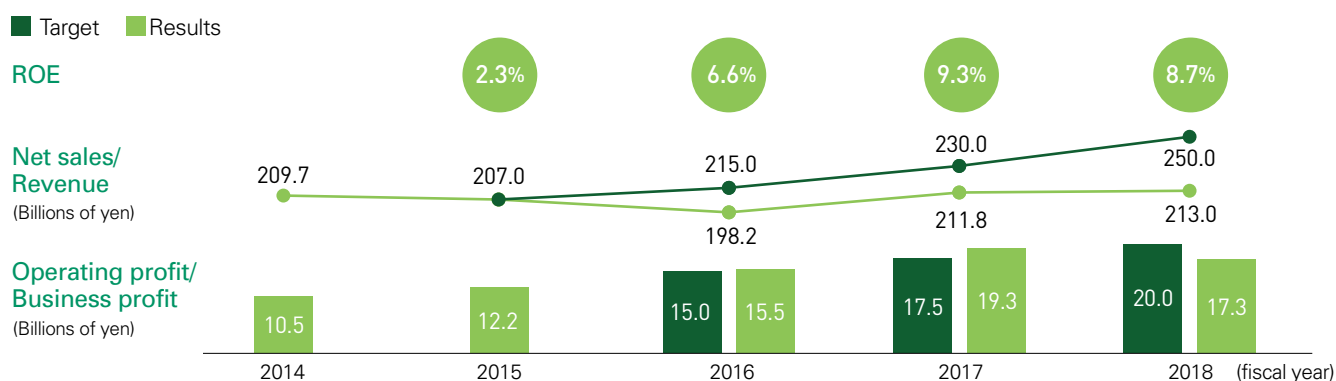
Overview of the Mid-term Business Plan 2018

Basic policy	Leverage fundamental plastics technologies to build a more value-added business structure
Basic strategies	<ul style="list-style-type: none"> ● New business start-ups and creation ● Increase in profitability and scale of growing areas ● New growth in existing businesses and change of business model
Numerical targets	Fiscal 2018 (Final year of the Mid-term Business Plan 2018) Operating income (Japanese GAAP) ¥20 billion, ROE 8%

Reflecting on the Mid-term Business Plan 2018

Review	<ul style="list-style-type: none"> ● Sales Gap between results and target starting from the first fiscal year, as a result of factors such as delays in developing the potential of new products and changes in the market environment for strategic products. ● Profit Although the profit for the final fiscal year was not achieved due to factors such as changes to the business environment, success in the reform of the business structure contributed positively and helped in achieving the target until the second year.
Reflecting on the basic strategies	<ul style="list-style-type: none"> ● New business start-ups and creation → Not achieved <ul style="list-style-type: none"> · Delays in developing the potential of new products. ● Increase in profitability and scale of growing areas → Not achieved <ul style="list-style-type: none"> · Despite progress in expanding the sales channels for automotive products, demand fell from the second half of fiscal 2018. · Sluggish demand for aerospace materials due to adjustments in production by the main customers. ● New growth in existing businesses and change of business mode → Achieved <ul style="list-style-type: none"> · Optimization of human resources in Japan and abroad. · Optimization of domestic and overseas production bases, sales structures, etc. · Scaling down or withdrawal from unprofitable or low-profitable businesses.

Target and Results



* We have adopted International Financial Reporting Standards (IFRS) since fiscal 2017. Target values in the Mid-term Business Plan 2018 and results up till fiscal 2016 are based on the Japanese GAAP.



New Mid-term Business Targets

With a view to maintaining the structure we have built up based on the Mid-term Business Plan 2018, as well as further expanding the business and realizing sustainable growth, we have established our vision to become “a company that makes your dreams for the future a reality.” Going forward, we will promote initiatives to achieve our new Mid-term Business Targets.

Overview of the new Mid-term Business Targets

Philosophy	<p>Company Policy</p> <p>Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people’s welfare and livelihood through its business activities.</p> <p>▼</p> <p>Realization of SDGs (Sustainable Development Goals), which is ultimate potential needs, is consistent with our Company Policy</p>
Vision	<p>Aiming to become “a company that makes your dreams for the future a reality” by expanding the potential of plastic and creating value for our clients</p>
Path toward creation of value	<p>▶ Please refer to page 12 “Value Creation Process” for details on our path toward the creation of value</p>

Basic policy Aiming to achieve the “**top share in niche markets**” in the functional chemical sector as well as expanding our business by implementing “**One Sumibe**” activities in line with the **SDGs**.

- Basic strategies**
- Develop new products with competitive advantage, aiming at their prompt contribution
 - Increase profitability of existing products, expand their field (applications and geographical areas)
 - Proactive strategic investment in growth areas (M&A etc.)

Concrete measures

- Promote SDG activities focusing on our priority goals
 - Sales ratio of SDGs-contributing products
Fiscal 2018: **23%** ▶ Fiscal 2021: **30%**
- Develop “One Sumibe” activities world wide
 - Provide customers with values that cut across the whole company
 - Create potential needs for customers and business opportunities

Priority SDG goals “goals five + one”





One Sumibe

Target values

New Mid-term Business Targets			Future (vision)	
Revenue	Business profit	ROE	Revenue	Business profit
¥ 250 billion	¥ 25 billion	10%	¥ 300 billion	¥ 30 billion

As a provider of technological innovation for various industries including automobiles, information and telecommunications, and healthcare, we aim to realize investment with a view to growth and expansion as well as stable and continuous return to shareholders, based on the premise of maintaining a sound and stable financial base.



Director, Managing Executive Officer
Takashi Nakamura

Basic policy of our financial strategy

Our finances have been maintained at a stable and sound level for a long time. While we could say that this is a very good financial state, conversely, we feel that we may also

have fallen short from the perspective of harnessing the financial base that we have built up for the growth and expansion of the business. Going forward, we think that it is vital to enhance our long-term corporate value even if it means allocating some cash to growth investment, such as investment in new business fields and M&A.

However, this does not mean that we will break away from the basic stance of maintaining a stable financial base. Our

businesses are not achieved through our efforts alone, but through the creation of high values for plastics together with our customers as well as the creation of innovation. There are many cases where the materials and intermediate materials that we provide become main parts for our customers' products; all of these have a long development period, and call for long-term and stable supply even after they are commercialized. In other words, from the perspective of our customers and business partners, we have to be a company that they can establish long-term and stable partnerships with. In light of this, we will continue to deliver stable supplies and high quality based on our relationships of trust with upstream raw material suppliers, in order to meet the expectations of our customers.

Hence, we strive to enhance value from two main perspectives, in order to be the chosen company of our customers and stakeholders. The first is profitability. Firstly, with regard to business profit, we aim to develop our business such that all of our three business segments are able to generate more than 10% of business profits in a stable manner. With regard to ROE, which is an indicator of how efficiently capital is used to generate profits, our goal is also to reach 10%. We aim to achieve these goals as soon as possible, and are engaged in the reform and improvement of the business structure to that end.

Secondly, from the perspective of financial stability, in the process of carrying out investment aggressively going forward, our aim is to avoid exceeding the levels of corporate leverage and debt-equity ratio during the time of the acquisition of the American company Vaupell Holdings, Inc. in 2014.

costs, we are striving to optimize our production bases and sales systems in Japan and abroad, which form the basis of our business promotion, while also developing a system for generating profits. Going forward, we aim to leverage this foundation to increase revenue for both our existing and new businesses.

In 2018, we also took new steps toward growth in the QOL business. One was the establishment of SB Bioscience Co., Ltd., which is a joint venture in in-vitro diagnostic pharmaceuticals businesses with Sumitomo Dainippon Pharma Co., Ltd. This new company launched its business in earnest from April 2019. The second was the start of our capital and business alliance with Kawasumi Laboratories, Inc., which is engaged in the development of advanced medical devices such as devices for intravascular treatments. Both of these collaborations are with cutting-edge corporations in the healthcare sector, and we will actively expand initiatives going forward in order to make the most of this great synergy.



In-vitro diagnostic pharmaceuticals

Results and challenges of the Mid-term Business Plan 2018 (Fiscal 2016 – Fiscal 2018)

Under the Mid-term Business Plan 2018, although we did not make any significantly large investments, investment toward expanding our growth areas progressed smoothly. However, we failed to produce the expected results due to a deterioration in the business environment in the final fiscal year, and there were some delays in the progress of the development of the potential of new products. As a result, we did not achieve the planned targets. We will position this as an issue to be addressed going forward, and aim to make a recovery as soon as possible. On the other hand, we achieved a certain level of results in the review and reform of organizational systems that we have undertaken over the past three years, including the transformation of the business structure. With a focus on reducing fixed

Key points of the mid-term financial strategy, and investment plan

Over the medium-term, our policy is to invest in new businesses from a broad perspective, without focusing too much on the areas that we have advanced in so far. To that end, we will also adopt a proactive approach to M&A and capital alliance if there is a need to incorporate the outside strengths. However, rather than injecting management resources in a decentralized way, we will narrow down the priority goals and accelerate research and development. One of these directions is the realization of SDGs through our Company Policy. These are the potential needs of society, and also constitute the future needs that our customers will demand. By driving forward technological innovation related to the SDGs, we aim to contribute both to the creation of business opportunities as well as to resolving social issues.

Message from the Officer in Charge of Accounting

One of the priority goals is that of automotive products. This is an area that we have continued to advance in over the past few years, and a part of this is already gradually producing material results. Ensuring safety is the top priority when it comes to materials and intermediate materials for automobiles. As such, automobile manufacturers will not partner with manufacturers that they cannot trust to produce high quality and high performance in a stable manner. Of course, the quality requirements are extremely stringent, but we regard this as a tailwind driving us forward. Furthermore, due to the long development period as mentioned earlier, it is vital for us to have a partnership with the manufacturers that involves the development of an adequate supply system as well as timely investment that enables us to keep pace with our customers. In that sense, we fulfill many requirements including in the financial aspects, and we have sufficient advantage over our competitors. We capture this as an opportunity to increase our market share in the automotive product area, and to enhance our presence in this area.

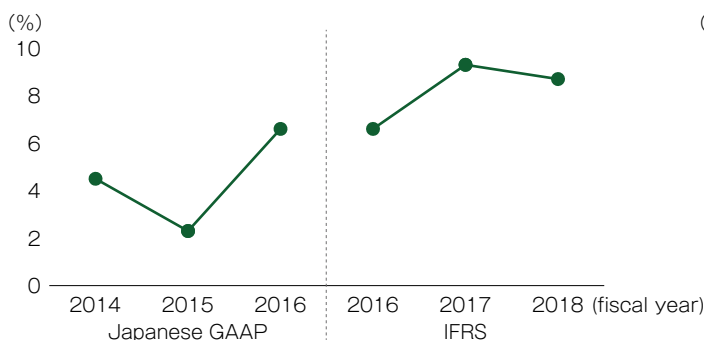
In the medium-term, we seek to engage in research and development with a sense of urgency, toward achieving our future goal of reaching revenue of ¥300 billion. We plan to maintain research and development costs at the basis of 5% of sales as we have previously done, and further, to maintain capital investment at about ¥10 billion per year.

In addition, we plan to allocate more than ¥50 billion as strategic investment toward the early commercialization of the priority goals.

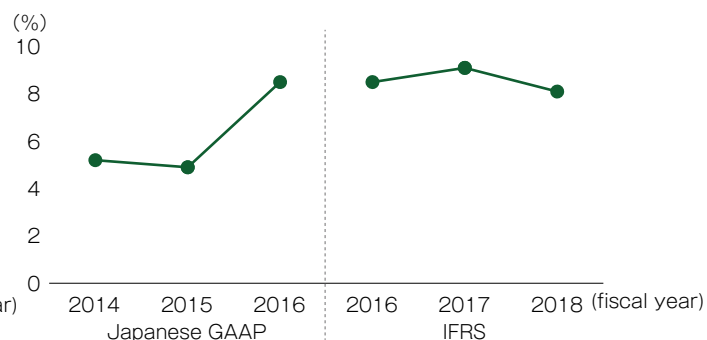
Shareholder return policy, and message to shareholders and investors

Our policy is to return profits to our shareholders in a stable and continuous manner, without increasing it significantly when we perform well and reducing it again after that. We have established a dividend payout ratio of 30%. This comes close to the 28% according to the forecast for the fiscal year ended March 2019 announced on May 13, 2019, but we continue to maintain it at 30% in the medium-term. Going forward, we plan to increase payout ratio while paying attention to the balance with growth investment. While engaging in long-term development and investment, we aim to establish a business structure that can continue to produce new products. We ask our shareholders for your continued understanding toward our management approach, and for your continued support over the long-term.

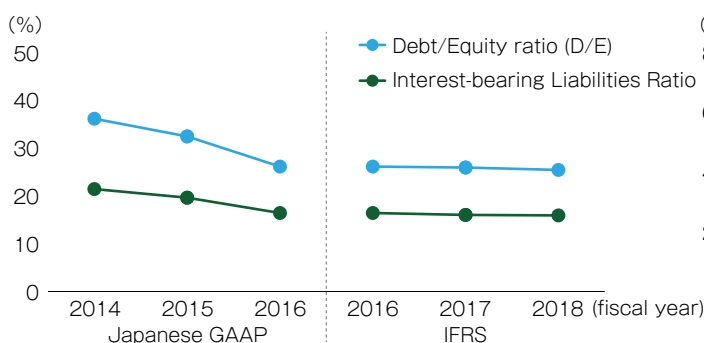
Return on Equity (ROE)/ Profit to equity attributable to owners of parent ratio (ROE)



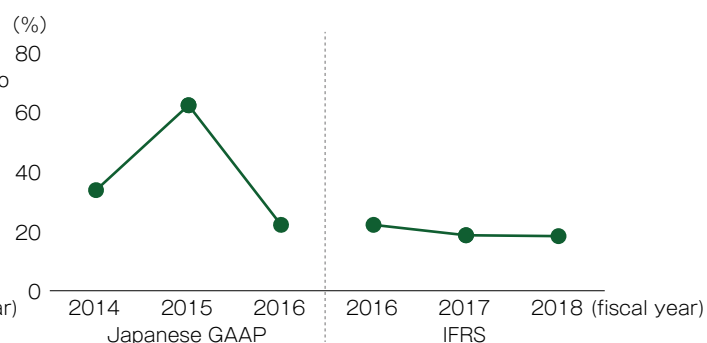
Ratio of operating income to net sales/ Business profit to revenue ratio



Debt/Equity ratio (D/E)/ Interest-bearing Liabilities Ratio



Dividend payout ratio



Sustainability

Sustainability Promotion Structure

Today, initiatives aimed at realizing a sustainable society are gathering speed around the world and the role of companies in these initiatives is increasing. Amidst this, the SDGs are a universal set of goals that both developing and developed countries are working to achieve. Japan, too, is advancing proactive efforts toward the SDGs.

We decided to incorporate the SDGs as one of its management policies. As a result, in October 2018, we established the SDG Promotion and Preparation Project Team to identify the SDG fields that we would focus on, and began promoting necessary measures across the entire our Company. In April 2019, we planned, reviewed and determined measures that contribute to the formation of a sustainable society and fulfillment of the SDGs, based on the recognition and need to address the social responsibilities and impacts our business activities have on society. As a result, the Sustainability Promotion Committee was established to

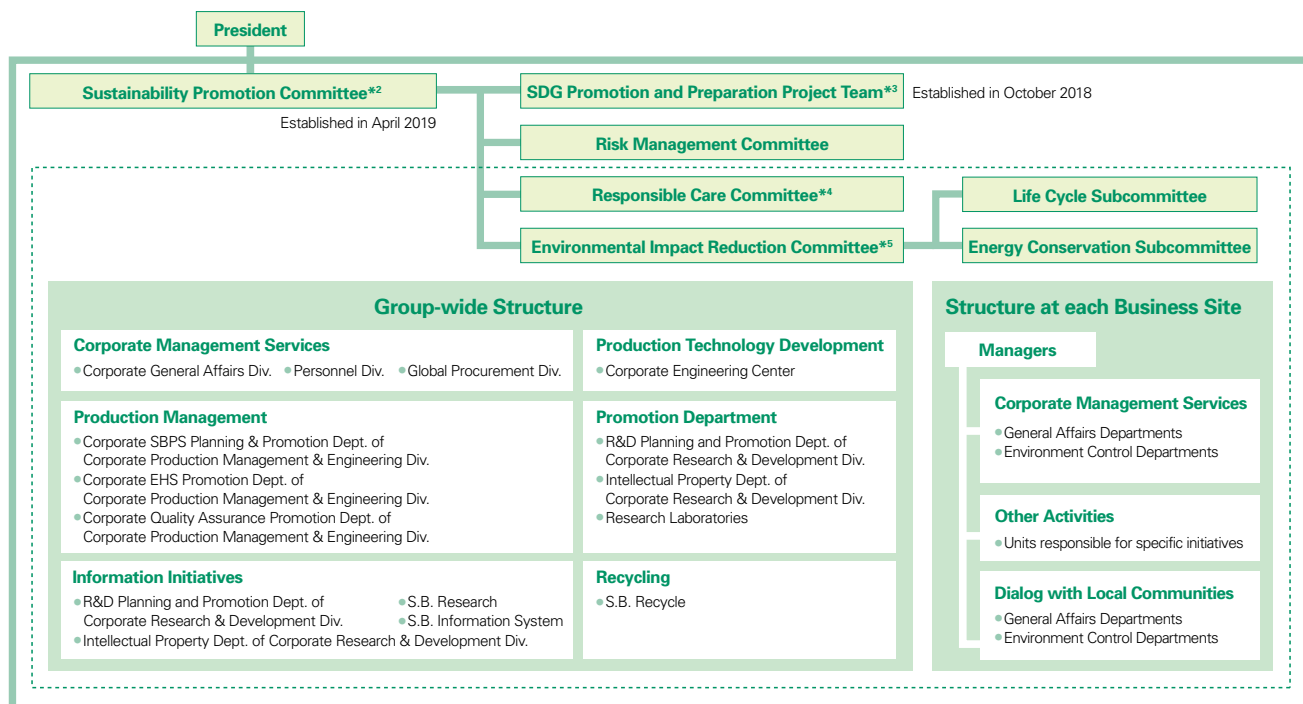
act in a sustained manner and on a company-wide basis. This committee has launched various efforts while coordinating activities across the entire our Company.

Our CSR activities have focused mainly on promoting Responsible Care*¹ as before. Centered on the activities of the Responsible Care Committee and Environmental Impact Reduction Committee, we engage in various activities through group-wide cooperation that involves all functions including the head office, administrative divisions, research and development teams, and all business sites.

Given that sustainability and CSR are closely tied (engaging in business activities focused on sustainability will result in fulfilling corporate social responsibilities), we intend to improve sustainability by contributing to the SDGs and engaging in various CSR activities.



Responsible Care
OUR COMMITMENT TO SUSTAINABILITY



*1 Responsible care means that companies should work to secure the environment, safety, and health in all of their corporate activities from the development of chemical substances through production, distribution, usage, final consumption, disposal, and recycling. They should also make information publicly available on the results of their activities and implement measures to promote dialog and communication with the community. (Japan Chemical Industry Association)

*2 The Sustainability Promotion Committee is a committee headed by the President, while executive officers and directors representing each department serve as the Vice-Chairperson and Committee Members. Secretaries of the SDG Promotion and Preparation Project Team acts as the Secretariat. Meetings are convened around once every two to three months.

*3 The team consists of a leader and secretary appointed by the President, as well as members selected from each business division. Team meetings are held monthly.

*4 Chaired by the officer overseeing the Corporate Production Management & Engineering Div., this committee meets twice each year. It has the objective of promoting Responsible Care activities related to our business operations.

*5 Chaired by the officer overseeing the Corporate Production Management & Engineering Div., this committee has two subcommittees—the Life Cycle Committee and Energy Conservation Committee. It meets once or twice each year. Its subcommittees meet twice each year. Our goals are to promote the reduction of environmental impact caused by our product life cycles and the conservation of energy and resources at our production plants.

Interview with the Director Overseeing Sustainability

Sustainability and SDG Efforts of Sumitomo Bakelite Co., Ltd.



Director, Senior Managing Executive Officer
Masayuki Inagaki

SDGs as the “ultimate potential need” as well as a business opportunity

Corporations are also expected to play a significant role toward the achievement of the goals set out in the SDGs. This is what sets the SDGs apart from its predecessor, the MDGs*¹. As a result of factors such as environmental destruction on a global scale and climate change, the growing complexity of social structure, and coexistence of diverse values, it is becoming increasingly difficult for us to visualize the goals and ideals that modern society should reach for, and the ideal state of affairs in society. Even in the manufacturing industry such as ours, we cannot tell which direction we should take going forward, and what we should produce. Every company is now desperately exploring and searching for solutions. Against this background, when it comes down to the question of what the SDGs are, we could say that they represent a signpost that all the people in the world should arrive at, resolve various social issues, and continue to achieve growth and development for a richer future. This also coincides with the objectives of a corporation's economic activities. In these times, companies that still hold the mindset “It will be fine as long as our company makes money” will become irrelevant and eliminated. Rather, considering what we can do, and how we can contribute toward realizing sustainable development for the world as a whole through the business, is becoming indispensable for the growth of corporations. In short, the SDGs represent the “ultimate potential needs” for corporations. If a company produces and sells products that are in line with the SDGs, which set out what the society and market ultimately desire, and these products are accepted by society, it would offer our Company a major business opportunity. There are even economists who predict that SDG related economy will reach as much as 80% of total GDP. In the aspect of meeting and fulfilling customers' wishes with sincerity, we seek to achieve this through “One Sumibe” activities that we have been implementing since fiscal 2017.

Furthermore, if we were able to raise our rating in aspects such as ESG investment, it would also deliver satisfaction to the shareholders and investors. Initiatives to address the SDGs can contribute to a wide range of different stakeholders.

*1 MDGs: Millennium Development Goals

The Principles of SDGs that Coincide with Our Company Policy

From before, we have considered it vital to enhance not only our economic value, but also our social value, in order to resolve social issues and bring about the realization of sustainable growth and the creation of value. This stance is founded upon our Business Philosophy (Company Policy). The stance of our Company Policy matches the principles of the SDGs perfectly.

Furthermore, we are a company that produces functional chemical products. It is our role to assign the optimal function to each and every plastic through new technology, and these added functions have to match the needs of our customers. Now, what are the needs for even more customers? If we were to approach the question in this way, we would eventually arrive at the answer, “SDGs.” That is precisely why we can say that the SDGs represent the “ultimate potential needs” that we should capture now.

The new Mid-term Business Targets clearly set out the basic policy of conducting business activities in line with the SDGs. Rather than tackling the SDGs because “It is good for society and the environment,” we will incorporate the global shared goal of the SDGs into our business plans, everyday work, and into the mindset of each and every employee, so as to expand and develop the business over the long term.

Fostering Human Resources for Promoting SDGs

First, we will begin by deepening understanding about the SDGs. To incorporate the SDGs into the work processes and products, it is necessary to have a strong understanding

not only of the 17 goals, but also of the 169 targets that are related to these goals. However, it is difficult to learn that on top of our everyday work. In light of that, posters were produced to show in one glance how the everyday work that we are engaged in is related to the SDGs, and these posters were put up in each office. Next, checks are conducted on the degree of awareness, which serves as an indicator of how far understanding has penetrated across our Company while at the same time furthering the understanding of each individual employee. These are implemented through study group meetings and the use of e-learning, and are attended by all employees including the Chairperson and the President. To apply the SDGs to business activities, it is not sufficient just to know the wording of the goals and targets. In particular, it is vital to consider if there are any negative factors in the business. Even if improvements are made only to the work under one's own jurisdiction, it would not be considered an improvement if the situation in other departments or business partners deteriorates. The SDGs cannot be achieved through our efforts alone. Hence, to promote the SDGs, we need to have human resources who have a strong understanding of that, and who are able to approach their work with a broad perspective and insight.

Tackling initiatives as a “pioneer in plastics” 5+1 priority goals

There are 17 SDG goals. While it is our ultimate goal to achieve all the 17 goals, there is a limit to what a single corporation can contribute through its business. In light of that, we have identified five goals that are directly related to our businesses and established them as priority goals for our efforts to address the SDGs in earnest. These are: 3. Ensure healthy lives and promote well-being for all at all ages; 7. Ensure access to affordable, reliable, sustainable and modern energy for all; 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation; 12.

Ensure sustainable consumption and production patterns. This was done by assigning points to the 17 goals from a number of perspectives, such as the goals that are relevant to the business domains that we are putting effort into, and goals that harness our strengths. The five goals with the top points were then selected. Another goal that has to be included in our position as a company that has taken on the title of a “pioneer in plastics” is 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

This is because it also covers the problems of marine plastics*² and microplastics*³. However, as it is difficult for us, as a manufacturer of functional chemical products, to be directly involved in tackling these issues, we will contribute to resolving the issues by participating in alliances that involve a wide range of corporations and organizations. Furthermore, there are four stages in addressing the problem of marine plastics: not generating it, not disposing of it in the sea, recovery, and disposal. Of these, we aim to carry out initiatives related to not generating plastic waste. For example, we will reduce the amount of plastic use by half by making the same product thinner and lighter. By doing so, even if it were to flow into the sea as trash, the amount of trash would be halved. Another initiative would be the development of new materials such as biodegradable plastic. This is an area that is currently making great leaps forward, but many problems remain that have to be studied and researched, such as the durability of plastic and the carbon dioxide that is generated when the plastic is broken down.

The 5+1 goals that we have identified are our priority goals as of this current point in time. Going forward, if our business continues to grow, there is a strong possibility that other goals will be added to the list. For a start, we aim to produce results steadily through our existing products, and approach the initiatives more broadly as we move forward.

*² Marine plastics: Plastic waste that flows into the seas.

*³ Microplastics: Fine plastic chips below 5mm in size. Mainly refers to plastic waste that is broken up into fine pieces while floating in the sea.

Priority SDG goals of Sumitomo Bakelite Co., Ltd.

Taking into account our company's business domains and strengths, **“five goals + one goal”** were selected (focusing on the goals that suit our company to put particular effort in).



- 3 GOOD HEALTH AND WELL-BEING
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRIAL INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- +
- 14 LIFE BELOW WATER

Continuous Efforts in Environmental Protection and Work Style Reform

As we can also tell from the fact that the SDGs are in line with the Company's Policy, there are initiatives that contribute to the SDGs among the various initiatives that we have implemented to date. The biotope that we built at the Shizuoka Plant is one such example. At the biotope, named "Ikoi no Mori" (Comfort Forest), we are engaged in efforts to protect species of plants and animals that are endemic to Japan, as well as restore the unique ecosystems of the region. The protection of ecosystems contributes to goal number 15: Protect, restore and promote sustainable use of terrestrial ecosystems. The Japanese killifish, which is an endangered species, has also made its home in the biotope. In addition to passing it on to elementary schools and corporations in the neighborhood to increase their numbers, opportunities for local exchanges and environmental education are also provided. Furthermore, the water flowing through the biotope is processed and purified from the wastewater generated by the Shizuoka Plant. We believe that the opportunity to observe the living things that make their home in these clear streams of water, such as the kingfisher and killifish, contributes to promoting understanding of the chemical industry.

Initiatives within our Company, such as promoting work style reform and diversity, are also included in the SDGs. For initiatives that are already being implemented, such as the eradication of long working hours and promoting the empowerment of female employees, reviewing them along the axis of the SDGs will probably shed light on the inadequate aspects and areas where we can be more effective.

Toward 2030 and Further Beyond

Plastic has now become an indispensable part of our lives. To create a sustainable society that can continue to grow while ensuring that plastic is used appropriately, we, as a "pioneer in plastics," have to have the necessary technology, as well as develop and sell products. To that end, it is vital to generate much innovation. In some cases, the ideas of our engineers and researchers may not be sufficient. We believe it is becoming increasingly important to form alliances that include external experts and research institutes, business partners that can share their ambitions, and start-up companies with new ideas. Furthermore, it is vital to share a clear vision in order to carry out our day-to-day operations with a view to 2030, the target year for the SDGs, as well as into the future beyond that. While we are currently drawing up our long-term vision, there are plans to incorporate the two indicators, SBT Initiative*⁴ and CDP*⁵, as a first step forward starting from fiscal 2019. Initiatives to address the SDGs are already a part of our day-to-day operations. We will continue to promote the initiatives in order to ensure that we, as a strong presence for building a sustainable society, continue to be a corporation that fulfills the needs of society going forward.

*4 SBT: Abbreviation for "science-based target." It refers to an initiative that aims to achieve the Paris Agreement target of "keeping a global temperature rise this century well below 2 degrees Celsius" through the public declaration, setting, and implementation of a greenhouse gas emissions reduction target by corporations that is consistent with science. It is a joint, international initiative.

*5 CDP: Previously "The Carbon Disclosure Project." The abbreviation "CDP" has now become the official title of the project. This project seeks to realize the public disclosure of climate change strategies and concrete greenhouse gas emissions by corporations, in cooperation with institutional investors.



Biotope at the Shizuoka Plant.
The sparkling wetlands are the habitat for the rare Oga lotus.

Materiality

In fiscal 2015, we identified our materiality (priority items) in order to determine the social issues we should address and to carry out CSR activities closely in tune with the needs and expectations of stakeholders in an integrated manner on a company-wide basis. In fiscal 2016 and beyond, we have been reviewing and will continue to review the materiality we have identified, and continue to carry out activities.

Materiality Determination Process

1 Identification	We selected issues, referencing international guidelines such as G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and ISO 26000, based on our previous efforts in various fields of CSR including the environment, safety and peace of mind, professional motivation, and society, which form part of our fiscal year plan.
2 Prioritization	We assessed the impacts that the identified issues have on the Company and on stakeholders. After internal discussions based on the results of this assessment, we selected 14 items with particularly high priority.
3 Confirmation of Validity	Further discussions were held with each business division on these 14 priority items. Next, we narrowed the items down to 11 to focus our efforts based on the results of these discussions. On top of this, we asked outside professionals to review and provide comments on these 11 items. Simultaneously, the Responsible Care Committee confirmed the validity of these items.
4 Review	We will now implement CSR activities based on the materiality of these 11 items as well as conduct a review led by outside professionals and employees about the nature of these activities. The results of this review will be utilized for corporate social responsibility reports and subsequent years as well as for activity planning.
Initiatives for Fiscal 2016 and Beyond	In fiscal 2016, we conducted an annual review of each business division and made changes to next year's targets based on the identified materiality items. In fiscal 2017 and subsequent years, we have been implementing and will continue to implement the PDCA ("plan, do, check, action") cycle based on these materiality items. We are also promoting the organization and internal dissemination of the relationship between materiality, business activities (providing value), and the 17 goals and 169 targets of the SDGs (Sustainable Development Goals). Furthermore, as we move from the G4 to the GRI Standards, due to the requirements of conformance being clearly defined, we are carrying out a gap analysis in light of the requirements of these GRI Standards.

Materiality Items Identified

Field	Materiality item	Related stakeholders
Issues related to ensuring harmony with environment Related SDGs →    	Mitigate environmental impacts	<ul style="list-style-type: none"> Local communities Business partners
	Resource and energy conservation	<ul style="list-style-type: none"> Business partners Employees
Issues related to providing safety and peace of mind Related SDGs →  	Safety and security	<ul style="list-style-type: none"> Local communities Business partners Governments Employees
	Management of chemical substances	<ul style="list-style-type: none"> Business partners Governments Employees
	Product liability	<ul style="list-style-type: none"> Customers
Issues impacting society Related SDGs →    	Biodiversity conservation	<ul style="list-style-type: none"> Local communities
	Improving stakeholder satisfaction	<ul style="list-style-type: none"> Customers Governments Shareholders Business partners Local communities Employees
	Human resource development	<ul style="list-style-type: none"> Employees
	Diversity, Work-life balance	<ul style="list-style-type: none"> Employees
Issues representing the foundation of business activities Related SDGs →  	CSR procurement	<ul style="list-style-type: none"> Business partners
	Compliance	<ul style="list-style-type: none"> Employees

*Please see the "CSR Report 2019" (Full Online Version) page 26 to 27 for more details about our initiatives under each materiality item.

Environment

Details on environmental initiatives are available on page 37 to 43 in the “CSR Report 2019” (Full Online Version).

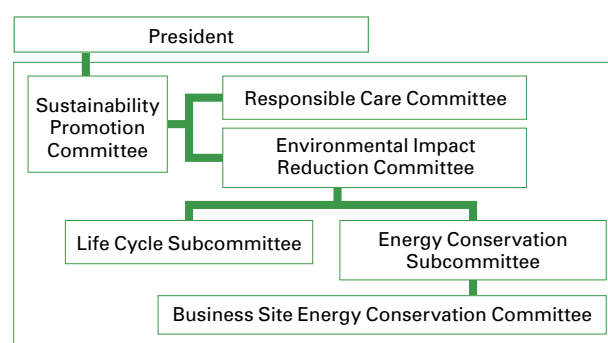
Environmental Management System

We rely upon the earth’s natural resources and energy in order to do business. However, doing business will generate garbage and air and water emissions. For this reason, we believe it is important for us to adhere to environmental laws and regulations, conduct business in an environmentally friendly manner and engage in initiatives that reduce the environmental impact on the entire society through our products and services. The entire our group works to conserve the environment under its Responsible Care Policy, with the ultimate goal of contributing to the development of a sustainable society.

To actively reduce environmental impacts, conserve biodiversity, and prevent soil and groundwater pollution, our Responsible Care Committee and Environmental Impact Reduction Committee take the lead in checking compliance with environmental laws and regulations as well as conducting environmental assessments

throughout the entire life cycle, from R&D to raw materials procurement, production, sales and final disposal. Based on the results, each workplace and work site take appropriate actions.

Environmental Management System Diagram



Activities of the Environmental Impact Reduction Committee

The Environmental Impact Reduction Committee recaps each year’s progress toward medium- to long-term environmental targets at the end of the fiscal year and determines the targets for the following fiscal year. Two subcommittees were established within the Committee in order to achieve its objectives, and these subcommittees work to reduce our environmental impact.

The Life Cycle Subcommittee continues to focus on life cycle assessments (LCA) at all R&D departments with the aim of establishing production systems with minimal environmental impacts through scientific, quantitative, and objective assessment of environmental impacts, from the

R&D phase onward, under the Policy on Responsible Care Activities.

The Energy Conservation Subcommittee worked to establish, across all business sites in Japan, a mechanism for continuously soliciting and trying out ideas for saving energy through such means as voluntary implementation initiatives in business sites. In fiscal 2018, the subcommittee successfully reduced energy consumption by as much as 2,396 kL in crude oil equivalent, or 5,306t-CO₂, compared with fiscal 2017, primarily by reducing urban gas and electricity consumption.

Investments in Environmental Protection

We have compiled data annually on the amounts of investments in environmental protection of all our group companies in Japan since 2000.

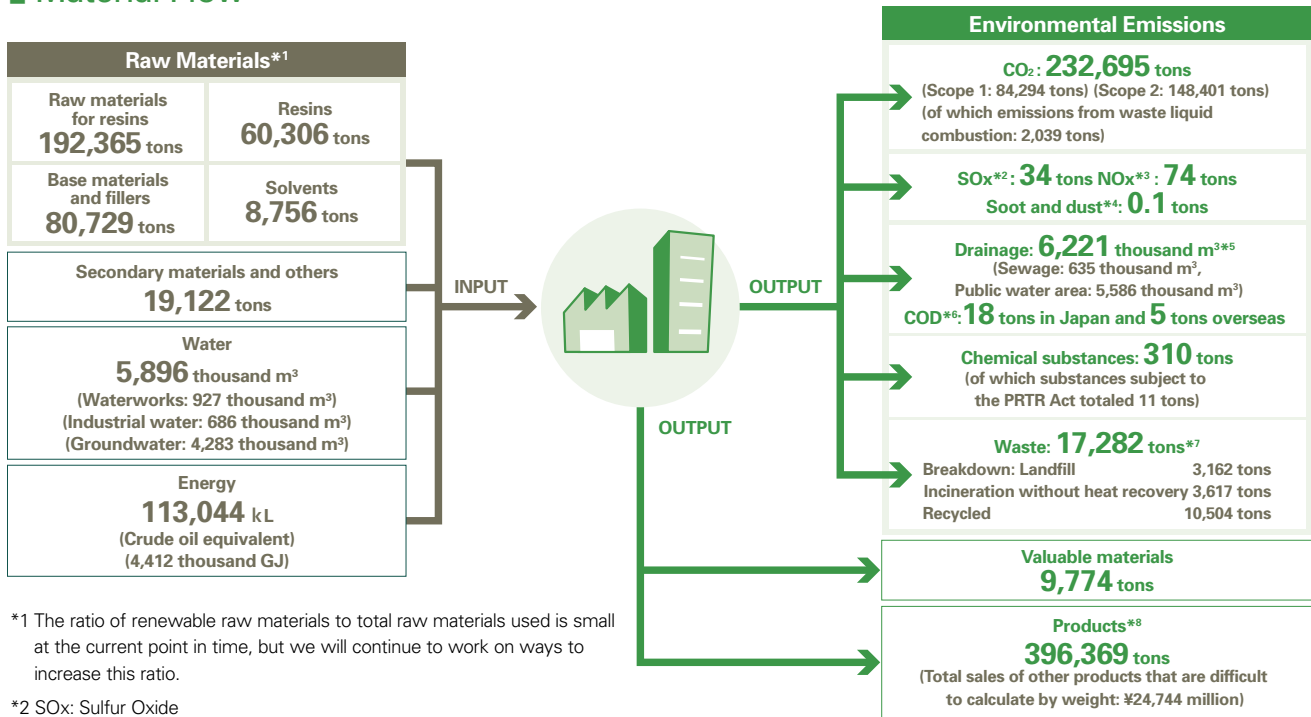
For fiscal 2018, in total 510 million yen in investments were made and measures to conserve energy were taken by means of increasing the efficiency of power supplies, recovering heat from the incineration of biogas and waste solvents, and so forth. These contributed to continuing to achieve average annual reductions of 1% or greater of energy consumption per unit of output, which is a requirement of the Act on the Rational Use of Energy (known as the Energy Conservation Act).

Amounts of Investments in Environmental Protection in Fiscal 2018

Category	Investment amounts (millions of yen)
Emissions control	79
Energy saving	433
Waste reduction, recycling, and treatment	1
Total	514

* Data covers the time period and business sites in Japan listed on page 2 in the “CSR Report 2019” (Full Online Version).

Material Flow



*1 The ratio of renewable raw materials to total raw materials used is small at the current point in time, but we will continue to work on ways to increase this ratio.

*2 SO_x: Sulfur Oxide

*3 NO_x: Nitrogen Oxide

*4 Soot and dust: Solid particulate matter found in smoke including dust and cinders. Since methods of calculating emissions of soot and dust differ among countries, this figure is compiled solely for business sites in Japan at present.

*5 Drainage volume is determined by calculating drainage into sewages based on the breakdown of total usage. Drainage into public water areas is calculated using readings from flow meters installed at business sites; while water usage volume is used for business sites without flow meters.

*6 COD: Chemical Oxygen Demand. Data on overseas COD covers sites that measure COD within drainage. Data for overseas sites are stated separately because the types of oxidant used for measurement differ from those used in Japan.

*7 The volume of hazardous waste found in our total waste volume came to 7,213t (based on the definitions used by each country).

*8 The volume of products shipped and value of products sold are not subject to assurance.

Disclosure of Scope 3*9 Data

In 2015, we began calculating and disclosing Scope 3 emissions in the supply chain of business sites belonging to our group in Japan because of the growing importance of understanding CO₂ emissions covering the entire supply chain.

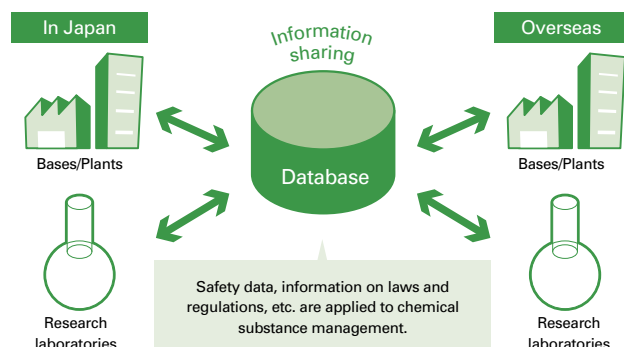
From fiscal 2018, we have enlarged the scope to cover overseas business sites, as we disclosed data for a total of eight categories including Category 1 “Purchased goods and services”. In addition, as with last year, it was also confirmed that three categories including Category 8 “Upstream leased assets” are not applicable.

*9 Whereas Scope 1 concerns direct emissions due to combustion of fuel etc. and Scope 2 concerns indirect emissions from consumption of purchased electricity or heat, Scope 3 concerns other indirect emissions, both upstream and downstream, of the supply chain of the reporting entity. The international guidelines of the Greenhouse Gas (GHG) Protocol break down Scope 3 into 15 categories.

Chemical Substance Management

We are creating a comprehensive chemical substance management system to centrally manage all chemical substances contained in products and raw materials handled by us.

Chemical Substance Management System



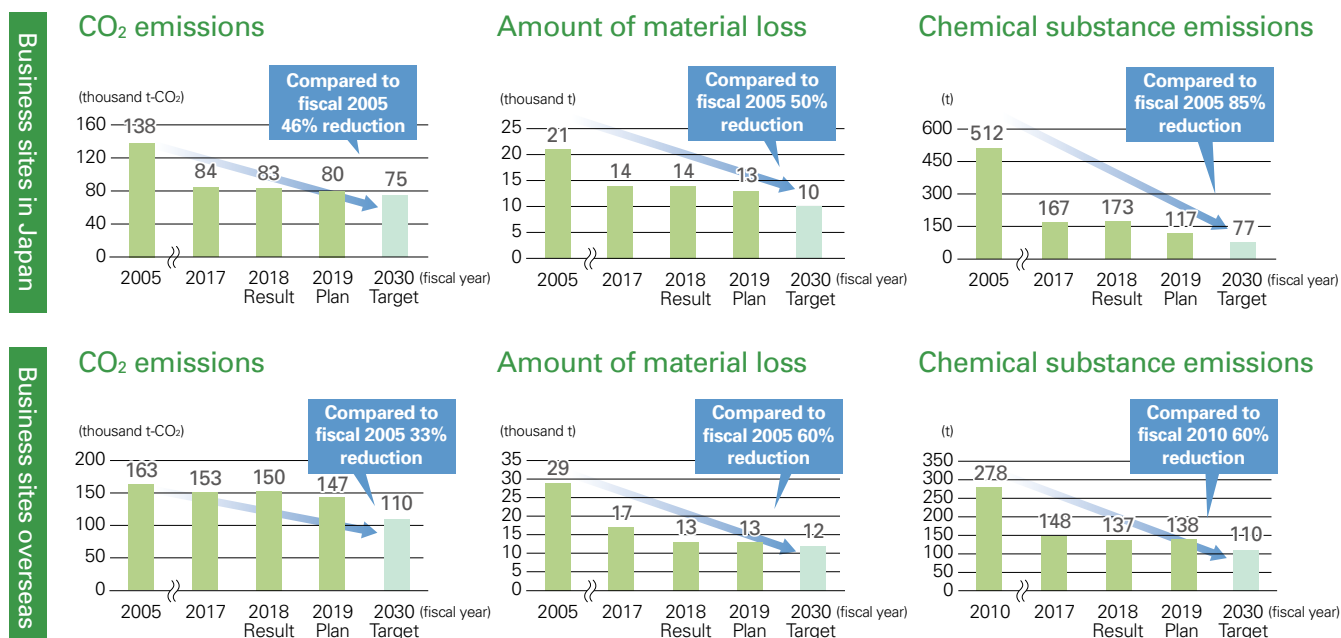
Medium- to Long-term Environmental Targets and Performance

We have established a new medium- to long-term environmental plan starting from fiscal 2018 and ending in fiscal 2030, and are promoting activities based on this. In particular, we have formulated targets for reducing greenhouse gases that are based on the following.

- Response to sustainable development needs shared by the international community with 2030 as the target year established in the SDGs approved at the UN Summit in September 2015.
- Response to the greenhouse gas reduction target for fiscal 2030 indicated in the Japanese government's INDC in COP21.

•Response to the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures.

In addition, we are focusing our efforts on the reduction of greenhouse gas (CO₂ emissions) linked with the Japan Business Federation (Keidanren)'s Commitment to a Low Carbon Society, which we have participated in through the Japan Chemical Industry Association. Furthermore, as we have done in the past, we have set targets for reducing material loss (waste and valuable materials) and chemical substances emissions, and are promoting initiatives to systematically reduce our environmental impact.



*Please see the "CSR Report 2019" (Full Online Version) page 2 about the boundary for target business sites.

*For definitions and the calculation method of CO₂ emissions, material loss, and chemical substance emissions, refer to the "CSR Report 2019" (Full Online Version) page 74.

*The total of the 36 substances subject to the PRTR Act included in chemical substance emissions released by the Group's sites in Japan amounted to 11 tons and the total amount transferred amounted to 102 tons. For details of the transfer and release of substances subject to the PRTR Act, refer to the Data Section on the "CSR Report 2019" (Full Online Version) page 76.

Marine plastics

When it comes to the problem of marine plastics, we are moving ahead with activities to contribute to reducing plastic marine waste via a number of initiatives based on the Japanese government's Plastic Resource Recycling Strategy. These initiatives include managing the raw materials used and the plastic products we manufacture, promoting the recycling of said products, and developing new products.

At present, through our participation in the Clean Ocean Material Alliance (CLOMA), we are working to address a variety of challenges that include further strengthening our initiatives for suitably managing waste and the 3Rs for plastic products.

Recycling

We promote recycling as a means to make effective use of resources. This recycling includes the recovery and recycling of phenol from waste liquid produced by phenolic resin reactions during the product production process, fine grinding of offcuts from phenolic laminated sheets and decorative melamine resin laminate for use as a filler in phenolic resin molding compounds reuse of molded article by-products (sprues and runners) as raw material for molding materials, as well as reuse of excess sludge from activated sludge effluent treatment equipment as compost (organic fertilizer).

Social

Details on social initiatives are available on page 44 to 65 in the “CSR Report 2019” (Full Online Version).

Occupational Health and Safety Management

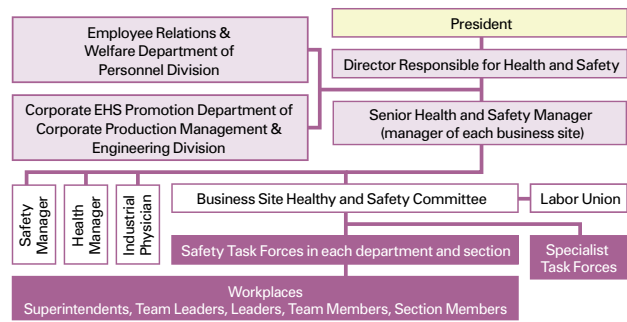
We have established a Responsible Care Committee chaired by the director overseeing company-wide safety. This committee determines health and safety activity policies along with important measures for preventing disasters and accidents, and based on these, rolls out health and safety activities across the entire company.

Each of our business sites makes efforts closely in tune with the needs of individual workplaces within a company-wide framework and under an accountability structure involving the managers of business sites. At its monthly meetings, the Health and Safety Committee inspects health and safety management activities, ensures thorough compliance with relevant laws and ordinances, and considers capital investments to realize risk reduction, among other actions.

In 2009, our plants and main domestic subsidiaries and affiliates in Japan began pursuing OHSAS18001 accreditation, followed by our overseas subsidiaries and

affiliates from 2010. Today, a total of 23 business sites have received accreditation, including five business sites and three affiliates in Japan and 15 affiliates overseas. Alongside with the abolishment of the OHSAS18001 in 2021, work is also ongoing to make the transition to ISO45001.

Management Structure



Quality Assurance

We have established quality management systems (QMS) based on ISO 9001 and is continuing to acquire relevant certifications (a total of 36 sites have been certified as of May 1, 2019). Recognizing the provision of products and services that customers can always feel satisfaction and peace of mind in using is an important social mission for our Company, all relevant departments collaborate on all processes—from product planning, research, design & development, preparation for production, production, sales & service, to quality assurance—with an awareness of the importance of ensuring the safety of products, and create and appropriately implement and management frameworks within which to enhance and maintain product safety and quality. We formulated our Quality Management Policy to ensure that every employee systematically implements quality assurance initiatives in accordance with QMS.

Quality Management Policy for FY 2019

Basic Policy

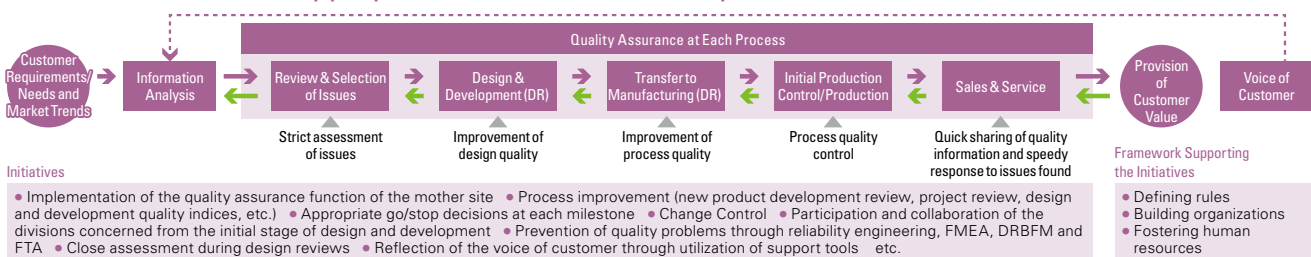
In mind with Customer First and Quality First, we (all SB Group employees) shall create an efficient workflow of quality formation for fundamental improvement, contributing to increasing the Company’s profitability and at the same time achieving a sustainable society through SDGs:

***** One Sumibe / Zero Defect / Proactive*****

Action Plan: SDG Goal 12. Ensure sustainable consumption and production patterns

- I. Working toward Ensuring Quality that Provides Safety and Peace of Mind (QA Department’s Role and Responsibility)
- II. Quality Improvement Activities of Existing Businesses (Complaints Handling Aimed at Improving Customer Satisfaction)
- III. Reducing Risks to New Products or New Businesses
- IV. Improvement of the Entire Total Manufacturing (*Monozukuri*) Process through Daily Inspection and *Monozukuri* Audit
- V. Skill Enhancement to Prevent Risks in Design & Development Process and Each Operational Process

Future State Vision of Appropriate New-Product Development and Commercialization Processes



■ 'Monozukuri' Audits

Conventional audits that have been conducted for quality, environment, and safety for each business site made it difficult for us to identify the root issues each business site is faced with, due to factors such as insufficient man-hours spent on the audits, inadequate skills of the auditors, and a lack of information provided beforehand. Furthermore, the internal audits conducted by each business site focused on the management system, and it was not possible to successfully link the activities from the extraction of essential issues to the prevention of recurrence and prevention. Therefore, in order to resolve these problems, we built an audit system (combining 'Monozukuri' Audits and internal audits) that is able to identify the root issues in each business site, correct and improve the situation, and prevent occurrence and recurrence of issues.

- (1) Audits will be conducted in greater detail (review of questions on check sheet) to inspect and cover audit points that could pose or predict problems in terms of quality, EHS, or production that occurred last year.
- (2) Business sites will be inspected jointly by the three promotion departments (quality assurance, EHS, SBPS) within the Corporate Production Management & Engineering Division ('Monozukuri' Audits).
- (3) Internal audits conducted by each business site will contain inspection items from 'Monozukuri' Audits to enable business sites to correct/improve issues autonomously using the PDCA cycle.
- (4) 'Monozukuri' Audits will inspect internal audit results, the status of corrective actions or improvements, and important matters, and also involve follow-ups, etc.

In fiscal 2018, 'Monozukuri' Audits were conducted on three directly managed business sites (Shizuoka Plant, Kanuma Plant, and Amagasaki Plant) and four affiliate companies (Kyushu Sumitomo Bakelite Co., Ltd., Akita Sumitomo Bakelite Co., Ltd., the Nara Plant of S.B. Sheet Waterproof Systems Co., Ltd., and Yamaroku Kasei Industry Co., Ltd.) in Japan, while overseas the Audits were carried out in seven business sites in China and Southeast Asia.

■ CS Promotion System

With Customer Satisfaction (CS) as a top priority, we promote "One Sumibe" by conducting company-wide product marketing activities, deepening relationships with customers, and actively promoting collaboration and cooperation within and outside the Company. In the past, information, technology, and ideas that could not be shared because each business was divided vertically were gathered, and with the aim of making product proposals and sales that transcend the boundaries of business divisions, a team is formed to make proposals to customers.

We invite customers in an annual conference to listen

to their voices, deepen mutual understanding and build trust through questionnaires and other means. Internally, we hold CS discussion meeting annually to share CS activities and enhance awareness of CS. Each business site and business division creates their own CS Declaration comprised of five principles to suit the nature of its business and environment, all employees continue to evolve. Also, we utilize the Company's newsletter to convey our philosophy toward CS activities to employees.

■ Promote the Advancement of Women

We acknowledge that it is important for each of our employees to be able to play active their roles and demonstrate their individuality so that we are able to respond to the diverse needs of our customers, and we promote this diversity of talent. Within this, we recognize there are issues that we must actively address concerning the promotion of female advancement, and we are working to provide gender-neutral personnel training and create workplaces in which people can play active roles regardless of their gender. These initiatives are monitored and reviewed by the Responsible Care Committee.

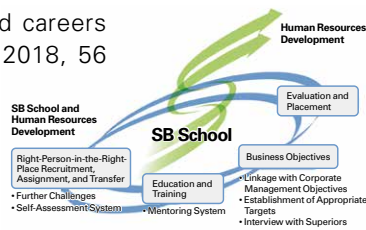
We are carrying out initiatives following the action plan for the promotion of women's advancement that was decided in FY2015. In the four years from April 2016, we are aiming to solve the issues of there being few female management staff and the short length of service of women employed in career track positions. We have set the target of doubling the number of female management staff compared to the end of March 2014. At the end of March 2019, compared to the number of female management staff the previous year there was 0.31 points increase to 1.83%.

We are also offering career education to raise awareness of diversity management in relation to management staff, and to foster awareness of career development for female employees.

■ Human Resources Development

We believe that the growth of each and every employee is a driving force behind the sustainable growth of our businesses. For this reason, we recognize that human resources development is a critical aspect of management. In September 2007, we opened SB School as an in-house training institute. The aim of SB School is to provide lifelong education and training courses that help our group achieve sustainable growth of business operations while maximizing corporate value. The school offers courses for all grades of employees from all departments. These include "all-employee education" courses that confirm and reinforce employees' awareness of the Company's Business Philosophy as well as fundamental knowledge about such issues as enhancement of CS, compliance, human rights, occupational safety, quality, and

environmental protection. The School also systematically plans and implements various other kinds of educational and training courses needed by employees. From April 2018 through March 2019, the cumulative participation in SB School courses was about 23,000 employees, and the number of hours of education provided was approximately 33,000. We will plan and implement an increasingly wide range of programs to develop the capabilities of all employees—the Company’s most precious management resource. In addition, we implement life planning education as a program for providing necessary information for life planning after retirement and rethinking one’s career direction. This program was revamped in fiscal 2017 to provide not only information about social insurance systems, but also opportunities to learn about second careers and health. In fiscal 2018, 56 employees took part.



Relationships with Shareholders and Investors

We are working actively to enhance our corporate value and regards returning a portion of profits generated by our businesses to shareholders as one of its most important management priorities. In allocating profits, we take into consideration the balance with retained earnings that will be used for the future development of the business, such as R&D expenditures, capital investment, and M&A.

About information disclosure, we carry out appropriate and timely disclosure of corporate information in accordance with the disclosure standards of the Tokyo Stock Exchange and in accordance with the “Information Disclosure Guidelines” in which we have set our basic approach to disclosing information to stakeholders including investors and employees simultaneously, fairly, and accurately.

We also make efforts to proactively disclose our information such as financial results, general shareholders’ meeting, along with information disclosed in the manner as stated in the above paragraph, through posting them on our website.

Furthermore, for analysts and institutional investors, we host presentations on financial results twice a year, and organize individual meetings after announcement of quarterly financial results. The Company’s representatives or officers in charge of finance and accounting visit institutional investors not only in Japan, but also in Europe, the United States and Southeast Asia where they explain the Company’s business results and business operations, and exchange opinions.

Relations with Local Communities

Biodiversity Conservation Initiatives

Following the philosophy of our Responsible Care Activity Guideline, we recognize the importance of conserving biodiversity. As such, we are a promotion partner of “The Declaration of Biodiversity by Nippon Keidanren.” Understanding the importance of biodiversity outlined in the guidelines and reflecting it in the basic management stance, and following these declarations, we are promoting

environmental impact reductions, compliance with our procurement policy, and dialogue with communities through preservation activities at biotopes set up at some of our business locations. In terms of our initiatives during the product life cycle, we develop eco-friendly products, while outside of Japan we take part in local initiatives, including those that protect rare tree species.



A guided tour of the Shizuoka Plant Biotope



A traveling class held at an elementary school in the vicinity around the Shizuoka Plant

Initiative to Protect Forest Ecosystems

We contribute to conservation of biodiversity by protecting forest environments through supporting forest thinning projects and afforestation activities. We have supported forest thinning mainly in Iwate Prefecture since fiscal 2008 by expanding the use of Paper Products that Contribute to Forest Thinning Efforts promoted by the Morino Chonai-Kai (Forest Neighborhood Association). The cumulative amount of this paper used is approximately 63.5 tons, which corresponds to the thinning of 4.29 hectares.

Our business site in Indonesia engages in afforestation activities for growing mangrove forests that protect various species of marine organisms. Going forward, we will continue to conserve biodiversity tailored to the environment surrounding each of our business sites.



Tree-planting program in the local community of the production plant in P.T. SBP Indonesia

Support for Japan Inclusive Football Federation

We concluded a partnership agreement with the Japan Inclusive Football Federation (JIFF)*¹, as an initiative from the standpoint of respect for diversity and contributing to the realization of a society where everyone can live in harmony. Based on this agreement, we provide support for the development of inclusive soccer sports.

In fiscal 2018, we supported the Japan Powerchair Football Championship 2018 held in December, and sponsored the IBSA Blind Football World Grand Prix 2019. Going forward we will continue to support activities as an official partner, toward building a harmonious society where people can interact with one another through soccer, regardless of their disabilities.

*1 The Japan Inclusive Football Federation is an organization that brings together seven inclusive soccer sports associations. JIFF carries out activities under its commitment to create a vibrant society that respects each person's uniqueness through the benefits of sports and soccer regardless of disability.



Image courtesy of the Japan Blind Football Association (JBFA)

Environmental and Social Contribution Activities

We participate in an environmental survey program run by NPO Earthwatch Japan as a corporate partner, as part of its educational and social contribution activities as well as to expand the scope of these educational and social contribution activities.

In fiscal 2018, we dispatched employees to conduct research and studies in two programs: the Tidal Flats Study Program (Study of Living Things in Areas Affected by the Disaster) under the East Japan Green Restoration Monitoring Project in Watari, Sendai City, Miyagi Prefecture (Gamou Tidal Flat, Lake Torinoumi) in June, and the Monitoring Study to Learn from Living Things that have Returned to Kesenuma and Moune Bay (Study of

Water Quality and Marine Ecology After the Disaster) in Kesenuma City, Miyagi Prefecture, in July.



Kesenuma and Moune Bay, Miyagi Prefecture (Study of Water Quality and Marine Ecology After the Disaster)

Watari, Sendai City, Miyagi Prefecture (Gamou Tidal Flat, Lake Torinoumi) (Monitoring of Tidal Flat Ecosystem)

Official Partnership Agreement with Fujieda MYFC

We concluded an official partnership agreement for the 2019 season with Fujieda MYFC, a professional soccer club.

Fujieda MYFC is a J League J3 soccer team hosted by the Shida Haibara districts of Fujieda. This agreement was concluded partly because Fujieda City, which promotes revitalization of the town through soccer, is related to the

Shizuoka Plant (based in Fujieda City), and also because it contributes to the local community while enhancing the motivation of employees.



Fujieda MYFC logo



Support for Education of the Next Generation (Fujieda City Science Education Support Project)

We are taking the lead in providing support for the education of the next generation as part of an industry-government-academia partnership in cooperation with other companies with production plants located in and around Fujieda City, an initiative that has been ongoing since 2009.

On January 18, 2019, the 10th Fujieda City Science Education Support Project was held at the Shizuoka Plant. As with previous years, a lively exchange was held among a large number of participants that included not only science teachers from public junior high schools in Fujieda City, but also staff from the Education Department and Industrial Promotion Department of Fujieda City as well as employees from companies located in Fujieda City. We introduced how our plastic products are used, with a focus on automotive products, our SDG initiatives and

activities aimed at reducing environmental impact, and the biodiversity of our biotope.

The principal in charge of the event commented, "The passion of the teachers involved in preparing the classes, which provided our students with the opportunity to conduct eye-opening experiments, was greatly impacted by the cooperation and support that we have received from our local corporations such as we have seen today."



Scene of a lecture conducted in the conference room



Automobile Solution Gallery Showroom

Governance

Details on governance are available on page 32 to 36 in the “CSR Report 2019” (Full Online Version).

Strengthening Corporate Governance

As a pioneer in plastics, we bring “delight” to customers through the creation of new advanced functions from plastics and through the use of its products, with the goal of contributing to value creation for customers and various other stakeholders. For this reason it is important to earn the trust of society and be needed by society,

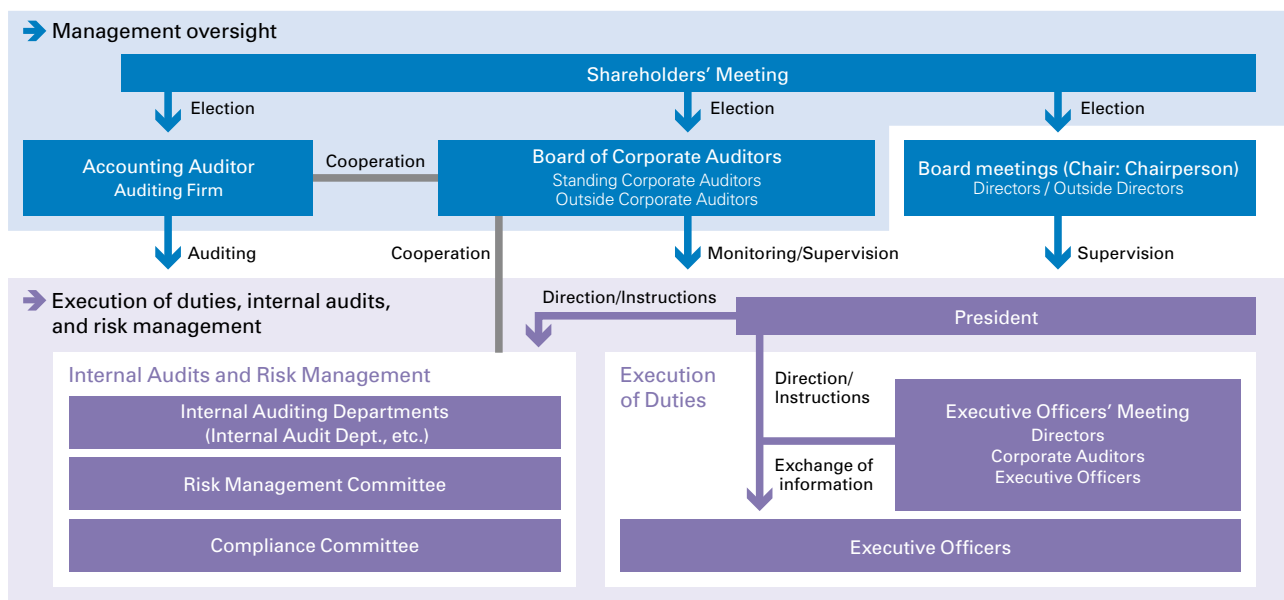
and therefore, we are establishing efficient and effective structures for achieving management that are highly compatible with society and the environment and for addressing risks facing management, including rigorous compliance.

Management System

Sumitomo Bakelite Co., Ltd. is a company with a Board of Corporate Auditors. As of June 24, 2019, 10 directors (of which three are outside directors) and four corporate auditors (of which two are outside corporate auditors) had been appointed. The Board of Directors is chaired by the chairperson and the representative director. In addition, we have adopted an executive officer structure, in which executive officers, who are appointed by the Board of Directors, are responsible for executing their assigned tasks under the direction of the president based on the policies approved by the Board of Directors. As of June 24, 2019, 17 executive officers (including six who serve concurrently as directors) had been appointed. All of the aforementioned directors, auditors, and executive officers are over the age of 50, and include 24 men and one woman, with a female board member ratio of 4%. The Board of Directors deliberates on and selects candidates for the positions of director and auditor from among appropriate persons in terms of a comprehensive

assessment of their business performance, knowledge and experience, personality, views, and motivation, among other factors, so that the right person is selected for the job. Based on this, directors and auditors are appointed by resolution of the Shareholders’ Meeting. At its monthly meetings, the Board of Directors renders decisions on important operational matters and receives monthly performance reports and reports on progress regarding important operational matters from each of the directors. The chair also holds hearings on the opinions of and reports from corporate auditors to ensure that a thorough discussion is carried out. In the case of conflicts of interest involving any director, potential conflicts of interest are required to be reported in advance to the Board of Directors to obtain its approval, with reports to be given on the propriety of this after the fact. Executive officer’s meetings, which are comprised of directors, executive officers, and auditors, are held once a month. In these meetings, notification is provided of

Structure of Corporate Governance (as of June 24, 2019)



the policies and important matters decided by the Board of Directors, performance reports and reports on the implementation status of operational matters are given by each executive officer, and reviews of and information on important matters are shared.

The remuneration of directors consists of monthly base pay and a bonus. The monthly base pay is fixed based on one's job title, while the amount of the bonus is determined according to the Company's consolidated business performance during the fiscal year, in order to raise directors' motivation to achieve the fiscal year business plan. The annual amount of the monthly base pay and bonus is determined within the total amount of remuneration approved by the Shareholders' Meeting. Decisions on the amount of monthly remuneration paid to each individual director are entrusted to the representative directors. The amounts paid to each position of chairperson, president, senior managing executive officer, managing executive officer, and executive officer are set. The net amount to be paid for bonuses is determined by the Board of Directors. Allocations of bonuses are entrusted to the representative directors, and the net amount paid is calculated by multiplying a fixed multiplier against business profits. The amount paid to each individual is calculated by multiplying a fixed multiplier determined according to the person's title. Non-executive outside directors are only paid monthly base pay.

Internal Control

We have systems in place for ensuring appropriate operations in accordance with its business philosophy. In accordance with the Basic Policy on Internal Control Systems drawn up by the Board of Directors in May 2006, we periodically review the systems and promote various activities to enhance internal control.

With respect to internal control over financial reporting, based on the Company's Basic Rules and Regulations for Internal Control over Financial Reporting, we endeavor to enhance systems for ensuring the reliability of our financial reporting, appropriately operate internal control systems in terms of implementation, assessment, reporting, and

The remuneration of corporate auditors consists of base pay (monthly pay). The net amount and the amounts paid to each individual are determined by consultations with the corporate auditors within the total amount of remuneration approved by the Shareholders' Meeting.

The Appointment and Remuneration Advisory Committee has been established to make decisions regarding the appointment of directors and the amount of their remuneration and so forth.

It is a voluntary committee that is comprised of independent outside directors (this refers to those outside directors of the company for whom notification has been submitted to the Tokyo Stock Exchange of their position as independent officers) and the representative directors. This Committee holds deliberations over candidates for the role of director submitted by the representative directors, as well as the total annual amount of monthly remuneration and bonuses paid to directors and the amounts paid to individuals. It then reports its findings to the Board of Directors based on the results of these deliberations.

Remuneration for executives in fiscal 2018 comprised a total of ¥385 million (base pay of ¥300 million and bonus of ¥85 million) for 10 directors (excluding outside directors), a total of ¥54 million (base pay of ¥54 million) for three auditors (excluding outside auditors), and a total of ¥58 million (base pay of ¥58 million) for six outside executives.

correction, and ensure appropriate and timely disclosure of corporate information. The Comprehensive Guidelines for Internal Control in Consolidated Subsidiaries covers the items that subsidiaries are required to address in establishing their internal control systems and in their subsequent ongoing implementation of control activities.

The internal control over our financial reporting as of March 31, 2019 was assessed and deemed to be effective by Internal Auditing Departments. In addition, as a result of the accounting auditor's audit, it was confirmed that the internal control report presents fairly the result of assessments of internal control over financial reporting.

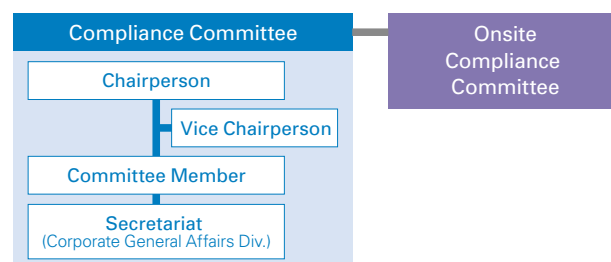
Compliance

Compliance System

We emphasize compliance because we recognize that adherence to laws and corporate ethics is integral to the conduct of business.

As part of the framework to ensure the appropriate conduct of business by directors and employees, our Company has established the Compliance Committee. This Committee is responsible for promoting compliance

Compliance System



through assessments of compliance levels and, as necessary, undertaking related improvements as well as

Code of Conduct for Employees

Our Code of Business Ethics and Conduct is a booklet that explains the fundamental policy in our Business Philosophy along with Our Code of Conduct, established as a set of standards guiding employees during their day-to-day work to ensure we engage in mistake-free business activities. This booklet is regularly used in e-learning sessions and read aloud at workplaces to make the information therein known to all.

The current version of Our Code of Business Ethics and Conduct was revamped in October to 2017, taking

Whistleblower System

We have established a system that enables our employees who have discovered a compliance violation, or suspect that there may have been a violation, to report the matter directly to a designated contact point, on the assumption that reporting to a direct supervisor is difficult. In addition to having an internal contact point at the Internal Audit Dept., employees with such information to disclose can elect to report externally via designated legal counsel. Employees can report anonymously, and the privacy of whistleblowers is rigorously protected to ensure that they are not placed at a disadvantage as a consequence of reporting violations.

In fiscal 2018, there were zero cases reported, as there were no reports related to discrimination, child labor, forced labor, improper accounting, corrupt practices, or improper or illegal conduct, including violations of antitrust

Monitoring

In accordance with the Basic Policy on Internal Control Systems, the Internal Auditing Regulations, the Basic Rules and Regulations for Internal Control over Financial Reporting, the Manufacturing Auditing Regulations, the Security Trade Control Regulations and other company regulations, the Internal Audit Dept., Corporate EHS Promotion Dept., Corporate General Affairs & Legal Dept., and other departments involved in internal auditing, audit and assess the compliance of our Company and its subsidiaries and affiliated companies, both in Japan and overseas. This is done mainly by means of site audits, at the actual sites, and written audits, via inspections of the results of self-audits, by the departments being

education and training.

into account the latest worldwide trends in customer satisfaction, SBPS, quality control, health and safety initiatives, as well as legal compliance. It has also been translated into languages.

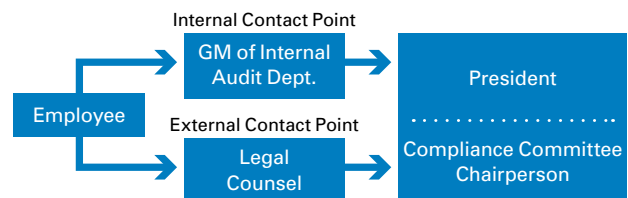


The booklet on Our Code of Business Ethics and Conduct

laws, or matters with a considerable negative impact on society.

Additionally, subsidiaries and affiliates in Europe, North America and China have set up individual contact points, giving consideration to the local culture and legal customs, and when necessary, the head office of our Company will also step in to address matters reported to these local contact points.

Flow of the Whistleblower System



audited. Audits and assessments are conducted from the standpoint of whether the operations of departments are in compliance with relevant laws and conform to various standards. Departments where issues are identified are required to submit written reports detailing actions taken to resolve the issues.

In fiscal 2018, compliance auditing and assessment was conducted from the standpoints of environment, human rights, occupational health and safety, provision and use of products and services, management of customer information and data, proper accounting, and fair trade, with no significant violations of laws or regulations.

Executives (as of June 24, 2019)

Directors and Corporate Auditors

Chairman, Representative Director



Shigeru Hayashi

April 1970 Entered the Company
 March 1999 General Manager of Functional Compounds Sales Div. of the Company
 June 2000 Director of the Company
 June 2004 Managing Director, Managing Executive Officer of the Company
 June 2006 Director, Senior Managing Executive Officer of the Company
 June 2008 Representative Director, Executive Vice President of the Company
 June 2010 President, Representative Director of the Company
 June 2018 Representative Director of Green Chemicals Co., Ltd. (to the present)
 Chairman, Representative Director of the Company (to the present)

President, Representative Director



Kazuhiko Fujiwara

April 1980 Entered the Company
 January 2003 Team Leader of the Bio-related Products Development Project of the Company
 July 2007 Manager of S-BIO Development Dept. of the Company
 June 2009 General Manager of S-BIO Business Div. of the Company
 Executive Officer of the Company
 April 2013 Managing Executive Officer of the Company
 June 2014 Director of the Company
 April 2016 Senior Managing Executive Officer of the Company
 General Manager of High Performance Plastic Products Business Unit of the Company
 June 2018 President, Representative Director of the Company (to the present)

Director, Senior Managing Executive Officer



Masayuki Inagaki

General Manager of Corporate Research & Development Div.; General Manager of Corporate Production Management & Engineering Div.; In charge of Advanced Materials Research Laboratory, Corporate Engineering Center and Circuitry with Optical Interconnection Business Development Dept.
 April 1982 Entered the Company
 April 2004 Engaged in work at Sumitomo Bakelite (Suzhou) Co., Ltd.
 June 2009 Executive Officer of the Company
 Plant Manager of Utsunomiya Plant of the Company
 April 2013 Managing Executive Officer of the Company
 April 2014 General Manager of Corporate Production Management & Engineering Div. of the Company (to the present)
 General Manager of Corporate Engineering Center of the Company
 April 2015 Plant Manager of Shizuoka Plant of the Company
 June 2015 Director of the Company (to the present)
 April 2017 Senior Managing Executive Officer of the Company (to the present)
 June 2018 General Manager of Corporate Research & Development Div. of the Company (to the present)

Director, Senior Managing Executive Officer



Sumitoshi Asakuma

Overseeing Semiconductor Materials segment
 April 1985 Entered the Company
 June 2008 General Manager of Kobe Fundamental Research Laboratory of the Company
 June 2010 Executive Officer of the Company
 October 2013 General Manager of Corporate Research & Development Div. of the Company
 April 2014 Managing Executive Officer of the Company
 June 2015 Director of the Company (to the present)
 January 2016 General Manager of Information & Telecommunication Materials Div. of the Company
 April 2018 Senior Managing Executive Officer of the Company (to the present)
 June 2018 Representative Director of Sumitomo Bakelite (Taiwan) Co., Ltd. (to the present)

Director, Managing Executive Officer



Takashi Nakamura

Manager of Corporate Planning Dept.; Overseeing Personnel Div., Osaka Office and Nagoya Office; In charge of Corporate General Affairs Div., Corporate Finance & Planning Div., Information Systems & Data Processing Dept. and Global Procurement Div.
 April 1979 Entered Sumitomo Chemical Co., Ltd.
 April 2015 Executive Officer of the Company
 October 2015 Manager of Corporate Planning Dept. of the Company (to the present)
 April 2016 Managing Executive Officer of the Company (to the present)
 June 2018 Director of the Company (to the present)
 October 2018 Representative Director of SB Bioscience Co., Ltd. (to the present)

Director, Managing Executive Officer



Goichiro Kuwaki

Overseeing High Performance Plastics segment
 April 1985 Entered the Company
 June 2010 Plant Manager of Shizuoka Plant of the Company
 April 2013 Executive Officer of the Company
 April 2015 Deputy General Manager of High Performance Plastic Products Business Unit of the Company
 April 2017 Managing Executive Officer of the Company (to the present)
 April 2018 Manager of Global Management & Planning Dept. of High Performance Plastic Products Business Unit of the Company
 June 2018 Director of the Company (to the present)
 General Manager of High Performance Plastic Products Business Unit of the Company (to the present)

Director, Managing Executive Officer



Takashi Kobayashi

Overseeing Quality of Life Products segment
 April 1987 Entered the Company
 September 2007 Director, General Manager of Sumitomo Bakelite (Nantong) Co., Ltd.
 April 2013 Executive Officer of the Company
 Deputy General Manager of High Performance Plastic Products Business Unit of the Company
 September 2014 Representative Director of Sumitomo Bakelite (Nantong) Co., Ltd.
 April 2017 Managing Executive Officer of the Company (to the present)
 June 2018 Director of the Company (to the present)
 June 2019 Director of Kawasumi Laboratories, Inc. (to the present)

Outside Director



Hiroyuki Abe

November 1996 President of Tohoku University
 November 2002 Professor Emeritus of Tohoku University (to the present)
 June 2007 Outside Corporate Auditor of the Company
 June 2015 Outside Director of the Company (to the present)

Outside Director



Kazuo Matsuda

April 1971 Entered The Fuji Bank Limited (currently Mizuho Bank, Ltd.)
 April 2000 Senior Managing Executive Officer of Fuji Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.)
 October 2000 Managing Executive Officer of Mizuho Securities Co., Ltd.
 June 2009 Director, Representative Executive Vice President of NSK Ltd.
 June 2011 Special Advisor of NSK Ltd. Standing Corporate Auditor of NSK-Warner K.K.
 Outside Audit & Supervisory Board Member of Daido Metal Co., Ltd. (to the present)
 June 2015 Outside Corporate Auditor of the Company
 June 2016 Outside Director of the Company (to the present)

Outside Director



Toshihisa Deguchi

April 1977 Entered Sharp Corporation
 March 1990 Entered Sumitomo Chemical Co., Ltd.
 April 2006 Executive Officer of Sumitomo Chemical Co., Ltd.
 April 2009 Managing Executive Officer of Sumitomo Chemical Co., Ltd.
 June 2011 Representative Director of Sumitomo Chemical Co., Ltd.
 April 2012 Senior Managing Executive Officer of Sumitomo Chemical Co., Ltd.
 April 2017 Executive Vice President of Sumitomo Chemical Co., Ltd.
 April 2019 Director of Sumitomo Chemical Co., Ltd.
 June 2019 Director of the Company (to the present)

Standing Corporate Auditor



Tsuneo Terasawa

April 1974 Entered the Company
 June 1996 Manager of Human Resources & Employee Relations Dept. of the Company
 June 2002 Director of the Company
 June 2004 Executive Officer of the Company
 June 2006 Managing Executive Officer of the Company
 June 2008 Director of the Company
 June 2010 Senior Managing Executive Officer of the Company
 April 2014 Executive Vice President of the Company
 June 2015 Representative Director of the Company
 June 2018 Standing Corporate Auditor of the Company (to the present)

Standing Corporate Auditor



Katsushige Aoki

April 1986 Entered Sumitomo Chemical Co., Ltd.
 March 2012 General Manager of Internal Control and Audit Dept. of Sumitomo Chemical Co., Ltd.
 June 2019 Standing Corporate Auditor of the Company (to the present)

Outside Corporate Auditor



Kazuhiko Yamagishi

April 1984 Lawyer registration
 September 1995 New York State attorney registration
 March 1998 Partner of Asahi Law Offices (to the present)
 June 2015 Outside Corporate Auditor of New Cosmos Electric Co., Ltd. (to the present)
 June 2019 Outside Corporate Auditor of the Company (to the present)

Outside Corporate Auditor



Etsuko Nagashima

October 1978 Entered Deloitte Touche Tohmatsu LLC
 July 1980 Entered Tsukeshiba CPA Accounting Office
 October 1982 Certified Public Accountant registration
 June 1988 Established Nagashima CPA Accounting Office (to the present)
 April 2008 Representative Partner of Veritas Audit Firm
 June 2015 Outside Corporate Auditor of BULL-DOG SAUCE CO., LTD.
 June 2016 Outside Director (Audit & Supervisory Board Member) of BULL-DOG SAUCE CO., LTD. (to the present)
 June 2019 Outside Corporate Auditor of the Company (to the present)

Executive Officers

Managing Executive Officers

Keisuke Kurachi
 Atsushi Suzuki

Executive Officers

Koji Choki
 Masaya Fumita
 Yoshikazu Takezaki
 Seiji Suzuki
 Nobuyuki Sashida

Makoto Suzuki
 Alex Geskens
 Norihisa Fujimura
 Shinichi Kajiya

Semiconductor Materials

We are providing new value through semiconductor materials technologies, and contributing to the advancement of a smart society and to the creation of a sustainable society.



Director, Senior Managing Executive Officer

Sumitoshi Asakuma

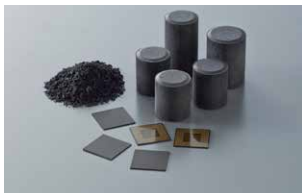
■ Maintain top market share with a global business structure that supports customers around the world

Since the 1980s, we have won the top share in the global market for epoxy resin molding compounds for encapsulation of semiconductor devices, which insulate and protect semiconductor devices, and since then has maintained its position for over 30 years. Currently, in addition to encapsulation materials, we supply a number of products that are indispensable for semiconductor manufacturing processes, such as photosensitive coating resin for wafers, package substrate materials, and pastes for die bonding. They are used in various fields such as automobiles, home appliances, and industrial machinery in addition to IT devices such as PCs and smartphones.

One of our strengths is that we are expanding globally. We have bases in Japan (Fukuoka), China (Suzhou), Singapore, and Taiwan (Kaohsiung), and we have established an integrated structure for R&D, manufacturing, and sales at each base. Each site has an open laboratory in which we conduct development with customers. Also, we have built a system that can quickly reflect the customer's needs on production lines, guaranteeing the same level of quality between bases. Based on our business policy that "CS is the foundation for everything," we have put in place a system that enables us to carry out proposal activities globally from the customer's perspective.

We are currently working to create new markets based on the material technologies and strong trust relationships with our customers we have cultivated so far, intending to provide value that will contribute to smart society in the future. For example, for the automotive industry, we are accelerating proposals for in-vehicle materials in new areas, such as materials for fixing motor magnets for hybrid/EV vehicles, direct molding for ECU (Electronic Control Unit), materials for PCU (Power Control Unit), and materials for sensor parts. We are also working to strengthen our lineup of highly integrated devices that can respond to the arrival of IoT and 5G (Fifth-Generation Mobile Communications System).

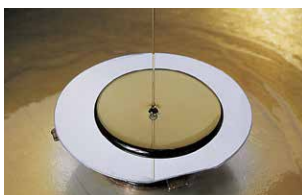
Main Products



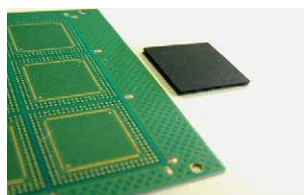
Epoxy resin molding compounds for encapsulation of semiconductor devices



Liquid resins for semiconductor devices



Photosensitive coating resins for semiconductor wafers



"L α Z" Semiconductor package substrate material

Segment results for the fiscal year ending March 2019

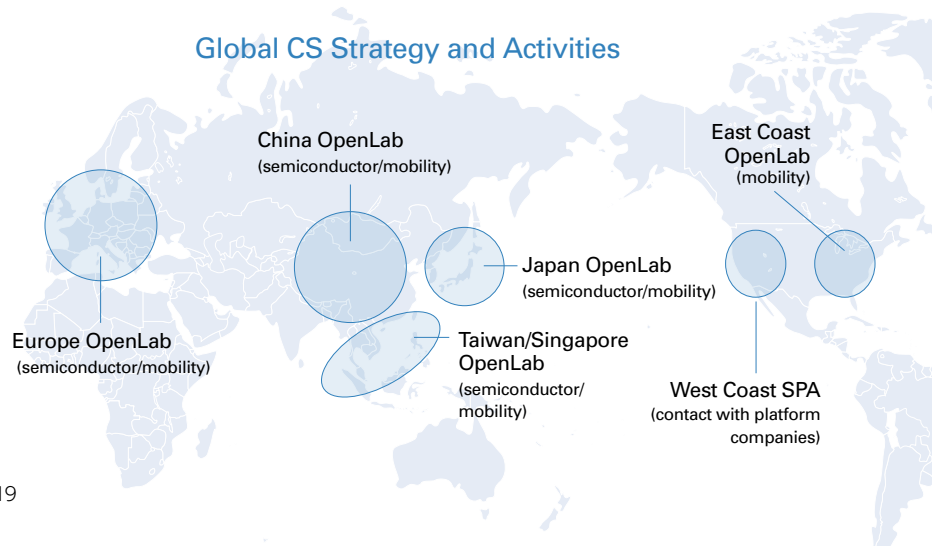
Revenue

¥48,860 million
(Down 5.4% year on year)

Business Profit

¥7,997 million
(Down 16.3% year on year)

Global CS Strategy and Activities



SWOT for Semiconductor Materials Business

<p>Strengths</p> <ul style="list-style-type: none"> • World's top share for the product group, including semiconductor encapsulation materials • Global business structure integrating with R&D manufacturing, and sales forces • Advanced materials, processes, and evaluation technology • Trust relationships established with customers around the world 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Susceptibility to market conditions • High dependence on specific products
<p>Opportunities</p> <ul style="list-style-type: none"> • Electrification of automobiles and advancement of making automobiles EVs • Advances in IoT and 5G (Fifth-Generation Mobile Communications System) • Expansion of smart society (energy saving) and environmental orientations 	<p>Threats</p> <ul style="list-style-type: none"> • Heightened uncertainty about future due to US-China trade frictions, etc. • Intensifying competition for main products • Rising raw material prices due to Chinese environmental regulations

Strategies in the new Mid-term Business Targets

■ Create future value by promoting development in the automobile area and for highly integrated devices

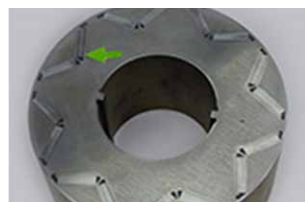
Although the semiconductor market fell significantly in the second half of 2018, we expect demand for semiconductor products to increase over the medium to long term. Furthermore, the market changes as society changes, and new needs are being discovered. In the changing market, we will actively invest in areas where we can take the lead and proceed with development.

During the period of the previous Mid-term Business Plan, there were advances in customer adoption of direct molding materials for ECU, etc. in the in-vehicle area. In the new mid-term business targets, the in-vehicle area is regarded as a growth area, and collaborations with customers will be strengthened to accelerate development.

Promoting zero defects is indispensable for achieving the quality required by customers for in-vehicle use. This is because defective parts used in automobile electronic controls and monitoring could involve human lives. However, it is not easy to bring the defect incidence rate as close to zero as possible, and it is necessary to establish a system for strict evaluation at each stage; we identify the risk of contamination from the raw material level, with the awareness of not mixing in even minute impurities.



Direct molding material for ECU



Material for fixing motor magnet

Primary SDG Goals



We are also currently working together with raw material suppliers.

While ECU had been covered in metal casing, our direct molding materials for ECU makes them caseless and contributing to reductions in size, weight, and cost. Our power module materials can also be directly encapsulated with our environmentally friendly (halogen-free) encapsulation material. Adoption of these products is already progressing, and we can expect further expansion in the future.

In addition, while the state of automobiles is changing, the IT society is also changing significantly. Various devices are connected via IoT, and there are expanding needs for high-speed signal transmission and for large-scale information processing. In order to respond to such changes in the market, we will strengthen the product lineup for highly integrated devices, such as by promoting the development of advanced packaging materials (mold underfill materials*¹, granule type encapsulation materials for compression molding, etc.). For example, we are proceeding with the development of materials that are ahead of the times, such as a soon to be introduced low dielectric constant material that can support 5G and a material that can draw antennas directly on the surface of encapsulation materials.

*¹ An encapsulation material to enable one-step process both to fill in the gap between the substrate and the semiconductor element (underfilling) and encapsulate the semiconductor elements (over-molding). This has the effect of reducing the semiconductor package's assembly costs and man-hours.

High-Performance Plastics

We will contribute to resolving various problems in our unique value chain and in the global network through the addition of new functions of our thermoset resin technology, which has been developed over many years.



Director, Managing
Executive Officer

Goichiro Kuwaki

High value-added products for worldwide customers, made using our unique value chain functions

High performance plastics are the core business that started when our Company was founded. The largest characteristic of plastic is that it can be molded into various shapes, but our phenolic resin has high heat resistance, and has been useful in various situations as a plastic that does not melt, even when directly exposed to fire. With the addition of new functions such as strength, heat dissipation, and wear resistance, the phenolic resin's applications have expanded, products have continued to change, and the phenolic resin product has survived for over 100 years. Amidst all of this, the large spread of metal replacement has particular value. Changing conventional materials to produce parts from metals to resin generated many advantages – lowered raw material costs, lowered manufacturing costs through easier processing, and reduced weight – and it quickly spread to the realm of automobile parts, mainly small parts around the engine.

Our main strength is its complete value chain. We make proposals that exceed customer requirements by providing high functions and values at each stage of developing and synthesizing phenolic resins in-house, producing molding materials and molded products according to the application. Resin manufacturers with this kind of value chain are rare, and, through these activities, we have built strong trust relationships with customers in various industries, including the automobile industry in its global business regions of North America, Europe, Asia, and Japan. We are currently using these good customer relationships to develop “One Sumibe” activities, striving to create businesses and provide value for various applications, including automobile use, as well as the Semiconductor Materials Segment and the Quality of Life Products Segment.

Main Products



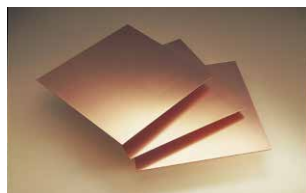
Phenolic molding compounds



Phenolic resin



Aircraft interiors



Copper-clad laminates

Segment results for the fiscal year ending March 2019

Revenue

¥93,792million
(Up 1.3% year on year)

Business Profit

¥6,664million
(Down 12.2% year on year)

Strategies in the new Mid-term Business Targets

Providing value to customers and society by expanding the possibilities of plastics

As automobiles become more eco-friendly and their electrification progresses around the globe, we aim to convert large parts from metal to resin and to make this one of the business's strategic products. Based on the concept of “sbDRIVE™” from the previous Mid-

SWOT for High-Performance Plastics Business

Strengths

- Technological capabilities built as a thermoset resin pioneer
- Resins, molding compounds, and molded products; a combined value chain
- Global business structure with four regions corresponding to major markets
- Trust relationships established with customers around the world

Opportunities

- Electrification of automobiles
- Strengthening environmental regulations around the world
- Aircraft weight reductions
- Expanded mining of shale gas and oil
- Increased demand for flame retardant insulation

Weaknesses

- Maturation of main product market
- Customer bias in the aircraft business

Threats

- Intensifying competition for main products
- Increasing raw material prices

term Business Plan, we have worked to strengthen the development structure in collaboration with Vyncolit NV, our European company, and the German Fraunhofer Institute. The temperature of thermoset resin becomes non-uniform when poured into a large mold, so the material's heating method is extremely difficult. As a pioneer in plastics, we have repeatedly developed formulas and molding methods to take on this challenge. In the end, these efforts bore fruit, and we currently produce large plastic parts with high dimensional accuracy one after another for main automobile components such as engine covers and drive motors.

In addition, we are setting molding compounds for brake piston, phenolic resins for tires, and phenolic resins for friction materials as strategic products for strengthening the business, and is intending to promote sales globally to increase worldwide market share. Furthermore, we are promoting the lateral expansion to other regions of competitively advantageous products that have strengths in different regions. For example, drilling materials for shale gas and oil in North America, foam resins for housing insulation in Europe, and materials for electronic parts in Asia each has strengths in their respective regions, and their expansion will be promoted with a view towards expanding in other regions as they are all products with

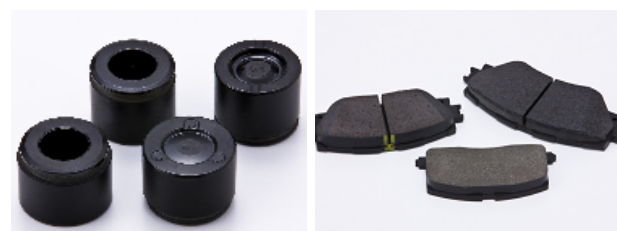
Primary SDG Goals



growth potential that capture the latent needs of society. Our aerospace business began in 2014 with the acquisition of Vaupell in the United States. There are currently issues with profitability, so Vaupell is working to improve efficiency and advance structural reform of the entire business. At the same time, we are actively pursuing new customer development, advancing development with customers from the initial stage, and are promoting proposed activities that take advantage of Vaupell's accumulated technology and our original value chain. The resins that we handle are resins with a long history, but they can provide a very wide range of uses and values through our revolutionizing of upstream phenolic resins. Going forward, we will continue to revolutionize the possibilities of plastics and will continue to contribute to advancing customers and society and solving their problems.



sbDRIBE™ Demo Center
at Vyncolit NV



Molding compounds for brake pistons Resin for friction materials

Quality of Life Products

We will contribute to solutions for problems in people's lives through providing advanced functions of plastics.



Director, Managing
Executive Officer

Takashi Kobayashi

Supporting people's health and wealth with the endless power of plastics

The Quality of Life (QOL) Products Business is broadly divided into the four product areas of healthcare products, films and sheets, industrial functional materials, and waterproofing products. Medical devices and bio-related products formed two separate departments in healthcare until last year, but these two departments were merged together to make a new start.

Our QOL products provide advanced functions and value in our lives. For example, we supply about 70% of the packaging films and sheets for pharmaceutical in the domestic market. Our packaging films and sheets for pharmaceutical have various functions such as moisture-proofing and blocking light/UV rays by stacking multi layers of sheets with different formulations. In addition to ease of opening and safety, we make proposals to pharmaceutical companies, our customers, about using designs that reflect the characteristics of drugs or mechanisms that help prevent accidental ingestion. This allows pharmaceutical companies to leave most of the packaging design to us, and they can focus on their essential work of developing drugs. Business models like this, which value CS first, are not limited to films and sheets, and we believe that by pursuing CS activities we will be able to provide functions and value to customers in a wide range of fields.

In addition, our QOL business involves many products related to people's lives and their health, and, compared to the other two segments, has the characteristic of being less susceptible to external factors such as the global economy. Going forward, we will continue to accurately address social issues such as Japan's aging issue and SDG targets, and realize growth by pursuing development and manufacturing that contribute to society.

Main Products



Medical devices



Films and sheets



"P-Plus" freshness preserving films



Plate products

Segment results for the fiscal year ending March 2019

Revenue

¥69,541 million

(Up 0.4% year on year)

Business Profit

¥5,420 million

(Up 6.1% year on year)

Strategies in the new Mid-term Business Targets

Actively expanding into high added-value areas for each product

In the previous Mid-term Business Plan, each product was aggressively expanded into growth areas and high value-added areas, but we will also accelerate this initiative in the new Mid-term Business Targets.

In the healthcare field, there are medical devices and bio-related products, and in medical devices we will continue to strengthen our product lineup in the growing field of minimally invasive treatment, such as with gastrointestinal stents and the "Steerable Microcatheter" endovascular treatment device whose tip can be manipulated via

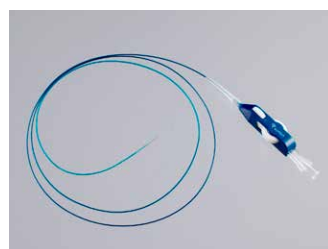
SWOT for Quality of Life Products Business

<p>Strengths</p> <ul style="list-style-type: none"> • High share in each niche market • Accumulation of polymer design, microfabrication, and assembly technology • Polarization and optical control technology • Sales activities with CS first 	<p>Weaknesses</p> <ul style="list-style-type: none"> • High dependence on the domestic market • Maturation of building materials market
<p>Opportunities</p> <ul style="list-style-type: none"> • An aging and healthy, long-life society • Advancement of medical care and expansion of minimally invasive treatments • Importance of early diagnosis • Food safety and environmental orientation 	<p>Threats</p> <ul style="list-style-type: none"> • Intensifying competition in market for main product • Prolonged development, approval and licensing of medical devices • Cost pressure on pharmaceuticals and medical devices • Shortage of skilled construction workers and personnel • Reducing plastics in everyday life

manual operation. Currently, we are taking on Class III and IV products (in-vivo products), which are more difficult. Kawasumi Laboratories, Inc., with which we started a capital and business alliance in March 2019, is a medical device manufacturer with a long history of developing products and has a product line-up such as in the endovascular treatment and gastrointestinal treatment fields, and we expect mutual synergies in technology, production, and sales.

As for bio-related products in the health care area, through SB Bioscience Co., Ltd., a joint venture with Sumitomo Dainippon Pharma Co., Ltd., the in-vitro diagnostics pharmaceutical business has been fully rolled out since April 2019, and we will contribute to an aging society from the viewpoint of early diagnosis. In addition, we launched the new “EZGlyco O-Glycan Prep Kit” for analyzing glycans, which are important for cancer drug discovery and for iPS cell differentiation research. Compared to conventional methods, it is possible to conduct quicker, safer, and simpler analysis of O-glycans, and it is expected to expand in the future.

In films and sheets, we will aggressively roll out products with added functions in the field of pharmaceutical packaging applications, such as high moisture resistance, for generic drugs, that are expected to expand in the future. In food packaging applications, we will work to expand application areas and develop products that will reduce food loss and packaging waste. In industrial applications, we are committing specialist engineers to Sumitomo Bakelite (Nantong) Co., Ltd., our production base in China, to quickly reflect local needs in our products



Steering microcatheter



Gastrointestinal stent



Films and sheets for pharmaceutical

Primary SDG Goals



and to aim at expanding into local companies in China. Industrial functional materials and waterproofing products have traditionally been mainly used for building materials, but there are issues such as market maturity, and we are currently shifting to high value-added areas. In industrial functional material, we will utilize optical control technologies we cultivated with sunglasses, etc., and we will develop the BtoB business for automobile products that are expected to grow, such as heads-up displays. In waterproofing products, our new “Sumiroof” product has both high waterproofing and high thermal insulation functions. It has the merit of being usable by only a small amount of people and reducing construction work; this will reduce the burden on construction sites such as shortening work periods and resolving labor shortages.

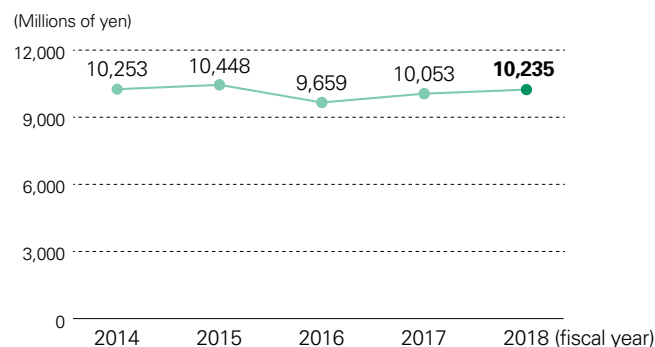
R&D / Intellectual Property

Research and Development

We have incorporated the SDGs as one of our management policies in order to achieve a sustainable society. Out of consideration for our business fields and strengths, we have set forth Goals 3, 7, 8, 9, 12, and 14 as the "Priority SDG 5+1 Goals". In addition, we have also established priority goals for R&D as "Creation Areas," and have selected the three areas of "highly integrated devices," "automobiles and aircraft," and "healthcare" for this. When it comes to R&D, our basic policy is creation of innovation through product design required by the "Priority SDG Goals 5+1" and the three "Creation Areas," in order to not only meet apparent needs, but also potential needs, that are conducive to solving the challenges of society and our customers. Under this policy, we are forging ahead with the development of innovative products and technologies that offer an excellent competitive advantage. Our R&D activities are carried out via a structure that principally consists of Advanced Materials Research Laboratory that are in charge of research on new products and material technologies required for this from a medium to long-term perspective, as well as five product-specific research laboratories that are in charge of the commercialization of new products, response of market demands, and research on improving existing products (Information & Telecommunications Materials Research

Laboratory, High Performance Plastic Technology Development Laboratory, Films & Sheets Research Laboratory, Industrial Functional Materials Research Laboratory, and Healthcare Research Laboratory). It is also comprised of the Corporate Engineering Center, which underpins these laboratories' activities through the development of production technology. Through this, we continue to promote activities to immediately respond to market trends and develop products with an excellent competitive edge in our business segments of: (1) Semiconductor materials, (2) High-performance plastics, and (3) Quality of life products.

R&D expenses

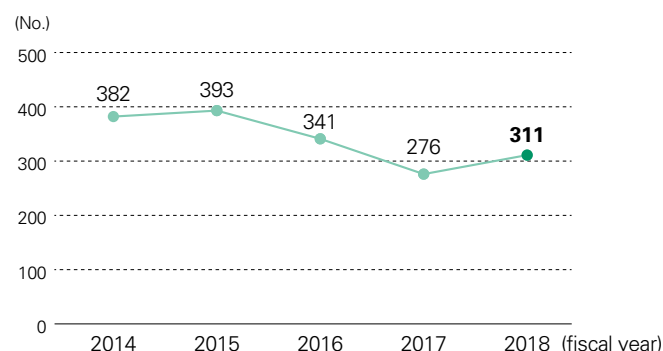


Intellectual Property

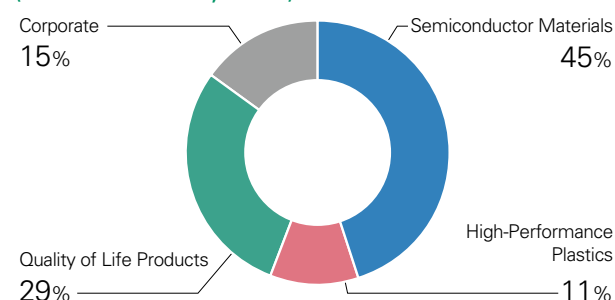
The aim of our intellectual property activities is to contribute to improving corporate value by promoting our intellectual property strategy in a cohesive manner together with our business strategy and R&D strategy. We have set forth contributing to improving our business competitiveness through the use of intellectual property (rights) as a medium-term target for achieving this. In fiscal 2019 we plan to carry out activities centered mainly around the following items.

- (1) Strengthening our business competitiveness by drafting and executing intellectual property strategies for the major products from each of our business divisions.
- (2) Strengthening our intellectual property strategy by drafting and executing intellectual property strategies for major themes from each research laboratory.
- (3) Clarifying our response to intellectual property risks and reducing business risks.
- (4) Carrying on with preventative legal approach that support business scenarios and research scenarios and implementing proposal-based preventative legal approach.
- (5) Establishing an intellectual property management structure for our company group as a whole (particularly for overseas affiliates).

Number of domestic patents published



Share of patents held by each business division (as of March 31, 2019)

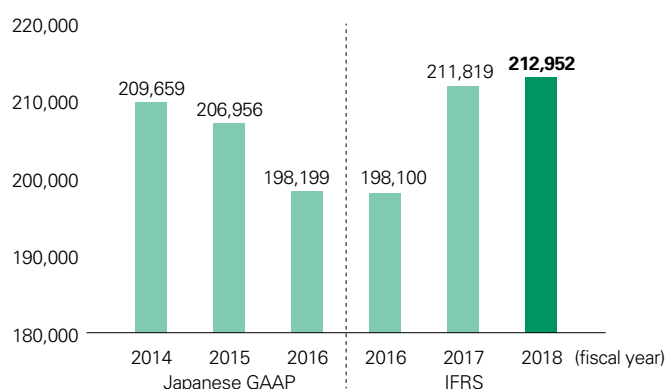


Financial Highlights

Net sales/Revenue

¥212,952 million

(Millions of yen)

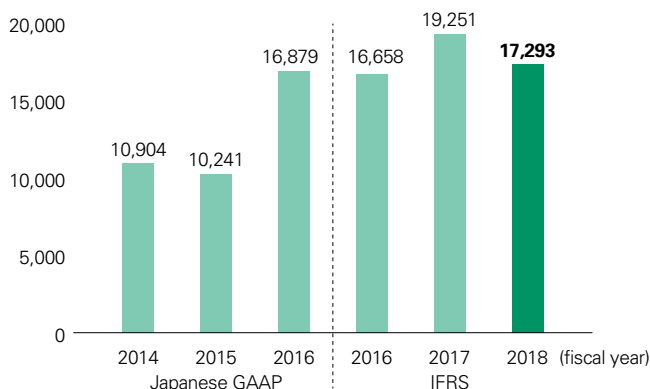


Based on the mind of “CS (Customer Satisfaction) first,” we continuously work to deepen relationship with our customers by proactively pursuing in-house and outside cooperation/collaboration and promoting companywide “One Sumibe” activities. As a result, revenue for fiscal 2018 increased by ¥1,133 million (0.5%) year-on-year to ¥212,952 million.

Operating profit/Business profit

¥17,293 million

(Millions of yen)

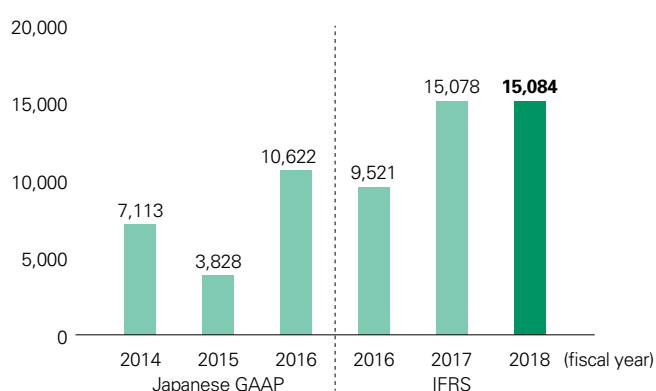


Business profit fell by 10.2% year-on-year to ¥17,293 million due to factors such as the rise in raw material prices.

Profit attributable to owners of parent

¥15,084 million

(Millions of yen)

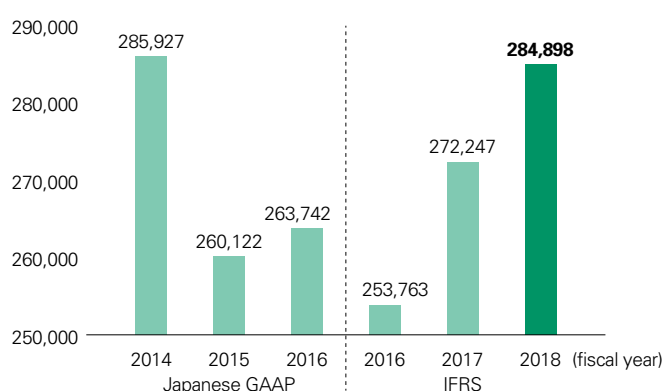


Profit attributable to owners of parent was ¥15,084 million, remaining at about the same level as the previous fiscal year, due to the reasons such as recognition of gain on negative goodwill as share of profit of investments accounted for using equity methods.

Total assets

¥284,898 million

(Millions of yen)

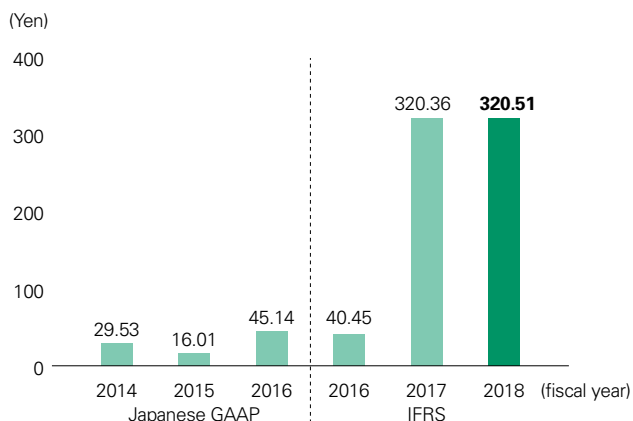


Total assets increased by ¥12,651 million compared to the end of the previous fiscal year, to ¥284,898 million. This was mainly attributed to increases in “Investments accounted for using equity method” of ¥8,417 million, “Inventories” of ¥3,882 million, and “Cash and cash equivalents” of ¥3,081 million.

Financial Highlights

Earnings per share/
Basic earnings per share

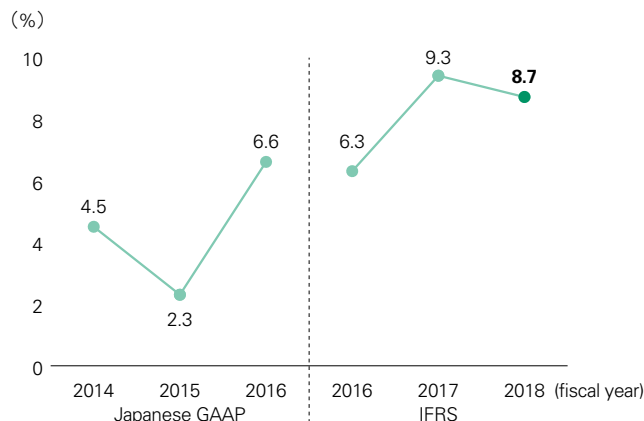
¥**320.51**



* As the share consolidation of each 5 shares of common shares into 1 share was exercised effective on October 1, 2018, basic earnings per share is calculated with the assumption that the share consolidation had exercised at the beginning of fiscal 2017.

Return on equity (ROE)/ Profit to equity attributable to owners of parent ratio (ROE)

8.7%

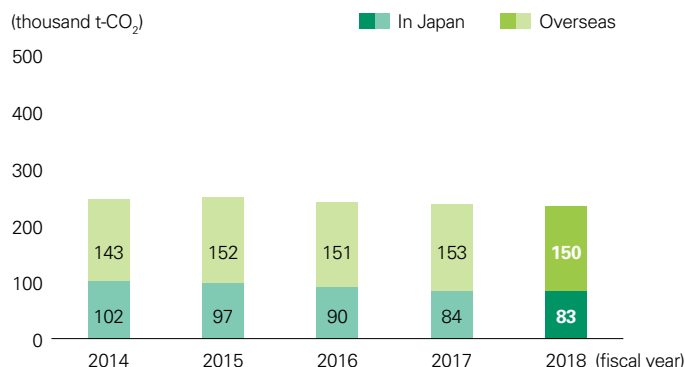


Non-financial Highlights

CO₂ emissions

In Japan: **83** thousand t-CO₂

Overseas: **150** thousand t-CO₂

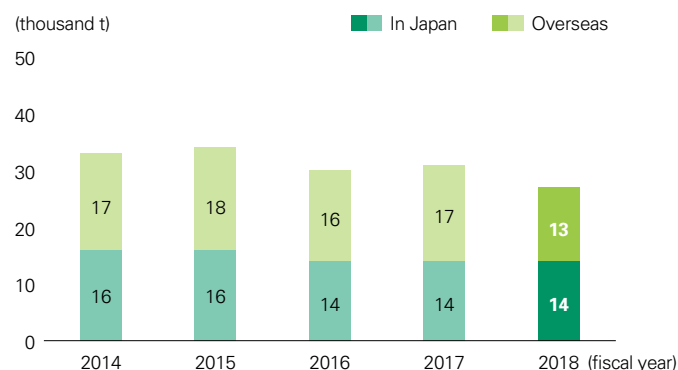


CO₂ emissions at our domestic business sites continued to decline from the previous fiscal year as a result of each business site actively promoting energy conservation. CO₂ emissions at overseas business sites fell compared to the previous fiscal year due to promoting energy-saving activities at each business site.

Amount of material loss

In Japan: **14** thousand ton

Overseas: **13** thousand ton

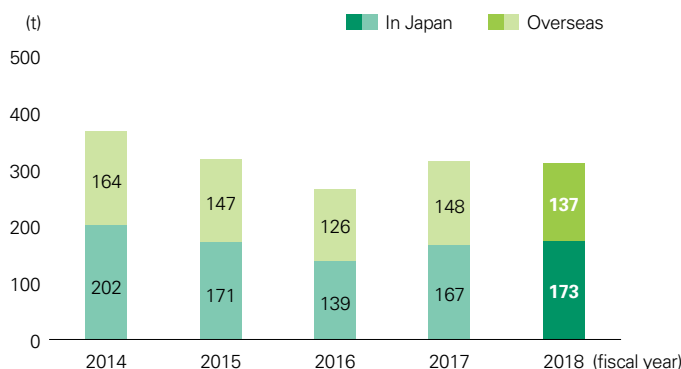


In Japan, material loss continues to decline thanks to waste identification and reduction at plants through MFCA*¹ carried out at each business site. Overseas, it became clear that some of our overseas business sites were recovering heat energy when incinerating waste, and so our material loss fell relative to the previous fiscal year as a result of excluding this from our calculations.

*1 Acronym for Material Flow Cost Accounting, an environmental management and accounting tool for companies to improve cost efficiency and reduce environmental impact at the same time. We utilize this method as an analysis tool.

Chemical substance emissions

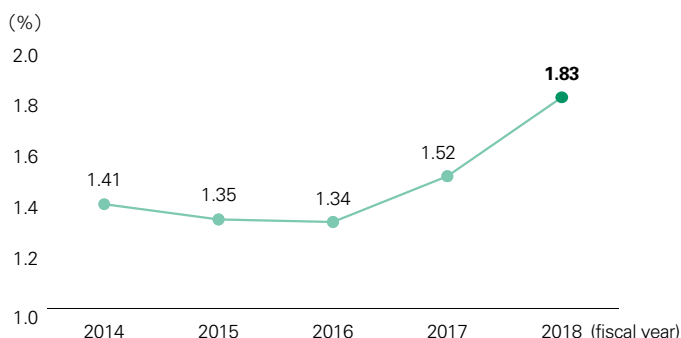
In Japan: **173** ton
Overseas: **137** ton



In Japan, chemical substance emissions increased temporarily due to the capacity shortage of processing equipment owing to the increase in production at certain business sites. However, they are expected to continue falling from fiscal 2019 onward as a result of measures such as decentralizing production sites. Overseas, chemical substance reduced emissions compared with the previous fiscal year by reducing consumption at each business site and introducing exhaust combustion equipment.

Trends in the proportion of female management staff

1.83%



We are carrying out initiatives following the action plan for the promotion of women's advancement that was decided in fiscal 2015. For the four year-period from April 2016, we have set the target of doubling the number of female management staff compared to the end of March 2014.

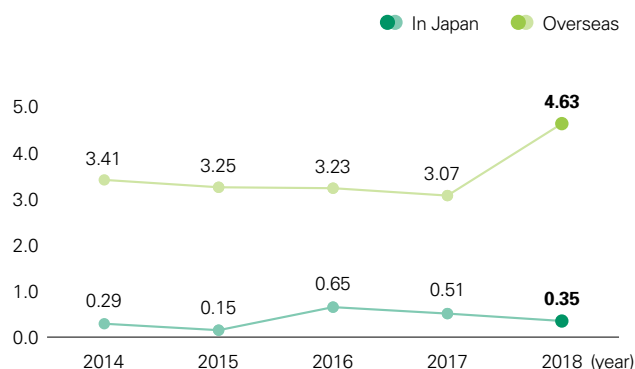
* Refers to employees of Sumitomo Bakelite Co., Ltd. at or above the level of assistant managers, excluding executive officers.

*Includes seconded employees with qualifications as management staff.

*The ratios are values for the end of each fiscal year.

Frequency rate of occupational accidents

In Japan: **0.35**
Overseas: **4.63**



Despite an improvement in the frequency rate*² of occupational accidents domestically in comparison with 2017 figures, the rate increased as a result of the increased number of accidents overseas that resulted in lost workdays. Looking at the circumstances under which accidents occurred, as the number of accidents caused by unsafe actions taken by workers accounted for more than 80% of all accidents, we will promote efforts to raise safety awareness to the same level as Japan, including the use of safety videos, introduction of risk prediction training, and the introduction of versions in multiple languages for the Safety Portal Site set up last year.

*² Frequency rate = (Deaths and injuries/total working hours) x 1,000,000

Employment rate of people with disabilities

2.37%



We consider the employment of people with disabilities, as stipulated by law, to be an integral part of corporate social responsibility. While giving the necessary consideration to enabling those with disabilities to carry out their work, we endeavor to offer workplaces that are as safe and secure for those with disabilities as they are for others, and that allow employees to continuously hone and cultivate their skills.

Financial Data/Corporate Information

Financial Summary

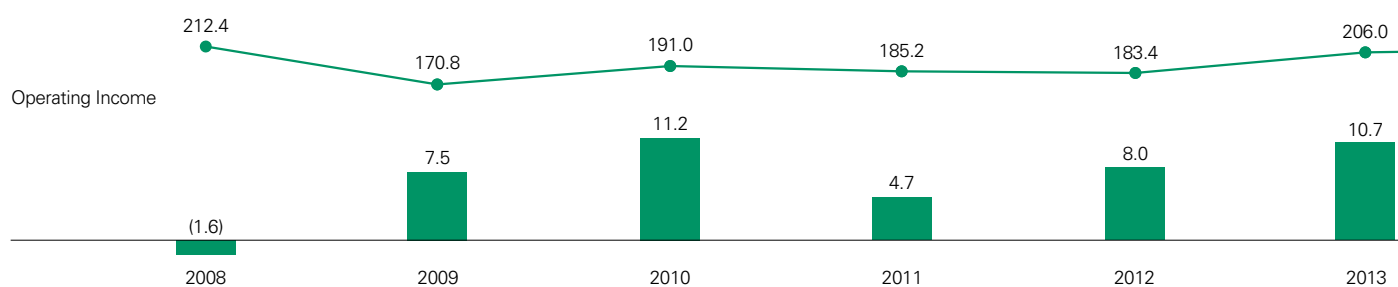
Japanese GAAP (Fiscal 2008 to 2016)

Fiscal year	2008	2009	2010	2011	2012	2013
Financial results						
Net sales	212,409	170,843	190,971	185,237	183,362	206,047
Operating income	(1,639)	7,540	11,181	4,726	7,956	10,702
Ordinary income	490	8,643	12,507	5,931	8,551	11,498
Income before income taxes and non-controlling interests	(11,492)	4,013	8,321	3,689	6,532	10,540
Profit attributable to owners of parent	(7,907)	3,306	5,154	2,525	3,443	6,493
Financial position						
Total assets	215,852	207,258	205,090	201,315	213,826	236,825
Equity	124,573	127,453	120,933	117,997	130,044	148,936
Interest-bearing debt	37,722	22,510	27,658	27,433	29,553	35,063
Cash flows						
Cash flows from operating activities	20,577	15,337	16,292	6,730	16,644	17,852
Cash flows from investing activities	(13,229)	(7,582)	(10,691)	(13,340)	(13,088)	(15,220)
Free cash flows	7,348	7,755	5,601	(6,609)	3,556	2,632
Cash flows from financing activities	(5,839)	(13,927)	2,151	(3,942)	(642)	2,722
Per-share data (Yen)						
Net assets per share	516.97	528.96	501.95	489.78	539.81	618.28
Earnings per share	(31.78)	13.72	21.39	10.48	14.29	26.96
Cash dividends per share	15.00	10.00	15.00	12.50	10.00	10.00
Financial indicators (%)						
Return on Equity (ROE)	(5.5)	2.6	4.2	2.1	2.8	4.7
Return on Assets (ROA)	0.2	4.1	6.1	2.9	4.1	5.1
Ratio of operating income to net sales	(0.8)	4.4	5.9	2.6	4.3	5.2
Equity ratio	57.7	61.5	59.0	58.6	60.8	62.9
Debt/Equity ratio (D/E)	26.3	17.7	22.9	23.2	22.7	23.5
Price earnings ratio (PER)	—	39.1	23.9	41.6	27.4	14.7
Price book value ratio (PBR)	0.8	1.0	1.0	0.9	0.7	0.6
Dividend payout ratio	—	72.9	70.1	119.3	70.0	37.1
Others						
Capital expenditure	13,568	9,261	10,656	14,565	17,588	13,263
Depreciation and amortization	13,055	11,967	11,014	10,465	10,393	10,969
Research and development expenses	13,079	12,568	12,440	13,047	12,325	11,881
Number of employees at end of period (persons)	8,071	7,537	7,724	6,997	5,215	5,262

Operating Performance (Billions of yen)

Japanese GAAP

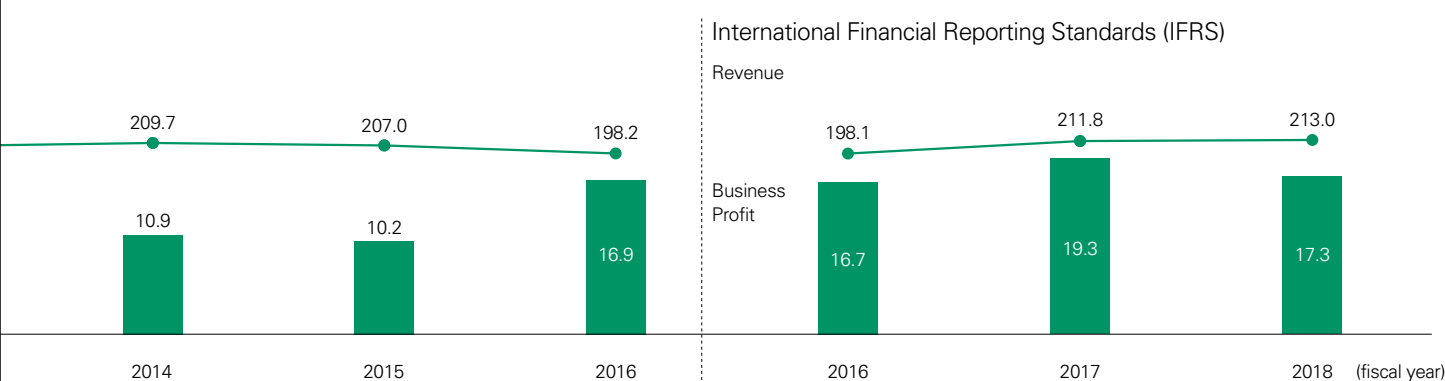
Net Sales



*1 "Business profit" is calculated by deducting "cost of sales" and "selling, general and administrative expenses" from "revenue".

*2 As the share consolidation of each 5 shares of common shares into 1 share was exercised effective on October 1, 2018, "equity attributable to owners of parent per share" and "basic earnings per share" is calculated with the assumption that the share consolidation had exercised at the beginning of fiscal 2017. "cash dividends per share" for fiscal 2018 is calculated with taking such share consolidation into consideration.

			International Financial Reporting Standards (IFRS; Fiscal 2016 to 2018)			
(Millions of yen)			(Millions of yen)			
2014	2015	2016	Fiscal year	2016	2017	2018
209,659	206,956	198,199	Financial results			
10,904	10,241	16,879	Revenue	198,100	211,819	212,952
11,263	10,598	17,324	Business profit*1	16,658	19,251	17,293
11,344	7,410	14,466	Operating profit	12,061	18,598	13,587
7,113	3,828	10,622	Profit before tax	12,715	19,495	19,548
			Profit attributable to owners of parent	9,521	15,078	15,084
285,927	260,122	263,742	Financial position			
169,215	157,319	165,353	Total assets	253,763	272,247	284,898
61,066	50,898	43,133	Total equity attributable to owners of parent	154,222	168,450	178,818
			Interest-bearing liabilities	40,007	43,694	45,401
15,672	19,233	23,427	Cash flows			
(36,353)	(6,962)	(7,987)	Cash flows from operating activities	23,538	22,054	20,191
(20,681)	12,271	15,440	Cash flows from investing activities	(8,098)	(11,745)	(15,616)
23,467	(15,530)	(10,245)	Free cash flows	15,440	10,310	4,575
			Cash flows from financing activities	(10,245)	(2,453)	(2,224)
702.53	668.44	702.63	Per-share data (Yen)*2			
29.53	16.01	45.14	Equity attributable to owners of parent per share	655.32	3,579.19	3,799.77
10.00	10.00	10.00	Basic earnings per share	40.45	320.36	320.51
			Cash dividends per share	10.00	12.00	75.00
4.5	2.3	6.6	Financial indicators (%)			
4.3	3.9	6.6	Profit to equity attributable to owners of parent ratio (ROE)	6.3	9.3	8.7
5.2	4.9	8.5	Profit before tax to total assets ratio (ROA)	5.0	7.4	7.0
59.2	60.5	62.7	Business profit to revenue ratio	8.4	9.1	8.1
36.1	32.4	26.1	Ratio of equity attributable to owners of parent	60.8	61.9	62.8
18.1	27.5	14.8	Debt equity ratio (D/E)	28.5	26.0	25.4
0.8	0.7	1.0	Price earnings ratio (PER)	16.6	14.7	12.4
33.9	62.5	22.2	Price book value ratio (PBR)	1.0	1.3	1.0
			Dividend payout ratio	24.7	18.7	23.4
11,812	9,697	10,341	Others			
9,256	10,843	10,003	Capital expenditures	10,426	11,024	11,346
10,253	10,448	9,659	Depreciation and amortization	9,905	9,793	10,152
6,747	6,358	5,958	Research and development expenses	9,659	10,053	10,235
			Number of employees at end of period (persons)	5,958	5,708	5,898



Consolidated Statements of Financial Position

(Millions of yen)

	March 31, 2018	March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	56,559	59,640
Trade and other receivables	48,643	47,858
Other financial assets	579	1,174
Inventories	30,943	34,825
Other current assets	2,630	3,274
Total current assets	139,355	146,771
Non-current assets		
Property, plant and equipment	94,760	95,488
Goodwill	4,809	2,557
Other intangible assets	1,580	1,489
Investments accounted for using equity method	412	8,829
Other financial assets	27,272	26,059
Retirement benefit asset	1,633	1,175
Deferred tax assets	860	1,085
Other non-current assets	1,566	1,444
Total non-current assets	132,893	138,126
Total assets	272,247	284,898

	March 31, 2018	March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	10,408	18,499
Trade and other payables	45,494	45,492
Other financial liabilities	33	60
Income taxes payable	2,478	1,739
Provisions	218	1,114
Other current liabilities	395	351
Total current liabilities	59,027	67,256
Non-current liabilities		
Borrowings	33,286	26,902
Other financial liabilities	246	102
Retirement benefit liability	2,906	2,774
Provisions	568	566
Deferred tax liabilities	5,686	6,433
Other non-current liabilities	267	230
Total non-current liabilities	42,958	37,006
Total liabilities	101,985	104,263
Equity		
Share capital	37,143	37,143
Capital surplus	35,358	35,359
Treasury shares	(6,758)	(6,775)
Other components of equity	7,171	6,692
Retained earnings	95,536	106,399
Total equity attributable to owners of parent	168,450	178,818
Non-controlling interests	1,812	1,816
Total equity	170,262	180,635
Total liabilities and equity	272,247	284,898

Consolidated Statements of Income

(Millions of yen)

	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	The year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Revenue	211,819	212,952
Cost of sales	(145,961)	(149,273)
Gross profit	65,857	63,679
Selling, general and administrative expenses	(46,607)	(46,386)
Business profit	19,251	17,293
Other income	244	333
Other expenses	(896)	(4,040)
Operating profit	18,598	13,587
Finance income	1,080	1,304
Finance costs	(220)	(256)
Share of profit of investments accounted for using equity method	37	4,914
Profit before tax	19,495	19,548
Income tax expenses	(4,197)	(4,298)
Profit	15,298	15,251
Profit attributable to:		
Owners of parent	15,078	15,084
Non-controlling interests	220	167
Profit	15,298	15,251
Earnings per share		
Basic earnings per share (Yen)	320.36	320.51
Diluted earnings per share (Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of yen)

	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	The year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Profit	15,298	15,251
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,640	(2,075)
Remeasurements of defined benefit plans	637	(341)
Share of other comprehensive income of investments accounted for using equity method	(12)	(1)
Total items that will not be reclassified to profit or loss	2,265	(2,416)
Items that may be reclassified to profit or loss		
Cash flow hedges	126	3
Exchange differences on translation of foreign operations	(658)	916
Share of other comprehensive income of investments accounted for using equity method	(15)	(34)
Total items that may be reclassified to profit or loss	(547)	885
Other comprehensive income, net of tax	1,718	(1,531)
Comprehensive income	17,016	13,719
Comprehensive income attributable to:		
Owners of parent	16,833	13,561
Non-controlling interests	183	158
Comprehensive income	17,016	13,719

Consolidated Statements of Changes in Equity

(Millions of yen)

For the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)											
	Total equity attributable to owners of parent									Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity						
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total		
Balance at beginning of current period	37,143	35,358	(6,742)	82,352	9,164	—	(368)	(2,685)	6,110	1,815	156,037
Profit	—	—	—	15,078	—	—	—	—	—	220	15,298
Other comprehensive income	—	—	—	—	1,640	625	126	(636)	1,755	(37)	1,718
Comprehensive income	—	—	—	15,078	1,640	625	126	(636)	1,755	183	17,016
Dividends from surplus	—	—	—	(2,589)	—	—	—	—	—	(187)	(2,775)
Purchase of treasury shares	—	—	(16)	—	—	—	—	—	—	—	(16)
Disposal of treasury shares	—	—	—	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	695	(70)	(625)	—	—	(695)	—	—
Total transactions with owners	—	—	(16)	(1,894)	(70)	(625)	—	—	(695)	(187)	(2,791)
Balance at end of current period	37,143	35,358	(6,758)	95,536	10,734	—	(242)	(3,321)	7,171	1,812	170,262

(Millions of yen)

For the year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)											
	Total equity attributable to owners of parent									Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity						
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total		
Balance at beginning of current period	37,143	35,358	(6,758)	95,536	10,734	—	(242)	(3,321)	7,171	1,812	170,262
Profit	—	—	—	15,084	—	—	—	—	—	167	15,251
Other comprehensive income	—	—	—	—	(2,075)	(341)	3	891	(1,523)	(9)	(1,531)
Comprehensive income	—	—	—	15,084	(2,075)	(341)	3	891	(1,523)	158	13,719
Dividends from surplus	—	—	—	(3,177)	—	—	—	—	—	(154)	(3,330)
Purchase of treasury shares	—	—	(18)	—	—	—	—	—	—	—	(18)
Disposal of treasury shares	—	1	1	—	—	—	—	—	—	—	2
Transfer from other components of equity to retained earnings	—	—	—	(1,044)	703	341	—	—	1,044	—	—
Total transactions with owners	—	1	(17)	(4,221)	703	341	—	—	1,044	(154)	(3,347)
Balance at end of current period	37,143	35,359	(6,775)	106,399	9,362	—	(239)	(2,431)	6,692	1,816	180,635

Consolidated Statements of Cash Flows

(Millions of yen)

	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	The year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before tax	19,495	19,548
Depreciation and amortization	9,793	10,152
Impairment losses	101	2,305
Interest and dividend income	(1,001)	(1,304)
Interest expenses	220	235
Share of profit of investments accounted for using equity method	(37)	(4,914)
Decrease (increase) in trade and other receivables	(5,439)	962
Increase (decrease) in trade and other payables	3,129	(792)
Decrease (increase) in inventories	(2,075)	(3,712)
Others, net	301	449
Subtotal	24,487	22,929
Interest received	388	736
Dividends received	611	562
Interest paid	(220)	(234)
Income taxes paid	(3,211)	(3,801)
Net cash provided by (used in) operating activities	22,054	20,191
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,618)	(10,755)
Proceeds from sale of property, plant and equipment	620	194
Purchase of investment securities	(658)	(1,244)
Proceed from sale of investment securities	273	645
Purchase of investments accounted for using equity method	—	(3,545)
Others, net	(1,363)	(911)
Net cash provided by (used in) investing activities	(11,745)	(15,616)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(147)	140
Increase (decrease) in commercial papers	4,000	1,500
Repayment of long-term borrowings	(3,480)	(483)
Dividends paid	(2,589)	(3,177)
Dividends paid to non-controlling interests	(187)	(154)
Others, net	(50)	(50)
Net cash provided by (used in) financing activities	(2,453)	(2,224)
Effect of exchange rate changes on cash and cash equivalents	(795)	729
Net increase (decrease) in cash and cash equivalents	7,062	3,081
Cash and cash equivalents at beginning of period	49,498	56,559
Cash and cash equivalents at end of period	56,559	59,640

Financial Review

General Overview

With regard to the global economy in fiscal 2018, the economy continued on a recovery trend in the United States on the back of increases in personal consumption and capital investment. On the other hand, there was sluggish growth in Europe due to factors such as the stagnation of exports. In China, a restrictive monetary policy coupled with the impact of the trade friction between the United States and China contributed to a trend of decline. The Japanese economy continued to recover at a moderate pace, but remains bearish due to the downturn in external demand.

As for the business environment surrounding our Company, the market expanded in semiconductor, but sluggish growth in the semiconductor for smartphone as well as the economic uncertainty accompanying the U.S.-China trade friction led to a significant deceleration in demand after summer. Automobiles remained strong in Japan and the United States, but sales volume fell in Europe after the introduction of a new fuel efficiency test in September, 2018. As for China, the slowdown in the economy and restrained buying led to a downturn. Housing construction in Japan remained flat.

In this business environment, we established the following three basic strategies, and pursued the expansion of its business scale and improvements in its profit structure.

- (1) New business start-ups and creation
- (2) Increase in profitability and scale of growing areas
- (3) New growth in existing businesses and change of business model

In implementing the above strategies, we position Customer Satisfaction (CS) as its top priority, and actively engages in in-house and outside cooperation/collaboration. At the same time, we are continuously putting effort into deepening relationship with customers by putting into practice companywide "One Sumibe" activities.

Business Results

As a result of the above, revenue for fiscal 2018 increased by ¥1,133 million (0.5%) year-on-year to ¥212,952 million. With regard to profit, due to factors such as the rise in raw material prices, business profit fell by 10.2% year-on-year to ¥17,293 million, while operating profit fell by 26.9% year-on-year to ¥13,587 million on the back of factors such as the recording of impairment loss. Profit attributable to owners of parent was ¥15,084 million, remaining at about the same level as the previous fiscal year, due to the reasons such as recognition of gain on negative goodwill as share of profit of investments accounted for using equity method.

Information by Segment

[Semiconductor Materials]

Revenue

¥48,860 million (5.4% down from the previous fiscal year)

Business profit

¥7,997 million (16.3% down from the previous fiscal year)

Sales volume for epoxy molding compounds for encapsulation of semiconductor devices increased until the first half of fiscal 2018. However, after the start of autumn, trends of stock adjustments by customers led to a decline in revenue. Although there was also a decline for liquid resins for semiconductor devices, photosensitive coating resins for semiconductor wafers contributed to an increase in revenue thanks to the acquisition of new customers.

[High-Performance Plastics]

Revenue

¥93,792 million (1.3% increase from the previous fiscal year)

Business profit

¥6,664 million (12.2% down from the previous fiscal year)

Sales volume of phenolic molding compounds increased for automotive parts in China and drilling parts used for shale oil wells in North America, resulting in an increase in revenue. Strong sales were recorded for phenolic resins for industrial use bound for the automotive parts in North America. While its sales price was revised accompanying the rise in raw material prices, revenue levelled off with the decline in sales volume for construction materials in Europe. Revenue from aircraft interior components and molded parts for the automotive parts increased due to new orders. Sale price was revised for copper-clad laminates, but the fall in sales volume led to a decline in revenue.

On the other hand, business profit declined on the whole for the high-performance plastics segment, due to factors such as the rise in raw material prices exceeding revised sale prices.

[Quality of Life Products]

Revenue

¥69,541 million (4.0% increase from the previous fiscal year)

Business profit

¥5,420 million (6.1% increase from the previous fiscal year)

Revenue in medical devices was increased because the product lineup was strengthened in the areas of endovascular treatment and endoscopic treatment, as well as overseas sales contributed to.

Sale of vinyl resin sheets and multi-layer sheets declined due to stock adjustments by customers for cover tapes and dicing film for industrial use, but demand recovered and increased in the area of applications for pharmaceutical packaging, resulting in an increase in revenue. There was an increased adoption of the freshness-preserving film "P-Plus" for mushrooms etc., but revenue remained largely at the same level.

The sales volume of polycarbonate resin plates and PVC plates increased through applications such as polarizing sheets for sunglasses and construction material in disaster

reconstruction. Alongside with sales price revisions, this contributed to an increase in revenue. There was an increase in orders for waterproofing products, for applications in the building sector such as apartments and heat storage tanks. However, due in part to the decline in sales for new housing, revenue stayed at the same level.

Financial Position

(1) Assets

Total assets increased by ¥12,651 million compared to the end of the previous fiscal year, to ¥284,898 million.

This was mainly attributed to increases in "Investments accounted for using equity method" of ¥8,417 million, "Inventories" of ¥3,882 million, and "Cash and cash equivalents" of ¥3,081 million.

(2) Liabilities

Total liabilities increased by ¥2,278 million compared to the end of the previous fiscal year, to ¥104,263 million.

This was mainly attributed to increases in "Borrowings" of ¥1,707 million and "Provisions" of ¥894 million respectively.

(3) Equity

Total equity increased by ¥10,373 million compared to the end of the previous fiscal year, to ¥180,635 million.

This was mainly attributed to the recording of ¥15,084 million for profit attributable to owners of parent, as well as dividend payment of ¥3,177 million.

Cash and cash equivalents at the end of the fiscal year (hereinafter, "funds") increased by ¥3,081 million compared to the end of the previous fiscal year to ¥59,640 million.

Cash Flows

Cash and cash equivalents (hereafter, "funds") for the end of fiscal 2018 increased by ¥3,081 million year-on-year to ¥59,640 million.

(1) Cash flows from operating activities

Funds gained through operating activities were ¥20,191 million.

This was mainly the result of income gained through profit before tax and the recording of depreciation and amortization, the recording of share of profit of investments accounted for using equity method, and payments of income taxes. Compared to the previous fiscal year, income fell by ¥1,863 million.

(2) Cash flows from investing activities

Funds used for investing activities were ¥15,616 million.

This was mainly the result of payments for purchase of property, plant and equipment, and purchase of investments accounted for using equity method. Compared to the previous fiscal year, expenditure increased by ¥3,871 million.

(3) Cash flows from financing activities

Funds used for financing activities were ¥2,224 million.

This was mainly the result of increase in commercial papers and payments of dividends. Compared to the previous fiscal year, expenditure fell by ¥229 million.

Capital Expenditure

We made ¥11,346 million of capital expenditure during fiscal 2018, based on the basic strategies of "New business start-ups and creation," "Increase in profitability and scale of growing areas," and "New growth in existing businesses and change of business model," implemented with a view to achieving new growth.

Capital expenditure included property, plant and equipment as well as investment in intangible assets, and the amounts required for these were mainly provided through our own resources.

[Semiconductor Materials]

Capital expenditure of ¥3,034 million was made. Main contents were for enhancing the production facilities and R&D facilities for photosensitive coating resins for semiconductor wafers at the Company, and for enhancing production facilities for epoxy resin molding compounds for encapsulation of semiconductor devices at Sumitomo Bakelite Singapore Pte. Ltd.

[High-Performance Plastics]

Capital expenditure of ¥5,095 million was made. Main contents were for enhancing and updating production facilities for phenolic resins for industrial use at the Company and Sumitomo Bakelite Europe NV, and for phenolic molding compounds at Sumitomo Bakelite North America, Inc.

[Quality of Life Products]

Capital expenditure of ¥2,948 million was made. Main contents were for enhancing and updating production facilities for vinyl resin sheets and multi-layer sheets at the Company, and for medical devices at Akita Sumitomo Bakelite Co., Ltd.

R&D

We have decided to incorporate the SDGs as one of our management policies. To clarify the areas of SDGs to focus on and promote the necessary measures on a company-wide scale, we launched the SDG Promotion and Preparation Project Team on October 1, 2018. In our R&D as well, in order to fulfill the apparent needs that contribute to resolving social issues as well as potential needs, we are promoting the development of innovative products and technologies with a strong competitive edge, which are necessary for the creation of new SDG-oriented businesses, in the three areas that we have established as "Creation Areas." These are, namely, "highly integrated devices," "automobiles and aircraft," and "healthcare." R&D expenses for fiscal 2018 was ¥10,235 million. This includes ¥1,823 million for fundamental research.

Corporate Information

Corporate Data (As of March 31, 2019)

Established	January 25, 1932
Capital	¥37,143,093,785
Employees	5,898 (Consolidated)
Major business operations	Manufacturing and sales of the following products Semiconductor Materials segment Epoxy resin molding compounds for encapsulation of semiconductor devices Photosensitive coating resins for semiconductor wafers Liquid resins for semiconductor devices Substrate materials for semiconductor packages

High-Performance Plastics segment

Phenolic molding compounds
 Phenolic resins for industrial use
 Molded parts
 Synthetic resin adhesives
 Epoxy resin copper-clad laminates
 Phenolic resin copper-clad laminates
 Aircraft interior components

Quality of Life Products segment

Medical devices
 Vinyl resin sheets and multi-layer sheets
 Melamine resin decorative laminates and sheets
 Polycarbonate resin plates
 PVC resin plates
 Design and contracting of waterproofing system
 Freshness preserving films
 Biotechnology related products

Board of Directors and Corporate Auditors (As of June 24, 2019)

Chairman*	Shigeru Hayashi	Outside Director	Hiroyuki Abe
President*	Kazuhiko Fujiwara	Outside Director	Kazuo Matsuda
Director	Masayuki Inagaki	Outside Director	Toshihisa Deguchi
Director	Sumitoshi Asakuma	Standing Corporate Auditor	Tsuneo Terasawa
Director	Takashi Nakamura	Standing Corporate Auditor	Katsushige Aoki
Director	Goichiro Kuwaki	Outside Corporate Auditor	Kazuhiko Yamagishi
Director	Takashi Kobayashi	Outside Corporate Auditor	Etsuko Nagashima

(Note) *Representative Directors

Executive Officers (As of June 24, 2019)

President	Kazuhiko Fujiwara	Executive Officer	Koji Choki
Senior Managing Executive Officer	Masayuki Inagaki	Executive Officer	Masaya Fumita
Senior Managing Executive Officer	Sumitoshi Asakuma	Executive Officer	Yoshikazu Takezaki
Managing Executive Officer	Takashi Nakamura	Executive Officer	Seiji Suzuki
Managing Executive Officer	Goichiro Kuwaki	Executive Officer	Nobuyuki Sashida
Managing Executive Officer	Takashi Kobayashi	Executive Officer	Makoto Suzuki
Managing Executive Officer	Keisuke Kurachi	Executive Officer	Alex Geskens
Managing Executive Officer	Atsushi Suzuki	Executive Officer	Norihisa Fujimura
		Executive Officer	Shinichi Kajiya

Stock Information (As of March 31, 2019)

Stock Status

Share class	Common stock
Stock trading unit	100 shares
Authorized	160,000,000 shares
Issued and outstanding	49,590,478 shares
Number of shareholders	10,893
(Number of share trading unit holders included in above)	7,592

*As of October 1, 2018, the stock trading unit was changed from 1,000 shares to 100 shares. In addition, a share consolidation of common stock was carried out on the same date at the ratio of every 5 shares into 1 share. Hence, the total number of authorized shares became 160,000,000, and the total number of issued and outstanding shares was 49,590,478.

Principal Shareholders

Name	Number of stocks held (thousands)	Percentage of total number of issued stocks (%)
Sumitomo Chemical Co., Ltd.	10,509	22.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,331	9.20
Japan Trustee Services Bank, Ltd. (Trust Account)	3,788	8.05
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,727	3.67
Japan Trustee Services Bank, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank)	873	1.86
Sumitomo Mitsui Banking Corporation	872	1.85
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	743	1.58
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	701	1.49
Japan Trustee Services Bank, Ltd. (Trust Account 5)	663	1.41
Sumitomo Life Insurance Company	523	1.11

(Notes)1. The Company holds 2,530 thousand shares of treasury stock, which are excluded from stock held by the principal shareholders listed above.

2. Percentage of total number of issued stocks is calculated based on the total number of issued stocks less treasury stocks.

Domestic Network (As of March 31, 2019)

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Nagoya Office

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Phone: +81-(0)52-726-8351 Facsimile: +81-(0)52-726-8398

Kobe Facility Office

1-1-5 Murotani, Nishi-ku, Kobe, Hyogo 651-2241, JAPAN
Phone: +81-(0)78-992-3900 Facsimile: +81-(0)78-992-3919

Plants

Amagasaki Plant

2-3-47 Higashi-tsukaguchi-cho, Amagasaki, Hyogo 661-0011, JAPAN
Phone: +81-(0)6-6429-6941 Facsimile: +81-(0)6-6427-8055

Kanuma Plant

7-1 Satsuki-cho, Kanuma, Tochigi 322-0014, JAPAN
Phone: +81-(0)28-976-2131 Facsimile: +81-(0)28-976-2135

Shizuoka Plant

2100 Takayanagi, Fujieda, Shizuoka 426-0041, JAPAN
Phone: +81-(0)54-635-2420 Facsimile: +81-(0)54-636-0294

Utsunomiya Plant

20-7 Kiyohara-kogyodanchi, Utsunomiya, Tochigi 321-3231, JAPAN
Phone: +81-(0)28-667-6211 Facsimile: +81-(0)28-667-5519

Laboratories

Advanced Materials Research Laboratory

Kobe
Phone: +81-(0)78-992-3900 Facsimile: +81-(0)78-992-3919
Shizuoka
Phone: +81-(0)54-635-4095 Facsimile: +81-(0)54-635-2129
Utsunomiya
Phone: +81-(0)28-667-7454 Facsimile: +81-(0)28-667-7457

Corporate Engineering Center (Located at Shizuoka Plant)

Phone: +81-(0)54-635-6255 Facsimile: +81-(0)54-635-2129

Information & Telecommunication Materials Research Laboratory

Utsunomiya
Phone: +81-(0)28-612-7185 Facsimile: +81-(0)28-612-7186
Located at Kyushu Sumitomo Bakelite Co., Ltd.
Phone: +81-(0)949-23-1911 Facsimile: +81-(0)949-23-1915

High Performance Plastic Technology Development Laboratory (Located at Shizuoka Plant)

Phone: +81-(0)54-635-7014 Facsimile: +81-(0)54-636-7020

Films & Sheets Research Laboratory

(Located at Amagasaki Plant)
Phone: +81-(0)6-6429-6944 Facsimile: +81-(0)6-6426-6463

Industrial Functional Materials Research Laboratory (Located at Kanuma Plant)

Phone: +81-(0)289-76-2136 Facsimile: +81-(0)289-76-5393

Group Companies (As of March 31, 2019)

Domestic

Akita Sumitomo Bakelite Co., Ltd.	Hokkai Taiyo Plastic Co., Ltd.
Kyushu Sumitomo Bakelite Co., Ltd.	Yamaroku Kasei Industry Co., Ltd.
S.B. Techno Plastics Co., Ltd.	S.B. Research Co., Ltd.

Sunbake Co., Ltd.	Softec Co., Ltd.
S.B. Sheet Waterproof Systems Co., Ltd.	Seibu Jushi Co., Ltd.
	Tsutsunaka Kosan Co., Ltd.

Overseas

Sumitomo Bakelite Europe NV	P.T. Indopherin Jaya
Vyncolit NV	P.T. SBP Indonesia
Sumitomo Bakelite Europe (Barcelona), S.L.U.	Sumitomo Bakelite Singapore Pte. Ltd.
Sumitomo Bakelite (Suzhou) Co., Ltd.	Sumidurez Singapore Pte. Ltd.
Sumitomo Bakelite (Shanghai) Co., Ltd.	Sumitomo Bakelite (Thailand) Co., Ltd.
Sumitomo Bakelite (Nantong) Co., Ltd.	SBE India Pvt. Ltd.
Sumitomo Bakelite (Dongguan) Co., Ltd.	Sumitomo Bakelite North America Holding, Inc.
Sumitomo Bakelite Hong Kong Co., Ltd.	Sumitomo Plastics America, Inc.
Sumitomo Bakelite Macau Co., Ltd.	Durez Corporation
Sumitomo Bakelite (Taiwan) Co., Ltd.	Promerus, LLC
Sumibe (Taiwan) Co., Ltd.	Sumitomo Bakelite North America, Inc.
Sumibe Korea Co., Ltd.	Vaupell Holdings, Inc.
SNC Industrial Laminates Sdn. Bhd.	Durez Canada Co., Ltd.

Familiar Our Products Around You

Most of our products are processed in various ways after being supplied to customers and then delivered around the world as finished goods.

Here, we will introduce a number of products made by our group that are used in various situations and play an important role in our lives.

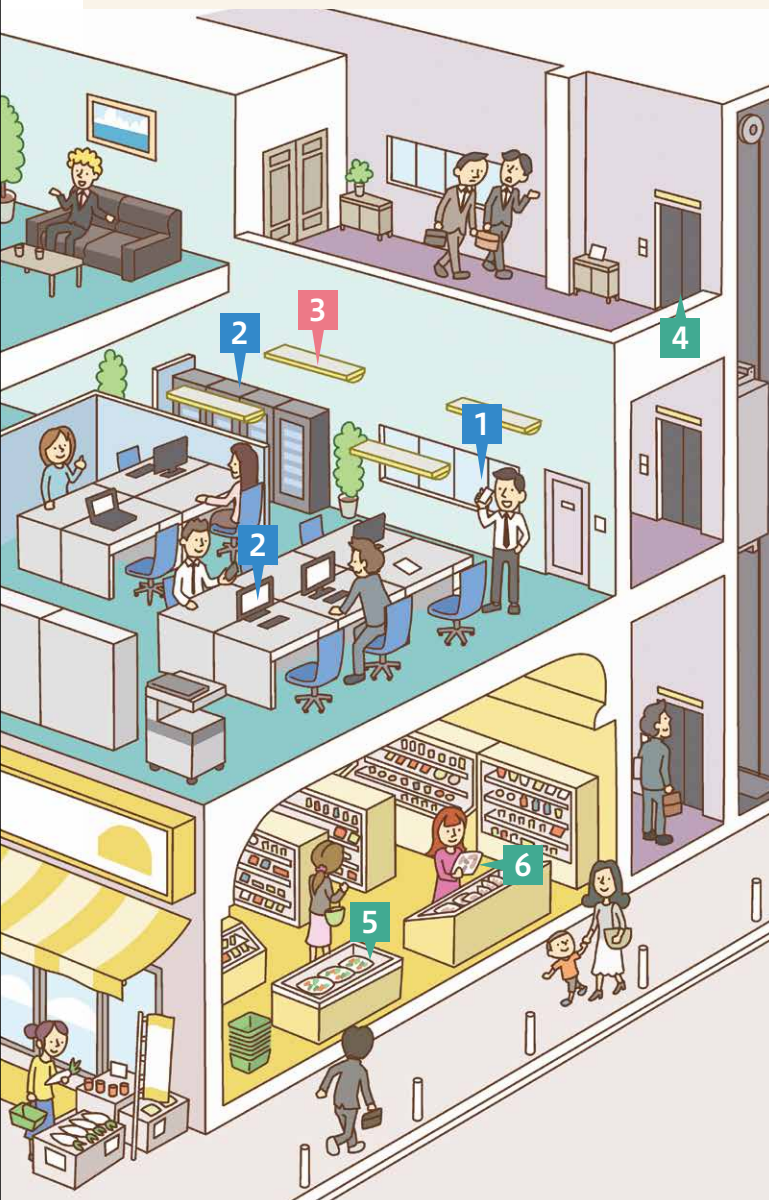


- ...Semiconductor Materials
- ...High-Performance Plastics
- ...Quality of Life Products

Please visit the "Familiar products of our company around you" page on our corporate website to learn more about the products we make.

Link → https://www.sumibe.co.jp/around_you/en.html

Shop/Office



1 Electronic components for computers and mobile phones, etc.

Epoxy Resin Molding Compounds for Encapsulation of Semiconductor Devices (SUMIKON EME)

We carry a lineup of epoxy resin molding compounds that protect delicate semiconductors from the external environment, including moisture and impacts, contributing to improved reliability.

Semiconductor Package Substrate Materials (LαZ)

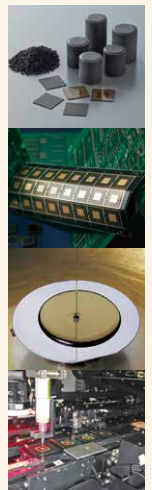
We deliver new value to customers with our substrate material for semiconductor packages called "LαZ," which offers reduced thermal expansion and highly consistent dimensions.

Coating Resins for Semiconductor Wafers (SUMIRESIN EXCEL CRC)

Coating resins protect semiconductor elements from external stress and impurities, greatly improving reliability.

Liquid Resins for Semiconductor Device (SUMIRESIN EXCEL CRM)

Semiconductor paste is used to attach semiconductor chips or LED chips to various substrates (lead frames, organic substrates, ceramic substrates).



2 Optical circuit products for servers, etc.

Optical Waveguide Sheets

Optical waveguide sheets are film-like materials for optical circuits. They are very flexible and easy to form into any shape, making them ideal for not only data communications, but various other purposes as well.



3 Lighting substrates

Copper-Clad Laminates (SUMILITE ELC/ALC)

Composite materials and aluminum substrates with excellent heat dissipation are used in LED lighting applications, helping to reduce energy usage.



4 Interior materials of elevators and office walls

Non-Flammable Melamine Film (decola innovair)

We provide 0.2mm-thick non-flammable melamine film, which is ideal for the walls of apartments, buildings, hotels, stores, and hospitals, as well as the interior material for elevators.



5 Freshness preserving films (for fruit and vegetables and cut vegetables, etc.)

Freshness Preserving Films (P-Plus)

This cling wrap slows deterioration in quality of fruits and vegetables in transit and storage, maintaining them as fresh as possible at the point of sale.



6 Food packaging films for ham, sausage, etc.

Multilayered Films for Food Packaging (SUMILITE CEL)

These flexible multi-layer composite films can be used for vacuum packaging, gas packaging, skin packaging, and various other kinds of packaging.



Car

7 Materials for Encapsulating Automotive Electrical Components

Epoxy Molding Compounds for Encapsulation (SUMIKON EME)

We offer a lineup of materials that boast excellent heat-resistance, water-resistance, and insulating performance to support electronic technologies including electric vehicles and automatic driving technology, which are used in applications such as Electric-Control-Units (ECU), Power-Control-Units (PCU), sensors, and motors. In this way, we contribute to higher reliability and reductions in size, weight, and total cost.



8 Substrate for electronic devices such as car navigation and car audio

Copper-Clad Laminates (SUMILITE ELC)

Our highly heat-resistant substrate material is used in electronic control circuit boards improving fuel economy and riding comfort.



9 Tire reinforcement

Resins for Tire-Reinforcement (SUMILITERESIN PR)

Our phenolic resins are added to the rubber components required for the tire stiffness, contributing to improved rolling resistance in fuel conserving tires.



10 Material for powered parts

11 Materials for brake components

Materials for Pulleys and Disc Brake Pistons (SUMIKON PM)

Phenolic resin for motor vehicles (SUMILITERESIN PR)

Industrial phenolic resin and phenolic resin molding materials with superior heat-resistance and durability are used for engine accessories and brake components, contributing to reducing the weight of motor vehicles while improving their fuel efficiency.



12 Polarizing plate for sunglasses, etc.

Polycarbonate Polarizing Sheets

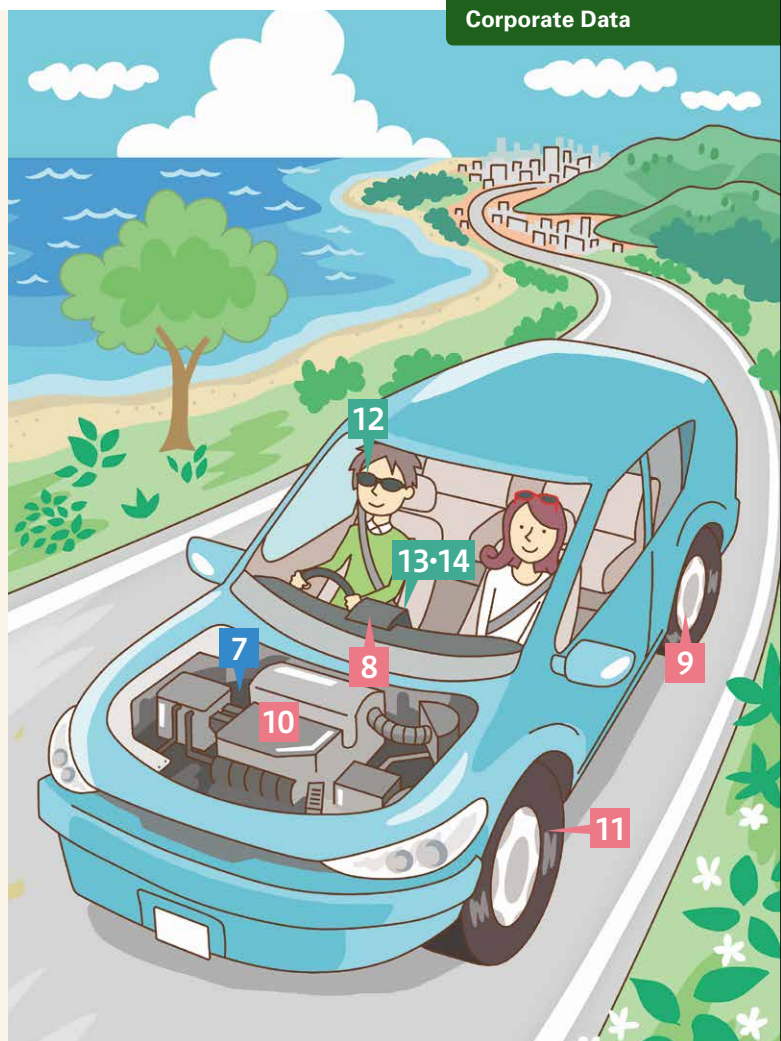
Made from polycarbonate with excellent optical qualities and impact resistance for safer and more comfortable vision.



13 Covers for head-up displays

Polycarbonate Resin Sheets (Coated PC sheets)

Excellent optical qualities contribute to high resolution and brightness in projection images.



14 Display panel of in-vehicle meters and in-vehicle center panel

Polycarbonate Resin Sheets (Extruded PC sheets)

Offers improved reliability and visual design of instruments because it is made from polycarbonate sheets with excellent printability and moldability.



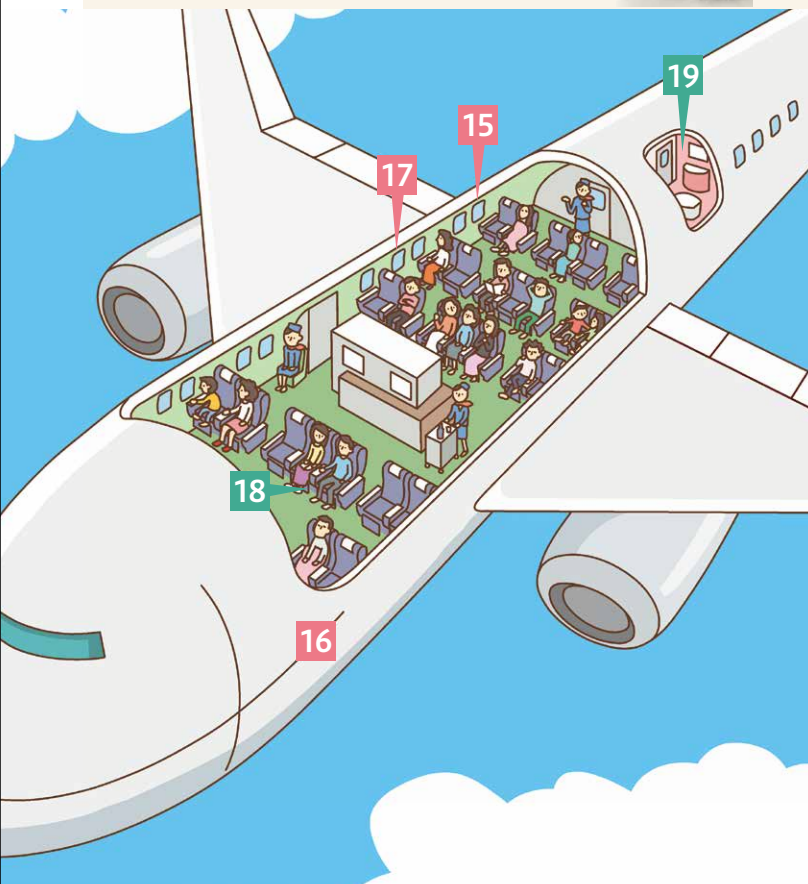
Aircraft

15 Window assembly

16 Ventilation lid (for cabin pressure adjustment)

- 17 • Air outlet valves
- Service unit for AC, lights, etc. (for passengers)
- Seat markers

High performance plastics for metal replacement achieve weight saving, low-fuel consumption, and a comfortable environment for passengers.

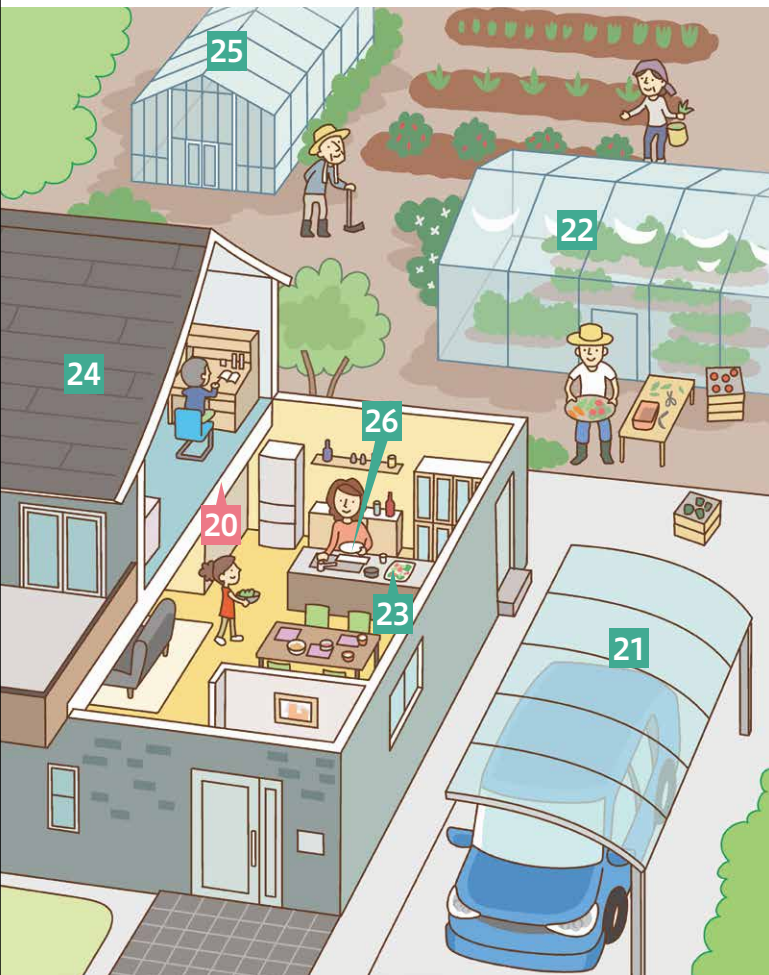


18 Seat tables

19 Lavatories

KD, Acrylic-modified PVC Plates

Having many superior properties such as flame retardancy and impact resistance, these plates are used for various applications such as interior decoration for aerospace transportation and trains.



House/Farms

20 Plywood adhesive used for floors, walls and residential fixtures

Adhesives for Plywood Production and Boards (Sumitac)

This adhesive uses low formaldehyde phenol that cures quickly at low temperatures, improving the productivity of plywood manufacturing and contributing to protecting the environment.

21 Carport roofs

Polycarbonate Resin Plates (Extruded PC Plates)

Having outstanding impact resistance and transparency, these plates are applicable for construction and architectural needs such as canopies and windows.

22 Hemmed film for vinyl greenhouses

Polycarbonate Films for Agricultural Use

This product is a film that retains the functions of polycarbonate plate, such as transparency and impact resistance. It is used for covering lower parts of agricultural greenhouses.

23 Freshness preserving films (fruit and vegetables including sliced vegetables, etc.)

Freshness Preserving Films (P-Plus)

This cling wrap slows deterioration of fruits and vegetables, maintaining them in a fresh state for a longer time. Our lineup includes not only films for commercial applications, but also zipper bags for home use.

24 Waterproofing sheets/systems for roofs

Waterproofing Sheets and System (SUNLOID DN)

Employing PVC sheets, this system is used on the roofs of buildings, for the waterproofing of tanks and veranda flooring, and on the roofs of high quality prefab housing.

25 Covering materials for agricultural greenhouses

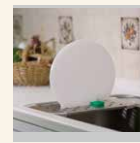
Polycarbonate Resin Plates (Extruded PC Corrugated Sheet)

Transparent corrugated plate made of polycarbonate, with excellent impact strength as well as weather resistance. It also has excellent heat insulation and thermal resistance. A plentiful assortment of colors is available for a wide range of uses.

26 Plastic chopping boards

Plastic Chopping Boards (MYKITCHEN)

Since developing the first plastic chopping board in Japan (MYKITCHEN), we have developed a number of kitchen utensils under the theme cleanliness and hygiene that meet various needs from commercial to common kitchens, including the Super Heat Resistant Chopping Board, which offers excellent heat resistance and disinfecting qualities.



Medical

27 Packaging materials for medical and pharmaceutical products

Push-Through Pack (PTP) Packaging Materials for Pharmaceutical Products (SUMILITE)

These materials help maintain the quality of a wide range of medical equipment and drugs with an emphasis on sanitation and safety.



28 Plastic labware for cell culture

Laboratory Ware (SUMILON)

A wide variety of plastic lab ware for cell culture including dishes, plates, flasks, and cryogenic vials.



29 Testing kits

Bio-related Products (S-BIO)

S-BIO chips and beads help to reduce waste and lower costs by downsizing and speeding up analysis and testing of biological specimens.



30 Medical devices for surgery and drainage

31 Medical devices for patient drainage and nutrition management

Medical Devices (sumius)

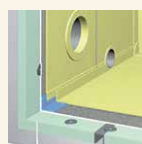
Our medical Devices contribute to safety and reliability in healthcare, supporting everyone's health.



32 Energy-saving heat storage tank waterproofing system

Thermal Insulation and Waterproofing Sheets & System (for thermal storage tanks of energy conservation systems)

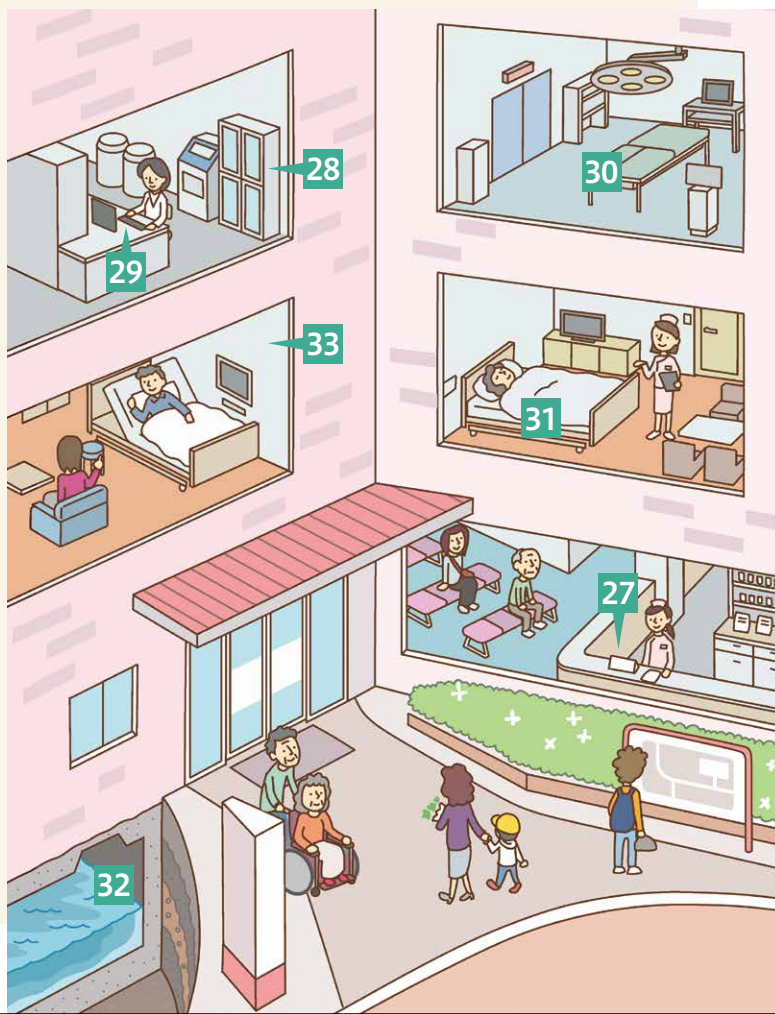
Regenerative heat pumps contribute to energy savings. Our waterproofing and insulation system for heat storage tanks supports the energy saving activities in urban cities.



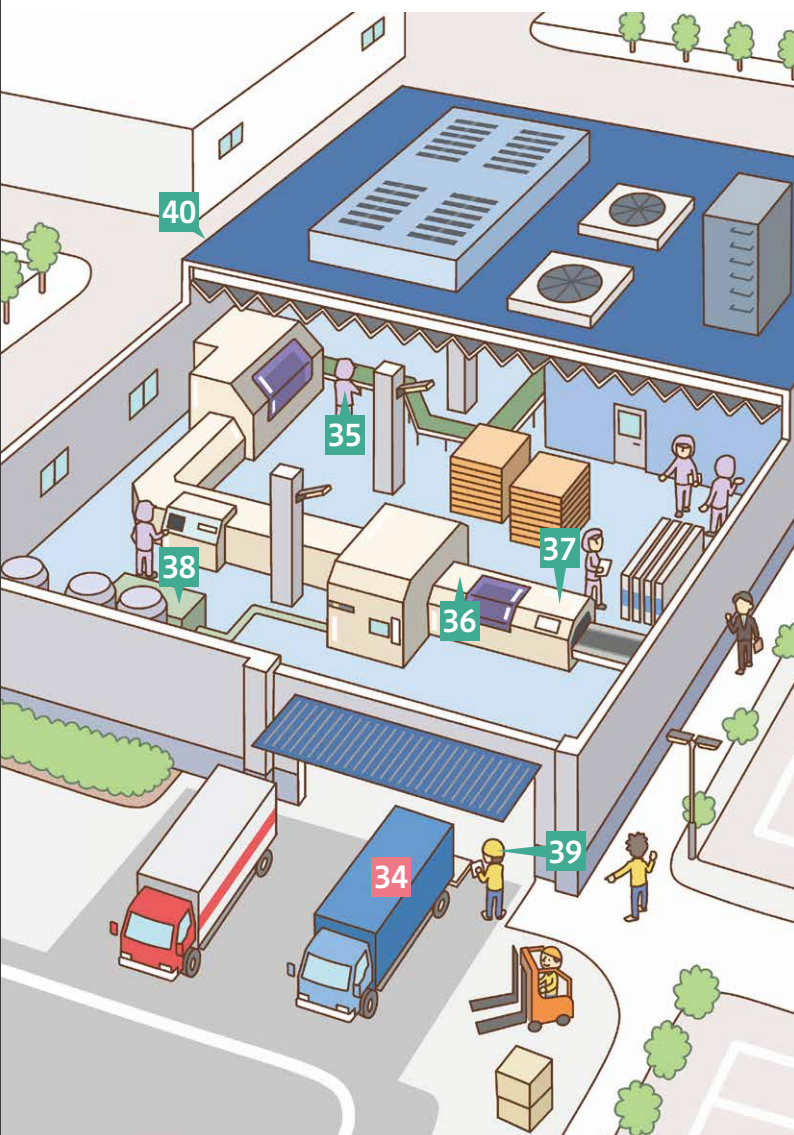
33 Walls of medical facilities and elevator interiors

Non-Flammable Melamine Films (decola innovair)

We provide 0.2mm-thick non-flammable melamine film, which is safe and hygienic, making it ideal for the walls of hospitals and welfare homes for the elderly, as well as the interior material for elevators.



Factory



34 Purifying water for nitrogen compounds from diesel engine gas exhaust

Diesel Exhausts Fluid (AdBlue)*
This high purity urea water is used in systems for lowering nitrogen oxide from diesel exhaust, contributing to protecting the environment.



*AdBlue is a registered trademark of the Association of German Chambers of Commerce and Industry (VDA).

35 Manufacturing facility covers, security windows, partitions, etc.

Multilayered Films and Sheets for Industrial Use (SUMILITE CEL)

Our PVC Heat Resistant Plate offers heat resistance for industrial use, corrosion resistance, and chemical resistance.



36 Packaging, transport, and mounting tape for semiconductor parts, etc.

Cover Tapes for Mounting Semiconductors (SUMILITE CSL)
Our tape is used for transferring and mounting semiconductors, playing a role in protecting semiconductors from static electricity.



37 Wafer adhesive tape used for the dicing process of semiconductor parts

Tapes for the Dicing Process in Semiconductor and Related Field (SUMILITE FSL)

Tape for the dicing process in semiconductor and related fields. Dicing tape is designed to meet a variety of customers' requirements.



38 Manufacturing facility covers, security windows, partitions, etc.

PVC Plates (PVC Heat Resistant Plate)

These products have excellent corrosion resistance and chemical resistance, are used under high-heated conditions.



39 Helmets

Safety Helmets (SUMI HAT)

Our helmets are used at both factories and plants as well as for disaster relief operations because they offer advanced safety features, comfort and vents.



40 Roof waterproofing structures/systems

30-minute Roof Fire Retardant & Waterproofing Method (SUNBRID)

A light weight and insulating rooftop waterproofing structure made from waterproof sheets with excellent durability and heat shielding performance, which helps conserve energy and lower life cycle costs (LCC).



Train/Station

41 Ceilings, doors, walls, etc.

Aluminum based Decorative Laminates (ALUMI DECOLA)

Having flame retardancy, light weight, and design variations, ALUMI DECOLA products are used for interior materials of railway vehicles and busses, and contribute to comfortable spaces of vehicles.



42 Armrests and tables for seats

KD, Acrylic-modified PVC Plates

Having many superior properties such as flame retardancy and impact resistance, these plates are used for various applications such as interior decoration of aerospace transportation and trains.



SUMITOMO BAKELITE CO., LTD.

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A-(2)-060002

